ASX ANNOUNCEMENT **31 August 2022**

Half Year Results 2022
Refocused Growth Strategy & Path to Profitability

- Appointments of Nandan Sheth, seasoned payments industry executive, to lead Splitit as CEO & Managing Director and payments industry veteran, Dan Charron as Non-Executive Director
- Refreshed growth strategy leveraging Splitit's innovative Instalments-as-a-Service technology, placing a greater focus on distribution partners to drive growth
- Partnership momentum building with enhanced partnership with BlueSnap, new partnership with Everyware and joining the Visa Ready for BNPL program
- Emerging pathway to profitability, with YoY Net Transaction Margins growth to 1.25% and 22% reduction in operating expenditure
- Growing Merchant Sales Volume (MSV) of US$195M (H1 FY21: US$173M) delivering Revenue (IFRS) of US$5.1M (H1 FY21: US$5M)
- Splitit will continue to focus on signing major global merchants, partnering and unlocking BNPL for issuers

Splitit Payments Limited ("Splitit" or the "Company") (ASX:SPT, OTCQX:SPTTY), the only white-label instalment solution allowing customers to pay by instalments using their existing payment card at checkout without increasing their total credit exposure, reports its half year results for the six-month period ending 30 June 2022.

CEO and Managing Director, Nandan Sheth said, "Splitit's rejuvenated growth strategy positions it to power the next generation of BNPL infrastructure for the existing payments ecosystem. Under this strategy, Splitit has already made good progress accelerating its pathway to profitability in the half year, including net transaction margin growth to 1.25% and a 22% reduction YoY in operating expenditure.

"Looking ahead, we see scope for further transaction margin improvements and cost efficiencies to accelerate path to profitability, particularly after signing revised terms for our US$150 million receivables funding facility with Goldman Sachs. The new facility is forecast to save the Company up to US$5.3M across a 2-year period, when including the significant volume and reduced interest rates associated with the anticipated signing of an expanded global merchant agreement.

"Splitit will continue to separate from the broader BNPL sector, avoiding the inherit headwinds the sector is currently facing, due to our unique technology and business model. We are focused on signing major global merchants, partnering with new large payment processors and further independent software vendor (ISV) distributors. This will expand our white-label Instalments-as-a-Service product across a growing merchant base, while also unlocking BNPL for issuers", Mr Sheth said.

Refreshed growth strategy

Splitit's goal is to power the next generation of BNPL infrastructure for the existing payments ecosystem via a single network application programming interface (API). To achieve this, during the half Splitit refreshed its growth strategy which is centred around three key opportunities:

1. **Enhanced focus on distribution partners to drive growth**
   Expanding Splitit's existing partnerships with eCommerce platforms, Payment Service Providers (PSPs), Gateways, Acquirers, ISVs, along with other existing and developing partners is a top priority for the Company. Splitit will target market verticals which offer high MSV potential and superior product-market fit.

2. **Offering a white-label, Instalments-as-a-Service solution for partners and enterprise merchants**
   Splitit's white-label offering eradicates brand confusion and competition. It will offer both funded and Instalment-as-a-Service solutions to top 100 merchants in its target verticals, focusing initially on the US market.

3. **Unlocking BNPL for issuers of credit at the merchant checkout**
   Splitit is positioned to enable card issuers to participate and monetise instalment payments at checkout and within the shopper's purchase journey to help strengthen their relationships with customers and create acceptance of Splitit.

Under the refreshed strategy, Splitit formally unveiled its merchant-branded Instalments-as-a-Service platform during the half year. As a white-label plugin it allows merchants to retain customer relationships, drive loyalty and promote brand consistency on their terms.

The Company also enhanced its partnership with global payment orchestration platform, BlueSnap, with Splitit becoming a preferred processing partner and adding BlueSnap's extensive network of mid-market and enterprise customers to its distribution. Integration is expected to be complete in Q3 2022. Splitit also partnered with one of its first embedded ISV companies, Everyware, a Pay-by-Text platform. Once implemented, Splitit's solution will be embedded as a standard option for merchants.

In addition, Splitit was invited to join the Visa Ready for BNPL program, the partner program is aimed at enabling Visa clients to use its Instalment Solutions product through the technology solution of partners, such as Splitit. Splitit will continue to deepen the Visa partnership to unlock BNPL for issuers at the point of sale.

Strengthened leadership and Board

Splitit appointed Nandan Sheth to lead the Company as CEO at the start of the half year. Mr Sheth has over 20 years of experience within the payments and fintech space, and under his leadership Splitit refreshed its growth strategy.

Following the close of the period, Splitit also appointed payments industry veteran, Dan Charron as Non-executive Director, and in addition, Mr Sheth was appointed Managing Director on the Board.

H1 FY22 GROWTH & PERFORMANCE

Splitit accelerated its pathway to profitability during the half year. The Company grew Net Transaction Margins to 1.25%, an addition of 0.91% (absolute). In addition, operating expenses were reduced by 22% YoY, from US$14M in H1 FY21 to US$10.9M in the current half year as Splitit decreased its marketing expenses to focus on larger distribution partners to drive growth. This progress was achieved despite some legacy costs from unprofitable merchants, which were exited throughout the half year (which is expected to contribute to further margin accretion going forward), as well as one-off costs in relation to headcount reductions.

Following the close of the period, Splitit signed a variation to its agreement for a US$150 million receivables funding facility with Goldman Sachs, as first announced at in the Company's Notice of Annual General Meeting. The revised facility terms are forecast to save the Company up to US$5.3M across a 2-year period, when including the significant volume and reduced interest rates associated with the anticipated signing of an expanded global merchant agreement. Exclusive of the global merchant expansion savings, the interest savings for the current business are forecast to be up to US$2.1M across the 2-year period.

Despite evolving macroeconomic conditions, Splitit achieved MSV growth of 13% YoY to US$195m compared to US$173m in H1 FY21. Splitit reports revenue (IFRS) of US$5.1M in H1 FY22, against US$5M in H1 FY21, an increase of 2%, reflecting a shift in the revenue mix to the unfunded model, which further limits Splitit's exposure to interest rate movements.

Table 1: Splitit delivered a solid half year of results across its key operational metrics in H1 FY22

Operating Metrics	H1 FY22	Comparison to H1 FY21 (YoY)
Merchant Sales Volume (MSV)[1]	US$195M	**+13% (US$173M)**
Revenue (IFRS)[2]	US$5.1M	**+2% (US$5M)**
Revenue (Non-IFRS)[3]	US$4.8M	**-4% (US$5M)**
Net Transaction Margin % (NTM %)[4]	1.25%	**+0.91% (absolute) (0.34%)**
Operating Expenses (Non-IFRS)[5]	US$10.9M	**-22% (US$14M)**

[1] Underlying MSV for successful transactions

[2] Revenue recognised in accordance with International Financial Reporting Standards (IFRS)

[3] Revenue invoiced to merchants for the period, translated to reporting currency. Under the funded model, revenue is invoiced upfront at the date of funding. Under the basic model, revenue is invoiced monthly as each instalment is processed. This non-IFRS measure has not been independently audited or reviewed and will differ from GAAP revenue due to IFRS revenue recognition rules.

[4] NTM(%)= NTM ($) / MSV invoiced to merchants during the period. NTM ($) = Revenue (Non-IFRS) – variable transaction costs (finance costs directly associated with receivables funding, third party revenue share, processing costs) - Bad Debts (transaction losses)

[5] Operating expenses exclusive of non-cash items (share-based payments, warrant expenses, unrealised foreign exchange gains/losses, depreciation and amortisation, amortisation of deferred debt costs).

Table 2: Statutory to Management Profit & Loss Reconciliation

Statutory Profit & Loss before tax

	30-Jun-22 (US$'000)	30-Jun-21 (US$'000)	
Portfolio income	3,734	3,865	A
Transaction revenue	1,368	1,119	B
Other income	18	16	
Total income	**5,120**	**5,000**	
Cost of Sales	(592)	(139)	C
Gross Profit	**4,528**	**4,861**	
Depreciation and amortisation expenses	(38)	(35)	D
Employment expenses	(6,216)	(7,232)	E
Operating expenses	(5,406)	(7,712)	F
Receivables Impairment expenses	(379)	(1,944)	G
Share based payment expenses	(931)	(1,223)	H
Total expenses	**(12,970)**	**(18,146)**	
Operating loss	**(8,442)**	**(13,285)**	
Finance income	17	31	I
Warrant expenses	(408)	(99)	J
Interest and other finance costs	(3,408)	(5,417)	K
Finance costs	**(3,816)**	**(5,516)**	
Loss for the period	**(12,241)**	**(18,770)**	L

Management Profit & Loss - EBITDA Reconciliation

	30-Jun-22 (US$'000)	30-Jun-21 (US$'000)	
Merchant Sales Volume	194,804	172,505	
MSV Invoiced in period	170,115	153,922	
Revenue (Non IFRS)	**4,794**	**5,006**	*Included within A & B*
NTM Finance Costs	(1,702)	(2,396)	*Included within K*
Other variable transaction costs	(592)	(139)	*C*
Impairment Expenses	(379)	(1,944)	*G*
Total NTM Costs	**(2,672)**	**(4,479)**	
Net Transaction Margin $ (NTM $)	2,121	527	
NTM %	1.25%	0.34%	
Operating expenditure (Non IFRS)	**(10,915)**	**(14,055)**	*Included within E & F*
EBITDA (Non IFRS)	**(8,794)**	**(13,528)**	
Reconciliation to statutory loss for the year			
Finance Income	17	31	*I*
Other Cash related Finance Costs	(1,279)	(2,666)	*Included within K*
Non Cash Items			
Depreciation and amortisation expense	(38)	(35)	*D*
Warrant Expenses	(408)	(99)	*J*
Amortisation of deferred debt costs	(428)	(355)	*Included within K*
Share based payments expenses	(931)	(1,223)	*H*
Net Foreign currency (gains) / losses	(707)	(889)	*Included within F*
IFRS 9 EIR Adjustment	326	(6)	*Included within A & B*
IFRS Loss before tax	**(12,241)**	**(18,770)**	*L*

About Splitit

Splitit is a global payment solution provider that enables shoppers to use the credit they've earned by breaking up purchases into monthly interest-free instalments using their existing credit card. Splitit enables merchants to improve conversion rates and increase average order value by giving customers an easy and fast way to pay for purchases over time without requiring additional approvals. Splitit serves many of Internet Retailer's top 500 merchants and is accepted by more than 3,000 eCommerce merchants in over 30 countries and shoppers in over 100 countries. Headquartered in Atlanta, Splitit has an R&D centre in Israel and offices in London and Australia. The Company is listed on the Australian Securities Exchange (ASX) under ticker code SPT. The Company also trades on the US OTCQX under ticker codes SPTTY (ADRs) and STTTF (ordinary shares).

Key Points	
Consumer friendly for shoppers	As the only instalment offering that allows shoppers to use their pre-existing unused credit card balances at the point of sale, Splitit offers a consumer-friendly solution with no new debt or credit checks, no application, no interest or late fees charged. It also allows shoppers to continue collecting perks like cash back, rewards and points as they would on normal credit card transactions, without any risk of damaging their credit profile.
Unique benefits for merchants	Splitit is highly integrated (shoppers don't need to leave the merchant's website), easy to Implement and offers longer and flexible loans, reducing shopper friction and driving sales conversion rates. It also offers merchants the option of a funded or non-funded model.
Globally scalable model, boosted by white labelling	Splitit is fundamentally a technology business leveraging the existing global credit card payment rails. This means its branded or white label solution can be adopted in new markets without the need for an 'on the ground' presence, delivering strong operating leverage, enhanced scalability and a cost-effective pathway to profitability.
Already subject to existing credit card regulatory framework, and allows merchant surcharging	As a technology solution that operates within the highly regulated credit card industry, Splitit has a distinct advantage over legacy BNPL providers who are under increasing global regulatory scrutiny due to their consumer financing models. In addition, mounting sector-wide pressure to allow merchant surcharging will not impact Splitit, as merchants are already allowed to surcharge on credit cards.
Unique IP	Splitit's protected IP secures the pre-authorisation on a consumer's credit card limits consumer defaults, as the transactions are secured by the credit card issuers. This unique business model provides operating leverage at scale and a pathway to future profitability without the same associated risk.

The announcement has been approved and authorised to be given to ASX by Dawn Robertson, Chairman of the Board of Splitit.

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Note to market

None of the information included in this announcement should be considered individually material unless specifically stated.

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- assumptions regarding the Company's financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and
- current views, expectations and beliefs as at the date they are expressed and which are subject to various risks and uncertainties.

Actual results, performance or achievements of the Company could be materially different from those expressed in or implied by these forward-looking statements. The forward-looking statements contained within the presentations are not guarantees or assurances of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by forward-looking statements. For example, the factors that are likely to affect the results of the Company include general economic conditions in Australia and globally; exchange rates; competition in the markets in which the Company does and will operate; weather and climate conditions; and the inherent regulatory risks in the businesses of the Company. The forward-looking statements contained in this announcement should not be taken as implying that the assumptions on which the projections have been prepared are correct or exhaustive. The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this presentation have not been audited, examined, or otherwise reviewed by the Company's independent auditors.

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