CASHREWARDS™

# ASX Announcement

ASX:CRW

**Cashrewards Target's Statement: Off-Market Takeover Offer by 1835i**

**12 November 2021:** Cashrewards Limited (**Cashrewards**) (ASX:CRW) refers to its announcement on 22 October 2021 regarding the off-market takeover offer by 1835i Ventures Trusco III Pty Ltd in its capacity as trustee to the 1835i Ventures Trust III (1835i) for all of the ordinary shares it does not already hold in Cashrewards (**Offer**).

Cashrewards' Target's Statement in relation to the Offer (**Target's Statement**) is enclosed in accordance with section 633(1) item 14 of the Corporations Act 2001 (Cth). The Target's Statement will be served on 1835i and lodged with the Australian Securities & Investments Commission today.

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**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 1,800+[1] Merchant Partners including Apple, Myer, Liquorland, Adidas, Bonds, Target, Booking.com and The Iconic.

These offers are funding 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.[2]

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.

[1] As at the end of Q1 FY22
[2] As at the end of FY21

CASHREWARDS™

# Target's Statement

This Target's Statement has been issued in response to the off-market takeover bid made by 1835i Ventures Trusco III Pty Ltd (ACN 651 614 372) in its capacity as trustee of the 1835i Ventures Trust III (**1835i**) for all the ordinary shares in Cashrewards Limited (ACN 615 084 654) it does not already own.

THE CASHREWARDS DIRECTORS INDEPENDENT OF THE BIDDER **UNANIMOUSLY RECOMMEND** THAT YOU

# ACCEPT

THE OFFER FROM 1835i, IN THE ABSENCE OF A SUPERIOR PROPOSAL.

The Independent Expert has concluded that the Offer is **FAIR AND REASONABLE** to Cashrewards Shareholders in the absence of a superior alternative proposal emerging.

**This is an important document and requires your immediate attention.**

**If you are in doubt as to how to deal with this document, you should consult your financial or other professional adviser immediately.**

Cashrewards Shareholders can call the Cashrewards Shareholder Information Line on 1800 220 771 (within Australia) or +61 1800 220 771 (outside Australia) if they require assistance.

| MA Moelis Australia | GILBERT + TOBIN |
|---|---|
| Financial Adviser | Legal Adviser |

# Important information

**Key Dates**

| | |
|---|---|
| 1835i's Bidder's Statement lodged with Cashrewards, ASIC and ASX | Monday, 1 November 2021 |
| Date of the Offer and commencement of Offer Period | Monday, 8 November 2021 |
| Date of this Target's Statement | Friday, 12 November 2021 |
| Date for 1835i to provide notice of status of Defeating Conditions* | Thursday, 2 December 2021 |
| Close of the Offer (unless extended or withdrawn**) | Friday, 10 December 2021 |

* If the Offer Period is extended, this date will be taken to be postponed for the same period.
** The closing date of the Offer may be extended as permitted by the Corporations Act.

**Nature of this document**

This document is a Target's Statement issued by Cashrewards Limited (ACN 615 084 654) (**Cashrewards** or the **Company**) under Part 6.5, Division 3 of the Corporations Act in response to the Bidder's Statement dated 1 November 2021 issued by 1835i Ventures Trusco III Pty Ltd (ACN 651 614 372) in its capacity as trustee to the 1835i Ventures Trust III (**1835i** or the **Bidder**), under which 1835i has made an offer for all of Cashrewards Shares other than held by (**Offer**).

**ASIC disclaimer**

A copy of this Target's Statement has been lodged with ASIC on Friday, 12 November 2021. None of ASIC or any of its respective officers takes any responsibility for the content of this Target's Statement.

**Defined terms and interpretation**

Capitalised terms used in this Target's Statement are defined in Section 11. The rules of interpretation that apply to this Target's Statement are also set out in Section 11.

**No account of personal circumstances**

The Cashrewards Directors independent of the Bidder recommend that you read this Target's Statement and the Bidder's Statement in full and seek independent advice if you have any queries in respect of the Offer. The information contained in this Target's Statement does not constitute personal advice. In preparing this Target's Statement, Cashrewards has not taken into account the objectives, financial situation or needs of individual Cashrewards Shareholders. It is important that you consider the information in this Target's Statement in light of your particular circumstances. You should seek advice from your financial, legal or other professional adviser before deciding whether to accept or reject the Offer.

### Forward-looking statements

This Target’s Statement contains forward-looking statements, including statements of current intention or expectation. As such forward-looking statements relate to future matters, they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by such forward-looking statements.

None of Cashrewards or any of its Directors, officers or advisers give any representation, assurance or guarantee to Cashrewards Shareholders or any other person as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target’s Statement (including in the Independent Expert’s Report) reflect views held only as at the date of this Target’s Statement. Except as required by applicable law, Cashrewards does not undertake to update or revise these forward-looking statements nor any other statements (written or oral) that may be made from time to time by or on behalf of Cashrewards, whether as a result of new information, future events or otherwise.

### Disclaimer as to information

The information on 1835i contained in this Target’s Statement has been compiled from and prepared by Cashrewards using information obtained from 1835i or other publicly available information (including information contained in the Bidder’s Statement) and has not been independently audited or verified by Cashrewards or its advisers. Accordingly, subject to the Corporations Act, Cashrewards does not make any representation or warranty (express or implied) as to the accuracy or completeness of such information. If any information obtained from 1835i or the public sources is inaccurate or incomplete, this may affect the information included in this Target's Statement. In particular, if the information has been used as the basis for forward-looking statements in this Target's Statement, this may add to the risk that actual values, results, performance or achievements will differ materially from those expressed or implied by the forward-looking statements.

### Independent Expert’s Report

The Independent Expert’s Report has been prepared by the Independent Expert for the purposes of this Target’s Statement and the Independent Expert takes full responsibility for that report. Neither Cashrewards nor any of its officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert’s Report.

### Foreign jurisdictions

The release, publication or distribution of this Target’s Statement may be restricted by law or regulation in some jurisdictions outside Australia. Accordingly, persons outside Australia who come into possession of this Target’s Statement should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target’s Statement has been prepared in accordance with Australian law and the information contained in this Target’s Statement may not be the same as that which would have been disclosed if this Target’s Statement had been prepared in accordance with laws and regulations outside Australia.

### Privacy

Cashrewards has collected your information from the Cashrewards share register for the purpose of providing you with this Target’s Statement. Such information may include the name, contact details and shareholdings of Cashrewards Shareholders and the names of persons appointed to act as proxy, attorney or corporate representative of Cashrewards Shareholders. Without this information, Cashrewards would be hindered in its ability to issue this Target's Statement.

The Corporations Act requires the name and address of shareholdings to be held in a public register. Personal information of the type described above may be disclosed on a confidential basis to Cashrewards and its Related Bodies Corporate, holders of Cashrewards Shares and external service providers (including the Share Registry), and may be required to be disclosed to regulators, such as ASIC. If you would like details of information about you held by Cashrewards, please contact us on the Cashrewards Shareholder Information Line as set out below.

**Diagrams**

Diagrams appearing in this Target's Statement are illustrative only and may not be drawn to scale.

**Rounding**

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

**Cashrewards Shareholder Information Line**

If you have any questions in relation to the Offer, please contact the Cashrewards Shareholder Information Line on 1800 220 771 (within Australia) or +61 1800 220 771 between 9am and 5.30pm (AEST) on Business Days.

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# Letter from the Independent Chairman

**12 November 2021**

Dear Cashrewards Shareholders

**ACCEPT THE RECOMMENDED OFFER FOR YOUR SHARES**

An entity managed by 1835i Group Pty Ltd, 1835i Ventures Trusco III Pty Ltd in its capacity as trustee to the 1835i Ventures Trust III (**1835i** or the **Bidder**), has made an off-market cash takeover offer for all Cashrewards shares that it does not already own at a price of $1.135 per Cashrewards share (**Offer**).

This is a result of Cashrewards and 1835i entering into the Bid Implementation Agreement on 22 October 2021.

1835i is the external innovation and venture partner of the Australian and New Zealand Banking Group Limited (**ANZ**) and currently owns 19.0% of Cashrewards shares on issue (which were previously held by a wholly owned subsidiary of ANZ called ANZi Holdings Pty Ltd). ANZ is the sole ordinary unit holder in 1835i and as the sole investor in the fund has an indirect financial exposure to, and relevant interest in, its investments (including the 19% shareholding in Cashrewards).

The 1835i Offer follows a period of engagement between Cashrewards and 1835i regarding a potential control transaction. Cashrewards formed an independent board committee to consider the engagement with 1835i and the subsequent proposal provided to Cashrewards by 1835i. The committee comprises Joshua Lowcock (Independent Non-Executive Director), Rajeev Gupta (Non-Executive Director), Bernard Wilson (the Chief Executive Officer and Managing Director) and me. Andrew Clarke (Founder and Non-Executive Director) is not a member of the Independent Board Committee given he is Cashreward's largest shareholder, but he is making a recommendation in respect of the Offer.

Rob Goudswaard (Non-Executive Director) is not a member of the Independent Board Committee as he is ANZ's nominee on the Cashrewards Board, and ANZ is the sole investor in 1835i. For that reason, Mr Goudswaard has also abstained from making a recommendation in respect of the Offer.

**Recommendations and intentions to accept**

The Cashrewards Directors independent of the Bidder have carefully considered the Offer in all the current circumstances, including the prospects for Cashrewards in the absence of the Offer and have taken appropriate financial and legal advice. The Cashrewards Directors independent of the Bidder unanimously recommend that you should **ACCEPT** the Offer, in the absence of a Superior Proposal. In addition, each Cashrewards Director independent of the Bidder intends to **ACCEPT** the Offer in respect of all Cashrewards Shares held or controlled by them or held on their behalf, in the absence of a Superior Proposal.

Mr Wilson will be entitled to early vesting of certain Cashrewards Options he holds if the Offer is successful[1],

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[1] In accordance with the regime set out in section 10.8, which will entitle him to a maximum cash payment of $540,000. In relation to the recommendation of Mr Wilson, which appears throughout this Target's Statement, Cashrewards Shareholders should have regard to this interest of his in the outcome of the Offer.

**Independent expert supports acceptance**

The Cashrewards Directors independent of the Bidder have appointed Grant Thornton to prepare an Independent Expert's Report in relation to the Offer. The Independent Expert has concluded that the Offer is **FAIR AND REASONABLE** for Cashrewards Shareholders in the absence of a superior alternative proposal emerging. A copy of the Independent Expert's Report is included as Attachment A to this Target's Statement, and you are encouraged to read that report in full. The Independent Expert assessed the estimated market value of Cashrewards Shares to be in the range of $0.972 and $1.311 per Cashrewards Share.

**Reasons for the recommendation of the Cashrewards Directors independent of the Bidder**

This Target's Statement sets out the formal response of the Cashrewards Directors independent of the Bidder to the Offer, including the reasons why the Cashrewards Directors independent of the Bidder, after careful consideration, unanimously recommend that you **ACCEPT** the Offer in the absence of a Superior Proposal.

In summary, the key reasons why the Cashrewards Directors independent of the Bidder recommend that you accept the Offer, in the absence of a Superior Proposal, are:

1. 1835i's Offer provides certain cash value for your Shares and removes the investment and implementation risks associated with the significant capital investment required for Cashrewards to fund its product and technology platform over the short to medium term to achieve profitable scale in the future

2. If the Offer is not successful, the share price is likely to fall. Cashrewards will also be required to immediately raise capital (likely at a discount to the then prevailing share price) resulting in significant dilution to non-participating shareholders;

3. The Offer price of $1.135 represents an attractive premium to Cashrewards' recent trading performance:

    – 19.5% to Cashrewards' closing share price of $0.95 on 21 October 2021 (being the day before the announcement by Cashrewards of its entry into the Bid Implementation Deed with the Bidder);

    – 30.2% to the 30-day VWAP of Cashrewards Shares of $0.87 up to and including 21 October 2021; and

    – 24.7% premium to the 90-day VWAP of Cashrewards Shares of $0.91 up to and including 21 October 2021;

4. The Independent Expert has concluded that the Offer is **FAIR AND REASONABLE** for Cashrewards Shareholders in the absence of a superior alternative proposal emerging. The Independent Expert has assessed the fair market value of Cashrewards Shares to be in the range of $0.972 and $1.311 per Cashrewards Share;

5. The Offer provides Cashrewards Shareholders with certainty of value for their entire investment in Cashrewards;

6. As at the date of this Target's Statement, no Superior Proposal has emerged.

A detailed explanation of the reasons to accept the Offer are provided in section 1 of this Target's Statement. Section 2 of this Target's Statement sets out reasons why you may wish not to accept the

Offer. In addition, this Target's Statement sets out other matters and considerations that may be relevant to your decision as to whether to accept the Offer.

Mr Andrew Clarke, Cashrewards' Founder and Non-Executive Director, who holds 18,166,983 Cashrewards Shares (23.0% of current Cashrewards Shares on issue), Alium Capital Management Pty Ltd, its associated entities and Mr Rajeev Gupta with a combined holding of 7,097,396 Cashrewards Shares (9.0% of current Cashrewards Shares on issue) and M&S Skyleisure Pty Ltd, who holds 5,102,730 Cashrewards Shares (6.5% of current Cashrewards Shares on issue), have each confirmed to Cashrewards that they intend to **ACCEPT** the Offer in the absence of a superior proposal, noting that, in accordance with Australian Securities and Investment Commission policy, each of these statements from major shareholders that they intend to accept the Offer are purely statements of intention and are not intended to be binding. Furthermore, the aggregate shareholdings of the major shareholders providing these intention statements is 38.5%, which, combined with the Bidder's 19% shareholding, represents 57.5% of current shares on issue.

The Cashrewards Directors independent of the Bidder believes that the value and certainty provided by the Offer provides more benefit to Cashrewards Shareholders than retaining your Cashrewards Shares, given the risks associated with not accepting the Offer.

**Next steps**

I encourage you to read this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement carefully in full and, if required, seek independent advice if you are in any doubt as to how to respond to the Offer.

All Cashrewards Shareholders should have already received a copy of the Bidder's Statement from 1835i, which sets out the detailed terms of the Offer, and includes an Acceptance Form. If you have not received a Bidder's Statement or Acceptance Form, you should call 1835i's Offer Information Line on 1300 397 916 (within Australia) or +613 9415 4155 (outside Australia) between 8.30am and 5.30pm (AEST) on Business Days.

The Offer is scheduled to close at 7:00pm (AEST) on Friday, 10 December 2021, unless extended or withdrawn. To accept the Offer, simply follow the instructions outlined in the Bidder's Statement or the Acceptance Form and section 4.1(a) of this Target's Statement. No action is required if you decide not to accept the Offer.

**Further information**

Your directors will keep you informed via the ASX website if there are any material developments in relation to the Offer.

If you have any questions about the information contained in this Target's Statement, please call 1800 220 771 (for callers within Australia) or +61 1800 220 771 (for callers outside Australia) Monday to Friday between 8.30am and 5.30pm (AEST).

Thank you for your continued support as a Cashrewards Shareholder.

Yours sincerely

Brett Johnson
Independent Chairman

# 1 Reasons why you should ACCEPT the Offer

### 1.1 1835i's Offer provides certain cash value for your Shares and removes the investment and implementation risks associated with the significant capital investment required for Cashrewards to fund its product and technology platform over the short to medium term to achieve profitable scale in the future

The Cashrewards business continues to grow from both an operational and platform perspective in accordance with its strategic objectives as articulated to shareholders since listing on ASX in December 2020. As communicated in Cashrewards' FY21 Annual Report, Cashrewards has achieved strong growth across its key performance metrics. However, it experienced difficult trading conditions with COVID-19 related lockdowns, reversing a nascent recovery in domestic and international travel.

Cashrewards has previously informed shareholders that it will require substantial capital investment in its product and technology in order to achieve its growth objectives. Access to this capital is critical to achieving this growth objective improving Cashrewards' ability to successfully compete, particularly as Cashrewards operates in a highly competitive market with a number well-funded competitors.

Further, as Cashrewards grows both active members and total transaction value, member reward liabilities will also increase. While historical behaviour demonstrates that members have a preference to accumulate cashback over time, this member rewards liability is able to be redeemed at any time once approved, and therefore requires Cashrewards to prudently manage its available cash and to take into account the growth in future member liabilities which arises from higher future transaction activity in determining the optimal level of capital required to run the business.

As disclosed in the 1QFY22 Appendix 4C, prior to entering the Bid Implementation Deed and loan facility with 1835i, the Board had considered alternative options to raise capital to meet its funding requirements for the next 12 months. The Board considered that raising that capital through the public markets involved challenges for a variety of reasons including, but not limited to, the quantum of capital required to be raised from both existing and new investors over the short to medium term to realise the Company's growth objectives and to meet its working capital needs. Given these challenges, the Cashrewards Directors independent of the Bidder recognise that there are risks and uncertainties about Cashrewards' ability to raise the significant capital required to achieve profitable scale in the future which mean that, in their view, the benefit of certain cash value for your Shares available under the Offer outweighs the potential benefits (and associated risks) in the long run of maintaining your shareholding.

### 1.2 If the Offer is not successful, Cashrewards, will be immediately required to raise capital

At the same time that Cashrewards entered into the Bid Implementation Deed with 1835i, Cashrewards also entered into a $15 million loan agreement with 1835i to fund member liability payment obligations. The facility has a term of six months and ensures that Cashrewards has sufficient available liquidity to meet its immediate and short-term net working capital obligations. However, the facility does not provide Cashrewards with sufficient cash reserves to pursue the Company's growth ambitions.

In the event that 1835i does not acquire a Relevant Interest of at least 90% of the Cashrewards Shares and the loan is required to be repaid, or the loan subsequently matures, Cashrewards will be required to immediately raise capital through the public markets to repay the loan as well as fund Cashrewards' working capital requirements.

Such a capital raising will likely need to be undertaken at a discount to the then prevailing share price with no guarantee of participation by existing major shareholders. It will also result in a significant dilution to non-participating shareholders.

In addition, until Cashrewards becomes cash flow positive, it will be required to undertake further capital raisings in the future.

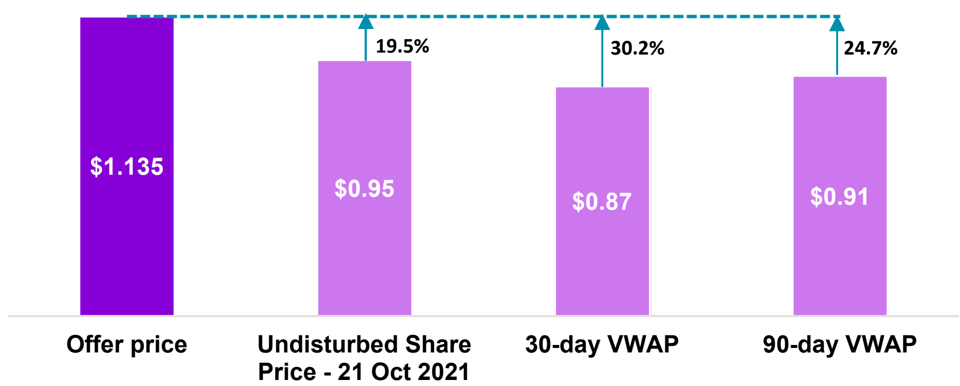
### 1.3 The Offer price represents an attractive premium to Cashrewards' recent trading performance

The Offer Consideration represents an attractive premium over the trading prices of Cashrewards shares on ASX prior to the announcement of Cashrewards and 1835i entering the Bid Implementation Deed on 22 October 2021. Under the Offer, Cashrewards shareholders will receive $1.135 cash for each of their Cashrewards Shares.

As shown in the chart below, the Offer represents an attractive premium to the trading price of Cashrewards Shares over a range of time periods and represents a:

- 19.5% premium to the closing price of $0.95 per Cashrewards Share on 21 October 2021, being the day before Cashrewards announced the entry into the Bid Implementation Deed with the Bidder;
- 30.2% premium to Cashrewards' 30-day VWAP of $0.87 per Cashrewards Share up to and including 21 October 2021; and
- 24.7% premium to Cashrewards' 90-day VWAP of $0.91 per Cashrewards Share up to and including 21 October 2021.

**Figure 1: Premia analysis of 1835i Offer[2]**

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[2] Source: IRESS as at 21 October 2021.

## 1.4 The Independent Expert has concluded that the Offer is FAIR AND REASONABLE for Cashrewards Shareholders in the absence of a superior alternative proposal emerging

The Cashrewards Directors independent of the Bidder appointed Grant Thornton to prepare an Independent Expert's Report on the Offer. The Independent Expert concluded that the Offer is **FAIR AND REASONABLE** for Cashrewards Shareholders in the absence of a superior alternative proposal emerging.

The Independent Expert has assessed the fair value of Cashrewards Shares to be in the range of $0.972 to $1.311 per Cashrewards Share.

As the value of the Offer consideration is within the range of the Independent Expert's assessment of the fair value of a Cashrewards Share, the Independent Expert has concluded that the Offer is **FAIR AND REASONABLE** for Cashrewards Shareholders in the absence of a superior alternative proposal emerging.

A copy of the Independent Expert's Report is attached to this Target's Statement as Attachment A.

The Cashrewards Directors independent of the Bidder encourage Cashrewards Shareholders to read the Independent Expert's Report in its entirety before making a decision as to whether or not to accept the Offer.

## 1.5 The Offer is unanimously recommended by the Cashrewards Directors independent of the Bidder and has the support of the major shareholders in the absence of a Superior Proposal

The Cashrewards Directors independent of the Bidder[3] have carefully considered the Offer in all the current circumstances, including the prospects for Cashrewards in the absence of the Offer.

The Cashrewards Directors independent of the Bidder unanimously recommend that you should accept the Offer, in the absence of a Superior Proposal. In addition, each Cashrewards Director independent of the Bidder intends to accept the Offer in respect of all Cashrewards Shares held or controlled by them or held on their behalf, in the absence of a Superior Proposal.

Further, Mr Andrew Clarke, Cashrewards Founder and Non-Executive Director, who holds 18,166,983 Cashrewards Shares (23.0% of current shares on issue), Alium Capital Management Pty Ltd, its associated entities and Mr Rajeev Gupta, with a combined holding of 7,097,396 Cashrewards Shares (9.0% of current shares on issue) and M&S Skyleisure Pty Ltd, who holds 5,102,730 Cashrewards Shares (6.5% of current shares on issue), have each confirmed to Cashrewards that they intend to accept the Offer in the absence of a superior proposal, noting that, in accordance with Australian Securities and Investment Commission policy, each of these statements from major shareholders that they intend to accept the Offer are purely statements of intention and are not intended to be binding. The aggregate shareholdings of the major shareholders

[3] When considering the recommendation of Mr Wilson, which appears throughout this Target's Statement, you should have regard to his interest in the outcome of the Offer, which is set out in sections 10.8 and 10.15.

providing these intention statements is 38.5%, which, combined with the Bidder's 19% shareholding, represents 57.5% of current shares on issue.

### 1.6 The all cash price provides you with certainty of value for your entire investment in Cashrewards

The Offer will provide you with the opportunity to obtain certain value of $1.135 per Cashrewards Share in cash for all of your Cashrewards Shares. This offers certainty of value.

The Offer also provides you with an opportunity to dispose of 100% of your Cashrewards Shares in a single transaction:

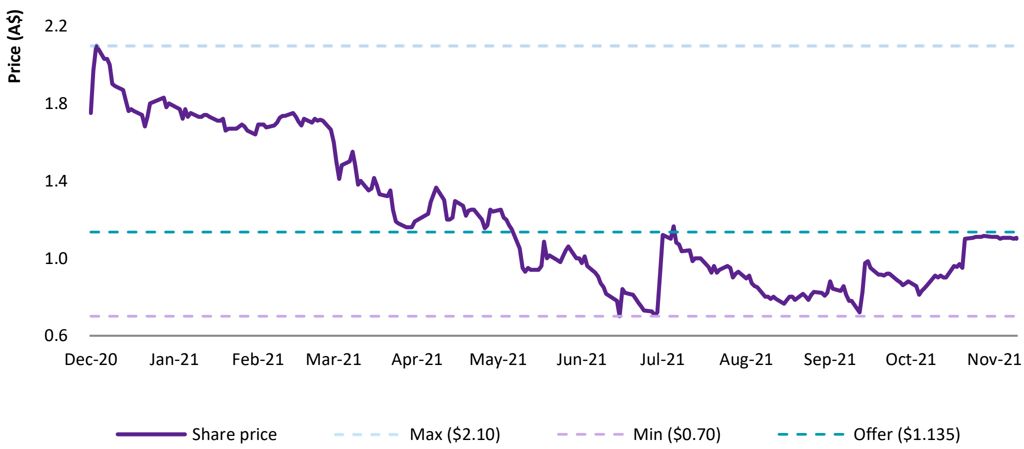
- without incurring brokerage; and
- in circumstances where you may (depending on the size of your shareholding) presently face limited opportunities (other than under the Offer) to achieve full liquidity in respect of your Cashrewards Shares or may only do so at a discount to the applicable prevailing share price.

### 1.7 If the Offer is not accepted, Cashrewards' share price is likely to fall

The closing Cashrewards Share price on the ASX on 21 October 2021, being the last trading day before Cashrewards announced it had entered into a Bid Implementation Deed with 1835i, was $0.95 and traded between a high of $2.10 in December 2020 and a low of $0.70 in June 2021, with an average daily volume since the IPO of 0.2 million shares.

The chart below shows Cashrewards' share price performance since IPO and outlines the minimum and maximum price of Cashrewards on the ASX prior to and including 11 November 2021:

**Figure 2: Cashrewards' share price performance overtime[4] -**




[4] Source: IRESS as at 11 November 2021.

The price and value of Cashrewards Shares has the potential to change over time as a result of a variety of factors, including but not limited to Cashrewards' future operational and financial performance, the ability to adequately fund the required near term capital development, the impact of COVID-19, and general economic and market conditions.

The Cashrewards Directors independent of the Bidder are unable to predict the price at which Cashrewards Shares will trade in the future, but consider that in the absence of the implementation of the Offer or a comparable or superior proposal, the price of Cashrewards Shares is likely to fall.

### 1.8 No Superior Proposal has emerged as at the date of this Target's Statement

As at the date of this Target's Statement, no alternative proposals to the Offer have been put to Cashrewards or are currently under consideration by Cashrewards, and the Cashrewards Directors independent of the Bidder are not aware of any other offer or proposal that might be an alternative to the Offer.

In light of 1835i's Relevant Interest in 19% of Cashrewards Shares, the Cashrewards Directors independent of the Bidder consider that it is unlikely that a Superior Proposal will be forthcoming before the end of the Offer Period.

Similarly, the Independent Expert's Report states that there is limited takeover contestability and prospect of a superior proposal emerging in relation to Cashrewards including because 1835i owns 19% of Cashrewards' Shares which may be a deterrent to alternative offers emerging.

### 1.9 The risks associated with not accepting the Offer

There are a number of risks associated with remaining a Cashrewards Shareholder. Section 8 of this Target's Statement sets out the key risks which may affect the future operating and financial performance of Cashrewards and the value of Cashrewards Shares.

# 2 Reasons why you may decide not to accept the Offer

### 2.1 You may disagree with the Cashrewards Directors' independent of the Bidder recommendation or the conclusions of the Independent Expert

You may believe that the Offer Price of $1.135 per Cashrewards Share is insufficient and you may hold a different view as to the value of Cashrewards Shares to both the Cashrewards Directors independent of the Bidder and the Independent Expert.

### 2.2 You may prefer to participate in the future financial performance of the Cashrewards Business

You may prefer to keep your Cashrewards Shares to maintain your investment in a publicly listed company with Cashrewards' specific characteristics including, but not limited to, the industry, operational profile, size and capital structure.

If you accept the Offer and the Offer becomes, or is, declared unconditional, you will lose the ability to directly participate in any potential upside that may result from maintaining your investment in Cashrewards.

This means that you will not participate in the future financial performance and potential growth of Cashrewards and will not retain exposure to the value that could be created by Cashrewards in the future.

The Cashrewards Directors independent of the Bidder have evaluated the risks and benefits of Cashrewards continuing as a standalone business against the Offer Price and the other terms of the Offer. In deciding to recommend the Offer, the Cashrewards Directors independent of the Bidder have decided that the value and certainty provided by the Offer provides greater benefit to Cashrewards Shareholders than retaining their Cashrewards Shares.

### 2.3 You may consider that there is potential for a superior proposal to emerge

You may believe that a superior proposal for all Cashrewards Shares could emerge in the future.

If a superior proposal is announced, Cashrewards Shareholders who have accepted the Offer will not be able to withdraw their acceptance in order to accept a superior proposal, unless the Offer is withdrawn.

However, it must be noted that the Bidder already owns 19% of the issued capital in Cashrewards and, as at the date of this Target's Statement, no alternative or superior proposal has been received.

### 2.4 The tax consequences of transferring your Cashrewards Shares pursuant to the Offer may not be attractive to you

The tax consequences of the Offer will depend on your personal situation. You may consider that the tax consequences of the Offer are not attractive to you.

A general guide to the taxation implications of the Offer is contained in section 9 of this Target's Statement. However, section 9 is expressed in general terms only, and Cashrewards Shareholders should consult with their own independent taxation advisers regarding the taxation implications of the Offer.

### 2.5 You may prefer to sell your Cashrewards Shares on market

You may wish to realise your investment in Cashrewards through the sale of some or all of your Cashrewards Shares on the ASX.

If you sell your Cashrewards Shares on market, you:

- will lose the ability to accept the Offer or any other offer which may eventuate; and
- may incur a brokerage charge.

# 3 Frequently asked questions

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Cashrewards Shareholders. This section should be read together with all other parts of this Target's Statement (including the Independent Expert's Report).

| Question | Answer |
|---|---|
| Who is making the Offer? | The Offer is being made by 1835i Ventures Trusco III Pty Ltd (ACN 651 614 372) in its capacity as trustee of the 1835i Ventures Trust III (**1835i**).<br>Information in relation to 1835i is set out in section 4 of the Bidder's Statement or can otherwise obtained via 1835i's website at https://www.1835i.com/. Information in relation to 1835i is also referred to in section 7 of this Target's Statement. |
| What is the Bidder's Statement? | The Bidder's Statement contains information on the Offer. The law requires 1835i to send it to you. 1835i lodged its Bidder's Statement with ASIC on Monday 1 November 2021. |
| What is this Target's Statement? | This booklet comprises the Target's Statement and has been prepared by Cashrewards. Cashrewards is required by law to produce this Target's Statement in response to the Offer. The Target's Statement contains information to help you decide whether to accept the Offer, including the recommendation by the Cashrewards Directors independent of the Bidder and the accompanying Independent Expert's Report. |
| What is 1835i offering for my Cashrewards Shares? | The Offer Price under the Offer is $1.135 in cash per Cashrewards Share. |
| Does 1835i already have an interest in Cashrewards Shares? | As at the date of this Target's Statement 1835i has a Relevant Interest in 14,975,285 Cashrewards Shares, equating to approximately 19% of the total issued capital of Cashrewards. |
| What choices do I have in response to the Offer? | As a Cashrewards Shareholder, you have the following three choices in respect of your Cashrewards Shares:<br>1. accept the Offer, in which case you should follow the instructions in the Bidder's Statement;<br>2. sell your Cashrewards Shares, unless you have previously accepted the Offer and have not validly withdrawn that acceptance; or<br>3. reject the Offer by doing nothing.<br>There are several implications in relation to each of the above choices. A summary of these implications is set out in section 4 of this Target's Statement.<br>You should seek legal, financial and taxation advice from your professional adviser regarding the action that you should take in relation to the Offer. |
| Why was the Cashrewards' independent board committee established? | The Cashrewards independent board committee was established pursuant to internal conflict management protocols which were put in place by Cashrewards for a period of engagement prior to the Offer being announced.<br>The purpose of the committee was to consider the Offer, and otherwise manage conflicts which may arise (or be perceived to arise) in relation to the Offer in an appropriate manner.<br>The committee comprises of Independent Chairman, Brett Johnson, Independent Non-Executive Director Joshua Lowcock, Non-Executive Director Rajeev Gupta and Managing Director/Chief Executive Officer, Bernard Wilson. |

| Question | Answer |
|---|---|
| | Andrew Clarke (Founder and Non-Executive Director) is not a member of the independent board committee given he is Cashrewards' largest shareholder. Rob Goudswaard (Independent Non-Executive Director) is not a member of the Independent Board Committee as he is ANZ's nominee on the Cashrewards Board, and ANZ is the sole investor in the Ventures Fund III. |
| What are the Cashrewards Directors independent of the Bidder recommending? | The Cashrewards Directors independent of the Bidder unanimously recommend that you accept the Offer, in the absence of a Superior Proposal. The reasons for the Cashrewards Directors' independent of the Bidder recommendation are set out in section 1 of this Target's Statement.<br><br>When considering the recommendation of Mr Wilson, which appears throughout this Target's Statement, you should have regard to his interest in the outcome of the Offer, which is set out in sections 10.8 and 10.15. |
| Will I be forced to sell my Cashrewards Shares? | You cannot be forced to sell your CashrewardsShares unless 1835i acquires a Relevant Interest in at least 90% of all Cashrewards Shares, in which case 1835i will be entitled, and intends, to compulsorily acquire any Cashrewards Shares it does not already own.<br>If your Cashrewards Shares are compulsorily acquired, you will receive the same consideration for your Cashrewards Shares that you would have received under the Offer, as if you accepted the Offer. However, it will take you longer to receive your consideration than if you accept the Offer before the end of the Offer Period.<br>Please refer to section 5.5 of this Target's Statement for more information. |
| When does the Offer close? | The Offer is presently scheduled to close at 7pm (AEST) on 10 December 2021, but the Offer Period can be extended in certain circumstances.<br>See section 5.2 of this Target's Statement for details of the circumstances in which the Offer Period can be extended. |
| How do I accept the Offer? | Instructions on how to accept the Offer are set out in section 4.1(a) of this Target's Statement, section 10.3 of the Bidder's Statement and on the Acceptance Form which accompanies the Bidder's Statement. If you want to accept the Offer, you should follow these instructions carefully to ensure that your acceptance is valid. |
| Can I participate in the Offer in respect of my Cashrewards Shares? | 1835i is offering to buy all Cashrewards' Shares, including Cashrewards Shares that are issued during the Offer Period due to the conversion of Cashrewards Options and Performance Rights.<br>Accordingly, if you hold Cashrewards Options or Performance Rights that can be exercised during the Offer Period, you will be able to participate in the Offer in respect of the Cashrewards Shares issued on their conversion.<br>The treatment of Cashrewards Options and Performance Rights in connection with the Offer is outlined in section 10.8.<br>If you are a holder of Cashrewards Options or Performance Rights you will receive separate correspondence about their proposed treatment and how it is to be legally effected. |
| What are the consequences of accepting the Offer now? | If you accept the Offer, unless you become entitled to withdraw your acceptance (see below), you will give up your right to deal with your Cashrewards Shares while the Offer remains open. Accordingly, you will be unable to:<br><br>1. sell your Cashrewards Shares on market; |

| Question | Answer |
|---|---|
| | 2. accept a superior proposal from another party if one emerges; or<br>3. otherwise deal with your Cashrewards Shares while the Offer remains open. |
| What will happen if a competing or Superior Proposal emerges? | The Cashrewards Directors independent of the Bidder will carefully consider any competing or Superior Proposal and will advise you whether the competing proposal affects their recommendation that you accept 1835i's Offer.<br>Importantly, if you accept the Offer, you will be unable to withdraw your acceptance and accept a Superior Proposal if one emerges, except in limited circumstances (which are set out below and further in section 5.4). |
| If I accept the Offer, can I withdraw my acceptance? | You only have limited rights to withdraw your acceptance of the Offer, including if the Offer is varied in a way that extends the time for payment by more than one month. See section 5.4 of this Target's Statement for further details. |
| Can 1835i withdraw the Offer once I have accepted? | 1835i may be able to withdraw the Offer if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent. |
| Can I accept the Offer for only some of my Cashrewards Shares? | No |
| What will happen if 1835i increases its Offer? | If you accept the Offer and 1835i subsequently increases the Offer Price you will receive the increased consideration for your Cashrewards Shares. |
| Will Cashrewards pay a dividend as part of the Offer? | No dividend is intended to be paid by Cashrewards in connection with the Offer. |
| When will I receive the Offer Price if I accept the Offer? | If you accept the Offer, 1835i will pay you the Offer Price to which you are entitled under the terms of the Offer:<br>1 if the Offer is unconditional, within 7 days after the date you validly accept the Offer; or<br>2 if the Offer is not yet unconditional, within 7 days of the Offer becoming unconditional. |
| Will I need to pay stamp duty or GST if I accept the Offer? | Section 10.13 of the Bidder's Statement states that you will not pay stamp duty or GST on a disposal of your shares. |
| What are the tax implications of accepting the Offer? | This depends on your personal tax position and the price and time at which you originally acquired your Cashrewards Shares. A general outline of the tax implications of accepting the Offer is set out in section 8 of the Bidder's Statement and section 9 of this Target's Statement.<br>You should consult with your taxation adviser for detailed advice before making a decision whether or not to accept the Offer. |
| Who should I call if I have questions? | If you have any further queries in relation to the Offer or how to accept the Offer, you should call the Cashrewards Shareholder Information Line 1800 220 771 (within Australia) or +61 1800 220 771 (outside Australia), Monday to Friday between 8.30am and 5.30pm or go to https://investors.cashrewards.com.au/Investor-Centre/ |

# 4 Your choices as a Cashrewards Shareholder

Cashrewards encourages you to consider your personal risk profile, investment objectives and tax and financial circumstances before making any decision in relation to your Cashrewards Shares. As a Cashrewards Shareholder, you have the following three choices available to you in relation to the Offer:

## 4.1 Option 1 – Accept the Offer

<u>The Cashrewards Directors independent of the Bidder[5] recommend that you accept the Offer in the absence of a Superior Proposal.</u>

### (a) How to accept the Offer

If you choose to accept the Offer, then your acceptance must be received by 1835i before the end of the Offer Period. The Offer Period ends on Friday, 10 December 2021, unless extended. Instructions on how to accept the Offer are set out in Section 10.3 the Bidder's Statement and on the Acceptance Form accompanying the Bidder's Statement. If you want to accept the Offer, you should follow these instructions carefully to ensure that your acceptance is valid.

### (b) Effect of acceptance

If you accept the Offer you will be entitled to be paid the Offer Price by 1835i in accordance with the terms of the Offer (see Section 10 of the Bidder's Statement for further information on timing of payment of the Offer Price).

The effect of acceptance of the Offer is explained in more detail in section 10 of the Bidder’s Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Cashrewards Shares and the representations and warranties that you are deemed by 1835i to give to it by accepting the Offer.

It is worth noting that accepting the Offer would (subject to the possible withdrawal rights set out in section 5.4 of this Target’s Statement):

- prevent you from participating in any competing Superior Proposal that may emerge; and
- prevent you from otherwise selling your Cashrewards Shares.

The taxation implications of accepting the Offer depend on a number of factors and will vary according to your particular circumstances. A general outline of the Australian tax consequences of accepting the Offer is set out in section 9 of this Target’s Statement and section 8 of the Bidder's Statement. You should seek your own specific professional advice regarding the taxation consequences for you in accepting the Offer.

[5] When considering the recommendation of Mr Wilson, which appears throughout this Target’s Statement, you should have regard to his interest in the outcome of the Offer, which is set out in sections 10.8 and 10.15.

### 4.2 Option 2 – Sell your Cashrewards Shares

During a takeover, shareholders in a target company may still sell their shares for cash provided that they have not accepted a takeover offer for those shares. Accordingly, Cashrewards Shareholders remain free to sell their Cashrewards Shares, provided they have not already accepted the Offer.

Cashrewards Shareholders who sell their Cashrewards Shares other than via the Offer:

- will lose the ability to accept the Offer, or to participate in any other Superior Proposal that may emerge with respect to the Cashrewards Shares they have sold;
- may receive more or less for their Cashrewards Shares than the consideration under the Offer of $1.135 cash per Cashrewards Share; and
- may incur a brokerage charge.

Cashrewards Shareholders who wish to sell their Cashrewards Shares other than via the Offer should contact their stockbroker or financial adviser for instructions on how to effect that sale.

The taxation implications of selling your Cashrewards Shares other than via the Offer depend on a number of factors and will vary according to your particular circumstances, in the same way as if you accept the Offer. You should seek your own specific professional advice regarding the taxation consequences for you of selling your Cashrewards Shares.

### 4.3 Option 3 – Reject the Offer by doing nothing

If you do not wish to accept the Offer and wish to retain your Cashrewards Shares, you do not need to take any action.

Subject to acceptances under the Offer, if 1835i acquires a Relevant Interest in 90% of Cashrewards it will be entitled to compulsorily acquire your Cashrewards Shares under the Corporations Act. If this compulsory acquisition process proceeds, you will receive your consideration later than Cashrewards Shareholders who choose to accept the Offer. Please refer to section 5.5 of this Target's Statement for further details on compulsory acquisition.

If you successfully challenge the compulsory acquisition process  (and 1835i does not subsequently make a successful offer with revised consideration), you will remain a minority shareholder in Cashrewards, with potential adverse implications, including that it will be difficult for you to sell your Cashrewards Shares.

# 5 Important information about the Offer

## 5.1 Summary of the Offer

The Offer Price is $1.135 cash per Cashrewards Share.

## 5.2 Offer Period

The Offer opened for acceptance from Monday, 8 November 2021 and will remain open for acceptance until 7:00pm (AEST) on Monday, 10 December unless extended or withdrawn. The circumstances in which 1835i may extend or withdraw the Offer are set out in section 10 of the Bidder's Statement.

## 5.3 Withdrawal of Offer

1835i may not withdraw the Offer without the written consent of ASIC and subject to the conditions (if any) specified in such consent.

## 5.4 Effect of acceptance and your ability to withdraw your acceptance

Cashrewards Shareholders who accept the Offer give up their rights to sell or otherwise deal with their Cashrewards Shares, unless the above withdrawal rights are exercised.

You may only withdraw your acceptance of the Offer if 1835i varies the Offer in a way that postpones, for more than one month, the time when 1835i needs to meet its obligations under the Offer. This will occur if 1835i extends the Offer Period by more than one month and the Offer is still subject to any of the conditions.

## 5.5 Effect of 1835i lodging a compulsory acquisition notice

### (a) Follow on compulsory acquisition

Under Part 6A.1 of the Corporations Act, if, at any point during the Offer Period, 1835i has (together with its associates):

- a Relevant Interest in at least 90% (by number) of Cashrewards Shares; and
- acquired at least 75% (by number) of Cashrewards Shares in which 1835i or its associates did not have a Relevant Interest as at Monday, 8 November 2021,

upon lodgement of a compulsory acquisition notice, 1835i will be entitled to compulsorily acquire any outstanding Cashrewards Shares for which it did not receive acceptances, on the same terms as the Offer.

Cashrewards Shareholders should be aware that if they do not accept the Offer and their Cashrewards Shares are compulsorily acquired, those Cashrewards Shareholders will face a delay in receiving the Offer Price compared with Cashrewards Shareholders who have accepted the Offer (who will receive the cash consideration within 7 days after the date they validly accept the Offer or the date it becomes unconditional, whichever is later). However, these Cashrewards Shareholders will be paid the same consideration under the Offer.

### (b) Objecting to the compulsory acquisition process

Should a compulsory acquisition notice be lodged, if any Cashrewards Shareholder wishes to prevent the compulsory acquisition process in respect of its Cashrewards Shares, that shareholder must apply to the court under Part 6A.1 of the Corporations Act. A successful challenge will require the relevant Cashrewards Shareholders to establish to the satisfaction of a court that the consideration offered is not "fair value".

Any application must be made before the later of:

- one month from when the Cashrewards Shareholder was notified of the compulsory acquisition by way of a compulsory acquisition notice; or
- the end of 14 days from when the Cashrewards Shareholder requests the written statement of names and addresses from 1835i.

### 5.6 When you will receive the Offer Price

If you accept the Offer, 1835i will pay you the Offer Price to which you are entitled within 7 days after the date you validly accept the Offer or the date it becomes unconditional, whichever is later.

# 6 Information relating to Cashrewards

## 6.1 Overview of Cashrewards

Launched in 2014, Cashrewards has grown to become the largest Australian-owned-and-operated cashback ecosystem. Cashrewards' mission is to make every day more rewarding by connecting Australian consumers with brands they love, while simultaneously supporting Merchant Partners across objectives including driving brand awareness and delivering cost effective sales on a pure performance basis.

Cashrewards provides over one million Members with a broad array of Cashback offers via its 1,800+[6] Merchant Partners including Apple, Myer, Liquorland, Adidas, Bonds, Target, Booking.com and The Iconic. This ecosystem has driven more than $2.7 billion of lifetime sales for Merchant Partners since its inception, translating into more than $120 million of Cashback for Members across the 7 years of operation[7].

Cashrewards is founded on a dual-sided value proposition which delivers mutual value for both Members and Merchant Partners. Cashrewards connects Members and Merchant Partners through a number of products which aim to drive brand awareness, access to shoppers and promote conversion of shopping intent into transactions. Where a Member goes on to transact with a Merchant Partner, that Member receives 'Cashback'. This 'Cashback' payment enjoyed by the Member represents a share of the Commission Cashrewards receives from Merchant Partners for engaging a Member to shop with them, which is typically determined at the discretion of Cashrewards. The Merchant Partner does not pay any Commission unless the Member shops with them, resulting in purely performance-based fees.

## 6.2 Details of Cashrewards Directors

The Cashrewards independent board committee comprises of the Independent Chairman, Brett Johnson, Independent Non-Executive Director Joshua Lowcock, Non-Executive Director Rajeev Gupta and Chief Executive Officer, Bernard Wilson. The other Directors of Cashrewards are Andrew Clarke and Rob Goudswaard.

Details of each of Cashrewards' Directors is as follows:

**Brett Johnson**
*Chairman and Independent Non-Executive Director*

Brett Johnson joined Cashrewards as the independent Non-Executive Chairman in August 2020.

Brett has more than 15 years' experience as a director of ASX-listed companies, including at Redflow Limited (ASX: RFX), Helloworld Travel Limited (ASX: HLO) and Scott Corporation Limited (ASX: SCC). He is currently the independent Non-Executive Chairman of Redflow.

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[6] As at the end of Q1 FY22.

[7] As at the end of FY21.

Brett is also an experienced lawyer with more than 25 years' experience as General Counsel of listed Australian companies, including Qantas Airways Limited, where he was a member of the Qantas Executive Committee and responsible for legal risk management in the Qantas Group and management of the Qantas legal department.

In addition to chairing the Board, Brett is the chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

**Bernard Wilson**
*Chief Executive Officer and Managing Director*

Bernard Wilson was appointed Chief Executive Officer of Cashrewards in August 2020.

Bernard has over seven years' experience leveraging data assets and marketing technology to drive competitive advantage for businesses through marketing and digital transformation, loyalty proposition optimisation, and data and media commercialisation.

Prior to joining Cashrewards, Bernard was an executive at Quantium, a leading data science and artificial intelligence company, heading Quantium's Open Banking and FinTech business.

Bernard has also held senior management positions at Myer and Woolworths. At Myer, Bernard led Australia's third most popular loyalty program, Myer One, as General Manager, Loyalty, Data, Marketplace and Media. Previously, Bernard was General Manager, Customer Data, Media & Commercialisation at WooliesX where he was responsible for overseeing the commercial and partnerships division of the loyalty program, customer data and analytics, and the targeted media business units.

Bernard was also a Vice President at Investment Bank Credit Suisse, and a lawyer at King & Wood Mallesons.

Bernard holds a Bachelor of Arts/Law (First Class Honours) from Sydney University and is a member of the Australian Institute of Company Directors.

**Rob Goudswaard**
*Non-Executive Director (non-independent)*

Rob joined the Board of Cashrewards in January 2021 as ANZ's nominee, following ANZ's strategic investment in Cashrewards as part of its IPO in December 2020.

Rob has deep experience in commercial and retail banking across the listed, government-owned and mutual sectors. His extensive business experience includes, most recently, CEO roles at Credit Union Australia (now renamed to Great Southern Bank) and Rural Finance Victoria. Prior to that, he held a number of senior executive roles across the finance industry including as Chief Risk Officer of Institutional Bank and Managing Director of Regional & Rural & Small Business ANZ during a 30-year career with the bank in Australia and overseas.

Rob is also a Non-Executive Director of Centelon Solutions (Singapore), AmBank Group (Malaysia), Lawson Grains and Orygen Mental Health, and he holds a Bachelor of Economics and Graduate Diploma in Corporate Finance. He is a FAICD and has completed the International Directors Program at INSEAD, France.

**Andrew Clarke**
*Non-Executive Director (non-independent)*

Andrew Clarke launched Cashrewards in 2014 and was Chief Executive Officer until February 2019. Andrew currently serves as a Non-Executive Director.

Under Andrew's leadership, Cashrewards grew the business into the largest Australian-owned-and-operated cashback reward program, including overseeing several rounds of external funding from capital venture firms in 2018 and 2019.

Prior to establishing Cashrewards, Andrew founded several other companies including ShowTix, a digital event ticket distribution business. Andrew was a finalist in the 2017 EY Entrepreneur of the Year Awards. He has also held senior positions in the entertainment and hospitality industries, including Chief Executive Officer of Showbiz International Pty Ltd from 1997 to 2001, and Managing Director of the Haven Glebe from 1985 to 2005.

Andrew is a member of the Remuneration and Nomination Committee.

**Rajeev Gupta**
*Non-Executive Director (non-independent)*

Rajeev Gupta joined the Board of Cashrewards in May 2019 following Alium Capital's initial investment in Cashrewards' capital raising in 2019.

Rajeev is a partner and co-founder at Alium Capital Management, a substantial shareholder of Cashrewards.  Alium Capital manages investment funds focused on emerging technology and innovative companies in Australia. Rajeev is a representative of Alium Capital on the Board.

Rajeev has 20 years' experience building, analysing and investing in technology companies. Prior to founding Alium Capital, Rajeev founded GeckoLife, a personal and business communication platform. Rajeev has also held senior portfolio management positions at Merricks Capital and Tribeca Global in respect of global technology funds.

Rajeev began his career at Goldman Sachs, where he worked for almost a decade in the investment group in Hong Kong, Singapore and New York, with a focus on listed and unlisted technology companies.

Rajeev is active in the Australian Technology investment eco-system with his involvement in mentorship with Startmate and The Founders Institute.

Rajeev is a member of the Audit and Risk Committee.

**Joshua Lowcock**
*Independent Non-Executive Director*

Joshua Lowcock joined Cashrewards as an independent Non-Executive Director in August 2020.

Joshua is currently Chief Digital Officer and Global Brand Safety Officer of Universal McCann (UM) New York, a US Marketing and Media Agency. He is also an independent Non-Executive Director of Accent Group (ASX: AX1), and Non-Executive Director of Prime Media Group Limited (ASX:PRT).

Joshua's experience includes leading teams responsible for digital, data, media, marketing, and technology across the Asia-Pacific region (China, Hong Kong, Singapore, Korea, Japan, Australia) and in the UK, and was an AdWeek 50 (2018) honouree.

Joshua holds an MBA from the Australian Graduate School of Management (AGSM) and is a member of the Australian Institute of Company Directors.

Joshua is the chair of the Audit and Risk Committee.

## 6.3 Financial results

### (a) Financial Position of Cashrewards Group

On the 31 August 2021, Cashrewards released its financial report and Appendix 4E for the year ended 30 June 2021 (**FY21 Financial Report**).

An extract of Cashrewards' audited Consolidated Statement of Financial Position as at 30 June 2021 is set out below.

Key points:

a) Cash and cash equivalents as at 30 June 2021 of $26.1 million with no debt

b) 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 liability on Cashrewards' statement of financial position

c) The strong growth of Cashrewards' member base resulted in a corresponding rise in the current liabilities to $14.6m as at end FY21, of which the Member financial liabilities contributed $9.1m, increasing from $5.6m in FY20. As at 30 September 2021, the member financial liability closing balance was $14.4m

d) 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

| A$M | 30-Jun-21 | 30-Jun-20 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 26.1 | 2.7 |
| Trade and other receivables | 1.6 | 2.3 |
| Contract assets | 4.5 | 2.6 |
| Other assets | 1.2 | - |
| **Total current assets** | **33.4** | **7.6** |
| **Non-current assets** | | |
| Property, plant and equipment | 0.4 | 0.1 |
| Intangibles | 6.3 | 3.2 |
| Deferred tax | - | 1.0 |
| **Total non-current assets** | **6.7** | **4.3** |
| **Total assets** | **40.1** | **11.9** |
| **Liabilities** | | |
| Trade and other payables | (14.6) | (6.9) |
| Borrowings | - | (2.3) |
| Derivative financial instruments | - | (2.0) |
| Employee benefits | (0.8) | (0.3) |
| Provisions | (4.9) | (2.7) |
| **Total liabilities** | **(20.3)** | **(14.2)** |
| **Net assets/(liabilities)** | **19.8** | **(2.3)** |
| **Equity** | | |
| Issued capital | 59.8 | 9.7 |
| Reserves | 3.7 | 1.9 |
| Accumulated losses | (43.7) | (13.9) |
| **Total equity/(deficiency)** | **19.8** | **(2.3)** |

The audit report to Cashrewards' FY21 Financial Report included an emphasis of matter as to the existence of a material uncertainty of Cashrewards' ability to continue as a going concern as follows:

> *We draw attention to Note 2 of the financial statements which indicates that the Group incurred losses of $29.8m and operating cash outflows of $15.2m for the year ended 30 June 2021. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.*

Note 2 of the financial statements included the following:

"***Ongoing Cash Flow Management***

*In order to ensure the Group has sufficient funding, management continually assess anticipated cash flows such that the business is appropriately scaled in line with growth forecasts. The directors have prepared a cashflow forecast for the period of 12 months from the date of this report and based upon this cashflow forecast the Group will be required to raise further funds during FY 2022. The Group is confident that they will continue to be successful in obtaining funding.*

*The Directors believe that the funds available from existing cash reserves and current growth plans following the Cashrewards Max launch, combined with sourcing additional funds, would provide the Group with sufficient working capital to carry out its stated objectives for at least the next 12-month period from the date of signing these financial statements and have therefore prepared the financial statements on a going concern basis, which assumes the realisation of assets and settlement of liabilities in the normal course of business.*

*In the event that the Group does not trade in line with its cashflow forecast and fails to raise additional funding, a material uncertainty would exist that may cast doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.*

*No adjustments have been made relating to the recoverability and classification of recorded asset amounts or to the amount and classification of liabilities that might be necessary should the Group not be able to continue as a going concern."*

Further details can be found in Cashrewards' FY21 Financial Report.

(b) **Historical Financial Performance of Cashrewards**

An extract of Cashrewards' Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021 and 30 June 2020 is shown in the following table:

Key points:

a) Reported revenue up 29% compared to FY20 despite the impact of COVID-19 on Travel, traditionally Cashrewards' largest category, which was down 51% compared to FY20

b) Gross margin of 17.1% (FY20: 31.5%) lower due to the increase in cost of sales, driven by an increase in cashback rates

c) Uplift in marketing and design expenses mainly due to increased spend on brand, promotions, and campaigns

d) Increase in salaries and wages due to the addition of key talent

| A$M | 30-Jun-21 | 30-Jun-20 |
|---|---|---|
| Revenue | 22.1 | 17.1 |
| Costs of sales | (18.3) | (11.7) |
| **Gross profit** | **3.8** | **5.4** |
| Marketing and design | (11.6) | (2.9) |
| Salaries and wages | (12.2) | (4.7) |
| General and administration | (6.2) | (2.1) |
| **Operating expenses** | **(30.0)** | **(9.7)** |
| Other income | 0.4 | 0.4 |
| **Reported EBITDA** | **(25.8)** | **(3.9)** |
| Depreciation and amortisation | (2.0) | (1.8) |
| **EBIT** | **(27.8)** | **(5.7)** |
| IPO transaction costs | (1.3) | - |
| Finance costs | (0.7) | (2.2) |
| **Loss before tax** | **(29.8)** | **(7.9)** |
| Income tax benefit | 0.1 | 1.3 |
| **Loss after tax** | **(29.7)** | **(6.6)** |

### (c) Updated business performance and cashflow position of Cashrewards

The Cashrewards quarterly activities report for the quarter ended 30 September 2021 and Appendix 4C (**Q1FY22 Quarterly Report**) was reported to the ASX on 29 October 2021.

Highlights:

a) New members of 82,917, up 58% against the prior corresponding period (pcp). This takes Total Members to 1,149,761, representing an increase of 42% on pcp

b) Active members[8] rose to 282,166, growing 29% against pcp, while underlying[9] active members increased 36% to 272,555, demonstrating continued strong engagement with members

c) Underlying Total Transaction Value (TTV) through the Cashrewards platform of $96.8 million, up 29% against pcp

d) Encouraging active member conversion since launch of Cashrewards Max™ as Cashreward's continue to work towards shared ambition with ANZ to add close to half a million active members by early FY23

e) Cash receipts[10] from customers of $6.5 million, up 40% against pcp

f) Net cash used in operating activities of $11.8 million, incorporating costs associated with the Cashrewards Max™ launch

g) Cash and cash equivalents as at 30 September 2021 of $12.6 million.

Cashrewards Group financial reports, including the FY21 Financial Report and the Q1FY22 Quarterly Report, are available on the Company's website at https://investors.cashrewards.com.au/Investor-Centre/.

[8] An active member is a person who has transacted with Cashrewards during the last 12 months. Numbers reported are 12 months to September 30.

[9] Underlying excludes gift cards and travel given COVID-19 impact on the travel category and change to gift card offering during FY21.

[10] Cash receipts from customers does not reflect revenue in the period, as commission revenue is recognized on the member transacting whereas cash receipts reflect when the merchant pays Cashrewards for the commission; payment terms vary by merchant.

# 7 Information relating to 1835i

1835i is an entity managed by 1835i Group, an external innovation and venture partner of ANZ. ANZ is the sole ordinary unit holder in 1835i and as the sole investor in the fund has an indirect financial exposure to, and relevant interest in, such investments.

As detailed in section 3 of the Bidder's Statement, In July 2021, ANZ announced its intention to separate its external innovation and venture capital business into an externally managed business, by appointing 1835i as an external (non ANZ-owned) entity to manage the business and its investments. ANZ transferred the 14,975,285 Cashrewards Shares (representing 19% of Cashrewards Shares on issue) that were previously held by ANZi Holdings Pty Ltd (a wholly owned subsidiary of ANZ) to the Bidder during October 2021.

Refer to Section 3 of the Bidder's Statement or 1835i's website (https://www.1835i.com) for further information about 1835i.

# 8 Risk factors

## 8.1 Risks associated with accepting the Offer

### (a) Possibility of a Superior Proposal emerging

If you accept the Offer, you may forego the opportunity to benefit from any Superior Proposal by another party for your Cashrewards Shares should such a proposal eventuate.

As at the date of this Target's Statement, the Cashrewards Directors independent of the Bidder are not aware of a proposal by anyone to make a Superior Proposal. In light of 1835i's Relevant Interest in approximately 19% of Cashrewards Shares, the Cashrewards Directors independent of the Bidder consider that it is unlikely that a Superior Proposal will be forthcoming before the end of the Offer Period.

Similarly, the Independent Expert's Report states that there is limited takeover contestability and prospect of a superior proposal emerging in relation to Cashrewards including because 1835i owns 19% of Cashrewards' Shares which may be a deterrent to alternative offers emerging.

### (b) Possibility of future Cashrewards Share price appreciation

You may be able to sell your Cashrewards Shares in the future for more valuable consideration than that offered under the Offer. The Cashrewards Board can give no assurances that this will occur.

### (c) Taxation consequences

The taxation consequences of disposing of your Cashrewards Shares pursuant to the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of certain Australian tax considerations of such a disposal is set out in section 9 of this Target's Statement.

You should carefully read and consider the taxation consequences of disposing of your Cashrewards Shares pursuant to the Offer. The outline provided in this Target's Statement is of a general nature only and you should seek your own specific professional tax advice as to the taxation implications applicable to your circumstances.

## 8.2 Refinancing the funding provided by 1835i under the Facility Agreement

If 1835i acquires control but not 100% ownership of Cashrewards under the Offer, it may seek to exercise its control to refinance the funding provided by 1835i under the Facility Agreement.

If Cashrewards undertakes an equity raising to repay some or all of the loan provided by 1835i under the Facility Agreement, it is reasonable to expect that it will likely be at a material discount to the then prevailing share price and if any Cashrewards Shareholders do not participate in that equity raising, they are likely to be materially diluted.

If Cashrewards seeks to raise additional debt to repay some or all of the loan provided by 1835i under the Facility Agreement, there is no assurance that such additional debt funding will be available, or available on terms that are commercially similar to the Facility Agreement or commercially reasonable.

## 8.3 Risks associated with minority ownership consequences – where Cashrewards is controlled by 1835i

If 1835i acquires acceptances which, together with its existing holding, give 1835i at least 50.1% but less than 100% of the Cashrewards Shares then, assuming all Bid Conditions are fulfilled or freed, 1835i will acquire a majority shareholding in Cashrewards.

In such circumstances, Cashrewards Shareholders who do not accept the Offer will become minority shareholders in Cashrewards. This has a number of possible implications, including:

(a) (**1835i will be in a position to cast the majority of votes at a general meeting of Cashrewards**): 1835i will be in a position to cast the votes required to determine alone the outcome of an ordinary resolution (in respect of which it is entitled to vote). This will enable it, subject to compliance with law, the ASX Listing Rules and the constitution of Cashrewards, to control the composition of Cashrewards' board of directors and senior management, and control the strategic direction of the businesses of Cashrewards and the Cashrewards Group.

(b) (**If 1835i acquires 75% or more, it will able to pass special resolutions**): If 1835i acquires 75% or more of Cashrewards Shares it will be able to pass a special resolution of Cashrewards (in respect of which it is entitled to vote). This will enable 1835i to, among other things, change Cashrewards' constitution and, at a future stage, cause the de-listing of Cashrewards.

(c) (**Potential Cashrewards Board changes**): The composition of the board of directors of Cashrewards under the control and management of 1835i may also change, as further described in section 7.3 of the Bidder's Statement.

(d) (**Cashrewards' Share price may fall immediately following the end of the Offer Period**): Absent the Offer (and if no Superior Proposal emerges), the market price of Cashrewards Shares may fall. Minority shareholders will be left holding a minority investment in Cashrewards and Cashrewards Shares may trade at a price reflective of a minority discount with the potential for little to no liquidity available to facilitate trading.

(e) (**Cashrewards may be removed from the official list of the ASX**): 1835i intends to consider whether it is appropriate to maintain Cashrewards' listing on the ASX, having regard to considerations such as cost, ownership and the number and/or profile of shareholders. If Cashrewards is removed from the official list of the ASX, Cashrewards Shares will not be able to be bought or sold on the ASX. In this regard, ASX guidance indicates that the usual conditions that the ASX would expect to be satisfied in order for it to approve the removal of Cashrewards from the official list in the context of a successful takeover bid include:

    (i) at the end of the Offer, 1835i owns or controls at least 75% of Cashrewards Shares and the Offer has remained open for at least two weeks after 1835i attained ownership or control of at least 75% of Cashrewards Shares; and

    (ii) the number of Cashrewards Shareholders (other than 1835i) having holdings with a value of at least $500 is fewer than 150,

    and, in such case, the ASX will not usually require 1835i to obtain Cashrewards Shareholder approval for Cashrewards' removal from the official list of the ASX.

In addition, ASX may, even if the above conditions are not satisfied, approve an application for Cashrewards to be removed from the official list of the ASX with Cashrewards Shareholder approval and, where such removal is sought later than 12 months after the close of the Offer, subject to the ASX's discretion, 1835i is likely to be entitled to vote on the special resolution that is required to approve the removal.

If Cashrewards is removed from the official list of the ASX, this will mean that Cashrewards Shareholders will become shareholders in an unlisted company controlled by 1835i with no immediate exit mechanism for their investment other than an off-market sale of their Cashrewards Shares.

(f) (**If 1835i acquires 90% or more, it may be entitled to compulsory acquisition):** If after the end of the Offer Period, 1835i subsequently acquires a Relevant Interest in 90% or more of all Casherwards Shares and the compulsory acquisition provisions of the Corporations Act are satisfied, 1835i will be entitled to compulsorily acquire the Cashrewards Shares that it does not already own. In section 7.3 of the Bidder's Statement, 1835i has stated that it intends to proceed with compulsory acquisition of all remaining Cashrewards Shares. If you choose not to accept the Offer and 1835i subsequently exercises compulsory acquisition rights, you are likely to be paid later than other Cashrewards Shareholders who accept the Offer.

## 8.4 Risks associated with rejecting the Offer and continuing as a Cashrewards Shareholder

There are various risks associated with continuing to hold Cashrewards Shares. Some of these risks are specific to Cashrewards while others are risks of a more general nature that apply to any investment in a listed company.

The list of risks summarised below is not exhaustive and does not take into account the personal circumstances of holders of Cashrewards Shares. Cashrewards Shareholders should seek professional advice if they are in any doubt about the risks associated with accepting or rejecting the Offer, having regard to their individual investment objectives and financial circumstances.

(a) **Key risks associated with operations of Cashrewards**

(i) *Capacity to fund future capital requirements to meet future growth ambitions and to meet its member liabilities requirements*

Cashrewards' business model is to provide cashback to members on their shopping experiences with our merchant partners. Cashrewards accrues member liabilities in relation to the cashback not withdrawn by members which accumulates over time and is paid upon a member making a withdrawal request. Growth in the total number of members and their level of activity is directly linked to an increase in this member liability. As a growth company, Cashrewards is also required to continue the significant investment into its product and technology platform to enhance Cashrewards' core offering to retailers and grow its member base and market position.

There are risks and uncertainties about Cashrewards' ability to raise (without significant dilution and discount) the significant capital required for the business to achieve profitable scale in the future for a variety of reasons including, but not limited to, the quantum of capital required to be raised from both existing and new investors over the short to medium term to realise the Company's growth objectives and to meet its working capital needs.

Cashrewards monitors its short-term liabilities and cash flow and retains cash on hand to meet member withdrawal requests, which means that not all of Cashrewards' cash on its balance sheet is available for working capital needs and strategic investment. While historical member behaviour demonstrates that members have a preference to accumulate cashback over time, this member rewards liability is able to be redeemed at any time once approved and this requires Cashrewards to prudently manage its available cash on hand.

In addition, there is a risk that due to factors outside of its control, the rate of withdrawals experienced at a given time significantly exceeds Cashrewards' expectations, leading to a rapid decrease in the Company's cash reserves.

Any failure by Cashrewards to adequately manage its cash flow could adversely impact its ability to effectively operate, develop and fund its business and execute its growth strategies, which may adversely impact Cashrewards' financial performance or financial position and may require Cashrewards to seek additional capital sooner than it otherwise may require.

(ii) *Competitor and new market entrants*

Cashrewards faces increasing competition from other online and offline advertising operators for a share of Merchant Partners' overall marketing spend. These competitors may include other cashback platforms or Affiliate marketing companies as well as search and display marketing channels including social media sites, search engine advertisers, television, radio, newspapers and magazines. The market in which Cashrewards operates is seeing increased competition from existing competitors and new entrants.

Cashrewards' business model is based on earning Commissions from Merchant Partners for transactions made by members through Cashrewards' platform. For Merchant Partners, Cashrewards offers a purely performance-based marketing solution and does not have long-term contractual arrangements with all its Merchant Partners. There is a risk that some Merchant Partners could pause or cease their partnership with Cashrewards on short notice in favour of other marketing channels, which could have the effect of reducing Cashrewards' revenue.

There is also a risk that new rewards-based entrants or existing competitors may offer a superior solution to Merchant Partners and members (including lower Commissions and greater rewards offerings), or, subject to competition law constraints, combine with other providers to deliver enhanced scale benefits with which Cashrewards is unable to compete with effectively. If Cashrewards is unable to compete successfully against existing or new competitors, its business and financial performance could be harmed.

(iii) *Inability to successfully implement growth strategy*

Cashrewards has developed a number of growth strategies and drivers for the business which include, among other things, attracting new members and Merchant Partners, increasing its brand awareness, entering strategic partnerships, such as the ANZ Foundation Agreement to enable the launch of Cashrewards MAX, as well as partnerships with Merchant Partners in new industries and categories and increasing member engagement through personalisation of offers.

There is no guarantee that all or any of Cashrewards' growth strategies will be successfully implemented, deliver the expected returns or ultimately be profitable. There is also a risk that the growth strategies may be subjected to unexpected delays and additional implementation costs. For example, Cashrewards' future growth prospects is in part dependant on its ability to increase its number of active members. In particular, Cashrewards has invested heavily in the creation, promotion and operation of Cashrewards Max on the basis that it will deliver significant growth in the short term. There is a risk that despite investment into that strategic relationship, growth in Cashrewards MAX active members may take longer than expected or may not eventuate to the same degree as expected.

(iv) *Disruption to technology systems*

Cashrewards relies on the constant real-time performance, reliability and availability of its technology system, including in relation to its website, mobile app and Cashrewards Assistant. There is a risk that these systems may fail to perform as expected or be adversely impacted by a number of factors, some of which may be outside of Cashrewards' control. This includes data losses, computer system faults, internet and telecommunications or data network failures, fire, natural disasters, computer viruses and external malicious interventions such as hacking or denial of service attacks. This may cause part or all of Cashrewards' technology system and/or the communication networks to become unavailable. In addition, Cashrewards uses and relies on integration with third-party systems and platforms, particularly websites and other Merchant Partner systems. The success of Cashrewards' service, and its ability to attract new members and Merchant Partners depends on the ability of its technology and systems to integrate into and operate with third party platforms, including Merchant Partner websites.

There is a risk that repeated failures to Cashrewards technology system may result in a decline in members using Cashrewards' platform or Merchant Partners ceasing to use Cashrewards. This may materially and adversely impact Cashrewards' business, financial performance, as well as negatively impact Cashrewards' reputation.

(v) *Exposure to potential security breaches and data protection issues*

Through the ordinary course of business, Cashrewards collects, maintains, transmits and stores a wide range of confidential or personal information, including in respect of its members and Merchant Partners. Cashrewards also outsources the collection, storage and processing of credit card details for members to an authorised third party. Although Cashrewards has cybersecurity policies and procedures in place (including systems testing through both internal and external parties), cyber-attacks may compromise or breach technology systems used by Cashrewards to protect confidential or personal information. There is a risk that the measures taken by Cashrewards may not be sufficient to detect or prevent unauthorised access to, or unauthorised disclosure of, such information.

Any data security breaches or Cashrewards' failure to protect confidential or personal information could cause significant disruption to Cashrewards' business and trigger mandatory data breach notification obligations. They may also result in the loss of information integrity, breaches of Cashrewards' obligations under applicable laws or agreements, legal complaints and claims by members and Merchant Partners and regulatory scrutiny and fines. Any of these could cause significant damage to Cashrewards' reputation which may affect Cashrewards' ability to retain or attract new Merchant Partners and members as well as have a material adverse impact on the financial position and performance of Cashrewards.

(vi) *Impacts of COVID-19*

Events related to the COVID-19 pandemic (including government-imposed lockdown measures and travel restrictions) have resulted in significant and unpredictable changes to consumer expenditure and behaviour, impacting the level of investment merchants are willing to make in marketing, which affects the range and size of cashback offers that Cashrewards can make available to its members.

The pandemic has led to a sharp decline in member transactions in the travel and leisure categories, as well as an increase in cancellations of previously booked travel, as a result of the various travel restrictions imposed by governments within Australia and globally. There is substantial uncertainty as to the rate that travel-related bookings will return to pre-COVID-19 levels following the lifting of current travel restrictions. Even when travel bookings return, these will only contribute to revenue when the travel is taken (which can be as long as 12 months after booking) and so there will be a time lag before travel Commission revenue recovers after the reduction and removal of government imposed restrictions.

The future impact on consumer expenditure and behaviour is difficult to predict due to factors beyond Cashrewards' control, such as the ongoing and future response of governments to COVID-19, the effectiveness of vaccines and speed of vaccine rollout strategies and the risk of future variants that may lead to further lock-downs and other restrictions and economic downturns. Any change in consumer spending (including overall retail expenditure as well as the composition and timing of that expenditure) could have a material adverse impact on Cashrewards' business and financial performance.

(vii) *Success of marketing strategy*

Cashrewards' future success is partly dependent on the realisation of benefits from investment on marketing campaigns and initiatives. Cashrewards is focused on promoting awareness of its brand and platform to both consumers (in order to acquire new members and to encourage spending by existing members) and merchants (which should attract new Merchant Partners). Specifically, if Cashrewards is unable to encourage spending by its members, Cashrewards will not be able to generate revenue.

Failure to realise intended benefits from marketing investment could adversely impact Cashrewards' business, operations and financial performance.

(viii) *Inability to retain and increase merchant partners and member numbers*

In order for Cashrewards to receive a commission for a transaction made by a consumer with a retailer, the consumer must be a registered member of

Cashrewards and the retailer must be a Merchant Partner of Cashrewards. Cashrewards' business model is therefore dependent on its ability to continue to grow its dual-sided network of Merchant Partners and members. An increase in the number of Merchant Partners attracts more members to Cashrewards' platform and an increase in members attracts more Merchant Partners.

It is critical for Cashrewards to grow both its Merchant Partner and member bases in order to increase overall transaction volumes and to achieve economies of scale, including that of member acquisition costs. However, this dual-sided network takes time to build and may grow more slowly than Cashrewards expects or than it has grown in the past.

The ability of Cashrewards to retain and increase Merchant Partners and members depends on a number of factors, including:

- the adequacy of Cashrewards' platform, including its functionality, reliability and customer support;
- the ability of Cashrewards to successfully promote its brand through its marketing strategy;
- the ability of Cashrewards to keep pace with changes in technology and merchant and consumer preferences;
- the effectiveness of Cashrewards' model in driving brand awareness and increasing sales and customer loyalty for Merchant Partners; and
- the prevailing macroeconomic and consumer spending trends and the impact of legal and regulatory changes.

If Cashrewards is unable to retain existing members or Merchant Partners or attract new members or Merchant Partners, it may adversely impact Cashrewards' ability to achieve economies of scale, which may adversely impact Cashrewards' prospects and ability to improve its future financial performance.

(ix) *Cashrewards' technology may be superseded by other technology and its technology and product development may not be effective*

Cashrewards' success will in part depend on its ability to offer services and systems that remain current with the continuing changes in technology, evolving industry standards and changing merchant and consumer preferences. There is a risk that Cashrewards may not be successful in addressing these developments in a timely manner. In addition, new products or technologies (or alternative systems) developed by third parties may supersede Cashrewards' technology platform. Any of these factors may result in a loss of existing, or inability to attract new, Merchant Partners and members, and damage to Cashrewards' reputation.

Cashrewards' future growth also depends on its ability to develop its technology platform, products and processes in order to support increased numbers of, and activity by, members and Merchant Partners. Increased utilisation of Cashrewards' current platform may exceed its infrastructure capability, which in turn could result in a service outage, loss of data or the inability for members and Merchant Partners to effectively use Cashrewards' products.

(x) *Counterparty risk*

Cashrewards is party to a number of commercial agreements and arrangements with third parties (including with key relationship partners) and expects to enter into further agreements and arrangements as part of the Company's growth strategy. Cashrewards is subject to ongoing obligations under those contracts which require expenditure of money and other resources. Cashrewards also relies on the performance by its counterparties of their obligations under those contracts and continued performance underpins the Company's assumptions about its future revenue growth and other aspects of its financial performance. There is a risk that the counterparties may not meet their obligations under those agreements or arrangements or comply with the laws and regulations which apply to those counterparties in the relevant jurisdictions.

In addition, Cashrewards generates a large percentage of its revenue and transaction value from its largest Merchant Partners. With limited exceptions, Cashrewards' Merchant Partners are not required to commit to long term contracts and may choose to terminate their arrangements on short notice or otherwise to "turn off" their use of Cashrewards by not making available Cashback offers to Cashrewards members.

Financial failure, default or contractual non-compliance by such third parties (including Merchant Partners), or a failure by those third parties to comply with relevant laws and regulations, may have a material impact on the operations and financial performance of Cashrewards. It is not possible for Cashrewards to predict or protect itself against all such risks.

(xi) *Compliance with and changes to laws and regulatory framework*

Cashrewards is subject to a range of laws, regulations and legal compliance requirements that are constantly changing. This includes privacy and data protection laws, laws which prohibit the unauthorised distribution of marketing materials and other advertising, advertising and consumer protection laws, secret commission laws, contractual conditions and anti-money laundering and counterterrorism financing laws. There is a risk that Cashrewards will not always be in full compliance with all applicable laws and regulations, which may result in significantly increased compliance costs, penalties, cessation of certain business activities or the ability to conduct business, litigation or regulatory enquiry or investigation and significant reputational damage. To alleviate some of these concerns, Cashrewards is enrolled as a reporting entity with AUSTRAC and has adopted an Anti-Money Laundering and Counter Terrorism Financing Act (**AML/CTF**) program. In addition, Cashrewards has implemented a mandatory KYC process for customers that hold $5,000 or more in Rewards Accounts.

There is also a risk that Cashrewards may become subject to additional legal or regulatory requirements in the future. This may be as a result of the implementation of new laws to regulate the industry in which Cashrewards operates in or an expansion in Cashrewards' business, operations, strategy or geographic reach. Cashrewards currently relies on ASIC Instrument (Non-cash payment facilities) 2016/211 for loyalty schemes so that it is not regulated as a managed investment scheme under the Corporations Act. By relying on this relief instrument, Cashrewards is not required to hold an Australian financial services licence or hold funds owing to members on trust.

In addition, data privacy and security laws (which directly affect Cashrewards' business) are currently under review in Australia and may undergo significant change. Evolving laws in foreign jurisdictions relating to data protection and privacy (including their application to Australian businesses) could also impact Cashrewards. In particular, the EU General Data Protection Regulation (EU) 2016/679 and similar regulatory requirements in different states in the United States, which impose new and stricter conditions and limitations on the processing, use and transmission of personal data. Compliance with evolving data privacy and security laws in Australia and foreign jurisdictions may increase costs, require management attention and require changes to the way that Cashrewards' products function. There is a risk that recent or future changes to such laws could also have an ongoing impact on the way that Cashrewards currently collects and stores members' data and provides member data to Merchant Partners. If Cashrewards expands its operations into new or adjacent industries and categories or geographies, its obligations under privacy and data protection laws may become increasingly complex and potentially conflicting.

(xii) *Loss of Key Management Personnel and inability to attract and retain skilled personnel*

The successful operation of Cashrewards depends on the performance and expertise of its Key Management Personnel and high performing employees with specialist skills (including technology and marketing). The loss of certain key personnel, and the inability to attract and retain replacements or new key personnel, may adversely impact Cashrewards' business, operations and financial performance.

The successful operation of Cashrewards is also dependent upon its ability to attract and retain experienced and high performing employees with specialist skills, including software development engineers and marketing specialists. Competition for such personnel is intense and there is a significant demand for talent thus there is a risk Cashrewards may incur increasing costs to attract, develop and motivate them. If Cashrewards is unable to attract skilled personnel, it may be unable to effectively execute its business plan or maintain or expand its operations, which, in turn, could have a material adverse impact on Cashrewards' business, operations and financial performance.

(xiii) *Litigation, claims and disputes*

Cashrewards may be subject to litigation and other claims and disputes in the course of its business, including disputes involving members and Merchant Partners, employment disputes, contractual disputes, indemnity claims, occupational health and safety claims, or criminal or civil proceedings in the course of its business. There is a risk that any such litigation, claims and disputes could materially and adversely affect Cashrewards' business, operations and financial performance, including the costs of settling such claims and the effect on Cashrewards' reputation.

(xiv) *Banking and payment processing performance*

Cashrewards relies on online payment gateways, banking and financial and other institutions, and point of sale devices for the validation of payment methods (such as credit and debit cards), processing and settlement of payments. Any failures or disruptions to such platforms and technology may adversely affect Cashrewards' business.

(b) **General investment risks**

(i) *Exposure to general economic and financial market conditions*

Cashrewards is subject to the general market risk that is inherent in all securities traded on a stock exchange. This may result in fluctuations in the Share price that are not explained by Cashrewards' fundamental operations and activities.

Deterioration in general market conditions may adversely impact on the price of Cashrewards Shares and Cashrewards' ability to pay dividends and the consequent returns from an investment in Cashrewards Shares. As a result, Cashrewards is unable to forecast the market price for Shares. In particular, the COVID-19 pandemic has and may continue to result in unprecedented challenges to global financial markets, and the economy as a whole. Capital markets have seen equity securities suffer from spikes in volatility and significant price decline.

(ii) *No dividend or other distribution in the near term*

Cashrewards is not yet profitable and there is no guarantee that it will be successful in achieving its objective of achieving profitability. Further, to the extent that Cashrewards is profitable, the Directors do not in the near future intend to pay profits of Cashrewards out in the form of dividends or other distributions but will instead reinvest those amounts into development of the business and to execute Cashrewards' growth strategies.

(iii) *Exposure to changes in tax rules or their interpretation*

Tax laws in Australia are complex and are subject to change periodically, as is their interpretation by the courts and the tax authorities. Significant reforms and current proposals for further reforms to Australia's tax laws, as well as new and evolving interpretations of existing laws, give rise to uncertainty. The precise scope of many of the new and proposed tax laws is not yet known. Any change to the taxation of shares (including the taxation of dividends) and the taxation of companies (including the existing rate of company income tax and Cashrewards ability to claim R&D offsets) may adversely impact on Shareholder returns, as may a change to the tax payable by Shareholders in general. Any other changes to Australian tax law and practice that impact Cashrewards, or Cashrewards' industry generally, could also have an adverse effect on Shareholder returns. Any past or future interpretation of the taxation laws by Cashrewards which is contrary to that of a revenue authority in Australia may give rise to additional tax payable.

(iv) *Force majeure events*

Events may occur within or outside Australia that could impact upon the global, Australian and other local economies, the operations of Cashrewards and the price of Cashrewards Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, water contamination, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for Cashrewards' services and its ability to conduct business. Cashrewards has only a limited ability to insure against some of these risks.

(v) *Shareholder dilution*

In the absence of the Offer, Cashrewards is expected to need to issue Cashrewards Shares to raise further funding. While Cashrewards will be subject to the constraints of ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such fundraisings and Shareholders may experience a loss in value of their equity as a result of such issues of shares and fundraisings.

# 9 Taxation considerations

This section 9 provides a summary of the general Australian tax consequences for Cashrewards Shareholders accepting the Offer and should be considered in conjunction with the rest of the Target's Statement.

The information is a general guide, does not constitute financial advice and is not intended to be an authoritative or complete statement of the Australian tax law applicable to the specific circumstances of each Cashrewards Shareholder and should not be relied upon by Cashrewards Shareholders as tax advice. Cashrewards Shareholders are strongly advised to seek their own professional advice with respect to the tax implications of the Offer.

## 9.1 Overview

The following is a general summary of the Australian tax (including capital gains tax (**CGT**), goods and services tax (**GST**) and stamp duty) implications for Cashrewards Shareholders who hold their Cashrewards Shares on capital account and who dispose of their Cashrewards Shares under the Offer.

Sub-section 9.2 below summary does not apply to Cashrewards Shareholders who:

- hold their Cashrewards Shares as revenue assets, as trading stock, or are subject to the Taxation of Financial Arrangements provisions in Division 230 of the Income Tax Assessment Act 1997; or
- are financial institutions, insurance companies, partnerships, tax exempt organisations, dealers in securities, shareholders who changed their tax residency while holding their Cashrewards Shares, or non-resident shareholders who own their Cashrewards Shares through a permanent establishment in Australia, each of which may be subject to specific additional tax rules.

The summaries have been prepared on the basis of Australian taxation law and administrative practice as at the date of the Target's Statement and do not consider the taxation implications in jurisdictions outside of Australia.

References to Australian resident Cashrewards Shareholders are to Cashrewards Shareholders who are residents of Australia for Australian income tax purposes and are not tax resident in any other jurisdiction.

## 9.2 Australian tax implications of accepting the Offer

(a) Disposal of Cashrewards Shares by Australian resident shareholders

(i) Australian capital gains tax

The disposal of Cashrewards Shares by an Australian resident Cashrewards Shareholder should constitute CGT event A1 for Australian income tax purposes.

Australian resident Cashrewards Shareholders should:

- make a capital gain if the capital proceeds from the disposal of their Cashrewards Shares are greater than the cost base of their Cashrewards Shares; or
- make a capital loss if the capital proceeds from the disposal of their Cashrewards Shares are less than the reduced cost base of their Cashrewards Shares.

Australian resident Cashrewards Shareholders who make a capital gain on disposal of their Cashrewards Shares will be required to include the net capital gain (if any) for the income year in their assessable income. No CGT roll-overs should be applicable to the Offer.

Australian resident Cashrewards Shareholders who make a capital loss on the disposal of their Cashrewards Shares can only offset the capital losses against capital gains realised in the same or subsequent income years. Specific loss recoupment rules apply to companies and may restrict their ability to utilise capital losses in a future period.

(ii) Time of CGT event

CGT event A1 occurs when there is a change in beneficial ownership of Cashrewards Shares. The time of the CGT event is:

- when an Australian resident Cashrewards Shareholder enters into the contract to dispose of their Cashrewards Shares; or
- where their Cashrewards Shares are compulsorily acquired, when 1835i becomes the beneficial owner of their Cashrewards Shares.

(iii) Capital proceeds

The capital proceeds from the disposal of Cashrewards Shares under the Offer should include $1.135 cash for each Cashrewards Share.

(iv) Cost base

The cost base and reduced cost base of Cashrewards Shares should generally include the amount paid to acquire the Cashrewards Shares, the market value of any property given to acquire the Cashrewards Shares and any incidental costs of acquisition.

(v) CGT discount

Generally, Australian resident Cashrewards Shareholders who are individuals, trusts, or complying superannuation entities that acquired (for tax purposes) their Cashrewards Shares at least 12 months before their disposal (not including the days of acquisition and disposal) should be entitled to the CGT discount in calculating the amount of the capital gain on disposal of their Cashrewards Shares.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which should reduce a capital gain arising from the disposal of Cashrewards Shares is as follows:

- 50% for individuals and trusts; or
- $33\frac{1}{3}$% for a complying superannuation entity.

The CGT discount is not available for Australian resident Cashrewards Shareholders who are companies.

(b) GST

The disposal of Cashrewards Shares by a Cashrewards Shareholder should not give rise to a liability to account for GST, regardless of whether a Cashrewards Shareholder is registered for GST.  This on the basis such transactions should be considered an input taxed financial supply, or outside the scope of GST.

If a Cashrewards Shareholder incurs GST on any acquisitions relating to the disposal of Cashrewards Shares, the Cashrewards Shareholder should obtain independent advice in relation to the precise GST implications, including whether any GST included in such acquisitions is recoverable.

(c) Stamp duty

There should not be stamp duty (including landholder duty) payable by a Cashrewards Shareholder on the disposal of your Cashrewards Shares.

## 9.3 Foreign resident capital gains withholding tax

Foreign resident capital gains withholding tax applies to a transaction involving the acquisition of the ownership of an asset that is an Australian indirect real property interest from a 'relevant foreign resident'.

Under the Australian foreign resident capital gains withholding tax rules, 1835i, as the purchaser of Cashrewards Shares, may be required to pay 12.5% of the Offer consideration to acquire the Cashrewards Shares to the Australian Taxation Office if at least one of the Cashrewards Shareholders is a 'relevant foreign resident' and the Cashrewards Shares represent indirect Australian real property interests.

1835i has indicated in the Bidder's Statement that if 1835i considers that foreign resident capital gains withholding may apply to a particular Cashrewards Shareholder, it will use reasonable endeavours to contact that Cashrewards Shareholder so that it has the opportunity to provide a notice to 1835i that:

(a) It is a resident of Australia; or

(b) The Cashrewards Shares are not indirect Australian real property interests.

If the relevant Cashrewards Shareholder does not provide such notice or 1845i knows it to be false, 1835i may withhold the capital gains withholding tax from the Offer consideration payable to that Cashrewards Shareholder.

Any capital gains withholding tax may be able to be offset against the actual tax payable on the gain from the disposal of the Cashrewards Shares and is refundable by the Australian Taxation Office to the extent that the capital gains withholding tax exceeds the actual tax payable.

# 10 Additional information

## 10.1 1835i Facility Agreement

On 22 October 2021, Cashrewards and 1835i entered into an unsecured loan facility agreement (based on the APLMA standard form bilateral facility agreement), which sets out the terms on which 1835i provides a $15 million loan to Cashrewards (**Facility Agreement**). A summary of the Facility Agreement is set out in Schedule 1.

The Cashrewards Board is satisfied that the Facility Agreement has been entered into on an arm's length basis and is reasonably necessary as it allows for the availability of funding for a term of 6 months, which allows Cashrewards to manage its member liability obligations throughout the Offer period.

## 10.2 Reimbursement fee

On 22 October 2021, Cashrewards and 1835i entered into a Bid Implementation Deed in respect of the Offer on 22 October 2021, a full copy of which was released to the ASX on the same day. A summary of certain key terms of the Bid Implementation Deed is set out in section 9.1 of the Bidder's Statement.

The Bid Implementation Deed contains a reimbursement fee of $895,000 (excluding GST) payable by Cashrewards to 1835i, which will be triggered if:

- during the Exclusivity Period, one or more Cashrewards Directors independent of the Bidder withdraws, adversely revises or adversely qualifies his or her support of the Offer or his or her recommendation that Cashrewards Shareholders accept the Offer or fails to recommend that Cashrewards Shareholders accept the Offer or, having made such a recommendation, withdraws, adversely revises or adversely qualifies that recommendation for any reason;
- during the Exclusivity Period, one or more Cashrewards Directors independent of the Bidder recommends that Cashrewards Shareholders accept or vote in favour of, or otherwise supports or endorses (including support by way of accepting or voting, or by way of stating an intention to accept or vote, in respect of any Cashrewards Shares held or controlled by them or held on their behalf), a Competing Proposal of any kind that is announced (whether or not such proposal is stated to be subject to any pre-conditions) during the Exclusivity Period;
- a Competing Proposal of any kind is announced during the Exclusivity Period (whether or not such proposal is stated to be subject to any pre-conditions) and, within 9 months of the date of such announcement, a Third Party completes a Competing Proposal; or
- the Bidder terminates the Bid Implementation Deed for material breach by Cashrewards or for material breach of a Cashrewards representation and warranty in the Bid Implementation Deed.

Except in relation to a wilful or intentional breach of or non-compliance with any provision of the Bid Implementation Deed by Cashrewards, Cashrewards' total liability under the Bid Implementation Deed is capped at the amount of the reimbursement fee.

## 10.3 Capital structure

As at the date of this Target Statement, Cashrewards has the following securities on issue:

| Class | Number |
|---|---|
| Cashrewards Shares | 78,817,288* |
| Cashrewards Options | 9,997,362 |
| Cashrewards Performance Rights | 2,501,720** |

* In addition to this number, Cashrewards has approved in-principle to issue Cashrewards Shares to certain key advisers and an ambassador in lieu of cash payments.

** As part of this figure Cashrewards has agreed to grant Bernard Wilson Performance Rights under the FY22 LTIP to the value of $600,000 in accordance with the terms set out in the Prospectus, subject to obtaining shareholder approval at the AGM. The actual number of performance rights to be issued will be calculated by taking the Volume Weighted Average Price (VWAP) of Cashrewards Shares in the 30-day period prior to the date of the AGM (23 November 2021). In addition, Cashrewards has agreed to grant but not yet issued a further 256,522 Performance Rights to recently joined employees.

### 10.4 Substantial holders

Based on the information contained in substantial holder notices filed with the ASX, as at the date of this Target Statement, the substantial shareholders of Cashrewards are:

| Name of holder | Relevant Interest in number of Cashrewards Shares | Relevant Interest as a % of Shareholding |
|---|---|---|
| Andrew Clarke | 18,166,983 | 23.0% |
| 1835i | 14,975,285 | 19.0% |
| Alium Capital Management Pty Ltd (including holdings of Mr Rajeev Gupta) | 7,097,396 | 9.0% |
| M&S Skyleisure Pty Ltd | 5,102,730 | 6.5% |

### 10.5 Escrow arrangements

(a) *Voluntary escrow arrangement*

20,584,807 (**26.1**%) of Cashrewards Shares are subject to voluntary escrow restrictions (Escrowed Shares) that were entered into in connection with Cashrewards' listing on the ASX.

Details of the Cashrewards Shares and Cashrewards Options that remain subject to voluntary escrow arrangements are as follows:

| Shareholder | Number of Escrowed Shares and Options Held | Escrow Period | Number of Escrowed Shares |
|---|---|---|---|
| **Andrew Clarke**, held by Eventive Pty Limited (ACN 086 967 259) as trustee for Andrew Clarke Family Trust & Friendly Group Pty Limited (ACN 155 293 931). | 14,533,585 Shares | Tranche 2 Period: 1HFY22 results<br>Tranche 3 Period: FY22 results | Tranche 2 Period: 9,083,491 Shares are released from Escrow At the end of the<br>Tranche 3 Period: 5,450,094 Shares are released from Escrow |
| **Alium Capital Management Pty Ltd**, held by Dempsey Capital Pty Limited (ACN 632 685 468) as trustee for Alium Alpha Fund | 3,373,721 Shares | Tranche 2 Period: 1HFY22 Results | Tranche 2 Period: 3,373,721 Shares are released from Escrow |
| **Rajeev Gupta** held by, Clontarf Investments Pty Ltd (ACN 164 546 776) as trustee for Yaki Family Trust | 174,977 Shares | Tranche 2 Period: 1HFY22 Results | Tranche 2 Period: 174,977 Shares are released from Escrow |
| **Bernard Wilson**, held by Pennypacker Industrials Pty Ltd (ACN 628 634 140) ATF Kildallon Trust | 2,900,000 Options | Tranche 1 Period: FY22 Results | Tranche 1 Period: 2,900,000 Options are released from Escrow |
| **Iain Skelton** | 988,165 Shares<br>799,264 Options | Tranche 1 Period: FY22 Results | Tranche 1 Period: 988,165 Shares and 799,264 Options are released from Escrow |
| **Starlight Children's Foundation Australia** (ABN 80 931 522 157) | 250,592 Shares | Tranche 1 Period: FY22 Results | Tranche 1 Period: 250,592 Shares are released from Escrow |
| Other existing minority holders of Shares | 1,263,767 Shares | Tranche 1 Period: FY22 Results Date | 1,263,767 Shares are released from Escrow |
| Other existing minority holders of Options under the 2017 ESOP | 2,300,812 Options (and any Shares issued on the exercise of those Options | Tranche 1 Period: FY22 Results Date (to the extent any of their Options vest and are | Tranche 1 Period: 2,300,812 Options (and any Shares issued on exercise of those Options) |

| | | | |
|---|---|---|---|
| | during the Escrow Period) | exercised during that period) | |

These voluntary escrow arrangements do not prevent an Escrowed Shareholder from accepting the Offer, provided holders of at least 50% of the Cashrewards Shares that are not subject to any voluntary escrow restrictions have accepted the Offer. That is to say, the Offer allows Escrowed Shareholders to sell their Escrowed Shares earlier than they otherwise would have been able to, given the voluntary escrow restrictions, unless another exception applied.

As shown in the table above, two of the major shareholders who have provided statements of intention in relation to acceptance of 1835i's Offer, Andrew Clarke and Alium Capital, are subject to voluntary escrow restrictions until the release of Cashrewards' preliminary final report for the financial year ending 30 June 2022. However, if holders of at least 50% of the Cashrewards Shares that are not subject to any voluntary escrow restrictions accept the Offer, these restrictions will cease to apply, and both Andrew Clarke and Allium Capital will be able to sell their shares under the Offer.

In relation to the intention statements from Andrew Clarke and Alium Capital, which appear throughout this Target Statement, Cashrewards Shareholders should have regard to the fact that the Offer, should it be successful, will result in each of them being freed of their voluntary escrow restrictions.

(b) *Facilitating acceptances from Escrowed Shareholders*

As mentioned above, Escrowed Shareholders are not permitted to accept (or agree to accept) the Offer until the holders of at least 50% of the Cashrewards Shares that are not subject to any voluntary escrow restrictions have accepted the Offer (**Legal Restraint**).

1835i has acknowledged that any acceptance received from an Escrowed Shareholder in respect of their Escrowed Shares is conditional on, and will be of no legal force or effect unless and until, the Legal Restraint ceases to apply, and 1835i has undertaken to not process any acceptances from Escrowed Shareholders until that time.

The effect of this acknowledgment and undertaking from 1835i, which 1835i has acknowledged is legally binding in favour of the Company and Escrowed Shareholders, is to allow Escrowed Shareholders to indicate whether or not they support the Offer before they are legally entitled to accept the Offer, given the Legal Restraint.

However, once an Escrowed Shareholder has accepted the Offer, it will only be able to withdraw the Escrowed Shares from the Offer or otherwise dispose of the Escrowed Shares in the circumstances set out in clause 10.5 of the Bidder's Statement, which apply to all acceptances.

### 10.6 Changes to Cashrewards' Board

In the Bid Implementation Deed, Cashrewards and 1835i have agreed that as soon as reasonably practicable after the Offer has become or been declared wholly unconditional and 1835i become registered as the holder of at least 50.1% of all Cashrewards Shares, if requested to do so by 1835i, Cashrewards must use its best endeavours to procure:

(a) the appointment of 1835i nominees as directors of Cashrewards such that a majority of the directors of Cashrewards are nominees of 1835i; and

(b) that such Cashrewards Directors as 1835i nominates resign from the Cashrewards Board.

1835i has stated in section 7.3(a) of the Bidder's Statement that it intends to retain Bernard Wilson as Managing Director.

## 10.7 Future employment of Cashrewards current employees

1835i has indicated in Section 7.3(d) of the Bidder's Statement the Offer is expected to deliver benefits to Cashrewards employees through 1835i's ability to invest and grow the Cashrewards business. 1835i has no present intention to terminate the employment of existing Cashrewards employees if the Offer is successful.

## 10.8 Cashrewards incentive arrangements

(a) *Cashrewards Options and Performance Rights on issue*

As at the date of this Target's Statement and as stated in section 10.3 of this Target's Statement, Cashrewards has:

(i) 9,997,362 Cashrewards Options; and

(ii) 2,501,720 Cashrewards Performance Rights,

on issue under various equity incentive arrangements, which, if they vest and are exercised convert into Cashrewards Shares on a one-for-one basis.

(b) *Intended treatment of Cashrewards Options and Performance Rights in connection with the Offer*

Of the Cashrewards Options and Performance Rights on issue:

(i) 8,498,961 Cashrewards Options and Performance Rights have an exercise price below the Offer Price (that is, they are "in the money" or **ITM**); and

(ii) 4,000,121 Cashrewards Options and Performance Rights have an exercise price above the Offer Price (that is, they are "out of the money" or **OTM**).

As outlined in section 5.3 of the Bidder's Statement, 1835i and Cashrewards have agreed how the Cashrewards Options and Performance Rights on issue will be dealt with in connection with the Offer.

<u>*ITM*</u>

The effect of these arrangements is that all ITM Cashrewards Options and Performance Rights will vest (if not already vested) and be exercisable for Cashrewards Shares, conditional on:

- 1835i achieving a relevant interest in at least 90% of Cashrewards Shares on issue at the time and the Offer being freed from conditions;
- the holder agreeing to accept the Offer in respect of the Cashrewards Shares issued to them on exercise of his or her Cashrewards Options and Performance Rights; and

- 1835i having provided Cashrewards with a notice, which will occur if 90% of the holders of Casherwards Options and Performance Rights which are entitled to be exercised for Cashrewards Shares have agreed to accept the Offer.

1835i has undertaken to offer to pay the exercise price of any ITM Options, provided that the holder remains an employee of Cashrewards and has agreed to accept into the Offer. The money paid by 1835i will represent a loan to be repaid out of the consideration under the Offer.

*OTM*

All OTM Cashrewards Options and Performance will be lapsed by the Cashrewards Board (for nil consideration) by the end of the Offer Period, provided that 1835i has achieved a Relevant Interest in at least 90% of shares on issue at the time and has declared the Offer free of conditions.

(c) *Cashrewards directors*

None of the Directors (other than Bernard Wilson) have any Cashrewards Options or Performance Rights that are ITM and will therefore vest and be exercisable for Cashrewards Shares in connection with the Offer. Instead, because the Cashrewards Options and Performance Rights held by those Directors are all OTM they will, pursuant to the above arrangements, lapse in connection with the Offer.

In respect of Mr Bernard Wilson:

- 2,900,000 Cashrewards Options held or controlled by him are ITM and will therefore vest and be exercisable for Cashrewards Shares in connection with the Offer;

- 600,000 Cashrewards Options or Performance Rights held or controlled by him are OTM and will therefore lapse in connection with the Offer; and

- Cashrewards has previously agreed to grant Bernard Wilson Performance Rights under the FY22 LTIP to the value of $600,000 in accordance with the terms set out in the Prospectus, subject to obtaining shareholder approval at the AGM. The actual number of performance rights to be issued will be calculated by taking the Volume Weighted Average Price (VWAP) of Cashrewards Shares in the 30-day period prior to the date of the AGM (23 November 2021).

In relation to the recommendation of Bernard Wilson, which appears throughout this Target's Statement, Cashrewards Shareholders should therefore have regard to the fact that:

- in connection with the Offer, Mr Wilson will become entitled to early exercise of 2,900,000 Cashrewards Options; and

- 1835i has stated in section 7.3(a) of the Bidder's Statement that it intends to retain Bernard Wilson as Managing Director, and has also indicated that the Cashrewards Options and Performance Rights held or controlled by him that will lapse in connection with the Offer will be taken into account when setting his new remuneration arrangements.

The Independent Board Committee of Cashrewards (excluding Mr Wilson) considers that, despite these arrangements, it is appropriate for Mr Wilson to make a recommendation on the Offer.

(d) *New incentive arrangement*

1835i also intends to work with Cashrewards to develop a new Cashrewards equity incentive plan for executives and employees tailored for a proprietary limited company. New incentives will be issued to employees as determined by 1835i and Cashrewards.

### 10.9 Notice of status of Defeating Conditions

As per section 9.3 of the Bidder's Statement, 1835i will provide updates on any material developments relating to the status of the Defeating Conditions required by section 630(1) of the Corporations Act (subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended), through announcements to the ASX.

### 10.10 Continuous disclosure

Cashrewards is a disclosing entity (as that term is defined in the Corporations Act) and is subject to regular reporting and disclosure obligations under the Corporations Act.

Copies of documents may be obtained from the Cashrewards website at www.cashrewards.com.au. Copies of documents lodged with ASIC in relation to Cashrewards may also be obtained from, or inspected at, an ASIC office.

### 10.11 Effect of the Offer on Cashrewards' material contracts

Other than the ANZ Foundation Agreement (for which Cashrewards has already sought but has not yet received ANZ's consent), as far as the Cashrewards Directors are aware, there are no contracts to which a Cashrewards Group member is a party, which are material in the context of the Casherwards Group as a whole that contain a change of control provision which would be triggered as a result of, or as a result of acceptances of, the Offer.

### 10.12 No other material information

This Target's Statement is required to include all information that Cashrewards Shareholders and their professional advisors would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisors to expect to find the information in this Target's Statement; and
- only if the information is known to any of the Cashrewards Directors.
- The Cashrewards Directors independent of the Bidder are of the opinion that the information that Cashrewards Shareholders and their professional advisors would reasonably require to make an informed assessment of whether to accept the Offer is the information contained in:
  - the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
  - Cashrewards' annual reports and public announcements before the date of this Target's Statement;

- documents lodged by Cashrewards with ASIC before the date of this Target's Statement; and
- this Target's Statement.

- The Cashrewards Directors independent of the Bidder have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement and is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Cashrewards Directors independent of the Bidder do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.
- In deciding what information should be included in this Target's Statement, the Cashrewards Directors independent of the Bidder have had regard to:
  - the nature of the Cashrewards Shares (being fully paid ordinary shares);
  - the matters which Cashrewards Shareholders may reasonably be expected to know;
  - the fact that certain matters may reasonably be expected to be known to the professional advisors of Cashrewards Shareholders; and
  - the time available to Cashrewards to prepare this Target's Statement.

### 10.13 Directors of Cashrewards

The Directors of Cashrewards as at the date of this Target's Statement are:

- Brett Johnson (Independent Non-Executive Chairman)
- Bernard Wilson (Chief Executive Officer and Managing Director)
- Rob Goudswaard (Non-Executive Director)
- Andrew Clarke (Non-executive Director)
- Rajeev Gupta (Non-Executive Director)
- Joshua Lowcock (Independent Non-Executive Director)

### 10.14 Relevant Interests of Directors in Cashrewards or 1835i securities

As at the date of this Target's Statement, except as set out below, no Director has a Relevant Interest in any of the securities of Cashrewards or 1835i or any other Related Body Corporate of 1835i.

| Director | Number of Cashrewards Shares held directly or indirectly | Number of Cashrewards Performance Rights or Options held directly or indirectly | Number of ordinary shares in 1835i held directly or indirectly |
|---|---|---|---|
| Brett Johnson | 28,902 | 372,334 | - |

| | | | |
|---|---|---|---|
| Bernard Wilson | - | 3,500,000[11] | - |
| Rob Goudswaard | 26,000 | - | - |
| Andrew Clarke | 18,166,983 | - | - |
| Rajeev Gupta | 349,954 | - | - |
| Joshua Lowcock | 34,995 | 128,787 | - |

## 10.15 Recommendation of Cashrewards Directors independent of the Bidder

Each Cashrewards Directors independent of the Bidder unanimously recommend that the Cashrewards Shareholders accept the Offer in respect of their Cashrewards Shares, in the absence of a Superior Proposal, for the reasons set out in this Target's Statement (particularly the matters discussed in Section 1).

Rob Goudswaard (Non-Executive Director) is ANZ's nominee on the Cashrewards Board, and ANZ is the sole investor in 1835i. For that reason, Mr Goudswaard has abstained from making a recommendation in respect of the Offer.

In relation to the recommendation of Mr Wilson (the Chief Executive Officer and Managing Director), which appears throughout this Target's Statement, Cashrewards Shareholders should have regard to the fact that, if the Bidder achieves a relevant interest in at least 90% of Cashrewards shares and declares the Offer unconditional, Mr Wilson will be entitled to early vesting of 2,900,000 unvested Cashrewards Options and 2,900,000 Cashrewards Shares will be issued to him in respect of those options. The Bidder will offer to loan Mr Wilson the funds to pay the exercise price on those options which loan will be required to be repaid out of the consideration under the Offer to which Mr Wilson is entitled in respect of those Cashrewards Shares. This will entitle Mr Wilson to a maximum cash payment of up to $540,000 if the Offer is successful. The treatment of these unvested Cashrewards Options held by Mr Wilson is in accordance with the arrangements described in section 10.8, and is the same in respect of all Cashrewards Options held by employees which have an exercise price below the Offer Price.

The independent board committee considers that, despite these arrangements, it is appropriate for Mr Wilson to make a recommendation and be part of the Cashrewards independent board committee, given the importance of the transaction. The Cashrewards independent board committee also considers that it is appropriate for Mr Wilson to make a recommendation on the Offer given his role in the operation and management of Cashrewards and his industry and market knowledge.

[11] Cashrewards has previously agreed to grant Bernard Wilson LTIP Performance Rights to the value of $600,000 for FY22 in accordance with the terms set out in the Prospectus, subject to obtaining shareholder approval at the AGM. The actual number of performance rights to be issued will be calculated by taking the Volume Weighted Average Price (VWAP) of Cashrewards Shares in the 30-day period prior to the date of the AGM (23 November 2021).

## 10.16 Major shareholder support

- Andrew Clarke, the Cashrewards founder and Non-Executive Director, who holds 18,166,983 Cashrewards Shares (23.0% of current Cashrewards Shares on issue);
- Alium Capital Management Pty Ltd, its associated entities and Mr Rajeev Gupta, with a combined holding of 7,097,396 Cashrewards Shares (9.0% of current Cashrewards Shares on issue); and
- M&S Skyleisure Pty Ltd, who holds 5,102,730 Cashrewards Shares (6.5% of current Cashrewards Shares on issue),

have each confirmed to Cashrewards that they intend to **ACCEPT** the Offer in the absence of a Superior Proposal, noting that, in accordance with Australian Securities and Investment Commission policy, each of these statements from major shareholders that they intend to accept the Offer are purely statements of intention and are not intended to be binding. Furthermore, the aggregate shareholdings of the major shareholders providing these intention statements is 38.5%, which, combined with the Bidder's 19% shareholding, represents 57.5% of current shares on issue.

## 10.17 Benefits and agreements

No Cashrewards Directors independent of the Bidder has an interest in any contract entered into by them with 1835i.

As a result of the Offer, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act) will or may be given to any Cashrewards Directors independent of the Bidder in connection with their retirement from office in Cashrewards or a Related Body Corporate of Cashrewards.

Other than as disclosed in section 10.15, no Cashrewards Directors independent of the Bidder has agreed to receive, or is entitled to receive, any benefit from 1835i which is conditional on, or is related to, the Offer.

Cashrewards does not propose and, except as otherwise disclosed in this Target's Statement, is not aware of any proposal in connection with the Offer:

(a) that will confer a benefit on any person in connection with the retirement of that person from a board or managerial office of Cashrewards or Related Body Corporate of Cashrewards; or

(b) that will or may be given to any person in connection with the transfer of the whole or any part of undertaking or property currently owned by Cashrewards.

## 10.18 Consents

The following parties have given, and have not withdrawn before the date of this Target's Statement, their consent to be named in this Target's Statement in the form and context in which they are so named:

(a) MA Moelis Australia;

(b) Gilbert + Tobin;

(c) Link Market Services Limited;

(d) 1835i; and

(e) the Independent Expert, including consenting to the inclusion of the Independent Expert's Report in this Target's Statement as Attachment A,

and each of those parties:

- has not authorised or caused the issue of this Target's Statement;
- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, other than a statement included in this Target's Statement with the consent of that party; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for any part of this Target's Statement, other than a reference to its name and the statements (if any) included in this Target's Statement with the consent of that party.

As permitted by ASIC Class Order 13/521, this Target's Statement may include or be accompanied by statements which are made in documents lodged with ASIC or ASX. Pursuant to the Class Order, provided this Target's Statement fairly represents such statements, the consent of the parties making those statements is not required for, and those parties have not consented to, the inclusion of such statements in this Target's Statement. Cashrewards Shareholders may, during the Offer Period, obtain a copy of the documents (free of charge) in which the aforementioned statements appear (or in which statements based on those statements appear, as the case may be), or the relevant part(s) of any of those documents, by contacting the Cashrewards Shareholder Information Line on 1800 220 771 (within Australia) or +61 1800 220 771 (outside Australia) at any time between 8.30am and 5.30pm (AEST) on Business Days.

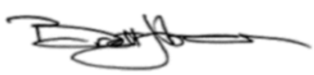
In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by statements fairly representing a statement by an official person, or statements from a public official document or a published book, journal or comparable publication.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement contains share price data sourced from IRESS without its consent.

## 10.19 Approval of this Target's Statement

This Target's Statement has been approved by a resolution passed by the Cashrewards Directors independent of the Bidder.

Signed for and on behalf of Cashrewards Limited:



Brett Johnson
**Chairman of Cashrewards and Independent Non-Executive Director**

12 November 2021

# 11 Glossary and Interpretation

## Glossary

The following defined terms in this Target's Statement have the meanings set out below.

**1835i** means 1835i Ventures Trusco III Pty Ltd (ACN 651 614 372) in its capacity as trustee to the 1835i Ventures Trust III.

**1835i Group** means 1835i Group Pty Ltd.

**Acceptance Form** means the acceptance form enclosed within the Bidder's Statement.

**ANZ** means Australia and New Zealand Banking Group Limited (ACN 005 357 522) the ultimate beneficial owner of 1835i's interests in Cashrewards as at the date of this Target's Statement.

**ANZ Foundation Agreement** means the foundation agreement between ANZ and Cashrewards Operations Pty Ltd (ABN 72 150 888 136) (a wholly-owned subsidiary of Cashrewards), whereby the parties have agreed to collaborate to implement, via a phased approach, a tailored Cashrewards program to ANZ customers, otherwise known as Cashrewards Max™, dated 1 July 2021.

**Approvals** mean means a licence, authority, consent, approval, order, exemption, waiver, ruling or decision.

**ASIC** means the Australian Securities & Investments Commission.

**Associate** has the meaning set out in section 12 of the Corporations Act.

**ASX** means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the "Australian Securities Exchange" operated by that entity.

**Bid Implementation Deed** means the bid implementation deed dated 22 October 2021 between Cashrewards and 1835i in relation to the Offer.

**Bidder's Statement** means the bidder's statement of 1835i in relation to the Offer dated 1 November 2021.

**Business Day** means a day other than a Saturday, Sunday or public holiday on which banks are open for general banking business in Sydney, New South Wales.

**Cashrewards** means Cashrewards Limited (ACN 615 084 654).

**Cashrewards Board** means the board of directors of Cashrewards and a **Cashrewards Director** means any director comprising part of the Cashrewards Board.

**Cashrewards Group** means Cashrewards and its Related Bodies Corporate.

**Cashrewards Options** means the Cashrewards options issued under various Cashrewards equity incentive arrangements (including the LTIP).

**Cashrewards Performance Rights** means the Cashrewards performance rights granted or issued under the LTIP.

**Cashrewards Shareholder Information Line** means the information line established by Cashrewards to answer questions from Cashrewards Shareholders about the Offer.

**Cashrewards Shareholder** means a registered holder of Cashrewards Shares.

**Cashrewards Shares** means a fully paid ordinary share in the capital of Cashrewards.

**Competing Proposal** means any proposal, agreement, arrangement or transaction (or expression of interest therefor), which, if entered into or completed, would result in a Third Party (either alone or together with any Associate):

(a) directly or indirectly acquiring a Relevant Interest in, or having a right to acquire, a legal, beneficial or economic interest in, or control of, 10% or more of the Cashrewards Shares or any material Subsidiary of Cashrewards;

(b) acquiring Control of Cashrewards or any material Subsidiary of Cashrewards;

(c) directly or indirectly acquiring or become the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a substantial part of Cashrewards' business or assets or the business or assets of the Cashrewards Group.

**Control** has the meaning given in section 50AA of the Corporations Act, disregarding subsection 50AA(4).

**Corporations Act** means the *Corporations Act 2001* (Cth) and any regulations made under that Act.

**Defeating Conditions** means the conditions of the Offer as set out in section 10.7 of the Bidder's Statement.

**Exclusivity Period** means the period from and including the date of the Bid Implementation Deed until the earlier of:

(a) the date of termination of the Bid Implementation Deed;

(b) the end of the Offer Period; and

(c) the date that is six months after the date of the Bid Implementation Deed.

**Financial Adviser** means any financial adviser retained by Cashrewards or 1835i in relation to the Offer or a Competing Proposal from time to time.

**Independent Expert** means Grant Thornton.

**Independent Expert's Report** means the report prepared by the Independent Expert, a copy of which is attached to this Target's Statement as Attachment A.

**LTIP** means the Cashrewards long term incentive plan.

**Offer** means the off-market takeover offer by 1835i for Cashrewards Shares under the terms and conditions contained in Section 2 of the Bidder's Statement.

**Offer Period** means the period during which the Offer will remain open for acceptance in accordance with the terms and conditions of the Bidder's Statement.

**Offer Price** means the price offered for Cashrewards Shares under the Offer, being $1.135 cash for each Cashrewards Share.

**Register Date** means 9:00am (Melbourne time) on 1 November 2021, being the date set by 1835i under section 633(2) of the Corporations Act.

**Related Body Corporate** has the same meaning given it in section 50 of the Corporations Act.

**Relevant Interest** has the meaning given to it in section 9 of the Corporations Act.

**Share Registry** Link Market Services Limited.

**Superior Proposal** means a *bona fide* Competing Proposal received by Cashrewards from a Third Party:

(a) which, if entered into or completed, would result in a Third Party acquiring Control of Cashrewards;

(b) not resulting from a breach by Cashrewards of any of its obligations under the Bid Implementation Deed (it being understood that any actions by the Related Persons of Cashrewards in breach of the Bid Implementation Deed shall be deemed to be a breach by Cashrewards for the purpose hereof); and

which the Cashrewards Board, acting in good faith, and after receiving written legal advice from its external legal adviser and written advice from its Financial Adviser, determines:

(c) is reasonably capable of being valued and completed in a timely fashion; and

(d) would, if completed substantially in accordance with its terms, likely be more favourable to Cashrewards Shareholders (as a whole) than the Offer (as completed, and as the terms of the Offer may be amended or varied following the application of the matching right set out in clause 11.4 of the Bid Implementation Deed),

in each case, taking into account all terms and conditions and other aspects of the Competing Proposal (including any timing considerations, any conditions precedent or other matters affecting the probability of the Competing Proposal being completed).

**Target's Statement** means this document and includes the attachment to it.

**Third Party** means a person other than Cashrewards, 1835i or their respective Related Bodies Corporate or Associates.

**VWAP** means volume weighted average price.

## Interpretation

(e) Words and phrases to which a meaning is given by the Corporations Act have that meaning in this Target's Statement unless that meaning is inconsistent with the context in which the word or phrase is used.

(f) Headings are for convenience only and do not affect the interpretation of this Target’s Statement.

(g) The singular includes the plural and vice versa and words importing any gender include the other gender, and references to persons include corporations, other bodies corporate, unincorporated bodies, partnership, joint ventures or associations.

(h) References to sections are to sections of this Target’s Statement, unless stated otherwise.

(i) Where a term is defined, its other grammatical forms have a corresponding meaning.

(j) References to time are references to the time in Sydney, Australia on the relevant date, unless stated otherwise.

(k) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

(l) “$” or “A$” or “AUD” is a reference to the lawful currency of Australia.

# Schedule 1 Facility Agreement summary

| Term | Description |
|---|---|
| **Facility Amount and drawdown limitations** | The Facility Agreement is not conditional on the Offer and is capable of being utilised by Cashrewards in the amount of A$15,000,000 which can be drawn in 3 Tranches of $5,000,000.<br><br>Only one Loan (of $5,000,000) can be made per Month. |
| **Purpose** | Amounts drawn under the Facility Agreement can only be used towards meeting the Cashrewards' cashback payment obligations to members. |
| **Repayment Date** | The Facility matures 6 months after the date of the agreement. Each loan under the Facility Agreement must be repaid in full by 22 April 2022. |
| **Interest** | Interest accrues at a rate of 8.00% per annum (based on a 365 day year) and capitalises. The interest is payable on the Repayment Date. |
| **Fees** | The following fees are payable under the Facility Agreement:<br><br>(i) **Line Fee:** 3.2 % per annum on the Available Commitment which is calculated from 1 November 2021 until the Repayment Date. The Line Fee is payable on the Repayment Date.<br><br>(ii) **Establishment Fee:** $30,000 (0.2% of the Commitment) which was payable on the signing date (and has been paid) |
| **Representations and Warranties** | The Representations and Warranties are customary for a transaction of this nature. They are made on the date of the Facility Agreement and on the date of each utilisation request and the date of each drawdown. |
| **Undertakings** | The information undertakings and the general undertakings are customary for a transaction of this nature and include the following:<br><br>(a) There is one additional undertaking requiring Cashrewards to provide 1835i with an update on its Cash Balance and Member Liabilities upon reasonable request.<br><br>(b) **Other notable undertakings include:**<br><br>(i) Restrictions on indebtedness (subject to customary carve-outs and a general basket of A$5,000,000 per financial year);<br><br>(ii) Restrictions on granting security (subject to customary carve-outs including ordinary course of business arrangements and a general basket of A$1,000,000); |

| | |
|---|---|
| | (iii) Restrictions on Disposals (subject to customary carve-outs including ordinary course of trading and a general basket of A$500,000 in any financial year); and<br><br>(iv) Restrictions on Capital Raising (other than pursuant to employee share plans in the ordinary course of business and an entitlement offer (including any offer of shortfall under an entitlement offer)). |
| **Events of Default** | (a) The Facility Agreement contains customary Events of Default and in addition there is a default trigger which is where 1835i acquires control but not 100% ownership of Cashrewards under the Offer, entitling 1835i to demand immediate repayment under the Facility Agreement in that event.<br><br>(b) The majority of Events of Default contain customary grace periods or materiality thresholds.<br><br>(c) If an Event of Default occurs and is continuing (after any relevant grace periods), the Lender has the right to cancel the Commitments and (other than an Event of Default referred to in paragraph (h)(iii) below), require all amounts outstanding be immediately due and payable.<br><br>(d) If an Event of Default occurs due to the Board recommending another bid or withdrawing or qualifying its recommendation for the Lender's takeover bid (except due to a material breach by the Lender), then the Borrower will have 30 days to repay any amounts outstanding. |
| **Changes to the Parties** | (a) Cashrewards will need to provide consent (which may be withheld in its absolute discretion) if the 1835i wishes to transfer its Commitments to any financial institution, trust fund or other entity which is not incorporated in Australia or an Australian Branch of a financial institution..<br><br>(b) Otherwise, 1835i is able to (following consultation with the Cashrewards) transfer its Commitments to an Affiliate of the Lender or after an Event of Default which is continuing |

# Attachment A Independent Expert's Report

# Cashrewards Limited

Independent Expert's Report and Financial Services Guide

12 November 2021

Grant Thornton
An instinct for growth™

Independent Directors
Cashrewards Limited
1 Market Street
Sydney 2000 NSW

12 November 2021

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## Introduction

Cashrewards Limited ("Cashrewards", or "the Company" or "CRW") provides customers with a broad array of cashbacks offers via its merchant partners. Members browse brands and offers and receive cashback on transactions by shopping online or in-store. As at 3 November 2021, the Company had more than 1 million members and more than 250,000 active members[1]. CRW completed an initial public offering ("IPO") on the Australian Securities Exchange ("ASX") in December 2020 raising A$65 million at a price of A$1.73 per share ("IPO Price"). As at 21 October 2021[2], CRW had a market capitalisation of A$75.2 million[3].

1835i Ventures Trusco III Pty Ltd atf 1835i Ventures Trust III[4] (collectively "1835i" or the "Bidder") is the external innovation and venture capital investment firm of ANZ Banking Group ("ANZ"). 1835i's portfolio companies include businesses operating in digital banking, online home loans, business process software and others. As at 21 October 2021, 1835i held a 19% relevant interest in CRW[5].

On 22 October 2021, CRW announced that it had entered into a Bid Implementation Deed with 1835i under which the Bidder will acquire 100% of the issued shares of the Company ("CRW Shares" or "Cashrewards Shares") for a cash consideration of A$1.135 per share ("Offer Price") ("Offer" or "Takeover Offer").

In addition to this, 1835i has also agreed to provide CRW with a A$15 million loan facility to meet its member obligations[6] ("Member Liabilities") which will be repayable within 6 months ("Loan Facility"). The Bid Implementation Deed also sets out instances which are events of default under which the Loan Facility will be repayable within 30 days from the date of default. These include where the Cashrewards Board recommends another bid or withdraws or qualifies its recommendation for the Takeover Offer (except where it is due to a breach by 1835i) provided that Cashrewards has 30 days to repay the loan in this circumstance.

The Takeover Offer is subject to the conditions precedent set out in Section 1 of this Independent Expert's Report ("IER") including at the end of the Offer period, the Bidder having a relevant interest in at least 90% of the Cashrewards Shares (on a fully diluted basis).

The Bid Implementation Deed contains customary exclusivity provisions including no shop and no talk restrictions and a matching counterproposal right for 1835i in the event the Directors of the Company ("CRW Directors") receive a superior proposal. The Bid Implementation Deed also details circumstances

[1] Active members are defined as those members that have shopped through the Cashrewards platform at least once over the last 12 months.
[2] Day prior to the announcement of the Offer.
[3] Based on 78,817,288 ordinary shares outstanding and a share price of A$0.955.
[4] 1835i Ventures Trust III is a unit trust that
[5] Equivalent to 14,975,285 CRW Shares.
[6] Member obligations comprises the cashback held by the Company which has not yet been withdrawn by the members. Typically, this comprises two components – Member liabilities which are withdrawable but not yet withdrawn and Member liabilities which are not yet withdrawable at the reporting date. Member liabilities may not be withdrawable due to the return period (i.e. the period during which customers can return the goods) has not yet expired.

under which CRW may be required to pay 1835i a reimbursement fee of A$0.9 million excluding GST if the Offer does not proceed.

Subject to no superior proposal emerging, the Directors independent of the Bidder unanimously recommends that CRW Shareholders vote in favour of the Offer and subject to the same qualification, all CRW Directors intend to vote, or procure the voting of all CRW Shares held or controlled by them in favour of the Offer. Cashrewards' largest shareholders (excluding 1835i), Mr Andrew Clarke, Alium Capital, M&S Skyleisure, which together holds c. 39.3% of the issued capital of CRW, have informed CRW that they intend to vote in favour of the Offer subject to the same qualification.

## Purpose of the report

The Independent Directors have requested Grant Thornton Corporate Finance to prepare an Independent Expert's Report ("IER") stating whether the Offer is fair and reasonable to the security holders of the Company for the purposes of section 640 of the Corporations Act 2001 (Cth) ("Corporations Act").

When preparing this IER, Grant Thornton Corporate Finance has had regard to the Australian Securities Investment Commission's ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 112 *Independence of experts* ("RG 112"). The IER also includes other information and disclosures as required by ASIC.

## Summary of opinion

**Grant Thornton Corporate Finance has concluded that the Offer is FAIR AND REASONABLE to CRW Shareholders in the absence of a superior alternative proposal emerging.**

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Offer is fair and reasonable to CRW Shareholders and, as part of that consideration, has had regard to other quantitative and qualitative considerations.

### *Fairness Assessment*

Grant Thornton Corporate Finance has compared the fair market value of CRW before the Offer on a control basis with the Offer Price. The following table summarises our fairness assessment.

| Fairness assessment<br>A$ per CRW Share | *Section Reference* | Low | High |
|---|---|---|---|
| Fair market value of CRW Shares on a control basis | *Section 6* | 0.972 | 1.311 |
| Offer Price | *Section 1* | 1.135 | 1.135 |
| **Premium/(discount)** | | **0.16** | **(0.18)** |
| **Premium/(discount) (%)** | | **16.8%** | **(13.5%)** |
| **FAIRNESS ASSESSMENT** | | **FAIR** | |

*Source: GTCF analysis*

The Offer Price is within our assessed valuation range of CRW on a control basis. Accordingly, we conclude that the Offer is FAIR to CRW Shareholders.

CRW Shareholders should be aware that our assessment of the value per CRW Share should not be considered to reflect the price at which CRW Shares may trade if the Offer lapses. The price at which CRW Shares will ultimately trade depends on a range of factors, including: the available public market for CRW

Shares, macroeconomic conditions, the impact of the outbreak of COVID-19 on the economy and the performance of CRW's business.

We have assessed the fair market value of CRW Shares on a control basis by adopting the revenue multiple method ("Revenue Multiple") [7] as our primary approach, which we have cross checked with the Quoted Security Price Method and a discounted cash flow method ("DCF Method").

*Revenue Multiple*

Revenue multiples are widely used to benchmark to value companies like CRW which exhibit high level of growth, high rates of reinvestment in marketing, technology and sales and they have limited history of profitability.

We have undertaken our valuation assessment having regard to both the actual FY21 and Management's internal budgeted FY22 revenue. Whilst for businesses like CRW investors place a greater reliance on forecast multiples and revenue growth rates, however given the current macroeconomic environment, volatility in the financial markets and varying depth of analyst coverage for the listed peers, the reliability of the FY22 estimates may be affected. As a result, we have also considered it appropriate to rely on FY21 actual results in our valuation assessment. Our valuation assessment under the Revenue Multiple is summarised below.

| Valuation summary<br>A$000 unless stated otherwise | *Section*<br>*Reference* | FY22 Basis<br>Low | <br>High | FY21 Basis<br>Low | <br>High |
|---|---|---|---|---|---|
| Adopted revenue | *Section 6.1.1* | 35,000 | 37,000 | 22,080 | 22,080 |
| Assessed Revenue Multiple | *Section 6.1.2, 6.1.3* | 2.50x | 3.00x | 4.50x | 5.00x |
| Assessed Enterpise value of CRW on a 100% basis | | 87,500 | 111,000 | 99,360 | 110,400 |
| Less: Dilution from funding requirements | *Note 1, Section 6.1.4* | (9,225) | (5,964) | (9,225) | (5,964) |
| Less: Fair value of Options & Performance Rights | *Section 6.1.5* | (1,675) | (1,675) | (1,675) | (1,675) |
| **Equity value of CRW** | | **76,600** | **103,361** | **88,460** | **102,761** |
| Number of shares outstanding | *Section 4* | 78,817 | 78,817 | 78,817 | 78,817 |
| **Fair value per CRW Share on a fully diluted basis** | | **0.972** | **1.311** | **1.122** | **1.304** |

*Source: GTCF Calculations*
*Notes: (1) The dilution has been calculated net of the cash and cash equivalents as at 30 September 2021.*

As set out in the table below, in assessing our valuation range, we have had regard to the minimum and maximum value points observed in conjunction with the Revenue Multiple approach. Whilst the resulting value range is wide, we are of the opinion that this reflects the early stage nature of the operations of CRW, the uncertainty in relation to the pace of future growth and the volatility in the valuation of growth stocks recently experienced by financial markets.

| Valuation assessment summary<br>A$ per CRW Share | *Section*<br>*Reference* | Low | High |
|---|---|---|---|
| Revenue Multiple Method - FY22 Basis | *Section 6.1* | 0.972 | 1.311 |
| Revenue Multiple Method - FY21 Basis | *Section 6.1* | 1.122 | 1.304 |
| **Assessed fair market value per share (control basis)** | | **0.972** | **1.311** |

*Source: GTCF analysis*
*Notes: (1) The dilution has been calculated net of the cash and cash equivalents as at 30 September 2021.*

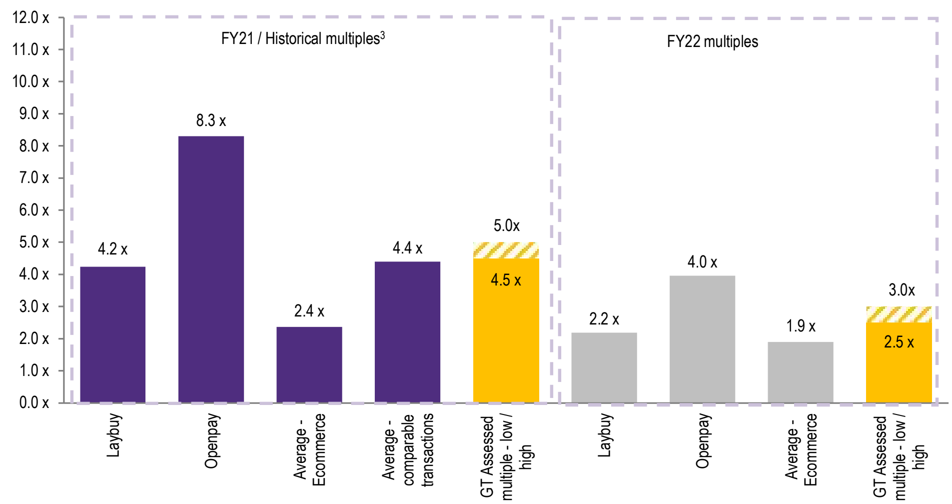
[7] Calculated as enterprise value divided by revenue.

Given there is no publicly listed cashback company in Australia, for the purpose of assessing an appropriate revenue multiple, we have considered a wide range of companies belonging to the following categories – Buy Now Pay Later ("BNPL"), Ecommerce, Online marketplaces, Classifieds and Payment Solutions. We have mainly relied on selected listed peers from the BNPL cohort which, similar to CRW, target merchants from fast moving retail, generate similar Average Revenue Per User ("ARPU") and offer a performance-based revenue model to merchants which is ultimately adopted to promote a similar product offering. Further, similar to CRW, most of the BNPLs are yet to be profitable as they have significant funding requirements and spend large resources to promote their platform and brand to attract and retain new customers. We have mainly relied on Laybuy Group Holdings ("Laybuy") and Openpay Group Limited ("Openpay") among the listed BNPLs players.

We have also considered to a lesser extent Ecommerce businesses which are affected by a similar thematic; however their business model is different as they sell goods on their platforms rather than operate as a link between the merchants and the customers. Similarly to BNPLs and CRW, Ecommerce companies invest heavily to grow their own customer base and focus on the customer lifetime value i.e. the total cash flows received from the customer over their life on the platform.

Our assessed revenue multiples and benchmark analysis are set out in the graph below. Refer to section 6.1 for details.

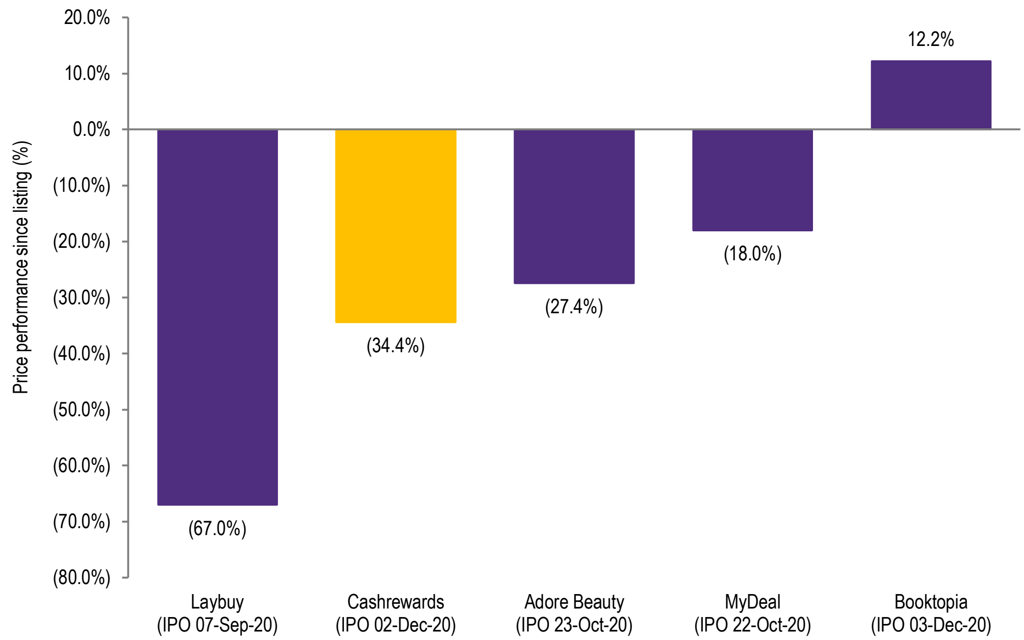
**Revenue Multiple comparison**




*Source: S&P Global, GTCF analysis, Mergermarket*
*Note: (1) Transaction multiples are based on historical revenue at the time of the transaction (2) Data based on market information as at 8 November 2021 (3) All FY21 / Historical multiples are on a minority basis with the exception of Average comparable transactions which are on a control basis.*

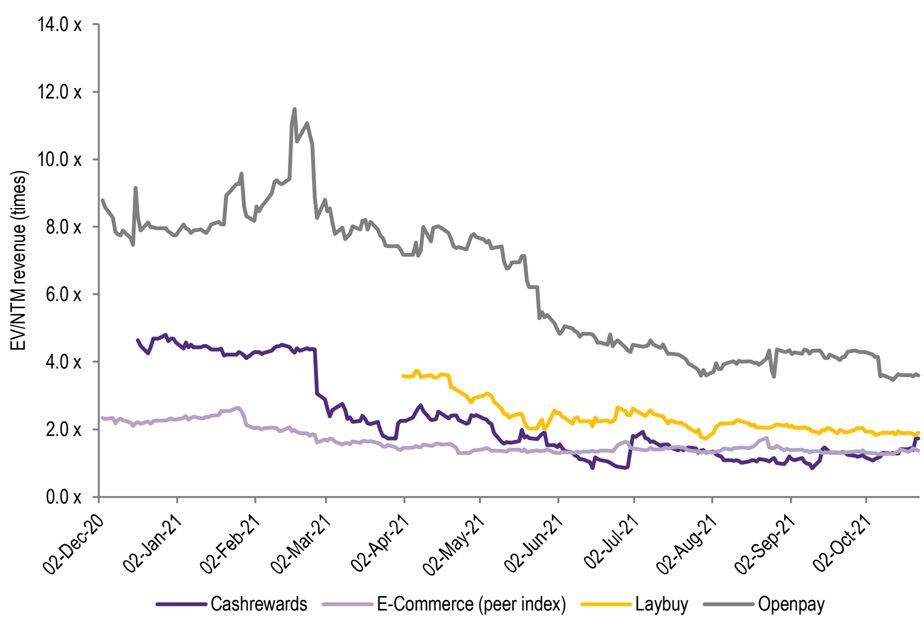
Whilst the selected revenue multiples are materially below the multiple implied in the IPO of CRW, we note that since then, the trading prices and revenue multiples of both CRW and those peers which listed at similar time, have been adversely affected by a rotation from growth to value stocks and general changes in market conditions as set out in the graphs below.

**Discounts to the IPO prices of companies listed between September 2020 and December 2020**




*Source: S&P Global; GTCF analysis*

**Change in the Revenue Multiple between 2 December 2020 and 21 October 2021[8]**




*Source: S&P Global, GTCF analysis*

In our valuation assessment, we have also included the expected dilution that the business will suffer from the need to raise capital and fund operations in the short term. As set out in the Appendix 4C released by

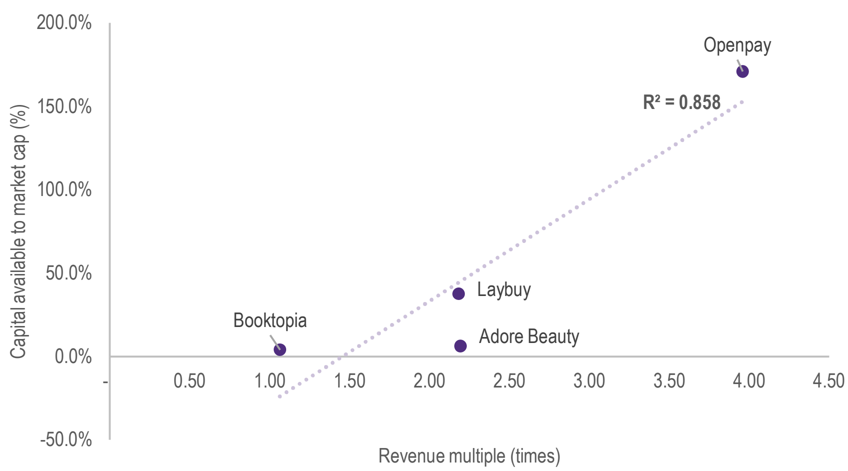
[8] Laybuy multiple is only presented since April 2021 as before then forecast revenue multiples were not available.

CRW on 29 October 2021, the Company's cash balance will only be sufficient to fund operations for c. 3 months[9]. In our opinion, this funding requirements are not captured in the multiples of the listed peers due to the following:

- BNPLs and Ecommerce companies used in our valuation assessment have a current ratio which is well above CRW's current ratio[10].
- Unlike BNPL and Ecommerce companies, CRW does not have a receivable book or inventory on its balance sheet which can be used as collateral to raise debt and accordingly CRW's historical growth has been driven by equity funding.
- BNPLs and Ecommerce businesses have significant more funding available in the form of cash and drawn and undrawn facilities to support their growth ambitions.

We have considered the correlation between the amount of capital available as a proportion of market capitalisation for some of the listed peers[11] and the FY22 revenue multiple and observe there is a strong correlation between these metrics suggesting that well capitalised companies are well positioned to take advantage of future growth and therefore will trade at higher revenue multiples.

### Correlation between Capital availability and revenue multiple




*Source: GTCF Calculations*

Based on our analysis in section 6.1.4, we have estimated that the Company has a short term cash requirement of between A$28 million and A$34 million[12]. Whilst there are number of alternative funding structures that could be adopted by CRW to raise equity, based on discussions with Management and the advisers and our review of the current circumstances of CRW, we are of the opinion that a rights issue would be the most likely structure. Given the size of the business, the current shareholder structure, the urgency of the funding requirements and the limited alternatives available, we are of the opinion that a rights issue for CRW is likely to occur at a significant discount to the trading prices prevailing before the announcement of the Takeover Offer. Having regard to the analysis presented in section 6.1.4, we have

[9] According to the Appendix 4C, the Company reported that it had a cash balance for c. 1.1 quarters only.
[10] A higher current ratio indicates a stronger short-term solvency position as companies with current assets exceeding current liabilities will be in a position to meet any unforeseen liabilities without impacting their long-term future.
[11] Only for those companies in a growth phase with limited scale similar to CRW which will require greater access to capital.
[12] Net of the cash available on the balance sheet as at 30 September 2021.

adopted a theoretical right issue price discount between 15% and 25%[13] to the trading prices before the announcement of the Takeover Offer which results in a funding dilution estimate between A$6 million and A$9 million[14] which we have separately accounted for in our valuation assessment.

*DCF Method (cross-check)*

We have built a financial model projecting the post-tax free cash flows of the Company up to 30 June 2029 ("GT Model") using management's internal high-level projections to 30 June 2025 ("Internal Projections"), historical and YTD financial performance, consensus estimates from investment analysts, and industry benchmarks. We have extended the cash flows to 30 June 2029 to accommodate a few additional years of positive operating cash flows before the Company reaches a steady state.

We have set out below some of the key assumptions adopted in our valuation assessment:

- *Revenue*: Management's revenue assumptions involve high-double digit y-o-y growth rate which is driven by a combination of growth in commission from merchants, number of active members, transaction frequency. We have benchmarked the y-o-y revenue growth rate included in the GT Model with those observed for the BNPLs and are of the opinion that the assumptions are well supported. We have also benchmarked some other aspects of Management's underlying assumptions such as order frequency and ARPUs which are supported by historical data. The Company plans to achieve this growth through an increase in its marketing spend to attract new customers but above all via a strong take-up of the ANZ Cashrewards Max program, which provides the Company with a platform to accelerate its member base at a significantly low Customer Acquisition Cost ("CAC")[15] and by partnering with a large organisation such ANZ, the Company expects to increase brand awareness. Between the date of the announcement of the partnership and FY23, the Company expects to add at least 500,000 ANZ customers to the CRW platform which represent c. 11% of the total ANZ Cardholders and accordingly appears a conservative estimate. The program is also expected to generate benefits in merchant proposition, possibly resulting in higher merchant engagement and therefore higher customer lifetime value as merchants are expected to provide better offers through the platform.

- *Cashback* – The cashback is expected to trend downward over the discrete period from the current 83% in FY21. This is based on the assumption that as the platform grows and achieves scale, Cashrewards will be able to reduce the cashbacks without risking to lose members as merchants will be incentivised to provide competitive and attractive offers through the platform.

- *Operating and capital expenses*: Salaries and wages and marketing expenses are expected to increase materially throughout the period covered by the Internal Projections to support expected growth in revenue. Simultaneously, CRW is planning to invest heavily in product customisation and the platform in order to engage and attract customers and meet the performance conditions associated with the ANZ Cashrewards Max program.

- *Synergies* – We have valued the business on a 100% basis and accordingly we have allowed for the synergies available to a pool of potential purchasers.

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[13] This discount may be materially higher if the major shareholders such as ANZ, Mr Andrew Clarke, Alium Capital Management Pty Ltd and M&S Skyleisure Pty Ltd, who collectively own c. 58.3% of the issued capital, decide not to participate into the rights issue.
[14] Net of the cash available on the balance sheet as at 30 September 2021.
[15] The CAC is lower as ANZ has agreed to reimiburse the Company for a portion of the marketing expense. This has already been received by the Company between June 2021 and September 2021.

- *Terminal value*: We have adopted a revenue exit multiple between 1.2x and 1.5x based on the analysis set out in section 6.2.2.

- *Discount rate*: We have adopted a discount rate of 11.3% to 13.8% to undertake the valuation. We have provided details in relation to the discount rate calculations in Appendix B.

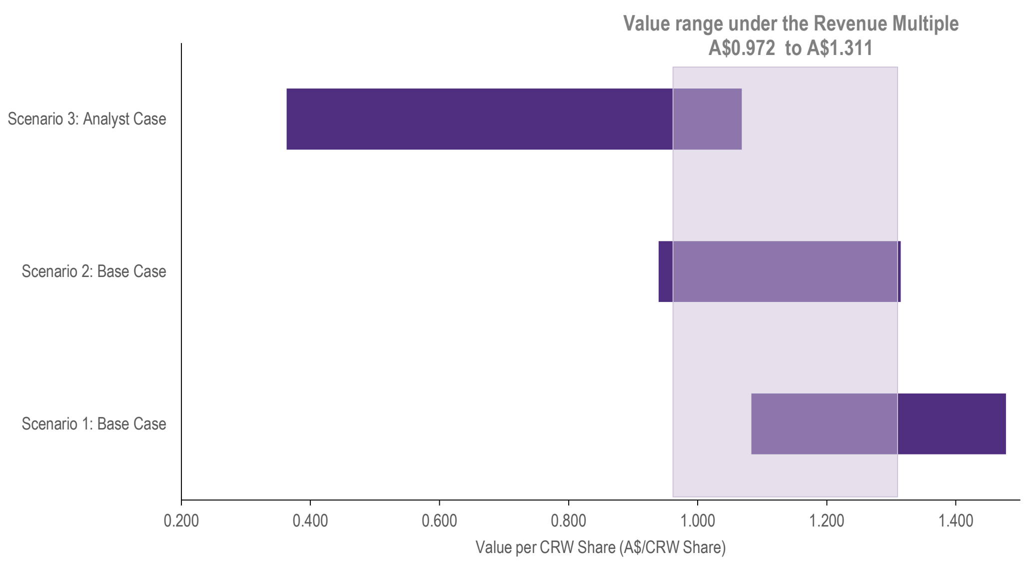
We have also sensitised some of the key assumptions discussed above ("Base Case") in the two alternative scenarios below:

- *Scenario 2:* We have used Base Case assumptions but adopted a higher Cashback rate of 77.5% to take into account the high level of competition which may impede a reduction in the cashback rate and recent high-levels of cashback (83% in FY21).

- *Scenario 3:* Instead of the revenue growth rates included in the Base Case, we have also considered a scenario wherein the growth rates based on analyst consensus for CRW up to FY24 and thereafter growth rates have been tapered to a normalised level of 2.5%. This scenario implies a slower ramp-up and a lower absolute revenue at the end of the period covered by the GT Model. In terms of the Cashback rates, these are also based on broker analyst consensus up to FY24 and thereafter maintained steady. For the terminal value, we have applied a revenue multiple range of 1.2x to 1.5x.

Based on the scenarios mentioned above, our valuation of Cashrewards is summarised below:

**CRW valuation assessed range**




*Source: GTCF analysis*

Based on the above, the value range under the Revenue Multiple between A$0.972 and A$1.311 appears reasonable.

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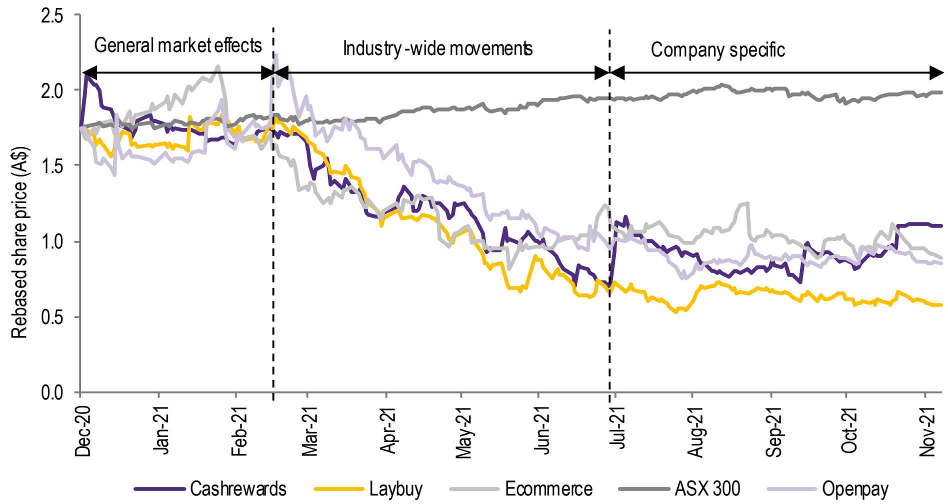
*Share price analysis and review*

Whilst the Offer Price is at a premium to the trading price before the announcement, it represents a c. 34.4% discount to the IPO Price. We have briefly discussed below the market conditions, key events and the performance of the business to understand if it reasonable for us to opine that the Takeover Offer is fair notwithstanding that the Offer Price is at a discount to the IPO Price. To assist in this analysis, we have set out below a comparison of the trading prices of CRW since the IPO compared with some of the more relevant listed peers and the ASX300 Index.

**Share price performance of CRW, Openpay, Laybuy, Ecommerce companies and ASX 300 (rebased to CRW's share price)**




*Source: GTCF analysis, S&P Global*
*Note (1): We have not included Temple & Webster in the Ecommerce peer index chart as its share price has been positively impacted by COVID-19*

In our opinion, the significant contraction in the trading prices, notwithstanding that the Company released a number of positive announcements and it exceeded a number of growth parameters set at the time of the IPO, was mainly driven by a general market rotation from growth to value stocks which affected all the listed comparable peers and it was triggered by sharp rise in the bond yields. This led investors to favour companies that are more exposed to the economic cycle and which have historically performed well coming out of recessions. CRW is considered a growth stock.

There were also other specific factors that contributed to the subdued share price performance of CRW since the IPO:

- Cashrewards losses widened from A$4.7 million in FY20 to A$20.5 million FY21. Further, losses during Q1FY22 were c. A$13.5 million. During this period cost per acquisition ("CPA") has gone up steadily from A$14 per member to A$35 per member whilst underlying average revenue per user has increased marginally from A$66 to A$73 per user.

- The Company has hired a large number of people between FY20 and FY21 which have materially increase the cost base and it is required to invest significantly in the enhancement and customisation of the platform.

- As discussed previously, the Company has limited cash resources and if the Takeover Offer does not become unconditional, it will be required to raise capital urgently.

As a result of the above, we are of the opinion that between the timing the IPO Price was set and the announcement of the Takeover Offer, several factors, both business specific and market related, have changed, which make the comparison between the Takeover Offer and the IPO Price not necessarily relevant. In addition, as discussed at length in section 6.3.1, the liquidity in CRW Shares is low and accordingly small trading volumes may create material volatility in the trading price which may jeopardise their ability to represent fair market value.

Based on the procedures undertaken, we are of the opinion that there are specific reasons for the Takeover Offer to be fair notwithstanding that it is at a significant discount to the IPO Price.

### *Reasonableness Assessment*

Under RG 111, the Offer is reasonable if it is fair. Notwithstanding the above, we have summarised below advantages, disadvantages and other factors in relation to Offer.

## Advantages

*Premium for control*

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as the ability to realise synergies, access technology, access tax benefits and control of the board of Directors of the Company. The Offer Price of A$1.135 per CRW Share represents a premium of:

- 19.5% to closing share price immediately before announcement of the Offer.
- 30.2% to the 1-month VWAP[16] up to and including 21 October 2021, being the day before the announcement of the Offer.
- 24.7% to the 3-month VWAP up to and including 21 October 2021, being the day before the announcement of the Offer.

This premium for control will not be available to CRW Shareholders in the absence of the Offer or a superior proposal.

*Removal of dilution from short term capital raising*

Given the capital intensity and the early-stage nature of the business, CRW is required to regularly raise money as a means to fund its growth ambitions, operating costs, capital requirements, service Member Liabilities and respond to business opportunities and challenges. If the Offer lapses, the Company will be require to immediately conduct a capital raising which is likely to be dilutive for existing Shareholders.

According to Appendix 4C, the Company has sufficient cash to fund its operations only for a period of 3 months[17]. Further, according to the Target Statement, there is no guarantee that CRW's largest shareholders (including 1835i) will participate in the capital raising. In the absence of the major shareholders support, undertaking the capital raising may be challenging and likely to attract a greater than usual discount to the prevailing trading prices. If CRW is unable to raise the necessary capital, the

[16] Volume weighted average price ("VWAP")
[17] The Company has cash for 1.1 quarters i.e. c. 3 months.

Company will face severe financial hardships which will ultimately reduce the fair market value of CRW Shares.

By accepting the Offer, CRW Shareholders will eliminate these funding risks.

*Certainty of the cash consideration*

CRW Shareholders have the opportunity to receive a certain cash amount at a premium to the trading price of CRW before the announcement of the Offer and at a premium to the price that CRW Shares may trade in the short term in the absence of the Offer or an alternative transaction. If the Offer is accepted, CRW shareholders will no longer be exposed to the ongoing risks associated with holding an investment in CRW which are summarised below in a non-exhaustive manner:

- While the Company will benefit from a first mover advantage in the Australian cashback market and the barriers to entry for the development of a competitive cashback platform are significant, given the intangible nature of CRW's services, its business model may be disrupted by new technologies or new market entrants.

- Whilst CRW has developed a number of successful partnerships with key merchants, a large number of them have joined via CRW's affiliate networks for which the depth of the relationships is more superficial. Further, the Company is required to materially extend the range of products and merchants online and in-store to be competitive with some of its major competitors and to achieve its top-line ambition.

- Cashrewards reported operating cash losses[18] of A$3 million in FY20 and A$15.2 million in FY21. The Directors of the Company have prepared cash flow forecasts for a 12 month period from the date of the FY21 Annual report and based upon this cashflow forecast the Company expects to raise further funds in FY22 (if the Takeover Offer lapses). As set out in the FY21 annual report, in the event that the Company does not trade in line with the cash flow forecasts or fails to raise additional funding, a material uncertainty would exist on the Company's ability to continue operating as a going concern.

- Cashrewards has spent c. A$7.6 million on its technology platform since December 2020. Further, according to analyst consensus and the GT Model, the Company expects to spend annually between A$9 million and A$12 million of capital expenditure on product improvements. In addition to this, CRW has significantly scaled up its workforce with 127 FTEs as at 30 June 2021 which has increased further (between June 2021 and September 2021) as CRW is expected to add more roles. The large upfront investment in capital and operations increase the overall risk for the business.

- CRW operates in an industry which is highly competitive and against other market participants that are well capitalised and able to tap into a supportive shareholder base to fund growth opportunities, including industry consolidation and industry changes.

*No brokerage costs*

CRW Shareholders will be able to realise their investment in CRW without incurring any brokerage or stamp duty costs.

[18] Based on the Net cash used in operating activities.

## Disadvantages

*Timing of the transaction is somewhat opportunistic*

The timing of the Offer is somewhat opportunistic given that the trading price of the Company has been depressed and trending downwards in a relatively short period of time since the IPO, notwithstanding that the Company performed well. Further, the Company is potentially on the cusp of generating significant growth from the launch of the ANZ Cashrewards Max program and the investment in capital expenditure and marketing costs to attract new customers which were not necessarily reflected in the trading prices before the announcement of the Offer.

*Future growth opportunities*

Cashrewards has recently launched the ANZ Cashrewards Max program which is expected to add 500,000 active members by FY23 and the Company has experienced encouraging signs in relation to the takeup of the program by ANZ cardholders.

Further, the Company has a well-defined strategy and the business is expected to achieve scale through the efficiencies extracted from the technological improvements and operational leverage by FY25. If Cashrewards were to successfully deliver on its business plan and achieve the necessary scale, it will begin to experience the benefits of the network effect as the members will attract merchants and more merchants will attract more members.

Industry wide, Cashrewards benefits from operating in a growing industry with a positive long-term outlook. Whilst there is no data for the cashback industry as the operators are largely private, industry penetration is significantly lower in Australia compared with US and UK which represents a growth opportunity. Further, COVID-19 has caused a significant increase in online retail sales penetration which is expected to continue to positively impact CRW.

If the Offer becomes unconditional, CRW Shareholders will not participate in these growth opportunities.

*Brand value*

Cashrewards has 1,700 merchants and a growing brand presence. The Company has built its relationships with its key merchants over a number of years and benefits from strong brand recognition in the market. Under the Offer, Cashrewards Shareholders will no longer be exposed to the potential growth opportunities of the Company.

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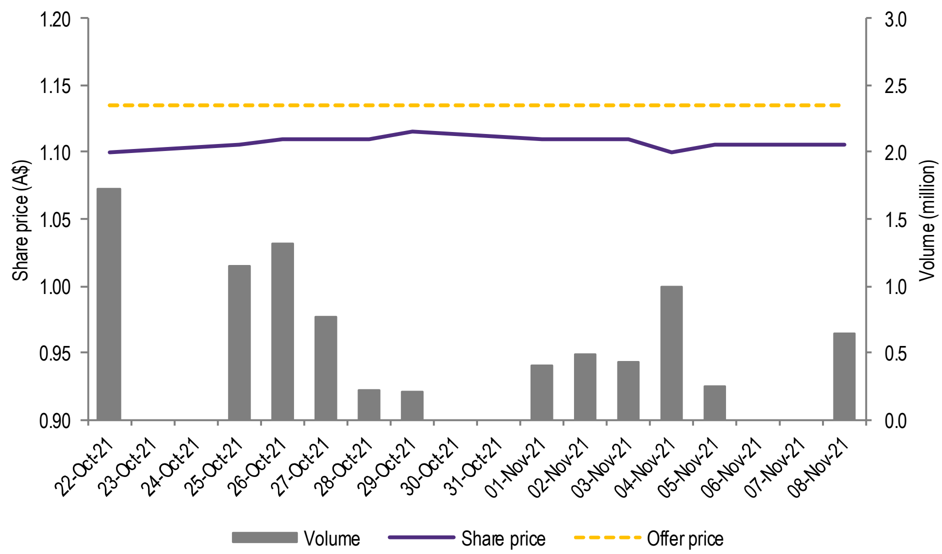
## Other factors

*Share price after the announcement*

As set out below, following the announcement of the Offer, the share price of CRW has traded substantially in line with or slightly below the Offer Price which seems to indicate good support from investors, a perceived low risk of the Offer not being accepted and limited expectations for a superior proposal.

**Trading price after the announcement date**




*Sources: S&P Global, GTCF analysis.*

*Value of CRW for 1835i*

The acquisition will provide an opportunity for ANZ[19] to integrate CRW into its own rewards and other loyalty programs which is expected to deliver significant benefits for the bank and its members with 100% of the benefits being retained by ANZ rather than being shared with CRW Shareholders.

CRW currently incurs overhead expenses including but not limited to audit, directors' fees, insurance, accounting, share registry and stock exchange listing fees. Further, the Company has not yet reached a size of operations large enough to achieve certain economies of scale in relation to marketing, sales and R&D. If the Offer becomes unconditional, it is expected that the majority of the overhead expenses would be rationalised as CRW will become a wholly-owned subsidiary of 1835i, which is part of ANZ. Further, as part of ANZ, the Company will have access to large capital at debt-like costs[20] which can be used to deliver on the Company's business plans.

*Limited takeover contestability and prospect of a superior proposal*

We note that the Mr Andrew Clarke, Alium Capital and M&S Skyleisure collectively own 39.3% of the issued capital and the takeover contestability of the Company is limited, in the absence of support by these

[19] Whilst CRW is being acquired by
[20] The cost of funding for ANZ can be considered to be the interest rates paid by ANZ to its depositors.

shareholders. Further, 1835i owns 19% of the Company which may be a deterrent to alternative offers emerging.

Whilst CRW has agreed not to solicit any competing proposals or, subject to a fiduciary exception, to participate in discussions or negotiations in relation to any competing proposals, there are no material impediments to an alternative proposal being submitted by potentially interested parties. The transaction process may act as a catalyst for other interested parties and it will provide significant additional information in the Target Statement and Independent Expert's Report to enable such potential acquirers to assess the merits of potential alternative transactions. If a superior proposal emerges before the Takeover Offer becomes unconditional, CRW Shareholders will be able to accept the higher offer.

We note that in the event that a competing superior proposal is announced or the Directors withdraw their recommendation of the Takeover Offer, CRW may be required to pay 1835i a reimbursement fee of A$0.9 million excluding GST subject to certain exceptions. The reimbursement fee may also become payable under other circumstances as set out in the Target Statement. Further, 1835i (subject to agreeing to match the Offer) has the right to demand repayment of the loan (along with capitalised interest) of up to A$15.5 million as recommending another Offer will constitute an event of default under the Loan Facility agreement.

*Share price in the absence of the Offer*

In the Offer lapses, it is likely that CRW Shares will trade at a price below the Offer Price, at least in the short-term and the Company will be required to complete an urgent capital raising which is expected to be dilutive for CRW Shareholders compared with the Offer Price. In our opinion, the prospect of CRW shares trading above the Offer Price in the short term is limited.

*Tax implications*

Acceptance of the Offer may crystallise a capital gains tax liability for CRW Shareholders, however the taxation consequences for CRW Shareholders will vary according to their individual circumstances and will be impacted by various factors. CRW Shareholders should read the overview of tax implications of the Offer set out in the Target Statement and also seek independent financial and tax advice.

## *Conclusion on the reasonableness*

Based on the qualitative factors identified above, it is our opinion that the Offer is **REASONABLE**.

## *Overall conclusion*

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Offer is **FAIR AND REASONABLE** to CRW Shareholders in the absence of a superior alternative proposal emerging.

## Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

In preparing this report we have considered the interests of CRW Shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

JANNAYA JAMES
Authorised Representative

12 November 2021

# Financial Services Guide

## 1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by CRW to provide general financial product advice in the form of an independent expert's report in relation to the Takeover Offer. This report is included in the Target Statement outlining the Takeover Offer.

## 2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

## 3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

## 4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from CRW a fixed fee of A$140,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

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## 5 Independence

Grant Thornton Corporate Finance is required to be independent of CRW and 1835i in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

*"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with* CRW and 1835i *(and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Takeover Offer.*

*Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Takeover Offer, other than the preparation of this report.*

*Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.*

*Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 "Independence of expert" issued by the ASIC."*

## 6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Compliance Authority (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Compliance Authority who can be contacted at:

Australian Financial Compliance Authority
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

## 7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

# Contents

# 1 Outline of the Offer

## 1.1 Other key terms of the Bid Implementation Deed

*General terms of the Bid Implementation Deed*

In addition to the details provided in the executive summary of this IER, the other key terms of the Offer pursuant to the Bidder's Statement are outlined below:

The Offer is subject to a number of conditions which are briefly discussed below:

- At the end of the Offer period, the Bidder has a relevant interest in at least 90% of the Cashrewards Shares (on a fully diluted basis).
- No material adverse change and prescribed occurrences (as their terms are defined under the Implementation Deed);
- Compliance with certain conduct of business restrictions and maintenance of an average minimum rolling net cash position over a three month period between the announcement of the Offer and the end of the Offer period which is not more than 10% below the average net cash position based on a budget forecast as agreed between the parties, for that three month period.
- The Bidder not being entitled to terminate the Implementation Deed or Facility Agreement.

The Company has on issue 9,997,362 Options and 2,501,720 Performance Rights. As part of this figure, Cashrewards has agreed to grant Bernard Wilson Performance Rights under the FY22 Long Term Incentive Plan ("LTIP") to the value of A$600,000[21], upon obtaining Shareholders approval at the upcoming AGM. The Company has also agreed to grant but not yet issued 256,522 Performance Rights to recently joined employees. The parties have agreed the following in relation to the Options and Performance Rights:

- Vested and unvested Options which are out-of-the-money[22] will lapse.
- Vested and unvested[23] Options which are in-the-money[24] will have to be exercise before the end of the Offer period and then accept the Offer to receive the Offer Price.
- 1835i commits to honour or replace the existing FY22 STI and LTI with performance hurdles adjusted to reflect private company business plan.

The Implementation Deed also includes certain other conditions including customary 'no shop, no talk' and 'no due diligence' restrictions, as well as notification and matching rights in the event of the emergence of a competing proposal. Cashrewards, may be required to pay the Bidder a reimbursement fee of A$0.9 million (exclusive of GST) if the Offer does not successfully close in certain circumstances.

[21] The actual number of Performance Rights to be issued will be calculated by taking the Volume Weighted Average Price (VWAP) of CRW Shares in the 30-day period prior to the date of the AGM (23 November 2021).
[22] Exercise price is higher than the Offer Price.
[23] The vesting of the unvested in-the money Options will be accelerated.
[24] Exercise price is below the Offer Price

## 1.2 Facility Agreement

Cashrewards has also entered into a loan agreement with the Bidder pursuant to which Cashrewards will be provided with A$15 million for a term of 6 months from 1 November 2021 which can be used to draw upon to manage its member liability payment obligations. The funding is subject to a number of customary conditions precedent and is unsecured. The loan agreement also contains a number of circumstances where an event of default will occur include and the Facility becomes immediately repayable:

- Where the Cashrewards Board recommends another bid or withdraws or qualifies its recommendation for the Offer (except where due to a breach by 1835i) provided that Cashrewards has 30 days to repay the loan in this circumstance.

- Cashrewards breaches the exclusivity provisions in the Bid Implementation Deed.

- 1835i terminates the off-market takeover offer due to a material breach of the Bid Implementation Deed by Cashrewards.

- In certain other circumstances as set out in the Bid Implementation Deed.

The funding will be able to be drawn by Cashrewards from 1 November 2021.

# 2 Purpose and scope of the report

## 2.1 Purpose

Section 640 of the Corporations Act requires that a target's statement made in response to a takeover offer for securities in an Australian publicly listed company must be accompanied by an independent expert's report if:

- the bidder's voting power in the target is 30% or more; and
- for a bidder who is, or includes, an individual – the bidder is a director of the target company; or
- for a bidder who is, or includes, a body corporate – a director of the bidder is a director of the target company.

The independent expert's report must state whether, in the opinion of the independent expert, the takeover offer is fair and reasonable to the target company's independent shareholders and provide the reasons for forming that opinion.

As at the date of our report, we note that there is no legal requirement to prepare an independent expert's report as 1835i holds c.19% of the issued capital of Cashrewards as at 21 October 2021 and there is no common director. However, the Directors of CRW have requested Grant Thornton Corporate Finance to prepare an independent expert's report to assist CRW Shareholders to assess the merits of the Takeover Offer and whether the Takeover Offer is fair and reasonable to the CRW Shareholders for the purposes of Section 640 of the Corporations Act.

## 2.2 Basis of assessment

The Corporations Act does not define the meaning of "fair and reasonable". In preparing this report, Grant Thornton Corporate Finance has had regard to RG 111 which establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" are in the context of a takeover offer.

As the Takeover Offer is a takeover bid, Regulatory Guide 111 "Content of expert reports" requires the following assessment:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject to the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.
- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
  - The offeror's pre-existing voting power, if any, in the shares of the target company.

- Other significant shareholding blocks in the target company.
- The liquidity of the market in the target company's securities.
- Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
- Any special value of the target company to the offeror, such as particular technology or the potential to write off outstanding loans from the target company.
- The likely market price if the offer is unsuccessful.
- The value to an alternative offeror and likelihood of an alternative offer being made.

Grant Thornton Corporate Finance has determined whether the Takeover Offer is fair to the Cashrewards Shareholders by comparing the fair market value range of Cashrewards Shares on a 100% basis with the Offer Price of A$1.135 per CRW Share.

In considering whether the Takeover Offer is reasonable to the CRW Shareholders, we have considered a number of factors, including:

- Whether the Takeover Offer is fair.
- The implications to Cashrewards and Cashrewards Shareholders if the Takeover Offer lapses.
- Other likely advantages and disadvantages associated with the Takeover Offer as required by RG111.
- Other costs and risks associated with the Takeover Offer that could potentially affect the Cashrewards Shareholders.

## 2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Takeover Offer with reference to RG 112 issued by ASIC.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Takeover Offer other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success of the Takeover Offer.

In our opinion, Grant Thornton Corporate Finance is independent of CRW and its Directors and all other relevant parties of the Takeover Offer.

## 2.4 Consent and other matters

Our report is to be read in conjunction with the Target's Statement dated on or around 12 November 2021 in which this report is included and is prepared for the exclusive purpose of assisting the CRW Shareholders in their consideration of the Takeover Offer. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Target's Statement.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Takeover Offer on CRW Shareholders as a whole. We have not considered the potential impact of the Takeover Offer on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Takeover Offer on individual shareholders.

The decision of whether or not to accept the Takeover Offer is a matter for each CRW Shareholder based on their own views of the value of CRW, expectations about future market conditions, CRW's performance, their individual risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Takeover Offer, they should seek their own professional advice.

### Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

*"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."*

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# 3 Industry overview

## 3.1 Introduction

Cashrewards operates a 'cashback' model whereby a consumer signs up to the cashback platform either through their website or an app. Members can then shop online or in-store from certain merchant partners to earn cashback from their purchases. Following a transaction, consumers (now members) are rewarded in the form of a cashback payment based on the transaction value, which is credited to their cashback wallet. The member then has the ability to withdraw their cashback into their nominated bank or online payment account. Similar to other cashback programs, Cashrewards is merchant funded[25].

Under the cashback program, members benefit primarily from the ability to save on their everyday purchases while merchant partners use it as part of their marketing budget to increase sales, drive higher average order value, reduce dropouts at checkout[26] and promote repeat transactions (thereby increasing order frequency). Further, unlike other forms of advertising, cashback is performance-driven i.e. the merchants are not required to pay the cashback platform if sales are not completed.

The success in the cashback sector is linked to scale and the ability to create a 'network' effect as more members drives the capacity to recruit more merchants, which in turn attracts more members. Scale provides significant benefits for cashback operators allowing them to negotiate more offers and higher commissions from merchants. This makes new market entry challenging as significant marketing investment is required to attract new members and merchants.

## 3.2 Market size and opportunity

The size of the cashback sector can be measured in several different ways, including the number of active customers[27] and merchants, total transaction value[28] for purchases originating on cashback sites or apps, and total revenue for cashback operators. The Australian cashback sector is dominated by ShopBack Australia and Cashrewards; however, the data for these companies is not available to form a view on the total market size.

To understand the market opportunity, comparisons have been made with the UK cashback market. The UK cashback market is dominated by two operators, Quidco[29] and TopCashback which had aggregated revenue estimated at around £169 million in 2019[30] and market share of c. 95% [31].

Cashback penetration remains low in Australia relative to overseas markets such as the US and UK. At 11.1% cashback penetration in Australia is only around one third the level of penetration in the UK, and still significantly behind the US, which is currently at a penetration of 16.1%. This relatively low penetration provides a growth opportunity for Cashrewards.

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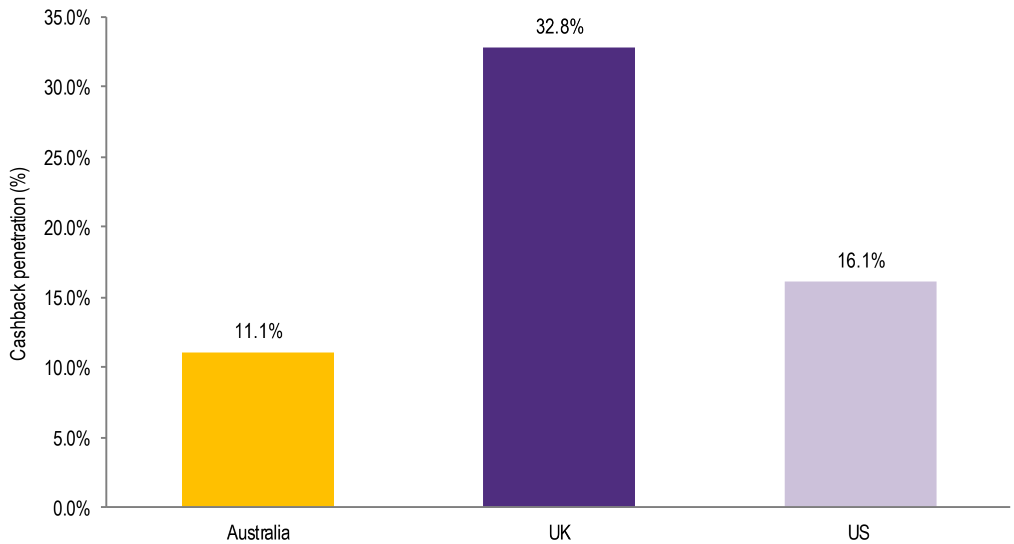
25 This means that the membership for joining the cashback programs is generally free and the cashback program charges the merchants a performance-based fees.
26 This represents the category of customers that typically cancel their purchase at the point of checkout.
27 Whilst different companies different active customers differently, typically these include customers that have made at least one purchase through the platform over the last 12 months.
28 This represents the gross value of transactions transacted through the platform. Sometimes it may also be referred to gross transaction value or gross merchandise value.
29 We note that on 19 October 2021, Quidco announced to be acquired by Moneysupermarket.com Financial Group Limited, a subsidiary of Moneysupermarket.com Group PLC, at an initial cash consideration of £87 million plus £14 million deferred consideration.
30 TopCashBack and Maple Syrup Group (Quidco) financial reports, 2018 and 2019. TopCashBack 2019 revenue assumed unchanged from 2018.
31 CMA, Anticipated acquisition by Top Online Partners Group Limited of Maple Syrup Group Limited and its subsidiaries, full decision, 2019.

## Cashback penetration - AU, UK and US




*Sources: Frost & Sullivan, Cashrewards Prospectus, GTCF analysis*

We have also set out below the some key participants in the cashback sector in Australia as well as in global market.

| Company | Geography focus | Members/ users | Merchants | Revenue | Website visits (Sept 2021) |
|---|---|---|---|---|---|
| CASHREWARDS | Australia | 273k (active members) | 1700 | A$22.1m (FY21) | 1.2 million |
| honey | United States | 17 million (monthly active users) | 4,500 | Not publicaly available | 17.9 million |
| ibotta | United States | 6 million (monthly active users) | 1,500 | US$88.5 million (estimate) | 3.9 million |
| Quidco | United Kingdom | 10 million+ (members globally) | 4,500 | £97 million (2019, globally) | 3.3 million |
| Rakuten Rewards | United States | 12 million (members in the US) | 2,500 | US$70.7 million (2019, operating income) | 41.8 million |
| RetailMeNot inc. | United States | 14 million (email subscribers) | 5,000+ | US$280 million (2016) | 20.6 million |
| SHOPBACK | Asia-Pacific | 5 million (members in the Asia-Pacific | 3,000[1] | Not publicaly available | 6.9 million[2] |
| swagbucks | United States | 20 million (active members) | 1,500 | Not publicaly available | 17.0 million |
| TopCashback | United Kingdom | 8.2 million[3] | 5,100[3] | £93 million (2018)[3] | 8.7 million[3] |

*Sources: Frost & Sullivan, Cashrewards Prospectus, GTCF analysis*
*Notes: (1) Data refers to merchants in the Asia-Pacific region; (2) refers to website visits globally for the month of September 2021; (3) refers to data solely for the UK*

We note that given most cashback operators are privately owned, data on the size of the industry is relatively limited. Additionally, definitions of key metrics such as active customers may be inconsistent between operators, reducing the efficacy of estimating market size through aggregation of data reported by individual operators.

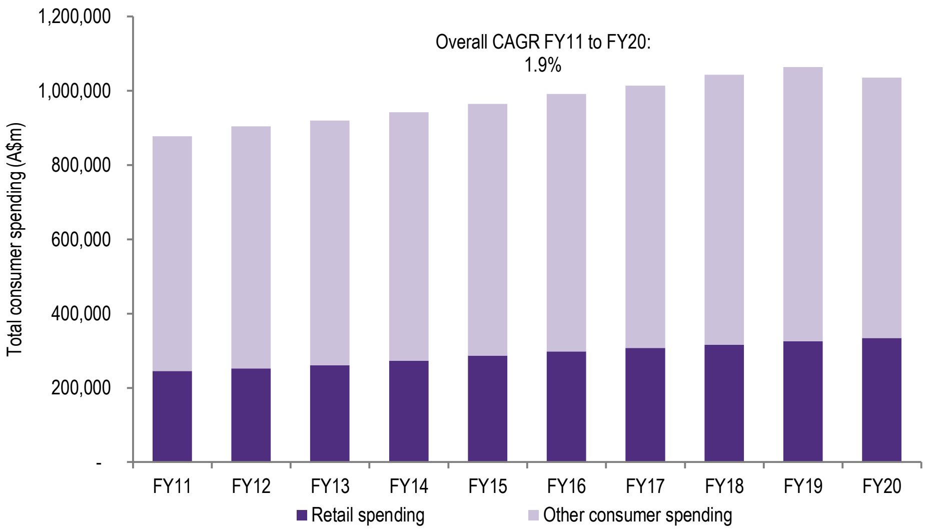
## 3.3 Key trends impacting the cashback sector

### 3.3.1 Shift to online

Cashback is one of the ways to promote retail spending. Therefore, the market opportunity for cashback is linked to the size and growth of consumer spending and more recently the E-commerce market.

Total consumer spending in Australia has increased consistently over the last 10 years evidenced by the compound average growth rate (“CAGR”) of 1.9% as set out in the graphs below. This growth has been driven by rising consumer confidence, high level of disposable income and growing penetration of online shopping.

**Total consumer spending in Australia FY11 to FY20**



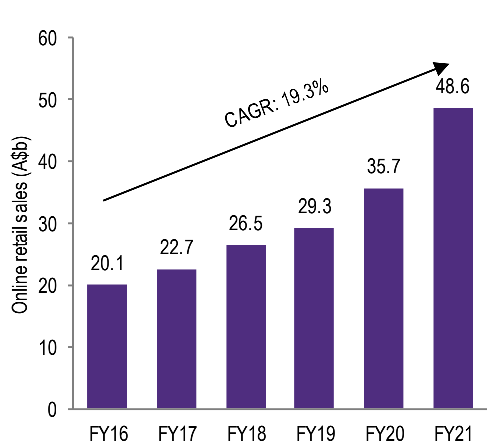

*Source: Australian Bureau of Statistics, GTCF analysis*

Spending during FY20 was impacted by the outbreak of COVID-19 which created uncertainty and temporarily reduced consumer confidence. However, according to the Reserve Bank of Australia, stimulus measures and restrictions on movements have helped maintain or increase disposable income as a result of which consumer spending is expected to recover in FY21.

With the outbreak of the pandemic, there has been a growing inclination towards online sales which have increased materially as a share of total retail sales. According to the NAB Online Retail Sales Index (“NAB Index”)[32], online sales have increased by circa 25.6% from FY20 to FY21. In the 12-month period to August 2021, NAB estimates that Australians spent A$48.6 billion on online retail, which represents a circa 13.9% share of total retail sales and about 29.8% higher market share than in September 2019.

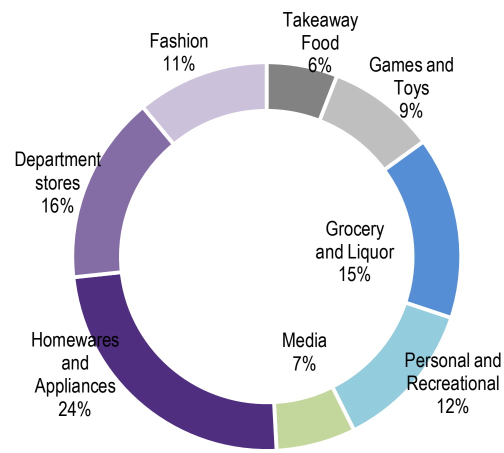
[32] The NAB Online Retail Sales Index measures all online retail spending by consumers using various electronic payment methods such as credit cards, BPAY and PayPal. The Index is derived from personal transaction data from NAB platforms and it is then scaled up to be representative of the economy.

Online retail sales in Australia




*Source: NAB Online Sales Index August 2021*

Australian online retail sales in FY21

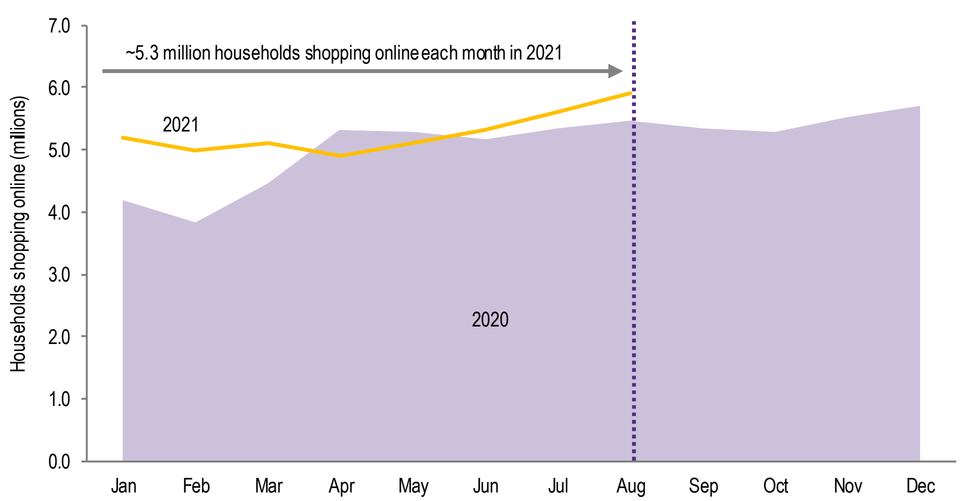



*Source: NAB Online Sales Index August 2021*

According to Australia Post, the share of online sales as a proportion of the total retail sales is expected to continue to grow due to Christmas, Black Friday and Cyber Monday reaching c. 15% of the total retail market sales[33] by the end of 2021. These holiday sales events are an opportunity to attract a large number of first time online shoppers.

During 2020, a record four in five Australian households made an online purchase. This includes more than 1.3 million households that purchased in 2020 that did not buy online in 2019. Currently, circa. 5.3 million households have shopped online each month in 2021.

Australian household's participation in online shopping, 2020 and 2021

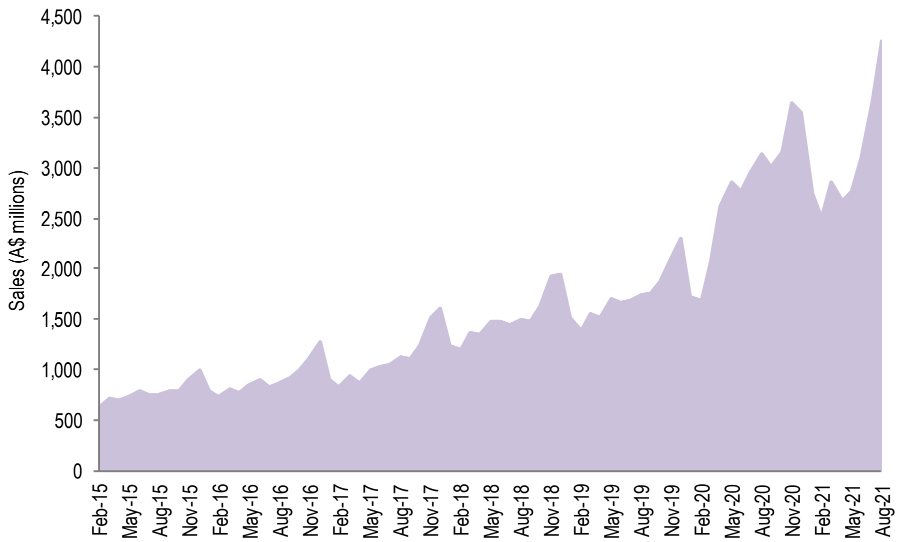



*Sources: Australia Post, Inside Australian Online Shopping eCommerce Industry Report 2021, GTCF analysis*

33 Excluding café', restaurants and takeaway.

This increased engagement resulted in online purchases in 2020 growing by 57% compared to the previous corresponding period ("pcp"), and Australians spending a record $48.6 billion online[34], up from A$35.7 billion in FY19.

### Online retail sales in Australia




*Sources: ABS, Retail Trade, August 2021, GTCF analysis*

The resulting transformation is expected to have a lasting impact on ecommerce in Australia. According to the ABS Household Impacts of COVID-19 Survey, shoppers indicated that going forward they expect their shopping frequency to remain 28% higher than pre-pandemic levels. Additionally, in the lead-up to Christmas, research from the Australian Retailers Association in conjunction with Roy Morgan, indicates that of the A$11 billion forecast to be spent on Christmas presents this year, an average of 48% are likely to be purchased online, with 58% of people saying they'll purchase more or significantly more items online than they did last year. This shift to online sales is expected to positively impact Cashrewards and other cashback operators.

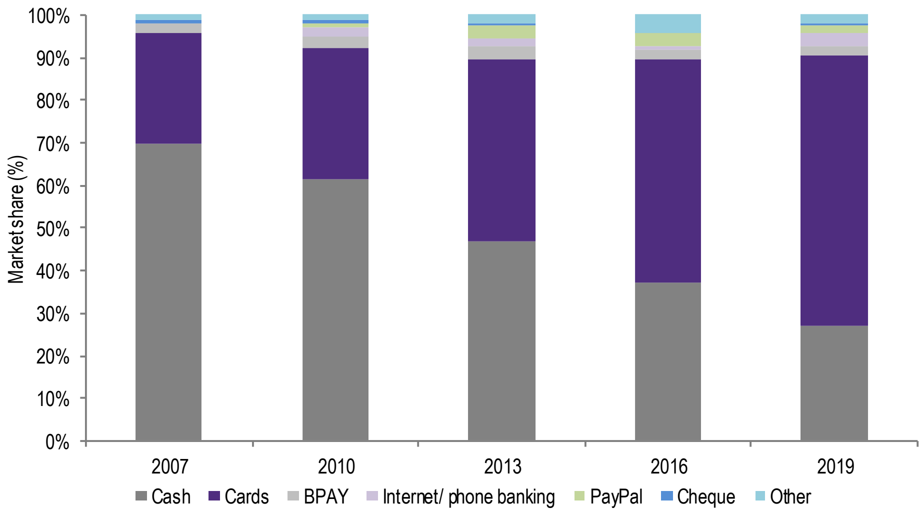
#### 3.3.2 Changing consumer payment trends and the emergence of BNPL

The growth in online retail has also been supported by consumers increasingly adopting digitalised payment methods. This is primarily due to easier and more secured electronic payments, policies by the Australian governments to incentivise a shift away from cash in order to better track payments, and the emergence of digital wallets which enable cardholders to aggregate cards in a single device to facilitate payments.

The graphs below demonstrate the shift away from cash payments in favour of cards and other forms of payment. In particular, there has been a shift towards non-interest bearing cards (e.g. debit cards) away from interest bearing cards (e.g. credit cards).

[34] NAB Online Retail Index, August 2021

**Consumer Payment Methods in Australia**



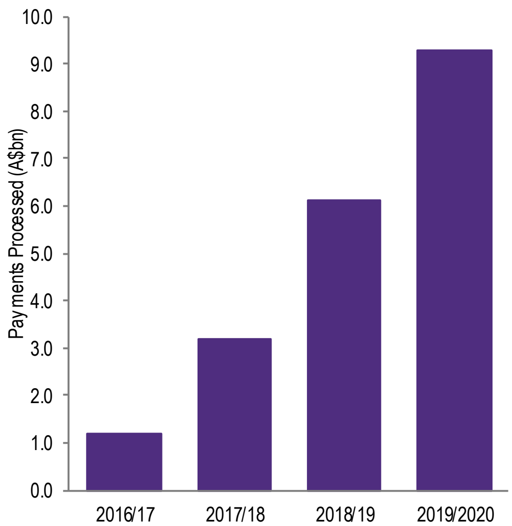

*Source: Reserve Bank of Australia, GTCF analysis*
*Note: 'Other' includes prepaid, gift and welfare cards, bank cheques, money orders, BNPL and Cabcharge. 'Cards' includes debit cards and credit cards. 'Internet' includes direct debits/ transfers.*

Consumer uptake of BNPL services has also grown at a strong pace in the last few years, with company reports for several ASX-listed BNPL providers indicating that the value of BNPL transactions processed in 2019/20 was around A$10 billion of purchases in Australia and New Zealand[35]. The COVID-19 pandemic has further accelerated the growth in value of BNPL transactions given the rapid shift to electronic payment methods and online shopping. More recently, due to their growing popularity, BNPLs have become a source of obtaining new customers which merchants may not be able to ordinarily target. Further, BNPLs also have a performance-based model i.e. BNPLs will only earn fees provided customers purchase the product. Given these factors, there is similarity between BNPLs and Cashrewards.

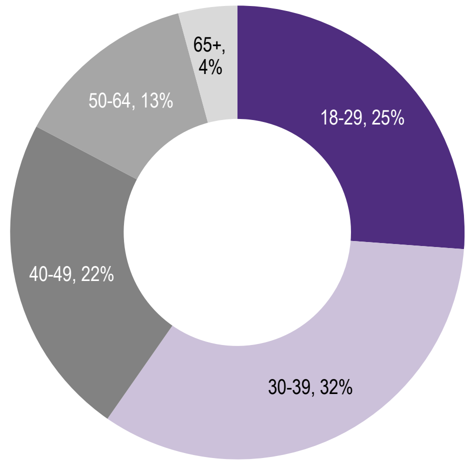
Indications are also that BNPL services are used more intensively by younger consumers, with more than 55 per cent of BNPL users in the 2019 RBA Consumer Payments Survey aged under 40.

[35] Developments in the Buy Now, Pay Later Market, RBA, March 2021

**BNPL Payment Processed (A$ billion)**




**BNPL Use by Age**




*Sources: RBA, Consumer Payment Behaviour in Australia, March 2020, GTCF Analysis*

### 3.3.3 Offline cashback sector – In-store offers ("ISO")

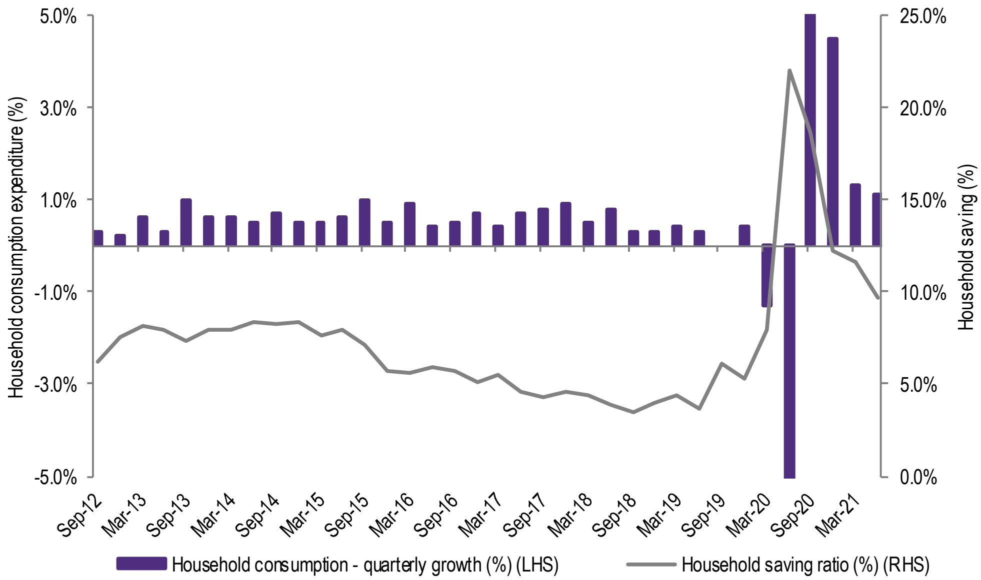
Whilst the shift to online has been prevalent, there are also in-store programs that comprise a significant proportion of the cashback sector. This is when a member links their debit or credit card to their reward account, and following a purchase being made at a participating merchant, receives cashback directly into their virtual wallet.

The US has seen a strong uptake of this kind of offering, with around one third of millennials utilising a ISO which represents a key growth opportunity for the Company given that there are 18.7 million individual credit and charge cards in Australia and Australians have an inherent bias towards rewards schemes with circa. 59% of credit card holders making use of a card-linked rewards program.

### 3.3.4 Household income

Household disposable income and saving ratio is a key driver of retail sales and accordingly it is a major variable affecting the cashback industry. The following graphs set out the historical household final consumption ratio and household saving ratio.

**Household saving ratio & Household consumption quarterly growth (%)**



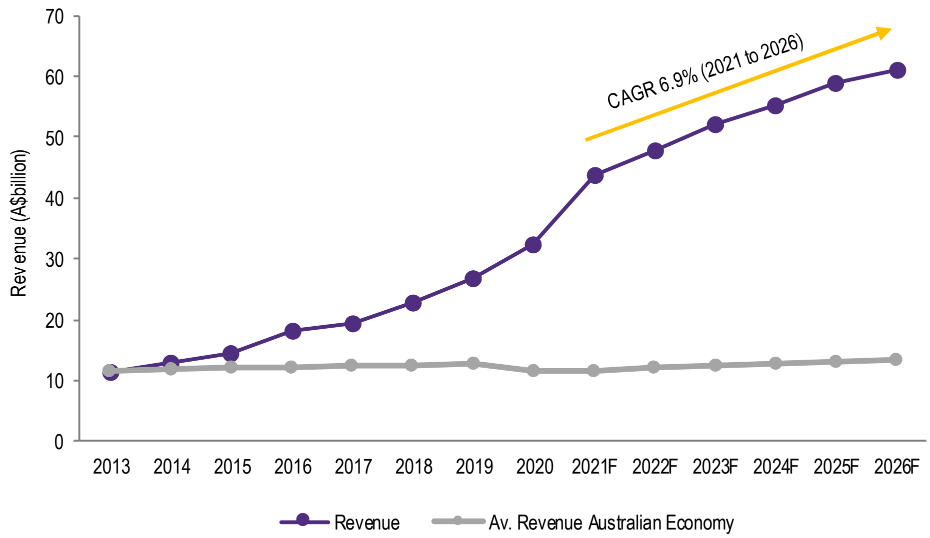

*Source: Reserve Bank of Australia*

As set out above, the first half of 2020 was impacted as a result of pandemic which initially resulted in an unusual contraction of consumption which boosted household savings and then spending. Whilst most of Australia exited from lockdowns in the second half of 2020, broader restrictions on movements remained and prolonged lock-down became the norm during 2021. During this period, the Australian government provided stimulus through payments such as Jobkeeper and Jobseeker to preserve employment levels and support the economy and households' income and consumption with the latter peaking at 15% in June 2021 which has been the highest over the last 10 years.

## 3.4 Outlook

From an industry perspective, the opportunity for cashback is being driven by increased consumer acceptance of E-commerce, alongside substantial growth in online retail spending. The following is the forecast growth in online shopping revenue which is expected to be conducive of continued growth in the industry.

### Online shopping revenue outlook




*Sources: IBISWorld, Online Shopping in Australia Industry Report, June 2021, GTCF Analysis*

Whilst the ecommerce and cashback sectors in Australia have experienced substantial growth over the last few years, they remain under-penetrated relative to overseas markets such as the US and UK. With the growth in online retail, there is a significant growth opportunity for cashback in Australia. Supported by COVID-19 tailwinds, online retail is forecast to achieve revenue growth of 35.3% in 2021 with a CAGR of 6.9% over the five years through 2025-26, to A$61.2 billion.

# 4 Profile of Cashrewards

## 4.1 Introduction and business model

Cashrewards provides cashback services via its online platform and in-store via cards linked to the Cashrewards platform. The Company was launched by Mr Andrew Clarke in 2014. Since inception, it has rapidly grown and listed on the ASX in December 2020. As at 30 June 2021, the Company reported total transaction value ("TTV")[36] of c. A$519.5 million for FY21, with c. 1.1 million total members and more than 1,700 merchants.

Cashrewards generates revenue primarily from two sources – commission from Merchant Partners and commission from gift cards. Historically, CRW has been selling cards for Woolworths which ceased in October 2020 but the Company launched a new model by entering into an agreement with a gift card platform, True Rewards, which allows customers to purchase gift cards from various stores.

Cashrewards' business model is based on a dual-sided value proposition that serves both members ("Members") and merchant partners ("Merchant Partners") as outlined below:

- *Value for Members* –Cashrewards offers its Members a platform to browse brands and shop Cashback offers both online and in-store with participating Merchant Partners. For online sales, Members enter the Merchant Partner's e-commerce website directly through the Cashrewards mobile app, website or the Cashrewards Assistant internet browser extension. For in-store purchases, Members can link their Visa or Mastercard debit and / or credit cards and receive Cashback in-store at participating Merchant Partners simply by shopping with the card. Further, the Cashrewards offering is agnostic to the form of payment the Member uses, and can be used in conjunction with other applicable Merchant Partner discounts and loyalty programs and / or credit card program benefits, given that the Merchant Partner controls the check-out experience.

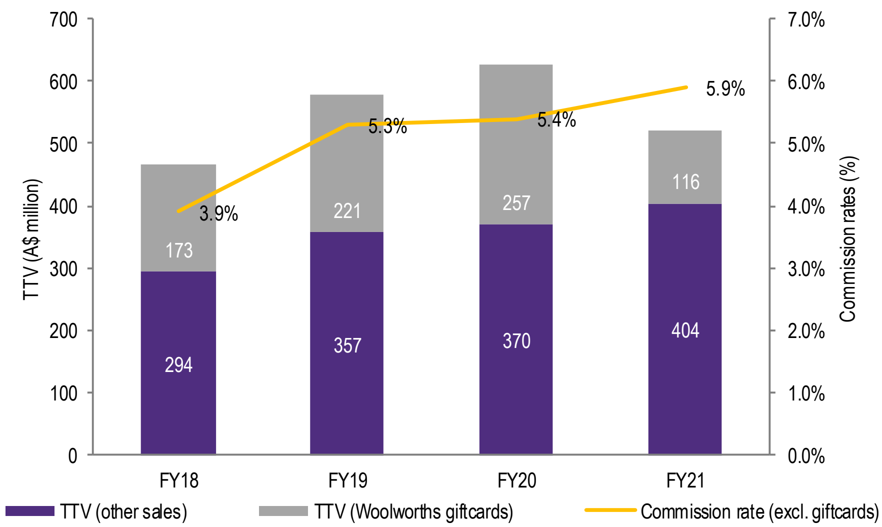
- *Value for Merchant Partners* – Cashrewards provides Merchant Partners increased return on marketing investment, as Cashrewards' performance-based platform will offer return through the initial transaction but also across the future lifetime value of the transacting Member. The Merchant Partners also benefit from the increased exposure through the omni-channel offering of the CRW platform.

The Company generates revenue through the following revenue streams:

- *Commission from Merchant Partners:* When a customer completes a transaction, the Company charges its Merchant Partner a commission which will be based on the commission rate and total order value, and will be recognised by CRW as revenue. The rate of commission and cash back differs, however on average, the Company earned c. 5.9% in FY21 from its merchant partners (excluding gift cards). Set out below is the Company's commission from Merchant Partners and TTV from FY18 to FY21:

[36] Total Transaction Value ("TTV") refers to the face value of goods, services and gift cards purchased via the Cashrewards platform.

**Cashrewards' reported[37] TTV and reported[38] commission rates**




*Source: Cashrewards Annual Investor Presentation, Cashrewards Prospectus, GTCF analysis*
*Note (1): During FY20, the Company's gift card partnership with Woolworths ceased and the Company has since entered into an agreement with True Rewards. This has been discussed earlier.*

Total transaction value during FY21 was impacted by COVID-19 as travel (which has historically comprised of c. 30% of the TTV) remained restricted due to border closures and general restrictions on travel movements. Commissions from Merchant Partners comprises c. 98.2% of the Company's FY21 revenue, and are expected to continue being the primary source of revenue in foreseeable future[39].

- *Commission from gift cards*: On 16 October 2020, CRW launched a new model by entering into an agreement with True Rewards, a digital gift card platform, which allows customers to purchase digital gift card on the platform. Commissions from gift card sales formed c. 1.8% of the Company's FY21 revenue.

Whilst most of the revenue is generated by the commissions earned via the use of the Company's Cashrewards App and Cashrewards Website, CRW has recently established a number of additional touch points with both Merchants and Members as outlined below:

- *ANZ Cashrewards Max* – This product was recently launched post the Company's announcement of strategic partnership with ANZ on 2 July 2021. Cashrewards Max allows ANZ Bank's cardholders to browse and shop the offers on Cashrewards' core platform, and benefit from exclusive offers in exclusive stores, and earn higher cashback margins and also to received faster payment of cashback. The Cashrewards Max proposition is showcased prominently in ANZ Bank's digital banking channels and the platform is exclusive to the Bank's customers.

- *Cashrewards Assistant* – The Cashrewards Assistant is an internet browser extension (needs to be installed to the internet browser before using) which allows Members to receive alerts when there is an eligible offer in participating Merchant Partners' stores.

[37] This includes gift cards and TTV from the travel category.
[38] Ibid.
[39] CRW prospectus

- *Card-linked Offers* – It benefits the in-store participating Merchant Partners by increasing their in-store visits and customer retention.

The Company pays back the majority of the revenue earned to its Members via cashback which are recognised in the cost of goods sold with the balance representing the gross margin of the business. During FY21, Cashrewards decided to offer a higher proportion of cashback (83% of commission from Merchants) relative to FY20 (73%) in order to grow the Members base, increase customers awareness and drive growth for the business. We note that many Members do not have a propensity to withdraw/utilise their cash-rewards right away which remain on their accounts, sometimes for an extended period of time. The total amount of the undrawn cash rewards is recorded in the balance sheet as a financial liability.

In order to acquire new Members and create market awareness for the platform, the Company incurs significant marketing costs which is measured by the CPA being the annual marketing costs incurred divided by total new members. The CPA increased from A$14 per Member in FY20 to A$35 per Member in FY21. Relative to this, the average revenue spend from the newest cohort of members was A$48, typically being lower than the older cohorts.

#### 4.1.1 Cashrewards' technology platform

Cashrewards' proprietary core technology platform is built and hosted on Amazon Web Services ("AWS"). The architecture of the platform combined with its design approach allows the use of cloud-based technology enabling seamless onboarding for Members and integration for Merchant Partners, both online and in-store.

A key strength of Cashrewards' technology platform is the ability to ensure technological efficiencies in delivering improved customer experience while increasing the number of Merchant Partners and Members on the platform. Further, the technology platform is agnostic, allowing it to integrate easily with other applicable Merchant Partner discounts and loyalty programs and / or credit card program benefits.

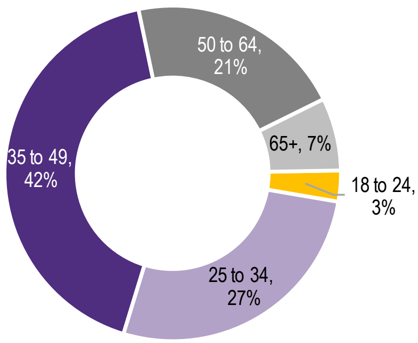
Cashrewards has invested across research and development and technology since 2014. As at 30 June 2021, the Company has capitalised c. A$13.4 million of research and development costs in relation to the development of the technology platform and associated software products.

### 4.2 Member profile

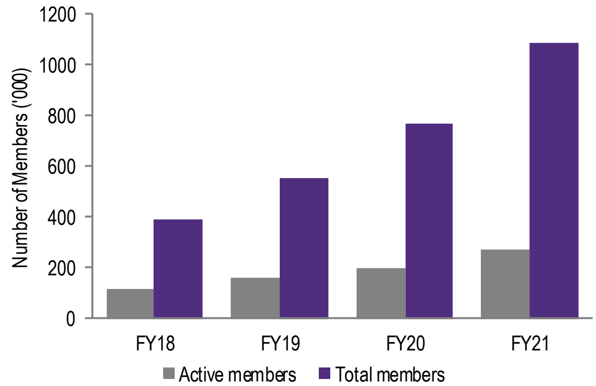
As at 30 June 2021, the Company reported c. 1.1 million total members, of which c. 25% are active members ("Active Members[40]"). Cashrewards' Members are relatively young to middle-aged, with approximately 69% of its customers are aged between 25 and 49 years old as at 30 June 2021. Additional information on the Company's Members is presented below:

[40] Members who had transacted with Cashrewards in the 12-month period to 30 June 2021.

### Members age distribution



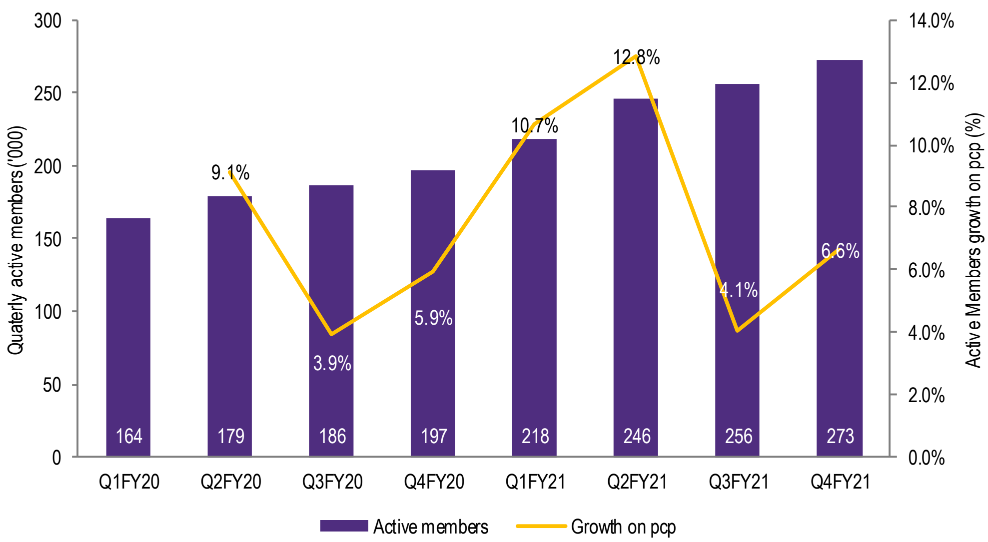

### Historical total Members and active Members




*Source: Cashrewards FY21 Presentation, CRW Prospectus, GTCF analysis*

Cashrewards predominately attracts customers directly through its digital marketing and brand awareness efforts. Active Members is one of the key drivers of the Company's future growth. We note that the Company has consistently grown quarterly Active Members relative to the pcp. As illustrated below, Cashrewards averaged approximately 7.6% growth on pcp for the period Q1FY20 to Q4FY21.

### Quarterly Active Members and growth




*Source: CRW FY21 investor presentation*

The growth in Active Members, along with the transaction volumes, is responsible for the growth in revenues. We note that Active Members in the period from FY15 to FY19 ("Pre-IPO period") had a weighted ARPU of A$88. Active Members in Pre-IPO period remained active (on average) for 5.1 years and have a lifetime ARPU of A$448. We note that the ARPU decreased from A$88 in FY20 to A$84 in FY21, driven by the declining travel spending due to the prolonged impact of COVID-19 and consequent lockdowns. However, the decrease in ARPU was offset by increase in Active Members' lifetime. As a result of growth in other categories, Active Members' lifetime increased from 5.1 to 6.0 years, driving the lifetime value to increase from A$448 in Pre-IPO to A$500 in FY21.

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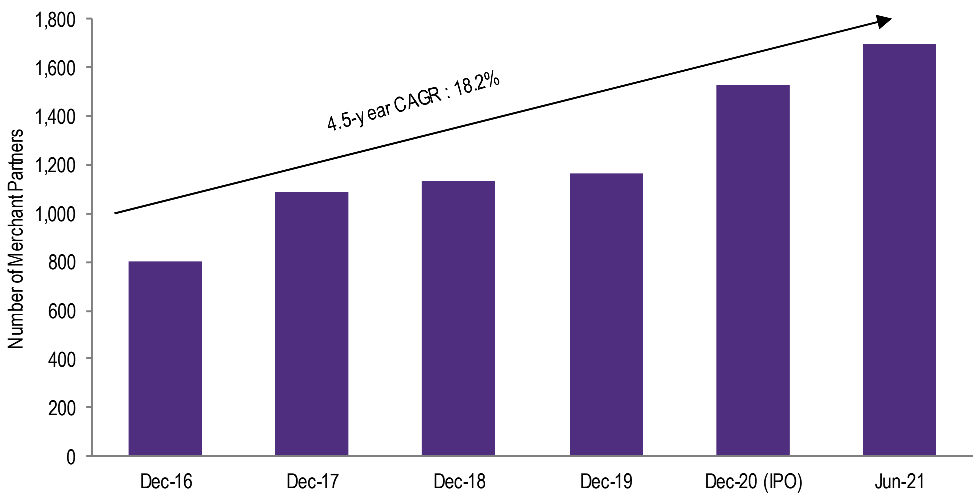
## 4.3 Merchant Partners and strategic partnerships

Cashrewards' network comprises of c. 1,700 Merchant Partners including both online and in-store participating shops. In FY20, 43% of the Company's total revenue was contributed by the 10 largest Merchant Partners, however no single Merchant Partner contributed more than 9.1%. This proportion remained stable in FY21, indicating a relatively low concentration of Merchant Partners and limited reliance on any single Merchant Partner.

We have set out below the Company's Merchant Partner growth since 2016:

**Merchant Partner growth December 2016 to June 2021**




*Source: Prospectus; FY21 Investor presentation*

The relationship between Cashrewards and Merchant Partners are typically in one of the following:

- *Direct relationship:* it provides a more transparent relationship and a clearer understanding of Merchant Partner objectives and targets. Increased communication allows Merchant Partners to frequently share marketing plans and efficiently optimise campaigns in real time.

- *Affiliate relationship:* Merchant Partners can also join via CRW's Affiliate networks. Many retailers have Affiliate programs in place. Merchant Partners often work with Affiliate networks as it allows for a streamlined process with account management support. Cashrewards may still maintain a relationship with the Merchant Partner, even when the Merchant Partner is part of an Affiliate relationship.

We note that there no ongoing costs for the Merchants to remain on the Cashrewards platform. Merchant Partners may transition between an always on offer, actively increased offers or having no current offers. Once a Merchant Partner is integrated with Cashrewards there is no cost to transition between the various levels of Cashback activity.

In order to compete strongly and deliver user experiences as well as to develop and deploy new products rapidly in response to gaps in the market, Cashrewards had entered into strategic relationships with MoneyMe Limited ("MoneyMe") ("MoneyMe Partnership") and ANZ Bank ("ANZ Partnership"):

- *MoneyMe Partnership* – MoneyMe, operating as an Australian-based online personal lender through its flagship product Freestyle Virtual Credit[41], is the Company's first strategic partner. The strategic partnership involves an agreement with MoneyMe that allows all customers of MoneyMe's Freestyle Virtual Credit Account to participate in cashback rewards scheme facilitated by Cashrewards' Partner Rewards Engine. Under the partnership agreement, the experience for participating MoneyMe customers will be Cashrewards branded. The MoneyMe integration was integrated and launched in 1HFY21.

- *ANZ Partnership* – The Company entered into an exclusive strategic partnership agreement with ANZ to launch the ANZ Cashrewards Max program, which offers ANZ debit and credit card customers the core Cashrewards program, plus enhanced cashback offers, shorter cashback period, and exclusive offers from a range of Merchant Partners. The Cashrewards Max product was launched shortly after the announcement dated 2 July 2021. We note that in addition to being a strategic partner, ANZ Bank is also a substantial shareholder of the Company, holding c. 19% of the total outstanding shares through its external managed venture partner 1835i. The launch of ANZ Cashrewards Max and the strategic partnership with ANZ Bank are expected to drive further acceleration in member growth.

[41] MoneyMe's most established product. Freestyle Virtual Credit is a virtual credit card enabled within a smartphone that is based on a revolving line of credit, which can be utilised for multiple purposes, combined with a fixed repayment features of a personal loan.

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## 4.4 Financial Information

### 4.4.1 Financial Performance

The table below illustrates the Company’s audited consolidated statements of comprehensive income for the last two financial years.

| Consolidated statements of financial performance<br>A$ '000 | FY20<br>Audited | FY21<br>Audited |
|---|---|---|
| Revenue | 17,112 | 22,080 |
| Cost of sales | (11,722) | (18,335) |
| **Gross profit** | **5,390** | **3,745** |
| *Gross margin* | *31.5%* | *17.0%* |
| Other income | 403 | 460 |
| Interest income | - | 3 |
| Employee benefits expenses | (4,675) | (12,208) |
| Marketing expenses | (2,906) | (11,610) |
| General and administration expenses | (2,142) | (6,173) |
| Depreciation and amortisation expenses | (1,775) | (2,023) |
| Finance costs (Fair value loss on revaluation of warrants) | (1,517) | (427) |
| Finance costs | (668) | (289) |
| **Operating loss** | **(7,890)** | **(28,522)** |
| Initial Public Offer expense | - | (1,315) |
| **Net profit / (loss) before tax** | **(7,890)** | **(29,837)** |
| Income tax benefit | 1,258 | 80 |
| **Net profit / (loss)** | **(6,632)** | **(29,757)** |
| *Net profit margin* | *nmf* | *nmf* |

*Source: Cashrewards’s FY21 annual report*

In relation to the above, we note the following:

- Total revenue increased from A$17.1 million in FY20 to A$22.1 million in FY21, indicating a year-on-year increase of c. 29%. The prolonged effect of COVID-19 pandemic has caused revenues from travel, which has historically been the largest category of the Company’s income, to decrease by c. 51% compared to FY20. However, the increase in Members and strong online sales in conjunction with Black Friday, Cyber Monday and in Christmas Seasons offset the slowdown in the travel category.

- Despite the solid revenue growth, the gross margin decreased from 31.5% to 16.9%, as a result of the Company’s decision to increase the cashback rate from 73% in FY20 to 83% in FY21.

- Marketing expenses increased significantly in FY21 compared to the previous financial year. This increase was primarily driven by increased spending on brand, promotions and campaigns, in order to acquire new members and enhance the relationships with Merchant Partners following the IPO. The

Company also incurred higher employee costs due to the acquisition of new talents and added functional depth which has continued to grow post 30 June.

- General and administration expenses also increased as a result of IT expenses, increased recruitment fees and corporate costs in relation to being a public company.

### 4.4.2 Financial Position

The table below illustrates the Company's audited consolidated statements of financial position as at 30 June 2020 and 30 June 2021.

| Consolidated statements of financial position<br>A$'000 | 30-Jun-20<br>Audited | 30-Jun-21<br>Audited |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 2,733 | 26,088 |
| Trade and other receivables | 2,254 | 1,610 |
| Contract assets | 2,586 | 4,489 |
| Other assets | 44 | 1,204 |
| **Total current assets** | **7,617** | **33,391** |
| Property, plant and equipment | 108 | 395 |
| Intangible assets | 3,169 | 6,341 |
| Deferred tax | 962 | - |
| Other non-current assets | 43 | - |
| **Total non-current assets** | **4,282** | **6,736** |
| **Total assets** | **11,899** | **40,127** |
| **Liabilities** | | |
| Trade and other payables | 6,900 | 14,635 |
| Borrowings | 2,330 | - |
| Derivative financial instruments | 1,955 | - |
| Employee benefits | 246 | 753 |
| Provisions | 2,723 | 4,863 |
| **Total current liabilities** | **14,154** | **20,251** |
| Employee benefits | - | 30 |
| **Total non-current liabilities** | **-** | **30** |
| **Total liabilities** | **14,154** | **20,281** |
| **Net assets** | **(2,255)** | **19,846** |

*Source: CRW FY21 annual report*

In relation to the above, we note the following:

- The Company had cash and cash equivalents of c. A$26.1 million as at 30 June 2021 with no corporate debt. The significant increase in cash balance was as a result of the capital raising in the Company's IPO in December 2020. The cash on the balance sheet is expected to be used for marketing expense and growing the customer base. We note that the cash balance as at 30 September 2021 was c. A$12.6 million[42], down 52% (c. A$13.5 million) due to the high cash burn in operating activities. The cash burn was primarily as a result of receipts from customers (c. A$6.5

[42] Appendix 4C announced to ASX on 29 October 2021

million) being unable to offset the prepayment of high marketing cost[43] (c. A$5.8 million) and cashback to customers (c.A$5.0 million).

- The contract asset increased significantly from c. A$2.6 million as at 30 June 2020 to A$4.5 million as at 30 June 2021 as a result of the increase in activities. Contract assets are recognised when a transaction has been completed using the Cashrewards Platform but the Members may still be able to return the goods or services purchased during the Merchant Partner's return period. The same amount is recognised as a provision for Member redemption. When the return period expires and the Member has not returned the item/service, the full amount receivable is reclassified as trade receivable.

- The intangible assets increased from c. A$3.2 million as at 30 June 2020 to A$6.3 million as at 30 June 2021, reflecting the capitalisation of certain costs invested in technological improvements being undertaken by the Company.

- Trade and other liabilities increased from c. A$6.9 million as at 30 June 2020 to c. A$14.6 million as at 30 June 2021, driven by the strong growth of Cashrewards' member base and increased transaction volumes. Of the total trade payables, A$9.1 million is represented by the member financial liabilities which is recorded to reflect the cashback reward obligation for members who have a total approved cashback reward accrual of A$10.01 or more.

- Provisions increased from c. A$2.7 million as at 30 June 2020 to c. A$4.9 million as at 30 June 2021. According to the Company's accounting policy, the provisions comprised of Member redemptions, which represent the Company's cashback obligation to members for transacting online or in-store but a contractual obligation to deliver cash does not yet exist as at the balance date. We note that this increase in provisions was as a result of the TTV growth and increased revenue. As at 30 June 2021, the Company had total Member Liabilities of A$14.0 million which increased to A$14.4 million as at 30 September 2021

#### 4.4.3 Cash Flow Statement

The Company's cash flow statements for the last two financial years are set out below.

[43] As a result of high costs incurred in September for marketing related to October, November and December, the peak retail season.

| Consolidated statements of cash flow | FY20 | FY21 |
|---|---|---|
| A$ '000 | Audited | Audited |
| **Cash flows from operating activities** | | |
| Receipts from customers (inclusive of GST) | 19,403 | 21,239 |
| Payments to suppliers and employees (inclusive of GST) | (10,972) | (24,917) |
| Payments of member cashback | (11,601) | (13,720) |
| Givernment grants in response to COVID-19 | 364 | 460 |
| Interest received | - | 3 |
| Other revenue | 438 | - |
| Interest and other finance costs paid | (668) | (289) |
| Receipt of research and development grant incentive payments | - | 1,986 |
| **Net cash inflow from operating activities** | **(3,036)** | **(15,238)** |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | (64) | (412) |
| Payments for intangible assets | (1,639) | (4,812) |
| Proceeds from / (Payment for ) security deposits | 40 | (115) |
| **Net cash outflow from investing activities** | **(1,663)** | **(5,339)** |
| **Cash flow from financing activities** | | |
| Proceeds from issue of shares, net of transaction costs | 7,400 | 46,097 |
| Proceeds from the exercise of options | - | 174 |
| Repayment of borrowings | (1,428) | (2,330) |
| **Net cash (outflow)/inflow from financing activities** | **5,972** | **43,941** |
| | | |
| **Net increase / (decrease) in cash and cash equivalents** | **1,273** | **23,364** |
| Cash and cash equivalents at the beginning of the financial year | 1,460 | 2,733 |
| Effects of exchange rate changes on cash and cash equivalents | - | (9) |
| **Cash and cash equivalents at year end** | **2,733** | **26,088** |

*Source: Cashrewards FY21 annual report*

We note the following in relation to Cashrewards' cash flow statements:

- The cash outflows from operating activities in FY21 was c. A$15.2 million, although the receipts from customers increased from c. A$19.4 million to c. A$21.2 million. We note that the significant increase in cash outflows was primarily driven by higher payments to employees (as the Company has increased its employee base to support future growth).

- The higher cashback payment to Members also contribute to the net cash outflow. We note that the cashback rate to Members increased to c. 83% in FY21 from c. 73% in FY20.

- During FY21, the Company raised a pre-IPO amount of c. A$5.7 million and from the IPO an amount of c. A$45 million before costs.

## 4.5 Share capital structure

As at the date of this report, Cashrewards' capital structure comprised the following securities:

- 78,817,288 fully paid ordinary shares. In addition, Cashrewards has approved in-principle to issue Cashrewards Shares to certain key advisers and an ambassador in lieu of cash payments.

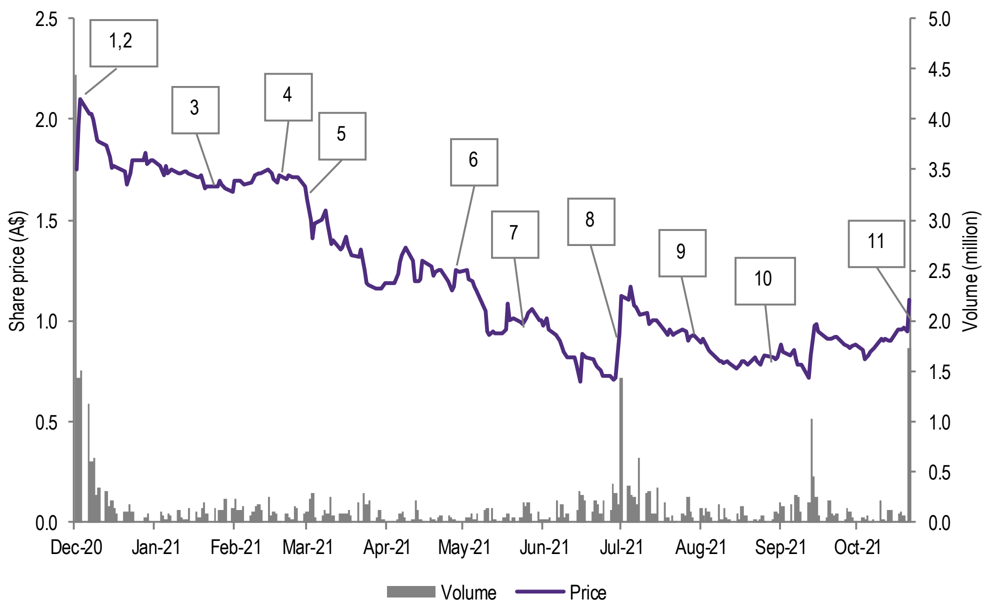
- 2,501,720 performance rights. In addition, value of A$600,000[44] of performance rights have been agreed to be issued to Mr Bernard Wilson under the FY22 LTIP conditional upon obtaining shareholder approval at the upcoming Cashrewards annual general meeting. Cashrewards has agreed to grant but not yet issued 256,522 Performance Rights to recently joined employees.

- 9,997,362 options.

### 4.5.1 Share price movements

Our analysis of the daily movements in Cashreward's share price and volumes since listing on the ASX in December 2020 is set out below.

**Cashrewards – Historical share trading price and volumes**




*Sources: GTCF analysis, S&P Global*

The following table illustrates the key events from December 2020 to October 2021, which may have impacted the share price and volume movements shown above.

| Event | Date | Comment |
|---|---|---|
| 1 | 02-Dec-20 | Cashrewards commences trading on the ASX following the completion of a A$65 million IPO raising via the issue of 37.6 million shares at an issue price of A$1.73 per share |
| 2 | 04-Dec-20 | The Company announced an update on key operating metrics for the Black Friday and Cyber Monday weekend, as summarised below:<br>- On Black Friday, unique shopping members and transactions were up 83% and 54% respectively vs pcp<br>- Across the four day period, unique shopping members and transactions were up 63% and 44% respectively vs pcp<br>- Total Transaction Value (TTV) was up 53% vs pcp |

[44] Actual number of Performance Rights will be calculated by taking the VWAP of CRW Shares in the 30-day period prior to the date of the AGM (23 November 2021)

| Event | Date | Comment |
|---|---|---|
| 3 | 27-Jan-21 | The Company announced its quarterly business update for the quarter ended 31 December 2020 (Q2 FY21), as summarised below:<br>- During the quarter 117,711 new members were added, up 124% vs the September quarter<br>- Active members for the 12 months to 31 December grew 37% vs pcp to 245,817<br>- Cash and cash equivalents as at 31 December 2020 of A$39.5 million<br>- Cashrewards powered by MoneyMe Perks rewards program launched |
| 4 | 25-Feb-21 | The Company announced its half year results for the period ended 31 December 2020 (H1 FY21), as summarised below:<br>- Underlying members who transacted amount to 200,501, up 49% vs pcp<br>- Active members at 31 December 2020 were 246,105, up 38% vs 31 December 2019<br>- 170,284 new members joined the Cashrewards ecosystem during H1 FY21<br>- Underlying transactions totaled c. 1.7 million, up 60% vs pcp<br>- Underlying revenue of A$9.9 million, up 31% vs pcp<br>- EBITDA loss of A$11.1 million, excluding one-off IPO costs as the Company invests for growth |
| 5 | 08-Mar-21 to 12-Mar-21 | There was no price sensitive announcement made by the Company. However, we note the following events which took place in the macro environment:<br>- On March 8 NSW recorded 50 days free of COVID-19.<br>- On March 10 Australia hit a COVID-19 vaccination milestone of 100,000 doses administered as well as the announcement of the arrival of 149,000 extra Pfizer vaccines<br>- However, Australia was still 'millions of doses' behind schedule on COVID-19 vaccinations with 4 million meant to be injected by the end of March<br>On March 11 President Joe Biden signed the USD $1.9 trillion COVID-19 economic relief package |
| 6 | 28-Apr-21 | The Company announced its quarterly business update for the quarter ended 31 March 2021 (Q3 FY21), as summarised below:<br>- New member customer growth of 68,319 members, up 99% vs pcp, taking the Company's total member base to 989,587<br>- A$2.1 million of IPO funds were expended on marketing, primarily used to drive brand and category penetration and grow member engagement<br>- Cash and cash equivalents as at 31 March 2021 of A$33.8 million |
| 7 | 25-May-21 | There was no price-sensitive announcement made by the Company. However, we note that restrictions were re-introduced in Melbourne following fears of a growing COVID-19 cluster, as summarised below:<br>- Restrictions included gathering limits of 5 people at homes and 30 in public as well as mandatory masks indoors.<br>- Tougher restrictions were announced on May 27 as Victoria entered a 7-day lockdown |
| 8 | 2-Jul-21 | The Company announced that it has entered into a strategic partnership with ANZ Bank to launch Cashrewards Max. Highlights of the agreement are summarised below:<br>- Cashrewards Max will launch in August 2021 with an initial term of 3 years<br>- The agreement offers 4.7 million ANZ consumer credit and debit card holders the opportunity to access the core Cashrewards program plus enhanced cashback offers, faster cashback and exclusive experiences<br>- ANZ cardholders will browse offers from 1700 leading brands, receiving cashback when they shop online or in-store |

| Event | Date | Comment |
|---|---|---|
| 9 | 28-Jul-21 | The Company announced its quarterly business update for the quarter ended 30 June 2021 (Q4 FY21), as summarised below:<br>- New members of 99,864, up 208% vs pcp<br>- Total members to 1.1 million, up 44% vs pcp, exceeding FY21 goal<br>- Underlying active members of 260,882, up 46% vs pcp<br>- Underlying TTV through the Cashrewards platform of A$98.4 million, up 50% vs pcp<br>- Cash and cash equivalents at 30 June 2021 of A$26.1 million<br>- Zelma van Woerkom appointed as new Chief Financial Officer, commencing August 2021 |
| 10 | 31-Aug-21 | The Company announced its results for the twelve months ended 30 June 2021 (FY21), as summarised below:<br>- Strong growth in new members of 331,390, up 64% vs pcp<br>- Active members at 272,837, up 38% vs pcp<br>- Average lifetime of active members grew to 6.0 years, up from 5.1 years as disclosed in the Prospectus, driving member lifetime value of active members to A$500 on a reported basis<br>- Underlying TTV of A$351 million, up 49% vs pcp<br>- Underlying revenue of A$20.1 million, up 54% vs pcp |
| 11 | 22-Oct-21 | The announcement of the Bid Implementation Deed. |

*Source: ASX announcements; S&P Global*

The monthly share price performance of Cashrewards since December 2020 and the weekly share price performance of Cashrewards over the last 16 weeks is summarised below.

| Cashrewards Limited | Share Price | | | Average |
|---|---|---|---|---|
| | High | Low | Close | weekly volume |
| | $ | $ | $ | 000' |
| **Month ended** | | | | |
| Dec 2020 | 2.200 | 1.680 | 1.800 | 2,723 |
| Jan 2021 | 1.800 | 1.650 | 1.660 | 495 |
| Feb 2021 | 1.790 | 1.640 | 1.710 | 621 |
| Mar 2021 | 1.710 | 1.150 | 1.160 | 644 |
| Apr 2021 | 1.395 | 1.150 | 1.240 | 258 |
| May 2021 | 1.250 | 0.920 | 1.000 | 430 |
| Jun 2021 | 1.010 | 0.660 | 0.720 | 740 |
| Jul 2021 | 1.175 | 0.750 | 0.930 | 1,216 |
| Aug 2021 | 0.925 | 0.760 | 0.805 | 378 |
| Sep 2021 | 0.990 | 0.720 | 0.870 | 932 |
| | | | | |
| **Week ended** | | | | |
| 25 Jun 2021 | 0.820 | 0.730 | 0.730 | 799 |
| 2 Jul 2021 | 1.150 | 0.700 | 1.120 | 2,414 |
| 9 Jul 2021 | 1.175 | 0.980 | 1.035 | 1,717 |
| 16 Jul 2021 | 1.050 | 0.970 | 1.000 | 1,099 |
| 23 Jul 2021 | 0.995 | 0.920 | 0.940 | 370 |
| 30 Jul 2021 | 1.000 | 0.880 | 0.930 | 545 |
| 6 Aug 2021 | 0.925 | 0.830 | 0.850 | 524 |
| 13 Aug 2021 | 0.870 | 0.760 | 0.790 | 451 |
| 20 Aug 2021 | 0.840 | 0.765 | 0.785 | 410 |
| 27 Aug 2021 | 0.840 | 0.780 | 0.825 | 152 |
| 3 Sep 2021 | 0.880 | 0.795 | 0.843 | 563 |
| 10 Sep 2021 | 0.855 | 0.750 | 0.780 | 806 |
| 17 Sep 2021 | 0.990 | 0.720 | 0.950 | 1,992 |
| 24 Sep 2021 | 0.945 | 0.850 | 0.920 | 519 |
| 1 Oct 2021 | 0.920 | 0.860 | 0.880 | 357 |
| 8 Oct 2021 | 0.890 | 0.810 | 0.860 | 199 |

*Sources: GTCF analysis, S&P Global*

### 4.5.2 Top shareholders

We have set out below the top 10 shareholders of Cashrewards as at 22 October 2021.

| Top 10 Shareholders | No. of shares | % of shareholding |
|---|---|---|
| Eventive Pty Limited | 18,166,854 | 23.0% |
| 1835i Ventures Trusco III Pty Ltd | 14,975,285 | 19.0% |
| Dempsey Capital Pty Limited | 7,097,396 | 9.0% |
| M&S Skyleisure Pty Limited | 5,102,730 | 6.5% |
| Molbek Pty Limited | 2,551,365 | 3.2% |
| BNP Paribas Nominees Pty Ltd | 1,274,201 | 1.6% |
| Iain Skelton | 988,163 | 1.3% |
| Gaea Group Pty Ltd | 960,961 | 1.2% |
| HSBC Custody Nominees | 841,506 | 1.1% |
| First Trustee Company (NZ) | 743,190 | 0.9% |
| **Total top 10 shareholders** | **52,701,651** | **66.9%** |
| Remaining shareholders | 26,115,636 | 33.1% |
| **Total shareholding** | **78,817,287** | **100.0%** |

*Source: S&P Global*

# 5 Valuation methodologies

## 5.1 Introduction

As discussed in Section 2, our fairness assessment involves comparing the Offer Price with the fair market value of CRW on a control basis.

Grant Thornton Corporate Finance has assessed the value of CRW using the concept of fair market value. Fair market value is commonly defined as:

*“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”*

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

## 5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow and the estimated realisable value of any surplus assets (“DCF Method”).
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets (“FME Method”).
- Amount available for distribution to security holders in an orderly realisation of assets (“NAV Method”).
- Quoted price for listed securities, when there is a liquid and active market (“Quoted Security Price Method”).
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG 111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

## 5.3 Selected valuation methods

In our assessment of the fair value of CRW we have relied on the following valuation methodologies as outlined below:

- *Revenue Multiple* – Grant Thornton has selected the Revenue Multiple method to assess the fair market value of CRW. Whilst revenue multiples are widely used to benchmark the value of high growth companies, we note that, generally, businesses are more often valued with reference to an earnings multiple as earnings are considered the best proxy for measuring a company's underlying financial performance and can be readily benchmarked against other comparable companies. However, the following factors in our view make a revenue multiple approach the most appropriate to assess the fair market value of CRW:

  - Revenue multiple is a frequently used valuation metric for companies like Cashrewards and its peers, which exhibit high levels of growth and high rates of reinvestment in marketing and sales.

  - CRW and our selected peers have limited history of generating positive earnings and reports high variability in operating margins. The value of businesses displaying these characteristics is predominantly driven by their growth potential and capacity to increase market share, as opposed to short term earnings, cash flow generation and dividend distributions.

- *Desktop DCF Method* – We have undertaken a cross check utilising the DCF Method. Grant Thornton Corporate Finance has built a valuation model ("GT Model") based on the cash flow projections prepared by Management and benchmarked assumptions (where appropriate) with publicly available information.

- *Quoted Security Price Method* – The Quoted Security Price Method is based on the Efficient Market Hypothesis, which assumes that the share price at any point in time reflects all publicly available information and will change when new information becomes publicly available. We note that in the absence of a takeover or other share offer, the trading share price represents the value at which minority shareholders could realise their portfolio investment.

# 6 Valuation assessment of CRW

## 6.1 Revenue Multiple

We have undertaken our valuation assessment having regard to both the actual FY21 and Management's internal budgeted FY22 revenue. Whilst for businesses like CRW, investors place a greater reliance on forecast multiples and revenue growth rates, however given the current macroeconomic environment, volatility in the financial markets and varying depth of analyst coverage for the listed peers, the reliability of the FY22 estimates may be affected. As a result, we have also considered it appropriate to rely on FY21 actual results in our valuation assessment.

Our valuation assessment under the Revenue Multiple is summarised below.

| Valuation summary | *Section* | FY22 Basis | | FY21 Basis | |
|---|---|---|---|---|---|
| A$000 unless stated otherwise | *Reference* | Low | High | Low | High |
| Adopted revenue | *Section 6.1.1* | 35,000 | 37,000 | 22,080 | 22,080 |
| Assessed Revenue Multiple | *Section 6.1.2, 6.1.3* | 2.50x | 3.00x | 4.50x | 5.00x |
| Assessed Enterpise value of CRW on a 100% basis | | 87,500 | 111,000 | 99,360 | 110,400 |
| Less: Dilution from funding requirements | *Note 1, Section 6.1.4* | (9,225) | (5,964) | (9,225) | (5,964) |
| Less: Fair value of Options & Performance Rights | *Section 6.1.5* | (1,675) | (1,675) | (1,675) | (1,675) |
| **Equity value of CRW** | | **76,600** | **103,361** | **88,460** | **102,761** |
| Number of shares outstanding | *Section 4* | 78,817 | 78,817 | 78,817 | 78,817 |
| **Fair value per CRW Share on a fully diluted basis** | | **0.972** | **1.311** | **1.122** | **1.304** |

*Source: GTCF analysis*
*Notes: (1) The dilution has been calculated net of the cash and cash equivalents as at 30 September 2021.*

As set out below, in assessing our valuation range, we have had regard to the minimum and maximum value points observed in conjunction with the Revenue Multiple approach. Whilst the resulting value range is wide, we are of the opinion that this reflects the early stage nature of the operations of CRW, the uncertainty in relation to the pace of future growth and the volatility in the valuation of growth stocks recently experienced by financial markets.

| Valuation assessment summary | *Section* | | |
|---|---|---|---|
| A$ per CRW Share | *Reference* | Low | High |
| Revenue Multiple Method - FY22 Basis | *Section 6.1* | 0.972 | 1.311 |
| Revenue Multiple Method - FY21 Basis | *Section 6.1* | 1.122 | 1.304 |
| **Assessed fair market value per share (control basis)** | | **0.972** | **1.311** |

*Source: GTCF Calculations*

### 6.1.1 Revenue assessment

In relation to the estimate for FY22 revenue, we have set out below the most recent broker estimates for CRW.

| Consensus Broker estimates | | Actual | Forecast | | |
|---|---|---|---|---|---|
| A$000 unless stated otherwise | Date of Issue | FY21 | FY22 | FY23 | FY24 |
| Broker 1 | 1-Sep-21 | 22,080 | 37,100 | 66,300 | 99,900 |
| Broker 2 | 1-Sep-21 | 22,080 | 35,000 | 56,100 | 87,200 |
| Broker 3 | 16-Sep-21 | 22,080 | 34,900 | 62,600 | 94,400 |
| **Average** | | **22,080** | **35,667** | **61,667** | **93,833** |
| **Median** | | **22,080** | **35,000** | **62,600** | **94,400** |

*Source: Broker Reports*

The FY22 revenue included in Management's internal projections provided to Grant Thornton is broadly in line with the Broker estimates range set out above. In order to test the reasonableness of this growth assumption, we have benchmarked below the expected year-on-year growth rates in the revenue for the BNPL companies (which we consider the most relevant peers group as discussed in the next section) based on broker forecasts.

| Forecast revenue growth rate - Median estimates | Historical | Forecast | | |
|---|---|---|---|---|
| | FY21 | FY22 | FY23 | FY24 |
| Afterpay Limited | 75.4% | 71.6% | 60.6% | 44.2% |
| Laybuy Group Holdings Limited | 137.7% | 94.0% | 61.1% | 45.0% |
| Openpay Group Ltd | 44.6% | 153.2% | 71.9% | -3.0% |
| Splitit Payments Ltd | 101.9% | 104.4% | 110.1% | NA |
| Sezzle Inc. | 106.2% | 46.4% | 36.5% | 33.5% |
| Zip Co Limited | 148.1% | 69.7% | 43.5% | 28.7% |
| **Average** | **102.3%** | **89.9%** | **63.9%** | **29.7%** |
| **Median** | **104.1%** | **82.8%** | **60.8%** | **33.5%** |

*Source: Broker Reports*

As set out above, the FY22 revenue growth rate of CRW implied in the brokers' estimate does not appear unreasonable when compared with the BNPL group. In Grant Thornton's review of the internal budget up to October 2021, we recognise that the performance has been impacted by recent lockdowns and is marginally behind budget. Accordingly for the purpose of our valuation assessment, we have adopted FY22 revenue of between A$35 million and A$37 million which is consistent with Grant Thornton's analysis outlined in section 6.1.1 and FY21 revenue of A$22.1 million which is in line with the FY21 audited accounts.

### 6.1.2 Trading multiples

There is no publicly listed cashback company in Australia that can be considered highly comparable to Cashrewards. For the purpose of our analysis, we have considered a wide range of companies belonging to the following categories – BNPLs, Ecommerce, Online marketplaces, Classifieds and Payment Solutions. Refer to Appendix F for the companies considered in each category.

To determine the most appropriate and comparable categories, we have considered the following:

- The target market these companies operate in and their product offering.

- The type of revenue model, ARPUs, CACs, and other aspects of customer economics[46].

- The cash burn[47] rate to support expected growth and the funding availabilities[48].

- Other factors such as number of merchants, gross/net merchant fees, level of bad debts and others.

Based on the above, for the purpose of our valuation assessment, we have mainly relied on selected listed peers from the BNPL cohorts which, similar to CRW, target merchants from fast moving retail, generate similar ARPUs and offer a performance-based revenue model to merchants which is ultimately adopted to promote a similar product offering. Further, similar to CRW, most of the BNPLs are yet to be profitable as they have significant funding requirements and spend large resources to promote their platform and brand to attract and retain new customers.

We have also considered to a lesser extent Ecommerce businesses which are affected by a similar thematic; however their business model is different as they sell goods on their platforms rather than operate as a link between the merchants and the customers. Similarly to BNPLs and CRW, Ecommerce companies require to invest heavily to grow their own customer base and the real value of these companies is based on the customer lifetime value i.e. the total cash flows received from the customer over their life on the platform.

We do not consider the remaining categories to be comparable due to the following:

- Whilst most online marketplaces and Classifieds have a similar fee-based model to CRW and BNPLs, they are different in terms of the frequency of purchase, the markets they service and have different underlying drivers for members and merchants compared to typical BNPLs.

- Payment Solutions & Global Cashback have similar fee-based models, however, unlike BNPLs and CRW they do not have to incur significant marketing costs to attract the clients but rather invest heavily in the underlying technology infrastructure. These companies can scale up relatively quickly by targeting large payment providers such Google Pay, Union Pay and others whereas CRW, BNPLs and Ecommerce companies will have to target multiple retailers and merchants to help scale up the platform. Further, depending on the complexity of the underlying technology, these companies may experience higher levels of customer entrenchment whereas BNPLs and CRW will be required to continue incentivising its members until they can realise the benefits of the network effect[49].

Throughout the remainder of this section, we have therefore focused on the BNPL and Ecommerce companies to assess the Revenue Multiple applicable to CRW. The relevant multiples are summarised below (refer to Appendix F for the multiples of the other cohorts considered).

[46] Customer economics is the comparison of the average revenue from customers and the costs (expected marketing spend) to acquire these customers.
[47] This refers to the operating and investing cash flow losses that are being incurred by companies due to a variety of reasons such as scale of the platform, level of competition and others.
[48] The mix between debt and equity to finance future growth of the business. This is particularly relevant in volatile bond yield environment and its impact on growth stocks such as BNPLs and CRW.
[49] A network effect is realised when the two components of the system i.e. merchants and members drive each others growth. A large platform that has achieved scale induces merchants to promote and provide offers on the platform, which in turn attracts more members. Further, more members means newer merchants are incentivised to participate and engage with the platform.

| Company | Country | Market Cap A$ millions | EV/Revenues FY21 Actual / Projected | EV/Revenues FY22 Projected | KPIs as at 30-Jun-21 TTV / GMV | Merchants | Active customers (000s) | Gross merchant margin | Net merchant margin | Forecast 3-year Revenue CAGR | ARPU |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cashrewards Limited[2] | Australia | | | | 351 | 1,700 | 260 | 6.1% | 1.0% | 62.3% | 73 |
| **Australian and New Zealand BNPL** | | | | | | | | | | | |
| Laybuy Group Holdings Limited | New Zealand | 116 | 4.2x | 2.2x | 589 | 9,126 | 756 | 5.3% | 1.8% | 65.4% | 42 |
| Openpay Group Ltd | Australia | 166 | 8.3x | 4.0x | 340 | 3,800 | 514 | 7.6% | 0.6% | 61.6% | 51 |
| Splitit Payments Ltd | United States | 160 | 16.0x | 8.7x | 479 | 2,800 | N/d | 3.2% | 2.8% | NA | N/d |
| **Average** | | | **9.5x** | **5.0x** | **469** | **5,242** | **635** | **5.4%** | **1.7%** | **63.5%** | **46** |
| **Median** | | | **8.3x** | **4.0x** | **479** | **3,800** | **635** | **5.3%** | **1.8%** | **63.5%** | **46** |
| **Larger BNPL excluded from the analysis** | | | | | | | | | | | |
| Afterpay Limited[3] | Australia | 28,038 | 35.1x | 20.5x | 22,400 | 98,200 | 16,000 | 3.9% | 2.1% | 58.8% | 82 |
| Sezzle Inc. | United States | 1,000 | 6.4x | 4.2x | 2,184 | 40,274 | 2,884 | 5.9% | 2.1% | 37.5% | 32 |
| Zip Co Limited | Australia | 3,498 | 10.0x | 5.9x | 5,800 | 51,300 | 7,300 | 7.0% | 3.5% | 46.3% | 55 |
| **E-commerce** | | | | | | | | | | | |
| Adore Beauty Group Limited | Australia | 461 | 2.6x | 2.2x | | | 818 | | | 17.5% | 219 |
| Booktopia Group Limited | Australia | 299 | 1.3x | 1.1x | | | 1,800 | | | 20.5% | 127 |
| Kogan.com Ltd | Australia | 990 | 1.4x | 1.2x | | | 3,971 | | | 9.8% | N/d |
| Temple & Webster Group Ltd | Australia | 1,361 | 4.2x | 3.1x | | | 778 | | | 30.4% | 426 |
| **Average** | | | **2.4x** | **1.9x** | | | **1,842** | | | **19.5%** | **257** |
| **Median** | | | **2.0x** | **1.7x** | | | **1,309** | | | **19.0%** | **219** |
| **Low - All** | | | **1.3x** | **1.1x** | **340** | **2,800** | **514** | **3.2%** | **0.6%** | **9.8%** | **42** |
| **Average - All** | | | **5.4x** | **3.2x** | **469** | **5,242** | **1,440** | **5.4%** | **1.7%** | **34.2%** | **173** |
| **Median - All** | | | **4.2x** | **2.2x** | **479** | **3,800** | **798** | **5.3%** | **1.8%** | **25.4%** | **127** |
| **High - All** | | | **16.0x** | **8.7x** | **589** | **9,126** | **3,971** | **7.6%** | **2.8%** | **65.4%** | **426** |

*Sources: S&P Global, GTCF Analysis, Management*
*Notes: (1) Revenue multiples as at 8 November 2021; (2) Enterprise Value (EV) = Market capitalisation + Gross debt + Non-controlling interests. (3) Forecast trading multiples are based on the median of broker consensus estimates. (4) Laybuy has 31 March year end. Accordingly the FY21 EV/Revenue for Laybuy is derived from audited revenue for the year ending 31 March 2021.*

*Buy-Now-Pay-Later*

In a typical BNPL business model, when members make a purchase, a BNPL provider pays the merchants 100% of the transaction value and the members repay the transaction value to the BNPL provider in the short term in weekly / monthly instalments on an interest-free basis. The merchant receives their total sales value less the BNPL commission (varying between 2% and 5%) with the risk of bad debts borne by the BNPL provider. In this respect, BNPLs can be considered similar to CRW, which also represents a platform used by merchants to increase sales.

Whilst the market positioning and service offering of BNPLs and CRW is similar, the cash flow life cycle differs. When Merchants complete a sale through the Cashrewards platform, the merchants receive 100% of the transaction value directly from the customer and pay[50] Cashrewards the commission as agreed between the Merchant and the Company. Cashrewards then passes on the majority of the commission (currently 83%[51]) to its Members in the form of cashback. Whilst the cashback is available to the members in their CRW accounts, they often do not withdraw or utilise this balance immediately. The cashback withdrawable by Members but accrued in their CRW accounts plus the cashback accrued but not yet withdrawable[52] represent the Member Liabilities for the Company. Given Member Liabilities are withdrawable on demand, Cashrewards is required to maintain sufficient cash balance to be able to meet them when they fall due. In the CRW business model, the cash available on the balance sheet should be considered working capital rather than surplus and distributable. Further the assets light balance sheet of

[50] For completeness, the merchants pay Cashrewards after the minimum return period (being the period during which customer can return the goods) lapses. In case of travel, this period is longer (often after the members' travel commences) as members may cancel their travel plans.
[51] This represents the reported cashback as per the FY21 Investor Presentation of the Company.
[52] Because the sale is yet to complete.

CRW has historically prevented the Company from raising debt funding which implies the necessity to access equity funding on a regular basis to continue to grow the business.

Meanwhile, for BNPL providers, as the value of the consumer receivable book grows, assuming no adverse changes to the proportion of bad debts, BNPL providers have the ability to recycle their capital base to achieve future growth by engaging with new and existing customers and they have historically been able to access debt secured against their receivables book. All else equal, the ability to use debt to fund operations helps increase return on equity to shareholders.

From our analysis, we have excluded large BNPL players such as Afterpay, ZipCo and Sezzle as they have a large market share in Australia and have a strong presence in global markets. Among the other BNPLs, we have considered Laybuy and Openpay as relatively more comparable as discussed below.

*Laybuy*

Laybuy is a New Zealand-based BNPL provider with a growing presence in the United Kingdom. The FY21 GMV[53] was equally shared between the UK and Australia plus NZ. It listed on the ASX in August 2020 by raising A$80 million. Laybuy's gross commission[54] (5.3%) and net commission[55] (1.8%) can be considered comparable to CRW's reported gross commission (5.9%[56]) and net commission (c. 1.0%). Similarly to CRW, since the IPO, it has materially increased the marketing expenditure, increased from NZ$4.1 million in FY20 to NZ$12.2 million in FY21 with FTEs almost double in FY21.

From a cash burn perspective, Laybuy incurred free cash flow losses[57] of NZ$5.5 million[58] in FY19; NZ$22.7 million[59] in FY20 and NZ$49.8 million[60] in FY21. To finance these losses and the growth of the business, the company recently negotiated new debt facilities. As at 30 September 2021, it had total debt facilities of NZ$88.4 million with an undrawn limit of NZ$11.5 million and the earliest maturity date for the facilities is July 2023. We have also considered Laybuy's current ratio which is c. 2.5 times[61] suggesting that there is no short-term liquidity challenges and that there is sufficient headroom in the debt facilities to finance future growth.

Similar to other BNPLs and CRW, Laybuy has experienced a downward trend in its share price and revenue multiple which has been driven by the broader macroeconomic conditions and a general investment shift from growth to value stocks as set out in the graph below[62].

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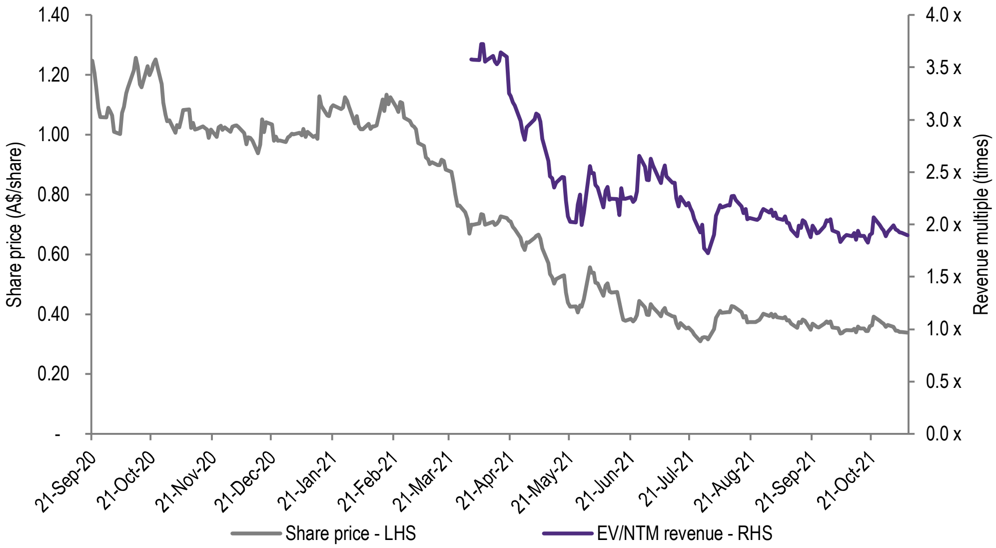
53 Gross Merchandise Value which represents the total amount of merchant sales made through the platform. For avoidance of doubt, this does not represent the amount of the revenue earned by Laybuy.
54 For both Laybuy and CRW, gross commission is calculated using revenue divided by TTV.
55 For both Laybuy and CRW, net commission is calculated using gross profit divided by TTV. The cost structure for these two companies is different. Whereas Laybuy's cost of sales comprises non-recoverable processing fees and bad debts, CRW's cost of sales primarily comprises the cashback that is passed onto customers. Ultimately, net merchant margin comprises the gross profit that is used to meet corporate overheads and other expenses.
56 Excluding giftcards, calculated using the disclosed revenue divided by TTV. We note that the report gross commissions (including both giftcards and travel) was c. 6.1% in FY21.
57 Calculated as the sum of the net cash lost from operating activities plus net cash lost from investing activities.
58 Based on Laybuy Prospectus.
59 Based on Laybuy Prospectus.
60 Based on FY21 Annual Report.
61 Based on financial information as at 31 March 2021. Whilst the company publishes quarterly updates, the necessary information required to calculate the current ratio is not readily available in these updates and therefore we have used the latest available information (31 March 2021) to calculate the current ratio.
62 We note that before April 2021, analysts' revenue consensus forecast were not available to prepare NTM Revenue Multiple.

**Laybuy share price since the IPO and rolling EV/ NTM[63] Revenue multiple**




*Source: S&P Global*
*Note (1): Enterprise value is calculated as Market capitalisation + gross debt*

The decline in the Revenue Multiple is largely explained by the decline in the trading price due to the shift from growth to value stocks and wider market conditions. We also note that the level of free float of Laybuy as at the Valuation Date was c. 51.5%, and it has limited analyst coverage with only two investment analysts providing reports. Between December 2020 and October 2021, c. 53.5% of total outstanding ordinary shares were traded with an average monthly volume of 5.9% of the total outstanding shares. When considering the free float shares, c. 103.5% of them were traded with an average monthly volume of 11.4% of the total free float shares. This suggests that Laybuy presents a low to medium liquidity. Whilst liquidity is low to medium, we note that the directional movement in Laybuys shares is not dissimilar to Openpay (discussed below) and the other companies in the BNPL cohort.

*Openpay*

Openpay is an Australian company listed on ASX with market capitalisation of A$166 million as at 8 November 2021. It listed on the ASX in December 2019 by raising A$50 million at an offer price of A$1.6 per share. It has operations in Australia, UK, and United States, providing its platform to merchants (B2B) and customers (B2C) in the consumer retail, automotive, healthcare and home improvement sectors. Openpay offers longer and larger customised BNPL plans up to A$20,000 and the instalments can be repaid in up to 24 months. This is relatively different product offering as it provides BNPL services in respect of relatively non-discretionary expenses (such as healthcare and auto payments) which cannot be offered under the typical ‘payment-in-4’ offering that is available by most BNPLs. Unlike other BNPLs which only offer B2C services, Openpay also offers B2B services.

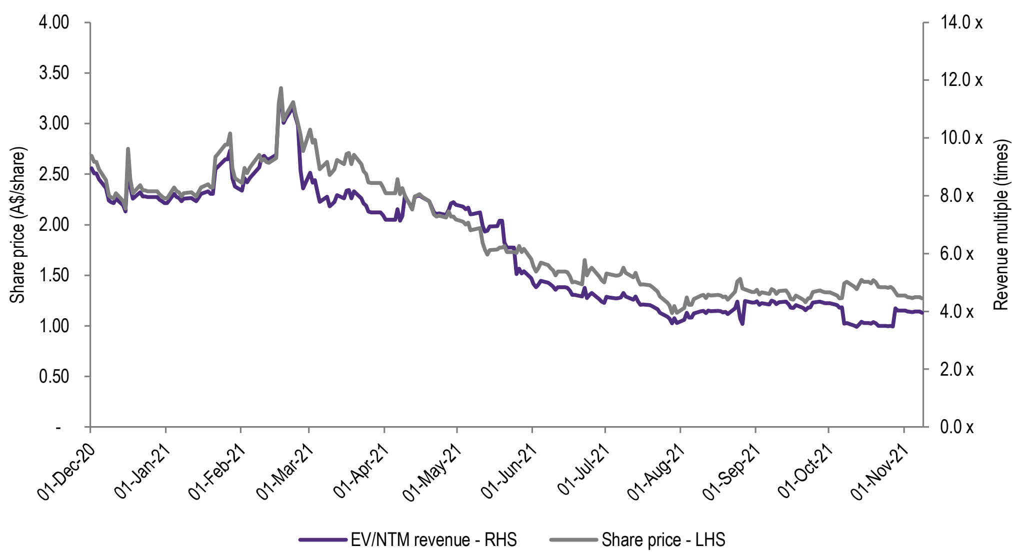
[63] When comparing multiples over long periods, we have used last twelve months (“LTM”) revenue to calculate a trailing / historical multiple. To calculate a forward multiple, we have used next twelve months (“NTM”).

Openpay has one of the highest merchant gross margin (7.6%[64]) when compared to CRW's (5.9%[65]) and whilst Openpay's net merchant margin[66] is among the lowest (0.6%), this is mainly driven by the change in the TTV mix towards retail sales, where competition is high and therefore impacts Openpay's ability to realise higher margins. Historically the net merchant margin has been higher (FY19 – 4.3%, FY20 – 2.5%). Another factor contributing to the lower merchant margin has been net transaction loss (bad debts) which has increased from 1.2% in FY19 to 2.3% in FY21 mainly due to its early stage operations in the UK. The company has reported an improvement to 1.7%[67] net margin for the month of July 2021.

In relation to the historical cash burn and funding requirements, Openpay incurred free cash flow losses[68] in FY19 of A$19.6 million[69]; in FY20 of A$59.5 million[70]; and in FY21 of A$70.4 million[71]. The company had total funds available of A$214 million as at 30 June 2021 to fund future growth comprising of existing cash and undrawn debt facilities. Further, in October 2021, it secured an additional US$271.4 million worth of debt facilities from Goldman Sachs and Atalaya Capital Management to support its US expansion. As at 30 June 2021, the company had a current ratio of 3.5 times.

We have also set out below the rolling NTM revenue multiple of Openpay.

**Rolling NTM revenue multiples since December 2020**




*Source: S&P Global*
*Note (1): Enterprise value is calculated as Market capitalisation + gross debt*

We note that the EV/NTM revenue multiples increased in March 2021 when the company announced its strategic partnership with Officeworks, and the multiples have been trending downwards since then. The stock is covered by two brokers and the level of free float as at 8 November 2021 was c. 61%. Between December 2020 and October 2021, c. 138.6% of total outstanding ordinary shares were traded with an average monthly volume of 14.3% of the total outstanding shares. When considering the free float shares,

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64 For both Openpay and CRW, gross merchant margin is calculated using revenue divided by TTV.
65 Underlying gross merchant margin, excluding giftcards sales. The reported gross merchant margin is c. 6.1%.
66 For both Openpay and CRW, net merchant margin is calculated using gross profit divided by TTV. Whilst the cost structure for Openpay is different
67 For Q1FY22, this was 1.3%.
68 Calculated as the sum of the net cash lost from operating activities plus net cash lost from investing activities.
69 Openpay Prospectus.
70 Openpay FY21 Investor Presentation.
71 Ibid.

c. 241.6% of which were traded with an average monthly volume of 25.0% of the total free float shares. This suggests that Openpay has medium to high liquidity.

Given Openpay's wider geographic coverage, differentiated product offering and large funding available to grow the business in particular in the US, we would expect the multiple be higher than Cashrewards.

*Splitit*

Splitit is a US-based company listed on ASX with market capitalisation of circa A$160 million as at 8 November 2021. Splitit works as an intermediate technology layer between a merchant's platform and its existing payment gateway, being an e-service that runs payment transactions for a merchant. Splitit operates within the payments framework which is established by banks, credit card providers, and payment processors. Though Splitit is now trying to engage with customers directly to increase the volume and sales, historically the company did not directly engage with the end-customers, instead, the growth of the company is heavily dependent on the partnerships, which currently include Google Pay, Visa, Mastercard, and Stripe. We have placed limited reliance on Splitit due to its different geographical coverage, significantly larger size of total addressable markets (being both e-commerce and credit card market), and business model.

*Ecommerce*

Ecommerce companies have a different business model from BNPLs and CRW as they usually stock goods (or may drop-ship[72] them) of various wholesalers and the revenue earned is the sale price of the goods rather than being commissioned based; however their businesses are affected by similar macro-trends impacting BNPL and CRW. Similarly, they also expect significant revenue growth rates as set out in the table below:

| Y-o-y revenue growth<br>% unless stated otherwise | Actual / Forecast<br>FY21 | Forecast<br>FY22 | FY23 | FY24 | 3-year /2-year CAGR |
|---|---|---|---|---|---|
| Cashrewards Limited | 29.2% | 58.5% | 78.9% | 50.8% | |
| Adore Beauty Group Limited | 48.0% | 17.2% | 41.2% | 38.5% | 18.8% |
| Booktopia Group Limited | 35.1% | 25.5% | 52.9% | 39.4% | 17.3% |
| Kogan.com Ltd | 56.8% | 9.5% | 18.7% | 20.7% | 56.7% |
| Temple & Webster Group Ltd | 85.1% | 35.3% | 74.1% | 62.9% | 17.5% |
| **Low** | **35.1%** | **9.5%** | **18.7%** | **20.7%** | **17.3%** |
| **Average** | **83.9%** | **77.2%** | **148.3%** | **73.3%** | **48.8%** |
| **Median** | **80.2%** | **70.7%** | **121.6%** | **66.8%** | **51.5%** |
| **High** | **148.1%** | **202.7%** | **335.0%** | **133.6%** | **107.2%** |

*Source: S&P Global; GTCF analysis*

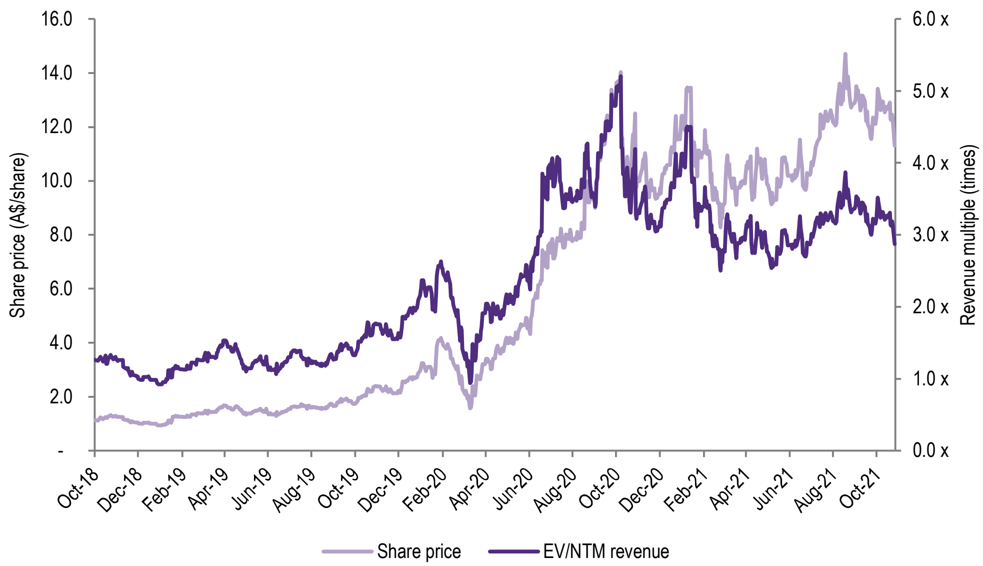
Notwithstanding similar growth rates, we note that CRW has similar customer acquisition economics to these companies. For instance, Adore Beauty's LTV / CAC ratio[73] for a typical cohort of customers is 1.5 times in year 1. For CRW FY21 LTV / CAC is 1.1 times[74] which can be considered comparable to Adore

[72] Under the drop ship model, goods are directly delivered from the manufacturer to the retailer or customer.
[73] A higher LTV / CAC suggests that for every dollar spent in acquiring the customer (which is the CAC), the customer spends more dollars on the platform (which is represented by the LTV). Over time, the CAC is expected to reduce as customers will keep returning to the platform whilst spending will increase as new products are added to the platform.
[74] Calculated as FY21 Cohort ARPU of A$48 divided by CAC of A$43. A$43 is calculated as total marketing spend of A$11.6 million divided by total active customers of 273,000.

Beauty's Year 1 LTV/CAC of 1.5 times. LTV/CAC is a typical indicator for online retail companies, calculated using ARPU divided by CAC. Kogan reported that it managed to recover advertising cost on new customers in the first year of the new customer's life. Given the comparable forecast revenue growth rates, comparable LTV/CAC ratio and general industry thematic, we have relied on the Ecommerce companies to provide directional support to our valuation assessment.

Among the E-commerce cohort, Temple & Webster is trading at a significant higher revenue multiple which has been driven by strong tailwinds due to demand for home improvements since the outbreak of COVID-19 as set out in the graph below.

**Rolling EV/NTM multiple**




*Source: S&P Global*
*Note (1): Enterprise value is calculated as Market capitalisation + gross debt*

Notwithstanding these differences, like BNPLs and CRW, companies in this category are impacted by current trends in retail spending and online penetration and accordingly, we have considered the Ecommerce companies to provide directional evidence for the Revenue Multiple applicable to CRW.

### 6.1.3 Transaction multiples

We have set out below the transaction multiples observed in recent transactions:

| Transactions analysis | | Target | | Bidder | | Deal Value | | Deal Value | Implied |
|---|---|---|---|---|---|---|---|---|---|
| Date | Status | Company | Country | Company | Stake (%) | m | Revenue | (A$m) | EV/Revenue |
| 7-Oct-21 | Completed | ShopBack[1] | Singapore | Various parties | Nd | 300 - 500 | Nd | 411 - 685 | Nd |
| 3-May-21 | Pending | Acesso Solucoes de Pagamentos SA[2] | Brazil | Meliuz S.A. | 100% | 324.5 | 53.6 | 77.9 | 6.1x |
| 13-Apr-21 | Completed | Bridg Inc[3] | United States | Cardlytics Inc | 100% | 350.0 | Nd | 458.5 | Nd |
| 1-Mar-21 | Pending | DOSH Holdings Inc | United States | Cardlytics Inc | 100% | 275.0 | Nd | 354.8 | Nd |
| 26-Feb-21 | Pending | Picodi.com SA[4] | Brazil | Meliuz S.A. | 51% | 120.0 | 30.0 | 27.6 | 4.0x |
| 12-Jan-21 | Completed | Refunder AB[5] | Sweden | Top Online Partners Group Limited | Nd | 200.0 | 69.0 | 32.0 | 2.9x |
| 08-Jan-21 | Pending | Shoop Germany GmbH | Germany | CupoNation GmbH | Nd | Nd | Nd | Nd | Nd |
| 16-Dec-19 | Completed | iGraal SA | France | CupoNation GmbH | 100% | 123.5 | 40.0 | 200.1 | 3.1x |
| 20-Nov-19 | Completed | Honey Science Corporation[6] | United States | PayPal Holdings Inc | 100% | 4000.0 | 200.0 | 5480.0 | 20.0x |
| 09-Sep-14 | Completed | Ebates inc | United States | Rakuten Group Inc | 100% | 1000.0 | 167.4 | 1090.0 | 6.0x |
| **Average (excl. Honey)** | | | | | | | | | **4.4x** |
| **Median (excl. Honey)** | | | | | | | | | **4.0x** |

*Source: Publicly available information, GTCF analysis*
*Note (1): ShopBack's latest funding round in March 2020 saw USD 40m raised from Temasek, East Ventures, EDBI, Indies Capital, and January Capital, bringing total equity raised to around USD 153m Revenue multiple has been calculated by taking revenue of BRL 53.6m in 2020 (2) Deal value excludes two potential earnouts of around USD 100m and USD 300m (4) Revenue multiple has been calculated based on revenue of BRL 30m over the period from December 2019 to November 2020 (5) Revenue multiple has been calculated based on revenue of SEK 69m in 2019. Under the terms of the deal, TOPG will initially take a large stake in Refunder and will gradually take over 100% of the business by 2024. (5) Revenue multiple has been calculated by taking implied revenue of USD 200m (Honey had revenue of USD 100m in 2018 which was reportedly growing at 100%)*

In relation to the above, we note the following:

- The transaction set includes transactions that are significantly larger than CRW.
- Majority of the transactions are in geographic markets that have a higher level of internet penetration than Australia.
- The multiples are based on the historical revenue.
- Details of the relevant revenue multiples for most of the transactions are not available.

*Conclusion on the Revenue Multiples*

In summary, we have adopted a FY22 revenue multiple between 2.5x and 3.0x and an historical FY21 revenue multiple between 4.5x and 5.0x based on the following:

- They are substantially in line with the revenue multiples of Laybuy once a premium for control is taken into account.
- It is at a discount to the revenue multiples for Openpay given the global opportunities available to Openpay, its current funding available and recent foray into US markets.
- It is substantially in line with the FY22 Ecommerce cohort Revenue Multiple once a premium for control is taken into account.

### 6.1.4 Funding Dilution

As set out in the Appendix 4C released by CRW on 29 October 2021, the Company's cash balance will only be sufficient to fund operations for c. 3 months[75] and accordingly, in the absence of the Takeover Offer, CRW will be required to raise capital in the short term. In our valuation assessment, we have

[75] According to the Appendix 4C, the Company reported that it had a cash balance for c. 1.1 quarters only.

separately considered the funding requirements of CRW which in our opinion are not fully captured in the multiples of the listed peers. Specifically, we note the following:

- BNPL and Ecommerce companies that have been used in our valuation assessment have a current ratio which is well above CRW's current ratio as set out in the table below. A higher current ratio indicates a stronger short-term solvency position as companies with current assets exceeding current liabilities will be in a position to meet any unforeseen liabilities without impacting their long-term future.

| Summary of the current ratios<br>A$ million unless stated otherwise | Cash | Current assets | Current liabilities | Current ratio (times) |
|---|---|---|---|---|
| Cashrewards Limited | 26.1 | 33.4 | 20.3 | 1.6 |
| Laybuy Group Holdings Limited | 15.5 | 57.6 | 23.2 | 2.5 |
| Openpay Group Ltd | 52.1 | 114.7 | 33.0 | 3.5 |
| Splitit Payments Ltd | 92.8 | 147.4 | 38.0 | 3.9 |
| Adore Beauty Group Limited | 29.0 | 47.7 | 21.0 | 2.3 |
| Booktopia Group Limited | 12.0 | 32.8 | 34.3 | 1.0 |
| Kogan.com Ltd | 91.7 | 329.2 | 163.1 | 2.0 |
| Temple & Webster Group Ltd | 97.5 | 124.2 | 58.6 | 2.1 |

*Source: Publicly available information, Company annual reports*
*Note (1) Booktopia has a relatively low current ratio. However, c. A$11 million of its current liabilities comprises contract liabilities in respect of books for which income has been received but the performance obligation of the company is pending; (2) Temple & Webster completed a capital raising during the year as a result of which the cash balance is high. (3) For the purposes of this analysis, we have used the Cashrewards 30 June 2021 financial information as there is no balance sheet available as at 30 September 2021. (4) We have used the Annual report for each of the companies as the quarterly updates do not have the necessary information to calculate the current ratios.*

- Unlike BNPL and Ecommerce companies, CRW does not have a receivable book or inventory on its balance sheet which can be used as collateral to raise debt and accordingly historically CRW's growth has been driven by equity funding. We have set out in the table below a comparison between the available funding (existing cash plus drawn[76] and undrawn debt facilities) for CRW and the selected comparable companies.

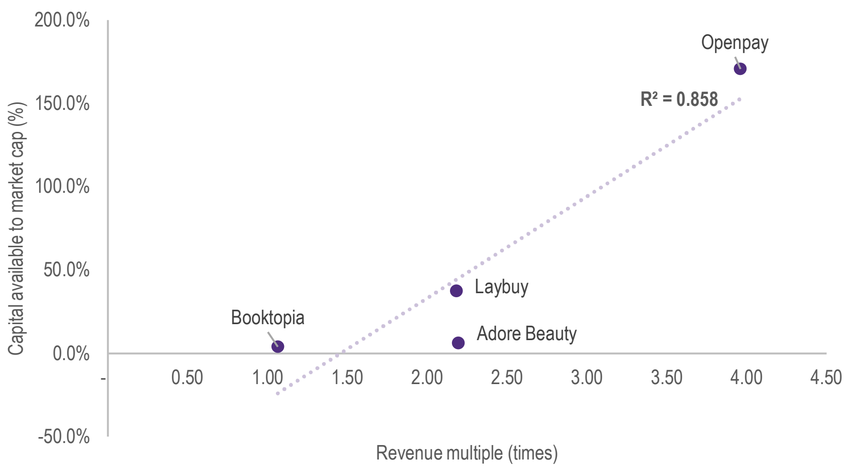
| Summary of total available capital<br>A$ million unless stated otherwise | Reference | Cash | Undrawn debt | Drawn debt | Available capital |
|---|---|---|---|---|---|
| Cashrewards Limited | *Note 1* | 12.6 | - | | 12.6 |
| Laybuy Group Holdings Limited | *Note 2* | 14.7 | 17.8 | 10.9 | 43.4 |
| Openpay Group Ltd | *Note 3* | 34.4 | 185.0 | 64.0 | 283.4 |
| Splitit Payments Ltd | *Note 4* | | | | - |
| Adore Beauty Group Limited | | 29.0 | - | - | 29.0 |
| Booktopia Group Limited | | 12.0 | - | - | 12.0 |
| Kogan.com Ltd | | 91.7 | 11.4 | 78.7 | 181.8 |
| Temple & Webster Group Ltd | | 97.5 | - | - | 97.5 |

*Source: Publicly available information and company annual reports*
*Note (1): The Cashrewards balance is as at 30 September 2021 and does not take into account cash and cash equivalents required to be set aside to service the Member Liabilities. (2) Laybuy Group Holdings total available capital has been converted from NZ$ to A$ using an exchange rate of 0.95. (3) We have converted Openpay's undrawn UK debt facilities using an exchange rate of A$:UK Pound of 1.82. (4) We have used Splitit's latest reported total liquidity number. (5) The cash and or debt facilities are based on latest available information and may defer from the cash and cash equivalents that have been used in the calculation of the current ratio earlier in this section.*

[76] Whilst the drawn debt is technically not available, given the short turnaround of 4-weeks for typical BNPLs, we have included drawn debt facilities as part of total available capital for expansion.

We have considered the correlation between the amount of capital available as a proportion of market capitalisation for some of the above companies[77] and the FY22 revenue multiple and observe there is a strong correlation between these metrics suggesting that well capitalised companies are well positioned to take advantage of future growth and therefore will trade at higher revenue multiples.

### Correlation between Capital availability and revenue multiple




*Source: GTCF Calculations*

Whilst there are number of alternative funding structures that could be adopted by CRW to raise equity, based on discussions with Management and the advisers and our review of the current circumstances of CRW, we are of the opinion that a rights issue would be the most likely structure. Rights issue involves offering the shares to existing shareholders; however we note that there is no guarantee that ANZ, Mr Andrew Clarke, Alium Capital Management Pty Ltd and M&S Skyleisure Pty Ltd, who collectively own c. 58.3% of the issued capital, will participate into the rights issue.

Given the size of the business, the current shareholder structure[78], the urgency of the funding requirements and the limited alternatives available, we are of the opinion that a rights issue for CRW is likely to occur at a significant discount to the trading prices prevailing before the announcement of the Takeover Offer. We have set out below the recent rights issues undertaken by BNPLs and the discounts to the trading prices.

| Discount to capital raising | | Discount | |
|---|---|---|---|
| % unless stated otherwise | Date | Spot | 5-day |
| Laybuy Group Holdings Limited | 19-May-21 | 26.5% | 26.0% |
| Openpay Group Ltd | 31-Mar-21 | 15.8% | 19.9% |
| Sezzle Inc. | 10-Jul-20 | 28.1% | 10.0% |
| Kogan.com Ltd | 08-Jul-20 | 7.5% | NA |
| Temple & Webster Group Ltd | 01-Jul-20 | 9.7% | 6.4% |

*Source: Publicly available information, Company Investor Presentations*

[77] Only for those companies in a growth phase with limited scale similar to CRW which will require greater access to capital.
[78] Given the existence of large shareholders and the exclusivity provisions of ANZ Cashrewards Max, the Company may find it challenging to attract another investor on the books and any such attempts may only be successful provided it offers a steep discount to the trading price, which will be highly dilutive to existing shareholders.

Based on the benchmark above, we have assumed that a theoretical right issue price may occur at a discount between 15% and 25% to the trading prices before the announcement of the Takeover Offer. Based on the above, in our valuation assessment, we have considered the dilution to existing shareholders from CRW's immediate funding requirements which we have calculated based on the difference between a theoretical rights issue price and the trading prices before the announcement of the Takeover Offer.

In determining the amount of capital to be raised, we have considered the following:

- *FY22 cash burn* – In the assessment of the expected cashburn, we have considered the GT Model, consensus broker estimates and discussions with Management and its advisers. The cash burn based on median broker estimates is set out in the table below:

| Cashburn based on broker estimates<br>A$000 unless stated otherwise | | Date | Cashburn<br>FY22 |
|---|---|---|---|
| Broker 1 | | 1-Sep-21 | 39,800 |
| Broker 2 | | 1-Sep-21 | 29,000 |
| Broker 3 | | 16-Sep-21 | 34,000 |
| **Average** | | | **34,267** |
| **Median** | | | **34,000** |
| **Selected Cashburn range (rounded)** | **35,000** | **to** | **40,000** |

*Source: Broker reports*
*Note (1): The cashburn has been calculated as the sum of the net cash flows loss from operating activities and net cash flows loss from investing activities.*

- *Growth in Members Liabilities* – As a result of the expected growth in FY22 revenue (and therefore cashback), there will be an increase in the Member Liabilities which is required to be funded with an increase in the cash balance which is estimated in the table below having regard to our assessed FY22 Revenue and the historical Member Liabilities as a percentage of historical revenue.

| Incremental Member Liabilities<br>A$000 unless stated otherwise | 30-Jun-20 | 30-Jun-21 | 30-Sep-21 | Low | High |
|---|---|---|---|---|---|
| Revenue | 17,112 | 22,080 | | 35,000 | 37,000 |
| Member liabilities | 5,629 | 9,140 | | | |
| Member Provisions | 2,723 | 4,863 | | | |
| Total Member Liabilities | 8,352 | 14,003 | 14,400 | 19,640 | 20,762 |
| As a percentage of revenue (%) | 49% | 63% | | | |
| **Average** | **56%** | | | | |
| Selected proportion (based on average) | | | | 56% | 56% |
| **Incremental Member Liabilities** | | | | **5,240** | **6,362** |

*Source: GTCF Calculations*

- The existing cash balance of A$12.6 million which is based on the latest Appendix 4C lodged by the Company with ASX.

Based on the above, we have estimated that the Company has a short term cash requirement of between A$28 million and A$34 million as set out in the table below.

| Incremental deficit to be funded<br>A$000 unless stated otherwise | Low | High |
|---|---|---|
| Cash burn | (35,000) | (40,000) |
| Incremental member liabilities and provisions | (5,240) | (6,362) |
| Cash and cash equivalents at reporting date | 12,566 | 12,566 |
| **Incremental deficit to be funded** | **(27,674)** | **(33,796)** |

*Source: GTCF Calculations*

Based on the assumptions above, we have estimated the dilution to be suffered from existing shareholders as a result of a theoretical rights issue to be between A$6 million and A$9 million which we have separately accounted for in our valuation assessment.

We have also set out below additional sensitivities on the level of dilution in conjunction with different rights issue discounts.

| Dilution sensitivities - Low | | | | | | | GT Selected | | |
|---|---|---|---|---|---|---|---|---|---|
| | 10.0% | 12.5% | 15.0% | 17.5% | 20.0% | 22.5% | 25.0% | 27.5% | 30.0% |
| Dilution adjustment (A$000) | 3,075 | 3,953 | 4,884 | 5,870 | 6,918 | 8,034 | 9,225 | 10,497 | 11,860 |
| Dilution sensitivities - High | | | GT Selected | | | | | | |
| | 10.0% | 12.5% | 15.0% | 17.5% | 20.0% | 22.5% | 25.0% | 27.5% | 30.0% |
| Dilution adjustment (A$000) | 3,755 | 4,828 | 5,964 | 7,169 | 8,449 | 9,812 | 11,265 | 12,819 | 14,484 |

*Source: GTCF Calculations*

Shareholders should also note that if the Takeover Offer does not proceed, CRW's trading price may trade below its trading price before the announcement, at least in the short-term, which may affect the rights issue discount which may be exacerbated if the major shareholders decide not to participate into the rights issue.

### 6.1.5 Options & Performance Rights payout

The following table summarises the fair value of the Options & Performance Rights adopted in our valuation assessment.

| Summary of Options and Performance Rights | Number of securities | Value (A$) |
|---|---|---|
| Options | 9,997,362 | 1,303,194 |
| Performance Rights (excluding FY22 LTIP) | 327,966 | 372,242 |
| Performance Rights - FY22 LTIP | 2,430,276 | - |
| **Total** | **12,755,604** | **1,675,436** |

*Source: GTCF Calculations, Bid Implementation Deed; CRW Management*

We have summarised below the assumptions adopted in our valuation assessment of the Options and Performance Rights:

- All out-of-the-money Options are assumed to lapse and accordingly no value has been attributed to them.
- The value of all in-the-money options has been estimated as the difference between the exercise price and the Offer Price.

- The vesting of all the Performance outside the FY22 Performance Rights is accelerated so they will participate into the Takeover Offer and receive the Offer Price.

- The FY22 Performance Rights, which are in the process of being issued, will be treated in accordance with the Target Statement. Given limited time has lapsed since the FY22 Performance Rights have been granted and the future terms are not known at this point in time, we have not attributed any value to them in our valuation assessment.

## 6.2 DCF Method

### 6.2.1 GT Model

For the purpose of our cross-check valuation assessment of CRW using the DCF Method, Grant Thornton Corporate Finance was provided with Management's internal projections ("Internal Projections") up to FY25 which we have used as a starting point and we have extended to FY29 to allow the business to achieve a level of steady state before calculating the terminal value ("GT Model"). Prior to using the Internal Projections for the purpose of our valuation assessment, Grant Thornton Corporate Finance has undertaken a critical review and consideration of the following:

- Historical financial performance of Cashrewards.

- Market updates from investment analysts who cover Cashrewards historical and expected performance and the industry as a whole.

- Key performance indicators of comparable listed peers such as BNPLs and Ecommerce companies.

- Key industry risks, growth prospects and general economic outlook.

Whilst Grant Thornton Corporate Finance believes the assumptions underlying the GT Model are reasonable and appropriate to be adopted for the purpose of our valuation, we have not disclosed them in our IER as they contain commercially sensitive information and they do not meet the requirements for presentation of prospective financial information as set out in ASIC Regulatory Guide 170 "Prospective Financial Information".

As part of our procedures, we have undertaken a critical analysis of the FY22 Budget and other cash flow underlying the Internal Projections before integrating them into the GT Model and relying on them for the purpose of our valuation assessment. Specifically, we have:

- Conducted high-level checks, including limited procedures in relation to the mathematical accuracy of the Internal Projections.

- Where appropriate, performed a broad review, critical analysis and benchmarking with the historical performance of CRW and current trends in the industry.

- Held discussions and interviews with Management of the Company and its advisor to discuss the Internal Projections and the key underlying assumptions.

- Where appropriate, reviewed and benchmarked revenue growth rates, earnings margins and key performance indicators with listed peers.

The assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are subject to uncertainty and there is scope for differences of opinion, such that the value of CRW could vary materially based on changes to certain key assumptions.

In our assessment of CRW based on the DCF, we have considered alternative assumptions that may be applied in respect of some aspects of the cash flows which have been discussed below.

### 6.2.2 Key valuation assumptions

*Total Revenue*

For FY21, CRW reported a revenue of c. A$22.1 million[79]. In the GT Model, revenue is projected to grow at double-digit annual growth rates up to FY25. Beyond FY25, the growth is tapered until a normalised growth rate of 3% is adopted for the terminal year. We have set out below the historical and forecast year-on-year growth rates observed for the BNPL and Ecommerce listed peers in order to assess the reasonableness of the revenue growth assumptions for CRW.

| Y-o-y revenue growth | Actual / Forecast | Forecast | | | |
|---|---|---|---|---|---|
| % unless stated otherwise | FY21 | FY22 | FY23 | FY24 | 3-year /2-year CAGR |
| Afterpay Limited | 75.4% | 71.6% | 175.6% | 131.6% | 58.4% |
| Laybuy Group Holdings Limited | 137.7% | 94.0% | 212.6% | 133.6% | 65.5% |
| Openpay Group Ltd | 44.6% | 153.2% | 335.0% | 66.8% | 61.6% |
| Splitit Payments Ltd | 101.9% | 202.7% | 329.4% | NA | 107.2% |
| Sezzle Inc. | 106.2% | 93.2% | 99.7% | 81.8% | 38.6% |
| Zip Co Limited | 148.1% | 69.7% | 143.5% | 84.6% | 46.3% |
| Adore Beauty Group Limited | 48.0% | 17.2% | 41.2% | 38.5% | 18.8% |
| Booktopia Group Limited | 35.1% | 25.5% | 52.9% | 39.4% | 17.3% |
| Kogan.com Ltd | 56.8% | 9.5% | 18.7% | 20.7% | 56.7% |
| Temple & Webster Group Ltd | 85.1% | 35.3% | 74.1% | 62.9% | 17.5% |
| **Low** | **35.1%** | **9.5%** | **18.7%** | **20.7%** | **17.3%** |
| **Average** | **83.9%** | **77.2%** | **148.3%** | **73.3%** | **48.8%** |
| **Median** | **80.2%** | **70.7%** | **121.6%** | **66.8%** | **51.5%** |
| **High** | **148.1%** | **202.7%** | **335.0%** | **133.6%** | **107.2%** |

*Source: S&P Global*
*Note (1): Splitit Payments Ltd does not have forecasts up to FY24 and accordingly we have set out a two year CAGR from FY21 to FY23.*

Based on the above, the revenue growth adopted in the GT Model is broadly in line and supported by the growth rates observed across the comparable companies.

The Company plans to achieve this growth through an increase in its marketing spend to attract new customers but above all via an increased take-up of the ANZ Cashrewards Max program. The program

[79] This includes revenue from travel and gift card and represents the reported revenue.

provides the Company with a platform to accelerate its member base at a significantly low CAC[80] and by partnering with a large organisation such ANZ, the Company expects to increase brand awareness.

Between the date of the announcement of the partnership and FY23, the Company expects to add at least 500,000 ANZ customers to the CRW platform which represent c. 11% of the total ANZ Cardholders and accordingly appears a conservative estimate. The program is also expected to generate benefits in merchant proposition possibly resulting in higher merchant engagement and therefore higher customer lifetime value as merchants are expected to provide better offers through the platform.

The partnership with ANZ not only provides access to ANZ Cardholders but also ANZ Internet users[81]. This also represents an opportunity to develop an omni-channel card-linked offer program[82] that will create further opportunities for members and merchants to engage with the platform thereby increasing the Company's revenue.

ANZ has also agreed to assist in attracting members to the platform by displaying website banner advertising and by sending personalised direct mails. At the same time, Cashrewards is required to provide a minimum number of offers to members of the ANZ Cashrewards Max program at pre-determined intervals and ensuring that Cashrewards Max members do not receive offers that are less attractive than other offers on the platform.

A partnership with ANZ is likely to increase the appeal for Cashrewards as a viable rewards program for other big platforms. Whilst the exclusivity provisions are in place, successful delivery and engagement of the Cashrewards Max program is expected to promote brand awareness and become a potential platform for longer term relationships (with ANZ or other partners).

Some of the other assumptions underlying the total revenue projections are discussed below:

- Over time, Management expect shopping frequency across its member base to increase from the FY21 reported frequency rate of 16.7[83] times per annum. With the platform achieving scale and market awareness and the members becoming familiar with the benefits of the business model, the frequency of purchases made through the platform is expected to increase. Based on the FY21 Investor Presentation, the shopping frequency of one of the older cohorts of customers (FY15) is c. 21.2 times. Further, Laybuy in its prospectus reported an increase in order frequency for its FY17 cohort of customers from c. 9 times per annum in December 2017 to c. 15.9 times per annum in June 2020.

- The ARPU is also expected to trend upwards from the FY21 reported ARPU of c. A$84 per order in the Internal Projections. This is supported by the ARPU for the older cohorts being in excess of A$100.

Based on the above, we consider the key assumptions underlying revenue to be supported based on historical financial information and the benchmark undertaken.

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[80] The CAC is lower as ANZ has agreed to reimburse the Company for a portion of the marketing expense. This has already been received by the Company between June 2021 and September 2021.
[81] ANZ Internet users are those that use ANZ Bank or ANZ payment gateways.
[82] An omni-channel card-linked offer program is one where a credit or debit card that is linked to the Cashrewards platform can be used online or in-store which provides benefits to members
[83] 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. Including FY21 members, the reported frequency would be 13 times. All numbers are reported metrics unless stated otherwise.

Recognising the importance of scale and growth in revenue, we have also considered the likely revenue growth profile based on analyst consensus for CRW ("Analyst Case"). Up to FY24, we have utilised the revenue growth rates based on the broker estimates for CRW. Thereafter the growth rate has been tapered to a normalised growth rate of 2.5%. This scenario implies a slower ramp-up and a lower absolute revenue at the end of the period covered by the GT Model.

*Cashback*

For FY21, CRW reported a cashback of 83%. In the GT Model, based on discussions with Management and a review of the Internal Projections, the cashback reduces from 83% to a lower level which is considered maintainable by Management in the long term.. This is based on the assumption that as the platform grows and achieves scale, Cashrewards will be able to reduce the cashbacks without risking to lose members as merchants will be incentivised to provide competitive and attractive offers through the platform. However, we note that CRW faces competition from BNPL and other service providers as a means for merchants to obtain new customers. In particular, the BNPL sector has experienced strong growth and a number of new players have entered the market, intensifying the existing competition. Recognising this risk, we have considered an additional scenario ("Base Case + High Cashback Case") wherein the cashback has been increased by 2.5% compared to the Base Case to take into account this higher competition.

As part of the Analyst Case Scenario, given the revenues are lower than in the Base Case, we have considered analyst forecasts of cashback up to FY24 and thereafter a marginally lower cashback which is in line with the median estimates published by the analysts for FY24.

*Operating expenses*

For FY21, the total operating expenses were A$30 million with salaries and wages (A$12.2 million) and marketing and design costs (A$11.6 million) being the biggest contributors. Staff costs are projected to increase in line with revenue projections over the medium term to achieve improvements in product, technology, client service and general operations as the scale of the business increases. As at 30 June 2021, the Company had a 127 FTEs and the Company is expected to add more roles as it looks to scale up the platform. In respect of the marketing costs, Management expect marketing costs to increase to support the growth in TTV and Active Members which will be realised through an investment in various forms of media to promote the brand. As a result of this, the CPA[85] is expected to increase on a per member basis across the Internal Projections. As the Company achieves scale, we expect the CPA to normalise beyond FY25. A lower CPA is expected to be achieved given the likely contribution towards the marketing budget from ANZ.

To test the reasonableness of the operating cost assumptions adopted in the Internal Projections, we have compared the salaries and marketing expenses as a proportion of revenue in FY25 with the similar benchmark for the peers which is set out in the table below:

[85] Cost per acquisition is defined as the marketing cost divided by the total new members. CAC is defined as the total marketing cost divded by the new active members.

| Operating expenses as a % of revenue | Salaries & Wages | | Marketing expense | |
|---|---|---|---|---|
| % unless stated otherwise | FY20 | FY21 | FY20 | FY21 |
| Afterpay Limited | 17.1% | 16.6% | 14.0% | 18.5% |
| Laybuy Group Holdings Limited | 33.6% | 31.9% | 29.9% | 37.4% |
| Openpay Group Ltd | 25.1% | 39.5% | 22.4% | 46.4% |
| Splitit Payments Ltd | NM | NM | 68.8% | 56.7% |
| Sezzle Inc. | 52.2% | 59.6% | 7.3% | 7.3% |
| Zip Co Limited | 27.5% | 24.2% | 5.9% | 17.7% |
| Adore Beauty Group Limited | 9.4% | 10.2% | 11.6% | 12.9% |
| Booktopia Group Limited | 12.3% | 12.8% | 5.9% | 4.6% |
| Kogan.com Ltd | 4.0% | 7.6% | 6.9% | 8.8% |
| Temple & Webster Group Ltd | 10.2% | 8.2% | 11.9% | 13.0% |
| **Low** | **4.0%** | **7.6%** | **5.9%** | **4.6%** |
| **Average** | **21.3%** | **23.4%** | **18.5%** | **22.3%** |
| **Median** | **17.1%** | **16.6%** | **11.8%** | **15.3%** |
| **High** | **52.2%** | **59.6%** | **68.8%** | **56.7%** |
| **Salaries and wages as a % of revenue - FY25** | | **19.90%** | | |
| **Marketing expenses as a % of revenue - FY25** | | | | **4.5%** |

*Source: Publicly available information, GTCF analysis*

Although larger than CRW, it should be noted that the above companies are at different stages of their business cycle and have not necessarily achieved scale and therefore the benchmarking can only be used as a guide. The salaries and wages as a proportion of revenue in FY25 (19.9%) is broadly in line with the median and average for the peers between FY20 and FY21. Similarly, the marketing expenses (4.5%) is close to the low-end of the range observed for the peers between FY20 and FY21 which seems reasonable as several of the peers group are still in the growth phase.

*Other assumptions*

- *Tax rate:* We have assumed tax at the corporate tax rate of 30%[86].

- *Working capital:* As the member base grows, the Member Liabilities are assumed to continue to grow in line with revenue. Whilst this creates a positive impact on the cash flows as the Company has a negative working capital which continues to rise, at the same time, the Company is required to increase its cash balance as the Member Liabilities are withdrawable on demand.

- *Capital expenditure:* To support the growth in member base, the Internal Projections include growth in capital expenditure up to FY25. Thereafter, capital expenditure between A$7 million and A$10 million has been included in the GT Model which does not seem unreasonable when compared with the listed peers.

[86] Whilst the Company is currently eligible for lower tax rate of 25% given the ramp-up in revenue included in the Internal Projections and the revenue in the terminal year, we consider it appropriate to adopt a 30% tax rate.

| Summary of capital expenditure<br>A$000 unless stated otherwise | Reference | Information as at | Revenue | Capital expenditure |
|---|---|---|---|---|
| Laybuy Group Holdings Limited | *Note 1* | 31-Mar-21 | 29,324 | 112 |
| Openpay Group Ltd | | 30-Jun-21 | 26,300 | 330 |
| Splitit Payments Ltd | | 31-Dec-20 | 11,000 | NA |
| Adore Beauty Group Limited | | 30-Jun-21 | 179,277 | 1,600 |
| Booktopia Group Limited | | 30-Jun-21 | 223,886 | 8,909 |
| Kogan.com Ltd | | 30-Jun-21 | 780,742 | 4,729 |
| Temple & Webster Group Ltd | | 30-Jun-21 | 326,344 | 1,078 |
| **Capital expenditure over the discrete forecast period** | | | | **A$7,000 to A$10,000** |

*Source: Company annual reports*
*Note (1) We have converted NZ$ values into A$ using an exchange rate of 0.95.*

Capital expenditure estimates are potentially impacted by differences in accounting policy and therefore the above benchmark can only be used as a guide. Based on discussions with Management, we understand that the technology platform requires investment in order to engage and attract customers.

- *Discount rate:* We have adopted a discount rate of 11.3% to 13.8% to undertake the valuation. We have provided details in relation to the discount rate calculations in Appendix B. It should be noted that given the level of competition within the sector, the niche service offering of the business, the uncertainty on level of future consumption and the current limited funding available to the business, there are risks attached to Management internal projections which cannot be appropriately captured in the discount rate. We have therefore considered a number of scenarios to understand the possible outcomes from a valuation perspective in conjunction with beneficial or adverse changes in some of the key assumptions adopted in the Internal Projections.

- *Terminal value:* Given the near-term growth profile and continued increase in online penetration, it is likely that businesses such as CRW will experience growth above inflation even once they have achieved a steady state. Further, these companies are often valued based on the customer lifetime value (i.e. future customer value) once a customer is part of the platform rather than the existing cash flows. Accordingly, we consider it appropriate to calculate the terminal value using a revenue multiple method. In the table below, we have outlined the expected reduction in the Revenue Multiple of the listed peers as they reach scale and maturity.

| Selected companies revenue multiples | | Market Cap | EV/Revenues | | | |
|---|---|---|---|---|---|---|
| | | | FY21 Actual / | FY22 | FY23 | FY24 |
| Company | Country | A$ millions | Projected | Projected | Projected | Projected |
| **Australian and New Zealand BNPL** | | | | | | |
| Afterpay Limited[3] | Australia | 28,038 | 35.1x | 20.5x | 12.8x | 8.8x |
| Laybuy Group Holdings Limited | New Zealand | 116 | 4.2x | 2.2x | 1.4x | 0.9x |
| Openpay Group Ltd | Australia | 166 | 8.3x | 4.0x | 2.2x | 2.0x |
| Splitit Payments Ltd | United States | 160 | 16.0x | 8.7x | 4.7x | NA |
| Sezzle Inc. | United States | 1,000 | 6.4x | 4.2x | 3.3x | 2.5x |
| Zip Co Limited | Australia | 3,498 | 10.0x | 5.9x | 4.1x | 3.2x |
| **Average (excl. Afterpay and ZipCo)** | | | **8.7x** | **4.8x** | **2.9x** | **1.8x** |
| **Median (excl. Afterpay and ZipCo)** | | | **7.4x** | **4.1x** | **2.7x** | **2.0x** |
| **E-commerce** | | | | | | |
| Adore Beauty Group Limited | Australia | 461 | 2.6x | 2.2x | 1.8x | 1.6x |
| Booktopia Group Limited | Australia | 299 | 1.3x | 1.1x | 0.9x | 0.8x |
| Kogan.com Ltd | Australia | 990 | 1.4x | 1.2x | 1.1x | 1.1x |
| Temple & Webster Group Ltd | Australia | 1,361 | 4.2x | 3.1x | 2.4x | 1.9x |
| **Average** | | | **2.4x** | **1.9x** | **1.6x** | **1.3x** |
| **Median** | | | **2.0x** | **1.7x** | **1.5x** | **1.3x** |

*Source: GTCF Calculations, S&P Global*

In our assessment of the terminal value, we have adopted a Revenue Multiple of 1.2x and 1.5x (for the Analyst Case) based on the following:

- In the GT Model, the terminal value is calculated in FY29 rather than FY25 and accordingly CRW will continue to grow after the discrete period in the Internal Projections and the Revenue Multiple will continue to decrease, all other things being equal.

- The selected Revenue Multiple in the terminal value is substantially in line with Laybuy if a premium for control is taken into account and at a discount to the FY24 revenue multiple of the Ecommerce cohort and Openpay which is reasonable as set out in the discussion earlier in this section.

- *Number of shares outstanding:* We have adopted total number of shares outstanding of 78,817,288 shares outstanding. We have separately accounted for the value of the options and performance rights which is in accordance with the terms of the Bid Implementation Deed.

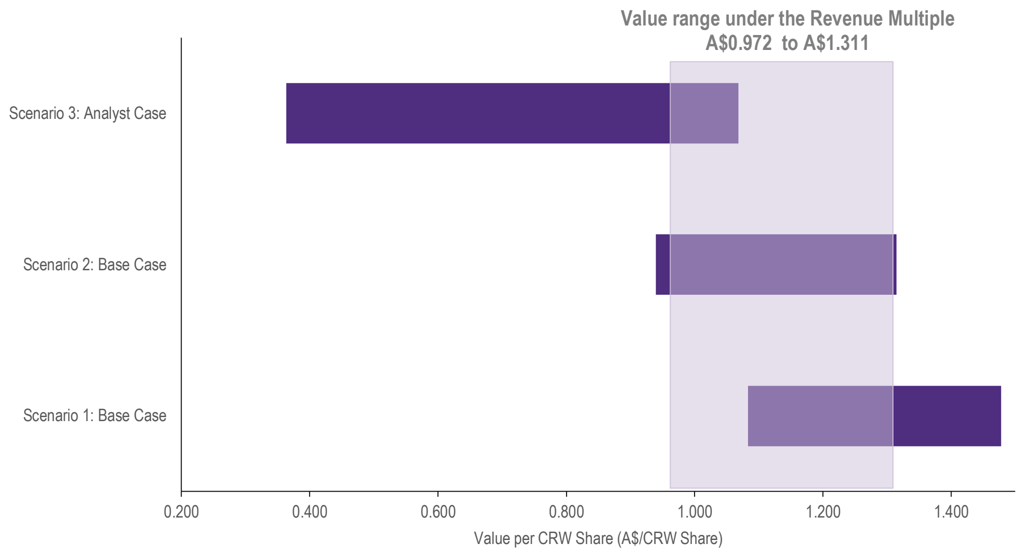
- *Options and PRs* – We have discussed the Options and PRs in section 6.1.5.

- *Dilution calculation:* Based on the calculations in section 6.1, we have adopted a dilution of between A$6 million to A$9 million for the purpose of our valuation assessment.

- *Net debt:* As part of the Bid Implementation Deed, CRW has entered into a loan agreement with the Bidder under which the Bidder has agreed to make funding of up to A$15 million available to Cashrewards for a term of 6 months, which Cashrewards may draw upon to manage its Member Liability. For the purpose of our valuation assessment, we have not considered the Loan Facility as we have separately considered future funding dilution.

### 6.2.3 Summary of values

We have set out below the summary of the values under the various scenarios.




*Source: GTCF Calculations*

Based on the above, the value range under the Revenue Multiple between A$0.972 and A$1.311 appears reasonable.

## 6.3 Quoted Security Pricing Method

In our assessment of the fair market value of CRW shares, we have also considered the trading price of the listed securities on the ASX in the period since the IPO.

The assessed value per share based on the trading price is an exercise in professional judgement that takes into consideration the depth of the market for listed securities, the volatility of the trading price, and whether or not the trading price is likely to represent the underlying value of CRW. The following sections detail the analysis undertaken in selecting the share price range.

### 6.3.1 Liquidity analysis

In accordance with the requirements of RG 111, we have analysed the liquidity of CRW Shares before relying on them for the purpose of our valuation assessment. We have set out below the trading volume from December 2020 to September 2021 as a percentage of the total shares outstanding as well as free float shares outstanding.

| Cashrewards - Liquidity analysis<br>Month end | Volume traded ('000) | Monthly VWAP ($) | Total value of shares traded ($'000) | Volume traded as % of total shares | Cumulative Volume traded as % of total shares | Volume traded as % of free float shares | Cumulative Volume traded as % of free float shares |
|---|---|---|---|---|---|---|---|
| Dec 2020 | 11,981 | 1.9467 | 23,323 | 76.0% | 76.0% | 83.5% | 83.5% |
| Jan 2021 | 1,978 | 1.7111 | 3,385 | 12.6% | 88.6% | 20.7% | 104.2% |
| Feb 2021 | 2,483 | 1.7111 | 4,248 | 15.7% | 104.3% | 26.0% | 130.1% |
| Mar 2021 | 2,963 | 1.3768 | 4,079 | 3.8% | 108.1% | 6.2% | 136.3% |
| Apr 2021 | 1,136 | 1.2442 | 1,413 | 1.4% | 109.5% | 2.4% | 138.7% |
| May 2021 | 1,807 | 1.0208 | 1,844 | 2.3% | 111.8% | 3.8% | 142.5% |
| Jun 2021 | 3,256 | 0.7892 | 2,570 | 4.1% | 115.9% | 6.8% | 149.3% |
| Jul 2021 | 5,350 | 1.0393 | 5,560 | 6.8% | 122.7% | 11.2% | 160.5% |
| Aug 2021 | 1,662 | 0.8244 | 1,370 | 2.1% | 124.8% | 3.5% | 164.0% |
| Sep 2021 | 4,099 | 0.8487 | 3,479 | 5.2% | 130.0% | 8.6% | 172.5% |
| **Min** | | | | **1.4%** | | **2.4%** | |
| **Average** | | | | **13.0%** | | **17.3%** | |
| **Median** | | | | **4.7%** | | **7.7%** | |
| **Max** | | | | **76.0%** | | **83.5%** | |

*Sources: S&P Global and GTCF Analysis*

With regard to the above analysis, we note that:

- The level of free float for CRW is low given that Andrew Clarke (founder) and ANZ Bank hold 23.0% and 19.0% respectively of the issued capital, with the top 10 shareholders holding in excess of 65% of the shares on issue.
- Between listing on the ASX in December 2020 and the announcement of entering into the Implementation Deed, only 34% of the issued capital was traded.
- The free-float shares percentage of the Company is lower than most of the other listed peers as set out in the table below.

| Liquidity analysis<br>Company | Country | Free float (%) | Average volume traded as a % of total shares | Average volume traded as a % of free float shares | Cumulative volume traded as a % of total shares | Cumulative volume traded as a % of free float shares |
|---|---|---|---|---|---|---|
| Cashrewards Limited | Australia | 33.2% | 13.0% | 17.3% | 130.0% | 172.5% |
| **BNPL** | | | | | | |
| Laybuy Group Holdings Limited | New Zealand | 51.5% | 5.9% | 11.4% | 53.5% | 103.8% |
| Openpay Group Ltd | Australia | 57.4% | 14.3% | 25.0% | 138.6% | 241.6% |
| Splitit Payments Ltd | United States | 56.3% | 14.0% | 24.8% | 126.5% | 224.5% |
| Sezzle Inc. | United States | 47.7% | 7.0% | 14.6% | 66.8% | 140.0% |
| Afterpay Limited | Australia | 75.1% | 11.8% | 15.7% | 115.3% | 153.5% |
| Zip Co Limited | Australia | 75.7% | 42.3% | 55.9% | 398.1% | 525.6% |
| **Low - BNPL** | | **47.7%** | **5.9%** | **11.4%** | **53.5%** | **103.8%** |
| **Average - BNPL** | | **60.6%** | **15.9%** | **24.6%** | **149.8%** | **231.5%** |
| **Median - BNPL** | | **56.8%** | **12.9%** | **20.2%** | **120.9%** | **189.0%** |
| **High - BNPL** | | **75.7%** | **42.3%** | **55.9%** | **398.1%** | **525.6%** |
| **eCommerce** | | | | | | |
| Adore Beauty Group Limited | Australia | 41.98% | 3.4% | 8.0% | 29.5% | 70.3% |
| Booktopia Group Limited | Australia | 34.29% | 1.7% | 4.9% | 16.9% | 49.3% |
| Kogan.com Ltd | Australia | 79.18% | 27.9% | 35.2% | 283.2% | 357.7% |
| Temple & Webster Group Ltd | Australia | 71.03% | 15.1% | 21.2% | 133.4% | 187.8% |
| **Low - eCommerce** | | | **1.7%** | **4.9%** | **16.9%** | **49.3%** |
| **Average - eCommerce** | | | **12.0%** | **17.4%** | **115.8%** | **166.3%** |
| **Median - eCommerce** | | | **9.2%** | **14.6%** | **81.5%** | **129.1%** |
| **High - eCommerce** | | | **27.9%** | **35.2%** | **283.2%** | **357.7%** |

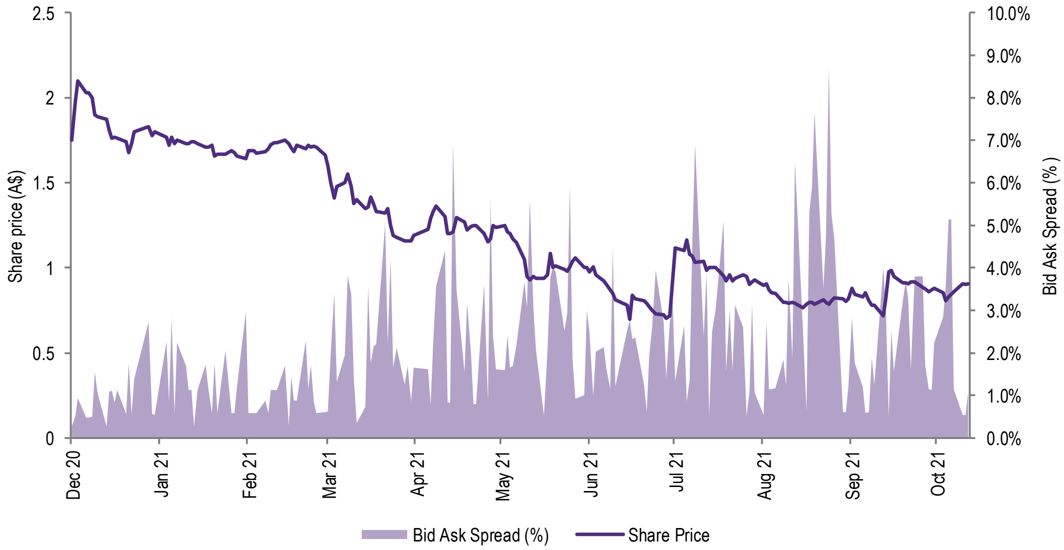
*Source: S&P Global; GTCF analysis*

- In the absence of a takeover or alternative transactions, the trading price represents the value at which minority shareholders could realise their investment.

- CRW provides regular updates to the market regarding its strategy and performance. In addition, the stock is covered by three investments' analysts which provide regular updates to investors.

- Where a company's stock is not heavily traded or is relatively illiquid, the market typically observes a difference between the 'bid' and 'ask' price for the stock as there may be a difference in opinion between the buyer and seller on the value of the stock. We have set out below the bid and ask price since listing.

**CRW – Bid/Ask Spread 2 December 2020 to 13 October 2021**




*Sources: S&P Global and GTCF Analysis*

As set out in the graph above, we note that the historical average and median bid-ask spread has been 2.0% and 1.6% respectively since December 2020 with spikes above 6% in conjunction with large movements in the trading price. In the last three months, the average bid and ask spread has increased to 2.5%.

Based on the analysis above, we conclude that there is limited liquidity in CRW's trading price and accordingly we have provided in the sections below some commercial observations in relation to the performance since IPO and comparison with the Offer Price rather than rely on the trading prices for the purpose of our valuation assessment.

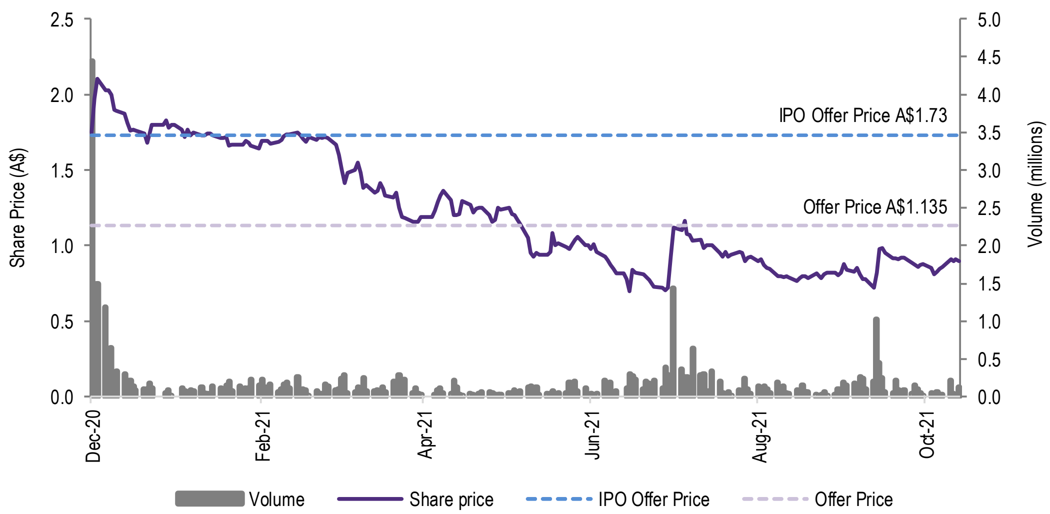
6.3.2 Analysis of the trading price

Whilst the Offer Price is at a premium to the trading price before the announcement, it represents a c. 34.4%[87] discount to the IPO Price. We have briefly discussed below the market conditions, key events and the performance of the business to understand if it reasonable for us to opine that the Takeover Offer is fair notwithstanding that the Offer Price is at such a large discount to the IPO Price.

We have analysed below CRW's share price from 2 December 2020 to 21 October 2021 compared with the Offer Price and the IPO Price.

[87] Calculated as the difference between the Offer Price of A$1.135 and the IPO Price of A$1.73.

**CRW – Historical share trading price and volume**




*Source: S&P Global, GTCF analysis*

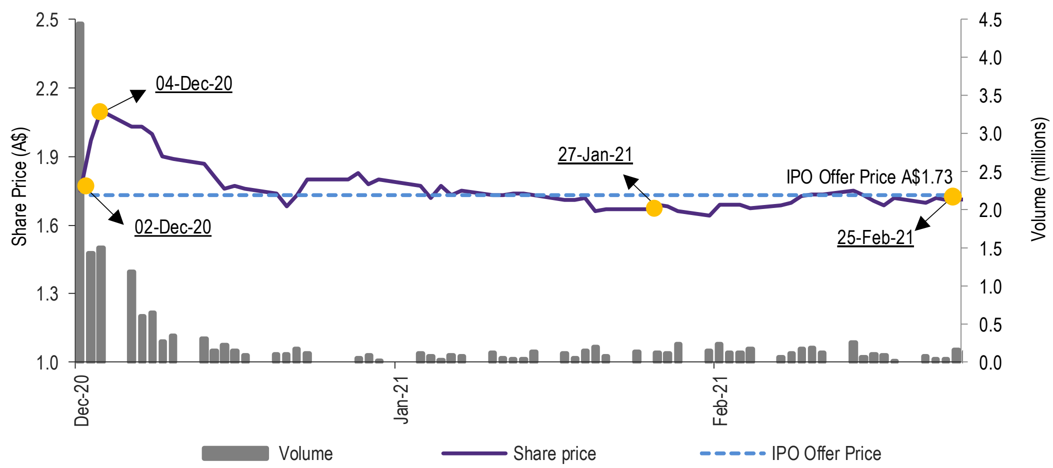
To analyse the trading price, we have divided the trading price into three distinct periods:

- From 2 December 2020 to 25 February 2021, being the date on which the Company announced its 1HFY21 results. After briefly increasing beyond the IPO Price, the share price during this period traded broadly in line with the IPO Price.
- From 26 February 2021 to 2 July 2021, being the date on which the Company announced its partnership with ANZ Banking Group to roll out Cashrewards Max. During this period, there was a material decline in the trading price due to Company-specific and macroeconomic factors.
- From 3 July 2021 to the announced of the Takeover Offer on 21 October 2021.

*2 December 2020 to 25 February 2021*

The following graph sets out the trading price between 2 December 2020 and 25 February 2021.

**CRW – Trading price and key announcements**




*Source: S&P Global, GTCF analysis*

On its debut on the ASX, the trading price opened at A$2.01 but they closed at A$1.75 per CRW Share which was broadly in line with the IPO Price. Applications for CRW Shares significantly exceeded the final raising during the IPO book build, which resulted in substantial scale back of investors.

On 4 December 2020, CRW released an announcement in relation to its Black Friday and Cyber Monday weekend[88] which stated that Black Friday was the biggest single trading day in Cashrewards history with unique shopping members up 83% (excluding gift card and travel) and transactions up 54%, compared to the prior corresponding period. Further, it indicated that the recent re-opening of the Australian internal borders was expected to positively impact domestic travel bookings. As a result of these announcements, the trading price of CRW Shares increased to A$2.10 per CRW Share.

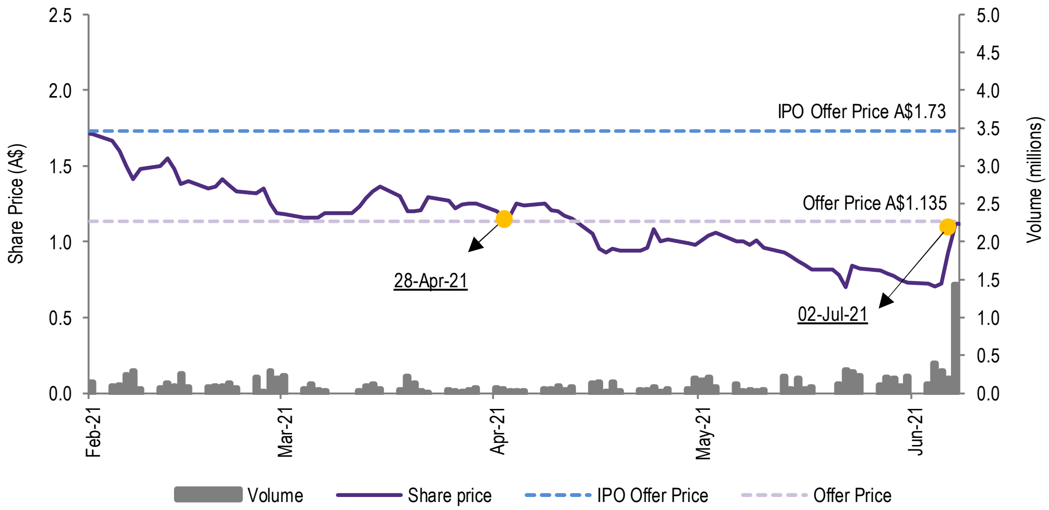
In the following period, the CRW Shares traded substantially in line with the IPO Price with the Company providing trading updates at the end of January and 1HFY21 results at the end of February with growth rates in line with expectations.

*26 February 2021 to 2 July 2021*

The following graph sets out the trading price between 26 February 2021 and 2 July 2021.

[88] Although Black Friday and Cyber Monday had been completed prior to listing, these numbers had already been taken into account in the IPO Price but had not been available until 4 December 2021 when they were released to the market

### CRW – Trading price and key announcements




*Source: S&P Global, GTCF analysis*

During this period, there was a marked reduction in the trading prices notwithstanding that CRW released a number of positive announcements as outlined below:

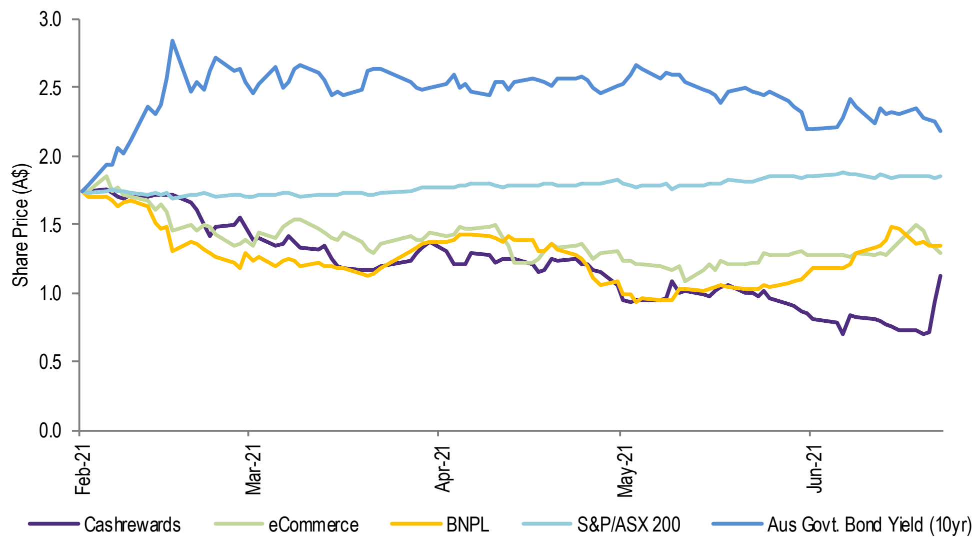
- On 28 April 2021, the Company provided its quarterly update wherein new members added during the quarter was 99% higher than pcp. The Company now expected to exceed its total member target of 1 million members.

- On 2 July 2021, the Company announced that it had entered into a strategic partnership with ANZ to roll out the Cashrewards Max program. This had a positive impact on the trading price which increased from a previous close of A$0.93 per CRW Share to A$1.12 per CRW.

Whilst the Company continued to perform in line with the markets expectations, since 11 February 2021, there has been a steady increase in the bond yields observed on the 10-year Australian Government bond yields which were well above their 3-year historical averages. This, together with positive news on the vaccine roll-out, triggered a market rotation from growth to value stocks. Value stocks usually include companies that are exposed to the economic cycle and which have historically performed well coming out of recessions. CRW is considered a growth stock.

As set out in the graph below, the impact was similar across the trading prices of comparable companies (growth stocks) and more muted on the S&P ASX 200, which largely comprises value stocks. As part of this analysis, we have reviewed the announcements released by the BNPL and marketplace cohorts during this limited period and observe that the announcements released during this period were on balance positive which indicates that the reduction in prices was driven by a general market correction rather than specific circumstances of the businesses.

### Comparable companies, bond yield and ASX 200 movement from 11 February 2021 to 2 July 2021




*Source: S&P Global; GTCF analysis*

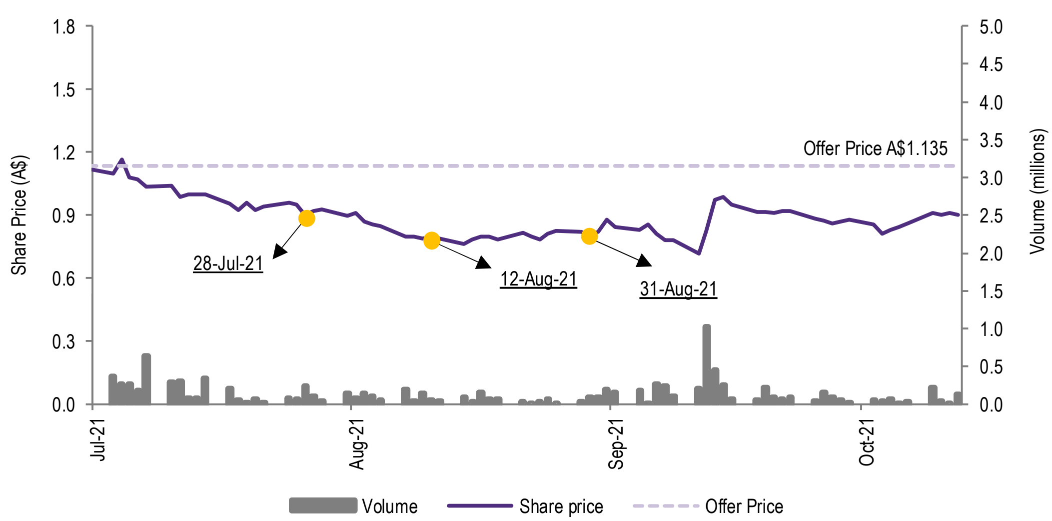
We have also considered the share price targets set by analysts and any new updates issued by analysts for the peers group during the period between 26 February 2021 and 2 July 2021 and observe that there was no adverse coverage which may have contributed to the decline in the trading price.

In spite of the Company reporting no adverse price announcements, the general market conditions in the period between 26 February 2021 and 2 July 2021 were impacted by a market rotation from growth to value stocks.

*5 July 2021 to 21 October 2021*

The following graph sets out the trading price between 3 July 2021 and 21 October 2021.

### CRW – Trading price and key announcements

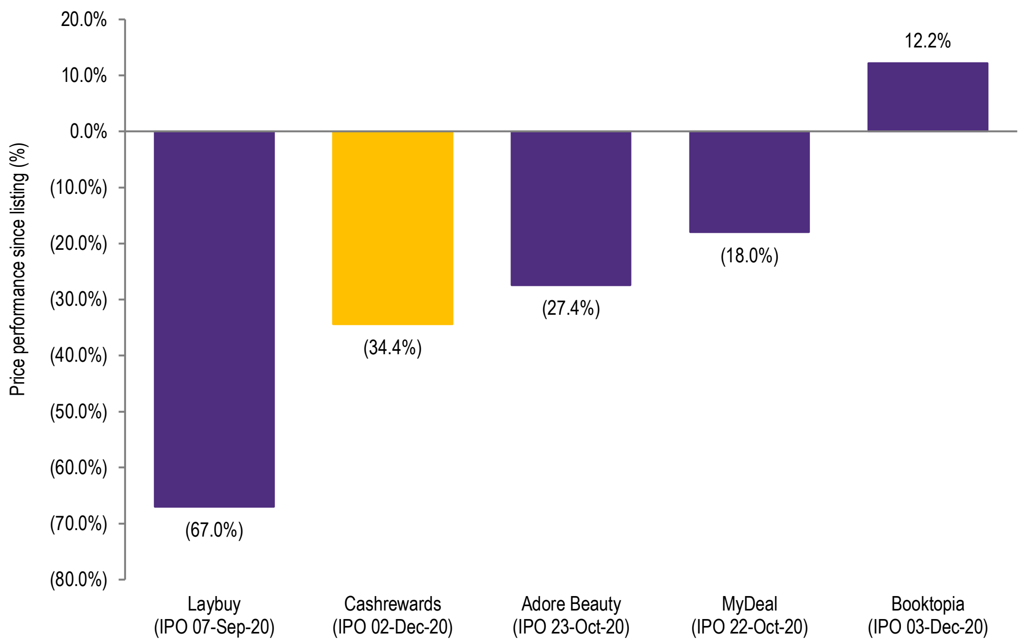



*Source: S&P Global, GTCF analysis*

The trading prices continued their decline notwithstanding that the Company continued to release positive announcement and achievements. On 28 July 2021, it announced its Q4FY21 Quarterly Activities Report where it reported 99,864 new members which was up 208% against pcp. The total members were 1.1 million and had exceeded the Company's FY21 goal of 1 million members set out in the Prospectus at the time of the IPO. The number of active members was 260,882 which was 46% higher than pcp.

At the end of this period and before entering into the Implementation Deed, CRW was trading at a significant discount to the IPO price. This was similar to broadly comparable companies (growth stocks) that listed at or around the same time as outlined in the graph below.

**Discounts to the IPO prices of companies listed between September 2020 and December 2020**

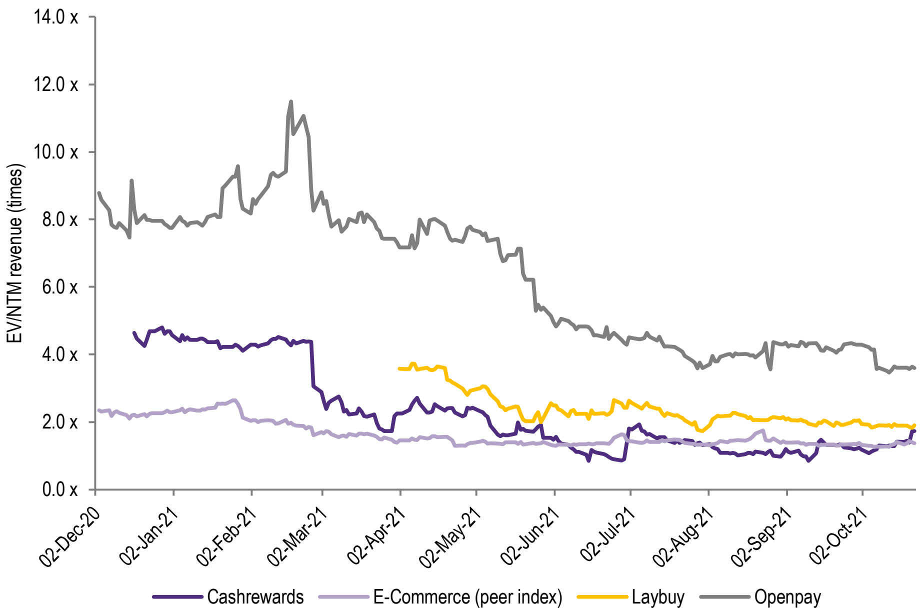



*Source: S&P Global; GTCF analysis*

We note that during this period, the Government bond yields increased materially signalling that the market was expecting a sharp pick-up of the economy coming out of recession which drove the rotation from growth to value stocks.

In line with the above thematic, the revenue multiple of CRW and growth stocks which listed on or around the same time also reduced materially as outlined in the graph below.

**NTM Revenue rolling multiple**




*Source: S&P Global, GTCF analysis*
*Note: (1) For Cashrewards and BNPL players, EV = market capitalisation + gross debt (excluding lease liabilities). As explained in section 6.1.2, we exclude Splitit from analysis due to its different geographic coverage, product offering and addressable market. (2) We have considered the CRW multiple from April 2021 as more analysts covered the stock by April 2021.*

### 6.3.3 Conclusion on the trading price analysis

Refer to the executive summary

# 7 Sources of information, disclaimer and consents

## 7.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Annual reports/consolidated accounts of CRW for FY21.
- IPO Prospectus.
- Target Statement.
- Management accounts.
- Management presentations and CFO reports.
- Management Projection Scenarios FY22 to FY25.
- Minutes of Board meetings.
- Access to other relevant documents in the Data Room.
- Transaction databases such as S&P Global Capital IQ and Mergermarket
- Industry reports provided by the Company.
- Various broker reports for the Company and for the listed peers.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of CRW and its advisers.

## 7.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This Report has been prepared to assist the Directors of CRW independent of the Bidder in advising the Company's shareholders in relation to the Offer. This Report should not be used for any other purpose. In particular, it is not intended that this Report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Offer is fair and reasonable to CRW Shareholders.

CRW has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

## 7.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Target Statement to be sent to CRW shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.

# Appendix A – Valuation methodologies

**Capitalisation of future maintainable earnings**

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses. This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

**Discounted future cash flows**

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model. Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

**Orderly realisation of assets**

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

**Market value of quoted securities**

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

**Comparable market transactions**

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction. Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

## Appendix B – Discount rate

**Introduction**

The cash flow assumptions underlying the DCF approach are on a nominal, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates for the purpose of calculating the net present value of the cash flows.

The discount rates were determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$\mathrm{WACC} = R_d \times \frac{D}{D+E} \times (1-t) + R_e \times \frac{E}{D+E}$$

Where:

- Re = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- Rd = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

*Required rate of return on equity capital*

We have used the CAPM, which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion.

Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- Rf = risk free rate
- βe = expected equity beta of the investment
- (Rm – Rf) = market risk premium

*Risk-free rate – **3.0%***

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have we have observed the yield on the 10-year Australian Government bond over several intervals from a period of 5 trading days to 15 trading years. The following table sets out the average yield on 10-year Australian Government Bond over the last 10 years.

| Australia Government Debt - 10 Year<br>as at 8 November 2021 | | Range | | Daily average |
|---|---|---|---|---|
| Previous 5 trading days | 1.76% | - | 1.90% | 1.84% |
| Previous 10 trading days | 1.76% | - | 2.10% | 1.87% |
| Previous 20 trading days | 1.63% | - | 2.10% | 1.81% |
| Previous 30 trading days | 1.49% | - | 2.10% | 1.72% |
| Previous 60 trading days | 1.05% | - | 2.10% | 1.46% |
| Previous 1 year trading | 0.77% | - | 2.10% | 1.38% |
| Previous 2 years trading | 0.60% | - | 2.10% | 1.17% |
| Previous 3 years trading | 0.60% | - | 2.77% | 1.34% |
| Previous 5 years trading | 0.60% | - | 2.99% | 1.88% |
| Previous 10 years trading | 0.60% | - | 4.44% | 2.56% |
| Previous 15 years trading | 0.60% | - | 6.79% | 3.74% |
| Previous 20 years trading | 0.60% | - | 6.79% | 4.27% |

*Source: S&P Global*

Given the current volatility in the global financial markets in conjunction with COVID-19, quantitative easing by central banks, recent changes to government bond yields, we have placed more emphasis on the average risk free rate observed over a longer period of time. Accordingly, our adopted risk-free rate of 3.0% is based on the long-term yields on Australian 10-year government bonds.

*Market risk premium* ***– 6.0%***

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest a risk premium between 5.5% and 6.0% for the Australia markets.

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6.0%.

*Equity beta –* ***0.95 to 1.05***

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity. For the purpose of the report, we would normally have regard to the observed betas (equity betas) of listed companies operating in the BNPL and E-commerce sectors. However, we note that the R-squares of the betas are generally low due to most companies being listed recently and suffered from high volatilities brought by outbreak of COVID-19. We have therefore placed limited reliance on the betas of peer companies.

| Beta analysis | | Market cap | Equity | R | Gearing | Ungeared | Regeared | Adopted |
|---|---|---|---|---|---|---|---|---|
| Company | Country | A$m | Beta | Squared | Ratio | Beta | Beta | Beta |
| Cashrewards Limited | Australia | 87 | (4.83) | 0.14 | (30.0%) | (4.83) | (5.01) | Nmf |
| Afterpay Limited | Australia | 33,889 | 2.82 | 0.33 | 2.6% | 2.77 | 2.87 | 2.87 |
| Laybuy Group Holdings Limited | New Zealand | 116 | (0.33) | 0.00 | (7.3%) | (0.33) | (0.34) | Nmf |
| Openpay Group Ltd | Australia | 166 | 2.52 | 0.25 | 1.0% | 2.50 | 2.59 | 2.59 |
| Splitit Payments Ltd | United States | 160 | 1.64 | 0.05 | (5.4%) | 1.64 | 1.70 | 1.70 |
| Sezzle Inc. | United States | 1,000 | 3.96 | 0.26 | (4.5%) | 3.96 | 4.11 | 4.11 |
| Zip Co Limited | Australia | 3,498 | 2.65 | 0.21 | 80.1% | 1.70 | 1.76 | 1.76 |
| Adore Beauty Group Limited | Australia | 461 | 1.15 | 0.09 | (5.2%) | 1.15 | 1.20 | 1.20 |
| Booktopia Group Limited | Australia | 299 | 1.74 | 0.17 | (0.2%) | 1.74 | 1.81 | 1.81 |
| Kogan.com Ltd | Australia | 990 | 0.22 | 0.00 | (4.4%) | 0.22 | 0.23 | Nmf |
| Temple & Webster Group Ltd | Australia | 1,361 | 1.38 | 0.09 | (9.2%) | 1.38 | 1.43 | 1.43 |
| **Low** | | | | | | | | **1.20** |
| **Median** | | | | | | | | **1.78** |
| **Average** | | | | | | | | **2.18** |
| **High** | | | | | | | | **4.11** |

*Source: S&P Global and GTCF calculations*
*Note (1): Equity betas are calculated using data provided by S&P Global as at 8 November 2021. The betas are based on a five-year period with monthly observations based on the local index. Betas have been ungeared based on the average gearing ratio (i.e. net debt divided by shareholders' equity based on market values). Betas have been regeared based on the assumed regearing ratio of 5%.*

We note that the industry beta[89] for retail was between 0.96 and 1.31, and for banks was between 0.71 and 1.03 as at June 2021. We categorised the market in which Cashrewards operates as retailing as it is a solution for customer's shopping experience and a marketing tool for merchants in retail industry.

It should be noted that the above betas are drawn from the actual and observed historical relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the predevelopment assets, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected companies are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred as de-gearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the de-gearing and regearing exercise:

$$\beta_e = \beta_a \left[ 1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

[89] Risk Measurement, Rozetta Institution

- βe = Equity beta
- βa = Asset beta
- t = corporate tax rate

The betas are de-geared using the average historical gearing levels of those respective companies over several years. We note that most comparable companies had net cash positions. We then re-geared based on a gearing ratio of 5% debt (see Capital Structure Section below for further discussions).

As a result, for the purposes of our valuation, we have selected a beta range of between 0.95 and 1.05 to calculate the required rate of return on equity capital. In our beta assessment we had regards to brokers and the beta of the consumer discretionary segment.

*Specific risk premium* – ***3.0% to 5.0%***

The specific risk premium represents the additional return an investor expects to receive to compensate for country, size and project related risk not reflected in the beta of observed comparable companies. We have applied a specific risk premium between 3.0% and 5.0% to reflect the risk associated with the company achieving the growth targets in terms of new customer and scale of operations.

We note that the selection of the specific risk premium involves a certain level of professional judgement and as a result, the total specific risk premium is not fully quantifiable with analytical data.

*Cost of debt* – ***5.0% - 6.0%***

For the purpose of estimating the cost of debt applicable to CRW, Grant Thornton Corporate Finance has considered the following:

- The weighted average interest rate on credit outstanding for large businesses over the last one to five years as published by the Reserve Bank of Australia.
- The historical and current cost of debt for CRW and the comparable companies.
- Expectations of the yield curve.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt between 5.0% and 6.0% on a pre-tax basis. However, we note that since CRW has nil gearing, the assumption does not impact the assessment of the WACC.

*Capital Structure*

The appropriate level of gearing that is utilised in determining WACC for a particular company should be the “target” gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- the quality and life cycle of a company;
- the quality and variability of earnings and cash flows;

- working capital;
- level of capital expenditure; and
- the risk profile of the assets.

For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a capital structure based on 5% debt and 95% equity. In determining the appropriate capital structure, we have had regard to the current capital structure of CRW with the Company having no debt outstanding but also having regard to the selected comparable companies in BNPL sectors.

*Tax rate – **30%***

For the purpose of our valuation assessment we have assumed the Australian corporate tax rate of 30%. Whilst the Company currently pays tax at 25%, given the expected ramp up in revenue, the Company is expected to pay tax at the higher rate in the outer years in the GT Model. We have therefore adopted a tax rate of 30%.

*Discount rate summary*

| WACC calculation | Low | High |
|---|---|---|
| **Cost of equity** | | |
| Risk free rate | 3.0% | 3.0% |
| Beta | 0.95 | 1.05 |
| Market risk premium | 6.0% | 6.0% |
| Specific risk premium | 3.0% | 5.0% |
| **Cost of equity** | **11.7%** | **14.3%** |
| | | |
| **Cost of debt** | | |
| Cost of debt (pre tax) | 5.0% | 6.0% |
| Tax | 30.0% | 30.0% |
| **Cost of debt (post tax)** | **3.5%** | **4.2%** |
| | | |
| **Capital structure** | | |
| Proportion of debt | 5% | 5% |
| Proportion of equity | 95% | 95% |
| | 100% | 100% |
| **WACC (post tax)** | **11.3%** | **13.8%** |

*Source: GTCF Analysis*

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## Appendix C – Comparable companies descriptions

| Company | Description |
|---|---|
| Cashrewards Limited | Cashrewards Limited, a cashback ecosystem, enables members to browse brands and offers, and receive cashback on transactions by shopping online or in-store with participating merchant partners. It operates Cashrewards app and website; and offers debit or credit card-linked offers. The company was founded in 2014 and is based in Sydney, Australia. |
| Afterpay Limited | Afterpay Limited, together with its subsidiaries, provides payments solutions to customers, merchants, and businesses. Its Afterpay Asia Pacific segment operates the Afterpay platforms in Australia, New Zealand, and Asia. The company's Afterpay North America segment operates the Afterpay platforms in the United States and Canada. Its Clearpay segment operates the Clearpay platforms in the United Kingdom and Europe. The company's Pay Now segment provides mobility, health, and e-services. The company was formerly known as Afterpay Touch Group Limited and changed its name to Afterpay Limited in November 2019. Afterpay Limited was incorporated in 2017 and is based in Melbourne, Australia. |
| Laybuy Group Holdings Limited | Laybuy Group Holdings Limited provides consumer financing services in New Zealand, Australia, and the United Kingdom. It offers buy now, pay later services through its integrated payment platform. The company was founded in 2017 and is based in Auckland, New Zealand. |
| Openpay Group Ltd | Openpay Group Ltd provides Buy Now Pay Later (BNPL) payment solutions in Australia, New Zealand, the United Kingdom, and the United States. The company partners with merchants to provide BNPL repayment plans to customers through in-store, in-app, and online channels. It also offers Openpay for Business, a software as a service platform that allows companies to manage trade accounts end-to-end, including applications, credit checks, approvals, and account management in the one system. The company serves in healthcare, automotive, home improvement, and retail sectors. Openpay Group Ltd was founded in 2013 and is based in Melbourne, Australia. |
| Splitit Payments Ltd | Splitit Payments Ltd provides payment solution services in New York, Israel, London, and Australia. Its solution enables customers to pay for purchases with an existing debit or credit card by splitting the cost into interest and fee free monthly payments. The company was incorporated in 2008 and is headquartered in New York, New York. |
| Sezzle Inc. | Sezzle Inc. operates as a technology-enabled payments company in United States, Canada, India, and Europe. The company provides a payments platform that facilitates payments between consumers with merchants. Its platform enables customers to make online purchases and split the payment for the purchase in four equal interest free payments over six weeks. The company offers its payment solution to online stores, as well as brick-and-mortar retailers. Sezzle Inc. was incorporated in 2016 and is headquartered in Minneapolis, Minnesota. |
| Zip Co Limited | Zip Co Limited provides point-of-sale credit, digital retail finance, and payments solutions to consumers, and small and medium sized merchants (SMEs) in Australia, the United Kingdom, the United States, New Zealand, Mexico, and Canada. It operates through three segments: ZIP AU, Zip Global, and Zip Business. The company offers unsecured loans, line of credit, and payment services to SMEs through online and in store. It provides Zip Pay and Zip Money, which are digital wallets; and Pocketbook, an app that provides personal financial management solutions. In addition, the company offers Buy Now Pay Later services whereby consumers split repayments into equal instalments. It serves retail, education, health, and travel industries. The company was formerly known as ZipMoney Limited and changed its name to Zip Co Limited in December 2017. Zip Co Limited was incorporated in 2009 and is headquartered in Sydney, Australia. |
| Adore Beauty Group Limited | Adore Beauty Group Limited operates an integrated content, marketing, and e-commerce retail platform in Australia and New Zealand. The company primarily retails beauty and personal care products, including skincare, make-up, haircare, fragrance, and wellness products under various brands. It also offers editorial content on beauty news, reviews, tips, and expert how-to articles to educate the customers on purchasing decisions. The company was founded in 2000 and is headquartered in Northcote, Australia. |
| Booktopia Group Limited | Booktopia Group Limited operates as an online book retailer in Australia. It also sells eBooks, DVDs, audiobooks, magazines, calendars and diaries, stationery, and gift cards. The company offers books that cover various subjects, such as biographies and true stories; business and management; history; family and health; personal development; self-help and travel and holidays; modern and contemporary fiction; Australian fiction; crime and mystery; thrillers and suspense; romance; picture books; children's fiction; young adult; manga; gift guides; cooking, food, and drink; sports; and art and entertainment books. The company was founded in 2004 and is headquartered in Lidcombe, Australia. |
| Kogan.com Ltd | Kogan.com Ltd operates as an online retailer in Australia. The company offers various brands across a range of categories, including consumer electronics, appliances, homewares, hardware, toys, and others; and owns and operates 20 private label brands. It also provides pre-paid mobile phone plans online; and directly sourced holiday packages and travel bookings. In addition, the company offers general insurances, including home, contents, landlord, car, and travel insurances, as well as pet and life insurance; NBN internet plans; and home loans. Further, it provides superannuation funds, credit cards, telecommunications services, and power and gas services, as well as trade-in cars. The company provides its products under the company's brands, such as Kogan, Ovela, Fortis, Vostok, and Komodo, as well as products sourced from imported and domestic third party brands comprising Apple, Canon, Swann, and Samsung. The company was founded in 2006 and is based in South Melbourne, Australia. |
| Temple & Webster Group Ltd | Temple & Webster Group Ltd engages in the online retail of furniture, homewares, and other lifestyle products in Australia. The company operates the Temple & Webster online platform that offers approximately 200,000 products. |

| Company | Description |
| --- | --- |
| | Its online platform offers outdoor, office, and home décor furniture; and rugs, lighting, wall art bed and bath, kitchen baby and kids, renovation, and lifestyle products. Temple & Webster Group Ltd was founded in 2011 and is headquartered in Sydney, Australia. |

*Source: S&P Global*

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# Appendix D – Comparable transaction targets descriptions

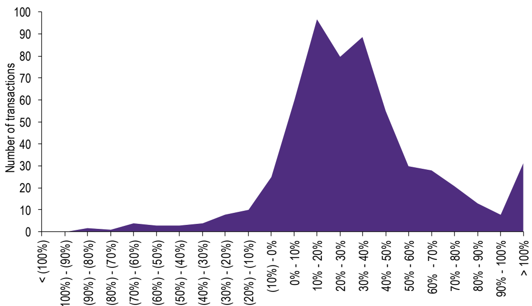
| Company | Description |
| --- | --- |
| ShopBack (also known as eCommerce Enablers Pte Ltd) | Shopback operates an online shopping platform that enables to browse various merchants, and shop and make purchase on the merchant's site. The company provides deals and discounts on fashion, electronics, travel, lifestyle, food and drink, home and living, and general products. It specializes in helping customers save when they shop on ecommerce Websites in the United States, Europe, and Asia. The company was founded in 2014 and is based in Singapore. It has an additional office in Australia, Indonesia, Malaysia, Philippines, Singapore, Taiwan, Thailand, and Vietnam. |
| Acesso Solucoes de Pagamento S.A. | Acesso Solucoes de Pagamento S.A. owns and operates bank. The company offers financial services including, issuing, processing and managing prepaid cards, managing private label, and cobranded cards. Acesso Solucoes de Pagamento S.A. was founded in 2010 and is based in São Paulo, Brazil. |
| Bridg Inc | Bridg Inc. develops customer relation management (CRM) solutions for restaurants and retail chains. The company products include Restaurant + Retail CRM; profiles individual guests from POS and blends it with email, loyalty and online ordering data to understand customer base, Audience Builder; enables creation of targeted audiences for digital marketing campaigns, Messaging Platform; bridg email to directly engage customers, and Data Sources; blend data from any POS, email marketing, loyalty program, and online ordering system. Its product drives online ordering using POS data, recruits loyalty members, increases email capture, reactivates lapsed guests, activates first-time visitors, promotes catering, and acquire new traffic. The company was formerly known as Ecinity, Inc. and changed its name to Bridg Inc. in November 2012. Bridg Inc. was incorporated in 2010 and is based in Los Angeles, California. As of May 5, 2021, Bridg Inc. operates as a subsidiary of Cardlytics, Inc. |
| DOSH Holdings Inc | DOSH Holdings, Inc. operates a cash reward platform that provides offers attached to any credit/debit card allowing consumers to earn on every transaction. Its solution connects directly with banking or credit card provider when consumers buy from a merchant or brand and then instantly notifies them of any cash rewards. The company also creates instant loyalty and word of mouth advertising by allowing brands and merchants to connect directly with customers. DOSH Holdings, Inc. was formerly known as DOSH, LLC and changed its name to DOSH Holdings, Inc. in September 2016. DOSH Holdings, Inc. was incorporated in 2016 and is headquartered in Austin, Texas. |
| Picodi.com SA | Picodi.com S.A. owns and operates an online platform that provides rebate and discount code. The company was formerly known as International Coupons S.A. Picodi.com S.A. was founded in 2008 and is based in Krakow, Poland. As of February 27, 2021, Picodi.com S.A. operates as a subsidiary of Méliuz S.A.. |
| Refunder AB | Refunder AB operates an online shopping portal. The company was founded in 2012 and is headquartered in Stockholm, Sweden. |
| Shoop Germany GmbH | Shoop Germany GmbH develops and operates an online loyalty platform that offers customers cash rewards with its network of online merchants and brands. The company was incorporated in 2010 and is based in Berlin, Germany. As of January 13, 2021, Shoop Germany GmbH operates as a subsidiary of Global Savings Group GmbH. |
| iGraal SA | iGraal SA operates an online portal that offers cashback and discounts. The company was founded in 2006 and is based in Boulogne-Billancourt, France. As of March 20, 2020, iGraal SA operates as a subsidiary of Global Savings Group GmbH. |
| Honey Science Corporation | Honey Science Corporation provides Honey, an online service that automatically finds coupon codes for the site the users' shopping at and applies them to their order when they check out, saving money and coupon searching time. It also offers HoneyGold, a rewards program that allows users to earn cash back when they are shopping online on various stores. The company was incorporated in 2012 and is based in Los Angeles, California. As of January 3, 2020, Honey Science Corporation operates as a subsidiary of PayPal Holdings, Inc. |
| Ebates inc | As of April 28, 2020, Ebates, Inc. was acquired by eCommerce enablers Pte Ltd. Ebates, Inc. provides loyalty programs. It offers various products, such as clothing and accessories, travel and vacations, health and beauty, shoes and handbags, electronics and office, home, auto and pets, baby, kids and toys, sports and outdoors, food and entertainment, books and media, gifts, and flowers and occasions. The company was founded in 1998 and is based in San Francisco, California. |

*Source: S&P Global*

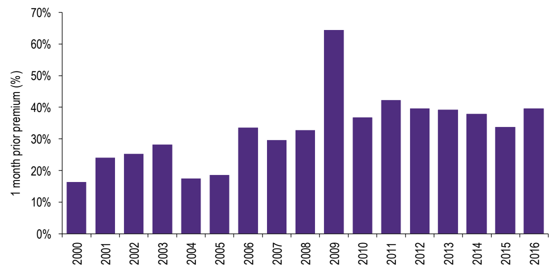
## Appendix E – Control Premium study

Evidence from studies indicates that the premium for control on successful takeovers has frequently been in the range of 20% to 40% in Australia, and that the premium can vary significantly for each transaction.

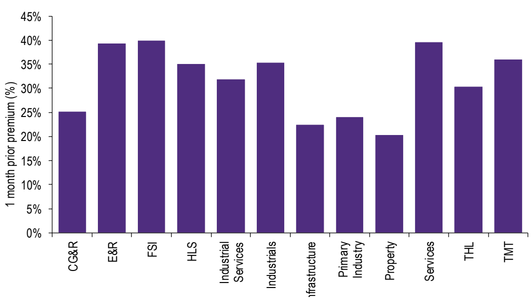
**1 Month Prior Control Premium**



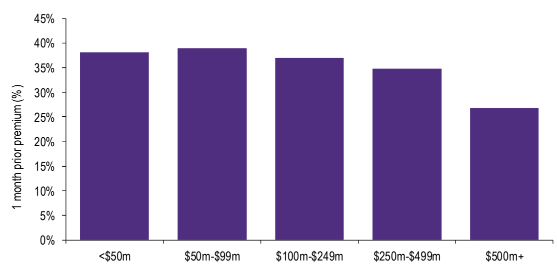

**Control premium per completion date**




**Control premium per industry**




**Control premium and size**




| | Control premium |
|---|---|
| Average | 34.33% |
| Median | 29.34% |

*Source: GTCF Analysis*

## Appendix F – Other listed companies and multiples

| Selected companies revenue multiples | | Market | EV/Revenues | | | |
|---|---|---|---|---|---|---|
| | | Cap | FY21 | FY22 | FY23 | FY24 |
| Company | Country | A$ millions | Actual / Projected | Projected | Projected | Projected |
| **Australian and New Zealand BNPL** | | | | | | |
| Afterpay Limited[3] | Australia | 28,038 | 35.1x | 20.5x | 12.8x | 8.8x |
| Laybuy Group Holdings Limited | New Zealand | 116 | 4.2x | 2.2x | 1.4x | 0.9x |
| Openpay Group Ltd | Australia | 166 | 8.3x | 4.0x | 2.2x | 2.0x |
| Splitit Payments Ltd | United States | 160 | 16.0x | 8.7x | 4.7x | NA |
| Sezzle Inc. | United States | 1,000 | 6.4x | 4.2x | 3.3x | 2.5x |
| Zip Co Limited | Australia | 3,498 | 10.0x | 5.9x | 4.1x | 3.2x |
| **Average (excl. Afterpay and ZipCo)** | | | **8.7x** | **4.8x** | **2.9x** | **1.8x** |
| **Median (excl. Afterpay and ZipCo)** | | | **7.4x** | **4.1x** | **2.7x** | **2.0x** |
| **Payment Solutions and Global Cashback companies** | | | | | | |
| EML Payments Limited | Australia | 1,057 | 5.7x | 4.6x | 3.8x | 3.4x |
| Pushpay Holdings Limited | New Zealand | 2,058 | 8.7x | 6.8x | 5.8x | 5.2x |
| Méliuz S.A. | Brazil | 701 | 14.7x | 7.9x | 5.1x | 3.8x |
| **Average** | | | **7.2x** | **5.7x** | **4.8x** | **4.3x** |
| **Median** | | | **7.2x** | **5.7x** | **4.8x** | **4.3x** |
| **E-commerce** | | | | | | |
| Adore Beauty Group Limited | Australia | 461 | 2.6x | 2.2x | 1.8x | 1.6x |
| Booktopia Group Limited | Australia | 299 | 1.3x | 1.1x | 0.9x | 0.8x |
| Kogan.com Ltd | Australia | 990 | 1.4x | 1.2x | 1.1x | 1.1x |
| Temple & Webster Group Ltd | Australia | 1,361 | 4.2x | 3.1x | 2.4x | 1.9x |
| **Average** | | | **2.4x** | **1.9x** | **1.6x** | **1.3x** |
| **Median** | | | **2.0x** | **1.7x** | **1.5x** | **1.3x** |

| Selected companies revenue multiples (Cont.) | | Market Cap | EV/Revenues | | | |
|---|---|---|---|---|---|---|
| | | | FY21 | FY22 | FY23 | FY24 |
| Company | Country | A$ millions | Projected | Projected | Projected | Projected |
| **Marketplaces** | | | | | | |
| Airtasker Limited | Australia | 449 | 16.4x | 12.4x | 9.5x | 7.2x |
| Freelancer Limited | Australia | 364 | NA | NA | NA | NA |
| Hipages Group Holdings Limited | Australia | 510 | 9.1x | 7.7x | 6.4x | 5.1x |
| MyDeal.com.au Limited | Australia | 214 | 5.6x | 4.3x | 3.3x | 2.6x |
| Redbubble Limited | Australia | 1,015 | 1.5x | 2.0x | 1.6x | 1.3x |
| **Average** | | | **4.6x** | **3.8x** | **3.0x** | **2.4x** |
| **Median** | | | **2.5x** | **2.1x** | **1.7x** | **1.5x** |
| **Classifieds** | | | | | | |
| carsales.com Ltd | Australia | 7,084 | 16.7x | 14.9x | 13.7x | 12.7x |
| Domain Holdings Australia Limited | Australia | 3,267 | 11.9x | 10.2x | 9.1x | 8.1x |
| Frontier Digital Ventures Limited | Malaysia | 614 | 11.7x | 8.5x | 6.9x | NA |
| iCar Asia Limited | Malaysia | 229 | 12.7x | 8.8x | 6.7x | NA |
| REA Group Limited | Australia | 22,664 | 23.0x | 20.5x | 18.2x | 16.2x |
| SEEK Limited | Australia | 12,142 | 17.6x | 13.8x | 12.6x | 11.4x |
| **Average** | | | **15.6x** | **12.8x** | **11.2x** | **12.1x** |
| **Median** | | | **14.7x** | **12.0x** | **10.8x** | **12.0x** |
| **Low - All (excl. Afterpay and ZipCo)** | | | **1.3x** | **1.1x** | **0.9x** | **0.8x** |
| **Average - All (excl. Afterpay and ZipCo)** | | | **9.5x** | **7.1x** | **5.7x** | **4.9x** |
| **Median - All (excl. Afterpay and ZipCo)** | | | **8.7x** | **6.8x** | **4.7x** | **3.0x** |
| **High - All (excl. Afterpay and ZipCo)** | | | **23.0x** | **20.5x** | **18.2x** | **16.2x** |

*Sources: S&P Global, GTCF Analysis, Management*

*Notes: (1) Revenue multiples as at 8 November 2021. EV and revenue multiples for Afterpay are calculated based on Afterpay's share price as at 2 August 2021, being the day prior to the announcement of Square & Afterpay Merger; (2) For all BNPL players, Enterprise Value (EV) = Market capitalisation + Gross debt + Non-controlling interests. (3) Forecast trading multiples are based on the median of broker consensus estimates. (4) Laybuy has 31 March year end. Accordingly the FY21 EV/Revenue for Laybuy is derived from audited revenue for the year ending 31 March 2021.*

## Appendix G– Glossary

| | |
|---|---|
| $ or A$ | Australian Dollar |
| 1835i or Bidder | 1835i Ventures Trusco III Pty Ltd atf 1835i Ventures Trust III |
| 1HFYxx | 6-month financial period ended 31 December 20xx |
| AASB 16 | Australian Accountings Standards Board 16 – Leases |
| ABS | Australian Bureau of Statistics |
| Active Members | Members of Cashrewards who have transacted at least once in the last twelve months |
| Adore Beauty | Adore Beauty Group Limited |
| ANZ, ANZ Bank, or the Bank | Australia and New Zealand Banking Group Limited |
| APES | Accounting Professional and Ethical Standards |
| APES225 | Accounting Professional and Ethical Standard 225 "Valuation Services" |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange |
| Base Case | The base case in GT Model |
| BNPL | Buy-Now-Pay-Later |
| CAGR | Compound annual growth rate |
| CLO or CLOs | Card linked offer(s) |
| Corporations Act | Corporations Act 2001 |
| COVID-19 | Coronavirus pandemic |
| CRW Directors | Directors of the Company |
| DCF Method | Discounted cash flow and the estimated realisable value of any surplus assets |
| EBITDA | Earnings before interest, tax expenses, depreciation and amortisation |
| Federal Government | Australian Federal Government |
| FME Method | Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets |
| FSG | Financial Service Guide |
| GT Model | Financial model prepared by GTCF, projecting the post-tax free cash flows of TNK Limited |
| GTCF, Grant Thornton, or Grant Thornton Corporate Finance | Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987) |
| IER or Report | Independent Expert's Report |
| IFRS | International Financial Reporting Standards |
| IPO | Initial Public Offering |
| IPO Price | A$1.73 per share at which CRW completed an IPO on the ASX in December 2020 raising A$65 million |
| KPI | Key performance indicator |
| Laybuy | Laybuy Group Holdings Limited |
| Loan Facility | A$15 million loan facility that 1835i will provide to CRW to meet its member obligations which will be payable within 6 months |
| Members | Members of Cashrewards |
| Merchant Partners | Merchant Partners with Cashrewards |
| NAB Index | NAB Online Retail Sales Index |
| NPAT | Net profit after tax |
| Offer price | A$1.135 per share |
| Openpay | Openpay Group Ltd |
| PRs | Performance Rights |
| Quoted Security Price Method | Quoted price for listed securities, when there is a liquid and active market |
| Revenue Multiple | Revenue multiple method |
| RG | Regulatory Guide |

| | |
|---|---|
| RG111 | ASIC Regulatory Guide 111 "Contents of expert reports" |
| RG112 | ASIC Regulatory Guide 112 "Independence of experts" |
| Splitit | Splitit Payments Ltd |
| Takeover Offer or Offer | CRW announced that it had entered into a Bid Implementation Deed with 1835i under which the Bidder will acquire 100% of the issued CRW Shares for a cash consideration of A$1.135 per share |
| Trading Multiples | The current trading multiples of broadly comparable companies |
| Transaction Multiples | The multiples implied by acquisitions of companies with broadly similar operations |
| TTV | Total transaction value |
| WACC | Weighted average cost of capital |