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ASX: 9SP

ASX Release

30 April 2019

## March 2019 Quarterly Activity Report and Appendix 4C

### Highlights:

- Strong quarter of growth with total active base surpassing 95,000 SMB users; representing a 19% increase on the previous quarter and 60% of the user base now delivered through banking partners.
- OCBC platform successfully soft launched ahead of full go-to-market launch.
- BNZ platform completed a successful soft launch and is expected to go live this week.
- Business development progressing well in all regions with a near term focus on a tier one North American bank.
- Microsoft relationship, through One Commercial Partner (OCP) programme and Azure Partnership, providing anticipated technical benefits.
- Microsoft OCP co-sell programme is starting to generate a strong, broad based pipeline of interest.
- V2 9 Spokes platform is developing in line with schedule. All new client engagements and POCs to be delivered on V2.
- Underwritten rights issue to raise A\$5.3m announced to market post quarter end.

**Auckland, NZ 30 April**, 9 Spokes (ASX: 9SP or “the Company”), a leading Marketplace and Insights company to small businesses, is pleased to release its March Quarterly Activity Report and Appendix 4C.

### Channel developments

Platforms for OCBC (Singapore) and the BNZ (New Zealand) were delivered at the end of last quarter. Both banks have been working on go-to-market and launch programmes during the quarter under review, with OCBC launching to market during January. The BNZ has been working on its full go-to-market campaign, including TV advertising, scheduled for launch in April. Both new platforms are operationally stable.

There are number of new Enterprise Channel opportunities under development across Asia, North America (including Canada) and Europe. As separately announced on 18 April 2019 discussions with a tier one North American Bank are now at an advanced stage while the Company successfully delivered a paid Proof of Concept (POC) to a major European Bank during the March quarter.

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While 9 Spokes continues to develop opportunities directly, it also announced a relationship with Microsoft and notified the market that the Company is in discussions with VISA USA; both to support the growth and distribution of the 9 Spokes platform and to extend the sales model through global distribution partnerships.

### **Microsoft Co-sell partnership**

On 1 March 2019 the Company announced it had entered into a co-sell partner agreement with Microsoft under the Microsoft One Commercial Partner (OCP) programme, a program specifically designed for Microsoft Azure partners. As part of the OCP programme, Microsoft incentivises its sales teams to co-sell the 9 Spokes platform into key global banking communities. The model is specifically designed to help approved partners, like 9 Spokes, enter new markets and scale quickly by tapping into the deep customer relationships and technical expertise of Microsoft’s enterprise sales teams around the world.

### **Microsoft Azure re-platforming**

As part of the Company arrangement with Microsoft OCP programme, the Company has re-platformed its infrastructure, and implemented DevOps for software development, on the Microsoft Azure platform. This has delivered several advantages for the Company. These include improvement of 9 Spokes’ commercial proposition, greater geographic distribution of data centres for platform deployment, strengthening of the Company’s operational deployment processes, and access to more services for development of the 9 Spokes product proposition.

Separately 9 Spokes is working with Microsoft Office 365 on go-to- market solutions as part of a broader strategy to deliver an Apps Marketplace to all Enterprise Channel Customers.

### **9 Spokes signs global collaboration agreement with VISA USA**

On 12 March 2019 the Company announced it had signed a ‘Collaboration Framework Agreement’ with Visa. This agreement provides a basis for 9 Spokes and Visa to potentially collaborate on mutual areas of interest. The agreement itself does not infer any commercial benefits or obligations on either party. Discussions are continuing well.

### **Building a new product iteration**

As the 9 Spokes value proposition and market opportunities have continued to develop, the Company has recognised the need to enhance the platform functionality, feature sets and, critically, user experience.

The Company has undertaken a significant upgrade of the platform to position it better to capture expected new market growth. The first stage of the development programme has been the move to the

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Microsoft Azure platform. Phase 2 is focused on the next software iteration of the platform, internally referred to as V2.

The launch of V2, planned for later in 2019, represents the start of a significant product refresh, built on a new architecture and a new approach to development. This will enable 9 Spokes to enhance the user experience both for the Company's banking Enterprise Channel Customers and for its small medium business (SMB) users.

The new V2 platform will enable 9 Spokes to realise the following benefits:

- Better user experience and improved dashboard features.
- Faster onboarding of new apps to the platform.
- Enable more rapid development of new features.
- Reduce the cost and lead-time of platform deployments.

Activities in the past quarter have focused on developing the base platform and refreshing the existing dashboard view. Once complete, work will commence on development and launch of new product features.

### **Data Platform**

During the quarter the Company completed the build of its new data service framework. The purpose of the framework is to speed up integration of new apps into the platform, improve scalability of the data extraction processes and expand the breadth, and depth, of the data set 9 Spokes can work with. This new framework will be deployed during the next quarter and used, going forward, to power all apps on current and future dashboards.

All new Enterprise Channel Customers are being deployed on the 9 Spokes V2 platform. Operationally, this is resulting in improved implementation cadence.

### **Marketing in support of Channel Customers**

Marketing activity continues to be focused on supporting the Company's Enterprise Channel Customers. Emphasis has been focused on providing marketing services to these customers under a Marketing-as-a-Service (MaaS) agreement in preparation for the relevant Enterprise Channel Customer's go-to-market and launch activities.

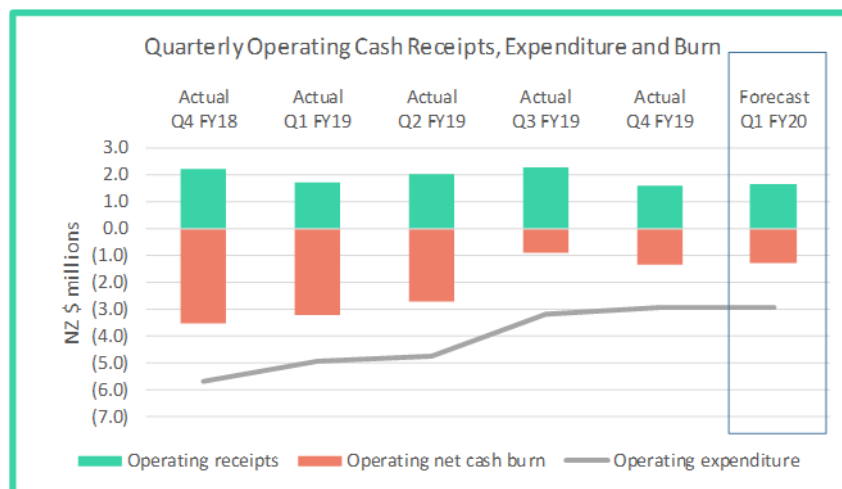
The majority of new growth in platform users comes from Enterprise Channel Customers who now account for approximately 60% of total users:



### Company announces underwritten rights issue

Post the end of the March Quarter, the Company announced a fully underwritten pro rata renounceable entitlement offer (Entitlement Offer) to raise A\$5.3m before costs at an issue price of A\$ 0.016 per new share. This is timetabled for completion by the end of May. For more information on the rights issue and use of funds please refer to the Entitlement Offer document released to the ASX on 18 April 2019.

### Cost control and cash flow



The Company continues to maintain a tight control on cash flow, demonstrated by operating expenditure declining from \$3.2 million for the December Quarter to \$2.9 million for the March Quarter. Operating expenditure for the March Quarter represents a 49% reduction on expenditures of \$5.7 million from the corresponding period last year.

Costs savings have been realised across the Company, particularly in platform hosting, travel and office costs along with a re-alignment of marketing spend towards supporting Enterprise Channel Customers, rather than direct user acquisition. Headcount has fallen, with the average during the current quarter being 66 full time

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equivalents across the group compared to 100 staff for the same quarter last year. Importantly, this reduction has been managed to ensure that the Company utilises resources more efficiently and does not compromise the Company's capacity to service customers and seek new business. The Company is now managing its costs at a level aligned to its current needs.

Receipts from customers for the quarter were \$1.5 million including implementation, access and marketing support service fees received from the Enterprise Channel Customers that went live at the end of last quarter. In addition, \$0.2m of grant income was received. Receipts were lower than the previous quarter as a result of an early receipt of Enterprise Channel Customer income received last quarter.

Cash and cash equivalents at 31 March 2019 were \$1.4 million. Net cash operating outflows for the next quarter are estimated to be approximately \$1.1 to \$1.3 million, and with the Company announced underwritten rights issue to deliver circa A\$5.3 million in gross proceeds.

**For more information:**

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**About 9 Spokes**

9 Spokes is a tracking tool designed to help SMEs enhance their performance and be their best business self. It collates and sorts the SMEs data so they can more easily see their progress against the things that matter most to their business.

SMEs can connect their cloud software to 9 Spokes to get a comprehensive picture of their business performance through a single smart dashboard—so it's easier to make the big and small decisions required to manage and grow their business effectively. As well connecting their existing supported software to the dashboard, businesses can choose from a selection of other recommended and accredited apps to suit their industry.

9 Spokes is provided under a direct model to small businesses and as a white labelled platform allowing key Banking Partners to offer 9 Spokes to their SME customers under their own brand.

Find out more at [www.9spokes.com](http://www.9spokes.com)

## 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**

9 Spokes International Limited

**ABN**

58 610 518 075

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

31 March 2019

<b>Consolidated statement of cash flows</b>		<b>Current quarter</b>	<b>Full Year</b>
		<b>\$NZ'000</b>	<b>\$NZ'000</b>
<b>1</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	1,451	6,654
1.2	Payments for	0	
	(a) research and development	(476)	(3,496)
	(b) product manufacturing and operating costs	(117)	(1,127)
	(c) advertising and marketing	(12)	(652)
	(d) leased assets	(216)	(978)
	(e) staff costs	(1,694)	(7,448)
	(f) administration and corporate costs	(430)	(2,081)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	1	83
1.5	Interest and other costs of finance paid	0	(5)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	166	890
1.8	Other (provide details if material)	0	0
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,327)</b>	<b>(8,160)</b>

Consolidated statement of cash flows		Current quarter	Full Year
		\$NZ'000	\$NZ'000
<b>2</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	0	(69)
	(b) businesses (see item 10)	0	0
	(c) investments	0	0
	(d) intellectual property	0	0
	(e) other non-current assets	0	0
2.2	Proceeds from disposal of:	0	
	(a) property, plant and equipment	0	0
	(b) businesses (see item 10)	0	0
	(c) investments	0	0
	(d) intellectual property	0	0
	(e) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>0</b>	<b>(69)</b>
<b>3</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	0	0
3.2	Proceeds from issue of convertible notes	0	0
3.3	Proceeds from exercise of share options	0	0
3.4	Transaction costs related to issues of shares, convertible notes or options	0	0
3.5	Proceeds from borrowings	1,800	2,500
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0

Consolidated statement of cash flows		Current quarter	Full Year
		\$NZ'000	\$NZ'000
3.9	Other (fund raising costs)	(287)	(1,208)
<b>3.1</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,513</b>	<b>1,292</b>

<b>4</b>	<b>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	1,174	8,297
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,327)	(8,160)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	(69)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,513	1,292
4.5	Effect of movement in exchange rates on cash held	0	0
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,360</b>	<b>1,360</b>

5	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter	Previous quarter
		\$NZ'000	\$NZ'000
5.1	Bank balances	936	750
5.2	Call deposits	424	424
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,360</b>	<b>1,174</b>



<b>6</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter</b>
		<b>\$NZ'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	39
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	0
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

<b>7</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter</b>
		<b>\$NZ'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	0
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	0
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

<b>8</b>	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end</b>	<b>Amount drawn at quarter end</b>
		<b>\$NZ'000</b>	<b>\$NZ'000</b>
8.1	Loan facilities	2,500	2,500
8.2	Credit standby arrangements	0	0
8.3	Other (please specify)	0	0
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.		
	<p>(a) The interest rate is 6.5% per annum until 31 December 2018, and 12% after that date.</p> <p>(b) A completion and work fee is payable. The costs of the facility are consistent with the nature and purpose of the facility.</p> <p>(c) Advances are secured by way of a general security agreement over the material assets of the Company and subsidiaries.</p>		

<b>9</b>	<b>Estimated cash outflows for next quarter</b> (see note below)	<b>\$NZ'000</b>
9.1	Research and development	480
9.2	Product manufacturing and operating costs	110
9.3	Advertising and marketing	30
9.4	Leased assets	210
9.5	Staff costs	1,660
9.6	Administration and corporate costs (including financing activities)	490
9.7		
<b>9.8</b>	<b>Total estimated net cash outflows</b> (see note below)	<b>2,980</b>
<p>Note</p> <p>To fully understand the Company's estimated subsequent quarterly operating cash estimates, cash inflows from customer receipts and government grants should also be considered. Consistent with previous quarters it is reasonable to conclude that the company will derive receipts from customers generated from delivery of our services and receive payment of quarterly grant awards submitted for payment in the coming quarter. As of the date of this report, on that basis, the company expects to generate an estimate of approximately \$1.6 to \$1.8 million of cash inflows from customer receipts and government grants, which would result in an estimated total net cash outflow to be estimated between \$1.1 million and \$1.3 million for the next quarter.</p> <p>Further as reported to the ASX on 18 April 2019 the company has announced a fully underwritten pro rata renounceable entitlement offer to raise A\$5.3m before costs at an issue price of A\$0.016 per new share. For more information on the rights issue and use of funds please refer to the Entitlement Offer document released to the ASX on 18 April 2019.</p>		

<b>10</b>	<b>Acquisitions and disposals of business entities</b> <b>(items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1	Name of entity	None	None
10.2	Place of incorporation or registration	None	None
10.3	Consideration for acquisition or disposal	None	None
10.4	Total net assets	None	None
10.5	Nature of business	None	None

### 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:  \_\_\_\_\_  
CFO & Company Secretary

Date: 30 April 2019

Print name: Neil Hopkins

### 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.