

Beforepay Group Limited

ASX ANNOUNCEMENT (ASX: B4P)

27 February 2023

H1 FY23 Financial Results Investor Presentation

Beforepay Group Limited (Beforepay or the Company) (ASX: B4P) advises the following H1 FY23 Financial Results Presentation will be used in the Company's H1 FY23 Results Webinar which will be hosted today at 9.30am (AEDT).

Pre-registration is required to attend the webinar. To register please use the following link:

https://us02web.zoom.us/webinar/register/WN_Cjz85cr3RLW84BWDn5QSAw

After registering, you will receive a confirmation email containing information about joining the meeting.

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

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About Beforepay

Beforepay was founded in 2019 to offer consumers a better way to manage their personal finances by enabling early access to a portion of their pay, on-demand, in exchange for a single fixed fee. For more information visit www.beforepay.com.au.



Beforepay Group Limited

ASX:B4P

H1 FY23

Half Year Results

Presentation

27 February 2023



Disclaimer

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Investors should note that certain financial data included in this presentation 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 Beforepay. The non-IFRS financial measures do not have standardised 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 presentation. All dollar values are in Australian dollars (\$ or A\$) unless stated otherwise.



What we do.

Beforepay provides users with a service to manage their finances which is inclusive and is rewarding to use. The service is resonating strongly with an average 4.8-star rating (out of 5) across Google Play Store and Apple App Store.

4.8 stars ¹



Note: 1 Unaudited figure



A leading provider of Pay on Demand

We consider ourselves to be services in Australia (not a Buy Now-Pay-Later provider)



Money provided directly

To the customer—does not need to be spent at specific merchants



A Fixed Fee of 5%

on the amount advanced, with no interest or late fees.



Provide short-term finance to working Australians

Filling a gap in the market for flexible, transparent and on demand access to credit



Focus on Customer Advocacy

and support; customer surveys, reviews and Trustpilot show strong customer advocacy and support for the product



Alternative to Revolving Debt

on credit cards and other types of revolving loans



Our Strategy





Pay on Demand —a better way

We believe that nobody wants to be in debt. We believe that most people, when money is tight, only want to borrow a small amount of money for a short period of time, to tide them over until they get paid.

Beforepay is committed to providing a safe, affordable alternative to traditional debt, allowing working Australians to manage temporary cash flow challenges with a lower risk of accumulating debt.

We advance small amounts of money (average size c. A\$400) to people for a simple 5% fee with nothing else to pay, and then debit their account when they next get paid.

This gives people flexibility when they're just a little bit short or there are unexpected expenses, without tying them to an ongoing debt burden.





What makes us different

Simple, flat, and transparent fee. We charge 5% on the amount advanced, with nothing more to pay. No late fees, no rapid-payment fees, no subscriptions, no tips, no interest incurred.

Funds available instantly. The money is in your bank account in less than one minute.

Best-in-class credit decisioning. Pay-cycle algorithms and credit-risk models built by a team of data scientists, powered by a proprietary database of more than one billion data points.

Relentless focus on a single product. A talented team of technologists, designers, product managers, marketers, and data scientists, all working on one great product.

Our Mission

To support working Australians

Help Customers

- Advance money to our customers in an ethical and responsible way to manage temporary cash flow challenges
- Help our customers improve their financial literacy
- Create the best possible product and service experience

Grow Quickly

- Accelerate customer acquisition and increase throughput
- Launch new channel partnerships
- Explore additional
- growth opportunities



Create Value

- Maintain or decrease dollar-weighted defaults
- Achieve profitability
- Improve our managerial infrastructure (HR, risk, compliance)
- Manage our risks effectively

Business Update



H1 FY23 HIGHLIGHTS



Pay Advances of \$303.9m up 130%

from H1 FY22, driven by new customer acquisition and continued usage by existing customers.



Positive Net Transaction Margin at 1.7%

of Pay Advance fee income in H1 FY23 vs 0.3% in H1 FY22.



Strong Balance sheet

with \$18.7m cash position and \$28.5m equity as at 31 December 2022.



96% of customers who have successfully repaid their first pay advance

have since taken out a second Pay Advance in H1 FY23.



Net transaction loss down to 2.3%

from 2.9% in H1 FY22, driven by ongoing refinements to the credit risk model and pay advance limit management.



47% Growth in active users to 203,937

in H1 FY23 reflecting strong customer acquisition.

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H1 FY23 HIGHLIGHTS



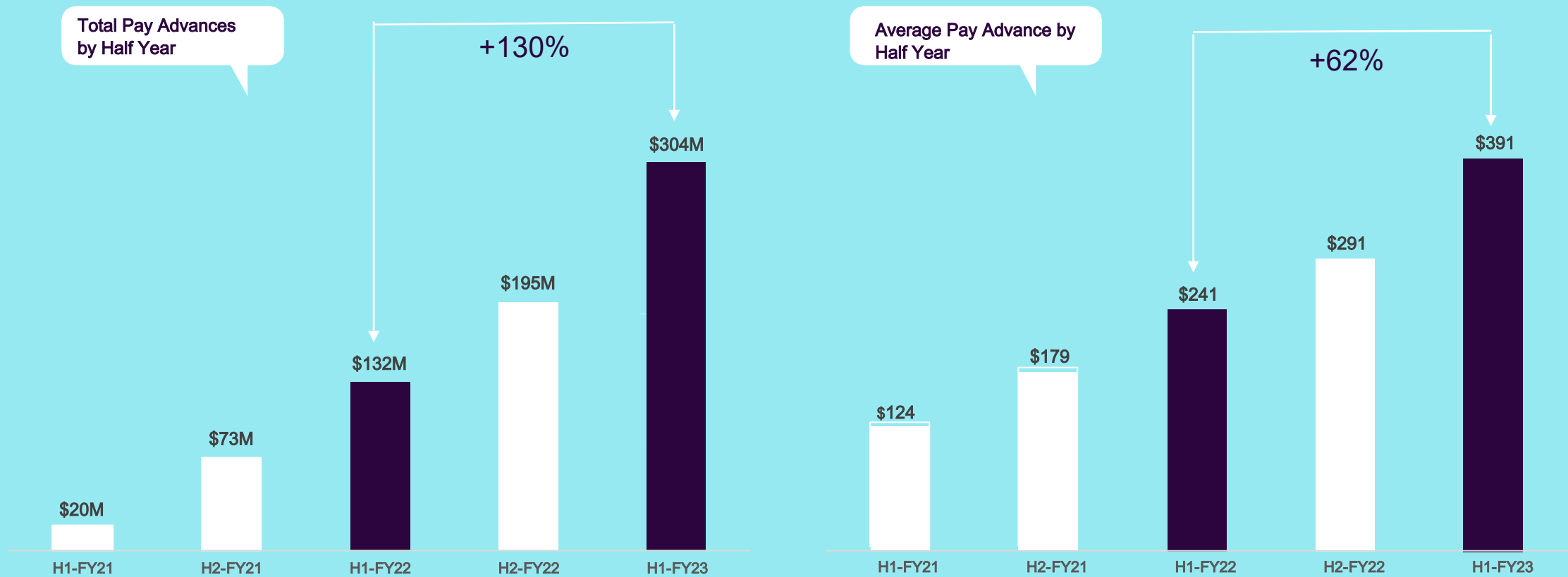
Key Metrics	H1 FY23	H1 FY22	% Change	H2 FY22	% Change
Platform Metrics					
Pay advances (\$m)	303.9	132.0	130%	195.3	56%
Average pay advance (\$)	391	241	62%	291	34%
Active users (no. of users)	203,937	139,071	47%	173,398	18%
Financial Metrics					
Beforepay income (\$m)	14.6	6.0	145%	9.3	56%
Gross transaction loss % (% of pay advances plus fee)	(3.2%)	(3.3%)	(3%)	(2.9%)	8%
Net transaction loss % (% of pay advances plus fee)	(2.3%)	(2.9%)	(21%)	(2.0%)	15%
Net transaction margin (\$m)	5.1	0.4	1306%	3.6	42%
Net transaction margin % (% of pay advances)	1.7%	0.3%	467%	1.8%	(9%)
EBITDA, excluding one-off and/or significant items (\$m)*	(2.7)	(11.2)	(76%)	(8.3)	(67%)
A\$ Balance Sheet					
	H1 FY23	FY22	% Change		
Cash position (\$m)	18.7	28.4	(34%)		
Equity position (\$m)	28.5	32.6	(13%)		

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*Refer to Appendix (slide 26) for items considered as one-off / significant.

Total and Average Pay Advances

- Incremental Growth in Pay Advances



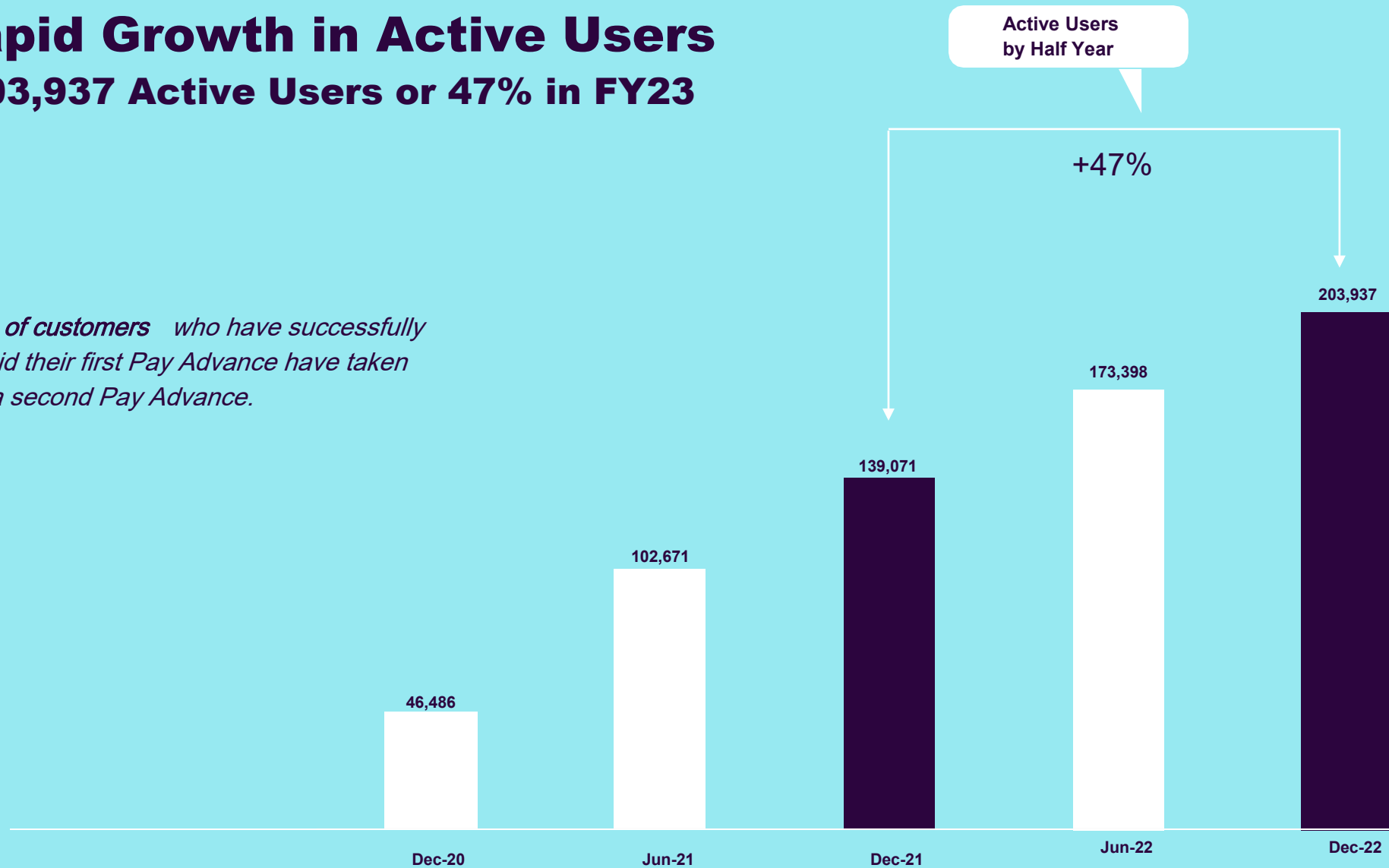
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Rapid Growth in Active Users

- 203,937 Active Users or 47% in FY23



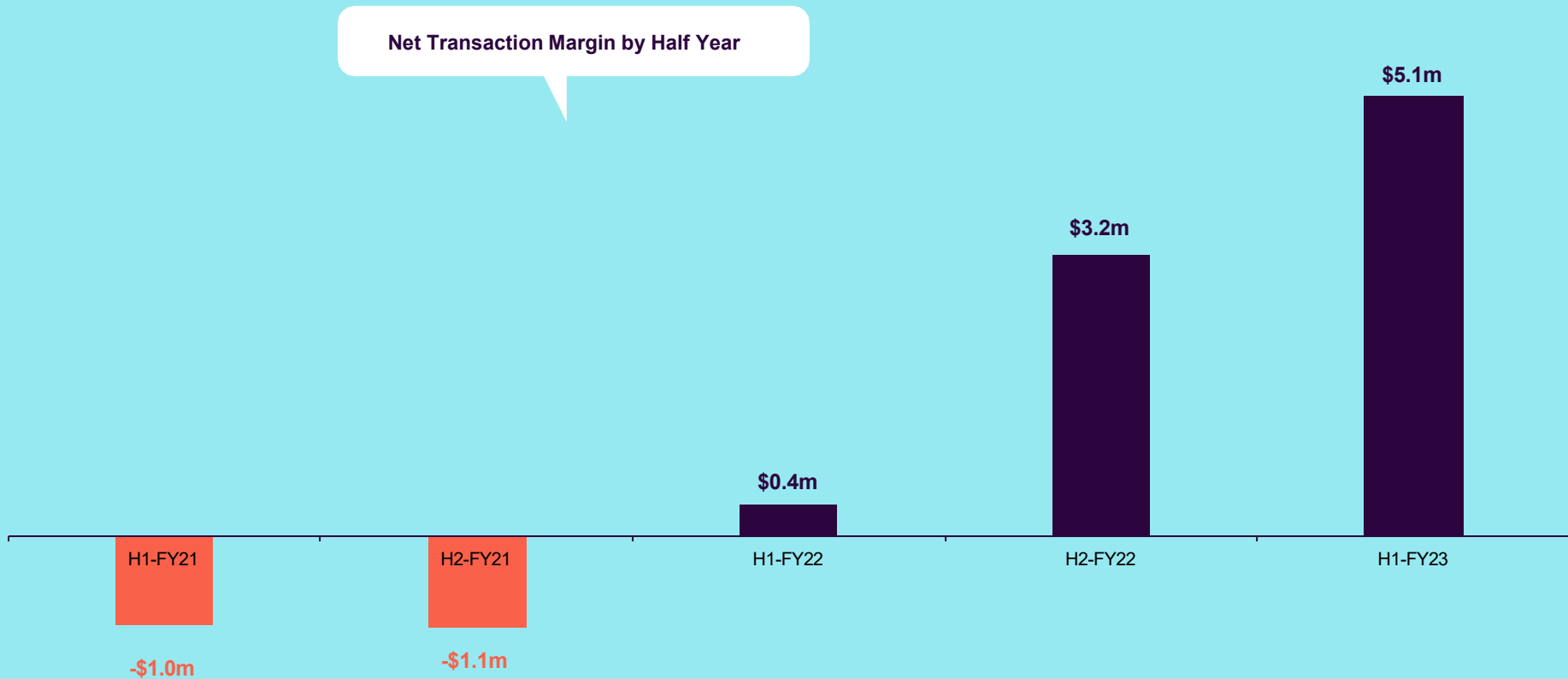
96% of customers who have successfully repaid their first Pay Advance have taken out a second Pay Advance.



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Net Transaction Margin (NTM)

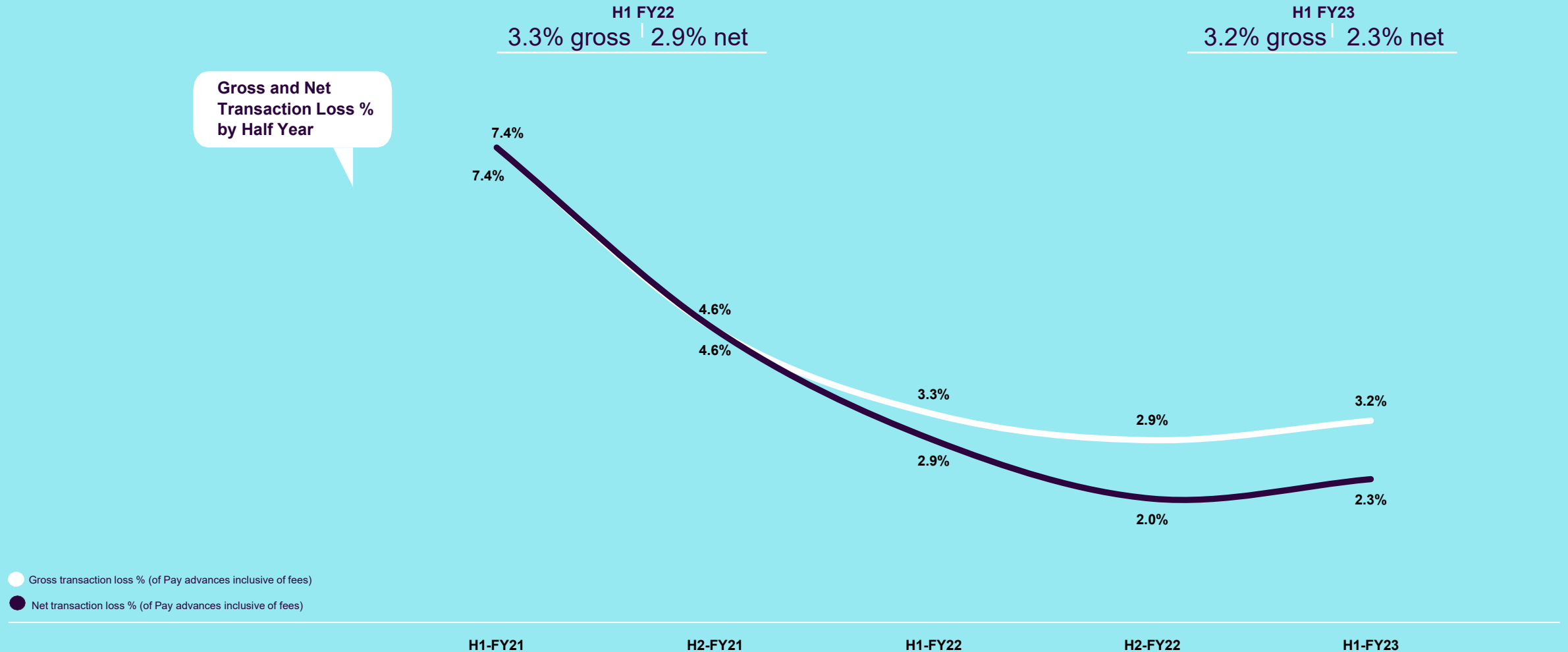
– Continuing to Grow Strongly



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Declining Trend in Loan Defaults

- Demonstrating Consistent Improvement in Credit Quality



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Funding Costs

- Low Sensitivity to Rising Interest Rates
- Credit Loan Facility

On current funding arrangements, our funding costs are less than 10% of Beforepay income for the average pay advance.

A 1% increase in the costs of our loan facilities results in only 6 basis points increase in costs per pay advance (from 0.64% to 0.69%).



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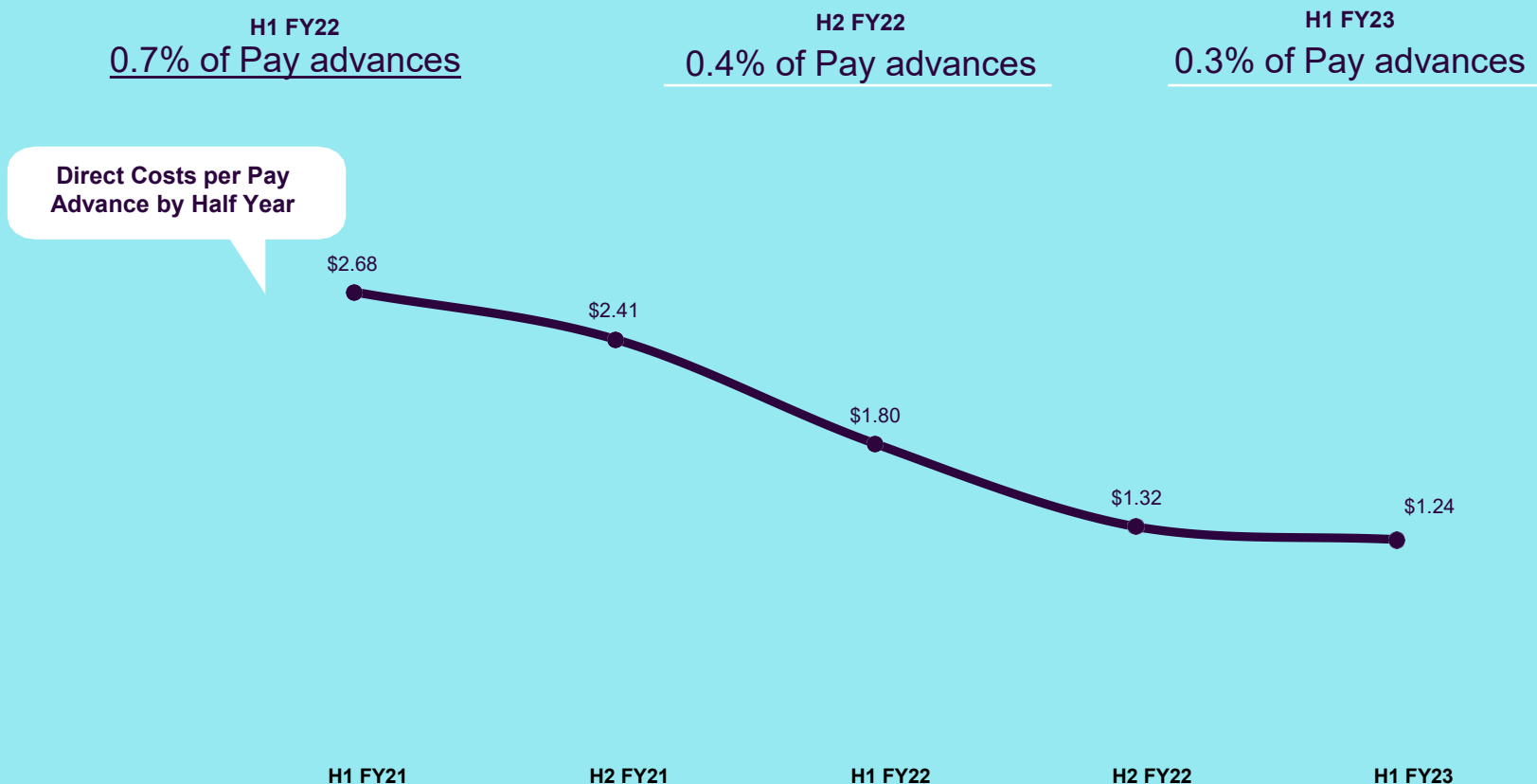
Direct Service Costs

- Continue to be Tightly Managed

Direct service costs include the cost of services involved in facilitating pay advances to customers: data collection, transaction categorisation, direct credit and direct debit.

Direct costs do not vary with the amount advanced—positive operating leverage.

Direct service costs as a % of pay advances reduced to 0.3% in H1FY23 (0.7%: H1FY22). Decreases due to vendor negotiations, adjustments to vendors used and hitting volume thresholds in rate cards.



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Balance Sheet

- Strong Cash and Equity Position



\$m	Dec 2022	Jun 2022	\$ Change	% Change	Commentary
Cash position	18.7	28.4	(9.7)	(34%)	Reflects loan utilised and collection of loan receivable balances
Receivables	41.9	27.3	14.6	53%	Reflects growth in loan book and level of pay advances
Other assets	1.6	2.2	(0.6)	(30%)	Primarily due to lower prepayment balances (\$0.4m) and Property, Plant and Intangibles (\$0.2m)
Total assets	62.2	57.9	4.3	7%	
Borrowings	29.5	20.6	8.9	43%	Debt facility utilisation
Other liabilities	4.2	4.7	(0.5)	(11%)	Reflects releases of lease liabilities (\$0.2m) and provisions (\$0.3m)
Total liabilities	33.7	25.3	8.4	33%	
Equity position	28.5	32.6	(4.1)	(13%)	
Total debt facilities	29.5	20.7	8.8	43%	Debt facility of \$45m limit expiring in January 2024
<i>Undrawn facilities</i>	<i>15.5</i>	<i>24.3</i>	<i>(8.8)</i>	<i>(36%)</i>	Facility amount available to fund future growth in pay advances

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Cashflow Statement

Operating, Investing and Financing Activities

(H1 FY23, H2 FY22 and H1 FY22)



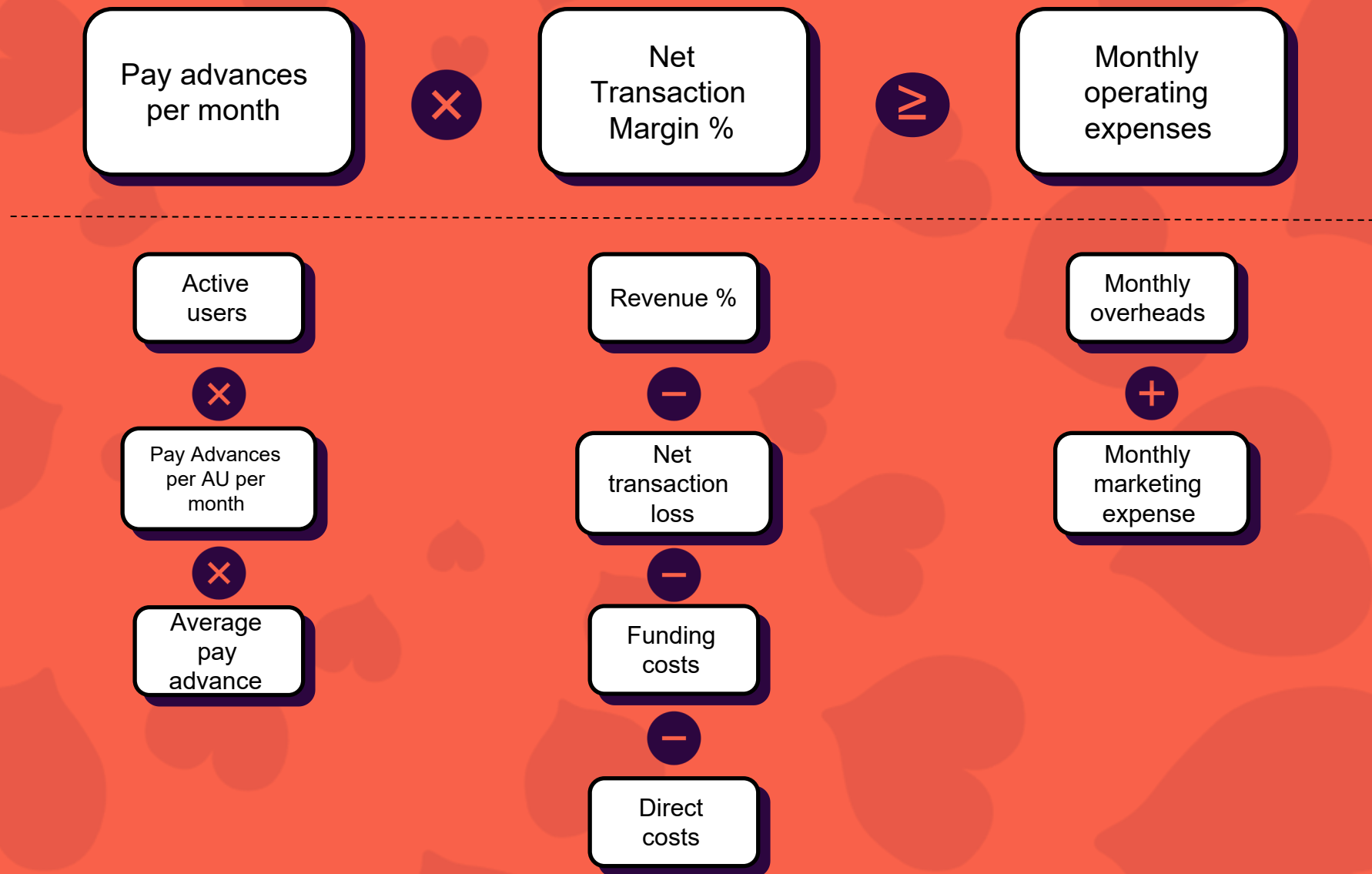
\$m	H1 FY23	H2 FY22	H1 FY22
Receipts from repayment of customers advances	276.5	179.7	121.0
Receipts of Beforepay income	21.3	9.6	5.7
Payments to suppliers and employees	(10.9)	(11.3)	(12.7)
Advances to customers	(303.9)	(195.3)	(132.0)
Other	(1.2)	(0.5)	(0.4)
Net cash used in operating activities	(18.2)	(17.8)	(18.4)
Net cash used in investing activities	-	0.4	(0.5)
Proceeds from issue of shares	-	35.0	-
Proceeds from convertible notes	-	-	11.7
Share issue transaction costs and IPO expenses	-	(5.0)	-
Proceeds from borrowings	8.7	7.3	6.6
Other	(0.2)	(0.3)	(0.6)
Net cash used in financing activities	8.5	37.0	17.7
Net increase/(decrease) in cash and cash equivalents	(9.7)	19.6	(1.2)
Cash and cash equivalents at the beginning of the financial period	28.4	8.8	10.0
Cash and cash equivalents at the end of the financial period	18.7	28.4	8.8

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Our Pathway to Profitability



Our Pathway to Profitability/ Breakeven



Net Transaction Margin and Pathway to Profitability by Quarter



	H1 FY23	Q2 FY23	Q1 FY23	H2 FY22	Q4 FY22	Q3 FY22
Active users (no. of users)	203,937	203,937	185,075	173,398	173,398	158,269
Average pay advance (\$)	391	394	388	291	299	282
Pay advances (\$m)	303.9	164.7	139.2	195.3	107.3	87.9
Beforepay income* % (% of pay advances)	4.8%	4.9%	4.6%	4.8%	4.9%	4.6%
Net transaction loss % (% of pay advances plus fee)	(2.3%)	(2.9%)	(1.6%)	(2.3%)	(1.8%)	(2.2%)
Funding costs % (% of pay advances)	(0.5%)	(0.6%)	(0.4%)	(0.2%)	(0.4%)	(0.7%)
Direct costs % (% of pay advances)	(0.3%)	(0.3%)	(0.3%)	(0.5%)	(0.4%)	(0.5%)
Net transaction margin % (% of pay advances)	1.7%	1.1%	2.3%	1.8%	2.3%	1.2%
Marketing expenses (\$m)	3.5	1.6	1.9	6.1	2.7	3.4
Overheads (\$m)	7.1	3.2	3.9	6.4	3.4	3.0
Operating expenses (\$m)	10.6	4.8	5.8	12.5	6.1	6.4

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What comes next



Continue growth in Australia with existing direct-to-consumer acquisition model



Constrain costs and drive towards profitability



Work with channel partners to reach additional customers and new segments



Continuous improvement of risk models, product, and customer experience

Q&A



Thank You



Appendix



Management Profit & Loss – H1 FY23



A\$, unless otherwise stated	H1 FY23
Beforepay income	14,571,863
Gross transaction loss	(10,080,280)
Gross transaction loss % (% of pay advances inclusive of fees)	(3.2%)
Recoveries (net of costs)	2,700,457
Recoveries % (% of gross transaction loss)	26.8%
Net transaction loss	(7,379,823)
Net transaction loss % (% of pay advances inclusive of fees)	(2.3%)
Third party funding costs	(1,171,192)
Third party funding costs % (% of pay advances)	(0.5%)
Direct costs	(964,044)
Direct costs % (% of pay advances)	(0.3%)
Net transaction margin	5,056,804
Net transaction margin % (% of Beforepay income)	34.7%
Employee benefits expenses (adjusted)	(4,868,618)
G&A and other expenses	(2,232,082)
Advertising and marketing expenses	(3,455,603)
Total operating expenses	(10,556,304)
Add back: Finance costs	1,392,798
Add back: Other income and interest revenue not recognised in NTM	1,371,804
EBITDA, excluding one-off and/or significant items	(2,734,897)

A\$, unless otherwise stated	H1 FY23
EBITDA, excluding one-off and/or significant items	(2,734,897)
Depreciation & amortisation expense (D&A)	(252,852)
Removal of D&A related to lease accounting already recognised in occupancy expense in EBITDA	182,850
Finance costs	(1,392,798)
One-off and significant items:	
Termination fee for previous CFO	(201,072)
Total one-off and/or significant items	(201,072)
Loss before income tax	(4,398,769)

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Net Transaction Margin Reconciliation to Statutory Profit & Loss

Management P&L – Income to Net Transaction Margin

A\$, unless otherwise stated	H1 FY23
Beforepay income	14,571,863
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Third party funding costs	(1,171,192)
Third party funding costs % (% of pay advances)	(0.5%)
Direct costs	(964,066)
Direct costs % (% of pay advances)	(0.3%)
Net transaction margin	5,056,804
Net transaction margin % (% of pay advances)	1.7%

Reference to Statutory Profit and Loss

- 1 Beforepay income
Equal to Expected credit loss expense, before the benefit of recoveries
- 2 Expected credit loss expense
- 3 Part of the \$1.39M of Finance costs related to funding pay advances
- 4 Direct service cost

Statutory Profit and Loss

A\$	H1 FY22
Revenue	
Beforepay income	\$14,571,863
Other income	\$1,371,804
Expenses	
Direct service cost	(\$964,044)
Employee benefits expense	(\$4,868,618)
Depreciation and amortisation expense	(\$252,852)
Expected credit losses expense	(\$7,379,823)
Occupancy expenses	(\$13,086)
Advertising and marketing expenses	(\$3,455,603)
Professional and consultancy expenses	(\$903,234)
Software licences	(\$5,473)
Technical suppliers	(\$471,464)
Other expenses	(\$635,441)
Finance costs	(\$1,392,798)
Loss before income tax expense	(\$4,398,769)
Income tax expense	-
Loss after income tax expense for the period attributable to the owners of Beforepay Group Limited	(\$4,398,769)
Other comprehensive income for the period, net of tax	-
Total comprehensive income for the period attributable to the owners of Beforepay Group Limited	(\$4,398,769)

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EBITDA Reconciliation to Statutory Profit & Loss



Management P&L – Net Transaction Margin to EBITDA

A\$, unless otherwise stated	H1 FY23
Net transaction margin	5,056,804
Net transaction margin % (% of Beforepay income)	34.7%
Employee benefits expenses	(4,868,618)
G&A and other expenses	(2,232,082)
Advertising and marketing expenses	(3,455,603)
Total operating expenses	(10,556,304)
Add back: Finance costs	1,392,798
Add back: Other income and interest revenue not recognised in NTM	1,371,804
EBITDA, excluding one-off and/or significant items	(2,734,897)

Reference to Statutory Profit and Loss

- Employee benefits expense includes one-off share-based payments
- Total Expenses in the statutory P&L less Expenses recognized in NTM, and one-off and/or significant items
- Advertising and marketing expense
- Add back \$1.39M of Finance costs
- Add back interest revenue & other income not recognized in NTM

Statutory Profit and Loss

A\$	H1 FY22
Revenue	
Beforepay income	\$14,571,863
Other income	\$1,371,804
Expenses	
Direct service cost	(\$964,044)
Employee benefits expense	(\$4,868,618)
Depreciation and amortisation expense	(\$252,852)
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Other expenses	(\$635,441)
Finance costs	(\$1,392,798)
Loss before income tax expense	(\$4,398,769)
Income tax expense	-
Loss after income tax expense for the period attributable to the owners of Beforepay Group Limited	(\$4,398,769)
Other comprehensive income for the period, net of tax	-
Total comprehensive income for the period attributable to the owners of Beforepay Group Limited	(\$4,398,769)

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Glossary

1 of 3

Term	Definition
Active users	Customers of Beforepay who have taken out an advance in the previous 12 months from the relevant date. This includes customers who have not repaid their most recent Cash Out and are not eligible to re-borrow until they have done so.
Average pay advance	Total dollar volume of Pay advances in a period divided by the number of Pay advances in that period.
Beforepay income	The transaction fees charged to customers on advances. Beforepay income is calculated and charged based on a fixed percentage (5%) of the amount advanced.
Cash out or Pay advance	An advance made or offered by Beforepay to a user.
Depreciation and amortisation expense	“Depreciation and amortisation expense” are related to lease liabilities that the Company considers effectively to be a part of occupancy costs.
Direct costs or Direct service costs	“Direct service costs” include the cost of services involved in facilitating Pay advances to customers: data collection, transaction categorisation, direct credit, and direct debit

Term	Definition
Direct costs as % (of Pay advances)	Direct service costs in facilitating Pay advances to customers divided by Pay advances.
Duration	The average across all Pay advances of the time required to repay the Pay advance, weighted by the dollar size of each Pay advance. A Pay advance that is not repaid within 62 days is assumed to have a duration of 62 days.
EBITDA	Earnings before interest, tax, and depreciation and amortisation expense (adjusted).
EBITDA, excluding One- off and/or significant items	EBITDA less One-off and/or significant items.
Finance costs	“Finance costs” are related to the debt facility with Longreach and interest on lease liability.

Glossary

2 of 3

Term	Definition
G&A and other expenses	Occupancy expenses, Professional and consultancy expenses, Software licenses, Technical suppliers, and Other expenses (all from the half-year statutory financial statements), plus \$182,307 in depreciation and amortisation expenses related to lease liabilities that the Company considers effectively to be a part of occupancy costs.
Gross transaction loss	“Expected credit losses expense” from the half-year statutory financial statements, excluding Recoveries.
Gross transaction loss %	Gross transaction loss (inclusive of fees) divided by Pay advances (inclusive of fees).
Interest income	“Interest income” relates to interest earned on cash at bank and is not the fee that Beforepay charges to its customers (“Beforepay income”).
Loan-to-value ratio of external debt facility	The portion of Pay advances for which Beforepay is able to access third- party debt funding, subject to certain constraints as outlined in the Replacement Prospectus dated 29 November 2021.
Net transaction loss	Actual and expected credit losses (net of recoveries). It comprises customer defaults plus current advances provisioned during the period.
Net transaction loss %	Net transaction loss (inclusive of fees) divided by Pay advances (inclusive of fees).

Term	Definition
Net transaction margin	Beforepay income less the variable costs associated with facilitating Pay advance transactions. These variable costs include Net transaction loss, third party funding costs, and direct costs. Net transaction margin is a management metric used to measure the gross margin earned on Pay advances.
Net transaction margin %	Net transaction margin divided by Beforepay income.
Non-IFRS financial information	The term non-IFRS financial information - or ‘alternative performance measures’ (APMs) – captures any measure of past or future financial position, performance or cash flows that is not prescribed by the relevant accounting standards. Examples are adjusted earnings (or adjusted profit), normalised or underlying earnings, constant currency revenue growth (like-for-like earnings), net debt, and return on capital employed.
Operating expenses	The sum of all expenses less One-off and / or significant items, Net transaction loss, Direct costs, Finance costs, and Depreciation and amortisation expense (adjusted).
Operating expenses	The sum of all expenses from the half-year statutory financial statements less One-off and / or significant items, Net transaction loss, Direct costs, Finance costs, and Depreciation and amortisation expense (adjusted).

Glossary

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Term	Definition
Pay advance	An advance made or offered by Beforepay to a user.
Pay advances or Total pay advances	The aggregate dollar value of cash outs in a specified period to a user.
Recoveries	Money repaid by customers after a Pay advance has defaulted at 62 days after the date of issuance, net of costs of the recovery.
Recoveries %	Recoveries divided by Gross transaction loss
Revenue	“Revenue” includes Beforepay income plus interest income
Share	A fully paid ordinary share in the capital of the company.
Third-party debt facility	<p>The facility agreement with Longreach for a maximum commitment of A\$45 million also referred to as “external debt facility” or “total facilities” or “the facility.”</p> <p>The financing facility has capacity which increases to A\$45 million by 15 December 2023 and expires in January 2024. Unused financing facilities available at reporting date is subject to meeting the Eligible Receivable test under the facility agreement.</p>

Term	Definition
Third party funding costs or cost of external debt facility	“Financing costs” related to the cash interest costs of funding Pay advances through drawing on the third-party debt facility.
Third party funding costs % (of Pay advances)	Third party funding costs divided by Total pay advances.