Earlypay

FY24 AGM Presentation

28 November 2024

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Earlypay


Better business, on your terms.

Our Vision

To be the first choice Invoice Finance provider to Australian SMEs.

With simpler, more efficient Invoice Finance.

Service & Expertise

Product Innovation

Technology Innovation

Supported by a specialised Equipment Finance proposition

Market Opportunity

2.6m SMEs [1] → 1m B2B SMEs [2] → 100K Addressable Market [3]

SME Invoice Finance Market [3]
5k SMEs $2.5bn FIU

450 SMEs
$160m
FIU

Approx. 6.5% of estimated addressable market by FIU

1. ABS Counts of Australian Businesses, Table 12a
2. B2B estimate, ABA Lending Report 2021
3. Earlypay estimate

Invoice Finance is becoming simpler and more mainstream

Historical challenges

- **Operational intensity** – ongoing interaction with clients to source, verify and monitor payments through segregated account (vs. standard business loan)

- Speciality product in Australia
  - **Awareness** – IF more commonly used source of funding in the UK, Europe and US. UK market est. 5x times larger in terms of usage
  - **Property security** – focus of Australian banks on property security led to general SME acceptance of property security for business loans
  - **Limited bank offering** - major banks have traditionally only offered this product to larger corporates, not SMEs

- **Broker channel** – primary distribution via commercial brokers, however vast majority focused on asset finance making this a relatively narrow channel

Creating a simpler and more efficient offering…

- **Technology advancement** - integrations with accounting software and now third-party platforms and payments platforms is making IF simpler and more efficient
  - Operational intensity expected to reduce significantly and increase the appeal of the product

- **Embedded finance** – integration of financial services (including IF) directly into non-financial platforms, enabling clients to access finance seamlessly within their existing workflows. This will broaden distribution and client acquisition opportunities

- **Mainstream** – as the product proposition improves, Invoice Finance will become a more mainstream SME product - positioned between traditional bank loans and unsecured non-bank products

FY24 Financial Summary – Underlying Proforma[1]

Lower Funds In Use; stable margins and cost base; controlled impairments
Funds In Use growth to drive operating leverage and EPS in FY25 and beyond

$249m
Year end, Funds in Use
↓15% pcp[1]

$35.2m
Net Revenue
↓13% pcp

13.4%
Net Revenue Margin
↑1% pcp

1.2%
Credit Impairments
↓49% pcp

69%
Cost to Income[2]
↑5% pcp

$4.9m
Underlying NPAT[3]
↑19% pcp

1.7 cps
Underlying Basic EPS
↑20% pcp

14.8 cps
NTA
↓3% pcp

1. Prior corresponding period
2. Underlying Proforma Cost to Income = (Opex + Direct Costs, adjusted for amortisation and one-offs) / Net Revenue
3. Underlying Proforma NPAT is Reported NPAT after adding back one off RevRoof costs, acquisition related amortisation and notable one-off costs

Completing a two-year transitional period

The RevRoof default accelerated a change program to upgrade the business to a more institutional standard. This has resulting in a stronger and more sustainable business and that is beginning to drive higher EPS and DPS

1 Risk & Operations

- Risk governance, appetite & oversight
- Credit policy & underwriting
- Centralisation of key functions
- More diversified, less concentrated portfolio focused on IF & EF (incl. reducing TF exposure)

2 Funding Restructure

- New Invoice & Trade Finance warehouse; IF/TF
- EF warehouse parameters varied
- $20m corporate bond repaid
- Existing $10m corporate facility will be repaid by the end of Q3

3 Timelio Acquisition

- Significant positive impact on overall business
- Acquired select assets incl. IF + TF Receivables
- High quality portfolio (ex BEN bank), albeit at tighter margins
- Experienced enhancing client service, tech and finance capabilities

4 Capital Management

- Capital release from new warehouse and reduction in balance sheet funded assets
- Timelio acquisition
- $4.48m to buy-back 25.4m shares
- New buy-back of up to 27m shares announced
- Dividend resumed

5 Growth Focus

- More targeted strategy and client segments
- Product innovation
- Diversification of Invoice Finance distribution
- More disciplined and confident underwriting
- Faster time-to-decision and time-to-settle
- EF is growing strongly with varied parameters

Note: IF = Invoice Finance / TF = Trade Finance / EF = Equipment Finance

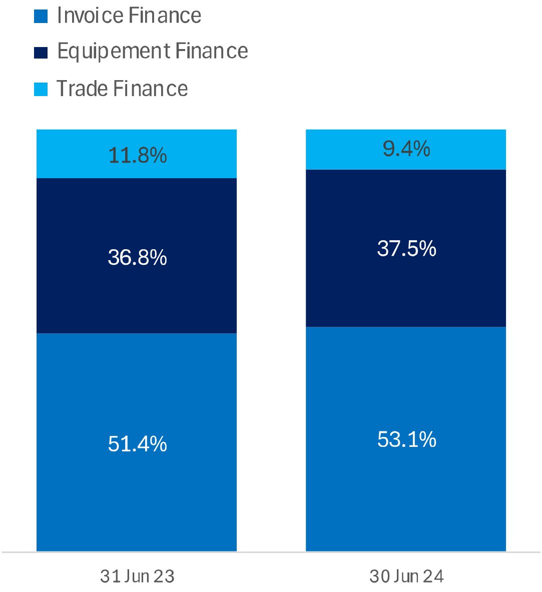
Portfolio Rebalance – Proactive risk management & transition

Client Concentration

- Reduced focus on single client large deals, diversifying exposures
  - No single exposure greater than $10m
  - Target client FIU ($250k - $5m)
- Top 10 clients now 19% total FIU vs 27% in Jun-23

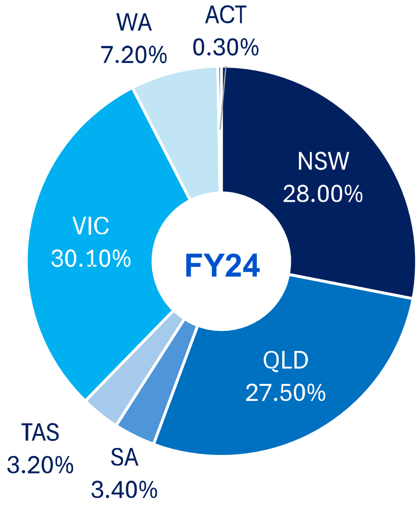
Product Mix

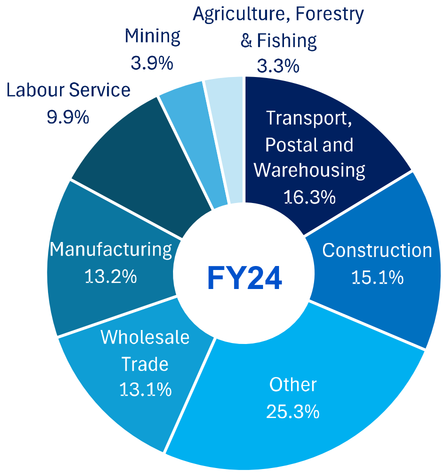
- **TF:** targeted reduction in Trade Finance
- **IF:** reduction in IF receivables, primarily through targeted exits
- **EF:** primarily wheel-base assets: trucks / trailers, vehicles, earth moving etc. Constrained growth in FY24



Client Location & Industries

- Diverse industry mix with minimal risk to cyclical or volatile sectors
- Construction is primarily EF ('yellow goods' – earth moving, fork-lifts, etc) to civil construction
- Labour Service a strong growth industry





Funding to Grow

Institutional warehouse funding in place; highly scalable with growth; operationally efficient with minimal equity contribution

As at 30 June 2024

Invoice and Trade Finance Warehouse

- Senior funding provided by major Australian bank
- Completed new Invoice and Trade warehouse in Q3'24
  - Significantly simplified funding model (cash and operational requirements), lower cost of funding (~1%)
  - Ability to expand facility in-line with organic & inorganic growth
- Completed new IF / TF mezzanine facility in June-24 - $10m limit
  - ~95% LVR threshold (reduction in threshold vs prior facility)
  - Same debt provider as corporate facility

Equipment Finance Warehouse

- Senior funding provided by major Australian bank
- Amended lending concentration parameters in Apr-24
- No current plans to refinance as amended parameters consistent with lending strategy

Corporate Loan

- Corporate facility of $10m settled in Jul-24 (replaced corporate bond)
  - Reduced to $6.5m (Nov-24) with intention to pay off in Q3'25

Growth: Augmenting traditional distribution channels with new, non-traditional channels

Diversifying distribution channels is strongly supporting originations in FY25 to date with Funds in Use growing steadily

Traditional channels: IF & EF

100% of FY24 distribution
>95% of YTD FY25 distribution

- Referrers: Commercial Finance Brokers, Insolvency Practitioners, Accountants, Business Advisers
- Marketing led sales
- Client & staff referrals

- Sales & marketing team expansion
- Improved automation for better referrer and client experience
- Added Docs & Settlements resources to support higher volumes

New channels: IF

0% of FY24 distribution
<5% of YTD FY25 distribution

Earlytrade xemplo
SprintSuite foundU

- Leveraging technology to provide frictionless funding to SMEs when and where they need it
- Earlypay is uniquely position to be the leader in embedded early payments
  - Tech capability + Early payment expertise + Scale

Build the Earlypay brand

Outlook

Guidance

H1 re-building of FIU with operating leverage benefiting H2 and beyond

1. **EPS** - FY25 Underlying EPS expected to be 2.2 cents per share (cps)[1], up 28% pcp (FY24: 1.7 cps)
    - earnings weighted to H2'25 supported by FIU growth & lower interest expense due to corporate loan repayment

2. **Dividends** - payout ratio expected to return to 60%

3. **Buy-back** – recently announced share buy-back program of up to 27 million shares.

1. EPS target assumes an Underlying NPAT of $6m and an average of 272 million shares outstanding

Questions

Earlypay

Investor enquiries

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