



Modernising business

## Motopia Progresses Cirralto Acquisition and Confirms Commercialisation Strategy

### Highlights

- Motopia and Cirralto merger provides immediate commercialisation pathway
- Commercialisation Strategy outlines revenue model for merged partnership
- Revenue has commenced and continues to increase with growing customer base
- Motopia/Cirralto developing commercial services with global technology partners
- Motopia progressing technology and service partnerships with several global software service companies.

**Melbourne, 24 February 2017.** Motopia Limited (ASX: MOT) an ASX listed SaaS (Software as a Service) company that provides technology designed to cloud-host and modernise customer sales and stock systems, announces progress on the acquisition of Cirralto Business Systems Pty Ltd (Cirralto) and the launch of the merged partnership commercialisation strategy.

The commercialisation strategy derives from the joint assets and service offering of the merged group to be finalised by the acquisition of Cirralto by Motopia which was announced on 10/11/2016. (*Motopia to acquire cloud data migration technology and service provider Cirralto Business Services Pty Ltd*) <http://www.asx.com.au/asxpdf/20161110/pdf/43csncp1894xsx.pdf>.

The Independent Experts Report relating to this transaction is currently being finalised before a Notice of Meeting is issued for an EGM for shareholders to vote on the acquisition.

Motopia are pleased to be able to provide an update on the Business and Commercialisation Strategy relating to the Cirralto/Motopia operating partnership, to use their combined assets and IT teams to tap into the lucrative and emerging cloud hosted ecommerce market.

Managing Director of Cirralto, Adrian Floate commented, "After many months refining both the merger arrangement and the Go-To-Market Strategy, we now have both the operating framework to build more customers and add more services, as well as early and substantial revenues with more promising partnerships in the pipeline.

Motopia as the listed vehicle for the merged entity, allows us to accelerate our growth strategy and provides the funding needed to cement a range of solid revenue agreements. Modernisation of small and medium business sales and operating data is essential to the survival and success of these businesses and we are ready to assist with that transformation."

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## Cirralto/Motopia Business and Commercialisation Strategy

The combined Cirralto/Motopia (Cirralto, the Company) business is a contemporary managed software as service (SaaS) company that is combining its own products with the resale of 3<sup>rd</sup> party product, and go to market innovation to create long term recurring revenues.

Cirralto's mantra is, "To provide the modernisation of customers' systems, process and data that then delivers operational improvement and enhancement of their transactional capabilities". Cirralto is developing a brand and reputation for solving customer problems by asking "why" a customer needs our solution. The drive to produce solutions that appeal to the customer's sense of need is what motivates us to innovate and create.

Our modernisation offering is led by a merger of *Flash Convert* technology and the Motopia *MU2* and legacy migration tools. This technology fusion enables the provision of a very broad modernisation offering that encompasses a capacity to modernise any core operational system within a business.

This innovation supports our brand promise to customers - Modernise, Improve, Transact.

### **Innovation extends to how we go to market.**

By leveraging the modernisation engine of Flash Convert and Motopia's product capabilities, Cirralto has a capacity to integrate across the entire value chain (consumer, retailer, wholesaler, producer). This breadth in capacity is an enormous strength as it gives us flexibility in our go-to-market, customer definition and revenue models. However, that broad capability requires very clear messaging to the market to make our solutions both tangible and understood by the customer.

To create customer acceptance and in turn ease of market acceptance for modernization, Cirralto develops a "recipe" based implementation of its solutions as bundles for specific vertical markets or customer types. Each recipe is designed to deliver value to a specific segment of the value chain that in turn creates long term recurring revenue from the value it brings to the customer.

Each strategy is designed to leverage demand based market influences to drive customer adoption and reduce competitive tension.

Against this backdrop the Company is primarily focused on the modernisation of retailers and retail service providers, healthcare service providers, and primary producers of food and textile products who are seeking direct routes to market. Each of these business segments finds itself being forced to rapidly change to remain competitive. The modernisation efforts of the company are focused in three areas all of which to some degree are intertwined:

- Point of Sale
- eCommerce
- Accounting

Why do customers need Cirralto?

We can help achieve their own goals to export to China via our *Marketplaces* portal, to expand their retail business into 2<sup>nd</sup> generation ecommerce, O2O & Pop Up retail, to improve their procurement capabilities and finally to improve the way they operate their business to reduce administration labour and implement point-of-activity mobile software solutions to remove transcription and repetitious data entry.

## Extending Flash Convert

Fundamental to our success is the continuing improvement of the *Flash Convert* modernisation platform. This improvement will see the expansion in both the types of software and vendor products that we support. Each extension will be focused on improving our own margins (reducing the marginal cost of service delivery) and expanding our market potential.

### Point of Sale Modernisation

At present, companies use a variety of POS systems. Older POS products are holding back the operational excellence of the retail operator. Typical issues that inhibit profitability in the retail business include:

1. No stock on-hand visibility across multiple store locations
  2. Limited integration between accounting and POS system
  3. No integration between eCommerce and POS system
  4. No systems or poor loyalty systems
  5. Poor marketing / no social media or digital marketing strategy
  6. Poor procure-to-pay practices
  7. Verbal purchasing
  8. Poor receiving processes
- Poor credit claiming processes

*Flash Convert* has been extended to enable migration from legacy POS systems to three contemporary POS solutions; *NETO*, *Vend* and *Kounta*.

The collective market opportunity for POS modernisation in the retail sector is accelerating as retailers evolve to compete to participate in online business and the O2O opportunity.

### eCommerce Modernisation

As the percentage of wallet share between online and bricks and mortar retail finds stable ground, the expectations of the systems required to support the retail business is constantly changing. A second wave of eCommerce is now taking a foothold in the market. There are now more and more producers going direct to market and with traditional retailers dabbling in O2O, Pop Up, and marketplace platforms.

Against this backdrop, *Flash Convert* has been extended to include modernisation from:

Custom eCommerce solutions, *XCart*, *SilverStripe*, *Woo Commerce* and *Shopify* to *NETO*.

The eCommerce modernisation roadmap includes Asian marketplace systems, *Big Commerce* and *Squarespace*.

### Accounting Modernisation

*Flash Convert* started its life as a tool to modernise on-premise versions of MYOB and QuickBooks to Xero. *Flash Convert* is now being expanded to include modernisation from Reckon, Cashflow Manager and online versions of QuickBooks and MYOB to Xero plus legacy systems to ERP products like SAP, BY Design and Dynamics 365.

The base fee for all conversion services: \$500 plus gst.

## Contracts that enable Cirralto to execute on the plan

Cirralto has won contracts to offer its modernisation services to 3 major projects each of which provides both upfront and trailing revenue fees.

The Aussie Produce Store  
Bernie Service Bundle Implementation  
NETO POS eCommerce Modernisation

## What is the South West (Aussie) Produce Store

The Aussie Produce Store ("APS") is a marketplace platform that provides Australian producers with an export conduit to Asia. Starting with sales to China and Australia, the APS goes live with a limited range to Australian and Chinese consumers in March. The first suppliers are being curated from the South West Region of Australia. In 2017, the supplier range will be extended.

## So what strengths are we showcasing?

The APS showcases why the merger of Motopia and Cirralto is a commercially successful venture. To sell to China you need to be technically ready, and that means having the capacity to manage sales, stock, and freight like a multinational. Most small businesses and producers do not have this capability as they are inherently low tech. Cirralto modernisation services places an organisation into a state of technical readiness without significant investment.

This combination of Motopia and Cirralto services strength is encapsulated in this simple mantra; **Modernise, Improve, Transact**. This is the core of the Cirralto Business Solution that is instigated by the Flash Convert eCommerce provision and modernisation process.

Presently, the company is perfecting its modernisation recipe with its Chinese and Australian customers.

## Revenue Flow (APS)

There are 3 revenue streams:

1. Supplier Modernisation – Cirralto receives \$5000 from each supplier it modernises and enables onto the platform
2. AU Produce Store Sales Commission – Cirralto makes 1% of AU sales
3. CH Produce Store Sales Commission - Cirralto makes 1% of AU sales

We expect to complete modernisation of the first 50 suppliers by June 30 and for this to steadily grow into the future as both supply and sell regions are expanded.

## Aussie Produce Store

The Aussie Produce store is providing two benefits; a framework to test market product and also to build revenue for the supplier and trailing sales commissions for Cirralto.

## Cirralto/Motopia Outcome

1. Modernisation Revenue
2. Trailing income from % of revenue from product sales
3. Creates framework to build provisioning service
4. Affirmation of business plan

## Bernie Service Bundle

A service business is driven on its ability to attract (and retain) customers, maximize revenue per hour, labour utilisation and margin on parts supply.

Services business are generally small, poor marketers, low tech and most vulnerable to economic down turn as people “do it themselves” instead of paying a professional.

These market conditions present an opportunity for modernisation and supply aggregation. Cirralto has been awarded the customer enablement contract by ASG and Naked Bookings to implement the Bernie Service Management Bundle. The bundle will enable a service business with an outbound workforce to:

1. quote
2. invoice
3. collect payment
4. integrate/update their daily sales with their financials; and
5. manage their diary – provided via naked bookings integration

This bundled offer is ideally sold with a mobile plan and iPhone or iPad mini. Cirralto is anticipating delivering more than 2000 customer implementations by June 2018. The company requires new resourcing to meet this demand and will grow its team in line with this revenue opportunity.

## Cirralto/Motopia Outcome

1. Modernisation revenue at \$500 per customer
2. \$13.90/month in trailing commission
3. Affirmation of business plan

## NETO Point of Sale and eCommerce Modernisation

Cirralto has been awarded a Customer Enablement Agreement with the Telstra owned *NETO* retail platform.

The company is currently working with *NETO* to build the sale engagement and fulfillment service to enable seamless setup and migration for new *NETO* customers for the existing ecommerce and POS implementations.

The partners soft-launched the migration service in late 2016 and have already performed multiple migrations for *NETO* customers from *Woo Commerce* and *XCart* systems. This standardised service is expected to be online in March and will be able to perform 20+ conversions per month on the current resource structure. Post merger, we will grow our conversion team so that we can perform 50+ conversions per month.

## Revenue Flow (*NETO*)

There are 3 revenue streams:

1. *NETO* Modernisation – Cirralto receives \$500 from each supplier it modernises and enables onto the platform
2. *NETO* eCommerce Implementation – Cirralto earns a minimum \$2500 from each eCommerce implementation
3. *NETO* trailing subscription revenues - Cirralto earns \$10 per month from each store it modernises

## Cirralto Outcome

1. Modernisation Revenue
2. Trailing income from % of revenue from subscription sales
3. Creates framework to build provisioning services for other platforms
4. Affirmation of business plan

## Go to Market - Strategic Principles

The Cirralto strategy is underpinned by several key initiatives that are generically used to influence specific campaigns and product commercialisation activities.

## VAR Engagements

Customer acquisition via third party sales channels and marketing via their marketplaces. Presently, we are working across sales channels with several vendors including *SAP, Xero, NETO, Greentree* and Microsoft Business Solutions.

## Buying Group & Franchise Strategy

Buying groups and franchise networks are common in retail and retail service. They provide an “easy” target to offer the repeatable modernisation services across their business network as they have a collaboration requirement with both their members/franchisees and the suppliers they source goods from. Historically we have had a great deal of success with this subset of the business community.

## 3PL Partnerships

3PL's are a logical extension of strategic sourcing and eCommerce, and are commonly used by retail groups to manage their inventories. In many cases, these businesses are young, have poor enablement or setup systems and are an evolution of a much older transport company. These attributes make 3PL's an ideal channel for Cirralto to acquire customers by offering them a rapid enablement and product ranging platform in conjunction with modernisation services to terminate transactions into their ERP, warehousing and fulfilment software.

## Marketplace Strategies

As a general principle demand controls supply and most e-business networks have been pushed down from large buyers. The world's largest data exchange networks are underpinned by large buyers the likes of Walmart, Amazon and in Australia Bunnings, Coles Myer and Woolworths. Marketplaces like eBay, JD.com and TMall.com exhibit this same dynamic as they use collective demand (like a buying group) to create curated supply.

Cirralto is leveraging the marketplace platforms to create a curated “approved” supplier strategy for both domestic and export eCommerce that in turn enables us to utilise our modernisation capabilities and then build transactional readiness for our customers.

## Producer / Manufacturer Strategies

Producers and Manufacturers are at the start of the value chain and typically are the furthest from the customer. As such they typically have two clear issues; a limited relationship with the customer and having a large margin give up to the retail and distribution layers of the value chain.

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Enabling producers and manufactures to go direct to market via their own omni-channel enablement plays to Cirralto's strengths and is the recipe that leverages modernisation POS and eCommerce very effectively.

Presently, Cirralto is targeting food and textile producers with an export-to-Asia platform that combines Chinese marketplace integration to strategically target these customers. Cirralto earns a transaction fee calculated as a percentage of gross sales and by default supplies its services and technology to deliver on these capabilities.

By default, these customers are then being upsold on direct eCommerce, procurement solutions with their existing channels to market (retail and distribution) and 3PL service solutions where Cirralto derives further revenues from reselling 3<sup>rd</sup> party products.

This strategy uses consumer demand to create the customer opportunity and as such removes competitive tension and limits resistance to change.

## Healthcare Strategies

The health care supply chain has significant issues understanding demand. One of the largest issues about demand planning is the lack of data integration with distributors and hospital sites (customers). Manufactures are at times forced to restrict availability to prevent panic hoarding leading to outages. Conversely, a major headache for dispensing pharmacies is the sudden unavailability of certain drugs, often without warning, forcing the pharmacists (and supply chain in general) to hold safety stock.

Collaborative procurement via modernisation is gaining traction across the value chain. Cirralto is engaging both customers and suppliers to create solutions to help customers to modernise systems and processes so that they can effectively procure and range inventories; and suppliers to more effectively sell to ensure that care standards are not compromised.

## Partners and Technology Alliances

In line with our VAR strategy, ASG has developed strategic relationships with many 3<sup>rd</sup> party vendors. These vendor relationships enable us to round out our offerings, increase our margins and access customers.

### Appstablishment Software Group

ASG is a provider of mobile and cloud integration software and the original developer of the Flash Convert modernisation platform. Cirralto as a go-to-market partner of ASG has leveraged its commercial activities to grow its channels.

### Xero

Flash Convert is an approved Xero Add-On. The partnership has exposed us to many Xero Accounting and Cloud partners who actively refer us work. We plan to grow our Xero customer base aggressively in 2017 on the back of the Flash Convert.

### Payment Express

Cirralto has partnered with Payment Express for the processing of eCommerce payments for its customers. The Payment Express partnership enables Cirralto to earn transactional revenues from the sale of integrated solutions utilising their network.

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## Corporate Business Direct

Corporate Business Direct (CBD) is a WA based Telstra partner specializing in voice and data service. Like many Telstra partners the company is morphing into a technology services business. Cirralto and CBD reciprocally refer business to each other. CBD has provided Cirralto good access to Telstra initiated opportunities.

## CONNECTIV

Like CBD, ConnectIV is a WA based Telstra partner. This partnership developed well in 2016 and we expect it to continue to thrive in 2017 as Cirralto expands its solutions into markets where ConnectIV has an incumbent customer base. ConnectIV is the ideal partner to pilot new initiatives given their solutions expertise and customer spread.

The board of Motopia are looking forward to completing the acquisition and providing regular updates on new major contracts as they arise with associated revenue increases. We thank all shareholders for their support through this transition process towards this new and exciting direction for the company.

For more information, visit [www.motopia.com](http://www.motopia.com) or contact:

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## About Motopia Limited

Motopia Ltd (ASX:MOT) is an ASX listed company that owns and operates technology assets that enable legacy migration to the cloud. Motopia's 2SQL product is regarded by Microsoft and other technology experts as the best of breed Access to SQL migration solution.

In response to the growth of cloud computing services and broadening demand for legacy migration away from Access, Motopia has invested in a SaaS platform ([www.convertu2online.com](http://www.convertu2online.com)) to complement its on premise migration offerings. We have also formed new relationships to support our commercialisation plans that encompass 24hr a day platform operations, support and channel sales. Moving forward, the board is positioning Motopia as a "migrate" anything technology company to offer our customers a set of tools to migrate from any legacy custom software platform to the cloud.