
ASX: 9SP

ASX Release

31 July 2019

June 2019 Quarterly Activity Report and Appendix 4C

Highlights:

- BNZ white label platform officially went live 2 April 2019 with strong early user traction since launch
- BNZ first successful win through Microsoft co sell partnership.
- Contract negotiations with tier one North American bank in final stages.
- Business development progressing well in all regions with negotiations at advanced stages.
- Another strong quarter of user growth for 9 Spokes with total active base surpassing 100,000 users.
- V2 product development progressing towards new application launch.
- Successful Rights Issue and Placement raised \$6.3 million with the Company now debt free and funded to pursue its growing and advanced pipeline of new customer opportunities.
- Annual General Meeting held on 29 July 2019 with full transcript available on the Company website.

Auckland, NZ 31 July, 9 Spokes (ASX: 9SP or “the Company”), a leading Marketplace and Insights company to small businesses, is pleased to release its June Quarterly Activity Report and Appendix 4C.

Annual General Meeting

The Company held its AGM on the 29th July 2019. A full transcript of the statements from the Chair and Chief Executive presented at the AGM is available through the following link: [AGM Statements](#). This Quarterly report should be read in conjunction with the AGM Statements.

Channel Developments

The primary channel development focus in the quarter was on the following activities:

- i. Business Development: the Company continued to focus on business development in all regions with focus on;
 - a. Contract negotiations with a tier 1 North American bank have reached final stage.
 - b. Continuing direct business development in all regions including co-hosting a Hackathon for a major global bank focusing on SME solutions.
 - c. Continued focus on strengthening our distribution channels.
- ii. Microsoft Co-Sell Development: the Company focused on establishing processes and sales collateral to work with Microsoft on co-sell opportunities. This included securing accreditation for BNZ as the first co-sell accredited win reflecting the work that Microsoft did to assist in technical evaluation. In addition to working on specific opportunities, the Company participated in a number of briefings and education sessions **with Microsoft's** sales team on the 9 Spokes proposition.
- iii. Existing Channel Development: Existing channel focus was on;
 - a. Continued focus on on-boarding and engagement strategies for all channels.
 - b. Preparation for launch of V2 platform to existing channel partners in Q3.

Product & Engineering

Product & Engineering focus during the quarter was on completion of our V2 product to be released to market in Q3 of the financial year. This work includes:

- Completion of a new frontend application utilising JavaScript technology. The frontend app is supported by a new set of highly scalable services written in Go programming language;
- Developed a new user experience across all form factors including mobile, tablet and laptop. This improved design system, can deliver a new branded instance for a bank more efficiently and provides for faster implementation;
- Completed a new data service framework (ETL) that can onboard a new APP partner in a fast and scalable way. The data service provides data in a consistent format for any consuming services such as the frontend app; and
- Built a new permission service for handling user access and Single Sign-on (SSO) increasing security and end-customer usability. The new service incorporates Azure Active Directory, which supports a number of SSO scenarios, out of the box. Once again, this development improves the speed with which we can onboard new banks.

Users numbers pass 100,000



9 Spokes CEO, Adrian Grant, said: “The positive financial results flowing from actions taken by management over recent quarters are encouraging. I’m pleased to say that the business has brought forward its pathway towards profitability with a significant reduction in operating costs, while at the same time, continuing to increase revenue, complete development of our next generation platform (V2) and maintain a pipeline of exceptional business development opportunities across the globe. Contract negotiations with a tier one North American bank have progressed to final stages and remain a key near term focus for management. At the same time our relationship with Microsoft has grown deeper and more meaningful as we jointly celebrated the success of the launch of the BNZ white label platform. The board and management would like to thank existing and new shareholders for their ongoing support as the business pursues the opportunity to support global banks and SMB customers across the globe.”

Operating receipts and expenditure

Customer receipts for the quarter were \$1.45 million, in line with receipts received in the previous quarter. Government grants payable in this quarter of \$0.3 million will be received in the September quarter with annual grant certifications recently completed. This payment includes a one-off amount for retentions held from previous quarters.

Operating expenditure was \$3.09 million for the quarter which includes \$0.2 million of administration and corporate costs carried over from the March 2019 quarter. Expenditure for the March quarter was \$2.94 million. While quarterly expenditure has remained in-line with the previous quarter, a higher proportion of costs have been allocated to research and development as a result of the increasing level of new product development.

Net operating cash outflows reported were \$1.6 million for the quarter and Cash and Cash Equivalents at 30 June 2019 were \$2.83 million. Adjusted for delays in government grants and costs brought forward from last quarter, the effective net cash outflow was \$1.1 million. Net operating cash outflows for the next

quarter are estimated to be approximately \$0.9 million to \$1.3 million, a result of increasing receipts, while expenditure remains flat.

Successful rights issue and placement

On 24 May 2019 the Company completed a fully underwritten pro rata renounceable entitlement offer for the issue 330 million shares at A\$0.016 per share. As a consequence of demand from shareholders and sub-underwriters, the Company also secured a placement of 43.5 million shares at the same issue price of A\$0.016. In total, the Company raised \$6.31 million (A\$5.97 million) before costs of \$0.87 million.

Settlement of short-term loan

Following completion of the capital raise on 24 May 2019, a working capital facility announced to the market on 17 October 2018, was settled in full by the payment of \$2.33 million and the issue of 80.1 million shares at A\$0.016.

For more information:

Investors:

Simon Hinsley

NWR Communications

+61 401 809 653

simon@nwrcommunications.com.au

Media:

Warrick Lace

NWR Communications

+61 404 656 408

warrick@nwrcommunications.com.au

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

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")

30 June 2019

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$NZ'000	\$NZ'000
1	Cash flows from operating activities		
1.1	Receipts from customers	1,451	1,451
1.2	Payments for		
	(a) research and development	(864)	(864)
	(b) product manufacturing and operating costs	(143)	(143)
	(c) advertising and marketing	(41)	(41)
	(d) leased assets	(176)	(176)
	(e) staff costs	(1,269)	(1,269)
	(f) administration and corporate costs	(602)	(602)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	3
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)	-	-
1.9	Net cash from / (used in) operating activities	(1,641)	(1,641)

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$NZ'000	\$NZ'000
2	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	
3	Cash flows from financing activities		
3.1	Proceeds from issues of shares	6,310	6,310
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	(2,326)	(2,326)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$NZ'000	\$NZ'000
3.9	Other (fund raising costs)	(872)	(872)
3.1	Net cash from / (used in) financing activities	3,112	3,112

4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,360	1,360
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,641)	(1,641)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,112	3,112
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,831	2,831

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	2,831	1,630
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,831	1,360

6	Payments to directors of the entity and their associates	Current quarter
		\$NZ'000
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	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Directors fees		

7	Payments to related entities of the entity and their associates	Current quarter
		\$NZ'000
7.1	Aggregate amount of payments to these parties included in item 1.2	8
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	
A family member of one of the directors provides recruitment services below market rates		

8	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end	Amount drawn at quarter end
		\$NZ'000	\$NZ'000
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.		

9	Estimated cash outflows for next quarter (see note below)	\$NZ'000
9.1	Research and development	(900)
9.2	Product manufacturing and operating costs	(100)
9.3	Advertising and marketing	0
9.4	Leased assets	(200)
9.5	Staff costs	(1,300)
9.6	Administration and corporate costs (including financing activities)	(400)
9.7		
9.8	Total estimated net cash outflows (see note below)	(2,900)
<p>To fully understand the Company's estimated subsequent quarter cash position, 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. As of the date of this report, on that basis, the company expects to generate an estimate of approximately \$1.6 to \$2.0 million of cash inflows from customer receipts and government grants, which would result in an estimated total net cash outflow to be estimated between \$0.9 and \$1.3 million for the next quarter.</p>		

10	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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: 31 July 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.