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Company Announcement ASX Limited

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CUSTOMERS LIMITED 2012 HALF-YEAR RESULTS

CONTINUED INVESTMENT IN FUTURE GROWTH

Key Results

- Group revenue up 2.8% to \$64.6 million
- Revenue per transaction of \$2.25 up 9.2% on pcp
- Group EBITDA down 25.2% to \$17.4 million impacted by the timing of new revenue initiatives and one-off extraordinary expenses¹
- Normalised core business EBITDA down 10.6% to \$21.9 million, excluding one-off extraordinary expenses¹ of around \$1.8 million
- Group net profit after tax of \$2.7 million – includes impact of first full tax paying period for the Company
- New Zealand in full deployment mode – all banks now participating
- BOQ/Coles Express deployments fully underway
- Interim dividend of 2 cents per share (fully franked)

(ASX: CUS): Customers Limited (Customers) today announced its financial results for the six months ended 31 December 2011.

Group revenue increased 2.8% to \$64.6 million during the first-half period, primarily resulting from pricing policy changes to its core convenience ATM business.

The Company's core convenience ATM business continued its resilience during the period despite challenging economic conditions. However, Customers earnings for the half-year were impacted by the combination of continued investment in support of new revenue streams, one-off extraordinary costs and the delayed delivery of targeted cost savings.

Group earnings before interest tax depreciation and amortisation (EBITDA) of \$17.4 million were down from \$23.2 million on the prior corresponding period, which included a \$2.8 million EBITDA loss attributable to the Company's New Zealand operations and financial institutions/corporate outsourcing initiatives, a \$0.7 million EBITDA loss from the Company's debit/loyalty card initiatives, as well as \$1.8 million in one-off extraordinary costs.

Group EBITDA was marginally below that forecasted in the Company's trading update issued on 31 January 2012 as a result of a change in the accounting treatment of a provision relating to the removal of ATMs. A write down in the provision at half year-end created a \$0.6 million un-forecasted expense.

Reported group net profit after tax (NPAT) of \$2.7 million was down from \$11.6 million in the prior corresponding period, with first half 2012 marking the first period of the Company being a full paying tax entity. Taxation expense of \$1.5 million in the period compared with a positive tax contribution of \$1.7 million in 2011.

¹ One-off extraordinary expenses included employee redundancies; professional fees for advice obtained with respect to a potential control transaction; and one-off promotional/marketing activities



Customers continued its strong capital investment program with \$14.4 million in capital expenditure (capex) recorded for the half, including \$4.0 million towards the Company's financial institutions/corporate outsourcing agreements.

Moving into the second half of the 2012 period, the Company is pleased with the current speed and progress of deployment of terminals in New Zealand, and terminal rollouts for both Bank of Queensland (BOQ) and Coles Express managed service agreements.

Convenience ATMs (core business)

The convenience ATM business produced EBITDA of \$20.1 million for the half, after including \$1.8 million of one-off extraordinary costs and a \$0.7 million EBITDA loss from the Company's debit/loyalty card initiatives. On a normalised basis (i.e. excluding one-off extraordinary costs), this represents a decrease from the prior corresponding period of \$2.6 million to \$21.9 million, or 10.6%.

Total transaction revenues for the half were 3.7% up on 2011, whilst total aggregate value transactions were around 5% below the prior corresponding period.

Revenue received per transaction increased 9.2%, which offset the decline in aggregate transaction volumes and produced a 3.9% increase in gross margin per transaction (after including upward movement in rebates from 51 cents per transaction in first half of 2011 to 64 cents per transaction in first half of 2012).

The Company believes the resilience observed in total transaction volumes compared with the 2011 period was credible given the subdued consumer confidence evident in the Australian economy and other mitigating factors. The Company also notes the favourable trends in total foreign ATM withdrawals across Australia as reported by the Reserve Bank over the second half of the 2011 calendar year.

ATM network (direct) expenses were up 10.6%, or \$3.0 million, primarily as a result of the ongoing competitive landscape for merchant rebates, and increases across telecommunications and maintenance costs.

In line with the objectives of Directors and Management to achieve efficiencies across the Company's cost base, the Company has embarked on a program designed to deliver ongoing cost savings in the order of \$2 million - \$3 million per annum by improving efficiency across several key cost lines, with telecommunications costs being a prime driver. The full benefits of these cost savings are anticipated to be realised in the business during 2013.

New Revenue Streams

For the period, the Company's growth initiatives, New Zealand ATM Services (NZATM) and financial institutions/corporate outsourcing, produced a net EBITDA loss of \$2.8 million, compared with a \$1.3 million EBITDA loss in the prior corresponding period.

The quantum of the first half loss is in part a result of the rollout of terminals for BOQ taking longer than anticipated to commence, ongoing investment in other growth initiatives, and approximately \$0.5 million in additional costs over the prior corresponding period associated with the full deployment of terminals in New Zealand.

The Company remains very confident of success and its ability to generate a healthy return on investment from these initiatives, with a positive contribution to EBITDA expected from NZATM and financial institutions/ corporate outsourcing in the 2013 financial period.



NZATM

The Company was delighted that as of 15 February 2012 all debit and eftpos cardholders of New Zealand's Banks were able to access NZATM's network of terminals.

In anticipation of this milestone event, the NZATM fleet has been in substantial rollout phase since November 2011. The NZATM fleet now numbers in excess of 500 and is expected to reach 800 by the end of this financial year.

To date Customers has invested approximately \$6 million in New Zealand, inclusive of ATM capex.

Financial institutions/corporate outsourcing

The Company's financial institutions and corporate outsourcing contracts provide Customers with the opportunity to continue to grow its market share in the Australian ATM industry with a fee for service revenue model that diversifies its traditional transaction based model.

As announced during the period, these contracts include an agreement with Coles Express to provide a full managed service across more than 400 ATMs in Coles Express service stations and convenience stores for a five-year term. These ATMs are new to the Customers fleet with the necessary capex funded entirely from existing credit lines.

The Company has committed to spend a total in the order of \$10 million - \$11 million in capex on its agreements with BOQ and Coles Express, with \$4.0 million already spent.

Debt and Capital Management

At the conclusion of the half-year the Company had net debt totaling \$34.4 million compared to \$28.2 million at 30 June 2011. This movement was attributable to an increase in capital expenditure in line with the Company's financial institutions/corporate outsourcing requirements.

Debt facilities were also utilized during the period to acquire 124 merchant sites from Aussie ATM's part of My ATM Holdings Limited for \$0.8 million.

Whilst the Board is committed to a prudent level of gearing appropriate to the needs of the Company's core business and growth initiatives, in December 2011 Customers finalised and executed a three year banking facility with the NAB and Westpac. These facilities will be utilised in relation to the Company's investment requirements in New Zealand, existing growth initiatives as well as providing scope for further activity.

The Board has determined that an interim fully franked dividend of 2 cents per share will be paid to shareholders with a record date of 13 March 2012 and a payment date of 20 April 2012.

Corporate activity

Discussions in respect of a potential control transaction are continuing, but they remain insufficiently advanced to warrant disclosure at this time. Should these discussions progress to a point where a transaction on acceptable terms to Customers is likely to eventuate; the Company will advise the market in accordance with its continuous disclosure obligations.

Outlook

Customers anticipates that economic conditions will remain challenging in the near term and that investment in new growth initiatives will impact Group earnings for the remainder of the 2012 financial period. The Company will continue to focus on furthering its growth initiatives platform, including debit and loyalty based card solutions, whilst ensuring that material efficiencies are pursued within the core business.



The current expectation of the Board is that full year reported EBITDA for the year ending 30 June 2012 will be between 13% and 17% below the reported EBITDA for the year ended 30 June 2011 of \$44.2 million, assuming current trading conditions continue without deterioration.

Managing Director, Tim Wildash, said the Company's core business continued to demonstrate resilience whilst investment in its growth initiatives would result in longer-term material benefit for the Company, albeit with a short-term impact on earnings.

"We remain satisfied with the performance of the core business against a difficult macroeconomic environment where consumer confidence is subdued".

"We are also realistic that the generation of appropriate efficiencies within the core business are necessary and that our investment in new growth initiatives has taken longer to materialise than desired, depressing earnings in the short-term".

"We remain extremely confident that our new revenue initiatives are the correct path for the Company, and will ultimately provide solid growth and long-term return for our shareholders. As a strong player in the payments space with a robust core business we look forward to 2013 and beyond with optimism", Mr Wildash said.

Investor/Analyst Briefing

An investor/analyst briefing and question and answer teleconference call will be held on 28 February 2012 at 10:30am EDST. To register please contact Cassie Willetts, Customers ATM, email: cwilletts@customersatm.com.au or ph: 03 9090 4871.

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