2019
Interim Report

Pushpay

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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.

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.

7 February 2019 | Quarterly Operational Update for the quarter ending 31 December 2018

8 May 2019 | Annual Report and financial results release

19 June 2019 | Annual Shareholders' Meeting

Sustainable growth,

unlocking operating leverage

Total revenue

US$44.0 million up from US$29.7 million, an increase of 48.0% over the six months to 30 September 2018

Net loss

(US$4.4 million) down from (US$12.5 million), an improvement of 64.8% over the six months to 30 September 2018

ARPC

US$1,060 per month up from US$790 per month, an increase of 34.2% over the 12 months to 30 September 2018

Total Customers

7,420 up from 7,121, an increase of 4.2% over the 12 months to 30 September 2018

Months to Recover CAC

<18 months remaining stable over the 12 months to 30 September 2018

Annual Revenue Retention Rate

>100% remaining stable over the 12 months to 30 September 2018

Total LTV of Customer base

US$2.2 billion up from US$1.5 billion, an increase of 40.1% over the 12 months to 30 September 2018

Annualised Processing Volume

US$3.2 billion up from US$2.2 billion*, an increase of 45.4% over the 12 months to 30 September 2018

Cash and available funding lines

US$12.5 million down from US$25.5 million, a decrease of 50.9% over the 12 months to 30 September 2018

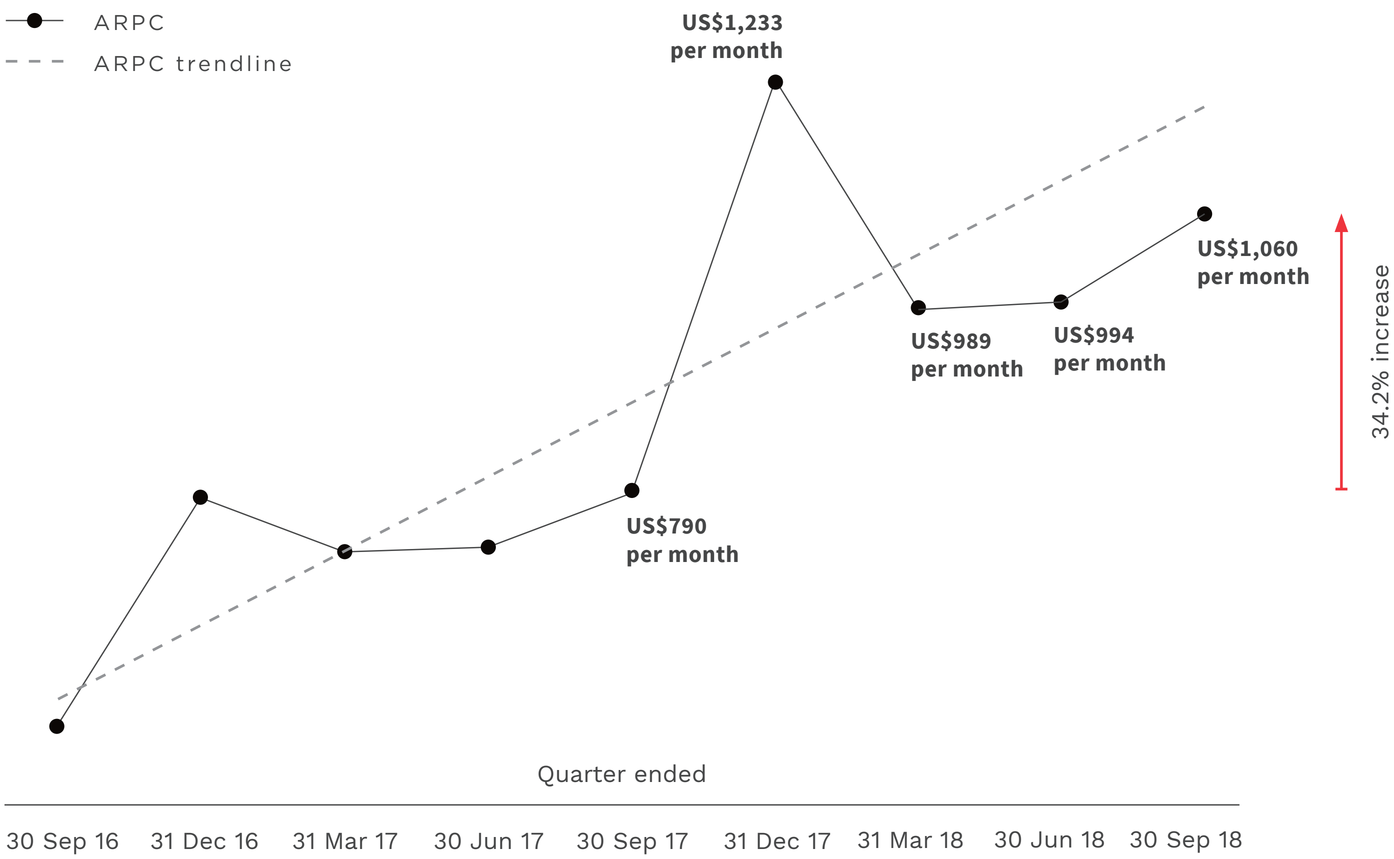
Staff Headcount

354 up from 341, an increase of 3.8% over the 12 months to 30 September 2018

Note: ARPC, Total Customers, Months to Recover CAC, Annual Revenue Retention Rate, Total LTV of Customer base, Annualised Processing Volume and Staff Headcount are not GAAP financial measures and are not prepared in accordance with NZ IFRS.

* Pushpay previously reported Annualised Processing Volume for 30 September 2017 of US$2.1 billion. Due to a change in calculation date, this has been restated to US$2.2 billion.

ARPC growth of 34.2%



ARPC

ARPC increased by US$270 per month over the 12 months to 30 September 2018, from US$790 per month to US$1,060 per month, an increase of 34.2%.

There are a number of factors which have contributed to increased ARPC, which include: increased Subscription Fees from new and existing Customers; further development of our product set resulting in higher Volume Fees; 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.

Our success with the top 100 churches provides a significant platform for Pushpay to engage with other large churches.

Customers

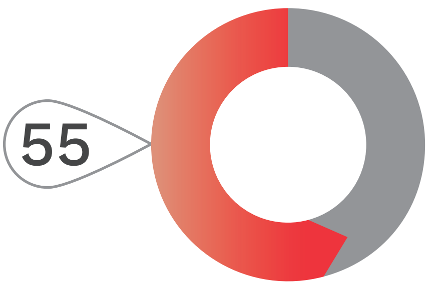
Pushpay increased its Customer base from 7,121 to 7,420, an increase of 4.2% over the 12 months to 30 September 2018. Pushpay's strategy is progressing well, with modest growth in the number of new Customers and a significant increase in the proportion of new medium and large Customers.

Over the 12 months to 30 September 2018, Pushpay's proportion of medium and large Customers increased from 47.4% to 53.8%. 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.

As at 30 September 2018, 55 of the top 100 largest churches in the US[1] have chosen to use Pushpay. We expect to continue to increase the number of top 100 largest church Customers in the US as we scale the business.

Our success with the top 100 churches provides a significant platform for Pushpay to engage with other large churches. Post the end of the 30 September 2018 quarter, we welcomed the largest church in the US according to the Outreach 100 Largest Churches 2017 list, 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.

Although we have a high proportion of the top 100 largest churches in the US, we have only just started penetrating the medium and large church segments. As we execute on our sales strategy, the Company's primary focus is on increasing revenue by attracting high quality new medium and large Customers, while increasing retention and expanding ARPC.



top 100 largest churches in the US

1 Outreach Magazine (2017). Outreach 100 Annual Report

Key metric definitions

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.

Lifetime Value (LTV) – is the gross margin expected from a Customer over the lifetime of that Customer. This is calculated by taking the ARPC multiplied by 12, multiplied by the gross profit percentage, multiplied by the average Customer lifetime (the average Customer lifetime is 1 divided by churn, being one minus the Annual Revenue Retention Rate). A 97.5% Annual Revenue Retention Rate is used for the purposes of the calculation. Total LTV is calculated as LTV multiplied by total Customers.

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.

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).

Chairman and Chief Executive's *report*

Dear fellow Shareholder,

We are pleased to report that for the six months ended 30 September 2018, Pushpay continued to experience strong growth, delivering on its strategic plan as the Company strengthened its market position in the US faith sector. Pushpay continues to focus on future-proofing the business, by refining the strategies that will allow the Company to realise its considerable potential over the long term, while maintaining prudent financial discipline.

Sales strategy

The Company continued to experience growth in its field sales initiative and deal sizes continued to increase, further validating that face-to-face customer interaction allows us to better communicate the value of our solutions to support a higher price point.

We are continuing to see pleasing results from our sales strategy, with our ARPC continuing to increase and the proportion of medium and large Customers continuing to increase.

Strong revenue growth

Pushpay delivered on its revenue guidance of between US$21.8 million and US$23.3 million for the quarter ended 30 September 2018, increasing total revenue to US$22.6 million for the period.

Pushpay's total revenue increased by US$14.3 million from US$29.7 million for the six months ended 30 September 2017 to US$44.0 million for the six months ended 30 September 2018, an increase of 48.0%. These results were attained through the targeted implementation of our strategy, growing team capabilities and expertise, and responsible investment into product design and development.

Operating leverage

Pushpay's net loss improved by US$8.1 million from US$12.5 million for the six months ended 30 September 2017 to US$4.4 million for the six months ended 30 September 2018, an improvement of 64.8%. The net loss reflects the Company's strategy to continue investing in growing its business, while working towards breakeven on a monthly cash flow basis by 31 December 2018.

Pushpay adopted best in class software tools and scalable processes early in its development. Combined with strong financial discipline, those investments will allow significant operating leverage to be achieved as revenue grows.

Updated reporting

As an NZX-listed company, Pushpay is required to provide interim and annual reporting. When Pushpay listed in August 2014, the Company decided to also provide quarterly operational updates to supplement investors' understanding of the business given its early stage.

Pushpay's Board has decided to revise its reporting following a perception study with investors and analysts. The perception study sought feedback on Pushpay's reporting following our pending attainment of breakeven on a monthly cash flow basis by 31 December 2018. General feedback highlighted the view that once Pushpay attained breakeven on a monthly cash flow basis, quarterly reporting would offer limited value. Investors and analysts felt comfortable with Pushpay only providing interim and annual reporting following the attainment of breakeven on a monthly cash flow basis. Investors and analysts felt a change in reporting would allow management more time to focus on their key roles and delivering on Pushpay's strategy.

As a result of feedback received, Pushpay will phase out quarterly reporting with the last quarterly operational update to be provided for the quarter ending 31 December 2018.

Current reporting	**Reporting from 1 April 2019**
Annual Report for the year ended 31 March	Annual Report for the year ended 31 March
Quarterly operational update for the quarter ended 30 June	-
Interim Report for the six months ended 30 September	Interim Report for the six months ended 30 September
Quarterly operational update for the quarter ended 31 December	-

Based on feedback received, Pushpay has decided to remove Annualised Committed Monthly Revenue (ACMR) as a key metric. Given the seasonal nature of the business, investors and analysts do not view ACMR as a useful metric to assess the performance of the business.

Pushpay will also provide full year total revenue guidance and full year Customer revenue cohort information in our Annual Reports moving forward. Pushpay's Customer revenue cohort information for the year ended 31 March 2018 is provided below for future comparison.

Outlook

Pushpay is confident it will achieve its target of breakeven on a monthly cash flow basis prior to the end of calendar year 2018. Once cash flow breakeven has been achieved in December 2018, Pushpay expects to have positive cash flows on an ongoing basis.

Pushpay is assured in its strategy to gain further market share in the medium-term and believes this is the best way to maximise shareholder value.

With Pushpay's sales and marketing strategy focused on medium and large Customers, the Company expects to see a continued increase over the current financial year in Subscription Fees added from new Customers, with a lower average sales headcount than last financial year.

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.

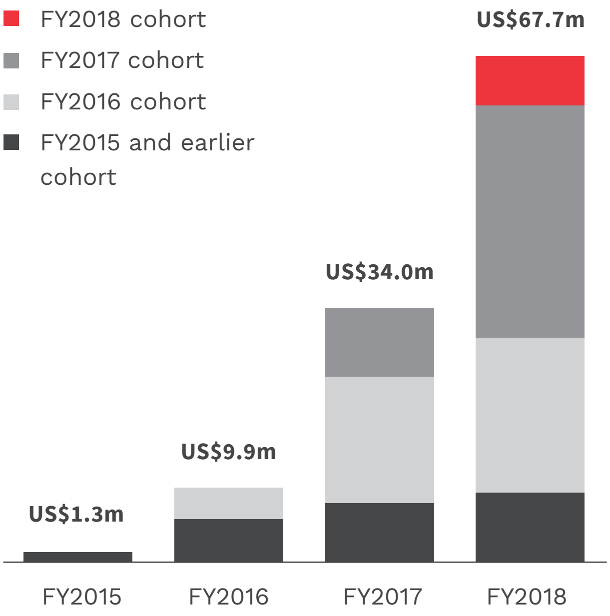
Revenue guidance

The Company is providing annual revenue guidance for the year ending 31 March 2019 of between US$97.5 million and US$100.5 million. Pushpay expects to see consistent revenue growth as the business executes on its strategy, achieves increased efficiencies and gains further market share in the US faith sector.

Gross margin improvement

The gross margin percentage is expected to increase to over 60% for the six months ending 31 March 2019 as a result of a margin improvement process, up from 54% for the six months ending 31 March 2018. Combined with the forecast revenue growth and the significant operating leverage being achieved by the business, this significant margin improvement puts Pushpay in a position to achieve positive earnings before interest, tax, depreciation, amortisation and foreign currency gains/losses (EBITDAF) for the year to 31 March 2019.

Customer revenue cohort information



(US$)	FY2015	FY2016	FY2017	FY2018	CAGR
FY2015 and earlier	$1.3m	$5.7m	$7.9m	$9.3m	92%
FY2016		$4.2m	$16.9m	$20.7m	122%
FY2017			$9.2m	$31.1m	239%
FY2018				$6.6m	N/A
Total	***$1.3m***	***$9.9m***	***$34.0m***	***$67.7m***	***N/A***

People

As we continue to execute on our strategy, Pushpay has attracted a leading team that we are extremely proud of. We have an emphasis on retaining exceptional talent, choosing to promote from within where possible. Pushpay continues to strengthen its team of driven and talented experts in New Zealand and the US.

Longstanding members of Pushpay's team, Josh Robb, VP of Product and Engineering and Kevin Kuck, VP of Operations, were appointed to the senior management team in August 2018. The elevation of exceptional leaders like Josh Robb and Kevin Kuck better positions us to execute on our strategy.

Josh Robb, VP of Product and Engineering

Kevin Kuck, VP of Operations

Pushpay's Board of Directors is pleased to welcome Peter Huljich as an Alternate Director for Christopher Huljich, effective 7 November 2018. Peter has held a number of executive positions in the Company, along with previously being an Alternate Director for Christopher Huljich. Peter brings extensive experience and knowledge to the business, having been involved with a number of high-growth technology businesses.

The Board is also actively searching for an additional US-based Director and is considering suitably qualified candidates of diverse backgrounds and experience.

Acknowledgements

Pushpay's impressive progress would not be possible without the expert direction from the Board of Directors, successful execution from management and the hard work of our dedicated staff.

We would like to thank you, our shareholders, for your continued support and confidence, our teams in the US and New Zealand for their hard work and all of our Customers around the world for their loyalty and excitement, as these results are ultimately thanks to their support.

Bruce Gordon
Chairman

Chris Heaslip
CEO, Executive Director and Co-founder

Pushpay’s Summit One Day conference in
Charlotte, North Carolina, US

An innovative

cloud-first solution

Added functionality to the Pushpay solution

Pushpay continues to invest in making its engagement and giving solutions more intuitive, simple and secure. Our team ships updates to our solutions almost every day. It is extremely rewarding for our team to see their work live on a frequent and ongoing basis, being utilised to enable social good.

As Drew Knowles, Executive Pastor of Sojourn Heights Church in Dallas, Texas says, "Pushpay are really listening to customers and doing what they ask. In the internet age, that's what you're looking for in any sort of online solution, but especially online giving."

Some of our more recent additions to the Pushpay solutions include Branded Web Giving, Dynamic Home Screen and QuickBooks® Online.

Branded Web Giving

Pushpay released Branded Web Giving in August 2018. Branded Web Giving is an enhanced giving experience, based on the theory of emotional design. Branded Web Giving connects givers to the causes they support using imagery specific to both the organisation they identify with and the cause they care about. This customised user experience significantly improves the brand representation of our Customers' organisations, while driving connection in their communities.

Pushpay offers "Core", "Advanced" and "Complete" pricing packages. Branded Web Giving is a feature exclusively available to Pushpay's Customers who have purchased our Advanced or Complete packages. Following the release of Branded Web Giving, 46% of Pushpay's Customers on the Advanced or Complete packages have started using this feature.

Dynamic Home Screen

Pushpay released Dynamic Home Screen in May 2018. Dynamic Home Screen delivers a dynamic feed to App users, similar to the experience from Facebook and Instagram where content is personalised to match your preferences and interests. Dynamic Home Screen simplifies the discovery of information with an intuitive experience in one centralised hub and promotes repeat, regular visits to the App.

QuickBooks® Online

Pushpay launched an integration with QuickBooks® Online, an Intuit product[2], in April 2018. Intuit is the dominant US accounting software provider, with over 2.2 million US subscribers. Pushpay research revealed that over 70% of our Customers use some version of QuickBooks® as their primary accounting software.

The integration automates the sharing of financial information from Pushpay to QuickBooks® Online and provides an end-to-end solution for Pushpay Customers' finance teams. Pushpay's QuickBooks® Online integration allows finance teams to perform common tasks, such as bank reconciliation, in less time and with lower risk of error. As a result of the integration, Pushpay's Customers typically have seen administrative time savings of between 25% and 40%.

Brand consolidation

The Company previously operated with a series of brands, including Pushpay, echurch, Bluebridge and ZipZap. In April 2018, the Company announced to the market that it would consolidate its echurch, Bluebridge and ZipZap brands under the Pushpay brand by the end of September 2018. The Company has now completed its rebrand initiative, having consolidated its echurch, Bluebridge and ZipZap brands under the single Pushpay brand.

The brand consolidation involved numerous workflows including the migration of key contracts and legal entities, a www.pushpay.com website refresh, a new brand style guide and the redesign of hundreds of pieces of collateral as Pushpay updated its visual identity.

The Company considers that this brand consolidation will continue to provide economic benefits, a reduction in complexity, increased efficiencies in advertising and will ultimately help to strengthen the Company's market position over time.

Summit One Day

Pushpay hosted over 627 church leaders from 228 unique churches, 32 US states and two countries at the sold-out, Summit One Day conference in Charlotte, North Carolina, US. Summit One Day was a premier, one-day church conference designed to help forward-thinking pastors and staff grow in leadership, technology and communications. For 85% of the attendees, Summit One Day was their first experience at a Pushpay Summit conference and over 75% of attendees were from the East Coast of the US.

Summit One Day featured 10 speakers, including Pushpay's CEO, Chris Heaslip and a number of business, technology and church leaders, such as:

- Erwin Raphael McManus - Mosaic Church in Los Angeles, CA, www.mosaic.org
- Nona Jones - Facebook Faith-based Partnerships Leader, www.facebook.com
- Scott Harrison - Founder and CEO of charity:water, www.charitywater.org
- Steven Furtick - Elevation Church in Charlotte, NC, www.elevationchurch.org
- Carey Nieuwhof - Connexus Church in Barrie, Canada, www.connexuschurch.com

Pushpay's next Summit event will be held in Dallas, Texas, US on 22-23 May 2019.

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A team we are proud of

Pushpay has attracted a leading team that we are extremely proud of.

Molly Matthews, Director of Customer Success

Molly Matthews

Director of Customer Success

"I joined Pushpay because the impact technology could have on the community was inspiring. As a former Director of an NPO, fundraising and finance was always the leading pain point of success. Pushpay was solving that problem. My favourite memory at Pushpay was during an onsite visit with a customer, they walked me through their facility that is centered around community outreach. It was so impactful to see how generosity had enabled their community to do so much for so many people. I'm passionate about helping young people grow and develop their careers and I love helping communities grow. At Pushpay, I get to do both of those things every day."

"I've had the pleasure of working alongside Molly with some of our largest church partners. I've never worked with anyone who is as composed or inspiring in high-pressure moments as Molly. She is truly a unique leader and is a consistent example of someone who is passionate about her work and those who work alongside her."

– Matt Weissenborn, Project Manager Enterprise Information

"Molly is a true leader who brings a level of polish and finesse to everything she undertakes. It is truly inspiring to work with her."

– Julie Crowner, Senior Director of Technical Operations

Aaron Blum, Service Delivery Manager

Aaron Blum

Service Delivery Manager

"What I love about Pushpay is our vision and people. I wake up every morning excited for work because I know that my efforts are part of something meaningful – something that is changing the world. I also have the privilege of working alongside the most intelligent, passionate and fun people I have ever known. I am so proud to be a part of an organization that is bringing world-class content, speakers and ideas to the church. We are changing the game and rising above the status quo and I am proud to be a part of it."

"Aaron fully lives out our People Come First mindset at Pushpay. He is an advocate for our customers and his team, bringing people together with his passion for why we exist. He has a posture of humility, continually asking for feedback and responding to it, ensuring he continues to level up and maximize his ability to be an asset to the team, company and customers."

- Angela Milton, Senior Manager of Care

"Aaron is one of the kindest and caring managers I have ever worked for. He leads with a humility and sincerity that is inspiring. During my time working with Aaron, he has given me the autonomy, feedback and opportunity to do some of the best work of my life. It's truly a pleasure getting to come to work with him every day."

- Eli Johnerson, App Design Team Lead

Jan DeBell, Director of Finance

Jan DeBell

Director of Finance

"Working in a company that has a deep and abiding mission is rare and this Company creates an opportunity to make an impact bigger than just your individual work contribution. Pushpay is a great reminder every day of the ability that exists in all of us to do work that is meaningful and matters. Working at Pushpay inspires me to live our core values of generosity, people come first, innovation, excellence and simplicity - across all areas of my life. Pushpay constantly reminds me of how important it is to strive for excellence. This company provides a culture of growing and learning, which ultimately benefits the individuals that choose to embrace it."

"Jan is an incredible mentor and she genuinely cares about her team's wellbeing. Jan never fails to provide positive feedback, but in the meantime, she pushes me out of my comfort zone. Jan has made a tremendous impact on me over my time at Pushpay. She has helped me to be a better manager, with her compassion and a clear vision for the team."

- Cherry Chu, Accounting Manager

"Jan keeps the key finance processes for the US office operating smoothly and is always calm and measured. She lives our value of generosity as she is always happy to spend time to talk staff through our processes."

- Shane Sampson, Chief Financial Officer

THIS SUNDAY
MESSAGES
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GIVE

Management commentary

You should read the following commentary with the unaudited interim financial statements and the related notes in this report. Some parts of this commentary include information regarding the plans and strategy for the business, and include forward-looking statements that involve risks and uncertainties. Actual results and the timing of certain events may differ materially from future results expressed or implied by the forward-looking statements contained in the following commentary. Unless otherwise stated, the following commentary discusses the performance over the six months ended 30 September 2018 compared to the six months ended 30 September 2017, also referred to as the prior comparable period (PCP). All amounts are presented in United States Dollars (USD), except where indicated.

Non-Generally Accepted Accounting Principles (Non-GAAP) measures have been included, as we believe they provide useful information for readers to assist in understanding Pushpay's financial performance. Non-GAAP financial measures should not be viewed in isolation, nor considered as substitutes for measures reported in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

Business results

Unaudited	*2018 US$000*	*2017 US$000*	*Change**
Six months ended 30 September			
Operating revenue	42,755	28,731	49%
Other income	1,257	1,011	24%
Total revenue	**44,012**	**29,742**	**48%**
Third party direct costs	(18,302)	(12,311)	49%
Percentage of operating revenue	*-43%*	*-43%*	*NC*
Operating expenses	(30,670)	(29,930)	2%
Percentage of operating revenue	*-72%*	*-104%*	*32pp*
Foreign exchange	840	145	479%
Income tax expense	(280)	(165)	70%
Net loss	**(4,400)**	**(12,519)**	**-65%**
Percentage of operating revenue	*-10%*	*-44%*	*34pp*

* pp stands for percentage point
NC stands for no change

Total revenue grew by 48% to $44.0 million due to increased customer growth and Average Revenue per Customer (ARPC). Total operating expenses and the net loss as a percentage of operating revenue, decreased by 32 percentage points and 34 percentage points respectively, reflecting operating leverage being achieved as revenue grows.

Total revenue for the year ending 31 March 2019 is expected to be between $97.5 million and $100.5 million.

Earnings before interest, tax, depreciation, amortisation and foreign currency (gains)/losses (EBITDAF)

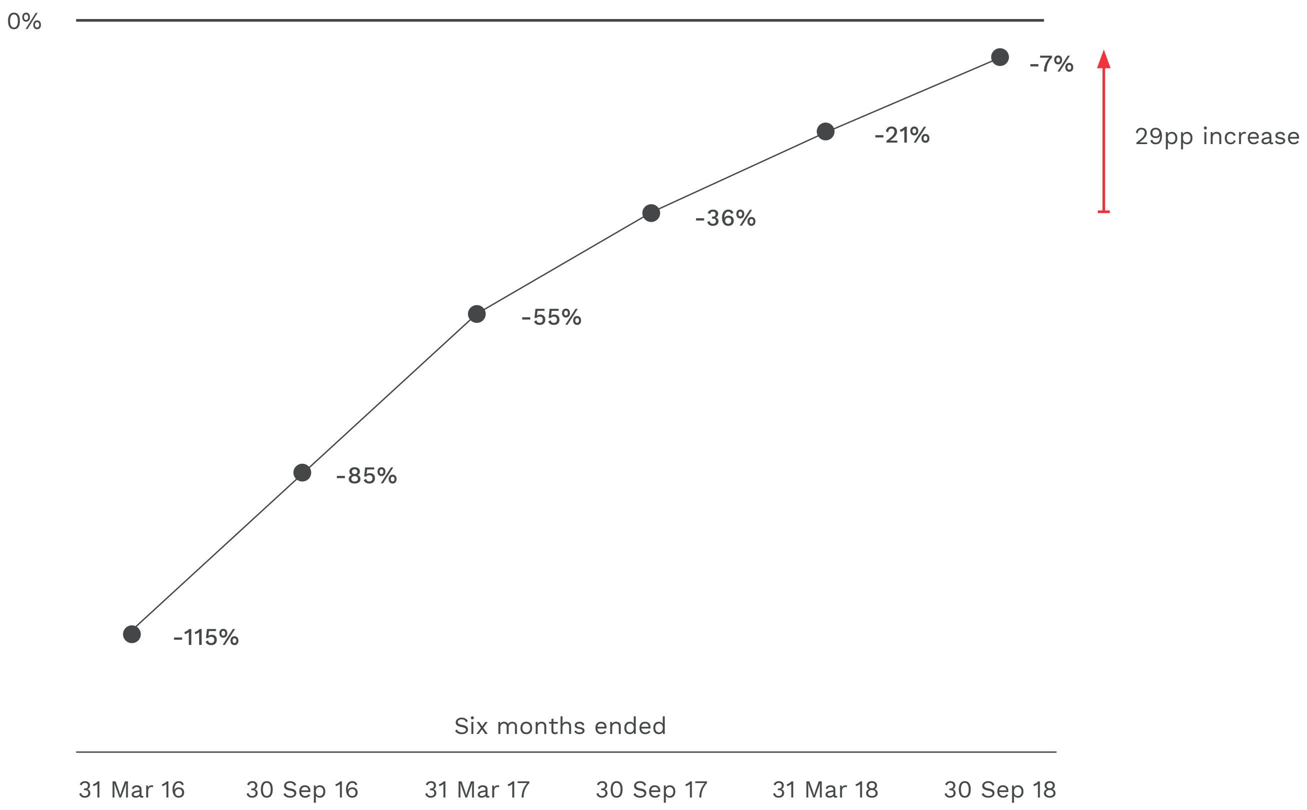
EBITDAF (a non-GAAP financial measure) is calculated by adding back net interest income, depreciation and amortisation, income tax expense and net foreign currency gains/losses to net loss.

Unaudited	*2018 US$000*	*2017 US$000*	*Change*
Six months ended 30 September			
Net loss	(4,400)	(12,519)	-65%
Add back: net interest income	(98)	(70)	40%
Add back: depreciation and amortisation	1,972	2,128	-7%
Add back: income tax expense	280	165	70%
Add back: net foreign currency (gains)/losses	(840)	(145)	479%
EBITDAF	**(3,086)**	**(10,441)**	**-70%**
Percentage of operating revenue	*-7%*	*-36%*	*29pp*

EBITDAF improved by 70% from a $10.4 million loss to a $3.1 million loss. The EBITDAF loss, as a percentage of operating revenue, improved by 29 percentage points from -36% to -7%, driven by growth in operating revenue and relatively flat operating expenses.

The combination of forecast revenue growth, and improvements in operating leverage and gross margin percentage put Pushpay in a position to achieve positive EBITDAF for the year ending 31 March 2019.

EBITDAF as a percentage of operating revenue



Operating revenue

Subscription revenue consists of recurring fees based on the Customer product holding, which can vary depending on the size of the Customer (in the case of the faith sector, size is based on average weekly attendance). Customers are invoiced monthly or annually in advance. Revenue is recognised as the services are delivered to Customers over the term of the contract, commencing with the date the contract is signed by the Customer. Revenue in advance represents amounts billed to Customers in advance of the provision of services and is recognised in the Statement of Financial Position as Unearned Revenue in Current Liabilities. Processing revenue consists of variable fee income generated from payment transaction volume (in the case of the faith sector, this is usually a percentage of donations). Processing revenue is billed monthly in arrears.

Unaudited	*2018 US$000*	*2017 US$000*	*Change*
Six months ended 30 September			
Subscription revenue	12,543	8,926	41%
Processing revenue	30,212	19,805	53%
Total operating revenue	**42,755**	**28,731**	**49%**

As at 30 September	*2018*	*2017*	*Change*
Total Customers	7,420	7,121	4%
ARPC per month (US$)	1,060	790	34%

Operating revenue increased by 49% primarily due to a significant increase in ARPC of 34% from $790 per month to $1,060 per month. This growth reflects the continuation of the Group's stated strategy of focusing on the medium and large customer segments, which contribute higher ARPC, and thus revenue. Over the 12 months to 30 September 2018 the proportion of medium and large churches, as a proportion of total Customers, increased to 53.8%, up from 47.7% a year earlier.

Third party direct costs

Third party direct costs consist of volume related processing costs, platform hosting and other related costs payable to third parties. Processing costs include interchange fees, which are paid to third parties, such as Visa and MasterCard. Other costs include payments to third party distributors.

Unaudited	*2018 US$000*	*2017 US$000*	*Change*
Six months ended 30 September			
Third party direct costs - processing	16,737	11,291	48%
Third party direct costs - platform hosting	1,205	870	39%
Third party direct costs - other	360	150	140%
Third party direct costs	**18,302**	**12,311**	**49%**
Percentage of operating revenue	*43%*	*43%*	*NC*
Third party direct costs - platform hosting, as a percentage of operating revenue	3%	3%	NC
Third party direct costs - processing, as a percentage of processing revenue	55%	57%	-2pp

Total third party direct costs increased by 49% due to higher interchange fees associated with higher processing volumes, and thus revenues, as well as increased platform hosting costs. Total third party direct costs as a percentage of operating revenue, were stable at 43%. Processing costs, as a percentage of processing revenue, improved by 2 percentage points from 57% to 55%.

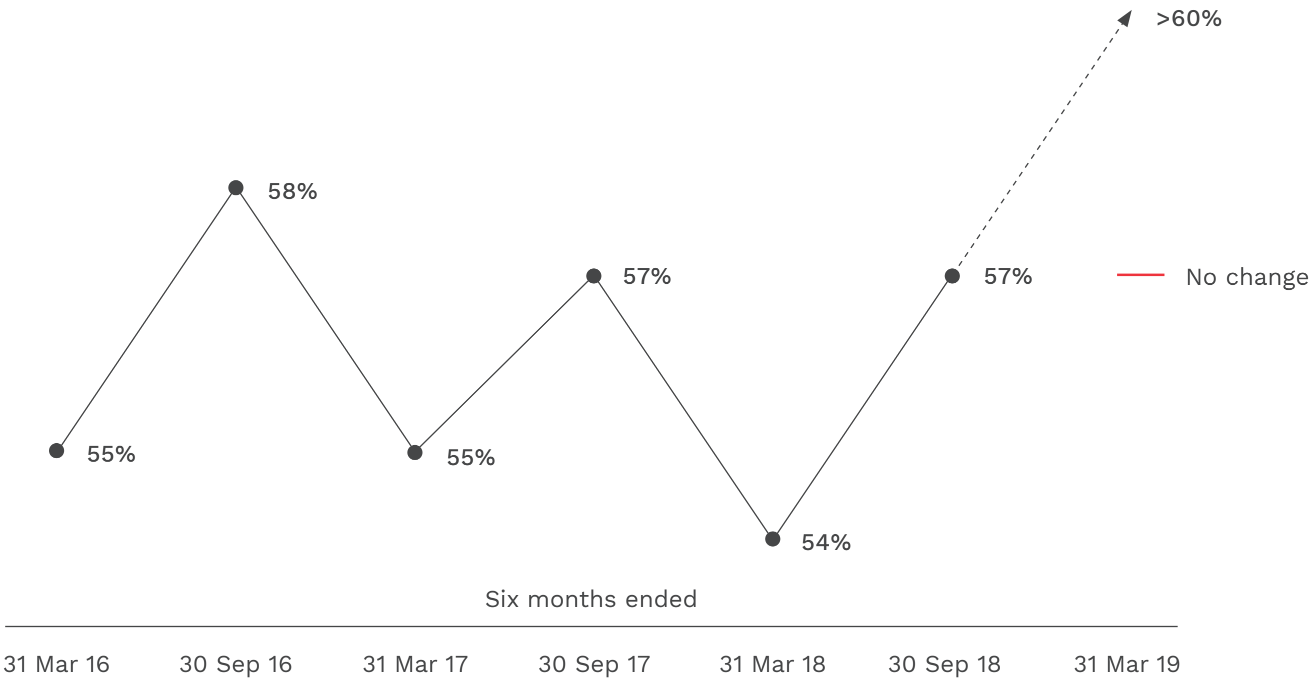
Gross profit

Gross profit (a non-GAAP financial measure) is calculated as operating revenue less third party direct costs.

Unaudited	*2018 US$000*	*2017 US$000*	*Change*
Six months ended 30 September			
Operating revenue	42,755	28,731	49%
Third party direct costs	(18,302)	(12,311)	49%
Gross profit	**24,453**	**16,420**	**49%**
Gross margin percentage	*57%*	*57%*	*NC*

Gross profit, as a percentage of operating revenue, was stable at 57%. We expect to grow the gross margin percentage to over 60% for the six months ended 31 March 2019 as a result of a margin improvement programme, up from 54% for the six months ended 31 March 2018.

Gross margin percentage



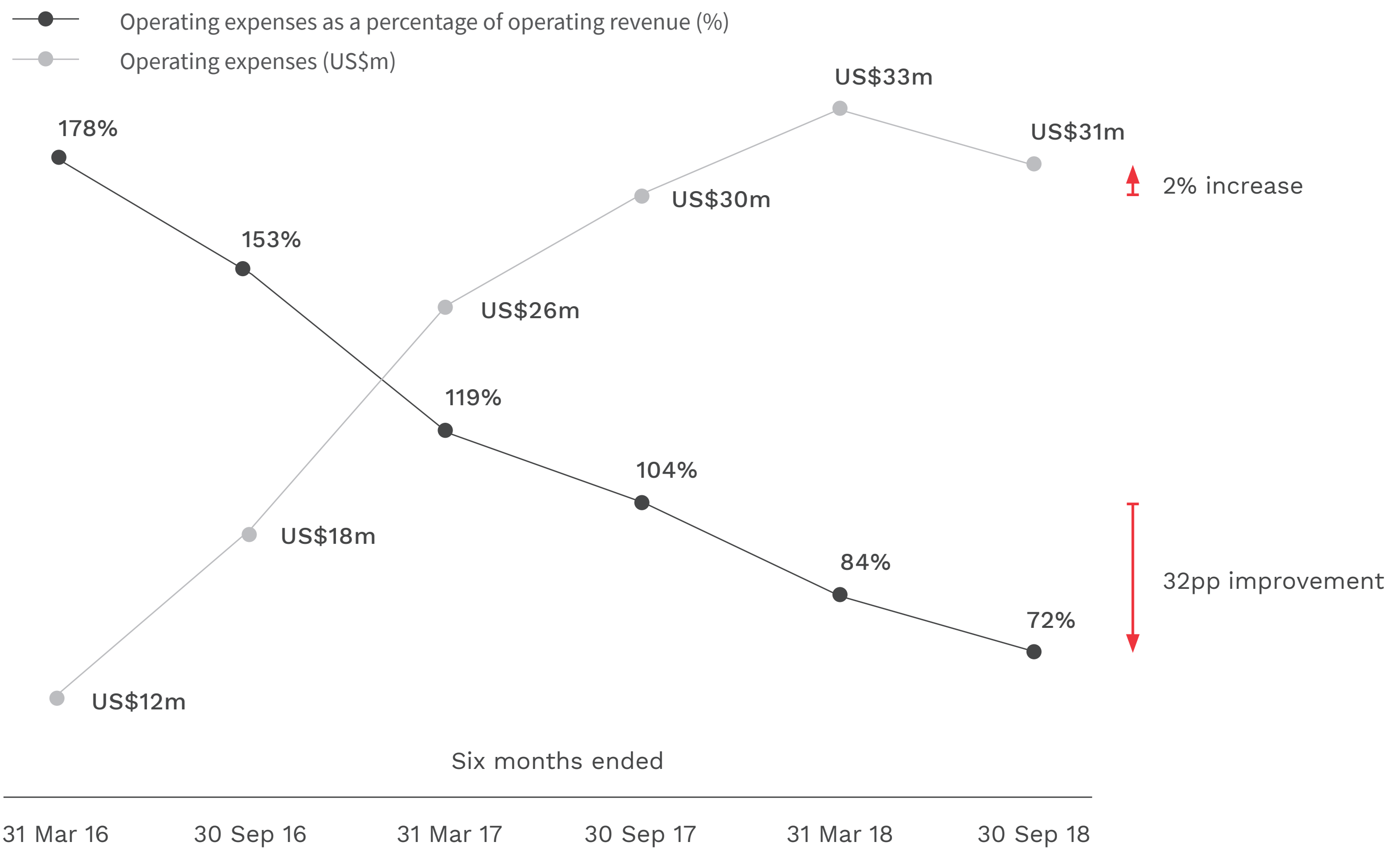
Operating expenses

Operating expenses comprises product design and development, sales and marketing, customer success and general and administration costs.

Unaudited	*2018 US$000*	*2017 US$000*	*Change*
Six months ended 30 September			
Product design and development	8,362	7,093	18%
Sales and marketing	14,062	13,732	2%
Customer success	2,728	3,017	-10%
General and administration	5,518	6,088	-9%
Total operating expenses	**30,670**	**29,930**	**2%**
Percentage of operating revenue	*72%*	*104%*	*-32pp*

Operating expenses grew by 2%, due to increased investment in product design and development, being partly offset by lower customer success and general and administration costs. Operating leverage has been achieved as revenue grows as a result of having scalable tools and processes and strong financial discipline.

Operating expenses



Product design and development

Product design and development costs consist primarily of personnel and related expenses (including salaries, benefits, bonuses and share-based payment expense) directly associated with product design and development employees. Under NZ IFRS, the portion of product design and development expenses that create a benefit in future years is capitalisable as an intangible asset and is then amortised to the income statement over the estimated life of the asset created. The amount amortised is included as a product design and development expense.

Unaudited	*2018 US$000*	*2017 US$000*	*Change*
Six months ended 30 September			
Total product design and development costs (including amounts capitalised)	6,858	6,251	10%
Percentage of operating revenue	*16%*	*22%*	*-6pp*
Less capitalised development costs	-	(825)	-100%
Percentage of total product design and development cap-italised	*0%*	*13%*	*-13pp*
Product design and development expense excluding amortisation of amounts capitalised	**6,858**	**5,426**	**26%**
Add: Amortisation of capitalised development costs	1,504	1,667	-10%
Net product design and development expenses	**8,362**	**7,093**	**18%**
Percentage of operating revenue	*20%*	*25%*	*-5pp*

Total product design and development costs increased by 10% from $6.3 million to $6.9 million. Total product design and development costs as a percentage of operating revenue, improved by 6 percentage points from 22% to 16%. None of the product design and development costs in the six months ended 30 September 2018 were considered to be capital in nature, with the full $6.9 million included as an expense in the Income Statement.

The Group increased product design and development headcount by 12% to further enhance and extend our product offerings.

The amortisation of capitalised product design and development expenditure of $1.5 million was also included as an expense in the Income Statement, giving a total net expense for the six months ended 30 September 2018 of $8.4 million.

The higher expense in the Income Statement was primarily driven by the increased volume of product design and development expenditure as well as none of the expenditure being considered capital in nature. Partly offsetting these increased costs was the impact of the falling New Zealand Dollar (NZD). A significant proportion of product design and development costs are incurred in NZD, and thus a weakening NZD has a favourable impact when translated to USD for reporting.

Sales and marketing, and customer success

Sales and marketing expenses consist of personnel and related expenses (including salaries, benefits, bonuses, commissions and share based payments) directly associated with the sales and marketing teams, external advertising costs and marketing costs (including promotional events, corporate communications, brand building and product marketing activities such as online lead generation).

Customer success expenses consist primarily of personnel and related expenses (including salaries, benefits, bonuses and share-based payment expenses). Customer success facilitates onboarding and ongoing support of Customers, ensuring they maximise the benefit from Pushpay's services. The portion of customer success cost relating to onboarding new Customers is treated as part of Customer Acquisition Cost (CAC).

Unaudited	*2018 US$000*	*2017 US$000*	*Change*
Six months ended 30 September			
Sales and marketing	14,062	13,732	2%
Customer success	2,728	3,017	-10%
Total sales and marketing, and customer success costs	**16,790**	**16,749**	**0%**
Percentage of operating revenue	*39%*	*58%*	*-19pp*
Months to Recover CAC	<18	<18	NC
Annual Revenue Retention Rate	>100%	>100%	NC

Total sales and marketing, and customer success costs were flat at $16.8 million. Sales and marketing, and customer success costs as a percentage of operating revenue improved by 19 percentage points from 58% to 39% while headcount was relatively stable at 30 September 2018. The Group continues to focus on acquiring medium and large Customers and has grown our account management team to also better serve existing Customers. The Months to Recover CAC remained at less than 18 months and the Annual Revenue Revenue Retention Rate remained at over 100% as at 30 September 2018.

Lower customer success costs were driven by slightly lower headcount.

General and administration

General and administration expenses consist of personnel and related expenses (including salaries, benefits, bonuses and share-based payment expense) for executive, finance, human resources and administrative employees. It also includes legal, accounting and other professional services fees, stock exchange listing expenses and other corporate expenses.

Unaudited	*2018 US$000*	*2017 US$000*	*Change*
Six months ended 30 September			
General and administration	5,518	6,088	-9%
Percentage of operating revenue	*13%*	*21%*	*-8pp*

General and administration costs reduced by 9% from $6.1 million to $5.5 million, while improving as a percentage of operating revenue by 8 percentage points, from 21% to 13%.

Drivers of the decrease in general and administration costs included reduced executive share incentive costs and lower other overheads.

Employees

As at 30 September	*2018*	*2017*	*Change*
Product design and development	96	86	12%
Sales and marketing	134	126	6%
Customer success	59	62	-5%
General and administration	65	67	-3%
Total group	**354**	**341**	**4%**

Staff headcount, as at 30 September 2018, increased by 4% from 341 to 354, with 99 staff based in New Zealand and 255 staff based in the US.

Cash flows

Unaudited	*2018 US$000*	*2017 US$000*	*Change*
Six months ended 30 September			
Receipts from Customers	25,665	17,182	49%
Other operating cash flows	(30,772)	(26,886)	14%
Total cash flows from operating activities	**(5,107)**	**(9,704)**	**-47%**
Investing cash flows	(115)	(2,448)	-95%
Total operating and investing cash flows	**(5,222)**	**(12,152)**	**-57%**
Financing activities	-	24,599	-100%
Foreign currency translation adjustment	(131)	(348)	-62%
Net movement in cash and cash equivalents	**(5,353)**	**12,099**	**-144%**

Receipts from Customers, over the six months ended 30 September 2018, increased by 49% from $17.2 million to $25.7 million. Receipts from Customers relating to processing revenue are shown net of the processing costs reflecting the physical cash inflows.

Investing cash flows decreased by 95%, from $2.4 million to $0.1 million, as the PCP included a final $1.0 million settlement payment for the Bluebridge assets, capitalised development costs and intangible assets of $1.1 million.

We are confident the Group will achieve its target of breakeven on a monthly cash flow basis prior to the end of calendar year 2018.

Financial *statements*

Income Statement

		Six months ended 30 September	
		2018	*2017*
		Unaudited	*Unaudited*
	Notes	*US$000*	*US$000*
Revenue	4	**44,012**	**29,742**
Expenses			
Third party direct costs		(18,302)	(12,311)
Product design and development		(8,362)	(7,093)
Sales and marketing		(14,062)	(13,732)
Customer success		(2,728)	(3,017)
General and administration		(5,518)	(6,088)
Net foreign exchange gains/(losses)		840	145
Total expenses	5	**(48,132)**	**(42,096)**
Net loss before income tax		**(4,120)**	**(12,354)**
Income tax expense		(280)	(165)
Net loss for the period		**(4,400)**	**(12,519)**
Loss per share			
Basic and diluted loss per share	7	($0.02)	($0.05)

The accompanying notes form an integral part of these unaudited interim financial statements.

Statement of Comprehensive Income

	Six months ended 30 September	
	2018	*2017*
	Unaudited	*Unaudited*
	US$000	*US$000*
Net loss for the period	(4,400)	(12,519)
Other comprehensive income		
Exchange differences on translation of foreign operations	(1,353)	(87)
Total comprehensive loss for the period*	(5,753)	(12,606)

* Items of other comprehensive income will be reclassified to the Income Statement.

The accompanying notes form an integral part of these unaudited interim financial statements.

Statement of Changes in Equity

Unaudited	*Notes*	*Share capital US$000*	*Accumulated losses US$000*	*Shared-based payment reserve US$000*	*Foreign currency translation reserve US$000*	*Total equity US$000*
Balance at 1 April 2017		**66,501**	**(46,245)**	**765**	**(2,216)**	**18,805**
Net loss		-	(12,519)	-	-	(12,519)
Currency translation movements		-	-	-	(87)	(87)
Total comprehensive loss		**-**	**(12,519)**	**-**	**(87)**	**(12,606)**
Transactions with owners:						
Issue of shares	6	26,319	-	-	-	26,319
Share issue costs	6	(1,531)	-	-	-	(1,531)
Share based payments		-	-	534	-	534
Balance at 30 September 2017		**91,289**	**(58,764)**	**1,299**	**(2,303)**	**31,521**
Balance at 1 April 2018		**92,312**	**(69,512)**	**1,234**	**(2,346)**	**21,688**
Net loss		-	(4,400)	-	-	(4,400)
Currency translation movements		-	-	-	(1,353)	(1,353)
Total comprehensive loss		**-**	**(4,400)**	**-**	**(1,353)**	**(5,753)**
Transactions with owners:						
Issue of shares	6	228	-	-	-	228
Share based payments		-	-	551	-	551
Balance at 30 September 2018		**92,540**	**(73,912)**	**1,785**	**(3,699)**	**16,714**

The accompanying notes form an integral part of these unaudited interim financial statements.

Statement of Financial Position

		As at	
		30 September 2018	*31 March 2018*
		Unaudited	*Audited*
Assets	*Notes*	*US$000*	*US$000*
Current assets			
Cash and cash equivalents		12,533	17,886
Trade and other receivables		8,075	7,342
Deferred acquisition costs		2,305	1,478
Total current assets		**22,913**	**26,706**
Non-current assets			
Property, plant and equipment		1,458	1,806
Intangible assets		3,067	4,872
Restricted cash balances		1,176	1,256
Total non-current assets		**5,701**	**7,934**
Total assets		**28,614**	**34,640**
Liabilities			
Current liabilities			
Trade and other payables		2,971	3,508
Unearned revenue		6,866	7,206
Employee entitlements		2,063	1,759
Income tax payable		-	479
Total current liabilities		**11,900**	**12,952**
Total liabilities		**11,900**	**12,952**
Net assets		**16,714**	**21,688**
Equity			
Share capital	6	92,540	92,312
Accumulated losses		(73,912)	(69,512)
Share based payment reserve		1,785	1,234
Foreign currency translation reserve		(3,699)	(2,346)
Total equity		**16,714**	**21,688**

The accompanying notes form an integral part of these unaudited interim financial statements.

Statement of Cash Flows

		Six months ended 30 September	
		2018	*2017*
		Unaudited	*Unaudited*
	Notes	*US$000*	*US$000*
Operating activities			
Receipts from customers		25,665	17,182
Other income		992	-
Interest received		62	39
Payments to suppliers and employees		(30,921)	(26,747)
Income tax paid		(905)	(178)
Net cash flows from operating activities	10	**(5,107)**	**(9,704)**
Investing activities			
Purchase of property, plant and equipment		(162)	(350)
Capitalised development costs and other intangible assets		-	(1,080)
Acquisition of software licence and customer contracts		-	(1,000)
Restricted cash balances		47	(18)
Net cash flows from investing activities		**(115)**	**(2,448)**
Financing activities			
Issue of shares (net of costs)		-	24,599
Net cash flows from financing activities		**-**	**24,599**
Net increase/(decrease) in cash and cash equivalents		**(5,222)**	**12,447**
Foreign currency translation adjustment		(131)	(348)
Cash and cash equivalents at the beginning of the period		**17,886**	**13,406**
Cash and cash equivalents at the end of the period		**12,533**	**25,505**

The accompanying notes form an integral part of these unaudited interim financial statements.

Notes to the Financial Statements

1. Corporate information

Pushpay Holdings Limited (the "Company" or "Pushpay") is a limited liability company, domiciled and incorporated in New Zealand and registered under the Companies Act 1993.

The unaudited interim financial statements presented are for Pushpay and its subsidiaries (together, the "Group") for the six months ended 30 September 2018.

Pushpay is designated as a for-profit entity and is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013 and is listed on the NZX Main Board ("NZX") and the Australian Securities Exchange ("ASX").

These unaudited interim financial statements were authorised for issue in accordance with a resolution of the Directors on 7 November 2018.

The Group's principal activity is to provide 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.

2. Basis of preparation

These unaudited interim financial statements for the six months ended 30 September 2018 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and NZ IAS 34, Interim Financial Reporting. These unaudited interim financial statements also comply with IAS 34 interim financial reporting.

These unaudited interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2018, which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements of the Group for the year ended 31 March 2018 other than as disclosed in Note 3 below.

The unaudited interim financial statements are presented in thousands of United States (US) dollars.

3. Changes in accounting policies and disclosures

Apart from the changes noted below, the unaudited interim financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's annual report for the financial year ended 31 March 2018.

Application of new and revised standards, amendments and interpretations

The Group has applied NZ IFRS 15 'Revenue from contracts with customers' and NZ IFRS 9 'Financial instruments - Classification and Measurement' in the current financial year. In accordance with the assessments disclosed in the Group's annual report for the financial year ended 31 March 2018, the adoption of these standards has not had any material impact on the financial position, financial performance or the underlying accounting policies of the Group.

4. Revenue

Unaudited	*2018*	*2017*
Six months ended 30 September	*US$000*	*US$000*
Operating revenue:		
Subscription revenue	12,543	8,926
Processing revenue	30,212	19,805
Total operating revenue	**42,755**	**28,731**
Government grants:		
Callaghan Innovation project grant	103	114
Callaghan Innovation growth grant	1,015	827
Total government grants	**1,118**	**941**
Other income:		
Interest received	98	70
Other income	41	-
Total other income	**139**	**70**
Total revenue	**44,012**	**29,742**

5. Expenses

Unaudited	*2018*	*2017*
Six months ended 30 September	*US$000*	*US$000*
Advertising and marketing	2,978	2,576
Auditor's remuneration	66	48
Bad debts	78	279
Directors fees	115	103
Employee benefits - defined contribution expense	262	373
Employee benefits/entitlements	20,726	19,624
Employee benefits/entitlements - capitalised	(1,531)	(1,727)
Foreign exchange variations	(840)	(145)
IT and communications	1,295	1,473
Loss on disposal of property, plant and equipment	11	-
Occupancy costs	621	1,225
Share based payment	1,040	1,267
Third party direct costs	18,302	12,311
Travel-related costs	491	544
Other operating expenses	2,546	2,017
Total cost of revenue and operating expenses excl. depreciation and amortisation	**46,160**	**39,968**

Unaudited	*2018*	*2017*
Six months ended 30 September	*US$000*	*US$000*
Depreciation and amortisation		
Relating to:		
Amortisation of development costs	899	1,050
Amortisation of other intangible assets	605	617
Depreciation of property, plant and equipment	468	461
Total depreciation and amortisation	**1,972**	**2,128**
Total expenses	**48,132**	**42,096**

Depreciation and amortisation included in function expenses as follows:		
Product design and development	1,630	1,780
Sales and marketing	178	180
Customer success	75	82
General and administration	89	86
Total depreciation and amortisation	**1,972**	**2,128**

6. Share capital

	Number of shares	
Unaudited	*000's*	*US$000*
Balance as at 1 April 2017	**250,550**	**66,501**
Movements during the period		
Issue of shares	23,322	26,130
Capital raised on employee share scheme allotment	88	189
Share issue costs	-	(1,531)
Balance at 30 September 2017	**273,960**	**91,289**
Balance as at 1 April 2018	**274,549**	**92,312**
Movements during the period		
Issue of shares	30	49
Issue of shares to Pushpay Trustees Limited	142	-
Capital raised on employee share scheme allotment	-	179
Balance at 30 September 2018	**274,721**	**92,540**

The paid up capital comprises ordinary shares. The total number of shares on issue is 274,721,167 shares (2017: 273,959,542). All shares have been issued, are fully paid and have no par value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

As at 30 September 2018, these include 429,765 (2017: 781,555) shares issued to Pushpay Trustees Limited, a subsidiary established for the purpose of the employee share incentive scheme. In the six months ended 30 September 2018 $49k (2017: $nil) of capital was raised in respect of vesting of restricted stock units and $179k (2017: $189k) of capital was raised in respect of the employee share incentive scheme.

On 19 July 2017, US$26.13m of new capital was raised, before costs of the issuance, by way of a private placement of 23,322,458 new shares. The shares were issued at NZ$1.51 per share for a total of NZ$18.94m and AU$15.42m, which translated to US$25.48m on the day of the book build, being 12 July 2017. Fluctuations in the underlying NZD and AUD exchange rates, relative to the USD resulted in the final amount of capital raised being US$26.13m on the date of the issue of the shares on 19 July 2017. The foreign currency impact had no dilutive effect on any of the shares on issue.

7. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares:

Basic EPS is calculated by dividing the Group profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of any dilutive potential ordinary shares.

The loss of $4.4 million (2017: $12.5 million) represented a loss per share shown below based on weighted average ordinary shares on issue during the year.

Six months ended 30 September (unaudited)	*2018*	*2017*
Number of issued ordinary shares	274,721,167	273,959,542
Weighted average ordinary shares outstanding	274,430,979	259,917,103
Basic and diluted loss per share	**($0.02)**	**($0.05)**

Diluted loss per share is the same as basic loss per share. There are no instruments that could potentially dilute basic earnings per share.

8. Net tangible assets per share

Net tangible assets per share is determined by dividing the net asset value of the Group, adjusted by the intangible assets, and the number of shares issued at the end of the period.

	30 September 2018	*31 March 2018*
As at	*Unaudited*	*Audited*
Net tangible assets	10,202,004	14,934,590
Number of issued ordinary shares	274,721,167	274,549,033
Net tangible assets per share	**$0.04**	**$0.05**

9. Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Chief Executive Officer and senior management team (who are the entity's chief operating decision makers) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group's chief operating decision makers have determined that, based on the information they use for the purposes of allocating resources and assessing performance, the Group itself forms a single operating segment, the development and deployment of mobile payment solutions. The segment result is reflected in the unaudited interim financial statements.

The Group operated principally in the US for the six months ended 30 September 2018, from which over 97% of its revenue from operations is generated.

10. Reconciliation of net loss with cash flows from operating activities

Unaudited *Six months ended 30 September*	*2018* *US$000*	*2017* *US$000*
Net loss for the period	(4,400)	(12,519)
Adjustment for non-cash items:		
Depreciation	468	461
Amortisation	1,504	1,667
Share based payment expense	1,040	1,267
Unrealised loss/(gain) on foreign exchange	(840)	(145)
Other non cash items	(267)	(138)
	(2,495)	**(9,407)**
Movements in working capital		
Trade and other receivables	(733)	(1,389)
Deferred acquisition costs	(827)	223
Trade and other payables	(537)	(166)
Unearned revenue	(340)	584
Employee entitlements	304	470
Income tax payable	(479)	(19)
	(2,612)	(297)
Net cash flows from operating activities	**(5,107)**	**(9,704)**

11. Contingent liabilities

As at 30 September 2018 there were no material contingent liabilities (2017: nil).

12. Subsequent events

There were no significant events between the period end and the date these unaudited interim financial statements were authorised for issue.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