



H1-2020 results & trading update

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Equals Group overview



B2B focus

Integrated currency solutions for SMEs on Bank-grade infrastructure and connectivity

Trusted



FairFX is the UK's most recommended brand for payment services



4.7 out of 5 based on 10,323 reviews

Strong portfolio

Capturing a diverse client base



Current KPIs

- Revenue per working day £114k
- Gross profit percentage - 63%
- Current run-rate headcount - 280

Strong business

Robust balance sheet with £7.6m in cash

10,000+ companies

around the world trust our services



Revenues

Robust H1 despite
Covid-19 continuing
into H2

B2B performance

Strong performance from
B2B driven by
International Payments

Corporate platform

Recovering to pre-Covid
levels, re-platforming
completed

Board / Governance

Board upgraded and
strengthened +
governance review

Cost savings

Significant cost
savings already achieved
with more planned

Sales / Marketing

Data-led sales and
marketing targeting B2B
leads and conversion

Cash

Well capitalised with £7.6
million of 'house funds'

Covid-19 / Brexit

Scenario models and
action plans in-place

	H1-2020	H1-2019	H2-2019
Revenue	£13.8m	£13.6m	£17.4m
Gross profit	£8.7m	£9.3m	£11.3m
Adjusted Ebitda	£0.7m	£1.9m	£3.7m
Exceptional items	£1.0m	£0.2m	£3.7m
Capitalisation	£2.5m	£4.2m	£3.8m
Cash at bank	£7.9m	£4.8m	£11.3m

COVID-19

- WFH successfully enacted before lock-down
- Furlough of up to 73 staff
- 20% salary sacrifice across the group for a whole quarter
- Acceleration of our cost reduction programme
- Restructure & refocus of Exec, new CTO and CPO

WIRECARD

- Wirecard AG insolvent in late June - contagion to UK subsidiary
- Equals enacted its disaster recovery plan to migrate issuer-risk
- Significant migration progress achieved, completion pre 31/10
- Provision of £0.5m made against re-carding
- Opportunity taken to rationalise B2C card rails

OTHER

- Core payment partnership with Citi Group providing improved international settlement and de-risk from Barclays and RBS
- Integration of new compliance system to lower onboarding friction
- Rebuild of B2C card website and app to support multi-currency card
- Cloud-based phone system introduced improving productivity

GOVERNANCE

- New Chairman, with a banking background
- New Head of AuditCom, ex PwC partner
- Commissioned external reviews and upgraded

Current initiatives



Sharper focus

Sharper go-to-market focus - Equals Money for B2B, FFX for B2C

B2B performance

Revised sales/marketing approach for B2B acquisition

Data

Investment in data to drive performance

CRM

CRM upgrade underway to drive sales efficiency in both pipeline and back-book

B2B Payments tool

Self-serve B2B dealing tool now live, enhanced functionality being rolled out

B2B2B strategy

Equals Connect/Faster Payments allows multiple market access and volume

Infrastructure

Instant deposit in 35 currencies – market trader focus

Wirecard migration

Migration “completes” B2C platform renewal releasing resource for B2B focus

CFO review

Richard Cooper

- EBITDA overview
- EBITDA to PAT
- Segments and gross profits
- Cash movements
- Liquidity



Ebitda overview

P&L - In £000's	H1-2020	H1-2019	H2-2019
Revenue	13,772	13,576	17,369
Less: Variable costs	(5,034)	(4,273)	(6,105)
Gross profits (slide 10)	8,738	9,303	11,264
- Margin	63.4%	68.5%	64.3%
Gross expenditure	(11,522)	(12,312)	(15,561)
- Capitalised	2,496	4,170	4,137
- Exceptionals - Covid-19	445	165	3,258
- IFRS 16	515	580	572
Net expenditure	(8,066)	(7,397)	(7,594)
Adjusted EBITDA	672	1,906	3,670
MEMO: Gross profits less gross expenditure	(2,784)	(3,009)	(4,297)

P&L - In £000's	H1-2020	H1-2019	H2-2019
Adjusted EBITDA	672	1,906	3,670
Less: Acquisition expenses	-	(23)	(455)
Less: Separately identified items			
- Covid-19	(445)	-	-
- Wirecard provision	(530)	-	-
Less: management exceptionals			
- Rebranding	-	(165)	(1,888)
- Corporate reorganisation	-	-	(1,250)
- Litigation	-	-	(120)
Less: share option charges	(195)	(9)	(114)
EBITDA	(498)	1,709	(157)

P&L - In £000's	H1-2020	H1-2019	H2-2019
EBITDA	(498)	1,709	(157)
Depreciation	(668)	(615)	(733)
Amortisation	(2,058)	(1,117)	(1,714)
Impairments	-	-	(4,859)
Operating Loss	(3,224)	(23)	(7,463)
Finance costs (net)	(123)	(155)	(318)
Loss before taxation and R&D credits	(3,346)	(178)	(7,781)
R&D credit accrual	734	1,149	2,330
Other tax credits	(557)	(526)	(366)
Loss after taxation	(3,170)	445	(5,816)

Segments and gross profits

Revenue by segment - In £000's	H1-2020	H1-2019	H2-2019
International payments	8,233	4,818	7,111
B2B %	76%	66%	82%
Banking	2,504	2,536	2,797
B2B %	51%	50%	52%
Cards*	2,642	5,074	6,220
B2B %	56%	48%	51%
Travel cash	393	1,148	1,241
B2B %	3%	-	-
Total revenue	13,772	13,576	17,369
B2B %	66%	50%	60%

Gross Profits - In £000's	H1-2020	H1-2019	H2-2019
International payments	5,333	3,081	5,310
Gross profit %	65%	64%	75%
Banking	1,861	1,840	2,087
Gross profit %	74%	73%	75%
CARDS*	1,301	3,639	3,263
Gross profit %	49%	71%	52%
Travel cash	243	743	603
Gross profit %	62%	65%	49%
Total	8,738	9,303	11,264
Gross profit %	63%	69%	65%

Earnings bridge

Earnings bridge - In £000's	H1-2019 to H2-2019	H2-2019 to H1-2020	H1-2019 to H1-2020
Profit/(Loss) after taxation in prior six months	445	(5,816)	445
(Increase)/decrease in expenditure	(3,614)	4,035	421
Decrease in the credit for internally developed software	(335)	(1,549)	(1,884)
(Increase)/decrease in total expenditure through P&L	(3,949)	2,486	(1,463)
Increase/(decrease) in gross profits	1,961	(2,525)	(564)
(Increase)/decrease in depreciation	(119)	65	(54)
(Increase) in amortisation	(596)	(345)	(941)
(Increase)/decrease in impairments	(4,859)	4,859	-
(Increase) in share option charges	(104)	(82)	(186)
Decrease/increase in finance costs	63	(25)	38
Decrease/increase in deferred taxation	160	(191)	(31)
Increase/(decrease) in R&D credits	1,182	(1,596)	(414)
(Increase)/decrease in losses in the period	(6,261)	2,647	(3,614)
(Loss) after taxation in the period	(5,816)	(3,169)	(3,169)

Cash movements

Bank and liquidity flow - In £000's	30 Jun 2019	31 Dec 2019	30 Jun 2020
Adjusted EBITDA	1,906	3,670	672
IFRS 16	(580)	(572)	(514)
	1,326	3,098	158
Less:			
Exceptional items - cash	(165)	(3,258)	(445)
Capitalised software	(4,170)	(4,137)	(2,496)
Other intangibles purchased	(657)	(149)	(50)
Other asset purchased	(949)	(503)	(119)
R&D rebates received	-	1,068	204
Other working capital movements	144	1,173	(989)
	(4,471)	(2,388)	(3,737)
Equity capital inflows	2,470	13,409	-
Business acquisitions	(336)	(2,989)	(508)
Net Cash flows	(2,367)	8,032	(4,245)
At start of period	9,317	6,950	14,982
At end of period	6,950	14,982	10,737

Composition of funds	30 Jun 2019	31 Dec 2019	30 Jun 2020
Banks	4,849	11,265	7,908
Liquidity providers	2,101	3,717	2,829
	6,950	14,982	10,737

Financial overview – liquidity



As at	31 December 2019	30 June 2020	18 September 2020
House funds	£11.3m	£7.9m	£7.6m
R&D receivable	£2.5m	£3.0m	£2.3m
Deferred PAYE	-	(1.5m)	(£1.8m)
Deferred consideration and similar	(£1.2m)	(£0.7m)	(£0.5m)
All other NCA (estimate)	(£1.5m)	(£1.1m)	(£1.2m)

CEO review

Ian Strafford-Taylor



Sales & Marketing

- New data-led approach to SME acquisition & customer management
- Target customer - CFO / MD of SME with multi-currency exposure.
- Upgraded CRM project in flight.
- Pipeline, back-book & cross-sell optimisation via data/CRM
- Increased use of affiliates

Payments technology stack

- Full integration of spend & International payments balances & Integrated / streamlined B2B onboarding
- Further enhancements to International payments & spend platforms incl. self-service forwards & broker live chat
- 24x7 Instant deposits in GBP & 35 currencies through SWIFT partnership & GB multi-currency IBANS

Brexit/Phase 2 COVID-19

- Scenario planning in place with action plans
- Tight headcount management & cost control
- Cash management and working capital

International payments market opportunity

- SME segment represents \$150 Bn* Revenue globally (65% of total flows)
- SME segment is expected to grow 2-3x larger corporates

*source: McKinsey

Serving SMEs our clear priority

- Simple, integrated payments solutions to help SMEs manage their multi-currency exposure & cashflow
- End-to-End simplicity through Multi-currency IBANs, straight through processing, Faster Payments integration
- Self-service automation for smaller trades, expert broker service for complex needs
- Business account & Spend/Purchasing Card functionality with lower on-boarding friction
- Currency risk management services & further geographic coverage will be evaluated as expansion opportunities

Selectively expand our B2B2B/C propositions

- To grow market share & contribution margin. Scale = competitive advantage
- Payment Platforms – will allow us to test market demand for our faster payments, issuing and international payment API capabilities
- Broker platforms – Equals Connect allows us to grow volume through partners and compete more effectively with Ebury & Currency Cloud

Consumer cards/B2C international payments

- Will continue to be part of our portfolio but not our build priority
- Offered under the re-launched FairFX Brand
- Niche strategy serving UK ABC1s with high levels of travel / foreign investments. Targeted customer acquisition.
- Core tech stack shared with B2B - new multi-currency card, website and self-service international payments platform
- Result is B2C segment served at a much lower cost than previously

Summary & Outlook

Performance

Robust performance
under challenging
circumstances

Cost reduction

Significant improvement
in financial performance
and cost reduction

Cash position

Strong control over cash
and close to operationally
break-even

Product roadmap

Focused, rapid product
roadmap delivering B2B
functionality

Data led CRM

Targeted go-to-market
strategy for B2B –
data led CRM

M&A opportunities

Some M&A opportunities
presenting themselves

Revenue per day

Q1 - £126k
Q2 - £93k
Q3 (to date) - £114k

Resilience

Self-sufficient
contingency plans in
place for Brexit and
second wave



Q&A

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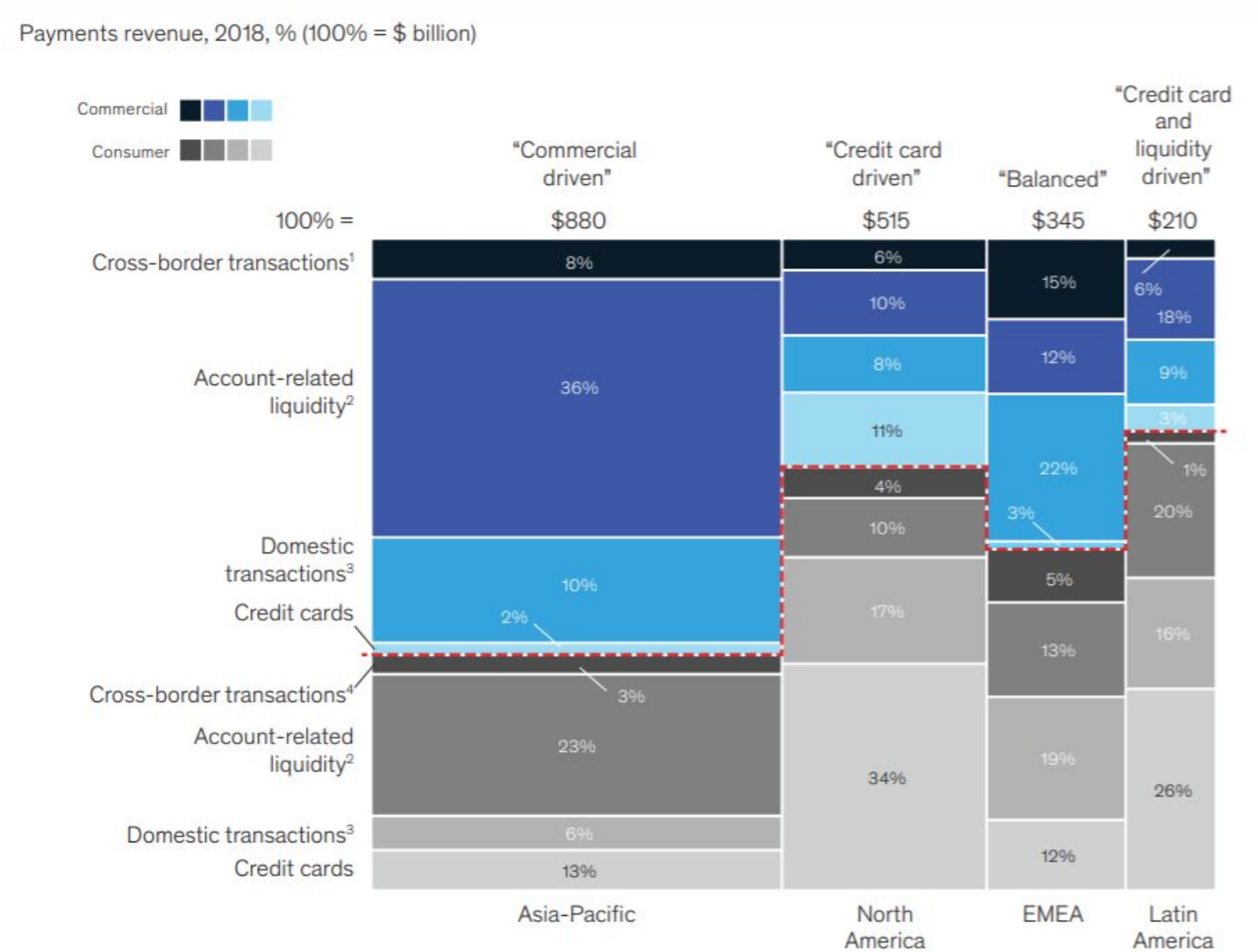
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B2B Growth potential

Global Payments Market is worth ~\$2 Trillion – Corporate Payments is half this market but faster growing due to less pricing regulation



- Global payment revenue - \$1.9 Trillion
 - \$930Bn Corporate
 - \$1.2Tn Consumer
- Global CBT revenue is \$230Bn growing at ~4%YoY
 - **EMEA Commercial : \$52Bn**
 - EMEA Consumer : \$17Bn
 - Growth is mainly volume not margin driven due to competitors/new solutions & disintermediation of eco-system players
- McKinsey identifies key disintermediation of CBT value chain coming from
 - WORLDLINK (CitiGroup)
 - Transferwise
- Domestic/Card transaction revenue ~\$940Bn
 - **EMEA Commercial : \$86Bn**
 - EMEA Consumer : \$107Bn
- UK is ~10% of EMEA

Growth potential

International Payments continues to be a core growth opportunity

Within the \$230 billion cross-border payments market, there are four key sub-segments.

Cross border payments flows and revenues,¹ 2018

Segment	Flows \$ trillion	Revenue margin ² , %	Revenue \$ billion	Description
C2C	0.5	5.4%	26	Overall market largely flat; revenues grew at <0.5% and volumes at ~3% in last 5 years Rise in digital money transfer operators; emergence of closed-loop entrants, eg, Facebook
C2B ³	1.5	2.5%	37	C2B e-commerce revenue growing fastest at a CAGR of 23% (2013-18) Volumes growing at a rate of CAGR of 9%
B2C ³	1.2	1.5%	18	Traditionally bank dominated—with new entrants enjoying 50+% growth offering end-to-end experiences (eg, Payoneer, Hyperwallet)
B2B ³	133	0.1%	149	Overall B2B growing 4% SMEs growing at 2-3 times the rate of large corporates – especially driven by emerging market SMEs
	136	0.2%	231	

¹ Only includes payments made on behalf of either corporate or retail clients.

² Inclusive of fees, FX spread and float.

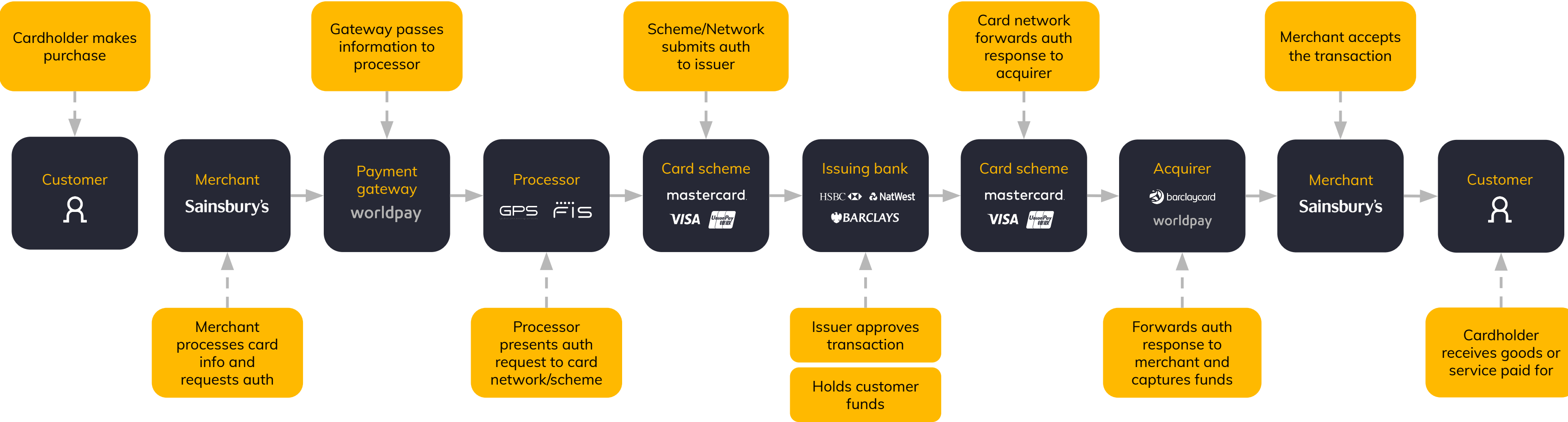
³ 'B' includes business and government.

Source: McKinsey Global Payments Map

Cross-border payments will continue to grow, particularly C2B e-commerce, SME payouts, and gig economy flows.

Segment	Use case	Size of payments flows, 2018, \$ billion	CAGR 2018-23, %
C2B	Online e-commerce	450-550	>15
	Real estate investments by individuals ¹	100-150	~5 ¹
	Other online spend (e.g, tuition, online bills and taxes, online air travel)	300-400	~5
B2B	Accounts payable by SMEs	7,000-7,500	~5-10 ²
	Marketplace payouts to SMEs ²	5,000-8,000	~10
B2C	Wages and salaries	150-250	~5
	Periodic payouts (e.g, interest and social contributions)	500-700	~5
	Non-periodic payments (e.g, dividends, gig economy payouts)	200-300	~10
C2C	Individual remittance to individual (excluding pass-through bill payments)	500-600	~ 5

Card payment value chain



Card manufacturer: allpay, idemia

There are a possible 7 parties to the transaction, we currently provide 1, but could extend to 4.