urbanise

ASX RELEASE

24 January 2023

Appendix 4C & Quarterly Activities Report for the period ended 31 December 2022

- H1 FY2023 licence revenue of $5.56m[1], up 2.6% vs previous corresponding period (pcp) and Q2 FY2023 licence revenue of $2.81m up 2.1% vs pcp driven by new and organic growth
- H1 FY2023 revenue of $6.32m, down 0.6% vs pcp and Q2 FY2023 revenue of $3.08m, down 4.0% vs pcp due to a decline in professional fees and loss of Ventia
- Q2 FY2023 average monthly cash used was $49k[1]. Adjusting for late receipts, underlying average monthly cash used was $83k
- Urbanise exceeded its cash burn reduction target of $2.5m in Q2 FY2023 with a total of $2.714m realised since Q3 FY2022
- Closing cash balance of $2.83m[1] (30 September 2022: $2.98m) and no material debt[2]
- From 1 July 2022, Urbanise is expensing all strata development costs. FM development costs are already fully expensed.
- Urbanise will release its H1 FY2023 result in February 2023 when it will provide further details on Annualised Recurring Revenue (ARR) and backlog.

Urbanise.com Limited (ASX: UBN) ("Urbanise" or "the Company") today provides a business update and quarterly cash flow report for the quarter ended 31 December 2022 (Appendix 4C). Urbanise is a leading provider of cloud-based Software-as-a-Service (SaaS) platforms to strata and facilities managers in Australasia, the Middle East, Europe and South Africa.

Urbanise's CEO Simon Lee said: "Urbanise made good progress during the half in implementing our cash management and product development strategies. Over the past 12 months, reducing our cash burn has been a key focus of the business. In Q2 FY2023, we exceeded our $2.5m target largely through cash-in-advance initiatives which represent a significant endorsement of our customer value proposition. The Board believes the Company has sufficient cash runway to reach cashflow breakeven, given our current sales pipeline and ability, where appropriate, to draw on cash in advance.

"Our product roadmap continues to reflect the evolving needs and challenges of our clients. In the Middle East, the strata market is undergoing rapid change with many large Owners Associations (OAs) reviewing their ability to meet the increasingly complex compliance requirements of the Real Estate Regulatory Authority (RERA). We believe Urbanise is in a unique position to lead this market, given our experience in handling large strata portfolios and significant work order volumes. As a result, we have decided to scale up our fixed term resources until September 2023 with development focused on Strata

[1] Unaudited financial information.
[2] No debt other than annual insurance premium funding

and FM functionality, integrations and reporting. We are working with customers to share in the funding of these requirements and have recently entered into an agreement with a major regional customer.

"During the quarter, we continued to progress our development for Colliers Australia with the project nearing completion. Our original go-live has been delayed to Q3 2023 due to further requirements to integrate a third-party compliance system. We are pleased with the level of functionality our FM platform now has and recent feedback from current customers and our target pipeline has been positive. To complement our functionality, we have recently agreed an exclusive arrangement with a third-party integrator to assist our customers in integrating our platform into their systems. This should allow us to focus development on our own product and enable customers to quickly embed the FM eco-system of their choice.

"We continued to generate and convert sales pipeline opportunities across our markets with the addition of small to medium strata managers and small FM customers to our backlog. While decision-making was slower than expected for some FM customers, we are confident of converting several opportunities in the second half. Our focus will remain on delivering new sales, executing our product roadmap and achieving a sustainable cash position."

Q2 FY2023 Business Activity Update

- Sales conversion during Q2 FY2023 included small to medium strata managers and small FM customers. Urbanise's pipeline for APAC FM is focused on aged care, FM outsourcers and commercial property, as well as supporting existing FM outsourcer customers with their tender pipeline. In the Middle East, the focus is on FM outsourcers and trades management. In the first half, the FM pipeline experienced lower than expected conversions, due to slower decision-making by customers.
- A primary focus in the quarter was further development of the Strata and FM platforms for the Middle East (including RERA requirements). Urbanise invested $62k in cash outflow in Q2 to accelerate the RERA project.
- Development for Colliers is nearing completion with go-live expected in Q3 FY2023. The project will enhance the functionality of the FM platform and positive feedback has been received from current and prospective customers.
- By 31 December 2022, Urbanise had exceeded the $2.5m cash burn reduction target by $214k with $573k in cash-in-advance collected in Q2 FY2023. Table 1 shows the profile of the cash burn reductions achieved since Q3 FY2022.

Table 1: Summary of cash burn reduction since Q3 FY2022 vs Target of $2.5m

Target	Value ($000s)	% to target
Net savings from development headcount	780	31.2%
Net cash-in-advance	1,934	77.4%
Subtotal	**2,714**	**108.6%**

- On 5 April 2022, Urbanise announced that Ventia Services Group Limited (ASX: VNT) had reduced its requirement for user licences on three existing contracts. Ventia's decision reflected the implementation of a single standardised enterprise system across that business resulting in the decommissioning of specialised applications from over 20 vendors. This change took effect from 1 April 2022 and has impacted Annualised Recurring Revenue (ARR) by $630k. Since then, Urbanise has made good progress in replacing this ARR with new sales conversions in H1 FY2023. Ventia continues to use Urbanise on its Anglo-American contract.
- From 1 July 2022, the Urbanise Board has determined that Strata development costs will no longer be capitalised due to the maturity of the platform. All development costs will now be fully expensed. This will result in an increase in *Payments to suppliers and employees* from Q1 FY2023 as shown in Table 10.

H1 FY2023 Financial Summary

Total revenue for H1 FY2023 was $6.32m, down $41k or 0.6% vs pcp (H1 FY2022: $6.37m). Licence revenue growth was 2.6% vs pcp as revenue from new customers and growth from existing customers largely offset the loss of Ventia in Q4 FY2022 and some minor customer churn. H1 FY2023 professional fees were $0.76m, or 19.2% lower vs pcp reflecting the completion of a significant one-off project in H1 FY2022 and integration delay relating to a major customer.

Table 2: Key drivers of H1 FY2023 licence fee growth by segment

H1 FY2023 FM licence fee decreased by 2.4% ($46k) from:	H1 FY2023 Strata licence fee increased by 5.8% ($199k) from:
• Reduction in licence fees largely from Ventia ($300k) (FM licence fees increased by 14% excluding impact from Ventia) • Loss of customers ($24k) *offset by* • New customers live since Q1 FY2022 ($150k) • Organic growth from existing customers ($128k)	• New and backlog contracts ($100k) • Growth from existing customers ($121k) *offset by* • Loss of customers ($22k)

Table 3: H1 FY2023 Urbanise Summary (Unaudited financial information)

$000s	H1 FY2023	H1 FY2022	Var	Var %
FM licence fees	1,897	1,943	(46)	(2.4%)
Strata licence fees	3,657	3,458	199	5.8%
Utilities licence fees	9	19	(10)	(52.6%)
Total Licence revenue	**5,563**	**5,420**	**143**	**2.6%**
Professional fees	761	942	(181)	(19.2%)
Other revenue	-	3	(3)	(100.0%)
Total revenue	**6,324**	**6,365**	**(41)**	**(0.6%)**
Licence fees % total	**88.0%**	**85.2%**		

Urbanise will release its audited half year financial results in February 2023.

Q2 FY2023 Financial Summary

During the December quarter, recurring licence fees were 2.1% higher on pcp due to the implementation of new clients ($130k) and organic growth from existing clients ($128k). This largely offset the reduction in Ventia licence fees ($150k), customer loss ($46k) and lower Utilities licence fees ($4k). Professional fees of $270k were $188k lower vs pcp primarily due to an integration delay relating to a major customer. Total revenue was $3.08m, a decrease of 4.0% vs pcp (Q2 FY2022: $3.21m).

The cash balance closed at $2.82m with no material debt[3] at 31 December 2022. The average monthly cash used was $49k for Q2 FY2023 which reflected the inclusion of $654k in late receipts from Q1

[3] No debt other than annual insurance premium funding

FY2023. The underlying average cash used was $83k after adjusting for these receipts as well as $552k in late receipts relating to Q2 FY2023. The Q2 late receipts involved a small number of large Middle East customers.

Table 4: Q2 FY2023 Urbanise Summary (Unaudited financial information)

$000s	Q2 FY2023	Q2 FY2022	Var	Var %
FM licence fees	971	1,010	(39)	(3.8%)
Strata licence fees	1,835	1,734	101	5.8%
Utilities licence fees	5	9	(4)	(44.4%)
Total licence revenue	**2,811**	**2,753**	**58**	**2.1%**
Professional Fees	270	458	(188)	(41.0%)
Total revenue	**3,081**	**3,211**	**(130)**	**(4.0%)**
Average monthly cash used	(49)	(695)	646	92.9%
Underlying average monthly cash used	(83)	(360)	277	76.9%
Closing cash	**2,829**	**4,733**	**(1,904)**	**(40.2%)**
Licence fees % total	**91.2%**	**85.7%**		

Facilities Management

Q2 FY2023 FM licence fees were $971k, a reduction of $39k or 3.9% vs pcp largely due to the Ventia licence fee reduction ($150k) and minor customer churn arising from customer financial stress ($24k). This was mostly offset by new sales to FM outsourcers and aged care providers in Australia as well as new FM clients in the Middle East. Excluding the Ventia contracts, underlying FM licence fee growth was 9.7% on pcp in Q2 FY2023. Professional fees were $245k lower on pcp, primarily due to the integration delay relating to a major customer.

Table 5: Key drivers of Q2 FY2023 FM licence fee growth

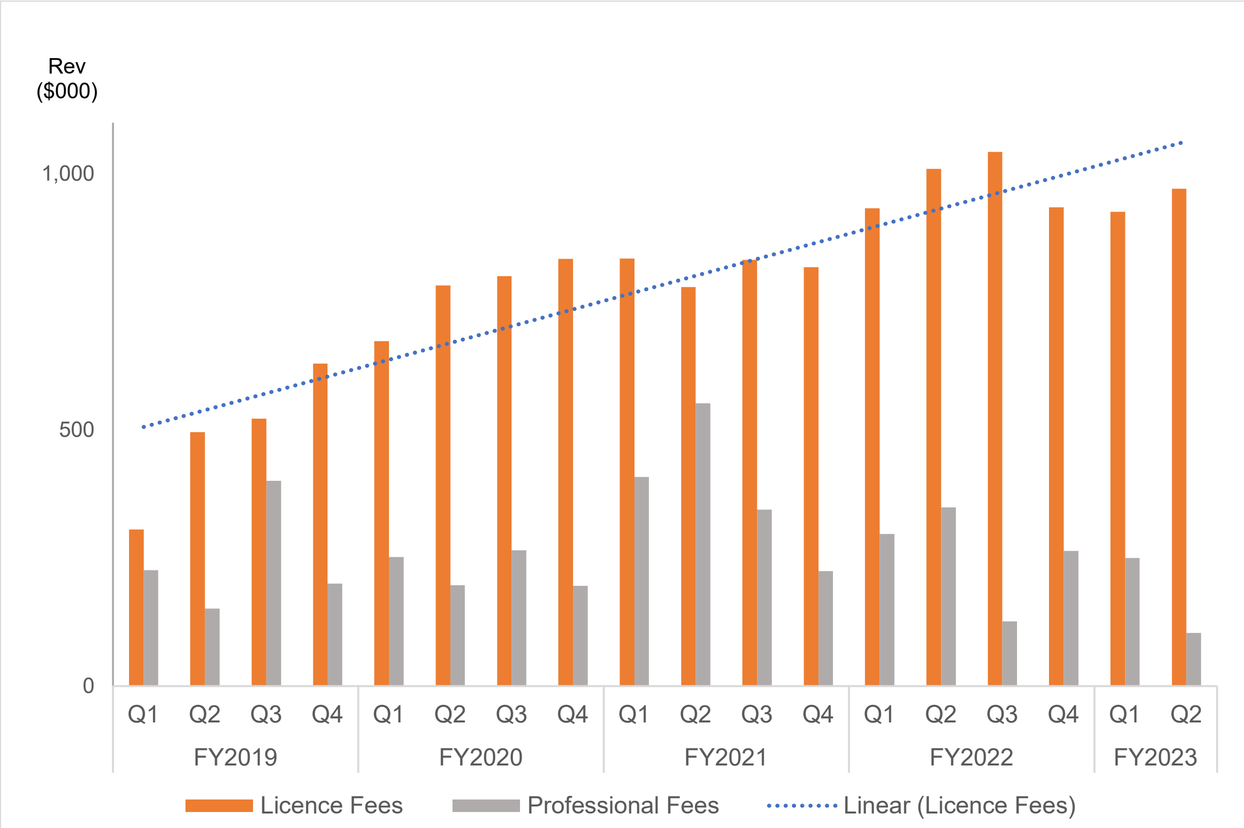
FM licence fees decreased by 3.9% ($39k) vs pcp (9.7% growth when 3 Ventia contracts excluded):	• Reduction in licence fee largely from Ventia ($150k) • Loss of customers ($24k) *Offset by* • New customers live since Q2 FY2022 ($70k) • Organic growth from existing customers ($65k)

Table 6: Q2 FY2023 Facilities Management Summary (Unaudited financial information)

$000s	Q2 FY2023	Q2 FY2022	Var	Var %
Licence fees	971	1,010	(39)	(3.9%)
Professional fees	104	349	(245)	(70.2%)
Total revenue	**1,075**	**1,359**	**(284)**	**(20.9%)**
Licence fees % total	**90.3%**	**74.3%**		

Chart 1 shows that Q2 FY2023 FM licence fees were higher vs Q1 FY2023 as new clients went live in the quarter largely offsetting the loss of the three Ventia contracts.

Chart 1: Facilities Management delivers long term growth, despite the loss of three Ventia contracts ($000s)



Strata Management

Q2 FY2023 Strata licence fees increased by 5.8% vs pcp due to new and backlog contracts completed since Q2 FY2022 ($60k) and additional revenue from existing customers in both APAC and MENA ($63k). Q2 FY2023 professional fees were mainly from a MENA customer for development projects.

Table 7: Key drivers of Q1 FY2023 Strata licence fee growth

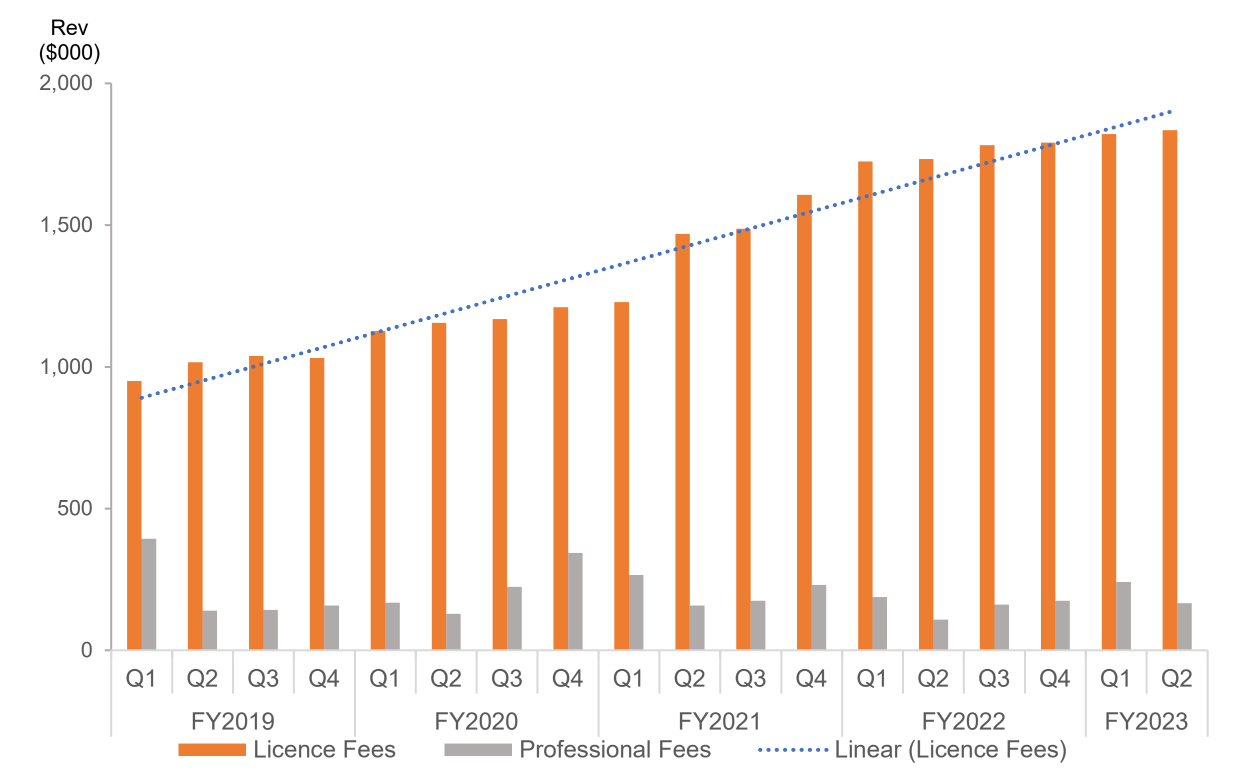
Strata licence fees increased by 5.8% ($101k) vs pcp attributable to:	• New and backlog contracts ($60k) • Growth from existing customers ($63k) *Offset by* • Loss of customers ($22k)

Table 8: Q2 FY2023 Strata Summary (Unaudited financial information)

$000s	Q2 FY2023	Q2 FY2022	Var	Var %
Licence fees	1,835	1,734	101	5.8%
Professional fees	166	108	58	53.7%
Total revenue	**2,001**	**1,842**	**159**	**8.6%**
Licence fees % total	**91.7%**	**94.1%**		

Chart 2 shows the steady increase in Strata revenue over the last 2 years.

Chart 2: Strata delivers consistent licence fee growth ($000s)



Q2 FY2023 Cashflow Summary

Cash receipts for the quarter of $4,206k[4] were 32.2% ($1,025k) higher than pcp due to Q1 late receipts of $654k and cash in advance received in Q2 of $573k. The receipts were further impacted by $552k of Q2 late receipts primarily from MENA customers. The adjusted cash receipts were $3.53m for Q2 FY2023 which was in line with adjusted Q2 FY2022. Table 9 below shows the adjusted cash receipts.

Table 9: Adjusted cash receipts (Unaudited financial information)

Adjusted cash receipts ($000)	Q2 FY2023	Q2 FY2022	Variance	Variance%
Total cash receipts	4,206	3,181	1,025	32.2%
Q1 late receipts	(654)	-	-	-
Q2 late receipts	552	342	-	-
Significant cash-in-advance	(573)	-	-	-
Adjusted Total	**3,531**	**3,523**	**8**	**0.2%**

Following a review of the Strata Product, Urbanise has determined that it has reached a stage of maturity whereby capitalisation of development costs no longer meet the accounting requirements. As a result, all development costs will be expensed from 1 July 2022. Table 10 provides a summary of total payments for suppliers and employees and capitalised development costs for Q2 FY2023 and Q2 FY2022. No development costs were capitalised in Q2 FY2023 with these costs included in Payments to suppliers and employees.

[4] Unaudited financial information

Table 10: Total Payments Suppliers/Employees Comparison (Unaudited financial information)

Total payments for suppliers and employees ($000s)	Q2 FY2023	Q2 FY2022	Variance
Payments to suppliers and employees	(4,322)	(4,971)	649
Payments for intangibles / capitalised development	-	(241)	241
Total	**(4,322)**	**(5,212)**	**890**

Q2 FY2023 cash payments to suppliers and employees of $4,322k were $890k or 17.1% lower than the equivalent figure of $5,212k in Q2 FY2022 (Payments to suppliers and employees plus capitalised development costs). This reflects employee cost savings from the restructuring of the sales teams as well as termination and other one-off costs incurred in Q2 FY2022.

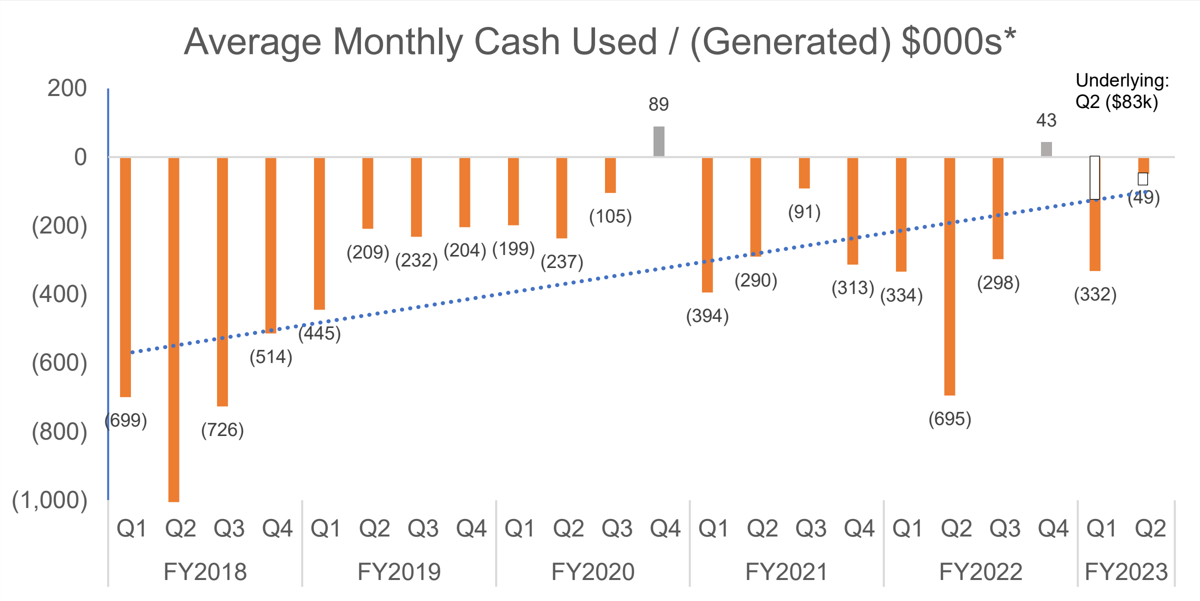
Q2 FY2023 cash payments to suppliers and employees of $4,322k were $404k or 10.3% higher than $3,918k in Q1 FY2023 due to the timing of payments between quarters and the payment of Short-Term Incentives (STIs) in Q2.

Closing cash was $2,829k and the average monthly cash used was $49k for Q2 FY2023. The underlying average monthly cash used was $83k after adjusting the net late receipts from Q1 and Q2 FY2023. Table 11 sets out the cash flow for Q2 FY2023 vs pcp and the impact of exceptional items.

Table 11: Q2 FY2023 & Q2 FY2022 Cashflow Summary (Unaudited financial information)

$000s	Q2 FY2023	Q2 FY2022
Opening Cash Balance	**2,975**	**6,818**
Receipts from customers	4,206	3,181
Payments to suppliers and employees	(4,322)	(4,971)
Interest	(8)	(23)
Net cash used in operating activities	**(124)**	**(1,813)**
Payments for equipment	(24)	(10)
Payments for intangibles / capitalised development	-	(241)
Net cash used in investing activities	**(24)**	**(251)**
Net increase in cash and cash equivalents	**(148)**	**(2,064)**
Effect of movement exchange rates on cash balances	2	(21)
Net cash flow for the period	(146)	(2,085)
Cash at 31 Dec	**2,829**	**4,733**
Average Monthly Cash Used	**(49)**	**(695)**
Net cash flow for the period	**(146)**	**(2,085)**
Termination payouts	-	327
Recruitment Costs	-	193
STI for ex CEO	-	144
Prior quarter late receipts from customers	(654)	-
Current quarter late receipts from customers	552	342
Underlying cash flow for the period	**(248)**	**(1,079)**
Underlying Average Monthly Cash Used	**(83)**	**(360)**

Chart 3: Average monthly cash used / generated ($000s)* (Unaudited financial information)



** Excludes proceeds from capital raises / placements and sale of business assets*

Payments to related parties in Item 6.1 of Appendix 4C consisted of fees paid to the Board of Directors.

This announcement has been authorised for release by the UBN Board of Directors

Investor enquiries

Françoise Dixon
ir@urbanise.com
+61(0) 412 292 977

About Urbanise
Urbanise is a leading provider of cloud-based Software as a Service (SaaS) platforms for property management, specifically strata and facilities management. The Strata platform manages the communications and accounting functions for apartment buildings, strata commercial towers and large housing communities. The Facilities Management platform manages the repair and maintenance for infrastructure, buildings, residential and commercial properties. Urbanise technology is used in some of the tallest towers and most prestigious communities around the globe. www.urbanise.com

Forward-looking statements
This announcement may contain forward-looking statements regarding the Company's financial position, business strategy and objectives (rather than being based on historical or current facts). Any forward-looking statements are based on the current beliefs of the Company's management as well as assumptions made by, and information currently available to, the Company's management. Forward-looking statements are inherently uncertain and must be read accordingly. There can be no assurance that some or all of the underlying assumptions will prove to be valid.

All data presented in this announcement reflects the current views of the Company with respect to future events. Forward-looking statements are subject to risk, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. To the maximum extent permitted by law, the Company, its officers, employees and agents do not accept any obligation to release any updates or revisions to the information (including any forward-looking statements) in this announcement to reflect any change to expectations or assumptions; and disclaim all responsibility and liability for any loss arising from reliance on this announcement or its contents.

Appendix 4C

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

Name of entity

Urbanise.com Limited

ABN	**Quarter ended ("current quarter")**
70 095 768 086	31 December 2022

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	4,206	7,135
1.2	Payments for		
	research and development		
	product manufacturing and operating costs	(562)	(1,030)
	advertising and marketing	(77)	(171)
	leased assets		
	staff costs	(2,305)	(4,480)
	administration and corporate costs	(1,378)	(2,559)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	(8)	(27)
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**	**(124)**	**(1,132)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) Entities		
	Businesses		
	property, plant and equipment	(24)	(36)
	Investments		
	intellectual property		
	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:		
	(b) Entities		
	Businesses		
	property, plant and equipment		
	Investments		
	intellectual property		
	other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(24)**	**(36)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
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		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
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**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,975	3,970
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(124)	(1,132)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(24)	(36)

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)	-	-
4.5	Effect of movement in exchange rates on cash held	2	27
4.6	**Cash and cash equivalents at end of period**	**2,829**	**2,829**

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	2,829	2,975
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)**	**2,829**	**2,975**

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	(45)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**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.

N/A

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(124)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,829
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	2,829
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	22.8

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

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:

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:

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:

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: 24 January 2023

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.