

Shares:	331,168,066	Merchants (as at 30 Jun 2018):	4,978
Market cap (@ \$0.009):	\$2.98m (Approx)	Members (as at 30 Jun 2018):	2,946,311
Cash (as at 30 Jun 2018):	\$0.07m (Approx)	Check-ins (as at 30 Jun 2018):	60.0m

# June 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.**
- **Management's focus on operational improvements has delivered a 35% YoY reduction in cash used for operating and investing activity.**
- **41% increase YoY in cash receipts from Merchant Services Fees (SaaS) and Brand Partnerships (advertising) to \$1.824m.**
- **Management anticipates further cost reductions and improved sales performance across Merchant Services and Brand Partnerships during FY19.**
- **As at 30 June the combination of Directors loan and FY18 rebate under the Federal Government's Research and Development (R&D) Tax Incentive program is expected to provide access to over \$1m in working capital.**
- **The board is regularly reviewing operating budgets and strategy taking into consideration a variety of commercial and corporate scenarios and opportunities.**

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

"The June quarter was largely focused on improving the sales performance of our merchant services team. The changes we have made to our operational processes, product proposition and pricing have substantially improved the economics of new merchant acquisition and provide us with greater flexibility moving forward."

"Having made solid progress with respect to improving our merchant acquisition process we are now able to apply resources to leveraging our market leading scale to develop high margin brand partnership opportunities as demonstrated in the last quarter."

"Management priorities moving forward are improving the consistency of merchant services sales performance, growing our brand partnership income and further cost reduction initiatives."

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

**Network summary**

	Merchants	Members	Check-ins	Prepaid Added	Prepaid Used	Prepaid Held
As at 30 June 2018	4,978	2,946,311	60,035,365	\$7,494,265	\$6,164,646	\$1,329,620

**Operational Update**

Rewardle has an addressable market of around 200,000 local businesses. This represents a substantial recurring Merchant Services (SaaS) fee opportunity which can be leveraged into additional commercial opportunities such as advertising, loyalty points and payments. As such, cost effectively acquiring Merchants is a central component of Rewardle's business model.

During FY18 the Company invested approximately \$1.2m (including staff costs) to establish a robust and reliable Merchant acquisition process based on a direct sales model. This involved applying historical learnings to implement a new Customer Relationship Management (CRM) system along with the associated processes, sales training, sales resources and marketing with the aim of more cost effectively acquiring Merchants.

Following development and initial trials in previous periods, the new CRM system was implemented across the business during the June quarter. While still relatively early, the stronger sales system processes are combining with the new product options and pricing to enhance the economics of Merchant acquisition for the business moving forward.

Under the new sales system, Rewardle has proven that it is possible to shift the merchant acquisition economics from cashflow negative to positive, however achieving consistent performance across the team remains a key challenge. Ongoing management focus is required to reduce the current levels of variance in individual team members performance and the variance between top and bottom performers across the team.

The new sales system and performance metrics achieved to date have established that it is viable for the Company to augment internal sales with performance based channel partners and/or contracted sales organisations. While no changes are immediately planned, these options are being explored and under the appropriate commercial framework would deliver improved cashflow, substantially reducing the fixed costs and overheads of managing a direct sales team while continuing to grow the Merchant network.

Unlike the predictable nature of recurring Merchants Services (SaaS) fees, Brand Partnership (advertising) revenue is typically based on once off transactions. While the March quarterly cashflow benefited from Brand Partnership activity for a number of clients which was conducted in the prior quarter, there were no receipts from Brand Partnership activity in the June quarter.

The lack of Brand Partnership cash receipts in the June quarter was due to prioritising the improvements to the Merchant acquisition process during H2 FY2018. Brand Partnerships were not actively pursued during this reorganisation period and as such there was no contribution from Brand Partnerships to the June quarterly cashflow.

As demonstrated in the March quarter, when focused resources are applied, Rewardle can leverage the scale of its market leading merchant and member network to generate substantial, high margin digital advertising income. With the key aspects of the new sales system implemented, management has commenced applying similar principles to pursuing Brand Partnership opportunities. A number of proposals are being prepared for potential partners and bookings from MasterCard and Pioneer Credit have already been implemented during July.

In addition to initiatives to more efficiently grow revenue, management is continuing to focus closely on managing operating costs. Significant reductions in operating expenses while enhancing the Rewardle Platform and improving engagement of Merchants and Members has been achieved through reorganisation of resources and improved processes, these will continue to flow through into FY19.

## Operational Update... cont.

The Company has negotiated further expense reductions which will take effect from July 2018. The most significant saving is a reduction of approximately 30% across technology related costs that accounted for approximately \$1m of expenses in FY18.

During the June quarter the Company continued 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.

The Company's R&D activities continue to be eligible activities under the Federal Government's Research and Development (R&D) Tax Incentive Program. The Company is well advanced in submitting its claim for R&D activities undertaken during FY18 and expects the claim to be processed and funds received in early FY19.

Based on previous rebates of \$1.4m in FY16 and \$1m in FY17, the Company expects that the FY18 rebate will provide a significant contribution to working capital to support the Company's FY19 operations. The Company will provide updates as the R&D claim progresses.

## Working capital management

Management remains focussed on growing cash receipts while reducing operating costs to guide the business towards cash positive operations.

Management anticipates it will have sufficient working capital to meet its budget objectives for FY19 based upon the following:

- Demonstrated progress in commercialisation with growing cash receipts against falling costs.
- Improved cashflow associated with Merchant acquisition
- Active development of Brand Partnership opportunities
- Access to an undrawn Directors loan on favourable terms to the Company
- FY18 R&D rebate expected in first half FY19

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 almost 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)

Email: ruwan@rewardle.com

Mobile: 0412448769

## 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")**

30 June 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	361	1,824
1.2 Payments for		
(a) research and development	-	(1)
(b) product manufacturing and operating costs	(557)	(1,974)
(c) advertising and marketing	-	(20)
(d) leased assets	-	-
(e) staff costs	(610)	(2,699)
(f) administration and corporate costs	(50)	(296)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,003
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(856)</b>	<b>(2,162)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(25)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	-	(44)
(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)	-	2
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(1)</b>	<b>(67)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	50	2,133
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	-	(52)
3.5 Proceeds from borrowings	-	200
3.6 Repayment of borrowings	-	(200)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>50</b>	<b>2,081</b>

<b>4. 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	872	213
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(856)	(2,162)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1)	(67)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	50	2,081

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>65</b>	<b>65</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	65	872
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>65</b>	<b>872</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**

38

-

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)	400	-
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.		

The Executive Chairman, Ruwan Weerasooriya has provided the Group with an unsecured, non-recourse facility of \$400k that can be drawn down at any time. The facility is interest free and repayable at the Company's discretion.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(503)
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	(460)
9.6 Administration and corporate costs	(50)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(1,013)</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**

- 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.



Sign here: .....  
(Director/Company secretary)

Date: ...31 July 2018.....

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.