

FY23 Q3 Update and Appendix 4C

Key highlights:

- **Lending**
 - Customers on Platform grew 58% on prior comparable period (PCP: Q3 FY22)
 - Average loan size up 36% on PCP
 - Weighted average interest rate up 55% on PCP
- **Financial**
 - Receipts from customers up 627% on PCP
 - Advertising costs down 81% on PCP
 - Staff costs down 59% on PCP
 - Total operating costs down 43% on PCP
 - Net cash used in operating activities down 56% on PCP
- **Operations**
 - Undertook further organisational streamlining, which significantly decreased operating costs with no loss of operating capability.
 - Completed successful broker trial program, subsequently grew network significantly through Q3 which will underpin rapid loan book growth.
 - In negotiations with several wholesale funding providers to increase the Company's lending capacity to continue the move towards profitability.

Leading SME-focused finance platform, **Propell Holdings Limited (ASX:PHL, Propell or the Company)** is pleased to provide a summary of its activities for the quarter ended 31 March 2023.

Update for Q3 FY23

Propell continued its organisational streamlining in Q3, further reducing the Company's cost base without any loss of operating capability, which is in line with the Company's objective to achieve profitability sooner.

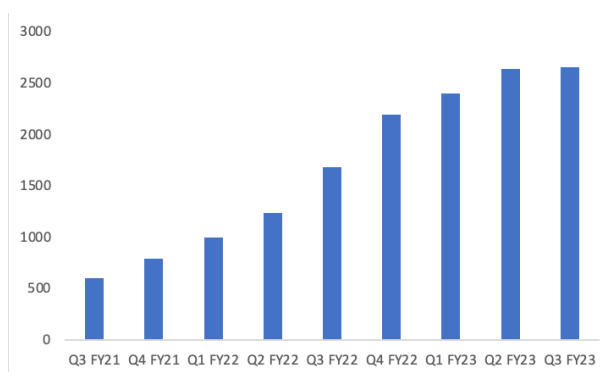
Following the successful completion of its broker trial program in Q2 FY23, the Company grew its broker referral network in Q3 FY23, signing agreements with numerous broker firms during the period. The expanded broker referral network is expected to significantly accelerate growth in inbound leads for the Company. Historically, the business has relied on digital marketing for lead generation, however, the Company views its broker referral network as a key element in its pathway to profitability, with higher speed to market and lower risk to margin.

Propell is looking to increase its current wholesale facility limit of \$7.5m to facilitate customer lending and revenue growth. The Company is well progressed in its discussions with wholesale funding providers to increase the Company's wholesale funding facility, with Propell receiving indicative terms from more than one wholesale funding provider.

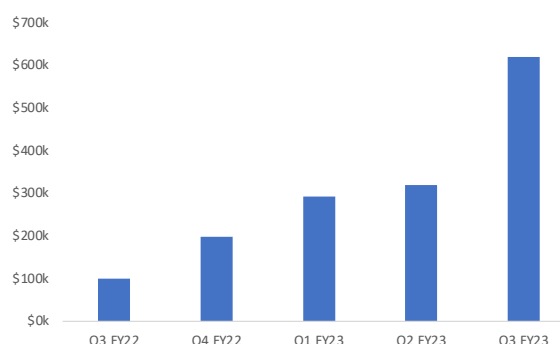
Operationally, Q3 FY23 saw strong growth in customer numbers and improved credit quality of new customers. Platform customers increased 0.5% during the quarter to more than 2,650 (+57% on PCP). Further, Q3 saw consistently high average drawdown of over \$19,000.

During the quarter, the Company continued to improve its lending margins due to its reduced wholesale borrowing cost of 11.5% while recording a 6.2% point QoQ increase (+55% on PCP) in its weighted average customer pricing.

2% QoQ growth in Platform customers



Cash receipts from customers up 627% QoQ



Financial Result

Propell held cash on hand of approximately \$289,000 as at 31 March 2023. As per its 11 July 2022 announcement, the Company successfully secured a convertible note facility of up to \$2.8m. As at 31 March 2023, the Company had received \$2.3m of the capital, with a further \$0.5m expected to be raised in Q4 FY23. The headroom of \$2.75m in the Company's debt facility, together with the remaining \$0.5m in the convertible note facility, will enable the Company to continue its operations and to meet its business objectives.

Receipts from customers increased 95% quarter-on-quarter (QoQ: Q2 FY23) from \$319,000 in Q2 FY23 to \$620,000 in Q3 FY23.

Research and development costs were 54% lower QoQ reflecting the transition from development to maintenance of Propell's platform.

Advertising costs were 77% lower QoQ following the switch from digital advertising to broker referrals, further improving the cost per new customer acquired.

Staff costs were 46% lower QoQ following the organisational restructure in Q1 and further staff reductions in Q2 and Q3. The reduced headcount will continue to yield savings in future quarters with no loss of operating capability.

The cash loss in Q3 FY23 was \$383,000, which was a 23% improvement QoQ and a 56% improvement on PCP. The improved operating result reflects the strong growth in customer revenue and the cost savings associated with the Company restructure. The additional cost optimisation initiatives achieved in Q3 will deliver further improvements in net operating cash flows in future quarters, while maintaining operating objectives and continuing to service customer needs.

Payments to related parties of the entity and their associates detailed in Section 6 of the Appendix 4C relate to the directors' fees paid during the quarter.

Outlook

Strong recent revenue growth together with substantial cost reductions reflect Propell's ability to grow without adding additional resources or compromising client experience.

Strong net interest margins, a low operating cost base and the ability to rapidly grow the loan book puts Propell in a strong position moving forward.

The Company continues to expand its growing broker referral network to facilitate loan book growth and has obtained indicative terms from wholesale funding providers to obtain additional wholesale funds so that it can continue to meet the anticipated demand going forward.

Propell is considering expanding its suite of lending products to complement its unsecured loan products. This expansion is consistent with Propell's strategy of growth through complementary product offerings. The Company has been investigating several organic and acquisition opportunities to build out its product offering.

The focus areas for the coming quarters include:

- **Lending capacity:** Obtain a new wholesale funding facility to serve client demand.
- **Ability to fill capacity:** Boost lending growth through the Company's established broker referral network.
- **Operational margins:** Hold the cost base at current levels while scaling the business and customer base.
- **Customer penetration:** Broaden the suite of lending products to increase product per customer and attract new clients.

Achievement of the above, in combination with Propell's improved operating metrics, is expected to provide a clear pathway to profitability as the Company's loan book continues to grow at attractive margins.

The Board's strategic focus remains on becoming the go-to finance solution for small businesses – a single place where businesses can live their entire financial life in a simple, convenient and 100% digital way, free from the constraints of old-fashioned banks. The Company has a long-term organic growth goal of reaching 100,000 clients within five years.

This announcement was authorised for release to the market by the Board of Propell Holdings Limited.

For further information, please contact:

Mr. Michael Davidson (CEO)

Propell Holdings Limited

T: 1300 804 091

E: investor@propellme.com.au

Ms. Sophie Bradley (IR Executive)

Reach Markets

T: 1300 805 795

E: ir@reachmarkets.com.au

About Propell

Propell Holdings Limited (ASX:PHL) is Australia's first and only all-in-one finance platform providing SMEs with lending solutions that are faster to access, easier to use and simpler to manage using a digital-first approach. Driven by a vision to revolutionise how small businesses manage their finances, Propell centralises access to what those businesses need; deep insights into their financial health, and direct access to a suite of finance tools, including payments and lending, to enable them to operate and grow.

The future of finance is digital. Small businesses, left underserved by traditional providers, are searching for alternative solutions to their finance needs. Australia's 2.3 million small and medium enterprises (SMEs) aren't satisfied with lending solutions provided by banks and are frustrated with their slow and difficult processes and paperwork. 38% of SMEs have indicated they are actively looking for new solutions in a market comprising \$423 billion in SME loans. Propell is positioned for this accelerating shift and disruption of traditional service providers and their business models.

Propell's digital platform is aimed at improving the cashflow and financial wellbeing of small businesses by aggregating a range of finance products and services including lending, payments and cashflow forecasting tools. The Company leverages its extensive customer data with an artificial intelligence (AI) based engine to deliver its products in an entirely digital manner.

Propell launched the platform in mid-2020 and is focused on further customer growth and development of its product suite.

To stay up to date on company news and announcements, register your details on the [Propell Holdings investor portal](#).

Appendix 4C

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

Name of entity

Propell Holdings Limited

ABN

62 614 837 099

Quarter ended ("current quarter")

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	620	1,230
1.2 Payments for		
(a) research and development	(31)	(194)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(35)	(305)
(d) leased assets	(25)	(73)
(e) staff costs	(179)	(1,124)
(f) administration and corporate costs	(244)	(777)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(488)	(529)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide detail if material)	-	-
1.9 Net cash from / (used in) operating activities	(383)	(1,771)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	1	3
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$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 (net customer receivable disbursements)	(275)	(362)
2.6	Net cash from / (used in) investing activities	(274)	(359)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	182	-
3.2	Proceeds from issue of convertible debt securities	290	2,300
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(17)	(17)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(250)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	455	2,033

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	491	386
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(383)	(1,771)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(274)	(359)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	455	2,033
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	289	289

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	234	436
5.2	Call deposits	55	55
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	289	491
<i>Item 5.2 Call Deposits relates to a term deposit used to secure a bank guarantee provided to a lessor.</i>			

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	90
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Item 6.1 Includes Directors fees, Salaries and related payments to the Directors and / or their associated entities. This includes salary payments to Michael Davidson as Propell's CEO and Director.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	8,034	5,284
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	8,034	5,284
7.5	Unused financing facilities available at quarter end		2,750
7.6	<p>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> <p>i) The Company has a \$7.5m wholesale facility with a private investment firm, Altor Capital Management Pty Ltd ("Altor"). The facility has an interest rate of 11.5% and a maturity date of 30 March 2025. The facility is secured over Propell's Loans and Advances.</p> <p>ii) The company owes \$0.534m on a fully drawn working capital facility from Altor AltFi Income Fund. This loan has an interest rate of 15% and is secured over current and future amounts to be received from the Australian Tax Office for Development Tax Incentives for approved R&D activities.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(383)
8.2	Cash and cash equivalents at quarter end (item 4.6)	289
8.3	Unused finance facilities available at quarter end (item 7.5)	2,750
8.4	Total available funding (item 8.2 + item 8.3)	3,039
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	7.9
	<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?	
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?	
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?	
	<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: Friday, 28 April 2023

Authorised by: By the board
(Name of body or officer authorising release – see note 4)

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.