

(ASX: ICU)



Building the Digital Economy
in South East Asia

\$2.035 million Rights Issue

MARKET UPDATE

Dec 2016



Disclaimer

The information contained in this presentation is current as at December 2016. All statements are based upon iSentric Limited's ('the Company') best information as at December 2016. This presentation may include forward-looking statements regarding future events and the future financial performance of the Company. All forward looking statements are based on the beliefs of the Company's management. These statements reflect the Company's current views with respect to future events and are subject to various risks, uncertainties and assumptions.

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Agenda

1.	Trading Update
2.	Outlook
3.	Rights Issue
4.	Investment Risk
5.	Management Overview

Trading Update

- Enterprise Mobility
 - ICU supplied more than A\$800k worth of IBM middleware to Touch 'n Go Sdn Bhd (TNG) to develop an enterprise software solution for TNG's mobile backend services, API management, and cloud-based services.
 - Established in 1997, TNG provides electronic payment systems in Malaysia. TNG is the sole Electronic Toll Collection operator for all highways in Peninsular Malaysia and is accepted as the Common Ticketing System (CTS) for all major public transit systems. TNG has diversified their payment operations into parking, theme parks, and retail. Today, there are more than 13 million TNG payment cards in circulation with over 4 million transactions per day.
- Digital Payments
 - Celcom has launched a Direct Carrier Billing Program in replacement of its Content Management Platform that was shut down in April 2016. ICU has been selected as one of the companies authorised to operate on the new platform.
 - ICU expect the partnership with Celcom to begin generating revenue in 2017.
- Digital Media and Services
 - Digital Media and Services continues to make the largest contribution to ICU's bottom line. In 2016, ICU successfully launched HUSH with XL, AXIS and Smartfren in Indonesia. Additionally, GameBuffet was launched in Malaysia and Indonesia.
 - The Company recently partnered with a payment platform in Myanmar with potential to reach 20 million subscribers through the largest Telco in Myanmar, MPT.
 - ICU continues to develop and distribute new digital media services in order to cater for the large mobile subscribers in the region.

Trading Update: Financial Highlights

Key profit and loss items \$m	FY16	FY15	Change	
Revenue & Other income	9.8	8.6	↑	14%
EBITDA	2.0	0.5	↑	293%
Underlying EBITDA	2.2	1.5	↑	44%
Net Profit/(Loss) after Tax	1.9	(0.1)	↑	1619%
Earnings per share (cps)	1.43	(0.13)	↑	12%

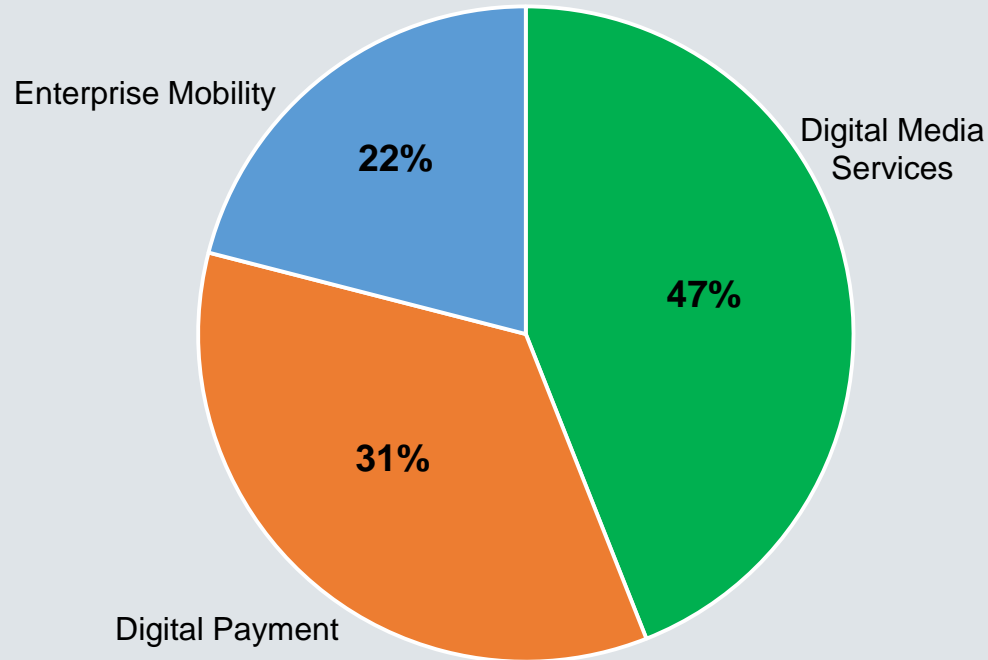
- Revenue up 14% from \$8.6m to \$9.8m
- Underlying EBITDA up 44% from \$1.5m to \$2.2m
 - Arte Mobile was the substantial driver with continuing strong growth in both top line and gross contribution. Digital Media Service is well positioned for strong growth with huge profit margin.
- Net profit after tax up from a loss of (\$0.1m) to \$1.9m
- Earnings per share also up from loss of (0.13cps) to 1.43cps

Trading Update: Segment Analysis

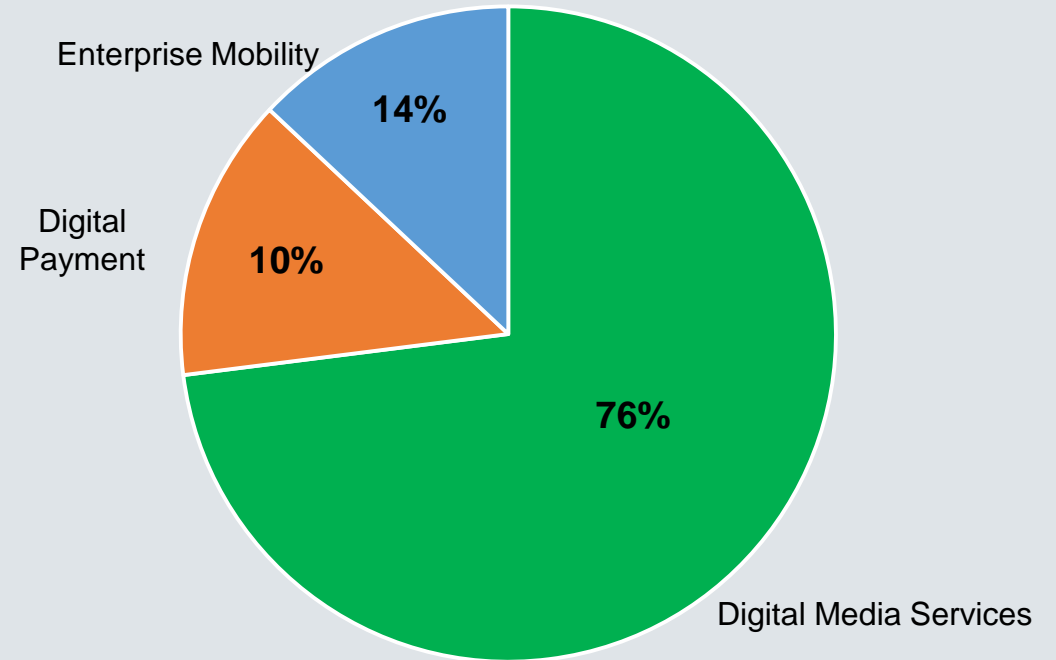
Revenue and Gross Profit Contribution FY16

Achieving strong growth in the high margin Digital Media Services segment

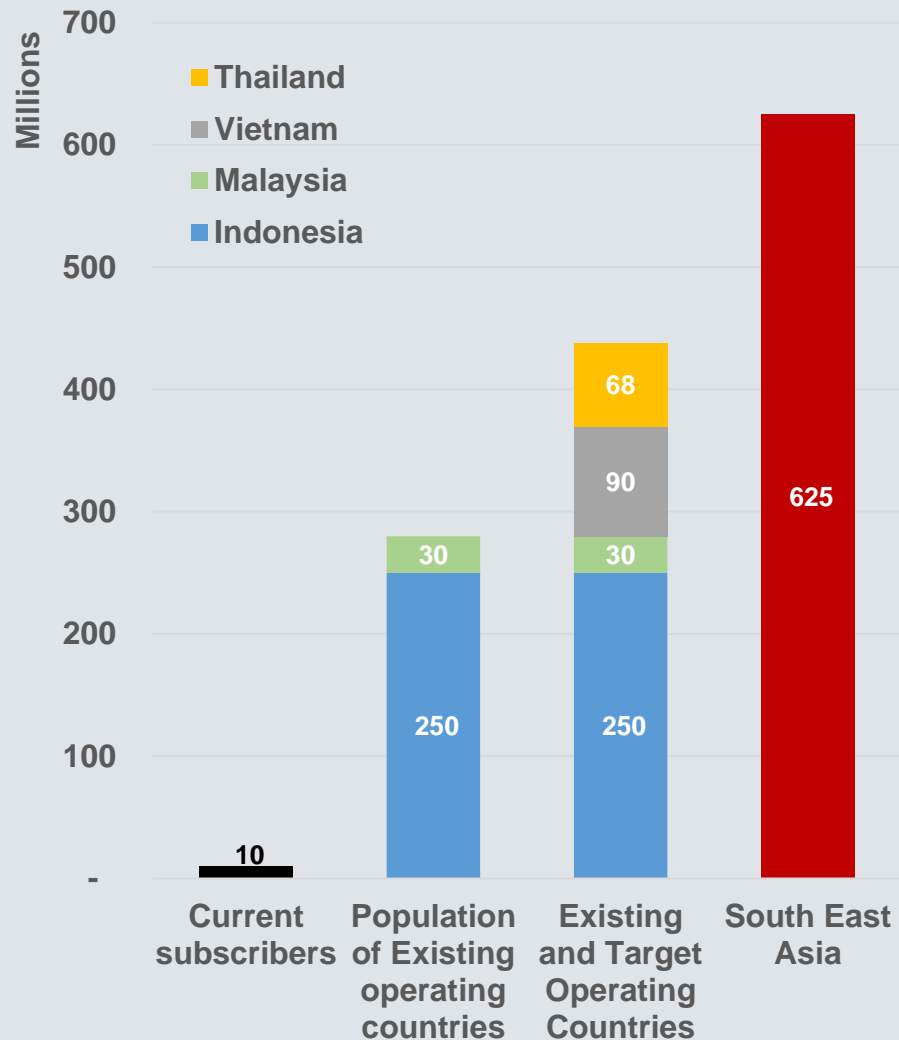
**FY16 Revenue Contribution
(\$9.8 million)**



**FY16 Gross Profit Contribution
(\$5.9 million)**



Outlook: Market Potential



Strong potential for growth throughout South East Asia

- Greater South East Asia provides the potential to reach an additional ~350m mobile subscribers in addition to the Company's core markets in Malaysia and Indonesia.
- Currently operating in Malaysia and Indonesia, the Company has recently partnered with a payment platform in Thailand and Myanmar.
- iSentric is targeting expansion in Thailand, Myanmar and Vietnam, countries with increasingly significant numbers of mobile subscribers.
- In these targeted geographies, mobile phones are providing consumers their first access to the internet.

Outlook: Growth Drivers



- Partnered with payment platform in Myanmar to distribute digital media services to Myanmar's largest telco MPT, with over 20 million subscribers
- Progressing partnership with Telenor in Myanmar to reach an additional 18 million subscribers
- Mobile Wallet App with several revenue streams
 - Airtime Credit Sales
 - Mobile Advertisement
 - Payment fees
 - B2B solution sales
- EPS accretive acquisition of strategic capabilities and markets

Growth Drivers : Mobile Wallet Technology

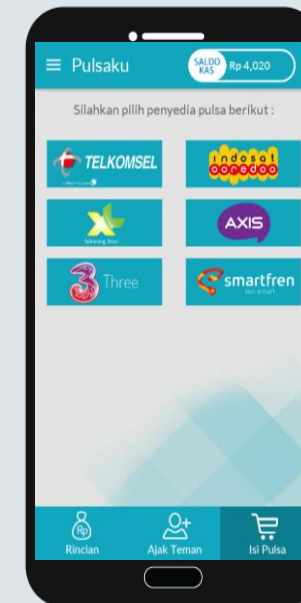
- Touch 'n Go, the largest toll operator in Malaysia recently announced a national Mobile Payment Service initiative to enable its customers to make payments using mobile phones. ICU is developing Mobile Wallet technology to be used by Touch 'n Go. iSentric will make this technology available to its wider clients base also, providing them with the opportunity to participate in the mobile payment ecosystem.
- ICU will continue R&D into Mobile Wallet technology, ultimately developing its own regional Mobile Wallet venture.

Opportunities

- R&D on e-wallet technology. 2016 was a record high for fintech investment, and for the first time Asia has become the leading market in terms of amount invested. As one of the early fintech innovators developing mobile technology for banks and financial institutions, iSentric is well positioned to take advantage of its relationships and leverage its skill set in the sector. However, as a rapidly evolving industry, R&D is required. Areas of innovation include:
 - ✓ Artificial Intelligence (AI) and cognitive systems to enable bots and robo-advisors,
 - ✓ Electronic Know Your Customer (eKYC) introducing a digital process for banks to identify and verify their customers' identity through means such as biometric and facial recognition technology,
 - ✓ Security remains a key focus of any fintech product. Enhancing second factor authentication and mobile identity management is an important component of this strategy to introduce a more streamlined and frictionless experience to the end customer,
 - ✓ As customers are being engaged at more channels and more touch points, an omni-channel approach is important to ensure the customer is able to receive the same user experience across all channels regardless whether it is online or physical;

Growth Drivers : Mobile Wallet Technology

- ICU is targeting a significant unbanked population throughout South East Asia. It will roll out its Mobile Wallet technology directly to consumers in the region, exploiting exponential growth in smartphone adoption.
- The Company's Mobile Wallet has tremendous potential to create long term value and generate multiple revenue streams, including:
 - Airtime Credit Sales and Distribution
 - Payment Fees and Commissions
 - Remittance
 - Mobile Advertising



Summary of Rights Issue

- *A pro rata, non-renounceable rights issue of one (1) New Share at an issue price of 6 cents (\$0.06) for every four (4) Shares held at the Record Date and subscribed for, to raise approximately \$2,035,556, before issue costs and one (1) free attaching option having an exercise price of 9 cents (\$0.09) and expiry date of 31 January 2018 (“New Option”) for every one (1) New Share purchased (“the Offer” or “the Rights Issue”). The Rights Issue is not underwritten but firm commitment letters have been obtained from various investors, guaranteeing a minimum subscription value of \$1.65 million.*

Entitlement Offer Details	
New Shares:	A maximum of 33,925,926 fully paid ordinary shares in the Company to be issued. New Shares will rank equally with existing Shares. The terms and conditions of the New Shares are set out in Section 6.
New Options:	Each subscriber for New Shares will receive one (1) free attaching Option for every New Share subscribed for, having an exercise price of 9 cents (\$0.09) and expiry date of 31 January 2018.
Fractions:	Calculation of any Eligible Shareholder’s fractional entitlements will be rounded up to the nearest whole number.
Price:	6 cents (\$0.06) per New Share.
Entitlement:	Eligible Shareholders are offered the right to subscribe for one (1) New Share for every four (4) Shares they hold at the Record Date.
Eligible Shareholders:	Shareholders of the Company registered on the Company’s share register at the Record Date and residing in Australia and New Zealand. The Board may also elect to issue shares to parties outside of Australia and New Zealand subject to being satisfied that such issue does not breach the laws or regulations in the relevant jurisdiction. Please refer to Section 1.5 for further information about eligibility.
No Rights Trading	The rights of Eligible Shareholders to subscribe for their entitlement are non-renounceable and may not be traded on the ASX
How to apply:	Eligible Shareholders wishing to subscribe for New Shares need to complete an Entitlement and Acceptance Form and submit it to the Company, together with payment prior to the Closing Date. See Section 8 of the Prospectus for more details on how to apply.
Opening Date:	The Entitlement Offer will open on 4 January 2016.
Closing Date*:	The last day to subscribe for New Shares under the Entitlement Offer is 5:00 pm (AEDT) on 25 January 2016.
Shortfall	Any New Shares and New Options not applied for by Eligible Shareholders under the Entitlement Offer shall form Shortfall Securities and be allotted pursuant to the Shortfall Offer. The Directors reserve the right to place any Shortfall Securities at their discretion within 3 months after the close of the Offer pursuant to Listing Rule 7.2 Exception 3. Members of the public resident in Australia are also invited to subscribe for Shortfall Securities.

Rights Issue : Use of funds

- Fund the work that iSentric is undertaking with Touch 'n Go Malaysia, in developing a mobile payments platform. Touch & Go is Malaysia's largest operator of toll payments. Touch 'n Go is seeking to expand its existing payments technology and customer based into payments made through mobile phones. iSentric has received a purchase order for core software from Touch 'n Go with a view to developing mobile technology that will expand its payment capability beyond toll and micro payments to general mobile payments by consumers;
- Fund the development of iSentric's mobile payment technology. iSentric has strong relationships with financial institutions who are seeking to develop their mobile banking solutions to mobile payments. As iSentric has previously developed mobile banking solutions for a number of financial customers such as AmBank Group and CIMB Bank, the Company is seeking to leverage these relationships and develop the Company's existing mobile technology into mobile payment solutions. iSentric will also focus on marketing this technology to existing telecommunications partners in both Digital Payments and Digital Services to expand its Digital Payment business. iSentric's goal is to generate revenue from traditional payments made through mobile phones and also in micro payments, facilitated with telecommunication partners. Ultimately, iSentric see this evolving into a Mobile Wallet solution for telecommunications and financial institution partners; and
- Providing working capital to the Company.

Rights Issue : Effects on Company

- Shares (assuming no options exercised)

Number of Shares on issue prior to the Offer	Number of New Shares to be issued under this Prospectus	Total Shares on issue upon completion of the Offer
135,703,703	33,925,926	169,629,629

- Listed Options

Number of Options on issue prior to the Offer	Number of New Options to be issued under this Prospectus	Total Options on issue upon completion of the Offer
Nil	33,925,926	33,925,926

- Unlisted Options

Expiry Date	Exercise Price	Number
9 September 2017	\$0.20	3,000,000

Rights Issue : Effects on Company

- Cash Position
 - Completion of the Offer will also have the effect of increasing the Company's cash reserves by approximately \$1,990,391 (after deducting estimated costs of the Offer), providing funds to advance the activities and objectives of the Company as set out in Section 4 of this Prospectus.
- In the event all of the New Options are exercised, the Company will raise an additional \$3,053,333.

Rights Issue : Investment Risks

Development Risk

The Company may not provide the technology solution conforming to the specifications by Touch 'n Go or other partners. There is no assurance that the Company will be able to develop the technology to the specifications required. It is also possible that the cost of developing the technology to the specifications set by Touch 'n Go or other partners may exceed the amount currently budgeted.

The time to complete the development and roll out of the technology may take longer than expected leading to the Company requiring additional funding to complete the technology. If so, this will effect the profitability of the Company.

Commercialisation Risk

The Company's relationships with Touch 'n Go and certain other partners are not governed by a written contract. Whilst the Company has received a purchase order from Touch 'n Go (as disclosed in section 4.2 of the Prospectus) and has a previous working relationship with Touch 'n Go, ongoing work outside of that Purchase Order cannot be guaranteed. In relation to the Mobile Wallet development outlined in Section 4.3 of the Prospectus, iSentric has not executed agreements with its financial and technology partners in relation to that work. Whilst iSentric has a previous working relationship with various financial and telecommunications partners, the capacity to commercialise the Mobile Wallet application cannot be guaranteed at this stage.

Competition Risk

The market for application development is inherently competitive with numerous market players. Other technology developers may develop competing solutions which potential customers select ahead of the Company's solutions. The Company may be required to make further development expenditure to ensure that its products are competitive with competing products in the market.

If a competitor arises this may effect the income obtained from the technology, and may also effect the market for future development of new versions and succeeding iterations of the technology.

Rights Issue : Investment Risks

Market Adoption Risk

The success of the technology products being developed relies on a base level of adoption of the technology being achieved in the target markets. It may take longer or cost more than expected to build a critical mass on users which will in turn impact upon the profitability of the Company.

Failures or disruptions to iSentric’s technology systems and communication networks

iSentric depends on the constant real-time performance, reliability and availability of its technology system and third-party communication networks. There is a risk that these systems may fail to perform as expected or be adversely impacted by a number of factors, some of which may be outside the control of iSentric, including damage, equipment faults, power failure, fire, natural disasters, computer viruses and external malicious interventions such as hacking or denial-of-service attacks. Events of that nature may cause part or all of iSentric’s technology system and/or the communication networks used by iSentric to become unavailable. iSentric’s operational processes and contingency plans may not adequately address every potential event. This may disrupt transaction flow and adversely impact iSentric’s financial performance and reputation.

There is a risk that repeated failures to keep iSentric’s technology available may result in a decline in end-user numbers. This may materially and adversely impact iSentric’s financial performance, including a reduction in revenue from completed transactions and an increase in the costs associated with servicing customers through the disruption, as well as negatively impacting iSentric’s reputation.

Rights Issue : Investment Risks

Exposure to potential security breaches and data protection issues

Through the ordinary course of business, iSentric collects a range of confidential information including financial information. Cyber-attacks may compromise or breach the technology platform used by iSentric to protect confidential information. There is a risk that the measures taken by iSentric may not be sufficient to detect or prevent unauthorised access to, or disclosure of, such confidential information. Any data security breaches or iSentric’s failure to protect confidential information could result in the loss of information integrity, or breaches of iSentric’s obligations under applicable laws or agreements, each of which may materially adversely impact the iSentric’s financial performance and reputation.

Fraudulent activities of third parties

iSentric is exposed to risks imposed by fraudulent conduct, including the risks associated with end-customers attempting to circumvent iSentric’s system. There is a risk that iSentric and its technology partners such as Touch ‘n Go may be unsuccessful in defeating fraud attempts, resulting in a higher than budgeted cost of fraud and end-customer non-payment. Fraudulent activity may result in iSentric suffering losses due to fraud, a materially adverse impact to iSentric’s reputation and bearing certain costs to rectify and safeguard business operations and iSentric’s systems against fraudulent activity

Rights Issue : Investment Risks

Foreign Risk

The Company's main assets and operations are located in Malaysia, Indonesia and other Southeast Asian jurisdictions. There can be no assurance that government regulations relating to foreign investment, repatriation of foreign currency, taxation in those jurisdictions will not be amended or replaced in the future to the detriment of the Company's business and/or projects. As such there is exposure to sovereign risk. There can be no assurance that the systems of government and the political systems in those jurisdictions will remain stable.

Geopolitical

Politics on a global, regional or local scale could impact the Company's operations, the Company's access to certain countries and the Company's right to continue operating in a particular country, including Southeast Asia where the Company is based. Acts of terrorism or outbreak of war may disrupt or prevent us from operating its business programs.

Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. If the Company is successful in identifying a new opportunity in which it wishes to invest or requires further development of its current offerings, the Company may have insufficient funds to pursue the acquisition of such an interest without the raising of further funds (either through equity or debt or a combination of both).

Economic Factors

The Company's future possible revenues, operating costs, Share price and returns to Shareholders may be affected by changes in general economic factors.

Rights Issue : Investment Risks

Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company may be dependent upon the Company's senior management, key personnel and consultants.

Currency Fluctuations

The future value of Shares and options may fluctuate in accordance with movements in foreign currency exchange rates.

Taxation

The Company's profitability may be affected by changes in overseas, Australian and State government taxation laws and policies and those in Malaysia, Indonesia and other jurisdictions. There may be tax implications arising from the acquisition of New Shares, any possible receipt of dividends (both franked and un-franked) and the disposal of New Shares.

Development Risk/Profitability

The Company's commercial viability will be dependent upon the successful development and operation of the Company's projects and any other activity that the Company may undertake. No assurances can be given that the Company will be able to successfully develop and market its current or future product offerings. Equally, no representation as to future profitability or dividends can be given.

Regulatory Risks

The Company's activities will require compliance with various laws relating to the telecommunications, electronic communications, financial services regulation and other matters.

Rights Issue : Investment Risks

Uninsured Loss and Liability

There is a risk that the Company may not be insured against all losses or liabilities that could arise from the Company's operations.

Stock Market Risks

The market price of the New Shares may be significantly adversely affected by a variety of factors including (but not limited to) perceptions of, or variations in, general market conditions, operating performance, commodity prices, project and country risk, Board and management strength and expertise and a broad range of other factors which may or may not relate to the Company's operations

Liquidity Risk

The Shares in the Company have historically traded at low-volume and there is no guarantee that there will be an ongoing liquid market for Shares. Accordingly, there is a risk that, should the market for Shares become illiquid, Shareholders will be unable to realise their investment in the Company.

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