ASX Release **28 October 2022**

Activities Report for the Quarter ended 30 September 2022

Key Highlights

- $50m debt warehouse facility secured, positioning the Company to accelerate its business growth
- Leading indicators continued to perform strongly:
    - Lending average yield: 21.23% a 16% growth in yield from the prior quarter
    - Payment Flows: 120% increase in transaction growth from the prior quarter
      55% increase payment volume growth from the prior quarter
    - Customer Growth: 12% increase from prior quarter
- Cash receipts of $716k for the quarter, representing an 81% growth compared to Q1 FY22 and a 3% growth from the previous quarter
- Closing cash and cash equivalents of $6.3m as 30 September 2022
- Net cash position of $9.2m as at 30 September 2022 (*refer to Table 1*)
- Research and Development rebate of $1.6m received subsequent to quarter end
- Multiple system and software improvements were released to the Spenda product suite that improved the overall functionality and customer experience

Spenda Limited (ASX: SPX, "Spenda" or "the Company") is pleased to release its quarterly Activities and Cash Flow report for the quarter ended 30 September 2022 (Q1 FY23).

EXECUTIVE SUMMARY

The first quarter of the 2023 financial year delivered the Company's 8th consecutive quarter of growth. While the Company achieved continued growth this quarter it was slower than previous quarters due to a planned focus on:

- Scaling payment flows in line with continued customer adoption of Spenda's Pay-Statement-By-Link ('PSBL'), and Payment Widget technologies;
- Critical product security releases enabling both compliance with scaled lending, payment services and to meet the specific requirements of key customer implementations (which have become increasingly important given recent public high-profile breaches at other businesses); and
- Restructuring of the Debt Portfolio to enable the scaled rollout of the debt warehouse through the remainder of 2022 and into the future (this facility was secured on the 5 August 2022).

Each of these activities supported strong growth in all the key leading indicators. The achievement of these outcomes gives the Company confidence that future quarters should continue to be underpinned by consistent growth.

COMPETITIVE ADVANTAGE

Spenda is a business ecosystem that facilitates the transfer of both operational and financial data between businesses as they transact with each other. Spenda's platform creates a network of connected businesses transacting up and down the supply chain. Once embedded within a business Spenda becomes a trusted platform for businesses to run their entire processes upon.

The Company's competitive advantage lies in its breadth of capabilities and Intellectual Property it owns, including a feature-rich suite of integrated applications, payments and lending solutions. By utilising the secure data set provided from transactions within the application suite the software can form a clear view of a customers' underlying cashflows. It is this visibility that enables the Company to make informed and data-led upsells to boost revenue opportunities from a single customer. For example, it can trigger offers within the software for payment services, software upgrades, on-demand lending, pay later, early settlement discounts and trade finance that unlocks further revenue growth and efficiency improvements for our customers.

Additionally, the Company's user-friendly interface makes doing complex business tasks easier and takes functionally that is often spread across multiple programs into one integrated system. Specifically, the Spenda suite connects the building blocks of money movement – sales, payments and lending – in a way that gives customers autonomy to determine when they trade and when they get paid. The Company is breaking the fixed market dynamic between trading partners, so sellers get paid as quickly as they want and buyers elect to pay when they can afford to do so.

QUARTERLY UPDATE

The Company successfully delivered on each of the targets outlined in the 30 June 2022 Quarterly Activities Report, including:

- Provisioning new customers with software, payments and lending services to Marketplaces, Buying Groups and Franchises that delivered an increase in transaction flows, up 37%;
- Securing the $50m debt warehouse which represents the first significant step for the Company to deliver an integrated approach to supply chain finance, managing trade, credit and risk and payments;
- Completion of an Integration Strategy detailing Spenda's 12-month expansion plan and pathways to Asia;
- The employment of new resources in the Indian team to accelerate integration velocity to enable faster onboarding of new customers; and
- Releasing product improvements to Spenda's Accounts Receivable ('SpendaAR') and Accounts Payable ('SpendaAP') products that adds functionality to core services and increases the Company's unique selling proposition.

PRODUCT DEVELOPMENT

During the quarter the Company's third-party security tester conducted a biannual penetration testing on the various components of the Spenda product suite. This testing, designed to identify and fix any software vulnerabilities before they arise, ran from 4 July 2022 to 29 July 2022. The overall security environment of Spenda was found to be robust, with no serious vulnerabilities being identified that could allow an adversary to compromise sensitive data or systems. The immediate action points identified have already been addressed by implementing added identity management, as detailed in the previous Quarterly Activities Report.

Securing customer data remains at the forefront of all Company decisions and software architecture and design. The security procedures employed by the Company are in line with transactional banking best practice and include:

- Extending security capabilities to support single-sign-on deployments for larger customers requiring white-labelling across the Spenda produce suite;
- Tight internal policies and procedures to protect against internal threats;
- Mandatory Two-step Authentication across the Spenda suite;
- Improvements in boarding to better support Anti-Money Laundering/Know Your Customer ('AML/KYC') checks across transactional, payment, lending and trading components of the Spenda products;
- Software system rules that protect against tampering with payment information and mitigate against fraud risk; and
- Privacy components that collect, store, and delete personal information are in accordance with applicable privacy legislation to ensure customers data is always protected.

During the quarter the Company added functionality to its core services including:

- Improving the experience for new customers designed to facilitate no-touch onboarding and rapid scaling of the Spenda product suite;
- Extensions to Pay-Invoice-By-Link as a complementary service to Pay-Statement-By-Link enabling secure invoice dispatchment and payment via a link to a customer;
- The release of a conversation tool within Spenda platform designed to facilitate prompt settlement of disputes between a buyers and sellers; and

- General system and payment improvements that increased payment processing times, reducing the average time taken to process a payment to three seconds.

The development team also made significant progress towards the release of a mobile authority Spenda Wallet app, designed as a companion to SpendaAP as an on-the-go payment authenticator service for users with banking approval rights.

PAYMENTS UPDATE

Key highlights:
Quarter on quarter platform outcomes:

- 130% growth in merchant payment services transaction volumes; and
- 43% growth in business-to-business transaction payment volumes.

Payment volumes continued to sustainably grow over the quarter as the business rolls out the Spenda platform to contracted customer networks. The recipe of SpendaAR with Pay-Invoice-By-Link / Pay-Statement-By-Link, SpendaAP and the Payment Widget are challenging traditional payment gateways, billing platforms, EFT payment processes and direct debit services with more flexible and user driven payment processing events.

The Company achieved significant growth in payment transaction volumes in both its business to consumer (B2C) and business to business (B2B) customers. Delivering payment services resulted in a combined growth (B2C + B2B) of 53%, compared to the previous quarter, adding more than $4.2m in payment flows.

Much of the Company's volume came from the execution of the Node/Spoke strategy enabling customers with closed payment networks to improve:

- Full end-to-end reconciliation – enabling both the party making the payment (buyer) and the party receiving the funds (seller) to synchronize their ledgers. Spenda delivers adigital payment allocation file to both trading parties when a payment is processed that can be easily integrated into partner software;
- Cashflow - Spenda enables customers to resolve payment issues, disputed transactions, unprocessed credit notes and missing invoices within the Spenda platform; and
- Resource utilisation - Spenda requires less resources to manage the B2B payment cycle.

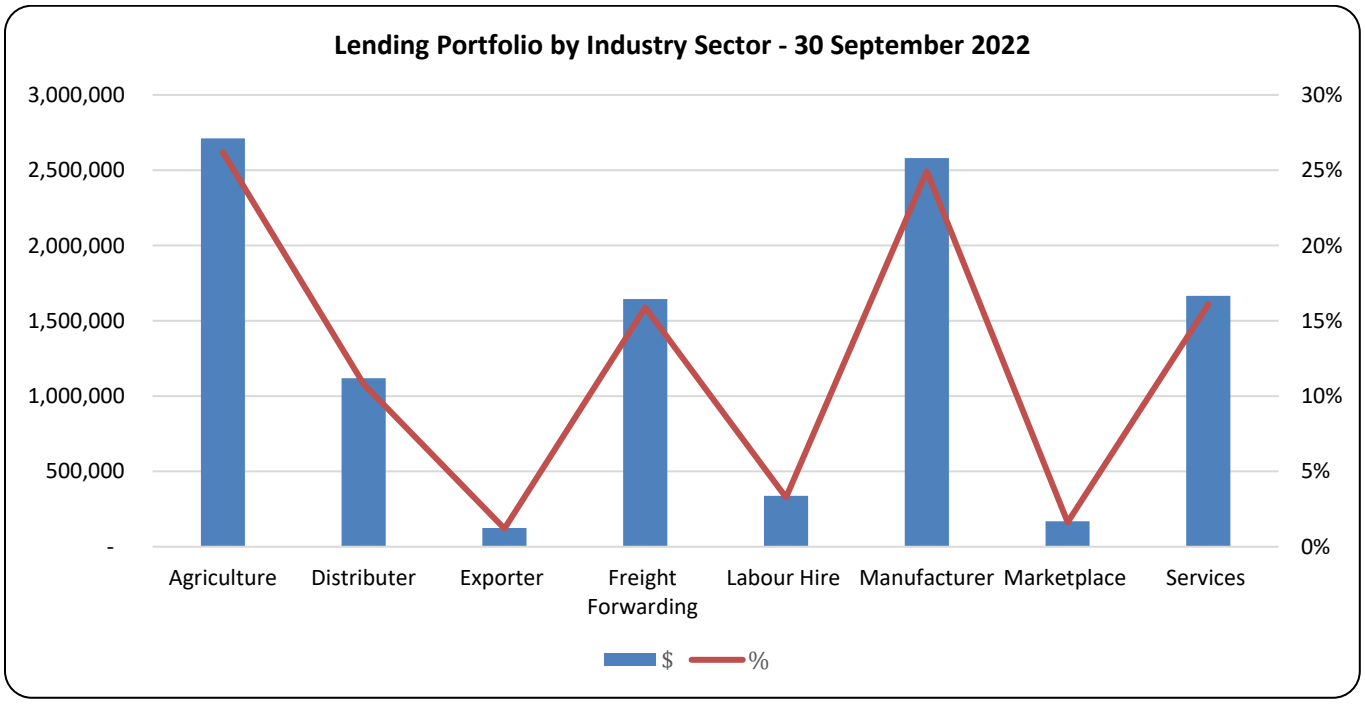
Additionally, the Company saw 93% quarter on quarter growth in its business to consumer payment volumes moving over direct merchant services. This increase was predominantly attributed to the provisioning of terminals to retail customers acquired through a targeted marketing campaign in the June quarter and the upgrading of Spokes to direct merchant

services. Merchant services form part of the Company's retail stack and is an easy entry point that can later be targeted for upgrades to our Spenda Point of Sale, eCommerce and Accounts Payable Solutions. The Company expects this growth to continue as it is committing further resources to service this market.

LENDING UPDATE

Portfolio highlights:

- Portfolio growth of 120% since the acquisition of Invigo in July 2021;
- Customer limits of $18.4m;
- Lending portfolio balance of $10.4m as at 30 September 2022 ($12.1m as at June 30 2022); and
- Delivering stable and consistent yields of circa 21.2% quarter on quarter.



The Company continued to converge its lending and payment services as it focuses on becoming the de-facto standard in the provision of trade credit and Accounts Receivable / Payable payment services. The Company is in a transitional period as it moves to eliminate all “traditional” lending products in favour of utilisaiton of Spenda as a working capital platform. Within this platform customers will be offered a Spenda account with a prescribed credit limit for making payments to Suppliers, Staff and Regulatory authorities via SpendaAP and collecting customers payments via SpendaAR and its companion services Pay-Statement-By-Link, Pay-Invoice-By-Link and the Payment Widget.

These plans are supported by the securing of a $50m debt warehouse facility with a prominent Australian private credit fund (as announced on 1 August 2022) to provide capital to accelerate ongoing business growth. As at 30 September 2022, the Company has drawn $7.5m of this facility.

Following securing the debt warehouse the Company is now moving to a 100% securitized portfolio, that will enable the Company to leverage its own balance sheet on a 10 for 1 basis to achieve far greater lending flows.

For example, for every $1m of capital that Spenda deploys:

- If that $1m is deployed directly to the borrowing customer e.g. with no debt warehouse, the Company would earn a gross revenue of approximately $200k per annum:
    - $1m at 20% (rounding down on current average yields) = $200k per in gross revenue per annum.
- If that same $1m is used for first loss under the debt warehouse structure, the Company can lend $10m, which using our average yields will earn revenue of approximately $2m per annum:
    - $10m at 20% = $2m in gross revenue per annum.

To achieve this outcome, it was essential for the Company to restructure its lending portfolio during the quarter, to enable customers whose agreements were coming to an end to refinance their loans, removing low yield loans from the book and increasing the average portfolio yield. The Company continued to focus on assembling scalable funding lines for Invoice Finance, Buyer Finance and Agri Finance, ultimately achieving a combined $50m funding line for Invoice Finance and Buyer Finance. As a result of this restructure and the scaling of funding lines, the renewal of short-term trial facilities in Trade, Term and Buyer Finance have been de-prioritised over building subordinated balance sheet capital for the support of the new lines. In addition, Invoice Finance activities have been focused on larger scale integrated channel opportunities rather than traditional third-party sourced Invoice Finance facilities.

This restructure was completed to maximize the Company's cash position and enable more funds to be committed to first loss capital, to continue to scale the debt warehouse. With the new facility structure in place the Company can target larger scale opportunities and is on track to achieve the goal outlined in the 1 August $50m debt warehouse facility announcement and to deploy further funds through the remainder of the financial year.

Negotiations in respect to the Company's Agri-finance facility are moving forward productively. This Agri-finance facility will enable the Company to capitalise on existing partnerships with the Australian agricultural industry through Fresh Supply Co, Australian Agri Finance, and its parent company In Front Australian Business Solutions Pty Ltd, to deliver farm enhancement lending and input financing.

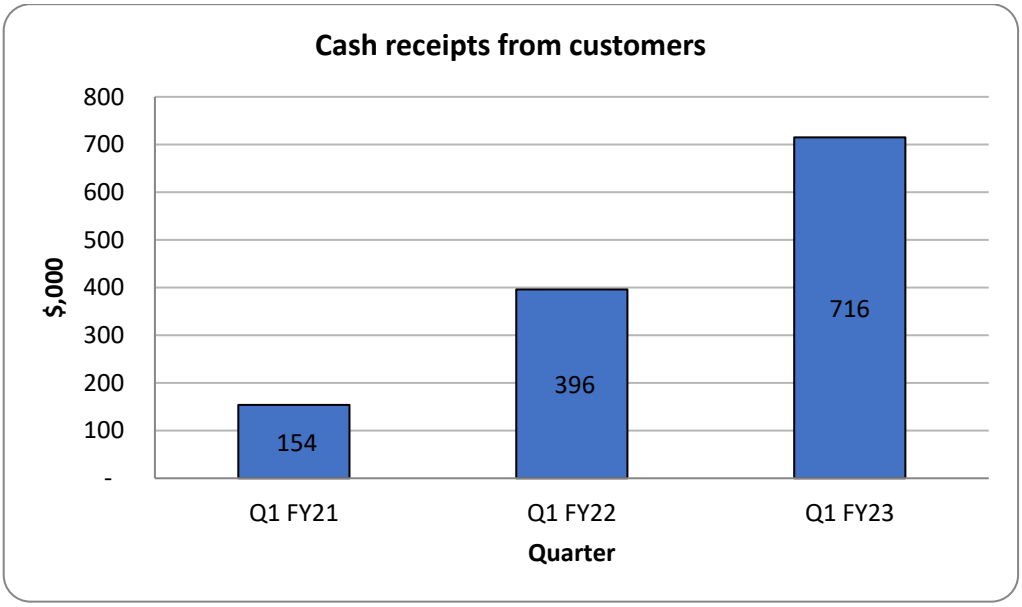
Additionally, the Company continued work to systemise the application and approval of funding within the Spenda product ecosystem to enable lending offers to be made at the point of purchase. The Company has deployed resources to develop a framework that integrates with online banking systems, conducts AML/KYC checks and enables an offer of finance to be issued to a customer within the software and in minutes of making an application. Once provisioned this progressive lending model will allow the Company to scale its lending services rapidly.

CORPORATE AND FINANCIAL UPDATE

Financial position

Cash receipts from customers for the quarter totaled $716k, which represents a +81% growth when compared to Q1 FY22 and a +3% growth when compared to the prior quarter.

Annual Recurring Revenue ('ARR') continued to grow and now comprises 95% of the Company's revenue.



The Company had a closing cash position of $6.3m as of 30 September 2022 plus $10.4m in gross client loan book, representing loan capital deployed to multiple customers.

Net cash position	$'m
Cash and cash equivalents (A)	6.3
Gross client loan book	10.4
Less: Finance facility	(7.5)
Net client loan book (B)	2.9
Net cash position (A + B)	**9.2**

Table 1: Net cash position

Payments totaling $74,022 were paid directly to Mr. Adrian Floate (Chief Executive Officer and Managing Director) in relation to PAYGW, superannuation and a bonus on the achievement of Short-Term Incentives relating to the year ended 30 June 2022.

A net salary of $41,509 for the quarter has 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 issuance of ordinary shares is subject to shareholder approval at the Company's Annual General Meeting.

Payments totaling $21,364 were paid directly to Mr. Peter Richards (Non-Executive Chairman) in relation to PAYGW and superannuation.

Net directors' fees of $6,264 for the quarter has been accrued for Mr. Richards. As announced on 26 September 2022, Mr. Richards has 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 issuance of ordinary shares is subject to shareholder approval at the Company's Annual General Meeting.

Payments totaling $22,528 were paid directly to Mr. Howard Digby (Non-Executive Director) in relation to PAYGW and superannuation.

Net directors' fees of $7,023 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 issuance of ordinary shares is subject to shareholder approval at the Company's Annual General Meeting.

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

No other related party transactions occurred during the quarter.

The operating expenditure for the September 2022 quarter is summarised as follows:

Category	$'000
Research and development	802
Product manufacturing and operating costs	65
Advertising and marketing	6
Staff costs	1,496
Administration and corporate costs	521

Table 2: Summary of operating expenditure

FUTURE FOCUS

The Company expects the December quarter to be anchored by:

- Drawing further funds from the debt warehouse to deploy to customers;
- Continued rationalisation of the lending portfolio;
- Roll out to contracted customers and deliver continuing growth in all payment services with further deployments of the Spenda Payment Widget, Pay-Statement-By-Link and SpendaAR;
- Further execution of the Agri-solutions plan including working to secure funding to deliver farm enhancement lending and input financing; and
- Continuing to execute growth plans via Singapore.

Commenting on the quarter, Managing Director Adrian Floate said:

"We had the quarter we expected to have, building on 12 months of effort to secure our first substantial debt facility laying the foundations for a broad roll out of the Spenda system that offers genuine innovations to methods of managing cashflow, payment processing, credit claiming and financial account reconciliation. The Company we are today has come so far in such a small period time and we look forward to delivering our 9th consecutive quarter of growth as we close 2022.

Thank you for the on-going support and I am looking forward to seeing as many shareholders as possible at our upcoming Annual General Meeting."

- 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

Appendix 4C

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

Name of entity	
Spenda Limited	
ABN	**Quarter ended ("current quarter")**
67 099 084 143	30 September 2022

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	716	716
1.2	Payments for		
	(a) research and development	(802)	(802)
	(b) product manufacturing and operating costs	(65)	(65)
	(c) advertising and marketing	(6)	(6)
	(d) leased assets	-	-
	(e) staff costs	(1,496)	(1,496)
	(f) administration and corporate costs	(521)	(521)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	15	15
1.5	Interest and other costs of finance paid	(171)	(171)
1.6	Income taxes paid	(67)	(67)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(2,397)**	**(2,397)**

Note

On 6 October 2022, subsequent to the quarter end, 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)	(4)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(66)	(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	1,763	1,763
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide detail if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**1,693**	**1,693**

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)	(6)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(599)	(599)
3.8	Dividends paid	-	-
3.9	Other (Listed Option entitlement issue)	-	-
3.10	**Net cash from / (used in) financing activities**	**(605)**	**(605)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	7,615	7,615
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,397)	(2,397)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,693	1,693
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(605)	(605)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**6,306**	**6,306**

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	6,306	7,615
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)**	**6,306**	**7,615**

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	131
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 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	15,000,000	7,500,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	15,000,000	7,500,000

7.5	**Unused financing facilities available at quarter end**	7,500,000
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 (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)	(2,397)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,305
8.3	Unused finance facilities available at quarter end (item 7.5)	7,500
8.4	Total available funding (item 8.2 + item 8.3)	13,805
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	6

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.

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: 28 October 2022

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.