

15 July 2024

## EARLYPAY

IAM Capital Markets

Great news for noteholders with “early pay” for consent Earlypay Limited (EPY) is seeking noteholder consent to exercise an early “issuer call” within the 03 June 2024 to 03 September 2024 coupon period.

Noteholder consent is required to allow the repayment to occur intra coupon on the 22nd of July 2024. Subject to the successful consent, noteholders will receive: Principal: 101% (1% early call premium)

Accrued interest: 1.456%

Investors in Earlypay will have achieved an HPR (Holding Period Return) of 10% since the bond was issued in December 2021 after being paid out at A\$101. IAM is supportive of the consent in the context of providing investors capital back earlier than maturity and at the early call premium of 1%. The consent to redeem intra coupon is required to align the Holdco note refinance with Earlypay’s broader financing arrangements for the newly established ANZ funded receivables warehouse. The Earlypay credit story has improved significantly following the associated resolution of RevRoof process, lower credit impairments (through operational changes), and an optimised funding base through the new warehouse refinancing. In a testament to the company executing on its plan, they can call the Holdco notes early to reduce their overall funding costs. The underlying business has improved its profitability, is cash generative, and has a strong balance sheet.

### Going through these changes individually:

**A Resolution of RevRoof** – On 11 December 2023, EPY announced the resolution of RevRoof recovery process with an A\$8.4m cash from business sale released to EPY. In total, EPY incurred an A\$10.5m credit loss and approximately A\$4.7m of recovery related expense (A\$0.8m incurred in H1’24);

**A Completed Invoice Finance (IF)/Trade Finance (TF) Warehouse Refinancing** on 14 February 2024; settled (funds drawn) on the new single IF/TF warehouse facility with a senior commitment limit of A\$220m. The expected reduction in overall cost of funds is c.1.0%

compared to previous invoice and trade facilities. The refinancing of the Equipment Finance (EF) facility is being reviewed with a cost/benefit analysis to determine financial advantages.

**Operational Changes** - Strengthening of corporate governance, and practices around credit underwriting, documentation & settlements, client and risk management. This sharp focus will relate to Opex savings from technology, data and improved processes. These positive structural changes have also been accompanied by solid operational performance which has flowed through to the reported H1'24 results.

The board will continue to consider EPS accretive capital management activities that include repayment of corporate debt and/or on market equity buybacks.

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