28 July 2015

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

EMERCHANTS ANNOUNCES FY15 EBITDA OF $2.6M

In accordance with Listing Rule 4.7B, **Emerchants Limited (ASX: EML)** ('**Company** or **Group'**) submits the following activities and appendix 4C cashflow statement for the quarter **(Q4FY15**) and the period ended 30 June 2015 (**FY15)**. The following are additional explanatory notes to be read in conjunction with the Report.

Full year headlines

Emerchants has generated an inaugural full year EBITDA of $2.6M, an improvement of $6.0M versus FY14, driven by a combination of revenue growth in Australia and Europe and a continued focus on expense management. The financial results discussed in this update are un-audited, with audited results to be released on August 24, 2015.

Group Revenue totalled $14.4M for FY15, an increase of $9.2M or 178% on FY14. This was generated by revenue growth in Australia of circa $3.5M, up 66% on the prior year, driven by growth in our Reloadable business and a strong contribution from our European operations, driven largely by organic growth in existing programs and incremental sales from customers that were launched in January 2015.

Total Dollars Loaded for FY15 was $447.5M (Q4: $131.6M) an increase of 166% on the prior year and 157% up the prior comparative quarter. The Reloadable Australian business accounted for $252.6M of the FY15 Dollars loaded, driven by the launch of four programs (Ladbrokes Visa, Sportsbet, Ingogo and CCIG) and continued growth in previously existing Reloadable programs.

Cash overheads amounted to $8.6M for FY15, with the Australian overheads declining to $7.1M from $7.5M in FY14 due to efficiency initiatives and a continued focus on cost control. European expenditure amounted to $1.5M (FY14: Nil) for the seven months of ownership.

EBITDA for the Australian operations improved to -$0.3M versus -$3.3M in FY14, which is indicative of the scalable nature of our business model in which revenue growth of circa $3.5M generated an incremental $2.6M in gross margin, combined with $0.4M in expense reductions. Our FY16 financials in Australia will further improve as we continue to manage expenses and benefit from a margin contribution from CrownBet, bet365, MoneyMe, Credit Corp and other prospects in our sales pipeline.

The Group had previously advised that we were working towards the Australian operations being EBITDA neutral in FY15, which was not achieved, due in part to the re-scheduling of two new program launches. The re-scheduling of these programs also deferred some establishment fee revenue and cash receipts into FY16. Whilst it is disappointing to not meet this objective, we generated a significant year on year improvement and we expect the contribution from new programs to generate positive incremental EBITDA in the Australian operations in FY16 and beyond.

The Group is expected to produce an inaugural net profit for the year after recognising the Australian carried forward tax losses in FY15. The recognition of the tax losses will offset the non-cash expense relating to the issuing of 5.8M post-completion shares to one of the sellers of Store Financial UK in June 2015 for the successful implementation of the multi-year shopping mall gift card programs for Hammersons and MFI[1].

FY15 Closing cash balance of $4.3M. In addition to this cash position also included as an Other asset is a breakage accrual of $3.0M that will translate to cash in the next 12 months, with the bulk of this cash being receivable in December 2015, reflecting inherent seasonality in gift card sales. Unlike a typical trade receivable, Emerchants is physically holding the cash but breakage is recorded as a P&L item upon sale, audited monthly

[1] Refer to ASX market announcement dated 30 June 2015.

against actual usage, and audited twice annually in our Half Year and Full Year financial reports. As such, management has the highest degree of confidence in converting this accrual into cash in 1HFY16.

Cash outflows from operations

A reconciliation summary of the Emerchants Group reported EBITDA to operating cashflows is shown in table 1, with detailed commentary on the FY15 performance and FY16 outlook detailed below.

Table 1: Reconciliation: EBITDA to Operating Cashflow

	1H			2H			FULL YEAR		
A$ Thousands	**FY14**	**FY15**	**% change**	**FY14**	**FY15**	**% change**	**FY14**	**FY15**	**% change**
Group EBITDA	**(1,337)**	**535**	**140%**	**(2,008)**	**2,095**	**204%**	**(3,345)**	**2,630**	**179%**
EBITDA Australia	(1,337)	(163)	88%	(2,008)	(161)	92%	(3,345)	(324)	90%
Less breakage accrued	17	(22)	(230%)	58	1,076	1752%	75	1,054	1308%
Cash EBITDA Australia	(1,354)	(142)	90%	(2,066)	(1,237)	40%	(3,420)	(1,379)	60%
EBITDA Europe	0	698	n/a	0	2,256	n/a	0	2,954	n/a
Less breakage accrued	0	0	n/a	0	1,907	n/a	0	1,907	n/a
Cash EBITDA Europe	0	698	n/a	0	349	n/a	0	1,047	n/a
Group CASH EBITDA	(1,354)	556	141%	(2,066)	(888)	57%	(3,420)	(331)	90%
Change in working capital	(108)	(1,954)	(1707%)	337	1,933	473%	226	(21)	(109%)
Cash inflow / (outflow) from operations	(1,462)	(1,398)	4%	(1,729)	1,046	160%	(3,194)	(352)	89%
Cash outflow from investing	(532)	(11,105)	(1987%)	(207)	(2,070)	(900%)	(739)	(13,175)	(1,683%)
Cash inflow / (outflow) from financing	7,062	13,295	88%	0	0	n/a	7,062	13,295	88%
Net Cash generated	**5,068**	**792**	**(84%)**	**(1,936)**	**(1,025)**	**47%**	**3,129**	**(232)**	**(107%)**
Opening Cash	1,359	4,496	231%	6,427	5,288	(18%)	1,359	4,496	231%
Closing Cash	**6,427**	**5,288**	**(18%)**	**4,496**	**4,264**	**(5%)**	**4,496**	**4,264**	**(5%)**

Strong growth in all Group operating metrics

Strong growth was achieved across all operating metrics. A detailed summary of the Emerchants Group key operating metrics are detailed at Table 1 below. The key headlines are:

Dollars Loaded increases from $168.5M to $447.5M

Total Dollars Loaded increased by 166% from $168.5M in FY14 to $447.5M in FY15. Despite the acquisition of Store Financial Europe, Reloadable dollars loaded was $252.6M for the year and 56.3% of total dollar loads. As mentioned previously, the Reloadable product is only currently available in Australia and mainly comprised 5 customer programs, and we look forward to further growth in FY16, driven by continued expansion of the Sportsbet program and the launch of programs for CrownBet and bet365 in the gambling segment.

Aside from online wagering, the Group has clients generating significant volumes with Reloadable accounts in other verticals, including distribution programs (Ingogo) and Consumer lending (Nimble, CC Investment Group (Cash Converters Franchisee). Our recent signings of commercial partners outside of the gaming vertical (MoneyMe, Creditcorp, Serena Russo, Neoclinical) are expected to contribute to further growth in the Australian Reloadable segment in FY16.

The Australian Non-Reloadable segment continues to grow modestly and in April 2015 we announced a 3 year extension of our exclusivity agreement with our distribution partner, Edge Loyalty,

The present European Non-Reloadable segment is highly seasonal with a significant amount of volume occurring in the month of December. However the Group stands to benefit from full 12 months ownership in FY16 and significant contribution from the recently signed Hammersons and MFI transactions as announced on the ASX on 30 June 2015, being the two largest contracts signed by the company to date.

Transactions increases from 4.47M to 9.5M

Emerchants has several sources of revenue and not all programs are charged on a transaction fee basis, but transaction growth is a key indicator of the usage of our card programs and therefore the value being derived by customers and cardholders.

Reloadable transactions grew 215% in FY15 to 3.7M transactions and Non-Reloadable grew by 77%, with Australia representing 32% of that growth and the newly acquired European business comprising 1.7M transactions or 68% of the growth.

Active Accounts increases from 537,000 to 1.45M Accounts

The number of Active Accounts is instructive from an FY16 forecasting perspective because the Group ended FY15 with 125,000 Reloadable accounts, up 156% on the prior year, and 1.32M Non-Reloadable accounts. The net growth of 76,000 Reloadable accounts has generated that 215% growth in transactions and the majority of the incremental gross margin generated in the Australian business in FY15, which again demonstrates the scalable nature of the business model.

It is also instructive relative to FY16 performance, given the 1.32M Non-Reloadable accounts will expire in the next 12 months, resulting in a portion of these funds converting to breakage in 1HFY16.

Stored Value increases from $27.3M to $75.3M

Stored value generates interest income for Emerchants and this has grown significantly versus the prior year, with Reloadable stored value up 125% and Non-Reloadable increasing by 197%.

As previously disclosed, given prevailing interest rates in Europe, we receive negligible revenue from our balance of $32M, so we are well positioned should rates rise over time in that market, however that could be offset by declining rates in the Australian operation based on the movement of interest rates in the coming years.

Table 2: Emerchants key operating metrics

A$ Thousands	**Q4FY14 Quarter**			**FY14 Year-to-Date**			**Q4FY15 Quarter**			**FY15 Year-to-Date**		
	Australia	Europe[2]	**Group**	Australia	Europe[1]	**Group**	Australia	Europe[1]	**Group**	Australia	Europe[1]	**Group**
A$ Total Funds loaded [3]	**51,195**	**0**	**51,195**	**168,504**	**-**	**168,504**	**106,017**	**25,586**	**131,603**	**356,848**	**90,667**	**447,515**
% Change on pcp	***49%***	***n/a***	***49%***	***25%***	***n/a***	***25%***	*107%*	***n/a***	*157%*	***112%***	***n/a***	***166%***
Reloadable	29,173	-	29,173	81,357	-	81,357	84,202	-	**84,202**	252,605	-	**252,605**
% Change on pcp	*85%*	*n/a*	*85%*	*54%*	*n/a*	*54%*	*189%*	*n/a*	189%	*210%*	*n/a*	*210%*
Non-Reloadable / Gift	22,022	-	22,022	87,148	-	87,148	21,815	25,586	**47,401**	104,243	90,667	**194,910**
% Change on pcp	*19%*	*n/a*	*19%*	*6%*	*n/a*	*6%*	*-1%*	*n/a*	115%	*20%*	*n/a*	*124%*
No. key transactions [4]	**1,302**	**-**	**1,302**	**4,478**	**-**	**4,478**	**2,117**	**805**	**2,922**	**7,768**	**1,775**	**9,543**
% Change on pcp	***23%***	***n/a***	***23%***	***14%***	***n/a***	***14%***	***63%***	***n/a***	***124%***	***73%***	***n/a***	***113%***
Reloadable	437	-	437	1,179	-	1,179	1,191	-	**1,191**	3,713	-	**3,713**
% Change on pcp	*74%*	*n/a*	*74%*	67%	*n/a*	67%	*173%*	*-*	173%	*215%*	*n/a*	*215%*
Non-Reloadable / Gift	864	-	864	3,299	-	3,299	926	805	**1,731**	4,056	1,775	**5,830**
% Change on pcp	*8%*	*n/a*	*8%*	2%	*n/a*	2%	*7%*	*n/a*	100%	*23%*	*n/a*	*77%*
No. active accounts > A$0 [5]	**537**	**-**	**537**	**537**	**-**	**537**	**647**	**807**	**1,454**	**647**	**807**	**1,454**
% Change on pcp	***4%***	***n/a***	***4%***	***4%***	***n/a***	***4%***	***21%***	*n/a*	***171%***	***21%***	***n/a***	***171%***
Reloadable	49	-	49	49	-	49	125	-	**125**	125	-	**125**
% Change on pcp	*17%*	*n/a*	*17%*	*17%*	*n/a*	*17%*	*156%*	*n/a*	156%	*156%*	*n/a*	*156%*
Non-Reloadable / Gift	488	-	488	488	-	488	522	807	**1,329**	522	807	**1,329**
% Change on pcp	*3%*	*n/a*	*3%*	*3%*	*n/a*	*3%*	*7%*	*n/a*	172%	*7%*	*n/a*	*172%*
A$ Stored Value [6]	**27,380**	**-**	**27,380**	**27,380**	**-**	**27,380**	**41,990**	**33,344**	**75,334**	**41,990**	**33,344**	**75,334**
% Change on pcp	***31%***	***n/a***	***31%***	***31%***	***n/a***	***31%***	***53%***	*n/a*	***175%***	***53%***	***n/a***	***175%***
Reloadable	8,391	-	8,391	8,391	-	8,391	18,872	-	**18,872**	18,872	-	**18,872**
% Change on pcp	*66%*	*n/a*	*66%*	*66%*	*n/a*	*66%*	*125%*	*n/a*	*125%*	*125%*	*n/a*	*125%*
Non-Reloadable / Gift	18,989	-	18,989	18,989	-	18,989	23,118	33,344	**56,462**	23,118	33,344	**56,462**
% Change on pcp	*20%*	*n/a*	*20%*	*20%*	*n/a*	*20%*	*22%*	*n/a*	*197%*	*22%*	*n/a*	*197%*

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[2] The SFUK operations operating metrics are generated in British Pounds and Euros. For reporting purposes these metrics are disclosed in Australian dollars. Total funds loaded is translated at the average rate of the quarter and Stored Value at the closing rate at the end of the quarter.

[3] Total funds loaded onto prepaid accounts represents the total of initial and subsequent loads. This excludes any funds that clients have deposited with the Company's ADI and not loaded onto a prepaid account.

[4] Key transactions constitute activity such as redemption or attempted redemption of prepaid value.

[5] Number of active prepaid accounts is measured at the end of the period with a balance greater than $0.00. Accounts that have expired, been made inactive or have no funds associated with them are excluded.

[6] Total value on deposit for the prepaid portfolio is measured at the end of the period. This represents unredeemed stored value that is available for the account holder to redeem.

Strong growth in FY15 revenues and outlook for FY16

The Group has generated $14.4M in revenue for FY15, a 178% improvement over the prior year. The European operation contributed $5.8M of the revenue with the Australian Reloadable segment contributing $3.9M and the Australian Non-Reloadable segment contributing $4.6M.

The Group has recently produced a new product to allow our clients to offer a cash load functionality to their customers at participating retail stores **("EachWay**"). An agreement for this new product was signed with Ladbrokes in mid-July 2015. We expect the product to launch in over 2,200 stores in the first half of FY16 and we will be working to further expand the distribution footprint and include other gambling operators by the end of the financial year.

As previously mentioned, we have renewed our agreement with Edge Loyalty for the Australian market and will be extending that relationship to European markets in the second half of FY16. We have undertaken a detailed market analysis and believe the opportunity in B2B Non-Reloadable cards to be as significant, if not more significant than in Australia, albeit it could take some years to generate the same contribution from B2B Non-Reloadable cards in Europe that we currently generate in Australia. No CAPEX investment is required to support this long term growth initiative.

The Group continues to focus on the deployment of its Reloadable product solutions in the European region and recently announced the signing of an agreement with The Bancorp to enable the Group to provide Reloadable solutions throughout Europe. The European Reloadable systems development remains on track to be completed in late September, at which time we will be in a position to provide European clients the same Reloadable solutions as we do in Australia. We commenced sales activities in April and look forward to updating customers on our progress as and when Reloadable agreements are signed.

As previously mentioned, included in the reported revenue is an estimation of future breakage that will accrue to the Group relating to non-Reloadable accounts previously sold, but yet to expire. The bulk of the breakage accrued will translate to cash in December 2015 when these accounts expire, with the remainder translated to cash prior to June 2016 and particularly as it pertains to the European business, increased distribution (i.e., an increase in the number of mall programs) will generate higher gift card sales in December 2015 than in December 2014, with that resulting in a subsequent breakage accrual which will translate to cash within the following 12 months.

The relative predictability of this business model was one of the attractions in acquiring Store Financial and we continue to look for new mall card opportunities in various European countries.

Cash outflows from investing activities

The Company had agreed to purchase SFUK with neutral net assets on acquisition, with the amount to be finalised post acquisition and settled within FY15. Any surplus would be paid by the Company to the vendors out of the surplus net assets acquired and any deficit would be reduced from the initial purchase price paid to the vendors. The final net asset amount was calculated at £0.4M ($0.9M) and was settled in full during Q4 from the surplus net assets acquired in SFUK and represents the first and final payment for the opening net assets acquired. The Group had previously reported in Q1 that it had acquired cash within SFUK on acquisition of $1.6M. On the finalisation of the net asset amount in the current quarter, this amount was reversed to reflect the fact that no cash was assumed within SFUK on acquisition and no cash was remitted as the net asset adjustment was self-financed. Consequently the year to date investing activities relating to the acquisition of SFUK reflect an initial net cash outlay of $12.5M [7]with the payment of £0.4M for the net assets acquired, financed from the surplus net assets assumed on acquisition.

Other year to date investing activities amounted to $0.7M and related to the development of our **EachWay** product, the implementation of additional features on our processing platform and the acquisition of an ERP system as part of the Groups international integration, which was completed on July 1.

[7] See ASX market announcement dated 26 September 2014.

Cash inflows from financing activities

No financing activities occurred during Q4FY15. Year to date financing activities related to the acquisition of the European operations, SFUK which were noted in the prior quarter reporting.

The Board of Directors consider the current funding and capital structure of the Group appropriate for the Company's operating outlook and therefore it is not expected that any additional financing activities will be required in remainder of the FY15 year.

The Directors are satisfied that the Company has adequate funding, that its current balance sheet is sound, and that the Company complies with Listing Rule 12.2.

Table 3: Quarterly cash flow summary

A$ Thousands	**Q4FY14** Quarter	**FY14** Year-to-Date	**Q4FY15** Quarter	**FY15** Year-to-Date
Operations	**(778)**	**(3,194)**	**409**	**(352)**
% Change on prior comparative period	*21%*	*(3%)*	*153%*	*89%*
Investing	**(110)**	**(739)**	**(1,798)**	**(13,175)**
% Change on prior comparative period	*(450%)*	*(2639%)*	*(1,535%)*	*(1,683%)*
Financing	**-**	**7,062**	**-**	**13,295**
% Change on prior comparative period	*n/a*	*222%*	*n/a*	*n/a*
Total inflows (outflow)	**(887)**	**3,129**	**(1,389)**	**(232)**
Opening Cash	5,379	1,359	5,653	4,496
Movement for the period	(887)	3,129	(1,389)	(232)
Closing Cash	**4,496**	**4,496**	**4,264**	**4,264**

-ENDS-

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Rule 4.7B

Appendix 4C

Quarterly report
for entities admitted
on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Emerchants Limited

ABN	Quarter ended ("current quarter")
93 104 757 904	30 June 2015

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from customers	3,005	9,233
1.2	Payments for:		
	(a) staff costs	(1,793)	(6,212)
	(b) advertising and marketing	(49)	(163)
	(c) leased assets	(6)	(25)
	(d) other working capital	(487)	(2,771)
	(e) accounting and administrative services	-	-
	(f) acquisition-related expenses *	(5)	(347)
	(g) exploration expenditure	-	-
	(h) software and systems infrastructure	(164)	(611)
	(i) risk and compliance	(153)	(470)
	(j) rent and utilities	(135)	(488)
1.3	Dividends received	-	
1.4	Interest and other items of a similar nature received	196	804
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	698
	Net operating cash flows	**409**	**(352)**

'* External acquisition costs relating to the acquisition of SFUK

		Current quarter $A'000	Year to date (12 months) $A'000
1.8	Net operating cash flows (carried forward)	**409**	**(352)**
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	(12,450)
	(b) equity investments	-	-
	(c) intellectual property/intangible assets	(177)	(670)
	(d) physical non-current assets	(6)	(55)
	(e) other non-current assets	-	-
	(f) cash included on consolidation of subsidiary	(1,616)	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other	-	-
	Net investing cash flows	**(1,798)**	**(13,175)**
1.14	**Total operating and investing cash flows**	**(1,389)**	**(13,527)**
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	-	14,000
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other – Share Issue costs	-	(705)
	Net financing cash flows	**-**	**13,295**
	Net increase (decrease) in cash held	**(1,389)**	**(232)**
1.21	Cash at beginning of quarter/year to date	5,653	4,496
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	**Cash at end of quarter**	**4,264**	**4,264**

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	192
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil

1.26 Explanation necessary for an understanding of the transactions

Payments to Executive Directors, Non-Executive Directors and Associates of the directors is broken down as follows:

$000's

Directors and Executive Directors fees	180
Superannuation	12
Associates of the directors	-
Total	192

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Transactions which occurred during quarter ended 30 June 2015:

1. Issue of 5,820,016 fully paid ordinary shares to one of the sellers of Store Financial Services UK Limited, DKS Investments LLC, as post completion shares on the execution and implementation of customer contracts which at the time of the acquisition (1 December 2014), were not yet finalised. The following terms relate to the share issue:
   - 2,768,624 fully paid ordinary shares will be held in voluntary escrow until 2 January 2016; and
   - 3,051,392 fully paid ordinary shares will be held in voluntary escrow until 1 February 2016.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
4.1	Cash on hand and at bank	2,216	3,377
4.2	Deposits at call	2,048	2,276
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.23)	**4,264**	**5,653**

Acquisitions and disposals of business entities

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))* N/A
5.1	Name of entity	N/A	N/A
5.2	Place of incorporation or registration	N/A	N/A
5.3	Consideration for acquisition or disposal	N/A	N/A
5.4	Total net assets	N/A	N/A
5.5	Nature of business	N/A	N/A

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.

Sign here: Director Date: 28 July 2015

Print name: Tom Cregan

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.

3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.