

Techniche Limited

Techniche Limited (ABN 83 010 506 162) and its Controlled Entities

9 November 2017

SALE OF ERST BUSINESS

Techniche Limited (“Techniche” or “the Company”) is pleased to advise that it has now finalised the sale of its German subsidiary ERST European Retail Systems Technology GmbH (“ERST”). This transaction concludes the Company’s successful nine-year tenure as owner of ERST in which time it delivered a total of A\$9.4 million in accumulated earnings (paid in dividends, management and licence fees) and an overall IRR of 16% on the initial purchase price of EUR2.4 million (A\$4.1 million).

The total net proceeds from sale are approximately A\$3.4 million (see Table 1 below). This will result in an accounting book loss of A\$0.6 million on the sale.

<i>(Millions)</i>	<i>EUR</i>	<i>AUD</i>
Sale of business (shares & IP)	2.000	3.000
Plus: Excess working capital	0.427	0.641
Total Proceeds from Sale	2.427	3.641
Less: Transaction costs	(0.145)	(0.218)
Total Net Proceeds from Sale	2.282	3.423

Table 1: Breakdown of Net Proceeds from Sale

Therefore the disposal of ERST, after adjustments for liabilities (consisting mostly of provisions for tax, employee entitlements, pre-payments and retained working capital), will generate an additional A\$2.2 million in cash to Techniche at closing and a deferred purchase consideration of A\$0.1 million which will be held in escrow for 18 months.

Following the receipt of funds, the Company will have approximately A\$6.5 million cash at bank.

As disclosed previously, the purchaser of ERST is German listed company SNP Schneider-Neureither & Partner AG (“SNP”) whom Techniche believes is an ideal owner for ERST in the next phase of its lifecycle. Techniche wishes to record its thanks and appreciation to the management and staff of ERST for their hard work and service to the Techniche group over the past nine years.

The strategic rationale for the decision to sell ERST was underpinned by three key factors:

1. The lack of revenue and profit growth in recent years – notwithstanding its strong and reliable profitability; and
2. The inherent concentration risk in the business due to its dependence on two customers; and

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3. The Company's desire to narrow its focus to *core* portfolio businesses (Urgent Technology and Statseeker) with scalable, productised (SaaS-style) business models operating in more dynamic global markets.

The sale of ERST will have a material impact on the earnings of the Techniche Group. During FY2017, ERST contributed A\$3.5 million in revenue and A\$1.6 million in Net Profit After Tax.

However, unaudited results for the quarter ended September 2017 showed continued improvements to the financial performance of Urgent Technology ("Urgent") and a consistent result from other business investment Statseeker compared to the same period last financial year. Urgent in particular continues to build its base of recurring revenues from a combination of new customers and upgrades to existing customers. The combination of the loss of earnings from the sale of ERST and improvements from core businesses is expected to result in a small trading loss for the period to 31 December 2017 of approximately A\$200-300K (not including the book loss on the sale of ERST) compared to a break even result for the comparative half to December 2016.

The Company will provide a more detailed update on the Urgent and Statseeker strategic reviews, including future growth and acquisition opportunities, at the Company's upcoming Annual General Meeting that is to be held at 4pm, Thursday, November 9 at Room 83, Hilton Hotel, Brisbane.

John Lemon
Company Secretary

About Techniche

Techniche Limited (ASX: TCN) is a listed technology company headquartered in Brisbane, Australia. We acquire, manage and build niche business-to-business (B2B) software & services companies. These businesses develop and deliver proprietary software solutions that serve critical needs in the day-to-day operations of our customers. Techniche employs an active management approach by working with and incentivizing management, to successfully grow our businesses in Australia and around the world both organically and via strategic acquisitions.

Contact

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