Money in Motion

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Investor Presentation

EML PAYMENTS LIMITED (ASX: EML) ("EML") is pleased to provide the attached transcript of its briefing to shareholders and the investment community held on 11 November 2019 following the announcement of its acquisition of Prepaid Financial Services and associated funding steps.

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 1,200 programs across 21 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 the EML Payments Limited Equity Raising Presentation conference call. At this time all participants are in a listen-only mode. After the speakers' presentation there will be a question and answer session. To ask a question during the session you will need to press star-one on your telephone. Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speakers today, Mr Tom Cregan CEO, and Mr Rob Shore, CFO for EML Payments. Thank you, please go ahead.

Tom Cregan: Good morning everyone, thank you for attending the call this morning and welcome to our investor presentation to discuss the proposed acquisition of Prepaid Financial Services, or PFS as we will describe it throughout the morning.

Prior to getting into the body of the investor presentation, in many of our investor meetings, and particularly because we've being acquisitive in the past, we're often asked about our M&A strategy and what we look for in acquisitions. As many of you have been in those meetings have heard us say we look for companies that are solid. We look for companies that profitable, cash generative. We look for companies with organic growth rates that are attractive, and importantly won't diminish our own growth rates.

In other words, we could buy companies to add scale. But if their revenue growth rates are single digits then our overall growth rates would be diminished, which isn't what we want. We look for companies with unique technology or products that are driving their own growth. But importantly allows us to leverage that opportunity in our other geographies.

We've also said that we've looked at many companies, and most don’t fit these criteria. But PFS does, and that's why we've been working on this opportunity since May of this year. We will circle back on this at the end of the presentation, but PFS meets all of these criteria. So I thought it was important to kind of say that up front.

If the two companies were combined for the whole of FY20 PFS brings with it scale. With GDV north of $5 billion. If the two companies were combined for the whole of FY20 GDV north of $18.3 billion. Pro forma revenue in FY20 would be circa $208 million. Pro forma EBITDA would be circa $65 million.

The deal is subject to regulatory approval, which could take 90 days or more. So obviously this is just a pro forma for FY20. But that will provide the platform for growth in FY21 and beyond.

In a financial sense pro forma FY20 revenues from GPR would be approximately 55% of revenues. So transforming the company and completing that strategy to derive the bulk of revenues from reloadable. Whilst we're obviously comfortable with breakage, the breakage rates as a percentage of revenue will come down because PFS don't derive revenues from breakage.

Finally, PFS has a very small gift card business so their cash flow to conversion - cash flow to EBITDA conversion is close to 100%, versus EML at 70% to 80% due to breakage accruals. So in short, we would have a business with FY20 pro forma revenues of $208 million, growing at 30% a year and generating positive cash flow of north of 80% to EBITDA.

So very attractive for us in a financial sense. In a product and technology sense PFS operate in different verticals to EML with high levels of complementarity and unique technology in digital banking and multicurrency travel cards. Which we believe we will be able to leverage and cross-sell in our other geographies.

Finally, the founder Noel Moran is staying on as CEO and Lee Britton the Chief Commercial Officer is also staying on in his current role. We have gotten to know them over the last six months and the company. We think that our cultures are very similar ones. As you will see in the details, Noel has taken a placement north of $70 million in EML shares as a sign of his belief in EML based on what the combined companies will be able to achieve in the years to come.

So moving into the deck itself, Slide 6 outlines the transactional details. We're acquiring PFS for GBP226 million. Representing a 17.5 pre-synergy multiple or a 14.5 post-synergy multiple. In addition we have agreed an earn out that could pay an additional GBP55 million.

Whilst we have not disclosed the terms of that earn out, for the maximum earn out to be achieve PFS would need to grow at current or accelerated rates consecutively for the next three years. Which they've signed up for and they feel confident about achieving.

The rationale for the transaction, at the bottom of the page, includes increasing our financial scale, increasing our operating leverage, driving the additional growth, adding new products to our portfolio. Structurally, as I said before, a change to the business is to derive the majority of its revenues from GPR or relatable products.

In FY19, if you look at our results last year, in FY19 had the two companies been combined

GPR would have been 53% roughly of revenue and breakage sub-20% from 55% two years ago.

Slide 7 outlines the purchase price details. Being an upfront purchase price comprising equity, debt and a placement of shares to the vendor.

There are a number of synergies on the transaction which we have estimated at $6 million per annum, which we expect to receive by the end of year two. Importantly I would say that these are non-head count synergy savings. So not synergies that will disrupt either customers or people. An example is processing costs where PFS have outsourced the actual transaction processing element, which last year was a cost of GBP2.8 million. Obviously that grows proportionately with GDV growth. They have invested in being able to do that themselves and/or that volume could be processed by EML. So we look at that as a synergy saving from gradually moving programs from third party platforms onto theirs, or our platform.

Additional savings are expected in terms of transactional fee costs as we pool our volume with theirs. They are things like just cost of goods from the schemes in terms of the transactions that are going through the network.

The final point on that slide is, the transaction is subject to approval from the Central Bank of Ireland and the FCA, the regulator in the UK.

Moving to Slide 9. The main takeaway on that slide is really the average growth rate of 33%, and the fact that they are regulated in Ireland as we are, but also in the UK. So in a post-Brexit world having - being regulated in both is an advantage. The UK regulation also supports them and their programs that they manage for various forms of government disbursement in the UK.

Slide 11 talks to the product verticals where there is little overlap with the existing EML verticals today. PFS generate more than 40% of their revenues from business to consumer GPR programs and digital banking, which is obviously a high growth vertical in payments globally at the moment.

Those that have followed that evolution in Australia with the likes of Vault Bank and Xinja would recognise that this trend started in Europe with the likes of Revolut, Monzo, Starling and so on. PFS work with a number of digital banks, a vertical that EML had not invested in, in terms of product development. Largely because of companies like PFS who had already demonstrated and built a competence in that space.

The next biggest vertical for them is welfare payments and the distribution of funds for governments, not-for-profits and NGOs, which make up more than 40% of revenues. PFS partners with more than 30 local councils in the UK, the national governments, the Red Cross and the UN for programs such as refugee financial assistance.

Finally, EML has not previously invested in the development of multicurrency travel cards, similar to the one on the back of your Qantas or Virgin frequent flyer cards. That represents 7% of revenues as well.

On Slide 12 you'll see a number of industry awards won by PFS in the past, as well as some of their larger clients, as well as recent wins which aren't in market but we'll launch in next year. One of which is Avios which is a multicurrency travel card for the frequency flyer loyalty program that includes British Airways, Iberia, Aer Lingus and Vueling. Two more digital banks, Fintonic in Spain and Bancibo in Eastern Europe.

Slide 13 is a quick bio of Noel Moran, the founder and CEO of PFS, and Lee Britton, Chief Commercial Officer for the past several years. As I said on the page before, PFS has won a number of industry awards, as have those guys individually. They're seasoned business people who have a great understanding of the prepaid industry.

Slide 14 shows the standalone financials for PFS for their three prior financial years, which are on a calendar year basis. Slide 25 re-states those financials into an Australian financial year basis, with FY20 pro forma forecasts based on EML's guidance and the PFS' forecast, which we and our corporate advisors have extensively reviewed. So we'll look at that slide later in the deck.

Slide 16, again just back to the rationale for the transaction, which is fairly self-explanatory. The combined company will enjoy increased scale benefits, operating leverage, revenue diversification. That will not only be GPR revenues and reduction in revenues from breakage in percentage terms, but also gradually less reliance on seasonal gift cards within our financial model, which is all positive.

We are forecasting pre-teens, kind of - mid-teens, I beg your pardon, synergies and 20%-plus post-synergies in terms of accretion.

Slide 17 just graphically talks to the complementary product suite. EML will continue to generate growth from digital gifting, certainly with the Pays, mall cards, GPR programs in segments such as gaming, salary packaging and the financial industry where we are just starting to get some headway there.

PFS will continue to focus on their core verticals. The upside for both really is the cross-sales capabilities. With PFS selling digital gift cards, EML selling multicurrency travel cards. PFS runs a cash loading network in Europe which might be able to be used for our gaming customers as well. So there's lots of complementarity and cross-sell opportunity there for us.

Moving to Slide 19 for a moment. That will just give you an idea of an increased presence in, geographic presence in Europe once the transaction closes. The geographic revenue mix of EML will also change, with Europe being our largest business unit in terms of revenue.

I'll pass onto Rob Shore and he'll take you through the rest of the presentation.

Rob Shore: Thanks Tom. Just on Slide 21, just giving us a snapshot of the sort of guidance and trading updates for Quarter 1 FY20 that you're expecting at the Annual General Meeting on Wednesday. Just bringing that forward and presenting the standalone business for EML on its own.

In the first quarter of FY20 compared to the prior comparative period GDV is up 76% to $3.21 billion. So we're showing a good start to FY20 in what's a quiet first quarter for our gaming and gift businesses seasonally-wise.

Revenue was up $6 million, or 35%, over the period with the revenue conversion coming in at 72bps. As you know the yield on the GDV we've processed is just an outcome of the changing business mix towards the VANs business and the growth in GDV from that segment which is a lower conversion rate. That’s what's changed those.

We’ll talk more about the segments on Slide 22 where I'm providing an update on a segment-by-segment basis.

The gift and incentive segment, start there, generated GDV of $223 million in the first quarter versus $139 million last year. So well up. Revenue of $13.6 million versus $9.3 million last year. So again showing strong growth with the acquisition of Flex-e-Card. We're excited to see some good progress in our mobile pays gift solutions. We've got some good launches happening in Australia in quarter one and some good traction in Europe going on in quarter two.

GPR segment had revenue growth of 3%. It was impacted by a continued decline in LuLaRoe on the quarter one - quarter one and quarter one last year and some card sales, that were booked in the first quarter of last year, that will probably fall through into later quarters of this year.

The first quarter wasn't a particularly strong one in terms of GDV drivers. We should see improved GDV into quarter two and throughout the year, where we are continuing to launch GPR programs and onboard new salary packaging accounts under the Smart Group contract.

VANs segment continues to perform well. GDV is up over 200%, with revenue of $3.1 million, compared to $1 million a year ago. Well on-track and continues the run rates coming out of the June FY19 results that we guided to. A slightly improved conversion rate for that segment, from 11bps to 14 bps, which really reflects the customer mix going on there.

That takes us to our guidance slide for FY20 on slide 23. We're guiding to a range of $38.5 million to $42.5 million of EBITDA. That's now excluding acquisition costs. We're restating last year, which we're pulling out the acquisition costs we had last year of 600 thousand, because obviously, the costs associated with the PFS transaction are going to be quite significant.

We're guiding for revenue for FY20, on a standalone basis, of $116 million to $132 million and for NPATA to be in a range of $26.2 million to $29.4 million. As we've stated many times in the past, we expect cash flow conversion to be in the 70% to 80% kind of range. Transaction costs for the acquisition are expected to be in the range - around about 17 million, of which some will be capital and some will be expensed. That's the big reason for the shift in the way we calculate EBITDA, just to make it a bit easier for everyone to make a profit comparison, year on year. The range in the guidance for $38.5 million to $42.5 million is a fair range.

Similar to last year, we give a range at this time of the year because the seasonal gift card business in quarter two, we're just starting to see how that's transpiring and so we'll be able to update that more as we give first half results in February. Predicting that interest revenues will be down 1 million year on year. We've seen falling interest rates for the past 12 months, at least, and we don't see that reversing any time soon. As you'll all be aware, the impact of AASB 16 will mean that the new leasing standard will improve EBITDA as our - mainly our office leases move out of the P&L, onto the balance sheet and come through as depreciation of the lease interest.

Looking at this another way, the mid-point in the consensus for EML is currently 40 million and the range is really - primarily though, at this stage, the range is there to accommodate the seasonal gift card period.

Looking at slide 25 now. You can see the proforma financials for FY19 and FY20. That's to a June year end. As Tom said, we're restating the calendar year end into the - into our financial year end. It really talks to the scale of the combined business and the consistency in the growth rates of the two businesses on this page. EML is growing at around 30% and PFS is growing around at the 30%.

Where Tom mentioned, at the start of the call, that the - we've always been concerned about diluting our growth rates, so it's absolutely not the case with this transaction. I won't drill into this too much because we've talked about the numbers earlier in the presentation.

Finally, on slide 28 - sorry, 26 - we show the proforma balance sheet for the combined businesses. As at - yes, the main take away for this is, when you look at the receivables from financial institutions, which is the sort of card holder float on self-issued products, we'll have over $1 billion of float on hand. Obviously, we're in a low interest rate environment at the moment, but that won't always be the case. We've got the corresponding asset and a corresponding liability in the balance sheet.

When you include the card and customer balances on programs where we don't issue them, that float goes up to about $1.2 billion to $1.3 billion expected. Slide 28 to slide 31 relate to [funding of the transaction. You can read at your leisure and you can turn any questions to the joint lead managers to the transaction, RBC and UBS.

Now, I'll hand back to Tom.

Tom Cregan: Thanks everyone. We'll - operator, we'll just open it up for questions.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question today, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the pound or hash key. Your first question today comes from the line of Garry Sherriff from the Royal Bank of Canada. Please ask your question.

Garry Sherriff: (Royal Bank of Canada, Analyst) Yes, hi Tom and Rob. A few questions. Firstly, Noel and Lee, how long have they committed to stay on for? Obviously, they're incentivised with the earn-out, but is there any formal commitment in terms of how long they will stay with the EML combined Group?

Tom Cregan: Yes, there is. Noel will be remaining for one year as CEO and Lee for at least three.

Garry Sherriff: (Royal Bank of Canada, Analyst) Okay, thank you. Secondly, any near-term costs integrating PFS? For example, are there any additional compliance requirements, R&D expenditure, or anything that you can elaborate on?

Robert Shore: Yes, I'll take that one. There will be in the first - following the completion of the deal. We're sort of anticipating the first six months to spend some money integrating the Finance Team, the Risk Team, putting in our ERP system, putting in our risk practices that we follow.

Obviously, there's some travel and we'll spend a bit of time with those businesses. There may also be some marketing costs and there will be some alignment of various other policies we've got in the Group. We're expecting synergies to hit the run rate of six million, but we're not - we haven't modelled that out until - we'll get some of that in FY20 and we'll get the full run rate in FY22. Yes.

Garry Sherriff: (Royal Bank of Canada, Analyst) Thanks, Rob. You've done - you've outlined a few cross-sell opportunities. I'm just wondering, what do you think are the largest cross-sell opportunities, I guess, both ways from PFS to EML customers and vice versa? If you can elaborate, if possible?

Tom Cregan: Yes, for sure. Look, I think - I mean, the whole digital banking space is pretty - a pretty vibrant space in Europe. But there are - most of those more known digital banks - yes, the Monzos and the Revoluts et cetera - are pretty active in either looking to the US, or getting set up there. I think that that would be an attractive one for us, long-term. I think there's - in terms of digital banking in the US, I don't know why that market wouldn't experience similar changes in innovation that - to Europe, over the course of the next several years. We're excited by that and we continue to be excited about the other verticals that we're in as well, in terms of gaming opportunities in Europe and the US.

In terms of things that they will sell for us, it's probably just digital gifting, I think, is the more immediate, obvious one. You're - the number of customers and the number of cards that they're coming into action with. They're working with digital banks, then offering digital gifting for the bank to be able to offer its customers - is not a bridge - it's a pretty simple thing.

It's just a matter of kind of educating them on how to sell it and vice versa. They need to give us some training on how to sell their products. They're the two or three that would come to mind, I think. Digital banking in North America - this is EML, because they'll continue to grow that pretty strongly in Europe. I think digital gifting on their side, for us, will be a big opportunity.

Garry Sherriff: (Royal Bank of Canada, Analyst) Thanks Tom. Final one was just in relation to guidance on page 23. Is there any expected contributions from EU gaming programs? If so, can you provide any colour on that please?

Tom Cregan: We've got - tomorrow actually, at EML Con, there's a slide on - it's not in this deck, but a slide on contracts that have been signed, programs that are launching - due to launch. I'll leave that thunder for tomorrow. But obviously, we don't announce every single deal. We only announce them if they're material and we're obligated to do it. Tomorrow you'll see numerous deals that have been signed in GPR, in Europe, in the financial space, a couple in the gaming space. Our guidance includes more current business. Typically, if we're launching programs towards the end of the year, or the - or Q3 of our financial year, you're not going to expect a lot of contribution to that guidance number from the ones we're announcing tomorrow. It's pretty much - the range is pretty much baked on business we already have in there today.

Garry Sherriff: (Royal Bank of Canada, Analyst) Thank you very much.

Tom Cregan: You're welcome.

Robert Shore: Thanks, Garry.

Operator: Your next question today comes from the line of Mark Bryan from Wilsons.

Mark Bryan: (Wilsons, Analyst) Morning Tom, Morning Rob.

Tom Cregan: Morning Mark, how are you going?

Mark Bryan: (Wilsons, Analyst) Yes, good thanks. Thanks for the call. Just a couple, if I may. Firstly, just in terms of the ownership currently of PFS. Obviously, we've talked about the two Senior Managers that are moving across. I'm wondering, outside of those two gentlemen, what the actual equity ownership of the business currently is, before the deal is completed? I've also been reading this morning that it was potentially preparing for IPO. I'm wondering how progressed those plans were? Also, whether or not this, Tom, was a competitive bid? In the past, you've got to know your targets quite well, over a period of time. I'm just wondering - a bit of history there would be helpful. Thank you.

Tom Cregan: Yes, no, they're good questions. Yes, I think that they - an IPO was one exit that I think they were mulling around, a while back. I think there was some press on that. I think this kind of gives them a listing without going through the pain of listing. I think that was part of the attraction to them, in terms of kind of getting access to accretion, through a share price, without having to go through the formal listing process. KBW was their investment bank in the UK, so it was a competitive process. But I think we felt, pretty early on, that we were both a natural fit between the two companies. We were - we - it probably was - well, in fact, it was a competitive process, but we felt pretty strongly, along the way, that we were the natural buyer for it. I think that they had a similar view, to be honest, as to kind of natural fit.

What was the - the first one was...

Mark Bryan: (Wilsons, Analyst) Just the ownership structure of the register, yes.

Tom Cregan: Oh, is it. Yes. I mean, their - four people owned - own the whole lot. Noel and his wife owned roughly 90%, or thereabouts. Lee Britton owns about 5% and then there were a few other minor holders. It's in that range, but only four shareholders in the Group. But Noel and his wife are by far the majority.

Mark Bryan: (Wilsons, Analyst) Okay, perfect. That's really useful colour, thank you. Then just in the risk section of the [DLO], I think there's a EUR1 million fine still outstanding, so relatively small in the context of the Group. How do you feel about the due diligence process that will sort of ensue now? Are you comfortable there are no other liabilities that need to be assumed?

Tom Cregan: We - I'll answer that in a sec. We're just going to take a minute because we're reminded that it's Remembrance Day. It's 11 o'clock. Can we - we're just going to take our minute of silence and then we'll come back.

Mark Bryan: (Wilsons, Analyst) Sure.

Operator: Our next question today comes from the line of Nick Caley from Baillieu. Nick, please go ahead.

Nick Caley: (Baillieu, Analyst) Hey guys. Hello.

Tom Cregan: Yes, Hi Nick. We're trying to do a minute of silence, but that didn't work so well.

Nick Caley: (Baillieu, Analyst) It was truncated. Just a couple of quick ones. Sorry, the - I might have missed it somewhere. The vendor stock, is that escrowed for a set period?

Robert Shore: Yes, the shares are going to be held non-tradeable until the end of the - announcement of the June 2020 results, which were the first until they'd been consolidated.

Nick Caley: (Baillieu, Analyst) Okay. Just if I look at page 11, the different verticals PFS has, I'm just trying to work out which ones I put in which segment of my EML model, or should I just leave it as a separate business for now and deal with it later?

Tom Cregan: I'd probably leave it as a separate business, yes. But I think the - I mean, collectively - I mean, both businesses have very similar growth rates and almost identical EBITDA margins. I'd probably lump them in, to be honest. It would be easier doing that than…

Nick Caley: (Baillieu, Analyst) Trying to allocate them.

Tom Cregan: Than trying to allocate it, I think, yes.

Nick Caley: (Baillieu, Analyst) Yes, no, just being finnicky there. Anyway, just trying to make my day quicker. Anyway, no - good on you guys. Okay, thanks for that.

Tom Cregan: I'm sorry, Mark…

Robert Shore: Can you go back to Mark Bryan?

Tom Cregan: Mark - we cut you off there without answering the third question there on…

Robert Shore: Competitive tender [unclear]. PFS ownership structure, IPO competitive tender.

Tom Cregan: No, it was liabilities.

Rob Shore: I think the question is about the fines and liabilities in relation to the Group are relatively small, the disclosure's in the back pages to the presentation and there's nothing more to add to that question.

Tom Cregan: Mark, sorry you got cut off there, but there's an $11.5 million coverage in there and there is broad warranties and indemnification and everything else that can be used if needed, so certainly the company and Board felt very comfortable with coverage on any of the liabilities fronts.

Rob Shore: Operator, we'll go to the next question.

Operator: Once again ladies and gentlemen, if you do wish to ask a question today, it's star/one on your telephone. Your next question today comes from the line of Owen

Humphries from Canaccord. Please ask your question.

Owen Humphries: (Canaccord Genuity Group, Analyst) G'day guys and well done on the acquisition.

Tom Cregan: Hi Owen, thanks mate, how are you?

Owen Humphries: (Canaccord Genuity Group, Analyst) G'day, so just touching on the growth rate in the past, has that largely been organic? Has this company been acquisitive in the past?

Tom Cregan: A couple of very small acquisitions but really immaterial ones, so the bulk of growth is purely organic, yes.

Owen Humphries: (Canaccord Genuity Group, Analyst) Okay, good one. Then just below the EBITDA line, obviously I couldn't find any D&A or capex or just how capital intensive is this business or is $24 million cash EBIT you could say?

Rob Shore: It's pretty much going to be turned into cash EBITDA, there's going to be very little between the two outside of the purchase price allocations, which is obviously fairly significant when you're buying a tech company. So excluding the acquisition-related D&A, which is why we go to NPATA, then it's pretty small between the two. So it's not a capital intensive business at all.

Owen Humphries: (Canaccord Genuity Group, Analyst) Then just touching on the gross profit margin there of 60%-odd, apart from using third party suppliers, what's diluting that margin there and where could that go, given once you integrate it into your business and platform?

Rob Shore: We've given the guided synergies is around $6 million, most of that is going to fall into the COGS, from the COGS line, as Tom said, there's no headcount reductions at all in our synergies estimates, nor is there any cross-sell revenue opportunities in that either, so it really relates to the COGS. So you add that back, it gives you an indication of where the gross profit margins will go.

The dilution versus EML is exactly that, they're paying third party suppliers before profiting, whereas we do that in-house. We've probably got the size and scale of the Group will benefit from scheme synergies and so yes, we sort of expect to see that gradually over a number of years creep upwards and head toward EML levels.

Owen Humphries: (Canaccord Genuity Group, Analyst) Okay, got you and just on the product verticals, what is their plans about expanding those product verticals more broadly into the US, call it, is that where you plan to add a bit of value to business?

Tom Cregan: Yes, I mean I think that they're very focused on those core verticals and they had certainly looked at how would they support, so Rebellion, for example, is a European digital bank, their customer, if Rebellion raise money and wanted to launch in the US, given PFS is already providing all of their technology, PFS would have had to go and invest in what we've already invested in, in the US and get issuing bank agreements and get all the business set up over there. It enables them, I think, to say to their customers that are operational in the US or operational in Australia or operational anywhere outside of Europe, that we'll be able to support them in multiple markets, which I think will be a strong selling point for us.

One of the things that often we talk about in payments is stickiness of customer contracts and why the churn is so small. What we think about, someone like a bet365 that we're obviously supporting in Australia and the UK and now in the US and so if they want to move into other markets, they will call us and say, well what's your appetite to launch into country XYZ because they would rather not find another provider in that local market, because that then gives them two vendors that they have to manage. If they move into another market, it gives them three vendors they have to manage and it makes it more complicated for them to manage multiple relationships.

I think it will be exactly the same in this space, if you've got digital banks that end up going within Europe, growing outside of Europe, the fact that they can be supported in multiple markets in different geographies is a bonus, it's one of the strong points of the deal.

Operator: Your next question today comes from the line of Ron Shamgar from TAMIM Asset Management. Please ask your question.

Ron Shamgar: (TAMIM Asset Management, Analyst) Hey Rob, hey Tom, how are you doing?

Tom Cregan: Hey Ron.

Rob Shore: Hey Ron.

Ron Shamgar: (TAMIM Asset Management, Analyst) Yes, congrats on the deal, didn't see that one coming. I was actually going to ask about the same question as Owen, but he just answered it, so that's it. Thanks.

Rob Shore: Thanks Ron.

Operator: Your next question today comes from the line of Killian Murphy from Petra Capital. Please ask your question.

Killian Murphy: (Petra Capital, Analyst) Thanks very much, morning guys. Just like Ron, most of my questions have been covered. I just wanted to ask, on the recent client wins with Avios, what's the conversion rates on that? I know it's in your guidance or into 2019 the conversion rates for the PFS business is increasing, is that because of new customer wins coming on board, are the Avios conversion rates above the 160 bps?

Rob Shore: They're broadly around the 160 bps. There is a bit of customer mix going on as they transition into the higher value-add programs versus some of the potential government contracts which are probably at the lower end of the range. There's a bit of customer mix really, is what's driving the movement in the yield there. We modelled out the - well the vendor modelled out and we've checked it each way from Sunday, the top 15 customers and the new ones coming on board and when they're likely to start. There's obviously an element of difficulty in modelling, brand new, innovative programs like the Avios one, so we'll see how that one goes as that one launches in due course.

Killian Murphy: (Petra Capital, Analyst) Okay, cool, great, thanks for that.

Rob Shore: Thanks for that.

Operator: Your next question today comes from the line of Cameron Halkett from Wilsons. Please ask your question.

Cameron Halkett: (Wilsons, Analyst) Hi guys, congrats on the deal; just a quick question from me. In the PFS guidance that's given, there are some new client wins. Can you talk about whether either of those are sizeably material and whether those are included in the guidance? Thanks.

Tom Cregan: For this financial year?

Cameron Halkett: (Wilsons, Analyst) Yes, that's right.pw

Rob Shore: FY20.

Tom Cregan: FY20, they're materially to zero.

Cameron Halkett: (Wilsons, Analyst) Okay, that's fine. I suppose then just one follow up also, you probably can't say too much on it, but the large US mall operator that may or may not be signed, when do you expect to hear the results of that?

Tom Cregan: Yes, I don't know where that has popped up. We're chasing malls and customers in all sorts of markets, so US or anywhere, makes no difference. We'll just announce them when they get done. We've got contacts with customers in various stages of completion across different verticals and we'll announce them when they're signed and ready to go.

Cameron Halkett: (Wilsons, Analyst) Sure, no problem, thanks for that.

Operator: Once again, if you wish to ask a question today, it's star/one on your telephone. Since we have no further questions on the line today, I will now hand the conference back to your presenters for closing remarks.

Tom Cregan: Thanks guys, appreciate everyone's attendance and look forward to talking to you in the coming days.

Rob Shore: Thank you.

Operator: Ladies and gentlemen, that does conclude the call for today. We thank you all for your participation, you may now disconnect.

End of Transcript