

18<sup>th</sup> November 2021

## Earlypay Limited (ASX: EPY)

### **Earlypay upgrades Guidance following material organic uplift in Invoice Finance**

Earlypay ("EPY" or the "Company") is pleased to announce a strong start to FY22, driven by organic growth in the core Invoice Finance and Trade Finance products and supporting an upgrade to FY22 Guidance

#### **Q122 Highlights**

##### *Invoice & Trade Finance*

- Total Transaction Volume (TTV) up 40% on pcip
- Margin improvement on TTV to 1.64% (pcip: 1.51%)
- Revenue up 52% on pcip

##### *Equipment Finance*

- Loan book maintained at \$94.3m through the Q1 lockdown period, with growth resuming in Q2

#### **FY22 Outlook**

- Upgrade to FY22 NPATA Guidance from 40%+ to 50%+ over FY21
- Record TTV of \$211m in October
- Growth resumed in Equipment Finance, with October origination volume of \$10.2m and an increase in the loan book to \$99.6m
- Funding to support growth, with an increase in facility limit for the core Invoice Finance warehouse + new partnership to support expansion in Equipment Finance

Earlypay CEO Daniel Riley said of the result: *"We are pleased to report an outstanding Q1 FY22 result, which shows material growth across all Invoice Finance and Trade Finance metrics. Momentum has continued through October with Earlypay achieving record monthly Transaction Volume of \$211m, with a further acceleration in volumes anticipated as lockdown restrictions end in NSW and Vic."*

*Following the strong start to FY22 and backed by a healthy balance sheet and improvements to funding facilities, Earlypay is upgrading its FY22 NPATA Guidance from 40%+ to 50%+ over FY21."*

## Invoice and Trade Finance

In Q1, transaction volumes have reached record highs, with the business recording TTV of \$569m, up 40% on pcip (Q1'21: \$406m). TTV was driven primarily by organic growth in client numbers.

Revenue followed a similar trend, with Q1 revenue increasing by 52% compared to pcip. This uplift has been driven by:

- Growth in client numbers and TTV
- Increase in interest income on higher utilisation (LVR) of client facilities as Government stimulus for SMEs reduced
- Cross-sell of Trade Finance to existing pre-qualified Invoice Finance clients. At the end of October, there were 34 Invoice Finance clients utilising a Trade Finance facility, generating interest income at a run rate of approximately ~ \$200k per month

Current business volume and growth momentum indicates continued uplift for Invoice Finance and Trade Finance during the remainder of FY22.

## Equipment Finance

Lockdown restrictions in NSW/VIC across Q1'22 has delayed the anticipated growth in Equipment Finance; however, growth resumed in October as restrictions eased.

- Q1 origination volume of \$12.2m was slightly down on Q4'21 volume of \$14.9m, which resulted in the loan book remaining steady at \$94.3m at 30 Sept'21
- Growth resumed in October with origination volumes of \$10.4m and the Loan Book increasing to \$99.6m

## FY22 Outlook

Earlypay is pleased to upgrade its previously stated Guidance from 40%+ NPATA growth to 50%+ over FY21. The main drivers to growth in FY22 are expected to come from *Invoice Finance and Trade Finance* and in particular:

- Strong organic growth profile and new business pipeline
- Margin improvement on FY21 is expected as key invoice metrics that influence revenue, including LVR and debtor days, continue to normalise toward long-term historical averages
- The addition of Trade Finance, which provides funding for SME's to purchase stock and is offered to Earlypay clients in conjunction with Invoice Finance, is experiencing strong demand from existing and new clients, supporting retention and new client acquisition.
- Earlypay's innovative online platform is leveraging automation to drive business development, generate efficiencies in service delivery and support growth on a stable cost base. Earlypay expects further improvement to operating margin as a result.

## Funding and Partnerships

### *Improvements to existing facilities*

Earlypay has received a 25% increase in the facility limit for the primary Invoice Finance warehouse to support Earlypay's growth momentum (limit increase from \$100m to \$125m)

Earlypay has replaced mezzanine funding facility AOFM with FIIG Bond in Nov'21, which reduces interest cost by ~125bps

### *New funding and strategic partnership*

Earlypay and an ASX Listed Financial Institution;

- Have agreed to terms for a new approved warehouse for Equipment Finance to support transactions generated through channel partnership and
- Are developing a solution to provide Earlypay with funding support to service larger transactions across all product types to improve Earlypay's competitiveness for large clients against the banks and large non-bank lenders

This release was authorised by the Chief Executive Officer of Earlypay, Daniel Riley.

Sincerely,



**Daniel Riley**

**CEO**

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## **ABOUT EARLPAY**

Earlypay provides finance to SME businesses in the form of secured invoice financing and equipment financing.

Through the Earlypay online platform, SME's receive an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from their customers (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume. Earlypay will consider an additional advance to a client (above the usual 80%) on occasion, for an additional fee and when there is adequate security from the client to cover the position.

Other services include trade finance to assist clients finance purchases, as well as equipment finance to assist SME's with capital expenditure on items required to operate their business.