Finexia Financial Group

PROFIT GUIDANCE & MARKET UPDATE

ASX LISTED FNX

FINEXIA

From Our CEO

Finexia Financial Group Limited provides the following earnings and operational update.

Finexia is a specialist Private Credit provider, drawing upon an extensive Funds Management and advisor network capability to deliver bespoke investment and credit solutions.

Since the Company's guidance release on 3 February 2023, the macro-economic conditions have shifted towards significant headwinds and greater uncertainty. The Company provides the following update:

- Successful completion of the rights issue, raising $4.6m. This is a significant milestone and vote of confidence on our achievements thus far and the Company's strategic pathway ahead.
- Management has revised the FY23 after tax earnings down to a range of A$2.90M - $3.05M (versus $4.3M). The revised earnings forecast should be viewed as a temporary delay in revenue recognition rather than a permanent erosion of our financial position.
- Cash Profit of A$2.90M to 31 March 2023.
- The Private Credit loan book that Finexia manages has now reached $123M (30 April 2023) in drawn loans, an increase of 77% since the start of FY23. The loan book is forecast to reach $185M by 30 September 2023, pending implementation of a wholesale funding facility and settling loans in the Childcare Income Fund that have received approval and acceptance by the borrowers.
- The Directors remain committed to distributing 30-35% of retained earnings to shareholders at the end of this financial period.

Our strategic priorities are:

- Securing a competitive flexible wholesale funding solution.
- Accelerating the growth of the Private Credit book and Childcare Income Fund.
- Continued investment in people, technology and systems to support a sustainable profit trajectory.
- A significant investment to expand our Sales and Distribution capability.

FY23 earnings after tax downgraded:

The main factor contributing to this revision is not related to the quality or growth of our loan book, but rather stems from challenges in our capital management process, specifically unanticipated delays in deploying investor capital to fund loans.

While these timing delays will have an impact on our FY23 results, the income from these loans will be realised in the second half of calendar year 2023. $21.0M in Private Credit loans previously forecast to settle between April and June 2023 will now complete in the July to September 2023 period.

This delay has a twofold financial impact; firstly, a deferral of the loan revenue until the second half of CY23 and secondly, an increase in our cost of capital, holding unutilised investor funds.

These unforeseen settlement delays and the related costs have only now become apparent.

In light of this, the revised earnings forecast should be seen as a temporary delay in revenue rather than a permanent erosion of our financial position.

The solution to avoid future revenue delays is multidimensional and involves securing flexible wholesale funding and a greater investment in technology and people.

Securing a competitive flexible funding solution:

As a priority, the executive team have been laser focused on securing a competitive financing facility with sufficient flexibility and scale to meet the demands of the anticipated growth in the Company's loan book over the next 12 months and beyond. A warehouse style facility will drive efficiencies by reducing the timing mismatches between capital inflows and the subsequent loan deployment.

The Company is currently engaged in confidential discussions with a number of providers who operate in the wholesale funding space, and we remain confident that an optimal funding solution will be secured to fuel the Company's growth ambitions.

Private Credit Growth:

Notwithstanding the current upward pressure on interest rates, management remain confident that the conditions are positive for private credit financiers, particularly for the funding of alternate asset classes such as Childcare. The loan book pipeline and by extension the growth in assets under management (AUM) are the key elements in growing the Group's recurring earnings.

To this point, the Company continues to partner with experienced successful mid-tier childcare operators as their preferred capital partner through the Finexia Childcare Income Fund. This industry leading value proposition has seen the Fund grow from a standing start to A$52M of approved loans within 7-months. The immediate pipeline of loan transactions could conceivably see the Fund at $100M in approved loans by 31 December 2023.

This is the Group's immediate key performance target, with the main caveat being access to the appropriate capital.

Dividend Intentions:

Despite the downgrade in earnings this fiscal year, the Directors are confident this is rightfully categorised as a delay in revenue and hence remain committed to implementing a dividend policy, distributing 30-35% of retained earnings to the rightful owners, our shareholders. This will ultimately be determined by a number of factors including profit performance and the forecast capital requirements of the business going forward.

Investing in People, Technology & Systems to sustainable and profitable growth:

In order to further scale up the Company's private credit capability, a significant investment has been made in the successful implementation of a comprehensive loan management system. The preferred provider is a recognised industry leader in providing outsourced loan management, risk and compliance to the non-bank lending and private credit sector. The newly implemented technology also provides management with an enhanced monitoring 'bridge' across the three distinct lending divisions of the business.

Investing in our Sales and Distribution Capability:

The Company's commitment to investing in its people as an organisational priority remains steadfastly intact, with a number of recent key executive appointments to strengthen our capability across various disciplines.

Mr Scott Beeton, founder and former CEO of listed financial services provider Sequoia Financial (**SEQ:ASX**), has joined Finexia as Director of Distribution and Dealer Group Services.

Mr Beeton brings a wealth of experience in financial services to the Finexia team and has been charged with a broad mandate to build the Company's distribution and sales capability. His immediate priorities are to expand our advisor network through acquisitions and organic growth, while assisting with Finexia's capital raising initiatives.

Mr Ricky Esteb, has recently been appointed as Group Marketing and Communications executive. Mr Esteb is responsible for the Company's overall marketing and communication strategy.

He is an experienced 'hands on' marketing executive with previous roles specifically in private credit.

I look forward to sharing our next operational and financial update at the full year, 30 June 2023.

Neil Sheather

Private Credit

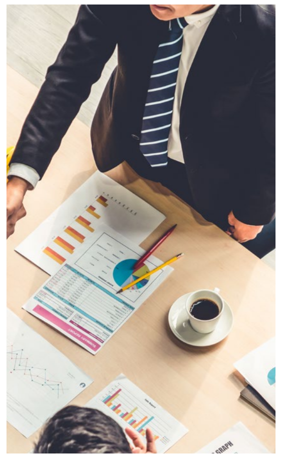
FINEXIA

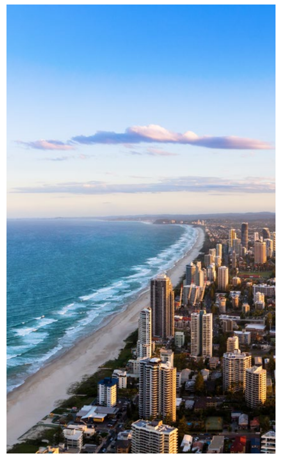
TOTAL BOOK SIZE

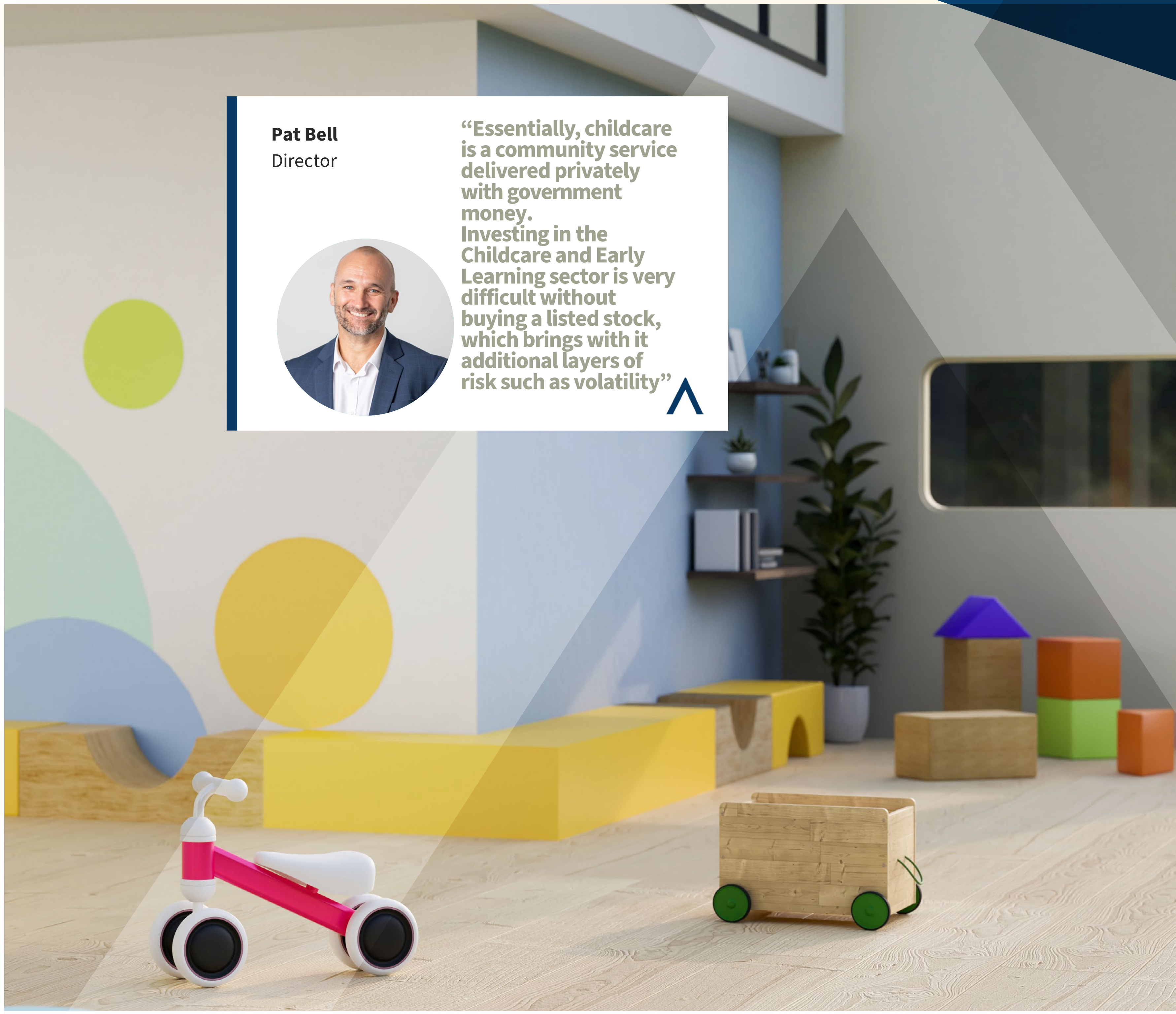
As at 30th April 2023: **$123,213,230** (Actual)

As at 31st September 2023: **$185,917,998** (forecast)

	Creative Capital	Childcare Income Fund	Asset Backed
Loan Book:	$28m	$40m (30Jun23) $69m (31Sep23)	$80m
LVR:	45%	60%	Asset Backed
Ave Borrow Rate:	11.17%	13.89%	10.86%
Exposures:	• ASX Listed • Commercial Property • Asset Finance • Resi Land Subdivision • Resi Development	• Opening Childcare centres • Childcare Commercial Property	• Asset Backed • Prime Broking • Domestic Tourism (StayCo) • ASX listed Equities • Foreign Currency







Creative CAPITAL

Loan Book: $28m +

LVR: 45% +

Borrower Rate: 11.17% +

www.creativecap.com.au +

Creative Capital GROUP

Exposures

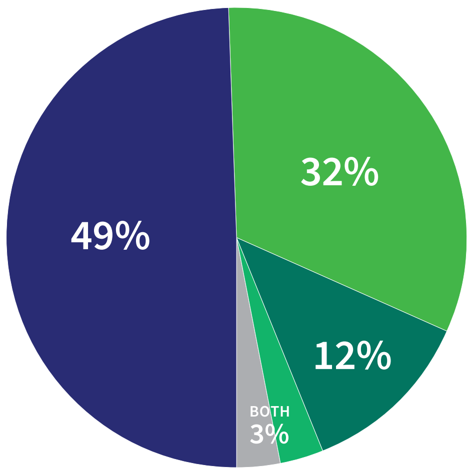
Pipeline & Development

Creative Capital is a Private Credit lender that matches High Net Worth Wholesale Investors with secured lending opportunities. All loans hold appropriate security such as Mortgages, Company Charges and Personal Guarantees.

Its exposure to Industrial Property is focused on locations where transport infrastructure is nearby and complementary. Our main exposure is a site that has direct access to freight rail, major highways and a international airport. The current lack of investment in infrastructure across Australia should see this type of lending grow throughout the economic cycle.

As a result of the changing interest rate environment and economic conditions, it has actively reduced its exposure to Residential Development. The style of residential development loans are medium scale unit and townhouse stock where the price points are less than $900k and where pre-commitments are in place.

Creative Capital Private Credit



- Residential Development 49%
- Industrial Property 32%
- ASX Listed Asset Finance 12%
- Residential Land Subdivision 3%
- Commercial Property 3%

Childcare
Centre
LOAN

Loan Book: $41m (30Jun23) +

LVR: 60% +

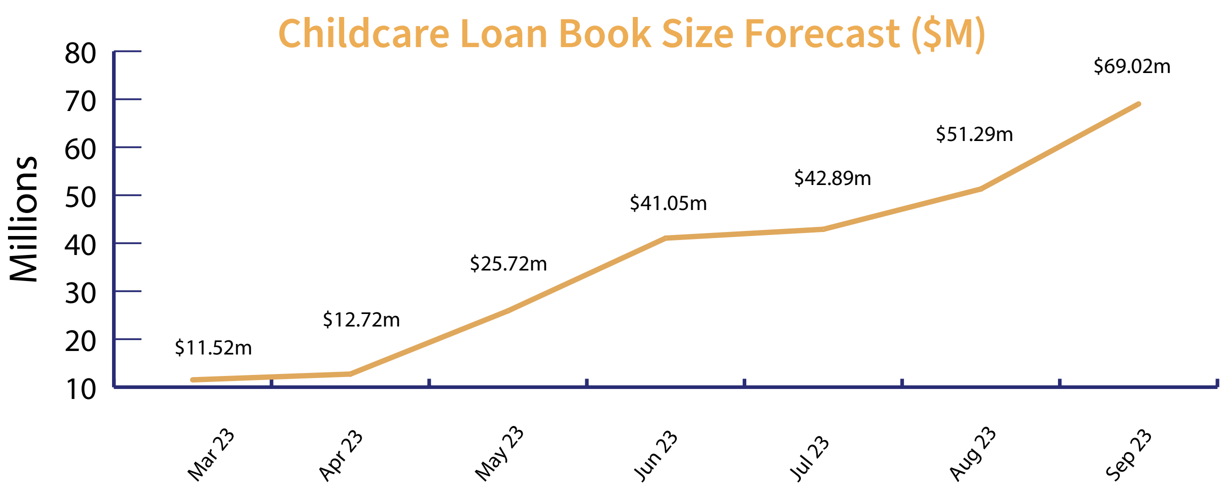
Borrower Rate: 13.89% +

finexia.com.au/childcarefund.html +

Childcare INCOME FUND

Childcare Incubation Loans

The Childcare Centre Loan Facility provides fully secured loans to established, experienced Childcare operators to construct, and/or open and trade-up childcare centres. For Childcare businesses, it offers a single loan facility to fund the soft and hard costs of the business including fit-out, marketing, staff costs and loan interest for the full trade-up period.



Asset BACKED

Loan Book: $76m +

Asset Backed +

Marketable Securities & Non traditional assets +

finexia.com.au +

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Exposures

Finexia's Asset-Backed lending product is a prime broking line of credit style facility with the flexibility to not only utilise marketable securities but provide financing against non-traditional assets and instruments.

The Asset-Backed lending product is designed for wholesale and sophisticated investors to secure flexible financing typically provided by a prime broking facility.
All loans are secured against pledged assets and highly tailored to meet the client's funding needs and capacity. The lending rates and loan-to-value ratio are determined by a number of qualitative factors including the underlying security, liquidity, concentration and volatility.

The current average borrower rate is 10.86%pa.

Forward Outlook

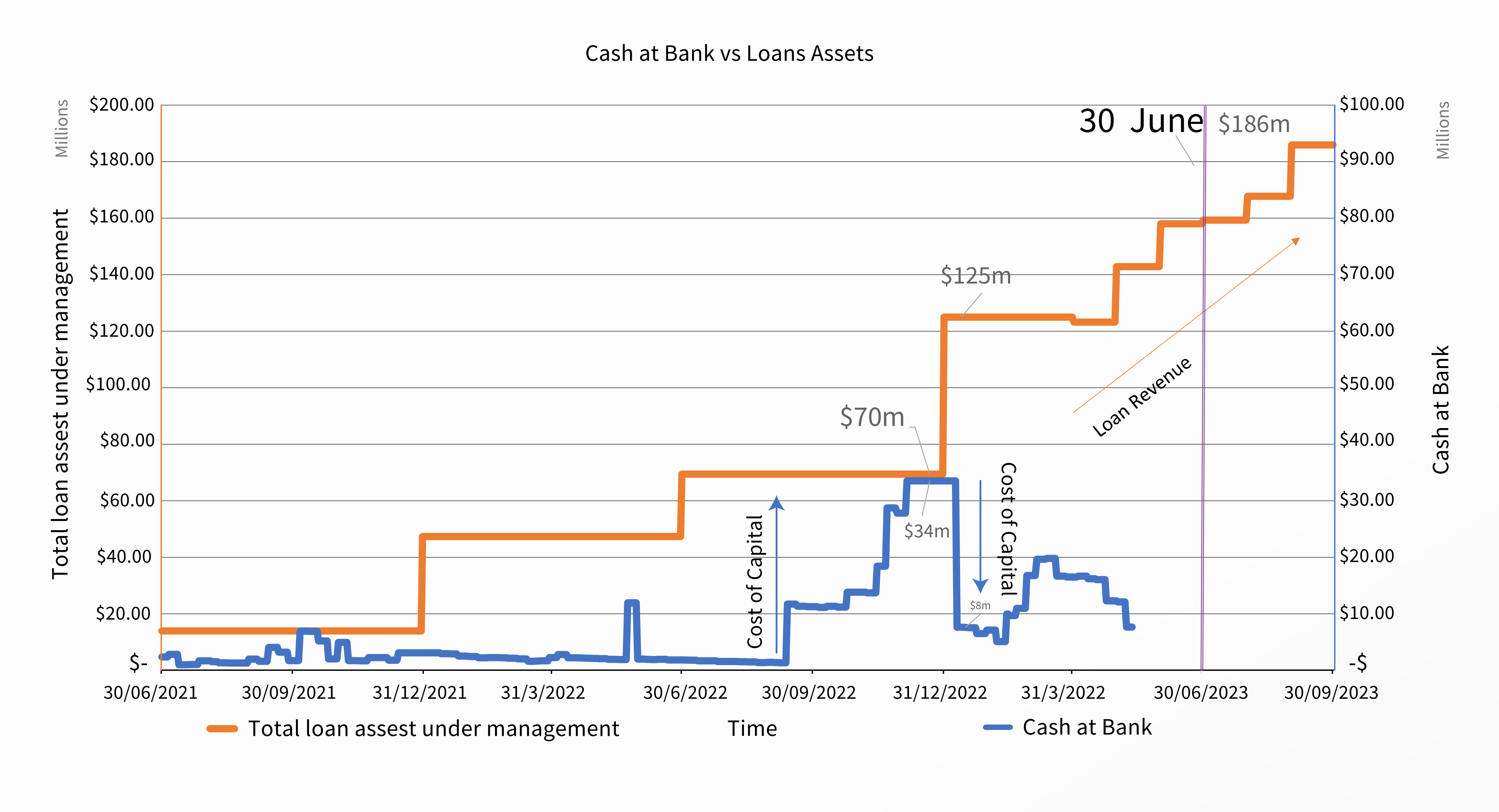
LOANS VS CASH AT BANK

Closer Look

Cash vs Loans

The main factor contributing to the revison of our FY23 earnings guidance is illustrated in the Cash at Bank vs Loans Chart (right).

The timing delays in deploying investor capital are highlighted by the cash at bank line which peaked at $34M in December 2022.



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www.finexia.com.au

FINEXIA FINANCIAL GROUP LIMITED
ACN 106 760 418 | ASX:FNX

FINEXIA SECURITIES LIMITED
ACN 608 667 778 | AFSL No. 485760

Level 18, Australia Square
264 George Street
Sydney NSW 2000

1300 886 103

info@finexia.com.au