whispir

ASX Announcement
28 April 2023

Whispir Limited
(ASX : WSP)

Appendix 4C and Activities Update – Q3 FY23

Trending towards cash flow break-even following restructure

Whispir Limited (ASX:**WSP**, **Whispir** or **the Company**) provides its Appendix 4C cash flow and activity report for the quarter ending 31 March 2023 (**Q3 FY23**, **the Quarter**). The prior corresponding period is Q3 FY22 (**PCP**), and the prior quarter is Q2 FY23 (**PQ**).

Quarterly Summary

- Normalised[1] free cash outflow for the Quarter of $4.32 million is an 18.2% ($0.96 million) improvement on the PQ of $5.28 million
- Restructures are delivering cost savings as planned, with cash payments for operating expenses (normalised[1]) down 14.4% on PQ to $11.68 million
- The Asian business is showing strong growth, with the Quarter delivering an 11.9% increase (47.6% annualised) in cash receipts on the PQ, as sales from our telco partnerships ramp up
- Growth in cash receipts and further reductions in operating cash payments are forecast from next quarter (Q4) with positive cash flow likely from Q1 FY24 (previously Q4 FY23)
- Updated revenue guidance for FY23 is $53.0 million to $54.5 million

Quarterly performance

Free cash flow

Q3 FY23 normalised[1] free cash outflows of $4.32 million delivered an 18.2% improvement on the PQ of $5.28 million. This quarter reflects the full impact of the restructure announced on 15 November 2022.

Next quarter, free cash outflows are expected to fall further as it will be the first full quarter following the November restructure and the US restructure implemented in March. For example, monthly free cash out-flow for February and March averaged less than $0.60 million per month after allowing for the reduction in US cost base. Expected growth in cash receipts in Q4 – which is traditionally the strongest quarter of the year - is also expected to improve the free cash flow result. However, whilst next quarter is expected to post a significant improvement over the current quarter, the Company is now expecting positive cash flow in Q1 FY24 (previously Q4 FY23).

Cash receipts

Receipts from customers for the Quarter were $13.71 million, a 7.6% decrease on the PQ. The drop in receipts reflects a softer sales quarter than expected, most notably in ANZ. The ANZ region was down 10.6% on the PQ, mainly due to seasonality with post-Christmas/summer

[1] "Normalised" means excluding non-repeatable items such as restructuring costs, lease fit-out costs and incentives, a one-off loan, and internal transfers to/from restricted cash balances which are not included in cash & cash equivalents.

holidays, absence of significant weather events which typically generate large transactional activity, and increased cost pressures faced by many organisations in the current economic climate which is impacting business confidence and spending. Pleasingly, the Asia region delivered an 11.9% increase in cash receipts, as our Channel Partner sales ramp up.

Cash payments

Product-related cash payments were $5.79 million for the Quarter, down 5.2% on the PQ and in line with the fall in cash receipts.

Normalised[1] cash payments for operating expenses were down 14.4% on PQ to $11.68 million following the November restructure, and in line with expectations, as outlined below:

- Staffing costs (including capitalised labour) have reduced to $8.46 million for the Quarter, a 14.9% reduction on the PQ of $9.94 million (excluding restructuring costs). Going forward, labour costs will reduce even further, to approximately $6.6 - $6.8 million per quarter, as the full impact on costs from the North America restructure are realised. The North America restructure was only completed late in the Quarter;
- Corporate and administration costs (normalised[1]) have reduced to $2.0 million, from $2.49 million, a 20.0% reduction on the PQ, (excluding one-off office fit-out costs and associated lease incentive payments); and
- Marketing costs (of which the majority is channel partner reseller fees) remain steady at $1.23 million, a small 1.4% increase on the PQ.

The Quarter includes payments to Directors of $0.28 million for directors' fees and CEO remuneration. In addition, a short-term loan of $0.34 million was made to the CEO on normal commercial arm's-length terms to meet tax obligations. This loan is expected to be repaid next quarter.

Cash reserves

The Company finished the Quarter with $5.00 million of cash and cash equivalents, and an additional $1.08 million held on term deposit and/or subject to bank guarantees disclosed as restricted cash.

While the Company has plans to deliver positive free cash flow shortly, it recognises the current liquidity position provides a limited buffer for a business of this scale. The Company is accordingly assessing debt facility options to address this.

Business news

Asia

The Asian business realised another strong quarter, validating Whispir's Channel Partner sales strategy. Whispir is successfully executing the migration plan which involves migrating the telco's existing customers from their legacy systems onto the Whispir platform. This Quarter, the Company migrated 21 customers. The progress this Quarter exceeded expectations and was accompanied by strong endorsements from the migrated customers, who gave feedback the experience was "seamless", "flawless" and "brilliant".

Following the prior quarter's go-to-market launch to target new customers in partnership with the region's largest telco, Whispir welcomed three new customers to its platform this Quarter. The new customer logos were all signed in a period of less than eight weeks from first engagement.

The Asian telco partnerships provide an outstanding foundation for further growth for Whispir. Other new signings this Quarter included major Philippines insurance business FPG Insurance, who are using the Whispir technology to digitise the claims process as well as automating workflow in the organisation's back-end system, both of which are expected to deliver greater efficiencies and business improvements. The use cases from this relationship can be replicated across a number of Whispir's existing and potential clients.

Looking ahead in the region, the Company has a healthy sales pipeline leading into Q4.

Australia/New Zealand (ANZ)

ANZ revenue was weaker than anticipated for the Quarter with fewer major weather events (e.g. high winds, flooding) that might usually deliver increased transactional activity at this time of year.

Nevertheless, there were extremely pleasing developments in the health sector as the relationship built with eHealth NSW during the pandemic has allowed Whispir to unlock new opportunities in the State's health sector but at the local level. A framework agreed with eHealth NSW has seen Whispir onboard four of the 14 Local Health Districts (LHDs) in Q3, including Sydney, while engaging with a further three LHDs. Each LHD has a range of hospitals, health centres and other services which will use the Whispir platform for appointment reminders, patient information bulletins and other health related communications.

In addition to the health sector, the region had several new customer signings during the Quarter, including Westpac NZ, BASF, Energy Queensland and Metro Trains, adding to Whispir's existing blue-chip customer base.

North America

Whispir continues to support existing US customers from Australia, together with a small local presence in the US region that can also prosecute new customer leads. Notwithstanding the reduced focus in the region, eight new customers signed during the Quarter, demonstrating the ability to maintain a steady US exposure while diverting existing resources to higher growth opportunities in Asia.

R&D Progress

Despite a reduction of R&D spend in the Quarter, Whispir remains focused on evolving the Whispir offering and developing new tech-based use cases. New product features recently released include security features that allow Whispir to not only provide a muti-factor authentication service but also deliver end-to-end verification services. The development and integration of an AI powered talkbot[2] into the Whispir platform offers new and efficient ways for customers to reach end users in a cost-effective manner. A Microsoft Outlook plug-in is expected to hold appeal for Government clients in particular, while the new Docusign feature is

[2] An AI powered talkbot or an AI talkbot is a more sophisticated communications tool than traditional chatbots, which can understand the user's natural spoken language. A combination of technologies which include Natural Language Understanding (NLU), Natural Language Processing (NLP), Automatic Speech Recognition (ASR) and Machine Learning (ML) allows the Talkbot to understand questions in context and even detect and handle multi-intentions in a single sentence. With its more nuanced understanding of the user's queries, the conversation becomes more life-like, allowing a multitude of questions that can be posed and answered. Beyond simply fulfilling a passive role in the dialogue (like a chatbot), the Talkbot integrated with the Whispir Platform is capable of initiating conversations by proactively calling people and engaging in a realistic conversation.

also expected to generate interest in the platform. All of these developments make the Whispir platform more attractive to new customers and facilitate upselling to existing customers, offering faster revenue growth opportunities.

FY23 Q4 outlook

Following a softer than expected quarter, the Company is updating its revenue guidance from $58 - $62 million to $53 - $54.5 million and positive cash flow is now estimated to occur in Q1 FY24 (previously Q4 FY23).

Annual Recurring Revenue (ARR) is $59.3 million at 31 March 2023. The reduction in ARR from the previous quarter of $62.0 million is primarily due to eHealth NSW related revenues that are in the process of being formally transitioned to the State's local health departments (LHDs). Whilst the implementation of these LHD use cases is progressing, the revenue is not yet contributing to ARR, but is expected to do so across the remainder of the calendar year.

Whispir CEO, Jeromy Wells, commented: "Our focus on the Asian market is now delivering strong growth, led by Singapore and the Philippines. We will continue to engage with new and existing customers to grow our presence in the region.

"With costs stripped out of the business through the November restructure and US downsizing - we are a leaner and more efficient Company. We expect to provide the market with detail on debt measures to address our cash position shortly, and we are confident we can implement these measures in a financially responsible way that allows us to seize the digital communications opportunities that continue to grow at pace globally.

"The advantage of Whispir's platform is that it quickly brings efficiencies to the way customers operate, so the return on investment case is clear even in tougher economic conditions. Indeed, as organisations grapple with rising inflation and other operating pressures, we expect them to focus increasingly on how technology can deliver cost-effective solutions to business problems. Whispir is well placed in this environment, with opportunities to onboard new customers as well as to expand the way existing customers use our platform."

-ENDS-

Authorised by the Disclosure Committee.

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About Whispir

Whispir supplies a no code, Communications-as-a-Service ("CaaS") platform enabling seamless omnichannel interactions between organisations, their systems, and their people to solve common challenges in terms of compliance, deliverability, and engagement.

Whispir operates across three key regions of ANZ, Asia and North America and its platform is used across more than 60 countries. More information www.whispir.com.

Appendix 4C

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

Name of entity

WHISPIR LIMITED

ABN	Quarter ended ("current quarter")
89 097 654 656	31 March 2023

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		13,707	42,972
1.2	Payments for			
	(a)	research and development		
	(b)	product manufacturing and operating costs	(5,794)	(18,831)
	(c)	advertising and marketing	(1,230)	(3,711)
	(d)	leased assets		
	(e)	staff costs	(7,650)	(28,344)
	(f)	administration and corporate costs	(1,576)	(6,632)
1.3	Dividends received (see note 3)			
1.4	Interest received		16	78
1.5	Interest and other costs of finance paid		(85)	(122)
1.6	Income taxes paid			
1.7	Government grants and tax incentives			22
1.8	Other (GST payment to the ATO)		(579)	(1,436)
1.9	**Net cash from / (used in) operating activities**		**(3,191)**	**(16,005)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire or for:			
	(a)	entities		
	(b)	businesses		
	(c)	property, plant and equipment	(34)	(140)
	(d)	investments		
	(e)	intellectual property	(1,306)	(4,460)
	(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	(342)	(342)
2.4	Dividends received (see note 3)		
2.5	Other (term deposits)	678	617
2.6	**Net cash from / (used in) investing activities**	**(1,005)**	**(4,326)**

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	-	13
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 (payment of finance lease liabilities)	(252)	(849)
3.10	**Net cash from / (used in) financing activities**	**(252)**	**(836)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	9,433	26,078
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,191)	(16,005)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,005)	(4,326)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(252)	(836)
4.5	Effect of movement in exchange rates on cash held	(17)	58
4.6	**Cash and cash equivalents at end of period**	**4,969**	**4,969**

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	4,455	8,923
5.2	Call deposits	514	510
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposits < 3 mth maturity)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**4,969**	**9,433**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	283
6.2	Aggregate amount of payments to related parties and their associates included in item 2	342

The amount disclosed at item 6.1 is of comprised Directors' fees for Q3 FY23 and the CEO's base remuneration for Q3 FY23.

The amount disclosed at item 6.2 above is a loan made to the CEO for the purposes of meeting a tax obligation. The loan is an interest-bearing loan at normal arms-length commercial terms and is expected to be repaid next quarter.

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.

7.	**Financing facilities** *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.*	**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 (credit cards)	105	49
7.4	**Total financing facilities**	**105**	**49**

7.5	**Unused financing facilities available at quarter end**	56

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.

Credit card facilities are utilised across three providers:

- NAB AUD 50k, secured at 12.65%.
- Silicon Valley Bank USD 20k, unsecured at 15.35%.
- Amex AUD 35k, unsecured, zero interest rate with 3% late payment fee and $1.2k annual membership fee.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,191)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,969
8.3	Unused finance facilities available at quarter end (item 7.5)	56
8.4	Total available funding (item 8.2 + item 8.3)	**5,025**
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	**1.6**

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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: No. This quarter includes $625k of redundancy and leave pay-outs associated with the restructuring of the Company's US operations and the final remaining pay-outs related to the November restructure which is now complete. February and March, on a normalised basis, had free-cash outflows of $953k per month (on average) – or $650k when excluding the US. Q4 free cash outflows will be even less given the US restructure which will be in effect from April onwards.

8.6.2 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: The entity is currently exploring debt facilities, and is confident of securing such facility if required.

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

Answer: Yes. The entity expects to be breakeven (or very near to) going forward on a quarterly basis given the restructuring described above in 8.6.1.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 28 April 2023

Authorised by: By the Disclosure Committee
(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.