

FY24 Q3 Update and Appendix 4C

Key highlights:

- **Lending**
 - Gross loan book increased by 22% during the quarter.
 - Average loan size on originations up 261% on PCP to \$71,000.
 - Weighted average interest rate on originations down marginally on PCP to 2.64% per month.
- **Financial**
 - Receipts from customers down 56% on PCP to \$273,000 due to the flow-on effects of lower lending activity in the first half of FY24.
 - A planned increase in lending activity following the successful completion of the capital raising has resulted in receipts up 8% QoQ and accelerating growth.
 - Underlying operating costs were down 23% QoQ and down 6% on PCP to \$483,000. Including one-off costs (primarily capital raising costs) operating costs were \$715,000.
 - Net cash used in operating activities down 38% QoQ and down 37% on PCP to \$243,000 (excluding one-off costs).
- **Operations**
 - Grew the Company's broker referral network by more than 100% during Q3, with an ongoing campaign to continue rapid growth throughout the remainder of 2024.
 - Significant 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 raised**
 - During the quarter, the Company completed a share placement and share purchase plan which was over-subscribed, raising approximately \$1.58 million before costs (\$1.29m after costs).

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 March 2024.

Update for Q3 FY24

During the quarter, Propell grew its broker referral network by more than 100%, signing agreements with additional broker firms. The Company continues to sign agreements with additional broker firms and expects to maintain the rapid growth of its broker referral network throughout the remainder of 2024. The expanded broker referral network is expected to

significantly accelerate growth in inbound leads for the Company as Propell 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 pleased with the level of early traction that it has received from its expanded broker referral network. This follows the Company's enhanced credit assessment criteria, which provides a point of difference and an innovative approach to traditional credit assessment criteria. Further, Propell has completed the development of its customer and broker interface whereby customer information can be uploaded via a portal, including by connecting a range of cloud-based financial software systems, to obtain a larger range of data from the customer in a highly efficient manner.

The Company is pleased to report that arrears on loans written during FY24 continues to track at less than 1%, which is an outstanding result in the current economic climate. While Propell's enhanced credit assessment criteria has improved arrears, they have also resulted in a higher rate of declined applications which has had an impact on the number of successful applications.

Despite the prudent approach to loan book growth, the Company is pleased to report that its gross loan book increased by 22% during the quarter.

Pleasingly, following the completed capital raising in February 2024, Propell has executed on its strategy as outlined, which has resulted in significant loan book growth throughout April 2024.

The Company continued its pathway to profitability by maintaining reduced underlying 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, Q3 FY24 saw strong growth in average loan size (up 261% on PCP to \$71,000) with weighted average interest rate down 2% on PCP to 2.64% per month.

During the quarter, the Company maintained its strong margins on lending activity, with its market competitive borrowing cost of 11.5% and weighted average customer pricing of 2.64% per month, which yields greater than 60% interest revenue per annum.

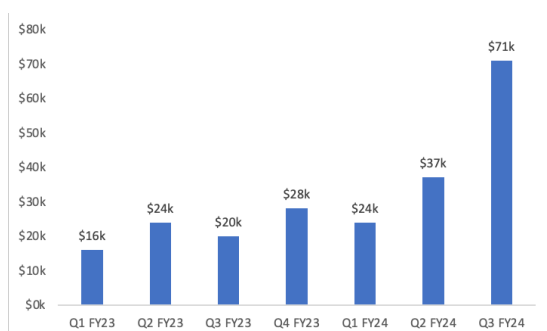


Chart 1: Weighted average loan size

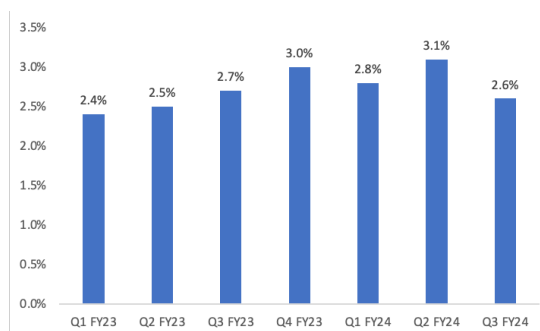


Chart 2: Weighted average interest rate for new loans

New Capital Raised

During the quarter, the Company completed an over-subscribed share placement and share purchase plan of approximately 158 million shares at \$0.01 per share raising approximately \$1.58 million before costs (\$1.29m after costs). The Placement was approved by shareholders at the Company's General Meeting held on 2 February 2024. The net proceeds raised from the Placement will be used for new product development, working capital, corporate costs and costs associated with the issue.

Financial Result

Propell held cash on hand of approximately \$481,000 as at 31 March 2024. This cash balance includes available cash in the Company's lending facility and funding of investing cash flows and, per previous quarterly activities reports, is consistent with the Company's reporting since listing in 2021.

In line with the Company's prudent approach to capital management, Propell funded a portion of its loan book growth during the quarter with the proceeds from cash at bank following the recent capital raised. This approach enabled the Company to minimise the use of its wholesale funding facility, which attracts an interest rate of 11% per annum, however resulted in the cash on hand as at 31 March 2024 being materially lower.

During the quarter, receipts from customers increased 8% QoQ and decreased 56% on PCP to \$273,000, while operating costs were up 14% QoQ and up 39% on PCP to \$715,000. One-off costs incurred during the quarter were approximately \$232,000 and related to capital raising costs and the residual costs associated with a proposed corporate transaction that was flagged previously. Pleasingly, underlying operating costs continued to reduce and were down 23% QoQ and down 6% on PCP to \$483,000.

The cash loss in Q3 FY24 was \$475,000, which was 21% higher QoQ and 24% higher than PCP. Excluding one-off costs, the cash loss was down 38% QoQ and down 37% on PCP to \$243,000 loss. The improved operating result reflects the cost savings associated with the restructuring undertaken in 2023, and the reduced cost base is expected to continue to deliver savings in future quarters while maintaining operating objectives and servicing 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 available cash at the end of the quarter 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 December 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 service 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.

The Company has engaged Reach Corporate Pty Ltd ("Reach") to provide a range of investor relations services, including investor briefings, IR analysis, and communications. In relation to the services, the Company will issue 3.6 million options to Reach at a strike price of \$0.025, expiring 3 years from the date of issue, in addition to a monthly cash retainer. The Company may terminate the engagement with 30 days' notice.

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

For further information, please contact:

Propell Holdings Limited

T: 1300 804 091

E: investor@propell.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 March 2024

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		273	929
1.2 Payments for			
(a) research and development		(5)	(52)
(b) product manufacturing and operating costs		-	-
(c) advertising and marketing		(51)	(82)
(d) leased assets		-	(40)
(e) staff costs		(191)	(610)
(f) administration and corporate costs		(468)	(1,096)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		-	-
1.5 Interest and other costs of finance paid		(33)	(87)
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		(475)	(1,038)
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)	(973)	(767)
2.6	Net cash from / (used in) investing activities	(973)	(767)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,290	1,290
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
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	1,290	1,640

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	639	646
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(475)	(1,038)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(973)	(767)

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)	1,290	1,640
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	481	481

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	426	584
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)	481	639
<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	40
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. 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.		
<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)	(475)
8.2 Cash and cash equivalents at quarter end (item 4.6)	481
8.3 Unused finance facilities available at quarter end (item 7.5)	1,637
8.4 Total available funding (item 8.2 + item 8.3)	2,281
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.5
<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: Tuesday, 30 April 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.