Rewardle

JUNE QUARTERLY ACTIVITIES UPDATE
STRONG GROWTH TO CONTINUE IN FY23

Key Highlights and Summary

Substantial QoQ increases in cash receipts and positive cash flow from operations
Cash receipts from customers increased 2.8x to $784k which resulted in positive cash flow from operations increasing 10x to $262k due to the high operating leverage of the Company's B2B2C software platform model.

Investing positive cash flow into building a high growth, VC style portfolio of partnerships
Successfully building a high growth equity portfolio and sharing in upside that the Company is creating through arrangements to convert fees into equity with SplitPay (UK BNPL) and Cardiac Rhythm Diagnostics (Cardiac MedTech).

Multi-dimensional strategy set to deliver accelerating growth in FY23
Strategy to develop a range of growth opportunities from the current cost base by leveraging the Company's existing IP, network and resources is on track to deliver accelerated growth into FY23 and beyond.

Rewardle Holdings Limited (ASX:RXH) **("Rewardle"** or the **"Company")** provides the following update with respect to the execution of the Company's growth strategy and its June quarterly activities.

As anticipated in the March Quarterly Activities update, the Company experienced a substantial acceleration of positive cash flow from operations in Q4 FY22 and as per its growth strategy, cash flow generated by leveraging its operations, resources and capabilities are being invested into growth initiatives to create a compounding growth flywheel effect for the business moving forward.

Subsequent to Q4 FY22, the Company has established a $290k financing facility for its FY22 R&D activity which when combined with cash and cash equivalents at the end of the quarter provides the Company with $445k of working capital for use in development of growth initiatives.

The next areas of focus will be the growth of merchant services revenue and the launch of new features in the Rewardle app for members that support the generation of additional, high margin revenue.

The momentum gathered in Q4 FY22 is already being carried into FY23 and the business is becoming more robust as its diverse range of revenue streams and opportunities are developed.

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

"We're very pleased with the June quarter performance and the progress of our growth strategy, in particular the development of our high growth equity portfolio through our arrangements to convert service fees into equity."

"The financing we've arranged allows us to continue aggressively maximising our fee to equity conversion opportunities, while ensuring sufficient working capital is available to support our new growth initiatives as they gain traction."

"Our next focus is returning resources to growing our merchant services revenue and preparing to launch new features in the Rewardle app for members that can generate additional, high margin revenue."

"We're already seeing the momentum gathered in the June quarter flowing into FY23, and we are on track to deliver another substantial acceleration in our growth during Q1 FY23. We expect this trend will continue as multiple growth vectors combine to power our growth trajectory."

Successfully executing growth strategy

As outlined in the Investor Presentation released on 22nd December 2021, the Company is driving growth by developing opportunities that leverage its operations, resources and capabilities.

Slide 7 of the presentation provides an overview of the Company's key growth areas and has been included below for reference. The full presentation is available to view at: www.Rewardle.com/ASX/InvestorPresentationDec2021.

As anticipated in the March Quarterly Activities Update, the Company has experienced a strong acceleration in positive operating momentum during the June quarter and as per its strategy, cash flow has been and will continue to be invested into the growth initiatives to create a compounding growth flywheel effect for the business moving forward.

The Company's growth strategy includes the development of a portfolio of transactional, licensing and equity positions in complementary partner businesses. Having established agreements with SplitPay (UK BNPL) and Cardiac Rhythm Diagnostics (Cardiac MedTech) to convert fees into equity, the Company's initial growth focus has been on building its high growth equity portfolio in these partner businesses.

During the June quarter the Company converted $13,440 of fees to equity in SplitPay which equates to an additional shareholding in SplitPay of approximately 0.3%, bringing the Company's total shareholding in SplitPay to approximately 0.8%. In addition, the Company converted $310,000 of fees into equity in Cardiac Rhythm Diagnostics to give the Company a shareholding of approximately 6%.

While the broad downturn in the BNPL sector has resulted in SplitPay scaling back operations to review its strategy, Cardiac Rhythm Diagnostics has continued to perform strongly. The Company has accelerated the growth of Cardiac Rhythm Diagnostics by providing additional resources and is sharing in the upside being created through the conversion of service fees into equity.

In addition to the ongoing development of the Company's portfolio of transactional, licensing and equity positions in complementary businesses, it is returning resources to growing merchant services revenue and launching new features in the Rewardle app for members that can generate additional, high margin revenue.

To support these growth initiatives, the Company has arranged to finance its FY22 R&D rebate and received $290k. The R&D financing allows the Company to continue aggressively maximising its fee to equity conversion opportunities while ensuring sufficient working capital is available to support its new growth initiatives to gain traction.

As outlined above, the Company's growth strategy is well on track and the positive momentum gathered in the June quarter is being carried into FY23.

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Quarterly Cash Flow commentary

The Company has been successfully executing its strategy to drive growth by taking advantage of its high operating leverage and Q4 FY22 is the Company's third consecutive quarter of positive cash flow from operating activities.

The Company has delivered strong QoQ growth in Q4 FY22 which is expected to continue into FY23. Cash receipts from customers increased 2.8x to $784k which resulted in positive cash flow from operations increasing 10x to $262k. The sharp increase in cash receipts and positive cash flow from operations demonstrates the potency of the Company's high operating leverage and illustrates how rapidly the Company can unlock value as it continues to execute its strategy.

Cash receipts for Q4 FY22 were $784k, an increase of $155k or 25% from $629k for the previous quarter. However, it should be noted that the Q4 FY22 Cash receipts does not include any receipts from Government grants and tax incentives while the Q3 FY22 cash receipts included $347k from receipt of the Company's FY22 R&D tax rebate. A summary of the Q4 FY22 Cash receipts and management commentary is provided below:

- Cash receipts from customers were $784k, an increase of $502k or 178% from $282k for the previous quarter. The increase was primarily due to growing underlying software licensing and services fees and the timing of payments associated with growth services projects and associated fees. The underlying trend of growing cash receipts from customers is expected to continue and accelerate into FY23.

Outgoing cash payments for Q4 FY22 were $522k, a decrease of $81k or 13% from $603k for the previous quarter. A summary of this movement and management commentary is provided below:

- Product manufacturing and operating costs were $314k, an increase of $45k or 17% from $269k during the prior quarter. The increase was due to a combination of the Company investing in resourcing growth initiatives, timing of payments associated with regular, recurring operating expenses, and the Company continuing to pay down accrued liabilities relating to product manufacturing and operating costs that do not represent changes in underlying operating costs.

- Staff costs were $148k, a decrease of $139k or 48% from $287k during the previous quarter. The variance is due to the use of FY21 R&D rebate funds received to pay down accrued liabilities relating to staff costs during the previous quarter. The Company continued paying down accrued liabilities relating to staff costs to a lesser extent during Q4 FY22 and the long term, underlying staff costs were relatively unchanged.

- Administration costs were $60k, an increase of $13k or 28% from $47 during the previous quarter. This is due to timing of payments and paying down accrued liabilities relating to administration costs and does not represent an underlying change in operating costs.

- Payments for equity investments was $323k compared to $0 in the previous quarter as the Company instituted its arrangements with partners, SplitPay and Cardiac Rhythm Diagnostics, to convert fees into equity. The Company converted $13,440 of SplitPay fees and $310,000 of Cardiac Rhythm Diagnostics fees into equity in the respective business by acquiring shares.

During Q3 FY22 there were no related party payments as Directors fees were accrued.

Subsequent to the June quarter, the Company secured $290k in R&D financing which will support the Company to continue aggressively maximising its fee to equity conversion opportunities while ensuring sufficient working capital is available to support new growth initiatives.

The $290k, when combined with cash and cash equivalents at the end of the quarter, provides the Company with $445k of working capital for use in development of growth initiatives.

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

Subsequent to the June quarter, the Company has arranged to finance its FY22 R&D rebate and received $290k to support its working capital needs as it continues to develop growth initiatives.

The R&D financing allows the Company to continue aggressively maximising its fee to equity conversion opportunities while ensuring sufficient working capital is available to support its new growth initiatives to gain traction.

The $290k, when combined with cash and cash equivalents at the end of the quarter, provides the Company with $445k of working capital for use in development of growth initiatives.

While fluctuations in operating cash flow are to be expected, the substantial acceleration in positive cash flow experienced in Q4 FY22 is continuing into FY23 and the Company remains confident that the business can operate and grow without the need for additional funding.

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.

For more information please contact:
Ruwan Weerasooriya (Founder and Managing Director)
Email: ruwan@rewardle.com
Mobile: 0412448769