

ASX Announcement

**TRANSACTION SOLUTIONS INTERNATIONAL SECURES A\$22 MILLION
INVESTMENT COMMITMENT FOR INDIAN ATM BUSINESS**

KEY POINTS

- **Transactions Solutions International Limited ("TSN") secures commitment from Indian private equity group, CX Partners, to fund and co-develop Indian ATM business.**
- **Binding letter of intent signed. Definitive agreements to be negotiated and signed subject to the satisfaction of various conditions.**
- **TSN to divest majority interest in its wholly owned subsidiary, TSI India, to CX Partners in return for major investment in two tranches.**
- **Subject to shareholder approval and the satisfaction of a commercial milestone, CX Partners will invest a total of 1,217 million rupees (AUD 22.13 million based on AUD 1: 55 INR) to obtain a 75% interest in TSI India. TSN will retain the remaining 25% interest in TSI India.**
- **Continued development and operation of Indian ATM business to be conducted jointly by TSN and CX Partners with profit share incentive for TSN**

BACKGROUND

TSN is pleased to announce that it has signed a binding letter of intent with CX Partners, an Indian private equity group. CX Partners has given a binding indication of interest (subject to conditions) to invest in TSN's Indian ATM business, which is carried on by TSN's wholly owned subsidiary, Transaction Solutions International (India) Pvt Ltd ("**TSI India**").

The majority of the funds invested by CX Partners will be re-invested in TSI India to be used to develop and operate the Indian ATM business.

Gary Foster, Managing Director of TSN said *"We have established and developed TSI India as a highly reputable and professional company, positioned in a sector that with the availability of necessary capital, is expected to see significant growth. Given industry dynamics and large growth opportunities presented in the ATM and e-transaction sector, a highly respected Indian partner such as CX Partners has the ability to provide us the firepower to seize significant opportunities and realise substantial growth. CX Partners is looking at a close association to help build the*

Company further. The transaction can provide TSI India a strong combination of financial investment and solid Indian bank relationships.

In addition, it is clear that our strategic investors have a similar vision to us and wish to create a sense of urgency in further building our business, as they see a great opportunity in a sector that they are familiar."

ABOUT TSN AND TSI INDIA

TSI India is a wholly owned subsidiary of TSN. The principal activity of TSI India is the installation and management of ATMs and bill payment machines for banks and utility companies in India. As at 29 November 2012, TSI India owns and operates 974 ATMs in India.

ABOUT CX PARTNERS

CX Partners is an India-focused fund with a fund size of US \$515 million, and is one of the largest wholly India-focused private equity funds, targeting growth opportunities. CX Partners is headed by Mr. Ajay Relan, previous head of Citibank Venture Capital International which controlled a fund with over US\$1 billion in assets.

CX Partners specializes in growth equity investments in businesses with operations predominately based in India. Some of CX Partners current Indian investments include large security companies, e-transaction businesses and direct investments in Indian banks.

THE TRANSACTION

- **Tranche 1 – TSN to provide 71% interest (fully diluted) in TSI India to CX Partners in return for investment of 805 million rupees (approx. AUD 14.63 million).**
- **Tranche 2 – CX Partners to invest a further 412 million rupees (approx. AUD 7.5 million) to increase its interest in TSI India to 75%.**
- **Binding letter of intent with term sheet (subject to conditions) executed by TSN and CX Partners. Full form documents to be negotiated and executed.**
- TSN will seek shareholder approval to the transaction.

Tranche 1

- CX Partners to invest 805 million rupees (approx. AUD 14.63 million) to receive a total of 92.5 million shares in TSI India. CX Partners will obtain this interest through a combination of the transfer of existing securities from TSN and by the issue of new securities (direct equity placement in TSI India).
- The majority of the funds (750 million rupees or approx. AUD 13.63 million) will be invested into TSI India for the development and operation of its ATM business. The balance of 55 million rupees (approx. AUD 1 million) will be retained by the TSN group.

- CX Partners obligation to make the investment under Tranche 1 is conditional upon the satisfaction of a commercial milestone that TSI India secures contracts for the supply of 500 new ATM machines at an agreed internal rate of return, within 4 months.
- On completion of Tranche 1, TSN will hold rights to a 29% interest in TSI India and CX Partners will hold a 71% interest. The board of TSI India will be restructured to comprise the chief executive officer of TSI India, one director appointed by TSN, up to four directors appointed by CX Partners and one independent director (7 directors in total).

Tranche 2

- Within 18 months, CX Partners is to invest a further 412 million rupees (approx. AUD 7.5 million) to receive a further 20.6 million shares in TSI India (increase to 75% equity interest). CX Partners will obtain this interest through the issue of new securities (direct equity placement in TSI India).
- These additional funds will be invested into TSI India and used for its operations.
- On the completion of Tranche 2, TSN will hold a 25% interest in TSI India and CX Partners will hold a 75% interest.

Effect of transaction on TSN

- The primary business activity of TSN will be unchanged, which will continue to be the installation and operation of ATM machines in India (through its interest in TSI India). However the scale of that activity will be reduced by the divestment of a 75% equity interest in TSI India.
- TSI India will no longer be a wholly owned subsidiary of TSN. Action to preserve TSN's rights has been considered and levels of protection built in to guard TSN's interest.
- Gary Foster will be engaged by TSI India to provide operational and management support to continue to develop the ATM business in India.

The combination of over \$22 million financial investment, and the strategic benefits of working with CX Partners extensive business network, is expected to enhance TSI India's ability to expediently seize large opportunities and significantly grow the business, with the expectation that TSN shareholders will benefit from this growth.

- CX Partners to share its profits in greater proportion than TSN's shareholding upon the achievement of a greater than 25% IRR on the original investment made by CX Partners in the ratio of 80:20 based on the sale of securities held by CX Partners.
- CX Partners will have no equity interest in TSN or have any representation on the Board of TSN.
- At the completion of the transaction it is envisaged that TSN will hold an approximate 25% interest in TSI India and \$4 million in cash.

Shareholder approval

- TSN will seek approval from Shareholders to complete the transaction and divest the majority interest in TSI India. Meeting papers will be sent to Shareholders after execution of the full form documents.

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