



13 February 2015

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

EMERCHANTS 2015 INTERIM RESULTS PRESENTATION

Emerchants Limited's (**ASX: EML**) CEO, Tom Cregan, will today be providing a briefing for shareholders and the investment community at 11:00 am AEST by teleconference.

Those interested in listening to the briefing can do so via a conference call facility. Details for the call are as follows:

Australia: 02 8373 3507
International: 1800 175 864
Passcode: 83041200

The presentation to which Mr Cregan will be speaking during the briefing is attached to this announcement.

For further information, please contact:

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Fiscal Year 15 First Half Results Presentation

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None of the Emerchants Group entities noted in this document are authorized deposit-taking institutions for the purposes of the Banking Act 1959 (Commonwealth of Australia).

2015 Emerchants Limited.

Mission

empowering | Your Money

To transform the commercial payment solutions landscape by inspiring companies and their customers to demand ***more control***, ***more transparency*** and ***more flexibility*** over their money.

Key Customer Relationships

We Continue To Build Greater Penetration Within Key Industry Verticals

Consumer Lending



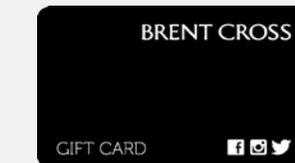
Gaming and Wagering Services



Commercial



Non-Reloadable



First Half Business Highlights – Australian Operations

Customers signed and launched this half will contribute significantly to future earnings

Sportsbet Launch

Sportsbet is the largest corporate bookmaker in Australia. It represents our biggest opportunity in FY15 and FY16 as we increase the penetration of cards into their customer base.

Sportsbet commenced national media advertising for the Sportsbet Cash Card which provides great exposure for the product.

Dollar loads to date are in line with management expectations.

Launch of Ladbrokes Visa Card

In September 2014 we launched the Ladbrokes Visa program.

We extended the offering to customers of associated companies of Ladbrokes, including Betstar and Bookmaker, in November 2014.

Annual dollar load performance is in line with managements expectations.

Bet365 Agreement

We announced the execution of a multi-year agreement with Bet365 in November 2014 and we expect the program to launch in the second half of FY15.

For future gaming launches we expect the timeframe between contract signing and launch to be, on average, 6 months.

Launch of CCIG Program

Our program was launched in 24 CCIG Cash Converters stores in October 2014 and has exceeded expectations in terms of total dollar loads.

First Half Business Highlights – Australian Operations

Customers signed and launched this half will contribute significantly to future earnings

Signed Agreement with Money Me

We announced a multi-year agreement with Money Me in December 2014, with the program due to launch in the second half of FY15.

Money Me represents our third customer in the consumer lending segment and our second pure-play online consumer lender.

Ingogo Expansion

We experienced significant growth in dollar loads with Ingogo, fuelled by their expansion into the Melbourne taxi market.

We expect to see that growth rate continue to accelerate based on organic growth and expansion into other capital cities.

Growth in Non-Reloadable Products

We had previously advised flat guidance in our non-reloadable business but we expect dollar loads in FY15 to be \$10-\$15m higher than in FY14, driven by larger programs with companies including Fujitsu, NAB, Harvey Norman, Suncorp, Good Food Card and Best Restaurants of Australia card.

First Half Business Highlights – European Operations

Expect Strong Financial Contributions from Recently Closed Acquisition

Closed Store Financial, United Kingdom Acquisition

Acquisition was closed on December 1 2014 and the company made a significant contribution to second quarter Revenue and EBITDA.

Generated \$37m of card sales in December 2014 of which 3%-5% will convert to breakage revenue in the coming 12 months.

The breakage from December 2014 loads and three key contract wins will drive significant organic growth in FY16 financial results for SFUK.

Implemented MFI Program

We announced in December that we had signed a multi-year agreement with MFI in Germany for a mall card program for 25 malls.

This program replaces an existing paper-based voucher system and was fully implemented in early January, and will be accretive to earnings in FY16.

It represents our largest deal in terms of annual dollar loads and positions us as a significant player in the German market.

Hammerson Program Implemented

We are also pleased to announce the completion of the implementation of our program with Hammerson Plc, a major operator of 21 malls in the United Kingdom and France

We have implemented our program into 9 malls in the United Kingdom.

This program replaces a competitor program and will also be accretive to earnings in FY16.

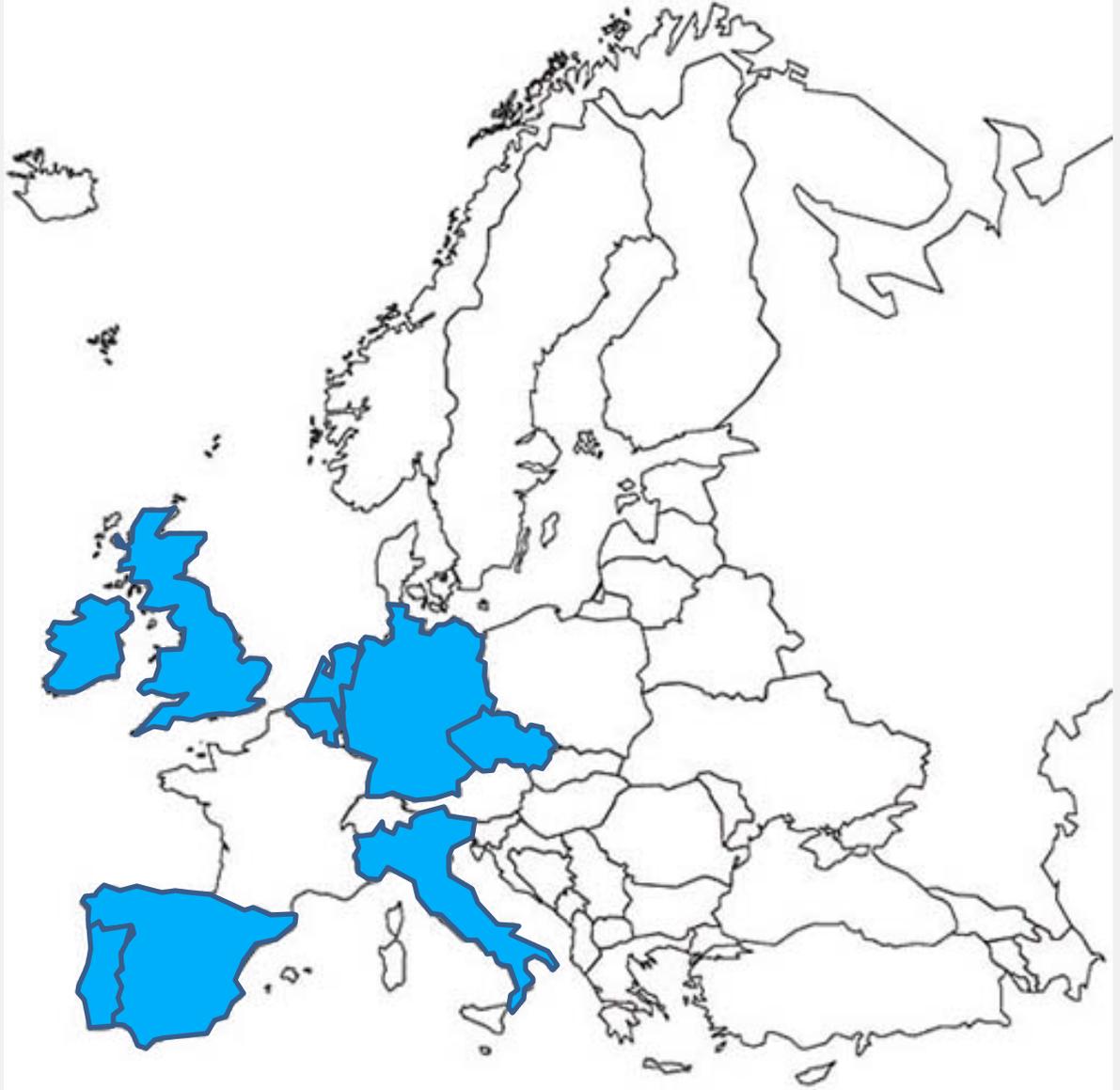
Value-Retail Program Commenced

We Initiated a mall card program for Value-Retail Inc, a company operating 8 malls across 5 EU countries. The program was fully implemented in the first half of FY15.

Store Financial – Countries Of Operation

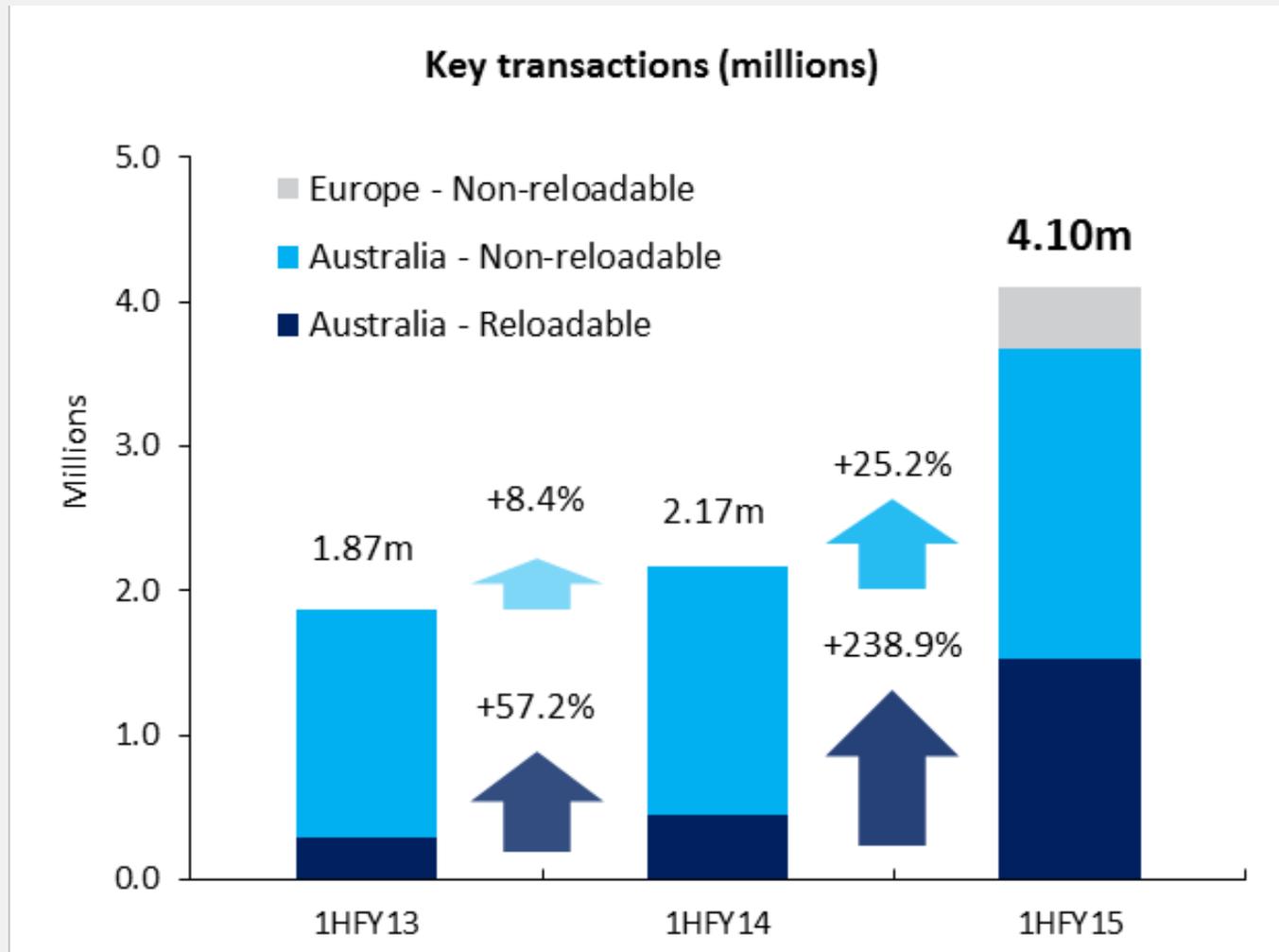
Provides a footprint across nine countries for Reloadable products

- Profitable and cash flow positive today
- Strong projected growth for existing products
- Stable, long term contractual relationships with existing customers
- High quality, experienced management team



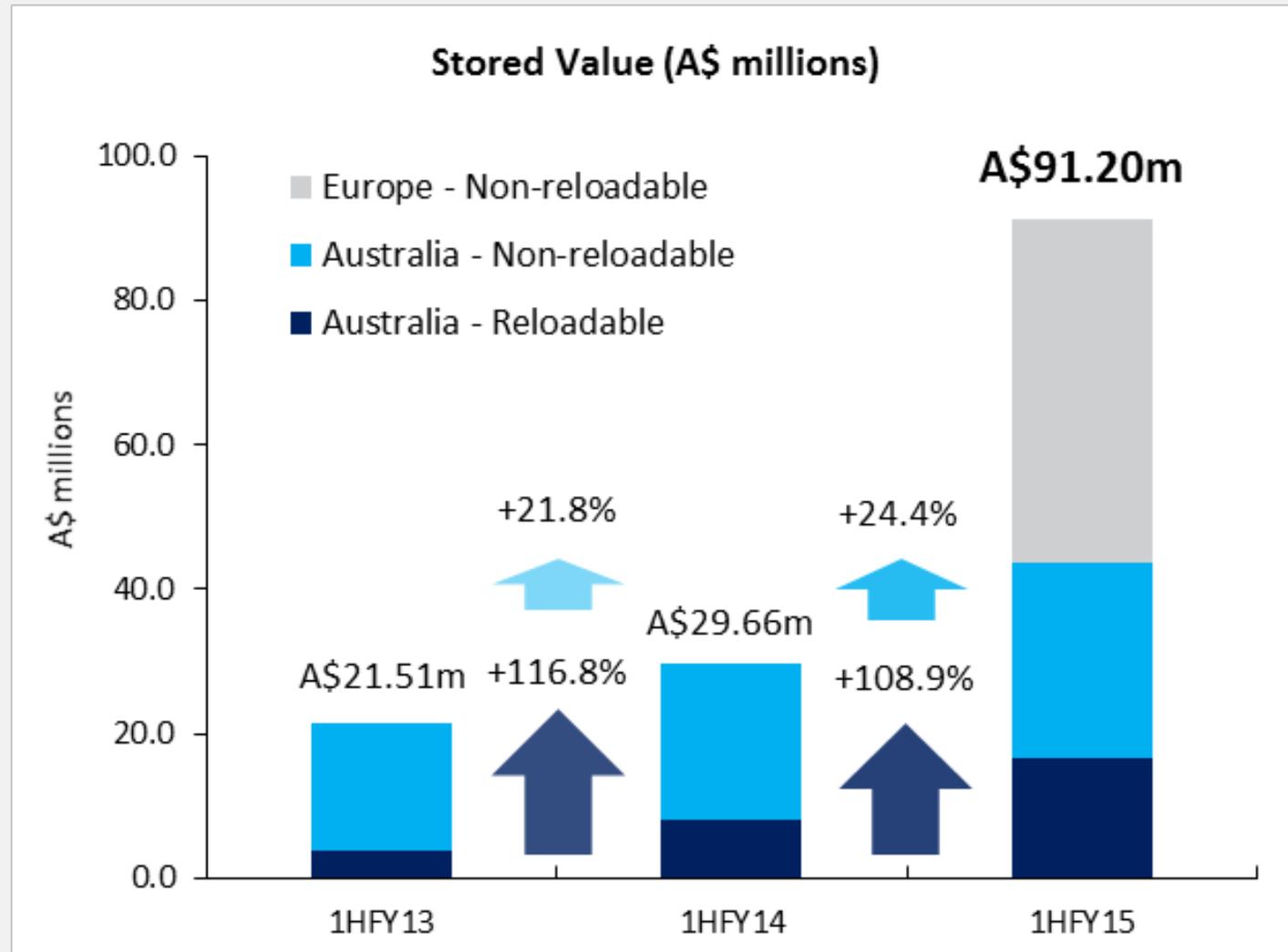
Performance Metrics – Transactions

89% growth over prior corresponding period, driven by a 239% increase in Reloadable



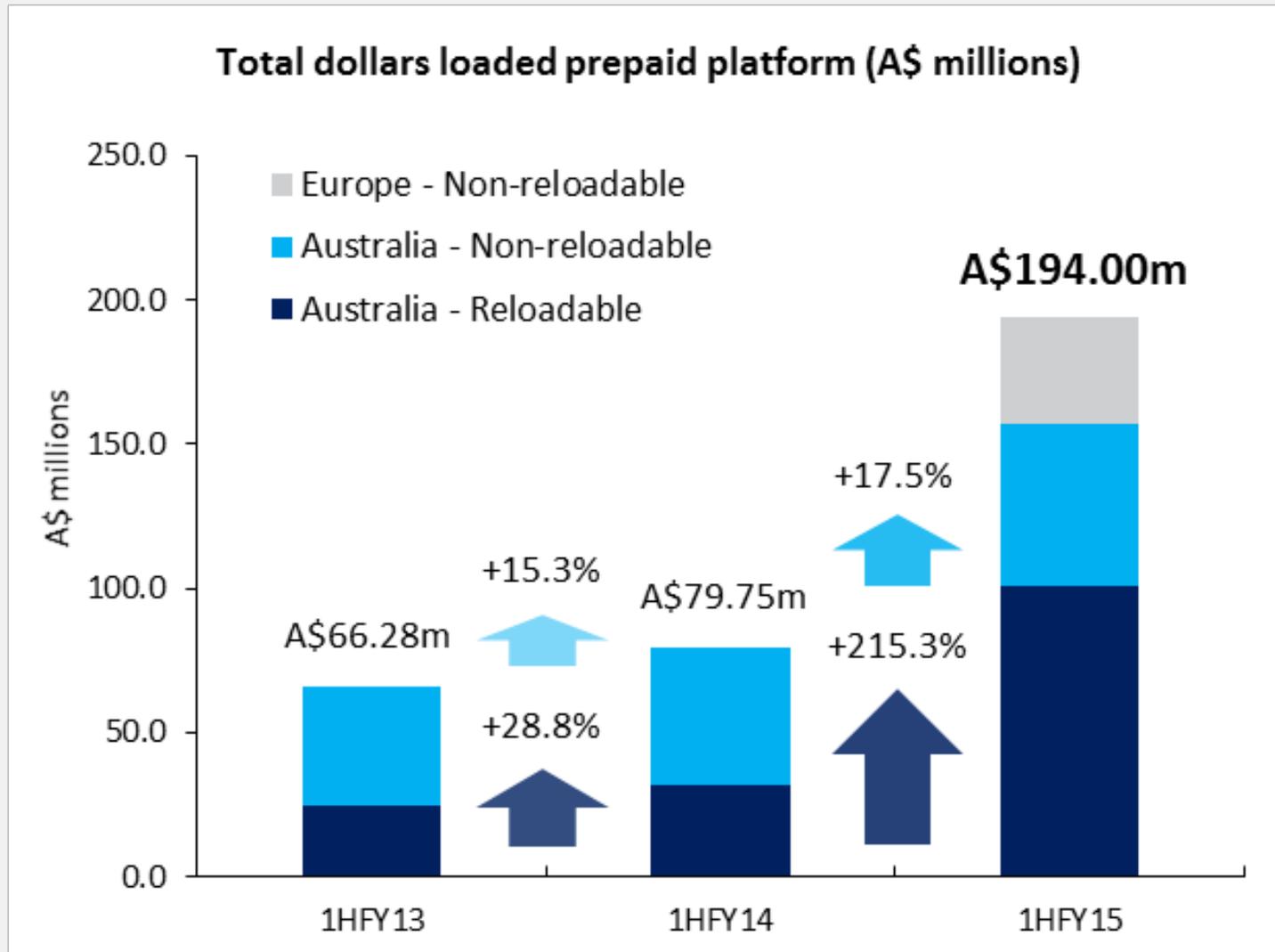
Performance Metrics – Stored Value Balances

207% growth over prior corresponding period



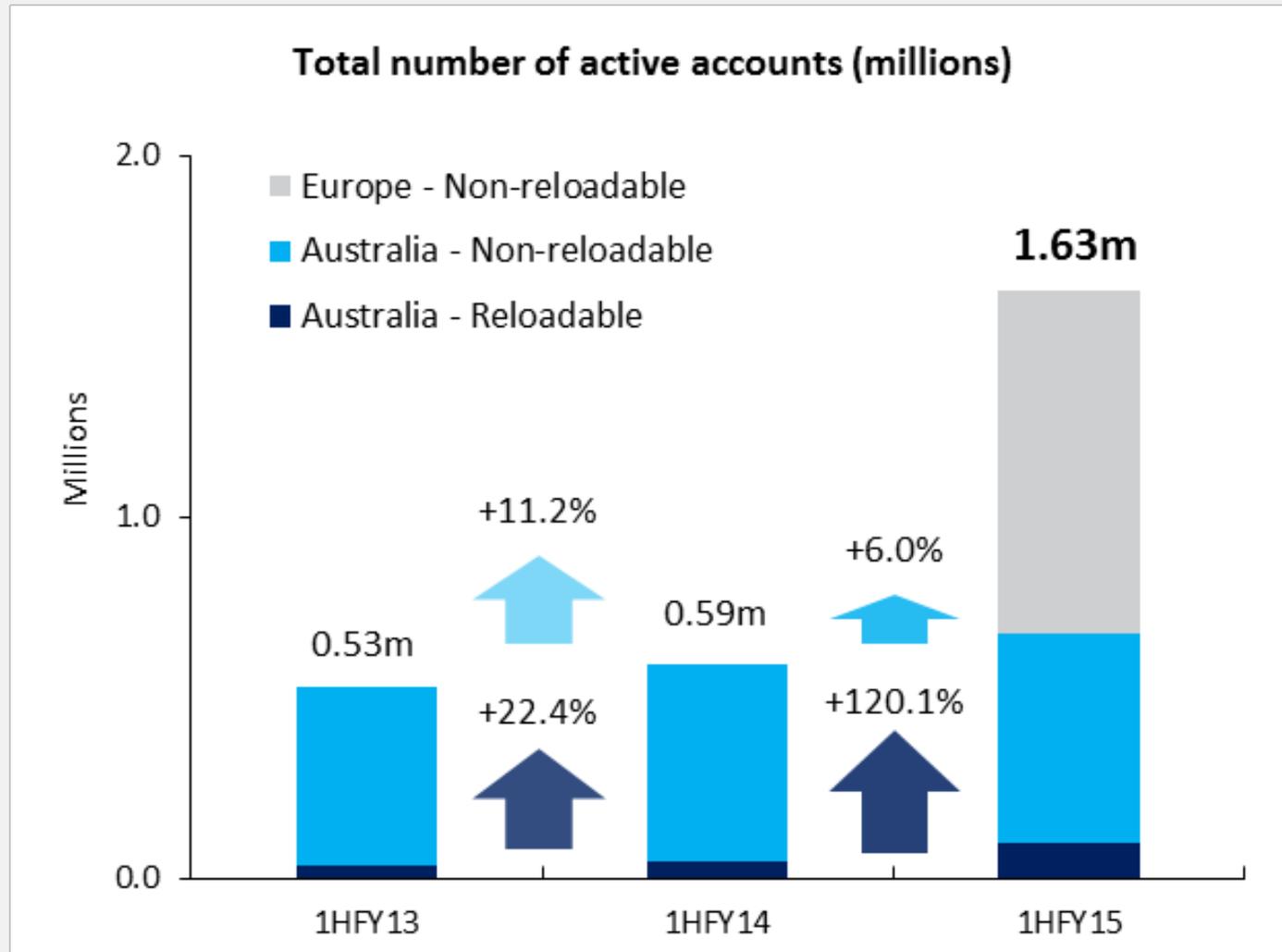
Performance Metrics – Total Dollars Loaded

143% growth over prior corresponding period with Reloadable increasing 215%



Performance Metrics – Number of Active Accounts

175% growth over prior corresponding period. Significant contribution from Europe



Financials

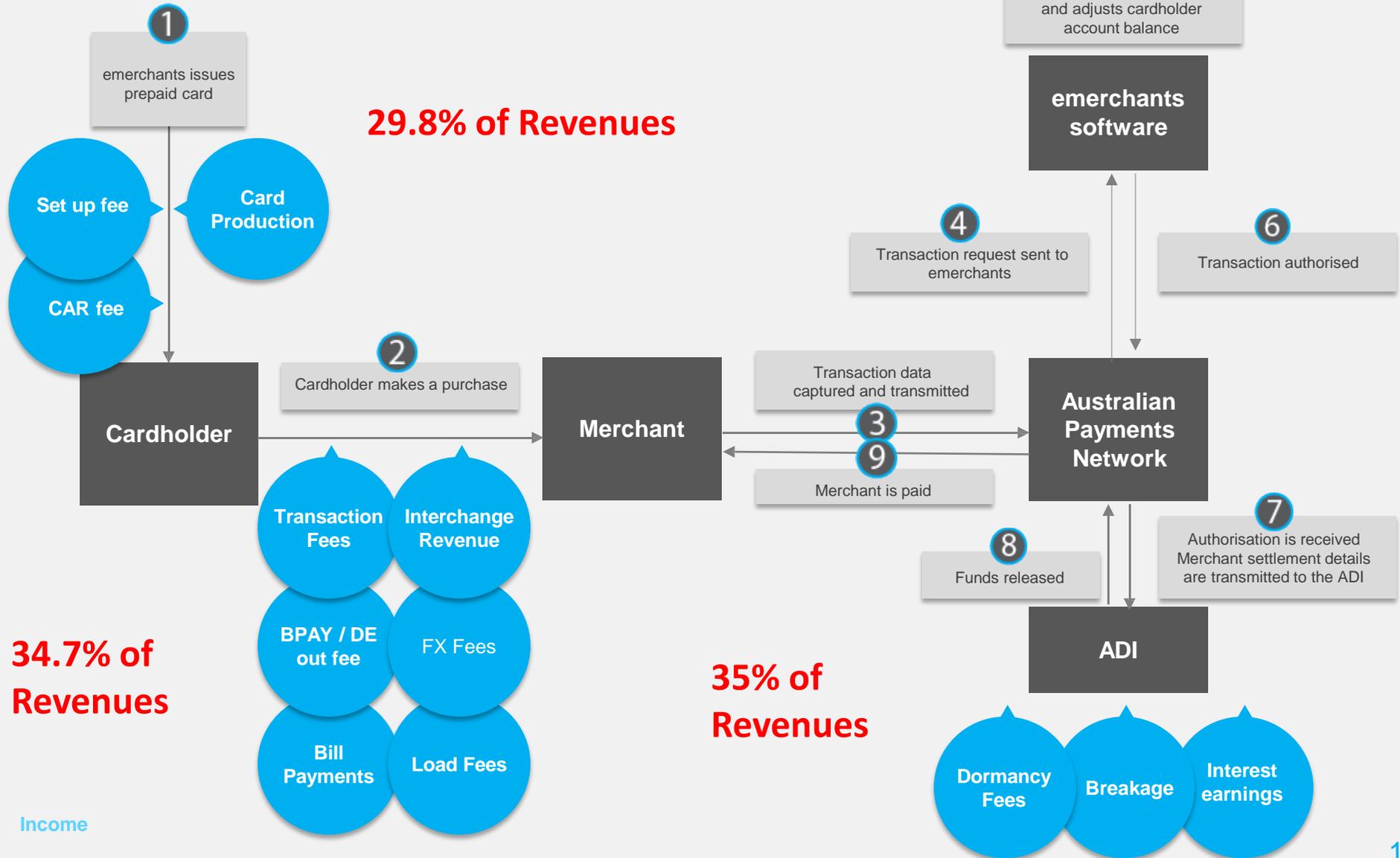
Statement of Profit and Loss for 6 months ended 31 December 2014

Historic positive EBITDA contribution for the first half of FY15

('000)	6 months to Dec 13	6 months to Dec 14	% Δ
Breakage income	545	1,319	142%
Establishment income	400	1,494	273%
Transaction fees	1,039	1,738	67%
Interest received - host based stored value	278	380	37%
Interest received - group funds	84	71	(16%)
Service fees	65	77	18%
Total Revenue	2,412	5,079	111%
Gross Profit	2,027	3,746	85%
Gross profit margin - %	84%	74%	
Gross Profit by reportable segments			
Australia - Reloadable	337	1,235	251%
Australia - Non-reloadable (Gift)	1,573	1,527	(4%)
Europe - Non-reloadable (Gift)	-	919	100%
Interest received - group funds	117	66	(22%)
Total Gross Profit by segments	2,027	3,746	86%
Other income	50	-	(100%)
Cash overheads - employment related	(2,367)	(2,621)	(11%)
Cash overheads - other	(1,457)	(1,261)	12%
R&D tax offset	436	698	60%
EBITDA	(1,311)	562	140%
Net Loss	(2,161)	(429)	80%

- Strong Revenue growth due to contributions from Australian Online Wagering, Consumer Lending and Commercial Verticals and the single month contribution from the European operations which experienced strong Christmas gift revenues.
- Gross profit margin % declined over the prior year due to the large amount of establishment revenues, on which we incur higher fees. Our percentage gross margins will increase as the amount of transaction fees increase in future periods as a percentage of total revenue.
- Cash Overhead expenses have not grown despite significant Revenue increases, due to ongoing cost control and efficiency initiatives.
- Strong growth in Gross Profit and immaterial growth in Cash Overheads has resulted in an inaugural positive EBITDA for the Group

Revenue sources are balanced and diversified



Financial Results

Statement of Financial Position and Cash Flow for 6 months ended 31 December 2014

Continuing to strengthen the Balance Sheet:

Summary of Financial Position

('000)	6 months to Dec 13	6 months to Dec 14	% Δ
Cash and cash equivalents	6,427	5,288	(18%)
Other receivables and other assets	1,634	5,286	224%
Plant and equipment	1,035	801	(23%)
Goodwill and intangibles	11,249	38,513	242%
Total assets	20,345	49,888	145%
Total Liabilities	1,351	7,051	422%
Equity	18,994	42,837	126%
Cash flows from operating activities	(1,453)	(1,398)	4%
Cash flows from investing activities	(542)	(11,105)	(1949%)
Cash flows from financing activities	7,063	13,295	88%

- Intangibles have increased due to acquisition of SFUK for A\$25m and is predominantly comprised of Goodwill of A\$18m and Customer relationships / Customer contracts of A\$9m.
- At 31 December, the Australian (upfront establishment fees) and European operations had \$3m in receivables which have since been collected and converted into cash.
- Included in the payables balance is a deferred tax liability of A\$2m representing the tax impact on the amortisation of the SFUK acquired Customer relationships / Customer contracts.
- Cash outflow from operating activities was adversely impacted by the build up of receivables at 31 December. These have since been converted to cash and will improve the operating activities in the next quarter.
- Cash outflow from investing activities comprises the cash element of the SFUK acquisition (\$12.45m) less the cash on hand within SFUK on acquisition (\$1.6m) with the balance made up of capital investments in our systems infrastructure.
- Cash inflows from financing activities as a result of a placement to sophisticated and institutional investors of \$14m at \$0.5 per share in November 2014 less associated capital raising costs..

First Half Financial Commentary

Execution of stated strategy is delivering fully on expectations:

- We have good diversification in our revenue streams between Establishment fees, Transaction fees (incorporating Transaction fees, Load fees and Interchange) and Interest and Breakage, at 29.8%, 34.7% and 35% respectively.
- We are showing the early benefits of a scale business with Revenue up 111% and cash operating costs flat.
- The majority of the \$600K EBITDA contribution from the recent acquisition in December 2014 was related to breakage on cards sold in December 2013, which has increased the percentage of revenue derived from breakage for the Company.
- Interest revenue represented 7.5% of revenues, despite the growth in Stored Value balances. This is because re-loadable funds are frequently accessed by the end customer and because we generate an immaterial amount of interest income on European stored value balances.

Second Half Financial Outlook

Execution of stated strategy is delivering fully on expectations:

- Record January 2015 revenues of \$1.25m+ and positive EBITDA providing a strong start to the second half.
- January revenues showed the same diversification, with Transaction fees representing 40% of revenues (versus 34.7% in the first half).
- Management expects to see similar Establishment revenues generated in the second half, along with higher Transactional revenues due to the launch of new programs in Australia.
- The Company will also benefit from the contribution of 6 months of revenues from European Operations, particularly in terms of Breakage and Interchange.
- We continue to see a reduction in our concentration risk among our customer base.
- Our closing cash position had improved at the end of January to **\$6.8m**.
- Reductions in interest rates in Australia will impact revenues but not materially – and are likely to be offset by interest income on higher balances and FX gains on UK/EU revenues.

Second Half Priorities – Australian Operations

Continuing focus on business development and business efficiency

- We will be focused on the launch of new programs in the Gaming and Wagering and Consumer Lending segments, which will provide further revenue growth in FY16 and beyond.
- We continue to work towards signing a material partnership in the salary packaging segment.
- We will continue our business development focus in existing segments and expect to sign and announce additional programs that will launch in FY15 and further drive revenue growth in FY16.
- We have multiple opportunities in the Commercial segment that we consider attractive for the long term and we will be looking to announce progress in the second half.
- I.T development to support the launch of Loan disbursements in retail store environments in the first half of FY16
- Launch of the Each-Way Cash Load Product

Second Half Priorities – European Operations

Setting the foundation for the launch of reloadable products in FY16

- I.T development efforts are underway to support the launch of Reloadable products, and at this stage we expect that development to be completed in August 2015, enabling the launch of programs later in the first half of FY16. No additional CAPEX is required.
- We are working to finalize an Issuing Bank agreement for European re-loadable programs. Commercial terms (costs) are very similar to those we have in Australia
- We signed an LOI with 666Bet.com (a European online casino and bookmaker) in the first half of FY15 and we will be working to execute a definitive agreement, supporting a launch in the first half of FY16.
- Recruitment for additional business development staff to sell reloadable programs in the UK and Europe.
- Market sizing for launch of Business-to-Business Rewards and Consumer Cash-back programs for a potential launch in FY16. Early indications are of an immature market with similar financial potential to the Australian market.