

26 April 2023  
ASX Announcement

Q3 FY23 Quarterly Activity Report and Appendix 4C

**ACHIEVED Q3 EBITDA OF \$0.2M<sup>1</sup>,  
REVENUE OF \$8.6M UP 41% PCP<sup>2</sup>,  
\$3.2M IN POTENTIAL REVENUE ADDED,  
A BIG FOUR BANK SIGNED POST QUARTER END**

**Highlights:**

- EBITDA on an underlying operational basis of \$0.2m<sup>1</sup>
- Q3 revenue grows to \$8.6m up 41% PCP
- Growing uptake of digital platform with record digital collections in Q3 of \$18.6m up 94% PCP
- Strong momentum in sales continues with 89 new clients adding an expected \$3.2m in Potential Revenue<sup>2</sup>
- New clients signed in FY23 now contributing \$1.7m, up from \$0.7m in 1H23
- Active files have surpassed one million for the first time, growing 52% PCP and 17% QoQ to 1.1m
- Total value of files of \$1.49bn, a new key metric and leading indicator for the Company
- A big four Australian bank has been signed post quarter end, Potential Revenue from which is not included in the Q3 report
- Cash position of \$5.0m at bank (post \$3m ARMA earnout payment)
- The Company will host an investor call this morning at 10.30am, please join [here](#)

Australian technology and debt collection provider **Credit Clear Limited (ASX: CCR) (Credit Clear or the Company)** is pleased to announce that in Q3 FY23 the Company recorded \$8.6m in revenue, up 41% PCP, and signed 89 new clients, adding an expected \$3.2m in Potential Revenue. Post quarter end the Company has signed a big four Australian bank which is not included in the Potential Revenue for Q3.

The addition of a big four bank highlights Credit Clear's growing position as provider of choice to Tier-1 companies in Australia, where in the past four months the Company has signed multiple Tier-1 clients across insurance (IAG), local government (a large Victorian council), and consumer divisions (big four bank, QUU and TAFE NSW).

Payments collected via the digital platform continue to show strong growth with a record quarter of \$18.6m in transactions processed, up 94% PCP and 21% QoQ. Growth in digital collections is a direct result of ARMA's digitally led hybrid approach where Credit Clear's technology is driving customer engagement in preferred channels where the best chances of conversion exist.

Active Files, a key metric and leading indicator of future revenue, is up 52% PCP and 17% QoQ to 1.1m, surpassing one million files for the first time. The value of files under collection is \$1.49bn, a new key metric reported by the Company.

### New clients include:

- IAG, one of the largest general insurance companies in Australia and New Zealand, to deploy its purpose-built digital workflow for third-party motor insurance claims, enabling third parties to pay online. By signing the insurer, Credit Clear increases its penetration into the Australian general insurance claims market, where the Company believes its digital insurance claims workflow has the potential to become the de facto platform for third-party motor claims processing.
- Two clients that purchase debt, where the Company is engaged directly by these clients to improve engagement, collection rates and customer experience.
- TAFE NSW, the largest single provider of vocational education and training in Australia, has engaged ARMA to manage all arrears payment plans for their domestic and international students. ARMA was successful in winning back this business after the contract was taken inhouse in July 2022. In bringing back ARMA, TAFE NSW noted that ARMA had been more effective in managing the process, delivering a superior solution, financial outcome and improved student experience.
- A large Victorian council has appointed Credit Clear to work across its significant portfolio of ratepayers in arrears. The new Victorian council is seen as a progressive benchmark in Victoria, where a successful deployment will likely be emulated across other councils.

### Industry outlook

The total addressable market for debt under collections in Australia in December 2022 was estimated to be \$20.8bn according to the ACDBA<sup>4</sup>. At the end of March 2023, Credit Clear's value of files under collection was \$1.49bn, or 7% of total debt under collections in Australia. The Company's own data (reflected in the tables below) shows that this could be substantially higher in 2023 given the increased collection activity on debt accumulated over the COVID years, as well as new financial pressure on consumers, due to higher interest rates and general inflation, which is compounding the growth in debt under collections.

Debt files referred to ARMA's consumer collections team provide a clear indication that over and above new clients signed and winning additional work from existing clients, the value of debt under collections is rising rapidly across the economy. The number of files referred to ARMA's consumer team in the past 12 months has grown 85%, the value of these files is up 211% and the average debt per file has increased 69% from \$589 to \$997 per file.

	Number of Files Referred	Value of Files Referred	Average Debt Per File
Q3 FY22	62,886	\$37,063,846	\$589
Q3 FY23	115,356	\$114,970,101	\$997
Percentage change	<b>85%</b>	<b>211%</b>	<b>69%</b>

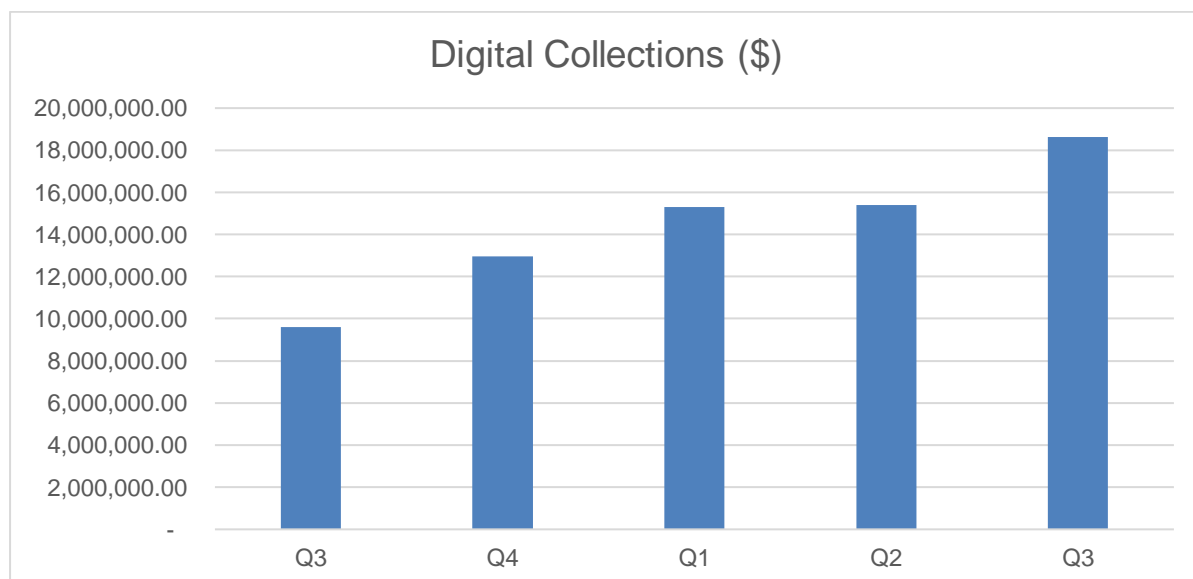
Credit Clear has previously emphasised that a more challenging economic environment, where a significantly larger portion of the population is likely to experience some financial vulnerability and be required to make budgetary adjustments, will highlight the need for its digitally led hybrid offering to prospective Tier-1 clients, including several marquee clients in the insurance and banking sectors.

In the year to date the Company has signed an Australian big four bank, one of the Australia’s largest insurance companies and several large consumer organisations clearly marking the Company’s status as an emerging provider to some of Australia’s largest companies.

The Company continues to focus on new clients that have been signed and onboarded during FY23 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 potential revenue expectations. Therefore, much of the significant new business signed in FY23 is still climbing towards anticipated Potential Revenue.

**Digital collections**

Digital collections in Q3 set another record, collecting \$18.6m in digital payments, a 94% increase on PCP and 21% QoQ.



**Case study (content and presentation)**

The Company continues to accumulate data validation points of the effectiveness of its digital messaging, with a 48% increase in collections for a major healthcare provider. The ‘Champion/Challenger’ case study, which was run over a 28-day period, showed that 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

### Cash flow and profitability

The Company achieved a \$0.2m EBIDTA<sup>1</sup> in Q3 on an underlying operational basis. Cash and cash equivalents at the end of the quarter stood at \$5.0m, down from \$9.3m in the previous quarter. \$3.6m of outgoing cash is classified as operating cashflow, including the one off \$3m cash component of the earnout from the ARMA acquisition which was paid along with \$0.7m in annual prepayments.

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 and \$1.4m that was paid as part of an acquisition earn-out to an executive director who was a previous part owner of the acquired business. This is a one-off payment which is in accordance with the purchase agreement.

- ENDS -

#### NOTE:

1. EBITDA on an underlying operational basis which excludes non-BAU expenses relating to the ARMA earnout, restructure redundancies, system consolidation, legacy litigation expenses and share based payments
2. Q3 financials are unaudited
3. Potential Revenue is an indication of eventual annualised revenue to be earned from clients already signed and in the process of being onboarded. It is determined by the agreed commission rate and/or service fee and based on information provided by the client in terms of their customers which includes factors such as the volume of files, average debt value, age of debt and description of internal account receivable processes.
4. <https://acdba.com/index.php/industry-demographics>

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")**

March 2023
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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	8,773	26,301
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing	(37)	(176)
(d) leased assets	(60)	(267)
(e) staff costs	(5,320)	(15,396)
(f) administration and corporate costs	(4,023)	(10,560)
1.3 Dividends received (see note 3)		
1.4 Interest received	60	134
1.5 Interest and other costs of finance paid	(10)	(54)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other – ARMA Earn-out cash payment	(2,988)	(2,988)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,605)</b>	<b>(3,006)</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	(5)	(46)
(d) investments		
(e) intellectual property	(395)	(1,173)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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)	(93)	(329)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(493)</b>	<b>(1,548)</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 – office lease payments	(164)	(592)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(164)</b>	<b>(592)</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	9,320	10,204
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,605)	(3,006)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(493)	(1,548)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(164)	(592)
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>5,058</b>	<b>5,058</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	5,058	9,320
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>5,058</b>	<b>5,058</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	97 1,434
6.2	Aggregate amount of payments to related parties and their associates included in item 2	Nil
<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>		

\$97k in payments at 6.1 relate to director fees as well as wages paid to executive directors.

\$1,434k was paid as part of an acquisition earn-out to an executive director who was a previous part owner of the acquired business. This is a one-off payment which is in accordance with the purchase agreement.



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

<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	0
7.4	<b>Total financing facilities</b>	100
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.	
	ANZ Bank provides a \$50,000 credit card facility which is unsecured. Nab also provides a \$50,000 unsecured credit card facility.	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	(3,605)
8.2	5,058
8.3	100
8.4	5,158
8.5	1.43
<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: No, the March quarter cashflow deficit will not continue. The quarter includes a one-off acquisition earn-out payment amounting to \$2.988m. Excluding the one-off earn-out payment the Q3 cash used would be \$617k and therefore the Company has 8.36 quarters remaining
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 ta they will be successful?
	Answer: Refer to 8.6.1
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: Refer to 8.6.1
<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: 26 April 2023.....

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.