



24 August 2015

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

FULL YEAR 2015 RESULTS PRESENTATION

Please find attached an Investor Presentation regarding the full year Annual Report for Emerchants Limited (emerchants) for the year ended 30 June 2015.

ABOUT EMERCHANTS

Emerchants is a payments solutions provider of prepaid financial card products and services in Australia and Europe. By using their proprietary payments software and processing platform, the Company provides its clients with innovative financial service payment solutions for Reloadable and Non-reloadable prepaid card programs, in Australia and in the United Kingdom and Europe through its wholly owned subsidiary, Store Financial Europe. Emerchants has offices in Brisbane, Australia and Birmingham, United Kingdom

For more information please visit: www.emerchants.com.au

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FY15 Results Presentation

August 24, 2015

Important Notice

emerchants refers to the Emerchants Group which contains Emerchants Limited and its wholly owned subsidiaries including Emerchants Payment Solutions Limited.

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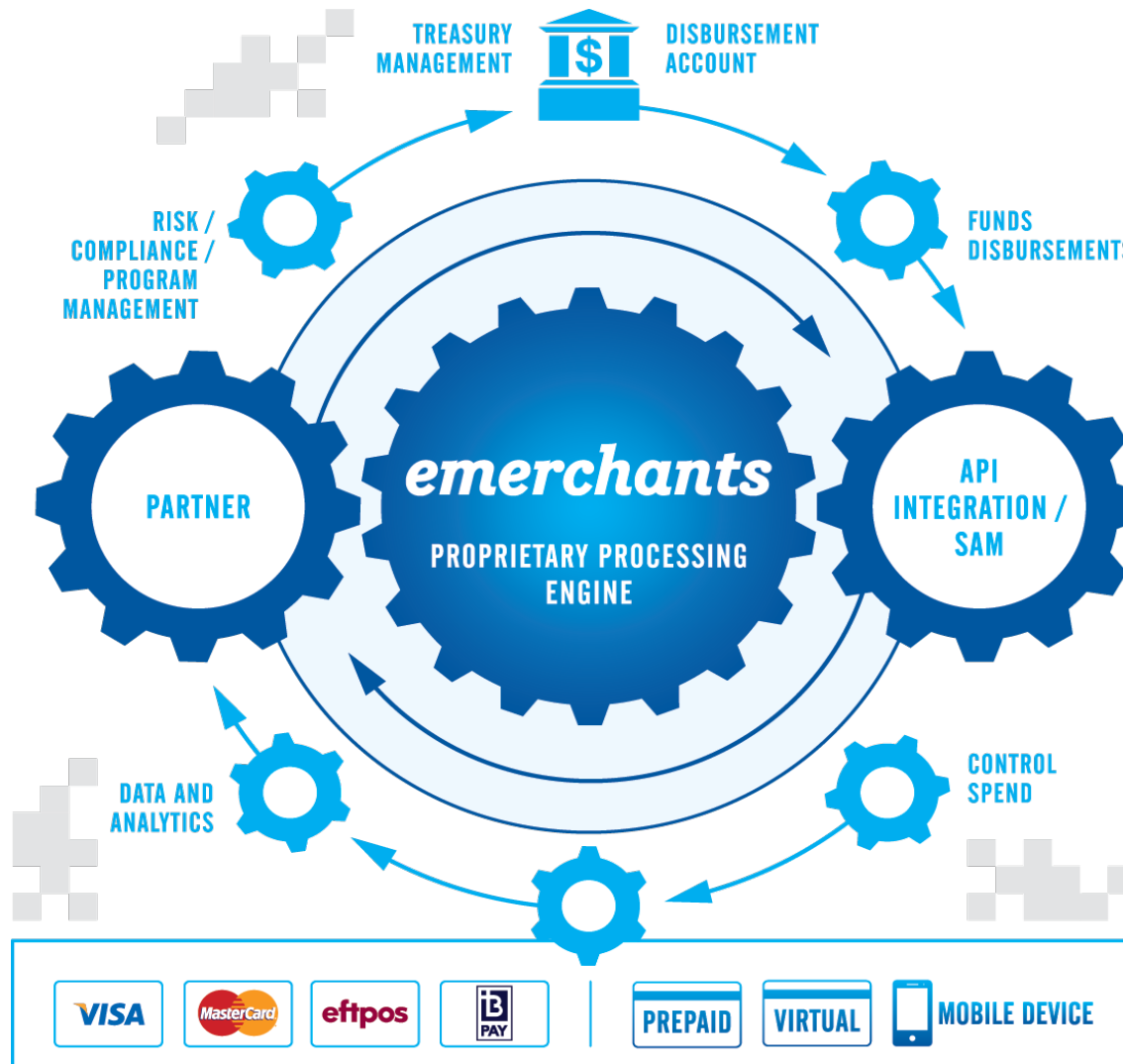
We believe the information provided herein is reliable, as of the date hereof, but do not warrant its accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources. Without limiting the generality of the foregoing, no audit or review has been undertaken by an independent third party of the financial assumptions, data, results, calculations and forecasts contained, presented or referred to in this document. You should conduct your own independent investigation and assessment as to the validity of the information contained in this document and the economic, financial, regulatory, legal, taxation, stamp duty and accounting implications of that information. Except as required by law, emerchants and its respective directors, officers, employees, agents and consultants make no representation or warranty as to the accuracy or completeness of the information contained in this document, and take no responsibility under any circumstances for any loss or damage suffered as a result of any omission, inadequacy, or inaccuracy in this document.

Nothing in this document contains a commitment from emerchants to issue securities, to provide debt, to arrange any facility, to invest in any way in any transaction described herein or is otherwise imposing any obligation on emerchants. emerchants does not guarantee the performance or return of capital from investments.

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.

Our Value Proposition



Key Customer Relationships

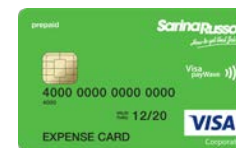
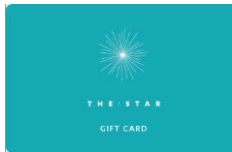
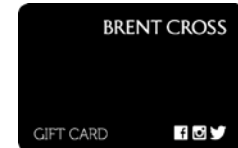
We manage over 210 prepaid debit programs across 10 countries

Consumer Lending

Gaming and Wagering Services

Commercial

Non-Reloadable



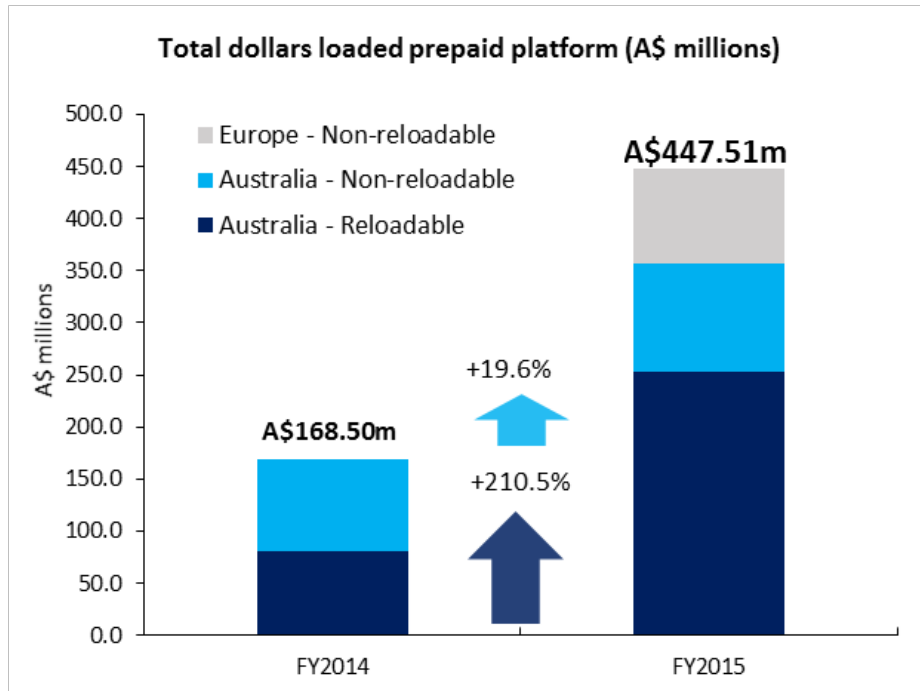
FY15 Financial Highlights

- Revenue growth of 178% from \$5.18m to \$14.40m.
- Strong revenue growth due to contributions from new Australian Re-loadable programs and seven months of contribution from our European operations, which included five months of revenue contribution from the Hammerson and MFI mall card programs, the two largest European programs implemented to date.
- Breakage is a significant contributor to our European earnings. We ended the year with a \$3.96m accrual that will convert to cash in the coming financial year and positions us well from a cash flow perspective.
- Gross profit margin percentages were consistent with the prior year.
- Cash Overhead expenses were down \$0.40m in Australia as a result of continued efficiency initiatives and cost control measures.
- EBITDA of \$2.63m, an increase of \$6.0m or 179% versus the prior financial year. The scalability of the business is demonstrated by the the conversion of incremental revenue into EBITDA.
- NPAT of \$2.86m. As previously disclosed to shareholders, the company incurred \$5.10m in non-cash share based expenses primarily associated with share grants agreed to as part of the SFUK acquisition, tied to the launch of the Hammerson and MFI programs. We also disclosed that we would recognise carried forward tax losses onto the Balance Sheet, given that the Australian operations will generate sufficient taxable profit in future years to offset the tax losses.

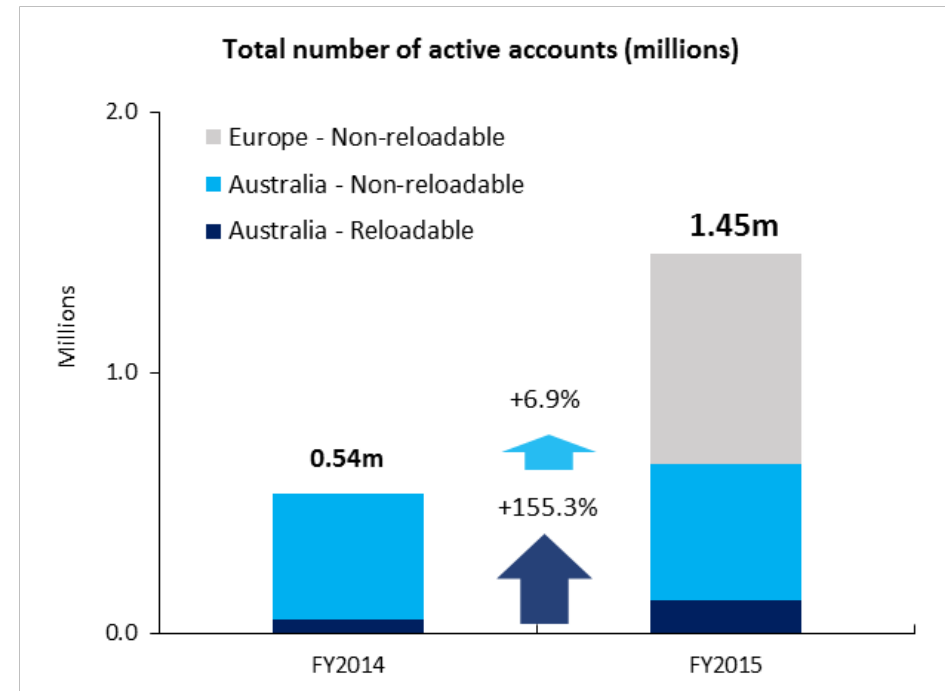
FY15 Operating Highlights

- Launch of Re-loadable programs for CCIG, Ladbrokes and Sportsbet.
- Signed Re-loadable agreements with CrownBet, bet365, MoneyMe, Sarina Russo and Neoclinical, with programs launching in early FY16.
- Completed product development of EachWay, our cash load solution for gambling companies, with a launch in market in the first half of FY16.
- Successfully closed the Store Financial United Kingdom (“**SFUK**”) acquisition on 1 December 2014, transforming the company geographically and financially.
- Signed and launched mall gift card programs with MFI (Germany, 25 malls) and Hammerson (UK, 11 malls) in January 2015, the two largest programs launched to date. In addition, we also signed and launched a mall program for Value-Retail Inc. (8 malls, 5 EU countries).
- Finalised an agreement with Bancorp Inc., a leading e-money issuer in Europe, to act as our issuer for Re-loadable programs, ensuring the ability to operate Re-loadable programs within any EU member nation.
- Commenced I.T development for Re-loadable solutions in Europe (expected to be completed end of Q1FY16). Sales activities commenced in April 2015 and we remain optimistic in relation to the market potential.

Performance Metrics – FY15 vs FY14

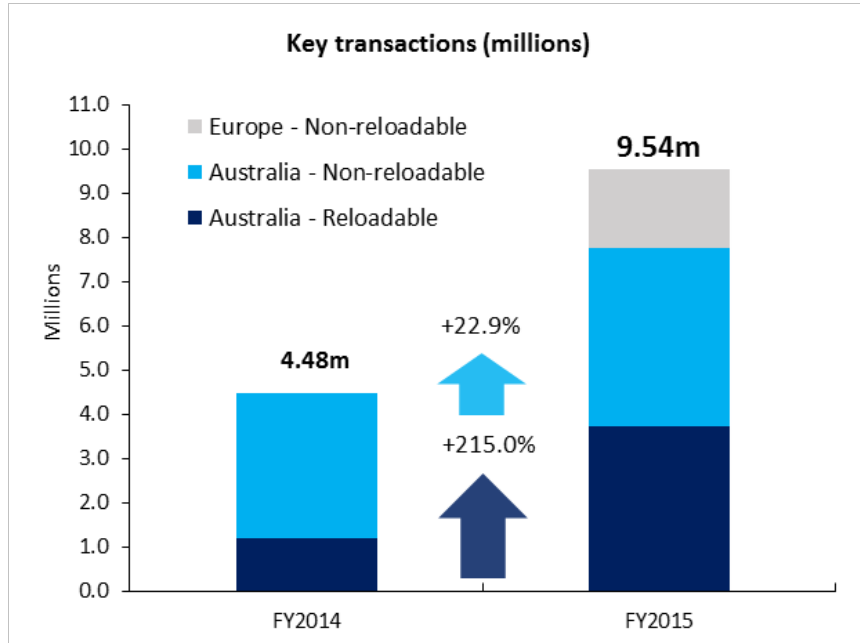


Total Dollars Loaded: +165%

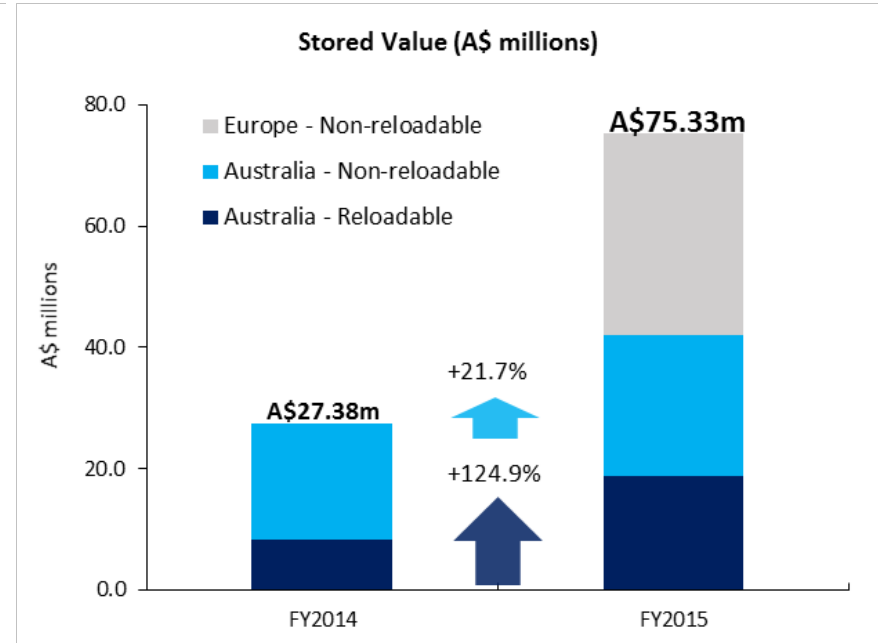


Number of Active Accounts: +169%

Performance Metrics – FY15 vs FY14



Transactions: +113%



Stored Value: +175%

Financials

Statement of Profit and Loss for 12 months ended 30 June 2015

(\$ thousands)	<u>Year Ended</u> <u>June 14</u>	<u>Year ended</u> <u>June 15</u>	% Δ
Breakage income	1,152	5,505	378%
Establishment income	1,097	3,211	193%
Transaction fees	1,988	4,617	132%
Interest received - host based stored value	613	814	33%
Interest received - group funds	178	119	(33%)
Service fees	156	171	9%
Total Revenue	5,184	14,437	178%
Gross Profit	4,049	11,281	179%
Gross profit margin - %	78%	78%	-
Gross Profit by reportable segments			
Australia - Reloadable	754	2,587	243%
Australia - Non-reloadable (Gift)	3,116	4,099	32%
Europe - Non-reloadable (Gift)	-	4,477	n/a
Interest received - group funds	178	119	(33%)
Total Gross Profit by segments	4,049	11,281	179%
Other income	60	-	(100%)
Cash overheads - employment related	(5,116)	(6,214)	21%
Cash overheads - other	(2,774)	(3,135)	13%
R&D tax offset	436	698	60%
EBITDA	(3,346)	2,630	(179%)
Less: R&D Tax offset shown above	(436)	(698)	(60%)
Depreciation, amortisation, other non cash charges	(665)	(2,637)	(297%)
Share-based payments	(1,403)	(5,104)	(264%)
Net Profit / (Loss) before tax	(5,850)	(5,809)	1%
Tax (including R&D tax offset)	436	8,668	1,888%
Net Profit / (Loss) after tax	(5,414)	2,859	153%

- Large growth in Revenue and Gross profit due to the inclusion of the European operations for 7 months and the strong performance of the Australian Reloadable segment.
- The increase in Group Cash overheads was minimal relative to the growth in revenue and Gross profit reflecting the scalability of our business model.
- The \$5.10m non-cash share based expenses are primarily associated with share grants agreed to as part of the SFUK acquisition, tied to the launch of the Hammerson and MFI programs.
- Large benefit in the tax line is due to the recognition of the historic tax losses in Australia reflective of the fact that the Group will generate sufficient taxable profit in future years to offset the tax losses.

Financials

Statement of Financial Position for 12 months ended 30 June 2015

(\$ millions)	<u>Year Ended</u> <u>June 14</u>	<u>Year ended</u> <u>June 15</u>	% Δ
Cash and cash equivalents	4.50	4.26	(5%)
Other receivables and other assets	1.79	6.28	251%
Receivable from financial institution	-	6.90	0%
Deferred Tax Asset	-	7.55	0%
Plant and equipment	0.96	0.79	(18%)
Goodwill and intangibles	11.22	38.98	247%
Total assets	18.47	64.76	251%
Liabilities to cardholders	-	6.90	n/a
Deferred tax liability	-	2.06	n/a
Other liabilities	1.77	3.22	82%
Total Liabilities	1.77	12.18	590%
Equity	16.71	52.58	215%

Summary of Cash Flow

Cash flows from operating activities	(3.19)	(0.35)	(1.40)
Cash flows from investing activities	(0.74)	(13.18)	(11.10)
Cash flows from financing activities	7.06	13.29	13.29

- Included within Other Receivables is a breakage accrual of \$3.96m which will convert to cash in the coming financial year.
- Receivables from financial institution offsets the liabilities to cardholders and represents funds cardholders have provided to us that we have in turn deposited with a financial institution for programs we self issue without an external Bin sponsor.
- Intangibles have increased due to the acquisition of SFUK for A\$24.9m and is predominantly comprised of Goodwill of A\$30.5m and Customer relationships / Customer contracts for the balance.
- The Company had a pre-existing Goodwill value of \$11m on the Balance Sheet, reflecting the original purchase price of Emerchants, also comprised largely of Customer relationships / Customer contracts.
- Other than the value of Customer relationships/ Customer contracts, no other assets – i.e., Intellectual Property, is included as an intangible.

FY16 Operational Priorities

Australia

- Launch of additional Commercial Re-loadable programs providing further revenue diversification.
- Launch of supplementary Re-loadable programs in the Gambling and Consumer lending segment
- Continued focus and investment in business continuity planning in preparation for the 2015 Spring Racing Carnival. We will have 10x the number of active gambling winnings cards in market in 2015 versus the 2014 Spring Racing Carnival.
- Develop our product management focus and seek further I.P protection on our software and solutions.
- Launch and expansion of the EachWay cash load network.

UK and Europe

- Successful signing and launching of a number of Re-loadable programs in the UK/EU gambling segment. This will further propel earnings growth in FY16 and beyond.
- Launch of our cash load solution in the UK and Europe.
- Launch of B2B “Cash Back” gift card programs in conjunction with Edge Loyalty, launching in early 2HFY16. Multiple market assessments have indicated that our future earnings contribution is similar to our Non-Reloadable revenue in Australia.
- Continued expansion of Mall gift card programs and other Non-reloadable programs.

The European Prepaid Market is forecast to grow at 15% per annum through to 2020

TABLE 21: European Recent Past, Current and Future Analysis for Prepaid Cards by Region/Country - France, Germany, Italy, UK, Spain, Russia and Rest of Europe Markets Independently Analyzed with Annual Load in US\$ Million for Years 2013 through 2020

Region/Country	2013	2014	2015	2016	2017	2018	2019	2020	% CAGR
France	22,018.0	25,663.6	29,676.8	33,837.1	37,936.1	41,437.1	44,724.1	47,662.2	11.7
Germany	22,578.7	27,260.5	32,710.0	38,580.2	44,291.7	49,174.6	53,215.7	56,787.4	14.1
Italy	22,950.4	24,921.5	27,236.3	29,960.0	33,127.9	36,720.1	40,587.7	44,725.9	10.0
UK	29,663.9	35,885.3	43,831.2	53,139.3	63,380.4	73,738.1	83,984.0	94,085.8	17.9
Spain	4,394.3	5,055.7	5,778.0	6,579.2	7,460.6	8,430.8	9,501.0	10,640.4	13.5
Russia	23,323.4	28,350.1	34,040.2	40,002.4	45,707.8	50,586.4	54,960.2	59,008.4	14.2
Rest of Europe	18,310.3	22,809.6	28,289.9	35,067.0	43,425.1	53,751.9	66,415.5	81,852.2	23.9
Total	143,239.0	169,946.3	201,562.4	237,165.2	275,329.6	313,839.0	353,388.2	394,762.3	15.6

2014: GIA Estimates

2015-2020: GIA Projections

Error tolerance for data in this table is 10% (+/-).

Exchange rates used for standardizing data in this table are 1 US \$ = 0.73 Euro, 0.59 British Pound and 33.91 Russian Rubles.

Data is not adjusted for inflation. It is reported in nominal terms.

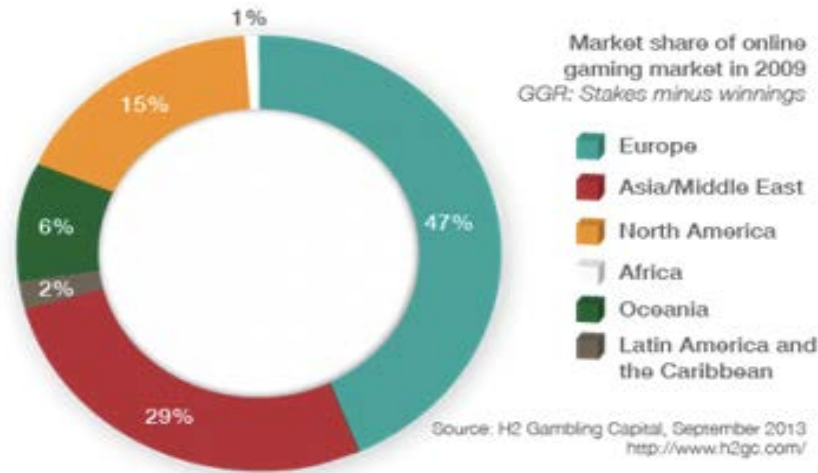
Data is reported at the Service Provider's Level.

Current data is standardized to the currency values as on July 01, 2014.

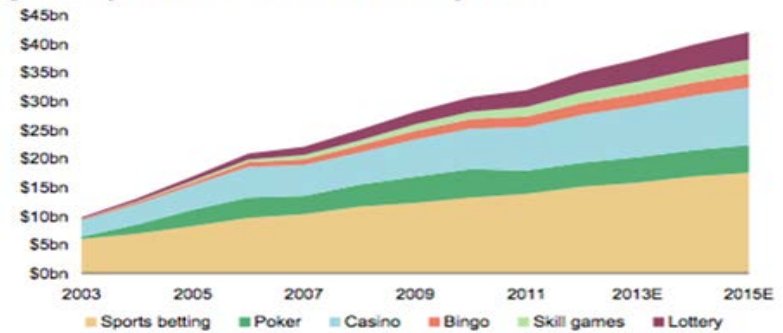
Countries analyzed under Rest of Europe include Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, Greece, Hungary, Ireland, The Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Sweden, Switzerland, and Turkey.

The European market is more than 10x the size of the Australian market and is predicted to reach USD\$394 billion in prepaid payments volume by 2020.

The UK/European Online Gambling Market is Several Times the Size of the Australian Market

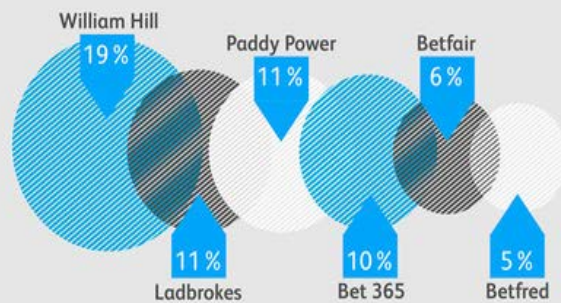


Online gambling is a c.\$35bn market, expected to grow by 20% in the next three years

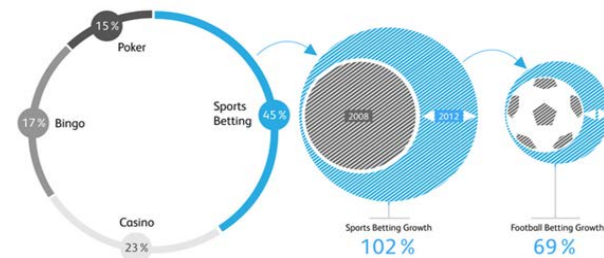
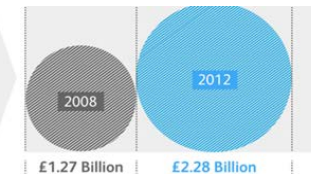


E = H2 Gambling Capital estimates Source: H2 Gambling Capital, Morgan Stanley Research

Big brands still dominate, with 62% of all brand search volume (i.e. customers searching for a specific brand) being swallowed up by just 6 companies.



The online gambling market continues to grow breaking the £2 billion barrier (estimated revenue) in 2012, representing an 80% increase since 2008.



EachWay



- EachWay utilizes our existing integration with our gambling partner platforms to initiate credits to the gambling account, paid for by a consumer at one of 2,200 initial participating retail stores.
- Customer can load increments of \$50 - \$100 in-store.
- Proprietary, patent pending technology that will also include velocity controls to restrict cash loads from customers with an identified history of gambling problems.
- The market opportunity is providing online customers with the ability to fund their deposits in real-time with cash versus a credit or debit card. These would be customers without access to a debit or credit card or customers traditionally used to cash betting at hotels and betting shops.



- Commercial terms are commercially sensitive, yet we can advise that we expect Emerchants to generate the same percentage revenues per transaction on EachWay as we will generate on the Payments cards.
- We expect to finish FY16 with a presence in over 5,000 retail stores, providing a larger distribution footprint than any hotel based network.

FY16 Financial Outlook

- Organic growth in Australian revenues from continuing expansion of existing Re-loadable programs and the August 2015 launch of new programs including CrownBet, bet365, Sarina Russo, and MoneyMe.
- We expect to sign and launch several other Re-loadable programs that are in our sales pipeline. Our sales efforts remain focused around opportunities where we have a “demonstrably superior” solution and a customer base allowing the program to scale.
- Our European operations generated \$5.8m in revenue for 7 months of the FY15 year, so we will benefit from a full years revenue and margin contribution, driven by organic growth in the existing business, a full years contribution from the MFI and Hammerson programs and Non-reloadable sales opportunities in the pipeline
- European revenues would be further accelerated should we be successful in winning new customers in the online Gambling industry. No assumptions around this are factored into any of the consensus estimates for EML.
- Shareholders understand the time lag between the recognition of breakage revenues on Non-reloadable programs and receiving that breakage as cash. We ended FY15 with a \$3.96m breakage accrual that will translate to cash over the next 12 months, and with 50% of sales generated in the Christmas holiday period, higher unit and dollar sales in December 2015 will generate a higher breakage benefit which will also translate into cash in the following 12 months.