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

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## CHAIRMAN'S ADDRESS TO THE 2013 ANNUAL GENERAL MEETING

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Good morning Ladies and Gentlemen

Much of emerchants' Fiscal Year 2012 was spent focusing on the staffing requirements, strengthening our systems and infrastructure, and refining our strategy. Therefore, Fiscal Year 2013 was devoted in a large part to successfully implementing that strategy.

As we have reported in the past, our primary focus over the past year has been in four key market segments:

1. **Government** – which is estimated to be a \$4.1B per annum market as measured by transactions and comprising government employees using petty cash, per diem expenses and credit card replacement, as well as public use of cards as it relates to welfare distribution and financial assistance.
2. **Commercial markets** – which is estimated to be a transaction market of \$6.9B associated with loyalty cards, corporate expense, petty cash and per diem cards. We have further focused our efforts on industry verticals within commercial markets including Mining and Resources, Construction, Insurance, Banking, and Consumer Lending.
3. **Salary Packaging** – with an estimated transaction market size of \$20B per annum in spend for general salary packaging cards such as meals and entertainment.
4. **Not-for-Profit** – estimated market potential size of \$4.9B per annum in transactions comprising cards used for corporate expense management and welfare distribution.

As you would have seen over the past year, emerchants' efforts in these market segments have yielded a number of significant contract announcements.

In the Commercial market segment, emerchants signed a 4-year agreement with Nimble. Nimble is an award winning online consumer lender that offers its customers an innovative, transparent and fast service. Nimble will use our Visa cards for disbursements of loan proceeds. These Visa cards can also be used by Nimble's customers to pay bills through B-Pay and directly load funds onto their card via their bank account.

In the Not-for-Profit market, we were particularly pleased to sign a 3-year agreement with an option to renew for 2 additional years with the southern division of the Salvation Army. The card programs with the Salvation Army include emergency disbursement of funds on a prepaid card, supporting those having recently experienced a disaster event, and solutions for the disbursement of welfare funds.

Within the Government market segment, we recently announced that emerchants is in the final stages of executing a contract with the Queensland Government. We have every expectation that this contract signing will occur in the short term and, in doing so, emerchants will be appointed a preferred supplier of prepaid card-related products and services to the Queensland Government's departments and agencies.

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There were many other contract signings, too numerous to cover with you today, but suffice to say, that as a result of the emerchants team's efforts, total active accounts grew in the past fiscal year by 30%.

The goal of all this activity is to achieve profitability as soon as possible as well as consistent, positive cash flow. All the underlying requirements to achieving this goal are well underway and I thought I would highlight just a few of the things that were accomplished in the last fiscal year to support this ambition.

The first half of the profitability equation is strong Revenue growth. At emerchants, Revenue is generated largely based on dollar loads onto cards. For every dollar loaded on an emerchants card, the Company generates between 3 and 4 cents of Revenue. The recently completed fiscal year saw dollar loads increase by 35% over the prior year to \$135M. Emerchants earns a fee for each transaction on a card and in the recently concluded fiscal year, we saw a 48% increase in key transactions over the prior year. Emerchants also earns interest on the stored value behind the cards in the market and I am pleased to report a 39% increase in stored value over the prior year to approximately \$21M.

All of these preceding metrics were key contributors to a Revenue increase to \$5.03M, an improvement of 33% over the prior fiscal year.

The second half of the profitability equation is operating expense. In a year in which the Company experienced such strong Revenue growth, Management was able to reduce operating expenditures by 27%.

In an effort to support Management in their goal of reducing expenses, in March 2013 your directors took a decision to forego directors' fees from 1 April 2013 through 30 June 2014. The expected savings in cash out-flow from this decision will be over \$385,000.

To further align the interests of the Board with that of our shareholders, and our belief in the future success of the organisation, Directors have agreed to accept option grants in lieu of those fees. These option grants are one of the recommendations from which we are seeking shareholder approval today.

The Management team and Directors of emerchants are very focused on delivering strong growth in shareholder value. We were very pleased to see a growing interest by institutional shareholders over the past year in the emerchants value proposition. The analysts and investors associated with institutional shareholders review hundreds of investment opportunities every year. So, we at emerchants were extremely pleased to see a number of institutional investors take a position in our Company. Today, approximately 30% of our shareholders are represented by institutional shareholders.

This strong interest by institutional shareholders in investing in emerchants underpinned a successful \$7.5M capital raising, which was completed in August and substantially over-subscribed. The new funding will largely be used for important expansion of network capacity to meet growing cardholder and transaction volumes, an expansion of our sales force into new territories, and investment in new product development.

Before I commence the formal proceedings of our meeting, I would like to take a moment to acknowledge the hard work undertaken by the emerchants' team, starting with our Managing Director, Tom Cregan. I have worked in and led several large companies in my career and I can tell you that the work that Tom and his team have put in thus far in what is still a comparatively small company has been monumental. However, the fruits of their labour is just being born. When we met in last year's AGM, our share price was hovering around \$.10. As of yesterday, were trading at \$0.56. This represents a better than 460% increase in shareholder value over the past year.

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I assure you that Management and your Board are very proud of this improvement and look forward to further growth in the future.

## ABOUT EMERCHANTS

emerchants is a payments solutions provider of prepaid financial card products and services in Australia. By using their proprietary Secure Account Management (SAM) system, the Company provides its clients with innovative financial service payment solutions for reloadable and non-reloadable pre-paid card programs. emerchants are able to adapt to meet the expense management and funds disbursement needs of any organisation. Their corporate expense, petty cash, per diem, social payments and staff rewards programs are easy to implement and reduce administration burden and costs. emerchants is focused on the twin goal of delivering high quality payment systems to its customers and superior returns to its shareholders.

**For more information please visit:** [www.emerchants.com.au](http://www.emerchants.com.au)

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