

ASX Release

29 January 2024

Activities Report for the Quarter ended 31 December 2023

Key Highlights

- **Record Q2 FY24 cash receipts from customers of \$1.38m:** A new record quarter as additional programs of work with partners started delivering revenue.
- **New partnerships generating revenue momentum:** Recently signed program partnerships are expected to generate multiple revenue streams for many years following roll out in 2024. Revenue composition in each program may comprise SaaS, both B2B and B2C payments and B2B supply chain finance. Q3 FY24 revenue is expected to exceed Q2 FY24.
- **Airplus partnership adds a new card blended finance capability for eligible clients:** The virtual Mastercard credit card product, backed by AirPlus, enables Spenda's clients to access funds for purchases via the Spenda AP and Payment widget software thus increasing the flow of funds through Spenda's platform.
- **Payments volumes up 3.6% quarter-on-quarter:** Total payments volumes in Q2 FY24 of \$64m, up 3.6% from \$61.8m in Q1 FY24.
- **Cash balance:** \$6m at 31 December 2023.

Spenda Limited (**ASX:SPX**, "**Spenda**" or "**the Company**"), an innovative software company providing electronic payment solutions across a supply chain or trading networks, is pleased to release its Quarterly Activities and Cash Flow report for the quarter ended 31 December 2023 ("**Q2 FY24**").

New partnerships to deliver recurring revenue across new verticals

In Q2 FY24, Spenda signed multiple partnership agreements and the program of works with these partners, which are expected to comprise multiple projects, are expected to generate layered revenue streams over time, including from SaaS, both B2B and B2C payments and B2B supply chain finance.

In October, Spenda announced an 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.



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In December, Spenda announced a 10-year Master Services and License Agreement ('MSLA') with Capricorn for the provision of software and ecommerce payments infrastructure. 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 December, Spenda announced a partnership with eBev to offer integrated payments solutions across the hospitality supply chain. This agreement outlines the first phase of the commercial rollout of the integrated payments solutions to 100 initial clients over three months.

In each case, Spenda's payments infrastructure will administer payment flows between the buyer and seller at each point in the supply chain. These commercial partnerships provide market validation of Spenda's unique Node-to-Spoke model and are expected to generate long-term sustainable, recurring revenue at attractive margins.

Access to supply chain funding for clients through Airplus

In November, Spenda signed a payment processing agreement with international corporate payment specialist, AirPlus, to jointly offer a virtual card product, which enables the generation of credit card numbers for specific purposes or durations. This virtual credit card product enables Spenda's clients to access funds for purchases by utilising Spenda's AP and Payment Widget software. The addition of this capability is expected to enable scaling of client payment volumes by providing access to working capital from portable and flexible credit solutions.

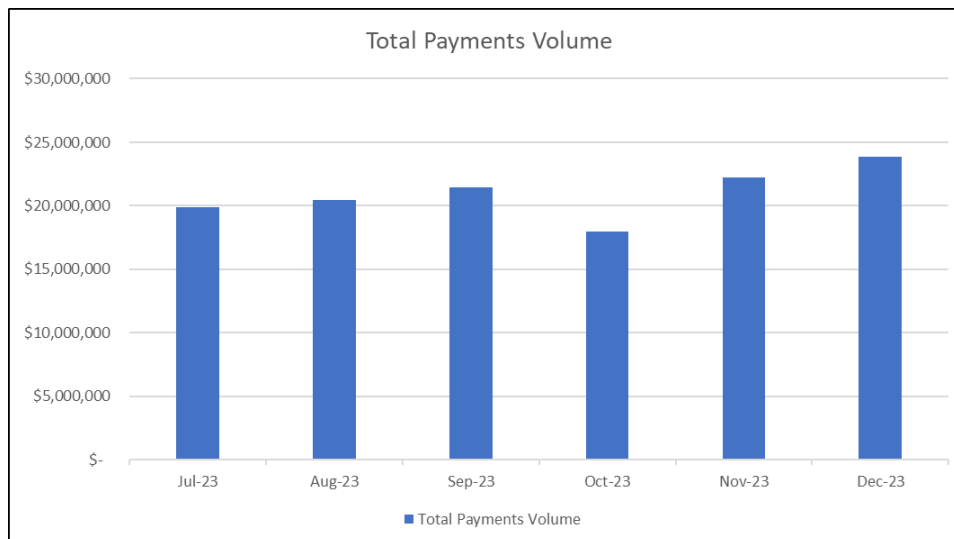
This agreement significantly expands Spenda's addressable market and both parties are working together to develop a pipeline of opportunities to grow the virtual card product, both domestically and internationally.

Stabilised payments and lending volumes

Total payments volume in Q2 FY24 of \$64m, up from \$61.8m in Q1 FY24. Payments volumes have increased by 35%, from \$16.5m in Q2 FY23, 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 ('stores'), where 100% of the payments flow from the 205 stores to Carpet Court's National Support Centre ('NCS') are processed through the Spenda platform and equate to approximately \$20m per month (refer to ASX release on 10 July 2023).

Both B2B and B2C payments volumes and the associated revenues that flow from these income streams are expected to scale further moving forward, as the Company targets new channels, the Carpet Court B2C payments market share climbs to approximately 25% and eBev Pay-Statement-by-Link services are rolled out.





The loan book was \$12.9m as at 31 December 2023, an increase of \$643k from the position as at 30 September 2023, with yields remaining consistent and with an overall average portfolio yield of 21.2%.

Product Development Update

During the quarter, the development team focused on four key areas:

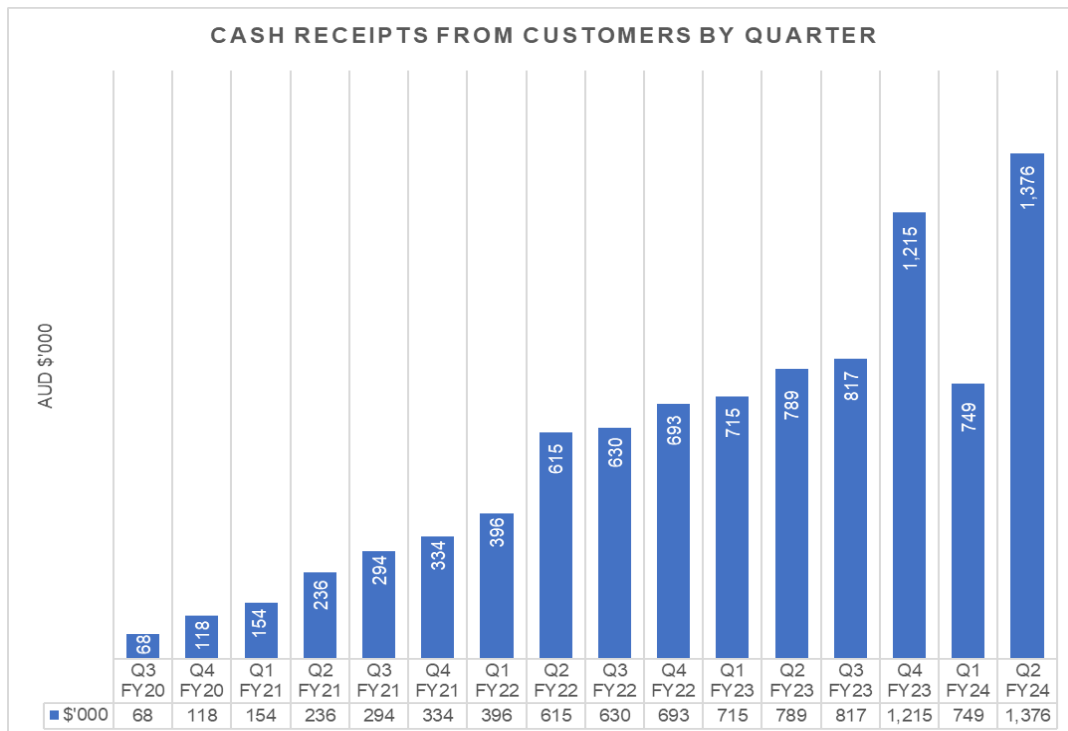
- **Scheduled payments:** Extended payment engine to allow users of Accounts Payable or Pay-by-Link to schedule a payment to be executed in the future. This scheduled payment technology is available through all Spenda payment methods including Account to Account, Credit Card, Spenda Finance or Virtual Card.
- **Accounts Payable Self-Service Onboarding:** Nearing completion of revamped onboarding wizard for Spenda's Accounts Payable service, which takes new users through a guided tour of our software while assisting users to connect their financial system, add payment methods, invite other users and make their first payment.
- **Virtual Credit Card:** Development has started on the delivery of virtual card payment options within the Spenda platform. Virtual cards can be generated on demand by AirPlus (our third-party provider) within the Spenda system for a set limit. These cards are then charged before immediately being destroyed after the purchase is complete. Virtual cards provide a new tightened level of security for Spenda users as they only exist for a moment in time and can't be lost, stolen or skimmed.
- **Standard Operating Environment (SOE):** Development has started on the retail SOE with the initial focus on Quote-to-Pay functionality. This module will streamline the quote to pay workflow for many businesses and make



it easier for customers to pay. Benefits include the ability to deliver and track quotes in real time, improve lead conversion and boost customer loyalty.

Financial position

Cash receipts from customers for the quarter totaled \$1.38m, which represents an 84% increase when compared to the prior quarter.



The Company had a cash position of \$6m as of 31 December 2023 plus \$12.9m in gross client loan book, representing loan capital deployed to multiple customers.

Net cash position	\$'m
Cash and cash equivalents (A)	6.0
Gross client loan book	12.9
Less: Finance facility	(14.0)
Net client loan book (B)	(1.1)
Net cash position (A + B)	4.9

Table 1: Net cash position

Operating expenditure

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

Category	\$'000
Product manufacturing and operating costs	112
Advertising and marketing	77
Staff costs	1,543
Administration and corporate costs	785

Table 2: Summary of operating expenditure

Related party transactions

Payments totaling \$69,636 were paid directly to Mr. Adrian Floate (Chief Executive Officer and Managing Director) in relation to net salary & wages of \$37,799, PAYGW of \$24,988 and superannuation of \$6,849. Accrued costs of \$28,144 relating to PAYGW remain unpaid.

Payments totaling \$24,150 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 December 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 December 2023 PAYGW remain unpaid.

Payments totaling \$26,923 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 December 2023 PAYGW remain unpaid.

Payments totaling \$11,746 were paid directly to Mr. David Laird (Non-Executive Director) in relation to director fees and PAYGW for the quarter. Accrued costs of \$1,170 relating to December 2023 PAYGW remain unpaid.

Events subsequent to quarter end

Spenda announced a binding agreement for a new cornerstone investment by Capricorn Society Ltd ("Capricorn") to raise \$7.175 million via a private placement. Capricorn has undergone extensive due diligence and this cornerstone investment reflects their confidence in Spenda's unique payments software and its earnings potential over time (refer to ASX release on 29 January 2024).

Key operational activities in Q3 FY24

In the current quarter, the focus is on:

- Continued work on the Capricorn DSD project and identification of new projects with Capricorn.
- Roll out of B2C payments across the Carpet Court store network.
- Continued collaboration with Carpet Court on the delivery of the SOE solution for the store network and on new B2B suppliers.
- Initial roll out of Airplus facilities across the customer base.
- Integrating payments solutions into the eBev platform and the capture of their B2B payment flow and initial roll out of B2C payments across the eBev customer network.
- Refining the customer acquisition strategy with focus on high ROI and ability to rapidly scale.

The new partnerships and associated increase in programs of work are expected to deliver another record revenue quarter in Q3 FY24.



New partnerships driving revenue growth

Managing Director Adrian Floate said: *"In the last quarter, we signed multiple partnerships which have the potential to transform the commercial potential of Spenda. We have seen the early signs of revenue contribution from these new programs of work, with the establishment of recurring revenue streams to occur in 2H FY24. Our focus is now on integrating our payments infrastructure, onboarding our client's clients to increase the payment flow on our platform and scaling our business over time. We are excited to welcome Capricorn as a substantial and supportive shareholder and we continue to identify new opportunities to work together. We remain confident that we will see the inflection point in revenue and earnings in 2H FY24."*

- 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 & 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 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

Name of entity

Spenda Limited

ABN

67 099 084 143

Quarter ended ("current quarter")

31 December 2023

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	1,376	2,125
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(112)	(188)
(c) advertising and marketing	(77)	(124)
(d) leased assets	-	-
(e) staff costs	(1,543)	(2,966)
(f) administration and corporate costs	(785)	(1,190)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	22	43
1.5 Interest and other costs of finance paid	(384)	(675)
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	(1,503)	(2,975)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(7)	(22)
	(d) investments	-	(200)
	(e) intellectual property	838	115
	(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	(549)	646
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide detail if material)	-	-
2.6	Net cash from / (used in) investing activities	282	539

Note to support item 2.1(e)

The Company received an R&D rebate during the quarter totalling \$1.4m.

As disclosed in note 14 of the Company's FY23 Annual Report, all eligible development expenditure is capitalised in the Company's balance sheet under Intangible Asset, which includes Software Assets that are a form of intellectual property.

Subsequent receipt of the R&D rebate is offset against the capitalised Software Assets.

Note to support item 2.3

The Company had a net outflow in respect to its loan book with external clients totalling \$549k for the quarter.

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	360	487
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)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(370)
3.8	Dividends paid	-	-
3.9	Other (Listed Option entitlement issue)	-	-
3.10	Net cash from / (used in) financing activities	360	101

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,876	8,350
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,503)	(2,975)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	282	539
4.4	Net cash from / (used in) financing activities (item 3.10 above)	360	101
4.5	Effect of movement in exchange rates on cash held	1	1
4.6	Cash and cash equivalents at end of period	6,016	6,016

5.	Reconciliation of cash and cash equivalent	Current quarter	Previous quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	6,016	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)	6,016	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	149
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, director's bonus and director's superannuation.</p>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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	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	<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 • 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)	(1,503)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,016
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,016
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3
<p><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></p>		

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.

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: 29 January 2024

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.