

20 July 2017

UPDATE ADVICE TO ALL SHAREHOLDERS

Dear Fellow Shareholder,

It is nearly a year since BPS Technology Limited ("BPS") first announced its intention to acquire Entertainment Publications, a transformative acquisition which was funded by a \$30m institutional placement and SPP and completed in September 2016. Since then we have been focused on the integration of this business, and its 200+ employees, into BPS in order to realise the significant revenue and cost saving synergies that can be generated by integrating the buccq and Bartercard business model and systems with Entertainment Publications' 12,000 SMEs, 18,000 Not for Profits and 1.5m consumers.

We have provided updates on our progress at the half year in February 2017 and more recently at the end of June when we revised our August 2016 guidance for FY17 revenue (+\$0.5m to \$109.5m), EBITDA (-\$0.5m-\$1.0m to \$13.2m-13.7m) and earnings per share (unchanged at 11.8 cents).

We will be formally updating the market on our audited financial accounts for the 2017 financial year on or about 24 August, including the final dividend.

Review of Dividend Policy

The integration of the Entertainment Book (EB) into BPS over the past nine months has resulted in some fundamental changes to the structure and timing of cash flows in the company due to the relatively short selling season of EB (April to July). As a result the Board is considering the option that future dividends will be paid once a year, after the Full Year Results announcement.

Also being considered is the introduction of a Dividend Reinvestment Scheme which will enable shareholders to continue to invest (if they so choose) in BPS over time.

Increasing our Investor Communication

Starting in FY18, it is our intention to be much more proactive in providing information to our 954 shareholders and other potential investors on how the business is progressing. This will take a number of forms, whether it is through more regular announcements to ASX outside the statutory reporting periods, investor newsletters or Letters to Shareholders (like this one) from the Board. We will reach out to more retail brokers to ensure they know about BPS and how an investment in this company might be of benefit to some of their clients' portfolios, as well as increasing our engagement with the institutional investment community.

The Board is firm in its belief that BPS has real potential to capitalise on its existing assets and generate above average returns. Aligned with that is a commitment to ensure that the



underlying value of the business is appropriately reflected in the company's share price as BPS continues to execute its strategy for growth.

Building a Sustaining Culture

Among the many factors that affect an organization's ability to innovate, compete, and engage employees and customers is corporate culture. It has long been linked to company performance, with studies demonstrating that while a positive corporate culture—one that engages and motivates employees—helps a company's bottom line, it doesn't work in the reverse. In other words, a company's financial success alone isn't enough to ensure a positive culture. Research has also found that companies that succeed without a positive culture are likely to see their performance decline.

Following the acquisition of EB last year, BPS's Management and Board reviewed and updated the Company's five-year plan (created in late 2014) with a specific focus on the values that underpin its culture.

We revisited what our company wants to stand for and updated its Mission statement to:

"Create Value in Every Transaction"

So, what does this statement say about how we do business at BPS and why is it important?

The cultural expectations and mindset behind this mission is for staff and participating members on the platforms to only participate in a transaction if it is beneficial and fair to all. In other words, a "Win-Win-Win" outcome - a Win for the buyer, a Win for the Seller and a Win for the company that is providing the platform service. In doing so we **Create Value in Every Transaction**. This mission extends across all Divisions and all platforms encapsulated under the BPS umbrella. It is a journey but, as the research clearly tells us, a great culture is only formed by the aligned thoughts and actions of its people.

Divisional Update

Entertainment:

BPS management has actively been working with EB senior executives since late last year to;

- identify improved ways to enhance existing revenue streams;
- identify new revenue streams;
- drive costs down; and
- accelerate the migration of the business to a more digital footprint.

Our goal is to not only convert existing buyers of "the Book" to the digital app but also to materially increase the reach of individual new sales.

The first target we set for EB following our acquisition was for it to deliver 35% of "Book Sales" in a digital format by June 2017. It has exceeded that target and we expect to report a number slightly in excess of 40% at our results briefing next month.

In the current Financial Year (FY18) the entire online presence of EB will be transformed. This exciting initiative will see a much enhanced website as well as an upgraded mobile app that will not only be transactional but will also allow you to book a table directly with restaurants using the “Now Book It” software provided by EB. This will substantially enhance the user experience, increase efficiencies, decrease costs, and provide much richer customer data to merchants enabling them to improve their service and offers. In addition, with the advent of our smart technologies, we will be seeking to materially increase the number of Not-For-Profit (NFP) organisations selling the EB product, allowing us to deliver even more value back to the community. EB will also look to expand its discounted exclusive offerings across even more Gift Card lines, Airlines, Car Rental Companies and Premium Hotel Chains.

EB’s staff are 100% behind these activities and we will continue to focus on increasing front line, income-earning staff and digitising the back office operations, without losing the personal touch for which EB is famous.

Since acquiring EB we have occasionally been asked by investors whether we intend to reduce head count and change the business model in EB. This happened with the North American business of the original EB several years ago when a private equity firm took control, with some very unfortunate consequences. There are important lessons to be learnt in not following that approach and instead ensuring we understand the people DNA of this unique business and nurture the leaders who will deliver its goals for growth.

BPS owns the global rights to the Entertainment Brand (with the exception of North America) which gives the BPS team the opportunity to export the Entertainment Platform and create new revenue streams internationally. Entertainment is a wonderful business, staffed with passionate people who are embracing the new ideas and technology flowing from BPS. The future for this business remains strong.

Bartercard Division:

In the last financial year, Bartercard sold licenses for France and Israel to two Licensees with very large established business databases in which the Bartercard platform and system will be offered as an additional sales channel to their existing business network.

At an international level, Bartercard Corporate Services Division is focusing its efforts on the identification of large, established, overseas business database companies with whom we can partner and to whom we can sell an international licence. This forms a key stepping stone to greatly accelerate the acquisition of local SMEs to the platform. As more international country licences become established this will create greater buying and selling opportunities, in particular travel and hospitality which are much sought after at all levels.

Any new licensed country coming on board will benefit by starting on a stronger digital pathway as a result of the major work being undertaken in our New Zealand operation to use digital technologies to lift customer satisfaction and increase transactional volumes at the same time as reducing costs.

This NZ technology started being rolled out across Australia in June 2017.

In addition, the 24,000 SMEs on the Bartercard Platform are now being offered an increasing array of “Member Plus” options which are not a part of a traditional barter exchange business model such as:

- Travel Plus
- Export Plus
- Finance Plus
- Insurance Plus.

These new product offerings, developed over the past twelve (12) months, represent a “pivoting” of our business strategy in that we can now value-add to every member business the opportunity to either save cash dollars or increase their cash revenues potentially by thousands of dollars every year. An example of this is our recently announced association with iSynergi Limited, Alibaba.com’s Global Service Provider.

Initiatives such as these represent a major departure from the traditional business model associated with the Bartercard Platform. It is in fact a natural progression towards the digital transition occurring in mainstream businesses where Platforms like ours are seeking to harness the underlying and untapped potential that exists in the data bases of SME members globally.

Investing in the future

The BPS Group has continued to invest in software development and new offerings that can be deployed digitally. We will continue to invest in technology and expect the amount of monies spent as a percentage of revenue over the next two years to average around 3 - 4%.

With an asset base of 36,000 SMEs, 20,000 NFPs, 1.5 million fee earning consumers and a reach of 3.5 million individuals, the opportunity for BPS to increase and/or drive new revenue streams from predictive buying and selling patterns is truly exciting.

We have reduced and will continue to reduce staff roles across a number of our Platforms as digital efficiencies are deployed, but we are also investing in new staff in emerging income generating areas. We are recruiting for tomorrow’s business not yesterday’s.

The world is changing – consumers are shopping online like never before and SMEs face increased competition from mega corporations daily. But the fact remains – there are more SMEs employing more staff than all of these mega corporations combined. BPS is dedicated to helping SMEs to not only survive but to prosper and in so doing we are contributing to the long-term economic growth of this country.

The technology we are developing and delivering right now is helping keep SMEs alive and well and with that every employee who works in those firms.

That is the future of your company BPS Technology Limited – to **“Create Value in Every Transaction”**.

We are looking forward to you continuing this journey with us.

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About BPS Technology Limited (BPS): BPS is a leading provider of transactional platforms and management systems that enable businesses to attract customers across multiple sales channels. These platforms currently serve 36,000 merchants and 1.5m customers through a network of ~ 20,000 Not-For-Profit organisations, giving BPS a reach of 3.5m consumers. BPS earns revenues on transactions over the platforms via its subsidiaries Bartercard, Entertainment and bucqi.

About Bartercard: Bartercard operates the world's largest retail trade exchange for over 26 years. It allows small to medium businesses to conduct transactions without the use of cash. There are 50,000+ card-holders in 10 countries and 74 offices currently. Bartercard transactions can be conducted online, via its mobile app or across more than 7,000 bank EFTPOS terminals.

About Entertainment: Entertainment Publications is a business-to-consumer (B2C) deals platform with an established model proven over 22 years of profitable operations. Through 21 offices Entertainment provides restaurant, accommodation and activity guides with special offers from more than 12,000 businesses to consumers in Australia and New Zealand.

About Bucqi: bucqi is a disruptive mobile payments and rewards app based around a loyalty platform designed for businesses to attract consumers. It allows consumers to earn and redeem great rewards called "bucqs" via a wide range of participating merchants. The payments platform has been three years in the making and has a number of patents pending. It has been launched in Queensland Australia and Wellington in New Zealand.