

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

IOUpay Limited

ABN

11 091 192 871

Quarter ended ("current quarter")

31 March 2022

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 from customers	5,726	13,771
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,257)	(4,385)
(c) payment to merchants	(13,334)	(24,114)
(d) advertising and marketing	(540)	(1,671)
(e) leased assets	(65)	(167)
(f) staff costs	(1,064)	(2,641)
(g) administration and corporate costs	(1,375)	(5,009)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	698
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(104)	(195)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(5)	(62)
1.9 Net cash from / (used in) operating activities	(12,004)	(23,775)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(23,942)
(c) property, plant and equipment	(110)	(530)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	534	534
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	424	(23,938)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(5)	(15)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(5)	(15)

Appendix 4C
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	15,384	51,405
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(12,004)	(23,775)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	424	(23,938)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(5)	(15)
4.5	Effect of movement in exchange rates on cash held	(642)	(520)
4.6	Cash and cash equivalents at end of period	3,157	3,157

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	2,909	6,521
5.2	Call deposits	248	8,863
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)	3,157	15,384

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	160
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. 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	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	92	-
7.4	Total financing facilities	92	-
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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(12,004)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,157
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,157
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.3
	<i>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.</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 the current level of operating cash flows and core operational expenditure (excluding the \$13.33m in cash outflows allocated to "Payments to Merchants" at Item 1.2c) to continue at the current level for the remainder of calendar 2022.

Notably, Payments to Merchants were significantly higher on a run rate basis during the March quarter due to higher than normal volumes due and the success of one-off promotions by the Company, including a product launch, and more competitive pricing for BNPL product lines.

The Company has been monitoring the total cash allocated to funding its BNPL product lines closely since this increase and reduced its generation of new BNPL business activity to reflect the available capital and repayment profile of BNPL accounts receivable to align with the working capital requirements of the Group. This includes monitoring volumes and the cycling of the receivables portfolio whilst managing operating outflows and operating obligations of the Group with the amortisation/repayment cycle of BNPL proceeds owed from customers.

Payments to Merchants (along with the profit margin on the BNPL transactions) form part of BNPL receivables which will be reflected as cash receipts in future reporting periods, and represent amounts due to be returned to the Group within relatively short maturities (terms up to 6 months from the date funded).

It follows that cash inflows generated by the portfolio are anticipated to significantly increase in future periods and will be reflected as incoming cash inflows that will be used to manage the net levels of net operating cash outflows at a sustainable run rate in future periods.

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:

The Company believes that it is able to fund its normal operations using existing cash reserves, investment income and cash generated through the cycling of its short term loan receivables portfolio. The Company has closely monitored its net cash position in parallel to the maturity of its current BNPL portfolio to satisfy itself that it currently has sufficient cash flow to fund normal operations whilst cycling the current capital invested/allocated to the BNPL business unit.

During the course of calendar year 2022, the Company will be taking steps to source additional capital to fund the expansion of its BNPL portfolio once the current implementation of IOUpay and myIOU BNPL products reaches a critical market penetration requiring a significant level of growth capital likely to be available from or of interest to debt capital markets. The Company is confident of the potential to attract such longer term non-dilutive growth capital to continue the expansion of the IOUpay and myIOU products, once it has demonstrated a track record of delivering the current BNPL offering, which means the cycling of the portfolio at a commercially attractive size and scale.

Outside of this, the Company will consider additional sources of raising further cash as needed to fund specific growth initiatives, existing or new capital commitments or investments (such as its investment in IDSB or investment into IDSB related expansion), which are over and above its expectations for organic growth of the BNPL portfolio. The Company has a proven ability of raising capital in a timely manner if and when required to fund these initiatives or for additional working capital (if required).

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, see also relevant comments above at 8.6.2 with respect to operating levels and management of the timing of portfolio cycling. The Company expects its current working capital position with organic growth from the current businesses to sustainably fund its current size and scale of operations until December 2022.

Any additional capital required to expand the current BNPL portfolio beyond organic growth has been discussed above at 8.6.2.

Whilst its business objectives extend beyond organic portfolio growth, the Company believes that additional sources of cash can be accessed to fund incremental growth initiatives and growth projects, or new product initiatives related to the BNPL product suite.

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.

Date: 29 April 2022

Authorised by: The Board of Directors
(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.