

30 October 2019

Quarterly review for the period ended 30 September 2019

IncentiaPay Ltd (**ASX: INP**) provides the following update as required by Listing Rule 4.7B and looks forward to keeping our shareholders fully informed on a quarterly basis.

Financial highlights

- \$10.9 million of cash receipts
- \$0.9 million in one-off restructure and redundancy costs
- \$6.974 million in the bank at the end of the quarter
- Execution of a conditional \$19 million unsecured loan with Suzerain Investments Holdings Limited (**Suzerain**) to provide cash flow and invest in a new business turnaround strategy

Operational highlights

- Commenced a strategic review of the Company's operations and organisational structure
- Commenced a review of the target operating model for technology platforms
- Initiated a cost reduction program including redundancies to right-size the Company's cost base
- Closed five regional offices
- Appointed Mr Dean Palmer as a Non-Executive Director to the Board
- Recruited Mr Henry Jones as the Chief Executive Officer, in October
- Commenced recruitment for a Chief Marketing Officer

Business Update

During FY2019, the Board announced a strategic review of business operations and structure. The key outcomes of the review which have been endorsed by the Board are:

1. **Move to a 100% digital membership model** – Since the launch of the Digital Entertainment Membership five years ago, almost 60% of members have moved from the print-based version to the App. Combined with declining appetite for print based solutions from schools, childcares and sporting groups, the rising environmental impact, printing, postage and logistics expenses - memberships will only be available via an App from 1 June 2020 when the current membership season concludes. Strategies to shift from print to digital are currently being developed for roll out and will leverage off the learnings from the digital-only trial undertaken in Darwin earlier this year, which was positive.
2. **Focus on our core membership products** – A previous lack of focus on our core Entertainment Division has been one of the known reasons for a decline in revenue. With the pursuit of international operations now scaled back to focus on Australia and New Zealand, the Company can apply its Marketing, Product, IT and Technology resources to stabilise and

grow the core business and our membership base. Investment has been made in above the line marketing initiatives and direct customer acquisition.

- 3. *Expand our distribution channels*** – While fundraisers remain our primary distribution channel, we are trialling the use of alternate distribution options. A key principle underpinning our channel expansion will be a continuing emphasis on contributing a portion of receipts to 'not for profit' organisations. Supporting fundraisers remains a core value of the Company.

Operational Update

As highlighted in the recent Annual Report lodged with the ASX on 11 September 2019, the Board has undertaken a strategic review. This review resulted in the aim to remove \$10 million of operational costs. During the quarter and in October 2019, the Company implemented a restructure that resulted in 54 people leaving the organisation or being given notice that contracts will not be renewed. The Company is on track to remove approximately \$6.8 million of employment costs. In addition, a further \$3.4m of other annual operational costs have been removed (including reduced print and logistics costs). This has resulted in a reduction of our annualised expenditure by \$10.2m.

These decisions have been made as the Board was of the view that expense levels within the organisation were unsustainable.

Outlook

The Entertainment business is highly seasonal with the majority of revenue received between March and August of any given year. As such, the Board expects a revenue decline in the second quarter of this financial year, consistent with previous years. The company is changing its revenue model to enable ongoing monthly revenues which will be less dependent on seasonality.

The Company is continuing with its restructuring initiatives, which will see higher than expected one-off costs.

The Company expects to meet the conditions of the Suzerain loan, allowing for \$6 million of additional debt funding subject to shareholder approval at the Company's upcoming Annual General Meeting. The Board believes that this will provide sufficient cash flow to complete the turnaround plan.

For further information please contact:

Ben Newling

Company Secretary

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Incentiapay Limited

ABN

43 167 603 992

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,933	10,933
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(5,622)	(5,622)
(c) advertising and marketing	(582)	(582)
(d) leased assets	-	-
(e) staff costs	(6,648)	(6,648)
(f) administration and corporate costs	(2,061)	(2,061)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	5
1.5 Interest and other costs of finance paid	(42)	(42)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST paid)	(776)	(776)
1.9 Net cash from / (used in) operating activities	(4,793)	(4,793)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	9,000	9,000
3.6	Repayment of borrowings	(567)	(567)
3.7	Transaction costs related to loans and borrowings	(98)	(98)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	8,335	8,335

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	3,461	3,461
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,793)	(4,793)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,335	8,335

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(29)	(29)
4.6	Cash and cash equivalents at end of quarter	6,974	6,974

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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,974	3,461
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (s)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,974	3,461

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

77

-

Salaries and directors' fees at normal commercial rates. These amounts exclude GST where applicable.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

27

-

Payment for CTO consulting services to an associated entity of a significant shareholder.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	19,000	13,029
8.2 Credit standby arrangements	1,440	1,440
8.3 Other (Lease incentive loan)	571	571
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.		

Loan Facility

Loan facility is with Suzerain Investment Holdings Limited. The remaining \$6m facility is conditionally available to draw down in two tranches of \$3m in December 2019 and January 2020. The Group fully expects to meet the conditions to access the remaining facility.

Credit Standby arrangements

Guarantees with CBA to cover tenancy agreements for premises in Sydney, Melbourne, Gold Coast and New Zealand.

Lease incentive loan

Loan with Landlord of the Sydney Corporate Office, who financed the fitout. This loan will be repaid at a rate of 20% subject to no defaults occurring. It is scheduled to be fully repaid by the end of the lease.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	9,469
9.3 Advertising and marketing	462
9.4 Leased assets	-
9.5 Staff costs	5,164
9.6 Administration and corporate costs	2,026
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	17,121

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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		

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.



Sign here:
(Executive Chair)

Date:30/10/2019.....

Print name: Stephen Harrison

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.