

## ASX ANNOUNCEMENT

### **DRAGONTAIL SYSTEMS ACCELERATES GROWTH WITH CUSTOMER RECEIPTS DOUBLING QUARTER ON QUARTER**

17 January 2018 (Melbourne): Dragontail Systems Limited (ASX: DTS) is pleased to provide the market with its quarterly operational update covering the three months ended 31 December 2017 (Q4 2017).

Commenting on the Company's continued progress over Q4 2017, CEO Ido Levanon said: "Dragontail Systems is currently in the midst of an exciting period, with the necessary resources to realise its potential, both in light of the successful heavily oversubscribed fundraising last quarter and the relationships with major strategic customers like Pizza Hut, KFC, Cara Operations and Domino's Pizza Enterprises."

#### **Customer receipts quarter on quarter nearly double**

Dragontail Systems continued to deliver to plan, with customer receipts quarter on quarter (Q4 vs Q3 2017) doubling to approx. A\$197,000 (US\$ 151,000), as the company progressed its growth strategy supporting tier 1 QSR/foodservice operators and partnering with Point of Sale (POS) providers.

The doubling of customer receipts in Q4 2017 reflected the implementation of contracts and engagements with strategic customers such as KFC Asia (part of Yum! Brands) and Domino's Pizza Enterprises Limited (ASX: DMP). These agreements are expected to generate increased recurring revenues as Dragontail Systems moves from initial implementation to rolling out through their franchise networks.

#### **Successful heavily oversubscribed capital raising provides expansion capital to execute growth strategy**

Complementing Dragontail System's strong top line growth, the Company successfully raised \$8.8 million in October 2017 to provide expansion capital to fund its growth strategy. This raising was heavily oversubscribed and closed early, being supported by existing investors as well as several new domestic sophisticated and institutional investors.

#### **Doing what we said we would do operationally**

Dragontail Systems is focused on delivering operationally to build a sustainable, growing business with technology that manages the entire back of house and delivery processes for QSR/foodservice companies. Over Q4 2017, the Company continued to do what it said it would do:

- Rolled out the Algo platform to Pizza Hut Canada franchisees as planned, with additional geographies now under consideration
- Installed the Algo platform into the first Pizza Hut and KFC stores in Cyprus
- Invited to participate at KFC Asia's regional "store of tomorrow" convention – Dragontail Systems was the only delivery management technology invited
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- Reached advanced integration stage with Cara Operations Limited (TSX: CARA), Canada's leading fast casual restaurant operator with over 1,200 stores and 14 restaurant brands
- Signed an agreement with Domino's Pizza Enterprises to roll out the Pizza Checker (DragonTail System's artificial intelligence QT camera) Australia-wide this year
- Achieved Gold Partner integration with Oracle, positioning DragonTail Systems for a large push into the North American QSR market, and globally.

Operating metric	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Number of contracted stores – Algo platform	115	425	490	1,030	1,030
Number of contracted stores – QT camera	–	–	–	–	700
Customer receipts in A\$ (% increase from last quarter)	\$48k	\$54k 12%	\$67k 24%	\$96k 43%	\$197k 105%

***Rollout of the Algo platform to Pizza Hut Canada franchisees is progressing to plan, with additional geographies under consideration***

Having successfully completed the rollout of the Algo platform to all Pizza Hut Canada corporate owned stores, DragonTail Systems is now rolling out the Algo to franchisee stores in Canada. This rollout is progressing to plan, with 11 different franchisees now using the Algo.

As with KFC, DragonTail is broadening its relationship with Pizza Hut (another Yum! Global brand), with new additional geographies outside of Canada currently being evaluated given the substantial benefits delivered by the Algo platform to the Pizza Hut Canada stores utilising the platform.

***First Pizza Hut and KFC stores in Cyprus now installed with the Algo platform***

Following the successful initial deployment of the 'Algo' platform at the Burger King Cyprus restaurants of PHC Franchised Restaurants Public Ltd (PHC), PHC – with over 70 stores covering well-known global QSR and foodservice franchises – is rolling out the 'Algo' platform to most of its brands – Pizza Hut, KFC, Taco Bell and Wagamama – to optimise operations at both store and Group level.

***The only delivery management platform invited to participate at KFC Asia's regional convention***

After successfully completing complex preparations for IT/POS integration required by KFC Asia, DragonTail Systems went live with its 'Algo' platform initially in two stores in Singapore, ahead of potential installation across other KFC Asia geographies.

Given the clear benefits seen at the Singapore stores – increased productivity, lower costs and food waste, and happier customers – Dragontail Systems was the only “delivery technology” provider invited to participate at KFC Asia’s “store of tomorrow” showcase in Bangkok on 16-18 January. This convention hosts KFC's strategic partners and regional franchise operators, and is focused, amongst other things, on technology strategy.

Dragontail System’s relationship with KFC Asia was formed following the significant operational benefits Yum! Brands experienced using the ‘Algo’ platform in Pizza Hut Canada corporate stores.

***Advanced integration stage with Cara Operations (Canada’s largest QSR/fast casual company)***

Dragontail Systems recently reached the advanced integration stage with Cara Operations for the implementation of parts of its Algo platform. Parts of the system will now be rolled out to approx. 450 restaurants as the initial phase, which is expected to be completed by the end of Q2 2018.

This is the first time Dragontail Systems has had to integrate its platform with VisionMAX, and has the potential to lead to additional projects with VisionMAX. VisionMAX’s Retail in the Cloud platform is the leading cloud based retail software system that runs in a web browser turning virtually any computer or tablet device into a POS terminal.

***Aggressive rollout planned for Domino’s Pizza Checker in Australia***

Domino's Pizza Enterprises is planning an aggressive roll out of the Pizza Checker camera system – Dragontail System’s QT machine learning artificial intelligence [AI] quality control camera – covering all its Australian stores in 2018. Domino's Pizza Enterprises is the pioneer QSR chain globally to adopt this breakthrough technology.

Domino’s Pizza Enterprises currently has over 2,000 stores across seven countries. Domino’s Pizza Enterprises will also look to rollout Dragontail Systems’ technology in markets outside of Australia in which it operates.

***Gold partner integration with Oracle positions Dragontail Systems for a large push into the North American QSR market, and globally***

Oracle Hospitality is a leading provider of integrated software and hardware solutions to the hospitality and retail industries. Its solutions support different restaurant sizes and styles, including products for single-entity restaurants, major chain restaurants (with centralised reporting), and multiple-restaurant properties. In 2014 when Oracle closed the acquisition of MICROS, MICROS had more than 6,600 employees with deep domain expertise, and products in use across 330,000 customer sites in 180 countries.

As of today, the integration between the companies' systems is in its final stages and will be completed shortly. This partnership is expected to lead to a significant number of joint customers, both existing and new. North America, and in particular the US, represents a significant market opportunity for Dragontail Systems, with more than 240,000 QSRs and 620,000 restaurants in the food industry.

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**About Dragontail Systems Limited**

Dragontail is revolutionising the food service industry with its Algo System and computer-vision QT quality system that uses artificial intelligence (AI) machine learning.

The Algo System uses a sophisticated patented algorithm to optimise and manage the entire food preparation process from order to delivery. It is the first system in the world to fully automate and streamline the kitchen flow to deliver an immediate and significant return on investment to fast food and quick service restaurants.

The QT system's sensor and camera automatically monitor the preparation and cooking process in the kitchen to improve the quality and consistency of meals. Using proprietary advanced AI machine-learning technology, the system keeps improving its diagnostics, becoming even more efficient.

For more information, visit [www.dragontailsystems.com](http://www.dragontailsystems.com).