

Title: Calpian Third Quarter Fiscal 2016 Earnings Conference Call



CALPIAN
The World's Choice for Payments

Speakers: **Harold Montgomery, Calpian Inc. CEO**
Scott Arey, Calpian Inc. CFO
Doug Schiller, Moderator

Harold: It's ten o'clock, Eastern Time. This is Harold Montgomery, chairman and CEO of Calpian Inc. With me today is Scott Arey, our Chief Financial Officer, participating from our headquarters in Mumbai, and Doug Schiller is on the line as our call administrator. Doug, I believe you've got the first slide.

Doug: Yes. Okay, safe harbor provision. This provision and comments made by management may contain forward-looking statements that involve a number of risks and uncertainties associated with our business. The factors that could cause our actual results of operations to differ materially from any forward-looking statements by our management are detailed in our most recently filed Form 10-K or 10-Q's as applicable. We undertake no obligation to revise of these statements to reflect future circumstances or the occurrence of unanticipated events.

Harold: Thank you Doug. Good morning to you and to everyone on the call, and thank you for joining us today. This is Harold Montgomery, I'm the chairman and CEO of Calpian Inc.

Welcome to Calpian Inc.'s earnings call, which is part of the release of our 10Q reports for the period ended September 30th 2015, our second physical quarter, and December 31st 2015, our third physical quarter, which you may recall we have a March 31 year end to be harmonious with Indian practices.

We appreciate the patience of all of our shareholders as we prepared each report, I know it's been a long haul but we have finally completed these, and with the publications of these reports, the company is now current on its filings. Joining me today on the call is from Mumbai, at our headquarters there, is Scott Arey, our chief financial officer. If I could, Doug, I ask you to go to the next slide please. Slide four.

I want to direct the participants to our website. Should you have difficulties or require a playback of this call or transcript, this call plus the supporting materials will be posted on the investor relations section of our website on that bar on the top. The dropdown menu will show you all of our SEC filings, as well as our current filings that are being made today.

Before we focus on the 10Q reports, I would first like to cover a few points for the benefit of shareholders who may be new to the company. Calpian Inc. was launched in 2011 to acquire assets in the payment processing business in the United States. In April 2012, we began investing in Money on Mobile in Mumbai, India based mobile money system catering to India's vast unbanked population with simple transaction services.

Money On Mobile allows consumers to deposit currency with one of our agents and their currency deposits becomes digital currency in our computerized records the same as if it were put into a bank deposit. Then the consumer can transact for bill payments or money transfer services using only their cellphone and any cell phone will do, feature phone or smart phone and SMS text messaging. Doug, go to slide five please.

Our system is reliable, cheap and much easier than transacting in all cash. The Indian market is the largest in the world for this kind of service with approximately 600 - 800 million unbanked individuals. If you take a look at slide five here, you'll see that we've already touched over 172 million Indian consumers on our four-year history with the company and we have 300,000 points of presence where consumers can interact and make their deposits and transact. MoneyOnMobile recently achieved an annual run rate of \$1 billion of processing volume for transactions.

Since we began investing in money on mobile, it's grown to be India's largest mobile money system. The Calpian Inc. board recognized the opportunity for extraordinary growth and value creation in India last year and instructed the management team to sell the company's US operation. That sale was accomplished on November 30th 2015. Calpian Inc. is now a pure play company with only one focus and that is the growth of MoneyOnMobile.

Now that we are current with our filing, so we can take the final steps to complete the transformation process. We'll be changing our name Calpian to MoneyOnMobile or a derivative thereof and we will also investigate the possibility of up listing to a major exchange such as the NASDAQ or the NYSE at the earliest possible opportunity.

In the last four years, the company has enjoyed a tremendous growth surge. We've served over 172 million Indian consumers, we have over 300,000 participating retail locations where consumers can load their cash and we currently perform over 10 million transactions each month with a value approximating one billion annualized run rate, we serve seven to eight million customers each month. We're especially proud that money on mobile is a global leader in financial inclusion bringing basic financial services to Indians who are focused on -- who are forced rather to carry cash and transact only in cash.

The company provides its services to underserved populations, which have largely been overlooked by traditional financial services providers such as banks. In particular, we serve many millions of women throughout India who can transact using our services without venturing far from home. This gives them a measure of independence and control previously not known.

As the company grows, we are serving more underserved areas and towns and villages across India. The GSMA, the international cellphone association rated MoneyOnMobile as the third largest mobile money system in the world in 2015 measured by user count. We are quite proud of this distinction particularly since most mobile money deployments around the world have not scaled beyond one million users. We are indeed in a select club.

Success in our business depends entirely on scale. MoneyOnMobile has developed a revenue sharing formula that allows each of our stores and the 5,000 areas distributors who manage them to share in our revenues. In this way, we acquire our customers at no capital cost. In addition, the natural incentive structure of the revenue sharing model motivates everyone to do their part to make the company successful. Doug, please go to slide six.

We've created over 5,000 area distributor jobs, entrepreneurial opportunities which allow our partners to earn money by marketing and maintaining MoneyOnMobile service in their counter, village and local stores. We believe that our business model makes it difficult to replicate our business and serves as a barrier to entry.

You can see here a screenshot of our mobile wallet used by our retailers to perform simple transactions. This is the smart phone screen but you can also do our transactions off a feature phone. In fact, 65% of our transactions are actually conducted off an old-style feature phone that were familiar here in the United States in the 1980s.

This phone, it's a screenshot connects to MoneyOnMobile and allows the consumer or the store to perform a domestic remittance transaction, which is a person-to-person transfer, purchase of prepaid mobile airtime, prepaid television, satellite TV in India is prepaid, they can participate in ecommerce with Flipkart and Amazon.com, they can buy a travel ticket, make a utility payment or recharge their Mumbai Metro card.

We're adding new services all the time as part of our service array and we think that that is also a major competitive advantage. Another reason to scale that is important can be seen in the financial performance of a company similar to Money On Mobile, a Russian company called Qiwi, which you can find on the NASDAQ under the ticker symbol Q-I-W-I.

It's a remarkably profitable company that has grown net income at a digital rate for four of the last five years. Qiwi currently has a market capitalization of about \$640 million and a processing volume of \$1 billion per month versus our \$1 billion per year. We believe that India holds the potential for this kind of financial performance since our market is many times larger than that of Russia. And in fact, we estimate that our market holds the potential for up to \$8 billion in annual net revenue which would be many times that of Qiwi.

For all these reasons and more, we continue to be very excited and confident about the future of MoneyOnMobile. Scott Arey, our Chief Financial Officer, will now present the financial results for the period end of the second quarter, September 30, 2015, and the third quarter ended December 31, 2015. Scott?

Scott: Thanks, Harold. Doug, if you could go to the next slide for me. I'm currently in Mumbai, and I think it's taking a little bit longer for me to see the slides turn. There we go. So, the first thing I'd like to talk about is one of the key accounting and system changes that have occurred over the last few periods.

In the financial statements that we've just submitted as well as in those just prior to the third quarter, we made a switch from gross accounting to net accounting. Investors who have been tracking the company will notice that difference. The net accounting standard is something that I think will make our results easier to interpret and understand, and is more consistent with other like companies.

The accounting that was previously presented is a statutory requirement in India and is what we had inherited when we became an investor in MoneyOnMobile. There is no difference in terms of what the numbers are. It's just a difference form of presentation. In addition, our domestic operations now are shown as discontinued and that enables the financial statements to be much easier to follow. We felt that that was a very important move to make and Harold will discuss that later in the presentation.

When I joined the company we began implementing the move to NetSuite which is an enterprise level accounting system, and over the past two quarters we have completed the full implementation of it so that now we're able to effectively deliver reports like those we have just submitted in the last two quarters, on a consistent and on-going basis. And we'll be expecting to do so over the coming quarters.

The topics for the next few slides that I'm going to talk about are Processed Volume Trends, the Revenue Trend, Gross Margin Trend, and where we are with Operating Losses/Equity. If you could go to the next slide, Doug.

Processed Volume which is very similar to the revenues that we were previously presenting on a gross basis as Harold stated, is the value of transactions that we're processing. This is something that we release on a monthly basis and shown here as the sum of the month's corresponding to quarters that we are just releasing. Processed Volume has experienced a very steady growth over the past few quarters.

For the purpose of showing the trend, I'm also showing on this chart the previous quarter that was released in February 2016, which is the fiscal quarter ending 30 June of '15. So, in the period shown we've experience 108% growth. From the first quarter to the second quarter, it's a 48% growth increase and a 40% increase from Q2 to Q3 '16. This growth has been accomplished in organic fashion. There have been no acquisitions. Part of the increase is the introduction in June in a major way of the money transfer product and its expansion and growth. Doug, if you could go to slide nine.

The results of the Processed Volume increase is reflected in Net Revenue. This is shown in dollars. The previous slide was shown in rupees because that's the way that we release it on a monthly basis. This also eliminates any effect of foreign exchange to show it in rupees. The resulting net revenue in US dollars is up 26% over the last few quarters with a 13% increase from Q1 to Q2 '16 and an 11% increase from Q2 to Q3. Again, this is not through acquisition but through organic growth, and the largest driver in the product set is money transfer. We can go to the next slide, Doug.

So the result of this is also been an increase in the gross margin, both the absolute dollar gross margin and the percentage gross margin. This increase is up 75% over the last few quarters with the 29% increase in margin from Q1 to Q2, a 32% increase in margin from Q2 to Q3, and is, again, not driven by acquisition but is through organic growth with money transfer the leading components of the growth. I would say that these three trends that we've looked at over these last three slides, make up a pattern of a sustainable growth which we expect will go forward. Next slide, Doug.

So this is a snap shot of the last three quarters and the trends that you've just seen in the graph highlighting the India operations only is broken out. And the key takeaways from this, from our perspective, are the growth in revenue, the growth in the gross margin, and a decrease in the net loss for the India operations. While those things are very positive, I also want to note that in the restructuring where we've discontinued US operations, the consolidated comprehensive has taken some losses to equity.

In general, over the last few years, we've been spending money to build the business the result of which is operating losses. The Q3 equity also reflects losses that were taken as part of the

transition to an India pure play. Again, Harold will talk a little bit more about that at the end of the presentation. Note the numbers in these charts come directly out of our 10Qs, and you should be able to match them up to what we've just released. Again, this chart is a summary. I think that that is it for my section, Harold. Can you go to the next slide, Doug?

Harold: Doug, you can go to the next slide. I'll pick up. Thank you. Where do we go from here? I'm sure investors will want to know. As Scott and I both mentioned, we completely discontinued our operations in the U.S. and we're no longer affiliated with any of that business. Our only business today is Money on Mobile.

We continue to see strong growth opportunities in the Indian market, and our goal is to continue the growth of Money on Mobile along the trend lines shown and close the gap to breaking even as soon as we can. Our first way to do that is to increase our store count footprint in India. In the long term our intent is to have one million locations throughout the country, and eventually a location within about a quarter of a mile of roughly 80% of the Indian population.

We intend to go both broad throughout the country and deeper in metropolitan areas where there are high traffic zones, which has been successful for us so far. We've been experimenting with branded locations on a small scale with good results, and will probably be increasing the scope of that program as well. The second way to grow the company is to increase the frequency of use by our customers.

We've seen that customers who use, Money on Mobile, tend to use it more as they see more and more service offerings emerge. Increasing the frequency of use from our existing customer base is a key driver to growth and our future. Increasing our offerings is the third way we would like to increase our share of high margin transactions such as Domestic Remittances.

Scott showed you the impact on our gross margin, that's strong. And e-commerce is actually stronger than that. If we can grow these volumes and higher ticket, higher margin products, that will be highly beneficial to us. So the combination of reach, frequency, and higher margin products creates a powerful combination of trends as well as playing into the nature of the Indian market. All of which means a promising growth path for Money on Mobile.

That's one last note, I mentioned earlier, we will be moving to change our name Calpian Inc. to a derivative of Money on Mobile that we have cleared in the US. And we will also embark on uplisting process as soon as feasible. The final statement that I need to read is the forward-looking caution. This presentation contains forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

With the exception of historical information, that matters discussed in this presentation are forward-looking statements that involve a number of risks and uncertainties. The actual future results of Calpian Inc. could differ significantly from those statements. Factors that could cause actual results to differ materially include risks and uncertainties such as the inability to finance the company's operations, inability to hire and retain qualified personnel, and changes in general economic climate as well as the risk factors disclosed in Calpian Inc.'s Form 10K filed on December 1, 2015.

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In light of the foregoing, readers are cautioned not to place undue reliance on such forward-looking statements. This presentation does not constitute an offer to sell or a solicitation of offers to buy any securities of any entity. And that concludes the formal part of our presentation. Doug will now administer our transition to the Q&A session.

Doug: Okay. So, we have received a few questions. First one I am going to read is, what took so long with the 10Q's?

Scott: This is Scott Arey. I will field that question. The Q's were delayed by the complexity of reflecting our discontinued operations. It took a while for us to be able to put that together in a presentation format that would be clear to investors and meet the GAAP standards that were required. We don't anticipate given the new systems that we've got currently in place any further delay in being able to present the financial statements on a timely basis. We're getting them out on time and meeting the expected deadlines.

Doug: Okay. Another question is, where do you see growth in India coming from?

Harold: I'll take that one. We are seeing a significant opportunities for growth, keeping in mind that the market for our target customer base definition is quite large, 600 to 800 million unbanked people. We are seeing tremendous opportunities to provide a need for transfer services to that group.

I was just on the phone this morning with our team in Mumbai, who were suggesting we pick up different product types such as insurance payments, for example, that are widely distributed throughout the country. Any payment that is made in cash can be done using Money on Mobile. We also see the emergence of something called payment wallets in India. And another eventuality called payments banks.

Both of this are great opportunities that we can take advantage of and offer as product types through our cash collection system that we have in India. The number one thing we do is convert cash to digital, and if we can do that for a customer or vendor then we will pick that up the related product if it's got enough traction and demand in the market place. So product type, and continued geographical expansion of our store base are the keys.

We do want to eventually get to a million stores in throughout the country in order to saturate our coverage here, and then as we offer more product types we'll see the frequency of interactions with our ultimate consumers increase as well as the size and the margin increase. This is what happened in other payment systems around the world and I think it will also take hold of Money on Mobile over time.

Doug: Okay, another question is how will you be on time for the 10K?

Scott: Hi, this is Scott Arey. I'll field that one. I'm in Mumbai now working with the audit team here and the accounting group to make sure that we will get that document out on time. The deadline is June 30th and as we stand right now today, we don't think that there will be any problem delivering it on time.

Harold: Let me answer that it's very important for us to stay current from this point forward. We are committing the necessary resources, both internally and with our vendor group or support group to stay current from this point forward.

Doug: What's the competitive situation in India?

Harold: The competitive situation in India is easy to diagnose if you look at it from the point of view of who is catering to the banked population of about two hundred million people versus the unbanked population of six to eight hundred million people. Money on Mobile is the leader in the unbanked space. There are no companies that have assembled a product array in the distribution of network, as sizeable and complete as Money on Mobile.

Others are aiming their services at the banked population with wallets that are in online mechanisms similar to Apple Pay here but that is a technology driven solution that doesn't appeal to most of Indian population. It's important to know that in India only 20% of the population is connected to the internet. At this point, most consumers can't use a bank dependent, internet dependent, or smartphone dependent service. That type of service appeals to a very small group of people.

Unfortunately, this question causes a lot of noise and so we get the question quite frequently, "How do we compete with ATM and others," but the answer is that we don't actually compete with these outlets at all because they are chasing a completely different market segment than one we are looking at. There are small local or regional competitors in India, some of which are possibly susceptible to tuck-in acquisition activity which we would like to pursue. We see opportunities for consolidation at the local level occasionally but mostly we have a pretty green field opportunity to move forward and build that distribution network and product array.

Doug: Okay. We need to raise additional capital and how will that impact profitability?

Harold: We do need to raise additional capital. It's a little hard to predict what the revenue would be at one million locations. We would be profitable at one million locations, I'm quite sure. A little bit of the predictability comes around the other two variables I introduced earlier; frequency of use and transaction type.

I think the best analogy I can give you, is to point to Qiwi and show you how Qiwi's profitability has grown significantly and in fact the trend line to see there is that Qiwi's profitability grows faster than revenue. As you scale a payment processing system, the marginal transaction has very little cost associated with it and its margin falls right to the bottom line.

You can begin to see that in our numbers, with revenue increases of 26% and the gross margin increases of 70%. If we can continue those trend lines and scale them just a little further than we have thus far, profitability is inevitable on some time frame. As we scale it beyond that, you are going to start to see results that could resemble those of Qiwi. That's probably the best analogue I can give you as a predictor of the future here.

Scott: I would add that it's difficult for me to imagine a scenario where we would not be profitable at a million stores.

Doug: What's your up listing plan?

Harold: We've been working with investment banks informally and consultants around up listing, our first step is to obviously get current which we've now accomplished, and to move back up to the OTCQX, and then we will be working with investment banks on a more formal basis and consultancies as well, who are familiar with up listing process.

Those of you who are familiar with the OTC world know that there are quite a few companies that would like to up list, and so there is a bit of a queue there. It's not possible for me to predict the time frame in which an up listing could occur, but we are committed to investigating that, and we will be making those moves as we go forward. As I have said it's not possible for me to predict the timing on that but it is an important goal for us to achieve.

Doug: Okay, when will you change the name to MoneyOnMobile?

Harold: That action step requires us to be current which again we are. We have an action plan around that which will be initiating shortly. Again it's difficult for me to predict the exact time frame in which that step can be accomplished, but my expectation is that it can be done in a matter of a few weeks, and we will be taking those steps starting right away.

Let me also mention that we are going to publish a shareholder letter as a press release, emanating here shortly in about a half an hour that details many of the points that we've discussed in the call. For those who would like to have in writing, you can find that either on our website or yahoo finance will show the link or on the 8K.

Scott: I would also like to add that we're going to have this call transcribed and the transcript will be available on the website.

Harold: And obviously our 10Qs will be available on our website and at the SEC website. If there are no further questions coming forward I will end the call. I'd like to thank our shareholders who participated in the call today, thank you very much for your interest and attention, and thank you very much for your support of Calpian Inc and MoneyOnMobile.

Scott: And from Mumbai thank you very much, it's about 8:00 PM here and I'm looking forward to a nice evening and dinner here while you're having a good day, so thank you.

Doug: Bye.