



27 June 2016

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

Market Update following UK BREXIT Vote

Emerchants Limited (**ASX: EML**) wishes to provide an update to shareholders following the BREXIT vote that occurred on 23 June 2016 and the implications of that vote for the Company's operations in the United Kingdom.

Whilst there are numerous political implications, most of which are unclear and will likely remain unclear for two years or more, in terms of any impact on Emerchants UK operations we expect the impact to be immaterial in both FY16 and FY17. This is due to a number of factors, including:

- There are no adverse regulatory implications for the Company. The regulatory burden of any potential changes to financial product regulation and administration is the responsibility of Emerchants issuing bank and e-money issuing partners which will work with the relative UK and European regulators. The Company has always focused on redundancy in respect to its issuing bank partners, and in the UK has 3 partners, which are also licensed and registered in multiple EU member states.
- If as a result of regulatory changes there are contractual changes required to any of our customer agreements these are likely to be immaterial, given all of the Company's customer contracts have standard clauses with respect to the process for enacting changes if required by a regulatory change.
- The Company issues prepaid products in the UK and 9 other EU member states, but also processes and authorises transactions for global clients outside the EU. Consequently the status of the UK within the EU will operationally be of little significance.

When Emerchants acquired its North American business the Company stated its belief that it had significantly reduced the risk in the business whilst doubling the size. The BREXIT vote is a perfect illustration of this in practice. The Company's financial exposure is driven by a weakening in the

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Pound Sterling relative to the Australian Dollar. After the Company's expansion into North America, it is now generating revenues in 5 currencies – the Euro, US Dollar, Pound Sterling, Canadian Dollar and Australian Dollar. This provides a natural hedge with respect to various movements and volatility in these currencies.

Emerchants expected revenues in FY17 in Pound Sterling represents less than 20% of revenues and margins, so a 10% deterioration in the Pound Sterling would reduce group revenues and margins by 2% and we believe this would be offset by organic growth in the business or, as we saw late last week, appreciation in the value of our earnings in other currencies.

There has been media speculation about the long term impacts to economic growth in the UK as a result of the BREXIT vote. Whilst this is impossible to predict with any accuracy, it is worth noting that prior to Emerchants acquiring its UK business that the business had experienced the impacts of the global financial crisis and a double dip recession. Nevertheless it generated double digit revenue growth across this period. One of the attractive features of the business is its resilience during different economic cycles and we see the business continuing to be a resilient business.

In summary, Emerchants sees no immediate impact to its FY16 results, nor an ongoing negative impact that won't be offset by factors outside of the UK. This is the benefit of the growth and diversification strategy the Company has pursued and will continue to pursue in the future.

ABOUT EMERCHANTS

Emerchants is a payments solutions provider of prepaid financial card products and services in Australia. 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, the United Kingdom and Europe and the USA and Canada through its wholly owned subsidiaries. Emerchants has offices in Brisbane, Australia; Birmingham, United Kingdom and Kansas City, Kansas.

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