

Pushpay 2023 Interim Results Announcement

Auckland, New Zealand | Redmond, Washington; Colorado Springs, Colorado; Plano, Texas, US – 9 November 2022 (NZT)

Summary

- Positive year on year growth in key metrics albeit at a lower rate than anticipated due to investment for future growth, the go-to-market strategy reset and broader macroeconomic factors presenting ongoing challenges.
- Operating revenue of US\$103.0 million, up 10% on prior comparable period (pcp).
- Underlying EBITDAF of US\$26.8 million, down 10% on pcp.
- Total Processing Volume increased to US\$3.6 billion, up 2% on pcp.
- Increase in Customer numbers (+4% to 14,602 Customers compared to 30 September 2021).
- Strong operating cash flow resulting in net debt of US\$35.1 million, down from US\$47.2 million as at 31 March 2022.
- As updated on 28 October 2022, guidance for FY23 is Underlying EBITDAF of between US\$54.0 million and US\$58.0 million. Pushpay continues to forecast positive operating revenue growth but has lowered expectations to be between 4% and 8% for FY23.
- Medium-term growth outlook (>US\$10 billion in Total Processing Volume and >20,000 Customers) impacted by current operating trends and expected to take a further 12 - 18 months to achieve.

Pushpay Holdings Limited (**NZSX:PPH, ASX:PPH**) ('Pushpay' or 'the Company') presents its financial results for the six months ended 30 September 2022 (1H23) and its 2023 Interim Report. This announcement should be read in conjunction with, and is subject to, Pushpay's 2023 Interim Report.

As previously signalled in May 2022, FY23 represents an investment year for Pushpay as the foundation is set for future growth. Pushpay expects early results from its strategic initiatives to be seen from FY24 and into the future years.

The Company delivered increases in revenue and Total Processing Volume over the half year period, however net new Customer growth was slower than anticipated as the majority of the go-to-market strategy reset was completed. This has affected the rate of revenue and processing volume growth.

Molly Matthews, Pushpay's CEO, said, "Although market conditions and macroeconomic factors present ongoing challenges, we have made progress in executing towards our strategic goals in the first half of FY23. While this has yet to translate into financial outcomes, we have continued to prioritise investment and focused execution on our strategic growth areas.

"Our first half progress includes the completion of the majority of Pushpay's go-to-market strategy reset, including recruitment of a new and experienced team. The positive effect of this on future new Customer numbers is expected to become more apparent later in FY23 and into FY24.

"Net new Customer growth has been slower as the go-to market reset has been completed, which has adversely affected revenue and processing volume growth. This combined with an uncertain economic backdrop due to rising interest rates, inflation and labour costs has led to churches re-evaluating their purchasing decisions resulting in lower new Customer adds than expected.

"While the rate of growth has been slower in 1H23 than anticipated, encouraging signs are being seen from our work to date. A number of new large Customers were welcomed, particularly the US Army Chaplain Corps, as well as the Archdiocese of Seattle. These Customers represent wide-reaching communities and the ability for Pushpay to support millions of people, and organisations, across the globe with our digital software solutions.

“We also made progress in executing our Catholic growth strategy with ongoing development of our Catholic market offering. As at 30 September 2022, Pushpay serves 326 Catholic parishes and is on the Approved Vendor List for 49 dioceses, up from 45 as at 31 March 2022. As planned, we have expanded our Catholic-focused team and remain on track for expected investment and expenses of between US\$5-7 million in FY23, and to achieve breakeven at Underlying EBITDAF.

“We continued to strengthen our value proposition through further integration of Resi Media’s streaming solutions into the business, following the acquisition which was completed in August 2021. We will continue to focus on realising sales and marketing synergies to offer streaming solutions to existing Pushpay Customers and vice versa. Pushpay’s sales organisation has a planned strategic review of cross-referral activities to occur in the second half of FY23, with a focus on the medium segment of the Customer base.”

Financial performance

Pushpay’s performance for the first half of the year reflects a softer period as investment into future growth initiatives continues. Encouraging signs are being seen from the work done to date.

Pushpay welcomed 507 net new Customers and increased the total Customer base from 14,095 Customers to 14,602 Customers over the 12 months ended 30 September 2022. Although positive, the growth rate has been affected by the go-to-market strategy reset and new processes being implemented. We expect Customer growth to improve in 2H23. In addition, the first half of the financial year is usually slower due to the US summer holiday period. The Group added 94 net new Customers in 1H23, of which 48 were large Customers, in line with our strategy to focus on the medium and large market segments.

As Pushpay executes toward its strategic goals, investment will be continued into product design and development to ensure the Company is maintaining or increasing its ability to attract new Customers.

Total Processing Volume increased by 2% from US\$3.5 billion in 1H22 to US\$3.6 billion in 1H23. Growth in processing volumes has been affected by softer new Customer growth, which is expected to improve in 2H23, combined with delayed processing volumes as new Customers are onboarded along with fewer new donors attending existing churches.

Operating revenue grew by 10%, from US\$93.5 million in 1H22 to US\$103.0 million in 1H23, with processing revenue growing by 1%, and subscription revenue growing by 28%. Revenue growth in 1H23 primarily reflects the full benefits from the acquisition of Resi Media in August 2021, with only one month contribution in 1H22.

As previously signalled and in line with Pushpay’s investment in innovation and growth, Underlying EBITDAF decreased by 10% from US\$29.6 million in 1H22 to US\$26.8 million in 1H23. Excluding the costs associated with the investment into the emerging Catholic initiative, Underlying EBITDAF was US\$27.4 million for 1H23.

Pushpay has strong positive cash flow, generating US\$16.9 million in operating cash flows over the period. Bank debt, obtained to fund the Resi Media acquisition, reduced from US\$54.0 million as at 31 March 2022 to US\$40.0 million as at 30 September 2022, resulting in net debt reducing to US\$35.1 million.

Looking forward

Pushpay’s vision is to be the preferred provider of mission critical software to the US faith sector. The Company has a unique leadership position in the market and a clear strategy to deliver long-term sustainable value, however, the full benefits of this will not be seen for several years.

FY23 remains an investment year for Pushpay with benefits from investment into talent, resources and capability, balanced with continued cost management discipline, expected to be seen from FY24 with Underlying EBITDAF expected to grow faster than revenue.

In the short to medium-term, Pushpay remains focused on further integrating Resi Media into the portfolio of Products, growing the number of Products utilised by Customers and growing its share of Customers within its target market. Pushpay’s medium to longer-term focus is to continue expansion into the Catholic segment, as well as non-profit or public service organisations, which offers a new opportunity for the Group.

As advised on 28 October 2022, for the FY23 financial year, Pushpay expects to be at the lower end of its previous FY23 Underlying EBITDAF guidance of between US\$56.0 million and US\$61.0 million. The Company revised its guidance range for Underlying EBITDAF to be between US\$54.0 million and US\$58.0 million. Pushpay continues to forecast positive operating revenue growth but has lowered expectations to be between 4% and 8% for FY23 (previous guidance 10% to 15%).

Graham Shaw, Pushpay's Chairman said, "Our recent trading and FY23 guidance update highlighted some of the challenges that the Company is facing in a post-COVID world. The Board remains confident in Pushpay's long-term strategy, however, notes the execution risks of delivering our strategy over time. Our medium-term goals of more than US\$10 billion in Total Processing Volume and greater than 20,000 Customers have not changed, however, the time to achieve these has been impacted by current operating trends. We now expect it to take a further 12 to 18 months, on the basis that the current trends improve. We will continue to monitor and adapt to both challenges and opportunities in our operating environment as we remain focused on executing our strategic plans."

Scheme Implementation Agreement

On 28 October 2022, Pushpay announced that it has entered into a Scheme Implementation Agreement under which the Sixth Street and BGH Capital Consortium via Pegasus Bidco Limited (the "Sixth Street/BGH Consortium") will acquire all of Pushpay's shares at a price of NZ\$1.34 per share in cash by means of a scheme of arrangement ("Scheme").

The Board (being, for this purpose, all of the Non-Conflicted Directors¹) unanimously recommends that shareholders vote in favour of the Scheme, subject to the Scheme price being within or above the Independent Adviser's valuation range for Pushpay shares and in the absence of a superior proposal. Subject to the same qualifications, the Non-Conflicted Directors undertake to vote the Pushpay shares that they hold or control in favour of the Scheme.

Further information can be read in the announcement released to the market on 28 October 2022.

Investor Briefing

Pushpay will hold an Investor Briefing today at 11:00 am (NZT) to discuss its financial results for the six months ended 30 September 2022.

Pre-registration

There is no pre-registration required for the conference call however it is recommended that participants pre-register for greater convenience by following the link, [here](#).

Pre-registered attendees will receive a calendar invite with the conference call details, a designated dial-in number and a unique five-digit access PIN.

Dial-in details

Participants can dial the toll-free numbers below to join the call. All participants will be asked to provide the Conference ID when joining the call.

New Zealand: 0800 453 055

All countries: +64 9 929 1687

Conference ID: 10025287

1 Due to his association with Sixth Street, Pushpay Director John Connolly has not participated in Pushpay's response to the receipt of unsolicited expressions of interest or the negotiation of the Scheme, and he abstains from providing a recommendation to shareholders. Accordingly, references in this announcement to the Non-Conflicted Directors means the Directors other than Mr Connolly and the Board means all of the Non-Conflicted Directors.

Playback details

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

New Zealand: 0800 886 078

All countries: +64 9 929 3905

Replay Pin: 10020635

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This announcement is authorised by the Board of Directors of Pushpay Holdings Limited.

About Pushpay

Pushpay provides a donor management system, including donor tools, finance tools and a custom community app, a church management system (ChMS), and video streaming solutions to the faith sector, non-profit organisations and education providers located predominantly in the United States (US) and other jurisdictions. Our leading solutions simplify engagement, payments and administration, enabling our Customers to increase participation and build stronger relationships with their communities.

Church Community Builder and Resi Media LLC (Resi) are subsidiaries of Pushpay Holdings Limited. Church Community Builder provides a Software as a Service (SaaS) church management system that churches use to connect and communicate with their community members, record member service history, track online giving and perform a range of administrative functions. Resi is a high growth SaaS company that provides end-to-end live video streaming solutions enabled by hardware products predominantly to the faith sector, whilst also servicing commercial, non-profit organisations and education providers in the US.

Pushpay is an award-winning company. For more information visit www.pushpay.com/investors/awards.

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