

## ASX Announcement

### Market Update

**Sydney, Thursday 3 October 2019**

**Integrated Payment Technologies Limited** (InPayTech or Company) (ASX: IP1) wishes to update the market on progress on its plans to increase revenues.

#### Existing Business

Currently ClickSuper contributes the bulk of the Company's revenues. With close to 60 distribution channels, who are primarily payroll services, ClickSuper is well positioned to capitalise on the relationships, integration, compliance and security requirements it has with these channel partners in the increasingly regulated payments space. Clicksuper is launching a new service called Employer Direct which allows the interaction between the superannuation funds and employers and their members utilising the services of payroll groups. This service does not allow for interest on float as funds are transferred directly between the employer and the superfund. Members' benefits are expected to be increased as funds are invested earlier.

While InPayTech's new strategic initiatives start to gain traction, the Directors have formed the opinion that the gross revenues generated from the existing business this financial year are now expected to range from between flat and 16% less compared to last financial year's gross revenues.

Reasons for this revision are:

- ClickSuper receives revenue from interest earned on a cash pool of payments awaiting settlement through its payment clearing house service. This is a common arrangement for superannuation payment clearing houses, but is a model the Company is working to lessen its reliance on this revenue item through its new Employer Direct initiative. That said, the amount of interest earned varies month to month subject to the amount of cash in the pool and the prevailing interest rate offered by the holding bank. Management factored in the interest rate decreases in June and July 2019 for the 2020 financial year forecasts, however with the rate cut announced by the RBA this week, and the prospect of a further rate cut in the remainder of the financial year, the Directors have reduced the interest earned contribution in the management revenue forecasts. The guidance in this update assumes that there will be only one further rate cut in the remainder of the financial year and it will be of the same magnitude as that announced by RBA this week.
- It is a highly competitive market with some level of client churn expected. ClickSuper has continued to win clients and expand its channel partner network while also losing some clients from existing channels in the natural course of business. The Board has also become aware that some of its channel partners are in the process of making competitor offerings available through their channels. Whilst the Company has not received any contract terminations nor any indication terminations are pending, the Directors believe it prudent to forecast some level of client loss in forward management projections which the Directors expect should be made up by new business client wins and Employer Direct income.

The Company will keep the market informed through its quarterly reports of client acquisitions and any significant churn or as required under its continuous disclosure obligations if the Board believes there will be a material net movement in the existing business revenues range from that stated above.

## **New revenues streams**

The Directors believe the total FY20 gross revenue is still expected to exceed last financial year's gross revenues, albeit the quantum of the increase is now impacted by the results of the existing business outlined above.

As stated in previous announcements, the Company is focused on building new revenue streams through 2 strategic initiatives:

### **1) *Employer Direct***

Working closely with a number of Super Funds to lead innovation in the industry, the Board believes SuperStream and superannuation payment gateways are poised for their next evolution. With this transition now commencing the Board believes ClickSuper has the relationships and foundations to be a key provider and enabler of this change for the payment eco-system. The Company is dealing with large enterprises and by their nature contract negotiations are a long and hard won process. The upside is typically a long term and embedded relationship and associated service provision. Due to the time required to win business with these enterprises, the Company is forecasting increased revenues from this stream in the second half of the financial year.

Recent ISO 27001 accreditation and preparation for its ISAE 3402 SOC1 and SOC2 accreditation audit commencing soon are expected to provide further external assurance on the Company's growing competency.

### **2) *PayVu***

PayVu is now entering its commercial release phase. Internal management forecasts anticipate the Company will be in a position to invoice recurring revenues of at least \$5k per month by December 2019. After a review of this release, management proposes to make the product available to a wider qualified prospective client base in the second half of the financial year in an attempt to increase recurring revenue from PayVu throughout 2020.

## **Funding**

The Board has commenced a review to determine if there is a need for additional capital. The Board will make further disclosure at the end of this review.

This release contains forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in this release including, amongst others, changes in general economic and business conditions, regulatory environment, results of advertising and sales activities, competition, and the availability of resources. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release. Except as required by law, the Company assumes no obligation to update or correct the information in this release. To the maximum extent permitted by law, the Company and its subsidiaries and officers do not make any representation or warranty as to the likelihood of fulfilment of any forward-looking statements and disclaim responsibility and liability for any forward-looking statements or other information in this release. This release should be read in conjunction with the Company's other ASX announcements and releases.