

FY25 Q1 Update and Appendix 4C

Key highlights:

- **Financial**
 - Net cash inflows from operating activities of \$148,000, representing the first quarterly cash profit since the Company was listed in April 2021.
 - Receipts from customers up 43% QoQ and up 33% on PCP to \$536,000, due to significant loan book growth during the previous quarter.
 - Operating costs down 42% QoQ and down 35% on PCP to \$388,000.
- **Lending**
 - Loan book remained relatively flat during the quarter.
 - Average loan size on originations up 3% QoQ and up 3.8x on PCP to \$92,000.
 - Weighted average interest rate on originations steady at 2.55% per month.
- **Operations**
 - Developed an automated online credit assessment tool for brokers that significantly reduces the time to obtain a conditional credit decision, which is expected to lead to an increase in deal flow.
 - Pricing structure review to improve the Company's working capital cycle.
 - In response to the changing SME economic environment, Propell's credit assessment capability has adapted to continue to maintain arrears below industry benchmarks.

Leading SME-focused finance platform, **Propell Holdings Limited (ASX:PHL, "Propell" or the "Company")** is pleased to provide a summary of its activities and cashflows (Appendix 4C) for the quarter ended 30 September 2024.

Update for Q1 FY25

During the quarter, Propell developed a new online broker tool, which allows brokers to obtain automated instant indicative credit decisioning by entering key client data into a web interface that utilises Propell's credit assessment criteria. The initial feedback from Propell's broker referral network is that the new online broker tool is expected to result in a significant increase in deal flow to Propell, as brokers are able to quickly gauge which opportunities meet Propell's credit assessment criteria.

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Effective 1 July 2024, Propell implemented further improvements to its pricing structure, impacting establishment and ongoing monthly fees, which has improved the Company's working capital position.

In response to the changing SME economic environment, Propell further enhanced its credit assessment capability during the quarter, which continues to deliver impressive results. Arrears on loans written during the last 12 months continues to track below industry benchmarks, which is an outstanding result in the current economic climate and considering Propell's credit impairment history. While Propell's enhanced credit assessment criteria has significantly improved arrears, it continues to result in a high rate of declined applications. Maintaining the integrity of Propell's credit assessment criteria in the current economic climate is critical to ensure that arrears and loan impairment remains at or below industry benchmarks. The Company maintained its loan book during the quarter despite the increased rate of declined applications.

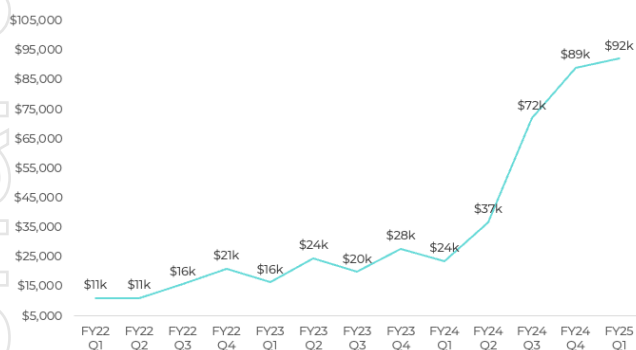


Chart 1: Weighted average loan size

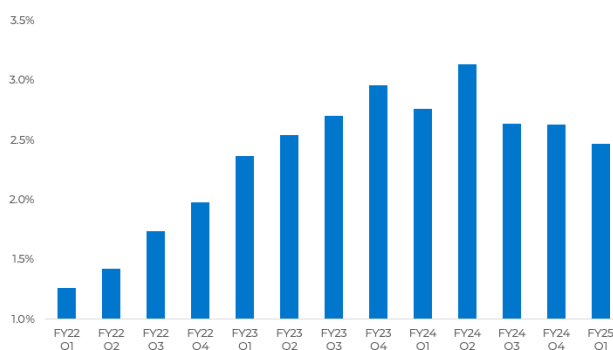


Chart 2: Weighted average monthly fee for new loans

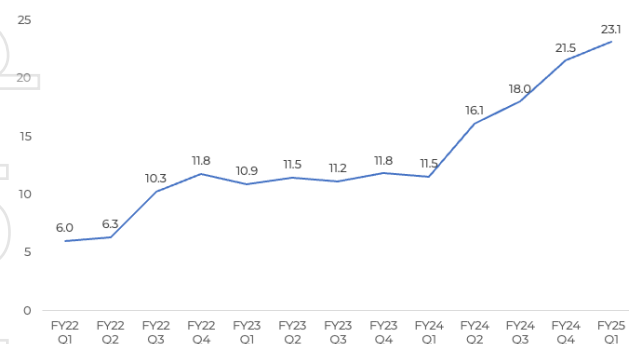


Chart 3: Loan tenure of originations

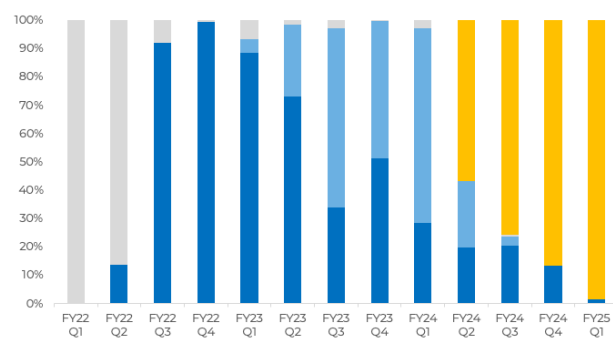


Chart 4: Product mix by tenure

Financial Result

During the quarter, Propell recorded net cash inflows from operating activities of \$148,000. This result represents the first quarterly net cash inflow from operating activities since the Company was listed in April 2021.

Propell held cash on hand of approximately \$851,000 as at 30 September 2024. This cash balance includes available cash in the Company's lending facility and funding of investing cash flows and, per previous quarterly activities reports, is consistent with the Company's reporting since listing in 2021.

The cash profit in Q1 FY25 was \$148,000 compared to a cash loss of \$292,000 in the previous quarter and a cash loss of \$191,000 in the prior comparative period. Receipts from customers increased by 43% QoQ and increased by 33% on PCP to \$536,000, while operating costs were down 42% QoQ and down 35% on PCP to \$388,000. The improved operating result reflects the loan book growth during Q4 FY24 and the cost savings associated with the restructuring undertaken in 2023. The reduced cost base is expected to continue to deliver savings in future quarters while maintaining operating objectives and servicing customer needs.

Based on Propell's near-term objective of sustained profitability, the Board expects that the operating cash results, headroom in the Company's debt facility, and the available cash at the end of the quarter will enable the Company to continue to meet its business objectives.

Payments to related parties of the entity and their associates detailed in Section 6 of the Appendix 4C relate to the directors' fees paid during the quarter, including the CEO's remuneration.

Outlook

The Company's recent revenue growth and substantial operating cost reductions reflect Propell's ability to grow without adding additional resources or compromising client experience.

Strong net interest margins, a low operating cost base, and the ability to rapidly grow the loan book puts Propell in a sustainable position moving forward.

The Company continues to expand its growing broker referral network to facilitate loan book growth and pursue additional wholesale funds to continue to meet the anticipated demand going forward.

As outlined in the June 2024 quarterly update, the Company continues to actively pursue organic and acquisition opportunities to add to its product offering.

The focus areas for the coming quarters include:

- **Lending capacity:** Obtain a new and increased wholesale funding facility to service client demand.
- **Ability to fill capacity:** Boost lending growth through the Company's established broker referral network.
- **Operational margins:** Hold the cost base at current levels while scaling the business and customer base.

Achievement of the above, in combination with Propell's improved operating metrics, is expected to achieve sustained profitability as the Company's loan book continues to grow with strong lending margins.

The Board's strategic focus remains on becoming the go-to finance solution for small businesses – a single place where businesses can live their entire financial life in a simple, convenient and 100% digital way, free from the constraints of traditional banks.

This announcement was authorised for release to the market by the Board of Propell Holdings Limited.

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About Propell

Propell Holdings Limited (ASX:PHL) is Australia's first and only all-in-one finance platform providing SMEs with lending solutions that are faster to access, easier to use and simpler to manage using a digital-first approach. Driven by a vision to revolutionise how small businesses manage their finances, Propell centralises access to what those businesses need; deep insights into their financial health, and direct access to a suite of finance tools, including payments and lending, to enable them to operate and grow.

The future of finance is digital. Small businesses, left underserved by traditional providers, are searching for alternative solutions to their finance needs. Australia's 2.3 million small and medium enterprises (SMEs) aren't satisfied with lending solutions provided by banks and are frustrated with their slow and difficult processes and paperwork. 38% of SMEs have indicated they are actively looking for new solutions in a market comprising \$423 billion in SME loans. Propell is positioned for this accelerating shift and disruption of traditional service providers and their business models.

Propell's digital platform is aimed at improving the cashflow and financial wellbeing of small businesses by aggregating a range of finance products and services including lending, payments and cashflow forecasting tools. The Company leverages its extensive customer data with an artificial intelligence (AI) based engine to deliver its products in an entirely digital manner.

Propell launched the platform in mid-2020 and is focused on further customer growth and development of its product suite.

To stay up to date on company news and announcements, register your details on the [Propell Holdings investor portal](#).

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Propell Holdings Limited

ABN

62 614 837 099

Quarter ended ("current quarter")

30 September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	536	536
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(10)	(10)
(d) leased assets	-	-
(e) staff costs	(206)	(206)
(f) administration and corporate costs	(144)	(144)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(28)	(28)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide detail if material)	-	-
1.9 Net cash from / (used in) operating activities	148	148
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (net customer receivable disbursements)	(26)	(26)
2.6 Net cash from / (used in) investing activities	(26)	(26)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	729	729
4.2 Net cash from / (used in) operating activities (item 1.9 above)	148	148

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(26)	(26)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	851	851

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	851	729
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	851	729

Item 5.2 Call Deposits relates to a term deposit used to secure a bank guarantee provided to a lessor.

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	50
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Item 6.1 Includes Directors fees, Salaries and related payments to the Directors and / or their associated entities. This includes salary payments to Michael Davidson as Propell's CEO and Director.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	11,749	10,472
7.2	-	-
7.3	-	-
7.4	Total financing facilities	10,472
7.5	Unused financing facilities available at quarter end	
		1,277
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	
	<p>i) The Company has a \$11m wholesale facility with a private investment firm, Altor Capital Management Pty Ltd ("Altor"). The facility has an interest rate of 11.5% and a maturity date of 30 March 2025. The facility is secured over Propell's Loans and Advances.</p> <p>ii) The Company owes \$0.749m on a fully drawn working capital facility from Altor AltFi Income Fund. This loan has an interest rate of 15% and is secured over current and future amounts to be received from the Australian Tax Office for Development Tax Incentives for approved R&D activities.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1	148
8.2	851
8.3	1,277
8.4	2,226
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)
	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: Friday, 25 October 2024

Authorised by: By the board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.