
ASX: 9SP

ASX Release

22 October 2019

September 2019 Quarterly Activity Report and Appendix 4C

Highlights:

- Customer receipts increased 43% quarter-on-quarter from NZ\$1.4 million in Q1 to NZ\$2.0 million in Q2
- Significant decrease in Q2 net operating cash outflows to NZ\$0.5 million, compared to net outflows of NZ\$1.6million in the previous quarter
- Announced entry into US market with Bank of America contract, which will see considerable revenue generated for 9 Spokes
- Announced Bank of America as second Microsoft co-sell win
- Demonstrated solid quarterly progress on business and channel development with a strong pipeline of opportunities in advanced stages
- V2 platform development progressed well towards release in Q3

Auckland, NZ | 22 October, 9 Spokes (ASX: 9SP or “the Company”), a leading marketplace and insights company to small businesses, is pleased to release its September Quarterly Activity Report and Appendix 4C. Progress in Q2 has seen strong growth and been in line with the Company’s stated objectives across its core priorities.

Operating Receipts & Expenditure

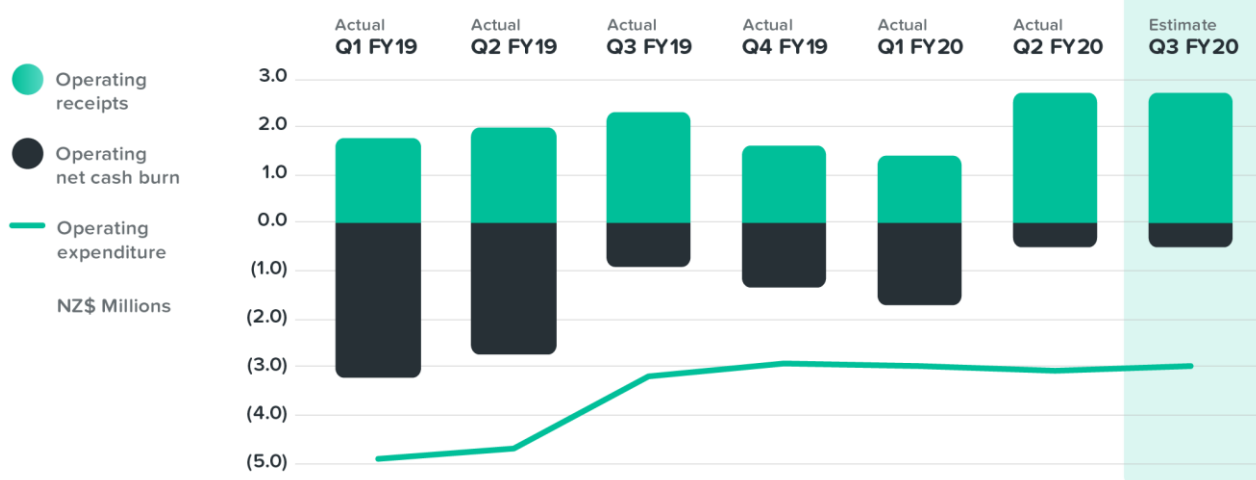
Customer receipts increased quarter-on-quarter from NZ\$1.4 million in Q1 to NZ\$2.0 million in Q2, with growth strongly impacted by the receipt of the first of three equal payments of the implementation fee due in calendar year 2019 from Bank of America (“BoA”).

Receipts from government grants this quarter was NZ\$0.6 million; these included receipts of NZ\$0.4 million from prior periods, received following end-of-year grant certifications.

The company continued in Q2 to exercise fiscal discipline; payments from operating activities have remained in line with last quarter, maintaining resources to manage current growth expectations. With a 43% increase in receipts from customers plus additional grant receipts, net operating cash outflows for this quarter were NZ\$0.5 million, compared to NZ\$1.6 million last quarter – a reduction of 72%.

Cash and cash equivalents at the end of the quarter were NZ\$2.4 million. Net operating cash outflows for the next quarter are expected in the range of NZ\$0.5 million assuming BoA receipt as per contract.

Quarterly Operating Cash Receipts, Expenditure and Burn



Business & Channel Development

On 26 August, the Company announced a major contract BoA to provide a white-label platform to the bank’s small business (SB) customers. Powered by 9 Spokes, the platform will support the on-going evolution of BoA’s Business Advantage 360 proposition, which provides online insights and tools for its SB customers. Implementation is well-advanced; platform development and handover will be completed in financial Q3.

BoA will launch on 9 Spokes’ V2 platform, which includes deployment of the app Marketplace. Marketplace will launch with BoA’s strategic business apps. Work on Marketplace and strategic app connections is well-advanced.

The Bank of America contract will generate significant revenue for 9 Spokes across three keys areas:

- Implementation fee to the value of circa 30% of FY19 revenue of NZ\$8.2 million to be received by end of CY19.

- Annual licence fees to the value of circa 35% of FY19 revenue to be received for a minimum of three years.
- Marketplace fees derived from customer usage, which is expected to be material based on the number of BoA SB customers. However, the amount of the fees is uncertain and dependent on a number of factors – including SMB customer adoption, usage of the app marketplace, the timing in relation to the on-boarding of app partners and the value of contracts with such partners.

The emerging relationship between Microsoft and 9 Spokes was bolstered by the second accredited co-sell win (BoA) announced during Q2. The multi-faceted relationship is already delivering significant benefits to the Company:

- Following re-platforming to Microsoft Azure, 9 Spokes has realised significant financial benefits, particularly the reduction of hosting costs. More importantly, operational progress has improved across all dev/ops and release processes.
- The Company worked to deepen the integration of the 9 Spokes platform Tracker into Microsoft Teams; this additional feature will encourage active user-engagement on both platforms.
- As a result of the co-sell successes, 9 Spokes and Microsoft are advancing mutual business development opportunities.

During the quarter, 9 Spokes continued to make good progress on business and channel development, working to further broaden 9 Spokes' direct and indirect reach.

Product, Engineering & Operations

The total focus of the Product, Engineering and Operations teams has centred on launching 9 Spokes' V2 platform. Quarterly targets were achieved, and the Company is confident of delivery in financial Q3.

Key achievements in this quarter include:

- Launch version of the next-generation V2 platform will be ready to be rolled out to customers in Q3.
- Commenced the design and development phase for the app Marketplace, to be launched as a part of V2 and through which 9 Spokes expects to derive material revenue.
- Further developed the Engage programme; designed to accelerate user growth and increase repeat usage of the platform, it will include pre-built and optimised acquisition and engagement campaigns, customer journeys and content.

Adrian Grant, Co-Founder and CEO of 9 Spokes, said: “Q2 has been a pivotal quarter in the Company’s year in so far as we have demonstrated that we are systematically achieving the objectives we laid down.

“Our partnership with Bank of America validates our platform opportunity in the US market, the size of which dwarfs anything we have done previously, whilst our partnership with Microsoft has been critical to ensuring that we can scale to meet projected volumes.

“Central to the future success of these partnerships is the work we have been doing on our V2 platform; not just in terms of scale and resilience but, as importantly, to advance the core functions and features of our platform in order to deliver even greater value for users and truly engage with the millions of SMBs who constitute our addressable market.

“The immediate Q3 focus will be on implementing V2; post that, we will be extending our core value proposition to our banking partners, our SMB community, and our app partners.

“Finally, as our quarterly cash reporting demonstrates, we are continuing to focus on fiscal discipline and to make good progress towards reaching one of our core objectives – to reach break-even.”

Quarterly activity investor conference call

9 Spokes will host a conference call on **Thursday 24 October 2019, 12:30 pm (NZDT)** to discuss activity in this quarter.

To listen to the call, please follow [this link](#).

This call will be hosted on Microsoft Teams. To join the call:

1. Follow [the link](#).
2. Select ‘Watch on the web instead’
3. Then ‘Sign in’ or ‘join anonymously’

For support [follow this link](#).

For further information, please contact:

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About 9 Spokes

9 Spokes is a business tracking and insights tool that enables SMBs to harness the power of their data to improve performance. SMBs can connect their cloud software to the 9 Spokes platform and use the Tracker tool to get a comprehensive, near real-time picture of how they're performing across the metrics that matter most – so they can make quick, sharp decisions that impact growth.

9 Spokes is available to SMBs directly through 9spokes.com and as a white-labelled platform for enterprise customers, including banks and other financial services providers. The Enterprise Edition allows banks, under their own brand, to deliver richer and more engaging experiences to their SMB customers. Through permissioned access to their SMB clients' data, banks get the insights they need to offer products and services that are better tailored to their small business customers' needs.

Find out more at 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 September 2019

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$NZ'000	\$NZ'000
1	Cash flows from operating activities		
1.1	Receipts from customers	2,008	3,459
1.2	Payments for		
	(a) research and development	(944)	(1,808)
	(b) product manufacturing and operating costs	(175)	(318)
	(c) advertising and marketing	(41)	(82)
	(d) leased assets	(193)	(369)
	(e) staff costs	(1,130)	(2,399)
	(f) administration and corporate costs	(646)	(1,248)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	4
1.5	Interest and other costs of finance paid	(8)	(8)
1.6	Income taxes paid	1	1
1.7	Government grants and tax incentives	664	664
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(463)	(2,104)

Consolidated statement of cash flows		Current quarter	Year to date (6 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
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	45	(827)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	6	(2,320)
3.7	Transaction costs related to loans and borrowings	-	-

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$NZ'000	\$NZ'000
3.8	Dividends paid	-	-
3.9	Other (fund raising costs)	-	-
3.1	Net cash from / (used in) financing activities	51	3,163

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	2,831	1,360
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(463)	(2,104)
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)	51	3,163
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,419	2,419

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	69
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	16
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	(940)
9.2	Product manufacturing and operating costs	(150)
9.3	Advertising and marketing	(80)
9.4	Leased assets	(180)
9.5	Staff costs	(1,170)
9.6	Administration and corporate costs (including financing activities)	(580)
9.7		
9.8	Total estimated net cash outflows (see note below)	(3,100)

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 \$2.6 million of cash inflows, which would result in an estimated net cash outflow of \$0.5 million

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

Date: 22 October 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.