



eServGlobal Limited (eServGlobal or the “Company”)

## Trading Update

Paris: 18 May 2016

**eServGlobal** (LSE: ESG.L & ASX: ESV.AX), the provider of end-to-end mobile financial services to emerging markets, provides the following trading update ahead of the release of its half year results for the six month period ended 30 April 2016 (“1H16”). The Company expects to publish the half-year results, after review by the auditors, by 30 June 2016.

### HIGHLIGHTS:

- Expected small EBITDA\* surplus for the core business for the full year
- Recovery in sales began in 2Q16 for the core business, evidenced by new projects and the improved sales pipeline for 2H16
- New contract announced to supply the Company’s PayMobile software, valued at €6.0m over five years, with approximately €2.5m forecast to be recognised within the current financial year
- Achievement of key strategic milestones in 1H16 have opened more opportunities for the HomeSend business, and the eServGlobal Board remains confident in expectations for the joint venture
- Loss making contracts entered into during 2014 and 2015 have now been either completed or conservatively provisioned
- The new senior management team has implemented systems to minimise the risk of future contractual issues which led to the losses in FY2015

At the AGM on 14 March, Executive Chairman John Conoley, stated that the Company would begin to recover 2Q16. The Board can confirm, based on significant orders received, that this recovery did indeed begin. The outcome of the previously announced restructuring is a substantially lower cost base for the year, and based on this and the recovery in sales, the Company confirms it remains on track to achieve a small EBITDA\* surplus for the core business. The Company expects to achieve operating cash breakeven on a monthly run rate basis in the final quarter of FY16.

The recovery in sales is evidenced by the two new project wins recently announced. The Company expects to report 1H16 revenue of €5.5m with a normalised EBITDA loss\* of between €4.5m - €5.0m. The recurring revenue plus the orders referenced above in 1H16 give the Company a good base from which to perform well in 2H16. Revenue and profitability is anticipated to be weighted to the second half due to the improved pipeline and an element of seasonality.

Following the restructuring in late 2015 the Board is pleased to report that there are clear signs that the changes implemented are improving the financial performance of the Company. Management focus on costs continued throughout 1H16 with total normalised\* costs tracking close to previous guidance. The overhead line is slightly behind plan, but more progress has been made on Cost of Sales than expected,

\* Normalised cost and EBITDA excludes non-operating and exceptional one-off costs including the equity accounted share of HomeSend results, foreign exchange gains or losses and share based payments.

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without adversely affecting customer service, product or quality. Assuming a reasonable sales mix, breakeven is expected to be achieved with revenues in the range of €19.0 – €20.0m.

A loan facility was agreed with Alphagen Volantis Fund Limited and the Alphagen Volantis Catalyst Fund Limited, part of Henderson Global Investors (“Hendersons”), on 23 March 2016, of €1.3m (GBP 1m), and the final €0.65m (GBP 500,000) will be drawn down imminently taking total Company indebtedness to €14.1m (GBP 11m) plus capitalised interest. This final tranche will enable the business to maintain its growing momentum. As previously indicated, the Company’s improving control of quality and process management continues to yield a better cash collection performance than in 2015. The continued attention to cost has further benefitted the cash performance.

In 1H16 HomeSend moved substantially beyond its initial objective of facilitating remittance transfers to mobile wallets in emerging markets, and is now firmly positioned to facilitate a growing range of international payments and transfers including transfers to developed markets and international disbursements.

**John Conoley, Executive Chairman, eServGlobal**, said, “HomeSend continues to make strong progress. The advent of several strategic milestones will be instrumental in moving HomeSend beyond its original role as a facilitator of remittance to emerging markets, to now lead the shift to digital in global international payments of any kind. Our confidence in this position is affirmed through delivered capabilities such as MasterCard Send, end-point bank account termination and digital wallet payouts. We are looking forward to seeing progress over the next few months.

“The major transformation of the core business of eServGlobal is now beginning to yield results. Year to date revenues, work in progress, maintenance and recurring revenues show that we can expect approximately €12.0m already for the year, meaning that we require in 2H16 about a further €7.5m of additional project revenue to reach revenue guidance. We can expect about half of that to come from existing customers, leaving €3.75m to be sourced from customers new to eServGlobal. Whilst challenging, it is not an unreasonable target to achieve breakeven, and we have a range of opportunities that we have been working on for many months to enable us to reach our target.”

### **Core Business Update | Mobile Financial Services**

During 1H15 eServGlobal announced a contract to supply its PayMobile software, valued at €6.0m over five years, approximately €2.5m is forecast to be recognised within the current financial year. This is evidence of the previously stated recovery in sales that was expected to begin in 2Q16. Additionally, in May, the Company announced a new contract win with a new customer in West Africa valued at €1.6m with €1.1m to be recognised in the current financial year.

PayMobile 3, the Company’s latest release of its proprietary software platform, has been key in opening up new opportunities for eServGlobal; it enables a wider approach to the market through channel partners, in addition to a direct sales approach. The Company is now seeing more opportunities from Latin America, the Far East and other parts of Africa. Expected order flow in 2H16 and future pipeline shows a diversification of geographical presence, and an improved risk profile for orders and cash flow.

PayMobile 3 is now established with multiple live reference sites. The Company is taking steps to consolidate this progress through the addition of a richer set of modules and functions. This includes an analytics product based on Big Data principles, which is already trialling in several customer sites. This product will enable a greater focus on recurring revenue, and is also expected to bring new opportunities for the PayMobile 3 software.

Loss making contracts entered into during 2014 and 2015, have now been either completed or conservatively provisioned. The last of these will be a €900,000 provision for a project which cannot be completed due to an irrecoverable debtor.

### **HomeSend Update | International Transfers and Payments**

HomeSend continues to progress against its objective to facilitate the “shift to digital” in international payments and transfers. The hub addresses the existing challenges of PSPs (Payment Service Providers) by offering a fully interoperable global network. The formation of the joint venture has enabled a significant expansion of end points, both sending and receiving, opening HomeSend to a larger remittance market and new market segments. The use cases for HomeSend enabled transfers continues to grow, supported by the key differentiators of providing a near instant transfer and transparency of transaction.

HomeSend is a disruptive technology that offers an alternative to the traditional international financial infrastructure. The payments hub is positioned as the centre-piece of an open and interoperable payments ecosystem with the ability to connect any PSP not just to eWallet Providers, MNOs and MTOs, but also Banks, Regulators, Disbursement Enablers, Micro-finance Institutions, Card Networks and Merchant Aggregators.

HomeSend can provide availability of funds in substantially shorter periods of time than international transfer organisations. HomeSend can perform international transfer to any account often in near real time; some transactions can take a maximum of 30 minutes. This is in comparison to Banks who typically offer international transfers in 1 - 5 working days.

HomeSend has stated publicly that they expect to reach breakeven during 2017. This is supported by the achievement of several strategic milestones, including the acquisition of a Payment Institution Licence and the move to a PCI-DSS Compliant Data Centre. These achievements will enable HomeSend to move forward on several fronts through the expansion of an ever-increasing range of use cases and reaching more and more transfer ‘end points’.

Notably, HomeSend will support the international payment and transfer functionality for MasterCard Send. This MasterCard product is now launching in the three ‘send-to-card’ markets, Russia, Ukraine and the Philippines, and a rollout is scheduled to continue for the next two and a half years covering a large number of countries.

HomeSend can also now support end-point bank account termination and disbursement from a digital wallet. These new use cases are in addition to existing significant coverage in reaching mobile wallets in emerging markets, such as the relationship with Vodafone to reach mobile wallets in Kenya, DRC, Ghana, Lesotho, Mozambique and Albania as well as existing relationships with top Global MTOs such as MoneyGram, WorldRemit, Azimo and Skrill. In two countries HomeSend has already captured a current share of the addressable market of over 10% of inbound remittances.

Corridor progress remains on track with over 3,800 live remittance corridors at the end of April 2016, connecting 200+ sending countries and 36 receiving countries. This progress is expected to continue in 2H16, the ‘network effect’ of adding new corridors will support transaction volume enablement initiatives.

The Board of eServGlobal has said it will consider its carrying valuation for HomeSend each six months. This was last considered in March, and the Board believes that progress is on track and therefore did not

require a change to the valuation. However, HomeSend is undergoing an exciting period of development, and the Board will be reviewing this valuation again in September.

eServGlobal's CTO, James Hume, has recently joined the Board of HomeSend. James has been involved in HomeSend from its earliest inception. His in-depth technical and market knowledge will be immensely valuable to the Board, and James is already working on additional projects shared between HomeSend and eServGlobal.

During 1H16 eServGlobal received the final escrow from MasterCard which enabled the completion of eServGlobal's €3.5m contribution to a capital raise in HomeSend. This ensured eServGlobal retains its 35% share. The continued financial focus on HomeSend has been important as it has enabled eServGlobal to retain key shareholder rights that underpin the value of this investment.

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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.

For more than 30 years, eServGlobal has been a source of innovation for telcos and financial institutions. Using carrier-grade, next-generation technology, eServGlobal aligns with the requirements of customers around the globe.

Together with MasterCard and BICS, eServGlobal is a joint venture partner of the HomeSend global payment hub, enabling cross-border money transfer between mobile wallets, cards, bank accounts or cash outlets from anywhere in the world.