

The logo for QuickFee, featuring the company name in a white, sans-serif font on a blue, curved background element.

QuickFee.



ASX Release | 21 January 2022

QuickFee Limited **Q2 FY22 quarterly business update**

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QuickFee Limited Q2 FY22 quarterly business update

QuickFee Limited (ASX:QFE) ("QuickFee") today announces a business update for the quarter ended 31 December 2021 (Q2 FY22).

Highlights

Total transaction values	Q2 FY22	Q2 FY21	Movement
Professional services			
US ACH (Pay Now)	US\$196.3m	US\$126.7m	+55%
US CC (Pay Now)	US\$46.2m	US\$30.7m	+50%
Total US Pay Now	US\$242.5m	US\$157.4m	+54%
US Financing (Pay Later)	US\$4.4m	US\$3.7m	+19%
AU Financing (Pay Later)	A\$9.3m	A\$6.9m	+35%
BNPL			
Cumulative ISO sign-ups – US	136	-	N/A
Cumulative merchants signed up – global	1,241	-	N/A
BNPL total transaction volume – US	US\$0.6m	-	N/A
BNPL total transaction volume – AU	AU\$0.2m	-	N/A

- **Another record quarter in the US for both Pay Now and Financing:**
 - Pay Now total transaction values (TTV) up 54% to US\$242.5 million (Q2 FY21: US\$157.4 million)
 - Financing up 19% to US\$4.4 million (Q2 FY21: US\$3.7 million)
- Further recovery in lending in Australia, up 35% on pcp to A\$9.3 million
- Strong growth in BNPL go-to-market:
 - Independent Sales Organisations (ISOs) sign-ups up 139% from 30 September 2021 to 136
 - Run-rate backlog growth for global volume to A\$6.1 million, up 13% on 30 September 2021; global revenue backlog of A\$0.6 million, up 50% on 30 September 2021
- Jim's Group 20-year franchise agreement signed, providing access to ~4,400 franchise merchants in Australian home services to offer payment plans
- Northleaf Capital Partners funding deal delivers US\$70 million-equivalent multi-currency receivables facility to fund future growth in lending

Commenting on the quarter, Eric Lookhoff, QuickFee's CEO said:

“ The second quarter of FY22 was a very strong performance by QuickFee, with growth achieved across all key parts of the business. The professional services segment produced a record quarter in the US for our Pay Now payments products (ACH and CC) and our Pay Later (Financing) solutions, up 54% and 19%, respectively over the comparative period. Lending in Australia is continuing to recover, growing 36% over the comparative period. Our Q2 FY22 performance reflects the beginning of a return to pre-COVID-19 lending levels, but with accelerated payments volume and larger average transaction sizes which further scales our operating cost basis.

Momentum in the roll-out of our BNPL offering continued, with strong growth in our ISO distribution channels and a growing backlog of lending volume and associated processing and platform income. We anticipate this momentum to accelerate into the back half of FY22 and well into FY23.

We were very excited to announce the agreement with Jim's Group, which provides QuickFee access to 4,400+ franchise merchants and their customers for our proprietary Buy Now, Pay Later solution, with a full launch beginning in Q3. ”

Professional services

The professional services industry remains QuickFee's primary growth engine in both Australia and the US. QuickFee has seen exceptional year-over-year growth in payments (EFT/ACH and CC) as well as the beginnings of a robust rebound in QuickFee Financing.

United States

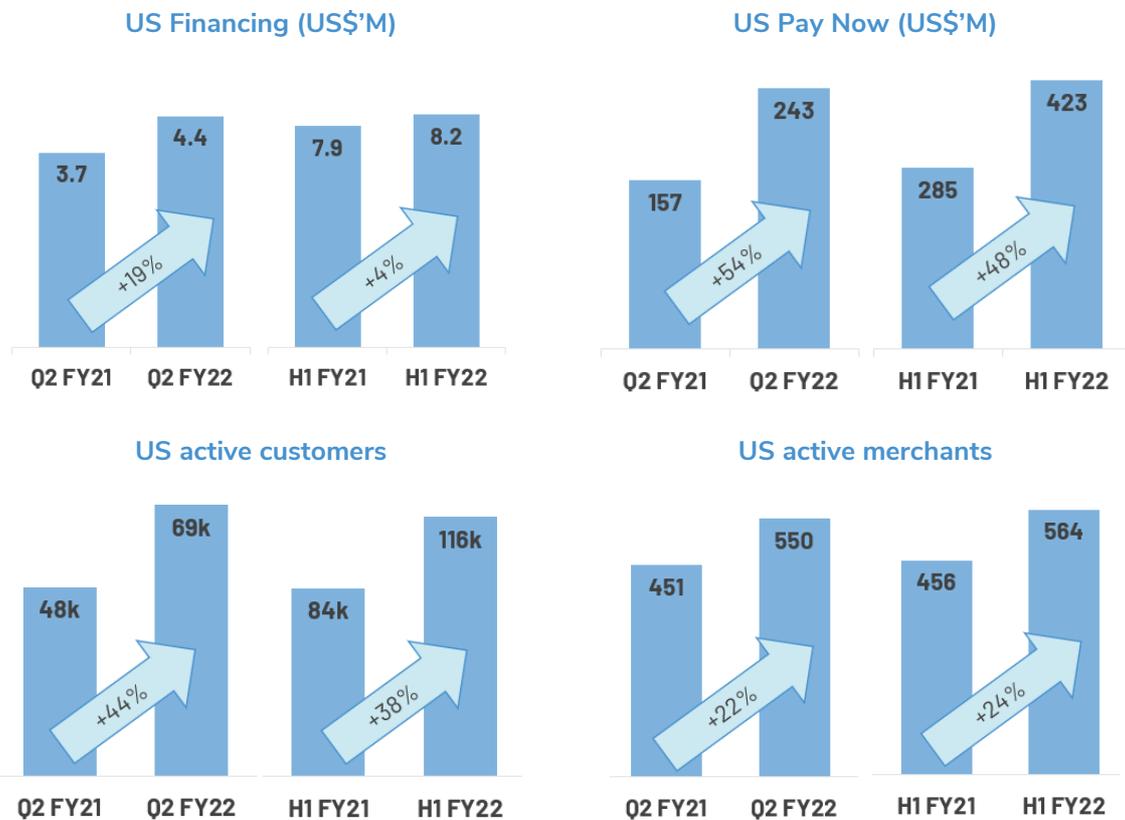
QuickFee saw record results in its traditional core markets of accounting and legal during the December 2021 quarter in its Financing, ACH, and CC products, with Pay Now TTV up 54% for the quarter to US\$242.5 million, and 48% up for the half-year ended 31 December 2021 to US\$422.6 million. Financing also saw a record quarter of US\$4.4 million (up 19% vs Q2 FY21) and record half-year of US\$8.2 million (up 4% vs H1 FY21).

Active customers in the quarter grew 44% to 69,000, and 38% to 116,000 in the six months ended 31 December 2021. 550 merchants were transacted with in the quarter, up 99 (22%) from Q2 FY21, and 564 merchants transacted during the half-year ended 31 December 2021, up 108 (24%) from H1 FY21.

QuickFee's strategy to continue dominating the professional services space remains threefold, validated by its performance in Q2 FY22:

- Increase US market share through further penetration of accounting firm alliances and associations made possible through a return to conference event travel in the US;
- Increase share of total firm volume through deeper practice management system integrations with the Connect product; and
- Facilitate and benefit from the industry-wide shift toward digital invoicing.

US quarterly total transaction volumes and trading metrics

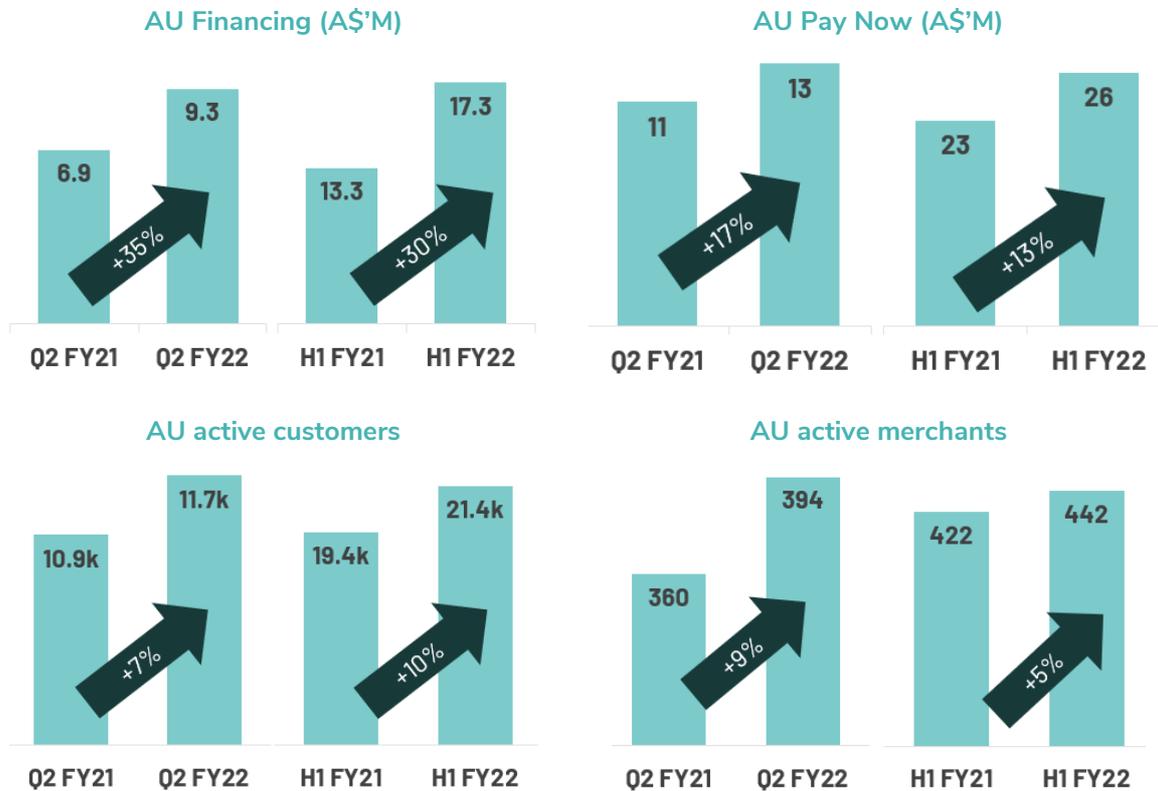


Australia

Lending in the Australian market continued the growth seen in the September 2021 quarter, with lending for Q2 FY22 up 35% to A\$9.3 million (Q2 FY21: A\$6.9 million). Lending for the half-year ended 31 December 2021 was A\$17.3 million, up 30% from H1 FY21.

While QuickFee is not yet back to pre-COVID levels of lending, active customers for Q2 FY22 were 11,700, up 7% on Q2 FY21 (10,900) and up 11% on Q2 FY20 (10,700). Active merchants in the quarter were 394, up 9% from 360 in Q2 FY21, and close to the record high of 398 in a single quarter (in Q4 FY20). Similarly, active merchants in the half-year ended 31 December 2021 were 21,400 which was a record for any half-year, an encouraging sign that demand for lending is broadening across QuickFee's merchant base and the company's increased marketing and customer service focus on the Australian accounting and law market is delivering more engaged merchants.

Australia quarterly total transaction volumes and trading metrics



Buy Now, Pay Later segment

QuickFee's BNPL offering continues to gain traction, underpinned by the use of Independent Sales Organisations (ISO) to grow the serviceable addressable market for BNPL merchants. In Q2 FY22, 79 ISOs were signed up, taking the total to 136, giving QuickFee access to over 150,000 total potential US merchant locations. Merchant applications for BNPL typically begin flowing three to six months after an ISO signing and training are complete.

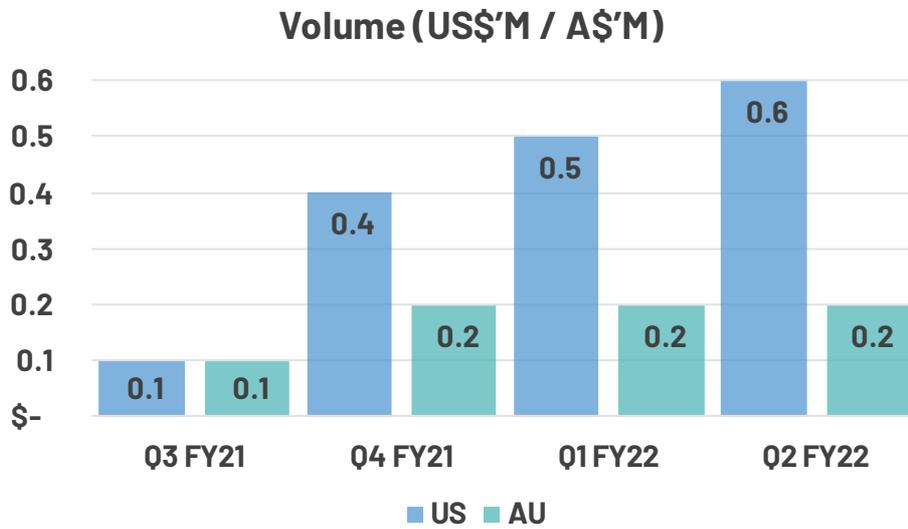
946 merchants have now signed up in the US, an increase of 210 since 30 September 2021 and together with 295 in Australia takes the total to 1,241.

The key measure of the global BNPL portfolio valuation – how success is assessed internally – is the “run-rate volume backlog”, which grew 13% in the quarter to A\$6.1 million (30 September 2021 was A\$5.4 million). Global revenue backlog grew 50% to A\$0.6 million (30 September 2021 was A\$0.4 million). As shown in annualised backlog diagram below, QuickFee is showing steady backlog growth in each quarter. While there is a lag between ISO sign-ups and merchant conversion coming from the ISO program, this is steadily increasing as the backlog grows.

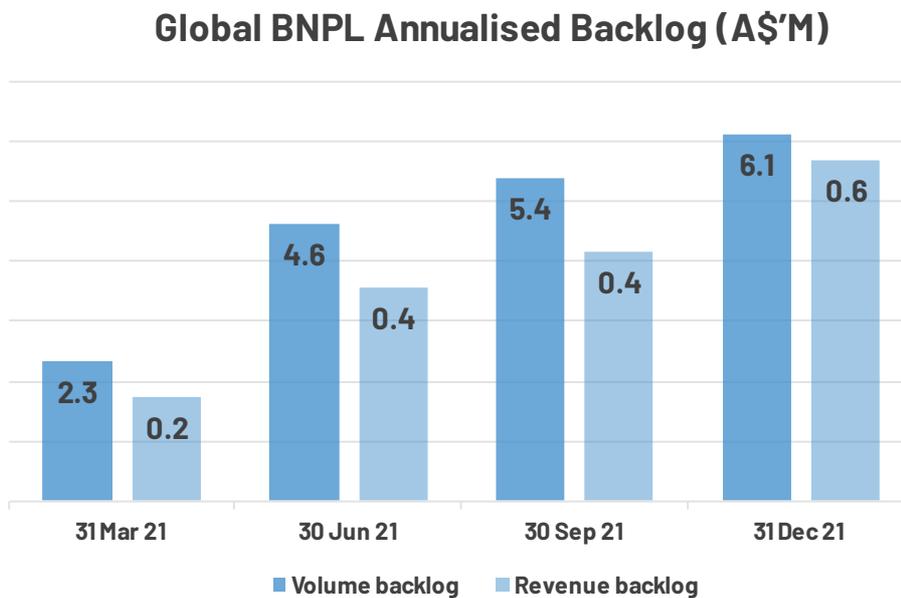
Total transaction volume (TTV) for Q2 FY22 was US\$0.6 million and A\$0.2 million in the US and Australia, respectively.

QuickFee's strategy of providing ISOs with a unique BNPL product to increase merchant acquisition and take market share, is unique among BNPL providers in the verticals QuickFee operates in. This strategy increases distribution quickly without the need for increasing direct sales staff and leverages specific vertically targeted, third-party sales organisations to increase scale at a lower cost of merchant acquisition.

Global BNPL volume growth in the past four quarters



Global BNPL portfolio backlog growth in the past four quarters



This represents what QuickFee's current BNPL merchant cohort is expected to generate over a future 12-month period, based on existing conversion ratios. Detailed calculations of the volume and revenue backlog are set out in the attached appendix which forms part of this announcement.

Jim's Group partnership

As previously announced, during the quarter QuickFee acquired the rights to the Jim's Pay Plan franchise which provides payment plans to over 4,400 Jim's Group ("Jim's") franchisees and their customers throughout Australia. The franchise will see Jim's franchisees being able to offer customers the option of paying in four, six, nine or 12-month instalments under a white-label version of QuickFee's BNPL instalments product, known as "Jim's Pay Plan".

Initial rollout commenced in December 2021, with the payment solution being extended to a broad range of Jim's divisions that specialise in services for homeowners. Jim's Group has over 50 divisions covering everything from lawn mowing to cleaning, pest control, antennas and fencing. The combined revenue of Jim's franchisees is A\$600 million and therefore represents a substantial opportunity for QuickFee to roll out its BNPL and payment solutions across the broader Jim's Group. The franchise agreement operates for 20 years with an option to renew.

Expanded funding facilities

QuickFee announced during the quarter that it has partnered with Northleaf Capital Partners, a global private markets investment firm, for a new US\$70 million-equivalent multi-currency receivables facility to fund QuickFee's future growth across the US and Australia. The facility consists of a US\$40 million committed first lien facility with an additional optional US\$30 million accordion feature, subject to Northleaf's approval.

The new facility offers attractive terms which will lower the average overall cost of QuickFee's borrowing as the US business scales and increases QuickFee's funding availability by over 250% in anticipation of substantial growth in volume across its two core lending lines of business.

The new four-year asset-backed facility will replace the current A\$25 million facility backed by the Australian receivables book and QuickFee will be entitled to an advance rate of up to 90% of receivables.

Technology and operations

QuickFee's core platform development work is nearing completion, with migrations off the company's legacy system planned for the second half of FY22. Through partnerships with SALIX Data and BlueSnap, QuickFee's online merchant application platform launched into production in September. This backbone created a fully automated underwriting and onboarding capability, complete with a full suite of risk management tools allowing QuickFee to acquire merchants at scale, which the company has continued to modernise in Q2 FY22 with an enhanced user experience, including new transaction management interfaces, deeper software integrations, and a fresh new quickfee.com website launched this week.

Operations have recently been fully transformed as well, improving underwriting and transaction validation, creating new sales enablement workflow, and automating client onboarding.

People

Realignment

As a result of successful go-to-market strategies developed over the past two quarters, QuickFee was able to reduce existing and future expenses, accelerating our path to profitability. Effective 1 December 2021, QuickFee conducted a moderate reduction-in-force, eliminating ten positions as more scalable distribution channels are leveraged, that is switching focus from more resource-intensive direct sales teams to the “one-to-many” ISO channel approach. This reduces annual existing cash burn by A\$1.5 million at a one-time expense of A\$0.3 million. Additionally, this alignment included the elimination of certain open positions originally anticipated in our FY22 staff hiring plan, and a step-down of technology spend by as much as 40% in FY23, commensurate with completion of the remaining development of QuickFee’s proprietary processing platform QUBE.

Employee share option plan

In order to attract the highest quality talent in the highly competitive payments and BNPL industries in both the US and Australia and to retain and reward staff and management for delivering the anticipated growth in the business, QuickFee has issued share options and performance rights to all staff and management, with relevant approvals granted at the company AGM in December 2021. Share options vest over three years and are exercisable at between 28.0 and 38.2 cents. Performance rights issued to C-suite executives vest over three years.

This announcement has been authorised for release by the directors.

— END —

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About QuickFee

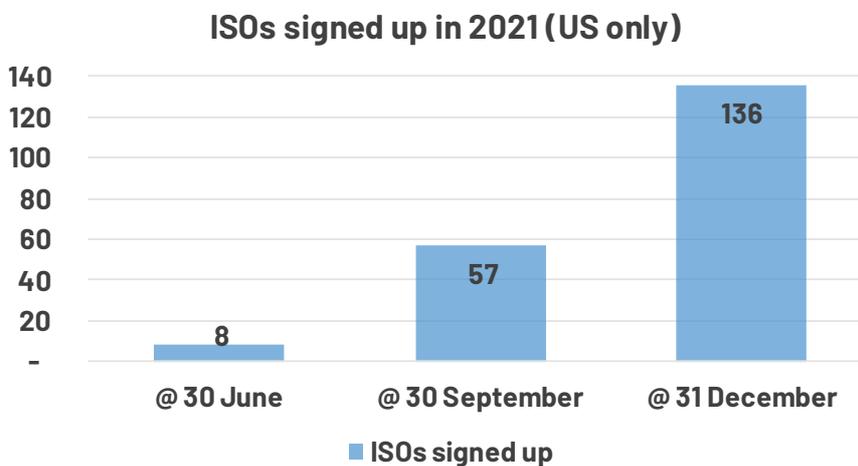
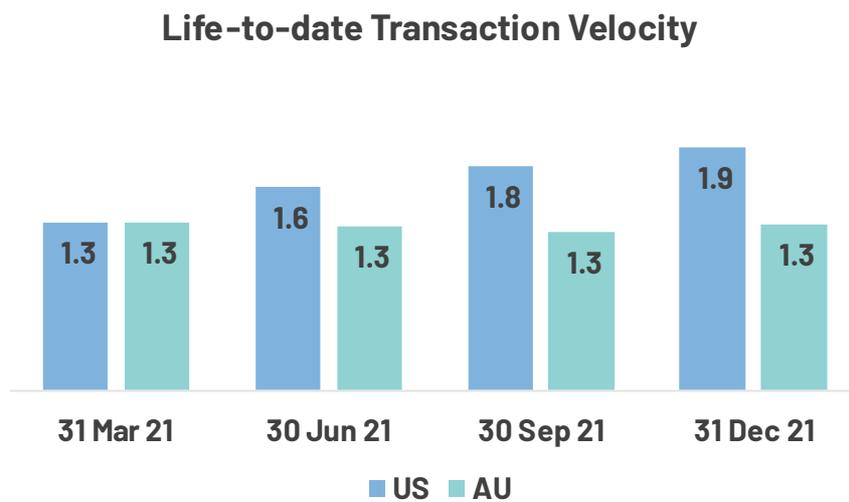
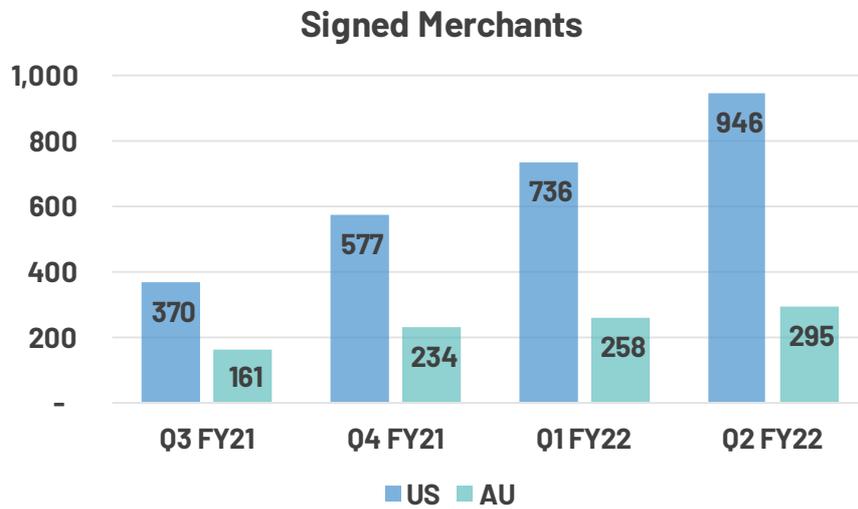
QuickFee Limited (ASX:QFE) is a fast-growing financial technology company providing an innovative suite of online payment solutions and loan origination offerings to professional, commercial, and personal services providers, helping customers access the advice and services they need, with the choice to pay now or over time.

QuickFee’s fully integrated online payment platform and financing solutions enable merchants to accept payments by CC, EFT/ACH, payment plan, or a Buy Now, Pay Later instalment plan.

QuickFee currently operates in the US and Australia. For more information, visit quickfee.com.

Appendix

Quarterly BNPL metrics



BNPL Portfolio Valuation calculations at 31 December 2021

Volume backlog formula	31 December 2021, US\$		31 December 2021, A\$	
Signed Merchants at 30 November 2021	946		295	
Life-to-date Activation Rate	20%		26%	
Life-to-date Engagement Rate	35%		22%	
Life-to-date Transaction Velocity	1.9		1.3	
Life-to-date Average Transaction Value	\$2,388		\$3,734	
x 12 = Run rate volume backlog	\$3,605,441		\$982,917	
Revenue backlog formula		%		%
		run rate volume backlog		run rate volume backlog
Run rate volume backlog	\$3,605,441		\$982,917	
Life-to-date weighted average merchant fee / yield (4.99% - 6.99%)	5.05%		4.99%	
= Run rate interest revenue	\$182,075	5.1%	\$49,048	5.0%
Run rate volume backlog	\$3,605,441		\$982,817	
Credit card surcharge yield	3.00%		1.50%	
= Run rate processing revenue	\$108,163	3.0%	\$14,744	1.5%
Net transaction yield		8.1%		6.5%
Signed merchants	946			
x Retention rate	93%			
x (1- Engagement Rate)	65%			
x Monthly minimum	\$9.95			
x 12 = Run rate platform revenue	\$68,280	1.9%	-	
Total BNPL Run Rate Revenue Backlog	\$358,518	9.9%	\$63,791	6.5%

Glossary of terms

ACH	Automated Clearing House	A type of electronic bank-to-bank payment in the US, equivalent to EFT in Australia
Active customer	Any customer who has transacted with QuickFee in the period referred to	
Active merchant	Any merchant that has had a transaction with QuickFee in the period referred to	
BNPL	Buy Now, Pay Later	QuickFee's instalments product that enables a customer to pay their invoice in four instalments using the unused balance of their credit card
Connect	QuickFee's product name for its point-of-payment integration, e-invoicing and receivables management product strategy	
CC	Credit card	
Customer	The customer of a merchant, who will use one of QuickFee's payment options to pay their invoice	
EFT	Electronic funds transfer	An Australian domestic payments network that facilitates the transfer of funds electronically
Firm	A merchant. Typically used to describe a professional services firm (e.g. an accounting or law firm)	
Life-to-date activation rate	The cumulative number of BNPL merchants who have transacted at least once, divided by the cumulative number of signed up BNPL merchants who have not terminated/cancelled	
Life-to-date engagement rate	The aggregate of the number of BNPL merchants who have transacted in all months, divided by the aggregate number of activated BNPL merchants in all months. This represents how often active BNPL merchants transact.	
Life-to-date transaction velocity	The cumulative number of BNPL transactions completed since inception divided by the aggregate of the number of BNPL merchants who have transacted in all months	
Life-to-date average transaction value	Total BNPL volume since inception divided by the number of BNPL transactions completed since inception	
Merchant	Term to describe QuickFee's primary customer who is the service provider, who signs up to use QuickFee's platforms and issues invoices	
QuickFee Financing	QuickFee's traditional fee funding product that enable customers to take out a payment plan to pay their invoice, while QuickFee settle to the merchant immediately	
QuickFee Pay Now	QuickFee's payment gateway that enables customers to pay their invoice in full to the merchant without taking out a payment plan	
pcp	Previous corresponding period	For example, the pcp for the December 2021 quarter is the December 2020 quarter
Retention rate	$1 - (\text{life-to-date activation rate} \times \text{life-to-date engagement rate})$	
Run-rate volume backlog	Signed merchants \times life-to-date activation rate \times life-to-date engagement rate \times life-to-date transaction velocity \times 12 This represents the average life-to-date annualised BNPL volume per signed-up BNPL merchant \times number of signed-up BNPL merchants	
TTV	Total transaction value	The total value of all ACH/EFT and credit card Pay Now transactions (plus payment plans except where stated)