

22 November 2023

Earlypay Limited (ASX: EPY) AGM CHAIR ADDRESS

Earlypay Limited (“EPY” or “the **Company**” or “**Earlypay**”) is pleased to release the Chair address to be made at the Annual General Meeting (AGM) to be held at 10.00am (AEDT) today.

Chair Address:

Thank you all for attending the Earlypay Limited Annual General Meeting for the financial year ending 30 June 2023.

Financial year 2023 was clearly a challenging year for Earlypay. In December 2022, we announced that our largest borrower at the time entered voluntary administration with an outstanding exposure of approximately \$29m, around twice the size of our next largest single borrower exposure. Directly resulting from this default and the recovery process, Earlypay experienced credit-related losses of approximately \$14.3m which contributed heavily to a FY23 reported net loss of \$7.7m.

This default was a significant shock to the business and drove a swift and comprehensive review of our risk governance, underwriting policies, operational procedures and loan book exposures. As a result, we made several material changes notably implementing a maximum single borrower exposure limit of \$10m, with most new borrower exposures now less than \$5m, whilst restructuring our business to mitigate against a setback of this magnitude happening again.

If there is any silver lining to FY23, it's that on an underlying proforma basis, and removing the impact of the major default and recovery, the Company delivered a positive NPAT of \$4.8m. This underlying profitability and balance sheet strength given a loss of this magnitude, highlights the core strength of the business.

Another critical improvement to the business is the refinancing of our new invoice and trade warehouse facility which we expect to settle before the end of this calendar year. We acknowledge the delay from the original timeline, however we felt it was important to prioritise a small but strategic acquisition I'll mention shortly.

As previously communicated to the market, we expect to release approximately \$20m of cash from the invoice and trade warehouse refinancing and have several capital management initiatives at play to drive EPS growth including buying back the corporate bond and continuing with our stated buy-back plan. Additionally, the Board remains committed in its intention to reinstate the ordinary dividend in the second half of FY24 as retained earnings are rebuilt.

With stronger foundations and an already strong underlying business, we had the confidence to add scale and capability in our core invoice finance product by acquiring selected assets of Timelio, a Melbourne based invoice and trade finance provider. Although not significant from a purchase price

perspective, this transaction brings many strategic benefits to Earlypay, including a new Supplier Early Payment business and talented team.

As we approach the end of the first half, we continue to see strong demand for our core invoice finance product, however given the economic backdrop, we are taking a conservative approach to new business and have also exited some customers that don't meet our revised risk appetite. This will be offset by the Timelio portfolio however, which includes many high-quality customers from that were originally acquired from Bendigo Bank.

Looking ahead to the second half of FY24 and beyond, we are excited by the growth potential of the business having delivered several key strategic initiatives this half which have built stronger foundations for the future.

We are now well placed to take advantage of the increased demand for working capital solutions from Australian SMEs and the consolidation of smaller working capital financiers will favour larger, more established lenders like Earlypay.

To my fellow board directors, James, Paul and the entire Earlypay team - thank you for your hard work, diligence, and significant contributions throughout the year.

Finally, I'd like to thank our shareholders for their support and patience throughout the year. We look forward to keeping you updated on our progress as we strive to build Earlypay into the market-leading, non-bank working capital solution provider to the Australian SME market.

Thank you.

-- ENDS --

This release was authorised by the Board of Earlypay Limited.

For further information, please contact:

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