

24 October 2022

ASX Announcement

QUARTERLY REPORT 30 SEPTEMBER 2022 (Q1 FY2023)

Business back in focus

HIGHLIGHTS

- Key management change implemented post quarter end with internationally experienced executive Steve Voorma appointed as CEO to bring leadership, renewed energy and focus
- Operating Revenue of A\$5.9 million in Q1 FY2023, up 16% on the prior quarter Q4 FY2022 and up 94% on Q1 FY2022. This represents a record revenue quarter for the group.
- Fundraising: Institutional funding agreement reached with US-based institutional investor, New Technology Capital Group, LLC, for up to a maximum of \$5m.
- Cash Receipts were down 7% on Q4 FY2022 and up 47% on Q1 FY2022
- Platform operating metrics and key initiatives:
 - Activated Suppliers of 1,328 up 10% on the prior quarter and up 111% on Q1 FY2022
 - Overlap of Suppliers using both Fulfilment & Marketplace platforms at 6%
 - Kaddy Marketplace:
 - **GMV** of A\$4.8m, up 19% on the prior quarter of \$4.02m
 - **Total Trade Buyers** of 3,290, up 16% on the prior quarter. Total Lifetime Active Trade Buyers of 1,761, up 19% on the prior quarter
 - **Brands** of 2,917 (up 43% on prior quarter), **Product SKUs** of 19,876 (up 14% on prior quarter)
 - Kaddy Fulfilment:
 - **Cases Shipped** of 280k down 8% on the prior quarter but up 31% on Q1 FY2022
- Project One: Savings and synergies of A\$4.0m p.a. (P&L based) now delivered in full
- Cash at bank of A\$1.955m at 30 September 2022, noting commentary on page 4 of this report

OUTLOOK

CEO Steve Voorma said “My first 2 weeks as CEO have been incredibly busy and fulfilling, I am encouraged by the team’s experience, talent and enthusiasm. My focus has been on moving through the business and understanding our touch points, our internal and external ways of working and how these flow into our business operations and overall customer experiences.

“While we have many positives to our business, particularly surrounding our Kaddy marketplace platform - its scalability and positive growth trends are reflected in the quarterly update - it is also clear that we have work to do in a number of areas pertaining to our operational execution and total cost to serve our customers.

At a cost level, early observations demonstrate opportunity to:

- Improve our internal process and systems for enhanced operating efficiency
- Realise improvements in our 3rd party supplier network
- Rapidly reduce our operating expenses, as seen in multiple duplications and inefficiencies that currently exist through our operating environments
- Foster an enhanced performance culture to drive accountability and learnings.

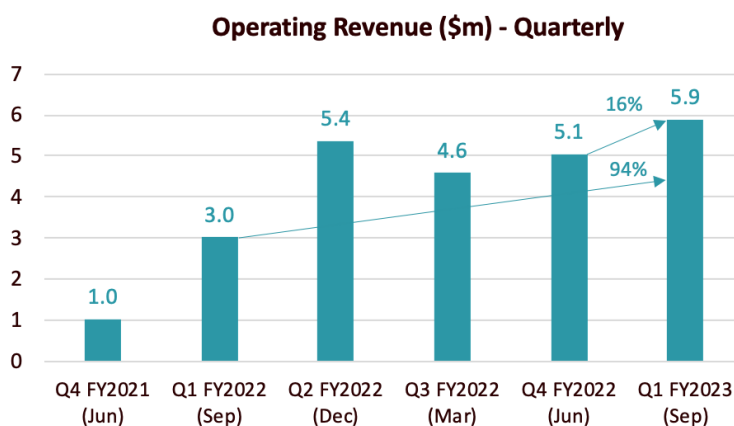
“I look forward to updating the market on go-forward strategies in the coming weeks. Whilst it is too soon to be able to quantify them, I can already say that I expect to achieve material further P&L cost savings.

“I would like to express my early appreciation to all our employees and our valued customers for your warm welcome and continued support. DW8 has a great team of people who are passionate about our success. I am looking forward to working with you all, as we drive the business forward. I would also like to thank the DW8 Board for placing their trust in me to drive the next chapter of growth for the Company.”

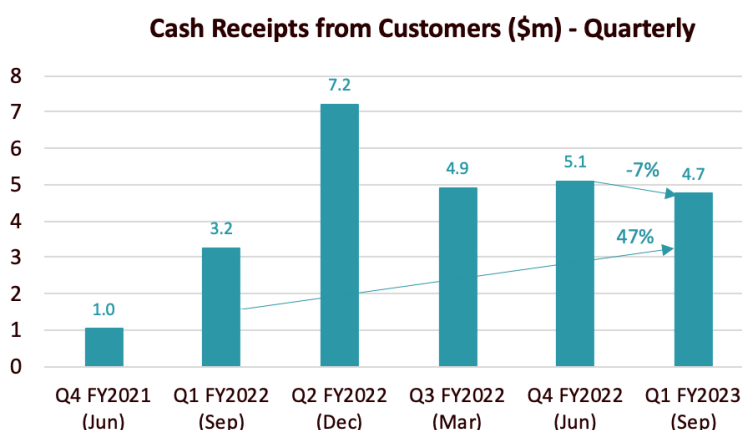
DW8 Limited (DW8: ASX), or the "**Company**", operates **Kaddy**, a unique and innovative technology platform which provides beverage suppliers an end-to-end supply chain solution that allows them to connect with buyers, simplify operations, streamline payments and fulfil both trade and consumer orders, is pleased to provide a summary of activity undertaken in the September quarter, Q1 FY2023 (unaudited).

KEY FINANCIAL RESULTS

Operating Revenue: DW8 generated A\$5.9m in **Operating revenue** in Q1 FY2023, up 16% on the prior quarter Q4 FY2022 and up 94% on Q1 FY2021.



Operating cashflows: DW8 generated A\$4.8m in **Cash Receipts from Customers** in Q1 FY2023, down 7% on the prior quarter Q4 FY2022 and up 47% on Q1 FY2021.

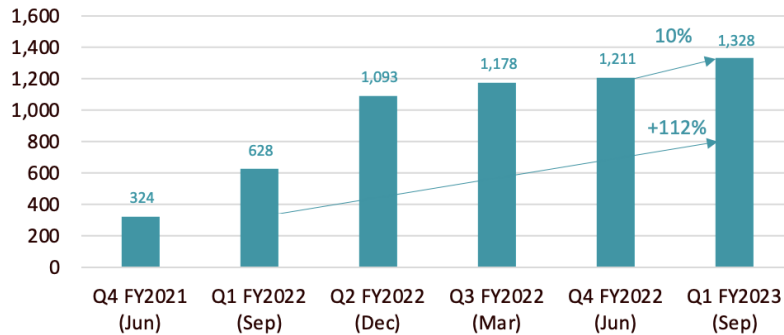


OPERATING METRICS – ACROSS PLATFORM’S TWO KEY COMPONENTS:

KADDY COMBINED PLATFORM

- **Activated Suppliers** using the Company’s platform, increased to 1,328, up 10% on the prior quarter (up 111% on Q1 FY2022).
- **Overlap of suppliers** using both the Fulfilment and Marketplace platforms at the end of September was 6%.

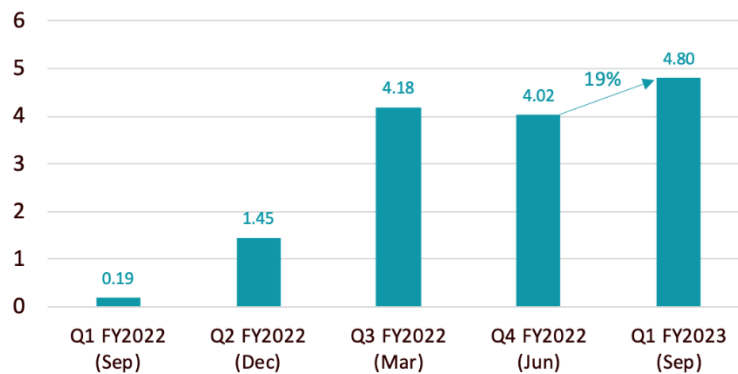
Activated Suppliers - Quarterly



KADDY MARKETPLACE

- **GMV** of A\$4.8m, up 19% on the prior quarter's GMV of \$4.02m
- **Total Trade Buyers** of 3,290, up 16% on the prior quarter (up 82% on total as at 30 September 2021)
- **Total Active Trade Buyers** of 1,077 up 19% on the prior quarter (up 91% on total as at 30 September 2021)
- **Brands** of 2,917 up 43% on prior quarter (up 361% on total as at 30 September 2021)
- **Product SKUs** of 19,876 up 14% on the prior quarter (up 174% on total as at 30 September 2021)

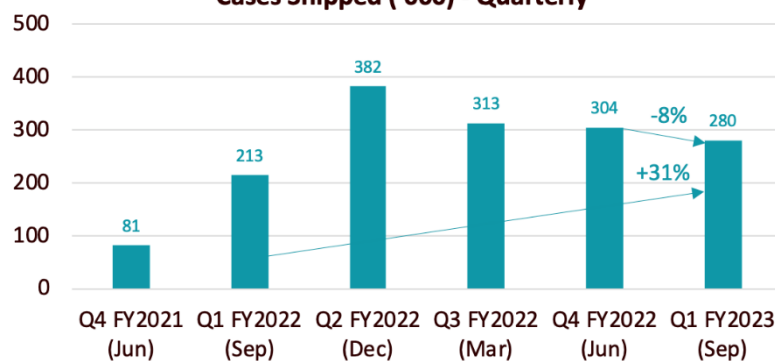
Total Market Place GMV (\$m) - Quarterly



KADDY FULFILMENT

- **Cases shipped** of 280k down 8% on the prior quarter but up 31% on Q1 FY2022.
- Average cases shipped per order was 3.5, down 4% on Q4 FY2022.

Cases Shipped ('000) - Quarterly



FUNDING

Institutional funding arrangement: Funding was agreed with US-based institutional investor, New Technology Capital Group, LLC, for up to a maximum of \$5m, replacing the previously announced convertible note agreement with Singapore based investor Triton Growth. See ASX announcement [18 August 2022](#). To date, \$1.5m has been received.

A non-renounceable entitlement offer (rights issue) was made to existing eligible shareholders. The rights issue disappointingly raised only \$168,248. See ASX announcement [27 September 2022](#).

Cash position: DW8 held A\$1.955m cash at bank as at 30 September 2022. Cash at bank excludes circa A\$2.29m in term deposits held as securities for property related bank guarantees. Cash at bank includes the above mentioned \$1.5m.

The Company notes the Appendix 4C Section 8.5 shows a cash runway of 1.09 quarters (based on historic cash flows, September quarter, Q1 FY2023) and notes the following key factors affecting cash flows from operating activities in the September quarter:

1. In its Investor Presentation dated 13 September 2022 (slide 17), the former CEO indicated that the Company anticipated 'cash burn' to be materially lower in Q1 FY2023 than in Q4 FY2022. In fact the 'Net cash used in operating activities' was not materially lower, this is discussed below.
2. Pleasingly, the \$4.0m per annum of cost savings and P&L synergies generated by 'Project One' and noted on slide 16 of the same Investor Presentation have been realised in the quarter.
3. However, the timing of various working capital movements in the June and September quarters, which were not taken into account as a factor influencing the statement made regarding 'cash burn', has meant that 'Net cash used in operating activities' has not achieved the anticipated level in the September quarter.
4. The Company has executed changes that have reduced net operating cash outflows, revenue growth through Q1 has been strong and is expected to grow further in Q2. The Company also expects R&D tax refunds to release between \$0.8m and \$1.0m in cash in Q2.

Further capital will be sought to support growth. The Company is holding discussions with a range of investors and funders and will provide updates to shareholders as appropriate.

Operating expenditure: In Q1 FY2023, Net Cash from Operating Activities outflow was A\$3.787m (Section 1.9, Appendix 4C) and gross operating cash outflows were A\$8.459m (Section 1.2, Appendix 4C). See section on Key Financial Results for commentary.

Financing activities: During the quarter the Company repaid A\$140k of principal related to finance agreements on warehouse equipment and motor vehicles.

CORPORATE

Chief Executive Officer appointment: The Company appointed Mr Steve Voorma on 11 October.

Steve is an internationally experienced executive with deep global consumer and digital media expertise working for blue chip brands. His most recent role was as CEO of the Active Display Group where he led a highly successful profit improvement strategy and ultimately sale to an ASX listed company. Prior to this Steve led three separate divisions of Sony in Europe and Australia, developing expertise in logistics, service delivery and operational transformation. See ASX announcement [11 October 2022](#).

Related Party Payments: During the quarter, the Company made payments of A\$162k to related parties and their associates. These payments relate to the existing remuneration agreements for the Executive and Non-Executive Directors. Non-executive Chair Paul Evans waived his fee for the September quarter.

Annual General Meeting (AGM): The Company will hold its AGM in late November. The Notice Of Meeting (NOM) will be lodged with the ASX shortly. The Company expects to propose a name change to Kaddy Limited and an appropriate ASX code change to shareholders for approval at this meeting.

END

This ASX announcement was approved and authorised for release by the Board of Directors.

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APPENDIX – Glossary

Term	Definition	Calculation/Comment
GMV	Gross Merchandise Value	GMV is a non-IFRS measure, it represents the total value of transactions processed and invoiced by Kaddy Marketplace on a cash basis, before deducting incentives, cancellations and refunds, chargebacks, discounts. It excludes GST.
Operating Revenue	Management’s core measure of revenue	Operating Revenue is revenue recognised in accordance with AASB15. It does not include any incentives or discounts offered to new suppliers. It excludes GST
Suppliers - Activated	Management’s leading indicator of the number of activated suppliers that are now generating revenue.	Activated Suppliers are suppliers that have registered on our platform/s and started to use products and services offered by the company.

More information about DW8

Website: www.dw8.com.au

Blog: <https://www.dw8.com.au/insights>

Media: <https://www.dw8.com.au/media-coverage>

Sign-up to receive investor news [here](#) or visit the ‘investors’ tab on our new website

DW8 Limited (ASX: DW8)

DW8 is an Australian publicly listed company that operates **Kaddy**, a unique and innovative cloud-based technology platform that is helping to digitally transform the wholesale beverage industry.

Operating under the tag line ‘Less work. **More business.**’ our vertically integrated platform provides beverage suppliers an end-to-end supply chain solution that allows them to connect with buyers, simplify operations, streamline payments and fulfill both trade and consumer orders.

Kaddy consists of the following components:

Kaddy Marketplace - Australia’s leading wholesale beverage marketplace, provides a simple and highly cost-effective way for suppliers to connect with thousands of licensed venues creating opportunities to build their brands, acquire new customers, increase sales, simplify back-office functions, and improve cash flow.

Kaddy Community - an online social network platform designed to bring like-minded beverage and hospitality professionals together. At its core is a content-rich forum that provides a platform for community members to share news, views, reviews, awards, insights, and media announcements.

Kaddy Connect - a custom built technology platform that provides users access to an ever-increasing range of integrated functionality and process flow management tools normally only available through expensive ERP systems.

Kaddy Fulfilment - one of the leading and largest providers of specialised beverage logistics solutions in Australia, offering suppliers access to a national network of strategically located warehouses to fulfil orders generated via any sales channel including Kaddy Marketplace.

Our vision is to establish Kaddy as the market dominating wholesale beverage marketplace in Australia, then look to expand our integrated platform into other markets and verticals.

Kaddy generates revenue via:

- Marketplace fees (% of the order value)
- Membership fees (SaaS subscriptions)
- Marketing & advertising fees (promotions, branding & corporate display)
- Fulfilment fees (storage, picking, packing, handling & freight)

For more information about Kaddy:

Website: www.kaddy.com.au

Blog: <https://www.kaddy.com.au/insights>

Media: <https://www.kaddy.com.au/media-coverage>

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning DW8 Limited’s planned operations and other statements that are not historical facts. When used in this document, the words such as “could”, “plan”, “estimate”, “expect”, “intend”, “may”, “potential”, “should”, and similar expressions are forward-looking statements. Although DW8 Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

Appendix 4C

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

Name of entity

DW8 LIMITED

ABN

59 086 435 136

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A	Year to date (3 months) \$
1. Cash flows from operating activities		
1.1 Receipts from customers	4,748,267	4,748,267
1.2 Payments for		
(a) research and development	(426,023)	(426,023)
(b) product manufacturing and operating costs	(2,754,581)	(2,754,581)
(c) advertising and marketing	(198,233)	(198,233)
(d) leased assets	(1,271,734)	(1,271,734)
(e) staff costs	(3,351,805)	(3,351,805)
(f) administration and corporate costs	(456,215)	(456,215)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	99	99
1.5 Interest and other costs of finance paid	(77,056)	(77,056)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(3,787,281)	(3,787,281)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(6,068)	(6,068)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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

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)	-	-
2.6	Net cash from / (used in) investing activities	(6,068)	(6,068)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	1,496,000	1,496,000
3.3	Proceeds from exercise of options	4,262	4,262
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	1,378,582	1,378,582
3.6	Repayment of borrowings	(140,007)	(140,007)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (funds on term deposit as security for property lease bonds)	(344,473)	(344,473)
3.10	Net cash from / (used in) financing activities	2,394,364	2,394,364

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,354,413	3,354,413
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,787,281)	(3,787,281)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,068)	(6,068)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,394,364	2,394,364

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,955,428	1,955,428

		Current quarter \$A	Previous quarter \$A
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		
5.1	Bank balances	1,955,428	3,009,940
5.2	Call deposits	-	344,473
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,955,428	3,354,413

		Current quarter \$A
6.	Payments to related parties of the entity and their associates	
6.1	Aggregate amount of payments to related parties and their associates included in item 1	162,242
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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:

During the quarter the entity paid \$162,242 in Director fees to Non-Executive and Executive Directors.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
7.1	-	-
7.2	-	-
7.3	4,430,667	2,271,035
7.4	4,430,667	2,271,035

7.5 **Unused financing facilities available at quarter end**

2,159,632

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.

DW8 Limited has Hire Purchase loan arrangements with the several finance providers for warehouse and logistics equipment:

- Crown Finance with an interest rate 11.25%, a term of 60 months and expiry Aug 27.
- Capital Finance with an interest rate 6.54%, a term of 60 months and expiry of April 22.
- Crown Finance with an interest rate 6.84%, a term of 60 months and various expiries from of Feb 22 to May 26.
- Energy Ease Finance with an interest rate 6.84%, a term of 84 months and expiry of Jan 25.
- Get Capital Finance with an interest rate 19.13%, a term of 30-36 months and expiry of Sep 22.
- Macquarie Finance with an interest rate 8.04%, a term of 60 months and various expiries from Mar 23 of Jun 23.
- Metro Finance with an interest rate 6.91-7.18%, a term of 60 months and various expiries from Mar 23 of Jul 23.
- Pepper Finance with an interest rate 8.3%, a term of 60 months and expiry of Mar 24.
- Selfco Leasing with an interest rate 12.72, a term of 60 months and expiry of Jul 23.
- Toyota Finance with an interest rate 3.99-7.01%, a term of 60 months and various expiries from Nov 21 to June 24.

All facilities are secured via a registered GSA over the equipment.

DW8 Limited also has a \$1m debtor finance facility with an interest rate of 8.75% with Earlypay secured against trade debtors.

DW8 Limited also has a \$3m debtor finance facility with an interest rate based on 30 day bank bill rate (BBSY) plus 4% with Scottish Pacific Business Finance secured against trade debtors.

8. Estimated cash available for future operating activities	\$A
8.1 Net cash from / (used in) operating activities (Item 1.9)	(3,787,281)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,955,428
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,159,632
8.4 Total available funding (Item 8.2 + Item 8.3)	4,115,060
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.09

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.

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: No, the company has executed changes that have reduced net operating cash outflows, revenue growth through Q1 has been strong and is expected to grow further in Q2. The company also expects R&D tax refunds to release between \$0.8m and \$1.0m in cash in Q2.

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: The Company is holding discussions with a range of investors and funders and will provide updates to shareholders as appropriate.

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: Yes, given the actions taken to reduce operating cash outflows noted in question 8.6.1 and the additional funding noted in question 8.6.2, the company expects to be able to continue its operations and to meet its business objectives.

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.

24 October 2022

Date:

Authorised for release by the Board of DW8 Limited

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.