

27 April 2022

ASX ANNOUNCEMENT

## 3Q FY22 Quarterly Business Update and Appendix 4C Cashflow Statement

### Gratificii continues revenue growth despite traditionally seasonally lower cashflow quarter

- **Revenue growth**
  - Total actual Group YTD revenue (unaudited) of \$8.26m, up 370% vs pcq
  - Total actual Group YTD cash receipts of \$8.15m, up 310% vs pcq
  - SaaS revenue (unaudited) of \$701k for the quarter, up 13% vs prior quarter
  - Rewards revenue (unaudited) of \$2.47m for the quarter, seasonally down 5% vs prior quarter
  - ARR increased to \$2.45m, up 14% vs prior quarter
- **Operations**
  - March quarter exceeds management's expectations despite being a traditionally seasonally lower Rewards trading period
  - Executed a global enterprise SaaS licence with Seagrass Boutique Hospitality Group
  - Record quarterly increase in new members for the Neat Ideas platform
  - Continued development of strategic payment platform with Ukheshe Technologies to allow enterprise customers to integrate seamless mobile rewards payments using pre-paid debit cards
- **Cash**
  - Cash receipts of \$3.3m, up 398% vs pcq
  - Post completion of the \$3.7m placement, Gratificii has pro-forma cash of \$4.9m<sup>(1)</sup>

Gratificii Limited (ASX:GTI) ('**Gratificii**' or '**the Company**'), the enterprise loyalty and rewards company, is pleased to announce continued cash receipts growth in the March quarter, above management expectations for a seasonally lower cashflow quarter.

Commenting on the quarterly report, Gratificii CEO and Managing Director, Iain Dunstan, said: "We are pleased to announce our fourth consecutive quarter of growth. What is particularly pleasing is that the March quarter is traditionally our lowest trading quarter due to a slowdown in spending in the retail and hospitality sectors post-Christmas. The outstanding result in Q3 FY22 (March 2022 quarter) provides a platform for further growth in Q4, a traditionally stronger quarter due to April and June holiday periods with strong trading in hospitality and retail, particularly given easing Covid restrictions in Australia."

### Gratificii Overview

<p><b>Mosaic SaaS Enterprise Platform</b></p> <p>Gratificii's highly configurable, enterprise grade loyalty and rewards platform</p> <p>Provides large organisations a suite of market leading, highly configurable, value generating tools and reports</p> 	<p><b>Neat Ideas Rewards</b></p> <p>Rewards platform that sources and delivers the best deals on entertainment, travel, and lifestyle products for clients to pass on to their members and employees</p> <p>The capability to source and deliver rewards is critical as it completes Gratificii's loyalty and rewards eco system</p> 	<p><b>Payment / Card Linking</b></p> <p>Gratificii's expanded capability to automatically deliver rewards when a card is used</p> <p>Removes the requirement for loyalty cards / QR codes facilitating a frictionless loyalty and rewards eco system, enhancing customer experiences across all channels</p> 
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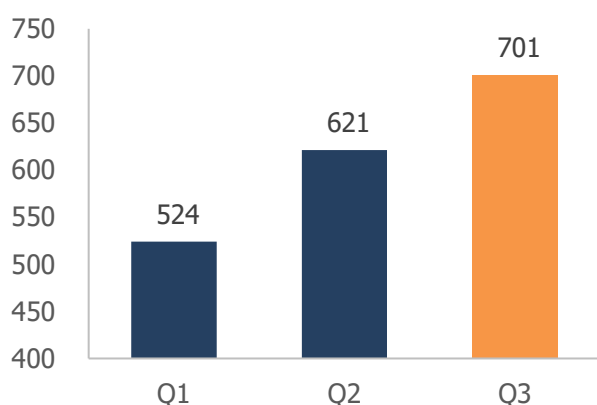
(1) Inclusive of the Second Tranche placement shares which are subject to shareholder approval.

## Mosaic SaaS Update

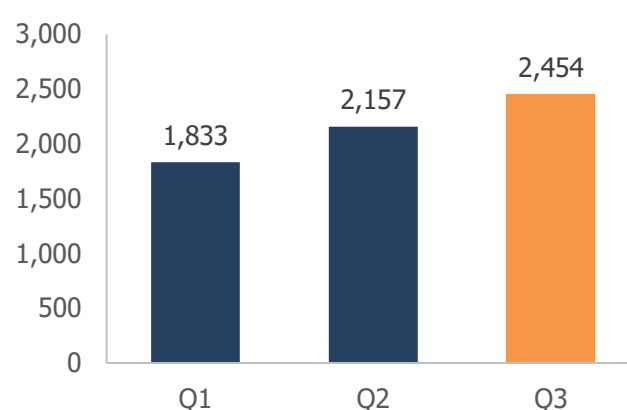
SaaS revenue (unaudited) for the Q3 FY22 was up 13% on prior quarter to \$701k through increased volumes on the platform by existing clients as well implementation fees received for upcoming enterprise client launches.

Annualised Recurring Revenue (ARR) as at Q3 FY22 of \$2.45 million, up 14% quarter on quarter from \$2.16 million, which is expected to continue to grow as Gratifii expands on its existing modules and onboards new enterprise clients onto its Mosaic Platform.

**FY22 Quarterly SaaS Revenue (Unaudited) (\$'000)**



**FY22 Annualised Recurring Revenue (Unaudited) (\$'000)**

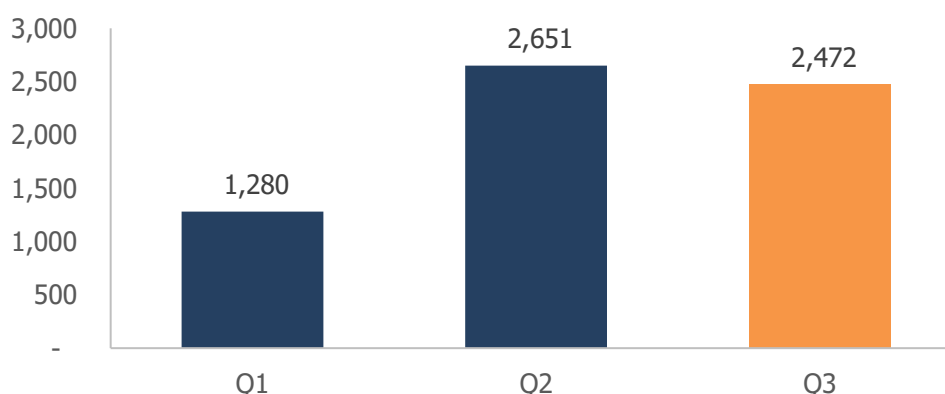


## Neat Ideas Rewards Update

Rewards revenue (unaudited) for Q3 FY22 was seasonally down 7% on prior quarter to \$2.47 million.

This result exceeded management's expectations, given the quarter's historically lower trading activity as a result of the seasonal post-December holiday's slowdown in retail and hospitality.

**Rewards FY22 Quarterly Revenue (Unaudited) (\$'000)**



A strong June quarter is anticipated given seasonal benefits from the Easter holiday period as well as increased sales ahead of the July school holidays, expected to also benefit from the easing of Covid restrictions in Australia

## Payments Update – Ukheshe Technologies Strategic Partnership

Gratificii recently announced a strategic partnership with Ukheshe Technologies, a leading international enterprise payments company. The partnership will see Gratificii, connect its Mosaic loyalty platform with card payments by using Ukheshe's Eclipse API. The collaboration comes as a result of substantial demand for seamless digital payment solutions that integrate value-added services like rewards programmes. Ukheshe's President of Global Partnerships, Donovan Drew says: "The partnership not only ensures loyalty and rewards points can now be earned on cards issued via Eclipse, but it also positions Ukheshe and Gratificii for further growth in the banking and telco sectors which require bespoke solutions that can adapt to an organisation's needs, culture, and customers."

Gratificii has recently signed the first client pilot program in partnership with Ukheshe. The initial six-week pilot with a South African enterprise client is being conducted with 100 pre-paid debit cards. Upon successful completion we expect the client to put the new combined solution into production.

Utilising pre-paid debit cards (virtual and physical) for rewards is a leading-edge innovation and is anticipated to have broad appeal to Gratificii's existing and pipeline clients. The Company looks forward to updating the market in due course on the progression of this exciting opportunity.

## Operations Update

During the quarter, the Company signed an enterprise SaaS licence with the global Seagrass Boutique Hospitality Group (announced 30 March). Under the contract, Seagrass will roll out Mosaic across five brands and 42 venues in Australia, followed by a global expansion (UAE, UK and South Africa) in year two.

The contract is valued at approximately \$400,000 over the first 12 months, with implementation revenues on this project will be generated during the June quarter, with monthly SaaS revenue forecast to start at the end of July 2022.

### ***Record quarterly growth of new corporate and content partners***

During the March quarter more than 1.5 million potential new subscribers were added to the Neat Ideas platform, a record quarterly increase. Major new corporate clients include:

- Maccabi NSW
- Racing & Wagering WA
- Dorevitch Pathology
- Student Edge (nationally)

As we roll out our extensive range of offers to these new corporate clients we expect the increased membership numbers to continue to contribute to Neat Ideas growing revenue stream.

Further, more than 20 new suppliers were added to the current list of content providers, including:

- EG Fuel (Caltex-Woolworths new branding)
- Uber Eats
- T2
- Chemist Direct
- Vinofomo
- Gift a Restaurant

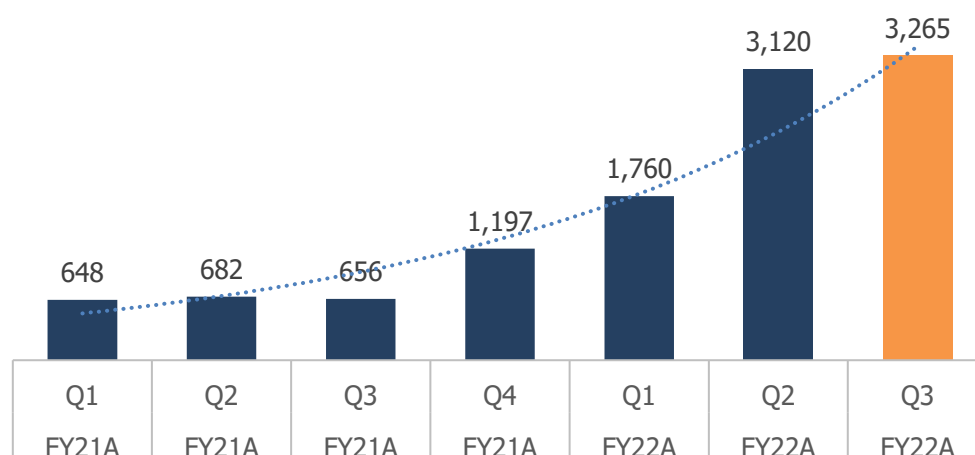
We continue to focus on providing a wide range of curated and bespoke content to our ever-increasing number of corporate clients.

## Cash

Gratifii has pro-forma cash of \$4.9 million, post completion of the \$3.7 million placement, inclusive of the Second Tranche placement shares which are subject to shareholder approval.

Cash receipts from customers grew to \$3.27 million for the March quarter from \$3.12 million in the December quarter. YTD cash receipts of \$8.15 million, which is an increase of 310% vs pcip.

### Quarterly Cash Receipts (\$'000)



### Cash Payments – Working Capital

Included in the payments for working capital of \$3.28 million of cash outflow, approximately \$800,000 related to Rewards inventory sold in November and December 2021. Also included was inventory replenishment for high sales during January 2022 as well as inventory pre-purchases in preparation for strong seasonal demand in Q4 FY22 of approximately \$700,000.

The table below highlights the key movements in inventory and trade payables between 2Q FY22 and 3Q FY22. It's expected that the working capital cycle will improve in 4Q FY22 because of investments in inventory made in 3Q FY22 and the additional payments for prior period inventory made in early January 2022.

<b>Inventory Cash Payment Summary (\$'000)</b>	<b>Q2 FY22</b>	<b>Q3 FY22</b>	<b>Δ</b>
Cost of sales - SaaS	(148)	(251)	(103)
Cost of sales - Rewards	(1,916)	(2,223)	(307)
<b>Total cost of sales</b>	<b>(2,064)</b>	<b>(2,474)</b>	<b>(410)</b>
Change in inventory	(298)	421	719
Change in trade and other payables	2,376	(972)	(3,348)
<b>Total cash outflow from inventory and trade payables movements</b>	<b>14</b>	<b>(3,025)</b>	<b>(3,039)</b>

## Outlook

Commenting on GTI's outlook, Iain Dunstan said: "The June quarter is traditionally a stronger quarter, and we are expecting continued revenue growth. Gratifii is in an exciting position to capture the growing demand for loyalty and rewards solutions post lockdowns. The Company is ready to execute on the pipeline of new enterprise clients and expect to launch of our first client on the new combined Eclipse/Mosaic platform utilising pre-paid debit cards as rewards."

## ***Sales pipeline***

The launch of Gratificii's SaaS version of the Mosaic Platform in October 2021 was ideally aligned with the re-emergence of hospitality and retail as COVID restrictions eased. Large enterprises in these sectors are looking to upgrade their antiquated loyalty and rewards systems, resulting in significant demand for Mosaic.

The sales pipeline continues to grow strongly with the team targeting larger Enterprise customers in Australia, South Africa, Asia, and the Middle East for the Mosaic enterprise SaaS platform. Over FY22, the Mosaic SaaS pipeline has grown from three to over 40, ranging from qualified opportunities to contract negotiations. Beyond Gratificii's successful lead generation initiatives, the partnership with Ukheshe has resulted in five qualified inbound enterprise opportunities within the first month of the relationship.

The recent equity raising will enable Gratificii to expand its onboarding and client management teams to execute upon the rapidly growing, late-stage, enterprise client pipeline.

## **ASX Additional Information**

During the quarter, the Company paid directors fees and remuneration of \$147,000 to Non-Executive Directors and the Managing Director.

## **Appendix 4C**

The Company's Appendix 4C cashflow report is attached

GTI confirms that this announcement has been approved by the Board of Directors of GTI.

David Hwang  
**Company Secretary**

### **For further information, contact:**

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### **About Gratificii Limited**

Gratificii Limited (ASX:GTI) is a full-stack customer engagement technology provider that delivers end-to-end technology solutions for businesses to engage with their customers. Its primary focus is providing liquidity for digital assets through its newly developed Mosaic Enterprise Engagement Platform. With mobile payment, curated content, ordering, booking and local offer capability; the Mosaic EEP will be the gateway to delivering a new digital lifestyle rewards program. To learn more, please visit: [www.gratificii.com](http://www.gratificii.com)

## Appendix 4C

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

**Name of entity**

GRATIFII LIMITED

**ABN**

47 125 688 940

**Quarter ended ("current quarter")**

31 March 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,265	8,145
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,279)	(6,121)
(c) advertising and marketing	(20)	(22)
(d) leased assets	(25)	(93)
(e) staff costs	(473)	(1,531)
(f) administration and corporate costs	(237)	(1,087)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(14)	(25)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	3	575
1.8 Other (provide details if material)	-	1
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(780)</b>	<b>(158)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(619)	(2,115)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(619)</b>	<b>(2,115)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	1,550
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	-	-
3.6	Repayment of borrowings	-	(217)
3.7	Transaction costs related to loans and borrowings	-	(45)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>1,288</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,642	2,228
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(780)	(158)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(619)	(2,115)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,288
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,243</b>	<b>1,243</b>

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
	Bank balances	1,243	2,642
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,243</b>	<b>2,642</b>

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	147
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<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>		



<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	3,675	3,675
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	<b>3,675</b>	<b>3,675</b>
7.5	<b>Unused financing facilities available at quarter end</b>		-
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>On 15 November 2021, the Group issued 4,000,000 convertible notes with a face value of \$1.00 each. The \$4,000,000 in unsecured debt is provided by Bombora and various other sophisticated investors, at an interest rate of 8% p.a. 325,000 convertible notes have been converted to date.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(780)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,243
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,243
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.59
	<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?	
	<p>No: The operating cash loss for the March 2022 quarter, represents a seasonal high cash requirement from operating activities which relate to outgoings for payments for Neat Ideas inventory for the high volumes experienced in November and December 2021 and replenishment of inventory for the January 2022 volumes.</p>	
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?	
	<p>Yes: On 11 April, the Company announced it had received firm commitments for a \$3.7 million placement to institutional, professional and sophisticated investors (Placement). The Placement is to be completed via a two-tranche placement of fully paid ordinary shares in the Company (Shares) at an issue price of \$0.026 per Share. The second tranche Placement Shares are subject to shareholder approval. The Company also announced a Share Purchase Plan to existing shareholders with an aim to raise up to an additional \$300,000 providing an opportunity for existing shareholders to further invest on the same terms as the Placement.</p>	

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?

Yes: The Company is satisfied that it will be able to continue its operations and meet its business objectives due to the increase in cash reserves noted on 8.6.2 as well as lower forecasted operating outgoings in the following quarters.

*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.

Date: 27 April 2022

Authorised by: The Board

## 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.