

Immediate Traction Achieved In US Frozen Yoghurt Market

Successful Trial Leads To New Segment Rollout of Algo

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ASX Announcement

Highlights

- New York franchisee of 16 Handles concluded its trial of the Algo System early and immediately decided to commence commercial rollout due to stronger than expected results.
- Algo System will now be installed into New York based franchisee NYC-FROYO's remaining 4 frozen yoghurt stores and the Company will pursue further agreements with other 16 Handles franchisee's whom collectively have approximately 40 stores.
- The frozen yoghurt market in the US has annual revenues of approximately US\$2 billion and 3,000 stores across the US.

Dragontail Systems Limited (ASX: DTS, the "Company") is pleased to announce that it will progress to a commercial rollout of the Algo System to New York based 16 Handles franchisee, NYC-FROYO following a successful trial.

The trial period, which was initially set for three months, has been concluded before the trial was complete due to immediate results and Dragontail and NYC-FROYO will now progress to commercial rollout to its four 16 Handles branded frozen yoghurt stores, located in New York City. The success of the trial is a significant milestone for the Company as they look to expand the use of the Algo System into the fast-growing frozen yoghurt segment and the US quick service restaurant sector.

"As soon as the trial commenced we saw immediate and outstanding benefits from the Algo System in terms of increasing the efficiency of our operation and improving the average delivery times and as a result we decided to progress to a rollout to all of our stores before the trial had concluded," said 16 Handles Franchisee Director of Operations Christopher Ballerini.

Dragontail CEO Ido Levanon added, "To have a customer decide to move to a commercial rollout even before the trial period has concluded is great validation for our technology. Negotiations have already begun with other 16 Handles franchise owners off the back of this successful trial and we aim to generate similar agreements with other franchisees as well as across the broader frozen yoghurt market in the US."

Dragontail will now target other stores in the 16 Handles network as well as other players in the frozen yoghurt industry. The frozen yoghurt market has experienced rapid growth over recent years with an annual growth rate of 11.6% between 2011 and 2016 and generating annual revenue of US\$2 billion^[1].

[1] <https://www.ibisworld.com/industry/frozen-yogurt-stores.html>

Company Secretary:

Deborah Ho

deborah@tridentms.com.au

+61 8 6211 5099

Media Enquiries:

Ben Grubb

Media and Capital Partners

ben.grubb@mcpartners.com.au

+61 414 197 508

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.