

EML Payments (EML)				CASE:	BASE	DATE:	28/04/2022				
The Story											
EML is in a growing market for alternative payment and cash services for businesses and consumers having developed secure and comprehensive payment systems across the globe (but Europe dominates). Recent growth has been dominated by acquisition with regulatory issue with PFS now mostly resolved but costs have been added and the Sentinal acquisition adding VANS which is low margin but high GDV. The current cash position is strong, but another aquisition of meaningful size would require a capital raising. The business continues to be on the tipping point for profitability and positive FCF, operation leverage should start having an effect and interest rate increases are a positive to returns on stored value funds held. The large TAM and opportunity runway remains despite near term issues.											
The Assumptions											
What	Base Year	Terminal Year	Link to story								
GDV (\$m)	19,679	284,733	Mix of growth across GPR, G&I and VANS expected to be toward GPR on % basis								
Revenue	24.9%	4.0%	Mid to low 20% growth currently reducing to 4% system+organic expected								
Gross Margin %	73.5%	72.8%	Business mix change in FY21 as lower GP% GPR segment additions Vs higher GP% G&I seg								
EBITDA Margin %	11.1%	49.7%	High operating leverage								
Tax	13.5%	27.5%	Australia based								
Capital Spend	14,156	24,212	Modest 5% YOY increases, mostly intangibles.								
Share Count Changes	361,804	399,684	1% ESOP per year factored in, acquisitions ignored as EPS accretive if they occur								
Discount% : EV/EBITDA	10.0%	12.00	Well established business, high cash and moving into profitability so average risk								
The Cash Flows (A\$'000)											
Year	Dilution	GDV	Revenue	Gross Margin	%	EBITDA	%	Tax	Capex	FCFF	
1	361,828	68,121	229,775	151,480	65.9%	24,480	10.7%	-	1,518	14,864	11,134
2	365,447	84,585	279,114	187,141	67.0%	64,191	23.0%	8,990	15,607	39,594	
3	369,101	104,679	333,890	227,543	68.1%	98,445	29.5%	17,977	16,387	64,081	
4	372,792	127,500	392,806	271,892	69.2%	136,340	34.7%	27,943	17,207	91,190	
5	376,520	152,804	454,347	319,198	70.3%	176,868	38.9%	38,611	18,067	120,190	
6	380,285	180,143	516,544	368,079	71.3%	218,633	42.3%	49,595	18,970	150,068	
7	384,088	208,850	583,441	417,819	71.6%	260,900	44.7%	60,692	19,919	180,289	
8	387,929	238,045	647,182	465,693	72.0%	300,928	46.5%	71,147	20,915	208,867	
9	391,808	260,745	703,013	508,167	72.3%	335,164	47.7%	79,981	21,961	233,222	
10	395,726	273,782	742,795	538,854	72.5%	357,201	48.1%	85,432	23,059	248,711	
Terminal	399,684	284,733	784,829	571,395	72.8%	389,780	49.7%	93,224	24,212	272,345	
The Value (A\$'000)											
Terminal Value (Diluted)		4,234,067		Cashflows discounted for dilution							
PV (Terminal Value)		1,529,254									
PV (FCFF of next 10yrs)		676,493									
Value of Operating Asset		2,205,748									
Adjustment for Distress		- 220,575									
Adjustment for Future Options		441,150		Option Case = 20%, strategic acquisitions to continue to add value per share.							
- Debt & Minority Interest		-									
+ Cash & Equivalents		195									
Value of Equity		2,426,517									
Value per share (Base Currency)		\$ 6.71		Insider Holding%: 9.18%; 23p Remuneration Report; GlassDoor: Rec 27%, CEO 49%							
FX Rate		1.000		Current Price		%					
Value per share (A\$)		\$ 6.71		\$ 1.55		333%					
Source: Methodology and Format are based on that done by Aswath Damodran (see: aswathdamodaran.blogspot.com)											
Disclaimer: Valuation is not to be relied on as financial advice of any sort and is prepared for personal use of the author only.											