

6 March 2023

ASX Announcement

## Business and Operational Update

### Highlights

- Instalment Credit (including myIOU BNPL) transactions completed first half of the March Quarter (1 Jan to 15 Feb):
  - \$7,223,381 in Total Transaction Value (“TTV”) has been transacted; delivering,
  - \$420,333 in Net Transaction Revenues (“NTR”).
- Continued growth in Consumer and Merchant sign ups, approval and onboarding (since mid-June 2021 launch), cumulatively:
  - 3,055 merchant outlets activated and listed on myIOU (up 2% since 31 Dec)
  - 64,281 consumer activated accounts (up 10% since 31 Dec)
- Mobile Banking Division continues strong performance with in excess of 30 million transaction events for third consecutive month;
- Ongoing implementation of Cost Reduction and Efficiency Initiatives.

IOUpay Limited (ASX:IOU) (**‘IOUpay’ or the Company**) is pleased to announce a mid-quarter Business and Operational Update with information current to 15 February 2023.

### Instalment Credit Business Update

#### TTV<sup>1</sup> and NTR<sup>2</sup> Performance Metrics

Values for Period	1 January – 15 February 2023
Total Transaction Value <sup>1,3</sup>	\$7,223,381
Net Transaction Revenue <sup>2,3</sup>	\$420,333
myIOU Income Margin <sup>4</sup>	5.8%
<b>Cumulative Totals as at</b>	<b>15 February 2023</b>
TTV (past 12mths <sup>5</sup> )	\$28,952,073
NTR (past 12mths <sup>5</sup> )	\$1,823,147
myIOU Income Margin (past 12mths <sup>5</sup> )	6.3%
Non-Performing Loans <sup>6</sup>	\$491,971
NPL Ratio <sup>7</sup>	1.32%

Cumulative Totals as at	15 February 2023
Merchant Outlets Signed <sup>8</sup>	5,772
Merchant Outlets Onboarded	4,452
Merchant Outlets System Active	3,055
Merchant Relationships System Active <sup>9, 10</sup>	1,107
Consumer Downloads	219,524
Consumers Onboarded	166,815
Consumer Account Activations	64,281

- 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 3.03 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 16 February 2022 to 15 February 2023
  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 the period in which the NPL accounts were written
  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 the Company's Master Merchant partners (e.g. Razer Merchant Services)

Transaction volumes during the first half of the March Quarter were higher against the corresponding period in the September quarter and approached the strong result for July. The myIOU Income Margin of 5.8% is below the average margin over the past 12 months reflecting pricing for higher credit quality B2B transactions for SMEs, as well as consumer preferences for the six payment plan. Effective annualised returns for individual transaction profiles remain within the Company's internal target range.

For the current financial year-to-date, the Company has written TTV of \$21,305,917 delivering NTR of \$1,304,917 (AUD values assume MYR/AUD exchange rate 3.03 as per note 3). The resultant myIOU Income Margin for the period from 1 July 2022 to 15 February 2023 is 6.1%, which remains within the Company's internal target range.

During the FYTD, the Company has written TTV of \$13,522,071 delivering NTR of \$807,549 with an Income Margin of 6.0% for the business segment (B2B), and TTV of \$7,783,846 delivering NTR of \$497,368 with an Income Margin of 6.4% for the consumer segment (B2C).

The Company reports Non-Performing Loans ("NPL") of \$491,971 and NPL Ratio of 1.32% as at 15 February 2023. This represents an increase from the 31 December 2022 period, which reflected an NPL Ratio of 0.99%. The increase in NPL during the period primarily resulted from a promotional campaign during June 2022 for the first anniversary of myIOU which offered an increased instant credit limit of RM3,000 (~A\$990). Remedial action has been taken to enforce recoveries for the relevant accounts, and the instant credit limit returned to the standard RM1,000 (~A\$330) when the campaign ended on 23 June 2022. The Company anticipates the NPL Ratio to reduce in coming periods given tighter credit controls and as the impact of the June promotion dissipates.

The Company continues to focus on building a community of quality merchants and consumers as part of its 'best-in-class' brand positioning in South East Asia. More than 3,000 merchant outlets are now system active on the myIOU platform across thirteen industry verticals. These active outlets represent the physical and online shopfronts of more than 1,100 merchant relationships from around Malaysia.

### Merchant & Consumer Activation

During the period, 56 new merchants operating 127 outlets around Malaysia were added to the myIOU platform. New merchants were added to 8 industry vertical categories. Key industry verticals with numerous merchants added since 31 December include: Beauty & Wellness (22 merchants with 36 outlets); Electronics & Gadgets (10/47); Fashion (11/28); and, Home & Living (5/6).

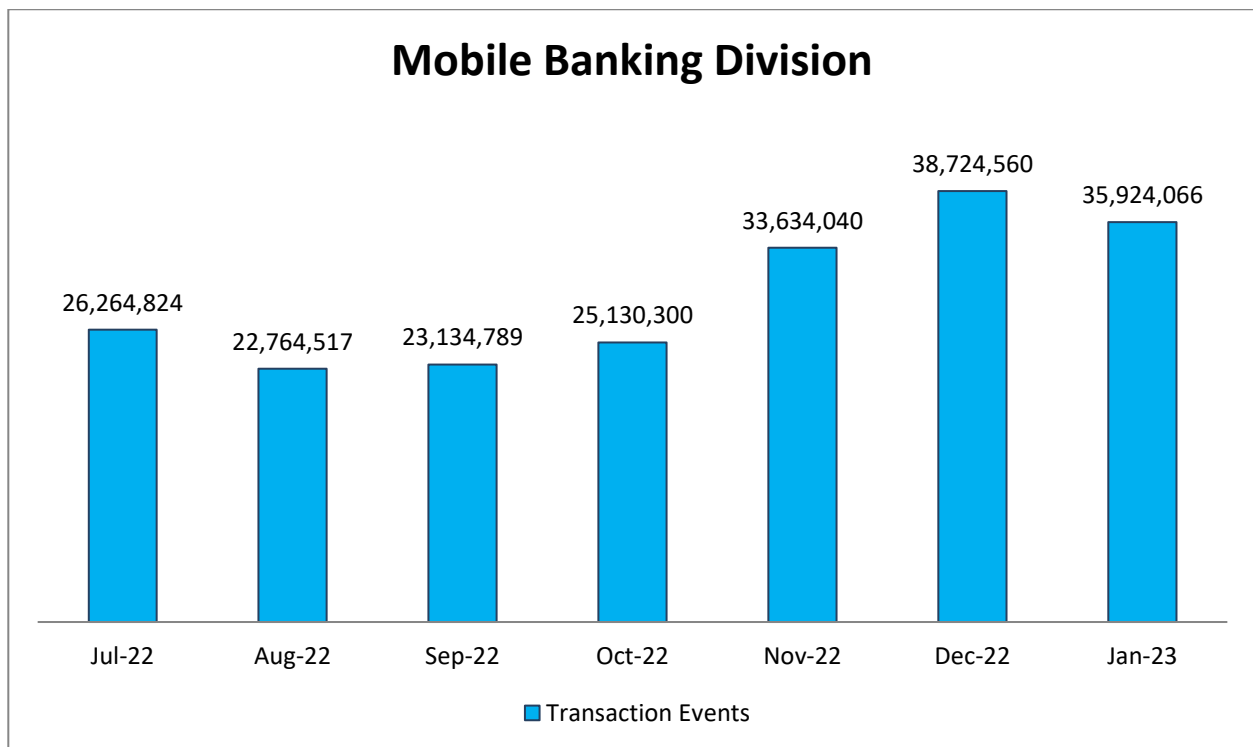
Active consumer engagement has continued into the December quarter (Q2 FY23). As measured against results at 31 December, consumer downloads are up 12%, consumer onboarding is up 11% and consumer account activation is up 10%.

### **Mobile Banking Division**

The Mobile Banking Division is continuing the strong performance of the December quarter with transaction events for January above 30 million for the third consecutive month. The December quarter recorded record results with monthly transaction events exceeding 30 million for the first time.

Transaction activity levels for February will be lower given the shorter month and also reflecting a quieter sales period following the Chinese New Year sales projects in January. Increased transaction activity is anticipated for March with the impact of Malay New Year sales and promotions.

The Company will report its February numbers in the March Quarterly Activities Report.



### **Board Restructure and Investor Relations**

The Company refers to the announcements made 6 March 2023 regarding Change of Chairman and Change of Company Secretary, reflecting a restructure of the Company's Board.

The Company now announces that it has mutually agreed with Mr Paul Russell that due to his increasing family commitments, he will step down from his executive functions and terminate his consultancy agreement. Mr Russell will continue to serve the Company as a non-executive director.

The incoming Company Secretary, Mr Ben Reichel, will assume responsibility for managing investor relations.

### **Update on Cost Reduction and Efficiency Initiatives**

The Company refers to its half-year report dated 28 February 2023, and specifically the following section on “Staffing Levels” on pages 2-3 of the report:

*“To best position the business for the next phase of development, staffing levels increased during the period by 8.9% from 124 staff as at 30 June 2022 to 135 staff as at 31 December 2022. The additional resourcing was mainly applied to the business development, account management, operations, collections and credit teams.*

*The Company is currently reviewing resourcing across the group to optimise work flow efficiencies and deploy staff for greatest impact to growth opportunities consistent with the Company’s strategic roadmap.”*

Consistent with previous announcements (and specifically the Business Strategy Update headed “The Pathway to Profitability” released on 21 July 2022), the staffing levels referred to above were reached as part of the Company’s measured growth plan, and in anticipation of a higher level of product development and releases, and ultimately a much larger loan transaction volume.

In recent months, the Board has begun the process of reviewing staffing levels and other resources and costs across the group, in the light of market conditions in Malaysia, and noting that the release of a number of products has been delayed. The delays have been caused by factors external to the Company, including a change of government in Malaysia following the general election on 19 November 2022, and the resulting delays to regulatory approvals.

This process of maximising efficiencies has been reflected in the Company’s quarterly cash flow statements, with the net cash used for operating activities in the December quarter reduced significantly to \$0.832m, compared to the September quarter cash usage of \$1.708m. The efficiency drive was also reflected in the half-year results released on 28 February 2023, with revenue increasing by 8% while the net loss for the half year was reduced by 64%, due primarily to tighter cost management.

The Board continues to review costs and resources and to maximise efficiencies in the light of the current size and scale of the Company’s business, and pending confirmation of regulatory approvals for new products, which will enable faster growth. These improved efficiencies will be reflected in future quarterly cash flow statements, and in the full year results to be released in August 2023.

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

Yours faithfully,

**(Aaron) Lee Chin Wee**  
**Managing Director**  
**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 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.