

Executive Summary

Controlabill is a new and disruptive market player in the bill payment market. Controlabill's online Authority Management solution aims to take advantage of significant global market opportunities identified in driving direct debit usage through online authority management, a vital component of the rapidly growing electronics payment market.

Whilst payments management is a large and growing global market, Controlabill intends to launch in its home market, Australia, and focus on providing online authority management services, that address a significant identified market opportunity. A number of factors favour Controlabill bringing an online direct debit authority ("DDA") management service to market at this time:

- There are currently around 80 million active DDAs in Australia, managing around 800 million transactions per year and Controlabill can reduce the biller's cost of managing these by 90% or more.
- Bills are increasingly being paid by electronic payments, with BPAY the best known brand, yet direct debit is the lowest cost payment channel, typically only 8% to 15% of the cost of BPay and much lower cost again than Postbillpay.
- Direct debit provides a number of other significant business benefits to billers including reducing costs, better receivables & cash flow management and improving customer measures.
- Major billers are moving to more regular and subscription pricing to improve customer affordability and retention. In doing so, the number of annual payments will often triple or more, thereby driving the imperative of lower cost payments, with direct debit being the preferred option.
- The federal Government's new regime on bank account switching requires a change in how direct debits are managed by banks and billers

Controlabill intends leveraging this market opportunity and its innovation in online authority management to become a leading service provider in direct debit payments management – initially in Australia but also exploiting identified international market opportunities, such as the USA. Market indicators for this sector suggest the performance targets established for Controlabill are realistic and that a company valuation of \$15 - \$20 million is realistic by the end of June 2015.

Controlabill's innovative and patented authority management technology delivers efficiency and significant cost savings to billers. Controlabill aims to secure a 10% market share of the created/modified authority management market in Australia by June 2015.

This will be achieved by securing 20 billers and/or channel partners with at least 1.5 million 'billing' clients that will drive market share of around 3% of all direct debit authorities in force at that time.

Controlabill Business Plan 2013/14

Business Goals 2013-14

The goals for the business during FY2013/14 include

Clients

- First billable customer by August 2013
- 8 customers with more than 1.5m customers by June 2014
- Sales Pipeline of 12+ customers with 1m+ customers by June 2014

Revenue

- 400,000 authorities created or modified in Controlabill by June 2014
- 3 month moving average income of \$50,000 by January 2014
- \$1m+ revenue from 8 Billers by June 2014

Product

- Finalise minimum viable product readiness by first implementation date
- Roll out product enhancements during the year
- Secure Australian Divisional Patents & US Patent by June 2014

Profit

- Profitable by 4Q 13/14

Target Markets

Controlabill's target market is billers already using the Australian Direct Entry System for Direct Debit payments. This market comprises over 20,000 companies. Subsequent geographic market opportunities exist throughout the world.

Within the Australian market Controlabill's initial focus will be on larger billers to ensure we get greatest return on our sales efforts. As our sales grow and client solutions become standardised we will extend marketing to smaller direct debit billers under direct and online sales models.

The core markets of larger billers we will target initially are:

- Power Utilities
- Water Utilities
- Insurance Companies
- Large Membership Organisations
- Telecommunications Providers
- Major Consumer Finance Providers
- Direct Debit Bureau/Aggregator Payment Services Companies

Commercial drivers for billers include lowering the cost of receivables, ensuring cash flow and minimising cost while improving customer satisfaction and retention.

In the FY2013/14, the focus will be on Tier 1 Billers. These are the Top 100 or so Billers with an average customer base of around 2 million+ (minimum 1.5 million).

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Products & Services

Controlabill's biller focussed authority management service will be rolled out in FY13/14, exploiting our patented technology to replace paper based authorities in the direct debit area with a relationship based online model.

Minimum Viable Product for Single Billers:

- Allows multiple services per customer
- Replaces existing paper based data capture with an electronic form
- Call centre and other channels can use the same tool
- Off the rake flexibility for immediate integration to biller style
- Field validations only
- Reporting on authorities based on activity and under management
- Reporting by user type – customer and back office (by user)
- Card detail reminders eg credit card expiry dates

Additional Product Features (to be prioritised)

- Bulk account upload of all existing DD's – possibility of extending to storage of scanned paper authorities
- Tokenisation – need to select preferred supplier and allow for individual biller requests
- Digital signing
- Account validation (bank and Credit cards – probably like PayPal's process)
- Return exception/error correction process
- Payment bounce process
- Alerts re upcoming payment due (file from biller currently doesn't hold info)

Future Products to be prioritised include:

- Biller Aggregation Model
- Bank Account Switching

Marketing Strategy & Support

The strategy for FY 2013/14 is to support sales penetration. This includes

- Marketing materials including sales approach communication, increasing customer direct debit usage strategies
- Determining product and client profitability prior to targeting
- CRM and Data base management
- Templates for Presentations and other marketing collateral items requiring customisation for each client/prospect.
- Pricing strategy and modelling
- Website and web tool development and management
- Blog & PR to drive awareness and visibility amongst target customer executives

Additional support is to be provided by a marketing agency for the foreseeable future.

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Sales Strategy & Support

Our initial focus on large billers for sales will require focused sales support on building prospect lists, active management of prospect contact dialogues and providing the required sales collateral and reporting systems.

Identifying target Billers and personnel within each category including

- Single Biller with either single (eg Sydney Water) or multiple products (eg Telstra, or Origin)
- Aggregator with multiple Single Biller clients (eg Australia Post with Telstra, Origin Energy, Sydney Water) Other potential Aggregators include banks, Telstra, NRMA
- Payment Services Provides offering aggregator and/or bureau direct debit services to SMB's through larger businesses, e.g. Debit Success, PaySmart, EziDebit, IP Payments, etc

The target Customer in FY13/14 is

- Single Biller model is the number 1 priority
- Billers with potential annual authorities of 200,000 or more – likely to have 1.5 million customer or more to drive this activity level
- Review the Aggregators opportunity in September 2013 to determine if we want to more aggressively target this market in 2013/14.
- Other Billers likely to drive 200,000+ authorities per annum due to higher churn rates rather than larger customer bases, eg Radio Rentals

Sales channels include

- Direct business development team
- Strategic partners (eg Australia Post and SPS)
- Partner Models with Direct Debit specialists (Debit Success, IP Payments, etc) and larger system integrators (SAP, Oracle, IBM, etc)

High quality sales people and our Directors will be required to leverage and establish contacts at senior levels and effectively communicate with Top 100 company senior executives. In particular, the directors will leverage their extensive experience in banking, billing and payments within the sales team.

Operations & Product Management

Controlabill's product has developed to the stage where it can be and has been demonstrated. A product roadmap has been developed to prioritise future work required for initial biller implementation and beyond. A senior operations and product development manager has been employed to identify, incorporate and manage the delivery of Billers' implementation requirements.

This role will manage all aspects of product development and operations:

- Product and application development management
- Release management
- Scope Management

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- Ongoing post implementation management
- Managing IT & Service Provider relationships and product development
- Ongoing SLA management
- Product documentation and user guides
- Manager biller support for IT and Operations' teams

Intellectual Property Management

An Australian patent has been granted covering the Direct Debit aggregator biller model. An Australian Innovation Patent has also been granted covering bank account switching and single biller models. Additional Divisional patents have been applied for covering the Direct Debit single biller model. They are currently under examination.

Once the Australian examination is finalised, we intend to commence discussions with Billers that are currently infringing the single biller patent. There are a significant number - mainly smaller billers and payment aggregators - currently infringing. Should litigation be required, a litigation funder/partner will be required to commence proceedings.

Engaging a funding provider to defend our Intellectual Property position will be a vital task.

The USA patent application is pending. Given the Australian patent has been granted and no conflicting patents have been raised by the USA patent office, we expect that patent to be granted in the near future.

A Canadian patent application has also been lodged and is in the early stages. This patent is not expected to be granted for at least a year.

Structure & Resourcing

Controlabill is coming to market as a market/customer centric service organisation, rather than a specialist technology company. The intention is to be agnostic toward technology, with a core focus on identifying and servicing customer needs. It is important that the company start out and remain focused and agile, which is one reason for opting for a virtual approach to the organisation and outsourcing wherever feasible/desirable: The other being to minimize fixed costs.

Focus

Controlabill will quickly acquire/develop a strong core skills and knowledge base in:

- Business development
- Business relationship management
- Business process disciplines
- The payments market – and especially payment authority management
- Customer service execution

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Other key functions will be outsourced to strategic partners freeing up the Controlabill organisation to concentrate on understanding market and customer needs and delivering quality services that meet those needs more quickly and cost effectively than any competitors.

Management and Business Systems

Controlabill's management team has extensive experience in banking, billing and payments, start up technology driven businesses and SaaS business models.

The business systems that have been established include

- Microsoft Office 365 Small Business Premium
- Management accounting – Xero
- CRM – Insightly
- Google Apps for Business
- Bulk email direct mailing – Mailchimp
- Expensify for Expense Management
- Wordpress for our website
- Various web tools for features in our web site and integration of customer and sales information

Risk Management

There are a number of risks that the business faces

- 1 Cash starvation until revenue is generated and/or 2nd Tranche of Sydney Angels investment is received
- 2 There are currently no reference billers
- 3 The business model has not been proven operationally
- 4 Financial services market distracted by FoFA/superannuation implementation
- 5 IP disputes with other organisations that consume time and money
- 6 Product delivery – mismatch between Biller expectation and our ability to deliver
- 7 BPay makes its pricing more competitive
- 8 Banks increase Direct Debit fees – Billers would break ranks or move to international banks
- 9 Not making sales targets
- 10 Advice Connect resourcing and ability to deliver
- 11 Key Person/people
- 12 PCI strategy and other compliance issues
- 13 Regulatory change
- 14 APCA standards change
- 15 Grow too fast – too many implementations
- 16 Banks actively target Controlabill product
- 17 Innovation patent not approved after examination
- 18 Password management – currently only SC
- 19 Tool research – only SC

Each of these is being actively engaged with to minimise the impact on the business.

Fund Raising Strategy/Plan

The cost of executing the plan over the next 2 years is around \$5 million with \$700k provided by Commercialisation Australia grants and private equity. The balance is provided by sales revenue.

Once sales revenue is generated, it is proposed to commence discussions with the private equity community to secure Round A funding of \$5-\$10m within 12 months. The application of this funding will be the subject of a separate workshop. Potential areas of deployment include:

- Accelerated Australian roll out
- Implementation of Direct to Consumer Aggregator Model
- Strategic acquisition(s)
- International expansion to USA, Canada, NZ or elsewhere

Financial Plan

FY 2013/14 will determine the financial viability of the business. As a result, generation of sales revenue is the major priority. The plan has been prepared on the basis of the minimum resource requirements to maintain a positive cash flow.

Key assumptions in the plan

- Clients have an average customer base of 2 million customers
- Average Direct Debit penetration of Controlabill clients of 10%
- Growth rate for Controlabill clients in Direct Debit Authorities of 10% pa
- Minimum pricing of \$2.50/authority and \$0.05/authority/month for biller services

The major operational expenditure is around people - most with market and customer facing skills. Additional significant expenditures are around the product development, enhancements, intellectual property and marketing communications.

The following tables summaries the financial outcomes from the business plan