

Beforepay Group Limited

ASX Announcement (ASX: B4P)

31 August 2022

Beforepay Full Year Results to 30 June 2022

Beforepay delivers strong growth and significant uplift in net transaction margin in FY22

Beforepay Group Limited (Beforepay or the Company) (ASX: B4P) has released its results for the full year ended 30 June 2022 (FY22).

Beforepay continued improvement across all key metrics during FY22. Highlights include:

- Strong growth continues with pay advances of \$327.3m, up 252% from the full year ended 30 June 2021 (FY21).
- Net transaction loss% ¹ declined to 2.4%, down 54% year on year (YoY), driven by ongoing refinements to the risk model, customer limit management, and higher recoveries.
- Net transaction margin² (NTM) increased to \$3.57m, up from a loss of (\$2.06m) YoY, with increasing profitability largely driven by improvements in net transaction loss, as well as declines in direct costs as a percentage of advances.
- Loss from ordinary activities for the Company after providing for income tax was (\$29.1m) (FY21: (\$18.8m)). Loss from ordinary activities after income tax (excluding one-off and/or significant items³) was (\$21.7m) (FY21: (\$18.8m)).
- Continued balance-sheet strength with \$28.4m in cash on hand as at 30 June 2022.

Beforepay CEO, Jamie Twiss, said, *"Beforepay has delivered a strong performance for the full year. Pay advance volume is up sharply, defaults are much lower, and net transaction margin is now positive, putting us in a strong position to continue our path to profitability."*

Overview

	FY22	FY21	YoY Change %
Platform metrics			
Pay advances \$	\$327.3m	\$93.0m	252%
Average pay advance \$	\$268	\$163	64%
Active users (no. users) ⁴	173,398	102,621	69%
Financial metrics			

¹ 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.

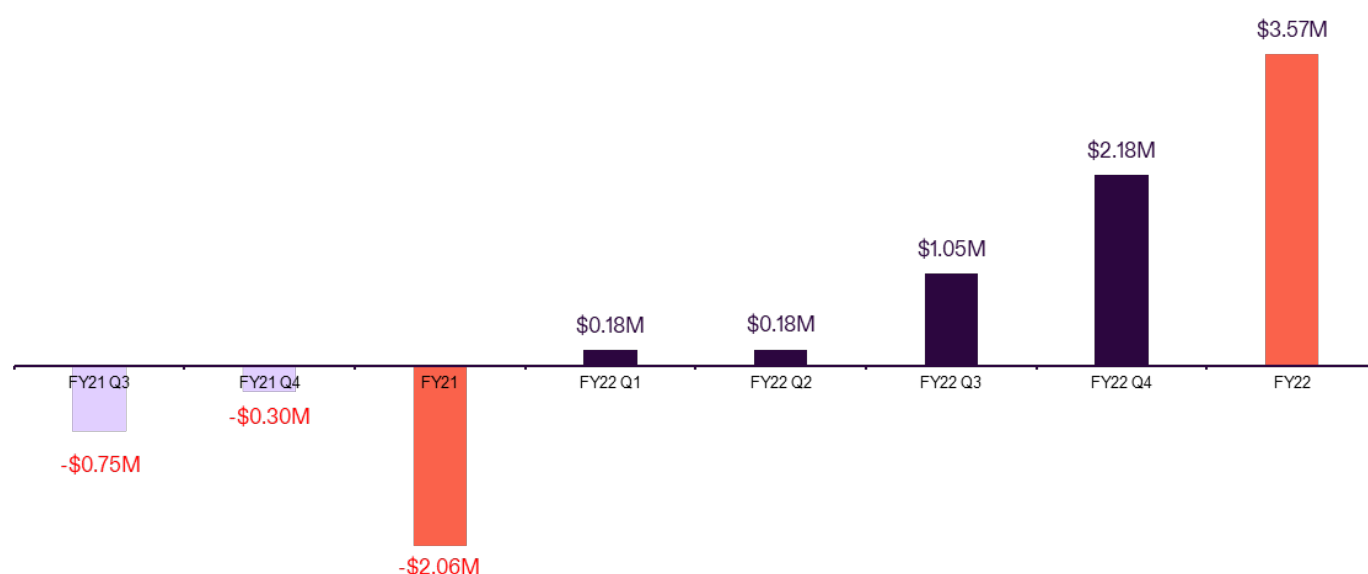
² Net transaction margin comprises Beforepay income (being Beforepay pay advance fee income) less the variable costs associated with facilitating pay advance transactions (net of recoveries). These variable costs include net transaction loss, third party funding costs, and direct service costs. Net transaction 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.

³ One-off and significant Items Include: IPO expenses (\$2.1m), fair value loss on convertible notes (\$3.4m), legal settlement expense (\$1.7m) and convertible note Issuance expense (\$0.2m).

⁴ 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.

Beforepay income \$	\$15.3m	\$4.5m	240%
Net transaction loss % (of pay advances plus fees)	2.4%	5.2%	(54%)
Net transaction margin \$	\$3.57m	(\$2.06m)	N/A
Net transaction margin % (of pay advances)	1.1%	(2.2%)	N/A
EBITDA (excl. one-off and significant items) \$	(\$19.5m)	(\$10.3m)	89%

Net transaction margin by quarter (FY22 v FY21)



	FY22	FY21	Change
Balance sheet			
Cash position	\$28,367,245 ⁵	\$10,011,785	\$18,355,460
Equity position	\$32,627,696	\$(13,237,993)	\$45,865,689

Financial performance

- Pay advances grew by 252% YoY driven by both new customer acquisition and continued usage by existing customers.
- Active users grew YoY to 173,398 and up 69% on FY21 (102,621).
- Beforepay income increased by 240% YoY to \$15.3m compared to FY21 (\$4.5m).

⁵ Cash position as at 30 June 2022 represents all statutory cash and cash equivalents (including held by third parties).

- Net transaction loss % improved to 2.4%, down 54% on FY21 (5.2%) driven by ongoing refinements to the risk model, customer limit management and higher recoveries during the year. Management aims to maintain net transaction losses (defaults) around the exit rate of 1.8% in Q4 FY22 as we balance opportunities to accelerate growth.
- Direct service costs as a percentage of pay advances reduced to 0.6% in FY22 (previously 1.5% in FY21). Direct service costs include the cost of services involved in facilitating pay advances to customers such as data collection, transaction categorisation and direct credit/debit.
- Net transaction margin % improved to 1.1% compared to (2.2%) of pay advances in FY21 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 \$25.3m in FY22, which increased from YoY FY21 (\$8.4m). Within these numbers, advertising and marketing expenses were \$12.8m (FY21 \$3.0m) of which \$4.1m was attributable to customer acquisition in 2H FY22 primarily driven by the timing of above-the-line advertising spend. Employee, general and administration and other costs were \$7.9m in FY22 or 166% higher than FY21 (\$3.0m) related primarily to higher employment and recruitment costs during the quarter.
- EBITDA (excluding one-off and/or significant items) was (\$19.5m) in FY22, compared to the EBITDA loss of (\$10.3m) in FY21.

Balance sheet

- Cash on hand as at FY22 was \$28.4m. This compares to the cash on hand of \$10.0m as at FY21, reflecting growth in customer pay advances during the quarter.
- As at 30 June 2022, Beforepay had drawn \$20.7m under its third-party debt facility. 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 30 June 2022. This compares to (\$13.2m) as at 30 June 2021 prior to the IPO.
- Beforepay retains a highly capital efficient model with an average pay advance duration⁶ of approximately 20-25 days. As a result, the third-party funding cost of the average pay advance⁷ 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.

⁶ 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.

⁷ The total dollar value of pay advances in a period divided by the number of pay advances in that period.

- Beforepay will continue to explore additional growth opportunities, however, maintains a current focus on its path to profitability by managing costs and delivering on growth domestically.

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 single transaction fee, zero interest, and never any late fees.
- Average pay advances are small (an average of ~\$268 in 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.

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.
Total	\$35.0m	\$12.2m	

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.

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. 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.

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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.