

31 July 2024

ASX ANNOUNCEMENT

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

Gratificii delivers 18.9% Year-on-Year Cash Receipts Growth

Highlights for 4Q FY24

Financial Highlights

- 4Q FY24 **cash receipts of \$6.28m**, representing a two-year compound average growth rate (**CAGR**) of 26.9%.
- Total FY24 **cash receipts** of \$31.4m (FY23: \$26.4m) an 18.9% increase
- Cash as at 31 July 2024 is \$520k, **up \$194k** since 30 June
- 4Q revenues impacted by major customers agreeing to delay their purchasing and outsourcing decisions, awaiting the outcome of potential M & A activity as announced to the ASX on 2 April 2024.
- June and July have experienced an uplift in receipts (June \$2.9m and July ~\$2.75m) in both cases, ahead of targets.
- Implemented the planned 50% reduction in R&D expenditures from 1 June 2024 (saving ~\$0.3m per quarter)
- Cash in bank ~\$324k, impacted by over ~\$700k of investment in inventory and creditor payments related mainly to the tightening of working capital requirements providing access to better reward margins.

Corporate and Operational Highlights

- Went live with its two new lines of business with EML Payments:
 - Gift card platform.
 - Salary Sacrifice platform.
- Extensive development on our pipeline in May and June, which have delivered new contract sales in the current quarter; and
- Negotiations on potential M & A activity progresses meaningfully in the quarter.

Post Quarter – July

- July monthly revenue of \$2.75m ahead of target delivered as a result of a continued strong rebound in performance of existing contracts/customers. Organic growth in rewards volumes, SaaS contracts and service revenue, across the existing customers has driven the improving quality of revenue across the business.
- In addition, the execution of **over \$2.0m in new client agreements**.
 - expected to flow into August's cash receipts, positioning the September quarter cash receipts ahead of the same period last year.
- \$550k of new Mitsubishi revenue recognised in Q1FY25 to date.

Operations Update

Gratificii Limited (ASX:GTI) (**Gratificii**), the enterprise loyalty and rewards company, announces 4Q FY24 cash receipts of \$6.28 million and operational cashflow of -\$1.07m.

During Q4 FY24, Gratificii faced a range of short-term challenges that impacted financial performance, namely:

- An industry wide slowdown in reward sales driven by external factors such as unseasonably wet weather in key markets across April and May, which reversed in June and July.
- School holidays falling in July 2024 had a double impact on cashflow, shifting revenue to 1H FY25, whilst also requiring Gratificii to acquire inventory in June to satisfy peak period demand.
- Employee cost increase related to one-off employee exit costs as part of the re-skilling process and reduction of employee numbers across the business.
- Changes to the normal working capital cycle impacted by a soft credit environment with suppliers reducing the credit terms enabling to access better reward margins; and
- Major customers delaying their purchasing and outsourcing decisions awaiting the outcome of our proposed M & A activity.

Positively, Gratificii delivered revenue of \$2.90m in June as key clients implemented EOFY promotional activities which delivered revenues above budgeted expectations, supporting the sector thematic of continued enterprise interest in rewards and savings in the face of rising cost of living pressures.

June's positive momentum continued into July, whereby the Company has received cash receipts of ~\$2.75m. In addition, the execution of agreements with new notable rewards clients during July totalling over \$2.0m, is expected to flow into August's cash receipts, positioning the September quarter ahead of the same period last year.

As announced last quarter, from the 1st June, the Company reduced its R&D spend by 50%, from around \$600,000 per quarter, to around \$300,000 per quarter, a saving of over \$1.2m a year. This followed the completion of development for the core platform.

The Company's cash position was \$324k as at 30 June 2024.

Commenting on the quarterly report, Gratificii CEO and Managing Director, Iain Dunstan, said: *"Although April and May were softer months mainly due to unseasonably high rainfall and low promotional activity, revenues have rebounded strongly in June and continued into July. We have also had a number of major customers delaying their purchasing and outsourcing decisions awaiting the outcome of our proposed M & A activity. We are pleased to say that although these decisions by our existing customers have been delayed, we have had around \$2m of new agreements signed in July plus \$550k of inflows from Mitsubishi so far in July. We also believe the newly introduced tax cuts on 1 July 2024 have led to increase in rewards sales."*

Client and Partner Updates

During the quarter, the company went live with its two new lines of business with EML Payments Solutions Limited (EML), as announced on 20 March 2024, incorporating:

1. Gift Card Agreement:

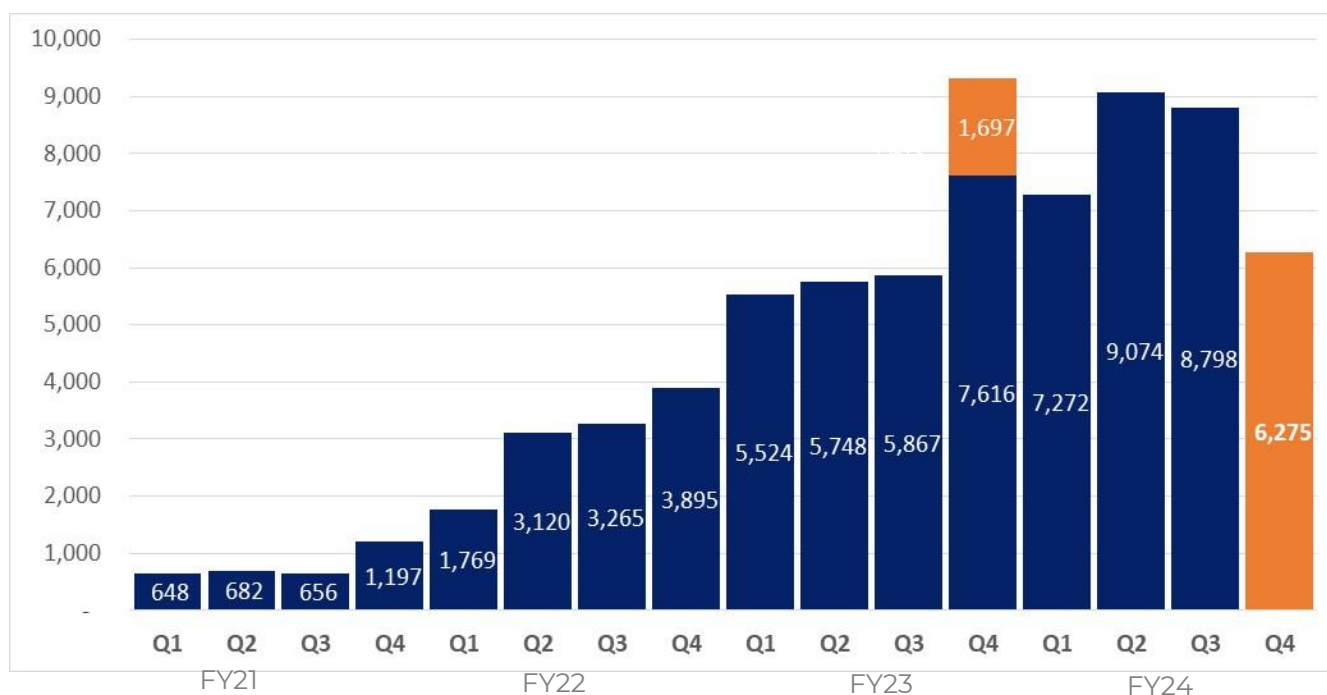
- This unlocks the potential of Gratificii's gift card opportunity, enhancing the margin on each card issued.

- Significantly enhances Gratificii's competitiveness in a ~\$6.3bn market.¹

2. Salary Sacrifice Rewards Agreement

EML has over 400,000 card holders on its Salary Packaging Employee Benefits platform who can now access Gratificii's rewards content

Quarterly Cash Receipts (\$'000) show 2-year CAGR to 4Q FY24 of 26.9%



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

Outlook

The company has experienced an uplift in revenues since the beginning of June with greater EOFY promotions, better weather for experiences and the opportunities pipeline has continued to develop and grow throughout the current quarter. With over \$2m of new client wins in July, which will be implemented during August, we expect the September quarter to be ahead of target. This combined with the planned \$300k per quarter reduction in development spend, is expected to accelerate to move to becoming EBITDA positive.

Gratificii continues to progress various M&A initiatives, one of which is material to the future of Gratificii and comes with the potential to generate and deliver notable shareholder value.

ASX Additional Information

During the quarter, the Company paid remuneration of \$67k to the CEO & 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
Company Secretary

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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 60 mid-to-top tier brands rely on Gratificii for their loyalty and rewards across Australia, New Zealand and Southeast Asia.

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

¹ [*Australia Gift Card and Incentive Card Market Intelligence and Future Growth Dynamics \(Databook\) - Market Size and Forecast - Q2 2023 Update \(researchandmarkets.com\)*](#)

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 2024

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	6,275	31,419
1.2 Payments for		
(a) research and development		-
(b) product manufacturing and operating costs	(5,665)	(25,542)
(c) advertising and marketing	(7)	(24)
(d) leased assets	(66)	(192)
(e) staff costs	(826)	(3,230)
(f) administration and corporate costs	(691)	(3,071)
1.3 Dividends received (see note 3)		-
1.4 Interest received	-	5
1.5 Interest and other costs of finance paid	(86)	(116)
1.6 Income taxes paid		-
1.7 Government grants and tax incentives		-
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,066)	(751)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		-
(b) businesses		-
(c) property, plant and equipment	(12)	(15)
(d) investments		-
(e) intellectual property	(553)	(2,866)
(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 (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(565)	(2,881)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	386	2,504
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	(2)	(237)
3.5 Proceeds from borrowings	151	151
3.6 Repayment of borrowings	-	(108)
3.7 Transaction costs related to loans and borrowings	(23)	(39)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	512	2,271

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,445	1,687
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,066)	(751)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(565)	(2,881)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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)	512	2,271
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	Cash and cash equivalents at end of period	324	324

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	486	1,577
5.2	Call deposits		
5.3	Bank overdrafts	(162)	(132)
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	324	1,445

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	67
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. 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	1,519	1,519
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	1,519	1,519
7.5 Unused financing facilities available at quarter end		-
7.6 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>234,000 convertible notes are owed to Novus Capital with 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 issued to Bombora Investment Management Pty Ltd ATF Bombora Special Investments Growth Fund ('Bombora') and mature February 2025</p> <p>On 29 December 2023, 728,000 notes were issued with a maturity date of February 2025 and an interest rate of 12%</p> <p>On 27 June 2024, the Group entered into a loan agreement with Bizcap Au Pty Ltd for \$157,000 repayable over 24 weekly instalments of \$8,710.50</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,066)
8.2 Cash and cash equivalents at quarter end (item 4.6)	324
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	324
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.30
<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?	
<p>Answer:</p> <p>No, the Company paid down significant creditors in May 2024 after the capital raise, it is not expected this level will continue. The Company has cash in bank as at 31 July of \$520k</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?

Answer:

The Company has had conversations with a number of existing equity holders in relation to further funding. Based on these conversations, should the Company need to raise funds there is an expectation of support from the shareholders.

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:

The Company expects to continue operations and meet its business objectives, with increased cash in June and July and with the expectation capital can be raised should the company require.

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 July 2024.....

Authorised by:Board of Directors.....
(Name of body or officer authorising release – see note 4)

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.