

22 October 2024

ASX ANNOUNCEMENT

1Q FY25 Quarterly Business Update and Appendix 4C Cashflow Statement

Gratificii Delivers 32.7% Cash Receipts Growth Quarter on Quarter

Cashflow positive quarter

Highlights for 1Q FY25

Financial Highlights

- 1Q FY25 **cash receipts of \$8.31m**, representing an increase of **32.7% over previous quarter** and 14.4% over previous corresponding quarter
- **\$676k** operationally **cashflow positive** for the quarter, improving ~\$1.1m from 4Q FY24 supported by the increase in cash receipts and reduced investment in inventory (due to inventory pre-purchases as outlined in June 4C)
- Cash as at 30 September 2024 was \$1.95m, **up \$1.63m** since 30 June 2024, including Tranche 1 of the partially underwritten placement of \$1.57m and after the repayment of \$275k of Convertible Notes
- Three-year cash receipts **CAGR of 38.6%** p.a. driven mainly by growth in sales to new enterprise clients

Corporate Highlights

- Executed Share Purchase Agreements (SPA) with Club Connect and Rapport (NZ) with both transactions expected to settle 1 November 2024 after the Extraordinary General Meeting (EGM)
- Club Connect transaction to transform Gratificii, delivering:
 - Significant scale and enhancing proforma revenue to ~\$84m with positive EBITDA post synergies
 - Dominant position in the motoring club market, unlocking potential of existing (RACV) and new notable clients
 - Exclusive relationship with Big Red Group, gaining access to over 5,000 'attractions/experiences' to cross-sell as rewards
- Successfully raised ~\$9.0m via a two tranche partially underwritten placement and entitlement issue:
 - Tranche 1 of \$1.57m has been received
 - Tranche 2 and Entitlement Offer of ~\$7.41m (before costs) expected to be received 1 November 2024

Operational Highlights

- Executed a material contract valued in excess of \$1.0m with Coles Online Platform to deliver a bespoke rewards program to their online shoppers

- 90-day integration plan drafted, and team members allocated to rapidly achieve synergies identified as part of the transaction assessment including people, systems, and back-office. These synergies are estimated to be ~\$4.8 million on an annualised pro-forma basis.
- Strengthened the executive team with the strategic hire of new CTO from Qantas Loyalty division

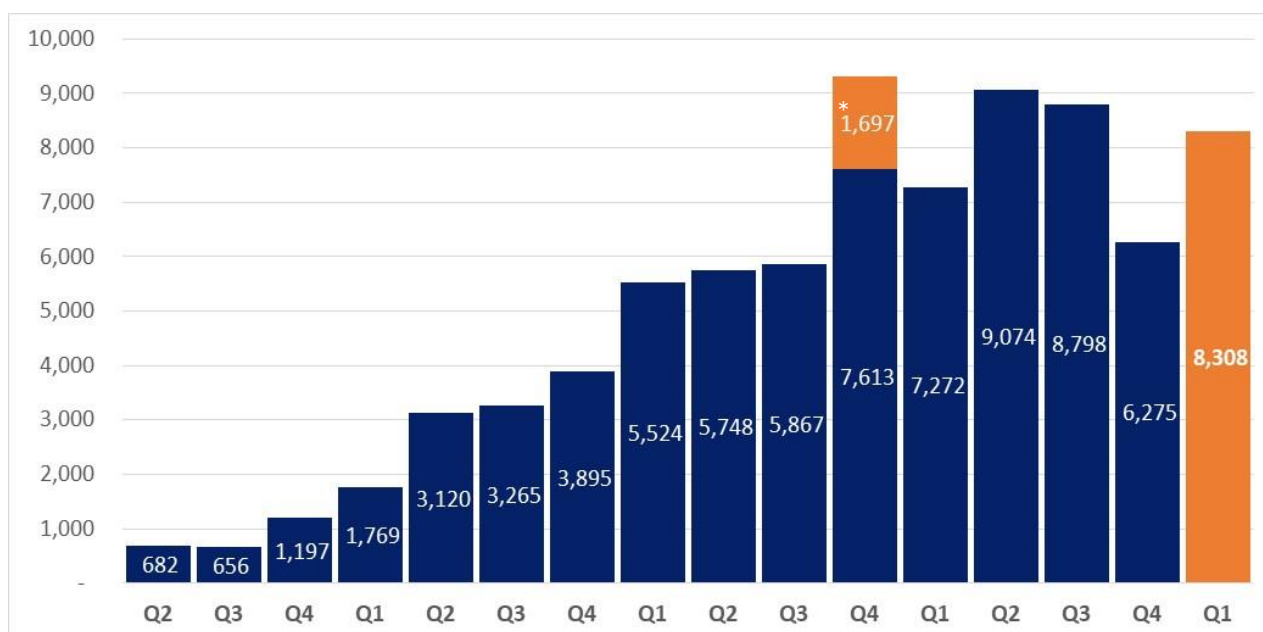
Operations Update

Gratificii Limited (ASX:GTI) (**Gratificii**), the enterprise loyalty and rewards company, announces 1Q FY25 cash receipts of \$8.31 million and positive operational cashflow of \$676k. The strong quarter and settlement of Tranche 1 of the Placement (+\$1.57m) improved cash position by \$1.63 million to \$1.95 million as at 30 September 2024 (including \$275k repayment of Convertible Notes).

During 1Q FY25, Gratificii experienced an uplift in cash receipts (+32.7% on previous quarter and +14.4% PcP), supported by improved market conditions and the winning of two notable rewards clients, Coles Online and Mitsubishi Heavy Industries (Hong Kong). It is pleasing to deliver this result in what is traditionally a slower quarter, positioning Gratificii well as it enters the December quarter, traditionally one of the stronger quarters.

Commenting on the quarterly result, Gratificii CEO and Managing Director, Iain Dunstan, said: “As previously forecast, cash receipts rebounded strongly in this quarter, despite two major customers delaying their purchasing and outsourcing decisions until after the settlement of the Club Connect transaction. Pleasingly, we closed several new contracts with large enterprise clients”.

Quarterly Cash Receipts (\$'000) show 3-year CAGR to 1Q FY25 of 38.6% p.a.



* 4Q FY23 excluded a special EOFY ~\$1.7 million rewards program with major client Mitsubishi Heavy Industries Australia.

Corporate Update

During the quarter, Gratificii executed a binding SPA to acquire market leading loyalty and rewards platform provider, Club Connect, for \$8.0 million:

- The consideration comprises \$6.0 million cash and \$2.0 million in equity. The cash consideration is being funded by a combination of an equity placement and an Accelerated Non-Renounceable Entitlement Offer:
 - Tranche 1 of \$1.57 million has been received
 - Tranche 2 and Entitlement Offer of ~\$7.41 million (before costs) are expected to be received on 1 November 2024
- Club Connect has a 12-year history of profitable growth, delivering revenue of ~\$49.4 million and underlying EBITDA of \$1.64 million in FY24 (unaudited)
- The acquisition of Club Connect is a strong strategic fit, transforming Gratificii to a profitable Company (target proforma EBITDA \$3.2 million after synergies), resulting from:
 - Scale benefits and profile
 - Immediate uplift in margins across the combined group
 - Cross-selling opportunities to 80+ enterprise clients
 - Access to all Australian Motoring Associations and over 8 million members
 - Exclusive access to the Big Red Group distribution contract with all Australian and New Zealand Motoring Associations, for their 5,000+ experiences
- Further, during the quarter, Gratificii executed a binding SPA to acquire New Zealand marketing agency, Rapport Group, for NZ\$500k. This acquisition will grow the Company's presence in the New Zealand market and add several new enterprise clients.
 - The consideration comprises NZ\$350k cash to be funded by the Accelerated Non-Renounceable Entitlement Offer; and
 - NZ\$150k in equity to be approved at the EGM on 30 October 2024.

Executive Update

The Company is delighted to announce the hiring of Matt Waples from Qantas Loyalty as its new Chief Technology Officer. Gratificii is pleased to have attracted a CTO of Matt's calibre and experience from within the loyalty community. We welcome Matt to his new role.

As previously announced and evidenced by the reduced spend this quarter, the Company has substantially scaled back its offshore development team with the completion of the core Mosaic build. The technology focus for the Company now is to merge our Mosaic loyalty platform with the Club Connect rewards platform. This exciting new phase of our technology development requires a more hands on approach here in Australia.

Our current CTO and architect of the Mosaic platform, Mark Schoombie, has decided to remain in the UAE and hence has resigned from the business to focus on new opportunities in that region. Gratificii would like to sincerely thank Mark for his service and the leadership role he has taken in developing our Mosaic platform.

Outlook

The rebound in cash receipts this quarter points to a positive 2Q FY25, which is a seasonally stronger quarter due to summer school holidays. The 2Q FY25 receipts will also be uplifted by Club Connect



and Rapport cash receipts in November and December. Further, we expect the previously outlined delayed enterprise client revenue to start flowing from November onwards.

The focus for the next six months is on realising the substantial synergies between the existing Gratificii business and the Club Connect and Rapport acquisitions, integrating the organisations, and delivering on the pro-forma numbers outlined in the capital raise presentation.

ASX Additional Information

During the quarter, the Company paid remuneration of \$73k to the CEO & Managing Director. \$225k was provided as equity in advance from related entities of Bombora Special Investments Growth Fund and Bombora Capital Limited. These funds will be redeemed for shares in the Entitlement Offer.

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 80+ 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.

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 2024

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		8,308	8,308
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(5,534)	(5,534)
(c) advertising and marketing		(5)	(5)
(d) leased assets		-	-
(e) staff costs		(1,111)	(1,111)
(f) administration and corporate costs		(952)	(952)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		-	-
1.5 Interest and other costs of finance paid		(30)	(30)
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		676	676
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		(352)	(352)
(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 (Security deposit returned)	7	7
2.6	Net cash from / (used in) investing activities	(345)	(345)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,573	1,573
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	(106)	(106)
3.5	Proceeds from borrowings	225	225
3.6	Repayment of borrowings	(322)	(322)
3.7	Transaction costs related to loans and borrowings	(54)	(54)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(17)	(17)
3.10	Net cash from / (used in) financing activities	1,299	1,299

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	324	324
4.2	Net cash from / (used in) operating activities (item 1.9 above)	676	676
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(345)	(345)

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)	1,299	1,299
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,954	1,954

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	2,049	486
5.2	Call deposits		
5.3	Bank overdrafts	(95)	(162)
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,954	324

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	73
6.2	Aggregate amount of payments to related parties and their associates included in item 2	225
<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	1,473	1,473
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	1,473	1,473
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>46,000 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.</p> <p>400,000 convertibles are issued to Bombora Investment Management Pty Ltd ATF Bombora Special Investments Growth Fund ('Bombora') and mature February 2025, funds will be redeemed for shares in the Entitlement Offer</p> <p>\$225,000 was provided as equity in advance from related entities of Bombora Special Investments Growth Fund and Bombora Capital Limited, funds will be redeemed for shares in the Entitlement Offer.</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 an amortising working capital loan with Bizcap Au Pty Ltd. At the end of the period, the facility limit was 74,000.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	676
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,954
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,954
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<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?	
	N/A	
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?	
	N/A	

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: ..22 October 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.