

31 July 2020

Quarterly activity report and Appendix 4C for the quarter ended 30 June 2020

IncentiaPay Ltd (**ASX:INP**) is pleased to provide the following update for the quarterly period ended 30 June 2020.

Financial Highlights

- \$7.78 million of cash receipts
- \$5.31 million in the bank at the end of the quarter
- \$3.2 million of debt drawn down from Suzerain Investments Holdings Limited (**Suzerain**)
- \$1.4 million in operating cash surplus

Operations Highlights

- Q4 cash inflows aligned more closely with the previous period last year, following lower than expected Q3 cash inflows due to COVID-19.
- An increase in funding lines with Skybound Fidelis Credit Fund providing an additional \$1.2 million specific purpose facility for capital growth initiatives, and Suzerain providing an increase of \$4 million to the existing working capital facility.
- A continued focus on cash management in an uncertain COVID-19 environment.

Operational Update

Initially Q4 witnessed subdued sales, with April and the beginning of May showing significantly lower cash receipts from membership renewals than the business had previously achieved over previous corresponding periods. This was predominantly due to COVID-19 which had significantly impacted the Company.

Across all states and territories, and to varying degrees, Merchant Partners have been affected by Government-imposed social distancing and travel restrictions. This resulted in reduced patronage for restaurant dine-in, reduced interstate travel. The Government closure in response to COVID-19 also saw a reduction in patronage at many leisure activities. As a direct response to the pandemic, the Company pivoted from a dine-in, to a takeaway focus, launching the #EatAloneTogether campaign in conjunction with the Restaurant & Catering Association of Australia (R&CA) - the primary purpose being to drive immediate redemptions and support customer traffic to Merchant Partners.

The Entertainment fundraising season which usually starts at the end of Q3 was delayed by more than three months, as were Entertainment's Fundraiser group launches which shifted from physical to online events and also pivoted to focus on helping local community. As restrictions eased towards the end of May, the Company re-launched its membership season on 1 June, resulting in the return to more normal Entertainment Membership revenue inflows for the remainder of the quarter.

As previously announced, the Company's cash inflows are highly seasonal, with the majority of revenues received between February and July of any given year. Accordingly, significant effort has and continues to be expended on sales and marketing efforts in the current quarter, with the view to extend the sales season to recover lost inflows from March, April and May.

With unemployment rates growing and members facing economic hardship due to job loss or decreased income, renewal rates are expectedly lower than in previous years. The delayed launch of sales season and ongoing uncertainty has increased the Company's liquidity requirement.

Further, as previously announced, the Company undertook a significant cost-cutting initiative in Q3. This was achieved in consultation with employees to reduce salaries and working hours. Due to the importance of short-term sales targets, selected employees have been temporarily re-instated full time, with the Company continuing to tightly manage costs in key functional areas.

Updated Unsecured Loan Facilities

As announced to the market on 5 June 2020, the Company reached an agreement to increase its working capital facility with Suzerain by a further \$4 million to a total of \$9.825 million. \$7.2 million remains undrawn.

As previously announced on 5 June 2020, a new facility agreement has been entered into, but yet to be drawn from Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund. The facility is for specific capital projects related to the Company's planned technology transformation and advancement as part of the business turnaround.

Cash Position

- Net cash inflow of \$1.399 million for the period as compared to a cash outflow of \$3.566 million in the previous quarter, driven predominantly by an increase in membership sales in late May and June.
- Net cash used in investment activities of \$74k, predominantly technology development initiatives, compared to \$145k received for the previous period.

Payments to Related Parties of the Entities and their Associates

- \$82k was paid to Leisure Group Pty Ltd, an associated entity of Suzerain. Leisure Group Pty Ltd was contracted as an outsourced tele-sales agent resource, replacing the account management function for Entertainment's smaller fundraiser groups that were previously managed by field sales agents.
- \$11k of IT services for an outsourced CIO function to a related party of Suzerain.

Outlook

The Company continues to review the impacts of COVID-19 on a regular basis and manage repercussions as conditions evolve and change. Our current focus is on extending our membership sales season to increase revenue inflows and supporting our Merchant partners and Fundraising groups.

The Company notes that further restrictions (including lockdowns and state border crossings closed) that have been imposed in some Australian states. This is likely to have an impact in short-term membership revenue.

The Company will continue to be vigilant with regards to costs and cash flow management, while simultaneously supporting our employees, their health and well-being.

A key focus for the coming quarter of the new financial year is our IT transformation strategy. Technology and platforms are key to our future success and are our planned and focused areas for investment. Several options relating to our platform strategy and technology transformation are currently being evaluated and we will update the market in due course.

Authorised for release by the Board

For further information, please contact:

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Company Secretary

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Appendix 4C

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

Name of entity

IncentiaPay Limited

ABN

43 167 603 992

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,762	33,110
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,739)	(21,483)
(c) advertising and marketing	(246)	(1,461)
(d) leased assets	-	-
(e) staff costs	(2,437)	(17,877)
(f) administration and corporate costs	(628)	(4,564)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	22
1.5 Interest and other costs of finance paid	-	(77)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	678	(534)
1.9 Net cash from / (used in) operating activities	1,399	(12,864)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(40)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(70)	(70)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	155
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	(730)
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	(74)	(685)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	1,335	17,585
3.6	Repayment of borrowings	(298)	(2,039)
3.7	Transaction costs related to loans and borrowings	-	(123)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,037	15,423

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,943	3,461
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,399	(12,864)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(74)	(685)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,037	15,423
4.5	Effect of movement in exchange rates on cash held	(14)	(44)
4.6	Cash and cash equivalents at end of period	5,291	5,291

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	5,291	2,943
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)	5,291	2,943

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 \$A'000
170
-

Payment for IT Services to an associated entity of Suzerain Investments Holdings Limited (a significant shareholder) (**Suzerain**) of \$11k

Payment for sales support services to an associated entity of Suzerain of \$82k

Payment for directors' fees to associated entities of directors of \$77k.

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 \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	11,525	3,160
7.2 Credit standby arrangements	-	-
7.3 Other (Lease incentive loan)	466	466
7.4 Total financing facilities	11,991	3,626

7.5 Unused financing facilities available at quarter end

8,365

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.

Converted Loan facility

On 27 February 2020, Suzerain opted to convert \$19,300,257 of their convertible loan into 410,643,766 ordinary shares at \$0.047 per share, in accordance with the Convertible Loan Deed approved by shareholders at the AGM held in December 2019.

Short Term Loan Facility

Short Term Loan Facility was refinanced with a new Loan facility with Suzerain on 27 February 2020 for the provision of a \$5.83m facility (including associated borrowing costs and roll-over of previously loaned \$750,000). On 4 June 2020, Suzerain agreed to increase the facility limit of the original loan by \$4m to \$9.825m. This facility will initially be unsecured with the view to obtaining shareholder approval for security at the Company's next Annual General Meeting, anticipated to be held in November 2020.

Transformational Capital Facility

A further \$1.2m facility has been approved, to be drawn down for transformational capital expenditure to be agreed between the Company and the lender, Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund (**Skybound**) (a related entity of Suzerain).

Lease incentive loan

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

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	1,399
8.2	Cash and cash equivalents at quarter end (Item 4.6)	5,291
8.3	Unused finance facilities available at quarter end (Item 7.5)	8,365
8.4	Total available funding (Item 8.2 + Item 8.3)	13,656
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	Positive net cash flow from operating activities; therefore, not applicable

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?

Answer: Not applicable

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: Not applicable

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: Not applicable

Compliance statement

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

Company Secretary



Authorised by: Board of Directors

Date: 31 July 2020

Notes

- 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.
- 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.