

## FY24 Q1 Update and Appendix 4C

### Key highlights:

- **Lending**
  - **Average loan size up 51% on PCP to \$23,000**
  - **Weighted average interest rate up 12% on PCP to 2.8% per month (representing 55%+ yield per annum)**
- **Financial**
  - **Receipts from customers up 38% on PCP to \$402,000**
  - **Operating costs down 50% on PCP \$593,000**
  - **Net cash used in operating activities down 79% on PCP to \$(191,000)**
- **Operations**
  - **Invested in further development of the credit assessment criteria in response to rising arrears, tightening credit markets and deteriorating quality of credit applications.**
  - **Extended the Company's wholesale funding facility term**

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 September 2023.

### Update for Q1 FY24

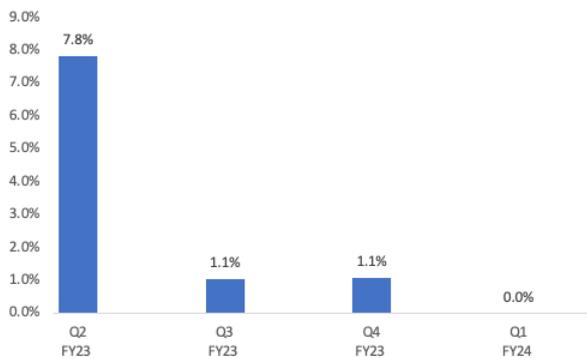
During the quarter, Propell further enhanced its credit assessment criteria in response to increasing arrears in early FY 2023.

Following the increase in arrears, the Company implemented enhanced credit assessment. The Company is pleased to report that loans written off during Q1 FY24 was zero, and early arrears on loans written in the Q1 FY24 cohort is also at zero.

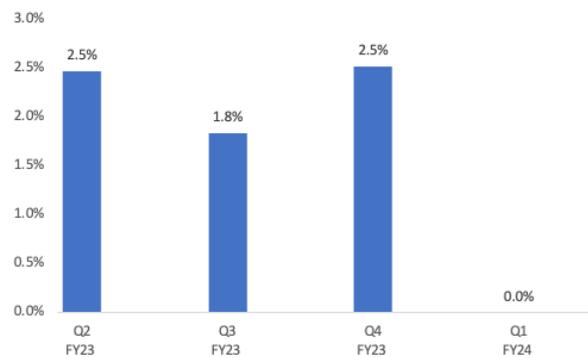
To support and streamline Propell's more rigorous credit assessment criteria for credit applicants, during the quarter, Propell developed a new customer and broker interface whereby a larger set of customer information can be uploaded via a portal, including by connecting a range of cloud-based financial software systems, providing Propell's underwriting team with access to a larger range of data for the customer in an efficient manner.

While Propell's more rigorous credit assessment criteria has improved arrears, it has also resulted in a higher rate of declined applications and therefore slower loan book growth over the period. The Board believes that this prudent approach

to loan book growth is a more sustainable approach in the current lending climate that delivers superior commercial outcomes.



**Chart 1. Late arrears saw significant drop post-Dec '22 change assessment development**



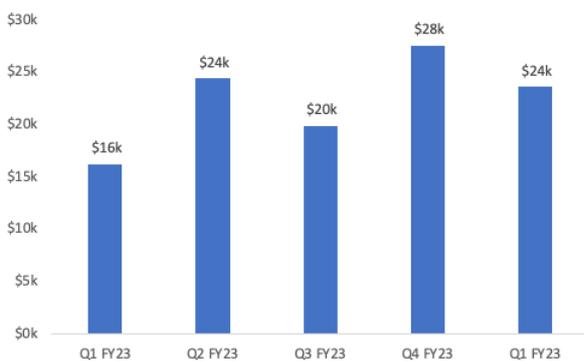
**Chart 2. Early arrears reduced to zero post-June '23 assessment development**

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

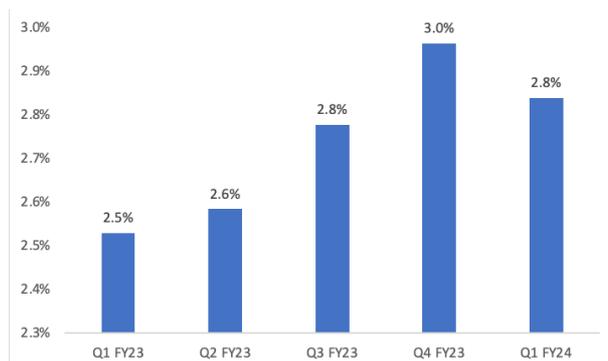
Propell continued discussions with wholesale funding providers as it seeks to increase its current wholesale facility limit of \$7.5m to facilitate customer lending and revenue growth.

Operationally, Q1 FY24 saw strong growth in average loan size (up 51% on PCP to \$23,000) and weighted average interest rate (up 12% on PCP to 2.8% per month).

During the quarter, the Company maintained its improved lending margins with its market competitive borrowing cost of 11.5% together with its weighted average customer pricing of 2.8% per month, which yields greater than 55% interest revenue per annum.



**Chart 3. Weighted avg. loan size for originations**



**Chart 4. Weighted avg. interest rate for originations**

## Financial Result

Propell held cash on hand of approximately \$889,000 as at 30 September 2023. This cash balance includes available cash in the Company's lending facility, which relates to funding of investing cash flows. Per previous announcements, 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 September 2023, the Company had received \$2.3m in convertible note applications. The Company is still working on options to draw a further \$0.5m of the convertible note facility in Q2 FY24. In addition, Propell will explore alternative funding options during Q2 FY24 and expects to announce its capital-raising plans during Q2 FY24.

In Q1 FY24, Propell's cash loss from operating activities was broadly in line with Q4 FY23, following a significant reduction in operating expenditure during FY23 and based on Propell's planned pathway to profitability. The Board expects that the reduced operating cash losses, headroom of \$2.3m in the Company's debt facility, and the remaining \$0.5m in the convertible note or alternative capital funding will enable the Company to continue its operations and meet its business objectives.

During the quarter, receipts from customers increased 38% on PCP to \$402,000, while operating costs were down 50% on PCP to \$593,000. The cash loss in Q1 FY24 was \$191,000, a 79% 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, including the CEO's remuneration.

## Extension to Altor Facility

As detailed in previous updates, Propell holds a wholesale funding facility with Altor Capital Management Pty Ltd ("Lender") that supports the funding of the Company's lending activities ("the Facility"). The limit of the Facility is \$7,500,000, and the interest rate is 11.5% per annum. The Facility is secured by Propell's loan book, and can be called upon at maturity or in the event of default.

Propell's Board believes the terms of the Facility are market competitive and appropriate for Propell's business model and it has not yet been able to secure alternative funding to replace or increase its wholesale funding. Propell earns net interest margins on customer loans through a cost of capital of 11.5% per annum and a weighted average customer pricing in Q1 FY24 yielding greater than 55% interest revenue per annum. Further, the fixed interest rate for Propell's wholesale Facility was set prior to the commencement of the successive interest rate increases made by the Reserve Bank of Australia since May 2022.

As outlined in Propell's FY23 Annual Report, the Company was successful in extending the term of its Facility during the quarter. As part of the Facility extension, the new Facility agreement included additional terms which Propell has agreed to that bring the agreement in-line with typical market practices including Facility review provisions for control changes including to the board and KMP, ASX trading suspensions, material adverse effects to the business including changes to legislation.

The extension and amended terms provide Propell with greater certainty regarding the continued funding of current loans as well as loan book growth over the next 12 months.

## Outlook

The Company's recent revenue growth and 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 June 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.

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:

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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")**

30 September 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	402	402
1.2 Payments for		
(a) research and development	(21)	(21)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(4)	(4)
(d) leased assets	(26)	(26)
(e) staff costs	(236)	(236)
(f) administration and corporate costs	(272)	(272)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(34)	(34)
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>(191)</b>	<b>(191)</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	-	-
(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)	434	434
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>434</b>	<b>434</b>

<b>3.</b>	<b>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	-	-
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	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	646	646
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(191)	(191)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	434	434

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)	-	-
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>889</b>	<b>889</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	834	591
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>889</b>	<b>646</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	92
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 Managing Director Michael Davidson as Propell's CEO.*

## 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 Loan facilities	8,034	5,727
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>8,034</b>	<b>5,727</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>2,307</b>
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 Net cash from / (used in) operating activities (item 1.9)	(191)
8.2 Cash and cash equivalents at quarter end (item 4.6)	889
8.3 Unused finance facilities available at quarter end (item 7.5)	2,307
8.4 Total available funding (item 8.2 + item 8.3)	3,196
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>16.8</b>
<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 October 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.