



TOUCHCORP LIMITED

(ASX: TCH)

ASX and Media Release

21 December 2016

Business Update

RESULTS

Touchcorp Limited (**Touchcorp** or the **Company**) provides the following update on its likely results for its financial year ending 31 December 2016. All numbers referred to in this announcement are based on unaudited results.

Revenue for the year is expected to be in the range of \$36m to \$38m (2015: \$42m) depending primarily on the outcome of transactions which are incomplete at the date of this announcement.

Profit before tax is expected to be within the range of \$14m to \$16m (2015: \$8m). This includes a \$14m gain arising from the Company's share of the increase in net assets of Afterpay Holdings Limited (Afterpay), recognised in accordance with standard accounting principles.

INCUBATOR INVESTMENTS

Nurturing recurring revenue streams through incubator investments, such as Afterpay, has been an important part of Touchcorp's strategy to grow long term revenue streams. Revenue from incubator investments typically comprises:

- (i) the value of equity in the incubator entity for access to our core technology platform;
- (ii) upfront fees for software development work and development of new applications:
and
- (iii) ongoing transaction processing fees.

Afterpay: First Incubator Investment

During 2016, Touchcorp continued its strong contribution and investment in the technical development and growth of Afterpay; this strategy has been a very successful one for Touchcorp, adding significant shareholder value in 2016.

At the commencement of 2016, Touchcorp's shareholding in Afterpay of 50m shares (27% of the present issued capital of Afterpay) had a nominal market value of \$10m; the market value of those shares today (based on the share price at the close of trading on 20 December is \$132m.

In November 2016, Afterpay had over 1500 retailers connected to its service, up from 170 retailers at the time of Afterpay's listing on the ASX in May 2016. The work required from Touchcorp to integrate Afterpay to these merchants has been significant. The medium and long term benefit from this activity for Touchcorp will be a significant transaction revenue stream.

Touchcorp Limited

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Change Up: Second Incubator Investment

The value of Change Up equity received for upfront license fees for access to our core technology platform, together with development fees, resulted in \$11m in revenue for Touchcorp in 2016.

OPERATIONAL UPDATE

The growth in transaction revenues in Touchcorp in 2016 has been below expectations and the Company has recognised the need to considerably strengthen its sales team to expand existing customer relationships and win new customers for its existing service offerings. In 2H16, Touchcorp expanded its sales team across Australia, Asia and Europe and is in the process of adding further sales resources in Australia and Europe.

CHIEF EXECUTIVE ROLE

As shareholders will be aware, Mike Jefferies, the Company's Chairman, has been acting CEO since the passing of our former Managing Director, Adrian Cleeve, on 8 November 2016.

Touchcorp has continued to operate on a "business as usual" basis since the appointment of Mr Jefferies thanks to the support of the Company's senior management team and the entire Touchcorp board.

Touchcorp has appointed a leading search firm to assist in the recruitment of a new CEO. The Board of Touchcorp is confident it will be in a position to appoint a new CEO during the first quarter of 2017, but is focused on appointing the best candidate for the role.

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For further information, contact:

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About Touchcorp:

Touchcorp is a technology-driven business that has developed, built, owns and operates a scalable software platform that is used by blue-chip corporates in the convenience retail, healthcare, government, and telecommunications sectors. The platform enables the delivery of non-physical products, services and entitlements to consumers via in-store and self-service methods. Touchcorp generates revenue from transaction fees for the delivery of completed transactions, integration fees for the connection of new customers to Touchcorp's system and integration fees for granting existing customers access to additional service modules.