

EML Payments

More work to do in Europe

Compliance update

Software and comp services

25 July 2022

Price **A\$1.20**
Market cap **A\$448m**

Net cash (A\$m) at end H122 0.2
 Shares in issue 373.4m
 Free float 93%
 Code EML
 Primary exchange ASX
 Secondary exchange N/A

Share price performance



Business description

EML Payments is a payment solutions company managing thousands of programmes across 27 countries in Europe, North America and Australia. It provides payment solutions for banking, credit and disbursement services, earned wage access, gifts, incentives and rewards, and open banking and FX.

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Recent engagement with the Central Bank of Ireland (CBI) has confirmed that EML Payments' Irish subsidiary will need to undertake further work to meet the CBI's risk assessment requirements. This is likely to push the final third-party validation process into 2023. Interest rate rises in Europe should go some way to offset additional compliance costs. We maintain our forecasts pending FY22 results on 22 August.

Year end	Revenue (A\$m)	PBT* (A\$m)	NPATA** (A\$m)	Diluted EPS* (c)	DPS (c)	P/E (x)	EV/EBITDA (x)
06/20	121.0	21.6	21.0	5.5	0	16.9	9.4
06/21	192.2	30.2	21.0	6.6	0	14.1	7.2
06/22e	229.1	20.1	15.5	4.3	0	21.8	8.2
06/23e	255.5	36.1	31.4	7.6	0	12.2	5.2

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **NPATA = net profit after tax, excluding acquisition-related costs.

EML Payments has provided an update regarding the ongoing regulatory issues between its Irish subsidiary, PFS Card Services (Ireland) Limited (PCSIL), and the CBI. EML's remediation plan had a target completion date of 30 June, to be followed by a third-party assurance process. In this update, EML notes that the CBI has identified shortcomings in components of the remediation programme, principally the sequencing and approach taken to the risk assessment of its distributors, corporates and customers. PCSIL will adopt a revised approach to those components, which may include additional controls being embedded in its internal control framework. It anticipates the third-party assurance being finalised in 2023. Separately, EML notes that the European Central Bank cash rate rise of 0.5% (21 July) should benefit its European business by c A\$4m on an annual basis. We note that Euro-based float was worth c A\$800m at the end of Q322.

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