

30 January 2023

ASX ANNOUNCEMENT

2Q FY23 Quarterly Business Update and Appendix 4C Cashflow Statement

## Gratifii delivers positive \$1.585m operating cashflow for 2Q FY23

### Revenue growth

- 2Q FY23 revenue (unaudited) of \$7.12m, up 11% vs 1Q FY23, continuing strong underlying momentum in the business.
- 7<sup>th</sup> consecutive quarter of cash receipts growth with a CAGR of 36%

### Cash

- Cash receipts of \$5.75m, up 84% vs 2Q FY22 and 4% on 1Q FY23
- 2Q FY23 operating cashflow of \$1.585m
- \$1.0m positive operating cashflow for H1 FY23
- R&D grant received of ~\$840k
- Cash position increased to \$2.445m as at 31 December 2022

### Operations

- Key milestones in the quarter included:
  - Seagrass SaaS module development and integration on budget – first restaurant went into production in Dec 2022
  - SaaS integration with major 'health services provider' progressed, with first medical centre now in testing phase.
  - Executed partnership with Karta Gift Cards to enhance capabilities
  - Neat Ideas executed a contract with Rest superannuation fund to provide its 1.7m members innovative rewards
  - Hachiko expanded its relationship with an existing long-standing client, The Distributors, with a new \$460,000 contract for the delivery of their national sales event
  - Achievement of 'Climate Active' carbon neutral certification

Gratifii Limited (ASX:GTI) ('Gratifii' or 'the Company'), the enterprise loyalty and rewards company, is pleased to announce continued cash receipts growth in 2Q FY23 on the prior quarter.

Commenting on the quarterly report, Gratifii CEO and Managing Director, Iain Dunstan, said: "The business is performing well across all divisions and the December quarter delivered strong revenue and cash flow growth. This was driven by increased transaction volumes over the Australian summer holiday period as well as consumer demand for rewards and savings in the face of rising cost of living pressures in our target markets."

### Operations Update

#### SaaS Enterprise Platform

Gratifii finalised the development of market-leading SaaS loyalty and rewards modules for Seagrass Boutique Hospitality Group. The Company has successfully integrated the new

system into one restaurant, with an aggressive rollout anticipated over H2 FY23. Seagrass is a flagship hospitality client that will provide critical validation for new prospective clients in the sector.

Gratifii's 3-month pilot program with a major health services provider is in production. The Company has implemented a customised version of its underlying Mosaic technology stack to deliver the client a 'medical membership program' where all patients can earn and redeem a range of member benefits. The development also included a complete integration into Stripe, a global payments platform widely utilised by mid-to-large enterprises.

A Till Payments upgrade is being rolled out across Neat Ideas' client base, increasing security as part of our ISO 27001 accreditation roadmap. This upgrade is expected to be completed by the end of February 2023.

Gratifii has also partnered with Karta Gift Cards to enable Gratifii customers to access Karta's gift card issuance and distribution platform. Karta's gift card platform allows merchants to connect with consumers via branded digital gift cards without the need for software integration.

Q3 will see the development and launch of the Mosaic 'retail products' module, initially for delivery to FAB Group's 70 plus clinics. Once the FAB Group development is completed, the module will form part of the platform to be rolled out to over 60 Neat Ideas clients during Q4.

This roll-out will see a reduction in operating costs and an improvement in margins across Neat Ideas' client base. It will also be the final major deliverable for the Mosaic platform. Post this deliverable the on-going R&D spend will be reduced by approximately 60%.

### **Neat Ideas – Rewards update**

Gratifii's rewards business, Neat Ideas, was appointed by leading superannuation fund, Rest, as its preferred member benefit platform partner during the quarter.

Under the agreement, Rest's 1.7 million members can access rewards from Neat Ideas' supplier network. This includes significant discounts across leading cinema and entertainment ticket brands and a custom-built shopping portal.

As announced on 21 October 2022, Neat Ideas signed an agreement to be the preferred member benefit partner for Australia's largest student organisation, Student Edge. Neat Ideas' rewards have now gone live, giving Student Edge's 1.1 million members access to offers from Neat Ideas' 150+ suppliers.

The addition of Rest and Student Edge to Neat Ideas will grow the total number of Neat Ideas potential users by 2.8 million, to over 15 million. These increased user numbers will contribute to Neat Ideas' growing revenue stream and are expected to attract further suppliers to Neat Ideas' marketplace.

### **Hachiko – Marketing update**

Acquired by Gratifii in August 2022, the Group's loyalty and rewards marketing agency, Hachiko, has recently secured a large event deal valued at over \$460k with The Distributors, Australia's leading national independent snack food wholesaler to petrol and convenience outlets, corner stores, pharmacy, newsagents and schools. Hachiko manages both the retail and sales rep loyalty programs on behalf of The Distributors and are

delighted to be expanding its services to include their national events, including their flagship annual sales event for their 230+ brand suppliers.

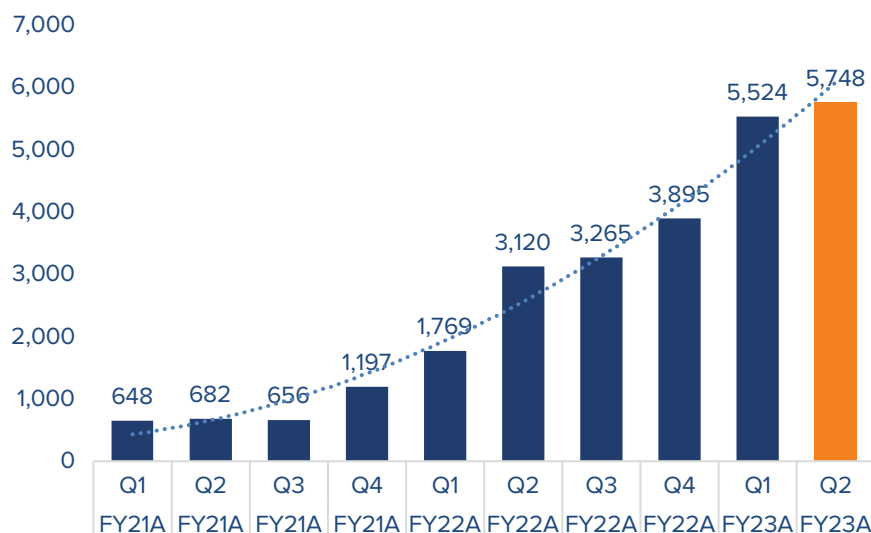
During the quarter, Hachiko also signed a new contract with Spark New Zealand, the country's largest telecommunications and digital services provider. Under the contract Hachiko will be delivering a full set of new production videos to be used as the basis for their future digital campaign.

## Cash

2Q FY23 delivered an operating cashflow of \$1.585m largely due to significantly higher Christmas period sales, as the Company sells the inventory it acquired in the previous quarter. The Company also received its R&D Rebate in the Quarter, resulting in the Company being operationally cashflow positive for H1 FY23.

Cash receipts from customers grew to \$5.75m (a 7<sup>th</sup> consecutive record quarter for the Company) for 2Q FY23, up 4% from \$5.52m in 1Q FY23.

Quarterly Cash Receipts (\$'000)



As at 31 December 2022, the cash position was \$2.45m.

The cash balance was bolstered by the R&D tax rebate of ~\$840,000 received in November 2022, placing the Company in a solid financial position heading into the second half of FY23 and on track to continue to be operationally cash flow neutral.

## Carbon neutral certification

Gratifii Limited has been awarded Climate Active certification for its business operations. The Australian Government-backed Climate Active program seeks to create a collective network of like-minded climate leaders. Climate Active certification is considered one of the most rigorous and credible carbon neutrality certifications available.

Gratifii's goal is to reduce its organisational emissions by 30% by 2032 (compared to 2023).

In a related initiative, Gratificii has launched Australia's first carbon offset e-gift cards for businesses to offer to their members and employees. There has been strong initial interest from a broad range of enterprises, particularly utilities providers.

### ASX Additional Information

During the quarter, the Company paid directors fees and remuneration of \$178,000 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.

Alicia Gill  
**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)

## 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")**

31 December 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,748	11,272
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,967)	(7,162)
(c) advertising and marketing	-	(36)
(d) leased assets	(66)	(137)
(e) staff costs	(1,315)	(2,223)
(f) administration and corporate costs	(656)	(1,567)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	840	840
1.8 Other (provide details if material)	1	1
<b>1.9 Net cash from / (used in) operating activities</b>	<b>1,585</b>	<b>984</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(2,150)
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(820)	(1,532)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(820)</b>	<b>(3,215)</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
3.2	Proceeds from issue of convertible debt securities	137	1,447
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(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>137</b>	<b>2,612</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	1,549	2,070
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,585	984
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(820)	(3,215)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	137	2,612
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>2,449</b>	<b>2,449</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	2,449	1,549
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>2,449</b>	<b>1,549</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	178
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	2,970	2,970
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	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>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 22 August 2022, the Group issued 713,000 at a face value of \$1.00. The unsecured debt was provided various sophisticated investors. It will expire on 21 February 2024 at an interest rate of 10% p.a. In addition, a further 400,000 convertibles to be issued to Bombora, and 357,000 convertible notes to be issued to Novus Capital were approved at the Group's AGM held on 8 November 2022.</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)	1,585
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,449
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,449
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	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

*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: 30 January 2023

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.