

ASX release

30 October 2023

Way2VAT increases quarterly revenue 110% and cash receipts 240% on prior year

Q3 FY23 Quarterly Activities Report and Appendix 4C

Q3 FY23 Highlights (all figures A\$ unless otherwise stated):

- Transaction volume of \$7.7 million up 15% on previous corresponding period (pcp) (\$6.7 million in Q3 FY22)
- Revenue of \$814k¹, up 110% on pcp (\$387k in Q3 FY22)
- Cash receipts of \$708k up 240% on pcp (\$208k in Q3 FY22)
- Accounts receivable on client VAT claims already submitted to tax authorities increases further to \$3.7 million
- Enterprise clients now number 340 with new signings in Spain and Germany
- Onboarding of previously announced enterprise clients to significantly boost transaction volume and future revenue in Q4 FY23
- Operating cash expenses of \$2,161k down 7% on pcp (\$2,314k in Q2 FY23)
- No negative impact on our global business with the war in Gaza. Ninety per cent of our clients based in Europe and the UK, and derive 90% of revenue from there. In addition, 80% of staff are based in Spain, the UK and Romania.

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 2023 (Q3 FY23), alongside the Company's Appendix 4C.

Commenting on the Company's achievements over Q3 FY23, Way2VAT Founder & CEO, Amos Simantov, said:

"With Way2VAT being a cyclical business, it has experienced its best ever third quarter. Revenue is up 110% and cash receipts increased 240% as global travel and business operations returned to normal post-COVID levels. We are on an accelerating growth trajectory as we bring on new multinational clients, and further integrate our complete product portfolio across markets.

"With three quarters of the financial year now complete, several recent client wins successfully onboarded, and looking ahead to the seasonally strongest quarter of the year for our business, Way2VAT is set to finish 2023 full of momentum.

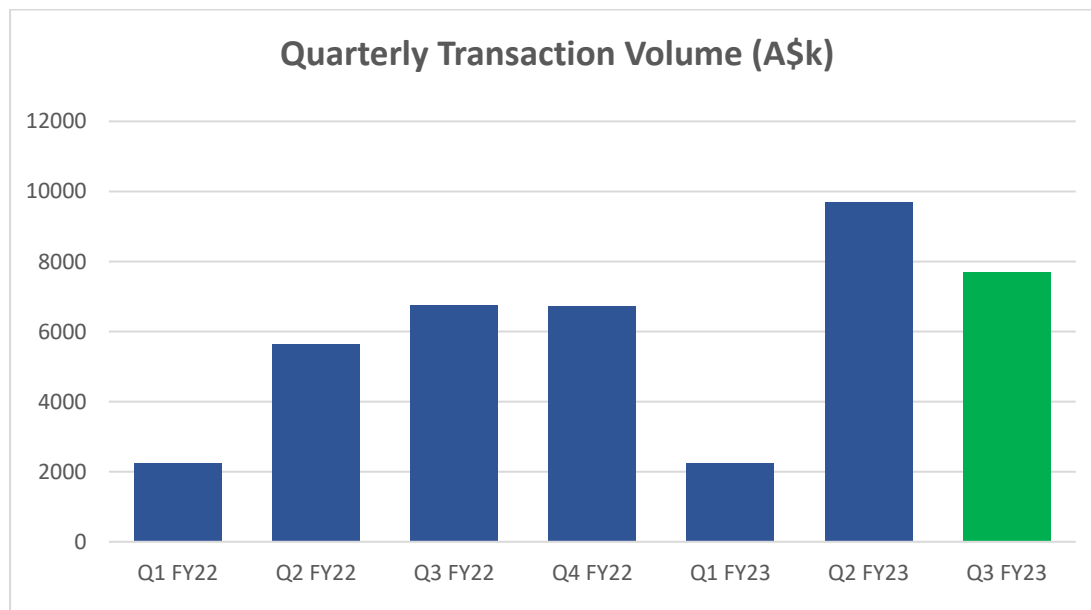
¹ Unaudited

“In a sign of growth in business volumes and VAT reclaim submissions our accounts receivable has increased further to \$3.7 million. These are predominantly fees due to be received upon payment of client VAT claims by government taxation authorities for foreign VAT. This also includes fees to be received from clients directly for domestic VAT work finalised during the quarter. Growth in accounts receivable is a clear sign that Way2VAT’s business volumes and VAT submissions are growing at a faster rate than collections from tax authorities leading to higher cash receipts in the future periods. We are monitoring this situation closely as the timing of cash receipts might impact the need for further capital, should it be necessary.

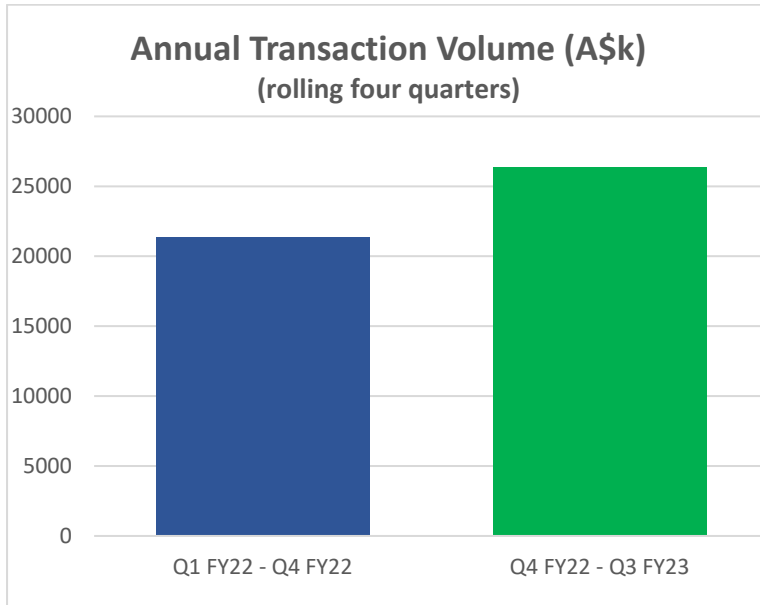
“We continue to grow our enterprise customer base to 340 as of the end of the quarter welcoming Spanish companies Frit Ravich, Primaflor, Obramat and Uriach, and German company Pfleiderer. I’m also pleased to report we’ve expanded our relationship into more subsidiaries within Globalia Group, Spain’s largest tourism and transport holding company, which we initially signed in Q4 2022.”

Financial highlights

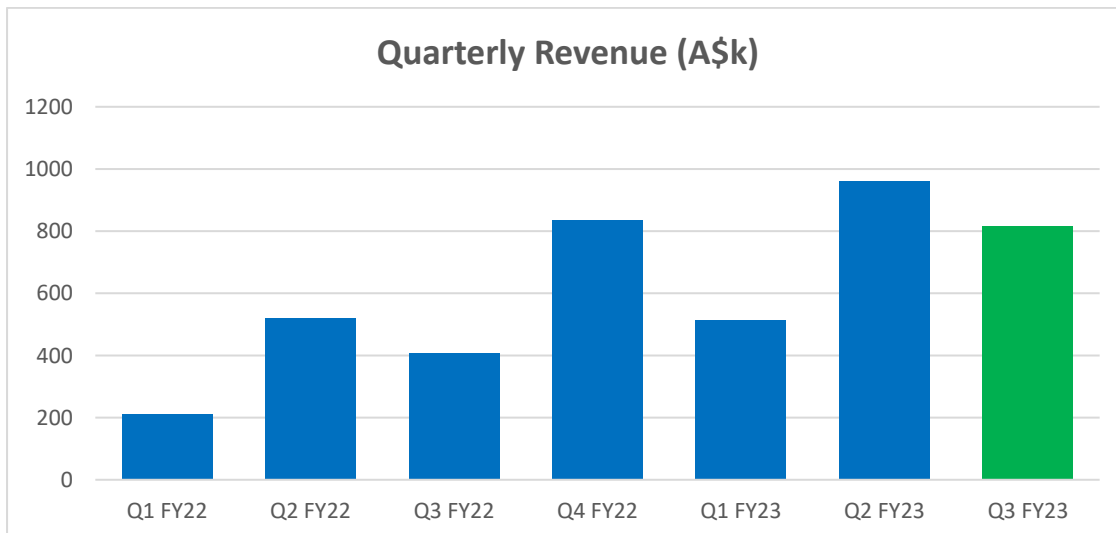
Transaction volume for the quarter (Q3 FY23) increased 15% to \$7.7 million, up from \$6.7 million on pcp (Q3 FY22).



On a rolling four-quarter basis Annual Transaction Volume has increased 23% from \$21.34 million (Q1 FY22 – Q4 FY22) to \$26.36 million (Q4 FY22 – Q3 FY23).

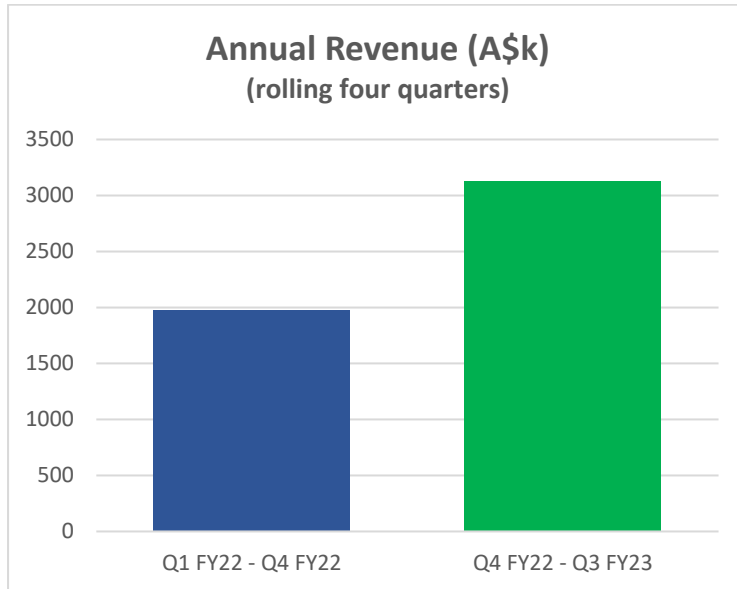


Revenue² for the quarter was \$814k, up 110% on pcp (\$387k in Q3 FY22).



² Unaudited

On a rolling four-quarter basis Annual Revenue has increased 58% from \$1.98 million (Q1 FY22 – Q4 FY22) to \$3.13 million (Q4 FY22 – Q3 FY23).



Cash receipts of \$708k increased 240% on pcp (208k in Q3 FY22).

It should be noted that item 1.8 of the Appendix 4C in the current quarter aggregated to approximately \$4.8 million. This amount contains approximately \$4.7 million of cash received on 14 September 2023 relating to specific customers VAT reclaims. Verifications of these funds with tax authorities prior to payment to the client meant that the funds remained in Way2VAT's bank account as of 30 September 2023.

Way2VAT will generally hold client funds in its accounts which are successful VAT reclaims awaiting verification before repayment to clients. In any given quarter this is represented in the appendix 4C as a net inflow or outflow depending on the quarterly activity. When calculating cashflow from underlying operating activities investors should take note of the inflow / outflow of client funds.

The cash balance as of 30 September 2023 was \$5.4 million although approximately \$4.7 million of this was client funds, awaiting payment verification.

The company expects the level of operating cash burn will continue to decrease in coming quarters due to both increased client activity and new client wins. Cash burn reduction will also be assisted by an increase in the collection of accounts receivable from government tax authorities combined with some further modest decrease in operating costs.

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.

Enterprise clients

During the quarter, Way2VAT signed new deals with large enterprise clients, taking enterprise client numbers to approximately 340.

Key companies included:

- Spanish pharmaceutical company Uriach, operating for 170 years across 70 countries worldwide specialising in solid oral dosages and semisolids, product development and commercial manufacturing and packaging;
- German company Pfleiderer is one of Europe's largest manufacturers of premium engineered wood-based materials with over 2,000 employees operating across Germany and Poland;
- Spanish fresh produce company Primaflor with 5,000 employees; and
- Frit Ravich, a Spanish food and beverage company exporting snacks and nuts to China, Equatorial Guinea, Sweden, Algeria, Malta and Costa Rica, with over 950 employees in Spain and France.

Outlook

Way2VAT Founder & CEO, Amos Simantov, said:

"Quarter-four is seasonally the strongest period of the year for Way2VAT. Building on the momentum of the past few quarters, we are primed to increase transaction volume and revenue in Q4 as clients submit their receipts to meet financial year deadlines in many jurisdictions. This should be further bolstered by the reduction in time that tax authorities are taking to administer claims, allowing us to receive cash receipts quicker.

"While the situation in Israel remains serious, we have 90% of our clients based in Europe and the UK, and derive 90% of revenue from there. In addition, 80% of staff are based in Spain, the UK and Romania, so Way2VAT operations are generally unaffected. Our corporate headquarters in Tel Aviv remains open and we have optional work-from-home policies in place for those staff there.

"As part of our growth strategy the company is also examining various acquisition options where it makes sense from a complementary business and product suite perspective and where it adds shareholder value."

Use of Funds update from IPO

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

	Cumulative of 8 quarters (Q4/2021 – Q3/2023)		
Use of Funds as per Prospectus	Estimated expenditure	Actual expenditure	Comment
	(A\$K)		
Sales and Marketing	2,744	4,429	New Staff and service providers to support growth
Research and development	1,582	3,437	Timing of up front R&D spending to be gradually offset during the next two years through receipt of government grants
Compliance and security	147	506	Additional accounting costs.
Customer fulfilment and support	827	1,160	New recruits for support and compliance
Patent applications	25	25	New patents submissions
General & Administration	680	4,600	Professional services; New recruits to finance team
Working capital	362	(3,591)	Mainly adjustments related to customers
Costs of the Offer	633	409	Including post prospectus submission legal costs related to previous withdrawn IPO (3/2020)
Total	7,000	10,975	



Appendix 4C

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

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

ENDS

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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, Spain and Romania and has over 70 employees.

It is used by approximately 340 global enterprise companies.

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

Quarter ended ("current quarter")

637 709 114

30 September 2023

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 collected from clients	708	1,901
1.2	Payments for:		
	research and development	(112)	(419)
	product manufacturing and operating costs	(9)	(63)
	advertising and marketing	(51)	(224)
	leased assets	(126)	(326)
	staff costs	(1,257)	(3,889)
	administration and corporate costs	(675)	(1,582)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(12)	(26)
1.6	Income taxes (paid)/ received	81	190
1.7	Government grants and tax incentives	-	481
1.8	Other (provide details if material) ³	4,816	4,027
	Net inflow/outflow of client monies received in quarter from payments by government tax authorities		
1.9	Net cash provided by operating activities	3,363	70

³ This amount (both in the current quarter and in the 9 months ended 30 September 2023) contains approximately \$4,673k of cash received on 14 September 2023 due to be transferred to the Company's customers, but which had not been transferred as of 30 September 2023.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	entities	-	-
	businesses	-	-
	property, plant and equipment	(2)	(6)
	investments	-	(80)
	intellectual property	-	-
	other non-current assets	-	-
2.2	Proceeds from disposal of:		
	entities	-	-
	businesses	-	-
	property, plant and equipment	-	-
	investments	-	-
	intellectual property	-	-
	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)	-	(33)
2.6	Net cash used in investing activities	(2)	(119)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	445	3,097
3.2	Proceeds from issue of convertible debt securities	-	1,081
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(62)	(415)
3.5	Proceeds from borrowings	-	365
3.6	Repayment of borrowings	-	1
3.7	Transaction costs related to loans and borrowings	(36)	(121)
3.8	Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
3.9	Other (Cash refunded for clients)	-	-
3.10	Net cash provided by financing activities	347	4,008

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,790	1,511
4.2	Net cash provided by operating activities (item 1.9 above)	3,362	70
4.3	Net cash used in investing activities (item 2.6 above)	(2)	(119)
4.4	Net cash provided by financing activities (item 3.10 above)	347	4,008
4.5	Effect of movement in exchange rates on cash held	(98)	(70)
4.6	Cash and cash equivalents at end of period⁴	5,400	5,400

⁴ Cash and cash equivalents at the end of the quarter includes client funds awaiting verification for payment of at least \$4,673k.

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	5,400	1,790
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)	5,400	1,790

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	1,650	(1,650)
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	1,650	(1,650)
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.		
	Includes two outstanding loans, both with Bank Hapoalim, Israel as the lender: \$1,079k secured loan (principle) based on a percentage of the company's receivables from tax authorities, current maturity is 30 August 2024 with interest set at Israeli Prime Rate + 4.5% (10.75%). \$571k secured loan (principle) based on a percentage of the company's receivables from tax authorities, current maturity is 31 August 2025 with interest set at Israeli Prime Rate + 5.8% (12.05%).		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash used in operating activities (item 1.9) including refund collected for clients.	3,363
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,400
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,400

8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<p><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></p>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions ⁵	
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?	
<p>Answer:</p> <p>The company expects that the level of operating cash burn will continue to decrease in coming quarters due to both increased client activity and new client wins explained in the accompanying Quarterly Activity Report. Cash burn reduction will also be assisted by an increase in the collection of accounts receivable from government tax authorities combined with some further modest decrease in operating costs.</p>		
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?	
<p>Answer:</p> <p>The company has a \$3.7 million accounts receivable balance mostly with government tax authorities, the timing of receipt of these receivables will impact on any need to raise additional cash to fund its operations. The company is monitoring this cash flow situation closely and has various options to raise further capital should it be necessary.</p>		
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?	
<p>Answer:</p> <p>Yes, please see 8.6.1 and 8.6.2 above</p>		
<p><i>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.</i></p>		

Compliance statement

⁵ We addressed the questions within Sections 8.6.1, 8.6.2 and 8.6.3 even though we did not meet the technical criteria under Section 8.5, as we wanted to explain to investors the true cash position of the company.

- 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.

30 October 2023

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.