
APPENDIX 4C – Q1FY16 QUARTERLY CASHFLOW

In accordance with Listing Rule 4.7B, **Emerchants Limited (ASX: EML)** ('Company or Group') submits the following activities and appendix 4C cashflow statement for the quarter (**Q1FY16**) and the period ended 30 September 2015 (**Q1FY16**). The following are additional explanatory notes to be read in conjunction with the Report.

Q1 Headlines

- Group revenue totalled \$3.9M for Q1FY16, an increase of \$1.9M or 96% on Q1FY15. This was driven largely by the acquisition of SFUK, organic growth in existing programs and incremental sales from customers that were launched in 2015. Europe launched two new shopping centres, being Grand Central & Glasgow Fort in the Quarter.
- Total Dollars Loaded for Q1FY16 was \$146.7M (Q1FY15: \$62.8M) an increase of 134% on Q1 last year. The Reloadable Australian business accounted for \$91.2M of the Q1FY16 Dollars loaded, driven by continued growth in previously existing Reloadable programs, such as Sportsbet, Ladbrokes, CC Investment Group and Ingogo. The launch of both Crownbet and Bet365 during August 2015 will further contribute to load and revenue growth in FY16.
- Cash overheads amounted to \$2.7M for Q1FY16, with the Australian overheads flat at \$2.05M, equalling the Q1FY15 spend, due to the scalability of the business and a continued focus on cost control. European expenditure amounted to \$0.66M (Q1FY15: Nil) for the quarter.
- Q1 FY16 closing cash balance of \$3.9M. In addition, this cash position also included as an other asset a breakage accrual of \$4.6M that will translate to cash in the next 12 months, with the bulk of this cash being receivable in December 2015, reflecting inherent seasonality in gift card sales. Unlike a typical trade receivable, Emerchants is physically holding the cash, but breakage is recorded as a P&L item upon sale, audited monthly against actual usage, and audited twice annually in our Half Year and Full Year financial reports. As such, management has the highest degree of confidence in converting this accrual into cash in 1HFY16.
- The Group continues to focus on the deployment of its Reloadable product solutions in the European region and has substantively completed the systems development. We are in discussions with a number of potential clients in Europe and we will inform the market of further developments when we are able to do so.

Strong growth in all Group operating metrics

Strong growth was achieved across all operating metrics. A detailed summary of the Emerchants Group key operating metrics are detailed at Table 1 below. The key headlines are:

Dollars Loaded increases from \$62.8M to \$146.7M

Total Dollars Loaded increased by 134% from \$62.8M in Q1FY15 to \$146.7M in Q1FY16. Reloadable dollars loaded was \$91.2M for the year and 62.2% of total dollar loads. As mentioned previously, the Reloadable product is only currently available in Australia. We look forward to further growth, driven by continued expansion of the Sportsbet program and the recent launch of programs for CrownBet and Bet365 in the gambling segment.

Aside from online wagering, the Group has clients generating significant volumes with Reloadable accounts in other verticals, including Distribution Programs (Ingogo), Consumer Lending (Nimble, CC Investment Group (Cash Converters Franchisee), and the recent signing of Cash Converters Corporate which is expected to go live early in 2H FY16.

The present European Non-Reloadable segment is highly seasonal with a significant amount of volume occurring in the month of December. However the Group stands to benefit from full 12 months ownership in FY16 and significant contribution from the Hammersons and MFI transactions as announced on the ASX on 30 June 2015 and contributions from recent signings of Grand Central & Glasgow Fort.

Transactions increases from 1.5M to 2.9M

Emerchants has several sources of revenue and not all programs are charged on a transaction fee basis, but transaction growth is a key indicator of the usage of our card programs and therefore the value being derived by customers and cardholders.

Reloadable transactions grew 73% in Q1FY16 to 1.1M transactions and Non-Reloadable transactions grew by 100% to 1.8M. The European business comprised 0.6M transactions.

Active Accounts increases from 0.56M to 1.54M Accounts

The number of Active Accounts is instructive from an FY16 forecasting perspective because the Group ended Q1FY16 with 107,000 Reloadable accounts, up 57% on Q1FY15, and 1.43M Non-Reloadable accounts. The net growth of 39,000 Reloadable accounts has generated that 73% growth in transactions in Q1FY16, which again demonstrates the scalable nature of the business model.

It is also instructive relative to FY16 performance, given the 1.43M Non-Reloadable accounts will expire in the next 12 months, resulting in a portion of these funds converting to breakage in 1HFY16.

Stored Value increases from \$31.0M to \$83.3M

Stored value has grown significantly versus the prior year quarter with Reloadable stored value up 56% and Non-Reloadable increasing by 225%. The Non-Reloadable growth has been primarily as a result of the acquisition of SFUK, organic growth of all operations and growth in active accounts.

As previously disclosed, given prevailing interest rates in Europe, we receive negligible revenue from our balance of \$36M, so we are well positioned should rates rise over time in that market, however that could be offset by declining rates in the Australian operation based on the movement of interest rates in the coming years.

Table 1: Emerchants key operating metrics

| A\$ Thousands | Q1FY15 Quarter | | | FY15 Year-to-Date | | | Q1FY16 Quarter | | | FY16 Year-to-Date | | |
|--|----------------|---------------------|---------------|-------------------|---------------------|---------------|----------------|---------------------|----------------|-------------------|---------------------|----------------|
| | Australia | Europe ¹ | Group | Australia | Europe ¹ | Group | Australia | Europe ¹ | Group | Australia | Europe ¹ | Group |
| A\$ Total Funds loaded² | 62,797 | 0 | 62,797 | 62,797 | 0 | 62,797 | 118,018 | 28,714 | 146,732 | 118,018 | 28,714 | 146,732 |
| <i>% Change on pcp</i> | <i>98%</i> | <i>n/a</i> | <i>98%</i> | <i>98%</i> | <i>n/a</i> | <i>98%</i> | <i>88%</i> | <i>n/a</i> | <i>134%</i> | <i>88%</i> | <i>n/a</i> | <i>134%</i> |
| Reloadable | 40,294 | 0 | 40,294 | 40,294 | 0 | 40,294 | 91,231 | 0 | 91,231 | 91,231 | 0 | 91,231 |
| <i>% Change on pcp</i> | <i>182%</i> | <i>n/a</i> | <i>182%</i> | <i>182%</i> | <i>n/a</i> | <i>182%</i> | <i>126%</i> | <i>n/a</i> | <i>126%</i> | <i>126%</i> | <i>n/a</i> | <i>126%</i> |
| Non-Reloadable / Gift | 22,503 | 0 | 22,503 | 22,503 | 0 | 22,503 | 26,787 | 28,714 | 55,501 | 26,787 | 28,714 | 55,501 |
| <i>% Change on pcp</i> | <i>28%</i> | <i>n/a</i> | <i>28%</i> | <i>28%</i> | <i>n/a</i> | <i>28%</i> | <i>19%</i> | <i>n/a</i> | <i>147%</i> | <i>19%</i> | <i>n/a</i> | <i>147%</i> |
| No. key transactions³ | 1,524 | 0 | 1,524 | 1,524 | 0 | 1,524 | 2,315 | 566 | 2,881 | 2,315 | 566 | 2,881 |
| <i>% Change on pcp</i> | <i>58%</i> | <i>n/a</i> | <i>58%</i> | <i>58%</i> | <i>n/a</i> | <i>58%</i> | <i>52%</i> | <i>n/a</i> | <i>89%</i> | <i>52%</i> | <i>n/a</i> | <i>89%</i> |
| Reloadable | 632 | 0 | 632 | 632 | 0 | 632 | 1,094 | 0 | 1,094 | 1,094 | 0 | 1,094 |
| <i>% Change on pcp</i> | <i>210%</i> | <i>n/a</i> | <i>210%</i> | <i>210%</i> | <i>n/a</i> | <i>210%</i> | <i>73%</i> | <i>-</i> | <i>73%</i> | <i>73%</i> | <i>n/a</i> | <i>73%</i> |
| Non-Reloadable / Gift | 892 | 0 | 892 | 892 | 0 | 892 | 1,221 | 566 | 1,787 | 1,221 | 566 | 1,787 |
| <i>% Change on pcp</i> | <i>18%</i> | <i>n/a</i> | <i>18%</i> | <i>18%</i> | <i>n/a</i> | <i>18%</i> | <i>37%</i> | <i>n/a</i> | <i>100%</i> | <i>37%</i> | <i>n/a</i> | <i>100%</i> |
| No. active accounts > A\$0⁴ | 560 | 0 | 560 | 560 | 0 | 560 | 677 | 863 | 1,540 | 677 | 863 | 1,540 |
| <i>% Change on pcp</i> | <i>8%</i> | <i>n/a</i> | <i>8%</i> | <i>8%</i> | <i>n/a</i> | <i>8%</i> | <i>21%</i> | <i>n/a</i> | <i>175%</i> | <i>21%</i> | <i>n/a</i> | <i>176%</i> |
| Reloadable | 68 | 0 | 68 | 68 | 0 | 68 | 107 | 0 | 107 | 107 | 0.00 | 107 |
| <i>% Change on pcp</i> | <i>60%</i> | <i>n/a</i> | <i>60%</i> | <i>60%</i> | <i>n/a</i> | <i>60%</i> | <i>57%</i> | <i>n/a</i> | <i>57%</i> | <i>57%</i> | <i>n/a</i> | <i>57%</i> |
| Non-Reloadable / Gift | 491 | 0 | 491 | 491 | 0 | 491 | 570 | 863 | 1,433 | 570 | 863 | 1,433 |
| <i>% Change on pcp</i> | <i>3%</i> | <i>n/a</i> | <i>3%</i> | <i>3%</i> | <i>n/a</i> | <i>3%</i> | <i>16%</i> | <i>n/a</i> | <i>192%</i> | <i>16%</i> | <i>n/a</i> | <i>192%</i> |
| A\$ Stored Value⁵ | 31,002 | 0 | 31,002 | 31,002 | 0 | 31,002 | 47,071 | 36,195 | 83,266 | 47,071 | 36,195 | 83,266 |
| <i>% Change on pcp</i> | <i>53%</i> | <i>n/a</i> | <i>53%</i> | <i>53%</i> | <i>n/a</i> | <i>53%</i> | <i>52%</i> | <i>n/a</i> | <i>169%</i> | <i>52%</i> | <i>n/a</i> | <i>169%</i> |
| Reloadable | 10,390 | 0 | 10,390 | 10,390 | 0 | 10,390 | 16,232 | 0 | 16,232 | 16,232 | 0 | 16,232 |
| <i>% Change on pcp</i> | <i>104%</i> | <i>n/a</i> | <i>104%</i> | <i>104%</i> | <i>n/a</i> | <i>104%</i> | <i>56%</i> | <i>n/a</i> | <i>56%</i> | <i>56%</i> | <i>n/a</i> | <i>56%</i> |
| Non-Reloadable / Gift | 20,612 | 0 | 20,612 | 20,612 | 0 | 20,612 | 30,839 | 36,195 | 67,034 | 30,839 | 36,195 | 67,034 |
| <i>% Change on pcp</i> | <i>36%</i> | <i>n/a</i> | <i>36%</i> | <i>36%</i> | <i>n/a</i> | <i>36%</i> | <i>50%</i> | <i>n/a</i> | <i>225%</i> | <i>50%</i> | <i>n/a</i> | <i>225%</i> |

¹ The SFUK operations operating metrics are generated in British Pounds and Euros. For reporting purposes these metrics are disclosed in Australian dollars. Total funds loaded is translated at the average rate of the quarter and Stored Value at the closing rate at the end of the quarter.

² Total funds loaded onto prepaid accounts represents the total of initial and subsequent loads. This excludes any funds that clients have deposited with the Company's ADI and not loaded onto a prepaid account.

³ Key transactions constitute activity such as redemption or attempted redemption of prepaid value.

⁴ Number of active prepaid accounts is measured at the end of the period with a balance greater than \$0.00. Accounts that have expired, been made inactive or have no funds associated with them are excluded.

⁵ Total value on deposit for the prepaid portfolio is measured at the end of the period. This represents unredeemed stored value that is available for the account holder to redeem.

Cash outflows from operating activities

The outflow from operating activities has declined to \$0.2M or 65% on the prior comparative quarter as the Group improved its comparative revenue by 96% to \$3.9M with cash overheads increasing by 32% to \$2.7M.

As previously mentioned, included in the reported revenue is an estimation of future breakage that will accrue to the Group relating to non-Reloadable accounts previously sold, but yet to expire. The bulk of the breakage accrued will translate to cash in December 2015 when these accounts expire, with the remainder translated to cash prior to June 2016 and particularly as it pertains to the European business, increased distribution (i.e. an increase in the number of mall programs) will generate higher gift card sales in December 2015 than in December 2014, with that resulting in a subsequent breakage accrual which will translate to cash within the following 12 months.

Cash outflows from investing activities

The Quarterly investing activities amounted to \$0.2M and related to the development of our EachWay product that enables our clients to offer a cash load functionality to their customers at participating retail stores and the implementation of additional features on our processing platform as part of the Group's international integration.

Cash inflows from financing activities

No financing activities occurred during Q1FY16.

The Board of Directors consider the current funding and capital structure of the Group appropriate for the Company's operating outlook and therefore it is not expected that any additional financing activities will be required in remainder of the FY16 year.

The Directors are satisfied that the Company has adequate funding, that its current balance sheet is sound, and that the Company complies with Listing Rule 12.2.

Table 2: Quarterly cash flow summary

| A\$ Thousands | Q1FY15 | FY15 | Q1FY16 | FY16 |
|---|---------------|---------------|---------------|--------------|
| | Quarter | Year-to-Date | Quarter | Year-to-Date |
| Operations | (479) | (479) | (166) | (166) |
| <i>% Change on prior comparative period</i> | <i>58%</i> | <i>58%</i> | <i>65%</i> | <i>65%</i> |
| Investing | (197) | (197) | (172) | (172) |
| <i>% Change on prior comparative period</i> | <i>n/a</i> | <i>n/a</i> | <i>13%</i> | <i>13%</i> |
| Financing | 0 | 0 | 0 | 0 |
| <i>% Change on prior comparative period</i> | <i>(100)%</i> | <i>(100)%</i> | <i>n/a</i> | <i>n/a</i> |
| Total inflows (outflow) | (676) | (676) | (338) | (338) |
| Opening Cash | 4,496 | 4,496 | 4,264 | 4,264 |
| Movement for the period | (676) | (676) | (338) | (338) |
| Closing Cash | 3,820 | 3,820 | 3,926 | 3,926 |

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For more information, please contact:

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Emerchants Limited

ABN

93 104 757 904

Quarter ended ("current quarter")

30 September 2015

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|----------------------------|--|
| 1.1 Receipts from customers | 2,882 | 2,882 |
| 1.2 Payments for: | | |
| (a) staff costs | (1,717) | (1,717) |
| (b) advertising and marketing | (41) | (41) |
| (c) leased assets | - | - |
| (d) other working capital | (732) | (732) |
| (e) accounting and administrative services | (340) | (340) |
| (f) acquisition-related expenses | - | - |
| (g) exploration expenditure | - | - |
| (h) software and systems infrastructure | (201) | (201) |
| (i) risk and compliance | (119) | (119) |
| (j) rent and utilities | (123) | (123) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 242 | 242 |
| 1.5 Interest and other costs of finance paid | (17) | (17) |
| 1.6 Income taxes paid | - | - |
| 1.7 Other | - | - |
| Net operating cash flows | (166) | (166) |

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

| | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--|----------------------------|--|
| 1.8 Net operating cash flows (carried forward) | (166) | (166) |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | - |
| (c) intellectual property/intangible assets | (170) | (170) |
| (d) physical non-current assets | (2) | (2) |
| (e) other non-current assets | - | - |
| (f) cash included on consolidation of subsidiary | - | - |
| 1.10 Proceeds from disposal of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non-current assets | - | - |
| (e) other non-current assets | - | - |
| 1.11 Loans to other entities | - | - |
| 1.12 Loans repaid by other entities | - | - |
| 1.13 Other | - | - |
| Net investing cash flows | (172) | (172) |
| 1.14 Total operating and investing cash flows | (338) | (338) |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. | - | - |
| 1.16 Proceeds from sale of forfeited shares | - | - |
| 1.17 Proceeds from borrowings | - | - |
| 1.18 Repayment of borrowings | - | - |
| 1.19 Dividends paid | - | - |
| 1.20 Other – Share Issue costs | - | - |
| Net financing cash flows | - | - |
| Net increase (decrease) in cash held | (338) | (338) |
| 1.21 Cash at beginning of quarter/year to date | 4,264 | 4,264 |
| 1.22 Exchange rate adjustments to item 1.20 | - | - |
| 1.23 Cash at end of quarter | 3,926 | 3,926 |

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.24 | Aggregate amount of payments to the parties included in item 1.2 | 201 |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11 | Nil |

1.26 Explanation necessary for an understanding of the transactions

Payments to Executive Directors, Non-Executive Directors and Associates of the directors is broken down as follows:

\$000's

| | |
|--|------------|
| Directors and Executive Directors fees | 179 |
| Superannuation | 22 |
| Associates of the directors | - |
| Total | 201 |

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

| |
|---|
| Transactions which occurred during quarter ended 30 September 2015: |
| N/A |

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

| |
|-----|
| N/A |
|-----|

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | Nil | Nil |
| 3.2 Credit standby arrangements | Nil | Nil |

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|----------------------------|-----------------------------|
| 4.1 Cash on hand and at bank | 2,523 | 2,216 |
| 4.2 Deposits at call | 1,403 | 2,048 |
| 4.3 Bank overdraft | - | - |
| 4.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.23) | 3,926 | 4,264 |

Acquisitions and disposals of business entities

| | Acquisitions (Item 1.9(a)) | Disposals (Item 1.10(a)) N/A |
|---|-------------------------------|---------------------------------|
| 5.1 Name of entity | N/A | N/A |
| 5.2 Place of incorporation or registration | N/A | N/A |
| 5.3 Consideration for acquisition or disposal | N/A | N/A |
| 5.4 Total net assets | N/A | N/A |
| 5.5 Nature of business | N/A | N/A |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Director

Date: 29 October 2015

Print name: Tom Cregan

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.