



Anthony Hynes
Executive Chair, EML Payments
Level 12
333 Ann Street
Brisbane QLD 4500

January 24, 2025

Dear Mr Hynes,

In the wake of the recent abrupt firing of our Company's newly-appointed CEO, Mr Ron Hynes, I am writing to you as a long-term, long-suffering shareholder to urge the Board to immediately hire bankers and conduct a full sales process.¹ There are many obvious financial and strategic reasons for doing so, but the most salient one is this: after this most recent management debacle, whatever reservoirs of patience that remained amongst the investor base have been completely exhausted. As such, EML will never achieve a reasonable valuation whilst it remains a listed entity – and because of this, it is imperative EML consider fully all strategic alternatives *now*, with the business cleansed of legacy issues, but *before* it embarks on the aggressive turnaround plan recently outlined.

Business turnarounds always carry risk, and here, with shareholder fatigue so palpable, the perceived out-year reward of a massive equity rerating (upon execution of the turnaround) is unlikely. The name 'EML' in the Australian public markets is, at this point, simply too tainted to fix. Rather, the Board should concentrate on delivering the certain value of a near-term sale at a huge premium to current prices – an outcome that would be welcomed, in my view, by the entire register.

¹ See Company announcement, 'Leadership Changes', December 23, 2024.
<https://announcements.asx.com.au/asxpdf/20241223/pdf/06cz8v5byhwsvr.pdf>

The EML equity story is simply irreparable

While you are new to the company, we must remember that this latest fiasco is hardly an unusual occurrence at EML. Ever since Mr Cregan left the company in 2022, shareholders have endured a cavalcade of mostly self-inflicted disasters: the value-obliterating acquisitions of PFS and Sentenial; the revolving door at the CEO position, going through four different chief executives in a three year period; and even the hugely embarrassing expose of inappropriate expense claims by the former Chairman (which led to his removal).²

Indeed, Mr Hynes' hiring-then-firing only further underlines EML's chronic inability to manage its affairs in a manner befitting a listed company. The announcement came mere days before Christmas, delivered into an illiquid market and with nary an explanation - just a month after Mr Hynes had presented an ambitious, multi-year turnaround plan ('EML 2.0') as its key architect. While the shares promptly fell 20% (and have barely recovered), the main reaction amongst the investor base was resignation rather than surprise. It is this entrenched, terminal apathy that necessitates a sale of the business.

Simply put, your investors have had enough. Most of the register will not sign up for yet another turnaround plan under yet another new CEO (let alone any prospective new investors). And this unfortunate reality is why the stock trades for just 5x EV/EBITDA - amongst the lowest outright valuations for a payments stock in listed developed markets – reflecting near-zero appetite for the 'return to growth' story currently being proffered to the market. Rather than persisting in futility as a listed entity, then, management should explore what an auction process could achieve *right now* for shareholders.

A full sale of the business could result in 100% upside for our stock

It is my strong contention that our Company could sell for anywhere between \$1.5 and \$1.7 a share – that is, a 100% premium to current prices – offering a huge windfall, and certainty of value, from current levels. I have compiled a list of every relevant comparable payments industry transaction (that I could find) in the last seven years, spanning many different geographies, sizes, specific verticals, and market environments.³ As outlined in Appendix A, the dataset suggests median transaction multiples of 5.5x LTM EV/Revenues and 17x LTM EV/EBITDA. Meanwhile, our Company today trades at 1.4x EV/Revenues and 5x EV/EBITDA. Even accounting for important business model differences, and EML's specific heavier reliance on interest revenue than some of these other comps, the disparity in valuation remains gargantuan.

Of particular note, the company most similar to EML's core G&I segment – Blackhawk Network, a pure-play gift and incentives business bought by SilverLake in 2018 – was acquired

² As reported in the *Australian Financial Review*, see 'EML Payments chairman's corporate credit card ignites boardroom clash', August 15, 2024. <https://www.afr.com/companies/financial-services/eml-payments-chairman-s-corporate-credit-card-ignites-boardroom-clash-20240813-p5k1zd>

³ See Appendix A, 'Comparable Transaction Analysis'

at 15x EV/EBITDA: that is, more or less triple the multiple our Company garners today in the market. Any way you slice it, there are many, many turns of upside for shareholders in a properly-conducted sale, even if such a process achieved only the lower end of comp multiples on the extant business today.

As you know (having sold your own payments business historically), a key reason why transaction multiples in the payments industry screen highly is because many of these businesses offer recurring, high-gross margin revenue streams that can be denuded of central/corporate overheads and thus become much more profitable to the acquirer. At EML, *central costs and overheads alone were specifically disclosed to consume \$18mm last year – a full 12% of non-interest revenue and 35% of reported EBITDA! – and it is my belief any strategic acquirer could remove most of these costs.*⁴ Naturally, there would be further substantial synergies within the pure opex envelope, as well.

This is of special relevance to EML, today, as the Company purports to rebuild its platform for growth. *Capitalized synergy value – a number that to my mind could easily top \$100mm, or 30c per share alone – is value that management is explicitly choosing to forgo, in order to pursue its risky new business plan, if it chooses not to sell.* But in reality it is worse than this. Non-interest revenues have not grown in three years, and yet corporate overheads have exploded, to the tune of \$35mm in cost inflation since FY21⁵ – and now, under ‘EML 2.0’, shareholders are being served up even more investment into the business. Why should shareholders underwrite this plan when we could alternatively sell up and get paid a (high) multiple on money already spent?

In sum, I believe even a mediocre outcome from a full sales process – now that the legacy PCSIL and Sentenial issues have finally been resolved – could generate something like 8-10x standalone EV/EBITDA, along with at least \$50mm of value for capitalized synergies. Against management’s guidance of \$60mm EBITDA this year – even assuming no further growth in the business after that – would get us to \$1.50-\$1.70 per share, or a clean double from current trading levels.

In the face of such a large quantum of upside, it is imperative the Board at least present shareholders with the opportunity to consider this prospect – *before* the Company begins the full implementation of a yet another interminable turnaround. That is why the Company should hire advisors and conduct a strategic alternatives process, as soon as practicable. I would also encourage you to canvas the opinions of other shareholders, both large and small, as I am quite confident you will find my sentiments echoed by all and sundry.

⁴ See Company announcement, ‘EML 2.0 Strategic Plan Investor Presentation and Trading Update’, November 26, 2024, slide deck p. 31, ‘Global Operating Model’, for disclosure of these discrete corporate and central overheads. <https://announcements.asx.com.au/asxpdf/20241126/pdf/06bv8k7xcckcbz.pdf>

⁵ Reconciled from Company filings. In FY24 underlying business opex, corporate overheads; and central costs amounted to \$112mm; in FY21 this number was \$77mm.

I remain at your disposal to discuss all the contents herein.

Very sincerely yours,

A handwritten signature in black ink, appearing to read "Jeremy Raper". The signature is fluid and cursive, with the first name "Jeremy" written in a larger, more prominent script than the last name "Raper".

Jeremy Raper

Appendix A: Comparable Transaction Analysis, 2017-2024

Date	Target	Acquirer	Geography	Market Cap (US\$ bn)	LTM EV/Revenue (x)	LTM EV/EBITDA (x)
Jul-23	Worldpay	GTCR		17.5		9.8x
Jun-23	Network International Holdings	Brookfield	Middle East	2.8	5.7x	15.9x
Apr-23	Nuvei	Advent International	Canada	6.3	5.3x	12.5x
Jan-23	Paya Holdings	Nuvei	US	1.4	5.0x	19.4x
Oct-22	Pushpay	Sixth Street & BGH Capital	NZ	1	4.8x	18.5x
Sep-22	BTRS Holdings	EQT Partners	US	1.6	8.4x	
Aug-22	EVO Payments	Global Payments	US	4	7.5x	20.4x
Mar-22	Prisma Medios de Pago	Advent International	Argentina	0.7		3.8x
Mar-22	Credorax (USA)	Shift4 Payments	US	0.5		17.5x
Feb-22	Payrix	Fidelity National Information Services	US	0.8	23.0x	
Aug-21	Afterpay	Square	Australia	27.1	39.8x	
May-21	Divvy	Bill.com	US	2.5	25.0x	
Apr-21	First American Payment Systems	Deluxe	US	1	3.3x	16.4x
Feb-21	JHD	East Stone Acquisition Corp	China	1	12.5x	
Feb-21	Payoneer	FTAC Olympus Acquisition Corp	US	3.3	9.5x	
Dec-20	ANZ Bank (Merchant Acquiring business)	Worldline	Australia	0.7	5.3x	
Dec-20	Paysafe Group	Foley Trasimene Acquisition Corp	UK	5.6	4.0x	11.5x
Nov-20	Nets	Nexi	Denmark	9.5	7.1x	40.7x
Oct-20	SIA	Nexi	Italy	6.2	9.3x	19.1x
Aug-20	Paya	FinTech Acquisition Corp	US	1.3	6.3x	24.5x
Jun-20	Trustly Group	BlackRock Consortium	Sweden	1	6.8x	
Feb-20	Ingenico Group	Worldline	France	10.1	2.7x	15.1x
Dec-19	Intesa Sanpaolo (Merchant Banking business)	Nexi	Italy	1.1	9.3x	
May-19	Total System Services	Global Payments	US	25.9	6.4x	18.6x
May-19	SafeCharge	Nuvei	Canada	0.9		17.7x
Mar-19	Worldpay	Fidelity National Information Services	US	43	11.0x	22.7x
Jan-19	First Data	Fiserv	US	39	4.1x	12.0x
May-18	SIX Payment Services	Worldline	Switzerland	2.7	4.4x	27.1x
Apr-18	VeriFone Systems	BC Investment; Francisco Partners	US	3.2	1.7x	9.3x
Jan-18	Blackhawk Network	SilverLake; P2 Capital	US	3.5	3.3x	15.5x
Sep-17	Nets	Hellman & Friedman	Denmark	6.6		14.1x
Aug-17	Worldpay	Vantiv	US	12.1	2.0x	19.9x
Jul-17	Paysafe Group	Blackstone; CVC	UK	4.1	3.9x	12.7x
May-17	CardConnect	First Data	US	0.6	1.0x	15.5x
Jan-17	ConCardis	Advent International; Bain Capital	Germany	0.7	1.5x	17.5x
				Median (x)	5.5x	17.0x