

ASX Announcement
28 April 2023

Way2 VAT achieves annual revenue growth of 142%, with transaction volume up 42%, cash receipts up 44% and revenue margin increasing 10 ppts

Q1 Quarterly Activities Report and Appendix 4C

Q1 FY23 Highlights (all figures A\$ unless otherwise stated):

- Transaction volume of \$2.23 million up 42% on previous corresponding period (pcp) (\$1.56 million in Q1 FY22)
- Revenue¹ of \$514k increased 142% on pcp (\$212k in Q1 FY22)
- Cash receipts of \$510k up 44% on pcp (\$354k in Q1 FY22)
- Revenue margin² of 23% up 10ppts on pcp (13% in Q1 FY22) and up 11ppts on previous quarter (12% in Q4 FY22)
- Increased enterprise clients to 315 including new client contracts with Nestlé Spain, Camper, Serveo and Sony Spain
- Announced a \$3.544 million capital raise in April to increase focus on sales execution and revenue growth on VAT reclaim for travel expenses and accounts payable product suite and Smart Spend Debit MasterCard
- Received \$1 million in April as an advance loan from Thorney Investment Group which will be set off against the subscription of its entitlements under the Entitlement Offer and its sub-underwriting commitment in the capital raise
- Received grant of \$412k (€250k) in April from the Spanish Innovation Authority to support new product line technologies in T&E (travel and expense) claim automation

Global fintech leader in automated VAT claim and return solutions, Way2VAT Ltd (**ASX:W2V**, **Way2VAT** or the **Company**), provides an update on its activities for the quarter ended 31 March 2023 (Q1 FY23), alongside the Company's Appendix 4C.

Commenting on the Company's achievements over Q1 FY23, Way2VAT Founder & CEO, Amos Simantov, said:

"In recent months we have set the company up to enter its next stage of development – with a longer runway to harness the growth of the business and its increasing transaction volumes, margins and revenues. We have investment capital coming in, revenue increasing, and we are implementing a program to cut around 15% of fixed costs to expedite our pathway to profitability.

¹ Unaudited

² Unaudited

“This longer runway will be fuelled by the recently announced capital raise of \$3.544 million, of which we have already received a \$1 million advance loan to be set off against entitlements under the Entitlement Offer to raise \$2.35 million, which opened this week. In addition, there will be a placement to raise an additional \$1.194 million, subject to shareholder approval at a meeting in early June. I would like to thank all our current and new shareholders for their support of Way2VAT’s strategy and we look forward to executing our plans as the business scales to new levels of growth.

“The scale of the technology platform on which the business is built is evident in the trends we see in all major metrics. Our overall transaction volume, increased 42% to \$2.23 million over pcq, continuing similar rates of growth to those experienced in prior corresponding periods.

“Revenue increased 142% to \$514k (\$212k in Q1 FY22). This was brought about by the return of business travel to pre-pandemic levels and improving market conditions, leading to more VAT submissions. This also increased the Revenue margin to 23%, up 10ppts on pcq (13% in Q1 FY22) and up 11ppts on previous quarter (12% in Q4 FY22). This was due to the increasing ratio of foreign travel and expense claims in the total submissions which attract a higher commission rate for Way2VAT as opposed to domestic accounts payable, and higher-margin DevoluIVA revenues.

“Cash receipts of \$510k was up 44% on pcq (\$354k in Q1 FY22). This increase on the corresponding quarter also indicates that cashflow latency is slowly reducing from the extended time periods experienced during covid. Cashflow latency is the time period whereby a client completes a transaction leading to gross transaction volume, to when the claims are submitted to tax authorities and recognised by Way2VAT as revenue, to the time taken by tax authorities to process claims to then issue the refund to Way2VAT and pass it to the client. Only at this final step does Way2VAT then receive commission, recorded as a cash receipt. During Covid the process between revenue and cash increased to about 15 months, whereas we are now seeing it reduce back towards a more normal 7.5 months.

“These latest quarterly figures show again the seasonality of Way2VAT transaction volumes and revenues, in which the first quarter is the quietest, for two main reasons. First, most tax authorities within the EU (ie most jurisdictions in which Way2VAT operates) have cut-offs for annual expense claims at either 30 June or 30 September. As such, most data for VAT reclaim submissions tend to come in from clients near the end of those periods. For most jurisdictions outside of the EU the cut-off date is 31 December. Second, most companies also have their financial year-ends on either 30 June or 31 December, which also means more claims submitted in these quarters. While Q1 metrics are lower than the previous FY22 Q4 record quarter, their considerable growth over the prior corresponding period shows the trajectory of the business is on the right path to continued growth in forthcoming quarters.

“Our Spanish VAT automation business DevoluIVA has integrated well. As part of our R&D initiatives, we have also received a grant of \$412k (€250k) in April from the Spanish Innovation Authority to support new product line technologies in travel and expense claim automation which will benefit the whole Way2VAT product suite in use across more than 40 jurisdictions.”

Financial highlights

Transaction volume for the quarter (Q1 FY23) increased 42% to \$2.23million, up from \$1.56 million on pcp (Q1 FY22).

Revenue³ for the quarter was \$514k, up 142% on pcp (\$212k in Q1 FY22).

Cash receipts for the quarter were \$510k, an increase of 44% compared to pcp (\$354k Q1 FY22). It should be noted that item 1.1.1 of the Appendix 4C 'Net refunds collected for clients', highlights a net cash outflow of \$462k due to payments of \$750k of refunds owed to clients this quarter, which were mainly collected by W2V on their behalf in prior quarters.

While cash receipts remain more volatile than transaction volume, the time lag of the typical period for VAT claims to be submitted and approved by relevant tax authorities continues to decrease towards historically normal levels of 7.5 months. The 42% increase in transaction value with clients will convert to increased Way2VAT cashflow in future quarters.

As at March 31 2023 Way2VAT has an additional A\$2.2m in fees receivable (trade receivables) from clients which has already been submitted to tax authorities. These will become cash receipts after successful tax reclaims are returned over subsequent months.

Revenue margin⁴ of 23% increased by 10ppts on pcp (13% in Q1 FY22) and was up 11ppts on the previous quarter (12% in Q4 FY22). This is further evidence of travel and business activity returning to more normal levels, as foreign Travel & Expense claims attract higher commission fees for Way2VAT overall than domestic accounts payable claims.

Subsequent to the reporting period, during April Way2Vat announced a \$3.544 million capital raise to increase focus on sales execution and revenue growth across all its product suite. This consists of a fully underwritten one (1) for one (1) non-renounceable entitlement offer to raise approximately \$2.35 million (before costs) together with firm commitments for a \$1.194 million placement, subject to shareholder approval at a meeting to be held in early June.

Cornerstone investor Thorney Investment Group has committed to subscribe for \$1 million under the Entitlement Offer (via subscription of their entitlements and sub underwriting the Entitlement Offer). Thorney has provided a \$1 million loan in April which will be set off against the subscription of its entitlements and sub-underwriting commitment.

Several directors of Way2Vat (Directors) have also committed to take up approximately \$170k of the Entitlement Offer via subscription of their entitlements and sub-underwriting the Entitlement Offer.

The Entitlement Offer opened this week and closes at 5:00pm AEST on Thursday 11 May 2023. The issue and allotment of New Shares under the Entitlement Offer and any Shortfall Shares will occur on Thursday 18 May, before the commencement of trading of New Shares expected on Friday 19 May 2023.

³ Unaudited.

⁴ Unaudited

The cash balance at 31 March 2023 prior to receiving the above mentioned loan and Spanish Innovation Authority grant monies was \$183k.

During the quarter, \$128k in payments were made to related parties and their associates, being wages for the CEO (incl. superannuation equivalent), Chairman, Non-Executive Directors and Strategic Advisor.

Operational overview

DevoluIVA integration update

Our Spanish VAT automation business DevoluIVA, offers a comprehensive management of corporate expenses and the automatic recovery of national VAT services through an established network of 35,000 merchants and 65 enterprise clients. It has been integrated commercially into Way2VAT's combined product suite.

Enterprise clients

From this reporting period onwards Way2VAT will report total number of Enterprise clients including those contracted to DevoluIVA, which currently stands at 65 clients. During the quarter, Way2VAT signed five new deals with enterprise clients, taking enterprise client numbers to 315. Key companies included:

- Nestlé and Sony in Spain;
- Camper, a shoe manufacturer with more than 400 stores in 40 countries; and
- Serveo, a transversal integrator of services with 27,000 staff, which provide solutions for the specialized sectors of transport, industry, health, facility management and energy.

With these enterprise clients Way2VAT will originate revenue on each successful VAT and GST reclaim transaction and corporate expense that it processes through its platform.

Smart Spend Debit Mastercard moving from pilot to normal operations

Pilots in four sectors have successfully concluded and we are now starting to onboard clients. Payment options have been expanded by enabling Google Pay services, which allows cardholders to link the Smart Spend Card into their Google Wallet and tap it in any point-of-sale. Additional development is planned in this area to also support Apple Pay service.

Product development

In April Way2Vat received \$412k (€250k) from the Spanish Innovation Authority to support new product line technologies in T&E (travel and expense) claim automation. In the last quarter Way2Vat's technology platform has been significantly upgraded in functionality, customer-experience, and accessibility.

Use of Funds update from IPO

Use of funds update from the IPO, under Listing Rule 4.7C, is as follows:

Use of Funds as per Prospectus	Estimated expenditure Quarterly (\$ Thousands)	Estimated expenditure Q4/21-Q1/23 (\$ Thousands)	Actual expenditure Quarterly (\$ Thousands)	Actual expenditure Q4/21-Q1/23 (\$ Thousands)	Comment
Sales and Marketing	343	2,058	536	3,258	New staff and service providers to support growth. Additional sales team as part of the acquired Spanish subsidiary.
Research and development	198	1,187	479	2,609	Including R&D team of the acquired Spanish subsidiary. Will be gradually offset during the next two years through receipt of government grants as well cost savings through merged R&D operations.
Compliance and security	18	109	46	375	Additional accounting costs.
Customer fulfilment and support	103	620	161	808	Additional team of the acquired Spanish subsidiary
Patent applications	3	19	-	18	
General & Administration	85	509	603	2,957	Professional services. New recruits to finance team and management costs of the acquired Spanish subsidiary. Will gradually reduce through cost cutting initiatives.

Working capital	45	271	(48)	(2,384)	Mainly adjustments related to customers
Total	795	4,849	1,777	8,080	

The above table also reflects the expenditure incurred during the quarter

Outlook

Way2VAT Founder & CEO, Amos Simantov, said,

“With recent capital raise activity and increasing levels of growth compared to prior corresponding periods, Way2VAT is in a position to expedite its path to profitability. With ongoing support from new and current shareholders we have now increased the runway to scale the business and allow it to implement its growth cycle this year. In addition, we are finalising plans to cut around 15% of fixed costs, without harming revenue growth plans.

“Our increasing revenue margin and reduced lag times between clients completing transactions, tax authorities processing claims, and Way2VAT receiving refunds and commissions shows that travel, business and government activity is returning to more normal post-Covid levels.

“We are therefore well placed to take full advantage of these conditions through our comprehensive solution to customers that includes a full suite of products for VAT reclaim (domestic and foreign), travel and expense and accounts payable, as well as a combined Smart Spend Debit Mastercard. This is all powered by our industry-leading technology platform that provides an easy-to-use holistic solution that is accurate and meets all compliance requirements in more than 40 countries and in over 20 languages.

Appendix 4C

Please find **attached** the Company’s Appendix 4C.

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

ENDS

For more information, please contact:

Investors

Rory Luff

P: +61 411 620 020

E: rluff@bwequities.com.au

Media

Tristan Everett

P: +61 403 789 096

E: tristan.everett@automicgroup.com.au



WAY2VAT
Global VAT Refunds

About Way2VAT

Way2VAT is a global fintech leader in automated VAT/GST claim and return solutions in over 40 countries and in over 20 languages, serving hundreds of enterprise businesses worldwide. Way2VAT 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, Spain and Romania and has over 60 employees.

Used by more than 300 enterprise companies including BASF Germany, Max Mara, TikTok, Pizza Hut Spain, Playmobil, Foot Locker Europe, Nestlé Spain, Camper, Sony Spain, Ariston Group, Artsana Group, MasterCard, eToro, Kimberly-Clark, Hitachi ABB, Amdocs, EY Israel, Mobileye Intel, RB, Willis Towers, Siemens-Israel, Daily Mail Group, Sage, Falck, and Boston Red Sox, with customer retention over 97 per cent.

www.way2vat.com

ASX: W2V

www.way2vat.com

For personal use only

Appendix 4C

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

Name of entity

WAY 2 VAT LTD

ABN

Quarter ended ("current quarter")

637 709 114

March 31, 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts collected from clients	510	510
1.1.1	Net refunds collected for clients	(462)	(462)
1.2	Payments for:		
	research and development	(112)	(112)
	product manufacturing and operating costs	(4)	(4)
	advertising and marketing	(93)	(93)
	leased assets	(95)	(95)
	staff costs	(1,222)	(1,222)
	administration and corporate costs	(368)	(368)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(5)	(5)
1.6	Income taxes (paid)/ received	34	34
1.7	Government grants and tax incentives	70	70
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(1,747)	(1,747)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	entities	=	=
	businesses	-	-
	property, plant and equipment	(1)	(1)
	investments		
	intellectual property	-	-
	other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	entities	-	-
	businesses	-	-
	property, plant and equipment	-	-
	investments	-	-
	intellectual property	-	-
	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)	(15)	(15)
2.6	Net cash from / (used in) investing activities	(16)	(16)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	100	100
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	379	379
3.6	Repayment of borrowings	1	1
3.7	Transaction costs related to loans and borrowings	(43)	(43)
3.8	Dividends paid	-	-
3.9	Other (Cash refunded for clients)	-	-
3.10	Net cash from / (used in) financing activities	437	437
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,511	1,511
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,747)	(1,747)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(16)	(16)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	437	437
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	Cash and cash equivalents at end of period	183	183

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	183	1,510
5.2	Call deposits		
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)	183	1,510

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	(128)
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.</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	1,687	(1,687)
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	1,687	(1,687)
7.5	Unused financing facilities available at quarter end		0
7.6	<p>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.</p> <p>Two loans both with Bank Hapoalim as the lender. \$1.1m secured loan based on a percentage of the companies receivables from tax authorities renewed annually on 31 May with interest set at Israel Prime Rate + 4.5% \$0.587m secured bridging loan due 01/07/2023 with interest set at Israel Prime Rate + 5.3%</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)) including refund collected for clients.	(1,747)
8.2	Cash and cash equivalents at quarter end (item 4.6)	183
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3) the cash balance, which includes \$515k of net refunds owed to clients	183
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1) the sum in 1.1.1." Refunded Collected from clients" includes 186 K that a client transferred to the company by mistake, however the client owes payments to the company. The client and the company are negotiating this amount.	(0.1)
<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?	
E	<p>Answer:</p> <p>On April 19th, 2023 the Company announced a fund raising of A\$3.544M. On April 20th, 2023 the Company received a loan from its major shareholder of A\$1M which has already been transferred to the company. This investment together with growing revenues and some cost reduction will provide funding of operations through 2023.</p>	

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:

On April 19th, 2023 the Company announced a fund raising of A\$3.544M .

On April 20th, 2023 the Company received a loan from its major shareholder of A\$1M which has already been transferred to the company. This investment together with growing revenues and some cost reduction will provide funding of operations through 2023.

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:

On April 19th, 2023 the Company announced a fund raising of A\$3.544M .

On April 20th, 2023 the Company received a loan from its major shareholder of A\$1M which has already been transferred to the company. This investment together with growing revenues and some cost reduction will provide funding of operations through 2023.

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.

24 April 2023

Date:

By the Board of Directors

Authorised by:
(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.

For personal use only