CORPORATE DIRECTORY

Chairman

Peter Richards

Managing Director

Adrian Floate

Non-Exec Directors

Stephen Dale
Howard Digby

Company Secretary

Justyn Stedwell

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ASX Code

CRO

Issued Capital

Shares: 660,257,705
Options: 91,621,274

Transformational Acquisition of Appstablishment Software as a Service (SaaS) Business

Transformative Acquisition brings product and technology development capability together with Cirralto's customer facing solutions and existing data migration technology. The Acquisition of Appstablishment brings ownership of the Spenda and SYNK'D platforms to Cirralto. The two platforms modernise and integrate the way businesses transact, delivering substantial productivity gains and improved workflows. Appstablishment has established customers providing additional revenue of $0.5m per annum to Cirralto.

Highlights

- Cirralto to acquire 100% of Appstablishment Software Group Pty Ltd (Appstablishment), a software as a service (SaaS) company which has developed proprietary software, some of which is currently licensed exclusively to the Company.
- Appstablishment's vision is to fundamentally change the way businesses transact, delivering substantial productivity gains and cost savings to its customers.
- Appstablishment's proprietary software enables small and large businesses to share data simply and easily across B2B and B2C channels.
- The acquisition is complementary to the Company's existing technology portfolio and gives Cirralto ownership of key IP both domestically and internationally.
- Appstablishment's technology suite is licensed to one of Australia's largest co-op groups and is deployed across a vertical market with over 15,000 businesses that interact with or through Appstablishment's software.
- The acquisition brings additional annual recurring revenue of ~$0.5m per annum to Cirralto.
- Appstablishment has a large pipeline of potential new customers for the Spenda and SYNK'D platforms as well as the potential to substantially increase revenue from its existing customer base.
- In consideration for the acquisition of Appstablishment, its shareholders will be issued 825,000,000 shares in Cirralto.
- The acquisition is subject to shareholder approval and other material conditions. A Notice of Meeting will be provided to the market in due course.
- The Acquisition represents a transformative milestone for the Company in acquiring an established software development house.

The Board of Cirralto Limited (ASX:CRO or the Company) is pleased to announce that it has executed a legally binding Share Sale Agreement with technology company Appstablishment Software Group Pty Ltd (Appstablishment) and its majority shareholders to acquire 100% of the issued capital of Appstablishment (Acquisition).

Appstablishment develops software products some of which are currently under licence to the Company and the Acquisition brings all intellectual property (IP) and development functions in house providing the Company with complete control and ownership of key IP and all development activity both in Australia and globally.

Appstablishment overview

Appstablishment is a software as a service (SaaS) company whose vision is to fundamentally change the way businesses transact by delivering software tools that simplify data sharing and collaboration.

Appstablishment's mission is to create software that exchanges data so simply and easily that the software is adopted across networks and marketplaces as businesses collaborate with each other, enabling true B2B eCommerce marketplaces.

Appstablishment has developed the SYNK'D "Integration as a Service" platform (SYNK'D) and a business management application (Spenda) (together the Software). The Software provides a complete point of sale, procurement, warehousing and inventory management solution that allows companies to transact efficiently in the cloud with complete integration into accounting platforms. This delivers substantial productivity gains and cost savings to customers.

1. The SYNK'D and Spenda platforms

Businesses of all sizes have similar problems at differing scales, but the largest single problem is enabling simple and equitable trade between small and large businesses.

Appstablishment provides Software that solves this problem by simplifying complex workflows encompassing sales, procurement, warehouse and inventory management.

SYNK'D is a multi-platform integration service that facilitates synchronization of financial and operational data between financial accounting platforms such as Pronto, NetSuite, XERO, MYOB Account Right Live and QuickBooks Online, and third party software systems that encompass service management and e-Commerce platforms.

Spenda fosters simple and easy collaboration and trading between:

- Small and large business to business (B2B) customers through the sharing of inventory and catalogues by delivering real time ordering, invoicing and payments; and
- a point of sale (PoS) platform when selling and taking payment at the counter, in the field or online through e-Commerce for businesses with direct sales to end customers.

SYNK'D integrates each transaction in the Spenda platform into financial systems to make accounting and compliance fast, accurate and error free.

Spenda is certified and live in the global small business platform Xero's (ASX:XRO) app marketplace with access to Xero's Australian customers.

Appstablishment's niche is that the Software simplifies complex workflows, fosters collaboration and data sharing between small and large businesses resulting in substantial productivity gains and cost savings. These operational capabilities and efficiencies are normally reserved for expensive enterprise level business solutions.

2. Broad Application Across Many Industries

Appstablishment's route to market strategy is centred around the Software tying together multiple applications in a solution that is implemented within vertical markets across the entire value chain; from manufacturers right down to the end consumer, allowing real time inventory / product visibility from the point of manufacture to the point of sale to the consumer. The Spenda and Synk'd software provides owners with a real time view of how their business is performing.

Each boxed implementation is designed to deliver value to a specific segment of the value chain and is marketed to specific vertical markets or customer types. This technology is designed in a way that once deployed for one vertical market, it can be deployed into other vertical markets with only minor reconfigurations, thereby rapidly expanding addressable markets which are available to Cirralto.

The ability to infiltrate all levels of the value chain gives the Company significant agility in its routes to market, revenue sources, and the potential for rapid growth. The Software's two-sided application architecture makes each customer a sales agent as they encourage their trading partners to adopt the platform with each transaction, they process with in the Spenda Marketplace.

The Software offers value across the entire value chain from the consumer to producer. Each layer within a value chain are targets with specific products to address their needs and improve their engagement with their trading partners.

- Manufacturers to Distributors
- Distributors to Wholesalers
- Wholesalers to Retailers
- Retailers to Consumers

3. Customers

Appstablishment's typical customers include SME retailers (multisite, franchise and vertical specialisation), wholesale distributors, manufacturers and producers (with direct to market retail customers).

Appstablishment's current customers include a major co-op member group that is the market leader in the automotive industry across Australia and New Zealand, and a major distributor of dairy products that is one of WA's oldest dairy companies.

In acquiring Appstablishment, the Company acquires an in market transaction authorisation gateway servicing an industry vertical that is installed at over 2,000 businesses and interfaces with an additional ~15,000 end point businesses.

4. Business Profile

Appstablishment's team is based in Perth, WA and consists of 27 staff. The team consists predominantly of developers (web, mobile, UI/UX), followed by marketing and design.

The core Appstablishment team has been together since 2001 and has successfully created and deployed software solutions to numerous customers including Bunnings and The Professionals Group.

Cirralto relationship with Appstablishment

The Company is the exclusive licensee of Appstablishment's PoolBox software and IP in Australia and New Zealand and contracts Appstablishment's development team to meet the ongoing development requirements for the maintenance and enhancement of the PoolBox standard operating environment.

In the last three months Appstablishment and its directors have provided a loan facility to Cirralto of A$530,000 to fund the Company's working capital requirements whilst progressing the commercialisation of Appstablishment's licensed IP.

1. Strategic Rationale

Given the Company's existing relationship with Appstablishment, Cirralto has concluded that in order to advance its customer acquisition strategy in deploying SaaS solutions, such as PoolBox, the Company is reliant on the continued use of Appstablishment's licenced IP. Cirralto will benefit financially from the removal of license fees currently being paid to Appstablishment.

In addition, in order for the Company to commercialise its go to market strategies in deploying SaaS solutions to specific industry segments both domestically and internationally, the Company will be significantly advantaged through the ownership of Appstablishment's IP, removing any strategic risk of the IP being acquired by a third party.

2. Benefits of the Acquisition

The Acquisition represents a transformative milestone for the Company in acquiring an established software development house with an experienced team of senior developers and a proven track record of developing, deploying and commercialising IP. This enables the Company to benefit from owning commercial IP and will provide access to the Australian Government's research and development (R&D) tax incentive scheme.

Appstablishment's existing proprietary IP is expected to enhance the Company's earnings and cash flow. The ongoing IP product development provides the Company with an opportunity to expand the range of products and services available to the Company's customer base and sales channels.

3. Merged Group

On completion of the Acquisition, the Company will acquire:

- its own development team capable of creating new IP;
- an organisational structure and infrastructure capable of supporting growth and scaling operations;
- a team with proven success in developing, marketing, implementing and commercialising software; and
- access to existing customers (~15,000) with the potential to grow revenue by achieving additional SaaS.

Direct immediate financial benefits to the Company include:

- revenue of ~$0.5m (ex Cirralto license and contracting fees and R&D tax incentive rebates);

- recognition of software licence fees previously payable to Appstablishment will be recognised as revenue (previously recognised as cost of goods sold);
- cost synergies, including consolidated human resource, compliance and audit cost; and
- recognition of the ability to claim the Australian Government research and development tax incentive.

Post Acquisition – Achieving Penetration and Scale

Upon completion of the Acquisition, the Company's strategy and focus to achieve market penetration and scale will be enhanced by:

- Continuing the roll-out of the Company's SaaS solutions to its existing customer base and the fast-moving consumables goods vertical (FMCG). Under this deployment strategy, the franchisor or supplier (sponsor) may subsidise a basic version of the software for its franchisees or customers (the end user) to enable the end user to trade or connect better with the sponsor.
- Growth and scale occur by adding more end users within the network (network participants) and adding chargeable upgrade functionality to each end user within the network.
- The customer acquisition framework under development by Appstablishment will automate customer onboarding, making it easier to add more end users and offer "self-help" functionality.
- This promotes further growth by giving end users SaaS tools and upselling new functional modules (with corresponding increases in monthly fees).
- Enabling "Network Effects": The system is designed so that the more users there are on a given network, the more potential there is for viral adoption of Cirralto's SaaS solutions.
- A practical example of network effect is seen when more users mandate the use of the system with other suppliers and customers in the extended network.

Key Acquisition terms

In consideration for the acquisition of 100% of the issued capital of Appstablishment, the Company will issue to Appstablishment shareholders:

➢ 825,000,000 fully paid ordinary shares in the Company (CRO Shares) (Consideration Shares);

Settlement of the Acquisition is conditional upon the satisfaction (or waiver) of the following material conditions precedent on or before 28 February 2020 (or such other date as may be agreed in writing):

➢ CRO shareholder approval for the issue of the Consideration Securities;

➢ CRO shareholder approval for the appointment of Mr Francis DeSouza as Executive Director;

➢ the Company obtaining all necessary regulatory approvals or waivers pursuant to the ASX Listing Rules and Corporations Act;

➢ execution of ASX restriction agreements to the extent required by ASX;

➢ the Company obtaining all regulatory approvals (as required), including with respect to Chapter 11 of the ASX Listing Rules;

Rare Air Nominees Pty Ltd is associated with existing Company director Adrian Floate whose associated entities presently holds 8.5% of the Company.

Upon completion of the Acquisition, Appstablishment founders, Mr Adrian Floate and Mr Francis DeSouza will hold approximately 38% of the Company's voting rights.

As Appstablishment's major shareholder, Rare Air Nominees is a related party of the Company, Listing Rule 10.1 will apply to the Proposed Acquisition. Further, as Rare Air Nominee's holding will increase to above 20%, approval under item 7 section 611 of the Corporations Act is required.

As such, the Company will commission an independent expert's report to substantiate the fairness and reasonableness of the Proposed Acquisition and seek shareholder approval pursuant to item 7 of section 611 of the Corporations Act.

Proposed Timetable

Event	**Indicative Date**
Announcement of Appstablishment acquisition	6 December 2019
Dispatch of Notice of Meeting and Independent Expert Report to Shareholders	By 24 January 2020
Date of Shareholders Meeting to approve acquisition	By 26 February 2020
Completion of acquisition	By 28 February 2020

This timetable is indicative only and may be subject to change.

Chairman Peter Richards commented "*the integration of Appstablishment's proven SaaS product offering, technology capability and existing customer base, combined with the Company's data migration software will bring an exceptional development team inhouse and provide clarity and focus to drive the Company to the next level of performance. Shareholders can expect to see the true value of the Company's potential as a result of this acquisition.*"

Further information

Further details for Appstablishment and the Acquisition will be contained in the Company's notice of meeting and independent experts report which will be sent to shareholders.

Authorised by the Board of the Company.

6 December 2019

<ends>

For Shareholder contact:

Please email: shareholders@cirralto.com.au

About Cirralto:

Cirralto Limited (ASX: CRO) is an ASX listed company that 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.

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