

## **MTL | ASX ANNOUNCEMENT**

### **APPENDIX 4C: CONSOLIDATED STATEMENT OF CASH FLOWS**

Friday 29<sup>th</sup> July 2016

Manalto Limited (ASX: MTL) ("Company") has today released the Appendix 4C: Consolidated Statement of Cash Flows for the quarter ended 30 June 2016.

The operations of the Company are centered in the United States, including the majority of management, the majority of operating cash flows and the location of the primary business address. Accordingly, the Directors have elected to present financial information in US dollars. All financial figures in this document are therefore denominated in US dollars, except where explicitly denoted.

### **Q4 FY2016 FINANCIAL RESULTS**

Over the quarter the Company has continued to reduce its cash outflow, with a net operating cash outflow recorded for the quarter of \$(870,000) compared to \$(916,000) for the previous quarter ended 31 March 2016. This continues the trend from the third quarter with a decrease of 12% in net operating cash outflows from Q2 (\$987,000) to Q4 (\$870,000). Included in the Q4 result is an operating cash inflow of \$114,000 from receipt of GST refunds, whilst further reductions in net operating cash outflows were negated by delay in settlement from specific Enterprise debtors, which was reflected in the decrease in receipts from customers on prior quarter. These delays are being resolved and are expected to be reflected in the coming quarter.

Operating cash outflows for the quarter totaled \$(999,000) down from \$(1.036m) for the quarter ended 31 December 2015, whilst during this period the Company increased its operating capacity by 113%. This decrease is in line with management expectations as a result of operational realignment to its technology and customer support functions, which were relocated to Cape Town, South Africa during Q3 FY2016, and the outsourcing of Sóshlr distribution channel sales to expand product reach. Additionally, \$50,000 in a one-off setup and recruitment allocation for the Cape Town, South Africa operations was incurred in the quarter ended 30 June 2016.

During the quarter, the Company successfully completed an SPP and Placement to raise \$1.3m (A\$1.8m), after expenses.

### **BUSINESS UPDATE**

The increasing adoption of cloud-based applications by businesses, in particular, small-to-medium sized enterprises (SME's), together with the increasing business uptake of social media, are the two most significant and exciting opportunities presenting to Manalto. Manalto continues to adapt to an ever evolving market place to maintain its unique offering and its industry position. Today the Company is focused on two key distribution channels:

- direct sales of its Enterprise Solution with increased focus on broader market sectors, in addition to the franchise industry; and
- cloud based distribution channel partnering with some of world's largest and leading cloud platform providers.

The building of this new global distribution channel by the Company is a significant development, which will capitalise on the dramatic shift occurring within the cloud technology industry. The activities and achievements over the past year and recent quarter have resulted in the Company holding a far stronger industry position today, and will remain a key focus for management over the coming year.

Today, the 'scalability' of Manalto's product remains a differentiated offering in the market; and, we have secured some of world's largest and leading cloud platform providers to distribute both Sósíhr and the Enterprise Solution. Ensuring a steadfast commitment to the growth strategies employed and building upon the momentum of the strategic distribution deals secured, and, continuing to drive efficiencies across the business will create sustainable business value, deliver the revenue goals and the expected shareholder return.

#### Q4 FY2016 Highlights and Progress Update

Over the last quarter, management has had a particular focus on developing its cloud based distribution channel. At the same time, it has improved Manalto's operational efficiency while advancing growth strategy activities to extend the product reach of both Sósíhr and Enterprise Solutions. By partnering with leading cloud distribution channel partners, the Company concurrently expanded its global sales capability while continuing to maintain a reduction in operating overhead, the benefits of which will be fully realised throughout the coming financial year.

Key steps in the building of this distribution channel include:

- **Outsourced cloud-solution sales capability to expand Sósíhr channel in the UK, Europe and Asia Pacific regions.** During Q4 FY2016, the Company increased its sales outreach to help deliver the threshold of volume required to achieve planned growth and revenue goals for its Sósíhr distribution channel. FDM (UK/ Europe) and Tel-Connect (Australia/ Asia) are both specialist cloud-sales companies, with a combined 10 sales personnel dedicated to driving Sósíhr sales growth. Leveraging such providers that already have an established network of SME providers – including hosting, domain and Telco companies will streamline and ultimately accelerate the sales cycle for Sósíhr. Both teams are well underway and engaged in a number of advanced discussions and negotiations with several major hosting companies and Telco's.
- **Signed Ingram Micro, Inc. (NYSE: IM) to make available both Sósíhr and the Enterprise Solution via the Ingram Micro Cloud Marketplace to its network of 200,000 resellers.** As one of the world's leading global providers of cloud, mobility, supply chain services and technology solutions, this agreement with Ingram Micro is a game-changing, strategic win for Manalto and delivers significant propensity for greater global reach, increased growth and substantial effect on revenue. This agreement also marks the first time the Company's Enterprise Solution will be distributed via a third party channel.

Manalto has commenced the build of an Enterprise API package for integration and has commenced early planning discussions with Ingram Micro. As per recent market guidance, the Company is on track for a September/ October commercialisation. The Company is exploring other cloud-platform integration opportunities for its Enterprise Solution.

- **The Company continued to focus activities to sign cloud application platforms to enable major Resellers to directly access and sell cloud business applications to their customer base.** These cloud application platforms are strategically important for the Company to pursue and secure, as a necessary step to give the Company access to a ready-network of Resellers with which to pursue and negotiate distribution agreements.

Since signing Odin, in a first-to-market move by the Company to enter the cloud market, the team has secured agreements with a further four (4) leading cloud application platform partners, including AppDirect, TopCloud, LuxCloud and Ingram Micro during Q4 FY2016. Sósíhr is currently the only certified social media management solution available via Odin and AppDirect, which are both global cloud platform leaders with a combined estimated addressable market of 40m SME's via their respective reseller networks. Ingram Micro's network of 200,000 resellers' alone, delivers an impressive propensity for global SME reach and revenue growth.

In addition to agreements with top tier platforms (Odin, AppDirect, Ingram Micro), the Company has signed agreements with leading resellers, including hosting companies and Telco's (such as Telstra and Globe - Philippines) to deliver revenue growth and shareholder value. The Company has to date signed agreements with five (5) Resellers, most recently Plesk during Q4 FY2016, giving the Company

access to an estimated addressable market of more than 15m. The Company has another six (6) partners close to signing and is in active discussions with a further 15 plus companies. As per recent market guidance, the Company is on track for August/ September commercialisation.

- **Signed Plesk, a recognised global leader in web hosting, to make available Sóshlr for resale via its global network of 2500+ hosting companies, with reseller partners such as 1&1, GoDaddy and Strato, which sell web and hosting services to an estimated addressable market of 8m SME's.** Approximately 10m domains are registered through Plesk, and Sóshlr will be bundled with new domain registrations. As per recent market guidance, commercialisation is on track for August.

In parallel with the entering into of key partnership agreements to distribute and re-sell Manalto's unique offering, the Company has continued to successful sell its Enterprise Solution direct to customers:

- **Signed three Enterprise Solution customers.** The Company signed Bush's Chicken Franchise Group, Woodhouse Day Spas Franchise Group and Showhomes Franchise Corporation.

We have maintained a steady pipeline, which spans multiple sectors, and are in advanced discussions with 150 companies, of which nine (9) have reached negotiation stage. We are concentrating direct sales toward larger, strategic agreements, supported by a far more intense and targeted marketing program of lead-generation and brand awareness activity.

The planned distribution of the Enterprise Solution via Ingram Micro's 200,000 resellers, following the build and commercialisation of the Enterprise APS package, offers the Company significant propensity to meet the desired growth objectives.

On the corporate front, the Company has successfully completed an SPP and Placement to raise \$1.3m (A\$1.8m), after expenses. In addition:

- **Appointed Australian Corporate Advisory Group, Henslow as corporate adviser to support core investor relations' activities.** Henslow's engagement will provide our U.S based management with on-ground resources and expertise to broaden the Company's investor reach within Australia and to provide advisory services to advance the Company beyond its early growth stage.

I am excited for where the Company is positioned to leverage on the cloud and social media industries, which show no signs of slowing down. I would like to thank you for your continued support and look forward to providing you further updates on the strategic direction and successes.



**Anthony Owen,  
CEO, Manalto Limited**

#### **About Manalto Limited**

Manalto Limited (MTL.ASX) 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. [www.manalto.com](http://www.manalto.com)

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Rule 4.7B

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Name of entity

Manalto Limited
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ABN

88 098 640 352
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Quarter ended ("current quarter")

June 30, 2016
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### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$USD'000	Year to date (12 months) \$USD'000
1.1	Receipts from customers	15	124
1.2	Payments for		
	(a) staff costs	(459)	(1,791)
	(b) advertising and marketing	(42)	(201)
	(c) research and development <sup>1</sup>	(206)	(616)
	(d) leased assets		
	(e) other working capital <sup>2</sup>	(293)	(1,474)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other:		
	– GST Refund / (Paid)	114	114
	<b>Net operating cash flows</b>	<b>(871)</b>	<b>(3,844)</b>

<sup>1</sup> The R&D expenditure represents the IT staff salary allocation directly associated with R&D activities.

<sup>2</sup> The operational expenses for the quarter reflect a number of one-off setup and recruitment costs for the Cape Town, South Africa operations, totaling \$50,000.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$USD'000	Year to date (12 months) \$USD'000
1.8 Net operating cash flows (carried forward)	<b>(871)</b>	<b>(3,844)</b>
1.9 <b>Cash flows related to investing activities</b>		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(17)	(57)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (Security Deposits and Rental Bonds)		(16)
<b>Net investing cash flows</b>	<b>(17)</b>	<b>(73)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(888)</b>	<b>(3,917)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares	1,459	3,413
1.16 Capital raising costs	(154)	(277)
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other (provide details if material)		
<b>Net financing cash flows<sup>3</sup></b>	<b>1,305</b>	<b>3,136</b>
<b>Net increase (decrease) in cash held</b>	<b>417</b>	<b>(781)</b>
1.21 Cash at beginning of quarter/year to date	894	2,092
1.22 Exchange rate adjustments to item 1.20		
<b>1.23 Cash at end of quarter</b>	<b>1,311</b>	<b>1,311</b>

<sup>3</sup> Comprised of issuance of capital of \$1.459m (\$AUD2.002m) offset by cash outlays directly related to the capital issuance of \$154,000 (\$AUD 206,000).

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$USD'000
1.24	Aggregate amount of payments to the parties included in item 1.2	97
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Includes compensation to Executive Director Anthony Owen (CEO) and related party Megan Owen (CMO)	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A
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- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A
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**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$USD'000	Amount used \$USD'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

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+ See chapter 19 for defined terms.

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$USD'000	Previous quarter \$USD'000
4.1 Cash on hand and at bank	1,311	894
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>1,311</b>	<b>894</b>

## Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a)) \$USD'000	Disposals (Item 1.10(a)) \$USD'000
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 29/7/16  
 Company secretary

Print name: Justyn Stedwell

## 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.