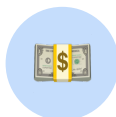


# **DECEMBER QUARTERLY ACTIVITIES UPDATE**

## *BUILDING ON POSITIVE MOMENTUM*

### **Key Highlights and Executive Summary**



#### **Positive cash flow from operations achieved for the quarter**

Cash flow positive momentum supports the Company's strategy of leveraging growth from its existing IP, network and resources without the need for additional funding.



#### **Management focus shifting to growth initiatives**

Developing opportunities to generate highly profitable additional revenue and grow by leveraging existing IP, operating resources and capabilities.



#### **Adapting strategy to navigate Omicron wave**

Maintaining focus on Growth Services opportunities due to the emergence of the Omicron wave in December which has softened the recovery of the Merchant Services market.



#### **FY21 R&D rebate will support growth initiatives**

In addition to improving cash flow, the Company is finalising its FY21 R&D rebate and expects to receive between \$300,000-\$400,000 that will support ongoing R&D and growth initiatives.

**Rewardle Holdings Limited** (ASX:RXH) ("**Rewardle**" or the "**Company**") provides the following update with respect to the Company's September quarterly activities.

The net operating cash generated from operating activities in the December quarter was \$36k, compared to (\$12k) cash outflow for the previous quarter. Achieving cash flow positive operations for the quarter is a significant milestone in the progress and execution of the Company's strategy to "Breakeven and Grow".

The December quarterly performance builds on the operating momentum that the Company has been gathering and represents a key inflection point for the Company as management's focus shifts to growth opportunities.

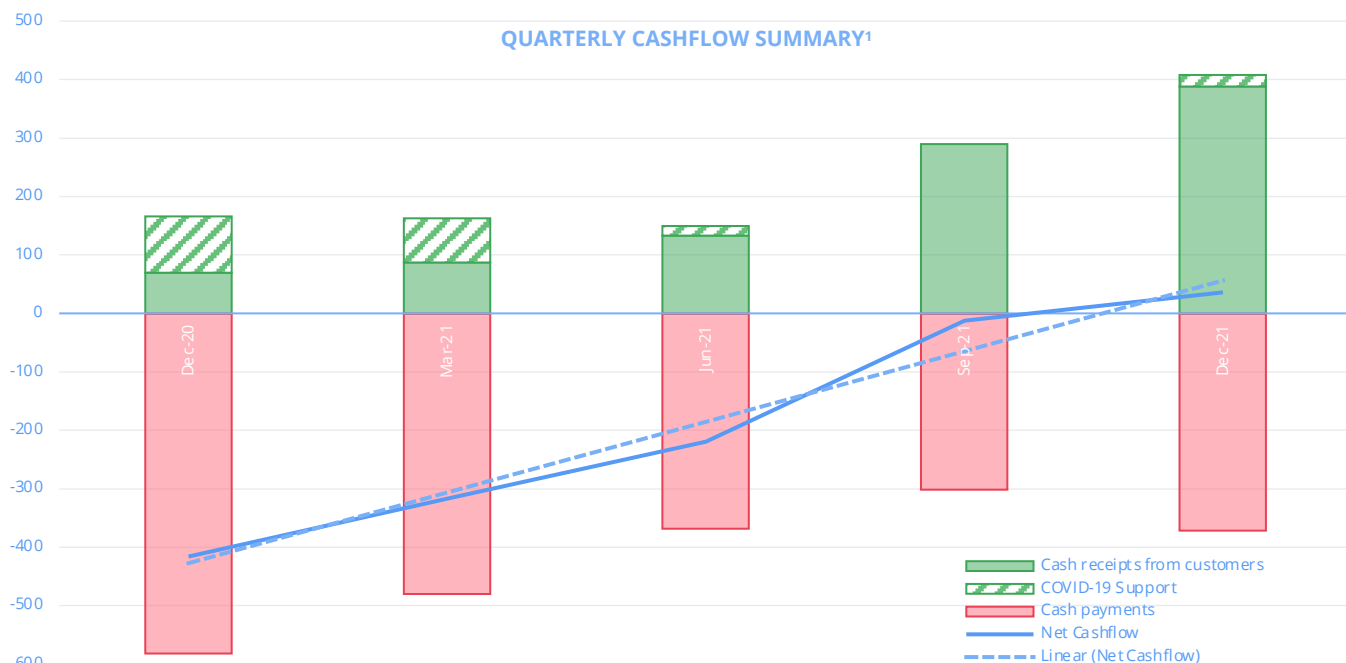
Rewardle's Founder and Executive Chairman, Ruwan Weerasooriya, said;

*"We're very pleased to achieve cash flow positive operations for the December quarter. While fluctuations are to be expected, particularly as COVID-19 continues to circulate, we're confident that the trend will continue and that the business can operate and grow without the need for additional funding."*

*"While the emergence of the Omicron wave in December softened the local business market, we have been able to maintain our positive cash flow momentum by adapting to focus resources on Growth Services opportunities."*

*"As the local businesses emerge from the Omicron wave and we return resources to growing our merchant services revenue, our business will be more robust with stronger growth potential across a diverse range of revenue streams."*

## Strong cash receipts growth + reduced operating costs = Cash flow positive qtr



1. Based on Appendix 4C quarterly reports, excluding R&D rebates received.

As outlined in the chart above, the Company has successfully grown cash receipts (excluding COVID-19 Support) from \$70k to \$388k YoY, an increase of \$318k or 454%. In the same period, cash payments has decreased from \$582k to \$372k, a decrease of \$210k or 36% while maintaining the key capabilities required to operate and grow the business.

The combined effect has resulted in Q2 FY22 being the Company's first cash flow positive quarter since adopting its "Breakeven and Grow" strategy.

This represents significant milestone and key inflection point for the Company as with breakeven in hand, management's focus is shifting to growth as outlined in the presentation released on 22<sup>nd</sup> December 2021 which can be viewed at [www.rewardle.com/ASX/DeclInvestorPresentation](http://www.rewardle.com/ASX/DeclInvestorPresentation).

A key component of the Company's strategy is to use its resources to generate professional services revenue from strategic partners and 3<sup>rd</sup> party clients to ensure the Company's team, intellectual property and operating capability are preserved so it can take advantage of improving business conditions.

Under the strategy being implemented, the professional services revenue, recurring merchant service fees and R&D rebate funds combine with management's ongoing work to establish an efficient, low operating cost base while maintaining the capabilities to operate and grow without requiring additional funding.

The successful execution of the "Breakeven and Grow" strategy delivers financial stability, control and time to develop growth opportunities that leverage its proprietary technology platform and substantial network of merchants and members to generate highly profitable additional revenue.

As a technology platform based business with largely fixed costs, the Company has the potential to generate highly profitable additional revenue by leveraging its IP, capabilities and substantial network of local businesses and members that has already been amassed.

## Quarterly Cash Flow commentary

Cash receipts for Q2 FY22 were \$388k, an increase of \$98k or 34% from \$290k for the previous quarter.

During Q2 FY22 \$20k in government grants and tax incentives were received compared to no payments in the previous quarter. Funds received were support payments related to COVID-19 lockdown restrictions.

Outgoing cash payments for Q2 FY22 were \$372k, an increase of \$70k or 23% from \$302k for the previous quarter. A summary of this movement is outlined below:

- Product manufacturing and operating costs were \$242k, an increase of \$78k or 48% from \$164k during the prior quarter. The increase was primarily due timing of payments associated with regular, recurring operating expenses that do not relate to an underlying change in operating costs.
- Staff costs were \$98k, a decrease of \$1k or 1% from \$99k during the previous quarter. The variance was due to timing of staffing related payments and does not relate to an underlying change in operating costs.
- Administration costs were \$32k, a decrease of \$7k or 18% from \$39k during the previous quarter. This is due to timing of payments for a variety of items and does not represent an underlying change in operating costs.
- Government grants and tax incentives were \$20k, an increase of \$20k from the previous quarter when no payments were received. Funds received were once off support payments related to COVID-19 lockdown restrictions.
- Proceeds from borrowings of \$9k decreased by \$68k from \$77k in the previous quarter as the Company drew down on working capital finance provided by Executive Chairman, Ruwan Weerasooriya to support the execution of the Company's "Breakeven and Grow" strategy.

Net cash from the operating activities for Q2 FY22 was \$36k, compared to (\$12k) for the previous quarter, primarily due to increased cash receipts from customers, efficient management of outgoing cash payments and COVID-19 support.

Cash at the end of Q2 FY22 was \$168k, an increase of \$45k from \$123k at the end of the previous quarter.

During Q2 FY22 there were no related party payments as Directors fees were accrued.

While fluctuations in operating cash flow are to be expected, particularly COVID-19 circulates, the Company is pleased with the overall trend and remains confident that the business can operate and grow without the need for additional funding.

## Working capital management

The generation of \$36k from operating activities for the December quarter compared to (\$12k) cash outflow for the previous quarter, demonstrates that the execution of the Company's "Breakeven and Grow" strategy remains on track.

In addition to its improving cash flow, the Company has commenced preparing its FY21 R&D submission and anticipates receiving a rebate in the range of \$300,000 and \$400,000 in coming weeks.

The FY21 R&D rebate combines with professional services revenue, recurring merchant service fees and a efficient, low operating cost base to maintain the Company's capability to operate and grow without requiring additional funding.

## Working capital management... (cont.)

Management is confident that it will have sufficient working capital to meet its budget objectives for FY22 and beyond based upon:

- Ongoing reduction and management of operating costs
- Generation of technology licensing and professional services income
- Development of corporate partnership opportunities
- Receipt of FY21 R&D rebate
- Access to R&D financing for FY21 activities
- Access to Director loan
- Improved trading conditions and sales performance across the business's revenue lines

While fluctuations in operating cash flow are to be expected, particularly as COVID-19 continues to circulate, the Company is pleased with the overall trend and remains confident that the business can operate and grow without the need for additional funding.

The Board is regularly reviewing operating budgets and strategy taking into consideration a variety of commercial and corporate scenarios and opportunities.

This ASX announcement has been approved for release by Executive Chairman, Ruwan Weerasooriya

## About Rewardle Holdings Limited

Rewardle is positioned to be a leading player as the worlds of social media, marketing, mobile and payments converge to transform how we connect, share and transact.

Rewardle is a software business undertaking the development, operation and commercialisation of its proprietary Business to Business to Consumer (B2B2C) software platform (Rewardle Platform).

The Rewardle Platform connects millions of members with thousands of local businesses across Australia. It is a marketing and payments platform that combines membership, points, rewards, payments and social media into a single cloud based platform powered by Big Data analysis.

As part of its long term strategy, the Company is seeking to leveraging its operational capabilities, expertise and IP to develop new markets and opportunities.

In addition to operating the Rewardle Platform, the Company is building a portfolio of transactional, licensing and equity positions in partner businesses by leveraging the Company's operational team, platform and network of merchants and members.

The Company is led by an experienced entrepreneurial team with a successful background in Internet and media businesses.

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