Smartpay Interim Results Announcement

28 November 2016

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BOARD OF DIRECTORS

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

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The Board of Smartpay is pleased to announce its half year results to 30 September 2016.

Six Month Financial Highlights

- Revenue $10.7m, an 8% increase on the prior year $9.9m
- EBITDA* $4.2m, a 13% increase on the prior year $3.7m
- NPAT $0.5m, a 262% increase on prior year profit of $0.1m
- Diluted Earnings Per Share (EPS) of 0.30 cents, a 275% increase on prior year of 0.08 cents

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

Full Year Earnings Guidance

- Revenue: $21.5m – $22.5m
- EBITDA*: $9.5m - $10.0m
- NPAT: $1.7m - $2.2m
- Diluted EPS: 1.0c – 1.3c

Operating Results

The business saw improvement across the board in Revenue, EBITDA* and Net Profit.

The 8% increase in revenue reflects progress in both New Zealand and Australia. Some of the key contributors include:

- The launch of our latest transport technology into the New Zealand market resulted in increased revenue and profit from our largest customer; and

- Steady growth in Australian general retail terminal numbers and an initial sale of our recently launched D-series multi function terminal to an Australian bank.

Offsetting the above growth in revenue, we experienced a decline in both existing and anticipated growth in revenue from our Australian taxi business as the continual disruption in the industry had an impact on some of our Australian taxi customers.

Growth in EBITDA* (13%), NPAT (262%) and EPS (275%) was higher than revenue growth highlighting the benefits of positive operating leverage from a relatively fixed cost base. As revenue grows, our costs tend to grow at a lower rate resulting in higher profit margins.

Net debt increased to $24.8m from $23.9m at the start of the financial year due to:

- Upgrades to our New Zealand terminal base;
- Software development expenditure; and
- Growth in Australian general retail terminal numbers

With the upgrades to our New Zealand terminal base set to complete by the end of this financial year and with our software development expenditure reducing following the recent completion of key development projects, we forecast our net debt to steadily reduce towards the end of the current financial year and into next year.

As per our full year guidance, we expect to see further growth in all key metrics for the full year reflecting the positive contribution of the ongoing growth of our Australian business and the fact that the second half of our financial year is traditionally stronger than the first half.

Review of Operations

New Zealand

The key focus in our New Zealand business has been the upgrade of our New Zealand terminal base to ensure we maintain compliance and the most up to date terminal specification in what is our largest market. This has required significant investment in the latest terminal technology, both hardware and software, which has been a key factor in the use of our cash this year. This upgrade cycle is due to be completed by the end of the current financial year at which point our entire New Zealand terminal fleet will meet hardware compliance requirements until 2023. This will see the improvement in our cash flows and reduction in our net debt from that point. As highlighted above, this investment has lead to an increase in revenue and profit from our largest New Zealand customer, a benefit that will remain long after the current period's investment.

Australia

In Australia the focus has been the continued growth of our general retail terminal business through the introduction of our recently launched D-Series multi function terminals. We have also recently secured a first sale of these new terminals to a mid-tier Australian bank.

As outlined above, we have seen a reduction in our Australian taxi business as the industry has faced increased regulatory disruption affecting some of our customers. This has resulted in both lower current revenues and lowered our expectation of growth from this segment. As per our previous announcements, our taxi payments technology allowed us to make rapid progress on our initial entry into this market, however recent events including possible regulation changes in the Queensland market has led us to adopt a more cautious approach and hence more conservative expectations of the growth of this vertical. We remain committed to this sector and will continue to grow where opportunities present, however we see greater scope for growth in the much larger general retail market, particularly with the acquiring opportunity nearing.

From a strategic business development perspective, a key element of our Australian activity in the period has been the ongoing development of our acquiring strategy with the intention of being able to offer our EFTPOS merchants an acquiring facility alongside our terminal offering. Completion of this project will enable Smartpay to participate in the transactional fee pool generated by our terminals which we believe will offer margin accretion and create further opportunities for growth in both our EFTPOS terminal network and ancillary products and services which we can only offer when we participate directly in the revenue flow through our terminals.

Summary and Outlook

The company is making solid progress as evidenced by these results and our guidance for full year profit at the highest level in the company's history. This will set a strong foundation for further growth in the following year where we aim to add the benefits of acquiring in Australia and new payments technologies which are currently under development to ensure Smartpay remains at the forefront of payments innovation.

ENDS

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*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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