

25th August 2022

Earlypay Limited (ASX: EPY)

Earlypay reports FY22 NPATA up 69%

Earlypay ("EPY" or "the Company") is pleased to announce record earnings for FY22, driven by growth in the core Invoice Finance product.

FY22 Highlights

- Revenue of \$53.8m up 23% on pcp (FY21 \$43.9m)
- EBITDA of \$27.3m up 30% on pcp (FY21 \$22.0m)
- NPATA¹ of \$14.7m up 69% on pcp (FY21 \$8.7m)
- PBTA¹ of \$16.8m up 42% on pcp (FY21 \$11.8m)
- EPS² of 5.27 cps up 37% on pcp (FY21 3.84cps)
- Final dividend 1.8cps fully franked, taking full year dividends to 3.2cps, up 39% on pcp (FY21 2.3cps)

Invoice & Trade Finance

Earlypay achieved strong organic growth in the core Invoice & Trade Finance product through FY22.

- Invoice Finance Total Transaction Volume (TTV) of \$2.42bn up 30% on pcp and revenue of \$37.4m up 32% on pcp (FY21: \$28.3m excl Jobkeeper \$1.1m)
- Increase in operating margins with EBITDA margin on revenue of 52.7% (FY21: 48.3%)
- Commencement of warehouse facility for Trade Finance in Apr'22

Earlypay has reported strong organic growth in TTV, which continued through the seasonally weaker H2, establishing a strong commencing run rate for FY'23 exceeding \$2.8B

Operating margins continue to improve, reflecting scalability and efficiency gain from the Earlypay platform.

Earlypay established a new \$30 million Trade Finance funding warehouse in April 2022 to support continued growth in this product. Although this increased costs in Q4 through negative carry of undeployed cash, it provides a runway for growth and will be close to full utilisation in 1H'FY23.

Equipment Finance

Growth resumed in FY22 with the loan book increasing to \$133m as at 30 June 2022, up 40% on pcp.

- Growth was achieved by training Invoice Finance BDM's to also identify Equipment Finance opportunities, effectively expanding the sales team with minimal increase to the cost base.
- The increase in loan book provides a significantly higher revenue base commencing FY23.

¹ Includes \$1.5m adjustment for non-cash amortisation of acquired intangibles

² Based on NPATA

Outlook

FY'23 run-rate

- Invoice Finance TTV in July 2022 was \$240m (July 2021: \$183m), indicating an annual run rate commencing FY23 exceeding \$2.8B. This commencing run rate is already up 17% on FY22 TTV, before factoring in any organic growth.
- Earlypay expects to build on TTV current run rate through continued strong organic growth for Invoice and Trade Finance. This expectation is based on the current new business pipeline and favourable market conditions for this product.
- Equipment Finance loan book at 30 June 2022 is 40% higher than at 30 June 2021, providing a significantly higher revenue base commencing FY23, however the growth rate for Equipment Finance is expected to slow as Earlypay targets margin improvement, cost management and cross-sell opportunities with Invoice Finance over top line growth.

Interest rates and inflation

- Invoice and Trade Finance clients are on variable interest rates – any increases to funding costs can be recovered from clients.
- TTV from existing clients is expected to increase as SME's respond to inflationary pressure and increase prices.
- Earlypay utilises interest rate hedging in its primary Equipment Finance warehouse to reduce the impact of rising rates. The rate card for new transactions is updated regularly to maintain net interest margin through time.

Business trading conditions

- All lending at Earlypay is secured and asset backed. Invoice and Trade Finance is provided on modest LVR and is short-term in nature. Earlypay has a long history of supporting SMEs in all stages of the business lifecycle and has an experienced team to manage advance rates or collect-out if trading condition deteriorate.
- Equipment Finance is generally offered only against primary and secondary assets with a good resale market and Earlypay has an experienced internal and external team to successfully manage recoveries if required. Arrears remain very low, with less than 0.5% over 30 days

Earlypay CEO Daniel Riley said of the result: *"We are pleased to report an outstanding FY22 result, which shows material growth in the core Invoice and Trade Finance product coupled with a resumption of growth in Equipment Finance. The result was driven by record Invoice Finance TTV and increased utilisation of proprietary technology to facilitate operating leverage of the business. Earlypay's Invoice Finance offering is a robust form of SME lending well suited to rapid change in business trading conditions. The short tenor of loans, with invoices repaid in 35 days on average, combined with data available through the Earlypay platform, facilitates oversight of SME business performance and proactive management of advance rates and debtor limits to appropriately manage exposures."*

With more and more SMEs looking for funding outside of the banks, Earlypay is clearly positioned as a leader and innovator in the small business finance sector. We anticipate a continuation of momentum through FY23 based on the current new business pipeline and favourable market conditions for the core Invoice Finance product.

While it is too early to give specific guidance Earlypay has had a strong start to the new financial year and expects an increase in earnings in FY23."

This release was authorised by the Chief Executive Officer of Earlypay, Daniel Riley.

Sincerely,

A handwritten signature in purple ink, appearing to be "Daniel Riley".

Daniel Riley
CEO

For further information, please contact:

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ABOUT EARLYPAY

Earlypay provides finance to SME businesses in the form of secured invoice and trade financing and equipment financing.

Through the Earlypay online platform, SMEs receive an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from their customers (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume. Earlypay will consider an additional advance to a client (above the usual 80%) on occasion, for an additional fee and when there is adequate security from the client to cover the position.

Other services include trade finance to assist clients finance purchases, as well as equipment finance to assist SMEs with capital expenditure on items required to operate their business.