

19 November 2014

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

CHAIRMAN'S ADDRESS TO EMERCHANTS' 2014 ANNUAL GENERAL MEETING

Good morning Ladies and Gentlemen

One of the most difficult things about an Annual General Meeting is that it occurs so long after the completion of the fiscal year. So much has happened in the past three months following the completion of fiscal year 14, but before Tom Cregan and I give you some of those highlights, I'd like to spend a bit of time telling you about the key accomplishments of FY14.

Emerchants continued to focus our selling strategy on four key market segments: Not-for-profit, salary packaging, consumer lending and government. However, as we progressed through the year we began to take advantage of a huge opportunity that presented itself in the gaming industry. Emerchants has been successful in signing the largest provider, that of SportsBet and a number of other companies in this segment. By the end of this financial year, we expect Emerchants to have signed 5 to 6 programs in this market. One of the bigger players in the gaming industry, Ladbrokes, did launch late in FY14 and, as a result, we are beginning to see how truly big this market segment can be for Emerchants. As SportsBet, Bet Easy and some of the other players launch later this year, we expect this market segment to clearly be the biggest driver of growth for Emerchants in FY16 in our reloadable sales portfolio. Just as we saw an opportunity to take advantage of a substantial emerging opportunity in gaming, Emerchants has lessened as a priority the focus on the not-for-profit market segment because achieving material growth rates has been more difficult than originally expected.

Consumer lending continued to be a strong contributor to Emerchants' results in FY14. Nimble, our largest customer in this market segment, consistently contributes strongly to the dollars loaded each month onto our cards. We expect this market segment to approximately double with the launch of Cash Converters in October 2014.

Last year we announced the signing of the Queensland Government as a key customer. The roll-out of our products within the various Queensland Government instrumentalities was much slower than we would have liked. However, with help from the senior leadership inside Queensland's bureaucracy, we are now getting the opportunity to sell directly to several key departments. Emerchants' goal in FY15 is to sign several new programs with the aim of launching 2 to 3 of these programs in FY16.

There are a number of Key Performance Metrics that Emerchants tracks very closely, all of which contribute to our financial growth. In FY14, Emerchants grew dollars loaded by 24.5% over the prior year. Importantly, the dollars loaded onto our reloadable cards grew by 54%. Card transactions grew over the prior year by approximately 14% and the stored value behind active cards grew over the prior year by over 31% to \$27.4M. We are particularly pleased with how rapidly these metrics continue to grow through the first quarter of FY15, which illustrates the tremendous value of the clients we signed and launched late in FY14. I will let Tom share with you the details behind how FY15 has begun.



The theme I am trying to share with you today is that there is a bow wave of growth that we are now breaching that the Emerchants' team worked hard in FY14 to create. The financial results in FY14 while in some cases stronger than the prior year, was not what we sought to achieve. Revenue grew by 3% over the prior year, to \$5.2M. EBITDA was down to a loss of \$3.3M, which was primarily driven by investments Emerchants made in systems infrastructure and incremental software development that was necessary to support the kind of volume growth we are now witnessing in FY15 and expect to see continued in the coming years.

Emerchants' cash position remains strong. We finished FY14 with approximately \$4.5M in cash, despite the significant investments made in our systems.

Clearly, the biggest announcement we've made in the past several months is our proposed acquisition of Store Financial Services, United Kingdom. Your Board and management team are very excited about the prospects Store Financial UK offers, giving Emerchants an immediate footprint in 9 European countries. Store Financial UK is a profitable and cash flow positive gift card seller and distributor, based in Birmingham, England. We expect Store Financial UK to generate \$8.7M in Revenue and \$2.2M in NPAT in calendar year 15.

This represents a very low risk expansion into several new geographies given Store Financial UK's mature operations and technology, well-known regulatory environment, and a management team who will stay on with the company following the transaction. Several of the key managers in Store Financial UK will actually become shareholders in Emerchants thereby aligning their interests directly with all other shareholders.

Tom Cregan has been an investor in Store Financial UK for over 6 years and is very familiar with the company, its operations, growth history and growth prospects. It is because of Tom's involvement that the Board was very careful to exclude Tom from all negotiations and due diligence while considering this transaction. I led the negotiations and personally did the on-site due diligence work in England.

Subject to shareholder approval at this meeting, the acquisition of Store Financial UK will be facilitated through the placement of \$14M in equity to institutional and sophisticated investors as well as \$12.5M in equity to the vendors, thus comprising a structure of 50% equity and 50% cash. All the details of the proposed transaction have been provided to shareholders in advance of this meeting and reviewed by Ernst and Young who determined the transaction as being fair and reasonable to shareholders.

I am quite comfortable that Store Financial UK represents an incredible opportunity for Emerchants to both deliver strong shareholder returns immediately and provide a platform upon which to launch our pre-paid reloadable products into new geographies.

Our Managing Director, Tom Cregan, will be sharing more with you later in this meeting about the future of Emerchants and the most recent trading results, both of which are quite exciting. I would like to thank all of our historical shareholders and those who are new to Emerchants for their support.

Thank you.



ABOUT EMERCHANTS

Emerchants (**ASX: EML**) 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 is 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

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