



Smartpay Full Year Results Announcement

23 June 2020

The Board of Smartpay is pleased to announce its audited full year results to 31 March 2020.

ASX: SMP

NZX: SPY

SHARE INFORMATION

Issued Shares: 204,704,659

BOARD OF DIRECTORS

Non- Exec Chairman: Greg Barclay

Managing Director: Bradley Gerdis

Non-Executive: Matthew Turnbull

Non-Executive: Carlos Gill

Non-Executive: William Pulver

Executive Director: Marty Pomeroy

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Full Year Financial Highlights

- Revenue \$28.3m, a 34% increase on the prior year \$21.1m
- Australian acquiring revenue:
 - \$9.5m, a 275% increase on the prior year \$2.5m
 - Monthly acquiring revenue grew to \$1m / month (prior to COVID-19), up from \$0.5m at the beginning of the period.
- EBITDA* \$7.4m, a 15% increase on the prior year \$6.4m
- Australian acquiring terminal fleet grew to 4,613 as at 31 March 2020
- Full year deployment target of 2,500 new terminals achieved
- Continued increase in acquiring margin through the year

Operating Results

The key driver of revenue growth was the strong growth in our Australian acquiring revenues as a result of increasing our terminal base to over 4,600 terminals from around 2,200 at the beginning of the period.

Australian acquiring revenue grew to \$9.5m, a 275% increase on the prior year \$2.5m.

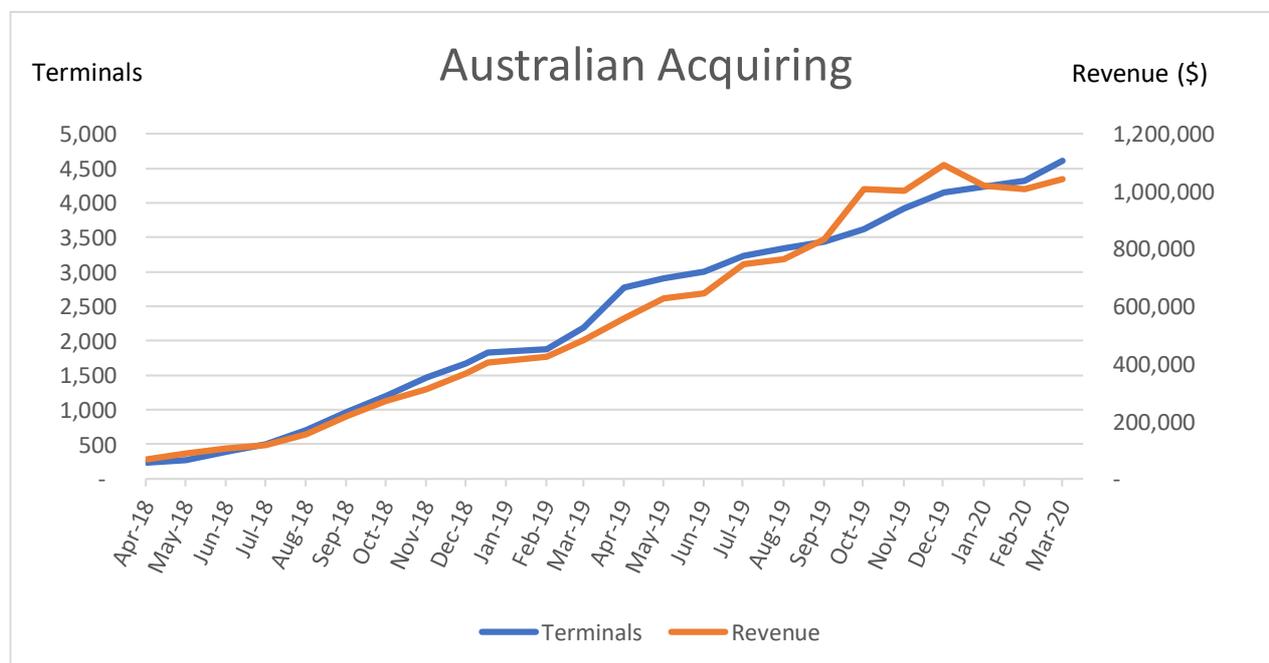
The growth within the period is most evident in monthly acquiring revenue numbers which grew to \$1m / month (prior to COVID-19), up from \$0.5m / month at the beginning of the period.

In addition to growth in terminal and transaction numbers, we also saw a steady increase in gross margin per terminal as we refined our pricing and product mix through the year.

The graph below shows the growth in terminal numbers and revenue in the Australian acquiring business.

The growth in EBITDA* to \$7.4m represents a 15% increase on the prior period \$6.4m. The lower % growth at EBITDA* than revenue represents the investment in additional resource into our Australian business, mainly in the areas of sales, marketing and systems to scale for growth (around \$1m) and around \$400k of cost related to the terminated sale of our NZ business.

The reduction in Net Profit After Tax to \$4.4m loss, vs the prior period \$1.8m loss, is largely due to \$2.5m of non-cash costs related to the valuation of the convertible notes on issue and some forex movements in the year. The large charge in respect of the valuation of the convertible notes is due to the sharp increase in our share price during the year.



Summary and Outlook

The financial year was defined by the following 3 main events:

1. The strong growth in our Australian business as outlined in the numbers above;
2. The proposed sale of our NZ business and assets to Verifone Inc for a proposed price of \$70m. While the sale was ultimately terminated due to the impacts of COVID-19 on timing to satisfy the final condition to the deal, the ability to achieve a firm offer at this level provides the best possible external validation of the value we have built into this part of our business; and
3. The advent of COVID-19 in the final quarter.

As previously reported, after making some tough decisions around our cost base at the outset of COVID-19 and with the benefit of the government assistance packages, we were able to largely offset the cash impacts to our business and come through this difficult period largely unaffected at a cash level. What is particularly pleasing is the speed of the recovery we have seen in our transactions as the lock down restrictions eased. As recently announced to the market, we are back to 95% of pre-COVID transactional revenue in Australia with just one merchant category representing the remaining 5% set to open again soon.

With COVID-19 largely behind us, we have readied the business to resume and accelerate our growth. As the termination of the expected sale of the New Zealand business left us without the expected capital inflow we planned to use to fund this next growth phase, we progressed instead with an external capital raise last month which was strongly supported by both current and new shareholders. The capital from this raise will allow us to continue to pursue our growth strategy and also increase our financial strength through significantly reducing our debt.

After a slow start to the current financial year due to the effects of COVID-19 on the first quarter, we expect to resume our growth off the back of our recent capital raise and therefore expect another strong performance in the remaining 3 quarters of this financial year.

ENDS

**Approved for release by the Board of Smartpay Holdings Limited
23 June 2020**

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*EBITDA = Earnings Before Interest, Tax, Depreciation, Amortisation (including share option amortisation), impairments and foreign exchange adjustments. EBITDA is a useful non-GAAP measure as it shows the contribution to earnings prior to finance costs and non-cash items.

Corporate Directory

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