

ASX: 9SP

ASX Release

29 July 2019

2019 Annual Meeting of Shareholders Prepared Announcement

Auckland, NZ | 29 July, 9 Spokes (ASX: 9SP or “the Company”), a leading marketplace and insights company to small businesses, will today present the following prepared Chair’s Address and Chief Executive’s Update at the 2019 Annual Meeting.

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About 9 Spokes

9 Spokes is a tracking tool designed to help SMEs enhance their performance and be their best business self. It **collates and sorts the SME’s data**, so they can more easily see their progress against the things that matter most to their business.

SMEs can connect their cloud software to 9 Spokes to get a comprehensive picture of their business performance through a single smart dashboard—**so it’s easier to** make the big and small decisions required to manage and grow their business effectively. As well as connecting their existing supported software to the dashboard, businesses can choose from a selection of other recommended and accredited apps to suit their industry.

9 Spokes is provided under a direct model to small businesses and as a white labelled platform allowing key Banking Partners to offer 9 Spokes to their SME customers under their own brand.

Find out more at www.9spokes.com

Chair's Address

Chair's Address

Good morning Ladies and Gentlemen. I'd like to start by thanking shareholders for your commitment to 9Spokes during the last year.

The capital raise through the rights issue in May 2019 was very well subscribed and successfully underscored the faith we have – and you have – in the opportunities that lie before this exciting business.

Can I offer a warm welcome to the many new shareholders who joined us on this journey during the year.

It's fair to say that the recent capital-raise process was more protracted than we first expected. 9 Spokes has never lacked vision and credible long-term growth opportunities, but shareholders gave us a clear signal that they wanted to see that vision founded on a nearer-term path to profitability, and that required us to re-shape and re-prioritise the business to ensure we had our receipts and cash-burn in better balance. We made good progress by increasing revenues and developing new account relationships with banks around the world while very significantly reducing our monthly cash burn. Re-structuring on this scale is painful but the overall result has been to take a large step towards our ultimate goal of **profitability**. There's no doubt that this made 2019 the most demanding year yet for our young company. The Board is grateful to our dedicated staff and management who made all this happen. I should also acknowledge the short-term debt support we received while the re-shaping took place and I would like to thank the Board itself for its increased commitment during this period, often meeting several times a month.

And, talking of the Board and Governance, I said last year we would most likely be reviewing the Board structure during 2019, in the light of new challenges and the need for further skills and experience. Unfortunately, we had to put that on ice while we completed the business restructuring and capital raise, but we have now resumed our review and there will be enhancements to the Board this coming year.

So, what did we deliver in 2019? Adrian will go through this in detail in a few moments but let me comment at a headline level. We set out clear strategic priorities to:

1. Demonstrate operational and financial discipline;
2. Launch our next-generation software platform;
3. Strengthen our distribution channels; and
4. Secure our entry into the US market.

I am pleased to say we made significant progress against all 4. We made changes to the entire leadership team, including the appointment of Adrian Grant as Chief Executive;

- delivered two new Enterprise Channel Customers;

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- significantly reduced our people costs while ensuring capability was well deployed, with headcount falling from 94 to 62, which of itself removed \$3 million cost from the business;
- We reviewed our product strategy. This affirmed our core value proposition for **SME's** and refined how we position the interaction of our products to our clients;
- we commenced a major rebuild of our platform, known as Version 2 or V2, taking all our learnings from operating over the last two years to both improve our speed and operating cadence but importantly giving us the technical flexibility to rapidly build capability into our core platform;
- re-platformed our infrastructure utilising Microsoft Azure which has resulted in significant service and cost benefits and
- revised our distribution model, the first such step being a co-sell relationship with Microsoft.

I understand that shareholders will be particularly eager to see **confirmation of the company's entry into the US market**. We announced a collaboration agreement with Visa in March and have continued to work closely with Visa since then. We also continue in discussion with a major US bank - this has been the biggest market development activity over the year, and I can confirm that talks continue to progress well and we hope to be able to confirm commitment in the near future.

One other significant recent announcement concerned the removal of exclusivity commitments in the UK market. The large banks who are 9 Spokes' **key customers often operate in multiple countries and increasingly stick to the principle of offering the same product in each market**. Therefore, the existence of restrictions on who we could offer services to have the knock-on effect of precluding 9Spokes also from serving some banks in other countries too. We think this important change increases our business opportunities in the months and years to come.

The Board and management believe 9 Spokes has the right long-term business model. In every market we see increasing disruption within core banking markets and for SMB's the demand for more relevant and timely credit solutions is driving preference. For SMB's our ability to deliver a seamless aggregation **of their business data, and to deliver a 'permissioned' bridge between the bank and the SMB** drives stronger and more relevant relationships.

Looking forward, 9 Spokes will continue to exercise operational caution as we focus on moving the company to break-even. We can do that and fully support the delivery of a Version 2 platform and bring new banks and SMB's onto the platform. Building a platform takes time and we are confident that the necessary steps have been taken to position the company well for the future.

Chief Executive's Update

Good afternoon everyone and thank you for taking the time to attend our AGM.

There's no question the past 12 months has seen the start of a transformation of the business. The board and leadership have reviewed all aspects of our company, including our strategy, our cost base, our GTM and our people.

Significant changes have resulted across all areas of the business; except for our core purpose which has remained unchanged.

That being, to help the **world's** small businesses make smarter decisions, take more effective actions and become their business best.

As a result of our review, we have tightened our focus on four core priorities to drive our strategy;

1. Demonstrate operational and financial discipline
2. Launch our next generation platform
3. Strengthen our distribution channels, and
4. Secure our entry into the US market & broaden our pipeline.

Some of the changes we have made reflect simple market realities, while others reflect learnings as we have understood better how our product responds in the market, how the market has adapted and changed and how we must change to reflect the market need.

It is these four priorities that I am going to focus on today.

1. Demonstrate operational and financial discipline.

In terms of operational and financial discipline, we have reviewed all aspects of our business including our cost base and our people, but ultimately the obvious objective is to get the business to cash flow breakeven as soon as possible.

It goes without saying that being profitable opens up significant optionality as to how we advance the operations of the business. So, to be clear, this is an absolute focus for the business. Our only caveat is that we must ensure we continue to meet our delivery obligations to our customers.

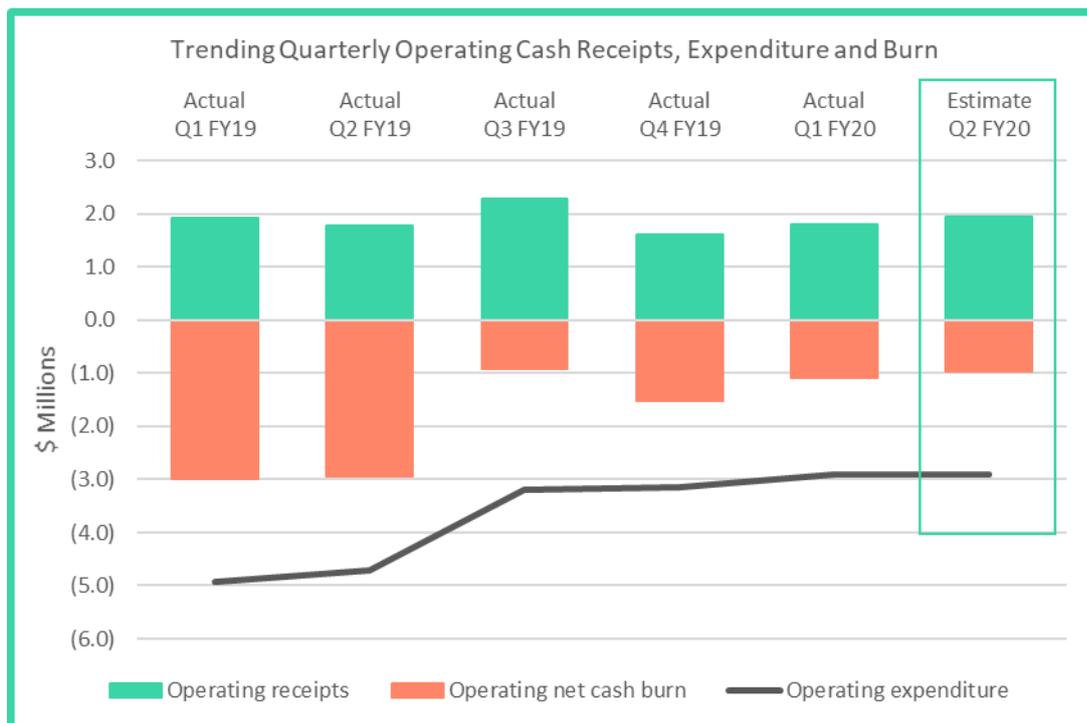
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Our efforts have been reflected in the numbers;

Last year;

- Our revenue grew 22% YOY to \$8.2m
- Our expenditure was down 30% to \$16.8m from \$24m
- Overall this gave us a net loss of \$9.3m a 46% reduction YOY.

When you look at these numbers on a rolling quarterly basis, progress is even more dramatic given that today our quarterly net loss is now tracking between \$1.1m and \$1.3m.



Good progress, but we are not yet where we want to be.

To get to break even, with much progress now made on costs, the lever with greatest benefit to us all will be top line revenue growth, and this is now where we are focusing our attention from an operational and financial perspective.

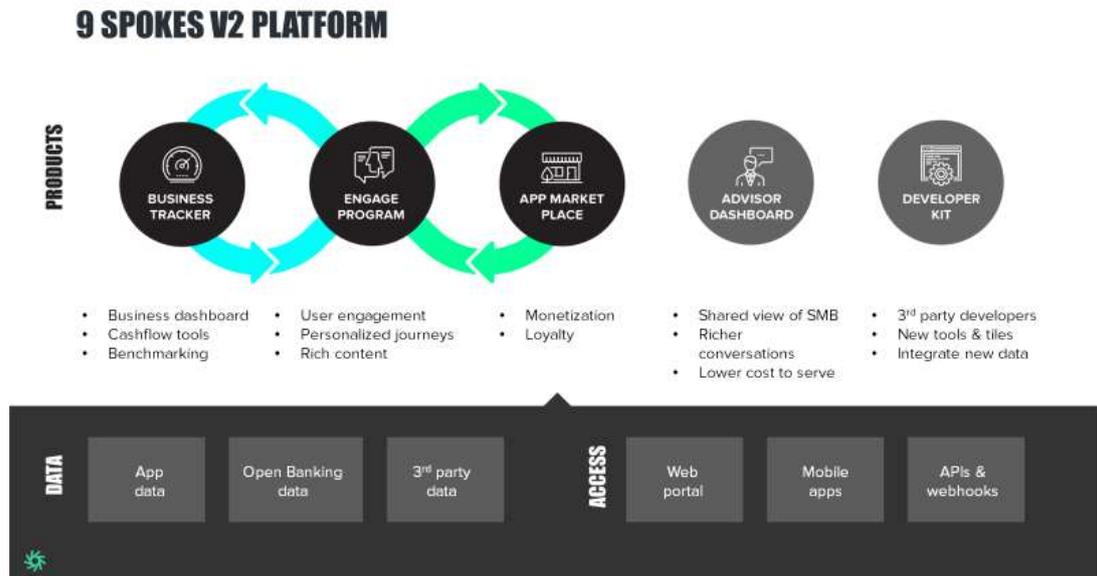
2. Launch our next generation platform:

Our second key strategic objective is launch of our next generation platform, which we are calling V2; and this has been the singular focus of our product and engineering teams in recent months.

The genesis of V2 has been a result of both our market learnings since we launched but also our drive to add fundamental improvements to our core technology stack. The insights driving our V2

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programme have come from our own platform as well as feedback from our banking clients - both existing customers and those in various stages of business development.



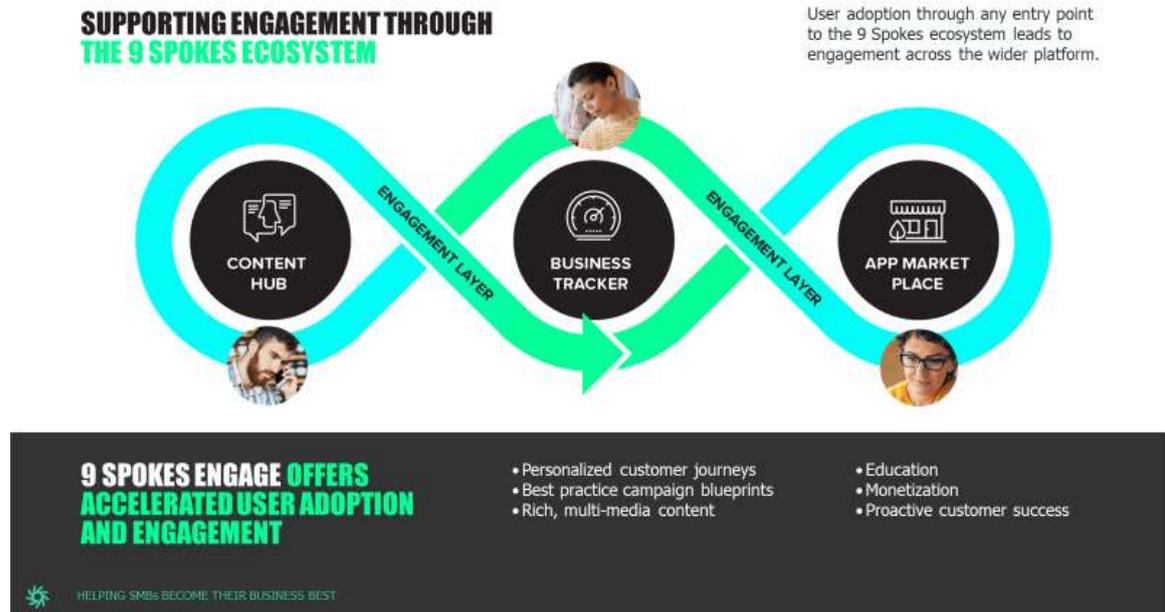
V2 achieves a number of principal objectives;

- First, it represents a transformation of our platform architecture to deliver much better speed and flexibility in connecting new apps and customers. Since our market launch, API technology has developed significantly in the wider market. At the same time, we have also wanted to make improvements to our own core platform in order to increase our speed of on-boarding apps and banks. Keeping our platform current with the latest developments in API technology is key to improving our ability to move at pace.
- Second, we have moved our development environment to harness ‘progressive web apps’ (PWA) technology which enables us to deploy new code simultaneously across all form factors, including desktop web browser, tablet and mobile devices. Utilising this ‘code-once’ environment will significantly improve our operational cadence and costs by removing the need for additional development effort for each device form factor.
- Further, changes to our data management layer and how we represent this data in the visualisation layer for users, significantly enhances our ability to accelerate delivery of new features, insights and services. It also allows us to provide a much more engaging user experience. This will be evident when we release our first set of tiles with more comprehensive metrics and user functionality.

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- Post V2 launch, we will progressively move towards an open platform, enabling 3rd party developers including our app partners, banking partners and many others to integrate into our platform further driving eco-system engagement.
- Our objective is to own the development of the core platform whilst opening up the interaction layer to drive greater scale and innovation. A key new role for us will then become accreditation of 3rd party developers and apps, rather than just building everything ourselves.
- Another notable change will be the launch our commercial marketplace. This has been on the drawing board for some time and while we acknowledge we have struggled to get this underway on the current tech stack, we believe we have a robust plan in place now to deliver. Over time we believe Marketplace will be a strong revenue source and this is supported by research predicting that over the next 5 years 80% of all apps will be purchased via marketplaces.
- Our GTM proposition to banks has been based on helping overcome a key hurdle in advancing the productivity of their SME client relationships. Whilst there is strong relationship between an SME's business performance and their ability to get credit, for the bank however, the ability to extend credit has been hampered by an inability to get good data on SME performance. V2 will bring better 'permissioned sharing' functionality enabling SMEs and their bankers to engage more efficiently and effectively through data-rich conversations.
- As part of streamlining our operating model, we have now defined clear product editions, or feature packages, for each of our core market segments including white-label and Direct. By standardising feature sets and moving our deployment activity from often custom-development based implementation to much more configuration-only based roll out, we seek to dramatically improve cadence and efficiency through the sales and delivery cycle.
- As part of broadening our product portfolio we have also been working to develop a fully automated lifecycle marketing proposition to complement our platform offering to assist our banking clients drive better user adoption and engagement.

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Called 'Engage', the programme includes pre-built and optimised acquisition and engagement campaigns, customer journeys and content, which are designed to accelerate user growth and lift repeat usage of the platform.

Engage will be wrapped in as part of our end-to-end service proposition. This makes our solution turnkey for our bank customers by coupling platform features and services with 'always-on' marketing activity to maximise volume and utilisation across the whole ecosystem; including through the marketplace.

3. Strengthen our Distribution Channels

In respect of our priority around strengthening our distribution channels, we are very pleased with the solid progress we are making on establishing new routes to market.

Our greatest distribution challenge as a small company, being often geographically distant from our client opportunities, has been to drive an effective sales process and while we have seen good benefit from our relationships with professional service firms, and these will continue, we believe we could do more; particularly to align directly to mutual needs and objectives.

This is why our relationship with Microsoft, with whom we entered a co-selling partnership this year, is so important. While still new it is becoming very significant and there are many layers of benefit to the partnership. Some of these are as follows:

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- We have re platformed our app onto **Microsoft's** Azure cloud infrastructure. Fiscally, this has seen our like for like costs reduce by ~80%, but equally important is the access to an extensive Azure service catalogue that will hasten our delivery of platform capability, such as AI.
- Another example is our recent integration of our platform into Microsoft Teams, **Microsoft's** messaging and business collaboration platform and their fastest growing product of all time. The ability for SMEs to view their 9 Spokes data from within Teams and to share this data with colleagues and engage in dialogue around it, adds a compelling platform engagement mechanism and will come 'out of the box' with V2 at launch.
- At the MICROSOFT annual Inspire conference held two weeks ago in Las Vegas, it was exciting for our company to be mentioned as "a company who is doing cool things with the Microsoft Teams platform" and I cannot wait to get this to market.
- At a co-sell level, Microsoft has been pivotal in our sales process with banks in our pipeline to the extent that now we can demonstrate joint success.

Earlier in the year we announced that we had signed a Collaboration Framework Agreement with Visa. At this time, we cannot offer further statements other than to acknowledge that the agreement remains live.

In both cases our intent in putting these partnerships together is very clear; to significantly broaden our distribution network and bring us closer to key banking relationships where we can mutually leverage our capability and relationships.

4. Secure our entry into the US market entry & broaden Pipeline.

Finally, our 4th priority is to broaden our overall pipeline of opportunity and to execute on our US market entry and conclude the long period of business development we have undertaken to secure a large anchor customer in this important market.

We have worked hard to broaden the number of banks in our pipeline both through our co-sell partners and also directly, and we are advanced with a number of global banks and financial institutions and are confident in our ability to close these opportunities.

To the U.S. whilst today I can't make the announcement I would like to make, I can clearly reinforce our most recent statements about the nature of our discussions with a Tier 1 US bank, that being - we are in the final stage.

To give some colour, our V2 platform has been conceived in no small part on meeting market requirements that will enable us to enter and compete effectively in the US. Granted, it has been a long

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road, however I look forward to being able to provide positive evidence of all our hard work in this area shortly.

In summation, there is no denying that this has been a hard year for the company, we have set challenging targets, but we have also made significant progress nonetheless; while making major changes to every part of our business.

I am confident that once V2 is launched, and you see increasing evidence of our business and partnership development efforts, our ability to deliver against our stated objectives will be clearly demonstrated.

Thank You.