

ASX Announcement

31 October 2018

September Quarterly Report and Appendix 4C

Data and analytics solutions company, **Invigor Group Limited** (ASX: IVO) (“Invigor” or “the Company”), is pleased to provide an update for the period ended 30 September 2018.

Quarterly Highlights

- Receipts from operations totalled \$652,000 with a further \$222,000 of receipts received immediately following September 30 (not reflected in 4C), for a total of \$854,000
- Adjusted receipts represents 115% growth quarter on quarter from operations excluding TillerStack revenue
- Annualised Recurring Revenue (ARR) from Analytics and Loyalty contracts tracking at \$2m
- Large reduction in cash outflows to (\$143,000) from operations – continues to narrow as customer receipts build and the cost base shrinks
- Three-year WeChat Pay MOU signed with Tencent partner, Winning Group – now unconditional
- \$400,000 of new customer revenue contracts secured in Q3, with an additional \$1,350,000 expected to be secured in the current quarter
- Debt significantly reduced by \$750,000 – balance sheet continues to strengthen
- \$600,000 of equity and funding raised after 30 September with funds being deployed for working capital and to drive WeChat Pay and AliPay operations in SE Asia through Winning Group partnership

Financial Summary

Receipts from customers were \$652,000, and \$874,000 after including the \$222,000 of receipts received immediately after the quarter end.

The Company’s core Pricing and Loyalty operations in Australia and Asia are performing well and growing. Core Australian and Asian cash receipts (excluding contributions from TillerStack subsidiary in Germany) were up 84% from the June quarter and 115% after including the additional receipts.

Cash outflows from Operations narrowed to (\$143,000) driven by increased customer receipts, the R&D tax refund and a significant reduction in the cost base. Debt was reduced by \$750,000 with Invigor progressively improving its balance sheet.

Invigor placed 179,500,000 new fully paid ordinary shares to raise \$718,000. Funds raised are helping Invigor grow its core Pricing and Loyalty operations in Australia and Asia and fund working capital. In addition, Debt was reduced by \$50,000 following a conversion of a convertible note by issuing an additional 13,111,065 shares.

A solid measure of progress is Invigor’s Annualised Recurring Revenue (ARR) which is now tracking at \$2m, aided by \$400,000 of new contracts secured and ongoing renewals. This will increase in Q4 with \$1,350,000 of new contracts expected to be secured. ARR will be reported each quarter as a better reflection of Invigor’s growing core Pricing and Loyalty contract base which has some excellent long tail revenue characteristics.

Major Operational Developments Achieved in Q3

Tencent Partner selected IVO to expand WeChat Pay in South-East Asia:

In a major achievement, Invigor secured a 36-month binding MOU with China's Winning Group to market and enhance WeChat services, including WeChat Pay in South-East Asia, with an initial focus on Hong Kong and Singapore. China's Winning Group Holdings Limited is one of a select few global solutions providers for WeChat International services, including mobile payments, applications, development and other related services.

WeChat is owned by Tencent Holdings Limited (HKG: 0700) and currently has well over 1 billion users with 900 million actively using WeChat Pay. The majority of users are based in China, making WeChat Pay the preferred payment platform used by Chinese tourist overseas.

Under the agreement, Invigor has been selected to partner with Winning Group to expand WeChat services, including WeChat Pay in key South-East Asian markets, starting with Singapore and Hong Kong. The MOU also covers Winning Group integrating Invigor's proprietary Loyalty solutions into the WeChat pay platform to create a more compelling proposition for merchants that use WeChat Pay targeting China and other markets where the payment platform is present.

Invigor will earn revenue from the agreement in three ways. Firstly, a percentage of transaction revenue from merchants using WeChat Pay when introduced or acquired by Invigor; through advertising when either party initiates a marketing or promotion campaign with a merchant; and through transaction fees from merchants based on sales revenue when Invigor's Loyalty solution is deployed.

Invigor to distribute and expand AliPay in Hong Kong with Winning Group:

Subsequent to the end of the quarter, Invigor built on its relationship with Winning Group reaching an agreement to distribute and expand Alipay services in the Hong Kong territory.

AliPay is a third-party mobile and online payments platform and one of the most popular payment method in Asia. As a fintech company, it is valued at over \$150 billion. AliPay with WeChat Pay accounts for most of the market in payment services in Hong Kong.

The agreement leaves Invigor well placed to grow the payment services market share in South-East Asia through its established presence in Asia, as well as expand its Loyalty solutions capacity.

WeChat MOU with Winning Group becomes unconditional:

In an exceptional development achieved early in Q4, Invigor confirmed its MOU with China's Winning Group has become unconditional with both parties waiving the initial three-month pilot period. This allows both parties to progress the live deployment of WeChat Pay in South-East Asia with the first significant customer likely to be introduced by Invigor in the coming weeks.

The removal of this conditionality means that the agreement with Winning Group is now in place for three years. It brings the certainty required to allow Invigor to accelerate its growth and investment in building on the partnership across South-East Asia before progressing to other international marketing being pursued by Tencent through Winning Group.

Commentary

Invigor CEO, Gary Cohen said: “Invigor has witnessed exceptional growth during Q3 and laid strong foundations to really scale up ARR in the quarters ahead.

“The partnership with China’s Winning Group, and by association Tencent and AliPay, delivers to Invigor a major growth channel for our Loyalty and Analytics capabilities, and the ability to integrate our technology these with globally recognised payment platforms. It is without doubt the most significant development in the Company’s history and this will be evident very soon with receipt of the first paid contract in Asia.

“Capitalising on this opportunity is our major focus, so too is securing more Pricing and Loyalty contracts in Australia and Asia to diversify our revenue base and grow ARR.”

Q4 Objectives

Post 30 September, a further \$600,000 of equity and funding was raised that will be applied to working capital and funding the South East Asian payment operations with Winning Group. New contracts wins are an absolute priority.

The Company has notified shareholders of a pending General Meeting which seeks approval to undertake a number of initiatives that will further strengthen the Company’s balance sheet and provide the necessary financial flexibility to drive very rapid top line growth.

For further information, please contact:

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About Invigor Group

Invigor Group (ASX: IVO) is a B2B data intelligence and solutions company that turns data analytics into dollars for the retail and service industries. Invigor’s innovation in owned retail platforms and unique cross-channel data ecosystem allows businesses to have a holistic view of their customers and competitive landscape to not only understand, but effectively engage with today’s physical and digital consumers. Combined with proprietary data and predictive engines, Invigor Group provides strategic insights and recommendations that empower businesses to successfully influence future customer strategy and increase long-term profitability.

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Twitter: <https://twitter.com/InvigorGroup> | LinkedIn: <https://sg.linkedin.com/company/invigor-group>

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Name of entity	
Invigor Group Limited	
ABN	Quarter ended ("current quarter")
75 081 368 274	30 September 2018

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from customers*	652	3,560
1.2 Payments for	-	-
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	(63)
(d) leased assets	-	-
(e) staff costs	(1,022)	(4,838)
(f) administration and corporate costs	(780)	(3,019)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	6
1.5 Interest and other costs of finance paid	(67)	(564)
1.6 Income taxes paid (refund received)	-	0
1.7 Government grants and tax incentives	1,068	1,068
1.8 Other (provide details if material)	-	31
1.9 Net operating cash flows	(143)	(3,820)
<i>* Year to date cash receipts includes four months of cash receipts from discontinued operations</i>		
2 Cash flows related to investing activities		
2.1 Payment for acquisition of:		
(a) physical non-current assets	-	-
(b) businesses (item 10)	-	-
(c) equity investments	-	-
(d) intellectual property	-	-
(e) other non-current assets - convertible notes acquired	-	-
2.2 Proceeds from disposal of:	-	-
(a) physical non-current assets	-	-
(b) businesses (item 10), net of cash disposed of	-	2,352
(c) equity investments	(6)	(12)
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Loans to other entities	(0)	0
2.3 Loans repaid by other entities	-	-
2.4 Dividends Received	-	-
2.5 Other - Distribution received from Kit Digital Inc	-	56
2.6 Net investing cash flows	(6)	2,397

	Cash flows related to financing activities (*)		
3.1	Proceeds from issues of shares, options, etc. (net of transaction costs offset)	768	918
3.2	Proceeds from issue of convertible notes	-	1,000
3.3	Proceeds from exercise of share options	-	992
3.4	Transaction Costs related to issues of shares, con notes or options	(167)	(186)
3.5	Other - borrowings from director related parties	280	1,256
3.6	Other - repayment of borrowings from director related parties	(144)	(488)
3.7	Transaction Costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other - Proceeds from Borrowings	-	1,450
3.10	Other - Repayment of Debts, Con Notes and Borrowings	(750)	(4,116)
3.11	Net financing cash flows	(13)	825
4	Net increase (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	75	511
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(143)	(3,820)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	2,397
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(13)	825
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash at end of quarter	(87)	(87)

5 **Reconciliation of cash**

Reconciliation of cash 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	Cash on hand and at bank	10	75
5.2	Deposits at call	-	-
5.3	Bank overdraft	(97)	-
5.4	Other (Term deposits)	-	-
5.5	Total: cash at end of quarter (item 4.6)	(87)	75

6 **Payments to directors of the entity and associates of the directors**

		Current quarter \$A'000
6.1	Aggregate amount of payments to the parties included in item 1.2	267
6.2	Aggregate amount of loans to the parties included in item 2.3	-
6.3	Explanation necessary to understand the transactions included in items 6.1 and 6.2	
	Includes payments made under service agreements to entities associated with Gary Cohen and payment of directors' fees and executive directors' remuneration	

7 **Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
7.1	Aggregate amount of payments to the parties included in item 1.2	-
7.2	Aggregate amount of loans to the parties included in item 2.3	-
7.3	Explanation necessary to understand the transactions included in items 7.1 and 7.2	
	Includes payments made under service agreements to entities associated with Gary Cohen and payment of directors' fees and executive directors' remuneration	

8 **Financing facilities available**

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other - convertible note commitment

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
5,894	5,467
-	-
300	-
6,194	5,467

Total

- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

National Australia Bank - 10.3% p.a. Interest Bearing AUD\$100,000 Secured Overdraft Facility
Hermann Loan - 9% p.a. EUR120,000 Loan Facility
Marcel Equity Pty Ltd (entity associated with Gary Cohen and Gregory Cohen) - 10.3% p.a. Interest Bearing AUD\$2,600,000 Unsecured Facility (note - AUD\$600,000 of facility at 15% p.a. - fully drawn)
Partners For Growth IV, L.P. - 10% p.a. Interest Bearing AUD\$2,000,000 Secured Loan
Sophisticated investor - convertible note commitment, zero interest, \$300,000

9 **Estimated cash outflows for next quarter**

- 9.1 Research and development
- 9.2 Product manufacturing and operating costs
- 9.3 Advertising and marketing
- 9.4 Leased assets
- 9.5 Staff costs
- 9.6 Administration and corporate costs
- 9.7 Other (provide details if material)

\$A'000
-
-
(30)
-
(1,800)
(850)
-
(2,680)

9.8 Total estimated cash outflows *

** The company is an operating business that generates cash inflows each quarter, including receipts from customers generated from sales. As per reporting requirements of Section 9 in this report, the above summary of anticipated cash outflows including costs of generating forecasted sales for the next quarter ending 31 December 2018, does not reflect any anticipated cash inflows including receipts from customers. Sales receipts from customers for the quarter ended 30 September 2018 was \$652K.*


10 **Acquisitions and disposals of business entities**

- 10.1 Name of entity
- 10.2 Place of incorporation or registration
- 10.3 Consideration for acquisition or disposal
- 10.4 Total net assets
- 10.5 Nature of business

Acquisitions	Disposals
None in quarter	None in quarter

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with ASX Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.
Sign here:


Gregory Cohen, Director
Date: 31 October 2018