

## FY23 Q2 Update and Appendix 4C

### Key highlights:

- **Lending**
  - Customers on Platform grew 362% on prior comparable period (PCP; Q2 FY22)
  - Lending originations up 136% on PCP
  - Average loan size up 307% on PCP
- **Financial**
  - Receipts from customers up 224% on PCP
  - Advertising costs down 18% on PCP
  - Staff costs down 15% on PCP
- **Operations**
  - Completed an organisational restructure, which significantly decreased operating costs with no loss of operating capability
  - Established a broker referral network, which is expected to underpin rapid loan book growth
  - In negotiations with several wholesale funding providers to increase the Company's lending capacity to continue the move towards profitability

Leading SME-focused finance platform, **Propell Holdings Limited (ASX:PHL, Propell or the Company)** is pleased to provide a summary of its activities for the quarter ended 31 December 2022.

### Update for Q2 FY23

Following the cost-cutting initiatives of Q1 on the back of Propell's renewed focus of achieving profitability sooner, the Company's focus during Q2 was on establishing a broker referral network and progressing discussions with wholesale funding providers to increase the Company's wholesale funding facility.

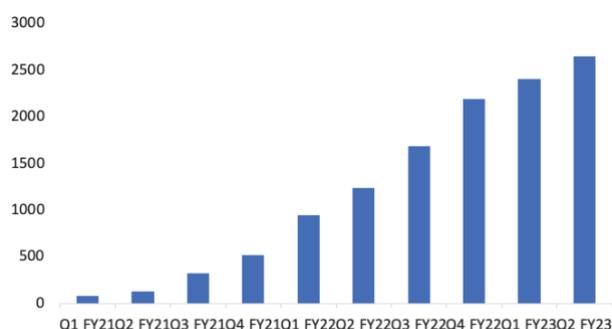
The newly established broker referral network is anticipated to significantly accelerate the growth in inbound leads. Historically, the business has relied on digital marketing for lead generation. The Company views its newly established broker referral network as a key element in its pathway to profitability at higher speed and lower risk to margin.

Last quarter, the Company secured an increase in its wholesale facility limit to \$7.5m as well as a reduction in the interest rate. The interest rate was reduced following the issue of options to Altor Capital's wholesale investment fund (Lender). Regarding Chairman, Ben Harrison's relationship with the Lender, the Company reaffirms that neither the Lender nor any of the Altor Capital group of companies are related parties of Propell for the purposes of Chapter 2E of the Corporations Act and Chapter 10 of the ASX Listing Rules.

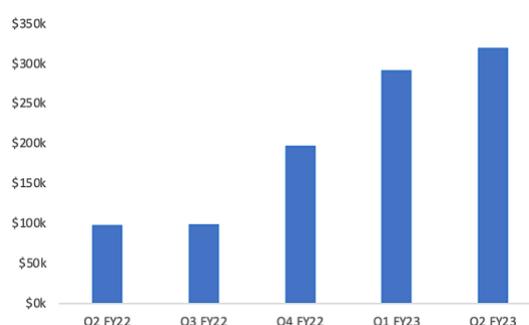
Operationally, Q2 FY23 saw strong growth in customer numbers and improved credit quality of new customers. Platform customers increased 10% during the quarter to more than 2,600 (+362% on PCP). Further, Q2 saw the highest average drawdown to date of over \$24,000.

During the quarter, the Company continued to improve its lending margins due to its reduced wholesale borrowing cost of 11.5% and recording a 2% increase in its weighted average customer pricing which was higher than expected.

**10% QoQ growth in Platform customers**



**Cash receipts from customers up 9% QoQ**



## Financial Result

Propell held cash on hand of approximately \$491,000 as at 31 December 2022. The Company continues to pursue cost optimisation initiatives that will deliver improvements in net operating cash flows, while maintaining its operating objectives and servicing customer needs. As per its 11 July 2022 announcement, the Company successfully secured a convertible note facility of up to \$2.8m (with commitments received totalling \$2.3m). As at 31 December 2022, the Company had received \$2.01m of the capital, with a further \$290,000 received in January 2023. The headroom of \$2.75m in the Company’s debt facility, together with the capital funding received during January 2023 and the remaining \$500,000 in the convertible note facility, will enable the Company to continue its operations and to meet its business objectives.

Receipts from customers increased from \$291,000 in Q1 FY23 to \$319,000 in Q2 FY23 (+9%).

Research and development costs in Q2 were 32% lower quarter-on-quarter (QoQ; Q1 FY23). Development of Propell’s platform completed in Q1 and development headcount was reduced to reflect the transition from development of the platform to maintenance of the platform.

Establishment of the broker referral network resulted in a 40% QoQ increase in customer acquisition costs, however, these costs were 18% lower than the prior comparable period (PCP; Q2 FY22), demonstrating the improvement in the cost per new customer acquired over the past year.

Staff costs were 47% lower QoQ due to one-off redundancy costs incurred in Q1 as a result of the Company restructuring. The reduced headcount will continue to yield savings in future quarters with no loss of operating capability.

Administration and Corporate costs were down 36% QoQ due to cost savings associated with reduced headcount.

The cash loss in Q2 FY23 was \$494,000, which was a 45% improvement QoQ and a 23% improvement on PCP. The improved operating result reflects the strong growth in customer revenue and the cost savings associated with the Company restructuring.

Payments to related parties of the entity and their associates detailed in Section 6 of the Appendix 4C relate to the directors' fees paid during the quarter.

## Outlook

Recent revenue growth together with cost reductions reflect Propell's ability to grow without adding additional resources.

Strong net interest margins, a low operating cost base and the ability to quickly grow the loan book puts Propell in a strong position moving forward.

The Company has established a broker referral network to facilitate loan book growth and is in discussions with wholesale funding providers to obtain additional wholesale funds so it can continue to meet the anticipated growing demand.

The focus areas for the coming quarters include:

- **Lending capacity:** Obtaining a new wholesale facility to serve client demand
- **Ability to fill capacity:** Boost lending growth through newly established broker referral network
- **Operational margins:** Hold the cost base at current levels while scaling the business
- **Customer penetration:** Broadening the lending product offering to increase product per customer and attract new clients

Achievement of the above, in combination with Propell's improved operating metrics, should provide a clear pathway to profitability as the Company's loan book continues to grow at attractive margins.

The Board's strategic focus remains on becoming the go-to finance solution for small businesses – a single place where businesses can live their entire financial life in a simple, convenient and 100% digital way, free from the constraints of old-fashioned banks. The Company has a long-term organic growth goal of reaching 100,000 clients within five years.

This announcement was authorised for release to the market by the board of Propell Holdings Limited.

## For further information, please contact:

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## About Propell

Propell Holdings Limited (ASX:PHL) is Australia's first and only all-in-one finance platform providing SMEs with lending solutions that are faster to access, easier to use and simpler to manage using a digital-first approach. Driven by a vision to revolutionise how small businesses manage their finances, Propell centralises access to what those businesses need;

deep insights into their financial health, and direct access to a suite of finance tools, including payments and lending, to enable them to operate and grow.

The future of finance is digital. Small businesses, left underserved by traditional providers, are searching for alternative solutions to their finance needs. Australia's 2.3 million small and medium enterprises (SMEs) aren't satisfied with lending solutions provided by banks and are frustrated with their slow and difficult processes and paperwork. 38% of SMEs have indicated they are actively looking for new solutions in a market comprising \$423 billion in SME loans. Propell is positioned for this accelerating shift and disruption of traditional service providers and their business models.

Propell's digital platform is aimed at improving the cashflow and financial wellbeing of small businesses by aggregating a range of finance products and services including lending, payments and cashflow forecasting tools. The Company leverages its extensive customer data with an artificial intelligence (AI) based engine to deliver its products in an entirely digital manner.

Propell launched the platform in mid-2020 and is focused on further customer growth and development of its product suite.

To stay up to date on company news and announcements, register your details on the [Propell Holdings investor portal](#).

## Appendix 4C

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

**Name of entity**

Propell Holdings Limited

**ABN**

62 614 837 099

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

31 December 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	319	610
1.2 Payments for		
(a) research and development	(66)	(164)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(157)	(269)
(d) leased assets	(24)	(48)
(e) staff costs	(329)	(945)
(f) administration and corporate costs	(209)	(533)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(28)	(40)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide detail if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(494)</b>	<b>(1,388)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	2
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
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	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (net customer receivable disbursements)	(564)	(87)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(564)</b>	<b>(85)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	(182)
3.2 Proceeds from issue of convertible debt securities	250	2,010
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	250	(250)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>500</b>	<b>1,578</b>

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,049	386
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(494)	(1,388)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(564)	(85)

Appendix 4C  
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	500	1,578
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>491</b>	<b>491</b>

5.	Reconciliation of cash and cash equivalents 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	436	994
5.2	Call deposits	55	55
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>491</b>	<b>1,049</b>

*Item 5.2 Call Deposits relates to a term deposit used to secure a bank guarantee provided to a lessor.*

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	88
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Item 6.1 Includes Directors fees, Salaries and related payment paid to the Directors and / or their associated entities. This includes salary payments to Michael Davidson as Propell's CEO and director.*

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	8,034	5,284
7.2	-	-
7.3	-	-
7.4	<b>Total financing facilities</b>	<b>5,284</b>
7.5	<b>Unused financing facilities available at quarter end</b>	
		2,750
7.6	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>i) The Company has a \$7.5m wholesale facility with a private investment firm, Altor Capital Management Pty Ltd ("Altor"). The facility has an interest rate of 11.5% and a maturity date of 30 March 2025. The facility is secured over Propell's Loans and Advances.</p> <p>ii) The company owes \$0.534m on a fully drawn working capital facility from Altor AltFi Income Fund. This loan has an interest rate of 15% and is secured over current and future amounts to be received from the Australian Tax Office for Development Tax Incentives for approved R&amp;D activities.</p>	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	(494)
8.2	491
8.3	2,750
8.4	3,241
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>
	6.6
<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?
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?
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?
<i>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.</i>	

## 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: Tuesday, 31 January 2023

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.