

27 April 2023

ASX ANNOUNCEMENT

## 3Q FY23 Quarterly Business Update and Appendix 4C Cashflow Statement

### **Graffiti continues to deliver quarterly cash receipts growth with record cash receipts reported for 3Q FY23.**

#### **Key Highlights**

##### **Continued Growth**

- Record 3Q FY23 cash receipts of \$5.87m (+80% vs 3Q FY22 and +2% on 2Q FY23).
- Quarterly results exceeded Management's expectations, given 3Q is a seasonally slower quarter, highlighting the continued demand for Gratifii's suite of services and technologies. Underlying business growth in enterprise platform sales and Hachiko are somewhat reducing the impact of seasonality in the business.
- Positive operating cashflow of \$0.60m for 9 months to 31 March 2023, a notable improvement compared to a cash outflow of -\$0.16m for the 9 months to 31 March 2022.
- 3Q FY23 delivered an operating cashflow outflow of -\$0.38m as the Company paid for the rewards inventory it sold in the peak Christmas holiday period.
- 4Q is traditionally a strong quarter for trading and is in line with budget, signalling another consecutive quarter of cash receipt and revenue growth.
- 2-year cash receipts CAGR of 199% to the end of 3QFY23.

##### **Cash**

- As at 31 March 2023, the cash position was \$1.38m.
- The Company expects to continue to be operationally cash flow positive during 4Q and FY24.

##### **Operations – Key Milestones**

- Seagrass Boutique Hospitality Group went live during the quarter.
- The large health services provider client also went live with its pilot in the quarter and has now moved to a full program and roll out to its wider clinic network.
- FAB Group and Niterra Australia (NGK Spark Plugs) are on track for 'go-live' in 4Q FY23.
  - Niterra Australia is particularly relevant as it provides the business with an end-to-end loyalty solution designed, developed and executed by Gratifii, utilising the full-service loyalty platform and an accelerated implementation process.
- Neat Ideas went live with Rest superannuation fund to provide its 1.7m members with an innovative rewards program.
- Pan Pacific Hotels Group (Singapore) extended their contract for a further 12 months and increased their annual licence fee to S\$108k p.a.

- A material contract nearing completion has the potential to significantly enhance the revenue and earnings profile of Gratificii.
- Alignment of the business organisation (people and services) with the full loyalty solution platform continues, with incentives and KPI's to be implemented from 1 July 2023, enhancing efficiencies and cross sell opportunities.
- Demand for the Company's combined marketing services and loyalty platform offering has continued to grow the prospect pipeline, with more contracts expected to close in 4Q FY23.

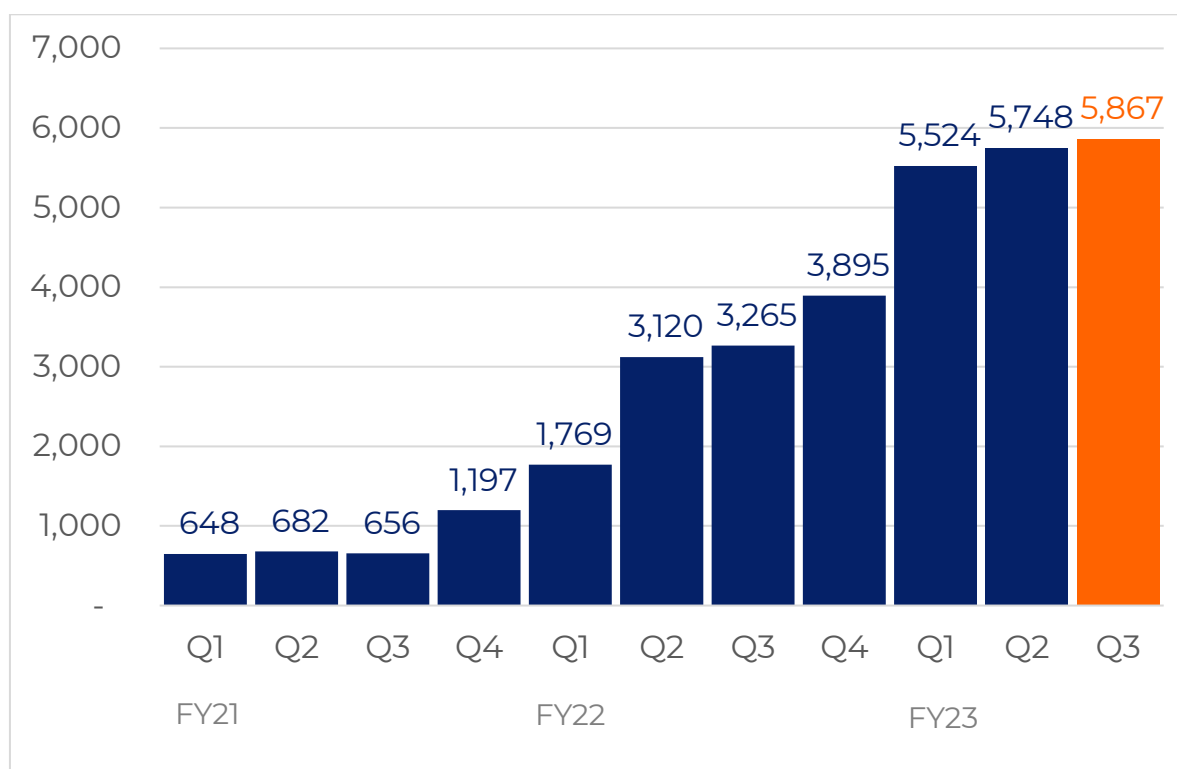
Gratificii Limited (ASX:GTI) (**Gratificii** or **the Company**), the enterprise loyalty and rewards company, is pleased to announce continued cash receipts growth in 3Q FY23 relative to the prior quarter.

Commenting on the quarterly report, Gratificii CEO and Managing Director, Iain Dunstan, said:

*"Our record 3Q FY23 cash receipts are particularly pleasing given the March quarter is traditionally our slowest quarter. Further, the fact that we are operationally cashflow positive for the nine months to 31 March 23, compared to a cash outflow of \$158k for the corresponding period last year, shows how far the Company has developed over the last twelve months."*

*"We have now aligned the Gratificii organisation to better serve mid-to-top tier brands' needs for a full-service loyalty solution, which is also evidenced by the increase in our pipeline opportunities."*

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



**2-year cash receipts CAGR to 3Q FY23 of 199%**

## Operations Update

### Mosaic – SaaS enterprise platform update

Gratificii delivered client functionality for the following key enterprise contracts:

- **Niterra Australia (NGK Spark Plugs):** A new material 2-year initial contract executed during the quarter is expected to generate approximately \$225,000 licence and management fees per annum plus implementation fees and additional rewards revenue. This is the first material contract where Gratificii will provide a complete digital loyalty solution. The project is being delivered via an accelerated one-month implementation timeline, highlighting the enhanced scalability of Gratificii's product offering. Launch date is on track for mid-year.
- **FAB Group:** Strategically important as Gratificii's first New Zealand SaaS implementation to 70+ cosmetics and skincare clinics. Implementation on track for 4Q FY23 with SaaS licence revenues of NZ\$90,000 plus services in year 1, growing in year 2 onwards. Launch date is expected to be this quarter.
- **Large health services provider:** Private medical centre client completed its initial \$175,000 pilot membership program during the quarter, with over 30,000 members signed up to the digital loyalty program in the first 2 months. The business has now moved to a full programme and roll out to its wider clinic network. The advanced loyalty platform is a first of its kind in the Australian health services sector and is a core piece of infrastructure for the client's aggressive expansion strategy.
- **Seagrass:** Flagship hospitality client with agreement valued at approx. \$500,000 in first year. The first restaurant deployment has gone live, and full roll-out is on schedule across 4Q23 and 1Q FY24.
- **Pan Pacific Hotels (Asia)** extended their SaaS platform licence for a further 12 months, valued at S\$108k p.a.

### Neat Ideas – Rewards update

As previously announced, Gratificii'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 1.7m 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.

A total of ~16m consumers are now able to access the Neat Ideas rewards platform, a number which is anticipated to increase upon the execution of pipeline contract opportunities.

A Till Payments upgrade continued to be rolled out across Neat Ideas' client base, increasing security as part of our ISO 27001 accreditation roadmap which is on track to be completed by 30 June 2023.

## Hachiko – Marketing services update

Acquired by Gratified in August 2022, the Group's loyalty and rewards marketing agency, Hachiko, has recently secured new marketing services contracts with:

- **HPE Aruba Networking:** We will be running a Singapore Study tour for their Australian distributors.
- **Dell Technologies:** We will be expanding our existing Australian programs footprint into the New Zealand market.
- **Westcon Comstar:** Launched a new Japan Formula 1 incentive program for their distributors.
- **Niterra Australia ( NGK Spark Plugs):** Delivering an extensive program launch and marketing services in conjunction with Gratified's loyalty platform roll out.

## Cash

The Company delivered cash receipts of \$5.87m for 3Q FY23, which is another record quarter for cash receipts and is +80% growth vs 3Q FY22 and +2% vs 2Q FY23.

3Q FY23 delivered total operating cashflow outflow of -\$0.38m. This was due to the Company paying for the rewards inventory sold in the peak Christmas holiday period.

4Q FY23 is expected to be a strong quarter for trading given the seasonality from the April holiday periods, and is currently trading in line with budget, signalling another consecutive quarter of cash receipts and revenue growth.

As at 31 March 2023, the cash position was \$1.38m. The Company expects to continue to be operationally cash flow positive during 4Q and FY24. Given potential new client wins and acquisitions, the Company is considering the best funding options available to ensure sufficient capacity to fund growth forecasts assuming these new opportunities arise.

## Outlook

Commenting on the Company's outlook, Gratified CEO and Managing Director, Iain Dunstan, said:

*"Our end-to-end loyalty solution is gaining traction in the market, positioning the Company for continued growth. We have entered 4Q, a typically strong quarter, in line with budget, which is anticipated to further strengthen the positive operational cashflow for FY23. Additionally, the Company is nearing the completion of a material contract that may significantly enhance the revenue and earnings profile of Gratified in FY24."*

## ASX Additional Information

During the quarter, the Company paid directors fees and remuneration of \$192,000 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 Gratifii.

Ben Newling

**CFO & Joint Company Secretary**

### For further information, contact:

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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 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.gratifii.com](http://www.gratifii.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 March 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,867	17,139
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,168)	(11,330)
(c) advertising and marketing	(2)	(38)
(d) leased assets	(58)	(195)
(e) staff costs	(1,115)	(3,338)
(f) administration and corporate costs	(909)	(2,476)
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
1.8 Other (provide details if material)	2	3
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(383)</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)
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(603)	(2,135)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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>(603)</b>	<b>(3,818)</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	-	1,447
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(45)	(130)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(40)	(40)
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>(85)</b>	<b>2,527</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	2,449	2,070
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(383)	601
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(603)	(3,818)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(85)	2,527
4.5	Effect of movement in exchange rates on cash held	(0)	(2)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,378</b>	<b>1,378</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	1,378	2,449
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>1,378</b>	<b>2,449</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	192
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	1,470	1,470
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 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. A further 357,000 convertible notes were issued to Novus Capital on 30 January 2023 on the same terms and 400,000 convertibles are to be issued to Bombora Investment Management Pty Ltd ATF Bombora Special Investments Growth Fund ("Bombora") subject to 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)	(383)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,378
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,378
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	3.6
	<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	
	<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.

Date: 27 April 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.