

**ASX RELEASE**

**30 JULY 2021**

## **ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2021**

### **Highlights**

- Successful completion of the acquisition of Appstablishment
- Strategic loan funding arrangement entered into with Invigo
- Cirralto included in the S&P/ASX All Technology Index
- Total cash receipts from customers up 14% for Q4 FY21 to A\$334k
- \$220k cash proceeds received from the exercise of options
- \$21.4m cash as of 30 June 2021
- Customer growth up 9.6% for the quarter
- 6th consecutive quarter of double digit growth
- Completed successful commercial rollout of the Spenda Payment Suite

Cirralto Limited (**ASX: CRO, "Cirralto" or "the Company"**) is pleased to release its quarterly activity and cash flow report for the quarter ended 30 June 2021 (Q4 FY21).

### **OPERATIONAL UPDATE**

#### **Strategic Nodes & Sales Strategy**

The Company remains focused on winning significant nodes and then selling into their connected customer base. A node refers to any business that has a large number of connected trading partners. A node could be a wholesaler, distributor, vertically integrated marketplace or franchise group.

Central to the node strategy is the supply of the software solution as a vending machine for payment and trade finance transactions. Each node represents an opportunity to build upon SaaS revenue with services and, most importantly, the sale of cash flow (non-bank lending) and payment products.

The “flywheel effect”, of the Spenda platform and its invitation based customer acquisition model is beginning to cut through and as a result, we have had a licensee growth of 9.62% within the June quarter.

### **Franchise**

The Company has successfully engaged with franchise businesses in the flooring and soft furnishings industry and will be supplying a variety of debt and payment services. The structure of the transactions will be designed to deliver supply chain finance and payments solutions that will enable the franchisee businesses to achieve early settlement discounts from its supply line, and standardising pricing on payment services that together provide a compelling return on investment to the network.

The delivery of these transactions is a key building block in the Company’s node strategy and will act as a standardisation model for other transactions currently being contemplated by the Company in this area.

### **Agri-Business**

During the quarter the Company announced its plan to develop core revenues in the agricultural sector. On the back of these activities, the Company entered into a strategic relationship with Fresh Supply Co as a referral partner. The commercialisation of this agreement will enable the Company to tackle the agricultural sector through Fresh Supply Co’s established network of more than 20 livestock, grain and fruit and vegetable farmers. The companies are currently

working on a strong pipeline of opportunities in payments and non-bank lending presenting material revenue-generating opportunities for Cirralto.

The parties will work collaboratively across their respective mutual relationships with MasterCard.

### **Tech**

The tech channel is focused on the delivery of the Company's Spenda Payment Services (**SPS**) technology to other software and marketplace companies. The SPS that have been won involve the supply of the Company's:

- Pay Now / Pay Later check out widget - this enables marketplaces to administer payments and offer terms of trade online to buyers that extend credit from cash-on-order (pay now) to pay in 30 days (standard business to business terms of trade).
- Trade Finance and Line of Credit services via API - this enables software companies to monetise their customer's receivables and payables ledgers at the point of activity.

Commercial partnerships with technology companies is an increasing focus of the Company as it scales the SPS core offering.

### **Fashion**

The Company expanded its footprint in the fashion sector through the engagement of an Australian online clothing marketplace that connects wholesalers with retail outlets. Cirralto has been engaged to solve transactional inefficiencies and provide more secure and convenient payment processing with the added benefit of introducing Buy-now, Pay-later payment options.

This transaction connects a number of core services and enables the broad delivery of a tech solution in a vertical segment where the Spenda system has broad application.

## **Automotive**

Following the launch of the SpendaService, the Company began working with early adopters and partners to roll out its solution combining both software and payment services. The Company is leveraging its long term relationships in this segment to establish a baseline customer base of up to 100 locations throughout the remainder of 2021.

## **Sales Strategy**

Against this backdrop of expanding target segments and new business initiatives, the Company has restructured its sales activities and made key recruitments within its Sydney team.

These key recruitments will provide valuable resources across the sales landscape as we focus on scaling out the core business.

## **CORPORATE AND FINANCIAL UPDATE**

### **Acquisition of Appstablishment**

As announced on 20 May 2021 and following overwhelming support from shareholders, the Company completed the acquisition of Appstablishment Software Group Pty Ltd (**Appstablishment**), the Company's long term licensing collaborative partner. The acquisition was an essential step in the Company's development and ambitions to align its technology assets and provide a platform for institutional support.

Cirralto benefits from directly owning the proprietary software and Intellectual Property (**IP**), including the core product, Spenda, both domestically and internationally. The acquisition of Appstablishment removes licencing fees and duplicated overheads, enabling Cirralto to offer its Software as a Service (**SaaS**)

and payment services at a very competitive market rate, reducing pricing inflexibility as a barrier for growth.

Appstablishment was founded in July 2001 with the goal of building software that connects people and businesses in a digital ecosystem. The software that drives Spendia, is the result of this goal and is the outcome of more than ten years in software development to support system integrations and payments.

In addition to acquiring the core IP, Cirralto also gained a considerable technology uplift with, the addition of a ready-made, robust development team that works cohesively with the existing business resources, and control of both the product roadmap and the development tempo, these being critical components in an agile business and ones that enable the Company to deliver on business opportunities.

The acquisition delivered three major outcomes:

- **Team resources** - The addition of a team that has 20+ years of experience working together, developing software and commercialising it;
- **Pricing autonomy and margin control** - The extinguished license agreement removes all fixed cost constraints that were an impediment to the Company's competitive positioning; and
- **Intellectual Property** - Being the Spendia & Synk'd software, know-how and capabilities that are the vending machine for Cirralto Payments technology.

### **Invigo Acquisition and loan funding arrangement: Non-Banking Lending Strategy**

Throughout the quarter, the Company collaborated with the board and shareholders of Invigo Pty Ltd (**Invigo**), to develop an acquisition framework that both parties believe to be highly synergistic and act as a clear commercial catalyst to grow the combined entities financial technology. This was underpinned initially

by the provision of a strategic loan from Cirralto to Invigo, to enable Invigo to expand its available debt capital from senior funders.

Subsequent to the quarter-end and as announced on 5 July 2021, the Company signed and executed a binding Share Sale Agreement to acquire 100% of the issued capital of Invigo. The acquisition was completed on 23 July 2021.

The acquisition is expected to unlock multiple commercial opportunities, drive revenue growth and provide opportunities for Cirralto to deploy its Spenda products across Invigo's customer base.

The acquisition will also allow the Company to:

- Reduce administration costs through the consolidation of credit and risk management into a single team. This will enable a single credit approach for both payment and non-bank lending services;
- Expand and maximise the margin from the point of activity trade finance services of the Company by delivering multiple options to customers and their trading partners to pay and get paid within the Spenda platform;
- Embed additional functionality to the Spenda suite, including buy now, pay later and pay by instalment options that enable the Company to further monetise its existing technologies; and
- Enable the creation of AML / KYC economies of scale.

### **Inclusion in the S&P Dow Jones Index**

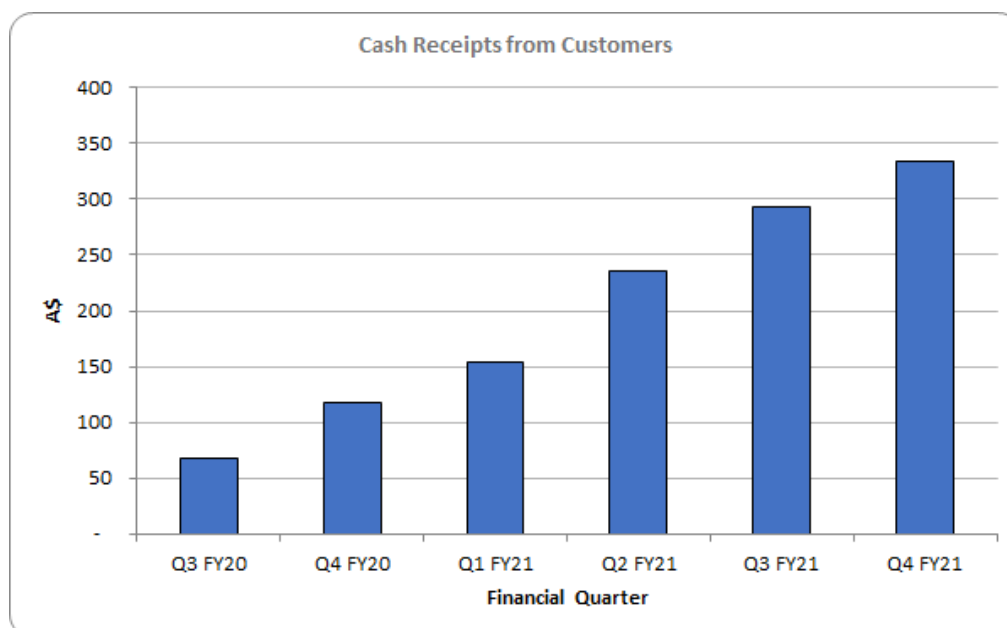
In June the S&P Dow Jones Index announced their 2021 Quarterly Rebalance. This included changes in the S&P/ASX indices as a result of their June quarterly review that added Cirralto to the All Technology Index effective from 21 June 2021. Inclusion in the All Technology Index, which features Australia's leading and emerging

technology companies, is a significant achievement for the Company and one that recognises the Company's growth, software capabilities and upward momentum.

### Financial Position

During the quarter the Company continued to successfully onboard new customers across multiple market segments. The Company's primary focus was on developing customer segments that can deliver long term sustainable growth and layered recurring revenue.

Cash receipts from customers continue to grow quarter on quarter, with cash receipts for this quarter being \$334k, representing a 14% increase on the prior quarter, as depicted in the below graph. This resulted in a closing cash position of \$21.4m as of 30 June 2021.



Payments totalling \$73,349 were paid directly to Mr Adrian Floate (Managing Director) in relation to directors' fees and superannuation on directors' fees.

Payments totalling \$930,000 were paid to Appstablishment Pty Ltd, a Company related to Mr Adrian Floate, prior to the acquisition of the Company as noted above on page 1, for the purpose of working capital.

Accrued costs of \$7,500 were recorded in relation to directors' fees for Mr Peter Richards, and remain payable as at 30 June 2021.

Accrued costs of \$7,500 were recorded in relation to directors' fees for Mr Howard Digby, and remain payable as at 30 June 2021.

Accrued costs of \$7,500 were recorded in relation to directors' fees for Mr Stephen Dale, and remain payable as at 30 June 2021.

No other related party transactions occurred during the quarter ended.

### **Summary of operating expenditure incurred on business activities**

The operating expenditure for the June 2021 quarter is summarised as follows:

	\$'000
Product manufacturing and operating costs	35
Advertising and marketing	73
Leased assets	3
Staff costs	513
Administration and corporate costs	711

## **PRODUCT DEVELOPMENT**

### **Highlights**

- The commercial rollout of the Spendapayment Suite
- The successful release of SpendapaymentService



## **The commercial rollout of the Spenda payment suite**

During the quarter the Company successfully upgraded its Spenda Payment Services. The upgrade included several new features and capabilities that improve the utilisation of BPSP / BPA capabilities and enhanced support for bank account to bank account. These improvements were firmly focused on supporting future scale in payment and cash flow services.

This new functionality changes the size of the customers that the Company can pursue, from small and medium businesses to distribution chains and national providers, while also increasing the speed and scale that a customer can onboard.

## **SpendaService Release**

As unveiled, at the Company's EGM during the quarter, the Company released a version of the core SpendaPOS system specifically targeted to the automotive industry. SpendaService is a fully integrated iPad based Service Management and Point Of Sale application targeted to small to medium independently owned mechanical workshops or franchise groups.

## **FUTURE FOCUS**

### **Highlights**

- Establishing the Company's debt capital base; and
- Continual review and assessment of potential acquisition opportunities

As the Company rolls out its payments and non-banking lending services and digests its recent acquisitions, the Company is looking forward to executing upon key strategies to meet its growth opportunities.

These include:

1. Establishing debt capital facilities for non-lending purposes;

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2. Further execution of the node & spoke strategy in tech, automotive, franchise and agriculture.
  3. Identity-driven customer boarding;
  4. Expansion of customer service and credit teams to support demand;
  5. Consolidation of credit processes for payments and non-bank lending;
  6. Assessing further potential acquisitions of assets, IP and customers bases to further leverage the Company's core business; and
  7. Completion of works to enable the delivery of commercial agreements under recently signed deals with Mastercard and Fresh Supply Co.

### **Establishment of a Debt Warehouse**

The acquisition of Invigo and the blending of our customer bases, coupled with Cirralto's recent customer and referral agreements, has resulted in the Company needing to establish a debt base for on-lending purposes.

The Company is currently executing plans to establish a debt warehouse to support demand for its payment and non-bank lending services across the AgriBusiness, Tech and Spendacollect channels. The establishment of a debt warehouse will be a major enabler for future revenue as the Company unpacks its Spenda technologies in the market.

Cirralto's Managing Director, Adrian Floate, said: "This has been a transformational quarter for the Company. We are commercialising several products in five major verticals that are enabling us to attack the addressable market of late payments that in Australia alone is worth more than \$A110B. We have established critical building blocks during the June quarter that will allow us to grow sustainably. We were really pleased to achieve our sixth consecutive quarter of double-digit growth. We are extremely well-positioned to capitalise on the significant opportunities that lie ahead of us in FY22 and beyond."

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.

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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 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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