

2013 Annual General Meeting

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2013 Emerchants Limited.

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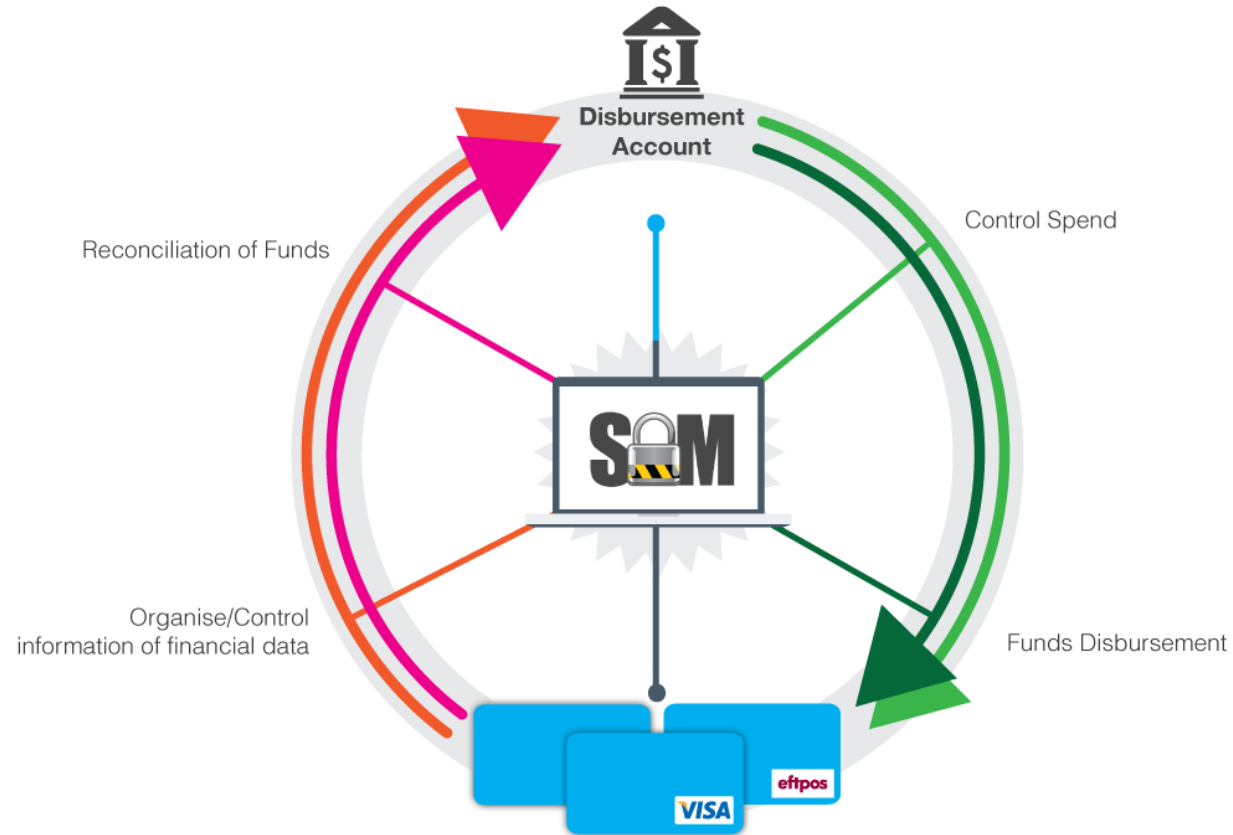
Company Overview

Mission

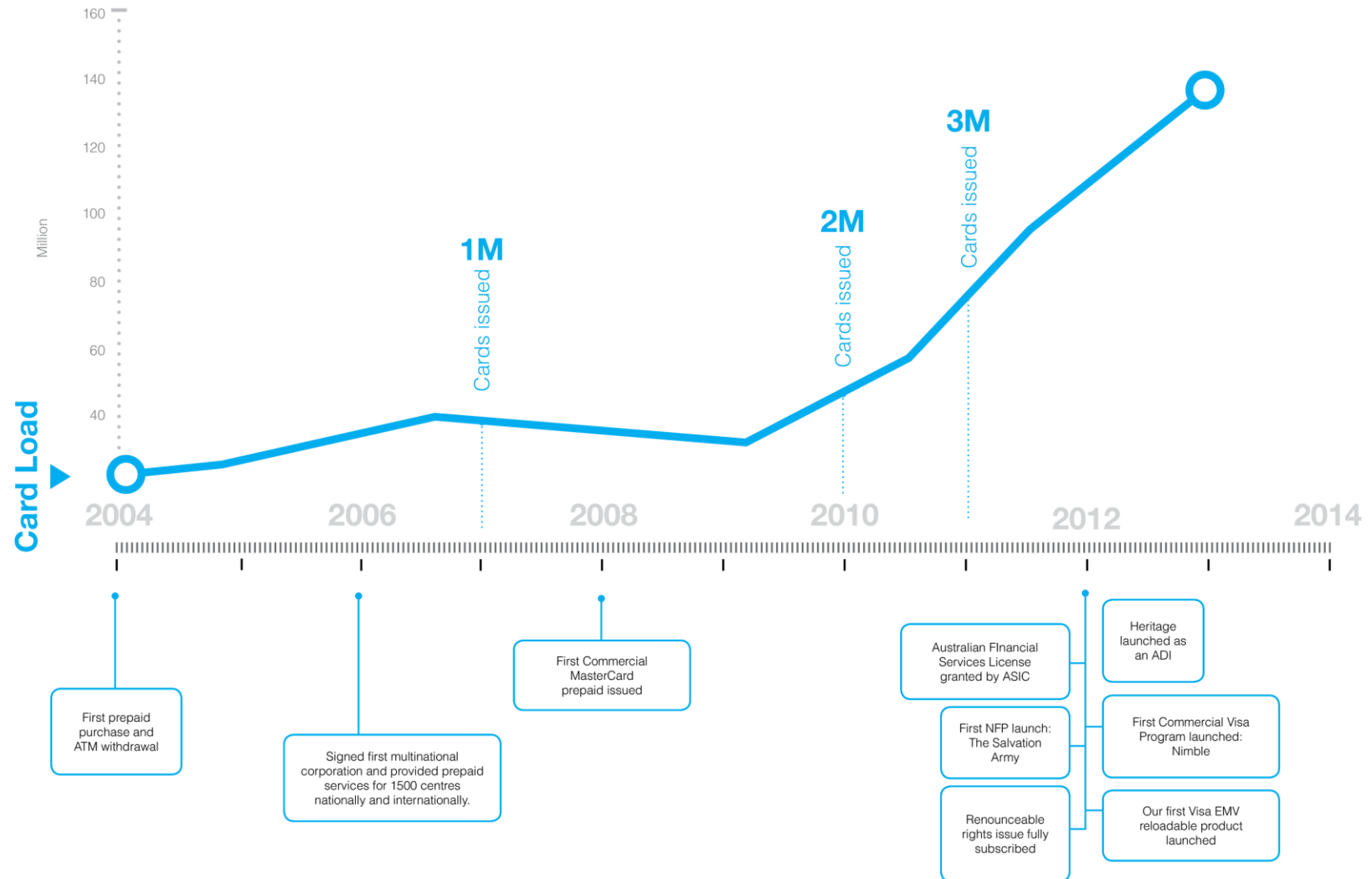
empowering | Your Money

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

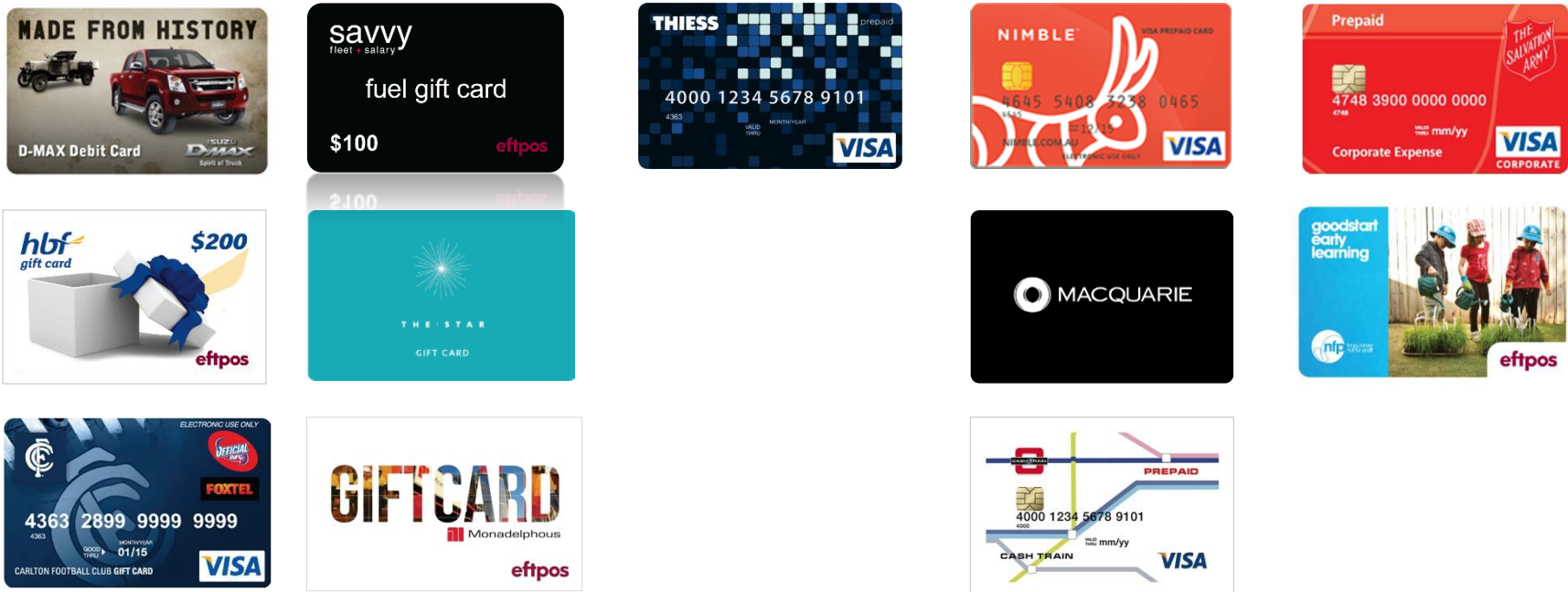


Our History



What we do

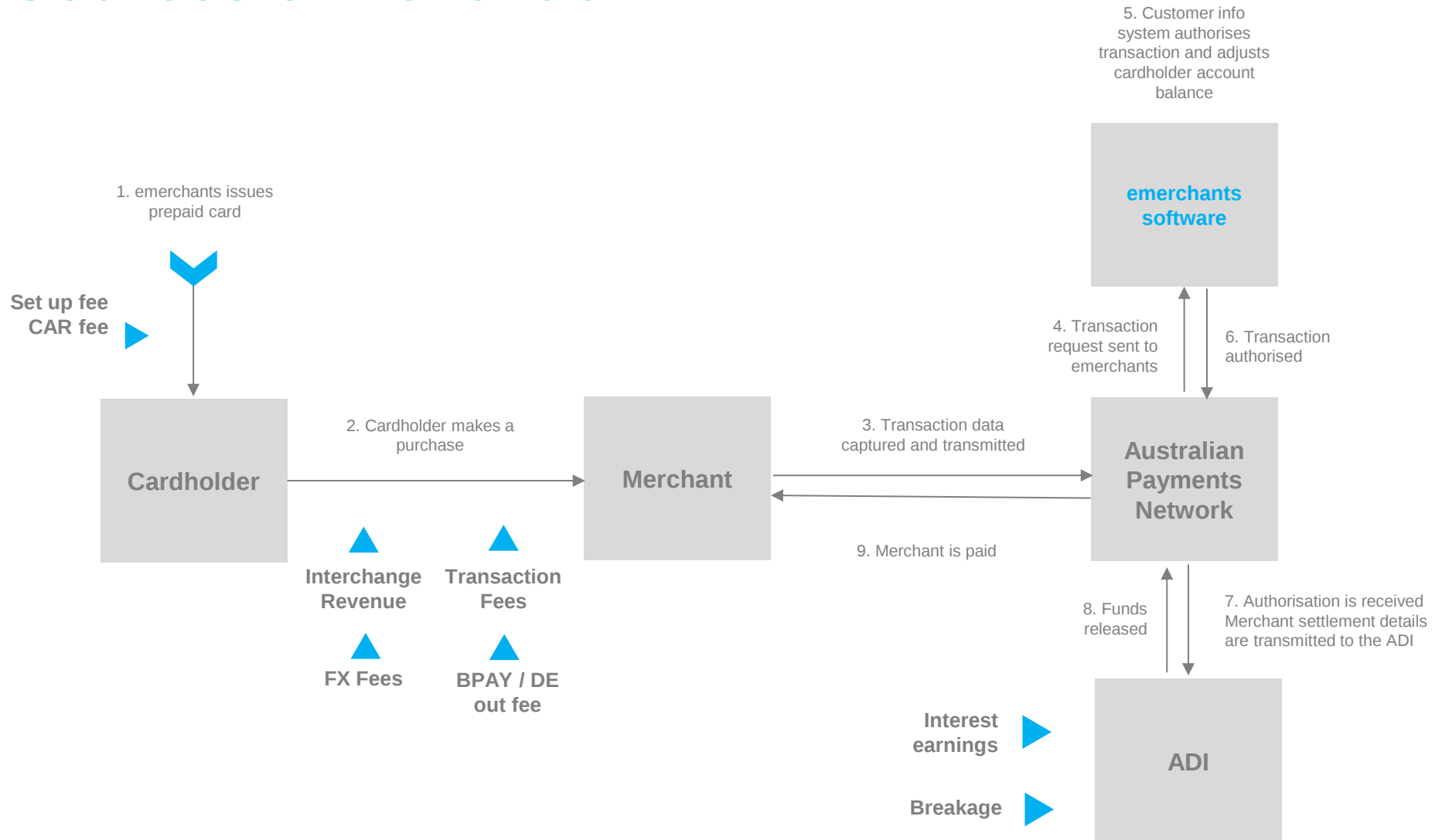
emERCHANTS offers clients payment solutions across all 4 segments of financial card industry



Non-reloadable

Reloadable

Sources of Revenue



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



Launch	February '13	November '13	December '13	October '13	July '13	Jan '14	Aug '13
		Two separate programs. <i>(formerly First Stop Money)</i>	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*

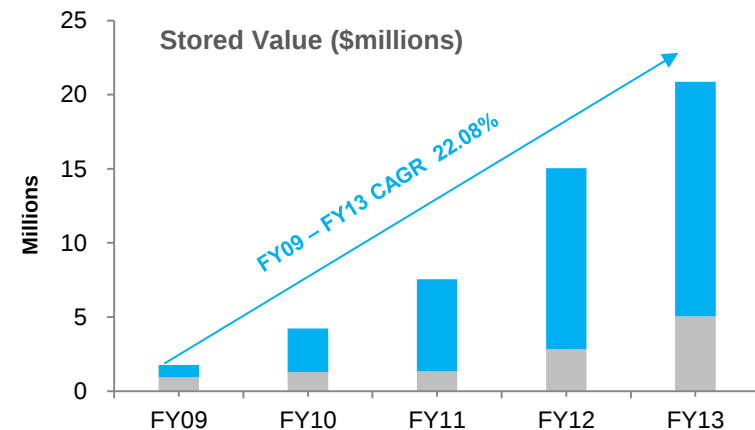
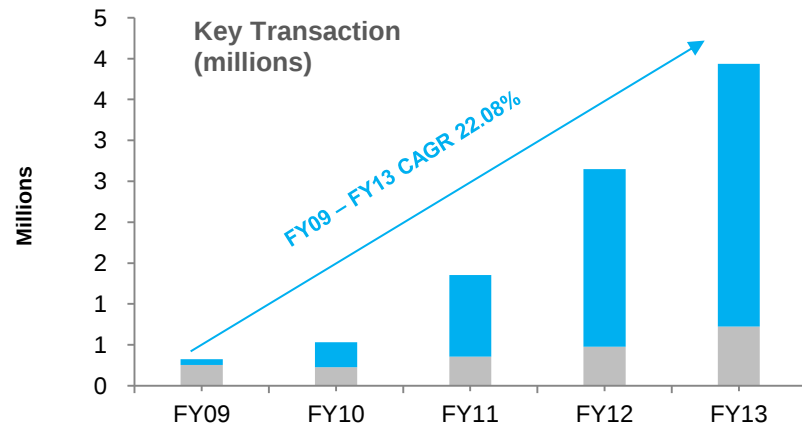
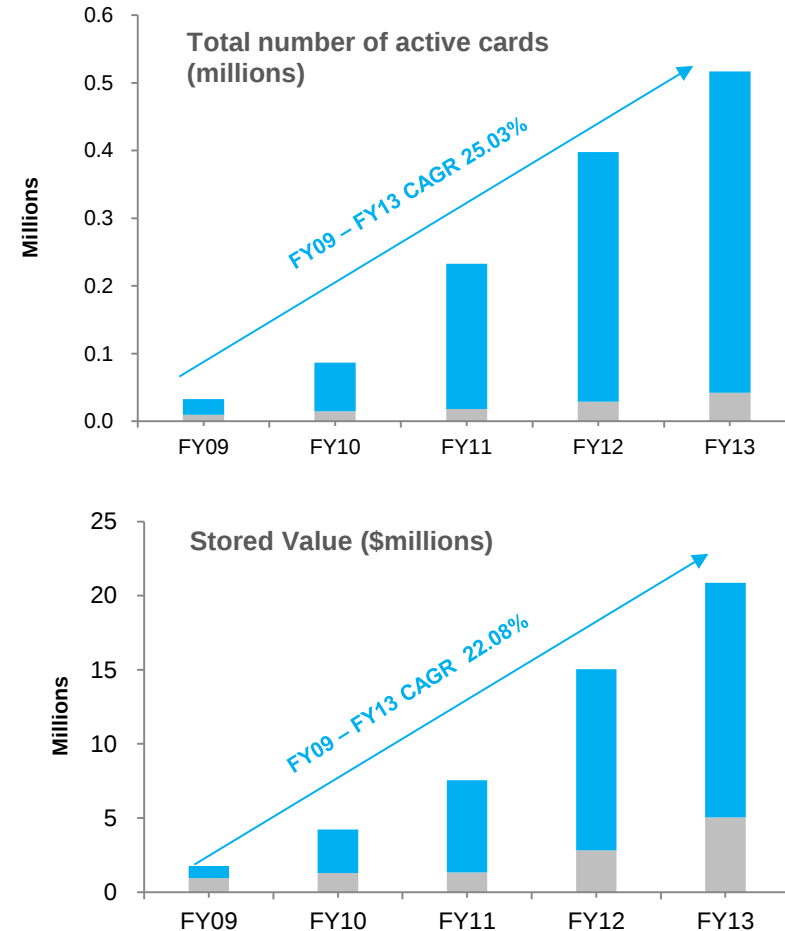
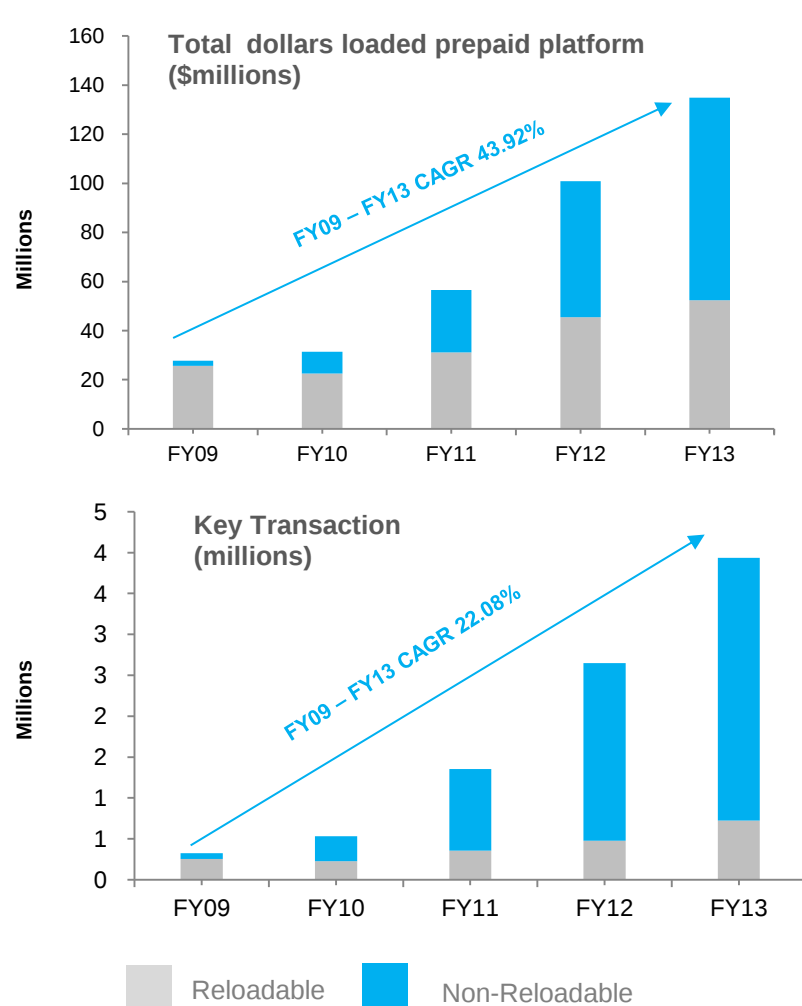
Total Stored Value

 **39%**

*Over prior year to
\$20.85m*

Key Business Metrics

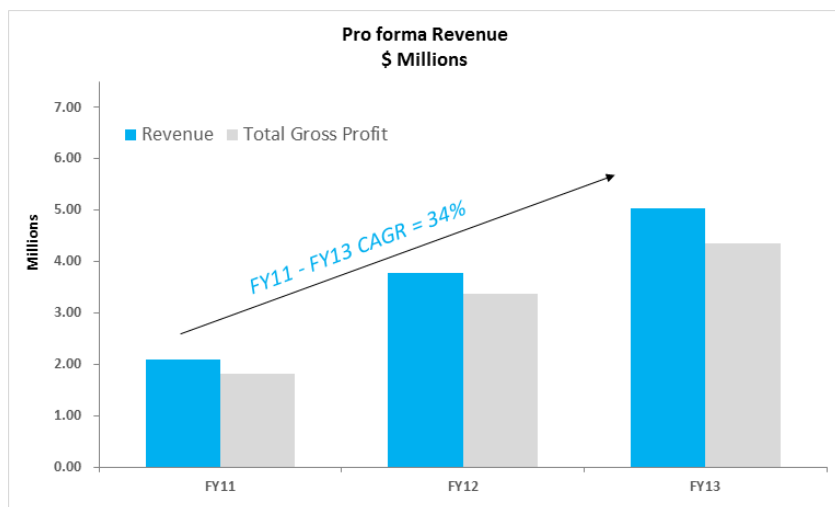
Strong historical growth in all key metrics largely from single product offering



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

				
<i>Launch</i>	October '13	November '13	October '13	September '13
<i>About</i>	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



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 forthcoming 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.



Success is on the payment cards: Emerchants

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



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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

Herald Sun LOGIN SIGN UP ACTIVITY OFF

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BUSINESS

Melbourne 13°C - 24°C Windy, Partly cloudy.

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BUSINESS

Emerchants has a service the big banks can't provide

JOHN BEVERIDGE • HERALD SUN • AUGUST 07, 2013 9:20PM

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FINDING a company with large growth prospects when it is still small is the first challenge for independent institutional investors.

Then, making sure the company is profitable, is the second challenge.

Emerchants has successfully speeding tickets to show that

emERCHANTS
empowering your future

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Success is on the pay
The Australian company has offered more types of mass chief Tom Oregan reckons it accounting for \$2 billion of it

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Briefs: Sutherland tinkers with b shares

14 October 2013 7:10am

* Sutherland Credit Union will change "The Shire ... Local Banking". Members on Sydney's northern beaches voted Sutherland earlier this year.

* Directors of niche payments provide share options rather than in cash, a m A\$500,000.

* Commonwealth Bank's automatic teller machines ceased to work across the country for around three hours on Saturday evening. Eftpos and NetBank services still worked. The bank told the Herald Sun it is investigating the cause.

“ ...a Service the Big Banks Can't Provide...”

Herald Sun

IN THE BLACK

Emerchants has a service the big banks can't provide

with John Beveridge

FINDING a company with large growth prospects when it is still small is the first challenge for independent institutional investors trying to outperform more conservative institutional investors.

Then, making sure the company is well run and has a realistic chance of turning its ideas into profits, is the second challenge.

Emerchants has successfully jumped those hurdles and has no less than two ASX speeding tickets to show that some investors are starting to sit up and take notice.

In its main business is reloadable financial cards, which sounds like something banks would do, except that it offers a high degree of customisation.

So a charity customer or government handling out emergency financial aid might want to restrict cards it hands out so that cash withdrawals can't be made, or that purchases can only be made in supermarkets.

And a company might want cards that are assigned to its truck drivers to only be used at petrol stations or for repairs.

Another company might want to give individual petrol cards that can only be used Monday to Friday, while a novated lease company might want cards for fuel and servicing for every car.

The potential is large. All companies, governments and charities are trying to eliminate risk

and the lack of accountability connected to using petty cash and vouchers, while also reducing the potential for fraud.

Cost-cutting is also behind the introduction of reloadable cards, with the mining and engineering sectors embracing the concept.

Chief executive Tom Oregan, who was an executive vice-president at big US reloadable and gift card company Metaspot, said winning contracts usually took about a year from initial negotiations.

Once one company started using the cards, market awareness began to grow until competitive pressures started to expand their usage.

"In the US the market is quite different because a lot

speculative buy on the strength of an experienced executive team, a healthy pipeline of potential clients and a large market in which the small guys have an advantage over the banks.

Like a hangover after a night of celebrations in Kalgoorlie, yesterday's 94.3-point crunch on the share market caused pain to our portfolio of presenting companies at Diggers and Dealers. Some brave exceptions swam against the tide, such as Sheffield Resources (4.55 per cent), Gindalbie Metals (3.7 per cent) and Sarcen Minerals (3.33 per cent).

Crypton Minerals and Peninsula Energy both managed to stay steady.

But no amount of spruiking at the Goldfields Arts Centre was enough to overwhelm the negative market sentiment for most presentation. The worst losers were for PMG Gold (7.89 per cent), St Barbara (7.51 per cent), Beadell Resources (7.14 per cent), Oroya Gold (6.54 per cent) and Minor Resources (6.08 per cent), while Bend Resources (1.85 per cent) and Kinagat Consolidated (0.65 per cent) managed to fall by less than the overall market.

So after three days of beta testing the *In the Black* portfolio approach to Australia's most high-profile mining conference, we have ended up almost where we started, or a bit below.

Which is the same excuse the bar-crawling brokers and participants will bring home from the conference.

The Herald Sun accepts no



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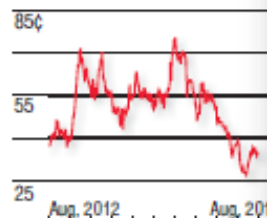


EMERCHANT



HIGH 38.5
LOW 5.1

SHEFFIELD RESOURCES



HIGH 75
LOW 26.5

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

”

“

emergants 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

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 emergents 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 emergents prepaid cards relative to cash and credit cards include reduced administrative costs, greater oversight of spending and integration of emergents 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.

Emerchants Limited



Emerchants Limited (EML)

Update - June 2013

Investment Profile

Unit price (\$ at 26 June 2013)	0.31
Volatility (\$)	0.30
Issued capital:	
Ordinary shares (M)	101.8
Options (M)	21.7
Fully Diluted (M)	123.5
Market capitalisation (\$M)	31.8
52 week low/high (\$)	0.25/0.38

Board and Management

Directors
Robert Browning - Chairman (Non-Executive)

RELOADABLE CONTRACTS DRIVING GROWTH

New Contracts: Since we initiated coverage on EML (formerly known as Adept Solutions) the company has secured a number of new agreements to provide prepaid card products and processing services. The company has been focusing on growing the reloadable business, which is where revenue growth is likely to come from for the company. The agreements include a strategic partnership with Macquarie Bank to identify opportunities for prepaid cards program with their corporate clients and reloadable prepaid card programs with the Salvation Army, Nimble, First Stop Money and Mercy Family Services.

Banking Agreements: In September 2012, the company signed an agreement with Heritage Bank for them to act as act as the Authorised Deposit-taking Institution (ADI) for card balances. The company also renewed its agreement with Cuscal in late 2012 for a further two years. Given EML is a non-deposit taking institution all funds on cards will be deposited with one of the three institutions the company has agreements with (Heritage Bank, Cuscal or company has different agreements with the institutions regarding the funds stored on cards).

Notes: The company has taken on a number of new contracts with not-for-profit and payday lenders. The company offers an attractive product for the not-for-profit lenders processing capabilities providing more effective cash management externally. Payday lenders have begun using prepaid cards provided by depositing cash into clients accounts. The processing system provided by lenders to track the spending of its clients. While these sectors are for EML, two areas of growth for the company are the government and the processing flexibility the company provides could be of significant benefit expense programs, including government employee expenses, legacy funds and welfare disbursements. The corporate sector is a provide the company significant growth if it can be penetrated. To date, the company has been able to secure agreements for petty cash and small expense

On 31 March 2013, the company had \$2.5M cash with operating cash flow for the March quarter. The cash position was boosted by the \$2.5M raised in August 2012. The company continues to build recurring revenue and does not cover operating costs. We expect the company to be EBITDA

revised our valuation up 12 cents to \$0.50 per share. The valuation is the reloadable business as we believe the non-reloadable card business

24 June 2013 EMERCHANTS LIMITED (EML)

BUY HOLD SELL

12m Target Price (AUD)	\$0.41
Share Price @ 24-Jun-13 (AUD)	\$0.31
12m Capital Return	32.9%
12m Dividend Yield	0.0%
12m Total Shareholder Return	32.9%

Andrew Dalziel
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Tel: +61 7 3212 1948

12m Share Price Performance



WHTM Return Re-investment Matrix

	Low	High
Return	Champion	Champion
Risk	Challenged	Potential

WHTM Risk Assessment

	Low	High
Share Price	Low	High
Risk	Low	High
Business	Low	High

Year-end June (AUD)	FY12A	FY13E	FY14E	FY15E
NPAT Rec (\$m)	-10.0	-5.2	-3.2	-0.7
NPAT Norm (\$m)	-10.0	-5.2	-3.2	-0.7
Consensus NPAT (\$m)	-10.0	-5.2	-3.2	-0.7
EPS Norm (cps)	-16.2	-5.3	-3.2	-0.7
EPS Growth (%)	-	67	46	77
PE Norm (x)	-1.9	-5.8	-9.8	-42.2
EV / EBITDA (x)	-3.5	-6.2	-10.4	-28.4
FCF Yield (%)	-0.9	-4.1	-4.6	1.3
DPS (cps)	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0
Payout (%)	0	0	0	0

ML Cap: \$20m Enterprise Value: \$10m Shares: 100m S&P Short: 0.0% ASX 300 wgt: 0.0 Median Turnover: \$0.2m



A Leading Wealth Manager and
Adviser to Emerging Companies

ACTION & RECOMMENDATION

Emerchants Limited (emmerchants) is a provider of prepaid financial card products and services in Australia. The demand for prepaid cards is expected to grow as corporates and government organisations recognise the potential benefits of prepaid cards relative to the use of petty cash or credit cards. The business has a high degree of operating leverage and has shifted its focus towards annuity style contracts with corporate and government organisations. We initiate coverage with a Buy recommendation and a target share price of \$0.41.

A new way to pay

Key points

- Company description** – Emmerchants 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 emmerchants FY13e loaded funds (a proxy for spend value) are forecast to be \$130 million, there is considerable upside potential for the business.
- Highly scalable platform** – Emmerchants 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 emmerchants prepaid cards relative to cash and credit cards include reduced administrative costs, greater oversight of spending and integration of emmerchants platform with existing systems.
- Highly experienced management** – Emmerchants Managing Director and CEO, Mr Thomas Cragan 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.

Year-end June (AUD)	FY12A	FY13E	FY14E	FY15E
NPAT Rec (\$m)	-10.0	-5.2	-3.2	-0.7
NPAT Norm (\$m)	-10.0	-5.2	-3.2	-0.7
Consensus NPAT (\$m)	-10.0	-5.2	-3.2	-0.7
EPS Norm (cps)	-16.2	-5.3	-3.2	-0.7
EPS Growth (%)	-	67	46	77
PE Norm (x)	-1.9	-5.8	-9.8	-42.2
EV / EBITDA (x)	-3.5	-6.2	-10.4	-28.4
FCF Yield (%)	-0.9	-4.1	-4.6	1.3
DPS (cps)	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0
Payout (%)	0	0	0	0

Wilson HTM Equities Research – Emmerchants Limited
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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