eServGlobal Limited

eServGlobal Interim Results: H1 FY2012

Paris: 29 June 2012

eServGlobal (LSE: ESG & ASX: ESV), a global telecoms software vendor specializing in Mobile Money and Value-Added Services is pleased to announce its unaudited interim results for the six months ended 30 April 2012.

Financial Highlights

Results are presented with comparisons against the H1 FY2011 period covering 1 July 2010 to 31 December 2010 unless otherwise noted.

- H1 FY2012 revenue of A$12.6m (vs. A$7.0M for the 4 month accounting period from 1 July to 31 October 2011). Monthly revenues in H1 FY2012 of A$2.1M show a 20% increase (vs. monthly revenues of A$1.8M in the 4 month accounting period).
- Recurring revenues increased to 62% of total (vs. 48% in H1 FY2011)
- Improvement of Gross Margin against H1 FY2011 (40% vs. 38%)
- Operating expenses reduced by 39% against H1 FY2011 (A$9.3M vs. A$15.3M) due to substantial cost reductions
- Adjusted EBITDA loss of A$4.3M, an improvement of A$2.6M over H1 FY2011
- Cash and cash equivalents at 30 April 2012 of A$2.6M (excluding USP Asset proceeds held in escrow of $11.3M) after returning A$57M in cash to shareholders prior to the period

	H1 FY12 A$M	H1 FY12 £M+
Revenue	$12.6 M	£8.3 M
Cost of sales	-$7.6 M	-£5.0 M
Gross profit	$5.0 M	£3.3 M
Adjusted Operating Costs*	-$9.3 M	-£6.1 M
Adjusted EBITDA*	-$4.3 M	-£2.8 M
Net Interest	-$0.3 M	-£0.3 M
Amortization	-$2.3 M	-£1.5 M
Depreciation	-$0.4 M	-£0.2 M
Adjusted PBT*	-$7.3 M	-£4.8 M

Operational Highlights

Continued growth of the customer base and building on our key reference customers in mobile money and recharge

Key operational metrics

- 80+ customers using our mobile money, international remittance, recharge, and value-added services technologies, including 8 new customers added during the half year (+38% in past two years)
- 40+ recharge, mobile money, and HomeSend customers (+40% in past two years)
- 380 million HomeSend subscribers covered (+616% in past two years)
- Staff base significantly reoriented to countries with more competitive cost bases (doubled the portion of staff in lower cost countries over the past two years)
- Multiple customer launches in the period including new domestic mobile money installations in the Indian subcontinent and in Indonesia

Craig Halliday, Chief Executive Officer, commented: “It has been a building year for eServGlobal and we are delighted with the increase in HomeSend contract coverage to seven multinational organizations and 380 million subscribers. Despite instability in the Middle East over the last year, we increased revenue in the first half of this year by 20% over the monthly run rate for the preceding four month period. The region has continued to stabilize and we have built up our presence in Asia Pacific and the Indian Subcontinent leading to an increased deal pipeline in the second half of the year. Based on this strengthened pipeline we anticipate that revenue will continue to improve in the second half of the year and in FY2013.”

+Average exchange rates used over the period of 0.658 GBP to AUD.
*Excludes Foreign Exchange impact of A$2.4M and non-recurring costs of A$1.4M.

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About eServGlobal

eServGlobal specializes in Mobile Money solutions and Value-Added Services (VAS) that help Mobile and Financial Service Providers increase their revenue and gain and maintain customer ownership. eServGlobal invests heavily in product development, using carrier-grade, next-generation technology and aligning with the requirements of more than 80 customers in over 55 countries.

Operational Review

Domestic mobile money and recharge services are being delivered to over 20 customers worldwide, and gaining global market access via a growing partner base. Developments during the period include:

- We are working with Wincor Nixdorf, one of the largest ATM and Point of Sale providers in the world, to offer a solution that enables customers using eServGlobal's mobile money services to load, withdraw and transfer money, and access their mobile money accounts from Wincor Nixdorf ATMs. This partnership endorses the security and the scalability of eServGlobal's mobile money technology.
- During the period we also saw strong success with several live mobile money deployments in emerging markets. In Nepal, we are providing bill payment services to the mobile subscribers of one of the country's largest mobile operators. Prior to deploying our service, paying bills in Nepal was a costly and time-consuming experience that often entailed significant revenue leakage. With our mobile money solution, customers can now pay bills quickly and cheaply without the need for a bank account or a credit card. It has already seen strong success and fast user adoption as subscribers can top up their mobile wallets from the thousands of sales agents associated with the operator, most of whom already have several years of experience in selling airtime controlled by eServGlobal's PayMobile platform.
- The Company secured multiple license extensions during the half-year period with fast-growing top tier mobile operators demonstrating the versatility and scalability of the platform.

HomeSend, the innovative mobile to mobile multilateral remittance hub, is building momentum with global coverage and 7 multinational agreements increasing coverage to approximately 380 million subscribers (+30 million subscribers during the period) due to the addition of seven new hub members including three multinational operators.

- With over 380 million subscribers covered under contracts signed at the time of publishing (June 2012), HomeSend is meeting business plans for subscriber coverage metrics and has established itself as the premier provider of international mobile remittance.
- Earlier this year the CGAP (Consultative Group for the Assistance of the Poor) study on international remittances identified HomeSend as a disruptive, market leading technology and "one of the most intriguing innovations in the mobile international remittance market community… [which] would lend itself to reaching more people, faster, and would likely lead to greater financial inclusion."
- With top-tier clients and partners including multinational groups such as MTN and Qtel, HomeSend is building a truly global footprint and is securing a strategic foothold in what will be a very important market in the coming years.
- HomeSend continued to increase its coverage during the period with remittance corridors between the United Kingdom, Belgium, Morocco, the Philippines, Vietnam, Nepal, China, Ghana, Australia, Pakistan, and Qatar. New multinational agreements ultimately extend the service throughout Asia, the Middle East, Africa, Europe, and the CIS region.
- The Australian market is starting live transactions on corridors to Asia, and LycaMoney in the UK has taken its services live.
- Based on the strength of the HomeSend proposition in three of our live countries, we have extended our reach from one to multiple receiving entities in each of these regions. We have also signed an additional, anonymous, multinational agreement bringing significant new corridors.

Market Review

As emerging markets develop and grow it is increasingly important for businesses, governments, and individuals to shift away from cash and towards the use of electronically stored and transferred funds. However, in many of these regions the banking infrastructure does not exist in a manner that is accessible and financially viable for the majority of the population. Our proven experience as providers of mobile recharge and value-added services positions us to take advantage of existing mobile infrastructure to deliver mobile money services that are faster, cheaper and easier to use than the current alternatives.

In developed markets, mobile commerce is spreading rapidly, making mobile payments a reality. Trust and convenience will be the key drivers to user adoption. These markets are swiftly moving towards a payment landscape where one electronic wallet combines all the promotions, coupons and payment methods a user desires and is easily accessible through methods such as contactless payment terminals or ATMs. eServGlobal has a long and successful track record of bridging the divide between technologies suited to developed economies and those applicable in emerging markets, with innovations such as the HomeSend technology.

eServGlobal's mobile money and recharge suite manages approximately €3.5 billion in transactions per year on behalf of mobile operators and financial service providers. The mobile money suite adapts to the differing needs of companies in emerging markets, where we help operators to leverage their airtime sales team and distribution network to provide mobile money services for the unbanked. In developed markets, we play a mobilizing role for the existing financial structure, creating mobile accounts linked to prepaid debit cards, integrated with ATMs, using contactless technologies such as NFC or 2D barcode readers and combining mobile money and promotion services. We bridge the two worlds via our market-leading offering, HomeSend, the only mobile-centric international remittance hub endorsed by the GSM Association and which is offered by BICS, our strategic business partner, based on an eServGlobal technology. Person-to-person remittances are predicted to grow every year and are forecast to exceed international foreign aid, making this an extraordinarily interesting, competitive and lucrative market. HomeSend has the partners, the technology and the foothold to build a leading position in mobile international remittances.

eServGlobal's highly adaptable mobile money suite manages mobile airtime recharge services for over 20 mobile operators around the world. These operators cover a quarter of a billion subscribers and represent a growing demographic. Prepaid is the fastest growing sector in the mobile industry and eServGlobal helps operators to provide services ranging from physical voucher-based top-up solutions to highly sophisticated airtime sales programs delivering convergent voucher-based and electronic recharge with multi-tiered sales and distribution management facilities. Our recharge services ensure that operators are armed with a well-incented sales team, a cost-efficient top-up mechanism and an easy-to-use subscriber interface, which are the key tools required to create market growth for years to come.

Financial Review

The consolidated entity achieved sales revenue for the period of A$12.6M compared A$7.0M revenues in the prior reported four month period (20% increase on a monthly basis). This shows a decrease over H1 FY2011 ending in December 2010 due to the sale of the USP business and assets to Oracle in August 2010 and the transition of the remaining USP support agreements to Oracle.

The gross profit realised was A$5.0M (gross profit margin: 40%) (6 months to 31 December 2010 A$8.5M (gross profit margin: 38%)) due to the continuing phase-out of USP revenues. As per presentation methods employed by the Company, the unadjusted EBITDA including interest revenues for the period was a loss of $7.8M (6 months to 31 December 2010 EBITDA profit A$63.5M). The adjusted EBITDA for the period was a loss of A$4.3M after accounting for A$1.4M in non-recurring costs and foreign exchange losses of A$2.4M.

Operating expenditures in the period were reduced by 39% over the prior period through realising significant cost savings undertaken over the course of the past year and a half.

The net result of the consolidated entity for the half year ended 30 April 2012 was a loss after tax and minority interest for the period of A$11.3M (6 months to 31 December 2010 A$53.0M profit after tax). Note that the large EBITDA profit in H1 FY2011 was due to the sale of the USP Business and Assets. The Adjusted EBITDA for the period was a loss of A$6.9M. Loss per share was 5.7 cents (6 months to 31 December 2010: earnings per share 26.9 cents).

In accordance with the Group's accounting policies, development expenditure incurred during the period of A$0.6M was capitalised in the Statement of Financial Position. The expenditure related to internally generated software comprising the HomeSend platform.

During the period, the cash flow for the period was a net outflow of A$7.5M primarily resulting from the payment of A$7.6M of income tax. Cash at 30 April 2012 was A$2.6M excluding A$11.3M in anticipated escrow receipts.

Condensed consolidated statement of comprehensive income
for the half-year ended 30 April 2012

The prior reported four month reporting period has been inserted to provide a more meaningful comparison

	Consolidated		
	Half-Year Ended 30 April 2012 $'000	4 Months Ended 31 Oct 2011 $'000	Half-Year Ended 31 December 2010 $'000
Revenue	12,599	7,017	22,471
Cost of sales	(7,609)	(4,234)	(13,944)
Gross profit	4,990	2,783	8,527
Gain on disposal of business	-	-	72,088
Interest income	290	769	1,839
Research and development expenses	(893)	(547)	(3,135)
Sales and marketing expenses	(3,282)	(2,782)	(4,854)
Administration expenses	(8,869)	(6,409)	(10,964)
Earnings / (loss) before interest expense, tax, depreciation and amortisation	**(7,764)**	**(6,186)**	**63,501**
Amortisation expense	(2,306)	(1,581)	(3,193)
Depreciation expense	(353)	(326)	(816)
Earnings / (loss) before interest expense and tax	**(10,423)**	(8,093)	**59,492**
Finance costs	(674)	(605)	(69)
Profit / (loss) before tax	**(11,097)**	**(8,698)**	**59,423**
Income tax benefit / (expense)	(114)	(560)	(6,234)
Profit / (loss) for the period	**(11,211)**	**(9,258)**	**53,189**
Other comprehensive income (loss)			
Exchange differences arising on the translation of foreign operations	614	146	(1,443)
Total comprehensive income (loss) for the period	**(10,597)**	**(9,112)**	**51,746**
Profit (loss) attributable to:			
Equity holders of the parent	(11,278)	(9,304)	53,040
Non controlling interest	67	46	149
	(11,211)	**(9,258)**	**53,189**
Total comprehensive income (loss) attributable to:			
Equity holders of the parent	**(10,630)**	(9,158)	**51,597**
Non controlling interest	**33**	46	**149**
	(10,597)	**(9,112)**	**51,746**
Earnings (loss) per share:			
Basic (cents per share)	**(5.7)**	**(4.7)**	**26.9**
Diluted (cents per share)	**(5.7)**	**(4.7)**	**26.9**

Condensed consolidated statement of financial position
as at 30 April 2012

	30 April 2012 $'000	31 October 2011 $'000
Current Assets		
Cash and cash equivalents	2,626	10,129
Trade and other receivables	25,940	40,425
Inventories	160	170
Current tax assets	90	90
Total Current Assets	28,816	50,814
Non-Current Assets		
Property, plant and equipment	1,199	1,541
Deferred tax assets	5,368	5,359
Goodwill	5,993	6,382
Other receivables	-	-
Other intangible assets	4,790	6,808
Total Non-Current Assets	17,350	20,090
Total Assets	46,166	70,904
Current Liabilities		
Trade and other payables	8,817	15,247
Borrowings	14,500	14,000
Current tax payables	69	6,904
Provisions	1,738	2,515
Other	1,953	2,190
Total Current Liabilities	27,077	40,856
Non-Current Liabilities		
Deferred tax liabilities	376	790
Provisions	437	385
Total Non-Current Liabilities	813	1,175
Total Liabilities	27,890	42,031
Net Assets	18,276	28,873
Equity		
Issued capital	90,770	90,770
Reserves	(1,335)	(1,983)
Accumulated Losses	(71,262)	(59,984)
Parent entity interest	18,173	28,803
Non controlling interest	103	70
Total Equity	18,276	28,873

Condensed consolidated statement of changes in equity
for the half-year ended 30 April 2012

	Issued Capital $'000	Foreign Currency Translation Reserve $'000	Employee equity-settled benefits Reserve $'000	Accumulated Losses $'000	Attributable to owners of the parent $'000	Non controlling Interest $'000	Total $'000
Consolidated							
Balance at 1 November 2011	90,770	(3,376)	1,393	(59,984)	28,803	70	28,873
Profit for the period	-	-	-	(11,278)	(11,278)	67	(11,211)
Exchange differences arising on translation of foreign operations	-	648	-	-	648	(34)	614
Total comprehensive profit for the period	-	648	-	(11,278)	(10,630)	33	(10,597)
Equity settled payments	-	-	-	-	-	-	-
Balance at 30 April 2012	90,770	(2,728)	1,393	(71,262)	18,173	103	18,276
Balance at 1 July 2010	123,946	(2,463)	897	(65,781)	56,599	165	56,764
Profit for the period	-	-	-	53,040	53,040	149	53,189
Exchange differences arising on translation of foreign operations	-	(1,443)	-	-	(1,443)	-	(1,443)
Total comprehensive profit for the period	-	(1,443)	-	53,040	51,597	149	51,746
Equity settled payments	-	-	(10)	-	(10)	-	(10)
Balance at 31 December 2010	123,946	(3,906)	887	(12,741)	108,186	314	108,500

Condensed consolidated statement of cash flows
for the half-year ended 30 April 2012

The prior reported four month reporting period has been inserted to provide a more meaningful comparison

	Consolidated		
	Half-Year Ended 30 April 2012 $'000	4 Months Ended 31 Oct 2011 $'000	Half-Year Ended 31 December 2010 $'000
Cash Flows from Operating Activities			
Receipts from customers	15,424	11,007	30,490
Payments to suppliers and employees	(27,017)	(19,067)	(38,139)
Interest and other costs of finance paid	(654)	(331)	(69)
Income tax refunded / (paid)	(7,556)	(448)	1,217
Net cash used in operating activities	(19,803)	(8,839)	(6,501)
Cash Flows From Investing Activities			
Proceeds from disposal of assets	11,500	-	79,439
Interest received	968	1,817	1,839
Payment for property, plant and equipment	(35)	(29)	-
Software development costs	(586)	(500)	(749)
Net cash from/(used in) investing activities	11,847	1,288	80,529
Cash Flows From Financing Activities			
Dividends paid	-	(23,910)	-
Capital distribution	-	(33,176)	-
Repayment of loan	(2,000)	-	-
Proceeds from borrowings	2,500	14,000	-
Net cash from/(used in) financing activities	500	(43,086)	-
Net increase/(decrease) In Cash and Cash Equivalents	(7,456)	(50,637)	74,028
Cash At The Beginning Of The Period	10,129	60,820	(3,569)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(47)	(54)	(12)
Cash and Cash Equivalents At The End Of The Period	2,626	10,129	70,447