



9 Spokes International Ltd (9SP)

Update Post Capital Raising, LOI NZ Bank and Proof of Concept OCBC in Singapore

Event:

- Update post capital raising, LOI NZ Bank and proof of concept with OCBC in Singapore.

Investment Highlights:

- 9SP business development sales pipeline is accelerating.** Recently, 9SP signed a LOI to provide a white-label version of the 9 Spokes platform to RBC, an NZ bank and has proof of concept with OCBC in Singapore. Notably there has been increased interest from North American and Australasian banks, following Barclays having gone 'live'. The sales pipeline has been accelerated with two relationships, IBM in North America and another vendor in the Asia Pacific region. We note that 9SP is in a much stronger negotiating position today than when they signed Barclays and we are optimistic that the financials of any contract will be more favourable.
- Adoption rate of end-users continues to accelerate, with Barclays promotional roll-out on-going.** Previously, 9SP announced that they have likely signed up 11.5k subscribers to its platform by the end of July. Based on current run rates of adding 1k subscribers every 5 days, and Barclays having ramped up marketing initiatives. We believe +40k end users by Dec-17 is feasible (153 days / 5 days x 1k subscribers + 11.5k subscribers @ end of July = 42.1k subscribers). This is across all channels, including 9 Spokes Direct.
- As Barclays sign paying end users, 9SP is able to benefit financially from the uplift in subscribers.** Today, 9 Spokes is receiving c.NZ\$200k per mth from Barclays (c.NZ\$2.4m per year). This equates to c.28.5k paying end users, if 1 app is utilised (NZ\$0.2m x 12)/(NZ\$35 per app x 12 months x 20% commission). We anticipate an uplift in licence revenues from Barclays in Q418e to be possible.
- As at 30th June, 9SP's cash balance is approximately NZ\$21.1m.** With cash receipts from all channels of NZ\$1.2m+ forecasted in Q2 and expected cash outflows in the quarterly of NZ\$4.9m, 9SP's cash burn is NZ\$3.7m. Future cash burn excludes any one-off revenues that may occur from signing any new customers, such as a North American or Australasian bank.

Recommendation, Earnings and Price Target:

- We maintain our BUY recommendation and our share price target is A\$0.45/share.** Our earnings estimates are unchanged. Given the breadth of the business development pipeline and progress that 9SP has made on a range of large prospects over the last quarter, we are confident that the company is likely to succeed in winning at least two channel partners in the near-term.
- Catalysts for the share price include:** 1) acceleration of end-user customer adoption, 2) additional channels in existing jurisdictions; and 3) additional channels in new jurisdictions.

Recommendation	BUY
Previous	BUY
Price Target	\$ 0.45
Previous	\$ 0.45
Share Price (A\$)	\$ 0.12
ASX Code	9SP
52 week low - high (A\$)	0.12-0.21
Valuation	\$0.45/share
Methodology	Risked DCF
Risk	Very High
Capital structure	
Shares on Issue (M)	495.3
Options (M)	53.3
Undiluted Market Cap (A\$m)	57.0
Net Debt/(Cash) (A\$m)	19.7
EV (A\$m)	76.6
12mth Av Daily Volume ('000)	424

Shareholders	
Adrian Grant	20.4%
Mark Estall	20.4%
Harrogate	6.3%

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

Share Price Graph



Analyst: Darren Odell +61 2 9993 8121
darren.odell@fostock.com.au

The analyst does not own 9SP securities

Foster Stockbroking was the co-manager to the placement of 92.1m shares at \$0.13 per share to raise \$12m and received fees for this service (July 2017)