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24 August 2023

# Earlypay Limited (ASX:EPY)

## FY23 Results, FY24 Outlook and Capital Management Strategy

Earlypay ("EPY" or the "Company") today announces its financial results for FY23 (unaudited), provides an outlook for FY24 and provides an update on its Capital Management Strategy.

**FY23 Key Highlights**

- Reported Net Revenue of $41.8m, down 5% (FY22 of $44.1m)
- Reported Profit (Loss) After Tax of ($7.7m) vs a profit of $13.2m in FY22 including:
  - Credit Related Expenses of $22.5m, compared to $0.6m in FY22
    - $14.9m relates to one single large credit loss ($10.4m Credit Loss and $4.5m in Recovery Costs) and is considered **"one-off"** given the outsized exposure
    - $7.6m in other Credit Related Expenses made up of increases of $2.2m in general provisions, $4.8m in specific provisions and $0.6m in Recovery Costs
  - Non-cash impairment of Trademark Intangibles of $2.1m (**"one-off"**)
- Underlying Proforma* (excluding **"one-offs"** above) NPAT of $5.2m, down 61% on FY22 of $13.6m
- NTA of $38.7m, equating to 13.3cps

The full results and reconciliations can be found in the Presentation: "Earlypay FY23 Results – 24 Aug 23"

**FY24 Outlook Highlights**

- EPY is confident the FY24 result will exceed FY23's underlying proforma NPAT, driven by lower credit loss provisioning, margin expansion and funds in use growth.
- Refinancing of the primary warehouse is in the final stages of documentation and is expected to complete around the end of Q1. This will lower the Company's overall cost of funding and release cash bringing the Company's total surplus cash to approximately $20m.
- On-market buy-back of up to 28,000,000 shares announced.
- The Board expects to reinstate the Company's ordinary dividend in FY24 as retained earnings are rebuilt.

Earlypay CEO, James Beeson made the following comments:

### FY23 Results

FY23 was a difficult year in which the Company suffered a material credit loss relating to a single client exposure. Following a comprehensive review, numerous underwriting, risk, operational and organisational changes were made to mitigate against outsized credit losses in the future.

In addition to this credit loss and related recovery costs, the Company has also:

1. Reviewed its approach to credit provisioning to better reflect the expected performance of its receivables portfolio given the current and expected financial stress on SMEs; and

* Underlying Proforma is Reported earnings after adding back "one-off" costs including RevRoof Credit loss and recovery costs, and the Trademark Impairment

2. Written-off the carrying value of Trademark intangibles to better reflect the nature of the current business.

While we reported a material loss of $7.7m, the underlying proforma* profit was $5.2m, including a $7m Credit Impairment Expense (CIE), which was $6.4m higher than in FY22.

## FY24 Outlook

We are optimistic about the outlook and are confident that the FY24 result will exceed FY23's underlying proforma earnings supported by:

1. Lower expected credit losses;
2. Organic growth in invoice and equipment finance;
3. Lower interest expense with the refinancing of our warehouse facilities (primary warehouse mandate signed and is now in documentation);
4. An efficient cost base; and
5. Potential inorganic opportunities

## Capital Management

The business is in a strong capital position now and with the refinancing of the Invoice and Trade warehouse expected to be completed by the end of Q1, we will have approximately $20m of surplus cash that can be deployed across one or more of our capital management options.

Our capital management review identified a number of potential opportunities to deploy the available funds and improve EPS (and shareholder returns):

1. **On Market Buy Back** – we are pleased to advise that the Company today lodged the relevant forms with ASIC and ASX to undertake an on-market buy-back of up to 28,000,000 shares within the '10/12 limit' as permitted by the Corporations Act. This is highly EPS accretive at and around current share price levels.
2. **Bolt on acquisitions** – we have been considering some small acquisition opportunities in our core invoice financing product. Supported by our strong balance sheet, lower cost of funding and operating leverage, we feel that the Company is in a strong position to acquire businesses that augment our organic growth aspirations. Any potential acquisition is unlikely to be material.
3. **Repayment of corporate debt** – we are considering using our available cash to repay some or all of our Corporate Bond, which in turn will be EPS accretive.

Based on our expectations for FY24, it is expected that the Company will rebuild retained earnings and be in a position to resume paying ordinary dividends in FY24.

This release was authorised by the Board of Earlypay Limited.

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**ABOUT EARLYPAY**

Earlypay is a leading provider of working capital finance to Australian SMEs with its Invoice, Equipment and Trade Financing products.

Invoice Financing helps SMEs bridge the gap between issuing invoices and receiving payment from customers by providing early payment of up to 80% of the invoice value. Accessing cash flow against unpaid invoices is simple and accessible with Earlypay's proprietary online platform that integrates seamlessly with the major accounting software providers.

Equipment Finance is available to SMEs to assist with capital expenditure and Trade Finance is provided to selected clients looking to close the cash flow gap between paying suppliers and receiving payment from customers.

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