eServGlobal Limited (eServGlobal or the "Company")

Results Commentary, Debt Extension and Outlook

Sydney: 29 June 2017

eServGlobal (LSE: ESG.L & ASX: ESV.AX), the provider of innovative mobile financial technology, today presents its results for the six month period ending 30 April 2017.

Homesend is experiencing a sales expansion which it expects to become more significant across the remainder of 2017. HomeSend has now signed agreements with several banks and is supporting further bank agreements through Mastercard Send. Based on the events of the first half of this financial year, the eServGlobal Board expects the value of this investment to significantly increase over the remainder of the financial year.

Revenue in the core business is €4.1M for H1 2017 (H1 2016: €5.5M). However, the quality and geographical diversity of the pipeline for the Company's core business, positively supported by our efforts to extend our reach beyond a concentrated area of the Middle East, provides a strong outlook for the year giving the Board current visibility of a revenue range of €15.0M to €19.0M in the 14 months to December 2017 and further prospecting continues. In support of this revenue range, the Board continues to explore opportunities for further cost efficiencies.

HomeSend update

The development of HomeSend's overall bank opportunity has proceeded extremely well. Through the partnerships already signed, there is the potential for significant transaction volumes, the timing of which will become clearer through ongoing implementation. This builds on the major banking partner agreement with KEB Hana Bank, signed late last year, which has achieved its first live transactions with the potential for significant volumes as the corridor roll out progresses. In addition to this, HomeSend is also exploring other potential routes to market, including through e-commerce.

HomeSend revenue to this point has been driven by the continuing increase in service offering to existing signed and announced Mobile Network Operators and Money Transfer Organisations. Volumes are expected to be substantially supplemented by existing and new bank agreements.

The sales opportunity is much larger than originally expected by eServGlobal and is evidenced by current engagements in process in the banking sector which are far more varied than anticipated. The products and services developed are highly applicable to small and medium banks. Current experience with large banks and other organisations, including some significant ongoing contract opportunities, shows that the HomeSend network is even better positioned to address the banking market than the eServGlobal Board had previously anticipated.

Core business update

Revenue is €4.1M for H1 2017 (H1 2016: €5.5M). This reduction in revenue was mainly due to specific timing challenges around one new and one existing contracts. The effect was partially mitigated around achieving some further cost reductions. The refreshed management team has generated an improving pipeline while continuing the focus on cost saving in the business. We currently have a strong qualified pipeline of €39M and our prospecting in H1 2017 has produced four times the volume of opportunities compared with the same period last year. New and significant opportunities also continue to present themselves.

Our channel initiative in Africa announced last year has been re-evaluated and based on experience to date, the Board believes it is not the most efficient way to capitalise on new opportunities being identified. As a result, the Board has decided to exit the relationship. This has resulted in the Company recognising an administrative cost equal to the revenue recognised in FY2016 which was €1.8m. Whilst the Company is being prudent in recognising those costs, the economic opportunity remains extant and the Company continues to pursue identified opportunities and expects to realise at least some of the economic benefit of new contracts in due course.

The Company has continued to make good progress with costs and we are now targeting further cost reductions from the previous FY guidance of €17M. Year to date total costs for the first half are 30% below the same period in the prior year. Annualised costs for the second six months ended 31 October 2017 are expected to be below €16M with an expectation of circa €16.5M for the full 12 months and approximately €18.5M for the 14 month financial year.

New additional debt funding

A further £2.5M (€2.8M) tranche of debt has been secured with Lombard Odier (formerly Volantis) (the "New Tranche") to continue further restructuring of the business, to create a more appropriate and long term structure, and for working capital. The New Tranche is on the same commercial terms as the existing debt facility save for the inclusion of an additional covenant applying to the New Tranche only. The additional covenant (the "Net Asset Covenant") requires the Company to disclose in its accounts for FY17 an improvement in net assets over the net assets disclosed in the half year accounts released today (adjusted for the New Tranche as if the New Tranche was funded on 30 April 2017). A breach of the Net Asset Covenant would entitle the lenders to call for repayment of the New Tranche. The first twelve months' interest on the New Tranche accrues from today.

Cash held at the end of the half was €2.0M (31 Oct 2016: €5.5M). This decrease is due to the expected H2 weighting of this year's revenue, and this is expected to increase in the second half of the year, helped by improving cash collections and decreasing costs.

Lombard Odier is a substantial shareholder in the Company as defined in the AIM Rules for Companies due to having an interest in more than 10% of the Company's issued share capital and as such is deemed to be a related party. Accordingly, the Additional Loan is a related party transaction pursuant to the AIM Rules. The Directors consider, having consulted with finnCap, that the Additional Loan is fair and reasonable insofar as Shareholders are concerned.

Outlook

A strong geographically diversified pipeline outside of the Middle East, together with the continued success of our cost reduction, has generated the opportunity to breakeven by the end of the calendar year. The Board however is continuing to review costs within the core business.

The outlook for HomeSend is extremely positive.

John Conoley, Executive Chairman of eServGlobal, commented:
"The Board's goal in the second half is to achieve greater certainty of outcome in the core business for investors, and that means to achieve breakeven in the core business. The Board expects to find further opportunities for efficiency to support that. In HomeSend, the immediate market opportunity is much larger than previously thought. Current experience with large banks and other organisations, including some significant ongoing contract opportunities, indicates that the HomeSend network is even better positioned to address that market than the Board had previously anticipated."

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.

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