H1 FY23

payright

February 2023

Half Year Highlights

H1 FY23 Financial Highlights

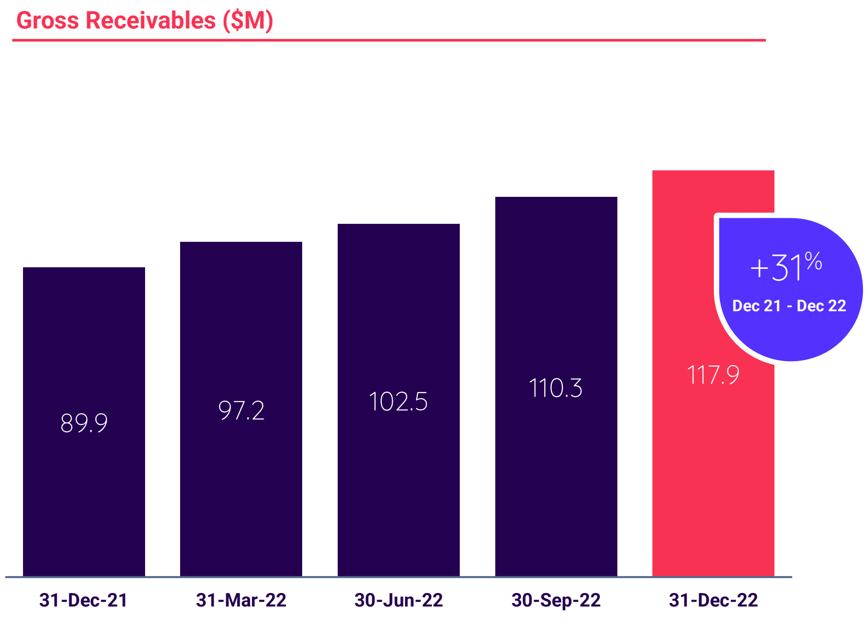
- Gross receivables increased to $117.9 million as at 31 December 2022, up 31% on the prior year period
- Revenue for the period was $9.1 million, up 16% vs. pcp
- Contracted future revenues increased to $18.8 million, up 12% on pcp
- Gross Merchandise Value (GMV) of $63.3 million, up 2% on pcp
- Average Transaction Value of ~$4.4K with a weighted average loan term at origination of ~34 months reinforcing PYR's point of sale finance offering for larger consumer purchases

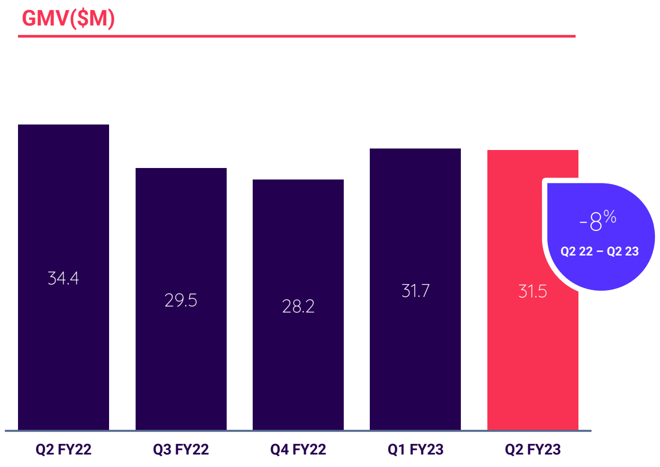
Operational Highlights

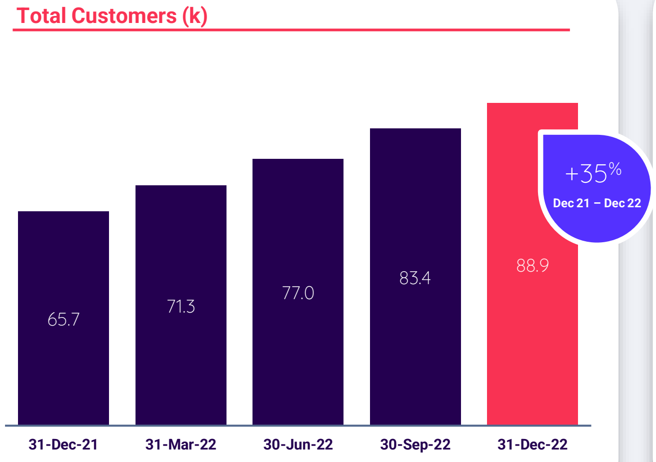
- Post reporting date, announced the completion of a $5.03 million equity raise
- Undertook a detailed review of the cost base and business operations to enable the Company to operate a leaner, more capital efficient structure which included a material reduction in head count and workforce costs which has impacted ~35% of staff positions including contractors.
- Granted Australian Credit license providing ability to launch licensed product
- Suspended New Zealand operations to focus resources on core market in Australia

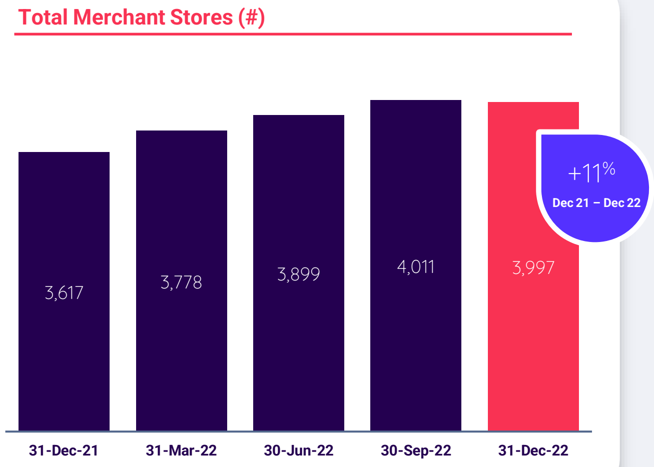
Measured growth across key performance metrics

- Gross receivables grew to $117.9 million as at 31 Dec 2022, up 31% up on the prior year period
- Gross Merchandise Value (GMV) for the quarter was $31.5 million, down 8% on pcp, reflective of the company's focus on profitable new loan book origination following a review of its merchant relationships and where appropriate, a renegotiation of terms to improve the economics of loans written
- Total Customers of 88.9k, up 35% on pcp
- Total Merchant stores increased to 3,997 up 11% on pcp



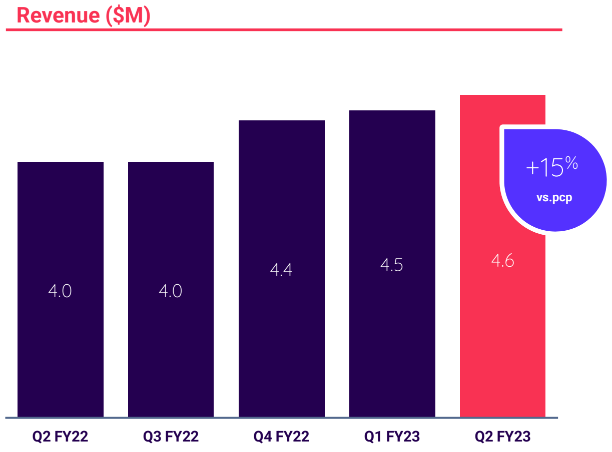


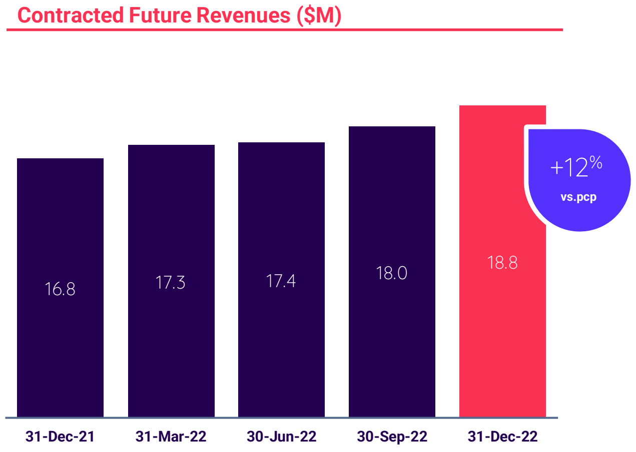




Contracted future revenues of $18.8M as at 31 December

- Revenue for the December quarter was $4.6 million, up 15% vs. pcp
- As at 31 December 2022, the Company has contracted future revenues of $18.8 million relating to loans already written, up 12% vs. pcp
- This balance will be recognised and received as incremental cash in subsequent periods



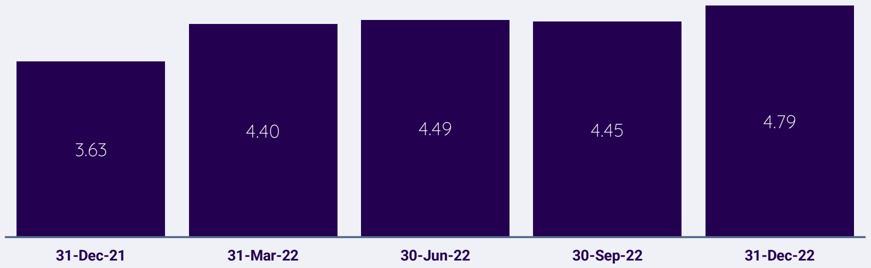


1. Income to be recognised assumes the ongoing performance of loans to their prescribed term. Actual performance may vary.

*All actuals include both Australia and New Zealand

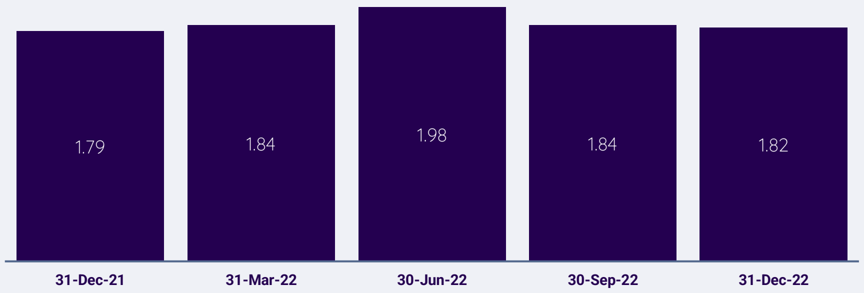
Credit Quality

30+ Days Arrears (% of loan book Receivables)



- Reflective of seasonality over the holiday period and challenging macro-economic conditions, Payright's arrears position increased during the period ending at 4.79%, up 34bps compared with the prior quarter.
- Post reporting date, the Company has initiated a number of strategies to improve the credit quality of the portfolio and initiated risk management activities with a focus on arrears management. These initiatives are expected to result in a progressive improvement to portfolio risk and the current arrears position.

Losses / Cumulative GMV



- The net write off resulted in losses as a percentage of cumulative GMV reducing to 1.82%, down 16bps from the prior half.

Consolidated Group Profit & Loss

	1H23	1H22	$ Var	% Var
TOTAL REVENUE	9.1	7.9	1.3	16%
Finance costs	(4.6)	(3.9)	(0.7)	17%
Expected credit losses	(2.6)	(1.9)	(0.8)	40%
GROSS PROFIT	1.9	2.1	(0.2)	(9%)
Administration costs	(0.7)	(0.8)	0.0	(6%)
Consulting and professional fees	(1.3)	(0.9)	(0.5)	54%
Employee benefits expense	(4.2)	(5.3)	1.1	(20%)
Marketing and advertising	(0.1)	(0.5)	0.4	(71%)
Rent and occupancy	0.0	0.0	0.0	59%
Depreciation	(0.1)	(0.1)	0.0	(22%)
Other expenses	(0.4)	(0.5)	0.1	(17%)
TOTAL EXPENSE	(7.0)	(8.1)	1.1	(13%)
Gain on embedded derivative	0.2	0.0	0.2	(100%)
LOSS FOR THE HALF YEAR	(4.9)	(6.0)	1.1	(18%)

- Income grew to $9.1 million in 1H 23, up 16% (H1 22: $7.9 million)
- Finance costs were higher by $0.7 million (17%) due to the growth in the loan book and consequent requirement to draw additional debt funding albeit partially offset by a reduction in cost of funds following the completion of the bank warehouse facility in May 2022.
- Given the potential slowdown in economic activity and risk within the current portfolio the company has taken a further provision which is reflected by way of additional provisions and set out as the Expected Credit Loss expense.
- Total expenses for the period were $7.0 million, a reduction of $1.1 million or 13% from pcp (H1 22: $8.1 million). The decrease in operating spend was primarily driven by a reduction in employee benefits expense following a workplace restructuring which saw ~35% of staff positions being removed across the business.
- Loss for the half year improved by 18% vs. pcp reflective of the revenue growth and reduced operating costs.

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Consolidated Group Balance Sheet

	31 Dec 22	30 Jun 22	$ Var	% Var
Cash and cash equivalents	6.3	12.7	(6.3)	(50%)
Receivables	108.8	95.6	13.2	14%
Other Assets	2.8	2.0	0.8	40%
TOTAL ASSETS	117.9	110.2	7.7	7%
Trade & other payables	3.1	4.6	(1.5)	(32%)
Loans & borrowings	110.2	97.4	12.8	13%
Other Liabilities	1.0	1.3	(0.4)	(28%)
TOTAL LIABILITIES	114.3	103.3	10.9	11%
NET ASSETS	3.7	6.9	(3.2)	(47%)
Issued Capital	47.4	45.9	1.5	3%
Accumulated Losses	(44.3)	(39.4)	(4.9)	(12%)
Other Equity	0.6	0.4	0.2	49%
TOTAL EQUITY	3.7	6.9	(3.2)	(47%)

- Total net receivables as at 31 December 2022 was $108.8 million representing an increase from 30 June 2022 of 14%.
- Total assets have increased from 30 June 2022 by 7% to $117.9 million, led by growth in the Company's loan receivables portfolio.
- Total liabilities have increased by 11% to $114.3 million due mainly to the proceeds from loans and borrowings.
- Net equity as at 31 December 2022 was $3.7 million, a decrease from 30 June 2022 of $3.2 million. The decrease was predominantly due to the operating loss for the period.

Other Corporate & Operational

- Post reporting date, announced the completion of a $5.03 million capital raise.
- The Capital raise was sub-underwritten by Metrics and as a result, Metrics total shareholding in the Company increased to 52.5%.
- Undertook a detailed review of its cost base and its business operations to enable the Company to operate a more capital efficient structure including a material reduction in head count and workforce costs impacting ~35% of staff positions including contractors.
- In December 2022, the Company provided notice to its New Zealand merchants that it would be suspending activities to focus on core markets in Australia. NZ accounted for just 3% of GMV written in the year to December 2022, the suspension of New Zealand activity is not expected to have a material impact on Company performance.
- The Company has reviewed its merchant relationships and where appropriate has sought to negotiate various terms to improve the economics of loans written.
- Board and Management changes that have taken effect from the 25 January 2023 are aligned with the Group's plan to focus on profitability, sustainability, expanded product range and improved credit risk management.
- The changes to management and Board will position the Company well to further develop its strategy of delivering an attractive and competitive source of non-bank finance products to the Australian market.

Regulatory & Compliance: An ongoing focus

- Payright maintains respectful working relationships with key regulators and government bodies including ASIC, AUSTRAC and Treasury.
- Payright is an original and current accredited member of the AFIA BNPL Code of Conduct – designed to balance high standards of practice and outcomes for customers that go over and above current legal requirements whilst allowing for continued innovation and competition.
- Payright is keen to ensure that any future regulatory framework reflects the unique nature of BNPL Products and preserves the current balance of sector opportunity with consumer protection.
- Payright embraces the Government's desire to see consistent, high standards mandated via the BNPL Code across the sector and is supportive of uplifting the obligations in the Code in a way that is 'scaled' to the level of risk involved.
- Having been issued a Credit Licence from ASIC in August 2022, Payright remains well placed to respond to any of the 3 options outlined the Treasury paper released in November 22 which sought public submissions on the future regulation of BNPL in Australia.
- Many of the obligations proposed in the Treasury paper are already captured by the Code and are implemented by Payright with Payright exceeding Code obligations in some areas.

Outlook:

A focus on measured, sustainable and profitable growth

- The Group's strategic focus makes note of current macroeconomic and interest rate conditions.
- An ongoing focus on the sustainability of lending activities and ensuring improvement in the credit quality and risk management activities of the company.
- The Group is evaluating further capital raising opportunities to strengthen balance sheet position and support sustainable growth.
- Future volume growth will be undertaken in a measured and sustainable way to support cash flow stability.
- Board and Management are reviewing a range of strategic initiatives including the suitability of the Group remaining a listed entity in its present form.
- Increasing attention to credit risk management, arrears and collections activities.

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and important information

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All amounts are in Australian dollars unless otherwise indicated.

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Approved by the Board of Directors of Payright Limited