

30 April 2021

ASX Announcement

IOUpay Limited (ASX Code: IOU)

March 2021 Quarterly Report & Business Activity Update

Highlights

- **Key Partnerships** secured for large scale merchant and customer acquisition – Merchant referral and strategic teaming agreements signed with three of Malaysia's largest merchant networks – EasyStore, iPay88 and MYP1 – who have a combined total of 85,000 merchants
- **Resource planning and implementation** underway to focus on accelerated merchant onboarding, prioritising high volume and premium yielding merchants across key industry sectors
- **Successful soft launch** of the Company's Merchant App and Consumer App Services processing live transactions in a controlled environment to complete technical, commercial and operational aspects of the Company's BNPL platform and service offering
- **Comprehensive digital marketing campaign** supported by online and in-field Merchant Services Team rolling out in May
- **Key new appointments bolster Executive Team** to support key competencies and identified growth initiatives
- **Successful Capital Raising** well supported by new and existing institutional investors

IOUpay Limited (ASX:IOU) ('**IOUpay**' or **the Company**) has released its Appendix 4C today and the Board of Directors are pleased to provide this Quarterly Report & Business Activity Update for the period ended 31 March 2021.

Key Partnerships secured for Merchant Referrals and Customer Onboarding

As foreshadowed in the Company's last Quarterly Report & Business Activity Update and the Company's Investor Presentation released on 16 March this year, significant focus has been applied to securing a number of strategically targeted, high quality and large merchant networks to lay the initial distribution platform for the Company's new BNPL service offering to customers.

The Company is in a unique position to capitalise on first mover advantage for BNPL services in Malaysia, a market with a chronic supply side shortage of consumer credit and widespread adoption of cashless digital payments in the form of e-wallets and debit cards. The Company's plans for accelerated market penetration are initially based on a "merchant centric" approach to large scale customer acquisition.

The first large scale networks, summarised in more detail below, provide the Company with access to a total merchant pool of 85,000 across three non-competing networks. These networks consist of EasyStore's 5,000 e-commerce merchants, MYP1's 15,000 in-store merchants and iPay88's 65,000 merchants (45,000 e-commerce merchants and 20,000 in-store).

Management expect there may be some duplication of iPay88's payment gateway merchants who may also use either of EasyStore's multi-sales channel e-commerce platform or MYP1's smart terminals. Based on iPay88's reported estimate of 50% market share of the total online transaction market and payment market

in Malaysia in 2020, management reasonably expects this duplication could account for 10,000 merchants, potentially reducing the initial combined merchant pool to 75,000.

Merchant onboarding and rollout will initially consist of selected priority merchants for quality control purposes, given the size and scope of the initial merchant networks. Selection criteria consists of transaction volumes and values, average purchase amounts, industry sector, merchant and merchant customer risk profiles and transaction margins.

EasyStore

On 9 February, the Company announced it had signed a Merchant Referral Agreement with EasyStore Commerce Sdn Bhd (1020551-M) (EasyStore) to acquire access to its merchants and to onboard and utilize IOUpay's BNPL payment services by connecting to IOUpay's Merchant App and onboarding end-user customers to the Company's "myIOU" Consumer App.

EasyStore was established in Malaysia in 2013 to capitalise on the fast-growing market needs for merchants and their customers to leverage smarter access to multiple e-commerce sales channels, social media and payment platforms. EasyStore has since expanded to service more than 7,000 merchants across the South East Asian (SEA) markets, which include Malaysia, Singapore, Indonesia, Philippines, Thailand, Hong Kong and Taiwan. 5,000 of these are in Malaysia with a growing portfolio of merchants in the US.

In 2020, EasyStore merchants processed over 20 million transactions with a total transaction value (TTV) of approximately \$435 million (RM1.30 billion using an RM:AUD exchange rate of 3.00).

The EasyStore platform provides merchants with a turnkey solution including product, customer, order and payment management with supply chain warehouse options for merchants who have retail or wholesale business models. The key EasyStore merchant verticals are food & beverage, fashion, health & beauty, stationery & craft, automotive & motorbike and home & décor.

EasyStore differentiates itself by providing merchants with one single integrated platform to customize and manage their business across multiple online sales channels. This is a contrast to the more common single store e-commerce platforms which consist of large online shopping malls that display marketplaces of merchant products and services by categories and price ranges. Current clients include SEA's largest online shopping malls such as Lazada and Shopee and all major social media platforms including Facebook, Instagram, WhatsApp, LINE and WeChat.

iPay88

On 2 March, the Company announced it had signed a Merchant Referral Agreement with iPay88 (M) Sdn Bhd (5218817-M) (iPay88). In 2020 iPay88's merchants processed over 360 million transactions across iPay88's payment gateway network with a total transaction value (TTV) of approximately \$10 billion (RM2.5 billion per month and RM30 billion for the year using an RM:AUD exchange rate of 3.00) which represents 50% of the total online transaction and payment market in Malaysia as reported by iPay88 on 16 November 2020.

iPay88 currently services more than 45,000 online merchants and 20,000 in-store merchants in Malaysia alone with operations firmly established across the SEA markets of Indonesia, Philippines, Thailand, Vietnam, Cambodia and Bangladesh.

iPay88 was established in Malaysia in 2000, initially trading as Mobile88, to capitalise on prepaid airtime and internet 'top-up' online bill payment services. In 2006 the company registered iPay88 and began marketing to SME's and corporates after building its own payment gateway network to service Fujifilm and several other cornerstone customers for all their online payment requirements. The business grew exponentially with the rapid rise of large e-commerce based corporate customers whose products and services are sold and paid for exclusively online, which has spurred the mass market adoption of digital payments across the SEA region.

In September 2015, the Japanese conglomerate NTT Data Corp acquired a 51% equity holding in the company through its Singapore subsidiary NTT Data Asia Pte Ltd Corp.

The NTT Group is a leading Fortune Global 500 company ranking 62 in 2020. NTT is the fourth largest telecommunications company in the world in terms of revenue, as well as the fifth largest publicly traded company in Japan after Toyota, Mitsubishi Corporation, Honda and Japan Post Holdings, as of September 2019.

NTT Data accounts for over 70% of the local online payment market in Japan, using its CAFIS® network. The CAFIS® network is the largest payment card network in Japan that serves over 200 banks with more than 900,000 terminals processing 700m transactions per month back in 2017, growing with the shift to cashless payments.

iPay88's state-of-the-art payment platform and infrastructure for banks, financial institutions and businesses to process online payments quickly, securely and seamlessly, is certified to meet International Security Standards (PCI DSS Certified Level), the highest standard in the global online payments industry. This ensures that all transactions and data are safeguarded.

Other key features of iPay88's network are E-Commerce and M-Commerce site integration, multi-currency functions and extensive gateway features to safeguard consumer data and maintain merchant's credibility. Further safeguards include proven fraud prevention system and monitoring (Zepsecure) with fraud ratios, far below industry thresholds, and single contact point management for all banks, financial institutions, corporates and their merchant distribution networks.

MYP1

On 6 April, the Company announced it had signed a Strategic Teaming Agreement with MYP1 Commerce Sdn Bhd (1137690-A) (MYP1) to connect MYP1's merchants to IOUpay's Merchant App and onboard their customers to the Company's "myIOU" Consumer App.

MYP1 is a major payment industry service provider in Malaysia and South East Asia with an exclusive focus on the supply, deployment, installation and maintenance of the latest state-of-the-art Point-of-Sales (POS) terminals and related ancillary equipment.

MYP1 is actively involved in the fulfilment of these products and services for various credit and debit card payment and Quick Response (QR) payment operators, providing merchants with fixed line, mobile, virtual and contactless Smart POS terminals.

MYP1 has more than 15,000 card and QR payment acceptance merchants nationwide across Malaysia and has successfully deployed, installed and maintained over 50,000 Smart POS terminals to date. This includes rollouts for clients such as Alliance Bank, Bank Islam, Bank Muamalat, GRAB, AliPay, WeChat Pay, U Mobile and Sinopay for their acquiring of China Union Pay transactions.

The commercial relationship between IOUpay and MYP1 extends well beyond a standard merchant referral process through the integration of IOUpay's BNPL Merchant App services with MYP1's existing Smart POS terminal installation base.

MYP1'S base is deployed across 15,000 merchants to process customer payments for goods and services they sell. This enables approved merchants to access IOUpay's BNPL services and onboard customers wishing to pay for goods and services using BNPL installations instead of credit cards or cash balances held on debit cards and e-wallets, through the use of their existing smart POS terminal.

Under the Agreement, IOUpay is also able to act as a master merchant for MYP1 to onboard IOUpay originated merchants to utilise MYP1's Smart POS Terminals. These terminals accept credit and debit cards, Quick Response (QR) code readers for e-wallet payments and IOUpay's Buy Now Pay Later payment services, providing merchants and their customers with full service payment options under one Smart POS Terminal.

MYP1 has a significant in-field merchant sales and support presence with a strong national merchant services team supporting its 15,000 strong in-store merchant network on a daily basis. This provides IOUpay with a valuable, experienced, data driven and well-resourced in-field services team to partner with the Company's internal business development and merchant services team to accelerate BNPL adoption and market penetration.

IOUpay and MYP1 have now integrated systems with a scheduled rollout initially to 2,800 jointly selected MYP1 merchants from MYP1's existing network of 15,000 merchants over the course of the remaining nine months of 2021. The balance of MYP1 merchants are to be vetted and accepted by IOUpay which is scheduled for rollout in 2022.

From Soft Launch to larger scale Merchant Rollout and Customer Onboarding

The Company commenced soft launch activities in February and March consisting of processing live transactions in a controlled environment with a small pool of merchants to complete technical, commercial and operational aspects of the Company's BNPL platform and service offering.

During this period the services launched include:-

- the Company's Merchant App Services which include the ability to make their products and services available to registered and approved consumers via the "myIOU" Consumer App, or a private link, and to receive payment from the Company for approved customer transactions; and
- the Company's "myIOU" Consumer App services to enable consumers to register with IOU, including providing important eKYC personal identification and authentication information. This allows consumers to apply for purchase limit approval after providing relevant credit information required for credit approval for their selected merchant purchase and then make their instalment payments to the Company. Purchases have been restricted to IOU approved merchants who have onboarded with IOU's Merchant App.

During the soft launch period, the myIOU App is available in the Malaysia Appstore and Malaysia Google Play Store with download access restricted to Malaysian residents as per standard Appstore & Google Play Store protocols. The Merchant App is Android only and therefore only available in the Malaysian Google Play Store.

The soft launch period is planned to end next month with a seamless transition to a larger scale scheduled rollout of the Merchant App to priority merchants trained and tested for immediate onboarding of customers to the "myIOU" Consumer App. The onboarding of customers may be completed online or instore.

Internal and external resource planning and implementation for larger scale rollout is underway with the Company having established an experienced and dedicated Merchant Services team complemented with experienced 3rd party in-field merchant services teams covering key regional cities in Malaysia.

A comprehensive and continuous digital marketing plan is scheduled to commence in June to build the IOU brand and product awareness and drive further online merchant and customer acquisition with a range of carefully planned merchant and customer product initiatives targeted at high transaction per day merchant activity levels and increased limits for repeat customer transactions.

Key new appointments bolster Executive Team

New management team appointments continue to be made in line with expanding and improving the Company's key competencies and identified growth opportunities.

New senior executive appointments have been made with Eddie Lee appointed Chief Commercial Officer (CCO) and Calvin Yeap appointed Chief Marketing Officer (CMO).

Eddie Lee (CCO) brings 20 years of business development, country management and corporate leadership across the online payments, online data management and advertising industries for publicly listed and privately held corporates. Mr Lee's responsibility is the commercial development for IOU's business across the South East Asian region where he has a proven track record of territory expansion and successfully building revenues through developing large big brand corporate relationships and merchant distribution channels. Mr Lee holds a Master of e-Business from the University of Southern Queensland (2004).

Mr Lee has held positions as Country Manager for Malaysian listed online publishing and advertising corporate Innity Corporation Berhad where he was responsible for strategy, sales and Malaysian and Philippines profit and loss. Prior to which he was President of iPay88 Philippines Inc where he successfully grew the online payments business to service over 5,000 merchants across 20 industry verticals including SM Tickets & Cinema, KFC, Toby's Sports and Malayan Insurance.

Calvin Yeap (CMO) has 15 years of experience specialising in digital marketing, corporate communication and stakeholder engagement to build brands and revenues across South East Asia (SEA).

Mr Yeap has held positions as Head of Operations and Marketing, for global travel technology leader Amadeus' Malaysian operations for 5 years following which he moved to serve concurrently as Head of Marketing for iPay88 and Head of Corporate Marketing for the Global Payments and Services Division of iPay88's parent NTT Data Corporation.

His responsibilities covered Malaysia, Thailand, Singapore, Hong Kong and China iPay88 and other NTT payment companies including Payoo in Vietnam, Aino in Indonesia and ATOM in India. Over four years with iPay88, from 2016 – 2020, Mr Yeap successfully led iPay 88 to be a household name in Malaysia and successfully launched iPay88 in Cambodia, Thailand and Bangladesh as well as significantly increasing NTT data's footprint and brand presence regionally across SEA.

Prior to commencing with IOU, Mr Yeap held the role of Head of the Community & Industry Partnership team at Malaysia Digital Economy Corporation (MDEC) Sdn Bhd. Established in 1996 as the lead agency to implement the Malaysia Multimedia Super Corridor (MSC) Initiative, MDEC is the Malaysian Government agency under the Ministry of Communications and Multimedia Malaysia (KKMM) responsible for leading the Information and Communication Technology market (ICT) and digital economy growth in Malaysia for the past 25 years.

Mr Yeap holds a Bachelor of Science (Hons) in Computer Science from Coventry University, UK (2001)

\$50m Capital Raised from Sophisticated Investors and Existing Shareholders

The Company successfully raised \$50,000,000 from sophisticated investors and existing shareholders via a placement announced on 18 February. The placement consisted of 100,000,000 shares issued to investors at \$0.50 per share split into 65,000,000 shares issued by the Company pursuant to its 15% placement capacity under ASX Listing Rule 7.1 and 35,000,000 shares issued pursuant to the Company's 10% additional placement capacity under ASX Listing Rule 7.1A.

The proceeds from the placement are being applied towards funding existing operations including digital payments and BNPL inventories, new BNPL product development, expansion of the Company's Malaysian operations and expansion into additional South East Asian territories.

4C Cashflow Analysis

Receipts from customers remained strong at \$1,949,000 on a net operating cash flow of -\$617,000 compared to -\$834,000 last quarter, reflecting the Company's stronger year on year earnings.

The Company's Mobile Banking division has continued to experience increased transaction levels reflecting the tightening of Malaysian Government Movement Control Order (MCO) conditions with increased work-from-home populations and continued travel restrictions from the current third wave of new cases of the COVID-19 pandemic which continues to boost mobile banking and online purchasing and payments.

Total transaction levels for the quarter were approximately 72 million with the monthly average up 33% from 18 million per month in 2020 to 24 million per month for the March Quarter 2021.

Total payments to Directors and their nominated entities for the quarter was \$20,000 as set out in item 6.1 of the Appendix 4C while staff costs have increased from \$262,000 last quarter to \$363,000 in line with the Company's resourcing and growth activities, in particular the rollout of its BNPL service offerings in Malaysia.

The Company had \$54,611,000 in cash and call deposits as at the end of the March Quarter, after deducting operating costs and capital raising costs from the February placement.

Outlook

The Company continues to make significant progress on identified key partnership opportunities to grow its merchant network, opening access to large scale customer acquisition and providing simple, innovative BNPL payment solutions to businesses and consumers.

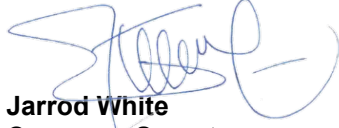
The Company is well positioned to achieve its key June Quarter 2021 Roadmap deliverables as set out in the March Investor Presentation including further SEA territory expansion activities, rollout of the myIOU rewards and consumer referral program and cross marketing with big brand merchants to drive further revenue growth.

The Company's focus remains on strategic, premium brand high quality opportunities in order to capitalise on its first mover advantage in the SEA region with quality at the forefront of all activities including merchants, consumer credit risk, product innovation and communication and transaction profitability.

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

Yours faithfully

IOUpay Limited



Jarrod White
Company Secretary

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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 provide mobile OTT (over-the-top) services that leverage their subscriber base to build active communities.

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 2021

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	1,949	5,279
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(983)	(3,573)
(c) advertising and marketing	(52)	(111)
(d) leased assets	-	(55)
(e) staff costs	(363)	(987)
(f) administration and corporate costs	(1,246)	(2,875)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	49	50
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	(3)	(37)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	32	67
1.9 Net cash from / (used in) operating activities	(617)	(2,243)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(74)	(252)
(d) investments	(476)	(476)
(e) intellectual property	-	-
(f) other non-current assets	-	(3,244)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	347
	(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)	-	-
2.5	Other (provide details if material)	-	24
2.6	Net cash from / (used in) investing activities	(550)	(3,601)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	46,198	60,196
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	-	(1,037)
3.5	Proceeds from borrowings	71	98
3.6	Repayment of borrowings	(76)	(153)
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	46,193	59,104

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,541	578
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(617)	(2,243)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(550)	(3,601)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	46,193	59,104
4.5	Effect of movement in exchange rates on cash held	1,044	773
4.6	Cash and cash equivalents at end of period	54,611	54,611

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	53,079	6,975
5.2	Call deposits	1,532	1,566
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)	54,611	8,541

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	20
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	122	122
7.4 Total financing facilities	122	122
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. <div style="border: 1px solid black; padding: 5px;"> The Group has hire purchase facilities that are secured, repayable over 5 years with interest rates of 13% p.a. & 4.04% p.a. </div>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(617)
8.2 Cash and cash equivalents at quarter end (item 4.6)	54,611
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	54,611
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	88.5
<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? <div style="border: 1px solid black; padding: 5px;"> Answer: N/A </div>	
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? <div style="border: 1px solid black; padding: 5px;"> Answer: N/A </div>	
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? <div style="border: 1px solid black; padding: 5px;"> Answer: N/A </div>	
<i>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.</i>	

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: 30 April 2021

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.