

# GRUDEN

28 April 2017

## March 2017 Quarterly Report

### Highlights

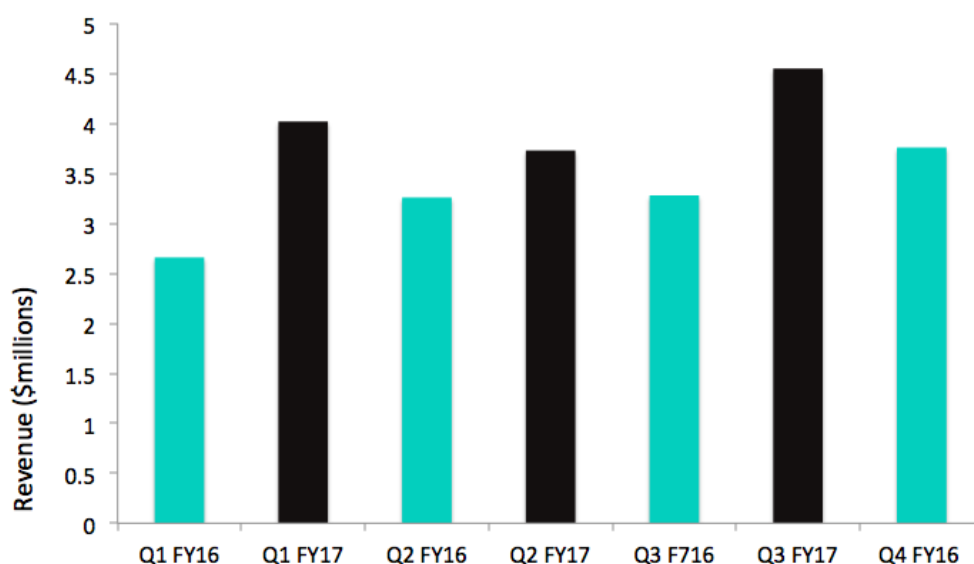
- \$4.55m in revenue for the March 2017 quarter v \$3.73m in December 2016 quarter, representing a 22% increase
- Brings the total (unaudited) revenue for the 9-month period to \$12.3m, vs \$9.2m for the same period last year and vs \$13m for the full financial year in 2016
- Significant revenue from contracts won in Q1 and Q2 recognised in Q3 and further revenue recognition expected in the Q4 quarter and into FY18 and FY19
- \$1.8m in annualised cost reductions and continued revenue growth enables Gruden to continue to invest in the growth of its innovative mobileDEN platform
- Company continues to secure contracts with blue chip clients for digital transformation projects representing its solid reputation and capabilities within the sector

Market leading technology agency, The Gruden Group Ltd (ASX:GGL) (Gruden or the Company) is pleased to provide a quarterly review for its operations for the three-month period ended 31 March 2017.

### Financial

The Company reported (unaudited) revenue of \$4.55 million in the March quarter, representing a 22% increase on the previous December quarter (\$3.73m). The \$4.55 million in revenue for the March quarter brings the total for the 9-month period to \$12.3 million vs \$9.2 million for the same period last year (34% y-o-y increase) and \$13 million (pro forma) for the full financial year 2016.

Revenue Growth - Quarter on Quarter FY16 v FY17



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The growth in revenue is attributable to a number of major government contract wins in the December quarter including:

- the *NSW Small Business Commissioner (OSBC)* delivering \$2.93 million over 2H17, FY18 and FY19;
- a re-contract with the *NSW Department of Finance, Services and Innovation*, for further enhancements and development to its whole of Government platform, *AusTender* delivering \$1.8 million in revenue in 2H17 and FY18
- and the *Public Records Office of Victoria (PROV)*;

Net cash used in operating activities totalled (\$725k) compared to (\$986k) in the December quarter, a result of increased cash receipts from customers.

During the quarter, co-founder Todd Trevillion transitioned to the position of Chief Operating Officer to further drive operational efficiencies within the business. The reduction in costs and continued revenue growth enables Gruden to continue to invest in the growth of its innovative mobileDEN platform.

## Operational

Gruden's investment into **mobileDEN** has continued at c.\$200k per month as it continues to enhance the platform by offering new features and capabilities. As a consequence of this investment, the product offering better aligns to evolving market demands. mobileDEN already boasts a number of blue-chip clients including *Red Rooster*, *Starbucks*, *Oporto*, *Mad Mex* and *Jamie's Italian* and continues to see significant transaction growth across the platform.

In June, mobileDEN launched the ordering and payments platform to support Red Rooster's ambitious expansion plans to become a leading food delivery business in Australia. As a result, Red Rooster has already taken position as the third largest food delivery service in Australia. The platform has to date been rolled out to over 250 sites nationally, delivering licensing and transaction revenue, and is experiencing significant month on month growth through this new channel. Its high profile partnership with Red Rooster's owner, QSRH, will see the Company continuing to further drive innovation within the online ordering channel and develop new features and functionality that enhances the customers ordering experience and the intelligence that powers it.

Over the past quarters, the Company has attracted top new talent to the team, which has enhanced development and increased quality and scalability across the platform. Gruden will continue to search and recruit the best talent in market to ensure that the platform is world class and puts its clients at the forefront of this technology in their category.

The board remains committed to the investment and confident in the progress made to date and the exciting potential that mobileDEN presents to Gruden.

Gruden's **Government** practice has a solid reputation and is recognised as one of the leading digital service providers to government and is one of only small number of Australian providers accredited by the AWS Government Partner Program.

Gruden's **Digital Services** and **Performance Marketing** businesses continues to work with high profile clients including, *Frasers Property*, *Secure Parking*, *Betta Home Living*, *Hannover Re*, *Essential Energy*, *Ausgrid* and the *Sydney Olympic Park Association (SOPA)*. In the March quarter, the Company secured contracts with companies including *D-Link*, market leaders in Wi-Fi connectivity and surveillance, *IOT*

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Group, the maker of the Flying Selfie Drone, and more, with revenue from these contracts contributing to Q3 revenue.

The Company completed the development of a major new content management system (CMS) for Hanover Re, one of the largest reinsurance groups in the world, last year and continues to support Hanover Re in the deployment and ongoing maintenance of the platform.

## Outlook

Gruden continues to focus on delivering best practice digital transformation services to government and enterprise clients and the Company will continue to leverage its strong reputation within the digital services sector to secure new contracts. Gruden has a growing profile within Australia and its ability to secure new contracts is supported by its statuses as a Premier Google Partner, Sitecore Gold Implementations partner and Oracle Gold Partner, each highly coveted and sought after statuses in the digital sector.

The Company's revenue profile continues to grow and management are focused on maintaining a strong cash balance in order to continue the expansion of its innovative engagement and transaction mobile platform, mobileDEN. The cost reduction initiatives implemented during the quarter have bolstered Company's ability to fuel the development and expansion of mobileDEN and it is looking forward to sharing further successes of the mobileDEN platform as it progresses sales discussions with a number of leading brands and further enhances the functionality of the platform.

## Tim Parker, CEO of The Gruden Group commented:

"Gruden continues to experience strong demand, and recognition for, its market-leading Digital Transformation services. Gruden secured a number of significant contracts in the first half of the 2017 financial year, from both government and enterprise clients. These new contracts coupled with our reputation and ongoing ability to secure new clients are driving the growth of the business in the second half of the financial year and beyond. Historically, the second half of the financial year has been a stronger half for the business and we expect this year to be no different.

"We remain focused on maintaining a strong cash balance in order to fund the expansion of our innovative engagement and transaction mobile platform, mobileDEN. We are progressing a number of new initiatives and client discussions with mobileDEN and I am looking forward to sharing these with shareholders when the time comes."

**ENDS**

## For further information, please contact:

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## About Gruden

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The Gruden Group Ltd is a digital transformation agency offering fully integrated fintech platforms in the digital marketplace, with over 80 staff, across five office locations. The Company is made up of the award-winning Gruden Digital Services, Gruden Performance Marketing, award-winning Gruden mobileDEN and Gruden Government. Services offered across the group include digital marketing, web and mobile application development and mobile loyalty with point of sale integration. For more information, visit [www.thegrudengroup.com](http://www.thegrudengroup.com)

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

**The Gruden Group Limited**

**ABN**

56 125 943 240

**Quarter ended ("current quarter")**

31 March 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4,967	12,789
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(25)	(113)
(d) leased assets	-	-
(e) staff costs	(2,696)	(7,824)
(f) administration and corporate costs	(2,978)	(7,690)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	48
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(725)</b>	<b>(2,790)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(324)	(738)
(b) businesses (see item 10)	-	-
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(324)</b>	<b>(738)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,194	5,673
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(725)	(2,790)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(324)	(738)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,145</b>	<b>2,145</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	438	1,201
5.2	Call deposits	1,044	1,332
5.3	Bank overdrafts	-	-
5.4	Other (Bank Guarantees and deposits held)	663	661
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,145</b>	<b>3,194</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
183
-

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-

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<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	50
9.4 Leased assets	
9.5 Staff costs	2,600
9.6 Administration and corporate costs	2,500
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows</b>	<b>5,150</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: N J Bassett  
(Company secretary)

Date: 28 April 2017

Print name: Neville John Bassett

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.