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ASX Market Announcements
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Investor Presentation - Transcript

EML Payments Limited (ASX: EML) is pleased provide investors with the following transcript of its briefing to shareholders and the investment community held on 7 April 2021 following the announcement of EML's acquisition of Sentenial Limited.

About EML Payments Limited

EML provides an innovative payment solutions platform, helping businesses all over the world create awesome customer experiences. Wherever money is in motion, our agile technology can power the payment process, so money can be moved quickly, conveniently and securely. We offer market-leading programme management and highly skilled payments expertise to create customisable feature-rich solutions for businesses, brands and their customers.

We encourage you to learn more about EML Payments Limited, by visiting: https://www.emlpayments.com/

This ASX announcement has been authorised for release by the Company Secretary.

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Event Transcript

Company: EML Payments Limited
Title: EML Sentenial Acquisition Announcement
Date: 7 April 2021
Time: 10:00AM AEST

Start of Transcript

Operator: Thank you for standing by, and welcome to the EML Payments Sentenial acquisition. All participants are in a listen only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question, you will need to press the star key, followed by the number 1 on your telephone keypad.

I would now like to hand the conference over to Mr Tom Cregan, Chief Executive Officer and Managing Director. Please go ahead.

Tom Cregan: Good morning and welcome to the call this morning to take you through the details of our acquisition of Sentenial Group, a leading payments platform business in Europe that's focusing on the evolution of open banking and the commercial opportunities that flow from that. My name is Tom Cregan, Managing Director and Group CEO. I'm joined today by Rob Shore, our Group CFO, and Eric Mettemeyer, our Group Corporate Development Officer.

Before diving into the deck, investors would understand that the advent of COVID-19 in 2020 provided us with the opportunity to implement Project Accelerator, which was about re-envisioning the future for EML from a products and capability perspective. Just as we have successfully transitioned over the last nine years from a gift card company in one country to a broad-based prepaid company operating in 28 countries deriving the majority of our revenues from general purpose reloadable programs, the acquisition of Sentenial is about the next evolution for EML, and specifically the move into open banking and account to account payments.

What is open banking? There are plenty of acronyms in this industry, it's jargon-rich, data aggregators, PISPs, AISPs and a whole bunch of others, but we put that to the side and according to FT Partners, one of the largest investment banks in the US, I think they defined it very well where they say *Open banking is a framework wherein banks enable third parties to access customers' financial data to provide services and to provide a high degree of transparency to customers.*

Open banking enables consumers to gain a more detailed understanding of their finances and accounts, incentivises incumbents to innovate and improve their services, and lowers the barrier to entry for new players. With the rising demand for more innovative financial solutions, incumbents are increasingly finding themselves in competition with emerging fintech companies.

For us, that's a very good definition. If anyone would like to see FT Partners, in fact they have a 220-page document that recently came out on open banking, so if anyone would like to receive that, they could email Rob, myself or Eric and we can send you through the link for that. But open banking is also referred to as account-to-account payments, and we will use those terms interchangeably. In practice, open banking is more associated with the data aspect, and account-to-account payments more with the actual facilitation of payment transactions. But we will use them interchangeably throughout this presentation.

We're convinced that open banking will become a significant growth driver globally and that EML can be a successful market participant, because the industry is still young but evolving at a rapid pace. To those that follow this space and the investment and valuations being obtained by companies in it, the biggest companies in global payments, Mastercard, Visa, PayPal and others, are seeing the same opportunity, which Eric will talk to later on in this presentation.

We see open banking as a way of broadening our product suite to existing and prospective customers and becoming the first prepaid company to offer a hybrid prepaid and account-to-account payment solution, and we'll share with you a couple of use cases later in the deck as to how this comes to life. We also see open banking as a way of expanding our total addressable market, moving from prepaid/ which remains a niche business running on the Visa and Mastercard rails, to mass market payments facilitating account-to-account payments direct from a consumer to a consumer, or a consumer to a merchant.

Finally, our track record of success in M&A comes in a large part from buying the right businesses and getting the right cultural fit, and we believe that Sentenial meets all of those criteria for EML. At the end of the day, EML is a B2B payments platform business, we're processing circa $20 billion per annum in GDV, servicing thousands of programs across a diverse range of industries.

Sentenial and their open banking brand, Nuapay, is similar. It's a B2B payments platform, processing over €45 billion per annum and supports a different customer set including banks, financial institutions, merchant acquirers, payment gateways and merchants. So, a complementary product suite and an expanded customer base in different industry verticals. After having spent many hours with the Sentenial team over the past six months, we think our DNA is the same in the way that we approach the market, and we are genuinely excited to bring these companies together.

Moving onto slide 3 of the deck, the key takeaways are:

- We're acquiring Sentenial for an upfront value of €70 million, with the potential for a €40 million earnout. This represents an upfront multiple of less than 10x revenues and it will contribute marginal EBITDA accretion in FY22;
- Sentenial generates €7.5 million in revenue, approximately AUD$11.5 million at current exchange rates, with an EBITDA of approximately €800,000 or approximately AUD$1.25 million at current exchange rates. We would expect to reinvest that into growth, largely through an expansion of the European sales team, so we would not expect a material contribution to EBITDA in FY22. Similarly, any cost synergies we'd benefit from in FY22 will be reinvested into growth. As a micro example of that, Sentenial for example outsources PR, whereas we manage that inhouse. So, those types of expenses will be repurposed into direct revenue generating activities. There is a landgrab occurring in Europe at the moment, there will be a landgrab that continues there for some years. Being a private company, Sentenial has grown its sales and marketing team based on what it could afford to hire. But in terms of feet on the street, it does lag behind some of its competitors. But we're now in the fortunate position to be able to increase our sales related headcount by repurposing some of those expenses and to cross train our talented EML sales team in Europe. So, by the time we close this transaction, hopefully in late June, we've got another eight salespeople working on opportunities for both prepaid and open banking in Europe:
- The earnout is based on revenues in Nuapay, being the open banking division, increasing from circa €3 million per annum to €30 million per annum, which would correspond to approximately €15 million in EBITDA by the end of year three. I think we've got a good track record of acquiring businesses and having business growth in subsequent years drive down our effective multiple. We're optimistic that Sentenial will be a similar story.
- For example, if you took more of a bear case and assumed that Sentenial drives half of that projected revenue growth, that €14 million would correspond to roughly €7.5 million in EBITDA, so we would have paid €90 million all up for the business, generating €7.5 million, or a forward EBITDA multiple of circa 12 times.
- If you take the base case, which was the number that was presented by Sentenial and remained constant through the process, and those revenue targets are met, we'll end up paying €110 million and have a business generating circa €15 million in EBITDA, giving us a forward multiple of 7.5 times EBITDA.

- We've structured this acquisition to be one in which the vendors are fully motivated by the earnout to grow the business significantly in the coming three years, and we believe their pipeline positions them well to achieve that. Two of their largest customers, for example, only began onboarding merchants in the past few months, so we are at the start of that ramp. Gross margins are north of 80% for Nuapay, and 91% for the combined Group. So, 60 FTE today support a business processing €45 billion a year in payment volume, so it's a highly scalable business, and adding incremental customers and volumes will translate to margin accretion.
- All of this within an industry where we're seeing the larger players in open banking have valuations north of 50 to 75 times revenues. We're not interested in buying companies for 50 times revenues, that's not part of our acquisition DNA, but what is in our DNA is finding the right businesses that we can afford, and structuring acquisitions in such a way that they deliver future returns to shareholders.
- Obviously if we're successful and we can create a future revenue stream north of AUD$50 million, comprised of existing revenues and the incremental revenue on Nuapay, and an EBITDA stream of €15 million, which would be AUD$23 million, then we'll consider this to be a very successful acquisition indeed.
- I would also note that these numbers are very much Euro-centric, and whilst international revenues are included in the earnout, we would expect most of that contribution to come from Europe.
- The business has two business lines, Sentenial which provides mission critical payment solutions to banks and financial institutions that charges for these services on a software as a service (SAAS) or a platform as a service (PAAS) model, so a fixed fee per month irrespective of transaction volumes. Nuapay or the open banking business is more on a per transaction basis, hence the difference in yields between the different business lines.

Moving into slide 4, the €70 million upfront component of the acquisition is funded partly in cash through the €8.9 million in cash, €31.1 million in stock, which represents approximately 2.9% of EML shares on issue. EML was the underbidder on this acquisition relative to others we were competing with, but the founders and senior executive team in Sentenial opted for a lower upfront cash deal and the combination of our offer because of their shared vision in what EML and Sentenial can do together in the marketplace, and how that will translate into EML share price in the future. So, very encouraging signs, I think, in terms of alignment between the executives of both businesses.

The cash component is funded in part by existing cash holdings and in part by a senior secured debt facility, which we'll be drawing down by AUD$31 million. The total debt facility provides us with access to AUD$225 million in debt funding and positioned us post this acquisition to continue to be active with respect to other acquisitions, given a cash balance of $120 million and undrawn debt facilities of circa $190 million.

The timing of the close is subject to regulatory approval by the FCA in the UK and the ACPR in France, where Sentenial is currently duly regulated.

Moving to slide 6, we've spoken about the two business lines of Sentenial, and Nuapay and the enterprise grade payment platform that processes that volume today. On slide 7 we've just got a brief timeline really of the market evolution for both companies and how both companies have continually invested in their technology to be able to take advantage of different growth opportunities over the years.

Slide 8 really gets to the meat of it, I think, which is the key points that attracted us to the Sentenial business. At EML CON3 in November last year, we had a number of speakers present on open banking. This has been an area of focus for us for 12 months and aligns perfectly with Project Accelerator. Having decided on wanting to add open banking capabilities to our product suite, what attracted us to Sentenial was enterprise-grade technology, a client base represented by large banks and financial institutions, further diversification of our financials, a different growth driver for EML in years to come, and the ability of their platform to be extended to support open banking initiatives in North America and Australia, which we fully intend to do, and we fully intend to invest in over the coming 12 to 24 months.

Customers such as Citibank, Barclays, Lloyds, Elavon, Cybersource, Worldpay are significant, significant companies on the payments horizon, and gives us confidence that Nuapay can compete and win these types of customers and grow its revenues pretty significantly over the next three years.

Slide 9 talks to the complementarity of the two businesses and I would simplify this as saying that the real key here is that we are adding non-scheme, non-card payment capabilities to our existing business. So, if we think about yield for a moment, EML receives approximately 120 basis points for reloadable programs, 500 basis points for gift programs and circa 10 to 12 basis points for our VAN segment.

The current Sentenial business, which is, as I said before, more of a SaaS or a payment as a service (PaaS) model with fixed price access, doesn't really make sense to look at in terms of yield. But if you did, the yield would be circa 1 to 2 basis points. In the EML business, the yield on salary packaging programs is lower than our standard yield as well, because we charge a fixed price irrespective of payment volume. So, yield is a good indicator, but not the only indicator.

Nuapay will average somewhere in the range of 10 to 50 basis points, depending on whether the contract is with a merchant directly, or with a reseller partner. Nuapay has been focused on reseller partner arrangements, because those partners have massive scale to help fuel their growth. So, those programs will generate circa 10 to 20 basis points, and those with Nuapay as a contract direct with a merchant will average closer to 50 basis points or more. Their average yield today is 45, but as reseller partners scale, the average yield will fall into that 10 to 50 basis point range.

Slide 10 and 11 talks to product capabilities. The main points here really is that Nuapay is an API first, cloud native, mobile centric solution that's live in the UK, recently entered the French market and will soon enter other European markets. These capabilities provide the foundation for a whole bunch of product solutions, instant payments, refunds, instalment payment collections, bill payments, QR code payments and so on. Eric will talk to a bit of those in a minute.

To the consumer, the proposition is a simple one, so we can jargon - we can make this a very jargonistic technical conversation, but really to the consumer the proposition is a simple one. They'll see in their checkout experience a range of options, so they're buying something online or they're buying something in a store, they can have a range of options, buy now, pay later, credit, debit, PayPal potentially, and they could have another saying pay from my bank.

The end consumer won't see the complexity of the solution that underpins that and all of the regulatory and technology that underpins that, just the convenience to be able to pay from an account of their choosing in real time. So, to the consumer, open banking and account-to-account payments is going to be a very simple proposition, simply one driven by consumer choice.

On slide 12 we've got the bios on Sean and Brian, who we've got to know very well during the last six months, as investors who will get to talk to them in the coming months, we'll tell you they're self-confessed payment geeks, they've a very, very deep payment knowledge, very deep regulatory knowledge, and lead a very capable team with the majority of those employees located in Ireland, with other members in London and others in Continental Europe. We will certainly have an expanded employee base in Ireland post the closing of this deal.

Actually that's a great thing for the teams to be able to meet together and collaborate and get moving quickly. Had Sentenial had its head office in Germany or Italy for example, absolutely no disrespect to those countries but in terms of getting that immediate collaboration, obviously you've still got a distance factor and so on. But having them all in Ireland and basically all in Dublin, will mean that those teams can work together and hit the road pretty quickly post the closing of the deal.

With that, I'll just hand to Eric, who's going to take us through slides 13, 14 and 15, thanks Eric.

Eric Mettemeyer: Thanks, Tom. On slide 13 we have a geographic representation of the advancements of open banking, highlighting how different regions are developing either for regulation, market forces or a combination of the two. Europe is the most advanced region today, having been prescribed by regulation. So, starting in 2018, European banks were required to open APIs to their transactional data. As that occurred, open banking companies initially focused on data aggregation products, but by 2020, companies began processing real time payments via these open APIs.

This is not on the slide, but if we take a deep dive into UK open banking statistics, we see the following. In January 2021, there were 2.5 million open banking users, growing at 1 million users every six months. There are over 300 Fintechs using open banking and the OBIE app store, which stands for Open Banking Implementation Entity, currently houses more than 80 open banking apps. There were 6 billion API calls that have been made to UK bank servers, 4 million open banking payments were completed in 2020, and the OBIE has projected open banking revenues in the UK will accumulate to £7.2 billion by 2022.

Australia is another market that has been driven by regulation. Data aggregation began in 2020 with real time payments scheduled to launch in 2022. So, that puts Australia about two years behind Europe, but given the innovation occurring globally, we expect Australia to quicky reach parity with Europe. Alternatively, the US Market has been driven by market forces and large players such as Plaid, Trustly and Finicity have focused their product development on data aggregation.

So, open banking revenue can be derived from many products related to both data and payment transactions. Depending on the region, its evolution, more or less revenue will be generated from these different products. For example, at Mastercard's presentation of its acquisition of Finicity, they discuss four data aggregation products, including credit decisioning, account history, account verification and scoring and analytics. That means open banking is not just about payments but also about the data associated with payment accounts.

It's the richness of the data that makes open banking payments a superior payment alternative. Sentenial's a bit unique in the open banking landscape, as it provides both data aggregation and payment product solutions. In fact, unlike most players in the space, the majority of Sentenial's open banking revenue comes from payments. While over time we expect Sentenial revenues to be generated from a mix of payment and data products, we are excited about the lead they have established on the payment front.

Continuing on slide 13 on the lower right, we have provided payment projections for our most relevant markets. These markets are projected to process 16.2 billion real time payments by 2024. That's just adding up the far-right column. Then if you do the math on a weighted average basis, it represents an annual compound annual growth rate of 39% for these markets, which is a little higher than what is projected on a total global basis which we call out in the upper right bubble. Also not on the slide, on a global basis, open banking revenues are projected to be US$9.9 billion by 2022, growing to US$43 billion by 2026.

Moving to slides 14 and 15, we provide a snapshot of open banking funding and M&A activity, and there's a few callouts here. Plaid is reportedly raising capital at a $13 billion valuation, which was again reported on payments.com just this week. Trustly is reportedly going public at an US$11 billion valuation. We've seen PayPal's made several high value investments in European open banking players such as Tink and Modulr, and Mastercard has made several acquisitions in the space as well, including their US$1 billion acquisition of Finicity.

As Tom mentioned previously, valuations of these companies can be upwards of 50 to 75 times revenue, so the attraction to the space is strong. But we've found a way to partner here at valuations that will make a lot more sense for EML shareholders.

So, with that I'll hand it back to Tom.

Tom Cregan: Thanks, Eric. Moving through the slides 16 to 20, we talk about the potential use cases that we envisioned as part of this acquisition. So, without going into these slides in detail, if you think of earned wage access programs, which is the ability for customers to draw down on their payroll in advance, those customers have an end user that is drawing on their payroll, and they might want some of that to go to a card managed by EML or direct to their bank account or direct to a merchant and we'll now be able to facilitate all of those.

It's not dissimilar to our investment in the US with Interchecks in the way that Interchecks provided us with non-card capabilities, and in fact our first earned wage access program launches in the US in two weeks, so we've seen that that same opportunity to win business based on providing a broader range of payment options to our customers. For our banking as a service (BAAS) business, we know that one of the main costs our current customers experience is the loading of fund to their e-wallet accounts, which we'll now be able to facilitate that service and at a lower cost. So, we're providing added value to our existing customers and the improved offering to prospective ones.

For our buy now pay later customers, we'll be able to provide them with not only card but tokenised solutions that we do today, online and at point of sale, but the cost of recovery and repayment is a significant one. We can now provide them with a solution that manages those recoveries direct from the customer's bank account, again at a lower cost than they might incur today, I'm charging that customer's credit card as a means of recovery. Again, it's about extending value to existing customers and improving our offering for prospective customers.

In Australia we've seen various state government COVID industry assistance programs use either a voucher model or a QR code. QR functionality would also allow us to pitch for government programs that could include a prepaid component or funds being transferred directly into people's bank accounts.

So, without going through all those slides in detail, they're just some of the opportunities that we've envisaged, and we've been discussing with the teams. That's what's exciting, we think that there's this great complementarity there between our existing business lines and theirs.

I think we've gone 25 minutes, but I'll hand to Rob for slide 20, 21 and 22, and then we'll wrap up and head into questions.

Rob Shore: Thanks, Tom. Starting on slide 20, to build on some of the points that Tom and Eric have made, we're showing how the combined businesses of EML and Sentenial fit together and how they complement each other. So, starting at the top of the page, EML and Sentenial have focused on different customer bases, so investors in EML will be aware that EML is focused on predominantly corporate customers, ranging from rewards and incentive customers such as malls, through gaming and wagering customers, Neobank and Fintech customers.

Sentenial is focused predominantly on providing services to banks and financial institutions such as Lloyds Bank, Barclays Bank, Citi and acquirers such as Worldpay. So, by combining EML and Sentenial technology into our platform, we're aiming to offer our customers, and Sentenial will offer their customers via a single integration access to both these technology suites. So, an EML customer wanting to load or reload the general-purpose reloadable account can do so via open banking instantly and a lower price point than if were acquiring from a scheme card. So, the use case there's pretty clear. Neobanks or retail or gaming customers wanting instant funding in a low cost and low forward mechanism with a high degree of our ability to reconcile a bulk of payments.

Sentenial customers, they'll have access to EML gift solutions and our scheme card solutions, which means that we can offer a broader solution to verticals such as payroll as a service customer who might want to offer a payroll payment to both bank account, instantly to a bank account, but then might also want to offer a scheme card solution and wage access. This is primarily a technology acquisition, it's a two-to-three-year growth acquisition and it brings new functionality in real time account-to-account payments, inbound or outbound, recurring payments, QR code payments, account verification. So, it brings a lot of new technology to our business.

If you look at slide 21, from a pure financials perspective, the Sentenial Group today is relatively immaterial to the EML Group, but it offers very strong growth prospects immediately in the FY22, '23 and '24 years, but also as a driver beyond that. So, as Tom mentioned earlier, the acquisition's really two businesses, software provider business in Sentenial, that has a strong track record with huge volumes of €45 billion servicing major banking providers in Europe, which generates a small but profitable P&L, a cash generative P&L.

It's a high margin business, approximately 96%, and whilst we don't think it will be as high growth as Nuapay, this cash generative business line has provided the backbone, the architecture and the financial support for them to develop the open banking business, Nuapay. It also demonstrates the quality of the Sentenial management team and their deep payments expertise.

Looking at Nuapay, that's the open banking business, it's regulated by the FCA in the UK and the ACPR in France. It's already revenue generative and it's already signed up key customers, which is Worldpay, Elavon, Cybersource and others, it's going to drive immediate growth opportunities. The volumes today are around the €600 million per annum level, and they're converting at about 45 basis points. So, as volumes increase, we would expect revenue yields to be in the 10 to 50 basis points with a sustainable 80% gross profit margin for the Nuapay business line.

We do expect to see rapid volume growth from this product line, and we're going to support that by reinvesting profits back into cash overheads, particularly to support further growth in sales and marketing channels. So, we're anticipating the Sentenial group to be EPSA accretive, so earnings per share before acquired intangible amortisation accretive in year three, and as Tom has mentioned the earnout case for incremental revenue growth of €27 million in the year ending 31 December 2023, and that will convert to around about €15 million of profit at the EBITDA line.

Summarising the acquisition investment on page 21, we're paying an upfront consideration of €70 million, which is split as a €38.9 million cash up front, and €31.1 million in EML equity. We'll hold back €2.5 million of the upfront cash in escrow for 12 months, alongside a warranty and indemnity insurance policy, EML equity will be issued a 10-day VWAP of $5.00, which equates to approximately 9.6 million shares or 2.9% of the issued equity.

There is an earnout consideration investors where that's a common feature in our acquisitions, and it's capped at €40 million, based on achievement of an incremental revenue target of €27 million in 12 months ending 31 December 2023. It's approximately 900% revenue growth for the open banking business line, and the earnout will be payable in cash or equity at EML's discretion in 2024. If it's in equity, it'd be calculated at a 10-day VWAP at that time.

Investors in EML will be aware we've had the support of our banking partners for some time, the facility announced the PFS acquisition in November 2019, ultimately, we didn't require it because we renegotiated that transaction. We're pleased to announce that we've now entered into a debt facility, the total size of which is AUD$225 million, we're only drawing down around $31 million to fund Sentenial, so we're using part cash, part debt for that upfront consideration. The facility has standard securitisation and banking covenants attached to it.

But assuming the acquisition close happened immediately, we would still have had in excess of $120 million cash on hand, so we're actually increasing the corporate funds we have at our disposal before resorting to any equity. So, we're expecting the acquisition to close late quarter four, subject to regulatory approval. Two regulatory approvals we need from the UK and from France, and so it will be generative, they'll contribute to the EML Group in the FY22 year.

With that I'll hand back to Tom.

Tom Cregan: Thanks, Rob, wrapping up quickly, so then we'll get into Q&A, but in summary we're excited by this acquisition and the next stage in the evolution of EML into open banking and account-to-account payments. We're excited by the expansion of our product suite and the expansion in our addressable market, that this will afford us, I think, if you put their volume into Australian dollars and you add that onto our current GDV, it means I think the Group will be processing more than $90 billion in total payment volume in FY22, which is a pretty remarkable number that we're pretty proud of.

We're excited by the ability to leverage their platform and expertise and to extend that to support our operations in Australia and North America. If you think about Accelerator, part of our investment there is to add a common user interface layer onto three disparate processors, because we've acquired those businesses through acquisition. With Sentenial we want to do the reverse, which is use an existing platform and take that into multiple regions, so we only have the one platform that is managing that side of our business. So, in three years' time we're not having to do again similar integration and platform work.

In summary, I think in an industry with stratospheric investment and revenue multiples, no question about that, I think we've acquired a quality company with quality people, which is always the most critical part of any of these deals, on terms that are responsible and will drive long-term and EBITDA growth for the Company. It's been structured to provide the vendors with a highly motivating earnout, and it's structured to provide EML with additional dry powder for other acquisition opportunities, and to acquire a business at a reasonable forward multiple relative to other alternatives that are in the marketplace.

So, with that, operator I'll open it up to questions. Rob and Eric and I can decide who takes what as the questions come in.

Operator: Thank you. If you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star 2. If you're on a speakerphone, please pick up the handset to ask your question. Your first question comes from Garry Sherriff of RBC Capital Markets. Please go ahead.

Garry Sherriff: (RBC Capital Markets, Analyst) Hi Tom and Rob, well done on sourcing some new revenue streams from the Sentenial acquisition. I've got a few questions, the first one around the land grab in Europe, after some years in the future that you referred to. Who are some of the other big competitors in Europe that you've mentioned, and maybe if you can give us a sense around that market structure, is it an Oligopoly? Why do you choose Sentenial versus some of those other players in the European market?

Tom Cregan: They're really good questions. It's certainly not an Oligopoly, so there are some companies that are more broadly European and others that are targeting a particular region or particular country within Europe. But you'll find companies like Plaid operating in Europe, you'll find Trustly, which I think goes public on the Stockholm exchange this month I believe, in April. Modulr, Tink, a bunch of names that certainly won't be household names to Aussie fund managers and to the market in general here but are certainly attracting sizeable investment.

I think a company like Tink, which is a Scandinavian, I would call them a Scandinavian rollup of sorts of open banking assets, I think their last valuation was $800 million. Trustly, to put it in perspective, and these numbers might not be totally correct, so Eric can tell me if they're not spot on, in 2017, 2018, Trustly had a market cap of about $700 million or $800 million, and it goes public at $11 billion next month, so a tenfold increase in valuation. Visa acquired Plaid for $5.3 billion, 18 months ago, it was rejected by the Department of Justice in the US on antitrust concerns and believe it or not when the transaction fell over, there was probably no one more happier than the shareholders of Plaid, because low and behold their valuation had gone from $5.3 billion to $13 billion. So, there were probably smiles all around on that deal falling over.

So, you've got a lot of players over there, and some of them are attacking, as we said before, the data aspect of it. Some of them are attacking the e-commerce aspect. At the end of the day they're all going to rely on payments. So, if you're building a business on data, let's say you're building a financial wellness tool, something like a Frollo that we had present at EMLCON, that's a business that is around financial wellness and is charging a consumer subscription fee to access that. But they still need the banking data in order to be able to run that business. So, that's what we like about Sentenial, the payments and platform aspect of it.

That's really what attracted us to it. A lot of these other companies are more focused on the data aspect of it, but they're hard, they're not core payments businesses. We are more of that business ourselves, so our view was let's acquire a business that is a core, at its fundamental is a core open banking payments business that we can then extend into some of these other marketplaces. So, that was really what attracted us to Sentenial. The other thing frankly is they're rational. So, when you are looking at valuations in the market over there, 50 to 75 times might seem - it sounds ludicrous to me, but that is what these companies will be listed at.

Whether that's sustainable or not, time will tell, but that's the valuations today. EML's in a fortunate position that we've got good cash reserves and we've got now good debt reserves, but we've still got to be rational, we're still listed in Australia, we've still got to be rational with what's acceptable within our market norms. So, if we were in America and EML were trading at 30 times revenues, not 10, then you might be able to pay more inflated multiples for companies. But we're not in that world, we're in the world we're in.

So, we've just got to scour the environment a bit harder for quality businesses that have a similar fit to us and a team that we think we can work with, and a team that has a very similar DNA. So, that's what really attracted us to Sentenial, but we will forward to you the report from FT Partners, it only came out actually a week and a half ago, but it is some 200 pages long in terms of what the opportunity is and some of those other companies. Nuapay's in there as one of the major players, but it has other companies in there too, so you can become a bit more familiar with a different range of competitors to the ones we'd normally have within the prepaid world.

Garry Sherriff: (RBC Capital Markets, Analyst) Thank you, Tom. Next question, it's funny but the blurring of the lines between supplier and competitor appears to be occurring, and by that, I mean Mastercard with its acquisition of Finicity. How should we think about your relationship with Mastercard? Because it appears that you're starting to compete with them from an open banking perspective with their acquisition of Finicity. Just wondering how that could potentially impact your existing relationship with Mastercard being your card program's supplier from a network rails perspective, yet also appearing to shape up as a potential competitor from an open banking perspective?

I'm not sure if I've got that right, but I just wanted to clarify, because there seems to be very intricate relationships that seem to be evolving, and I'm just trying to figure out how a current supplier might turn out to be a potential competitor in other aspects of your business.

Tom Cregan: That's a very good question too. I think by and large the biggest threat that exists to the kind of hegemony of Visa and Mastercard is open banking. Because today if you're doing a digital payment of one form or another, PayPal would also fit into that category, but all of the payments we're processing today are on the Mastercard rails, but then all of them next year will be on the Visa or Mastercard rails, so they'll be on both. There's a reason that the schemes are buying open banking companies, because it's a defensive play from their perspective, to protect their revenue streams.

There's a reason that credit card acquirers, for example, who are charging money to a merchant for processing credit card transactions, will also embrace open banking, because if they don't, someone will, because the merchant is ultimately going to say to their credit card acquirer, hey I want you to process my debit credit for me, but who's going to process my open banking payments, and what's the commercial terms of that? So, you've got companies thinking outside the box, you've got credit card acquirers that derive the bulk of their revenue from interchange, embracing open banking because it presents a competitive challenge to them as well. But it also presents an opportunity for them.

So, you've got your companies, such as the Worldpay's and the Elavon's and others that aren't announced on the deck, that are embracing that. You've got Mastercard and Visa doing the same thing. I think it's simply a matter of if EML is competing for a prospective customer, that part of our business that will run on the Mastercard or Visa rails will remain as is, and the Nuapay aspect will be sold to that customer individually.

If that customer actually decided that the offering from Finicity - Finicity is a bit of a niche player, it's a different animal to Sentenial, but if they actually decided that there was another open banking company that they wanted to tender it out to, then Nuapay would have to tender for that for the right to be their open banking partner. But obviously if the customer can get all of that in the one spot, we think that gives us a fair degree of competitive advantage. But the tactics are driven by different things.

For us it's very much opportunistic and growth oriented because we can see how the industry is evolving. For the schemes it's more defensive, I mean it's - which is why the Department of Justice quashed the Visa deal from Plaid, because it said hang on, you're connected to 5500 banks here in the US, so how do we know that you just - Visa, that you just won't quash this thing completely? Because all these payments running through Plaid are now no longer running through Visa, and therefore there's an [economic] risk.

So, one of the other things I think is Finicity is not a big player, like a billion-dollar acquisition is sizeable, but you might also find other government regulators around the world push back more on the schemes for some of their acquisitions in open banking. Particularly because it's a challenge to that business, that's why the regulators have fostered it in the first place. So, hopefully that explains that. We don't see that as a particular change of dynamic in our relationship with the schemes or not, it's just a different business offering that we'll now be offering people.

Garry Sherriff: (RBC Capital Markets, Analyst) Thanks Tom. Last question, you mentioned at the results that you were integrating with the Visa network. I believe you were due to have the Aussie business done by the end of March with other geographies to follow. Maybe if you could just give us an update on how that's progressing? Also maybe just a sense of so a portion of card programs that you believe is on the Visa network versus Mastercard, which you're currently on? I'm just trying to get a sense of opening up the sales pipeline for you guys once you get your platform integrated with Visa.

Tom Cregan: Visa, yes, the Aussie one is done so that's live, so I would expect that we would have our first, potentially the first couple of programs live and in market before the end of FY21. Europe will go next, which is still on track for July/August, and the US isn't far behind, I think they were slated for September, that's pretty much on track as well. So, at the moment the percentage of volume on Visa would be almost negligible. Some of it's through our VANs segment, but by and large it's mostly Mastercard, so that will just start to rebalance, probably not next year because there won't be enough of a swing factor in one year but over the course of two or three years there'll be a bit of a rebalance between Mastercard and Visa as more programs launch on the Visa network.

Garry Sherriff: (RBC Capital Markets, Analyst) Oh yes, I get that, I'm just trying to get a sense of the total addressable market, what portion of the total addressable market do you think is on the Visa network versus the Mastercard network?

Tom Cregan: Look, I mean I know this is going to sound like a bit of a trite answer, but it's almost a 50/50 in some respects, because as Visa and Mastercard compete through their own fintech express, I think one's called - and I can't remember what the Visa one is called, but as they're competing upstream to entice or incent companies to choose Visa or Mastercard at the top of the funnel, the pipeline we see today is only Mastercard. Because that's who we're processing for, so I'd like to think that the opportunity doubles, is what I would say.

I mean I know that's a very unsophisticated answer, but we only see - I mean if Mastercard and Visa are only two schemes that really operate in the space globally, and today the only leads we have in our pipeline are Mastercard leads, then it would tell me that why wouldn't there be that much opportunity on Visa as well?

Garry Sherriff: (RBC Capital Markets, Analyst) Perfect, thank you, Tom.

Operator: Thank you. YOUR next question comes from Brendan Carrig of Macquarie. Please go ahead.

Brendan Carrig: (Macquarie, Analyst) Good morning everyone, maybe just on the revenue side of things, Tom. It looks like the majority of the revenue growth assumptions are coming from Nuapay, so is it fair to assume that Sentenial's ex-growth or at least just growing at much more subdued levels going forward, given the maturity of the business?

Tom Cregan: Yes, it is. It's maturity and really, they're focus too, because I mean their focus will be on more of Nuapay because they can get it for 45 bps as opposed to the Sentenial piece. So, they'll continue to chase business on the Sentenial front, and anything they get there also forms part of the earnout, but their own expectations are that the bulk of it is driven by Nuapay.

Brendan Carrig: (Macquarie, Analyst) Okay, and you mentioned the two largest clients have just begun onboarding customers, which is contributing to the pipeline and the expectation to grow. Can you give a bit more colour or confidence in your forecast there in terms of what's coming from existing, versus what's going to be reliant on onboarding new customers, given that it's not an uncompetitive environment based on your earlier comments before?

Tom Cregan: Yes, no, I mean we've spent – or I've spent a lot of time obviously looking at the pipeline, and our view – and we wanted that earn-out to be driven, by and large, from their own existing pipeline. So in other words, if we had an earn-out that was all supplying services to existing EML customers, it would still be beneficial to our customers and still be beneficial to us, but you're basically giving the earn-out to someone, in a crude way. So earn-outs are there to be earned. So we expect most of that will come from their existing customers that they've recently onboarded. Some of these, without mentioning their names, but some of these companies would have hundreds of thousands of merchants and they've added a dozen. So they're absolutely at the early stage of the ramp of those customers.

CyberSource, I think from memory has – I can't talk to Europe specifically, but has 400,000 merchants I think globally, so they've partnered with companies that have significant scale and their job now is to – having now launched them, is to really train them and support them as they provide those services to their merchants. So my expectation is most of it will come from existing large players that are already in their - either recently launched and have been onboarded or will be onboarded in the next 12 to 18 months. There's some pretty sizeable names in there, including kind of resellers as well as direct merchants.

Yes, we've got reasonable comfort. I mean at the end of the day, it's not a gimmee, it's going to have to be hard-earned and they've got to chase it, but we feel pretty comfortable. But these companies are hard-won as well; I mean to win large banks and large companies, what those companies really want is stability and payment expertise. I mean they're not going to trust a company that just doesn't have the credentials that Sentenial and Nuapay would have. So we feel pretty good that, as they're competing for larger enterprise customers, that their tech and their business is going to stand up pretty well competitively because they've got reference clients that are pretty sizeable. So they're not winning the likes of these companies by luck; they're winning them because they've got great tech and payments expertise, which I think really positions them well down the track.

Brendan Carrig: Then just on the valuation that you achieved, I mean you mentioned 10 times versus 50 to 70 times and that the vendors are a bit more rational in this transaction. Aside from that rationality, what do you think caused the valuation differential between some of the other transactions out there in the market? Is it less growth that we've seen in the last couple of years, or are there other factors?

Tom Cregan: Yes, it's a good question. I think it could be a number of things. I mean they are essentially a – if you look at the core revenue streams today, I mean the core revenue stream is Sentenial, and the Nuapay part is €3 million of revenues and growing. So we look at that and say we'll take a bet on that – it's not the greatest choice of words – but we'll take an educated bet on that because we think we're getting it early in its growth cycle, as it's about to take off. Other companies might not have been interested in buying Sentenial, because the Nuapay piece is too small. So if they're looking to build scale in open banking today, then it might not have been a good fit for those type of companies. So we're taking a forward three-look view and other companies looking to buy them might have taken a shorter view.

We were always pretty upfront; I mean Eric manages a lot of the discussions with the sell-side in investment banks. We're always pretty upfront with people from the start about what we can do and what we can't do. There's no point in building false expectations and you get down the track and then it's not a deal you can do. So we were very upfront from the start about how we would structure this and why we would structure this and the fact that if it was about doing a rational deal, and really building this capability and getting these teams together, then we're interested.

If it's about take the highest price, then take the highest price and don't – do that with all of our good wishes, right. We'd have been totally supportive if they had done that as well – they're vendors and they can make that choice. But we're just trying to be clear at the upfront as to how we value it, how we're going to structure it, and we hardly veered from it – to be quite honest we stuck to our guns the whole way.

So I think part of it is, was it a lower cash bid than alternatives? Yes. Did they feel that for some of the other companies that were looking to buy them, they would have become a very small cog in a very big wheel? I think they felt that, whereas I think they felt, with EML, that this was fundamental, this was strategic, this was part of Accelerator, and therefore this business that they'd built over the course of 15 years would become a driving force of kind of EML's business. And that the people and the business they had created would really continue on, as opposed to being lost in the wash, had they been bought by a Visa, for example, or somebody of that ilk, right? Would have been a very small cog in a very big wheel.

So I think it appealed – you know you've got to get through that stuff early, and that's why I think there was a good cultural affinity very early on, and that helps deals, right, because people are going to have to work somewhere after the deal gets done. So they want to make sure they're going to work in the best environment they can put themselves into.

Brendan Carrig: That sort of feeds us to my very quick final question, and maybe it's one for Rob. To your point there, Tom, does it now form a new division? So should we be thinking about this as sort of an account to accounts volume, line, and then a yield off that. Then going forward, that's how we can assess the performance of the transaction?

Rob Shore: We're expecting this one to roll up into the VANs division. So we'll rename the VANs into Digital Payments. I mean it will be pretty clear how well it's performing because it's going to just dwarf the remaining part of the VANs. But when you think about what the Virtual Account Number segment does, it's really doing a sort of formal account-to-account transfer payment to fire a scheme mechanism. So that will really be where this business drops into. So that will become – we'll call that Digital Payments.

So that will be for the FY22, yes.

Brendan Carrig: Thanks Rob, I'll leave it there.

Rob Shore: Thanks then.

Operator: Thank you. Your next question comes from Kim Dong of UBS. Please go ahead.

Kim Dong: (UBS, Analyst) Hi guys, just a couple of questions from me, and apologies, because I think you marginally touched on it in the last one. But Tom, I think you mentioned tech is a bit of a differentiator, but if NuaPay is going up against other larger players, what is the relative – or what is the differentiator relative to the other competitors and how does that change once they team up with EML?

Tom Cregan: Yes, I think it depends on just where they're focused. Because there's a lot of different entrants in the open banking space, but they tend to focus on different aspects. So, some of them will focus heavily on the data piece; when Trustly go public this month, I could be wrong but I think their revenues they reckon are meant to be US$200 I think, right – like that could be the last number that we saw. A lot of that comes from account validation. So when people are opening ecommerce accounts, to be able to ping the bank account and actually prove that the person is a legit person with a legit bank account.

So a lot of the companies in that space generate their revenues from the data side of the equation, and then others generate it from the payments side of the equation. The bit that attracts us is the payment side of their business because that's just more akin to what we do, and more akin to a business we kind of understand. So if you're then comparing them with other companies in that space, then I think you would go back to reference clients, you're going to go back to volumes, you're going to go back to technical elements around payment up-time and stability, and all those type of things. It's hard to find someone in that space with scale – they just don't – we haven't come across anyone that processes €40-plus billion worth of volume.

So I think when they come up against a competitor, and some of the companies in their pipeline, you know they're sizeable, so they've got to continue to win those and onboard them. But it's their payment expertise and their credibility that really helps them on the frontline with winning new business. Because, in turn, those larger customers are there – I mean if they worked with – I'll give you a bad example – but if they worked with a, and this is not different to EML, so this is another way we saw that we were kind of kindred in this sense, right. I mean our platform supports branded programs with the company's brand on it – so it's Bet365's brand, it's Sportsbet's brand, it's McMillan Shakespeare's brand.

If our platform isn't functioning, it isn't operating, the embarrassment falls to those customers because we're letting them down, that impacts their brand, that impacts their market potential, and they have very short – what's the right word – short fuses for being put in that position. So they just expect excellence in terms of platform up-time and stability and so forth. It's not dissimilar with Sentenial and Nuapay. But you've got Barclays and you've got Lloyds and you've got Worldpay, I mean these are enormous businesses. What they will value over a slick sales presentation is the payments expertise. Because they're going to want to know that once they start bringing billions of volume on, that that platform can handle it.

So we think that that certainly becomes just a core differentiator for them, and it's hard to find. Most of who we came across in Europe, and a lot that you could come across are more on the data side, less on the hardcore kind of payment fundamental piece.

Kim Dong: (UBS, Analyst) Got it.

Eric Mettemeyer: Yes, Tom, this is Eric. I would just add, if you reflect on just page 3 of the FT Partner's Presentation where they lay out 63 different companies that they've highlighted and interviewed for open banking, less than a handful of them are focused on ecommerce checkouts and mobile checkouts. So there's so many niches that you can operate in with open banking that you're just not going to run up against all of these companies in all cases. You're going to run up against maybe the few that specialise, in our case in payments.

Kim Dong: (UBS, Analyst) Got it. Just another question in terms of you mentioned the two banks that are starting to onboard new customers, or roll it out to their merchant; what drives that rollout to the merchant? Is that the merchant coming back and saying yes, I'd like to take that new product, and what's the incentive for the merchant? Is it more expensive? Does it just provide their customer base with more optionality? Or is it kind of at the discretion of the bank in terms of how quickly they roll it out?

Tom Cregan: It's definitely – well, a bit of both. Yes, so that the bank, if it's Citi for example, you know Citi is rolling out their kind of open banking services. So Nuapay will be managing Citi and training them in ensuring that their sales force are equipped to kind of go and sell open banking solutions. So you are going to be dependent on the volume flows that come in from those resellers. Why they're going to do it is because the merchant will look for lower cost. So in a checkout sense, if I'm using a credit card in the UK at a merchant, it might cost me – like it might cost the merchant 80, 90, 100 basis points to kind of process that credit card and you know this could be 10. So the merchant will get a – because you've got no – again, when you're presenting a credit card to a merchant, why they're paying 60, 80, 90, 100 basis points, part of that is risk which relates back to fraud, and it relates back to chargebacks. But if I'm taking the money directly out of a customer's bank account and I'm putting it directly into the merchant's bank account, then that risk and fraud and chargeback risk goes away. So the cost becomes significantly less.

So the merchant will be asking for it, because the merchant stands to get a cost benefit from it. Ultimately, the merchant is the customer; so, the Citi's and the Elevon's and the others have got to facilitate what the customer wants. So in some cases it is just a pure cost benefit for the merchant, and in some cases the merchant might use that in a different way to incentivise you as a consumer. So if you're shopping at Marks and Spencer, and you're buying something for 1000 bucks, as opposed to a 100-basis point credit card fee, if you choose to pay through your bank then maybe there's some benefit that the merchant gives you for having made that choice.

So there will be different drivers, but certainly cost and immediacy of funds, because the fund will clear immediately, are two critical ones.

Kim Dong: (UBS, Analyst) Got it, and just last question – more of a clarification. But when you're looking at Nuapay calendar year '23 targets, I think in the slide pack you've got targeting €15 billion of GDV; do I line that up with the €30 million of revenue? So i.e. coming in at 20 basis points in calendar year '23.

Tom Cregan: Yes, that will be – yes, you could do that. Yes, I mean basically it's three years hence from the acquisition. So it will be closed June '21, so it's kind of June '24 that we'd be talking about having that revenue and that EBITDA. Obviously, it's up for everyone to model where they think that will come out at. We've put plenty of work into that, so we think those numbers are reasonable, but others might take more of a bear case and halve those numbers or could take more of a bull case as well. But they're the numbers that we'd be looking to, yes.

Kim Dong: (UBS, Analyst) Great, and that doesn't include any cross-sell revenues?

Tom Cregan: It does, but I don't think – that's not really going to be the big driver. Like we do have – we certainly have customers in our banking as a service area, that I said before that can avail themselves of this. So we will be cross-selling. So cross-sell does – it does fall into their earn-out pool, but that's not where we think the money will be made for those guys. The money will be made for them on new business that we're targeting together, as well as their existing pipeline.

Kim Dong: (UBS, Analyst) Got it. Great, thanks guys.

Operator: Thank you. Your next question comes from Owen Humphries of Canaccord. Please go ahead.

Owen Humphries: (Canaccord, Analyst) Good day, guys. I'm sure there's some Q&A fatigue, so I'll be quick and hopefully I might take some questions offline. But you just clarified that the majority of the growth you're expecting in GDV and therefor revenue is expected to come from existing relationship that Sentenial has kind of today. First question, what's been a limiting factor in terms of its growth? It's been holding that point of €600 million – that's Question 1. Question 2, you're forecasting some yield compression – I'm guessing it's because some proportion of your growth you're expecting to come from these large partners or resellers is going to take the top of the growth. Then are these arrangements exclusive with the likes of those names you said before, to be partners?

Tom Cregan: So I might split that one with you, Rob. But when I look at their sales team for example, and you look at a company called GoCardless, which is an open-banking player in the UK that partners with Xero for example. So I don't think it's exclusive with Xero, I might be wrong, but it partners with Xero to facilitate payments on behalf of small businesses that are using Xero. I can't remember – how much did they raise recently, Eric, it was 100 million, was it, in their most recent round?

Eric Mettemeyer: I think that's right, yes.

Tom Cregan: 100 million, right. Now Nuapay has three or four salespeople in the UK focused on open banking, and I think they had 13 or 14. So I mean that's just the quantum of difference.

Eric Mettemeyer: Well, I would also say don't forget that payments only launched in 2020, so these guys were coming out of the gates pretty strong if you think of it in that perspective. So this is a pretty new technology.

Tom Cregan: They were building it and now hopefully the volume flows now. But the salespeople, I mean they're just lighter on the ground. So we will be – if we find savings, we'll be reinvesting it into more of that, not necessarily just in the UK but in other markets – France and Germany and Spain and Italy in particular. We've also got eight people on the EML side in Europe who are full-time salespeople, so they will equally start to cross-sell both services. So increasing your sales capacity is certainly part of this deal, to help them compete well enough in a land-grab kind of situation. So that's where we help, but they'll be helping themselves by doing that.

To give you another micro example, Owen, we're a member of Faster Payments, that we spoke about I think in our half-year result, so that integration has gone live and is fully completed by the end of this Fin year or maybe August, but it's fully live. So our cost benefit then, you know we can – so they're obtaining that access from another provider, we end up providing that access, and any savings that get provided will be also reinvested into growth. So there's little benefit to us; I mean this is a two- and three-year play – there's no benefit to us, we're not going to get any love from the market for having a couple of hundred grand of EBITDA from these guys, but we'll get a lot more love having €15 million of EBITDA in three years' time.

So very much our – whatever we can save and whatever we can find will be re-invested into growth. Their customers include customers that they've signed and are just launching – as I said the Citi's and the Worldpays and the Elevon's, and others that are in their pipeline that are pretty advanced, that are also reasonably significant. So we'll announce those ones obviously in August once the deal has closed and we're then able to talk about it. Unless they want to announce it during the time. And Rob, I'll flick the other one to you – if you can take the margin piece.

Rob Shore: Yes. 100% right, the growth at the moment in the model is forecast to come from a smaller number of very large customers which are obviously going to get the benefits of scale in terms of their pricing. But they do drive the majority of the growth in the next 18 months. So you can imagine if you turn into a Worldpay, their opportunity to bring this technology to market is pretty big, and that will mean that we can get very rapid growth out of those guys, but obviously at a lower yield, which I think was your main question.

Owen Humphries: (Canaccord, Analyst) You're sole supplier to those guys, is that right?

Rob Shore: Most of these are non-exclusive contracts, but once you've integrated the technology, it's not – you don't go in to grow 15 times, it's just too hard.

Owen Humphries: (Canaccord, Analyst) Good one. Thanks guys.

Operator: Thank you. Your next question comes from Ron Shamgar of TAMIM. Please go ahead.

Ron Shamgar: (TAMIM Asset Management, Analyst) Hi guys. Amazing deal. Just quickly, does Stripe have open banking capability, and does this kind of functionality give you the chance to potentially win back – or not win back, but win some of their customers off them, like the Afterpays of the world and so on?

Tom Cregan: Yes, that's a good question. I mean I don't know that Stripe does; if they do, they might be facilitating it for, or partnering, with a third party for that. So I don't – they're not an open-banking participant per se today. It's a really good question on the other piece; for me, it might be more of just how the industry evolves down the track. So if I look at buy now pay later in the US for example, where we had talked to companies there about being a processor, and I think I mentioned on our last call that at something like $0.04 a transaction, there's limited interest. So you're talking about pennies– real, real kind of commoditised solutions there.

Then you look at the gig economy and you look at payment to Uber drivers, and Lyft drivers, and Deliveroo drivers and what have you. You know a lot of that has happened in pre-paid over the last really four or five years, because there was no other way of paying drivers flexibly per job, for example. So that, that happened, and that wasn't – that was –we didn't have GPR in North America at the time. So that wasn't a market we could get into, and other companies did, and they became extremely big channels, right, that gig economy and the buy now pay later stuff.

I think open banking is just a different evolution of that because in two or three years' time, why wouldn't I just pay that Lyft driver, or that Uber driver, or the Deliveroo driver or the Grub Hub driver straight into their bank. I'm just not sure you'll need to have that payment going onto a separate card. I could be wrong – time will tell. That's just my view of how these industries will unfold.

So hopefully, the optimist in me sees that those markets and those type of solutions, we're not going to win them today pitching our pre-paid solution against another pre-paid solution because incumbency is key and they've already got incumbent suppliers. So you've got to offer something different to try and kind of change the dynamic. So we see this as a change of dynamic. It will take – it certainly will take 12 to 18 months to get that into North America and Australia, and in that time we could find our competitors do something similar and buy open banking companies as well.

So it's not a guarantee that these markets have become contestable for us, but the product set – the dynamic has to change, and I think this at least gives us a fighting chance I would say.

Ron Shamgar: (TAMIM Asset Management, Analyst) Yes and just last one quickly. I mean they've got some big customers that are in the payments industry, like how hard is it to build a similar type of open banking functionality?

Tom Cregan: I'd say the regulatory piece and the technical piece is pretty extreme just around up-time and compliance. I mean this is literally tens of billions of dollars being processed. So, very high barriers to entry when it comes to the payment side of open banking. So there won't be 100 companies doing it because it is going to be pretty – it'll be demanding; I think the barriers to entry on the payment side will be pretty sizeable. They won't be the only one doing it of course, that never happens. But yes, their sales cycle for some of these entities would have been 12 months in duration – I mean these are sizeable businesses, so they're making their decision on vendors very – you know it's a very important decision for them, if I can put it that way.

That's why I think, back to Rob's point, they're not going to use four or five, because it just creates more complexity for them to have four or five vendors providing a similar solution. So I think that they choose the right vendor, and then they go to market with that solution. So a bit like – again similar to the EML business right; I mean we're the exclusive provider to most of our customers and we will remain that way until we aren't doing the job properly. In which case a customer says hang on, I want two vendors. That would just tell us that we're not doing something right. Because they'll never seek two vendors for the pure sake of it because that just means more complexity on their end. So their contracts they've got, a lot of them are not exclusive, but I can't see those customers doing two/three/four integrations – just the juice wouldn't be worth the squeeze.

Ron Shamgar: (TAMIM Asset Management, Analyst) Yes, okay. Amazing deal, guys, well done. Cheers.

Rob Shore: Thanks, Ron.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr Cregan for closing remarks.

Tom Cregan: Thank you, Operator. Thanks, everyone, for attending, obviously short notice on these deals, so six months' of work culminates in an hour and then put it out. So appreciate everyone's time today. Obviously, Rob, Eric and I are available after today and in the weeks to come. We understand open banking is kind of a new. It's very common in Europe, getting more common in North America, less so out here. So we're certainly happy to forward research reports we have or other information we have that can help build out some of that knowledge base. So anyone that wants that can contact either of the three of us and we can forward that in the days to come.

But otherwise we'll get on with the filing of the regulatory applications and hope to close by the end of the Fin year and have Sentenial in the books for the start of FY22. So thanks, everyone, and talk to you shortly.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

End of Transcript