

11 August 2022

ASX ANNOUNCEMENT

Gratificii acquires specialised loyalty and rewards marketing agency Hachiko and announces capital raise

Loyalty and rewards technology innovator Gratificii Limited (ASX: GTI) ("**Gratificii**" or the "**Company**") is pleased to announce it has entered into a binding agreement to acquire 100% of the shares in Hachiko Pty Ltd ("**Hachiko**" or the "**Acquisition**"), a specialised loyalty and rewards marketing agency, for a total acquisition enterprise value of \$3.03m. The acquisition is expected to complete on 22 August 2022.

Key Highlights

- Enhances Gratificii's scale and capabilities, creating an 'end-to-end' loyalty and rewards provider with pro-forma FY22 turnover of \$19m
- In FY22, Hachiko had unaudited revenue of A\$7.2m and EBITDA of A\$0.6m
- Complementary enterprise client base with over 80 clients across both B2B and B2C with ~\$600k of identified synergies over FY23
- Gratificii is forecast to be cashflow breakeven on operations post-completion
- Total consideration of \$3.59m with \$0.56m of Hachiko cash and net working capital adjustments and total acquisition enterprise value of \$3.03m
- Consideration comprises of \$2.15m upfront cash component and \$1.45m scrip consideration
- Attractive acquisition multiples of 0.4x FY22 revenue and 4.9x FY22 EBITDA
- Upfront cash consideration funded from a fully supported share Placement raising \$1.250m and a convertible note raise of \$1.475m for total cash raise of \$2.725m
- Hachiko's Founder and majority shareholder, Patrina Kerr, will join Gratificii's Board and Hachiko's CEO, Donna Adam, will join Gratificii's executive team

About Hachiko

Hachiko is a leading specialised loyalty and rewards marketing agency with staff and operations in Australia and New Zealand. Hachiko has extensive web / application development capabilities that facilitate the deployment of bespoke campaigns that utilise innovative engagement tools with attractive rewards to drive channel performance.

Hachiko's bespoke services are utilised by a range of high-profile enterprise IT corporations, with large sales channels such as Ingram Micro, HP and Microsoft, with Hachiko being an approved channel marketing partner.

In FY22, Hachiko achieved unaudited revenue of A\$7.2m and EBITDA of A\$0.6m with revenue CAGR growth 16% from FY20A to FY22A.

Gratifii CEO & Managing Director, Iain Dunstan said: “Hachiko brings extensive loyalty focused program consulting, management, and marketing services capability to the wider business, allowing the expansion into managed services for employee management programs. With the combination of Gratifii’s technology and Neat Ideas’ rewards portfolio, we can provide a unique turn-key solution while bringing a truly best-in-class rewards and technology experience to the market.”

Hachiko Founder and Managing Director, Patrina Kerr, said: “The companies have a natural synergy which will provide value to customers of all of our businesses. The nimble nature and complementary depth-and-breadth of each partner brings something unique to the family. With this alliance, the best technology for a smarter, faster customer experience is combined with exciting, curated rewards at a remarkable value point, and delivered by an experienced managed services team with proven marketing capabilities.”

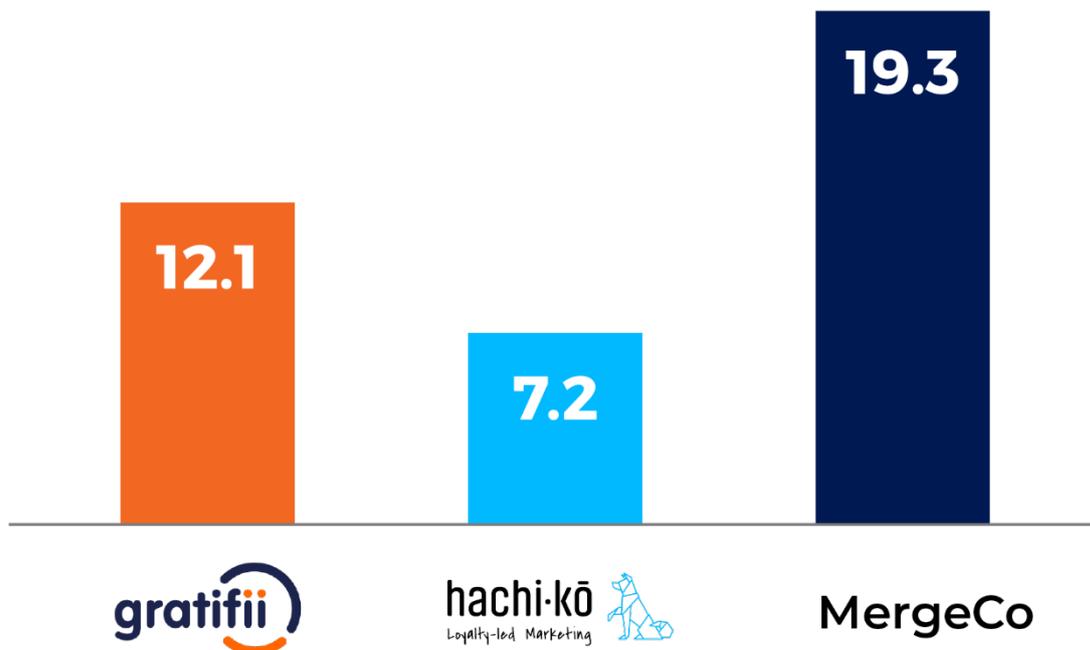
Acquisition Rationale

The acquisition, following on from Gratifii’s May 2021 purchase of rewards business Neat Ideas, will create a blend of the best-in-class people, programs, technology and rewards to better serve clients, staff, and shareholders as a single end-to-end loyalty provider.

The acquisition of Hachiko delivers the scale required to accelerate growth. The combined group has more than 80 enterprise clients across both B2B and B2C, and a pro-forma FY22 revenue of \$19m. With offices around Australia and in four global locations, the newly formed team of nearly 60 will be capable of servicing clients around the world.

FY22A revenue (A\$m)

(Unaudited)



Gratifii, Neat Ideas and Hachiko (the “**Group**”) are highly complementary businesses, providing immediate cross-selling opportunities to the Group’s 80+ enterprise clients:

- Gratifii’s back-end software and rewards solutions require Hachiko’s front-end design capabilities to service mid-tier enterprises;
- Hachiko’s enterprise clients require back-end software, which will be transitioned from a third party to Gratifii’s core SaaS module; and
- Hachiko’s enterprise clients require rewards, which can be sourced from Neat Ideas

The integration of Hachiko will be supported by Hachiko’s current CEO, Donna Adam, who will join Gratifii’s executive team and Hachiko’s founder and majority shareholder, Patrina Kerr, who will join Gratifii’s Board and retain an approximately 4% ownership stake in Gratifii post-completion (after conversion of all convertible notes).

The inclusion of Hachiko capabilities and qualified team will enhance capacity and remove the requirement for third-party providers, enabling Gratifii to accelerate the sales and implementation of Mosaic.

The Group’s combined business is forecast to be operationally cashflow post-completion, with strong opportunities for synergistic cost savings across administration, marketing, infrastructure, and shared services.

Gratifii will also be providing new technology functionality for Hachiko and Neat Ideas, including carbon credit management, card linked rewards, equity rewards and voucher swap.

Acquisition Overview

Gratifii has signed a binding agreement to acquire 100% of the shares in Hachiko Pty Limited and its subsidiaries for a total consideration of A\$3.03m. Including Hachiko’s cash on hand and net working capital adjustments of \$0.56, the total consideration is \$3.59m, to be paid as follows:

- Cash consideration of A\$2.14m (“**Cash Consideration**”); and
- Scrip consideration of 73.1m fully paid ordinary shares issued at A\$0.026 being a 31% premium to Gratifii’s 14-day volume-weighted average price (VWAP)¹, equivalent to current market value of \$1.45m (“**Scrip Consideration**”)
 - 53.8m consideration shares (\$1.07m) may be subject to Shareholder approval and deferred for ~12 months as security against any warranty and indemnity claims²
 - The Scrip Consideration will be escrowed for 12 months from the date of the issue

The acquisition is at an attractive acquisition EV / FY22A EBITDA multiple of 4.9x. Including the identified synergies of approximately \$0.6m, the acquisition multiple reduces to 2.5x.

Consideration Summary

A\$

¹ As at 9 August 2022.

² \$1.07m of shares (to be issued at \$0.026) to be deferred for ~12 months as security against any warranty and indemnity claims (which are customary warranties for a transaction of this nature) and to be held via a loan agreement on GTI’s balance sheet.

Scrip Consideration	\$1.45m
Cash Consideration	\$2.14m
TOTAL	\$3.59m

Acquisition Funding Overview

To fund the Cash Consideration and associated Acquisition costs, the Company has received firm commitments to raise approximately \$2.725m from a share placement and convertible note issue.

- \$1.250m via a share placement of 69.4m new fully paid ordinary shares at \$0.018,; and
- \$1.475m via the issue of Convertible Notes at a fixed conversion price of \$0.023, 18 month total term and 10% interest rate

Placement – Gratifii has received binding commitments from new and existing institutional, sophisticated and professional investors in respect of a share placement to raise approximately \$1.250m at \$0.018 per share (“**Placement**”), being a 9.4% discount to Gratifii’s 14-day VWAP of \$0.020, for a total issue of 69.4m new fully paid ordinary shares (“**New Shares**”). The New Shares will be issued under the Company’s existing placement capacity pursuant to ASX Listing Rule 7.1.

Convertible note – Gratifii has received binding commitments from new and existing institutional, sophisticated and professional investors in respect of a convertible note issued raise approximately \$1.475m (“**New Notes**”) (the “**Convertible Note Issue**”)³. Key terms of the New Notes include: 10% interest rate, conversion price of \$0.023 (16% premium to GTI’s 14-day VWAP¹), convertible in 12 months at Noteholder’s discretion and 18 months total term.

Cornerstone investor and major Shareholder, the Bombora Special Investments Growth Fund, committed to the Convertible Note Issue as well as CEO & Managing Director, Iain Dunstan, and Non-Executive Director, Bryan Zekulich, are participating in the Convertible Note Issue, subject to shareholder approval with the balance of the New Notes being issued under the Company’s existing placement capacity pursuant to ASX Listing Rule 7.1.

MST Financial Services Pty Ltd was Lead Manager and Candour Advisory Pty Ltd was Co-manager on the Placement and Convertible Note Issue. Thomson Geer acted as Gratifii’s legal adviser.

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

For further information, contact:

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CEO & Managing Director

³ \$762k will be subject to shareholder approval at the AGM, and will be held on Gratifii’s balance sheet as loan notes for the interim period.



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About Gratified Limited

Gratified Limited (ASX:GTI) is a full-stack customer engagement technology provider that delivers end-to-end technology solutions for businesses to engage with their customers. Its primary focus is providing liquidity for digital assets through its newly developed Mosaic Enterprise Engagement Platform. With mobile payment, curated content, ordering, booking and local offer capability; the Mosaic EEP will be the gateway to delivering a new digital lifestyle rewards program.

To learn more, please visit: www.gratified.com