

Emerchants paying US\$35 million to acquire US, Canada Store Financial Services

02 May 2016 By **Peter Dinham**

Australian payments solutions provider Emerchants to acquire US Store Financial Services and its subsidiary Store Financial Services of Canada for US\$35 million in cash and 25% of Emerchant shares.

Emerchants announced on Monday it had agreed to the acquisition from SFS which is a leading provider of prepaid stored value programs in the USA and Canada, with closed-loop shopping mall card programs representing 85% of funds loaded and evenly split between the two countries.

The acquisition will be fully funded through an A\$58.5 million placement of 40.35 million shares to investors at \$1.45 per share and an A\$11.7 million equity placement to the vendors at \$1.45 per share.

The managing director of the ASX-listed Emerchants, Tom Cregan said SFS has been profitable since 2009 and the acquisition will be immediately EBITDA accretive for Emerchants.

Cregan said in the first 12 months post-acquisition, Emerchants anticipates SFS will generate revenues of AU\$33.3 million and contribute AU\$4.7 million in EBITDA to the group's results.

According to Cregan, there is a compelling strategic rationale for Emerchants acquisition of SFS and the company has been actively focused on a platform in North America for the past six months.

He said the acquisition provides Emerchants with an established, profitable business in North America that has a track record of success, long-term customer relationships, low concentration risk amongst its customer base and has been EBITDA positive since 2009.

And, Cregan says the deal expands Emerchants service offering to the largest prepaid market in the world with loads in the USA projected to exceed US\$715 billion per annum across a range of reloadable and non-reloadable segments.

He said the Canadian market is also a significant market in its own right, with prepaid volumes expected to exceed CA\$19 billion by 2017.

"In the past 18 months Emerchants has transformed itself from a company operating in Australia, with revenues in FY12 of \$3m and with 90% of revenue concentration in one key

customer, into a company operating in 11 countries with our largest customer representing no more than 10-15% of revenues,” Cregan said.

“In that time we have demonstrated that we have been able to seamlessly integrate the UK/EU business and with the recent announcement of bet365 in the United Kingdom, that we can leverage our technology and solutions to other markets and offer shareholders exposure to markets with significant long term growth”.

“We believe this acquisition will generate similar long term benefits for our shareholders. It provides the Company with access to the market in the USA, the largest prepaid market in the world, and another significant prepaid market in Canada. In the process, we will grow the business and diversify the risk profile of the business, by operating in 13 countries, in 5 currencies and where the largest single customer will represent no more than 5% of revenues”.

Cregan said the Board of Emerchants has established clear approval requirement for acquisitions, “notably that they provide an expansion in EBITDA as our most important measure, and that they provide us with access to additional geographic markets and/or access to new technologies that we can translate into other markets. The Board believes that this acquisition meets those criteria and (thus) is in approval of the acquisition.”

Emerchants lists SFS key customers in the US and Canada markets as including Lenovo, T-Mobile, AT&T, HYL A Mobile and Cadillac Fairview, Ivanhoe Cambridge, Shell Canada and US Bank.

[http://www.itwire.com/it-industry-news/listed-tech/72597-emerchants-paying-us\\$35-million-to-acquire-us,-canada-store-financial-services.html](http://www.itwire.com/it-industry-news/listed-tech/72597-emerchants-paying-us$35-million-to-acquire-us,-canada-store-financial-services.html)