

Spenda Limited

H1 FY22 Results Analysis

Rising revenue growth

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 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.

Increasing industry interest drives cashflow

Spenda's platform is now enabled to deliver business services and add customers efficiently and quickly. The company intends to ramp up customer acquisitions throughout 2022 and, with the intended launch of a debt warehouse, expand the lending offer as payment services customer numbers rise. H1 FY22 results show strong growth with a client loan book of \$8.1m yielding an average 18.7% to December 31. 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. Spenda's challenge is now to further commercialise the platform and build a loan book using the proposed debt warehouse.

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). Share price volatility has risen for all these companies in the March quarter. Quarterly results will continue to provide key information to evaluate Spenda's progress despite the impact of broader share market forces.

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

Year end	Sales Revenue	Gross Profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)
06/19a	0.7	0.2	(3.3)	(3.6)	-	n.a.
06/20a	0.3	0.0	(2.7)	(4.1)	-	n.a.
06/21a	0.9	0.5	(7.3)	(7.5)	(0.4)	55.2

Source: Company data

Financial Software & Services

10th March 2022

Share Details

ASX code	SPX
Share price (9-Mar)	\$0.02
Market capitalisation	\$62.7M
Shares on issue	3,136M
Net cash 31-Dec-2021	\$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

Catalysts

- Debt warehouse announcements
- Increasing transactions on platform
- Customer signings

Board of Directors

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

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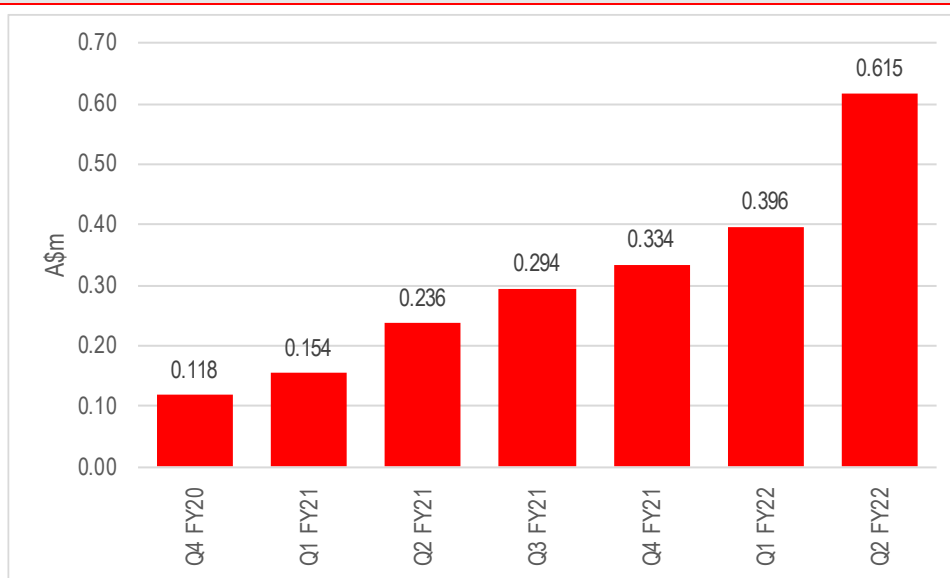
Recent Results – HY FY22

Key points for the half

- Three synergistic acquisitions were completed: Appstablishment on 4-Jun-21, Invigo on 26-Jul-21 and Greenshoots on 14-Nov-21. These acquisitions provided important building blocks to achieve Spenda's transformation to offer fully integrated SaaS applications, payments and lending services.
- SPX signed a five-year Business Payments Aggregator (BPA) agreement with Mastercard and Fiserv.
- Commercial agreements enacted included a five-year Referral Agreement with Fresh Supply Co P/L, launching Spenda on the Whola fashion marketplace, an agreement to facilitate cross-border trade finance with Tyler James P/L, and an agreement to provide funding to ebey's trading network.

We repeat our analysis of the Q2 cashflow below.

Exhibit 1: Quarterly cash receipts from customers



Source: Company data

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

	Q2 FY21	Q1 FY22	Q2 FY22
Cash receipts from customers	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

Exhibit 6: Financial Summary

Spenda Limited (ASX:SPX)				Share price (Date)		9/03/2022		SPX		A\$		0.020			
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												
Sales Revenue	0.7	0.3	0.9	Revenue	0.3	0.1	0.6	0.3	1.0						
Gross Profit	0.2	0.0	0.5	EBITDA	(1.6)	(1.2)	(1.1)	(6.0)	(5.9)						
EBITDA	(3.3)	(2.7)	(7.3)	EBIT	(1.9)	(1.7)	(1.1)	(6.0)	(6.0)						
Depn	(0.0)	(0.3)	(0.0)	NPAT (normalised)	(1.8)	(1.8)	(1.2)	(6.1)	(6.0)						
Amort	(0.3)	(0.5)	0.0	Minorities	-	-	-	-	-						
EBIT	(3.6)	(3.5)	(7.4)	NPAT (reported)	(1.8)	(5.6)	(1.3)	(10.2)	(6.0)						
Interest	(0.0)	(0.3)	0.0	EPS (normalised)	(0.31)	(0.25)	(0.09)	(0.30)	(0.30)						
Tax	0.0	0.0	0.0	EPS (reported)	(0.25)	(0.77)	(0.09)	(0.51)	(0.20)						
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	30.0	30.0						
NPAT pre significant item	(3.6)	(4.1)	(7.5)	Operating cash flow	(0.9)	(0.6)	(1.4)	(1.7)	(5.8)						
Significant items	(2.5)	(3.8)	(4.1)	Free Cash flow	(0.9)	(0.6)	(1.3)	(1.2)	(5.7)						
NPAT (reported)	(6.1)	(7.9)	(11.7)	Divisions	1H20 A	2H20 A	1H21 A	2H21 A	1H22 A						
Cash flow (A\$m)				SaaS	0.0	0.0	0.4	0.6	0.6						
Y/E 30 June	FY19A	FY20A	FY21A	Finance - Transaction fees	0.0	0.0	0.0	0.0	0.0						
EBITDA	(3.3)	(2.7)	(7.3)	Finance - Lending	0.0	0.0	0.0	0.0	0.4						
Interest	(0.0)	(0.1)	(0.0)	COGS	(0.2)	(0.1)	(0.2)	(0.2)	(0.5)						
Tax	0.0	0.0	0.0	Employment	(0.9)	(0.6)	(0.8)	(4.7)	(4.3)						
Working capital changes	1.1	1.2	4.3	Technology, licence fees	0.0	0.0	0.0	0.0	0.0						
Operating cash flow	(2.2)	(1.5)	(3.1)	Other costs	(0.3)	(0.2)	(0.5)	(0.9)	0.0						
Mtce capex	0.0	0.0	0.0	EBITDA	(1.6)	(1.2)	(1.1)	(6.0)	(5.9)						
Free cash flow	(2.2)	(1.5)	(3.1)	Margins, Leverage, Returns											
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)															
Y/E 30 June	FY19A	FY20A	FY21A												
Cash	1.2	0.3	21.4												
Accounts receivable	0.3	0.3	0.8												
Inventory	0.0	0.0	0.0												
Other current assets	0.0	0.4	0.3												
Total current assets	1.5	1.0	22.5												
PPE	0.3	0.0	0.1												
Intangibles and Goodwill	0.0	0.0	63.5												
Investments	0.0	0.0	0.0												
Deferred tax asset	0.0	0.0	0.0												
Other non current assets	0.0	0.0	1.2												
Total non current assets	0.4	0.0	64.7												
Total Assets	1.8	1.0	87.2												
Accounts payable	0.1	1.6	5.1												
Short term debt	1.8	1.8	0.0												
Tax payable	0.0	0.0	0.0												
Other current liabilities	0.1	0.1	0.8												
Total current liabilities	1.9	3.5	5.9												
Long term debt	0.0	0.0	0.0												
Other non current liabs	0.0	0.0	0.0												
Total long term liabilities	0.0	0.0	0.0												
Total Liabilities	1.9	3.5	5.9												
Net Assets	(0.1)	(2.5)	81.3												
Share capital	1.1	(2.5)	81.3												
Accumulated profits/losse	0.0	0.0	0.0												
Reserves	(1.2)	0.0	0.0												
Minorities	0.0	0.0	0.0												
Total Shareholder func	(0.1)	(2.5)	81.3												

Source: RaaS Advisory



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021



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

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

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