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BOARD OF DIRECTORS

Non- Exec Chairman: Greg Barclay
Managing Director: Bradley Gerdis
Non-Executive: Matthew Turnbull
Executive Director: Marty Pomeroy

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Smartpay Interim Results Announcement

29 November 2018

The Board of Smartpay is pleased to announce its half year results to 30 September 2018.

Six Month Financial Highlights

- Revenue \$10.1m:
 - a 3% decrease on the prior year \$10.4m;
 - a 2% **increase** on the previous half \$9.9m (6 months to March 18)
- EBITDA* \$3.3m, a 25% decrease on the prior year \$4.4m
- NPAT \$0.2m, an 80% decrease on prior year of \$0.9m
- Diluted Earnings Per Share (EPS) of 0.10 cents, an 80% decrease on prior year of 0.51 cents

Business Update Highlights

- Australian terminal and acquiring business achieving strong growth.
- Profit decrease reflects increased expenditure to accelerate and support this growth, funded predominantly through the recent capital raise.

Operating Results

Given the substantial change in our business over the past 12 months, this half year result belies the significant growth being achieved in our Australian business and is not directly comparable with the same period last year.

In the prior year the Australian revenue model was predominantly terminal rental based with a large one-off terminal sale boosting revenue in the first half. With the focus of the business having transitioned over the ensuing period towards the current transactional acquiring model, the lack of a corresponding one-off terminal sale in the current period explains the lower revenue.

Of greater significance is the revenue increase this half over the previous 6 months (rather than the first half last year) which begins to capture the benefits of the new Australian acquiring business model. Although relatively modest at just 2% growth, this understates the current revenue position due to accelerated growth over a relatively short period. The illustration under the heading “*Review of Operations*” below shows the growth in terminal numbers and the revenue growth in the Australian acquiring business is on the same trajectory.

Our Australian acquiring terminal fleet now stands at close to 1,500 self acquired terminals, up from ~1,000 at the time of our last market update (our AGM in late September). Simply put, our Australian strategy is working and our new business model is contributing to the strong level of growth we are achieving in our Australian business.

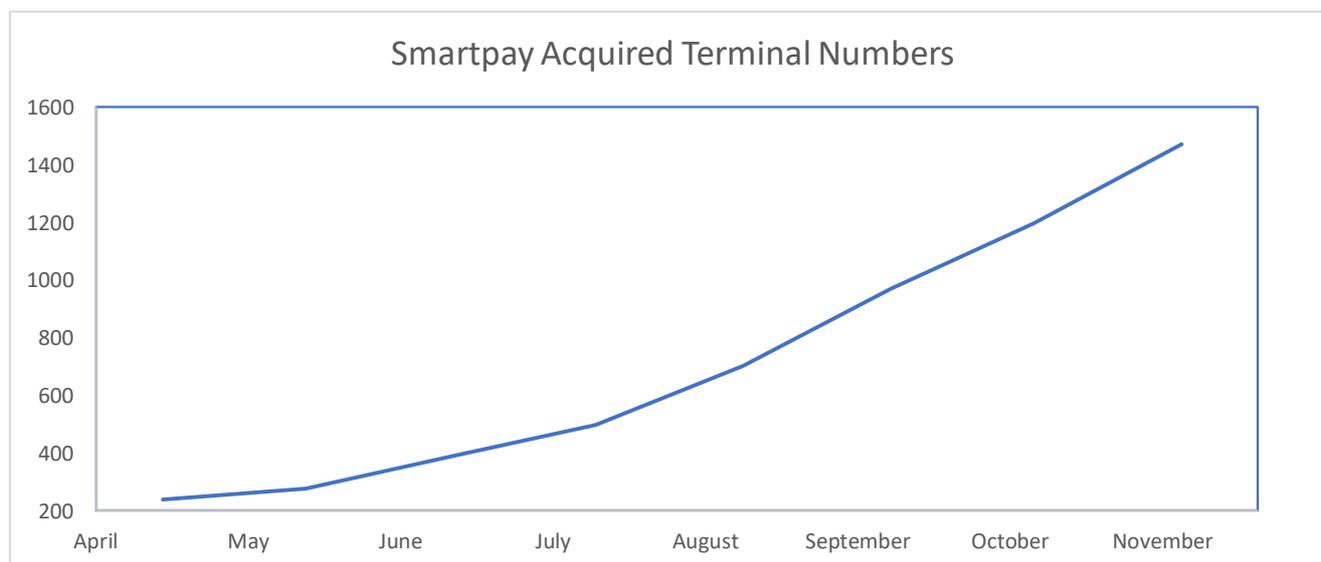
On the cost side, the current period saw increases in costs, mainly in the areas of marketing, sales and headcount to accelerate and support the growth we are seeing in the Australian acquiring business. Importantly these are planned cost increases that are being funded through our recent capital raise which we completed primarily for this purpose.

Review of Operations

The focus during the period has been the bedding down and growth of our Australian acquiring business.

We are pleased to confirm that our Australian acquiring strategy is delivering the expected outcomes of growth in all key metrics of terminal numbers, revenue and gross margin.

Total self-acquired terminal numbers have grown to close to 1,500 in a relatively short space of time.



As we mature the product, we are turning our attention to developing marketing and sales channels to further accelerate growth. This is taking the form of new marketing campaigns, growth in our internal sales teams and external channel partners. The latter allows us to scale cost effectively and we expect to see incremental growth achieved as these channels come on-line and begin to scale.

Summary and Outlook

The company is making significant progress in the execution of our growth strategy. Australian terminal numbers are showing strong growth and at significantly higher gross margin with our own acquiring.

The lower profit reported here reflects the board's commitment to invest in accelerating the execution of our growth strategy that we have steadily proven up over the past 12 months and is consistent with the guidance previously given to the market that this year will see lower profit than last year as the P&L reflects the cost impact of this investment.

Notwithstanding the lower profit expected for this year, it is our expectation that the accumulating revenue effect as our network of terminals grows will yield higher revenues and profits into next year and beyond.

ENDS

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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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