

22 January 2015

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

## APPENDIX 4C – Q2FY15 QUARTERLY CASH FLOW STATEMENT

Please find attached the Appendix 4C “Quarterly Report” for Emerchants Limited (**Company** or **Group**) for the quarter (**Q2FY15**) and 6 months to 31 December 2014 (**1HFY15**).

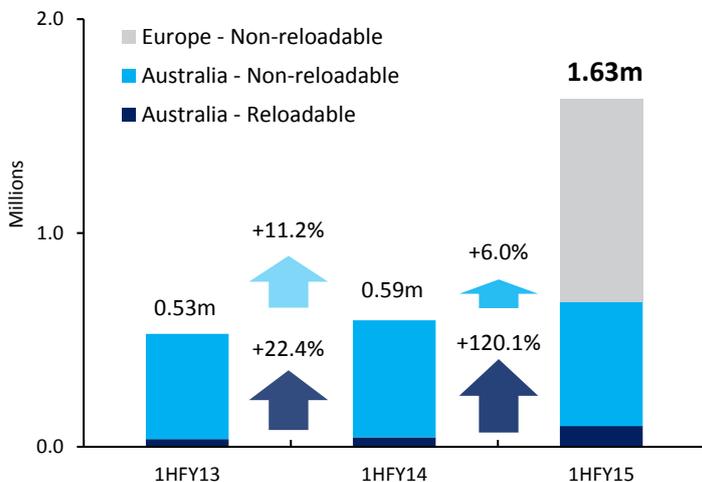
The following are additional explanatory notes to be read in conjunction with the Report.

### Positive EBITDA result for Q2FY15 and 1HFY15

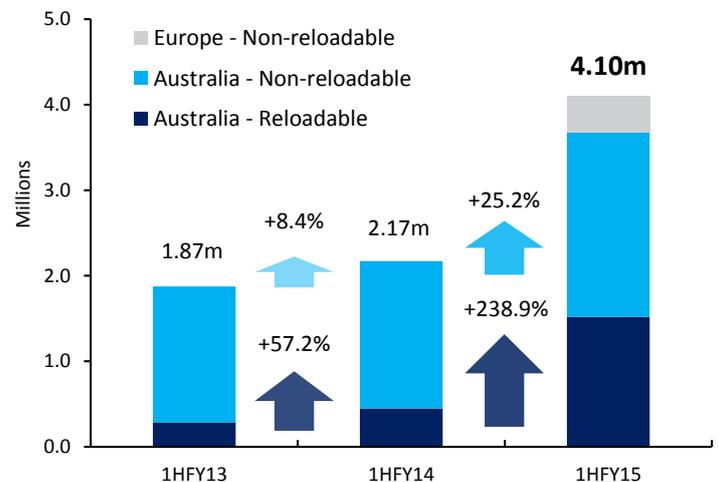
We are pleased to announce that the Group has generated a positive EBITDA for the quarter of A\$1.1M and 6 months to December 2014 of A\$0.5M. This will be formally reported in the Group’s half year financial report we intend to release to the market on 12 February 2015 and represents the first time the Group has become EBITDA positive for either a quarter or full half year, confirming the guidance previously provided that the Group would be EBITDA positive for FY15. The EBITDA result for the quarter was positively impacted by contributions from both our Australian and European operations.

Key metrics for the Group are reflected in the charts below.

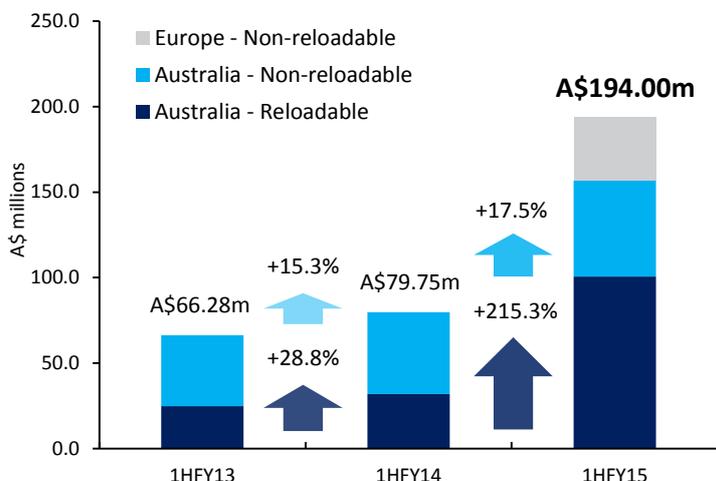
**Total number of active accounts (millions)**



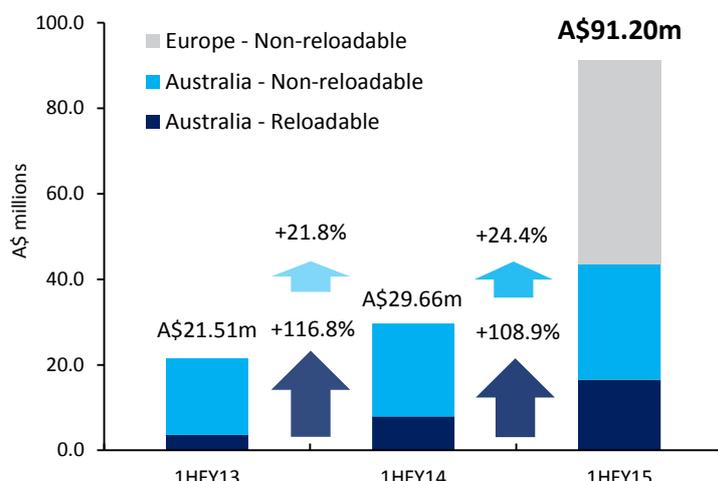
**Key transactions (millions)**



**Total dollars loaded prepaid platform (A\$ millions)**



**Stored Value (A\$ millions)**



### Australian operations

We experienced strong growth in all our Australian operating metrics (see Charts above and Table 1 below), but in particular in our re-loadable products, with active accounts increasing by 120%; Total Funds Loaded up 215%; Transactions up 239% and Stored Value up 109% over the prior comparative period, largely driven by growth in a number of our clients' card programs, including Ingogo, Ladbrokes Digital, Sportsbet, Nimble and CC Investment Group (Cash Converters Franchisee).

Our non-reloadable business also performed well above the neutral growth guidance we have previously provided to the market, as we continue to work closely with our distribution partners to enable them to win larger, more accretive opportunities. We achieved an increase in all metrics, with Loads increasing by 18%; Transactions increasing by 25%; and Stored Value balances increasing 24%.

The growth in Australian metrics and the receipt of establishment fees from newly signed online wagering and consumer lending customers (including Bet365 and MoneyMe), combined with our ongoing focus on expense management, has resulted in the Australian operations generating an inaugural positive EBITDA for the quarter and close to a neutral EBITDA for the half year, notwithstanding A\$0.3M of one off acquisition expenses related to the acquisition of Store Financial Services UK Limited (**SFUK**). Excluding those one off acquisition expenses, the Australian operations would have generated a positive EBITDA for the half year.

### European operations

The Group finalised the acquisition of SFUK on 1 December 2014 and consequently we have included the results of this business for the single month of December. The business performed strongly in December, with Total Funds Loaded in the month totalling A\$37.2M, and end of year Stored Value balance of A\$47.6M and an active card portfolio of 0.95M cards at the end of December. December is the key sales month for SFUK and shopping mall gift cards, and the business out-performed management expectations.

During December we announced the signing of MFI, an operator of 25 shopping malls in Germany. The implementation of that contract was completed in early January 2015 and we are progressing well with the execution of another key contract in the shopping mall segment. Due to the large scale of these clients, we expect that both of these transactions will materially impact the EBITDA contribution from the European operations in FY16. The addition of SFUK saw the Group end the quarter and half year with 1.6M Active Accounts (175% increase on 1HFY14), and A\$91.2M in Stored Value (207% increase on 1HFY14). It should be noted that interest rates on the

on the European Stored Value float are significantly lower than in Australia given prevailing European interest rates, however if and when European interest rates rise we will be well positioned to leverage such change.

Our European operations also contributed significantly on a financial level, generating over A\$0.6M in EBITDA in December.

**Table 1: Emerchants key operating metrics**

A\$ Thousands	Q2FY14 Quarter			FY14 Year-to-Date			Q2FY15 Quarter			FY15 Year-to-Date		
	Australia	Europe <sup>1</sup>	Group	Australia	Europe <sup>1</sup>	Group	Australia	Europe <sup>1</sup>	Group	Australia	Europe <sup>1</sup>	Group
<b>A\$ Total Funds loaded<sup>2</sup></b>	<b>47,961</b>	<b>-</b>	<b>47,961</b>	<b>79,746</b>	<b>-</b>	<b>79,746</b>	<b>93,982</b>	<b>37,226</b>	<b>131,207</b>	<b>156,779</b>	<b>37,226</b>	<b>194,005</b>
<i>% Change on pcp</i>	<i>24%</i>	<i>n/a</i>	<i>24%</i>	<i>20%</i>	<i>n/a</i>	<i>20%</i>	<i>96%</i>	<i>n/a</i>	<i>174%</i>	<i>97%</i>	<i>n/a</i>	<i>143%</i>
Reloadable	17,624	-	17,624	31,892	-	31,892	60,278	-	60,278	100,572	-	100,572
<i>% Change on pcp</i>	<i>41%</i>	<i>n/a</i>	<i>41%</i>	<i>29%</i>	<i>n/a</i>	<i>29%</i>	<i>242%</i>	<i>n/a</i>	<i>242%</i>	<i>215%</i>	<i>n/a</i>	<i>215%</i>
Non-Reloadable / Gift	30,337	-	30,337	47,854	-	47,854	33,704	37,226	70,929	56,207	37,226	93,433
<i>% Change on pcp</i>	<i>16%</i>	<i>n/a</i>	<i>16%</i>	<i>15%</i>	<i>n/a</i>	<i>15%</i>	<i>11%</i>	<i>n/a</i>	<i>134%</i>	<i>17%</i>	<i>n/a</i>	<i>95%</i>
<b>No. key transactions<sup>3</sup></b>	<b>1,209</b>	<b>-</b>	<b>1,209</b>	<b>2,172</b>	<b>-</b>	<b>2,172</b>	<b>2,154</b>	<b>420</b>	<b>2,575</b>	<b>3,678</b>	<b>420</b>	<b>4,099</b>
<i>% Change on pcp</i>	<i>13%</i>	<i>n/a</i>	<i>13%</i>	<i>16%</i>	<i>n/a</i>	<i>16%</i>	<i>78%</i>	<i>n/a</i>	<i>113%</i>	<i>69%</i>	<i>n/a</i>	<i>89%</i>
Reloadable	245	-	245	449	-	449	889	-	889	1,521	-	1,521
<i>% Change on pcp</i>	<i>60%</i>	<i>n/a</i>	<i>60%</i>	<i>57%</i>	<i>n/a</i>	<i>57%</i>	<i>263%</i>	<i>n/a</i>	<i>263%</i>	<i>239%</i>	<i>n/a</i>	<i>239%</i>
Non-Reloadable / Gift	964	-	964	1,724	-	1,724	1,266	420	1,686	2,158	420	2,578
<i>% Change on pcp</i>	<i>5%</i>	<i>n/a</i>	<i>5%</i>	<i>8%</i>	<i>n/a</i>	<i>8%</i>	<i>31%</i>	<i>n/a</i>	<i>75%</i>	<i>25%</i>	<i>n/a</i>	<i>50%</i>
<b>No. active accounts &gt; A\$0<sup>4</sup></b>	<b>591</b>	<b>-</b>	<b>591</b>	<b>591</b>	<b>-</b>	<b>591</b>	<b>677</b>	<b>948</b>	<b>1,625</b>	<b>677</b>	<b>948</b>	<b>1,625</b>
<i>% Change on pcp</i>	<i>12%</i>	<i>n/a</i>	<i>12%</i>	<i>12%</i>	<i>n/a</i>	<i>12%</i>	<i>15%</i>	<i>n/a</i>	<i>175%</i>	<i>15%</i>	<i>n/a</i>	<i>175%</i>
Reloadable	44	-	44	44	-	44	97	-	97	97	-	97
<i>% Change on pcp</i>	<i>22%</i>	<i>n/a</i>	<i>22%</i>	<i>22%</i>	<i>n/a</i>	<i>22%</i>	<i>120%</i>	<i>n/a</i>	<i>120%</i>	<i>120%</i>	<i>n/a</i>	<i>120%</i>
Non-Reloadable / Gift	547	-	547	547	-	547	580	948	1,528	580	948	1,528
<i>% Change on pcp</i>	<i>11%</i>	<i>n/a</i>	<i>11%</i>	<i>11%</i>	<i>n/a</i>	<i>11%</i>	<i>6%</i>	<i>n/a</i>	<i>179%</i>	<i>6%</i>	<i>n/a</i>	<i>179%</i>
<b>A\$ Stored Value<sup>5</sup></b>	<b>29,661</b>	<b>-</b>	<b>29,661</b>	<b>29,661</b>	<b>-</b>	<b>29,661</b>	<b>43,579</b>	<b>47,617</b>	<b>91,196</b>	<b>43,579</b>	<b>47,617</b>	<b>91,196</b>
<i>% Change on pcp</i>	<i>38%</i>	<i>n/a</i>	<i>38%</i>	<i>38%</i>	<i>n/a</i>	<i>38%</i>	<i>47%</i>	<i>n/a</i>	<i>207%</i>	<i>47%</i>	<i>n/a</i>	<i>207%</i>
Reloadable	7,918	-	7,918	7,918	-	7,918	16,538	-	16,538	16,538	-	16,538
<i>% Change on pcp</i>	<i>117%</i>	<i>n/a</i>	<i>117%</i>	<i>117%</i>	<i>n/a</i>	<i>117%</i>	<i>109%</i>	<i>n/a</i>	<i>109%</i>	<i>109%</i>	<i>n/a</i>	<i>109%</i>
Non-Reloadable / Gift	21,742	-	21,742	21,742	-	21,742	27,041	47,617	74,658	27,041	47,617	74,658
<i>% Change on pcp</i>	<i>22%</i>	<i>n/a</i>	<i>22%</i>	<i>22%</i>	<i>n/a</i>	<i>22%</i>	<i>24%</i>	<i>n/a</i>	<i>243%</i>	<i>24%</i>	<i>n/a</i>	<i>243%</i>

<sup>1</sup> Our European operations produce operating metrics in British Pounds and Euros and these are reported in Australian dollars at the average rate of the quarter for Total Funds Loaded and the closing rate at the end of the quarter for Stored Value.

<sup>2</sup> Total Funds Loaded onto prepaid accounts – total of initial and subsequent loads. This excludes any funds that clients have deposited with the Company's ADI and not loaded onto a prepaid account.

<sup>3</sup> Key transactions constituting activity such as redemption or attempted redemption of prepaid value.

<sup>4</sup> Number of active prepaid accounts measured at the end of the period with a balance greater than A\$0.00. Accounts that have expired, been made inactive or have no funds associated with them are excluded.

<sup>5</sup> Total value on deposit for the prepaid portfolio measured at the end of the period. Represents unredeemed stored value that is available for the account holder to redeem.

## Positive EBITDA outlook for FY15

We expect to build on the positive EBITDA result achieved for the 6 months to 31 December 2014 and we reiterate our guidance of the group being EBITDA positive for FY15. The second half of FY15 will be supported by continuing expansion in our Australian re-loadable business across all segments and a full 6 month contribution from our European operations that comprise long term contracts, generating predictable annuity cash flows.

## Increase in Cash reserves and Short Term receivables

### Cash outflows from operations

The half year has seen a 5% improvement in operational outflows compared to the prior year but the underlying result is far more favourable as the Group ended the half year with over three million dollars (**A\$3.0M**) in short term receivables which have since been settled (inclusive of breakage and interchange from SFUK and establishment fees from newly signed customers in Australia) and a significant amount of one-off transaction related expenses are included in the reported result. Consequently, in analysing the reported outflow from operations, the following items should be taken into account:

- the reported cash inflows for the period has been adversely impacted by the deferral of the receipt of the quarter's establishment fees into January (over A\$0.3M);
- the aforementioned one-off transaction costs associated with the SFUK acquisition (A\$0.3M) have been reflected as operational outflows; and
- the cash inflows relating to the European operations December results, were received in January 2015 and as a result the European operations ended the half year with a significant amount of receivables which have since been settled. Going forward, our cash balance would closely resemble our EBITDA performance as these timing differences would be offset with the prior month's revenues being received in the following month.

### Cash outflows from investing activities

The cash outflow reflected in Q2FY15 relates to the cash payment of A\$12.45M to facilitate the acquisition of SFUK less the cash within SFUK of A\$1.6M. The balance of the investing activities related to capital expenditure relating to the I.T infrastructure enhancement project. This project has now been completed.

### Cash inflows from financing activities

The net inflows from financing activities relate to the placement undertaken in November to fund the cash payment for the acquisition of SFUK, less the capital raising costs, which has resulted in a residual amount of A\$0.73M. These residual funds were used to settle the A\$0.3M of SFUK acquisition costs that were expensed and shown as outflows from operations above, with the remainder being utilised for working capital purposes.

No further finance activities are expected to occur in the near term as the Board of Directors considers the current funding and capital structure appropriate based on the Company's operating outlook. The Directors are satisfied that the Company has adequate funding, that its current balance sheet is sound, and that the Company complies with Listing Rule 12.2.

*Table 2: Quarterly cash flow summary*

<b>A\$ Thousands</b>	<b>Q2FY14</b> Quarter	<b>FY14</b> Year-to-Date	<b>Q2FY15</b> Quarter	<b>FY15</b> Year-to-Date
<b>Operations</b>	<b>(327)</b>	<b>(1,464)</b>	<b>(919)</b>	<b>(1,398)</b>
<i>% Change on prior comparative period</i>	<i>+58%</i>	<i>+25%</i>	<i>(181%)</i>	<i>+5%</i>
<b>Investing</b>	<b>(534)</b>	<b>(532)</b>	<b>(10,909)</b>	<b>(11,105)</b>
<i>% Change on prior comparative period</i>	<i>(909%)</i>	<i>(1185%)</i>	<i>(1943%)</i>	<i>(1987%)</i>
<b>Financing</b>	<b>Nil</b>	<b>7,062</b>	<b>13,295</b>	<b>13,295</b>
<i>% Change on prior comparative period</i>	<i>n/a</i>	<i>+188%</i>	<i>+100%</i>	<i>+88%</i>
<b>Total inflows (outflow)</b>	<b>(861)</b>	<b>5,068</b>	<b>1,468</b>	<b>792</b>
Opening Cash	7,288	1,359	3,820	4,496
Movement for the period	(861)	5,068	1,468	792
<b>Closing Cash</b>	<b>6,427</b>	<b>6,427</b>	<b>5,288</b>	<b>5,288</b>

**-ENDS-**

For more information, please contact:

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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Emerchants Limited

ABN

93 104 757 904

Quarter ended ("current quarter")

31 December 2014

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	807	2,486
1.2 Payments for:		-
(a) staff costs	(1,437)	(2,713)
(b) advertising and marketing	(38)	(81)
(c) leased assets	(7)	(12)
(d) other working capital	(614)	(1,072)
(e) accounting and administrative services	-	-
(f) acquisition-related expenses *	(197)	(308)
(g) exploration expenditure	-	-
(h) software and systems infrastructure	(152)	(288)
(i) risk and compliance	(80)	(249)
(j) rent and utilities	(115)	(223)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	216	363
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	698	698
<b>Net operating cash flows</b>	<b>(919)</b>	<b>(1,398)</b>

\* Acquisition costs relating to the acquisition of SFUK

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(919)	(1,398)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	(12,450)	(12,450)
(b) equity investments	-	-
(c) intellectual property/intangible assets	(72)	(263)
(d) physical non-current assets	( 3)	( 7)
(e) other non-current assets	-	-
(f) cash included on consolidation of subsidiary	1,616	1,616
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other	-	-
<b>Net investing cash flows</b>	<b>(10,909)</b>	<b>(11,105)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(11,712)</b>	<b>(12,388)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	14,000	14,000
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other – Share Issue costs	(705)	(705)
<b>Net financing cash flows</b>	<b>13,295</b>	<b>13,295</b>
<b>Net increase (decrease) in cash held</b>	<b>1,468</b>	<b>792</b>
1.21 Cash at beginning of quarter/year to date	3,820	4,496
1.22 Exchange rate adjustments to item 1.20	-	-
<b>1.23 Cash at end of quarter</b>	<b>5,288</b>	<b>5,288</b>

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	242
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil

1.26 Explanation necessary for an understanding of the transactions

Payments to Executive Directors, Non-Executive Directors and Associates of the directors is broken down as follows:

\$000's

Directors and Executive Directors fees	146
Superannuation	95
Associates of the directors	-
<b>Total</b>	<b>242</b>

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 1 December 2014, an issue of 24,900,000 shares at \$0.50 per share were made to the shareholders of Store Financial Services UK Limited as part of the purchase consideration.

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	3,020	798
4.2 Deposits at call	2,268	3,022
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>5,288</b>	<b>3,820</b>

**Acquisitions and disposals of business entities**

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i> N/A
5.1 Name of entity	Store Financial Services UK Limited	N/A
5.2 Place of incorporation or registration	United Kingdom	N/A
5.3 Consideration for acquisition or disposal	\$24,900,000	N/A
5.4 Total net assets	A\$ 0	N/A
5.5 Nature of business	Payment processor	N/A

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Director

Date: 22 January 2015

Print name: Tom Cregan

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.