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1 December 2022

ASX Announcement

## BNPL Business Offering & Operational Update

### Highlights

- myIOU BNPL transactions completed first half of the December Quarter (1 Oct to 15 Nov):
  - \$2,948,080 in Total Transaction Value (“TTV”) has been transacted; delivering,
  - \$194,491 in Net Transaction Revenues (“NTR”).
- Continued growth in Consumer and Merchant sign ups (since mid-June 2021 launch), approval and onboarding, cumulatively:
  - 2,844 merchant outlets activated and listed on myIOU (up 5% since 30 Sep)
  - 51,463 consumer activated accounts (up 14% since 30 Sep)
- Strategic Partnership Update – progress with integration works and merchant referrals;
- Product Development Update – release of myIOU Business+, a new B2B short term financing solution targeting Malaysian SMEs;
- Technology Update – myIOU 2.0 Phase 3 includes foreign currency capability.

IOUpay Limited (ASX:IOU) (‘IOUpay’ or **the Company**) is pleased to announce a BNPL Business Offering & Operational Update with information current to 15 November 2022.

### **BNPL Business Update**

#### TTV<sup>1</sup> and NTR<sup>2</sup> Performance Metrics

Values for Period	1 October – 15 November 2022
Total Transaction Value <sup>1,3</sup>	\$2,948,080
Net Transaction Revenue <sup>2,3</sup>	\$194,491
myIOU Income Margin <sup>4</sup>	6.6%
Cumulative Totals as at	15 November 2022
TTV (past 12mths <sup>5</sup> )	\$31,924,683
NTR (past 12mths <sup>5</sup> )	\$1,985,770
myIOU Income Margin (past 12mths <sup>5</sup> )	6.2%
Non-Performing Loans <sup>6</sup>	\$249,430
NPL Ratio <sup>7</sup>	0.78%

Cumulative Totals as at	15 November 2022
Merchant Outlets Signed <sup>8</sup>	3,990
Merchant Outlets Onboarded	4,212
Merchant Outlets System Active	2,844
Merchant Relationships System Active <sup>9, 10</sup>	1,040
Consumer Downloads	173,997
Consumers Onboarded	132,785
Consumer Account Activations	51,463

- Note:
1. Total Transaction Value (TTV) means total value of purchases made by myIOU customers
  2. Net Transaction Revenue (NTR) means TTV less the amounts paid to merchants
  3. All amounts in AUD, assumed MYR/AUD exchange rate 3.05 using an RBA sourced reference
  4. myIOU Income Margin means NTR as a percentage of TTV
  5. Past 12mths TTV & NTR are shown for period from 14 November 2021 to 15 November 2022
  6. Non-Performing Loan (NPL) means the current outstanding value of a transaction account which has an instalment remaining unpaid for at least 6 months
  7. NPL Ratio means NPL as a percentage of TTV written during past 12 months
  8. Merchant Outlets means discrete shopfronts, whether physical or online
  9. Merchant Relationships means business entities that may have multiple outlets
  10. Merchant Relationships System Active does not include any merchants that have been onboarded with the myIOU BNPL payment option by Razer Merchant Services to its payment platform

Transaction volumes during the first half of the December Quarter were lower than the corresponding period in the September quarter given the very strong result for July. The myIOU Income Margin of 6.6% is above the average margin over the past 12 months reflecting preferences for the six payment plan (paid over 5 months). Effective annualised returns for individual transaction profiles remain within the Company's target range.

Over the past 12 months, the Company has written TTV of \$31,924,683 delivering NTR of \$1,985,770 (AUD values assume MYR/AUD exchange rate 3.05 as per note 3). The resultant myIOU Income Margin for the 12 months to 15 November 2022 is 6.2%, which remains within the Company's target range.

The Company reports Non-Performing Loans ("NPL") of \$249,430 and NPL Ratio of 0.78% as at 15 November 2022. The Company is of the view that the NPL and NPL Ratio remain modest, reinforcing the strong credit quality control strategy.

The NPL Ratio calculation currently references all transactions written since launch in June 2021 to determine the value of NPL but only TTV for the past 12 months. At the next quarterly report, the calculation will be modified to ensure the time periods referenced match on a comparative basis. The objective of the NPL Ratio is to provide a relative measure of delinquencies against the value of business written, to aid longitudinal comparative analysis.

The Company continues to focus on building a community of quality merchants and consumers as part of its 'best-in-class' brand positioning in South East Asia. There are now more than 2,800 merchant outlets that are system active on the myIOU platform across thirteen industry verticals. These active outlets represent the physical and online shopfronts of more than 1,000 merchant relationships from around Malaysia.

### Merchant & Consumer Activation

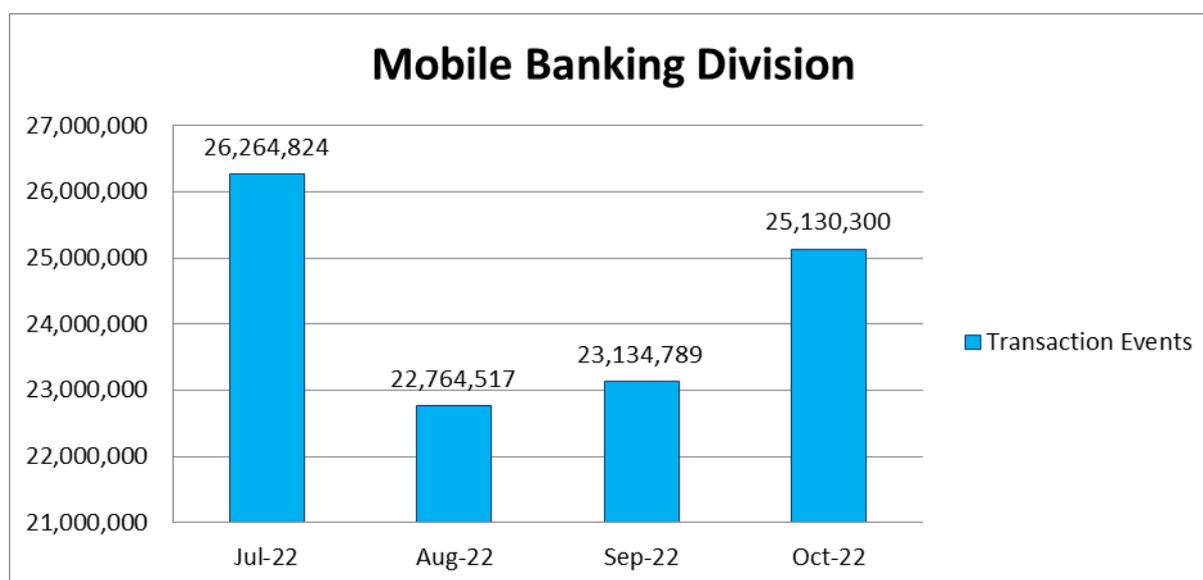
During the period, 73 new merchants operating 164 outlets around Malaysia were added to the myIOU platform. New merchants were added to 11 industry vertical categories. Key industry verticals with numerous merchants added since 30 September include: Automotive (11 merchants with 14 outlets); Baby & Kids (8/49); Electronics & Gadgets (22/31); Fashion (10/19); and, Home & Living (8/11).

Active consumer engagement has continued into the December quarter (Q2 FY23). As measured against results at 30 September, consumer downloads are up 15%, consumer onboarding is up 15% and consumer account activation is up 14%.

### **Mobile Banking Division**

The Mobile Banking Division is performing well with transaction events for October approaching the level achieved in July. Note that July saw very strong activity levels across the business (including myIOU BNPL) following cultural events in the previous period.

Transaction activity levels for November are trending upward indicating another strong month of performance. The Company will report its November numbers in the December Quarterly Activities Report.



### **Strategic Partnerships Update**

#### **Pine Labs – Master Services Partner Agreement (June 2022)**

Production testing was completed in October. Integration works are nearing completion and Pine Labs are preparing to activate approved merchants ready to ‘go live’ – expected in December.

Pine Labs’ sales team are signing up merchants during integration and referring applications for assessment and approval in anticipation of onboarding. There have been 15 merchant applications approved to date.

#### **senangPay - Master Merchant Agreement**

On 12 October, the Company announced that IOU PAY (ASIA) Sdn Bhd (“IOUpay Asia”) has entered into a Master Merchant Agreement with Simplepay Gateway Sdn Bhd for the acquisition of merchants operating on the senangPay payments platform wishing to offer their consumer customers myIOU BNPL payment options. Integration work and testing was completed for seamless operation of myIOU as a payment option on the senangPay platform ready for merchants to be onboarded for the service.

IOUpay Asia has now approved 33 merchants which have been onboarded by senangPay. Transactions have been successfully completed and processed.

### **SOGO Departmental Stores (June 2022)**

On 13 October, phase 2 was launched with myIOU going live on SOGO's e-commerce platform for online purchases. A promotional campaign has been running during November encouraging consumers to make purchases using myIOU, either instore or online.

### **PayHalal Merchant Acquiring Services Agreement (July 2022)**

IOUpay Asia has now approved 109 merchants referred by PayHalal and is working with PayHalal to onboard those approved merchants. A promotional campaign is currently being developed.

### **ManagePay – Integration with Payments Platform**

Phase one integration for e-commerce payments is currently in testing and yet to go live. Completion of phase one is now expected during December. Phase two integration for instore purchases via POS terminals is currently in the planning stage.

### **Revenue Monster – Integration with Payments Platform**

Revenue Monster Group is a Malaysian fintech providing end-to-end payment solutions from point-of-sale terminals to an e-wallet licence.

IOUpay Asia is currently working on integrating myIOU to Revenue Monster's point-of-sale terminals. Integration works are nearing completion which is expected during December. In anticipation of going live with myIOU, Revenue Monster has been referring merchant applications for assessment and approval. A total of 18 merchant applications have been approved to date.

### **Product Development Update**

During the quarter, the Company has been finalising launch preparations for its next major product development initiative with a new, short term financing solution for business-to-business purchases. This initiative provides a simple-to-use online funding tool for business customers to process B2B payments efficiently, with cash flow benefits for both purchaser and supplier.

### **myIOU Business+**

IOUpay Asia is launching myIOU Business+, an innovative new short-term B2B financing solution targeting small to medium sized enterprises (SMEs) in Malaysia, available to business enterprises registered with the Companies Commission of Malaysia ("SSM") or holding a local authority trade licence. The product is targeting SMEs but will be able to be accessed by all eligible businesses. SMEs represent 97% of total business establishments in Malaysia, and generate 38% of the country's GDP.

The new product is an online portal allowing business purchasers of goods and services to facilitate financing for their suppliers in credit terms via a seamless and automated transaction. Transactions are initiated and payments processed after goods have been delivered and accepted by the purchaser ensuring payment obligations are committed and reducing the risk of disputes.

Registration and signup is a simple process completed online through the myIOU Business+ portal. Suppliers and purchasers create their profiles and upload registration documents directly to the portal.

myIOU Business+ is structured as a 'pay-in-four' instalment plan over three (3) months (every 30 days). Four equal payments, each being 25% of the invoice amount, are collected via FPX-linked automated direct debit to the purchaser's account. The first 25% payment is collected to initiate a transaction and then three (3) further equal 25% instalments are collected every 30 days thereafter.

FPX is an internet based payment gateway that allows real time payments. FPX is operated by Payments Network Malaysia Sdn Bhd ("PayNet"), a wholly-owned subsidiary of Bank Negara Malaysia (central bank).

Purchasers can view the transaction online for complete visibility of trade cycles and easy report generation. Participating suppliers will benefit by accelerating the cash flow cycle through early settlement of invoices via a simple, online process.

### **Technology Update**

#### **myIOU Merchant App UI/UX**

The enhancement to upgrade the merchant app version consistent with the consumer app is on track for rollout during January 2023.

#### **myIOU 2.0 Phase 3 – foreign currency capability**

The myIOU 2.0 Phase 3 remains on track for completion in December. Amongst other enhancements, Phase 3 includes functionality to process myIOU transactions in two foreign currencies. This will facilitate cross border transactions in anticipation of expansion into additional South East Asian jurisdictions.

#### **New Admin Portal**

The technology team are currently developing a new administration portal to provide more functionality to support the myIOU BNPL business as it grows and expands in capability. The admin portal supports the various internal teams in their daily tasks, whether working from the office or remotely in the field.

The new administration portal will improve efficiency, data analysis, reporting and performance of the backend system. Rollout is planned for the March quarter (Q3 FY23).

#### **Experian – additional credit analysis tools**

Integration with Experian is now completed. Rollout is expected by January 2023.

The Experian credit analysis and checking services are additional to (and provide a backup for) the Company's primary credit reference service provided by CTOS Digital Bhd.

The release of this announcement was authorised by the Managing Director and released by the Company Secretary.

Yours faithfully,

**(Aaron) Lee Chin Wee**  
**Managing Director**  
**IOUpay Limited**

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**About IOUpay (ASX:IOU):**

IOUpay Limited (ASX:IOU) provides fintech and digital commerce software solutions and services that enable its institutional customers to securely authenticate end-user customers and process banking, purchase and payment transactions.

The Company's core technology platform enables large customer communities to connect to end user customers using any mobile device and integrate mobile technology throughout their existing business and customer product offerings. The Company's business divisions consist of Mobile Banking and Digital Payments which service leading banks in Malaysia and large telcos and corporates in Malaysia & Indonesia. IOUpay also works with telecommunication network providers to provided mobile OTT (over-the-top) services that leverage their subscriber base to build active communities.

**Forward Looking Statements**

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward-looking words such as "believe", "expect", "estimate", "will", "may", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the acquisition. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of IOUpay and cannot be predicted by IOUpay and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which IOUpay operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised.

None of IOUpay or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statements. Statements about past performance are not necessarily indicative of future performance.