

Beforepay Group Limited

ASX Announcement (ASX: B4P)

28 August 2023

Beforepay Full Year Results to 30 June 2023

Beforepay delivers continued growth and achieves positive EBITDA

Beforepay Group Limited (Beforepay or the Company) (ASX: B4P) has released its results for the full year ended 30 June 2023 (FY23).

During FY23, Beforepay has made significant progress on its path to profitability, with increased customer numbers, strong pay advance volume and revenue growth, strong unit economics underpinned by effective risk management and reduced operating expenses. Highlights include:

- In Q4 FY23, Beforepay reached a significant milestone, achieving a positive EBITDA for the quarter of \$0.5m and its first positive net profit in April 2023 of \$0.3m. This was the first time the Company has had a positive quarterly EBITDA.
- Surpassed \$1 billion in cumulative pay advances since inception.
- Reached 1 million registered users since inception.
- Pay advances of \$628.0m, up 92% on FY22 (year-on-year or YoY).
- Reduction in net transaction loss (NTL) to 2.1% from 2.4% in FY22 even with a significant increase in average pay-advance size.
- Net transaction margin (NTM) of \$11.7m, up from \$3.6m or 229% YoY, with increasing profitability driven by reduced net defaults.
- Customer acquisition cost (CAC) declined 60% YoY to \$42.
- Tight cost control, with operating expenses declining 26% YoY to \$18.7m despite the rapid overall growth.
- Continued balance sheet strength with cash on hand of \$21.8m and an equity position of \$26.8m as at 30 June 2023. Beforepay continues to carry no debt at the operating-company level, only debt that finances receivables.
- Ethical Lender of the Year 2023 in the Global Pan Finance Awards.

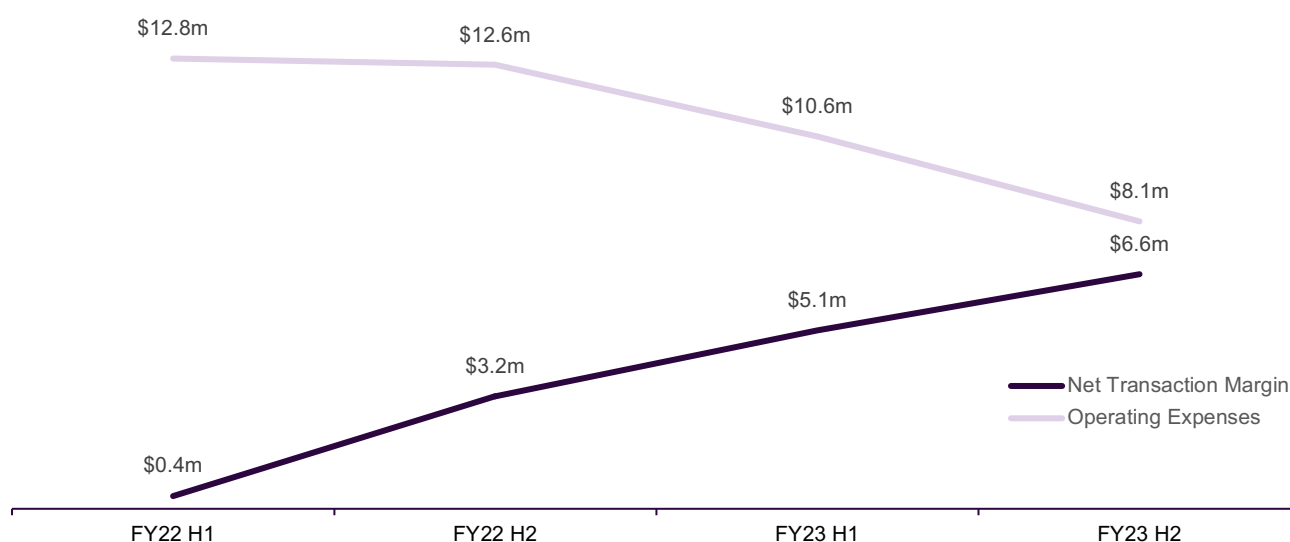
Beforepay CEO Jamie Twiss said, "This year we have grown rapidly, improved margins, and reduced our operating expenses, while maintaining a strong balance sheet and significant cash reserves. This result shows that Beforepay is sustainable and positioned for long-term success. We look forward to continuing to execute our strategy, and to helping more Australians access safe and affordable financial products."

Overview

	FY23	FY22	YoY Change %
Platform metrics			
Pay advances	\$628.0m	\$327.3m	92%

Average pay advance	\$366	\$268	37%
Active users (no. of users) ¹	234,034	173,398	35%
Financial metrics			
Beforepay income	\$30.7m	\$15.3m	101%
Net transaction loss % (of pay advances plus fees)	2.1%	2.4%	(9%)
Net transaction margin	\$11.7m	\$3.6m	229%
Net transaction margin % (of pay advances)	1.9%	1.1%	71%
EBITDA (excluding one-off and significant items)	(\$3.1m)	(\$19.5m)	(84%)

Net Transaction Margin and Operating Expenses (\$m) Half Yearly Trend (FY22 – FY23)



	FY23	FY22	Change
Balance sheet			
Cash position	\$21,777,857 ²	\$28,367,245	(\$6,589,388)
Equity position	\$26,827,424	\$32,627,696	(\$5,800,272)

Financial performance – FY23

- Total pay advances grew by 92% YoY to \$628.0m driven by both new customer acquisition and continued usage by existing customers. Beforepay has now issued more than \$1 billion of pay advances since inception.
- Active users grew by 35% YoY to 234,034.¹ Beforepay has now registered over 1 million users since inception.
- Beforepay income increased 101% YoY to \$30.7m in FY23. Beforepay generates its revenue through charging users a fixed fee of 5% per advance, recognised over the period in which the

¹ Customers of Beforepay who have taken out an advance in the previous 12 months from the relevant date. This includes customers who have not yet repaid their most recent cash out and are not eligible to re-borrow until they have done so.

² Cash position as at 30 June 2023 represents statutory cash and cash equivalents (including cash held by third parties).

customer advance is repaid.

- Net transaction loss % declined to 2.1% or 9% YoY. Key mitigation efforts on defaults during FY23 included selective reduction of some limits, decreasing limits for customers where creditworthiness had changed, and continued improvements to the credit model. The net transaction loss was also reduced by higher recoveries, which continued to perform well during the year.
- Direct service costs as a percentage of pay advances reduced 45% YoY to 0.3% in FY23 compared to 0.6% in FY22. Our direct service costs generally do not vary with the size of the pay advance.
- Net transaction margin % increased 71% YoY to 1.9% in FY23 compared to 1.1% in FY22, driven primarily by lower net transaction losses during the year and timing effects of revenue recognition. Net transaction margin in dollars increased to \$11.7m, up 229% from \$3.6m in FY22.
- Total operating expenses (excluding one-off and/or significant items) were \$18.7m in FY23, which declined 26% from \$25.3m in FY22, reflecting disciplined cost control even while growing strongly.
- Within these operating expense numbers, advertising and marketing expenses attributable to customer acquisition were \$5.2m in FY23 or 60% lower than in FY22 (\$12.9m). This resulted in the average customer acquisition cost (CAC) declining 60% to \$42 in FY23 from \$105 in FY22. Employee, general and administration and other costs were \$13.5m in FY23 or 9% higher than in FY22 (\$12.4m) primarily related to higher recruitment and employment costs and non-recurring one-off staff incentive employment accruals during the year.
- EBITDA loss (excluding one-off and/or significant items) was achieved of (\$3.1m), an 84% improvement from the loss of (\$19.5m) in FY22, driven by the increase in net transaction margin and reduction in operating expenses.

Balance sheet

- Our reported cash on hand as at FY23 was \$21.8m compared to \$28.4m at FY22. The movement in cash reflects the growth in the loan book due to issuing more advances, loss after income tax for the full year period and timing differences in customer repayments, drawdown of receivables financing, and external settlement accounts. Cash decreased by \$6.6m during the year comprising (\$18.5m) cash from operating activities, (\$Nil) cash from investing activities and \$11.9m cash from financing activities. The majority of the negative cashflow from operating activities was the result of growing the customer loan book.
- As at 30 June 2023, Beforepay had drawn \$33.3m under its third-party debt facility (\$11.7m undrawn). The third-party debt facility has a capacity which increases to \$45.0m by December 2023 and expires in January 2024. Beforepay is currently in discussions with lenders to extend and expand the third-party debt facility beyond the current facility term.
- Beforepay had a total equity position of \$26.8m as at 30 June 2023. This compares to \$32.6m as at 30 June 2022.
- Beforepay retains a highly capital efficient model with an average pay advance duration³ of approximately 26 days. As a result, the third-party funding cost of the average pay advance⁴ is c.0.67% of the amount advanced, based on a 26-day loan duration. A 1% increase in interest

³ The weighted average time required across all advances in a period to fully repay the advance. Advances which default and remain unsettled are removed.

⁴ The total dollar value of advances in a period divided by the number of advances in that period.

rate would increase this to approximately 0.73%.

Growth strategy

- Beforepay's growth strategy through new customer acquisition and customer retention remains unchanged. The momentum of growth in both revenue and user numbers combined with a positive net transaction margin demonstrates that the Company is successfully executing its strategy.
- The Company remains focused on continuing to grow without adding significant cost to the current operating expense base.
- During the year, Beforepay collaborated with Western Union, which allows customers in Australia to access Beforepay and provides offers to Beforepay customers to use Western Union. We also announced in September 2022 our unique Tax Refund Advance (TRA) product with a leading taxation services provider H&R Block which is now available nationwide from 1 July 2023 to support the 2023 tax season.
- Beforepay will continue to explore new growth opportunities. It maintains a current focus on its path to profitability within its current products and geographies, but as profitability approaches, will begin to accelerate its exploration of additional growth opportunities.

Our business

- Beforepay remains committed to providing an ethical, customer-friendly product to help working Australians manage temporary cash-flow challenges.
- During Q4 FY23 Beforepay won Ethical Lender of the Year 2023 in the Global Pan Finance Awards. The award recognises Beforepay's commitment to providing working Australians with a safe and affordable alternative to navigating temporary cash-flow challenges.
- Our product advances people small sums of money (FY23 average of \$366) against their future wages over short periods of time, which helps them get through short-term challenges whilst not living beyond their means. Beforepay makes ongoing enhancements to customers' eligibility criteria and risk assessments.
- Our fee model is simple, transparent, and affordable, and gives our customers total control, charging only a small 5% transaction fee, zero interest, and never any late fees.
- If a customer does not pay back within the required time, the only penalty is that the service is suspended.
- Beforepay's service remains well-regarded by customers, with an average 4.7 star rating (out of 5) across the Google Play Store and Apple App Store.

Our customers

- Between April 2023 and June 2023, 71% of our customers were in full-time employment, 14% were part-time, 12% were in casual employment, and 3% were other⁵.
- The average annual individual customer gross income was \$60,469 during June 2023 (counting only the main source of income)⁶. This is compared to the ABS's national median income of \$63,000 (as of August 2022)⁷.

⁵ Customer employment type in customers who took out an advance in June 2023. Employment type is derived from customer disclosures only.

⁶ The average annual individual customer gross income has been derived from all customers who borrowed in June 2023. The average annual individual customer gross income is derived using the annualised net income identified by Beforepay's pay cycle detection tool, which is then grossed up using the ATO tax tables. Therefore, Beforepay's average annual individual customer gross income figure may be understated due to ignoring any secondary sources of income.

⁷ <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/employee-earnings/aug-2022>

- The four main employment industries for our customers were construction at 13%, healthcare and social services at 10%, retail trade at 11% and hospitality and restaurant services at 11%.

Appendix 1: Use of Funds

Pursuant to Listing Rule 4.7C.2, the Company confirms that, in the months since listing on the ASX, it has incurred expenditure as detailed below, with the Use of Proceeds set out in column 2 of the table. The Company is well funded to achieve its strategic objectives and planned activities. As previously announced, the expenditure incurred reflects the company's shift in focus to a path to profitability and delivering growth in Australia rather than overseas expansion.

Intended Use of Funds \$m	Replacement Prospectus dated 29 Nov 2021	Actual Spend Since IPO (Jan 2022 - Jun 2023)	Commentary
Funding increase in loan book	\$5.9m	\$6.7m	Funding the growth in our 20% equity funded portion of the gross loan book since January 2022 has driven this increase in actual spend
Marketing and customer acquisition	\$16.9m	\$11.3m	Direct digital customer acquisition and above the line marketing spend has been lower than allocated as a result of the company's shift to digital marketing and move away from higher cost advertising (such as above the line advertising)
Overseas expansion focused on the US	\$7.6m	\$Nil	Costs in exploring opportunities for future growth expansion in the US have been lower than allocated as a result of the company's shift in focus to a path to profitability and delivering on growth in its current geographies rather than overseas expansion
Costs related to the IPO offer	\$4.6m	\$5.0m	Advisor fees (legal, compliance, tax and accounting advisors) under the Underwriting Agreement, ASX listing costs and Prospectus insurance
Total	\$35.0m	\$23.0m	

In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in item 6.1 of the Appendix 4C was A\$212,964 that comprised of payments made to Executive and Non-

Executive Directors relating to salary and wages, (inclusive of superannuation and applicable taxes withheld) and Director fees on standard terms.

This announcement has been authorised for release to the ASX by the Board.

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About Beforepay

Beforepay was founded in 2019 to support working Australians who have not been well-served by the traditional financial-services industry. The product is an ethical, customer-friendly way to help people manage temporary cash-flow challenges. We provide our customers with early access to a portion of their pay, on-demand, in exchange for a single fixed fee, which helps them to get through short-term challenges whilst not living beyond their means. For more information visit www.beforepay.com.au.

Important notice

This announcement contains selected summary information only and is provided for general information purposes only. It should be read in conjunction with Beforepay Group's continuous disclosure announcements available at www.beforepay.com.au/investor-hub/asx-announcements. Nothing in this announcement constitutes financial product, investment, legal, tax, accounting or other advice and it is not to be relied upon in substitution for the recipient's own exercise of independent judgment regarding the operations, financial condition and prospects of the Beforepay Group. Before making an investment decision, the recipient should consider its own financial situation, objectives and needs, and conduct its own independent investigation and assessment of the contents of this announcement, including obtaining investment, legal, tax, accounting and such other advice as it considers necessary or appropriate.

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Investors should note that certain financial data included in this announcement is not recognised under the Australian



Accounting Standards and is classified as 'non-IFRS financial information' under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information' ('RG 230'). Beforepay Group considers that non-IFRS information provides useful information to users in measuring the financial performance and position of the Beforepay Group. The non-IFRS financial measures do not have standardized meanings under Australian Accounting Standards and therefore may not be comparable to similarly titled measures determined in accordance with Australian Accounting Standards. Readers are cautioned therefore not to place undue reliance on any non-IFRS financial information and ratios in this announcement. All dollar values are in Australian dollars (\$ or A\$) unless stated otherwise. All figures not included in the audited financial statements are unaudited. Change percentages are calculated using unrounded figures and may differ slightly from a number calculated using rounded figures.