



ASX Announcement

28 April 2022

Q1 FY22 Quarterly Report & Appendix 4C

Refreshed growth strategy to become the infrastructure layer of BNPL

- Merchant Sales Volume (MSV) of US\$101M up 23% Year on Year (YoY), after a standout Q4 FY21
- 12-month Active Merchants increased 43% YoY to 1.3K
- US\$25M in available cash, and US\$150M Goldman Sachs credit facility
- Net cash movement 73% improvement on prior quarter. Cost rationalisation exercise undertaken in late Q1 to deliver further reduced expenditure from Q2 onwards
- Refreshed growth strategy under new CEO Nandan Sheth leveraging Splitit's unique technology:
 1. Enhanced focus on distribution partners to drive growth
 2. Offering white-label, *Instalments as a Service* solution for partners and enterprise merchants
 3. Unlocking BNPL for issuers at the merchant Point of Sale

Splitit Payments Limited ("Splitit" or the "Company") (ASX:SPT, OTCQX:SPTTY), the company empowering shoppers to use their credit cards to pay in instalments, is pleased to provide an update on its quarterly activities and cash flows for the three months ending 31 March 2022 (Q1 FY22).

Nandan Sheth, CEO of Splitit, commented, "With MSV up 23% YoY, our results for the quarter reflect good progress by the team following a standout and seasonally busy Q4. We have continued to grow our active merchant base with a focus on high-value merchant acquisition, and it was especially exciting to advance discussions with Google about extending our agreement to its US customer base. Having spent my initial weeks as CEO getting to know the team, our product and capabilities, it has reinforced my conviction about why I joined Splitit, and I have also had the opportunity to formulate a new vision for the company in what is a rapidly evolving sector.

"Splitit will drive the next generation of BNPL for merchants, issuers and networks by focusing on becoming the infrastructure layer of BNPL. As card networks and issuers continue to enter the BNPL market, new solutions will need to be embedded into the existing payments ecosystem. Splitit is uniquely positioned as it bridges the gap between BNPL and credit cards by making instalment payments possible on any credit card purchase at the point of sale. The ability to access customers' available credit also means we operate an entirely different business model to providers of new debt that are under growing regulatory scrutiny, providing us with a path to scalable, profitable growth."

REFOCUSED GROWTH STRATEGY

Splitit's strategy is to power the next generation of BNPL infrastructure for the existing payments ecosystem via a single network application programming interface (API). To achieve this, Splitit will be focused on three immediate opportunities:



1. Enhanced focus on distribution partners to drive growth

Expanding its existing partnerships with eCommerce platforms, PSPs, Gateways, Acquirers, ISVs, along with other existing and developing partners, Splitit will target market verticals which offer high MSV potential and superior product-market fit.

2. Offering a white-label, *Instalments as a Service* solution for partners and enterprise merchants

Splitit will eliminate brand confusion and competition through its white-label offering, increasing merchant control. It will offer both funded and *Instalment-as-a-Service* solutions to top 100 merchants in its target verticals, focusing initially on the US market.

3. Unlocking BNPL for issuers of credit at the merchant POS

Splitit is uniquely positioned to enable card issuers to participate and monetise BNPL at the POS and within the shopper's purchase journey to help strengthen their relationships with customers and create ubiquitous acceptance of Splitit.

"BNPL has rapidly grown to account for 2% of global eCommerce in 2020¹ and by 2030 is estimated to reach US\$3.3B², indicating its permanent role in the everyday lives of customers around the world," said Nandan Sheth. "In an inflationary environment, affordability tools such as instalment solutions are becoming increasingly important, even for wealthier customers."

"With an average order value above US\$1,000, Splitit has the ability to increase order values for merchants by utilising the available balance on a consumer's existing credit card, without dissolving the shopper's loyalty to the merchant's or card issuer's brand. By operating on the existing card rails, we can penetrate a substantially larger addressable market, while still delivering the popular consumer benefits of BNPL. This is an exciting and unique opportunity for our company."

Expansion Opportunity with Google USA

Splitit is currently in discussions with Google USA to expand its current partnership beyond Japan and include Google's US customers. The expansion, if agreed with Google, will be primarily funded via the Company's existing facility with Goldman Sachs, as detailed in Splitit's AGM Resolution 11.

In January 2021, Splitit signed an agreement with Google to empower Japanese customers, for the first time ever, to use instalment plans to make purchases from the Google Store in Japan. Japanese customers purchasing Google's new 5G phone, the Pixel 6, from the Google Store were able to split their payments into equal monthly instalments from its launch in Q4 FY21. The agreement paved the way for the strongest case study yet of Splitit's unique offering and the unique experience it provides for customers.

¹ Worldpay (FIS) 2021 Global Payments Report

² Precedent Research: [Buy Now Pay Later Market Size, Share, Trends, Report 2022-2030](#)



Q1 PERFORMANCE

Following a record MSV performance in Q4 FY21, MSV for Q1 FY22 was US\$101M, reflecting a 23% increase YoY and a decline of 22% on the prior quarter. Q4 FY21 was a standout quarter supported by strong sales in APAC, specifically Japan, in addition to seasonal shopping periods including a record Black Friday and Cyber Monday campaign and busy Christmas trading period. Q1 AOV was again over US\$1,000 as shoppers find value in Splitit for larger purchases, such as home furnishing, sporting equipment and luxury items like jewelry, supporting merchants to drive volume.

Q1 Revenue (Non-GAAP) was US\$2.6M, reflecting a 6% increase YoY. MSV growth was higher than revenue growth due to a greater contribution within the funded portfolio from shorter dated loans. Shorter dated loans typically have a lower top line revenue, but also a lower associated funding cost, and as such reductions in revenue take rates are not reflective of net transaction margin performance. Splitit's net transaction margins have increased overall YoY by 1.6%³

New merchant acquisition increased 5% during the quarter, resulting in 12 Month Active Merchants of 1.3K merchants, an increase of 43% YoY. Splitit continues to be attractive for merchants as the most highly integrated instalment solution (shoppers don't need to leave the merchant's website to process their instalment payment), offering the fastest shopper checkout of all BNPL providers. This helps to drive share of checkout and sales conversion rates for merchants. Due to its value proposition, Splitit has continued to build its active merchant base, despite less marketing resource devoted to smaller volume merchants during the quarter.

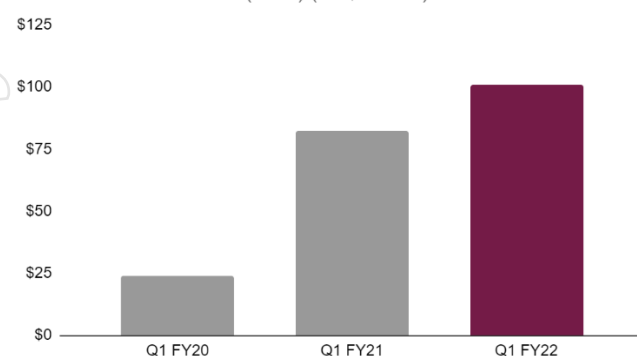
12-month Active Shoppers declined slightly during the quarter at 327K shoppers due to the last remaining debit shoppers being removed from the 12-month lookback period. A key differentiator for Splitit is shoppers can choose the number of instalments they wish to make, within a merchant's prescribed framework, and can pay in full at any time without penalty.

Figures 1 and 2: MSV and Revenue in Q1 FY22

³ Movement in absolute value.



Merchant Sales Volume (MSV) (US\$'million)



Revenue (Non-GAAP) (US\$'million)

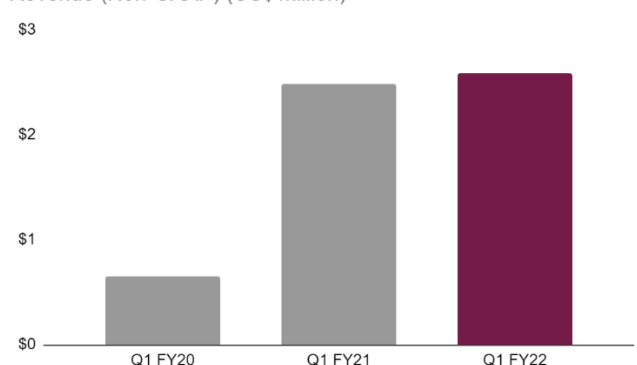


Table 1: Performance Metrics

Operating Metrics	Q1 FY22	YoY Comparison to Q1 FY21	QoQ Comparison to Q4 FY21
Merchant Sales Volume (MSV) ⁴	US\$101M	+23% (US\$82M)	-22% (US\$130M)
Revenue (Non-GAAP) ⁵	US\$2.6M	+6% (US\$2.4M)	-24% (US\$3.4M)
12-month Active Merchants ⁶	1.3K	+43% (0.9K)	+5% (1.25K)
12-month Active Shoppers ⁷	327K	+20% (273K)	-1% (330K)

⁴ Underlying MSV for successful transactions where a merchant fee is charged

⁵ Revenue invoiced to merchants for the period, translated to reporting currency. Under the funded model, revenue is invoiced upfront at the date of funding. Under the basic model, revenue is invoiced monthly as each installment is processed. This non-GAAP measure has not been independently audited or reviewed, and will differ from GAAP revenue due to IFRS revenue recognition rules.

⁶ Number of merchants that have received a payment in the previous 12 months

⁷ Number of shoppers that have made a purchase in the previous 12 months



CASH FLOW OVERVIEW

Cash Flow

The Company's closing cash position was US\$25M. Net overall cash decrease for the period was \$4.2m, which was 73% improved on prior quarter movement (\$15.7m). Excluding one-off costs in relation to the CEO transition (US\$0.5M), Goldman Sachs minimum utilisation fees (US\$1.2M), and the FX impact on cash (US\$0.4M), the net overall cash decrease for the quarter was US\$2.2M (86% improved on prior quarter).

Cash receipts from customers for the period were US\$2.5M⁸, and operational expenditure was US\$6M, representing a reduction in operating expenditure on each of the previous six quarters.⁹ Furthermore, a cost rationalisation exercise was undertaken in March 2022, which will result in further cost reductions from Q2 onwards.

Net cash used in operating activities (cash burn) was US\$4.1M for the quarter (exclusive of net merchant funding¹⁰ and the aforementioned non-recurring costs). Overall net cash used in operating activities was a \$2.1m outflow (compared to a \$31m outflow in prior quarter)

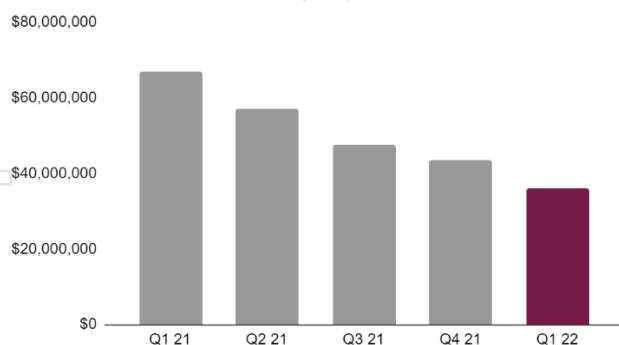
Net financing activities for the period were an inflow of US\$1.8M¹¹, which included Minimum Utilisation Fees of US\$1.2M paid on the Goldman facility, the majority of which was incurred in the prior year. The Company expects minimal ongoing Minimum Utilisation Fees as debt drawn reaches the required minimum levels.

Splitit held US\$36M in net cash (see Figure 3), comprised of:

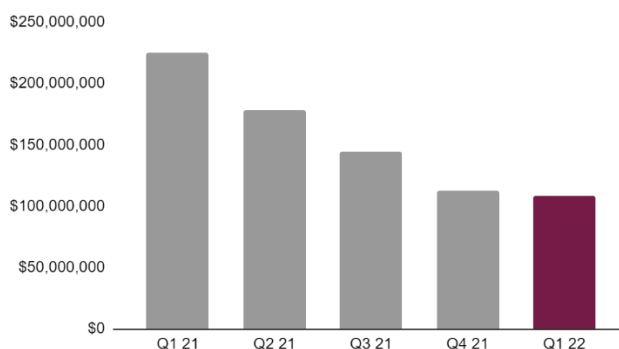
- US\$25M available cash
- US\$78M funded merchant receivables
- (US\$67M) debt payable

Figures 3 and 4: Capital Management

Net Cash + Receivables - Debt (US\$)



Total Liquidity (Cash + Undrawn Loans) (US\$)



⁸ Item 1.1 of Appendix 4C

⁹ Item 1.2 of Appendix 4C

¹⁰ Item 1.8 of Appendix 4C

¹¹ Item 3.10 of Appendix 4C



Combining undrawn loan facilities with closing cash, the Company has a total of US\$108.5M of liquidity to fuel future growth (see Figure 4 above).

Note: Unless specified otherwise, all amounts are in USD and provided on an unaudited basis.

ISSUE OF SHARES ON EXERCISE OF OPTIONS

Splitit also advises that it has issued 76,574 fully paid ordinary shares ("**Shares**") on exercise of that same number of unlisted options under the Company's Employee Share Incentive Plan. A cleansing statement in respect of the Shares is set out below and an Appendix 2A in respect of the Shares will follow this announcement.

Cleansing Statement

The Company hereby notifies ASX under section 708A(5)(e) of the Act that:

- (a) today, 28 April 2022, the Company completed the issue and allotment of 76,574 fully paid ordinary shares;
- (b) the Company issued the shares without disclosure under Part 6D.2 of the Act;
- (c) the Company provides this notice under section 708A(5)(e) of the Act;
- (d) as a disclosing entity, the Company is subject to regular reporting and disclosure obligations;
- (e) as at the date of this notice:
 - i. the Company has complied with the provisions of Chapter 2M and section 674 of the Act as they apply to the Company;
 - ii. there is no information that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - A. the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
 - B. the rights and liabilities attaching to the shares.



About Splitit

Splitit is a global payment solution provider that enables shoppers to use the credit they've earned by breaking up purchases into monthly interest-free instalments using their existing credit card. Splitit enables merchants to improve conversion rates and increase average order value by giving customers an easy and fast way to pay for purchases over time without requiring additional approvals. Splitit serves many of Internet Retailer's top 500 merchants and is accepted by more than 3,000 eCommerce merchants in over 30 countries and shoppers in over 100 countries. Headquartered in New York, Splitit has an R&D centre in Israel and offices in London and Australia. The Company is listed on the Australian Securities Exchange (ASX) under ticker code SPT. The Company also trades on the US OTCQX under ticker codes SPTTY (ADRs) and STTTF (ordinary shares).

Key Points	
Consumer friendly for shoppers	As the only BNPL player allowing shoppers to use their pre-existing unused credit card balances at the point of sale, Splitit offers a consumer friendly BNPL solution with no new debt or credit checks, no application, no interest or late fees charged. It also allows shoppers to continue collecting perks like cash back, rewards and points as they would on normal credit card transactions, without any risk of damaging their credit profile.
Unique benefits for merchants	Splitit is highly integrated (shoppers don't need to leave the merchant's website), easy to implement and offers longer and flexible loans, reducing shopper friction and driving sales conversion rates. It also offers merchants the option of a funded or non-funded model.
Globally scalable model, boosted by white-labelling	Splitit is fundamentally a technology business leveraging the existing global credit card payment rails. This means its branded or white label solution can be adopted in new markets without the need for an 'on the ground' presence, delivering strong operating leverage, enhanced scalability and a cost-effective pathway to profitability.
Already subject to existing credit card regulatory framework, and allows merchant surcharging	As a technology solution that operates within the highly regulated credit card industry, Splitit has a distinct advantage over BNPL competitors who are under increasing global regulatory scrutiny due to their consumer financing models. In addition, mounting sector-wide pressure to allow merchant surcharging will not impact Splitit, as merchants are already allowed to surcharge on credit cards.
Unique IP	Splitit's protected IP secures the pre-authorisation on a consumer's credit card limits consumer defaults, as the transactions are secured by the credit card issuers. This unique business model provides operating leverage at scale and a pathway to future profitability without the same associated risk.

The announcement has been approved and authorised to be given to ASX by Dawn Robertson, Chairman of the Board of Splitit.



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US Media

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Note to market

None of the information included in this announcement should be considered individually material unless specifically stated.

Disclaimer

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate advice before making investment decisions.

This announcement contains "forward-looking statements." These can be identified by words such as "may", "should", "anticipate", "believe", "intend", "estimate", and "expect". Statements which are not based on historical or current facts may be forward-looking statements. Forward-looking statements are based on:

- assumptions regarding the Company's financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and
- current views, expectations and beliefs as at the date they are expressed and which are subject to various risks and uncertainties.

Actual results, performance or achievements of the Company could be materially different from those expressed in or implied by these forward-looking statements. The forward-looking statements contained within the presentations are not guarantees or assurances of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by forward-looking statements. For example, the factors that are likely to affect the results of the Company include general economic conditions in Australia and globally; exchange rates; competition in the markets in which the Company does and will operate; weather and climate conditions; and the inherent regulatory risks in the businesses of the Company. The forward-looking statements contained in this announcement should not be taken as implying that the assumptions on which the projections have been prepared are correct or exhaustive. The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this presentation have not been audited, examined, or otherwise reviewed by the Company's independent auditors.



You must not place undue reliance on these forward-looking statements.

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Annexure

In accordance with ASX Listing Rule 4.7C, Splitit provides the following information:

Payments to related parties and their associates for Q1 FY22 were US\$139k. These payments were related to salaries, director fees and expenses paid to directors and their associates.

Appendix 4C

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

Name of entity	
SPLITIT PAYMENTS LTD	
ABN	Quarter ended ("current quarter")
629 557 982	31 March 2022

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	2,510	2,510
1.2	Payments for		
	(a) research and development	(476)	(476)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(1,022)	(1,022)
	(d) leased assets	-	-
	(e) staff costs	(3,169)	(3,169)
	(f) administration and corporate costs (see note 6)	(1,373)	(1,373)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(71)	(71)
1.7	Government grants and tax incentives	-	-
1.8	Other – Merchant Receivables Funding	2,542	2,542
	Other – Cost of Sales	(494)	(494)
	Other one-off costs - CEO replacement (termination costs, sign-on bonus, agency placement fees)	(533)	(533)
1.9	Net cash used in operating activities	(2,086)	(2,086)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(9)	(9)
	(d) investments	-	-
	(e) intellectual property	-	-
	(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)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash used in investing activities	(9)	(9)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	3	3
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	665	665
3.6	Repayment of borrowings (See note 6)	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other - Interest and other costs of finance paid	(1,305)	(1,305)
	Other – Goldman Sachs Minimum Utilisation Fees	(1,147)	(1,147)
3.10	Net cash used in financing activities	(1,784)	(1,784)

Appendix 4C
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	28,933	28,933
4.2	Net cash used in operating activities (item 1.9 above)	(2,086)	(2,086)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9)	(9)
4.4	Net cash from financing activities (item 3.10 above)	(1,784)	(1,784)
4.5	Effect of movement in exchange rates on cash held	(361)	(361)
4.6	Cash and cash equivalents at end of period	24,693	24,693

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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	24,693	28,933
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)	24,693	28,933

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	134
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><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></p> <p><i>The above relates to payment of Directors' salaries and fees.</i></p>		

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 \$US'000	Amount drawn at quarter end \$US'000								
7.1	Loan facilities*	150,000	66,310								
7.2	Credit standby arrangements	-	-								
7.3	Other (please specify)	-	-								
7.4	Total financing facilities	150,000	66,310								
7.5	Unused financing facilities available at quarter end		83,690								
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.										
	<table border="1"> <thead> <tr> <th>Lender</th><th>Interest Rate / Management Fees</th><th>Maturity Date</th><th>Secured / Unsecured</th></tr> </thead> <tbody> <tr> <td>Goldman Sachs Bank USA</td><td>Benchmark Rate + 6.85%</td><td>5th February, 2024</td><td>Secured</td></tr> </tbody> </table>			Lender	Interest Rate / Management Fees	Maturity Date	Secured / Unsecured	Goldman Sachs Bank USA	Benchmark Rate + 6.85%	5 th February, 2024	Secured
Lender	Interest Rate / Management Fees	Maturity Date	Secured / Unsecured								
Goldman Sachs Bank USA	Benchmark Rate + 6.85%	5 th February, 2024	Secured								

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash used in operating activities (item 1.9)	(2,086)
8.2	Cash and cash equivalents at quarter end (item 4.6)	24,693
8.3	Unused finance facilities available at quarter end (item 7.5)	83,690
8.4	Total available funding (item 8.2 + item 8.3)	108,383
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	52.0
	<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: N/A	
	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: N/A	

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: N/A
	<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: 28 April 2022

Authorised by: By the Board
(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.