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ASX Announcement

BNPL Business Offering & Operational Update

Highlights

- **BNPL volumes increased 15% in the first half of the June Quarter (1 Apr to 15 May) versus the previous half quarter period (16 Feb to 31 Mar):**
 - **\$2,041,256 in Total Transaction Value (“TTV”) has been transacted; delivering,**
 - **\$145,660 in Net Transaction Revenues (“NTR”).**
- **Non-Performing Loans (“NPL”) of \$133,183 and NPL Ratio 0.51% - continues to indicate modest delinquencies and reinforce strong credit quality control strategy;**
- **Continued growth in Consumer and Merchant sign ups, approval and onboarding:**
 - **3,675 merchant outlets now onboarded (up 7% since 31 Mar)**
 - **2,265 merchant outlets activated and listed on myIOU (up 14% since 31 Mar)**
 - **85,552 consumer downloads of myIOU (up 25% since 31 Mar)**
 - **26,380 consumer activated accounts (up 30% since 31 Mar)**
- **SOGO Department Stores Update – On schedule for Phase 1 POS integration Q4 FY22 – Phase 2 Online integration Q1 FY23;**
- **Razor Merchant Services (“RMS”) Update – Special campaign being implemented to expedite merchant assessment & onboarding;**
- **IDSB Investment Update – Cross-sell BNPL marketing programme being prepared for September quarter rollout (Q1 FY23);**
- **COVID-19 Environment Update – Phase 4 of National Recovery Plan progressing with a significant reopening of the economy; reduced COVID cases; positive economic indicators.**

IOUpay Limited (ASX:IOU) (**‘IOUpay’** or **the Company**) is pleased to announce a BNPL Business Offering & Operational Update with information current to 15 May 2022.

BNPL Business Update

TTV¹ and NTR² Performance Metrics

Values for Period	1 April – 15 May 2022
Total Transaction Value ^{1,3}	\$2,041,584
Net Transaction Revenue ^{2,3}	\$145,683
myIOU Income Margin ⁴	7.1%
Cumulative Totals as at	15 May 2022
TTV (past 12mths ⁵)	\$26,089,797
NTR (past 12mths ⁵)	\$1,830,383
Non-Performing Loans ⁶	\$133,183
NPL Ratio ⁷	0.51%
Merchant Outlets Signed ⁸	4,210
Merchant Outlets Onboarded	3,675
Merchant Outlets System Active	2,265
Merchant Relationships System Active ^{9, 10}	847
Consumer Downloads	85,552
Consumers Onboarded	63,994
Consumer Account Activations	26,380

- Note:
1. Total Transaction Value (TTV) means total value of purchases made by myIOU customers
 2. Net Transaction Revenue (NTR) means TTV less the amounts paid to merchants
 3. All amounts in AUD, assumed MYR/AUD exchange rate 3.11 using an RBA sourced reference
 4. myIOU Income Margin means NTR as a percentage of TTV
 5. myIOU launched 15th June 2021 so past 12mths TTV & NTR are shown for period from launch
 6. Non-Performing Loan (NPL) means the current outstanding value of a transaction account which has an instalment remaining unpaid for at least 6 months
 7. NPL Ratio means NPL as a percentage of TTV written during past 12 months
 8. Merchant Outlets means discrete shopfronts, whether physical or online
 9. Merchant Relationships means business entities that may have multiple outlets
 10. Merchant Relationships System Active does not include any merchants that have been onboarded by Razer Merchant Services to its payment platform with the myIOU BNPL payment option

Transaction volumes during the first half of the June Quarter increased 15% over the prior period (second half of the March quarter) reflecting additional activity associated with cultural events and holidays. The myIOU Income Margin of 7.1% is consistent with the average margin over the financial year to date. Effective annualised returns for individual transaction profiles remain within the Company's target range.

On a financial year-to-date basis, the Company has written TTV of \$25,507,217 delivering NTR of \$1,782,125 (AUD values assume MYR/AUD exchange rate 3.11 as per note 3). The resultant myIOU Income Margin for FY22 to 15th May 2022 is 7.0%, which remains above expectations and within the Company's target range.

The Company reports Non-Performing Loans ("NPL") of \$133,183 and NPL Ratio of 0.51% as at 15th May 2022. This indicates modest delinquencies and is a reflection of the Company's targeted consumer acquisition process, including sophisticated credit scoring technology to authenticate customers and independently check credit profiles, as well as its continuous assessment and management of merchant relationship performance.

The Company continues its focus on building a community of quality merchants and consumers as part of its 'best-in-class' brand positioning in South East Asia. There are now more than 2,200 merchant outlets that are system active on the myIOU platform across thirteen industry verticals, with more than 1,900 signed as at 15th May still to be assessed for activation. These active outlets represent the physical and online shopfronts of more than 800 merchant relationships from around Malaysia.

Merchant & Consumer Activation

During the period, 56 new merchants operating 282 outlets around Malaysia were added to the myIOU platform. New merchants were added to 11 industry vertical categories. Key industry verticals with numerous merchants added since 31st March include: Automotive (5 merchants with 12 outlets); Beauty & Wellness (12/151); Electronics & Gadgets (9/29); Fashion (12/16); and, Home & Living (9/54).

Notable businesses amongst these new merchant relationships include: Elken Global Sdn Bhd ('Beauty & Wellness' from KL/Selangor with 67 outlets); Lean Concepts Sdn Bhd ('Automotive' from KL/Selangor with 7 outlets); Mac City Sdn Bhd (from KL/Selangor with 3 outlets); NH by Nurita Harith Enterprise ('Fashion' from KL/Selangor with 4 outlets); and Zero Healthcare Sdn Bhd ('Beauty & Wellness' from regional Malaysia with 30 outlets).

Active consumer engagement has continued into the June quarter (Q4 FY22). As measured against results as at 31st March, consumer downloads are up 25%, consumer onboarding is up 28% and consumer account activation is up 30%. The relatively higher onboarding and account activation growth (versus growth in downloads) continues to evidence strong consumer engagement with the myIOU BNPL offering.

Almost 75% of consumers who download the myIOU app complete the onboarding process and, most significantly, more than 30% of those who download the app go on to complete a transaction. These ratios have remained consistent over time with a growth trend in activation to transaction identified since the launch of myIOU 2.0 mid-March.

As previously reported, this growth aligns with expansion of shopping choice as new merchants are added and the Company deepens its coverage of regional Malaysia. The increased consumer engagement also correlates with the Government's easing of COVID-19 restrictions, the Company's ongoing Digital Marketing Strategy and various promotional campaigns.

Additionally, there has been a significant uplift in consumer engagement related to the launch of myIOU 2.0 (refer below) which has continued through the following weeks up to the date of this report.

SOGO Department Stores Merchant Agreement

In the March Quarterly Report and Business Activity Update announced 29th April 2022 ("March QAR"), the Company announced that it had entered into a Merchant Agreement with SOGO (K.L.) Departmental Store Sdn. Bhd. ("SOGO") for the provision of myIOU BNPL services at SOGO's department stores on both point-of-sale (POS) and e-commerce payment platforms.

The Company expects to launch myIOU on SOGO's POS platform for instore purchases by the end of the June quarter (Q4 FY22). In the second phase, the Company expects to 'go live' with myIOU on SOGO's e-commerce platform for online purchases during the September quarter (Q1 FY23).

The Company can confirm that integration and testing remains on track for phase one and phase two rollout as scheduled.

Razer Merchant Services ("RMS") Update

In the March QAR, the Company reported that RMS had onboarded a total of 290 merchants. Following a review of the merchant listings, the number of merchants onboarded from the first two batches has been reduced to 232 as at the date of this report.

The Company continuously reviews and assesses the merchants offering myIOU BNPL services to ensure alignment with IOUpay brand values, anticipated transaction activity levels and satisfaction of return expectations.

In order to expedite the onboarding of merchants, a special promotional campaign has been implemented for RMS to onboard qualified merchants. This will replace the previous batched processing. The campaign will run until the end of the September quarter (Q1 FY23). A review of the campaign will be conducted during the December quarter (Q2 FY23).

iPay88 Update

The Company reported in the March QAR that commercial activities with iPay88 (M) Sdn Bhd had been delayed due to ongoing negotiation of commercial terms and operational details and the Company expects resolution of terms during the current June quarter (Q4 FY22). This remains the Company's expectation.

IDSB Investment

As previously announced based upon unaudited numbers of IDSB for FY21, the Company expects there to be a downward adjustment to the overall purchase price of IDSB, which will be reflected as a net reduction to the amount of the Second Tranche Payment as per the previously disclosed terms of the Second Tranche Payment. The Second Tranche Payment is due within 6 months of the First Tranche Payment and completion of the transfer of shares for the First Tranche which was effected in late December 2021. The Company is working with the vendors and IDSB to finalise the actual amount of the variance in profit before tax and hence the corresponding reduction in the value of the Second Tranche Payment which will be determined with reference to IDSB's audited statutory accounts and effected once a final calculation has been confirmed by all parties. The Company expects to provide an update on the outcome of the calculation, timing and completion of the Second Tranche over the coming weeks.

During the current period the Company has been continued to work closely with IDSB management.

A marketing programme is being developed to market myIOU BNPL services into IDSB's high credit quality, civil servant customer base, and is anticipated to be rolled out in stages commencing in the September quarter (Q1 FY23).

COVID-19 & Economic Environment Update

All states, territories and major economic centres have now moved into Phase 4 of the Malaysia Government's National Recovery Plan ("NRP"). Phase 4 provides for the re-opening of all economic sectors, interstate travel (subject to SOPs) and no gathering limits.

During April and into May 2022 there has been a significant decline in daily new COVID-19 cases following the peak in late March predicted by Malaysia's Ministry of Health. More than 80% of the population is fully vaccinated and 49% have received booster doses.

The Department of Statistics Malaysia ("DOSM") has reported that economic activity continues to improve with Malaysia's economy expanding by 5.0% year-on-year in the March quarter (Q3 FY22), up from 3.6% in the December quarter (Q2 FY22). This result exceeded market expectations of a 4% increase.

Economic growth has been supported by increased domestic demand as economic activity continues to normalise with the NRP underway and the easing of COVID-19 restrictions.

Inflation for April was reported at 2.3% which remains at the low end of Bank Negara Malaysia's projected average for 2022 being 2.2% to 3.2%. Following the April results, the central bank has maintained its GDP outlook for the year at 5.3% to 6.3% growth.

Bank Negara Malaysia expects the recovery to continue through calendar 2022 subject to any future COVID-19 variants. The economic recovery is expected to be further boosted by increased travel following the reopening of international borders with Malaysia on 1st April ending the mandatory quarantine for inbound fully-vaccinated travellers.

The release of this announcement was authorised by the Board of the Company and released by the Company Secretary.

Yours faithfully,

IOUpay Limited

(Aaron) Lee Chin Wee
Chairman & Executive Director

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About IOUpay (ASX:IOU):

IOUpay Limited (ASX:IOU) provides fintech and digital commerce software solutions and services that enable its institutional customers to securely authenticate end-user customers and process banking, purchase and payment transactions.

The Company's core technology platform enables large customer communities to connect to end user customers using any mobile device and integrate mobile technology throughout their existing business and customer product offerings. The Company's business divisions consist of Mobile Banking and Digital Payments which service leading banks in Malaysia and large telcos and corporates in Malaysia & Indonesia. IOUpay also works with telecommunication network providers to provide mobile OTT (over-the-top) services that leverage their subscriber base to build active communities.

Forward Looking Statements

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward-looking words such as "believe", "expect", "estimate", "will", "may", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the acquisition. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of IOUpay and cannot be predicted by IOUpay and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which IOUpay operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised.

None of IOUpay or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statements. Statements about past performance are not necessarily indicative of future performance.