
ASX: 9SP

ASX Release

31 January 2019

December 2018 Quarterly Activity Report and Appendix 4C

Highlights:

- Two enterprise platforms successfully delivered on-time to BNZ and OCBC.
- Annualised recurring revenue is NZ\$4m, with additional one-off implementation revenues.
- User numbers continue to grow, surpassing 80,000, driven mainly from banking customers and a limited marketing programme on 9 Spokes' Direct platform.
- Mobile app development completed and ready for launch Q1 2019, which is expected to drive customer engagement and user growth.
- New Microsoft Azure infrastructure capability provides 9 Spokes with flexibility to deploy platforms to new banking customers faster.
- Cost control initiatives have significantly reduced expenditure.
- Short-term funding facility secured while strategic capital-raise programme is underway.

Auckland, NZ 31st January, 9 Spokes (ASX: 9SP or “the Company”), a leading Marketplace and Insights company to small businesses, is pleased to release its December Quarterly Activity Report and Appendix 4C.

9 Spokes continued this quarter to make solid progress towards its vision of empowering the world's small businesses with the tools and insights they need to enhance their performance. The 9 Spokes smart dashboard now integrates more than 20 popular business apps—including Facebook, Mailchimp, Shopify and QuickBooks as well as its partner banks' own digital banking platforms, giving small business users a complete view of their business performance and gives banks a way to build an advisory-led relationship with their SME customers.

Enterprise customer implementations

The Company was pleased to successfully deliver on the implementation of white-labelled platforms for both BNZ and OCBC according to plan in Q3. As announced to the ASX on 25 January 2019, OCBC has officially launched its digital business dashboard for SME customers; this market introduction in Singapore cements a base for 9 Spokes in the Asia-Pac region in addition to its deployment for Bank of New Zealand.

With the deployment of platforms complete, the Company has now begun invoicing monthly access fees for these two new Enterprise Customers.

New business development is progressing, particularly in North America and Europe with opportunities at an advanced stage of negotiation and we hope to announce further progress before the end of the current quarter.

Product Development

Product development has been focused in several key areas:

Infrastructure

The Company has now completed the setup of the first two customers on the Microsoft Azure infrastructure. The new infrastructure provides the Company with more services and flexibility than previously enjoyed. Importantly the migration has had positive effects on the Company's cash flow. The migration to Azure also introduces significant improvements in the development and deployment process and creating efficiency gains from using Microsoft DevOps framework. It is expected that remaining instances of the platform will be migrated to Azure during 2019.

Core foundation technology

The Rest API we released during the last quarter now forms part of our product set and is utilised for both mobile and online customers. This allows greater flexibility and choice for customers to integrate the 9 Spokes platform directly into their online banking platform. This model is currently being tested with a potential new Enterprise Customer.

A new front-end app being built on top of the Rest APIs is currently under development. It will provide a new user experience for customers and make deployment of new Enterprise Customers on the 9 Spokes platform significantly faster.

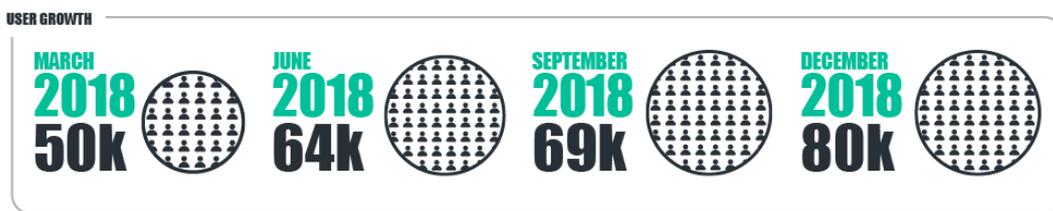
Mobile web

The Company is launching a new mobile app to web experience for an Enterprise Customer in the coming weeks. The experience will allow seamless integration from a mobile app to the 9 Spokes dashboard. Easier access to the dashboard is expected to increase user engagement and continue to drive uptake among customers.

Marketing

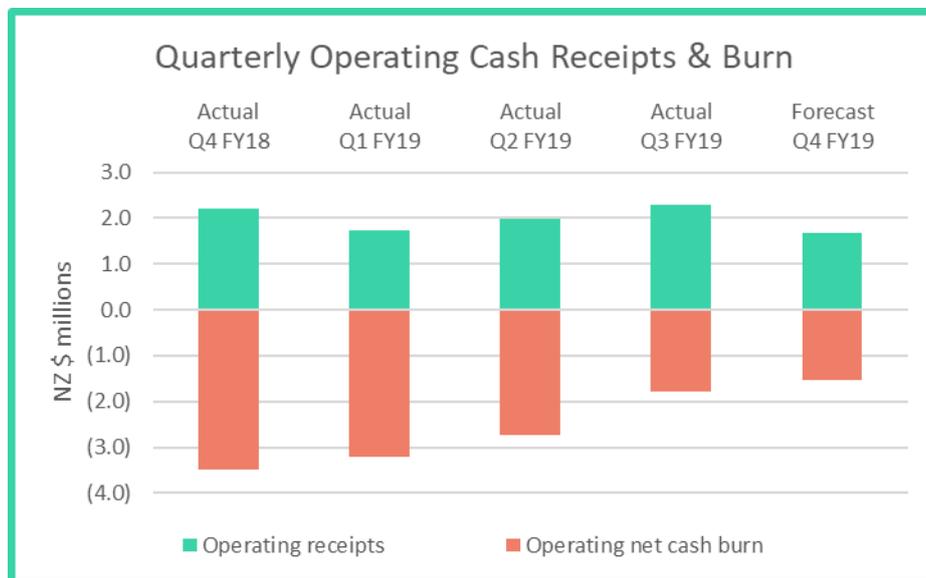
Marketing activity continues to be focused on supporting the Company’s bank customers. Particular emphasis has been on provision of marketing support to a key Enterprise Customer, under a Marketing-as-a-Service (MaaS) agreement, in preparation for go-to-market and launch activities.

Given the prioritisation of Marketing support for Enterprise Customers, along with continued focus on tight cost management, other marketing activities focused on www.9spokes.com has been maintained at low levels. The graphic below shows the quarterly user numbers. Due to improved user adoption rates, Enterprise Customers now account for over 52% of total users:



Cost control

The Company’s strong focus on cost discipline and reducing its net quarterly operating cash burn continues, as demonstrated below:



Working capital facility

As announced to the market on 17 October 2018 (and subsequently updated on 22 January 2019), the Company entered into a short-term funding facility to provide the Company with working capital while it concludes a strategic capital-raise. A total sum of NZ\$2.5 million (plus fees and interest) may be drawable under the facility.

During the quarter, the Company drew down \$700,000 of the facility and since the end of the quarter this has increased to \$1.4 million.

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 continued to decline, from \$2.7 million for the September Quarter down to \$1.8 million for the December Quarter. This also compares to \$3.8 million for the same quarter last year.

Receipts from customers of \$2.1 million were received which were in line with expectations given an early payment from Barclays for the current quarter which offset the loss of RBC from November onwards. Implementation fees from OCBC and BNZ, expected in the December quarter, were received in January 2019, while receipts were also received this quarter for a Marketing as a Service agreement signed earlier in 2018.

With the deployment of platforms for OCBC and BNZ, the Company commenced monthly invoicing for access, which will generate new receipt income in the current quarter.

The Company continues its focus on reducing expenditure, with operating cash expenditure down from \$4.7 million for the September quarter to \$3.2 million, a reduction of 32% QoQ. The largest area of reduction is people costs, with headcount falling from 82 to 74 during the quarter. The company has worked to ensure that capability within the business is well deployed with the result that the reduction in headcount has not disrupted 9 Spokes' current capacity to service customers and work on business opportunities. The Company is continuously monitoring resource levels against emerging opportunities to ensure it is geared correctly to meet long term goals.

The removal of costs from our infrastructure expenditure over the past 6 months saw hosting cost reduce by 40% QoQ, while the release of a portion of floor space at the Company's Auckland office has seen a 30% reduction of monthly rental costs. Travel and marketing costs have also significantly reduced.

Cash and cash equivalents at 31 December was \$1.2 million. Net cash operating outflows for the next quarter is estimated to be approximately \$1.5 to \$1.7 million, which will be supported by the working capital facility while the capital-raising programme is concluded.

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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.gspokes.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")

31 December 2018

Consolidated statement of cash flows		Current quarter	Year to date
		\$NZ'000	\$NZ'000
1	Cash flows from operating activities		
1.1	Receipts from customers	2,049	5,203
1.2	Payments for	0	
	(a) research and development	(716)	(2,510)
	(b) product manufacturing and operating costs	(234)	(1,020)
	(c) advertising and marketing	(54)	(640)
	(d) leased assets	(224)	(803)
	(e) staff costs	(1,615)	(6,198)
	(f) administration and corporate costs	(353)	(1,666)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	4	82
1.5	Interest and other costs of finance paid	0	(5)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	232	724
1.8	Other (provide details if material)	0	0
1.9	Net cash from / (used in) operating activities	(911)	(6,833)

2	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	0	(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:	0	
	(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	0	(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	700	700
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)	(177)	(921)

3.1	Net cash from / (used in) financing activities	523	(221)
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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	1,562	8,297
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(911)	(6,833)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	(69)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	523	(221)
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of quarter	1,174	1,174

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	750	731
5.2	Call deposits	424	831
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)	1,174	1,562

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	0
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	

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	

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	2,500	700
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.		
	<p>(a) The interest rate is 6.5% per annum until 31 December 2018, and 12% after that date.</p> <p>(b) A completion and work fee is payable. The costs of the facility are consistent with the nature and purpose of the facility.</p> <p>(c) Advances are secured by way of a general security agreement over the material assets of the Company and subsidiaries.</p>		

Since the end of the quarter the company has drawn a further \$700,000 under the facility.

9	Estimated cash outflows for next quarter (see note below)	\$NZ'000
9.1	Research and development	(720)
9.2	Product manufacturing and operating costs	(270)
9.3	Advertising and marketing	(90)
9.4	Leased assets	(240)
9.5	Staff costs	(1,580)
9.6	Administration and corporate costs (including financing activities)	(310)
9.7	Other - Non-Operating costs relating to capital raise	(150)
9.8	Total estimated net cash outflows (see note below)	(3,360)

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 \$1.8 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 \$1.5 million and \$1.7 million for the next quarter.

Further as reported in section 8 above, 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 January 2019

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.