

ASX release

30 October 2024

Way2VAT increases revenue 74% on pcp and expands contract with Solenis Chemical

Q3 FY24 Quarterly Activities Report and Appendix 4C

Q3 FY24 highlights (all figures A\$ unless otherwise stated and unaudited)

- Revenue of \$1.415 million, up 74% on prior corresponding period (pcp) (Q3 FY23: \$814k) bolstered by a record one million total invoices processed in the quarter.
- Solenis Chemical expanded its contract from 17 entities in 15 countries to 124 entities in 54 countries for Way2VAT's VAT reclaim product solutions.
- Accounts Receivable increased significantly to \$4 million, up from \$3.4 million at 30 June 2024, with Cash receipts of \$496k down 30% on pcp (Q3 FY23: \$708k), due to delays in processing VAT reclaims by certain tax jurisdictions.
- Enterprise clients increased to 385 including a multinational NASDAQ-listed technology company.

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 2024 (Q3 FY24), alongside the Company's Appendix 4C.

Commenting on the Company's achievements in Q3 FY24, Way2VAT Founder & CEO, Amos Simantov, said:

"Way2VAT had strong growth in revenues to a record \$1.415 million, reflecting both increasing business from existing clients, as well as the successful onboarding of newly announced clients. We are now really starting to see the scalability of our platform as we expand our overall client base and sell more of our product suite into existing clients."

"One recent example of Way2VAT selling more of its product suite into existing clients was with Solenis Chemical. This was largely driven by the Company's AI technology solutions, improving the automation of Travel & Expense and Accounts Payable invoicing for businesses."

"The second half of the year historically performs well for Way2VAT, due to specific VAT reclaim cut-off dates in the various tax jurisdictions the Company's clients operate in. While our accounts receivable grew to \$4 million at the end of the quarter, which is great result, delays in processing VAT reclaims in certain tax jurisdictions impacted our cash collection in the short term. Given the strong increase in our accounts receivables, and cash collections post balance date in October, we expect cash receipts to be much higher in the next quarter."

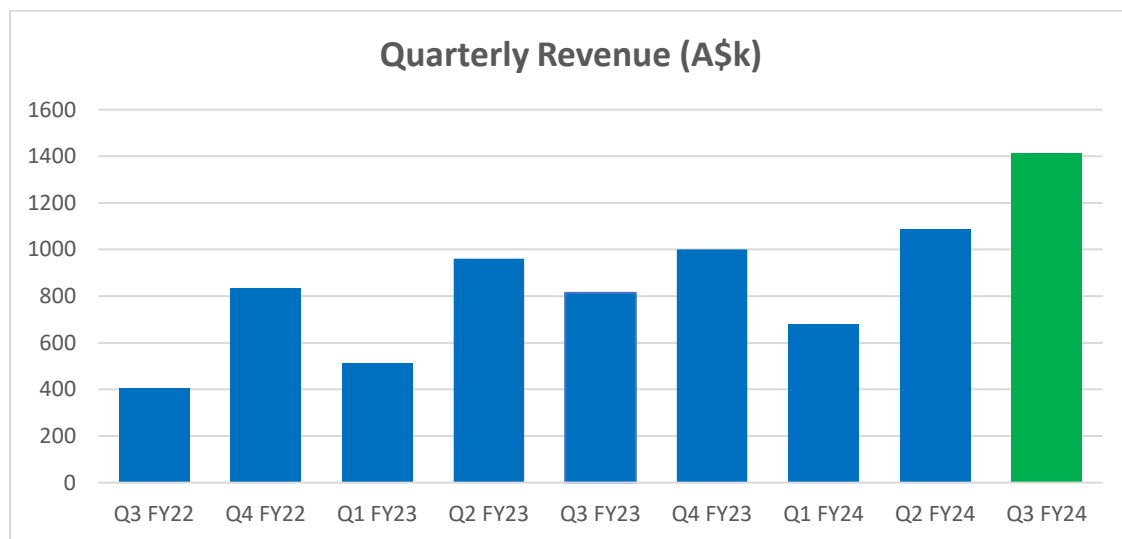


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“The team also completed additional pilot programs with the APAI Compliance product, creating tailored solutions for Way2VAT’s top enterprise clients. Commercial negotiations are under way with a number of clients bringing it closer to becoming a new ongoing revenue stream for Way2VAT.”

Financial highlights

The increase in revenue to \$1.415 million over Q3 FY24, up from \$814k in the pcq, was driven by growth in new clients and cross-selling services into existing clients, particularly large enterprise customers across multiple entities.



The scalability of the business was validated with the Way2VAT platform processing a record of more than one million total invoices during the quarter.

Operational highlights

Expanded contract with Solenis Chemical

In October 2024, Way2VAT expanded its agreement with international water treatment and chemical company, Solenis Chemical (“Solenis”), to increase the use of the Company’s local and foreign VAT reclaim products services to a total of 124 entities covering 54 countries.

Solenis has been an enterprise client since 25 June 2020 and has used Way2VAT’s product suite across 17 entities prior to the expansion of the agreement. The annual revenue from the updated contract is in the forecasted range of \$300k to \$350k per annum and has a term of three years.

Growing new and existing enterprise client base

Way2VAT has a total of 385 enterprise clients at the end of Q3 FY24, up from 375 in Q2 FY24.

The Company won new clients and cross-sold more of its services into its larger enterprise client base, including a strong uptake of its reclaim service by Randstad and Fever, who are now using Way2VAT’s product suite across multiple entities. Way2VAT also completed the signing of a large multinational NASDAQ-listed technology client with a current market cap over US\$30 billion. This client will generate growing revenue over time but is not expected to be individually material to Way2Vat revenue in the first year of contract.

APAI Compliance has new features added for commercialisation phase

The APAI Compliance product has been successfully piloted with select clients across several jurisdictions showing high success rates on test invoices. Way2VAT has worked in conjunction with its clients piloting the product to further develop additional features in the lead up to the first commercial agreements which are imminent. APAI will provide a new revenue stream for the Company based on fixed pricing per audited invoice. Way2VAT is also in discussions with new potential enterprise clients on pilots for APAI Compliance.

APAI is Way2VAT's patented world-first 'document first' compliance technology. It uses artificial intelligence and machine learning to verify proper submission of accounts payable and domestic VAT/GST expenses to tax authorities on invoices up to four years old. It checks for common mistakes, identifies wrongly submitted expenses and pinpoints errors. APAI is largely targeted towards large multinational companies looking to boost their VAT/GST returns and ensure they are meeting their VAT payment obligations.

Financials

Way2VAT's business performance is skewed to the second half of the year, with most clients operating in tax jurisdictions that have VAT reclaim deadlines at this time of year.

Although the delay in cash receipts from certain tax jurisdictions affected the Company's cash balance, Way2VAT made progress during October 2024 with regard to cash collections and expects Q4 FY24 cash collections to be much higher.

Accounts Receivables on client VAT claims already submitted to tax authorities increased significantly to \$4 million, in response to the record revenues for the quarter.

Actual operating expenses have remained relatively stable over the first three quarters of 2024, between \$2.3 million and \$2.5 million per quarter with the September 2024 quarter number at \$2.46 million. Management have identified a number of cost saving initiatives to be phased in over the next three months that will reduce costs by a minimum of 10% for FY25.

Subsequent to the end of Q3 FY24, Way2VAT has increased its debt facility with Bank Hapoalim by an additional \$0.406 million, as noted in the accompanying Appendix 4C. In addition to this, the Company has received \$200,000 being deferred payments on its placement earlier in the year as explained in the June quarter activity report and expects the remainder of funds to be paid by the due date of October 31st.

Board changes

At the conclusion of the Company's AGM on 16 August 2024, Mr David Assia resigned as a Director of Way2VAT.

Outlook

Way2VAT Founder & CEO, Amos Simantov, said: *"We expect to see further growth in revenues and quarterly cash receipts for the December quarter, as much of the client base aim to have their accounts payable invoicing data administered before the relevant jurisdiction deadlines. Although there was a quarterly record of more than one million total invoices processed, the bulk of the invoices for the second half of the year will come in Q4 FY24, which will result in continued revenue growth."*



ONE CLICK TO CLAIM

“Our sales and marketing team are seeing more cross-selling with existing clients, while having a strong pipeline of large new enterprise clients. The cross-selling of more products into our existing client base is now just as important as the number of new clients we sign on over every quarter. Likewise, due to the average size of our clients on the rise, our onboarding teams are working hard to get these larger clients set up to ensure the effective processing of their initial batches of invoices, which can sometimes stretch back four years across dozens of jurisdictions.

“The increased streamlining and automating of tasks and simplification of onboarding process is assisting with the cross-selling opportunities and increasing the gross margin across our overall client base.”

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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About Way2VAT

Way2VAT is a global fintech leader in automated VAT/GST claim and return solutions in over in 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 85 employees.

It is used by more than 385 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

637 709 114

Quarter ended ("current quarter")

30 September, 2024

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	496	2,357
1.2	Payments for:		
	research and development	(147)	(393)
	product manufacturing and operating costs	-	-
	advertising and marketing	(55)	(178)
	leased assets	(57)	(202)
	staff costs	(1,429)	(4,304)
	Professional services, administration and corporate costs	(717)	(2,106)
1.3	Dividends received	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(22)	(122)
1.6	Income taxes (paid) / received	(2)	(5)
1.7	Government grants and tax incentives	-	-
1.8	Net client receipts from tax authorities (repaid) / not yet repaid	(646)	892
1.9	Other	(36)	13
1.10	Net cash used in operating activities	(2,615)	(4,048)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	entities	-	-
	businesses	-	-
	property, plant and equipment	-	-

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (9 months) A\$'000
	investments	-	-
	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	-	-
2.5	Other	-	-
2.6	Net cash used in investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issuance of ordinary shares (excluding convertible debt securities)	367	3,606
3.2	Proceeds from convertible debt securities	-	1,051
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issuance of ordinary shares and/or convertible debt securities	-	(18)
3.5	Proceeds from loans	-	-
3.6	Repayment of loans	(82)	(593)
3.7	Transaction costs related to loans	-	-
3.8	Dividends paid	-	-
3.9	Other	-	(284)
3.10	Net cash provided by financing activities	285	3,762

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (9 months) A\$'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,746	711
4.2	Net cash used in operating activities (item 1.10 above)	(2,615)	(4,048)
4.3	Net cash used in investing activities (item 2.6 above)	-	-
4.4	Net cash provided by financing activities (item 3.10 above)	285	3,762
4.5	Effect of exchange rate changes on cash and cash equivalents	11	2
4.6	Cash and cash equivalents at end of period	427	427

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	427	1,089
5.2	Call deposits	-	1,657
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)	427	2,746

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	(134)
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.

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	1,437	1,437
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	1,437	1,437
7.5	Unused financing facilities available at quarter end		-
7.6	<p>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.</p> <p><u>Total facility and drawn amounts at quarter end (30 September 2024) with Bank Hapaolim contains the following:</u></p> <p>\$1,042 thousand secured loan based on a percentage of the company's receivables from tax authorities, payable on 30 August 2025 with interest set at Israeli Prime Rate + 4.5% (10.50%) and such interest is paid on a monthly basis.</p> <p>\$395 thousand secured (remaining) loan based on a percentage of the company's receivables from tax authorities, payable via 17 evenly monthly instalments commencing 30 April 2024 through 31 August 2025, with interest set at Israeli Prime Rate + 5.8% (11.80%).</p> <p>Subsequent to the 30 September quarter end the company has received approval from its Lender, Bank Hapaolim to extend a further secured short term loan amount of \$406 thousand based on the company's receivables from tax authorities. 50% of this particular loan will be due for repayment on 31 January 2025 with the remaining 50% repayable on 28 February 2025 with interest set at the Israel Prime Rate + 5.8%.</p>		

8.	Estimated cash available for future operating activities	A\$'000
8.1	Net cash used in operating activities (item 1.10) including refund collected for clients.	(2,615)
8.2	Cash and cash equivalents at quarter end (item 4.6)	427
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	427
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.16
	<i>Note: if the entity has reported positive net operating cash flows in item 1.10, 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:

The company expects that the level of operating cash burn will continue to decrease in coming quarters due to greater revenues from both increased client activity and new client wins explained in the accompanying Quarterly Activity Report. The Company's cash balance will also be improved by the collection of accounts receivable from government tax authorities combined with some further decrease in operating costs.

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:

Yes:

- (A) As of 30 September 2024, the Company expects to receive an additional \$550 thousand of delayed funds from the equity placement undertaken earlier in the year. The Company has collected \$200 thousand of these outstanding funds since 30 September 2024 to the date of this report with the remainder due by 31st October.
- (B) Commencing 1 October 2024 until the date of this report, the company collected approximately \$290 thousand of receipts from clients.
- (C) The Company has a strong track record of raising funds to support the Company's growth and has commenced discussions with various parties to further support the Company's business as it grows to its cashflow break-even point.

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:

Yes, please see 8.6.1 and 8.6.2 above

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.

30 October 2024

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.