

# SEPTEMBER QUARTERLY ACTIVITIES UPDATE

## FOCUS SHIFTING FROM BREAKEVEN TO GROWTH

### Executive Summary and Highlights

**Rewardle Holdings Limited** (ASX:RXH) (“**Rewardle**” or the “**Company**”) provides the following update with respect to the Company’s September quarterly activities.

The net operating cash outflow for the September quarter was, \$12k a decrease of \$207k or 95% compared to \$219k outflow for the previous quarter.

This represents a significant milestone in the progress and execution of the Company’s strategy to “Breakeven and Grow” and a key inflection point for the Company as management’s focus shifts to growth.



#### Positive cash flow for August and September

Substantial reduction in net cash outflow for quarter and cashflow positive operations in August and September represent a key inflection point for the business as it shifts into growth focus.



#### Developing Buy Now Pay Later (BNPL) growth opportunity

Leveraging the Company’s experience, resources and capabilities to earn equity in SplitPay, a UK BNPL operator, and exploring integration of BNPL into the Rewardle platform.



#### Advancing Beanhunter strategic partnership

Rewardle’s strong cafe sector presence is enhanced by integration of Beanhunter content which adds value for users and creates high margin upsell and cross-sell growth opportunities.



#### Preparing to grow merchant network as local businesses get back to business

As Australia’s leading local rewards app, Rewardle is positioned to play a significant role in helping local businesses to rebuild as trading conditions improve.



#### Catching the wave of accelerated digital adoption due to COVID-19

Advancing development of partnerships that provide exposure to high growth areas such as e-commerce, home delivery, digital payments/BNPL and telehealth.

Rewardle’s Founder and Executive Chairman, Ruwan Weerasooriya, said;

*“Our net cash outflow of \$12k for the September quarter is a 95% reduction from the previous quarter. This result clearly shows that our strategy to breakeven and grow is well on track.”*

*“While COVID-19 restrictions during the quarter heavily impacted our primary target market of local businesses, we were able to compensate by focussing on our growth services partnerships. This work contributed valuable cash flow while also setting up high growth opportunities that will diversify our future revenue.”*

*“With cashflow breakeven well in hand and the local economy opening back up we’re focusing on growth initiatives that leverage our capabilities, resources and IP to develop new markets, opportunities and revenue streams.”*

## 95% reduction in net cash outflow sets up growth phase of Rewardle's strategy

The net operating cash outflow for the September quarter was \$12k, a decrease of \$207k or 95% compared to \$219k for the previous quarter,

This represents a significant milestone in the progress and execution of the Company's strategy to "Breakeven and Grow" and a key inflection point for the Company as management's focus shifts to growth.

The strategy outline and subsequent updates are available to review as follows:

- [www.Rewardle.com/ASX/MarchPresentation](http://www.Rewardle.com/ASX/MarchPresentation) (24th March 2021)
- [www.Rewardle.com/ASX/MayStrategyUpdate](http://www.Rewardle.com/ASX/MayStrategyUpdate) (14th May 2021)
- [www.Rewardle.com/ASX/AugustUpdate](http://www.Rewardle.com/ASX/AugustUpdate) (14th September 2021)

A key component of the Company's strategy is to use its resources to generate professional services revenue from strategic partners and 3<sup>rd</sup> party clients to ensure the Company's team, intellectual property and operating capability are preserved so it can take advantage of improving business conditions.

Under the strategy being implemented, the professional services revenue, recurring merchant service fees and R&D rebate funds combine with management's ongoing work to achieve an efficient, low operating cost base to maintain all the Company's capabilities to operate and grow without requiring additional funding.

The successful execution of the "Breakeven and Grow" strategy delivers financial stability, control and time to develop growth opportunities that leverage its proprietary technology platform and substantial network of merchants and members to generate highly profitable additional revenue.

As a technology platform based business with largely fixed costs, the Company has the potential to generate highly profitable additional revenue by leveraging its capabilities and substantial network of local businesses and members that it is already amassed.

## Growth Services support cashflow and long-term growth opportunities

A key component of the Company's strategy to "Breakeven and Grow" is to leverage its operational capabilities, expertise and IP to generate professional services and platform licensing revenue while developing new markets and opportunities.

The Company has developed a unique, multi-dimensional proposition for partners and clients that generates revenue by leveraging the Company's experience, capabilities and IP across its business operations, user network and technology platform. This has been termed "Growth Services" and is outlined in the Strategy Update released on 14 May 2021 which can be viewed at [www.rewardle.com/asx/maystrategyupdate](http://www.rewardle.com/asx/maystrategyupdate).

The Company has been prioritising Growth Services engagements that generate cash flow and develop new markets and opportunities that have the potential to create long term value for the Company in areas such as ongoing transaction fees, software licensing, equity participation, enhanced network effects and user engagement.

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.

As previously announced, the Company has established strategic equity positions with Beanhunter and Pepper Leaf via options agreements, services for equity with SplitPay and software licensing with Cardiac Rhythm Diagnostics.

The Company is working on a pipeline of Growth Services opportunities and will provide further updates with respect to the progress of individual opportunities as appropriate, taking into consideration the nature and potential impact on the business.

## Positioning for growth by aligning with post-COVID-19 growth opportunities

Rewardle was established based on the understanding that macro technology trends are changing how consumers connect, engage and transact. The Company has successfully established a digital, mobile and transactional relationship with thousands of local businesses and millions of members around Australia.

While the COVID-19 pandemic has created short term operating challenges, it has also accelerated key macro trends that underpin Rewardle's founding thesis, business model and value proposition. In particular, the adoption of eCommerce/omni-channel retail, cashless payments and digital media.

These opportunities are outlined in slide 3 of the presentation released on the 24<sup>th</sup> March 2021 which is available to view at: [www.rewardle.com/asx/maystrategyupdate](http://www.rewardle.com/asx/maystrategyupdate).

While stabilising the Company's operations by generating professional services and platform licensing revenue to develop new markets and opportunities, the Company is continuing to invest in research and development to extend the capabilities of the Rewardle Platform, enhancing its value proposition for local businesses and other commercial partners.

Previously announced engagements with Beanhunter, Pepper Leaf, SplitPay and Cardiac Rhythm Diagnostics enhance the Company's exposure to the accelerated adoption of e-commerce, home delivery, digital payments/BNPL and telehealth due to the COVID-19 pandemic.

The Company intends to launch new features and services that align with the accelerated adoption of eCommerce/omni-channel retail, cashless payments and digital media across its substantial Merchant and Member network to drive high margin, incremental revenue.

An early example of this is the recently announced integration of Beanhunter content into the Rewardle app. The integration complements Rewardle strong presence in the cafe sector, adds value for users and creates high margin upsell and cross-sell growth opportunities. Additional detail with respect to the Beanhunter integration can be viewed at [www.Rewardle.com/ASX/Coffeefinder](http://www.Rewardle.com/ASX/Coffeefinder).

As a technology platform based business model with largely fixed costs, the Company has the potential to generate highly profitable additional revenue by leveraging its capabilities and substantial network of local businesses and members that has already been amassed.

## Quarterly Cash Flow commentary

Cash receipts for Q1 FY22 were \$290k, an increase of \$157k or 118% from \$133k for the previous quarter.

During Q1 FY22 no government grants and tax incentives were received. This was a decrease of \$16k compared to \$16k the previous quarter due to the conclusion of COVID-19 support packages.

Outgoing cash payments for Q1 FY22 were \$302k, a decrease of \$66k or 18% from \$368k for the previous quarter. A summary of this movement is outlined below:

- Product manufacturing and operating costs were \$163k, a decrease of \$47k or 22% from \$210k during the prior quarter. The decrease was due to a combination of cost reductions and timing of payments associated with regular, recurring operating expenses that do not relate to an underlying change in operating costs.
- Staff costs were \$99k, a decrease of \$28k or 22% from \$127k during the previous quarter. The decrease was largely due to timing of staffing related payments and do not relate to an underlying change in operating costs.
- Administration costs were \$39k, an increase of \$8k or 26% from \$31k during the previous quarter. This is due to timing of payments for a variety of items and does not represent an underlying change in operating costs.
- No Government grants and tax incentives were received, a decrease of \$16k from the previous quarter due to the end of Government COVID-19 support packages.

## Quarterly Cash Flow commentary... (cont.)

- Proceeds from borrowings of \$77k decreased by \$155k from \$232k in the previous quarter as the Company drew down on working capital finance provided by Executive Chairman, Ruwan Weerasooriya to support the execution of the Company's "Breakeven and Grow" strategy.
- Net cash outflow from the operating activities for Q1 FY22 was \$12k, a decrease of \$207k or 95% compared to \$219k for the previous quarter, primarily due to increased cash receipts from customers and reduced outgoing cash payments.
- Cash at the end of Q1 FY22 was \$123k, an increase of \$65k from \$58k at the end of the previous quarter.
- During Q4 FY21 there were no related party payments as Directors fees were accrued.

While fluctuations in operating cash flow are to be expected, particularly COVID-19 circulates, the Company is pleased with the overall trend and remains confident that the business can operate and grow without the need for additional funding.

## Working capital management

The reduction in net cash outflow from the operating activities for the September quarter to \$12k, a decrease of \$207k or 95% compared to \$219k for the previous quarter, demonstrates that the execution of the Company's "Breakeven and Grow" strategy is on track.

To support the Company's working capital requirements as its strategy to "Breakeven and Grow" is implemented, Executive Chairman, Mr Ruwan Weerasooriya extended the unsecured, interest free, working capital loan of up to \$1.25m to \$1.30m during the quarter. The loan is repayable at the Company's discretion when it has capacity.

Management is confident that it will have sufficient working capital to meet its budget objectives for FY21 and beyond based upon:

- Ongoing reduction and management of operating costs
- Generation of technology licensing and professional services income
- Development of corporate partnership opportunities
- Receipt of FY21 R&D rebate
- Access to R&D financing for FY21 activities
- Access to Director loan
- Improved trading conditions and sales performance across the business's revenue lines

While fluctuations in operating cash flow are to be expected, particularly as COVID-19 continues to circulate, the Company is pleased with the overall trend and remains confident that the business can operate and grow without the need for additional funding.

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

This ASX announcement has been approved for release by Executive Chairman, Ruwan Weerasooriya.

## 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.

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