

## NO REST FOR EMERCHANTS IN FY17

*Written on the 16 November 2016 by James Perkins*



EMERCHANTS expects this year to match the highs of FY16, when the company grew gross net profit by 218 per cent, says chairman Peter Martin.

Addressing the company's annual general meeting today, Martin (pictured) says Emerchants (ASX: EML) has made significant progress in establishing a robust, globally diversified business in 2016.

"With the acquisition of Store Financial Services, LLC and the European business growing strongly, 2017 is shaping up as another year of rapid and profitable expansion for the company," he says.

Emerchants' share price has risen to \$1.82 today, up from around \$0.86 per share 12 months ago, which is recognition of the work done in that time.

In early May, the company announced the \$47 million purchase of Store Financial Services in the United States, then quickly did deals with several US companies in the following months, including casino operator Caesars.

The company previously bought the UK Store Financial Services business in 2014, and it has brought all aspects of its new business under a new brand: EML.

EachWay was also launched during the year, supported by all the major betting brands in Australia and the company plans to launch the product in the UK in FY17.

**"Even more encouraging is the fact that the growth in business volumes was accompanied by a significant increase in the generation of free or sustainable cash flows, the measure by which a business of this type should be valued," adds Martin.**

The company plans to continue its growth both organically, and through acquisitions. Martin says the greatest opportunities for growth come from overseas and Emerchants wants to buck the

trend of Australian companies boding international expansion.

CEO Tom Cregan's contacts in the US and Europe have allowed EML to move more confidently into international deals with a straightforward plan.

"It is simply to acquire solid companies that you know at the right price, run by people with whom you have done business with for many years and who are looking for the opportunities that can be provided by leveraging a much larger business base," says Martin.

The purchase of the Store Financial businesses in Europe and North America fit this bill.

"Both businesses benefit from the reloadable prepaid technology developed by EML in Australia and both offer established and growing products and services in other verticals."

With the Store Financial purchase Emerchants also gained a 5 per cent ownership of PayWith, a technology the company will now bring into Australia.

**"This is the first time this technology has been offered and it is ground-breaking, providing the ability to use a cash balance on a prepaid card, plus accrued loyalty points converted into cash, and other funding via payment methods such as a credit card at the same time to make a purchase."**

Clients in Australia are showing interest in the product, and Emerchants plans to introduce it to Europe in 2017.

In 2012, Emerchants was a company with one customer, representing 90 per cent of revenue, and a market capitalisation of \$10 million. It now has 850 programs across Europe, UK, Australia, United States and Canada, with 156 partnerships across those locations and the company is worth around \$350 million.

The company had 7.3 million cards activated in 2016 and has a processing volume of \$2.7 billion per annum. Revenue was \$23.3 million, with a 78 per cent gross margin. EBITDA was \$5.5 million.

**[Emerchants CEO Tom Cregan will speak at the final Brisbane Business News Breakfast Series event of the year at Customs House in Brisbane on 7 December. Click here to buy tickets.](#)**

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