

MARKET UPDATE AND COVID-19

Fintech company 8common Limited (**8common** or the **Company**) (ASX: **8CO**), a leader in expense management software and card application management, announces an update on current business activities.

Key highlights:

- The company benefits from a diverse range of customers across Federal & State Government as well as large Australian enterprises
- Impact on overall revenue from current travel restrictions and social distancing policies is mitigated as a result of 8CO's SaaS (Software as a Service) business model which constituted 73% of revenue in H1 2020. The SaaS revenue combines monthly & annual subscription fees with monthly transaction-based revenue
- Direct travel transaction-based revenue accounted for approximately 6.9% of 1H 2020 SaaS Revenue and will be the most impacted by COVID-19
- 8CO's expense transaction-based revenues is also likely to experience some slowdown due to COVID-19, as business activity and some customers may decrease headcount which affects user numbers. It is important to note that in 1H FY20 approximately 70% of SaaS revenue was contracted with either Federal or State Government entities, with an average contract length of 3 years (plus extension options)
- Strong cash position with net cash of circa \$1.85 million as at 26th February 2020
- Annualised SaaS revenue at 31 December 2019 of \$2.9 million
- 8CO continues to receive inbound inquiries on our CardHERO product, a traceable expenditure solution using pre-paid cards leveraging the Expense8 platform
- Operationally, the Company is well-positioned with a predominantly remote based workforce and operating platforms. There has been no impact on business activity levels as a result of social distancing policies and COVID-19

8common Executive Chairman, Nic Lim said "The current market and economic conditions have provided challenging conditions for all Australians. We have seen a limited impact to our revenue in the current quarter from COVID-19. However, Q4 FY2020 may experience more significant implications given travel limitations, decrease in business activity, potential user decreases due to headcount changes and social distancing policies.

Our business model, primarily generates its revenue via highly visible recurring billing models with our customers. Our exposure to recurring revenue streams from Government agencies provides a greater degree of revenue certainty in market conditions such as these.

Our strong cash position and balance sheet allows us to continue to deliver our business as usual activities as well as invest in opportunities that arise such as the development of complementary financial transaction software platforms like CardHERO.

Our long-term contracts, recurring revenue model, cash position and growth options leave the company well-positioned to continue to deliver long-term value for our stakeholders".

Cash Position & Balance sheet

The company has a strong cash position with \$1.85 million cash at bank as at 26 February 2019. 8CO's strong cash position allows the company to continue to invest in business as usual activities, develop complementary financial transaction software platforms and take advantage of opportunities that arise for our products and services from the current market conditions.

Revenue Model

8CO technology facilitates the processing and reconciliation of employee generated financial transactions. The Company generates revenue from three areas:

- Recurring Software as a Service (SaaS) revenue: The company provides access to the Expense8 travel and expense management software under a monthly or annual subscription model. The majority of the contracts are on a subscription basis with a smaller proportion of the contracts revenue based on usage.
- Implementation revenue: The fee 8CO charges for the onboarding work required to integrate Expense8 platform into the customers systems.
- Other revenue: Primarily derived from fees charged for any requested changes required in the Expense8 platform by customers post implementation.

Our Customer Base

8CO generate revenue predominantly from Federal and State Government agencies. The exposure to Government agencies provides a greater degree of certainty in revenue streams in current market conditions.

The Company has been in contact with all major customers and continues to receive new mandates, including two new Federal Government agencies moving to onboard our technologies, with more agencies planned through the remainder of the year. Change requests activities continue to flow as customers move through different phases of work from home and hybrid arrangements.

Being a leading financial technology company, 8CO staff are used to operating in a remote work environment. The health and safety of our staff remains of paramount importance to the company and as such 8CO have exercised COVID-19 operating policies to ensure all staff remain safe whilst ensuring the continued delivery of services required by customers.

Whilst COVID19 is impacting near term business activity, 8CO's expense reconciliation and process software is well positioned to benefit from the increased level of Government spending over the near term.

Further information

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About 8common Limited

8common's (ASX:8CO) solutions deliver enterprise grade financial transaction processing for government entities and large enterprise businesses. Its flagship Expense8 platform is a leading pureplay provider of end to end travel expense management software, card application and management. The innovative software solutions improve organisation, productivity, incorporate company organisational policies and expense auditing to reduce fraud. Expense8 by 8common was named a Major Player in the IDC MarketScape: Worldwide SaaS and Cloud-Enabled Travel and Expense Management Applications 2019 Vendor Assessment.

Its new products being PayHERO (procurement payment gateway) and CardHERO (pre-paid card fund distribution) deliver closed loop solutions to support regulated, large network and high volume requirements. 8common's specialises in large enterprise and government segments.

Its growing client base of more than 120,000 platform users include enterprise customers Woolworths, Broadcast Australia, Amcor, and over 120 state and federal government entities. For more information, visit <https://www.8common.com/>