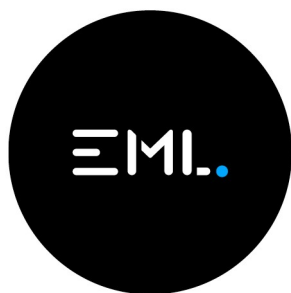


19 March 2020



Money in Motion

+61 (07) 3557 1100

Level 12

333 Ann Street

Brisbane QLD 4000

EML Payments Limited

ASX Market Announcements

20 Bridge Street
SYDNEY NSW 2000

Trading Update and Guidance Suspension

EML PAYMENTS LIMITED (ASX: EML) (“EML”) is providing the following update regarding the potential impact of Covid-19 on future trading conditions.

This update does not include matters pertaining to the pending acquisition of Prepaid Financial Services (“PFS”), which is not due to complete until conditions precedent have been satisfied. We will provide an update on this transaction at the appropriate time.

As Covid-19 continues to spread across the world our primary focus is the health, safety and security of our colleagues and customers. We are following government advice in each region and have enacted contingency plans to minimise disruption to the business with all offices having proven capable of full office closure with work from home capabilities.

EML last provided an update to our FY20 guidance when we announced our interim results on 19 February, with an adjusted EBITDA range of \$39.5m to \$42.5m versus original guidance for the year of \$38.5m to \$42.5m.

Trading for the first eight months of the year to 29 February 2020 has been strong and in line with the upper end of the guidance range, including:

- Gross Debit Volume (GDV) of \$8.71B (+58% over PCP)
- Revenue of \$79.6m (+25% over PCP)
- Gross Profit margin of 75.9% (versus 73.7% in the PCP)
- EBITDA of \$25.3m (+34% over PCP) with more than \$3m of breakage on December activations still to be recognised
- Operating cash flow of \$22.8m (an increase of \$14.7m over the 1HFY20)
- Group cash balance of \$278.6m (versus \$256.8m in 1HFY20) with nil debt

We have been monitoring daily Gross Debit Volumes (‘GDV’) closely and note as of mid-March the group has not experienced materially adverse trading conditions. Same-store mall gift card volumes in our United States, German and British malls increased relative to the prior period and offset lower volumes in Canada, Italy and the Middle East. Volumes in our gaming programs, through to mid March, have not shown any material variances to our expectations.

However, the current trading environment is unpredictable and recent public announcements by several of our major customers, including shopping mall property owners and gaming customers, have been significantly negative with respect to future trading conditions as social distancing rules are implemented, non-essential retail stores in certain countries are closed and gaming operations are impacted by the cancellation of events.

It is difficult to quantify with any confidence the impact these events could have on the Group and in this fast moving environment, providing guidance could be misleading to shareholders.

As a result, EML has made the decision to suspend forward earnings guidance for the year ending 30 June 2020 and will provide trading updates based on actual trading performance.

We would also like to advise shareholders of the following:

- In relation to the mall gift card segment, it is worth noting that approximately 30% of GDV in the Gift and Incentive segment is generated in the last six weeks of the calendar year as this is a seasonal product. Looking forwards,



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the impact on Group FY21 financials is therefore weighted to the on-going impact of Covid-19 on shopping malls at that time.

- The group generates strong operating cash inflows in the January to March quarter as breakage on gift cards sold in previous periods is released from our stored value float. As at the end of February 2020 the Group held an accrual for approximately \$34.8m of which approximately 76% is expected to convert to cash over the next 12 months. Whilst unit gift card sales will decline in the immediate upcoming months, cashflows from breakage on previously sold cards will continue to be received giving the Group cash inflow certainty.
- Lower central bank interest rates will impact the interest we earn on our stored value float, which, at our current stored value balances of \$669.2m, is expected to negatively impact gross profit by \$0.6m through to 30 June 2020.
- Given the diversification in the Group's revenue and earnings profile, we generated 81% of our revenue offshore to the end of February. The group will benefit from improved foreign exchange rates which we are unable to accurately quantify at this time.
- The Group continues to launch new programs and sign new contracts that will generate incremental revenue in FY21 and beyond. The transition of benefit accounts to our platform under our Smartgroup and NSW Ministry of Health contracts continues and we have entered into a number of agreements and pilots for the rollout of our innovative ControlPay solution. Consistent with existing practice we will provide an update on these programs following program launch.
- In light of the Covid-19 impact the Group will make appropriate adjustments to lower expenses and improve cash flow conversion, in line with normal, prudent management principles in times of economic uncertainty
- EML has no plans to undertake a capital raise in the foreseeable future.

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 1,500 programs across 23 countries in North America, Europe and Australia.

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

This ASX announcement has been authorised for release by the Board.

For further information, please contact:

Robert Shore

Group Chief Financial Officer

EML Payments Limited (ASX: EML)

rshore@emlpayments.com.au

+61 (0) 419 590 128