

NZX: SPY
ASX: SMP

SHARE INFORMATION

Issued Shares: 171,752,278

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Non-Executive: Greg Barclay
Non-Executive: Matthew Turnbull
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Smartpay is pleased to provide the following update in regards to its Australian taxi payments business.

Smartpay announced its entrance into the Australian taxi payments industry in December 2014 to capitalise on recent changes underway in the Australian taxi payments market and to replace a legacy wholesale taxi terminal contract which ended in December 2014.

In February 2014 the Victoria state government made a number of sweeping regulatory changes to the taxi industry which included the reduction in the payments surcharge on card payments in taxis from 10% + GST to 5% incl GST. The same changes later occurred in New South Wales and Western Australia. The result was a significant reduction in revenue and in profit margin for all incumbent taxi payments providers in Australia.

Smartpay saw this as an opportunity to enter the Australian taxi payments market with a superior technology offering developed from having a leading position in the New Zealand taxi payments industry. Smartpay also has benefits of scale across a broader terminal network base which is approximately twice the size of the largest Australian taxi terminal provider. Smartpay believes this provides a strong commercial proposition to the taxi industry within the new regulatory fee regime.

The deployment of Smartpay's TaxiPOS taxi payments system into Australia began in February this year. The response from the industry has been positive as evidenced by our growing terminal base. We have now deployed 1,300 terminals into the Australian taxi industry across 9 customers and have a qualified pipeline of a further 1,200 terminals which we aim to convert over the coming months. Of the 1,300 deployed terminals, 1,000 are active and revenue generating with the remaining 300 expected to become active shortly. Smartpay needs around 3,000 taxi terminals to replace the income from our previous taxi terminal contract. At our current rate of growth we expect this target to be achieved in the near future and for terminal numbers to continue to grow. This will mean increased revenue and profit growth beyond the replacement of the revenues from the previous contract.

Further Developments

There have been two further market developments which we anticipate will materially increase the scale and scope of our Australian taxi business.

1. Smartpay has recently completed the development and commenced a test programme with the Taxi Services Commission in Victoria (the regulatory authority in Victoria) to enable

Smartpay's EFTPOS terminals to accept and process MPTP Subsidised Mobility transactions. This is an established state government scheme to provide subsidised travel to eligible passengers. This will place Smartpay as the only other taxi payments provider, alongside the incumbent, to offer this service. As well as an additional transactional revenue stream for Smartpay, it enhances Smartpay's position as the leading disruptor in this changing market.

2. In June of this year, the Australian Competition and Consumer Commission ("ACCC") announced that it had reached agreement with Cabcharge, the largest current provider, establishing a process under which rival payment processors (such as Smartpay) will be able to process Cabcharge cards on their own in-taxi payment terminals. Smartpay is now pursuing this opportunity which will involve development of the necessary functionality on our terminals. When complete, and in conjunction with the ability to accept transactions for state government subsidised schemes that we are working to implement (like the Victorian governments MPTP Subsidised Mobility transaction scheme mentioned above), this will allow Smartpay to compete as a complete replacement for all incumbent terminals in Australia with a better commercial value proposition.

The time to complete these developments is yet to be determined but they represent positive opportunities for Smartpay and in the interim we will continue to grow the terminal base with the current offering as we add these and other additional functionality.

ENDS.



Corporate Directory

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