

27 July 2018

ASX Announcement  
**Market Update**

**Key Highlights:**

- **Cirralto's PoolBox solution continues to gain traction across Australia and NZ**
- **New product offerings now include hardware, services and finance**
- **The Company signals changes to the Telstra engagement together with a partnering agreement with Classic Funding Group**
- **Operational guidance updated with a strong FY19 Outlook and customer engagement plan**

**Market Update**

Cirralto Limited (**Cirralto** or **the Company**) (ASX: CRO) is pleased to provide the following corporate and operating update to the market.

**Key Contracts & Operational Rollout Update**

The Cirralto PoolBox solution continues to gain traction in the pool and spa market with over 100 individual customer engagements and implementations under way. Cirralto has engagement with the 5 major pool and spa services umbrella groups representing approximately 70% of the Australian and New Zealand vertical markets.

The Company is currently ramping up support and implementation services to deliver a monthly run-rate of up to 75 site deployments by October 2018. To meet this increased demand, the Company continues to add resources to its support and implementation team.

**Changes to Cirralto Relationship with Telstra**

As part of the recently publicised rationalisation of Telstra's product offerings to the Australian market, the Company will no longer be participating in the Telstra Digital Commerce

programme. The implications of this are still being assessed and while there is no expected impact on any of the current work and success that the Company has achieved in the market to date, this change has resulted in the Company having to issue new engagement contracts to the majority of its customers, to replace previous contracts with Telstra.

This has in turn impacted on FY18 revenues and cash flow and consequently the Company will not achieve the previously announced guidance to the market. The Company expects that the overall effect of this change will be a net zero impact over the term of each customers' engagement and with potential to see an increase in the value of each customer engagement resulting from the broadened product and service offering given the ability to add hardware solutions to the core Company software solution.

In response, the Company has now initiated a new "Go to Market" strategy and is currently in the process of engaging directly with its current customer base and pivoting away from the Telstra model in order to mitigate the impact of this change. The change in strategy will enable Cirralto to significantly broaden the solution offering, supported by a more flexible financing solution for our customer base.

### **Classic Funding Group**

As part of the value-added hardware and service bundle offerings, the Company has engaged with Classic Funding Group to offer debtor and equipment finance to its customers. This partnership will enable the Company to offer a tailored finance package that allows the customer to acquire hardware and services, amortized over a 36-month term. The Company now has the ability to provide its customers with a range of tailored financial solutions to package the solution bundles incorporating software, hardware and services.

Classic Funding Group is an Australian owned non-bank financial services company with over 25 years' experience in providing innovative finance solutions.

### **Operational Performance**

The recent change to the Company's engagement model with Telstra has impacted operational performance with the Company suspending its contracting and invoicing processes until appropriate releases were received from Telstra. This in turn has meant the Company's previous guidance stated to the market on May 1, 2018 has not been achieved.

Notwithstanding, operations have been progressing positively with customer engagement across channels growing significantly. Cirralto continues to grow its footprint into new vertical markets with franchise groups to deploy similar vertical market solutions to PoolBox.

The Company has already successfully demonstrated its solution capabilities to three substantial customers; one being in the retail franchise market and the other two being in the retail food distribution vertical and hardware and supplies distribution vertical. The Company is undertaking pilot programs with these Customers and will update the market accordingly as to the progress, success and timings of these programmes.

### **FY19 Outlook and engagement plan**

Whilst the changes to the Company's operating environment has had an impact on the FY18 financial year, this will impact positively the FY19 financial performance as we load the front end of the financial year with the transferred FY18 operations.

Cirralto's Board is confident that the impact to the Company's financial performance will recover quickly and that the Company remains positioned to realise the growth trajectory signalled by the strong customer engagement in the back half of FY18 across the major franchise groups in the Australian and New Zealand pool services sector.

A major focus of the Company has been to resource the implementation and service support capabilities to support the increased monthly rollout of solutions. As highlighted above, it is expected that the monthly capacity will increase to a run rate of 75 implementations per month by October 2018. The structure of the agreement with Classic Funding will realise a significant upfront payment for each implementation followed by a trailing income of 36 monthly payments over the 3-year term.

The Company is presently focussed on broadening its customer base across other sectors and is currently engaged in convenience retail, large buying groups, hospitality supply and eCommerce sectors. The Company will update the market when further contracts are concluded and implementations commence.

With the Company's restructured business model now in place we intend to provide regular operational updates to the market reporting on cash receipts and contracted revenue.

### **Changes to Accounting Standards**

The new AASB 15 standard applies to Cirralto and its related entities from 1 July 2018, with early application permitted.

AASB 15 replaces existing accounting guidance and introduces a comprehensive revenue recognition model aimed at enhancing comparability of revenue recognition practices across all entities and industries.

The Company is continuing analysis and assessment of the impact of the new revenue standard. This includes identifying and updating changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objective of quantifying the expected first-time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

**For more information, please contact:**

Mike Mulvey  
Chief Executive Officer  
[mike.mulvey@cirralto.com.au](mailto:mike.mulvey@cirralto.com.au)

**About Cirralto**

Cirralto Limited (ASX: CRO) listed company that owns and operates technology assets and services that enable modernisation of business IT systems via the conversion, migration and management of server based legacy data and systems to the Cloud.