

Overview

- > \$2.5m fundraising being undertaken
- > Proposed Acquisition of Bambu Digital, a broadbased SaaS business
- > Head count reduction with savings of approximately 25%
- > Other cost savings implemented and cost review continuing
- > Management changes and new board
- > Product roadmap revisited, development capability enhanced
- > Focused approach to customer acquisition, yield replaces land grab strategy

Proposed Acquisition

- Binding term sheet signed for the purchase of Bambu Digital Pty Limited.
- Bambu is a software development business that has been building and selling business productivity products to the SME and mid-sized market around the world for over 20 years.
- Bambu also has a decade of experience as an award winning digital marketing agency with significant knowledge in the social media management and digital marketing industry.
- Bambu has agency clients including Toyota and BMW, and has worked for major companies in Asia and Australia
- Bambu started in 1992 providing business productivity methodologies by way of paper manuals, training videos and spreadsheets. It progressed to develop desk top based software and expanded the range of proprietary methodologies. In 2000 it created a separate digital agency using technology based digital marketing platforms. In 2011 it started converting its desktop apps to saas products and created further proprietary methodologies.
- Bambu has over 20 software products that can be added to the Company's offering.
- Bambu also brings a strong presence in Australia and South East Asia to the Company's American and European footprint.
- The script based acquisition will be subject to shareholder approval to be sought at a meeting expected in late-June.
- Moore Stephens has been appointed as independent experts to assess whether the transaction is fair and reasonable to shareholders.

Quarterly Business Update

- The Company experienced a net operating cash outflow of \$556,000 for the quarter (Q3 FY17) compared to \$720,000 for the previous quarter (Q2 FY17) representing a 23% reduction. This was the commencement of a cost reduction program implemented by the Board.
- Cash receipts for the quarter ended 31 March 2017 totaled \$30,000, and \$98,000 for the year to date (9 months), primarily driven by early revenues generated by the Enterprise Solution. Over the quarter the Company also started to generate revenue from product sales in cloud stores. Whilst revenue from cloud store sales is in its very early stages, it indicates that the distribution channel integration works with the revenue coming from several cloud partners around the world.
- The cash reserves at the end of the quarter was a \$103k, and in line with budget. Refer below for capital raising activity undertaken following completion of the Quarter.
- Cost savings were implemented across the Company with approximately a 25% reduction on salaries and significant saving in rent, marketing sponsorship and administrative costs. Cost management continues to be a priority.
- Anthony Owen resigned as CEO and has continued as an adviser.
- Jim McKerlie assumed full chief executive responsibilities.
- New board members, appointed in November 2016, actively participated in strategic and operational policy decisions.
- The board, excluding Jim McKerlie, who is a related party, negotiated the proposed acquisition of Bambu.

Capital Raising

- During the quarter the Company completed a bridging fund raising whilst a larger fund raising was being undertaken. This bridge comprised raising \$496k by way of Convertible Loan Notes. Jim McKerlie provided a guarantee of \$250,000 to the note holders.
- In April the Company undertook a larger fund raising by way of a share placement to professional and sophisticated investors at an issue price of \$0.02 per share. The share placement comprised \$610k in Tranche One, issued without shareholder approval (the majority of Tranche One was completed on 20 April 2017 and the balance was completed on 28 April 2017) and a further \$1.89m in Tranche Two which is subject to shareholder approval to be sought at a meeting expected to be held at the beginning of June.
- It is anticipated the Convertible Loan Notes the Company on issue will be converted to equity upon approval at the shareholder meeting.
- The funds raised provide the runway for the Company to continue the commercialisation and development of its existing social media management software and to enable the Company to seek to implement the proposed Bambu acquisition.

Strategy

- > Focus shifts from "land grab" to yield and revenue
- > Increase range of productivity tools on offer in a business solutions centre, subject to approval
- > Target distributed brand organisations for Manalto Enterprise solution

- The proposed combination of the products of the Company and Bambu will move the Company's offering from only social media management (Manalto Enterprise and Soshlr) to a broad business solution suite.
- This reduces product risk as the Company will move to a portfolio approach from a narrow product focus.
- The proposed combination will also strengthen the management team with the addition of several key people in strategic leadership roles, although no Board changes are proposed.
- The proposed acquisition opens more channels to market with Bambu having its own direct sales channel established over the course of 20 years and having products that are particularly suited to the cloud distribution channels the Company has in place.
- The "land grab" strategy of the Company to get as many cloud distribution partners as possible and maximise reach has been successful resulting in partners around the world. The cloud market place is still emerging and is dynamic and the Company will pursue further growth but it will not continue to be the major focus.
- The new focus is on "yield" where effort will be put into those channels and channel partners that have the potential to provide a revenue in the shorter term.
- The business solution centre product offering that can be made following the acquisition means the Company can be more selective and focused with its marketing. It is becoming clear that cloud store partners are segmenting into groups following distinct strategies. The Company is focused on those (mainly telcos) whose customer base is SME and mid-size businesses whose needs have been met by Bambu for the last 20 years.
- A core part of the Company's strategy is to follow closely successful SaaS business principles. This includes making customers 'sticky' (high switching costs, clear value provision), monthly subscriptions but encouraging annual pricing with prepayments, easy onboarding that requires minimal human support and offering a suite of products so that an initial purchase can lead to significant cross selling to other products in the suite.
- Manalto is a software development company that's in the business of helping SME and mid-size companies improve their business productivity. The potential product suite will cover many business functions and all solutions will be sold as SaaS products. As a SaaS business, the company will be benchmarked against SaaS peers.

Product

- The focus of the new management of the Company has been to ensure the existing social media products are best in class. Development focus has been on dealing with customer feedback and building new functionality that makes the products class leaders. Work started on this two months ago and significant progress has been made. This work will continue for the balance of this calendar year.
- Significant product enhancements have been made to Manalto Enterprise with a product release on April 18 including:
 - Integration with IBM Watson to introduce artificial intelligence (AI) into the social listening space. Manalto can now inform a user when negative or positive activity is occurring, enabling the user to proactively respond to mitigate adverse or make use of positive outcomes.
 - Major improvements to Analytics enables businesses (eg a franchisor) and business outlets (eg franchisees) to access a whole of group or a business by business view of social media activity and performance. This is valuable in marketing decision making and improving customer experience.
- Planned future enhancements of Manalto Enterprise include significant further integrations with Microsoft (ie beyond Office 365 to other Microsoft products), and expansion in capability in analytics, social media scheduling, social calendar management, campaigns and posting functions as well as continued enhancement of AI capabilities.
- Significant product enhancements are also being made to Soshlr (small business product) with the following proposed to be released by Q1 FY18
 - Social Listening with AI
 - Advanced Analytics
- In a major strategic decision, the two product platform approach (ie Manalto and Soshlr) will be replaced by a stronger single solution with enterprise and small business editions (i.e. different licenses access different levels of functionality within the solution). The small business edition will be a very powerful offering in the small business space and sold through cloud distributions channels. The enterprise edition will be an offering that targets distributed brand management environments (franchises systems being a good example with a franchisor and franchisee). This change in approach will allow the Company to support a single platform but tailor the offering to specific verticals. There will be significant development savings as the Company will no longer support two separate products.
- In line with the technical rationalization of the product we will move to a single or similar brand that becomes synonymous with social media management. Investment in building brand equity will be focused on one brand and social and digital marketing will lead to this brand and the availability of an edition that suits the customer's needs.
- Without the move to a single or similar brand, the cost of promoting two different brands across separate market segments would be considerable. This is a fundamental change in product and marketing strategy.
- Plesk integration is proposed to be completed by the end of May which will allow Plesk reseller customers to supply Soshlr through the Plesk ecosystem. Plesk is very focused on IT professionals and agencies who deliver marketing technology solutions and the Company's SME social media tool is a good fit for them.

- With the proposed Bambu acquisition, the Company has formed a working group with Bambu's technical team and collectively made the following product strategy decisions:
 - To utilise Bambu's experience to enhance Manalto's products. Bambu has a wealth of sales, marketing and product development experience. This involves digital marketing, social media, content management, analytics, search and key marketing technology platforms including marketing automation, customer experience platforms, and advanced integrations with Microsoft products.
 - The complementarity of the technical skills (different technologies) of the technical teams of the Company and Bambu has the potential to give the Company a stronger and more cost-effective product roadmap and earlier and greater revenue.
 - A solutions architecture is proposed that will, subject to completion of the acquisition of Bambu, allow the integration of multiple products to create a business solutions centre that allows users to subscribe to one or many products.
 - Completion of the acquisition will allow an expanded set of solutions to be delivered to cloud stores and is expected to be attractive to them as it will bring additional potential customers to their store.
 - Kendo is the first of several Bambu SaaS solutions that allows employees and employers to establish and measure performance objectives which can be measured in near real time and provide regular performance measurement and assessment.
 - Kendo has passed quality control tests and is now live testing. It will be ready for market release as a standalone product as well as integrated into the Manalto Enterprise product beginning of July 2017.
 - This will give rise to revenue from Kendo and a significant strengthening of the Manalto Enterprises value offering to customers.

Marketing

- Up until the end 2016 the Company was focused on product build and channel development.
- End user marketing and sales is now elevated to a priority as the Company matures and looks to build revenue.
- The proposed acquisition of Bambu brings significant software product marketing, sales and channel management experience to the Company.
- The Company intends to develop its go to market strategy and prepare collateral and hire sales people to execute this plan.
- Significant work is proposed in branding, market positioning and activation strategies over the next Quarter.
- Sales efforts will be targeted based on the assessment of yield with the following priorities:
 - Priority one targets are enterprise sales to franchise systems and companies with distributed brands.
 - Subject to completion of the acquisition of Bambu, priority two targets are existing Bambu channels where there is extensive industry knowledge.
 - Priority three targets are channel partners with high yield clients eg SMEs via telcos.
 - Priority four targets are channel partners with clients that might bundle Soshlr in with a developer's pack.
- This is a new strategic approach to revenue derivation and it is an evolution from identifying different partners.

Business Development Activities

During the Quarter the Company attended several industry conferences where new partner sign up occurs. At these events, the Company gets to meet and present its credentials to a large number of industry participants.

- **World Hosting Day (WHD) Global in Europe** which is attended by hosting providers, Infrastructure as a Service (IaaS) providers, Independent Software Vendors (ISV's) like Manalto, and Cloud Solution providers (CSP's) who are IT businesses who sell their product in bundles with Microsoft cloud products. These organisations sell IT related products used by developers and web site builders. Recent sign ups include:

Enkinet

Reseller since: 04/2017

Country: Slovakia

Jersey Appdesign

Reseller since: 03/2017

Country: United States

IT-Sitter

Reseller since: 03/2017

Country: Germany

Go2the.cloud

Reseller since: 03/2017

Country: The Netherlands

Wire Consulting

Reseller since: 02/2017

Country: United kingdom

- **App Direct Round Table in Munich** is an industry event more typically attended by telcos looking at establishing cloud stores. Telcos cloud strategy seems to involve providing a broader range of services and the Company sees its business solution offering fitting well into this space. At this event good contact was made with several major telcos who are dominant players in their own markets and who have large numbers of SME and mid-size business customers. The Company sees this a good fit with its yield strategy.
- **APS Connect Event and Ingram Cloud Summit in the Phoenix are two consecutive events organized by Ingram who now owns Odin**
 - The APS Connect Event and the Ingram Cloud Summit piggy back off each other. The first being a one day event to focus on the Odin platform and their partners. Manalto (Sóshlr) was invited to make a sales presentation which was then followed by a "speed dating" session where potential partners would sit down with products like Sóshlr to ask questions and get any additional information that was not included in the presentation. As a general note, most of the hosting companies are interested in security, back up, and email products at this stage. However, their interest is starting to include business applications such as Sóshlr.
 - The Ingram Cloud Summit was a much larger event, with several thousand people in attendance and is Ingram's largest conference. Sóshlr was granted a thought leadership breakout speaking session on "Social Media 2.0 and the integration of Artificial Intelligence", a booth in the exhibit hall for both days, sales round table event, and Sóshlr was included on all marketing material.
 - Attendance and participation at the events is considered critical to break into the cloud market place. The Company has established commercial relationships with the major cloud platforms and now needs to get partnerships with the cloud store operators. This is where the Company's yield strategy will be followed (as against a broader land grab strategy) to seek to increase its customer base in the short term.

Client Wins

- **Business Alliance Inc** is one of the largest and most experienced franchise opportunity brokerage companies in America with over 250 organizations across the US
- **Last Man Stands** was founded in 2005 and is the widest reaching amateur cricket league in the world. Last Man Stands intends to seek partnership with global sports bodies, local sporting bodies and local councils to ensure that all have the chance to experience the game of cricket, and that the players are able to link in socially to other Last Man Stands players around the world. Last Man Stands recently launched in India (world's largest cricket market).
- **Sales Pipeline Management**
 - The Company is actively reviewing the existing pipelines of prospects across its complete range of activities to identify the most valuable opportunities. This is consistent with its new yield strategy.
 - Marketing and sales collateral is being developed to support the targeted activities.

Conclusions

- The Company is undergoing a transformational change and pursuing the acquisition of Bambu will result in a further move from a narrow product offering based solely on social media management to a portfolio of complementary products that will cross over and integrate with each other allowing on selling to existing customers.
- It has also moved from a shotgun/land-grab of cloud platform providers and their partners to a more selective approach of focusing on those most likely to provide revenue opportunities in the near term.
- The product strategy has been refined to strengthen the social media solutions ensuring they are class leaders.
- The proposed acquisition of Bambu will, on completion, bring a considerable product portfolio and two decades of experience and expertise in developing and selling products to SME and mid-size businesses which is consistent with the Manalto cloud channel strategy.
- The proposed acquisition of Bambu will, on completion, bring significant experience and knowledge in digital marketing in particular social media and enhance the company's capabilities with respect to Manalto Enterprise sales.
- Funding commitments have, subject to shareholder approval, been secured to allow the Company to pursue this new strategy.

A handwritten signature in blue ink, appearing to read 'JDMK' followed by a long horizontal stroke.

Jim McKerlie

Executive Chairman, Manalto Limited

About Manalto Limited

Manalto Limited (MTLASX) is a U.S. based global provider of cloud social media management solutions. Manalto's proprietary software delivers capability for the streamlined management of social media at scale – including controls to support organisational brand management, reputational risk management and efficiency in managing users, community engagement and analytics. An enterprise can centrally publish content and update brand assets across hundreds of its organisational social media pages spanning multiple platforms – in just one click. Manalto offers a direct-to-market Enterprise Solution and a Business Application for Channel Partners to offer to SME's – 'Sóshlr'. Manalto is headquartered in Washington, D.C. with offices in the Netherlands, Australia and South Africa, and supports channel partners and customers globally.

Glossary

Cloud

A metaphor for a global network, first used in reference to the telephone network and now commonly used to represent the internet.

Anything-as-a-Service

Anything-as-a-service, or XaaS, refers to the growing diversity of services available over the Internet via cloud computing as opposed to being provided locally, or on premises

Cloud App (Cloud Application)

Short for cloud application, cloud app is the phrase used to describe a software application that is never installed on a local computer. Instead, it is accessed via the Internet.

Cloud Computing

A type of computing, comparable to grid computing that relies on sharing computing resources rather than having local servers or personal devices to handle applications. The goal of cloud computing is to apply traditional supercomputing, or high-performance computing power, normally used by military and research facilities, to perform tens of trillions of computations per second, in consumer-oriented applications such as financial portfolios or even to deliver personalized information, or power immersive computer games.

Cloud Computing Reseller

A company that purchases hosting services from a cloud server hosting or cloud computing provider and then re-sells them to its own customers.

Cloud Provider

A service provider who offers customers storage or software solutions available via a public network, usually the Internet.

Enterprise Application

The term used to describe applications – or software – that a business would use to assist the organization in solving enterprise problems. When the word “enterprise” is combined with “application,” it usually refers to a software platform that is too large and too complex for individual or small business use. (

Infrastructure-as-a-Service

IaaS is defined as computer infrastructure, such as virtualization, being delivered as a service. IaaS is popular in the data center where software and servers are purchased as a fully outsourced service and usually billed on usage and how much of the resource is used - compared to the traditional method of buying software and servers outright. May also be called enterprise-level hosting platform.

Private Cloud

The phrase used to describe a cloud computing platform that is implemented within the corporate firewall, under the control of the IT department. A private cloud is designed to offer the same features and benefits of cloud systems, but removes several objections to the cloud computing model including control over enterprise and customer data, worries about security, and issues connected to regulatory compliance.

Software as a Service (SaaS)

SaaS is a software delivery method that provides access to software and its functions remotely as a Web-based service. Software as a Service allows organizations to access business functionality at a cost typically less than paying for licensed applications since SaaS pricing is based on a monthly fee.

Microsoft Office 365

Microsoft’s software plus services model that offers Microsoft Office on a subscription-based pricing model, with cloud storage abilities. For business and enterprise use, Office 365 includes email and SNS, with cloud-hosted instances of Exchange Server and Skype for Business, among others.

Platform as a Service (PaaS)

Cloud platform services, whereby the computing platform (operating system and associated services) is delivered as a service over the internet by the provider.

Private cloud

Services offered over the internet or over a private internal network to select users. These services are not available to the public.

Public cloud

Services offered over the public internet. These services are available to anyone who wants to purchase the service.

Subscription-based pricing model

A pricing model that lets customers pay a fee to use the service for a particular time period, often used for SaaS services

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Manalto Limited

ABN

88 098 640 352

Quarter ended ("current quarter")

March 31, 2017

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	30	98
1.2 Payments for		
(a) research and development ¹	(188)	(628)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(15)	(109)
(d) leased assets		
(e) staff costs	(238)	(977)
(f) administration and corporate costs	(151)	(581)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other:		
(a) GST Refund / (Paid)	6	35
1.9 Net cash from / (used in) operating activities	(556)	(2,162)

Manalto Limited ABN 88 098 640 352

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Telephone: +61 (0)3 8692 9048 Facsimile: +61 (0)3 8692 9040

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
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- 1 The R&D expenditure represents the Technology staff salary allocation directly associated with R&D activities, as well as directly attributable software and web development costs.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(9)	(37)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(9)	(37)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes ²	496	993
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	496	993

- 2 The Company placed a total of 668,000 unsecured convertible loan notes (CLN) each with a face value of A\$1.00 to raise a total of A\$0.67 million (US\$0.50 million).

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	172	1,309
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(556)	(2,162)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9)	(37)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	496	993
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	103	103

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	103	172
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	103	172

6. Payments to directors of the entity and their associates

**Current quarter
\$US'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

103

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Includes compensation to former Executive Director, Anthony Owen (CEO), and related Party, Megan Owen (CMO).

7. Payments to related entities of the entity and their associates

**Current quarter
\$US'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	(248)
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	(15)
9.4 Leased assets	
9.5 Staff costs	(367)
9.6 Administration and corporate costs	(78)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(708)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Company Secretary)

Date: 28 April 2017

Print name: Lucy Rowe

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.