# Earlypay

## 1H FY25 Results Presentation

**25 February 2025**

CEO James Beeson

CFO / COO Paul Murray

Earlypay

# Our Vision

To be the first-choice invoice finance provider to Australian SMEs.

Service & Expertise | Product Innovation | Technology Innovation

Supported by a specialised Equipment Finance proposition

Our values

Positivity & Growth | Respect & Collaboration | Integrity & Accountability | Partnership & Value

# 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
$140m
FIU

Approx. 6% of estimated addressable market by FIU

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

# 1H25 Financial Summary

## Loan growth returning during the half

**$255m**
Ave., Funds in Use
↓9% pcp[1]

**$17.1m**
Net Revenue
↓5% pcp

**4.7%**
Net Interest Margin
↓ 2% pcp

**13.3%**
Net Revenue margin
↑5% pcp

FIU growth resumed in 1H25

**74.2%**
U'lying Cost to Income[2]
↑4% pcp

**$2.6m**
Underlying NPAT[3]
↑24% pcp

**1.0 cps**
Underlying Basic EPS
↑ 32% pcp

**~3.0 cps**
Forecast surplus capital at end of FY25

0.14 cps Interim Dividend
(constrained by Retained Earnings)

**Note:** Refer Appendix 4D for reconciliation related to a minor restatement of 1H24 accounts; NPAT impact of ($176k). The FY24 full year accounts remain accurate and incorporated this adjustment.

1. Prior corresponding period (1H FY24)
2. Underlying Proforma Cost to Income = (Opex + Direct Costs, adjusted for amortisation and one-offs) / Net Revenue
3. Underlying Proforma NPAT is Reported NPAT adding back acquisition related amortisation and one-off costs

# 1H25 Statutory Results

# 1H25 Summary – Reported P&L

## Growth in IF and EF resuming, TF FIU reducing to comfortable levels

Business is well positioned to deliver operating leverage as loan book grows

| Profit and Loss ($m)<br>30 June Y/E | H1'24<br>Reported | H1'25<br>Reported | | *Δ pcp* |
|---|---|---|---|---|
| *Period End Funds in Use* | *292.7* | *256.2* | | *(12%)* |
| *Average Funds in Use* | *280.3* | *255.0* | 1 | *(9%)* |
| Interest income | 16.5 | 15.4 | | *(7%)* |
| Interest expense | (9.8) | (9.4) | | *(4%)* |
| **Net interest revenue** | **6.7** | **6.0** | | ***(11%)*** |
| Mgmt / Admin Fees | 11.3 | 11.1 | | *(1%)* |
| **Net revenue** | **18.0** | **17.1** | | ***(5%)*** |
| Opex | (12.0) | (12.8) | 3 | *7%* |
| Direct Costs | (1.2) | (1.4) | | *18%* |
| Credit Impairment Expense (CIE) | (0.9) | (0.1) | 4 | *(86%)* |
| Recovery Costs | (1.2) | (0.5) | | *(54%)* |
| **PBT** | **2.7** | **2.2** | | ***(19%)*** |
| **NPAT** | **1.9** | **1.3** | | ***(33%)*** |
| Amortisation | - | 0.9 | 5 | *na* |
| One-offs (tax affected) | 0.3 | 0.5 | 6 | *80%* |
| **Underlying NPAT** | **2.1** | **2.6** | 7 | ***24%*** |
| Underlying Basic EPS (cents per share) | 0.7 | 1.0 | | *32%* |
| DPS (cents per share) | - | - | | *na* |
| Net interest margin | *4.8%* | *4.7%* | | *-2%* |
| Non-interest income margin | *8.0%* | *8.7%* | | *8%* |
| Net revenue margin | *12.7%* | *13.3%* | 2 | *5%* |
| Underlying Cost to Income [1] | *71.4%* | *74.2%* | | *4%* |
| Underlying ROE [2] | *5.8%* | *7.2%* | | *22%* |

1. Average FIU growth resumed in 1H'25 with average FIU up $8m between Jun-24 and Dec-24 (albeit average FIU was down 9% on pcp)
   - $9m 1H'25 IF growth was offset by $13m (55% TF book) reduction in TF (predominantly large single TF client refinanced)
   - EF growing strongly, FIU increased by $12m during 1H'25
2. Net Revenue Margin increased to 13.3%, up 5% on pcp
3. Opex growth overstated due to Amortisation; largely flat on pcp
4. Reduction in credit impairment expense (CIE) supported by recovery of $0.7m previously written-off and general provisioning of c. 1% of FIU due to strong actual and expected credit performance
5. Amortisation related to acquisition accounting (Timelio)
6. One-offs (pretax) include $0.6m early termination fee for partial corporate bond repayment and $0.1m for redundancy costs
7. Underlying NPAT better reflection of performance – removes impact of Amortisation. (Effective tax rate is 43% ($0.9m) of Reported PBT as amortisation is not tax deductible)

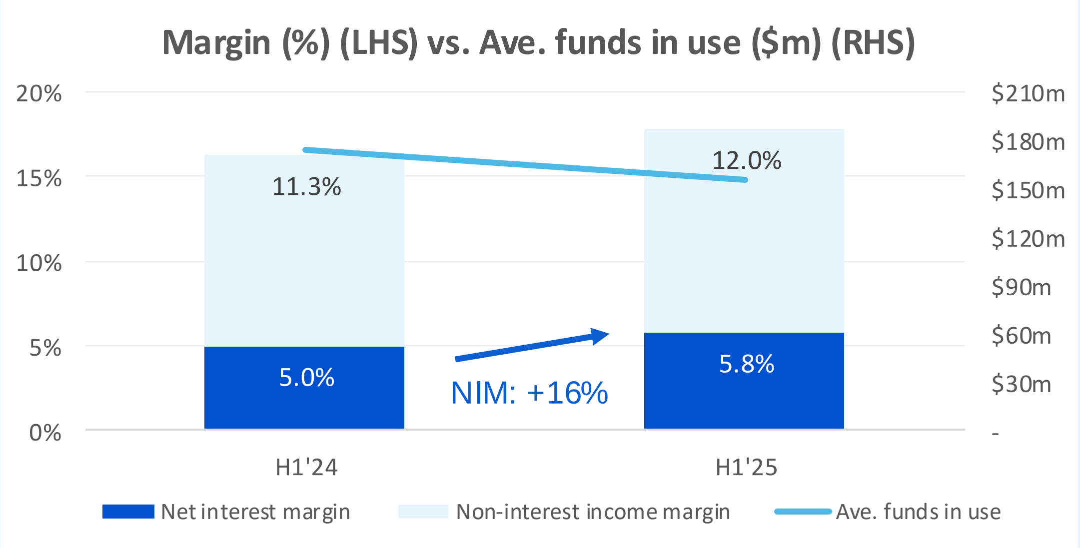
1. Underlying Cost to Income calculated as (Opex + Direct Costs – Amort – Intangible write-offs – One Offs) / Net Revenue
2. Underlying Return on Equity calculated as Underlying NPAT divided by Net Assets

## Product Segment: Invoice & Trade Finance

### Lower TF exposure offsetting FIU growth in IF; margin improvement underpinning future profitability

| IF & Trade Reporting ($m) | H1'24 | H1'25 | | Δ pcp |
|---|---|---|---|---|
| ***Key Metrics*** | | | | |
| Period end funds in use | 188.6 | 150.6 | | *(20%)* |
| Ave. funds in use[1] | 174.6 | 155.5 | | *(11%)* |
| Invoices purchased (TTV) | 1,253 | 1,371 | | *9%* |
| | | | | |
| Interest income | 10.7 | 9.8 | | *(8%)* |
| Interest expense | (6.3) | (5.3) | | *(16%)* |
| **Net Interest Revenue** | **4.4** | **4.5** | 1 | ***3%*** |
| Mgmt / Admin Fees | 9.9 | 9.4 | 2 | *(5%)* |
| **Net Revenue** | **14.3** | **13.9** | | ***(2%)*** |
| Opex | (9.5) | (8.4) | | *(11%)* |
| Direct Costs | (0.6) | (0.6) | | *(9%)* |
| Credit Impairment Expense (CIE) | 0.3 | 0.3 | 3 | *7%* |
| Recovery Costs | (1.1) | (0.5) | | *(59%)* |
| **PBT** | **3.3** | **4.7** | 4 | ***42%*** |
| One-offs | 0.4 | - | | *(100%)* |
| **Underlying PBT** | **3.7** | **4.7** | | ***28%*** |
| Net interest margin | *5.0%* | *5.8%* | | *16%* |
| Non-interest income margin | *11.3%* | *12.0%* | | *7%* |
| Net revenue margin | *16.2%* | *17.8%* | | *9%* |
| Underlying Cost to income[2] | *68.2%* | *64.8%* | | *(5%)* |

1. Despite lower FIU, benefits delivered from lower cost warehouse funding and diversified book of smaller clients at higher margins
   - NIM of 5.8%, up 16% compared to pcp
2. Lower Admin fees reflect lower FIU, albeit non-interest income margin improved 7% on pcp (smaller clients at higher margins)
3. CIE reflects the recovery of previously written-off exposures, lower FIU and lower provisioning due to strong actual and expected credit performance
4. Growth in IF profitability highlights attractiveness of product segment when executed well



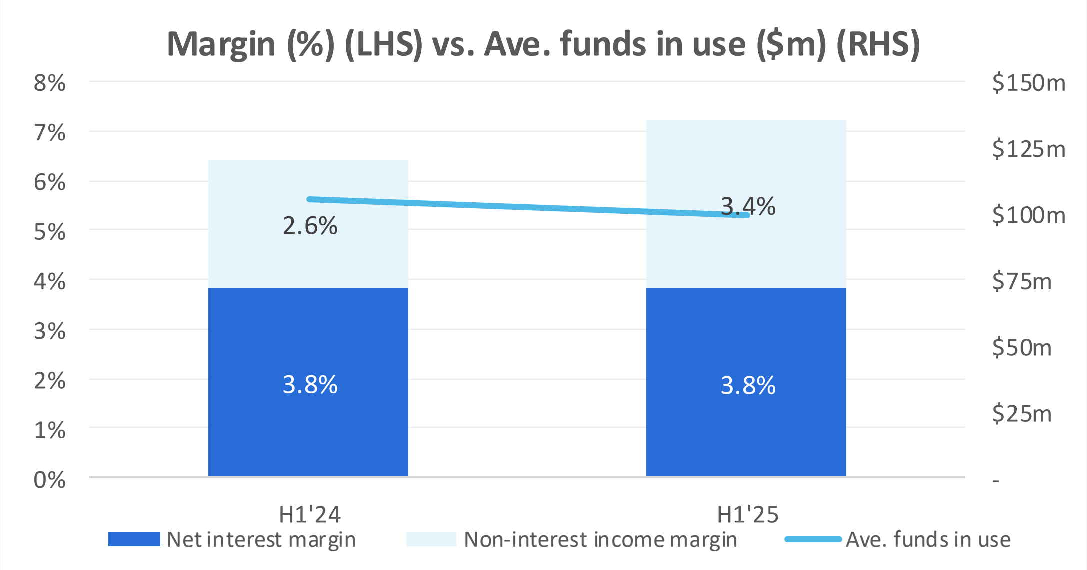

1. Average Funds In Use is a monthly average across the entire period
2. Underlying Cost to Income calculated as (Opex + Direct Costs – Amortisation – One Offs) / Net Revenue

# Product Segment: Equipment Finance (EF)

## Originations accelerating within well controlled underwriting and funding parameters

| EF Reporting ($m) | H1'24 | H1'25 | | Δ pcp |
|---|---|---|---|---|
| ***Key Metrics*** | | | | |
| Period end funds in use | 104.0 | 105.6 | | *2%* |
| Ave. funds in use[1] | 105.7 | 99.5 | | *(6%)* |
| Loan Originations | 14.0 | 35.0 | 1 | *151%* |
| | | | | |
| Interest income | 5.4 | 5.4 | | *(0%)* |
| Interest expense | (3.4) | (3.5) | | *4%* |
| **Net Interest Revenue** | **2.0** | **1.9** | | ***(7%)*** |
| Admin Fees | 1.4 | 1.7 | 2 | *25%* |
| **Net Revenue** | **3.4** | **3.6** | | ***6%*** |
| Opex | (1.1) | (1.0) | 3 | *(6%)* |
| Direct Costs | (0.8) | (0.9) | | *21%* |
| Credit Impairment Expense (CIE) | (1.2) | (0.4) | 4 | *(65%)* |
| Recovery Costs | (0.0) | (0.1) | | *80%* |
| **PBT** | **0.3** | **1.2** | | ***250%*** |
| One-offs | - | - | | *na* |
| **Underlying PBT** | **0.3** | **1.2** | | ***250%*** |
| Net interest margin | *3.8%* | *3.8%* | | *(1%)* |
| Non-interest income margin | *2.6%* | *3.4%* | | *33%* |
| Net revenue margin | *6.4%* | *7.2%* | | *13%* |
| Underlying Cost to income[2] | *53.9%* | *53.4%* | | *(1%)* |

1. Strong origination growth in H1'25; originations in past 6 months higher than prior 12 months
   - $19m in originations in Q2'25
2. Admin fees up 25% on pcp due to onboarding and refinancing charges
3. Tight control over cost base; able to scale efficiently
4. Actual and expected CIE outlook have improved




1. Average Funds In Use is a monthly average across the entire period
2. Underlying Cost to Income calculated as (Opex + Direct Costs – Amortisation – One Offs) / Net Revenue

# Consolidated Balance Sheet

## Balance Sheet continues to strengthen. NTA of $40.9m with significant equity buffer in warehouses

| Balance Sheet ($m) | 30-Jun-24 | 31-Dec-24 | | Δ pcp |
|---|---|---|---|---|
| Cash and cash equivalents | 40.1 | 32.9 | 1 | *(18%)* |
| Receivables - Invoice Finance[1] | 145.4 | 140.3 | | *(4%)* |
| Allowance for exp. credit losses - IF | (5.2) | (1.9) | 2 | *(64%)* |
| Receivables - Equipment Finance[2] | 93.8 | 105.3 | | *12%* |
| Allowance for exp. credit losses - EF | (2.6) | (2.3) | | *(13%)* |
| Intangible Assets | 32.3 | 31.3 | | *(3%)* |
| Income tax receivable | 1.7 | 1.7 | | *(2%)* |
| Other | 8.5 | 6.7 | | *(21%)* |
| **Assets** | **314.0** | **314.0** | | ***(0%)*** |
| Trade Payables | 3.3 | 2.9 | | *(12%)* |
| Borrowings[3] | 234.8 | 234.4 | | *(0%)* |
| Other | 4.2 | 4.1 | | *(3%)* |
| **Liabilities** | **242.3** | **241.4** | | ***(0%)*** |
| **Net Assets** | **71.7** | **72.6** | | ***1%*** |
| **Total Equity** | **71.7** | **72.6** | | ***1%*** |
| | | | | |
| **Key Metrics** | | | | |
| **NTA** | **35.3** | **38.2** | | ***8%*** |
| NTA per share (period end) | 12.9 | 14.0 | 3 | *8%* |
| Net Borrowings to Receivables | *98.2%* | *95.4%* | 4 | *(3%)* |
| Average Funds in Use | 280.3 | 255.0 | | *(9%)* |
| TTV (Invoice Finance) | 1,253.3 | 1,371.3 | | *9%* |

1. Cash position of $32.9m as of 31 December 2024
   – $13.3m corporate cash (not restricted cash held in trust for warehouse facilities)
2. Decrease in allowance for ECL reflecting write-off of provisions
3. NTA per share (period-end shares on issue) of 14.0 cps
4. Decrease in Net Borrowings to Receivables ratio highlighting significant equity buffer within the capital structure for future capital management initiatives

### Cashflow

- Strong Operating cash flow of $4.8m in H1 (pcp $1.8m)
- Strong capital position with forecast of ~$8m of surplus capital by year-end, post repayment of remaining $5m corporate debt in April 2025

1. Receivables – Invoice Finance figure combines both the gross Receivables and Payables balances
2. Receivables - Finance Leases figure combines both the Current and Non-Current balances
3. Borrowings combines both the Current and Non-Current balances

1H FY25 Results Presentation

# Strategy & Growth

## Earlypay Growth

Augmenting traditional distribution channels and enhancing the proposition

| Traditional Channels | New Channels |
| --- | --- |
| **100% of FY24 distribution**<br>**>95% of YTD FY25 distribution** | **0% of FY24 distribution**<br>**<5% of YTD FY25 distribution** |

### Traditional Channels

- Referrers: Commercial Finance Brokers, Insolvency Practitioners, Accountants, Business Advisers
- Marketing-led sales – adding resources, seeing benefits now
- Client & staff referrals – driven by improved product & service

- Make IF simple to buy - focus on "speed to decision" and speed to settle"
- Investment in marketing, underwriting, onboarding and settlement resources and automation for improved referrer and client experience

### New Channels

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

**Enhance the proposition and its delivery to SMEs and referrers.**
**Use technology to streamline the product and make it a more mainstream funding alternative**

**Focused strategy on Invoice Finance to underserved SMEs (smaller, higher margin)**

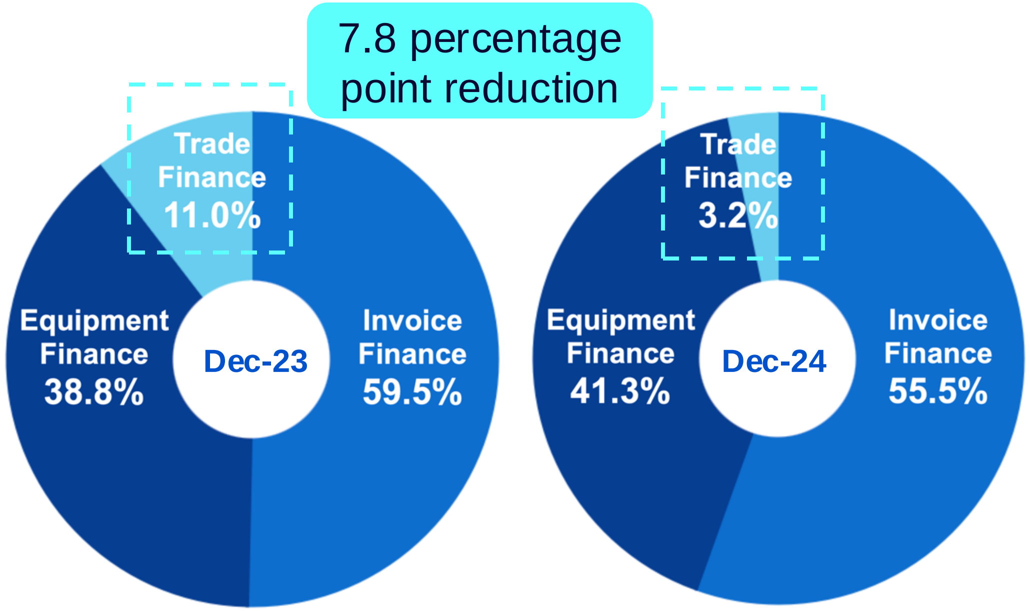
**Build the Earlypay brand and awareness of Invoice Finance**

## Portfolio Positioning

Proactive risk management. Strong foundation for sustainable growth.

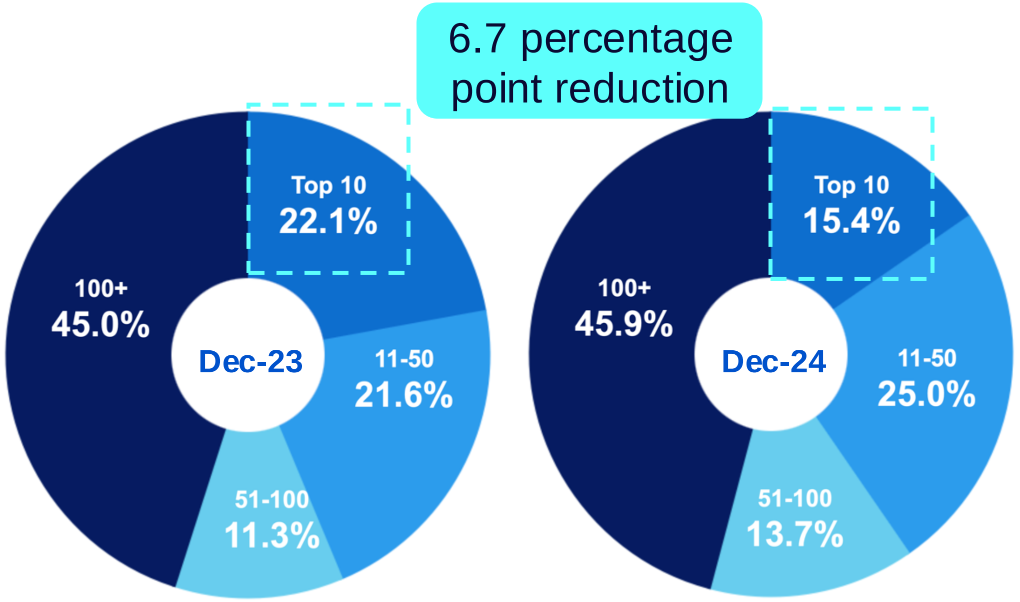
### Product Mix

- **TF:** targeted reduction in Trade Finance (Dec-23: $29m to Dec-24: $10m)
- **IF:** more diversified and better-quality portfolio
- **EF:** primarily wheel-based assets: trucks / trailers, vehicles, earth moving etc.




### Client Concentration

- Diversification of portfolio continues
  - No single exposure greater than $10m
  - Target client FIU ($250k - $5m)
- Top 10 clients now 15% total FIU vs 22% in Dec-23



## Funding for Growth

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

| Structure | Facility Size | Cost of Funds |
|---|---|---|
| **Invoice Finance & Trade Warehouse** | | |
| Warehouse Facility – Senior | $185m | Sub-2% + BBSY |
| Warehouse Facility - Mezzanine | $10m | ~7% + BBSY |
| **Equipment Finance Warehouse** | | |
| Warehouse Facility - Senior | $100m | Sub-2.5% + Swap |
| Warehouse Facility - Mezzanine | $22.5m | Sub-5.5% + BBSY |
| **Total Warehouse Facilities** | **~$320m** | **Ave. ~2.3% margin** |

| | | |
|---|---|---|
| **Corporate*** | | |
| Secured corporate loan | $5m | ~10% + BBSW |

### Invoice and Trade Finance Warehouse

- Senior funding provided by Tier 1 Australian bank
- Tailored structure to reflect intra-month funding profile

### Equipment Finance Warehouse

- Senior funding provided by different Tier 1 Australian bank
- No portfolio parameter constraints
- Opportunity to improve pricing and equity contribution as portfolio continues to grow

### Corporate Loan

- Corporate facility of $10m settled in Jul-24 (part of repayment of prior $19m corporate bond)
- Reduced to $5.0m (Dec-24) with intention to fully repay by Apr-25
- Following repayment Earlypay will only hold debt at the asset-level

# Capital Management & Outlook

# Capital Management

## Ongoing commitment to enhancing shareholder value

### Capital Management

- Over $25m of capital released via refinancing of funding structures and reduction in balance sheet funded receivables and deployed into capital management initiatives
- Remaining $5m of corporate debt expected to be repaid in April 2025
- Post repayment of corporate debt, Earlypay is expected to have an additional **~$8m (~3 cents per share)** of surplus capital available for capital management initiatives
- These may include bolt-on acquisitions and/or on-market buyback. The Board is also considering other means to return surplus capital to shareholders

### Dividends

- Interim dividend is constrained by amount of retained earnings (impacted by prior period adjustment). Board has declared an interim fully franked dividend, equal to 0.14 cps (100% of retained earnings)
- The Board intends to pay 100% of accumulated retained earnings as a fully franked final dividend at the end of FY25
- Subject to executing other capital management initiatives, the Board intends to continue paying 100% of retained earnings as fully franked dividends to shareholders until surplus capital is returned

| Date | Capital Management Initiative | Amount |
|---|---|---|
| **Acquisitions** | | |
| Jun-24 | Timelio Purchase (cash component) | $1.3m |
| **Debt Reduction** | | |
| Jul-24 | Corporate Bond Repayment | $10m |
| Dec-24 | Corporate Loan Repayment | $5m |
| Apr-25* | Corporate Loan Repayment (remaining balance) | $5m |
| **Share Buybacks** | | |
| FY-24 | Buyback | $4.4m |
| H1-25 | Buyback | $0.1m |
| **Total** | | **$25.8m** |

* Expected to be repaid in Apr-25

# Outlook

Continued momentum in FIU growth with operating leverage to support EPS growth

## Strategic Initiatives Update

- Earlypay continues to explore strategic initiatives and is in discussions with several parties. These discussions are at an early stage and there is no guarantee a transaction will take place
- Earlypay will continue to keep the market informed in accordance with its continuous disclosure obligations

# Earnings per Share (EPS)

Reaffirming FY25 Underlying EPS expected to be 2.2 cents per share (cps)[1]

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

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