eServGlobal Limited (eServGlobal, the "Group" or the "Company")
Paris: 20 December 2016

eServGlobal Results Commentary FY2016

eServGlobal (LSE: ESG.L & ASX: ESV.AX), the provider of innovative mobile financial technology, announces its preliminary results and ASX Appendix 4E for the financial year ended 31 October 2016.

Summary

- Revenue of A$21.6m (€14.5m) compared to the prior year of A$25.9m (€17.6m)
- Considerably reduced EBITDA loss of A$11.0m (€7.3m) compared to the prior year EBITDA loss of A$22.9m (€15.6m)
- Core mobile money business adjusted EBITDA loss of A$7.0m (€4.6m) compared to a prior year adjusted EBITDA loss of A$10.4m (€7.1m).
- Net loss after tax of A$21.7m (€14.5m) compared to a prior year loss of A$32.4m (€22.0m)
- Capitalised technology development costs of A$1.5m (€1.0m) in respect of PayMobile 3.0 mobile money platform. First channel partner signed.
- Cash and cash equivalents at 31 October 2016 of A$9.4m (€6.5m). Net cash flow used in operating activities decreased from A$15.7m (€10.7m) in FY15 to A$12.0m (€8.0m) in FY16
- Raised a total of A$26.2m (€17.5m) (net of expenses) through a Placing and Open Offer issuing 374.4 million ordinary shares
- Strengthened management team with appointment of Andrew Hayward as CFO

Summary Financials	FY16 Full Year A$m	FY16 Full Year €m+	FY15 Full Year A$m	FY15 Full Year €m+
Revenue	**21.6**	**14.5**	**25.9**	**17.6**
Cost of Sales	15.5	10.4	20.6	14.0
Gross Profit	**6.1**	**4.1**	**5.3**	**3.6**
Share of loss of associate	4.6	3.1	3.8	2.6
Adjusted Operating Costs*	14.8	9.9	17.1	11.6
Adjusted EBITDA (Core Business)**	**(7.0)**	**(4.6)**	**(10.4)**	**(7.1)**
Net Interest	(7.1)	(4.7)	(1.4)	(1.0)
Amortization	(3.0)	(2.0)	(1.9)	(1.3)
Depreciation	(0.1)	(0.1)	(0.1)	(0.1)
Adjusted PBT*	(17.2)	(11.4)	(13.8)	(9.5)
Reported PBT	(21.1)	(14.1)	(30.3)	(20.6)
Income Tax	0.6	0.4	2.1	1.4
PAT	**(21.7)**	**(14.5)**	**(32.4)**	**(22.0)**

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+Average exchange rate was 0.6671 EUROS to AUD (FY2015 0.6805)
* Excludes equity-accounted share of HomeSend loss of A$4.6m (FY2015 A$3.8m), foreign exchange gains of A$3.6m (FY2015 gain of A$0.8m), non-recurring costs of A$0.2m (FY2015 A$3.3m), share based payments of A$0.1m (FY2015 A$0.1m), goodwill impairment of nil (FY2015 A$4.0m) and debtor and work in progress provisions made after impairment re-assessment of prudent provisioning policies of A$2.7m (FY2015 A$6.9m)
** Excludes all items above (*) except goodwill impairment of nil (FY2015 A$4.0m) which is included in the profit and loss statement below the EBITDA total
Note: numbers in summary financials may not necessary total due to rounding

John Conoley, Executive Chairman, commented, "Although much of the revenue is yet to be recognised, we are pleased to see the increase in sales activity for the core business in the year to 31 October 2016, with a 60% increase in orders compared to the prior year, especially in light of the poor start to FY16. This includes a number of multi year contracts and a significant channel partner agreement. The year has demonstrated steady progress in the re-alignment of the business, and we are focused on pushing forward in 2017 to complete the turnaround of the core business.

"The potential of the HomeSend joint venture remains significant, with material progress made during the year at a strategic level. We look forward to the strategic developments evolving into operational progress throughout 2017.

"On behalf of eServGlobal, I would like to thank our investors for their continued support in 2016 and the staff for their hard work during a challenging period. We are confident we will provide further evidence of our success in the year ahead."

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The information communicated in this announcement contrain inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

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.

INTRODUCTION

This has been a year of steady progress in the realignment of the core mobile financial software solutions business and further strategic progress for HomeSend, the cross-border payments joint venture in which eServGlobal has a 35% holding. The market continues to evolve and mature and the opportunity remains significant. The shift towards completing simple and secure financial services, both domestically and cross-border via the mobile phone continues at pace. With 134 million active accounts, mobile money is nearing the same level of adoption as PayPal, which records 173 million active users globally[i]. The number of mobile phone subscribers worldwide is expected to increase by almost 1 billion new users by 2020, and over 90% of that growth is forecast to come from developing markets[ii], in regions where penetration of traditional financial services remains low. Through its full spectrum technology portfolio, eServGlobal is uniquely positioned to lead this transforming market.

FINANCIAL REVIEW

The Group achieved revenue for the year of A$21.6m (FY15: A$25.9m).

Earnings before interest, tax, depreciation and amortisation ("EBITDA") was a loss of A$11.0m after foreign exchange gains of A$3.6m and share based payments of A$0.1m (FY15: EBITDA loss of A$22.9m after foreign exchange gains of A$0.9m and share based payments of A$0.1m).

The net result of the consolidated entity for the year to 31 October 2016 was a loss after tax and minority interest for the period of A$21.7m (FY15: loss after tax and minority interest A$32.4m). Included in this result was an income tax expense of A$0.6m (FY15: income tax expense of A$2.1m). Loss per share was 6.0 cents (FY15: loss per share 12.3 cents).

The operating cash flow for the year was a net outflow of A$12.0m (FY15: net outflow A$15.7m). Total cash flow for the period was a net inflow of A$5.5m (FY15: net inflow of A$1.0m). Cash at 31 October 2016 was A$9.4m (31 October 2015: A$5.0m).

Adjusted EBITDA for the core business was a loss of A$7.0m (FY15: A$10.4m). The main adjustments to the total EBITDA loss of A$7.0m are for the equity-accounted share of the losses of the HomeSend joint venture company of A$4.6m and the debtor and work in progress provisions of A$2.7m made after impairment re-assessment of prudent provisioning policies, offset by foreign exchange gains of A$3.6m.

The full unaudited accounts are presented in the Appendix 4E.

OPERATIONAL REVIEW

Core – Mobile Financial Technology

As reported in the recent trading update, the total contracted bookings of over A$30.3m (€21.0m) was encourangingly 60% higher than in FY15. Contracts were signed at the year end where revenue recognition will fall into future years. The Company welcomes this return of sales activity, including multi-year contracts, however remains cognisant that there is no room for complacency going into the next financial year and beyond.

Adjusted operating costs in FY16 were A$14.8m (€9.9m), down from A$17.1m (€11.6m) in FY15 representing a 13.5% decrease. This is a significant achievement for the Company and has been achieved through focussed management and restructuring of the organisation.

A key strategic goal for FY16 was to diversify the sales process by working with channel partners. Initial success with this strategy was achieved in October when eServGlobal signed a major channel partnership for mobile financial technology in areas of Africa. This partnership is expected to bring significant growth in regional opportunities over the next five years.

HomeSend – Global Payments JV with MasterCard and BICS

FY16 was a year of strategic progress for HomeSend on several fronts, laying the foundations for operational advances in the coming year. During the year the joint venture achieved its objectives to secure a Payment Institutions License, move to a PCI-DSS compliant data centre, and, as a result, connect to the Mastercard core processing network, paving the way for access to more than 24,000 financial institutions.

These strategic acheivements have positioned the hub to now provide global payments functionality, significantly enlarging its target market to include global bank and card transfers. This marks an important evolution in the profile of HomeSend's customers. Early traction in this new market has been demonstrated by the launch of services with through Mastercard Send as well as with the agreement with KEB Hana Bank in Korea.

As the global shift to cashless transactions continues, HomeSend is well positioned to play a central role in cross-border digital transactions. In particular, it is playing an increasingly important role within Mastercard's suite of innovative payment methods to 'fight the war on cash'. Mastercard's Regional Sales teams are now engaged to promote HomeSend and have demonstrated early success.

The Board of eServGlobal is pleased with the continuing progress of the joint venture.

OUTLOOK

Looking forward, in FY17 we will continue to pursue our growth strategy for the core business while maintaining a focus on reducing costs. The Company is looking to new regions outside of the Middle East as well as increasing engagement with further channel partners. These efforts will be supported by our redesigned software platform, PayMobile 3, which is well positioned to grow sales following the increased order flow.

Total costs (incuding costs of sales) in FY16 were A$28.6m (€19.1m), and are expected to be reduced further to below A$26m (€18m) in FY17. The Board expects to break even at this level. Working capital and specifically cash collection remain a key focus of the business and continued enhancements in internal processes will be driven throughout the forthcoming year to reduce the debtor days further from the closing postion of 122 days down from 170 days in FY15.

The Company remains confident in the prospects for the HomeSend joint venture based on continued progress at a strategic level in 2016. This remains in a startup phase of development but the addition of key contracts coming on line in the forthcoming year, growth in revenue is expected to increase significantly. Further progress is expected to be made in 2017 reaching break even in the calendar year.

[i] GSMA, State of the Industry Report, 2015
[ii] GSMA, The Mobile Economy, 2016