

ASX Release
10 October 2017



STARGROUP LIMITED Update from Chairman and CEO

This week, I will be celebrating three years as CEO of Stargroup Limited (ASX:STL) ("Stargroup" or "the Company"), and having overseen significant Company developments, no issue has generated more media and shareholder interest than the recent announcements made by the major banks about abolishing foreign transaction fees at their ATMs.

On Sunday, 24 September, initially the Commonwealth Bank and then all of the major banks followed, in making press releases announcing they would abolish ATM fees at their machines for any customers of the major banks.

I was contacted by many journalists for comments on the proposed changes and the likely impact on Stargroup. My initial response was that it would have little or no impact on our transactions and projected revenues given that we operate our ATMs in an entirely different market, namely the convenience market, where our ATMs do not directly compete with the bank ATMs.

Further, I then provided a detailed synopsis in our subsequent presentation on the opportunities that may be presented to the Company as a result of this decision by the major banks. This was presented to investors at the PAC Tech conference on Wednesday, 27 September 2017, and is available on the STL website.

Since then we at STL have fielded numerous calls from concerned shareholders, investors and others about the implications for the Company. Accordingly, I thought it would be a poignant time to highlight some of the questions and answers provided to journalists and shareholders in the last few weeks, in order to clear up some misconceptions about the bank's move.

Was I correct in my initial comments made to journalists about the impact to STL?

Well in the first week post the announcements made by the major banks our transactions at ATMs were up 2.2% and the amount of cash withdrawn was up 2.4%.

Why has it not affected the StarATM transactions?

When choosing a site for installation of a StarATM, the proximity to a bank ATM or another independent ATM is specifically considered together with a whole host of other factors which make up the art of site selection and placement of an independent ATM to ensure the maximum return on our capital investment. Having been in the industry for over 17 years, I believe that our site assessment is best practice, and historically we have compared the key performance indicators of our business against the #1 independent operator in Australia and STL always comes out on top.

A further argument for it not impacting on the Company business is that bank customers have always been able to obtain cash for free from their own ATMs, and we have always suggested that as a result of our machines being located in convenient locations like pubs, clubs, nightclubs, 7-eleven stores, service stations, remote sites and other similar locations, usually where banks are not interested in locating their devices, we are insulated in the event of bank policy changes.

What impact has it had on the transactions of the other independent ATM Deployers being processed by StarLink?

While the announcement by the major banks was only made in the last week of September, the total transactions for the month of September for all independent ATM Deployers on the StarLink network were 1.7% up on the prior month.

Was I surprised by the share price impact of the announcements?

Not really. The high profile media reports and number of articles about the fee free ATMs were significant and a number of shareholders incorrectly thought that this would significantly impact our business. During the first trading day post the announcements made by the major banks our shares were down nearly 33%, and the share price has not fully recovered since.

I was surprised by the level of the selling, but we recently added nearly 300 shareholders to our register earlier in the month on the back of our recent Joint Venture announcement about the development of two way Bitcoin ATMs, which was announced on 4 September.

What this has probably emphasized is that there is still a significant number of investors on our register that don't understand the fundamentals of our business and that is something that we will have to continue to educate the market on and in particular, the niche in the market that we operate within, which now accounts for almost 60% of all of the ATMs in the country.

As the media becomes more informed about the fine print of the recent major banks announcements and the true impact that this will have on our business, we should see a good recovery in the share price., This recovery has already commenced, but it does emphasize that the media can and do have a material impact on a small cap share price for a business such as ours, particularly when industry conditions change and the potential impact is not properly understood.

What impact has this had on your Top 20 shareholders?

The percentage holding of STL's Top 20 on a grouped basis has barely moved since the announcement, showing that our major shareholders, who have taken the time to understand the nature of STL's business model, are remaining solid.

They have an excellent understanding of our business and our fundamentals .We welcome the continued support of our Top 20 shareholders, and all of our shareholders in the Company.

FURTHER INFORMATION

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About Stargroup

Financial technology company Stargroup Limited is the only ASX listed company deploying ATM machines in Australia and importantly, the only listed ATM company having a direct ownership interest in the manufacturer of its ATM technologies, namely NeolCP, a South Korean private company.

Stargroup Limited became the exclusive distributor of the cashPod ATM range including the recycler ATM, back office and payment technologies in Australia for the next 5 years on 7 August 2015. Stargroup Limited owns 11.1% of NeolCP Korea Inc, a South Korean private company that provides integrated and innovative self-service solutions to the banking and retail market.

Stargroup Limited, via its wholly owned subsidiary StarLink, became an ATM processing, switching and telecommunications business on 5 May 2017 and now has over 2,400 ATMs under management, processing approximately 16 million transactions a year.

Stargroup Limited, via its wholly owned subsidiaries, StarPOS and StarApps, is also an EFTPOS and payWave technologies provider and developer of the source code in its terminals via its 5-year distribution agreement with West International AB, a Swedish NASDAQ listed company, to distribute next generation EFTPOS payment terminals and solutions in Australian and New Zealand.

