emerchants

15 October 2014

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

INVESTOR PRESENTATION

Please find attached an Investor Presentation which Emerchants Limited's (**ASX: EML**) Managing Director, Tom Cregan, will be presenting to investors at the Merrill Lynch Emerging Stars Conference in Melbourne on 16 October 2014.

-ENDS-

For further information, please contact:

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About Emerchants Limited

Emerchants is led by Managing Director, Mr Tom Cregan, and is a financial services company that specialises in the pre-paid financial card market. Emerchants is focused on the twin goal of delivering high quality payment systems to its customers and superior returns to its shareholders.

BAML Emerging Stars Conference
October 2014

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empowering | Your Money

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

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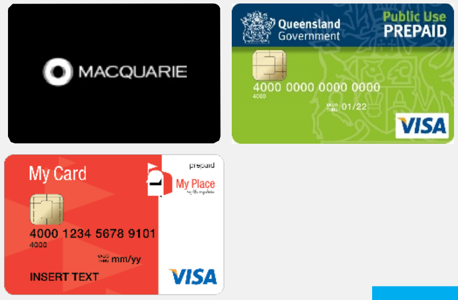
Mission

empowering | Your Money

To transform the commercial payment solutions landscape
by inspiring companies and their customers to demand ***more control***,
more transparency and ***more flexibility*** over their money.

Our Value Proposition



DISBURSEMENT ACCOUNT

RECONCILIATION OF FUNDS

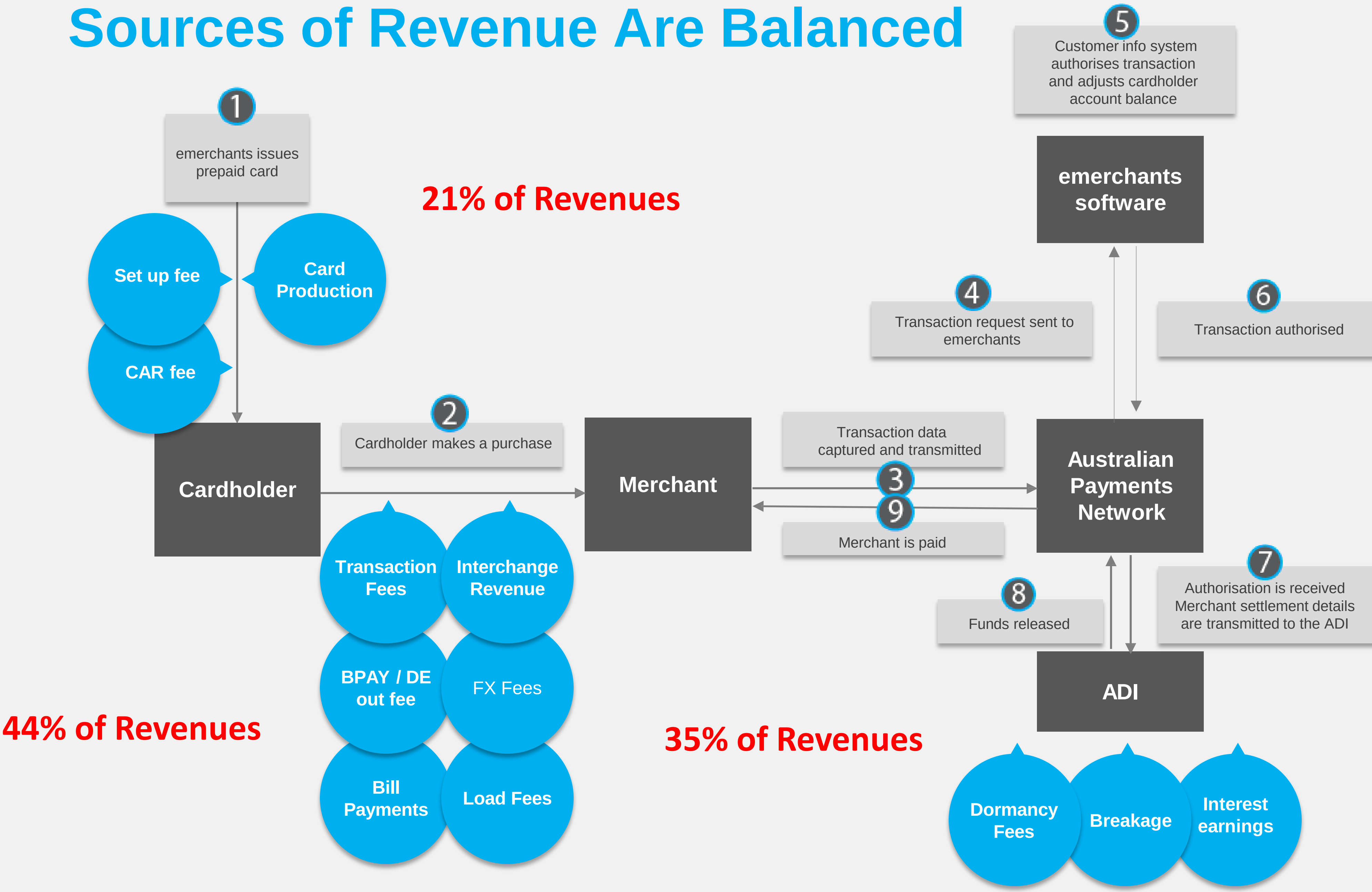
FUNDS DISBURSEMENT

DATA & ANALYTICS

CONTROL SPEND

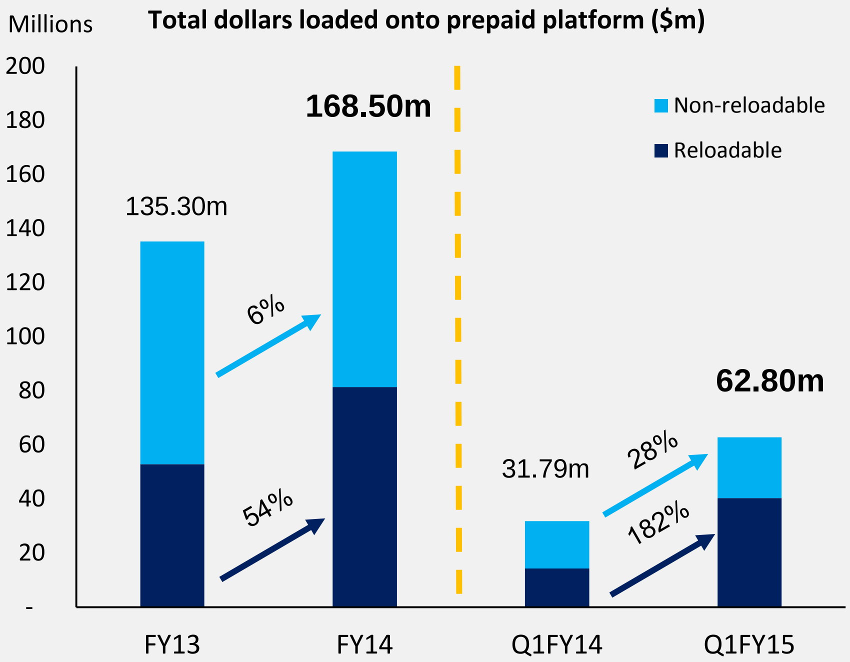
VISA

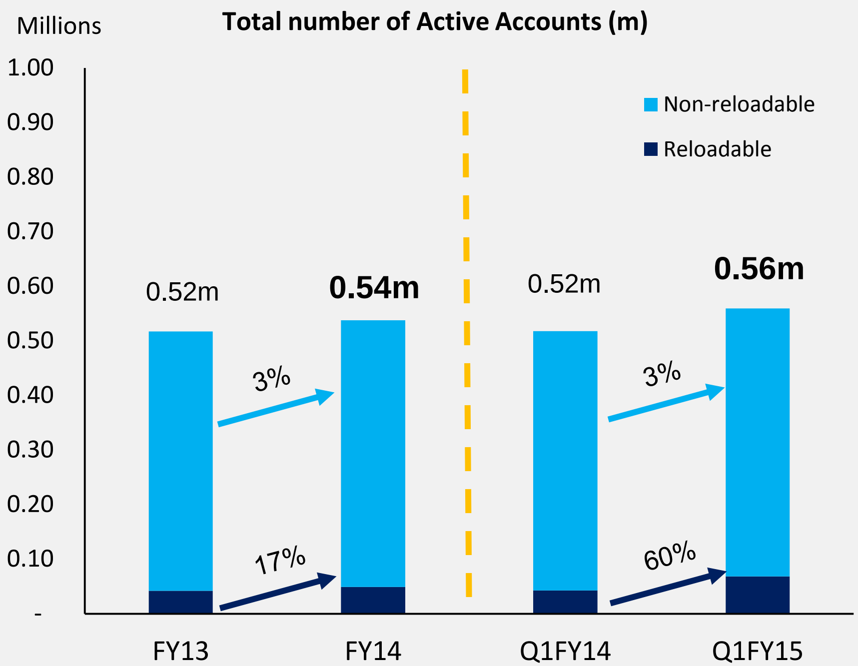
Sources of Revenue Are Balanced



Performance Metrics – FY15 Trading Update

FY14 vs. FY13 and trading update to Q1FY15



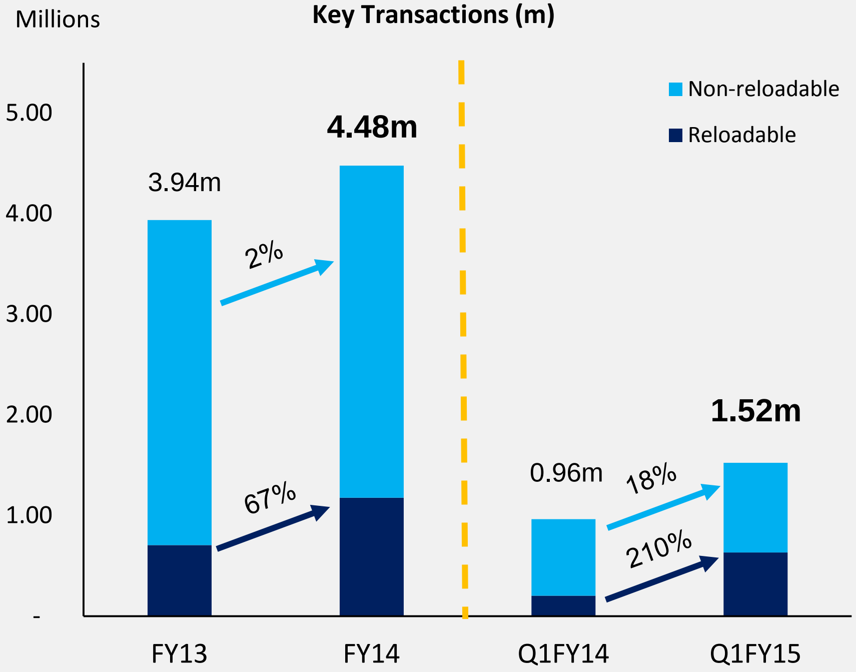


Q1FY14 vs. Q1FY15
Total Dollars Loaded: +98%

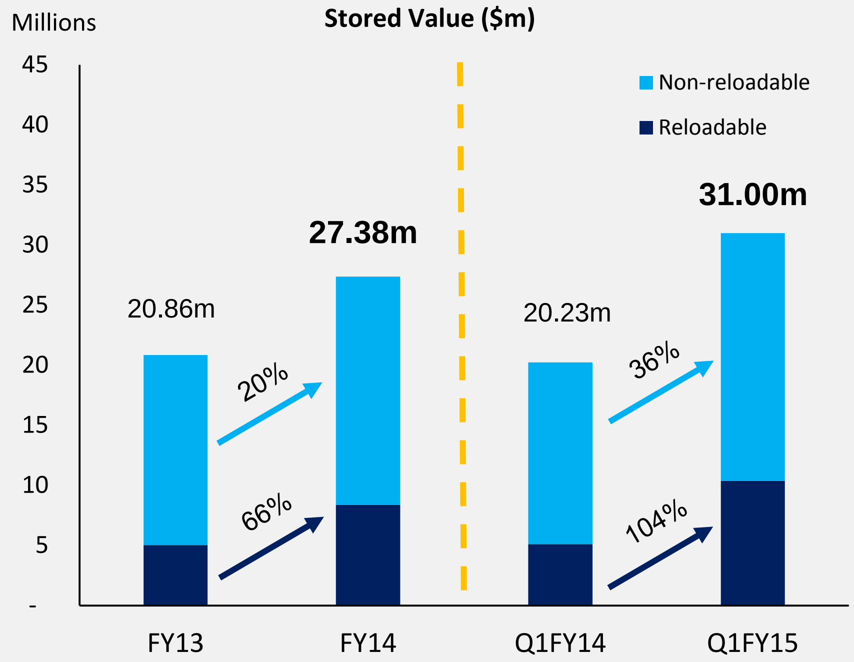
Sep 14 vs. Sep 15
Number of Active Accounts: +8%

Performance Metrics – FY15 Trading Update

FY14 vs. FY13 and trading update to Q1FY15



Q1FY14 vs. Q1FY15
Transactions: +58%



Sep 14 vs. Sep 15
Stored Value: +53%

Trading Update FY15 – Sales Pipeline

- **Existing Business:**
  - Previously advised flat guidance for non-reloadable versus FY14 but appear on track for 5-10% growth in FY15
  - Reloadable metrics up 182% on Loads, 210% on Transactions and 104% on Stored Value versus PCP

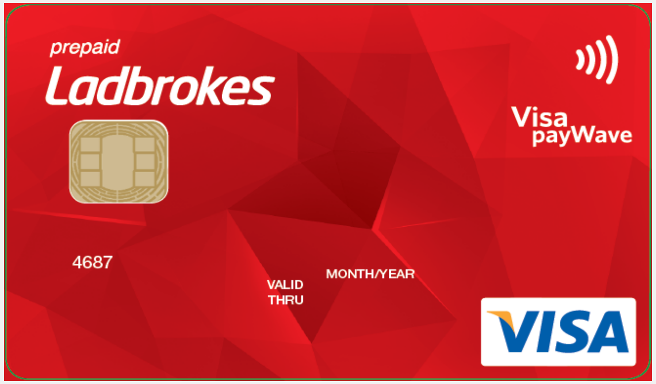
- **Consumer Lending Vertical:**
  - Program with CCIG (Cash Converters Franchisee) launches October 20
  - Partnership with MoneyMe announced with launch in November
  - Retail loan distribution

- **Gambling Solutions Vertical:**
  - Ladbrokes EFTPOS and Visa programs in market
  - BetStar and Bookmaker programs to launch mid October
  - Sportsbet and Bet Easy launches delayed until after the Melbourne Cup
  - In discussions with other corporate bookmakers for launch 2H15
  - Cash load functionality

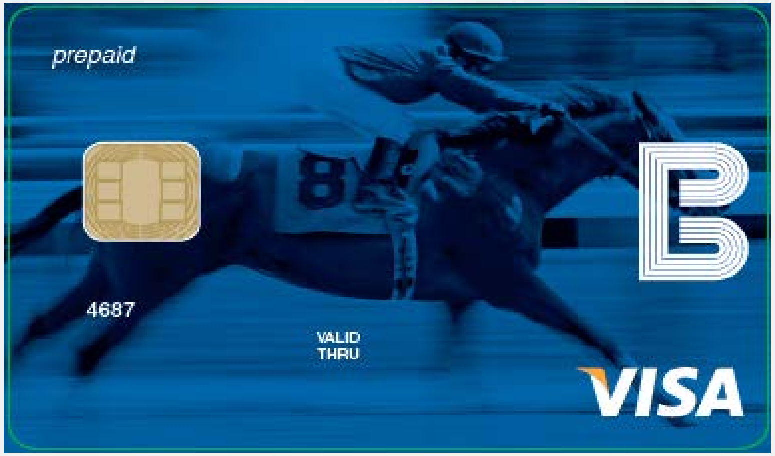
- **Salary Packaging Vertical:**
  - No material contract wins to advise at this stage

- **Queensland Government**
  - Agency engagement process is underway with multiple CFO forums commencing October 16

New Re-Loadable Programs in Market



New Re-Loadable Programs Launching in FY15



Financials

Statement of Profit and Loss for 12 months ended 30 June 2014

('000)	12 months to June 13	12 months to June 14	% Δ
Breakage income	984	1,152	17%
Establishment income	1,290	1,097	(15%)
Transaction fees	1,925	1,988	3%
Interest received - host based stored value	586	613	5%
Interest received - group funds	118	178	50%
Service fees	130	156	20%
Total Revenue	**5,034**	**5,184**	**3%**
Revenue by reportable segments			
Reloadable revenue	1,464	1,367	(7%)
Non-reloadable revenue (Gift)	3,451	3,639	5%
Interest received - group funds	118	178	50%
Total revenue by segments	**5,034**	**5,184**	**3%**
Gross Profit	**4,366**	**4,049**	**(7%)**
Gross profit margin - %	87%	78%	
Other income	-	60	n/a
Cash overheads – employment related	(5,275)	(4,888)	(7%)
Cash overheads – other	(2,583)	(2,997)	16%
R&D tax offset	494	436	(12%)
EBITDA	**(2,998)**	**(3,340)**	**(12%)**
Net Loss	**(5,359)**	**(5,412)**	**(1%)**

- Flat revenue growth due to slowdown in gift volumes and set up fees for new programs falling into July 2014, the impact of which would have been revenue growth of 18%.
- Gross profit declined over the prior year by 7% due to the flat line performance of our non-reloadable business and the abovementioned delay in set up fees falling into July 2014.
- Employment related overhead expenses decreased by 7% to $4.89m, mainly due to the Non-executive Directors choosing to forego Director's fees for the period from March 2013 to June 2014.
- Other overhead expenses increased by 16% mainly attribute to systems infrastructure and incremental software development investment.

Financials

Statement of Financial Position and Cash Flow for 12 months ended 30 June 2014

Summary of Financial Position

('000)	**12 months to June 13**	**12 months to June 14**	**% ∆**
Cash and cash equivalents	1,359	4,496	231%
Other receivables and other assets	1,490	1,790	20%
Plant and equipment	609	964	58%
Goodwill and intangibles	11,505	11,223	(2%)
Total assets	**14,963**	**18,473**	**23%**
Total Liabilities	**1,310**	**1,767**	**35%**
Equity	**13,653**	**16,706**	**22%**

Summary of Cash flow

Cash flows from operating activities	**(3,099)**	**(3,187)**	**(3%)**
Cash flows from investing activities	**(27)**	**(739)**	**(2639%)**
Cash flows from financing activities	**2,196**	**7,063**	**222%**

Introduction to SFUK

- **EML is seeking to acquire 100% of SFUK, subject to shareholder approval:**
  - Purchase price of $24.9m within the independent valuation range
  - Capital raise concluded at $0.50c to institutions and sophisticated investors
  - Acquisition to be deemed both fair and reasonable by the independent expert

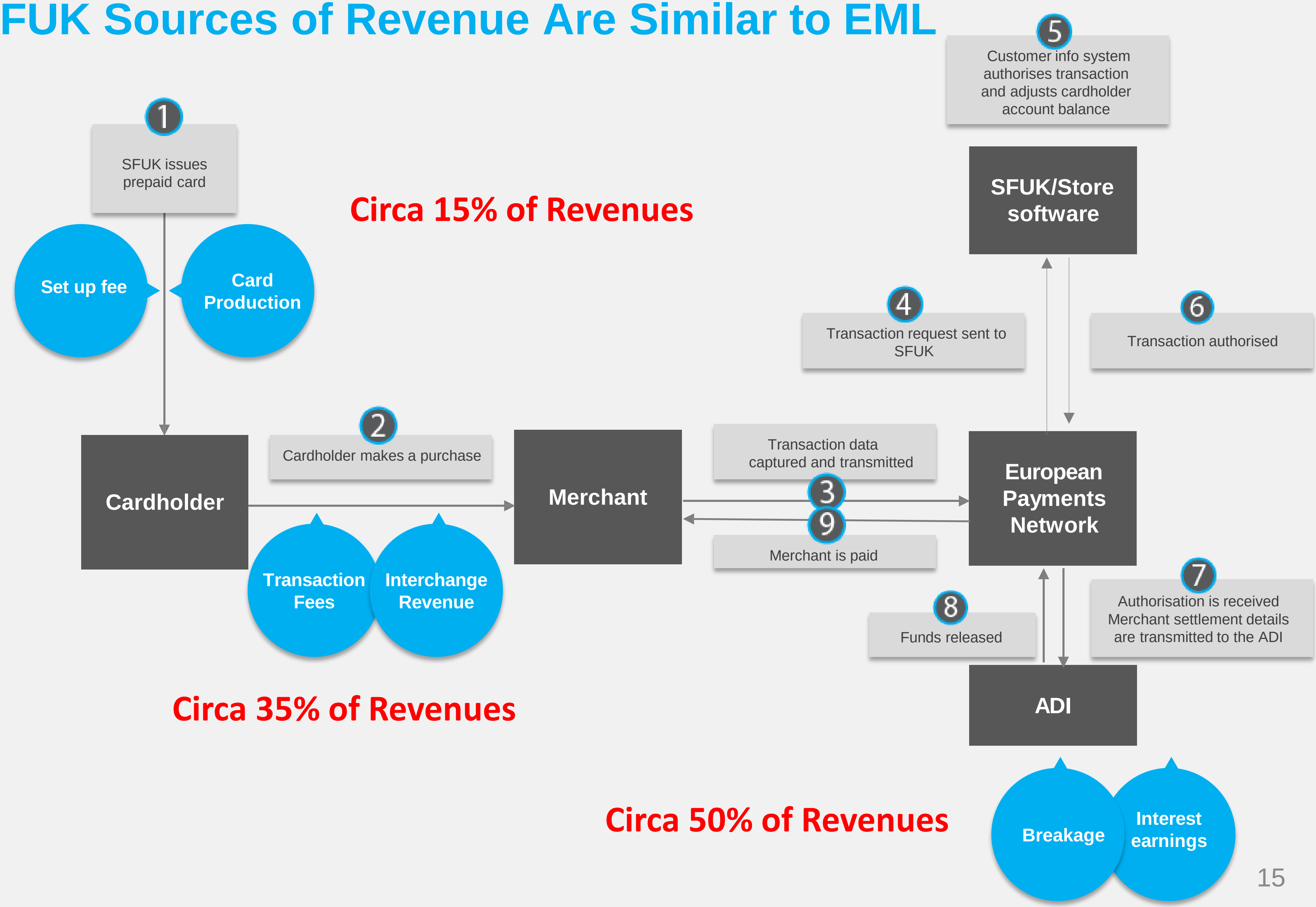
- **SFUK is Europe's largest shopping mall gift card provider:**
  - Over 100 gift card programs in 9 European countries
  - 15 malls in current pipeline for launch in next 3 months
  - 70% of clients representing 91% of volume have extended their agreements for 5 years
  - 70% of revenues from shopping mall and 30% from other prepaid programs

- **The proposed acquisition is a transformational deal for EML:**
  - Cash flow positive in 2HFY15
  - Expected to generate $8.7m in Revenue, $2.7m in EBITDA and $2.2m in NPAT in CY15
  - Strong organic growth averaging 13-50% depending on product and country
  - Access to a prepaid market 10x the size of Australia (Eu$150bn in FY17)
  - Low risk – operationally, technologically and regulatory

Key SFUK Customers

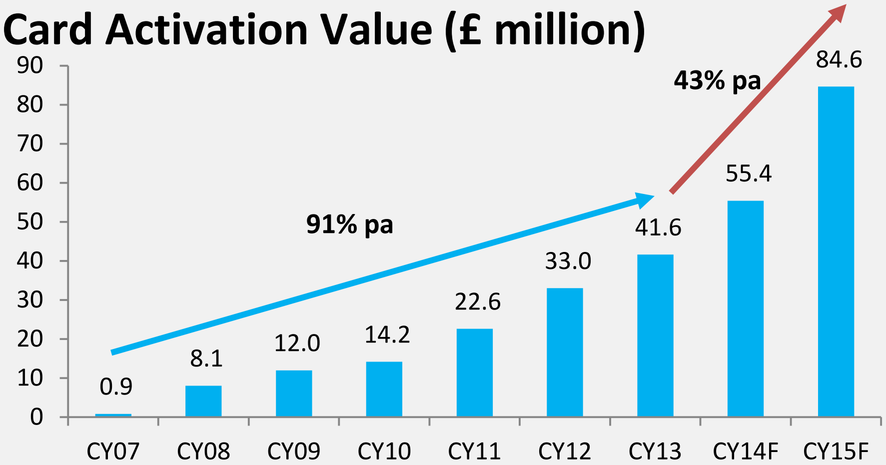
- Kleppierre (Spain, Portugal & Italy)
- Devimo (Belgium)
- Lend Lease Portfolio
- Land Securities Portfolio
- McArthur Glen Portfolio (6 Countries)
- Corio (Germany)
- Gentalia (Spain)
- British Land Portfolio
- Regent Street
- Standard Life Portfolio
- BTWShiells Portfolio
- REALM Portfolio
- Pandora
- Etsy
- The Horticultural Trade Association
- Liverpool Football Club

SFUK Sources of Revenue Are Similar to EML

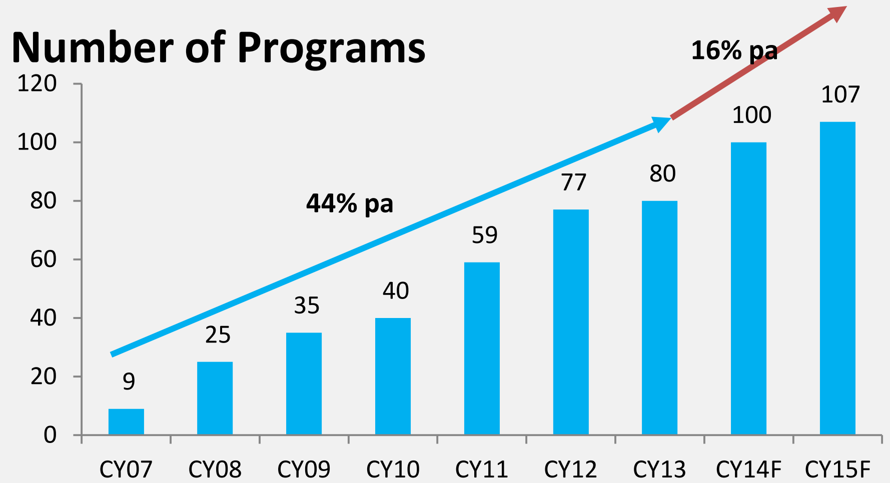


SFUK track record of growth

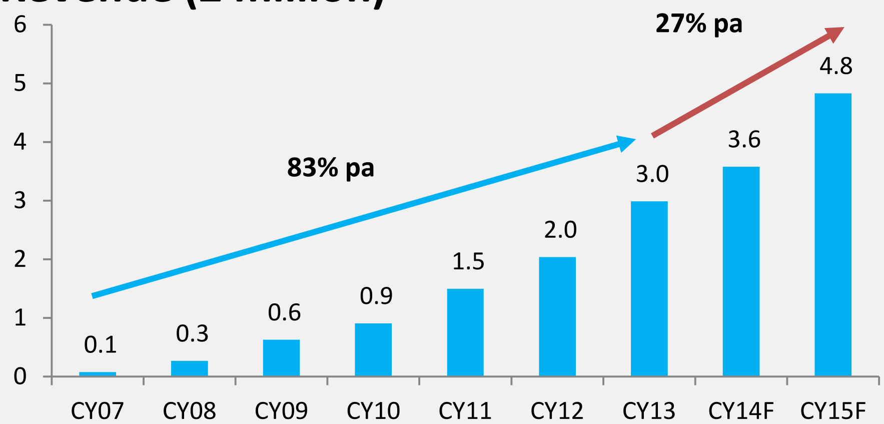
Card Activation Value (£ million)



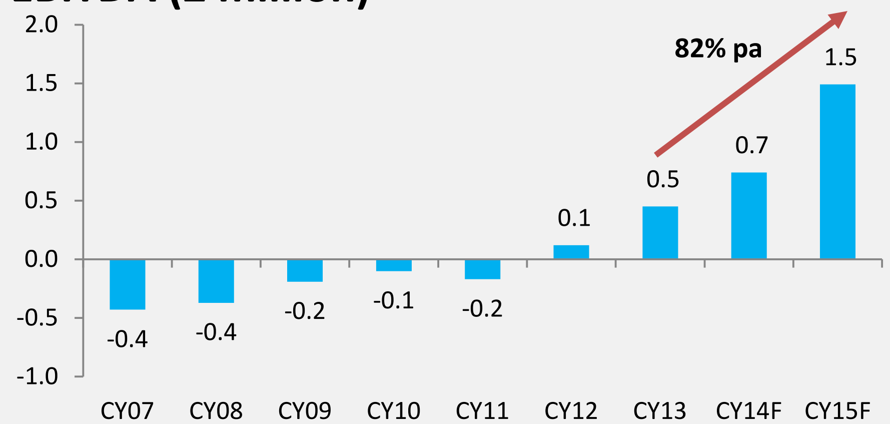
Number of Programs



Revenue (£ million)



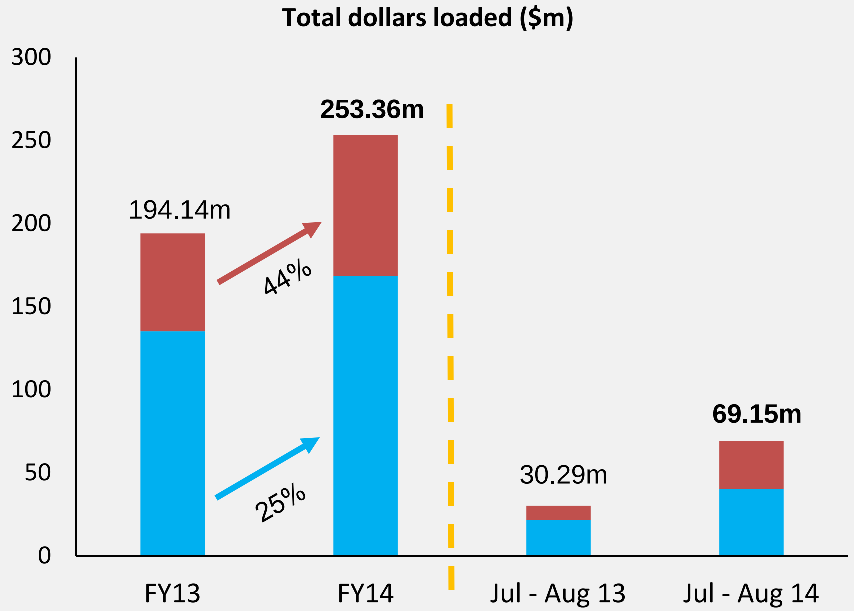
EBITDA (£ million)

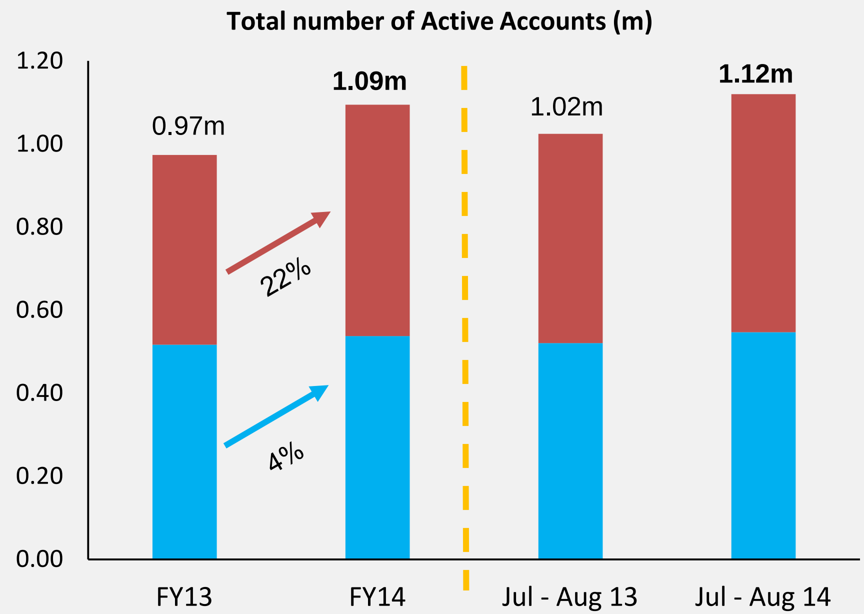


Pro forma* Performance Metrics

FY14 vs. FY13 and trading update to August 2014

SF UK METRICS
EMERCHANTS METRICS





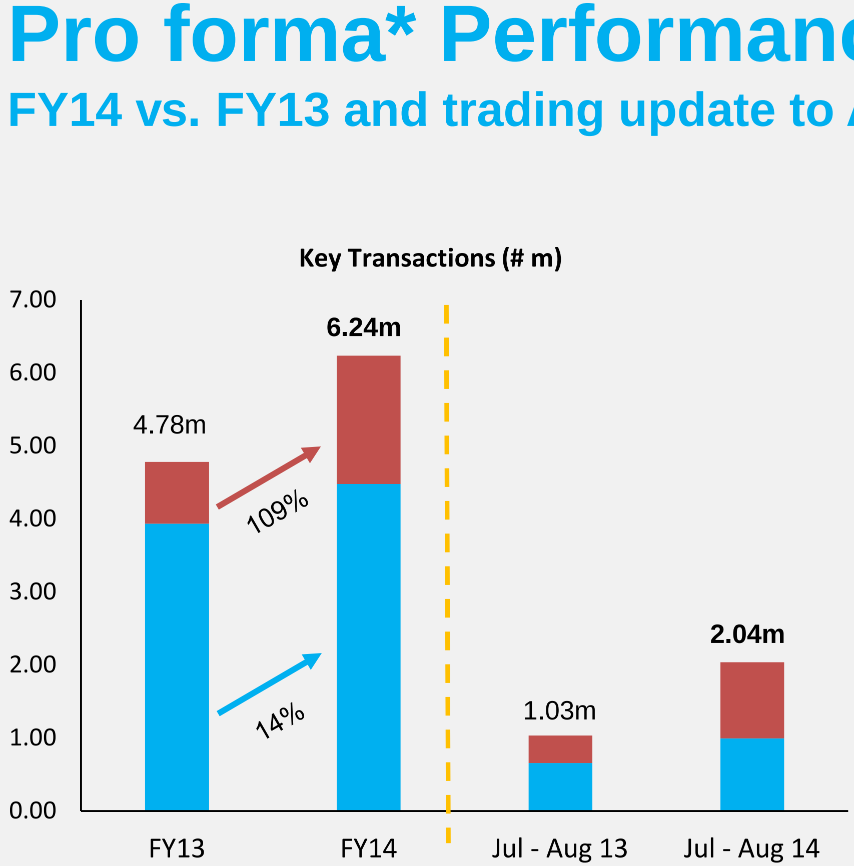
Total Dollars Loaded: +128%

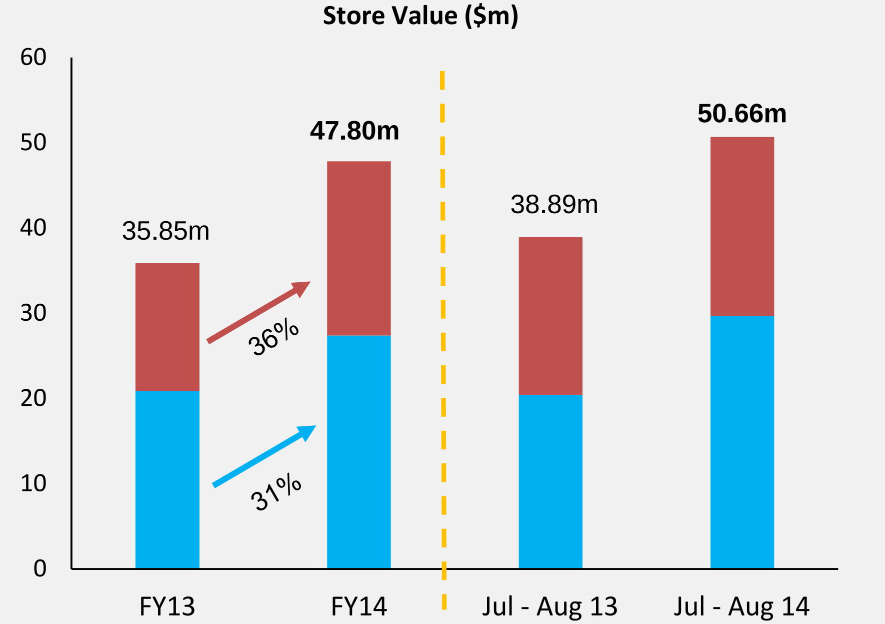
Number of Active Accounts: +105%

* The metrics above include the results of SFUK assuming they were part of the EML consolidated group for the entire period under review. Metrics in GBP have been converted to AUD at the closing exchange rates for each period.

Pro forma* Performance Metrics

FY14 vs. FY13 and trading update to August 2014





Total Transactions: +98%

Total Stored Value: +81%

* The metrics above include the results of SFUK assuming they were part of the EML consolidated group for the entire period under review. Metrics in GBP have been converted to AUD at the closing exchange rates for each period.

Investment Fundamentals

Financial	• Highly scale-able, diversified and predictable revenues • Adequate cash on hand with $3.8m and decreasing cash burn in FY15 due to new program launches – Q1FY15 Operating cash flow of -$350K excluding CAPEX and SFUK Transaction costs • No credit risk and no working capital drag due to real time settlement • High gross margins north of 80% and relatively fixed cost base • SFUK acquisition provides material revenue growth along with positive cash flow and earnings in CY15 and FY16 • Significant off balance sheet assets
Industry Growth	• Strong sales pipeline of opportunities across our key segments domestically and in the UK / Europe • Gambling solutions vertical will drive long term revenue and margin expansion • Government sector will take years to embrace prepaid, as it did in the United States, but will be a significant driver of the growth for the industry in the long term (USA Government loaded $140bn onto prepaid cards in 2014) • Product development in the Gambling Solutions and Consumer Lending verticals • Access to a European prepaid market that is 10x the size of Australia
Operational	• Management and Board are invested in the company and own approximately 20% of issued capital • Significant investment in FY14 in I.T Infrastructure, PCI Compliance and the Deloitte ASAE3402 Controls project to ensure future processing volumes are supported and in the most automated manner supporting scalability • Some of our solutions will provide the opportunity for international expansion via SFUK
Barriers to entry	• Significant expertise running high availability transaction processing systems • Issuing Banks looking to work with fewer processors that can deliver significant transaction volumes • Exclusive agreements with major customers • PCI compliance • Australian Financial Services License to offer re-loadable prepaid products