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

EML ANNOUNCES RECORD EBTDA UP 35% TO $13.5 MILLION IN HY 2018

EML Payments Limited (**ASX: EML**) is pleased to release its 2018 Half Year Results, as attached to this announcement with its Appendix 4D.

Highlights for the half-year ending 31 December 2017 include:

- **Gross Debit Volume (GDV)**: GDV is what we previously referred to as Total Dollars Loaded, but is the more accepted industry terminology globally and it represents the total volume of payments across our platform. It is arguably the most important metric in the Company, given that an increase in GDV demonstrates both organic growth in volumes for programs that are already in market and contributions to GDV from recently launched programs. In both cases they demonstrate demand from Customers and their end-customer, which is crucial for any B2B business. In the half year, GDV increased by 86% across all regions and sales segments to $3.58 billion.

- **Stored Value Balance**: This is the static balance of funds held on in financial institutions, behalf of our customers, on which we generate interest revenue. There is a historical correlation between GDV and the Stored Value Balance, as all programs must be pre-funded. We ended the first half with a 31% increase in our Stored Value Balance to $515 million and are well positioned to take advantage of interest rate rises globally.

- **Revenue**: Increased by 18% over the prior corresponding period, to $38.24m. In line with our expanded international presence, 77% of revenues were generated offshore and 91% of revenues were recurring in nature (ie. excluding one-time establishment fees). The percentage of revenues generated offshore reduced versus the FY17 financial year due the successful launch of multiple Re-loadable programs in the Salary Packaging vertical in Australia, but over the medium term we expect 90% of revenues to be generated offshore.

- **Gross Margins**: 75% (down 3% on PCP) but in line with our AGM guidance as the product mix shifts towards Reloadable and B2B Virtual Payments. Gross margins have historically been in the 75-78% range over the prior 5 years and we expect 75% to remain the long term average. We continue to focus on tactics that can increase margins above 75%, including self-issuing Reloadable prepaid products under our own issuing licenses, which has commenced in Australia and will be pursued in Europe (We already self-issue Non-Reloadable products in Europe).

- **EBTDA** – increased by 35% to AUD13.5 million, with all regional business units improving EBTDA against the prior comparative period in local currency. Unfavourable movement of

The AUD: USD exchange rate lowered our EBTDA result in the year by approximately $0.4m, which would otherwise have been $13.9m, with revenue at $39.3m versus our reported $38.2m.

- **Operating Cash Flow**: Was an outflow of $3.36m, versus an inflow $9.6m in the prior corresponding period. As flagged in our FY17 investor presentation, we received a large inflow of gross breakage cash late in the financial year but had not paid out the share of that breakage to our customers under their respective agreements. As a result, our GAAP operating cash flow was several million dollars higher than our normalised operating cash flow. In early FY18 the share of breakage was paid to our customers, as well as some one-off costs associated with establishing the Salary Packaging vertical in Australia. Excluding these one-off payments, operating cash inflow would have been approximately $8.0m. We remain debt free with $35m of cash at hand and $19m in breakage accruals, which will convert to cash over the coming 24 months.

- **Business Development**: In addition to strong organic growth, we signed a number of new business partnerships that will be accretive to FY19 and beyond, including:

    - Following the end of the period, on 1st February, we acquired Presend Nordic AB (‘Presend’) a leading service provider of Non-Reloadable solutions, primarily operating in, Nordic and Baltic region. The acquisition expands the geographical reach of our European business and we expect to realise the synergies from insourcing functions such as issuing and transaction processing. As stated in the investor presentation accompanying this announcement, we expect this acquisition to generate $1m in incremental EBITDA in FY19;

    - We signed contracts for Reloadable programs with multiple European gaming operators including Betsson, Fortuna and BETDAQ, and we remain in contract negotiation with a further 6 European gaming operators. Whilst we had originally expected the initial programs to launch in early Q4FY17, we believe one may meet that timeframe and the other programs will launch post the soccer world cup in Q1FY18. We would expect other gaming programs signed prior the end of FY18 to launch at various stages throughout FY19;

    - We signed multiple B2B Virtual programs in the USA and have launched 25 programs out of a potential of 1500 programs. As with any of our programs, there is an on-boarding timeframe in between contract signing and that program launching and generating revenue, and we made less progress than we would have liked in launching new programs in December and January. We expect that to ramp back up in the coming months;

    - We continued to expand in our Mall card segment, and have signed a new agreement with Wijnegem, the largest mall in Belgium and the Benelux region in Europe. This mall generates EU$6.5m in GDV (A$9.75m) and will launch in the coming months. In addition, we signed a LOI with the largest mall operator in Germany, operating 93 malls, for a 5-year agreement to issue a Non-Reloadable program. This is subject to regulatory approval and we would anticipate launching in 1HFY19.

Product Strategy: As referenced in our 2017 AGM presentation, we remain on track to launch payments on all of the mobile “PAYS” (Apple Pay, Google Pay and Samsung Pay) within the next six months. We have invested I.T. development resources into this project in addition to one-time, third party fees payable to the various companies for integration into their systems.

Please also refer to EML’s Investor Presentation lodged with the ASX today for more detailed information.

About EML

With payment solutions from EML, you will be empowered with more control, transparency and flexibility over your payment processes. Whether you serve businesses or consumers, EML makes your payment process more efficient and secure from start to finish, while helping you improve customer service and increase brand loyalty. Our portfolio offers innovative payment technology solutions for payouts, gifts, incentives and rewards, and supplier payments. We issue mobile, virtual and physical card solutions to some of the largest corporate brands around the world, process billions of dollars in payments each year, and manage more than 1,100 programs across 19 countries in North America, Europe and Australia. Learn more at www.EMLpayments.com

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