

27 July 2023

ASX ANNOUNCEMENT

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

Graffiti continues to build scale and delivers ninth consecutive quarter of cash receipt growth in 4Q FY23

Highlights for 4Q

- Building scale with continued quarterly cash receipt growth and improved cash position:
 - Record 4Q FY23 **cash receipts of \$9.3m** (+139% vs 4Q FY22 and +59% on 3Q FY23), representing a two-year compound average growth rate (**CAGR**) of 89%.
 - **Positive operating cashflow of \$0.28m** for 12 months to 30 June 2023, compared to a cash outflow of -\$0.30m for the 12 months to 30 June 2022.
 - **Cash position of \$1.69 million** as at 30 June 2023. This excludes the further \$0.9 million proceeds which are subject to shareholder approval.
 - Further, the company had an accelerated **R&D spend** of approx. \$600,000 during the quarter ensuring it is well positioned to deliver the initial RACV affiliates Phase 1 project in August as scheduled.
- Successful execution of **\$2.75 million capital raise** via two-tranche placement to accelerate further growth, deployment of Gratifii's SaaS platform and other initiatives.
- Completed the acquisition of the assets of Spendless Buying Advisory Services Pty Ltd (**Spendless**) for \$175,000 plus stock during the quarter, adding scale and distribution to the Neat Ideas business.
- Signed a transformational 3-year SaaS contract with key client Royal Automobile Club of Victoria Limited (**RACV**), and
- Delivered a record number of client projects to **Niterra Australia**, NZ based **FAB Group**, a further two restaurant brands for **Seagrass Boutique Hospitality Group** and Gratifii's **large health services provider client**.

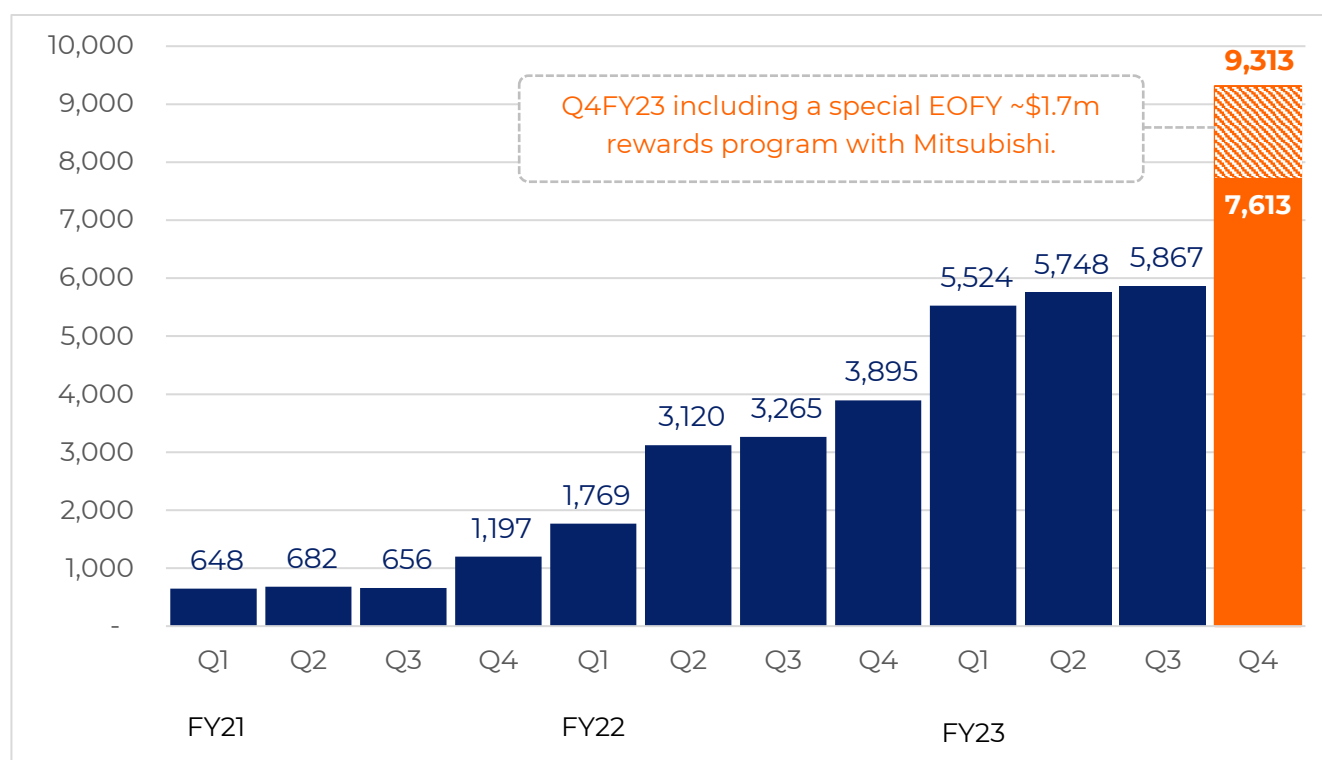
Gratifii Limited (ASX:GTI) (**Gratifii** or **the Company**), the enterprise loyalty and rewards company, is pleased to announce continued cash receipts growth in 4Q FY23 relative to the prior quarter.

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

"Gratifii had a strong quarter to 30 June 2023, both in terms of financial performance and client project delivery. Cash receipts reached a record high of \$9.3 million, up 59% on the prior quarter, which included a special 'End of Financial Year' rewards program for Mitsubishi of approximately \$1.7 million above the typical quarterly program volume for this client. We signed a transformational contract with our key client RACV, who will become our largest SaaS client, and completed a

successful capital raise. Key milestones were met across all major client development projects and there are now over 100,000 active accounts on our Mosaic platform.”

Quarterly Cash Receipts (\$'000) shows 2-year CAGR to 4Q FY23 of 89%



Corporate Activity

The Company undertook a capital raise in June 2023 to raise approx. \$2.75 million via a two-tranche placement:

- On 20 June 2023 Gratificii issued 115.3 million in new fully paid ordinary shares via a \$1.84 million placement to institutional investors at an issue price \$0.016 per share, being the closing share price on 7th June 2023 (**Tranche 1**).
- Further, the Company entered into a binding agreement (subject to shareholder approval at an Extraordinary General Meeting to be held on 24 August 2023) to raise a further \$905k from institutional investors, of which Bombora Special Investments Growth Fund, Gratificii’s largest shareholder, committed \$250k (**Tranche 2**). Tranche 2 will also be priced at \$0.016 per share.

In addition, the Company completed the purchase of the assets of Spendless as announced to the market on 9 May 2023. The transaction added scale and distribution to its rewards business Neat Ideas via the acquisition of IP domain names (including websites and payment portals), customer lists and supplier agreements used by Spendless to sell gift cards and movie tickets to closed end member groups.

The Company paid \$175,000 in cash on completion, being the agreed purchase price plus the face value of usable stock.

Operations Update

SaaS Enterprise Platform

Gratificii signed a 3-year contract with key client **RACV** to deploy its SaaS platform with an expanded range of rewards. The contract contains options to renew for a further 2 terms of 3 years.

Neat Ideas, Gratificii's rewards business, has been an existing rewards platform provider to RACV's 2.1 million members for more than 10 years.

Under the new contract, Gratificii expects to receive first year revenue of approximately \$8.8 million, comprised of an annual SaaS licence fee of \$360,000 post planned phase 2 go live in November 2023, \$6 million from RACV and its affiliates (estimates based on prior 12 month's volumes provided by RACV) and \$2.5 million in cross-sell revenue. With this additional revenue the Company is confident it will deliver positive cashflows within FY24 from the expanded rewards and services products offered.

Phase One development has been completed and on track to go live in August 2023.

Gratificii also delivered client functionality for the following key enterprise contracts during the quarter:

- **Niterra Australia (formerly NGK Spark Plugs):** Gratificii's first end-to-end loyalty solution client, launched their Gratificii-executed Power Perks loyalty program to approx. 5,000 independent garages and workshops. The 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. The program went live under an accelerated implementation timeline, highlighting the enhanced scalability of Gratificii's product offering.
- **FAB Group:** Strategically important as Gratificii's first New Zealand SaaS implementation to 70+ cosmetics and skincare clinics. Their rewards and recognition platform and online skincare shop, "Caciverse", was launched during the quarter to staff and franchisee skin clinics.
- **Large health services provider:** This private medical centre client signed up an additional 60,000 new members and six more medical centres to its digital loyalty program as part of the 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:** Went live with their Gratificii-powered Dining Rewards Program to a further two brands: Italian Street Kitchen and Meat & Wine Co. The loyalty program is now live across four of six restaurant brands, with the final two brands to go live in 2HFY24.

Neat Ideas – Rewards update

Several high-profile member and employee rewards programs signed in 4Q FY23, with users gaining access to Neat Ideas' 500+ suppliers and best-in-market pricing. Total members accessing the platform now exceeds 16 million.

- **Cliqit:** White labelled site supplying full rewards to 70 RACV partners and affiliates with an estimated audience of 1 million users. On track to go live in August 2023 with staged onboarding.
- **RACV:** Victorian based auto club has appointed Gratifii to supply full rewards to its 2.2 million members, launching 2Q FY24.

Additionally, the company acquired approximately \$300,000 of higher margin inventory in June to ensure it has the required stock to cover the July school holiday season and the initial RACV affiliates going live with Phase 1 in August.

Hachiko – Marketing services update

Hachiko delivered the following engagement programs and loyalty-led marketing services during the quarter:

- **Niterra:** New loyalty program and launch assets as part of full-service solution delivered by Gratifii to drive engagement and market position with Niterra's core customers within mechanical workshops and distribution partners.
- **Spark NZ:** New services engagement featured a two-part video series for New Zealand based telecommunications company.
- **Datacom:** New services engagement delivered a new line of business brand identity and go-to-market materials to Australasia's largest homegrown tech company.
- **Synergy:** New services engagement delivered a cyber security brand workshop to Australia's one-stop IT service provider.
- **The Distributors:** New services engagement delivered employee conference management for over 200 delegates and 30 leading snack brands at their 42nd Annual Conference.

Outlook

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

"Gratifii is building the scale and technology to provide an end-to-end loyalty solution which is unique in Australia and NZ. The ability to implement quickly with strong design and implementation teams, together with the flexibility of the Mosaic platform, has resulted in a large pipeline of enterprise clients with the potential to sustain the Company's strong growth profile for the foreseeable future. The Company anticipates it will continue to implement new enterprise

clients, particularly with its counter cyclical offering and we expect to deliver continued cash receipts growth in FY24 as the company continues to focus on the delivery of the RACV project.”

ASX Additional Information

During the quarter, the Company paid directors fees and remuneration of \$218k 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.

Ben Newling
Joint Company Secretary

For further information, contact:

Iain Dunstan
CEO & Managing Director
Gratificii Limited
E: iaind@gratificii.com

Alastair Murray
Investor Relations & Corporate Advisor
Candour Advisory
E: alastair@candouradvisory.com.au

About Gratificii Limited

Gratificii Limited (ASX:GTI) is an ASX listed company transforming the way that loyalty and rewards are managed and delivered. Our single platform is a complete solution offering affordable, market-leading functionality and configurability. Over 60 mid-to-top tier brands rely on Gratificii for their loyalty and rewards across Australia, New Zealand, Singapore and UAE.

To learn more, visit: 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")

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	9,313	26,452
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(7,354)	(18,684)
(c) advertising and marketing	(18)	(56)
(d) leased assets	(43)	(238)
(e) staff costs	(1,183)	(4,521)
(f) administration and corporate costs	(1,037)	(3,513)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(4)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	840
1.8 Other (provide details if material)	-	3
1.9 Net cash from / (used in) operating activities	(326)	275
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(175)	(2,325)
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(900)	(3,035)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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
2.6	Net cash from / (used in) investing activities	(1,075)	(4,893)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,845	3,095
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	(138)	(268)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(40)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,707	4,234

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,378	2,070
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(326)	275
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,075)	(4,893)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,707	4,234
4.5	Effect of movement in exchange rates on cash held	3	1
4.6	Cash and cash equivalents at end of period	1,687	1,687

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	1,801	1,378
5.2	Call deposits	-	-
5.3	Bank overdrafts	(114)	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,687	1,378

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	218
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>		

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	1,470	1,470
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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>In August 2022, the Group issued 713,000 notes at a face value of \$1.00. The unsecured debt was provided to various sophisticated investors at an interest rate of 10% p.a. and mature in February 2024.</p> <p>A further 357,000 convertible notes were issued to Novus Capital on 30 January 2023 at a face value of \$1.00. The unsecured debt was provided to various sophisticated investors at an interest rate of 10% p.a. and mature in July 2024.</p> <p>400,000 convertibles are to be issued to Bombora Investment Management Pty Ltd ATF Bombora Special Investments Growth Fund ('Bombora') subject to shareholder approval and will mature 18 months from issue.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(326)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,687
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,687
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.2
	<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 July 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.