

24 August 2022

ASX Announcement

BNPL Business Offering & Operational Update

Highlights

- myIOU BNPL transactions completed first half of the September Quarter (1 Jul to 15 Aug):
 - \$7,071,025 in Total Transaction Value (“TTV”) has been transacted; delivering,
 - \$415,539 in Net Transaction Revenues (“NTR”).
- Non-Performing Loans (“NPL”) of \$193,920 and NPL Ratio 0.59% - continues to indicate modest delinquencies and reinforce strong credit quality control strategy;
- Continued growth in Consumer and Merchant sign ups (since mid-June 2021 launch), approval and onboarding, cumulatively:
 - 2,539 merchant outlets activated and listed on myIOU (up 6% since 30 Jun)
 - 40,025 consumer activated accounts (up 18% since 30 Jun)
- myIOU KA\$Hplus Prepaid Visa Card Update – Stage 1 officially launched 15 July – Stage 2 pending approval by Bank Negara Malaysia;
- IDSB Investment Update – Second Tranche Payment due by 31 August.

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

BNPL Business Update

TTV¹ and NTR² Performance Metrics

Values for Period	1 July – 15 August 2022
Total Transaction Value ^{1,3}	\$7,071,025
Net Transaction Revenue ^{2,3}	\$415,539
myIOU Income Margin ⁴	5.9%
Cumulative Totals as at	15 August 2022
TTV (past 12mths ⁵)	\$33,071,230
NTR (past 12mths ⁵)	\$2,144,870
myIOU Income Margin (past 12mths ⁵)	6.5%
Non-Performing Loans ⁶	\$193,920
NPL Ratio ⁷	0.59%

Cumulative Totals as at	15 August 2022
Merchant Outlets Signed ⁸	4,637
Merchant Outlets Onboarded	3,939
Merchant Outlets System Active	2,539
Merchant Relationships System Active ^{9, 10}	930
Consumer Downloads	131,014
Consumers Onboarded	100,766
Consumer Account Activations	40,025

- 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 3.10 using an RBA sourced reference
 4. myIOU Income Margin means NTR as a percentage of TTV
 5. Past 12mths TTV & NTR are shown for period from 17 August 2021 to 15 August 2022
 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 with the myIOU BNPL payment option by Razer Merchant Services to its payment platform

Transaction volumes during the first half of the September Quarter were strong reflecting increased activity following cultural holidays in the previous quarter. The myIOU Income Margin of 5.9% is below the average margin over the past 12 months but consistent with the Company's internal expectations. Effective annualised returns for individual transaction profiles remain within the Company's target range.

Over the past 12 months, the Company has written TTV of \$33,071,230 delivering NTR of \$2,144,870 (AUD values assume MYR/AUD exchange rate 3.10 as per note 3). The resultant myIOU Income Margin for the 12 months to 15 August 2022 is 6.5%, which remains within the Company's target range.

The Company reports Non-Performing Loans ("NPL") of \$193,920 and NPL Ratio of 0.59% as at 15 August 2022. This continues to indicate modest delinquencies, reflecting 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 2,500 merchant outlets that are system active on the myIOU platform across thirteen industry verticals. These active outlets represent the physical and online shopfronts of more than 900 merchant relationships from around Malaysia.

Merchant & Consumer Activation

During the period, 58 new merchants operating 132 outlets around Malaysia were added to the myIOU platform. New merchants were added to 12 industry vertical categories. Key industry verticals with numerous merchants added since 30 June include: Automotive (11 merchants with 16 outlets); Beauty & Wellness (10/20); Electronics & Gadgets (10/43); Fashion (6/12); and, Home & Living (10/22).

Notable businesses amongst these new merchant relationships include: Fotocharlie Sdn Bhd ('Electronics & Gadgets' from Southern Malaysia with 10 outlets); Happikiddo (M) Sdn Bhd ('Baby & Kids' from KL/Selangor - an online merchant); JW Sanitary Home Sdn Bhd (from KL/Selangor with 3 outlets); U Electric Sdn Bhd ('Electronics & Gadgets' from Southern Malaysia with 5 outlets); and Wing Mong Electrical Co Sdn Bhd ('Electronics & Gadgets' from KL/Selangor with 2 outlets).

Active consumer engagement has continued into the September quarter (Q1 FY23). As measured against results as at 30 June, consumer downloads are up 20%, consumer onboarding is up 22% and consumer account activation is up 18%.

Almost 77% 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.

Product Development Update

myIOU KA\$Hplus Prepaid Visa Card

In the Product Development Update announced 24 June 2022, the Company reported collaborating with Virtualflex Sdn Bhd (“Virtualflex”) to provide a co-branded myIOU KA\$Hplus prepaid Visa card under a collaboration agreement.

The Stage 1 rollout (including issuance of cards to selected myIOU customers) was officially launched subsequent to the end of the quarter on 15 July 2022, with a press conference in Kuala Lumpur involving senior executives of Virtualflex and the Company, as well as officials from Malaysia Digital Chamber of Commerce, Malaysia Retail Chain Association and Malaysia Digital Economy Corporation.

The Stage 2 integration remains subject to Bank Negara Malaysia (“BNM”) approval for the linkage to the myIOU BNPL service. The Company is working with VirtualFlex to satisfy BNM’s approval requirements.

IDSB Investment

As announced 20 June 2022, the Second Tranche Payment for the balance of the investment in IDSB is due to be completed by 31 August 2022. The Company expects to provide further update on completion of the Second Tranche over the coming week.

The first stage of a marketing programme to market myIOU BNPL services into IDSB’s high credit quality, civil servant customer base, remains on track to be rolled out in the September quarter (Q1 FY23).

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

Yours faithfully,

IOUpay Limited

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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 provided 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.