

ASX RELEASE

26 APRIL 2021

## ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2021

### Highlights

- Total cash receipts from customers up 25% for Q3 FY21 of \$294k
- Successful completion of \$18m Placement
- \$3.3m cash proceeds received from the exercise of options
- \$24.3m available cash as at 31 March 2021
- Customer growth up 12.5% for the quarter
- Merchant Payments Turnover grew by 18%
- Successful completion of Phase 1 and 2 testing of the BPSP/BPA functionality with a launch date of the new functionality set for 1 May 2021
- Release of buy-now, pay-later, pay by instalment, pay by account and pay by favourites into Spenda's payment services
- Successful launch of MySpenda, the user interface of Spenda's digital payment stack

Cirralto Limited (**ASX: CRO, "Cirralto" or "the Company"**) is pleased to provide an update on its activities and cash flows for the quarter ended 31 March 2021 (Q3 FY21).

### CORPORATE AND FINANCIAL UPDATE

As announced on 22 February 2021, the Company received firm commitments to raise \$18m (before costs) using its placement capacity pursuant to ASX Listing Rules 7.1 and 7.1A, through the issue of 200 million fully paid ordinary shares (**Shares**) to institutional, sophisticated and professional investors at an issue price of \$0.09 per share (**Placement**).

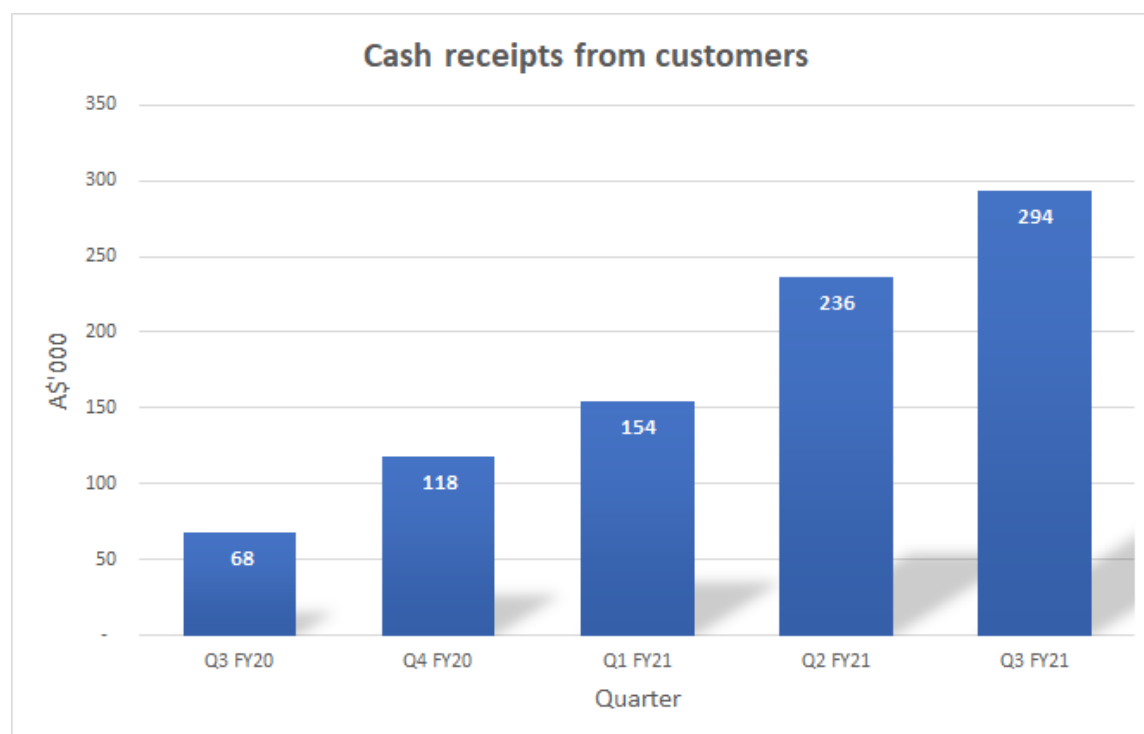
The strategic capital raise follows two other placements; one in August 2020, undertaken to recapitalise the Company, resulting in a debt-free balance sheet and a second in November 2020, to support the Company's growth with various payment providers.

In addition to the successful Placement, the Company also received proceeds of \$3.3m through the exercise of options.

This Placement signalled a strong vote of confidence and the combined proceeds place the Company in a strong cash position as of 31 March 2021, with \$24.3m in cash (incl. \$500k refundable deposit paid to FISERV), with no debt.

Cash receipts from customers continue to increase quarter on quarter, noting that the Company is still in the testing phase of its payments technology which is planned to be launched on 1 May 2021. The Company anticipates a steady acceleration in cash inflows following the launch.

The below graph provides some context of the impact of COVID-19 and the Company's resilience to the devastating impact the pandemic had on the global economy, growing its cash receipts from customers since Q3 FY20.



As noted in the accompanying Appendix 4C, the net cash outflows from operating activities was \$781k, comprising predominantly staff costs (\$331k) and administration and corporate costs (\$573k).

Payments to related parties during the quarter totalled \$317k and included:

- \$95k payments to directors, including director's remuneration and directors superannuation;
- \$122k payments to Appstablishment Pty Ltd for various services provided to Cirralto, including labour; and
- \$100k loan advance to Appstablishment Pty Ltd.

Following the quarter end, on 19 April 2021, the Company lodged a Notice of Meeting (**NoM**) and the Independent Expert Report (**IER**) with the ASX. This The general meeting of shareholders is scheduled to be held on 20 May 2021. The NoM includes resolutions seeking approval of the acquisition of shares in Appstablishment Software Group Pty Ltd (**Appstablishment**).

## OPERATIONAL UPDATE

We are pleased to provide shareholders with an operational update ahead of what is set to be a transformational period for the Company as we finalise the acquisition of long time business partner

App establishment and launch of our aggregator services under the Visa Business Payment Solution Provider (**BPSP**) and MasterCard Business Payment Aggregator (**BPA**) agreements with Fiserv, Inc (**Fiserv**), announced on 7 and 14 December 2020 respectively.

The Company is in a robust financial position, with a strong, debt free, balance sheet and a number of strategic commercial deals in pilot and in its pipeline. The Company, together with its partners and customers, have demonstrated their resilience from the impacts of COVID-19 and remain committed to, and optimistic about, expanding the business commercially both through the successful onboarding of customers to the Spenda ecosystem and through the acquisition or partnership with new businesses, such as the Invigo transaction announced on 6 April 2021.

The Company is focused on growing both market share and expanding the product reach. In addition to organic growth the Company is continually reviewing and assessing potential acquisition opportunities that fit into one of the following scenarios:

- acquisitions of Intellectual Property which complement our core services and allow us to grow our Annual Revenue Per User (**ARPU**), while being more appealing to more market segments; and
- organisations that have a significant customer footprint that is a fit for our products.

In the meantime, we will continue building functional requirements to improve the Spenda product suite and expand our market presence through target marketing and the upgrade of existing customers.

#### **Business Payments Testing Utilising the BPSP/BPA Agreements**

As announced on 9 March 2021, Cirralto successfully implemented and launched its Business Payments Service utilising the Visa BPSP and MasterCard BPA agreements with Fiserv.

During this quarter the Company completed phase 1 and phase 2 testing of the BPSP/BPA functionality with multiple Customer & Supplier scenarios being utilised to process live accounts/receivable payments of up to \$100,000 per transaction. With the successful implementation of the BPSP/BPA functionality into Spenda's Payment Services, the Company is able to roll out its product more rapidly and deliver on its vision to change the way businesses trade and pay each other. The expected launch of the BPSP and BPA enabled Business Payment stack is 1 May 2021.

### **PRODUCT DEVELOPMENT**

#### **MySpenda Launch**

Towards the end of the Quarter, Cirralto launched MySpenda to the market, a user interface designed to allow effective collaboration between any buyer and any seller.

MySpenda operates as a single portal that allows users to navigate between the functions of buying, selling, managing and collecting debt while providing a fast, convenient and easy way to pay outstanding bills.

## Increased Payment Feature Development

The Company continues to focus on expanding the capabilities of the Spenda payments platform. In Q3 FY21 the Company released additional features that continue to expand our addressable market.

These features include:

- **Integration of Buy-Now, Pay Later services at the point-of-activity**

Under the Partnering Agreement with Fintech lender, Invigo Pty Ltd (**Invigo**), the Company has brought to market the concept of Business Buy-Now, Pay Later (**BNPL**) services, at the point of activity. This will essentially enable retailers to purchase from their suppliers with extended credit terms at the 'point of activity' being the point of purchase. These services allow businesses to better manage their own cash flow and provide payment flexibility to the supply chain. The Company is delivering this capability using the SpendaCollect product as a foundation upon which the payment technology is used to administer, approve and collect the debt.

- **Seller defined merchant surcharging**

The addition of merchant surcharging to Spenda grows our addressable market and makes the product more appealing as a solution for B2B and B2C businesses to implement.

For B2B businesses, the ability to offer their customers improved payment terms with no additional costs to their bottom line will increase the transaction volume moving through the Spenda platform.

For B2C the ability to pass on merchant fees to the end customer allows the Company to pursue new marketing opportunities including offering compelling zero cost merchant rates.

- **Unallocated Payment workflow**

The addition of unallocated payments, or ad hoc payments, to Spenda's payment platform allows customers to make a payment without allocating it to a specific invoice. The ability to pay money to an account rather than an invoice is an important functionality that allows the product to be more appealing to larger customers who traditionally integrate with ERP systems as opposed to small business cloud platforms like Xero and MYOB. The introduction of this feature increases the addressable market for Spenda allowing us to target enterprise customers as well as the existing SME base.

- **Introduction of separate Merchant IDs**

The introduction of separate Merchant Identification Numbers (**Merchant IDs**) to SpendaCollect increases revenue opportunities by enabling the allocation of different transaction rates to payment methods within Spenda.

The team has been working tirelessly and methodically towards achieving the 1 May 2021 release date of the Company's expanded feature-based payment suite. The marketing can expect product development outcomes that include the implementation of powerful new features into Spenda payment suite that improve both the overall compelling nature of our products as well as feature updates as requested by customers and a general clean up and bug fixes.

## Marketing and Business Development

During the quarter, Sales and Marketing initiatives and efforts were focused on recruiting and integrating new talent into the team, optimising operational systems for the scaling of revenue that is anticipated from the 1 May launch and building in market momentum for the Spenda suite.

The Company's brand awareness and marketing efforts have delivered consistent deal flow during the quarter, including initiatives in key verticals that stress test the Company's network effect and end-to-end value proposition. These projects alone are expected to carry the Company into sustainable profitability.

During the quarter the Company increased marketing activities with a focus on the Spenda payment suite, reduced merchant rates and B2B payment collection utilising SpendaCollect.

Lead generation from campaigns increased substantially, with 171 opportunities passed to the Inside Sales Team. The cost per lead (**CPL**) is sitting at an average of \$27, with a conversion rate above 80%. The Company continues to refine its go to market strategy and customer targets to reduce CPL.

Total leads are up 1,088%; from 35 in Q2 FY21 to 416 in Q3 FY21. These leads include 'connected customers' entering the Spenda ecosystem as Suppliers and Wholesalers begin inviting their customers to pay outstanding debt through SpendaCollect. The cost of acquiring 'connected customers' is negligible, as they are obtained through the architected viral nature of the Spenda software and, once connected to the Spenda ecosystem through their supplier, are upgradable to Sendas product suite and payment solutions. This network effect is delivering better than expected customer retention and growth in licensees at a lower cost.

Additionally, brand awareness campaigns successfully delivered increased traffic to the Spenda website with session views up 121%; from 11,276 in Q2 FY21 to 25,000 in Q3 FY21.

## FUTURE FOCUS

The June quarter started with much anticipation. As noted above, in May we plan to launch our new payment stack and complete our long-planned acquisition of Appstablishment. When completed these two events will align and give us full control of our technology assets and round out a strong balance sheet position with a product set that we are poised to commercialise through existing relationships and projects that give us a clear line of sight on our route to market.

In addition to these activities, the June quarter will see the Company evaluate complementary acquisition opportunities and build on the existing agreements with Fiserv and Invigo. Expanding these relationships will enable the Company to unlock multiple payments and point of activity lending commercial opportunities.

The COVID pandemic has resulted in a 20% increase in the use of credit cards and eCommerce to buy products. Therefore, the Company is also looking to grow the capabilities of its in-house web development team to further expand our footprint in eCommerce. A robust eCommerce offering is a natural progression for the Company to round its full-stack sales and payment solution as it

complements our existing software and allows business to trade more effectively online. Spendas current eCommerce offering, Spenda eCom, is delivered with partners.

Managing Director Mr Adrian Floate said, "The coming quarter will usher in the culmination of a long road, but it's just the first step in our exciting journey.

"Our IP strategy and offering customers a breadth of digital transaction capabilities is critical to our long term competitiveness and we believe eCommerce is here to stay and likely to become more tightly integrated into the physical world in the coming 10 years.

"Businesses generally have an impartial view how they achieve a sale, providing they can meet the customer where they want to access the right product at the right price. We want to be even better prepared for the anticipated changes in market conditions and bolster our digital engagement technologies.

"We expect these moves will enable us to be more competitive and own a greater wallet share of expanding customer base."

Authorised by the Board of Directors.

- ENDS -



#### **About Spenda**

Spenda is a feature-based payments product that integrates business processes that happen before and after the payment event adding value up and down the supply chain to consumers, retailers, wholesalers and manufacturers. The product delivers value with digital collaboration that removes the start / stop out of the quote to payment lifecycle, linking any buyer and seller together so they operate from one single version of the digital truth.

Spenda delivers a fully integrated digital payment and business software solution that enables businesses to transform with fast, error-free digital efficiency. We're on a mission to fundamentally change the way people do business by delivering digital tools that streamline business processes, and improve efficiency and payment practices.

The Spenda solution includes real-time digital business payment services, debt collection software, a dynamic POS and inventory management system, eCommerce and catalogue sharing, as well as service management solutions – all of which can seamlessly integrate into any existing accounting, financial or ERP management system.

Our engine can push and pull business data such as debtors, creditors, inventory and transactions (purchase orders, invoices, credit notes, etc.) in real-time or based on user-driven events. We allow

businesses to do the job once, with no double data entry and removes manual, paper-based processes that are time-consuming and prime to errors.

### **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 SpendRetail. 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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