

29 February 2024

ASX ANNOUNCEMENT

Gratifii releases half year results for FY24

Gratifii Limited (ASX:GTI) (**Gratifii** or **the Company**), the enterprise loyalty and rewards company, is pleased to announce its financial results for the half year ended 31 December 2023 (**H1 FY24**).

Highlights for FY24

Financial:

- **Ordinary Revenue** of \$15.58 million, up 11% on HY FY23
- **Gross Profit** of \$2.41 million, down 8% on HY FY23
- **EBITDAⁱ** of -\$0.82 million, up 18% on HY FY23
- **Cash** position of \$0.69 million as at 31 December 2023

Operations:

- Proprietary Mosaic platform reaching scale, with 650,000 users now live
- Strong existing customer growth with zero churn
- Record client integrations delivered
- Continued success within the motoring club sector, with contracts now in place with 3 of Australia's 7 peak motoring clubs: and platform development on track with key clients Royal Automobile Club of Victoria Limited (**RACV**) and Club Connect

Financial Results

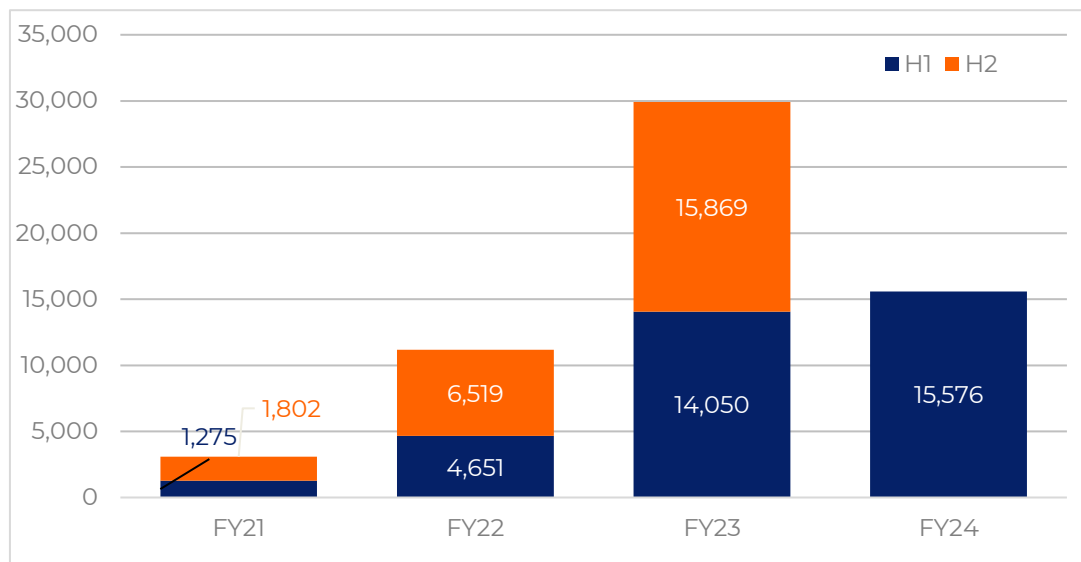
	H1 FY24 \$m	H1 FY23 \$m	% Change
Ordinary Revenue	15.58	14.05	+11%
Gross Profit	2.41	2.62	-8%
Employments Costs	(2.00)	(2.34)	+14%
Corporate Admin	(1.32)	(1.39)	+5%
Other	0.09	0.10	-15%
EBITDAⁱ	(0.82)	(1.01)	+18%

Ordinary Revenue reached \$15.58 million for the half year ended 31 December 2023 (FY23: 14.05 million). Revenue for the period was largely derived from organic sources.

Revenue and Gross Profit results were driven by revenue mix and new enterprise contracts and offset by the planned closure of South African operations.

Operating costs increased due to higher depreciation, amortisation and employment costs following Hachiko acquisition and continued SaaS platform development.

Half Year Revenues (\$'000)



Revenue by segment (%)



On a segmented basis:

- \$10.8 million (70%) of revenue was margin earned on rewards (HY FY23: \$8.4 million); and
- \$4.7 million (30%) was Software-as-Service (**SaaS**), program management and marketing service fees earned from loyalty clients (HY FY23: \$4.1 million).

Rewards revenue grew by 29% on the previous financial year due to increased ticket sales from better engagement with existing clients, reward volumes procured through Hachiko-acquired client Mitsubishi Heavy Industries and the signing of several new member and employee rewards programs.

Loyalty Services and Platform fees paid by clients fell by 16%, with growth in marketing and program management services revenue and new Australian SaaS customers offset by the Company's planned exit of the South African market.

Corporate Activity

Gratificii ranked third in the *Australian Financial Review's* 2023 Fast 100 list, which recognises Australia's fastest-growing large established companies, and was awarded "Growth Champion" in the Business Services category.

Gratificii was named a finalist in the Deloitte 2023 Tech Fast 50 awards which recognise Australia's fastest-growing tech companies. Gratificii placed #2 for listed companies and placed #14 overall, up from #27 in 2022.

In December 2023 the Company announced the replacement of \$728,000 Convertible Notes (**Notes**) with an extended term from February 2024 to February 2025 (see ASX announcement dated 12 February 2024); and

Existing Non-Executive Director, Bryan Zekulich, was appointed as Chair in December 2023, in line with the Board's intention to rotate the Chair role on a biennial basis.

Operations Update

Client Deliverables

Gratificii delivered functionality for its key enterprise contracts during the period and now has over 650,000 active users on its Mosaic SaaS platform.

Highlights during the half year included:

- Continued success within the motoring club sector, with contracts now in place with 3 of Australia's 7 peak motoring clubs:
 - New 3-year agreement was signed with **Club Connect** to provide access to a potential additional 3.7 million auto club members which the Company does not currently have contractual agreements.ⁱⁱ The contract is anticipated to generate approximately \$8.8 million in additional revenue over the next 12 months and approximately \$13.0 million in FY25.ⁱⁱⁱ
 - Phases One and Two of the Company's largest SaaS client, **RACV**, was successfully deployed to 300,000 Cliqit clients and affiliate members. Phase Three (travel offerings) is on track for delivery in FY24.
 - **RAA** (South Australian motoring club) signed a 2-year contract with Gratificii and its 800k members now have access to movie ticketing from Gratificii.
- **Cornerstone Health** continued the roll-out of its Gratificii powered loyalty program to its 14 medical centres, with 325,000 members now live on Mosaic.
- **Seagrass Hospitality Group** completed the rollout of its Gratificii powered Dining Rewards Club program across five restaurant brands and is now active in 40 locations.
- **Snap Fitness** signed an agreement to provide its 250,000 gym members with Gratificii rewards as well as the addition of Snap Fitness offers on Neat Ideas' marketplace.

ISO 27001 certification

The Company achieved ISO 27001 certification, the international standard for information security, during the half year following implementation of a range of policies and procedures to assist in maintaining best practice in the management and protection of information.

The certification enables the Company to work with Tier One companies who mandate this certification as part of any tender process.

Executive appointments

Gratifii has made two senior appointments to its experienced Executive team to better support future growth and client implementations:

- Claudia van de Tonnekreek joined in November 2023 as Head of Loyalty Services from American Express
- Alex Evans joined in January 2024 as Head of Program Design and Implementation from Medibank Private

Outlook

The Company is confident of delivering positive cashflows and continued organic growth in FY24 from its market position as a leading B2B loyalty platform in Australia and New Zealand. Significant value opportunities exist via further penetration of the existing user base and lower cost to serve via the planned migration of the Neat Ideas (rewards) business to Mosaic.

As a result, third party licence and support fees are expected to reduce by approx. ~\$600k (annualised). Further, recurring Capex spend is expected to reduce from \$3.0 million to \$1.5 million per annum in FY25 as R&D milestones are reached upon delivery of the final core Mosaic module for RACV.

Whilst some delays have occurred with the RACV project, both Gratifii and RACV are still confident of achieving approximately \$8.8 million of incremental annualised revenue from the launch date.

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

"Further development of our overarching Mosaic platform is expected to result in continued margin and revenue growth. Three key enterprise implementations are forecast to deliver high margin licence revenues of ~\$400k Annual Recurring Revenue (**ARR**), with significant opportunity to derive further value via additional service revenues and volume growth."

GTI confirms that this announcement has been approved by the Board of Directors of Gratifii.

Ben Newling / Alicia Gill
Joint Company Secretaries

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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 70 top brands rely on Gratificii for their loyalty and rewards across Australia, New Zealand, Singapore and UAE.

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

ⁱ EBITDA is calculated as earnings before interest financing expenses, tax, depreciation, amortisation, impairment. Includes other and non-operating revenue of \$0.4 million.

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

ⁱⁱⁱ Based on RACV volumes in the prior 12 months.