

ASX Release

7 December 2022

Spenda Platform to be rolled out to Carpet Court franchise network to deliver optimised payment solution

Key Highlights

- Following successful completion of a recent pilot program, Carpet Court has committed to integrate the Spenda Platform ('Platform') into its Standard Operating Environment ('SOE') across all Carpet Court member stores, with target integration by April 2023 (and in any event no later than June 2023)
- Carpet Court is the largest retail floor covering specialist in Australia, with a growing network of 205 franchised stores (referred to as 'stores' or 'members') in every State and Territory
- Payments processed via the Platform increase productivity and create efficiencies for both individual member stores and Carpet Court's National Support Centre ('NSC') by automatically allocating and reconciling payments in the Accounts Payable ledger and Accounts Receivable ledger of the store and NSC, respectively
- Spenda will receive revenue streams from monthly Software as a Service ('SaaS') fees and Transaction-related Payments fees, calculated on payments volume processed
- Approximately \$21m per month in payments volume is currently processed between all member stores and the NSC
- The parties are also collaborating to offer the individual member stores the following products and services:
 - extended credit on their payments to the NSC, which will leverage funds from Spenda's debt warehouse facility and utilise Spenda's Pay-Statement-Link product;
 - Spenda's terminals in store, including Pay-By-Link, to process payments between the individual member store and end consumer (B2C); and
 - 'Last mile integration', enabling full end automated reconciliation for both Carpet Court stores and the NSC.



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Spenda Limited (**ASX: SPX**, “**Spenda**” or “**the Company**”) is pleased to announce that, following the successful completion of a pilot program, involving the integration of the Spenda Platform into the operating environment of select Carpet Court stores, using a bespoke iteration of the Spenda Platform (‘CC Spenda Platform’ or ‘Platform’), Spenda and Carpet Court Australia Limited (‘Carpet Court’) has confirmed its commitment to proceed with the roll-out of the CC Spenda Platform across its entire franchise network (consisting of approximately 205 member stores across Australia).

In that regard, the parties have entered into legally binding arrangements, in the form of an agreement which will continue to apply indefinitely unless terminated (‘Agreement’), setting out in detail the basis on which the roll-out will occur and upon which Spenda will be remunerated in relation to the use by member stores of the CC Spenda Platform.

The implementation of the Agreement is in line with the Company’s **Node-to-Spoke** execution strategy, through the roll-out of services to Carpet Court’s NSC (the ‘Node’) and its 205 connected stores (the ‘Spokes’), to deliver business efficiencies through software and payment services.

Having this software infrastructure in place further enables Spenda to offer lending services across the entire Carpet Court network.

Throughout the pilot phase, Spenda developed the CC Spenda Platform, a payment solution which includes payment services and which streamlines collections and accelerates payments between Carpet Court’s NSC and its members. In doing so, the Platform provides a standard operating environment which will, in turn, enable Carpet Court to implement key strategic initiatives designed to drive an increase in profit.

Following the success of the pilot phase, which included the onboarding of circa 20% (40 stores) of the franchise network, the parties have now signed the Agreement to facilitate the roll out of the CC Spenda Platform to all 205 Carpet Court stores by a target date of 30 April 2023 (and in any event by no later than 30 June 2023).

The Agreement contemplates that Spenda will provide the Platform on an ongoing basis, with no fixed term. Either party may terminate the Agreement by providing at least three months’ written notice.

Under the terms of the Agreement, Spenda will be entitled to Software as a Service fees in respect of the license of the Platform to Carpet Court stores, as well as fees based on transaction volume and integration fees.



The precise amount of revenue to be generated by the Company under this agreement is unable to be determined at this stage as revenue generated will depend on the number of Carpet Court franchises deployed, payment volumes processed by Carpet Court stores deployed and the method of payment (account to account transfer or credit card), however, the revenue generated is expected to be material to the Company. Once fully deployed and assuming no change to Carpet Courts revenue and payment utilisation the Company expects to earn baseline fees under this agreement of approximately A\$50k to A\$75k per month or 600k to 900k per annum. Please note this revenue estimate excludes the provision of store business to consumer payments, extended term lending to the franchises and supplier payment processing. Each of these programs is contemplated or currently in a state of early adopter deployment.

Provided ongoing feedback from Carpet Court members continues to be positive and subject to the parties agreeing to the terms of a separate Partnership Agreement, the parties intend to expand the provision of services to include a working capital facility to be made available to Carpet Court members to provide increased payment flexibility and extended credit services.

These services will generate significant uplift for the Carpet Court NSC, which will be able to better predict its cash flows. This will be enabled through Spenda utilising funds from its recently established debt warehouse facility, i.e. drawing funds from the debt warehouse and advancing it to individual stores to pay their invoices to Carpet Court's NSC.

Building on these solutions, Spenda also has the opportunity to sell its retail services bundle, which includes Spenda's Point-of-Sale solution and merchant services, into the Carpet Court franchise network. Owing to the positive brand awareness generated through the deployment of SpendaAP services to Carpet Court members, the Company expects significant uptake of the retail bundle to this engaged and motivated audience.

Commenting on the Agreement and the parties' associated partnership, Mark Hogan, Chief Financial Officer of Carpet Court, said: *"The Spenda platform enables us to leverage best in class integration capabilities for efficient end to end payment processing, whilst offering member services such as POS and working capital management facilities to save cost and drive member growth."*

Spenda Managing Director Adrian Floate added: *"Partnering with a national flooring retailer like Carpet Court provides the Company the opportunity to showcase the maturity of its software, lending and payments stack. What we are solving for Carpet Court is industry agnostic. The desire to provide extended and flexible payment terms, e-Invoicing integration and greater cash flow visibility penetrates the whole supply chain."*



The overwhelmingly positive feedback we have had from member stores demonstrate that when businesses implement a collections and payments software solution that provides mutual benefits to both businesses in a transaction, not only is there quick uptake and immediate Return on Investment to the business implementing the solution but trading relationships are also almost instantly improved."

– ENDS –

About Spenda

Spenda Limited (ASX: SPX) is a transaction services business supplying industries with a broad range of B2B payment services, digital trading software and integrated solutions. Our goal is to convert EFT payments to card payments utilising the BPSP engagement coupled with our payments collaboration framework. Our competitive advantages deliver customers end-to-end e-invoicing integration, rapid ordering, digital trust and automated reconciliation.

Spenda supplies its customers a recipe of integrated software to create a vertical market standard operating environment (SOE) that enables the effective and seamless transfer of data from multiple, disparate software systems in one standardised technology solution, such as SpendaRetail. Spenda has licensing agreements with third-party software vendors that enable it to provide integrated SOE solutions to its customers.

For investors seeking information on the Company's activities that relate to marketing, customer events and other acknowledgement of customer activities, this information will be posted to the Company's news section of the website and on social media channels with the handle #getSpenda, active on Twitter, LinkedIn, Instagram and Facebook.

For more information, see <https://spenda.co/investor-centre/>

This announcement has been authorised by the Board.

Investor Enquiries

Please email: investors@spenda.co

