

# Pushpay's revenue up 35.2%, gross margin percentage improvement, EBITDAF and cash flow positive

Auckland, New Zealand | Redmond, Washington, USA – 7 February 2019 (NZT)

Pushpay Holdings Limited (NZSX:PPH, ASX:PPH, 'Pushpay' or 'the Company'), the leading payments and engagement provider to the US faith sector, is pleased to announce that its total revenue increased to US\$27.7 million for the quarter ended 31 December 2018, an increase of 35.2% over the previous corresponding period.

The Company now expects that its gross margin percentage will increase to over 60% for the full year ending 31 March 2019. Pushpay had previously indicated that its gross margin percentage was expected to increase to over 60% for the six months ending 31 March 2019.

The Company achieved its target of breakeven on a monthly cash flow basis prior to the end of calendar year 2018. The Company was both earnings before interest, tax, depreciation, amortisation and foreign currency gains/losses (EBITDAF) and cash flow positive for the quarter ended 31 December 2018. Moving forward, Pushpay is confident that it will have positive cash flows on an ongoing basis.

Chris Heaslip, Pushpay's CEO and Co-founder said, "We are pleased to deliver a strong third quarter, increasing total revenue to US\$27.7 million for the quarter ended 31 December 2018, an increase of 35.2% over the previous corresponding period. In addition, our margin improvement process is progressing much better than expected and we now expect our gross margin percentage to increase to over 60% for the full year ending 31 March 2019.

"We also achieved our target of reaching breakeven on a monthly cash flow basis prior to the end of calendar year 2018, providing both an EBITDAF and cash flow positive result for the quarter ended 31 December 2018.

"From a strong financial position, we will continue to drive revenue growth and efficiencies throughout the business leading to significant operating leverage, which in turn will help support future M&A activity."

Key metrics <sup>1</sup>	Quarter ended 31 December 2018	Quarter ended 31 December 2017	% Change
Total revenue	US\$27.7m	US\$20.5m	35.2%
Average Revenue Per Customer (ARPC)	US\$1,548 per month	US\$1,233 per month	25.6%
Total Customers	7,585	7,190	5.5%
Months to Recover Customer Acquisition Cost (CAC)	<18 months	<18 months	✓
Annual Revenue Retention Rate	>100%	>100%	✓
Annualised Processing Volume	US\$5.1b	US\$3.9b	28.6%
Staff Headcount	358	345	3.8%
Cash and Available Funding Lines	US\$12.8m	US\$20.2m	-36.7%

## Highlights for the quarter ended 31 December 2018

- Total revenue for the quarter ended 31 December 2018 increased to US\$27.7 million, an increase of 35.2% over the previous corresponding period.
- The Company now expects that its gross margin percentage will increase to over 60% for the full year ending 31 March 2019. Pushpay had previously indicated that its gross margin percentage was expected to increase to over 60% for the six months ending 31 March 2019.
- Pushpay achieved its target of breakeven on a monthly cash flow basis prior to the end of calendar year 2018.
- The Company was both EBITDAF and cash flow positive for the quarter ended 31 December 2018.
- ARPC increased to US\$1,548 per month, an increase of 25.6% over the year to 31 December 2018. See more under 'Average Revenue Per Customer (ARPC)'.<sup>1</sup>
- Pushpay increased its Customer base to 7,585, an increase of 5.5% over the year to 31 December 2018. Pushpay's proportion of medium and large Customers increased from 49.4% to 54.8% over the year to 31 December 2018. Pushpay welcomed the

largest church in the US according to the Outreach 100 Largest Churches 2018 list as a new Customer, with an average of 51,900 weekly attendees. Working with the largest church in the US provides additional proof as to the quality and effectiveness of our product. See more under 'Pushpay's Customer numbers'.

- Annualised Processing Volume increased to US\$5.1 billion, an increase of 28.6% over the year to 31 December 2018. See more under 'Annualised Processing Volume'.
- Months to Recover CAC remained at less than 18 months.
- Annual Revenue Retention Rate (excluding upsells into the existing Customer base) continued to exceed 100%, which the Company believes places it among the best-in-class for SaaS companies.
- Staff headcount<sup>ii</sup> increased to 358, an increase of 3.8% over the year to 31 December 2018. Pushpay now has 93 staff based in New Zealand and 265 staff based in the US.
- Pushpay's team is constantly improving our solution, allowing for a simpler, faster and more intuitive user experience. See more under 'Product updates'.
- As announced in November 2018, Pushpay will phase out quarterly reporting, with this being the last quarterly operational update to be provided. See upcoming reporting and other important dates under 'Investor Calendar'.

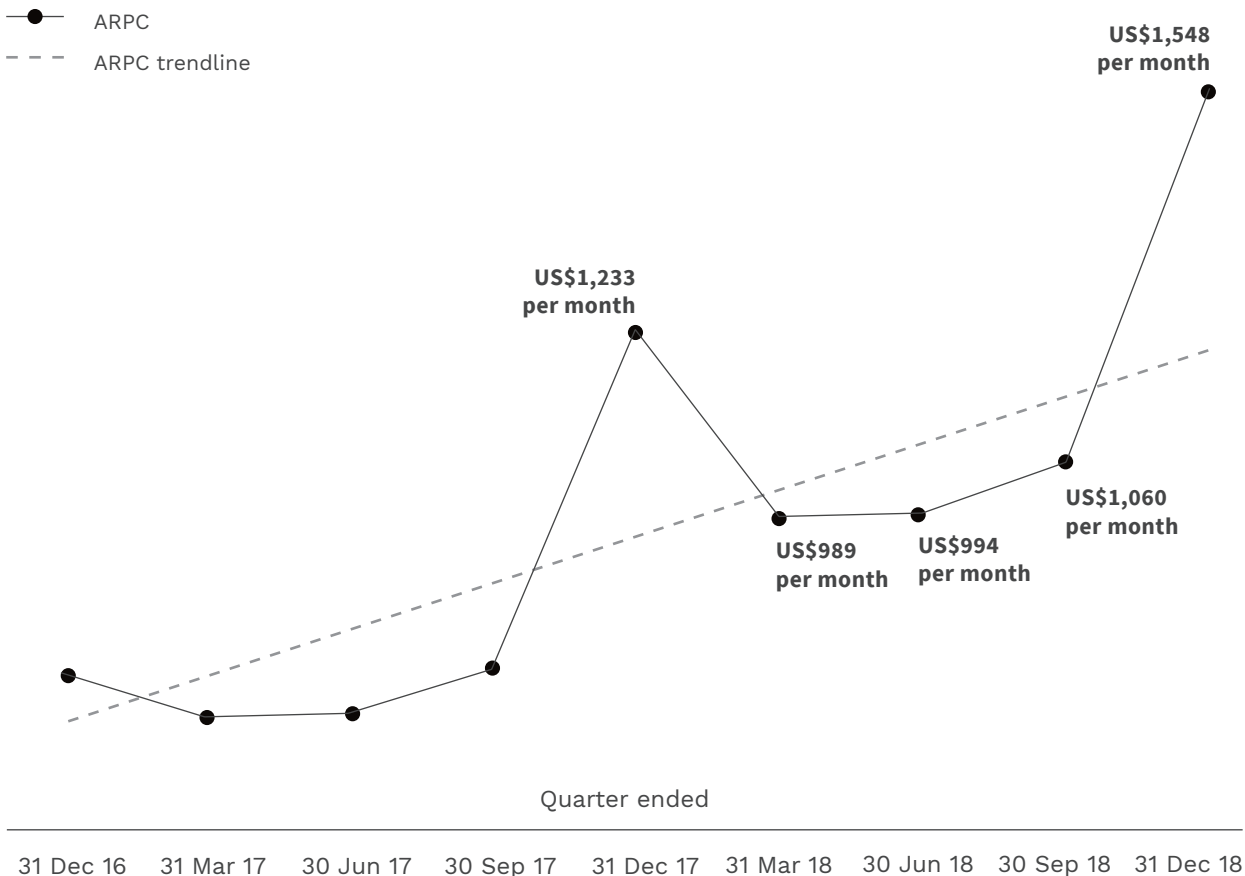
### Average Revenue Per Customer (ARPC)

ARPC increased to US\$1,548 per month, an increase of 25.6% over the year to 31 December 2018.

The quarter ending 31 December is a seasonal high period due to Christmas giving and the US tax year end on 31 December. When considering the normalised ARPC trend, there are a number of factors which have contributed to Pushpay increasing ARPC. These include: increased Subscription Fees from new and existing Customers; a larger proportion of medium and large new Customers, further development of our product set resulting in higher adoption and usage; increased adoption of digital giving in the US faith sector; and increased giving to religion in the US.

Pushpay plans to continue to grow ARPC by increasing revenue derived from existing Customers and by continuing to implement its sales strategy to attract more medium and large new Customers.

### Pushpay's ARPC



### Pushpay's Customer numbers

Pushpay increased its Customer base to 7,585, an increase of 5.5% over the year to 31 December 2018. Pushpay's strategy is progressing well, with modest growth in the number of new Customers and a significant increase in the proportion of new medium and large Customers. Pushpay's proportion of medium and large Customers increased from 49.4% to 54.8% over the year to 31 December 2018.

Pushpay welcomed the largest church in the US according to the Outreach 100 Largest Churches 2018 list as a new Customer, with an average of 51,900 weekly attendees. Working with the largest church in the US provides additional proof as to the quality and effectiveness of our product.

As we execute on our sales strategy, the Company's primary focus is on increasing revenue by attracting a larger number of medium and large Customers, while expanding ARPC and increasing retention.

Unit churn driven by small Customers continues to decline. We expect unit churn to continue to decrease and Customer numbers to steadily grow over the remainder of the financial year to 31 March 2019. Pushpay expects to deliver an increase in Subscription Fees added from new Customers in FY19, relative to FY18 despite a lower average sales headcount.

As at 31 December 2018, 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.

### Location of Pushpay's Customers in North America<sup>iii</sup>



### Annualised Processing Volume

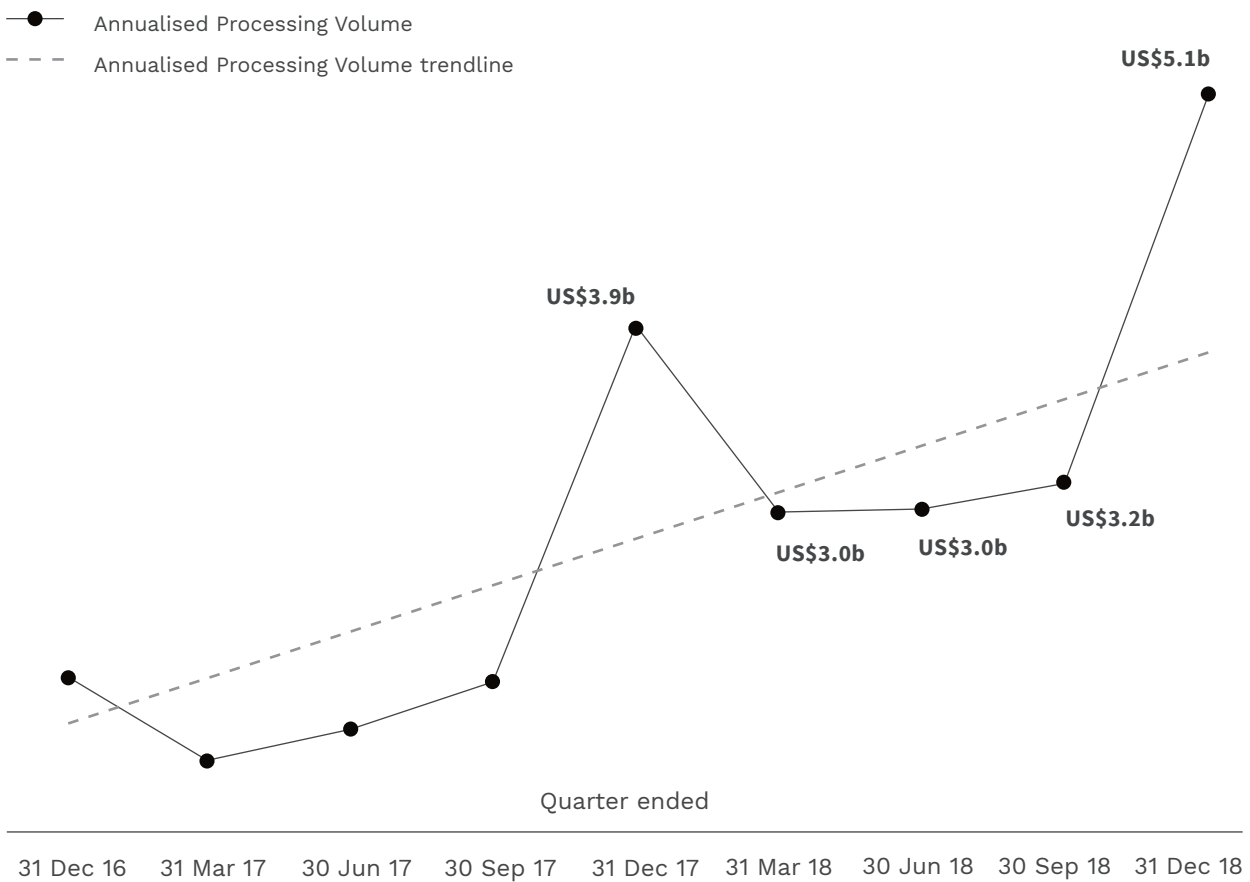
Pushpay is proud of the social good that it enables, supporting local communities runs to the core of who we are and why we do what we do. The giving that Pushpay facilitates represents a significant amount of good being done in local communities, such as funding for orphanages, food drives, homeless shelters and drug rehabilitation, to name a few causes.

Annualised Processing Volume increased to US\$5.1 billion, an increase of 28.6% over the year to 31 December 2018. Excluding the seasonal high period, which falls in the last three weeks of December, Annualised Processing Volume increased to over US\$4.0 billion as at 10 December 2018. Pushpay expects total processing volume over the next financial year ending 31 March 2020 to be between US\$4.0 billion and US\$5.1 billion.

Pushpay saw an increase in Annualised Processing Volume of US\$1.9 billion, an increase of 60.6% over the quarter ended 31 December 2018. While this increase was significant, a combination of factors led to this result being lower than Pushpay had expected. Although the number of transactions that Pushpay experienced was as expected, the average gift size across the Pushpay platform was lower than in the previous corresponding period due to a lower proportion of large non-recurring gifts typically received in the last week of December. Factors impacting the result may include tax changes in the US, the US government shutdown and general weakness in the capital markets. Pushpay believes this is short term in nature given the number of transactions was as expected, the decrease was specifically in large year-end gifts and recurring giving increased over the period.

Annualised Processing Volume is calculated on the annualised four week average payment transaction volume through Sunday of each week. Given 31 December 2018 fell on a Monday, the processing volume from this day is not represented in the US\$5.1 billion Annualised Processing Volume figure provided above. If the processing volume from 31 December 2018 is included, annualised processing volume for the total month of December 2018 was US\$5.4 billion, an increase of 37.1% over the year to 31 December 2018.

### Pushpay's Annualised Processing Volume



### Product updates

#### Custom Giving Statements

Pushpay launched Custom Giving Statements in October 2018. Previously, giving statements were focused on helping users understand their giving totals ahead of the US tax year end on 31 December. Pushpay has now enabled Customers to create and distribute custom statements at any point throughout the year. Custom Giving Statements create increased interaction and engagement with donors, by providing regular updates on their giving and how it is impacting their communities.

Many churches distribute Custom Giving Statements to their congregations at the same time that leaders talk about how community donations have been used. This provides donors with an opportunity to see their generosity in their personal statement, while also hearing how those funds are being used to impact their community. Linking the community outcome directly to givers' generosity is

widely viewed as best practice in developing regular donors. Since launching this feature, Customers have sent over 170,000 Custom Giving Statements. One Customer reported saving up to 300 hours when utilising our Annual Giving Statements solution and we expect to see similar time savings for Customers sending Custom Giving Statements.



### Recurring Migration

One of the most valuable sources of giving for churches is automated recurring giving. Recurring giving is critical, as it provides a predictable source of funds to meet payroll and other regular operational expenditure payments.

When Customers implement the Pushpay solution, migrating existing users' recurring payments to Pushpay is the most complex step and also the most critical step to maximising the benefits of the Pushpay solution. In August 2018, Pushpay launched Recurring Migration, a tool which automatically creates a nurture campaign to encourage users who had recurring payments set up with another provider, to move their payments to Pushpay. This feature helps consolidate giving into Pushpay's platform, in turn streamlining systems, administration and financial processes. Previously, this process would typically take a number of weeks and for larger Customers, months. Several of our largest Customers have used this feature to migrate their giving, with one Customer migrating 1,100 schedules in just over an hour and a half and migrating over US\$400,000 worth of recurring payments in one month.

## Recurring by Default

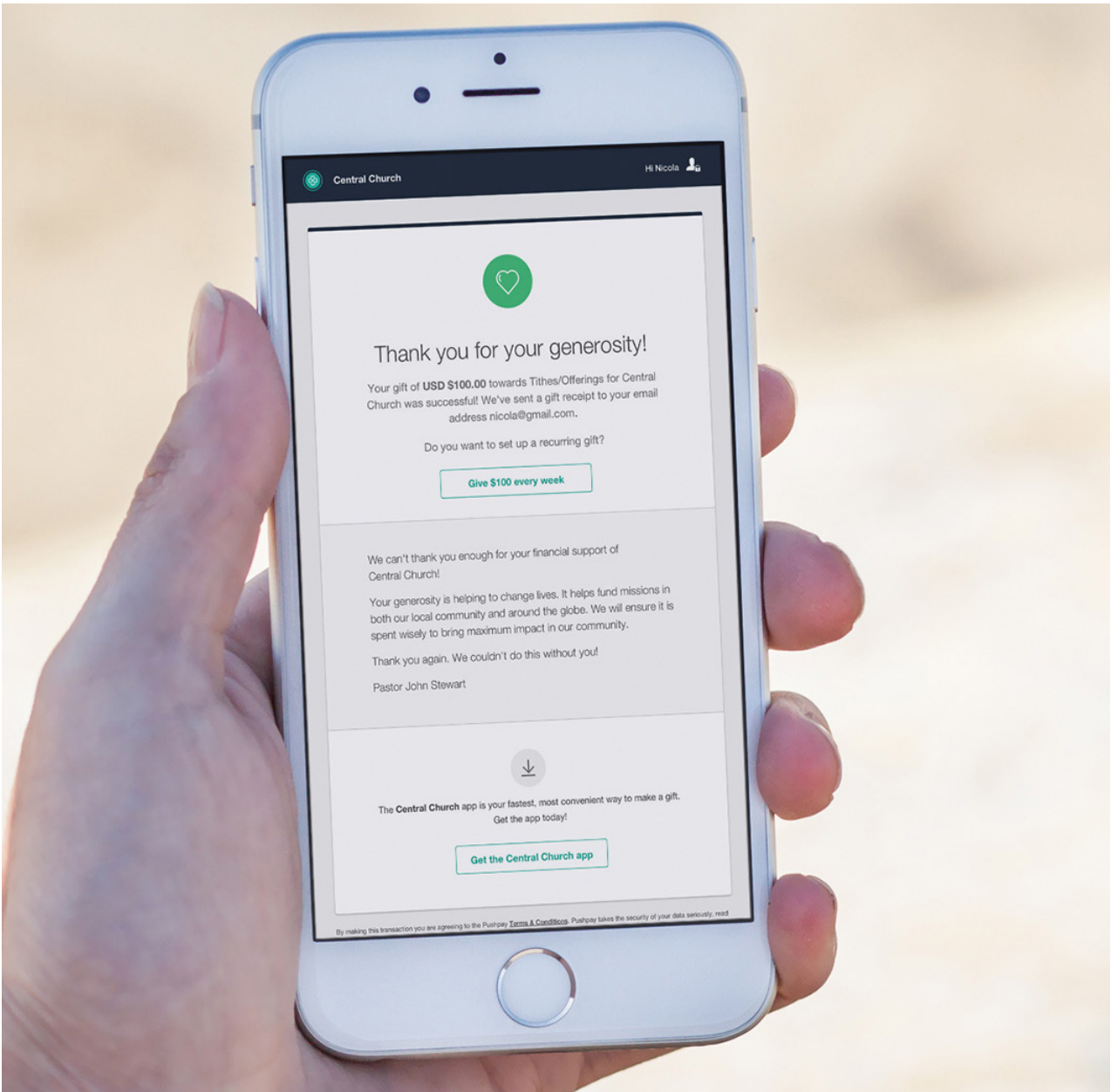
Customers find that a user's intention to make consistent payments is often not followed through, particularly if they are not attending church regularly.

Pushpay's product design and development team tested a range of solutions to enable users to create recurring payments more easily. Following user testing and research, the Company released Recurring by Default in May 2018. Recurring by Default is a feature that Customers can activate, which will automatically suggest to users to make their payments recurring immediately prior to making a payment.

Recurring by Default has been adopted by 31.6% of existing Customers. Since enabling this feature, these Customers have seen an estimated 6.0% increase in total volume and an 8.5% increase in recurring volume.

## Recurring Suggestion

Building on the success of the Recurring by Default feature, in November 2018 the Company launched Recurring Suggestion across Pushpay's Customer base. Recurring Suggestion identifies patterns in regular givers' behaviour using machine learning. Users are automatically prompted with a personalised suggestion to set up a recurring payment at the end of their giving experience, similar to how Amazon recommends additional products following a purchase. This feature further adds to Pushpay's suite of recurring giving tools, driving increased financial predictability and value for our Customers.



## Partnerships

In October 2018, Pushpay launched a new integration and partnership with TouchPoint, an enterprise online church management software. Pushpay's integration with TouchPoint allows community and contribution data between both platforms to easily sync with each other. The TouchPoint integration brings Pushpay's total number of API integrations and supported file exports to 22, which is more than any other giving company in the US faith sector. Pushpay's high number of integrations is reflective of our ongoing commitment to partner with other platforms to better serve our Customers.

Additionally, over the quarter ended 31 December 2018, Pushpay entered into new partnerships with three influential church networks being, the Southern Baptist Conservatives of Virginia ([www.sbcv.org](http://www.sbcv.org)), the Great Lakes District of the Evangelical Free Church of America ([www.efca.org](http://www.efca.org)) and LINC ([www.linc.community](http://www.linc.community)). Partnerships with these church networks allows Pushpay to expand its reach in the US faith sector by leveraging relationships with key organisations.

Over the quarter ended 31 December 2018, Pushpay collaborated with the Vanderbloemen Search Group on a 2019 Church Salary Guide resource that has been downloaded more than 20,000 times in its first two months, becoming Pushpay's most downloaded ebook to date. A copy of the ebook can be accessed at, <https://grow.pushpay.com/lp-ebook-church-salary-guide.html>.

## Outlook

Pushpay expects to achieve: its revenue guidance of between US\$97.5 million to US\$100.5 million for the year ending 31 March 2019; a gross margin percentage exceeding 60% for the full year ending 31 March 2019; and positive EBITDAF for the year to 31 March 2019.

As Pushpay further refines its sales and marketing strategy, focusing more heavily on medium and large Customers, it expects to deliver an increase in Subscription Fees added from new Customers in FY19, relative to FY18 despite a lower average sales headcount.

As at 31 March 2018 the notes to the financial statements showed an unrecognised deferred tax asset of US\$18.5 million. Given Pushpay expects to be profitable on an ongoing basis, accounting standards require us to recognise some or all of that deferred tax asset resulting in a negative tax expense. We expect that this will result in Pushpay reporting a substantial net profit after tax for the year to 31 March 2019.

In the medium term, our goal is to reach the milestone of US\$10 billion in Annualised Processing Volume, representing less than 10% of annual giving to religious organisations in the US. In the long term, Pushpay is targeting over 50% of the medium and large church segments, an opportunity representing over US\$1 billion in annual revenue.

Chris Heaslip, Pushpay's CEO and Co-founder, said, "Pushpay enters the last quarter of the financial year in a strong position, with positive EBITDAF and cash flow for the quarter ended 31 December 2018. We are well positioned to capitalise on opportunities to accelerate growth, including potential acquisitions that add significant value to the current business."

## Investor Briefing

Pushpay will hold an Investor Briefing today at 11:00 am (NZT) to discuss its operational results for the quarter ended 31 December 2018.

### Dial-in details

New Zealand: 0800 122 360

All countries: +64 9 950 5335

Conference ID (required for dial-in): 542973

### Playback details

Replay of the Quarterly Investor Briefing will be available for 30 days following the completion of the call.

New Zealand: 0800 122 135

All countries: +64 9 950 7088

Replay Pin: 1127#

i. Pushpay's key metrics are defined as follows:

*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 Processing Volume* – is the annualised four week average payment transaction volume through the Pushpay payment platform.

*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 Fees 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.

*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.

*Revenue* – is calculated in accordance with IFRS accounting standards and is unaudited.

*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).

ii. Staff Headcount breakdown by department as at 31 December 2018:

Department	Staff Headcount
Product design and development	93
Marketing	32
Sales	110
Customer success	61
Operations	31
General and administration	31
<b>Total</b>	<b>358</b>

iii. Includes locations in North America of Customers which have been added to the Pushpay platform as at 31 December 2018.

## Investor Calendar

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

31 March 2019	Financial year end
8 May 2019	Annual Report and financial results release
19 June 2019	Annual Shareholders' Meeting
6 November 2019	Interim Report and financial results release

## Conferences

Pushpay is scheduled to participate in the following upcoming industry conferences.

26 February 2019 (PT)	JMP Securities Technology Conference   San Francisco, CA, United States <i>Chris Heaslip, CEO</i>
6 March 2019 (AET)	Craigs Investment Partners New Zealand Companies Day   Sydney, Australia <i>Shane Sampson, CFO</i>
7-8 March 2019 (ET)	Goldman Sachs Fifteenth Annual Australia and New Zealand Investment Forum   New York City, NY, United States <i>Shane Sampson, CFO</i>
4 April 2019 (AET)	Royal Bank of Canada Digital Disruption Demonstration Day   Sydney, Australia <i>Shane Sampson, CFO</i>





## Contact

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

## About Pushpay

Pushpay provides a donor management system, including donor tools, finance tools and a custom community app, to the faith sector, non-profit organisations and education providers in the US, Canada, Australia and New Zealand. Our leading solutions simplify engagement, payments and administration, enabling our Customers to increase participation and build stronger relationships with their communities.

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

Pushpay is an award-winning company, team and product. For more information visit [www.pushpay.com/investors/awards](http://www.pushpay.com/investors/awards).

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