

ASX Announcement & Media Release

Clarification of Arrears & Impairment Recognition, Segment Reporting & FY2019 Guidance

Melbourne, 29 August 2018

Axsesstoday Limited (ASX: AXL) (“Axsesstoday” or the “Company”) seeks to clarify the changes to the calculation and reporting of arrears and segment reporting as disclosed in its presentation lodged with ASX on 27 August 2018.

Arrears and Impairment Recognition

Consistent with the recent establishment of the securitisation warehouse facility, industry standards and transition to AASB 9, the Company has updated arrears and impairment recognition methodology through the implementation of dynamic provision modelling in FY18. The modelling is based on historical loss rates and expected recovery rates split by sector and provides an accurate assessment of the Company’s expected losses at 180 days past due.

This approach has been applied in the preparation of the Company’s FY18 financial accounts, while the FY17 balances are reported under the previous methodology. This has resulted in an increase in reported arrears and impairment provisions in FY18 when compared to FY17.

Historically, customers that were in arrears from 60 days past due would be impaired, having the effect of reducing reported arrears balances. In accordance with the revised policy, customers are now retained in arrears and impaired at 180 days past due, resulting in an increase in reported arrears balances, particularly arrears over 60 days.

The Company confirms that the credit quality of its receivables portfolio remains sound and existing impairment provisions are adequate for future expected losses with provision for future impairments of \$3.9 million.

Specifically, based on present portfolio performance and asset recovery trends, the company confirms that the existing level of impairment provisioning is adequate.

The change in methodology is also consistent with AASB 9 which prescribes new and complex principles on the impairment of financial assets, including a dynamic provisioning model which relies on expected credit losses as the basis of impairment provisioning. The Company’s dynamic provisioning model has been reviewed and approved by the Company’s auditor, PWC. It is further noted that all lenders will have to adopt this methodology in the future and it is widely expected that all lenders will report a higher level of provisioning for impairment than the amount reported prior to the adoption of AASB 9.

The Company considers that it is appropriate for a consistent and uniform arrears and impairment methodology to be applied across the entire portfolio.

FY2019 guidance reflects the impact of the changes in methodology and the Company reaffirms FY2019 NPAT guidance of \$12.5 - \$13.0 million.

Segment Reporting

The Company seeks to clarify its segment reporting analysis where operating costs are allocated based on the number of active customer accounts within each business segment. This allocation basis skews operating costs to the hospitality segment relative to other segments. The hospitality segment comprises 6,339 active accounts whereas the transport segment consists of 3,274 accounts.

The table below reflects the amount of net portfolio income derived by each business segment (Revenue less Finance costs and before Operating costs) and shows that each business segment generates a positive net portfolio income amount.

	Hospitality	Transport	Other sectors	Other products	Total
Revenue	17,484,469	19,946,664	5,400,751	6,389,745	49,221,629
Finance Costs	(4,594,809)	(9,031,176)	(1,425,975)	(792,208)	(15,844,168)
Net Portfolio Income	12,889,660	10,915,488	3,974,776	5,597,537	33,377,461

FY19 Earnings Guidance

The Company reaffirms its FY19 earnings guidance of \$12.5 - \$13.0m NPAT representing an earnings growth rate greater than 80% on prior corresponding period.

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About Axesstoday

Axesstoday Limited (ASX: AXL) (“Axesstoday” or the “Company”) is a specialist provider of funding solutions for small to medium sized enterprises (SMEs) in the hospitality, transport and other sectors. The Company has continued to achieve strong growth since commencing operations in 2012 by providing a compelling and differentiated value proposition for merchants to offer finance to their end customers.