2013 Annual General Meeting

emerchants
empowering | Your Money

November 13, 2013

Important Notice

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

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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).

Contents

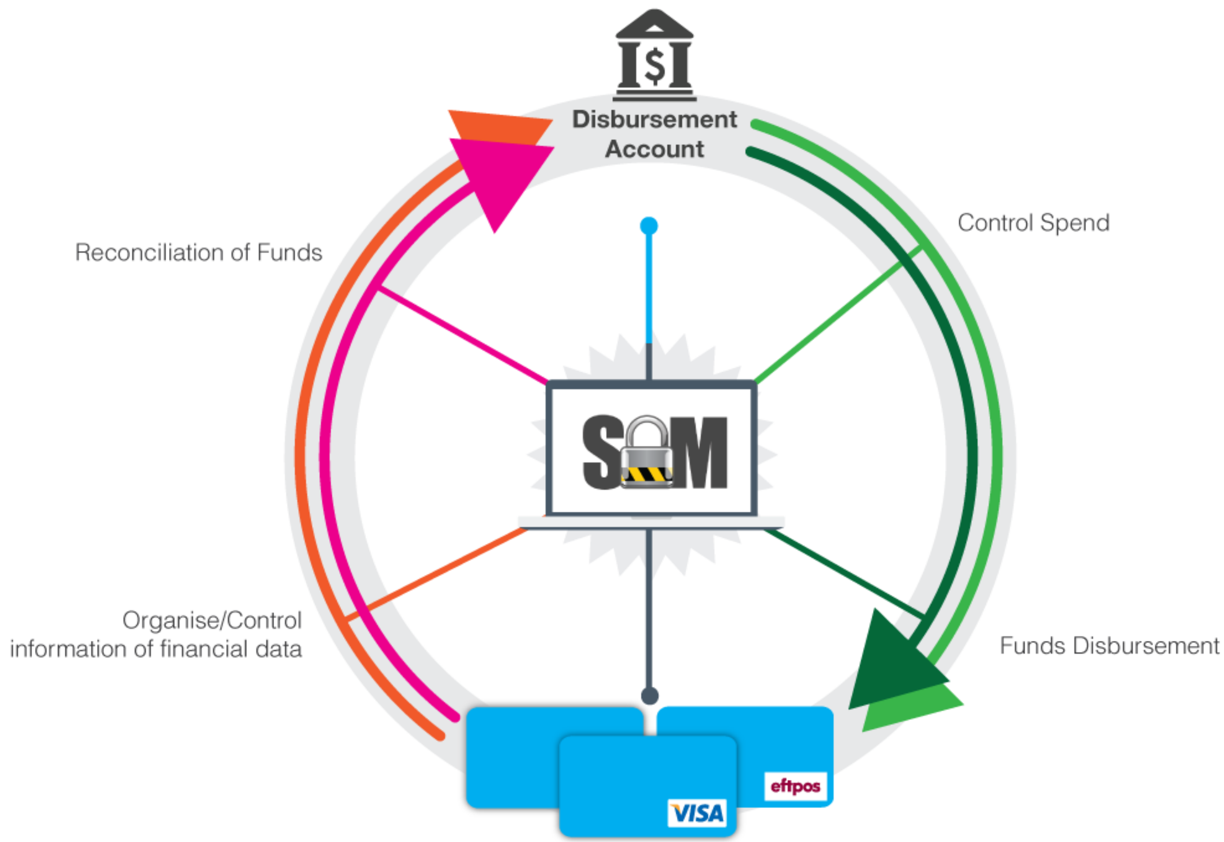
Company Overview

Mission

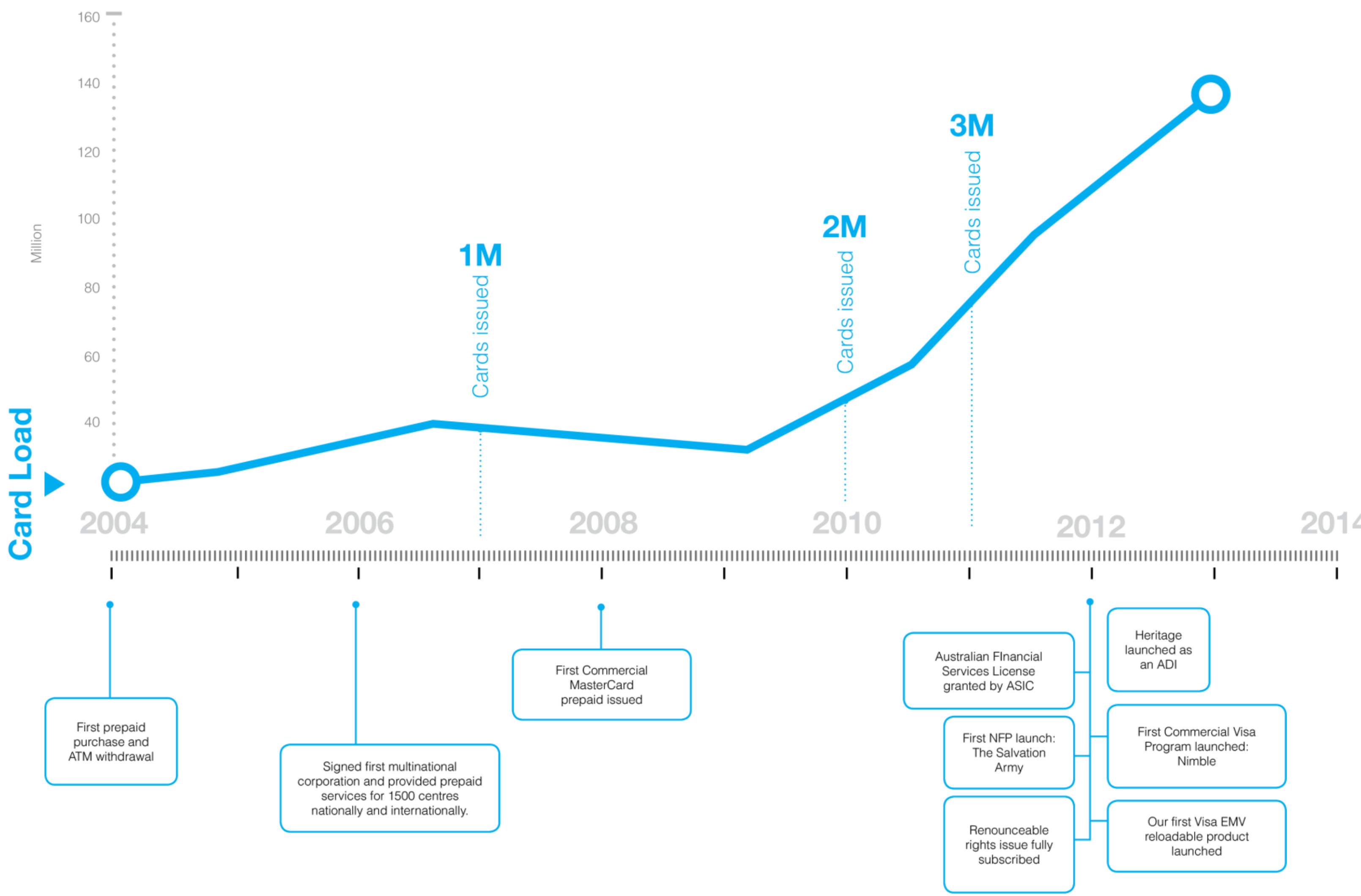
empowering | Your Money

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 Value Proposition



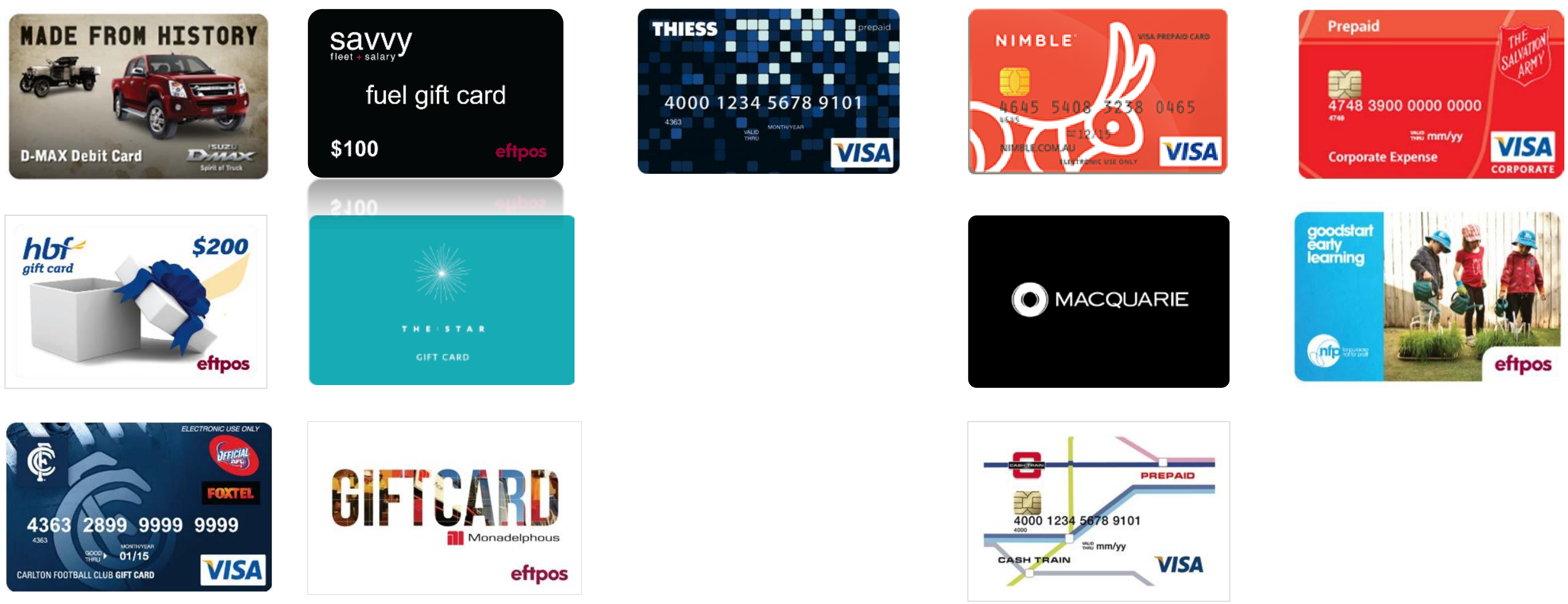
Our History



160
140
120
100
80
60
40
Million
Card Load
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

What we do

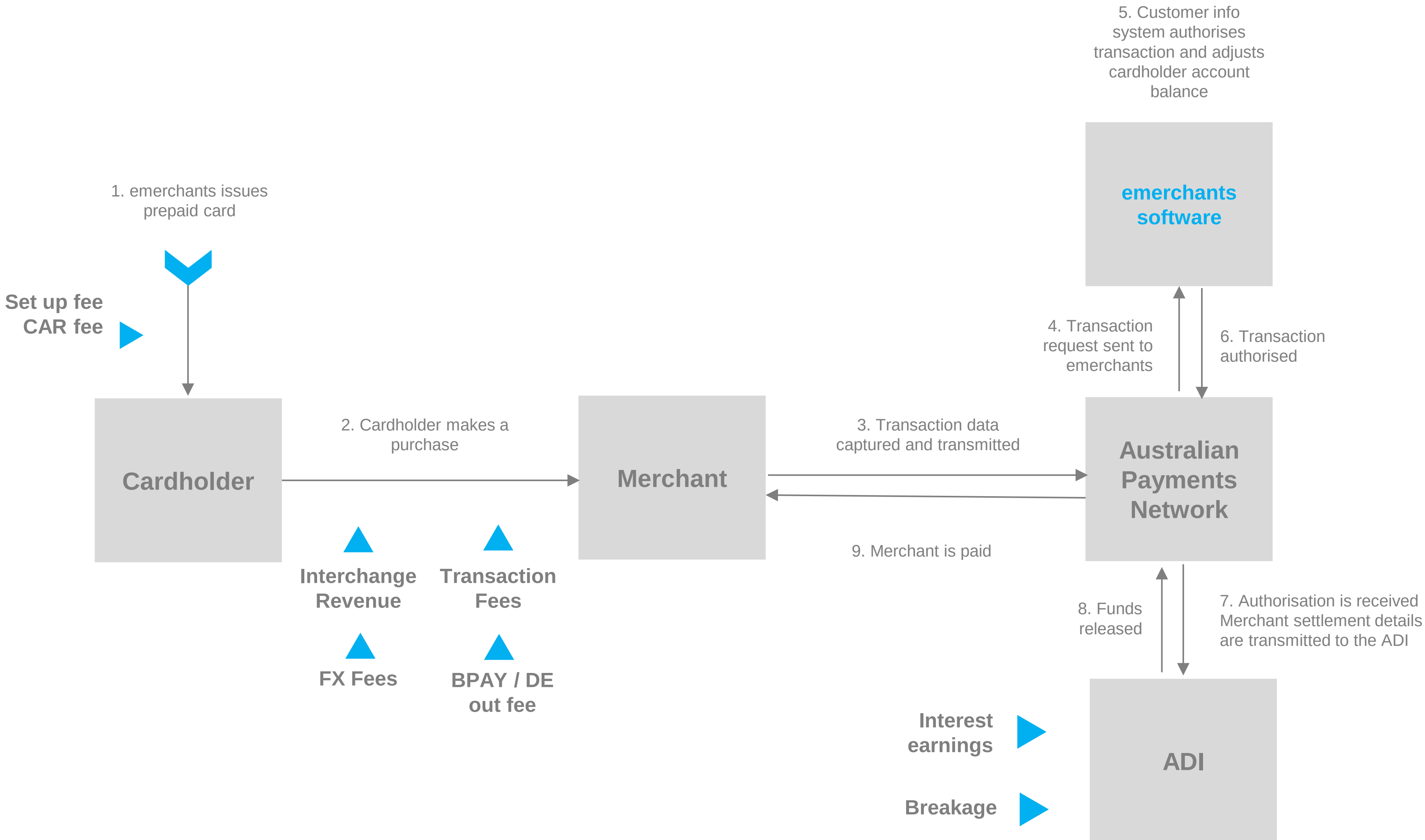
emerchants offers clients payment solutions across all 4 segments of financial card industry



Non-reloadable

Reloadable

Sources of Revenue



▶ Income

FY13 Highlights

FY13 Business Highlights

Enhanced Product Offering

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.

Growth in Reloadable Programs

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, including Nimble, PAID International, The Salvation Army, Mercy Care and Church of Christ Care.

Queensland Government Contract

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.

Improvements in Key Business Metrics

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 Key Contract Signings

	NIMBLE	PAID INTERNATIONAL	THE SALVATION ARMY	PCYC	Mercy Family Services	Churches of Christ care	MAKE-A-WISH Australia
Launch	February '13	November '13	December '13	October '13	July '13	Jan '14	Aug '13
		Two separate programs. *(formerly First Stop Money)*	Pilot launched in July 2013 with full implementation expected by the end of December 2013	Launched in October 2013 with full rollout complete in the new year.	Full rollout complete by the end of 2013.	Full rollout complete in the new year.	Launched August 2013

Collectively these contracts are forecast to generate $40m in dollar loads over the next 12 months, underpinning the transition of EML to a leader in the reloadable prepaid debit industry, servicing Commercial entities, Not-For-Profits and Government

Key Customers as at End FY13

FY13 Financial Summary

FY13 Business Metrics

Total Dollar Loads

35%

Over prior year to
$134.88m

Total Active Cards

30%

Over prior year to
516,000 cards

Revenue

33%

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

Total Transactions

48%

Over prior year to
3.93million

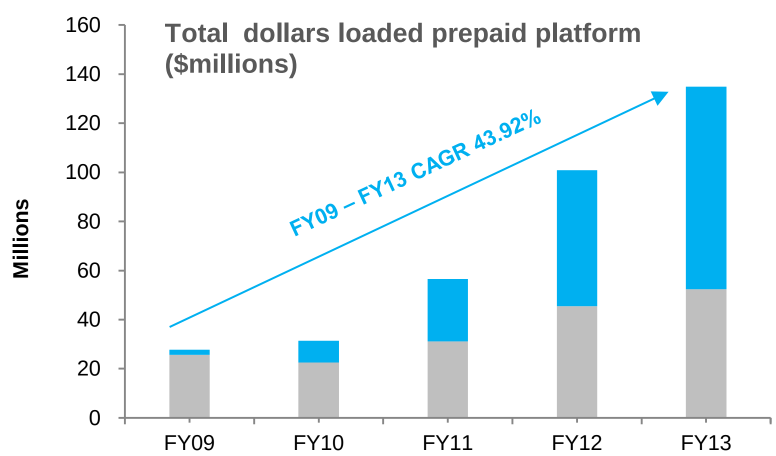
Total Stored Value

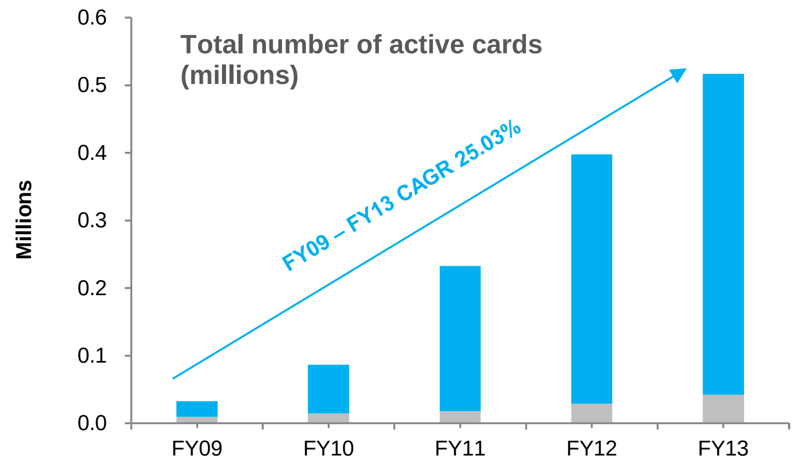
39%

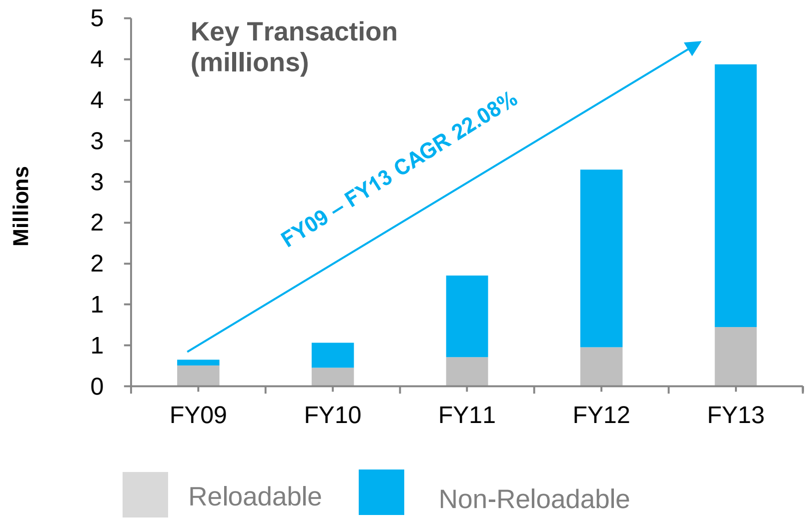
Over prior year to
$20.85m

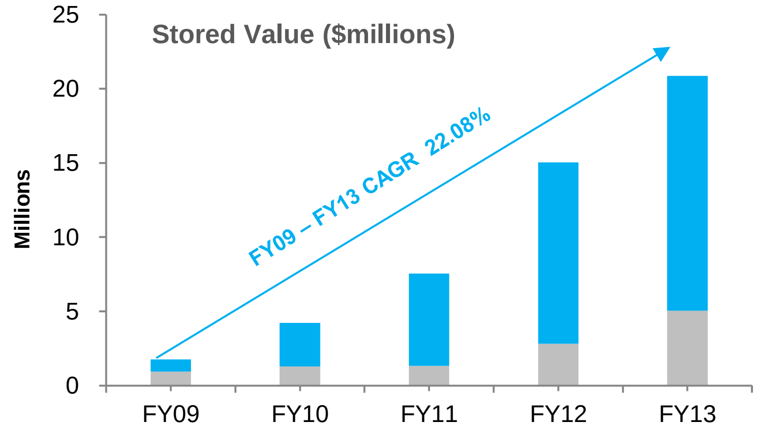
Key Business Metrics

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





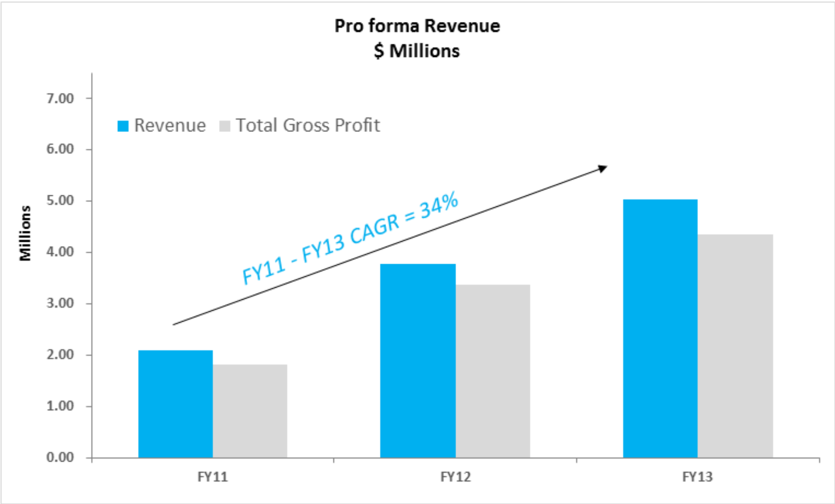




Metrics assumes EPSL was owned by the Emerchants Group prior to FY11

Financials

1. Income statement for 12 months ended 30 June



- EBITDA improvement of 41% driven by a combination of higher revenues and lower overheads
- Achieved a revenue metric of $0.0373 per dollar loaded onto our platform, versus $0.0374 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 per dollar loaded
- EBT and Net Loss improved significantly from the prior period

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	**3,770**	**5,033**
CAGR - %	34%	34%
Total Direct Costs	**(372)**	**(667)**
Total Gross Profit	**3,398**	**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	**(5,062)**	**(2,947)**
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)**

Metrics assumes EPSL was owned by the Emerchants Group prior to FY11

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)	193	625
Total Current Assets	**3,463**	**2,342**
Goodwill and Intangibles assets - net	12,154	11,505
Property, plant and equipment – net	774	609
Other	463	507
Total Assets	**16,854**	**14,963**
Trade and other payables	(721)	(756)
Employee benefits	(344)	(274)
Provisions	(64)	(0)
Other	(45)	(11)
Total Current Liabilities	**(1,174)**	**(1,041)**
Other	(718)	(269)
Total Liabilities	(1,892)	(1,310)
Net Assets	**14,962**	**13,653**
Share Capital	(34,811)	(38,183)
Reserves	(1,605)	(2,282)
Retained earnings	(21,453)	(26,812)
Total stockholder's equity	**(14,962)**	**(13,653)**

Post Year End Capital Position

Following the end of the Financial Year, EML had a successful capital raising and has placed itself in a strong financial position to deliver on our business plan.

- **Institutional Placement** – The Company raised $7.5m in a placement to institutions and high net worth customers that was 2.5x over subscribed.
- **Subsequent Share Sale** – At the conclusion of the above placement, approximately 10m shares held by the former vendors was also sold to participating institutions and high net worth clients.
- **Institutional Shareholding** – As a result, emerchants has over 35% of its shares held by institutional investors, providing a very solid foundation for future growth.
- **Share Price** – emerchants’ share price in the last 12 months has grown by 460%
- **Funding Position** – As at the end of the September quarter the Company had $6.5m of cash on hand.

FY14 Highlights and Objectives

Continued Growth in Non-Reloadable Programs

	SONY	Harvey Norman	goodfood	BEST RESTAURANTS OF AUSTRALIA
Launch	October '13	November '13	October '13	September '13
About	Consumer cash back program.	Consumer cash back program.	RAN (restricted authorisation network) card program entitling users to dining in one of hundreds of premium restaurants. Broad retail distribution in major retailers.	RAN (restricted authorisation network) card that also entitles users to dining in a variety of restaurants. Broad retail distribution in place today in major retailers.

We continue to expand their gift card programs and these programs are expected to generate an incremental $10m in annual dollar loads

It's so easy to Givv!

Partnership With GIVV Pty Ltd

EML has re-signed an exclusive 5 year agreement with Givv for content provision and processing services for their electronic kiosks

- GIVV has recently signed an agreement with GPT for the rollout of 25 kiosks generating approximately $5m in gift card loads
- GIVV is currently piloting kiosks with other Australian retailers and has plans to aggressively grow the kiosk network in Australia

Queensland Government Agreement

Contract Status

The parties remain close to executing an agreement and more information will be fourth coming once it has been signed. The first program – Community Recovery (emergency funding program) is ready to commence once the agreement is executed.

Agreement Delays

The delay in executing the agreement is likely to impact our ability to sign other agencies during the remainder of the financial year, albeit that remains our objective.

Optimistic Outlook

We remain optimistic that if the government appropriately engages in prepaid programs this will be our largest contract in terms of dollar loads to date. This is dependent on the various agencies implementing prepaid programs.

Government Sector opportunities

We have not actively engaged with other State Governments or the Federal Government, but will do so once multiple programs have been launched.

AUDAX AT FIDELIS
Queensland Government

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Success is on the payment cards: Emerchants

TIM BOREHAM | THE AUSTRALIAN | SEPTEMBER 02, 2013 12:00AM

PRINT

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Emerchants chief Tom Cregan says the market trails the US, where pre-paid debit cards account for $337bn of expenditure. Picture: Aaron Francis *Source:* TheAustralian

AT a time when the banks have never offered more types of mass-market payment cards, Emerchants chief Tom Cregan reckons they've missed a local market niche accounting for $2 billion of turnover.

BUSINESS OPINION 2 OF 3

BARRY FITZGERALD
'Iron ore, Rio's profit mainstay, received only 7pc of the exploration budget, the quarterly report revealed'

Advertisement

IN BUSINESS

UK probe unrelated to QAN: Clifford

STEVE CREEDY
LEIGH Clifford says he will not step aside at Qantas while regulators probe payments made by a UK bank while he sat on its board.

Rutile miners give up on recovery

RHIANNON HOYLE
PRICES of rutile – a white pigment used in paints and plastics – have slumped as rivals lood the market, Iluka has warned.

'Builders are serial underperformers'

THE economy would get a $1.25bn benefit if the construction sector improved its productivity by just 1pc, a PwC report claims.

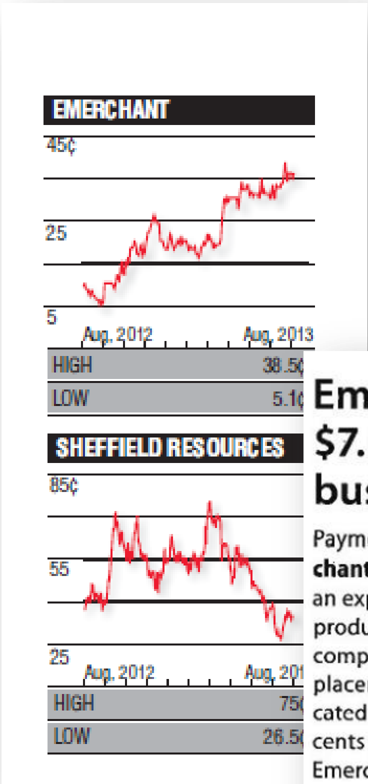
Reject Bega bid, WBC tells investors

WCB has urged shareholders to ignore suitor Bega's argument

> …a Service the Big Banks Can't Provide…

Herald Sun

25



Emerchants secures $7.5m to expand business

Payment solutions provider **Emerchants** has raised $7.5 million to fund an expansion of sales, marketing and product development initiatives. The company said it had completed the placement to institutional and sophisticated investors, which was priced at 33 cents per share.

Emerchants said it would use the proceeds to expand its network capacity, increase its sales and marketing budget, invest in product development and boost working capital.

Managing director **Tom Cregan** said the company was delighted to welcome a number of new investors to its share register.

“Prepaid card supplier Emerchants Ltd took a big step in the transformation of its business last week when it was approved as a payer institution member of the BPAY scheme.”

Banking Day | 23 September 2013

“emerchants secures $7.5m to fund an expansion of sales, marketing and product development initiatives.”

FY14 Objectives – General Business

Some of our key focus areas for the remainder of the year:

Improve " TTR"	We operate in a market where sales cycles can be upwards of 12 months, depending on the project, IT development required or regulatory complexity. We have implemented a project to reduce our "TTR", or "Time To Revenue" – by 50% by the end of FY14.
Increase Public Profile	We will continue to use PR and media to improve the profile of emerchants in the business community, not with the intention of driving the share price, but as a means of driving inbound lead generation and the solutions that emerchants can provide to various customers across our core segments.
Expand IT Bandwidth Capacity	Proceeds from the recent capital raise are being used to expand our IT bandwidth, allowing tens of thousands of concurrent users to access SAM. This is a core requirement for the Queensland Government Community Recovery program and for other large customers that we will launch with. This is expected to be complete by 31/3/14.
Expand Marketing Initiatives	We have increased our marketing spend with a focus on keyword search and will extend that to targeted media advertising and customer testimonials.
IP Protection	We will be commencing a project to evaluate IP protection that can be sought on several of the key software features that we have developed for customers in the past 18 months, and will continue to develop into the future.

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 5 lenders in this vertical and we will look to deepen our presence, as well as continue to identify other opportunities in the broader lending industry.
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	We will focus on engaging with agencies of the Queensland Government to identify opportunities for prepaid programs and begin to leverage that into dialogue with other State Governments and Federal Government agencies.
Not-For-Profit (NFP)	Successfully launch The Salvation Army (Southern Division) program by 31/12/13 and sign other targeted 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 multi-billion dollar segment and our card technology is a perfect fit for this industry vertical.

Broker Coverage

24 June 2013

BUY HOLD SELL

Key points

	Low	High
High	Cash Generator	Champ
Low	Challenged	Potential

	Low	Med	High	Spec
Share Price Risk				
Business Risk				

Company description – Emerchants is a provider of prepaid financial card products and services in Australia. The company provides both non-reloadable and reloadable cards, however, the focus is now on growing the reloadable segment of the business.

Large and growing market – The potential size of the Australian prepaid card industry has been estimated at $16.2 billion in spend value per annum. Given emerchants FY13e loaded funds (a proxy for spend value) are forecast to be $139 million, there is considerable upside potential for the business.

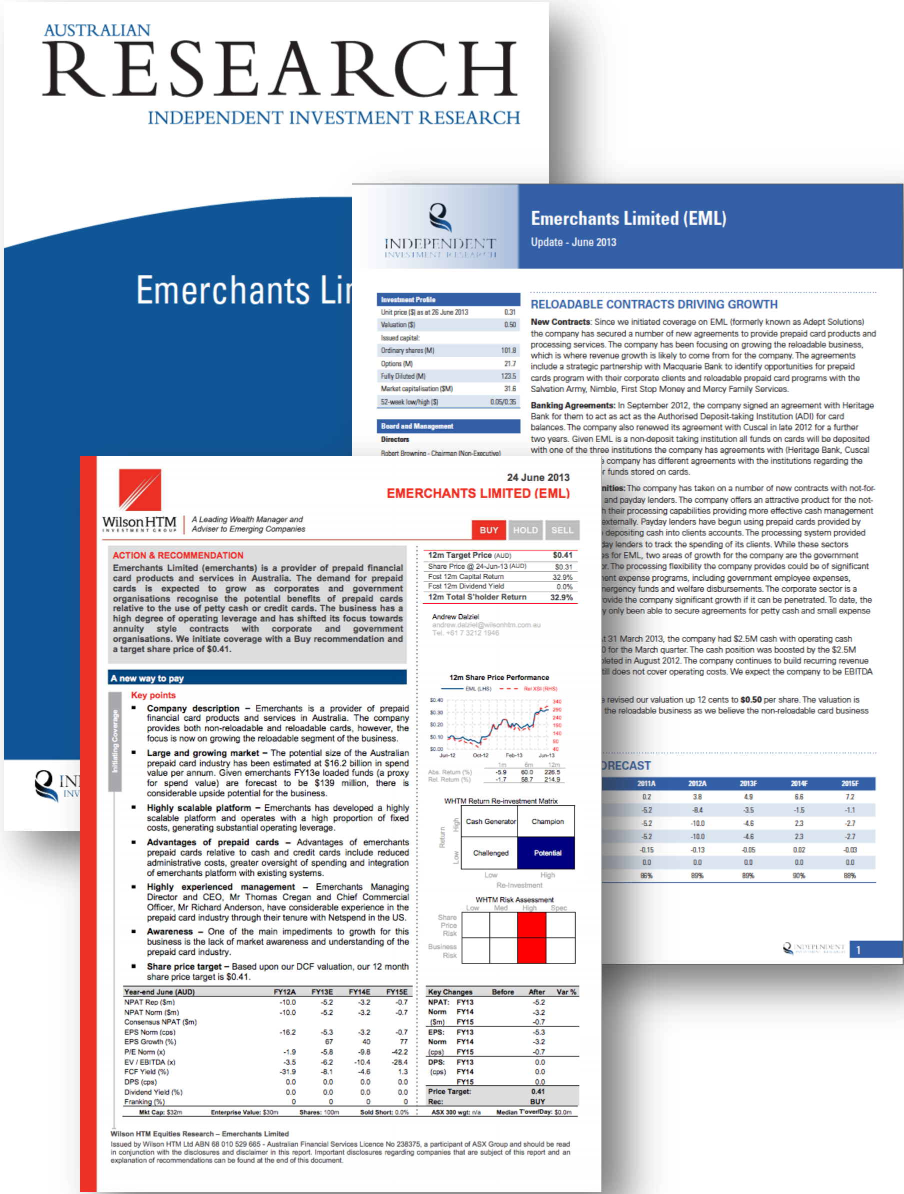
Highly scalable platform – Emerchants has developed a highly scalable platform and operates with a high proportion of fixed costs, generating substantial operating leverage.

Advantages of prepaid cards – Advantages of emerchants prepaid cards relative to cash and credit cards include reduced administrative costs, greater oversight of spending and integration of emerchants platform with existing systems.

Highly experienced management – Emerchants Managing Director and CEO, Mr Thomas Cregan and Chief Commercial Officer, Mr Richard Anderson, have considerable experience in the prepaid card industry through their tenure with Netspend in the US.

Awareness – One of the main impediments to growth for this business is the lack of market awareness and understanding of the prepaid card industry.

Share price target – Based upon our DCF valuation, our 12 month share price target is $0.41.



Independent Investment Research

- Banking agreements
- Business opportunities
- New contracts
- Capital position

Wilson HTM - Initiation Report

- Large and growing market
- Highly scalable platform
- Advantages of prepaid cards
- Highly experienced management