



# FY-2020 results and Q1-2021 trading update

**Ian Strafford-Taylor**  
CEO

**Richard Cooper**  
CFO

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## History

- Equals was admitted to AIM in August 2014 as FairFX - a B2C-driven travel money and FX dealing business
- Equals made the strategic decision to pivot from B2C to B2B focus in 2017 and have successfully made the rapid transition to become a payments company focused on the SME marketplace.
- Equals is a challenger brand taking business from incumbent Banks.
- Equals product suite encompasses payments, cards and banking services and as such has different FinTech competition in each vertical
- With numerous well-known corporates on our roster, we provide companies with solutions to their FX needs, corporate spend requirements, and can onboard them for faster payments. Additionally, with Equals Money we can set up a special purpose vehicle (SPVs) for international groups often in 24 hours
- Equals combines bank-grade security and connections to payment networks with leading edge technology solutions for customers whilst retaining a strong compliance culture
- Equals are both a PLATFORM and a PRODUCT business

# FY-2020 group highlights



## Transaction volumes

Continued focus on business customers - B2B transactions up by 32%

## B2B revenue

B2B revenues represented 70% of total (FY-2019: 56%)

## International payments

Revenue increased by 46% and B2B revenue increased by 51%

## Covid resilience

Non Travel-Money revenues increased by 18% to £26.6 million (FY-2019: £22.9 million)

## B2B customers

Over 18,000 active unique B2B customers

## Cost base

Total expenditure reduced 18% from £30.6 million to £25.0 million

## Cash flow

Cash break-even achieved

## EBITDA

Adjusted EBITDA of £1.2 million, ahead of market expectations, despite Covid-19 and Wirecard

## Result after tax

Widening of loss after tax due to 50% reduction in costs capitalised, Covid-19/Wirecard headwinds, and only one year R&D claim

## M & A

Further bolt-on acquisition of Effective FX in October 2020

# The headwinds faced in FY-2020

|                      | Covid-19  | Wirecard  |
|----------------------|---|---|
| <b>Impact</b>        | Immediate severe hit to travel money products.<br>Corporate Spend platform also reduced volumes.<br>International payments “paused for breath” for two months.<br>Banking platform relatively stable. | All B2C and some B2B cards for Equals needed to be migrated and re-carded to a new Issuer within 4 months.<br>Increased regulatory scrutiny for the payments industry.  |
| <b>Actions taken</b> | Shut the bureaux, furloughed 72 staff, applied for CBILs and permanently downsized workforce by 70 heads  | Opportunity of re-carding of customers taken to build a new B2C platform incorporating multi-currency card and linked-card features.<br>Task-force formed to migrate, communicate and hand-hold customers and regulators. |
| <b>Costs</b>         | £1.6m in staff lay-offs   | £1.1m (of which £0.6m were write-offs)<br>i.e , no cash outflow in 2020   |
| <b>Conclusion</b>    | Group is leaner, fitter and in better financial position than before.   | Migration successfully completed on schedule.<br>New B2C card platform means platform only requires “maintenance spend” going forward.<br>Card programmes now have superior user experience (UX) and improved economics   |

## **As a Company with a number of FCA regulated subsidiaries we take governance very seriously:**

- New Chairman and new head of Audit committee
- Additional Risk and Compliance committee
- Additional training programmes rolled-out
- ESG embraced (report now on the Equals IR website)
- Additional NEDs pending

# CFO review

Richard Cooper

- Dashboard
- Revenues
- Gross profits
- Costs
- EBITDA
- PBT
- Cash flow, net cash
- Guidance



# Dashboard - 2020

| Payments                              | Payments      | Cards        | Banking services | Rebates and similar | Total         |
|---------------------------------------|---------------|--------------|------------------|---------------------|---------------|
| B2B Number of active accounts         | 4.4k          | 8.9k         | 4.9k             | -                   |               |
| x transactions per day                | 0.2k          | 1.3k         | 2.1k             | -                   | -             |
| x average transaction size            | £32k          | 0.6k         | -                | -                   | -             |
| x average margin (in bps)             | 70            | 160          | 40               | -                   | -             |
| = REVENUES PER DAY                    | £54k          | £12k         | £10k             | -                   | £76k          |
| x working days in period              | -             | -            | -                | -                   | -             |
| <b>= B2B ANNUAL REVENUE</b>           | <b>£13.6m</b> | <b>£3.1m</b> | <b>£2.6m</b>     | <b>£1.0m</b>        | <b>£20.3m</b> |
| Add: B2C revenue                      | -             | -            | -                | -                   | £8.7m         |
| <b>= TOTAL REVENUE</b>                | -             | -            | -                | -                   | <b>£29.0m</b> |
| x contribution margin                 | -             | -            | -                | -                   | 59%           |
| <b>= CONTRIBUTION</b>                 | -             | -            | -                | -                   | <b>£17.1m</b> |
| Less gross cash costs (excluding mkt) | -             | -            | (£23.6m)         | -                   | -             |
| Capitalised                           | -             | -            | £4.5m            | -                   | -             |
| Exceptional and acquisition costs     | -             | -            | £2.1m            | -                   | -             |
| IFRS16                                | -             | -            | £1.1m            | -                   | -             |
| Taken to adjusted EBITDA              | -             | -            | 67%              |                     | (£15.9m)      |
| <b>ADJUSTED EBITDA</b>                | -             | -            | -                | -                   | <b>£1.2m</b>  |

| £ millions                    | H1-2020 | H2-2020 | FY-2020 | FY-2019 |
|-------------------------------|---------|---------|---------|---------|
| B2B                           |         |         |         |         |
| - International payments *    | 6.2     | 7.4     | 13.6    | 7.8     |
| - Corporate expense platform  | 1.3     | 1.8     | 3.1     | 4.0     |
| - Banking                     | 1.3     | 1.3     | 2.6     | 2.7     |
| - Travel products and rebates | 0.4     | 0.6     | 1.0     | 2.8     |
|                               | 9.2     | 11.1    | 20.3    | 17.3    |
| B2C                           | 4.6     | 4.1     | 8.7     | 13.6    |
| Group total                   | 13.8    | 15.2    | 29.0    | 30.9    |

\*Additional information on international payments

- 94,000 orders (91% spot)
- £2.4bn order value (72.5% spot)
- Revenue, B2B 80%, total £17.2m (64% spot)
- Average order size - spot, £20k, forward £80k



| £ millions                  | FY-2020 | %   | FY-2019 | %   |
|-----------------------------|---------|-----|---------|-----|
| International payments      | 11.1    | 64% | 8.4     | 70% |
| Corporate expense platform  | 1.6     | 44% | 2.9     | 71% |
| Banking                     | 3.8     | 73% | 3.9     | 74% |
| Travel products and rebates | 1.6     | 56% | 5.4     | 60% |
| Other                       | 0.2     | -   | 0.0     | -   |
|                             | 18.3    | 63% | 20.6    | 66% |

**\*Commentary**

- A full year of white label, with margins of around 25%. Underlying margin on international payments was 69% (70% for FY-2019)

**Cost of sales includes:**

- Transaction costs, staff commissions and affiliate commissions % are calculated on the underlying data

**Gross profits by segment:**

- Has been based on individual revenues and costs and an allocation of various central revenues and variable costs

# Costs (above adjusted EBITDA)

| 2019 Gross | 2019 Net | £ millions | Gross | Costs of acquisition | Exceptionals | Capitalised | IFRS 16 | Net 2020 |
|------------|----------|------------|-------|----------------------|--------------|-------------|---------|----------|
| 4.1        | 2.0      | Marketing  | 1.2   |                      | -            | -           | -       | 1.2      |
| 18.7       | 9.8      | Staff      | 17.0  | (0.1)                | (1.3)        | (4.0)       | -       | 11.6     |
| 2.4        | 0.9      | Property   | 2.1   | -                    | -            | -           | (1.1)   | 1.0      |
| 1.6        | 1.0      | Prof fees  | 1.7   | -                    | (0.2)        | -           | -       | 1.3      |
| 1.2        | 0.9      | IT         | 1.7   | -                    |              | (0.5)       | -       | 1.2      |
| 0.4        | 0.4      | Other      | 1.1   |                      | (0.5)        | -           | -       | 0.6      |
| 28.4       | 15.0     |            | 24.8  | (0.1)                | (2.0)        | (4.5)       | (1.1)   | 17.1     |
|            |          | Non - cash |       |                      | (0.6)        |             |         |          |
|            |          |            |       |                      | (2.6)        |             |         |          |
|            |          |            |       | Split:               |              |             |         |          |
|            |          |            |       | Wirecard             | (1.0)        |             |         |          |
|            |          |            |       | Covid-19             | (1.6)        |             |         |          |

\* IFRS 16 represents the cash expenditure eliminated under IFRS 16 and shown within depreciation of right to use assets and finance charges.

# EBITDA and adjusted EBITDA

| £ millions                           | FY-2020 | FY-2019 | Notes                           |
|--------------------------------------|---------|---------|---------------------------------|
| Revenue                              | 29.0    | 30.9    |                                 |
| Gross Profit                         | 18.3    | 20.6    |                                 |
| - Margin                             | 63%     | 67%     |                                 |
| <b>Expenditure (slide 10)</b>        |         |         |                                 |
| Gross                                | (24.8)  | (28.4)  |                                 |
| Less: IFRS 16 **                     | 1.1     | 1.2     |                                 |
| Less: Capitalised software           | 4.5     | 8.3     | More projects delivered in year |
| Less: Cash exceptionals (+acq costs) | 2.1     | 3.9     | Wirecard and Covid-19           |
| Net                                  | (17.1)  | (15.0)  |                                 |
| Adjusted EBITDA                      | 1.2     | 5.6     |                                 |
| Share option charge                  | (0.4)   | (0.1)   |                                 |
| Exceptional items/acq costs *        | (2.8)   | (3.9)   | Wirecard and Covid-19           |
| EBITDA                               | (2.0)   | 1.6     |                                 |

\*£22.7k ex exceptional items.

\*\* IFRS 16 represents the cash expenditure eliminated under IFRS 16 and shown within depreciation of right to use assets and finance charges.

# Result after taxation

| £ millions                          | FY-2020      | FY-2019      | Notes  |
|-------------------------------------|--------------|--------------|--|
| EBITDA                              | (2.0)        | 1.6          |  |
| FX differences                      | (0.2)        | (0.2)        |  |
| Depreciation                        | (0.5)        | (0.4)        |  |
| IFRS 16 depreciation                | (0.9)        | (0.9)        |  |
| Amortisation - acquired intangibles | (1.2)        | (0.9)        |  |
| Amortisation - capitalised software | (2.7)        | (1.5)        |  |
| Amortisation - other intangibles    | (0.5)        | (0.6)        |  |
| IFRS 16 finance charges             | (0.4)        | (0.2)        |  |
| Contingent consideration            | (0.6)        | -            | Out-performance of connect, acquired November 2019 |
| Impairment charge                   | -            | (4.9)        | CardOne Money                                      |
| <b>Result before taxation</b>       | <b>(9.0)</b> | <b>(8.0)</b> |  |
| R&D credits                         | 1.3          | 3.5          |  |
| Deferred and other taxation         | 0.8          | (0.9)        |  |
| Taxation                            | 2.1          | 2.6          |  |
| <b>Result after taxation</b>        | <b>(6.9)</b> | <b>(5.4)</b> |  |

# Result after tax - bridge

| £ millions                                    | EBITDA  | Loss after tax |
|---|---------|----------------|
| Lower contribution - due to Covid / Wirecard  | (£1.5m) |                |
| Reduction in capitalised software             | (£4.4m) |                |
| Other changes in EBITDA                       | £2.3m   |                |
| <b>Change in EBITDA</b>                       |         | <b>(£3.6m)</b> |
| Change in depreciation, amortisation etc.     |         | (£1.7m)        |
| Increase in contingent consideration          |         | (£0.6m)        |
| Absence of impairment charge                  |         | £4.9m          |
| Reduction in R&D credit (one year worth only) |         | (£2.2m)        |
| Increase in deferred taxation credit          |         | £1.7m          |
| <b>Total movements in loss after tax</b>      |         | <b>(£1.5m)</b> |
| Loss after tax - 2019                         |         | (£5.4m)        |
| <b>Loss after tax - 2020</b>                  |         | <b>(£6.9m)</b> |

| £ millions  | FY-2020      | FY-2019       | Change      |
|---|--------------|---------------|-------------|
| Adjusted EBITDA   | 1.2          | 5.6           |             |
| Less: Cash exceptionals and acquisition costs           | (2.1)        | (3.9)         |             |
| Less: IFRS 16 cash adjustment                           | (1.1)        | (1.2)         |             |
| Less: Capitalised S/W and other non-current assets      | (4.7)        | (10.6)        |             |
| <b>Operating flows before working capital movements</b> | <b>(6.7)</b> | <b>(10.1)</b> | <b>+3.4</b> |
| Acquisitions and earn-outs                              | (0.8)        | (3.3)         | +2.5        |
| Working capital   | 1.7          | (0.3)         | +2.0        |
|   | (5.8)        | (13.7)        | +7.9        |
| Equity raises   | -            | 15.9          |             |
| R&D received  | 2.5          | 1.2           |             |
| CBILs   | 2.0          | -             |             |
| Net flow  | (1.3)        | 3.4           | -4.7        |
| B.fwd   | 11.3         | 7.9           | +3.4        |
| <b>C.fwd – Cash at Bank</b>                             | <b>10.0</b>  | <b>11.3</b>   | <b>-1.3</b> |

# Net cash / Debt

| £ millions   | FY-2020 | FY-2019 | Change |
|--|---------|---------|--------|
| Cash at bank   | 10.0    | 11.3    | (1.3)  |
|  |         |         |        |
| Float with liquidity providers less customer deposit margins | 0.8     | 2.0     | (1.2)  |
|  |         |         |        |
| CBILs  | (2.0)   | -       | (2.0)  |
|  |         |         |        |
| "Net Cash / debt"  | 8.8     | 13.3    | (4.5)  |
|  |         |         |        |
| Cash per share   | 5.6p    | 6.3p    | (0.7p) |
|  |         |         |        |
| Net cash/debt per share                                      | 4.9p    | 7.4p    | (2.5p) |

# Forward guidance

| £ millions                     | Guidance                           |
|--------------------------------|------------------------------------|
| Q1-2021 revenue                | £8.0m                              |
| Cash position at 31 March 2021 | £9.0m (£0.8m of which is reg deps) |
| Payroll, basic pay, March 2021 | £930k (March 2020: £1,250k)        |
| Contribution margin            | 55% to 60%                         |
| Capitalised software           | £3.0m to £3.3m                     |
| <b>R&amp;D credits</b>         |                                    |
| - FY-2021                      | £1.0m                              |
| - FY-2022                      | £0.3m                              |
| <b>Earn-outs and similar</b>   |                                    |
| - H1-2021                      | £0.8m to £1.0m                     |
| - H2-2021                      | £0.2m to £0.4m                     |

| £ millions                        | Guidance       |
|-----------------------------------|----------------|
| <b>Amortisation</b>               |                |
| - Internally capitalised software | £3.3m to £3.5m |
| - Acquired intangibles            | £1.2m to £1.3m |
| - Other intangibles               | £0.3m to £0.4m |
| Share option charge               | £0.3m to £0.4m |
| Right of use depreciation         | £0.9m to £1.0m |
| Other depreciation                | £0.4m to £0.5m |



# CEO review

Ian Strafford-Taylor

- Transaction volumes and revenues
- FY-2020 key achievements
- Go to market strategy
- FY-2021 trading
- Future plans



# Transaction volumes

| £ millions                    | H1-2020      | H2-2020      | FY-2020      | FY-2019      | 2020 vs 2019 |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>B2B</b>                    |              |              |              |              |              |
| - International payments      | 818          | 1,126        | 1,944        | 1,214        | 60%          |
| - Corporate expense platform  | 93           | 123          | 216          | 271          | -20%         |
| - Banking                     | 286          | 378          | 664          | 604          | 10%          |
| - Travel products and rebates | 12           | 6            | 18           | 68           | -74%         |
|                               | 1,209        | 1,633        | 2,843        | 2,157        | 32%          |
| <b>B2C</b>                    |              |              |              |              |              |
| - International payments      | 237          | 191          | 428          | 348          | +23%         |
| - Corporate expense platform  | -            | -            | -            | -            |              |
| - Banking                     | 78           | 80           | 158          | 166          | -5%          |
| - Travel products and rebates | 36           | 28           | 64           | 217          | -70%         |
|                               | 351          | 299          | 650          | 731          | -11%         |
|                               |              |              |              |              |              |
| <b>Grand total</b>            | <b>1,560</b> | <b>1,933</b> | <b>3,493</b> | <b>2,888</b> | <b>+21%</b>  |

# Revenue per quarter

| £ millions     | Int Pay     | Banking    | Corp Exp   | Travel     | Other      | Total       |
|----------------|-------------|------------|------------|------------|------------|-------------|
| Q1-2019        | 2.4         | 1.2        | 0.9        | 1.8        | 0.6        | 6.9         |
| Q2-2019        | 2.4         | 1.3        | 1.1        | 2.1        | 0.8        | 7.7         |
| Q3-2019        | 3.0         | 1.4        | 1.0        | 2.5        | 0.1        | 8.0         |
| Q4-2019        | 4.1         | 1.4        | 1.0        | 1.6        | 0.2        | 8.3         |
| <b>FY-2019</b> | <b>11.9</b> | <b>5.3</b> | <b>4.0</b> | <b>8.1</b> | <b>1.6</b> | <b>30.9</b> |
| Q1-2020        | 4.6         | 1.3        | 0.9        | 1.1        | 0.2        | 8.1         |
| Q2-2020        | 3.7         | 1.2        | 0.5        | 0.3        | 0.1        | 5.8         |
| Q3-2020        | 4.4         | 1.3        | 0.8        | 0.6        | 0.1        | 7.2         |
| Q4-2020        | 4.5         | 1.3        | 1.0        | 0.8        | 0.3        | 7.9         |
| <b>FY-2020</b> | <b>17.4</b> | <b>5.1</b> | <b>3.1</b> | <b>2.4</b> | <b>1.0</b> | <b>29.0</b> |
| Q1-2021*       | 4.5         | 1.3        | 1.1        | 0.8        | 0.3        | 8.0         |

\*Figures may not agree due to rounding.

# FY-2020 Key Achievements



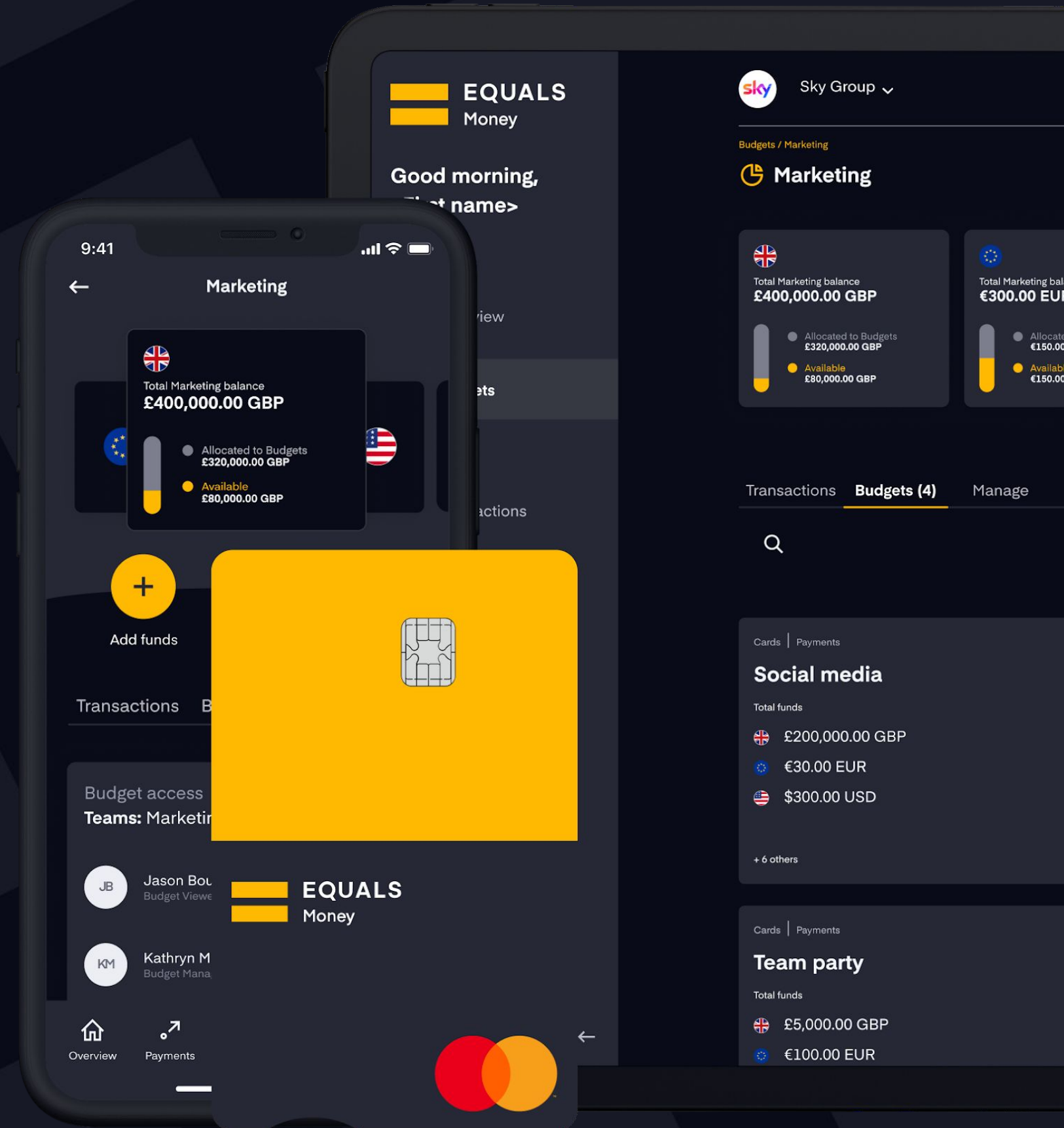
- Covid-19 - absorbing significant B2C revenue loss by growing B2B
- Wirecard - re-platformed B2C offering releasing resources to concentrate on B2B build focus
- Significant cost reductions by reducing headcount but keeping **growth** resources
- B2B2B/C - Utilising direct “Faster Payments” connection for other financial institutions (FI’s) - Homesend
- Acquisition of Effective FX via self-funding deal structure
- Engineering releases in international payments, banking, cards and customer on-boarding
- Implementation of new integrated CRM for international payments
- Investment into compliance and regulatory capabilities to yield competitive advantage

## B2B focus - Equals Money - “an account to bank on”

- A unified suite for account and card payments built around “own-name” IBAN multi-currency account
- Equals advantages - heritage, licences & permissions, connectivity, internal expertise, customer services
- Switch of emphasis from “build” to “sell and build more”
- Solves problems for SME target customer - unified, easy-to-access platform for all payment needs
- CRM (Hubspot & Segment) integrated across front and back office, email and telephony
- Revised B2B Sales & Marketing plan
- New onboarding platform reduces new customer friction
- Growth of B2B2B and B2B2C capabilities and volumes to gain scale



# An account you can bank on



## B2C - FairFX

- Retained FairFX brand to distinguish B2C offering and utilise brand awareness
- New card platform - multi-currency card with new desktop and app UI/UX
- B2B functionality utilised in B2C where appropriate - e.g. linked cards
- B2C still represents growth sector for international payments and revenue opportunity when travel recovers
- Marketing via social, referrals, affiliates and partnerships - no significant above-the-line spend
- Refined customer services support covering “omni-product” offering
- 3 bureau-de-change outlets reduced to 1

# Q1-2021 trading update



## Strong performance

Revenues £8 million  
Revenue per head £120k

## B2B led broad-based growth

International payments,  
corporate platform and banking  
services

## Cost control

Stable headcount and costs  
whilst investing in growth

## Ahead of plan

Performance beat management  
expectations

## Strong balance sheet

Current free cash position of  
£9.0 million - 5p per share

## Growth strategy

Revised sales and marketing  
structure, roll out of new CRM

## Product upgrade

Linked cards in B2C utilising B2B  
tech, confirmation of payee.  
More planned through 2021.

## Crypto

Tie-up with Tap Global as part of  
wider strategy



## Growth Strategy

Hiring, CRM, training, sales enablement, compliance investment, self-serve push

## B2B enhancement

Build further Equals Money functionality

## Customer Tiering

Synchronise service level to wallet potential

## Pricing Models

Increase flexibility from historic/legacy pricing

## Efficiency Gains

Straight-through-processing and automated reconciliation

## Card platform

Virtual cards, debit and prepaid, tokenisation, self-issuance

## B2B affiliates

Accountancy platform integrations and introducer agreements

## Controlled Growth

Emphasis on operational excellence, compliance and control

# Capital Markets Day 2021

6th May 2021 at 11:00

- Meet wider executive team and key individuals
- Current product capabilities and roadmap for 2021 and beyond
- Growth strategy
- Our investment in operations, compliance and regulation
- Q&A opportunities

[equalsplc.com/capital-markets-day-2021](https://equalsplc.com/capital-markets-day-2021)



 **EQUALS**  
Group



# Q&A

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