

# DECEMBER QUARTERLY ACTIVITIES UPDATE

## POSITIVE MOMENTUM CONTINUES INTO FY23

### Key Highlights and Summary



#### **Quarterly cash receipts from customers of \$2.69m up 43% from \$1.88m in previous quarter**

Positive momentum continuing with strong growth in cash receipts driving increased positive cash flow from operations and 2.1x growth in total available funding from \$361k to \$748k.



#### **Disciplined investment of positive cash flow into growth initiatives**

Continuing to build high growth equity in partner businesses and investing in growth initiatives to create a compounding growth flywheel effect for the business moving forward.



#### **Strategy to generate growth from operating leverage is continuing to gather momentum**

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 further growth during FY23 and beyond.

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

As anticipated in the September Quarterly Activities update, the Company has maintained its positive momentum and continued to grow cash receipts from customers and positive cash flow from operations in Q2 FY23.

During Q2 FY23, the Company received its FY22 R&D tax rebate of \$402k and repaid the associated \$290k R&D financing facility.

As per the Company's 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.

The Company is well advanced with plans to grow its merchant network and launch new membership features in the Rewardle app that will support the generation of additional, high margin revenue.

The Company's growth strategy is well on track and the Company is well positioned for growth during FY23 and beyond.

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

*"Our strategy to operate and grow without additional funding is well on track and delivering results. The December quarter was our fifth consecutive quarter of positive cash flow from operations and our strongest quarterly performance to date."*

*"As per our strategy, we're investing cash flow generated by leveraging our operations, resources and capabilities into growth initiatives to create a compounding growth flywheel for the business moving forward."*

*"In addition, we're using our improving cash flow to pay down liabilities, strengthening our financial position so we have the capacity to pursue growth via investment and acquisition in the future."*

*"It's clearly an exciting time for Rewardle and I invite any interested investors to contact me via email or mobile if they have any questions about our strategy, progress and prospects."*

## Continuing to successfully execute growth strategy

As outlined in the Investor Presentation released on 22<sup>nd</sup> 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](http://www.Rewardle.com/ASX/InvestorPresentationDec2021).



As anticipated in the September Quarterly Activities Update, the Company has continued to gather positive momentum during the December quarter and as per its strategy, cash flow has been and will continue to be invested into 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. The primary partner focus during the December quarter has remained Cardiac Rhythm Diagnostics (Cardiac MedTech).

During the December quarter, Cardiac Rhythm Diagnostics was offered, and accepted, funding at an increased valuation of \$15m (from \$5m previously) which is reflective of its substantial growth and development over the past 12-18 months.

As this valuation becomes the basis for Rewardle's future fee to equity conversion, Rewardle requested, and Cardiac Rhythm Diagnostics agreed, to commission an independent valuation to price the proposed capital raising. The preparation of the independent valuation commenced during the period and while the preliminary findings support the \$15m valuation it has not yet been finalised.

While awaiting completion of the independent valuation, the parties have proceeded based on the \$15m valuation and agreed to retrospectively adjust the shares issued based on the outcome of the independent valuation.

As such, during the December quarter the Company converted \$900,000 of fees to equity in Cardiac Rhythm Diagnostics based on a valuation of \$15m, bringing its total shareholding to 19.82%. The Company will provide an update if there is any material change in Cardiac Rhythm Diagnostics valuation and/or Rewardle's shareholding following completion of the independent valuation.

In addition to the ongoing development of its VC style portfolio of high growth strategic partnerships, the Company is preparing to grow its merchant network and associated revenue streams. This includes ongoing development and testing of the Rewardle Platform's transactional based rewards capabilities with its meal kit partner, Pepper Leaf.

As outlined above, Rewardle's growth strategy is well on track and the Company is positioned for ongoing growth during FY23 and beyond.

## Quarterly Cash Flow commentary

Q2 FY23 is the fifth consecutive quarter of positive cash flow from operating activities highlighting the Company's successful execution of its strategy to drive growth through operating leverage without the need for additional funding.

As per the previous quarter, 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 Q2 FY23 were \$2,690k, an increase of \$813k or 43% from \$1,877k the previous quarter. A summary of the Q2 FY23 Cash receipts and management commentary is provided below:

- Cash receipts from customers were \$2,690k, an increase of \$813k or 43% from \$1,877k for the previous quarter. The increase was driven by growth in software licensing and services fees, timing of payments associated with growth services projects and transactions associated with testing new capabilities of the Rewardle Platform. The underlying trend of growing cash receipts from customers is expected to continue during FY23 and beyond.
- Government grants and tax incentives were \$402k, an increase of \$402k from the previous quarter when no Government grants and tax incentives were received. Funds received in Q2 FY23 were receipt of the Company's FY22 R&D tax rebate.

Outgoing cash payments for Q2 FY23 were \$1,512k, an increase of \$284k or 23% from \$1,228k for the previous quarter. A summary of this movement and management commentary is provided below:

- Product manufacturing and operating costs were \$1,163k, an increase of \$226k or 24% from \$937k during the prior quarter. The increase was due to a combination of the Company investing in contract resources to support growth initiatives, timing of payments associated with regular, recurring operating expenses, and variable costs associated with testing of new transactional reward capabilities of the Rewardle Platform that do not represent changes in underlying operating costs.
- Staff costs were \$253k, an increase of \$36k or 17% from \$217k during the previous quarter. The variance is due to a combination of the Company continuing to pay down accrued liabilities relating to staff costs and additional staffing to support growth initiatives resulting in a moderate increase in ongoing staffing costs.
- Administration costs were \$87k, an increase of \$13k or 18% from \$74k 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.
- Interest and other costs of finance paid was \$13k, an increase of \$13k on the prior period when no Interest and other costs of finance were paid. These costs relate to repayment of the Company's FY22 R&D finance upon receipt of the FY22 R&D rebate.
- Payments for equity investments was \$900k compared to \$732k in the previous quarter. These payments relate to the arrangement with Cardiac Rhythm Diagnostics for the Company to convert fees into equity by acquiring shares. The increase was due to the Company providing additional resources to Cardiac Rhythm Diagnostics to accelerate its growth and aggressively converting fees into high growth equity.
- Repayment of borrowings was \$289k which related to repayment of financing associated with the Company's FY22 R&D activity from Radium Capital and was repaid upon receipt of the FY22 R&D rebate.
- During Q2 FY23 there were related party payments of \$59k, being payment of accrued Directors fees to Mr. Rodney House (\$10k) and Mr. Ruwan Weerasooriya (\$49k). While the Company intends to continue paying down accrued Directors fees from cash flow as part of its broader strategy to reduce liabilities and strengthen the Company's financial position, the Directors remain supportive and willing to pause payment of fees to preserve cash for investment in growth opportunities as required.

While fluctuations in operating cash flow are to be expected, particularly in the current environment of economic uncertainty, the Company is pleased with the progress of its strategy and remains confident that the business can operate and grow without the need for additional funding.

## Working capital management

The Company is successfully executing its strategy to drive growth through operating leverage and has achieved its fifth consecutive quarter of positive cash flow from operating activities.

Total available funding at the end of the quarter increased by \$387k to \$748k, an increase of 2.1x from \$361k at the end of the previous quarter. In addition to the growth in positive cash flow from operations, during the quarter the Company received its FY22 R&D tax rebate of \$402k and repaid the associated \$290k R&D finance facility.

As outlined in the Quarterly Cash Flow Commentary, during the December quarter the Company took advantage of its improving cash flow to pay down liabilities including accrued Directors fees. The Company intends to continue balancing its operating cash flow to invest in growth opportunities while paying down liabilities.

While fluctuations in operating cash flow are to be expected, particularly in the current environment of economic uncertainty, the Company is pleased with the progress of its strategy and remains confident that the business can operate and grow without the need for additional funding.

**This ASX announcement has been approved for release by The Board of Directors.**

## 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:

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