

## Emerchants buys UK prepaid card company

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Prepaid card supplier Emerchants has acquired Store Financial Services UK Ltd, a UK-based "prepaid stored value program" company, in a deal worth A\$24.9 million.

SFUK operates in nine European markets and, according to Emerchants, is "one of Europe's largest shopping mall gift card processors and program managers," with 100 programs in place.

In a media release issued on Friday, Emerchants said SFUK was a profitable business that would be earnings accretive immediately. It expected SFUK to contribute \$2.7 million of EBITDA to group results within 12 months of acquisition.

Emerchants will pay half the purchase price in cash and will issue shares to cover the balance. The cash consideration will be funded through a \$14 million institutional placement.

Emerchants chief executive, Tom Cregan, is a 25 percent shareholder of SFUK. According to the media release, he excluded himself from all negotiations and did not vote on resolutions related to the acquisition.

Emerchants made a loss of \$5.4 million in the year to June, after making a loss of \$5.3 million in 2012/13.

It has spent the past couple of years transforming its business from one based on sales of non-reloadable gift cards to a higher margin reloadable business model.

In coming months it will launch a card program for the betting company Sportsbet, supplying Sportsbet customers with personalised cards for immediate access to winnings via ATMs.

The company already has similar programs with Ladbrokes Digital and Bet Easy and aims to be the market leader in the supply of "winnings cards."

Last year it signed an agreement with Mitsubishi Motors Australia for its cards to be used for payment of sales incentives and commissions.

And it is working on an agreement with the Queensland government to be the preferred supplier of prepaid cards to various government departments.

The company plans to use the SFUK acquisition to launch its reloadable card business in the UK and Europe.

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