

ASX: 9SP

ASX Release

31 October 2018

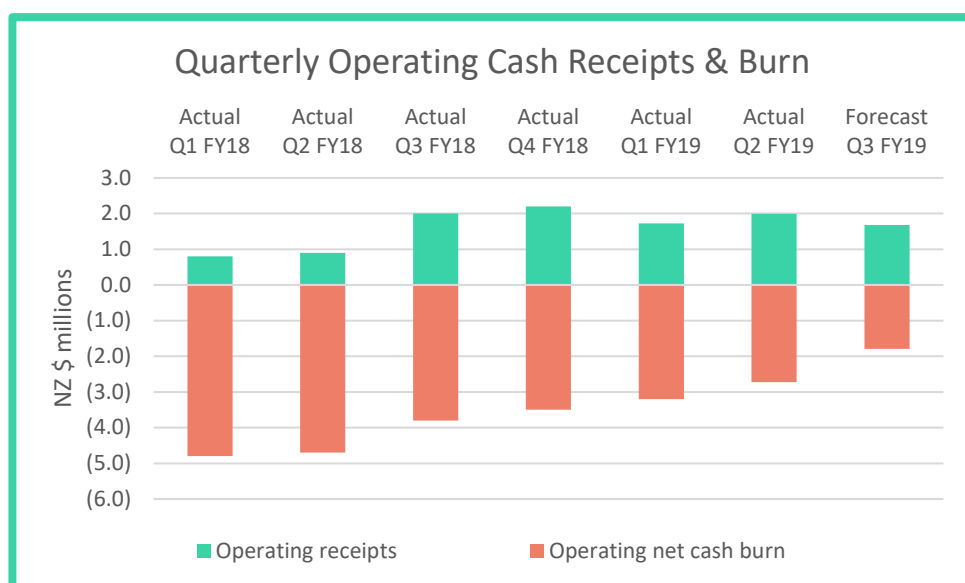
September 2018 Quarterly Activity Report and Appendix 4C

Highlights:

- Business development opportunities particularly in North America and Europe are reaching final evaluation stages.
- The implementation of platforms for both the BNZ and OCBC Bank are progressing well, with both to be delivered on-time during Q3.
- 9 Spokes completed an agreement to provide Marketing-as-a-Service (MaaS) to one of its customers, which will generate additional receipts from the next quarter onwards.
- Following the launch of the new enterprise customers, annual recurring revenues will exceed \$4 million, with additional implementation revenue (non-recurring).
- Focus upon enhanced user engagement delivered results, with new user onboarding process resulting in doubling of apps being connected during the sign-up process.
- iOS mobile app delivered internally and undergoing beta testing. The launch will provide a user experience for the 9 Spokes platform in line with user demands.
- User numbers as at 30 September were 69,000 (June quarter 64,000), with growth slowing as a result of a reduction in marketing costs, RBC users and a focus upon user engagement.
- Discussions with potential strategic investors remain active and are ongoing. Due to the number of parties engaged and the locations of those parties the Company anticipates requiring a few further days to complete, prior to making a public announcement.

Auckland, NZ 31st 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.

The Company has continued to maintain a strong focus upon cost discipline and reducing its net cash burn, demonstrated below:



September Quarterly Review

Operationally the business continued to make notable progress with a focus on the deployment of platforms for OCBC and the BNZ, meaningful enhancements to user engagement, user experience and the Company's core foundation technology. Business development opportunities particularly in North America and Europe are reaching final evaluation stages. The Company has continued to focus on cost reductions in line with our capital commitments.

Enterprise customer implementations

The implementation of platforms for both the BNZ and OCBC Bank are progressing well, with both to be delivered on-time during Q3. Both banks are expected to announce their intended launch schedules shortly.

Product Development

Product development has been focused in several key areas:

Mobile app

As announced in the Company's June quarterly report, the iOS mobile app was delivered internally and has now entered beta testing. The launch of the native app will provide a user experience for the 9 Spokes platform in line with user demands. As soon as the 9 Spokes iOS app is released, the Company will then focus upon delivering an Android app. For the Company's bank customers, 9 Spokes has also successfully completed integrations enabling the 9 Spokes platform to be a part of each of the bank customers mobile applications.

Improved user experience

A new user onboarding process was introduced during this quarter that allows the user to more effectively connect apps to the dashboard. Early indications are that this has resulted in a doubling of apps being connected during the sign-up process.

Core foundation technology

The Company released a new REST API service layer during the quarter. The APIs provide the foundation for mobile apps and support scenarios where banks prefer to write their own user interface or embed the 9 Spokes services into their existing product offerings.

9 Spokes has also made significant progress towards the containerisation of the platform and migration of infrastructure to public cloud. This provides greater flexibility to operate within any cloud environment supported by the Company's bank customers.

Marketing

Marketing activity has been significantly focused on supporting the Company's bank customers. Most notably, during the September Quarter, 9 Spokes concluded a Marketing-as-a-Service agreement with a customer for a fixed term and as a result is now successfully generating monthly revenue and supporting the customer with go-to-market development and launch activities.

Other marketing activities focused on www.9spokes.com have continued, albeit at a reduced rate, as

the strong focus has been on user journey and engagement. The graphic below shows the quarterly users numbers, September numbers also include the impact of losing RBC.



Working capital facility

As announced on 17 October 2018, the Company entered into a short-term funding facility intended to provide the Company with working capital to allow time to conclude its current strategic capital raising (via placement) activity. A total sum of NZ\$2.5 million (plus fees and interest) may be drawable under the facility.

The announcement also highlighted that the Company anticipated receipt of legally binding commitments (subject to any required shareholder approval) by 31 October 2018 for new equity from new strategic investors.

The status of discussions with potential strategic investors remains active and are ongoing. Due to the number of parties engaged and the locations of those parties the Company anticipates requiring a few further days to complete prior to making a public announcement. All parties to the discussions are aware of the program and timelines.

9 Spokes will provide a further update on the progress of the strategic capital raising programme as soon as it is in a position to do so.

Financial summary

Quarterly net operating cash burn once again declined, from \$3.2 million for the June Quarter down to \$2.7 million for the September Quarter.

Cash receipts derived from recurring access platform licence fees to Enterprise Channel Customers are in-line with budget, which included receipts from RBC. Receipts from RBC will cease after October 2018; however, additional implementation fees are expected from BNZ and OCBC in the next quarter and following launch of those platforms will result in new recurring access platform licence fees.

As previously mentioned, the Company has completed an agreement to provide Marketing-as-a-Service (MaaS) to one of its customers, which will generate additional receipts from the next quarter onwards. With the launch of the new enterprise customers, annual recurring revenues will exceed \$4 million.

As reported last quarter there was a delay in receipts from government grants, therefore as a result the Company received two grant payments covering this and the last quarter (\$0.5 million in total).

Cash expenditure continued to decline following the cutback in expenditure in the June Quarter. Staff costs have fallen as headcount has reduced from 93 to 82 during the quarter, with a further drop to 75 in October. Given the timing of these changes the reduction in cash expenditure will be more evident in the next quarter. This reduction in head count has not affected the Company's capabilities but reflects

the alignment of the business to continue to serve customers and work on current opportunities.

The Company has also further removed costs from our infrastructure expenditure, while property leasing costs have been reduced, though this will impact cash from the next quarter.

Cash and cash equivalents at 30 September 2018 was \$1.6 million. Net cash operating outflows for the next quarter is estimated to be approximately \$2.0 to \$2.1 million, which will be supported by some of the working capital facility while the capital raising programme is concluded.

For more information:

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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 September 2018

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	1,550	3,154
1.2	Payments for		
	(a) research and development	(1,226)	(2,305)
	(b) product manufacturing and operating costs	(393)	(776)
	(c) advertising and marketing	(215)	(586)
	(d) leased assets	(258)	(538)
	(e) staff costs	(1,932)	(4,138)
	(f) administration and corporate costs	(694)	(1,298)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	15	78
1.5	Interest and other costs of finance paid	(5)	(5)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	430	492
1.8	Other (provide details if material)	0	0
1.9	Net cash from / (used in) operating activities	(2,728)	(5,922)

2	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(12)	(69)
	(b) businesses (see item 10)	0	0
	(c) investments	0	0
	(d) intellectual property	0	0
	(e) other non-current assets	0	0
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	0	0
	(b) businesses (see item 10)	0	0
	(c) investments	0	0
	(d) intellectual property	0	0
	(e) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	Net cash from / (used in) investing activities	(12)	(69)

3	Cash flows from financing activities		
3.1	Proceeds from issues of shares	0	0
3.2	Proceeds from issue of convertible notes	0	0
3.3	Proceeds from exercise of share options	0	0
3.4	Transaction costs related to issues of shares, convertible notes or options	0	0
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (fund raising costs)	(470)	(744)

3.1	Net cash from / (used in) financing activities	(470)	(744)
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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	4,772	8,297
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,728)	(5,922)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(12)	(69)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(470)	(744)
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of quarter	1,562	1,562

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	731	2,054
5.2	Call deposits	831	2,718
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,562	4,772

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	166
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	0
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Director's board fees and director's consultancy 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	88
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	0
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
Provision of recruitment services by a family member of a Director.		

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	0	0
8.2	Credit standby arrangements	0	0
8.3	Other (please specify)	0	0
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.		
As reported to the ASX on 17 October 2018 the company has subsequent to quarter end, entered into a short-term funding facility intended to provide the Company with working capital to allow time to conclude its strategic capital raising. A total sum of \$2.5 million may be drawable under this facility. The key terms of the bridge facility are:			

- (a) The interest rate is 6.5% per annum until 31 December 2018, and 12% after that date.
- (b) A completion and work fee is payable. The costs of the facility are consistent with the nature and purpose of the facility.
- (c) Advances are secured by way of a general security agreement over the material assets of the Company and New Zealand subsidiaries.

The amount drawn down at the date of this Appendix 4C is \$500,000.

9	Estimated cash outflows for next quarter (see note below)	\$NZ'000
9.1	Research and development	(961)
9.2	Product manufacturing and operating costs	(413)
9.3	Advertising and marketing	(150)
9.4	Leased assets	(208)
9.5	Staff costs	(1,396)
9.6	Administration and corporate costs (including financing activities)	(547)
9.7	Other - Non-Operating costs relating to capital raise	(200)
9.8	Total estimated net cash outflows (see note below)	(3,875)

Note

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 submitted for payment in the coming quarter. As of the date of this report, on that basis, the company expects to generate an estimate of approximately \$1.6 to \$1.7 million of cash inflows from customer receipts and government grants, which would result in an estimated total net operating cash outflow to be estimated between \$2.0 million and \$2.1 million for the next quarter.

Further as reported to the ASX on 17 October 2018 the company has entered into a short-term funding facility intended to provide the Company with working capital to allow time to conclude its strategic capital raising. A total sum of \$2.5 million may be drawable under this facility.

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 October 2018

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.