

emerchants

25 August 2016

ASX Market Announcements
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

FULL YEAR RESULTS INVESTOR PRESENTATION

Please find attached a copy of Emerchants Limited's (**ASX: EML**) Investor Presentation on its full year results for the year ending 30 June 2016.

For further information please contact:

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ABOUT EMERCHANTS

Emerchants is a payments solutions provider of prepaid financial card products and services in Australia. By using their proprietary payments software and processing platform, the Company provides its clients with innovative financial service payment solutions for reloadable and non-reloadable prepaid card programs. Emerchants payment solutions and products are active in Australia, in the United Kingdom and Europe, and in the United States of America and Canada through its wholly owned subsidiary, Store Financial Europe, and through the acquisition of Store Financial Services, LLC. Emerchants has offices in Brisbane, Australia, Kansas City, USA and Birmingham, UK.

For more information please visit: www.emerchants.com.au

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emergchants
empowering | Your Money

Investor Presentation

25 August 2016

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Emerchants

A Leader in Prepaid Payments Technology

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Emerchants is an ASX listed (ASX:EML) financial services company, specialising in prepaid stored value products, with offices in Brisbane, Australia, Birmingham, United Kingdom and Kansas City, United States of America. We offer innovative prepaid debit card programs for commercial entities, corporations and government departments. We presently manage over 850 programs in 13 countries including Austria, Australia, Belgium, France, Germany, Italy, Ireland, Netherlands, Portugal, Spain, United Kingdom, Canada and the United States of America, using our proprietary payments technology to offer our partners unprecedented secure access to actively manage card programs.

Our vision is to transform the commercial payments landscape by inspiring companies to demand more control, more transparency and more flexibility over their money.

Emerchants

Investment Fundamentals

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Sales Pipeline

We generate revenues from programs that are directly sold by our sales teams and from programs where we partner with companies such as Blackhawk, Edge Loyalty, PaySafe and PayWith. Given long lead times in our sales cycles, the strength of our pipeline is critical to future revenue generation.

Diversification

We have transformed ourselves from a company in 2012 with operations only in Australia and with one customer representing 90% of revenues, with a market cap of \$10m, to a company with geographic diversification of revenues and earnings, with no material revenue concentration risk, and a market cap in excess of \$350m.

Debt

Nil.

Revenue Acceleration

Significant market potential exists in all of our core segments, driven by organic growth in existing programs, re-loadable programs in Europe and access to the largest prepaid market in the world in North America.

Proprietary Technology

Proprietary technology supporting a diverse range of prepaid products.

Management Depth

Highly experienced executives managing our business units providing a significant depth of management talent.

Scale

Gross margins averaging 78% and upwards of 90% on some programs, and on a relatively stable cost base, drives scale.

Cash

We ended FY16 with \$27m in cash, providing us with a strong balance sheet and the ability to use that cash for accretive investments and business development activities. In addition to our cash balances, our accrued breakage of \$8.8m continues to grow, and will convert to cash in the coming 12 months.

Multiple Revenue Sources

We benefit from multiple revenue streams including interchange, transaction fees, load fees, breakage, establishment fees, cash load fees and soon to include 3rd party merchant rebates.

Emerchants

Shareholder Register

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Share Price Chart



August 2014 - August 2016

Major Shareholders

Shareholder	Shares	Percentage
Board and Management	52,810,579	21.7%
National Nominees Limited	27,232,353	11.23%
JP Morgan Nominees Australia Limited	24,960,090	10.3%
HSBC Custody Nominees Pty Limited	17,068,307	7.04%
Citicorp Nominees Pty Limited	15,836,201	6.53%

Emerchants

Key Metrics

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850+

Programs across Europe,
United Kingdom, Australia,
United States and Canada

\$768.5

Loads to accounts
in FY16

\$2.7bn

Processing volume
per annum* (\$A)

*Total processing volume includes
B2B Virtual Card Payments

7.3m

Cards activated
in 2016

\$23.3m

Revenue (\$A)

78%

Gross Margin

\$5.5M*

EBITDA (\$A)

*Normalised EBITDA excludes \$460K in one-time
acquisition costs associated with the acquisition of
Store Financial Services LLC

153*

FTE employees globally

*99 employees joined the group June 2016
following the acquisition of Store Financial LLC

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Partnerships Global Reach

Canadian Banking Partners



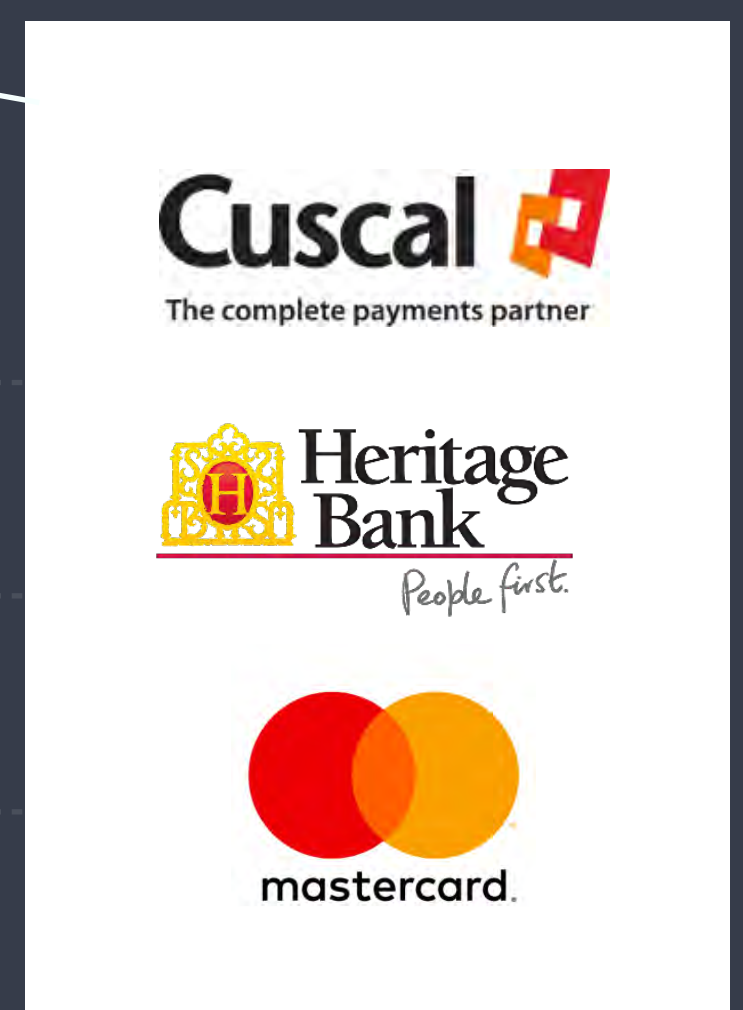
European Banking Partners



United States Banking Partners



Australian Banking Partners



Kansas, Missouri

Birmingham,
United Kingdom

Brisbane, Australia

- ✓ Australia
- ✓ Ireland
- ✓ United Kingdom
- ✓ Germany
- ✓ Netherlands
- ✓ Italy
- ✓ Portugal
- ✓ Spain
- ✓ France
- ✓ Belgium
- ✓ Austria
- ✓ Canada
- ✓ United States of America

Key

Employees
Country

Partnerships

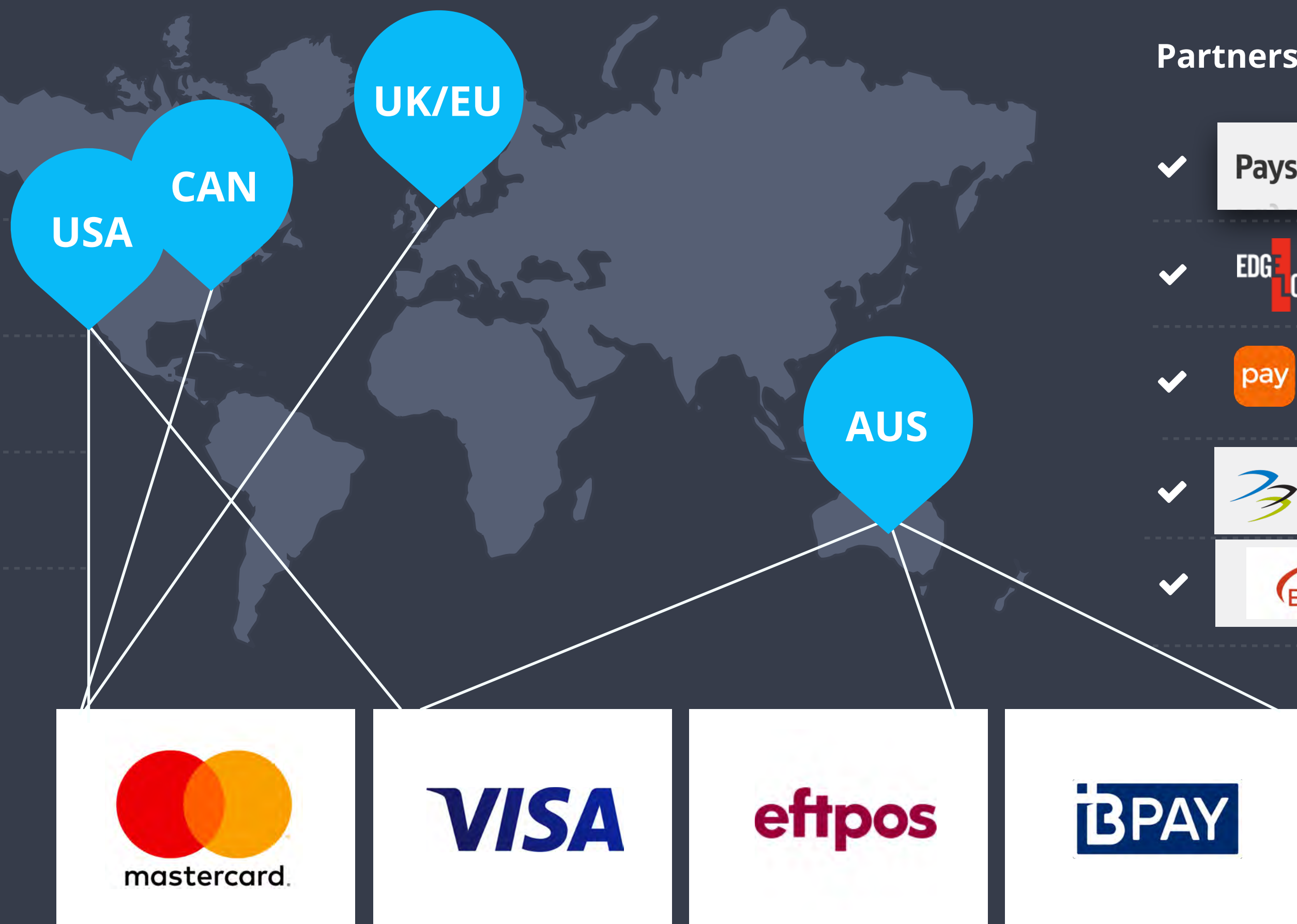
Strategic Partnerships

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Operating in 5 currencies

- ✓ Canadian Dollar (CAN)
- ✓ Pound Sterling (GBP)
- ✓ US Dollar (USD)
- ✓ Australian Dollar (AUD)
- ✓ Euro (EU)



Partnerships

- ✓ Paysafe* UK EU
- ✓ EDGE LOYALTY UK AU US
- ✓ pay with US
- ✓ BLACKHAWK NETWORK AU UK EU
- ✓ ePIPOLI EU

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Our Product

Sales Segments

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Shopping Mall Gift Solutions

- AU
- UK
- EU
- US/C

Incentive & Retail Gift Card Solutions

Consumer
& Employee
Incentives

Retail Gift
Cards

- AU
- UK
- EU
- US/C

Reloadable Disbursement (GPR)

- AU
- UK*
- EU
- US/C

B2B Virtual Payments

- AU
- UK
- EU
- US/C

*UK launch in FY17



Launched in
Australia in
May 2016

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Sales Segments

Shopping Mall Gift Solutions

.....

We are a market leader in this segment, offering industry specific best in class solutions to our customers



Australia

Not a key market we are targeting in Australia.



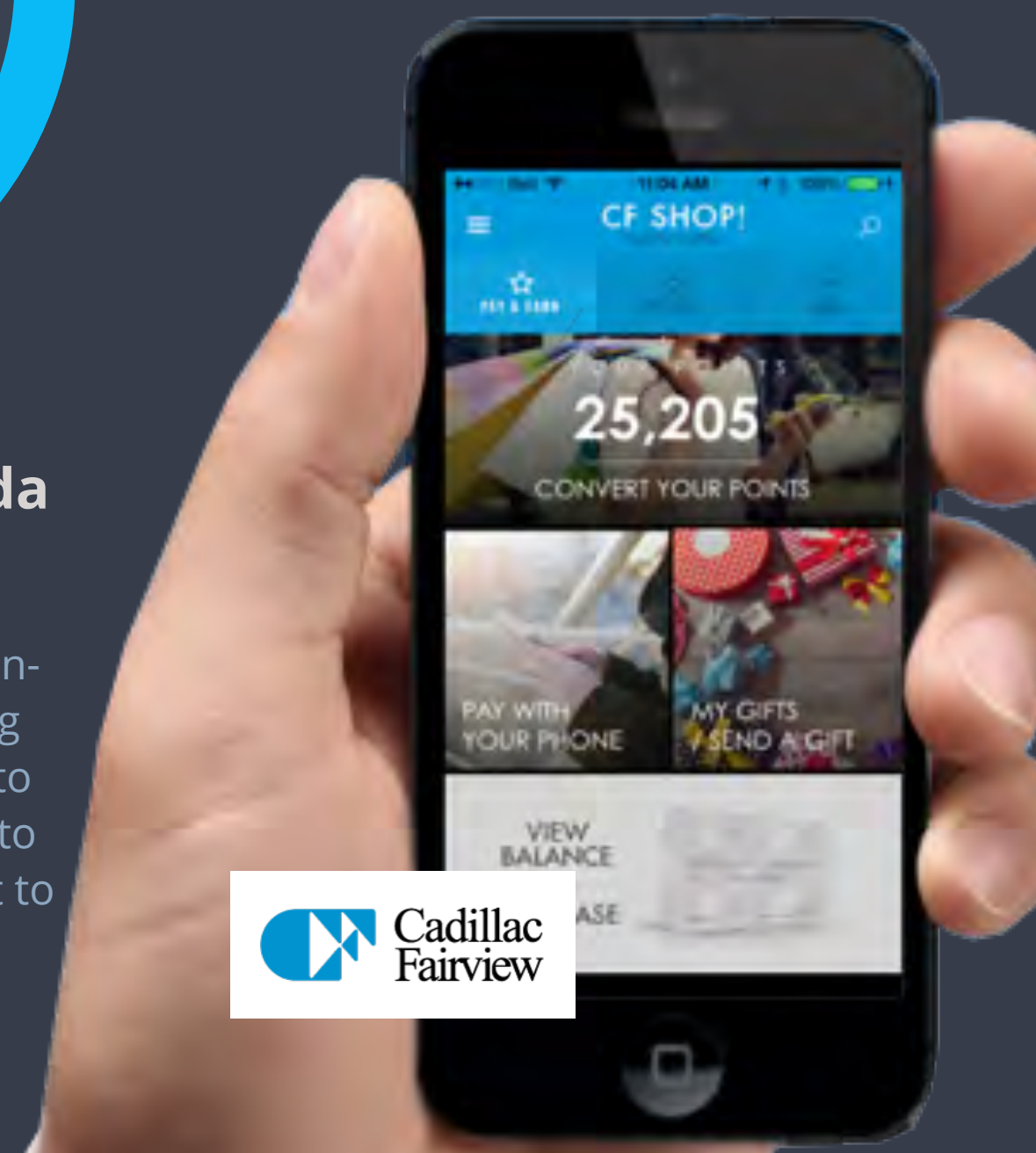
United Kingdom / Europe

Opportunity within Europe to convert malls from paper-based gift card programs to prepaid cards.
Organic growth from existing customers opening new malls and/or taking over management of new malls.



United States / Canada

Opportunity within North America to win share from non-specialist providers managing mall gift card programs, and to leverage our m-card solution to introduce a loyalty component to the overall offering.



Sales Segments

Incentive & Retail Gift Card Solutions

.....



Australia

- 88 Active programs
- Mature market
- EML market leader



United Kingdom / Europe

- 18 Active programs
- Significant long term market opportunity
- Edge Loyalty now operational

*UK Gift Card and Voucher Association H2 2015



United States / Canada

- 28 Active programs
- Significant long term market opportunity
- 11 Programs launching in 1HFY17
- 18 Programs in sales pipeline

*Market value information source:
Group 12th annual U.S prepaid cards market
forecast 2015-2018, December 2015

● Market ● Emerchants

Graphs are illustrative only.

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Sales Segments

Reloadable Disbursement Cards

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By Region



Australia

Over 180K active cards in market supporting every major online gaming operator, consumer lenders and other commercial card partners.

Active cards denoted as having a positive card balance as at 30/6/17. Issued cards in this segment exceed 250K



United Kingdom / Europe

Initial gaming program expected to launch in 1HFY17.

Reloadable fuel card program in partnership with TBS launching 1QFY17.



United States / Canada

Initial reloadable programs expected to launch in FY17.

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Sales Segments

B2B Virtual Payments

.....

EML processes over \$2bn in payments using Virtual MasterCard® products



Australia

Not a key market we are targeting in Australia.



United Kingdom / Europe

Not a key market we are targeting in United Kingdom / Europe.



United States / Canada

A long term segment we have been investing in and will continue to invest in.

Revenue solely driven by share of interchange.

Our Products

Overview

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Reloadable Cards

Reloadable, EMV-enabled prepaid debit cards, provide instant access to funds 24x7x365 with funds accessed through any card accepting merchant and ATM worldwide. The predominant revenue stream is transaction fees and interest income on the stored value float.

B2B Payments

A flexible and efficient way to manage your accounts payable from monthly recurring invoices to major corporate purchases. Corporates moving to pay their suppliers via Virtual Card payments turns a cost into a revenue stream by creating interchange income that is then shared between the Corporate payer and EML. The sole revenue stream is interchange.

mCard

Physical and virtual cards all controlled and managed by the consumers mobile device. Consumers can be presented with real time location based offers that are specific to individual merchants. The predominant revenue streams include transaction fees and interchange.



The ultimate mobile rewards program that allows companies to provide customers the ability to pay with their mobile phone or membership card and receive rewards, notifications, incentives and communications. The predominant revenue stream is merchant funded rebates.

Gift Cards

Non-Reloadable cards issued through specific segments such as Shopping malls, Incentive programs and general third party retail programs, in both a physical card format or a virtual card format delivered over a mobile device. The predominant revenue stream is breakage and interchange, particularly in the USA, and on interest on the stored value float, more so in Australia than in the other regions.

EachWay Cash Loads

Facilitating the direct, real-time loading of cash funds into gaming and other accounts, via a physical card or mobile device, using a combination of our direct platform connectivity and our Reloadable card technology. The predominant revenue stream is transaction fees from account loads.



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About Key Customers

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Shopping Mall Gift Solutions



Incentive & Retail Cards



Reloadable Disbursement (GPR)



B2B Virtual Payments

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Sales

Recently Signed Agreements

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Shopping Mall Gift Solutions

- The Bellevue Collection **US**
- Horizon Group **US**

Incentive & Retail Gift Card Solutions

- Motivational Excellence Inc **US**
- 20/20 Technologies Inc **US**
- Hyla / Facebook **US**
- Didix **UK** **EU**
- Blackhawk **EU**
- Epipoli France **EU**
- TBS Fuel Cards **EU**
- Etsy **US**
- Pandora **US**

Reloadable Disbursement Solutions

- William Hill / GPR **AU**
- William Hill / EachWay **AU**
- Bet365 **UK**
- TBS Reloadable Fuel Cards **EU**



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New Products

B2B Payments

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A full-service B2B virtual payment platform

Our B2B virtual payment platform reduces the cost of sending vendor payments, generates revenue for the payer and provides detailed remittance for payees.



Payment Analysis

Spend analysis performed on A/P segmentation of strategic suppliers.



Payee Enrolment

Inhouse vendor enrolment team
Custom enrolment campaigns.



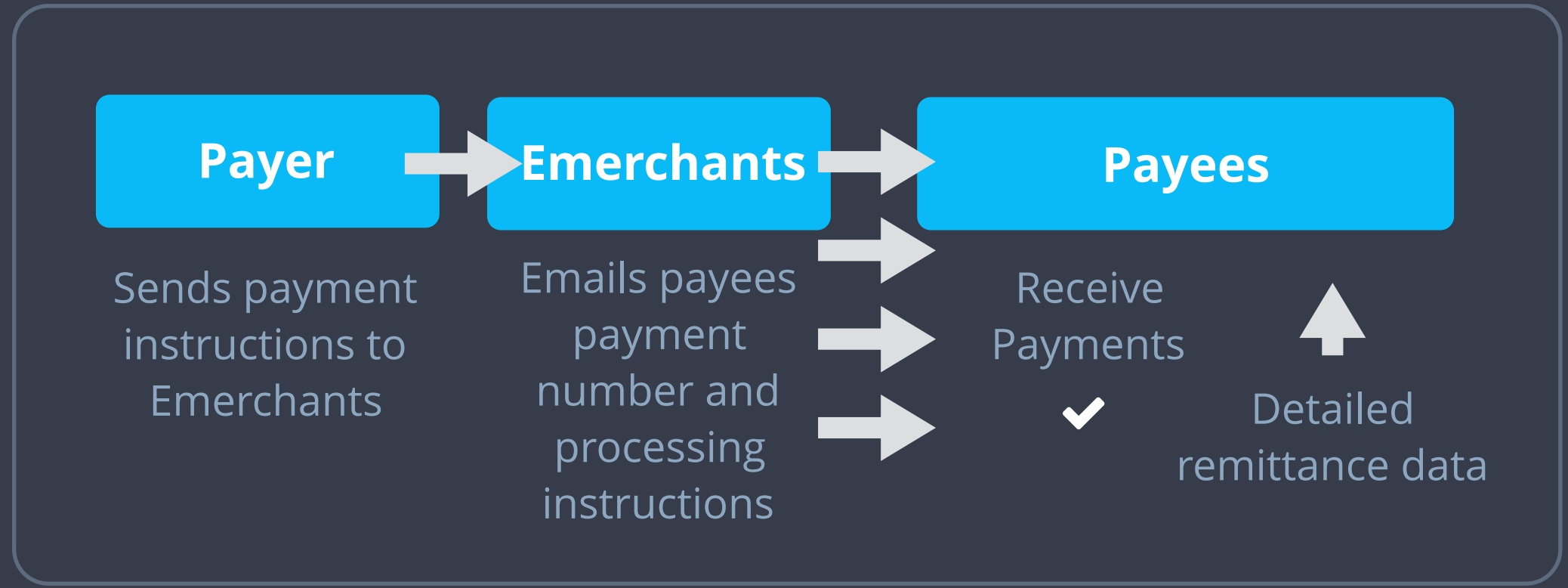
Automates Reconciliation

Streamlines A/R process and reduces fraud.



Data Rich Reporting

Transaction level detail
Delivered via payment remittance.



Industries

Telecommunications

Insurance

Transport

Manufacturing

New Products

PayWith

.....

Mobile driven loyalty and rewards app

PayWith provides customers the ability to pay with their mobile phone or membership card and receive rewards, notifications, incentives and communications.

A loyalty solution for

- ✓ Malls & properties
- ✓ Hospitality & tourism
- ✓ Gaming & betting



Features & highlights

- ✓ Transaction completed with mobile
- ✓ Tracking and analytics
- ✓ No physical card required
- ✓ EML has 5% equity stake

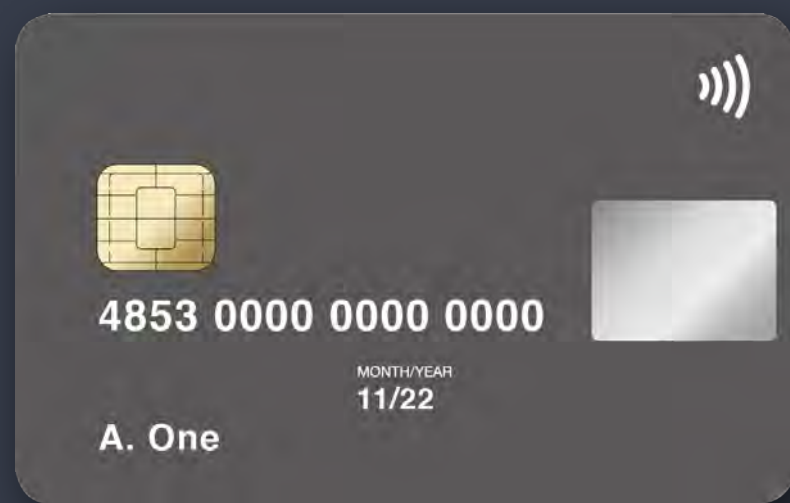
New Products

mCard: Mobile Linked Smart Card

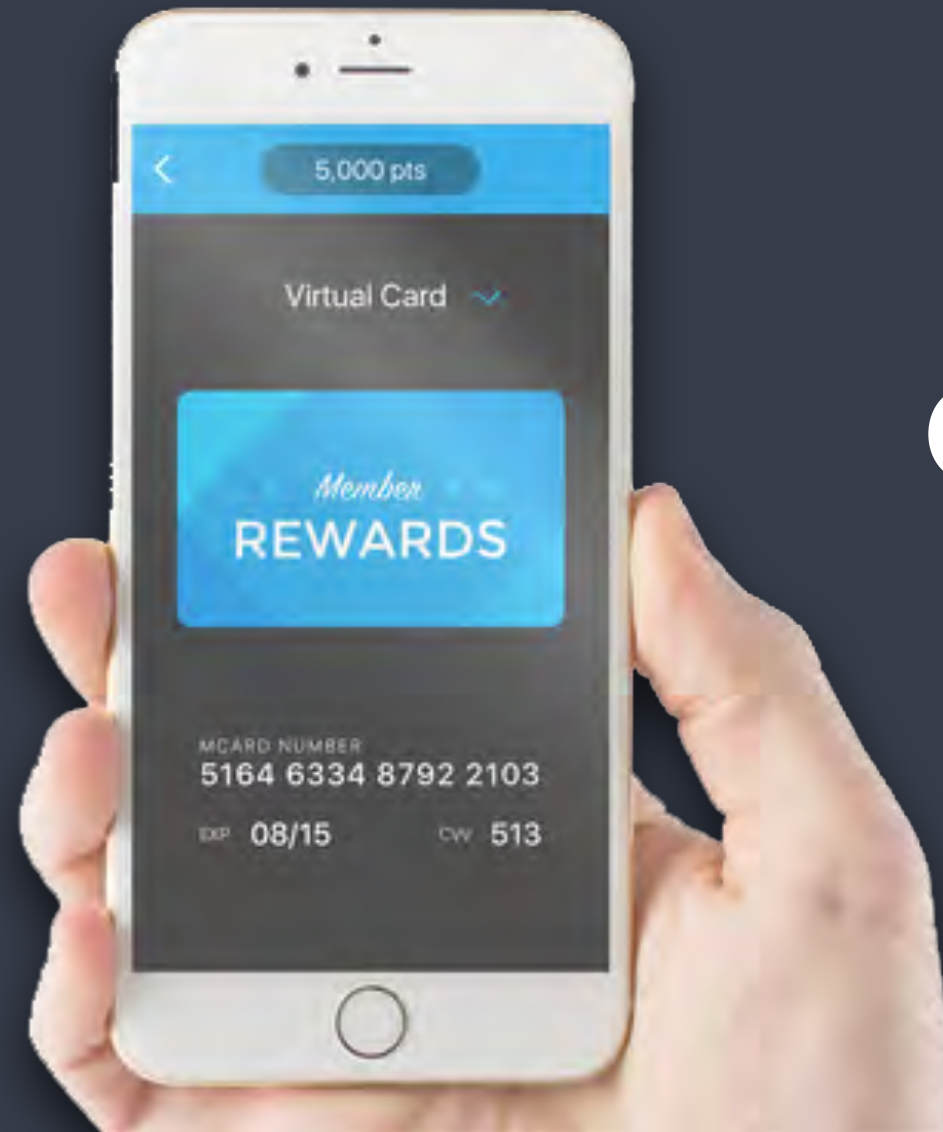
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M-Card



Mobile Account



Linked Funding Sources

Loyalty Card	\$ 9 . 3 2
Points Balance Value	
Gift Card	\$ 3 5 . 3 5
Gift Card Balance	
MasterCard Prepaid	\$ 2 4 . 4 5
Prepaid Balance Remaining	
Credit Card	\$ 1 5 , 5 4 6 . 3 2
Available Credit Balance	

Consumer Data

Customer is known - data is tracked for marketing purposes

Card can be used

Anywhere - Open
Select locations - Closed

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Our Products

EachWay®

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EachWay Cash Load Solution



- ✓ Launch in Australia May 2016
- ✓ UK launch in FY17
- ✓ Technical development completed to support a US/Canada launch

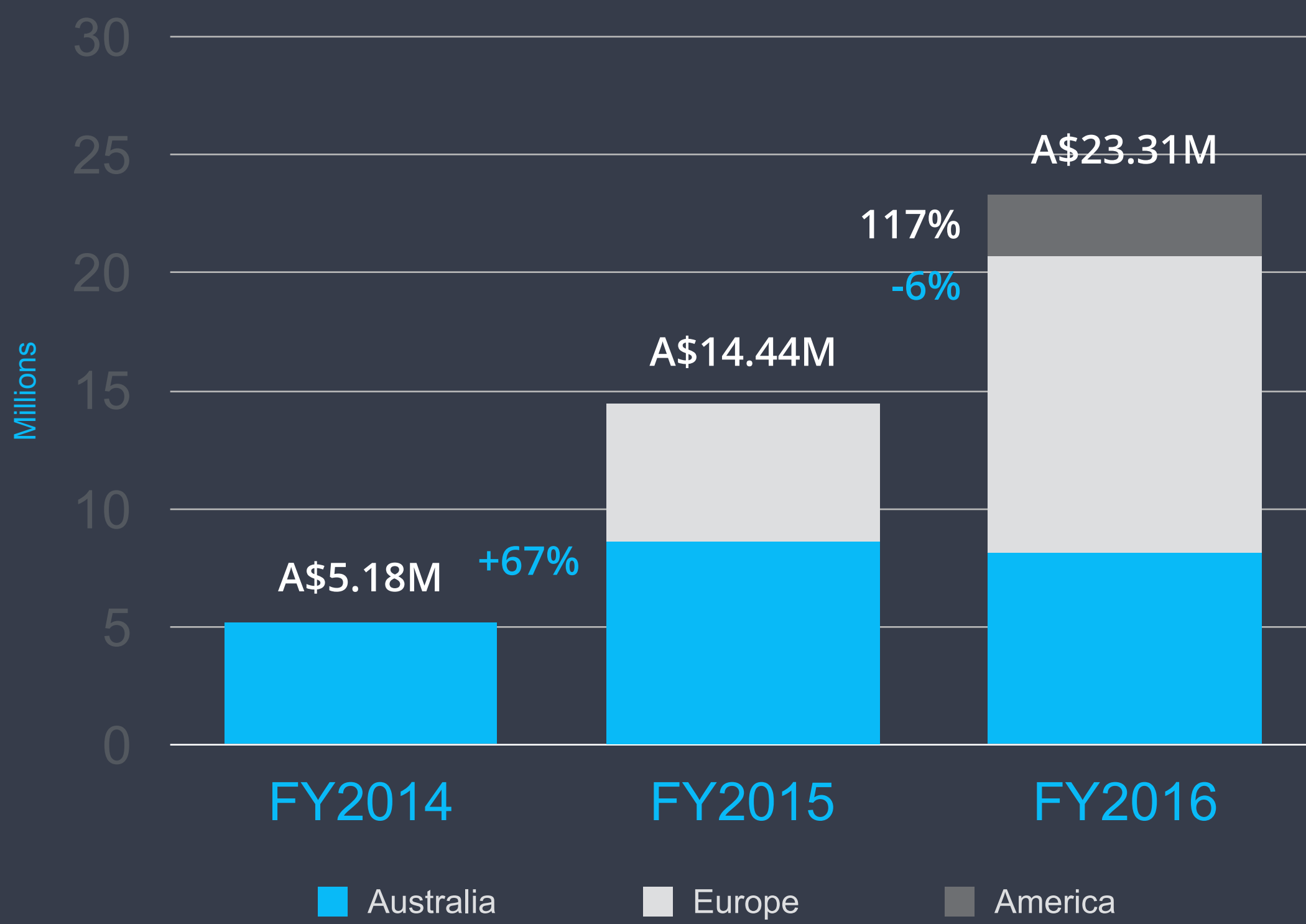
Financials

Financials

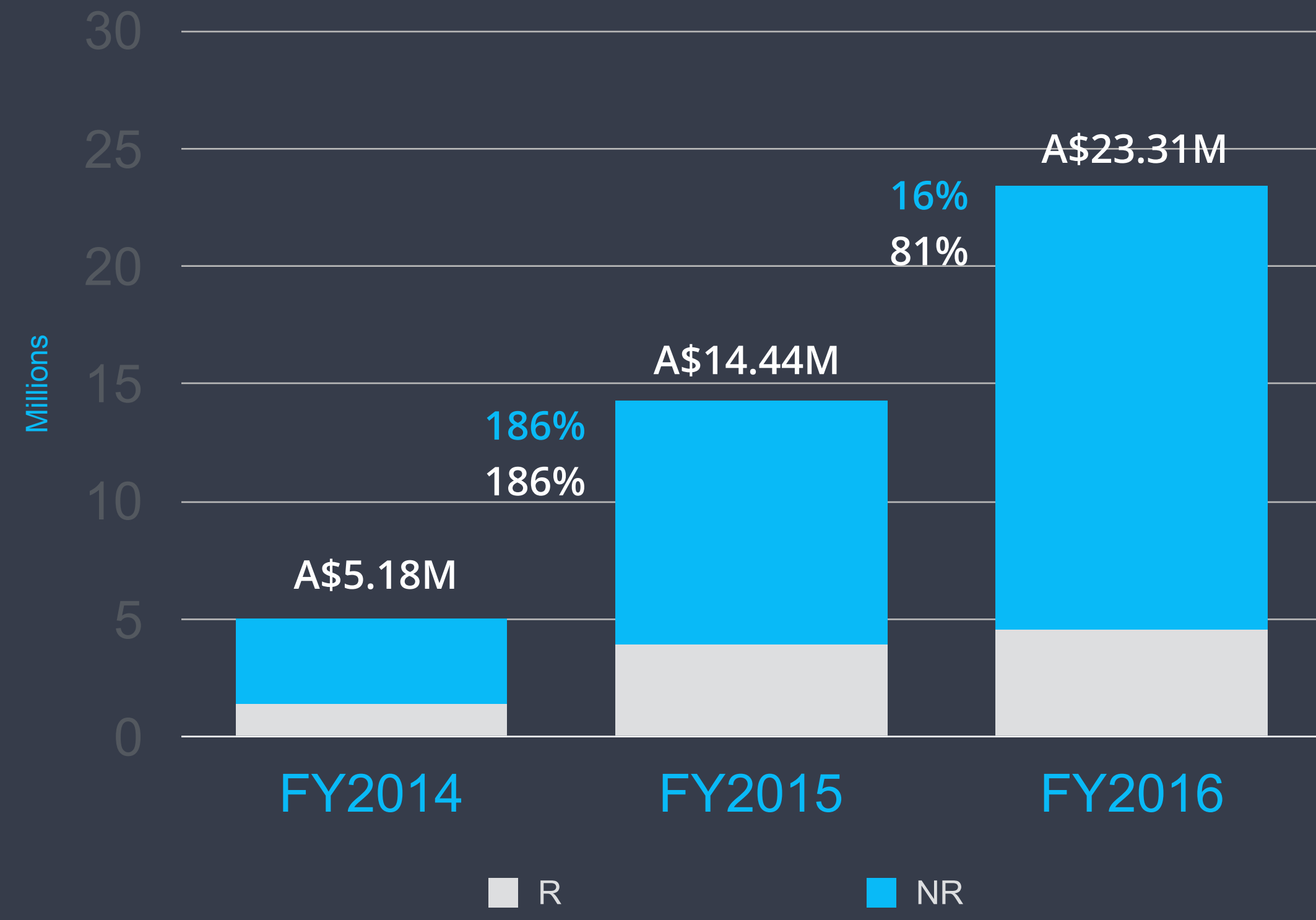
Revenue

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Revenue by Business Unit (\$A Millions)



Revenue by Product (\$A Millions)



Recurring Reloadable revenue in Australia up 66% or \$1.7m to \$4.26m

Establishment fees in Australia down \$1.43m on pcp

Includes one month of revenue contribution from North America

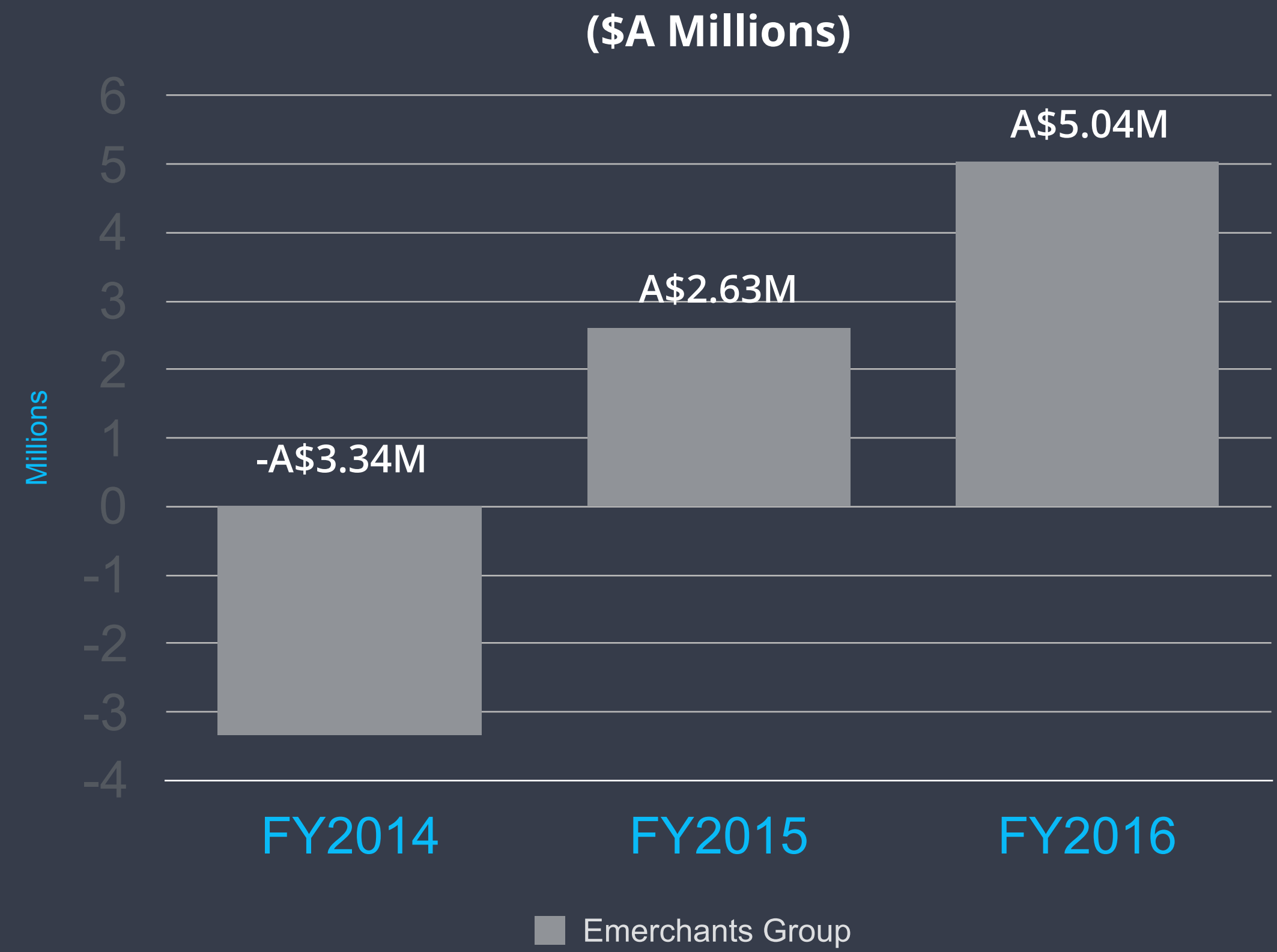
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Financials

EBITDA

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EBITDA of \$5.04m after one-off payments of \$460K related to the acquisition of Store Financial Services LLC.

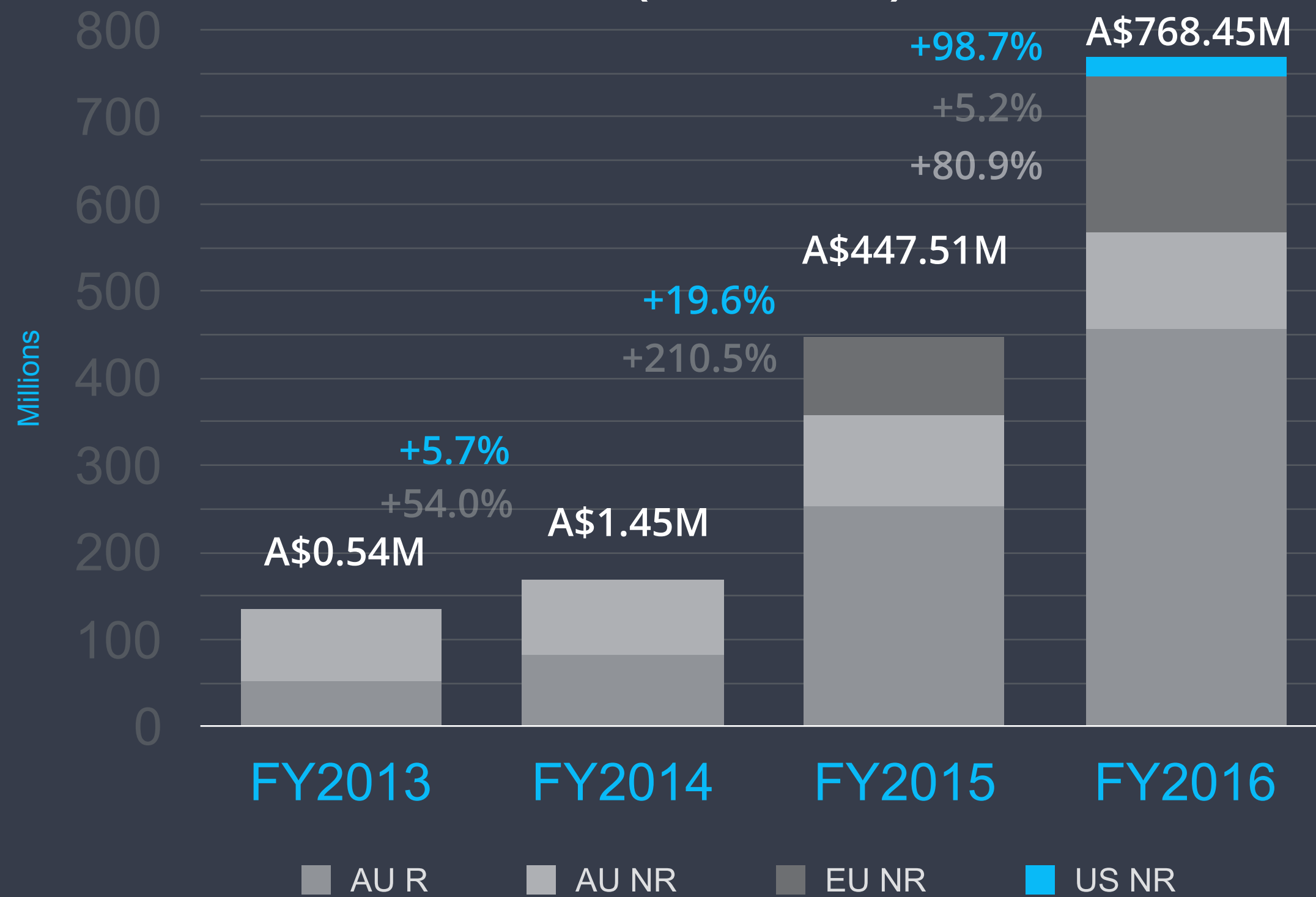
Given the level of intangible amortisation inherent in our recent acquisitions, and in future acquisitions, the Board have determined that EBITDA and EBITDA per share is the most relevant measure of shareholder return.

Financials

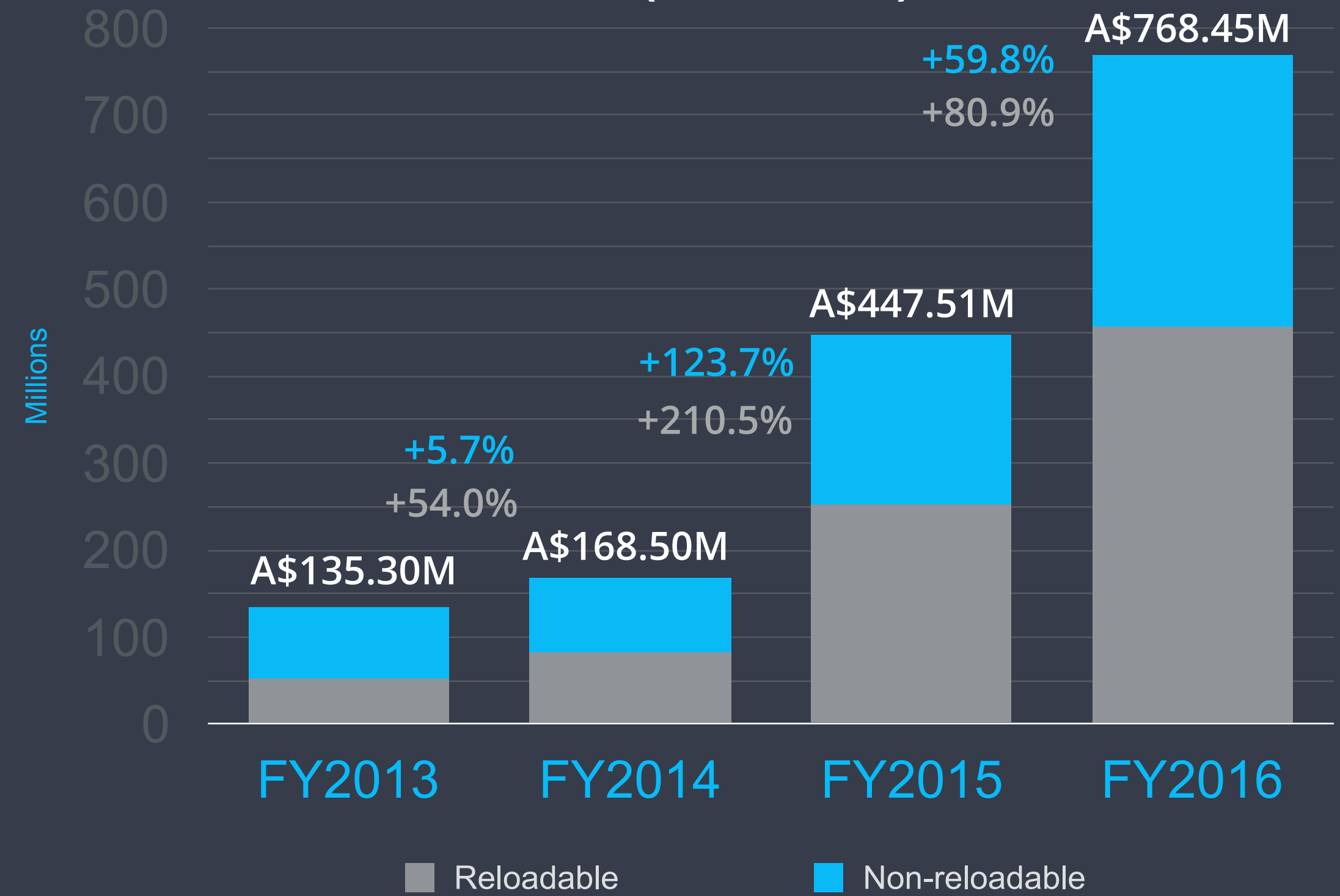
Total Dollars Loaded Prepaid Platform

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**By Business Unit
(\$A Millions)**



**By Product
(\$A Millions)**



NR - Non Reloadable
R - Reloadable

Total Dollar Loads grew 81% to \$768m. Load volume excludes B2B Virtual Payments transaction volumes of \$2bn

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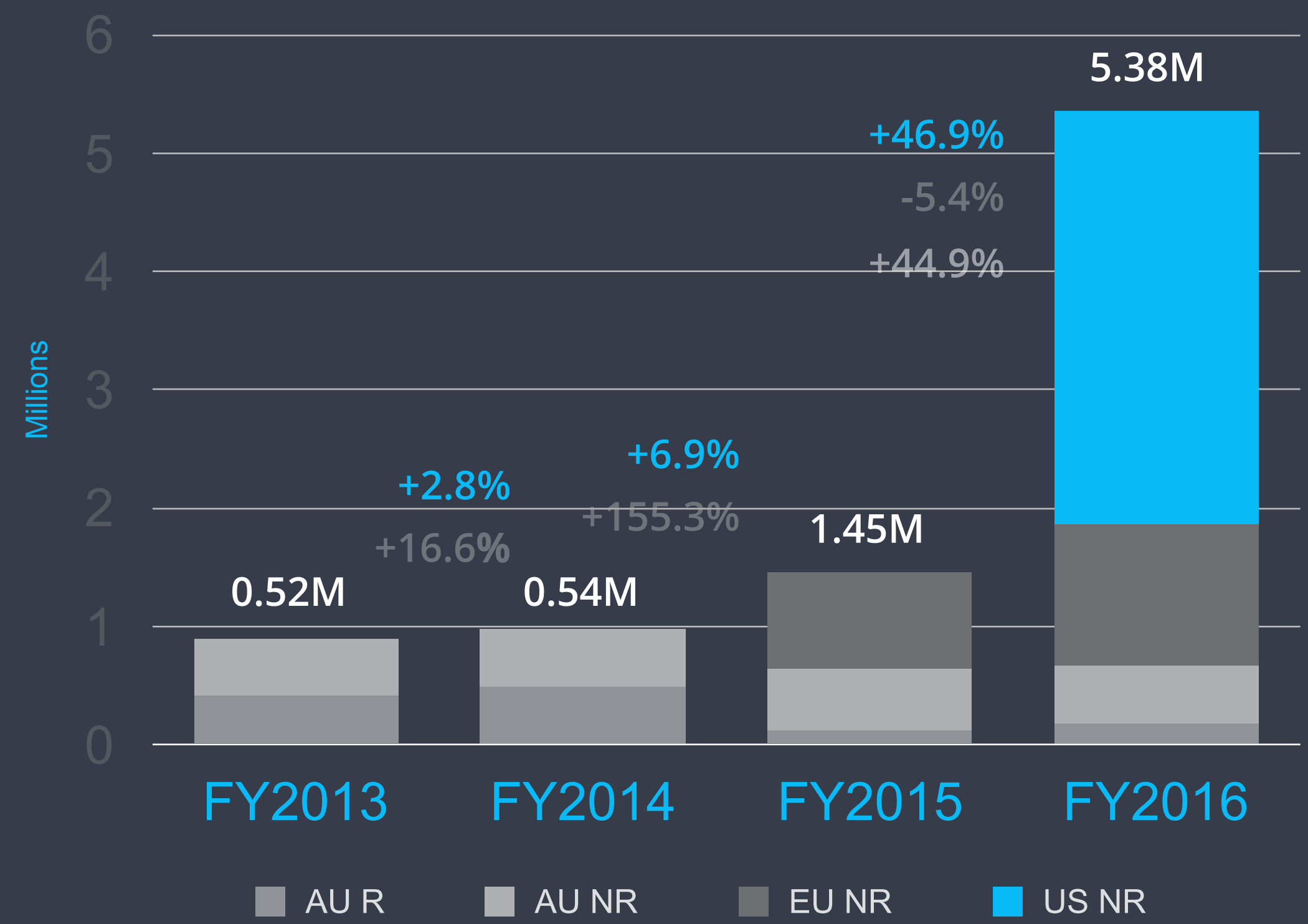
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Financials

Active Accounts

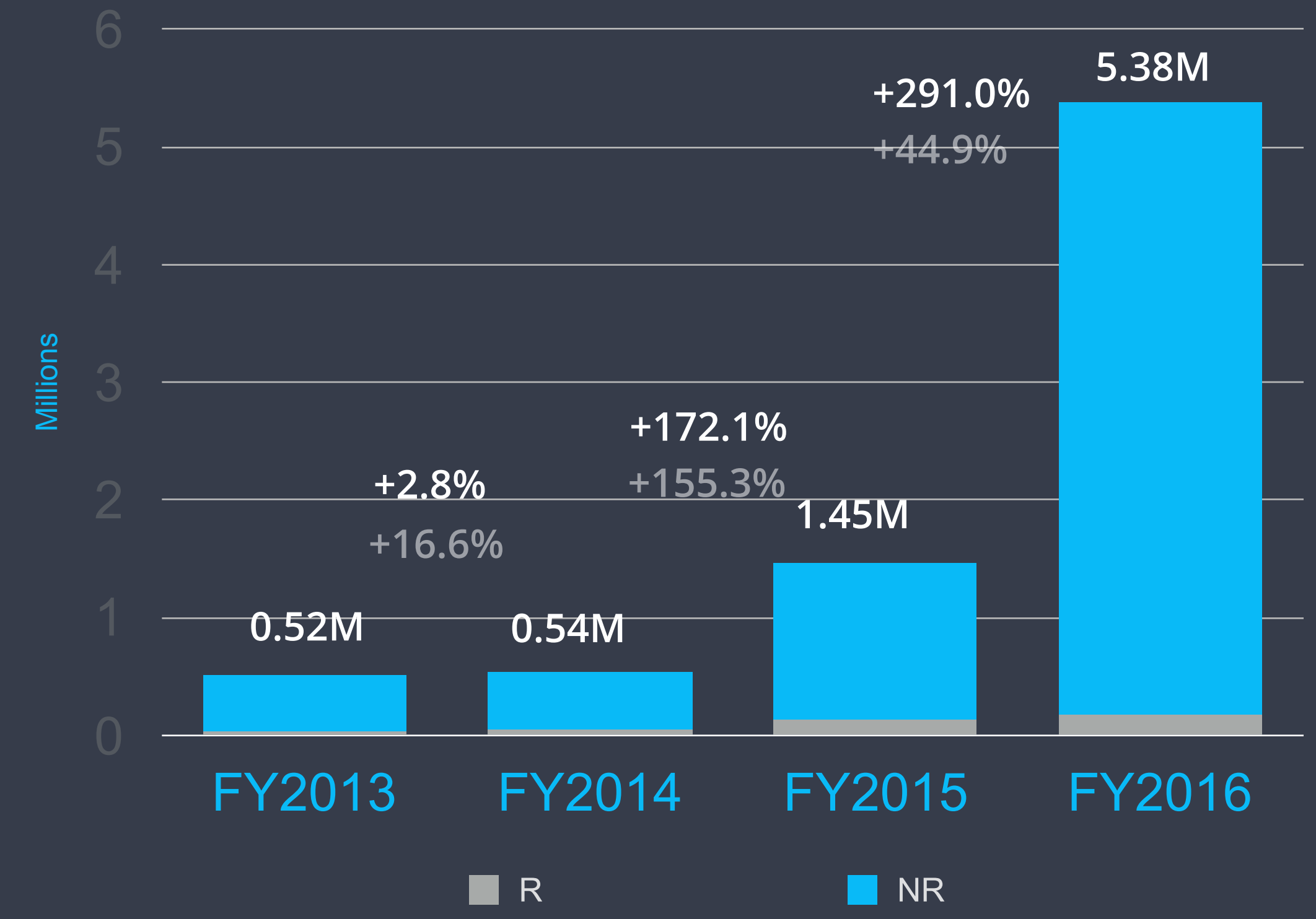
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Total Number of Active Accounts



NR - Non Reloadable
R - Reloadable

Total Number of Active Accounts



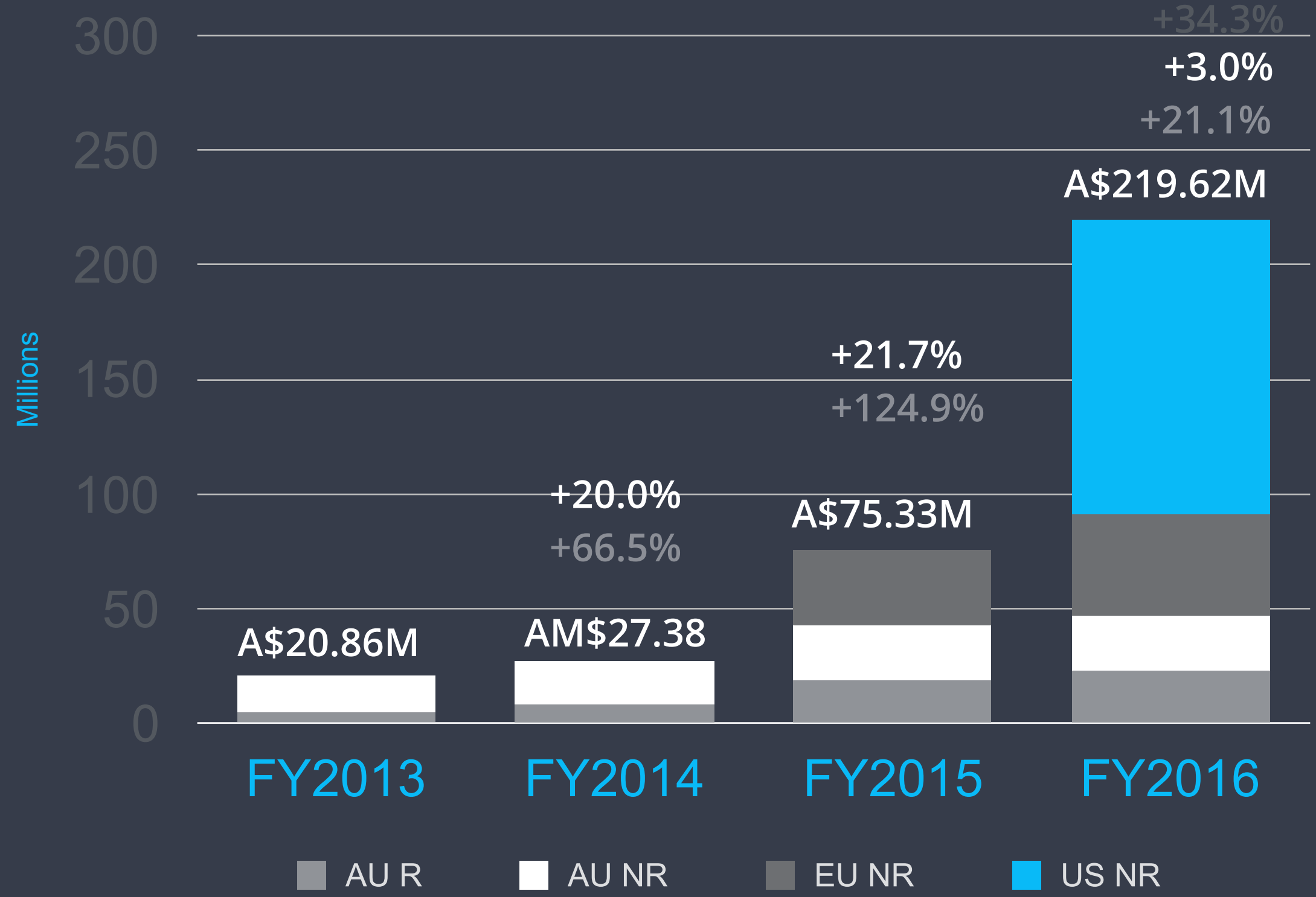
We ended FY16 with a combined active account base of 5.38M accounts, an increase of 291% versus FY15

Financials

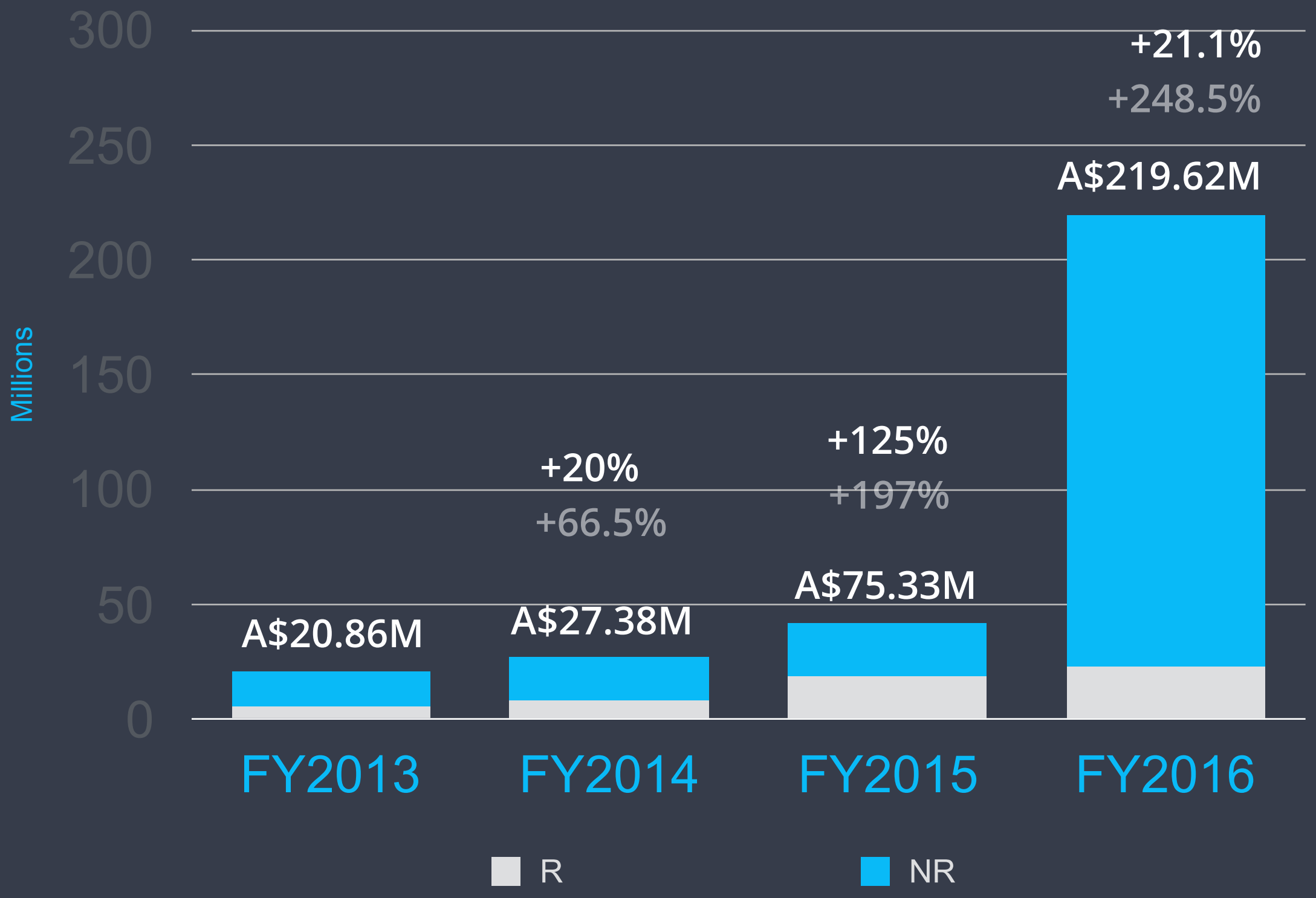
Stored Value Balances

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Stored Value (\$A Millions) - by Business Unit



Stored Value (\$A Millions) - By Product



NR - Non Reloadable
R - Reloadable

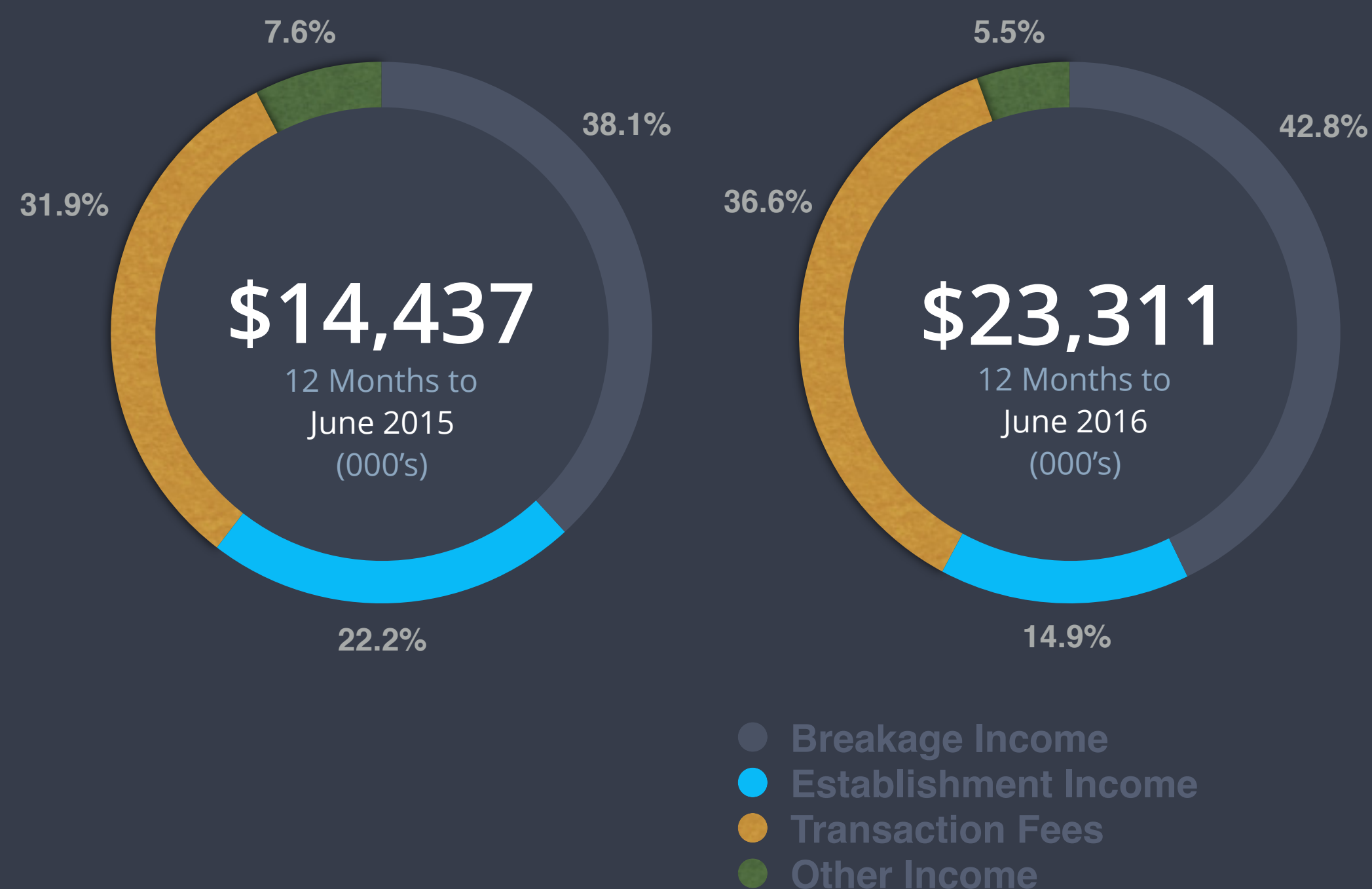
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Financials

FY16 Profit and Loss Statement

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Revenue Breakdown



For the year ended 30 June 2016

(\$ 000's)	12 Months to June 2016	12 Months to June 2015	% Increase
Australia	8,134	8,637	(6%)
Europe	12,562	5,799	117%
North America	2,615	-	N/A
Total Revenue	23,311	14,437	61%
Australia	6,612	6,804	(3%)
Europe	9,435	4,477	111%
North America	2,153	-	N/A
Total Gross Profit	18,201	11,281	61%
GP%	78%	78%	0%
Australia	(7,347)	(7,846)	6%
Europe	(4,748)	(1,504)	(216%)
North America	(1,600)	-	N/A
Cash Overheads	(13,695)	(9,349)	46%
Australia	(202)	(402)	50%
Europe	4,687	3,032	55%
North America	554	-	N/A
EBITDA (Incl. R&D Offset)	5,040	2,630	92%
Depreciation and Amortisation	(3,726)	(2,639)	(41%)
Share based payments	(2,073)	(5,104)	(100%)
Add back R&D offset incl. in EBITDA	990	698	(42%)
Net profit/(loss) before tax	(1,750)	(5,811)	(70%)
Income Tax benefit/(expense)	1,837	8,668	(79%)
Net profit after tax	88	2,857	(97%)

Financials

Profit & Loss Commentary

.....

EBITDA up 92%

EBITDA up 92% to just over \$5m. Excluding the impacts from expensing the North American acquisition costs of \$0.46m, the normalised EBITDA is \$5.5m. This reflects strong growth in our European business outweighing a slight decrease in the Australian operations and one months contribution from the newly acquired North American business. The shortfall in the Australian business was predominantly caused by lower establishment fees in FY16 of \$1.3m or 49%.

Revenue Growth of 61%

Revenue growth of 61% from \$14.44m to \$23.31m.

Current Year Results

The overall business was profitable on an after tax basis with the current year result of \$0.088m.

Solid Demand for our Product

Gross margin on a group-wide basis remained steady at 78% denoting solid demand for our product and a maturing business model, hedging margin risk through diversification. On a geographical basis the strong revenue growth in Europe came at a small decrease in average margin (75% from 77%), while our business in Australia grew gross margin from 77% to a pleasing 81%. The North American business debuted at 82% gross margin.

Share Based Payments Decreased

Share based payments decreased significantly from the prior year where we rewarded the European management performance options for transactions completed shortly after the European acquisition.

Scale Brings Efficiency

Cash overheads rose 46% from \$9.35m to \$13.70m which is at a slower pace than gross profit growth, signifying the efficiency advantage of larger scale. As previously noted, our larger business required additional investment in sales related travel costs and one off acquisition costs of \$0.46m related to the North American acquisition.

Growth

The financial results continue to be driven by growth in our core operating metrics:

- Total Dollar Loads increased 72% from \$447.5m to \$786.5m
- Active Accounts increased 270% from 1.45m to 5.38m
- Stored Value increased 192% from \$75.3m to \$219.6m.

Financials

Statement of Financial Position and Cash Flow

.....

For the Year Ended 30 June 2016

(\$ 000's)	12 Months to June 2016	12 Months to June 2015	% Increase
Cash and cash equivalents	26,942	4,264	532%
Breakage accrued	8,816	3,959	123%
Other receivables and other assets	8,266	2,319	257%
Deferred tax asset	15,201	7,552	101%
Receivables from financial institutions	17,058	6,895	147%
Plant and equipment	2,209	793	178%
Goodwill and intangibles	71,408	38,982	83%
Total assets	149,900	64,765	131%
Trade and other payables	8,757	2,409	264%
Payables to financial institutions	17,058	6,895	147%
Deferred Tax Liabilities	2,735	2,063	33%
Other Liabilities	2,143	814	163%
Total Liabilities	30,694	12,181	152%
(Including payable to financial institutions)			
Equity	119,206	52,584	127%
Cash flows from operating activities	1,977	(1,399)	241%
Cash flows from investing activities	(34,555)	(11,105)	(211%)
Cash flows from financing activities	55,380	13,295	317%

Financials

Balance Sheet Commentary

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Cash Balance

The cash balance as at 30 June 2016 was \$26.94m. This balance is a combination of surplus cash following our share issue earlier in the year and positive cash flow from operations of \$1.98m.

Receivables from Financial Institutions

Receivables from financial institutions of \$17.058m is offset by an equal liability as a payable to financial institutions. This is the total Stored Value at year end that is self issued by the Emerchants group and settled directly with MasterCard, as opposed to the remainder of the Stored Value that is issued or settled by a sponsor bank.

Breakage Accrual

We also ended the financial year with a breakage accrual, which will largely convert to cash in the next 12 months, of \$8.81m (FY15: \$3.96m), an increase of 123% over the prior corresponding period.

Deferred Tax Assets

The deferred tax asset of \$15.2m relates to carry forward tax losses in Australia of \$6.86m and \$0.24m in Europe. The remaining balance relates to timing differences throughout the group, including tax deductions we have obtained on the intangible assets acquired as part of the North American acquisition including goodwill.

Cash and Breakage

The combined closing cash balance and accrued breakage totals \$35.75m, an increase of 335% over the prior year. The increase in the breakage accrual is reflective of the strong growth in sales.

Investment and Capital Raise

We invested a net \$34.55m, largely on acquisition of the North American business and had a net inflow from financing activities of \$55.38m due to our capital raise.

Our People

Leadership Team

.....



Tom Cregan
Managing Director and
Group CEO

Tom leads the team in managing the growth of one of Australia's largest prepaid companies. Tom brings more than 16 years of experience in the electronic payments industry including leadership with corporate expense management.



Eric Mettemeyer
CEO - USA & Canada

Eric brings more than 20 years of global business experience to Store Financial. This includes the management of more than 10 acquisitions of prepaid, card processing and money transfer companies in Europe, Asia and the Americas.



David Shewmaker
CEO - UK/Europe

With more than 20 years of payments experience, David has a long track-record of growing businesses in both the prepaid and transaction processing industries in Europe, Asia and North America.



Rachelle St Ledger
CEO - Australia

Rachelle brings more than 15 years experience in the retail and prepaid sector. Prior to Emerchants Rachelle was Chief Commercial Officer at PrePay Solutions, one of the first prepaid UK companies.



Andrew Betts
Group Regulatory & Risk

Andrew has 24 years experience in the financial services industry, including 15 years in strategic risk management and compliance leadership positions.



Louise Bolger
Company Secretary
& General Counsel

Louise is a qualified solicitor with more than 14 years experience across a variety of industry sectors, including financial services, media and telecommunications.



Bruce Stewart
Chief Financial Officer

Bruce has over 15 years of experience as a Chartered Accountant with significant experience in the financial services industry. Prior to Emerchants, Bruce worked in Macquarie banks investment banking division and was involved in making and managing principal acquisitions on behalf of Macquarie.

Our People

Board Members

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Tom Cregan
Managing Director and
Group CEO

Tom leads the team in managing the growth of one of Australia's largest prepaid companies. Tom brings more than 16 years of experience in the electronic payments industry including leadership with corporate expense management.



Peter Martin
Non-executive Chairman

Mr. Martin was formerly the Chief Executive Officer of Rothschild Australia Asset Management (Rothschild) and was a director of a number of Rothschild boards in Australia and overseas. He was instrumental in the sale of Rothschild to Westpac Banking Corporation for \$350 million.



Tony Adcock
Non-executive Director

Mr. Adcock has extensive international experience leading teams involved in multi-million dollar, complex transformation projects. As a banker and consultant he has worked in both the retail and business side of banking together with leadership roles in treasury and capital markets.



Robert Browning
Non-executive Director

Mr. Browning is a seasoned leader with a proven track record, and over 25 years of experience in a broad range of executive roles within multiple industries, both domestically and internationally, including six years as CEO of Alinta Limited.



David Liddy, AM
Non-executive Director

Mr. Liddy is one of the most experienced retail bankers in Australia, having spent over 43 years in the banking industry, most recently as the Managing Director and CEO of the S&P/ASX100 Company Bank of Queensland Limited (BOQ).



John Toms
Non-executive Director

Mr Toms was CEO for 17 years of an Approved Deposit taking Institution (ADI), Non-executive Director for 17 years of Australian Payments Clearing Association, Non-executive Director of Mercer Nominees, Consultant to business and Federal Government, Executive Director of Insurance Agents Association of Australia and a Commonwealth public servant.



Enquiries

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