

Growing customer base delivers positive cashflow generation and \$551k of recurring revenue

September 2020 Quarterly Report and Appendix 4C

Fintech company 8common Limited (**8common** or the **Company**) (ASX: **8CO**), is pleased to release its consolidated quarterly cashflow and business update for the quarter ended 30 September 2020 (1Q FY21).

Key financial highlights include:

- Total quarterly revenue increased to \$940k, a 5% increase over the previous corresponding period (pcp);
- Operating cash inflow of \$52k, the second successive quarter of positive cashflow;
- Quarterly recurring SaaS and transaction-based revenue of \$551k, up 1% on 4Q FY20 as business activity continues to normalise post the impact of COVID-19 on travel and credit card transactions;
- Strong implementation revenue of \$218k, up 34% on pcp, reflects the signing of 6 new Federal Government agencies in the period. Strong implementation revenue has historically been a precursor to periods of growing recurring revenue;
- Annualised recurring SaaS and transaction-based revenue of \$2.2m;
- Cash balance at 30 September 2020 was \$1.9m versus \$1.84m at 30 June.

Key operational highlights include:

- Five new Federal Government entities signed to expense8 under the Service Delivery Office (SDO) of the Department of Finance shared services hub with a TCV of \$545k;
- Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) signed a 3-year contract (plus contract extensions) with a TCV of \$152k ex GST;
- 8common signed a 3-year agreement with EML Payments Limited to issue pre-paid Mastercard's through the Company's CardHero platform;
- Initial paid implementation work for the CardHero+ platform with an existing Expense8 client has begun subject to finalisation of commercial arrangements.

8common CEO, Andrew Bond said "We are pleased to deliver another quarter of positive cashflow and growth in our topline and recurring SaaS & transaction revenue. The signing of six new Federal Government entities, five of which are part of the Service Delivery Office (Shared Service) of the Department of Finance, shows the continued and growing acceptance of our Expense8 product amongst Government agencies. We continue to partner with government and execute on the shared services program and we continue to see a strong pipeline of growth for FY21.

The agreement with EML for prepaid Mastercard's provides a significant step forward for our CardHero and CardHero+ platforms. The demand for corporate virtual and physical card payments are expected to continue to rise in tandem with consumer payments. Our experience and position as a preferred supplier within the government, not for profit and large corporate space has ensured we are well placed to deliver the CardHero platform and capture this growth opportunity. We are currently working on a paid implementation program with an existing client for the utilisation of CardHero+ and we look forward to updating the market shortly on the progression of the roll-out.

With a strong balance sheet, positive cash generation, growing Expense8 demand and the development of the CardHero platform, the company has a strong outlook for FY21”.

Financial and operational review

Total revenue for the quarter increased by 5% versus the pcp to \$940k.

Recurring SaaS revenue of \$551k up 1% versus 4Q FY20 as the effects of COVID-19 and social distancing policies on travel and expense activity start to normalise. The improved business activities in NSW and the ACT are continuing to drive a pickup in activity levels.

Implementation revenue was \$218k for the quarter, up 34% on the pcp and the 3rd highest quarter in our history. The strong implementation revenue was driven by the signing of 6 new Federal Government agencies in the period. The new agencies signed were:

- Safe Work Australia
- Fair Work Ombudsman
- Australian Skills Quality Authority
- Australian Public Service Commission
- Australian Building and Construction Commission
- Australian Radiation Protection and Nuclear Safety Agency

Strong implementation revenue has historically been a precursor to periods of growing recurring revenue.

The company continues to focus on costs and expenses. Staff, administration and corporate costs were \$925k for the quarter, down from \$1,261k in the previous quarter as there were fewer project based and one-off costs related to infrastructure, development and research.

Additionally, during the quarter, the Company continued to advance the development and rollout of the complementary financial transaction software platform CardHero. The company announced it has entered into a 3-year agreement with card solutions provider EML Payments Limited (ASX:EML) to create a CardHero branded reloadable card program. Under the agreement, 8common will be able to issue a CardHero branded pre-paid Mastercard in partnership with EML.

CardHero leverages 8common’s significant coverage of Government and Corporate customers via its globally recognised Expense8 product platform which serves over 140 government entities, large corporates including Woolworths, Amcor and others.

The CardHero and CardHero+ platforms have two distinctive use cases and clients in mind:

- CardHero is an integrated card payment and expense management solution targeted at government and large enterprise clients
- CardHero+ is an integrated fund disbursement and spend management solution which can be used by not for profits and educational institutions to disburse funding and reconcile transactions.

The CardHero revenue model will be a combination of a monthly platform fee, and either a per card or percentage of load fee depending on the client requirements and usage model. Further details on the revenue model will be provided as 8common secures contracts with new clients on the CardHero platform.

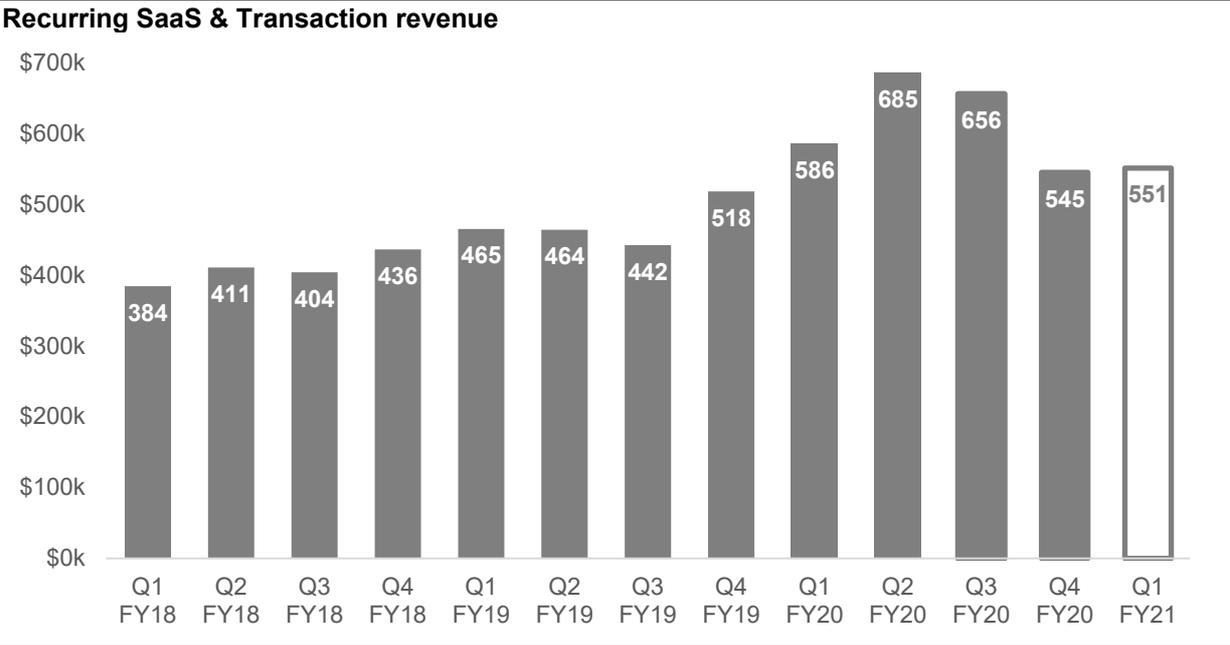
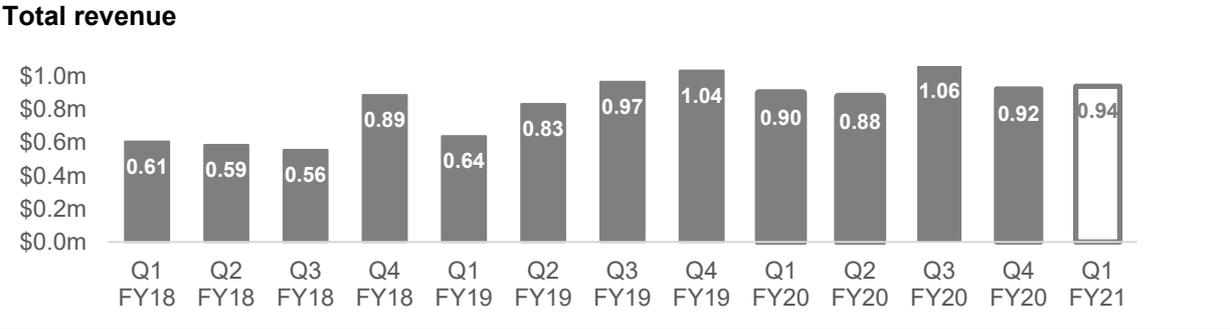
The company is currently working with an existing Expense8 client on a paid implementation to roll out of CardHero+. We anticipate updating the market on the development of this initiative during the quarter.

Payments to the Directors of the entity, comprising of salaries and fees for Executive and Non-Executive Directors, totalled \$86k during the quarter (see section 6 of the Appendix 4C). No other payments were made to any related parties or their associates of the entity.

Revenue Model

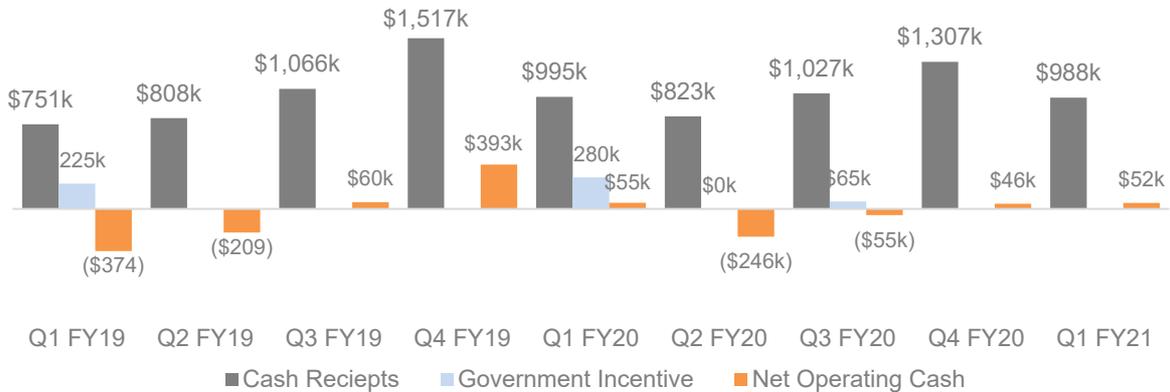
8CO technology facilitates the processing, reconciliation and compliance of employee generated financial transactions. The Company generates revenue from three areas:

- **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 contract's revenue based on usage.
- **Implementation revenue:** The fee 8CO charge 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 installation.



The Company generated a net operating cash inflow of \$52K for the period. The positive cashflow was 8CO's second consecutive quarter of positive cashflow. The company has a strong cash position in excess of \$1.9m at 30 September 2020.

Cash flow performance



Outlook

The Company continues to build on the established contracts within the State and Federal Government, delivering predictable and secure revenue. 8CO has a significant pipeline of potential revenue growth via the implementation of our technology across further Federal DIIS and DoF shared service agencies. Corporate engagement continues with good responses received for both the CardHero and continuous transaction monitoring platforms. The strong implementation revenue generated in 1QFY21 will contribute to growth in recurring SaaS revenue over the course of FY21.

The company remains well positioned to leverage the demand for corporate virtual and physical card payments via the CardHero and CardHero+ products. The company continues to work with an existing client on the implementation and roll out of CardHero+ and we anticipate to make further announcements during the quarter.

Our positive cash flow generation, robust balance sheet and strong pipeline of Expense8 and CardHero growth opportunities heralds an exciting year of growth for 8common in FY21.

Annual General Meeting and Director Nominations

8common advises that the Annual General Meeting (“AGM”) of the Company will be held on 27 November 2020.

Details of how and where the AGM will be held will be subject to COVID-19 restrictions, including any regulatory requirements that need to be adhered to by the Company. Further details of the AGM (which includes, any details of hybrid or virtual meeting facilities (if applicable)), will be confirmed once the AGM notice of meeting is despatched to shareholders of the Company.

In accordance with the ASX Listing Rules and the Company’s Constitution, nominations for election of directors at the AGM must be received no later than 15 October 2020.

Further information

Corporate

Nic Lim
nic@8common.com
 Executive Chairman

Investors

Craig Sainsbury
craig.sainsbury@marketeye.com.au

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About 8common Limited

8common (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 140 government entities, large corporates including Woolworths, Amcor and others. For more information, visit <https://www.8common.com/>

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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")

30 September 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	988	988
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing	(11)	(11)
(d) leased assets		
(e) staff costs	(489)	(489)
(f) administration and corporate costs	(436)	(436)
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		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	52	52
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,843	1,843
4.2	Net cash from / (used in) operating activities (item 1.9 above)	52	52
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,895	1,895

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	1,895	1,843
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)	1,895	1,843

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
86

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.

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)	52
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,895
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,895
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

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

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:7 October 2020.....

Authorised by:Board of Directors.....

(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.