

ASX Release  
28 May 2017

## INVESTOR UPDATE

Stargroup Limited (**Stargroup**) (ASX: STL) is pleased to provide a copy of the investor presentation by its Chief Executive Officer and Executive Chairman, Mr Todd Zani, to be presented to institutional investors in Melbourne and Sydney this week.

### FURTHER INFORMATION

For further information, please contact:

**Todd Zani – CEO and Executive Chairman**  
**Stargroup Limited**  
Tel: +61 419 912 566  
E: [todd@starpaymentsystems.com.au](mailto:todd@starpaymentsystems.com.au)

**Media**  
**Michael Cairnduff**  
Account Manager – Cannings Purple  
Tel: +61 406 775 241  
E: [mcairnduff@canningspurple.com.au](mailto:mcairnduff@canningspurple.com.au)

### *About Stargroup*

Financial technology company Stargroup Limited is the only ASX listed company deploying ATM machines in Australia and importantly, the only listed ATM company having a direct ownership interest in the manufacturer of its ATM technologies, namely NeolCP, a South Korean private company.

Stargroup Limited became the exclusive distributor of the cashPod ATM range including the recycler ATM, back office and payment technologies in Australia for the next 5 years on 7 August 2015.

Stargroup Limited, via its wholly owned subsidiary StarLink, became an ATM processing, switching and telecommunications business on 5 May 2017 and now has over 2,400 ATMs under management, processing approximately 16 million transactions a year.

Stargroup Limited, via its wholly owned subsidiaries, StarPOS and StarApps, is also an EFTPOS and payWave technologies provider and developer of the source code in its terminals via its 5-year distribution agreement with West International AB, a Swedish NASDAQ listed company, to distribute next generation EFTPOS payment terminals and solutions in Australian and New Zealand.

### *Important Note*

This announcement contains “forward looking statements” that are based on the Board’s beliefs, assumptions and expectations and on information currently available to management. That information includes information provided to the Company by the management of NeolCP Korea Inc., which has not been independently verified. All statements that address operating performance, events or developments that the Company expects or anticipates will occur in the future are forward-looking statements, including without limitation the Company’s expectations with respect to potential revenues, costs, profitability and financial performance. The Board believes that the forward-looking statements are reasonable as and when made.





STARGROUP LIMITED ASX:STL

## *Investor Presentation*

28 MAY 2017





## *Disclaimer*

This document does not, and does not purport to, address any or all issues which are or may be material or of interest to the Recipient in connection with its own due diligence review of the Company, the Business or otherwise. The Recipient may not, and by receiving this document the Recipient acknowledges that it is not entitled to and agrees not to, rely on any part of this document (whether as to a matter of fact, forecast, opinion or belief) for any purpose whatsoever.

Certain statements in this document relate to the future. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of the Company and the Business to be materially different from future results, performance or achievements expressed or implied by such statements. Such forward looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate in in the future. No representation, assurance or guarantee

is given that the occurrence of the events expressed or implied in any forward looking statements in this document will actually occur. The forward looking statements in this document reflect views held only at the date of this document.

Past performance information given in this document is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. By accepting this document, the Recipient agrees that it will make and rely solely upon its own due diligence investigations and enquiries and will not in any way rely upon any of the information in this document or use this document for any purpose other than as information to assist the Recipient and its advisers to undertake its own due diligence investigations and enquiries.

None of the statements, opinions, projections, forecasts or other forward-looking information contained in this document have been independently verified and no commitment, representation, or warranty, express or implied, is made in

relation to their accuracy, reasonableness or completeness. Furthermore, where statements in this document are taken from or attributed to sources created by third parties, the Recipient should have regard to those sources and rely on its own enquiries.

Stargroup has prepared this document based on information available to it at the time of preparation and subject to the qualifications in this document. To the maximum extent permitted by law, neither the Company nor any of its respective related bodies corporate or other affiliates, directors, officers, employees, representatives, agents, advisors or their respective advisors' affiliates or partners, directors, officers, employees or contractors (each a Limited Party and together the Limited Parties) takes any responsibility for the contents of this document or any action taken by the Recipient or any other person on the basis of the information contained in this document. The Limited Parties disclaim any obligation or undertaking to disseminate after the date of this document any updates or revisions to any forward looking statements to reflect any change in

expectations in relation to those statements or any change in events, conditions or circumstances on which any statement is based. To the maximum extent permitted by law any and all liability in respect of this document and the information contained within it is expressly excluded including without limitation any direct, indirect or consequential liability, expenses, damages or costs incurred by the Recipient or any other person as a result of their receipt or use of this document or arising from the information in this document being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise. No Limited Party makes any representation or warranty, express or implied, as to the currency, accuracy, completeness, reliability, fairness or correctness of the information contained in this document or about Stargroup generally or any opportunity to invest in Stargroup in the future.

# Who is Stargroup?

THE ONLY VERTICALLY INTEGRATED, AUSTRALIAN AUTOMATIC TELLER MACHINE ("ATM") DEPLOYMENT COMPANY ON THE ASX



WHOLESALE DISTRIBUTOR OF  
ATMs, RECYCLER ATMs AND BACK  
OFFICE TECHNOLOGIES



ATM DEPLOYMENT  
COMPANY



EFTPOS AND PAYWAVE  
TERMINAL PROVIDER



ATM SWITCHING AND  
PROCESSING COMPANY

## Board of directors



**TODD ZANI**  
CEO & EXECUTIVE CHAIRMAN

Mr Zani was the founder of Ezeatm in early 2000 and subsequently vended that business into Ezeatm Limited in 2011, which became the largest ASX-listed ATM deployer with a market capitalisation of \$34.45 million.

He is a Chartered Accountant with over 25 years' experience and is a director of Ezetax Pty Ltd, a chartered accounting firm he founded in 1999. Mr Zani was the CEO and CFO of Ezeatm from 2006 to 2013.



**EVAN McGREGOR**  
NON-EXECUTIVE DIRECTOR

Mr McGregor has a wide range of business development skills as a result of many years' involvement with listed companies such as Asia Infrastructure, Entertainment World, Zeolite Australia, Media Entertainment Group and London Securities

He has served as a Chairman, Chief Executive Officer and Non-Executive Director of several large organisations and his experience includes strategic analysis, negotiations on complex commercial matters and corporate and financial management.



**JONG HO (JAY) KIM**  
NON-EXECUTIVE DIRECTOR

Mr Kim is CEO and President of Design Studio Inc. and an Adjunct Professor at Hanyang University in Korea. He has been educated in the US in Urban Design and held a prior non-executive role with LG. Mr Kim is also a respected executive with extensive networks in the casino gaming industry across Macau, Hong Kong and Japan.

Mr Kim brings valued business and advisory experience to assist in securing casino cash handling business in Asia.



## Corporate overview

### Capital Structure

Current Share Price <sup>1</sup>	\$0.025
Shares/Options on Issue	723m/48m
Market Capitalisation	\$18.1m
Cash (30 April 2017)	\$1.5m
Unlisted Investment <sup>2</sup>	\$2.3m
Enterprise Value	\$17.9m

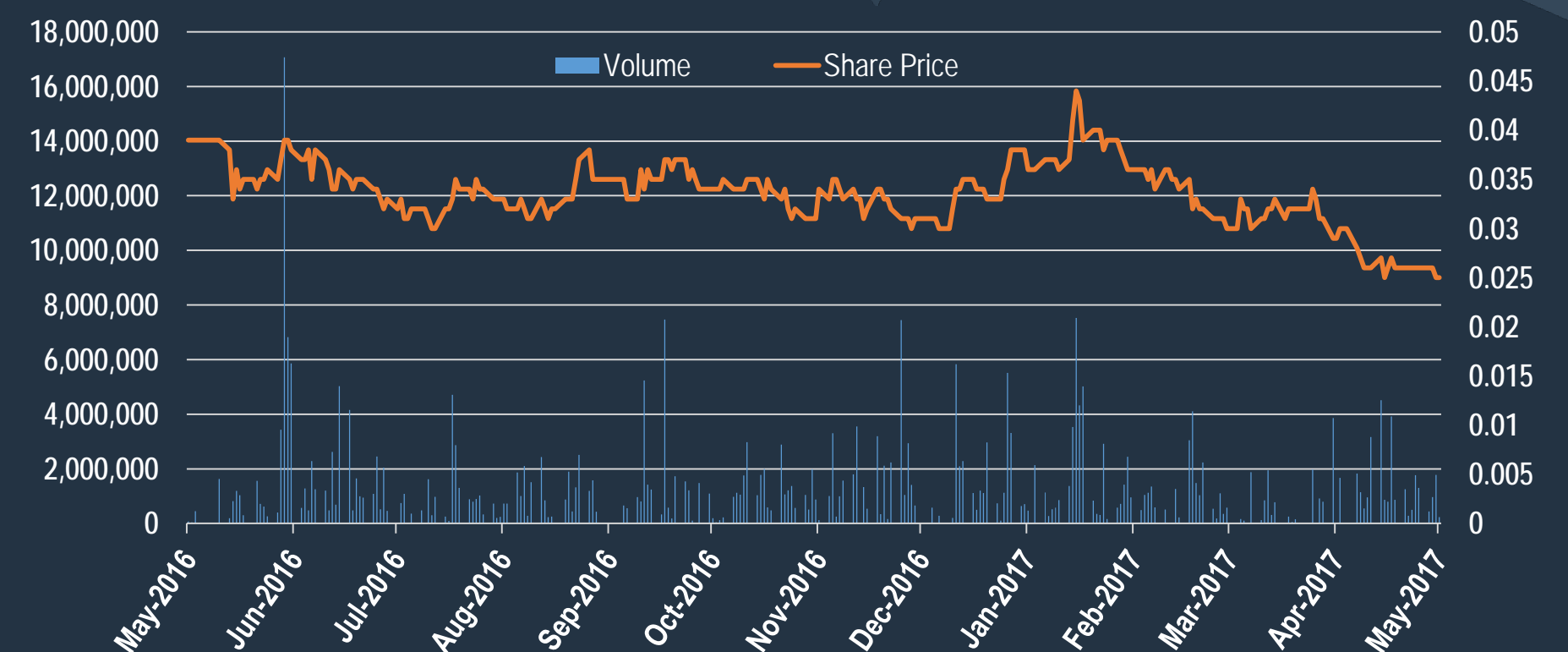
### Board and Management

Todd Zani	CEO and Executive Chairman
Evan McGregor	Non Executive Director
Jong Ho Kim	Non Executive Director
Sungki Lee	Company Secretary
Trena Briggs	Chief Operating Officer
Melisa Bendikas	Chief Financial Officer

<sup>1</sup> As at 24 May 2017

<sup>2</sup> Represents valuation of NeolCP investment (11.28% ownership of ATM Manufacturer)

### Share Price and Volume



### Top Shareholders

Ogneris Family	16.55%
Zani Family	9.48%
Directors and Management	15.78%
Top 20 (Grouped Basis)	55.04%
Institutions	2.23%

## Key Financial Performance YTD v FY16 Result

	FY16 ('000's)	Actual FY17(Apr 17) ('000's)	Estimated Full FY17 ('000's)	Current Annualised Change Annualised FY'2017 v FY' 2016	
Revenue from continuing operations	3,659	7,487	9,587	162%	▲
Gross Profit	1,051	2,741	3,641	246%	▲
Other Income	2,164	-	5,871 <sup>1</sup>	271%	▲
Operating expenses (including depreciation)	(4,455)	(5,200)	(6,240)	40%	▼
Statutory profit (loss) after tax	(1,258)	(2,459)	3,272	360%	▲
EBITDA from continuing operations	(170)	(504)	500	394%	▲
Basic/Diluted profit (loss) per share (in cents)	(0.38)	(0.06)	0.47	223%	▲

- <sup>1</sup> Stargroup performed a reverse takeover of iCash Payment Systems Limited in August 2015 and at 30 June 2016 the carried forward income tax losses were \$19.6mil and carry forward capital losses were \$10.9mil and at present these losses and tax benefits have not been brought to account.

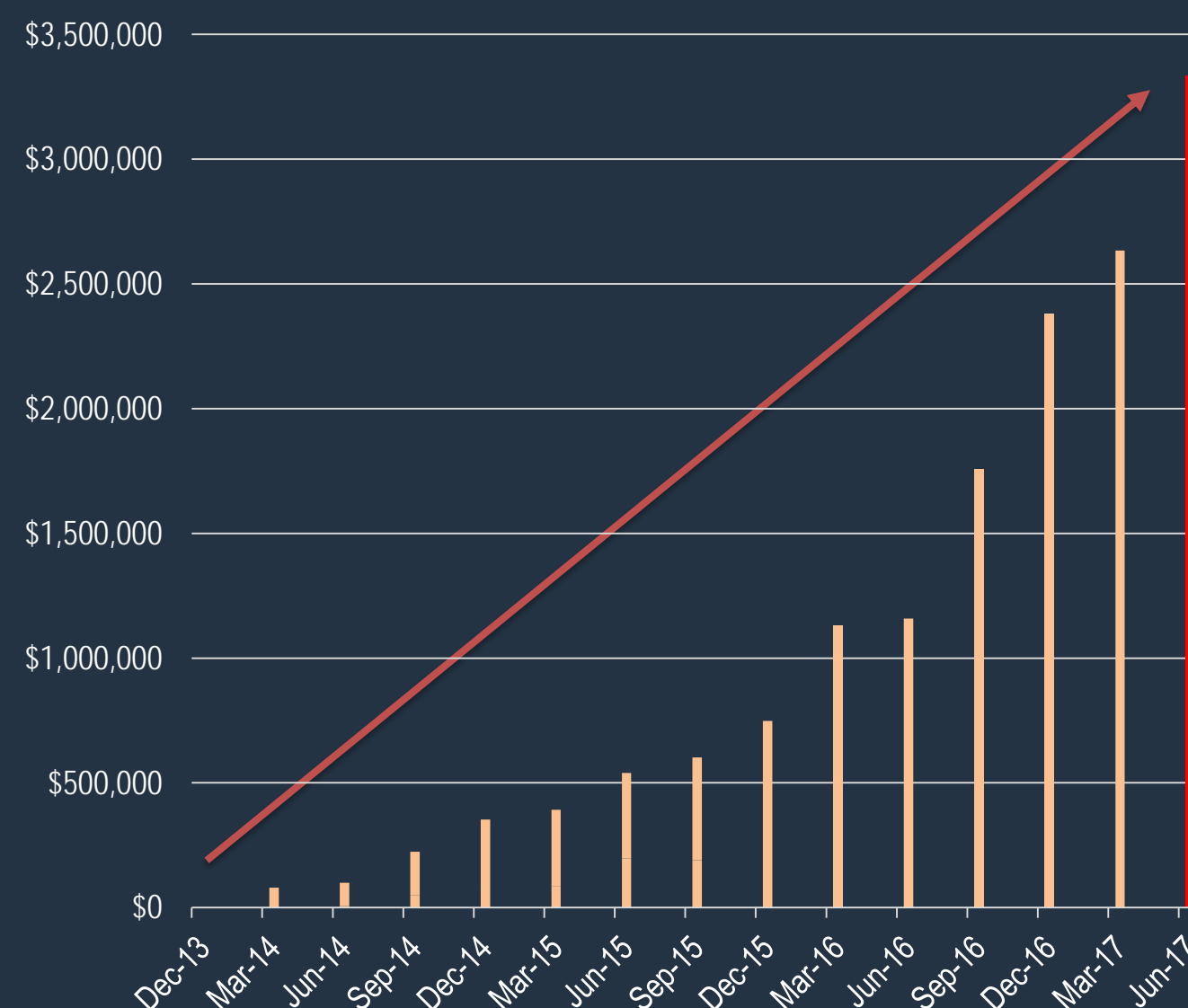
# Record Revenue and EBITDA Results

"We have achieved triple digit revenue growth for the last three years and with the recent vertical integration of the Indue ATM businesses, we will easily achieve that level of growth again in FY18.

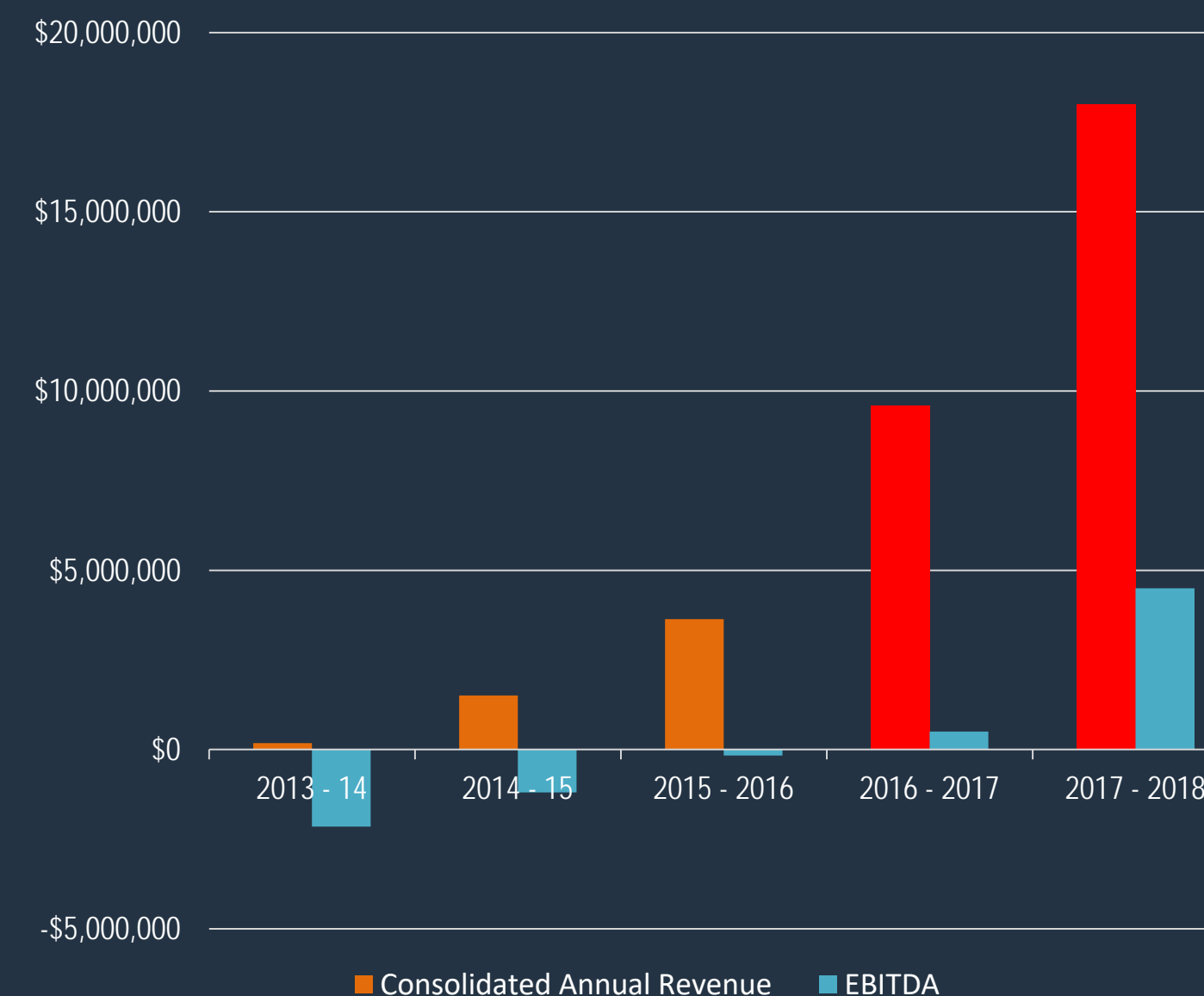
Its an exciting time at Stargroup."

TODD ZANI  
CEO & EXECUTIVE CHAIRMAN

QUARTERLY GROUP REVENUE **ACTUAL** AND **PROJECTED**



REVENUE AND **EBITDA** **ACTUAL** AND **PROJECTED**



\*The 2016 – 2017 result excludes EBITDA impact of deferred tax asset



## Scale of Assets Acquired Revised Upward and Step-Out

	Original Acquisition Metrics	Scale of Assets Acquired	Increase	Reasons for Revision/Comments
ATMs under management	1,700	2,414	42% Increase	At time of acquisition 2 <i>largest ATM deployers</i> <i>uncontracted</i> and leaving. StarLink has agreed to terms with both parties.
Annualised transactions	12,000,000	15,922,920	32% increase	
Annualised revenue	4,100,000	5,500,000	21% increase	Re-contracted deployer Revenue and EBITDA impacts as a result of <i>expected cash</i>
EBITDA	1,700,000	2,700,000	58% increase	<i>convenience agreement</i> <i>take up</i> and contracted metrics

## Step Out 1 – Cash Convenience Agreement

Opportunity	Market & Competition	Plan	Outcome
<p>Star Payments has a market leading cash funding facility from GMY* and has advanced cash monitoring technologies to monitor ATM performance and cash replenishment cycle under development.</p> <p>Present market pricing is significantly higher than Stargroup wholesale pricing with GMY, thereby providing a margin opportunity</p>	<p>The cash funding market is dominated by one or two large entrenched providers whom have been providing these services to IADs** for some time.</p> <p>Proposed pricing is a significant discount to present offering and therefore to date expressions of interest for offering take up has been high</p>	<p>H2 FY17 – Sign an increased deal with GMY from \$15mil to \$30mil. (Done and announced)</p> <p>H1FY18 – Rebranded Stargroup website and Online Login and offering made to IADs and commence providing of cash convenience services to the 70+ IADs</p> <p>H2FY18 – Review usage of facility and forward planning of resources with GMY as part of 3 year plan.</p>	<p>Star plans to implement new Stargroup website and make offering of cash monitoring via Online Portal and launch product in June 2017.</p> <p>Expected gross revenue from offering to IADs to be \$1m - \$2m with an EBITDA of \$0.5m to \$1m based on expressions of interest already received.</p>

\*GMY = Goldfields Money

\*\*IAD = Independent ATM Deployer

## Step Out 2 – Attract Additional IADs to StarLink

Opportunity	Market & Competition	Plan	Outcome
<p>StarLink will be one of four independent ATM processing providers in Australia (other than the major banks).</p> <p>There are &gt;120 IADs in Australia and over 20,000 ATMs owned by IADs of which presently 2,414 to be managed by Star.</p> <p>Star to attract other IADs away from present providers with better pricing and service offerings</p>	<p>Four other ATM processing companies.</p> <p>StarLink has 10% of IAD market and 7% of total Australian market.</p> <p>The competition primarily are only processors and can not provide the full service offering that Star can provide with its vertical integration to the IADs.</p> <p>The dominant existing player is CUSCAL who provides services to the largest IAD with over 12,000 ATMs</p>	<p>H2 FY17 – Engage with &gt;50 IADs not presently StarLink customers and offer ATM Deployment Facility Agreements</p> <p>H1 FY18 – Sign at least 5 new IADs to StarLink and resign existing 70+ ATM Deployers</p> <p>H2 FY18 – Sign as many IADs as possible to StarLink as technological capacity exists to expand services offered.</p>	<p>StarLink implements new online portal and live monitoring access to IADs as part of industry best service offering and pricing.</p> <p>Expected gross revenues from attraction of new customers to be \$0.5m to \$1mil.</p>



# Financial Summary

## post Indue ATM Business Acquisition

Metrics (\$millions unless otherwise stated)	Stargroup Balance Sheet (as at 30 Apr 2017)	Pro Forma Balance Sheet Post Indue Acquisition and Funding	Financial Position Post Indue Acquisition (An Annualised Result + Indue Impact)
Cash <sup>1</sup>	1.52	0.00	1.52 <sup>2</sup>
Total Current Assets	9.88	0.00	9.88
Total Non Current Assets	12.25	6.50	18.75
Total Assets	22.13	6.50	28.63
Current Liabilities	3.38	0.00	3.38
Debt	0.62	3.00	3.62
Non Current Liabilities	0.00	0.00	0.00
Total Liabilities	4.00	3.00	7.00
Net Assets	18.13	3.50	21.63
Annualised Turnover	12.90	5.00	17.90
Estimated EBITDA	2.10	2.65	4.75

Further significant increases in EBITDA and Turnover could occur as a result of the new product offerings to the StarLink customers over and above what was previously offered by Indue, including

- 24/7 Help Desk + Servicing;
- Cash Convenience Facility and management;
- EFTPOS distribution
- Banking product distribution

1. Based on Cash and Cash Equivalents at 30 April 2017

2. Does not include transaction costs which will include stamp duty and legal costs

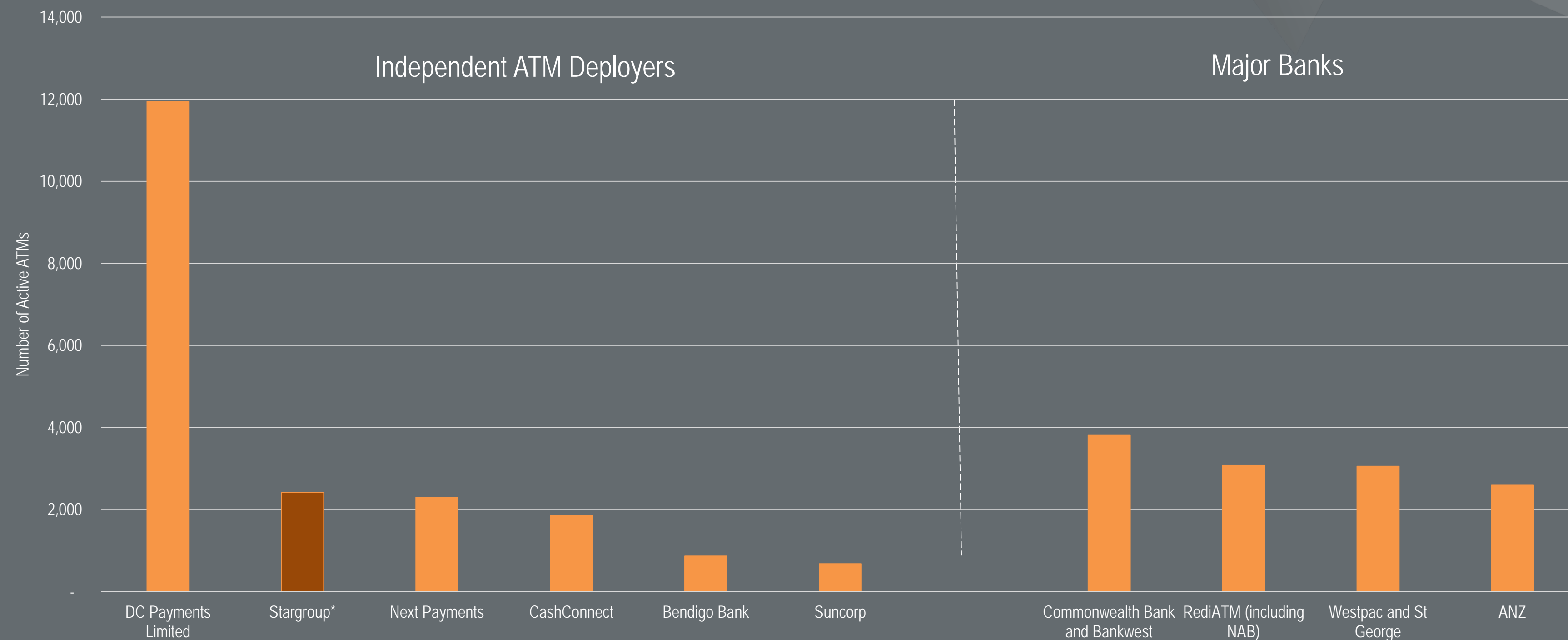
## Financial Summary

### Free Cash Flow from Operations

	Actual FY15 (‘000’s)	Actual FY16 (‘000’s)	Actual FY17YTD (‘000’s)	Projected FY18 (‘000’s)
Operating Cash Flows	(956)	(1,501)	866	4,750
Investing – PP&E	(1)	(1,450)	(721)	(1,080)
Net free cash flow (FCF) from operations	(957)	(2,951)	145	3,670
Acquisitions / mergers	-	(2,623)	(8,848)	-
Proceeds from sale of investments	721	-	-	-
Proceeds from Borrowings and/or (repayments)	50	(55)	3,347	(1,255)
Proceeds of share issue	-	7,997	4,422	-
Net Cash Flow	(186)	2,368	(934)	2,415

- Significant increase in operating cash flows in FY18 on back of free cash flow generation from completed acquisitions in FY17 and reduced costs.
- Reduced repayment costs projected due to part equity/part debt funding of Indue acquisition which was originally to be fully debt funded
- Could be further enhanced free cash flow from Step Out offerings not factored into this table

# In Australia – Stargroup is now number 2 Independent



\*Based on both ATMs owned and ATMs switched on behalf of other IADs



## Peer Comparison

Company Name (Country/Exchange   Code)	Revenue   EBITDA Market Capitalisation (AUD)	Business model/notes
DC Payments Limited (Canadian Listed   TSX : DCI)	\$270 million   \$69 million \$520 million	Global ATM business. 21,575 Active ATMs at 30 June 2016. Number 1 IAD ATM Company in Australia with >11,000 ATMs in Australia. Average transactions per ATM, per month of 508, Net assets of \$100 million (Debt of \$218million). 85% of revenue from ATM Network. Recently sold to US Listed Cardtronics for >\$500 million.
Tyro Payments Limited (Australian   Unlisted Public)	\$95 million   \$0.8 million >\$400 million	Australian EFTPOS merchant provider to 15,565 merchants. Owns its own EFTPOS payments and processing business. Recently became an Approved Deposit Taking Institution ("ADI") post a \$100million capital raising in 2016, valuing the company at >\$450million. \$128million in Net Assets. Further developing white label banking products now that an ADI.
Mint Payments Limited (ASX Listed   MNW)	\$5 million   (\$5.5 million) \$45.4 million	Predominantly Australian EFTPOS and payment technology business with 9,800 EFTPOS merchants with >50% of these in Australia. Global ambitions and further product expansion into Asian markets in 2016/2017. (\$1.1mil) in Net Assets
Transaction Solutions International Ltd (ASX Listed   TSN)	\$125,127   (\$993,967) \$23.34 million	25% owners of an Indian ATM Management Company that manages approx. 14,000 ATMs in India. Announced intention to acquire remaining 75% of interest but elected not to put option on purchase due to regulatory changes and impact on Indian ATM businesses and regulatory changes in that region. Net Assets of \$11.5 million.
Stargroup Limited (ASX Listed   STL)	\$10 million*   \$0.5 million* \$18.1 million  FY 18 Outlook \$18million*   \$4.5million*	Only ASX Listed ATM operator deploying in Australia and only ATM operator that has an ownership interest in its manufacturer, South Korean based NeolCP which also manufactures back office, coin counting and casino settlement solutions. Average transactions per ATM, per month of 608. STL Net assets of >\$25million**. Recent acquisition of Indue ATM businesses will see Stargroup become its own ATM payments and processing provider for 70 other IADs, 2,400 ATMs and 1,350 modems in Australia, processing >18 million transactions per annum. Also an EFTPOS provider developing unique EFTPOS facility and processing for existing partner client base of >45,000 businesses for rollout to that customer based in 2017 and future years.

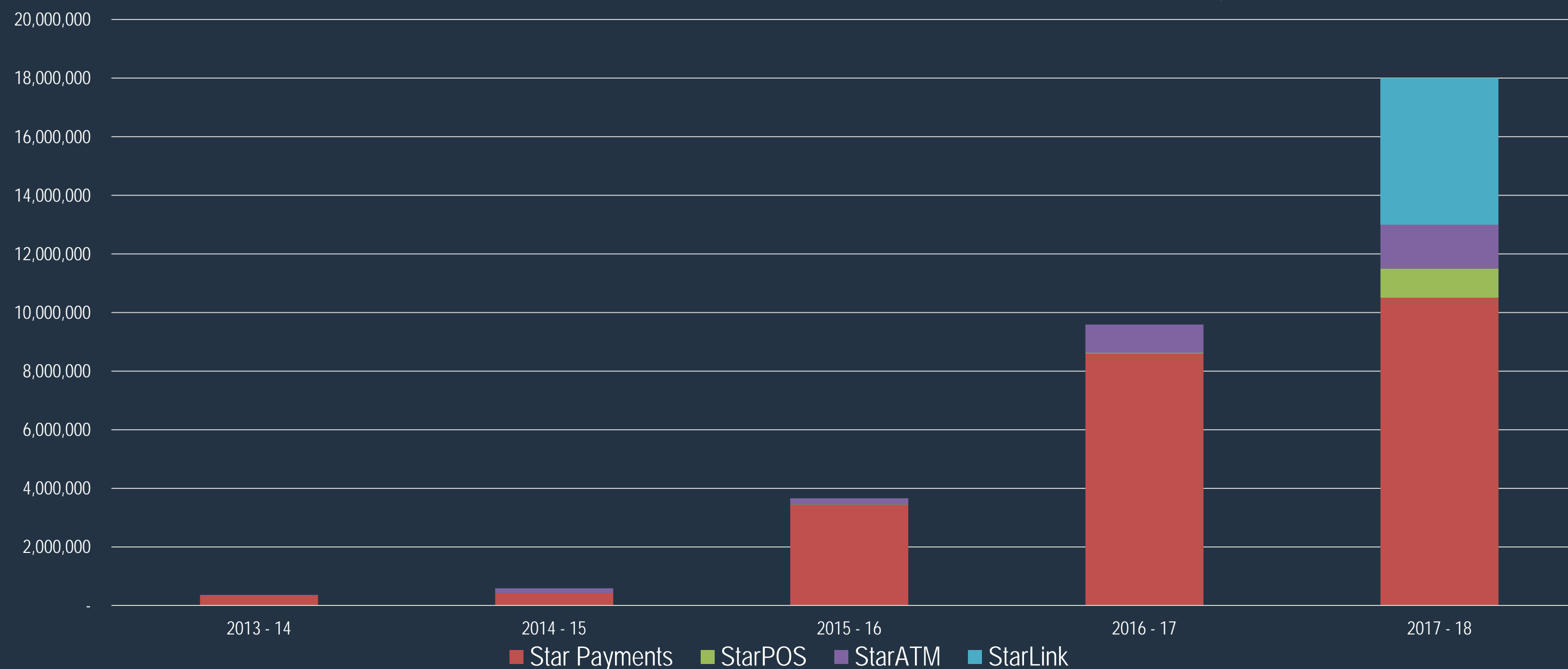
\* Forecast 2016 – 2017 Revenue and EBITDA results as announced

\*\* Includes deferred tax assets as disclosed in 2016 Annual Report

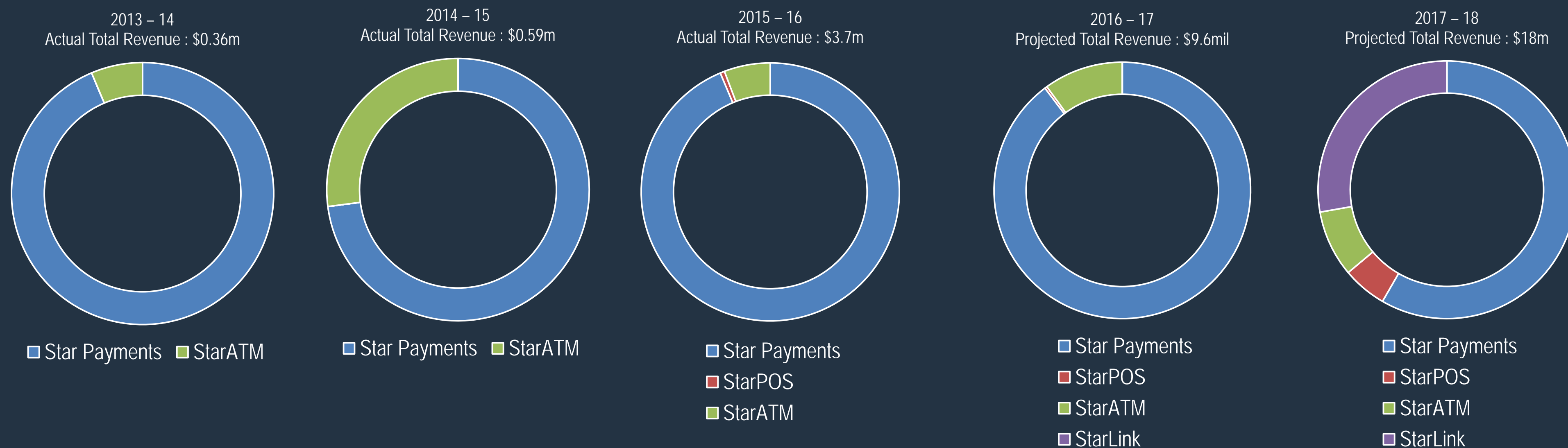
## Revenue Profile - Historical and FY 18

"Our current annualised revenues are circa \$15mil and our projected FY18 revenues are \$18mil. This is not an unrealistic expectation of the anticipated organic growth across our four divisions."

TODD ZANI  
CEO & EXECUTIVE CHAIRMAN



## Revenue Composition by Division - Historical and FY 18





## Current growth drivers

---



- Revenues Increased Reduced COGS in FY17 by >50%. Further 15% reduction in FY18
  - Savings of 25% in CIT costs in FY17 and >50% in FY18
  - Accelerated payback on ATMs by 20% to 15 months on the 5 to 7 year contracts
  - Ideally positioned to further accelerate growth
- 



- Increased ATM and ATM software sales by 453% in FY17.
  - Further sales expected in FY18 as Independent ATM Deployers update their technology to meet new EMV standards
  - First sale of Recycler ATM technologies to a banking customer in Australia
  - Expansion into international markets in FY18
-

## Current growth drivers



- Opportunity to significantly grow the Australian business through technology development with channel partners
- Certification of world-best application software sourced from Europe for Australian market
- Distribution of new technologies via multi-channels
- Ideally positioned to use EFTPOS offering with point of sale products for “bundled offering”



- Earnings accretive acquisition via vertical integration of Indue ATM Businesses
- Free cash flow of > \$1.5m from division in FY18
- Opportunity to aggregate further “smaller” Independent Deployers from 70+ deployers that services provided to
- Further earnings to flow though FY18 – FY20 from white labelling of Goldfields Cash Agreement to 70+ deployers
- Larger scale of assets acquired than expected

## *Current growth drivers*

---

- Strong reputation and brand name and opportunity to leverage branding into other banking verticals
- Core business continues to grow with the lower costs and addition of new products
- Launch of [www.stargroup.com.au](http://www.stargroup.com.au) website and new product offerings in FY18
- Earnings initiatives signed in FY17 to flow through in FY17 – FY20 and beyond.
- Expansion of sales force and channels in FY18 to accelerate organic growth
- Distribution of further new technologies via multi-channels
- Further earnings to flow though FY18 – FY20 from white labelling of Goldfields Cash Agreement to 70+ deployers





## *Dividend Versus Buyback*

- Delay in Indue Settlement from February to May and as a result delay in projected dividend payment
- Strong few
- Launch of [www.stargroup.com.au](http://www.stargroup.com.au) website and new product offerings in FY18
- Earnings initiatives signed in FY17 to flow through in FY17 – FY20 and beyond.
- Expansion of sales force and channels in FY18 to accelerate organic growth
- Distribution of further new technologies via multi-channels
- Further earnings to flow though FY18 – FY20 from white labelling of Goldfields Cash Agreement to 70+ deployers

# Investor Summary

**Core business:** ATM business continues to grow with lower cost base and additional revenue streams

**International expansion:** market opportunities to provide world leading hardware and software technologies to drive growth of the core business

**Experienced team:** Highly experienced team with proven track record of building large scale businesses from start up

**Financial product releases:** market launch of disruptive financial products to Star customers and shareholders in FY18 as part of delivering superior benefits and returns to shareholders

**FY 18 guidance:** Revenue \$17m - \$18m, EBTIDA \$4m - \$5m, NPAT \$1.5m - \$2m



## *Contacts*

Todd Zani

CEO & Executive Chairman

M +61 419 912 566

E [todd@starpaymentsystems.com.au](mailto:todd@starpaymentsystems.com.au)