A high-angle photograph of a modern office meeting. Four people are seated around a dark wooden table. A man in a blue checkered shirt is looking at a laptop. A man in a black shirt is gesturing with his hands. A woman with long brown hair is looking towards the man in the black shirt. Another person is partially visible on the right. The table is cluttered with laptops, papers, a coffee cup, and a smartphone. The background is a light-colored wall.

ASX Release | 20 April 2022

# **QuickFee Limited**

## **Q3 FY22 quarterly business update**

ASX Release | 20 April 2022

# QuickFee Limited

## Q3 FY22 quarterly business update

QuickFee Limited (ASX:QFE) ("QuickFee") today announces a business update for the quarter ended 31 March 2022 (Q3 FY22).

### Highlights

Professional services	Q3 FY22	Q3 FY21	Year-on-year movement
<b>Total transaction values (TTV)</b>			
US ACH (Pay Now)	<b>US\$175m</b>	US\$123m	+42%
US Card (Pay Now)	<b>US\$44m</b>	US\$29m	+52%
<b>Total US Pay Now</b>	<b>US\$219m</b>	US\$152m	+44%
US Financing (Pay Later)	<b>US\$4.4m</b>	US\$3.3m	+33%
AU Financing (Pay Later)	<b>A\$7.9m</b>	A\$6.6m	+20%

BNPL	Q3 FY22	Q2 FY22	Quarter-on-quarter movement
BNPL total transaction volume – US	<b>US\$1.1m</b>	US\$0.6m	+83%
BNPL total transaction volume – AU	<b>A\$0.2m</b>	A\$0.2m	-%
Run-rate volume backlog – global	<b>A\$8.3m</b>	A\$6.1m	+36%
Cumulative ISO sign-ups – US	<b>190</b>	136	+40%
Cumulative merchant sign-ups – global	<b>1,441</b>	1241	+16%

- **Another quarter of strong growth in the US:**
  - **Pay Now total transaction values (TTV) up 44% to US\$219 million (Q3 FY21: US\$152 million)**
  - **Financing up 33% to US\$4.4 million (Q3 FY21: US\$3.3 million)**
  - **March 2022 was an all-time record month for Pay Now and Financing volumes**
- **ACH yield has increased to 0.39% in the quarter from 0.34% for H1 FY21 (refer appendix)**
- **Continued recovery in lending in Australia, up 20% on pcp to A\$7.9 million**
- **Strong growth in BNPL go-to-market:**
  - **190 independent sales organisations (ISOs) now signed up (136 at 31 December 2021)**
  - **Run-rate volume backlog up 36% to A\$8.3 million (A\$6.1 million at 31 December 2021); global revenue backlog of A\$0.8 million, up 33% on 31 December 2021**
- **Completion of proprietary payments platform, providing merchants with a seamless point-of-purchase check out gateway, connected to multiple back-end processors and sponsor banks**
- **Key board appointment of seasoned technology and financial services executive, Mike McConnell**
- **Results signal QuickFee's accelerated path to profitability, with growth in all revenue drivers and a flagged reduced level of spend on technology**

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

*"We are delighted to begin realising the investments made over the past 18 months in another very positive quarter of trading. Volume growth was achieved across all drivers of the business in the US and Australia, with a record month of March being achieved in each of our payments and lending products in the US.*

*The shift to online payments in the US professional services sector and new BNPL merchant signings provide a major tailwind for our business, producing strong growth across our Pay Now payments products and Pay Later financing solutions, up 44% and 33%, respectively over the comparative period.*

*We were further pleased to announce the completion and launch of QuickFee's proprietary payments platform, QUBE. This is a step change for both QuickFee and its merchants. With QUBE, we now have the foundation to drive scaled unit economics on our payments volume and deliver additional value-added solutions to our merchants.*

*As we reached this milestone, we will now benefit from higher yields on both ACH and card volume, whilst stepping down redundant operating and technology investments which were needed to establish our present capabilities. Moving forward, we can accelerate gross profit margins and create a stable baseline of operating expenses. This combination accelerates our profitability."*

## **Operational update**

### **Professional services – United States**

QuickFee delivered record merchant numbers in its core markets of accounting and legal during both the March 2022 quarter and in FY22 year-to-date. This growth in merchant base drove record total transaction values (TTV), with Pay Now TTV up 44% for the quarter to US\$219 million. Despite the March quarter traditionally starting slow, Financing also saw a record quarter of US\$4.4 million in lending, up 33% on pcp.

March was an all-time record month in all of the Financing, ACH, and CC products, as the go-to-market strategies launched earlier this financial year are taking effect. With professional services firms underwriting all Financing used by the firms' customers, the credit risk associated with this finance product is minimal.

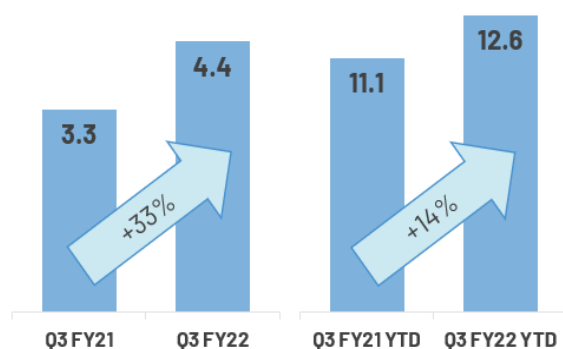
QuickFee's strategy to continue to grow its market share in the professional services space remains threefold, validated by its performance in Q3 FY22:

- 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 and online payments.

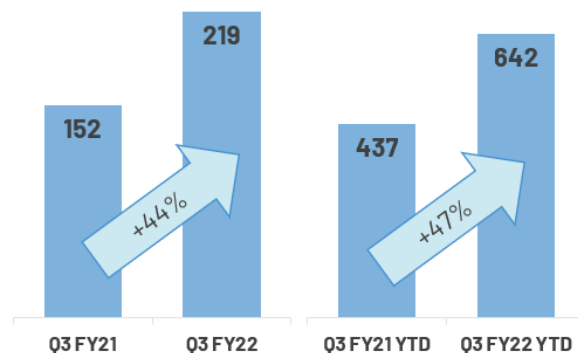


## US quarterly total transaction volumes and trading metrics

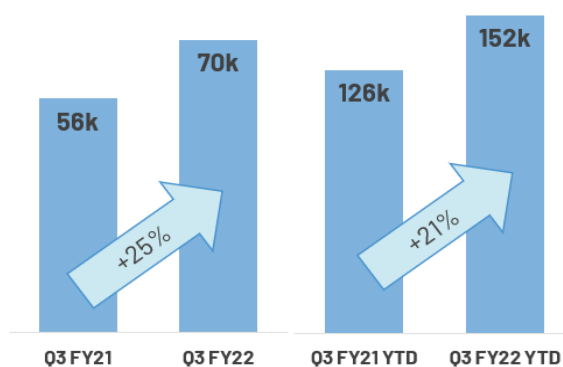
### US Financing (US\$'M)



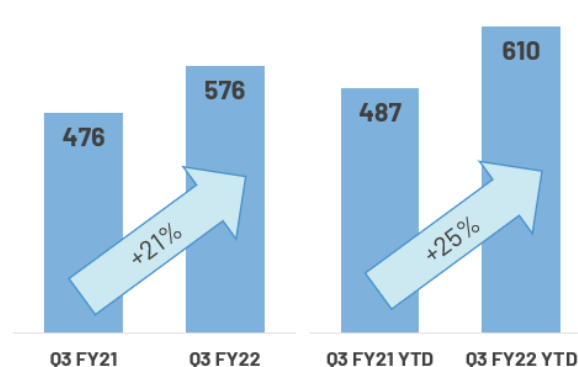
### US Pay Now (US\$'M)



### US active customers (excl. BNPL)



### US active merchants (excl. BNPL)

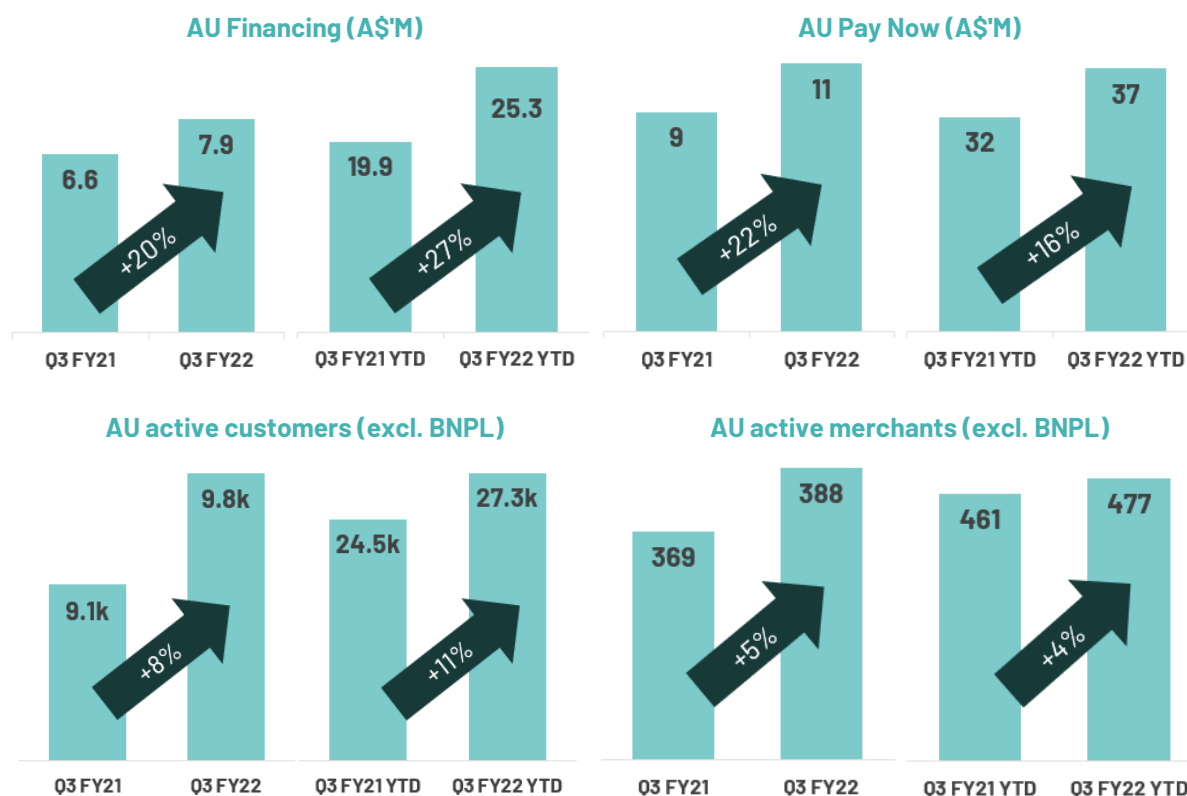


### Professional services – Australia

Lending in the Australian market has continued to show encouraging growth in the March 2022 quarter, with lending for Q3 FY22 up 20% to A\$7.9 million (Q3 FY21: A\$6.6 million). Lending for FY22 year-to-date was A\$25.3 million, up 27% from pcip.

The March 2022 quarter started slowly with many professional services firms and staff taking extended leave through the summer period. However, active customers for Q3 FY22 were 9,800, up 8% on pcip, while active merchants were up 5% to 388.

### Australia quarterly total transaction volumes and trading metrics



## Buy Now, Pay Later

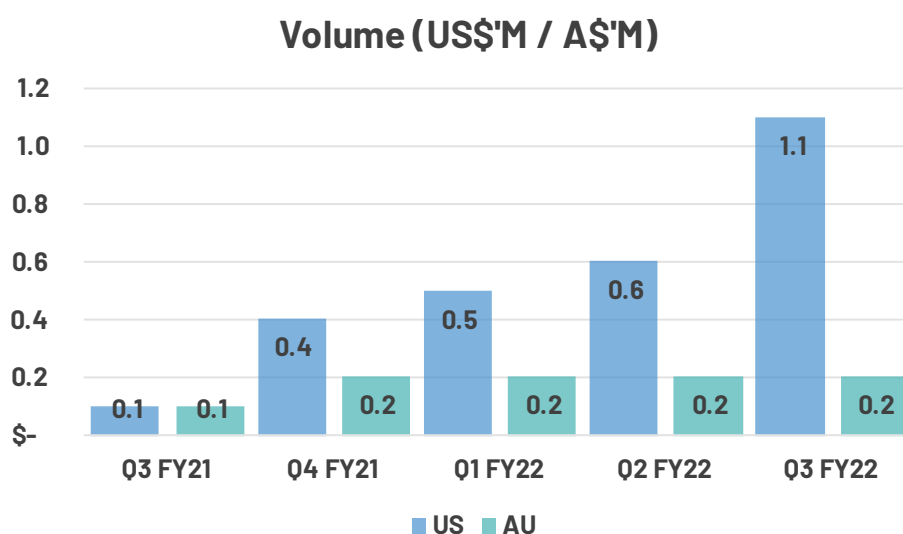
BNPL momentum accelerated in the quarter on strong growth in volume and processing backlog. With credit-risk fully protected by the consumers' card authorisation, and strong multi-factor underwriting providing robust fraud protections, QuickFee's easy-to-use Buy Now, Pay Later solution enhances our existing high-quality loan portfolio. Merchants benefit from larger transactions, customers enjoy card rewards with extra time to pay, and QuickFee delivers a low-risk, high-yield payment option synergistic to our payments and lending business.

QuickFee's US distribution strategy provides independent sales organisations (ISOs) with a unique BNPL solution to increase merchant acquisition and take market share. The ISOs then distribute QuickFee's solution to their merchants. This is unique among US providers within the verticals QuickFee operates and, when supplemented with key larger merchant signings, provides QuickFee with an ability to grow volume rapidly. A further 54 ISOs were signed up in the March quarter (total 190) to grow the addressable market for BNPL merchants.

The effectiveness of this strategy can be seen with the 83% growth in BNPL TTV in the US over the previous quarter (US\$1.1 million in Q3 FY22 vs US\$0.6 million in Q2 FY22). 1,064 merchants have now signed up in the US and 377 in Australia, totalling 1,441. BNPL TTV in Australia was flat at A\$0.2 million, as the base of Jim's Group franchisees is now building up after the summer holiday period.

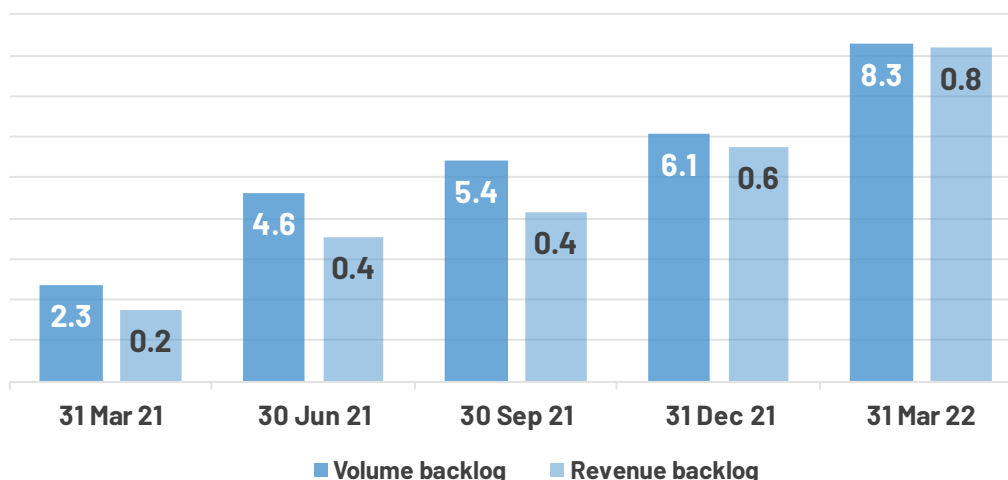
A key success measure of the growing BNPL portfolio is the global volume backlog, which grew 36% in the quarter to A\$8.3 million (31 December 2021: A\$6.1 million). Global revenue backlog grew 33% to A\$0.8 million (31 December 2021: A\$0.6 million).

## Global BNPL volume growth in the past four quarters



## Global BNPL portfolio backlog growth in the past five quarters

### Global BNPL annualised backlog (A\$'M)



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.

## Technology and operations

During the March quarter QuickFee announced the completion and launch of its proprietary payments platform, QUBE, and subsequent improvement to operating profitability.

Development of our comprehensive merchant acquiring, and payment processing platform began in October 2020. Since then, the system has expanded to not only include the BNPL offering, but to also consolidate and modernise the company's ACH and card processing systems. This now includes a fully integrated front-end merchant application platform with automated underwriting, risk management, and onboarding processes.

QUBE provides QuickFee's merchants with a branded point-of-purchase check out gateway, connected to multiple back-end processors and sponsor banks. Merchants benefit by having a single interface to accept and manage payments while providing their customers with multiple easy-to-use secure payment options.

Benefits to QuickFee include the flexibility, stability, and redundancy of multiple integrated partners and the company expects to deliver improved economics from a more competitive offering and increased scale.

## Path to profitability

With the major developments of QuickFee's payments platform QUBE now complete, the company announced a step down in certain operating and technology investments which supported this development and conducted a moderate reduction in workforce just after the end of the March 2022 quarter, primarily in technology and related areas. This included terminating the services of the Company's third-party engineering contractor in Belarus.

As a consequence of this, operating expenses<sup>1</sup> for FY22 are expected to be in the region of A\$20.0 million to A\$20.5 million, with a reduction in FY23 of between A\$4.0 million to A\$4.5 million.

## Board appointment

QuickFee was delighted to announce the appointment of seasoned technology and financial services executive Mike McConnell to the board of directors, effective 25 March 2022.

Mike McConnell is an experienced non-executive director, having served on company boards in the US, Australia, New Zealand and Israel. He has also served as a CEO or executive chairman at organisations undergoing strategic or operational transformation and brings a wealth of experience in enterprise SaaS, cybersecurity, and business communications.

## Cash and liquidity

During January 2022, QuickFee closed its funding facility with Northleaf Capital Partners Ltd (Northleaf) and drew A\$20.6 million, comprising a revolver and term loans, backed by both the US and Australian loan books, and repaid and closed its Challenger loan facility.

As part of completing the payments platform build, the company has moved its US ACH payment processing 'off balance sheet'; that is, payments made by customers of merchants do not now pass through QuickFee's bank account but are seamlessly received into merchants' accounts. This has reduced cash held and a corresponding liability disclosed under 'merchant settlements outstanding' in current liabilities.

At 31 March 2022 total working capital has decreased by A\$2.6 million from 31 December 2021; however, with the new Northleaf facility, total liquidity has increased A\$0.7 million to A\$13.4 million.

Total liquidity plus growth capacity was A\$42.8 million, providing the Company sufficient liquidity to progress its growth plans and accelerate its path to profitability.

The below table summarises the impact of this change and also QuickFee's current available cash and liquidity position. The A\$2.6 million reduction in working capital reflects the 'cash burn' for the quarter. As mentioned above, operating expenses<sup>1</sup> are expected to reduce, starting before the end of Q4 FY22, at a level of between A\$4.0 million to A\$4.5 million annualised.

A\$M	31-Mar-22	31-Dec-21	\$+/-
Cash and cash equivalents (A)	7.7	11.6	-3.9
Payment processing receivables	0.1	1.3	-1.2
Merchant settlements outstanding	(2.2)	(8.0)	+5.8
Borrowings	(17.8)	(14.4)	-3.4
Loan receivables and other net current assets	26.5	26.4	+0.1
<b>Net working capital (current assets less current liabilities)</b>	<b>14.3</b>	<b>16.9</b>	<b>-2.6</b>
Available undrawn borrowings based on loan book (B)	5.7	1.1	+4.6
<b>Total liquidity (A) + (B)</b>	<b>13.4</b>	<b>12.7</b>	<b>+0.7</b>
Growth capacity (further borrowings facility headroom)	29.4	9.5	+19.9
<b>Total liquidity plus growth capacity</b>	<b>42.8</b>	<b>22.2</b>	<b>+20.6</b>



## Outlook

Commenting on the outlook for FY22 and beyond, Eric Lookhoff said:

*"The results achieved this quarter provide us with a high degree of confidence as we look forward. Our investments and go-to market strategies are delivering results, with all metrics showing pleasing growth. With the completion of our proprietary payments platform, we are now able to realise increased yields, lower our baseline operating costs, and accelerate our path to profitability."*

*"The continued shift to online payments and the growing demand for more flexible payment options are continuing to provide additional tailwinds for the business, which will help to drive further scale and bring forward the operating leverage benefits in the QuickFee business model."*

This announcement has been authorised for release by the directors.

— END —

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## About QuickFee

QuickFee offers online payment and financing solutions for professional, commercial, and personal services providers. Since 2009, QuickFee has helped its merchants meet the rising consumer demand for flexible payments and provide a more personalised billing experience.

With QuickFee, businesses can accept payment by EFT/ACH, card, payment plan, or a Buy Now, Pay Later instalment plan. Customers are empowered to pay how and when they want, while professionals get to focus on what they do best.

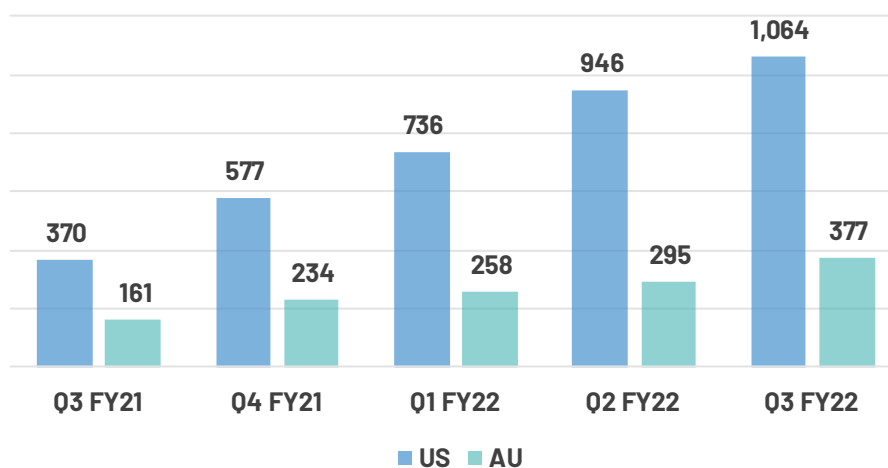
QuickFee operates in the United States and Australia. For more information, visit [quickfee.com](https://quickfee.com).

<sup>1</sup> Operating expenses consist of general and administrative, selling and marketing, customer acquisition and product development expenses and net operating foreign exchange gains/losses, but exclude depreciation and amortisation. FY22 and FY23 operating expenses in US dollars (USD) are expected to be converted to Australian dollars (AUD) at an average USD:AUD exchange rate of 0.72:1.

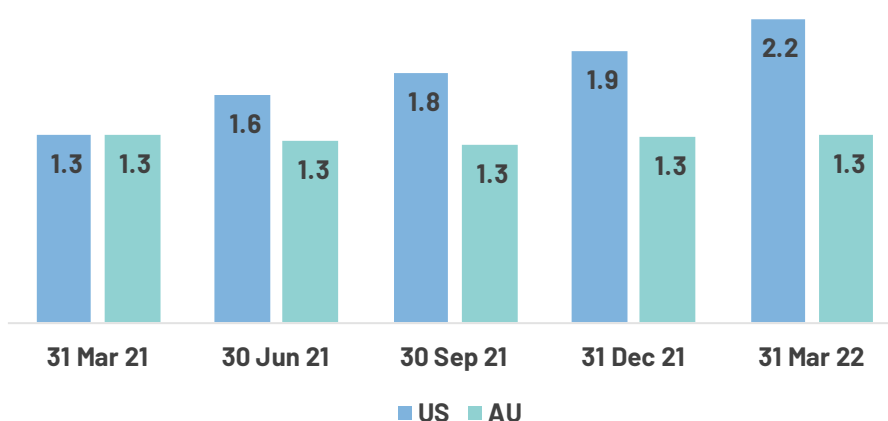
# Appendix

## BNPL metrics

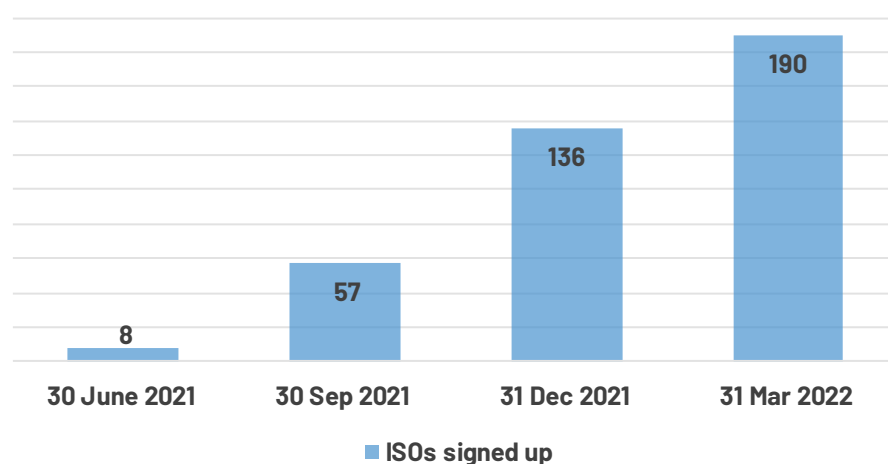
### Signed merchants



### Life-to-date transaction velocity



### ISOs signed up (US only)



## BNPL portfolio valuation calculations at 31 March 2022

Volume backlog formula	31 March 2022, US\$		31 March 2022, A\$	
Signed merchants at 31 March 2022	1,046		377	
Life-to-date activation rate	21%		30%	
Life-to-date engagement rate	31%		30%	
Life-to-date transaction velocity	2.2		1.3	
Life-to-date average transaction value	\$2,548		\$3,535	
<b>x 12 = Run rate volume backlog</b>	<b>\$4,659,357</b>		<b>\$1,871,104</b>	
<b>Revenue backlog formula</b>	<b>% run rate volume backlog</b>		<b>% run rate volume backlog</b>	
Run rate volume backlog	\$4,659,357		\$1,871,104	
Life-to-date weighted average merchant fee / yield (4.99% - 6.99%)	5.03%		7.04%	
<b>= Run rate interest revenue</b>	<b>\$234,066 5.0%</b>		<b>\$131,660 7.0%</b>	
Run rate volume backlog	\$4,659,357		\$1,871,104	
Credit card surcharge yield	3.50 %		1.50 %	
<b>= Run rate processing revenue</b>	<b>\$163,077 3.5%</b>		<b>\$28,067 1.5%</b>	
<b>Net transaction yield</b>	<b>8.5%</b>		<b>8.5%</b>	
Signed merchants	1,064			
x Retention rate	93%			
x (1 - engagement rate)	69%			
x Monthly minimum	\$9.95			
<b>x 12 = Run rate platform revenue</b>	<b>\$81,523 1.7%</b>		<b>-</b>	
<b>Total BNPL run rate revenue backlog</b>	<b>\$478,996 10.3%</b>		<b>\$159,726 8.5%</b>	

## Product revenue and yields (unaudited)

## Q3 FY22

	US Q3 FY22 (US\$)				
\$'000s, except volume	ACH	CC	Financing	BNPL	Total
Volume \$'M	175	44	4.4	1.1	225
Financing revenue (interest)	-	-	276	44	320
Payments and other revenue	683	60	18	36	797
<b>Total revenue</b>	<b>683</b>	<b>60</b>	<b>294</b>	<b>80</b>	<b>1,117</b>
<i>Total revenue/volume yield %</i>	<i>0.39%</i>	<i>0.14%</i>	<i>6.68%</i>	<i>7.27%</i>	<i>0.50%</i>

AU Q3 FY22 (A\$)			
EFT/CC	Financing	BNPL	Total
11	7.9	0.2	19
-	840	11	851
140	96	3	239
<b>140</b>	<b>936</b>	<b>14</b>	<b>1,090</b>
<i>1.27%</i>	<i>11.85%</i>	<i>7.00%</i>	<i>5.71%</i>

## H1 FY22

	US H1 FY22 (US\$)				
\$'000s, except volume	ACH	CC	Financing	BNPL	Total
Volume \$'M	342	81	8.2	1.1	432
Financing revenue (interest)	-	-	477	51	528
Payments and other revenue	1,154	111	41	33	1,339
<b>Total revenue</b>	<b>1,154</b>	<b>111</b>	<b>518</b>	<b>84</b>	<b>1,867</b>
<i>Total revenue/volume yield %</i>	<i>0.34%</i>	<i>0.14%</i>	<i>6.32%</i>	<i>7.64%</i>	<i>0.43%</i>

AU H1 FY22 (A\$)			
EFT/CC	Financing	BNPL	Total
26	17.4	0.4	44
-	1,663	15	1,678
325	164	5	494
<b>325</b>	<b>1,827</b>	<b>20</b>	<b>2,172</b>
<i>1.25%</i>	<i>10.50%</i>	<i>5.00%</i>	<i>4.96%</i>

## Glossary of terms

<b>ACH</b>	Automated Clearing House	A type of electronic bank-to-bank payment in the US, equivalent to EFT in Australia
<b>Active customer</b>	Any customer who has transacted with QuickFee in the period referred to	
<b>Active merchant</b>	Any merchant that has had a transaction with QuickFee in the period referred to	
<b>BNPL</b>	Buy Now, Pay Later	QuickFee's instalments product that enables a customer to pay their invoice in four instalments secured against the unused balance of their credit card
<b>Connect</b>	QuickFee's product name for its point-of-payment integration, e-invoicing, automated collections and receivables management product	
<b>CC</b>	Credit card	
<b>Customer</b>	The customer of a merchant, who will use one of QuickFee's payment options to pay their invoice	
<b>EFT</b>	Electronic funds transfer	An Australian domestic payments network that facilitates the transfer of funds electronically
<b>Firm</b>	A merchant. Typically used to describe a professional services firm (e.g. an accounting or law firm)	
<b>Gross trading margin</b>	Gross trading margin is calculated as gross profit per QuickFee's audited financial statements, less bad debt write-offs (which are included in general and administrative expenses)	
<b>Life-to-date activation rate</b>	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	
<b>Life-to-date engagement rate</b>	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.	
<b>Life-to-date transaction velocity</b>	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	
<b>Life-to-date average transaction value</b>	Total BNPL volume since inception divided by the number of BNPL transactions completed since inception	
<b>Merchant</b>	Term to describe QuickFee's primary customer who is the service provider, who signs up to use QuickFee's platforms and issues invoices	
<b>Net transaction margin (NTM)</b>	Net transaction margin is a non-IFRS measure that is not audited but is derived from audited figures and is a financial metric used by management to track QuickFee's unit economics of processing individual transactions, after deducting any bad debt write-offs. It excludes fixed platform and staff costs and any interest on funding facilities, as these costs are not incurred as a result of processing individual transactions.	
<b>QuickFee Financing</b>	QuickFee's traditional merchant-guaranteed fee funding product that enable customers to take out a payment plan to pay their invoice, while QuickFee settle to the merchant immediately	
<b>QuickFee Pay Now</b>	QuickFee's payment gateway that enables customers to pay their invoice in full to the merchant with or without taking out a payment plan	
<b>pcp</b>	Previous corresponding period	For example, the pcp for the March 2022 quarter is the March 2021 quarter
<b>Retention rate</b>	$1 - (\text{life-to-date activation rate} \times \text{life-to-date engagement rate})$	
<b>Run-rate volume backlog</b>	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	
<b>TTV</b>	Total transaction value	The total value of all ACH/EFT and credit card Pay Now transactions (plus payment plans except where stated)