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Earlypay Limited (ASX:EPY)

AGM Chair Address

Earlypay Limited ("**EPY**", "**Earlypay**" or the "**Company**") is pleased to release a copy of the address to be presented by Earlypay Chair, Geoff Sam, at the Annual General Meeting (AGM) to be held today at 10:00am (AEDT).

Chair Address

Welcome Shareholders and thank you for your continued support of Earlypay.

As Chair of Earlypay, I'm pleased to reflect on some of the achievements in 2024 after a transformational two years and provide some commentary around our optimism for the future.

Underpinning everything we do at Earlypay is the genuine belief that invoice finance is an excellent funding solution that should benefit many more SMEs than it does. There are 2.6 million SMEs in Australia and 1 million of them sell goods or services to other businesses which makes them potentially suitable for invoice finance.

The awareness and utilisation of invoice finance in Australia is rising as technology enhances the delivery of the product and as SMEs increasingly prefer to use business assets as security instead of their family homes. This shift is seeing invoice finance, more than ever before, edging towards being a mainstream product.

This represents an enormous opportunity for the Company and our strategy is focused on making invoice finance simpler for SMEs by combining product and technological innovation with personalised client service.

Our goal is to be the first-choice provider of invoice finance to Australian SMEs and Earlypay is exceptionally well placed to benefit from the broader adoption of invoice finance and expanding addressable market.

The Company has undergone significant change over the past two years to now be in a position of strength. These changes include a more focused strategy centred around invoice finance, updated risk governance, underwriting policies, operational procedures and a more diversified and well managed loan book.

It has taken some time to shape a more diversified and balanced portfolio of clients – across size, location and industry – with a focus on invoice finance and equipment finance. This involved deliberately exiting some clients and reducing exposure to trade finance. This has weighed on Funds in Use in the short-term but has significantly de-risked the loan portfolio and we now have a much stronger platform on which to grow with credit impairments expected to be much lower than in recent years.

A major milestone in 2024 was the refinancing of our Invoice and Trade facilities into a single warehouse in February. We now have a financing structure that is cost effective, capital efficient and highly flexible in its ability to meet our growth ambitions. Late in FY24 we also varied some lending parameters in our Equipment Finance facility, which has materially improved our ability to originate new loans and grow that portfolio.

In November last year we completed the acquisition of select assets from Timelio which added almost $40m of new receivables. This also added a talented and experienced team that have played an important role in improving the operational structure and capability of the business.

To return excess capital to investors, the Company bought back of 25.4 million shares for $4.48m at an average price per share of 17.7 cents. This equated to the repurchase of approximately 8.8% of the share capital outstanding at the start of the year. Earlier this month we announced a new share buyback of up to another 27 million shares that will be weighted to the second half as we are limited by the amount of shares we can buy in a rolling 12-month period.

The $10m corporate facility is being repaid and the outstanding balance is expected to be $5m at the end of the first half and be fully repaid by the end of Q3.

The Company also resumed paying dividends. The amount of the FY24 dividend was constrained by the amount of retained profits however this is not expected to be a constraint going forward.

With stronger foundations in place and a more diversified loan portfolio we have returned to a growth focus and are very optimistic about our organic growth outlook.

We are beginning to see the benefits from the strategy to augment traditional distribution channels with new channels, including embedded finance partnerships and see a lot of future upside in these non-traditional channels.

New originations have been strong for both invoice finance and equipment finance so far in FY25 which is rebuilding overall Funds In Use although the reduction of trade finance exposures in line with the Board's risk appetite is offsetting this somewhat.

As the portfolio rebuilds, net revenue grows and credit impairments are contained, we will get the benefit of the inherent operating leverage in the business to drive increasing profits and cash flow in coming years.

FY25 earnings per share (EPS) is expected to be 2.2 cents per share, up 28% on the FY24 Underlying Proforma EPS of 1.7 cents per share, with a stronger second half due to the lower starting point for Funds In Use at the beginning of the year.

Given the Board's outlook for strong ongoing financial performance, we are targeting a return to a dividend payout ratio of 60%.

I'd like to take a moment to thank our CEO, James Beeson and CFO-COO, Paul Murray for their leadership during this transformational period, along with the entire Earlypay team for all their hard work, diligence, and contributions during the year. We are only at the start of this significant next phase of growth, and we firmly believe we have right team and platform in place to benefit from this exciting period.

Finally, I'd like to thank my fellow Board members and most importantly our shareholders for their support and patience. We look forward to keeping you updated on our progress as we work towards our goal of being the first-choice provider of invoice finance to Australian SMEs.

This release was authorised by the Board of Earlypay Limited.

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ABOUT EARLYPAY

Earlypay is a leading provider of working capital finance to Australian SMEs with Invoice Finance and Equipment Finance.

Invoice Finance helps SMEs bridge the gap between issuing invoices and receiving payment from customers by providing early payment of up to 80% of the invoice value. Accessing cash flow against unpaid invoices is simple and accessible with Earlypay's online platform that integrates seamlessly with the major accounting software providers.

Equipment Finance is available to SMEs to assist with capital expenditure and Trade Finance is provided to selected clients looking to close the cash flow gap between paying suppliers and receiving payment from customers.