

30 April 2020

Quarterly Review and Appendix 4C for the period ended 31 March 2020

IncentiaPay Ltd (**ASX:INP**) provides the following update for the quarterly period ended 31 March 2020.

Financial Highlights:

- \$6.4 million of cash receipts
- \$2.9 million in the bank at the end of the quarter
- \$1.8 million of debt drawn down from Suzerain Investments Holdings Limited (**Suzerain**)
- The removal of operating expense including a 30 to 40 percent reduction of Executive Management and Director salaries due to COVID-19

Operations Highlights

- Successful Early Bird launch campaign in February with \$ 1.4 million in sales revenue received in February.
- As a result of COVID-19:
 - Measures have been put in place to protect employees including implementing work from home arrangements and use of teleconferencing facilities instead of face to face meetings
 - Consultation has been undertaken with employees to reduce numbers of days worked and associated salary reductions
 - Pivot in strategy from sales focus to supporting our fundraisers and partners

Operational Update

Quarter three saw a successful start to the Early Bird launch campaign which yielded \$ 1.4 million in cash receipts during the month of February. Based on the Company's digital only strategy, these were pleasing results and in line with expectation.

Since the onset of the COVID-19 crisis, the Company's sales revenue has been significantly subdued. The Company's predominant product, the Entertainment Membership, is highly seasonal and traditionally receives the majority of its revenues during the main sales season, which is between February and July of any given year.

Accordingly, as previously announced, the Company has undertaken a significant cost out initiative, which included the reduction of workforce costs by approximately 40 per cent. This was achieved in consultation with employees to reduce salaries and accordingly, the number of days being worked.

Cash Position

- Net cash outflow of \$3.556m for the period as compared to \$5.9m in the previous quarter, driven predominantly from increase seasonal sales in February.
- Net cash used from investment activities of \$145k, as the working capital adjustment of the divestment of Blackglass Pty Ltd, compared to (\$730k) the previous period

Payments to Related Parties of the Entities and their Associates

- \$131k paid to Leisure Group Pty Ltd, an associated entity of Suzerain. Leisure Group acts as an outsourced tele-sales agent. This relationship was suspended as at 31 March 2020 due to the impacts of COVID-19
- \$24k of outsourced IT services to a related party of Suzerain

Outlook

Whilst the Company continues to review the impacts of COVID on a regular basis, there is a strong focus on re-launching the sales seasons once macroeconomic conditions change. In addition, the Company is using the time to enhance its digital offering in market.

The Company has de-prioritised capital expenditure to proactively manage the business so that it remains well placed once conditions stabilise. The Company will continue to remain vigilant with regards to costs and cash flow management.

Authorised for release by the Board

For further information, please contact:

Ben Newling

Company Secretary

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Appendix 4C

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

Name of entity

Incentiapay Limited

ABN

43 167 603 992

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,363	25,348
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,871)	(17,744)
(c) advertising and marketing	(289)	(1,215)
(d) leased assets	-	-
(e) staff costs	(3,766)	(15,440)
(f) administration and corporate costs	(778)	(3,936)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	13
1.5 Interest and other costs of finance paid	-	(77)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(225)	(1,212)
1.9 Net cash from / (used in) operating activities	(3,566)	(14,263)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(10)	(36)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	155	155
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	(730)
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	145	(611)

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	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	3,500	16,250
3.6	Repayment of borrowings	(577)	(1,741)
3.7	Transaction costs related to loans and borrowings	(25)	(123)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	2,898	14,386

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,471	3,461
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,566)	(14,263)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	145	(611)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,898	14,386
4.5	Effect of movement in exchange rates on cash held	(5)	(30)
4.6	Cash and cash equivalents at end of period	2,943	2,943

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	2,943	3,471
5.2	Call deposits	-	-
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)	2,943	3,471

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
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
155
-

Payment for IT Services to an associated entity of Suzerain Investments Holdings Limited (a significant shareholder) (Suzerain) of \$24k
 Payment for sales support services to an associated entity of Suzerain (a significant shareholder) of \$131k

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

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	6,325	1,825
7.2 Credit standby arrangements	-	-
7.3 Other (Lease incentive loan)	501	501
7.4 Total financing facilities	6,826	2,326

7.5 **Unused financing facilities available at quarter end** 4,500

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.

Converted Loan facility

On 27 February 2020, Suzerain opted to convert \$19,300,257 of their convertible loan into 410,643,766 ordinary shares at \$0.047 per share, in accordance with the Convertible Loan Agreement approved by shareholders at the AGM held in December 2019. This will leave \$500k of secured debt which Suzerain will have the option to convert up until June 2020.

Short Term Loan Facility

Short Term Loan Facility was refinanced with a new Loan facility with Suzerain on 27 February 2020 for the provision of a \$5.825m facility (including associated borrowing costs). This facility will initially be unsecured with the view to obtaining shareholder approval for security at the Company's next Annual General Meeting, anticipated to be held in November 2020. \$750,000 was already provided under the pre-existing short-term facility, \$500k was drawn down in March 2020 and \$75,000 borrowing costs was incurred and accumulated in the loan.

Lease incentive loan

Loan with the Landlord of the Sydney Corporate Office, who financed the fitout. This loan will be repaid at a rate of 20% subject to no defaults occurring. It is scheduled to be fully repaid by the end of the lease.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(3,566)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,943
8.3 Unused finance facilities available at quarter end (Item 7.5)	4,500
8.4 Total available funding (Item 8.2 + Item 8.3)	7,443
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 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:

The impact of Covid-19 has had a significant impact on operating cash flows in particular the last month of the quarter, which is traditionally the start of the high revenue cycle. This will continue into the last quarter of the year as healthcare restrictions will continue for the time being.

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 group has confirmed support from its largest shareholder to continue the provision of operational cash funding. The group has also applied for and has received or is expected to receive government support in the form of deferred payments to tax authorities and more importantly the JobKeeper wage subsidy. Employees have had salaries and/or hours of work reduced, and a detailed review of expenses to assess what steps can be taken to minimise cash outflow during the next quarter.

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:

The group expects to continue operations due to the committed support from Suzerain in addition to the receipt of the JobKeeper wage subsidy and deferral of applicable payments to taxation authorities and outcomes from initiatives to reduce expenses.

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.

Date:30 April 2020.....

Authorised by:Board of Directors.....
(Name of body or officer authorising release – see note 4)

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.