

FY24 Q4 Update and Appendix 4C

Key highlights:

- **Lending**
 - Loan book increased by 80% during the quarter to \$6.3m.
 - Average loan size on originations up 220% on PCP and up 24% QoQ to \$89k.
 - Weighted average interest rate on originations steady at 2.64% per month.
- **Financial**
 - Over the past two months in aggregate, Propell recorded net cash inflows from operating activities (excluding non-recurring costs).
 - Receipts from customers up 37% on QoQ and down 5% on PCP to \$376,000 due to significant loan book growth during the quarter.
 - Underlying operating costs were down 33% QoQ and down 12% on PCP to \$507,000. Including non-recurring costs, operating costs were \$668,000.
 - Net cash used in operating activities down 73% QoQ and down 28% on PCP to \$132,000 (excluding non-recurring costs).
- **Operations**
 - Enhanced the pricing structure of the Company's loan products, to make pricing simpler and provide customers with more flexibility.
 - Further development of Propell's credit assessment capability, which continues to deliver impressive results, driving arrears on originations this financial year to less than 1%.

Leading SME-focused finance platform, **Propell Holdings Limited (ASX:PHL, "Propell" or the "Company")** is pleased to provide a summary of its activities and cashflows (Appendix 4C) for the quarter ended 30 June 2024.

Update for Q4 FY24

During the quarter, Propell focused on three key areas: (1) Loan book growth; (2) Product improvement; and (3) Financial performance. The Company is pleased to announce that it has delivered in all three areas.

1) Loan book growth

- Growth in loan book: Propell's loan book grew from \$3.5m at the end of Q3 FY24 to \$6.3m at the end of Q4 FY24, representing QoQ growth of 80%.
- Growth in lending origination: Lending originations were up 430% on PCP and up 230% QoQ. The increase in lending originations is a result of the growth in Propell's broker referral network during Q3 FY24.

- Stable interest rate: Propell's interest rate fee remained stable at 2.64% per month during the quarter, which demonstrates the Company's competitive pricing and its ability to grow loan volume without compromising pricing.
- Increased loan size: The Company's average loan size continues to grow, up 24% QoQ to \$89k.
- Longer loan terms: Propell's average loan term has extended from 11.8 months in Q4 FY23 to 21.5 months in Q4 FY24 following the introduction of Propell's 24 month loan product, which has been very well received by customers.
- Lower loan credit impairment: The Company is pleased to report that arrears on loans written during FY24 continues to track at less than 1%, which is an outstanding result in the current economic climate given Propell's credit impairment history and the industry benchmark credit impairment rate of circa 4%. While Propell's enhanced credit assessment criteria has significantly improved arrears, it has also resulted in a higher rate of declined applications, up 40% on the previous quarter. Maintaining the integrity of Propell's credit assessment criteria in the current economic climate is critical to ensure that arrears and loan impairment remains at or below the industry benchmark rate of circa 4%. The Company's loan book growth during the quarter was achieved despite the increased rate of declined applications.
- Temporary increase in wholesale funding: to facilitate growth in the Company's loan book and in light of Propell's move towards break-even, Propell has been permitted to draw its wholesale funding facility to \$11m. The temporary increase has been granted to facilitate further loan book growth while discussions continue with a range of wholesale funding providers to secure a new larger wholesale funding facility.

2) Product improvement

- Improved pricing structure: During the quarter, Propell enhanced the pricing structure of its loan products, to make pricing simpler and provide customers with more flexibility.
- Maintained net interest margin: The key change to the Company's pricing was the removal of the early repayment fee and the implementation of an upfront establishment fee. The Company's enhanced pricing structure improves Propell's overall net interest margin while reducing the headline interest rate fee for customers.

3) Financial performance

- Growth in interest income: Propell's loan book growth during the quarter resulted in a 37% QoQ increase in receipts from customers. Growth in interest income combined with a relatively fixed and stable low cost base provides the Company with a clear pathway to profitability.
- Significant improvement in free cash flows: The growth in Propell's loan book and improvement to the Company's pricing structure delivers enormous improvement to Propell's free cash flows. The growth in Propell's loan book delivers improved cash inflows and the implementation of the upfront establishment fee offsets upfront loan costs.



Chart 1: Weighted average loan size

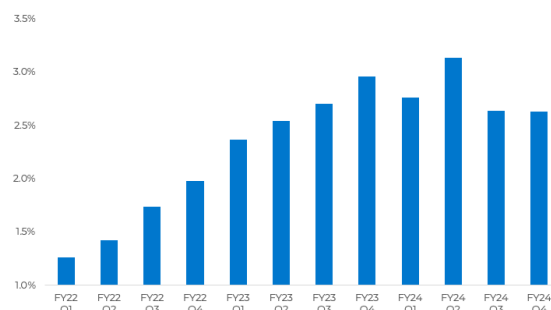


Chart 2: Weighted average monthly fee for new loans

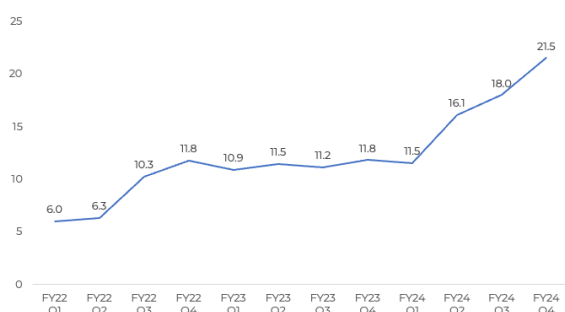


Chart 3: Loan tenure of originations

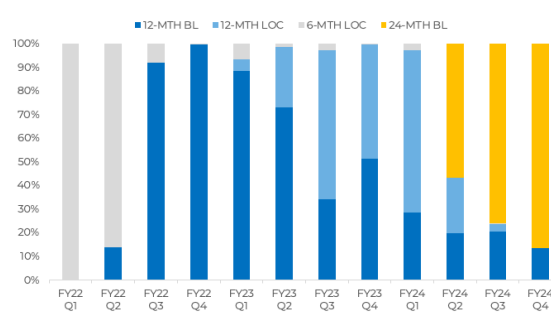


Chart 4: Product mix by tenure

Financial Result

Over the past two months in aggregate, Propell recorded net cash inflows from operating activities (excluding non-recurring costs).

Propell held cash on hand of approximately \$729,000 as at 30 June 2024. This cash balance includes available cash in the Company's lending facility and funding of investing cash flows and, per previous quarterly activities reports, is consistent with the Company's reporting since listing in 2021.

During the quarter, receipts from customers increased by 37% QoQ and decreased by 5% on PCP to \$376,000, while operating costs were down 11% QoQ and up 16% on PCP to \$668,000. One-off broker commission costs incurred during the quarter were approximately \$161,000 and this cost was directly related to the loan book growth of 80% during the quarter. Pleasingly, underlying operating costs continued to reduce and were down 33% QoQ and down 12% on PCP to \$507,000.

The cash loss in Q4 FY24 was \$292,000, which was 39% lower QoQ and 61% higher than PCP. Excluding one-off costs, the cash loss was down 73% QoQ and down 28% on PCP to \$132,000. The improved operating result reflects the loan book growth and the cost savings associated with the restructuring undertaken in 2023. The reduced cost base is expected to continue to deliver savings in future quarters while maintaining operating objectives and servicing customer needs.

Based on Propell's planned pathway to profitability, the Board expects that the reduced operating cash losses, headroom of \$1.3m in the Company's debt facility, and the available cash at the end of the quarter will enable the Company to continue its operations and meet its business objectives.

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.

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 March 2024 quarterly update, the Company continues to actively pursue 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 service 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.

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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 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	376	1,305
1.2 Payments for		
(a) research and development	(9)	(60)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(161)	(243)
(d) leased assets	-	(40)
(e) staff costs	(209)	(813)
(f) administration and corporate costs	(263)	(1,365)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(27)	(131)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide detail if material)	-	-
1.9 Net cash from / (used in) operating activities	(292)	(1,347)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-

Appendix 4C

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets	-	-
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)	(2,923)	(3,690)
2.6	Net cash from / (used in) investing activities	(2,923)	(3,690)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	39	1,329
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	3,425	3,792
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)	-	-
3.10	Net cash from / (used in) financing activities	3,464	5,121

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	481	646
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(292)	(1,347)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,923)	(3,690)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,464	5,121
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	729	729

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	729	426
5.2	Call deposits	-	55
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	729	481
<i>Item 5.2 Call Deposits relates to a term deposit used to secure a bank guarantee provided to a lessor.</i>			

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	47
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	11,749	10,472
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	11,749	10,472
7.5	Unused financing facilities available at quarter end		1,277
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.		
	i) The Company has a \$11m 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.		
	ii) The company owes \$0.749m 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&D activities.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(292)
8.2	Cash and cash equivalents at quarter end (item 4.6)	729
8.3	Unused finance facilities available at quarter end (item 7.5)	1,277
8.4	Total available funding (item 8.2 + item 8.3)	2,006
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.9
	<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: Wednesday, 31 July 2024

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.