creditclear limited

31 January 2022
ASX Announcement

AGM Chair Address

Dear Shareholders,

It is my pleasure to welcome you to the second Annual General Meeting of Credit Clear Limited Our first AGM took place in November of 2020, shortly after we listed on the ASX, and I will reflect today on the considerable achievements in this relatively short period.

We are holding this Annual General Meeting today, in January 2022, because we wanted the acquisition of ARMA Group Holdings to be substantially complete before. As you would be aware, we held an Extraordinary General Meeting on 21 January to gain your approval for the various capital adjustments we require to complete the acquisition, and I would like to thank you for your trust and support for this very important transaction.

At our last Annual General Meeting, I spoke about several important themes, and I would like to reiterate and update these now, and make some comments about our evolving governance model.

Governance

The Board of Credit Clear is committed to maintaining a majority of independent Non-Executive Directors.

When Christine Christian resigned from the Board late last year, we had an opportunity to consider various options and requirements, and I was delighted to welcome Hugh Robertson back as an independent director. We are seeking your support to elect him in Resolution 2. Hugh has been a long-standing supporter and a shareholder of Credit Clear and has served on the Board previously. We particularly value Hugh's experience with listed, fast-growing organisations.

We are also asking you to support the re-election of Lewis Romano who, in accordance with our constitution, retired at the end of his current term. Lewis co-founded Credit Clear and is an Executive Director of the company.

Under the terms of the ARMA acquisition, Andrew Smith, co-founder, and CEO of ARMA, will join the Board as an Executive Director. I look forward to working with Andrew as he leads the introduction of Credit Clear's digital platform to ARMA's clients, while also attracting new clients.

During the course of this calendar year, we will look to appoint at least one more Non-Executive Director to retain the balance of executive and non-executive Directors.

Since listing, we have also established a number of important Board committees to broaden the governance footprint, without burdening the management team unduly. These Committees include the Risk and Audit as well as the Remuneration Committees.

Alignment
Strong alignment of directors, executives, and employees with the interests of shareholder is a key focus for the Board. All Directors, and effectively all employees, are shareholders and/or options holders via the Employee Equity Plan.

Directors have not received any cash fees. Instead, Directors have been compensated in options and, this year, it is proposed that Director fees are paid in equity to maintain alignment with shareholders and preserve cash for growth investments. This is subject to your approval of the related Resolutions today.

The Employee Equity Plan is important to attract and retain key staff, especially in technology roles, where competition for talent is fierce. It is our current practice not to pay cash bonuses to employees, again, to preserve cash for growth investments.

I would also like to remind shareholders that last year's employee options have a vesting hurdle of 60c per share, measured in October 2022. The proposed incentive options for this year have a vesting hurdle of 97.5c per share, measured in October 2023. Again, this is subject to your approval today.

We are currently planning to continue to issue one tranche of employee options per year.
Finally, the ARMA vendors are now deeply aligned with the performance of Credit Clear's share price, with 40% of the purchase consideration provided in equity with a 12-month escrow period.

Transparency
The second theme I'd like to cover is Transparency.

Since listing, we have held nine management briefings, accessible to all shareholders. In these meetings, our CEO, CFO, Chief Product Technology Officer, and other members of the executive team have shared our growth strategy and operational progress. We will continue to make ourselves accessible to keep shareholders well informed.

We retain, however, a policy of not providing guidance on our forecasted financials for now.

Growth
Which brings me to our third theme – Growth.

Growth is important not only to create value, but also to maintain our ability to invest in our technology platform, which in turn fuels further growth. We have recently shared some information about the superior outcomes of our technology, and there is more to come.

I am pleased, that Credit Clear has delivered significant organic growth. In FY2021 we achieved top-line revenue growth of 70%. This includes total digital revenue growth of 147%.

In Q1 FY22, we delivered 22% revenue growth, compared to the same quarter in the prior year and for Q2 that figure was 56% growth. We added 82 new clients in FY2021 and, I believe, we lost only one. This demonstrates the performance of the product and the customer service delivered by the team.

Clients onboarded pre-FY21 saw revenue increase significantly throughout the Financial Year, for example Seek and Coliban Water significantly expanded the scope of our work.

In addition to organic growth, we have always been clear that inorganic growth is part of our strategy. We are pleased to have now substantially completed the ARMA acquisition.

The combined Credit Clear and ARMA businesses increase total revenue by 140% (on a FY21 pro forma basis) and we expect to produce breakeven EBITDA, giving us options to invest for further growth.

ARMA Customers

ARMA brings 403 new clients into the group, interacting with around 279,000 end-users. Our joint priority is to deploy Credit Clear's award-winning artificial intelligence driven technology platform to those clients.

ARMA has invested heavily into soft skills ensuring their team bring an empathetic approach to their work. This provides for an excellent alignment with Credit Clear's mission to enhance people's financial well-being.

ARMA Management

I've already introduced Andrew, who together with his co-founder Shane Ashton and their senior team of management have produced terrific results in the past few years.

Their decades of experience and industry relationships are incredibly valuable, but they also understand the power of new technology and are keen to be part of this future.

As such, we will retain all of ARMA's team, Andrew will continue to run ARMA as CEO and also join the Credit Clear Board.

International expansion

On the international front, a partnering and teaming agreement has been signed with Techub, a large financial recovery business, head-quartered in Johannesburg, South Africa, with a global operational footprint. The deal provides further validation of our technology, where following a global search Techub chose Credit Clear as the leading provider in the space.

Techub and Credit Clear have formed an integration team and work is well underway to deploy a pilot campaign in South Africa this quarter. Techub manages a portfolio of approximately $2bn in accounts receivables.

In the US we have maintained a licensing relationship. This has produced modest income for us and allowed us to gain some insights about the market, ahead of a more involved position which remains an important part of our overall international expansion plan.

In the UK we have established an exploratory presence, where we are considering the best way to enter the market. We are currently considering specific opportunities and will let you know as soon as decisions are made.

Beyond those, we regularly receive expressions of interest from providers in various countries, and we assess them on a case-by-case basis.

Technology

As you know, the backbone of Credit Clear is our technology platform. When we listed on the ASX in October 2020, we did so to raise funds for growth, to invest further in technology.

We are investing in new features, in machine learning and artificial intelligence, as well as in our data platform. I am pleased to see these investments coming to fruition as several important new features are being released to our customers, increasing our footprint with those clients.

In a recent market test, using artificial intelligence and machine learning, our Next Best Action module delivered a 150% uplift for a large toll road operator. This experiment along with others, demonstrating real commercial benefits, helped Credit Clear win the award for the "best use of AI" by a fintech at the recent Australian Fintech Awards 2021.

As we continue to invest, we do not plan to pay any dividends for the time being. We will maintain this policy for as long as we believe that we can produce superior value by continued investment.

Share Purchase Plan

A Share Purchase Plan is currently open to raise up to $4m, providing existing shareholders with an opportunity to participate. Existing shareholders can find all the details of the SPP on the ASX platform, or through the Credit Clear Investor Centre. The SPP will close on 18 February, and we encourage you to participate.

I thank you very much for your attendance here today.

Yours faithfully

Gerd Schenkel
Chair and Non-executive Director

ENDS

This ASX announcement was approved and authorised for release by the Board.

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About Credit Clear
Founded in 2015, Credit Clear Limited is an Australian receivables management solution provider that has developed a proprietary digital billing and communication technology platform that helps businesses drive smarter, faster and more innovative financial outcomes by changing the way customers manage their payments through a user experience that the market demands in a digital age.

Credit Clear manages customer accounts across a range of industries including transport, financial services, insurance, government and utilities. The Company is based in Australia with headquarters in Melbourne and offices in Sydney, Brisbane, Adelaide and Perth.

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