

27 October 2022

ASX ANNOUNCEMENT

1Q FY23 Quarterly Business Update and Appendix 4C Cashflow Statement

## **Gratifii delivers sixth consecutive quarter of growth in cash receipts up 42% on 4Q FY22. Revenue up 67% on 4Q FY22.**

### **Revenue growth**

- 1Q FY23 revenue (unaudited) of \$6.4m, **up 67% vs 4Q FY22**, continuing strong underlying momentum in the business
- 1Q FY23 cash receipts of \$5.5m up from \$3.9m (+42%) in 4Q FY22 in a seasonally lower quarter as a result of lower holidays and replenishment of inventory for the increased in 2Q 22 activity

### **Operations**

- Finalised the acquisition of Hachiko, providing a highly synergistic service offering and positive earnings. Integration continues to plan with a number of cost synergies actioned and the Hachiko gift revenues being processed on the Neat Ideas platform
- Hachiko acquisition provides front-end web development and marketing services, rounding out Gratifii's product offering and importantly expanding the sales opportunities to new and existing clients
- Two new enterprise SaaS clients signed:
  - Executed a 3-year agreement with New Zealand based cosmetic and skincare company FAB Group with over 70 clinics
  - Initiated 3-month pilot program with a major health services provider
- The development and integration of Mosaic into Seagrass Hospitality Group is on schedule, with the first restaurant to go live by the end of November 2022
- Neat Ideas business continues to increase its product offerings and clients with some 5.0m of new customers expected to be on-boarded by the close of December 2022. This together with the increased volumes from existing clients are expected to maintain this growth trajectory in 2Q 22 and build a customer base of approximately 9m users
- Key milestones in the quarter included:
  - Three new contracts executed with Student Edge, Big Red Group and Toga Group adding over 1.1m new users
  - Several new enterprise clients currently in contract negotiation and are expected to close during the December quarter

### **Cash**

- Cash receipts of \$5.5m, up 212% vs 1Q FY22 and 42% on 4Q FY22

- 1Q FY23 operating cash outflow of \$601k, is largely due to inventory rebuild ahead of the November and December holiday period. Inventory as at September 2022 (unaudited) totalled \$1.6m, compared to \$412k in June 2022
- The company is forecasting to targeting operating cash flow positive in FY23
- **Cash position to increase in 2Q FY23**, driven by:
  - 2Q FY23 expected to deliver strong cash inflows bolstered by Christmas and school holiday revenues. For reference, the historical trend in quarterly cash receipts in the FY22A between 1Q 22A and 2Q 22A was +76%
  - R&D rebate of ~\$0.85m now approved and expected to be received in November 2022
  - Including the R&D rebate, Gratifii has pro-forma cash to ~\$2.3m which leaves the Company in a solid financial position heading into 2Q FY23, our seasonally high trading period

Gratifii Limited (ASX:GTI) (**'Gratifii'** or **'the Company'**), the enterprise loyalty and rewards company, is pleased to announce continued cash receipts growth of 42% in 1Q FY23 on the prior quarter.

Commenting on the quarterly report, Gratifii CEO and Managing Director, Iain Dunstan, said: "We are pleased to announce our sixth consecutive quarter of revenue and cash receipts growth with all aspects of the business currently performing either in line or ahead of budget.

"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 retention/loyalty due to potential economic uncertainty. We are also seeing loyalty requirements from Health providers and the health industry in general, building out our target industries and specific product offerings.

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

"The Company has again achieved Management's forecasts, despite the September quarter being seasonally softer. The Hachiko acquisition has been successfully bedded down and yielded results from day one. Our rewards business, Neat Ideas, continues to lead with greater functionality and flexibility demanded by customers, assisting to grow the Mosaic pipeline."

## **Operations Update**

### **Two new Mosaic SaaS contracts executed**

#### ***FAB Group***

The Company recently signed a 3-year agreement with the New Zealand based cosmetic and skincare group with over 70 clinics. FAB Group are implementing Gratifii's Mosaic loyalty and rewards SaaS platform across their large and growing franchise base.

The implementation is anticipated to be completed in March 2023 and deliver SaaS revenues of NZ\$90,000 in the first year, growing in the second year and beyond as new clinics are added. This is Mosaic's first contract with a New Zealand company and opens up that market to further opportunities.

### ***Large health services provider***

During the quarter the Company signed an agreement to implement a 3-month pilot program with a major health services provider. Upon successful completion of the pilot, it is envisaged that the Company will proceed with a two-year SaaS agreement.

The 3-month pilot is valued at \$170,000 to Gratifii. The relatively large scale of the pilot signifies the client's commitment to progressing to a long-term SaaS agreement, which may deliver SaaS revenues of \$200,000+ p.a.

Australian private medical centre groups present a significant opportunity for Gratifii, given their scale and limited adoption of loyalty and rewards platforms to date and the high value of customers/patients compared to other sectors. The growing sector is relatively fragmented, with over 4,000 private practices within various Healthcare Groups<sup>1</sup>. Gratifii's Mosaic platform is an ideal solution for mid-to-large groups with 10+ centres and sizeable member bases.

### **Neat Ideas – Rewards update**

During the quarter, Gratifii's rewards business, Neat Ideas, signed three new enterprise agreements with Student Edge, Big Red Group and Toga Group, adding over 1.1 million 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 reach 9m users by the end of December 2022 which will continue to contribute to Neat Ideas' growing revenue stream.

Further, more than 15 new suppliers were added to the current list of content providers, including well-known names such as:

- Milk Run
- Wallis Cinemas
- Dendy Cinemas
- Hyper Karting
- Crossroads Live Events
- Wildlife Coast Cruisers
- Global Ballooning
- Karta

Neat Ideas continues to focus on providing a wide range of curated and bespoke content to our ever-growing number of corporate clients.

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<sup>1</sup> <https://grattan.edu.au/wp-content/uploads/2018/07/906-Mapping-primary-care.pdf>

### **Ukheshe partnership**

Gratifii's relationship with market-leading fintech enabler Ukheshe continues to strengthen. Ukheshe remain engaged with Gratifii in a number of markets, from South Africa to Saudi Arabia and the UAE. There are a number of advanced contract negotiations underway, and we are confident of being able to announce new clients as part of this relationship in due course.

Ukheshe is currently running an extensive marketing campaign to clients in the Middle East and Africa, centred on the combined benefits of our Mosaic loyalty and rewards platform coupled with their Eclipse payments platform.

### **Growing pipeline across all business segments**

The flexibility of our Mosaic platform is highlighted by the number of different industries implementing the platform. In addition to our hospitality customers, we have now added retail and health customers. We are actively engaged with opportunities in the sport and recreation sectors as well as financial services. As we build out new customers in each of these market segments, the functionality developed can then be used for new prospects in the same industries, resulting in faster implementations and a faster on-boarding of the SaaS revenue streams.

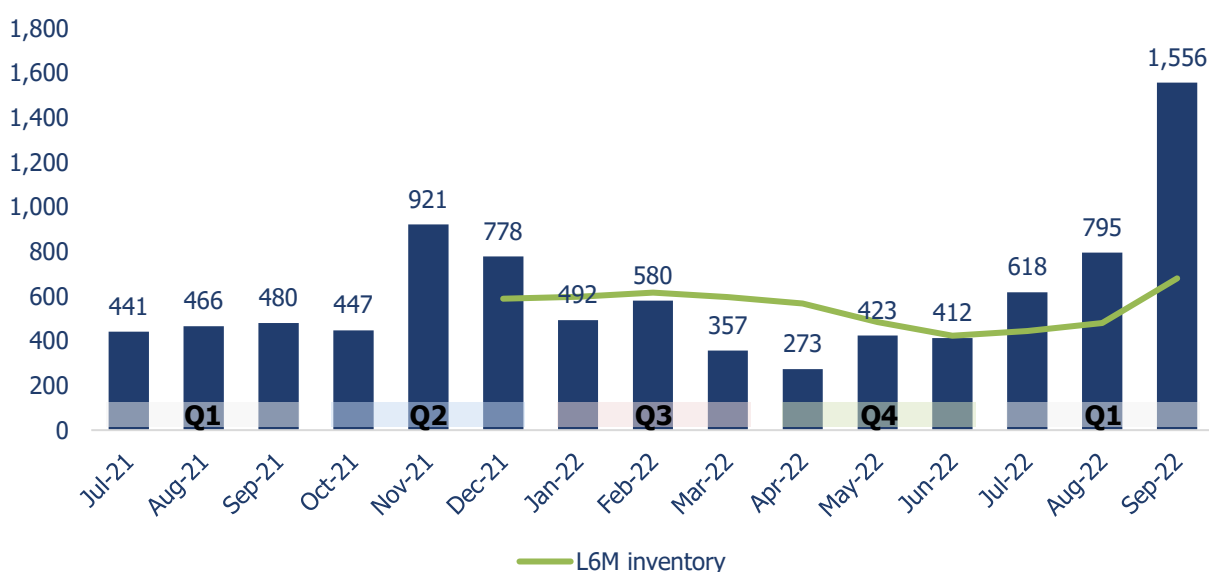
### **Presentations at upcoming conferences**

CEO and Managing Director Iain Dunstan will be presenting at the upcoming The Capital Network ASX Emerging Gems virtual conference to be held on the 4<sup>th</sup> November 2022. The Capital Network have reach into ~38,000 investors, ~21,500 followers and ~5,100 media and this conference presents an ideal opportunity for the company to broaden market awareness of GTI. Attendees can register at: [www.thecapitalnetwork.com.au](http://www.thecapitalnetwork.com.au).

### **Cash**

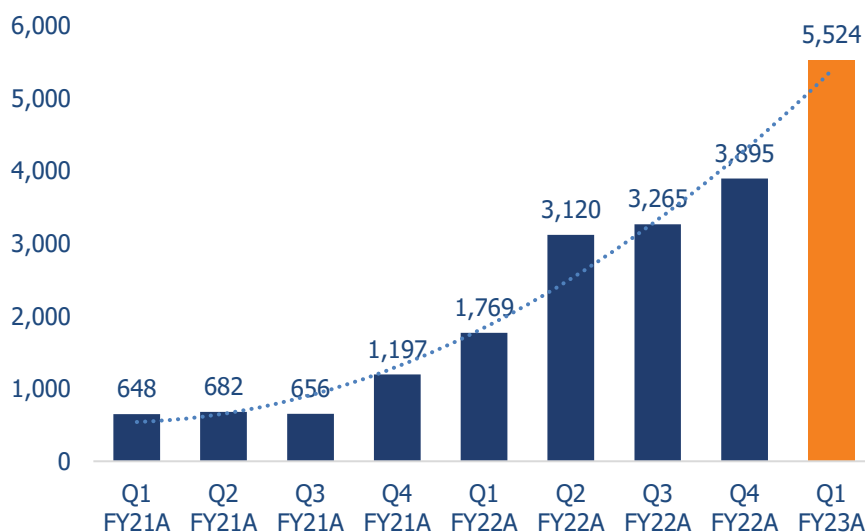
1Q FY23 delivered an operating cash outflow of \$601k largely due to inventory rebuild ahead of strong demand for the upcoming holiday period, as flagged in the July 2022 Quarterly Update and seen in the graph below showing the Company's historical inventory balance seasonal fluctuations. The graph shows the build-up of stock ahead of the busy holiday period and the anticipated additional sales from the additional 1.1 million members signed during the quarter. Given 2Q is typically a seasonally strong quarter, we expect operating cash flow for 2Q FY23 to be positive (given underlying business growth and the Company's cash receipts grew 76% for 2Q FY22 vs the prior quarter) and significantly higher than the average of previous quarters as the Company sells the accumulated inventory.

### Monthly Inventory (\$'000)



Cash receipts from customers grew to \$5.5m (a record quarter for the company) for 1Q FY23 up 42% from \$3.9m in 4Q FY22.

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



As at 30 September 2022, post the recent capital raise of \$2.7m (\$1.2m Placement & \$1.5m Convertible Note) and payment of the ~\$2.1m Hachiko acquisition consideration, the cash position was ~\$1.5m.

The cash balance will be bolstered by the R&D tax rebate of ~\$0.85m expected in November 2022, increasing pro-forma cash to ~\$2.3m, which leaves the Company in a solid financial position heading into the seasonally strong 2Q FY23, with the company targeting cash flow neutral in FY23.

The execution of the Company's enterprise SaaS pipeline has the potential to deliver positive cashflow from operating activities in 2H FY23 as we anticipate strong cashflow across the busy summer holiday period.

### **Acquisition of Hachiko**

During the quarter, the Company finalised the acquisition of loyalty and rewards marketing agency Hachiko, providing a highly synergistic service offering and profitable earnings.

#### **Key Highlights of the acquisition:**

- Enhances Gratifii's scale and capabilities, creating an 'end-to-end' loyalty and rewards provider with pro-forma FY22 turnover of \$17.8m (audited)
- In FY22, Hachiko had unaudited revenue of A\$7.2m and EBITDA of A\$0.6m
- Complementary enterprise client base with over 80 clients across both B2B and B2C with ~\$600k of identified synergies over FY23
- Hachiko's founder and majority shareholder, Patrina Kerr, joined Gratifii's Board with a 4.7% shareholding in the Company and Hachiko's CEO, Donna Adam, joined Gratifii's executive team

### **Research & Development**

Over the past twelve months, Gratifii has invested in developing additional SaaS functionality for the Mosaic platform including functions like dynamic tiering and subscription pricing. It is important to note that the development of additional functionality is partly funded by clients which will greatly assist Gratifii in attracting and implementing further new SaaS opportunities.

The R&D rebate has now been lodged and approved and the payment of ~\$0.85m is expected in November 2022.

### **Outlook**

Commenting on Gratifii's outlook, Iain Dunstan said: "Following six consecutive quarters of cash receipts growth, we expect this trend to continue into the upcoming December quarter which is traditionally strong for us. The September quarter was an important quarter for Gratifii's corporate development, with a great deal of energy and resources put into finalising the Hachiko acquisition and re-stocking inventory ahead of the upcoming holiday period.

"Separately, our relationship with Ukeshe is very strong and we continue to make headway into the South African market which we will update shareholders on as and when contracts are executed. The hard work put in by the Company and its employees for the quarter gives us a strong foundation to execute new SaaS opportunities whilst delivering for our existing clients. We feel very confident that the upcoming December quarter will deliver further strong revenue and cash flow growth."

## 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 Gratificii.

Maggie Niewidok  
**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)

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 September 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,524	5,524
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,195)	(4,195)
(c) advertising and marketing	(36)	(36)
(d) leased assets	(71)	(71)
(e) staff costs	(908)	(908)
(f) administration and corporate costs	(911)	(911)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(601)</b>	<b>(601)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(2,150)	(2,150)
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(712)	(712)
(f) other non-current assets	-	-



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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 (cash held by subsidiary at acquisition date)	467	467
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,395)</b>	<b>(2,395)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,250	1,250
3.2	Proceeds from issue of convertible debt securities	1,310	1,310
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(85)	(85)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
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>2,475</b>	<b>2,475</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	2,070	2,070
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(601)	(601)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,395)	(2,395)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,475	2,475
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>(1,549)</b>	<b>(1,549)</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	1,549	2,070
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>1,549</b>	<b>2,070</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	159
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	3,137	3,137
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</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 12 May 2021, the Group issued 10 convertible notes with a face value of \$150,000 each to Bombora Investment Management Pty Ltd ATF Bombora Special Investments Growth Fund ('Bombora'). The \$1,500,000 in unsecured debt is provided for a term of 24 months from the original date of the Bombora Loan Agreement, with expiry being 24 February 2023, at an interest rate of 8% p.a.</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. As of 30 September 2022, 3,673,000 convertible notes had been converted.</p> <p>On 22 August 2022, the Group issued 713,000 at a face value of \$1.00. The unsecured debt was provided by Bombora and various other sophisticated investors. It will expire on 21 February 2024 at an interest rate of 10% p.a.</p> <p>During the first quarter of the 2023 financial year, \$596,600 was received in relation to 596,600 convertible notes that are awaiting shareholder approval.</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)	(601)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,549
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,549
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	2.58
	<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	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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> <p>N/A</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?

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

*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 October 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.