

ASX Release | 18 January 2023

QuickFee Limited

Q2 FY23 quarterly business update

ASX Release | 18 January 2023

QuickFee Limited

Q2 FY23 quarterly business update

QuickFee Limited (ASX:QFE) ("QuickFee") today announced a business update for the quarter ended 31 December 2022 (Q2 FY23).

Q2 FY23 highlights

- Continued strong momentum in Q2 FY23 with strong growth across all key metrics for Pay Now and Pay Later
- US Pay Now Total Transaction Values (TTV) up 26% to US\$306 million (Q2 FY22: US\$242 million), driven by continued growth in new customers and merchants
 - Active Customers in the US grew 36% to 94,000
 - Active Merchants in the US grew 19% to 657
 - 130 professional services firms signed up in the 2022 calendar year; the strongest customer acquisition quarter in 3 years
- Growth in lending continues across both Australia and the US
 - Australia up 26% to A\$11.7 million (Q2 FY22: A\$9.3 million)
 - US up 20% to US\$5.3 million (Q2 FY22: US\$4.4 million)
 - Increased interest rate pricing is growing revenue faster than TTV in both regions
- Experienced executive Jennifer Warawa appointed as President, North America
 - Brings over 20 years' experience in the accounting profession and executive leadership roles
- Transition of Board with Dale Smorgon assuming Chair role
- QuickFee remains on track to achieve run-rate profitability by June 2023 within existing cash and borrowing facilities

Professional services	Q2 FY23	Q2 FY22	Year-on-year movement
Total transaction values (TTV)			
US ACH (Pay Now)	US\$ 252m	US\$ 196m	+29%
US Card (Pay Now)	US\$ 54m	US\$ 46m	+17%
Total US Pay Now	US\$ 306m	US\$ 242m	+26%
US Financing (Pay Later)	US\$ 5.3m	US\$ 4.4m	+20%
AU Financing (Pay Later)	AU\$ 11.7m	AU\$ 9.3m	+26%
Revenue			
US ACH (Pay Now)	US\$ 953k	US\$ 641k	+49%
US Card (Pay Now)	US\$ 63k	US\$ 56k	+13%
US Financing (Pay Later)	US\$ 409k	US\$ 279k	+47%
AU Financing (Pay Later)	AU\$ 1,232k	A\$ 935k	+32%

Commenting on the Q2 FY23 quarter, Chairman Dale Smorgon said:

"We are delighted to see strong momentum in QuickFee's professional services business continuing through the second quarter of FY23, with impressive growth being achieved across all key business metrics. The streamlined business strategy that was implemented in Q1 FY23, which is focused on our core professional services offering, is delivering results and has QuickFee on track to achieve run-rate profitability by the end of FY23.

"We continue to benefit from a number of tailwinds that propel the business forward. As challenging economic conditions continue to drive lending demand, our low credit-risk business model and streamlined technology solutions provide a unique and ideal alternative for both merchants and customers alike.

"In order to take full advantage of the growing US market opportunity, QuickFee has appointed a new North American President, Jennifer Warawa, who will lead the US operations going forward. Jennifer brings a wealth of knowledge, experience and established relationships within the accounting profession, invaluable assets to the team which are already being leveraged. This appointment positions QuickFee exceptionally well for the major growth opportunities in front of us in the US market."

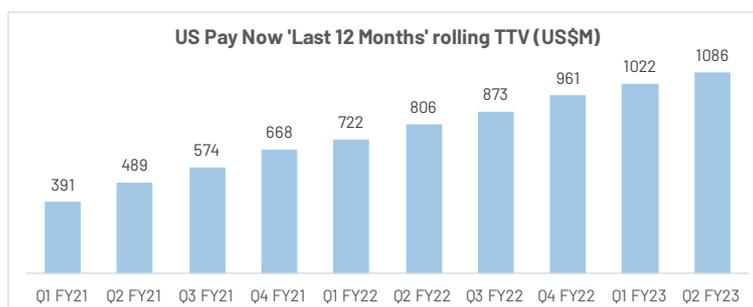
Operational update – United States

US Q2 FY23 TTV and trading metrics



QuickFee has built on the success of the first quarter of the FY23 financial year, growing across all key metrics in the US Professional Services segment. Following a renewed focus on this vertical, Active Merchant numbers grew 19% to 657 and Active Customers increased by 36% to 94,000, which is driving increased total transaction volumes.

Pay Now TTV was up 26% to US\$306 million (Q2 FY22: US\$242 million), with Financing also reflecting this growth with a 20% improvement to US\$5.3 million (Q2 FY22: US\$4.4 million). The chart below shows rolling annual totals as they have grown quarter over quarter.



The impact in the US from global events such as COVID-19, stock market volatility and interest rate fluctuation, together with the US federal government working to steady the economy, will continue to affect the accounting profession and businesses in general. QuickFee remains well-positioned as businesses look to conserve cash in a challenging economy and continue to accelerate adoption of technologies, to not only aid in modernisation, but also increase efficiency during a time when talent gaps are prevalent across the profession.

Key areas of focus for the accounting profession in 2023 are expected to be finding and retaining talent, managing the impact of inflation, and accelerated digital transformation². QuickFee is expected to continue to benefit from these trends going forward.

Q2 FY23 was QuickFee's strongest quarter in three years as it relates to new customer acquisition, with 42 firms signed up, 56% higher than the same quarter last year (Q2 FY22: 27). This success can largely be attributed to the increased focus on the core business and in particular the accounting profession. Pleasingly, these new customers represent a really positive lead indicator for future TTV growth and the trajectory of the business.

ACH – United States

ACH volumes have continued the impressive growth trend observed over the last two years with Q2 FY23 up 29% to US\$252 million (Q2 FY22: US\$196 million). The recent acceleration in volumes can be attributed to the growth in merchant and customer numbers, as well as the growing momentum of the Recurring ACH product, which also improves customer and merchant retention. Revenue Yields on ACH also increased by 5 basis points in Q2 FY23, driven by automation benefits and the pricing changes made in FY22 which moved all firms from fixed fees to volume-based fees.

The Company continues to invest with its ACH processor to deliver a more robust ACH payment platform to its firms, which will ensure a consistent and reliable service, improving the customer experience and thus firm retention.

QuickFee's recently launched Recurring ACH product is specifically targeted to assist firms in their Client Advisory Service (CAS) areas such as outsourced Accounts Payable and CFO advisory services, which have recurring revenue models. US CPA firms' CAS divisions grew 16% in 2022 and net fees per professional grew 25% in 2022³, providing the Company with further opportunity to grow volume within its existing firm base.

US ACH revenue yields

TTV in US\$M Revenue ¹ in US\$000s	Q2 FY23	Q2 FY22	% +/-	H1 FY23	H1 FY22	% +/-
TTV	252	196	+29%	452	342	+32%
Payments and other revenue	953	641	+49%	1,702	1,155	+47%
Total revenue	953	641	+49%	1,702	1,155	+47%
<i>Total revenue/volume yield %</i>	<i>0.38%</i>	<i>0.33%</i>	<i>+0.05%pts</i>	<i>0.38%</i>	<i>0.34%</i>	<i>+0.04%pts</i>

Card – United States

Card volumes also showed strong growth, up 17% in Q2 FY23 to US\$54 million in Q2 FY23 (Q2 FY22: US\$46 million), benefiting from growing merchant and client numbers.

Increases to credit card surcharges that were implemented are having a noticeable impact on revenue yields. Adjustments to timing of surcharge revenue shares between Q1 FY23 and Q2 FY23 have meant yields for the quarter stayed level, however, H1 FY23 revenue yields were up 5 basis points to 0.19% (H1 FY22: 0.14%). With credit and debits cards expected to be the premier payment method for US professional services fees, and with transaction sizes increasing due to inflation, management believe revenue yields across the card portfolio can reach 0.40% within its current card processing contracts.

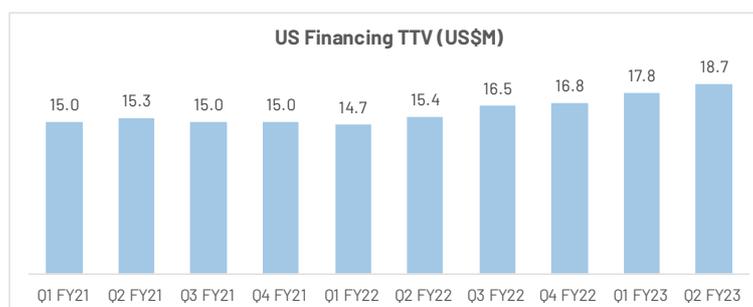
US Card revenue yields*

TTV in US\$M Revenue ¹ in US\$000s	Q2 FY23	Q2 FY22	% +/-	H1 FY23	H1 FY22	% +/-
TTV	54	46	+17%	96	81	+19%
Payments and other revenue	63	56	+13%	180	110	+64%
Total revenue	63	56	+13%	180	110	+64%
<i>Total revenue/volume yield %</i>	<i>0.12%</i>	<i>0.12%</i>	-	<i>0.19%</i>	<i>0.14%</i>	<i>+0.05%pts</i>

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

Financing – United States

Performance across the lending business in the US also performed strongly, with US financing growing 20% in Q2 FY23 to US\$5.3 million (Q2 FY22: US\$4.4 million), driven by rising inflation and interest rates in the US. Financing volumes are expected to grow over the FY23 year, following new sales incentives implemented in Q1 FY23 to encourage the sales team to sign up firms specifically for the Financing product to take advantage of the current high demand for SME borrowing in the US economy. The chart below shows clearly the increasing demand for lending after government COVID stimulus measures unwound, as well as the impact of higher firm numbers and the renewed focus on selling financing, over the past 5 quarters.



The impact of interest price increases made in H1 FY22 and October 2022 are now being reflected in improved interest revenue yields, with Q2 FY23 up 140 basis points to 7.7% (Q2 FY22: 6.3%).

US Financing revenue yields

TTV in US\$M Revenue ¹ in US\$000s	Q2 FY23	Q2 FY22	% +/-	H1 FY23	H1 FY22	% +/-
TTV	5.3	4.4	+20%	10.1	8.2	+23%
Financing revenue (interest)	388	259	+50%	715	477	+50%
Payments and other revenue	21	20	+5%	41	42	-2%
Total revenue	409	279	+47%	756	519	+46%
<i>Total revenue/volume yield %</i>	<i>7.7%</i>	<i>6.3%</i>	<i>+1.4%pts</i>	<i>7.5%</i>	<i>6.3%</i>	<i>+1.2%pts</i>

Operational update – Australia

Australia Q2 FY23 TTV and trading metrics

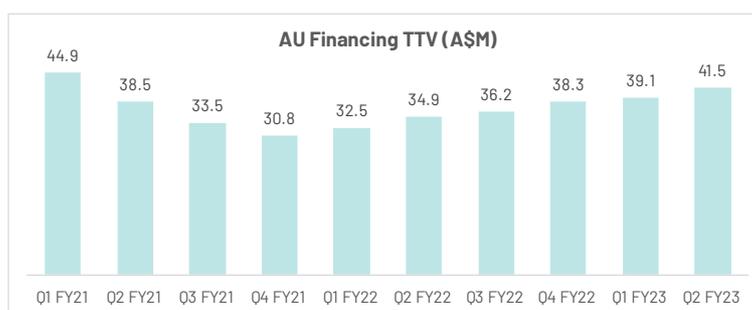


Financing – Australia

Lending in the Australian market continues to show growing levels of demand, with Q2 FY23 lending volume up 26% to A\$11.7 million (Q2 FY22: \$9.3 million). Active Merchants in Q2 FY23 were 410, up 4% (Q2 FY22: 394), while Active Customers grew 8% to 13,000 (Q2 FY22: 12,000).

While the Australian financing market is more mature and provides less opportunity to sign up new accounting firms, QuickFee has the highest Active Customer numbers since before COVID, and economic conditions are driving increasing demand from existing merchants. According to the Reserve Bank of Australia, \$478 billion of Australian fixed rate home loans are due to convert to variable rates by the end of 2023⁴, which will potentially create further challenging economic conditions and demand for borrowing from non-bank lenders.

One area the Company is currently seeing relatively higher growth is in its legal disbursement funding business which it has been offering since 2014. This product provides funding for disbursement costs for law firms specialising in personal injury cases. These loans can last up to two years.



Revenue and yields continue to grow as borrowing demand improves, as can be seen in the table below. Revenue yield was up 40 basis points in Q2 FY23 to 10.5% (Q2 FY22: 10.1%).

Australia Financing revenue yields

TTV in A\$M Revenue ¹ in A\$000s	Q2 FY23	Q2 FY22	% +/-	H1 FY23	Hi FY22	% +/-
TTV	11.7	9.3	+26%	20.6	17.3	+19%
Financing revenue (interest)	1,100	843	+30%	2,089	1,663	+26%
Payments and other revenue	132	92	+43%	239	179	+34%
Total revenue	1,232	935	+32%	2,328	1,842	+26%
<i>Total revenue/volume yield % *</i>	<i>10.5%</i>	<i>10.1%</i>	<i>+0.4%pts</i>	<i>11.3%</i>	<i>10.6%</i>	<i>+0.7%pts</i>

* As interest revenue is spread over the life of loans, in seasonally lower lending quarters such as Q1 each year, the revenue yield is higher than in higher lending quarters, as TTV is a more volatile denominator than the interest revenue numerator in the revenue yield formula.

BNPL – Australia

Following the discontinuing of US BNPL operations, QuickFee continues to focus on the Australian BNPL market to take advantage of the growing traction the 'Q Pay Plan' product is experiencing. BNPL TTV in Australia increased by 150% in Q2 FY23 to A\$0.5 million (Q2FY22: A\$0.2 million).

The Australian BNPL market still remains an important part of the QuickFee business. With growing TTV and revenue and a focus on the lucrative homeowner services market through the Jim's Group franchise agreement, the Company expects further improvement in BNPL TTV throughout the FY23 year, buoyed by the impact of the maturing fixed interest rate home loans mentioned above.

North American President appointed

Following an extensive executive search, QuickFee was delighted to announce the appointment of Jennifer Warawa as President, North America in November 2022. Jennifer commenced with the Company in December 2022 and is leading operations in the US, bringing with her 20 years' experience in the accounting profession, with half of that time running her own firm in Canada and the other half in a variety of executive leadership roles, including Sage Group PLC.

Following the refining of the US business strategy to focus on the core professional services business, the deep experience and relationships Jennifer has fostered within the accounting profession will be invaluable. With the senior leadership team now fully focussed on a singular professional services strategy and a talented bench of product, technology and operations professionals to support them, QuickFee is extremely well positioned to take advantage of the major growth opportunities available in the US market.

Cash and liquidity

The Company maintains its borrowings at a minimum in order to reduce interest expense. This also means it minimises the amount of cash it holds. The measure of Total Liquidity in the table below shows the amount of cash available at the end of Q2 FY23 and the movement in the quarter. Total Liquidity has decreased A\$3.4 million to A\$10.0 million in Q2 FY23. The improvement in lending in both the US and AU in the quarter has resulted in the total loan book growing \$2.7 million from 30 September 2022 to 31 December 2022, which has been mainly funded by increased borrowings.

Total Liquidity plus growth capacity was A\$35.6 million, providing the Company sufficient liquidity to achieve run-rate profitability by the end of FY23 within existing cash and borrowing facilities.

A\$M	31 December 2022	30 September 2022	\$+/-
Cash and cash equivalents ¹	2.4	4.0	-1.6
Loan receivables and other net current assets ¹	32.7	30.5	+2.2
Borrowings ¹	(23.5)	(21.0)	-2.5
Net working capital (current assets less current liabilities)¹	11.6	13.5	-1.9
Cash and cash equivalents (A) ¹	2.4	4.0	-1.6
Available undrawn borrowings based on loan book (B) ¹	7.6	9.4	-1.8
Total Liquidity (A) + (B)¹	10.0	13.4	-3.4
Growth capacity (further borrowings facility headroom) ¹	25.6	29.0	-3.4
Total Liquidity plus growth capacity¹	35.6	42.4	-6.8

Outlook

Commenting on the outlook for FY23, President for North American Operations Jennifer Warawa said:

"I am delighted to join QuickFee at such an exciting time in the Company's growth journey. The work that has already been done around having best-practice technology and operations means I come into the role with a clear focus on growing the QuickFee business in the US to drive profitability.

"To scale the business, there are three strategic priorities that I will be executing on. First is new customer acquisition, and driving organic growth through cross-sell and upsell initiatives. Second is developing strategic partnerships that will drive exponential growth across both transaction and lending volumes. And third is capitalising on our existing technology by scaling it in a cost-effective way and accelerating practice management integrations with our platform.

"I am really excited about delivering against these priorities, and more broadly about the outlook for QuickFee to continue to grow its position as the market leader in helping professional services firms get paid faster."

This announcement has been authorised for release by the directors.

– END –

For further information please contact:

Corporate: **Simon Yeandle, CFO and Company Secretary**
p : +61 2 8090 7700
e : simon.yeandle@quickfee.com

Investors: **Eric Kuret, Automic Markets**
p : +61 3 9591 8904
e : eric.kuret@automicgroup.com.au

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.

¹ Figures shown are unaudited, from management accounts.

² <https://www.journalofaccountancy.com/issues/2022/dec/trends-that-will-affect-cpas-in-2023.html>

³ The CPA.com & AICPA PCPS Client Advisory Services (CAS) Benchmark Survey 2022.

⁴ The Australian newspaper: Business Review, 14 January 2023.

Glossary of terms

ACH	Automated Clearing House	A type of electronic bank-to-bank payment in the US, equivalent to EFT in Australia
Active Customer	Any Customer who has transacted with QuickFee in the period referred to	
Active Merchant	Any Merchant that has had a transaction with QuickFee in the period referred to	
BNPL	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
Connect	QuickFee's product name for its point-of-payment integration, e-invoicing, automated collections and receivables management product	
CC	Credit card	
Customer	The customer of a Merchant, who will use one of QuickFee's payment options to pay their invoice	
EFT	Electronic funds transfer	An Australian domestic payments network that facilitates the transfer of funds electronically
Firm	A Merchant. Typically used to describe a professional services firm (e.g. an accounting or law firm)	
Gross Trading Margin	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)	
Merchant	Term to describe QuickFee's primary customer who is the service provider, who signs up to use QuickFee's platforms and issues invoices	
Net Transaction Margin (NTM)	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.	
QuickFee Financing	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	
QuickFee Pay Now	QuickFee's payment gateway that enables customers to pay their invoice in full to the merchant with or without taking out a payment plan	
pcp	Previous corresponding period	For example, the pcp for the December 2023 quarter is the December 2022 quarter
Total Liquidity	Cash and cash equivalents held, plus undrawn borrowings that are available to be drawn from QuickFee's asset-backed credit facility based on the quantum of eligible loan receivables.	
TTV	Total transaction value	The total value of all transactions for the relevant product(s)