

## March Quarterly Activity Report

Wednesday 28 April 2021

Integrated Payment Technologies Limited (ASX:IP1, InPayTech or Company), is pleased to announce its Quarterly Activity Report and Appendix 4C (Quarterly Cash Flow report) for the quarter ending 31 March 2021.

### HIGHLIGHTS

- The merger of InPayTech with Comply Path Pty Ltd completed successfully
- New CEO appointed to oversee the combined group's strategy
- Integration of the business onto 'one platform' ahead of schedule
- Implemented strategic and coordinated approach to new products and price increases in the ClickSuper product
- A strong cash position of \$3,712K (as stated in our Appendix 4C)
- Based on our business-as-usual revenue and subject to the success of current client contract negotiations, the Board remains confident of the combined group achieving in excess of \$5m revenue in FY22.

### The merger of InPayTech and Comply Path

The merger has been completed successfully with Comply Path now a wholly-owned subsidiary of InPayTech. The priorities for the quarter were to retain Comply Path clients, secure revenue, manage expenses and validate the pipeline of opportunities:

- The Comply Path revenue forecasts that underpinned the merger have held and are unaffected by the merger and integration efforts.
- All Comply Path clients have been notified and contract transitions are progressing to schedule.
- The Comply Path expenses have been lower than forecast.
- The substantive Comply Path sales pipeline that was reviewed during the merger due diligence has remained qualified and is now a priority of the merged entity.
- Early introductions of the expanded technology capabilities (Employee Onboarding and STP2.0) have been made to several InPayTech payroll clients and have been well received.

Post the merger, the combined customer base of InPayTech includes; c.2.8m workers and c.71k employers on the platform connected to 28 payroll providers (a consolidation from 42 due to payroll market acquisitions), 4 Super Funds and one tier 1 Accounting Firm.

## **The Technology Integration**

The combined companies are on track to complete our vision of 'One Platform' for all customers by the end of this calendar year. Our integration plan prioritised the transition of existing customers who take on the new Employee Onboarding and STP2.0 services.

The efforts over the last quarter have put us on schedule to not only integrate into one platform but also enhance our features and value proposition for customers by the end of the year.

Integration milestones:

- The integration of ClickSuper and Comply Path Platform is in test, with backward compatibility on API's so transitions can be seamless for customers.
- Designs have been completed for Rollovers 3.0 and the combined build of that functionality is well progressed with integrations to several gateways. We expect that we will be in-market by the end of next quarter (ahead of the competition).
- Designs have been completed for STP 2.0 functionality and we expect to have this functionality completed and in the market by early Q3.

The progress made this quarter has exceeded our initial estimates and has freed capacity in Q3 to accelerate work on our final stage of the platform. Our final stage of integration will include our next-generation gateway with the aim of offering payment options that lower the error and return rate for customers and provide the full capability of the SuperStream standard.

## **Significant Leadership Changes**

As announced separately to the market today, we have made a significant change in the Company's leadership with the immediate appointment of an interim CEO of InPayTech, Mr Trent Lund. Along with recent appointments of new Directors following the merger, InPayTech now has a strong leadership team in place that deeply understands the business and has excellent capability in executing on growth strategies.

The Board has approved a 100-day plan to focus the business on growth, align our efforts toward our market opportunities and accelerate the integration to bring forward synergies.

## **The financial strength of the combined businesses**

To underpin growth initiatives, the Company raised \$3 million of capital on 25 February 2021. The capital raised has and will continue to fund:

- New feature development and integrations with the aim of moving the combined Platform beyond current competitors
- Integration of ClickSuper, ClickVu and PayVu and the transition of those clients
- Sales and go-to-market efforts required to prosecute the current sales funnel

Our financial stability, sales activity and progress of the integration program have given the Board the confidence to refresh its go-forward strategy which includes:

- Bringing forward investment with the aim of delivering market-leading solutions
- Revised the pricing strategy to coincide with new product releases
- Deferred new client acquisition for ClickSuper to coincide with new services
- Deferred cost synergies from decommissioning technology

We believe this strategy will be well received by customers and while it represents a reduction in revenue and cash flows previously forecast for FY21, we believe the longer-term potential opportunities to provide more services and grow our market share, significantly outweighs the short-term impact.

Based on our business-as-usual revenue and subject to the success of current client contract negotiations, the Board remains confident of the combined group achieving in excess of \$5m revenue in FY22.

### **Strategy Review**

As previously announced, InPayTech has been undertaking a strategic review of the business to establish the best strategy for future growth. The combined companies have now landed on a clear strategy.

InPayTech will leverage its technology footprint to expand reach and relevance across workplace compliance moments for Australian workers throughout the hire to retire lifecycle. The total addressable market for InPayTech in Australia is estimated to be approximately 13 million workers and 2 million employer/business entities.

Further detail on the strategy will be announced to shareholders before the end of the financial year.

Attached is the unaudited consolidated Profit/(Loss) for the 3 months ended 31 March 2021.

Please note that the financial results shown in this release have not been audited and may be subject to change once the auditor's review has been completed.

This Quarterly Activity Report and the attached Appendix 4C (Quarterly Cash Flow report) have been authorised by the Board of InPayTech.

For further information, please contact:

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**About Integrated Payment Technologies.**

Integrated Payment Technologies Limited (InPayTech) (ASX:IP1) is an Australian financial technology company founded and listed on the ASX in 2016.

InPayTech provides compliance and payment software solutions to create efficiencies for payroll service providers and both large and small Australian employers.

The company has four core offerings: **ClickSuper**, a superannuation gateway and clearinghouse; **Comply Path Platform**, a modern cloud-based compliance platform for handling messaging with ATO (SuperStream, STP 2.0, PEPPOL, SBR and State authorities), **Employee Onboarding**, a white label employee onboarding solution to manage the compliant onboarding of full-time and casual workers and **Payment Advisor** which focuses on the automated payment of invoices and the communication of remittance data, including the **PayVu brand** that integrates the functionality of ClickSuper and the Payment Advisor to deliver cloud-based services bridging the gap between accounting/payroll and internet banking.

InPayTech holds patents in Australia, USA, China, Japan, Singapore, Hong Kong, South Africa and New Zealand.

Investors should be aware that certain financial measures included in this announcement are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and also 'non-GAAP financial measures' within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under Australian Accounting Standards (AAS) and International Financial Reporting Standards (IFRS). The non-IFRS financial information / non-GAAP financial measures include EBITDA and EBIT. The Company believes the non-IFRS financial information / non-GAAP measures provide useful information to users in measuring the financial performance and conditions of the Company. The non-IFRS financial information / non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information is not a measure of financial performance, liquidity or value under the IFRS and may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information / non-GAAP financial measures included in this presentation.

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 InPayTech 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, InPayTech assumes no obligation to update or correct the information in this release. To the maximum extent permitted by law, InPayTech 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 InPayTech's ASX announcements and releases.

Appendix IPT Consolidated Profit & Loss 3 months to March 2021

**IPT Consolidated Profit & Loss 3 months to March 2021**

	\$
Total Revenue	612,926
<u>Total Cost of Sales</u>	<u>(79,506)</u>
<u>Gross Profit</u>	<u>533,420</u>
<i>Less Operating Expenses</i>	
Administration Expenses	(152,280)
Consulting Expenses	(72,487)
Employment Expenses	(626,909)
<u>Occupancy Expenses</u>	<u>(31,230)</u>
<u>Total Operating Expenses</u>	<u>(882,906)</u>
<u>Operating Profit/(Loss)</u>	<u>(349,487)</u>

Note: The Operating Loss is before non-operating income of \$17,600 and non-operating expenses of \$482,993 which includes Depreciation, Option (non cash) and non-recurring expenses.

## Appendix 4C

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

**Name of entity**

Integrated Payment Technologies Limited (Company)

**ABN**

50 611 202 414

**Quarter ended ("current quarter")**

31 March 2021 (Quarter 3)

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (.....months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	932	1,573
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(71)	(283)
(c) advertising and marketing	(24)	(60)
(d) leased assets		
(e) staff costs	(547)	(1,504)
(f) administration and corporate costs	(444)	(991)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid		(2)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(154)</b>	<b>(1,264)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	(32)	(165)
(b) businesses		
(c) property, plant and equipment		(4)
(d) investments		
(e) intellectual property	(3)	(46)
(f) other non-current assets	(131)	(299)

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)	337	337
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>171</b>	<b>(177)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,000	5,317
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	(318)	(406)
3.5	Proceeds from borrowings		(750)
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,682</b>	<b>4,161</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,012	991
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(154)	(1,264)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	171	(177)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,682	4,161
4.5	Effect of movement in exchange rates on cash held		

<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,711</b>	<b>3,711</b>
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<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,953	872
5.2	Call deposits	758	140
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,711</b>	<b>1,012</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	
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.*

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>		
7.5	<b>Unused financing facilities available at quarter end</b>		
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.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(154)

8.2	Cash and cash equivalents at quarter end (item 4.6)	3,712
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	3,712
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	24

*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.*

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:

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:

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:

*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.

Date: 28 April 2021

Authorised by the Board

## 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.