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ASX Market Announcements
20 Bridge Street
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Investor Presentation Transcript

EML Payments Limited (ASX:EML) ("EML or **Company")** is pleased to provide investors with the attached transcript of a briefing to shareholders and the investment community held on Wednesday 22 February 2023 following the release of the FY23 Interim results.

Investors can also access a recording of the webcast via the following link: https://www.openbriefing.com/OB/EML-Payments-Limited/2023/2/22/EML-Half-Year-2023-Results-Briefing/5020.aspx

About EML Payments Limited

EML Payments is a global payments company that operates in Australia, the UK, Europe, and the US. Our customers are diverse and include major banks in Europe, government, retail brands and financial services companies. For more information: EMLPayments.com

This announcement has been authorised for release by the Company Secretary.

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Event Transcript

Company: EML Payments Limited

Title: EML Half Year 2023 Results Briefing

Date: 22 February 2023

Time: 10:00 a.m. AEDT

Start of Transcript

Operator: Thank you for standing by. Welcome to the EML Payments Limited Half Year 2023 Results Briefing. All participants are in listen-only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question, you will need to press the star key followed by the number 1 on your telephone keypad. I would now like to hand the conference over to Ms Emma Shand, CEO. Please go ahead.

Emma Shand: Thank you and good morning, everyone, and welcome. Thanks for your time today and your ongoing support of EML. With me today is our Interim Group Chief Financial Officer, Jonathan Gatt. For those who haven't met yet Jon, he's been our EML's European CFO based in the UK which represents the largest part of our customer and employee base.

Today we will take you through our financial performance for the half year and give you an update on the early progress of our strategic initiative to transform EML following the announcement three months ago of our new strategy. Jon will take you through the details of our financial results and, following that, I will talk about our current strategic initiative.

Our financial results for the half year were in line with expectations, reflecting the heavy set of challenges the Company has faced over the past two years and reinforcing the importance of our transformation strategy. Like many other global technology companies, we're also seeing the sales cycle extend due to the growing economic uncertainty. The challenges of rising costs due to inflation and demand for good talent in key areas is also impacting EML. However, increasing rate rises by central banks is offsetting some of the downside risk.

Gross debit volumes were up 55% to $49 million which can mostly be attributable to our Sentenial acquisition included for the full year. Revenue was up by 2% on the prior corresponding period to $116.6 million, including significant growth in interest income of $7.1 million. Underlying EBITDA dropped 50% to $13.4 million for the prior – versus the prior comparable period. This was due to a 35% increase in overhead, primarily from our inclusion of our Sentenial business for the full six months and additional investment in our European business. Underlying NPATA was $0.7 million, down 95% for similar reasons to the impact on EBITDA.

During the half, we have recognised non-cash impairment expenses of $86.2 million in relation to the PFS Group and $35.1 million in relation to the Sentenial Group. The impact of these impairments was that the Group recognised a net loss of $129.9 million for the half. Jon will provide more detail on the impairments in his summary of the financial results.

Our cash at bank is $79.2 million, up 7% in the half due to the settlement of our stake in Interchecks announced at FY22 full year results.

In relation to the performance of our business segments, in summary, gross debit volume, or GDV, was up via the – versus the prior year in all of our segments, with our general purpose reloadable business up 4%, gift and incentive up 16% and our open banking volume up 71%. Our general purpose reloadable business maintained momentum, growing revenue 4% to $72 million, despite the European regulatory matters which is impacting our ability to launch new programs.

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We're seeing growth in our strategic vertical human capital management in Australia, specifically our salary packaging market where volumes were up 8%. While volumes were up in our gift and incentive segment, revenues were down by 8% to $34 million as we had some one-off revenues in the prior period. Mall volumes continue to recover post-COVID and it was pleasing to see the majority of growth coming from the incentive side of the business.

Open banking and digital payments revenue grew 37% to $10.5 million, which was mostly attributable to the addition for the full half of our Sentenial business.

I will hand over to Jon to talk you through the detail of our half year results and then we'll update you on our transformation strategy progress.

Jonathan Gatt: Thanks, Emma, and good morning, everyone. I'm going to take you through the financial results for the half year, starting on slide 5 of the pack. I'm really pleased to present my first set of results as Interim CFO. You can see from the results that we have more work to do and key to that is ensuring we continue to focus on implementing the strategy Emma announced at the AGM.

While it's been a challenging half, we have continued to see volume growth across the business. The full period impact of Sentenial and the volumes passing through the direct debit product has resulted in GDV increasing to $49.4 billion in the six months to 31 December, up 55% on the prior comparable period. Excluding Sentenial, we've also seen organic GDV growth of 8%.

Revenue grew 2% over the prior comparative period to $116.6 million. Our business model is one where we derive revenue through various streams and after a long period of declining interest rates, the business has benefited from the rising rate environment in the first half, with an additional $9 million of net interest income versus $2.3 million across the whole of FY22. I'll talk more about interest later in the presentation.

Revenue also benefited by $2.9 million from the inclusion of Sentenial for the full six months versus PCP. These amounts were offset by one-off fees of $4 million recognised in the prior period in the gifting business. The regulatory matters experienced across our European PFS business also continued to impact our ability to launch new programs, contributing to establishment income being down $4 million on the PCP. Underlying gross profit margins were higher at 68%, up by 1% relevant relative to the PCP as the improved interest revenue offset establishment income – lower establishment income.

For underlying overheads, the first half came in at $65.5 million. This is up 35% on the PCP. We expect to continue to track slightly higher in the second half as we invest in ensuring we meet our regulatory obligations. The main contribution to the increase was due to including Sentenial for the full period and the continued investments in the business which we have previously foreshadowed. We've also seen an increased travel expense post-COVID. Like most businesses, we continue to deal with inflationary cost pressures, particularly in the labour market.

From a cash flow perspective, our cash balance was up $5.5 million to $79.2 million as the proceeds from the Interchecks sale flowed through. Additionally, our underlying operating cash flows as a percentage of underlying EBITDA were at 102%. This reflects a normalisation of this metric to more historic levels as the FY22 metric was impacted by the introduction of the account maintenance fee or AMF.

We have taken up a non-cash impairment on goodwill in both the PFS and Sentenial Group of companies. This is reflected in our statutory accounts and not included in the underlying numbers presented on the page. This is largely driven by an accounting assessment of the impact of the macro environment and the lower ramp than originally envisaged.

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Moving to the next page. We've spoken about underlying results and on this page, we walk between reported and underlying. Here you see the business has incurred a number of costs during the first half that we expect not to repeat, namely remediation costs, non-recurring fraud losses and restructuring and strategy costs. We see the impact of the previously mentioned impairments in coming to our net loss after tax. Whilst costs are material – whilst these costs are material, underlying EBITDA better represents the trading performance of the Group in that – in the year. The effects of these adjustments is that underlying EBITDA was $13.4 million and underlying NPATA was $0.7 million during the first half. Later in the presentation we will talk through our FY23 guidance.

Moving onto slide 7 to look at our GPR segment. It's continued to be a challenging time for our European GPR business. Our GPR segment services a range of customers across a number of verticals including government, financial services and human capital management. Our gross debit value for the segment rose to $6.5 million, up 4%. Revenue was $72.1 million, exhibiting growth of 4%. This was despite lower establishment income in our European businesses which is offset by improved interest income. Gross profit margins were 59%, driven by improved interest income partially offset by higher scheme costs from cross-border consumer spending post-COVID.

We move to slide 8 now. Our gifting segment continued its volume recovery. As we noted at the AGM, volumes in our gifting segment were running above the prior period in the six weeks up to mid-November. This result continues through the key December period. Our G&I segment volumes were up at $0.2 billion or 16% on the PCP. The upside, however, largely came from our incentive programs which grew 31%, resulting in a mix shift with the incentives part of the business now accounting for 44% of the total volumes. We have previously noted the opportunities in the incentives space and have been expecting this mix change.

One such opportunity driving the growth in our incentives segment has been in Ireland, where an increase in the threshold for tax-free incentives to €1,000 per employee drove high demand in the leadup to Christmas.

Looking at revenue, although it inclined at the headline level, the prior year benefit from a – benefitted from a $4 million one-off fee impact and the final impacts of COVID on breakage. The additional volume growth in the incentive space and the subsequent mix shift, has resulted in revenue yield reducing and incentive programs are typically lower yielding but do provide additional opportunities for growth. Gross profit margins were largely flat on the PCP at 80%.

On slide 9, the digital payment segment include a full six months of the Sentenial business which consolidated from 30 September 2021 in the PCP. Investors will recall that the acquisition of the Sentenial business brought EML an established low growth direct debit business which has large GDV that operates at a very low revenue yield. In addition, it added a higher growth but currently small GDV business focussed on open banking called Nuapay. The open banking business grew 19% over the prior period, including the period before EML ownership and now represents 2% of the overall digital payments volume.

The Nuapay business has been working hard to recruit and onboard additional resources since our acquisition. It has performed well in signing a large number of large acquirers. The challenge ongoing will be additional resources to help drive continued adoption.

Excluding Sentenial and Nuapay, the remainder of the segment grew volumes approximately 6%. Total segment revenues increased 37% to $10.5 million. The Sentenial and Nuapay businesses are high gross profit margin businesses with few direct costs which led to segment gross profit margins increasing to 89% for the year.

Moving onto slide 10 and to Group underlying overheads. On this slide we're presenting the Group overheads, excluding non-recurring costs associated with the European regulatory matters and restructuring the strategy formulation cost. These costs are non-recurring and total $13.1 million. Underlying overheads increased 35% on the same prior period, primarily reflecting the inclusion of Sentenial for the full six months and the investments in that business's sales and marketing teams to drive growth in open banking.

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In addition, we've continued to invest in the resources required to ensure our ongoing compliance with our regulatory obligations. Like most companies, we are also seeing inflationary impacts, tight labour markets, particularly in Ireland, impacting our costs.

Likewise, professional fees were driven high due to increased costs of audits and other professional advisory. These investments are necessary and prudent as we continue to build a sustainable business focussed on delivering our regulatory obligations. We continue to be of the view that the evolving regulatory landscape will require companies in the payment services space to adhere to more stringent, ongoing regulatory requirements.

Sentenial costs were $6.8 million for the period and we expect the cost base of that business to continue to increase across the remainder of FY23 and additional resources joined to drive growth in Nuapay. We committed to investing €5 million in additional resources when we acquired Sentenial and we expect more than half of those – that incremental spend to be incurred in FY23. ICT costs increased as old IT hardware transitioned to the cloud, particularly for the Australian business.

Moving to slide 11 and looking at our balance sheet. We remain in a strong balance sheet position with $79.2 million of cash on hand and over $50 million of contract assets. At least 40% of this will convert to cash within 12 months.

We've split out our cardholder assets of $2.7 billion and the corresponding liability owed to our card holders of the same amount. These are the amounts held on behalf of our customers in cardholder float where we self-issue these products under our own licenses. It's less than our total float of $2.9 billion, which includes the North American business where it's issued by our partner bank.

As at December we have current provisions of $15 million in relation to expected future costs of the PFS regulatory matters and legal fees associated with the class action.

Moving to slide 12. I mentioned earlier in the presentation that we've taken non-cash impairment write-down in relation to both PFS and Sentenial businesses. A partial offset to the Sentenial impairment has been the reduction in the continued consideration liability relating to the Sentenial acquisition. This is linked to the expected earnout payable in relation to calendar year 2023.

We move on to slide 13 and look at our cash flows for the half year. Operating cash flow conversion percentage of EBITDA improved to be in line with more historic levels at 102%. Cash flow conversion from the AMF previously recognised as income is flowing through in FY23. In addition to the improved underlying operating cash flow conversion, we also received cash inflows from the sale of Interchecks during the period.

Turning to slide 14 and interest. We continue to see increasing benefits from the interest we generate on our stored value float which was $2.9 million at the end of December. That balance typically peaks in December, in line with increased seasonal volumes. As we noted at the AGM, compared to the $1.4 million we made across all of FY22, we have made $2.5 million in the first quarter and then increased that to $6.5 million in the second quarter of FY23. The run rate has further increased in January following further interest rate rises such that the annualised interest run rate is now $29 million. Given central banks continue to note challenges around taming inflation, we expect central banks to continue to increase interest rates across the remainder of FY23.

Moving to slide 15. We are reconfirming our underlying EBITDA guidance provided at the AGM. On the slide we have just provided a waterfall of how the first half performance translates to that range. On revenue we have adjusted the range based on first half performance and the upswing we expect in interest. Our base case assumes rates remain in line with their current levels and any other – any further rate rises would provide further rate income upside. GP margins we expect to remain fairly stable.

On overheads we have reduced the range to between $133 million to $140 million based on our first half run rate and expectation for the second half, including additional costs we expect to come through as we continue to onboard resources to complete the remediation program in Europe.

This results in providing our guidance range of revenue of $235 million to $245 million. GP margin at 67%. Overheads at $133 million to $140 million. Underlying EBITDA unchanged at $26 million to $34 million. We have included underlying NPATA range of negative $4 million to $4 million.

I will now pass back to Emma to talk through transformation strategy.

Emma Shand: Thanks very much, Jon. Now to update you on the process – or the progress rather of our strategy execution. I announced our new strategy at the annual general meeting in late November last year. While it has only been three months since that time, our teams are working hard to rebuild and strengthen our foundations and execute on our key priorities. To recap our strategy, we have a vision to be a payments leader in embedded finance over the five years in four target segments. Human capital management, financial services, government and retail and gifting.

Our strategy is underpinned by three pillars. Elevate, Streamline and Reposition for Growth. We will elevate our European and UK remediation efforts, embedding a strong risk-aware culture in our business. This is the strengthening of our core that will hold us in good stead as we navigate a rapidly evolving payments and regulatory landscape.

We will streamline customer and operational effectiveness to drive better operating margins, including rightsizing our business over time, building a centralised technology operations and innovation hub, transforming the customer journey, rationalising legacy and duplicative technology, modernising our technology and operating platform, creating a single source of data to drive better decision-making and strengthening compliance.

Our third pillar, repositioning for growth, is about repositioning the base and evolving into an embedded finance leader in four sectors over the next five years which I mentioned earlier.

I want to give you an update now on the progress of our strategic initiatives starting with Elevate, which is our number 1 priority, and our remediation efforts, as I know for our investors, our customers, our people and our regulators is top of mind. As I mentioned at the start of this presentation, we're making solid progress on our remediation in our prepaid businesses in Ireland and the UK which we are committed to completing by the end of December this year. We will have completed our distributor reviews by the end of February which is reviewing the business models and key operational and structural arrangements to identify and mitigate risk.

We have launched a data platform with elevate as a key initial priority. We'll have a single ontology covering all of our Irish subsidiary distributors, cardholders and transactions dating back five years enabling dynamic risk scoring.

We have strengthened our Board governance with increased interactions with the Group Board and Group Executive across those PCSIL in Ireland and PFS UK. Indeed, our substantial progress on governance has been acknowledged by the Central Bank of Ireland.

In our Irish entity, we have scoped the third-party assessment and are aligned with a designated third party to perform the critical remediation assessment to our plan. This assessment is paramount in satisfying the regulators that we have completed and embedded the remediation program and its control to their satisfaction before [both] restrictions may be lifted.

Both entities continue to enhance outsourcing governance, a key plank of the remediation program which is around clarity and documenting the scope of services, arrangements and policies from external and internal outsourcing

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vendors. In our PSF UK entity, a risk matrix has been approved and enterprise-wise risk assessment methodology adopted facilitating risk identification and the mapping of internal control.

EML is not alone in tackling financial crime. Financial crime is increasing and is impacting banks, financial and payments institutions across the world. The regulatory environment is also fast-changing. Our banking partners in Europe and Australia have been really open with us in sharing best practices in tackling this industry problem and we are committed to playing our part.

If I move on to our strategic pillar of Streamline, there are six levers we said we would focus on to drive customer and operational effectiveness. A key efficiency and value leader for EML will be better organising and harnessing our data. In this vein, we have accelerated the launch of a sophisticated data platform to support Elevate as a priority. To be clear, our data initiatives in 2023 will be concentrated on supporting the efficacies of our regulatory remediation. For example, we have ingested data from five disparate systems into a single ontology to give us a 360-degree view of distributors and cardholders. This translates to millions of cardholders where we can apply dynamic risk scoring to drive evidence-based decision making and actions in line with our regulatory obligations.

Staying with data and towards strengthening our compliance, we have appointed a data protection officer and have successfully piloted behavioural analysis technology for anti-financial crime purposes.

Moving on to our other Streamline initiatives. We have completed a new global organisational structure aligned to our strategy focused on four key business units, product and customer experience, all serviced by a central technology data operations and innovation hub. This will be rolled out in February and March. This is different to how we're currently structured, which was complex, regionally focused and siloed. This clearer new structure will drive accountability and performance. We'll have the right people in the right roles and performance measures will be aligned to the new strategy. Our people are critical to the success of our strategy and investing in them is part of that.

Over the last two months we've been holding focus groups, one-to-one interviews with leaders and surveys with our employees as we seek to reset our ambition or purpose and our values to align to the EML we want to be. More than 50% of our employees have participated in one of those forums and the energies, the passions and the frankness of the feedback has been heartening in wanting to make EML a great place to work. We are in the final stages of testing our ambition and values and we will be looking to launch them into our organisation in March and embedding them thereafter to drive cultural transformation, to be more customer focused and higher performing.

We are also transforming the customer journey and our service models based on customer segmentations, profitability, risk profiling and aligning our sales and new account management roles to our targeted industry vertical. We've also created a new role, General Manager Global Customer Experience, with an appointment imminent, which shows the importance we're placing on enhancing customer experience.

On the technology front, if we move to our lever of rationalising and modernising technology, we successfully moved 100% of our Australian paytech into the cloud and will be looking to do this across our technology estate over time. In Europe, an initiative to decompose our payments middleware is showing early signs of improving latency and resiliency of our payment system.

On costs, we have a target to reduce controllable costs by 10% to 15% starting in FY24. While we need to invest in technology, in products and our people as part of EML's transformation, we've begun to identify cost savings starting with a review of our supplier and vendor procurement policies - priorities rather - to see where we can extract cost efficiencies.

Finally, to our Reposition for Growth strategic pillar to be an embedded finance leader in four key segments - human capital management, or HCM; financial services; government; and retail and gifting. We have just launched a new

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human capital and payroll product suite with a strategic customer and digital roadmap. We have recently gone live with a major HCM enterprise, Ceridian, with two of our payment products in the UK. EML has a strategy advantage to play in this area. We have an established footprint and credibility with large enterprise customers especially in Australia where we service over 90% of the salary packaging market. The serviceable addressable market for HCM globally is estimated to be $26 billion a year with a CAGR of 6%.

Key to our strategy in growing our business responsibly is to expand our offering of open banking to our prepaid card customers. In the UK there were 2.8 million adopters of open banking in December 2020. You may recall at the AGM in November we reported this number to be near 6 million users. A report out from the Open Banking Implementation Entity overnight suggest just over 7 million consumers and small businesses used open banking in the UK during January. That's 1.2 million new users in January.

Open banking gives customers greater access to and control over information in relation to their data and identity to affect payments. EML, via its Sentenial opening banking business, has a strong foothold in the European financial services market, with four to the seven major seven banks in the UK as clients. In this first half to the financial year we have won new business including corporates such as Volvo and payment service provider Paysafe. In the government sector, we remain the partner of choice in the UK, winning the North Eastern Purchasing Organisation, NEPO, which is the largest procurement framework for local government authorities.

So we're making early progress and at our full year results in six months' time my expectation is that we will be further progressed on our remediation programs in both Ireland and the UK, we will have rolled out our organisational strategy - or structure rather - and have clear performance measures aligned to our strategy. We will have a new ambition statement and values, embedding them across the global organisation to drive cultural change. We will have made progress on improving the customer experience, outlined steps towards rationalising and modernising our technology estates and we will have further sequenced cost efficiency initiatives to commence in FY24.

I am excited about the future for EML. There is a lot of work to be done to rebuild the business and grow responsibly. At the AGM, I said that in five years' time EML will be a different company to the one that it is today. I am confident we have a strategy to build a strong, resilient and profitable company, delivering long-term value creation for shareholders. On behalf of the EML team, I thank you for your support. I'll hand back to operator now for questions.

Operator: Thank you. If you wish to ask a question please press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request please press start 2. If you are on a speaker phone please pick up the handset to ask your question. Your first question comes from Elijah Mayr with CLSA.

Elijah Mayr: (CLSA, Analyst) Good morning and thanks for the questions. Maybe just firstly, can you give a little bit more detail on the decision by Up Spain to no longer work with EML and is there risk of other clients and customers walking away also?

Emma Shand: Okay. Good morning. Thanks very much for the question. We obviously don't want to speak towards any specific customer but what I will say is that obviously the strategy of our customers is something we try to closely align with in terms of our product roadmaps and so forth. So in this case we're very confident we delivered all of our obligations towards Up Spain. We'd love to have the opportunity to work with them in the future. But at this point in time they've obviously got a strategy which they're executing against and we remain open to collaborating with them in the future.

Elijah Mayr: (CLSA, Analyst) Is there any commentary from Up Spain that you could share? Just trying to get a sense on what the core reason was.

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Emma Shand: Up Spain hadn't launched as a customer at this point in time so, as I said, we fulfilled our obligations. We are in close dialogue with them and will continue to try and support them if their future needs change for sure.

Elijah Mayr: (CLSA, Analyst) Is there any risk I guess the reason Up Spain walked away that could relate to any existing customers on EML?

Emma Shand: I suppose you're asking about some sort of contagion risk and I would just say on behalf of the team at EML we're very, very focused on our remediation program - our Elevate program - and in doing so we've obviously had to, I suppose, take trade-offs and if it's in enhancing our products and so forth that is taking a backseat to our execution of the Elevate program. So we're in really constructive dialogue with most of our customers.

Some have been impacted by some of our remediation program decisions and we don't walk back from that. Our key motivation is to get through the remediation program in a very solid way - we're making solid progress now. We obviously are committed to concluding that successfully by the end of this calendar year and to the extent that we take decisions based on our risk appetite and regulatory requirements that's going to be our key focus.

Elijah Mayr: (CLSA, Analyst) No problem. Then maybe just - are you able to comment on the expectations for breakage and dormant fees that feed into the FY23 guidance?

Jonathan Gatt: I will take that one, Elijah. We don't typically provide forward looking detail in that level of detail. So I think what you can see in the first half is breakages picked up aligned with volumes increasing in the gifting segment and we would expect that to translate at some point in the future but we wouldn't give specific guidance on that.

Elijah Mayr: (CLSA, Analyst) No problem. Then maybe just one final one. Just on the comment around cost out in FY24 of 10% to 15%, is that sort of an aspirational net number that you're trying to achieve on the FY23 base or is that sort of more specific to certain costs within the business?

Jonathan Gatt: It's off the FY23 base. What we would - as Emma mentioned as she went through the transformation strategy section, we're taking a look at how we structure the business - how we resource the business - to ensure that we're supporting all our resources in the most efficient way to deliver our obligations to our customers and to our stakeholders as well. So we're undertaking that review at the moment and we'll share more details at the appropriate time.

Elijah Mayr: (CLSA, Analyst) So the target there is to have FY24 OpEx 10% to 15% lower than FY23 OpEx? Just wanted to confirm.

Jonathan Gatt: Our aim will be that we will have the actions that get the full year impact of those overheads quantified, the impact of which will occur in FY24 but will continue into FY25 as well. So the full impact may not occur in FY24.

Elijah Mayr: (CLSA, Analyst) No problem. Thanks for the questions.

Operator: Once again, if you wish to ask a question please press star 1 on your telephone and wait for your name to be announced. Your next question comes from Tim Plumbe with UBS.

Cissy: (UBS, Analyst) Hi Emma, Jonathan. Can you hear me okay? Hello?

Jonathan Gatt: Yes sorry. We sure can.

Cissy: Hi. Sorry, It's just Cissy dialling in on behalf of Tim Plumbe who's just been caught up with three results. I've just got two quick questions. The first one is around the guidance for overheads. What's driving that reduction in overheads compared to the guidance you provided at the AGM update?

Jonathan Gatt: Yes. I think primarily as we flagged in our half year results we are seeing challenges in the labour market and that is causing some delays in recruitment. We expect that to be addressed as we go through the second half. I think really that's the primary driver of that. So it's just delay in recruitment.

Unidentified Participant: (UBS, Analyst) Okay, great. Thanks. The second question is around interest income. So at the AGM I think the expectation was the $17 million to $21 million of interest income across FY23. That's obviously been revised up. If that's dropping down at 100% margin, what's keeping that GM at 67% and also the underlying EBITDA guidance unchanged?

Jonathan Gatt: Yes. So interest does fall straight down to the bottom line. I think really the reasons for the change there is the underlying business has seen slower ramp due to the economic climate but also just the cost of - costs incurred in getting our regulatory environment up to where it needs to be and making sure that we're signing the right customers within our risk appetite. So I think definitely interest income is part of our revenue model and it is what we would expect to come through in normal circumstances. However, we are seeing challenges on our core - on our other revenue streams just as we - as we deal with the current economic crisis within Europe.

Emma Shand: I think that's very much reflective of the economic cycle we're in and certainly we are seeing a little bit more of a lag on the sales cycle. That's what we're witnessing in some parts of our business and actually that is where the team is very focused on building up the pipeline for, really, programs to be launched next calendar year which would tie in with our restrictions lifting in Ireland we hope and also coming out of the voluntary requirement with the FCA in the UK.

Cissy: (UBS, Analyst) Thanks guys.

Operator: There are no further questions on the phone. I'll now hand back to Ms Shand.

Ryan Chellingworth: Just holding there for one minute, we do have some questions that have come through on the webcast. So first question if we can is can you break down the $15 million in professional fees spend for the half? How much of that will repeat in the second half and why are you spending so much on consultants?

Jonathan Gatt: Yes. So I'll talk to that one. So underlying professional fees includes costs of audit. With the regulatory requirements that are evolving, as we mentioned in Europe and around the world, this has required us to undertake specific tasks in a relatively short period of time. The resources that are needed and the skillsets that are needed in that short period of time have needed us to engage subject matter expertise that currently don't exist within the Company. On an overall - on an ongoing basis, as part of our streamline pillar of our strategy we're going to review all our costs, all our requirements and obligations and make a decision on the best way for EML to resource that, be it to continue to engage external resources or bring that skillset in-house by hiring in appropriately skilled people.

Ryan Chellingworth: A second question has come through on the webcast. Can you break down your borrowings and do you expect the PFS debt to be paid?

Jonathan Gatt: The breakdown of the borrowings is in our interim financial report so I'll let you review that in your own time. What I would say is the PFS debt is there and it's there as a liability on our balance sheet. We will continue to show that and intend to pay that down as a liability that sits in there as we're required to do and as our obligations state under that borrowing.

Ryan Chellingworth: The next question has come through. Is there any scope for you to be able to recover any of the fraud costs relating to the Sentenial business?

Jonathan Gatt: With regard to fraud costs we try and recover all that we can so far as what's possible under the law and under the specific regimes that we exist in. So the answer is yes, with best efforts but we believe the loss that we've taken in our financials currently reflects our likelihood of recovery.

Ryan Chellingworth: We have had a couple of others come through. Thanks for the questions session. Fantastic strategy. Would you comment on the impact of Sentenial direct debit declining? Is direct debit a strategic product to EML? Is there any investment in open banking recurring facility to replace UK direct debit? Are you expecting clients to leave Sentenial?

Emma Shand: I'll take that one. So certainly our Sentenial direct debit business is something which has been in place for a number of years. We do see that being overtaken by the open banking business and I think the growth figures you've seen in this half year is really promising and also the adoption figures that we - that came in overnight from the UK's Open Banking Implementation Entity.

So we certainly are making investments into the open banking area - the Nuapay business as Jon mentioned. We have beefed up our sales and partnership relationship management team and we just are readying ourselves for really that curve of adoption to really swing upwards. As I say, some fantastic brand name customers which we've managed to take on in this half. That's really encouraging.

I think when we look at our strategy it is about really combining our products so that is combining optionality for our customers to choose direct debit, SEPA payments, open banking, fast repayments or account-to-account payments or even the prepaid card rail - so the scheme rail. So that's the sort of optionality and interoperability we're looking to reinforce with our technology, our robustness, today and into the future. Obviously we need to make some investments in technology but that's where we're heading. It's about choice, it's about interoperability and passing on cost savings to all the end users and the community.

Ryan Chellingworth: We still have a couple more on the webcast. How much did the London office remodelling cost EML in the half?

Jonathan Gatt: We haven't incurred any remodelling costs in the first half.

Emma Shand: No, we haven't. We've certainly gone through a remodelling of the office on the outside but not yet inside.

Jonathan Gatt: Yes. Just to be clear, the building is not ours.

Emma Shand: No, it's not.

Jonathan Gatt: The external costs aren't ours. Sorry.

Emma Shand: But there’s improvements happening across the board.

Ryan Chellingworth: Is the CBI growth limitation behind the reason Up Spain left?

Emma Shand: So Up Spain have made their own decisions around their future strategy. So I certainly could not speak on their behalf. That wouldn't be proper. Certainly we are not hitting - we have enough headroom so we haven't hit that cap at the moment so - and I heard earlier this morning that we certainly have programs in the pipeline for the PCSIL

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business. So we are hopeful obviously as we work through our remediations that those customers can be onboarded at the relevant times.

Ryan Chellingworth: There are no further questions. Emma, I'll hand back to yourself.

Emma Shand: Okay. Thanks very much, Ryan. So I'd just like to thank Jon for taking us through the half year results. It's been a tough set of numbers in some respects but I would just say probably not surprising. Obviously, with the change of leadership, I've taken the opportunity to have a look at the balance sheet and the business and all the areas that we said we would. We have obviously announced our strategy. The team is absolutely committed to executing on this strongly and are priority focused, as I've mentioned on this call, and I will keep reinforcing at any opportunity is for us to deliver on our Elevate programs of remediation in both the UK and Ireland.

So I think really the outlook is positive for EML. We have to work through a number of challenges and I think these results really have been a reflection of the challenges the businesses have faced in the past two years or so. But we have a strategy, really focused, new leadership team in place with a new org structure aligned to the strategy. So I think it's hopefully a positive path forward and, as I said, on behalf of the team we're really looking forward to increasing shareholder value over time and really explaining our value creation story to shareholders. So thank you very much for your attention this morning and we look forward to next addressing you at the full year results in August.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

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