

31 January 2023  
ASX Announcement

Q2 FY23 Quarterly Activity Report and Appendix 4C

## **SECOND CONSECUTIVE CASH FLOW POSITIVE QUARTER, 83 CLIENTS SIGNED ADDING \$2.8M IN NEW SALES, RECORD DIGITAL PAYMENTS OF \$15.4M**

### **Highlights:**

- Operationally cash flow positive quarter<sup>1</sup> (\$68k) from operating activities
- Q2 revenue of \$8.4m up 162% on PCP
- Record digital collections in Q2 of \$15.4m up 100% PCP and first consecutive months of \$5m plus digital payments in November and December
- Strong momentum in sales continues with 83 new clients adding an expected \$2.8m<sup>3</sup> in annual revenue
- The ongoing integration of the Company's businesses continues with further operational efficiencies, a reduction in duplicate systems and role consolidation expected to benefit the Company in H2 FY23
- Strong balance sheet with cash position of \$9.3m at bank

Australian technology and debt collection provider **Credit Clear Limited (ASX: CCR)** ("**Credit Clear**" or "**the Company**") is pleased to announce that the Company recorded \$8.4m in revenue, up 162% PCP, and signed 83 new customers in Q2 FY23, adding an expected \$2.8m in annual revenue. Payments collected via the digital platform continue to grow with a quarterly record of \$15.4m in transactions processed, up 100% PCP, notwithstanding the seasonal effect of end-of-year holidays and blackout periods on collection activities.

### **Cash flow**

The Company has achieved its second consecutive cash flow positive quarter with a net of \$68k flowing from operating activities. Cash and cash equivalents at the end of the quarter stood at \$9.3m. Payments to related parties of the entity and their associates detailed in Section 6 of the Appendix 4C relate to directors' fees paid during the quarter including the CEO's salary.

### **New business signed and pipeline**

Credit Clear signed 83 new clients in Q2 FY23 including notable blue-chip accounts: Queensland Urban Utilities, Transurban Asset Damage Claims, a car share company, Zurich Motor Insurance and Queensland Health. The new clients signed are expected to add \$2.8m in annual revenue.

The Queensland Urban Utilities (QUU) account is a noteworthy example of where Credit Clear's digital offering has demonstrated strong alignment with the client's own digitisation strategy with a substantial increase in the number of digital contact methods being made available. The digital platform means that clients can adopt a hybrid approach, utilising a people-led strategy at the appropriate times within the debt collection lifecycle, calibrated by Credit Clear's powerful AI tools.

Feedback from QUU is that Credit Clear's customer-centric approach strongly resonated with their own values, with a positive approach to collections, understanding a customer's reasons for non-payment and working with them to put in place a tailored personal arrangement to resolve their account arrears. In addition, Credit Clear's platform through its intuitive user experience turns collections into a positive engagement where customers are treated with dignity, understanding and respect. Many customers may be experiencing financial hardship for the first time, and they are each invited to engage in a manner that best suits them to resolve their outstanding accounts as well as continue a positive relationship with the associated brand.

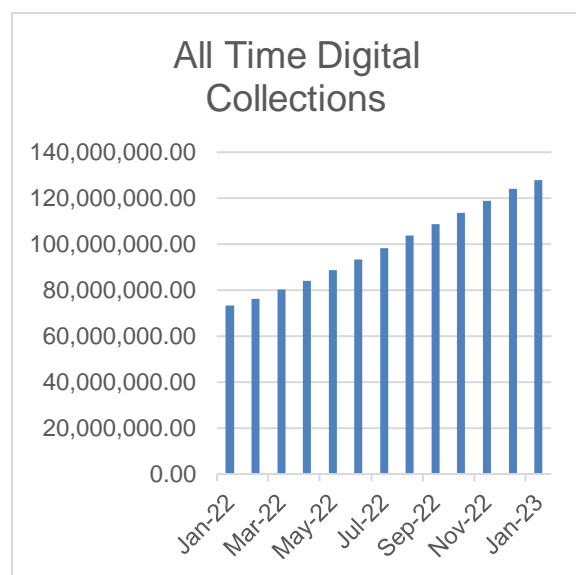
As the year progresses, the Company anticipates that a more challenging economic environment will highlight Credit Clear's digital and people-led offering to other prospective tier-one clients, including several marquee customers in the insurance and banking sectors that the company expects to sign in the near term. With an increase in the amount of debt being referred, companies will be looking for an efficient, digitally led solution to maintain collection outcomes. Credit Clear's technology platform delivers this solution to the market with its evolving AI tools that support its client's collections and brand value.

During the quarter, management has placed particular focus on new clients that have been signed and onboarded during the calendar year 2022 to work towards shortening the time to achieve the expected annual revenue potential. As previously communicated, that due to client-side processes, a typical large client once signed can take between one to three months to onboard and, then take six to twelve months to scale up to full annual revenue expectations. Therefore, much of the significant new business signed in calendar year 2022 is still climbing towards anticipated volumes and expectations are that revenue will be materially higher in H2 FY23 than H1 FY23.

### **Digital collections**

Digital collections in Q2 set another record, collecting \$15.4m in digital payments, a 100% increase on PCP, and achieving consecutive months of \$5m plus digital payments in November and December. Notwithstanding that digital payments for December were impacted by the end-of-year holidays and the associated blackout

period on collections, the result for the month continues the Company’s upward trajectory.



### Case study (content and presentation)

The Company continues to receive validation of the effectiveness of its digital messaging, with a 48% increase in collections for a major healthcare provider. The ‘Champion/Challenger’ case study, run over 28 days, showed changes made by Credit Clear to the content and presentation of the digital messaging driven by the Company’s unique AI, additionally delivered a 14% increase in customer engagement and an 18% increase in the conversion rate. The success of the content changes was particularly evident at the higher debt bands above \$500.

### Content and presentation of digital messages

Collections:	Up 48%
Engagement rate:	Up 14%
Conversion rate:	Up 18%
Debt band:	Highest increase in collections for debts over \$500

### ARMA consideration shares

The Company notes that the voluntary escrow on the equity component of the upfront consideration will lift on 7 February 2023. As announced on 25 January 2023, the shares are held by the former ARMA founders and executives that have since been appointed to leadership roles in Credit Clear, following the completion of the acquisition, including CEO and Managing Director Andrew Smith. The balance of the earn-out consideration that is based on the amount of digital sales revenue achieved by ARMA from the acquisition date to 3 February 2023 will be calculated, audited

and paid in March 2023 in a mixture of cash and shares, pursuant to the transaction details released to the market on 16 December 2021. The cash component of the earnout is expected to be ~\$1.9m and the script component is escrowed for a further 12 months.

**Chairman Hugh Robertson commented that:**

“Twelve months post, the Board is exceptionally pleased with the results of the ARMA acquisition. It has brought the business, knowledge, talent and tenacity that integrated with Credit Clear’s unique and powerful digital collections technology, has transitioned the Company to cash flow positivity with a rapidly growing Australian business and a global future in its sights.”

- ENDS –

**NOTES:**

1. Cash flow positive on an operational basis, and
2. Q2 financials are unaudited
3. Estimated annual expected revenue

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

**Investor and Media Enquiries**

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**About Credit Clear**

Founded in 2015, Credit Clear Limited is an Australian technology Company that has developed a digital billing and communication platform that helps organisations drive smarter, faster and more efficient financial outcomes by changing the way customers manage their re-payments through a user experience that the market demands in a digital age, powered by award winning artificial intelligence.

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.

[www.creditclear.com.au](http://www.creditclear.com.au)

## Appendix 4C

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

**Name of entity**

Credit Clear Limited
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**ABN**

48 604 797 033
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**Quarter ended ("current quarter")**

December 2022
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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	8,720	17,528
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing	(55)	(139)
(d) leased assets	(61)	(207)
(e) staff costs	(5,110)	(10,076)
(f) administration and corporate costs	(3,432)	(6,537)
1.3 Dividends received (see note 3)		
1.4 Interest received	35	74
1.5 Interest and other costs of finance paid	(29)	(44)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>68</b>	<b>599</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(19)	(41)
(d) investments		
(e) intellectual property	(373)	(778)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
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 (provide details if material)	(67)	(236)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(459)</b>	<b>(1,055)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
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		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	(252)	(428)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(252)</b>	<b>(428)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	9,963	10,204
4.2	Net cash from / (used in) operating activities (item 1.9 above)	68	599
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(459)	(1,055)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(252)	(428)
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>9,320</b>	<b>9,320</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	9,320	9,963
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>9,320</b>	<b>9,963</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	126
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Payments at 6.1 relate to director fees and wages paid to executive directors.

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other – Credit Card Facilities	100	0
7.4 <b>Total financing facilities</b>		
7.5 <b>Unused financing facilities available at quarter end</b>		100
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.	<p>ANZ Bank provides a \$50,000 credit card facility which is unsecured. Nab also provides a \$50,000 unsecured credit card facility.</p>	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	68
8.2 Cash and cash equivalents at quarter end (item 4.6)	9,320
8.3 Unused finance facilities available at quarter end (item 7.5)	100
8.4 Total available funding (item 8.2 + item 8.3)	9,420
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
<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?	
Answer: N/A	
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?	
Answer: N/A	
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?	
Answer: N/A	
<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: 30 January 2023  
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Authorised by: .....  
 By the Board

**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.