



Smartpay Full Year Results Announcement

30 May 2019

The Board of Smartpay is pleased to announce its preliminary, unaudited full year results to 31 March 2019.

ASX: SMP

NZX: SPY

SHARE INFORMATION

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BOARD OF DIRECTORS

Non- Exec Chairman: Greg Barclay

Managing Director: Bradley Gerdis

Non-Executive: Matthew Turnbull

Non-Executive: Carlos Gill

Non-Executive: William Pulver

Executive Director: Marty Pomeroy

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Full Year Financial Highlights

- Revenue \$21.1m:
 - a 3% increase on the prior year \$20.5m¹;
 - second half \$11.0m, a 9% increase on the previous half \$10.1m (6 months to September 18)
- Australia terminal revenues (rental and acquiring):
 - 64% increase to \$4.5m from prior year \$2.7m
- Australia acquiring income:
 - Current annualised run rate (as of late May) over \$6m compared to \$2.4m for entire 2019 financial year.

Business Update Highlights

- Revenue increase reflective of strong growth in Australian terminal and acquiring business.
- The year saw increased expenditure in both opex and capex to accelerate and support this growth, funded predominantly through the capital raise during the year intended for this purpose.

Operating Results

The two key themes in this result are:

1. the strong growth in revenue in our relatively young Australian EFTPOS acquiring business; and
2. the significant investment through the period to set the platform for this growth.

The rate of revenue growth is most evident in the 9% increase 2nd half over first half which is well above the 3% increase on a full year basis and provides clear evidence of an increasing contribution from the growth being achieved in our Australian acquiring business.

The graph in the section headed “*Review of Operations*” below shows the growth in terminal numbers and revenue growth in the Australian acquiring business.

Our Australian acquiring terminal fleet now stands at close to 3,000 self acquired terminals, up from ~1,500 at the time of release of our half year report at the end of November 2019.

Acquiring revenue is set to exceed \$500k for the month of May 2019, or over \$6.0m on an annualised basis, which when compared to the \$2.4m of total acquiring income for the full 2019 financial year provides a clear indication of the growth being achieved and underpins a higher starting position for the current financial year.

This is pleasing validation of our Australian strategy to seek growth from this large market.

The reduction in EBITDA* to \$6.4m (prior period: \$10.0m¹) and the Net Loss After Tax of \$1.8m (prior period: \$2.6m¹ profit) is a direct reflection of the additional investment to accelerate and support this growth which manifested as an increase in costs across the board, but mainly in the areas of marketing, sales and headcount. Importantly these were planned cost increases that were funded through the capital raise completed in the first half for this purpose.

Review of Operations

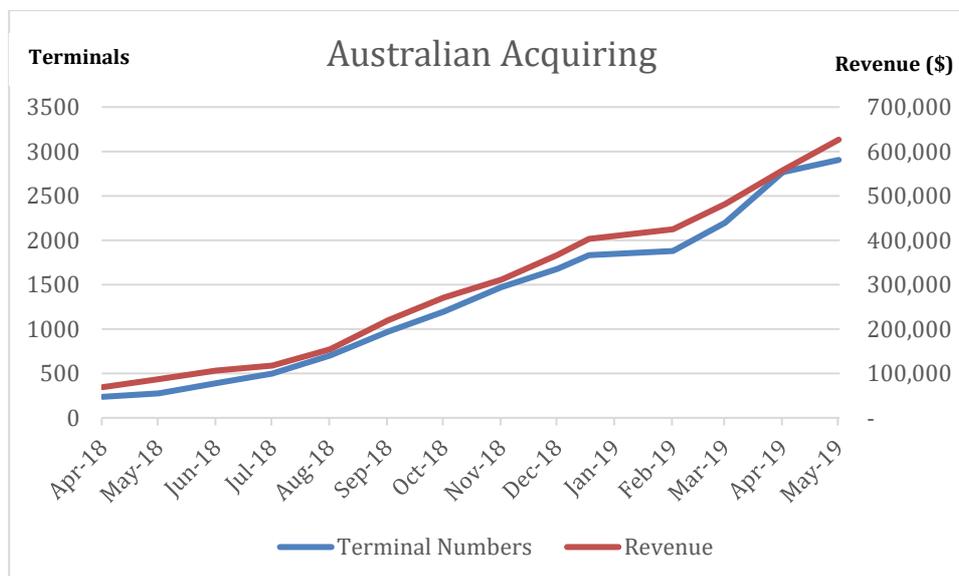
The focus during the period has been the bedding down and growth of our Australian acquiring business.

We are pleased that our Australian acquiring strategy is delivering the expected outcomes of growth in all key metrics including terminal numbers, revenue and gross margin.

Total self-acquired terminal numbers have grown strongly and are approaching 3,000 terminals as we near the end of May 2019.

Total revenue from our Australian terminal fleet is following a similar trajectory and looks set to exceed \$600k for the month of May (close to \$7m annualised). Of course this number continues to grow monthly and places us well for a positive result this year. It is important to note that as terminals usually connect mid month and may have a ramp up period, there isn't necessarily an immediate relationship between number of terminal connections and revenue at any single point in time.

Current gross margin contribution remains strong at \$80 / unit / month across the fleet (mid May 2019).



Summary and Outlook

We continue to make significant progress in the execution of our growth strategy. Australian terminal numbers and revenue are showing strong growth and at significantly higher gross margin with our own acquiring than under the previous Australian business model.

We are targeting to add a further 2,500 terminals to our acquiring fleet this financial year which will contribute to strong increases in both revenue and profit in the current period.

ENDS

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¹ Prior year restated for adoption of new accounting standards as per note 3 in the 2019 Preliminary Financial Statements.

*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.

Corporate Directory

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