

Dragontail Systems is pleased to release its inaugural results for the full year ended 31 December 2016

28 February 2017

ASX Announcement

Highlights

- Dragontail's Algo System gaining strong traction across QSR industry with a number of new installations since listing
- Expands product range with the launch of the world's first quality control camera and sensor system for the pizza industry
- Dragontail is in final stages of signing a number of new customers, which will set the Company up for a strong year in 2017
- Cash balance of USD 4,175,428 as at 31 December 2016; with cash being reinvested in the business as it continues to expand product offering and geographic reach.
- Dragontail confident of further growth in its customer pipeline and strengthening of its geographic reach in FY2017.

Dragontail Systems Limited (ASX: DTS, the "Company") is pleased to release its inaugural results for the full-year ended 31 December 2016.

Financial overview

Dragontail finished the financial year with a cash balance of USD 4,175,428 following its Initial Public Offering (IPO) in December. This puts the Company in a strong financial position and gives Dragontail sufficient resources to meet its next set of growth targets as the Company expands the reach of the Algo System to new markets and segments and rolls out its quality control camera system to new and existing customers.

Operating overview

Dragontail has made strong progress since its official listing on the ASX in December 2016. This period has seen Dragontail management busy executing on the Company's growth strategy and expanding the use of the Algo System across a number of markets. In December the Company announced an agreement with AT&T[1], one of the world's largest information Technologies and Telecommunication groups, to provide connectivity for the Algo

System across AT&T's highly reliable mobile network.

The deal with AT&T is proving to be an important selling point for the Company in signing up new customers as a key aspect of the Algo System is the connectivity and speed of the driver's unit which utilises mobile data to ensure that the delivery process is as fast as possible.

The Company also expanded its product range in December with the launch of the world's first quality control camera product for the pizza restaurant industry. The Camera, known as the Camera Cut Station Unit (CCSU) is the first in the world to monitor key elements in the kitchen during the preparation and cooking process to improve the quality and consistency of pizzas and other meals that the restaurant is producing.

The camera is generating strong interest across the QSR industry and the Company expects to be able to announce first installations of the camera into a restaurant in the near term.

Subsequent events

Post the reporting period, Dragontail continues to make significant progress on the development and commercialisation of the Algo System and has signed up a number of key partners and customers. A summary of these partnerships and agreements is outlined below:

Revel Systems

Dragontail signed a partnership in January with leading Point of Sale (POS) platform provider Revel Systems to integrate the Algo System with Revel's cloud-based iPad POS System. The agreement means that customers using the Revel POS solution will be able to easily implement Dragontail's Algo System into their restaurant operations – providing one seamless integrated system that will handle the process from order through to payment and deliveries.

Revel is a US-based Company with an extensive customer base including Cinnabon, part of FOCUS Brands Inc. and Popeye's Chicken a quick-service chicken restaurant with more than 2,000 locations worldwide.

Revel's POS solution was also selected as the Indy 500 POS vendor of choice, an event that attracts more than 250,000 patrons per year.

The partnership also includes a mutual referral agreement whereby Revel will market Dragontail's system to its client base and vice versa with the Companies receiving a fee for each successful referral.

Howazit

Dragontail has also signed an integration agreement with Howazit, a provider of end-to-end customer communications technology, to integrate the Algo System with the Howazit platform.

Under the agreement, the Algo System and Howazit platform will be integrated to provide additional applications and capabilities for users of the Algo. This integration provides customers with an immediate feedback option which can be received by each participant in the food preparation process.

This not only allows for a direct channel of communication from the customer to the restaurant but it also allows

the restaurant to respond to the feedback by automatically adjusting the optimisation settings of the Algo that are the most important to the customers, improving the overall experience.

Outlook

Dragontail has made a strong start to FY2017 following its listing on the ASX in FY16 and expects this momentum to continue with new customers likely to be added in the near term as the Algo System gains further traction off the back of the agreements that have already been signed.

The Company is also expecting sales of the CCSU to ramp up across a number of markets following strong interest from major QSR restaurants. The launch of the Algo in the first Australian store is expected in the first quarter of FY2017.

"We are confident that the success achieved since listing on the ASX has put us into a very strong position for a big year in FY2017," said Dragontail Systems Managing Director, Ido Levanon.

"We are receiving increasing interest from new and potential customers that have identified the benefits that the Algo System can bring to their businesses in optimising their kitchen and delivery operations. In addition, we continue to expand our offering with new products such as the CCSU and the Smart Orders Aggregator, which cements our position as the technology leader in the QSR 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.

