



9 Spokes International Ltd (9SP)

Entering A Quarter of Major Milestones

Event:

- September quarterly released.

Investment Highlights:

- 9SP has signed major channel partners including Barclays, Deloitte & Suncorp:** All contracts are expected to be 'live' before the end of CY16e with c.NZ\$300k in minimum contracted monthly revenue, when all channels are operating. Today all channel partners have accepted the 9SP solution and we are awaiting adoption rates by end users, a critical data point.
- 9SP Cash Burn Ahead of Expectations:** In its recent quarterly, 9SP highlighted a net cash burn of NZ\$3.9m. 9SP's cash balance is NZ\$19.2m. Since Sept 30, 9SP has received NZ\$0.9m from Barclays and NZ IRD R&D tax credit. We are expecting additional receipts of c.NZ\$1.5m in the next six months (possibly in the December quarter). Depending on the timing of receipts cash burn may be similar or below the September quarter.
- Key client Barclays' acceptance provides validation of product: With regards to the largest existing contract (Barclays), it has been progressed 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 additional contract wins in the next 12-months and has been leveraging its IBM relationship to target appropriate organizations.** 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 also targeting a number of companies in Australia, NZ and the US, which have the potential to act quickly, in adopting the 9Spokes solution.
- 9SP is in process of launching its direct platform in the UK (www.9spokes.com).** A roll-out to select geographies is likely to occur overtime. The marketing campaign is planned to be online focused, ensuring costs are controlled. We would expect advertising and marketing spend to increase during the December quarter.

Earnings, Valuation & Recommendation:

- We anticipate a cash position as at end of December 2016 of c.NZ\$15.3-17.0m.** We also highlight c.\$8m worth of options that expire in H2 CY17, which we would expect to be exercised and further strengthen the balance sheet.
- Our earnings and valuation are unchanged. Our valuation is \$0.47/share and is based on the low-end of the range for all current contracts, except Barclays.** With Barclays, we have modelled a 10% penetration of installed SME client base, utilizing 3 apps generating \$0.33/share.
- 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\$)	\$ 0.16
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)	73.0
Net Debt/(Cash) (A\$m)	-18.2
EV (A\$m)	54.8
12mth Av Daily Volume ('000)	638

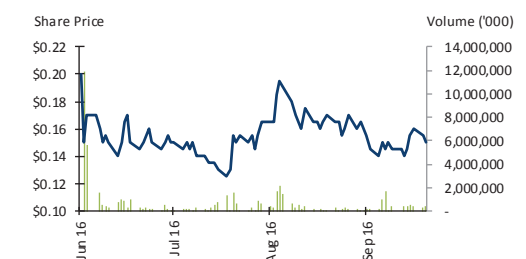
Shareholders

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