

29 July 2022

Q4 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 30 June 2022.

Highlights:

- **B2C revenue four times higher than Q3, recording the single largest day of membership sales of \$212k in FY22**
- **First incremental revenue achieved from entirely new revenue stream, namely the Seamless Rewards B2B2C program that provides card-linked cashback offers to both customers of IncentiaPay and all those of our distribution partners alike**
- **Significant cost reductions implemented to lower annual costs by more than \$4 million and position IncentiaPay for long-term growth**
- **Appointed senior marketing executive Jake Falkinder as Chief Marketing Officer to enhance business growth**
- **Increased cash inflows by 81% to \$6.3m compared to Q3 results, driven by a post COVID-19 recovery in membership subscription revenue, particularly in May and June**
- **Cash and cash equivalents of \$0.98m at end of quarter providing capital flexibility to continue to develop Seamless Rewards and eCommerce marketplace businesses**
- **Improved net operating cash loss of (\$2,564) compared to (\$4,253) in the March quarter**

Commenting on the quarter, IncentiaPay Chief Executive Officer Ani Chakraborty said: *"This quarter, we finalised the first phase of execution of our complex technology platform upgrades which allow us to fully leverage the value inherent in our three businesses and set IncentiaPay up for long-term growth. We generated our first revenues with new partners and launched two programs for our high-growth Seamless Rewards business, successfully rolled out our new B2B and B2C app and have made strong progress with growing revenue in our B2C business with the business recording the single largest day of membership sales in the past year".*

"The implementation of our cost reduction initiatives reflects our lower ongoing costs associated with our technology build. In addition, we have recruited some key people to help drive growth across all IncentiaPay's business platforms. Appointment of Jake Falkinder as Chief Marketing Officer will enhance our growth efforts across our business verticals."

Operational

Strong progress with returning core B2C business to profitability

IncentiaPay remains focused on its strategic growth pillar of growing revenue back to pre-COVID-19 levels in its core B2C business.

The B2C business showed a major improvement in the June quarter, recording the single largest day of membership sales in FY22 (\$212k sales in one day) with total cash receipts in the June quarter ~4 times higher than Q3.

IncentiaPay completed the re-platforming its B2C (Entertainment) App using the Google Flutter platform. The re-platforming gives the Company the ability to implement its product roadmap and improve features to meet member expectations.

New app and updated value proposition for B2B business

The re-platforming of the base framework for IncentiaPay's B2B app was also completed using Google Flutter. As for the B2C app, this has given the Company the ability to implement its product roadmap and improve its features to meet member expectations.

The majority of IncentiaPay's B2B customers have been migrated to the new app providing significantly improved user interface and improved functionality. The rest of the re-platforming work will be completed by the end of September quarter.

The active B2B audience base increased 9% during the quarter, positively impacting revenues. Once re-platforming is completed for all the programs, the Company will be able to significantly increase its active audience base.

Seamless Rewards

During the quarter, IncentiaPay completed the development of its B2B2C Seamless Rewards platform. The platform is already generating first revenues through two programs that are currently in market. IncentiaPay also executed several agreements with additional partners including Opensparkz and EML Payments.

Under the programs, IncentiaPay receives transaction-linked revenue each time a cardholder transacts using a linked card at an IncentiaPay merchant.

These programs highlight the rapidly growing opportunity in the Card Linked Offer space and IncentiaPay's new capability to scale in this space through its ability to distribute its suite of offers from its Seamless Rewards merchants to the partners' end customer bases, through their institutional customers.

Corporate

Cost reductions to lower annual costs by more than \$4 million

IncentiaPay has implemented significant cost reductions to accelerate its path to operating cash break-even and position the Company for long-term growth.

It has launched cost rationalisation initiatives including a reduction of resources – both payroll and project-based contracting staff - aimed at delivering annualised cost savings of more than \$4 million from the FY22 base. These savings will be realised throughout FY23 as planned projects are delivered.

The Company has invested heavily in technology platform capability to support its growing Seamless Rewards platform as well as its core B2B and B2C businesses. With these upgrades

now largely complete, the Company's FTE and contractor requirements are now lower due to: 1) the reduction in work teams and associated expenses associated with the technology build; and 2) the restructure of IncentiaPay's operating model in some areas of the business.

These changes are in line with IncentiaPay's ongoing investment in technology and its strategy to drive growth in its new Seamless Rewards platform and restore revenues from its core B2B and B2C businesses to pre-COVID-19 levels.

Appointment of Jake Falkinder as Chief Marketing Officer

In June, IncentiaPay appointed Jake Falkinder as Chief Marketing Officer (CMO) to assist with the Company's efforts in growing its business offering.

Mr Falkinder brings 14 years' experience in senior marketing positions to the role and joins from Boardriders a leading action sports and lifestyle company, where he was the Digital Marketing Director.

Other previous roles include Marketing and Sales Director at Ignite Travel Group and Director of National Marketing & Digital Strategy at former ASX-listed accommodation company, Mantra Group.

In the CMO role, Mr Falkinder will be responsible for the marketing division as well as direct-to-consumer sales.

Approval of entry into \$22.5 million convertible loan facility

During the quarter, shareholders approved IncentiaPay's entry into the \$22.5 million convertible loan facility and associated loan deed, via New Gold Coast Holdings Limited (NGCH), an associate of IncentiaPay's majority shareholder, Suzerain Investments Holdings Limited (Suzerain).

Shareholders also approved the issue of shares under the loan deed.

The facility will predominantly be used to accelerate IncentiaPay's growth strategy across five areas including: expediting technology investment and merchant content acquisition resourcing in the Seamless Rewards business and growing revenues in the existing B2C and B2B business units through technology enhancements, new marketing initiatives and increased merchant content acquisition.

In total, the facility will provide the Company with a \$22.5 million drawdown facility, which will deliver \$17.5 million in new available funds to the Company given that the existing \$5 million loaned previously by NGCH (as announced to the ASX on 3 June 2021) will also now be taken as owing under the loan deed.

Financial

Cash inflows increased 81% to \$6.3m, driven by a post COVID-19 recovery in membership subscription revenue, particularly in May and June.

As detailed in the attached ASX Appendix 4C, the Company had \$0.98 million in cash and cash equivalents as at 30 June 2022.

The net operating cash loss improved to (\$2,564) compared to (\$4,253) in the March quarter.

Revenues increased 7.57% versus the previous corresponding period to \$5.4m on an underlying basis (unaudited).

Pursuant to Listing Rule 4.7C.3 and as disclosed in Item 6.1 of the attached Appendix 4C, \$86k was paid in respect of directors' fees to associated entities of the directors, \$52k was paid for sales support services provided to an associated entity of directors, and \$64k 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")

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	6,302	20,868
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,598)	(15,496)
(c) advertising and marketing	(274)	(1,063)
(d) leased assets	-	-
(e) staff costs	(3,214)	(12,217)
(f) administration and corporate costs	(740)	(4,778)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	17	30
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	675
1.8 Other (GST refunded/(paid))	(57)	(376)
1.9 Net cash from / (used in) operating activities	(2,564)	(12,357)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(27)	(53)
(d) investments	-	-
(e) intellectual property	(228)	(801)
(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	-	-
2.5	Other (security deposit returned)	279	279
2.6	Net cash from / (used in) investing activities	24	(575)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,600
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	2,680	6,408
3.6	Repayment of borrowings	(181)	(958)
3.7	Transaction costs related to loans and borrowings	178	(74)
3.8	Dividends paid	-	-
3.9	Interest and other costs of finance paid	(5)	(227)
3.10	Net cash from / (used in) financing activities	2,672	10,749

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	922	3,228
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,564)	(12,357)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	24	(575)

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)	2,672	10,749
4.5	Effect of movement in exchange rates on cash held	(76)	(67)
4.6	Cash and cash equivalents at end of period	978	978

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	978	922
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)	978	922

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	202
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 \$52k.</p> <p>Payment for rent to an associated entity of Suzerain of \$5k.</p> <p>Payment for directors' fees to associated entities of directors of \$86k.</p> <p>Payment for interest and line fees to associated entities of directors of \$59k.</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	24,228	7,859
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	Total financing facilities	24,228	7,859
7.5	Unused financing facilities available at quarter end		16,369
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 2022: \$0.632m</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 \$0.632m (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: February 2022 Security: Second ranking security over all the Group's present and future property Drawn down as at 30 June 2022: \$1.209m</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, resolutions were passed to enter into a second ranking security deed (ranking behind Suzerain). The renegotiation of the repayment date is still in progress, however it is expected to be December 2024.</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: July 2025 Security: Unsecured Drawn down as at 30 June 2022: \$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: 12/2024

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

Drawn down as at 30 June 2022: \$5.990m

New Gold Coast Holdings \$5m Loan facility was approved on 3 June 2021. During the Annual General Meeting in January 2022, resolutions were passed to enter into a second ranking security deed (ranking behind Suzerain). On the 16th of March 2022 IncentiaPay Ltd announced it has secured additional funding of \$17.5m from New Gold Coast Holdings Limited via a conditional non-binding convertible loan deed. Approval was gained from Shareholders in May 2022. The original funding agreement has been superseded by this new funding deed and has changed the maturity date from December 2022 to December 2024.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,564)
8.2	Cash and cash equivalents at quarter end (item 4.6)	978
8.3	Unused finance facilities available at quarter end (item 7.5)	16,369
8.4	Total available funding (item 8.2 + item 8.3)	17,347
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.8
<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: 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?	
Answer: 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?	
Answer: 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.

Company Secretary 

Authorised by: Board of Directors

Date: 29 July 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.