



Investor **Presentation**

Financial results for the year ended 30 June 2018

IAIN DUNSTAN

Chief Executive Officer and Managing Director

DARIUS COVENEY

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Agenda

- 🔄 IncentiaPay GROUP HIGHLIGHTS
- 🔄 OVERVIEW OF IncentiaPay
- 🔄 STRATEGIC Initiatives
- 🔄 FY2018 FINANCIAL RESULTS
- 🔄 SUMMARY
- 🔄 APPENDICES





IncentiaPay GROUP HIGHLIGHTS

Financial Highlights

🕒 **Gross revenue** remained consistent YoY at \$110m

- 🕒 In line with previous guidance
- 🕒 27% (\$11.9m) decline in Bartercard divisional revenue offset by 18% (\$11.6m) increase in Entertainment divisional revenue

🕒 **Underlying EBITDA** of \$1.8m

- 🕒 Near top of guidance range of \$1.0m - \$2.0m
- 🕒 Not reported on in FY17 – will be reported ongoing during restructuring period

🕒 **Net cash balance** at year end of \$11.1m

- 🕒 Following debt repayments of \$19.4m and final dividend payment of \$2.7m

🕒 **Net loss after tax** (NLAT) from ordinary activities was \$62.2m (FY17 NPAT:\$10.3m)

- 🕒 NLAT attributed to impairments of \$47.2m related to non-cash assets on balance sheet
- 🕒 Additional charges for depreciation and amortisation of \$6.1m, provision for restructure of \$4.8m, one-off expenses of \$2.0m, discontinued operations charges of \$3.5m and Gruden related acquisition costs of \$0.8m
- 🕒 Annualised cost savings from restructure efforts during FY18 expected to be \$3.7m

🕒 **Capital management** activities included:

- 🕒 \$10m equity raised from institutional/sophisticated shareholders
- 🕒 \$2m equity raised from eligible shareholders participating in Share Purchase Plan
- 🕒 \$20.7m equity raised from Entitlement Offer (institutional and retail)
- 🕒 \$2.7m paid out to settle final FY17 dividend



Corporate Highlights

- 🔄 Formed experienced new Board and executive management team to drive restructure and growth strategy
- 🔄 Established shared services structure to benefit from costs associated with automation, process and system improvement
- 🔄 Began digital transformation across all divisions with investment in software development and new digital offerings
- 🔄 Redistributed capital and resources to core growth areas of the business - Entertainment and Alipay
- 🔄 Restructured and rationalised Bartercard division to reduce costs and return to profit, and scaled back investment in international operations
- 🔄 Acquired Gruden, a marketing and transactional payment company that will expand IncentiaPay's footprint, provide cost savings and enable cross-selling opportunities



Board of Directors



Murray d'Almeida
*Non-Executive
Chairman*

Murray has over 35 years of diverse national and international business experience. He began his career as an accountant in Perth, founded Retail Food Group Limited (ASX:RFG) and led its global expansion. He has served on over 12 public company boards as well as other private companies and not for profit organisations. Murray's current board roles include: Board Chairman of Barrack Street Investments Ltd, Director of Global Masters Fund Ltd, Director of Triple Energy Limited, Director of Tasmania Magnesite NL, Deputy Chancellor of Southern Cross University, Trustee of Currumbin Wildlife Foundation, Chairman of the One Light Charity Foundation and Member Gold Coast Light Rail Business Advisory.



Naseema Sparks
*Independent
Non-Executive
Director*

Naseema is an experienced 'top-line growth' director with current and relevant expertise in a range of industries in particular organisations with strong and growing B2B and B2C offerings with expertise in business strategy, marketing, branding, consumer segmentation, digital marketing and 'big-data'. Naseema has current experience in transformational and disruptor businesses, especially those operating in the rapid growth, customer acquisition and brand awareness stage. Naseema's qualifications include an MBA from Melbourne Business School, she is a Fellow of the Australian Institute of Company Directors and she is also a Past President of Chief Executive Women.



Chris Berkefeld
*Independent
Non-Executive
Director*

Chris has over 20 years' experience on public and private company boards in New Zealand and Australia. He has background in industrial, waste and mining services in Australia along with engineering and heavy transportation services in Europe and Asia. He has extensive experience as managing director, executive director and chief executive officer in the waste industry spanning almost two decades.



Iain Dunstan
*Managing
Director*

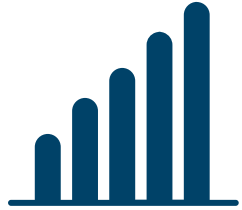
Iain has had more than 30 years' experience in the technology and finance industry, including an extensive listed company background. Most recently, he was CEO of ASX-listed Rubik Financial Limited and facilitated the sale of Rubik to Temenos Group in May 2017. Prior to that he was the Founder and CEO of ASX-listed company Bravura Solutions Limited which he grew to an enterprise with over 700 employees operating in nine countries around the world and an annual turnover in excess of \$125 million. In 2007 Iain won the Ernst & Young Entrepreneur of the Year award in the Technology, Communications, e-Commerce and Life Sciences category.



OVERVIEW OF IncentiaPay

“ We are committed to becoming Asia Pacific’s leading integrated loyalty and payment solutions provider enabling merchants to attract & engage consumers across multiple platforms. ”

IncentiaPay by Numbers



entertainment
GRUDEN
b bartercard

Leading ASX **LISTED INTEGRATED LOYALTY & PAYMENT SOLUTIONS COMPANY**



+450 EMPLOYEES across Australia and New Zealand



EXPERIENCED executive leadership team in place



IncentiaPay platforms serve **+35,000 MERCHANTS** across multiple product categories and verticals



CONSUMERS
Active database of +2,000,000 consumers locally and globally
+4,300,000 Entertainment vouchers redeemed annually



CORPORATES
+1,200,000 engaged Frequent Value users
+60 Blue Chip Corporate Partners with local and global reach



STRATEGIC Initiatives

Strategic Initiatives

INITIATIVE	DESCRIPTION	FY18 ACHIEVEMENT
RATIONALISE COSTS	<ul style="list-style-type: none"> Combine Bartercard AUS and NZ businesses management Integrate shared service model for Entertainment and Bartercard Procurement efficiencies through adopting group buying initiatives Reduce operating expenses (e.g. printing, telecommunications, rent and insurance) 	<ul style="list-style-type: none"> Consolidated Bartercard ANZ operations team. Sales and trading remain regional Centralised Finance, HR & Legal functions under COO. Identification of process and system improvements currently underway Completed Initial review. Key benefits will be realised as individual company contracts roll over Significant rental benefits identified and will be realised as contracts roll over. Headcount reductions to date resulted in approx. \$3.7M in annualised cost benefits, of this +\$1M has been reinvested in operating capability in key roles
SCALE BACK INTERNATIONAL OPERATIONS	<ul style="list-style-type: none"> Scale back international investment in Bartercard Divest US and UK Bartercard businesses 	<ul style="list-style-type: none"> US business sold in May 2018 and UK business restructured as new regional master franchise. No further investment in new international markets
RE-DEPLOY CAPITAL	<ul style="list-style-type: none"> Increase focus on core business - allocate capital to growth areas (Entertainment and Alipay). Focus on continued delivery of Alipay customers On-board additional Partner Plus customers Accelerate digitisation and migration of Entertainment Continue divestment of underperforming/non-core assets 	<ul style="list-style-type: none"> Investment capital focussed on Alipay rollout and improvement in Entertainment Group's product platforms Signed over 250 merchants on Alipay's Discovery platform from February to August 2018 with over 110,00 coupons downloaded Now working with increased number of payment partners

Gruden Acquisition

- ☪ Announced intended acquisition of Gruden Group Limited (GGL) in February 2018, and finalised acquisition in May 2018 for a total consideration of \$8m, comprising 27.68 million BPS shares and cash of up to \$0.25m (subject to standard price adjustments)
- ☪ Services over 500,000 users across approx. 800 retail outlets handling +100,000 transactions / month
- ☪ Operates across four business streams including; Performance Marketing, Government, Digital Services and mobileDEN
- ☪ Enabled IncentiaPay to add a digital marketing and transactional payment platform division to its growing portfolio that will;
 - ☪ Enhance transactional capabilities and create an 'all-in-one' benefits network
 - ☪ Provide access to a blue chip customer base



Alipay Partnership

- ☞ Signed Marketing Cooperation Agreement in September 2017 (with Alibaba's associated company), Alipay – worlds largest third party mobile and online payment platform – to deploy as payment method through Entertainment merchant network
- ☞ China is Australia's largest inbound visitor market with +1.3 million Chinese visiting Australia, growing +10% annually and spending +\$10 billion
- ☞ Agreement enables IncentiaPay to market simple payment solution to +800,000 Alipay users visiting Australia annually, and allows inbound Chinese tourists access to discounts for goods and services from participating merchants
- ☞ Frequency of transactions and total amount spent via mobile payment platforms by inbound Chinese tourists continues to increase +200% YoY
- ☞ Merchant adoption of Chinese mobile payment platforms complemented with marketing promotional strategy optimised within the platform are pivotal to securing spending growth by Chinese tourists

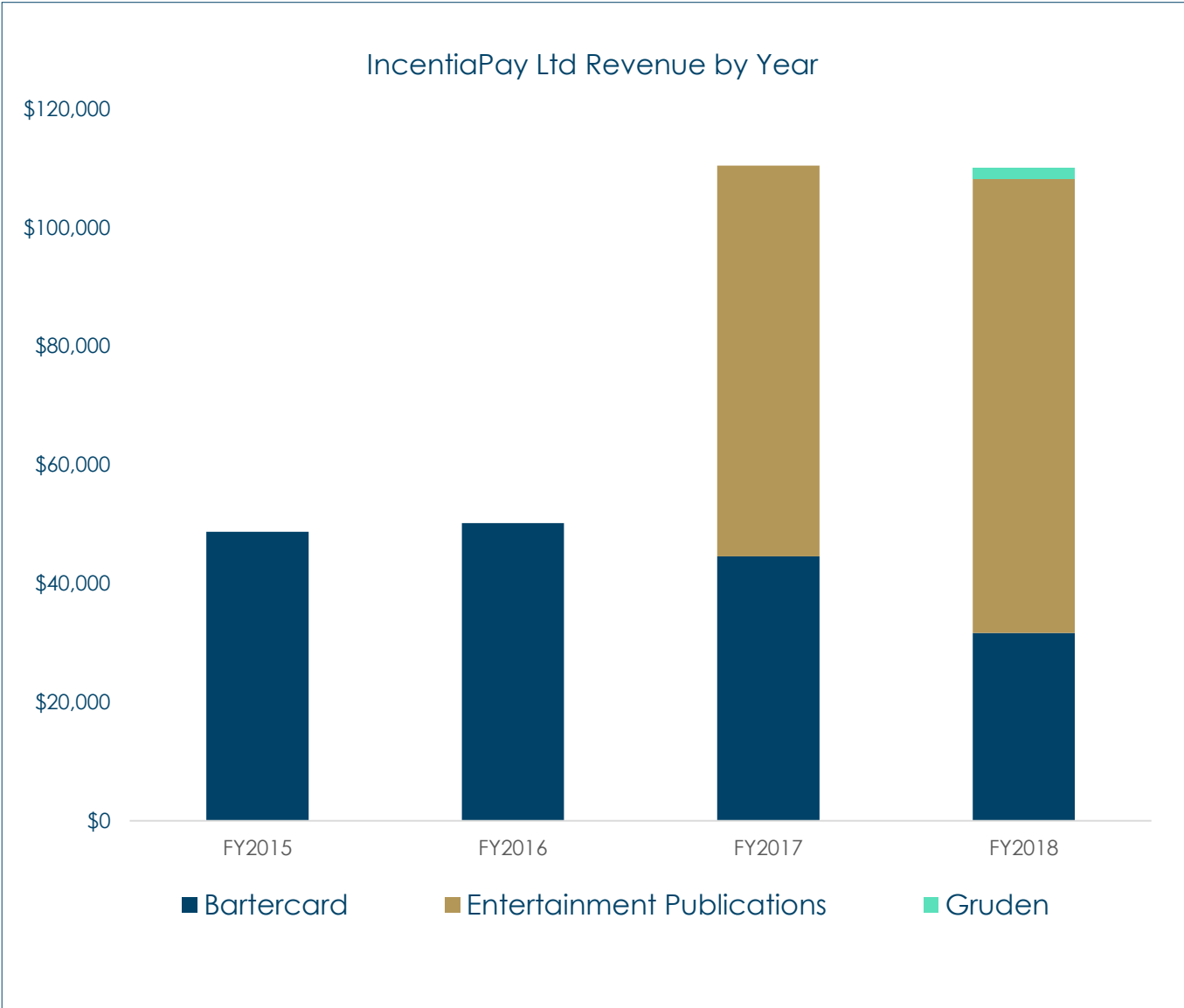
corporate marketing solutions
entertainment
TRAVEL



A woman with long dark hair, wearing a teal hoodie, is shown in profile, looking upwards and to the left. She is positioned in front of a large, curved glass panel of an aquarium. Inside the tank, numerous small, light-colored fish are swimming in clear blue water. The lighting is bright and cool, creating a serene and contemplative atmosphere.

FY18 FINANCIAL RESULTS

Revenue by Division



- Bartercard revenues continue to fall in line with decreased trading volumes
- Entertainment Publications revenue growing, although majority of the FY18 growth was from low margin gift card sales
- Gruden contribution only for 6 week period following acquisition

Income Statement

	CONSOLIDATED GROUP	
	2018 \$'000	2017 \$'000
Revenue	106,789	110,464
Direct expenses of providing services	(49,837)	(41,191)
Impairments	(49,054)	-
Employee expenses	(44,876)	(38,476)
Depreciation and amortisation expense	(6,055)	(1,586)
Building occupancy expense	(4,395)	(4,660)
Finance costs	(1,216)	(766)
Other expenses	(14,701)	(12,436)
Profit/(Loss) before income tax	(63,345)	11,349
Tax expense	2,000	(1,061)
Net Profit/(Loss) for the period	(61,345)	10,288
Gain/(Loss) for the period from discontinued operations	(838)	-
Net profit attributable to:		
- Members of the parent entity	(62,183)	10,288
Other comprehensive income		
Gain/(Loss) arising from translating foreign controlled entities	883	-
Total comprehensive income/(loss) for the period	(61,300)	10,288
Earnings/(Loss) per share		
Basic earnings/(loss) per share (cents)	(52.8)	12.1
Diluted earnings/(loss) per share (cents)	(52.6)	11.8

Note – EPS calculations exclude discontinued operations

🔄 Restructure charges included in net loss for the year included:

🔄 \$47.2m in impairment charges, mainly related to non-cash, intangible assets

🔄 \$4.8m employee and lease restructure costs and provisions booked, with \$2.6m of this amount as yet unused and remaining on the balance sheet as at end FY18

🔄 Further \$6.8m in other one-off or significant items for FY18

🔄 See Appendix 4E for further details

Balance Sheet

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	11,130	15,330
Trade and other receivables	9,675	12,380
Inventories	350	5,269
Other assets	12,186	9,800
Assets of disposal group classified as held for sale	1,596	-
Total current assets	34,937	42,779
Non-current assets		
Trade and other receivables	141	-
Property, plant and equipment	2,366	3,295
Deferred tax assets	4,773	3,061
Intangible assets	49,280	77,975
Other financial assets	-	1,500
Total non-current assets	56,560	85,831
TOTAL ASSETS	91,497	128,610
LIABILITIES		
Current liabilities		
Trade and other payables	6,474	9,571
Borrowings	-	5,000
Vendor loans	800	2,238
Current tax liabilities	169	1,037
Deferred revenue	22,001	22,916
Provisions	10,600	1,920
Liabilities of disposal group classified as held for sale	777	-
Total current liabilities	40,821	42,682
Non-current liabilities		
Trade and other payables	661	822
Borrowings	-	13,000
Provisions	1,839	962
Total non-current liabilities	2,500	14,784
TOTAL LIABILITIES	43,321	57,466
NET ASSETS	48,176	71,144
EQUITY		
Issued capital	94,892	54,554
Reserves	875	(668)
Retained earnings	(47,591)	17,258
TOTAL EQUITY	48,176	71,144

🔄 Balance sheet has been restructured via capital management activities and significant asset write offs

🔄 \$30.2m in new equity capital raised (after costs) and used to retire debt of \$19.4m and fund restructuring initiatives across the group

🔄 \$11.1m cash as at year end

🔄 \$49.8m in impairments booked during FY18 related to underperforming assets (including discontinued operations)

🔄 See Appendix 4E for further details

Cash Flow Statement

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Cashflows from operating activities		
Receipts from customers	120,003	128,711
Payments to suppliers and employees	(122,366)	(115,576)
Tax paid	(580)	(383)
Net cash from continuing operations	(2,943)	12,752
Net cash (used in) / from discontinued operations	(684)	n/a
Net cash provided by operating activities	(3,627)	12,752
Cashflows from investing activities		
Investment in developing new territories	-	(1,115)
Purchase of property, plant and equipment	(339)	(421)
Purchase of intangibles	(6,103)	(4,190)
Acquisition of subsidiaries net of cash acquired	297	(23,509)
Net cash used in investing activities	(6,145)	(29,235)
Cashflows from financing activities		
Net proceeds from issue of shares	30,241	25,732
Repayment of borrowings	(14,409)	(2,608)
Repayment of convertible note	(5,000)	-
Proceeds from borrowings	-	12,426
Interest paid	(1,216)	(766)
Loan to external parties	(1,000)	-
Dividends paid	(2,666)	(3,877)
Net cash provided by financing activities	5,950	30,907
Net increase/(decrease) in cash held	(3,822)	14,424
Cash and cash equivalents at beginning of financial period	15,330	906
Cash and cash equivalents at the end of the financial period	11,508	15,330
Cash held in discontinued operations	(378)	-
Cash and cash equivalents at the end of the financial period in continuing operations	11,130	15,330

🔄 \$3.6m negative operating cashflow impacted by:

🔄 \$2.2m in restructure costs paid during FY18

🔄 \$0.9m in EGM costs

🔄 \$0.8m in acquisition costs for Gruden

🔄 See Appendix 4E for further details



SUMMARY

Outlook

☞ Given additional investment requirements, now expect FY19 underlying EBITDA to be \$5m - \$7m

☞ Core focus throughout FY19 and beyond remains:

- ☞ Restructure of underlying processes and infrastructure
- ☞ Growth within Entertainment division to generate incremental revenue streams
- ☞ Investment in Alipay rollout with expansion into new verticals and ultimately geographies
- ☞ Investment in integrating Gruden's digital marketing and transactional capabilities with IncentiaPay's payments and rewards platforms
- ☞ Divestment of underperforming/non-core assets

☞ IncentiaPay will continue to focus on the business growth drivers, which include:

- ☞ Acquiring new SME merchants, Not-For-Profits & corporate partnerships
- ☞ Increasing the consumer database and memberships
- ☞ Leveraging the content to secure partnerships within verticals and geographies
- ☞ Encouraging the faster adoption of digital practices by consumers, merchants and employees
- ☞ Creating or facilitating more transactions – and fees from those transactions - and redirecting resources to higher level income-generating activities
- ☞ A 'digital first' strategy remains key

Summary

- ↻ Consistent gross revenue YoY in line with guidance
- ↻ Significant change and restructure ongoing
- ↻ Experienced new Board and executive management team in place
- ↻ Continued divestment of underperforming/non-core assets and scaling back of international operations
- ↻ Continued digital transformation across divisions, particularly Entertainment and Corporate Marketing Solutions to drive operational efficiencies, costs savings and revenue growth
- ↻ Well progressed strategy to re-position Company for growth
- ↻ On track to become Asia Pacific's leading integrated loyalty and payment solutions provider

Contacts

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