

ASX Release

17 October 2023

Spenda signs binding term sheet for 10-year service agreement with Capricorn, including agreed cornerstone investment terms

Key Highlights

- **10-year service agreement:** Spenda signs a binding term sheet for a 10-year service agreement with Capricorn for the provision of software and ecommerce payments infrastructure, subject to the successful completion of the final phase of the Digital Services Delivery ('DSD') initiative (Foundation Stage), expected in late 2023.
- **Upfront and recurring revenue:** Based on the agreed terms, Spenda will receive \$443k upon successful completion of the final phase, as well as \$1.3m in initial development fees for commercial launch in 2024 and minimum recurring revenue of \$100k per month software licensing fees, scaling over 10 years.
- **Cornerstone investor terms agreed:** Capricorn may subscribe for up to 412 million shares in Spenda (up to 9.97% of Spenda's share capital post investment) via a private placement at \$0.0175 per share, representing a 77% premium to the 30-day VWAP of \$0.0099. Any subscription will occur prior to 31 January 2024, subject to the successful completion of the Foundation Stage of the DSD initiative, Capricorn's successful due diligence and Board approval and Spenda shareholder approval of Resolution 18 at its forthcoming AGM.
- **Significant market opportunity:** Spenda's potential to benefit from increased ecommerce volumes on its payments infrastructure, through Capricorn's 26,000 Members and 2,000 preferred Suppliers, is significant. Capricorn's Members purchase ~\$270 million per month in parts from the approved Supplier network.

Spenda Limited (ASX:SPX, "Spenda" or "the Company"), an innovative software company with a holistic supply chain solution ideal for trading networks and distributed marketplaces, is pleased to announce that it has signed a binding term sheet for a 10-year service agreement with Capricorn Society Limited ('Capricorn') for the provision of software and ecommerce payments infrastructure. This new Master Services and Licensing Agreement is subject to the successful completion of the Foundations Stage of the DSD initiative, expected in late 2023.



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Capricorn is a member-based organisation established in 1974 to primarily support businesses in the automotive industry. Its current network consists of over 26,000 Members and more than 2,000 preferred Suppliers in every State and Territory in Australia and New Zealand. Capricorn's Members purchase ~\$270 million per month in parts from the approved Supplier network.

Under the agreement, Spenda will receive \$443k from the successful completion of the final phase of the DSD initiative (Foundation Stage), \$1.3m in upfront fees over the coming quarters in preparation for broader commercial launch, expected in mid to late 2024. In addition, Spenda will receive minimum recurring revenue of \$100k per month software licensing fees, scaling over 10 years. The parties have also agreed to a 5+5 year options to extend the agreement to a 20 year term.

The DSD initiative is a significant and strategic project that upgrades the payments infrastructure to Capricorn's Member and Preferred Supplier network to increase productivity and create efficiencies for Members, Preferred Suppliers and Capricorn. The upgraded payments infrastructure will incorporate Spenda's Pay-Statement-by-Link and Payment Widget solutions. The Pay-Statement-by-Link technology will be tailored to enable Members to view their live statement, integrate purchases into their financials and allow Preferred Suppliers to process credits. The Payment Widget will be tailored to enable Member purchases to be charged to the Capricorn Trade Account via Preferred Supplier ecommerce solutions.

In May 2023, Spenda announced that it was selected as Capricorn's preferred supplier to deliver the first phase of the DSD initiative (Foundation Stage) for works to be carried out over a 12-week period. On 31 August 2023, Spenda announced that the initial DSD project works were successfully completed and that negotiations had commenced to extend the foundational phase engagement.

Spenda and Capricorn have now entered into an 8-week contract, for Spenda to complete the final phase of the DSD initiative (Foundation Stage), which involves security and platform Proof of Concept ('PoC') that simulates the entire production solution including the creation of a mock supplier eCommerce site. The PoC will de-risk the solution implementation and provide the parties with final design insight before the build phase commences.

Spenda will present the PoC outcomes at the end of the contract period and run a series of tests to prove project success. These tests will demonstrate functioning software (and its supporting documentation) which can demonstrate both the successful sign in by the Capricorn Member via Single Sign On ('SSO') and checkout process via the 'off the shelf Spenda payment widget' and the direct API method.

On or before 31 January 2024, Capricorn may subscribe for up to 412 million Spenda shares via a private placement at \$0.0175 per share, representing a 77% premium to the 30-day VWAP of \$0.0099. This placement would potentially raise up to \$7.2m. These funds would be used for product development, to strengthen the balance sheet and for working capital to scale. The placement is subject to successful completion of the Foundation Stage



of the DSD initiative, Capricorn due diligence and associated Board approval and Spenda's shareholders approving Resolution 18 for the issue of 400 million shares at its Annual General Meeting to be held on 3 November 2023 (See Notice of Annual General Meeting lodged with ASX on 3 October 2023), the balance of 12 million shares would be issued under the Company's existing 15% placement capacity. Following completion of the placement, Capricorn would potentially be a substantial shareholder of the Company holding up to 9.97% of the Company's issued capital (assumes all shares the subject of resolutions at the Company's AGM are issued and no additional shares are issued prior to the placement to Capricorn).

Bradley Gannon, Chief Executive Officer (Automotive) of Capricorn, said:

"Capricorn is delighted to enter into the agreement with Spenda to continue our long and valued relationship. The development of the DSD project and entry into e-commerce will bring significant value to our Members and facilitate the relationship with our Preferred Suppliers. This project represents a significant step in how we engage with our Members and Preferred Suppliers and we look forward to working closely with Spenda to ensure the successful delivery of the project.

Spenda's Chief Executive Officer and Managing Director, Adrian Floate, said:

"The signing of this binding term sheet with Capricorn represents a transformational commercial opportunity for Spenda. Over the past five months, we have been working closely with the Capricorn team to deliver a payments solution to enable all Capricorn Members to access eCommerce payment solutions that are powered by Spenda. We are in the final phase of the Foundations Stage of the DSD project and on track for commercial launch in early 2024.

The terms sheet provides both parties with clarity on the long-term commercial terms including the opportunity for a possible cornerstone investment. This represents a significant partnership for both Spenda and Capricorn that lays the foundation for long-term growth for both parties over time. Spenda's potential to benefit from increased ecommerce volumes on this payments infrastructure, through Capricorn's 26,000 Members and 2,000 preferred suppliers, is significant."

– ENDS –



About Spenda

Spenda Limited (ASX:SPX) offers a unique payments solution to remove friction across a closed loop and decentralised marketplace, such as franchise networks, member organisations or agricultural supply chain networks. Spenda's payments solution has three components - Software, Payments and Lending - and enables end-to-end e-invoicing integration, rapid ordering, digital trust and automated reconciliation.

Spenda creates an industry standard operating environment (SOE) that enables the effective and seamless transfer of data from multiple, disparate software systems in one standardised technology solution. Spenda's ability to analyse and understand payment flows throughout these networks enables the Company to offer customised financing solutions to clients, in order to improve their working capital efficiency and cash utilisation throughout their operations.

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://investors.spenda.co/>

This announcement has been authorised by the Board.

Investor Enquiries

Please email: investors@spenda.co

