

# Spenda Limited

## Q4 result and \$50m debt warehouse announced

Spenda Limited (ASX:SPX) 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. 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 transactions facilitation. SPX provides a platform that simplifies end-to-end transactions for businesses and provides transparency to allow secure lending offers to expand. In H1 FY22 Spenda recorded initial income from lending of \$0.36m prior to establishing a debt warehouse. The company's focus is on commercialising the Spenda product suite, concentrating on signed customer agreements already in the pipeline and establishing a debt warehouse to accelerate lending via the platform.

### Business model

Spenda Limited 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 revenues 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.

### Q4 progress and debt warehouse

Spenda had another quarter with positive business momentum but relatively stable customer receipts, when compared to Q3 FY22. Full-year cash receipts doubled relative to FY21. Spenda delivered on last quarter's targets – delivering new payment and lending flows to customers (5x increase in transactions) and improving Spenda's Accounts Receivable and Payable products. Most importantly, SPX announced the establishment of a \$50m debt warehouse after the end of the quarter. The facility should enable SPX to accelerate take-up of the company's debtor financing and other lending products. In coming quarters Spenda expects to focus on realising the potential of current projects, using the debt warehouse to scale up lending programmes in target markets and accelerate onboarding of new customers.

### Valuation is at an early stage with upside from results

The fintech sector is 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). Share price volatility remains high. Quarterly results continue to show the company's progress towards the goal of delivering a robust payments and lending platform.

#### Historical earnings and RaaS estimates (in A\$m unless otherwise stated)

Year end	Sales revenues	Gross profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)	Price/Book (x)
06/19a	0.7	0.2	(3.3)	(3.6)	-	n.a.	n.a.
06/20a	0.3	0.0	(2.7)	(4.1)	-	187.5	n.a.
06/21a	0.9	0.5	(7.3)	(7.5)	(0.4)	82.5	0.65

Source: Company data

## Financial Software & Services

3rd August 2022

### Share Details

ASX code	SPX
Share price (1-Aug)	\$0.013
Market capitalisation	\$40.8M
Shares on issue	3,140M
Net cash 30-Jun-2022	\$7.6M
Free float	~69%

### Share Performance (12 months)



### Upside Case

- Launching the debt warehouse expands lending ability
- Customer conversion pipeline grows
- Sell-through of lending products on plan

### Downside Case

- Delays due to customer transition issues
- Slower take-up due to economic / COVID issues
- Labour shortages slow economies and sales

### Catalysts

- Debt warehouse drawdown announcements
- Increasing transactions on platform
- Customer signings
- Customer implementation milestones

### Board of Directors

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

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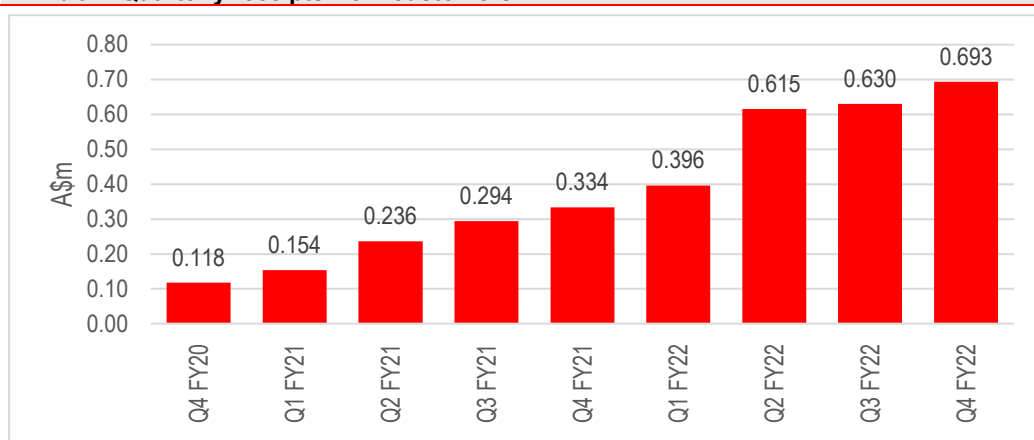
## Q4 FY22 Results Analysis

Spenda's business model is based on recurring revenues with three main sources of income:

- Software-as-a-Service fees;
- Payments processing fees; and
- Lending facility fees.

The Company has had positive momentum in customer sign-ups and product development during FY22, with cash receipts from customers increasing +107% from Q4FY21 to Q4FY22. Spenda grew the lending portfolio to a gross loan book of \$12.1m, up from \$11.9m at 31 March. Focus in Q4 was on establishing a larger and cheaper source of funds to enable further lending growth.

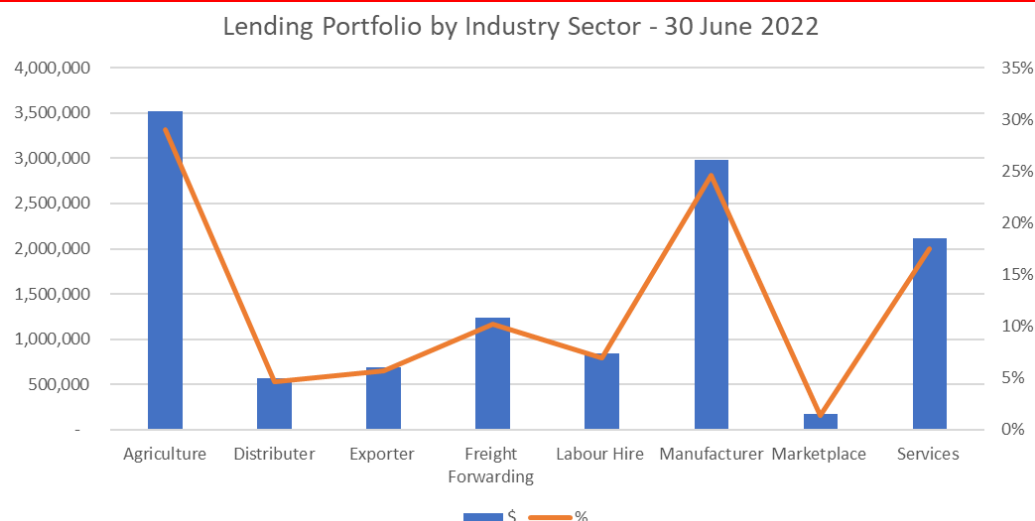
### Exhibit 1: Quarterly receipts from customers



Source: Company reports

Existing clients maintained their use of the Spenda loan facility with small changes between sectors versus Q3.

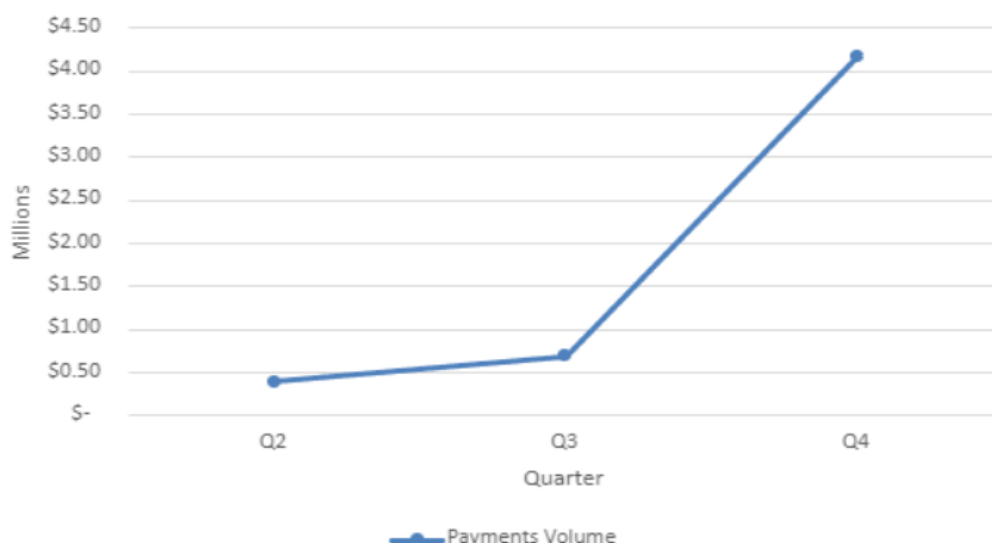
### Exhibit 2: Lending portfolio exposure



Source: Company reports

Payment flows for B2C and N2B customers increased substantially but remain constrained by time needed to onboard merchants. Payment flows are expected to continue to grow as installs increase.

### Exhibit 3: FY22 payments volume



Source: Company reports

Payments to suppliers increased in Q4 but other categories were broadly unchanged.

### Exhibit 4: Q4 FY22 versus previous quarters (in A\$m unless otherwise stated)

	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
Cash receipts	0.396	0.615	0.630	0.693
Payments to suppliers	(2.413)	(2.305)	(1.548)	(1.630)
R&D	0.000	0.000	0.000	0.000
Other	0.018	0.000	(1.124)	0.000
Operating cashflow	(2.705)	(3.126)	(2.313)	(2.345)
<b>Free cashflow</b>	<b>(2.759)</b>	<b>(3.164)</b>	<b>(2.315)</b>	<b>(2.345)</b>
Net cash at the end of the period	18.972	13.033	9.689	7.603
Monthly cash burn	(0.920)	(1.055)	(0.772)	(0.782)
<b>Quarters of cash on hand</b>	<b>7</b>	<b>6</b>	<b>4</b>	<b>4</b>

Source: Company data

## Key Events In The Quarter

- Cash receipts of \$693k for the quarter delivers full-year FY22 cash receipts of \$2.3m, +107% growth from full-year FY21;
- 95% of cash receipts from customers represented recurring revenues, 11% growth from the previous quarter;
- Payment customer acquisitions grew sharply in the backend of the quarter which is expected to deliver strong revenues growth in the future; and
- Net cash position of \$12.5m as at 30 June 2022 (including loan book).

## Debt Warehouse Details

- Facility size up to \$50m;
- Financier is a Australian credit fund and non-bank funder;
- 36-month term;
- Fixed rate;
- Implemented via an issue of call options.
  - 80.5m options with an exercise price of 4.2 cents per option expiring 36 months after close
  - 50% to vest on financial close
  - 50% to vest pro-rata to utilisation of \$25m of the facility; and
- Spenda's lending gross return currently averages 19%.

# Exhibit 5: Financial Summary

Spenda Limited (ASX:SPX)				Share price (Date)		1/08/2022	SPX	A\$	0.014	
Profit and Loss (A\$m)				Interim (A\$m)		1H20 A	2H20 A	1H21 A	2H21 A	1H22 A
Y/E 30 June	FY19A	FY20A	FY21A	Revenue		0.3	0.1	0.6	0.3	1.0
				EBITDA		(1.6)	(1.2)	(1.1)	(6.0)	(5.9)
Sales Revenue	0.7	0.3	0.9	EBIT		(1.9)	(1.7)	(1.1)	(6.0)	(6.0)
Gross Profit	0.2	0.0	0.5	NPAT (normalised)		(1.8)	(1.8)	(1.2)	(6.1)	(6.0)
EBITDA	(3.3)	(2.7)	(7.3)	Minorities		-	-	-	-	-
Depn	(0.0)	(0.3)	(0.0)	NPAT (reported)		(1.8)	(5.6)	(1.3)	(10.2)	(6.0)
Amort	(0.3)	(0.5)	0.0	EPS (normalised)		(0.31)	(0.25)	(0.09)	(0.30)	(0.30)
EBIT	(3.6)	(3.5)	(7.4)	EPS (reported)		(0.25)	(0.77)	(0.09)	(0.51)	(0.20)
Interest	(0.0)	(0.3)	0.0	Dividend (cps)		-	-	-	-	-
Tax	0.0	0.0	0.0	Imputation		30.0	30.0	30.0	30.0	30.0
Minorities	0.0	0.0	0.0	Operating cash flow		(0.9)	(0.6)	(1.4)	(1.7)	(5.8)
Equity accounted assoc	0.0	0.0	0.0	Free Cash flow		(0.9)	(0.6)	(1.3)	(1.2)	(5.7)
NPAT pre significant item	(3.6)	(4.1)	(7.5)	Divisions		1H20 A	2H20 A	1H21 A	2H21 A	1H22 A
Significant items	(2.5)	(3.8)	(4.1)	SaaS		0.0	0.0	0.4	0.6	0.6
NPAT (reported)	(6.1)	(7.9)	(11.7)	Finance - Transaction fees		0.0	0.0	0.0	0.0	0.0
Cash flow (A\$m)				Finance - Lending		0.0	0.0	0.0	0.0	0.4
Y/E 30 June	FY19A	FY20A	FY21A	COGS		(0.2)	(0.1)	(0.2)	(0.2)	(0.5)
EBITDA	(3.3)	(2.7)	(7.3)	Employment		(0.9)	(0.6)	(0.8)	(4.7)	(4.3)
Interest	(0.0)	(0.1)	(0.0)	Technology, licence fees		0.0	0.0	0.0	0.0	0.0
Tax	0.0	0.0	0.0	Other costs		(0.3)	(0.2)	(0.5)	(0.9)	0.0
Working capital changes	1.1	1.2	4.3	EBITDA		(1.6)	(1.2)	(1.1)	(6.0)	(5.9)
Operating cash flow	(2.2)	(1.5)	(3.1)							
Mtce capex	0.0	0.0	0.0							
Free cash flow	(2.2)	(1.5)	(3.1)							
Growth capex	(0.0)	(0.0)	(0.5)							
Acquisitions/Disposals	(1.8)	(1.4)	0.0							
Other	0.0	0.0	(2.5)							
Cash flow pre financing	(4.0)	(2.9)	(6.0)							
Equity	3.7	0.6	27.7							
Debt	0.0	2.6	(0.6)							
Dividends paid	0.0	0.0	0.0							
Net cash flow for year	(0.2)	0.3	21.1							
Balance sheet (A\$m)				Margins, Leverage, Returns						
Y/E 30 June	FY19A	FY20A	FY21A	EBITDA			FY19A	FY20A	FY21A	
Cash	1.2	0.3	21.4	EBIT			n.a.	n.a.	n.a.	
Accounts receivable	0.3	0.3	0.8	NPAT pre significant items			n.a.	n.a.	n.a.	
Inventory	0.0	0.0	0.0	Net Debt (Cash)			(0.6)	(1.6)	21.4	
Other current assets	0.0	0.4	0.3	Net debt/EBITDA (x)		(x)	n/a	n/a	n/a	
Total current assets	1.5	1.0	22.5	ND/ND+Equity (%)		(%)	125%	(169%)	(36%)	
PPE	0.3	0.0	0.1	EBIT interest cover (x)		(x)	n/a	n/a	n/a	
Intangibles and Goodwill	0.0	0.0	63.5	ROA			n.a.	n.a.	n.a.	
Investments	0.0	0.0	0.0	ROE			n.a.	601.5%	n.a.	
Deferred tax asset	0.0	0.0	0.0	ROIC			n.a.	663%	n.a.	
Other non current assets	0.0	0.0	1.2	NTA (per share)			n/a	n/a	0.01	
Total non current assets	0.4	0.0	64.7	Working capital			0.2	(1.3)	(4.3)	
Total Assets	1.8	1.0	87.2	WC/Sales (%)			31%	(375%)	(489%)	
Accounts payable	0.1	1.6	5.1	Revenue growth			116%	(49%)	159%	
Short term debt	1.8	1.8	0.0	EBIT growth pa			n/a	n/a	n/a	
Tax payable	0.0	0.0	0.0	Pricing			FY19A	FY20A	FY21A	
Other current liabilities	0.1	0.1	0.8	No of shares (y/e)		(m)	731	1,362	2,951	
Total current liabilities	1.9	3.5	5.9	Weighted Av Dil Shares		(m)	731	1,362	1,362	
Long term debt	0.0	0.0	0.0	EPS Reported		cps	0.0	0.0	(0.6)	
Other non current liabs	0.0	0.0	0.0	EPS Normalised/Diluted		cps	0.0	0.0	(0.4)	
Total long term liabilities	0.0	0.0	0.0	EPS growth (norm/dil)			n.a.	n.a.	n.a.	
Total Liabilities	1.9	3.5	5.9	DPS		cps	-	-	-	
Net Assets	(0.1)	(2.5)	81.3	DPS Growth			n.a.	n.a.	n.a.	
Share capital	1.1	(2.5)	81.3	Dividend yield			0.0%	0.0%	0.0%	
Accumulated profits/losse	0.0	0.0	0.0	Dividend imputation			30	30	30	
Reserves	(1.2)	0.0	0.0	PE (x)			n.a.	n.a.	-2.3	
Minorities	0.0	0.0	0.0	PE market			17.8	17.8	17.8	
Total Shareholder func	(0.1)	(2.5)	81.3	Premium/(discount)			n.a.	n.a.	(113%)	
				EV/EBITDA			-3.5	-7.3	-8.6	
				FCF/Share		cps	-0.3	-0.1	-0.1	
				Price/FCF share			-4.7	-12.5	-13.5	
				Free Cash flow Yield			(21.5%)	(8.0%)	(7.4%)	

Sources: Company data for actuals; RaaS analysis

# 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: 6<sup>th</sup> May 2021**

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

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

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Website: [www.afca.org.au](http://www.afca.org.au); Email: [info@afca.org.au](mailto:info@afca.org.au); Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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