

9 November, 2010

## iCash Payment Systems (ICP)

BUY

## ATM Company with Significant Growth in Asia



ICP has rapidly established itself within the Korean and Australian ATM industry as a **significant company in this sector**. The company

- Manages or owns over **1,400 ATMs in Australia** (@ October 2010, up from 1,330 @ June 2010) – making it a significant company within Australia with 4.5% of the total market (9% of the ex-bank market);
- Owns 47.1% economic interest (49.9% voting interest) of NeoICP, a manufacturer of high end, secure ATM machines based in Korea;
- Designed, manufactured and sold over 11,000 ATMs in Korea, and
- Has **recently been awarded several large ATM supply contracts** with major retailers in Korea that will significantly extend the company's dominance of this market.

The Korean operation (NeoICP) manufactures and sells high end ATM machines to major Asian retail and finance conglomerates, and to the Australian business of ICP. Within Australia ICP sells ATMs and receives a growing recurring income stream.

Our positive recommendation on ICP is based on:

- ✓ The company's **differentiated ATM products** and related products;
- ✓ **Identified growth path** for the next few years including company guidance of 95% profit growth in 2011 to \$6.2M;
- ✓ The company's **highly secure and accredited ATM products**, very relevant today given the increasing level of ATM fraud;
- ✓ **Client base including dominant retailers** in the Asian markets;
- ✓ Revenue model based on both ATM placements and transaction based fees; and
- ✓ Anticipated improvement in financial position.
- ✓ Discount to Shaw's valuation and potential for ICP to pay a dividend within the forecast period

YE 30 June	2009 (A)	2010 (A)	2011 (F)	2012 (F)
Revenue \$M	19.1	41.7	76.1	98.1
Net profit \$M	2.4	3.2	6.3	7.9
Earnings cps	2.8	3.7	7.4	9.3
Dividend cps	0.0	0.0	2.3	2.8
PE x	12.6	9.7	5.3	4.2
Yield %	0.0	0.0	5.9	7.2
Franking %	0.0	0.0	0.0	0.0

## Investment Summary

Share Price \$ps	<b>\$0.39</b>
Target Price (12 month) \$ps	<b>\$0.75</b>
Information Technology - Technology Hardware & <a href="http://www.icashpayments.com.au">www.icashpayments.com.au</a>	
Issued Capital M	<b>85M</b>
Market Cap \$M	<b>\$32M</b>
Gearing ND/(ND+E)	<b>12%</b>
Analyst Name	<b>Scott Marshall</b>

## Initiation of Coverage

## Share Price Chart



Year Hi-Lo \$ps	<b>\$.58 - \$.32</b>		
Avg Monthly Vol (M)	<b>1.2</b>		
<b>Performance %</b>	<b>1 m</b>	<b>3 m</b>	<b>12 m</b>
Absolute	12.5%	-16.3%	-35.7%
Rel Top 200	11.4%	-24.1%	-35.1%

## Shareholders

	%
Mr Robert James Gaal	5.3%
Citicorp Nominees	4.5%
Union Pacific	4.4%

## Company Activities

iCash Payment Systems (ICP) designs, manufactures and operates ATMs, switching and interchange systems, specialised automated cash handling machines and software / middleware solutions.



ICP has recently negotiated several large supply contracts with leading companies in Asia.

The group has secured a number of contracts for the supply of ATMs and related equipment in Asia (South Korea and China). These contracts include to:

- **Lotte Group** (South Korea's 8<sup>th</sup> largest company) for 1,500 ATMs with potential to increase to 5,000 ATMs @ \$20,000 each;
- **E Mart** (South Korea's largest discount store chain) for an initial order of 120 back office machines;
- **Family Mart** (Japan's third largest convenience store chain) for 4,000 cash dispensing ATMs with further orders of higher value ATMs expected in 2011;
- **Hyundai Department Stores** (one of the three largest department store chains in South Korea) for an undisclosed number of units;
- **Nantian** (China's leading banking automation provider) for the supply of dispensing units into China;
- **GS Mart** (acquired by Lotte) for 40 back office machines (now supplied) with further orders expected; and
- **NICE eBanking Services** (one of South Korea's largest financial institutions with 7,000 ATMs) to which NeoICP has been supplying ATMs since 2005.

The company has noted its intent to pay dividends on "*the achievement of at least 2 consecutive years of solid growth and profits*". Shaw has notionally forecast dividends based on a payout ratio of 30% in 2011 and 2012, however this is subject to the Board determination.

## Valuation and Recommendation

Over the past 3 years ICP has expanded rapidly in the ATM sector via acquisitions and investment. The group is now a significant supplier of ATMs in Australia and Korea.

Under the current management the group has established a growth strategy, a strong portfolio of products and capability, and expanding supply contracts. The Korean manufacturing site has been significantly expanded, to match the large ATM supply contracts that have been signed with major corporations in Korea and China. We anticipate strong growth from the Korean manufacturing operation, with solid though still impressive growth from within Australia as a seller of ATMs to third parties, and related service contracts and collection of ATM transaction fees.

ICP generates revenue from the sale and lease of ATMs and related equipment, and from fees based on transaction volumes through machines owned by itself or third parties. ICP also generates revenue from remote monitoring and servicing of the ATM network.

The group has provided **profit guidance for FY2011 which included "Revenue up 72% to \$73M" and "NPAT (attributable to Members) up 95% to \$6.2M"**. This guidance is based on contracts in hand, and hence may not reflect the full earnings potential of the group.

We believe the company can **increase ATM production at the Korean factory of NeoICP** by adding another daily production shift (currently operating at only 1 shift per day) in the event that further contracts are awarded.

**We have forecast revenue growth of 80% for 2011 to \$76M.** While our profit forecasts are slightly above the company's guidance, we believe they are achievable due to the opportunities that are not included by management. The downside risk is cost over runs at the NeoICP factory (wages, materials, currency) rather than revenue shortfalls. The revenue forecast should be achievable given the sustainable production rate of 500-600 ATMs per month. We have assumed tax losses exist to offset tax for at least the next year, but for valuation purposes we have assumed full tax from 2012.

We have forecast a tax rate of 10% in 2011 (following a net tax credit in 2010) based on the extensive residual tax credits available to the group in both Australia and Korea. It is expected that these tax credits will be largely utilised in 2012, resulting in the tax rate increasing to 20% in 2012. We anticipate full tax accounting from 2013. This will depend on the tax credits available and the pretax profits generated.

Our valuation is based on a 30% discount to the Small Cap Stocks Average PE, and adjusted assuming full tax payment. **We have valued ICP at 75 cps.**

## Company Operations and Products

**ICP specialises in the design, manufacture, sale, installation and maintenance of ATMs, switching and software solutions** for banks, financial institutions & retail locations such as petrol stations, supermarkets, shopping areas and convenience stores.

The group **differentiates** itself from other ATM providers by:

- **Inhouse R&D and manufacture** of its own ATM and related products (NeoICP)
- Focus on **high end**, secure products
- **Strong growth from manufacturing in Asian** (South Korea)

Factory capacity can be easily increased if demand continues to grow.

With reasonable and conservative assumptions, we have valued the group at 75 cps.

Company product: cashPod ATM



The company is currently manufacturing at the rate of 500 - 600 ATMs per month.

- **Australian Payments Clearing Association (APCA) accredited** products in Australia
- Design and manufacture its own ATM componentary (card reader, cash dispensers, monitoring systems, software, pinpads, cash vaults) – ensuring **product quality and anti-fraud security**.
- **Advanced ATM monitoring systems** to enable rapid resolution of technical problems, including in field repair by non qualified personnel (eg, ATM owners) in many instances.

In March 2010 ICP announced the acquisition of **Pulse International** for \$4.5M. Pulse provides a more comprehensive suite of software and applications that are incorporated in NeoICP's ATM, EFTPOS and card issuing hardware. The software enhances ICP's comprehensive ATM fleet management capabilities, and is expected to add to the group's recurring revenue stream.

## 1. South Korea

In July 2007 ICP acquired a 52% interest in Neo Technologies (now known as NeoICP), a Korean ATM manufacturer, for \$3.8m. NeoICP designs and manufactures a range of **secure ATMs** for various applications and end user types. The company also designs and installs specialised ATM units for GIRO payments, bulk coin acceptance, and ATM components for third party ATM manufacturers. ICP now has a 47.1% economic interest in NeoICP.

ICP, through NeoICP, is currently the **largest ATM supplier in South Korea for non-bank ATMs** with 50% market share (source: Taeyoung Accounting Corp and updated by ICP). ICP's Korean customers are all ranked in the top three in terms of retail market share and are household names in Korea.

NeoICP is the base for ICP's manufacturing, research and development and has installed more than 11,000 ATMs, cash dispensers and related automation solutions to major Korean financial institutions such as Lotte Group, Family Bank, Hanvit Bank, Hana Bank and the Industrial Bank of Korea.

In November 2009 ICP announced a key development with the previously announced **Lotte Group** contract in Korea. Lotte currently owns 3,500 ATMs and is one of Korea's largest department store chains, a major finance company, and the 8<sup>th</sup> largest company in Korea. With successful completion of the pilot program, Lotte has accepted ICP's ATM and cash recycling terminals.

The **initial order is for 1,500 devices** (\$30M revenue @ 100%) to be delivered at the rate of 100 per month up to March 2012, with up to an **additional 3,500 ATMs** to be supplied to Lotte. At an implied \$20,000 per unit, this suggests revenue of \$2M / month for the current contract. These devices are designed for ATM applications that are not easily commoditised, implying a strong profit margin for NeoICP.

Another product, the **cash cycling ("Back Office Machine") unit** is a sophisticated cash handling, reconciliation and account management machine that has been well received by customers in Korea since the product was released in July 2008. The BOM integrates deposit and dispense for notes, coins, cheques and vouchers with accounting and auto settlement software. This enables retailers to complete start-of-day and end-of-day cash reconciliations with reduced time frames and labour costs. The BOM sells for around \$60,000 with accompanying 5 year recurring service and maintenance agreement.

ICP has recently announced **anticipated supply contracts with Korean convenience store chain Family Mart and Korean discount retailer E-Mart**.

NeoICP is **currently manufacturing ATMs at the rate of 500-600 per month**, and is receiving new supply contracts from major corporations in the Asian region. ICP expects to be manufacturing **750 units per month** in the near term.

## 2. Australia

ICP's domestic operations include the ownership or sale to third parties of ATMs that comprise an Australia-wide ATM network of over 1,400 ATMs (October 2010). This has increased by 610 in fiscal 2010, and the group expects to grow the fleet by 15% pa to 2,000 ATM units within 3 years.

The Australian business derives income from two sources. Firstly, it derives a market based fee of around \$2.00 per ATM withdrawal transaction for providing pre and post sales consulting, installation services, billing, reporting, dispute management, machine maintenance, product training, technical support, repair facilities and warranty provisions across its fleet of ATMs. Secondly, it sells ATMs directly to third party deployers earning a sales margin and ongoing transaction fees.

**The main product sold in Australia is the cashPod**, based on NeoICP's KCD series ATM. Points of differentiation for this ATM include: inbuilt high level of security and encryption, comprehensive remote system monitoring, flexible programming (to offer time based transaction fees or maximum daily withdrawal limits per customer), direct marketing onscreen (recurring revenue potential), and APCA accreditation which indicates industry recognition of the unit's advanced security features.

ICP's ATMs are already designed for the anticipated increased security and regulatory environment.

Preferred supplier status with Metcash in Australia (including the Cellarbrations banner):



An order from Nantian in China for 6,000 units

We have forecast revenue of \$76M in 2011.

There is significant upside potential from our estimate.

While cash flow was weak in 2010 this was the result of a significant investment in inventory as production ramped up. This should not be repeated in 2011.

ICP has designed financial security into its products. The cashPod ATM, currently ICP's most popular device sold in Australia, is designed to be compatible with the anticipated changes to mandated technical and security regulations and is compatible with the EMV security standards (EMV is based on the original 3 proponents: **Europay, MasterCard and VISA**, and is also known as "Chip and Pin"). ICP ATMs have flexible programming that can be updated remotely, and thus can be adapted to changing gaming regulations (limiting cash payments in gaming sites) as well as anticipated new financial services to be available from ATMs. ICP currently has a high 90% re-sign rate as ATM lease contracts are renegotiated.

ICP has released the cashPod Kratos model, a **more secure product** compared to the standard cashPod ATM. Kratos is expected to open a new market for high transaction sites for the group.

The company has noted keen interest and sales of its products based on the security and service features, and is gaining market share against cheaper ATM competitors.

ICP recently signed a "**preferred supplier agreement**" with **Metcash** (ASX: MTS) for the supply of ATMs to Metcash supplied retail outlets. As part of the Metcash Advantage program for its customers, Metcash will refer its customers to ICP for the installation of ATMs instore. This applies to IGA and other MTS supplied retail stores, and various banners supplied by Australian Liquor Marketers. This is a non exclusive relationship, but does give ICP preferred access to 6,000 outlets.

### 3. China

In China, the establishment of a Beijing office in 2008 enabled ICP to secure a technical and commercial partnership with **Yunnan Nantian, China's leading IT and banking business automation provider**. Nantian operates more than 3,000 ATMs throughout China. ICP will develop a Chinese certified ATM to meet specifications set down by Nantian so that Nantian can install ICP's ATMs in its bank customers and other high traffic / transaction areas.

ICP has signed an **exclusive Technical and Commercial agreement with Nantian** for the supply of **6,000 ATMs into China**. ICP has appointed Nantian the exclusive supplier of site locations, installation, operating maintenance, technical and after sales service of its ATM products in mainland China. Nantian will be responsible for delivery of commercial orders.

### Profit Outlook

ICP increased revenue by over 100% from \$19M in 2009 to \$42M in 2010. The revenue in 2010 included \$27M in H2 as the new Korean supply contracts (discussed in this report) began to report to revenues.

**We have forecast revenue of \$76M in 2011.** If ICP maintains the production rate of 100 ATMs per month for the Lotte contract, at \$20,000 per ATM this contract alone represents an annual revenue base of \$24M (@ 100%). With up to 5,000 ATMs to be supplied under this contract (dependant on meeting KPIs), this contract could be worth \$100M of revenue (@ 100%) over 4 years.

If the NeoICP factory sustains production at 600 units per month, **this implies annual revenue of up to \$72M for NeoICP (@ 100%, on the assumption the weighted average sale price is \$10,000)**. ICP reports revenue and sales on these units based on its 47.1% ownership of the manufacturer, NeoICP, plus its own direct margin on sales of ATMs, plus recurring transaction and service revenues. Our forecasts and valuations are based on revenue of \$76M in 2011 and \$98M in 2012. This assumes 5% upside from the company's profit guidance for 2011 based on contracts under negotiation but not yet awarded.

We do note that while revenue increased significantly from H1 to H2 of 2010, the **EBIT margin** slipped from 15.3% to 8.7% due to the cost of building inventory ahead of delivery (for an average profit margin of 11% for the year). We have forecast 18% EBIT margin in 2011, increasing to 19% in 2012. The increased margins assume leverage benefits from the higher production rates, the benefits from the reorganised manufacturing facilities, ongoing cost reductions, and the benefits from the recent acquisition of component supplier Taenum (now Wiz Mechatronics) and of Pulse, with its unique ATM fleet monitoring software.

**Cash Flow from Operations** has been weak during the production ramp up stage, including timing issues as the company builds inventory ahead of sales. The company generated \$35M revenue in 2010 from equipment sales and service fees and paid \$36M to suppliers (including network expenses of \$26.3M, up from \$11.6M) in 2010. Adjusting for net interest paid, this resulted in negative \$0.2M cash flow in 2010. We expect some relief from the high network charges (per ATM) in 2011 with the company recently transferring most of its ATMs to the cheaper First Data network.

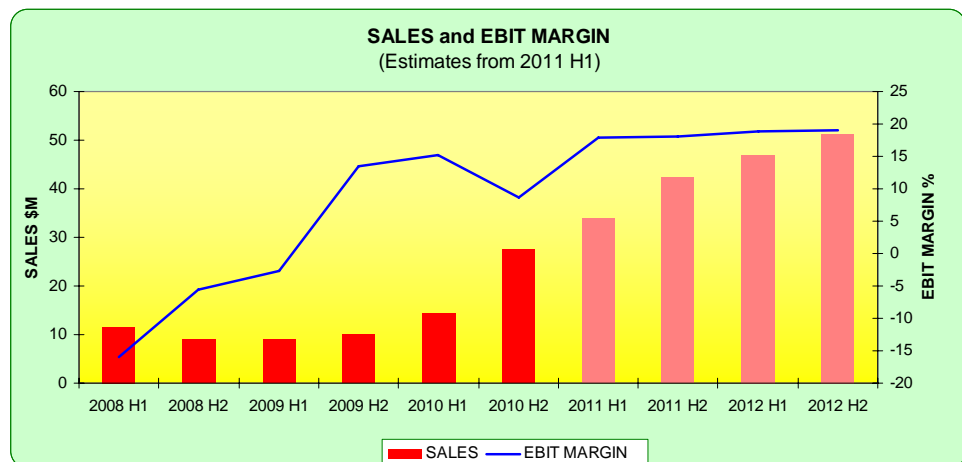
Investment in Inventory (net of obsolescence charges) rose from \$3M to \$9M in 2010 (ie, a net investment in the year of \$6M). This increase was reflected in Cash Flow from Operations. We expect net investment in inventory to be reduced in 2011 with the company now closer to its targeted maximum production rate. This should result in a strong recovery in cash flow.

The company's **balance sheet is sound**, with net debt of \$5M and gearing (ND/ND+E) of 12%. This is after raising \$6.2M net via equity issues in 2010. EBIT interest cover in 2010 was 9 times.

ICP also generates significant revenue from transaction fees (to which it is entitled to 100% of the net fees).

ICP generates **revenue from transaction fees** per transaction made through the ATMs. Currently most ATM withdrawal transactions from "foreign" ATMs (ie, not from an ATM owned by the card issuing bank) incur a fee of \$2 in Australia (RBA, Bulletin June Quarter 2010). From this, an average 75-85 cents per transaction (RBA, *ibid*) is paid for the cost of the transaction. The balance is split between the ATM owner and the site owner, depending on the agreed terms. ICP ATMs processed 5.8M transactions in 2010, indicating revenue in excess of \$3M from transaction fees.

The following chart shows the actual and Shaw forecast Sales and EBIT Margin for ICP.



## Industry - and Industry Participants

The industry outlook in Australia remains strong based on demand for existing ATM services, and the range of new services that advanced ATMs will be able to provide.

On balance, we believe that while there has been some recent softness in the use of ATMs for various reasons (Source: RBA Bulletin June 2010), the outlook for ATM installations and utilisations remains strong. Customer familiarisation with fee transparency, increase in the number of ATMs, and new services to be introduced in the near future will secure ATMs and a primary point of contact between card holders and the financial system.

There are currently around 28,765 ATMs installed in Australia (RBA, June 2010). The table on the next page shows the installed ATM base in Australia in March 2010 (Major ATM Networks) according to the RBA.

iCash is already a major supplier of ATMS into the Australian market.

Number of ATMs – Major Networks	
Customers Ltd	5,617
Cashcard	4,799
Commonwealth Bank incl BankWest	3,714
Bank of Queensland	3,577
RediATM (including NAB)	3,171
Westpac including St.George	2,971
ANZ	2,652
<b>iCash</b>	<b>1,156</b>
CashConnect	1,031
Bendigo Bank	998
Suncorp	680
<b>Total – Major Networks</b>	<b>30,366</b>

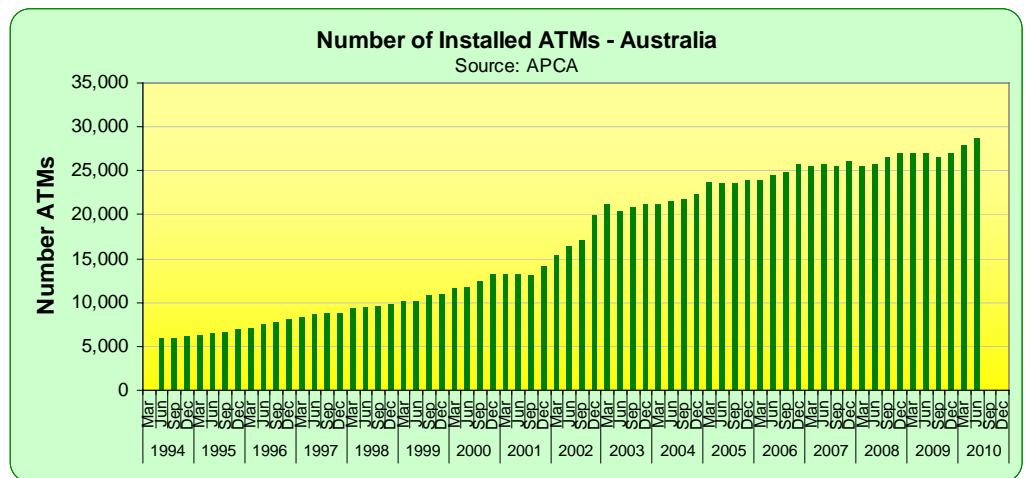
Note: Some figures include ATMs carrying financial institution branding, but owned by an independent deployer. These may be recorded against both the owner and the branding institution – ie duplication. Thus the table does not total to the installed base of ATMs.

Source: RBA Bulletin June Quarter 2010

**Update: ICP claims over 1,400 ATMs under management at October 2010.**

The following chart shows the steady rise in the number of installed ATMs in Australia. Even with the change to the recent fee regulations (see below), the growth has remained solid and in fact has accelerated through this change.

The demand for new ATMS in Australia remains very strong

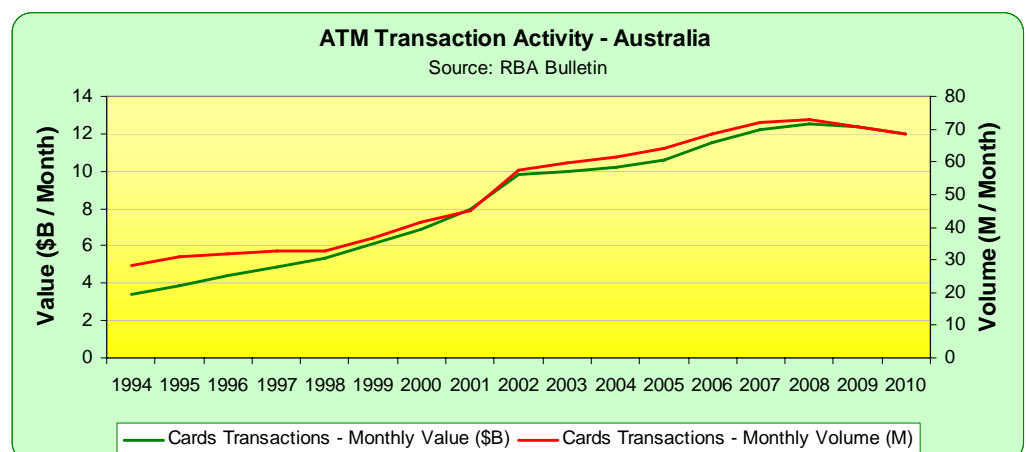


There has been a significant change to the ATM fee charging regulations in Australia after the RBA reviewed the industry and enforced ATM fee disclosure. Since March 2009, ATM providers have had to display the cost of any ATM transaction before the customer completes the transaction. The aim of this regulation was to make the ATM fees transparent and to give customers the choice of completing the transaction and paying the fee, or terminating the transaction before being charged.

Regulations in Australia have changed the way companies charge for interbank transactions – but this has not yet resulted in a significant change to the volume of transactions through ATMs.

The RBA estimates this has saved about \$120M in ATM transaction fees, and has provided customers with needed transparency on fees so they can make decisions on which ATM to use to transact. There has also been a change in the way certain ATM providers conduct business to remain relevant in an era of disclosed fees – for example smaller building societies and banks have formed relationships with the major ATM network providers (including other banks) to offer fee-free transactions for their clients at extended ATM networks.

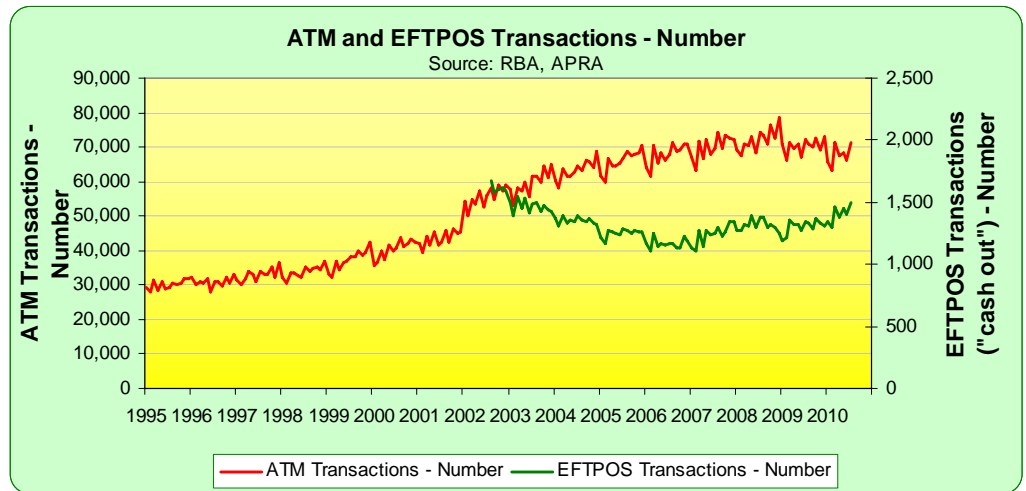
The following chart shows the recent fall in the number and value of ATM transactions. This may be due to a combination of the new regulations and the GFC. We expect the transaction volume to recover as consumers again increase their propensity for debt, and as competition within the ATM networks stimulates new ATM placements and services.



The RBA expects further changes to the ATM market in Australia – which are not all negative for suppliers.

The RBA believes price competition between ATM providers may evolve as ATM suppliers compete for customers and grow their networks. The RBA has also noted a shift from cash withdrawals at ATMs to cash withdrawals within the EFTPOS network in an attempt by customers to bypass ATM fees (withdrawals from EFTPOS terminals is typically fee free and often convenient, while withdrawals from ATMs may attract a fee if it is not an ATM within the customer's card issuing organisation network).

While there has been a drift from ATM transactions to EFTPOS transactions, this has not been significant as the total number of EFTPOS transactions is still only 20% of the total number of ATM transactions. We expect the introduction of new fee paying services through ATMS will more than counter any drift of market to EFTPOS transactions.



Shaw believes there is room within the financial industry to accommodate the growth in EFTPOS (debit card) transactions plus growth in ATM based transactions. There continue to be significant changes in the way consumers relate to cash and to retail / financial transactions in general. Including the anticipated fee based services to be available through new generation ATMs, this should facilitate the growth of both ATM and EFTPOS based transactions, rather than the growth of one at the exclusion of the other.

### Company Products:



Cash recycling ATM



Bill payment with note and coin dispenser



Back Office Machine Auto Settlements System



NeoICP Factory in Korea

## iCash ICP

Note: P&L numbers reflect "Ongoing Operations" in each year

FINANCIAL PERFORMANCE					
Year End June		2009	2010	2011	2012
		(Act)	(Act)	(Est)	(Est)
Sales Revenue	\$M	19.1	41.7	76.1	98.1
EBITDA	\$M	2.6	6.6	17.1	22.4
EBIT	\$M	1.1	4.6	14.3	19.4
Pre Tax Profit	\$M	0.9	4.4	13.7	18.6
Profit After Tax & Min	\$M	2.6	4.6	12.3	14.9
Adjustments					
Minority Interests	\$M	0.2	1.4	6.0	7.0
Amortisation	\$M	0.0	0.0	0.0	0.0
Other	\$M				
<b>* Normalised Profit</b>	<b>\$M</b>	<b>2.4</b>	<b>3.2</b>	<b>6.3</b>	<b>7.9</b>
<b>Per Share</b>					
Issued Shares (Wt Avg)	M	708.7	792.9	85.3	85.3
EPS (normalised)	cps	2.8	3.7	7.4	9.3
DPS	cps	0.0	0.0	2.2	2.7
Franking	%	100.0	100.0	100.0	100
<b>Growth</b>					
Sales Revenue	%		117.9%	82.6%	29.0%
Normalised Profit	%		30.2%	98.7%	25.6%
EPS	%		30.2%	98.7%	25.6%
DPS	%				22.2%
<b>Ratios</b>					
EBIT / Sales	%	5.8%	11.0%	18.7%	19.8%
Payout Ratio	%	0.0%	0.0%	30.5%	29.7%
Tax Rate	%	-189.5%	-3.2%	10.0%	20.0%
Interest Cover	x	5.1	28.3	23.8	24.3

## VALUATION

Valuation Method	Relative PE
Market 2012 PE (x) (S&P/ASX Top 200 Industrials)	x 14.0
Stock PE Norm (x)	x 0.70
Implied Company PE (x)	x 9.8
2012 eps	cps 8.2
Adjustment	
Tax Rate	cps -5
<b>Valuation</b>	<b>cps 75</b>
<b>Current Price</b>	<b>cps 39</b>

## BALANCE SHEET

Year End June		2009	2010	2011	2012
Cash	\$M	2.6	4.6	18.5	29.1
Inventories	\$M	3.0	8.9	16.9	18.4
Other Current Assets	\$M	2.9	10.3	15.2	18.4
Property, Plant, Eq	\$M	4.2	5.9	0.0	0.0
Intangibles & Similar	\$M	17.2	21.9	21.9	21.9
Other Assets	\$M	6.6	5.3	5.9	7.6
<b>Total Assets</b>	<b>\$M</b>	<b>36.5</b>	<b>56.9</b>	<b>78.4</b>	<b>95.5</b>
Interest Bearing Liabs	\$M	5.1	9.9	20.8	32.3
Other Liabs	\$M	4.4	9.2	15.7	19.7
<b>Total Liabs</b>	<b>\$M</b>	<b>9.5</b>	<b>19.1</b>	<b>36.5</b>	<b>52.1</b>
<b>Shareholder's Funds</b>	<b>\$M</b>	<b>26.9</b>	<b>37.7</b>	<b>39.4</b>	<b>45.0</b>
<b>Ratios</b>					
ROE	%	9%	8%	16%	18%
Gearing (ND/ND+E)	%	8.4%	12.3%	5.6%	6.7%
Curr Assets / Curr Liabs	x	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

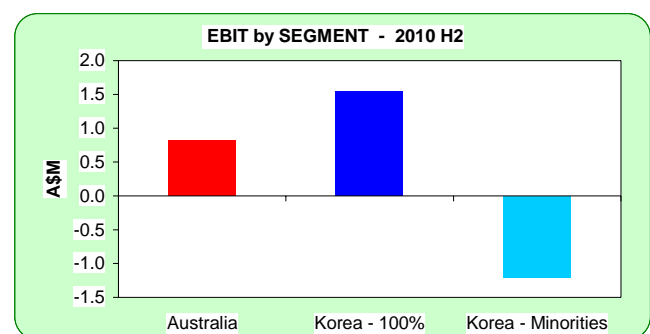
## Date Share Price

09-Nov-10  
39 cps

CASH FLOW					
Year End June		2009	2010	2011	2012
		(Act)	(Act)	(Est)	(Est)
<b>Operating Cash Flow</b>	<b>\$M</b>	<b>2.5</b>	<b>-0.3</b>	<b>16.2</b>	<b>14.3</b>
Capex	\$M	-1.2	-2.2	-1.5	-1.4
<b>Free Cash Flow</b>	<b>\$M</b>	<b>1.3</b>	<b>-2.5</b>	<b>14.7</b>	<b>12.9</b>
<b>Free Cash Flow ps</b>	<b>cps</b>	<b>0.2</b>	<b>-0.3</b>	<b>17.2</b>	<b>15.1</b>
Dividends Paid	\$M	0.0	0.0	-0.9	-2.2
Net Acqn & Asset Sales	\$M	0.0	-1.3	0.0	0.0
Net Equity Raised	\$M	0.5	4.4	0.0	0.0
Net Debt Raised	\$M	2.5	1.9	0.0	0.0
Other	\$M	-2.7	-0.5	0.0	0.0
<b>Increase in Net Cash</b>	<b>\$M</b>	<b>1.5</b>	<b>2.0</b>	<b>13.8</b>	<b>10.7</b>

## SEGMENTS

Year End June		2009	2010	2011	2012
		(Act)	(Act)	(Est)	(Est)
<b>Sales Revenue (\$AM)</b>					
Australia	\$M	7	14	18	22
Korea - 100%	\$M	12	32	63	82
Eliminations	\$M	-1	-4	-6	-7
		17	41	76	97
<b>EBIT (\$AM)</b>					
Australia	\$M	0.7	2.5	3.5	4.4
Korea - 100%	\$M	0.2	1.9	4.7	7.4
Eliminations	\$M	-0.1	-1.4	-2.0	-3.5
		0.8	3.0	6.2	8.3
<b>EBIT MARGIN (%)</b>					
Australia	%	9.9%	17.7%	19.0%	20.0%
Korea - 100%	%	1.5%	6.1%	7.5%	9.0%



## NOTES & COMMENTS

- Profit refers to profit attributable to ordinary shareholders and so is after preferred dividends and Income Security distributions.
- Normalised Profit is before Amortisation, identified Significant Items, one-off or short term taxation items, effect of mark-to-market accounting, preferred and Income Security distributions, and other items that are not ongoing.
- Cash Flow Tax Paid is approximated as 1/2 current year + 1/2 previous year accounting tax
- Return on Equity (ROE) = NPAT / SHF, excl Minorities and Prefs

## Company Directors

Mr Barry George Sechos  
Mr Kim Adrian Stewart (CEO Aust)  
Mr James Andrew Manny (Exec Ch)

Mr Tony Sin Pyng Teng (acting CFO)  
Mr Kyung (Steave) Shik Ham

## Company Activities

iCash Payment Systems Limited (ICP, formerly International Concert Attractions Limited) designs, manufactures and operates ATMs, switching and interchange systems, specialised automated cash handling machines and software/middleware solutions. iCash has operations in several countries in the Asia Pacific region and has secured valuable partnerships in China.

Information for Company Activities is sourced from Huntley Investment Information Pty Ltd.

## Disclosures and Disclaimers

Shaw Stockbroking ABN 24 003 221 583 ('Shaw') is a participant of ASX Limited and holder of Australian financial services licence number 236048.

### ANALYST CERTIFICATION

The Research Analyst who prepared this report hereby certifies that the views expressed in this document accurately reflect the analyst's personal views about the Company and its financial products.

The Research Analyst has not been, is not, and will not be receiving direct or indirect compensation for expressing the specific recommendations or views in this report. As at the date of this report the Research Analyst does not have an interest in the financial products of the Company.

### DISCLAIMER

This report is published by Shaw to its clients by way of general, as opposed to personal, advice. This means it has been prepared for multiple distribution without consideration of your investment objectives, financial situation and needs ('personal circumstances'). Accordingly, the advice given is not a recommendation that a particular course of action is suitable for you and the advice is therefore not to be acted on as investment advice. You must assess whether or not the advice is appropriate for your personal circumstances before making any investment decisions. You can either make this assessment yourself, or if you require a personal recommendation, you can seek the assistance of your Shaw client advisor.

This report is provided to you on the condition that it not be copied, either in whole or in part, distributed to or disclosed to any other person. If you are not the intended recipient, you should destroy the report and advise Shaw that you have done so.

This report is published by Shaw in good faith based on the facts known to it at the time of its preparation and does not purport to contain all relevant information with respect to the financial products to which it relates. Although the report is based on information obtained from sources believed to be reliable, Shaw does not make any representation or warranty that it is accurate, complete or up to date and Shaw accepts no obligation to correct or update the information or opinions in it.

If you rely on this report, you do so at your own risk. Any projections are estimates only and may not be realised in the future. Except to the extent that liability under any law cannot be excluded, Shaw disclaims liability for all loss or damage arising as a result of any opinion, advice, recommendation, representation or information expressly or impliedly published in or in relation to this report notwithstanding any error or omission including negligence.

### DISCLOSURE

Shaw will charge commission in relation to client transactions in Financial Products and Shaw client advisers will receive a share of that commission. Shaw, its associates and their respective officers and employees may in the future earn fees and commission from dealing in the subject company's Financial Products.

**RISK STATEMENT** The analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its potential price volatility is compatible with their financial objectives. Clients should discuss this stock with their Shaw advisor before making any investment decision.