

28 Apr 2023

Q3 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 31 March 2023.

Highlights:

- **Cash inflows of \$3.74 million down 25.5% from the previous quarter due to seasonality and up 8.1% from the same quarter previous year due to stronger B2C and Paid Marketing revenues**
- **Net Operating cash loss of \$2.52 million up 27.3% from the previous quarter due to lower cash inflows as stated above and down 40.7% compared to Net Operating cash loss of \$4.25 million in the same quarter previous year**
- **Cash and cash equivalents of \$1.06 million at end of quarter**
- **Signed an 'Master Services Agreement' (MSA) with one of the largest payment networks to provide cashback merchant operations as a service in Australia**
- **Frequent Values enterprise audience utilising newly re-platformed apps grown by more than 35% with audience ramped up systematically across all programs**
- **Further reduction in operating costs planned through optimisation of Finance function and reduction in property footprint**

Commenting on the quarter, IncentiaPay Chief Executive Officer Ani Chakraborty said: *"This quarter was another transformational quarter for our business. We had a strong quarter in Entertainment membership sales compared to the corresponding period last year. We completed major milestones in delivery of our technology roadmap. We have signed an MSA with one of the largest payment networks to provide cashback merchant operations as a service in Australia. Our Frequent Values program continues to grow in audience and engagement."*

Operational

Strong progress in B2C

IncentiaPay remains focused on its strategic growth pillar of growing its B2C revenues. The B2C showed signs of improvement. We have sold significantly more memberships above the corresponding period last year thanks to a few successful flash sales campaigns.

The Company, continues to invest in its merchant content relationships and as at the end of the quarter, had nearly 9,000 merchant offers, covering more than 12,000 locations 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 service agreement with a renewable energy player who will leverage our Frequent Values platform for their member engagement and business growth. Our client discussions are now supported by improved new app, strong merchant offering, and robust engagement performance delivered through our programs.

During the quarter, we successfully launched the rewards program for one of the largest media networks in Australia. The program subsequently added more than 1,000 users within the first 10 days.

This quarter has been outstanding in terms of adding users in our various Frequent Values programs. We have added nearly 20,000 users in our various programs representing more than 35% audience growth in our programs.

Seamless Rewards

During this quarter, Entertainment, an IncentiaPay company, achieved an exciting outcome. We have signed a Master Services Agreement (MSA) with one of the largest payment networks to provide them with cashback merchant operations as a service in Australia.

Specific details of the MSA remain commercial in confidence, but incorporates merchant recruitment and management support, and offer procurement.

Revenue generation potential through this relationship will be directly proportional to the number of Merchants and Offers managed by IncentiaPay on this payment network platform.

Our work with other channel partners on Seamless Rewards continue. Currently, our merchant offers are delivering 100 – 150 transactions per week for our channel partners, and whilst modest, it does help prove that the model has significant potential.

Further work on cost optimisation

During the period, IncentiaPay has worked further to optimise its finance function. Under the leadership of Senior Financial Controller Kunal Kapoor, IncentiaPay has planned to run its Finance function with 4 FTEs compared to 7 FTEs in Oct-Dec quarter. This work was completed this month.

In addition, the company has decided to reduce its property footprint in Sydney downsizing to a smaller office. This work is expected to be completed by end of May 2023.

Successful execution of these initiatives will reduce our operating costs further and assist with our mission to reach operating cash breakeven.

Financials

Comparison with Same Quarter last year.

<u>Particulars</u>	<u>Quarter (Jan'23-March'23)</u>	<u>Quarter (Jan'22-March'22)</u>
1. Cash Receipts	\$3.74 million	\$3.46 million
2. Net Operating Loss	\$2.52 million	\$4.25 million

Cash receipts increased and consequently net operating loss decreased driven by a) an increase in B2C membership subscriptions and paid advertisement collections; and b) a significant reduction in operating costs. Gift Card sales fell in this quarter due to increasing pressure on discretionary spending.

As detailed in the attached ASX Appendix 4C, the Company had \$1.06m in cash and cash equivalents as at 31 March 2023.

Comparison with Previous Quarter.

<u>Particulars</u>	<u>Quarter (Jan'23-March'23)</u>	<u>Quarter (Oct'22-Dec'22)</u>
1. Cash Receipts	\$3.74 million	\$5.02 million
2. Net Operating Loss	\$2.52 million	\$1.98 million

Cash receipts decreased and consequently net operating loss increased compared to last quarter reflective of the seasonality (summer holidays and Christmas during last quarter) and B2B contracts payment timings.

Related Party Disclosures.

Pursuant to Listing Rule 4.7C.3 and as disclosed in Item 6.1 of the attached Appendix 4C, \$96k was paid in respect of directors' fees to associated entities of the directors and \$655k was paid for interest and line fees and rent 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.

For more information please contact:

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 Senior Financial Controller

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

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")

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,742	14,713
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,264)	(9,964)
(c) advertising and marketing	(245)	(1,345)
(d) leased assets	-	-
(e) staff costs	(2,008)	(7,442)
(f) administration and corporate costs	(687)	(1,824)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	29
1.5 Interest and other costs of finance paid	-	(10)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST refunded/(paid))	(71)	(261)
1.9 Net cash from / (used in) operating activities	(2,522)	(6,104)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(4)
(d) investments	-	-
(e) intellectual property	-	(311)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (security deposit returned)	-	140
2.6	Net cash from / (used in) investing activities	-	(175)

3.	Cash flows from financing activities		
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	2,000	8,500
3.6	Repayment of borrowings	(232)	(685)
3.7	Transaction costs related to loans and borrowings	(120)	(533)
3.8	Dividends paid	-	-
3.9	Interest and other costs of finance paid	(543)	(929)
3.10	Net cash from / (used in) financing activities	1,105	6,353

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,472	978
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,522)	(6,104)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	(175)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,105	6,353
4.5	Effect of movement in exchange rates on cash held	2	5
4.6	Cash and cash equivalents at end of period	1,057	1,057

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	1,057	2,472
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,057	2,472

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	751
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p>Payment for directors' fees to associated entities of directors of \$96k.</p> <p>Payment for interest and line fees to associated entities of directors of \$655k.</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>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	24,228	16,619
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	Total financing facilities	24,228	16,619
7.5	Unused financing facilities available at quarter end		7,609
7.6	<p>Interest bearing Loan (Previously Converted Loan facility)</p> <p>Interest rate:10%</p> <p>Maturity date: Updated repayment terms are yet to be agreed (Previously 30/09/2020)</p> <p>Security: First ranking security over all the Group's present and future property</p> <p>Drawn down as at 31 March 2023: \$0.680 million</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 \$0.680 million (Including interest) and will remain as a secured interest-bearing loan until repaid. Updated repayment terms are yet to be agreed.</p> <p>Transformational Capital Facility</p> <p>Interest rate:12.5%</p> <p>Maturity date: 31 December 2024 (Previously February 2022)</p> <p>Security: Second ranking security over all the Group's present and future property</p> <p>Drawn down as at 31 March 2023: \$1.208 million</p> <p>A further \$1.2 million 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>		

NZ Business Cashflow Loan

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 31 March 2023: \$0.021 million

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. Monthly repayments have commenced that will see the loan repaid by maturity date.

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 31 March 2023: \$14.710 million

New Gold Coast Holdings \$5 million 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 \$17.5 million 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)	(2,522)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,057
8.3	Unused finance facilities available at quarter end (item 7.5)	7,609
8.4	Total available funding (item 8.2 + item 8.3)	8,666
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.4
<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?
	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:
<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:

Authorised by: 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.