

22 December 2017

BOARD ANNOUNCES RESTRUCTURING PLANS AND PROVIDES GUIDANCE

BPS Technology Limited (“BPS” or “Company”)(ASX: BPS) advises that the Board has accepted a number of business restructuring recommendations made by newly-appointed Chief Executive Officer Mr Iain Dunstan and has agreed that the restructuring initiatives should be implemented as soon as practicable to ensure that there is maximum beneficial impact on BPS’ financial performance in the Second Half of FY18.

The Board is also providing guidance on the Company’s expected financial results for the Half Year ended 31 December 2017 and reconfirms expectation for the Full Year result.

Key Areas of Restructure:

Further to the previously announced cost savings, the Board and Mr Dunstan have identified significant additional restructuring opportunities within the Group.

These restructuring initiatives, some of which are already underway, are:

- combining the management of the Bartercard Australian and New Zealand businesses, delivering significant efficiency gains;
- integrating the Entertainment and Bartercard businesses by adopting a shared services model;
- scaling back ongoing investment in the international businesses;
- developing a timetable to close or sell non-core operations; and
- redeploying capital resources into core growth businesses such as Entertainment and Alipay.

Impact of Restructuring Program:

The Board estimates that the restructuring program will yield annualised cost savings exceeding \$5 million. The company will begin realising these benefits in the Second Half of FY18, mostly through savings in people and property costs that are now duplicated across the Entertainment and Bartercard businesses in Australia and New Zealand.

Significant operational progress towards the achievement of these annualised savings commenced during December 2017 with the combination of Bartercard’s Australian and New Zealand businesses.

Mr Dunstan said, “These savings, the redeployment of capital, and increased focus on our core businesses will provide a strong platform for BPS to grow sustainably and profitably in the Second Half of FY18 and beyond.”



The Board advises that BPS' First Half FY18 financial results, to be announced in February 2018, will include a restructuring provision of \$4.5 million, and non-cash impairment charges, relating to a write down of intangible assets, in the range of \$7 million to \$12 million. The ultimate size of the impairment charge will be determined as part of the preparation of the half year accounts and related Audit Review.

First Half FY18 Performance

The Board has reviewed the performance of the business up to 30 November 2017 and expects Group revenues for the First Half to increase marginally over the prior corresponding period's (pcp) revenue of \$56 million.

During the First Half, the Entertainment business performed well and exceeded expectations, whilst the Bartercard business disappointed with a decline in operating revenues and lower international licence fee sales, compared to pcp.

In the pcp, Bartercard sold two country licences to France and Israel, generating substantial licence fees.

While management is at an advanced stage of negotiations with a number of countries in Asia and Europe it is unlikely that any new licences will be concluded by 31 December 2017.

As announced previously, the Company's business operations were significantly disrupted during the current Half by the General Meeting called by two convening shareholders.

This unnecessary and unproductive business distraction led to increased legal and shareholder communication costs, and delays in the implementation of a number of new revenue-generating initiatives, which are now being prioritised by Mr Dunstan.

Going Forward

To address this decline, the restructuring plan is being accelerated and resources are being focused on the successful rollout of Alipay. It is expected that over 150 merchants on the Gold Coast will begin transacting through the BPS Alipay technology during the Second Half of FY18, with Sydney and Melbourne to follow soon after.

The Board expects the net effect of the improvements in the Entertainment business and the decline in Bartercard revenues will result in the company reporting First Half FY18 EBITDA of between \$4.0 million and \$4.5 million, prior to restructuring costs and impairments, compared to \$6.9 million in the pcp.

However, due to the expected benefits of the agreed restructuring initiatives and BPS' increased focus on its core businesses, the Board remains confident of meeting its previously announced FY18 full year guidance of at least \$110 million in revenues and \$10.2 million Net Profit after Tax (excluding restructuring and impairments costs).

For more information, please contact:

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About BPS Technology Limited (BPS): BPS is a leading provider of transactional platforms and management systems which 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.