



Butn Limited

ACN 644 182 883

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ASX: BTN

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ASX ANNOUNCEMENT

Butn achieves record month and quarterly originations

Quarterly Activities Report for the 3 months ended 31 December 2021 (Q2 FY22)

Key Q2 FY22 highlights

- Record monthly originations in December of \$25 million, up 44% on the previous corresponding period (pcp)
- Record quarterly originations of \$64.8 million, up 26% on the pcp
- Revenues of \$1.4 million up 21% on pcp
- Strong progress with strategic partnerships:
 - OZEDI partnership substantially expands Butn's addressable customer base
 - Post quarter end, Butn expands position in freight sector with Freightlancer, Australia's largest freight marketplace provider
 - Positive platform metrics indicate strong future growth potential
- Debt restructuring increases annual origination headroom by \$50 million whilst substantially reducing funding costs
- Chief Risk Officer appointed and in-housing technology team, supporting future growth and enabling operating leverage as the business scales
- Cash as at 31 December of \$23.8 million

Butn Limited (ASX: BTN; **Butn**) is pleased to provide this quarterly activities report for the three months ended 31 December 2021 (**Q2 FY22**), along with the Company's Appendix 4C cash flow report.

Commenting on Q2 FY22, Butn's Co-founder and Co-CEO, Rael Ross said:

"Butn's unique fintech solution provides embedded customer on-boarding, credit and risk assessment, funding and collections. We have transformed a previously manual process into a simple automated one that can be completed in minutes. By seamlessly integrating into third-party digital platforms we are able to distribute Butn's funding products to business users in their known, trusted environments where they are continually transacting."

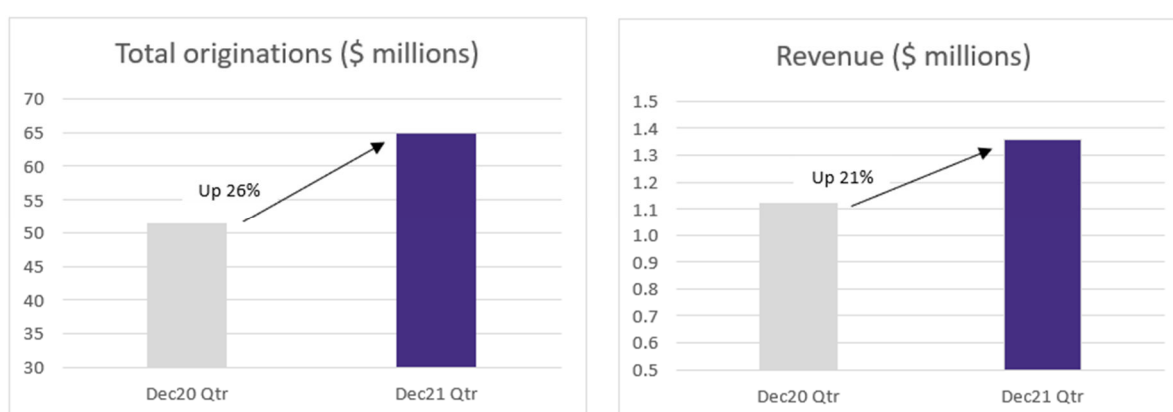
"The second quarter of FY22 has seen the business continue to systematically and progressively roll out our funding products to a rapidly growing business user base. Our recent partnerships with OZEDI

and Freightlancer, as well as progress of strategic partnerships with major global organisations such as MYOB, are supporting strong growth, building on Butn’s differentiated business-to-business funding model.”

“Achieving these key operational and financial milestones showcases the ability of Butn’s platform to rapidly scale. Over the second quarter, the Company generated record originations of \$64.8 million, up 26% on the pcq, with December proving a record month for originations at \$25 million, up 44% on the pcq, underpinning growing net revenues and customer receipts.”

“With a strong team in place and a growing portfolio of B2B funding products, the business remains focussed on executing its high growth sustainable business based on a proven funding approach, innovative technology, with strategic partnerships.”

Record quarterly originations of \$64.8 million, up 26% on pcq



Key metrics	Quarter ending 31 Dec 2021	Quarter ending 31 Dec 2020	Movement
Total originations (\$ millions)	64.8	51.4	Up 26%
Net revenue (\$ millions)	1.4	1.1	Up 21%

*Rounding may occur. All figures unaudited.

Butn continued to grow originations in Q2 FY22 to another record \$64.8 million, up 26% on the pcq, including record monthly originations for December of \$25 million. This growth was achieved against the backdrop of ongoing COVID-19 challenges across both New South Wales and Victoria, Butn’s two key geographic market segments, highlighting the strength of the Company’s platform and products.

Importantly Butn continued with a conservative deployment of funds to maintain its industry low non-recoverable write-offs of under 0.1% of originations. The receivables book has grown approximately 50% on the pcq with no indication of material increases in non-recoverable write-offs during the quarter.

Net revenue was \$1.4 million, up 21% on the pcq. COVID-19 continues to impact segment mix, with some higher margin segments (such as automotive and insurance) impacted more than lower margin segments (such as FMCG). The revenue margin is expected to improve as COVID-19 impacts lessen. In addition, the margin on funding through Butn’s fintech solution is higher, which should in time positively impact the overall revenue margin.

Strategic partnerships

As an early mover in the B2B transaction funding space, Butn continues to establish key strategic platform partnerships across industry verticals:

Partner	Details
 Australia's largest freight marketplace provider	In January, Butn expanded its position in the freight sector via a strategic partnership with Freightlancer, Australia's largest freight marketplace provider and a subsidiary of Freelancer Ltd (ASX: FLN; OTCQX: FLNCF). Under the agreement, Freightlancer will integrate Butn Terms, a customised automated end-to-end business transaction funding solution that provides Freightlancer customers with payment terms, assisting in their cashflow needs. Rollout is expected in 1H 2022, commencing with the Australian market. <i>(Refer ASX announcement of 24 January 2022)</i>
 >50,000 business users	In December Butn secured a strategic partnership and distribution agreement with OZEDI, significantly increasing Butn's addressable customer base. OZEDI is one of Australia's largest digital delivery providers across superannuation, payroll and eInvoicing to business and government. It currently services more than 150 software platforms who in turn support an end-user customer base of over 50,000 that includes more than half of all businesses in Australia employing over 20 people. Under the agreement, OZEDI will distribute the Butn funding product solution to its customer base. OZEDI will also provide account management and support to its integration partners and their technical teams. First joint integrations are expected in 1H 2022. <i>(Refer ASX announcement of 17 December 2021)</i>

Platform metrics have been positive over the past six months, indicating strong future growth potential from this distribution channel. This includes strong month-on-month origination, new registrations, and an increasing number of transactions per client per month. Registration applications are running at approximately 90% approval, average transaction sizes have grown from approximately \$5,000 to \$8,000 with a substantially higher average revenue margin.

Mr Ross said: "Butn's strategic platform partnerships play to our strength of making it simple and convenient for customers to access Butn's embedded funding in the environment they are familiar with and transact daily. This key growth channel, with a substantial and growing business user pool, provides scalability, low customer acquisition cost and strong operating leverage at scale."

Strong financial position, with positive debt structuring underway

Cash on hand increased to \$23.8 million, providing Butn with financial flexibility to pursue growth opportunities.

During the quarter Butn secured a further \$8.5 million of debt from Noteholders under the existing 2018-1 bond. The debt raising was strongly supported, with the offer upsized and closed early. Under the 2018-1 bond terms (as amended effective on and from 29th October 2021), the \$8.5 million Class A Notes have a maturity date of 29 October 2023, with early call dates on 29 October 2022 and 29 April 2023, and an interest rate of 6.20% per annum. The funds will be used to purchase eligible receivables, which based on Butn's fast turning receivables book provides for more than \$50 million of additional annual origination capacity, at a rate approximately 200 basis points below Butn's FY21 weighted cost of debt.

Butn will continue to positively restructure its debt with the core aims of reducing funding costs, increasing headroom and extending funding flexibility for rapid growth.

Key appointments as Butn scales

During the quarter, Butn appointed Patrick Crivelli as its Chief Risk Officer. Patrick has over 20 years' experience in SME funding, invoice financing, cashflow funding and investment analysis having worked across large corporates and early stage fintechs. Patrick brings a proven track record in building fintech platforms, leveraging technology to deliver superior risk management and customer experiences.

Over the past twelve months Butn has largely in-housed its technology team, supporting future growth, reducing reliance on third parties and enabling operating leverage as the business scales.

Summary of Q2 FY22 cashflows

Butn generated increased cash receipts from customers of \$1.4 million, reflecting continued origination growth in the quarter.

Operating cash outflows were down on the previous quarter, with material outflows including staff costs of \$0.9 million (including \$0.2 million of salary and fees paid to directors and the Co-CEOs), administration and corporate costs of \$0.4 million and interest costs of \$0.7 million.

Investing cash flows included \$1.0 million for Butn fintech development and \$3.3 million in growing the receivables book.

Financing cash flows reflected \$8.5m of additional funding secured, offset by \$1.5m redemption of AFC 2018-1 Class B Noteholders.

The use of IPO funds to date compared with the Prospectus is as follows:

	Prospectus	Expenditure to 31 Dec 2021
Use of IPO funds*	\$ millions	\$ millions
Receivables book growth	9.0	5.4
Platform and product development	2.5	2.2
Cash expenses associated with the IPO	2.3	2.3
Repayment of Related Party Loans	3.8	3.8
Marketing, sales and brand development	2.4	-
	<u>20.0</u>	<u>13.7</u>

*Rounding may occur. Further details in the Appendix 4C

Investor briefing details

Rael Ross (Co-CEO) and Darry Lasnitzki (CFO) will discuss Butn's Q2 FY22 performance at **11:00am AEDT on Monday, 31 January 2022**.

To attend the webinar, please pre-register at:

https://us02web.zoom.us/webinar/register/WN_fZKKTrNMTOW_UKzi3tJUpQ

- ENDS -

This announcement has been authorised for release by Rael Ross, Co-CEO and Executive Director of Butn Limited.

Further information please contact:

Investors

Rael Ross, Joint CEO and Exec Director
Investor Relations: investors@butn.co

Media

Tristan Everett, Market Eye
tristan.everett@marketeye.com.au
+61 403 789 096

About Butn

Butn Limited is an Australian Business-to-Business ('B2B') funder innovating the way SMEs fund and grow their businesses. Butn focuses on transactional funding – funding SME businesses through their working capital constraints by financing individual transactions, leveraging the end debtor's credit. With a vision of "Your money, today" Butn delivers cashflow funding solutions at the click of a Butn having funded over \$700 million to Australian businesses. For more information visit www.butn.co