



OPENN QUARTERLY REPORT Q2 FY24

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Openn Negotiation Limited (ASX: OPN)



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ABOUT THE COMPANY

WHO ARE WE?

Founded in 2016, Openn embarked on a mission to revolutionise global real estate transactions. Our vision was to streamline and enhance the offer management process, fostering transparency and success for all involved.

In 2021, Openn made a significant move by listing on the Australian Stock Exchange, aiming to share its developed sales and transaction products with the world. The primary focus shifted to the North American market, particularly in evolving and refining the Openn sales platform to bring greater efficiency and transparency to real estate agents. Key partnerships were forged, notably with the Canadian Real Estate Association, and integration with [Realtor.ca](https://www.realtor.ca), the largest real estate portal in Canada.

The Company is committed to identifying new market opportunities both domestically and internationally, exploring complementary technologies to leverage its established foothold. As a PropTech company, Openn takes pride in its proprietary offer management software, providing crucial governance, compliance, audit, and transparency functionalities to the industry.

Our trajectory involves continued growth in established markets, ongoing software development for increased revenue generation, and strategic partnerships or acquisitions to extend our reach and offerings.





WHAT'S COVERED

Openn has experienced noteworthy activity both domestically and internationally in the past quarter. This report aims to consolidate these activities, offering insights into current operations, the sector's outlook, and, more specifically, Openn's perspective. Additionally, it will outline our developing strategies designed to enhance shareholder value.



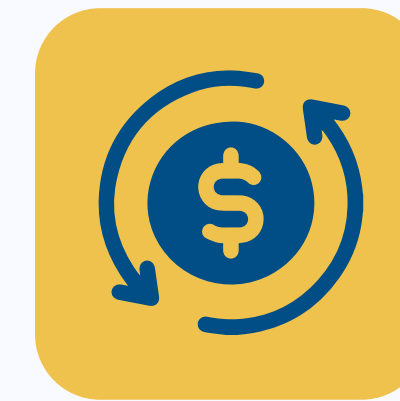
HIGHLIGHTS

Achievements during the Quarter



MANAGING DIRECTOR COMMENTARY

Overview of operations for the Quarter



CORPORATE UPDATE & FUNDING

Corporate and financial update



OPERATIONAL UPDATE

Summary of activities during the Quarter and strategy going forward



OUTLOOK & MILESTONES

Overview of market conditions and targets



DECEMBER QUARTER FY24



HIGHLIGHTS



- ✓ Ben Laurance, Managing Director of listed company and major shareholder Axiom Properties joined the Openn board as Chairman
- ✓ Andrew McCollough, Director of Network Growth at Ray White joined the board as a Non-Executive Director
- ✓ First brokerage groups sign up via revenue-based contracts in Canada
- ✓ Openn Offers integration is launched via integration with Core Logic's 'all in one' real estate research site and listing portal OnTheHouse.com.au
- ✓ Discovery in progress for commercial deal signed with Asia's second largest property portal operator, Digital Classifieds Group. Increased scope to kick off in significantly larger Indonesian market
- ✓ Landmark integration with leading North American Proptech – Lone Wolf Technologies provides market access to significant portion of Canadian REALTORS
- ✓ Successful AGM held in November



UPDATE



MANAGING DIRECTOR COMMENTARY



I'm delighted to report on several strategic milestones the Company has progressed during the 3 months to 31 December 2023, following an extremely busy period for the Company. While the economic and sector headwinds remain a challenge, the Company is pleased to advise that it believes it has sourced a potential pathway to realise significant investment returns while continuing to progress positively toward numerous milestones announced to date.

First off, I can confirm the Company has entered discussions for the acquisition of a technology platform that substantially enhances and expands Openn's potential and reach. The synergistic platform offers a comprehensive turnkey solution that the Company believes can seamlessly integrate with Openn's portfolio and offers significant impact on the Company's future cashflows. This aligns with our long-stated corporate strategy to enhance real estate transactions.

If this transaction proceeds, this tech stack has the potential to amplify the advantages for Openn's current customers, broaden its footprint in residential rental markets and substantially expand its market presence. The proposed transaction will also include an agreement with a major real estate player, which will generate immediate revenue for the Company upon completion and pave the way for transformative growth.

The Company is currently undertaking further due diligence in relation to the transaction. If things move forward, it's likely that shareholders will need to give their approval. While the board assess a higher likelihood of the deal going ahead, there's no guarantee – so we suggest investors are cautioned by making any investment decisions at this stage.

We look forward to sharing more details about the transaction as we proceed through the necessary steps. We're excited to deliver on this important endeavour, aiming to significantly increase scale and deliver enhanced value to both investors and customers.



UPDATE



MANAGING DIRECTOR COMMENTARY CONTINUED



Last quarter, we informed investors about our commercial partnership with Digital Classifieds Group (DCG), a growing Southeast Asian portal and real estate classifieds business. The groundwork is in progress, and the initial development is targeted to begin at the end of Q3 FY24. Encouragingly, the revenue potential from this partnership has been expedited due to DCG's acquisition of Lamudi assets in Indonesia and the Philippines, propelling the group to become Asia's second-largest property portal operator.

Our collaboration with CoreLogic is advancing, with the second integration into their consumer portal Onthehouse.com.au. We plan to further promote to CoreLogic's substantial customer base this quarter.

In Canada, we've made strides in driving adoption through contracts with key brokerages. After the seasonal slowdown during the Christmas/New Year break, we have numerous campaigns planned, leveraging Openn's unique capability to support compliance & transparency.

In addition to ensuring an absolute focus on the delivery of near-term revenue, the business is going through the expected motions of analysing further cost controls. We are operating with limited and precious equity and understand the need to preserve runway. The Openn Executive Team and Board are acutely aware of these challenging circumstances and are well placed to ensure the delivery of defined milestones are de-risked to the maximum extent possible.

As always, we wish to thank our investors and teammates for their unending loyalty. We sincerely look forward to presenting further exciting updates with you soon.

Peter Gibbons – Managing Director



FINANCIAL

CORPORATE UPDATE & FUNDING



Funding

During 2023, the Company undertook a cost optimisation process and reduced operating expenses. In the Q1 FY24 Appendix 4C, the Company stated that the net Group outflows was expected to be \$300k per month. The Q2 FY24 figure was materially on target at \$324k per month. Further revenue and cost optimisation processes are being implemented and considered. The Company will advise the market on these if they eventuate.

The Company is in discussions with third parties with regard to further PropTech partnerships, acquisitions and/or mergers that are complimentary to Openn’s technology. Openn has executed a non-binding terms sheet and the potential for a transaction to become binding will have an impact on future cash flows.

Total cash at 30 December 2023 was \$0.876 million.

Related Party Payments

In accordance with ASX listing Rule 4.7C.3, payments to related parties and their associates outlined in the Company’s Appendix 4C for the quarter of approximately \$172k relate to directors’ salaries, fees and superannuation payments.

Board & Management



BEN LAURANCE
NON-EXECUTIVE
CHAIRMAN



PETER GIBBONS
MANAGING DIRECTOR,
FOUNDER



DARREN BROMLEY
EXECUTIVE DIRECTOR, CO SEC
& CFO



ANDREW MCCULLOCH
NON-EXECUTIVE DIRECTOR



SEAN ADOMEIT
CHIEF EXECUTIVE OFFICER
AUS/NZ

CAPITAL STRUCTURE

ASX Code	OPN
Top 20 Shareholders (31 Dec 2023)	65.66%
Cash (31 Dec 2023)	\$0.876 million
Share Price (31 Dec 2023)	\$0.007
Shares on Issue (31 Dec 2023)	1.129 billion
Employee Performance Rights**	16.8 million
Unquoted Options***	19.4 million
Quoted Options****	29.5 million
Market Capitalisation (undiluted 31 Dec 2023)	\$8.9 million

** 16.8 million performance rights under Employee Incentive Plan

*** 2.9 million unquoted Lead Manager Options exercisable at \$0.24, expiring 20/01/25

*** 15.0 million unquoted Options exercisable at \$0.35 - \$0.65, expiring 14/04/24

*** 1.5 million unquoted Options exercisable at \$0.40, expiring 13/09/24

**** 29.5 million quoted options exercisable at \$0.10, expiring 29/03/25

Shareholder Analysis

At 31 December 2023, the Company had 1,280 shareholders and 1,129,179,635 shares on issue. The top 20 shareholders held 65.66% of the total issued capital.



STRATEGY



OPERATIONAL UPDATE

Since the beginning of the FY24, Openn has aggressively focused on optimising near-term revenue generation, aiming to achieve cash flow breakeven at the earliest opportunity. The approach, while undeniably challenging, is deemed necessary to preserve capital and unlock Openn's imminent potential.

Our core competencies and investment highlights remain steadfast, a testament to Openn's resilience in an industry where others have faltered. We boast a world-class offer management system, enjoy a first-mover advantage, benefit from robust capital partners (Axiom Properties Ltd), and possess the capability to expand into new geographies without incurring substantial overheads.

Strategy

The company's strategy revolves around securing partnerships that provide distribution pathways at scale. Collaborating with partners in each geography or vertical allows us to offer a cost-effective and adaptable platform, quickly aligning with use cases and implementing in significantly less time than our partners in-house development capability. The financial terms are designed for purpose, enabling Openn to access mass adoption at a low cost per acquisition and share in the generated revenue – a genuine win-win.

Digital Classifieds Group

We see significant potential with our partnership with DCG and the growing Southeast Asian market. DCG is positioned perfectly to implement our technology in those markets, many of which are still in their infancy and have a significantly large addressable market. Coupled with the compelling yield per transaction available through sell-side commissions, the opportunity is multifaceted and promising.



STRATEGY



OPERATIONAL UPDATE

CoreLogic

Following the successful integration of Openn's transparent private treaty solution into CoreLogic's OnTheHouse.com.au platform in Australia, we are pleased to advance with the planned promotion to CoreLogic's substantial 9,000 real estate agency subscribers.

Openn Canada

This approach extends to our engagement with the Canadian Real Estate Association (CREA) and the integration with Realtor.ca. Openn will collaborate with early adopters in Canada over the next months, testing and validating the opportunity of publishing offers live via Canada's #1 real estate portal.

Cost Control

While concentrating on these core areas, the business is undertaking a further cost control exercise. Despite material anticipated revenue growth in 2024, the company remains mindful of the need to preserve and extend the runway, ensuring the achievement of revenue milestones ahead of any accelerated investment measures.



TECHNOLOGY



PRODUCT UPDATE

Mobile App Redesign & Performance

With a significant 60% of our user base actively engaging through our mobile platforms, optimising their experience is paramount to our success. We gave a fresh look to 3 core screens that significantly impact user interaction and engagement: Offers and Timeline tabs and the slide-bar. The mobile app now also loads 40% faster.

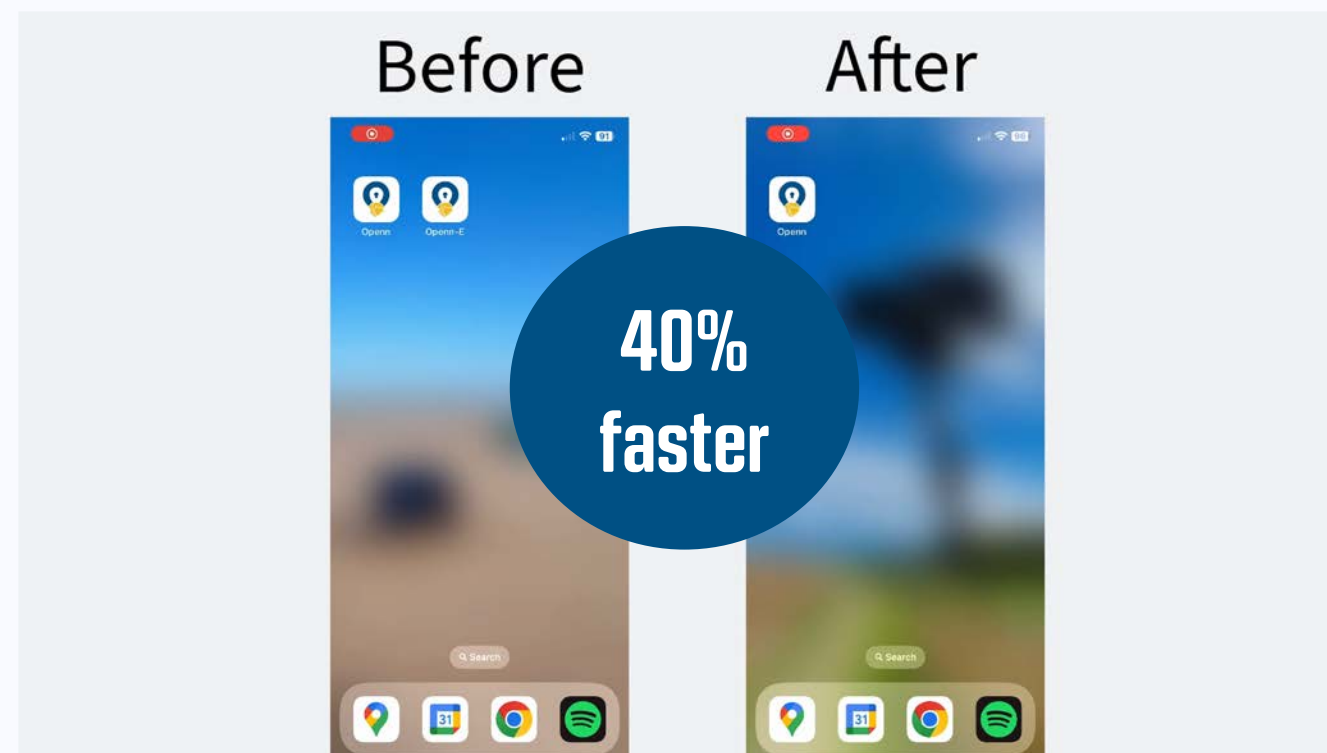
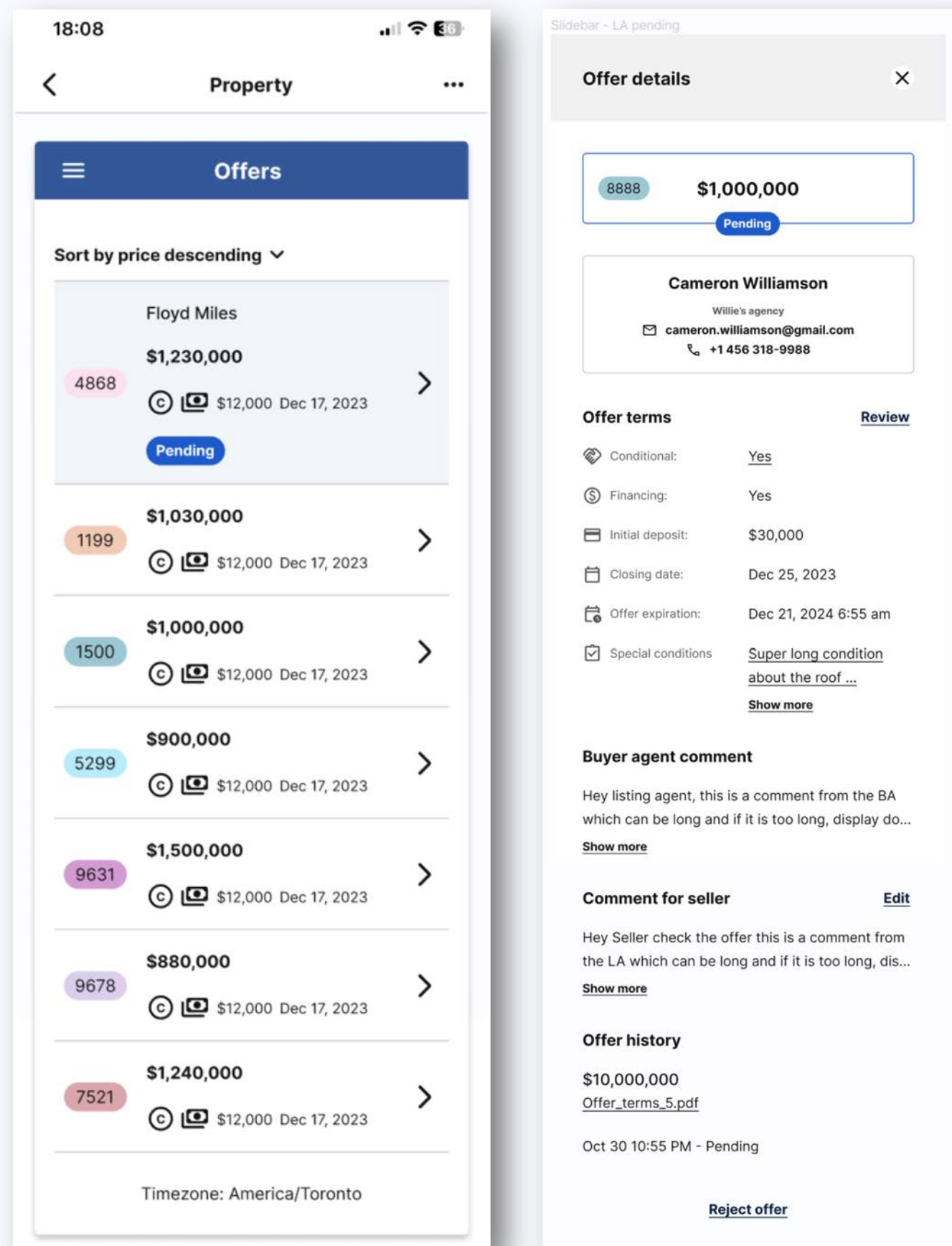
Campaign workflow improvements

We've aligned our campaign workflow with our agents' practices for improved efficiency and satisfaction.

- Redesigned North American counter-offer flow: we've refined the process for our North American agents and clients, ensuring better outcomes.
- Increased agent flexibility: agents can now update campaign statuses as desired, giving them greater control over their listings.

Introduction of offer history auditing

To empower our agents with greater compliance capabilities, we have introduced a comprehensive Offer History feature. This functionality provides agents with detailed auditing capabilities, enabling them review transaction histories with granularity





DELIVERING AGAINST MILESTONES IN FY24



STEP 1	Recapitalisation process to raise \$3.19m (before costs)	✓	Complete
STEP 2	Finalise alignment of organisation to operating and licensing model. Reducing burn significantly targeting >12 months runway.	✓	Complete
STEP 3	Finalise negotiations to secure at least two licence agreements in the 2023 calendar year.	✓	On track
STEP 4	Progress discussions with identified partners deeply embedded in the North American market .	✓	Lone Wolf Complete, numerous others afoot
STEP 5	Target breakeven by December 2024 or accelerate investment for growth through justifiable business case & upside potential		Cost Control and Revenue acceleration cases under review
STEP 6	Identify new real estate market partners in Asia, Europe, South America, South Africa.	✓	On track
STEP 7	Identify and begin market research on new verticals, AI integrations and other synergistic M&A opportunities		On track

CONTACT US

GET IN TOUCH

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Appendix 4C

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

Name of entity

Openn Negotiation Limited

ABN

75 612 329 754

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	152	294
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(271)	(513)
(c) advertising and marketing	(19)	(23)
(d) leased assets	-	-
(e) staff costs	(461)	(940)
(f) administration and corporate costs	(268)	(751)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	10
1.5 Interest and other costs of finance paid	(4)	(9)
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	(862)	(1,932)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(1)
(d) investments	-	-
(e) intellectual property	(106)	(244)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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 (cash reimbursement for issue of consultant shares per AGM Resolution 5)	25	25
2.6	Net cash from / (used in) investing activities	(81)	(220)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,191
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	-	(228)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(30)	(59)
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	(30)	2,904

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,849	124
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(862)	(1,932)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(81)	(220)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(30)	2,904
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	876	876

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	876	1,849
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)	876	1,849

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(172)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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)	(862)
8.2 Cash and cash equivalents at quarter end (item 4.6)	876
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	876
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.02
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	

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

8.6.1 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: No.

1. During 2023, the Company undertook a cost optimisation process and reduced operating expenses. In the Q1 FY24 Appendix 4C, the Company stated that the net Group outflows was expected to be \$300k per month. The Q2 FY24 figure was materially on target at \$324k per month. Further revenue and cost optimisation processes are being considered. The Company will advise the market on these if they eventuate.

2. In addition, as part of the previously disclosed corporate strategy, the Company is in discussions with third parties with regard to further PropTech partnerships, acquisitions and/or mergers that are complimentary to Openn's technology. To this end, Openn is in the process of pursuing a potential transaction with a preferred vendor, which if successful, is expected to have a positive impact on the Company's future cash flows. The Company is currently undertaking further due diligence in relation to this potential transaction. If the transaction proceeds, it is likely to require the approval of, or acceptance by, shareholders. While the board of directors consider it is more likely than not that the transaction will occur, there cannot be any assurance that a legally binding agreement with respect of this potential transaction will be entered into or that any such transaction will complete or otherwise lead to a successful outcome. Accordingly, investors are cautioned against making investment decisions based on the above potential transaction. The Company will update the market in accordance with its continuous disclosure obligations if binding documentation is agreed.

8.6.2 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: Yes. With reference to 8.6.1 above, the Company has executed a non-binding term sheet and is in incomplete and confidential negotiations regarding potential fundraising transactions to compliment the proposed transaction. If successful, Openn expects this to improve the Company's overall financial position. These negotiations are ongoing. While the board of directors consider it is more likely than not a fundraising transaction will be secured, it cannot give any guarantee in this regard.

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

Answer: Yes, for the reasons outlined above.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 31 January 2024
.....

Authorised by: By the board
.....
(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.