

# Planet Payment

## Reports First Half 2012 Results

**NET REVENUE INCREASES 10%**  
**NET LOSS (\$0.4M) MILLION; ADJUSTED EBITDA \$1.9M**

Planet Payment, Inc. (**UK: LSE: AIM: PPT and PPTR; USA: OTCQX: PLPM**), a leading provider of international payment processing and multi-currency processing services, today announced its results for the six months ended June 30, 2012.

During the first half of 2012, the Company achieved the following operating results:

### Financial Highlights

- Net revenue for the period increased 10% to \$21.8m (H1 '11: \$19.9m).
- Consolidated Gross Billings increased 23% to \$57.7m (H1 '11: \$47.0m). (See Table 2 for explanation of this metric).
- Gross Foreign Currency Mark-up increased 25% to \$50.2m (H1'11: \$40.2m). (See Table 2 for explanation of this metric).
- Net (loss) income decreased to (\$0.4m) (H1'11: \$1.0m), after expenses relating to the Branded Payment Solutions Ltd acquisition, as well as certain other professional fees, totalling \$0.3m.
- Adjusted EBITDA for the period was \$1.9m (H1 '11: \$2.6m). See Table 1 for reconciliation of net (loss) income to Adjusted EBITDA.

### Operational Highlights

- Total active merchant locations increased by 50% to 34,172 as of June 30, 2012 (as of June 30, 2011: 22,825). (See Table 2 for explanation of this metric.)
- Settled multi-currency dollar volume processed increased 24% to \$1,309m (H1 '11: \$1,057m).
- Entered into a number of new contracts, notably a global agreement with China UnionPay.
- Launched services with Global Payments Canada, Vantiv ATMs in the United States, Mashreq UAE, Citibank Philippines, Citibank Hong Kong and Banorte Mexico.
- Acquisition of Branded Payment Solutions Ltd, which the Company believes will enable it to implement additional value-added solutions at a merchant's point of sale.

Our results reflect a 50% increase in active merchant locations over the last twelve months and growth of 23% and 25% in Consolidated Gross Billings and Gross Foreign Currency Mark-up respectively in the first half of 2012 compared to the same period in 2011. The growth in our financial results, however was muted by a number of factors. The challenging economic climate, which our merchants and their customers are facing, led to a decline in net revenue per merchant location. The increase in our operating costs compared to 2011 primarily reflects additions to technology and support personnel to invest in the growth of the business and future launches into new markets. Notwithstanding the economic climate, we believe that the growth in the key operating metrics of active merchant locations, Consolidated Gross Billings and Gross Foreign Currency Mark-up are indicative of the underlying strength of our business

During the first six months of 2012, we continued to expand our acquiring customer base, in particular announcing an agreement with China UnionPay to provide processing support for China UnionPay's credit and debit cards on a worldwide basis. We also announced agreements with Citibank, Hong Kong and Macau, Citibank Philippines and Mashreq in UAE to provide our Pay in Your Currency service in those countries. In April 2012, the Company launched Pay in Your Currency for ATM service with Vantiv in the United States. During the period we launched a number of acquiring bank solutions, including Pay in Your Currency services

with Global Payments, Canada, Mashreq, Citibank Philippines and Citibank Hong Kong. We also launched our MICROS Payment Gateway service with Banorte in Mexico. Planet Payment is currently working to implement and roll out additional acquiring bank, processor and merchant offerings. Together these customers represent a robust pipeline of new business for Planet Payment.

In May 2012, the Company announced the acquisition of Branded Payment Solutions Ltd (“BPS”), an Irish payments company based in Dublin. This acquisition expands the scope of Planet Payment’s global technology solutions. Planet Payment currently interfaces to the merchant’s point of sale through its proprietary, currency-neutral, payment processing technology platform, but does not provide applications on the point of sale. We believe that the acquisition of BPS will enable us to implement additional value-added solutions at a merchant’s point of sale.

### ***CURRENT TRADING***

The Company expects to see continuing growth in active merchant locations, during the remainder of 2012, from both existing customers and those that have recently implemented and launched services with Planet Payment. The Company intends to continue to invest in supporting new business, new markets implementations and new pipeline, although the benefit of these investments may only be realized in subsequent periods. The Company may continue to see slower growth in Consolidated Gross Billings and net revenue from existing customers, as a result of the current challenging economic environment. Based on these and other factors referenced above, the Company expects full year revenue growth comparable to the first half of 2012, and expects net income and Adjusted EBITDA for the 2012 year to be relatively flat compared to 2011, unless economic conditions improve.

### **Commenting on the results, Philip Beck, Chairman and CEO of Planet Payment said:**

*“During the first half of 2012, we continued to execute our strategy and invest in new business and markets, building a strong pipeline for the future. As demonstrated by our new customer launches, the market for our services remains strong as we continue to build our business.”*

Additional breakdown on the Company’s performance can be found in the *Management’s Discussion and Analysis of Financial Condition and Results of Operations* appended to this release. In accordance with the rules of the OTCQX market, the Company’s Half-yearly Report, including its Consolidated Condensed Financial Statements (unaudited), as of June 30, 2012 and December 31, 2011 and for the six months ended June 30, 2012 and 2011 have been posted on the OTCQX website at [www.otcqx.com](http://www.otcqx.com) and on the Company’s website at [www.planetpayment.com](http://www.planetpayment.com).

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*Forward-Looking Statements.* Information contained in this announcement may include ‘forward-looking statements’. All statements other than statements of historical facts included herein, including, without limitation, those regarding the financial position, business strategy, plans and objectives of management for future operations of both Planet Payment and its business partners, are forward-looking statements. Such forward-looking statements are based on a number of assumptions regarding Planet Payment’s present and future business strategies, and the environment in which Planet Payment expects to operate in future, which assumptions may or may not be fulfilled in practice. Actual results may vary materially from the results anticipated by these forward-looking statements as a result of a variety of risk factors, including, regulatory changes and changes in card association regulations and practices; changes in domestic and global economic conditions and changes in volume of international travel and commerce, the impact of the BPS acquisition and others. See the Company’s Half-yearly Report for the period, filed at [www.otcqx.com](http://www.otcqx.com), for other risk factors which investors should consider. These forward-looking statements speak only as to the date of this announcement and cannot be relied upon as a guide to future performance. Planet Payment expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this announcement to reflect any changes in its expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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## **Management’s Discussion & Analysis of Financial Condition and Results of Operations.**

### **Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011**

#### *NON-GAAP MEASURES*

The Company provides certain non-GAAP financial measures in this statement, in order to provide investors with additional perspective of underlying business trends and results. In addition management utilizes these measures in monitoring performance. These non-GAAP key business indicators, which include Adjusted EBITDA, should not be considered replacements for, and should be read in conjunction with, the GAAP financial measures.

We define Adjusted EBITDA as GAAP net (loss) income adjusted to exclude (1) interest expense, (2) interest income, (3) provision (benefit) for income taxes, (4) depreciation and amortization, (5) stock-based expense from options and warrants and (6) certain other items management believes affect the comparability of operating results. Please see “—Adjusted EBITDA” below for more information and for a reconciliation of Adjusted EBITDA to net (loss) income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

### **Table 1. Reconciliation of Net (Loss) Income to Adjusted EBITDA (non-GAAP)**

**For the six months ended June 30, 2012 and 2011**

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<i><u>US\$ Million</u></i>	
Net (loss) income	\$ (0.4)	\$ 1.0
Interest expense	0.0	0.3
Interest income	0.0	0.0
Provision for income taxes	0.3	0.0
Depreciation and amortization	1.3	1.2
Stock-based expense	0.6	0.2
Acquisition deal costs	0.1	0.0
Convertible debt prepayment fee	0.0	0.6
Derecognition of note payable	0.0	(0.7)
<b>Adjusted EBITDA (non- GAAP)</b>	<b>\$1.9</b>	<b>\$2.6</b>

**Table 2. Explanation of Key Metrics**

<i>Consolidated gross billings</i>	Represents gross foreign currency mark-up plus payment processing services revenue.
<i>Gross foreign currency mark-up</i>	Represents the gross foreign currency mark-up amount on settled dollar volume processed using our multi-currency processing services. Gross foreign currency mark-up represents multi-currency processing services net revenue plus amounts paid to acquiring banks and their merchants associated with such multi-currency processing transactions.
<i>Active merchant locations</i>	The Company considers a merchant location to be active as of a date if the merchant completed at least one revenue-generating transaction at the location during the 90-day period ending on such date. The total number of active merchant locations exceeds the total number of merchants, as merchants may have multiple locations.

## Planet Payment, Inc. condensed consolidated balance sheets (unaudited)

	As of June 30, 2012	As of December 31, 2011
<b>Current assets:</b>		
Cash and cash equivalents .....	\$6,646,755	\$ 7,671,963
Restricted cash .....	2,460,111	1,941,909
Accounts receivable, net of allowances of \$1.4 million as of June 30, 2012 and December 31, 2011 .....	3,742,959	4,768,040
Prepaid expenses and other assets.....	1,789,793	947,043
Total current assets .....	14,639,618	15,328,955
<b>Other assets:</b>		
Restricted cash .....	599,974	659,958
Property and equipment, net .....	1,241,693	1,223,562
Software development costs, net .....	4,912,524	4,978,002
Intangible assets, net .....	3,438,907	799,648
Goodwill .....	624,827	-
Security deposits and other assets.....	310,422	213,230
Deferred IPO costs .....	2,346,210	1,650,789
Total other assets .....	13,474,557	9,525,189
<b>Total assets</b> .....	<b>\$28,114,175</b>	<b>\$ 24,854,144</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable .....	\$1,013,580	\$ 993,872
Accrued expenses .....	3,369,589	2,482,255
Due to merchants.....	2,592,196	2,137,064
Current portion of capital leases liability .....	217,724	247,257
Total current liabilities .....	7,193,089	5,860,448
<b>Long-term liabilities:</b>		
Long-term portion of capital leases liability and other long-term liabilities .....	409,461	248,730
Total long-term liabilities .....	409,461	248,730
<b>Total liabilities</b> .....	<b>7,602,550</b>	<b>6,109,178</b>
<b>Commitments and contingencies (Note 6)</b>		
<b>Stockholders' equity:</b>		
Convertible preferred stock—4,000,000 shares authorized, \$0.01 par value: Series A—2,243,750 issued and outstanding as of June 30, 2012 and December 31, 2011; \$8,975,000 aggregate liquidation preference .....	22,438	22,438
Common stock—80,000,000 shares authorized as of June 30, 2012 and December 31, 2011, \$0.01 par value, and 52,352,691, and 51,764,405 respectively, issued and outstanding as of June 30, 2012 and December 31, 2011, respectively .....	523,527	517,644
Additional paid-in capital .....	96,281,841	94,083,901
Warrants .....	1,622,651	1,622,651
Accumulated other comprehensive loss .....	(106,418)	(40,729)
Accumulated deficit .....	(77,832,414)	(77,460,939)
Total stockholders' equity .....	20,511,625	18,744,966
<b>Total liabilities and stockholders' equity</b> .....	<b>\$28,114,175</b>	<b>\$ 24,854,144</b>

The accompanying notes are an integral part of these financial statements

## Planet Payment, Inc. condensed consolidated statements of operations (unaudited)

	Six months ended June 30,	
	2012	2011
<b>Revenue:</b>		
Net revenue.....	\$21,797,974	\$ 19,867,007
<b>Operating expenses:</b>		
Cost of revenue:		
Payment processing services fees.....	5,217,839	5,643,131
Processing and service costs.....	5,373,419	4,387,906
Total cost of revenue.....	10,591,258	10,031,037
Selling, general and administrative expenses.....	11,319,331	8,631,157
Total operating expenses.....	21,910,589	18,662,194
(Loss) income from operations .....	(112,615)	1,204,813
<b>Other (expense) income:</b>		
Interest expense .....	(28,575)	(288,418)
Interest income .....	413	648
Other income, net .....	-	58,682
Total other expense, net .....	(28,162)	(229,088)

(Loss) income before provision for income taxes.....	(140,777)	975,725
Provision for income taxes .....	(230,698)	-
Net (loss) income.....	<u>\$(371,475)</u>	<u>\$ 975,725</u>
Basic net (loss) income per share applicable to common stockholders.....	<u>\$(0.01)</u>	<u>\$0.02</u>
Diluted net (loss) income per share applicable to common stockholders .....	<u>\$(0.01)</u>	<u>\$0.02</u>
Weighted average common stock outstanding (basic) .....	<u>51,906,425</u>	<u>47,837,945</u>
Weighted average common stock outstanding (diluted) .....	<u>51,906,425</u>	<u>56,829,616</u>

The accompanying notes are an integral part of these financial statements

### Planet Payment, Inc. condensed consolidated statements of comprehensive (loss) income (unaudited)

	Six months ended	
	June 30,	
	2012	2011
Net (loss) income .....	\$(371,475)	\$ 975,725
Foreign currency translation adjustment .....	(65,689)	1,730
Total comprehensive (loss) income.....	<u>\$(437,164)</u>	<u>\$ 977,455</u>

The accompanying notes are an integral part of these financial statements

### Planet Payment, Inc. condensed consolidated statements of cash flows (unaudited)

	Six months ended	
	June 30,	
	2012	2011
<b>Cash flows from operating activities:</b>		
Net (loss) income.....	\$(371,475)	\$975,725
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Stock option expense.....	540,397	216,715
Depreciation and amortization expense.....	1,307,461	1,180,421
Provision for doubtful accounts.....	78,988	56,082
Non-cash interest expense on convertible debt.....	-	254,636
Warrant expense.....	-	9,776
Derecognition of note payable.....	-	(660,000)
Non-cash prepayment fee on conversion of convertible debt.....		601,318
Changes in operating assets and liabilities, net of effects of acquisitions		
Increase in settlement assets.....	(518,202)	(88,998)
Decrease (increase) in accounts receivables, prepaid expenses and other current assets.....	443,426	(696,688)
(Increase) decrease in security deposits and other assets.....	(6,901)	28,691
(Decrease) increase in accounts payable and accrued expenses .....	(63,572)	888,737
Increase in due to merchants .....	455,132	68,348
Other .....	(16,007)	11,511
Net cash provided by operating activities .....	<u>1,849,247</u>	<u>2,846,274</u>
<b>Cash flows from investing activities:</b>		
Decrease in restricted cash .....	59,984	88,460
Purchase of property and equipment .....	(95,782)	(168,392)
Capitalized software development .....	(744,902)	(886,103)
Purchase of intangible assets.....	(38,318)	(49,443)
Cash paid for business combination, net of cash acquired .....	<u>(1,577,829)</u>	<u>-</u>
Net cash used in investing activities .....	<u>(2,396,847)</u>	<u>(1,015,478)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock.....	61,680	238,310
Principal payments on capital lease obligations .....	(184,757)	(127,846)
Payment of IPO costs .....	(354,531)	-
Net cash (used in) provided by financing activities .....	<u>(477,608)</u>	<u>110,464</u>

Effect of exchange rate changes on cash and cash equivalents(*).....	-	-
Net (decrease) increase in cash and cash equivalents.....	(1,025,208)	1,941,260
Beginning of period .....	7,671,963	5,182,499
End of period.....	<u>\$6,646,755</u>	<u>\$7,123,759</u>
<b>Supplemental disclosure:</b>		
Cash paid for:		
Interest.....	\$27,872	\$33,782
Income taxes .....	179,027	-
Non cash investing and financing activities:		
Convertible debt converted to common stock .....	\$-	\$8,979,926
Common stock issued for BPS acquisition.....	1,596,862	-
Common stock issued as payment of accounts payable .....	-	20,000
Common stock issued for stock options and warrants exercised .....	-	9,776
Assets acquired under capital leases.....	180,805	223,815
Derecognition of note payable.....	-	660,000
Prepayment fee on conversion of convertible debt.....	-	601,318
Accrued IPO Costs.....	340,890	-

(\*) For the six months ended June 30, 2012 and 2011, the effect of exchange rate changes on cash and cash equivalents was inconsequential.

The accompanying notes are an integral part of these financial statements

**Planet Payment, Inc. condensed consolidated statements of changes in convertible preferred stock and stockholders' equity (unaudited)**

	Convertible preferred stock \$0.01 par value— 4,000,000 shares authorized Series A		Common stock \$0.01 par value— 80,000,000 shares		Additional paid-in capital	Warrants	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares issued	Shares par value	Shares issued	Shares par value					
<b>Balance—December 31, 2011</b> .....	2,243,750	\$22,438	51,764,405	\$517,644	\$94,083,901	\$1,622,651	\$(40,729)	\$(77,460,939)	\$18,744,966
Options exercised .....	—	—	99,949	999	60,681	—	—	—	61,680
Issuance of common shares									
– Acquisition of BPS .....	—	—	488,337	4,884	1,596,862	—	—	—	1,601,746
Stock-based expense .....	—	—	—	—	540,397	—	—	—	540,397
Cumulative translation adjustment .....	—	—	—	—	—	—	(65,689)	—	(65,689)
Net loss .....	—	—	—	—	—	—	—	(371,475)	(371,475)
<b>Balance—June 30, 2012</b> .....	2,243,750	\$22,438	52,352,691	\$523,527	\$96,281,841	\$1,622,651	\$(106,418)	\$(77,832,414)	\$20,511,625

The accompanying notes are an integral part of these financial statements

## **Planet Payment, Inc.**

### **Notes to condensed consolidated financial statements**

#### **1. Business description and basis of presentation**

##### ***Business description***

Planet Payment, Inc. together with its wholly owned subsidiaries (“Planet Payment,” the “Company,” “we,” or “our”) is a provider of international payment processing and multi-currency processing services. The Company provides its services to approximately 34,000 active merchant locations in 18 countries and territories across the Asia Pacific region, North America, the Middle East, Africa and Europe, primarily through its acquiring bank and processor customers, as well as through its own direct sales force. The Company’s point-of-sale and e-commerce services are integrated within the payment card transaction flow and enable its acquiring customers to process and reconcile payment transactions in multiple currencies, geographies and channels. The Company is a registered third party processor with the major card associations and operates in accordance with industry standards, including the Payment Card Industry, or PCI, Security Council’s Data Security Standards.

##### ***Company structure***

Planet Payment was incorporated in the State of Delaware on October 12, 1999 as Planet Group Inc. and changed its name to Planet Payment, Inc. on June 18, 2007.

Since March 20, 2006, shares of the Company’s common stock have traded on the Alternative Investment Market of the London Stock Exchange, or AIM, under the symbols “PPT” and “PPTR.” Since November 19, 2008, shares of the Company’s common stock have traded on the OTCQX market tier operated by OTC Markets Group, Inc., or the OTCQX, in the United States under the symbol “PLPM.”

##### ***Basis of presentation***

The condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

The accompanying condensed consolidated financial statements include the accounts of Planet Payment, Inc. and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated.

The Company evaluated subsequent events through August 15, 2012, the date on which the June 30, 2012 financial statements were available to be issued. There were no events or transactions during this subsequent reporting period that require recognition or disclosure in the financial statements.

##### ***Unaudited consolidated interim financial information***

The accompanying unaudited condensed consolidated interim financial statements as of June 30, 2012 and for the six months ended June 30, 2012 and 2011 have been prepared on the same basis as the annual consolidated financial statements. In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments, which are normal and recurring, necessary for a fair presentation of the statement of operations, financial position and cash flows. Operating results for the six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. The December 31, 2011 balance sheet information has been derived from the audited financial statements at that date but does not include all disclosures required by GAAP.