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BOARD OF DIRECTORS

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

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Smartpay Interim Results Announcement

28 November 2017

The Board of Smartpay is pleased to announce its half year results to 30 September 2017.

Six Month Financial Highlights

- Revenue $10.4m, a 3% decrease on the prior year $10.7m
- EBITDA* $4.4m, a 5% increase on the prior year $4.2m
- NPAT $0.9m, a 68% increase on prior year profit of $0.5m
- Diluted Earnings Per Share (EPS) of 0.51 cents, a 70% increase on prior year of 0.30 cents

Business Update Highlights

- Australian terminal numbers showing good growth, set to hit 5,000 this month.
- Australian Acquiring capability live October 2017, first merchants onboarded November 2017. Staged roll-out underway, expected to lift both terminal volume growth and margin
- SmartConnect, our new cloud based payments platform, launched as integrated technology solution for major Australian bank.

The Board provides the following earnings guidance for the full financial year:

Full Year Earnings Guidance

- Revenue: $20.5m – $22.5m
- EBITDA*: $9.5m – $10.5m
- NPAT: $2.0m – $3.0m
- Diluted EPS: 1.2c – 1.7c

Operating Results

The business achieved continued profit growth in the period with EBITDA* up 5%; Net Profit up 68% and EPS up 70%.

Some of the key contributors to the increase in profits include:

- steady growth in Australian terminal numbers (set to hit 5,000 this month). We expect to see this growth rate increase off the back of the recent introduction of acquiring; and

- normalisation of our cost base following some large non-recurring costs in the previous period.

**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.*

The 3% decrease in revenue reflects:

- lower revenue from external software development (billed to customers) as the focus of our internal development team has been moved onto internal projects such as our acquiring project and our SmartConnect cloud payments platform, neither of which generated meaningful revenue in the current period but both of which are expected to begin making positive contributions to revenue in the second half and beyond; 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.

It is important to note that the second half of each financial year is typically stronger than the first half and we expect the same pattern for the current year which is evident in our full year guidance.

Net debt increased to $24.9m from $24.0m at March 2017 due to:

- as foreshadowed in our March 2017 year end commentary, our payment terms with our terminal supplier are such that the remainder of the NZ terminal upgrade payments carried over into the first half of the current financial year;

- capex associated with the continued growth of our Australian terminal fleet; and

- increasing investment in our 2 major growth initiatives, Australian acquiring and our SmartConnect platform.

With the terminal upgrade now complete, and with an increasing revenue contribution from our Australian growth, we expect our net debt position to steadily improve to the end of the current financial year and beyond, subject of course to our growth capital requirements.

Review of Operations

In addition to the continued organic growth of our Australian terminal fleet, the two key focus areas during the period were:

- **Australian Acquiring**

We are pleased to confirm that our Australian acquiring capability went live at the end of October. We launched our first acquiring product this month and successfully onboarded our first merchants. This is a significant milestone for the company as it allows us to offer a complete end-to-end EFTPOS offering without the limitations of our previous reliance on third party pricing for the core component of our EFTPOS market offering. We are progressing with a staged implementation program which will see us progressively release a number of acquiring products over the coming months.

The significance of this project lies in the ability of Smartpay to participate to a greater extent 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.

We note that with the introduction of these products staged over the later part of the current financial year, the positive revenue impacts will fall mostly into the next financial year.

- SmartConnect Cloud Based Payments Platform

We have made substantial progress over the period in the further development of our SmartConnect cloud based payments platform. SmartConnect is an API architectured payments platform that allows integration of any payment *initiation* device / application to any payment *termination* device / application.

Since launching our first iteration of the product in NZ earlier this year, we have continued to build integrations to the leading Point-of-Sale vendors which is increasing the addressable market for our EFTPOS products.

We are pleased to report that we have recently launched the product as the integrated technology solution for a major Australian bank on their newest EFTPOS terminals. While early stages in the roll-out, this is a significant outcome for Smartpay as it provides external validation from one of the world's largest banks that Smartpay's products are at the forefront of payments innovation. This further demonstrates the opportunity for us to leverage our IP and broaden our revenue streams beyond payments terminals to include a Software-as-a-Service (SAAS) business model.

We are currently developing integrations for a number of new revenue generating products and services which will allow us to further monitise our investment in this technology.

Summary and Outlook

The company has made significant progress in the first half of this financial year. We expect to see continuing growth in revenue and profits as we continue to execute our strategy.

ENDS

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