



**ASX: SMP**  
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Issued Shares: 171,752,278

#### BOARD OF DIRECTORS

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

#### WEBSITES

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[www.smartpayinvestor.com](http://www.smartpayinvestor.com)

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# Smartpay Full Year Results Announcement

25 May 2017

## Smartpay Achieves Record Full Year Profit

The Board of Smartpay is pleased to announce a record full year profit for the year ended 31 March 2017.

## Full year financial highlights

- Total Revenue and Other Income \$21.8m, an increase on the prior year \$20.4m
- EBITDA\* \$9.6m, an increase on the prior year \$8.1m
- Net Profit After Tax \$2.2m, an increase on the prior year \$0.2m
- Diluted Earnings Per Share (EPS) of 1.29cents, an increase on the prior year 0.13 cents

## Operating Results

The business saw improvement across the board in Revenue, EBITDA\* and Net Profit.

Some of the key contributors to our increased Revenue include:

- The launch of our latest transport technology into the New Zealand market resulted in increased revenue and profit from our largest customer; and
- Steady growth in Australian general retail terminal numbers and a sale of our flagship terminal to an Australian bank.

As foreshadowed in our interim report, we saw a reduction in Australian taxi revenue during the period as the disruption in the Australian taxi industry impacted some of our Australian taxi customers. This was somewhat offset by the increase in other income lines.

Net debt decreased to \$24.0m from \$24.8m at the half year. The year saw a significant cash investment in upgrading our New Zealand terminal fleet to meet the industry wide compliance mandate requiring all terminals in market to be contactless capable by 30 April 2017. With this upgrade process now complete, we forecast our net debt to further reduce albeit in the second half of the current financial year as our supplier payment terms are such that the remainder of the terminal upgrade payments carry over into the first half of the current financial year.

## Review of Operations

### New Zealand

The key focus in our New Zealand business has been the upgrade of our New Zealand terminal base to ensure we maintain compliance and the most up to date terminal specification in our largest market. This has required significant investment in the latest terminal technology, both hardware and software, which has been a key factor in the use of our cash this year.

This upgrade cycle is now complete and our entire New Zealand terminal fleet now meets hardware compliance requirements.

This will result in improved cash flow allowing us to invest in our growth and further reduce debt, albeit the latter in the second half of the current financial year as indicated above.

Benefits from the NZ terminal upgrade include:

- an increase in revenue and profit from our largest New Zealand customer, a benefit that will remain long after this investment; and
- increased remote fleet management capability which we expect will reduce operational and maintenance costs to manage the network in subsequent years.

Our new technology has been very well received by customers with feedback suggesting we offer the fastest transaction time in market, a key metric and user experience for retailers.

Other operational highlights in our New Zealand business in the period include further growth in terminal numbers through our Bank channels and adding a significant Australasian customer to our Retail Radio product.

## **Australia**

Our Australian business saw revenue growth of 37% over the period including an increasing contribution from our growing retail terminal network and a sale of terminals to an Australian bank.

The terminal sale is a pleasing outcome as it validates our terminal technology against competing products in the Australian market and opens what we expect will be a valuable growth channel for our business.

A key element of our Australian activity in the period has been the ongoing development of our acquiring strategy with the intention of being able to offer our EFTPOS merchants an acquiring facility alongside our terminal offering. Completion of this project will enable Smartpay to participate in the transactional fee pool generated by our terminals which we believe will offer margin accretion and create further opportunities for growth in both our EFTPOS terminal network and ancillary products and services which we can only offer when we participate directly in the revenue flow through our terminals. This has been a lengthy project which we remain focused on implementing this year.

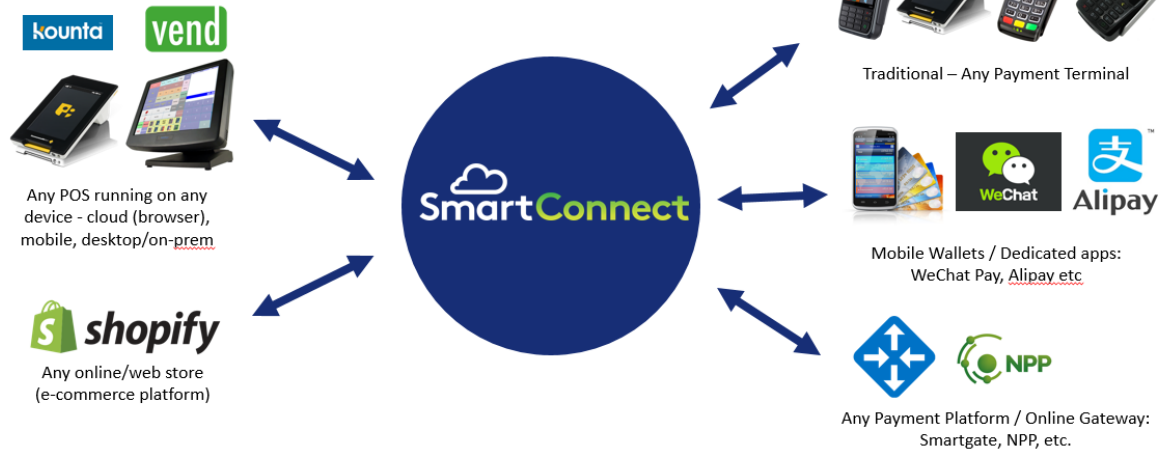
## **Innovation**

Operating in the Fin-Tech industry, product innovation is a key determinate of our growth opportunities. To this end, we have been and will continue to invest in ensuring we are at the leading edge of payments innovation to meet our current and future customer requirements.

In the course of this year we began investment in the development of a new cloud based payments platform which we believe puts us at the leading edge of payments technology.

Our new SmartConnect cloud based payments platform allows integration of any payment *initiation* device / application to any payment *termination* device / application.

## One Platform for any Payment Solution\*



\*Diagram depicts possible use cases – actual products may be different

We recently released our first product to the market on this platform which allows EFTPOS terminals to integrate with the new generation of cloud based Point of Sale systems. There is a clear market shift from older “cash register” technology in our target customer base to newer cloud based Point of Sale services and with this new platform Smartpay is one of very few providers who have the capability to service this requirement.

We have recently released this product into the NZ market and have seen immediate uptake of this solution as this product fills the existing market gap. We will be releasing the same product into the Australian market shortly which we expect will also drive increased sales opportunities in that market.

Importantly the platform we have created has much broader application than EFTPOS terminals as it has the capability to integrate with any payment device / application including mobile wallets, ecommerce gateways and in deed any other payments platform. Beyond payments integration, the platform has the additional functionality of generating real-time payments data and analytics which is increasing valuable to retailers, banks and others. As we continue to build out this technology we expect to see growth opportunities for Smartpay beyond our traditional EFTPOS terminal business.

### Summary and Outlook

The record profit delivered this year is the culmination of the focused efforts of our outstanding team of people. Beyond a milestone financial result, we have set a strong foundation for the business. Our new SmartConnect payments platform demonstrates Smartpay’s ability to stay at the forefront of payments innovation which together with the planned implementation of our Australian acquiring capability later this year provides for a positive growth outlook.

**ENDS**

**For further information contact:**

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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.

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## Corporate Directory

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