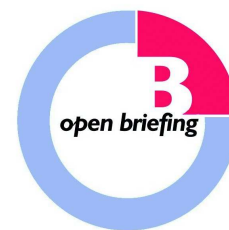


Attention ASX Company Announcements Platform Lodgement of Open Briefing[®]



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Customers Limited
Unit 2, 148 Chesterville Road
Cheltenham, VIC, 3192

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Record of interview:

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Customers Limited today reported net profit of \$6.24 million for the year ended June 2009. Underlying EBITDA before non-recurring items was \$24.8 million, up 145 percent from the previous year, on revenue of \$89.5 million, up nearly 12 percent. The second half benefited from the March introduction of Direct Charging, with underlying EBITDA of \$18.4 million, up from \$6.4 million in the first half. How indicative is the second half EBITDA of the expected level of earnings going forward?

MD Tim Wildash

The introduction of Direct Charging was a company and industry transforming event, allowing us for the first time to set appropriate fees for use of our ATMs in line with competitive market forces. We now essentially "own" the transactions at our ATMs.

We expect continued growth in EBITDA going forward as exhibited over the second half off the back of the new fee regime, additional revenue opportunities and ongoing cost efficiencies. Bear in mind that Direct Charging was in operation for only four months of the recent second half and that the second half of the financial year is historically our weaker half, with January and February our lowest volume months and the periods around the Spring racing carnivals and pre-Christmas shopping our highest.

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Average monthly revenue was \$6.7 million in the first half, and if this level held for the first two months of the second half, it implies average monthly revenue of \$9.0 million post Direct Charging. Given a virtual doubling of revenue per transaction to \$2 under Direct Charging, it also implies a greater

fall in overall volumes than the percent drop in withdrawal transactions you've noted. Can you comment?

MD Tim Wildash

We've always said revenue per transaction wouldn't double across our network: we have wholesale arrangements with the Bank of Queensland and St George Bank, and we also have a small amount of non-transaction based revenue. You also need to take into account the seasonal impact I mentioned before, where the second half of the financial year is our weaker half. The drop in withdrawal volumes was right in the range we forecast.

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How has Direct Charging impacted the transaction volume trends at the various venue types where Customers' ATMs are located?

MD Tim Wildash

Volumes through our ATMs at gaming and pure convenience venues have been solid, but we've seen softer volumes at petrol stations and tourism venues. But it's difficult to say definitively what the impact of Direct Charging has been because we've also had the impact of the global financial crisis, the Easter holiday period and cash hand-outs to consumers under the federal government's economic stimulus package. We need at least another three months or so of data to help understand any potential longer-term trends. However, we remain confident about volume trends longer term.

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What is the outlook for transaction volumes and how long do you expect it to be before volumes return to past levels?

MD Tim Wildash

As we advised the market in June, we saw withdrawal volumes through to May down some 12 to 13 percent compared with the levels directly before the implementation of Direct Charging on 3 March. In July volumes had returned to around 90 percent of what they were pre-Direct Charging. So the trend is improving. The slowdown in volumes has been in line with our expectations and the experience generally of other jurisdictions where a convenience fee has been implemented. It's still too early to say exactly where volumes will end up, but we remain optimistic.

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ATM network expenses fell 10.4 percent in 2009 to \$51.1 million, reflecting falls in ATM maintenance costs and bailment expenses. What is the outlook for costs? Can network expenses be maintained at less than 60 percent of revenue?

MD Tim Wildash

Yes they can. Since the end of June alone we've introduced significant improvements in our processing agreements. We've also significantly improved our communications package. The new arrangements will reduce expenses by over \$1 million a year and we are continuing to examine other cost efficiency opportunities.

CFO Peter Campigli

On the processing side, we exited an agreement with Pulse International at the end of the year by paying out the contract for \$1 million. One of the reasons for doing that was to get lower per-transaction processing rates. On communications, our costs increased slightly in 2009 because of some doubling up as we deployed new network capacity. We're at the back end of that process, so we expect a material reduction in those costs going forward.

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In your 2009 accounts you've reclassified bailment expense as an operating expense rather than reporting it as a finance expense as you have in the past. What's the rationale for this?

CFO Peter Campigli

Bailment funds are a necessity for our business. The distinction with these funds is that we're renting the money: the liability isn't on our balance sheet. Therefore we consider them to be an operating rather than a financial expense and as such the reclassification is in the interests of clarity.

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Customers booked net cash flow from operations of \$22.1 million for 2009, up from \$9.0 million in the previous year. Cash flow of \$18.2 million in the second half represents an EBITDA-cash conversion ratio of around 82 percent. Is cash conversion sustainable at this level?

CFO Peter Campigli

Our business doesn't have any major working capital requirements, so EBITDA should pretty much translate into operating cash flow.

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As at the end of June, Customers had net debt, excluding leases, of \$20.6 million, down from \$37.2 million a year earlier. Gearing was 13 percent, down from 25 percent. You've flagged a commitment to maintaining a modest level of gearing to provide "flexibility." What is the appropriate level of gearing for the company?

MD Tim Wildash

We think it's under 30 percent. We don't have any immediate requirement for increasing our debt.

CFO Peter Campigli

Our debt levels have reduced further since the end of June: we've settled the sale of our holding in Strategic Payments Services to Bendigo and Adelaide Bank for \$5 million and one of our option holders has exercised their options for around \$1.2 million. We're also seeing continuing strong operating cash flows so our cash level is improving every month.

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Your debt facilities mature at the start of October. What's been the progress in renegotiating these facilities?

CFO Peter Campigli

We have limited debt needs going forward and we've had several attractive re-financing propositions in relation to those. Given our improved net debt position, the discussions with our banks are significantly different from this time last year!

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In June you announced a five-year contract with Bendigo and Adelaide Bank to expand the bank's ATM fleet by up to 500 machines, with Customers supplying and operating the additional ATMs. What is the expected earnings contribution from the contract over its five year term and what are the expected operating and capital costs?

MD Tim Wildash

The contract is a wonderful opportunity for Bendigo and Adelaide to expand its fleet along the eastern seaboard. The bank has a 4 percent share of cards on issue around Australia and we're providing a wholesale transaction rate for its cardholders when they use one of these 500 machines.

For us, the capital costs will be minimal because we're using predominantly existing ATMs. Also, the impact of losing a little revenue through the wholesale rate is negligible compared with the benefits we get from the monthly branding fee receivable, which is unrelated to the number of transactions, and from the freshening up of the ATMs with the logo of the highly respected Bendigo and Adelaide Bank. Generally speaking, when we freshen up a machine with attractive new bank branding we see an increase in the order of 5 to 7 percent in transaction volumes at that terminal.

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You've also recently announced the renewal and extension to 2013 of your ATM services contract with BP Australia on "improved terms." Customers provides ATM services to BP at over 200 sites across Australia. What impact will the new terms have on your earnings from the contract?

MD Tim Wildash

BP is very sensitive to customer satisfaction with its outlets and the new terms demand higher ATM up-time. We'll incur some additional expenses in operating the fleet at a higher up-time level, for example we'll have higher overtime expenses as a result of making technicians available after midnight on weekends. But, the commercial rewards for us are significantly enhanced given the ATMs are largely fully depreciated: we're getting continuing high utilisation from existing capital. It's a win-win-win deal for BP, its customers and us.

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What opportunities are there for Customers to provide ATM rebranding and/or supply and operating services to other financial institutions or chain stores?

MD Tim Wildash

We're eagerly pursuing other opportunities. We're in negotiations with financial institutions some of which, as in other parts of the world, are looking to an organisation such as Customers to assist them to lower their costs.

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The Victorian state government has proposed legislation to ban ATMs from gaming venues by 2012. How many of your ATMs would be affected and how would the growth opportunities of the business be impacted?

MD Tim Wildash

The legislation would affect 138 to 140 of our machines, and around 4 percent of our total transaction volumes. Our plan would be to re-locate the machines out of the gaming venues in 2012 and place them in appropriate locations nearby so that responsible patrons still have some access to cash locally. Given the reduced convenience for venue patrons, we might lose half the current level of transactions – that's a 2 percent impact across our business.

Importantly however our business model is not reliant on one industry or retail sector for its long term success. Our strategy has been to move into the financial institutions market and into the services area. Thanks to Direct Charging, we'll have more terminals in more places and I think we can offset the 2 percent of transactions we lose when the Victorian legislation takes effect. We're also confident we can continue to win market share – we believe we're running a more efficient, more service-oriented business than some of our competitors.

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You've indicated that you're considering making a payment to shareholders early in the 2010 financial year. What are the options and what is the ability of the business to support sustainable franked dividends going forward?

CFO Peter Campigli

The company has come out of its transitional stage, and we want to reward our shareholders, who've been very supportive of the journey. Our ability to pay a dividend is somewhat constrained because of our retained loss position but the board is looking at a number of options, including a capital return.

In addition, as the business is maturing in terms of revenues and cash flows, and given that there'll be a current year profit in 2010, the board's intention is to move to paying dividends twice a year, interim and final. Any interim dividend in 2010 is likely to be partially franked but as we earn profit and pay tax, our franking credits will increase, and we'd expect to be able to pay a fully franked final dividend.

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Thank you Tim and Peter.

For more information about Customers, visit www.customersatm.com.au or call Tim Wildash on (+61 3) 9090 4871, or Peter Campigli on (+61 3) 9090 4877.

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