

28 January 2022

Q2 FY22 Quarterly Activities Report

IncentiaPay Ltd (**ASX:INP** or **the Company**) Australia and New Zealand's Premier Entertainment, Lifestyle and Rewards Platform, is pleased to present its Appendix 4C and accompanying activities report for the quarter ended 31 December 2021.

Highlights:

- **Strong progress with proposed B2B Seamless Rewards business, pilot partnership agreed industry leading loyalty provider with launch expected in Q3 FY22**
- **Proof of concept of the 7Rewards application commenced with 60,000 7Plus members getting access and other measures rolled out to drive engagement**
- **Launch of *Entertainment Wine Community*, Entertainment's first Online Marketplace in partnership with Junovate (James Halliday) and Spineka, expected to go live in Q4 FY22**
- **Solid advancement with returning core B2C business to profitability in a COVID-19 impacted environment**
- **Revenues of \$5.37m, down 8.9% on the previous corresponding period on an underlying basis (pcp) with cash receipts of \$5.23m (up 24% on pcp)**
- **Strengthened the senior management team with the addition of Ani Chakraborty as CEO, Ryan Rodrigues as GM of Product, Operations and Technology, and Ben Newling appointed as CFO**
- **Successful completion of \$5.17m entitlement offer to existing eligible shareholders managed by Panthea Capital**
- **Cash and cash equivalents of \$5.45m at end of quarter providing capital flexibility to continue to develop B2B Seamless Rewards business and return core B2C business back to profitability**

Commenting on the quarter, IncentiaPay Chief Executive Officer Ani Chakraborty said: *"We have made significant progress on our growth strategy this quarter, signing our first customer to pilot our Seamless Rewards program and securing a partnership for our first online marketplace offering with Entertainment Wine Community. We also continue to make solid advancements across our core Entertainment and Frequent Values businesses.*

"These new and innovative programs are designed to position IncentiaPay as a market leader in the growing loyalty and engagement sector by providing access to our dominant marketplace of over 10,000 offers and experiences across nearly 15,000 locations around Australia.

We look forward to progressing our Seamless Rewards program in the coming months and launching Entertainment Wine Community in Q4 FY22."

Operational

Seamless Rewards

During the quarter, IncentiaPay made solid progress with its proposed B2B Seamless Rewards business, which is designed to provide tailored, entertainment-based incentives, loyalty and rewards programs to large enterprise customers via a card-linked offer (CLO) or card scheme with an existing loyalty program.

The Company secured an agreement with software company The Spineka Group Pty Ltd (Spineka) to develop and maintain the technology for its Seamless Rewards business. Spineka is owned and managed by two former executives of ASX-listed cashback group Cashrewards Ltd (ASX:CRW). The agreement allows IncentiaPay to build its technology on Spineka's pre-existing intellectual property (IP) and provides the option to purchase all underlying IP.

IncentiaPay also executed an agreement with a leading loyalty provider to conduct a CLO program pilot for one of its loyalty programs which is expected to launch in Q3 FY22. The Company is also in discussions with all major CLO providers for leveraging its market leading content services for their programs.

Launch of Entertainment Wine Community direct-to-consumer wine marketplace

In November, IncentiaPay partnered with wine technology start-up Junovate and Spineka to launch *Entertainment Wine Community*, a direct-to-consumer (DTC) marketplace that connects customers with Australian wineries and enables them to purchase from multiple cellar doors in one transaction. James Halliday, an icon in the wine industry, is a Director and shareholder of Junovate.

The first stage of the rollout commenced in November with nearly 100 wineries providing their expressions of interest as at 31 December. The Community is on track to go live in Q4 FY22.

Strong progress with returning core B2C business to profitability

IncentiaPay remains focused on its strategic growth pillar of returning its core B2C business back to profitability via the management of renewals and reactivations, improved marketing campaigns and new payment options.

The B2C business has shown positive signs through the quarter, despite the emergence of the Omicron COVID-19 variant, which has temporarily impacted revenues in the B2C channel.

As at the end of the quarter, the Company had nearly 10,000 merchant offers, making IncentiaPay a market leader in the sector.

B2B business

IncentiaPay is currently focused on re-platforming its Frequent Values product for its enterprise customers and expects to launch an engagement uplift program in order to increase engagement over the coming months.

In December, the three-month proof of concept of the 7Rewards application commenced as part of the new partnership with SevenWest Media's (ASX:SWM) video-on-demand service, 7Plus Pty Ltd (7Plus). IncentiaPay's new platform has been used for this pilot.

This first phase of the rollout includes 5,000 7Plus members having access the 7Rewards app, followed by a push campaign to 60,000 7Plus customers and further measures to drive engagement.

The data obtained will be used to finalise 7Rewards' approach for future Loyalty program design.

Corporate

Senior leadership changes

In December, Ani Chakraborty succeeded Henry Jones as IncentiaPay's Chief Executive Officer.

Chief Operating Officer (COO) and Company Secretary Ben Newling was appointed as the Company's Chief Financial Officer (CFO) effective from 1 January 2022.

In addition to his appointment as CFO, Mr Newling will continue to maintain his existing role as Company Secretary. The COO function has been amalgamated into a GM of Product, Operations and Technology role to which Ryan Rodrigues was appointed in November.

Mr Rodrigues joins IncentiaPay from information technology group, Dialog Information Technology and brings more than 25 years of product and technology delivery experience and will significantly strengthen IncentiaPay's implementation capabilities.

Entitlement Offer raises \$5.17 million

In December, IncentiaPay successfully raised approximately \$4.162 million through a 1 for 4.3 renounceable pro rata Entitlement Offer for new fully paid ordinary shares to eligible shareholders managed through Panthea Capital.

Under the offer, valid applications were received from eligible shareholders for 189,186,349 offer shares, representing an 81% take up rate of entitlements by eligible shareholders.

The offer shortfall was issued to third parties via a top-up facility on the same terms as the Entitlement Offer and was fully subscribed raising a further \$1.01m. In total the raise was \$5.17m.

Proposed updated funding arrangement with major shareholder Suzerain

In December, IncentiaPay announced it was in discussions with an associate of its majority shareholder, Suzerain Investments Holdings Limited (Suzerain), regarding the provision of a further credit facility of approximately \$17 million to the Company.

At this stage, the discussions are progressing well and we expect to update the market on this important milestone once all terms are finalised and executed.

Financial

Revenues decreased 8.9% versus the previous corresponding period to \$5.37m on an underlying basis, and cash receipts increased 24% to \$5.25 million, reflecting a variance in predominantly membership sales on a cash basis. This is reflective of changes in seasonality due to the impacts of COVID-19, with many memberships being extended.

As detailed in the attached ASX Appendix 4C, the Company had \$5.45 million in cash and cash equivalents as at 31 December 2021.

Pursuant to Listing Rule 4.7C.3 and as disclosed in Item 6.1 of the attached Appendix 4C, \$96k was paid in respect of directors' fees to associated entities of the directors and \$231k was paid for interest and line fees and rent 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.

This announcement has been authorised for release by the Board of Directors of IncentiaPay Ltd.

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About IncentiaPay

Through its Entertainment-branded subsidiaries, IncentiaPay provides a marketplace for offers and rewards which connects merchants wanting more business with consumers seeking entertainment, lifestyle and leisure experiences at great value.

Founded in 1994, Entertainment is a trusted and iconic source of member-only offers and deals that manages the largest and most comprehensive amount of entertainment-related merchant content; provides fundraisers, merchants and enterprises with advanced data and campaign analytics; and markets to the largest closed-group of subscription-paying members in Australia and New Zealand.

It generates revenue through member subscription fees and marketplace features that provide data-as-a-service and targeted campaign value to merchants, enterprise and fundraising partners.

www.incentiapay.com.au

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 2021

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	5,225	11,104
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,024)	(7,661)
(c) advertising and marketing	(278)	(613)
(d) leased assets	-	-
(e) staff costs	(3,163)	(5,970)
(f) administration and corporate costs	(1,584)	(2,893)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	13
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	164	675
1.8 Other (GST refunded/(paid))	30	(195)
1.9 Net cash from / (used in) operating activities	(3,630)	(5,540)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(15)
(d) investments	-	-
(e) intellectual property	(157)	(389)
(f) other non-current assets	-	-

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	-	-
	(d) investments	-	-
	(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	(161)	(404)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,250	5,250
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	2,500	3,728
3.6	Repayment of borrowings	(245)	(423)
3.7	Transaction costs related to loans and borrowings	(190)	(246)
3.8	Dividends paid	-	-
3.9	Interest and other costs of finance paid	(95)	(159)
3.10	Net cash from / (used in) financing activities	7,220	8,150

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,020	3,228
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,630)	(5,540)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(161)	(404)

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)	7,220	8,150
4.5	Effect of movement in exchange rates on cash held	(3)	12
4.6	Cash and cash equivalents at end of period	5,446	5,446

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	5,446	2,020
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)	5,446	2,020

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	427
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 \$100k.</p> <p>Payment for rent to an associated entity of Suzerain of \$4k.</p> <p>Payment for directors' fees to associated entities of directors of \$96k.</p> <p>Payment for interest and line fees to associated entities of directors of \$227k.</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 amounts at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	6,728	4,907
7.2	Credit standby arrangements	-	-
7.3	Other (Lease incentive loan)	256	256
7.4	Total financing facilities	6,984	5,163
7.5	Unused financing facilities available at quarter end		1,821
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 of 31 December 2021: \$0.601m</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 \$0.6m (Including interest) and will remain as a secured interest-bearing loan until repaid. Updated repayment terms are yet to be agreed.</p> <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 of 31 December 2021: \$1.208m</p> <p>A further \$1.2m facility was 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).</p> <p>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 of 31 December 2021: \$0.028m</p> <p>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.</p>		

New Gold Coast Holdings Loan Facility

Interest rate: 12.5% per annum

Maturity date: 31/12/2022

Security: Unsecured

Drawn down as of 31 December 2021: \$3.071m

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 in January 2022.

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)	(3,630)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,446
8.3	Unused finance facilities available at quarter end (item 7.5)	1,821
8.4	Total available funding (item 8.2 + item 8.3)	7,267
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2
	<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.	
	<i>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.</i>	

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: 27 January 2022

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.