

ASX release

31 January 2024

Way2VAT hits \$1 million quarterly revenue milestone and record annual revenue Q4 FY23 Quarterly Activities Report and Appendix 4C

Q4 FY23 Highlights (all figures A\$ unless otherwise stated)

- Revenue of \$1.04 million¹, up 30% on pcp (\$797k in Q4 FY22)
- Full year revenue of \$3.3² million up 75% on pcp (\$1.88 million FY22)
- Cash receipts of \$468k down 12% on pcp (\$531k in Q4 FY22) due to timing delays, a further ~\$500k was subsequently received between 1-15 January 2024
- Accounts receivable on client VAT claims already submitted to tax authorities increases further to \$4.2 million
- Enterprise clients now number 345
- Operating cash expenses of \$2.0 million down 7% on the prior quarter (\$2.16 million Q3 FY23)
- Finalisation of AI-powered compliance product for launch in Q1 FY24

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 31 December 2023 (Q4 FY23), alongside the Company's Appendix 4C.

Commenting on the Company's achievements over Q4 FY23, Way2VAT Founder & CEO, Amos Simantov, said:

"The last quarter of the financial year is traditionally a strong period, and I'm pleased to report we finished FY23 with our biggest quarter to date reaching the \$1 million quarterly revenue milestone for the first time, and record annual revenue of \$3.3 million."

"The 12% decrease in cash receipts this quarter was due to processing delays at some government authorities, which meant Way2VAT collected ~\$500k in commissioned receipts from clients during the first two weeks of January, rather than in late December 2023 when the money was expected."

"Our operating cash expenses continued to decrease in line with our strategies to reduce expenses and accelerate our pathway to profitability."

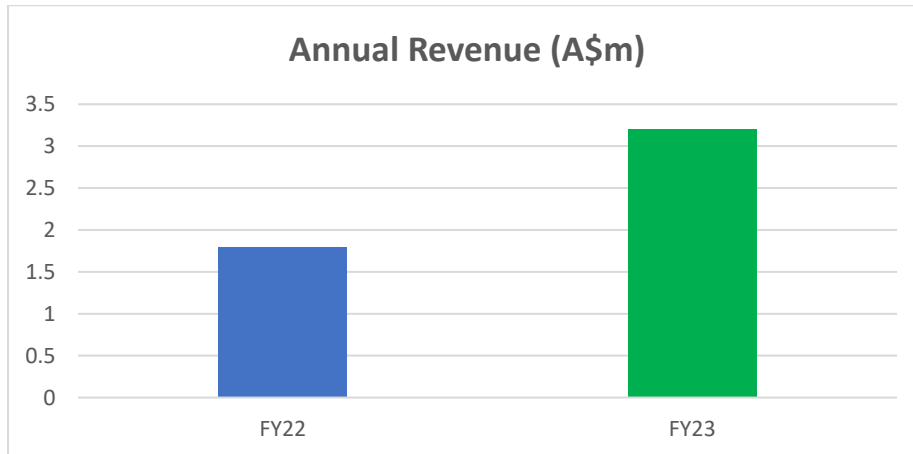
¹ Unaudited

² Unaudited

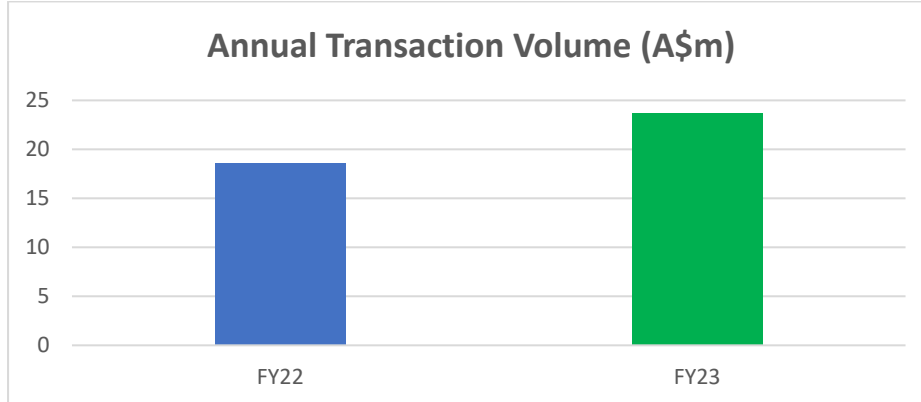
“We continue to grow our enterprise customer base, now numbering 345 as of the end of the quarter welcoming Spanish companies Borges, Espa, Comantur and Maser Automation.”

Financial highlights

Revenue for the quarter was \$1.04 million³, up 30% on pc (p) (\$797k in Q4 FY22). Full year revenue of \$3.3 million up 75% on pc (p) (\$1.88 million FY22).



Annual transaction volume for FY23 was \$23.7 million, up 27% on pc (p) (\$18.6 million in FY22).



Revenue as a percentage of gross transactional value for FY23 has increased to 13.9% as the mix of client business returns to a higher percentage of international travel and expense VAT/GST reclaim as opposed to accounts payable VAT/GST reclaim.

Cash receipts of \$468k were down 12% on pc (p) (\$531k in Q4 FY22) as the Company received ~\$500k between 1-15 January 2024 (outside the reporting period) instead of December 2023, due to government processing delays.

The company expects the level of operating cash burn will continue to decrease in coming quarters due to increased client activity and new client wins.

³ Unaudited

During the quarter, \$158k in payments were made to related parties and their associates, being wages for the CEO (including superannuation equivalent), Chairman, Non-Executive Directors and Strategic Advisor.

Subsequent to the reporting period

In January 2024, the Company has received firm commitments to raise \$1.1 million (before costs) via the issue of Convertible Notes to certain key shareholders, including cornerstone investor Thorney Investment Group. Conversion of the Convertible Notes will be subject to the Company obtaining shareholder approval. Proceeds raised will be used to increase the Company's focus on sales and marketing, facilitate inorganic growth, launch an AI-powered compliance product in Q1 FY24, and for working capital purposes.

Enterprise clients

During the quarter, Way2VAT signed new deals with large enterprise clients, taking enterprise client numbers to approximately 345.

Key companies included:

- International food and oil company Borges, operating for 125 years, exporting food and oil products to 120 countries, with 1100 employees and an annual turnover of €670 million;
- Manufacturing company Espa, specialising in design and manufacturing of water pumps, operating for 70 years and with over 600 employees;
- Renewable energy company Comantur, specializing in wind turbine maintenance, and operating for 20 years; and
- Maser Automation, a manufacturer of custom, automated machines operating for 35 years and servicing global corporations including Nissan, Siemens and Volkswagen.

Outlook

Way2VAT Founder & CEO, Amos Simantov, said:

"We are now seeing clear trends of an increasing base of revenue. While there are seasonal peaks and troughs during the year due to clients submitting receipts to meet different financial year reporting periods in various jurisdictions, we are seeing a continued reduction in time that tax authorities are taking to administer claims, allowing us to receive cash receipts and generate revenue quicker."

"We welcome the ongoing support from shareholders and have firm commitments to raise \$1.1 million in convertible notes in January 2024. We will accelerate our pathway to profitability as we continue to scale our business, refine our onboarding processes, and integrate new clients to start generating revenue from them sooner."

"To complement our current product suite, we are about to launch an AI-powered compliance product allowing our customers to audit their VAT/GST obligations and reclaim opportunities in multiple subsidiaries around the world."

“We will also continue to carefully manage cash flow in our operations through several internal strategies and examine possible acquisition options where it makes sense from a complementary business and product suite perspective, and where it adds shareholder value.”

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 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 60 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

31 December 2023

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (12 months) A\$'000
1.	Cash flows from operating activities		
1.1	Receipts collected from clients ⁴	468	2,369
1.2	Payments for:		
	research and development	(114)	(533)
	product manufacturing and operating costs	(8)	(71)
	advertising and marketing	(40)	(264)
	leased assets	(76)	(402)
	staff costs	(1,232)	(5,121)
	administration and corporate costs	(589)	(2,171)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(7)	(33)
1.6	Income taxes (paid)/ received	63	253
1.7	Government grants and tax incentives	-	481
1.8	Other (provide details if material) ⁵	(3,527)	500
	Net inflow/outflow of client monies received in quarter from payments by government tax authorities		
1.9	Net cash used in operating activities	(5,062)	(4,992)

⁴ During 1-15 January 2024 (outside this reporting period), the Company collected an additional approximate A\$0.5 million in commissioned receipts collected from clients.

⁵ The amount for the current quarter contains a non-recurring approximately A\$3.3 million VAT reclaim payment to one of the Company's customers. The amount for the year ended 31 December 2023 contains also approximately A\$4.7 million of cash received in Q3/2023 due to be transferred to the Company's customers of which approximately A\$3.3 million was transferred to one customer in Q4/2023.

Consolidated statement of cash flows	Current quarter A\$'000	Year to date (12 months) A\$'000
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2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	entities	-	-
	businesses	-	-
	property, plant and equipment	-	(6)
	investments	-	(80)
	intellectual property	-	-
	other non-current assets	-	-
2.2	Proceeds from disposal of:		
	entities	-	-
	businesses	-	-
	property, plant and equipment	9	9
	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)	(17)	(50)
2.6	Net cash used in investing activities	(8)	(127)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	(11)	(426)
3.5	Proceeds from borrowings	404	769
3.6	Repayment of borrowings	-	1

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (12 months) A\$'000
3.7	Transaction costs related to loans and borrowings	(62)	(183)
3.8	Dividends paid	-	-
3.9	Other (Cash refunded for clients)	-	-
3.10	Net cash provided by financing activities	331	4,339

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,400	1,511
4.2	Net cash used in operating activities (item 1.9 above)	(5,062)	(4,992)
4.3	Net cash used in investing activities (item 2.6 above)	(8)	(127)
4.4	Net cash provided by financing activities (item 3.10 above)	331	4,339
4.5	Effect of movement in exchange rates on cash held	50	(20)
4.6	Cash and cash equivalents at end of period	711	711

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	388	5,400
5.2	Call deposits	323	-
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)	711	5,400

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	(158)
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	2,040	2,040
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	2,040	2,040
7.5	Unused financing facilities available at quarter end		-
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.		
	<u>Total facility and drawn amounts at quarter end (31 December 2023) contains the following:</u> A\$1,070 thousand 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%). A\$566 thousand 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%). A\$404 thousand non secured short-term bridge loan (principle) received on 29 December 2023, current maturity is 29 February 2024 with interest set at Israeli Prime Rate + 4.5% (10.75%).		

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.	(5,062)
8.2	Cash and cash equivalents at quarter end (item 4.6)	711
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	711

8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.14
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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.

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 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.

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) Subsequent to 31 December 2023, the Company has received firm commitments to raise \$1.1 million via the issue of convertible notes from existing and new shareholders (please see accompanying ASX announcement released 31 January 2024) and expects to raise additional funds later in the year.
- (B) The company has an accounts receivable balance of approximately A\$4.2 million as of 31 December 2023 mostly with government tax authorities. During 1-15 January 2024 (outside this reporting period), the Company collected an additional approximately A\$0.5 million in commissioned receipts from clients. The timing of further collection of these receivables will impact the timing for any additional capital raise.

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.

31 January 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.