



Money in Motion

+61 (07) 3557 1100

Level 12  
333 Ann Street  
Brisbane QLD 4000

**EML Payments Limited**  
ACN 104 757 904

26 April 2022

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**ASX Market Announcements**

20 Bridge Street  
SYDNEY NSW 2000

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## Q3 TRADING UPDATE AND FY2022 GUIDANCE REVISION

**EML Payments Limited (ASX: EML)** is pleased to provide investors with the following presentation ahead of investor presentations at the Goldman Sachs 13<sup>th</sup> Annual Emerging Leaders Conference this afternoon by Tom Cregan, Managing Director and Group CEO, and Rob Shore, Group CFO.

### About EML Payments

EML provides an innovative payment solutions platform, helping businesses all over the world create awesome customer experiences. Wherever money is in motion, our agile technology can power the payment process, so money can be moved quickly, conveniently and securely. We offer market-leading programme management and highly skilled payments expertise to create customisable feature-rich solutions for businesses, brands and their customers.

Come and explore the many opportunities our platform has to offer by visiting us at: [EMLPayments.com](https://emlpayments.com)

This announcement has been authorised for release by the Board of Directors.

### For further information, please contact:

**Rob Shore**

Group Chief Financial Officer  
EML Payments Limited  
M: 0419 590 128  
E: [rshore@emlpayments.com](mailto:rshore@emlpayments.com)

The EMI logo is a black circle containing the letters "EMI." in white, with a small blue dot after the period.

EMI.

April 2022

# **Q3 FY2022 Trading Update.**

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**Tom Cregan**

Managing Director  
& Group CEO

**Rob Shore**

Group CFO

01

## Q3 FY2022 Trading Update

incl. Segment Analysis

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## Business Development Update

incl.

- Recent Wins
- EML Helping Communities
- Open Banking Update

### Important Notice

This investor presentation has been prepared by EML Payments Limited ABN 93 104 757 904 (EML) and is general background information about EML's activities current as at the date of this presentation. This information is given in summary form and does not purport to be complete.

Information in this presentation should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters and seek independent financial advice. An investment in EML securities is subject to known and unknown risks, some of which are beyond the control of EML. EML does not guarantee any particular rate of return or the performance of EML.

This presentation may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to EML's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions, contingent liabilities and risk management practices. Readers are cautioned not to place undue reliance on any forward-looking statements. Unless otherwise specified all information is for the nine months ended 31 March 2022 ("YTD Q3 FY2022") and is presented in Australian Dollars. Unless otherwise stated, the prior comparative period refers to the nine months ended 31 March 2021 ("YTD Q3 FY2021").

### Disclaimer

The information contained in this update is provided for general information purposes and is a summary only. The content of the update is provided as at 26 April 2022. Given the uncertain, unpredictable and volatile nature of business and economic conditions across the world as a consequence of the COVID-19 pandemic, and the significant influence of some third parties (such as regulators) on the business, reliance should not be placed on the content of this presentation or opinions contained in it. Further, subject to any legal obligation to do so, EML does not have any obligation to correct or update the content of this presentation.

The update does not and does not purport to contain all information necessary to make an investment decision, is not intended as investment or financial advice (nor tax, accounting or legal advice), and must not be relied upon as such. The update is of a general nature and does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Any investment decision should be made solely on the basis of your own inquiries, including inquiries beyond the scope and content of this update. Before making any investment in EML, you should consider whether such an investment is appropriate to your particular investment objectives, financial situation, risk appetite and needs. EML is not licensed to provide financial product advice in respect of its shares.

### About Us

At EML we develop tailored payment solutions for brands to make their customers lives simpler. Through next-generation technology, our portfolio of payment solutions offers innovative options for disbursement pay-out's, gifts, incentives and rewards. We're proud to power many of the world's top brands and processed over \$30 billion in GDV in H1 FY2022 across 32 countries in Australia, EMEA and North America. Our payment solutions are safe and secure, easy and flexible, providing customers with their money in real-time. We know payments are complex, that's why we've made the process simple, smart and straightforward, for everyone.

For more information on EML Payments Limited, visit: [emlpayments.com](https://emlpayments.com) This ASX announcement has been authorised for release by the Board.

## Mission.

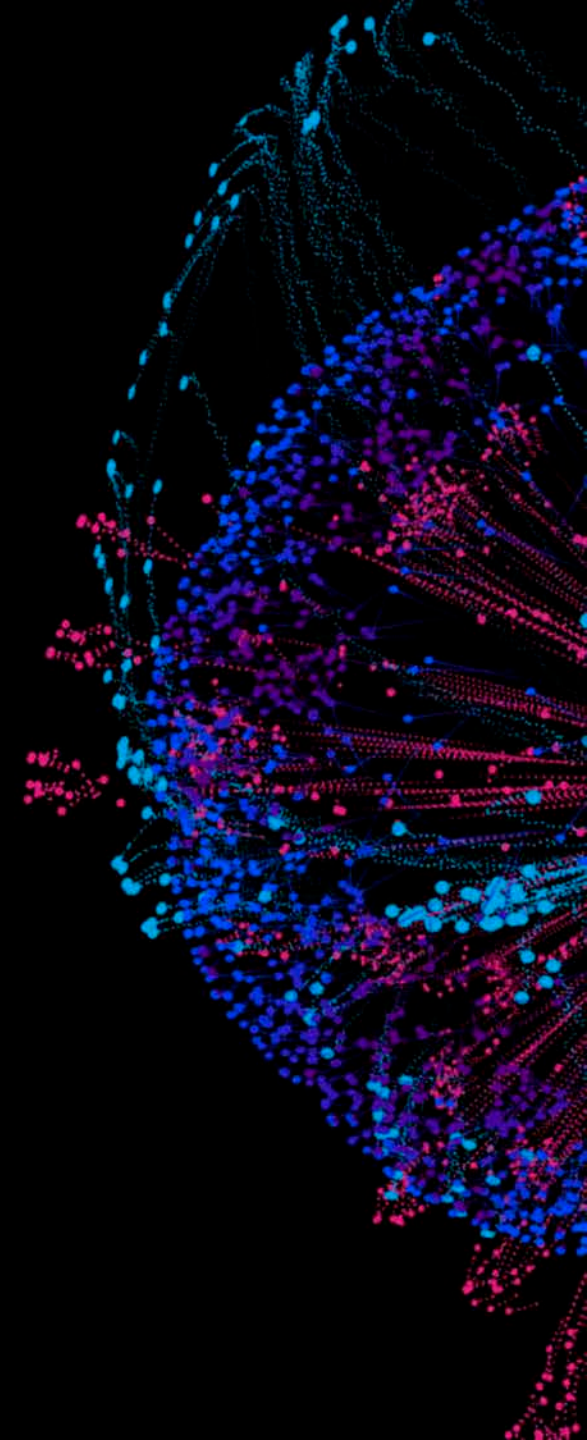
We create awesome, instant and secure payment solutions that connect our customers to their customers, anytime, anywhere, wherever money is in motion.

## Vision.

To offer customers a feature rich, fully embedded payment solution, via a simple, single touchpoint.

## Purpose.

Inspiring transformative digital change for our customers and communities.



## Q3 FY2022 Overview

- 23 contracts signed Q3 FY2022 (vs 26 in Q2 FY2022), 90 contracts signed YTD (Prepaid 47, Sentenial 43).
- 131 programs launched YTD (including 74 in Europe).
- Significant new contracts signed in Q3 including:
  - Up Spain – Entering the \$30 billion European Employee Benefits Market.
  - Praxis Tech – Providing Praxis’ customers access to faster, safer and seamless open banking payment solutions.
- Open Banking volumes reached a annual recurring revenue rate of over \$4m up 31% on PCP with further upside from major signed enterprise signed customers launching in Q4.
- EML in Community – Uniting Care and CORE, helping those in need.
- Migrations of existing PFS programs to in-house processor (TRACE) commenced in March.
- Continued progress on CBI remediation toward 30 June 2022 completion date<sup>1</sup>.

<sup>1</sup> Prior to independent assurance.



01

# Q3 FY2022 Trading Update

# Q3 FY2022 Trading Update

## UNDERLYING Q3 FY2022 (unaudited)

Measure	Q3 FY2021	Q3 FY2022	Growth	YTD Q3 FY2022	Growth vs YTD Q3 FY2021
GDV	<b>\$4.7b</b>	<b>\$23.9b</b>	↑408% on PCP	<b>\$55.5b</b>	↑272% on PCP
Revenue (Yield)	<b>\$49.7m</b> 106bps	<b>\$59.8m</b> 25bps	↑21% on PCP	<b>\$174.3m</b> 31bps	↑20% on PCP
GP GP%	<b>\$36.1m</b> 72.7%	<b>\$42.2m</b> 70.5%	↑17% on PCP	<b>\$117.6m</b> 67.5%	↑14% on PCP
Underlying Overheads <sup>1</sup>	<b>\$19.8m</b>	<b>\$28.6m</b>	↑50% on PCP	<b>\$77.0m</b>	↑31% on PCP
Underlying EBITDA <sup>1,2</sup>	<b>\$15.8m</b>	<b>\$13.6m</b>	↓14% on PCP	<b>\$40.3m</b>	↓8% on PCP
Underlying NPATA <sup>1</sup>	<b>\$10.5m</b>	<b>\$8.1m</b>	↓22% on PCP	<b>\$21.2m</b>	↓7% on PCP

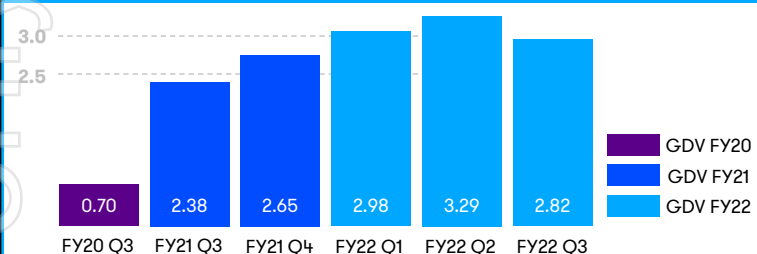
- Australian and North American businesses trading in line with expectations. European Prepaid business operating performance significantly behind and impacted by remediation activities.
- GDV volumes up \$40.5b YTD vs PCP, comprising \$38.0b of Sentenial and \$2.5b of organic growth. Excluding Sentenial, GDV grew 17% on PCP.
- Revenue growth YTD of 20% vs PCP driven by GPR and G&I segments despite delayed launch of European programs.
- EML introduced new monthly fees on inactive accounts in Q3 and recognised \$9.8m under AASB15 which will be collected in a future period. Further amounts are expected to be recognised in Q4 and FY23 as revenue recognition criteria are achieved.
- Gross profit margins have been impacted by higher COGS predominantly higher negative interest and lower establishment fees in Europe. Changes to our treasury investment policy, (part subject to regulatory approval), will begin to offset these costs in Q4.
- Underlying Overheads up 31% on YTD PCP driven by investment in headcount in Europe, increased IT expenditure and inclusion of Sentenial (25% of the increase).
- Underlying EBITDA down 8% YTD to \$40.3m, excludes \$13.6m of one-off overheads connected to the CBI matter expensed in the period.

1. Underlying Overheads, Underlying EBITDA and Underlying NPATA exclude the impact of CBI and related costs, including the Shine Group Proceedings.

2. EBITDA is equivalent to the statutory net profit/(loss) for the period including R&D tax offset and excluding share based payments, depreciation and amortisation expense, acquisition expenses, non-cash unrealised foreign exchange and CBI and related costs.

# Segment Analysis

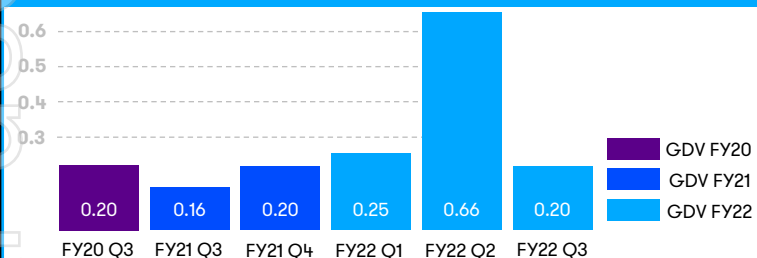
## General Purpose Reloadable (GPR)



**GPR volumes grew 25% compared to PCP**

- Revenue yield improved to 116bps from 109bps on the PCP.
- Growth predominantly from European programs with PCS, Correos and Home Office.
- GP margins down on PCP due primarily to European challenges of negative interest, reduced establishment fee income and delayed operational cost improvement projects

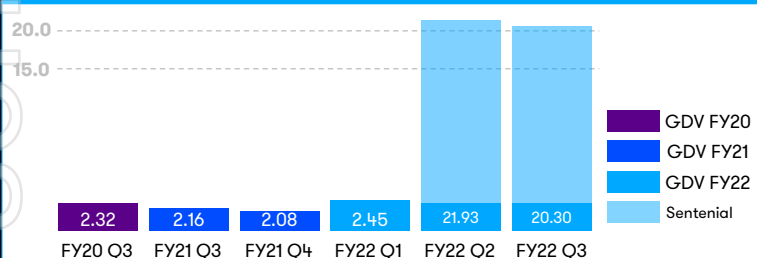
## Gift & Incentive (G&I)



**Gift & Incentive volumes exceeding pre-COVID levels**

- GDV 24% higher than PCP.
- GDV 7% higher than corresponding pre-Covid period (Q3 FY20).
- Yields lower vs PCP due to impact of reduced COVID breakage and mix shift to incentive programs.
- Segment volumes in Europe and North America exceeded pre-COVID levels.
- Same store mall volumes were impacted in December due to Omicron, some impacts remain in Germany, UK and Canada.

## Digital Payments (previously VANS)



**Continuing growth in Digital Payment Volumes**

- GDV up 572%, or \$38.6b, primarily due to inclusion of Sentenial volumes from October.
- YTD GDV split is made up of Sentenial (Direct Debit \$37.3b and Open Banking \$0.7b) and EML Digital Payments of \$7.2b.
- Open Banking volumes up 50% on Jan to Mar quarter in 2021 (pre-acquisition).
- Yield at 3bps in line with expectations following inclusion of Sentenial volumes.
- Open banking deals typically priced on a per transaction basis vs bps.

# FY2022 – Updated Financial Guidance

## Gross Debit Volume

**\$79bn – \$84bn**

(FY21: \$19.7b)

Previous

\$81bn - \$88bn

## Underlying Overheads

**\$106m – \$109m**

(FY21: \$76.8m)

Previous

\$103m - \$112m

- EBITDA guidance for FY22 reduced by approximately 8% to \$52m-\$55m.
- Prior affirmation of the guidance range was driven by our confidence in the success of the inactivity fee project.
- Australian and North American businesses performing in line with expectations.

## Revenue

**\$225m – \$235m**

(FY21: \$194.2m)

Previous

\$230m - \$250m

## Underlying EBITDA<sup>1,2</sup>

**\$52m – \$55m**

(FY21: \$53.5m)

Previous

\$58m - \$65m

- Operational execution issues in Europe and a more risk averse approach to new programs impacted the launch of new programs. We now anticipate continued challenges through Q4 which has led to a reduction in the guidance range.

## Gross Profit Margin

**~69%**

(FY21: 67%)

(No Change)

## Underlying NPATA<sup>2</sup>

**\$27m – \$30m**

(FY21: \$32.4m)

Previous

\$27m - \$34m

- H2 FY2022 Establishment income expected to be down \$4m vs H2 FY2021.
- H2 FY2022 below expectations by approximately \$1m-\$2m due to delayed regulatory approvals for EUR bond investments.
- Deterioration in current FX forecast rates from the prevailing rates in mid February are driving approximately \$1.5m of the guidance reduction.
- Overheads spend in H2 towards higher end of expectations.

## Operating Cashflow

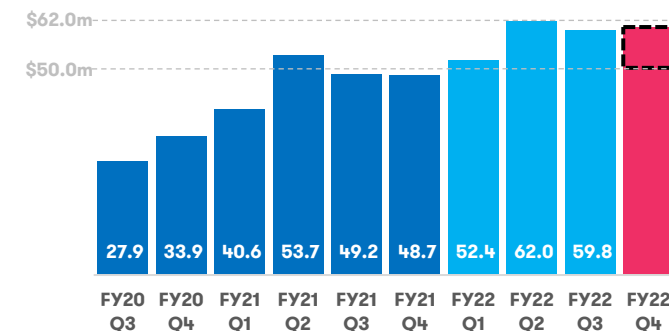
Previous

80% - 90%

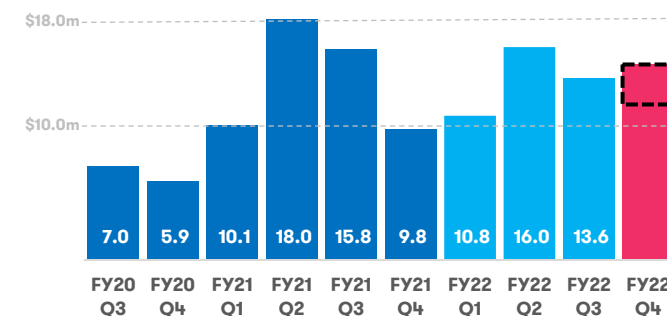
**50% – 60%**

(FY21: 87%)

Revenue Q3 FY20 – Q4 FY22



Underlying EBITDA Q3 FY20 – Q4 FY22



<sup>1</sup> Underlying EBITDA is equivalent to the net profit/(loss) for the period including R&D tax offset and excluding share based payments, depreciation and amortisation expense, acquisition expenses, non-cash unrealised foreign exchange and any costs related to the CBI matter.

<sup>2</sup> Underlying NPATA represents the profit generated by the business excluding all acquisition related costs including: amortisation, contingent considerations, share based payments, cash expenses that relate to acquisitions and any costs related to the CBI matter.

## Operational Initiatives to drive Europe recovery in FY2023

- Launch of new core GPR programs in Europe, including UpSpain and Banco Sabadell.
- Improved Open banking revenue growth as Sentenial accelerates under the investment plan.
- Four operational improvement projects in Europe (delayed from H2 FY2022) expected to contribute incremental \$4m-\$5m.
- Significant investments were made in FY2022 to manage the remediation plan and enhance the executive team in Europe. A project is now underway to identify global efficiency opportunities and offset inflationary cost pressures.
- Investments in EUR bonds (subject to regulatory approval), GBP bonds and rising interest rates expected to contribute incremental \$6m-\$10m in FY2023.
- Inactivity fees will continue to benefit the Group through FY2023, with higher cash conversion.

# Interest Rates & Stored Float

## Overview

- EML benefits as interest rates rise due to our large Stored Value Float.
- As at 31 March 2022, EML held an AUD equivalent of \$2.2b in its stored float.

## Central Bank Movements during the Quarter

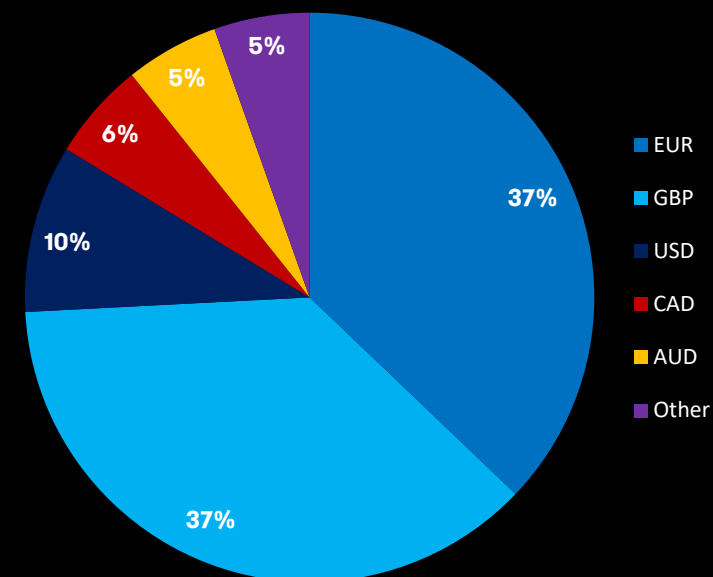
- US Fed Funds      ↑ 25bps
- Bank of England    ↑ 50bps
- Reserve Bank of NZ\* ↑ 25bps
- Bank of Canada\*    ↑ 25bps

\*Both RBNZ and Bank of Canada announced further increases of an additional 50bps in April

## EML Stored Float & Rising Interest Rates

- Incremental interest rate benefit locked in of A\$0.6m for Q4 FY2022 (vs. Q3 FY2022), primarily on GBP balances.
- We expect further incremental interest benefits to flow through as Central Bank interest rate rises are announced.
- Investments in EUR bonds (subject to regulatory approval), GBP bonds and rising interest rates expected to contribute incremental \$6m-\$10m in FY2023.

EML Stored Float by Currency at March 2022



# European Business Senior Leadership Hires

EML has welcomed a number of new highly skilled senior hires into our European business to drive the future success of this region



**David Curneen**

**Group Chief  
Operating Officer**

David is responsible for the operating and financial performance of EML globally and management of technology. He brings 20+ years of experience in senior leadership, executive and board positions in financial services, fintech and blockchain internationally.



**Jonathon Gatt**

**Chief Financial  
Officer, Europe**

As the CFO for the European business, Jonathon leads the finance and treasury teams across the regions. As a Chartered Accountant, Jonathan brings over 19 years experience in strategic and commercial financial management.



**Noel Gaughran**

**General Counsel,  
Europe**

An accomplished lawyer with more than 20 years' experience working in-house with two of Ireland's largest commercial banks across all aspects of their activities and with a track record of delivering results. As the General Counsel for EML Europe Noel is responsible for European legal matters.



**Jennie Power**

**European Compliance  
& Regulatory Director**

Jennie brings extensive international compliance experience within the finance sector. She has a strong understanding of banking regulation in Ireland, UK and Europe and deep experience with regards to managing Central Bank and other competent authorities including the FCA and BaFin.



**Marco Nuvoloni**

**Head of Compliance,  
Europe**

Marco is an experienced compliance and risk leader with extensive experience of dealing with complex regulatory matters. Marco holds Chartered Accountant (Ireland) and Licentiate of Compliance Institute (Ireland) designations.



**Juan Rio Salvador**

**Head of Risk, Europe**

A global risk management expert with over 20 years of experience in financial services. Juan has previously led corrective actions and remediation plans from regulators across multiple jurisdictions, including the OCC, CBI and the FCA, and set-up and enhanced governance, risk and control frameworks at multiple regulated entities.

02

**Business  
Development  
Update**

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# EML GPR business enters \$30 billion European Benefits Market

- EML entered the Employee Benefits Market (“EBM”) in Europe, covering meal vouchers and employee benefit solutions, initially through a multi-year agreement with Up Spain.
- Globally, the EBM is worth over A\$88 billion<sup>1</sup> and is expected to grow by A\$20 billion between 2021 to 2025<sup>2</sup>. Europe represents 35%<sup>3</sup> of this market, making it one of the largest prepaid verticals in Europe.
- Up Spain is a subsidiary of the Up Group, which offers employee benefits and incentive programs in 28 countries in Europe and 10 countries across the Americas and Africa.
- Up Spain is one of the three biggest providers in Spain, with over 1 million users across approximately 4,700 corporate clients and a network of over 30,000 restaurants.
- The deal with Up Spain provides EML with a platform to showcase its proprietary technology enabling real-time benefit and payment with just one transaction, accessing multiple accounts and data in the background for a seamless user experience.
- EML will be working to have this contract act as the basis for potential future growth in this segment.



1. <https://cordis.europa.eu/project/id/736302> published 24 June 2019 - Exch Rate: 1EUR = 1.50AUD

2. <https://newsroom.technavio.com/news/meal-vouchers-and-employee-benefit-solutions-market> - published 4 January 2022 - Exch Rate: 1USD = 1.39AUD (15/3/22)

3. <https://www.prnewswire.com/news-releases/meal-vouchers-and-employee-benefit-solutions-market-to-grow-by-14-64-bn-in-2021-industry-analysis-market-trends-growth-opportunities-and-forecast-2025-17000-technavio-reports-301273767.html> - published 21 April 2021

# EML powering delivery of Open Banking to Praxis Tech and its 450 PSPs

- EML's open banking business, Nuapay, has partnered with Praxis Tech (Praxis) to power the delivery of open banking and account-2-account payments to Praxis' clients across Europe.
- This partnership will allow Praxis to provide users with an enhanced experience to better take advantage of trading opportunities.
- Praxis' integration with Nuapay's proprietary open banking technology and industry-leading instant cardless payment solutions will be available to Praxis' European customers.
- With Praxis already live in the market, Nuapay has added to its existing Payment Service Providers (PSPs) network, including Worldpay, Visa's CyberSource, Nuvei and more.
- Praxis is a world-leading payment technology integrated with over 450 PSPs<sup>1</sup>. Its omnichannel gateway aims to streamline the payment experience and optimise payment architecture. Nuapay brings the advantages of open banking payments to the flagship Praxis Cashier product.



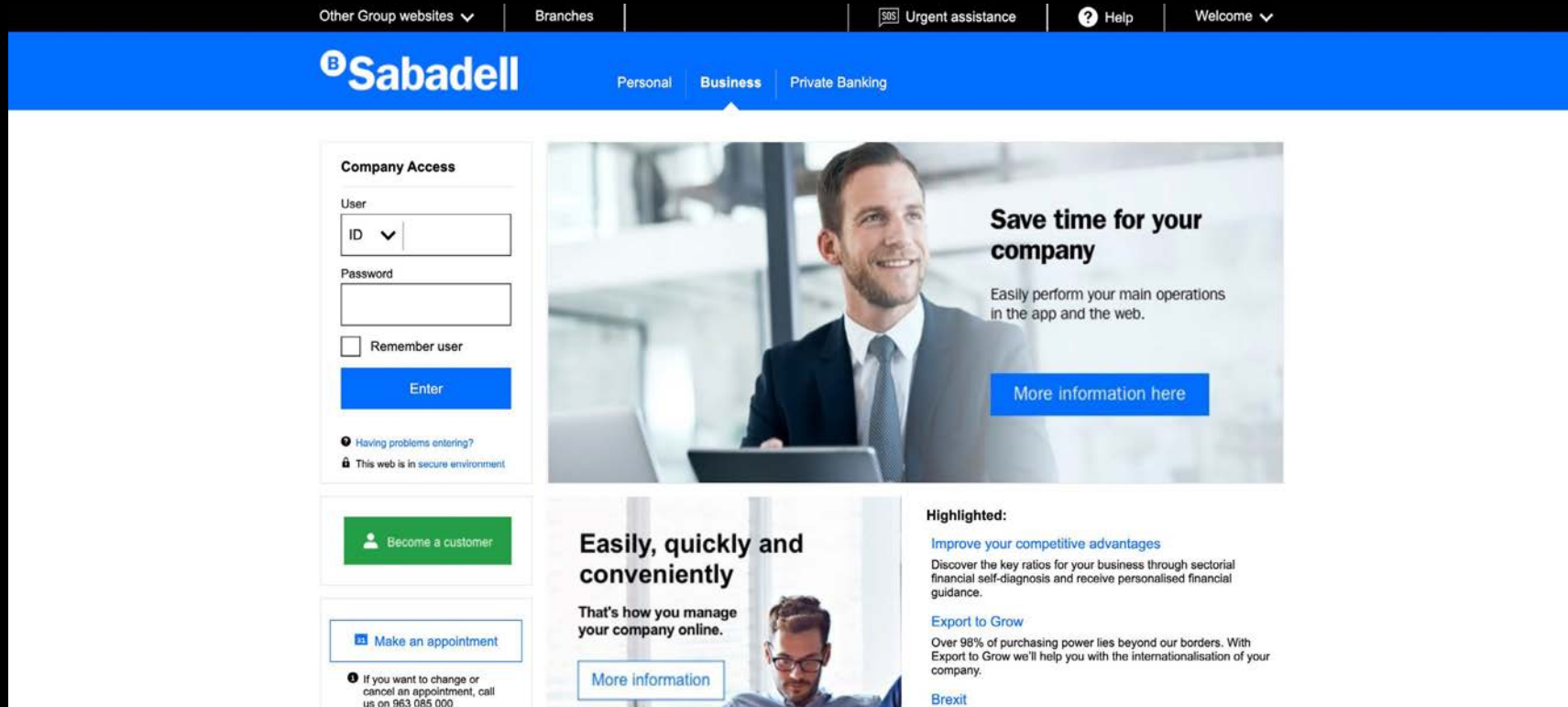
"Solid partnerships help fuel growth in open banking. This partnership with Praxis delivers market-leading payment solutions to their customer base, demonstrating once again their impressive ability to take advantage of innovations and respond to their customers' needs."

**Brian Hanrahan**  
CEO, Nuapay

<sup>1</sup>. Praxis Tech, February 16<sup>th</sup> 2022 <https://praxis.tech/blog/meet-praxis-tech/>

## EML launches next generation TRACE processor for 4<sup>th</sup> largest Spanish Banking Group

- Banco Sabadell is the 4<sup>th</sup> largest Spanish Banking Group with over 26,000 employees.
- Nomo is a BaaS digital tool to control the accounting, finances and of SMEs. Nomo provides customers with an IBAN and mobile prepaid cards to allow customers to receive, make payments and control expenses.
- Program provides a choice for the customer to offer a prepaid virtual or physical card, SEPA direct debit functionality as well as Apple Pay and Google Pay capabilities.
- Program is now live on the TRACE processor following the successful completion of testing.



# EML Helping Communities

## CORE Humanitarian Program

CORE (Community Organized Relief Effort) is a non-profit organization founded by actor Sean Penn. EML is working with CORE to assist with the disbursement of emergency funds to provide Ukrainian refugees with cash assistance, medical relief, emergency shelter, food, water and other essential resources.

## Uniting Care (Victoria and Tasmania)

In 2021 the Federal Government announced a \$145 million<sup>1</sup> national program to support victims of domestic violence with an 'escaping violence payment'. EML has signed a contract with the lead agency (Uniting Care) to help provide domestic violent victims with an instant, secure, safe payment tool that will help them escape violent relationships.



# Digital Payments - Open Banking a Major Payment Transformation

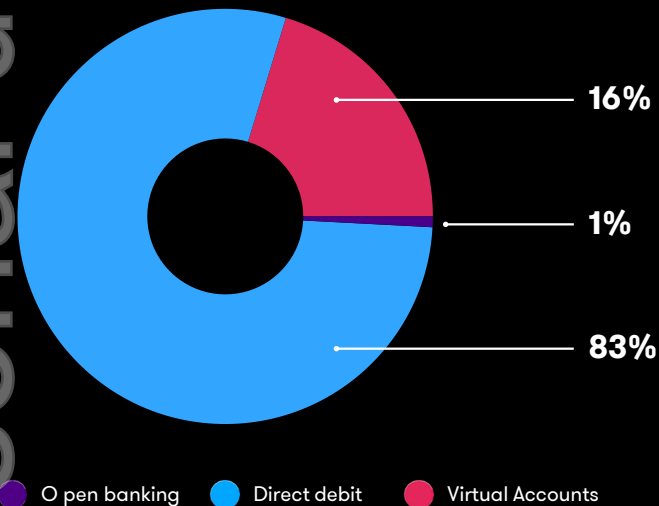
EML well positioned in European open banking market and for future expansion to other markets

## Sentential Highlights Q3 FY2022

Open banking volumes have grown 50% during Q3 FY2022 vs Q3 FY2021.

Annual recurring revenue rate for March 2022 exceeded A\$4m, up 31% on PCP.

## Total Digital Payments GDV - YTD (Mar22)



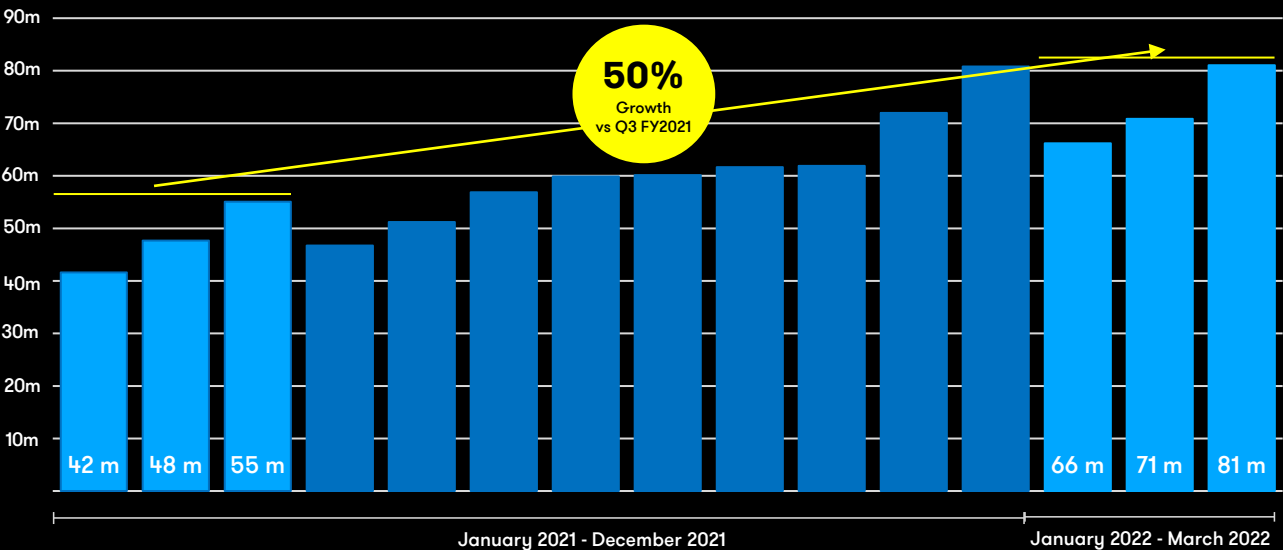
## Recent Wins

- Instaserve (food ordering app)
- PayByZap (mobile payment app for the retail sector)
- uOwn (property investment and finance platform)
- Digicounted (gift cards)
- Trade Nation (trading)
- Their Perfect Gift (gift cards)
- Digital State (Tipping Fintech)

## Growth/Integration Plan

- 7 hires completed, 4 in offer stage.
- Further 3 senior hires imminent.
- Pipeline continues to expand.
- Committed to €5m investment in sales & marketing.
- Reviewing finlab investments in open banking

## Open Banking Volumes



## Open Banking – Additional Sentenial opportunities

Strong cumulative growth with 5 million<sup>1</sup> regular users of Open Banking in the UK as of January 2022.

Trajectory of open banking growth continues to increase. It took 10 months to grow from 1 million to 2 million customers<sup>1</sup>. The growth from 4 million to 5 million customers took 4 months<sup>1</sup>.

### Variable Recurring Payments (VRP)

- Ecosystem and standards continue to evolve and expand to improve the user experience and enable new use cases which offer additional opportunities for Sentenial.
- An example is VRP in the UK, which are a payment instruction which can be set up to make a series of future payments.
- With VRP customers agree payment parameters with a Third Party Provider, and authenticate that mandate with their bank. Thereafter, payments can be initiated without the customer having to take any action.
- At present they are used to enable businesses to 'sweep' money between different accounts to run their finances more effectively.
- The UK Competition and Markets Authority (CMA) has required the nine largest UK banks to implement VRP to enable customers to sweep money between their accounts.
- A wide range of use cases are enabled by this extension to UK Open Banking, including Smart Overdrafts, Automated Savings, and with some further iteration also potentially Recurring Billing and Ecommerce card-on-file.

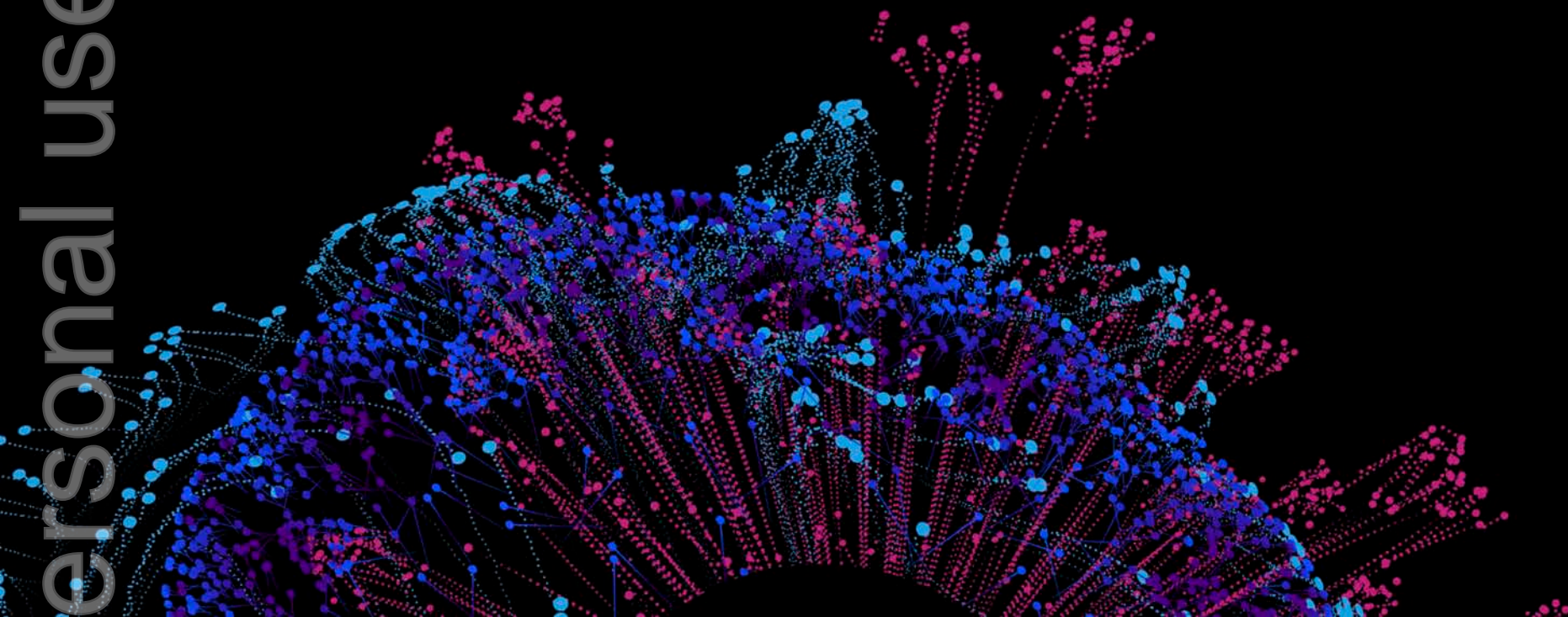
<sup>1</sup>. <https://www.openbanking.org.uk/news/open-banking-passes-the-5-million-users-milestone/>



Thank you

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