13 December 2016

Proxama PLC

("Proxama" or the "Company" and with its subsidiaries the "Group")

Pre-Close Trading Update, Strategic Review Update, Financing Update and Share Capital Update

Proxama PLC, (AIM: PROX), the mobile commerce company specialising in proximity marketing and a provider of end-to-end payment solutions for card issuers and processors, announces a pre-close update on trading for the year ending 31 December 2016, a financing update and a strategic review update.

Pre-Close Trading Update

Proximity Marketing Division

The Proximity Marketing Division has made significant progress throughout 2016. We have successfully established the largest proximity marketing beacon network in the UK, with high concentration across London and in many cases, long-term and exclusive contracts with leading media and location owners.

In September 2016, Proxama was one of only two companies worldwide to be certified by Google as a Location Services Provider and the only one outside of the US, leading to significant inbound sales leads. In November, Proxama was ranked as the No. 1 global proximity solutions provider in the world by Unacast in their Q3 Proxbook summary report.

The monetising of the Proximity Marketing Division's beacon network and associated technologies is underway with a good spread of well-known domestic and international brands choosing to utilise the network with innovative new campaigns.

The Proximity Marketing Division has created 6 branded data audiences which are now available through our data partners Oracle BlueKai and AdSquare. Now, brands can target audiences such as socialites, shoppers, sports fans and commuters using Proxama's accurate location data and context.

We expect proximity marketing and particularly the use of beacons to dramatically expand during 2017 with industry forecasts stating that the proximity marketing market is expected to be worth $52billion globally by 2022, at a CAGR of 30% between 2016 and 2022. We have now started to conduct business internationally to ensure we capture that market opportunity.

The industry awareness of contextual marketing using hyper-accurate location technologies is fast maturing, which when combined with the marketing spend of mobile catching up with the real-world use, creates the ideal commercial circumstances for significant revenue growth for the Proximity Marketing Division.

Activity within the Proximity Marketing Division continues to accelerate, with revenue doubling year-on-year and revenue and other income relating to grants from Innovate UK expected to be £0.7m in 2016. The objective for 2017 is to get the Proximity Marketing Division to monthly cash break even during 2017. To achieve this, we expect to:

1. Significantly increase the number of app partnerships from 3 to 10

2. Further grow the beacon network, both in our existing transport sector and new sectors such as retail and new locations outside of London;
3. Increase the number and type of campaigns we run and develop our data sales by adding new audiences, data types and new data partners;
4. Scale our technology with further advances in geo-location technology, including but not limited to, further integration with Google; and
5. Explore new international regions where the proximity marketing model can be replicated.

Digital Payments Division

The Digital Payments Division has enjoyed a positive second half of 2016. We have been awarded strategic deals with new clients in the Middle East and South Africa for our EMV and Electronic PIN Management Solutions which will further our penetration in these high growth markets and accelerate our credibility and references for further deals in these regions.

Delivering a first-class service to support clients such as Diners Club and Tutuka in South Africa to issue EMV cards and deploy Mobile Payments has been a significant focus and a successful one. In particular, our Mobile Payments solution has now been proven in a Software as a Service (SaaS) delivery model which supports a fast and scalable solution for our clients.

Investment continues to develop our software solutions in line with the evolving market for Mobile Payments to ensure we have a compelling proposition and we are working with the major industry players to maximise our opportunity. We are actively pursuing opportunities for our EMV and Mobile Payments solutions in the US and EMEA and are confident that we will continue to win key opportunities in these territories. We also expect to announce in the near term a very significant US partner relationship which should accelerate sales across that market.

Financial Highlights

The Group expects to achieve revenues and other income of approximately £2.6 million for the full year compared to £2.9 million in 2015. Revenues in the second half of 2015 were boosted by a substantial "hurdle" payment from our largest US customer within the Digital Payments Division and this will not recur in 2016. At an underlying level the Business has performed well with 16% year on year growth.

The continued drive of cost management saw a reduction in the Group's operating costs from H1 2016 to H2 2016 of a further 24% and leaves the Company well positioned going into 2017.

The Group EBITDA for 2016 is projected at a loss of £3.5m, a £1.5m improvement on 2015 showing a 31% year on year improvement. Cash balances at 1 December 2016 stood at £0.7m.

Strategic Review Update

We have been reviewing various options throughout 2016 to sell the Digital Payments Division with a priority being to maximise shareholder value. Discussions are currently with two potential parties. We had anticipated that the transaction would complete in 2016, however we have had to extend the sale process into 2017. The Company remains committed to the sale and we believe that it will be completed.

Financing Update

The Company has decided to raise external capital to support the Company's immediate and medium term working capital requirements ahead of the sale of the Digital Payments Division. The Board has considered a number of financing options to bridge this period and announces that on 12 December 2016 it secured funding of £1.8 million (before costs) through the issue of convertible loan notes ("Convertible Loan Notes") to Darwin Capital Limited ("Darwin"). The Board is of the opinion that this facility provides the necessary bridge finance for the continued working capital of the business at the lowest cost.

The Convertible Loan Notes are divided into 80 individual notes, with a par value of £25,000 each ("Par Value") and an issue price of £22,500 each. They are unsecured and do not bear interest.

The Convertible Loan Notes are convertible at Darwin's election into new ordinary shares of 0.01p each in Proxama ("Ordinary Shares") at a conversion price of the lesser of: (i) 1.24875p per new Ordinary Share or 90% of the arithmetic average of five daily volume weighted average share price calculations selected by Darwin out of the twenty trading days prior to conversion. To the extent not converted into Ordinary Shares, the Convertible Loan Notes are repayable on the first anniversary of the facility.

The Company may redeem the Convertible Loan Notes at 105% of Par Value at any point and Darwin may redeem them at 120% of Par Value on a change of control, event of default or where the Company has insufficient authority to allot Ordinary Shares following a conversion notice being issued.

Darwin has also been issued with detachable warrants to subscribe for 75,675,676 new Ordinary Shares at an exercise price of 1.24875p per new Ordinary Share. The warrants can be exercised over a period of five years and seven days from 12 December 2016.

The Company has provided customary warranties, indemnities and undertakings to Darwin in connection with the issue of the Convertible Loan Notes. The Company has also paid an arrangement fee of £80,000 to Darwin, together with its expenses incurred in connection with the facility.

If the Loan Notes were fully converted at 90% of the arithmetic average of five lowest daily volume weighted average share price calculations out of the twenty trading days prior to 12 December 2016, they would result in 254,725,151 Ordinary Shares, representing approximately 14.8% of the Group's existing issued share capital.

The Board does not at this stage anticipate any further issuance of convertible loan notes.

Share Capital Update

The Company has recently been made aware of a minor anomaly in its reported issued share capital. The Company has previously reported its entire issued Ordinary Share capital as being 1,720,970,094 Ordinary Shares. However, this number does not account for 275,162 Ordinary Shares issued in connection with a clerical error relating to the Company's employee share scheme nominee account.

Accordingly, the Company has made an application to the London Stock Exchange for 275,162 new Ordinary Shares to be admitted to trading on AIM ("Admission"). It is expected that Admission will become effective on 16 December 2016.

Following this notification, the Company has 1,721,245,256 Ordinary Shares in issue. There are no Ordinary Shares currently held in treasury. The total number of voting rights in the Company therefore will be 1,721,245,256 and this figure may be used by shareholders as the denominator for the calculations by which they determine if they are required to notify their interest in, or a change to their interest in, the Company under the Financial Conduct Authority's Disclosure Rules and Transparency Rules.

John Kennedy, Chief Executive of Proxama said:

"We believe in the future of both Divisions and remain committed to completing the sale of the Digital Payments Division. This is expected to provide a robust financing position for supporting Proximity Marketing for the mid to long term and prove sufficient to exploit the global market opportunity. We have a strong pipeline of deals for both Divisions which we hope to sign and announce in the near term. This, together with the new funds being raised from the Convertible Loan, should ensure Proxama moves forward into 2017 in a stronger position."

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This announcement contains inside information for the purposes of Article 7 of regulation 596/2014.

Forward looking statements

Certain statements contained within the announcement are forward looking statements and are based on current expectations, estimates and projections about the potential returns of Proxama and industry and markets in which Proxama operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", *"estimates", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.*

These forward-looking statements speak only as of the date of this announcement. Proxama expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in Proxama's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority."