

Cirralto

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Cirralto sees FY21 as pivotal during repositioning as digital payments service provider to serve relatively untapped market

Cirralto Ltd (ASX:CRO) sees the 2020/21 financial year as being pivotal for the company as it transitions from a SaaS company to a digital payments service provider and experiences a marked step-up in customers using its Spenda suite of payment products.

During the June quarter, it has seen a 73% growth in cash collection and a 396% hike in average revenue per user (ARPU) as the company continues to reduce operating overheads.

Net operating outflows have been reduced by \$518,000.

The June quarter started on the back of a downturn across the economy as its customers closed down and projects were cancelled or delayed.

Signs of recovery

However, in May, the market began to recover, resulting in a 398% increase in ARPU and a general revival in customers' sales revenues.

Its network saw over \$200 million in monthly sales transactions by value in June, a sharp rise from April where sales fell below \$150 million.

Managing director Adrian Floate said: "The June 2020 quarter has delivered a set of great results and leading indicators give us great optimism for the coming quarters."

"I firmly believe that 2020/21 will be a pivotal year for the company as we reposition the business as a payments service provider which leverages our innovative software and allows us to gain significant footing in a relatively untapped area," he said.

Virtual workplace

Cirralto said after transitioning to the remote working model to comply with social distancing requirements, it had no plans to reopen traditional office locations and was exploring new and innovative models to support its continued growth.

Its core business functions continue to operate as normal, with the company experiencing a sustained productivity increase.

Spenda

During the June quarter, the company expanded its footprint in the payments industry, improved its margins and enabled integration with OpenBanking platforms and Australia's New Payments Platform (NPP).

Price: 0.039

Market Cap: \$62.05 m

1 Year Share Price Graph



Share Information

Code: CRO

Listing: ASX

52 week High Low
0.046 0.00161053

Sector: Tech

Website: www.cirralto.com.au

Company Synopsis:

Cirralto Ltd (ASX:CRO) owns and licenses 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.

action@proactiveinvestors.com.au

Cirralto is in active negotiations with card scheme providers and expects to broaden its reach and capabilities in the payments sector.

Further works were carried out to improve the company's data security and platform scaling capacity and independent specialists were engaged to undertake security testing to confirm no significant security vulnerabilities or threats as it looks towards expansion in 2020.



The company is targeting around \$225 million per month in existing business-to-business payments volume from its customer network for conversion to its new Spenda platform.

It is already processing about \$1.7 million directly through its new platform.

The SpendaPay payment platform offers its customers:

- An integrated EFTPOS offering bundled with SpendaPOS; and
- A Virtual Pin Pad service for processing online payments via phone or eCommerce.

These payment services enable Cirralto to charge customers merchant fees on a sliding scale, with the base blended merchant fee being 1.5% of the invoice value.

Payment preferences change

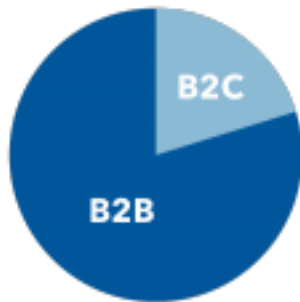
With COVID-19 disrupting aspects of the retail payments system, merchants and consumers have changed their payment preferences and mode of interaction, resulting in a rapid uptake of digital, contactless payments, with contactless payment the preferred mode of transacting, even for low- value payments.

There has also been a significant shift to online shopping and digital payments.

Floate said: "Since the launch of the SpendaCollect product, we have been flooded with interest from a really diverse cross-section of the market.

"The next step for our team is to implement processes that will allow us to satisfy the increased demand for our services."

Focus on B2B transactions



**B2B DIGITAL PAYMENTS ARE
ESTIMATED TO BE WORTH
\$100BN ANNUALLY IN AUSTRALIA**

B2B merchants' transactions limits are up to 25 times greater than their retail counterparts and although B2B merchants process less transactions than retailers, their transactions are substantially greater in value than retail-to-consumer (B2C) transactions.

Further, B2B merchants are more invested in getting paid on time because of compliance obligations.

SpendaCollect can process more than \$25,000 in a single statement payment compared to the average retail transaction of less than \$500.

This is significant as far fewer merchants are required to acquire substantial blocks of revenue and market share in the payments space.

SpendaCollect can be used by almost any industry making the addressable market in Australia alone conservatively greater than \$100 billion in merchants' payments.

Cirralto has focused on the B2B market because of the revenue acceleration it delivers with relatively few merchants.

The scale of B2B merchants is such that 100 SpendaCollect merchants are the equivalent of 2,500 - 3,000 retail merchants, the company said.

Cirralto also plans to launch its B2B "Pay Later" and trade finance modules with its partner Invigo.

Marketing & business plans

Towards the end of the quarter, the company started to actively implement its channel, inside sales and marketing strategies. These included:

- Digital acquisition of leads via LinkedIn, Instagram, Twitter, Facebook and industry publications;
- Thought leadership articles positioning Cirralto as experts in the business payments space, including coverage in the West Australian and the Australian Institute of Credit Management Magazine;
- Upgrading payments services within its existing customer base;
- Channel development with new resellers in a variety of verticals; and
- Software-driven upgrades that create structured customers referrals and expand its overall network.

The Spenda App platform was launched in the Apple App store and Xero App Marketplace.

Proposed attendance at retail industry conferences across Australia during the coming months has been cancelled in light of continued travel restrictions due to COVID-19.

All articles and product showcases will be published on product websites and social media platforms.

In June, the company raised \$600,000 via a convertible security funding agreement with key major shareholders to go towards the continued development of its projects and general working capital purposes.

Appstablishment acquisition

Cirralto and its proposed merger partner, Appstablishment, continue to work together to complete key compliance items necessary to finalise the acquisition of Appstablishment, which has been delayed to end October 2020 due to the complexity of the transaction and continued disruption to professional services.

The merger will deliver more than \$1 million in research and development grants in the financial year 2020, in addition to around \$500,000 in annual sales and a reduction in duplicate overhead costs to the business.

Floate said: "The acquisition of the Appstablishment group, currently our software partner, is a marriage made in heaven.

"Cirralto will get a huge technology uplift and a ready-made development team that works really well with the existing business resources.

"To build a development team of the calibre we are acquiring would easily cost seven figures on recruitment fees and talent sourcing."

Cash position

Cash receipts for the quarter totalled \$118,000 and total cash at the end of the quarter was \$272,000 as the business continued to roll out Spenda products and transitioned into a business payments service provider.

Available funds at the end of the quarter via undrawn facilities total \$769,926.

The deferment of board fees paid in cash continued during the quarter and will be reviewed by year-end.

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Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

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