

Record quarterly revenue of \$1.1m with a 48% increase in SaaS revenue. Federal Government footprint grows.

March 2020 Quarterly Report and Appendix 4C

Fintech company 8common Limited (**8common** or the **Company**) (ASX: **8CO**), a leader in expense management software and card application management, is pleased to release its consolidated quarterly cashflow and business update for the quarter ended 31 March 2020 (3Q FY20).

Key financial highlights include:

- Recurring SaaS and transaction-based revenue of \$656k, up 48% on the previous corresponding period (pcp).
- Record total revenues for the quarter at \$1.1m, a 10% increase on the pcp.
- Total revenue was bolstered by an increased level of change request fees (\$358k vs \$127k in the December quarter) including requests from federal government clients to integrate with the new Cytric travel booking tool by Amadeus.
- Cash outflow decreased significantly to \$55k (vs \$246k in the December quarter) as the Company collected receivables whilst continuing to invest in R&D and platform enhancements.
- Strong net cash position of \$1.8m, inclusive of \$926k raised through exercised options, provides the ability to deliver our business as usual activities, invest in opportunities that arise and continue the development of CardHERO.

Key operating highlights

- Post quarter end, 8CO received a contract for the implementation of Expense8 for the Federal Digital Transformation Agency (DTA) with total contract value over the initial three-year period of \$117k. The DTA is the first agency within the Department of Finance Shared Service Delivery Office to onboard Expense8.
- Other notable contract wins include the National Indigenous Australians Agency and National Drought & North Queensland Flood Response & Recovery Agency.
- The impact on the Company's revenue from COVID-19 travel restrictions and social distancing policies is mitigated by 8CO's business model with >70% of SaaS revenue contracted with either Federal or State Government entities. However, given the fast-evolving nature of COVID-19 and its impact on business operations, the expectation is that there will be an impact to transaction-based revenue which has historically constituted approximately 30% of monthly SaaS Revenue
- The recent work from home measures have resulted in a delay in implementation timelines across customers which will have an impact on billing and cash receipts from implementations. Due to this and other expected COVID-19 impacts highlighted above, the Company withdraws its previous guidance of expecting a cashflow positive performance for FY20 as it is now not expecting to be cashflow positive for FY20.

8common CEO, Andrew Bond said, "The Company continues to strengthen and diversify our client base with the addition of several new entities during the period and the DTA contract post quarter end. The Federal Shared Services platform provides the opportunity for over 50 entities to be onboarded to our platforms in the coming years and we are actively engaged with several entities. Despite the broader

For personal use only

macro-economic conditions, the Company continues to operate on a business as usual basis, and we are immensely pleased to report record revenues in March demonstrating our ability to continue to deliver for our customers.”

Financial and operational review

Total revenue for the quarter increased by 10% on a pcp basis to \$1.1m as a result of a strong quarter of client requests for integration and improvements in their current platforms.

Recurring SaaS and transaction-based revenue of \$656k was up 48.2% on pcp. However, the March quarter’s recurring revenue was slightly down on the December quarter of \$685k as a result of the traditional seasonal slowdown in transactions during December and January, driven by the higher number of non-working days in the period.

Total revenue was bolstered by an increased level of change request fees (\$358k vs \$127k in the December quarter) including requests from federal government clients to integrate with a new travel online booking tool, Cytric by Amadeus.

Implementation revenue remained in line with the previous period. Despite the current macroeconomic environment, the Company is actively engaged with several Government agencies on the future implementation of the Expense8 platform. The Federal Shared Services platform signed with the Department of Finance and the Department of Industry, Innovation and Science allows for over 50 new Federal entities to be on-boarded to 8CO’s technology platform.

Over \$2.2m in contracts have been won in FY20. Significant contract wins in the period up until the date of this release, for which implementations are already underway, included:

- Federal Digital Transformation Agency (DTA), via the Department of Finance Service Delivery Office (SDO) which is providing its shared service offering
- New contract with National Indigenous Australians Agency (NIAA)
- New contract with National Drought & North Queensland Flood Response & Recovery Agency (NDNQFLRRA)

During the quarter the Company continued to advance the development and rollout of the complementary financial transaction software platforms CardHERO. Existing customers and new prospects have been engaged to ensure product market fit and scalability.

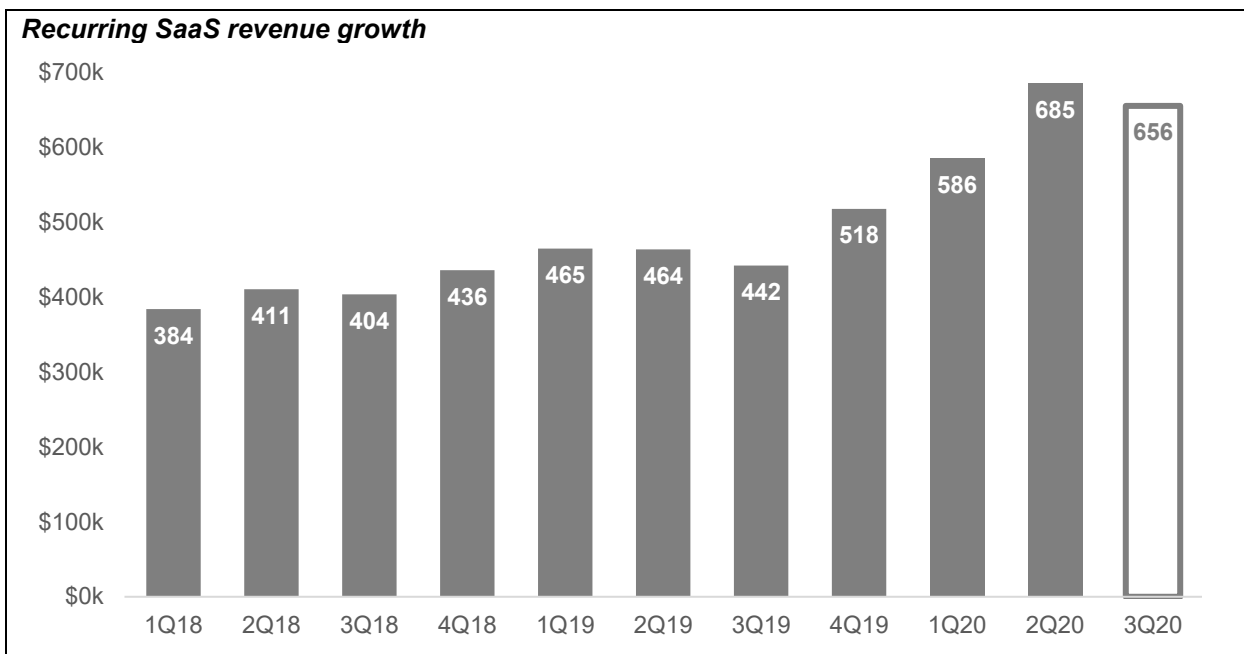
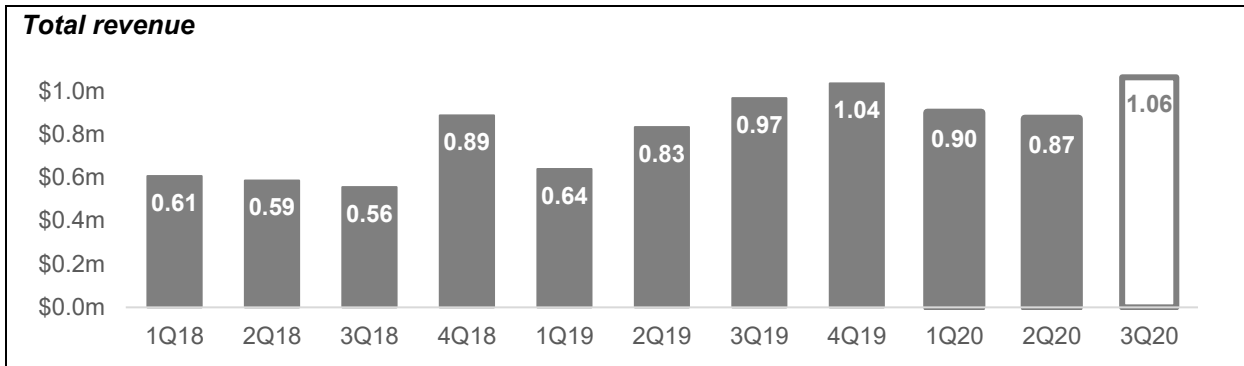
Revenue Model

8CO technology facilitates the processing and reconciliation of employee generated financial transactions. The Company generates revenue from three areas:

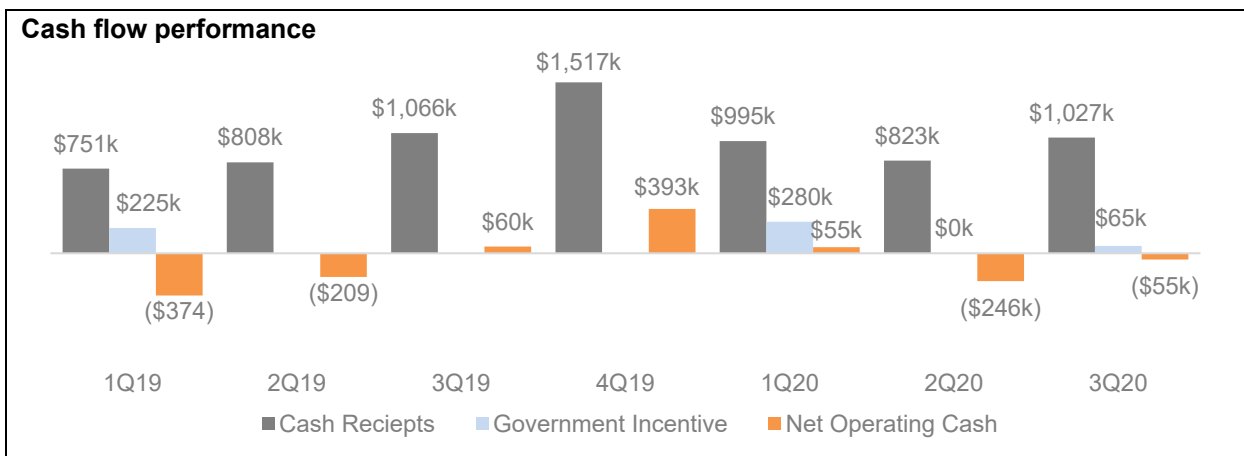
- Recurring Software as a Service (SaaS) revenue: The Company provides access to the Expense8 travel and expense management software under a monthly or annual subscription model. The majority of the contracts are on a subscription basis with a smaller proportion of the contracts revenue based on usage.
- Implementation revenue: The fee charged for the onboarding work required to integrate Expense8 platform into the customers systems.
- Other revenue: Primarily derived from fees charged for any requested changes required in the Expense8 platform by customers post implementation.

For personal use only

For personal use only



The Company generated a net operating cash outflow \$55k for the period, a significant improvement on the December quarter. The Company has a strong cash position with \$1.8m cash at bank as at 31 March 2020 which included the contribution of options exercised during the quarter, raising a total of \$926k. 8CO's strong cash position allows the Company to continue to invest in business as usual activities, develop complementary financial transaction software platforms and take advantage of opportunities that arise for our products and services from the current market conditions



Our Customer Base

8CO generates revenue predominantly from Federal and State Government agencies. The exposure to Government agencies provides a greater degree of certainty in revenue streams in current market conditions.

The Company has been in contact with all major customers and continues to receive new mandates, including two new Federal Government agencies moving to onboard our technologies, with more agencies planned through the remainder of the year. Change requests activities continue to flow as customers move through different phases of work from home and hybrid arrangements.

Being a leading financial technology company, 8CO staff are used to operating in a remote work environment. The health and safety of our staff remains of paramount importance to the Company and as such 8CO have exercised COVID-19 operating policies to ensure all staff remain safe whilst ensuring the continued delivery of services required by customers.

While COVID-19 is impacting near term business activity, 8CO's expense reconciliation and process software is well positioned to benefit from the increased level of Government stimulus packages over the near term. The Company has experienced an increasing level of inbound interest in its technologies, such as CardHERO, from other areas of the economy that are receiving stimulus payments including areas of Victoria and New South Wales impacted by bushfires.

Outlook

Although the Company anticipates some slowdown due to COVID-19 as lower levels of business activity impacts transaction revenue, it is important to note that in 1H FY20 approximately 70% of SaaS revenue was contracted with either Federal or State Government entities, with an average contract length of three years (plus extension options). Additionally, the Company continues to build on the established contracts within the State and Federal Governments and has continued to sign additional contracts with further expressions of interest received.

8common Executive Chairman, Nic Lim said "The current market and economic conditions have proved challenging for many Australians. However, as we enter Q4 we are well-positioned with a strong bias to SaaS based revenue, a solid cash balance and improved cash performance. These factors leave us in a position of strength to work through any potential near-term disruption in our customer's activities from the limitations on travel and impacts from social distancing policies.

"Additionally, as a financial technology company, the ability to deliver solutions for our customers remains front and centre. We are pleased to have been engaged by the NIAA and NDNQFLRRA over this past quarter and we look forward to working closely with both of these government bodies whilst continuing to provide quality support and service to our existing client base.

"We continue to work on innovating and further progressing our products including the development of complementary financial transaction software platforms like CardHERO and remain positive on the outlook for 8common over the coming months and in to FY21."

Further information

Corporate

Nic Lim
nic@8common.com
Executive Chairman

Investors & Media

Craig Sainsbury
craig.sainsbury@marketeye.com.au
[+61 428 550 499](tel:+61428550499)

About 8common Limited

8common's (ASX:8CO) solutions deliver enterprise grade financial transaction processing for government entities and large enterprise businesses. Its flagship Expense8 platform is a leading pureplay provider of end to end travel expense management software, card application and management. The innovative software solutions improve organisation, productivity, incorporate company organisational policies and expense auditing to reduce fraud. Expense8 by 8common was named a Major Player in the IDC MarketScape: Worldwide SaaS and Cloud-Enabled Travel and Expense Management Applications 2019 Vendor Assessment.

Its new products being PayHERO (procurement payment gateway) and CardHERO (pre-paid card fund distribution) deliver closed loop solutions to support regulated, large network and high volume requirements. 8common's specialises in large enterprise and government segments.

Its growing client base of more than 120,000 platform users include enterprise customers Woolworths, Broadcast Australia, Amcor, and over 120 state and federal government entities. For more information, visit <https://www.8common.com/>

For personal use only

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

8common Limited

ABN

51 168 232 577

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,027	2,845
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(491)	(1,443)
(f) administration and corporate costs	(656)	(1,994)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	65	345
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(55)	(247)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		(10)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-	(10)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	926	1,020
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	926	1,020

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	925	1,033
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(55)	(247)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(10)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	926	1,020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,796	1,796

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,796	926
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,796	926

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
62

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Relates to payment of Director wages and Director fees for the quarter.

For personal use only

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(55)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,796
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,796
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	32.6

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

For personal use only

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 21 April 2020

Authorised by: **By the board**

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.