

17 July 2018

**Market Update on FY2018 Guidance
FY2019 Guidance Confirmed
Board Renewal Continues**

IncentiaPay Limited (ASX:INP, the “Company”) is providing in this announcement an update to the financial accounts for the six month period ending 31 December 2018 and a consequential update to the guidance for the year ended 30 June 2018 that was provided to the market on 28 February 2018.

The Board and management wish to stress that this change does not affect the cash position of the Company nor the underlying health of the business. Over the past six months the Company has made excellent progress with the implementation of its turnaround strategy. As the business refocuses on its core profitable businesses, both Board and management remain confident in the previous guidance range provided to the market for FY2019 Underlying EBITDA¹ of \$9.0 million to 11.0 million.

Restatement of Half Year Accounts

Although the 30 June 2018 results are still being finalised, in the process of preparing the full year accounts it has been identified that the 31 December 2017 half year Underlying EBITDA was overstated by \$3.5m. This overstatement was the result of the following:

1. An error in the calculation of unearned revenue and associated prepaid commissions to our fundraising partners as at 31 December 2017, which led to:
 - an overstatement of \$5.5m in membership subscription revenues;
 - an overstatement of \$3.0m in costs of sales; and
 - an understatement of \$2.5m in unearned revenue liability on the balance sheet.
2. An error in the capitalisation of commissions paid to sales staff, which led to:
 - an understatement of \$0.2m in costs of sales; and
 - an overstatement of \$0.2m in current assets.

¹ Underlying EBITDA is Earnings before Interest, Depreciation, Amortisation and Tax but before balance sheet write-downs, one-off expenses and ESOP amortisation.

3. An error in the booking of trade debtors and the associated provision for doubtful debts, which led to an overstatement of \$0.8m in trade debtors (current assets) and an understatement of \$0.3m in current period expenses and \$0.5m in one-off costs (as this amount related to an opening balance adjustment).

The tables below set out the overall impact of the above on the reported result for H1 FY2018 and the Company's balance sheet as at 31 December 2017.

P&L Restatement - H1 FY18	H1 FY18 (as reported)	Total of adjustments	H1 FY18 (adjusted)
Fee income	18.2	0.0	18.2
Membership subscriptions	21.8	(5.5)	16.3
Gift card sales	15.5	0.0	15.5
Other Income	0.4	0.0	0.4
Total revenue	55.9	(5.5)	50.4
Operating costs	(53.3)	2.5	(50.8)
Underlying EBITDA	2.6	(3.0)	(0.4)
Total balance sheet write-downs	(30.1)	0.0	(30.1)
Provision for restructuring	(4.5)	0.0	(4.5)
Redundancy costs booked	(0.3)	0.0	(0.3)
EGM costs	(0.5)	0.0	(0.5)
Other one-off expenses	(0.4)	(0.5)	(0.9)
Total one-off costs	(35.8)	(0.5)	(36.3)
Reported EBITDA	(33.2)	(3.5)	(36.7)

Balance Sheet Restatement - 31 Dec 2017	31 Dec 17 (as reported)	Total of adjustments	31 Dec 2017 (adjusted)
Cash and cash equivalents	9.2	0.0	9.2
Other current assets	23.0	(1.0)	22.0
Total current assets	32.2	(1.0)	31.2
Total non-current assets	61.6	0.0	61.6
Total assets	93.8	(1.0)	92.8
Total current liabilities	(40.1)	(2.5)	(42.6)
Total non-current liabilities	(9.6)	0.0	(9.6)
Total liabilities	(49.7)	(2.5)	(52.2)
Net assets	44.1	(3.5)	40.6

Note that errors one and two above are non-cash items as cash had already been received or paid, (as required) for these balances as at 31 December 2017. The above adjustments have been confirmed with the Company's auditors.

As a result of this restatement, the first half FY2018 Underlying EBITDA result has been revised down from the reported \$2.6 million profit to a \$0.4 million loss.

Updated guidance for FY2018 and FY2019 guidance confirmed

IncentiaPay is pleased to report that trading in the second half of FY2018 has been broadly in line with previous forecasts. This turnaround is the result of an ongoing focus on the execution of the restructuring program, which includes:

- exiting non-core Bartercard operations (including the UK and US businesses)
- a strong focus on cost reduction
- integration of Entertainment and Bartercard shared services
- redeploying capital resources into core growth businesses
- strengthening the composition of the Board and governance practices

As a result of the above, the Company expects the second half result to be broadly in line with prior guidance. The Company therefore expects to deliver a full year FY2018 Underlying EBITDA profit of \$1.0 million - \$2.0 million, subject to finalisation of the audited full year accounts.

In summary, the Company provides the following updated guidance to the market:

- FY2018 Underlying EBITDA of between \$1.0 – 2.0 million
- Cash of more than \$10 million as at 30 June 2018 and no debt
- **FY2019 underlying EBITDA of \$9.0 million – \$11.0 million confirmed**

Strengthened board and corporate governance

The Group has continued to strengthen the independence and skillset of the board, announcing the appointment of independent non-executive director, Naseema Sparks, on 9 May 2018. This follows the appointment on 28 February 2018 of independent non-executive director, Chris Berkefeld. Both appointees extend the expertise of the board, adding significant depth in corporate governance experience as well as in marketing, consumer segmentation, digital marketing and working with transformational and disruptor businesses.

Further, the Company wishes to announce the resignation of Mr Garth Barrett as a director. The Company would like to take this opportunity to thank Mr Barrett for his contributions.

For more information, please contact:

Iain Dunstan
CEO and Managing Director
IncentiaPay Limited
+61 7 5561 9111
iain.dunstan@incentiapay.com

Media Enquiries
Victoria Geddes
FIRST Advisers
+61 2 8011 0350
vgeddes@firstadvisers.com.au

About IncentiaPay Limited (INP): INP is a leading provider rewards, deals and incentives via its transactional platforms 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 INP a reach of 3.5m consumers. INP earns revenues on transactions via its subsidiaries Bartercard, Entertainment and Gruden.