

3 November 2023

Earlypay Limited (ASX: EPY)

Timelio Acquisition + Refinancing Update

Key Highlights:

- Earlypay has entered a binding agreement to acquire selected assets of Timelio Pty Ltd (**Timelio**), a specialist invoice and trade finance provider to Australian SMEs.
- Assets include selected customer receivables, IP, software, and other assets (Timelio retains the cash balance released from existing warehouse funding structure).
- Bolt-on acquisition adds c. \$35m of Funds in Use (FIU) in core invoice finance product and c. \$5m FIU in trade finance.
- Addition of Supplier Early Payment software platform and business which facilitates corporates paying supplier invoices early.
- Purchase price of c. \$3m, with hold-back mechanism to contribute to post-acquisition credit losses.
- EPS accretive acquisition in addition to strategic benefits.
- Refinancing of Invoice and Trade Finance Facility expected in early December 2023.
- Trading update to be provided prior to the upcoming Annual General Meeting (AGM).

Earlypay Limited ("**Earlypay**", "**EPY**" or the "**Company**") is pleased to announce it has entered into an agreement to acquire selected assets of Timelio, including certain customer receivables, IP, software, and other assets. (Timelio retains the cash balance released from its existing warehouse funding structure.)

Timelio Acquisition

Founded in 2015, Timelio is a specialist invoice and trade financing provider to a diverse range of small to medium sized customers across Australia.

The acquisition, whilst small, is strategically important for Earlypay as it provides:

- Approximately \$35m of Funds in Use (FIU) in core invoice finance product and c. \$5m in FIU in trade finance product.
- High quality portfolio - many of the customers joined Timelio through its acquisition of the Bendigo Bank invoice finance portfolio in 2022. Earlypay has conducted comprehensive due diligence on the receivables portfolio to ensure the portfolio meets Earlypay's current risk appetite and underwriting standards.
- Supplier Early Payment software platform which facilitates corporates paying supplier invoices early for a small discount. This is an attractive product for corporates with excess cash, and for their suppliers seeking working capital flexibility.
- Earlypay intends to grow the Supplier Early Payment business which also offers potential cross-selling opportunities for the Company's existing invoice, equipment, and trade finance products.

- Specialist SME lending team to bolster existing staffing capabilities across Finance & Treasury, Marketing, Technology & Software Development, Supplier Early Payment product management, Client Management, Risk and Operations.
- Increased on-the-ground presence in Victoria.

Key Transaction details include:

- Purchase price of c. \$3m and the assumption of c. \$200k of employee entitlements.
- Consideration will be paid with a mix of cash and EPY scrip, at the election of Timelio, to be determined at completion.
- Payment of the purchase price (both cash and scrip) will be withheld via a hold-back mechanism for at least six months after completion ("hold-back period") and used to offset post-acquisition credit losses relating to specified receivables.
- The EPY scrip portion will be issued after the hold-back period, at a price of \$0.2236 which is based on the 30-day VWAP of the EPY shares up to, and including, 2 November 2023 (the shares will be issued out of the Company's existing Placement Capacity under ASX Listing Rule 7.1 and cash to be funded out of existing reserves).
- The transaction is subject to approval by Timelio shareholders and customary conditions precedent relating to refinancing Timelio's receivables. The transaction is expected to complete in November.
- The acquisition is expected be EPS accretive in addition to providing a range of strategic benefits.

Earlypay's Chief Executive Officer, James Beeson commented, *"We are delighted to welcome Timelio's customers and talented team to Earlypay. The transaction represents an exciting new chapter as we continue to build towards being Australia's leading working capital provider to SMEs. In addition to adding scale in our core invoice financing product, the Supplier Early Payment business adds a strategic and complementary product to support the working capital needs of SMEs, and support Earlypay's future success."*

Refinancing Update

The refinancing of the new Invoice and Trade Warehouse Facility is well progressed and expected to reach financial close by early December 2023.

The delay to the original timeline is due to management progressing with the Timelio acquisition and the senior funder conducting additional due diligence and credit approving the Timelio portfolio.

Funding of the Timelio receivables will initially be incorporated within Earlypay's existing facilities, before rolling into the new invoice and trade finance warehouse, which has the same senior funder.

Given the modest economic benefits and need to focus internal resourcing, refinancing of the Equipment Finance Facility has been paused until early in the 2024 calendar year.

Trading Update

The Company will provide a further trading update prior to the upcoming AGM on Wednesday, 22 November 2023 but reaffirms its previously stated guidance that "FY24 earnings are expected to exceed FY23's underlying proforma earnings" which was \$4.8m NPAT.

This release was authorised by the Board of Earlypay Limited.

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ABOUT EARLPAY

Earlypay provides secured finance to SMEs in the form of invoice, equipment, and trade financing.

Earlypay's core product is invoice financing which can help SMEs overcome the cash flow pressure of waiting up to 60 days to receive payment of their customer invoices. Typically, Earlypay will provide SMEs with up to 80% of the invoice amount and funds can be used for any business purpose. Because invoice finance is supported by outstanding invoices, available funding increases in line with sales volume and is well suited to growing businesses.

Earlypay also provides SMEs with finance to invest in equipment and vehicles, and can also offer trade finance to clients to pay their suppliers.