

Cashrewards FY21 Financial Results

31 August 2021: Australia's leading cashback ecosystem, Cashrewards Limited (Cashrewards) (ASX:CRW) today released its results for the twelve months ended 30 June 2021.

Cashrewards made strong progress against its strategy to grow members, drive member engagement and deepen merchant partnerships to entrench its position as the clear leader in the fast-growing Australian cashback sector.

Highlights

- **Strong growth in new members** of 331,390 up 64% against the prior year comparable period (pcp), driving total members to 1.1 million, up 44% against pcp and exceeding Cashrewards' FY21 ambition.
- **New member growth is accelerating fast** as Cashrewards grew members 157% in H2FY21 compared to 21% in H1FY21.
- **Active members¹ growing strongly** at 272,837 up 38% against pcp with underlying² active members (which normalises for the COVID-19 impacted travel category) growing at 46% to 260,483.
- **Strong increase in underlying frequency³**, up 32% against pcp.
- **Average lifetime of active members grew to 6.0 years**, up from 5.1 years as disclosed in the Prospectus⁴, driving **enhanced member lifetime value of active members to \$500 on a reported basis**, up 12% from the Prospectus.
- **The above drove a significant increase in transactions** (+48% vs. pcp on an underlying basis) contributing to **very strong underlying total transaction value (TTV) of \$351.0 million**, up 49% against pcp and reflecting Cashrewards' capacity to sustain high growth beyond the 2HFY20 COVID e-commerce step-change.
- **Transformational strategic partnership agreed with ANZ bank** to launch Cashrewards Max™ to ANZ's 4.7 million credit and debit card customers in August 2021. Shared ambition with ANZ for **Cashrewards Max™ to add close to 500,000 incremental active Cashrewards members by early FY23, which would nearly triple Cashrewards' current active members** at limited marketing cost to Cashrewards.
- **Reported average commission ex. gift cards increased from 5.4% to 5.9%**, demonstrative of Cashrewards' increasing relevance and stronger strategic relationships with merchants.

¹ An active member is a person who has transacted with Cashrewards in the 12 months to the end of the relevant period indicated and who remains a member. Numbers reported are 12 months to June.

² Underlying performance throughout this announcement reflects the given metric excluding gift cards and travel due to a change to Cashrewards' gift card model during H1FY21 and the significant impact of COVID-19 on the travel category. The prior gift card offer delivered significant TTV but at very low margins. Information regarding underlying performance has not been audited or reviewed in accordance with Australian Auditing Standards.

³ Frequency is a measure of the number of times an average active member shops on the Cashrewards platform in any given reporting period. Members who joined the Cashrewards ecosystem during FY21 are excluded from the calculation to reflect the like-for-like change in frequency trends for existing members.

⁴ IPO Prospectus dated 10 November 2020.

- **Underlying revenue up an impressive 54% to \$20.1 million**, exceeding total reported revenue of \$17.1 million in FY20 despite the impact of COVID-19 on travel.
- **Reported revenue grew 29% to \$22.1 million despite the impact of COVID-19 on travel**

Cashrewards CEO, Bernard Wilson, said: “At Cashrewards, we create value by winning more members and encouraging them to ‘shop now, save now’ on our platform more frequently. This delivers more value to brands who therefore deploy more compelling cashback offers, which in turn attracts even more members.

“Over time, the more value we deliver for brands, the more they will reward us, including in the form of commission rates which we expect will increase to those seen in more mature markets, supporting growth.

“That’s why we are delighted to have achieved such a strong performance against each of our key success metrics of total member acquisition, active members and transaction frequency, which all help entrench our position as the clear leader in Australian cashback.

“Cashback in Australia remains at least five times under-penetrated compared with other markets like the US and UK. We were delighted to deliver member growth of 208% in Q4 against pcp, and we expect continued growth with the launch of Cashrewards Max™ this month.

“Crucially, shoppers new to Cashrewards are benefiting from the suite of product enhancements we have made, helping them to become active members and to shop more frequently. This has supported strong like-for-like frequency growth as well as reduced churn.

“Our members are also staying with us for longer with the average active member remaining with the program for around 6.0 years, increasing the lifetime value of every member we acquire, which has now reached \$500.

“We expect see the full benefit of active members acquired in FY21 in our results going forward as they spend a full year on the platform. In addition, significant product and technology investment including that needed to establish Cashrewards Max™ the benefits of which will flow from FY22 as Cashrewards MAX scales but also with those product and technology enhancements beginning to benefit all Cashrewards’ members and merchants.

“I remain incredibly proud of how the growth of Cashrewards continues to increase our contribution to the Starlight Foundation and ultimately bring more joy to sick children. As at 30 June, Cashrewards has donated more than \$900,000 to the Foundation, helping more than 23,000 sick children and their families.” said Mr Wilson.

Strong growth in new and active members to be further enhanced through Cashrewards’ partnerships strategy

Total members grew to 1.1 million in FY21, up 44% against FY20 (0.8 million), contributing 75,810 new active members.

Cashrewards’ partnerships strategy aims to drive transformative growth in active members at minimal acquisition cost to Cashrewards.

In July, Cashrewards executed a transformational long-term agreement with ANZ. In August, the partners launched a tailored version of Cashrewards, called Cashrewards Max™, for ANZ’s 4.7 million credit and debit card customers with a shared ambition of Cashrewards Max™ having close to 500,000 active members by early FY23, supported by a multi-million-dollar marketing campaign led by ANZ.

Importantly, Cashrewards members are highly valuable shoppers who shop and spend 45% more than non-members, shop 44% more frequently online,⁵ and earn double the average Australian income.

The benefit of new members gained in FY21 is not fully reflected in the FY21 result given they have only been part of the platform for part of the year and given the 6.0-year average tenure of an active member. This contrasts favourably with more traditional e-commerce businesses which typically incur a cost per acquisition for the same shoppers to deliver subsequent transactions.

Growth in key metrics points to very strong underlying momentum

Prior to COVID-19 (i.e. FY19), travel delivered ~19% of reported revenue, however as a result of COVID-19 disruption this has reduced to less than 8% in FY21.

To enable investors to understand underlying performance, Cashrewards shares a view of key metrics excluding this impact. Gift cards (previously a high TTV, low margin category), are also excluded from the underlying calculation due to a change in model during H1FY21 which also obscures a view of underlying business performance.

Underlying Active Members, Transactions, TTV, Revenue and Commissions			
	FY21	FY20	%+/-
Active members	260,483	178,224	46%
Frequency⁶	12.0	11.9	1%
Transactions	3,120,375	2,111,780	48%
Average order value	\$112	\$111	1%
TTV	\$351.0m	\$235.4m	49%
Revenue	\$20.1m	\$13.0m	54%
Average commission⁷	6.1%	6.3%	(0.2 pts)

Cashrewards now hosts over 1,700 merchants with brands like Harris Farm, Vintage Cellars, First Choice Liquor H&M, Optus, Lego and Binge becoming active on the platform during the half.

During H2FY21, Cashrewards launched a number of wholly-owned shopping events to stimulate both merchant and member engagement including Cashrewards Day in March and Shop4Smiles and Cashrewards' Birthday in May. The inaugural Cashrewards Day equalled Boxing Day in terms of sales, one of Cashrewards' largest annual trading days.

Cashrewards activated eftpos card-linking during Q4, a significant innovation allowing all Cashrewards members to use eftpos-enabled cards to automatically earn with in-store merchants.

⁵ Source: Quantum bank data from 01 July 2019 to 30 June 2020. Analysis is based on electronic spend only (incl. credit, debit, BPAY, DDR, EFTPOS, PayPal). Individual transactions over \$5000 are excluded from analysis.

⁶ Represents total transactions divided by total active members in the period. This includes (does not adjust for) members who joined the Cashrewards ecosystem during FY21 some of whom were active for only a fraction of the period which will therefore not reflect the like-for-like change in frequency trends.

⁷ Commission rates are calculated with reference to TTV before sale returns, ineligible transactions and cancelled bookings. The average Commission rate is derived from Commission received from the Merchant Partner over the TTV associated with the transaction. Due to timing in revenue recognition differences this Commission rate will not reconcile to Commission revenue over TTV.

Reported metrics reflect strong growth despite the impact of COVID-19 on the travel category

The reported result was significantly affected by the impact of COVID-19 on the travel category which contracted 66% on a TTV basis having previously been the largest contributor to each of TTV and revenue.

Reported: Transactions, TTV and Revenue			
	FY21	FY20	%+/-
Active members	272,837	197,026	38%
Frequency⁶	12.7	13.6	-6%
Transactions	3,476,938	2,677,290	30%
Average order value	\$149	\$236	(37%)
TTV	\$519.5m	\$631.0m	(18%)
Revenue	\$22.1m	\$17.1m	29%
Average commission excl. gift cards⁷	5.9%	5.4%	+0.5 pts
Average cashback excl. gift cards	83%	73%	+10.0 pts
Gross Margin	\$3.8m	\$5.4m	(30%)

As disclosed in its Prospectus, Cashrewards has intentionally increased the proportion of commission from merchant partner sales that it pays to members in the form of cashback to accelerate growth and will maintain that strategy as the business continues to scale. Although Cashrewards views this as a marketing item, it is recognised in cost of sales in the income statement. Cashrewards expects average cashback rates to reduce towards historic levels over time as scale is realised and merchant relationships deepen.

EBITDA and Cashflows

Cashrewards posted an EBITDA loss of \$25.8 million excluding one-off IPO costs, which translated in to reported net loss after tax and one-off IPO costs of \$29.7 million.

Cashrewards ended FY21 with total cash and cash equivalents of \$26.1 million. In FY21, net cash outflow from operating activities was \$15.2m.

During H2FY21, Cashrewards made significant product and technology investments including those needed to establish Cashrewards Max™, the benefits of which will flow from FY22 enhancing both member engagement and lifetime value. Many of the product improvements made to support the launch of Cashrewards Max™ are also expected to drive increased engagement with Cashrewards' core product.

Cashrewards also implemented a suite of strategic technology investments to optimise the foundations upon which a future accelerated feature roll-out will be built and invested in several key leadership hires and growth-driven functional capabilities.

Cashrewards expects to continue investment into product and technology but for costs to stabilise in the medium term, with revenue growth delivering increasingly improved operating leverage over time.

For the period between Cashrewards approving the transaction and the member subsequently withdrawing the value of their Cashback from their Cashrewards account,

Cashrewards recognises a liability⁸ on Cashrewards' statement of financial position. The strong growth of Cashrewards' member base has resulted in a corresponding rise in its member liability balance to \$14.0m as at end FY21. After taking into account those member liabilities, Cashrewards had \$12.1m of cash and cash equivalents to fund its operations as at 30 June 2021. Alongside prudent cost management, as part of Cashrewards capital management strategy, during FY22 Cashrewards will seek to ensure sufficient liquidity is available for its net working capital obligations, including member liability obligations, in a manner that will allow Cashrewards to continue to make investments to achieve scale⁹.

This announcement was approved by Cashrewards' Board.

Investor briefing

Cashrewards CEO Bernard Wilson and CFO Zelma van Woerkom will host an investor briefing at **11am (AEDT) today (31 August 2021)**. Presentation material will be lodged with the ASX prior to the webcast. Interested parties can register for the webcast here:

<https://s1.c-conf.com/diamondpass/10016212-f0dox2.html>

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Forward-Looking Statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Cashrewards. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

About Cashrewards

Australian-owned and operated, Cashrewards is the leading Australian cashback ecosystem, where members browse brands and offers and receive cashback on transactions by shopping online or in-store.

Cashrewards provides over one million members with a broad array of Cashback offers via its 1,700+ Merchant Partners including Apple, Myer, Liquorland, Adidas, Bonds, Target, Booking.com and The Iconic.

⁸ This is broken down between a component recognised in "trade and other payables" and "provisions". The latter represents member cashback where the members' balance is less than \$10.01, such that they do not have a present entitlement to withdraw their cashback. See note 2 to the full year financial accounts for FY2021.

⁹ See the discussion in Note 2 to the full year financial accounts for FY2021 in the section "Going concern".

These offers are funded by Cashrewards' merchant partners, who work with Cashrewards because of its unique proposition which drives best-in-market returns for brands on their marketing investment.

This ecosystem has driven more than \$2.7 billion of TTV for merchant partners since its inception, translating into more than \$120 million of cashback for members.¹⁰

Cashrewards was the first Pledge 1% business to list on the ASX, with children's charity the Starlight Foundation the key beneficiary. Since making the pledge, Cashrewards has donated more than \$900,000 to the Foundation, helping more than 23,000 sick children and their families.

¹⁰ As at FY21.