

Emerchants Reports Profit Growth of 153 Per Cent



Author: Ben Visser Aug 24, 2015



Payment solutions provider, Emerchants Limited (ASX:EML), released its full FY15 results today, reporting a NPAT of \$2.86 million.

The company reported revenue of \$14.4 million, up 178 per cent on the previous corresponding period (pcp). The strong revenue growth was largely due to new Australian Re-loadable programs and seven months of contribution from its European operations.

The company reported a Gross Profit on par with last year, however Net Profit After Tax (NPAT) came in at \$2.86 million, up 153 per cent on the pcp. NPAT growth was largely due to an \$8.67 million tax benefit received in recognition of the historic tax losses in Australia. The company carried forward the tax losses onto the balance sheet as it believes the Australian operations will generate sufficient taxable profit in the future to offset tax losses. The company also incurred \$5.1 million in non-cash share based expenses primarily associated with share grants agreed to as part of the SFUK acquisition, tied to the launch of the Hammerson and MFI programs.

A large contributor to European earnings was Breakage. The company ended FY15 with an accrual of \$3.96 million that will convert to cash in FY16 and position the company well from a cash flow perspective. As a result of continued efficiency initiatives and cost control measures, the company's Cash Overhead expenses experienced reduced by \$0.40 million.

Going forward the company aims to grow Australian revenue by expanding Re-loadable programs plus the August launch of Crownbet, bet365, Sarino Russo and MoneyMe. European operations generated \$5.8 million in revenue for 7 months of the FY15 year, so the company will benefit from a full years revenue and margin contributions. The company also expects high sales in December 2015 to generate higher breakage benefit which will also translate into cash in the following 12 months.

Emerchants share price has declined significantly from its high in April this year. The company experienced significant buying in July however has since continued to decline. Following today's results, the share price has fallen approximately 7 per cent, however this is likely magnified by the current trading conditions.

<https://www.wise-owl.com/news/emERCHANTS-reports-profit-growth-of-153-per-cent>