

24 October 2023

Q1 FY24 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 September 2023.

Highlights:

- **Cash inflows of \$3.90 million down 12.5% from the previous quarter due to a decrease in membership subscription fees and gift card revenues, offset in part by improved Frequent Values revenues.**
- **Frequent Values revenues up by 30% from the previous quarter due to improved collections. Overall, our Frequent Values audience size has increased by 71% during the 6 month period ending 30 September 2023.**
- **Overall costs down 9.8% from the previous quarter driven by continued optimisation of staff and administrative costs.**
- **Net Operating cash loss of \$0.79 million:**
 - **Up 7% from the previous quarter due to lower cash inflows**
 - **Down 50.9% from the same quarter previous year reflecting results of cost optimisation initiatives**
- **Cash and cash equivalents of \$1.74 million at end of quarter.**

Commenting on the quarter, IncentiaPay Chief Executive Officer Ani Chakraborty said: *"INP delivered another quarter of stable operating performance with signs of green shoots in key revenue areas while costs continue to be optimised. With our tech transformation largely complete and costs under control, we are ready to embark on a revenue growth journey. As part of this journey, we are increasing our revenue focus, building our sales capacity, and introducing more transaction-linked revenue generating content in our programs."*

Operational

Entertainment Membership

Entertainment membership revenues were impacted by the overall reduction in the retail spending in the economy, witnessing lower revenues compared to last quarter. We continue to develop attractive offerings for our members such as the 'Ultimate Holiday' package campaign in September that provided members with a number of additional benefits to complement their membership.

We continue to bring in new offerings to support our members.

We continue to closely work with Fundraisers and support various important causes. Our Fundraisers continue to be our inspiration. Recently, we asked our Fundraisers about how they spend the funds raised through Entertainment. The responses proved that Entertainment remains an integral part of the social fabric in Australia and New Zealand.



Frequent Values

B2B (Frequent Values) saw another quarter of strong performance. A number of new branded and white label apps were launched in the market. We also ran successful audience activation campaigns resulting in a 27% increase in the activated users on the App. We have also started a monthly 'Shop and Save' program for Frequent Values members improving member engagement and transaction linked revenue generation.

Gift Cards

Gift Card revenues were significantly depressed this quarter reflective of the overall reduction in spending in the retail sector. We are executing several initiatives to improve our Gift Card capabilities including the addition of new gift cards, running 'Pulse Offers' and improving margins through volume growth. Some major new brands added in the Gift Card segment in this quarter were Ikea, Cotton On and Temple & Webster.

Seamless Rewards

During the quarter, the Company continued to expand its service offerings to one of the largest payment networks in Australia to provide cashback merchant operations as a service. We now have several leading merchants across categories such as dining, travel and retail onboarded on this platform. This relationship is now well positioned to increase the transaction linked revenues for the business.

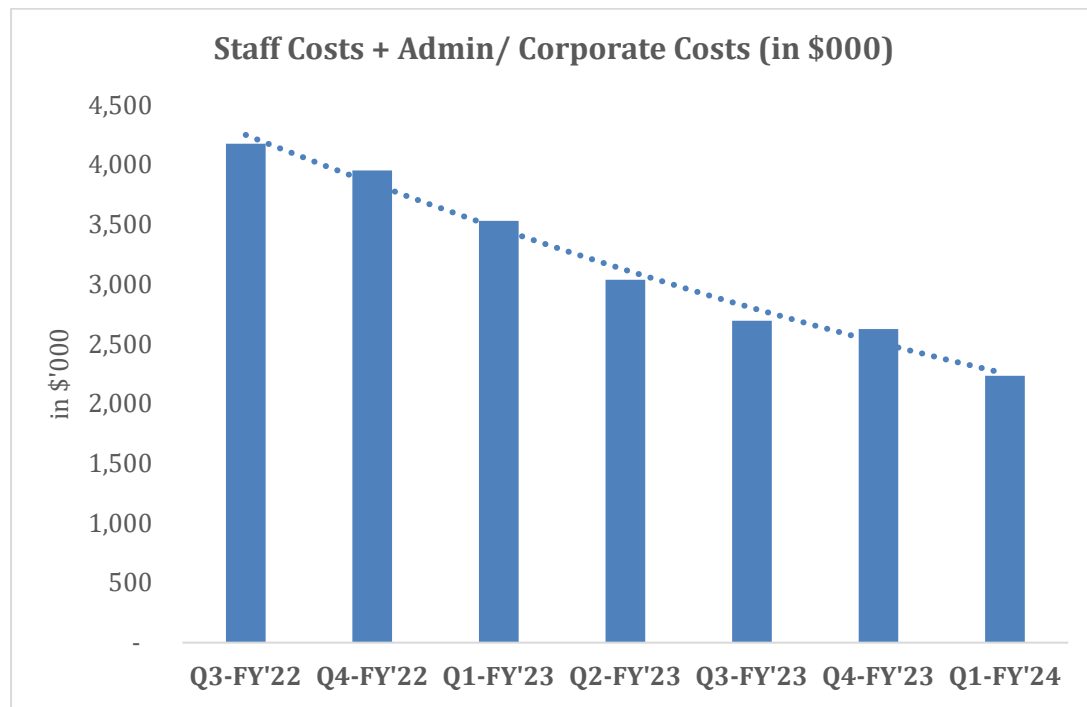
We will continue to grow our merchant base to serve the growing need of the payment network and its underlying programs. Initial work has commenced to integrate the payment network's platform and the INP platform via an API to handle large transaction volumes to future proof this important relationship.

Cost optimisation

The Company continued to optimise operational costs on various fronts. During the quarter, Staff costs and Overheads outflows were lower by \$392k driven by the initiatives taken in earlier quarters. The Company has initiated a change in financial auditor for FY2024 which is expected to result in additional annual savings of approximately \$150k.

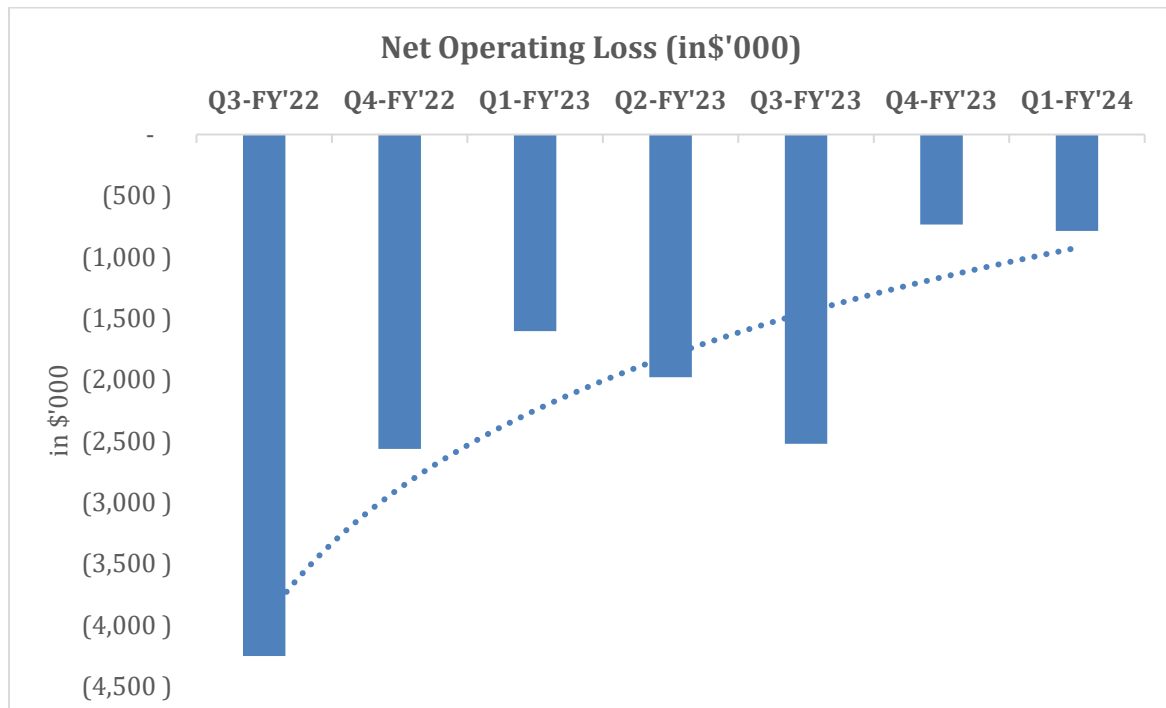
Operational Performance over past 7 quarters

Staff Costs and Overheads



The Company has achieved a material reduction in staff costs and overheads over the past 7 quarters driven by adopting an optimal organisation structure and better cost controls. Costs have reduced significantly in terms of a quarterly run rate from \$4.18 million in Q3-FY22 to a \$2.3 million in Q1-FY24.

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 \$0.79 million in Q1-FY24 driven by a combination of lower costs and stronger high margin revenues.

Financials

Comparison with Same Quarter last year.

<u>Particulars</u>	<u>Quarter (July'23-Sept'23)</u>	<u>Quarter (July'22-Sept'22)</u>
1. Cash Receipts	\$3.90 million	\$5.95 million
2. Net Operating Loss	\$0.79 million	\$1.60 million

Net operating loss decreased significantly, largely driven by a reduction in operating costs and focus on higher margin revenues. Operating cost outflows reduced by \$2.87 million (37.9%) from the same quarter last year.

Cash receipts were lower primarily due to a reduction in the Membership Sales and Gift Card sales, which is reflective of the overall reduction in the retail spending across the country.

As detailed in the attached ASX Appendix 4C, the Company had \$1.74 million in cash and cash equivalents as at 30 September 2023.

Comparison with Previous Quarter.

<u>Particulars</u>	<u>Quarter (July'23-Sept'23)</u>	<u>Quarter (Apr'23-June'23)</u>
1. Cash Receipts	\$3.90 million	\$4.46 million
2. Net Operating Loss	\$0.79 million	\$0.73 million

Cash Receipts were slightly lower primarily due to a reduction in the Membership Sales and Gift Card sales. However, the impact on Net Operating Loss was curtailed due to a reduction in cost outflows.

Related Party Disclosures.

Pursuant to Listing Rule 4.7C.3 and as disclosed in Item 6.1 of the attached Appendix 4C, \$82.1k was paid in respect of directors' fees and other reimbursements to associated entities of the directors and \$99k 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.

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CFO and Joint Company Secretary

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 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,903	3,903
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,132)	(2,132)
(c) advertising and marketing	(194)	(194)
(d) leased assets	-	-
(e) staff costs	(1,855)	(1,855)
(f) administration and corporate costs	(380)	(380)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	14
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST refunded/(paid), old tax liabilities)	(142)	(142)
1.9 Net cash from / (used in) operating activities	(786)	(786)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(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)	21	21
2.6	Net cash from / (used in) investing activities	21	21

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	930	930
3.6	Repayment of borrowings	(155)	(155)
3.7	Transaction costs related to loans and borrowings	(61)	(61)
3.8	Dividends paid	-	-
3.9	Interest and other costs of finance paid	(39)	(38)
3.10	Net cash from / (used in) financing activities	675	675

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,825	1,825
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(786)	(786)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	21	21
4.4	Net cash from / (used in) financing activities (item 3.10 above)	675	675
4.5	Effect of movement in exchange rates on cash held	1	1
4.6	Cash and cash equivalents at end of period	1,736	1,736

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	1,736	1,736
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)	1,736	1,736

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	82.1
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Payment for directors' fees to associated entities of directors of \$65k. Payment for interest and line fees to associated entities of directors of \$99k. <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	24,228	19,087
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	Total financing facilities	24,228	19,087
7.5	Unused financing facilities available at quarter end		5,141
7.6	Interest bearing Loan (Previously Converted Loan facility) Interest rate:10% Maturity date: Amended to 12/2024 (Previously 30/09/2020) Security: First ranking security over all the Group's present and future property Principal Drawn down as at 30 September 2023: \$0.500m Available funds at 30 September 2023: \$0.00m 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. Company signed an amendment deed in August 2023 to defer the Principal and Interest payment to December 2024. The current principal outstanding at 30 September 2023 is \$0.500m and interest outstanding is \$0.21m. Transformational Capital Facility Interest rate:12.5% Maturity date: 31 December 2024 (Previously February 2022) Security: Second ranking security over all the Group's present and future property Principal Drawn down as at 30 September 2023: \$1.200m Available funds at 30 September 2023: \$0.00m 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 September 2023 is \$1.20m and interest outstanding is \$0.008m.		

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 September 2023: \$0.028m

Available funds at 30 September 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 September 2023 is \$0.017m.

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 September 2023: \$17.36m

Available funds at 30 September 2023: \$5.14m

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 September 2023 is \$17.36m and interest outstanding is \$1.3m. The undrawn portion of the facility as at 30 September 2023 was \$5.14m.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(786)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,736
8.3	Unused finance facilities available at quarter end (item 7.5)	5,141
8.4	Total available funding (item 8.2 + item 8.3)	6,877
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	8.7
<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?	
	Answer: Not Applicable	
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: Not Applicable	
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: Not Applicable	
<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: Board of Directors.

Date: 24 October 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 – e.g., 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.