



2019 results & 2020 trading update

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CEO

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About Equals Group PLC

History

- Founded in 2007 initially based around a prepaid travel card offering
- Added international payments and corporate expenses platforms
- IPO in 2014
- Acquires a banking services business in 2017
- Acquires a wholesale FX broker in 2018
- Acquires 2 additional International Payments businesses in 2019.

Products

International Payments (mainly voice brokered), currency cards, banking services for SMEs; corporate expense system

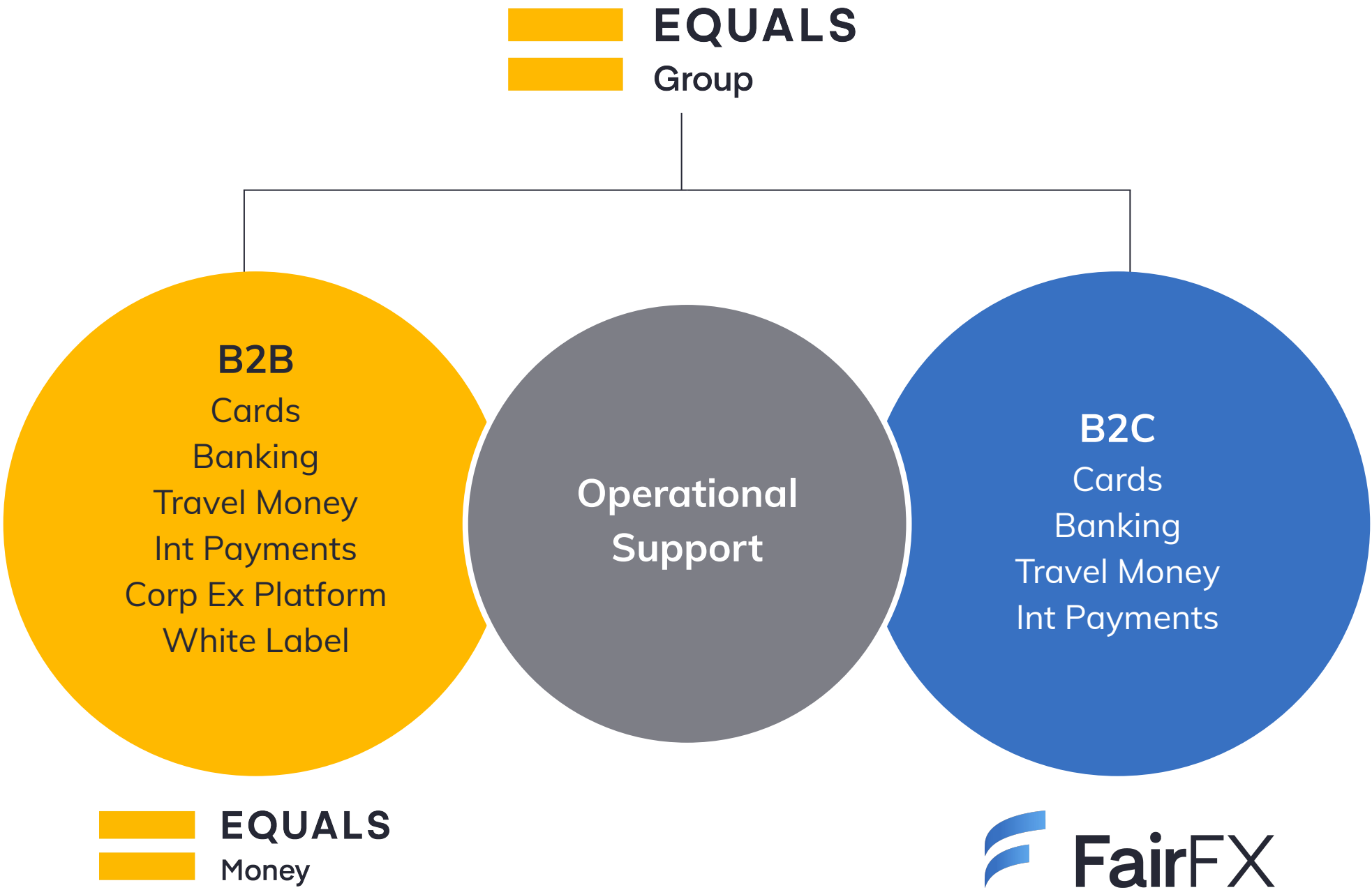
Objectives

Provide integrated financial solutions with B2B customer focus to expand all product lines and cross/up-sell these to SMEs

Sense of scale

Revenue, £108k per day*, £75m of fiduciary fund responsibility, 320 staff.

Structure and brands



2020 strategy realignment

Mission

To make it **simpler** for our customers to manage and move money anywhere in the **world**

Vision

To provide **simple, fast, cost-effective** and secure **multi-currency solutions** that combine **innovative technology** and **expert personal service** to help our customers get **more for their money**

Significantly grow our revenue and profitability

Delight and grow our customer base [Business & Consumer]

Engage and grow our talent

Become an agile, tech-forward payments organisation

Be recognised as a trusted, high performing business by our shareholders and regulators

1. Target **profitable customer segments** with solutions aligned to their needs
2. Build our **data capabilities** to support **cross-sell** & drive **experience** improvements
3. **Build Partnerships** across the value chain to harness market/regulatory change opportunities & cost-effectively access additional customer segments

FY-2019 highlights and current trading

2019 Highlights

- Revenues up 19% to £31 million
- B2B represents 55% (2018: 37%)
- Adjusted EBITDA up to £9.1 million

2020 Year-to-date

- Current free cash position £7.7 million (no bank debt)
- Resilient trading through COVID-19
- 2020 revenues on par to same period in 2019
- Continued growth and focus on B2B
- Tapering down of investment spend

Average revenue per day – £000's	2020	2019
Q1 – Pre Covid-19	117	92
April & May – Covid-19 Peak	80	109
June – Current	113	112
YTD	108	111

FY-2019 financial update

Underlying transaction values £2.9bn – up 22% (2018: £2.4bn)

Revenue	£30.9m – up 19% (2018: £26.1m)
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Gross profit £20.6m – up 17% (2018: £17.5m)

Adjusted EBITDA*	£9.1m – up 21% (2018: £7.5m)
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Acquisitions Two successfully integrated, contributing £1.6m to revenue

Key product deliverables	Rebranded B2B as Equals; continued pivot towards B2B; Significant investment in platform and product infrastructure
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* Before: exceptional items, non-cash share option charges, but AFTER £3.5m of R&D credits

FY-2020 update

- Revenue H1-2020 £108k per day (H1-2019: £111k) - very strong performance given pandemic showing underlying growth
- Covid-19 response – furloughed up to 73 staff, [65 at 26 June 2020]. Voluntary salary reduction, PAYE deferment
- Utilised hiatus to refine and restate strategy, Exec and overall Organisational structure
- Focus on Data and KPI's underpinning new structure and goals
- Reorganised & streamlined engineering teams now major infrastructure spend is complete
- Reorganisation to yield further headcount savings in H2 - 2020
- International payments and banking revenues strong, “Travel money” most significantly hit by Covid-19
- Sufficient cash resources to take through to cash break-even
- Scenario modelling confirms strong financial position

Financial overview – P&L

Revenue Trends - Continuing growth in international payments and corporate platform, steady in banking, travel money reduction

Gross Profits - 2019: 66% (2018: 67%), includes principal variable costs including sales commissions

Contribution - 2019: £18.5m

R&D Credits - £3.5m, of which £1.2m received in 2019, £0.2m received in 2020.

Adjusted EBITDA £m	2019	2018
Gross Profits	20.6	17.5
Marketing	(2.1)	(2.7)
Contribution	18.5	14.8
Net expenditure	(12.9)	(7.6)
R&D credits	*3.5	0.3
Adjusted EBITDA	9.1	7.5

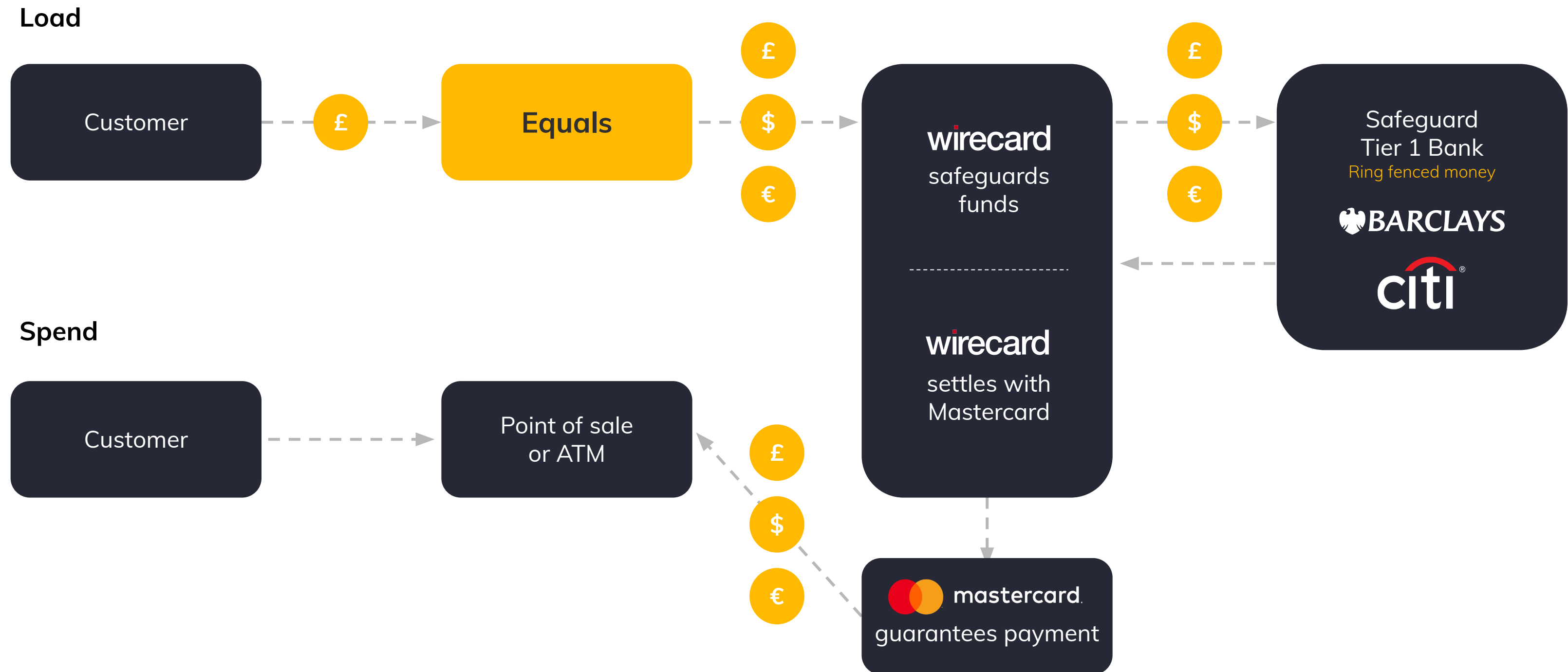
Net expenditure (£m)	2019	2018
Gross	*23.7	16.1
Exceptional Items	(1.4)	(3.2)
Capitalised	(8.3)	(5.3)
IFRS16	(1.1)	-
Net	12.9	7.6

*of which £18.7m was staff costs

Financial overview – liquidity

As at	31 December 2019	26 June 2020
House Funds	£11.2m	£7.7m
R&D Receivable	£2.5m	£2.3m
Cash earn out liabilities	- £0.6m	- £0.2m
All other NCA	- £1.5m	- £1.0m
Deferred PAYE etc	£0.0	- £1.5m

Wirecard – Issuing Bank transaction flow



Wirecard – overview

- Equals transacts with Wirecard Card Solutions (WDCS) and not with the insolvent parent Wirecard AG
- WDCS acts as issuing bank for Equals and is one of 3 issuance options for the Group. Typical flows shown on next slide.
- WDCS has had e-money licence suspended by FCA following insolvency announcement of Wirecard AG
- FCA decision effectively “freezes” cards and accounts covered by WDCS despite money being safeguarded
- Zero impact on B2B products and revenues of Group. B2C retail travel cards under FairFX main issue.
- Limited direct financial impact in terms of current receivables and projected revenues for 2020
- Equals has contingency plans in place for moving customers to other issuance rails if situation persists
- UPDATED - FCA gave WDCS clearance to resume activities on 29th June. Money was therefore always secure.

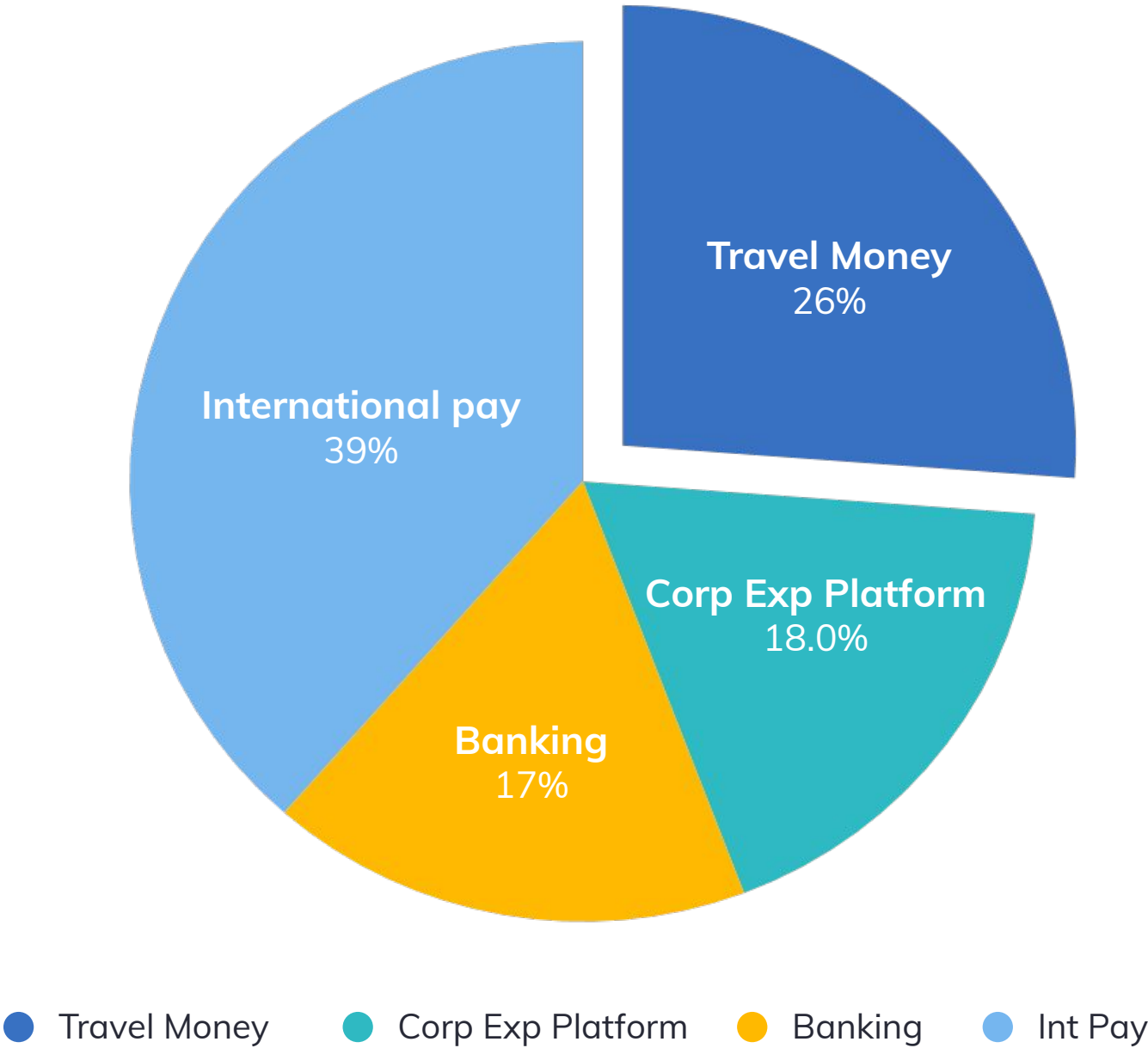
CEO Review

Ian Strafford-Taylor

- Revenue components and growth
- B2B
- B2C
- Investments and product development
- M&A

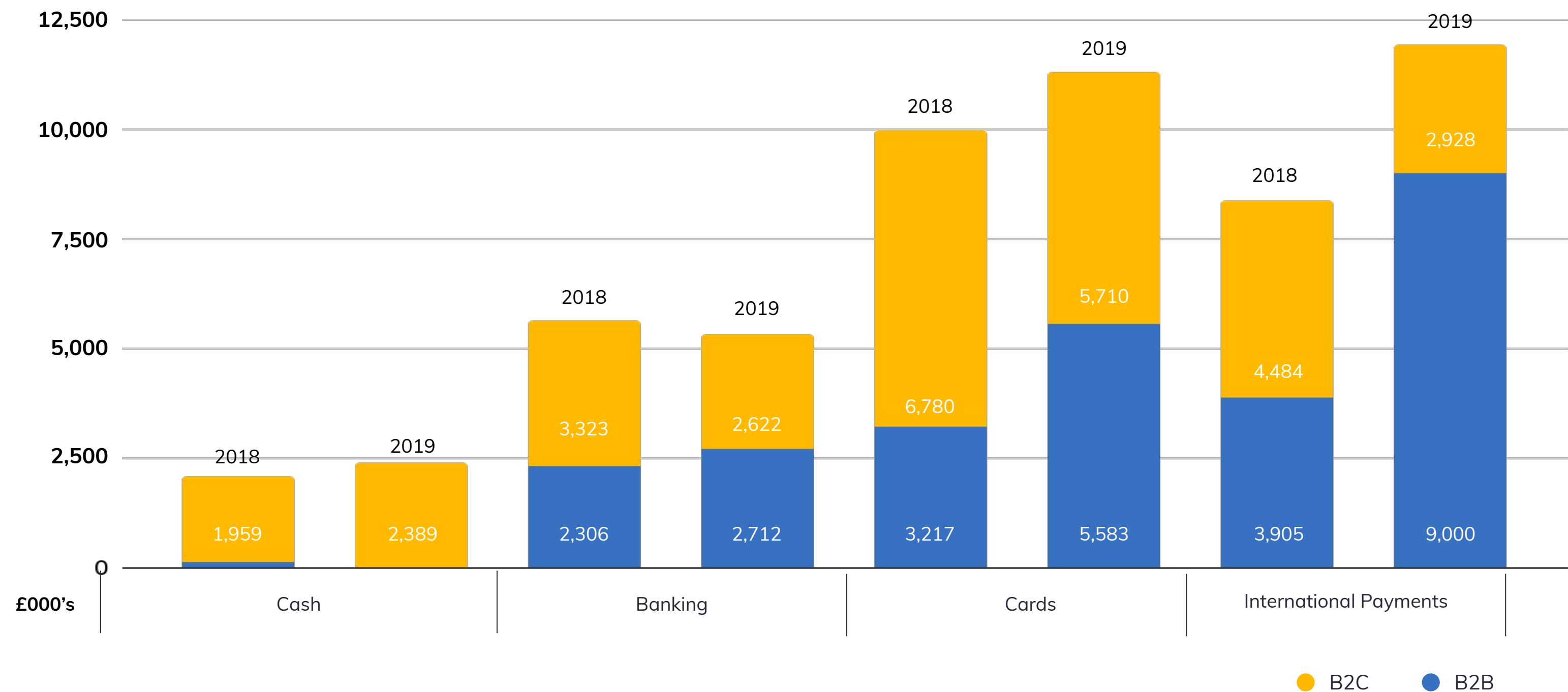


Revenue summary – FY-2019



Travel money revenue	FY-2019	FY-2018
Retail cards	£5.7m	£6.8m
Travel Cash	£2.4m	£2.1m
TOTAL	£8.1m	£8.9m

Revenue by segment and customer type – FY-2018 vs FY-2019



International payments

Highest cash generating unit, 39% of revenue

- Strong performance from core FFX and CFX brands
- Highly incentivised workforce
- Still largely voice-brokered
- 75% B2B
- Highly positive acquisitions in Hermex and Casco
- Casco white label product
- New IPAY platform live in 2020
- Controlled growth of forward contract activity
- Increased YoY contribution by partnerships team of over 51%
- Continued margin improvement on acquired businesses – spreads widened to 72bp



- FY-19 Revenue £11.9m* (FY-2018: 8.4m)
- Average 1,000 trades per week @£30k
- Average spread 75bp
- 73% gross profit margin
- $\frac{2}{3}$ from spot trading
- $\frac{1}{3}$ from forward trading
- 6,500 active customers

Banking

- Focus on B2B platform - enhanced corporate account functionality including bulk payments
- Gaining 600 B2B customers per month
- Revenue per customer increased **3.2% since 2018 (21% since 2017)**
- Bank of England real-time gross settlement (RTGS) accounts - clearance bank capability
- Direct membership of Faster Payments (FPS) - 24/7/365 instant payments - via in-house gateway
- Equals Direct - utilising FPS gateway to service B2B financial services customers via API

FY-2019	Retail	Corporate	Total
Customers	9,800	4,400	14,200
Revenue per month	£22	£51	£31
Annual revenue	£2,600k	£2,700k	£5,300
(76% gross margin)			

Corporate expenses platform

Number of active customers	52,000
Number of loads per customer	10
Average load size	£500
Average load margin	0.38%
	£1,000k
Spend transactions per customer	67
Average revenue per transaction	£1.06
	£3,700k
Revenue excluding rebates	£4,700k
Average revenue per cardholder	£90

- Increase of 1,240 corporate clients in 2019 to 6,914
- Revenues grow 74% to £5.6m in FY-2019 (2018 £3.2m)
- Partnership with film production industry is widening and generating new revenue opportunities in UK and US
- Penetrating new verticals - Healthcare, Charities, Education
- US Platform (new build) live

Some of our new clients:

NETFLIX

BBC

LIONSGATE

YMCA

ETIHAD
AIRWAYS



NACCOM
THE NO ACCOMMODATION NETWORK

Lycamobile

Travel money – B2C cards and cash

B2C CARDS

- B2C Cards FY-2019 revenues £5.7m (FY-2018 £6.8m)
- Revenues split between loads (£2.7m) and transactions (£2.1m) and rebates (£0.9m)
- Eliminated less profitable CPA marketing - more profit per customer
- Rebates and similar spread across B2C and B2B totaled £1.9m
- Strong competition from “freemium” providers.

CASH

- B2C Travel Cash FY-2019 revenues £2.4m (FY-2018 £2.1m))
- Cash via post, courier or at 3 central london stores
- Revenues split between stores (£1.1m) and delivery (£1.3m)
- Closed during Covid-19, now reopening slowly

Engineering investment & delivery

INFRASTRUCTURE

- **Complete Security infrastructure overhaul**
- Seamless home-working during pandemic
- Integration of reconciliation systems
- Cloud-based transaction monitoring platform
- **SCA - secure customer authentication**

BANKING

- Bank of England RTGS - clearance accounts
- **Direct member of Faster Payments via own gateway**
- Upgraded Corporate Account functionality
- **GB and EU IBAN**
- Loan based product

PAYMENTS

- **Cloud-based international payments platform - IPAY**
- Multi-currency/multi-card accounts
- White label platform - **Equals Connect**

CARDS

- **Ground-up new build US corporate expense platform**
- Enhanced corporate platform
- **New multi-currency retail card**
- Sunsetting old card platforms

Sales & Marketing update

- Tightened our Mission, Vision, Goals and Target Customers, and re-aligned organisation
- Data capability upgraded providing KPI framework and enhanced CRM
- Invested £4.7m in marketing in 2019 across 7 brands
 - Establishing Equals as our primary B2B brand
 - Leveraging strength of FairFX consumer brand
 - Migration plan to 3 core brands in progress
- New Marketing & Design Leads in place and in-sourced digital marketing function
- Rapidly pivoted our marketing investments & activities in response to COVID-19 headwinds in travel money
- Selectively reduced spend, while improving CPAs for travel-related activities
- Revised B2B focussed sales and marketing plan to be implemented early H2



M&A – strong capability of Group

Hermex

- Acquired August 2019 for cash £1.0m (£0.3m deferred, paid in Q1-2020) ; share issue £1.0m
- SME focused
- Contributed £1.0m in revenue in 2019
- **2020 growth over same period in 2019 30%**

Casco (renamed Equals Connect)

- Acquired 19 November 2019 for cash of £1.4m (£0.4m deferred and 50% paid 2020); share issue £0.3m and contingent consideration £0.5m
- White label business attracts smaller operators to use our platform on a royalty basis
- Contributed £0.6m in revenue in 2019
- **2020 growth over same period in 2019 50%**

CFO review

Richard Cooper

- Statements
 - P&L
 - Cashflow
 - Balance sheets
- Accounting & Guidance



Financial overview

P&L - In £000's	FY-2019	FY-2018
Revenue	30,945	26,092
Less: Variable costs	(10,378)	(8,551)
Gross profits	20,567	17,541
- Margin	66.5%	67.2%
Marketing	(4,090)	(3,076)
Less: Exceptionals	2,053	308
Net marketing	(2,037)	(2,768)
Contribution	18,530	14,773
- Margin	59.9%	56.6%
Expenditure	(23,783)	(16,058)
Less: Exceptionals	1,370	3,235
Less: IFRS 16	1,152	-
Less: Capitalised	8,307	5,251
Net expenditure	(12,954)	(7,572)
R&D credit	3,479	311
Adjusted EBITDA	9,055	7,512

Turnover £millions	FY-2019	FY-2018
FX	2,117	1,784
Banking	770	585
	2,887	2,369

Exceptional items £000's	FY-2019	FY-2018
Rebranding - marketing	2,053	308
Rebranding - other	672	282
Reorganisation	579	1,548
Litigation	120	-
Non capitalised development		1,405
	1,371	3,235
Total	3,424	3,543

Totals may not agree due to rounding. Percentage based on underlying data.

P&L – to clean EBITDA to PAT

In £000's	FY-2019	FY-2018	Notes
*Adjusted EBITDA	9,055	7,512	
Exceptional Items	(3,424)	(3,543)	£2.7m rebranding in 2019
Acquisition costs	(478)	(297)	
FX and similar	(238)	(20)	
Share option charges	(123)	(54)	
Depreciation - IFRS 16	(918)	-	
Depreciation - other	(430)	(200)	
Amortisation	(2,831)	(1,319)	
Impairment	(4,859)	-	Card one money
*Adjusting operating (loss) / profit	(4,246)	2,079	
IRFA 16 finance charges	(234)	-	
Tax on other R&D	(893)	538	
(Loss) / profit after taxation	(5,372)	2,617	

*After inclusion of R&D credits

Cash flow

Bank and liquidity flow - £000's	FY-2019	FY-2018
Adjusted EBITDA	9,055	7,512
Less:		
Exceptional items	(3,424)	(3,534)
Capitalised software	(8,307)	(5,251)
Office fit outs	(1,225)	-
Other asset purchased	(1,033)	(1,179)
Accrual for R&D rebates	(3,479)	(1,261)
R&D rebates received	1,068	186
Other working capital movements	456	451
	(15,944)	(10,597)
Equity capital	15,879	-
Business acquisitions	(3,325)	(6,564)
	12,554	(6,564)
Net Cash flows	5,665	(9,649)
At 1 January	9,317	18,966
At 31 December	14,982	9,317

Composition of funds	FY-2019	FY-2018
Banks	11,265	7,860
Liquidity providers	3,717	1,457
	14,982	9,317

P&L – balance sheets extracts

Components

£M	31 Dec 2019	31 Dec 2018
"House" Cash	10.9	7.5
Regulatory Deposits and Similar	4.1	1.8.80
Derivative Financial Assets (net)	0.4	0.6
	15.4	9.9
R&D Accrual	2.5	1.3
Earn-out liabilities	(1.2)	--
Other NCA/(L)	(1.5)	(2.0)
	15.2	9.2
Non current assets	35.3	28.1
Deferred tax	(0.8)	1.0
IFRS 16	(0.3)	--
Shareholder funds	49.4	38.3

Bridge

£M	31 Dec 2019	31 Dec 2018
Shareholder funds at 1 January	38.3	35.0
Capital raised in the year	15.4	--
Shares issued for acquisitions and similar	1.8	--
Result for the year after tax	(5.4)	2.6
Non-cash share-based payments	(0.4)	0.7
Other movements in reserves	(0.3)	--
Shareholder funds at 31 December	49.4	38.3

Accounting policies

Exceptional Items

Repositioning of Group to a B2B focused payments group; increase governance and corporate reporting functions resulting in costs relating to:

- £2.7m rebranding (of which £2.1m on marketing itself)
- £0.5m acquisition
- £0.6m re-organisations
- £0.1m litigation and other

R&D

Capitalise R&D costs £8.3m. Mainly staff costs associated with projects.

IFRS 16 Leases

New accounting standard from 1 January 2019 bringing operating leases onto the Balance Sheet; resulting in annual depreciation charge (£918k) and finance costs (£233k) in the P&L and recognising a Right of Use asset and Lease liability on the Balance Sheet.

CEO 2020 trading outlook

- Optimistic outlook building on momentum in all B2B product lines
- H1-2020 performance, despite Covid-19, reflects underlying strength and growth of business
- B2B remains our focus, providing integrated solutions combining FX and bank-grade clearing & settlement
- Customer choice between self-service or dealer-managed international payments augmented by expert content (Chief Economist) and upgraded CRM
- B2B Expense Management platform to be enhanced further based on customer-derived requirements
- Feature enhanced B2B Banking platform seeing strong demand
- Upgraded and unified Group-wide on-boarding platform (Tru Narrative) will increase B2B conversion
- Roll out of KPI's to support revised organisation structure will yield stronger performance measurement
- Headcount reduction via efficiency and completion of major infrastructure rebuild will reduce overhead

Appendices



B2B overview

	International payments	Banking	Corporate Card Expense Platform
2019 Revenue Per Day	£47k	£21k	£22k
2020 Revenue Per Day	£46k	£13k	£6k
Type of Customer	Corporate SMEs and HNW B2B – 75.4% (2018: 47%)	Historically D/E demographic in retail and micro SME.s Increasingly larger SMEs in 2019 B2B – 50.8% (2018: 41%)	SME, strong in verticals – film productions, health, travel companies, education B2B – 37% (2018: 32%)
Strengths	Product range including forward contracts; dealer expertise; white label platform; operational efficiency	Full bank-grade accounts with RTGS at Bank of England and direct member of Faster Payments	Freemium flexibility of platform; desktop and app; exceptional customer service
Opportunities	Integration with banking platform for one-stop shop UK and international clearance	Add EU IBAN to GB IBAN suite. Integration with other Equals products	Further user led enhancements. Accountancy software integration. Expansion in US
Regulatory Framework	FCA	FCA	FCA
2019 Successes	2 acquisitions; Citibank sign-up and integration; strong growth in revenues	Faster payments; Upgrade of UX/ CX for retail and corporate accounts; Credit broker license and launch of Iwoca product	Continued growth in customer base and revenue; Re-brand and improved CX
2020 Initiatives	I-Pay platform for self-serve customers and internal dealing. Citibank integration opening-up new markets. Opportunities in US. Straight-through processing (STP)	Further upgrade of corporate account functionality. EU IBAN roll out. Re-modelled on-boarding	Launch of all new platform initially in USA and roll out in UK subsequently

B2C overview

	Retail cards	Travel money
2019 Revenue Per Day	£23k	£10k
2020 Revenue Per Day	£7k	£2k
Type of Customer	A, B, C1 demographic 45+ years old	A, B, C1, 45+ years old; both online and walk-ins to 3 city-based stores
Strengths	Established trusted brand; strong customer service (5-star Trustpilot)	Trusted brand; reliable service at competitive spreads; courier service for at-desk delivery
Opportunities	Brand refresh and new multi-wallet card. Freemium providers starting to charge for FX	Expand whilst market is shrinking, and other participants fail (Travelex) or withdraw (Moneycorp)
Regulatory Framework	FCA	HMRC and FCA
2019 Successes	Improved profitability per customer and targeted CPA	Increased average transaction size. Exited marginal affiliates
2020 Initiatives	Roll onto new platform for multi-currency card. Customer research enabled targeted marketing reducing CPA	Rebrand stores. Utilise as profitable stand-alone products whilst strong customer acquisition channel for cross-sell



Q&A

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