



Splitit Quarterly Report

for the three months ending 31 December 2019

Highlights:

- Record sales quarter reported in Q4 with strong growth across performance metrics, completing a foundational year expected to lead to significant revenue growth in coming fiscal years:
 - Merchant Sales Volume (MSV) of US\$27.1M, up 20% on previous quarter, with North America delivering outstanding growth, up 35% on previous quarter
 - Revenue of US\$433K down 7% on previous quarter with an additional US\$71K of revenue from Q4 MSV from funded plans to be recognised in Q1 FY20
 - 12 Month Active Merchants reached 386, up 17% on previous quarter, driven by strategic focus on merchants with higher Average Order Value with a stronger product-market fit
- Major milestone to enable significant scalability and unlock volume growth via a new partnership with Stripe, post quarter end
- New merchants in Q4 FY19 included Mobvoi, Chili Technology, Eight Sleep, Ace Marks, Nili Lotan, Bluefly and Ashford, plus Modloft, BlackPod, Instasmile, Infinity Massage Chairs, VitusVet, Go Easy Australia, Slate Audio and Factory Outlet Trailers signing post quarter end
- New partnerships and integrations with Magento, Blue Snap, iPay88, Shopify and Divido
- Well-funded to execute growth ambitions, with US\$16.3M in cash, of which US\$11.7M in cash balance plus US\$4.6M in future repayments from merchants
- Splitit to open UK office with the appointment of experienced executive, Melanie Vala

Sydney, Australia, January 31, 2020 – Splitit Payments Ltd (ASX:SPT), a leading global monthly instalment payments solution business, is pleased to provide an outline of its quarterly activities for the three-month period to 31 December 2019.

Q4 FY19 was a record quarter for Splitit with Merchant Sales Volume (MSV) of more than US\$27M (A\$39M), driven by strong holiday sales and new merchants signing up to Splitit's solution. The quarter included the Company's first ever day with more than US\$1M MSV, on 2 December 2019 (Cyber Monday), along with its strongest ever month, with December MSV reaching more than US\$10M.

Geographically, North America continues to be a key growth region, with significant growth in MSV of 35% compared to the previous quarter. This growth is driven by new large merchants that have recently added Splitit as a payment option. North America and the UK will continue to remain the key geographical focus and opportunity to drive growth.

Revised Performance Metrics

Splitit has updated its operating metrics which the Board considers better reflect its business performance and changes in customer behaviours.

MSV reflects underlying merchant sales volume where a merchant fee is charged. 12 Month Active Merchants reflects the number of merchants that have received a successful payment using Splitit in the previous 12 months, while Total Active Merchants reflected all merchants that have adopted Splitit's solution. 12 Month Active Shoppers reflects the number of shoppers that have made a purchase in the previous 12 months, while Total Customers (shoppers) reflected the cumulative number of shoppers that have used Splitit.



Splitit has also added some new metrics. These are Average Order Value (AOV), Plans Initiated and Repeat Shoppers. Definitions of these metrics are provided in the footnotes to Table 1.

Quarterly Performance Metrics

Operating Metrics	Q4 FY19	Q3 FY19	Growth
Merchant Sales Volume (MSV) ¹	US\$27.1M (A\$39.8M)	US\$22.6M (A\$32.2M)	20%
Receipts from Customers ²	US\$433K (A\$635K)	US\$466K (A\$685K)	-7%
Average Order Value (AOV) ³	US\$863 (A\$1,269)	US\$775 (A\$1,139)	11%
Plans Initiated ⁴	31.4K	29.2K	8%
Total Merchants ⁵	720	624	15%
12M Active Merchants ⁶	386	329	17%
12M Active Shoppers ⁷	118K	126K	-6%
Repeat Shoppers ⁸	14.3%	14.3%	0%

Table 1.

Splitit reports Receipts from Customers (revenue) of US\$433K for the quarter. In addition, US\$71K of revenue from Q4 MSV from funded plans will be recognised in Q1 FY20 due to timing of funding to merchants for Q4 sales.

The Company has accelerated its ongoing efforts to rationalise its merchant base during the quarter to focus on high-value merchants with a strong product-market fit. This has resulted in a net increase in Total Merchants of 15% and 17% in 12M Active Merchants. The 6% decrease in 12M Active Shoppers, 11% increase in AOV for the quarter and a doubling of repeat shoppers during FY19 also reflect a customer-base that is becoming more concentrated on shoppers making higher value purchases.

¹ Underlying merchant sales volume for successful transactions that a merchant fee is charged

² Merchant fees collected in the period

³ Average value of plans initiated in the period

⁴ Number of plans initiated in the period

⁵ Cumulative number of merchants that accept Splitit

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

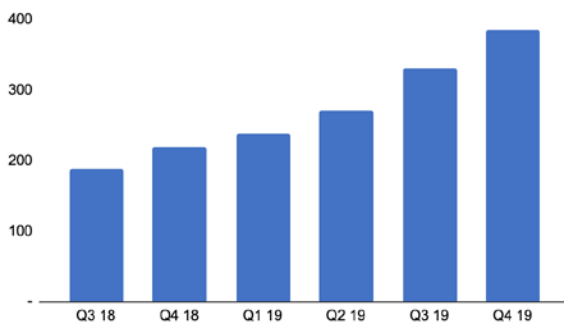
⁸ Percentage of shoppers that have made a purchase in the current period that have previously made a successful purchase



Merchant Sales Volume (MSV)



12M Active Merchants



Repeat Shoppers

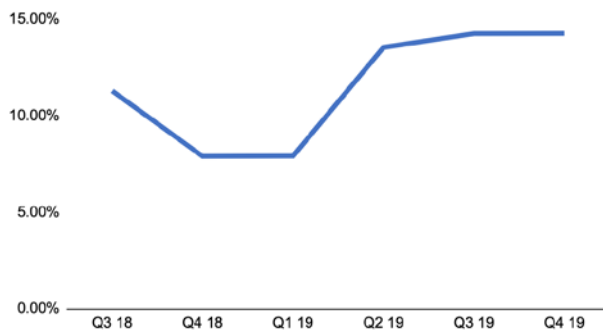


Figure 1. Splitit's quarterly performance across MSV, 12M Active Merchants and Repeat Shoppers*

* Unless specified otherwise all amounts are in USD and provided on an unaudited basis, AUD amounts have been converted to USD at an average quarterly exchange rate.



UK Operations & EMEA Leadership

In recognition of the growing demand and opportunity for Splitit in the UK, Splitit has appointed Melanie Vala as VP, Europe replacing Co-Founder Gil Don who stepped down from the role in January 2020. Splitit will also open an office in the UK where it will base its European headquarters. Ms Vala has more than 13 years experience in Fintech companies including PayPal, Intuit and Prospa and will lead the Company's growth in Europe from London.

Significant Partnership with Stripe, New Merchants & Partners

Enabling significant global scale, Splitit signed a new partnership agreement with global payment technology company Stripe to integrate Splitit's solution with Stripe Connect, streamlining merchant onboarding and enhancing the merchant experience. It will also provide the technology to enable merchants to self-onboard to Splitit's platform, currently a process that is undertaken manually. This streamlined experience will facilitate the rapid scaling of merchant numbers, merchant sales volume and revenue for Splitit.

The partnership with Stripe Connect is one of the Company's most critical to date as Splitit focuses on scaling its business. The partnership allows Splitit to onboard merchants as a subcategory of Splitit's merchant account with Stripe, thereby enabling frictionless onboarding of merchants. This will automate the onboarding process, reducing it to hours rather than weeks and makes for a more streamlined reconciliation and settlement process for Splitit's merchants. This partnership will see Stripe become the 'Payment Facilitator' for all new merchants that accept Splitit through this avenue once the integration is complete.

New high-value merchants that signed up to offer Splitit's solution include Mobvoi, Chili Technology, Ace Marks, Nili Lotan, Bluefly and Ashford.

Splitit has seen a very strong beginning to Q1 FY20 with leading retailers and large merchants such as Modloft, BlackPod, Instasmile, Infinity Massage Chairs, VitusVet, Go Easy Australia, Slate Audio and Factory Outlet Trailers also signed agreements with Splitit. All new merchants are either live or are currently in the process of integrating Splitit.

The Company signed multiple significant partnerships and integrations during the quarter. This included Magento, Blue Snap, iPay88 (~15,000 merchants), Shopify (~800,000 merchants) and Divido (~1,000 merchants).

Foundational Year

2019 was a foundational year for Splitit. Since its listing on the Australian Securities Exchange in January, its focus has been on building its infrastructure, technology and talent to rapidly scale its business as part of its planned growth strategy.

The Company has upgraded its architecture to a container cloud solution to release new product features faster, to provide scalability and improve overall performance. It has also successfully put in place new credit facilities for its key geographical markets as demand expands for its funded merchant model.

In addition, 2019 saw the team deliver against Splitit's goal to forge product-market fit, focusing its efforts on key merchant verticals and those with a higher AOV where benefits delivered to our customers are the most powerful.

Repeat shoppers doubled in 2019 compared to the previous year as shoppers became more familiar with using Splitit. In addition, AOV increased by 11% and Initiated Plans decreased compared to 2018 in line with the Company's strategy to grow higher value verticals and merchants.



CORPORATE & FINANCIAL OVERVIEW

Cash Flow & Use of Funds

The Company reports cash receipts from customers of US\$0.43M, including fees. This compares to \$0.47M in the previous quarter. Net repayment of upfront purchase amounts under the Self-funding Arrangement were US\$0.59M, compared to a net funding of US\$4.48M (Q3 FY19).

Cash outflows were comprised of:

- Advertising and marketing costs of US\$1.29M (Q3 FY19: \$1.03M)
- Staff costs of US\$1.85M, including one off costs and some growth in the team (Q3 FY19: US\$0.92M):
 - US\$250K is for Q3 salary expenses that were recorded in Q4 as a one-off adjustment
 - a number of one-off payments related to recruitment and performance bonuses
- Corporate and administration costs of US\$2.2M, including a number of one-off payments, accrued in Q4, relating to severances, legal costs, new credit facilities and consulting services (Q3 FY19: US\$0.67M)
- Research and development costs of US\$0.29M (Q3 FY19: US\$0.22M)

Costs are aligned with the Company's expected use of funds as outlined in its December 2018 Prospectus.

The Company had net operating cash outflow of US\$4.76M for the quarter, a decrease on the previous quarter (Q3 FY19: US\$6.92M).

Splitit held US\$11.7M in cash as at 31 December 2019, providing significant funding for continued growth. US\$4.63M cash used to self-fund select merchants as of December 31, 2019 under Splitit's funded model, compared to US\$4.8M in Q3. Splitit has US\$16.33M cash capacity for continued growth including the future repayments under the Self-funding Arrangement.

OUTLOOK

Splitit is the only instalment payment solution giving consumers the power to use their credit on their terms. As such, it has a large addressable market of more than 1 billion credit card holders and unmatched scalability, enabling merchants and partners with the technology and business processes to offer a credit card-based instalment solution.

In Q1 FY20, Splitit continues to build a strong foundation to allow for rapid scalability. It will focus on streamlining its merchant onboarding process towards being self-service, enhancing experiences for its customers and expanding third party credit facilities for merchants. The Company will continue to invest in its technology, as evidenced in the recent Stripe partnership, to capitalise on demand from merchants, both directly and through its partner platforms such as Shopify and Magento. To support this growth, the Company will continue to make key senior hires.

Merchant Sales Volume, Revenue and 12M Active Merchants are expected to accelerate in FY20 as key foundational pillars, such as streamlined onboarding and new credit facilities unlock growth opportunities, particularly in the second half of the year. Repeat Shoppers is also expected to grow as merchant acceptance accelerates. This will allow Splitit to capitalise on growing demand from merchants, especially via its partner platforms and its unique position in the market as the only provider of instalments on any credit card at the point of sale.

An Appendix 4C is attached to this announcement.

This announcement has been approved and authorised to be given to ASX by Brad Paterson, Managing Director on the Board of Splitit.



About Splitit

Splitit is a payment method solution enabling customers to pay for purchases with an existing debit or credit card by splitting the cost into interest and fee free monthly payments, without additional registrations or applications. Splitit enables merchants to offer their customers an easy way to pay for purchases in monthly instalments with instant approval, decreasing cart abandonment rates and increasing revenue. Serving many of Internet Retailer's top 500 merchants, Splitit's global footprint extends to hundreds of merchants in countries around the world. Headquartered in New York, Splitit has an R&D center in Israel and offices in London and Australia.

For more information, please contact:

US Media Inquiries

Cari Sommer

Raise Communications

info@raisecg.com

+1 646 480 7683

Australian Media & Investor Enquiries

Catherine Strong

Citadel-MAGNUS

cstrong@citadelmagnus.com

+61 2 8234 0111

Disclaimer

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 historic 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 independent auditors of the Company.

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

Appendix 4C

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

Name of entity

SPLITIT PAYMENTS LTD

ABN

629 557 982

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	433	1,706
1.2 Payments for		
(a) research and development	(287)	(854)
(b) product manufacturing and operating costs	(130)	(244)
(c) advertising and marketing	(1,289)	(4,049)
(d) leased assets	(36)	(144)
(e) staff costs	(1,849)	(4,153)
(f) administration and corporate costs	(2,203)	(3,940)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	36
1.5 Interest and other costs of finance paid	(4)	(23)
1.6 Income taxes paid	-	(7)
1.7 Government grants and tax incentives	-	-
1.8 Other (see note 6)	593	(5,228)
1.9 Net cash from / (used in) operating activities	(4,761)	(16,900)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	(23)	(152)
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	(9)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 months) US\$'000
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 from / (used in) investing activities	(23)	(161)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (see note 7)	-	29,508
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	1,500
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(2,385)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings (IFRS16)	(42)	(141)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(3)	(60)
3.10	Net cash from / (used in) financing activities	(45)	28,422

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,146	310
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,761)	(16,900)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(23)	(161)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 months) US\$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(45)	28,422
4.5	Effect of movement in exchange rates on cash held	353	(1)
4.6	Cash and cash equivalents at end of period	11,670	11,670

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	11,670	16,146
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)	11,670	16,146

6. Payments to related parties of the entity and their associates

- 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

Current quarter US\$'000
251
-

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

7. Financing facilities

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.

	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
7.1 Loan facilities	9,500	500
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	9,500	500

7.5 **Unused financing facilities available at quarter end** 4,630

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.

- A. The company used US\$4.63M cash to self-fund select merchants as of December 31, 2019 under Splitit's funded model
- B. In addition, for the purpose of Funding to Merchants, the company may use it access to credit lines of USD10M in the US.

8. Estimated cash available for future operating activities	US\$'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	<u>(4,761)</u>
8.2 Cash and cash equivalents at quarter end (Item 4.6)	11,670
8.3 Unused finance facilities available at quarter end (Item 7.5)	<u>4,630</u>
8.4 Total available funding (Item 8.2 + Item 8.3)	16,300
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.42

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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?

_____:

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?

_____:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

_____:

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: 31 January 2020

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.
6. Mainly due to cash used to self-funding of merchants. Please see the announcement accompanying this Appendix 4C for further details.
7. In January 2019 the Company consummated an IPO in a total amount of \$8.6 million (AUD 12 million). In May and June 2019 the company raised in new equity \$20.9 million (AUD 30.3 million)