

Shares:	526.32m	Merchants (as at 31 Dec 2018):	5,037
Market cap (@ \$0.004):	\$2.11m (Approx)	Members (as at 31 Dec 2018):	3,108,103
Cash (as at 31 Dec 2018):	\$0.31m (Approx)	Check-ins (as at 31 Dec 2018):	65,139,018

# December Quarterly Operational and Cash Flow Update

## Key highlights

- **Management remains focussed on growing cash receipts while reducing operating costs to guide the business towards cashflow positive operations.**
- **33% QoQ increase in cash receipts against backdrop of historically slow seasonal period reflects recent improvements in sales operations.**
- **50% reduction in QoQ operating cash outflows with further cost reductions being implemented during March Quarter.**
- **Successful trials of member monetisation through in app offers and transactions with further partnership trials to be launched during the March Quarter.**
- **Board changes support ongoing development of a robust, high performance sales organisation.**
- **The board is continuing to review operating budgets and strategy taking into consideration a variety of commercial and corporate scenarios and opportunities.**

Commenting on the Company's activities during the December Quarter, Rewardle founder and Executive Chairman, Ruwan Weerasooriya, said;

"We are pleased to demonstrate the improving organisational efficiency through growing cash receipts while significantly reducing operating cash outflow during the December quarter."

"We intend to further reduce costs and are confident that the lower cost base we have established will be maintained for coming periods whilst delivering improved sales performance, account service and user satisfaction."

"Management priorities moving forward are improving the consistency of merchant services sales performance, growing our brand partnership income and developing new revenue opportunities by leveraging our Platform and substantial merchant and member network."

"We remain committed to working to tight budgets and managing our working capital by balancing operating costs against closely monitored revenue generation targets."

## **Cash Receipts growth**

Cash Receipts from Merchant Services and Brand Partnership activity increased by 33% QoQ from \$221k in the September Quarter to \$295k in the December Quarter.

Based on historical trading, the December/January holiday season typically results in a seasonally slower period of Network growth and engagement from the end of November until the start of February. This seasonal slowdown is typically reflected in slower December and March quarterly sales and Merchant and Network growth with patterns normalising in subsequent periods.

Management is cautiously optimistic that the growth in QoQ cash receipts against the backdrop of a seasonally slow period is a result of the improvements made to Rewardle's proposition and sales process.

## **Operational Improvements**

Organisational efficiency continued to improve with significant cost reductions implemented that will provide a stronger pathway into cash positive operations in future periods.

Operational cash outflows were down by 50% QoQ from \$1,318,000 in the September Quarter to \$664,000 in the December Quarter.

As outlined above, this significant reduction in operating cash outflow was achieved while maintaining core capabilities and growing cash receipts.

Further opportunities for improvements and cost reductions have been identified and are being implemented across the business.

## **Development of existing and new revenue streams**

Improving the consistency of merchant services sales performance remains a key management focus. During the quarter ongoing iteration with respect to the merchant proposition was conducted including the development of new features and functionality. This is an ongoing process which continues to create new revenue opportunities and improved merchant satisfaction with the Rewardle offering.

The Company's focus on developing a robust, high performing sales function is supported by the recent Board changes with the appointment of Mr Rodney House as a Non-Executive Director.

During the quarter a Brand Partnership was established with Macquarie Bank to promote the banks home loans. This campaign is currently live and the income will be recognised in the March Quarter. As historically demonstrated, brand partnerships can make a significant contribution to Rewardle's income however are more transactional and less predictable than the recurring Merchant Services fees (SaaS).

In the lead up to Christmas a test and learn Brand Partnership promoting World Vision's charitable gifting program was undertaken along with a test and learn campaign with a coffee of the month subscription service to test the potential to monetise Rewardle's substantial membership base through in app promotions and offers.

The campaigns delivered mixed results but key insights were gathered that will be applied to future trials and the development of partnerships.

A number of commercial partnership opportunities are being explored that have the potential to deliver new revenue streams by leveraging the Rewardle Platform and Network.

The Company is continuing to invest in the development of new functionality and features of the Rewardle Platform. This investment incorporates our R&D initiatives and beta-testing of our universal points which support short term commercialisation opportunities and longer term strategic goals.

## **Board changes to support ongoing sales improvements**

To support management in developing a robust, high performing sales organisation, Mr. Rodney House was appointed as a Non-executive Director on 3<sup>rd</sup> January 2019.

Rodney is a proven commercial leader with over 20 years of experience in media and sales. Most recently he held the role of Commercial Director at Australia Community Media (ACM), a division of Fairfax Media.

In this role, Rodney's responsibilities included direct and agency sales teams along with call centre partnerships for print and digital media. He also headed up Fairfax Marketing Services – delivering a full suite of digital marketing services to regional clients. This comprised of approximately 650 employees, operating from 140 locations across rural and regional Australia.

During his time with ACM Rodney led a significant sales transformation program and was instrumental in the sales teams' skill and digital capability development.

Rodney was assisting Rewardle for a number of months by informally advising the management team on approaches to developing more consistent and higher sales performance. His appointment to the Board formalises his ongoing contribution towards this key business challenge along with Rewardle's broader business strategy.

Rodney replaces Peter Pawlowitsch who steps down after over 18 months with the Company as a Non-executive Director. The Board changes reflect the Company's focus on commercialisation and operational efficiency, retaining the cost and agility benefits of a small Board.

## **Working capital management update**

On 16 November 2018, the Company announced a 1 for 1.4 accelerated pro-rata non-renounceable rights issue offer of up to 241,684,687 fully paid ordinary shares at \$0.005 each to raise \$1,208,423 (before costs).

The Entitlement Offer includes an institutional component (Institutional Entitlement Offer) and a retail component (Retail Entitlement Offer)

On 26 November 2018, the Company's Managing Director and founder, Mr Ruwan Weerasooriya, subscribed for 165,429,866 shares under the institutional component for \$827,149. The shares have been issued to Mr Weerasooriya in lieu of funds loaned by Mr Weerasooriya to the Company and his loan has been reduced by \$827,149.

In addition to Mr Weerasooriya's participation, an additional \$86,655.92 was raised under the Retail Entitlement Offer with approximately 58,475,010 shortfall shares available for placement to raise an additional \$292,375.05.

As at 31 December the Company was owed \$109,090.91 + GST by Pioneer Credit (ASX:PNC) under a 3 year Marketing and Services Agreement that was executed on 13th October 2017.

The Company has previously received payments relating to a once off Exclusivity fee and Yr 1 Annual Marketing Fee under the Agreement.

While the commercial terms of the Agreement with Rewardle are well defined and the parties are obliged to adhere to them, Pioneer Credit has requested revisions to the Agreement to better leverage Rewardle's Network of Merchants and Members.

The Company has enjoyed a positive working relationship with Pioneer Credit and has elected to engage with the Pioneer Credit's management team to assess opportunities to restructure the current Agreement.

The Company will provide further updates with respect to the resolution of this outstanding payment as information becomes available.

## Working Capital Update (cont.)

The Company is confident that it will have sufficient working capital to meet its budget objectives for FY19 based upon:

- Recovery of outstanding debtors
- Placement of rights issue shortfall
- Demonstrated progress in commercialisation with growing cash receipts against falling costs.
- Improved cashflow associated with Merchant acquisition
- Launch of program to sell new Merchant services
- Current and prospective Brand Partnership opportunities
- Active development of commercial partnership opportunities to monetise membership base

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

## About Rewardle Holdings Limited

Rewardle connects over 3 million Members with around 5,000 local businesses across Australia.

The Rewardle Platform 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.

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.

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)

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## Appendix 4C

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

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Rewardle Holdings Limited

**ABN**

37 168 751 746

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

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	295	516
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(285)	(832)
(c) advertising and marketing	(7)	(8)
(d) leased assets	-	-
(e) staff costs	(339)	(1,001)
(f) administration and corporate costs	(33)	(141)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,088
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(369)</b>	<b>(378)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	95	148
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(17)	(17)
3.5	Proceeds from borrowings	-	500
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
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>78</b>	<b>631</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 quarter/year to date	609	65
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(369)	(378)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	78	631

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>318</b>	<b>318</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	318	609
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>318</b>	<b>609</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

5

-

Director fees, salaries and travel reimbursements

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

-

-


8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	265
9.3 Advertising and marketing	10
9.4 Leased assets	-
9.5 Staff costs	300
9.6 Administration and corporate costs	35
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>610</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

### Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 31 January 2019  
(Company secretary)

Print name: Ian Hobson



**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.