

# Beforepay Group Limited

ASX Announcement (ASX: B4P)

26 February 2024

## Beforepay Half Year Results to 31 December 2023

**Beforepay delivers first half-year profit of \$2.2m and half-yearly revenues of \$17.6m; announces new growth initiatives**

Beforepay Group Limited (Beforepay or the Company) (ASX: B4P) has released its results for the half-year ended 31 December 2023 (H1 FY24).

Beforepay achieved profitability and significant improvement across key metrics in H1 FY24. Highlights include:

- Beforepay achieved an audited H1 FY24 net profit before tax (NPBT) of \$2.2m and earnings before interest, tax, depreciation, amortisation (EBITDA) of \$4.2m (unaudited).
- Advances of \$358.6m, up 18% on H1 FY23 (year-on-year or YoY).
- Net defaults % improved to 1.3%, down by almost half from 2.3% in H1 FY23.
- Beforepay revenue increased by 21% YoY to \$17.6m from \$14.6m in H1 FY23.
- Net transaction margin (NTM) of \$10.1m, up 99% YoY from \$5.1m in H1 FY23, driven by growth in advance volume and the lower level of defaults.
- Customer acquisition cost (CAC) of new users declined 48% YoY to \$31.
- Operating expenses (marketing and overheads) declined 27% YoY on H1 FY23, to \$7.7m.
- Continued balance sheet strength with unrestricted cash on hand of \$18.9m and an equity position of \$29.7m. Beforepay continues to carry no debt at the operating-company level, only debt to finance receivables.
- We intend to launch a new, separately branded business line to provide the Company's lending technology and AI-powered risk models to partners such as offshore banks. The Company also intends to launch new lending products with larger maximum limits and longer durations.
- As previously announced, Beforepay has signed a new 3-year receivables debt facility agreement for \$55.0m with Balmain Group and Longreach Credit Investors (each defined below) as lenders, to extend and expand the existing debt facility and to support continued growth in our loan book.
- Beforepay was awarded both the Ethical Lender of the Year 2023 by Wealth and Finance International and the Best App-Based Lending Company 2023 - Australia in the APAC Business Awards 2023.

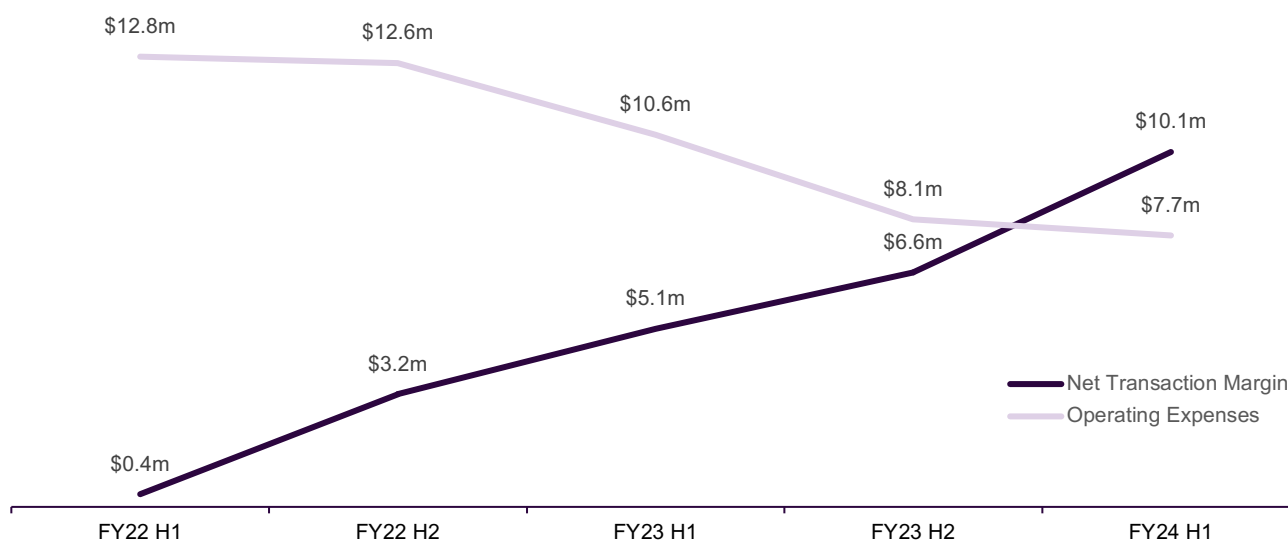
**Beforepay CEO Jamie Twiss said,** *"Beforepay has achieved profitability, with a half-yearly audited profit of \$2.2 million. This outcome has been driven by consistent execution of our strategy, including continued top-line growth, tightly controlled costs, and strong default outcomes, and we continue to support more customers than ever with a safe, affordable alternative to revolving debt. Our achievement of profitability and our continued balance-sheet strength, with more than \$18 million of unrestricted cash, now enables us to launch additional growth initiatives. I'm excited for our forthcoming launch of a new*

business line to provide our AI-powered risk models as well as our automated lending platform to partners, as well as new lending products.”

## Overview

	H1 FY24	H1 FY23	YoY Change %
<b>Platform metrics</b>			
Advances	\$358.6m	\$303.9m	18%
Average advance	\$387	\$391	(1%)
Active users (no. users) <sup>1</sup>	235,644	203,937	16%
<b>Financial metrics</b>			
Beforepay revenue	\$17.6m	\$14.6m	21%
Net defaults % (of advances plus fees) <sup>2</sup>	(1.3%)	(2.3%)	(43%)
Net transaction margin	\$10.1m	\$5.1m	99%
Net transaction margin % (of advances)	2.8%	1.7%	65%
EBITDA (excluding one-off and significant items)	\$4.2m	(\$2.7m)	Large
NPBT (excluding one-off and significant items)	\$2.2m	(\$4.4m)	Large

## Net Transaction Margin by Half Year



<sup>1</sup> 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.

<sup>2</sup> Net defaults were referred to as net transaction loss in previous releases.

	H1 FY24	FY23	Change (\$)
<b>Balance Sheet</b>			
Cash Position	\$18,869,923 <sup>3</sup>	\$21,777,857	(\$2,907,934)
Equity Position	\$29,676,186 <sup>4</sup>	\$26,827,424	\$2,848,762

## Financial Performance – H1 FY24

- Total advances grew by 18% YoY to \$358.6m driven by both new customer acquisition and continued usage by existing customers.
- Active users grew to 235,644, up 16% YoY on H1 FY23 (203,937).
- Beforepay revenue increased by 21% YoY to \$17.6m from \$14.6m in H1 FY23. Beforepay generates its revenue through charging users a fixed fee of 5% per advance received which is recognised over the period in which the advance is repaid.
- Net defaults % declined to 1.3% in H1 FY24, down 43% YoY from 2.3% in H1 FY23<sup>5</sup> following continued improvements to limit management and continuing upgrades to the credit model. Net defaults include recoveries of \$3.7m in H1 FY24.
- Direct service costs as a percentage of advances declined to 0.2% in H1 FY24 (previously 0.3% in H1 FY23). Our direct service costs generally do not vary with the size of the advance.
- Net transaction margin % (of advances) increased 65% to 2.5% in H1 FY24 compared to 1.7% in H1 FY23, driven primarily by lower net defaults.
- Total operating expenses (excluding one-off and/or significant items) were \$7.7m in H1 FY24, which decreased 27% from \$10.6m in H1 FY23 due to reduced advertising costs, non-recurrence of redundancy costs and lower employee costs.
- Within these operating expense numbers, advertising and marketing expenses attributable to customer acquisition were \$1.4m in H1 FY24 or 60% lower than H1 FY23 (\$3.5m). This was primarily driven by the optimisation of performance marketing expenditure during H1 FY24 resulting in average customer acquisition cost (CAC) declining 48% to \$31 in H1 FY24 from \$59 in H1 FY23. Employee, general and administration and other costs were \$6.3m in H1 FY24 or 11% lower than H1 FY23 (\$7.1m), reflecting continued tight cost control.
- EBITDA (excluding one-off and significant items) was \$4.2m, up from an EBITDA loss of (\$2.7m) in H1 FY23, driven by the increase in net transaction margin, lower net defaults and reduced operating expenses during the current half-year period.
- The business achieved NPBT of \$2.2m during the half-year up from a loss of (\$4.4m) in H1 FY23.

## Outlook

- Consistent with previous years, management expects that Q3 FY24 will show somewhat higher defaults than Q2 FY24 as holiday-season loans mature, and softer usage in the post-holiday

<sup>3</sup> Cash position as at 31 December 2023 represents statutory cash and cash equivalents (excludes \$5.2m in cash held by third parties to fund customer advances).

<sup>4</sup> Equity position as at 31 December 2023 comprises issued capital, reserves and accumulated losses.

<sup>5</sup> The gross default provision rate for each month's vintage of advances based on the realised gross default rate of advances maturing in that month adjusted where appropriate to reflect expected seasonality. This figure is then adjusted to reflect any changes required to provisions from previous months. Net defaults are calculated by offsetting the gross default figure by the net recoveries received in the month.

period.

## Balance sheet

- Our underlying reported cash on hand<sup>6</sup> as at 31 December 2023 was \$18.9m compared to \$21.8m as at 30 June 2023, primarily reflecting the YoY growth in customer advances. Cash utilisation of \$2.9m during the half-year comprised cash from operating activities (\$1.3m), cash from investment activities (\$ Nil) and cash from financing activities (\$1.6m). Cash from operating activities included growth of the loan book due to issuing more advances. The decrease primarily reflected timing differences in customer repayments, drawdown of receivables financing, and external settlement accounts. Cash from financing activities primarily consisted of costs associated with the closing of the new debt facility, which are amortised over the life of the facility.
- On 18 October 2023, Beforepay secured a new 3-year receivables debt facility agreement for \$55.0m with AMAL Trustees Pty Ltd as trustee for Longreach Direct Lending Fund ('Longreach Credit Investors') and Australian Commercial Mortgage Corporation Pty Ltd as trustee for the Australian AB Finance Trust ('Balmain Group') as lenders. The new debt facility was used to extend and expand the existing debt facility and to support continued growth in our loan book.
- As at the end of H1 FY24, Beforepay had drawn \$32.9m under its third-party debt facility (\$22.1m undrawn).
- The total equity position was \$29.7m as at 31 December 2023. This compares to \$26.8m as at 30 June 2023, reflecting the profitable half-year.
- Beforepay retains a highly capital-efficient model with an average advance duration<sup>7</sup> of approximately 26 days. As a result, the third-party funding cost of the average advance<sup>8</sup> is c. 0.87% of the amount advanced, based on a 26-day loan duration and an 80% advance ratio. The actual funding cost may be lower depending on the actual average advance ratio in the period.

## Growth strategy

- Beforepay continues to look to grow its existing Australian wage-advance business, acquiring additional customers in Australia through a mixture of organic growth and paid marketing, with a marginal acquisition cost below customer value.
- Beforepay intends to launch additional lending products in due course with higher maximum limits and longer durations. We aim to launch the first of these products later this calendar year.
- We intend to launch a new business line enabling corporate partners to use our highly efficient automated lending platform and our AI-powered risk-management capability, primarily aimed at offshore lenders. We have commenced discussions with a number of potential partners and will make an announcement if and when we sign a partnership. To support this new business line, Beforepay is pleased to announce the appointment of Kasey Kaplan as Chief Commercial Officer. Kasey will lead our partnership efforts in addition to his current product and marketing role.
- The Company is focused on maintaining a lean cost base, while also selectively investing in growth initiatives where appropriate. We expect there may be moderate increases in operating expenses in the coming quarters as we build out these two new growth options.

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<sup>6</sup> The cash onhand figure of \$18.9m (excludes \$5.2m in cash held by third parties to fund customer advances). This compares to \$21.8m cash-on-hand as at FY23 (which excludes \$3.6m of cash held by third parties).

<sup>7</sup> The weighted average time required across all advances in a period to fully repay the advance. Advances which default after 62 days are removed from the average.

<sup>8</sup> The total dollar value of advances in a period divided by the number of advances in that period.

## Our business

- Beforepay remains committed to providing an ethical, transparent, customer-friendly product to help working Australians manage their cashflow.
- In H1 FY24 Beforepay was awarded both the Ethical Lender of the Year 2023 awarded by Wealth and Finance International and the Best App-Based Lending Company 2023 - Australia in the APAC Business Awards 2023. The awards recognise Beforepay's commitment as a mission-driven organisation to provide Australians with an innovative customer-friendly financial solution for navigating temporary cash-flow challenges.
- Our flagship wage-advance product advances customers small sums of money (H1 FY24 average of \$387) against their future wages over short periods of time, which helps them get through short-term challenges whilst not living beyond their means. The product charges a 5% fee with no interest or any other fees. Beforepay makes ongoing enhancements to customers' eligibility criteria and risk assessments.
- Beforepay also intends to offer its automated lending platform and AI-powered risk-management models to corporate partners looking to offer automated digital lending and make better lending decisions.
- 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

- During December 2023, 70% of our customers were in full-time employment, 15% were part-time, 12% were in casual employment, and 3% were other<sup>9</sup>.
- The average annual individual customer gross income was \$64,092 during December 2023 (counting only the main source of income)<sup>10</sup>. This is compared to the ABS's individual median income of \$67,782 (as of August 2023)<sup>11</sup>.
- The four largest employment industries for our customers were construction at 13%, healthcare and social services at 11%, retail trade at 11% and hospitality and restaurant services at 11%.

<sup>9</sup> Customer employment type for customers who took out an advance in December 2023. Employment type is derived from customer disclosures only.

<sup>10</sup> The average annual individual customer gross income has been derived from all customers who took out an advance in December 2023. The average annual individual customer gross income is derived using the annualised net income identified by Beforepay's paycycle 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.

<sup>11</sup> <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/employee-earnings/aug-2023>

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](http://www.beforepay.com.au).

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