

7 February 2018

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

EML Limited Acquires Presend Prepaid Solutions (Presend Nordic AB)

EML would like to advise the market that it has acquired Presend Prepaid Solutions (Presend Nordic AB), a leading provider of Non-Reloadable solutions for shopping malls and city/town programs in Europe, principally in the Nordic and Baltic regions.

The attached presentation outlines the structure of the acquisition and we are pleased to welcome Presend into the EML Group. The rationale for acquiring Presend includes:

- Expansion of our geographic reach into the Nordic and Baltic regions in Europe, regions where we have traditionally had little presence. Presend operates programs in 8 countries, 6 of which EML has no presence in;
- An expansion in the number of shopping mall and town mall programs by over 90 programs, building on our market position in this segment;
- Presend currently outsources functions such as issuing and transaction processing, functions which EML will be able to perform, so there is a number of operational cost synergies that we will benefit from in FY19 and beyond. To date Presend has only had access to Non-Reloadable products however, moving forward it will have access to the full range of EML products, including Re-loadable, Mobile and Virtual programs, and we expect that the combined benefit of these synergies will lift their EBTDA from ~A\$0.5m to ~\$1,0m in FY19 and ~A\$1.6-2m in FY20;
- CEO Jon Sederqvist Østmoe, an experienced payments executive in the prepaid space, runs Presend. Prior to establishing Presend in 2010, he was a payments consultant in prepaid and banking and as such brings deep industry knowledge to the team. Jon will continue to run the business which will rebrand to EML in FY19;
- Financially, the acquisition represents a low upfront cash purchase price of SEK 10m (A\$1.6m) (3x EBTDA) and a two-year earn out capped at SEK 60m (A\$9.5m), 100% of which is payable in shares. Given our expectations for earnings growth, both via cost savings and revenues, we would expect this to equate to a purchase price multiple of 5-6x by the end of the earn-out period.

The acquisition of Presend is not financially material and is therefore not deemed a price sensitive announcement. We expect no earnings contribution in the current financial year and approximately \$1m of incremental EBTDA in FY19.

Tom Cregan, Group Chief Executive Officer of EML Limited said, “We are pleased to welcome Jon and his company into the EML team. Jon founded the business and has been instrumental in getting it to this point and we jointly believe that Presend being part of EML opens up multiple avenues for growth through access

to our expanded product range, which we believe will have strong application in the Nordic and Baltic markets where we previously had little presence.”

Jon Sederqvist Østmoe, Chief Executive Officer of Presend Prepaid Solutions commented that “For Presend to continue scaling its business, we sought a strategic partner that understands our specific industry verticals, and that can enhance our product offering. In EML we found a perfect match, combining an entrepreneurial culture with attractive platform capabilities sought after by our clients and prospects. After discussing the partnership model and meeting with the global management team, the optimal solution for both parties was to merge the Presend business into the EML Group, we are extremely excited to become a part of the EML Group”.

About EML

EML Payments Limited is a leading provider of prepaid financial services products including Re-loadable, Non-Reloadable, Virtual and B2B commercial payments. With payment solutions from EML, you will be empowered with more control, transparency and flexibility over your payment processes. With operations in Australia, United Kingdom, Europe, the USA and Canada, we issue mobile, virtual and physical card solutions to some of the largest brands around the world, process billions of dollars in payments each year, and manage more than 1100 programs. Our combined portfolio offers innovative payment technology solutions for payouts, gifts, incentives and rewards, and B2B virtual payments. The acquisition of Presend will increase our geographic presence to 19 countries. Learn more at www.EMLpayments.com

For further information please contact:

Tom Cregan

Group Chief Executive Officer and Managing Director

EML Limited

E: tcregan@emlpayments.com

Bruce Stewart

Chief Financial Officer

EML Limited

E: bstewart@emlpayments.com



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EXECUTIVE SUMMARY – OVERVIEW OF PRESEND



Jon Sederqvist Østmoe (CEO)

- **History:** Co-Founded in 2010 by Jon Sederqvist Østmoe (CEO) an experienced payments professional who was previously an international payments consultant and payments product manager. First program launched in Q4 2012 and PRESEND have since grown to be the leading Nordic-Baltic prepaid program manager with excellent connections across the region.
- **Capability:** Operates out of Stockholm, Sweden and has 3 FTE as it outsources Accounting / Issuing / Call Centre / Processing / IT development to external suppliers. This has allowed PRESEND to remain profitable while it has focused primarily on retail mall and city/town programs. EML will provide these services to PRESEND and allow PRESEND to expand its product offering to reloadable, mobile and loyalty along with expansion into new industry verticals.
- **Customers & partners:** Over 90 programs and growing rapidly. PRESEND work with shopping malls and town centres for Non-Reloadable programs. Operates in 8 countries including Sweden, Finland, Norway, Denmark, Estonia, Lithuania, Italy and the UK.

EXECUTIVE SUMMARY – STRATEGIC RATIONALE



Expands European Mall Card Portfolio

Adds 90+ mall and city/town programs to our UK/EU portfolio.

Established, Profitable Business

Experienced management team, EBTDA positive and positioned for growth as it expands out of its core non-reloadable market.

Expanded Product Range and Verticals

EML has developed unique features and functionality (Reloadable, Loyalty, Mobile, Virtual payments) and speciality in certain industry verticals which we believe will lead to accelerated revenue and earnings growth.

Cost Synergies

PRESEND outsources most of its operations to third parties for which it incurs arms length fees, including Accounting, Processing, Issuing, IT development and Distribution. EML will look to integrate these services onto EML's existing platforms, infrastructure and staffing and expects to drive cost savings from FY19 onwards. We also expect to drive savings from pricing power on centralising card productions, licencing, insurance and audits.

Revenue Synergies

Once PRESEND is integrated onto EMLs platforms from FY19 onwards, it will benefit from EML treasury services and MasterCard private label BINs, which will increase the revenues on its cards programs.

Earnings Upside

In FY19, PRESEND is expected to contribute ~ A\$1m in EBTDA to the Group.

Geographic Expansion

PRESEND operates in 8 countries, 6 of which EML currently has no presence in. This provides a good base for EML to expand through a well connected and experienced CEO while being supported by existing EML infrastructure, allowing the group to continue to scale.

Strong Cultural Fit

Low integration challenge with only 3 FTE. Co-founder has run the business since 2010 and will remain in his role and will assume responsibility for EML Nordics / Baltics. Excellent cultural fit between the PRESEND business and the rest of the group.

EXECUTIVE SUMMARY – PURCHASE PRICE



- > EML is protected and the vendor is incented to perform by making the bulk of the purchase price in earn out.
- > Earn out paid after May 2020.
- > Cap on the earn out ensures EML pay an attractive multiple of less than 10x on forward EBTDA
- > No working capital input requirement from EML post-close as PRESEND will be acquired with SEK 2m net assets.

Purchase price is split into 2 separate components, representing a combined total maximum of SEK 70m (A\$11.1m). We expect this to equate to a forward EBTDA multiple of less than 7x based on the expected earn out period EBTDA.

1. Upfront cash payment of SEK 10m (A\$1.6m).

- Paid in cash on 1 February 2018.
 - Represents multiple of 3x PRESEND reported EBTDA at 31 December 2017 (before EML synergies)
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2. Earn out payment in EML shares capped at SEK 60m (A\$9.5m).

- Based on 10x the average annual EBTDA achieved by PRESEND in the 24 months from 1 May 2018 to 30 April 2020, but capped at SEK 60m.
- Paid 100% in EML shares with a fixed EML share price of A\$1.94 being 20 day VWAP prior to Completion (1 February 2018)
- EML expect average annual EBTDA to 30 April 2020 to exceed SEK 10m (A\$1.6-.2.0m), therefore with an earn out capped at SEK 60m, the effective earn out multiple is expected to be less than 6x.

PROFIT AND LOSS OF PRESEND PAYMENTS



Numbers alongside exclude cost and revenue synergies that we expect to drive from May 2018 onwards.

Revenue conversion metrics, Gross Profit % and EBTDA % are consistent with EML Group.

Revenue and Cost synergies expected to lift total EBTDA to \$1m in FY19 and ~\$1.6-\$2m in FY20.

Longer term, we expect growth in Re-loadable and Mobile to further expand revenues and earnings, particularly in the Nordics and Baltic regions.

PreSend brand will transition to the EML brand in FY19.

	YE April 16 <u>Audited</u>	YE April 17 <u>Audited</u>	YE April 18 <u>Forecast (pre synergies)</u>
Metrics			
Load volumes	\$17,777,778	\$30,793,651	\$40,371,588
Headcount	4	4	3
Programme count	60	75	99
Financials			
Revenue	\$1,047,789	\$1,530,981	\$2,007,172
<i>Revenue / Load %</i>	<i>5.9%</i>	<i>5.0%</i>	<i>5.0%</i>
Gross Profit	\$686,367	\$1,123,410	\$1,472,831
<i>Gross margin %</i>	<i>65.5%</i>	<i>73.4%</i>	<i>73.4%</i>
Total overheads	(\$523,027)	(\$715,457)	(\$971,038)
EBTDA	\$163,340	\$407,952	\$501,793
<i>EBTDA margin %</i>	<i>15.6%</i>	<i>26.6%</i>	<i>25.0%</i>
Total Non cash items (depreciation / unrealised FX)	\$16,240	\$15,879	\$0
Profit before tax	\$179,580	\$423,831	\$501,793
Tax	(\$43,099)	(\$101,720)	(\$120,430)
Profit after tax	\$136,481	\$322,112	\$381,363

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