

### Staff profile

### Megan Johnson | Field Marketing Specialist

"The biggest lesson I've learned from Pushpay is that I am capable of learning and growing more than I know. I've learned to trust my teammates, learn all I can and work hard to create excellent work. We continuously set the bar high and aren't willing to settle for mediocre. That makes me proud as an employee and excited to see how our product continues to shape the future of technology and engagement within the church and ultimately, throughout the world." Megan Johnson | Field Marketing Specialist

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### Investor calendar

Pushpay will begin providing quarterly revenue targets when it releases its quarterly operational update for the 31 March 2018 quarter on 11 April 2018. From the 30 June 2018 quarter onwards, Pushpay intends to release its quarterly operational updates on the first Wednesday of the second month following quarter end.

The following dates are indicative only and (subject to the NZX Listing Rules and applicable laws) are subject to change at Pushpay's discretion.

10 January 2018	Quarterly Operational Update for the quarter ended 31 December 2017
11 April 2018	Quarterly Operational Update for the quarter ended 31 March 2018
17 May 2018	Annual Report and financial results release
17 July 2018	Annual Shareholders' Meeting



PwC NZ Hi-Tech Company of the Year IBM Innovative Company of the Year

Pushpay receives funding from Callaghan Innovation to help cover the commercialisation of innovation.

# Performance highlights

	Six months ended 30 Sep 2017	Six months ended 30 Sep 2016	% change
Revenue	US\$29.7m	US\$12.1m	<b>1</b> 45.1%
Net loss	(US\$12.5m)	(US\$11.3m)	<b>1</b> 0.4%
Key metric	As at 30 Sep 2017	As at 30 Sep 2016	% change
Annualised Committed Monthly Revenue (ACMR)	US\$67.5m	US\$34.3m	<b>4</b> 96.8%
Increase in ACMR over the year	US\$33.2m	US\$24.7m	<b>▲</b> 34.4%
Total Customers	7,121	5,286	<b>▲</b> 34.7%
Average Revenue Per Customer (ARPC)	US\$790 per month	US\$540 per month	<b>4</b> 6.3%
Total Lifetime Value (LTV) of Customer base	US\$769.1m	US\$397.6m	<b>▲</b> 93.4%
Increase in Total LTV of Customer base	US\$371.5m	US\$297.5m	<b>2</b> 4.9%
Months to Recover Customer Acquisition Cost (CAC)	<12 months	<12 months	$\checkmark$
Annual Revenue Retention Rate	>95%	>95%	$\checkmark$
Staff Headcount	341	280	<b>2</b> 1.8%
Cash and Available Funding Lines	US\$25.5m	US\$7.0m	<b>2</b> 64.3%
Annualised Monthly Payment Transaction Volume	US\$2.1b	US\$1.0b	<b>1</b> 10.0%

ACMR, ARPC, LTV, CAC, Annual Revenue Retention Rate and Annualised Monthly Payment Transaction Volume are not GAAP financial measures and are not prepared in accordance with NZ IFRS.

## Key metric definitions

Annual Revenue Retention Rate – is recurring revenue retained from Customers (for example, in the case of Customers in the faith sector, this is measured by the amount of recurring revenue at the end of the period excluding upsells into the existing Customer base, over the amount of recurring revenue from the end of the previous period).

**Annualised Committed Monthly Revenue (ACMR)** – is monthly Average Revenue Per Customer (ARPC) multiplied by total Customers and annualised. ACMR is a key metric to track how a SaaS business is acquiring revenue.

**Annualised Monthly Payment Transaction Volume** – is the annualised four week average payment transaction volume through the Pushpay payment platform, excluding weeks falling in December given this is a seasonal high period.

Average Revenue Per Customer (ARPC) – is the combination of monthly Subscription Fees and Volume Fees divided by total Customers. Subscription Fees are based on the customer product holding which can vary based on the size of the Customer and Volume Fees are based on payment transaction volume. For Customers who use Pushpay's payment solution, Volume Fees are recognised on a gross basis and associated costs payable to issuing banks, processing partners and the card brands, such as Visa and MasterCard, are classified as expenses. The in-month average Volume Fee per Customer is used for the Volume Fee component of ARPC.

**Customer** – is an entity that utilises one or more Pushpay products. Pushpay reports Customers that have entered into an agreement and completed the paperwork necessary to set up their service. Pushpay views Customers with 0-199 average weekly attendees as small, 200-1,099 average weekly attendees as medium and 1,100 or more average weekly attendees as large.

*Customer Acquisition Cost (CAC)* – is sales, marketing and implementation costs divided by the number of new Customers added over a certain period of time.

Lifetime Value (LTV) – is the gross margin expected from a Customer over the lifetime of that Customer. This is calculated as ARPC multiplied by 12, multiplied by the gross profit percentage, multiplied by the average Customer lifetime (the average Customer lifetime is 1 divided by churn, being one minus the Annual Revenue Retention Rate). Total LTV is calculated as LTV multiplied by total Customers.

**Months to Recover CAC** - CAC months or months of ARPC to recover CAC is the number of months of revenue required to recover the cost of acquiring each new Customer.

**Staff Headcount** - is total employees at a specific point in time.

**Subscription Fees** – is recurring fees based on Customer product holding which can vary based on the size of the Customer (in the case of the faith sector, size is based on average weekly attendance).

**Volume Fees** – is variable fee income generated from payment transaction volume (in the case of the faith sector, this is usually a percentage of total donations).



### Dear Fellow Shareholder,

We are pleased to report that for the six months ended 30 September 2017, Pushpay has continued to exceed guidance, delivering on its strategic growth plan whilst maintaining best-inclass SaaS metrics.

Pushpay has increased its leading metric, Annualised Committed Monthly Revenue (ACMR), by US\$33.2 million over the 12 months to 30 September 2017 from US\$34.3 million to US\$67.5 million, an increase of 96.8%.

Revenue increased by US\$17.6 million from US\$12.1 million for the six months ended 30 September 2016 to US\$29.7 million for the six months ended 30 September 2017, an increase of 145.1%.

Pushpay's net loss increased by US\$1.2 million from US\$11.3 million for the six months ended 30 September 2016 to US\$12.5 million for the six months ended 30 September 2017, an increase of 10.4%. The net loss reflects the company's strategy to continue investing in growing its business whilst working towards breakeven on a monthly cash flow basis by 31 December 2018.

Over the year to 30 September 2017, Pushpay has made significant headway in reaching and attracting high value customers. We are extremely proud to now serve 12 of the top 20 and 50 of the top 100 largest churches in the US<sup>1</sup>.

Pushpay's Total Lifetime Value (LTV) of the Customer base increased by US\$371.5 million from US\$397.6 million as at 30 September 2016 to US\$769.1 million as at 30 September 2017, an increase of 93.4%.

It has also been pleasing to see our Annualised Monthly Payment Transaction Volume increase by US\$1.1 billion from US\$1.0 billion as at 30 September 2016 to US\$2.1 billion<sup>2</sup> as at 30 September 2017, an increase of 110.0%.

US\$2.1 billion of giving represents a significant amount of good being done in local communities driven through increased engagement and additional donations our Customers are receiving. In 2016, US\$123 billion<sup>3</sup> was given to religious organisations in the US and we process just under 2% of that. Our goal is to reach the milestone of US\$10 billion in Annualised Monthly Payment Transaction Volume, representing less than 10% of annual giving to religious organisations in the US.

On 11 October 2017, Pushpay moved its US\$100 million ACMR target forward to 31 December 2017 from 31 March 2018. US\$100 million ACMR is a significant milestone in our Company's journey and our new target date means Pushpay will be achieving this milestone within 27 months after reaching US\$10 million ACMR.

Pushpay remains in a position to reach its additional targets of FY18 NZ GAAP revenue guidance of US\$70 million and breakeven on a monthly cash flow basis by the end of 2018.

### Sales strategy

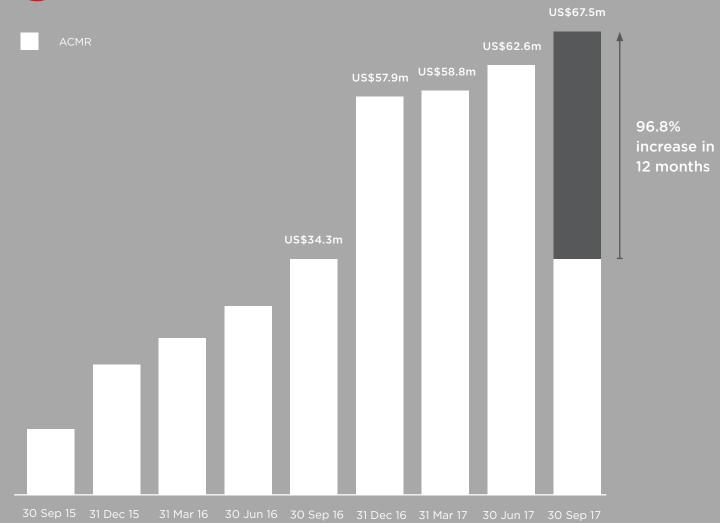
Pushpay continues to refine its relational approach to a targeted account based and field sales strategy, focusing more heavily on medium and large sized Customers. We have found that larger Customers: invest more in implementation and are therefore more likely to implement correctly and successfully, leading to greater adoption of Pushpay's offerings; are easier to service long term; are less likely to churn than smaller Customers; and typically generate increased Subscription and Volume Fees over time.

Outreach Magazine (2017). Outreach 100 Annual Report

Annualised Monthly Payment Transaction Volume exceeded US\$2.2 billion as at 9 October 2017 as announced on 11 October 2017.

<sup>3</sup> Giving USA (2017). The Annual Report on Philanthropy for the year 2016

# Pushpay's ACMR growth



### Annualised Committed Monthly Revenue (ACMR)

The Company increased its ACMR by US\$33.2 million over the 12 months to 30 September 2017 from US\$34.3 million to US\$67.5 million, an increase of 96.8%. Pushpay has brought forward its US\$100 million ACMR target to 31 December 2017 from 31 March 2018, demonstrating the confidence management has in the business model.

Pushpay has seen pleasing results in terms of the proportion of ACMR derived from large Customers, which it expects to continue to increase as it further implements its sales strategy. Over the 12 months to 30 September 2017, Pushpay's proportion of ACMR derived from large Customers increased to 50.8%, from 43.8% a year earlier.

Pushpay expects to reach its target based on further development of its products, direct sales, referrals strategy and through targeting merchants that have existing relationships with Pushpay's strategic channel partners and other distribution partners.

### **Pushpay's Customer numbers**

Pushpay increased its Customer base by 1,835 over the 12 months to 30 September 2017 from 5,286 total Customers to 7,121 total Customers, an increase of 34.7%. Pushpay continues to focus more heavily on medium and large Customers by reducing headcount dedicated to small Customer sales, with an associated reduction in the number of small Customers acquired. More recently, Customer numbers have consolidated, with smaller Customer unit churn offset by new medium and large Customers.

As at 30 September 2017, 12 of the top 20 and 50 of the top 100 largest churches in the US have chosen to use Pushpay. The confidence and support of large Customers such as these demonstrates Pushpay's engagement and payment solutions are well-understood and valued by our main target market, the US faith sector.

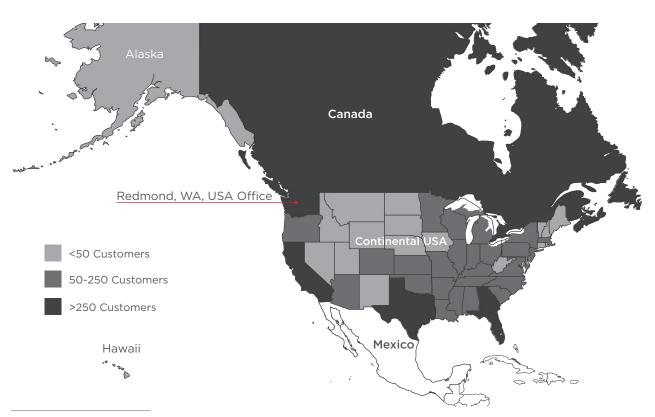
Although we have a high proportion of the top 100 largest churches in the US, we have only just started penetrating the medium and large church segments. Pushpay's less than 4.5% share of the number of churches in those market segments, suggests long term duration growth.

As at 30 September 2017, 97% of Pushpay's Customers were located in North America, which covers the US and Canada with the remaining 3% located in Australasia which covers New Zealand and Australia.

As shown by the map below<sup>4</sup>, Pushpay has Customers across the US and Canada. Customer numbers are particularly high in the state of Washington where Pushpay has been able to visit Customers in person due to its office being located in Redmond, Washington. This provides Pushpay with additional confidence in the targeted account based and field sales strategy that it continues to implement across the US.

The Company's primary focus is on increasing revenue by attracting a higher number of new medium and large Customers, while increasing retention and decreasing CAC. Pushpay's targeted account based and field sales strategy is progressing as planned, attracting a significantly higher number of new medium and large Customers.

Pushpay is seeing a shift in favour of larger Subscription Fees and multi-year contracts with new Customers. In the six months ended 30 September 2017, Pushpay also saw the largest average deal size in the Company's history, in terms of Subscription Fees.



<sup>4</sup> Includes locations in North America of Customers which have been added to the Pushpay platform as at 30 September 2017.

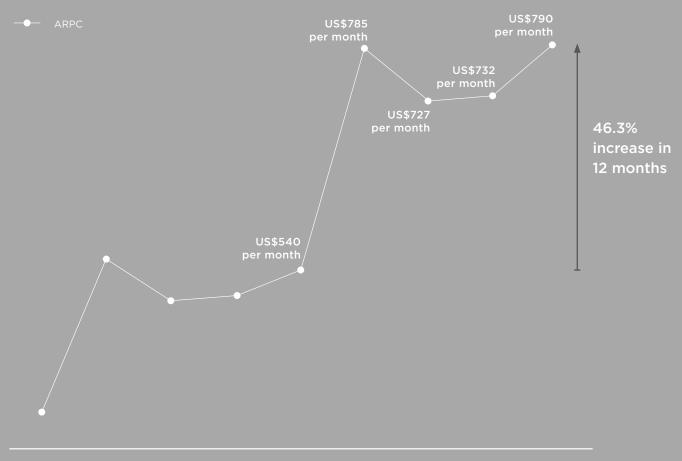
### Staff profile

### Audrey Cheng | Principal Product Manager

"When I joined Pushpay I was really excited to work with such a high calibre team who were passionate about helping customers. What I love most about Pushpay is that the people are generous with their time and are always willing to help. What excites me about my role in product management is that I get to talk to our customers regularly and see how our products change their lives and the lives of their community. I love the constant challenge and opportunity to work on interesting problems."



## Pushpay's ARPC



30 Sep 15 31 Dec 15 31 Mar 16 30 Jun 16 30 Sep 16 31 Dec 16 31 Mar 17 30 Jun 17 30 Sep 17

ARPC increased by US\$250 per month over the 12 months to 30 September 2017 from US\$540 per month to US\$790 per month, an increase of 46.3%.

There are a number of factors which have contributed to increased ARPC, which include: increased Subscription Fees from new and existing Customers; further development of our product

set resulting in higher Volume Fees; increased adoption of digital giving in the US faith sector; and increased giving to religion in the US.

As the graph above indicates, Pushpay is successfully increasing the amount of revenue derived from each Customer as it continues to gain market share in the US faith sector.

### Staff profile

### Michael Upton | Manager, Corporate Finance and Strategy

"What excites me about my role at Pushpay is that I have the opportunity to collaborate across the business and make a meaningful impact on our success. I love that despite our growing size, we embrace the agility and pace of a 5-person start-up. Working at Pushpay has changed me for the better, my wife and I have become more generous in our lives, both inside and outside of church."



### **People**

Pushpay is pleased to welcome US Customer Success expert, Dan Steinman to the Pushpay Board of Directors as an Independent Director as of 3 July 2017. Alongside Dan's appointment, Doug Kemsley resigned as a Director of Pushpay at the end of the Annual Shareholders' Meeting on 18 July 2017. The Board and management of Pushpay thank Doug for his invaluable contribution to Pushpay, including his service as a Director and his continued support as a shareholder.

At Pushpay, one of our core values is "People come first". We focus on growing our team's culture and competency through a number of methods including specialised training and private seminars with subject matter experts. Recently, Bill Macaitis, previously SVP of Marketing at Salesforce.com, CMO at Zendesk and CMO, CRO and Board Advisor at Slack Technologies, joined Pushpay as an advisor focused on Marketing.

Pushpay continues to strengthen its team of driven and talented experts in New Zealand and the US.

### **Product updates**

### Cheque (Check) Deposit

Cheque Deposit successfully launched on 1 June 2017 and is now available to all new US-based Customer administrators. As around 87% of donations to churches in the US are still made through cheques and cash<sup>5</sup> - offering a simple and easy solution to capture these forms of payments brings significant benefits to our Customers in time-savings.

Our Cheque Deposit feature allows Customers to seamlessly capture cheques via a cheque scanner and deposit donations remotely into their bank account. Cheque Deposit significantly reduces administrative workload and eliminates double entry of gifts, with up to 90% of cheque batches being allocated to donors in under two minutes.

### echurch Apps

Apple has released new Apple Store Review Guidelines, spurring further Pushpay innovation that is strengthening our competitive position. The new guidelines include Rule 4.2.6: "Apps created from a commercialized template or app generation service will be rejected."

Pushpay is responding to these new guidelines by creating a Consolidated App with a highly improved user interface that will provide Pushpay Customers with a custom App-branded experience. All new Pushpay Customers will debut on the Consolidated App, and legacy Customers will eventually migrate to the Consolidated App.

### **Processes**

At Pushpay, we strive for continuous improvement in our processes. Internally, across all departments and positions, we are constantly looking for ways to streamline and improve processes. The ability to adapt and embrace change is a significant advantage in a rapidly growing business like Pushpay.

### US\$25 million private placement

Pushpay successfully completed a bookbuild for a US\$25 million private placement of new ordinary shares on 13 July 2017, at the clearing price of NZ\$1.51 per share. The book was heavily subscribed with all bids subject to scaling.

The bookbuild was conducted by Deutsche Craigs Limited and Ord Minnett Limited, as joint lead managers and underwriters. The bookbuild was well supported, attracting bids from over 15 institutional investors across New Zealand and Australia.

Pushpay would like to thank Deutsche Craigs and Ord Minnett for their assistance in bringing the process to a successful conclusion and welcome a large number of new shareholders to the Company.

### **US** market listing

The Board believes that a listing in the US will expand Pushpay's shareholder base, increase liquidity and enable the Company better access to capital, thereby increasing funding alternatives to support the Company's growth strategy. With 97% of Pushpay's Customers being based in North America along with 251 staff, Pushpay considers a listing in the US to be a logical and important step in the Company's evolution in order to take advantage of growth opportunities, further strengthen the Company's market position and increase awareness globally. Accordingly, the Board now intends to pursue a US-listing within the next 15 months. Any listing would be subject to satisfactory market timing, approval by a US exchange and satisfying a number of other customary listing prerequisites.

### Revenue guidance

Pushpay will begin providing quarterly revenue targets when it releases its quarterly operational update for the 31 March 2018 quarter on 11 April 2018. From the 30 June 2018 quarter and onwards, Pushpay will release its quarterly operational updates on the first Wednesday of the second month following quarter end.

### Outlook

Pushpay continues to gain market share in the US faith sector, whilst gaining efficiencies, as the Company works its way towards breakeven on a monthly cash flow basis by the end of calendar 2018. Pushpay is confident in its strategy to gain further market share in the medium-term for the long-term benefit of the Company. The Company continues to implement its targeted account based and field sales strategy, focusing more heavily on medium and large Customers.

Pushpay remains in a position to reach its targets of US\$100 million ACMR by 31 December 2017, FY18 NZ GAAP revenue guidance of US\$70 million and breakeven on a monthly cash flow basis by the end of calendar 2018.

### Acknowledgements

Pushpay's impressive progress would not be possible without the expert direction from the Board of Directors, successful execution from management and the hard work of our dedicated staff. We would like to thank you, our shareholders, for your continued support and confidence, our teams in the US and New Zealand for their hard work and all of our Customers around the world for their loyalty and excitement, as these results are ultimately thanks to their support.

**Bruce Gordon**Chairman

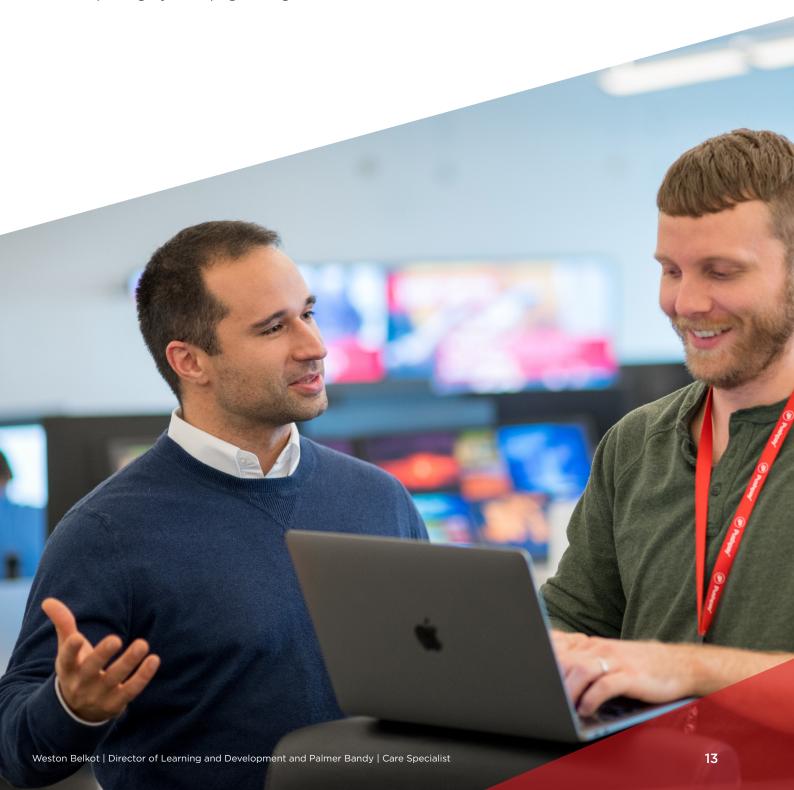
**Chris Heaslip**CEO, Executive Director and
Co-founder

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### Staff profile

### Weston Belkot | Director of Learning and Development

"I joined Pushpay because of the opportunity to make a lasting difference in shaping what the Company culture would become and by churches becoming equipped to better impact their local communities. I love that there is not a "right way" to develop our people and culture. I'm excited by the challenge to continually find solutions that are right for us. In a word, our company is about "growth". We only have one life, and it's fulfilling spending my life helping others grow."



# Management commentary

You should read the following commentary with the financial statements and the related notes in this report. Some parts of this commentary include information regarding the plans and strategy for the business, and include forward-looking statements that involve risks and uncertainties. Actual results and the timing of certain events may differ materially from future results expressed or implied by the forward-looking statements contained in the following commentary. All amounts are presented in United States Dollars (USD), except where indicated.

Non-GAAP\* measures have been included, as we believe they provide useful information for readers to assist in understanding Pushpay's financial performance. Non-GAAP financial measures do not have standardised meanings and should not be viewed in isolation or considered as substitutes for measures reported in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). These measures have not been independently audited or reviewed.

### **Business results**

	2017	2016	
Unaudited	US\$000	US\$000	Change
Six months ended 30 September			
Operating revenue	28,731	11,985	140%
Other income	1,011	150	574%
Total revenue	29,742	12,135	145%
Third party direct costs	(12,311)	(5,052)	144%
Percentage of operating revenue	-43%	-42%	-1pp**
Operating expenses	(29,930)	(18,298)	64%
Percentage of operating revenue	-104%	-153%	49pp
Foreign exchange	145	(29)	-600%
Income tax expense	(165)	(95)	74%
Net loss	(12,519)	(11,339)	10%
Percentage of operating revenue	-44%	-95%	51pp

The growth in operating revenue of 140% for the six months ended 30 September 2017, when compared to the prior comparative period, was driven by both Customer growth and an increase in ARPC.

<sup>\*</sup> GAAP stands for Generally Accepted Accounting Principles

<sup>\*\* &</sup>quot;pp" stands for percentage point

Additionally, the company recognised \$0.8 million in estimated Callaghan Innovation growth grant income, that drove the 574% increase in other income. Total operating expenses and the net loss, as a percentage of operating revenue, decreased by 49 percentage points and 51 percentage points respectively. This reflects efficiencies being achieved as the business scales.

### Earnings before interest, tax, depreciation, amortisation and foreign currency (gains)/losses (EBITDAF)

EBITDAF disclosures (which are non-GAAP financial measures) have been included, as we believe they provide useful information for readers to assist in understanding Pushpay's financial performance. EBITDAF is calculated by adding back net interest income, depreciation and amortisation, income tax expense and net foreign currency (gains)/losses to net loss.

	2017	2016 (restated)	
Unaudited	US\$000	US\$000	Change
Six months ended 30 September			
Net loss	(12,519)	(11,339)	10%
Add back: net interest income	(70)	(25)	180%
Add back: depreciation and amortisation	2,128	1,018	109%
Add back: income tax expense	165	95	74%
Add back: net foreign currency (gains)/losses	(145)	29	-600%
EBITDAF	(10,441)	(10,222)	2%
Percentage of operating revenue	-36%	-85%	49pp

The EBITDAF loss increased by 2% for the six months ended 30 September 2017, when compared to the prior comparative period, from a \$10.2 million loss to a \$10.4 million loss. The EBITDAF loss, as a percentage of operating revenue, improved by 49 percentage points, from -85% in the prior comparative period, to -36%, driven by growth in operating revenue far exceeding the growth in operating expenditure.

### Operating revenue

Subscription revenue consists of recurring fees based on the Customer product holding, which can vary depending on the size of the Customer (in the case of the faith sector, size is based on average weekly attendees). Subscription fees may be billed monthly or annually in advance. Processing revenue consists of variable fee income generated from payment transaction volume (in the case of the faith sector, this is usually a percentage of donations). Processing revenue is billed monthly in arrears.

	2017	2016	
Unaudited	US\$000	US\$000	Change
Six months ended 30 September			
Subscription revenue	8,926	4,018	122%
Processing revenue	19,805	7,967	149%
Total operating revenue	28,731	11,985	140%

Annualised Committed Monthly Revenue (ACMR, a non-GAAP financial measure) is monthly Average Revenue Per Customer (ARPC) multiplied by total Customers and annualised. ACMR is a key metric to track how a SaaS business is acquiring revenue.

As at 30 September		2017	2016	Change
Total Customers		7,121	5,286	35%
ARPC per month	US\$	790	540	46%
ACMR	US\$ millions	67.5	34.3	97%
Increase in ACMR over the year	US\$ millions	33.2	24.7	34%

Operating revenue increased by 140% for the six months ended 30 September 2017, when compared to the prior comparative period, driven by Customer growth of 35% from 5,286 to 7,121 and a significant increase in ARPC of 46% from \$540 per month to \$790 per month. ACMR increased by 97% from \$34.3 million to \$67.5 million, an increase of \$33.2 million, compared to an increase of \$24.7 million as at 30 September 2016, an improvement of 34%.

As the Company implements its sales strategy, we expect the number of new medium and large Customers to increase and ARPC to increase as we transition away from smaller customers. Accordingly, the Company has seen pleasing results in terms of the proportion of ACMR derived from large Customers, which it expects to continue to increase in line with its sales strategy. Over the 12 months to 30 September 2017, the Company's proportion of ACMR derived from large Customers increased to 50.8%, from 43.8% a year earlier.

A number of Customers contract to pay Subscription Fees annually in advance as opposed to paying monthly. The Company recognises subscription revenue as the services are delivered over the term of the contract, commencing with the date the service is made available to Customers and all other revenue recognition criteria are met. The billed but unearned portion is recognised in unearned revenue in the Statement of Financial Position.

### Third party direct costs

Third party direct costs consist of volume related processing costs, platform hosting and other related costs payable to third parties. Processing costs include interchange fees, which are paid to third parties, such as Visa and MasterCard. Other costs include payments to third party distributors.

	2017	2016	
Unaudited	US\$000	US\$000	Change
Six months ended 30 September			
Third party direct costs - processing	11,291	4,746	138%
Third party direct costs - platform hosting	870	227	283%
Third party direct costs - other	150	79	90%
Third party direct costs	12,311	5,052	144%
Percentage of operating revenue	43%	42%	1pp
Third party direct costs - processing, as a percentage of processing revenue	57%	60%	-3pp
Third party direct costs - platform hosting, as a percentage of subscription revenue	10%	6%	4pp

Total third party direct costs increased by 144% for the six months ended 30 September 2017, compared to the prior comparative period, driven by higher interchange fees associated with higher processing volumes and thus revenues, as well as increased platform hosting costs. Total third party direct costs as a percentage of operating revenue, were broadly stable at 43%. Processing costs as a percentage of processing revenue improved by 3 percentage points from 60% to 57%. In addition, platform hosting costs as a percentage of subscription revenue increased by 4 percentage points to 10%, from 6% in the prior comparative period, reflecting the investment made in the Company's platform in migrating to Amazon Web Services.

### **Gross profit**

Gross profit disclosure (a non-GAAP financial measure) has been included, as we believe it provides useful information for readers to assist in understanding the Company's financial performance. Gross profit is calculated as operating revenue less third party direct costs.

	2017	2016	
Unaudited	US\$000	US\$000	Change
Six months ended 30 September			
Operating revenue	28,731	11,985	140%
Third party direct costs	(12,311)	(5,052)	144%
Gross profit	16,420	6,933	137%
Gross margin percentage	57%	58%	-1pp

Gross margin percentage has reduced by 1 percentage point over the six months ended 30 September 2017 from 58% to 57%, due in part to the investment made in migrating the Company's hosting platform to Amazon Web Services. The Company is targeting to achieve a gross margin percentage exceeding 60% in the medium term based on initiatives currently in progress.

### Product design and development

The Company's products have been built as a 'mobile-first' solution, rather than being adapted from a desktop environment, meaning that its iOS and Android Apps are native to those operating systems.

Product design and development costs consist primarily of personnel and related expenses (including salaries, benefits, bonuses and share-based payment expenses) directly associated with product design and development employees. Under NZ IFRS, the portion of product design and development expenses that create a benefit in future years is capitalisable as an intangible asset and is then amortised to the Income Statement over the estimated life of the asset created. The amount amortised is included as a product design and development expense.

	2017	2016 (restated)	
Unaudited	US\$000	US\$000	Change
Six months ended 30 September			
Total product design and development costs (including amounts capitalised)	6,251	3,560	76%
Percentage of operating revenue	22%	30%	-8pp
Less capitalised development costs	(825)	(1,279)	-35%
Percentage of total product design and development costs capitalised	13%	36%	-23pp
Product design and development expense excluding amortisation of amounts capitalised	5,426	2,281	138%
Add: Amortisation of capitalised development costs	1,667	721	131%
Net product design and development expenses	7,093	3,002	136%
Percentage of operating revenue	25%	25%	Opp

Total product design and development expenses increased by 76% for the six months ended 30 September 2017, when compared to the previous corresponding period, from \$3.6 million to \$6.3 million. Total product design and development costs (including amounts capitalised) as a percentage of operating revenue improved by 8 percentage points for the six months ended 30 September 2017, when compared to the previous corresponding period, from 30% to 22%. Of the \$6.3 million, \$0.8 million was capitalised, with the balance of \$5.4 million included as an expense in the Income Statement.

The Company increased product design and development headcount by 37%, compared to 30 September 2016, to enhance and extend service offerings and develop new technologies.

The amortisation of capitalised product design and development expenditure of \$1.7 million was also included as an expense in the Income Statement, giving a total net expense for the six months ended 30 September 2017 of \$7.1 million.

The higher expense in the Income Statement was primarily driven by the increased volume of product design and development expenditure and a reduction in the percentage of costs capitalised, when compared to the previous corresponding period, from 36% to 13%.

### Sales and marketing, and customer success

Sales and marketing expenses consist of personnel and related expenses (including salaries, benefits, bonuses, commissions and share-based payment expenses) directly associated with the sales and marketing teams, external advertising costs and marketing costs (including promotional events, corporate communications, brand building and product marketing activities, such as online lead generation).

Customer success expenses consist primarily of personnel and related expenses (including salaries, benefits, bonuses and share-based payment expenses). Customer success facilitates onboarding and ongoing support of Customers, ensuring they maximise the benefit from Pushpay's services. The portion of customer success cost relating to onboarding new Customers is treated as part of Customer Acquisition Cost (CAC).

	2017	2016 (restated)	
Unaudited	US\$000	US\$000	Change
Six months ended 30 September			
Sales and marketing	13,732	9,601	43%
Customer success	3,017	1,816	66%
Total sales and marketing, and customer success costs	16,749	11,417	47%
Percentage of operating revenue	58%	95%	-37pp
Months to recover CAC	<12	<12	NC*

Total sales and marketing, and customer success costs increased by 47% for the six months ended 30 September 2017, when compared to the previous corresponding period, from \$11.4 million to \$16.7 million. Sales and marketing, and customer success costs as a percentage of operating revenue improved by 37 percentage points for the six months ended 30 September 2017, when compared to the previous corresponding period, from 95% to 58%. The increase in total sales and marketing, and customer success costs reflect the increase in the number and size of Customers acquired. Headcount increased when compared to 30 September 2016 as a result of hiring additional sales and marketing, and customer success personnel to expand Customer acquisition and to grow relationships with both existing and new Customers. As Pushpay's Customer base grows the opportunity to grow revenue from existing Customers increases. During the six months ended 30 September 2017, Pushpay invested in new initiatives to support revenue growth, including the establishment of an account management function.

The increase in customer success costs was largely driven by headcount growth to support the greater Customer base and to drive more effective Customer implementation. Effective implementation delivers more value to the Customer, as well as higher subscription and processing revenue for the Company.

The Months to Recover CAC remained at less than 12 months at 30 September 2017, which Pushpay believes to be best-in-class for a SaaS business. The total sales and marketing, and customer success costs over the six months ended 30 September 2017 were \$16.7 million, contributing to an ACMR increase of \$33.2 million.

<sup>\*</sup> NC stands for no change.

### General and administration

General and administration expenses consist of personnel and related expenses (including salaries, benefits, bonuses and share-based payment expenses) for executive, finance, human resources and administrative employees. It also includes legal, accounting and other professional services fees, stock exchange listing expenses and other corporate expenses.

	2017	2016 (restated)	
Unaudited	US\$000	US\$000	Change
Six months ended 30 September			
General and administration	6,088	3,879	57%
Percentage of operating revenue	21%	32%	-11pp

General and administration costs increased by 57% for the six months ended 30 September 2017, when compared to the previous corresponding period, from \$3.9 million to \$6.1 million. General and administration costs improved as a percentage of operating revenue by 11 percentage points for the six months ended 30 September 2017, when compared to the previous corresponding period, from 32% to 21%.

Drivers of the increase in general and administration costs included increased personnel related expenses as a result of headcount growth to support the growth in other business functions, particularly within the human resources team.

### **Employees**

At 30 September	2017	2016	Change
Product design and development	86	63	37%
Sales and marketing	126	115	10%
Customer success	62	50	24%
General and administration	67	52	29%
Total group	341	280	22%

Staff headcount increased by 22% over the 12 months to 30 September 2017 from 280 to 341, with 90 staff based in New Zealand and 251 staff based in the USA. Sales and marketing, and product design and development roles, comprised more than 55% of the headcount added.

### Cash flows

	2017	2016	
Unaudited	US\$000	US\$000	Change
Six months ended 30 September			
Receipts from Customers	17,182	8,580	100%
Other operating cash flows	(26,886)	(15,620)	72%
Total cash flows from operating activities	(9,704)	(7,040)	38%
Investing cash flows	(2,448)	(1,665)	47%
Total operating and investing cash flows	(12,152)	(8,705)	40%
Financing activities	24,599	949	2,492%
Foreign currency translation adjustment	(348)	3	-11,500%
Net movement in cash and cash equivalents	12,099	(7,753)	256%

Receipts from Customers increased by 100% for the six months ended 30 September 2017, when compared to the previous corresponding period, from \$8.6 million to \$17.2 million. Receipts from Customers relating to processing revenue are shown net of the processing costs reflecting the physical cash inflows.

Net investing cash flows increased by 47% for the six months ended 30 September 2017, when compared to the previous corresponding period, from \$1.7 million to \$2.4 million, of which \$1.0m relates to the final settlement payment for the Bluebridge Digital Inc assets acquired.

In July 2017 \$24.6 million of new capital was raised, after costs of the issuance, driving a net movement in cash and cash equivalents of \$12.1 million for the six months ended 30 September 2017.

### **Income Statement**

### 30 September

	_	2017 Unaudited	2016 (restated) Unaudited
	Notes	US\$000	US\$000
Revenue	4	29,742	12,135
Expenses			
Third party direct costs		(12,311)	(5,052)
Product design and development		(7,093)	(3,002)
Sales and marketing		(13,732)	(9,601)
Customer success		(3,017)	(1,816)
General and administration		(6,088)	(3,879)
Net foreign exchange gains/(losses)		145	(29)
Total expenses	5	(42,096)	(23,379)
Net loss before income tax		(12,354)	(11,244)
Income tax expense		(165)	(95)
Net loss for the period		(12,519)	(11,339)
Loss per share			
Basic and diluted (loss) per share (cents)		(5)	(5)

# Statement of Comprehensive Income

	30 September																														
	2017 Unaudited	2016																													
		Unaudited	Unaudited	Unaudited L	Unaudited (	Unaudited Una	Unaudited Un	Unaudited Una	Unaudited Unau	<i>Unaudited</i>	Unaudited Unau																				
	US\$000	US\$000																													
Net loss for the period	(12,519)	(11,339)																													
Other comprehensive income*																															
Exchange differences on translation of foreign operations	(87)	385																													
Total comprehensive loss for the year	(12,606)	(10,954)																													

<sup>\*</sup> Items of other comprehensive income may be reclassified to the Income Statement.

## **Statement of Changes in Equity**

		Foreign currency	Shared based		
	Share	translation	payment	Accumulated	Total
	capital US\$000	reserve US\$000	reserve US\$000	losses US\$000	equity US\$000
Unaudited		03\$000	033000	03\$000	
Balance at 1 April 2016	36,991	(2,305)	208	(20,939)	13,955
Net loss	-	-	-	(11,339)	(11,339)
Currency translation movements	-	385	-	-	385
Total comprehensive loss	-	385	-	(11,339)	(10,954)
Transactions with owners:					
Issue of shares	55	-	-	-	55
Share based payments	-	-	107	-	107
Balance at 30 September 2016	37,046	(1,920)	315	(32,278)	3,163
Balance at 1 April 2017	66,501	(2,216)	765	(46,245)	18,805
Net loss	-	-	-	(12,519)	(12,519)
Currency translation movements	-	(87)	-	-	(87)
Total comprehensive loss	-	(87)	-	(12,519)	(12,606)
Transactions with owners:					
Issue of shares	26,319	-	-	-	26,319
Share issue costs	(1,531)	-	-	-	(1,531)
Share based payments		-	534	-	534
Balance at 30 September 2017	91,289	(2,303)	1,299	(58,764)	31,521

### **Statement of Financial Position**

		As at	
		30 September 2017	31 March 2017
		Unaudited	Audited
Assets	Note	US\$000	US\$000
Current assets			
Cash and cash equivalents		25,505	13,406
Trade and other receivables		5,912	4,523
Deferred acquisition costs		967	1,190
Total current assets		32,384	19,119
Non-current assets			
Property, plant and equipment		2,195	2,306
Intangible assets and goodwill		6,665	7,252
Restricted cash balances		1,443	1,425
Total non-current assets		10,303	10,983
Total assets		42,687	30,102
Liabilities			
Current liabilities			
Trade and other payables		2,878	4,044
Unearned revenue		6,678	6,094
Employee entitlements		1,484	1,014
Income tax payable		126	145
Total current liabilities		11,166	11,297
Total liabilities		11,166	11,297
Net assets		31,521	18,805
Equity			
Share capital	6	91,289	66,501
Accumulated losses		(58,764)	(46,245)
Share based payment reserve		1,299	765
Foreign currency translation reserve		(2,303)	(2,216)
Total equity		31,521	18,805
Net tangible assets per share (cents)		9	5

The accompanying notes form an integral part of these Financial Statements.

### **Statement of Cash Flows**

	<i>30</i> S	September
	2017 Unaudited	2016 (restated) Unaudited
	US\$000	US\$000
Operating activities		
Receipts from customers	17,182	8,580
Other income	-	308
Interest received	39	25
Payments to suppliers and employees	(26,747)	(15,953)
Income tax paid	(178)	-
Net cash flows from operating activities	(9,704)	(7,040)
Investing activities		
Purchase of property, plant and equipment	(350)	(373)
Capitalised development costs and intangible assets	(1,080)	(1,405)
Acquisition of software licence and customer contracts	(1,000)	-
Restricted cash balances	(18)	113
Net cash flows from investing activities	(2,448)	(1,665)
Financing activities		
Issue of shares (net of costs)	24,599	45
Proceeds from borrowing	-	904
Net cash flows from financing activities	24,599	949
Net increase/(decrease) in cash and cash equivalents	12,447	(7,756)
Foreign currency translation adjustment	(348)	3
Cash and cash equivalents at the beginning of the period	13,406	8,420
Cash and cash equivalents at the end of the period	25,505	667

The accompanying notes form an integral part of these Financial Statements.

# Notes to the Financial Statements

### 1. Corporate information

Pushpay Holdings Limited (the "Company" or "Pushpay") is a limited liability company, domiciled and incorporated in New Zealand and registered under the Companies Act 1993.

The unaudited interim financial statements presented are for Pushpay and its subsidiaries (together, the "Group") for the six months ended 30 September 2017.

Pushpay is designated as a profit oriented entity and is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013 and is listed on the New Zealand Stock Exchange ("NZX") and the Australian Securities Exchange ("ASX").

These financial statements were authorised for issue in accordance with a resolution of the Directors on 16 November 2017.

The Group's principal activity is to provide engagement solutions that enable meaningful connections and mobile commerce tools that facilitate fast, secure and easy non-point of sale payments. The Group provides convenient, personalised and intuitive engagement and payment solutions to the faith sector, not-for-profit organisations and education providers.

### 2. Basis of preparation

These interim financial statements for the six months ended 30 September 2017 have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and NZ IAS 34, Interim Financial Reporting. In complying with NZ IAS 34, these interim financial statements also comply with IAS 34 interim financial reporting.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements of Pushpay Holdings Limited and its subsidiaries for the financial year ended 31 March 2017, which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements of Pushpay Holdings Limited and its Subsidiaries for the year ended 31 March 2017 other than as disclosed in Note 3 below.

The financial statements are presented in thousands of United States (US) dollars.

### 3. Changes in accounting policies and disclosures

Apart from the changes noted below, the unaudited interim financial statements have been prepared using the same accounting policies and methods of computation as and should be read in conjunction with, the financial statements and related notes included in the Company's annual report for the financial year ended 31 March 2017.

### Restatements

### Cost allocation:

The presentation of the Income Statement by function requires certain overhead costs to be allocated to the other business functions. Costs such as facilities, technology costs and depreciation have been allocated to each function on a headcount basis. Recruitment costs have been allocated according to the number of employees hired in each function during the period. The table below summarises the impact of the cost allocation on the costs disclosed for the six months ending 30 September 2016.

	2016 Original	Allocation	2016 Amended
Six months ended 30 September	US\$000	US\$000	US\$000
Product design and development	2,346	656	3,002
Sales and marketing	8,318	1,283	9,601
Customer success	1,293	523	1,816
General and administration	6,341	(2,462)	3,879
Total operating expenses	18,298	-	18,298

### Statement of cash flows:

In the Statement of Cash Flows, receipts related to processing revenue are shown net of the third party direct costs - processing, reflecting the physical cash in-flows. The cash flows for the period to 30 September 2016 have been restated for consistency, with the impact being a \$5.052 million reduction in both receipts from customers, and payments to suppliers and employees.

### 4. Revenue

	2017	2016
Unaudited	US\$000	US\$000
Six months ended 30 September		
Operating revenue:		
Subscription revenue	8,926	4,018
Processing revenue	19,805	7,967
Total operating revenue	28,731	11,985
Government grants:		
Callaghan project grant	114	125
Callaghan growth grant	827	-
Total government grants	941	125
Other income:		
Interest received	70	25
Total other income	70	25
Total revenue	29,742	12,135

### 5. Expenses

Unaudited	2017 US\$000	2016 US\$000
Six months ended 30 September		
Advertising and marketing	2,576	2,827
Auditor's remuneration	48	34
Bad debts	279	86
Directors fees	103	82
Employee benefits - defined contribution expense	373	510
Employee benefits/entitlements	19,624	12,148
Employee benefits/entitlements - capitalised	(1,727)	(2,349)
Foreign exchange variations	(145)	29
IT and communications	1,473	782
Travel-related costs	544	473
Occupancy costs	1,225	874
Share-based payment expenses	1,267	107
Third party direct costs	12,311	5,052
Other operating expenses	2,017	1,706
Total cost of revenue and operating expenses excluding depreciation and amortisation	39,968	22,361
Depreciation and amortisation		
Relating to:		
Amortisation of development costs	1,050	699
Amortisation of other intangible assets	617	22
Depreciation of property, plant and equipment	461	297
Total depreciation and amortisation	2,128	1,018
Total cost of revenue and operating expenses	42,096	23,379
Depreciation and amortisation included in function expenses as follows:		
Product design and development	1,780	799
Sales and marketing	180	156
Customer success	82	63
General and administration	86	-
Total depreciation and amortisation	2,128	1,018

### 6. Share capital and shares

	Number of shares	Unaudited
	000's	US\$000
Balance as at 1 April 2016	231,166	36,991
Movements during the period		
Capital raised on employee share scheme allotment	-	55
Balance at 30 September 2016	231,166	37,046
Balance as at 1 April 2017	250,550	66,501
Movements during the period		
Issue of shares	23,322	26,130
Share issue costs	-	(1,531)
Capital raised on employee share scheme allotment	88	189
Balance at 30 September 2017	273,960	91,289

The paid up capital comprises ordinary shares. The total number of shares on issue is 273,959,542 (2016: 231,166,080) shares. All shares have been issued, are fully paid and have no par value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

As at 30 September 2017, these include 781,555 (2016: 4,267,847) shares issued to Pushpay Trustees, a subsidiary established for the purpose of the employee share scheme.

On 19 July 2017 US\$26.13 million of new capital was raised, before costs of the issuance, by way of a private placement of 23,322,458 new shares. The shares were issued at NZ\$1.51 per share for a total of NZ\$18.94 million and AU\$15.42 million, which translated to US\$25.48 million on the day of the book build, being 12 July 2017. Fluctuations in the underlying NZ and AU exchange rates, relative to the US resulted in the final amount of capital raised being US\$26.13 million on the date of the issue of the shares on 19 July 2017. The foreign currency impact had no dilutive effect on any of the shares on issue.

### 7. Segment reporting

The Group's Chief Operating Decision Makers have determined that based on the information they use for the purposes of allocating resources and assessing performance, the Group itself forms a single operating segment, the development and deployment of engagement and payment solutions. The segment result is reflected in the continuing operations financial statements.

### 8. Reconciliation of net loss with cash flows from operating activities

Unaudited	2017 US\$000	2016 US\$000
Six months ended 30 September		
Net loss for the period	(12,519)	(11,339)
Adjustment for non-cash items:		
Depreciation	461	297
Amortisation of development costs and intangibles	1,667	721
Government grants	(941)	(125)
Share-based payment expenses	1,267	107
Bad debts	279	86
Income tax	165	95
Unrealised loss/(gain) on foreign exchange	(145)	29
Other non-cash items	(30)	-
	(9,796)	(10,129)
Movements in working capital		
Trade and other receivables	(726)	(1,483)
Deferred acquisition costs	223	(557)
Trade and other payables	(166)	1,067
Unearned revenue	469	3,801
Employee entitlements	470	165
Income tax payable	(178)	96
	92	3,089
Net cash flows from operating activities	(9,704)	(7,040)

### 9. Contingent liabilities

As at 30 September 2017 there were no material contingent liabilities (2016: nil).

### 10. Capital commitments

As at 30 September 2017 there were no material capital commitments (2016: nil).

### 11. Subsequent events

There were no significant events between the period end and the date these interim financial statements were authorised for issue.

## Corporate directory

### Registered office

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#### Directors

Bruce Gordon Chairman

Graham Shaw

Daniel Steinman

Christopher Huljich

Christopher Heaslip

Eliot Crowther

### Leadership team

Christopher Heaslip CEO, Executive Director and Co-founder

Eliot Crowther Sales, Executive Director and Co-founder

Shane Sampson *CFO* 

Steve Basden

President of echurch

James Maiocco
Chief Business
Development Officer

### Legal advisors

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Corrs Chambers Westgarth *Australia* 

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Nixon Peabody United States

#### Auditor

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