

FY24 Q2 Update and Appendix 4C

Key highlights:

- **Lending**
 - Average loan size on originations up 50% on PCP to \$36,000
 - Weighted average interest rate on originations up 23% on PCP to 3.1% per month
- **Financial**
 - Receipts from customers down 21% on PCP to \$253,000
 - Operating costs down 20% on PCP to \$647,000, with underlying Operating costs down 28% on PCP and down 1% QoQ to \$587,000.
 - Net cash used in operating activities down 32% on PCP (excluding one-off costs).
- **Operations**
 - New Trade finance product targeting the renewable energy sector launched in beta, with the first customer drawdown during Q2.
 - Continued development of the Platform credit assessment capability, which continues to deliver impressive results, driving arrears on originations this financial year to less than 1%.
- **New capital committed**
 - On 18 December 2023, the Company announced the successful completion of a share placement of 100 million shares at \$0.01 per share to raise \$1,000,000 before costs, intended to support the rollout of the new Trade finance product and working capital.

Leading SME-focused finance platform, **Propell Holdings Limited (ASX:PHL, “Propell” or the “Company”)** is pleased to provide a summary of its activities and cashflows (Appendix 4C) for the quarter ended 31 December 2023.

Update for Q2 FY24

During the quarter, Propell launched a new Trade finance loan facility product targeting the renewable energy sector, with the first customer drawdown in November 2023. The funds were deployed and repaid by the customer in 30 days with an annualised interest rate yield of 36.5%. The Trade finance product enables SMEs focused on supplying solar, battery and inverter products to better manage their cashflow. This new product leverages Propell’s key capabilities including integrated payments, real time credit decisions and short-term funding. The integrated nature of this payment and lending solution provides a lower risk profile to traditional unsecured SME lending due to the product construct and process,

whereby funds are paid directly to the merchant. The closed-loop nature of the Trade finance product allows Propell to be embedded in the financing transaction and increase merchant and customer retention.

Propell continued to enhance its credit assessment criteria during the quarter in response to increasing arrears in early FY 2023. The Company is pleased to report that early arrears on loans written in the Q1 and Q2 FY24 cohort is zero, which is an outstanding result in the current economic climate.

To support and streamline Propell's more rigorous credit assessment criteria for credit applicants, Propell enhanced its customer and broker interface whereby a larger set of customer information can be uploaded via a portal, including by connecting a range of cloud-based financial software systems, providing Propell's underwriting team with access to a larger range of data for the customer in a highly efficient manner.

While Propell's more rigorous credit assessment criteria has improved arrears, it has also resulted in a higher rate of declined applications and therefore slower loan book growth during the period. The Board believes that this prudent approach to loan book growth is a more sustainable approach in the current lending climate that delivers superior commercial outcomes.

The Company continued on its pathway to profitability by maintaining reduced operating costs with no loss of capability.

Propell continued discussions with wholesale funding providers as it seeks to increase its current wholesale facility limit of \$7.5m to facilitate customer lending and revenue growth.

Operationally, Q2 FY24 saw strong growth in average loan size (up 50% on PCP to \$36,000) and weighted average interest rate (up 23% on PCP to 3.1% per month).

During the quarter, the Company continued to improve margins on lending activity, with its market competitive borrowing cost of 11.5% and weighted average customer pricing of 3.1% per month, which yields greater than 65% interest revenue per annum.

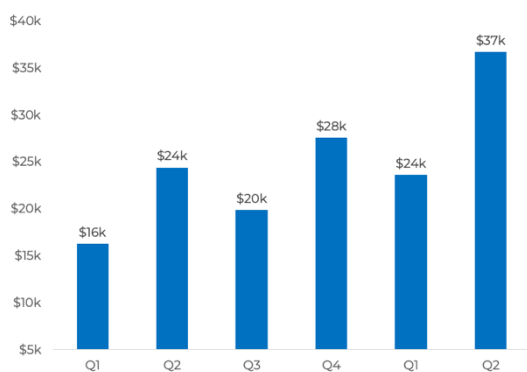


Chart 1: Weighted average loan size

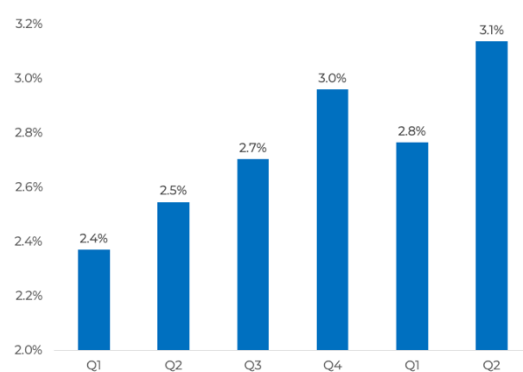


Chart 2: Weighted average interest rate for new loans

Capital raising

On 18 December 2023, the Company announced that it had received commitments for a share placement of 100 million shares at \$0.01 per share to raise \$1,000,000 before costs (**Placement**). The Placement is subject to shareholder approval to be sought at a General Meeting on 2 February 2024. The net proceeds raised from the Placement will be used for the rollout of the new Trade finance product, working capital, corporate costs and the costs of the issue.

Financial Result

Propell held cash on hand of approximately \$639,000 as at 31 December 2023. This cash balance includes available cash in the Company's lending facility, which relates to funding of investing cash flows and, per previous quarterly activities reports, is consistent with the Company's reporting since listing in 2021.

During the quarter, receipts from customers decreased 21% on PCP to \$253,000, while operating costs were down 20% on PCP to \$647,000. One-off costs incurred during the quarter were approximately \$60,000 related to a proposed transaction, with underlying Operating costs down 28% on PCP and down 1% QoQ to \$587,000. Underlying Operating costs in Q3 are expected to reduce further due to savings realised from the Company restructure completed in FY23 (Restructure).

The cash loss in Q2 FY24 was \$394,000, a 20% improvement on PCP. Excluding one-off transaction costs, the cash loss was down 32% on PCP to \$(334,000). The improved operating result reflects the cost savings associated with the Restructure and the reduced cost base is expected to continue to deliver savings in future quarters while maintaining operating objectives and service customer needs.

Based on Propell's planned pathway to profitability, the Board expects that the reduced operating cash losses, headroom of \$1.6m in the Company's debt facility, and the Placement will enable the Company to continue its operations and meet its business objectives.

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, including the CEO's remuneration.

Outlook

The Company's recent revenue growth and substantial operating 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 sustainable position moving forward.

The Company continues to expand its growing broker referral network to facilitate loan book growth and pursue additional wholesale funds to continue to meet the anticipated demand going forward.

As outlined in the September 2023 quarterly update, the Company continues to actively pursue organic and acquisition opportunities to add to its product offering.

The focus areas for the coming quarters include:

- **Lending capacity:** Obtain a new and increased 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.

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 with strong lending 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 traditional banks.

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

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 December 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	253	655
1.2 Payments for		
(a) research and development	(26)	(47)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(27)	(31)
(d) leased assets	(14)	(40)
(e) staff costs	(192)	(428)
(f) administration and corporate costs	(366)	(638)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(22)	(57)
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	(394)	(585)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(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)	(206)	228
2.6	Net cash from / (used in) investing activities	(206)	228

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	350	350
3.6	Repayment of borrowings	-	-
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	350	350

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	889	646
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(394)	(585)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(206)	228

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
4.4	Net cash from / (used in) financing activities (item 3.10 above)	350	350
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	639	639

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	584	834
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)	639	889
<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	86
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	6,387
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	8,034	6,387
7.5	Unused financing facilities available at quarter end		1,647
7.6	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.		
	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.		
	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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(394)
8.2	Cash and cash equivalents at quarter end (item 4.6)	639
8.3	Unused finance facilities available at quarter end (item 7.5)	1,647
8.4	Total available funding (item 8.2 + item 8.3)	2,286
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.8
	<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: Wednesday, 31 January 2024

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.