

ASX: 9SP

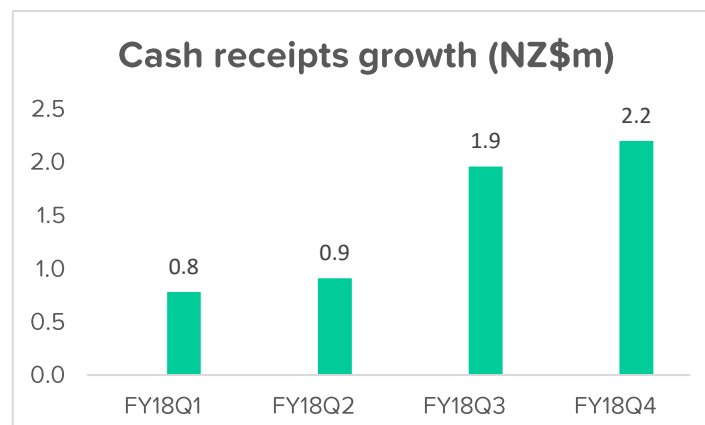
ASX Release

30 April 2018

9 Spokes March Quarterly Activity Report and Appendix 4C

Highlights:

- Cash receipts increased 16% QoQ from NZ\$1.9 million to NZ\$2.2 million, including the first receipt of grant funding from R&D.
- Recurring cash receipts from licensing and access fees showed significant growth from NZ\$1.2 million in the December quarter to NZ\$1.6 million in the March quarter, an increase of 33% and an increase of 129% from the prior corresponding period in FY17, up NZ\$0.7 million.
- The 31 March annualised recurring revenue (ARR) target was achieved, with NZ\$6.0 million in ARR. This is an increase of 100% on ARR at 31 March 2017.
- Bank of New Zealand (BNZ) signed a pivotal contract during the quarter to integrate the 9 Spokes platform into BNZ's business banking customer journey. BNZ is a fully-owned subsidiary of National Australia Bank ("NAB") and the first Australasian bank to partner with 9 Spokes.
- Royal Bank of Canada signed a new contract during the quarter, extending the successful partnership and successfully launched the new Ownr platform. The 9 Spokes Dashboard is a central part of Ownr, which went live during the quarter.
- Workshops were successfully completed with one of North America's largest banks.
- Business development activity in Europe and North America has progressed well including completion of initial discussions with three potential new bank enterprise customers.
- 9 Spokes' business insights platforms signed 50,000 small medium business users as at the end of the March quarter, an increase of 48% on the December quarter and further validation of the Company's bank channel partner strategy.
- Cash at bank as at 31 March was NZ\$8.3 million. Cash flows remain in-line with Company expectations.
- A quarterly conference call will be held on Tuesday 8 May at 9.00am AEST, with details to be provided in a separate release.



Q1 & Q2 adjusted for a late NZ\$0.6m Q1 receipt received in Q2

Auckland, NZ 30th April, 9 Spokes (ASX: 9SP or “the Company”), the leading Marketplace and Insights company to small businesses, is pleased to release its March Quarterly and Appendix 4C.

Commenting on the March quarter, 9 Spokes Co-Founder and CEO Mark Estall said:

“9 Spokes has made robust progress against its objectives in all facets of the business during the past quarter. Our near-term focus remains on growing our ecosystem of banking partners. Ultimately this community will provide us a strong user base as we commence monetisation of the platform.

“During the quarter we have enriched our offering to SMEs with added functionality and improvements to the user experience. User adoption has seen strong growth whilst our cost of acquisition has reduced significantly. We have built further on our relationships with existing bank partners and developed significant new channel partner opportunities around the globe.

“We look forward to capitalising on a busy March quarter to crystallise a number of business development opportunities which, when delivered, will further demonstrate that the 9 Spokes platform is a powerful solution for the largest banks in the world, while helping small businesses run their businesses more efficiently.”

Banking channel partners

During the quarter the Company made positive progress in its new business development activities, signing Bank of New Zealand and a new contract with Royal Bank of Canada. The Ownr platform, operated by Royal Bank of Canada, was also successfully launched.

The Company has advanced its negotiations on a number of bank channel opportunities and expects to announce the signing of a further contract in the coming quarter. 9 Spokes will provide the market with an update once there is a material change.

US Bank Workshops

During the quarter 9 Spokes successfully completed a series of workshops with one the largest banks in the US (“US Bank”) as part of an Evaluation Agreement. The workshops were in support of development of the US Bank’s small business ecosystem. The Company is pleased with the progress being made with the US Bank, though there is no certainty yet that this will result in any longer term relationship.

Key banking partners and optimised marketing function drives another record quarter of adoption

9 Spokes continued its record pace with 50,000 small businesses signed up to its platforms as at the end of the quarter, an increase from 33,700 at 31 December 2017, up 48% QoQ.

The user growth trajectory has been buoyed by record adoption from current banking partners, and the roll out of new banking partners.

RBC has become 9 Spokes’ 2nd largest banking partner thanks to broader marketing efforts that commenced in the March quarter.

There has been a continual focus on driving user engagement through targeted marketing campaigns and promotions. Further efficiencies have been achieved in digital lead generation and acquisition

channels delivering economies of scale. The cost of acquisition has declined with acceleration in the user base. Partner activities in the quarter included being the key sponsor at QuickBooks Connect London, in February.

Financials

9 Spokes recorded an increase in cash receipts from the December quarter, receiving NZ\$2.2 million in receipts (December quarter NZ\$1.9 million). Importantly this quarter's recurring fees are NZ\$1.6 million vs NZ\$1.2 million last quarter. Also additional (NZ\$0.2 million) government grant monies (including those for R&D) this quarter will be ongoing.

Net operating cash burn this quarter was NZ\$3.5 million (December quarter NZ\$3.8 million), which is consistent with the reduction in burn quarter on quarter.

Overall operating expenditure was down by NZ\$0.10 million QoQ as a result of a mixture of changes. Most significantly people costs have reduced by NZ\$0.5 million QoQ.

While overall people costs have reduced there has been a reorganisation of capabilities with a focus on building product and development resources. The first receipt of ongoing grant funding for R&D has been invested in new development staff.

Timing issues with the receipt of fees in the UK earlier in the year resulted in higher than normal VAT payments up NZ\$0.3 million QoQ.

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About 9 Spokes

The 9 Spokes smart dashboard enables SMEs to connect their software to one dynamic interface - giving them a clear overview of their business. It allows management and advisors to access data and new metrics across key areas, from any device at any time. With these insights, it's easier to make the big and small decisions to manage and grow a business.

Businesses can integrate their supported software into the dashboard as well as choose from a selection of recommended and accredited apps to suit their industry.

The smart dashboard from 9 Spokes is available as a direct model to small businesses and as a white labelled platform that Banking Partners can offer to their SME customer base.

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 31 March 2018 ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter	Year to date (12 months)
	\$NZ'000	\$NZ'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,859	5,227
1.2 Payments for		
(a) research and development	(865)	(3,867)
(b) product manufacturing and operating costs	(457)	(1,732)
(c) advertising and marketing	(488)	(2,421)
(d) leased assets	(346)	(866)
(e) staff costs	(2,398)	(10,310)
(f) administration and corporate costs	(1,172)	(3,531)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	87	323
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	260	312
1.8 Other (provide details if material)	0	0
1.9 Net cash from / (used in) operating activities	(3,520)	(16,865)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(184)
(b) businesses (see item 10)	0	0
(c) investments	0	0

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$NZ'000	\$NZ'000
	(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	(4)	(184)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	0	12,955
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 (provide details if material)	0	(993)
3.10	Net cash from / (used in) financing activities	0	11,962

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	11,821	13,384
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,520)	(16,865)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(184)

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$NZ'000	\$NZ'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	11,962
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of quarter	8,297	8,297

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	1,266	2,763
5.2	Call deposits	7,031	9,058
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)	8,297	11,821

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	156
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, director's consultancy and related disbursements.		

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	0
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	
No other related entities identified.		

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.		
No such financial facilities noted.			

9.	Estimated cash outflows for next quarter	\$NZ'000
9.1	Research and development	(900)
9.2	Product manufacturing and operating costs	(400)
9.3	Advertising and marketing	(550)
9.4	Leased assets	(280)
9.5	Staff costs	(2,650)
9.6	Administration and corporate costs	(850)
9.7	Other (provide details if material)	0
9.8	Total estimated cash outflows	(5,630)

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

Print name: Neil Hopkins

Date: 30 April, 2018

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.