



Money in Motion

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EML Payments Limited

18 January 2024

ASX Market Announcements

20 Bridge Street
SYDNEY NSW 2000

EML Payments to exit 'PCSIL' business

- The EML Board and the recently reconstituted PCSIL Board have determined to wind down the whole of the PCSIL business
- A liquidator has been provisionally appointed by the High Court of Ireland with immediate effect to conduct the wind down
- For EML, this concludes a period of significant earnings losses, cash burn and management distraction from operating PCSIL
- Going forward EML's remaining exposure to PCSIL is limited to:
 - ~A\$20 million of cash outflow, being the repayment of intercompany balances
 - ~A\$25 million non-cash impairment to EML's FY24 financial accounts, representing the removal of net assets of the PCSIL business and any associated intangibles
- Following the conclusion of the liquidation and repayment of the intercompany balances, EML expects free cash flow to materially improve
- EML's management resource, energy and capital can now be redirected to core businesses.

EML Payments Limited (ASX:EML) ("EML"), advises that after close of trading on Wednesday, 17 January 2024, the reconstituted Board of PFS Card Services Ireland Limited ("PCSIL"), recommended to the EML Board that PCSIL be closed to new business and wound down in a professional and orderly manner.

The PCSIL Board considered a number of strategic options and ultimately concluded that, although presently solvent, the PCSIL business was no longer commercially viable and sustainable and that it should seek the appointment of a provisional liquidator.

The PCSIL Board considered that PCSIL was subject to challenges including:

- Sustained earnings losses and substantial cash burn;
- Deteriorating trading performance across its small number of key customers which account for ~70% of PCSIL's revenues;
- Continued challenges with the effectiveness and scheduling of regulatory remediation works with an uncertain completion date;
- Severely challenged employee attraction and retention conditions coinciding with its declining operational performance;
- Limited commercial attractiveness to new clients due to the challenged operating environment; and



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- Significant and unsustainable capital investment requirements on IT and operational systems to ensure they are fit for purpose to satisfy regulatory requirements, operational efficiency and commercial competitiveness.

With the approval of the EML Board and having engaged with the Central Bank, PCSIL subsequently made a successful application to the High Court of Ireland for the appointment of a provisional liquidator. The Court appointed Interpath Advisory as provisional liquidator with effect from 3.35pm (GMT) Wednesday, 17 January 2024. Interpath Advisory are now in control of the entity, its day-to-day operations and wind-down.

EML's remaining cash exposure to PCSIL is limited to the repayment of ~A\$20 million of intercompany balances owed by EML Group entities to PCSIL, the bulk of which arose in 2022. This equates to the projected cash burn of PCSIL in FY24 alone, if the business continued to operate in its current form. Whilst the intercompany balances are at call, it is expected that repayment of this amount will occur towards the end of the liquidation in 9-12 months. As a result of the liquidation process, EML is no longer exposed to PCSIL's cash burn, which was likely to continue over the mid-term beyond FY24 (as outlined in EML's 29 November 2023 Trading and Strategic Review Update).

PCSIL will be deconsolidated from EML Group effective 16 January 2024. As set out above, a one-off non-cash impairment charge of ~A\$25 million will be recognised in the FY24 financial statements arising from the liquidation and representing the removal of net assets of the PCSIL business and any associated intangibles from EML's financial statements.

The EML Board considers that the wind down of PCSIL is in the best interests of its shareholders. The wind down of PCSIL is not expected to impact on EML's previously stated FY24 guidance in EML's 29 November 2023 Trading and Strategic Review Update.

EML re-affirms the commitment it made at the FY23 Results Presentation to effectively resolve loss making entities in FY24. The appointment of the provisional liquidators and completion of the liquidation remove PCSIL's expected future negative earnings and cash burn impact on EML.

EML's other businesses, including its European Gift and Incentive (G&I) business and UK general purpose reloadable business ("PFSL" or "UK GPR") are unaffected by this decision. UK GPR is in the process of being structurally separated from the PCSIL business and will operate on a standalone basis.

While this announcement is an important milestone in EML's strategic review to maximise shareholder value, the review is ongoing.

EML's Chairman, Luke Bortoli, said:



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"Following a detailed analysis, the PCSIL Board has made the decision to wind down PCSIL with the support of the EML Board. We have determined this is in the best interests of the broader EML Group and our shareholders, given our focus to simplify the EML business and focus on our core businesses. PCSIL is not commercially viable for future investment, and this decision will allow EML to redirect management resource and capital to our core businesses".

About EML Payments Limited

EML Payments is a global payments company that operates in Australia, the UK, Europe, and the US. Our customers are diverse and include major banks in Europe, government, retail brands and financial services companies. For more information: [EMLPayments.com](https://emlpayments.com)

This announcement has been authorised for release by the Board of Directors.

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