

ASX release

31 August 2022

Way2VAT accelerates growth through platform partner signings, enterprise clients and introduction of the Smart Spend Debit MasterCard

31 August 2022 – Way2VAT Ltd (ASX: W2V) (the “Company” or “Way2VAT”), a global leader in integrated VAT claim and return solutions, today announced its financial results for the six months ended 30 June 2022 (H1 FY22).

(All financial numbers are in USD unless otherwise stated)

- Transaction volume up 8% to \$5.43 million (\$5.02 million in previous corresponding period) (pcp).
- Revenue down 25% to \$0.525million on pcp due mainly to an increase in the ratio of accounts payable and local VAT claims, which attract lower commissions, to international VAT claims which are still recovering from pre-COVID levels, and the adverse movement in the translation exchange rate between the USD and Euro. Due to typical tax reclaim cycles, revenue in the half typically reflects client reclaim transaction activity undertaken in the prior half.
- SMB clients increased 21% from 700 to 850 during the half, through indirect and platform partner sales.
- Signed 15 new multinational enterprise customers including TikTok, Playmobil and Artsana Group across a diverse range of industries, growing the enterprise client base to 215 – an increase of 25% in 12 months.
- Launched the Smart Spend Debit MasterCard, the world’s first spending card automating VAT/GST returns for the SMB and Enterprise market in partnership with Railsbank (now Railr) and Mastercard.
- Increased platform partners to six after entering a partnership with Circula, DACH region specialist and largest expense management solution provider in Germany.
- Raised \$A1.090 million via over-subscribed Share Placement with strong support from sophisticated, institutional and cornerstone investors.
- Funding grant of A\$625k provided in FY23 by the Israeli Innovation Authority (IIA) to support research and development and initial marketing and commercialisation of the Smart Spend Debit MasterCard.
- Cash balance of \$1.461 million as at 30 June 2022.

Commenting on the Company’s performance during the first half of 2022, Way2VAT Founder & CEO, Amos Simantov, said: “As market conditions continue to improve in both business and personal travel, particularly in Europe and North America, we have seen an increase in

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transaction volume for the period to \$5.43 million, up 8% on the previous corresponding period. Revenue was down due to the increased ratio of accounts payable and local VAT claims, which tend to attract lower commissions. However, we expect to see a steady return to solid revenue growth during the second half of 2022 and throughout 2023 as foreign travel returns to more normal levels, with its higher commission rates.

“The launch and initial rollout of our world-first Smart Spend Debit MasterCard, built to meet customer demand for a card of this kind for the SMB and Enterprise market, fully automates VAT/GST returns from end-to-end, will drive strong sales in its own right and allows us to upsell to our existing SMB and enterprise clients.

“Way2VAT will earn revenue through a Software-as-a-Service (SaaS) model generating new annualised income streams for the company consisting of monthly charges to card users, administration licences and a percentage from each successful VAT/GST refund.

“We have a sound cash position after our well-supported recent share placement. With an additional A\$300,000 in private placement raised in early August 2022, we accelerated the commercialisation of the Smart Spend Debit MasterCard and investment in the development of Way2VAT’s proprietary technologies. This will keep us at the forefront of AI innovation that allows us to provide automated VAT/GST claims in more than 40 countries and 20 languages.”

Operational Highlights

Launch and initial rollout of world-first Smart Spend Debit MasterCard automating VAT/GST returns for SMB and Enterprise market

Partnering with Railsbank (now Railsr) Way2VAT launched the Smart Spend Debit MasterCard – the world’s first spend card for the SMB and Enterprise market that fully automates VAT/GST returns from end-to-end.

Developed in consultation with customers who saw the need for such a card, Way2VAT is launching the product as demand for debit card use grows globally. In Europe last year, cards with a debt feature increased by 42.7 million to 813.5 million, up 5.5%. Around seven in 10 cards issued in Europe now carry a debt function, because consumers like the flexibility and ease of debit payment.

Way2VAT’s Smart Spend Card is built to meet client demand for a product of this type and allows companies to submit spend receipts and capture invoices through Way2VAT’s proprietary technology platform.

The new technology is an end-to-end process from capture of the receipt through to payment that automatically analyses, reconciles, sorts and submits documentation to foreign tax authorities. Employees can simply spend their allocated amounts and the VAT/GST is automatically submitted with all relevant administration completed.

The Card is being rolled out to customers in the aviation, security, automotive and technology sectors as these industries showcase the broad range of capabilities and different uses that the Card can offer.

Enterprise clients

Way2VAT signed new deals with major multinational enterprise clients – taking enterprise client numbers to 215 – a 25% increase in 12 months. TikTok, the world's leading short form video hosting service with 1.4 billion users of their app and 27,000 employees around the world, has become an enterprise client that is finding value in Way2VAT's VAT/GST claim and return solution.

TikTok will initially use Way2VAT's platform for approximately 7,000 employees out of Europe, UK and the Asia Pacific, with potential to expand to other markets, making it a top-tier multinational client in these markets with the capability to expand further.

Other significant clients signing with Way2VAT for similar services included:

- Ariston Group (formerly known as Ariston Thermo Group), headquartered in Fabriano, Italy and a global leader in energy-efficient thermal products with over 7,700 employees in 42 countries;
- Artsana Group, a global manufacturer and distributor of healthcare and infant care products with more than 8,000 employees in over 120 countries and headquartered in Lombardy, Italy; and
- Playmobil, Germany's largest toy manufacturer and one of the top-30 entertainment and toy manufacturers in the world, distributing products to approximately 100 countries. Initially it will be used by about 2,600 employees out of Europe, with potential to expand to the global workforce of more than 5,600 people.

Platform partnerships

The number of small and medium-sized businesses (SMBs) accessing Way2VAT capability through accounting software integrations increased 13% during the period, from 700 to 850.

In April, Way2VAT increased its key partnerships to six after entering a partnership with Circula, the largest expense management solution provider in Germany, to offer Circula clients use of Way2VAT's automated VAT claim and return solutions product for SMBs through two seamlessly integrated systems.

These partnerships and integrations with platforms such as Circula, Allocate, Elmo, Yokoy, Zoho and Xero enable Way2VAT to strengthen its presence as a leader of automated VAT recovery software for the SMB market. The new Circula partnership is operating across thousands of organisations throughout the DACH region, comprising Germany, Austria and Switzerland.

As with other partners, Circula proactively offers the Way2VAT platform to clients. Way2VAT is originating its revenue from clients through a one-year contract based on each successful VAT reclaim transaction that it processes through the Way2VAT platform, with the ability to process large numbers of reclaims without substantially increasing the cost of processing.

A\$1.09 million placement to accelerate commercialisation of Smart Spend Debit MasterCard

In June 2022, Way2VAT raised A\$1.09 million before costs via a strongly supported Share Placement to new leading institutional and sophisticated investors as well as existing shareholders. Under the Placement, Way2VAT issued 21,176,470 ordinary shares at A\$0.051 per share. An additional 196,078 shares are to be issued to a Director who participated in the placement subject to Shareholder approval.

Funds raised will mainly be used on Smart Spend Debit MasterCard initiatives that include accelerating growth of the Card in the UK and European market. In addition, the funds will be used for further growth opportunities, and working capital.

Grant to support R&D and initial commercialisation of Smart Spend Debit MasterCard

In June 2022, Way2VAT received a funding grant approval for NIS 1.5 million (approximately A\$625k) to support research and development and initial marketing and commercialisation of the Smart Spend Debit MasterCard.

Provided by the Israeli Innovation Authority (IIA), the grant will reimburse costs incurred by the Company on a quarterly basis during the grant term from March 2022 to February 2023. The first instalment of the grant amounting to NIS 525,000 (approximately A\$221k) was received in July 2022. The grant is based on an approved budget plan of NIS 5 million (approximately A\$2.1 million) for research and development and marketing provided by Way2VAT and examined by the IIA for the Smart Spend Debit MasterCard.

The IIA also allows for Way2VAT to apply for an additional grant in 2023 based on the current approved plan. The grant is expected to be repaid to the IAA over the next few years from 2024 as a percentage of royalties from future revenues generated by the outputs of Way2VAT's products based on the technology backed by the grant.

Product development

Way2VAT has integrated with the Railsr platform BaaS (Bank as a Service) offering Railsr Bank CaaS (Card as a Service) solution to support Way2VAT Smart Spending Card users. Way2VAT has implemented several features that provide a new web application for full administration of users, corporate debit cards and expenses, and a new mobile application for cardholders' employees to track and manage their expenses on the go.

The company continues to refine its infrastructure on AWS cloud that will support platform scalability and quick rollout of new features such as integration, AI-powered authentication and back-end development.

As part of the gradual expansion of the product suite, Way2VAT is undertaking final product testing of a complementary product for the VAT/GST automated platform based on its patented AIA, AI, and computer vision technology.

Patent applications

The Company also filed several patents during the period to further advance and protect its technology. The first for 'Systems and Methods for Document Image Analysis by Alignment of Document Image Sets to Spreadsheets' which outlines a new method for automatically matching tabular expense report sheets and document image sets, eliminating the need for manual processing.

The second application is for 'Automated Invoice Analysis' (AIA) for the full automation of VAT ID. This will allow suppliers to use Way2VAT's platform to identify the unique VAT ID of a supplier, regardless of country, ensuring compliance with multiple jurisdiction VAT regulations.

Liaison continues with the International Patent Office for these two recent patent applications.

Additionally, Way2VAT received a new patent from the US Patent and Trademark Office for its application for 'Systems and Methods for Document Image Analysis with Cardinal Graph Convolutional Networks'. The patent will support improvements to the technology for improved efficiency, speed and fraud detection and further advances Way2VAT's platform as a leader in the VAT reclaim market.

Outlook

Way2VAT Founder & CEO, Amos Simantov, said, "The trend for increasing transaction volume will continue as both business and personal domestic and international travel returns to more normal levels.

"Research and development remain key, with the development of new products to meet the evolving needs of our customers.

"We look forward to the launch of a new product based on our patented AIA (Automated Invoice Analysis) technology that also incorporates the latest in AI and computer vision technology. This will cement our position at the forefront of the accelerating trend of companies seeking to automate and digitise their tax and compliance-related processes.

"Our recent binding share sale agreement to acquire 100% of Spanish company DevoluIVA has seen us enter the Spanish market. This will allow us to offer complementary domestic and foreign VAT and accounts payable services and rollout the world-first Smart Spend Debit MasterCard through an established national network and opens doors to other Latin American countries with similar VAT and accounts payable structures."

This announcement was authorised for release to the ASX by the Board of Way2VAT

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WAY2VAT
Global VAT Refunds

About Way2VAT

Way2VAT is a global leader in automated VAT/GST claim and return solutions in more than 40 countries and over 20 languages, serving hundreds of enterprise businesses worldwide. Owns and operates a patented artificial intelligence technology that powers the world's first fully automated, end-to-end VAT reclaim platform.

Established in 2016, Way2VAT is headquartered in Tel Aviv with offices in the United Kingdom, the United States, and Romania and has over 55 employees.

Used by more than 220 enterprise companies including Amdocs, EY Israel, MasterCard, eToro, Kimberly-Clark, Hitachi ABB, Mobileye Intel, RB, Willis Towers, Siemens-Israel, Daily Mail Group, Sage, Falck, Boston Red Sox, and Foot Locker Europe with customer retention over 97%. www.way2vat.com

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