



9 Spokes International Ltd (9SP)

Update on Customer Contracts & Future Initiatives

Event:

- Update on customer contracts & future initiatives.

Investment Highlights:

- 9SP recommends the world's best business software applications in the cloud, for SMEs & integrates them into a smart dashboard, revealing key information on the performance of their operations.** 9SP is a platform and looks like an app store for global SMEs.
- Heading into Dec-16, 9SP is entering a quarter of major milestones. Previously, 9SP has signed major channel partners including Barclays, Deloitte & Suncorp.** All contracts are likely to be live from the end of CY16e with \$325k in minimum monthly revenue, when all channels are operating, in addition to milestone payments. Today all clients have accepted the 9SP solution. Recently, 9SP invoiced Barclays for its 3rd milestone payment (quantum similar to the first two invoices). We expect the 4th & 5th invoices to be issued in Dec quarter & collectively will be the largest invoices to date.
- With regards to the largest contract Barclays, it has been moved to the technology team for final release to the Barclays customer base.** We would anticipate marketing spend to be of a reasonable size and to escalate over the next 3 or 6 months. We would not be surprised to see Barclays roll-out in select areas initially, before widespread UK release.
- 9SP is in discussions with US banks that may lead to a material contracts win in the next 12-months and has been leveraging its recently signed IBM relationship to target appropriate organisations.** In August, 9SP appointed Phil Sheehan as Head of Alliances, an IBM veteran of c.10 years. In an effort to expedite customer acquisition, management are targeting a number of companies in Australia, NZ and the US, which have the potential to act quickly, in adopting the 9 Spokes solution.
- In the next few months, 9SP is planning to launch its direct platform in the UK.** A roll-out to select geographies is likely to occur overtime. The marketing campaign is planned to be online focused, ensuring costs are controlled. 9SP's new web site will 'go live' soon and users can today register interest on the site.

Earnings, Valuation & Recommendation:

- We have a BUY recommendation and our risked valuation of 9SP is \$0.47/share.** Our valuation is based on the low-end of the range for all current contracts, except Barclays (see prior report). With Barclays, we have modelled a 10% penetration of installed SME client base, utilizing 3 apps generating \$0.30/per share. This valuation methodology is conservative given it does not assign any value to new contracts or its direct channel, 9spokes.com. **Our financial model incorporates a worst case scenario only, with minimum monthly revenues of A\$325k.**
- Catalysts for the share price include:** 1) Launch of existing channels leading into Christmas, 2) end-user customer adoption, 3) additional channels in existing jurisdictions; and 4) additional channels in new jurisdictions.

Recommendation	BUY
Previous	BUY
Price Target	\$ 0.47
Previous	\$ 0.47
Share Price (A\$)	\$ 0.15
ASX Code	9SP
52 week low - high (A\$)	0.12-0.20
Valuation	\$0.47/share
Methodology	Risked DCF
Risk	Very High
Capital structure	
Shares on Issue (M)	403.0
Options (M)	53.5
Diluted Market Cap (A\$m)	68.5
Net Debt/(Cash) (A\$m)	-20.0
EV (A\$m)	48.5
12mth Av Daily Volume ('000)	638

Shareholders

Adrian Grant	20.4%
Mark Estall	20.4%
Harrogate	7.3%
Brendan Roberts	3.7%
Tappenden	2.1%
Paul Reynolds	1.1%

Board

Paul Reynolds	Non Executive Chairman
Mark Estall	Executive Director & CEO
Thomas Power	Non Executive Director
Wendy Webb	Non Executive Director

Share Price Graph



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Foster Stockbroking was the sole lead manager to the IPO of 125 million shares at \$0.20 per share to raise \$25m and received fees for this service