

## **SPLITIT UPDATE**

### **for the quarter ending 30 June 2019**

#### **Highlights**

- **New Merchants** - 72 new active merchants added during the quarter, bringing total active merchants to 509, a 121% increase on the prior corresponding period (Q2 2018: 230)
- **Sales Pipeline Growth** - more than 700 merchants currently in the sales cycle
- **Transactions** - 37,000 new customers, taking the total to 197,000, up 228% on pcp (Q2 2018: 60,000)
- **Merchant Transaction Volumes** - A\$31.9M, up 108% on pcp (Q2 2018: A\$15.3M)
- **Merchant Fees** - A\$575,100, up 123% on pcp (Q2 2018: A\$257,000)
- **Bad Debt Losses** - maintained at zero from 197,000 total transactions processed to date (valued at A\$159M)
- **New Partnerships** - with payment service providers, EFTPay and GHL (post qtr end)

Sydney, Australia, 31 July 2019 – Splitit Payments Ltd (ASX:**SPT**, “**Splitit**” or the “**Company**”), a leading global monthly instalment payment solution, is pleased to provide an update on its quarterly activities for the three month period to 30 June 2019.

#### **PERFORMANCE METRICS**

Splitit continued to drive strong growth across its key performance metrics in the quarter compared to the prior corresponding quarter, June 2018, and the previous quarter, March 2019.

<b>Comparison to prior corresponding period</b>			
	<b>Q2 CY18</b>	<b>Q2 CY19</b>	<b>% Increase</b>
Total Active Merchants	230	509	<b>+121%</b>
Total Customers	60,000	197,000	<b>+228%</b>
Merchant Transactions Volume	A\$15,290,000	A\$31,850,000	<b>+108%</b>
Merchant Fees*	A\$257,000	A\$575,100	<b>+123%</b>
Bad Debts	A\$0	A\$0	<b>0%</b>

<b>Comparison to previous quarter</b>			
	<b>Q1 CY19</b>	<b>Q2 CY19</b>	<b>% Increase</b>
Total Active Merchants	437	509	<b>+16%</b>
Total Customers	160,000	197,000	<b>+23%</b>
Merchant Transactions Volume	A\$32,782,000	A\$31,855,000	<b>-2.8%</b>
Merchant Fees*	A\$556,000	A\$575,100	<b>3.4%</b>
Bad Debts	A\$0	A\$0	<b>0%</b>

\* Note: fees invoiced to the merchant in the quarter. Not all merchant fees are charged in the quarter a transaction is initiated as there are ongoings fees for later payments.

Significant progress was achieved in the second quarter of 2019. Splitit raised \$30M of additional equity for growth and more than doubled its sales and marketing team globally (including key senior hires in important markets like Australia and US with highly relevant experience from market leading global payments businesses). The Company also established a number of key regional partnerships (GHL and EFTPay) with more to follow shortly. Splitit expects these initiatives to pay significant dividends in accelerating its growth.

In short, Splitit has built a strong foundation in Q2 2019 which has materially strengthened its ability to scale the business and service the needs of its target market of large enterprise merchants globally.

Merchant transaction volumes were up significantly compared to the prior corresponding period, however a decline of 2.8% occurred compared to the previous quarter. This was due to a short term funding constraint which has since been rectified by access to significant new funding sources.

Interest continues to grow in the Buy Now, Pay Later sector with new offerings emerging from within Australia and other parts of the world. However, Splitit remains the only global card agnostic instalment solution in the market and is already accepted by more than 500 merchants in 27 countries. Splitit's technology supports Visa, Mastercard and UnionPay card schemes, 48 global payment gateways and 8 eCommerce platforms including Salesforce,

Commerce Cloud, Shopify, Magento, BigCommerce, WooCommerce and IBM. This positions the Company well to continue its growth trajectory.



Figure 1. Splitit's performance across key metrics

## GLOBAL MERCHANT STRATEGY

### New Merchants

Splitit added 72 new merchants during the quarter, bringing active merchants to 509, operating in 27 countries.

Following the end of the quarter, Splitit also signed its first agreement with a major Australian retailer, Kogan.com (ASX:KGN), which owns a portfolio of eCommerce businesses. Splitit's instalment solution is now live and available for consumers making online purchases in Australia through the Kogan.com website.

### Sales Pipeline

Splitit currently has more than 700 merchants engaged in its sales cycle from the US, Canada, Australia, UK, Italy, France and Singapore.

Responding to faster than expected merchant uptake and interest, the recently completed capital raise and hiring of key senior sales executives has enabled the Company to target large, big box merchants primarily in North America, Western Europe and Australia. As such, Splitit is in discussions with a number of high-turnover merchants in the medical, high fashion, home goods, electronics, travel and leisure verticals.



## New Partnerships

In June 2019, Splitit signed a new partnership with Hong Kong-based payment solutions provider EFTPay, to offer its instalment solution to its merchants operating in Hong Kong and Macau. EFTPay is one of the key partners of Alipay in Hong Kong, providing digital wallet services to merchants including Marriott, UGG, Kate Spade, Sunglass Hut, Estee Lauder and many more.

Splitit also signed a new three-year partnership agreement with leading ASEAN payment service provider, GHIL in July 2019. Under the agreement, Splitit's instalment solution will be offered to more than 2,000 online merchants in Malaysia, Thailand, Indonesia and the Philippines. GHIL is one of the top merchant acquirers in the ASEAN region, with a network of large and small merchants across multiple industries and a particular strength in the travel sector.

Splitit is currently working on the integration of its new partnerships.

## CORPORATE & FINANCIAL UPDATE

### Cashflow

The Company reported net operating cash outflow of US\$2.744M for the quarter comprised of:

- Cash Inflows:
  - receipts from customers - US\$486K, including fees and net repayment of upfront purchase amounts under the Self-funding Arrangement; and
- Cash Outflows:
  - advertising and marketing costs - US\$1.17M
  - staff costs - US\$691K increased cost largely driven by key sales hires;
  - corporate and administration costs - US\$643K
  - research and development costs - US\$212K
  - capital raising costs - \$1.157M

### Cash Balance

Splitit held US\$23.7M (A\$34.1M) in cash as at 30 June 2019, providing significant funding for future growth.

### Capital Raising

In May 2019, Splitit raised A\$30.3M in new equity via a fully committed placement to institutional, sophisticated, professional and experienced investors and A\$0.3M through a share purchase plan ("SPP") to shareholders.

The placement involved the issue of 37,500,000 shares at an issue price of A\$0.80 per share and 377,500 new shares were issued under the SPP at the same price as the placement.

The proceeds from the capital raising will enable Splitit to increase its capacity to meet the current excess demand for its services and products, pursue its growth strategy at a faster



rate than was anticipated in its IPO prospectus, and allow it to capitalise on existing and new opportunities as they arise.

### **Australian Office Opens**

Splitit opened its Sydney office during the quarter, led by newly appointed Executive Lead APAC, Andrew Pipolo. Australia is a key market for Splitit and will serve as base to grow its business in the Asia Pacific region.

### **New MD of North America**

In June, Splitit appointed Brad Paterson as Managing Director, North America. Having worked at some of the world's most successful payment companies for nearly two decades, including Intuit, PayPal, and Visa, Brad is well placed to lead Splitit's growth in the North America Region.

### **OUTLOOK**

Splitit continues to deliver against its growth plans, supported by strong merchant demand across multiple industry verticals and countries, and growth in the Buy Now, Pay Later segment.

During the quarter, Splitit continued to lay a foundation for business growth, including the appointment of key personnel in important geographic markets, more than doubling its head count and signing new partnerships that will help the Company to scale the business globally. Coupled with growth in new merchants, Splitit is well positioned to deliver strong growth in active customers and transaction value, leading to growth in merchant fees in Q3 CY19 and beyond.

*\* Unless specified otherwise, all amounts are in A\$ and are provided on an unaudited basis. A\$ amounts have been converted to US\$ at an exchange rate of 0.694*

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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 the need for 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 a number of countries around the world. Headquartered in New York, Splitit has an R&D centre in Israel and offices in London, with plans to establish itself in Australia for its expansion into the Asia-Pacific region.

## 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.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

**SPLITIT PAYMENTS LTD**

**ARBN**

629 557 982

**Quarter ended ("current quarter")**

30 June 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter US\$'000</b>	<b>Year to date (6 months) US\$'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	486	808
1.2 Payments for		
(a) research and development	(212)	(345)
(b) product manufacturing and operating costs	102	(77)
(c) advertising and marketing	(1,170)	(1,732)
(d) leased assets	(36)	(72)
(e) staff costs	(691)	(1,384)
(f) administration and corporate costs	(643)	(1,137)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	12
1.5 Interest and other costs of finance paid	(14)	(14)
1.6 Income taxes paid	(7)	(7)
1.7 Government grants and tax incentives	-	-
1.8 Other (see note 4)	(571)	(1,336)
<b>1.9 Net cash used in operating activities</b>	<b>(2,744)</b>	<b>(5,284)</b>
<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(82)	(101)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter US\$'000</b>	<b>Year to date (6 months) US\$'000</b>
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	(9)	(9)
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash used in investing activities</b>	<b>(91)</b>	<b>(110)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares (see note 5)	20,907	29,508
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	1,500
3.4 Transaction costs related to issues of shares, convertible notes or options	(1,157)	(2,385)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (restricted cash, see note 6)	(125)	(192)
<b>3.10 Net cash from financing activities</b>	<b>19,625</b>	<b>28,431</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	6,522	310
4.2 Net cash used in operating activities (item 1.9 above)	(2,744)	(5,284)
4.3 Net cash used in investing activities (item 2.6 above)	(91)	(110)
4.4 Net cash from financing activities (item 3.10 above)	19,625	28,431

<b>Consolidated statement of cash flows</b>		<b>Current quarter US\$'000</b>	<b>Year to date (6 months) US\$'000</b>
4.5	Effect of movement in exchange rates on cash held	391	356
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>23,703</b>	<b>23,703</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter US\$'000</b>	<b>Previous quarter US\$'000</b>
5.1	Bank balances	23,703	23,703
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>23,703</b>	<b>23,703</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
US\$'000**

137

-

Salaries and wages paid to Directors

137 \$

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
US\$'000**

-

-

N/A

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end US\$'000</b>	<b>Amount drawn at quarter end US\$'000</b>
8.1 Loan facilities	9,500	500
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The company has access to credit lines of USD10M in the US.

<b>9. Estimated cash outflows for next quarter</b>	<b>US\$'000</b>
9.1 Research and development	86
9.2 Product manufacturing and operating costs	60
9.3 Advertising and marketing	433
9.4 Leased assets	36
9.5 Staff costs	1,506
9.6 Administration and corporate costs	278
9.7 Other	-
<b>9.8 Total estimated cash outflows</b>	<b>2,398</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

### 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.

Sign here: ..... Date: 31 July 2019  
(Director/Company secretary)

Print name: Charly Duffy (Director of cdPlus Corporate Services, local agent of Splitit Payments Ltd)

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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. Mainly due to funds loaned to merchants (\$1,479 million). Please see the announcement accompanying this Appendix 4C for further details.
5. In January 2019 the Company consummated an IPO in a total amount of \$8.6 million (AUD 12 million). In May and June 2019 the company raised in new equity \$20.9 million (AUD 30.3 million)
6. Cash held as security for Splitit's corporate credit card facilities.