

ASX Announcement
28 October 2022

**Way2VAT expands into new markets reinforced by new enterprise clients,
platform partners and rollout of Smart Spend Debit MasterCard**

Quarterly Activities Report and Appendix 4C

Q3 FY22 Highlights (all figures A\$ unless otherwise stated):

- Transaction volume increasing to:
 - \$6.74 million up 20% on previous quarter (\$5.64million Q2 FY22)
 - Transaction volume for the 9 months ended 30 September 2022 of \$14.60 million up 60% on prior corresponding period (pcp) (\$8.80 million).
- Cash receipts of \$208k, up 7% on previous quarter (\$194K Q2 FY22)
- Completed acquisition of DevoluIVA, providing entry into the Spanish market through established network of over 130,000 merchants
- Successful pilot of Smart Spend Debit Mastercard across 20 companies in four industry sectors
- Signed 10 new multinational enterprise customers including Duracell for use by 3,300 employees globally and Klockner Pentaplast GmbH for use by 5,700 employees
- Raised \$300k in a private placement to accelerate Smart Spend Debit MasterCard commercialisation
- Cash balance of \$1.64 million as at 30 September 2022

Global fintech leader in automated VAT claim and return solutions, Way2VAT Ltd (**ASX:W2V**, **Way2VAT** or the **Company**), provides an update on its activities for the quarter ended 30 September 2022 (Q3 FY22), alongside the Company's Appendix 4C.

Commenting on the Company's achievements over Q3 FY22, Way2VAT Founder & CEO, Amos Simantov, said:

"This quarter has seen widespread growth across Way2VAT as we expanded into the Spanish market and continued to roll out our patented technology platform across a wide range of industries bolstered by increased revenue and transaction volume for the period.

"We have completed a successful pilot on the Smart Spend Debit Mastercard, the world's first spend card for the SMB and Enterprise market that fully automates VAT/GST returns from end-to-end. It is now enabling us to upsell to our existing SMB and enterprise clients, having received widespread positive feedback from pilot clients.



“The card is starting to generate additional annualised income streams for Way2VAT with the company earning revenue through a Software-as-a-Service (SaaS) model with monthly charges to card users, administration licenses and a percentage from each successful VAT/GST refund.

“It is exciting to have DevoluIVA and its staff as part of the Way2VAT family enabling us to expand the business into Spain with its unique domestic VAT structure. The acquisition will also provide the opportunity to expand our Smart Spend Debit Card into a large market through DevoluIVA's national network.

“We have integrated the platforms of both entities to provide a comprehensive solution to our clients and to immediately start contributing to and being recognised in Way2Vat's consolidated revenues from the completion date in late September 2022.

“We continue to grow our enterprise customer base to 225 as of the end of the quarter, welcoming Duracell, the world's number one consumer battery company by market share with all 3,300 global employees and Klockner Pentaplas, one of the world's leading plastics manufacturers with 5,700 employees around the world.

“With increased support from new and existing investors, we are able to fast track the commercialisation of the Smart Spend Debit Mastercard and our proprietary technologies as we look to capitalise on markets returning to pre-pandemic travel conditions.”

Financial highlights

Transaction volume for the quarter (Q3 FY22) increased 293.7% to \$6.74 million, up from \$1.53 million for the corresponding period (Q3 FY21) and increased 20% to \$6.74 million in Q3 FY22 compared to the previous quarter (\$5.64 million in Q2 FY22).

Cash receipts for the quarter were \$208k, an increase of 7% compared to the previous quarter (\$194K Q2 FY22). Receipts of cash are more volatile than transaction volume due to the time lag nature of the business, with a six to nine-month typical period for VAT claims to be submitted and approved from relevant tax authorities. The 20% quarter-on-quarter increase in gross transaction value with clients will convert to increased fees that will become Way2VAT revenue in future quarters.

During the quarter Way2Vat raised \$300k via a private share placement at A\$0.051, being the same issue price as the A\$1.09 million placement to institutional and sophisticated investors earlier in the financial year (see ASX announcement 8 June 2022).

As a result, the cash balance at 30 September 2022 was \$1.64 million.

During the quarter, \$196k in payments were made to related parties and their associates, being wages for the CEO (incl. superannuation equivalent), Chairman, Non-Executive Directors and Strategic Advisor.



Operational highlights

Completed acquisition of DevoluIVA

In September Way2VAT acquired Spanish VAT automation business DevoluIVA S.L.U, enabling the Company to enter certain Latin American markets with complementary domestic and foreign VAT and accounts payable systems to the Spanish market.

DevoluIVA offers comprehensive management of corporate expenses and the automatic recovery of national VAT services with an established network of 60,000 users and over 130,000 merchants. The acquisition will also support the rollout of the world's first Smart Spend Debit Mastercard throughout DevoluIVA's established network.

World-first Smart Spend Debit Mastercard gaining momentum

Way2VAT successfully completed a pilot of its Smart Spend Debit Mastercard with 20 companies using 200 cards across aviation, security, automotive and technology sectors. Cards provide businesses the capability to submit spend receipts and capture invoices through Way2VAT's proprietary technology platform.

Demand is expected to continue to grow as worldwide travel resumes to pre-pandemic levels and with debit cards being widely used and accepted globally. Around seven in 10 cards issued to consumers in Europe carrying a debit function, are utilising the flexibility and ease of debit payment¹. In Europe, the debit card base grew by 42.7 million or 5.5% last year reaching a total of 813.5 million.

The next phase of rollout will initially target the United Kingdom.

Enterprise clients

During the quarter, Way2VAT signed 10 new deals with major multinational enterprise clients – taking enterprise client numbers to 225. Key companies included:

- Duracell, the world's number one consumer battery company by market share with all 3,300 global employees; and
- Klockner Pentaplast GmbH, a leading global manufacturer of sustainable and recyclable plastic films and high-barrier protective packaging for food, pharmaceutical, health and durable products, for its 5,7000 employees around the world.

With these enterprise clients Way2VAT will originate revenue on each successful VAT and GST reclaim transaction and corporate expense that it processes through its platform.

¹ Debit Card Trends in Europe in 2022- PCM's Digital and Card Payments Yearbooks 2022



Platform partnerships

Way2VAT continues to service its ~850 SMB clients and leverage its partnerships and integrations with six platforms Elmo, Xero, Circula, Allocate, Yokoy and Zoho to grow its market share and position in the automated VAT recovery segment for the SMB market. These partners proactively offer the Way2VAT platform to clients.

Way2VAT will originate its revenue from clients through a one-year contract based on each successful VAT reclaim transaction that it processes through the Way2VAT platform, with the ability to process large numbers of reclaims without substantially increasing the cost of processing. This quarter Way2VAT has allocated resources from the SMB marketing team to implement the SmartCard pilot and initial rollout.

Secured \$300k to accelerate Smart Spend Debit MasterCard commercialisation

In August, Way2VAT raised an additional \$300k via private placement at the same issue price as the A\$1.09 million placement to institutional and sophisticated investors in June.

Proceeds from the placement will mainly be used on Smart Spend Debit MasterCard operations that include accelerating growth of the Card in the UK and European market.

In addition, the funds will be used for further growth opportunities, and working capital.

First tranche of funding grant to support research and development and initial marketing and commercialisation of the Smart Spend Debit Mastercard

In July 2022, Way2VAT received the first tranche of the Israeli Innovation Authority (IIA) funding grant.

The \$221k received will support Way2VAT's research and development and initial marketing and commercialisation of its new Smart Spend Debit Mastercard.

The IIA also allows for Way2VAT to apply for an additional grant in 2023 based on the current approved plan.

The grant is expected to be repaid to the IAA over a number of years, starting from 2024, as a percentage of royalties from future revenues generated by the outputs of Way2VAT's products based on the technology backed by the grant.

Product development

The company continues to introduce new features to its Smart Spend Card users in collaboration with Railstr Bank. This is done as part of their BaaS (Bank as a Service) platform which offers a Railstr Bank CaaS (Card as a Service) solution. Recent enhancements include:

- Integrating with Railstr BaaS (Bank as a Service) and CaaS (Card as a Service) platform to enable core functionality of online virtual and physical card.

- AI-powered authentication which matches the receipt's image against the transaction data and alerts the user for any possible mismatch;
- redesigned visual themes of the front-end to match specific target markets and personas; and
- back-end development for data handling, business logic, workflows and integration with third party providers.

Way2Vat continues final product testing of a complementary product for the VAT/GST automated platform based on its patented AIA, using AI and computer vision technology to expand the product suite.

Patent applications

Liaison continues with the International Patent Office for two recent patent applications: a full patent application for review for 'Systems and Methods for Document Image Analysis by Alignment of Document Image Sets to Spreadsheets'; and a patent application for Automated Invoice Analysis (AIA) for the full automation of VAT ID.

Q3 FY22 Cashflow commentary

Way2VAT's quarterly Operating cash outflows of \$509k included \$951k of Staff costs (as outlined in Item 1.9 in the attached Appendix 4C).

Use of funds update from the IPO, under Listing Rule 4.7C, is as follows:

| | Quarterly | | Cumulative of 4 quarters | | |
|--------------------------------|-----------------------|--------------------|--------------------------|--------------------|--|
| Use of Funds as per Prospectus | Estimated expenditure | Actual expenditure | Estimated expenditure | Actual expenditure | Comment |
| | (\$ Thousands) | | | | |
| Sales and Marketing | 343 | 489 | 1,372 | 2,050 | New Staff and service providers to support growth |
| Research and development | 198 | 238 | 791 | 1,788 | Timing of up front R&D spending to be gradually and partially offset during the next two years through |

| | | | | | |
|--|-----|-------|-------|---------|---|
| | | | | | receipt of government grants |
| Compliance and security | 18 | 26 | 73 | 268 | Additional accounting costs. |
| Customer fulfilment and support | 103 | 113 | 414 | 477 | New recruits for support and compliance |
| Patent applications | 3 | - | 13 | 14 | New patents submissions |
| General & Administration | 85 | 530 | 339 | 1,786 | Professional services; New recruits to finance team |
| Working capital | 45 | (723) | 181 | (1,568) | Mainly adjustments related to customers |
| Costs of the Offer | - | - | - | 409 | Including post prospectus submission legal costs related to previous withdrawn IPO (3/2020) |
| Total | 796 | 673 | 3,183 | 5,224 | Extra costs have been partly funded by additional capital raised post IPO |

The above table also reflects the expenditure incurred during the quarter

Outlook

Way2VAT Founder & CEO, Amos Simantov, said, “While this quarter is traditionally the quietest due to the European summer, we are seeing healthy increases in transaction volumes – which denote current trade, and cash receipts, which will end up as Way2VAT fees and revenue as these transactions work their way through the taxation systems of the countries involved – often with up to six to nine months’ delay.”



“These increasing transaction volumes show our platform’s ability to scale. We expect to further accelerate revenue over coming quarters as SMBs and enterprise staff return from holidays and general business and travel conditions return towards pre-pandemic trading conditions.

“Our acquisition of DevoLUIVA allows us to roll out our technology across Spain with a complete suite of international and domestic travel and foreign and domestic accounts payable capability and leverage this into Latin American markets that have similar VAT and taxation structures to Spain.”

Appendix 4C

Please find **attached** the Company’s Appendix 4C.

This announcement was authorised for release to the ASX by the Board of Way2VAT.

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For more information, please contact:

Investors

Adrian Mulcahy

P: +61 438 630 422

E: adrian.mulcahy@automicgroup.com.au

Media

Tristan Everett

P: +61 403 789 096

E: tristan.everett@automicgroup.com.au

About Way2VAT

Way2VAT is a global fintech leader in automated VAT/GST claim and return solutions in over 40 countries and in over 20 languages, serving hundreds of enterprise businesses worldwide. Way2VAT owns and operates a patented artificial intelligence technology that powers the world’s first fully automated, end-to-end VAT reclaim platform.

Established in 2016, Way2VAT is headquartered in Tel Aviv with offices in the United Kingdom, the United States, France and Romania and has over 50 employees.

Used by more than 200 enterprise companies including Amdocs, EY Israel, MasterCard, eToro, Kimberly-Clark, Hitachi ABB, Mobileye Intel, RB, Willis Towers, Siemens-Israel, Daily Mail Group, Sage, Falck, Boston Red Sox, and Foot Locker Europe with customer retention over 97 per cent.

www.way2vat.com

Appendix 4C

Quarterly cash flow report for entities
subject to Listing Rule 4.7B

Name of entity

WAY 2 VAT LTD

ABN

637 709 114

Quarter ended ("current quarter")

September 30, 2022

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 1. | Cash flows from operating activities | | |
| 1.1 | Receipts from clients | 208 | 756 |
| 1.1.1 | Net refunds collected for clients | 515 | 635 |
| 1.2 | Payments for | | |
| | a) research and development | (104) | (332) |
| | b) product manufacturing and operating costs | (14) | (36) |
| | c) advertising and marketing | (126) | (459) |
| | d) leased assets | (96) | (307) |
| | e) staff costs | (951) | (2,975) |
| | f) administration and corporate costs | (335) | (1,019) |
| 1.3 | Dividends received (see note 3) | | |
| 1.4 | Interest received | | |
| 1.5 | Interest and other costs of finance paid | (4) | (10) |
| 1.6 | Income taxes paid/ received | 168 | 240 |
| 1.7 | Government grants and tax incentives | 230 | 328 |
| 1.8 | Other (provide details if material) | | |
| 1.9 | Net cash from / (used in) operating activities | (509) | (3,179) |
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire or for: | | |
| | a) entities | (28) | (209) |
| | b) businesses | | |
| | c) property, plant and equipment | (2) | (14) |
| | d) investments | | |
| | e) intellectual property | | |
| | f) other non-current assets | | |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 2.2 | Proceeds from disposal of: | | |
| | a. entities | | |
| | b. businesses | | |
| | c. property, plant and equipment | | |
| | d. investments | | |
| | e. intellectual property | | |
| | f. other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | | |
| 2.4 | Dividends received (see note 3) | | |
| 2.5 | Other (provide details if material) | (149) | (372) |
| 2.6 | Net cash from / (used in) investing activities | (179) | (595) |
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 337 | 1,427 |
| 3.2 | Proceeds from issue of convertible debt securities | | |
| 3.3 | Proceeds from exercise of options | | |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | (30) | (159) |
| 3.5 | Proceeds from borrowings | | |
| 3.6 | Repayment of borrowings | | |
| 3.7 | Transaction costs related to loans and borrowings | (22) | (62) |
| 3.8 | Dividends paid | | |
| 3.9 | Other (Cash refunded for clients) | | |
| 3.10 | Net cash from / (used in) financing activities | 285 | 1,206 |
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 2,116 | 4,308 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (509) | (3,179) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (179) | (595) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 285 | 1,206 |
| 4.5 | Effect of movement in exchange rates on cash held | (75) | (103) |
| 4.6 | Cash and cash equivalents at end of period | 1,637 | 1,637 |

| | | | |
|------------|---|----------------------------|-----------------------------|
| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
| 5.1 | Bank balances | 1,637 | 2,116 |
| 5.2 | Call deposits | | |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (provide details) | | |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 1,637 | 2,116 |

| | | |
|---|--|----------------------------|
| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | (196) |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | |
| <i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i> | | |

| | | | |
|-----|---|--|---|
| 7. | Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
| 7.1 | Loan facilities | 1,148 | (1,148) |
| 7.2 | Credit standby arrangements | | |
| 7.3 | Other (please specify) | | |
| 7.4 | Total financing facilities | 1,148 | (1,148) |
| 7.5 | Unused financing facilities available at quarter end | | 0 |
| 7.6 | Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | | |
| | | | |

| | | |
|--|--|----------------|
| 8. | Estimated cash available for future operating activities | \$A'000 |
| 8.1 | Net cash from / (used in) operating activities (item 1.9)) including refund collected for clients. | (509) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 1,637 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | 0 |
| 8.4 | Total available funding (item 8.2 + item 8.3) the cash balance, which includes \$515k of net refunds owed to clients | 1,637 |
| 8.5 | Estimated quarters of funding available (item 8.4 divided by item 8.1) the cash balance includes \$515k Adjustment related to clients and that the ratio would be 1.1 without including those receipts in operating cash inflows | 3.22 |
| <i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i> | | |
| 8.6 | If item 8.5 is less than 2 quarters, please provide answers to the following questions: | |
| 8.6.1 | Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? | |
| Answer: | | |
| 8.6.2 | Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? | |
| Answer: | | |

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

28 October 2022

Date:

By the Board of Directors

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.