
ASX: 9SP

ASX Announcement
7 February, 2017

9 Spokes to enter the US market

Highlights:

- 9 Spokes to expand into the US market through its 9 Spokes Direct Platform.
- The launch of US Direct will help support and expedite current business development efforts with large US channels, especially its primary target of US SME banking.
- US is a major opportunity for 9 Spokes with approximately 29 million SMEs, around five times the size of the UK market.
- US Direct market entry is efficient due to the scalable nature and inherent flexibility of the 9 Spokes platform.

9 Spokes International Limited, (ASX:9SP) (“9 Spokes” or “the Company”), the business insights dashboard for SMEs, is pleased to announce it will enter the US market through the 9 Spokes Direct platform.

9 Spokes is commencing work programs to prepare a 9 Spokes Direct platform for the US (“US Direct”), as the Company has achieved the requisite pre-conditions for its US entry. The major considerations for this are highlighted on page 2. 9 Spokes believes US Direct will support and expedite current business development efforts with large US channels, particularly within its primary target market of US SME banking.

Commenting on the plans to launch into the US, 9 Spokes co-founder and CEO, Mark Estall said:

“Based on the ease of the UK Direct platform launch and positive response, we are preparing for a US Direct deployment. It has always been our strategy to enter each market with our Direct proposition in advance of our channel partners.

“The decision is buoyed by several factors from the channels going live: the stability of the 9 Spokes platform during market entry; the manageable levels of customer support; the UK co-marketing success with App partners that have significant bases in the US; and the simple fact that the UK platform in its entirety is very similar to that required to enter the US market. This gives us the relatively unique position of being able to deploy into the US market efficiently and at low incremental cost.

For personal use only

“We executed to plan last year and are highly motivated to achieve our next challenge. This decision follows on from our successful deployment of three channel partners and UK Direct. We are committed to continuing to deliver on our timelines as set out to shareholders and investors following the achievement of our four milestones delivered in the December 2016 quarter.”

The US represents a major opportunity for 9 Spokes. It is home to approximately 29 million SMEs, and accordingly is around five times the size of 9 Spokes’ largest existing market, the UK. US Direct requires limited incremental investment, given the inherent flexibility and scalability of 9 Spokes’ platform and business model.

This major strategic decision reflects the following five themes, which provide the Company with confidence to scale into other markets:

- 1) **Early progress** of 9 Spokes’ Direct platform in the UK market;
- 2) **Promising business development**, particularly progress with potential US bank channels;
- 3) **Platform is inherently flexible**: the ability to enter new markets at low incremental cost;
- 4) **Existing App partnerships are applicable** to US SMEs; and
- 5) **Robust performance and scalability** of platform enables the Company to deploy from its geographically distributed data centres.

1) UK Direct: Early progress of its Direct platform in the UK market

9 Spokes has been encouraged by early progress of its Direct platform in the UK market. 9 Spokes announced last week in its *December Quarterly Activity Report (released 30/01/17)* that it will give its first customer update by the end of February. With 29 million SMEs the US market offers a larger market where 9 Spokes can scale by deploying similar propositions and promotions to the UK. 9 Spokes has validated the US market both by its own research and multiple discussions to date with potential US channel partners. 9 Spokes firmly believes this market entry will amplify future customer uptake.

For the launch of US Direct, 9 Spokes requires only limited resource in place in the US. Similar to the experience with UK Direct, marketing activity will predominantly be executed from the existing resource base in New Zealand. The platform business model of 9 Spokes requires less geographic-specific investment than typical software as a service (SaaS) models. Similarly, based on UK learnings where 9 Spokes is delivering to two channel partners with a small team, even the launch of a major US channel would still only require a small proportion of 9 Spokes’ global employee base.

For personal use only

2) Business development: US entrance to enhance business development for initial US channel

9 Spokes' preferred strategy has always been to enter markets first with 9 Spokes Direct, prior to channel adoption, to learn and optimise its offering for that market. As announced last week, 9 Spokes is encouraged by progress made with business development, particularly with US banks. This progress is now sufficient to meet 9 Spokes' requirements to expand into the US. 9 Spokes believes US Direct is an important precursor to an initial US channel, and should expedite business development and best prepare for adoption by US channel partners.

US Direct will provide a working example to channels of the efficacy of its offering to US SMEs. Further, growing the US-specific App base ahead of a channel launch will accelerate eventual uptake by channel customers. Similarly, US Direct will allow critical marketing learnings that will be provided to optimise customer uptake by the channel partner. For example, 9 Spokes has found that learnings from UK Direct have already augmented marketing efforts by 9 Spokes' existing channels. Finally, US Direct allows 9 Spokes to conduct some of the relatively limited technical work required to localise for a US channel.

3) Global ecosystem: App partnerships already established for US entrance

9 Spokes already has partnerships in the UK with some of the leading Apps required for a US entry, including Intuit QuickBooks, Expensify and Sage amongst others. This enhances the efficiency of a US market entry. 9 Spokes' UK customers are already using these Apps via both UK Direct and UK channels (Barclays Bank and Propel by Deloitte). 9 Spokes will continue to grow and accelerate its range of propositions over time. Some of these will be geographic-specific, but most of 9 Spokes' App onboarding will remain global in nature.

4) Operating leverage: New market entry illustrates flexibility of Platform model

9 Spokes sees a large opportunity for the US Direct platform. However, the decision involves relatively small incremental startup cost and resources. 9 Spokes is a Platform, as distinct from more typical software companies. The ability to enter another market following its entry into the UK and Australian is testament to the flexibility of this Platform model.

The Platform curates a short list of appropriate local and global Apps for each geography and industry, from which SMEs select their preferred choice. Rather than coding software for each market, the Apps on 9 Spokes' platform essentially "**localise**" 9 Spokes to each market, accelerating deployment velocity.

Accordingly very little technical development of the Platform itself is required to deploy into new markets. 9 Spokes' white label channel platform is also entirely flexible for both geography and industry.

Over time as 9 Spokes enters further geographies and verticals, this lighter requirement for development spend should result in **improving operating leverage**.

5) Technology: Robust technical performance

9 Spokes can deploy into the US from its geographically distributed data centres. The observed quality, elasticity and performance of 9 Spokes' platform after all channels went live in a short period of time has exceeded expectations.

Support required both technically and customer facing has been relatively minor, demonstrating 9 Spokes ability to scale into a new geography. There has been a noticeable lack of system issues. Uptime on the platform has been robust with 100% uptime on all 4 datacentres running all channel instances of the platform (excl. planned maintenance). Early customer feedback has been highly supportive, as has the results from market research and focus groups commissioned by 9 Spokes in the UK.

For more information:

Investors:

James Schofield
Investor Relations, 9 Spokes
+64 21 334 774
james.schofield@9spokes.com

Media:

Warrick Lace
NWR Communications
+61 401 809 653
warrick@nwrcommunications.com.au

About 9 Spokes

The 9 Spokes smart dashboard enables SMEs to connect their software to one dynamic interface - giving them a clear overview of their business. It allows management and advisors to access data and new metrics across key areas, from any device at any time. With these insights, it's easier to make the big decisions to either manage or grow a business.

Businesses can integrate their supported software into the dashboard as well as choose from a selection of recommended and accredited apps to suit their industry.

The smart dashboard from 9 Spokes is available as a direct model to small businesses and as a white labelled platform that Channel Partners can offer to their SME customer base.

Find out more at www.9spokes.com

For personal use only