

29 January 2021

Activity report and Appendix 4C for quarter ended 31 December 2020

IncentiaPay Ltd (**ASX:INP**) is pleased to provide the following update for the quarter ended 31 December 2020.

Financial Highlights

- \$4.22 million of cash receipts from clients
- \$3.96 million in the bank at the end of the quarter
- \$1.91 million of debt drawn down from Suzerain Investments Holdings Limited (**Suzerain**)
- \$2.33 million in operating cash deficit
- Cash inflows were impacted by Covid-19 and historical seasonality, with a decline from the corresponding period last year

Operations Highlights

- Acquired 467 new merchant partners in a targeted acquisition initiative
- Made significant progress in our technology transformation, with the first version of the Entertainment App released to a test group of users in beta
- Continued focus on cash management in uncertain macroeconomic environment conditions
- Successful AGM with more than 99 per cent of votes cast in favour of all resolutions, including security and conversion of the Suzerain Convertible Loan
- Focus on renewals of key Enterprise clients

Operational Update

Due to traditional seasonality, coupled with the impacts of Covid-19, cash inflows were less than the corresponding quarter last year as expected. There was a renewed focus on merchant acquisition to further strengthen the value of our membership which resulted in 467 new merchant partner contracts signed and onboarded across all offer categories in Australia and New Zealand. The Company also focused on preparation for sales season which commences in February 2021 and continues until June 2021.

IncentiaPay continued to invest in the development of our technology and marketing platforms according to the strategy outlined at the AGM. Furthermore, the Company released the newest version of the Entertainment App to employees and a test group of members, under the first phase in the Company's technology transformation. This version of the App will be released to all members in the third quarter.

As expected, the Company continued to manage costs consistent with the uncertain macroeconomic environment caused by Covid-19.

Cash Position

Net negative cash from operating activities was \$2.33 million for the period compared to a \$34,000 surplus in the previous quarter. The change was predominantly driven by the Company's seasonality in sales.

Net cash used in investment activities of \$754,000, was predominantly for technology development initiatives leading up to scheduled launch, compared to \$558,000 used in the previous quarter also for technology development initiatives.

Payments to Related Parties of the Entities and their Associates

\$67,000 was paid in the quarter to Leisurecom Group Pty Ltd, an associated entity of Suzerain, for outsourced tele-sales services used as a scalable resource to manage merchant and fundraiser customer service during peak periods, ahead of sales season commencement.

\$50,000 was paid to Chrome Ventures Pty Ltd, an associated entity of Dr Charles Romito for consulting services relating to the development and progression of corporate strategy.

\$69,000 was paid in Director fees and is in line with the previous quarter.

Outlook

Whilst not in the quarter, and as announced to the market on 29 January 2021, Suzerain converted \$6,376,514 of its debt to equity at \$0.034, a 20 per cent premium to the 5-day Volume Weighted Average Price (VWAP) up to the day before the issue date. This conversion was well ahead of the contracted deadline, and shows confidence in the Company's strategy, resulting in a clean balance sheet.

The Company is heavily focussed on preparations for the launch of sales season in February and is confident of an increase in cash inflows in quarter three.

The Company focus remains on the following priorities: its technology transformation project in partnership with Paywith; the enhancement of its sales and marketing strategy; the transformation of its customer service function; and a continued focus on Company culture, people, and well-being.

The Company is positioned for future growth with market leading assets at the epicentre of growth industries.

Authorised for release by the Board

For further information, please contact:

Ben Newling

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")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,215	9,712
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,392)	(6,501)
(c) advertising and marketing	(174)	(302)
(d) leased assets	-	-
(e) staff costs	(2,493)	(4,782)
(f) administration and corporate costs	(1,291)	(2,236)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	794	1,800
1.8 Other (GST refunded/(paid))	4	6
1.9 Net cash from / (used in) operating activities	(2,330)	(2,296)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(23)	(23)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(734)	(1,395)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	3	3
	(d) investments	-	103
	(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	(754)	(1,312)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	532	532
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	1,911	2,659
3.6	Repayment of borrowings	(241)	(834)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Interest and other costs of finance paid	(97)	(97)
3.10	Net cash from / (used in) financing activities	2,105	2,260

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,914	5,307
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,330)	(2,296)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(754)	(1,312)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,105	2,260
4.5	Effect of movement in exchange rates on cash held	23	(1)
4.6	Cash and cash equivalents at end of period	3,958	3,958

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	3,958	4,914
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)	3,958	4,914

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	186
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p>Payment for sales support services to an associated entity of Suzerain of \$67k.</p> <p>Payment for directors' fees to associated entities of directors of \$69k.</p> <p>Payment for consulting fees to associated entities of directors of \$50k.</p> <p><i>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.</i></p>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	11,553	6,157
7.2	Credit standby arrangements	-	-
7.3	Other (Lease incentive loan)	396	396
7.4	Total financing facilities	11,949	6,553
7.5	Unused financing facilities available at quarter end		5,396
7.6	<p>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.</p> <p>Interest bearing Loan (Previously Converted Loan facility) Interest rate: 10% Maturity date: Updated repayment terms are yet to be agreed (Previously 30/09/2020) Security: First ranking security over all the Group's present and future property Drawn down as at 31 Dec 2020: \$0.544m</p> <p>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. The balance remaining on this loan is \$0.544m (Including interest) and will remain as a secured interest-bearing loan until repaid. Updated repayment terms are yet to be agreed.</p> <p>Additional Growth Operational Facility (Previously Short-Term Loan Facility) Interest rate: 10% Maturity date: 31/12/2021 Security: First ranking security over all the Group's present and future property Drawn down as at 31 Dec 2020: \$4.931m</p> <p>The Short-Term Loan Facility was refinanced with a new Loan facility, Additional Growth Operational 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. During the AGM in December 2020, the resolutions were passed to enter into a first ranking security deed and for the loan to be convertible to ordinary shares at the higher of \$0.0275 per share or the volume weighted average price of shares traded on ASX during the period 30 trading days and concluding on the trading day before the issue date of the relevant shares, plus an additional 20%. Suzerain may also give more than one notice to convert.</p>		

Transformational Capital Facility

Interest rate: 12.5%

Maturity date: 11/02/2022

Security: Second ranking security over all the Group's present and future property

Drawn down as at 31 Dec 2020: \$0.654m

A further \$1.2m facility has been approved and the transformational capital expenditure was subsequently 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). During the AGM in December 2020, the resolutions were passed to enter into a second ranking security deed (ranking behind Suzerain).

NZ Business Cashflow Loan

Interest rate: 3% per annum, no interest charge on the loan if full repayment is made on or before 16 July 2021

Maturity date: 16/07/2025

Security: Unsecured

Drawn down as at 31 Dec 2020: \$0.028m

The Group applied for and was granted a one-off loan provided by New Zealand government in July 2020 to support New Zealand business during the Pandemic.

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)	(2,330)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,958
8.3	Unused finance facilities available at quarter end (item 7.5)	5,396
8.4	Total available funding (item 8.2 + item 8.3)	9,354
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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.	
8.6.2	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.	

8.6.3 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.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Company Secretary



Authorised by: Board of Directors

Date: 29 January 2021

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.