

30 July 2021

FY21 Operating and Q4 FY21 Quarterly Activity Report

IncentiaPay Ltd (**ASX:INP** or **Company**) refers to its cash flow report for the quarter ended 30 June 2021 (**Q4 FY21**) today.

COVID-19 and related lockdowns, restrictions and border closures through the financial year ended 30 June 2021 (**FY21**) have had a significant impact on Australasia's hospitality, entertainment and leisure industries. INP is committed to supporting its merchant partners, members, customers and community fundraisers through this difficult period. At the same time INP has increased its investment in its digital and technology platforms to strengthen its capabilities and grow its enterprise business.

INP engaged M&C Saatchi, a market leading digital brand and marketing agency to assist the Company with its marketing communications & digital marketing capabilities.

All figures referred to in this announcement relating to FY21 and Q4 FY21 are unaudited.

Q4 FY21 Cash Flow Summary

- \$6.5 million of cash receipts from customers (vs \$7.8m in Q4 FY20)
- \$3.2 million cash and cash equivalents held at the end of the quarter
- \$5.6 million undrawn financing facilities available at Q4 end
- (\$0.4) million deficit in net cash flow from operating activities (vs \$1.4m in Q4 FY20)
- Entertainment Membership purchases grew by +4.5% in the April-June quarter versus last year, consumer demand and improved marketing capabilities, in what is still a COVID-19 challenging environment
- INP maintained its investment activities for the quarter with \$0.8 million cash invested, predominantly for technology development initiatives (including INP's payment/card linked capability) and also continued enhancements to our app and website. During the period, the Company made enhancements to its app including improvements to how customers search, browse and navigate the app. The website has seen optimisation of the checkout to drive stronger purchase conversion and an increase in flexibility in how we run bespoke campaigns to engage new audiences.
- INP entered into a \$5m overdraft facility with New Gold Coast Holdings, an associate of the Company's largest shareholder Suzerain. This facility is provided for growth capital and contingent working capital.
- As at 30 June 2021, INP held cash of \$3.2m and had undrawn financing facilities of \$5.6m.

Payments to related parties of the Company and their associates during Q4 FY21

Payments to related parties and their associates in Q4 FY21 consisted of:

- payments of \$85,000 for sales support services provided by LeisureCom Pty Ltd an associated entity of Suzerain Investments Holdings Limited (**Suzerain**). These services consisted of out-sourced tele-sales services used as a scalable resource to manage merchant and fundraiser customer service during peak periods.
- payments of \$82,000 for directors' fees to associated entities of the directors.
- payments of \$26,000 for interest and line fees to associated entities of directors. These fees are in relation to the technology loan provided to the Company by associates of the directors and Suzerain, the terms of which have previously been disclosed to the market.

FY21 Cash Flow Highlights

	FY21	FY20
Cash receipts from customers	19.5	33.1
Product manufacturing + operating costs	(10.6)	(21.5)
Staff costs	(10.5)	(17.9)
Corporate costs	(5.0)	(4.6)
Net operating cash flow	(4.9)	(12.9)
Cash flow from investment activities	(2.9)	(0.7)
Cash flow from financing activities	5.7	15.4
Cash at period end	3.2	5.3
Undrawn finance facilities at period end	5.6	8.4

- Cash receipts from customers fell by \$13.6m in FY21 compared to FY20 reflecting the impact of COVID19 on membership subscriptions and gift cards.
- INP's digital transformation has enabled costs to be reduced. During FY21, the Company significantly increased its Technology and Customer Experience teams whilst reducing front-line sales and back-office staff.
- Over FY21, INP reduced its cash costs at a faster rate than the fall in its customer cash receipts. This resulted in INP reducing the deficit in its operating cash flow from (\$12.9)m in FY20 to (\$4.9)m in FY21 (including \$2.6m jobkeeper payments). This leaner operating model positions the Company well for profitable growth into the future where we expect to realise the benefits of investment and at some stage move past the challenges presented by COVID-19.
- Net cash used in investment activities in FY21 totalled \$2.9m, representing an increase of \$2.2m over FY20 as INP invested in its digital capabilities and technology and customer experience platforms in support of its strategic objectives.

Outlook

The Company continues to address the impacts of the re-emergence of COVID-19 including extended periods of lockdowns and border closures. Whilst the Company expects some short-term impact to cash inflows from the NSW and Victorian lockdowns in Q1FY22, our sales and marketing efforts have been re-focussed on non-affected geographical areas.

The Company continues to focus on operational efficiencies to ensure we have the right mix of resources to take advantage of prevailing market conditions. INP also continues to invest in its digital and technology transformations to strengthen our capabilities and underpin future growth and profitability.

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")

30 June 2021

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	6,498	19,459
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,991)	(10,639)
(c) advertising and marketing	(231)	(969)
(d) leased assets	-	-
(e) staff costs	(3,147)	(10,458)
(f) administration and corporate costs	(1,657)	(4,960)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	9
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	166	2,633
1.8 Other (GST refunded/(paid))	(74)	19
1.9 Net cash from / (used in) operating activities	(436)	(4,906)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(45)
(d) investments	-	-
(e) intellectual property	(797)	(2,972)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	3
	(d) investments	15	118
	(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	(786)	(2,896)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	2,566	7,325
3.6	Repayment of borrowings	(650)	(1,892)
3.7	Transaction costs related to loans and borrowings	(6)	(20)
3.8	Dividends paid	-	-
3.9	Interest and other costs of finance paid	(53)	(218)
3.10	Net cash from / (used in) financing activities	1,857	5,727

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,583	5,307
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(436)	(4,906)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(786)	(2,896)

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)	1,857	5,727
4.5	Effect of movement in exchange rates on cash held	10	(4)
4.6	Cash and cash equivalents at end of period	3,228	3,228

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	3,228	2,583
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)	3,228	2,583

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	193
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 \$85k.</p> <p>Payment for directors' fees to associated entities of directors of \$82k.</p> <p>Payment for interest and line fees to associated entities of directors of \$26k.</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	16,553	10,985
7.2	Credit standby arrangements	-	-
7.3	Other (Lease incentive loan)	326	326
7.4	Total financing facilities	16,879	11,311
7.5	Unused financing facilities available at quarter end		5,568
7.6	<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 30 June 2021: \$0.571m</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 \$0.571m (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 30 June 2021: \$9.177m Balance converted to ordinary shares as at 30 June 2021: \$6.377m</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> <p>On 19 January 2021, Suzerain opted to convert \$6,376,514 of their convertible loan into 187,544,529 ordinary shares at \$0.034 per share.</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 30 June 2021: \$1.209m

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 2022

Maturity date: 16/07/2025

Security: Unsecured

Drawn down as at 30 June 2021: \$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.

New Gold Coast Holdings Loan Facility

Interest rate: 12.5% per annum

Maturity date: 31/12/2022

Security: Unsecured

Drawn down as at 30 June 2021: \$0

New Gold Coast Holdings \$5m Loan facility was approved on 3 June 2021. 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 2021.

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)	(435)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,228
8.3	Unused finance facilities available at quarter end (item 7.5)	5,568
8.4	Total available funding (item 8.2 + item 8.3)	8,796
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	20
<p><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></p>		

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: 30 July 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.