

31 August 2022

ASX ANNOUNCEMENT

Gratificii FY22 Unaudited Preliminary Full Year Results

FY22 Key Highlights

- **Revenue**

Reported operating revenue (unaudited) for the year of \$11.17m, up **263%** vs statutory FY21 and **23.6%** vs combined pro-forma (PF)¹ FY21 of which:

- Mosaic platform (SaaS) revenue of \$2.49m, up **8.9%** vs FY21
- Neat Ideas (Rewards) revenue of \$8.74m, up **28.4%** vs FY21 PF

- **Operations**

- Gross profit increased by **28.1%** to \$2.63m vs FY21 and declined 2.6% vs FY21 PF
- Operating EBITDA loss decreased by **3.5%** to \$1.04m vs FY21
- Improved operating and capital management leading to positive operating cashflow over the year
- Net loss after tax for the year of \$2.43m, higher loss due to FY21 gain on loan forgiveness and lower levels of government subsidies

- With the finalisation of the Neat Ideas integration, together with the Mosaic platform development nearing completion and with the recent acquisition of Hachiko, Gratificii is now positioned as a leader in Enterprise customer engagement and loyalty management

FY23 Outlook

- Gratificii enters FY23 with strong capability to extend into the B2B and B2B2C and Enterprise categories which is leading to:
 - A larger pipeline of opportunities across the business
 - Faster execution of customer engagements with "plug and play" integrations and "end to end" service capability
 - Following the integration of Hachiko and given the above, management forecasts ~30% revenue growth, improving gross profit margin and positive operating profit and cashflows²
 - Continuing to invest in Mosaic platform functionality and "plug and play" integrations

Gratificii Limited (ASX:GTI) ('**Gratificii**' or '**the Company**'), the enterprise loyalty and rewards company, is pleased to announce its (unaudited) FY22 results.

Gratificii CEO and Managing Director, Iain Dunstan, commented on the results: "We are pleased to announce our full year 2022 results. Emerging from COVID lockdowns, FY22 was a transformative year for Gratificii, which delivered consecutive quarters of revenue

¹ Pro-forma adjusted for full year impact of Neat Ideas.

² All statements in relation to future revenue, margins, EBITDA aspirations are based on management estimates and reflect management's internal goals and should not be taken as forecasts or guidance in any way.

growth. Gratificii's Rewards division, Neat Ideas, went from strength to strength, outperforming management's expectations. The Company's high-margin SaaS platform Mosaic attracted the first Australian SaaS contract (Seagrass), which instigated significant enhancements over the year. These enhancements provide a robust foundation to convert and integrate Gratificii's growing pipeline of notable enterprise clients.

"We expect both SaaS and Rewards revenues to continue to grow strongly during FY23 in each of the jurisdictions in which we operate."

Financial Results

Gratificii's Summary Profit & Loss Statement (Unaudited)

A\$	FY22	FY21			Growth	
	Statutory	Statutory	Pro-forma for full year of Neat Ideas	Combined pro-forma	Statutory FY21 vs FY22	Pro-forma FY21 vs FY22
SaaS revenue	2,429,439	2,231,771	-	2,231,771	8.9%	8.9%
Rewards revenue	8,740,578	845,606	5,959,473	6,805,079	933.6%	28.4%
Total operating revenue	11,170,017	3,077,377	5,959,473	9,036,850	263.0%	23.6%
Cost of sales	(8,537,449)	(1,022,100)	(5,311,233)	(6,333,333)	735.3%	34.8%
Gross profit	2,632,568	2,055,277	648,240	2,703,517	28.1%	(2.6%)
SaaS gross profit margin	70.7%	88.2%	-	88.2%	n.a.	n.a.
Rewards gross profit margin	10.5%	10.3%	10.9%	10.8%	n.a.	n.a.
Total gross profit margin	23.6%	66.8%	10.9%	29.9%	n.a.	n.a.
Employee expenses	(2,063,055)	(1,497,751)	(318,703)	(1,816,454)	37.7%	13.6%
Administrative and other corporate costs ⁽¹⁾	(1,588,332)	(1,613,207)	(316,039)	(1,929,246)	(1.5%)	(17.7%)
Total operating expenses	(3,651,387)	(3,110,958)	(634,742)	(3,745,700)	17.4%	(2.5%)
Operating EBITDA	(1,018,819)	(1,055,681)	13,498	(1,042,183)	(3.5%)	(2.2%)
Non-operating revenue	924,882	2,746,106	192,915	2,939,021	(66.3%)	(68.5%)
Non-operating costs	(912,551)	(928,925)	-	(928,925)	(1.8%)	(1.8%)
Reported EBITDA	(1,006,488)	761,500	206,413	967,913	n.a.	n.a.
D&A	(931,088)	(352,980)	(53,156)	(406,136)	163.8%	129.3%
Finance	(496,008)	(301,585)	(18,156)	(319,741)	64.5%	55.1%
Profit/(loss) before income tax	(2,433,584)	106,935	135,101	242,036	n.a.	n.a.
Income tax	-	(47,654)	-	(47,654)	(100.0%)	(100.0%)
Net profit/(loss) for the year	(2,433,584)	59,281	135,101	194,382	(4205.2%)	n.a.
Other comprehensive (net of tax)	15,763	30,213	-	30,213	(47.8%)	n.a.
Total comprehensive profit/(loss) for the year	(2,417,821)	89,494	135,101	224,595	n.a.	n.a.

Note: (1) Administrative and other corporate costs excludes professional costs of \$115,782 in FY21 and \$734,122 in FY22 which are considered non-operating costs.

Revenue

Gratificii increased FY22 operating revenue by 23.6% to \$11.2m, vs PF FY21, adjusted for full year impact of Neat Ideas and excluding Hachiko.

SaaS revenue increased by 8.9% to \$2.4m vs PF FY21 driven by increased transactional volume across existing clients as well as new signings including Seagrass and Click Frenzy.

Rewards revenue increased by 28.4% to \$8.7m vs PF FY21, driven by a return to normal post COVID lockdowns and the addition of new enterprise clients.

Gratificii's Change in Revenue from FY21 to FY22 (Unaudited)

A\$	FY22	FY21			Growth	
	Statutory	Statutory	Pro-forma for full year of Neat Ideas	Combined pro forma	Statutory FY21 vs FY22	Pro-forma FY21 vs FY22
SaaS revenue	2,429,439	2,231,771	-	2,231,771	9%	9%
Rewards revenue	8,740,578	845,606	5,959,473	6,805,079	934%	28%
Total operating revenue	11,170,017	3,077,377	5,959,473	9,036,850	263%	24%
Non operating revenue	924,882	2,746,106	192,915	2,939,021	(66%)	(69%)
Total revenue	12,094,899	5,823,483	6,152,388	11,975,871	108%	1%

Gross Profit

Gross profit margin decreased to 23.6% in FY22, from FY21 PF margin of 29.9% due to the relative increase in the lower margin Rewards revenue for the period.

Operating EBITDA

Gratificii's FY22 operating EBITDA loss of \$1.02m was an improvement of 3.5% vs FY21 and 2.2% vs FY21 PF. The Company's employee expenses increased by 13.6% (\$247k), vs FY21 PF, as the company scaled up for expected continued growth, which was offset by the decline in non-employee related expenses of 17.7% (\$341k).

Reported Net Profit/(Loss)

Gratificii's net loss after tax was \$2.4m for FY22, from net profit of \$89k in FY21 (and \$225k in FY21 PF) with the FY21 results being skewed by the inclusion of a \$1.7m of gain on loan forgiveness from restructuring which occurred in FY21 as well as other COVID-19 related government subsidies received in FY21 but not in FY22.

Depreciation increased by \$525k for FY22 vs FY21 PF, driven by increased spend and capitalisation of development expenses. Finance increased by 55% to \$496k in FY22 due to additional convertible notes issued during the period. Convertible notes with face value of \$1.2m will be converted into ordinary shares in early Q2 FY23.

Gratificii Overview



Personalised Engagement

Tailored engagement solutions to connect with a defined audience

hachi-kō
Loyalty-led Marketing
[Acquisition]



Sophisticated Technology

Fully API based, modern loyalty and rewards engine

gratificii



Differentiated Rewards

450+ content partners who offer above average value

neat ideas
A GRATIFICII COMPANY

Acquisition of Hachiko

The integration of Hachiko, a specialised loyalty and rewards marketing agency, announced 11 August 2022, is progressing as planned.

In FY22, Hachiko achieved unaudited revenue of \$7.2m and \$613k of EBITDA. Gratificii expects to deliver synergies in the region of \$600k during FY23 in the areas of finance, hosting, shared services and migration of content to Neat Ideas.

Following the integration of Hachiko and realisation of identified synergies, management is forecasting that the combined Gratificii Group will be operational cashflow breakeven in FY23.

Operations Update

Seagrass Mosaic Integration Update

Implementation of Seagrass is continuing on-budget, with the Company expecting integration to be completed by the early Q2 FY23.

The contract is valued at \$400,000 over the first twelve months, comprising of implementation fees and SaaS fees for their Australian restaurants. 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 Gratificii with highly valuable IP, facilitating faster 'plug & play' integrations with enterprise clients in the future. Additionally, Gratificii 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 APIs into other applications such as their global booking system and their POS.

Neat Ideas – Rewards Update

During the year, Gratificii signed four new enterprise agreements with Student Edge alone adding over 1.1 million potential 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.

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 enterprise base exceeds 55 clients.

Cash

Post the completion of the acquisition of Hachiko, Gratificii has pro-forma cash of approximately \$1.7m, including funds received from the share placement and convertible note raise.

Research & Development

Over the past twelve months, Gratificii 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 H2 FY23 R&D expenditure anticipated to be 30% lower than H1 FY23. The Company is expected to receive R&D rebate of ~\$0.8m in Q2 FY23.

Outlook

Gratifii CEO and Managing Director, Iain Dunstan, commented on outlook: "Gratifii 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 and employee 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.

"The Company has a strong pipeline of opportunities for SaaS and Neat Ideas, which is now further enhanced via the acquisition of Hachiko."

Appendix 4E

The Company's unaudited Appendix 4E is attached.

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

Maggie Niewidok

Company Secretary

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About Gratifii Limited

Gratifii Limited (ASX:GTI) is a full-stack customer engagement technology provider that delivers end-to-end technology solutions for businesses to engage with their employees and customers. Its primary focus is providing liquidity for digital assets through its newly developed Mosaic Enterprise Engagement Platform. With mobile payment, 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.gratifii.com