

31 October 2023

ASX ANNOUNCEMENT

1Q FY24 Quarterly Business Update and Appendix 4C Cashflow Statement

Graffiti continues to build its connected community, providing platform access to over 16m business customers and employees

Highlights for 1Q FY24

- Gratifii continues to build scale, enhanced loyalty points and access to better pricing for its connected community on its proprietary technology platform, Mosaic.
- Sustained strong cash receipts has resulted in:
 - 1Q FY23 **cash receipts of \$7.27m** (+32% vs 1Q FY23), representing a two-year compound average growth rate (**CAGR**) of **103%**
 - A **42%** reduction in operational cash burn v PVP (1Q FY23)
 - **Cash position of \$1.37 million** as at 30 September 2023.
 - **Cash position anticipated to grow in 2Q FY24**, traditionally Gratifii's strongest quarter.
- Continued execution on customer contracts with 5 companies live on the loyalty platform.
 - Delivery of RACV phase one and growth in Seagrass and Cornerstone Health driven by customer requests for additional functionality and roll-out to more centres / brands / locations
- New wins with RAA (South Australian motoring association) and ClubConnect, and with a growing pipeline of further transformative opportunities
 - Gratifii has signed a three-year API agreement with ClubConnect to enable seamless integration of Gratifii's existing movie ticketing platform with ClubConnect's tailored marketplace platform which is currently used by all the major Australian Motoring Clubs. The API is expected to go live in mid-November.
- As previously announced, the Company had an accelerated **R&D spend** of approx. \$600,000 during the quarter ensuring it delivered the initial RACV affiliates Phase 1 project on time.
- Outlook continues to strengthen, with existing contracts anticipated to deliver significant revenue growth. Delivery of these opportunities have the potential to further transform the Company.

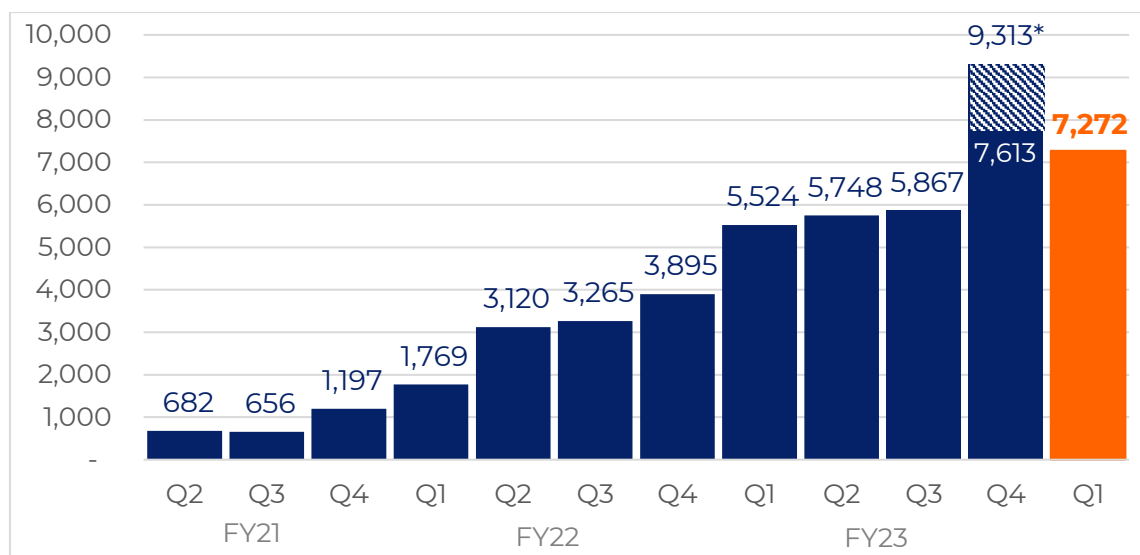
Gratifii Limited (ASX:GTI) (**Gratifii** or **the Company**), the enterprise loyalty and rewards company, is pleased to announce continued cash receipts growth in 1QFY24 relative to the prior corresponding quarter.

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

*"Despite the September quarter historically being seasonally softer, Gratifii has again delivered cash receipts ahead of budget and only 4% below the record cash receipts delivered in one of the traditionally stronger quarters of 4QFY23. The quarter's result is a culmination of the accelerated uptake of all products from both new and existing clients leading to material growth in platform users. Further, the newly signed ClubConnect contract provides Gratifii with potential access to all major Australian motoring clubs, representing approximately 8.9 million members and employees."*¹

“The above is enabling our clients to continue to build relationships with customers and employees, with real relevance and real value in a flexible and secure environment.”

Quarterly Cash Receipts (\$'000) shows 2-year CAGR to 1Q FY24 of 103%



* Q4 FY23 included a special EOFY ~\$1.7m rewards program with major client Mitsubishi.

Operations Update

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

- Phase One of 3-year SaaS contract with key client Royal Automobile Club of Victoria Limited (**RACV**) is now built and live. Phase Two is due for delivery in 3QFY24.
- **Cornerstone Health** continued the roll-out of its Gratifii powered loyalty program to its 14 medical centres and added 57,000 new users during the quarter, taking the total to 230,000 users now live on the Company's SaaS platform, Mosaic.
- **RAA** signed a 2-year contract with Gratifii, enabling its 800k motoring club members access to movie ticketing via Mosaic. This transaction means that Gratifii has now executed contracts with 3 of Australia's 7 peak motoring clubs, extending Gratifii's focus on Australian motoring organisations.
- **Club Connect** executed a new 3-year agreement with Gratifii, which will provide the seamless integration of Gratifii's existing movie ticket platform with ClubConnect's tailored marketplace platform which is currently used by all the major Australian Motoring Clubs. There are currently 8.9 million auto club members nationally¹.

Travel, our new and expanded rewards offering – Neat Destinations:

Gratifii has announced the launch of a new travel rewards brand, **Neat Destinations**. The new offering will connect the Company's 16 million potential users with best-in-market travel deals via member or employee engagement programs. The Company expects approximately 17,000 travel

listings across holiday packages, tours, cruises and accommodation to be available through its travel marketplace next year, **with Gratifii to earn reseller margins on sales.**

ISO 27001 certification

The Company made substantial investments during the during 1QFY24 to ensure it successfully passed the audit of its information security management standards and expects to receive its certification to the International Standard ISO27001 during 2QFY24. In preparation for the certification, the Company implemented of a range of policies and procedures to assist in maintaining best practice in the management and protection of information it holds. This certification enables the Company to work with Tier One companies who mandate this certification as part of any tender process.

Corporate Activity

The Company realised \$905k from the earlier capital raise in June 2023 from institutional investors in August 2023, being the second tranche of a Capital Raise, (as announced on 13 June 2023). Gratifii's largest shareholder, Bombora Special Investments Growth Fund, invested \$250k in the Capital Raise. The funding is being used to deliver, accelerated software development, ISO27001 requirements and working capital to accommodate forecast revenue growth.

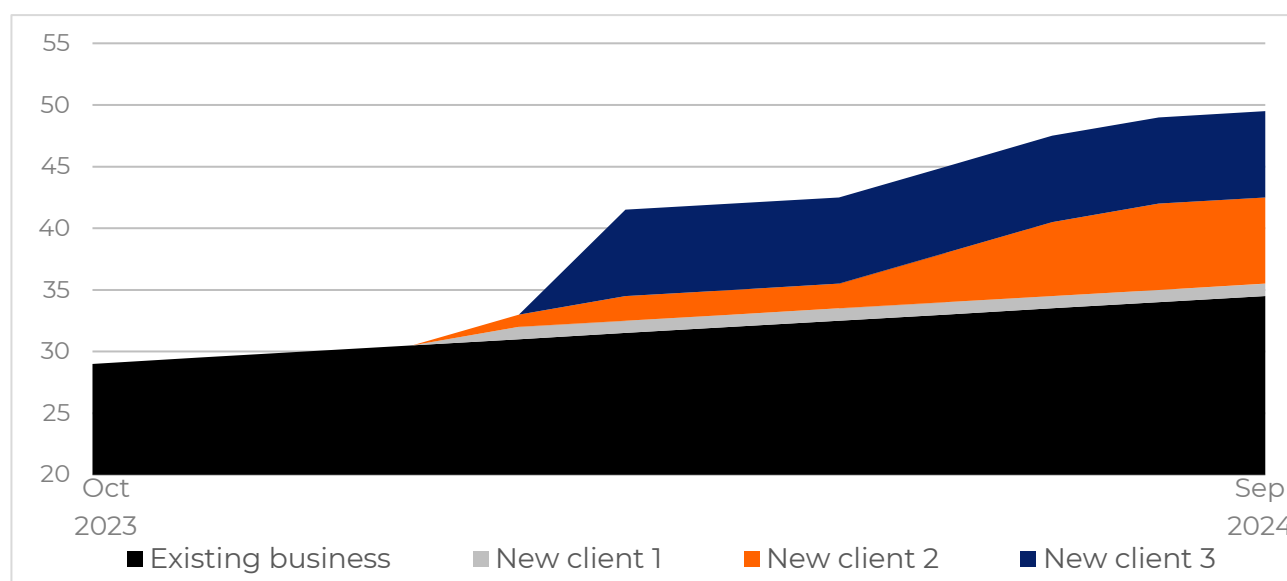
The Company's cash position was \$1.37 million as at 30 September 2023. **Gratifii anticipates it will deliver positive cashflows in the current quarter (2QFY24)**, bolstering the company's cash position.

Outlook

Gratifii remains on track delivering a strong growth profile for the foreseeable future.

The following graph provides a view of the Company's indicative revenue run rate for the next 12 months. It shows indicative revenue from existing business customers plus new initiatives based on historical sales data sourced from newly signed contracts, RAA, ClubConnect, and Phase Two of the RACV roll out.

Next 12-month indicative Revenue Run Rate (including new contract wins) (\$m)



Disclaimer: Factors that could influence the Company's short-term outlook include external market conditions, particularly interest rates and inflation, consumer sentiment, unforeseen project delays, and key client gains or losses.

This indicative growth will require continued investment in working capital through accelerated inventory purchases and development spend to finalise RACV Phase 2 and the delivery of the two new clients. This is a short-term focus for management to ensure integrations are completed, revenues are maximised, and development of the Mosaic platform is completed to ensure, optimal delivery timetables, product availability, security and scale.

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

"Gratificii is on track to become a leading provider of end-to-end loyalty and reward solutions in Australia and New Zealand. We expect our strong growth profile to continue as we scale our proprietary software and deliver quality service and value for our clients. As we move into the seasonally strong summer holiday period, we feel confident that the upcoming quarters will deliver further strong revenue and cash flow growth."

"On the back of our newly signed initiatives with ClubConnect, RAA and RACV, plus the expected launch of our Neat Destinations travel offering next quarter, the Board remains confident of our plans to grow our annual revenue this financial year, as highlighted in our indicative revenue run rate outlook."

ASX Additional Information

During the quarter, the Company paid directors fees and remuneration of \$128k 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 and Singapore.

To learn more, visit: www.gratificii.com.

1. Source: Australian Automobile Association: <https://www.aaa.asn.au/pages/who-we-are/>.

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 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	7,272	7,272
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(5,850)	(5,850)
(c) advertising and marketing	(9)	(9)
(d) leased assets	(42)	(42)
(e) staff costs	(837)	(837)
(f) administration and corporate costs	(810)	(810)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(13)	(13)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	2	2
1.9 Net cash from / (used in) operating activities	(287)	(287)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(863)	(863)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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)	-	-
2.6	Net cash from / (used in) investing activities	(863)	(863)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	904	904
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	(72)	(72)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	832	832

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,687	1,687
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(287)	(287)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(863)	(863)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	832	832
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,369	1,369

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	1,491	1,801
5.2	Call deposits	-	-
5.3	Bank overdrafts	(122)	(114)
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,369	1,687

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	128
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)	(287)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,369
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,369
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.8
	<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	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>N/A</p> <p>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?</p> <p>N/A</p>	

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

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.

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: 31 October 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.