

**ASX ANNOUNCEMENT****ASX Code: PIL**

## Peppermint entering lucrative international remittance market

- Peppermint has created a wholly owned subsidiary, Peppermint Payments Pty Ltd (PPPL) to provide international remittances in the Australian market.
- Reflecting Australia's history as a "land of immigrants", this market is already large and growing faster than GDP, but supply has been shrinking due largely to increased compliance requirements.
- PPPL is registered with Austrac as both a remitter and a remittance network provider, and our AML/CTF program has been approved by our Australian bank.
- PPPL will use the brand "BIZMOTO" which is being trade-marked in both Australia and the Philippines.
- Agreements have been signed with multiple providers reflecting a carefully planned "best of breed" approach and architecture.
- Emphasis on proven technologies such as cloud computing and platform as a service to achieve high reliability, flexibility and security with low initial and fixed costs.
- PPPL's remittance platform is IREMIT developed by INFICARE. IREMIT is a hosted platform used by remittance businesses all over the world for mobile, web and over the counter international remittances.
- PPPL has opted for a "digitally native" approach, aiming to achieve a high degree of automation from registration using VIX Verify's electronic know your customer (eKYC service – "greenID") service through to transaction execution via mobile phone apps and web screens.
- PPPL has executed agreement with two other major internationally leading edge payment networks to enable cost effective delivery to beneficiaries in a large number of developing countries, via a range of channels.
- Connecting to both networks allows PPPL to obtain maximum coverage with minimal outlay, and to achieve a degree of "redundancy" – if one network is unavailable then we can use the other.
- PPPL will also leverage the domestic payment services that PIL's Philippines team is developing, including Bizmoto and other agent network channel partners
- PPPL will be using its low cost operation in Manila to provide the back office support for Australian remittances.



## **PPPL is PIL's Australian Business Unit**

In previous announcements, we've referred to PIL's Australian Business Unit (ABU). PIL has created a wholly owned subsidiary, Peppermint Payments Pty Ltd to run the ABU.

PPPL's objective is to tap into Australia's large and growing immigrant population, especially ex-pat Filipinos, to generate domestic AUD revenues and profits. Ex-pats regularly send money "back home" for various reasons, including living expenses of family members.

With PIL establishing extensive domestic payment capabilities in the Philippines, we have a great opportunity to "connect the dots" between Filipino ex-pats living in Australia and family members living in the Philippines, earning AUD revenues from both fees and FX margins.

Australia has many other large ex-pat populations too, from India, Sri Lanka, Pakistan, Vietnam, Lebanon, Pacific nations and Somalia, to name a few with high transaction volumes. Although not PPPL's initial focus, we aim to take opportunities where they exist and serve as many "corridors" as is profitable.

The international remittance landscape has changed dramatically in the large decade, due mostly to two factors: tightening AML/CTF regulations throughout the world, and in Australia; and emergence of the internet and mobile as the preferred transaction channels for all parties involved. Increased regulation has led to higher participation costs and many traditional businesses have struggled to adapt.

PPPL is responding by deploying state-of-the art infrastructure which is designed to serve both electronic and traditional channels cost effectively and compliantly. This positions us to grow an outbound remittance business from Australia, organically and through acquisition of traditional businesses who have solid customer bases but have not kept abreast of industry changes.

Assessments are complete and vendor contracts have been executed to establish our ABU infrastructure, which can also be used for other remittance corridors in due course. Operations will be supported by a cost-effective base in the Philippines, providing cost advantage over traditional businesses with local Australian staff. Deployment and testing will occur in the remainder of 2017, and PPPL will be ready to grow organically or by acquisition in 2018.

## **Compliance**

Key to success in today's remittance market is a successful compliance program. PPPL has registered with Austrac as both a remitter and a remittance network provider. The latter authorization enables PPPL to provide services to other Australian remittance retailers. Even though mobile and web services have emerged as a channel of preference in many demographics, a significant proportion of the population still prefer to conduct over the counter remittances, especially when combined with shopping at, say, a Filipino grocery store. But traditional bricks and mortar retailers have struggled to keep up with a changing world. They often use old technology and banks have been wary of outdated compliance practices, leading to account closures and forced withdrawal from the market. Therefore there is an opportunity for a new entrant to "fill the gap" of compliant, cost effective agency services.



PPPL has worked with its bank to ensure that our AML/CTF compliance program is suitable to pursue this market.

PPPL looked carefully at some new promising technologies, including block chain and crypto-currencies, in a bid to reduce costs. Importantly, advice from regulators, banks and prospective partners indicated that this would be risky from a compliance perspective. Further, these technologies are not yet sufficiently popular in our target markets to demand adoption.

## Branding

"Bizmoto" derives from the Filipino phrase "Business mo ito" which roughly translates to "Your business". PIL established the Bizmoto brand to develop a proprietary agent network in the Philippines alongside third party agent network channel partners like Sante Barley. Since PPPL's primary market in Australia is ex-Filipinos, the name works equally well here and is consistent with the theme of "connecting the dots" between Filipinos in Australia and Filipinos at home in the Philippines.

## Architecture

Since we are a new entrant into the international remittance market, we took the opportunity to consider the best approach. Some themes that we adopted were:

- To "buy" not build. The size of the prize is large and the market is changing rapidly, so building our own cross-border payment engine might have meant that we were always developing and never delivering. We identified a dozen or so platforms that could get us into the market quickly and efficiently.
- Use best of breed building blocks. We identified that some things are country-specific. For example, AML/CTF rules and practices vary considerably. The cost of delivering effectively into a country is very scale dependent – the higher the value and volume, the cheaper one can process. PIL has a natural scale advantage in the Philippines, but not in other destination countries, so we decided to use a wholesale payment network service for other destinations.
- Use multiple networks. When we looked at the market, we found that it was hard to pick a winner. Each had their advantages in one country or another, so why not use several? This led to several other advantages, including "redundancy" – if one network was unavailable or became too expensive, we could use another.

Having decided on an approach, we then need to identify the best options in the market for each building block: remittance platform, eKYC, payment network(s). Some of the selection criteria were specific to each domain, but general criteria included:

- Low fixed cost. We preferred to get into the market without spending too much up front. This is linked to other concepts like cloud computing and platform as a service.
- Broad functionality, including support for traditional and digital channels



- Proven, especially having an existing deployment in our key target markets of Australia and the Philippines.
- "Future proof", including the ability to scale infinitely, a track record of adding new features and functions, and an interest in emerging technologies and changing business models.

In the last category, we were especially interested in prospective partners' block chain and crypto-currency capabilities and plans. PIL management considers these technologies important and potentially game-changing in the payments landscape but not sufficiently proven or in use to adopt in this context yet. Rather than focus on these technologies in the short term, we prefer to focus on technologies that are leading edge but commercially viable in our target markets and applications. The partners we have chosen have commercially prudent plans relating to these technologies, and PIL stands to benefit if or when they become widely used and profitable.

## Operations

A natural advantage that PIL has over other Australian businesses, FINTECH and traditional, is that we have a highly skilled but cost-effective team in the Philippines running established, commercial domestic operations currently. In the last decade, many companies have been established to facilitate offshoring to move back office functions from Australia to Manila, Mumbai or other lower cost environments. PIL doesn't have to move operations, it can start operations in the most cost-effective way. For some target markets, this provides some cultural challenges because customer support staff don't empathize with their clients, but in PIL's case, a high proportion of clients are likely to be Filipino.

**Chris Kain, Managing Director & CEO comments:** "The Australian outward bound International Remittance market represents a great opportunity for Peppermint to leverage our established Philippines commercial operations and diversify our revenue streams moving forward.

We are confident that our strategic approach, to put in place agreements with market leading services providers, has allowed us to adopt best of breed system architecture. This positions the company well to take advantage of a more sophisticated and regulated market sector growing faster than GDP, but which is challenged by the current regulatory environment."

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**Forward Looking Statements:** Statements regarding plans with respect to Peppermint's business plans are forward looking statements. There can be no assurance that Peppermint's plans will proceed as expected and there can be no assurance that Peppermint will be able to increase revenue.

#### **About Vix Verify**

VIX Verify is the company behind greenID, a secure, privacy-compliant solution that enables businesses to verify the identity of their customers online. greenID helps maintain compliance with know your customer (KYC), anti-money laundering (AML) and counterterrorism financing (CTF) requirements.

- By eliminating the need for in-person verification, greenID helps improve customer experience and reduce dropout rates leading to lower onboarding costs.

- The greenID platform is managed and operated throughout the world using an Information Security Management System (ISMS) which has been certified as meeting the ISO 27001:2013 standard in Australia.



#### **About Peppermint Innovation Ltd**

Peppermint Innovation Ltd is an Australian company listed on the Australian Securities Exchange which is focused on the commercialisation and further development of the Peppermint Platform, a mobile banking, payment and remittance technology designed for banks, mobile money operators, money transfer and funds remittance companies, payment processors, retailers/merchants, credit card companies and microfinance institutions. Peppermint currently operates the Peppermint Platform in the Philippines.

Peppermint has a particular focus in the developing world (starting with the Philippines) and on providing an attractive tool to the unbanked population to access mobile banking and remit money to and from family and others through a system not tied to a particular bank or telephony company.

The Peppermint Platform is being used by leading commercial banks in the Philippines and non-bank payment pilots have commenced in the Philippines to field test the Peppermint Platform and progress regulatory approvals.

