FY13 Results and Investor Update

emerchants
empowering | Your Money

20 August 2013

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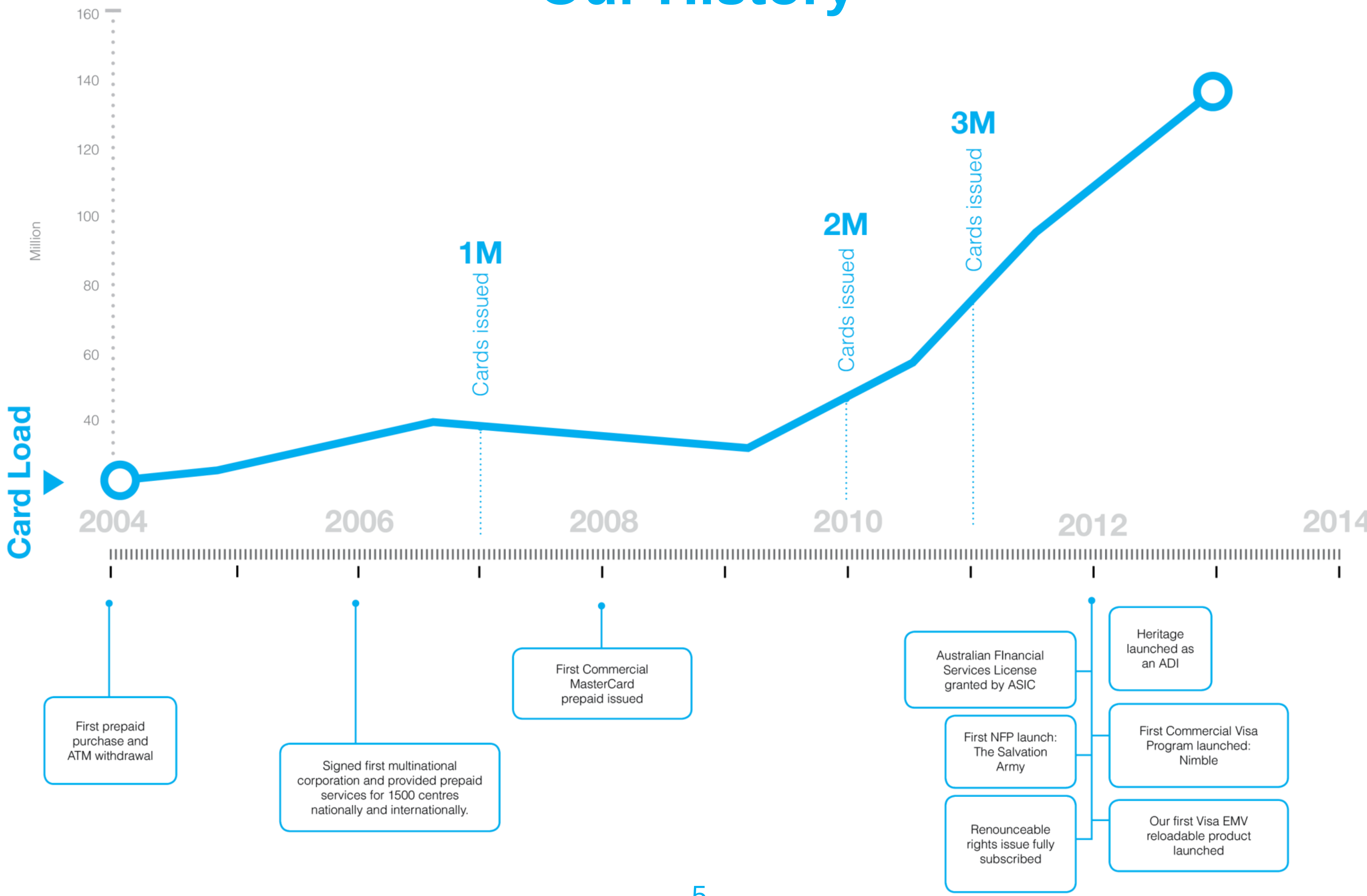
Mission

empowering | Your Money

Vision

To transform the commercial payment solutions landscape by inspiring companies to demand more control, more transparency and more flexibility over their money. To deliver our stakeholders sustainable financial success.

Our History


Card Load
Million
160
140
120
100
80
60
40
1M
Cards issued
2M
Cards issued
3M
Cards issued
2004
2006
2008
2010
2012
2014
First prepaid purchase and ATM withdrawal
Signed first multinational corporation and provided prepaid services for 1500 centres nationally and internationally.
First Commercial MasterCard prepaid issued
Australian FInancial Services License granted by ASIC
First NFP launch: The Salvation Army
Renounceable rights issue fully subscribed
Heritage launched as an ADI
First Commercial Visa Program launched: Nimble
Our first Visa EMV reloadable product launched

FY13 Highlights

FY13 Business Highlights

1	Continued to enhance and evolve our product offering, including the launch to market of our inaugural Visa programs, EMV-enabled reloadable programs, Virtual Visa programs, BPAY and Direct Entry payments and 2+ dozen customized SAM features that can be leveraged across multiple customers.
2	We commenced our sales efforts for reloadable products in June 2012 and were able to sign some key customer agreements and build a solid pipeline of future contracts in multiple industry segments.
3	As previously announced to the ASX, we are working to conclude a contract with the Queensland Government and we continue to focus on executing that contract in the near term. This followed an extensive RFP response, technical demonstration and due diligence process.
4	Despite a simultaneous focus on product development and business development, we showed improvement in all of our key business metrics which led to significant year-on-year improvement in EBITDA and EBT

FY13 Business Highlights

1	We successfully completed our renounceable rights issue in Q1 of FY13, providing the company with working capital to invest in product development and sales.
2	We reduced expenses by over $1.0m over the prior year through the elimination of non-critical FTE, re-negotiation of key supplier contracts, a focus on discretionary spending and the agreement by Board to forgo Board fees from March 2013 to July 2014, in return for an options grant proposal that will be put to shareholders at the upcoming AGM.
3	We have continued to work closely from a Risk and Compliance perspective with all of the regulatory stakeholders and believe that we are considered a best-in-class provider. As we are reliant on our AFSL to issue re-loadable cards, we have a “zero tolerance” policy with respect to managing risk and complying with and exceeding regulatory best practice.

FY13 Key Contract Signings

Nimble	PAID International *formerly First Stop Money*	The Salvation Army	Police Citizens Youth Club	Mercy Care (Queensland)	Church of Christ Care (Queensland)	Make-A-Wish Foundation
Launched in February 2013	Two separate programs, one launching in September 2013 and the second in October 2013	Pilot launched in July 2013 with full implementation expected by the end of December 2013	Expected launch in October/ November 2013	Launched July 2013	Expected launch October/ November 2013	Launched August 2013

Collectively these contracts are underpinning the transition of the Company to a leader in the reloadable prepaid debit industry, servicing Commercial entities, Not-For-Profits and Government

Key Customers

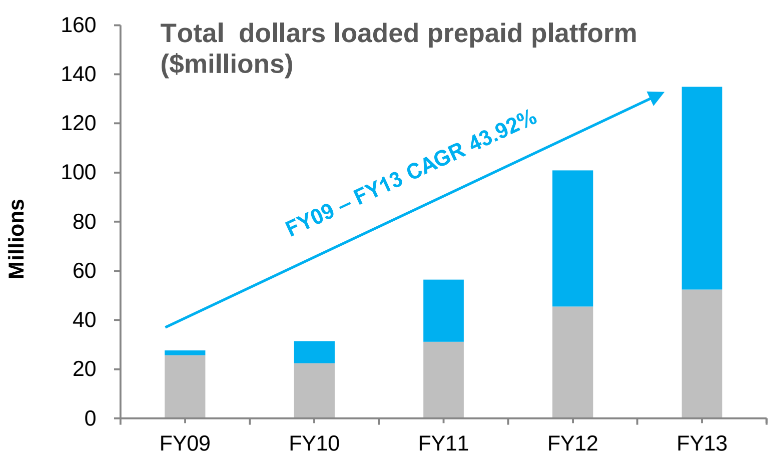
FY13 Financial Summary

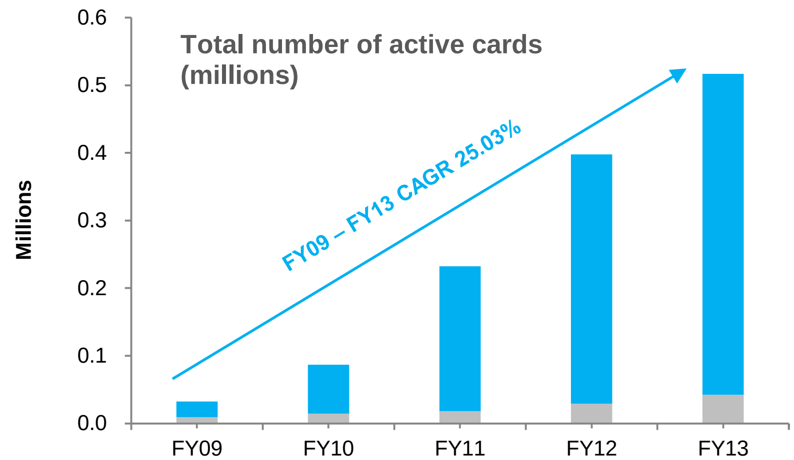
FY13 Business Metrics

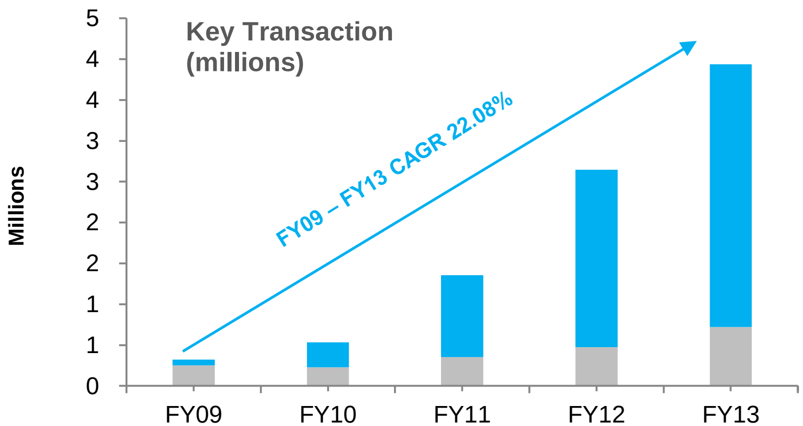
1. **Total Dollar Loads** increased by **35%** over prior year to $134.88m
2. **Total Active Cards** increased by **30%** over prior year to 516,000
3. **Total Transactions** increased by **48%** over prior year to 3.93m
4. **Total Stored Value** increased by **39%** over prior year to $20.85m
5. **Improvements** in business metrics drove a **33%** improvement in Revenue to $5.03m and combined with lower operating expenses, drove a **41%** improvement in EBITDA to -$2.94m

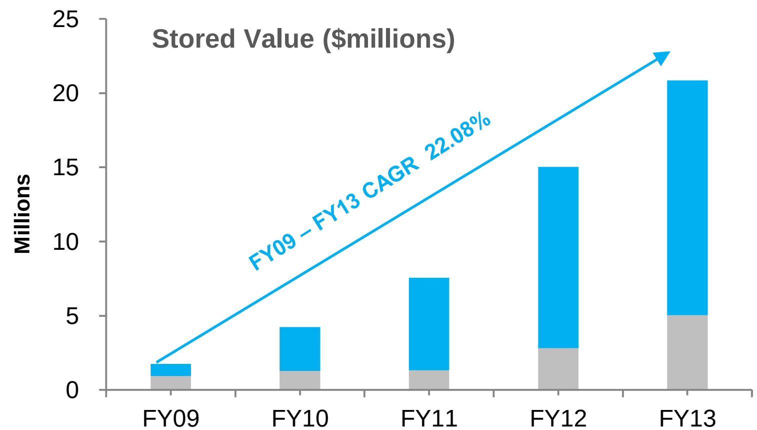
Key Business Metrics

Strong historical growth in all key metrics largely from single product offering









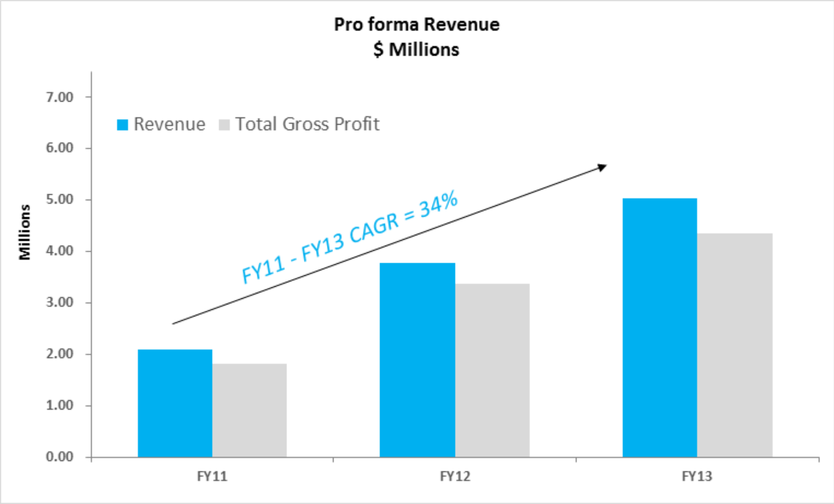
Reloadable Non-Reloadable

Metrics assumes Emerchants Payment Solutions Limited was owned by the Emerchants Group prior to FY12

Financials

1. Income statement for 12 months ended 30 June

Financial ('000s)	FY12	FY13
Establishment and termination fees	1,710	2,274
Transaction fees	1,262	1,925
Interest received – host based stored value	533	586
Interest received – other entities	265	118
Service fee	-	130
Revenue	**3,771**	**5,034**
CAGR - %	34%	34%
Total Direct Costs	**(372)**	**(667)**
Total Gross Profit	**3,399**	**4,366**
Gross Margin %	**90%**	**87%**
Employment related expenses	(4,661)	(5,282)
Other expenses	(4,196)	(2,525)
R&D offset	397	494
Total Overheads	**(8,460)**	**(7,313)**
EBITDA	**(5,061)**	**(2,946)**
Other non cash costs	(1,600)	(15)
Share based payments	(1,329)	(1,441)
Depreciation and Ammortisation	(2,032)	(957)
Net interest expenses	(5)	-
EBT	**(10,027)**	**(5,359)**
Tax income / (expenses)	-	-
Net income / (loss) after tax	**(10,027)**	**(5,359)**



- EBITDA improvement of 41% driven by a combination of higher revenues and lower overheads
- Achieved a revenue metric of $0.0373 cents per dollar loaded onto our platform, versus $0.0374 cents in the year prior, despite declining interest rates lowering our revenue by $250K on a like for like basis. Without this impact our revenue metric would have been $0.0393 cents per dollar loaded
- EBT and Net Loss improved significantly from the prior period

Metrics assumes Emerchants Payment Solutions Limited was owned by the Emerchants Group prior to FY12

Financials

2. Balance sheet at 30 June 2013

Financial ('000s)	FY12	FY13
Cash	2,289	1,359
Accounts receivable	584	233
R&D receivable & mining tenement receivable	397	125
Other current assets (includes breakage accrual)	235	625
Total Current Assets	**3,505**	**2,342**
Goodwill and Intangibles assets - net	12,154	11,505
Property, plant and equipment – net	774	609
Other	422	507
Total Assets	**16,855**	**14,963**
Trade and other payables	(721)	(756)
Employee benefits	(344)	(274)
Provisions	(109)	(0)
Other	(399)	(11)
Total Current Liabilities	**(1,573)**	**(1,041)**
Other	(320)	(269)
Total Liabilities	**(1,893)**	**(1,310)**
Net Assets	**14,963**	**13,653**
Share Capital	(34,811)	(38,183)
Reserves	(1,605)	(2,282)
Retained earnings	(21,453)	(26,812)
Total stockholder's equity	**(14,963)**	**(13,653)**

FY14 Objectives

FY14 Objectives – Business Development

We will continue to expand our presence in our key sales verticals:

Consumer Lending and Financial Services	We partner with 3 of the top 10 lenders in this vertical and we will look to deepen our presence.
MERC (Mining, Engineering, Resources and Construction)	We are focused on petty cash and expense management solutions in this vertical and will continue to deepen penetration in this industry.
Government Sector	Should we successfully conclude our contract negotiations with the Queensland Government, focus on the opportunities for our programs at an agency by agency level, in addition to looking for other opportunities at a state and federal level.
Not-For-Profit	Successfully launch The Salvation Army (Southern Division) program by 31/12/13 and sign other NFP customers for programs that will drive revenue in the second half of FY14 and into FY15.
Salary Packaging	The Novated lease and Salary packaging industry is a $30+ billion dollar segment and we will be building on our relationship with Savvy Fleet. The future attractiveness of this segment is dependent on the outcome of the Federal election.

FY14 Objectives – Business Development

Awareness of prepaid debit as a solution for expense management and funds distribution is growing, but lags behind more established overseas markets. To build awareness of our solutions and the emerchants brand, we will be more aggressive in sales and marketing, specifically:

- **Mass Media** – we have partnered with a PR agency, Bourse Communications, with a view to increasing our presence in the business mass media, highlighting the value proposition we provide. Early results are encouraging with coverage in The Herald-Sun and The Australian in recent weeks.
- **Marketing** – more investment in outbound marketing, particularly in terms of lead generation activities.
- **Lobbying** – we will explore the ROI of engaging lobbying resources to build awareness with other state and federal government agencies.
- **Increasing the size of our Business Development Team** – we have recently hired Business Development Executive’s in Sydney and in Perth, providing us with a national sales team.

FY14 Objectives – Improving TTR

Sales cycles in the prepaid industry can be up to 12 months or more, depending on the monetary size, IT development requirements, regulatory complexity and post-sales implementation processes. The more efficient we can be at shortening this timeframe, the faster our TTR – or "Time To Revenue".

We have implemented a project in August 2013 to focus on this, with some of the changes being:

- **Branded Cards** – we provide customers with the option to brand their own cards, but this causes a delay of up to 2 months for scheme, bank and customer approval. Unless it is a materially significant opportunity we will be promoting the use of cards with a range of generic artwork.
- **Contractual Changes** – we derive revenue when a customer loads and uses a card to transact, and delays in launch timing impact our revenue budget. We are working towards minimum financial commitments in the event that a launch date is missed due to delays by the customer.
- **IT Customisation** – Product customisation will always be a competitive differentiator for us, but we will be targeting customers in industries where we have a fully developed solution, and thus require less customisation
- **Improving and automating internal tools** – improvements to the systems used by emerchants employees whose focus is the successful deployment of programs to new customers.

Business Overview

What we do

Process payments made using our MasterCard, Visa and eftpos products

How?

- emerchants and its predecessors spent > 10 years developing scalable transactions processing system
- PCI compliant systems
- 3 ADI's that settle our transactions and hold clients funds
- One of the only Australian non ADI processors

Issue Prepaid MasterCard, Visa and eftpos products

How?

- AFSL license to issue products
- Long term agreements with 3 settlement ADI's that sponsor our issuance of products and settle our transactions
- National sales team to drive sales
- Long term agreements with partners, distributors and resellers to drive sales

What we don't do

We are not an ADI

Why?

- Heavily regulated and economically impractical
- We only need an ADI to settle transactions and hold funds.
- Unnecessary based on our product offerings

Compete with MasterCard / Visa / eftpos

Why?

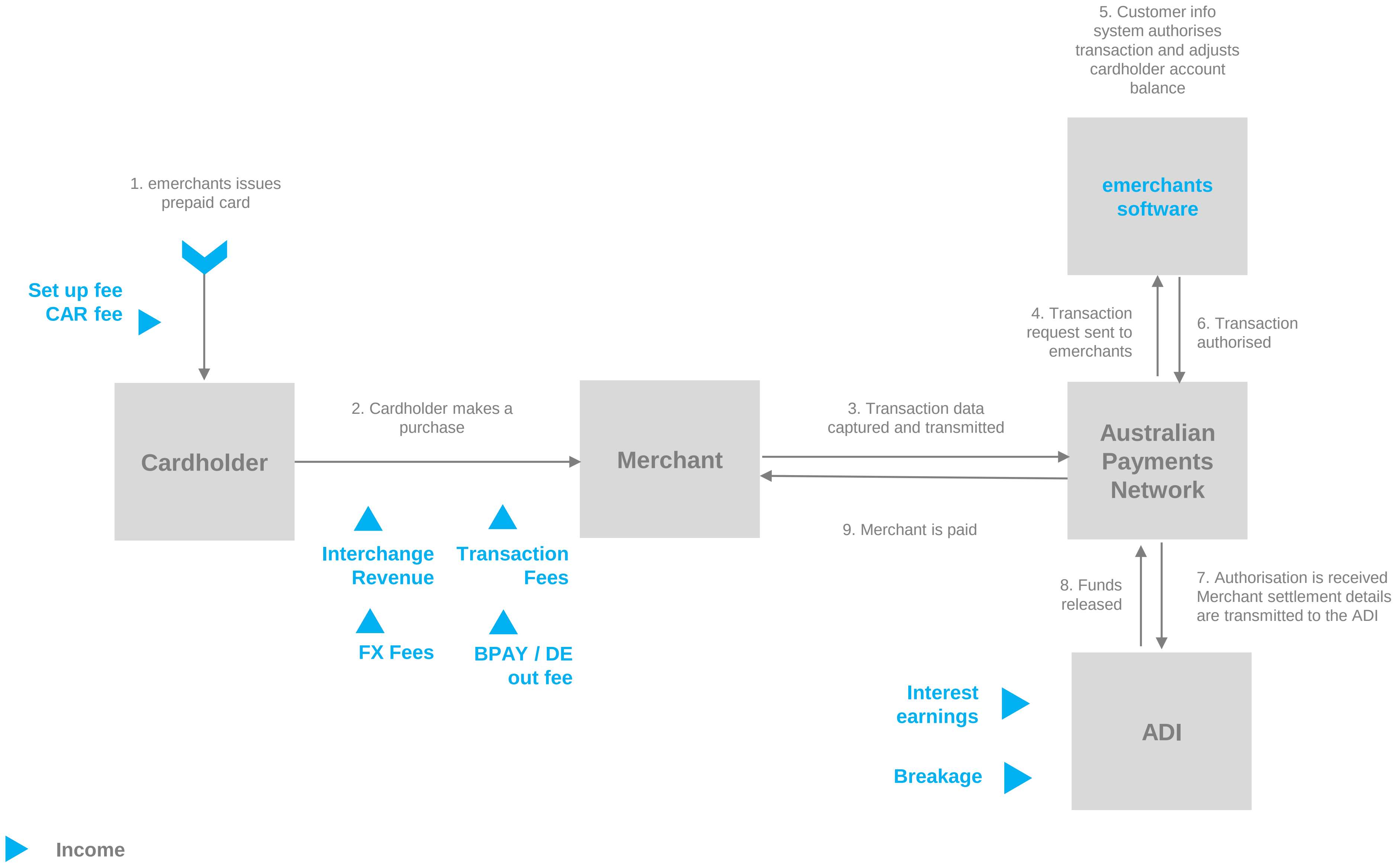
- MasterCard / Visa / eftpos do not issue cards as this conflicts with their offerings to financial institutions.
- Their business model is to promote usage of their products through issuers (e.g. emerchants) by enhancing acceptance.

What we do

emerchants offers clients payment solutions across all 4 segments of financial card industry

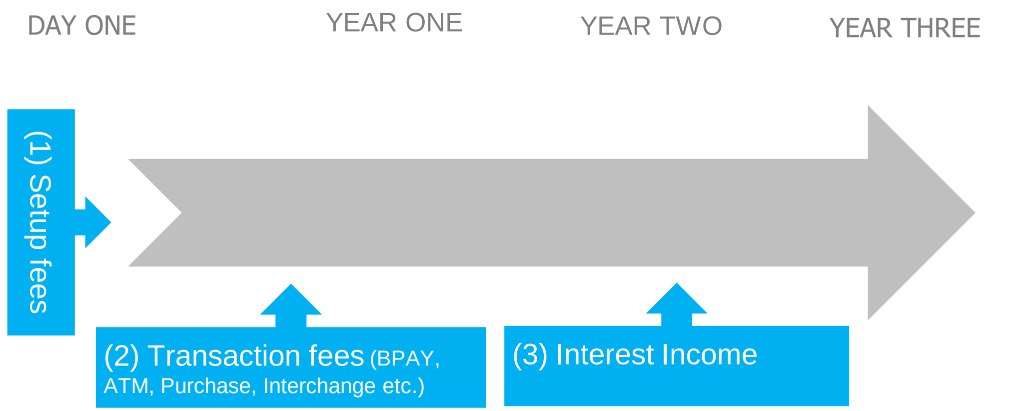
	Non - Reloadable	Reloadable
Closed Loop	**Staff incentives + Staff rewards + Marketing campaigns + Taxi vouchers + Disaster relief….**  Only work where you want them to work. Funds cannot be re-loaded.	**Loyalty rewards + Insurance payouts + Fuel cards…**  Only work where you want them to work. Funds can be re-loaded and cards re-used.
Open Loop	**Travel/ Holiday FX cards + Online purchases + Disaster relief + Welfare payments+ Remittances…**  Works anywhere MasterCard / Visa / Eftpos are accepted. Funds cannot be re-loaded.	**Corporate expense + Payroll + Transaction account + Short term loans …**  Works anywhere MasterCard /Visa /eftpos is accepted. Funds can be re-loaded and cards re-used.

Sources of Revenue



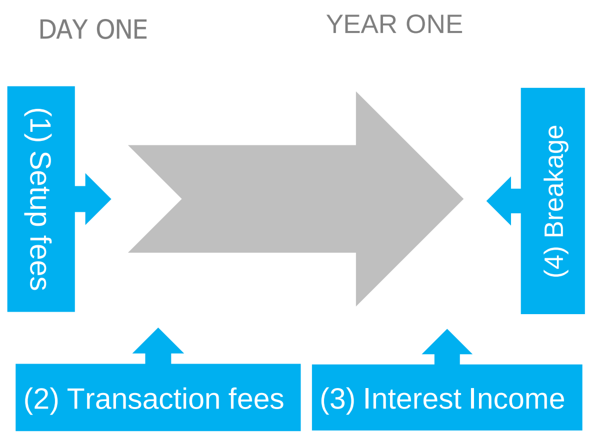
Reloadable/Non Reloadable Cards

Reloadable account



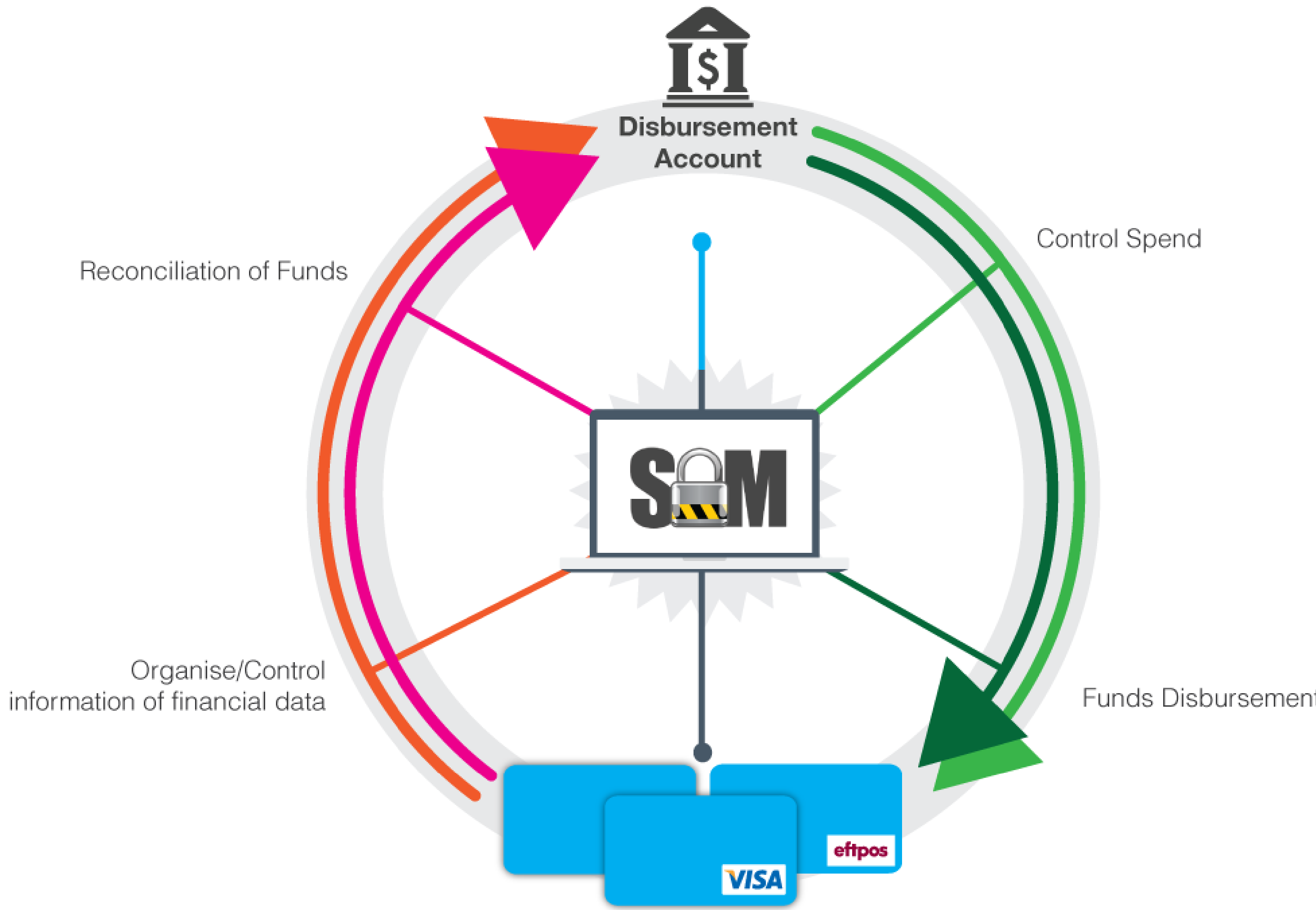
- Life span 3 - 5years,
- accounts generally transact 5- 10 times pm
- Average load > $100 and average unspent funds > 20% loads
- Annuity streams (Interest / Transactions) > 80% of revenue
- including programs such as:
  - Corporate Expense and Travel
  - Direct Entry Settlement and Identification

Non Reloadable account



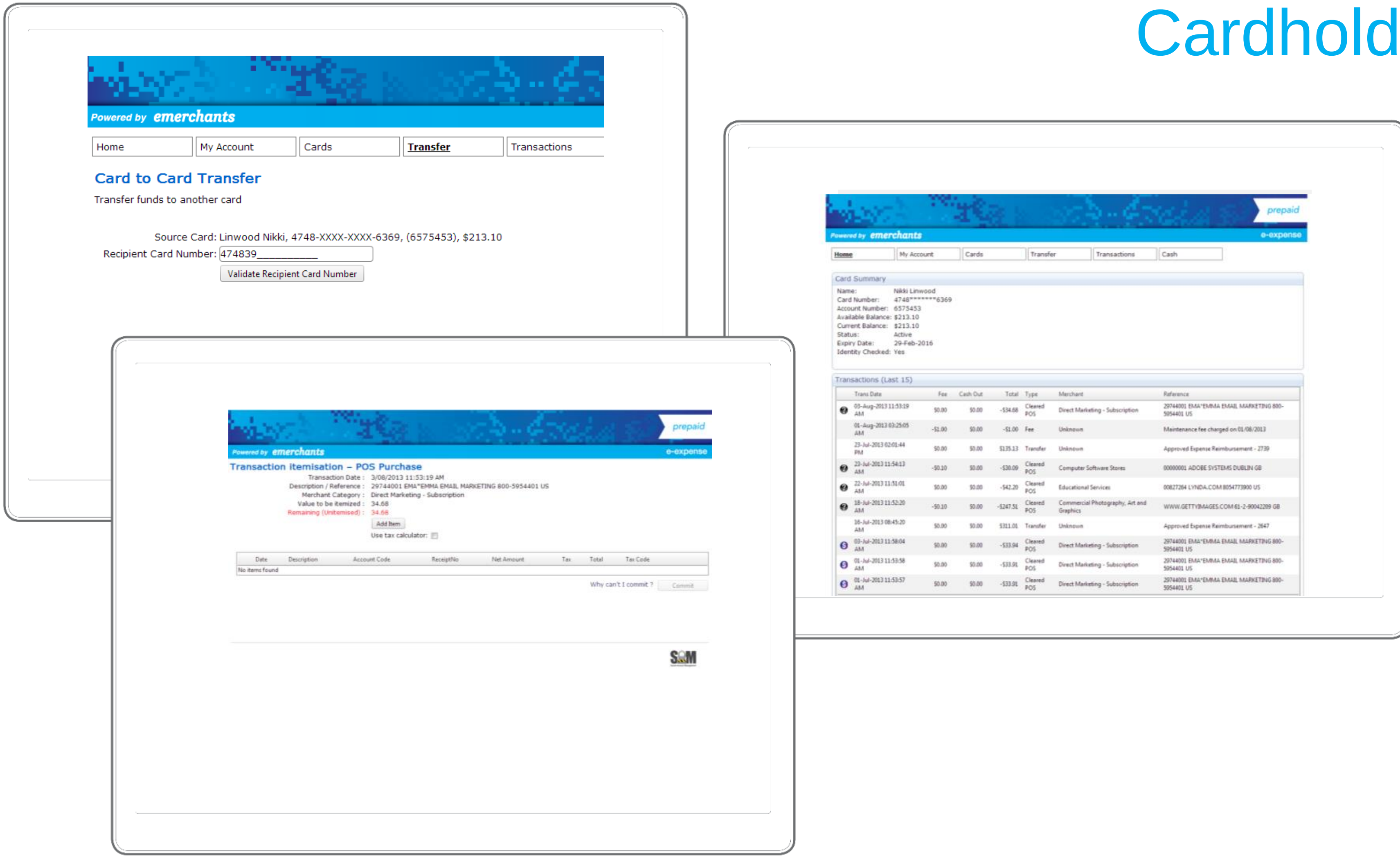
- Life span generally 1 year,
- accounts generally transact 1 – 2 times in total
- Average load < $100 and average unspent funds ~ 20% loads with residual <10%
- Annuity streams (Interest / Transactions) ~ < 50% of revenue
- including programs such as:
  - Gift and Loyalty
  - Staff incentives and rewards

What we do

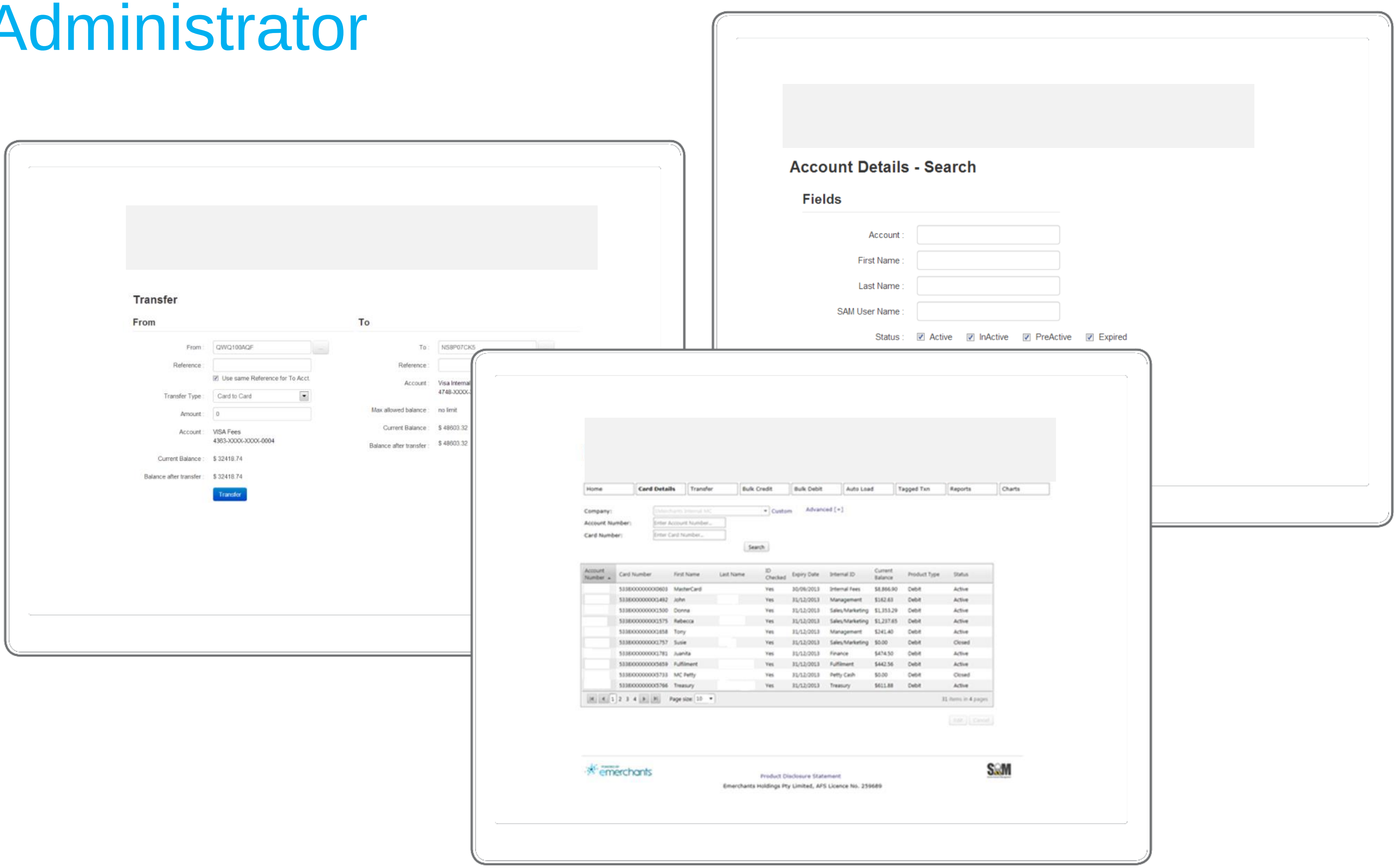


Disbursement Account
Control Spend
Reconciliation of Funds
SAM
Organise/Control information of financial data
Funds Disbursement
VISA
eftpos

SAM
Cardholder



SAM
Administrator



Board of Directors

Tony Adcock
Non-Executive Director

Founder of Red Pill Performance Consultants Pty. Previously Partner at PriceWaterhouseCoopers

Bob Browning
Chairman and Non-Executive Director

A seasoned leader with a proven track record of over 25 years.

Tom Cregan
Managing Director and Chief Executive Officer

Prepaid industry veteran and co-founder of EPAY Australia.

Peter Martin
Non-Executive Director

Former CEO of Rothschild. 35 years international experience.

David Liddy
Non-Executive Director

One of Australia's most experienced retail bankers with 43 years experience. Most recently as CEO of BOQ

John Toms
Non-Executive Director

Over 30 years experience in the payments industry.

Senior Leadership Team

Richard Anderson
Chief Commercial Officer

Former Vice President of Sales for Netspend, the largest prepaid cards provider in US.

James Ingham
Chief Technology Officer

20 years commercial experience in information system development and management.

Andrew Betts
Chief Risk Officer

Andrew brings 24 years experience in the financial services industry.

Bruce Stewart
Chief Financial Officer

15 years as Chartered Accountant, most recently as Senior Vice President of Macquarie's North American business.

Yasmin Broughton
General Counsel & Company Secretary

A qualified barrister and solicitor, with extensive commercial experience at ASX top 50 companies.