

## Project Cash

Project Cash is a privately held Australian Corporation

The Free App that puts Cash in your pocket

## Founded in 2013

### Headquarters

Queensland, Australia

## Offer

Capital Raise: \$5m

Valuation: \$20m pre-money

Equity Offer: 20%

Historical raises: \$4m

Project Cash puts cash into consumer's pockets instantly by rewarding members with tangible cash rewards for shopping with a network of participating merchants. Available through a free downloadable app ('The App'), Project Cash empowers consumers to save money on whatever, wherever or however a purchase is made by becoming a Member. For those people who live 'pay cheque to pay cheque' this is a significant tangible benefit.

For Merchants, particularly SMEs (Small to Medium Enterprise), who face ever increasing levels of competition, Project Cash provides a platform that improves their marketing reach through attracting new clients; creates a universal loyalty scheme that delivers maximum rewards to its Members; and a way to conduct transactions without incurring bank/credit/debit/card and Pay Wave transaction fees.

Charities, who are nominated by Project Cash, also receive an automatic donation every time a purchase is made using the App.

Each of these stakeholders also has the opportunity to earn recurring passive income through referring Project Cash to friends and family, an existing client or donation base.

Project Cash transactions are facilitated by a Wallet and a dedicated POS terminal. The App's Mobile Wallet allows Members to receive and spend cash back when shopping. The App's Wallet shows the Member the cash they have available and stores their tokenised credit or debit card information. The Member uses the Wallet to pay the Merchant by scanning their smartphone to the Merchant's terminal. The net commission on a transaction is credited to the company's capital account and The App's proprietary Ledger is updated with credits posted to all stakeholders.

Project Cash platform and internal ledger is a secure, stable, and well-tested system that enables cash as digital currency to exist side by side in a loyalty-based payments platform with all cash held securely through a relationship with the National Australia Bank.

Project Cash employs both direct, affiliate and multi-level marketing programs to promote its cash back solution. Licencee and Ambassador programs create the conduits through which greater passive recurring income can be earned.

## Offer Details

Headquarters: Queensland

Industry Information Technology - eCommerce

Fund Raising \$5M

Valuation: \$20M pre-money

Equity Offer: 20%

Use of funds:

- Expansion: 12 territories 2020, 12 territories 2021.
- Completion of the integration of the POS system with the Merchant App into one facility.
- Full 'Pay Wave' support and a new Member shopping interface.
- Multi-currency payment processing and other contextual requirements such as taxation systems.

The company targets regions where there is a high incidence of income disadvantage by employing a small dedicated sales team, for a short period of time, to stimulate both Member and Merchant engagement numbers. Word of mouth has proven to be a powerful viral engagement generator in two successful pilot programs and an exhaustive Beta test of the platform.

Project Cash has raised (AUD) \$4m to date and is seeking to raise a further \$5m to continue its technical development and fully launch its platform to selected regional markets in early 2020.

## Opportunity and Value Proposition

For over 40% of Australians, cost of living is a huge concern. This is unsurprising as of the 9 million households in Australia over four hundred thousand live on fifty percent of the median income.<sup>1</sup> Moreover, 4.6 million Australians receive an income support payment of some kind from the Australian Government in the form of a pension or allowance (27% of the population aged 15 years and over).<sup>2</sup> Therefore, any cash discount to weekly expenditure whether it be for food, electricity or insurance purchased online or in a 'bricks and mortar' store is viewed by these Australians as a bonus.

Merchant service fees payed to banks continued to grow in 2018 driven by fees charged for accepting card transactions.<sup>3</sup> Use of card payments and particularly 'Pay-Wave' are increasing, the latter attracting even greater fees. Using the Project Cash platform if a digital credit or debit card has been used in a transaction the App deducts the providers transaction fees from the total cash back received, the net effect of this is to reduce or fully offset the merchant's transaction fees.

Loyalty cards are increasingly proving unattractive to consumers. In September 2019 the ACCC published "Significant concerns with customer loyalty schemes" on the grounds that they offer poor value to the majority of consumers.<sup>4</sup> Nine out of 10 Australians have at least one loyalty card. Less than half of those people are willing to redeem points or collect rewards. Customer participation in loyalty card schemes is falling, with less than half of card members actively using their card in the past twelve months. Moreover, over sixty percent of card users see the value of a loyalty card points in terms of their cash value. Therefore, founding a loyalty scheme which embodies an immediate cash dimension is likely to be well accepted and employed by consumers. Furthermore, the value embedded in loyalty points earns represents poor consumer value when compared to what the consumer paid to earn points. SMEs are at a considerable disadvantage when adopting a loyalty card scheme because of the frequency with which cards can be utilised. The value to a Merchant of a loyalty scheme is to attract and tie-in consumers; provide insightful consumer demographic data that is linked to transaction data which, following analysis, can then be used for targeted marketing; and to trade data with interested third parties. Currently these loyalty card benefits are generally unavailable to SMEs. The often quoted exception being the local coffee shop whose loyalty scheme represents real cash value when loyalty earns a free coffee. Project Cash delivers a loyalty scheme that embodies the local coffee shop model while delivering data that can be used for marketing to a much wider community of potential shoppers.

A recent report shows that SMEs are highly digitally savvy; leveraging social media and technology to level the playing field with bigger competitors when it comes to marketing their products.<sup>5</sup> The App has been designed to provide Merchants with a powerful marketing, loyalty, and payments platform. Data, such as

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<sup>1</sup> Poverty in Australia 2018. ACOSS & Sydney University. [https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS\\_Poverty-in-Australia-Report\\_Web-Final.pdf](https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf)

<sup>2</sup> Pension Review Background Paper. Australian Government Department of Social Services. <https://www.dss.gov.au/our-responsibilities/seniors/publications-articles/pension-review-background-paper?HTML>

<sup>3</sup> Bank Fees in Australia. Reserve Bank of Australia. Bulletin - June 2019. <https://www.rba.gov.au/publications/bulletin/2019/jun/bank-fees-in-australia.html>

<sup>4</sup> Significant concerns with customer loyalty schemes. ACCC. September 2019. <https://www.accc.gov.au/media-release/significant-concerns-with-customer-loyalty-schemes>

<sup>5</sup> Australian SMEs 'punching above their weight' amid tough competition. Anthill. January 2019. <http://anthillonline.com/australian-smes-punching-above-their-weight-amid-tough-competition-infographic/>

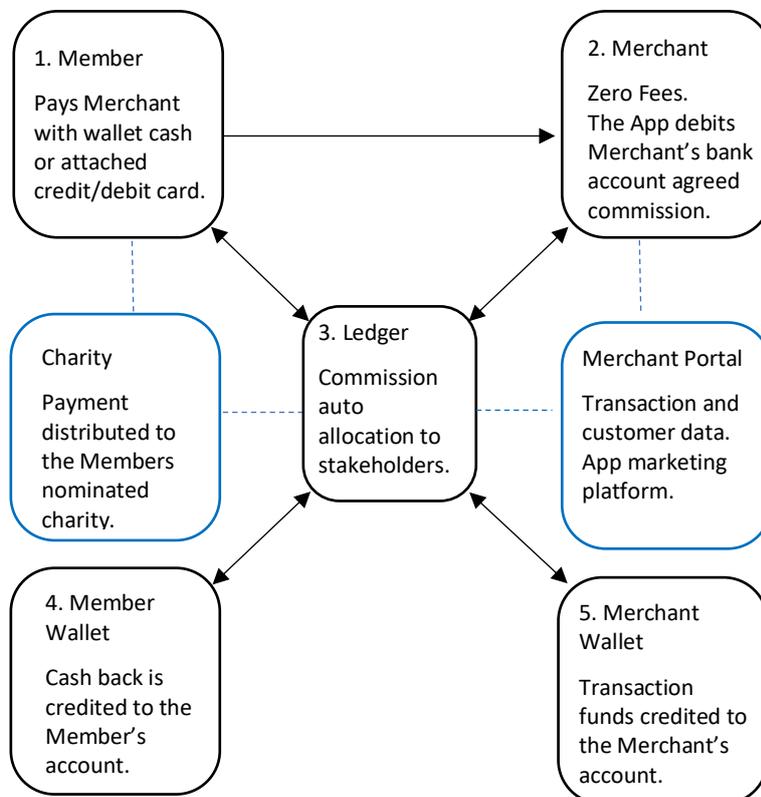
transactions linked to simple demographics, currently unavailable to most SMEs, is provided to Merchants to facilitate targeted marketing campaigns. Even without such marketing, simply becoming a Project Cash Merchant dramatically increases the pool of potentially new clients available to an SME.

Over seventy percent of Australians feel that charities have a positive impact. Consequentially, nearly seventy percent have donated to a charity in the past twelve months.<sup>6</sup> Over eighty percent of those donations have been made using a credit/debit card or cash. However, regularly recurring income is hard for charities to garner. Charities also face difficulty leveraging those that support them in creating new donations or donors. The App has a built-in facility to make charity donations with every purchase that is enhanced by providing charities with a means of earning passive income through Project Cash’s Member acquisition program.

## How it Works

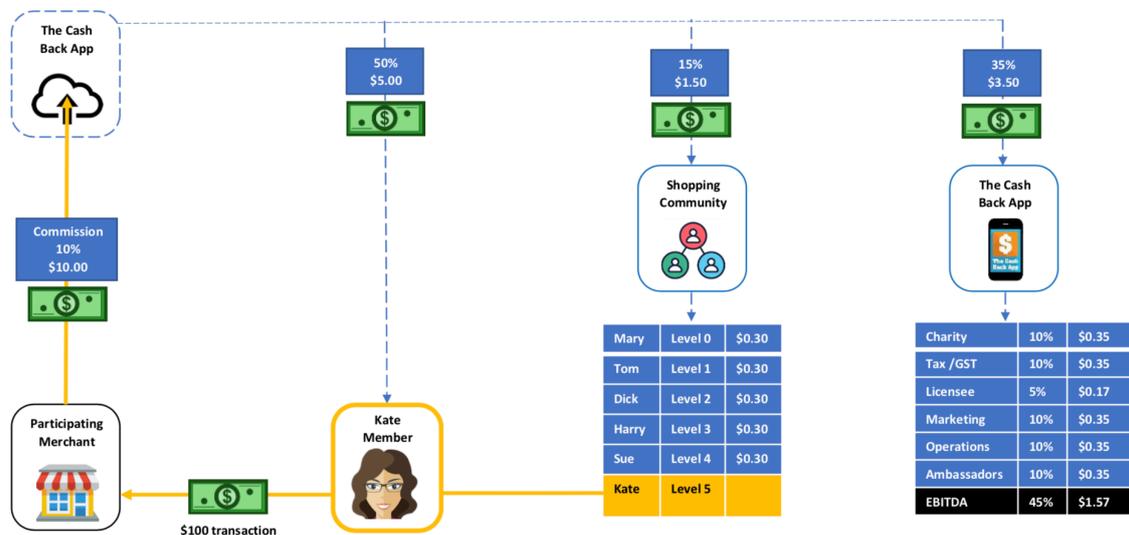
When a Member makes a purchase and pays the Merchant using either physical cash/card or the wallet on the App the Merchant processes the payment, (as can be seen in fig:1. points 1 and 2). The App debits the Merchant’s nominated bank account for the agreed commission less any card transaction fees. If a digital credit or debit card has been used in the transaction the App deducts the provider’s transaction fees from the total commission received, the net effect of this is to reduce or fully offset the Merchant’s transaction fees.

The net commission is credited to Project Cash Capital account and the Ledger is updated with credits posted to all stakeholders. Members have instant access to the cash back received on the transaction that has just occurred in either a ‘bricks and mortar’ store or when received from online vendors (as can be seen in fig: 1. points 3 and 4). Members can use the cash to pay for another transaction at a participating Merchant, transfer funds to another external bank account, or transfer funds to another Member’s wallet. At midnight each day the App automatically reconciles the Ledger. The App makes a separate donation to the Members nominated charity and updates the Merchant Portal instantly with customer transaction details.



<sup>6</sup> Are there too many charities in Australia. Australian Charities and Not-for-profits Commission. <https://www.acnc.gov.au/for-public/understanding-charities/are-there-too-many-charities-australia>

The distribution of money following a \$100 purchase by a Project Cash Member with a Merchant, listed on the App, can, for example, result in the Merchant paying Project Cash a 10% commission (\$10.00) on the transaction (See point 1 below)



The App automatically debits the Merchant \$10.00 and distributes 50% (\$5.00) as an instant ‘Cash Back’ to the Member who made the purchase. 15% (\$1.50) is paid to the five level Shopping Community, which is Project Cash’s affiliate commission program. The affiliate commission of \$1.50 is paid out equally at \$0.30 to the five levels of the Shopping Community i.e. to the people who were linked to the Member involved in the transaction. 35% (\$3.50) is retained by Project Cash to operate the business, pay the GST, and donate to the member’s nominated charity.

## Competition

Project Cash has competitors from the markets for payment processing, rewards programs and loyalty services. Project Cash does not compete with other payment systems but instead uses and leverages them to their advantage. Payment platforms, such as physical card payment at POS (Visa and Mastercard), Tokenised Wallets, in-device wallets and other payment apps are used (or can be used) within Project Cash’s system.

Reward programs such as Amex Membership Rewards program, Flybuys or Velocity and Online Affiliate reward networks deliver a similar common concept of rewarding the customer for using their service (by points or cash back). However, program joining fees, poor translation of points to cash, personal data privacy, etc, are increasingly undermining the competitiveness of such programs.

Loyalty services, which include ‘loyalty collector’ services such as Locify, deliver the typical ‘points for loyalty’ service. They share the same core offer as standalone loyalty Apps, such as McDonald’s or Starbucks. However, while the points are conveniently collected in the one App/service, the loyalty reward given is in points that are difficult to value. Member uptake is therefore limited. It has been demonstrated that the best means of loyalty reward is instant cash that represents an amount worth bothering about – and this is at the core of what Project Cash offers.

## Marketing

Integral to Project Cash’s platform is its provisions for affiliate and multi-level marketing. Member, Merchant and Charity stakeholders are able to refer others to the platform and receive a commission every time the referee makes a purchase. This not only creates passive recurring income for the referrer but also a powerful driver for organic growth which can leverage social media conduits. Multi-level marketing is limited to five unique referees thereby avoiding the ‘infinity trap’ of many such schemes. Project Cash “Ambassadors” and “licensees”, who incur a fee to join each program, are encouraged to use affiliate marketing tools, made available by Project Cash, to bring more merchants and members into their own sub-set of the Project Cash shopping community, to further increase their passive recurring incomes.

Project Cash utilises Roy Morgan's Helix Segmentation Personas - an advanced toolset of psychographic insights to segment consumers in targetable groups - to better identify target market segments. The distribution of these segments within the population is then employed to identify regions in which target segments are highly represented. Once a region is identified traditional marketing tools such as TV, radio and local newspapers can be used to raise awareness of Project Cash. The Helix segmentations will provide further essential market targeting information that will impact Project Cash's messaging and media buys. A small dedicated sales team is then used within the region, for a period of time, to secure new Members, and in particular new Merchants. A backdrop to Project Cash's regional marketing is the successful channel marketing that they have already completed in Australia. Currently over one hundred and fifty national brands, some with their own loyalty schemes, such as Woolworth and Best & Less, are registered Project Cash Merchants.

## Technology

Through the use of cutting-edge technologies and development practices Project Cash has built The App upon systems that are designed to leverage the ready capability of cloud technology to sufficiently scale up and manage the large usage demand that is anticipated. Because Project Cash's systems use Microservices Architecture, each service has the capacity to scale up or down independently to meet demand. Through Project Cash's evolution they have been innovators in the use of advanced cloud technology and techniques; Microservices Architecture (where systems are decoupled and independent from each other so each server/system can scale up or down to suit usage demand); advanced RESTful API development (for rapid and secure communications between apps and services); biometric authentication; multi-layer security for data protection and integrity; and the capability to meet the demands of high-volume usage of the platform.

Project Cash's platform architecture has real-time load balancing monitors that automatically trigger the creation of additional services (or servers) to give more resources and capability to the system that is undergoing heavy usage. Coupled to these scaled systems is Project Cash's advanced API (also load-balanced) that allows rapid communication between the app and other systems.

Project Cash adheres to the PCI DSS security standard that includes requirements for security management, policies, procedures, network architecture, software design and other critical protective measures. Credit Card data that is saved against a customer account is 'tokenised' with the actual card details (card number, expiry) being stored on Project Cash's payment provider's systems. In this way, no card data is stored by Project Cash anywhere on their system. All bank account information, such as customer data, is encrypted and stored securely on Project Cash's own servers.

Project Cash's baseline performance expectations for their products and systems are '6 nines' (99.9999%) accuracy. Response times of their APIs in under 500 milliseconds per request – even under high-volume concurrent load. During testing and release, load tests with stressing tools and monitors show support for these KPIs even with thousands of transactions per hour (at 99.9999% accuracy and under 500 millisecond speeds).

## Performance

In 2015 Project Cash was the winner of an award at an App Design Awards. However, much product development work has been completed since that time which has been tested in two successful pilots and a comprehensive Beta Test. Through these trials, member acquisitions (for example) have reached fifty thousand, with all-time merchant numbers reaching over five hundred. In all trials of the platform it has performed effectively, thereby proving Project Cash's technology capacity to support real-time transactions on remote devices over the internet; and enabling Project Cash to evolve and progress the technology over time.

A key learning from these trials was that a dedicated merchant POS device is essential for effective merchant performance. Alternative devices have been tested with the conclusion that a smartphone was all that is required, which coincidentally solved the need for a POS device to have a small merchant countertop footprint. Negotiations for a smart phone bulk purchase are being conducted.

Affiliate marketing programs have been refined and shown to be powerful drivers of organic growth. In its Illawarra region pilot given a small merchant base, Project Cash achieved an average sale value of \$30 per transaction, with a daily volume of around two hundred. This number is much smaller than other Project Cash pilots (e.g. post-launch 2018, over 1,000 transactions per day were being recorded).

## Prospects

Project Cash’s success and its global future will present an essential acquisition target for a large ecommerce market actor while simultaneously creating a solid platform for a future IPO. Because the markets in the other major English-speaking countries present similar opportunities to Australia, Project Cash are proposing to launch in these territories after successfully penetrating the Australian market. Their approach to these markets will follow a similar marketing and sales program as instigated in Australia.

## Business Model & Financials

Project Cash’s member App is available to consumers at no cost. Merchants are expected to pay between five to six hundred dollars to join Project Cash’s merchant program. This price covers the cost of the dedicated POS device and their listing on The App. It should be noted that at regional launches, Project Cash will seed the Merchant market by providing the POS terminal free of charge to target merchants (subject to conditions), thereby removing any barrier a merchant may have before joining. Ambassadors pay a yearly fee of ninety nine dollars and Licencees an up-front payment of five hundred dollars (with yearly renewal fees). Both of these groups receive sales and marketing tools, and training, in receipt of their registration fees. Project Cash makes a margin on every purchasing transaction conducted on the system. The loss incurred in 2020 reflects the marketing and sales budget required to launch in multiple territories. Strong profit growth can be expected in subsequent years.

(AUD\$'000)	2020	2021	2022	2023	2024
Members	86,460	295,459	445,102	580,570	716,552
Merchants	2,520	6,120	6,306	6,498	6,696
	2020	2021	2022	2023	2024
Total Revenue	5,326	122,788	345,346	509,715	659,326
Cost of Goods Sold	3,462	79,812	224,475	331,315	428,562
Gross Profit	1,864	42,976	120,871	178,400	230,764
Expenses	4,905	14,828	29,306	39,681	49,463
EBITDA	(3,041)	28,147	91,565	138,719	181,301
Net Profit	(3,152)	20,424	63,849	96,9741	126,624

## Capital Requirements

To support the growth and rapid expansion of the Project Cash platform across Australia, the company is looking to raise \$5m. It is intended to raise these funds through the issuance of Preference Shares which hold a 100% liquidation preference. The valuation will be \$20mm pre-money such that \$5mm acquires 20% of the business.

## Use of Proceeds

This investment will allow Project Cash to launch in 12 territories in 2020, and another 12 territories in 2021. Funds will also be utilised to complete the integration of the POS system with the Merchant App into one facility. Project Cash will launch into the market employing Version 4.0 of their platform. This version will include full ‘Pay Wave’ support and a new Member shopping interface. Project Cash platform will also be prepared for its international launch which will include payment processing in a different currency and other contextual requirements such as taxation systems.

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