



ASX ANNOUNCEMENT

19 November 2018

## **Chair and CEO's Address to the Annual General Meeting 2018**

### **Naseema Sparks – Chair**

I would like to begin by thanking our shareholders for your support over the past year. We acknowledge the complexities of FY18, and I'd like to assure you that a renewed focus has emerged as we implement necessary and sometimes challenging changes.

This has been a difficult and unsettling year for IncentiaPay, as we continue the integration of Gruden, restructure of Entertainment and closing out on BarterCard, which didn't fit with our forward strategy.

This year commenced with a new management team and Board changes. Iain Dunstan was appointed as Chief Executive Officer in December 2017, and Darius Coveney was appointed to the combined role of Chief Operating and Finance Officer (COO/CFO) in February this year. Additional key senior leadership team members were also appointed to focus on sales, in line with the intention to streamline Entertainment operations and grow revenue.

The Board has also seen significant change and renewal this year with Chris Berkefeld and me joining as new Non-Executive Directors in March and May respectively. Iain also joined the Board as Managing Director. Both the Board of Directors and management are committed to a turnaround and return to profitability, prudent cost management and revenue growth through harnessing data smarts and improved digital presentation of the Entertainment offering.

On a governance matter, the Board would like to further acknowledge the first strike against the Company's Remuneration report last year. We have focussed additional efforts to ensure increased alignment between shareholders and executives as new senior managers have been brought in and remuneration structure has been reviewed. This review process is not yet complete but will be finalised during FY2019. We would also like to thank our shareholders for broad support we received from several capital raising activities throughout the year, as outlined in the Annual Report.

As we move forward into this financial year, I would like to reiterate the Company and the Board's commitment to turnaround and growth as we transform and develop our digital platforms and offerings, as we support and nurture our culture and people, and as we focus on our goal to become a leading rewards and incentives and digital payment provider.

Before we get to the formal business of the meeting, Iain Dunstan will provide a short presentation regarding the IncentiaPay business.

## **Iain Dunstan – Chief Executive Officer**

### **Introduction**

Good afternoon. I'm pleased to report to you on IncentiaPay's financial and operating performance for the past financial year and take you through how the Company is moving forward to better position growth and shareholder value.

Over the past year as your CEO, I've had the opportunity to evaluate the market, the platforms and the people. IncentiaPay is a leading integrated loyalty and payment solutions provider of transactional platforms and marketing programs. It enables businesses to attract and engage customers across multiple channels. These platforms currently serve 16,000 merchants, raise funds for more than 16,000 non-profit and community organisations and deliver valuable loyalty programs and offers for restaurants, attractions, leisure and travel to millions of consumers through an extensive closed-loop network of non-profit organisations, corporate groups and customer bases.

Despite the complex year we have experienced, I am pleased with the renewed focus that has emerged as we implement necessary change - the most recent being the divestment of Bartercard as announced to the market in September 2018 and the acquisition of Gruden finalised in May. Accordingly, my focus today will be across the Entertainment and Gruden businesses, as well as Alipay.

### **Financial performance**

Gross revenue for FY2018 was \$110.1 million, in line with both FY2017 gross revenue and previous guidance. Revenue from the Entertainment business was \$77.4 million, an 18 per cent increase from FY2017 revenue of \$65.9 million. This increase was predominantly attributed to growth in the Corporate Marketing Solutions group, as well as a sizeable increase in gift card revenues. While gift cards do represent significant revenue, margins are in fact low and accordingly, we are re-negotiating gift card arrangements to improve margins. Due to the nature of these sales, the discount provided by the retailer is passed on to Entertainment members.

Underlying EBITDA for FY2018 was \$1.8 million, with \$2.2 million of this amount coming in the second half of the year. Underlying EBITDA was not reported on in FY2017 but will be reported during the restructuring period. Negative operating cash flow was \$2.9 million (excluding discontinued operations, but after one-off restructuring costs). Net loss after tax (NLAT) from ordinary activities was \$62.2 million, compared to a net profit after tax (NPAT) from ordinary activities of \$10.3 million in FY2017. This was predominantly due to non-cash charges related to the Company's current restructure program.

The Company acknowledges our financial results have not been strong this year, due to impairments and restructuring expenses. However gross revenue has been stable.

## Operating review

Moving forward, Company operations will be reported as a single integrated business.

### Entertainment

Over the past year, IncentiaPay concluded the integration of the Entertainment business into its operations. In February 2018 the Entertainment business commenced a restructure to maximise operational efficiencies and reduce costs. This included the removal of management layers, re-organising employees geographically to reduce duplication and implement a program of work across the business to automate and regionalise branch administration. As part of the process, seven Entertainment offices were amalgamated. The restructure was completed at the end of July 2018 with a 12 per cent headcount reduction and net annualised cost savings of more than \$1 million.

Both the Frequent Values program and Corporate Partnerships programs were expanded, with a material increase in gift card sales. The Corporate Marketing Solutions group, which creates bespoke benefits packages for various companies' loyalty or rewards programs, launched new products for leading superannuation, insurance and banking organisations during the year.

Moving forward, the Entertainment business will continue to focus on identifying improved ways to enhance existing revenue streams, identify new revenue streams, drive down costs, improve efficiencies and continue to enhance our digital offering.

A redistribution of capital and resources to this area will see further focus on building a stronger connection between members, merchants and fundraisers; using data and analytics to better know and understand customers to help them explore new experiences and offers; provide more perks to members and communicate how they are being smart with their money by belonging to an exclusive community; and making it easier and convenient to give more control to the customers and merchant partners.

The Entertainment business provides strong growth opportunities and increased earnings capabilities for IncentiaPay going forward.

### Gruden

The Gruden business has had a successful year, launching the Secure-A-Spot parking website for Secure Parking, which transformed the organisation's business and won them the 2018 Australian Business Award for UX Design Innovation. The award recognised organisations that demonstrate the core values of business innovation, product innovation, and technological achievement and is testament to the outstanding work that the Gruden team undertook for this client.

The Gruden business has become an integral component of our digital-first strategy moving forward, providing experience and expertise that did not previously exist within the Company. Gruden's performance marketing offering, coupled with its enterprise digital services that build and design world class digital assets for leading Australian companies, are

a natural fit with the underlying Entertainment business and align well for cross-sell and up-sell opportunities to the overall target audience.

Gruden's Government division does not align, and accordingly, we flag the possibility of the divestment of this division.

### **Strategic initiatives**

One particular key strategic initiative that I would like to cover off, is the Marketing Cooperation Agreement with Alipay. In September last year, we announced a partnership with Alibaba's associated company Alipay, the world's largest third-party mobile and online payment platform. This involved the deployment of Alipay as a payment method through a selected and suitable audience of our Entertainment merchant network.

The agreement has enabled IncentiaPay to market to an estimated 1.3 million inbound Chinese tourists who visit Australia annually and allows them to access discounts and pay for goods and services from participating merchants using the Alipay application on their mobile phone.

Since the launch of the merchant portal in May 2018, IncentiaPay has signed over 250 merchants on Alipay's Discovery platform and over 140,000 offers have been downloaded by Alipay customers.

IncentiaPay's merchant portal provides translation and training tools, consumer analytics, concierge and merchant acquisition services. Through this product, IncentiaPay merchants can communicate with Chinese consumers before, during and after travelling to Australia via Alipay's Discovery platform.

The Corporate Marketing Solutions group is capitalising on this opportunity by developing a Frequent Values style deal in partnership with Alipay. This will give Chinese tourists access to specially targeted offers to redeem during their visit to Australasia. This initiative is currently being rolled out across the Gold Coast, Cairns and Sydney, and will extend to the major New Zealand tourist markets over the coming year.

### **People and culture**

At the end of this year, IncentiaPay will employ approximately 220 staff across Australia and New Zealand. It is the dedication and hard work of our employees that has propelled us to where we currently are and will move us forward.

We have hired several key individuals over the past ten months to continue to meet the growth and development objectives of the business and support the corporate strategy. This was in line with our focus to improve the senior management structure alongside an experienced executive team and Board. Our aim is to have our people look at things differently, and do them differently, to achieve different and better results.

## Outlook

We have undergone significant change over the past financial year to position IncentiaPay for growth. Our cost rationalisation and savings continue to drive productivity gains, alongside our investment in technology to innovate with a digital focus.

Our investment in restructuring the Company, the strengthened board, a renewed focus on key markets, and a clearer focus have delivered priorities. They include (i) growth within the Entertainment business to generate additional new and sustainable revenue streams with a digital focus that capitalises on the value of the existing database; (ii) the Alipay rollout, which has played a growing part in commerce and payment across Australia this year; (iii) integrating and monetising Gruden's digital marketing experience and transactional capabilities and (iv) rolling out a new website and mobile app for the Entertainment division, followed by the same for our Frequent Value audience.

IncentiaPay will continue to focus on the business growth drivers, which include adding new merchants, fundraising organisations and corporate partnerships, increasing the consumer database and memberships, leveraging content to secure partnerships within verticals and geographies, encouraging the faster adoption of digital practices by consumers, merchants, fundraisers and employees, creating or facilitating more transactions – and fees from those transactions - and redirecting resources to higher level income-generating activities.

The future opportunity to increase and drive new revenue streams from predictive buying and selling patterns is truly exciting, and well supported with the increasing consumer trend towards online shopping. Our focus on being a data driven organisation is supported by the current rebuilding of our marketing capacity, creating a new product / engineering team, and further building our analytics team for better reporting and future dashboards to monitor, analyse, segment and utilise data to drive smart business decision making.

Our nine months of reorganisation is nearing completion and I look forward to cementing company, product and people strategies to better focus the organisation and provide greater value for shareholders.

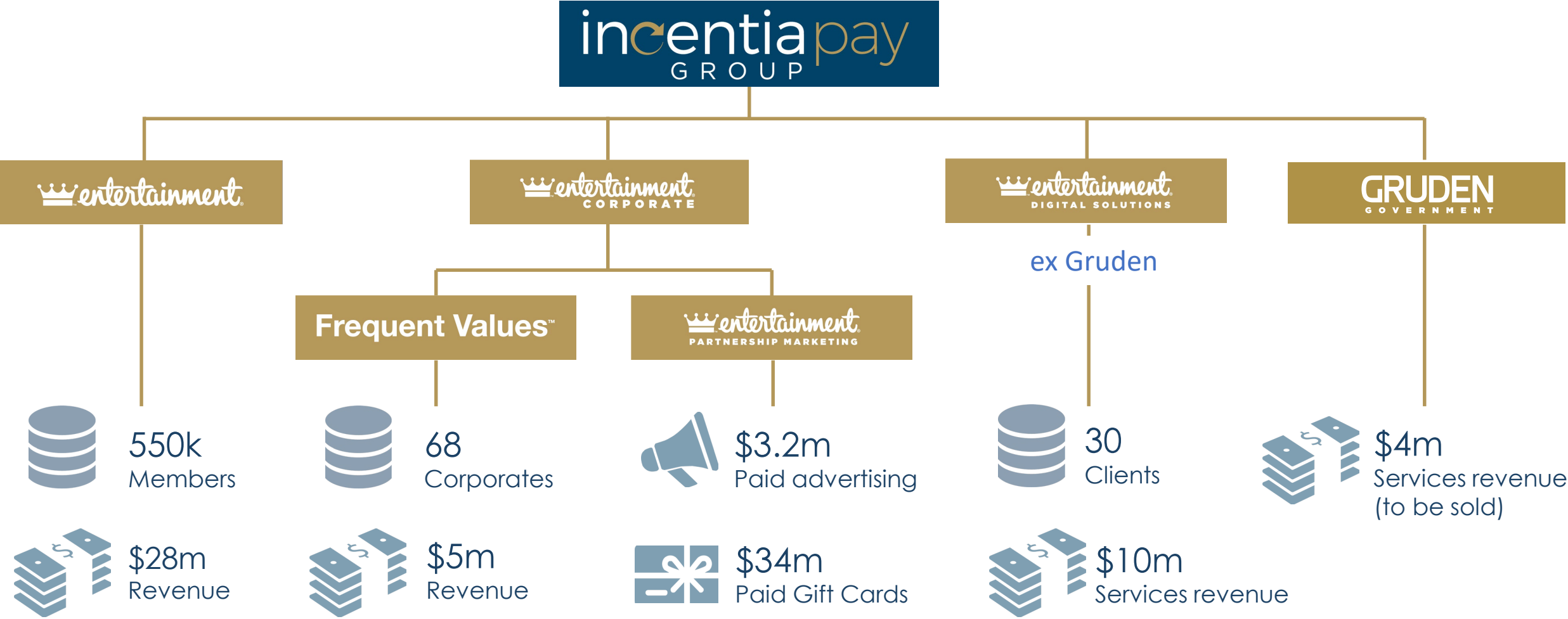
On behalf of the executive team, I would like to thank our shareholders for their support as we continue on our path of digitisation and transformation. I look forward to working for you over the next financial year as the CEO of IncentiaPay.



# 2018 Annual General Meeting

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# Introduction



# Entertainment operating review



- Feb - Jul 2018 restructure maximised operational efficiencies and reduced costs
  - Removal of management layers
  - Re-organised employees geographically to reduce duplication
  - Automated and regionalised branch administration
  - Amalgamated 7 offices
  - 12% headcount reduction with net annualised cost saving of \$1m+
- Expanded Frequent Values (FV) and Corporate Partnerships programs
  - Material increase in gift card sales
  - Launched new products for leading superannuation, insurance and banking organisations

**FREQUENTVALUES™**



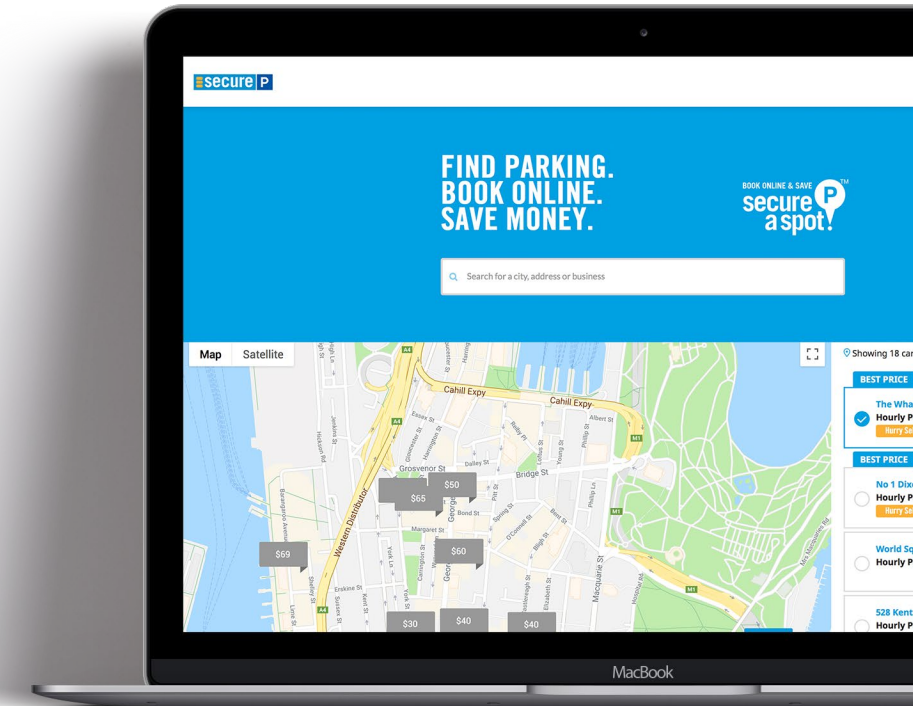


- Focus on enhancing existing and identifying new revenue streams, driving down costs, improving efficiencies and digital offering
- Redistribution of capital resources:
  - Build stronger connections between members, merchants and fundraisers
  - Use data / analytics to better understand customers
  - Provide more member perks and create feeling of belonging to an exclusive community
  - Greater control for customers and merchants
- Strong growth opportunities and increased earning capability

# Gruden operating review

GRUDEN

- Launched Secure-A-Spot parking website - won 2018 Australian Business Award for UX Design Innovation
- Integral part of digital-first strategy
- Performance marketing and enterprise digital services are a natural fit with underlying business and align well for cross-sell and up-sell
- Possible divestment of Government division due to lack of alignment



# Strategic initiatives

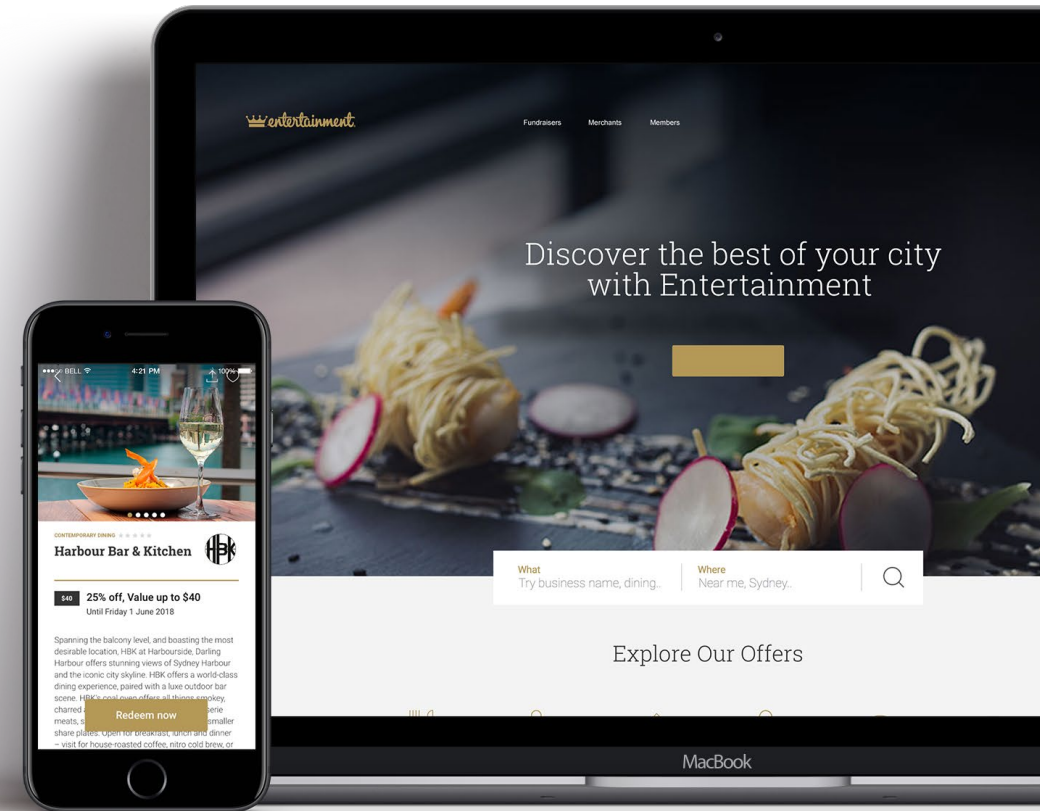


- Marketing Cooperation Agreement announced Sep 2017 for deployment of Alipay as payment method through suitable Entertainment merchants
- Facilitates marketing to 1.3m inbound Chinese tourists allowing access to discounts and payment using Alipay mobile app
- Since May 2018, 250 merchants signed on with 140,000+ offers downloaded
- Corporate Marketing Solutions (CMS) division capitalising on opportunity by developing FV style deal in partnership with Alipay to provide access to specially targeted offers
  - Being rolled out in Gold Coast, Cairns and Sydney and will extend to NZ



# Outlook - future priorities

- Growth within Entertainment business to generate new and sustainable revenue streams with a digital focus to capitalise on value of existing database
- Rolling out Alipay
- Integrating and monetising Gruden's digital marketing experience and transactional capabilities
- New Entertainment website and app followed by similar for FV audience



# Outlook - business growth drivers

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- Adding new merchants, fundraising organisations and corporate partnerships
- Increasing consumer database and memberships
- Leveraging content to secure partnerships within verticals and geographies
- Encouraging faster adoption of digital practices by consumers, merchants, fundraisers and employees
- Creating or facilitating more transactions – and fees from those transactions
- Redirecting resources to higher level income-generating activities

# Outlook – opportunities

- Increase / drive new revenue streams from predictive buying and selling patterns
- Capitalise off increasing consumer trend towards online shopping
- Data driven company utilising data to make smart business decisions
- Cement company, product and people strategies to better focus organisation and provide shareholder value

