

ASX Release

24 January 2023

Activities Report for the Quarter ended 31 December 2022

Key Highlights

- Leading indicators continued to perform strongly:
 - Lending average yield: 23.34% a 9.93% growth in yield from the prior quarter
(A 33% increase in the Invoice Finance loan facilities was achieved during the December quarter, from A\$8.3m in Q1 FY23 to A\$11.1 in Q2 FY23)
 - Payment Flows: 69% increase in the number of transactions processed from the prior quarter
41% increase in payment volume from the prior quarter to \$16.5m
 - Customer Growth: 6% increase from prior quarter
- The monthly recurring revenue attributed to these activities is approximately \$58k - \$82k per month or ~\$696k - \$984k per annum
- Cash receipts of \$789k for the quarter represents 28% growth compared to Q2 FY22 and a 10% growth from the previous quarter
- Closing cash and cash equivalents was \$4.3m as 31 December 2022
- Net cash position of \$8.7m as at 31 December 2022 (*refer to Table 1*)
- The Spenda Platform is being integrated into the Carpet Court Standard Operating Environment across all 205 Carpet Court member stores, with target completion by April 2023



www.spenda.co

Spenda Limited

ASX:SPX

ACN 099 084 143

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- Spenda Limited and First Data Merchant Services (“Fiserv”) entered into a new two-year Payment Facilitator Agreement. The agreement results in a reduction to Spenda’s acquiring costs, which translates into an increase in the Company’s NET payment margins by as much as 30 – 50%
- Significant development to integrate Invoice Finance with Spenda to optimise money flows was achieved in the period, enabling invoice finance customers to draw funds more efficiently
- Launch of the Spenda developer portal to provide third-party developers access to curated API’s, documentation, and sample code to build integrations into the Company’s software
- The Company has successfully drawn an additional \$2.5m from its debt warehouse facility, a 33% increase in funds drawn since the debt warehouse facility was established (1 August 2022)

Spenda Limited (ASX: SPX, “Spenda” or “the Company”) is pleased to release its Quarterly Activities and Cash Flow report for the quarter ended 31 December 2022 (Q2 FY23).

EXECUTIVE SUMMARY

The second quarter of the 2023 financial year delivered another quarter of consecutive growth, with all key leading indicators continuing to perform strongly and funds flow through the Spenda platform growing to ~\$20m in the month of December. This growth comes on the back of wins with Carpet Court and various other customers in multiple verticals, highlighting Spenda’s ability to offer value to “any business who needs to make or receive payment”.

In addition to customer wins and growth in payments and lending as outlined above, the Company successfully delivered on each of the targets outlined in the 30 September 2022 Quarterly Activities Report:

- Continuous roll out of Spenda services to contracted customers, including the staggered deployment of Spenda into Carpet Court franchises;
- Further strategic growth in its integration team to enable faster deployment of solutions to existing and new customers;
- Improvements in customer onboarding and resource utilisation for support, implementation and integration; and



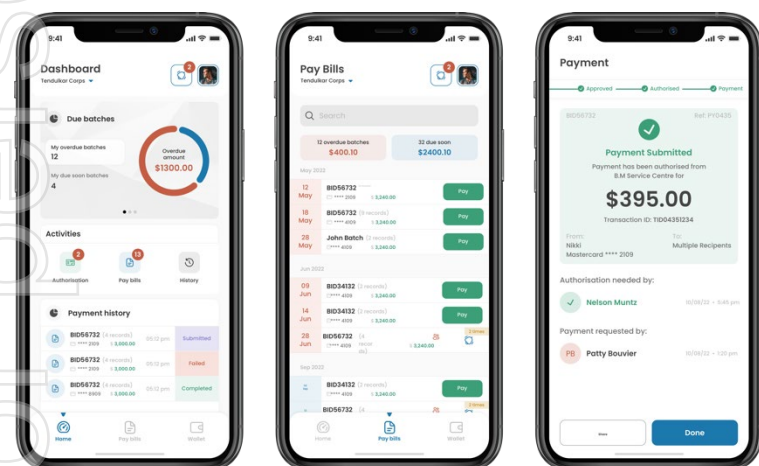
- Further execution of the Agri-solutions plan, including considerable work to secure funding to deliver farm enhancement lending and input financing.

The Company also completed the execution of a two-year Payment Facilitator Agreement with long term payments partner, Fiserv (as announced on 28 December 2022). The agreement results in a reduction of Spenda's acquiring costs, which translates into an increase in the Company's NET payment margins by as much as 30 – 50%.

PRODUCT DEVELOPMENT

Spenda's mission is to become a connected business payments and lending solution provider that facilitates the transfer of operational and financial data end to end throughout the supply chain. Realising this goal will allow Spenda to become an irreplaceable component of modern businesses as they transact with each other. To this end, the development teams continued to focus on building components of functionality in the Spenda ecosystem, with particular focus on the Accounts Receivable and Accounts Payable software, along with associated payment and lending services.

During the quarter and as announced at the Company's 2022 Annual General Meeting, Spenda's mobile payment authorisation app, Spenda Wallet was completed. The Wallet app is designed as a companion to Spenda's Accounts Payable solution as an on-the-go payment authenticator service for users with banking approval rights. This will deliver significant improvements in the Accounts Payable processing time, improve payment security and unlock more payment options for businesses.



Businesses using Spenda's Wallet application will benefit from:

- **On-the-go approvals** – The ability to review batch invoices and approve payments wherever they are via their mobile to process payments, faster.
- **Layered Authentication** – The ability to create custom approval layers with the option to add multiple approvers with sequential approval settings. It also allows the use of biometric security and SMS code approvals to ensure users are correctly identified.

During the quarter, the Company also launched the Spenda developer portal, a critical release to enhance integration methodology, positioning the Company to scale with greater velocity and making Spenda a more attractive vendor to larger integration partners. The developer portal takes Spenda from a business that integrates into other software vendors through in-house integration adaptors, to an 'integrate to' model where a third-party developer utilises the Company's API documentation and sample code to build integrations into its software.

As part of the Company's employee engagement and growth initiative, a successful annual staff development planning week was run in the period. Dave Wood, the Company's Chief Product Officer, ran more than 20 workshops and planning sessions designed to harness the Company's strengths as well as highlight any weaknesses so that continuous improvement can be achieved. The development team performed SWOT analysis on the Company's testing, continual integration and deployment strategies, completed a Spenda system topology session, explored integrating the Microsoft Power Platform into the Spenda ecosystem and completed a road mapping session to align dependencies across the product development teams with the broader Company goals.

PAYMENTS UPDATE

Key highlights:

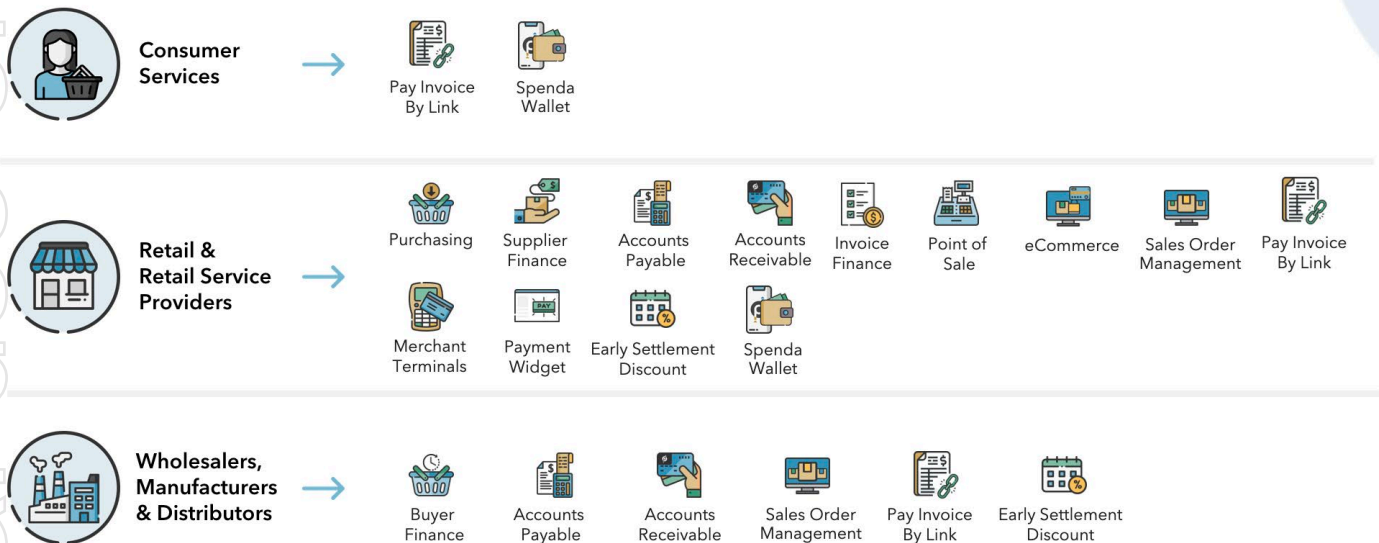
Quarter on quarter platform outcomes:

- 71% growth in merchant payment services transaction volumes; and
- 44% growth in business-to-business transaction payment volumes (from \$8.7m to \$12.6m)

Payment volumes continue to grow steadily as the Company provisions more payment terminals, both physical store terminals and digital payment gateways. The versatility in payment services offered through the Spenda ecosystem continues to be one of the Company's greatest assets, allowing the Company to follow a transaction through the supply chain and earn revenue from multiple events.



Adding value throughout the supply chain



Payments volumes grew 41% in the December quarter with the rollout of new business, increasing payment flows to \$16.5m. The Company also secured an additional \$20m in annual payments business in the quarter, with these customers, currently in the provisioning phase of service delivery, which represents approximately a further 9% growth in payment flows. These customers are all expected to be live in Q3 FY23.

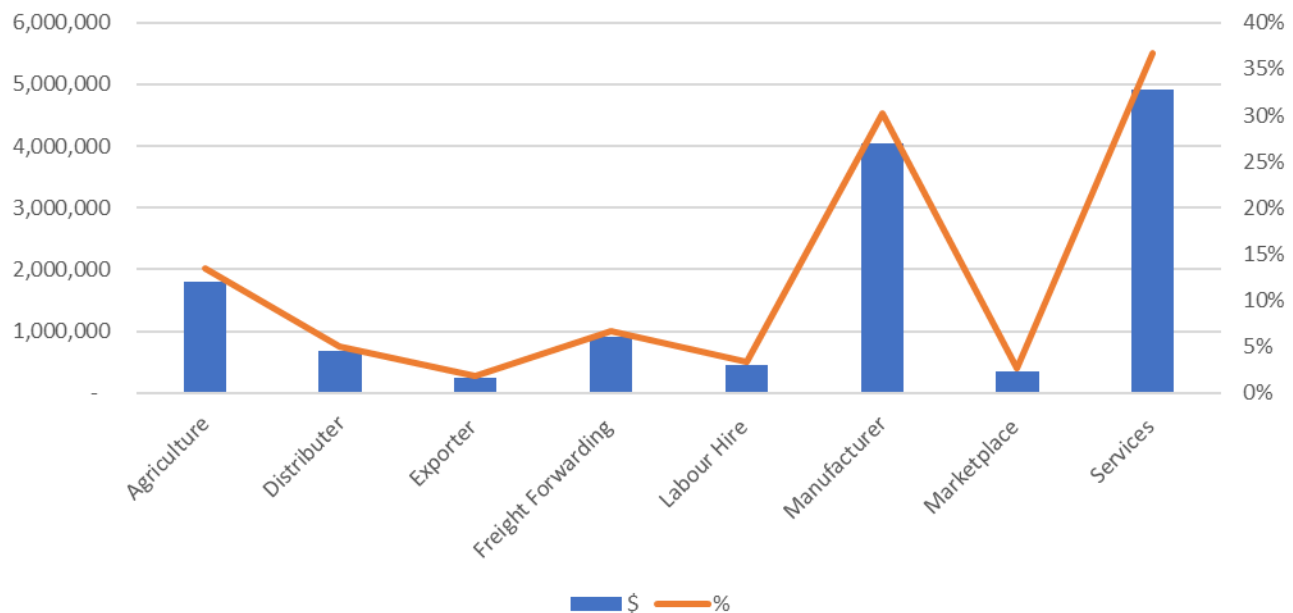
Additionally, during the last two quarters the Company invested significant resources into becoming a payment facilitator, a goal which was achieved towards the end of December. As announced, the Payment Facilitator model replaces the existing ISO model for the delivery of direct merchant facilities and allows Spenda to provide an improved onboarding experience for customers while also delivering increased margins when processing card-based payments.

LENDING UPDATE

Portfolio highlights:

- Portfolio growth of 185% since the acquisition of Invigo in July 2021;
- Customer limits of \$23.6m;
- Total Quarterly Funding transactions processed to lending customers exceeded \$45m, an increase of 18% from the previous quarter; and
- Lending portfolio balance of \$13.4m as at 31 December 2022, an increase of 29% from the previous quarter, delivering an average yield of circa 23.3% for the quarter.

Lending Portfolio by Industry Sector - 31 December 2022



As announced by the Company on 1 August 2022, it secured a \$50m debt warehouse facility to accelerate growth.



As at 31 December 2022 \$9m had been drawn down under the facility. Subsequent to the quarter end, a further to \$1m was drawn, equating to total funds drawn of \$10m (\$11.1m including Spenda's first loss cash contribution), which represents a 33% increase in utilised funds since inception.

The Company has achieved this growth organically through the acquisition of new customers from a diverse set of industries, including food and beverage, transport and logistics (gig economy) and labour hire.

The revenue from the growth in lending activities is expected to generate income of between \$55k – \$65k per month. Precise amount of revenue to be generated by the Company through the onboarding of these new customers is unable to be determined at this stage, as revenue generated will depend on the draw down on funds from each facility, however, the revenue generated is expected to be material to the Company.

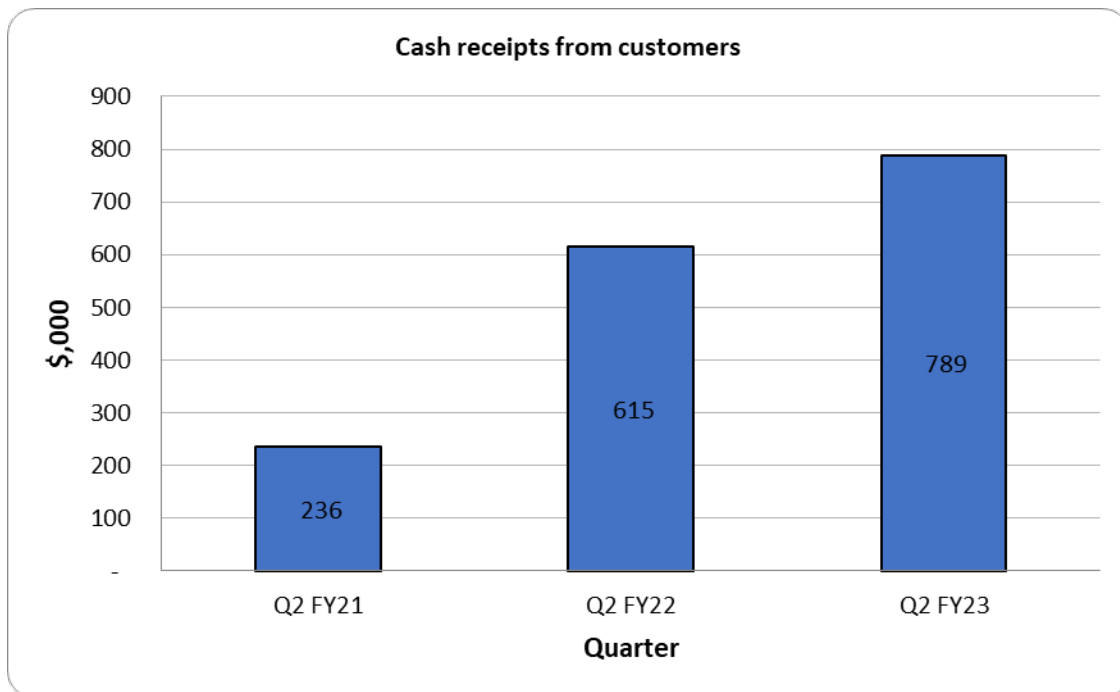
This income commenced in December 2022 and is expected to form part of the Company's recurring income from January 2023.

This lending growth is in addition to the agreement announced with Carpet Court on 7 December 2022 and excludes the provision of store business to customer payments, extended term lending to the franchises and supplier payment processing.

CORPORATE AND FINANCIAL UPDATE

Financial position

Cash receipts from customers for the quarter totalled \$789k, which represents a 28% growth when compared to Q2 FY22 and a 10% growth when compared to the prior quarter.



The Company had a closing cash position of \$4.3m as of 31 December 2022 plus \$13.4m in gross client loan book, representing loan capital deployed to multiple customers.

Net cash position	\$'m
Cash and cash equivalents (A)	4.3
Gross client loan book	13.4
Less: Finance facility	(9.0)
Net client loan book (B)	4.4
Net cash position (A + B)	8.7

Table 1: Net cash position



Payments totalling \$14,653 were paid directly to Mr. Adrian Floate (Chief Executive Officer and Managing Director) in relation to PAYGW & superannuation.

A net salary of \$43,760 for the quarter had been accrued for Mr. Floate. As announced on 23 June 2022 and 26 September 2022, Mr. Floate has elected to receive 100% of his net salary for the period 1 July 2022 to 30 June 2023 in ordinary shares. The issue of ordinary shares occurred on 6 December 2022, as approved shareholders at the Company's 2022 Annual General Meeting held on 25 November 2022.

Payments totalling \$4,487 were paid directly to Mr. Peter Richards (Non-Executive Chairman) in relation to PAYGW and superannuation.

Net directors' fees of \$10,632 for the quarter has been accrued for Mr. Richards. As announced on 26 September 2022, Mr. Richards elected to receive 100% of his net directors' fees (\$42,528) for the period 1 July 2022 to 30 June 2023 in ordinary shares. The issue of ordinary shares occurred on 6 December 2022, as approved shareholders at the Company's 2022 Annual General Meeting held on 25 November 2022.

Payments totalling \$5,329 were paid directly to Mr. Howard Digby (Non-Executive Director) in relation to PAYGW and superannuation.

Net directors' fees of \$12,261 for the quarter has been accrued for Mr. Digby. As announced on 26 September 2022, Mr. Digby has elected to receive 50% of his net directors' fees (\$24,522) for the period 1 July 2022 to 30 June 2023 in ordinary shares. The issue of ordinary shares occurred on 6 December 2022, as approved shareholders at the Company's 2022 Annual General Meeting held on 25 November 2022.

Payments totalling \$14,068 were paid directly to Mr. Stephen Dale in relation to directors' fees for the quarter. Accrued costs of \$932 relating to December 2022 PAYG remain unpaid.

No other related party transactions occurred during the quarter. The operating expenditure for the December 2022 quarter is summarised as follows:

Category	\$'000
Research and development	788
Product manufacturing and operating costs	48
Advertising and marketing	71
Staff costs	749
Administration and corporate costs	871

Table 2: Summary of operating expenditure

COMPLETION OF LESS THAN MARKETABLE PARCELS SALE

In September 2022 the Company announced a less than marketable parcel sale facility for holders of less than marketable parcels of the Company's shares. Share retention elections closed on 28 November 2022 and payments to less than marketable parcel holders were completed on 23 December 2022 by electronic funds transfer and dispatch of cheque payments was completed on 6 January 2023.

Following completion of the less than marketable parcel sale the Company has 6,173 shareholders.

FUTURE FOCUS

The Company continues to achieve upward momentum in all key leading indicators. This growth, coupled with a strong operating rhythm and high-quality software releases, positions Spenda well to deliver on its goals as it works towards profitability. The Company expects the Q3 FY23 quarter to be underpinned by continued effort in the following areas:

- Drawing further funds from the debt warehouse to deploy to customers;
- Continuing to execute growth in payment volumes and transactions through new and existing customers;
- Scaling onboarding for Spenda's Accounts Receivable and Pay-Statement-By-Link products (including the staggered deployment of Spenda into Carpet Court franchises); and
- Delivering on the first phase of our Integration Plan to extend and enhance the Spenda solution and leverage sales through third-party partners.

Commenting on the quarter, Managing Director Adrian Floate said: *"We are operating on and / or ahead of internal goals. Growth in both lending and payments volumes processed continues the Company's positive momentum that has been achieved to date. Winning a further \$3.3m in lending customers in relatively short space of time (i.e. since 1 August 2022) is a testament to the team but also a reflection of the Spenda product and brand awareness. Continuous and consistent growth quarter on quarter aligns with the Company's goal to achieve cashflow positivity as early and as aggressively as possible."*

"This update provides an important marker and a pivotable point for the Company on its pathway to long-term substantiable success. We have built upon several years of consistent focus on the same core capabilities and are equipped with an industry agnostic product suite to support the Company's goal to continually scale revenue moving forward."



- 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



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Appendix 4C

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

Name of entity

Spenda Limited

ABN

67 099 084 143

Quarter ended ("current quarter")

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	790	1,506
1.2 Payments for		
(a) research and development	(788)	(1,590)
(b) product manufacturing and operating costs	(48)	(113)
(c) advertising and marketing	(71)	(77)
(d) leased assets	-	-
(e) staff costs	(749)	(2,245)
(f) administration and corporate costs	(871)	(1,392)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	19	34
1.5 Interest and other costs of finance paid	(122)	(293)
1.6 Income taxes paid	-	(67)
1.7 Government grants and tax incentives	1,608	1,608
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(232)	(2,629)

Note

On 6 October 2022, the Company received a Research and Development tax incentive rebate of \$1,608,499.

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(4)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	(66)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Net Cash flows from loans to other entities	(1,466)	297
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide detail if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,466)	227

Note to support item 2.3

The Company had a net inflow in respect to its loan book with external clients totalling \$1.76m for the quarter.

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	-	(6)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(272)	(871)
3.8	Dividends paid	-	-
3.9	Other (Listed Option entitlement issue)	-	-
3.10	Net cash from / (used in) financing activities	(272)	(877)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,306	7,615
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(232)	(2,629)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,466)	227
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(272)	(877)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,336	4,336

5.	Reconciliation of cash and cash equivalent 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	4,336	6,306
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)	4,336	6,306

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	38
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>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.</i></p> <p>Item 6.1 relates to payments to directors, including director's remuneration and director's superannuation</p>		

7.	Financing facilities <i>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.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	15,000,000	9,000,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	15,000,000	9,000,000
7.5	Unused financing facilities available at quarter end		6,000,000
7.6	<p>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.</p> <p>As announced on 1 August 2022, the Company entered into a debt facility agreement with a prominent Australian private credit fund and non-bank funder. Key terms are detailed below:</p> <ul style="list-style-type: none"> • Up to \$50m (with an initial \$15m Corporate Facility) • Term of 36 months from date of draw down • Interest rate is fixed 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(232)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,335
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,335
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	19
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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?	
	N/A	
8.6.2	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?	
	N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

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: Justyn Stedwell, Company Secretary
on behalf of the Board of Directors

(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.