



June 2020 Quarterly Report & Appendix 4C

Record Growth in Q2

HIGHLIGHTS:

- Record growth quarter with Merchant Sales Volume ('MSV') of US\$65.4M up 260% YoY
- Quarterly Gross Revenue (Non GAAP) of US\$2.4M up 460% YoY, surpassing FY19 full year revenue.
- Continued strong demand from merchants in key verticals, with new brands accepting Splitit post quarter including Puffy, Waves, Braun, OCM and Ecosa
- Key leadership appointments further strengthen team: CFO and VP Payments & Risk
- Well-funded with US\$18.3M net cash,¹ plus a further US\$32m of unused borrowing capacity to fund further growth
- Webinar for investors scheduled for 11am (Australian EST) on Wednesday 5 August, details below

Sydney, Australia, 30 July, 2020 – **Splitit Payments Ltd** (ASX:SPT), a leading global instalment payments solution business, provides an update on its quarterly activities and cash flows for the three-month period to 30 June 2020.

Brad Paterson, CEO of Splitit commented: *“Accelerating merchant demand, strong foundations and a great shopper experience have set Splitit on a rapid growth trajectory, with record MSV and revenue during the quarter. We are seeing the benefits of tightening our product-market fit, attracting world-class talent, partnering with Stripe, Visa and Mastercard and supporting our scalable solution with the right merchant funding model. This is an exciting time and we are only just getting started. We expect this growth to continue as we focus on delivering significant benefit and value to our customers.”*

Quarterly Performance & Business Update

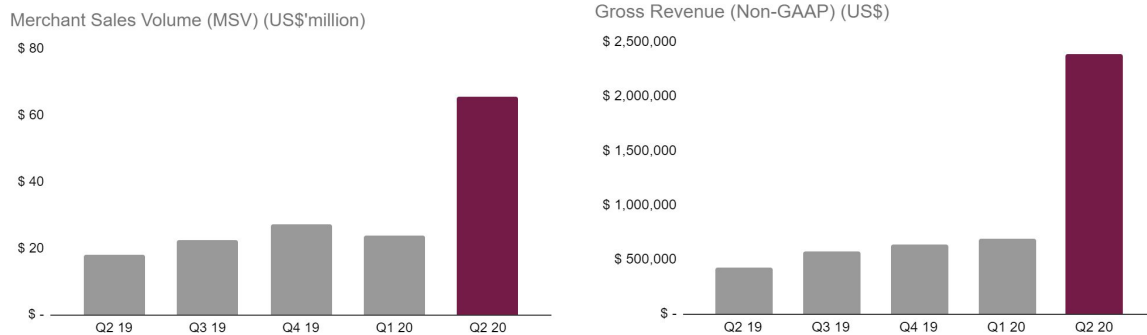
As reported in the Company's announcement dated 8 July 2020, Splitit delivered record merchant sales volume (MSV) growth of 260% YoY (see Figure 1). Growth in its largest markets was strong, with North America up 261% YoY and Europe up 240% YoY. Total Q2 FY20 gross revenue was up 460% YoY (see Figure 2), surpassing total revenue from the whole of FY19. This was primarily due to increasing demand for its funded model².

¹ Cash + merchant funded receivables - debt payable for merchant funding facilities

² Under the funded model, merchants receive the full purchase price upfront. The full amount is transferred to the Merchant net of the first instalment and fees payable to Splitit. Like the basic model, fees are calculated as a percentage of merchant sales volume. However under the funded model, pricing also incorporates Splitit's funding costs (and other variables) plus a contribution margin. Splitit collects amounts owed in line with the installment cycle.



Figure 1 and 2: Growth Metrics



Splitit continued to attract new and large merchants during the quarter, reflecting progress in its strategy to build its presence in key verticals such as homewares, luxury retail, jewelry, sporting & outdoors and health. Leading brands signing up to Splitit’s solution included Purple, Daily Sale, Quiet Kat, Bedmart, Tatami Fightwear, Sofa Club and Alpina Watches.

Merchant demand and continued execution against our strategy is demonstrated with new leading brands accepting Splitit in Q3 to date including Puffy, Waves, OCM, Ecosa and Braun

The Company experienced strong growth in customer numbers with Total Merchants now surpassing 1000, up 104% YoY and over 300,000 total shoppers, up 85% YoY. This was driven by increasing demand for Splitit’s unique installment payment offering that enables anyone with a credit card to pay in installments wherever Splitit is accepted. Repeat Usage declined to 10.2% during the quarter as it corresponded to a large increase in new shoppers during the quarter and growing acceptance locations.

The quarter also saw significant progress with global partnerships. Splitit announced a partnership with global payments technology company, Mastercard Incorporated (“Mastercard”). This exciting partnership is expected to accelerate the adoption of Splitit’s instalment solution around the world through Mastercard’s network of partners. This is in addition to announcing a partnership with Visa in March 2020. The Company also integrated with B2B and B2C payment platform Blue Snap, and further enhanced its integration with open-source e-commerce platform, Magento.

Furthermore, Splitit completed the first phase of its integration with Stripe Connect which aims to accelerate and scale new merchant acquisitions. Beta testing of the new, accelerated, merchant onboarding functionality is underway, with broader deployment expected during Q3 FY20.

Building Strong Foundations

Throughout Q2 FY20, Splitit secured several new receivables funding facilities which has supported the rapid quarterly growth of its merchant funded model. With US\$58M in total liquidity (US\$26M cash at bank plus US\$32M in unused borrowing capacity) the Company has strong capacity to support the accelerating demand from merchants for its funded model.

Splitit continues to build its senior leadership team with high calibre executives, recently appointing Ben Malone as Chief Financial Officer (CFO). Ben brings more than 15 years of finance and leadership experience from Australian and international businesses. This includes leadership roles with several ASX-listed companies such as online real estate advertising company REA Group, SaaS HR platform LiveHire, and APN European Property Fund, as well as Deloitte and Ernst & Young.



Based in Australia, he is leading Splitit's finance and reporting function and supporting investor engagement.

Kay Brinkley also joined Splitit as VP Payments & Risk during the quarter. Kay brings more than 20 years of senior global digital payments and risk management experience to the team, following her time at companies including Stripe, PayPal and Wells Fargo Bank. In her role at Splitit, Kay is responsible for expanding partnership opportunities within the payment industry and card networks, whilst building out a highly skilled risk management function to meet the needs of Splitit's growing business operations.

Quarterly Performance Metrics

As reported on 8 July 2020, Splitit has delivered rapid growth across its key performance metrics.

Table 1: Quarterly Performance Metrics

Operating Metrics	Q2 FY20	Comparison to Q1 FY20	Comparison to Q2 FY19 (YoY)
Merchant Sales Volume (MSV) ³	US\$65.4M	176% (US\$23.7M)	+260% (US\$18.2M)
Gross Revenue (Non GAAP) ⁴	US\$2.4M	246% (US\$691K)	+460% (US\$427K)
Average Order Value (AOV) ⁵	US\$893	21% (US\$737)	44% (US\$620)
Plans Initiated ⁶	73.2K	+128% (32.1K)	+150% (29.3K)
Total Merchants ⁷	1K	20% (0.8K)	+104% (0.5K)
12 Month Active Merchants ⁸	519	20% (0.4K)	92% (0.3K)
Total Shoppers	309K	26% (245K)	85% (167K)
12 Month Active Shoppers ⁹	141K	32% (107K)	28% (116K)
Repeat Shoppers ¹⁰	10.2%	-25% (13.6%)	-25% (13.5%)

³ Underlying MSV for successful transactions on which a merchant fee is charged

⁴ Revenue attributable to MSV, translated to reporting currency at plan activation date. This non-GAAP measure has not been independently audited or reviewed, and will differ from GAAP revenue due to IFRS revenue recognition rules and any potential net impact of payment reversals. It provides useful information for readers to assist in understanding the Company's financial performance, by aligning the full Gross Revenue impact with the MSV generated for the period.

⁵ Average value of plans initiated in the period

⁶ Number of plans initiated in the period

⁷ Cumulative number of merchants that accept Splitit

⁸ Number of merchants that have received a payment in the previous 12 months

⁹ Number of shoppers that have made a purchase in the previous 12 months

¹⁰ Percentage of shoppers that have made a purchase in the current period that have previously made a successful purchase

CORPORATE & CASHFLOW OVERVIEW

Capital Raise

In April 2020, Splitit raised A\$16M (before costs) from institutional, sophisticated and professional investors via the issue of 39,024,391 new shares at an issue price of A\$0.41 per share. The proceeds are enabling Splitit to continue to execute its high-growth strategy by supporting the exceptional growth of the funded model and investing in go-to-market and technology resources.

Cash Flow & Use of Funds

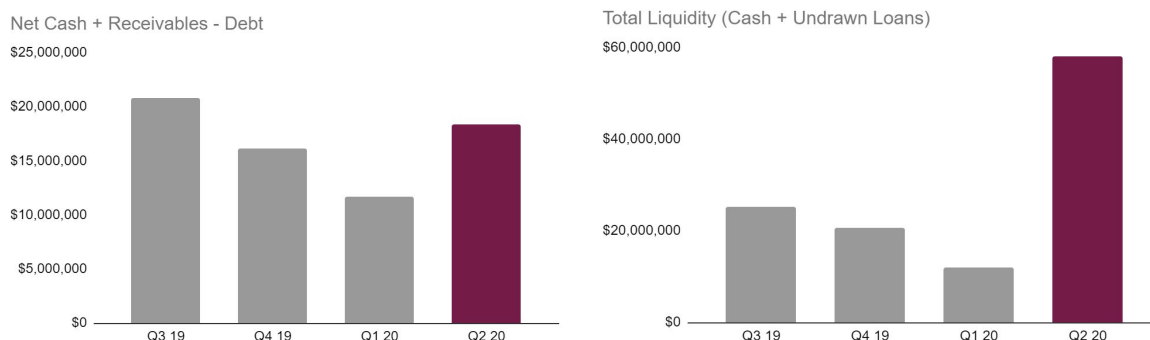
Cash receipts from customers for the period were US\$2.3M. This compares to US\$0.67M in the previous quarter. Cash receipts¹¹ grew 249% for the quarter compared to 46% growth in operational expenditure¹². Of this operating expenditure growth, the combination of staff costs and sales/marketing costs equated to 18% QoQ growth, highlighting increased operating leverage. This resulted in a US\$0.2M improvement for the quarter in net cash used in operating activities (cash burn) exclusive of net merchant funding (US\$24.1M). Cash expenditure increases were primarily driven by costs in relation to the closure of present and future funding facilities, coupled with headcount increases committed prior to COVID-19. These additional costs were more than offset by reduced board and executive costs in response to COVID-19, and increased cash receipts.

Total net operating cash outflow of US\$27.2M for the quarter, was driven by a US\$24.1M increase in merchant receivables, due to rapid growth in the merchant funded model. Offsetting the net funded outflows on merchant receivables, was US\$35.7M of borrowing proceeds from new and existing loan facilities to fund current and future growth.

Splitit held US\$18.3m in net cash (see Figure 3), plus merchant receivables less debt payable for merchant funding facilities as at 30 June 2020, comprised of:

- US\$25.7M available cash
- US\$30.6M funded merchant receivables
- (US\$38M) debt payable exclusive of restricted cash applied against debt balances

Figure 3 and 4: Capital Management



¹¹ Item 1.1 of Appendix 4C

¹² Item 1.2 of Appendix 4C



The Company now has US\$72M in funding facilities, of which US\$32.4M remain unused and available to fund future growth. Coupled with US\$25.7M closing cash, the Company has a total of US\$58.1M of liquidity to fuel future growth (see Figure 4).

Refer to the Annexure for reporting of funds expensed compared to the Company's expected use of funds as outlined in its Replacement Prospectus dated 20 December 2018.

Outlook

Consumer awareness and preference for Splitit are growing as it offers a way for credit card holders to better use their existing credit, along with frictionless checkout online. At the same time, merchants are seeing improvements to their shopping cart conversion rates, fueling merchant demand for Splitit's solution. While Splitit will continue to watch macro conditions carefully, the Company remains optimistic about the growth ahead given the shift to eCommerce and Splitit's differentiated model which is resonating strongly with both merchants and shoppers.

Splitit will continue to focus on large merchant acquisition in its target verticals to underpin further MSV and revenue growth. Partnerships will also play an important role in the coming quarters especially as new Stripe merchant onboarding functionality is deployed more broadly in Q3. The Company will continue to execute its new strategic partnerships with Mastercard and Visa.

Note: Unless specified otherwise all amounts are in USD and provided on an unaudited basis, AUD amounts have been converted to USD at an average exchange rate over the quarter ending 30 June 2020.

Webinar Details

Splitit will host a webinar for investors on Wednesday, 5 August at 11am Australian Eastern Standard Time (AEST).

CEO and Managing Director, Brad Paterson, and CFO, Ben Malone will provide a 25-minute overview of the Company's quarterly performance, followed by a Q&A session.

Date & Time: Wednesday, 5 August at 11am (AEST)

Webinar Link: <https://webcast.openbriefing.com/6318/>

Dial ins: Please pre-register via <https://s1.c-conf.com/DiamondPass/10008689-invite.html> to receive dial ins. International numbers are available.

Conference ID: 10008689

Replay: Will be available at www.splitit.com after the event.

For more information, please contact:

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About Splitit

Splitit is a payment method solution enabling customers to pay for purchases with an existing debit or credit card by splitting the cost into interest and fee free monthly payments, without additional registrations or applications. Splitit enables merchants to offer their customers an easy way to pay for purchases in monthly instalments with instant approval, decreasing cart abandonment rates and increasing revenue. Serving many of Internet Retailer's top 500 merchants, Splitit's global footprint extends to hundreds of merchants in countries around the world. Headquartered in New York, Splitit has an R&D center in Israel and offices in London and Australia.

This announcement has been approved and authorised to be given to ASX by Brad Paterson, CEO and Managing Director on the Board of Splitit.

Disclaimer

This announcement contains "forward-looking statements." These can be identified by words such as "may", "should", "anticipate", "believe", "intend", "estimate", and "expect". Statements which are not based on historic or current facts may be forward-looking statements. Forward-looking statements are based on:

- 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 independent auditors of the Company.

You must not place undue reliance on these forward-looking statements.



Annexure

In accordance with ASX Listing Rule 4.7C, Splitit provides the following information:

Q2 is a period which is covered by the Use of Funds statement as outlined in the Replacement Prospectus dated 20 December 2018.

A summary of the expenditure to date is outlined below:

Use of Proceeds under Prospectus	Funds allocated under Prospectus	Funds expended between admission and 30 June 2020
Sales and Marketing	AUD\$4,761,014	AUD\$12,467,353 ¹
Research and Development	AUD\$1,801,465	AUD\$5,007,189 ²
Compliance and Security	AUD\$128,676	AUD\$1,429,507 ³
Customer Support	AUD\$386,028	AUD\$603,908 ⁴
Investigating Future Alternative Funding Opportunities	AUD\$514,704	AUD\$1,544,022 ⁵
General Administration	AUD\$3,731,606	AUD\$11,774,359 ⁶
Cost of the Offer	AUD\$911,044	AUD\$4,180,691 ⁷
Cash Reserves and Working Capital	AUD\$633,068	AUD\$37,369,729 ⁸

Payments to related parties and their associates during Q2 was US\$214,000. These payments were related to director fees and expenses paid to directors and their associates, and represented a 29% reduction on Q1 in response to COVID-19 initiatives.

¹ Establishment of a dedicated sales team in the US, UK and Asia Pacific regions, new website, e-commerce development, rebranding, expanding the onboarding and customer success teams, industry events, marketing campaigns, marketing and public relations consultants and other associated marketing costs.

² Development and enhancement of new functionalities and applications in respect of the Splitit Platform, expanding the R&D team to meet all development milestones, major upgrade of the core system infrastructures, utilization of modern development, deployment and monitoring tools, utilization of Amazon Web Services, major upgrade of the data and BI infrastructures and tools, outsourcing of software development modules, development of new plugins, integration of new payment gateways and payment providers.



³ Development and maintenance of compliance policies (including PCI Level 1 certificate), advice with respect to regulatory developments in our principal markets and implementing internal security systems to prevent malware, phishing and other security and fraud threats to the Splitit Platform.

⁴ Expanding the company's customer support services by increasing the number of customer support representatives, multi-language support and 24/7 support.

⁵ Investigating additional funding sources to allow greater capacity for merchant funding activity. The company established three facilities totalling US\$72M and is exploring additional credit facilities.

⁶ Due to the increase in business activity and headcount, respectively, the company increased its spending on consulting services, office rental costs, employee and management fees, legal costs, finance team, insurance and other miscellaneous costs.

⁷ Comprised of IPO costs (gross proceeds of AU\$12M) and secondary fund raising costs (gross proceeds of AU\$46.3M). Total gross proceeds of AU\$58.3M.

⁸ Represents current cash reserves, which incorporates capital raises subsequent to IPO, and drawdowns on loan facilities for merchant funding

Appendix 4C

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

Name of entity

SPLITIT PAYMENTS LTD

ABN

629 557 982

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,291	2,948
1.2 Payments for		
(a) research and development	(478)	(658)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(780)	(1,443)
(d) leased assets	(36)	(72)
(e) staff costs	(2,243)	(4,139)
(f) administration and corporate costs	(1,904)	(2,844)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	5
1.5 Interest and other costs of finance paid	(66)	(66)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	386	386
1.8 Other (-\$26.23m YTD net movement in funded merchant receivables; -\$0.54m YTD other) (see note 6)	(24,363)	(26,771)
1.9 Net cash used in operating activities	(27,193)	(32,654)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	(1)
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
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)	-	-
2.6	Net cash used in investing activities	-	(1)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	10,274	10,274
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	4	15
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(493)	(493)
3.5	Proceeds from borrowings (see note 6)	35,738	39,385
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(37)	(74)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(714)	(1,863)
3.10	Net cash from financing activities	44,772	47,244

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,649	11,670
4.2	Net cash used in operating activities (item 1.9 above)	(27,193)	(32,654)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(1)
4.4	Net cash from financing activities (item 3.10 above)	44,772	47,244
4.5	Effect of movement in exchange rates on cash held	518	(513)
4.6	Cash and cash equivalents at end of period	25,746	25,746

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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	25,717	5,971
5.2	Call deposits	29	1,678
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)	25,746	7,649

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	214
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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

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 \$US'000	Amount drawn at quarter end \$US'000																
7.1	Loan facilities	72,322	39,960																
7.2	Credit standby arrangements	-	-																
7.3	Other (please specify)	-	-																
7.4	Total financing facilities	72,322	39,960																
7.5	Unused financing facilities available at quarter end		32,362																
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.																		
	<table border="1"> <thead> <tr> <th>Lender</th> <th>Interest Rate / Management Fees</th> <th>Maturity Date</th> <th>Secured / Unsecured</th> </tr> </thead> <tbody> <tr> <td>Shaked Partners Fund</td> <td>11%</td> <td>3rd May, 2022</td> <td>Secured</td> </tr> <tr> <td>Individual lender</td> <td>15%</td> <td>27th November, 2020</td> <td>Secured</td> </tr> <tr> <td>Global Credit Investments Pty Ltd</td> <td>11%</td> <td>2nd July, 2023</td> <td>Secured</td> </tr> </tbody> </table>			Lender	Interest Rate / Management Fees	Maturity Date	Secured / Unsecured	Shaked Partners Fund	11%	3 rd May, 2022	Secured	Individual lender	15%	27 th November, 2020	Secured	Global Credit Investments Pty Ltd	11%	2 nd July, 2023	Secured
Lender	Interest Rate / Management Fees	Maturity Date	Secured / Unsecured																
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Global Credit Investments Pty Ltd	11%	2 nd July, 2023	Secured																

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash used in operating activities (item 1.9)	(27,193)
8.2	Cash and cash equivalents at quarter end (item 4.6)	25,746
8.3	Unused finance facilities available at quarter end (item 7.5)	32,362
8.4	Total available funding (item 8.2 + item 8.3)	58,108
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.14
	<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: N/A	

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: N/A

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: N/A

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.

Date: 30 July 2020.....

Authorised by: **By the Board**
(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.
6. YTD Operating activities (item 1.8) and financing activities (item 3.5) adjusted for a reclassification of Q1 proceeds from borrowings. Q1 treatment of reflecting loan drawdowns as operating inflows has been adjusted, with all YTD loan drawdowns reflected as borrowing proceeds (financing activities)