

28 March 2023**ASX Announcement**

Restart of BNPL Service and Revised Business Strategy

IOUpay Limited (**IOUpay** or **the Company**) announces that its buy now, pay later (**BNPL**) service in Malaysia, branded as “myIOU”, has now been restarted following the temporary pause announced on 22 March 2023.

The BNPL service will be focussed on a strictly limited number of existing profitable merchant customers. The latest features of the BNPL service communicated to customers include the following:

1. Approval of credit limits will be carried out within 14 business days.
2. Available payment plans are 2 and 3 months, depending on consumer selection.
3. The list of latest available merchants is available via the myIOU website.
4. New users are still allowed to register and apply for Credit+ for higher credit limits.

This modified version of the myIOU BNPL service is part of the Board’s revised strategy for the business, which is summarised below.

Overview of the Company’s Business

The core of the Company’s business has always been its fintech and digital commerce software and services aimed at enterprise clients in South East Asia. The Company connects banks and merchants with their customers via smart technology platforms, supporting secure mobile payments, messaging and authentication services.

The business focus can therefore be described as “Digital Payments in Southeast Asia”, which was the title and theme of the detailed investor presentation released to the market on 16 March 2021. The objective of the business was stated as follows: *“Our goal is to be one of the leading digital transaction processors in the booming cashless economies of South East Asia.”*

That investor presentation outlined the large market size and value for the Company’s technology in South East Asia. It also noted the Company’s plans to expand its digital commerce services, and add a number of new products to drive growth, one of which was the BNPL business.

The Company’s BNPL Service in Context

In the Company’s case, its BNPL offering is and was no more than another way of connecting merchant communities with their customers. The Company launched its “myIOU” consumer app, and seeded the BNPL platform by using its own cash to make revolving short-term loans to consumers. The launch and expansion of the business required a significant investment in marketing and customer support. The BNPL platform has now been built and a popular brand and user community established.

The size and scale of the BNPL business has always been too small to be sustainable, and rising global interest rates have made it difficult to obtain the wholesale funding required to expand the business to a viable size.

Strategic focus

The Company has never been focussed solely on BNPL as its primary activity. In February 2021, the Company conducted a significant capital raising, with the funds to be used as per the Company's ASX release on 18 February 2021:

"The Company will be applying the proceeds from the placement towards funding existing operations including digital payments and BNPL inventories, new BNPL product development, expansion of the Company's Malaysian operations, expansion in South East Asia, administrative and other costs...."

A major strategic initiative undertaken to expand the Company's Malaysian operations was the investment in iDestinasi Sdn Bhd (**IDSB**) in September 2021. IDSB is one of Malaysia's largest finance companies, acting as a specialist outsourced agent for banks for in-field origination, execution and settlement of loans, generating upfront transaction fees and ongoing account management fees. Currently the Company owns 21% of IDSB, with a second tranche of 13% still to be completed, for an overall investment of \$24 million.

IDSB is especially attractive as it does not risk its own balance sheet to make loans, but instead manages a high quality borrower portfolio of civil servants. There are approximately 1.6 million civil servants in Malaysia, with highly prized jobs and salaries guaranteed by the Malaysian Government. IDSB has a valuable Accountant General Salary Deduction Code ("AG Code"), allowing IDSB to deduct loan repayments from the salaries of civil servants directly at the paymaster source, on par with the Malaysian Government civil servant payroll agency. The AG Code held by IDSB is currently being renewed, with renewal expected to be finalised by late April 2023.

IDSB is a strongly profitable business, with the potential for further growth as Malaysia recovers from the Covid lockdowns, and via the development of new banking relationships. For a period of more than 10 years, IDSB was tied to offering loans on an exclusive basis from one bank only, but is now adding new banking partners. This includes Malaysia's largest banks, who are eager to offer credit to the high quality civil servant customer base serviced by IDSB.

IDSB is complementary to the Company's strategy of connecting banks and enterprises with their customers. The use of the Company's smart technology platforms facilitates the generation of transaction fees, by servicing banks and engaging with merchant networks. As IDSB expands its operations to work with larger banks, it will need to upgrade its IT systems to meet the requirements of those banks. The Company's payment platform already meets those requirements, as it currently services more than 20 of Malaysia's leading banks, insurers and telcos.

There are thus significant opportunities for the Company and IDSB to work together and expand the operations of both entities. The partnership with IDSB offers a unique competitive advantage that no other instalment credit or BNPL provider in Malaysia can match. In turn, the Company's investment in IDSB is currently producing regular dividend payments, which are expected to continue to increase, for the benefit of the Company's shareholders.

The Company's Mobile Banking division continues to grow, with record transaction volumes in recent months, and discussions under way with significant new partners. The Company's platform is trusted by banks and telcos to handle bill payments, banking, authentication, e-commerce, and other highly sensitive financial activities. This division is profitable and will continue to operate and provide the core of the Company's fintech offering.

In future the Company will act as an originator and servicer of loans and other financial products, allowing banks and other top tier merchants to service large customer communities. This may include a wholesale BNPL product offered by merchants themselves. The Company's business model will more closely resemble that of its investment partner, IDSB, as the Company will not use its own cash to make loans.

The Company's objective, to become a leading digital transaction processor in South East Asia, has not changed. With this refined strategy, the aim is to create a leading diversified fintech business, which will in due course be a profitable dividend-paying ASX-listed entity.

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

Yours faithfully,

IOUpay Limited

Ben Reichel
Company Secretary

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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.