



*South East Asia's Leading e-payments Platform*

ASX/AIM: EPY

## **Strategic Growth**

Annual General Meeting  
May 28 2008

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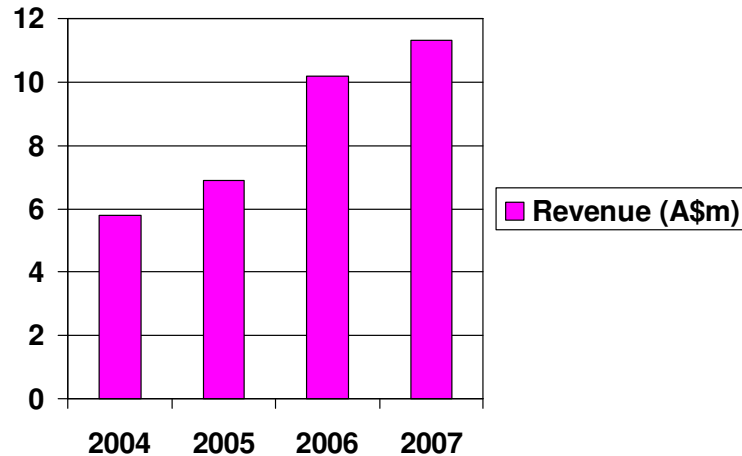
# EPY 2007

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- 2007 was a challenging year:
  - Changes in telco trading policies made Indonesian market operation unsustainable
  - Switch from software sales to licensing model impacted revenue
  
- Closure of Indonesia, cost reduction programme and management restructuring resulted in improved business metrics
  - Refocus on core Malaysian operation; China entry via JV partner to secure longer term success
  
- Results delivered in line with revised expectations:
  - Revenue A\$14.3m (2006: A\$19.3m)
  - A\$14.5m positive net operating cash during year (2006:A\$2.3m)
  - EBITDA A\$4.6m (2006:A\$10.3m), NPAT post minorities A\$0.2m (2006:A\$6.0m)
  - Post tax EPS 0.08c (2006: 3.05 cents)
  - EBITDA Margin 32% (2006:52%)

# Core Business Metrics

## ➤ Growth in Malaysian revenue



2005 figure represents 9 months trading results due to change in accounting period.

- Improvement in trade debtors turnover (2007 – 2 days ; 2006 – 7 days)
- Improvement in inventories turnover (2007 – 5 days ; 2006 – 7 days)

# Four Key Growth Drivers

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## 1. *Increasing mobile penetration*

- ↖ Mobile penetration rate low in Asia
- ↖ Mobile penetration rates increasing

## 2. *New networks in Malaysia – MVNO, Wimax, 3G, Mobile Number Portability*

- ↖ Increased competition leads to changes in rules of engagement, favouring electronic top-up due to its low cost structure

## 3. *Conversion from scratch cards to e-payments*

- ↖ Delivers higher margins for telcos and significant benefits for retailers

## 4. *New market (China)*

- ↖ World largest and fastest growing e-payment market

# e-pay Asia Today

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- South East Asia's leading electronic payments gateway
- Malaysia's largest prepaid distributor of airtime for mobile phones
- Agreements with 11 network operators
- > 100 million transactions in 2007; approximately 15,000 point of sale terminals in three countries as at end Q1 '08
- Solid growth drivers
- Strategic appeal of large scale and cost effective distribution networks plus effective cash collection system
- Entry plans for China at advanced stage

# Strategy for China Market Entry

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- Strategy to deliver longer term benefits and returns to shareholders
- Significant minority shareholding in China JV in a province
- Operating license already obtained by the proposed China JV partner
- Agreement with first Telco being finalised by proposed China JV partner
- EPY will have management control
- Financial results to be consolidated
- Use of Mobiepay software acquired in 2006 means no royalty payments necessary
  - Supports Chinese characters

# Long term plan – restoring shareholder value

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- Solid platform now in place post business restructuring in 2007
- Board now focused on accelerating profitable growth
- Actively assessing a range of strategies ;
  - options include strategic partnerships, joint ventures and possible M&A options

# Summary

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- South East Asia's leading e-payments gateway
- Revenue and profit growth set to continue – four growth drivers:
  - Increasing mobile penetration
  - Conversion from scratch cards to e-payment
  - New networks
  - New market (China)
- Strategy to enter large, high growth new territories (eg, China)
- Large scale and cost effective business-to-consumer direct marketing distribution networks and cash collection systems can be used for a broader range of other products – strategic appeal
- Cash generative, low capex, growing business model
- 2008 - year of steady profitable growth