

ASX RELEASE

30 OCTOBER 2020

## ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020

### Key Highlights

- Quarterly Revenue up 118% from \$82,313 to \$179,745 and quarterly Average Revenue Per User (APRU) up 57.5%, from \$21.17 to \$33.40
- Key recruitments have been completed across the business
- All debt facilities were repaid in quarter
- Spendacollect platform launched in early July and V2 launch on track for Q4

### Corporate

- Proposed Appstablishment acquisition planned for completion in 2020
- Successful completion of placement to raise \$2.7m
- Successful completion of entitlement issue of options to eligible shareholders raising \$397,000.
- Strong share price performance on the back of July launch of Spendacollect with movement from 0.006 to 0.04.

### Cash Position

- Cash receipts from customers up 30.5% to \$156,000 for the quarter
- Cash balance of ~\$2m as at September 30, 2020
- Full working capital facility of up to A\$1m available

Cirralto Limited (**ASX: CRO, "the Company"**) is pleased to provide an update on the Company's activities for the quarter ended September 30, 2020.

The September quarter has been transformative for the Company. This started with the launch of Spendacollect in early July which was a critical strategic pillar in our commercialisation strategy. This milestone provided a catalyst for change which has enabled the Company to grow revenue, acquire new customers and redefine itself with investors.

Given the current global economic situation brought about by COVID-19, the product gained immediate interest from current customers and was featured in the West Australian and several industry publications including PYMTS Magazine and Australian Institute of Credit Managers publication. Since its release, Spendacollect has gathered significant momentum in the broader market.

This shift in business momentum has been received positively by investors which has in turn started a rerating of the company's value and growth in our share price and market capitalization.

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Cirralto Limited

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On the back of this positive momentum, the Company successfully completed a capital raising via a placement to raise \$2.7m and an options entitlement issue to raise a further \$395,000. The funds raised have been used to restructure the company's balance sheet and repay debt. The Company's cash reserve of circa \$2m will be used to fund growth and drive brand awareness and customer adoption.

## OPERATIONAL UPDATE

### Recruitment

The Company commenced its scale-up activities over the quarter with three new hires joining the team. These new resources joined the Support and Implementation team to ensure the Company is able to onboard new customers at an increased rate whilst delivering a first class service.

This growth will continue into the next quarter with 29 job adverts planned to bolster the capabilities of the Company. These resources will span the organisation and include recruits in Channel Management, Inside Sales, Marketing, Development and the Finance and Administration team.

To support this recruitment and to ensure the Company continues to attract high calibre staff, the Company will produce a recruitment video and increase focus across digital channels on promoting the Company and culture.

### SpendaCollect

Early in the quarter the Company released SpendaCollect, software that enables any business to collect debt from any customer.

In the retail setting, this involves functionality allowing customers to pay for goods or services either in-store, online or on-the-go through our virtual terminal. For suppliers and wholesalers, this means a

custom portal enabling their customers to see their outstanding invoices which they can pay off using our integrated payment collection system.

Key features:

- Display a live accounts receivable list
- Drill into each customer to view their statement
- Select multiple invoices and take immediate payment
- Send notifications to customers to prompt payment
- Invite customers to join Spendat to collaborate and pay their statement
- Integrates with your existing financial system

In-store businesses have the option to integrate into an EFT device or use the onscreen manual entry to collect payments. In the field, our software enables outstanding invoices to be paid off through a virtual terminal.

SpendaCollect V2 is currently in the final stages of development with the expected release date of December. This build will add robust features to the product including:

- Supplier onboarding, enabling user up-take with minimal implementation support
- Adding additional payment options, including the ability to schedule payments and create payment installments
- Adding SpendaCollect functionalities to the iOS platform
- Allowing SpendaCollect to display invoice attachments from Xero
- Improving functionality by allowing users to re-email an invoice after taking a payment
- a functionality to 'remember a credit card' making future payments quicker and easier

### **Product Development**

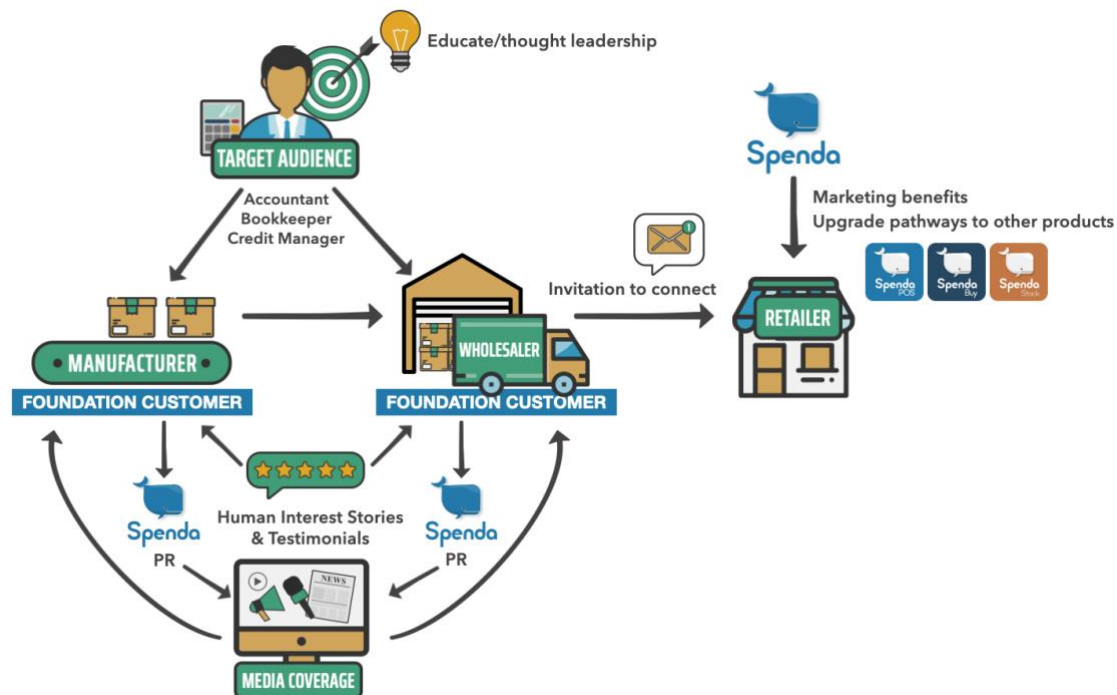
During the quarter, the Company continued to release product updates based on recommendations from our independent security and infrastructure audits. These updates are focused on scaling the core systems transactional processes capabilities. These quality driven tasks were blended with incremental releases aimed at increasing functionality and improving user experience.

The Company has completed and is now executing new strategies aimed at bolstering our integration services that support more payment services adoption and the exploitation of our competitive advantage in this area.

### **Marketing and Business Development**

The Company continues to focus on communicating our core value proposition to a defined target audience who then attract our foundation customers. Accountants and Credit Managers have been identified as the target audience given their ability to influence both small and midsize businesses.

A mixture of thought leadership and content marketing is being employed to win over the target audience with a focus on Spenda's payment products. Once we have secured initial foundation customers the viral nature of the product ensures penetration to our customers' customers who are passed to the Company's Inside Sales team.



To support this strategy the Marketing team have:

- Successfully conducted two webinars focusing on SpendaCollect, news-jacking the changing economic conditions brought about by Covid-19.
- Attended the Australian Institute of Credit Management National Conference and entered into a sponsorship agreement with the AICM of Western Australia.
- Produced a series of videos discussing the benefits of Spenda's payment suite, to be released with SpendaCollect V2 in December.
- Booked attendance at the upcoming Accounting and Business Expo (November).
- Finished a new website build which has a planned to "go live" date of November.

## CORPORATE & FINANCIAL UPDATE

### Qtr Revenue and Operating Expenses

The Company delivered an encouraging start to the financial year with revenue of \$180k, a 118% increase from the previous quarter. This result was largely led by 57.5% lead conversion result and the stabilization of customer acquisition costs at \$313 per customer.

Revenue growth was led by SpendaCollect and the Spenda retail solutions that span Point of Sale, Service and eCommerce.

Pleasingly, these patterns have continued into the start of December quarter.

The majority of the Company's operating cash outflows for the quarter of \$430k was spent on software development and legal and licensing costs associated with establishment of the Company's payments platform.

Payments to related parties which includes Managing Director's salary, non-executive directors' fees and Appstablishment fees (software development) during the quarter was \$725,000.

### **Implications of the Federal Budget to the R&D tax incentive**

The Government's Research & Development (R&D) announcements handed down on October 6, 2020 as part of the Federal Budget delivered favourable results for the Merged Cirralto / Appstablishment entity. These reforms to the R&D Tax Incentive (R&DTI) will provide certainty and assistance to taxpayers, like Cirralto, who seek to undertake R&D activities and intend to claim the R&DTI.

The main difference under the Bill is that from July 01, 2021 the R&D tax offset rate will be based on the Company's corporate tax rate plus the addition of an R&D premium. The cap on eligible R&D expenditure is also increasing from \$100m to \$150m. For the Company this means the merged Cirralto / Appstablishment entity will be eligible to apply for an additional \$50m in R&D funding.

Post proposed acquisition of Appstablishment, the Company expects to register multiple eligible R&D activities and receive a cash tax offset of ~A\$1.9m.

These R&D Tax Incentive changes have been welcomed by the Company and will enable it to plan its R&D activities into 2021 and beyond with a specific review to the utilising the Company's ~A\$30m in tax losses.

### **Planned acquisition**

The Company and its proposed acquisition partner, Appstablishment, continue to work towards key compliance items necessary to finalise the acquisition of Appstablishment by the Company. The Company now expects to complete the acquisition of Appstablishment according to the revised timetable below.

As previously stated, the proposed acquisition will deliver in excess of ~\$1.9 million in Research and Development grants in FY2020, in addition to ~\$500,000 in annual sales and a reduction in duplicate overhead costs to the business.

#### **Proposed Timetable\***

Event	Indicative Date
Dispatch of Notice of Meeting and Independent Expert Report to Shareholders	20 November, 2020
Date of Shareholders Meeting to approve acquisition	22 December, 2020
Completion of acquisition	30 December, 2020

*\*This timetable is indicative only and may be subject to change*

### **Entitlement Issue of Options**

The Company completed a successful pro-rata non-renounceable entitlement issue of options to eligible shareholders on the basis of one option for every eligible four shares held, up to approximately 397 million options.

The purpose of the Options Issue was to recognise the support and loyalty the Company has received from its Shareholders. The Company received valid applications for 273,171,601 options to raise \$273,171. The resulting shortfall from the Entitlement Issue of 124,538,015 was heavily oversubscribed.

In accordance with section 2.7 of the Prospectus the shortfall options were placed at the discretion of the directors of the Company. The shortfall was placed to existing shareholders of the Company, joint lead arrangers to the Company's recent capital raising and with Company staff (who are also shareholders). Prioritising staff was a strategic move for the Company and one designed to incentivise its employees to continue a high output level which will ultimately reward all Shareholders.

## CASH POSITION

### Funding

Cash receipts for the quarter totaled A\$156k and total cash at the end of the quarter was A\$1.98m.

Based on its present operating structure, the company is adequately funded.

### Explanation of Terms

ARPU - The acronym ARPU, means Average Revenue Per User. For the purpose of this announcement it has been calculated by dividing total earned revenue for a period by total software licensees.

Total Customer - For the purpose of this announcement, total customers are calculated by summing the total number of businesses of any kind who have a valid software license.

Total Transactions - For the purpose of this announcement, total transactions are calculated by summing the total number of customer sales, purchase, credit and payment transactions in the period.

Authorised by the Board of Directors

- ENDS -



### About Cirralto

Cirralto Limited (ASX:CRO) is a transaction services business supplying industries with a broad range of B2B payment services, digital trading software and integrated solutions. Our goal is to convert eft payments to card payments utilising the BPSP engagement coupled with our payments collaboration framework. Our competitive advantages deliver customers end-to-end e-invoicing integration, rapid ordering, digital trust and automated reconciliation.

Cirralto supplies its customers a recipe of integrated software to create a vertical market standard operating environment (SOE) that enables the effective and seamless transfer of data from multiple, disparate software systems in one standardised technology solution, such as SpendaRetail. Cirralto has licensing agreements with third party software vendors that enable it to provide integrated SOE solutions to its customers.

For investors seeking information on the Company's activities that relate to marketing, customer events and other acknowledgement of customer activities, this information will be posted to the Company's news section of the website and on social media channels with the handle #getSpenda, active on Twitter, LinkedIn, Instagram and FaceBook.

For more information, see <https://www.cirralto.com.au/>

#### **Investor Enquiries**

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