



Money in Motion

22 May 2020

ASX Market Announcements

20 Bridge Street
SYDNEY NSW 2000

Investor Call Transcript - Trading Update, 20 May 2020.

EML PAYMENTS LIMITED (ASX: EML) (“EML”) is pleased to advise investors with the following transcript of its briefing to shareholders and the investment community held on 20 May 2020 following the release of its Trading Update for Q3 and April 2020.

About Us

At EML we develop tailored payment solutions for brands and their customers to make lives simpler. Through next-generation technology, our portfolio of payment solutions offers innovative options for disbursement payout's, gifts, incentives and rewards. We're proud to power many of the world's top brands and process over \$17 billion in GDV each year across 28 countries in Australia, EMEA and North America. Our payment solutions in 25 currencies are safe and secure, easy and flexible, providing customers with their money in real-time. We know payments are complex, that's why we've made the process simple, smart and straightforward, for everyone.

We encourage you to learn more about EML Payments Limited, by visiting: emlpayments.com

This ASX announcement has been authorised for release by the Joint Company Secretaries.

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EML Payments Limited (ASX: EML)

Company: EML Payments Limited
Title: EML Quarter Three and April 2020 Business Update
Date: 20 May 2020
Time: 1:00PM AEDT

Start of Transcript

Operator: Thank you for standing by and welcome to the EML Payments Limited Trading Update. All participants are in a listen-only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, you will need to press the star key followed by the number one on your telephone keypad.

I would now like to hand the conference over to Mr Tom Cregan, Group Chief Executive Officer and Managing Director. Please go ahead.

Tom Cregan: Thank you, Rachel. Good morning and welcome everyone to the EML Trading Update. I'm joined today by Rob Shore, Chief Financial Officer and Peter Martin, Chairman of EML.

The impacts of COVID-19 has been a significant one for EML, as it has been for a lot of businesses that creates both challenges and opportunities for us and given that it's an unprecedented time, we've invited Peter onto the call today, so feel free to ask any questions at the end of Rob, Peter or myself.

This morning, we posted the update to the ASX with unaudited financials through to the end of March and an update on trading conditions in April which we would reasonably consider to be the low watermark in terms of the impact of COVID-19. I'll take you through a summary of the presentation and some key underlying themes. Try to get through that relatively quickly and then open it up for questions.

On page 2, you will note our unaudited financial performance for the nine months to 31 March 2020 which excludes the acquisition of PFS which we closed on 31 March. The highlights as you can see there with GDV of \$9.83 billion, up 55%. Revenue of \$87 million. EBITDA of \$27 million up 24% over the prior comparative period and operating cash flows of \$27.3 million, an increase of \$18.2 million over the first half result.

This result was achieved despite mall closures starting in earnest really from March - from early March onwards with substantially all of our mall gift card program suspended by the end of March due to social mobility and social distancing restrictions and closing physical malls in most of the countries in which we operate.

As important, we transitioned our operation to a fully remote workforce model with an emphasis on keeping our people safe and as dislocating as the whole COVID event is, we've managed to continue to support our customers, launch new programs, sign new contracts which really is a testament I think to the resiliency and adaptability of our team and also of our customers who are having to change the way they ordinarily do business as well.

We have taken steps to reduce headcount costs where applicable and where those decisions are driven by just business logic versus being driven by COVID-19 and needing to artificially make larger reductions to the workforce or furlough significant numbers of staff.

Moreover, we were also able to close the PFS acquisition which was fundamental to our strategy of transitioning from a company deriving the majority of its revenue and earnings from gift cards, and mall gift cards in particular, to a company deriving the majority of its revenues and earnings from general-purpose reloadable programs. Had EML and PFS been consolidated in March, the revenue from the GPR segment would have been 56% with the gift and incentive segment at

37% and that is the first time that that has happened in the Company's history to be deriving the majority of its revenues from GPR programs.

The fact that we were able to close the PFS acquisition on improved terms was a great result for shareholders, it's positioned us with a very strong balance sheet that gives us incredible flexibility as we look forward.

The key extracts of cash and breakage from the balance sheet as at 30 April 2020 is shown on the following page. The Company held in excess of \$125 million in cash and despite weaker trading conditions obviously in March and April, generated positive operating cash flows in both months.

In addition to a cash balance, our breakage or our contract asset stood at \$36.8 million of which we expect 75% to convert to cash in the coming 12 months. We benefited from a one-time cash gain at \$3.77 million on unwinding foreign currency positions related to the PFS acquisition which we took in November of last year.

Whilst that's a cash gain, this amount is excluded from our calculation of EBITDA which does not include FX gains or losses. To provide shareholders with more colour into trading conditions in March and April and I'll provide a little bit of colour into May as well, GDV in our gift and incentive segment was down 29% on the prior comparative period in March. Whilst GDV in our GPR segment increased 7.4% and GDV in our VANS segment was up 56% over the prior year.

Given gift cards convert to revenue at circa 600 basis points versus GPR at circa 90 basis points and VANS at circa 12, the impact on EBITDA is obviously significant as malls and mall gift card programs are suspended. In April 2020, the gift and incentive segment declined further to a 53% decline on the prior comparative period. The fact that the decline wasn't higher was due to our non-mall business which is our incentive gift card piece of the business and generating the vast majority of that \$31.4 million in GDV for the month.

As I said at the start of the call, we expected April will really be the low watermark for malls and there are some early signs of improvement in Europe in May and we expect that - hopefully, similar traction coming to the US trying to be [in] June, towards the end of June.

Pleasingly, organic growth in the EML GPR segment, so this is again prior to PFS, actually grew from 10% to 26% in April which is really driven by growth in our salary packaging programs, including New South Wales Health which was a key program that was implemented.

When you include PFS for the first time, we generated - the debit volume from GPR programs of \$681 million which is pretty significant and even in the month of April, I think PFS would say that would be their low watermark as well, as social distancing and lockdown provisions impacted transactional activity in some of their segments in April - particularly in neo-banking and alternative banking if you are in a lockdown mode, you're still transacting, but you're obviously transacting less because you're just not out and about in the economy.

For those who have followed us or invested in us for some time, we've always focused on diversifying the business as much as possible and I think that's evident in the April result. No one can see something like COVID coming, but the reason you have a diversified approach is in case something like COVID happens. So I think we were always mindful of positioning the business against those kind of shocks. I think is an example of that, PFS GDV growth was up 39% in January and February over the prior comparative period, s

o it started the year with extremely strong growth. That growth fell to 12% in April 2020 versus April 2019, so still positive on the year prior and as I said before, digital bank cardholders continued to transact in April, but less so, given lockdowns, but those volumes were offset by higher government disbursements, albeit, those government disbursements convert at a lower yield.

Early data in May 2020 and so this is only for - this is kind of up to the 19th - suggests that PFS will experience GDV growth of circa 20% over May last year. So in essence, you're going from broad-based GDV growth of 39% in the first two months of the year falling to 12% in April and on track to be 20%, slightly better than that, in May. So as economies are reopened and recovering their growth is picking up, so that's probably likely to be, in the parlance, more of the V shaped curve than the U shaped one.

Digital banking and government payments are not discretionary in the same way that mall gift cards are and nor are they seasonal, so we benefit structurally from the shift in that mix as well. In the month of April, we generated \$2.7 million in EBITDA with a contract asset of \$2.2 million under AASB coming into EBITDA and based on December 2019 activations and therefore, unaudited year to date EBITDA as at the end of April was \$29.68 million.

Our balance sheet strength positions us favourably to reposition the Company further in the coming years and we will continue to service the mall gift card programs, but we are not in control of when malls reopen, when gift card sales recommence, the impact of macroeconomic conditions on consumer spending or the degree of structural shift that might have occurred to online purchasing as a result of lockdown measures.

But what we are in control of is creating a vision of the future that will see EML become a preferred partner for disruptive organisations in the Fintech banking and lending industry and for investing in our own technology and product and our people to get us there and that is the entirety of what's taking up the management group's time and energy at the moment.

Some of that progress is evident on page 4 and 5 in terms of new business development; both in terms of new contracts signed and programs launched and or programs pending. In the salary packaging space, we increased our accounts from 187,000 per half-year to 228,000 to date, as a result of the commencement of the rollout to New South Wales Health and the continuation of the Smartgroup conversion from Westpac and also a contract win and the commencement of the rollout to ACT Health as well.

All of our partners in that segment are now contracted to move across to a fully digital EML issued program as in mobile-driven versus a need for a physical card which drives margin expansion once that transition is complete at the end of FY21. It drives margin expansion because we will be the issuer as opposed to paying issuing bank fees to third parties.

Given we generate circa \$60 per account per annum, those incremental accounts launched between - since 1 January to today, are north of \$2.6 million - \$2.7 million in incremental revenue for the Company and we continue to expect that we'll meet our target of circa 300,000 accounts as indicated.

In our ControlPay segment, we've signed a number of programs in the buy now, pay later and neo lending space that will see us supporting buy now, pay later programs in each of our regions. Our Digital Banking and Fintech partners continue to grow as well. We signed a number of programs in that space. Those four are just kind of representative of some of them, as opposed to the laundry list of them which would be longer than that and we also signed a number of gaming-related disbursement programs in the USA as well.

As I said before, they're a representative of some of them as opposed to all of them, but we do see an expanding pipeline of activity, arguably better than it's ever been. I think COVID has fast-tracked many company's plans towards digitisation, plans that they might have had in motion to do in two or three years are now far urgent - more urgent than they probably were. As Mastercard and Visa have said recently, they're calling cash is dead; they're making that proclamation and I think a path towards digital payments has just accelerated significantly, and we fully intend to take advantage of that transition.

Page 6 talks to our gift card segments and I won't go through each point there, but I think it's worth noting that GDV for the month of May in Europe is approximately 47% of what it was in May of last year. So if you think about it, in the month of April, malls were almost all closed. So they would have been down 97% in the month of April 2019 - 2020, I beg your pardon, not 2019.

Then May just as malls are starting to open in different countries, we've got kind of 47% of that back. So that's the - that's pleasing. It's a bit too early to call that a trend, but it's certainly pleasing to see. Although, most of our malls in the UK remain - still remain closed, so, and I think that may be the case for a little while longer as well.

We're not seeing net sales recovery in May that we're seeing in Europe in the USA or Canada given lockdown restrictions still remain which makes sense given that they were behind Europe in terms of enforcing the lockdown measures in the first place. We are told by our customers that where malls have reopened, the foot traffic is substantially lower, so I think whereas we've started to see that pick up in that recovery in Europe with most malls for example open in Germany and Poland and Italy and Spain and other markets starting to open up, I think it'll probably be until the end of June that we start to see - have a better position of what - where the US lies when it comes to how that will recover.

We will launch EML Connect at the end of June which is a platform that we've been working on for a year that will allow our mall customers anywhere in the world to use that platform for instore, web and mobile or digital sales. We're working to implement that in the coming 12 months.

To the right-hand side on the incentives space, we're seeing positive traction as companies really migrate to our digital PAYS solution versus physical gift cards. That solution enables the delivery of a gift card to a mobile device automatically loaded into an Apple Pay, Google Pay or Samsung Pay wallet and some of the employee rewards and consumer incentive programs there are listed. AGL employee rewards for example, Harvey Norman programs, FMCG programs. So we're definitely seeing traction in that which is good because we have invested heavily in that product and launched it over a year ago and we've been selling it since, so I think we're starting to see that traction happening which is a very positive thing.

Then finally on page 7, we just wanted to share some positive stories around how our products have been used to support vulnerable people in multiple countries covering causes such as economic vulnerability, domestic violence and mental illness. United Way which we've mentioned there is a charitable program for economically vulnerable people. We signed that contract with the United Way which is a referral from MasterCard. We launch that within six days in the state of Connecticut which enabled them to get money immediately to those in need without having to have a card manufactured and a card put in the mail and be received by that individual which would obviously take time. We are now talking to United Way about extending that into other markets.

Our partner Epipoli in Italy is working on similar kind of government stimulus programs. PFS have extended a number of their programs that already exist with different government agencies and local market authorities, some of which are mentioned right at the bottom there to include programs funding domestic violence and mental illness and other programs which is great to see.

On the top corner there, the NVS which is the - the RVS, I beg your pardon, the Royal Voluntary Service which is a group of volunteers who support clinically vulnerable individuals in the UK that are under the health system under the NHS. We've been selected as the only prepaid issuer to those individuals, so what that means is that these are people who are at home, who are I said clinically vulnerable, so ill or having to distance themselves who have volunteers making purchases on their behalf, whether that be - it could be anything; it could be clothes, it could be support, could be groceries et cetera. They could do that through different ways.

They can do that by providing cash to those volunteers, they can do that through risky but giving volunteers their bank account details and debit cards, they can give vouchers to people, so there's multiple ways that they're doing it today. But they now have the option of using the prepaid cards as well with all of the controls inherent in that so the person can load money onto the card and then have restrictions on when and how much their card can be used for. So expect a bit more press in the media on that in the coming weeks in the UK.

So it's a pleasing thing, and out of crisis comes opportunities, but it's nice from a societal perspective that our products are able to be used in that way.

Finally, you'll note that the earnout for the acquisition of Present in the Nordics has been completed and those shares will be released to the vendors as per the terms of the earnout. Given our product scope- our broadened product scope, that business was a very small company that we bought at the time, largely the consideration was an earnout and that's been more than achieved which brings our effective purchase price multiple down from something like 16.5 times to 5.5 times; somewhere in that ballpark by taking what was extensively a very simple gift card business and then allowing them to sell reloadable programs and other programs into the Nordics.

With that, Rachel, I'd like to open it up to any questions if I can.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speakerphone, please pick up your handset to ask a question.

Your first question comes from Garry Sherriff with RBC. Please go ahead.

Garry Sherriff: (RBC, Analyst) Hey, Tom and Rob, can you hear me okay?

Tom Cregan: Yes, Garry, cheers.

Garry Sherriff: (RBC, Analyst) Just a quick question; you talked about the April EBITDA being \$2.7 million. The vast majority of that was breakage. How should we think about May and June in the context of materially lower gift card sales? Should we effectively look at halving that breakage assumption I guess in each month in April - sorry, in May and June? Is that the right way to think about things?

Tom Cregan: Sorry, I was talking and I was muting myself. Yes, that probably is right. I think the - I mean April being - the way I would look at it really is with April being having all malls closed, the \$2.2 million was for sales in December of last year under the AASB 15 accounting standard which will start to get smaller now in the next couple of months.

If you took that out, so if that had been recorded in the first half, then the EML core business, if you want to think of it like that, would have been breakeven in the month of April with PFS being kind of incremental to that and with sales coming back, if our sales in May are 50% ish of what they were in the previous month, then I think if you added back kind of half of that \$2.2 million, that's probably the right rule of thumb. Rob, would you agree on that?

Rob Shore: Yes, that's probably the right way of thinking about it and it won't be the same [\$2.2 million, there will be new gift card sales], but I think the order of magnitude of where the forecasts going to be for May and June, your volumes are going to be better in May and June for the shopping mall segment than we saw in April. So certainly in terms of the ongoing trading, we only see it improving from a low watermark of April.

Garry Sherriff: (RBC, Analyst) Yes, that's clear and maybe if I shift to gift cards specifically, can you maybe just remind us on what that historical split between in-store and online gift card purchases are and I guess my next question is was there a shift to online gift cards over the last few months specifically?

Tom Cregan: Probably not within the mall space. I think the - within the gifts and incentives segment, we always had malls as one part of that and incentives as the other part of that. Malls are probably 65% to 70% of that segment and the incentive piece was the rest.

The malls haven't really been selling any digital product at all because they were closed, right, so I think they took the view that they didn't want to be selling product online that couldn't be redeemed. So when the physical properties closed, so did their online percentage of selling. But even when they were open, the online percentage of a mall gift card program is pretty small. It would be low single-digit percentages. I mean the vast majority is walk-in traffic being acquired there and being gifted to people.

The incentive part of the business is growing, but in an aggregate sense as well as shifting from physical to digital. It's because of now I think again as I said some - the benefits of it which were always the case are the immediacy of it and the ability to get it to someone now without anyone handling it. So as concerns about cash handling have kind of become pronounced in the last few months, it's similar with a card. I could send an incentive card to someone's house, but it will take time to get there and they are probably thinking, how many 20 or 30 people touched this thing before it got in my letterbox as opposed to I'm sending it directly to their phone in seconds and kind of alleviates that concern. So there is a shift in that particular segment from physical to digital, but there's growth in that segment as well driven by digital.

Garry Sherriff: (RBC, Analyst) Moving over to PFS, the volumes were very solid with PFS, but you did mention there were I guess some lower volumes in some of those more profitable digital banking multicurrency segments. How should we think about margins for PFS? Historically, we have a sense given what's happened of late and your intimation that perhaps margins might be a bit lower in PFS, can we get some guide on what we should be thinking going forward with PFS?

Tom Cregan: I think we'll probably - I'd say where end of June I think before we can do that. I think looking at April is - it's a difficult one to really get that guidance because what we saw was the GDV remained up because of growth in government programs, but they yield lower than the traditional kind of digital banking programs. But then in May, in the first weeks of May, they had record lows from those digital banking customers, so I think probably in the next - by the end of May and maybe a bit of June, we'll have a better view on kind of margins and how that looks going out for the next couple of months.

It's a hard one to answer, but we'll come back with a bit of colour on that in the next couple of months.

Garry Sherriff: (RBC, Analyst) Yes, that's fine, no trouble. The last question I had was just in relation to Brandon Thompson, your COO. I notice the announcement came out saying that he is leaving the firm. Can you maybe provide some colour; I mean I know he was one of your earliest hires, you've got a long relationship with Brandon and he was one of the key lieutenant's being the COO particularly out of the US? Just trying to get a sense on what's happened; is he going elsewhere, who was replacing him?

Tom Cregan: Yes, no, fair call. I mean he certainly was - and he's someone that I've worked with in the past, in two previous companies in fact. This was the third iteration. He had someone back up a truck with a ton of money in it and so it was very simple. A very simple decision for him to make quite frankly; we're talking quantum's different to what our remuneration structures would be, which would have set off a whole range of different precedent issues within the organisation, so just not something we were kind of prepared to match.

But I also think that we had - we're not replacing the role because again, either its just a change in our own cycle - a change in our own kind of operating cycle. I think working remotely and being more connected to the different regions and the different key people within the organisation, our view is we want to kind of de-layer that business. Whilst that

took a bit of stress off me frankly just in terms of workload, COVID makes you reassess all these jobs and makes you think okay, that's a job that is important, but it's a job that costs us probably when you take currency into effect, probably \$600,000 or \$700,000, right and so

it just forces you to look at all those roles and think how essential are they in the forward mirror as opposed to kind of rear-view mirror and so we just elected not to replace the role and the bulk of those responsibilities will be taken through - well, kind of taken up by the existing team. So he's a ripping guy and he's done really well for us. He staying within the industry, but I'll let him announce where he is going to. Not to a competitor of ours and we just wish him well.

Garry Sherriff: (RBC, Analyst) That's great, I'll jump back in the queue, thanks, Tom.

Tom Cregan: No problem, thanks, Garry.

Operator: Thank you. Your next question comes from Nick Caley from E.L & C. Baillieu. Please go ahead.

Nick Caley: (E.L & C. Baillieu, Analyst) Giddy, guys. Just two questions. One is just in terms of the VANS stuff, it still seems to be growing at pace; is that your marketing or the trends in the market or both?

Tom Cregan: It's trends in the market I would put it down to, like we're adding partners, I think the last one being Viewpost that would have been the larger one and there's other ones that we're winning that are in the kind of \$20 million, \$30 million, \$50 million a year kind of spend.

In April, I think there was I would say a minor decline; I mean growth is still positive, but I think some of our customers in that space are in healthcare and again, people weren't going to visit their dentists and chiropractors and so forth in April. So I think we'll see that bounce back I mean given it's 12 basis points, I mean you can have \$100 million variation in GDV and it's \$120,000 in revenue.

I would say structural trends in that space will only get better. I mean you - again, you're fighting to get people to change from their habits, to get them from - to get them to change from a cheque to a digital payment requires beating inertia which is a hard thing to do, except when that person can no longer get back into their office. They can't physically print a cheque, they can't get out to mail the cheque. The person who gets the cheque doesn't want the cheque because that cheque's been touched by 10 people and then they've got to take it to a bank branch.

So that'll be one of the trends for sure that just continues to help VANS as a segment because people have had no option but to start adopting it. So it's probably a similar trend to online retail sales in Australia moving from bricks and mortar to online because that was the only avenue available to people. So long term, I think that that business will be pretty well served structurally.

Nick Caley: (E.L & C. Baillieu, Analyst) Okay, and just finally, before mall closures, is there much visibility on early success with signing malls or is it too early?

Tom Cregan: It's too - yes, I mean we - they went into - so they went live I think on maybe 15 or 18 January from memory and they were closed in March, so I think we only had a month's worth of trading activity, so it was kind of a rounding error.

Nick Caley: (E.L & C. Baillieu, Analyst) That's great.

Tom Cregan: But the talks with them are - we're meeting with them and talking to them regularly, so we think that they'll be likely to be selling cards probably towards the end of June and most of their locations probably to be opened by the

end of June. So you know, our discussions with them are how do we come out of the gates as strong as we can once we're kind of back in business.

Nick Caley: (E.L & C. Baillieu, Analyst) Thanks, good update, guys.

Tom Cregan: Thanks.

Operator: Your next question comes from Ron Shamgar from TAMIM Asset Management. Please go ahead.

Ron Shamgar: (TAMIM Asset Management, Analyst) Yes, hi, guys. Can you hear me?

Tom Cregan: Yes, we've got you, Ron, cheers.

Ron Shamgar: (TAMIM Asset Management, Analyst) Yes, just quickly, so just the Simon malls, I know those results were a large opportunity in the corporate incentive part of the business that doesn't rely on malls. Any traction getting that launched?

Tom Cregan: It does rely on the malls because they still have to - they've been sold to companies as employee incentives, for example, employee rewards, but they've still got to be redeemed in the mall. So with malls closed, they weren't selling any kind of B2B - they would call that B2B since they went into lockdown mode.

So I think as and when the stores start open up again, then that'll pick up and we'll be part of that from when it kicks off.

Ron Shamgar: (TAMIM Asset Management, Analyst) Yes, okay. Then you mentioned you're going into New Zealand. I'm just wondering was that sort of a long-term plan or was that customer-led or MasterCard driven?

Tom Cregan: Yes, it was MasterCard driven. So we hadn't ever really - we'd looked at it in the past and I guess we were just focused on broader market opportunities in the US and Europe and so forth. MasterCard issue a number of programs in NZ that they prefer to get out of the issuing business. So because we are a - we've got a direct license with them to issue in Australia, they have asked us to take some of those initial programs over, which will now - and that's been in the wings I think Rob we've been working on that for I'd say nine months probably.

So now we'll have some - we'll get some programs live, but we can now start to look at other kinds of potential opportunities over there as well.

Ron Shamgar: (TAMIM Asset Management, Analyst) Okay, and then just the growth margin dollars are pretty good; 76% second half. With PFS coming into the Group next year, is that going to sort of get dragged on gross margins initially or are you still expecting incremental increases half on half?

Tom Cregan: It will be a drag because they're - it won't be a drag in the gift card segment because they don't issue gift cards, but because they pay - they have the funds that they pay to a third-party processor which is three and a bit million - £3.2 million - £3.4 million a year, that comes out of their gross margin. So as they move programs from that to their own processor, then their margins will start to kind of reflect what EML's margins are today but in the - there will be a drag there for I would think probably 18 months.

So we'll need to kind of communicate that effectively just to make sure people understand why that is.

Ron Shamgar: (TAMIM Asset Management, Analyst) Yes, and just last question for me. The new director that joined this week, can you - I mean what sort of opportunities do you think that's going to open for you in the US?

Tom Cregan: So George, I'd worked - so George was CFO of Netspend when I was an executive vice president there and really has a pretty - he has an excellent career frankly across all manner of publicly traded companies. He's done - he's taken public companies private, private public, restructures, private equity deals, you name it. So I've been keen to talk to George for a while and then Pete obviously took the reins a while back.

But he's a bit of a humble bloke, so he probably wouldn't want me saying it, but he is a name; I mean people would follow him in the US, public investors, private investors have had a lot of positive track record dealing with him and he's done - his name - he's been a pretty successful guy. So he is a huge addition and he'll add a whole range of values. But Peter, I might throw it to you if you just want to give a minute of - half a minute of your perspective on George if I can?

Peter Martin: Yes, sure, Tom. George is a very high-quality individual, but he's also got a real depth of experience as Tom says across the whole payment space and in fact, during our discussions with him regarding becoming a director, he had another truck back up to him offering him a massive amount of money to go into a listed public company in the US as effectively the number two; a very big company much bigger than EML and he decided to - that he didn't want to take a full-time job again, so he turned to us and accepted our role.

But look, it's part of a Board transition. You know when Tom and I got involved back in 2012, to be honest, the Board was half a dozen old white guys and I don't think that's sustainable in today's market. So we are transitioning the Board, adding skills and experience from overseas. We added a couple of really high-quality women in Kirstin and Mel in the last 18 months or so. George is the next step and you can expect to see a few other changes over the next two or three years as we transition to a let's say younger, more vibrant and more diversified Board structure.

But George is a - he's a fabulous addition and Tom's knowledge of the market really comes in and these people really comes in handy because we would have been struggling to find a George if we didn't have Tom and the key US guys in the market knowing who's who in the zoo if you like in payments and he is a very high-quality name. In fact, his name has been mentioned in some of the big newspapers over there regarding EML directorship, so we are delighted to have him.

Ron Shamgar: (TAMIM Asset Management, Analyst) Thanks, guys.

Tom Cregan: Thanks, Ron.

Operator: Your next question comes from Cameron Halkett with Wilsons. Please go ahead.

Cameron Halkett: (Wilson's Advisory, Analyst) Hi, guys. Thanks for taking the time. A few from me. Just quickly on salary packaging, noticing the - with ACT Health in conjunction with the earlier announced NSW Health, how about other states? Is there an opportunity there or have you already signed deals for them that I'm currently unfamiliar with?

Tom Cregan: I think most of the other states were - like SA Health is already a customer of McMillan's for example and I think - so I think New South Wales Health was kind of the outlier in that respect and tACT Health was supported by Westpac and Westpac are obviously exiting the space. So I think there are other opportunities coming to us similar to ACT Health, but I don't think they are material.

I'll throw this to Rob, but I think when you - when we add up all those other ones similar to ACT Health, we might be talking maybe 10,000 accounts, thereabouts. Is that fair, Rob?

Rob Shore: Yes, that's about right. The only other large one will be Queensland Health which operate as a manual program and they work with McMillan being a bigger program, they do it manually using sort of spreadsheets.

Tom Cregan: I mean the bulk of what will get us from 228,000 to 300,000 will be a continuation of that New South Wales Health program of probably half the way through that and then the continuation of the Smartgroup rollout as well. So those two things are the things that will get it to 300,000.

Cameron Halkett: (Wilson's Advisory, Analyst) Cool. Okay, that's pretty clear. I am keen to hear more if I can about PFS. You did disclose GDV for April which performed well, but I am keen to hear about the conversion rate in April given a lower mix of higher-margin multicurrency cards and more of a government mix, so if I look at the original presentation when the deal was announced, conversion was around 160 bps. So can we expect this to be a bit lower coming into the next few months?

Tom Cregan: Definitely, yes. I mean Rob can grab that number. The reason it'll be lower is the - I mean our - if you look at our malls as our area of kind of weakness, for example, their area of weakness will take longer to recover will be multicurrency cards because they're essentially travel cards, but nobody is travelling. So you know, that was 7% or 8% of the earnings back in November when the investor deck went out.

Those programs are still there and they are believe it or not still launching, but the volumes are going to be low and so they are more profitable programs because of FX margins and so forth. So they were 165 basis points and Rob, I'll put you on the spot for...

Rob Shore: Yes, for April they were about 120 but I think April, you'll see the conversion's lower. The mix shift away from those high yielding multicurrency programs and also the mix shift away from a - with lower digital banking program volumes and higher government programs, that mix shift has sort of shaken that around. It's a combination of all those factors. So I don't necessarily think that April will be reflecting of May or our future necessarily.

Cameron Halkett: (Wilson's Advisory, Analyst) Okay, that's really clear. Last one from me. Just interested to hear if you can talk a bit more around the instore opportunities you're looking to roll out in conjunction with Sezzle and Scalapay. Can you talk more on whether that increases their ability to roll out their instore functionality and also if you can comment whether there's further opportunities and progress in the space that you're working through that you can speak to? Thanks.

Tom Cregan; Yes, it's both instore and online, so it covers - the tech solution covers both elements. Sezzle obviously in the US, Scalapay initially in Italy, but they have plans to launch into other European markets and we're also in. I think they or we have approval I think for Spain and France and I know the UK is on their roadmap as well, so as they expand into those markets, we can expand there as well.

Given Sezzle's public and Zip is public, I'll probably let them talk to the product rather than us trying to give away any IP of how they choose to use it because, at the end of the day, they're competing with each other, but all I can say is it covers instore and online.

Cameron Halkett: (Wilson's Advisory, Analyst) Good, that's helpful. Thank you.

Tom Cregan: Thanks, Cameron.

Operator: Your next question comes from Owen Humphries with Canaccord. Please go ahead.

Owen Humphries: (Canaccord Genuity Group Inc., Analyst) Hey, guys, I'll be very quick because I know it's dragging on. But just one quick question. Just the gifts and incentive volumes, talking about it being down 47% in May and you're saying April was down 95%, but just at the mall part, can you just clarify is it 47% like-for-like the 95%?

Tom Cregan: Yes, so it was 47% of - so far, it's tracking at 47% of last May. So it's down 53% if you want to think of it in those terms versus down 97% in mid-April, so...

Owen Humphries: (Canaccord Genuity Group Inc., Analyst) and that's while UK and Europe - US remain closed?

Tom Cregan: Yes.

Owen Humphries: (Canaccord Genuity Group Inc., Analyst) Is that like-for-like in terms of numbers because was there a - does that exclude or include the acquisition of Flex-e-Card?

Tom Cregan: Yes, so that's the Europe number. So in Europe, the volumes was a 97% down then and 53% down in...

Owen Humphries: (Canaccord Genuity Group Inc., Analyst) Okay, got you.

Tom Cregan: ...In North America and Canada, it would have been 100% down in April and most probably stay the same in May. I mean hardly any of them have opened. We might start to see that towards the end of May and into June, but the Europe recovery will be quicker than the US one will be by probably a few months I think.

Owen Humphries: (Canaccord Genuity Group Inc., Analyst) Good one, I'll end it there.

Tom Cregan: Ok thanks mate

Operator: Thank you. Once again if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. Your next question comes from Angus Wright with Tribeca Investment Partners. Please go ahead.

Angus Wright: (Tribeca Investment Partners, Analyst) Oh, hi, guys. Good update, thank you. All quick ones on PFS. Just trying to get a - sort of where volumes are relative to I suppose an undisturbed level. In calendar year last year, did [unclear] GDV so [unclear] a much stronger second half than first half, but there's across the year, that averaged out at sort of £250 per month or AU\$468 million. Just trying to - and you've given us April - it sounds like this year could was pretty much just tracking at \$400 million a month and below the average for last year?

So just trying to understand if there's any programs that have sort of rolled off this year that's just sort of from the impact of lockdown and what that profile is expected to look like as lockdown conditions ease?

Tom Cregan: Yes, I mean that I think is - it's the absolutely right question and I think everyone, us included, are looking at what numbers do you start to attribute to this as it grows and which parts are impacted and which parts are kind of un-impacted?

They did just over £3 billion in GDV for last year, but as I said, about 7% or 8% was multicurrency cards. So you've got the best part of probably £250 million that will be coming out of that and will take a while to recover. I think it will be next January onwards really or as soon as people are free to start travelling which is probably a bigger question than when they can go back to a shopping mall. So there's that bit that that you've got to kind of take off and then you're adding back for growth in digital banking and government.

So their volumes like, if £250 million is what they averaged for last year and obviously, there is some seasonality, but if that was a straight-line number, they beat that in January, they beat that in February, they only marginally miss that in April. So I mean in the month of May, they'd be above that.

Angus Wright: (Tribeca Investment Partners, Analyst) So £250 million is it? Because I was get 300 and -, they did AU\$395 million of GDV in April I get as being sort of about £200 million.

Tom Cregan: Oh, there is a program that we didn't include the GDV in, in this month which is a similar program to a LuLaRoe if you like, which is kind of a low yield thing that skews it up, so we're looking at whether we include that GDV or not.

Angus Wright: (Tribeca Investment Partners, Analyst) Or not?

Tom Cregan: Yes.

Angus Wright: (Tribeca Investment Partners, Analyst) Okay, the rest of my questions were already answered. Thanks a lot, guys.

Operator: Thank you. There are no further questions at this time. That does conclude our conference for today. Thank you for participating. You may now disconnect.

End of Transcript