

## FY23 Q4 Update and Appendix 4C

### Key highlights:

- **Lending**
  - Average loan size up 31% on PCP to \$28k
  - Weighted average interest rate up 50% on PCP to 3.0% per month
- **Financial**
  - Receipts from customers up 201% on PCP to \$395k
  - Operating costs down 42% on PCP \$577k
  - Net cash used in operating activities down 77% on PCP to \$(182)k
- **Operations**
  - Invested in further development of the credit assessment criteria in response to rising arrears, tightening credit markets and deteriorating quality of credit applications.

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 30 June 2023.

### Update for Q4 FY23

During the quarter, Propell enhanced its credit assessment criteria in response to rising arrears, tightening credit markets and deteriorating quality of credit applications. The Company saw arrears (loans over 180 days past due) increase to \$1,186k, a 176% increase on PCP of \$674k, due to more difficult macroeconomic conditions driven by rising interest rates and inflation. As a result, the Company tempered its lending volume to preserve its loss rate and maintain its net lending margin.

The Company continued on its pathway to profitability by maintaining its reduced operating cost base with no loss of operating capability.

Propell continued discussions with wholesale funding providers as it seeks to increase its current wholesale facility limit of \$7.5m to facilitate customer lending and revenue growth.

Operationally, Q4 FY23 saw strong growth in average loan size (up 31% on PCP to \$28k) and weighted average interest rate (up 50% on PCP to 3.0% per month).

During the quarter, the Company continued to improve its lending margins due to its low wholesale borrowing cost of 11.5% together with a 10% increase QoQ in its weighted average customer pricing to 3.0% per month.

## Financial Result

Propell held cash on hand of approximately \$646,000 as at 30 June 2023. This cash balance includes available cash in the Company's lending facility, which relates to funding of investing cash flows. The Company has reported on cash available in its lending facility in a consistent manner since listing and believes that the facility is correctly disclosed as required in the completion of the Appendix 4C. As per its 11 July 2022 announcement, the Company successfully secured a convertible note facility of up to \$2.8m. As at 30 June 2023, the Company had received \$2.3m of the capital. The Company is still working on options to draw a further \$0.5m of the convertible note facility in Q1 FY24, and alternative funding options are also being explored.

Propell significantly reduced its cash loss from operating activities in Q4 FY23, which is expected to reduce further based on Propell's planned pathway to profitability. The Board expects that the reduced operating cash losses, headroom of \$2.75m in the Company's debt facility, and the remaining \$0.5m in the convertible note or similar alternative funding facility will enable the Company to continue its operations and meet its business objectives.

During the quarter, receipts from customers increased 201% on PCP to \$395,000, while operating costs were down 42% on PCP to \$577,000. The cash loss in Q4 FY23 was \$182,000, a 53% improvement QoQ and a 77% improvement on PCP. The improved operating result reflects the strong growth in customer revenue and the cost savings associated with the Company restructuring. The reduced cost base will continue to deliver savings in future quarters while maintaining operating objectives and continuing to service customer needs.

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

The revenue growth and the substantial operating cost reductions reflect Propell's ability to grow without adding additional resources or compromising client experience.

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

The Company continues to expand its growing broker referral network to facilitate loan book growth and pursue additional wholesale funds to continue to meet the anticipated demand going forward.

As outlined in the March 2023 quarterly update, the Company continues to investigate organic and acquisition opportunities to add to its product offering.

The focus areas for the coming quarters include:

- **Lending capacity:** Obtain a new and increased wholesale funding facility to serve client demand.
- **Ability to fill capacity:** Boost lending growth through the Company's established broker referral network.
- **Operational margins:** Hold the cost base at current levels while scaling the business and customer base.
- **Customer penetration:** Broaden the suite of lending products to increase product per customer and attract new clients.

Achievement of the above, in combination with Propell's improved operating metrics, is expected to provide a clear pathway to profitability as the Company's loan book continues to grow with strong lending 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 traditional banks.

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

## For further information, please contact:

**Mr. Michael Davidson (CEO)**

**Propell Holdings Limited**

T: 1300 804 091

E: [investor@propellme.com.au](mailto:investor@propellme.com.au)

**Ms. Sophie Bradley (IR Executive)**

**Reach Markets**

T: 1300 805 795

E: [ir@reachmarkets.com.au](mailto:ir@reachmarkets.com.au)

## 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")**

30 June 2023

<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	395	1,625
1.2 Payments for		
(a) research and development	-	(194)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	(305)
(d) leased assets	(26)	(99)
(e) staff costs	(246)	(1,370)
(f) administration and corporate costs	(276)	(1,053)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(29)	(558)
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>(182)</b>	<b>(1,952)</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	-	3
(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)	538	176
<b>2.6 Net cash from / (used in) investing activities</b>	<b>538</b>	<b>179</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	2,300
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(17)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(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>-</b>	<b>2,033</b>

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	289	386
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(182)	(1,952)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	538	179

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,033
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>646</b>	<b>646</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	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	591	234
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>646</b>	<b>289</b>

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

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	64
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 payments to the Directors and / or their associated entities. This includes salary payments to Michael Davidson as Propell's CEO and Director.*

<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	(182)
8.2	646
8.3	2,750
8.4	3,396
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>
	18.7
<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: Friday, 28 July 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.