spenda
Payments. Lending. Software. Integration.

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ASX Release **31 October 2023**

Activities Report for the Quarter ended 30 September 2023

Key Highlights

- **Commercial agreement with Carpet Court:** Spenda announced a five-year exclusive agreement with Carpet Court to offer lending services, following the successful roll-out of Spenda's payments infrastructure between head office and the network of 205 franchise stores.
- **Payments volumes up 37% quarter-on-quarter:** Total payments volumes in Q1 FY24 of $61.8m, up 37% from $44.9m in Q4 FY23, primarily driven by increased volumes through the Carpet Court network.
- **Continued growth in loan facilities:** The loan book peaked at $15m in Q1 FY24, with an additional $1m drawn in the quarter, with an overall average portfolio yield of 21.2%, up slightly from 21.06% in Q4 FY23.
- **Q1 FY24 cash receipts from customers of $749k:** Q1 FY24 cash receipts of $749k include recurring revenue from software, payments and lending in line with previous quarter. The record quarterly cash receipts from customers of $1.2m in Q4 FY23 included an implementation fee of $417k from the Capricorn DSD Project.
- **Strong cash balance:** Cash balance of $6.9m at 30 September 2023.

Subsequent to quarter end, with key announcements in October 2023:

- **Significant new commercial agreements:** Recent new commercial deals signed with Capricorn and AgriChain, to transform Spenda and provide the foundation for sustainable long-term recurring revenue from transaction volumes on Spenda's payment infrastructure.
- **Entry into new verticals:** The partnership with AgriChain represents the entry into the agriculture vertical, with the initial focus on grain growers and the potential to expand into livestock and horticultural markets.

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 release its Quarterly Activities and Cash Flow report for the quarter ended 30 September 2023 (**"Q1 FY24"**).

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Market validation of unique Node-to-Spoke strategy

Spenda's strategy is to deliver a portfolio of software and payments infrastructure that harness the network effect (**Node-to-Spoke**), where Nodes are the hub that bring people or businesses together (the Spokes) in an interconnected digital network. Spenda's unique solutions are ideal for trading networks and distributed marketplaces, as they can improve transparency and operational efficiency throughout the supply chain. In the past quarter, this unique model was validated by several large commercial deals with Carpet Court, Capricorn and AgriChain.

Layering the recurring revenue streams through new commercial partnerships

In Q1 FY24, Spenda announced a five-year exclusive agreement with Carpet Court to offer lending services, following the successful roll-out of Spenda's payments infrastructure between head office and the network of 205 franchise stores. Total payments between head office and the store network are approximately $240m per year.

In October, Spenda announced the signing of 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 Service Delivery ('DSD') initiative, expected in late 2023. 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 ~$270m per month in parts from the approved Supplier network.

In October, Spenda also announced a binding agreement with AgriChain to integrate early payment services to grain growers on the AgriChain platform. AgriChain provides an Enterprise Resource Planning ('ERP') system that connects buyers and sellers in the agricultural supply chain. The AgriChain network consists of ~10,000 users who are traders, producers, manufacturers, retailers, farmers and grain storers. AgriChain has ~$2.2b in grain on their supply chain platform at any given points in time and these transactions are expected to run through Spenda's payment platform over time.

These commercial partnerships provide market validation of the Node-to-Spoke model with applications across multiple industry verticals and are expected to generate long-term sustainable, recurring revenue at attractive margins, which will be transformational for Spenda.

Continued growth in payments and lending volumes

Total payments volume in Q1 FY24 of $61.8m, up from $44.9m in Q4 FY23. Payments volumes have increased four-fold over the past year, from $5.2m in September 2022 to $21.2m in September 2023, driven primarily by increased payments volumes through the Carpet Court network, following the successful rollout of Spenda's payments infrastructure to the network of 205 franchise retail stores.

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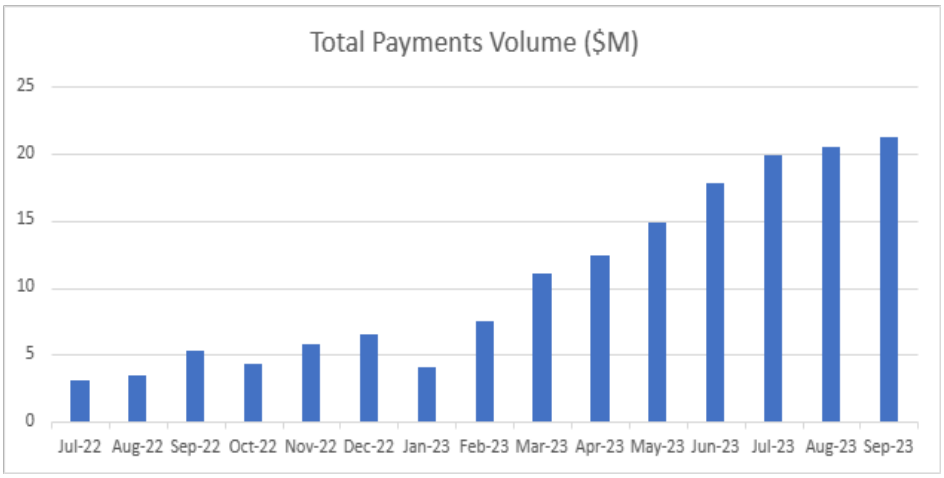

The loan book peaked at $15m in Q1 FY24, with an additional $1m in drawdown borrowings throughout the quarter, with an overall average portfolio yield of 21.2%. There is significant variation in the Invoice Finance loan book throughout the month as invoices are received and paid, so the increase in peak volumes over time, reflects overall growth in the loan book.

In Q1 FY24, Spenda continued to expand its Invoice Finance portfolio, signing $3.7m in new facility limits to a total of $28.8m.

Product Development Update

During the quarter, the development team focused on the scalability of the Spenda solutions with their efforts on four key areas:

- **Spenda Wallet for Android:** Developed an Android version of Spenda Wallet with comparable features and functionality to the iOS version. Spenda Wallet for Android is a companion app to the Accounts Payable software and doubles the potential addressable market.
- **Tenant-to-Tenant Evolution:** Extended the capability of Tenant-to-Tenant document translation service to support additional account systems and more complex accounting practices, saving Spenda users hours of data entry per week.
- **Embedded Buyer Finance:** Released embedded closed loop of demand finance payments within Spenda's Pay-Statement-By-Link web application, which enables buyers to make invoice payments quickly and easily, without being redirected to an external payment portal.
- **Claims and Returns:** Embedded Claims and Returns within Pay Statement by Link, which allows buyers to raise an issue with their supplier and have a credit note issued in real time. This credit note can then be consumed and applied directly by the buyer and applied during the statement payment process.

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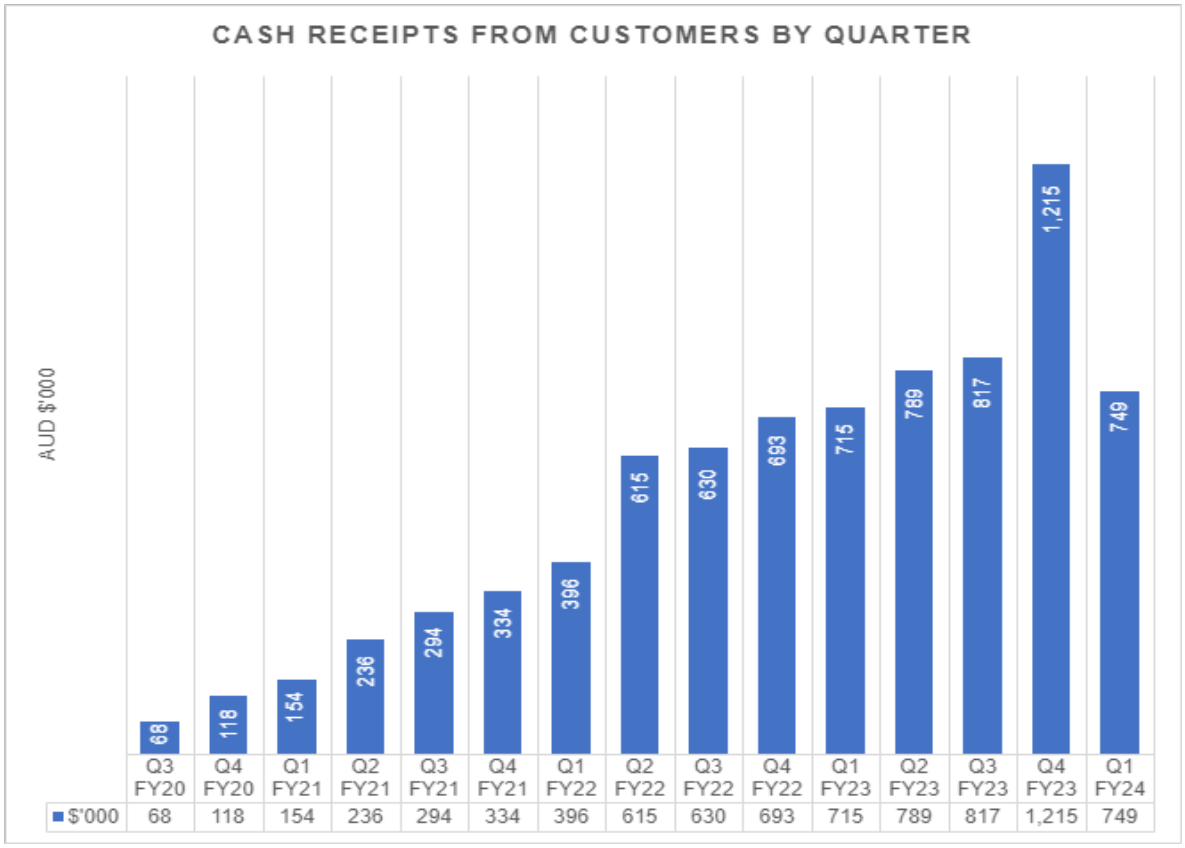
Financial position

Cash receipts from customers for the quarter totaled $749k, which represents a 38% decline when compared to the prior quarter. The record quarterly cash receipts from customers of $1.2m in Q4 FY23 included implementation fees of $417k from the Capricorn DSD Project. The Company expects to receive additional implementation fees for the successful completion of the DSD Project in Q2 FY24 as per ASX announcement on 17th of October 2023.



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The Company had a cash position of $6.9m as of 30 September 2023 plus $12.2m in gross client loan book, representing loan capital deployed to multiple customers.

Net cash position	$'m
Cash and cash equivalents (A)	6.9
Gross client loan book	12.2
Less: Finance facility	(14)
Net client loan book (B)	(1.7)
Net cash position (A + B)	**5.2**

Table 1: Net cash position

Operating expenditure

The operating expenditure for the September 2023 quarter is summarised as follows:

Category	$'000
Product manufacturing and operating costs	76
Advertising and marketing	47
Staff costs	1,423
Administration and corporate costs	405

Table 2: Summary of operating expenditure

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Related party transactions

Payments totaling $66,366 were paid directly to Mr. Adrian Floate (Chief Executive Officer and Managing Director) in relation to a net bonus of $7,950 ($15,000 gross bonus less PAYGW of $7,050), net salary & wages of $43,763, PAYGW of $8,330 and superannuation of $6,323. Accrued costs of $24,987 relating to PAYGW remain unpaid.

Payments totaling $16,575 were paid directly to Mr. Peter Richards (Non-Executive Chairman) in relation to director fees, PAYGW and superannuation. Accrued costs of $1,456 relating to September2023 PAYGW remain unpaid.

Payments totaling $16,575 were paid directly to Mr. Stephen Dale in relation to directors' fees for the quarter. Accrued costs of $932 relating to September2023 PAYGW remain unpaid.

Payments totaling $19,336 were paid directly to Mr. Howard Digby (Non-Executive Director) in relation to director fees, PAYGW and superannuation for the quarter. Accrued costs of $1,746 relating to September2023 PAYGW remain unpaid.

Positive Momentum and Outlook

Managing Director Adrian Floate said: "*The new partnerships recently announced with Carpet Court, Capricorn, and AgriChain, will completely transform Spenda's business and commercial potential. Each of these partnerships will deliver a sustainable long-term recurring revenue streams, based on software licensing and transaction volumes on our payments infrastructure. We have a unique portfolio of solutions, including software, lending and payments including virtual cards, which are well suited to new verticals including agriculture. Our pipeline of new partnership opportunities remains strong and we are confident we will see the inflection point in revenue and earnings in 2H FY24.*"

- ENDS –

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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

Appendix 4C

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

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Name of entity

Spenda Limited

ABN	**Quarter ended ("current quarter")**
67 099 084 143	30 September 2023

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	749	749
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(76)	(76)
	(c) advertising and marketing	(47)	(47)
	(d) leased assets	-	-
	(e) staff costs	(1,423)	(1,423)
	(f) administration and corporate costs	(405)	(405)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	21	21
1.5	Interest and other costs of finance paid	(291)	(291)
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**	**(1,472)**	**(1,472)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(15)	(15)
	(d) investments	(200)	(200)
	(e) intellectual property	(723)	(723)
	(f) other non-current assets	-	-
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	1,195	1,195
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide detail if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**257**	**257**

Note to support item 2.3

The Company had a net inflow in respect to its loan book with external clients totalling $1.2m for the quarter.

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3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	127	127
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	(16)	(16)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(370)	(370)
3.8	Dividends paid	-	-
3.9	Other (Listed Option entitlement issue)	-	-
3.10	**Net cash from / (used in) financing activities**	**(259)**	**(259)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	8,350	8,350
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,472)	(1,472)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	257	257
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(259)	(259)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**6,876**	**6,876**

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	6,876	6,876
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)**	**6,876**	**6,876**

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	119
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.

Item 6.1 relates to payments to directors, including director's remuneration, director's bonus and director's superannuation.

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	17,000	14,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	17,000	14,000
7.5	**Unused financing facilities available at quarter end**		3,000

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.

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:

- Up to $50m
- Term of 36 months from date of draw down
- Interest rate is fixed

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8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,472)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,876
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,876
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	5

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.

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

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.

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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: 31 October 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.