Money in Motion

29 November 2023

ASX Market Announcements
20 Bridge Street
SYDNEY NSW 2000

Trading and Strategic Review Update

Highlights

- EML to refocus on core, profitable and cash flow positive businesses of Gifting, Australia (GPR) and UK (GPR).
- Refocus on these business lines has, and will, result in a simplified operating model, increase in cash flow, reduced management distraction and an improved regulatory risk profile.
- Continued attention on PCSIL regulatory remediation and achieving sustainable financial performance with a refreshed PCSIL board.
- YTD October revenue has increased 39% on the prior corresponding period to $93.1 million and YTD October underlying EBITDA is up 279% to $12.5 million driven by improved operating performance and strategic review initiatives.
- FY24 underlying EBITDA guidance of $52-58 million, an increase of 40%-56% on FY23 underlying EBITDA of $37.1 million as reported at the FY23 results announcement.
- On 28 November 2023 the Central Bank of Ireland granted permission for the appointment of a new PCSIL board of directors.
- Non-binding expressions of interest have been received for the Sentenial business.

Strategic Review Update

EML Payments Limited (ASX:EML) (“**EML**”) today announces an update on its strategic review, as previously announced to the market in April 2023.

Part of the strategic review has been to determine the stand-alone profitability and cash flow performance of each business line on an individual basis, their regulatory position, future prospects for growth and EML’s suitability as an owner.

Refocusing on Core

As outlined in the FY23 Results Presentation, EML is currently hampered by a number of EBITDA and cash flow negative business lines due to deteriorating customer performance and increasing costs, a significant component of which is due to the regulatory landscape and associated compliance requirements.

EML Group has determined that it will focus on those business lines that demonstrate profitability and positive cash flow performance today, and the potential for that to sustain into the future. These business lines also provide for a simplified operating model, reduced management distraction and reduced regulatory risk profile.

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These businesses include:

- Gifting;
- Australia General Purpose Reloadable (GPR); and
- UK General Purpose Reloadable (GPR) (or PFSL UK).

Each of these businesses exhibit the following key qualities:

- Strong EBITDA margins and free cash flow conversion;
- Long term client contracts;
- Meaningful commercial footprints and credibility in attractive industry verticals;
- A platform from which to build increased shareholder value over time with refreshed leadership and the potential for targeted investment for growth; and
- Reduced regulatory risk profile and associated cost settings.

Update on PFS Card Services Ireland Limited (PCSIL)

On 28 November 2023 the Central Bank of Ireland ("CBI") provided regulatory permission for the appointment of two EML Group Directors and two new independent non-executive directors with final administrative actions to be completed imminently by PCSIL to reconstitute its board.

At the FY23 results announcement, EML committed to transition all businesses to be "break-even or better" in FY24. In FY24, PCSIL cash burn is currently estimated at ~$20 million with elevated cash burn likely to continue over the mid-term.

As announced previously, the CBI have also expressed that they are not satisfied with PCSIL's remediation plan and completion timetable. Given the PCSIL board ultimately retains the statutory obligation to operate the PCSIL business, a refreshed board should provide EML greater insight into the ability for PCSIL to manage its compliance obligations and financial objectives.

Update on Sentenial

EML has received confidential expressions of interest from third parties for Sentenial Limited (Sentenial). EML has engaged with several potential buyers of Sentenial, however, there is no certainty that a sale will eventuate.

EML is continuing to manage Sentenial consistent with our operation of the rest of the Group. This includes the strengthening of its commercial and operational frameworks as the business matures and setting it on a path to breakeven moving into the second half of FY24.

Trading Update

YTD October Underlying EBITDA is up strongly to A$12.5m from A$3.3m in PCP as growth in recurring revenue and higher interest revenue exceeded growth in overhead costs from continued investment in the business.

YTD October Total revenue is up 39% (or A$26.3m) reflecting solid growth (+19%) in recurring business revenue and a strong contribution from higher interest revenue from yield improvements.

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Continued investment in new sales and leadership hires in FY24 and the full year impact of prior year investment in compliance and regulatory functions has increased YTD October underlying overheads 35% on PCP.

Unaudited Underlying Results ($m)	YTD Oct FY24	YTD Oct FY23	Change
GDV	48,659.8	31,359.4	+55%
Revenue	92.9	66.6	+39%
Underlying EBITDA[1]	12.5	3.3	+279%

FY24 Guidance

EML Group expects to report underlying EBITDA for FY24 in the range of $52-58 million, an increase of 40%-56% on FY23 EBITDA of $37.1 million.

EML cash flow is estimated to be broadly neutral in FY24, with PCSIL contributing to ~$20 million of negative cash flow (cash burn) in that estimate. Excluding PCSIL, EML Group would be significantly cash flow positive in FY24.

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 Board of Directors.

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[1] Underlying EBITDA excludes the impacts of the non-cash amortisation of AASB 3 fair value uplift to bond investments, regulatory remediation and litigation costs and one-off restructure and strategy related costs. For the PCP there were also adjustments relating to European fraud costs. This is a non-IFRS measure and has not been audited.