28 February 2011

eServGlobal Limited
FY2011 First Half Results

SUCCESSFULLY COMPLETED SALE OF USP ASSETS TO ORACLE CORPORATION FOR A$107M

THE NEW ESERVGLOBAL: FOCUSED ON MOBILE MONEY AND VALUE-ADDED SERVICES

HOMESEND REACHES 50 MILLION SUBSCRIBERS WORLDWIDE

PROVIDING MOBILE MONEY SOLUTIONS FOR 250 MILLION SUBSCRIBERS

eServGlobal Limited (LSE: ESG & ASX: ESV), a global telecoms software vendor specializing in Mobile Money and Value-Added Services (VAS), today announced its results for the six months ending 31 December 2010.

Successful completion of USP Asset Sale to Oracle

eServGlobal is now repositioned in the high growth markets of Mobile Money and VAS.

- Completed sale of USP Assets and Business to Oracle for A$107M on 4 August 2010
- Announced sale on 26 May 2010; sale price represented approximately 124% of eServGlobal's total market capitalisation at announcement for the assets of one division
- Sale of USP assets implies a revenue multiple of over 2.6x
- A$24M of proceeds relating to the sale remain in escrow and are expected to be released in equal proportions on the first and second anniversary of the transaction
- Capital return of A$65M (A$0.33 (£0.20) per share) approved by Board and shareholders on 25 November 2010, pending approval of Australian Taxation Office (ATO). Further to the company's announcement of 25 November 2010, the required class and private rulings have not yet been received from the ATO. Further information requested has been provided to the ATO but the company has no update as to likely timing of receiving the ATO's determination.

Financial Highlights

Solid performance, EBITDA positive and a strong cash balance:

- Sales revenue for the period of A$22.5M (H1 2010 sales, including the USP portion: A$43.8M)
- EBITDA of A$67.0M before non-recurring restructuring charges and foreign exchange losses (H1 2010: Loss of A$5.7M).
- Net cash increase during the period of A$74.0M (excluding USP asset proceeds held in escrow)
- A$5.8M in loan and unsecured bank overdraft facilities repaid
- On track to complete restructuring by end of financial year
- Earnings per share for the first half were A$0.27 (H1 2010: Loss per share of A$0.06).
- Net cash reserves at 31 December 2010 of A$70.4M excluding A$24M held in escrow, which positions eServGlobal strongly for both reinvesting in its future and for the anticipated capital return to shareholders

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Operational Highlights:

The new eServGlobal is focused on the high growth areas of Mobile Money and Value Added Services:

- We provide real-time recharge and mobile money services, as well as value-added services such as promotions and messaging
- We provide the patent-pending HomeSend International Remittance hub platform
- We deliver these services to over 60 customers operating in 45+ countries around the world today

Mobile Money Services are being delivered in over thirty deployments at twenty-three customers worldwide, and are gaining global market access via partners like Nokia Siemens Networks (NSN)

- PayMobile has been enhanced to offer operators a unified mobile money solution for voucher based recharge, electronic recharge, and mobile money; in these six months we have already won five projects for PayMobile's unified mobile money suite
- New wins with global partner NSN, who serve 600+ operators worldwide today
- First two upgrades in partnership with Ericsson
- PayMobile reached 250 million subscriber milestone: poised for growth in the rapidly expanding prepaid market

Value-Added Services are being provided to over forty operators who use eServGlobal's messaging, promotions, and content delivery services

- PromoMax is now delivering over 40 targeted, personalised, and real time promotions per second to millions of subscribers
- Growing market presence of PromoMax based on the proven revenue benefits of eServGlobal's promotions programs: 32% increase in voice revenues at one operator
- Fifteen operators to date have taken advantage of our SaaS-based FlexiContent services to deliver direct-to-consumer services in emerging markets around the world

HomeSend, the world's leading mobile to mobile multilateral remittance hub, is building momentum

- HomeSend quadrupled its corridor-level coverage in H1 2011, and now provides service to the United Kingdom, Belgium, Morocco and the Philippines.
- Covering 50 million subscribers around the world as of December, 2010 (+43% vs. H2 2010)
- Strategic partnerships signed with EastNets and with MFIC, two international financial institutions with a global presence in 90+ countries
- We are starting to see some interest around the HomeSend platform with several major operator groups testing the platform; MTN Ghana was the first of these groups to sign up in February 2011.

Outlook

We confirm our revenue guidance for FY2011 for revenues between A$38M and A$45M (£22M to £26M).

We ended the first half with EBITDA (before non-recurring restructuring charges and foreign exchange differences) of A$67.0M. This EBITDA profit includes the profit on sale of the USP business to Oracle. With the bulk of the transition period now over, we expect to show positive EBITDA for the remaining business for the second half of FY2011. The second half will also see us complete the restructuring of our business.

We continue to monitor the situation in the Middle East and North Africa with our customers based there. We have encountered on-site project delays in Egypt and Tunisia due to political events but we do not at this stage anticipate that this situation will require us to alter the above guidance.

Condensed consolidated statement of comprehensive income for the half-year ended 31 December 2010

	Consolidated	
	Half-Year Ended 31 December 2010 $'000	**Half-Year Ended 31 December 2009 $'000**
Revenue	22,471	43,763
Cost of sales	(13,944)	(23,556)
Gross profit	8,527	20,207
Gain on disposal of business	72,088	-
Interest income	1,839	59
Research and development expenses	(3,135)	(4,840)
Sales and marketing expenses	(4,854)	(6,432)
Administration expenses	(10,964)	(16,740)
Earnings / (loss) before interest expense, tax, depreciation and amortisation	**63,501**	**(7,746)**
Amortisation expense	(3,193)	(3,505)
Depreciation expense	(816)	(1,486)
Earnings / (loss) before interest expense and tax	**59,492**	**(12,737)**
Finance costs	(69)	(83)
Profit / (loss) before tax	**59,423**	**(12,820)**
Income tax benefit / (expense)	(6,234)	980
Profit / (loss) for the period	**53,189**	**(11,840)**
Other comprehensive income (loss)		
Exchange differences arising on the translation of foreign operations	(1,443)	(1,525)
Total comprehensive income (loss) for the period	**51,746**	**(13,365)**
Profit (loss) attributable to:		
Equity holders of the parent	53,040	(11,926)
Non controlling interest	149	86
	53,189	**(11,840)**
Total comprehensive income (loss) attributable to:		
Equity holders of the parent	**51,597**	(13,451)
Non controlling interest	**149**	86
	51,746	**(13,365)**
Earnings (loss) per share:		
Basic (cents per share)	**26.9**	**(6.1)**
Diluted (cents per share)	**26.9**	**(6.1)**

Condensed consolidated statement of financial position as at 31 December 2010

	Consolidated	
	31 December 2010 $'000	30 June 2010 $'000
Current Assets		
Cash and cash equivalents	70,447	2,225
Trade and other receivables	33,572	31,143
Inventories	385	853
Current tax assets	1,986	4,897
	106,390	39,118
Assets classified as held for sale	-	27,528
Total Current Assets	106,390	66,646
Non-Current Assets		
Property, plant and equipment	2,265	3,071
Deferred tax assets	1,196	1,907
Goodwill	6,295	6,820
Other receivables	11,984	-
Other intangible assets	9,285	12,727
Total Non-Current Assets	31,025	24,525
Total Assets	137,415	91,171
Current Liabilities		
Trade and other payables	13,568	13,349
Borrowings	-	5,794
Current tax payables	6,857	535
Provisions	1,973	4,123
Other	4,465	5,268
	26,863	29,069
Liabilities directly associated with assets classified as held for sale	-	750
Total Current Liabilities	26,863	29,819
Non-Current Liabilities		
Deferred tax liabilities	1,591	4,083
Provisions	461	505
Total Non-Current Liabilities	2,052	4,588
Total Liabilities	28,915	34,407
Net Assets	108,500	56,764
Equity		
Issued capital	123,946	123,946
Reserves	(3,019)	(1,566)
Accumulated Losses	(12,741)	(65,781)
Parent entity interest	108,186	56,599
Non controlling interest	314	165
Total Equity	108,500	56,764

Condensed consolidated statement of cash flows
for the half-year ended 31 December 2010

	Consolidated	
	Half-Year Ended 31 December 2010 $'000	**Half-Year Ended 31 December 2009 $'000**
Cash Flows from Operating Activities		
Receipts from customers	30,490	64,518
Payments to suppliers and employees	(38,139)	(71,320)
Interest and other costs of finance paid	(69)	(83)
Income tax refunded / (paid)	1,217	(206)
Net cash used in operating activities	(6,501)	(7,091)
Cash Flows From Investing Activities		
Proceeds from disposal of assets	79,439	-
Interest received	1,839	59
Payment for property, plant and equipment	-	(2,255)
Software development costs	(749)	(1,289)
Net cash from/ (used in) investing activities	80,529	(3,485)
Net increase/(decrease) In Cash and Cash Equivalents	74,028	(10,576)
Cash At The Beginning Of The Period	(3,569)	14,135
Effects of exchange rate changes on the balance of cash held in foreign currencies	(12)	(139)
Cash and Cash Equivalents At The End Of The Period	70,447	3,420

eServGlobal Solutions and Services

Today eServGlobal specialises in Mobile Money solutions and Value-Added Services (VAS), enabling Telco Service Providers to increase their revenue, gain new customers, and enter new markets.

We invest heavily in product development and use carrier-grade, next-generation technology to align with the requirements of more than 60 customers in over 45 countries. For 24 years, mobile, fixed, Internet and multiplay Telco providers have used our capabilities to lead and innovate in their local markets, leveraging their core assets and their trusted agent and subscriber relationships.

We have been providing carrier-grade mobile money services to telecom operators for the last twelve years, and we have extended these capacities to provide full “end-to-end” and “any account to any account” Mobile Financial Services and International Money Transfers. Our HomeSend solution is the only mobile-centric international remittance hub to gain endorsement from the GSM Association and is recognised as the leading mobile-centric remittance hub in the world.

Our Value-Added Services in promotions, loyalty, and messaging enable service providers to engage with their subscribers in a personalised and dynamic manner to drive revenue, decrease churn, and provide new end-user services.

Strategic Transformation

As the landscape around us has reshaped and evolved, we have worked to position ourselves to rapidly respond to demand and to create value for our customers in both current and emerging markets. The first half of the 2011 financial year was thereby a time of transition in which we successfully managed to complete a large asset sale and refocus eServGlobal on higher potential markets. As part of this work, we launched a new corporate brand and put in significant effort to strengthen our existing relationships with partners like Nokia Siemens Networks.

In five short months, the business has successfully transitioned from the Intelligent Network (IN) market, which is dominated by large multinational telecommunications companies (such as Ericsson, Huawei, Alcatel-Lucent and NSN), to the Mobile Money and Value-Added Services markets for which there is presently no clear market leader. We made this move based on our clients’ interest and the industry’s high growth potential (Mobile Money is expected to enjoy 93% compound annual growth according to Greenwich Consulting).

The success of this transition has been pleasing. A year ago, at the end of H1 2010, eServGlobal announced a A$5.7M loss, cash reserves of A$3.4M, and declining revenues. Today, the company is pleased to announce an EBITDA profit of A$67.0M before restructuring and foreign exchange losses, cash reserves of A$70.4M (excluding A$24M held in escrow), and a stable revenue base in a high growth area. On an operational level, eServGlobal has and continues to undertake cost rationalisation exercises. There were significant sales wins with both Nokia Siemens Networks and with Ericsson and the strategy of upgrading our significant PayMobile customer base to integrated voucher management, recharge, and mobile money is yielding returns. The PromoMax product set has expanded based on our first win last financial year. These implementations are strong references for new potential customers and have cemented our place in the market.

Investing in Growth

In the last six months, we have invested heavily in eServGlobal's technologies and sales presence, and thereby secured our place as an industry leader in our fields of Mobile Money and Value-Added Services:

- Completed the integration of PayMobile in order to ensure a seamless upgrade process from voucher to electronic recharge as well as mobile wallets and international remittance
- Achieved an aggressive roadmap to ensure the technological pre-eminence of HomeSend, which has increased the global reach of the solution to Money Transfer Operators, Banks, Mobile Operators, and eWallet Providers around the world. As a result of this push, the HomeSend remittance platform is now the world's leading mobile to mobile multilateral remittance hub
- Modernised to a Java-based multi-tier architecture to increase flexibility and speed-to-market
- Benchmarked PromoMax for over 50 million subscribers per operator
- Extended capabilities of the SaaS platform, which has now been generalised to all products and services
- Extended FlexiContent's capabilities to act as a central gateway for subscribers to purchase premium content using their airtime accounts
- Developed new iPhone applications for PromoMax, PayMobile and HomeSend
- Increased sales presence in target markets in Africa and in Asia Pacific

One of the biggest investments that eServGlobal has made in technology is the creation of a next generation PRIME framework, which comes with a full set of pre-developed, ready-to-configure services, ranging from standalone pre-packaged solutions to customised multiplay offerings. This new multi-tier architecture allows operators to turn on and off applications and features while taking advantage of existing points of network integration, driving improved time to market and higher-margin cross sell opportunities.

HomeSend builds momentum

The HomeSend platform has built significant momentum in the first half of FY2011. In the last six months there have been two new go-lives, which effectively quadrupled the hub's corridors, and increased coverage to 50 million subscribers worldwide. There have also been significant partnerships signed with MFIC and with EastNets which pave the way for an extended geographic footprint. In February 2011 MTN Ghana joined the hub; MTN Group, who has over 100 million subscribers worldwide and is a pioneer in mobile money, will follow the launch closely with a view to bringing it to MTN's other operations later.

New SaaS division launched

SaaS delivery model continues success

- Following early success with the African Cup of Nations, our FlexiContent platform was adopted by more than a dozen operators during the 2010 football world cup in South Africa
- These operators saw significant gains in subscriber revenues from the launch of these direct-to-consumer services, which enable mobile operators to take a share of the burgeoning mobile content industry

New SaaS offerings launched

- PromoMax is now live in a SaaS model
- PayMobile's mobile money services now available in a SaaS model

Efficiency Improvements

Significant cost-cutting took place in H1 2010 in order to prepare the business for the push into the mobile money space and continued cost realignment is underway. We began FY2011 with a headcount of 534. Following the sale of to Oracle and after completing the restructuring underway, we anticipate starting FY2012 with approximately 40-45% of that number of staff. Moreover, as part of the ongoing cost realignment, the management structure was flattened considerably.

New Opportunities

We plan to drive revenue growth both organically and from new contracts through global partners like NSN. As the global telecoms market returns to growth, we expect to see increases in subscriber levels on our existing install base as well as increased interest from operators in purchasing new premium software and services. We are also pursuing smaller operators in emerging markets via our new Software as a Service platform and offering them a smooth migration path to deploy additional services.

Financial Review

The consolidated entity achieved sales revenue for the period of A$22.5M and gross profits of A$8.5M. EBITDA for the period was a profit of A$67.0M before non-recurring restructuring charges and foreign exchange losses (H1 2010 EBITDA loss: A$5.7M).

As part of our ongoing cost cutting plans, we incurred A$1.5M in non-recurring restructuring charges in the period. We have also felt the effects of the stronger Australian dollar, and recorded a A$2.0M foreign exchange loss for the half year.

The net result of the consolidated entity for the half year ended 31 December 2010 was a profit after tax and minority interest for the period of A$53.0M (H1 2010: A$11.9M loss after tax). Earnings per share were A$0.27 (H1 2010: loss per share A$0.06).

During the period, the cash flow for the period was a net inflow of A$74.0M primarily resulting from proceeds received of A$79.4M following the disposal of the USP business and assets. Cash at 31 December 2010 was A$70.4M after repaying A$5.8M in loans and unsecured bank overdraft facilities.

Development expenditure incurred during the period of A$0.7M was capitalised in the Statement of Financial Position in accordance with the group's accounting policies. The expenditure related to internally generated software comprising the HomeSend platform.

Craig Halliday, Chief Executive Officer, eServGlobal, said:

“Looking ahead, I believe there is huge potential, both within our company and our industry. This year we have laid the foundations for an eServGlobal that is stronger, flatter and better equipped for the journey ahead. We will continue to invest in our products and in our people and we will continue to lead and innovate in our markets.

We are seeing positive momentum in all of our new product lines, and strategies put in place during FY2010 are beginning to bear fruit. It is an exciting time to be a part of the mobile money ecosystem and we are looking forward to continuing to execute on our strategy over the next six months.”

Richard Mathews, Chairman, eServGlobal, said:

"In the year ahead, we expect our market to undergo a lot of changes, and I am particularly enthused to see several validating points for our strategy. At the Mobile World Congress in Barcelona it was clear that telecom operators and the industry are gearing up for a new phase of growth: there were a record number of attendees this year, and operators are looking for premium services that will help them stimulate revenue growth, engender subscriber loyalty, and drive new direct-to-consumer services to market.

We expect the next twelve months to be transformational for HomeSend as we pursue relationships with major operators around the world, and consensus is growing that mobile money will be the next big move to shake the industry. As new players come into this industry every day, the key will be to maintain our unique positioning as enabling the world's billion unbanked people to take part in the coming mobile revolution."

About eServGlobal

eServGlobal is listed on the Australian Securities Exchange (ESV) and the London Stock Exchange AIM (ESG).

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