# December 2016 Quarter Update

31 January 2017

The Company Announcements Office
ASX Limited
Via E Lodgement

## Highlights

- Dragontail Systems officially lists on the ASX following a significantly oversubscribed IPO that raised $6 million.
- Partnership secured with AT&T to streamline the food delivery process using IoT innovation.
- Dragontail Systems successfully expands products with the launch of the world's first quality control camera and sensor system for the pizza restaurant industry; company expects applications to other restaurant types in the second half of 2017.
- Post the reporting period, Dragontail Systems secures agreement with leading Point-of-Sale (POS) provider Revel Systems to integrate the Algo Dispatching System into its POS platform.
- Post the reporting period, Dragontail completes the commercial rollout of the Algo Dispatching System French version in 10 Pizza Hut stores in Quebec, Canada; rollout continues in more Quebec Pizza Hut stores and Dragontail Systems expects to double its rollout in that region.
- Cash balance of $5,774,113 as at 31 December 2016; cash being reinvested in the Dragontail Systems business as it continues to expand its product offering customer base and geographic reach.
- Dragontail confident of further growth in its customer pipeline and strengthening of its geographic reach over the remainder of FY2017.
- Launch of the Algo Dispatching System and quality control camera and sensor system in the first Australian store expected in the next few months.

**Dragontail Systems Limited** (ASX: DTS, the "Company") is pleased to release its inaugural quarterly report for the period ended 31 December 2016 following a significantly oversubscribed IPO that raised $6 million and the Company's subsequent listing on the Australian Securities Exchange (ASX) on December 20, 2016.

## Operating Overview

Dragontail Systems continues to make significant progress on the development and commercialisation of its novel proprietary food service technology, the Algo Dispatching System (the Algo), which transforms the way Quick Service Restaurants (QSR) operate from order through to delivery.

During the quarter, the Company signed a key partnership agreement with one of the largest Telecommunications and ICT Companies in the US, AT&T[1]. Under the agreement, Dragontail Systems will use AT&T's highly reliable mobile network for the Algo, giving the Company an important edge in becoming the industry leader in the large and growing QSR sector.

The deal also allows AT&T to sell the Algo to AT&T's enterprise customers in the QSR sector. AT&T is a leading service provider to the QSR sector and counts McDonald's, Starbucks and Yum! Brands as customers. The agreement provides a new sales channel for the Algo in the US where the QSR and fast food market is estimated to be worth circa US$227bn[2].

Post the reporting period, Dragontail Systems signed another significant deal with Point of Sales (POS) platform provider, Revel Systems, to integrate the Algo into Revel's POS solutions. Revel is a leading POS system developer with many large clients in the QSR industry, including the world's second largest chicken QSR, Popeye's Chicken and US ice cream chain Twistee Treat. Under the deal, Revel is also acting as a reseller of the Algo to its extensive QSR customer network through a mutual partner referral program.

During the quarter, Dragontail Systems also expanded its product line with the launch of the world's first quality control camera and sensor system for the pizza restaurant industry. The Camera Cut Station Unit (CCSU) is the first system in the world to monitor key elements of food preparation and cooking in a restaurant's kitchen to improve the quality and integrity of pizzas and other foods.

The system contains wireless sensors that monitor the kitchen, fridge and oven temperature and immediately alerts staff to any issues. The camera also analyses the quality of ingredients and ensures the correct ones have been used. It sends a picture of the meal directly to the customer's mobile phone along with the temperature and time its comes out of the oven to improve the overall customer experience.

Dragontail Systems plans to expand the CCSU offering to other restaurants including burger, taco and sandwich establishments in the second half of 2017. The Company is receiving strong interest in the camera from a number of potential customers and expects to have the first installation in Australia in the next few months.

Post the reporting period, Dragontail Systems also continued to expand its geographical reach with the rollout of the Algo to Pizza Hut stores in Quebec, Canada. As of January 31, 2017, the system has so far been installed into around 10 Pizza Hut stores in the province and the Company is looking to double the number of stores in the Quebec roll out.

Canada represents a significant market opportunity for Dragontail with more than 16,000 QSR restaurants generating several billion US dollars in annual revenue[3]

Dragontail has also released a French version of the Algo, providing an option for use in French speaking restaurants in Quebec.

## Corporate and Financials

Following its oversubscribed IPO in December, the Company is well resourced to continue the development and commercialisation of the its revolutionary Algo Dispatching System.

The Company's cash balance as at 31 December 2016, was $5,774,113. Going forward, Dragontail is confident of further growth in its customer pipeline and strengthening of its geographic reach over the remainder of FY2017.

## Outlook

In the near term, the Company will continue to rollout of the Algo into Pizza Hut stores in Canada and is also expecting to sign additional customers off the back of the agreements with Revel Systems and AT&T. Dragontail Systems is also expecting increased sales of the CCSU following strong interest from a number of major QSR restaurants and looks forward to providing investors with further updates on its progress in the near term.  The launch of the Algo in the first Australian store is expected in the next few months.

"We are confident that the success achieved during this quarter and beyond in both expanding the rollout of the Algo and increasing our product range and customers puts us in a very strong position for continued growth over the remainder of FY2017," said Dragontail Systems Managing Director, Ido Levanon. "We are focusing our energy on strengthening our offering and strengthening our international presence, which has already resulted in the launch of additional products as well as strategic partnerships with key players in the industry".

**End.**

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**About Dragontail Systems**
Dragontail is revolutionising the Quick Service Restaurant (QSR) industry with its Algo System, which uses a sophisticated patented algorithm to optimise and manage the entire food preparation process from order to delivery. The Algo is the first system in the world to fully automate and streamline the kitchen flow to deliver immediate and significant returns on investment to fast food and quick service restaurants. The Algo is setting a new standard for the global industry with a number of chains, such as Pizza Hut in North America and Israel, and a large Israeli burger chain already using the system.

[1]AT&T products and services are provided or offered by subsidiaries and affiliates of AT&T Inc, under the AT&T brand and not by AT&T Inc.
[2] Source: https://www.ibisworld.com/industry/default.aspx?indid=1980.
[3] Source: https://www.ibisworld.ca/industry/fast-food-restaurants.html.