**28 August 2023** **ASX ANNOUNCEMENT**

# Graffiti releases FY23 unaudited preliminary results

Gratifii Limited (ASX:GTI) (**Gratifii** or **the Company**), the enterprise loyalty and rewards company, is pleased to announce its unaudited results for the year ended 30 June 2023 (**FY23**).

Gratifii has delivered a strong financial result in FY2023 with a significant increase in total revenue, increasing 150% from the prior corresponding period. The increase in revenue is driven by the diversification of revenue streams into loyalty services via the strategic acquisition of Hachiko and the continued growth of the rewards business on the back of a number of new enterprise agreements signed during the year.

During the period the Company invested in new loyalty program functionality for several clients, including Niterra, FAB Group, Seagrass, and a major medical group, enabling these clients to go live in 4Q FY23 and deliver new SaaS, loyalty and rewards revenue for the Company in FY24. Such investment also enabled Gratifii to win a material contract with RACV which will further increase scale and users.



## Highlights for FY23

**Financial**:

- **Revenue** of $30.2 million, up 150% on FY22
- **Revenue from ordinary activities** of $29.9 million up 148% on FY22
- **Gross profit** of $5.0 million, up 91% on FY22
- **Operating cashflow** of $0.5 million, up 156% on FY22
- **Cash** as at 30 June 2023 of $1.7 million (~$2.6 million including August 2023 share issue)
- **Foundation established** to deliver net positive cashflows in FY24 from FY23 new clients signed

**Corporate Activity**

- Successful execution of two capital raises
- Completed the acquisitions of Hachiko Pty Ltd and its related entities (**Hachiko**), and the business assets of Spendless Buying Advisory Services Pty Ltd **(Spendless)**

**Operations**:

- Signed a transformational 3-year SaaS contract with key client Royal Automobile Club of Victoria Limited (**RACV**) which is forecast to deliver $8.8 million of revenue in FY24
- Surpassed 100,000 active users on Mosaic platform
- Significant investment in operations and on track to become ISO27001 certified in 2023
- With increased investment in operations the Company achieved operational efficiency with operating expense to revenue ratio decreasing from 53.6% to 29.6%
- Executed 12 new enterprise client agreements across a diverse range of sectors

- Growing pipeline of enterprise opportunities that have the potential to sustain Gratifii's strong growth profile.

## Financial Results

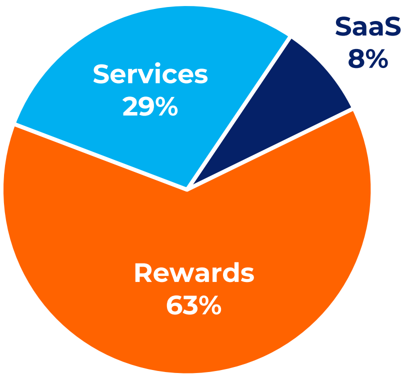
| | FY23 $m | FY22 $m | % Change |
|---|---|---|---|
| Total Revenue | 30.2 | 12.1* | +150% |
| Revenue from ordinary activities | 29.9 | 12.1* | +148% |
| Gross Profit | 5.0 | 2.6 | +91% |
| **Total comprehensive profit/(loss) for the year** | **(3.8)** | **(2.4)** | **-57%** |

* Includes $840k of research and development grant income not received in FY23.

**Total Revenue** reached $30.2 million for the year ended 30 June 2023 (FY22: 12.1 million).

Acquired subsidiary Hachiko contributed 39% of revenue growth. Organic growth comprised the remaining 61%, driven by growing demand for loyalty and rewards services in Australia and New Zealand (**NZ**).

**Revenue by segment (%)**




On a segmented basis:

- $2.5 million (8%) of revenue was derived from Software-as-Service (**SaaS**) fees from contracted clients (FY22: $2.5 million);
- $18.9 million (63%) of revenue was margin earned on rewards (FY22: $8.7 million); and
- $8.6 million (29%) of revenue was service fees earned from loyalty and rewards clients (FY22: $0).

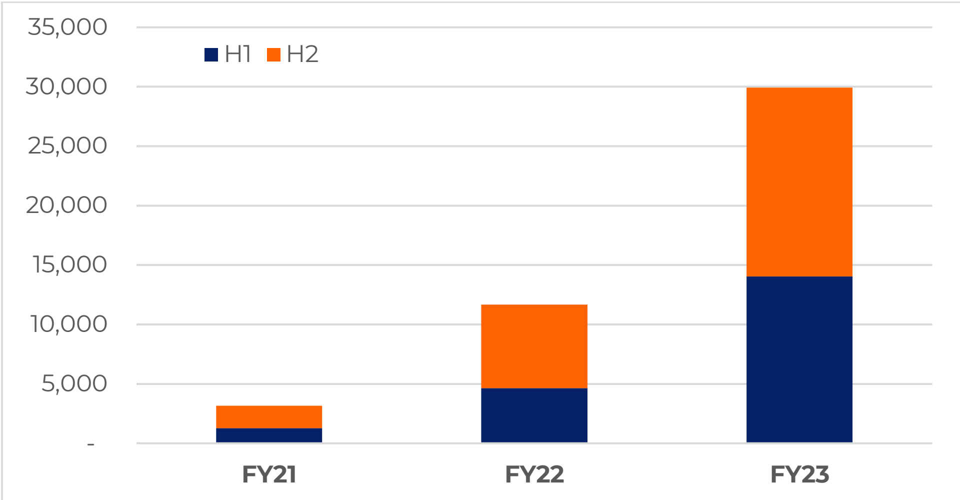
**SaaS fees** were flat due to the offsetting impacts of new Australian SaaS customers, as outlined in the Operations Update section, against the Company's decision to terminate two large SaaS client's contracts and wind back operations in South Africa.

**Rewards revenue** grew by 116% on the previous financial year due to increased ticket sales from better engagement with existing clients, reward volumes procured through Hachiko-acquired client Mitsubishi Heavy Industries and the signing of several new member and employee rewards programs including Student Edge and Rest Superannuation.

**Service fees** are a new revenue line from the acquired Hachiko business, with $2.8 million of revenue from services fees paid by customers for marketing and management services and $5.8 million from ancillary rewards, travel and other related products to provide an end-to-end solution to our customer base.

Overall revenue growth was offset by the Company no longer being eligible for a research and development (**R&D**) grant ($840k earned in FY22) as well as government subsidies ($82k earned in FY22).

**Revenue ($'000)**




**Gross Profit** increased by 91% to $5.0 million (FY22: $2.6 million), due to continued revenue growth across both the rewards and services business units.

**Reported Net Loss** was $3.8 million for the financial year, compared to $2.4 million in FY22 which included $922k of R&D grants and government subsidies. In addition, FY23 saw increased depreciation and amortisation costs, primarily related to the Mosaic platform as well as increased employment costs largely due to the acquisition of Hachiko and the full year impact of the Neat Ideas business.

**Operating Cashflow** was $0.5 million (FY22: $0.2 million), reflecting improving operating and capital management initiatives over the full year.

**Investment Cashflow –** During the period the Company continued its development of the Mosaic platform, spending $3.0 million ($3.3 million in FY22). This investment in Mosaic provides the Company with a market leading system that will underpin the customer proposition. The acquisition of Hachiko required a cash payment of $2.1 million and the assets of Spendless cost $175k.

**Net Cash** was $1.7 million as at 30 June 2023 and~$2.6 million including the issue of new shares in August 2023 (FY22: $2.1 million).

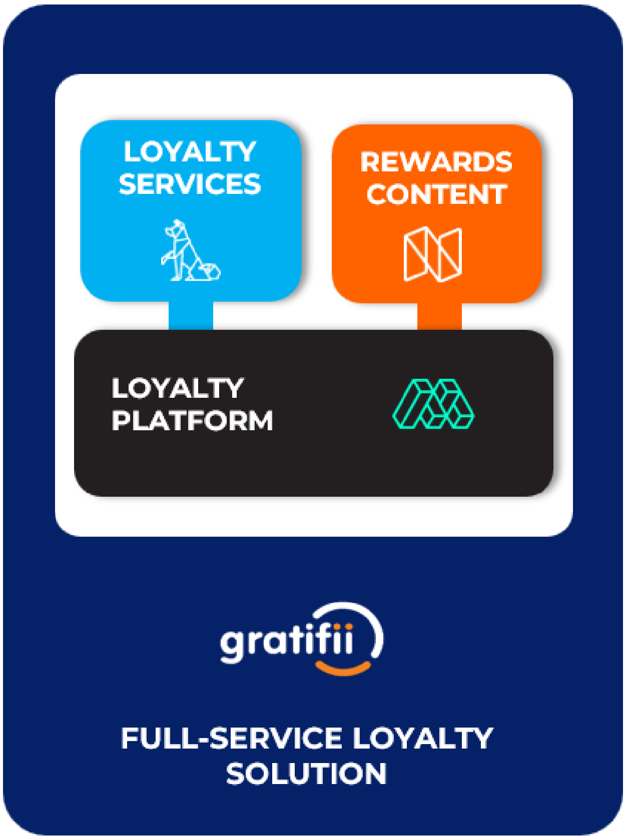
## Corporate Activity

The Company completed the following acquisitions and capital raises during FY23:

- **Hachiko acquisition and capital raise**: The Company acquired loyalty and rewards agency Hachiko for $3.6 million in August 2022. The acquisition was funded via a share placement ($1.25 million) and convertible notes ($1.5 million) as well as the issue of 19.2 million new shares.
- **Spendless acquisition**: Gratifii completed the purchase of the assets of Spendless in June 2023. The transaction added scale and distribution to its rewards business. The Company paid $175,000 in cash on completion, being the agreed purchase price plus the face value of usable stock.
- **Capital raise**: the Company raised a further $2.75 million in June 2023 via the issue of 115.3 million new shares ($1.84 million) via placement to institutional investors.

In August 2023, a further 56.6 million new shares ($0.91 million) were approved by shareholders for issue to institutional investors, including Gratifii's largest shareholder, the Bombora Special Investments Growth Fund.

## Operations Update




Following the acquisition of Hachiko, the Company has expanded its business model to offer all-in-one loyalty services, rewards and software platform and positioned itself as Australia's only full-service loyalty and rewards solution.

Gratifii delivered functionality for its key enterprise contracts during the period and now has over 100,000 active users on its Mosaic SaaS platform. Projects delivered included an end-to-end loyalty solution for Niterra Australia, a custom rewards and recognition platform for NZ based skin clinic business FAB Group, the roll-out of Dining Rewards Program to Seagrass Hospitality Group's six restaurant brands and the implementation of a medical centre loyalty program to a large health services provider.

Gratifii was awarded Climate Active certification for its carbon neutral business operations during the period, reflecting the Company's commitment to sustainability.

In June 2023 Gratifii signed its largest SaaS contract to-date with existing client **RACV**. Under the 3-year contract, Gratifii will deploy its SaaS platform alongside an expanded range of services and rewards to RACV, its affiliates and members. The RACV project is on track as per the ASX announcement on 13 June 2023.

## Outlook

The Company is confident of delivering positive cashflows within FY24 from its expanded range of services.

Commenting on the Company's outlook, Gratifii CEO and Managing Director, Iain Dunstan, said:

"Gratifii is well positioned to benefit from growing demand for loyalty and reward services to alleviate rising cost of living pressures. We have a strong book of enterprise clients across a variety of sectors and the scale and technology we are building provides a unique end-to-end loyalty solution in the Australian and NZ marketplace. As a result, we expect to deliver continued cash receipts growth in FY24 as the company focused on delivery of the RACV project.

"1Q FY24 has started strongly and revenue is tracking around 20% ahead of the same time last financial year (unaudited). We have a growing pipeline of new business opportunities, some of which we expect to close this quarter."

GTI confirms that this announcement has been approved by the Board of Directors of Gratifii.

**Ben Newling**
**Joint Company Secretary**

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## About Gratifii Limited

Gratifii Limited (ASX:GTI) is an ASX listed company transforming the way that loyalty and rewards are managed and delivered. Our single platform is a complete solution offering affordable, market-leading functionality and configurability. Over 60 mid-to-top tier brands rely on Gratifii for their loyalty and rewards across Australia, New Zealand, Singapore and UAE.

To learn more, visit: www.gratifii.com.