



## December 2020 Quarterly Update

ASX RELEASE

28 January 2021

### HIGHLIGHTS

- **Device commercialisation and sales update**
- **GSM Innovations acquisition and capital raise complete**
- **Share consolidation**

**Quantify Technology Holdings Limited (ASX:QFY)** ("**Quantify Technology**", the "**Company**"), a unique and disruptive player in the multi-billion-dollar IoT market, is pleased to provide its quarterly update for the period ending 31 December 2020.

**Quantify Technology CEO Brett Savill commented:** "With the acquisition of Zimi completed in December, we have been busy delivering on the strategy outlined to investors. We are working closely with all our distribution partners to drive further growth with the ongoing additional orders already coming in from GSM Electrical ("Trader"). 10,000 devices have been ordered which will feed into cash flow from Easter onwards. This is the first of several orders expected from Trader in the coming months. We are also working closely with Beacon and Steel-Line on the roll out strategy. The cloud platform is being enhanced and cost reduction measures have already been taken to ensure we are optimally positioned. We are confident the transaction will catapult the business into a new trajectory."



### Operations Update

#### Trader orders 10,000 devices and Beacon installs devices into one third of its flagship stores

GSM-I has three main distribution partners, including GSM Electrical ("**Trader**"), a wholly owned subsidiary of Gerard Private Holdings (Finance) Pty Ltd, Beacon Lighting Group, and Steel-line Garage Doors.

As announced on 27 November 2020, further to the Company entering the Binding Terms Sheet for the acquisition of 100% of the share capital of GSM-I, GSM-I received an order from Trader for 10,000 devices which are due to be delivered in the first quarter of calendar year 2021. Once delivered, the 10,000 devices will be recognised as revenue for Quantify Technology.

Beacon is installing devices with marketing material into one third of its flagship stores. The devices are also being sold through its on-line store. Steel-line Garage Doors have begun commercialisation of the garage door controllers.

#### \$4 million capital raising and acquisition of GSM-I completed

Following overwhelming Shareholder approval at the Company's AGM, as announced on 11 December 2020 Quantify Technology entered into a Binding Terms Sheet for the acquisition of 100% of the share capital of GSM Innovations Pty Ltd ("**GSM-I**"), a wholly owned subsidiary of Gerard Private Holdings (Finance) Pty Ltd.

The Board has been strengthened with the appointments of Simon Gerard and Jordan Tentori, the latter of which has additionally been appointed as Chief Technology Officer. Simon is the CEO of Gerard Private which owns, GSM Electrical (Trader) and the GSM Retail Group. Jordan is the Co-Founder of GSM-I, with a demonstrated history of working nationally and internationally with electrical and lighting industries to evolve technology into commercial reality.

The acquisition will also bring further synergy benefits to the Company, including:

- Cross-sell a more complete family of connected products. GSM Electrical Pty Ltd trading under the brand, Trader, will be the exclusive distributor into the electrical wholesale market under an initial three-year agreement whereby it will distribute, promote, stock and sell the GSM-I products into the more than 900 electrical wholesalers across Australia.
- There will be reduced costs from combining the two teams. As importantly, the GSM-I manufacturing and logistics' relationships will result in improved supply chain performance.
- The Company and GSM-I will create a single, powerful software platform for all its connected products resulting in accelerated performance and greater opportunity to use the data.
- Finally, GSM-I has a flexible business model that can both supply product directly and license its intellectual property via existing arrangements with GSM Electrical, Beacon Lighting and Steel-line. This flexibility will be even more attractive for partners, enabling the Company to expand into new markets and overseas.

The smart home market in Australia is worth A\$1.8 billion in 2020, and growing at a compound annual rate of 16%<sup>1</sup>. Approximately 25% of homes have some type of smart device which is anticipated will rise to over 49% in 2025. There are approximately 10 million dwellings in Australia<sup>2</sup> with forecast additional dwellings of ~140,000 pa<sup>3</sup>.

The Company also announced on 11 December 2020, in conjunction with the acquisition, the successful completion of the capital raising through a placement of 200 million shares ("**Capital Raising**"). The shares under the Capital Raising were issued at a price of \$0.02 per Share, raising approximately \$4 million in capital, following the completion of the consolidation of Quantify Technology's share capital on a 25:2 basis.

#### Consolidation of Capital

As announced on 11 December, on 10 December 2020, the Company completed a consolidation of its issued securities; this reduced the number of shares on issue to 600,685,535, following the 25:2 consolidation, acquisition and capital raise.

#### **Appendix 4C – Quarterly cash flow report**

During the quarter:

- Payments for research and development of \$134,000 represented salary allocations of Quantify team members who are 100% focused on R&D activities;
- Payments for staff costs represent salaries for administration, sales and general management activities;
- Payments for administration and corporate costs represent general costs associated with running the Company, including ASX fees, legal fees, rent, advertising, make-good costs etc;
- Government grant receipts of \$1,036,000 relating to the Government's R&D refund, which was partly used to repay the R&D pre-funding undertaken during the prior financial year;
- Other costs of \$154,000 relating to the expenses associated with the product recall;
- The aggregate amount of payments to related parties and their associates included in the current quarter Cash flows from operating activities were \$53,000 comprising Directors fees, salaries and superannuation of \$38,000 and corporate advisory fees to a director related entity of \$15,000.

Cash outflows for the quarter were in line with management expectations. Refer to the attached Appendix 4C for further details on cash flows for the quarter.

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<sup>1</sup> <https://www.statista.com/outlook/279/107/smart-home/australia>

<sup>2</sup> Australian Bureau of Statistics

<sup>3</sup> House Institute of Australia, 2020



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CONT.

This release is authorised by the Board.

-ENDS-

**Further Information:**

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**About Quantify Technology**

Quantify Technology is an Australian-based company, focused on making lives better in homes, workplaces, and communities with their Internet of Things (IoT) smart home technology. Their devices replace standard power outlets and light switches and can be controlled by voice, app and touch. Quantify has the opportunity to be the first truly mass-market smart home product because of its simplicity, the innovative nature of its technology, and its limitless platform. Its strategic priorities are to maximise sales domestically, secure distribution internationally and strengthen its platform.

## Appendix 4C

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

**Name of entity**

QUANTIFY TECHNOLOGY HOLDINGS LIMITED

**ABN**

25 113 326 524

**Quarter ended ("current quarter")**

31 DECEMBER 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(134)	(213)
(b) product manufacturing and operating costs	-	(178)
(c) advertising and marketing	(32)	(45)
(d) leased assets	(45)	(84)
(e) staff costs	(157)	(257)
(f) administration and corporate costs	(359)	(451)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(72)	(72)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,036	1,036
1.8 Other (Refer below)	(154)	(154)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>83</b>	<b>(418)</b>

1.8 – Relates to costs associated with the product recall, as announced on 14 July 2020.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(4)	(15)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(4)</b>	<b>(15)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,002	4,002
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	(245)	(245)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(734)	(734)
3.7	Transaction costs related to loans and borrowings	(3)	(3)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>3,020</b>	<b>3,020</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	183	695
4.2	Net cash from / (used in) operating activities (item 1.9 above)	83	(418)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(15)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,020	3,020
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>3,282</b>	<b>3,282</b>

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	3,282	183
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,282</b>	<b>183</b>

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	53
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>		

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>		
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.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	83
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,282
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,282
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>  <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>	N/A
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?	
	Answer: 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?	
	Answer: 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?	
	Answer: N/A.	
<i>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.</i>		



## 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: 28 January 2021

Authorised by: By the Board  
(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.