



9 Spokes International Ltd (9SP)

Largest Existing Contract Barclays Goes "Live"

Event:

- Barclays dashboard goes 'Live' and update for the December quarter.

Investment Highlights:

- 9SP has continued to deliver on all milestones for the December quarter with Barclays Dashboard 'live' this week & Suncorp to follow in coming days.** We reiterate that all contracted clients generate c.NZ\$280k (Barclays GBP 120k) in minimum monthly revenue. All projects have been delivered on time and we would expect future channels that are signed to be implemented significantly faster, as a result of the Barclays deployment learning curve.
- Adoption rates by Barclay's end-users, a critical data point.** With regards to the largest existing contract, we would anticipate marketing spend to be of a reasonable size and to escalate over the next 3 or 6 months (c.GBP 10m p.a. spent by Barclays), but trivial spend by 9SP. Barclays are looking to sign 20k clients to reach the 'tipping point', as soon as possible. Barclays 4th & 5th milestone payments are c.NZ\$360k & c.NZ\$1.0m, with the latter invoiced this week. 9SP has a robust cash position at end of December 2016 of c.NZ\$16.0m.
- We would expect to see Barclays roll-out in select areas initially, before widespread UK release.** A more aggressive push will occur mid-January. Barclays have c.100 employees, 200 telemarketers and 3k digital eagles (mobile SME relationship managers) promoting Barclays Dashboard. The size of the SME market in the UK is c.5.5m (1.2m Barclays) and is 9SP largest geographic market, so far. Of note, 9SP has partnered with the major SME accounting software vendors, Sage, Intuit, Xero & FreeAgent.
- Recently, 9SP has engaged in co-marketing with Intuit (UK), proving the value to OSP's of 9SP's channel to market.** Sage has been looking to convert non-supported versions of its product to SageOne utilizing 9SP. Cloud market is (UK), XRO (164k users), Sage c.150k and Intuit c.80k. Sage dominates desktop (c.65%).
- 9SP is in advanced talks with at least two US banks that could lead to additional contract wins in the next 6-12-months.** With wins 9SP will build a team in US and roll-out its direct platform. In an effort to expedite customer acquisition, management are targeting a number of companies in Australia, NZ & the US, which have the potential to act quickly, in adopting 9SP solution.
- 9SP has launched its direct platform in the UK (www.9spokes.com).** A roll-out to select geographies is likely to occur overtime. Adoption so far has surpassed management expectations, as mentioned on conference call. The marketing campaign is planned to be online focused, ensuring costs are controlled.

Earnings, Valuation & Recommendation:

- 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) end-user customer adoption, 2) additional channels in existing jurisdictions; and 3) additional channels in new jurisdictions.

| Recommendation | BUY |
|------------------------------|--------------|
| Previous | BUY |
| Price Target | \$ 0.47 |
| Previous | \$ 0.47 |
| Share Price (A\$) | \$ 0.17 |
| 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) | 75.3 |
| Net Debt/(Cash) (A\$m) | -15.5 |
| EV (A\$m) | 59.8 |
| 12mth Av Daily Volume ('000) | 557 |

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