



NZX: SPY
ASX: SMP

SHARE INFORMATION

Issued Shares: 171,752,278

BOARD OF DIRECTORS

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

WEBSITES

www.smartpayinvestor.com
www.smartpay.co.nz
www.smartpay.com.au

REGISTERED OFFICES

New Zealand:
205 – 209 Wairau Road
Wairau Valley
Auckland 0627
New Zealand

Phone: +64 (0)9 442 2700
Fax: +64 (0)9 442 2722

info@smartpay.co.nz

Australia:
Level 2
117 York Street
Sydney
NSW 2000

Phone: +61 (0)2 7903 6302
Fax: +61 (0)2 9869 4223

info@smartpay.com.au

Smartpay Full Year Results Announcements

30 May 2018

The Board of Smartpay is pleased to announce its full year results to 31 March 2018.

Full Year Financial Highlights

- Revenue \$20.4m, a 3% decrease on the prior year \$20.9m
- EBITDA* \$9.6m, level with the prior year \$9.6m
- NPAT \$2.5m, a 15% increase on prior year of \$2.2m
- Diluted Earnings Per Share (EPS) of 1.5 cents, a 14% increase on prior year of 1.3 cents
- Net debt improvement to \$23m from \$24.9m at September 2017

Business Update Highlights

- Transformative change underway in our Australian business model from predominately fixed terminal rental revenue towards financial services transactional revenue through the launch of Australian acquiring.
- Early results indicate a substantial increase in revenue and profit per unit in Australia.
- The recent launch of Alipay is our first foray into extracting transactional acquiring revenue in our NZ business.

Operating Results

The business achieved a 15% increase in NPAT and a 14% increase in EPS for the period.

As foreshadowed in our interim results, the slightly lower revenue in the period reflects:

- lower revenue from external software development (billed to customers) as the focus of our internal development team has focused on internal projects such as our acquiring product, our SmartConnect cloud payments platform and Alipay, none of which generated significant revenue in the current period but all of which are driving revenue growth in the current financial year; and
- slightly lower revenue in our NZ business, mainly from our corporate customers, noting however this represents a relatively small segment of Smartpay's customer base.

We were also expecting to complete a large terminal order pre March 18 which we now expect within the current financial year.

The business achieved an increase in operating cashflow for the period which was applied as follows:

- Significantly higher investment in technical development than the prior period as we utilised a larger proportion of our internal cashflow to develop the systems and products necessary for the

launch of our Australian acquiring, Alipay acquiring and our SmartConnect cloud-based payments products;

- Terminal capex, which included the remainder of the payments for the large NZ terminal upgrade completed in the previous period and current period growth capex. Importantly with the upgrade behind us this line item will be predominantly revenue accretive growth capex in the current and next few years; and
- Net debt reduction to \$23m from \$24.9m at September 2017.

With the payments for the NZ terminal upgrade capex now behind us and with increasing revenue contribution from our new acquiring products coming on stream, we expect our net debt position to continue to improve in the current year and beyond, subject to capital requirements for new growth opportunities.

Review of Operations

Our core focus during the period was readying the business for the transformation from a predominantly fixed rental revenue business towards a financial services transactional revenue based business.

- **Australian Acquiring**

The first step in this journey was the launch of our Australian acquiring capability which went live at the end of October 2017, with our first directly acquired merchants on-boarded in November 2017.

Given the magnitude of this change in our business model, and the fact that for the first time in the Company's history we are providing the equivalent of a bank / financial transaction service, including carrying significant amounts of our customers' money through our systems, we held to a limited initial group of merchants over the holiday season to ensure robustness of our systems. There was therefore little contribution of this new revenue line in the period under review.

With our initial acquiring products now in general release, we are pleased to report that early indications support a substantial increase in revenue and margin per unit in our Australian business. Where we were previously achieving an average gross margin per unit in the order of AU\$43 / month, our current experience is in the order of A\$187 / month.

Importantly we emphasise that these numbers represent an average gross margin across a small initial sample of only 276 terminals currently transacting under our various acquiring products and the future average margin may be lower or higher than this. We are however comfortable that these early results provide a useful illustration of the benefits of the new transactional business model.

While we are only at the very preliminary stages of offering these products to the market, we are already seeing the broader benefits of being able to offer a complete end-to-end EFTPOS solution without the limitations of our previous reliance on third party pricing for the core acquiring component of our EFTPOS market offering. In addition to margin accretion, being one of a very limited number of providers who have both a technical engineering capability combined with a financial acquiring capability, we are able to offer end-to-end tailored solutions which is translating into an expansion in the number of channel partners we deal with which is further growing our terminal sales volumes.

Overall, we are extremely pleased with the early outcomes we are experiencing from our new acquiring business which supports the strategic direction we have adopted for our Australian business.

- **Alipay Acquiring**

We announced in March that we had signed an agreement with Alipay, China's largest online and mobile payments provider, to directly acquire Alipay transactions, giving our merchants access to the rapidly growing Chinese tourist spend across Australia & New Zealand.

Using our proprietary SmartConnect cloud-based payments platform, we developed a market leading payments product which allows Smartpay customers to seamlessly process Alipay payments on the same terminal as their EFTPOS and credit card payments.

As the direct acquirer of these transactions, Smartpay earns a share of the total transaction value which we expect will contribute to both terminal growth numbers and higher margin per Alipay enabled terminal. Importantly as this product is currently being deployed in New Zealand (with Australia to follow shortly), this is our first foray into extracting transactional acquiring revenue in our NZ business. While it's too early in the product's launch phase to determine average margins, the additional transaction revenue observed from the initial transactions is encouraging.

Summary and Outlook

The period under review has been a period of substantial investment, both financial and team effort, in the development of new products and capabilities required to deliver on our key strategic focus areas. Indeed, the numbers reported for the year under review belie the transformational progress achieved in the period. Our Australian business is transforming into a fully transactional financial services provider with early signs supporting the prospect of substantial increases in volume and margin. The addition of new products such as Alipay direct acquiring is providing tangible evidence of our ability to deliver increasing value from our large established base in New Zealand and we are increasingly confident of delivering material growth in revenue, profits and cashflow in the current period and beyond.

ENDS

For further information contact:

Bradley Gerdis, Managing Director, +64 (9) 442 2717 / +61 (2) 7903 6333.

*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

[http://www.smartpayinvestor.com/
investor@smartpayltd.com](http://www.smartpayinvestor.com/investor@smartpayltd.com)

Registered and Principal offices

New Zealand:
205 – 209 Wairau Road
Wairau Valley, Auckland 0627

Email: info@smartpay.co.nz
Phone: +64 (0)9 442 2700
Fax: +64 (0)9 442 2722

Website:
www.smartpay.co.nz

Australia:
Level 2, 117 York Street
Sydney, NSW 2000

Email: info@smartpay.com.au
Phone: +61 (0)2 7903 6302
Fax: +61 (0)2 9869 4223

Website:
www.smartpay.com.au

Shareholder Enquiries

Enquiries concerning shareholdings should be addressed to:

New Zealand:
Computershare Investor Services Limited
Private Bag 92119, Auckland 1142

Phone: + 64 (0)9 488 8700
Fax: + 64 (0)9 488 8787

Australia:
Computershare Investor Services Pty Limited
GPO Box 3329
Melbourne, VIC 3001

Free phone: 1 800 501 366
Fax: +61 (0)3 9473 2500