



19 February 2016

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

EMERCHANTS 2016 INTERIM RESULTS PRESENTATION

Emerchants Limited's (**ASX: EML**) CEO, Tom Cregan, will today be providing a briefing for shareholders and the investment community at 10:00 am AEST by teleconference.

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

Australia: 02 8373 3582
International: +61 2 8373 3610
Conference ID: 42371440

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

For further information, please contact:

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1HFY16 Investor Presentation

Important Notice

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

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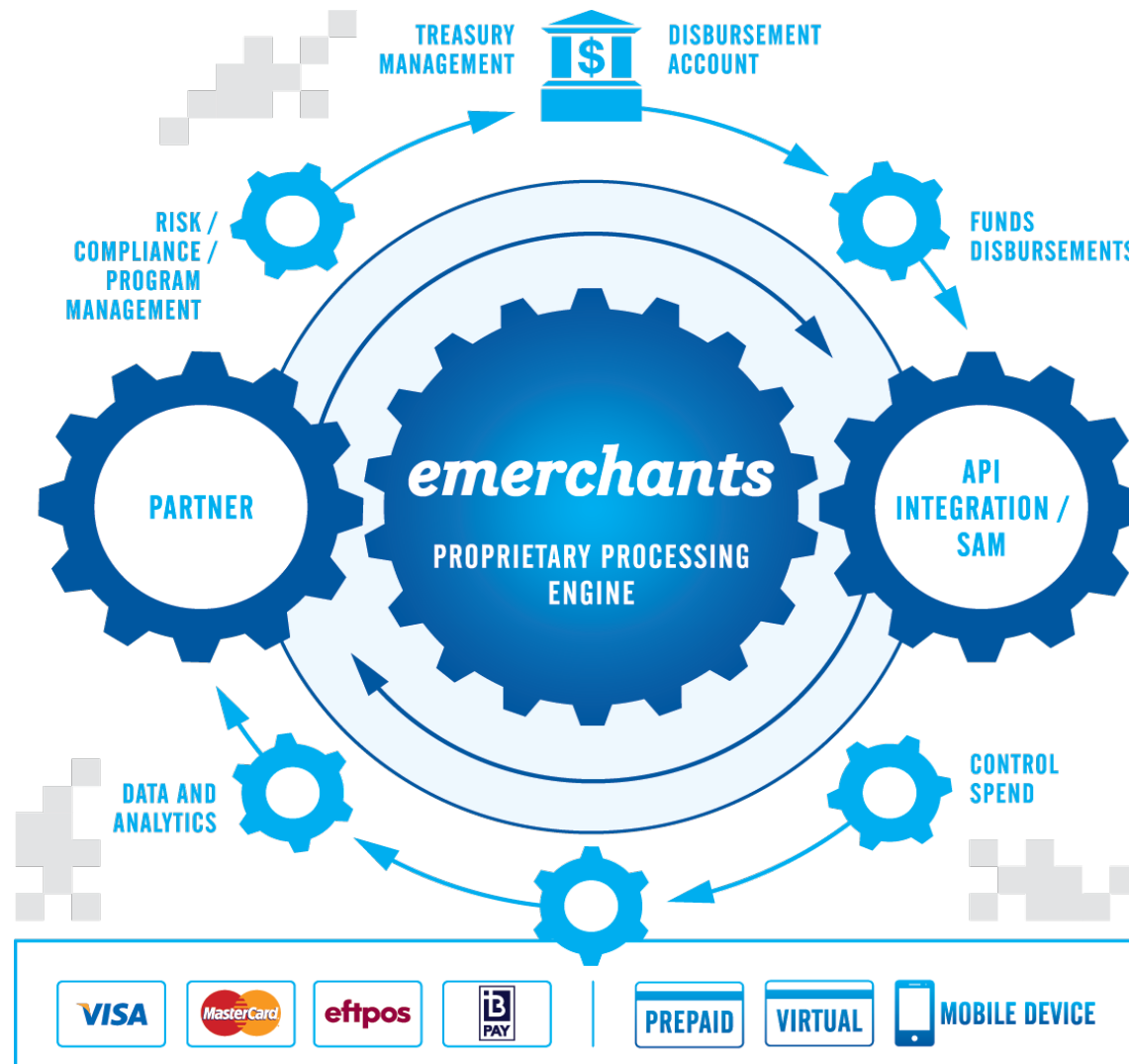
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None of the Emerchants Group entities noted in this document are authorized deposit-taking institutions for the purposes of the Banking Act 1959 (Commonwealth of Australia).

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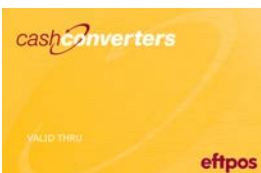
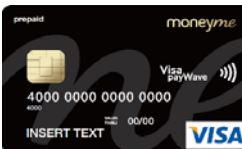
Our Value Proposition



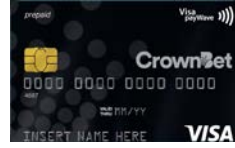
Key Customer Relationships

We manage over 210 prepaid debit programs across 11 countries

Consumer Lending



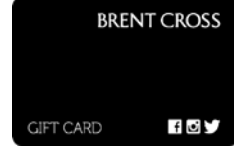
Gaming and Wagering Services



Commercial



Non-Reloadable



B2B Non-Reloadable Programs In Australia and Europe

Core driver of revenue in Australia, pending launch in the UK with Edge Loyalty, strong growth in Italy



Three Trade-in.
Instant reward card.



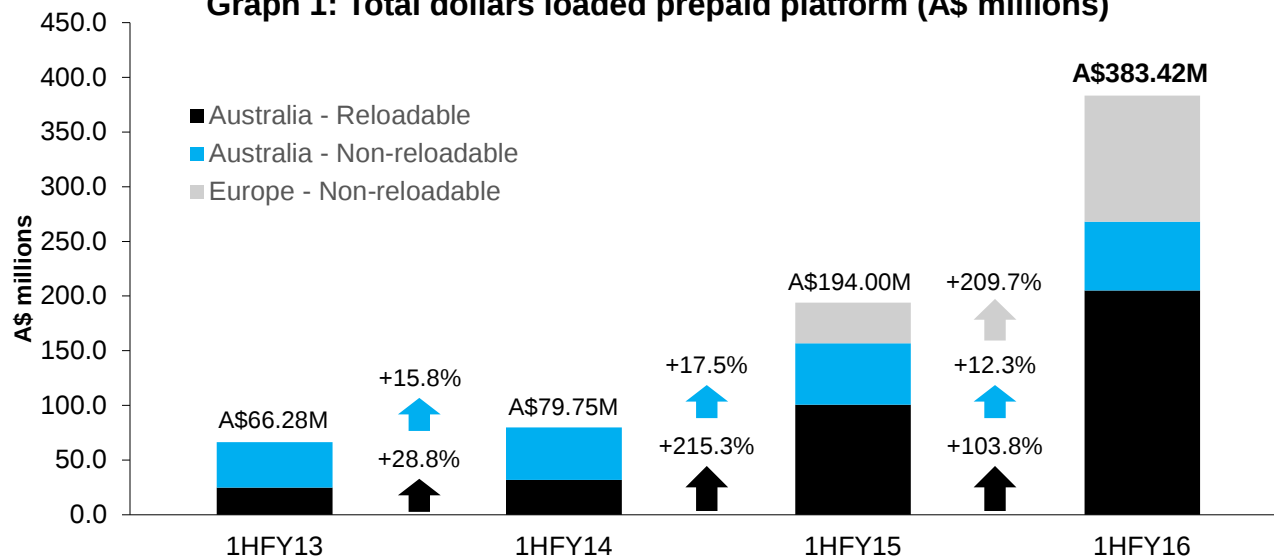
1HFY16 Operating Highlights

- Launch of Re-loadable programs for bet365, CrownBet and CreditCorp.
- Signing of long term agreements with William Hill and Cash Converters (Corporate stores and online lending).
- Signed Ladbrokes, bet365 and William Hill for the EachWay cash loads product.
- Strong growth in performance metrics. In particular, we saw \$90m in loads in our gaming re-loadable segment. By way of comparison, our current run rate is circa \$240m in loads in this segment and as existing programs mature and new program launch, we would expect to see significant load growth in FY17.
- Signed and launched a multi-country, multi-year agreement with Blackhawk (Nasdaq: HAWK) to issue retail gift cards in the United Kingdom, Belgium and the Netherlands.
- Signed and launched a B2B non-reloadable program with Redeem, a leading mobile phone handset recycling company.
- Significant growth in B2B non-reloadable programs in Italy, with a pending launch of B2B programs in France in FY17.



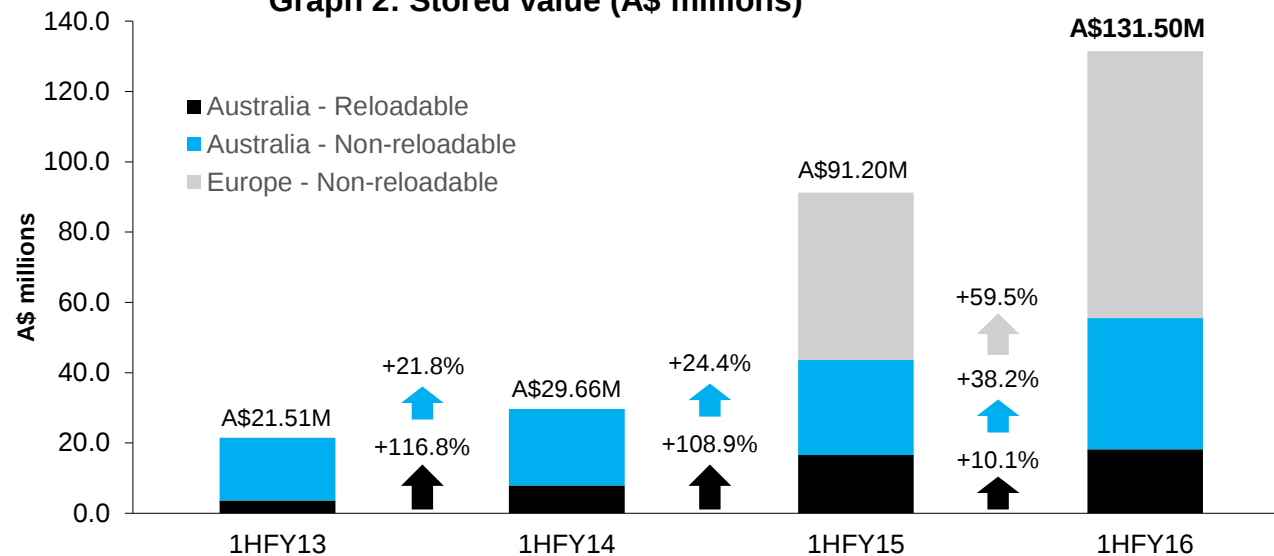
Performance Metrics – 1HFY16 vs 1HFY15

Graph 1: Total dollars loaded prepaid platform (A\$ millions)



Total Dollars Loaded:
+98%

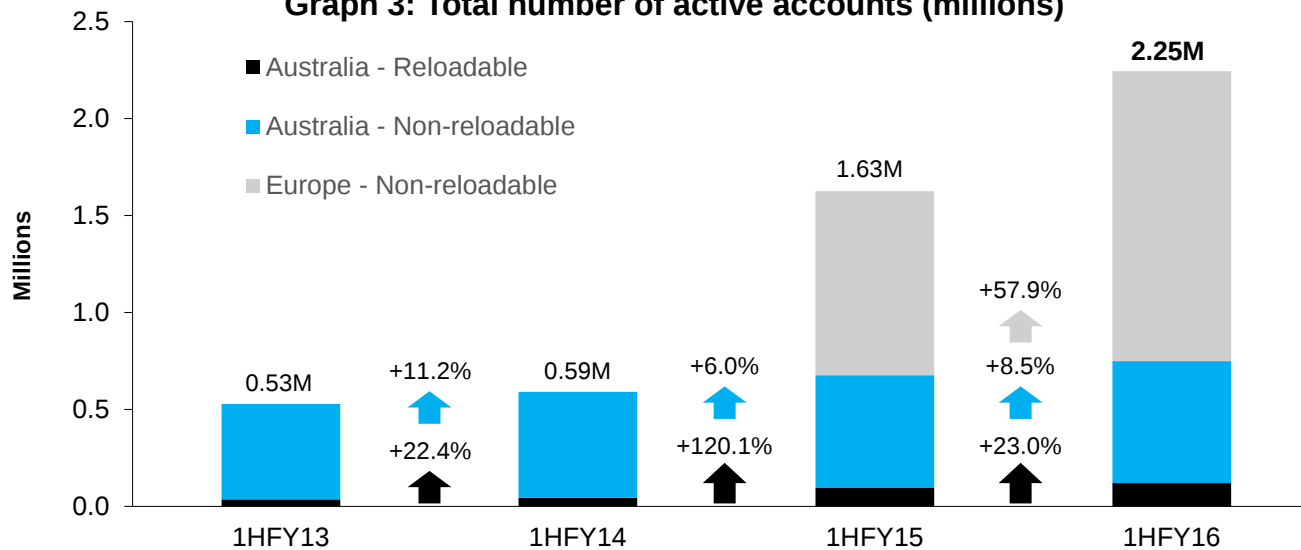
Graph 2: Stored value (A\$ millions)



Stored Value:
+44%

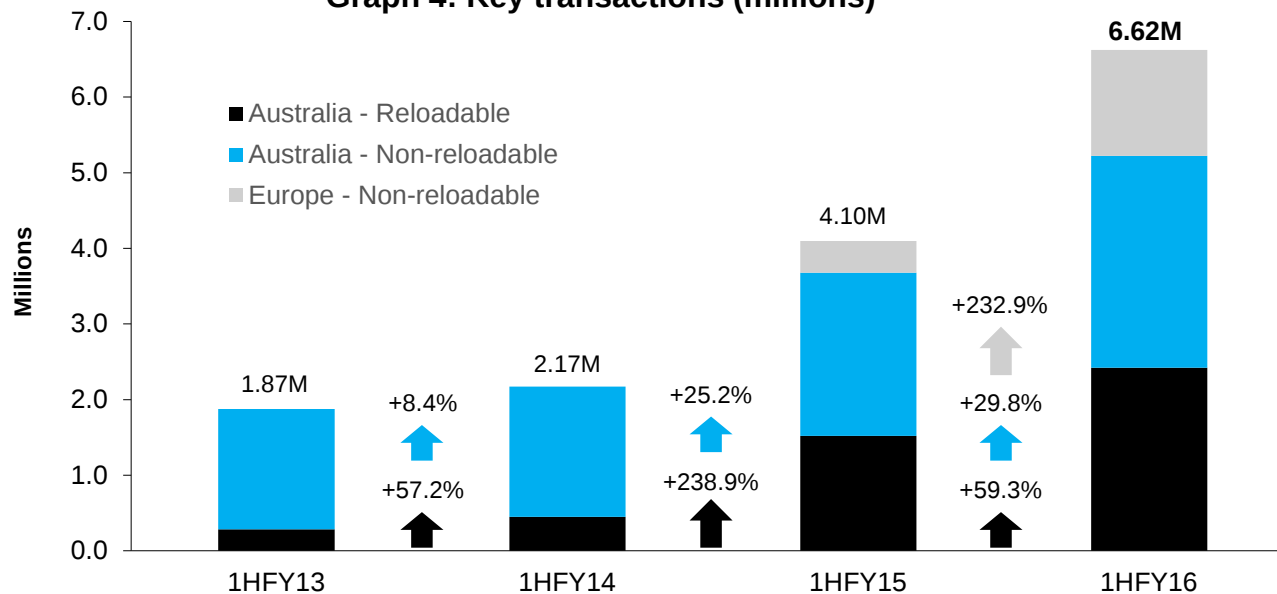
Performance Metrics – 1HFY16 vs 1HFY15

Graph 3: Total number of active accounts (millions)



Number of Active Accounts: +38%

Graph 4: Key transactions (millions)



Transactions: +62%

Profit and Loss

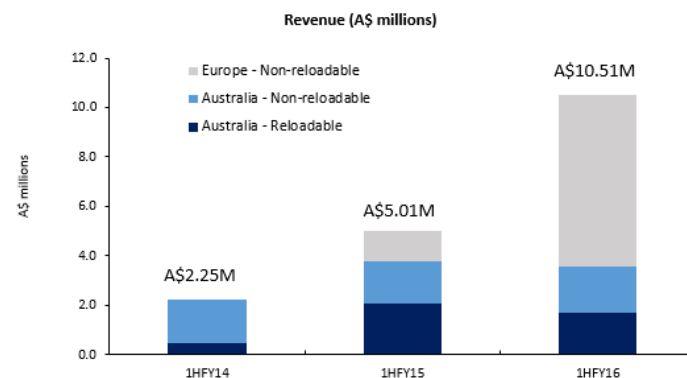
For the 6 months ended 31 December 2015

('000)	6 months to Dec 15	6 months to Dec 14	% Δ
Australia - Reloadable	1,691	2,075	(19%)
Australia - Non-reloadable (Gift)	1,916	1,765	9%
Europe - Non-reloadable (Gift)	6,953	1,239	461%
Total Revenue	10,560	5,079	108%
Australia - Reloadable	1,213	1,235	(2%)
Australia - Non-reloadable (Gift)	1,616	1,592	2%
Europe - Non-reloadable (Gift)	5,292	919	476%
Total Gross Profit	8,121	3,746	117%
GP %	77%	74%	4%
Australia	(3,525)	(2,990)	18%
Europe	(1,541)	(221)	597%
Cash Overheads (including R&D offset)	(5,066)	(3,211)	58%
Australia	(696)	(163)	327%
Europe	3,751	698	437%
EBITDA	3,055	535	471%
Depreciation and ammortisation	(2,040)	(581)	251%
Share based payments	(699)	(410)	70%
Add back R&D offset included in EBITDA above	(997)	(698)	43%
Net (Loss) before tax	(675)	(1,127)	(40%)
Tax	1,308	698	87% ⁹
Net Profit / (Loss) after tax	633	(429)	247%

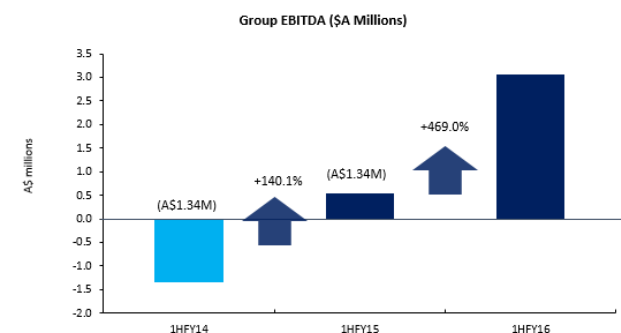
1HFY16 Profit and Loss Commentary

- EBITDA up 471% to \$3.05m.
- Revenue growth of 108% from \$5.08m to \$10.56m.
- Gross Margin up 117% from \$3.75m to \$8.12m.
- Gross margin increased from 74% to 77%, with an even balance between margins in Australia (78%) and Europe (76%).
- Cash overheads rose from \$3.21m to \$5.07m, reflective of six months of costs from our European operation (versus one month of costs in the 1HFY15) and investments in sales and product development, particularly in the UK re-loadable business.
- Dollar Loads and financial contribution from our online payday lending partners was down on the comparable half year due to industry specific factors we have not seen a recovery in load volumes in January 2016, so expect a negative margin impact of circa \$0.4m in FY16.
- The financial results continue to be driven by growth in our core operating metrics, particularly Dollar loads:
 - Total Dollar Loads increased 98% from \$194m to \$383.4m
 - Australian re-loadable loads increased 105% from \$100m to \$205m
 - Non-reloadable loads increased 90% from \$93.4m to \$178m

Revenue (\$A Millions)



EBITDA (\$A Millions)



Financials

Statement of Financial Position and Cash Flow for 6 months ended 31 December 2015

('000)	6 months Dec 15	6 months Dec 14	% Δ
Cash and cash equivalents	4,094	5,288	(23%)
Breakage accrued	5,648	632	794%
Other receivables and other assets	5,594	4,654	20%
Deferred tax asset	8,656	-	n/a
Receivables from financial institutions	31,395	-	n/a
Plant and equipment	643	801	(20%)
Goodwill and intangibles	37,686	38,513	(2%)
Total assets	93,716	49,888	88%
Payable to financial institutions	31,395	-	n/a
All other liabilities	7,336	7,050	4%
Total Liabilities	38,731	7,050	449%
Equity	54,984	42,837	28%
Cash flows from operating activities	316	(1,399)	123%
Cash flows from investing activities	(543)	(11,105)	(95%)
Cash flows from financing activities	56	13,295	(100%)

1HFY16 Balance Sheet Commentary

- The closing Cash balance and accrued breakage combined totals \$9.7m, an increase of 65%. The increase in the breakage accrual is reflective of the strong growth in our European gift card sales in the first half and this will be translated into cash within the next 12 months.
- Included in Other receivables and other assets is an amount of \$1.0m that was received in early January for the FY15 Research and development tax offset.
- The Deferred tax asset of \$8.7m provides the Australian tax consolidated group an offset of approximately \$29m ($30\% \times \8.7m) against future Australian taxable income.
- Receivables from financial institutions of \$31.4m is offset by an equal liability as a payable to financial institutions. This is the total Stored Value at the half year (\$131.5m) that is self issued by the emerchants Group and settled directly with MasterCard, as opposed to the remainder of the Stored value that is issued or settled by a Sponsor bank.
- Cash flows from operating activities were positive for the half year but did not include the the annual research and development tax offset as that was received in January 2016.

2HFY16 Australian Market Update

- Cash Converters Program launched across all Corporate stores on February 1, with sell-in underway to the remaining 55 franchisee sites. This is expected to add significantly to the volume of Dollars loaded in 2HFY16 and FY17.
- Revenue and margins from our online lending segment are down over the PCP, as a result of industry specific factors affecting the industry. We would expect the negative full year impact to be circa \$0.4-0.6m.
- Pending launch of William Hill, the first operator to launch a combined Payout card with EachWay cash loads functionality. William Hill is the second largest online operator in Australia so we can also expect this to add significantly to Dollar loads in FY17.
- Potential to sign another 1-2 online gaming programs in Australia with launches in 1HFY17.
- The launch of the EachWay cash load solution for gaming operators. We expect that this product could generate loads in excess of \$200-300m per annum once it matures (FY17-FY18 assuming all online operators participate and the retail distribution footprint includes has approximately 4,000 participating retailers).
- Focusing on improvements in Treasury yields given our sizeable and growing Stored Value balance.

2HFY16 European Market Update

- Presented to over 30 European gaming operators at the ICE Totally Gaming Convention in London and received a positive response from the industry, validating the market opportunity identified and the primary reason for acquiring SFUK in December 2014. We remain optimistic of signing our initial partners by the end of the current financial year.
- LOI signed with PaySafe Group PLC (LSE:PAYS), a leading global provider of online payment solutions with operations in over 200 countries and territories. PaySafe is a global leader in payments for the gaming industry, with a market cap of GBP\$1.7bn, and will work exclusively with EML as an e-money issuer to promote our card programs into gaming companies throughout Europe and other countries.
- The launch of B2B gift card issuance in the UK with Edge Loyalty is on track for Q3FY16. B2B gift cards represent half of the GBP\$5.4bn per annum gift card market in the United Kingdom and we expect our earnings in FY17-18 to be similar to that derived from our Australian B2B business.
- We have expanded into France, making our 11th country of operation, albeit our initial programs are small shopping mall programs and immaterial from a financial perspective. What it does mean is that we have navigated some of the specific regulatory requirements of the French market and will be in a position to grow our programs in France in coming years.
- We have signed a multi-year relationship with Blackhawk Networks (NASDAQ; HAWK) for the issuance of MasterCard open loop gift cards in the UK, Belgium and The Netherlands, with the potential to add other countries during the life of the agreement. The program launched successfully in November 2015.