CORPORATE DIRECTORY

Chairman

Peter Richards

Managing Director

Adrian Floate

Non-Exec Directors

Stephen Dale
Howard Digby

Company Secretary

Justyn Stedwell

Registered office

Suite 103, Level 1, 2 Queen Street, Melbourne VIC 3000

Telephone:

1300 682 108

Email:

shareholder@cirralto.com.au

ASX Code

CRO

Issued Capital

Shares: 1,177,573,052
Options: 145,300,000

Cirralto targets its customers $225 million payments market with SpendaCollect

Highlights

- Cirralto is already processing approximately $1.7 million directly through its new Spenda platform.

- Total customer growth of 10.4% in July.

- Addressable market growth of 9.4% in July.

- Based on the current customer network, there exists a further B2B payments volume of approximately $225 million per month with customers (merchants) who are being targeted for conversion to Spenda.

- Current Average Merchant Fee charged is 1.45%. Cirralto nets a proportion of the total transactions processed per merchant.

- The Spenda family of payment solutions address the imbalances between suppliers and their customers, including benefits such as allowing multiple transactions in a single payment and integration of the remittance into both the customer's and supplier's accounting / ERP systems.

- The Spenda product suite has taken B2B payments to the next level by providing a single platform to enable all businesses to get paid what they are owed, on time.

- SpendaCollect can process more than $25,000 in a single statement payment as compared with the average retail transactions of less than $500.

- B2B Merchants' transaction limits are up to 25 times greater than their retail counterparts.

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

- SpendaCollect can be used by almost any industry making the addressable market in Australia alone greater than $100 billion in merchant payments.

- The Company is experiencing a marked step-up in customers using Spenda products, with a 396% growth in Average Revenue per User (ARPU) since April.

Cirralto Limited (ASX: CRO) ("CRO" or the "Company") is transitioning to a digital payments company that makes processing B2B payments easier for its customers. The Board is pleased to provide the market with the following update on its business.

Cirralto has commenced upgrading its current customer base with its Spenda suite of payments products. Currently around $250 million per month of gross billings are processed by businesses using the technology deployed by Cirralto and its merger partner, Appstablishment ("APP").
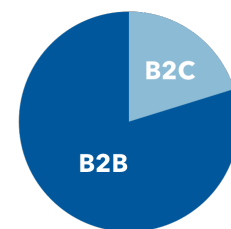
The Company has started processing payments with more than $1.7m currently processed by customers through the Spenda platform. Cirralto earns an average merchant fee of 1.45% of the total value of transactions processed.

Existing Business-to-Business (B2B) supplier payment services tend to be driven by big buyers and don't deliver benefits to the supplier, rather they fragment supplier business processes. Existing supplier-based B2B billing and invoicing platforms typically do not enable customers to pay multiple transactions in a single payment and don't offer integration of the remittance into both the customers' and suppliers' accounting / ERP systems.

The Spenda family of payments products have taken B2B payments to the next level, providing a single platform that enables all businesses to get paid what they are owed, on time. B2B merchants' transactions limits are up to 25 times greater than their retail counterparts. While B2B merchants process fewer transactions than retailers, their transactions are substantially greater in value than retail to consumer (B2C) transactions. Additionally, 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. In addition, SpendaCollect enables customers to digitise their payments processes and take the next step in their digital strategy. SpendaCollect can be used by almost any industry making the addressable market in Australia alone conservatively greater than $100 billion in merchants' payments.

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

Read more about B2B payments at the end of this announcement.

The SpendaCollect market fit

SpendaCollect is a collaborative payment system that connects the buyer and seller, enabling them to balance their ledgers and for customers, to make accurate, reconciled payments via their preferred payment method. While SpendaCollect has applications in both the B2B and B2C market, 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.

Managing Director Adrian 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."

Cirralto is also excited at the upcoming B2B "Pay Later" and trade finance modules it plans to release with its partner Invigo.

How the Spenda product suite makes money from B2B and B2C transactions

The application of SpendaCollect and SpendaPay allows the Company to profit from transactions along the entire value chain. Cirralto collects a percentage of every payment from wholesaler to manufacturer, retailer to wholesaler and consumer to retailer.

Understanding B2B Payments

Who makes B2B payments?

The B2B payments market is built on the sale and supply of both goods and services. Transactions include those between:

- Manufacturers, distributors and the retailers that ultimately supply consumers in all sectors from food to automotive.
- Professional service providers and their clients.
- Educational institutions and their suppliers.
- Construction businesses and their suppliers and subcontractors.
- Healthcare providers and their suppliers.
- Miners and explorers and their suppliers.

Based on government estimates, Australian businesses transact with each other more than 1 billion times per annum. These transactions must be recorded for taxation, compliance and business management purposes by both the buyer and seller. When payments are made the sending and receiving of funds must also be reconciled.

The manual effort and associated costs of managing and reconciling accounts receivables is a huge productivity drain on most businesses. Moreover, the inefficiency between buyers and sellers sharing their transaction records significantly contributes to the 53% of invoices in Australia that are paid late, in addition to the 20% of invoices paid to the wrong account and another 20% for the wrong amount entirely. The lack of evolution in B2B payments is a notable absence from the cloud-based SaaS services available to businesses to improve consumer payment options.

How do businesses pay each other today?

Business payments are dominated by bank transfers using ABA files, a system developed by the Australian Banking Association (ABA) as a standard file format that can be generated by accounting software to enable multiple creditors or payees to be paid in a single internet banking transaction. The ABA system was developed in the 80's and has been described as the Achilles heel of accounting and payroll systems due to their lack of security and the risk of fraud exposure.

Businesses also pay their suppliers with credit cards, direct debit bill payment services, and with custom payment tools implemented to meet large organisational needs, e.g. Telstra.

All of these payment options are solely for the benefit of one party and not the trading relationship. In B2B payments, both buyers and sellers must create, process and reconcile transactions. Inherently in their design, each of the existing services drives inefficiency for one of the parties to the transaction.

What is the difference between B2B & B2C payments?

Business and Consumers use some of the same technologies to pay each other but have different drivers for making payments.

Business to Consumer Payments

A significant number of businesses have transitioned consumer payments to digital and contactless transactions to fight the spread of Covid-19. The current market is characterised by:

1. A dominance of card payments of up to 95% in some segments.
2. Smaller payments, with average transactions below $500.
3. Many transactions per week with multiple merchants (suppliers).
4. Receipts or invoices kept only when purchases have a warranty or are tax deductible.
5. Hidden transaction fees payable by the consumer.
6. A consumer uptake of PayID.
7. The ability for consumers to pay multiple invoices to a single supplier.
8. Consumer driven payment options with a preference not to use direct debit services.
9. Consumers not making payments with ABA files

Business to Business Payments

The challenges presented to business during the Covid-19 pandemic has pushed many businesses to review their digital strategy, including how they get paid. The B2B payments market is characterised by:

1. A dominance of EFT payments with both direct internet banking and ABA file-based payments commonly used. These payments have simple referencing and are difficult to reconcile for the supplier.
2. The use of BPay and / or equivalent services to simplify invoice allocation, particularly for recurring invoices.
3. Trade accounts or terms of trades such as "14 days from end-of-month", meaning individual invoices aren't expected to be paid at the time of supply.
4. Receipts and / or invoices kept for all purchases.
5. Large payment limits which can be 25 times greater than consumer payments.
6. A desire to pay multiple suppliers in a single transaction.
7. The need to pay multiple invoices or a statement for a single supplier at the end of a month or the agreed trading terms.
8. Like consumers, businesses want to be in control of their cash flow and prefer not to use direct debit services.

Addressing the B2B Payments needs

Market research has shown businesses are seeking five productivity enhancing elements from a payments service:

1. Security and certainty; when payments are made, they reach the intended recipient without interception.
2. Efficiency; the removal of human error and an increase in time saving solutions.
3. Flexibility and precision; the ability to pay one, three, or 100 invoices in a single transaction.

4. Integration; a payment flow that integrates end-to-end in their ERP systems to ensure that the accounts receivable ledger of the supplier is in "sync" with the accounts payable ledger of the customer. End-to-end integration automates and simplifies reconciliation by making the system determine missing transactions.
5. Speed; immediate notification of transactions upon payment.

Authorised by the Board of the Company.

03 August, 2020

For Shareholder contact:

Please email: shareholders@cirralto.com.au

Or

Joe Durak at Canary Capital: jdurak@canarycapital.com.au

Telephone: (0414) 465 582

About Cirralto:

Cirralto Limited (ASX: CRO) is an ASX listed company that specialises in Business Payments products and software solutions. Cirralto delivers collaborative digital commerce solutions to enable the effective and seamless transfer of data from multiple, disparate software systems in one standardised technology solution. 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 and @Spenda , active on Twitter, LinkedIn, Instagram and the Facebook.