



Money in Motion

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ASX Market Announcements
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EML PAYMENTS ANNOUNCES ACQUISITION OF PREPAID FINANCIAL SERVICES AND EQUITY RAISING

- **Acquisition of Prepaid Financial Services (Ireland) Limited (PFS)**, a multi-award winning European provider of white label payments and banking-as-a-service technology
- **EML to become one of the largest FinTech enablers in digital banking and prepaid globally**, expecting to process ~A\$18 billion of gross debit volume (GDV) in FY20¹
- **Further diversifies EML's customer, product and geographic footprint – providing entry into eight new markets and further penetration into UK, France and Spain**
- **Upfront acquisition enterprise value of £226 million (A\$423 million)² represents 17.5x FY20 EBITDA, and 14.0x FY20 EBITDA post net run-rate synergies³**
- **Performance based earn-out of up to £55 million (A\$103 million) contingent on PFS achieving agreed annual EBITDA targets during the three year period post Acquisition close**
- **Mid-teen EPSA accretive pre synergies and 25%+ post net run-rate synergies on a FY20 pro forma basis⁴**
- **Earn-out structure and vendor scrip component of Acquisition consideration provides alignment with the PFS management team**
- **Attractive earnings growth profile of combined group**
- **Estimated net run-rate synergies of approximately A\$6 million per annum⁵**

Acquisition of PFS

EML Payments Limited (ASX:EML) (EML) is pleased to announce it has entered into a binding agreement to acquire PFS for an upfront enterprise value of £226 million (A\$423 million) (the **Acquisition**) plus an earn-out component of up to £55 million (A\$103 million).

The Acquisition and transaction costs of the Acquisition will be funded by a combination of:

- a fully underwritten accelerated, pro-rata, non-renounceable entitlement offer to raise approximately A\$183 million (**Entitlement Offer**);
- a fully underwritten placement to new and existing institutional shareholders to raise approximately A\$67 million (**Placement** and together with the Entitlement Offer, the **Equity Raising**);

¹ See pages 23 and 24 of the Investor Presentation released to the ASX today for details about the forecast assumptions.

² GBP / AUD conversion rate of 1.87 used throughout this announcement.

³ See pages 23 and 24 of the Investor Presentation released to the ASX today for details about the forecast assumptions.

⁴ EPSA accretion is calculated as the incremental FY20 pro forma EPSA over EML's FY20 standalone EPSA. EPSA excludes the impact of one-off transaction and integration costs and acquisition-related amortisation. EPSA accretion is presented on a TERP-adjusted basis—in accordance with AASB 133 EML's standalone EPSA has been adjusted to account for the bonus element of the Entitlement Offer. The theoretical ex-rights price (TERP) is the theoretical price at which an EML share should trade at immediately after the Entitlement Offer and prior to the Institutional Placement and Vendor Placement. It is a theoretical calculation only and the actual price at which EML shares trade immediately after the Entitlement Offer will depend on many factors and may not be equal to TERP. See page 7 of the Investor Presentation released to the ASX today for further details about the EPSA accretion calculation assumptions.

⁵ Net run-rate synergies expected to be partially realised in FY21 and fully realised from FY22.

- new fully underwritten multicurrency A\$175 million debt facility of which A\$130 million will be drawn;⁶ and
- scrip consideration (an issue of new EML shares) to PFS' continuing management shareholders (**Vendor Placement**) of approximately A\$77 million at the Offer Price.

PFS was founded in 2008 primarily as a reseller of pre-paid cards and has since evolved into a leading provider of white label payments and banking-as-a-service technology with a pan-European footprint. PFS provides payments and digital banking capabilities, e-wallets and payout / distribution programs, regulatory Electronic Money Institution status and flexible software to enable financial institutions and non-financial institutions alike to deliver feature-rich transactional banking and other payment services to their end-user base without becoming a regulated entity. PFS operates in 24 countries and supports over 26 currencies. PFS's key customer segments include blue-chip financial institutions, non-financial corporates, SMEs, FinTech companies, public sector and NGO bodies.

EML Managing Director and Group Chief Executive Officer, Tom Cregan said:

"The acquisition of PFS continues to consolidate EML's market position as one of the largest FinTech enablers in digital banking and prepaid globally."

"PFS is highly complementary to EML's existing solutions suite and adds digital banking and multi-currency offerings to our existing suite, while expanding our global market footprint and ability to cross-sell PFS's solutions."

For the 12 months to 30 June 2020, PFS is forecast to process GDV of A\$5.3 billion and generate net revenue of A\$84 million and EBITDA of A\$24 million. The upfront acquisition enterprise value of £226 million (A\$423 million) comprises £41 million (A\$77 million) in EML shares to be issued to the vendors⁷ at A\$3.55 per EML share, and £185 million (A\$346 million) cash. The upfront acquisition enterprise value represents 17.5x PFS' FY20 EBITDA pre-synergies and 14.0x PFS' FY20 EBITDA post approximately A\$6 million of net run-rate synergies.

The Acquisition is estimated to be mid-teen EPSA accretive in FY20 on a pro forma basis, before synergies, and in excess of 25% EPSA accretive in FY20 on a pro forma basis post approximately A\$6 million of net run-rate synergies.⁸

Following the Acquisition, pro forma net debt / pro forma FY19A EBITDA, before synergies and completion adjustments, will be approximately 2.3x, with EML expected to reduce this ratio to less than 2.0x net debt / LTM EBITDA in the medium term.⁹

Provided certain conditions precedent are satisfied (as described in the Investor Presentation released to the ASX today), the Acquisition is expected to complete in early 2020. £11.5 million (A\$21.5 million) of the Acquisition cash consideration will be held in escrow for 12 months following completion of the Acquisition for claims made under the Acquisition agreement.

Equity Raising

The fully underwritten Equity Raising is comprised of the Entitlement Offer to raise approximately A\$183 million and the Placement to raise approximately A\$67 million.

Approximately 70 million new EML shares will be issued under the Equity Raising (in addition to approximately 22 million new EML shares issued under the Vendor Placement). New EML shares will rank equally with existing EML shares and EML will, upon issue of those shares, seek quotation of the shares on ASX.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 new EML share for every 5 existing EML shares (**Entitlement**) held as at 7:00pm (Sydney time) on Wednesday, 13 November 2019.

All new EML shares offered under the Equity Raising will be issued at a price of A\$3.55 per new EML share (**Offer Price**), which represents a:

- 7.3% discount to the last close price of A\$3.83 per EML share on Friday, 8 November 2019; and
- 6.2% discount to TERP of A\$3.78 per EML share.

⁶ EML has secured a total facility of up to A\$175 million to support working capital and future growth (accompanied by a A\$100 million accordion facility).

⁷ EML shares issued to the vendors under the Vendor Placement will be restricted from sale until EML releases its financial results for the year ending 30 June 2020 in August 2020.

⁸ EPSA accretion is calculated as the incremental FY20 pro forma EPSA over EML's FY20 standalone EPSA. EPSA excludes the impact of one-off transaction and integration costs and acquisition-related amortisation. EPSA accretion is presented on a TERP-adjusted basis — in accordance with AASB 133 EML's standalone EPSA has been adjusted to account for the bonus element of the Entitlement Offer. See page 7 of the Investor Presentation released to the ASX today for further details about the EPSA accretion calculation assumptions.

⁹ The FY19 pro forma EBITDA of A\$50.8m is based on EML's FY19 EBITDA of A\$29.7m adjusted for the A\$4m Flex-E-Card acquisition run rate EBITDA, and PFS's EBITDA for the 12 months ended 30 June 2019 of A\$17.1m. EML EBITDA presented in EML's FY19 results included acquisition costs of A\$0.6m, which are now excluded from EBITDA.

Placement

Up to approximately 19 million new EML shares are expected to be issued to new and existing institutional shareholders under the Placement at the Offer Price. The Placement will be conducted concurrently with the Institutional Entitlement Offer (as described below).

New EML shares issued under the Placement will not be eligible to participate in the Entitlement Offer.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the institutional component of the Entitlement Offer (**Institutional Entitlement Offer**), which is being conducted today, Monday, 11 November 2019 and tomorrow, Tuesday, 12 November 2019.

Eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Institutional Entitlements cannot be traded on the ASX or transferred.

Institutional Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and institutional Entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to new and existing institutional shareholders concurrently with the Institutional Entitlement Offer.

EML's shares will remain in a trading halt pending completion of the Institutional Entitlement Offer.

Retail Entitlement Offer

Eligible retail shareholders in Australia and New Zealand will be invited to participate in the retail component of the Entitlement Offer (**Retail Entitlement Offer**) at the same offer price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Monday, 18 November 2019 and close at 5.00pm on Friday, 29 November 2019.

Further details about the Retail Entitlement Offer will be set out in the retail offer booklet, which EML expects to lodge with the ASX and dispatch to eligible retail shareholders on Monday, 18 November 2019. The retail offer booklet will also enclose personalised entitlement and acceptance forms.

Entitlements cannot be traded on the ASX or transferred. Eligible shareholders who do not take up their Entitlement under the Entitlement Offer in full or in part, will not receive any value in respect to those Entitlements not taken up.

Key dates¹⁰

Trading halt and announcement of the Acquisition and Equity Raising	Monday, 11 November 2019
Institutional Entitlement Offer and Placement opens	Monday, 11 November 2019
Institutional Entitlement Offer and Placement closes	Tuesday, 12 November 2019
Trading halt lifted and announcement of results of Institutional Entitlement Offer and Placement – shares recommence trading on ASX on an "ex-entitlement" basis	Wednesday, 13 November 2019
Record Date for determining Entitlements to subscribe for new shares under the Entitlement Offer	7.00pm, Wednesday, 13 November 2019
Retail offer booklet dispatched and Retail Entitlement Offer opens	Monday, 18 November 2019
Settlement of Institutional Entitlement Offer and Placement	Tuesday, 19 November 2019
Allotment and normal trading of new EML shares issued under the Institutional Entitlement Offer and Placement	Wednesday, 20 November 2019

¹⁰ All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Australian Eastern Daylight Time (AEDT). EML reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws.

Retail Entitlement Offer closes	Friday, 29 November 2019
Results of the Retail Entitlement Offer announced to ASX	Wednesday, 4 December 2019
Settlement of Retail Entitlement Offer	Thursday, 5 December 2019
Allotment of new EML shares issued under the Retail Entitlement Offer	Friday, 6 December 2019
Normal trading of new EML shares issued under the Retail Entitlement Offer	Monday, 9 December 2019
Dispatch of holding statements	Tuesday, 10 December 2019

EML Director participation in Entitlement Offer

EML Managing Director and Group Chief Executive Officer, Tom Cregan, intends to take up his Entitlement in the Entitlement Offer in part.

EML FY20 Outlook and Guidance Statement (excluding PFS)

EML today announced standalone guidance for FY20 saying it is on track to deliver 28-43% EBITDA growth.¹¹

- FY20 Revenue guidance range of A\$116 million – A\$132 million;
- FY20 EBITDA guidance range of A\$38.5 million – A\$42.5 million;
- FY20 NPATA guidance range of A\$26.2 million – A\$29.4 million; and
- FY20 Operating cash flow guidance range of 70% – 80% of EBITDA

EML's FY20 guidance is based on the following key assumptions:

- Underlying EBITDA now excludes acquisition costs in FY20 and prior year comparatives;
- FX rates remain in line with October 2019 rates;
- Declining global interest rates negatively impacting interest income in all regions by A\$1.0 million. No significant movement in rates for remainder of the year;
- Seasonal gift card GDV growth in line with 2018 (4-8%);
- Minimal contribution from US gaming programs;
- No impact included for any acquisitions; and
- Underlying EBITDA includes the adoption of AASB 16 leases which improves EBITDA by approximately A\$1.5 million.

Additional details

Further details of the Acquisition, Entitlement Offer and Placement are set out in the Investor Presentation released to the ASX today. The presentation contains important information that shareholders and investors should consider, including information about risks factors and the foreign selling restrictions with respect to the Equity Raising.

Royal Bank of Canada (trading as RBC Capital Markets) is acting as financial adviser to EML on the Acquisition. RBC Capital Markets and UBS AG, Australia Branch are acting as joint lead managers, joint book runners and joint underwriters in relation to the Equity Raising. Petra Capital and Wilsons Corporate Finance are acting as co-managers in relation to the Equity Raising. RBC Capital Markets and ANZ are acting as joint lead arrangers on the multicurrency debt facility to support the Acquisition. EY is acting as finance and tax adviser to EML in relation to the Acquisition and Equity Raising. Herbert Smith Freehills is acting as legal adviser to EML in relation to the Acquisition and Equity Raising.

¹¹ EBITDA growth over prior corresponding period of A\$29.7m excluding acquisition costs.

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

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Important notices

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer, invitation or recommendation to subscribe for or purchase any security or financial product and neither this announcement nor anything attached to this announcement shall form the basis of any contract or commitment. In particular, this announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction in which such an offer would be illegal. Neither the Entitlements nor the new EML shares have been, or will be, registered under the U.S. Securities Act of 1933 (the **U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be exercised or taken up by, and the new EML shares may not be offered or sold, directly or indirectly, to, persons in the United States unless they have been registered under the U.S. Securities Act (which EML has no intention or obligation to do or procure) or are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States.

This announcement contains certain forward looking statements and comments about future events, including EML's expectations about the financial and operating performance of its businesses, the acquisition of PFS, the timetable and outcome of the Entitlement Offer and the Placement and the use of proceeds thereof. Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. A number of important factors could cause PFS' actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements and many of these factors are beyond EML's control. Refer to the various risks factors in Appendix A - "Key Risks" of the Investor Presentation entitled "Acquisition of Prepaid Financial Services and Equity Raising" released to the ASX today. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainty and other factors, many of which are outside the control of EML. As such, undue reliance should not be placed on any forward looking statement. Past performance information given in this announcement is given for illustrative purposes only and is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward looking statements, forecast financial information or other forecast. Nothing contained in this announcement is to be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of EML.

The information contained in this announcement does not constitute investment or financial product advice (nor taxation, accounting or legal advice), is not a recommendation to acquire EML shares and is not intended to be used or relied upon as the basis for making an investment decision. This announcement has been prepared without taking into account the investment objectives, financial position or needs of any individuals. Before making any investment decisions, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and should seek legal, accounting and taxation advice appropriate to their jurisdiction. EML is not licensed to provide investment or financial product advice in respect of EML shares. Cooling off rights do not apply to the acquisition of EML shares pursuant to the Entitlement Offer.