Money in Motion

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EML 2019 FULL YEAR RESULTS TRANSCRIPT

EML PAYMENTS LIMITED (ASX: EML) ("EML") is pleased to provide (attached) a transcript of the briefing to shareholders and the investment community held following the release of its 2019 full year results.

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EML Payments Limited

About EML Payments Limited

With EML, you will be empowered with more control, transparency and flexibility over your payment processes. Whether you serve businesses or consumers, EML makes your payment processing more efficient and secure from start to finish, while helping you improve customer service and increase brand loyalty.

Our portfolio offers innovative financial technology that provide solutions for payouts, gifts, incentives and rewards, and supplier payments. We issue mobile, virtual and physical card solutions to some of the largest corporate brands around the world, processing billions of dollars in payments each year, and manage more than 1,400 programs across 23 countries in North America, Europe and Australia.

For more information on EML Payments Limited, visit: EMLpayments.com

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Start of Transcript

Operator: Ladies and gentlemen, thank you for standing by and welcome to Annual Results 30 June 2019 Conference Call. At this time all participants are in a listen-only mode. There will be a presentation followed by a Question and Answer session at which time if you wish to ask a question, you will need to press star and one on your telephone. I must advise you that this conference is being recorded. I would now like to hand the conference over to your speaker today, Mr Tom Cregan. Thank you, please go ahead.

Tom Cregan: Good morning everyone and welcome to the EML Earnings Call for the 2019 Financial Year. My name is Tom Cregan, Group CEO and Managing Director of EML Payments accompanied by Rob Shore, our Group CFO. I'll take you through the highlights of the full year result and a general business update. Rob will take you through the financial detail and we'll then open it up for questions in the time remaining.

We are pleased to announce record financial results for the '2019 financial year including Group GDV of $9.03 billion, up 34% on the prior comparative period. Group revenue of $97.2 million, up 37% on the prior comparative period exceeding both our original guidance of $82 million to $88 million and our revised guidance in February of $88 million to $94 million. We achieved Group EBITDA of $29.1 million, up 40% on the prior comparative period. The EBITDA result included acquisition costs of $600,000 related to the acquisition of PerfectCard and Flex-e-Card, the latter of which didn't contribute to our financials during the financial year, and payment of a short-term incentive plan of $2.5 million. We exceeded our EBITDA guidance of $26 million to $28 million and our revised guidance at the upper end of that range of $27 million to $28 million. Statutory NPAT was $8.5 million, up 283% over the prior year.

Our underlying operating cash flows were $22 million, which converts at a rate of almost 76% of EBITDA. That excludes the one-time benefit of $7.1 million in accelerated breakage cash which we detailed in the first half result. If you included that one-time benefit, GAAP operating cash flows were $29.2 million and converted at 100% of EBITDA. We entered the year with $33.1 million in cash and a $31 million breakage accrual which will convert to cash in the coming 12 to 36 months. The Group entered into a $15 million debt facility with a major Australian bank to part fund the acquisition of Flex-e-Card removing any delusion on that acquisition. Our gearing ratio is less than half our current cash balance at less than half a turn of EBITDA so pretty conservative. As we commenced during last financial year we will issue formal guidance for the 2020 financial year at our Annual General Meeting in November 2019.

Given our cash balance held at the half year, we advised shareholders that in the absence of acquisitions and accretive investments, the Board is considering various capital management initiatives, which we're continuing to do, and we'll provide a status on that at our AGM as well. We have made a number of very accretive transactions during FY19 and subsequent to year end so that clearly remains part of our ongoing strategy.

On page 3 you will see our mission statement and on page 4 you'll see the date for EML.CON 2.0 which we would like you to put in your calendars. We did our initial EML.CON last year to bring that mission statement to life by having our customers talk to the investment community about what businesses they're in, what challenges they're facing, the programs that we work with - we work, we support for them, why we're doing that, why they choose to work with us et cetera. I think that that does a better job of explaining our mission and our technology and our product that we can in some respects. This year we will have the CEOs of our regional business units and several members of our executive

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team so it's a great opportunity for shareholders to spend time with our leadership team as well as our customers that are coming in from around the world.

Page 5 summarises our key financial results during the year and our growing geographic reach which now extends to 23 countries and includes Poland and the UAE. We do have a little dot there on the map for Dubai - the actual blue dot - it looks like it's bigger than the UAE and Dubai itself but we had a bit of a furious debate internally about whether we could show all of the Middle East or Africa so we just showed Dubai there. We're pretty excited about the growth opportunities also within Dubai and some of the other Emirates.

Page 6 is a business update showing our segment performance - sorry our highlights. As-you can see - I've talked about the financials already - acquiring PerfectCard was a key deal to get us self-issuance in Europe through an Irish eMoney licence. That just really could not have gone better. It exceeded our acquisition case for year 1. We did spend $400,000 moving every program we had from third-party bank issuance programs across to our own self-issuance programs so you'll note that that didn't really impact margins in that year because you've got an expense flowing out to do that transition. You'll see the benefit of that this year and the year to come. The acquisition of the Flex-e-Card obviously confirms our position as the leader in that space. We entered US Gaming, we've launched ECE - we had a very significant year in terms of both business development and non-business development activities.

So looking to the following slide, you can see the performance in our core segments. Gift and Incentive, General Purpose Reloadable, GPR and VANS, which are our Virtual Account Numbers segment which was formally known as Commercial Payments. Our Gift and Incentive segment we grew GDV revenue by 42% reflecting really pricing and margin stability. GDV growth was the same. We continue to grow our portfolio of key customers and including the acquisition of Flex we've added major customers including ECE in Germany which we won previously into in the United Kingdom, Westfield in the United Kingdom which was a key Flex customer, Emaar one of the largest mall operators in the UAE and Al-Futtaim in the UAE as well. Al-Futtaim for those that don't know is one of the largest conglomerates operating in the UAE. It employs over 44,000 people across eight divisions including retail and automotive. As an example of the programs we run today, Al-Futtaim own motor vehicle dealerships which are located in the malls. Customers buying vehicles receive gift cards as an incentive to purchase a vehicle, so we're both providing gift cards through the mall as well as through the retailers within the mall.

In our GPR segment we grew revenue at 10% year-over-year despite a decline in GDV of 15%, with all of our GDV decline coming from one program in the United States. Excluding LulaRoe, GDV grew by $215 million, $220 million year-over-year. Revenue has increased as high-yielding programs such as those in Gaming and Salary Packaging replace LuLaRoe which was our lowest yielding program.

In our VANS segment we grew GDV by 95% and revenue by 165%. We had guided for revenue growth at the AGM of $2.5 million to $4 million, we generated $6.4 million for the year. We've got 30 plus programs in operation on that segment. We've got almost 20 that are in the pipeline so we're pretty well positioned now for future growth in that space, which reflects the strategy that our North American CEO put in place in early FY19 to pursue scalable processing services and then what we would call processing plus services, which are transaction processing with some additional smarts and value add in the software.

As we've stated in our half year report, other than the direct revenue we've generated from the VANS segment, it is important strategically given the amount of volume we're processing with the payment schemes and as our overall volume increases we'll benefit from pricing improvements which will be one of the several levers that lead to gross margin expansion.

I've talked about the highlights already so moving onto the next slide. Really we have been on a journey in this business and if you go back all the way to 2011 with basic incentive cards all the way through to self-issuance all the way through to the launch of mobile payments, geographic expansion through Europe, through Scandinavia, Eastern

Europe, Middle East, the US, Canada - journey can be a kind of a cliché term if you like but it is a journey and we only see that we are at the beginning of that, that journey. If you look at the 2019 and you can see Poland, UAE, different technology use cases, delegated authority, instant mobile gift, we continue to push the use cases for the technology and that will continue in turn to drive revenue over a long period of time.

I'll talk about the evolving landscape of the US gaming market later on in the call. Obviously there's a lot of interest in that. We do see that as a long-term growth driver for many years.

The following page we don't need to spend a lot of time on again, it's really just the customers that we've continued to launch and bring across. They are large corporates - the intu's, the bet365's, the Auchan's in Italy, the Al-Futtaim's, the Smartgroup's and so forth through to individual malls on the right hand side such as Mall of America which is the largest mall in the US, individual malls and customers across the three different segments. Point being that we're not releasing - we're not announcing those details on those contracts when they're done but there is a continuous stream of contracts being signed in EML, a continuous stream of programs being launched, that are all additive at the end of the day. They're not all going to be as big as an ECE but collectively they do add value.

If I go back to the previous slide just for a second, we mentioned delegated authority there so just to explain what that is. In a typical transaction flow when a card or mobile device is used at an ATM, POS terminal or online, the transaction routes back to us as the issuer and we approve or reject that transaction based on funds availability and the rules of the program. With delegated authority - we're working with providers across a range of different finance segments - that could be consumer loan providers, that could be peer to peer lenders, that could be S&P lenders and so on and the credit provider included in the transaction flow. So when the customer uses the card or the mobile device it routes to us, it then routes to the credit provider who ultimately makes a decision on whether to approve or reject that transaction in real time. The reason that they'd want to be in this flow could include real time management of bad debt exposure, real time provisioning of loans to a mobile device, it could be to ensure compliance with responsible lending laws - so there's multiple facets to that.

Our program with Instabank in Sweden was the first of these programs that we launched during the financial year. We've entered into an agreement with a consumer loan provider in Australian, MoneyMe, that we expect to launch in the next couple of months. MoneyMe is presenting at EML.CON and really the customer value proposition if you can visualise it is to have a customer in store apply for a loan online, have that loan balance provisioned to a mobile payments card within a mobile payments wallet and for that transaction then to occur within minutes of the point of sale. So that's the value prop that others in that space have seen.

Our sales pipeline is building with opportunities in each of the regions and we'll keep you appraised of progress as we go. I certainly don't want to build inflated expectations into this vertical for FY20, that's not the point of the commentary. The point is that it's just another example of the expansion of the use cases for our technology over years that provide growth in following years.

Moving past the customer slide and onto the EBITDA slide. We've got a range of financial data there highlighted by GDV increasing from $0.5 billion in 2015 to $9 billion in 2019. GDV for those who follow this closely, is a proxy for revenue growth, given an increased transaction volumes typically translate into incremental revenue, albeit at variable basis points depending on the program. We've got programs that translate to revenue at 5 basis points and others at 650 which in FY19 resulted in an average weighted conversion of 108 basis points.

You can see the growth drivers on that slide, which again would be familiar for those that follow us. Certainly North American and European Gaming, Salary Packaging, and that continues to grow, Gift and Incentive, Delegated Auth, our VANS segment in the US continues to grow and gain traction so we're pretty excited about that. I think it's a great track record over the course of time. Out of the $8.3 million year-on-year EBITDA growth, 70% of that was organic and 32%

of that was acquisition, which I think is reasonable as well and in keeping with our model. We will continue to be acquisitive when and where the opportunity arrives.

We put the June run rate there just as an - again our - we're not selling - we're not a consumer goods company. The can of beans we sold last year is the same can of beans we're having to sell to Coles this year. Our ending run rate is a reflection of volume in the programs that are in market and volume from programs that have been launched during that 12 months that then drive growth in the following year. So again in Gift and Incentive - we were $87 million for the month of June and June is not a key period. Clearly, half of our volume in Gift and Incentive is December - it's seasonal. The GPR of $225 million a month wasn't a particularly strong month for Gaming over the last couple of months but still very solid numbers. VANS was $700 million a month so as a Group we did $1 billion in GDV in June - that starts to provide us with a kind of a footprint for this year.

The next two slides just talk about the number of GPR programs we have in the gaming segment, why we feel on track for growth there. The gaming opportunity in the US does provide a distinct opportunity for growth. There's no question about that. I think investors will follow that pretty closely. Numerous states have legalised and launched sports betting. Nevada, Delaware, Jersey, Mississippi, West Virginia, New Mexico, Pennsylvania - I mean these are pretty large states - Iowa last week took its first bets. Some of those states have legalised online and physical sports betting some instore only. Some like New Jersey can be online registration, others such as Iowa require an in person registration initially. Then you've got states that have passed or are presenting legislation and there are several more there including again some pretty large states - Indiana, Tennessee, Illinois which has already announced, North Carolina - then you've got a dozen states or so in some form progressing some form of legislation on sports betting.

At the same time, tax rates vary across the board. Licence fees vary across the board and that will impact the timing when operators launch services. So we're always asked how soon do we think North American gaming will be a material contributor to earnings. It is difficult given those variations to predict that. All you can really look at is at a high level and you look thematically at what the drivers are as states move to regulate and you get a fairly good feeling of where that's going to head. Out of interest I think our program in New Jersey with 365 is days away from launching so that will give us our second program in the US.

That said, gaming represented 7% of our overall GDV and in keeping with our focus on diversification we don't want to be reliant on a key customer, a key segment for future success. The beauty of EML is optionality and diversification and we don't want 30% or 40% of earnings to come from Gaming and have that business and have our share price be whip-sawed by news of the day about regulatory change in one jurisdiction or another jurisdiction or another. It is one product for us, one use case. We expect great growth out of it in the coming years but we don't want it to be 100% of the business.

The following slides talk about our progress in the mall space and the Gift and Incentive area so I probably don't need to dwell too much on that.

The following slides certainly talk about salary packaging where we ended the year with 175,000 benefit accounts and we announced late in the year that we've signed an eight-year agreement with Smartgroup to transition an additional 100,000 of which 25,000 have already been transitioned. We expect the rest of those to move to EML in the coming 12 to 18 months. When we add in state government salary packaging programs, we believe the market potential is closer to 350,000 accounts so despite this segment generating approximately $7.5 million in revenue for us, we do think this has the potential to double over the course over the next few years, driven largely by Smartgroup but also some state government wins.

The following slide talks to delegated authority which I spoke about already. Just another exciting use case for us as we go through the next few years.

Then really the following slide to me is almost the most important one because those results over those years have been driven by our staff and the people who work incredibly hard in this business. It's their effort, it's their resilience, it's their creativity which has driven those results for us. A company with 275 people now, we really needed to invest in our people and culture to ensure that we continue to be a destination employer so we did a number of things in 2019. We launched our inaugural Employee Engagement surveys where our staff, our team are really giving 360 degree views about the Company all the way up to Board. We launched value statements we take really seriously. We launched formal communication plans. We launched a revised remuneration framework so there's a lot of work there and a lot of investment really - it's not work, it's just investment in the future of the business. But it's important to note I think that whilst our employee expenses went up by $7.1 million over the year, $2 million came as a result of the PerfectCard acquisition, $2.5 million came in the form of short-term incentive plan and the vast majority of the remainder came from hiring senior executive roles which we did in the first half, including our Chief Commercial Officer, General Counsel, Chief People Officer and so on.

As Robert said, employee expenses are two-thirds of our expense so outside of these three items, our employee-related expense really was de minimis over and above those things. We don't anticipate the same pace of senior executive hires in FY20 and obviously the payment of our STIP will be based on performance. To have been able to deliver that 40% increase in EBITDA, beat our EBITDA guidance whilst continuing to invest in the platform and the people though is a very positive outcome for the future of the Company.

I'll now hand over to Rob to take us through the remaining slides.

Rob Shore: Thank you, Tom, and good morning, everyone. I'll take you through the financial results review and start from slide 20 of the pack. In all aspects FY19 was a record year. I mean it's shown by the highlights on that slide. If you start with Group Gross Debit Volume FY19 is up 34%, to $9.03 billion. But probably most pleasingly we closed the year and start FY20 with a run rate significantly ahead of our first half volumes which sets us up nicely for next year. Record Gross Debit Volume growth converted to record revenues and we're up 37% to $97.2 million with a full year impact of our two acquisitions on the cost base, the due diligence costs of $600,000 and leverage on our overheads, the Group's delivered a record EBITDA of $29.1 million, which is ahead of our full year guidance.

Moving to the detail on slide 21, all three of our segments, Gift and Incentive, General Purpose Reloadable and Virtual Account Numbers grew strongly, and it was consistent really with half one that there's only North American customer, LulaRoe that proved a headwind for the year. We're pretty proud of our ability to grow GDV over the long term and we think that's demonstrated by a five-year CAGR of 94% that we want to call out.

Looking at the Gift and Incentive segment, it demonstrated stellar growth in the year. Volumes are up 44% to $1.1 billion and there are three main drivers of that. The launch of nearly 100 malls in Germany, GDV growth of 5.6% on North American malls and that reversed some of last year's declines and it had a good second half which followed the first half trend. And finally, GDV growth from acquisitions in Nordics and PerfectCard contributed over $120 million as well. Our acquisition of Flex-e-Card completed on 28 June did not contribute to FY19 volumes. As we'll point out later, it is included in the consolidated balance sheet for the Group.

For the the Gift and Incentive segment, it converted GDV to revenue and averages 627 basis points yield and that's in line with the prior period. There was no impact on full year results, full year revenues, from the adoption of AASB15.

Looking at the GPR segment, at the headline level, gross debit volume fell $609 million and that's due to lower volumes in LulaRoe but much of that decline was in the first half. You might recall that we called out then that Gross Debit Volume was down $448 million in the first half. We flagged the second half would be a better comparison and it was. So excluding this single customer for the year, the segment grew by about $220 million. As we've highlighted previously, LulaRoe is a low yielding customer as much pf the GDV is re-spent with the merchant and doesn't earn EML any revenue. We earn revenue off the amount spent at POS, withdrawn on ATM or balances transferred off the card

back to bank accounts. So whilst the cardholder spend amount did decline in the second half, it did so at a much slower rate.

Excluding LulaRoe, the segment converts GDV to revenue at an average yield of 114 basis points which is fairly stable. We've flagged that for some time now and so it's really the mix that moves the overall segment yield around. We did see strong growth in our salary packaging vertical and particularly strong growth in the last quarter. We grew GDV about 18% to just under $1 billion - $900,000 million - and with a closing run rate of 175,000 accounts in market in June 2019 that will annualise through in FY20.

We'll also benefit from the transition of Smartgroup's 100,000 or so benefit accounts over the next several years. As Tom flagged earlier, looking at the gaming payout cards they've grown to approximately $700,000 million per year. We've got 13 programs in market now across four countries.

Looking at the VANS segment, we saw pretty rapid organic growth particularly from the processing plus customers. This is a focus of the new leadership team in North America and they've delivered some great results. Growth accelerated significantly in the second half and it leaves us an exit run rate of about $700,000 million per month in June 2019 on a yield of about 12 basis points.

As Tom mentioned whilst the VANS business is a small part of the Group's revenue, because of its high GDV it's very important to provide scale for business particularly in relationships and so credibility with the schemes, MasterCard and Visa.

Moving onto slide 21, we've flagged previously the adoption of the new revenue accounting standard AASB15 had no impact on the full year results. This is a direct comparison to the prior year. There's only an impact in the first half. For the full year, revenues are directly comparable to FY18 and they are up 37%, a slightly higher rate than GDV and we reached $97.2 million which is ahead of our guidance range.

About 87%, so the vast majority of our revenue, were classified as recurring and even the establishment fees really mostly relate to the sale of plastics to customers which are expected to recur as plastics need to be replaced and so it's just a regular line item.

The Group earns revenue through a multitude of fees and that includes transaction fees, activation fees, ATM fees, interchange breakage, diversified sources of revenue. We refer to this collectively as recurring operating revenue and it represents the yield on the volumes that we process. Breakage revenue in particular to call out is the amounts unspent on our single use non-reloadable gift incentive cards. In the period it was 33% of Group revenue so it was down from the prior period which was 37% because some new contracts have a more favourable mix towards transaction revenues as opposed to breakage. As a comparison, in 2017 it was up at 52% at breakage so you can see that over a couple of years the Group's really made a meaningful impact in diversifying this with other revenue streams.

We also earn interest on the store value float that we hold on behalf of our customers and cardholders. Much of the growth in the Gift and Incentive segment was actually driven from the European region. So whilst the float did increase materially, about 20% up on the prior year, interest rates in that region are nil or very low so this did not fall through to revenue line.

Whilst we are in a low interest rate environment by historical standards -recently we've seen Australian rates fall even further - there's some degree of a hedge in the impact that has on the foreign exchange rates with in excess of 80% of the Group's revenue is generated off-shore. We generally will benefit as a low Australian interest rate will generally improve the FX rates and we'll benefit.

Looking to slide 23 now, gross profit margins, we guided in February that second half margins would be higher than the first due to timing of breakage recognition. That was the case. The second half margins came in at 77% as opposed to first half at 73%. Overall for the year, the Group continues to operate at very healthy gross profit margins and the margins have been quite consistent to be grown over the years, around about 75%. We have two main costs of sales, firstly plastic costs and cards because we use external suppliers, and the second is external bank sponsor fees we incur where we operate in countries and don't have our own self issuance capabilities and finally, scheme transaction fees.

We're focussed on improving margins in a couple of ways. First, we want t] see the improved economics reflected with scale. So during the year we signed new agreements with our major banks in North America and Australia which reduced transactional costs and reflects the volumes that we're now processing. That benefitted us in the year and it'll continue to do so in the future periods.

Secondly, as the Group's grown and, where the regulation allows, we've become a principle member of MasterCard and we've gained the money licences to self-issue so we can now self-issue in Europe and in Australia. What's been happening in the year is we've really managed to move all of our European business over to self-issuance. We incurred costs of about $400,000 to do that but that's going to benefit us into FY20. It was really the strategy when we acquired PerfectCard so that project is now complete and we'll see the benefit of that in future years.

The move to self-issuance in Australia is underway but it will take longer to complete because we're currently using bin sponsors to issue a large number of Visa cards, so it takes us longer to move them over to MasterCard, to [re-carbon] onto another scheme. So we're about a year into a three year plan and as we've stated previously we sort of expect to see margins lift towards the 80% level of over several years and we'd expect to see margins move upwards in FY20.

Looking at overheads now on slide 24. The headline level overheads fell as a percentage of revenue to about 46% which demonstrates as we grow we're leveraging our cost base effectively. Investors who have followed the Company for some time will recognise that EML is not a capital intensive business. The majority of our cost base relates to employees which were about 66% of overheads, about two-thirds of overheads. We closed the year with 275 employees which included 52 who joined us with the Flex-e-Card acquisition on 28 June.

As Tom mentioned FY19 did see some significant investments in people, full year impact of about $2 million for the cost base, the employee cost base, coming on with the acquisitions in Nordics in Ireland, new senior executive talent and then we spent about $2.5 million on the Short Term Incentive Plan or Bonus Scheme which was formalised based on profit targets mainly.

These are all important and necessary steps in the Group's development. We aren't going to continue to grow the business if we don't retain the team we've got around the world, talented team around the world, but it did impact the cost base in FY19. So we also call out the costs of due diligence on acquisitions, which came in at about $600,000 for the year, and that was principally on PerfectCard and Flex-e-Card.

Wrapping up the income statement on slide 25, we're calling out a couple of other items. Firstly, EBITDA hit a record $29.1 million including the due diligence costs, coming in ahead of our guidance range for the year which was $26 million to $28 million. It was up 40% on the prior year which is a great result. The Group receives research and development credits around the world. They were pretty much in line and overall corporation tax payable is about $600,000. It's relatively low and that really reflects the timing of deductions and deferred tax movements in the US for options vesting in May and that will vest in August 2019. So the Group's got significant tax losses available for use in future years which are included in our deferred tax asset on the balance sheet and those losses are mainly in Australia and the UK.

So we're introducing NPATA for the first time on slide 25 and we reconcile how we get there. Looking at share-based payments, they're down 15% to $4.2 million. You'll see that fall further in FY20 because options are starting to vest that

related to the acquisitions in the UK and the US. It will fall further in the next year as the last grant related to the US acquisition vests in August 2019. So the total share based payments expense in relation to acquisitions was $2.3 million.

Depreciation and amortisation is up, full year impact of the two acquisitions in Nordics and PerfectCard. Depreciation and amortisation after making acquisitions was a $7.5 million of that so it was the bulk of the depreciation amortisation. Other non-cash charges was the unwinding of a discount on the contingent considerations so the net impact for those acquisition items brings us to an NPATA of $20 million in the year, which was significantly up from $12.7 million in FY18.

Looking at the balance sheet on slide 26, the headline is that the Group's got closing cash of $33.1 million alongside a $31.8 million breakage accrual and some debt. The contract asset, which is the breakage accrual, represents the remaining portion of funds on gift and incentive cards where we've sold the card, we've received the funds and they're sitting in our float but we expect the breakage to remain - we expect an amount to remain unspent and convert to cash in a future period. So the contract asset is up on last year by about $12 million and that's driven by growth particularly in Europe. The acquisition of PerfectCard and Flex-e-Card generating $10 million of breakage accrual and offset by the restructure and conversion to cash of breakage in North America, which we spoke about in the first half. We expect about 60% of our breakage accrual to convert to cash within 12 months and we've also - as we mentioned - we've drawn down on debt in relation to the acquisition of Flex-e-Card so overall a very healthy position.

Intangibles in our books mostly relate to six acquisitions we've made since 2011. The businesses we buy are not customer intensive so you typically end up with intangible assets in goodwill making up a significant portion of the acquisition price. Deferred tax asset I mentioned is largely tax losses of about $15.6 million relates to tax losses and they're mostly in Australia and the United Kingdom. Trade and other payables include the contingent consideration of $11.8 million relating to the two acquisitions. Both have earn-out components and we expect both to be successfully met and paid out in future periods.

The $244 million asset which we show as receivables from financial institutions, this is the money held on deposit with banks on behalf of our customers. It's directly offset by the liabilities to stored value account holders which is the amount we owe to those cardholders. As we continue to increase self-issued elements of the business principally in Europe and Australia, these amounts have grown and they'll continue to grow significantly in future periods.

Slide 26, looking at underlying cash flows for the period, they came in at $22 million. Given our EBITDA for the year was $29.1 million we've got an EBITDA to cash flow conversation of 75.6%. That's exactly the middle of the range we've guided to of 70% to 80% which is the long term cash conversion we expect. We still see no reason for this to change moving forwards but this is before the one-off cash benefit we received in the year of $7.1 million and that related to North American breakage restructure where we accelerated breakage conversion to cash.

Finally in terms of investing cash flows, we've paid out $44 million for PerfectCard and Flex-e-Card. We spent $4.5 million on capitalising internal development to build some innovative products including delegated auth around the world and then we spent about $1.3 million on computer and office assets which rounds out the cash flows.

I'm going to hand back to Tom to sum up before the Q&A.

Tom Cregan: Thanks, Rob. Yes, just really in summary and then we can certainly open it up for questions. I think we're very pleased with the results in 2019 but really in our business one set of results is just the start of the next year so really we're looking forward to another positive set of results in 2020 based on the results in 2019. We're generating revenue and earnings growth in each of the three segments and I think we've demonstrated pretty clearly that we're not reliant on a single customer or program for driving future success. We've got several drivers for revenue and earnings growth and some of those are: obviously we've got a GDV run rate of $12 billion as we start the year. Now that math isn't that complicated. If you look at VANS, they're doing $5.5 billion and we're doing $700 million in June so you've got

an annualised run rate of $8.5 billion and 11 basis points. So it's not rocket science to work out the revenue accretion that's likely to come from that VANS segment and ditto the Gift and Incentive segment as well.so we're starting the year in a very healthy position in terms of GDV growth. We've got a full year contribution from ECE in Germany, given that program didn't launch until October, November last year. We are expecting to launch into other European countries with them for the Christmas season this year which provides additional upside to us.

When we acquired Flexi Card, we guided, I think, to $4 million of EBITDA. The business is performing really well. Very, very solid growth in Eastern Europe and the UAE so that certainly won't underperform relative to that $4 million. We've got expansion of our GPR segment in all forms, in bringing more programs through on the Salary Packaging segment as we bring more programs through on US gaming, European gaming, et cetera. We will see revenue growth and earnings growth out of that.

As some would have noted, late in the year we restructured a couple of our agreements with two suppliers in our salary packaging world, one of which was managing the merchant coalition loyalty solution. Basically, getting rid of those input costs, buying out those contracts saved about $1.25 million a year in direct expense. So also that helps increase our margins, our gross profit margins in salary packaging. But in turn that will help the group gross profit margins as well, so there's a lot of optionality in the business and the way that it is currently built, which is positive.

We are benefiting from ongoing investments in product development, we're showing good signs in cross sell across each region and Delegated Auth is just the latest of those. Again, I don't want to understate it; we've got a lot of work to do in front of us to make that materially significant but we have launched one program in Sweden, we will have another launch in Australia soon. We have signed another three contracts outside of Australia and so we have been selling it for the best part of six to nine months and it's now starting, I think in the next year we will start to have that, some optionality from that as well driving growth in future years.

Then finally, we're $33 million in the bank and a pretty conservative gearing ratio, again we've got optionality. We can use that for accretive transactions, we can use that for investments, we can use that for capital management. So that is probably my summary actually, the year was built off a lot of diversification and a lot of contributors across multiple parts of the business and I think as we enter into FY20 we will benefit from the same. So operator, that's it from me and so I'll open the floor to questions please.

Operator: Thank you so much. Ladies and gentlemen, we will begin the question and answer session. As a reminder, if you wish to ask a question you will need to press star and one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the hash key. Once again, it's star and one if you wish to ask a question. We have got our first question; it comes from the line of Mark Bryan from Wilsons. Mark, your line is now open.

Mark Bryan: (Wilsons, Analyst) Tom, Rob, good morning. Great set of numbers, well done. You have given us helpfully quite a lot of data for us in terms of framing out 2020, given the exit rates you've given us I just wanted to drill into a couple of those if we can. Just around the revenue mix, obviously you have good sight into the contracts coming in but the 108 basis points of revenue conversion, is that largely going to be a stable percentage into 2020?

Tom Cregan: I think that would decline, Mark, just because of the - I mean, VANS in June was 70 per cent of GDV converting it at 11 to 12 bps. So I think the number will come down, but it's an outcome number really, relative to a commercial number, but it does help the modelling to be able to put that in there. But probably actually if you put in - the easy way to do it would be if you took $8.5 billion as the VANS run rate at the 11 and the GPR run rate which converts at 115, 120 basis points, and then the gift and you add in 50% for gift at the same conversion rate for gift it will give you the number for what that average weighted conversion will probably be.

Mark Bryan: (Wilsons, Analyst) That's really helpful, thank you. Then just one other while we're piecing it together, just on the OpEx side, obviously as you said you had to put some investment into the business. If I take your second half 2019 OpEx rate and I add in what you disclosed FEC has in terms of costs, I'm getting the sort of low 50s on OpEx, Rob, is that a broadly sensible assumption?

Rob Shore: It's broadly sensible. It's partly going to depend on - obviously we called out there was $2.5 million of bonus, bonus accrual is obviously based upon achieving the budget, so it sort of self-funds. So yes, it's not too dissimilar, that's probably the big swing factor.

Mark Bryan: (Wilsons, Analyst) Perfect, okay. That's great, I will step out into the queue, thanks a lot.

Operator: Thank you so much. Your next question comes from the line of Owen Humphries from Cannacord. Owen, you may now ask your question.

Owen Humphries: (Cannacord Genuity, Analyst) Well done on a stellar FY19, particularly that second half. Maybe this is more of a broad-based question just to learn more about your business, can you just explain or provide colour around your go-to-market strategy, obviously you're B2B, obviously you're signing large enterprise customers around the world, can you just maybe talk about how you find them, is it RFPs, cold calling, is it relationship channel partners? Can you talk about how many sales guys you have on the ground, how many in each region, and obviously we're all looking at how you could scale this business excluding acquisitions, from call it $95 million to where we think we could take it. Just to learn more about your go-to-market strategy.

Tom Cregan: Yes, great question. Certainly, we have hired more people in the regions now in sales and business development but not a tonne. I mean, in Australia now we would have four people in business development, which would be account management, so growing revenues from existing customers as well as targeting new business. I would say 50% of the leads are typically inbound leads, you know, there is not a plethora of providers in Australia who can do what we do so typically a company will go to Mastercard of Visa saying I'm looking to do X, and they will forward it to us. So at least half of the prospecting in Australia across all segments is inbound.

Then the other half would be done by our guys prospecting in the different verticals. So we have got four in Australia and that makes sense because gaming is an established vertical, Salary Packaging will be an established vertical, Gift and Incentive is an established vertical. So we are having to cover other verticals, for example and Delegated Auth is one of those. So you are looking at new channel opportunities, new products you can create and then you going out to market, selling that through cold calling, direct approaches, that kind of thing.

In the UK we have got about three people as well, but we hired a couple from the industry, from competitors, who have been in the market for over 10 years so they bring with them a large Rolodex of clients and a lot of knowledge about companies and what they're looking to do in the coming years. But again, at least half the volume if not more would be inbound enquiries and word of mouth, certainly within, as you do more gaming you become known from gaming, as you do more malls you become known for malls.

So you become the clear provider of choice and so people will call us for that. In the US we have probably got five or six as well, a couple that are on the VANS space, so targeting large processing companies, most of those are cold call, most of them are hard graft, right? These guys pick up the phone heading out doing the work and try to win it. We have got a couple of them in the gaming space who are just targeting that vertical specifically and we've got a couple in the Gift and Incentives space. But again, I will probably tell you half of it is inbound and half of it is outbound. So I hope that kind of explains the story a little bit.

Owen Humphries: (Cannacord Genuity, Analyst) Yes, sure. I guess, are you hiring from competitors in that space? Like is there an opportunity to accelerate the growth in this business or it steady as she goes, and you guys know the players you're targeting and it's just beating down those doors?

Tom Cregan: I think in - look, if you can acquire from competitors and they're good people in the right jobs that does help. We hired for example a guy who is running our head of sales for example in the US who was the president, was the kind of general manager of a large gift and incentive business. So we poached him and he understands who the players are, he understands where the programs are, he knows what the economics are. So he is a clever guy who can go and hunt for business, but if you start your job on day one and you've got a Rolodex of 100 contacts, it doesn't guarantee you success but it's sure better than starting with zero in the Rolodex. So where we can find people from the industry we do but they've got to be a better cultural fit and the right people versus just because they happen to come from the prepaid industry.

Owen Humphries: (Cannacord Genuity, Analyst) Maybe a couple of questions I get asked from the investor community is two, the first one is around the M&A strategy and where that could be, is it you guys thinking it's a great balance sheet, you guys are cash generative, obviously you're growing, high margin, but where would you target the acquisitions? Would it be you guys have identified specific verticals you'd be after or specific regions or you're agnostic depending on the multiple and you can work out the business.

Tom Cregan: Yes, it's largely agnostic, to be quite open. I mean, it has been for years, we don't see that there is a product deficiency or there's some core tech that we need to insource, or we need to buy that we couldn't build. So companies like Flex - well, PerfectCard had its own rationale which was the money issuance and given the complete fiasco that Brexit has become, the logic of that deal is better every day that we did it and so that has a clear rationale or we need to be a self-issuer in Europe and so we went and acquired that asset specifically for that purpose. Flex I had worked on with the owners of that business for probably two years, it's a question of when the timing was right. Really what we acquired there was customer base and pretty strong position in a given vertical.

So they're horses for courses, there's no one out there that we're chasing that we think we need to be in country X or we need to buy company Y because we need more revenue in a given segment, it's not really - it's not that way. We're not out there chasing acquisition opportunities. Largely, again, they're just coming to us. When you're in the flow, so to speak, I've said before there wouldn't be a week or two go by where there's nothing come across our table for potential acquisitions. We tend to look at them all and we tend to disregard the vast majority of them.

In the annual report for example I think we make reference to another $400,000 of acquisition costs that - because we were looking at another transaction and we just didn't close it because it wasn't the right deal for us. So I guess investors should expect that we are looking at companies all the time, there's a part of our cost base that should just be implied to be working on DD and acquisitions, but you know, we are bloody choosy, because I tell you the pain of doing a bad one is tenfold on not doing one at all. It's an acquisitive market, there's plenty of opportunities out there, we are going to continue to be pretty selective about what we look at and when.

Owen Humphries: (Cannacord Genuity, Analyst) Got you, it's largely opportunistic. Then the last question I tend to get asked is obviously you did well in Salary Packaging, you're the dominant player there, Gift and Incentive, you're the largest in the world that we can see, and obviously gaming now. What about other verticals, are you guys targeting new opportunities? Where could that be and what regions and how large, is the business going to diversify from these three core verticals?

Tom Cregan: Probably not the verticals, I just think they would be different use cases, so for us the whole Delegated Auth and working in the financial sector if you like, in the loans sector, it's just a different application, just a different use case for our GPR business. So I wouldn't call that a business segment in its own right, it's just a product of a use case for reloadables.

So I think all those existing drivers you mentioned are known and Delegated Auth is just an example of one we have worked on for a year, probably longer than that, probably a year and a half actually, that is now in market and hopefully over the years to come you kind of yield different benefits. So as a company - cliché as it might sound - there's not a day where we're not sitting around wondering what product we can build next, we're thinking about that all the time, right? Because even as we say to our folks internally, even though we're the largest in Europe for example, the largest in the world when it comes to malls, our enemy is now just complacency, right?

Our enemy is not innovating, not offering expanded product opportunities to our customers, and a company comes along in a year and says that EML is fat, dumb and lazy and they should be working with them because they're more innovative, they're more nimble. So that's what we have to guard against, so we will continue to invest in product innovations and different concepts all the time. I mean, it's just par for the course, and Delegated Auth just happened to be one where it launched in Sweden and we think this totally makes sense and then it will be live in Australia shortly. We've got two I think in Europe that are working with us as well, does that mean that in two years we've got 10 customers in that segment or 20 or 30 remains to be seen, but it's just the next evolution and then in two or three years there will be a different one as well that we have only just started to work on.

Owen Humphries: (Cannacord Genuity, Analyst) Good one, I will step back in the queue. Well done.

Operator: Thank you so much. Your next question comes from the line of Nick Caley from Baillieu. Nick, your line is now open.

Nick Caley: (Baillieu Holst, Analyst) Thanks. G'day, Tom.

Tom Cregan: G'day, Nick. How are you, mate?

Nick Caley: (Baillieu Holst, Analyst) Good, thanks. Sorry, a little bit confused by the VANS, I know you have made some comments but I thought the strategy was sort of focused marketing I the US on sports and the you see the GDV double, can it double again or is it…

Tom Cregan: I think the strategy we had was wrong honestly, I mean we had a strategy of moving into like a full service model with VANS which would mean that we were enrolling suppliers, we were doing a lot of costumer service and we would have earned 60, 80, 100 basis points but we would have had a lot more costs associated with that as well.

Really it was when our North American CEO came in a year and a bit ago, he just said, look, the strategy is wrong, what we need to be doing is partnering with existing companies who need processing services and need processing plus, which has a few bells and whistles on top of it, because that's how we scale and that's how we grow. I think that that strategy is right, so a lot of what we did in the first half of the year was sign customers, we're not announcing them in VANS because they won't mean anything to anybody, right? They're not consumer names, so if we said we signed company X that doesn't mean anything to an investor.

So they're not names that are going to necessarily be put in decks but we have continued to sign them, launched them, and the ones that have come on strength, particularly in the second half of the year, are just significant in terms of volume and volume growth. So we would expect that that continues and we've got a pipeline of similar companies, but I think we're on the right track now for that. Bear in mind, it is only 11, 12 bps business but it's still money that falls to the bottom line pretty easily.

Nick Caley: (Baillieu Holst, Analyst) There's nothing about those clients that should give any seasonality to the GDV, should there?

Tom Cregan: No.

Nick Caley: (Baillieu Holst, Analyst)) That's what I thought. Okay, that's all from me.

Operator: Thank you so much. Your next question comes from the line of Garry Sherriff from Royal Bank of Canada. Garry, your line is now open.

Garry Sherriff: (Royal Bank of Canada, Analyst) Hi, Tom and Rob. A few questions on the US sports betting opportunity, I just wanted to clarify, the major global gaming companies that you have signed up with, can you just clarify are they exclusives, specifically can they only use EML for those sports betting card programs in the US or are they free to use other players out there in the market?

Tom Cregan: It's a good question and I will answer it - I will say the intention is for it to be exclusive, which it is. The reason it can't be worded that way is that in each market such as New Jersey for example, we, EML, have to go through a regulatory approval process with the Department of Justice and the Department of Gaming Enforcement. So EML had to get a licence as a service provider to the industry. The operator is PointsBet, Bet 365 et cetera. So the intent is that they are exclusive, yes, so as 365 rolls into different markets they will be using us.

The reason the contract won't say that is it can't say that because if some reason the state of Pennsylvania did not approve EML then that would leave 365 high and dry, right? So hopefully that answers that question. I would expect in practical terms it is exclusive but contractually it's not. What was the second part, are they free to use others. Well, in the event that we couldn't provide a solution for them then they would be, yes.

Garry Sherriff: (Royal Bank of Canada, Analyst) Thank you. I know it's early days but could you try and step us through how the revenue model would work for sports betting in the US in practice, and the follow-on question from that is can we get any sense of the rough revenue yields you expect or that you can speak to I guess?

Tom Cregan: Yes, I think the AGM is probably the time we will do that. I mean, PointsBet has been in market for nine months, it started with a customer base of zero, so I think the more recent data will be the more relevant data, if that makes sense, come November. Because the first two or three months are literally - it's kind of ground zero. The revenue model is - if we are earning 110, 114, 120 basis points all up in that segment, America is probably 180 basis points.

I mean, you benefit from higher interchange when the cards are used at POS devices and we do facilitate the movement of money into the gaming account too. So we're not the acquirer, we don't want the acquiring risk, that is a riskier business than our appetite. So we work with an acquirer and we earn a mark-up effectively to facilitate money being moved into the account. Net net you're probably getting up at around 180 basis points as opposed to kind of 110, 120.

Garry Sherriff: (Royal Bank of Canada, Analyst) Very clear. Okay, thank you, good result.

Operator: Thank you so much. Your next question comes from the line of Killian Murphy from Petra Capital. Killian, your line is now open.

Killian Murphy: (Petra Capital, Analyst) Great, thank you. Morning, guys. Just a quick question from me. Just in terms of looking out in terms of early wins for EBITDA for next year, if you look at slide 7 of the presentation you give revenue for GPR and 31% of that came from Salpack which kind of nets off about $7.5 million and then 175,000 cards gives you about $42 per card per year. I think you've discussed $60 being your target in the past, and I presume that kind of shortfall is largely driven to the timing of Smartsalary coming on board. So simple maths, 175,000 cards times $60 should be about $10.5 million and most of that increment should drop then at about gross margin levels of about 75%. So another couple of million of easy wins in terms of EBITDA that you have already banked for this year.

Tom Cregan: I could see you putting up your guidance already.

Killian Murphy: (Petra Capital, Analyst) The AGM is too far for me to wait.

Tom Cregan: I think the short answer is yes, I mean I think the - our fee structure is a monthly fee and in that industry and we certainly benefit from interchange, which we are doing north of $1 billion now in volume in that segment. Even though interest is declining, we are still sitting off interest float. So yes, roughly we do make about $60 per card per annum.

So yes, I think we had a third , if memory serves me, kind of 25,000, 30,000 cards come onto the platform kind of later in the year and they're only counted as transactional if they actually did - if they were loaded once. So most of them would have come in in May and June so they really wouldn't have added much at all to the full year results. So I think that is a fair way of looking at it. I think that the starting run rate is 175, there's a couple of million dollars of margin in the bag as we get into next year, before we start to add other incremental programs on top.

Killian Murphy: (Petra Capital, Analyst) Great, and in terms of maybe other wins, you mentioned that Flexi is going quite well in eastern Europe and UAE, and that the $4 million you discussed previously was unlikely to be missed. Can you maybe give us a range for that or is it too early?

Tom Cregan: Probably we will do it in November. I would say - I mean, it's not $4 million to $7 million or $4 million to $8 million or anything like that, but their growth in Poland and UAE north of 50% on a year-on-year kind of GDV basis. So we are really pleased. I could see there being some upside there, there's more upside opportunity than downside risk, for sure. Four we were comfortable with as a baseline, maybe $4 million becomes $4.5 million or $4.75 million or something, but it sure won't be lower than $4 million.

Killian Murphy: (Petra Capital, Analyst) Perfect. Just quickly from me, in terms of the issuance benefits we will see coming through in FY20, Rob, you mentioned 80% is still the target for a couple of years out, how should that scale up? Like should we be thinking 77% maybe next year or is smaller moving than that?

Rob Shore: I think that's in the ballpark of where we would be expecting. I mean, whether it's 76.5%, maybe 77%, and then you will see that sort of creep towards the higher end and creep up towards 80% in two years I suppose.

Tom Cregan: I mean, we're at 75% now on the full year kind of basis, but if you took out $400,000 for the transition costs to exit our other issuing agreements and you added that back in, and then you're just looking at Salpack and you look at the costs we're paying out or the contracts that we have exited to remove those kind of input costs and you kind of add that back in, it's about $1.25 million a year. That would get you to kind of 76.5%, 77% just with those two things, and then that doesn't include self-issuance from Salpack because we really don't do that yet, that will take a couple of years. But as it does, that will take another $1 million plus out of the cost base. So I think 76.5%, 77%, 78.5% the following year, you know, I think it takes two and a half, maybe three years to get there, but all those little things are important, right?

Killian Murphy: (Petra Capital, Analyst) Okay, great. Thanks for that. I appreciate it, guys.

Operator: Thank you so much. Your next question comes from the line of Ron Shamgar from TAMIM Asset Management. Ron, your line is now open.

Ron Shamgar: (TAMIM Asset Management, Analyst) Hey, Tom. Hi, Rob. Amazing result. I'll try and go quickly, just a couple of questions, so your EBITDA was $29.1 million and then you had $600,000 of acquisition costs, $400,000 of transitioning to self-issuance in Europe costs. So really the underlying EBITDA was $30.1 million, is that correct?

Tom Cregan: Yes, it is. You could look at it that way, we thought people would think we were kind of gilding the lilyif we did that, but yes, that's right. We report it as it is but I think that's the right kind of way of looking at it in terms of underlying numbers, yes.

Ron Shamgar: (TAMIM Asset Management, Analyst) So that implies $16.5 million of EBITDA for the second half, which we analyse it sort of gives you a $33 million EBITDA starting base for FY20, is that another fair assumption?

Rob Shore: It's reasonable, yes.

Ron Shamgar: (TAMIM Asset Management, Analyst) Just in terms of the EBITDA margins, I mean, second half roughly was 32% I think on an underlying basis, EBITDA margin.

Rob Shore: Yes.

Ron Shamgar: (TAMIM Asset Management, Analyst) So where do you see - I mean, obviously you've given the gross margin target 77-ish next year and then 80% in two or three years. Where do you see over that same timeframe the EBITDA margin is heading to as your gross margin heads to 80%? You know, is this like a 40% EBITDA business, a 45%, a 35%?

Rob Shore: It depends on the time horizon you look out on, if you look out on the one-year horizon you would be thinking it's in sort of the 32%, 33%. Generally, we don't have significant leaps in the cost base, you see those leaps when we acquire a business and before they sort of get fully integrated. This year was a bit different for the reasons we've spoken about. So if you sort of said I'd expect next year to 32%, 33% EBITDA, then you'd want to keep that trend going and adding a couple of per cent every year and that's really what we're trying to do is leverage cost base we've got, we remain a low cost business.

Ron Shamgar: (TAMIM Asset Management, Analyst) That's great. Then to the VANS business, so if we sort of annualise the run rate of June we sort of get $8.5 billion and 12 bps that's sort of $10 million revenue in the VANS sort of starting base for next year. What sort of gross margins are we looking at? Is it sort of 80, 90?

Rob Shore: No, it's only - the entire business growth's profit margins are broadly the same. Obviously, there is no plastic costs in VANS, so generally it would be a higher margin, but it's also the VANS business in the USA segment and so it's all BIN sponsor issued. So overall, you'd be saying sort of in line with the rest of the group's margins on the average is about 75%.

Ron Shamgar: (TAMIM Asset Management, Analyst) Okay, and you mentioned scale benefits with Mastercard, I mean is that basically getting a discount on your COGS with them, is that…

Rob Shore: Yes, I mean the more volume you process the lower fees you pay.

Tom Cregan: They look at that, all schemes look at that in the aggregate, so from a Mastercard perspective or a Visa or a Discover or whoever it might be, $10 billion, $12 billion is $12 billion, they don't - for them just the dollar of volume is the same, so they don't really care where it comes from. So when they look at EML they don't look at us as a gift card company or a reloadable business or a VANS business, they look at us as a company doing $12 billion and so the more volume you do the better pricing you get. We're talking basis points, right? We're not talking like extreme variances in our cost base, but 1 basis point, 2 basis points, 3 basis points on $20 billion becomes pretty significant, right? So they're small increments but they're additive for sure.

Ron Shamgar: (TAMIM Asset Management, Analyst) Then the new sort of merchant delegation authority that you mentioned, just looking into that and looking at some global players in the buy-now-pay-later space, utilising sort of a similar solution with other providers, is the buy-now-pay-later players in the market, is that solution applicable to them as well?

Tom Cregan: Yes, it is, I think from a different - it solves a different problem though. I mean, for Insta bank for MoneyMe for example, they're consumer lenders that have interest rates that would mirror consumer lending rates. So their headline rate is higher therefore the amount that we can get paid from them is higher. I think we're solving a bigger issue, for example from MoneyMe, because you're allowing that person who is in IKEA who might have a choice of credit or debit or I think Flexi is in IKEA, I'm not sure if Zip is in IKEA, but you could do a couple of buy-now-pay-later options, you could do credit, debit or you could now use them and that's really what they're trying to be. If I could just originate a customer in a store, provision the loan, lock it to IKEA and off you go, right? So their rates are higher which means the economics for us would be better.

Buy-now-pay-later, I think all it really solves is - I mean, if you're there already doing the authorisation of those transactions, what it really solves is just retail productivity, right? In Australia, you know, After Pay has barcodes in retail, so that just takes time, they've done it already but it has taken time for them to do that integration. I can see that in America they're not going to have that time so I would expect that they will use - buy-now-pay-later companies would use companies like us. But really what they'll be doing is just using us as a gateway to putting it on Mastercard to solve the kind of retail, to solve them having to do an integration with the retailer for a barcode. So it would be a much, much simpler solution and a materially less accretive rate.

So it's applicable but I think you've got to look at all the economics in these things. If I am a buy-now-pay-later company and I'm making 400 basis points, I'm not going to be able to pass 600 onto the merchant by adding interchange. So someone like us would earn the interchange and basically you'd be rebating the interchange back otherwise the merchant wouldn't move forward in the first place because the merchant's cost base just went up by a third. So I think it will apply in all different walks of life, from small business lending to one of the deals we have signed in the peer to peer space in Europe. I can see buy-now-pay-later being one of them but the solution being provided is simpler, so the conversion would be much lower.

Ron Shamgar: (TAMIM Asset Management, Analyst) Okay, and last one for me. Just with the US gaming, William Hill is a partner of yours in Australia, they're already doing $1 billion of taking bets in the US and that, is there any reason why they're not looking to partner up with you in the US sooner?

Tom Cregan: I think we're talking to them in the US but we had William Hill here and never managed to get William Hill in the UK, so the individual - the Australian William Hill ran to the beat of its own drum and the UK office had a different drum. I think most of what we have seen really the US businesses are being driven pretty independently. I mean, they've got CEOs and I'm not seeing a lot, to be honest, of companies in Europe that are being driven by - European companies with US gaming companies that are being driven day-to-day from Europe. They're building their teams in the US and the teams in the US are making the operational decisions.

Ron Shamgar: (TAMIM Asset Management, Analyst) All right, well again, amazing result. Thanks.

Rob Shore: Thanks, Ron. I think that's the end of the questions.

Operator: There are no further questions at this time, please continue, speaker.

Rob Shore: We're going to close it off.

Tom Cregan: Yes, thank you very much for attending, everyone. We appreciate it.

Operator: That does conclude our conference for today. Thank you for participating. You may all now disconnect.

End of Transcript