

6 September 2024

ASX ANNOUNCEMENT

Gratifii to reach significant scale with enhanced margins via the acquisition of Club Connect & Rapport (NZ)

Key Highlights

Club Connect

- **Gratifii has executed a Share Purchase Agreement (SPA)** to acquire market leading loyalty and rewards platform provider **Club Connect for \$8.0m**
- The consideration comprises **\$6.0m cash and \$2.0m in equity**. The cash consideration to be funded by a combination of an equity placement and an **Accelerated Non-Renounceable Entitlement Offer**.
- Club Connect has a 12-year history of profitable growth, delivering revenue of **~\$49.4m and underlying EBITDA of A\$1.64m in FY24** (unaudited).
- The acquisition of Club Connect is a great strategic fit, providing:
 - Immediate synergies to enhance Club Connect margins;
 - Cross-selling opportunities to all 80+ enterprise clients;
 - Access to all Australian Motoring Associations and approximately 9m members¹; and
 - Access to exclusive Big Red Group distribution contract with all Australian and New Zealand Motoring Associations, for their 5,000+ experiences.

Rapport Group (NZ)

- Gratifii has executed a SPA to **acquire Rapport Group (NZ) for NZ\$0.5m (A\$0.455m)²**.
- The consideration comprises of NZ\$0.35m (A\$0.3185m) and NZ\$0.15m (A\$0.1365m)² of consideration shares at the 30-day VWAP at completion.
- Expands the Company's New Zealand footprint and adds a senior local resource.
- Adds 2 new major NZ enterprise clients and ~A\$4.1m revenue with positive normalised EBITDA.

The combined group will have more than 80 enterprise clients and proforma FY24 revenue of ~\$84 million and Underlying EBITDA of ~\$3.2m post implementation of synergies.

¹ Australian Motoring Services (AMS) Report July 2024

² Calculated based on an exchange rate of \$1NZD = \$0.91AUD

Loyalty technology innovator Gratifii Limited (ASX: GTI) is significantly expanding its scale and reach with the acquisition of loyalty and rewards platform Club Connect and Rapport (**Acquisitions**).

Gratifii has executed a share purchase agreement to acquire Club Connect for \$8.0m. Club Connect will be acquired for:

- Cash consideration of \$6.0m and
- Scrip consideration of \$2.0m fully paid ordinary shares issued at the lower of:
 - the 30-day VWAP prior to the execution of the share purchase agreement or
 - the 30-day VWAP prior to settlement.

Gratifii has also executed a share purchase agreement to acquire Rapport for A\$455,000². Rapport will be acquired for:

- Cash consideration of A\$318,500²; and
- Scrip consideration of A\$136,500² fully paid ordinary shares issued at the 30-day VWAP prior to settlement.

Taking into consideration Gratifii's 30-day VWAP of \$0.0059 provides an effective acquisition EV/FY24 EBITDA multiple of 5.0x prior to synergies.

Both Acquisitions remain subject to completion of a number of conditions, including approval by Gratifii shareholders at an Extraordinary General Meeting (**EGM**). Further details on the key terms of the share purchase agreements are summarized in the Annexure.

About Club Connect

A dedicated platform which has been used exclusively by **all the Australian Auto Clubs**, that integrates both transactional & non-transactional member rewards and offers. It provides a critical set of support tools for Auto Club staff and delivers a seamless user experience for over **8 million³ auto club members nationally**.

- Each of the individual reward categories includes multiple partners able to provide offers, deals or discounts to members.
- The platform allows Auto Clubs to turn on/off the deals/offers, the partner, or even individual categories as a whole.
- API connections are specifically designed for each partner and managed through the platform.
- It also provides access to payment gateways for each of the clubs.

Club Connect has a 12-year history of profitable growth, delivering revenue of ~\$49.4m and EBITDA of \$1.64m in FY24 (unaudited). **Gratifii has identified significant synergies**, namely transferring Club Connect's existing rewards purchase arrangements to Gratifii, which aims to **immediately enhance Gratifii's margins on some products by approximately 6% to 9%**.

³ Australian Motoring Services (AMS) Report July 2024

About Rapport group (NZ)

Rapport Group deliver Loyalty and Brand engagement programs for enterprise customers in New Zealand. Their key clients include the Automobile Association of New Zealand and One NZ (ex-Vodafone NZ) amongst others.

Acquisition Rationale

The combined entities will provide Gratifii with significantly greater reach and scale and giving access to over 23 million⁴ end user accounts. It will also provide Gratifii access to an exclusive contract with the Big Red Group to distribute their over 5,000 experiences to our Australian and New Zealand clients.

Gratifii Group's combined business will be in a position to deliver positive underlying EBITDA post synergistic cost savings across research & development, administration, marketing, infrastructure, and shared services.

Iain Dunstan, Gratifii CEO and Managing Director, says of the acquisition: *"the completely transformative acquisition of Club Connect and Rapport are something we have been working towards for some time now. On a pro-forma basis, post basic synergies and other cost savings, we expect to more than double our revenue to approximately \$84m and are catapulted into positive EBITDA. The increased scope and scale will make Gratifii the leader in Australia and New Zealand for enterprise level loyalty and rewards solutions, providing a strong, profitable foundation for continued growth."*

Acquisition Funding

To fund the cash consideration and associated Acquisition costs, the Company is seeking to raise approximately \$9 million made up of:

- \$804k (under the first tranche) utilising the Company's 7.1 capacity
- \$2.695 million (under the second tranche of a two-tranche placement) by issuing approximately 674 million new fully paid ordinary shares at \$0.004; and
- \$5.5 million via an Accelerated Non-Renounceable Entitlement Offer at \$0.004 (**Entitlement Issue**).
- Tranche 2 of the placement is subject to satisfaction of key conditions precedent to the Acquisitions and Shareholder approval at an EGM on approximately 18 October 2024.

Tranche 1 of the placement will raise approximately \$804,000 unconditionally. The funds raised from tranche 1 will be chiefly applied towards GTI's working capital needs and not towards the funding of the Acquisitions.

The Company expects to formally announce the Entitlements Issue and lodge a prospectus for that Entitlements Issue on Monday 9 September 2024. Full

⁴ Total users who have joined the program which may include inactive users and members who access more than one company



details of the timetable for the placement and Entitlements Issue will be set out in that prospectus.

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

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

Annexure

Item	Club Connect	Rapport
Share Purchase Agreement	On 5 September 2024, the Company entered into binding share sale agreements to acquire (subject to satisfaction of certain conditions precedent) 100% of the issued share capital of:	
	Ticketmates Australia Pty Ltd ACN 127 532 147 (Club Connect).	Rapport Group Limited 6781753 (NZBN:9429046681980) (Rapport).
Company	Club Connect is a provider of end-to-end loyalty and reward products and services to the automotive clubs of Australia. This includes building and maintaining a customised software platform which allows the members of its customers, automotive clubs, to access industry leading offers, including attractions/experiences, gift cards, travel sourced through a wide range of suppliers.	Rapport is a loyalty and rewards company domiciled in New Zealand, it provides loyalty, rewards and marketing services to a small number of customers e.g. One.NZ and The Automobile Association of NZ. Rapport charges its customers monthly retainers and consulting fees and in turn manages their end-to-end loyalty needs including marketing, procurement of rewards and branding.
Vendors	<ul style="list-style-type: none"> Benjamin Robert Manns and Jane Louise Manns as joint trustees for Manns Family Trust; Virtual Domains Pty Ltd ACN 159 619 502 as trustee for Ticketmates Employee Unit Trust ABN 28 496 074 105; RACQ Operations Pty Ltd ACN 009 663 414; and U-T Australia Pty Ltd ACN 627 993 480, (the Club Connect Vendors).	<ul style="list-style-type: none"> WT Business Trustee Limited [as trustee for the L&S Business Ventures Trust NZBN 9429049385656; and Leonie Ann Titshall, (the Rapport Vendors).
Cash Consideration	A\$6,000,000 cash payable to the Club Connect Vendors on completion.	A\$318,500 ¹ cash payable to the Rapport Vendors on completion.
Scrip Consideration	A\$2,000,000 to be paid in shares on completion or as soon as practicable thereafter. The issue price of these shares will be equal to the lower of: <ul style="list-style-type: none"> \$0.0059, being the VWAP of Shares over the 30 days immediately prior to today; or the VWAP of shares over the 30 days immediately prior to completion of the acquisition. 	A\$136,500 ¹ to be paid in shares within 5 days of completion. The issue price of these shares will be the VWAP of shares over the 30 days immediately prior to completion of the acquisition.
Conditions Precedent	Completion of the Club Connect acquisition is subject to and conditional upon the following conditions:	
	(A)	receipt of consent from relevant third parties to the change of control effected under the relevant acquisition;
	(B)	the Company obtaining the requisite Shareholder approval for the acquisition in compliance with ASX Listing Rules 7.1 which the Company intends to seek at an extraordinary general meeting to be held on or around 18 October 2024;
	(C)	the Company completing an equity capital raise resulting in the Company holding at least A\$6,000,000 in cleared funds at completion;
	(D)	the Company receiving no written notices from relevant third parties
	(C)	there having been no change, effect or circumstance that in the opinion of the Company would have a material adverse effect on the issued capital of Rapport or the Rapport business.

	<p>of their intention to terminate, reduce or withdraw from certain material contracts in light of the acquisition; and</p> <p>(E) the Club Connect Vendors and the Company entering into a source code escrow agreement in relation to the Club Connect source materials.</p> <p>The Company has the discretion to waive any of the above conditions, other than the shareholder approval condition which is for the benefit of both the Company and the Club Connect Vendors and the code escrow agreement conditions which is for the benefit of the Club Connect Vendors.</p>	<p>The Company has the discretion to waive any of the above conditions.</p>
Completion Date	<p>The Club Connect acquisition will complete on the day that is two business days after the satisfaction or waiver of the last conditions precedent. The Company hopes to complete the transaction in late October 2024.</p>	<p>The Rapport acquisition will complete on the last business day of the month in which the last condition precedent is either satisfied or waived. If the condition precedent is satisfied or waived within 2 business days before the end of the relevant month, completion will occur on the last business day of the following month. The Company hopes to complete the transaction by 31 October 2024.</p>
Voluntary Escrow	<p>Shares issued to the Club Connect Vendors and Rapport Vendors will be subject to voluntary escrow for a period of 12 months from the date of issue.</p>	
Warranties and indemnities	<p>The parties have agreed to a package of warranties and indemnities that reflect a transaction of this nature.</p> <p>The vendors also benefit from standard limitations on liability for claims under or in connection with the sale agreements.</p>	