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BPS TECHNOLOGY DELIVERS STRONG 1H17

Entertainment Publications successfully integrated

Result highlights:

- **Successful acquisition and integration of Entertainment Publications**
- **Key financial results consistent with guidance**
- **Reconfirms full year 2017 revenue and earnings guidance**
- **Successful equity raising for Entertainment acquisition**
- **Refinancing of \$5m convertible note on more favourable terms**

BPS Technology Limited (“BPS” or “the Company”), a leading provider of transactional platforms that enable businesses to attract customers across multiple sales channels, announces the following financial results:

	6 months to 31 Dec 2016	6 months to 31 Dec 2015
Revenue (\$m)	55.91	25.05
EBITDA (\$m)	6.9	4.6
Earnings per share (cents)	7.1	6.0
Interim dividend per share (cents)	2.25	2.00

The results include for the first time a full period contribution from Entertainment Publications (“Entertainment”), the complementary B2C loyalty platform acquired during the period. The transaction consideration, offer costs and working capital was funded by a capital raising conducted in August 2016. The capital raising comprised an institutional placement of \$27.5 million, vendor placement of \$2.5 million and share purchase plan.

BPS CEO, Trevor Dietz, said: “The acquisition of Entertainment Publications offers significant potential for BPS which focuses on integrating platforms and leveraging customer networks using our considerable in-house technology expertise.”

“As the first half results show, the integration is delivering immediate returns.”

“We have been able to start offering Entertainment Solutions services to the Bartercard and Bucqi Pay merchants. During calendar year 2017 we will improve the functionality of the Entertainment offer for consumers through the addition of transaction tools like an in-app payment capability.”

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“Integration of the business is progressing well and our development planning confirms our expectations as to the value of the Entertainment business.”

“Management has also continued to focus on the base business progressing our strategy to increase BPS’ merchant base and enhancing transactional platforms to drive more customers to more merchants.”

“Overall we are pleased with progress over the period and are comfortable that the business is positioned for further growth” Mr. Dietz said.

The Entertainment Acquisition

Consistent with BPS’ focus on sales channel enablement and payments platforms, the Entertainment acquisition represents the addition of a complementary marketing platform that will enable the group to leverage its existing networks; continue to build its technology and transactional platform to capture and utilise consumer data and behaviour; and to further monetise its merchant base through an enhanced offering to SMEs.

With 550,000 paying customers, 12,000 SMEs and 18,000 Not for Profit organisations and relationships built over 21 years, Entertainment offers synergies and the potential for BPS to employ its systems to serve the tourism and hospitality sector.

Following the acquisition, BPS now serves 36,000 businesses, 600,000 customers and 20,000 Not for Profit groups over its various transactional and marketing platforms, giving it a reach exceeding 2 million consumers.

It is important to note that the Entertainment business is only in the early stages of its transition to digital, following the launch of a mobile app in 2014. BPS is aiming to further develop the app, including the addition of an in-app payment function and push marketing capability, to improve the user experience and optimise consumer engagement and useability.

In addition, the Entertainment acquisition also offers BPS the ability to leverage its other consumer and business networks, particularly Bucqi Pay and Bartercard, and to drive the development and expansion of those systems. Management has worked hard this half to integrate the Entertainment acquisition and to plan the realization of synergies and revenue opportunities promised by the acquisition. Specifically, BPS has:

- embarked on a go-digital strategy to accelerate the conversion of Entertainment consumers from printed publication to digital app which has already resulted in increased digital subscriptions from 25% to 30% of total publication sales, which was in line with expectations, and lead to savings in printing costs of circa \$200k;
- implemented a 30-point efficiency improvement plan to improve Entertainment’s revenues and to reduce costs with the aim of achieving a ~10% improvement in profitability for FY17;
- improved BPS’ global reach from 74 to 95 branches, improving penetration and service; and
- enlarged its merchant base from 24,000 to 36,000 and commenced cross selling opportunities across the group with incremental revenues expected from the second half of FY17.

Operational Highlights

Mr Dietz said: “BPS is focused on driving organic growth opportunities across its various platforms by offering our large and diverse customer bases better buying experience and deal value.

“We are focused on increasing the number of transaction opportunities as well as the number of BPS merchants for our customers to interact with,” he said.

In this financial period, BPS management has:

- grown the Bartercard USA operation from 10 to 20 franchises, increasing US revenue by 89%;
- sold a TESS software license for commencement of Bartercard France;
- acquired two key metro Bartercard franchises in Australia, resulting in 76% of members now under Company control; and
- launched its merchant finance product in partnership with Get Capital with first transactions settled in December 2016.

Balance Sheet and Cash Flow

During the half, in order to complete the acquisition of Entertainment, the Company undertook a capital raising via an institutional placement and share purchase plan under which 32.672 million fully paid ordinary shares were issued at \$0.94. Accordingly, total equity has expanded from \$36.7 million as at 30 June 2016 to \$69.1 million as at 31 December 2016.

In terms of debt funding, BPS’ convertible note funding was redeemed and refinanced during the half with the issuance of a similar instrument, although the interest rate and terms were more favourable. The Company also obtained new term loan funding from the Commonwealth Bank of \$10 million.

As forecast, Entertainment generates the bulk of its cash receipts during April to July when it launches at various events throughout Australia and New Zealand the annual Entertainment publication in book and digital format through the network of 18,000 Not for Profit groups. Consequently the second half cash generated from operations will be significantly higher than the first half.

Dividend

The Board of Directors has declared an interim fully franked dividend of 2.25 cents per share. The record date for the dividend is 24 March 2017 and the anticipated payment date is 12 April 2017.

Outlook

The progress made integrating the Entertainment business, including planned realisation of synergies and efficiency gains, has led the Board to confirm the guidance for full financial year 2017 as indicated in the capital raising documents released in August 2016. In summary, this guidance is revenue of \$109.1 million, net profit after tax of \$10.6 million, and earnings per share of 11.8 cents.

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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 ~ 600,000 customers through a network of ~ 20,000 Not-For-Profit organisations, giving BPS a reach of 2 million consumers. BPS earns revenues on transactions over the platforms via its subsidiaries Bartercard, Entertainment, Bucqi Pay and TESS.

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 8 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 Pay: Bucqi Pay 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.

About TESS: TESS (Trade Exchange Software Services) is a transactional trading platform developed to support trade exchanges and business communities globally. It is the only software recognised and recommended as preferred software by the International Reciprocal Trade Association (IRTA) - the largest professional body governing the industry globally. TESS produces versions of its software created to service small, medium, large and enterprise level exchanges. IRTA uses TESS supplied software to run its Universal Currency (UC) trading platform that allows members' trade exchanges to trade between themselves seamlessly.