



eServGlobal Limited (“eServGlobal” or the “Company”)

## Trading Update

12 October 2015

eServGlobal (AIM:ESG & ASX:ESV), the provider of end-to-end mobile financial services to emerging markets, provides the following trading update for its financial year ending 31 October 2015.

Further to the Company’s announcement on 28 September 2015, the Board now expects that there will be delays in closing certain high margin orders ahead of the year end. As a result, the Board now anticipates that full year revenues will be in the range of €17.5 - 18.5M. Whilst the Board expects these orders to be delayed, they largely remain in the pipeline and it is expected that they will be booked in the first half of FY2016. In addition to these contract slippages, significant additional costs have been incurred in delivering prior period projects, in turn causing further delay in recognising work in progress. As a consequence, EBITDA\* for the full year is now expected to be a loss in the range of €5 - 6M.

Total overheads in FY2016 are expected to be below €9M, against a backdrop of approximately €12.8M expected for FY2015. We are targeting revenues of €20 - 22M in FY2016 and expect to be EBITDA positive for the year (our reduced cost base and improved sale process is expected to support a breakeven point of €19 - 20M in revenues). Substantial changes, including changes to the sales process and structure, are now largely complete and the Company will continue to focus on cost and process optimisation going forward.

With a streamlined and revitalised Board and management team, the Company is now better positioned to drive effective cash collection and deliver revenue growth. PayMobile 3 is the platform on which we can execute. Our attention is now firmly on improving gross margins and revenue generation, and with our improved sales processes and streamlined costs, we believe the Company is capable of exceeding a 20% EBITDA margin and with greater predictability. We do, however, remain cognisant of the usual macro and execution risks that any company may face (particularly in the emerging markets in which eServGlobal operates).

With regard to HomeSend, this is a long term journey but our shareholders have been understandably disappointed at the lack of newsflow. The Board considers that the increasing activity with partners and different geographies supports HomeSend’s progress and materially supports the original plans and aspirations for this business.

The Board reiterates its belief in the prospects for HomeSend, as evidenced from our participation in the recent capital raising process. HomeSend is beginning to transition from a start-up to a growing business and will present more news going forward. The Board of eServGlobal now believes it is reasonable for it to consider the appropriate valuation of the Company's 35% investment in HomeSend every six months (as we did in September 2015). A reputable independent expert will be engaged for this ongoing process and these six-monthly HomeSend valuations will be communicated to shareholders as soon as they become available.

**John Conoley, Chairman**, said, “This is clearly a disappointing result. With the benefit of continued support from its shareholders, the Company has taken significant strides in the second half to de-risk the

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business for 2016. We have exceeded our original cost reduction targets and focus on cost optimisation and re-organisation will continue in 2016. The recent loan from one of our largest shareholders will provide us with sufficient working capital for FY2016, in addition to allowing the Company to fully participate in HomeSend's recent capital raising. The eServGlobal Board further highlights the public statement by HomeSend that the joint venture expects to break even in 2017, and we are confident of an increasing tempo of positive news to demonstrate continued progress in building out this business".

### **Core Business**

The Board considers the PayMobile 3.0 platform to be the best mobile money and advanced recharge technology for emerging markets on the market today. This has been demonstrated through customer evaluation of eServGlobal's technology against that of our competitors.

Several bids are currently with customers. PayMobile 3.0 is now live in 5 customer sites and we are starting to realise the benefits of offering a true industrialised product. We have completed the first end-to-end implementation of our standardised platform for a customer in Botswana. This project was completed 35% faster than previous projects on PayMobile 2.0, allowing us to reach payment milestones earlier while investing less time and resources in development.

We have adopted a new hardware architecture and a new handling process with PayMobile 3.0, and we have also made significant time savings through software standardization. This approach brings the average project duration down from 6 - 8 months to 3 - 5 months, which equals to a 43% average saving in time and resources costs.

There are opportunities for both gross margin enhancement over time and for easier cash collection.

### **HomeSend**

International money transfer is a multi-billion dollar market ripe for disruption. HomeSend's offering to provide an alternative to traditional money transfer methods is highly compelling. HomeSend is the 'back-end' which powers money transfer services for businesses worldwide, including several of the Top 10 money transfer organisations today, such as MoneyGram, WorldRemit, Skrill and Azimo.

eServGlobal's decision to participate in HomeSend's capital call demonstrates our firm belief in the success of the joint venture. The funds will be used primarily for two strategic steps.

Firstly, the establishment and management of a Payments Institution License, expected shortly, will allow HomeSend to commence transfers to previously inaccessible markets, in particular India and Pakistan. The funding will also allow HomeSend to finalise the relocation of its data centre to a PCI DSS compliant facility. This is a prerequisite to complete the integration with the MasterCard network, therefore enabling HomeSend to access the 24,000 financial institutions with which MasterCard operates and the 2 billion MasterCards worldwide.

MasterCard has demonstrated the strategic nature of their investment in HomeSend through the announcement of their MasterCard Send solution. Currently live domestically in the US, MasterCard Send will use the HomeSend hub to process cross-border card-to-card or card-to-wallet transfers for all connected users worldwide, opening HomeSend to a substantial new sending and receiving markets.

While the lack of visibility in the short-term has been challenging to all supporters of HomeSend, eServGlobal remains confident in the progress and strategic direction of the joint venture.

\*EBITDA is adjusted to exclude restructuring costs, equity accounted impact of HomeSend investment and FX gains/losses.

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**About eServGlobal**

eServGlobal (AIM:ESG, ASX:ESV) offers mobile money solutions which put feature-rich services at the fingertips of users worldwide, covering the full spectrum of mobile financial services, mobile wallet, mobile commerce, recharge, promotions and agent management features. eServGlobal invests heavily in product development, using carrier-grade, next-generation technology and aligning with the requirements of more than 65 customers in over 50 countries.

Together with MasterCard and BICS, eServGlobal is a joint venture partner of the HomeSend global payment hub, a market leading solution based on eServGlobal technology and enabling cross-border money transfer between mobile money accounts, payment cards, bank accounts or cash outlets from anywhere in the world regardless of the users location.

eServGlobal has been a source of innovative solutions for mobile and financial service providers for 30 years.