

14 December 2015

BPS FINALISES \$5 MILLION CONVERTIBLE NOTE ISSUE AND SETTLES STRATEGIC FRANCHISE ACQUISITIONS

BPS Technology Limited ("BPS") (ASX: BPS) is pleased to announce it has finalised the issue and placement of Convertible Notes at \$1.175 per share conversion ratio and raising a total of \$5 million on terms favourable to the Company.

Key highlights:

- ❖ ***Strongly supported institutional placement***
- ❖ ***Three new Listed Investment Companies join the register***
- ❖ ***Funding for earnings accretive acquisitions***

The proceeds will be used to fund earnings accretive acquisitions and to further accelerate merchant growth in our key strategic areas.

BPS can announce that these new funds have, in part, been immediately applied to the purchase of two additional key Bartercard Franchise territories. In so doing, this will accelerate the joining of new merchants and assist in the rollout of the buqji payments and loyalty platform which is currently being launched in selected areas within Queensland.

The Company's policy is to ensure all new acquisitions are EPS accretive and are synergistic with its stated Corporate Strategy. This strategy focuses on attracting customers to merchants, creating an opportunity for a transaction and generating revenues from those transactions. The purchase of additional Franchise territories in major capital cities aligns with the Company's stated strategy and further strengthens the Company's capacity to respond to opportunities available in these new territories.

BPS welcomes a number of investors new to the company, including Listed Investment Companies (LICs), professional and sophisticated investors, led by **Lucerne Investment Partners**. BPS is delighted with the calibre of these investors and the parties are well positioned to be long term supporters of BPS.

The Company believes raising funds via the Convertible Note issue is in the best interests of Shareholders at this stage as it allows the business to better execute its expansion plans and achieve its stated objectives.

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Franchise Acquisitions:

BPS is pleased to also announce that its subsidiary Bartercard has concluded the acquisitions of two of its larger metro franchises. In line with the strategy of acquiring back metro franchises, BPS is delighted to have been able to secure two Brisbane franchises which have been operating for more than 20 years.

BPS will now be in a position to further accelerate its new merchant growth strategy in this key area as well as the rollout of buqci in Brisbane.

The acquisitions were completed at an average price of 4 times EBITDA and, in line with stated Corporate Strategy, will be EPS accretive to BPS.

These two Company owned franchises will add to the existing 26 areas that Bartercard has already acquired. Bartercard has increased the number of new merchants joining for the 5 months to November by 42% over the same period last year. This was achieved by Bartercard now having the ability to drive company corporate sales teams in major capital city areas.

Importantly the Company generates a higher return on its investment because it is able to apply its new sales model which is very profit accretive as most of the service costs and overheads have already been paid. Every additional Bartercard sales person the Company adds to its team has the potential to generate circa \$160k in the first year and more than \$370k in the years that follow.

The value proposition is as follows:

New merchants pay \$99 per month plus 6.5% transaction fees on an average of \$25 000 of trading per annum,

- $\$99 \times 12 \text{ months} = \$1,188 + (\$25,000 \times 6.5\%) = \$2,813$ per year. A sales person who earns \$90,000 per annum joins on average 90 new merchants every year, resulting in a margin contribution per sales person of $90 \times \$2813 = \$253,170 - \$90,000 = \$163,170$ per year.
- These merchants will contribute the same, less 15% average attrition, in the following year whilst the sales person contracts with 90 new merchants: $\$253,170 - 15\% + \$163,170 = \$378,364$.

BPS is likely to acquire only three more capital city Franchise territories should they become available but is otherwise satisfied that it has executed this part of its strategic plan to completion.

Other Acquisitions are planned:

BPS is seeking to double its merchant base from 24,000 to 50,000 within the next eighteen months. It is in various stages of negotiations and will seek to soon complete additional acquisitions that align with its stated corporate strategies.

These acquisitions will be earnings accretive and focus on merchant centric, profitable businesses that demonstrate strong cash flows and stable or growing revenues streams.

The funds raised is expected to enable BPS to shortly complete its first external, synergistic, bolt-on acquisition.

In addition, BPS seeks to add additional value by using its considerable internal infrastructure and human capital resources to create even further efficiencies in the target businesses in order to drive greater profit outcomes to the Company.

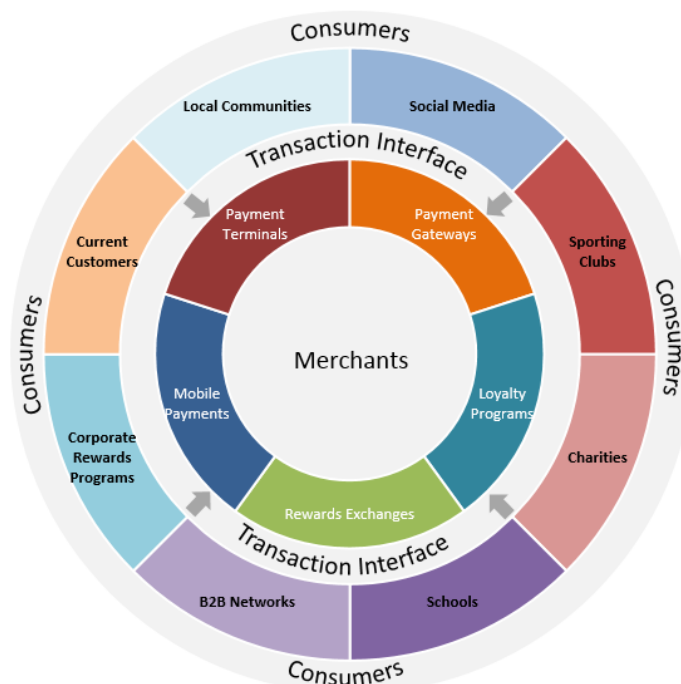
These targeted acquisitions will seek to expand the reach and coverage of its merchant base, especially in Australia and New Zealand, be EPS accretive and complementary to its existing business.

BPS Merchant and Consumer Ecosystem

The BPS business model centres on attracting Consumers to Merchants, facilitating a transaction and generating a fee from those transactions. BPS seeks to control the transactional interface between its merchant base and consumers by utilizing an omni-channel approach as described in the diagram below.

The Company will achieve this by working with its existing merchant base and new merchant bases it acquires through its active targeting of profitable merchant centric businesses in Australia, New Zealand and elsewhere.

As can be seen from the diagram below, BPS will achieve its goals by working with existing networks and multi sales channels to achieve this outcome and thus looks to become an integral part of the consumer/merchant experience.



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Background on BPS Technology Limited

BPS Technology Limited (BPS) is an ASX emerging Fintech Company which has been listed since 9 September 2014. BPS owns multiple trading and loyalty platforms in 8 countries that attract customers to transact with merchants. BPS earns a fee off every transaction as well as a fixed monthly amount from every merchant. Over \$600 million was traded over the platforms in FY15 earning revenues exceeding \$48 million. At its core is the Bartercard Group of Companies which has been operating successfully for 25 years, as well as two new emerging technology platforms that will leverage the existing merchant base and software systems.

BPS has three highly complementary and scalable business:

Bartercard

- Bartercard operates the world's largest retail trade exchange by Transactional Value and Fees Generated. It allows small to medium business to conduct \$600m of additional business without the use of cash
- 54,000 card holders in 8 countries but expanding to 10 countries in FY16
- Bartercard transactions can be conducted online, over mobile or across more than 7,000 bank EFTPOS terminals

Bucqi

- Disruptive technology based around a loyalty and rewards platform designed for SME's combined with a robust and innovative mobile payment app for both merchants and consumers.
- Now being deployed in Southport, Toowoomba and Cairns with roll out plans for Australia and New Zealand, other countries to follow FY17
- Expected to increase the revenues to both BPS and Bartercard

TESS

- TESS (Trade Exchange Software Services) is a software platform which was developed to service Bartercard's trade exchange
- It is the only software recognised and recommended as preferred software by IRTA* - the largest governing body of the Trade Exchange industry globally
- Addresses the needs of a fractured market
- Future growth market for bucqi

Key Highlights in FY 15

- Revenue \$48.1 million
- EBITDA of \$10.1 million driven by strong performance of Bartercard
- NPAT \$7.9 million
- EPS 14.88 cents (13.5c annualized)
- Opened in South Africa - China and India Licenses sold and will open in the second half of FY16
- Trade Exchange Software Services (TESS) platform delivered for testing and use by IRTA - the world's largest not-for-profit trade exchange representative body
- Bucqi beta tested and introduced in June 15
- Annual dividend of 5.5 cps declared (unfranked)

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Investment Highlights - FY 16 Outlook

- Continue to acquire profitable Bartercard franchises in key areas that add to strategic footprint and maximize access to SME's for bucqi expansion
- Continue international growth opportunities across all three core business platforms
- Major focus on growth of Bartercard under new sales model which has yielded positive traction in the first Quarter of FY16 – providing higher profitability in medium to long term
- Focus on growth by acquisition and joint venture both vertically and horizontally across all three core business platforms
- Continue roll out of bucqi in Australia and New Zealand with foundations laid for entry into UK and USA in FY 2017
- TESS to become the software of choice for Trade Exchanges, business community trading platforms & other alternate currency systems.

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About BPS Technology

BPS Technology Limited is an ASX listed company whose subsidiaries operate in 8 countries. More than 24,000 SMEs transact in excess of 1.8m transactions worth \$600m+ per annum using its various technology platforms. BPS earns fees on all transactions over the platforms.

About Bartercard

Bartercard operates the world's largest trade exchange. It allows small to medium businesses to join its trading platform and trade with each other nationally and internationally. There are more than 54,000 card holders in 8 countries. Bartercard transactions can be conducted online, via its mobile app or across more than 7,000 bank EFTPOS terminals.

About bucqi

Bucqi is a disruptive mobile payments technology based around a loyalty and rewards platform designed for merchants to attract consumers. It allows consumers to pay whilst earning and redeeming rewards across a wide range of participating merchants. Bucqi has a number of patents pending.

About TESS

TESS (Trade Exchange Software Services) is a cloud-based software platform developed to support all trade exchanges globally. It is the only software recognised and recommended as preferred software by the International Reciprocal Trade Association (IRTA) - the largest professional body governing the industry globally. TESS produces versions of its software created to service small, medium, large and enterprise level exchanges.