

26 July 2023

Q4 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 June 2023.

Highlights:

- Contributed \$176,000 to 3,460 charities during the quarter
- Appointment of Dean Palmer as Chairman and Ani Chakraborty as Managing Director of the Company
- Cash inflows of \$4.46 million up 19.3% from the previous quarter driven by increase in the membership subscription fees and Frequent Values subscribers' growth
- 78,130 memberships sold in this quarter, more than four times the number of memberships sold in the previous quarter
- Net Operating cash loss of \$0.73 million
 - Down 70.9% from the previous quarter due to higher cash inflows and lower costs
 - Down 71.4% from the same quarter previous year
- Cash and cash equivalents of \$1.82 million at end of quarter
- Frequent Values audience utilising newly re-platformed apps has grown by more than 34% with audience ramped up systematically across all programs. Frequent Values audience has grown more than 30% for 2 quarters in a row
- Negotiated a deferment of interest payable to the Company's major debtholder and also a 25% reduction in the debt Administrative Fees. This will improve cashflow by \$0.54 million per quarter in interest (based on the current outstanding loan) and administrative fees, helping the Company to invest future drawdowns for business building purposes
- Reduction in operating costs through optimisation of the finance function and reduction in property lease costs

Commenting on the quarter, IncentiaPay Chief Executive Officer Ani Chakraborty said: "We continue our transformation journey. Tech transformation of our Apps are significantly advanced. Cost optimisation initiatives are nearly complete and have delivered on our promised \$5m per annum cost savings. We have added new 'blue chip' corporate relationships including one large payment network for our cashback offering. We are now well positioned to build stronger revenues with high operating leverage."

Operational

Strong progress in B2C

IncentiaPay remains focused on one of its strategic growth pillars of growing its B2C revenues. The Company sold 78,130 memberships during the quarter, more than 4 times higher than the previous quarter thanks to a successful EOFY sales campaign.

A new version of the Entertainment App was launched in June 2023 delivering on multiple features sought by our members such as ability to filter by offer type, filter by new offers and accurately track actual savings.

The Company continues to invest in its merchant content relationships and, as at the end of the quarter, had nearly 8,000 merchant offers, covering more than 13,000 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 launched activation campaigns for multiple programs building a stronger Frequent Values audience asset with activated users on the App growing by 34%. The Company has upcoming App launches and user activation drives which are expected to further bolster our Frequent Values audience asset.

Improved App capabilities continue to drive stronger engagement with App users.

Seamless Rewards

During the quarter, the Company commenced operational work with one of the largest global payment networks to provide cashback merchant operations as a service. As part of this process, we are starting to manage a part of this network's existing merchant portfolio, recruit new merchants for their programs, and procure offers on a continuous basis to serve various underlying program needs. This relationship will provide the Company with transaction linked revenue exposure to the transactions associated with offers procured and managed by us.

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 regular transactions for our channel partners.

Deferment of Interest payments and Loan Administrative Fee Reduction

The Company signed an amendment to the convertible loan deed with NGCH for deferment of interest payments on the loan from 1st February 2023 to 31st December 2024 (the maturity date of the loan) and also a 25% reduction in the administrative fees. This amendment reduces cash outflows by \$0.54 million per quarter (based on the current outstanding loan) through until 31st December 2024.

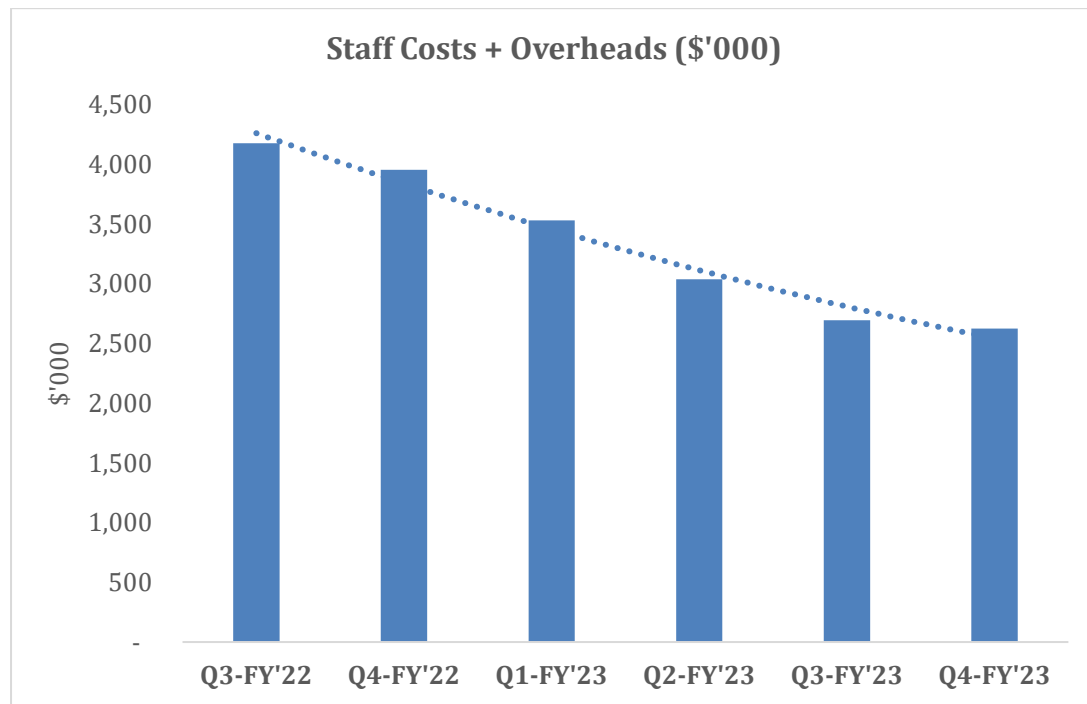
Cost optimisation

During the period, IncentiaPay continued delivering on its promise to deliver \$5m in annualised cost savings which have now been achieved.

These cost savings included a reduction in the Company's property footprint in Sydney downsizing from the current 3 Spring Street, Sydney premises to a new location in York Street, Sydney effective 1 June 2023. Rental savings from this downsizing are approximately \$200k per annum.

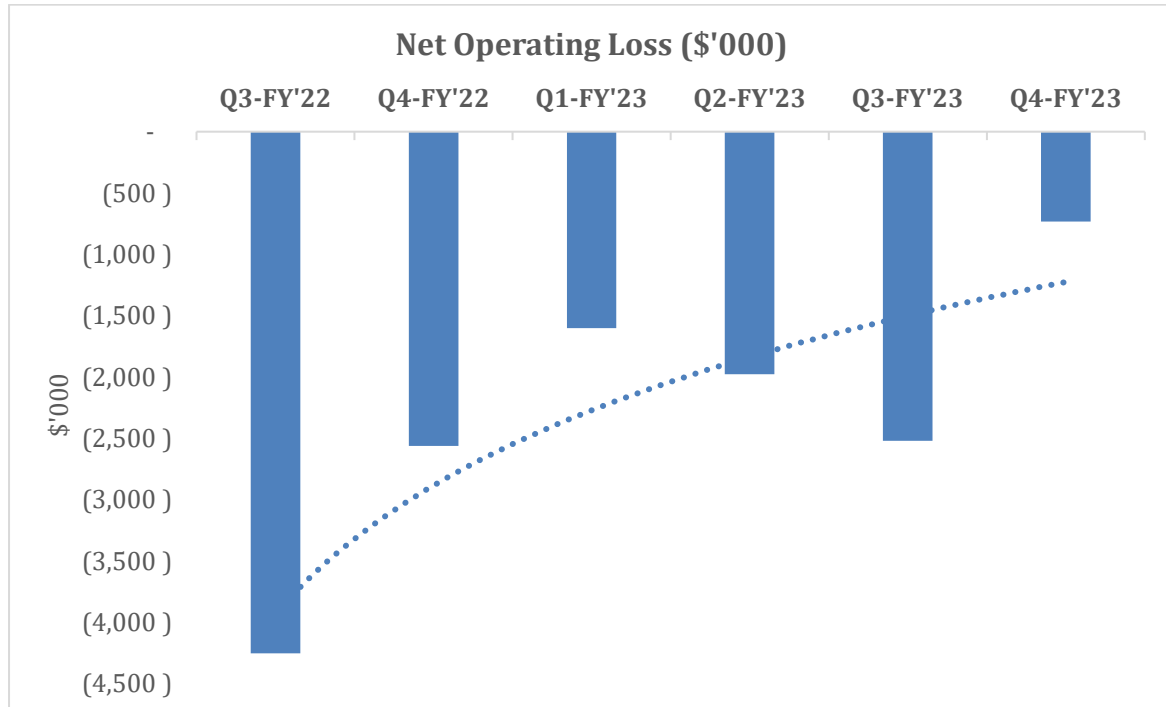
Operational Performance over past 6 quarters

Staff Costs and Overheads



The Company has achieved a material reduction in staff costs and overheads over the past 6 quarters driven by adopting an optimal organization structure and better cost controls. Costs have reduced significantly from \$4.18 million in Q3-FY22 to a now stabilised \$2.62 million in Q4-FY23.

Net Operating Loss



The Company has achieved a material improvement in the Net Operating Loss which reduced considerably from \$4.25 million in Q3-FY22 to \$0.73 million in Q4-FY23 driven by a combination of lower costs and stronger high margin revenues.

Financials

Comparison with Same Quarter last year.

<u>Particulars</u>	<u>Quarter (Apr'23-June'23)</u>	<u>Quarter (Apr'22-June'22)</u>
1. Cash Receipts	\$4.46 million	\$6.30 million
2. Net Operating Loss	\$0.73 million	\$2.56 million

Net operating loss decreased significantly largely driven by reduction in operating costs and focus on higher margin revenues. Operating cost outflows reduced by \$3.67 million (41.4%) from the same quarter last year.

Cash receipts were lower primarily due to a reduction in the Membership Sales and lower margin Gift Card sales.

As detailed in the attached ASX Appendix 4C, the Company had \$1.82 million in cash and cash equivalents as at 30 June 2023.

Comparison with Previous Quarter.

<u>Particulars</u>	<u>Quarter (Apr'23-June'23)</u>	<u>Quarter (Jan'23-March'23)</u>
1. Cash Receipts	\$4.46 million	\$3.74 million
2. Net Operating Loss	\$0.73 million	\$2.52 million

Cash receipts increased and consequently net operating loss decreased compared to last quarter due to stronger B2C and B2B sales, and additional cost savings.

Related Party Disclosures.

Pursuant to Listing Rule 4.7C.3 and as disclosed in Item 6.1 of the attached Appendix 4C, \$77k was paid in respect of directors' fees and other reimbursements to associated entities of the directors and \$181k 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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,463	19,176
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,330)	(12,294)
(c) advertising and marketing	(191)	(1,536)
(d) leased assets	-	-
(e) staff costs	(2,032)	(9,474)
(f) administration and corporate costs	(595)	(2,419)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	42
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))	(63)	(324)
1.9 Net cash from / (used in) operating activities	(735)	(6,839)

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	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(e) intellectual property	-	(311)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(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	10,500
3.6	Repayment of borrowings	(306)	(991)
3.7	Transaction costs related to loans and borrowings	(144)	(677)
3.8	Dividends paid	-	-
3.9	Interest and other costs of finance paid	(43)	(972)
3.10	Net cash from / (used in) financing activities	1,507	7,860

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,057	978
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(735)	(6,839)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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)	1,507	7,860
4.5	Effect of movement in exchange rates on cash held	-4	1
4.6	Cash and cash equivalents at end of period	1,825	1,825

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	1,825	1,057
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)	1,825	1,057

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	258
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 \$72k.</p> <p>Payment for interest and line fees to associated entities of directors of \$181k.</p> <p>Payment to reimburse legal fees to associated entities of directors of \$5k.</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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<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>		
7.1	Loan facilities	24,228	18,157
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	Total financing facilities	24,228	18,157
7.5	Unused financing facilities available at quarter end		6,071
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>Principal Drawn down as at 30 June 2023: \$0.500m</p> <p>Available funds at 30 June 2023: \$0.00m</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. Interest is payable on the maturity date. Updated repayment date is yet to be agreed. The current principal outstanding at 30 June 2023 is \$0.500m and interest outstanding is \$0.197m.</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>Principal Drawn down as at 30 June 2023: \$1.200m</p> <p>Available funds at 30 June 2023: \$0.00m</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. The current principal outstanding at 30 June 2023 is \$1.20m and interest outstanding is \$0.007m.</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 30 June 2023: \$0.028m

Available funds at 30 June 2023: \$0.00m

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. The current balance at 30 June 2023 is \$0.019m.

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

Principal Drawn down as at 30 June 2023: \$16.429m

Available funds at 30 June 2023: \$6.071m

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 increasing the loan facility limit to \$22.5m. 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. As announced to the market on 28 April 2023, the company managed to reach an agreement with its major shareholder to defer interest payments on the loan until 31 December 2024 and to reduce the monthly administration fee by 25%. The current principal amount outstanding at 30 June 2023 is \$16.43m and interest outstanding is \$0.77m. The undrawn portion of the facility as at 30 June 2023 was \$6.07m.

8. Estimated cash available for future operating activities		\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(735)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,825
8.3	Unused finance facilities available at quarter end (item 7.5)	6,071
8.4	Total available funding (item 8.2 + item 8.3)	7,896
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	10.7
<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?	
<div>Answer:</div>		
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?	
<div>Answer:</div>		
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?	
<div>Answer:</div>		
<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.

Authorised by: By the Board

Date: 26 July 2023

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.