

1 March 2022

ASX Announcement

BNPL Business Offering & Operational Update

Highlights

- **Accelerated uptake of BNPL service with increased volumes of myIOU BNPL transactions completed in the first half of the March Quarter (1 Jan to 15 Feb):**
 - **\$9,404,790 in Total Transaction Value (“TTV”^{1,3}) has been transacted; delivering,**
 - **\$413,248 in Net Transaction Revenues (“NTR”^{2,3})**
- **Non-Performing Loans (“NPL”) of \$2,487 reported for first time given portfolio age - indicates modest delinquencies – reinforces strong credit quality control strategy**
- **Continued growth in Consumer and Merchant sign ups, approval and onboarding:**
 - **3,125 merchant outlets now onboarded (up 5% since 31 Dec)**
 - **1,649 merchant outlets activated and listed on myIOU (up 7% since 31 Dec)**
 - **51,724 consumer downloads of myIOU (up 31% since 31 Dec)**
 - **14,726 consumer activated accounts (up 34% since 31 Dec)**
- **Merchant acquisition throughout central and regional Malaysia; ongoing reassessment of relationships for quality control**
- **Active consumer engagement drives growth in consumer onboarding and activation**
- **Razor Merchant Services (“RMS”) first batch of approved merchants now onboarded for myIOU BNPL capability; pending IOU sign up before going live**
- **myIOU 2.0 launch on schedule for Q3 FY22 with coordinated marketing campaign and new brand ambassadors to be announced**
- **IDSB Investment Update – share transfer for 1st Tranche of 21% interest registered; formal accounting for investment in Appendix 4D Interim Report**
- **COVID-19 Environment Update – Phase 4 of National Recovery Plan progressing with a significant reopening of the economy; increase in cases not impacting activity**

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

BNPL Business Offering Update

Financial & Activity Performance Metrics

Values for Period	1 January – 15 February 2022
Total Transaction Value ^{1,3}	\$9,404,790
Net Transaction Revenue ^{2,3}	\$413,248
myIOU Income Margin ⁴	4.4%
Non-Performing Loans ⁵	\$2,487
Cumulative Totals as at	15 February 2022
Merchant Outlets Signed ⁶	3,598
Merchant Outlets Onboarded	3,125
Merchant Outlets System Active	1,649
Merchant Relationships System Active ⁷	744
Consumer Downloads	51,724
Consumers Onboarded	37,282
Consumer Account Activations	14,726

- 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 3.00 using an RBA sourced reference
 4. myIOU Income Margin means NTR as a percentage of TTV
 5. Non-Performing Loan (NPL) means the current outstanding value of a transaction account which has an instalment remaining unpaid for at least 6 months
 6. Merchant Outlets means discrete shopfronts, whether physical or online
 7. Merchant Relationships means business entities that may have multiple outlets

The Company reports elevated transactions volumes for the first half of the March quarter with Total Transaction Value (“TTV”) of \$9,404,790 delivering Net Transaction Revenue (“NTR”) of \$413,248. Whilst myIOU Income Margin was down during the period relative to the previous quarter, this reflects differing transaction profiles and commercial terms, as well as promotional campaigns. Effective annualised returns for individual transaction profiles remain within the Company’s target range.

On a financial year-to-date basis, the Company has now written TTV of \$22,058,141 delivering NTR of \$1,516,420 (AUD values for TTV & NTR based upon reported exchange rate assumptions). The resultant myIOU Income Margin for FY22 to 15th February 2022 is 6.9%, which remains above expectations and within the Company’s target range.

In this update, the Company has reported Non-Performing Loans (“NPL”) for the first time given the portfolio was effectively established at the myIOU BNPL launch mid-June 2021. The NPL of \$2,487 as at 15th February 2022 indicates modest delinquencies and is a reflection of the Company’s targeted consumer acquisition process, including sophisticated credit scoring technology to authenticate customers and independently check credit profiles, as well as its continuous assessment and management of merchant relationship performance.

Merchant & Consumer Acquisition

During the first half of the March quarter, 58 merchants operating 166 outlets around Malaysia were added to the myIOU platform. New merchants were added to 13 industry vertical categories. Key industry verticals with numerous merchants added since 31st December includes: Electrical & Electronics (11 merchants with 49 outlets); Automotive (7/8); Fashion (6/9); Health & Personal Care (4/7); Home & Garden (4/9); and, IT & Gadgets (11/30).

Notable businesses amongst these new merchant relationships include: Best Point Electrical Chain Store Sdn Bhd (‘Electrical & Electronics’ from regional Malaysia with 7 outlets); Lazo Diamond (‘Jewellery’ from KL/Selangor with 33 outlets); and Weng Kwong Jewellery (‘Jewellery’ from KL/Selangor with 7 outlets).

Concurrently with merchant acquisition activities, the Company's merchant services teams and Operations Division conduct ongoing re-assessment and evaluation of merchant relationship performance to ensure alignment with IOUpay brand values, anticipated transaction activity levels and satisfaction of return expectations. Following review, those merchant relationships not meeting satisfactory levels of performance, and considered unlikely to improve, are terminated and removed from the myIOU platform.

The significant growth trend in consumer engagement, initially reported in November, has continued into Q3 FY22. As previously reported, this growth aligns with expansion of shopping choice as new merchants are added and the Company deepens its coverage of regional Malaysia. The increased consumer engagement also correlates with the Government's easing of COVID-19 restrictions, the Company's ongoing Digital Marketing Strategy and various promotional campaigns.

Razer Merchant Services (RMS)

As reported in the December 2021 Quarterly Activities Report, the Company has approved more than 140 merchants for onboarding by RMS from their first batch of merchants offered for review. RMS has now confirmed onboarding to their system. The final step in the merchant acquisition process is for the IOUpay business development team to complete with each merchant an offline signup to confirm terms.

RMS is currently compiling a second batch of merchants for review, based upon industry vertical preferences and minimum transaction value expectations. The Company is conducting monthly training of sales staff to ensure optimal signup rates.

myIOU 2.0 Launch

The Company is gearing up for the launch of myIOU 2.0 involving a complete refresh of the consumer and merchant apps and website. Plans are well-progressed and remain on schedule for a live launch event in March to be held in a major metropolitan shopping mall. Various media, advertising and promotional campaigns have been arranged to drive engagement with both merchant and consumer communities.

At the myIOU 2.0 launch, the Company plans to announce two new brand ambassadors, each bringing their own significant influence and followers from Malaysia and across Southeast Asia.

IDSB Investment

The Company is pleased to confirm that completion of the first tranche payment of RM63 million (~A\$21 million³) and the transfer of shares representing 21% of the total issued share capital of I.Destinasi Sdn Bhd ("IDSB") to IOUpay's wholly-owned subsidiary IOU Pay (Asia) Sdn Bhd ("IOU Asia") has been completed. This date becomes the effective settlement date for the purposes of determining the date by which the second tranche payment is due (being the later of completion of the audit of IDSB's FY21 statutory accounts or six months after settlement).

In the recently lodged Appendix 4D and Financial Report (announced 28th February 2022), the Company reported for the first time in its financial accounts its (current) 21% investment in IDSB. The reporting reflects the IOU share of IDSB's net earnings for the month of December only, given the timing of the First Tranche Payment and settlement of the Tranche 1 portion of the acquisition was 30 November 2021.

Based upon unaudited numbers of IDSB (currently subject to an external audit) for FY21, the Company expects there to be a downward adjustment to the overall purchase price of IDSB, which will be reflected as a net reduction to the amount of the Second Tranche Payment as per the previously disclosed terms of the Second Tranche Payment. The actual amount of the variance in profit before tax and hence the corresponding reduction in the value of the Second Tranche Payment will be determined once IDSB's audited statutory accounts completed.

Since December 2021 the Company has been working closely with IDSB management to establish reporting protocols, build operational interaction and develop inter-company staff working relationships. Planning is well underway for a pilot programme marketing myIOU BNPL services into IDSB's high credit quality, civil servant customer base.

COVID-19 Environment Update

All states, territories and major economic centres have now moved into Phase 4 of the Malaysia Government's National Recovery Plan ("NRP"). Phase 4 provides for the re-opening of all economic sectors, interstate travel (subject to SOPs) and no gathering limits. Economic activity continues to improve as evidenced in the Company's BNPL performance metrics. Malaysia's GDP rose 3.6% in Q2 FY22 and Bank Negara Malaysia expects the recovery to continue through calendar 2022 subject to any future COVID-19 variants.

Whilst there has been a significant surge in COVID-19 cases (likely associated with a recent Omicron variant wave), Bloomberg reports that serious illness and deaths are significantly lower than last year. Malaysia's Ministry of Health has stated that it expects the Omicron wave to peak in the second half of March. About 80% of the population is fully vaccinated and over 40% have received booster doses. Malaysia's Health Director General has indicated preparation for herd immunity following high vaccination rates and infection recoveries, and is looking forward to moving into endemicity. Reuters reports the government has vowed not to reimpose lockdowns amid a ramped up vaccination programme.

The economic recovery is expected to be further boosted by the reopening of international borders with Malaysia planning to end mandatory quarantine for inbound travellers on 1st March.

The Company has contingencies in place for the launch of myIOU 2.0 should circumstances deteriorate.

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

Yours faithfully,

IOUpay Limited

(Aaron) Lee Chin Wee
Executive Chairman

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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.