

SaaS platform simplifies SME finance

Spenda Ltd (ASX:SPX), previously known as Cirralto (ASX:CRO), has a long history in business financial services software development. The Spenda platform, launched in February 2020, has developed to become an integrated applications, payments and lending platform. SPX is reporting a large pipeline of customer leads for the software and services delivered through Spenda as Australia opens post-COVID lockdowns. Businesses are looking to simplify processes and payments systems, with Spenda offering a competitive platform integrated with major accounting and payments providers. SPX launched the full payment applications suite on Spenda in May 2021. This was a key event in a transformative period when SPX signed key agreements with Mastercard and Visa, completed the acquisition of three complementary software and lending service providers, and saw customer numbers more than double to 494 Spenda licences. The company is now launching a range of non-bank lending offers currently funded via equity prior to the imminent announcement of a debt warehouse to fund expansion in business lending products aimed at transaction facilitation. SPX provides a platform that simplifies end-to-end transactions for businesses and provides transparency to allow secure lending offers to expand.

Business model

Spenda Ltd operates a Software-as-a-Service (SaaS) model for licensing of the components of the Spenda platform. Businesses have several ways to take up the service with the ability to choose which modules will be turned on – point of sale, inventory management, e-commerce, procurement and service management. Payments services are then available for wholesale and retail B2B and B2C use. Utilising the ledger-to-ledger dataset provided by these transactions, SPX can securely offer on-demand lending, pay later, early settlement discounts and trade finance to its business customers to enable further revenue growth. Visa's BPSP (Business Payments Solutions Provider) and Mastercard's BPA (Business Payment Aggregator) agreements upgrade the company's ability to acquire customers and improve margins.

Pipeline and funding to drive growth – positive Q2

Spenda's platform is now enabled to deliver business services and add customers efficiently and quickly. The company intends to ramp up customer acquisition into 2022 and, with the intended launch of a debt warehouse, expand the lending offer as payment services customer numbers rise. SPX is currently focusing on agribusiness transactions (both domestic and international), trade and cashflow financing, and technology-related businesses where platform standardisation offers an entry. Q2 FY22 results show strong growth with a client loan book of \$8.1m yielding an average 18.7% to December 31. SPX lent \$25.5m and was repaid \$23.5m. Loans were primarily sourced via an agricultural trade transaction, new farm funding arrangements, the eBev wholesale alcohol supply platform and the Whola wholesale clothing platform.

Valuation is at an early stage with upside from results

The fintech sector is currently a diverse group with different niche focuses and stages of corporate development. Similar listed early-stage companies include Douough (ASX:DOU), Earlypay (ASX:EPY) and Ioupay (ASX:IOU). We feel Spenda is likely to see price/book multiple expansion from the current 2.0x as revenues grow in the next 12 months. Quarterly results will be a key information point for this process.

Historical earnings (In A\$m unless otherwise stated)

Year end	Sales Revenue	Gross Profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)	Price/Book (x)
06/19a	0.7	0.2	(3.3)	(3.6)	-	n.a.	0.96
06/20a	0.3	0.0	(2.7)	(4.1)	-	187.5	1.00
06/21a	0.9	0.5	(7.3)	(7.5)	(0.4)	82.5	0.73

Source: Company data

Financial Software & Services

9th February 2022

Share Details

ASX code	SPX (prev-CRO)
Share price (8-Feb)	\$0.034
Market capitalisation	\$100.3M
Shares on issue	2,951M
Net cash at 31-Dec	\$13.0M
Free float	~69%

Share Performance (12-months)



Upside Case

- Launch of debt warehouse expands lending ability
- Customer conversion pipeline
- Sell through of lending products

Downside Case

- Debt warehouse delayed
- Slower take-up due to economic / COVID issues
- Labour shortages slow economies and sales

Board of Directors

Peter Richards	Non-Executive Chairman
Howard Digby	Non-Executive Director
Stephen Dale	Non-Executive Director
Adrian Floate	Managing Director/CEO

Company Contacts

Adrian Floate CEO	1300 682 108
investors@cirralto.com.au	

RaaS Contacts

Scott Maddock	+61 418 212 625 scott.maddock@raasgroup.com
Finola Burke	+61 414 354 712 finola.burke@raasgroup.com

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Spenda Limited

Spenda was established as a software developer in 2002. Motopia (ASX:MOT) merged with Cirralto Pty Ltd and was renamed Cirralto in 2017. The company has acknowledged the importance of the platform created since by renaming itself Spenda Ltd. As of 8th February 2022, Cirralto shareholders held 50.4% of the merged entity post-transaction. The company previously partnered with Telstra in a, since closed, commercial partnership. The change of direction by Telstra resulted in a pivot by SPX in 2018 to refocus on new distribution channels and products. The company has since developed the existing business services software offer into a full SaaS business operations suite focused on the e-commerce needs of small and medium-sized enterprises (SMEs). The development process has been accelerated through partnerships with small technology companies with particular expertise which has led to the acquisition of Appstablishment, Invigo, Greenshoots and a renewed focus on systems. These relationships have allowed SPX to develop the SaaS business services platform Spenda. With increased focus on e-commerce, these applications have become more necessary for SME operations and SPX has used customer relationships to increase leads generation. The company is seeing strong growth in both transactions using Spenda and customer numbers. The next development is to translate the access provided by Spenda to allow businesses to benefit from various forms of finance intended to facilitate sales and cashflow management. SPX has developed several products which can be accessed via the Spenda platform and has targeted promising niches to address the deficit in business cashflow lending which has developed due to increased bank capital regulation and recent business failures.

Investment Case

In our view, Spenda can achieve success for the following reasons:

- Capable transactional platform supporting customer business flows;
- Migration from legacy software adds to addressable market for financial transactions and transactional fees;
- Major banks continue to retreat from niche businesses which require higher capital weightings;
- Surveys of small and medium-sized enterprises highlight an increasing demand for innovative finance options;
- Investors are willing to support similar businesses via debt warehouses and similar structures in a search of non-market related investment returns; and
- Strong growth reported by existing businesses in the trade and debtor finance space suggest there is room for new entrants.

Comparable Valuations

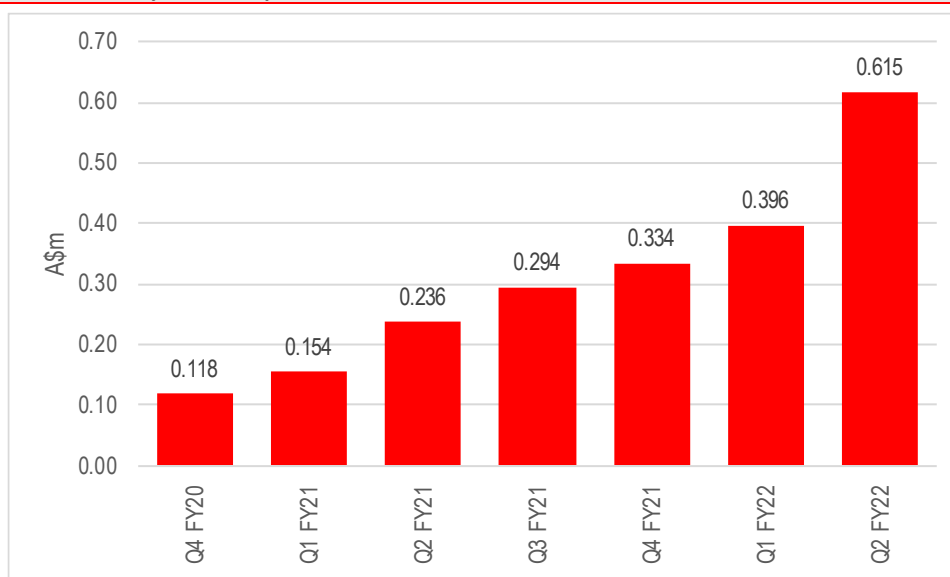
We feel Spenda can justify a substantial valuation when the company reports traction in the marketplace. Similar companies (see Exhibit 14) are trading on a median of 2.5x book value and 6.5x sales. We look forward to substantiating a similar valuation for SPX.

Recent Results – Q2 FY22

Key points

- The company noted in the quarterly presentation that Cirralto Limited will be renamed Spenda Limited with a new ASX code (ASX: SPX).
- Since the acquisition of Invigo (completed on 26 July 2021) the loan book has grown from \$4.7m to \$8.1m at 31 December 2021.
- The Spenda platform has been enhanced with a new contactless payments method “Pay By Link” to facilitate secure payment without the need for card information to be shared.
- The acquisition of Greenshoots was completed, adding capacity for development of integrated B2B and B2C solutions - with a presence in Asia.
- Spenda continues to make steady progress in revenues with cash received from customers in H1 FY22 equal to the full year FY21.
- Staff and administration costs continue to rise commensurate with the development of the Spenda platform and growth in customer relationships.

Exhibit 1: Quarterly cash receipts



Source: Company data, Refinitiv, RaaS

Exhibit 2: Q2 FY22 versus Q2 FY21 and Q1 FY22 (In A\$m unless otherwise stated)

	Q2 FY21	Q1 FY22	Q2 FY22
Cash receipts	0.236	0.396	0.615
Payments to suppliers	-0.604	-2.413	-2.305
R&D	0.000	0.000	0.000
Other	0.000	0.018	0.000
Operating cashflow	-0.582	-2.705	-3.126
Free cashflow	-0.582	-2.759	-3.164
Net cash at the end of the period	3.947	18.972	13.033

Source: Company data

FinTech Sector Development

Alternative ways of managing finance have been developing quickly since the financial crisis in 2007-08. Development has been aided by improved internet bandwidth in country and international networks and technological change with Software-as-a-Service (SaaS) becoming the ubiquitous service delivery method. Simultaneously, financial regulators have mandated stronger capital bases for banking systems and penalised non-core investments and businesses in capital allocation formulae. Commercial banks have withdrawn resources from areas which attract a high capital requirement to maintain margins and return on funds. This withdrawal has left openings for new competition and unmet needs particularly in the areas of business and investment services. Most market entrants have focused on the retail/consumer sector as the market with customers most likely to be amenable to change - to finding better lending terms, more flexible services and better financial information (See Exhibit 5: KPMG Australian Fintech Landscape 2021). Spendia's current product and new offer falls into both the "lending" and "payments" categories identified by KPMG.

Exhibit 3: Fintech companies identified by KPMG in the “lending” segment



Source: KPMG, 2021 (see Exhibit 3)

The Australian government has assisted development of new financial services through the Enhanced Regulatory Sandbox which grants a window of up to 24 months which businesses may use to test “innovative” financial services while unlicensed. The global move toward “open banking” will further accelerate development. The standard, agreed to in Australia in 2018, will allow bank customers to share access to their own data with accredited third parties. The process is administered by the Australian Competition and Consumer Commission (ACCC). These initiatives have fostered a wide range of products with firms taking advantage of these opportunities largely focusing on three areas:

- Improving customer access and information – moving the power balance in financial transactions towards the customer;
- Increasing speed and flexibility in lending and payments transactions with improved on-line platforms relative to incumbents; and

- Servicing niches which have become too small or too low-returning to justify allocation of capital by incumbent banks.

Exhibit 4: Fintech companies identified by KPMG in the “payments” segment



Source: KPMG, 2021 (see Exhibit 3)

Many entrants are financed by large institutions or private equity funds providing equity and debt financing of the start-up and/or of the lending product – eg through a debt warehouse. SPX doesn’t feature in KPMG’s summary of the sector as the company has hitherto been classed as a software developer - prior to the launch of Spenda Pay in 2020.

Non-Bank Finance Market Scale

The Australian banking system was de-regulated in the 1980’s resulting in a reset in bank commercial lending. Following the 2008 financial crisis regulators tightened capital rules which redressed some of the advantages held by banks in this space. Non-bank lenders started to develop again. The data above is impacted by changes in the reporting requirements, categorisation of data and the impact of economic events. While it seems non-bank finance companies are starting to regain marketshare, the market has been and remains dominated by the banking sector. Opportunities have increased since 2008, however, it takes time to build an alternative offer. We see the proliferation of fintech companies as a sign that marketshare for the sector overall is likely to continue increasing. Large banks are less flexible and have responded in many instances by investing in a fintech rather than attempting to change direction. Given the very small marketshare of non-bank finance and the relatively early stage of most companies this is a rational response. The chart (Exhibit 4) refers to the entire non-bank finance market as defined by APRA. A narrower data set is shown in the FAST Group Business Lending Index below (Exhibit 8).

Exhibit 5: KPMG fintech landscape

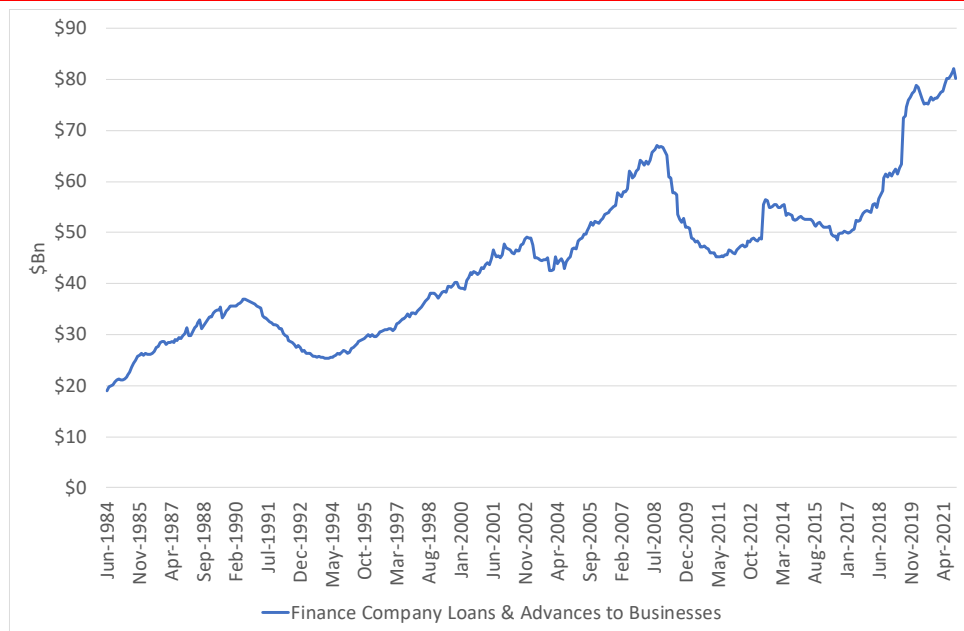
KPMG Australian Fintech Landscape 2021



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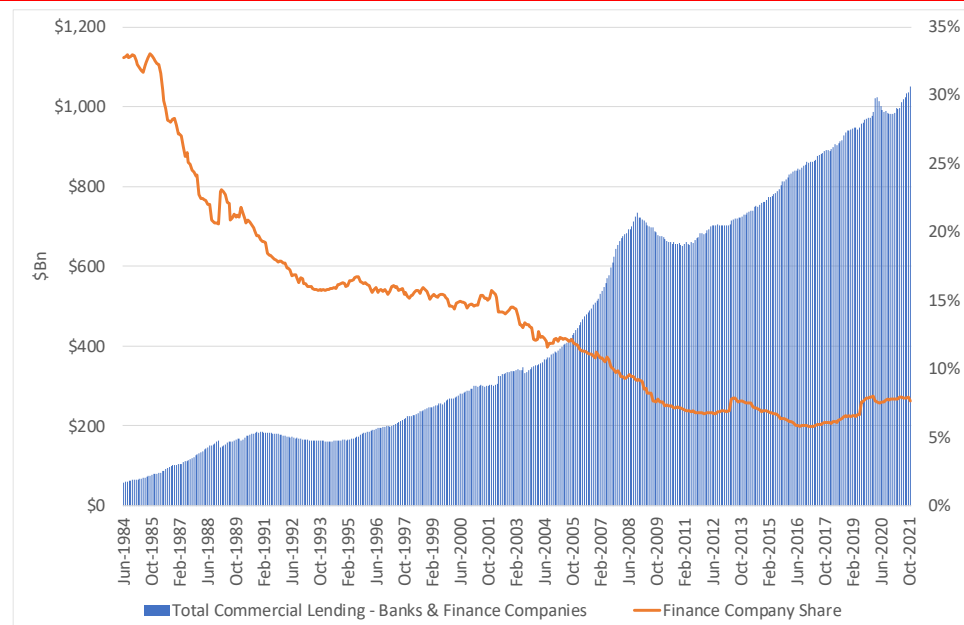
Source: KPMG, 2021

Exhibit 6: Market scale of alternative finance¹



Source: APRA, RBA

Exhibit 7: Australian market share of non-bank finance companies

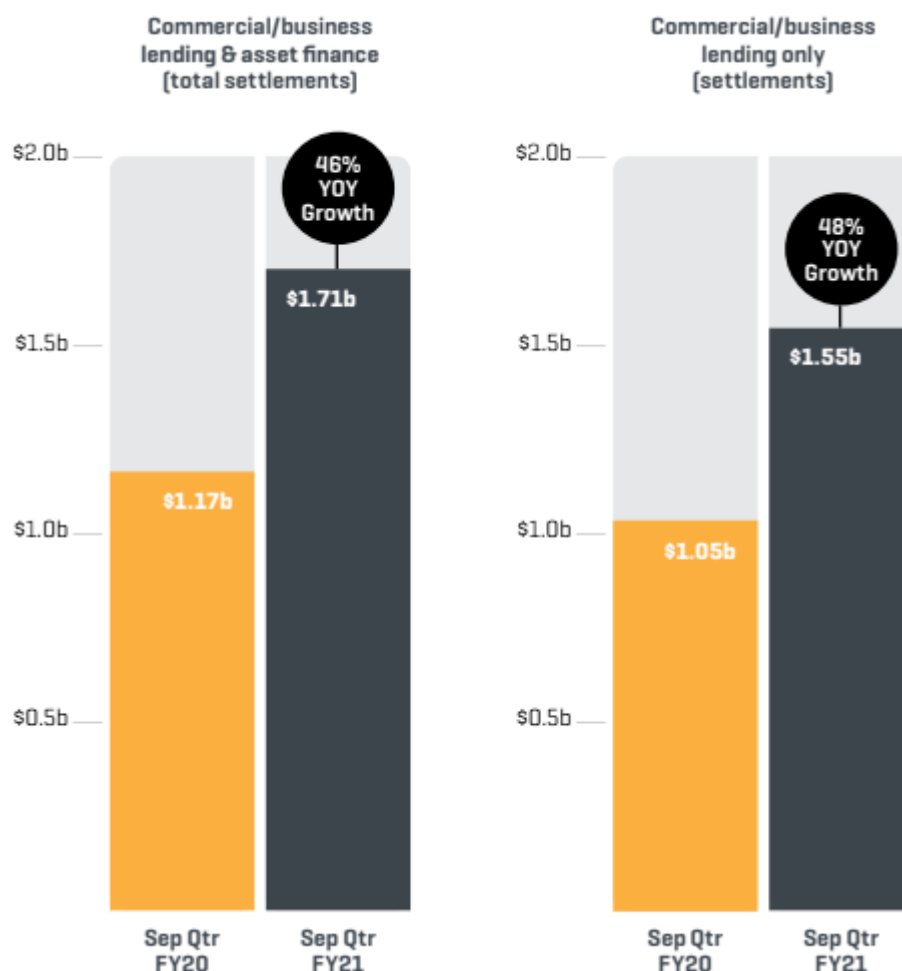


Source: APRA, RBA

¹ Source: RBA, APRA. These data are derived from returns submitted by corporations registered as Category 'Other' under the Financial Sector (Collection of Data) Act 2001. Category 'Other' includes corporations formerly registered as Category F (Finance Companies), G (General Financiers) and E (Pastoral Finance Companies) under the Financial Corporations Act 1974. Along with Category D (Money Market Corporations), these corporations are known collectively as Registered Financial Corporations (RFCs). RFCs also include securitisers: special-purpose vehicles that issue securities backed by pools of assets (e.g., residential mortgage-backed securities) and conventional finance companies that engage in balance sheet lending. Coverage of some series changes over time: in recent years aggregates for individual groups have been significantly affected by conversion of non-banks to banks, reclassification between RFC categories and changes to reporting forms. The data are revised retrospectively where required, generally based on revisions by reporting entities and changes in statistical methodology. Data are not adjusted for series breaks.

Brokerage platform FAST Group recently released a study of business lending via brokers and other third parties. The data was compiled by surveying lenders on the FAST platform including banks, non-banks, and large and small lenders in the September quarter 2021. The study highlighted that business lending and asset finance accelerated strongly relative to the same period in 2020. The impact of COVID, government guarantees and other concessional initiatives has clearly accelerated non-bank finance.

Exhibit 8: FAST Group Business Lending Index – 2021 Sept QoQ change



Source: FAST Group

Fintech Software Development

SPX came to fintech through software development – first as Motopia concentrating on conversion of small business systems and databases from legacy installations to the first generation of web and cloud-based processes. The merger of Cirralto and Motopia added expertise in business process systems and led to further development of cloud- and then mobile-based systems for small business.

Since 2017 Spenda has made a series of acquisitions, enhancing the product development process. The company has overcome several setbacks, including a corporate change by major partner Telstra in 2018. In 2018 SPX underwent a restructure and began a major repositioning. SPX migrated from creation of licenced software solutions to subscription revenues from SaaS solutions for business operational systems and has now developed a comprehensive suite of operational process software for small and medium-sized businesses (see Exhibit 9).

Exhibit 9: Table of acquisitions and technologies by Motopia and Spenda (following merger)

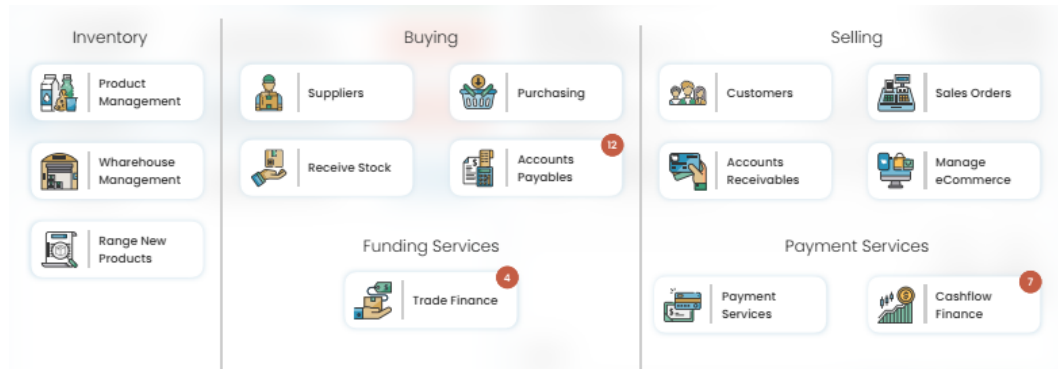
Date	Deal	Cost	Comment	Brands / technology acquired
1/05/15	Acquisition of ConvertU2 Technologies	\$320,000	Software development. Automated database migration from MS Access to MS SQL server	2SQL
31/07/15	Online platform update and Modac acquisition	\$250,000	Automated SPXss-database migration from legacy platform to cloud	iSpirer
15/10/15	Project launch		Automated MS Access to HTML5 conversion (ie cloud SQL server)	HTML5
20/06/16	Motopia launches cloud migration conversion solution MU2		Partnership with Cirralto. Automated MS Access to HTML5 conversion (ie cloud SQL server)	MU2
10/11/16	Motopia announces Cirralto merger		Partnership with Appstablishment noted	Flash Convert
7/09/17	Motopia completes the acquisition of Cirralto		Telstra partnership noted	
7/09/18	Cirralto expands to offer payment solutions			
15/08/19	Partnership with Invigo		Fintech integrated supply chain solution to add transactional revenue stream	Payments platform
26/02/20	Spenda platform launch			Spenda
7/12/20	BPSP agreement with FiServ and Visa		Payments access	Payments system
14/12/20	BPA agreement with FiServ and Mastercard		Payments access	Payments system
3/05/21	Launch of Spenda payments suite			
4/06/21	Cirralto completes acquisition of Appstablishment	825m shares \$0.052cps = \$43m	Mobile development and IP of Spenda platform	Mobile
26/07/21	Completion of Invigo acquisition	\$10,000,000	Full integration of lending and payments platforms under Spenda	Payments platform
8/10/21	Spenda upgrade	\$1,100,000	Increased ability to scale and integration of acquired tech and release of API	Integration
21/10/21	BNPL launched on Whola platform		Commercial launch	
1/11/21	BNPL for fresh food exports		Commercial agreement	
4/11/21	Completion of Greenshoots acquisition	\$5,100,000	Software development – e-commerce platform upgrades on-line retailer services	e-commerce
22/11/21	Trade funding provided to users of eBev wholesale network		Commercial agreement	
8/02/22	Cirralto renamed Spenda (ASX:SPX)			

Source: SPX, ASX

Building on the trends noted above fintech firms have developed on-line tools which enhance the consumer experience, generally through improved analysis and presentation of personal investment or banking information. Most firms interact with other platforms using an Application Programming Interface (API) which provides the “hooks” and conduits to allow two services/platforms/applications to interact – including the four major bank platforms.

Spenda’s software suite has developed to meet business needs in the broad categories shown in Exhibit 10 with specific processes delivered via Spenda’s separate modules and apps (Exhibit 11).

Exhibit 10: Development of Spenda's addressed product space



Source: Spenda

Exhibit 11: Spenda Platform product suite

Accounts Receivable Using automated accounts receivable software enables businesses to take payments, set up pay-later plans and improve their cash flow.	Accounts Payable Transforming the way businesses handle unpaid invoices enabling them to easily see their outstanding accounts and make bulk payments from one dashboard.	eCommerce Providing businesses with a highly functional online sales portal for customers to purchase goods and services. Complete with a secure payment widget to process transactions.	Point of Sale Our cloud-based Point of Sale system allows businesses to quickly process a transaction while offering them complete access to an impressive data set.	Purchasing A procurement tool that automates the purchasing process and allows businesses to send purchase orders directly to their suppliers.
Warehouse Management An integrated Inventory Management solution that empowers businesses to view, track and control their products across multiple warehouses in real-time.	Service Management A customisable Field Service Management tool that allows businesses to control their entire internal operations from one location.	B2B eCommerce Business-to-business management software that enables businesses to control sales and orders 24/7 with a simple, personalised user experience and financial integration.	Sales & Fulfilment Delivering a better structure to the pick, pack and shipment of goods. Acting as the central order and price management hub for a business and enabling easy connection to freight providers.	Pay by Link A secure payment method that makes it easy for customers to quickly pay invoices or statements, removing the need to share sensitive payment information with third parties.

Source: Spenda

Exhibit 12: Spenda Integrations with external APIs

Accounting LEARN MORE	Accounting LEARN MORE	Accounting LEARN MORE
ERP LEARN MORE	ERP LEARN MORE	ERP LEARN MORE
ERP LEARN MORE	eCommerce LEARN MORE	eCommerce LEARN MORE
eCommerce LEARN MORE	Payments LEARN MORE	

Source: Spenda

The Spenda suite integrates with accounting packages (Xero, myob, quickbooks), Enterprise Resource Planning software (Oracle, SAP and MS Dynamics 365), e-commerce platforms (Woo commerce, Shopify and neto) and payments system Fiserv. The platform integrates a range of third-party service providers under a single umbrella to enable management of accounts receivable, point of sale, e-commerce, warehouse management, purchasing, accounts payable, sales and fulfilment.

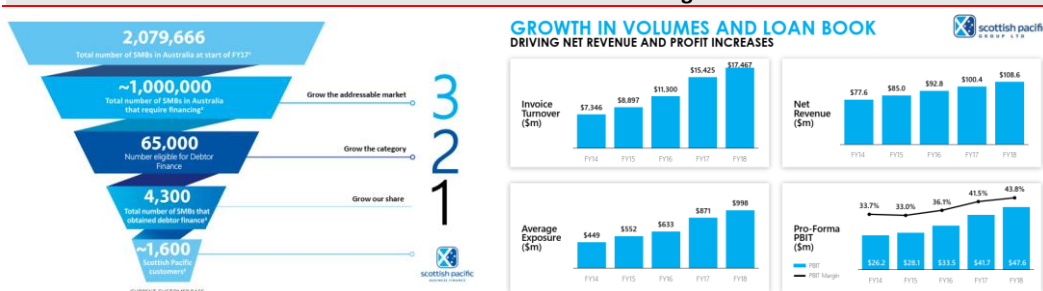
The customer data flow enabled by the Spenda platform also provides Spenda with a clear view of the underlying cashflows of the customer's business. This knowledge potentially also allows lending to finance those cashflows. This realisation resulted in the acquisition of Invigo

which brought expertise in lending and financing platforms. Spenda has transformed the business model from a software subscription licence to a transactional fee-based SaaS business. SPX believes existing software customers have a B2B payments volume of \$225m per month which will be converted to Spenda. The company is following the launch of the Spenda payments processing platform with an offer of cashflow payments and financing products to SMEs to enable a further transformation to gain a greater share of customer transactions value. Trade and invoice finance products include an effective buy-now-pay-later (BNPL) product where the financier buys the outstanding invoice amount at a discount to value, provides cash to the customer and receives final payment from the creditor. This is a standard trade finance product also offered by other firms in the space. For Spenda the Spenda platform potentially provides a differentiator for customers.

Competitors - Australian Trade and Invoice Finance Providers

We have not identified a non-bank competitor which offers both payments services and lending products to SMEs. This leaves Spenda in a strong position to offer a seamless product with strong card provider (Mastercard, Visa) support. Existing providers of business receivables financing include **ScotPac**, the largest non-bank in the sector (formerly listed as Scottish Pacific, now owned by Affinity Equity Partners); and private group **MoneyTech**, which has been growing in the space since 2013. Both businesses substantiate the demand for business cashflow finance and simplified integrated payments processing. ScotPac's last public report in 2018 highlighted the scale of opportunity and strong growth in the various loan books.

Exhibit 13: ScotPac 2018 estimate of addressable market and lending trends



Source: ScotPac historical reports

ScotPac's more recent business survey also supports the view that SME demand for non-bank finance is undiminished. Survey respondents highlighted continuing reliance on overdrafts and credit cards for funding (62.5% of respondents) with other non-bank finance options also used by 60% of responders for new finance.

Exhibit 14: ScotPac SME survey Question 4: In the past 12 months, what new funding options did you use in your business?

	% of Total		
	AS1-5m Segment (N: 669)	AS5-20m Segment (N: 586)	Whole SME Market (N: 1255)
Debtor & Invoice finance	15.4	17.4	16.3
Asset & Equipment finance	33.5	43.2	38.0
JobKeeper/Government stimulus	28.0	27.3	27.6
Existing equity/owner funds	60.4	49.7	55.4
New equity	20.3	23.0	21.6
Bank loan			
Secured	13.6	18.4	15.9
Unsecured	0.4	3.6	1.9
Online business loan	10.3	7.0	8.8
Credit card	55.0	28.3	42.5
Overdraft	17.8	22.5	20.0
Supply chain finance	4.8	5.8	5.3
No new funding options used in business in past 12 months	39.6	27.3	33.9
Other	0.3	0.2	0.2

Note: sums to over N count due to multiple responding allowed

Note: no statistically significant variance by state, industry sector or primary working capital provider

Source: ScotPac SME Growth Index, September 2021. ScotPac, East Partners

MoneyTech is a private company which reported revenues exceeding \$35m in 2021 with significantly higher targets in 2022. The firm offers trade and debtor finance, transaction processing and foreign exchange transactions.

Earlypay (ASX: EPY) listed in October 2021 but commenced invoice finance in 2011, and expects NPATA for FY22 of \$13m, 50% higher than FY21. The company also offers asset and equipment finance, forex and trade finance.

Octet, a private company launched in 2008 by the founders of Scottish Pacific with a supply chain platform, entered payments in 2014, debtor finance in 2017, and reached \$2.5b in transaction volume in 2020. It added a \$300m debt warehouse funding facility in 2021.

See Exhibit 14 for a comparison of similar-stage companies.

Spenda's Growth Path

Spenda has achieved a stable, scalable software platform which enables transactional fees and facilitates debtor finance and other forms of trade lending. The challenge now is to migrate existing customers to the Spenda platform. As customers migrate, opportunities for transactional fees and growth in financing flows will present themselves. The December 2021 and March 2022 quarters will be important for proof-of-concept from the company, and we look forward to seeing Spenda's successful roll-out. As Spenda grows financing flows the company intends to establish a debt warehouse to enable further lending growth. Without some form of external wholesale finance growth will be limited to Spenda's ability to turn over funds on balance sheet. With either approach the company will be focused on adding skilled lending managers to the team.

These issues present potential growing pains, but they are well-known challenges. Spendat does not need to “re-invent the wheel” to overcome any short-term issues. The company’s targets for calendar 2022 were released with the Q2 FY22 result:

- **Q1** - Deliver on the current signed deals with a focus to maximise the use of the Spendat AR and AP products coupled with payments and lending. Loan book yield 18.8% + payments yield 8.5% = 26.8% blended returns via these products.
- **Q2** - Launch the debt warehouse to expand lending and payment volumes. Release Spendat eCommerce to the Australian and overseas markets with integrated payments.
- **Q3** - Expanding debt warehouse and payment services. Establish a Service Integrator channel as part of the go-to-market strategy.
- **Q4** - Focus on marketplace customer acquisition, product internationalisation and the extension of platform services. Offer AP/AR solution in UK/US markets.

Comparable Companies

Exhibit 15: Comparable companies and competitors

Name	Code	Description	Relevance	Price 24-Jan- 2022	Mkt. Cap. \$M	Revenue \$M	EBITDA \$M	Net Assets \$M	Net Debt \$M	EV \$M	EPS c	PE x	ROE %	Price / Book x	Price / Sales x
Spenda Ltd	SPX	Software, trade and debtor finance		\$0.05	143.8	1		81.3	-21.4	113			-29%	1.8	147.0
Private															
ScotPac	Private	Trade and debtor finance	Competitor - FY18 data	\$4.40	612.0	148.8	54.2	206.0	1,083.0	1,573				3.0	4.1
MoneyTech	Private	Trade and debtor finance	Competitor - est FY21 data		110.0	35									
Octet	Private	Trade and debtor finance	Competitor						300.0						
Listed															
Alcidion Group Ltd	ALC	Medical admin software	Roll-out increasing	\$0.26	317.0	26	-0.5	45.2	-24.8	394			-6%	6.0	12.5
Bill Identity Ltd	BID	Bill management for utilities	Enabling transactions	\$0.23	37.0	15	-6.7	26.7	-15.0	70	-0.1		-68%	1.4	2.5
Complii Fintech Solutions	CF1	Compliance management	Regulatory issues	\$0.10	31.9	2		3.6	-3.9	10			-391%	8.0	16.6
Class Ltd	CL1	Investment services	Mature service provider	\$2.60	318.5	55	21.9	41.6	16.2	221		87.7	9%	7.7	5.9
Douugh Ltd	DOU	Consumer mobile banking	Transaction and banking systems	\$0.06	33.5	0		8.4	-10.3	24			-360%	4.9	982.2
Eclixp Group Ltd	ECX	Fleet and equipment leasing	Mature service provider	\$2.07	642.6	648		575.7	1,164.2	1,957		9.0	14%	1.0	1.0
Earlypay Ltd	EPY	Trade and debtor finance	Competitor	\$0.45	125.3	43	21.0	58.5	162.6	267		14.7	13%	1.8	2.9
Humm Group Ltd	HUM	Consumer finance inc BNPL	Finance products	\$0.85	416.0	444		705.5	2,317.5	2,808		6.9	9%	0.6	0.9
Incentiapay Ltd	INP	Fund-raising platform	Enabling business transactions	\$0.02	22.8	19		5.2	2.7	24			-147%	3.2	1.2
Ioupay Ltd	IOU	Document management	Business services	\$0.24	126.8	7		57.0	-50.4	79			-16%	2.3	17.7
Lawfinance Ltd	LAW	Funding dispute resolution	Funding	\$0.75	31.4	14		-61.2	145.2	180			-1160%	-6.7	
Nitro Software Ltd	NTO	Business document SaaS	SaaS business software	\$2.03	482.1	52	-7.3	38.1	-54.7	554			-49%	11.1	7.9
Omni Bridgeway Ltd	OBL	Funding dispute resolution	Funding	\$3.19	824.1	16	-44.2	331.9	10.0	1,424	-0.1		-8%	2.5	53.0
Payright Ltd	PYR	BNPL product	Finance products	\$0.23	15.7	12		17.8	43.6	78			0%	1.1	1.3
Reckon Ltd	RKN	Business accounting software	SaaS business software	\$0.96	108.8	76	32.6	25.4	37.3	126		11.6	36%	3.8	1.5
Raiz Invest Ltd	RZI	MiSPX-investment facilitation	Funding platform	\$1.52	141.1	14		38.2	-19.1	105			-10%	3.3	10.2
Vortiv Ltd	VOR	Payment solutions	Finance products	\$0.03	14.8	0		20.9	-22.7	-4			-13%	0.7	
Whispir Ltd	WSP	SaaS comms software	SaaS business software	\$2.51	286.0	48	-4.7	55.7	-46.4	259			-26%	5.3	6.2
Listed Median					126.8	15.9	-2.6	38.2	-3.9	125.6	-0.1	11.6	-0.1	2.5	6.2

Sources: Refinitiv Eikon, Bloomberg; Prices at 24-Jan-2022

Significant Events

Exhibit 16: Significant announcements

Date	Event	Description
1/05/2015	Completion of the acquisition of ConvertU2 Technologies	Acquisition
13/05/2015	Online platform launch	News
31/07/2015	Online platform update Modac acquisition	Acquisition
15/10/2015	Motopia's access to HTML5 migration solution	Acquisition
20/06/2016	Motopia launches cloud migration conversion solution MU2	Acquisition
17/10/2016	Consolidation/split MOT	Acquisition
10/11/2016	Motopia to acquire Cirralto Business services	Reverse take-over
23/03/2017	Cirralto executes significant reseller agreement	News
17/05/2017	Former Nokia exec Michael Mulvey appointed as Interim CEO	News
1/08/2017	Non-renounceable rights issue	Capital
2/08/2017	Rights issue letter to shareholders	Capital
24/08/2017	Motopia outlines 2018 operational and revenue outlook	Reverse take-over
7/09/2017	Motopia completes the acquisition of Cirralto	Acquisition
22/11/2017	Change of company name and ASX code	Reverse take-over
27/11/2017	Cirralto engages with Swedish smart payments business	News
23/02/2018	\$2.6m capital raising to fast track growth opportunities	Capital
9/08/2018	Cirralto enhanced 'go to market' strategy gains traction	News
16/08/2018	Cirralto completes \$1.5m capital raising	Capital
22/08/2018	SPX maintains early success of new 'go to market' strategy	News
23/11/2018	Update North American Expo, sales and marketing initiative	News
30/01/2019	Cirralto executes PoolBox supply contract	News
6/02/2019	Placement to raise \$1.6m	Capital
31/07/2019	Finance facility entered into with major shareholder	Capital
15/08/2019	Cirralto and Invigo enter strategic partnership agreement	News
10/09/2019	Execution of software licence and service agreement	News
6/12/2019	Transformational acquisition of Appstablishment software	Acquisition
18/12/2019	Cirralto completes placement to raise \$574,000	Capital
26/02/2020	Spenda platform launched in app marketplaces	News
17/03/2020	A\$800,000 funding facility	Capital
17/03/2020	Cirralto launches Merchant Payment Service	News
15/06/2020	A\$600,000 funding facility executed	Capital
18/06/2020	First SpendaPay customers live	News
9/07/2020	SpendaCollect platform launched	News
3/08/2020	SPX targets \$225m payments market with SpendaCollect	News
14/08/2020	Cirralto raises A\$2.7m via placement	Capital
7/09/2020	Options entitlement issue prospectus	Capital
27/10/2020	Appointment of CFO	News
27/11/2020	Cirralto raises \$2.8m via placement	Capital
7/12/2020	BPSP agreement with Fiserv and Visa	News
14/12/2020	Cirralto signs BPA agreement with Fiserv and MasterCard	News
22/02/2021	\$18m placement	Capital
9/03/2021	Business Payments launch	News
6/04/2021	Strategic loan funding arrangement	Capital
3/05/2021	Successful commercial roll-out of the Spenda Payment suite	News
4/06/2021	Cirralto completes acquisition of Appstablishment	Acquisition
5/07/2021	Binding share sale agreement to Acquire Invigo	Acquisition
7/07/2021	Cirralto signs referral agreement with Mastercard	News
8/07/2021	Cirralto signs referral agreement with Fresh Supply Co	News
26/07/2021	Completion of Invigo acquisition	Acquisition
14/09/2021	Cirralto to acquire e-commerce company Greenshoots	Acquisition
8/10/2021	A\$1.1m upgrade to the Spenda system released	News
21/10/2021	Spenda BNPL launched into Whol's marketplace	News
1/11/2021	Cirralto signs first BNPL trade customer	News
4/11/2021	Completion of Greenshoots acquisition	Acquisition
22/11/2021	Cirralto to provide funding services to eBev	News
31/01/2022	Shareholders agree to change company name to Spenda (ASX:SPX)	AGM

Source: Company data

SWOT Analysis

In our view the strengths and opportunities for the company outweigh the weaknesses and threats.

Exhibit 17: Strengths, Weaknesses, Opportunities, Threats

Strengths	Opportunities
Flexible software platform	Customer transaction flows
Adequate short-term funding	Under-served business finance needs in SMEs and agricultural businesses
Focus on B2B	Migration from legacy software platform drives growth
Strong technology stack	
Agreements in place with Visa and Mastercard as a business payments provider	
Weaknesses	Threats
Scale is currently small and scaling up can be dangerous	Existing providers in Australia
Minimal track record in financial services	Technological change
Funds to lend are currently limited	COVID impact on economies
New customer acquisition strategy unclear	Need for a high level of regulatory compliance

Source: RaaS analysis

Key Risks

Customer conversion

Spenda needs to convert customers from legacy software to the new Spenda platform to capitalise on transactional flows and lending to drive opportunities.

Scaling

Building from a small enterprise to a large one has pitfalls which can be difficult to manage when also attempting to grow a product quickly.

Competitor reaction

Major banks have left this space under-served, however, existing specialist competitors noted above are growing quickly and have established and competitive product offers with financing options in place. Additionally, if the large banks were to re-enter the market this could be extremely negative, albeit unlikely.

Board and Management

Directors

Peter Richards – Chairman, Appointed 12-Jan-2018

Peter Richards has over 40 years of experience with global companies including British Petroleum, Wesfarmers and Dyno Nobel. He is also chairman of Graincorp (ASX: GNC) and Emeco Holdings Ltd (ASX: EHL).

Adrian Floate - Managing Director, Appointed 21-Sept-2018, Appointed ED 10-Nov-2016

Adrian Floate has founded, built and sold technology businesses and worked in Asia, Australia, the UK and US. He has worked in supply chain management since 1997 and has been responsible for development of several major logistics and financial software gateways including Australia's first electronic payments gateway. He is the founder of the Cirralto business originally acquired by Motopia in 2016.

Howard Digby - Non-Executive Director, Appointed 01-Aug-2019

Howard Digby began his career at IBM and has spent over 25 years managing technology-related businesses in the Asia Pacific region. More recently, he was with The Economist Group as Regional Managing Director. Prior to this he held senior management roles at Adobe and Gartner.



Digby is currently a Non-Executive Director of 4DS Memory Limited (ASX:4DS) - appointed December 2015, Elsie Limited (ASX: ELS) - appointed December 2016, and Singular Health Limited (ASX:SHG) - appointed 27 January 2021.

Stephen Dale – Non-Executive Director, Appointed 05-Apr-2014

Stephen Dale's experience is in telecommunications, logistics, retail furniture and saddlery businesses. He has been a board member, chairman and currently deputy chairman of Saddleworld Australia (a franchised retail group).

Management

Adrian Floate - CEO, see above

Justyn Stedwell - Company Secretary

Justyn Stedwell acts as Company Secretary for several ASX-listed companies and has 13 years' experience in similar roles.

Richard Jarvis - Chief Financial Officer (CFO). Appointed 11-Jan-2020

Richard Jarvis has over 20 years' experience in professional accountancy and financial leadership roles.

Exhibit 18: Financial Summary

CIRRALTO LIMITED (ASX:CRO)				Share price (Date)		27/01/2022	A\$	0.047
Profit and Loss (A\$m)				Interim (A\$m)		1H20 A	2H20 A	1H21 A
Y/E 30 June	FY19A	FY20A	FY21A			2H21 A		
Sales Revenue	0.7	0.3	0.9	Revenue		0.3	0.1	0.6
Gross Profit	0.2	0.0	0.5	EBITDA		(1.6)	(1.2)	(1.1)
EBITDA	(3.3)	(2.7)	(7.3)	EBIT		(1.9)	(1.7)	(1.1)
Depn	(0.0)	(0.3)	(0.0)	NPAT (normalised)		(1.8)	(1.8)	(1.2)
Amort	(0.3)	(0.5)	0.0	Minorities		-	-	-
EBIT	(3.6)	(3.5)	(7.4)	NPAT (reported)		(1.8)	(5.6)	(1.3)
Interest	(0.0)	(0.3)	0.0	EPS (normalised)		(0.31)	(0.25)	(0.09)
Tax	0.0	0.0	0.0	EPS (reported)		(0.25)	(0.77)	(0.09)
Minorities	0.0	0.0	0.0	Dividend (cps)		-	-	-
Equity accounted assoc	0.0	0.0	0.0	Imputation		30.0	30.0	30.0
NPAT pre significant items	(3.6)	(4.1)	(7.5)	Operating cash flow		(0.9)	(0.6)	(1.4)
Significant items	(2.5)	(3.8)	(4.1)	Free Cash flow		(0.9)	(0.6)	(1.3)
NPAT (reported)	(6.1)	(7.9)	(11.7)	Divisions		1H20 A	2H20 A	1H21 A
Cash flow (A\$m)						2H21 A		
Y/E 30 June	FY19A	FY20A	FY21A	SaaS		0.0	0.0	0.0
EBITDA	(3.3)	(2.7)	(7.3)	Finance - Transaction fees		0.0	0.0	0.0
Interest	(0.0)	(0.1)	(0.0)	Finance - Lending		0.0	0.0	0.0
Tax	0.0	0.0	0.0					
Working capital changes	1.1	1.2	4.3	COGS		(0.2)	(0.1)	(0.2)
Operating cash flow	(2.2)	(1.5)	(3.1)	Employment		(0.9)	(0.6)	(0.8)
Mtce capex	0.0	0.0	0.0	Technology, licence fees		0.0	0.0	0.0
Free cash flow	(2.2)	(1.5)	(3.1)	Other costs		(0.3)	(0.2)	(0.5)
Growth capex	(0.0)	(0.0)	(0.5)	EBITDA		(1.6)	(1.2)	(1.1)
Acquisitions/Disposals	(1.8)	(1.4)	0.0					
Other	0.0	0.0	(2.5)	Margins, Leverage, Returns		FY19A	FY20A	FY21A
Cash flow pre financing	(4.0)	(2.9)	(6.0)	EBITDA		n.a.	n.a.	n.a.
Equity	3.7	0.6	27.7	EBIT		n.a.	n.a.	n.a.
Debt	0.0	2.6	(0.6)	NPAT pre significant items		n.a.	n.a.	n.a.
Dividends paid	0.0	0.0	0.0	Net Debt (Cash)		(0.6)	(1.6)	21.4
Net cash flow for year	(0.2)	0.3	21.1	Net debt/EBITDA (x)		(x)	n/a	n/a
Balance sheet (A\$m)				ND/ND+Equity (%)		(%)	125%	10%
Y/E 30 June	FY19A	FY20A	FY21A	EBIT interest cover (x)		(x)	n/a	n/a
Cash	1.2	0.3	21.4	ROA		n.a.	n.a.	n.a.
Accounts receivable	0.3	0.3	0.8	ROE		n.a.	n.a.	n.a.
Inventory	0.0	0.0	0.0	ROIC		n.a.	n.a.	n.a.
Other current assets	0.0	0.4	0.3	NTA (per share)		n/a	0.01	0.01
Total current assets	1.5	1.0	22.5	Working capital		0.2	(1.3)	(4.3)
PPE	0.3	0.0	0.1	WC/Sales (%)		31%	(376%)	(489%)
Intangibles and Goodwill	0.0	0.0	63.5	Revenue growth		116%	(49%)	159%
Investments	0.0	0.0	0.0	EBIT growth pa		n/a	n/a	n/a
Deferred tax asset	0.0	0.0	0.0	Pricing		FY19A	FY20A	FY21A
Other non current assets	0.0	0.0	0.0	No of shares (y/e)		(m)	731	1,362
Total non current assets	0.4	0.0	63.6	Weighted Av Dil Shares		(m)	731	1,362
Total Assets	1.8	1.0	86.0	EPS Reported		cps	0.0	0.0
Accounts payable	0.1	1.6	5.1	EPS Normalised/Diluted		cps	0.0	0.0
Short term debt	1.8	1.8	0.0	EPS growth (norm/dil)		n.a.	n.a.	n.a.
Tax payable	0.0	0.0	0.0	DPS		cps	-	-
Other current liabilities	0.1	0.1	0.8	DPS Growth		n.a.	n.a.	n.a.
Total current liabilities	1.9	3.5	5.9	Dividend yield		0.0%	0.0%	0.0%
Long term debt	0.0	0.0	0.0	Dividend imputation		30	30	30
Other non current liabs	0.0	0.0	0.0	PE (x)		n.a.	n.a.	-7.8
Total long term liabilities	0.0	0.0	0.0	PE market		17.8	17.8	17.8
Total Liabilities	1.9	3.5	5.9	Premium/(discount)		n.a.	n.a.	(144%)
Net Assets	(0.1)	(2.5)	80.2	EV/EBITDA		-10.1	-24.0	-9.9
Share capital	1.1	14.0	81.3	FCF/Share		cps	-0.3	-0.1
Accumulated profits/losses	0.0	0.0	0.0	Price/FCF share		-15.6	-42.1	-30.8
Reserves	(1.2)	0.0	0.0	Free Cash flow Yield		(6.4%)	(2.4%)	(3.2%)
Minorities	0.0	0.0	0.0					
Total Shareholder funds	(0.1)	14.0	81.3					

Source: Company data

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021

About Us

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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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 - Securities
- deal on behalf of retail and wholesale clients in relation to
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