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ASX Announcement

## **IOUpay Confirms Total IDSB Acquisition Following Revised Tranche Two Completion Terms**

### **Highlights**

- **IOU Revised IDSB Acquisition Terms Effective 31 August 2022;**
- **Agreement with the Vendors to vary IOU's total acquisition of IDSB to be 34% at completion (8% reduction from 42%) in return for an RM12.18 million (AU\$3.92 million<sup>1</sup>) reduction in total completion payment due;**
- **Second Tranche Payment amended to RM9.5 million (~AU\$3.1 million<sup>1</sup>) bringing total acquisition cost of 34% interest to RM72.5 million (~AU\$23.3 million<sup>1</sup>);**
- **Second Tranche Completion varied to be a 13% increment to IOU's existing 21% holding bringing total acquisition to 34% of IDSB;**
- **Timing of Second Tranche Completion to be linked to Vendors obtaining additional certainty of IDSB's ability to deduct loan instalment/payments from Federal Government Servants;**
- **~AU\$3.92 million reduction in investment provides additional working capital to progress IOU's business strategy roadmap as announced 21 July 2022;**
- **Confirmation that all funding for full Completion of IDSB has been provided for by IOU.**

**IOUpay Limited (ASX:IOU) ("IOUpay" or the Company)** and the Board of Directors are pleased to announce that it has revised the terms of its investment in I.Destinasi Sdn Bhd ("**IDSB**") effective 31 August 2022 (the date of extended completion as announced 20 June 2022).

The revised terms of IOU's investment follow a recent successful renegotiation and variation of the total investment acquisition terms of IDSB through amendments to the Second Tranche Payment completion terms which have been documented with consent of the Vendors.

IOU's total investment in IDSB following completion (as varied) of the acquisition will represent a total ownership of 34% of IDSB's issued capital in return for a total investment of RM72.5 million (~AU\$23.3 million<sup>1</sup>). Tranche Two Completion is therefore now fixed to be an amount of RM9.5 million (~AU\$3.1 million<sup>1</sup>) in return for a further 13% acquisition of the issued capital of IDSB. This represents a reduction in RM12.18 million (~AU\$3.92 million<sup>1</sup>) in the cash investment in return for an 8% reduction in IOU's overall purchase of IDSB.

The date for Tranche Two Completion has been extended and will now occur within sixty (60) days of the Vendors having procured and assisted for IDSB to obtain requisite approvals in respect of IDSB's Accountant General Code for salary deduction of Federal Government Servants ("FGS").

As previously announced IOU's funding for Tranche Two Completion RM9.5 million (~AU\$3.1 million<sup>1</sup>) has already been paid into a solicitor's trust account from existing cash reserves and therefore completion of the entire IDSB acquisition will not require further capital investment or outlay by IOU.

Following these favourable amendments and revisions to the IDSB investment metrics the Board is pleased to confirm that the ~AU\$3.92 million reduction in investment capital originally allocated to complete the acquisition provides additional working capital and certainty to progress IOU's business strategy roadmap as announced 21 July 2022.

### **Background to IOU's Investment in IDSB**

The Company announced on 9 September 2021 that it had executed a binding Share Purchase Agreement (“SPA” or “the Agreement”) through wholly owned subsidiary IOU Pay (Asia) Sdn Bhd, “IOUpay Asia”, or the Purchaser) to acquire 42% of the total issued capital of IDSB for cash consideration of up to RM126 million (~AU\$40.5 million<sup>1</sup>) (“Purchase Price”). The SPA was executed by the shareholders of IDSB, Jiraniaga Sdn Bhd (“JSB”) and Dato’ Zainalabidin Mohamed Husain (“DZA”) (together, the “Vendors”) and IOUpay Asia.

The Purchase Price was to be paid in two tranches. Tranche One Completion was 50% of the Purchase Price (RM 63 million) in return for 21% of the issued capital of IDSB being transferred by the Vendors. Tranche Two Completion would require IOU to pay the balance of the 50% of the total Purchase Price (RM63 million) subject to adjustment for IDSB’s audited financial performance for IDSB’s 12 month financial year to 31 December 2021 (“Second Tranche Payment<sup>2</sup>”), in return for the remaining 21% of issued capital in IDSB being transferred by the Vendors.

Payment of the Tranche Two Completion was originally payable by *the later of* completion of the audit of IDSB’s 2021 statutory accounts (FYE 31 December 2021) or six (6) months after settlement of the First Tranche Completion.

Following satisfaction of all condition’s precedent for the acquisition (announced 1 December 2021) the First Tranche Completion of RM63 million (~A\$20.3 million<sup>1</sup>) was funded from IOU’s existing cash holdings and was formally completed on 20 December 2021 with the registration of transfer of shares (representing 21% of the total issued capital of IDSB) to IOUpay Asia.

On 20 June 2022, the Company announced that IOUpay Asia and the Vendors had agreed to extend the date for settlement of the Second Tranche Payment to no later than 31 August 2022.

In that same announcement, the Company also declared the total amount payable for the Second Tranche Payment had been determined and agreed with the Vendors to be RM21.68 million (AU\$6.97 million<sup>1</sup>), following determination of the total Adjusted Purchase Price to be RM84,684,033 (rather than the original Purchase Price of RM126 million), and the subsequent deduction of the Tranche One Completion amount that had already been paid (RM63 million).

Prior to the variation of the Tranche Two Completion terms (below) the Company was therefore due to settle the amount of RM21.68 million (AU\$6.97 million<sup>1</sup>) due to the Vendors no later than 31 August 2022.

### **Amendment to SPA with Respect to Tranche Two Completion Terms**

Following successful renegotiation as to IOU’s Tranche Two Completion terms, IOU is pleased to confirm variation of the total investment acquisition terms of investment into IDSB, through amendments to the Second Tranche Payment completion terms which have been formally documented with the Vendors.

IOUpay Asia and the Vendors have formally agreed to revise the SPA with the following key amendments:

- Total “Purchase Price” amended to be RM72.5 million (instead of RM126m as per original SPA);
- Total “Sale Shares” amended to be 34% of the issued capital of IDSB (instead of 42% as per the original SPA);
- Tranche Two Completion to be fixed to RM9.5 million (~\$AU3.1 million<sup>1</sup>);
- Tranche Two Completion:
  - Date: to be within sixty (60) days of the Vendors having procured and assisted for IDSB to obtain requisite approvals in respect of IDSB’s Accountant General Code for salary deduction of Federal Government Servants (“FGS”), at which point the Vendors are to provide a signed share transfer form in favour of IOUpay Asia for the Tranche Two Completion shares;

- Payment: noted that IOU's funding for Tranche Two Completion RM9.5 million (~\$AU3.1 million<sup>1</sup>) has already been paid into a solicitor's trust account. IOU to authorise the release of those funds in favour of the Vendors on presentation of the signed share transfer form in favour of IOUpay Asia for the Tranche Two Completion shares;
- Termination or Amendment to Completion: IOUpay Asia as Purchaser has been given rights to be able to give written notice to the Vendors to:
  - Terminate (without liability) or not proceed with the agreement if a closing condition of the Second Tranche Completion has not been satisfied to the Purchaser's satisfaction; or
  - Set a new date for Completion if required, that is not more than 30 days, of the original date for Tranche Two Completion (as above).
- Acknowledgement of IDSB's right to servicing FGS and the Vendors' rights and restraints in favour of IOU as to other business interests that they hold;
- Any relevant changes to the SPA as required to apply the above revisions and clarify the obligations of the Vendors in favour of IOUpay Asia, to facilitate the transfer of the balance of the total shares owed to equate to 34% of IDSB's issued capital, in return for the payment of the (now fixed) balance of the Purchase Price payable;
- All other terms of the SPA to remain in full force and effect.

Documentation to amend the Agreement has been prepared by the Company's lawyers and executed by the parties effective 31 August 2022.

### **Completion of Second Tranche Payment**

As previously announced, the Company had allocated funds to an escrow account with the Company's lawyers pending completion of the transaction, and no further cash investment will be required to fund IOU's completion of its obligations under the SPA (as amended) or to complete its investment in IDSB.

The Company will keep the market informed as to progress of the Second Tranche Completion timing and release of the funds.

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**  
**Managing Director**

<sup>1</sup> Assumed MYR/AUD exchange rate 3.11 using RBA sourced reference

<sup>2</sup> The SPA provided for an adjustment to the total Purchase Price which was to be reduced against the Tranche Two Completion terms. This would be triggered in the event that there was more than a 10% variance to the RM30 million Profit Before Tax ("PBT") threshold for IDSB's audited 31 December 2021 (FY21) financial performance. In the situation where there is more than a 10% variance in PBT then the Adjusted Purchase Price will be calculated as 10 x PBT for FY21 with payment due at Tranche Two Completion being the difference between the Adjusted Purchase Price less the Tranche One Completion.

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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.