

22 July 2022

ASX ANNOUNCEMENT

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

Gratificii delivers fifth consecutive quarter of revenue growth, up 21% on 3Q FY22

Revenue growth

- Total actual Group FY22 cash receipts of \$12.0m, up from \$3.2m in FY21
- Total actual Group FY22 revenue (unaudited) of \$12.1m, up 279% vs FY21
- Delivered Q4FY22 revenue (unaudited) of \$3.8m, up 190% vs Q4FY21

Operations

- June quarter cash receipts once again exceeded Management's forecasts, delivering the fifth consecutive quarter of revenue growth continuing to build momentum into FY23. FY22 cash from operations was breakeven with cash inflows in Q4FY22 of \$210k
- The development and integration of Mosaic into Seagrass Hospitality Group is on schedule, with the first restaurant to go live by the end of July 2022
 - Mobile app functionality delivered to Seagrass will facilitate faster 'plug & play' integrations with new clients going forward
- Neat Ideas continued to exceed forecasts, with clients purchasing record levels of content/rewards for their employees and customers due to the increased focus on retention by organisations, for both staff and clients
 - Sustained client growth with two new contracts executed with Victorian Railways Institute and Grand Cinemas adding over 60,000 new users
 - Several new enterprise clients are currently in contract negotiation and expected to close during September quarter

Cash

- Q4FY22 delivered operating cash inflow of \$211k, with FY22 being operating cashflow breakeven
- Capital raised in the quarter of \$3.5m, well supported by shareholders
- Cash receipts of \$3.9m, up 225% vs Q4FY21 and 19% on Q3FY22
- Final Neat Ideas earn-out payment of \$1.4m negotiated and paid
- R&D Rebate of \$0.8m anticipated in Q2FY23

Gratificii Limited (ASX:GTI) ('**Gratificii**' or '**the Company**'), the enterprise loyalty and rewards company, is pleased to announce continued cash receipts growth in Q4FY22. The result once again has exceeded Management's forecasts. Reward growth continues to lead with greater functionality and flexibility demanded by customers growing the Mosaic pipeline.

Commenting on the quarterly report, Gratificii CEO and Managing Director, Iain Dunstan, said: "We are pleased to announce our fifth consecutive quarter of revenue growth with all facets of the business performing either in line or ahead of budget. Gratificii anticipates FY23 to

deliver another year of continued revenue growth, fuelled by the post-pandemic re-emergence of retail and hospitality and a heightened focus on customer retention/loyalty due to potential

economic uncertainty. The new front-end and mobile app functionality delivered to Seagrass, will ensure that new client implementations going forward are delivered in a shorter timeframe resulting in monthly SaaS revenues coming on-line faster.”

Gratifi Overview



Operations Update

Seagrass Mosaic Integration Update

The Company signed an enterprise SaaS licence with the global Seagrass Boutique Hospitality Group (announced 30 March 2022). During the June Quarter, Gratifi's team worked diligently on developing and integrating enhanced Mosaic modules into Seagrass's systems. The first restaurant is on schedule to go live at the end of July 2022, initiating SaaS revenues under the contract.

The contract is valued at \$400,000 over the first twelve months, comprising of implementation fees and SaaS fees. Expansion into Seagrass' global network of restaurants in year two is anticipated to deliver continued growth in high-margin SaaS fees.

It is important to note that the funded development with Seagrass will provide Gratifi with highly valuable IP, facilitating faster 'plug & play' integrations with enterprise clients in the future. Additionally, Gratifi anticipates that this contract will be a valuable reference site for additional opportunities in the enterprise hospitality and retail sectors due to the number of newly developed API's into other applications such as their global booking system and their POS.

Neat Ideas – Rewards Update

During the quarter, Gratifi signed two new enterprise agreements with Victorian Railways Institute and Grand Cinemas adding over 60,000 new users. As the Company rolls out its extensive range of offers to these new corporate clients, it is expected that the increased membership numbers will continue to contribute to Neat Ideas growing revenue stream.

Further, more than 25 new suppliers were added to the current list of content providers, including household names such as:

- North Face
- Puma
- Speedo
- Lacoste
- Coach
- Bing Lee
- Adairs
- Linen House
- Keturah Day Spas
- Scitech

We continue to focus on providing a wide range of curated and bespoke content to our ever-growing number of corporate clients and expanding user base. Current user base exceeds 8m users.

Major new gift card supplier agreement with Karta

We are pleased to announce we have signed a three-year contract with CBA backed gift card disrupter Karta. Karta's CEO David Anderson said: "Karta is proud to partner with respected industry leaders such as Gratifii, enabling next generation gift card experiences to millions of Australians via the household name brands Gratifii support. We have many exciting new programs on the horizon and look forward to many more."

"Karta's technology platform is scalable globally and is bolstered by a multi-year strategic partnership with Mastercard, leveraging their network and tokenisation technology. This means that Karta gift cards can be used at any participating business that accepts Mastercard with no integration needed at the point of sale what-so-ever."

The market for pre-paid cards in Australia is expected to grow to \$40 billion over the next five years.¹

Upgraded payments platform

During the quarter the company signed a new 3-year agreement with Till Payments to upgrade the Neat Ideas payment platform. This upgrade will add an additional layer of security as well as providing Neat Ideas access to 'least cost routing' which will deliver improved margins. Kinsey Yuen, Till Payments APAC head of Sales said: "Till Payments are thrilled to partner with Gratifii, a market leading solution who work with a long list of well know brands. Our partnership will focus on empowering Gratifii to deliver exceptional customer, employee and channel experiences powered by a fast, secure and bespoke payments platform designed to enable Neat Ideas to grow."

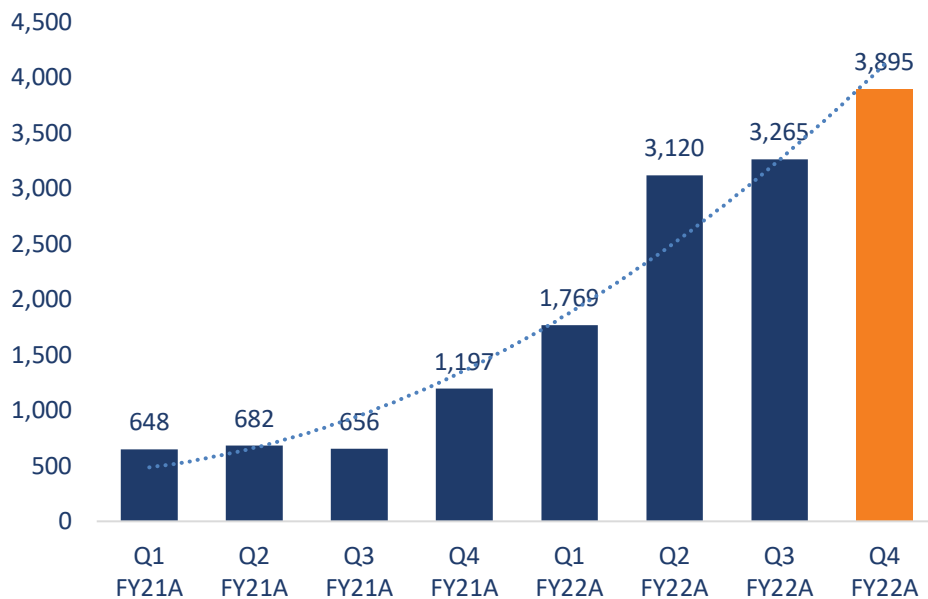
Cash

Q4FY22 delivered an operating cash inflow of \$211k210k, with FY22 being operating cashflow breakeven.

Cash receipts from customers grew to \$3.9m for Q4FY22 up 19% from \$3.3m in Q3FY22. FY22 cash receipts exceeded \$12.0m, which is an increase of 278% vs FY21.

As at 30 June 2022 post the recent capital raise of \$3.5m and payment of the Neat Ideas earn-out, the cash position was ~\$2.1m. As noted above, the cash balance will be bolstered by the R&D tax rebate of ~\$0.8m expected to be received in Q2FY23, increasing pro-forma cash to ~\$2.9m.

Quarterly Cash Receipts (\$'000)



Settlement of Neat Ideas earn-out

During the quarter, the Company finalised the earn-out payment of approximately \$1.4m to the Neat Ideas vendors. The acquisition of Neat Ideas in May 2021 has been highly successful, providing a highly synergistic service offering and importantly, positive earnings.

Research & Development

Over the past twelve months, Gratifii has invested in developing additional SaaS modules for the Mosaic platform. Given the advancement to date, the quantum of investment will decrease over FY23, with H2FY23 R&D expenditure anticipated to be some 30% lower than H1FY23. The Company is expected to receive R&D rebated of ~\$0.8m in Q2FY23.

Cash Management

Gratifii delivered a net cash inflow from operating activities of ~\$53k in FY22. The June quarter is traditionally a strong quarter for cash due to the above average sales leading into the July school holidays. As a result, our inventory needs to be to be restocked during the September quarter. Further, the September quarter has traditionally been a slower revenue quarter compared to the June and December quarters.

The execution of the Company's enterprise SaaS pipeline has the potential to deliver positive cashflow from operating activities by H2FY23, although we expect the cashflow to continue to be subject to the historic seasonality around school holidays and the Christmas/New year period.

Outlook

Commenting on GTI's outlook, Iain Dunstan said: "The September quarter has started strongly compared with last year and is expected to provide continued revenue growth. The integration and 'go-live' with Seagrass presents an exciting milestone, initiating new SaaS revenues and, importantly, freeing up resources for the execution of new SaaS opportunities.

“Gratifi continues to be in an exciting position to benefit from the demand for loyalty and rewards solutions post lockdowns and economic uncertainty leading to a focus on customer and employee retention. We look forward to updating the market on the progression of several notable enterprise SaaS opportunities in the contract negotiation phase, which, if executed, will significantly enhance Gratifi’s annual recurring revenue (ARR) profile in FY23. It is exciting that we have new enterprise opportunities in each of the jurisdictions in which we operate.”

ASX Additional Information

During the quarter, the Company paid directors fees and remuneration of \$164,000 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

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About Gratifi Limited

Gratifi 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.gratifi.com

1. Source: CBA Research & Markets October 2021

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")

30 June 2022

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	3,895	12,040
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,282)	(8,403)
(c) advertising and marketing	(2)	(24)
(d) leased assets	(5)	(98)
(e) staff costs	(524)	(2,055)
(f) administration and corporate costs	(847)	(1,934)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(27)	(52)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	2	577
1.8 Other (provide details if material)	1	2
1.9 Net cash from / (used in) operating activities	211	53
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(1,548)	(1,548)
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(1,166)	(3,281)
(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	-	-
	(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	(2,714)	(4,829)
3.	Cash flows from financing activities		
.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,568	3,568
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	(239)	(239)
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)	-	-
3.10	Net cash from / (used in) financing activities	3,329	4,617
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,243	2,228
4.2	Net cash from / (used in) operating activities (item 1.9 above)	211	53
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,714)	(4,829)

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)	3,329	4,617
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,069	2,069

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	2,069	1,243
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)	2,069	1,243

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	164
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>		

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	1,225	1,225
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	1,225	1,225
7.5	Unused financing facilities available at quarter end		-
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. 2,775,000 convertible notes have been converted to date.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	211
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,069
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,069
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<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?	
	N/A	
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?	
	N/A	
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?	
	N/A	
	<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.

Date: 22 July 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.