

31 October 2022

## Q1 FY23 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 September 2022.

### Highlights:

- **Cash inflows of \$5.96 million down (5.44%) from the previous quarter due to slower than expected B2C revenues in the back end of the quarter**
- **Significant cost reductions implemented to lower annualised cost run rate by more than \$4 million**
- **Cash and cash equivalents of \$1.7million at end of quarter**
- **Improved net operating cash loss of (\$1,603) compared to (\$2,564) in the last quarter**
- **Executed new B2B contracts, namely Seven West Media Limited (ASX:SWM) and Aumake Ltd (ASX:AUK) and renewed key existing customers**

Commenting on the quarter, IncentiaPay Chief Executive Officer Ani Chakraborty said: *"This quarter was a transformational quarter for our business. We completed major milestones in delivery of our technology roadmap. We rolled out a significant brand awareness campaign called 'Tap for fun' bringing back the nostalgic memories that our members and local communities have with Entertainment brand. We successfully signed up two (2) long term Enterprise Loyalty relationships and advanced multiple major new client discussions. In addition, we implemented a major organisational restructure to reduce costs and improve efficiencies. This quarter was a positive step for us to serve our members, fundraisers, Enterprise customers and our merchant partners to maintain a platform for local communities to give, get and share."*

### Operational

#### **Strong progress in B2C**

IncentiaPay remains focused on its strategic growth pillar of growing its B2C revenues. The B2C showed signs of improvement and again recorded the single highest day over the past 18 months (\$307k).

Throughout September, the B2C business experienced headwinds with subdued results culminating in cash inflows being down 15% on the previous quarter.

The Company, continues to invest in its merchant content relationships and as at the end of the quarter, had nearly 9,000 merchant offers, making IncentiaPay a market leader in the sector.

### ***New Customer Signings and customer engagement growth in B2B (Frequent Values)***

During the quarter the Company signed a four-year strategic partnership with Aumake Limited (ASX:AUK). Aumake will offer 12-month Entertainment memberships to its database of 48,000 WeChat followers and 100,000 Daigou/Influences networks, focusing on the inbound Chinese tourist market.

Also during the quarter, the Company entered a multiyear agreement with a subsidiary of Seven West Media, to provide the technology and content for its 7Rewards app and executed a number of contract extensions for its existing customers, namely NRMA and Zurich.

IncentiaPay is in advanced discussions with several new large corporate clients to provide loyalty and rewards solutions for their customers that will continue to progress in this quarter.

Overall engaged audience in Frequent Values program has grown by 30% in this quarter. Our redemption rate from Frequent Values program have tripled from last year's average delivering greater value for our customers and merchant partners.

### ***Seamless Rewards***

During the period, the Company exercised its option to purchase the underlying intellectual property for the Seamless Rewards platform for \$238k. This IP provides IncentiaPay with end-to-end control of the infrastructure and source code for its Seamless Rewards platform.

During this quarter, IncentiaPay made steady progress in building scale with Seamless Rewards business. The following are some the key customer activities that were conducted in this quarter:

- 2 pilot programs were successfully conducted with a large credit card scheme validating end-to-end operational workflow. This relationship is expected to scale up in future
- A new travel cashback website was set up to be distributed by IncentiaPay to the market – first major program to launch in October 2022
- Pilot testing conducted with 2 programs, the remainder of the testing to be completed in subsequent quarters
- Fully operational with one program, slowly ramping up transaction volume

### ***Progress on Technology Roadmap***

During the period, the Company has made significant progress in delivering its Technology Roadmap that enables it to deliver higher quality service at a lower cost. Following are key achievements delivered in this quarter:

- De-commissioning of 2 large high-cost legacy systems previously delivering Entertainment App reducing ~\$230K in software license costs per annum
- Successful migration of major Enterprise Frequent Values App to the new platform – this migration had a major impact on Frequent Values customer engagement.
- Continuous improvement in our Entertainment App – introduction of Hot Deals, improved search functionality, improved map functionality
- Successful source code and infrastructure transfer for our Seamless Rewards (Cashback offer platform) platform giving us full control over underlying technology
- Continuous optimisation and enhancement of our AWS infrastructure reducing our operating costs

We will continue to deliver on our technology roadmap in subsequent quarters with increased efficiency and effectiveness.

## Corporate

### *Cost reductions to lower annual run rate costs by more than \$4 million*

As previously announced to the ASX on 25 July 2022, IncentiaPay has implemented significant cost rationalisation initiatives including a reduction of resources – both payroll and project-based contracting staff - aimed at delivering annualised run rate cost savings of more than \$4 million from the FY22 base. The implementation was successfully managed with minimum operating disruption.

## Financial

Cash receipts in this quarter was \$5.96m compared to \$6.30m in the previous quarter representing a 5.44% decrease. Cash receipts in the corresponding quarter in FY22 was \$5.88m. Revenues decreased 7.04% versus the prior corresponding period on an underlying basis.

As detailed in the attached ASX Appendix 4C, the Company had \$1.7 million in cash and cash equivalents as at 30 September 2022.

The net operating cash loss improved to (\$1,603) compared to (\$2,564) in the June quarter.

Pursuant to Listing Rule 4.7C.3 and as disclosed in Item 6.1 of the attached Appendix 4C, \$98k was paid in respect of directors' fees to associated entities of the directors, \$23k was paid for rent and sales support services to associates of Suzerain and \$627k was paid for interest and line fees to associated entities of directors. These fees are in relation to the loans 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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Company Secretary

**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](http://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 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	5,952	5,952
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,457)	(3,457)
(c) advertising and marketing	(457)	(457)
(d) leased assets	-	-
(e) staff costs	(2,940)	(2,940)
(f) administration and corporate costs	(592)	(592)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	8
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST refunded/(paid))	(115)	(115)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,603)</b>	<b>(1,603)</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	(3)	(3)
(d) investments	-	-
(e) intellectual property	(311)	(311)
(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 (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(314)</b>	<b>(314)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	3,500	3,500
3.6	Repayment of borrowings	(212)	(212)
3.7	Transaction costs related to loans and borrowings	(374)	(374)
3.8	Dividends paid	-	-
3.9	Interest and other costs of finance paid	(263)	(263)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,651</b>	<b>2,651</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	978	978
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,603)	(1,603)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(314)	(314)

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)	2,651	2,651
4.5	Effect of movement in exchange rates on cash held	(7)	(7)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,705</b>	<b>1,705</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
5.1	Bank balances	1,705	978
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>1,705</b>	<b>978</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	748
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 \$19k.</p> <p>Payment for rent to an associated entity of Suzerain of \$4k.</p> <p>Payment for directors' fees to associated entities of directors of \$98k.</p> <p>Payment for interest and line fees to associated entities of directors of \$627k.</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>		

<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	24,228	11,405
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	<b>Total financing facilities</b>	24,228	11,405
7.5	<b>Unused financing facilities available at quarter end</b>		12,823
7.6	<p><b>Interest bearing Loan (Previously Converted Loan facility)</b>  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 September 2022: \$0.647m</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 \$0.647m (Including interest) and will remain as a secured interest-bearing loan until repaid. Updated repayment terms are yet to be agreed.</p> <p><b>Transformational Capital Facility</b>  Interest rate: 12.5%  Maturity date: 31 December 2024 (Previously February 2022)  Security: Second ranking security over all the Group's present and future property  Drawn down as at 30 September 2022: \$1.207m</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, the resolutions were passed to enter a second ranking security deed (ranking behind Suzerain). The Group has successfully renegotiated the repayment date, which is now 31 December 2024.</p> <p><b>NZ Business Cashflow Loan</b>  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 September 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 September 2022: \$9.523m

New Gold Coast Holdings \$5m Loan facility was approved on 3 June 2021. During the Annual General Meeting in January 2022, the resolutions were passed to enter 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)	(1,603)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,705
8.3	Unused finance facilities available at quarter end (item 7.5)	12,823
8.4	Total available funding (item 8.2 + item 8.3)	14,528
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	9.1
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.		
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:		
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:		
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:		
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.

Company Secretary 

Authorised by: Board of Directors

Date: 31 October 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.