

8CO delivers \$46k of positive cashflow on \$1.3m in cash receipts for the quarter despite impact of COVID-19

June 2020 Quarterly Report and Appendix 4C

Fintech company 8common Limited (**8common** or the **Company**) (ASX: **8CO**), is pleased to release its consolidated quarterly cashflow and business update for the quarter ended 30 June 2020 (4Q FY20).

COVID-19 impact:

- Q4 recurring SaaS and transaction-based revenue of \$545k, up 5% on the pcp (April – June FY19, \$518k) but down 17% against the previous quarter (January – March FY20, \$656k). The year on year growth during Q1 to Q3 was tracking at about 48%
- Total revenue for quarter of \$923k, a decrease of 11% on pcp reflecting the challenging economic conditions presented by COVID-19 for new implementations

Key financial highlights for 4QFY20 include:

- Positive cashflow generation for the quarter of \$46k which is inclusive of \$55k of pre-payments made to Amazon Web Services for hosting services (generating a circa 30% saving)
- Strong balance sheet with a net cash position in excess of \$1.8 million

Key financial highlights for FY20 include:

- 8common delivered \$3.7 million in total revenue for FY20, an increase of 8% vs FY19
- Total SaaS revenue for the year was \$2.5 million, a 30% increase on FY19, reflecting the company's growing footprint with the Federal and NSW State Government

Key operational highlights include:

- Continued benefit from diverse customer base and significant exposure to Federal and State Government underpinning SaaS based revenue (~70% of contracted revenue)
- Notable wins during the quarter include the Federal Digital Transformation Agency (DTA). The DTA is the first agency within the Department of Finance Shared Service Delivery Office to onboard expense8. The newly created Department of Regional NSW was also onboarded during the quarter.
- Generated over \$2.5 million in contract wins in FY20 with a significant pipeline of implementation work to be undertaken in the coming financial year

8common CEO, Andrew Bond said "Although the quarterly results reflect the challenging economic and business conditions, we are pleased to deliver positive cashflow and SaaS revenue growth for the quarter. Since the low point in April 2020, we have seen a steady recovery of SaaS revenue in May and June. New customer implementations continued over the period albeit at a slower pace. Business activity has picked up in the early weeks of FY21 and we expect to onboard a number of the more than 50 Federal government entities that are part of the shared services mandate to our platforms over the next twelve months.

"Our unaudited revenue for the year was \$3.7 million, an 8% increase on the prior year, demonstrating the strength of our offering to our clients. More importantly, our SaaS revenue grew 30% in the same period notwithstanding the impact of COVID-19, we were tracking at a 48% growth rate in the first three quarters of FY20.

“In addition, we continue to receive inbound enquiries for our CardHERO and PayHERO fund distribution and payment platforms. We anticipate FY21 to be the year these platforms begin to deliver meaningful contributions to our financial performance.

“With the economic conditions starting to stabilise and improve, our technology, pipeline of growth and strong balance sheet position leave 8common well placed to drive revenue upside and shareholder returns in to FY21 and beyond.”

Financial and operational review

Total revenue for the quarter decreased by 11% on a pcp basis to \$923k as a result of lower transaction volumes caused by COVID-19 travel restrictions and work from home mandates.

Recurring SaaS revenue of \$545k was up 5% versus the pcp but down from the \$656k reported in the March quarter. SaaS revenue was impacted in the quarter by a decrease in transaction revenue caused by the effects of COVID-19 and social distancing policies on travel and expense activity. However, the gradual return to usual business activities in NSW and the ACT are resulting in a pickup in activity levels. In the last week of June 2020 average weekly activity levels increased by more than 3x when compared to April 2020.

Despite a challenging quarter, the company has generated over \$2.5 million in contract wins in FY20 to date with a significant pipeline of implementation work to be undertaken in the coming financial year. Implementation work commenced over the quarter included:

- Federal Digital Transformation Agency (DTA)
- Federal National Indigenous Australians Agency (NIAA)
- Department of Regional NSW
- National Drought and North Queensland Flood Response and Recovery Agency

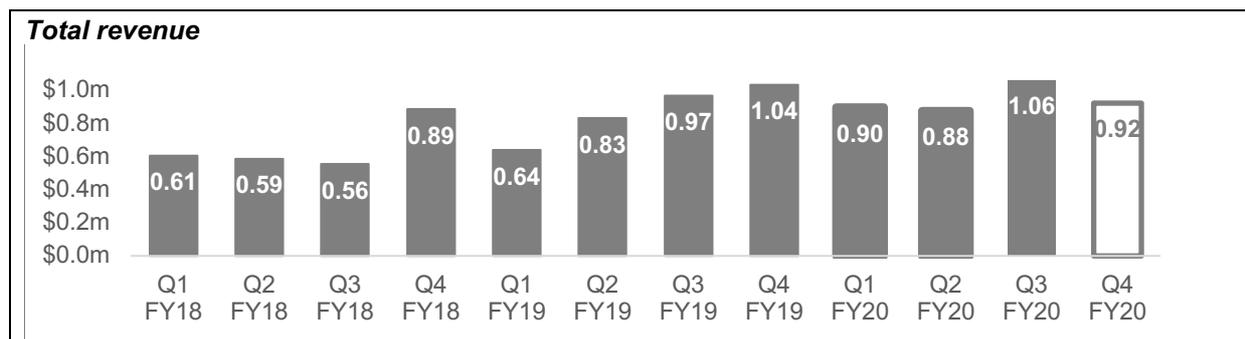
These implementations are expected to start contributing recurring SaaS revenue in Q1FY21

Additionally, during the quarter, the Company continued to advance the development and rollout of the complementary financial transaction software platform CardHERO. Existing customers and new prospects have been engaged to ensure product market fit and with positive interest from a range of existing verticals.

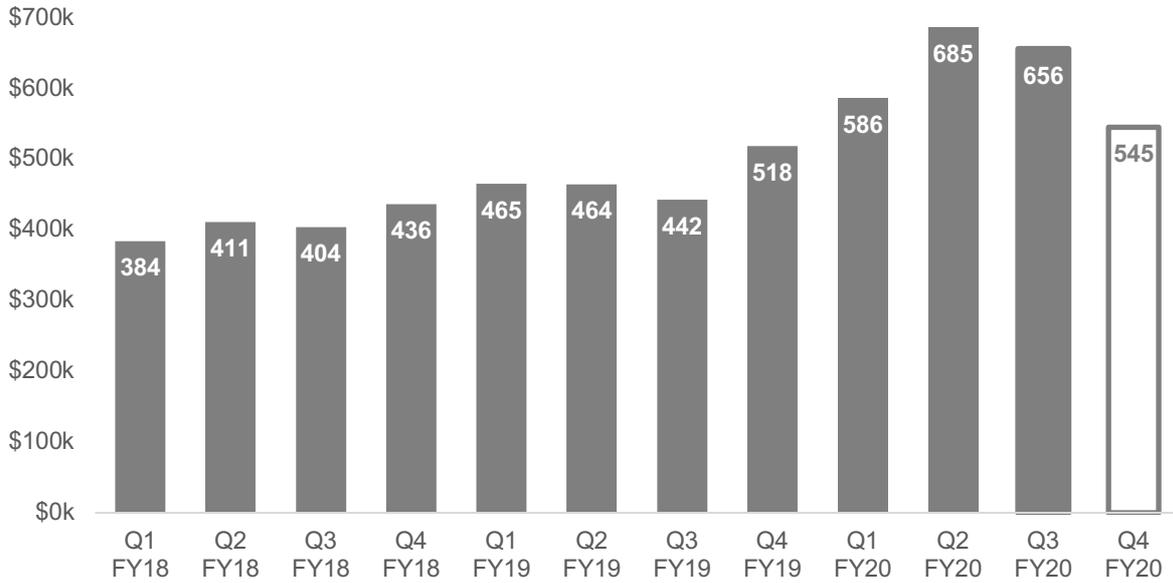
Revenue Model

8CO technology facilitates the processing, reconciliation and compliance 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 contract’s revenue based on usage.
- Implementation revenue: The fee 8CO charge 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 installation.



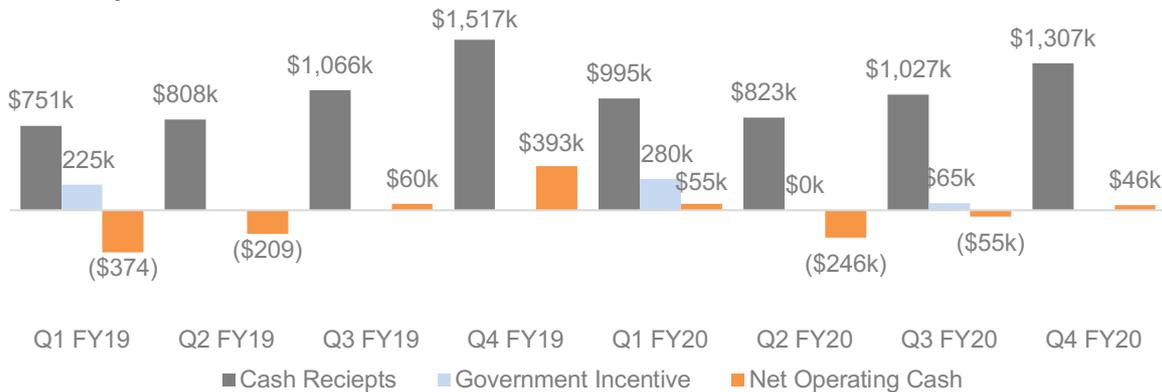
Recurring SaaS revenue growth



The Company generated a net operating cash inflow of \$46k for the period, a significant improvement on the March quarter. The positive cashflow was 8CO's second positive cash quarter for the year. The cash generation is inclusive of \$55k of pre-payments Amazon Web Services in order to receive a 30% discount. During the quarter the Company paid \$80k in payments for Director wages and Director fees.

The company has a strong cash position in excess of \$1.8 million at the end of June 2020. During the quarter, 8common announced that the final earnout from the sale of Realtors8 would not be received. This will result in an impairment of the deferred consideration of \$388k on the balance sheet in FY20.

Cash flow performance



Our Customer Base

8CO generates 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.

Whilst COVID-19 is impacting near term business activity, 8CO's expense reconciliation and process software is well positioned to benefit from the increased level of Government stimulus packages over the near term

Outlook

As highlighted in April, the June quarter saw a slowdown in business activity levels as a direct result of COVID-19 and the associated social distancing policies. As social distancing policies ease through NSW, the ACT and the Northern Territory (our key government relations) we expect business activities to start to improve. Whilst an elongated period of travel restrictions throughout Australia will impact revenue derived from travel management, the increased requirements for electronic payment and auditing of expenses as employees work from home will continue to drive activity levels for 8common.

As both State and Federal Government employees return to work, the ability for 8common to be on-site and drive implementation services will normalise and we expect improved activity in this area in FY21.

In the near term 8common is focused on investing in and further developing the CardHERO product. The pre-paid card market provides a robust and extensive opportunity for 8common with over \$4.9 billion in transactions annually in the not for profit sector. CardHERO will provide a closed loop pre-paid fund distribution system that will support and enable regulated and high-volume transaction management specifically targeting the challenges experienced within the not for profit sector.

Executive Chairman Nic Lim commented "We commenced FY20 on strong footing and generated three strong quarters of SaaS revenue growth, executed valuable new customer on-boarding and prudent financial management. The impact of business activity in Q4 from COVID-19 was unprecedented but we adapted swiftly and delivered a respectable outcome.

"CardHERO and PayHERO platforms are a key focus as we have positioned ourselves to capture opportunities arising from changes in the fund distribution and payments landscape. The new growth developments complement the significant growth opportunities that reside within our existing client base. We look forward to continuing to update the market on our activities and expect FY21 to be a significant turning point for the Company as we move to deliver consistent positive cash generation, profitability and shareholder returns."

This release has been approved for release by the board of 8common

Further information

Corporate

Nic Lim
nic@8common.com
Executive Chairman

Investors

Craig Sainsbury
craig.sainsbury@marketeye.com.au

About 8common Limited

8common (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/>

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

8common Limited

ABN

51 168 232 577

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,307	4,152
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(454)	(1,897)
(f) administration and corporate costs	(807)	(2,801)
1.3 Dividends received (see note 3)		
1.4 Interest received		
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)		345
1.9 Net cash from / (used in) operating activities	46	(201)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		(10)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) 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	-	(10)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		1,020
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	-	1,020

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,797	1,033
4.2	Net cash from / (used in) operating activities (item 1.9 above)	46	(201)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(10)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,843	1,843

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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,843	1,843
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)	1,843	1,843

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
80

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Relates to payment of Director wages and Director fees for the quarter.

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	46
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,843
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,843
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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.

Date:14 July 2020.....

Authorised by:Board of Directors.....

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.