

# Beforepay Group Limited

ASX Announcement (ASX: B4P)

28 July 2022

## Beforepay Q4 FY22 Quarterly Activities and Appendix 4C Cash Flow Report (Unaudited) Beforepay delivers strong growth and significant uplift in net transaction margin in Q4 FY22

Beforepay Group Limited (Beforepay or the Company) (ASX: B4P) has released its Appendix 4C for the quarter ended 30 June 2022 (Q4 FY22).

Beforepay continues improvement across all key metrics in Q4 FY22. Highlights include:

- Strong growth continues with pay advances of \$107.4m, up 139% from Q4 FY21 (year-on year or YoY) and up 22% on Q3 FY22 (Quarter-on-quarter or QoQ).
- Net transaction loss% <sup>1</sup> declined to 1.8%, down 56% YoY and 18% QoQ, driven by ongoing refinements to the risk model, customer limit management, and higher recoveries.
- Net transaction margin<sup>2</sup> (NTM) increased to \$2.18m, up from \$1.05m or 108% QoQ and up \$2.48m from a loss of -\$0.30m in Q4FY21, with increasing profitability largely driven by improvements in net transaction loss.
- Continued balance-sheet strength with \$28.4m in cash on hand as at 30 June 2022.

Beforepay CEO, Jamie Twiss, said, "Beforepay has delivered another strong quarter, with significant improvements in all key metrics. More than doubling our net transaction margin in a single quarter shows that we are well on track towards profitability."

### Overview

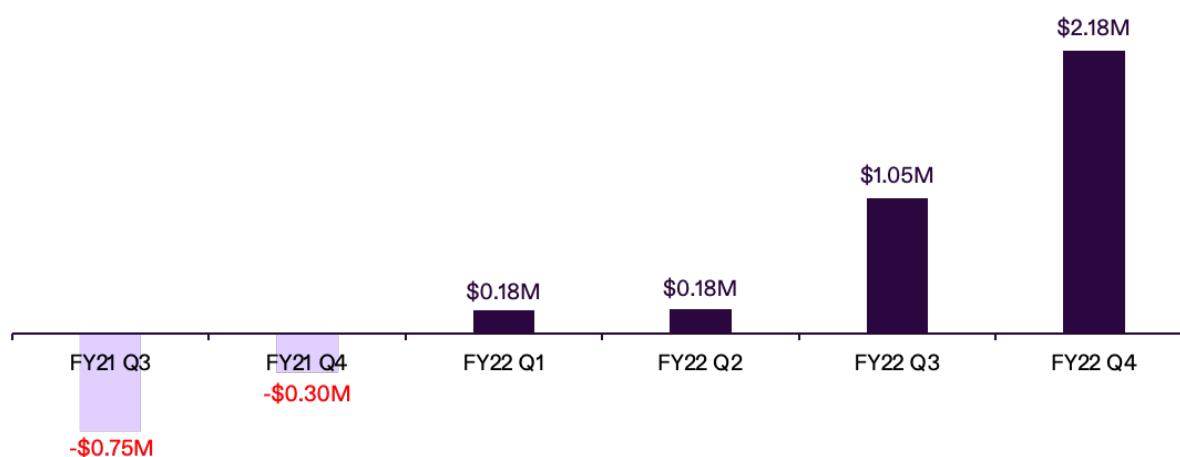
	Q4 FY22	Q4 FY21	Q3 FY22	YoY Change %	QoQ Change %
<b>Platform metrics</b>					
Pay advances	\$107.4m	\$44.9m	\$87.9m	139%	22%
Average pay advance	\$299	\$238	\$282	26%	6%
Active users (no. users) <sup>3</sup>	173,398	102,621	158,269	69%	10%
<b>Financial metrics</b>					
Beforepay income	\$5.26m	\$2.18m	\$4.04m	142%	30%
Net transaction loss % (of pay advances plus fees)	1.8%	4.1%	2.2%	-56%	-18%
Net transaction margin	\$2.18m	(\$0.30)	\$1.05m	N/A	108%
Net transaction margin % (of pay advances)	2.0%	N/A	1.2%	N/A	66%

<sup>1</sup> Net transaction loss refers to actual and expected credit losses (net of recoveries). Net transaction loss % is the net transaction loss as a percentage of pay advances plus fees.

<sup>2</sup> Net transaction margin comprises Beforepay income (being Beforepay pay advance fee income) less the variable costs associated with facilitating pay advance transactions (net of recoveries). These variable costs include net transaction loss, third party funding costs, and direct service costs. Net transaction margin is a management metric used to measure the gross margin earned on pay advances. Net transaction loss comprises customer defaults plus current advances provisioned during the period.

<sup>3</sup> Customers of Beforepay who have taken out a pay advance in the previous 12 months from the relevant date. This includes customers who have not yet repaid their most recent cash out and are not eligible to re-borrow until they have done so.

## Net transaction margin by quarter



	Q4 FY22	Q3 FY22	Change
<b>Balance sheet</b>			
Cash position	\$28,367,245 <sup>4</sup>	\$35,225,230	\$(6,857,985)
Equity position	\$32,661,476	\$36,575,099	\$(3,913,623)

## Financial performance

- Pay advances grew by 139% YoY driven by both new customer acquisition and continued usage by existing customers.
- Active users grew by 69% YoY to 173,398 and up 10% on Q3 FY22 (158,269).
- Beforepay income increased by 142% YoY to \$5.26m during Q4 FY22 and up 30% on Q3 FY22 (\$4.04m).
- Net transaction loss % improved to 1.8%, down 56% YoY and down 18% QoQ driven by ongoing refinements to the risk model, customer limit management and higher recoveries during Q4 FY22. Management aims to maintain net transaction losses (defaults) around this level as we balance opportunities to accelerate growth.
- Direct service costs as a percentage of pay advances reduced to 0.4% in Q4 FY22 (previously 0.5% in Q3 FY22).
- Net transaction margin % increased to 2.0% compared to 1.2% of pay advances in Q3 FY22 driven primarily by lower net transaction losses as well as timing effects in revenue recognition.
- Total operating expenses (excluding one off and/or significant items) were \$5.98m in Q4 FY22, which declined 7% or \$0.42m QoQ. Within these numbers, advertising and marketing expense attributable to customer acquisition was \$2.71m in Q4 FY22 or 19.5% lower than Q3 FY22, (\$3.37m) primarily driven by the timing of above-the-line advertising spend. Employee, general and administration and other costs were \$3.29m in Q4 FY22 or 8.5% higher than Q3 FY22 (\$3.03m) related primarily to higher employment and recruitment costs during the quarter.
- EBITDA (excluding one-off and/or significant items) was (\$3.24m), a 34% improvement on the EBITDA loss of (\$4.89m) in Q3 FY22.
- Month to date trading for July 2022 is slower than recent months, consistent with expected seasonal variations.

<sup>4</sup> Cash position as at 30 June 2022 represents all statutory cash and cash equivalents (including held by third parties).

### Balance sheet

- Cash on hand as at Q4 FY22 was \$28.4m. This compares to the cash on hand of \$35.2m at Q3 FY22, reflecting growth in customer pay advances during the quarter.
- As at Q4 FY22, Beforepay had drawn \$20.7m under its third-party debt facility, up from \$15.7m in Q3 FY22 to fund the growth in pay advances. The third-party debt facility has a capacity which increases to \$45m by December 2023 and expires in January 2024 following the 7-month extension by AMAL Trustees Pty Ltd (ACN 609 737 064) as trustee for the Longreach Direct Lending Fund (Longreach), announced on the 28 June 2022.
- Beforepay had a total equity position of \$32.6m as at Q4 FY22. This compares to \$36.6m at Q3 FY22.
- Beforepay retains a highly capital efficient model with an average pay advance duration<sup>5</sup> of approximately 20-25 days. As a result, the third-party funding cost of the average pay advance<sup>6</sup> is c. 0.52% of the amount advanced, based on a 20-day loan duration. A 1% increase in interest rate would increase this to approximately 0.56%.

### Growth strategy

- Beforepay's growth strategy through new customer acquisition and customer retention remains unchanged. The momentum of growth in both revenue and user numbers combined with an improvement in net transaction margin demonstrate that the Company is successfully executing on its strategy.
- The Company remains focused on continuing to grow without adding significant cost to the current operating expense base.
- Beforepay will continue to explore international expansion opportunities, however, maintains a current focus on its path to profitability by managing costs and delivering on growth domestically. The timing of any international expansion will be reviewed by the Board accordingly.

### Our business

- Beforepay remains committed to providing its product in an ethical, customer-friendly way to help working Australians manage temporary cash-flow challenges.
- Our product advances people small sums of money over short periods of time, which helps them get through short-term challenges whilst not living beyond their means. Beforepay makes ongoing enhancements to customers' eligibility criteria and risk assessments.
- Our fee model is simple, transparent, and inexpensive, and gives our customers total control, charging only a small transaction fee, zero interest, and never any late fees.
- Average pay advances are small (with an increase to an average of ~\$299 in Q4 FY22), and if a customer does not pay back within the required time, the only penalty is that the service is suspended.
- Beforepay service remains well regarded by customers, with an average 4.8-star rating (out of 5) across the Google Play Store and Apple App Store.

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<sup>5</sup> The average time required across all pay advances in a period to fully repay the pay advance. Pay advances which default and remain unsettled are removed.

<sup>6</sup> The total dollar value of pay advances in a period divided by the number of pay advances in that period.

- In other quarterly updates, Beforepay's Chief Marketing Officer Chris Richardson will step down in August 2022.

## Appendix 1: Use of Funds

Pursuant to Listing Rule 4.7C.2, the Company confirms that, in the months since listing on the ASX, it has incurred expenditure largely in line with the Use of Proceeds set out in its Replacement Prospectus dated 29 November 2021, as detailed below. The Company is well funded to achieve its strategic objectives and planned activities.

Intended Use of Funds \$m	Replacement Prospectus	Actual Spend Since IPO (Jan-Jun 2022)	Commentary
Funding increase in cash outs	\$5.9m	\$1.1m	Funding the growth in the equity funded portion of the loan book
Marketing and customer acquisition	\$16.9m	\$6.1m	Direct digital customer acquisition and above the line marketing costs to further increase brand awareness
Overseas expansion focused on the US	\$7.6m	\$0.3m	Costs in exploring opportunities for future growth expansion in the US
Costs related to the IPO offer	\$4.6m	\$4.7m	Advisor fees (legal, compliance, tax and accounting advisors) under the Underwriting Agreement, ASX listing costs and Prospectus insurance.
<b>Total</b>	<b>\$35.0m</b>	<b>\$12.2m</b>	

In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in item 6.1 of the Appendix 4C was A\$253,000 that comprised of payments made to Executive and Non-Executive Directors relating to salary and wages, (inclusive of superannuation and applicable taxes withheld) and Director fees on standard terms.

This announcement has been authorised for release to the ASX by the Board.

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## About Beforepay

Beforepay was founded in 2019 to support working Australians who have not been well-served by the traditional financial-services industry. The product is an ethical, customer-friendly way to help people manage temporary cash-flow challenges. We provide our customers with early access to a portion of their pay, on-demand, in exchange for a single fixed fee, which helps them to get through short-term challenges whilst not living beyond their means. For more information visit [www.beforepay.com.au](http://www.beforepay.com.au).

## Important notice

This announcement contains selected summary information only and is provided for general information purposes only. It should be read in conjunction with Beforepay's continuous disclosure announcements available at [www.beforepay.com.au/investor-hub/asx-announcements](http://www.beforepay.com.au/investor-hub/asx-announcements). Nothing in this announcement constitutes financial product, investment, legal, tax, accounting or other advice and it is not to be relied upon in substitution for the recipient's own exercise of independent judgment regarding the operations, financial condition and prospects of the Beforepay Group. Before making an investment decision, the recipient should consider its own financial situation, objectives and needs, and conduct its own independent investigation and assessment of the contents of this announcement, including obtaining investment, legal, tax, accounting and such other advice as it considers necessary or appropriate.

This announcement has been prepared without taking account of any person's individual investment objectives, financial situation or particular needs. The information in this announcement has been obtained from and based on sources believed by Beforepay to be reliable. To the maximum extent permitted by law, no member of the Beforepay Group make a representation or warranty, express or implied, as to the accuracy, completeness, timeliness or reliability of the contents of this announcement. To the maximum extent permitted by law, no member of the Beforepay Group accepts any liability (including, without limitation, any liability arising from fault or negligence) for any loss whatsoever arising from the use of this announcement or its contents or otherwise arising in connection with it.

This announcement may contain forward-looking statements, guidance, forecasts, estimates, prospects, projections or statements in relation to future matters ('Forward Statements'). Forward Statements can generally be identified by the use of forward looking words such as "anticipate", "estimates", "will", "should", "could", "may", "expects", "plans", "forecast", "target" or similar expressions. Forward Statements including indications, guidance or outlook on future revenues, distributions or financial position and performance or return or growth in underlying investments are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No independent third party has reviewed the reasonableness of any such statements or assumptions. No member of the Beforepay Group represents or warrants that such Forward Statements will be achieved or will prove to be correct or gives any warranty, express or implied, as to the accuracy, completeness, likelihood of achievement or reasonableness of any Forward Statement contained in this presentation. Except as required by law or regulation, Beforepay assumes no obligation to release updates or revisions to Forward Statements to reflect any changes. This announcement includes information regarding past performance of Beforepay and investors should be aware that past performance is not and should not be relied upon as being indicative of future performance.

Investors should note that certain financial data included in this announcement is not recognised under the Australian Accounting Standards and is classified as 'non-IFRS financial information' under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information' ('RG 230'). Beforepay considers that non-IFRS information provides useful information to users in measuring the financial performance and position of the Beforepay. The non-IFRS financial measures do not have standardized meanings under Australian Accounting Standards and therefore may not be comparable to similarly titled measures determined in accordance with Australian Accounting Standards. Readers are cautioned therefore not to place undue reliance on any non-IFRS financial information and ratios in this announcement. All dollar values are in Australian dollars (\$) or A\$) unless stated otherwise. All figures are unaudited. Change percentages are calculated using unrounded figures and may differ slightly from a number calculated using rounded figures.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Beforepay Group Limited

**ABN**

63 633 925 505

**Quarter ended ("current quarter")**

30 June 2022

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers <sup>1</sup>		102,518	315,985
1.2 Payments for			
(a) research and development			
(b) product manufacturing and operating costs		(421)	(1,870)
(c) advertising and marketing		(2,714)	(12,840)
(d) leased assets			
(e) staff costs		(2,065)	(6,953)
(f) administration and corporate costs		(1,324)	(2,337)
1.3 Dividends received (see note 3)			
1.4 Interest received		1	35
1.5 Interest and other costs of finance paid <sup>2</sup>		(475)	(1,299)
1.6 Income taxes paid			
1.7 Government grants and tax incentives		-	556
1.8 Other (provide details if material) <sup>3</sup>		(107,364)	(327,294)
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(11,844)</b>	<b>(36,017)</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire or for:			
(g) entities			
(h) businesses			
(i) property, plant and equipment		-	(115)

<sup>1</sup> Receipts from customers comprises repayment of customer advances, inclusive of Beforepay fees income

<sup>2</sup> Interest associated with the Debt Facility which funds customer pay advances

<sup>3</sup> Payments to customers comprises cash outs (Pay Advances) to customers)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(j) investments		
(k) intellectual property		
(l) other non-current assets		
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets	-	(30)
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 <b>Net cash from / (used in) investing activities</b>	-	<b>(145)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	42	35,042
3.2 Proceeds from issue of convertible debt securities	-	11,658
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(5,027)
3.5 Proceeds from borrowings <sup>4</sup>	5,116	13,777
3.6 Repayment of borrowings	-	(247)
3.7 Transaction costs related to loans and borrowings	(94)	(376)
3.8 Dividends paid		
3.9 Other (provide details if material)	(78)	(310)
3.10 <b>Net cash from / (used in) financing activities</b>	<b>4,986</b>	<b>54,517</b>

<sup>4</sup> Borrowings from the debt facility to fund customers cash outs (Pay Advances)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	35,225	10,012
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(11,844)	(36,017)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(145)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,986	54,517
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>28,367</b>	<b>28,367</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	28,367	35,225
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>28,367</b>	<b>35,225</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	<b>253</b>
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>The company made payments to Executive &amp; Non-Executive Directors relating to Salaries &amp; Wages (inclusive of superannuation and applicable taxes withheld) and Directors Fees on normal commercial terms. Not included are any non-cash items (i.e. convertible note interest).</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	45,000	20,780
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>	<b>45,000</b>	<b>20,780</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>24,220</b>
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>On 28 June 2022, AMAL Trustees Pty Ltd as trustee for the Longreach Direct lending Fund (Longreach) agreed to extend the term of the \$45 million Credit Facility Agreement for a further 7 months from 15 June 2023 to 15 January 2024. There are no changes to existing financial covenants, including an interest rate of 9.5% per annum. The financing facility has a capacity which increases to \$45 million by 15 December 2023 and expires in January 2024. Unused financing facilities available at quarter end is subject to meeting the Eligible Receivable test under the facility agreement.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(11,844)
8.2	Cash and cash equivalents at quarter end (item 4.6)	28,367
8.3	Unused finance facilities available at quarter end (item 7.5)	24,220
8.4	Total available funding (item 8.2 + item 8.3)	52,587
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>4.4</b>
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: .....28 July 2022.....

Authorised by: .....By the Board.....  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.