An overhead photograph of a modern office meeting. Four people are seated around a dark wooden conference table. A man in a blue checkered shirt sits on the left, looking towards the center. A man in a black turtleneck sits opposite him, gesturing with his hands. A woman with long brown hair is seen from the back on the left. Another person is partially visible on the right. The table is cluttered with business items: two laptops (one showing a dashboard with charts), several papers with graphs, a smartphone, a white mug, and a small notepad. The background is a plain, light-colored wall.

ASX Release | 19 April 2023

# **QuickFee Limited**

## **Q3 FY23 quarterly business update**

ASX Release | 19 April 2023

# QuickFee Limited

## Q3 FY23 quarterly business update

**QuickFee Limited (ASX:QFE)** ("QuickFee") today announced a business update for the quarter ended 31 March 2023 (Q3 FY23).

### Q3 FY23 highlights

- **Strong momentum in Q3 FY23 with continued growth across all key metrics**
- **US Pay Now Total Transaction Values (TTV) up 20% to US\$263 million (Q3 FY22: US\$219 million); US ACH revenue up 18%, US Card revenue up 83%**
  - US TTV growth driven by increasing usage from existing firms and growing traction from new firm sign-ups
  - Card revenue yields increased due to higher surcharges applied
- **US Financing TTV up 14% to US\$5.0 million (Q3 FY22: US\$4.4 million); revenue up 56%. Financing is the product leading sales and marketing efforts in the US in the mission to "help firms get paid faster"**
- **Australia Financing TTV up 38% to A\$10.9 million (Q3 FY22: A\$7.9 million); revenue up 44%. Growth driven by economic conditions and leading market position; 80% of the quarter's growth has come from increased usage of existing firms**
- **On track to achieve run-rate cash EBITDA profitability by the end of FY23**

	Q3 FY23	Q3 FY22	Year-on-year movement
<b>Total transaction values (TTV)</b>			
US ACH (Pay Now)	US\$ 212m	US\$ 175m	+21%
US Card (Pay Now)	US\$ 51m	US\$ 44m	+16%
<b>Total US Pay Now</b>	<b>US\$ 263m</b>	<b>US\$ 219m</b>	<b>+20%</b>
US Financing (Pay Later)	US\$ 5.0m	US\$ 4.4m	+14%
AU Financing (Pay Later)	A\$ 10.9m	AU\$ 7.9m	+38%
<b>Revenue</b>			
US ACH (Pay Now)	US\$ 806k	US\$ 683k	+18%
US Card (Pay Now)	US\$ 110k	US\$ 60k	+83%
US Financing (Pay Later)	US\$ 459k	US\$ 294k	+56%
AU Financing (Pay Later)	A\$ 1,343k	A\$ 936k	+44%

Commenting on the Q3 FY23 quarter, Non-executive Chairman Dale Smorgon said:

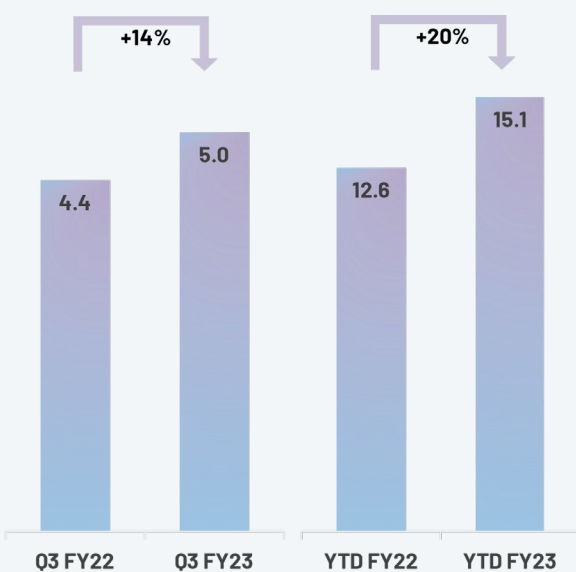
"We are very pleased to see the continued momentum across the QuickFee group. The growth being achieved across all key business drivers is reflective of our refined strategy which is focused on our core professional services offering, as well as benefiting from economic tailwinds.

"Challenging economic conditions typically drive demand for lending products, and this is exactly what we are seeing in both the US and Australian markets, where we continue to post strong growth in lending volumes. Separately, the work we have done to build our client and firm base, along with the continued growth of existing firms, continues to propel our Pay Now business forward, which is tracking well ahead of a US\$1 billion annual volume run-rate.

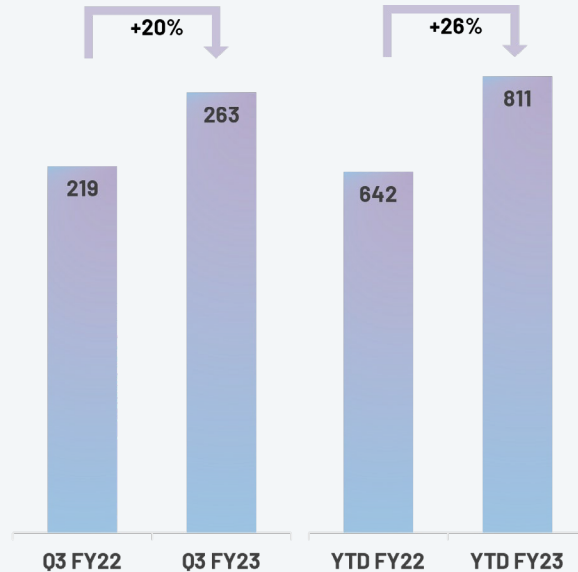
"We remain focused on improving unit economics across all products, and we are continuing to increase our interest rates. Improved margins in combination with a disciplined approach to cost management has QuickFee on track to achieve run-rate break-even cash EBITDA for the month of June 2023."

## Operational update – United States

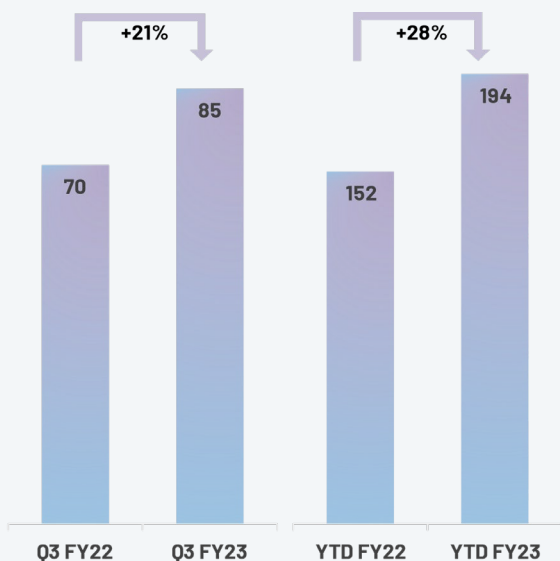
US Financing TTV (US\$M)



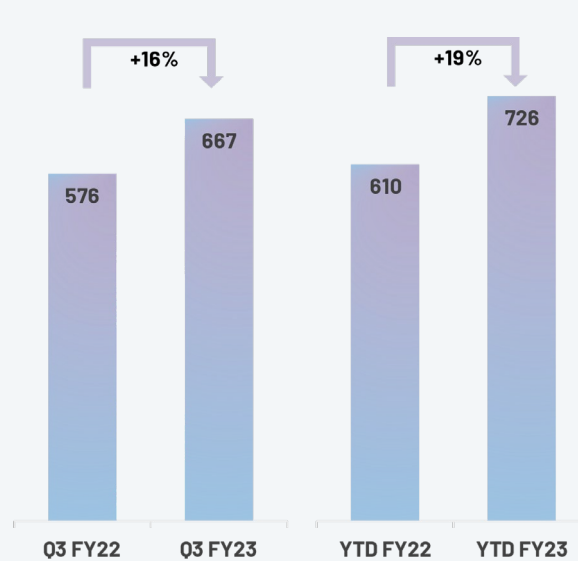
US Pay Now TTV (US\$M)



US Active Customers (000s)



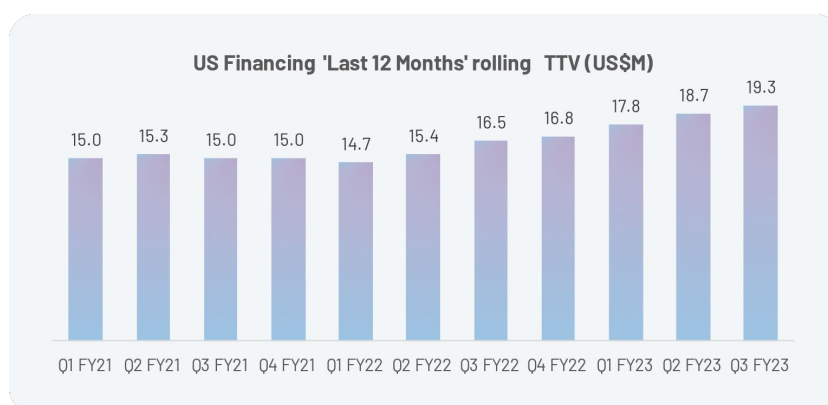
US Active Firms



US Pay Now 'Last 12 Months' rolling TTV (US\$M)







### US ACH revenue yields

TTV in US\$M Revenue <sup>1</sup> in US\$000s	Q3 FY23	Q3 FY22	% +/-
TTV	212	175	+21%
Total revenue	806	683	+18%
Total revenue/volume yield %	0.38%	0.39%	-0.01%pts

### US Card revenue yields

TTV in US\$M Revenue <sup>1</sup> in US\$000s	Q3 FY23	Q3 FY22	% +/-
TTV	51	44	+16%
Total revenue	110	60	+83%
Total revenue/volume yield %	0.22%	0.14%	+0.08% pts

US Card revenue is the net revenue share QuickFee receives from its card processors, not the gross amount surcharged to customers.

### US Financing revenue yields

TTV in US\$M Revenue <sup>1</sup> in US\$000s	Q3 FY23	Q3 FY22	% +/-
TTV	5.0	4.4	+14%
Financing revenue (interest)	434	276	+57%
Payments and other revenue	25	18	+39%
Total revenue	459	294	+56%
Total revenue/volume yield %	9.2%	6.7%	+2.5%pts

### US results commentary

The US business continued to show solid progress during Q3 FY23. Active Customer numbers are growing faster than Active Firm numbers, which demonstrates the increased adoption of e-invoicing and online payments in the market.

Focussed marketing efforts across the accounting and legal segments in Q3 FY23 contributed to substantial numbers of new leads, which the team is focused on converting. 23 new professional services firms were signed in Q3 FY23, slightly down on Q2 FY23 as tax season means Q3 is a seasonally softer selling quarter in the CPA space.

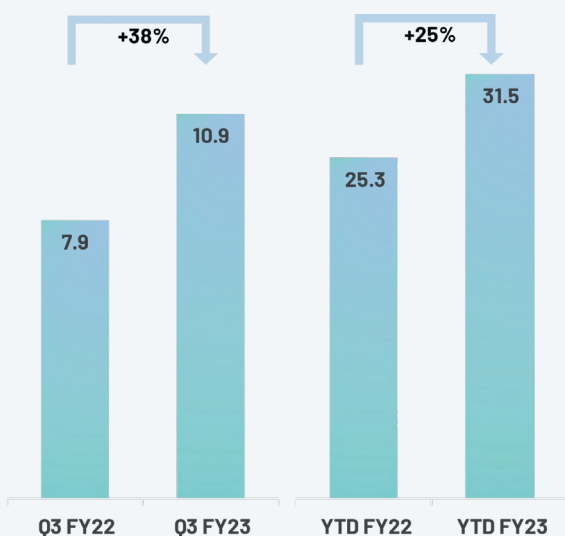
ACH revenue yields remained broadly consistent with pcp while Card revenue yields have increased from 0.14% to 0.22% due to the increase in card surcharges from 3.0% to 3.5% in April 2022. However, Visa have recently announced that they are capping the level of surcharge on credit cards at 3% from 15 April 2023, and

Mastercard have rules in place that cap their maximum surcharge to that of other card issuers. Consequently, there will be some yield compression in the Card product in the US going forward which is more likely to reduce to the historic levels of between 0.12% - 0.14%.

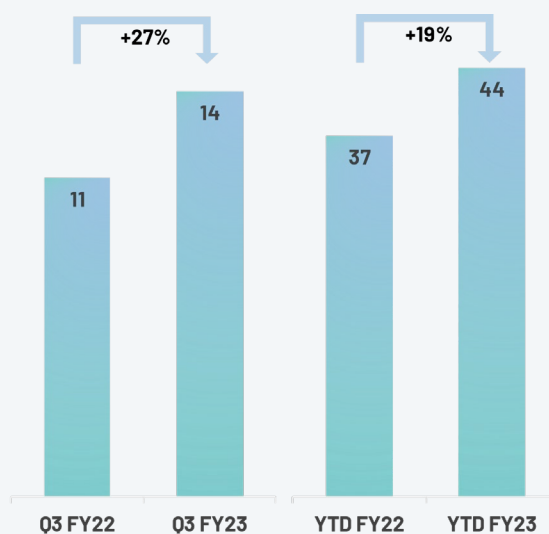
Financing revenue grew 56% vs. pcp on the back of lending volume growth and price increases made over the past 15 months.

## Operational update – Australia

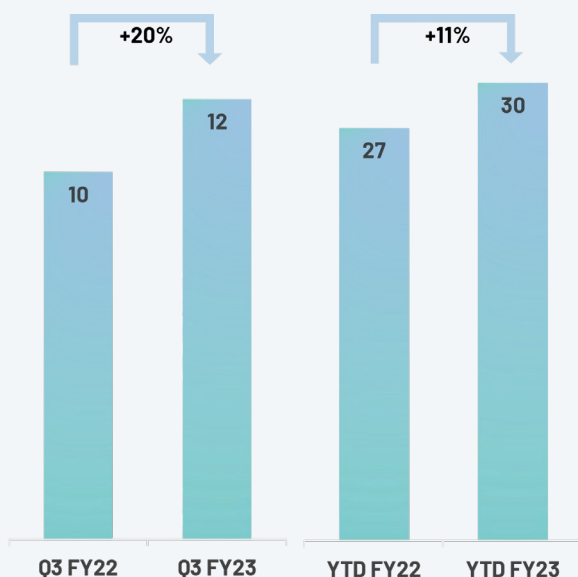
**AU Financing TTV (A\$M)**



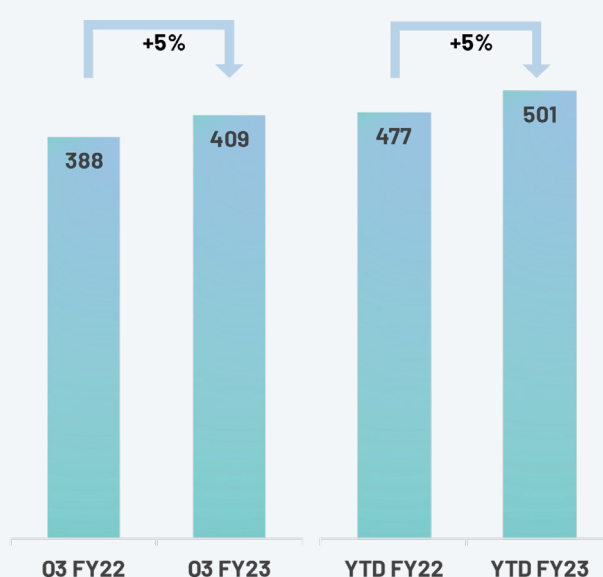
**AU Pay Now TTV (A\$M)**

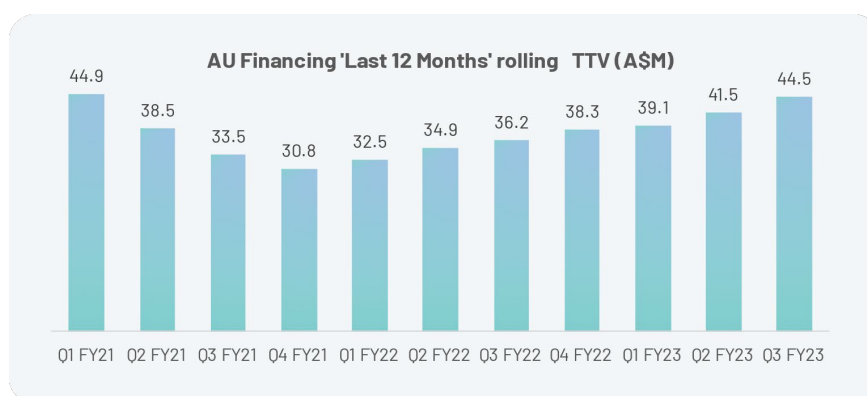


**AU Active Customers (000s)**



**AU Active Firms**





### **Australia Financing revenue yields**

TTV in A\$M Revenue <sup>1</sup> in A\$000s	Q3 FY23	Q3 FY22	% +/-
<b>TTV</b>	<b>10.9</b>	7.9	+38%
Financing revenue (interest)	1,204	840	+43%
Payments and other revenue	139	96	+45%
<b>Total revenue</b>	<b>1,343</b>	936	+43%
<i>Total revenue/volume yield % *</i>	<i>12.3%</i>	<i>11.8%</i>	<i>+0.5%pts</i>

Financing TTV grew 38%, while Active firm numbers increased 5%. This reflects the growing demand from both new and existing firms for getting paid faster and for borrowing by their clients, and this trend is expected to continue in the current economic climate. The Australian 'Q Pay Plan' product, which includes the Jim's Group Franchise agreement, grew TTV by 150% in Q3 FY23 to A\$0.5 million (Q3 FY22: A\$0.2 million).

### **Cash and liquidity**

Total Liquidity of **\$8.9 million** in the table below represents the amount of cash available at 31 March 2023. The Company maintains its cash on hand and drawn borrowings at a minimum in order to reduce interest expense.

The improvement in lending in both the US and AU in Q3 FY23 has resulted in the total loan book growing A\$2.1 million from 31 December 2022 to 31 March 2023, which has been funded by increased borrowings. Total Liquidity plus growth capacity (facility headroom to fund further loan book growth) was A\$33.5 million at 31 March 2023 (31 December 2022: A\$35.6 million).

A\$M	31 March 2023	31 Dec 2022	\$+/-
Cash and cash equivalents <sup>1</sup>	2.9	2.4	+0.5
Loan receivables and other net current assets <sup>1</sup>	34.4	32.7	+1.7
Borrowings <sup>1</sup>	(26.9)	(23.5)	-3.4
<b>Net working capital (current assets less current liabilities)<sup>1</sup></b>	<b>10.4</b>	<b>11.6</b>	<b>-1.2</b>
Cash and cash equivalents (A) <sup>1</sup>	2.9	2.4	+0.5
Available undrawn borrowings based on loan book (B) <sup>1</sup>	6.0	7.6	-1.6
<b>Total Liquidity (A) + (B)<sup>1</sup></b>	<b>8.9</b>	<b>10.0</b>	<b>-1.1</b>
Growth capacity (further borrowings facility headroom) <sup>1</sup>	24.6	25.6	-1.0
<b>Total Liquidity plus growth capacity<sup>1</sup></b>	<b>33.5</b>	<b>35.6</b>	<b>-2.1</b>

## Outlook

Commenting on the outlook for FY23 and beyond, Ms Warawa said:

*"While we remain focused on hitting run-rate profitability by the end of this financial year, we continue to execute on our longer-term strategy that will drive growth over the long term for QuickFee."*

*"New customer acquisition, and driving organic growth through cross-sell and upsell initiatives, are key pillars of our growth strategy. The US represents a huge opportunity for QuickFee, with our current portfolio of accounting firms generating around US\$8.8 billion in revenue, of which we capture just 12% via our platform. We are focussed on growing our share of this revenue, as well as building on our portfolio of accounting and legal firms using our services. Our e-invoicing and online payments tool – Connect – was built specifically to drive increased share of firms' revenue through our payment gateways."*

*"Our current active CPA firm numbers comprise approximately 13% of the total 5,345 CPA firms<sup>2</sup> in our target market, so the size of this market, combined with the level of success we have had to date in winning and retaining customers, gives me a great deal of confidence that we can execute on this strategy."*

*"While the accounting sector has been our largest, we are seeing pleasing growth in law firm numbers; in a recent survey<sup>3</sup> 73% of law firms said that greater use of technology to become more competitive was a key priority for CY2023 and we are hearing this same sentiment from the law firms we speak to."*

*"Other key pillars of our strategy are improving unit economics across our product portfolio, and continuing to enhance systems redundancy and business continuity into our services. These are critical to ensure that as we scale our business, we do so in a profitable, robust and secure way."*

*"We are very pleased with QuickFee's performance so far in FY23, but as I look out beyond FY23, I am incredibly optimistic about QuickFee's future. There is a huge market opportunity, there are structural tailwinds that will help drive continued growth, and we have the right strategy in place to grow our position as the market leader in helping professional services firms get paid faster."*

This announcement has been authorised for release by the directors.

– END –

<sup>1</sup> Figures shown are unaudited, from management accounts.

<sup>2</sup> DnB Hoovers February 2021: 5,345 CPA firms annual with revenue over US\$1,000,000.

<sup>3</sup> IPRO 2023 State of Law Firm Industry Report (<https://ipro.com/resources/white-papers/2023-state-of-law-firm-industry-report/>)

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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 low risk loan origination offerings to professional and commercial 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 or a payment plan.

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

## 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 Firm</b>	Any firm 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>CY2023</b>	Calendar Year 2023	The year ended 31 December 2023
<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>FY2023</b>	Financial Year 2023	The year ended 30 June 2023
<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>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 December 2021 quarter is the December 2020 quarter
<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)