

RESULTS PRESENTATION FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2015



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AGENDA

**Full Year Results
and Commentary**

1

**Review of
Operations**

2

Strategy Update

3

**Key Focus Areas
– 2nd half and
beyond**

4

**Summary and
Outlook**

5



FULL YEAR
FINANCIAL RESULTS

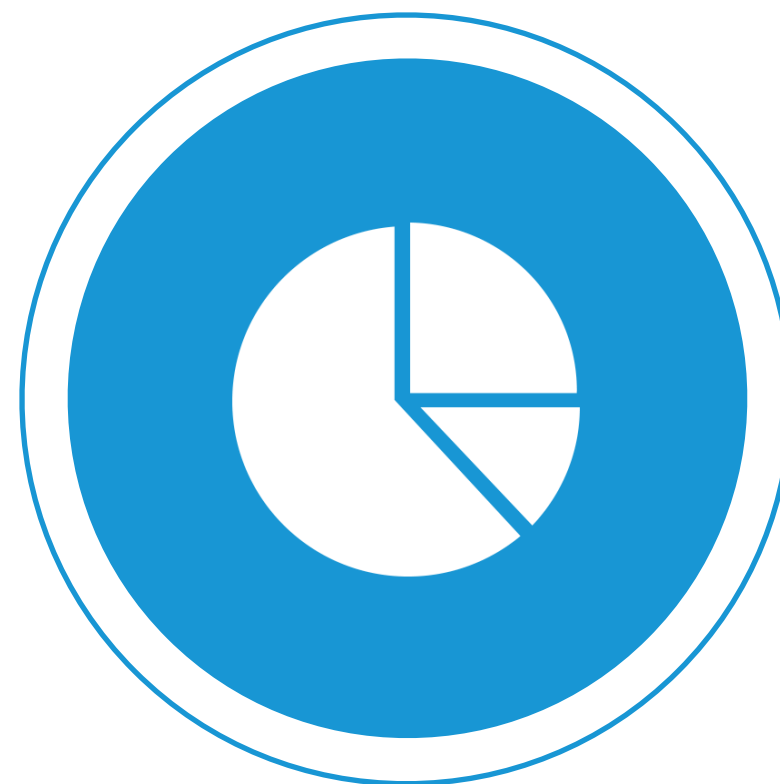
FULL YEAR FINANCIAL RESULTS

REVENUE



\$9.9m, 16% lower than the prior year \$11.8m

EBITDA*



\$3.7m, 23% lower than the prior year \$4.8m

NET PROFIT AFTER TAX



Net Profit after Tax \$0.1m, 93% lower than the prior year \$1.5m

DILUTED EARNINGS PER SHARE



Diluted Earnings Per Share (EPS) of 0.08 cents, 91% lower than the prior year 0.87 cents

*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.

RESULTS TABLE



Condensed Statement of Comprehensive Income

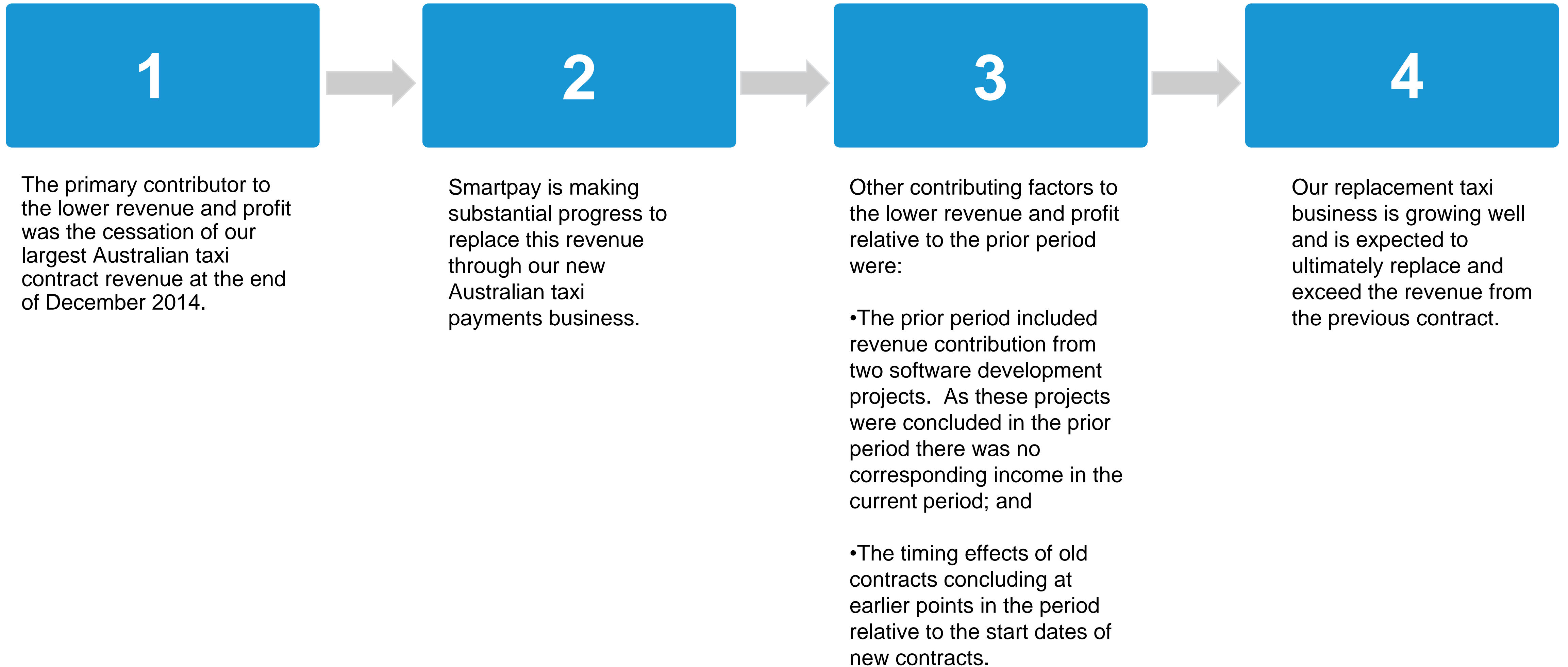
For the Six Months Ended 30 September 2015

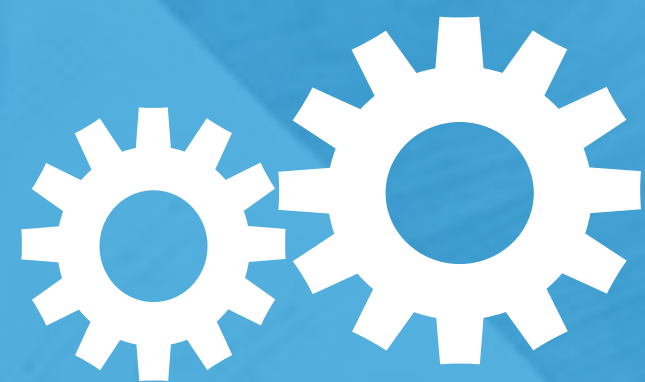
	Note	Group		
		30 Sept 2015 Unaudited \$'000	30 Sept 2014 Unaudited \$'000	31 Mar 2015 \$'000
Continuing operations				
Revenue	3	9,896	11,770	22,191
Other income		4	2	21
Operating expenditure	4	(6,191)	(6,968)	(13,009)
Earnings before interest, tax, depreciation, share option expense, amortisation, impairments, and unrealised foreign exchange		3,709	4,804	9,203
Depreciation and amortisation	4	(2,679)	(2,223)	(4,703)
Unrealised foreign currency exchange differences		395	261	(201)
Share option amortisation		(58)	(58)	(117)
Net finance (costs) / income	4	(924)	(1,043)	(2,191)
Impairments	4	(359)	(301)	(540)
		(3,625)	(3,364)	(7,752)
Profit before tax		84	1,440	1,451
Tax benefit	5	59	59	119

	Note	Group		
		30 Sept 2015 Unaudited	30 Sept 2014 Unaudited	31 Mar 2015
Profit for the period from continuing operations of owners		143	1,499	1,570
Other comprehensive income				
Foreign currency translation differences for foreign operations which may be reclassified subsequently to profit / (loss) (no tax effect)		(224)	(147)	49
Share based payments reversal which will not subsequently be reclassified to profit / (loss) (no tax effect)		-	-	50
Total comprehensive income of owners		(81)	1,352	1,669
Earnings per share from continuing operations attributable to the equity holders of the company during the period.	6			
Basic earnings per share - cents		0.08 cents	0.87 cents	0.91 cents
Diluted earnings per share - cents		0.08 cents	0.87 cents	0.91 cents

*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.

RESULTS COMMENTARY





REVIEW OF OPERATIONS

Key focus areas during the period:



1

Mobile / Integrated Payments

- We have made substantial progress during the period with the certification of our new mobile / integrated payments terminals (including our mPOS solution) in Australia.
- We expect these new products to be in market pre Xmas.
- Based on our NZ experience of the same products we expect these new products will be a key driver of future growth in Australia

2

Smartpay Taxis

- We made substantial progress with our new Australian taxi payments business in the period.
- Based on current growth rate we expect to replace and ultimately exceed the revenue from the previous contract



STRATEGY UPDATE

4 CLEAR STRATEGIES

Strategy One

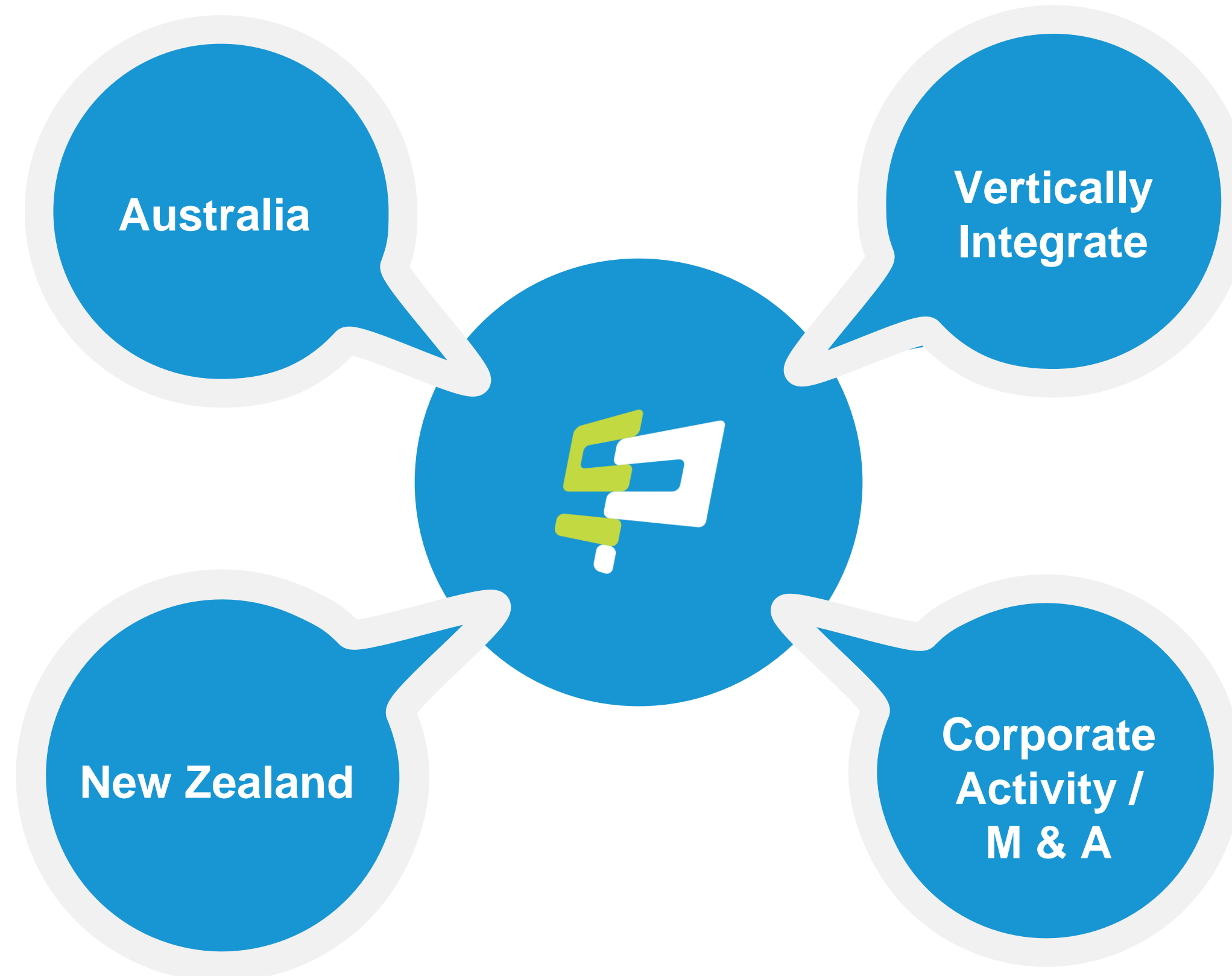
Organic growth in Australia through targeting specific parts of the market where the bank's can't/don't want to play and where we have a **competitive advantage**, defined by our **differentiated product and capability**. We have identified and are pursuing the following 2 areas and will add additional areas as they emerge:

- 1) Integrated payments for general retail and mobility
- 2) Advanced taxi payments technology

Strategy Two

Maintain our current NZ business and seek additional value from 2 main areas:

- 1) Increase revenue per customer from adding additional products to our existing customer base. Recent examples are Epay, China UnionPay and AMEX
- 2) Participate in the structural changes unfolding in the NZ payments market in which we have a significant position as the largest owner of terminals connected to the Paymark switch and where our position in the merchant relationship initiates the flow of transactions.



Strategy Three

Vertically integrate to participate in the transaction flow that our terminals generate.

- 1) This is where the bulk of the value in the payments chain lies
- 2) Removes reliance on specific bank acquirers for pricing competitiveness
- 3) A number of options are currently under development

Strategy Four

Add scale and scope through Corporate Activity / M&A

- 1) We have an experienced team that understand payments technology and how to identify and assess value in payments technology businesses.
- 2) We currently have a number of corporate / M&A type opportunities under consideration to increase scale and scope.



KEY FOCUS AREA
FOR 2ND HALF AND
BEYOND

AUSTRALIAN GENERAL RETAIL

Overview

01

The market is large at over 800,000 terminals and growing.

02

Emerging Technologies Entrenching EFTPOS

Emerging card technologies and mobile standards are entrenching EFTPOS as the required payments acceptance technology.

- E.g. Apple's "Apple Pay" and Samsung's "LoopPay" mobile payment systems require the EFTPOS terminal to complete the transaction.

03

Mobile & Integrated Payments

There is an increasing move towards mobile and integrated payments terminals.

- Banks have limited capability in both areas.
- Smartpay has proven technology and capability in both areas already proven in the NZ market: > 3,000 mobile / integrated terminals deployed over last 12 months
- The same terminals are currently undergoing bank certification in Australia for release this year.
- - Opens the Corporate / multi – lane market in Australia

AUSTRALIAN TAXI MARKET

Overview

01

There are ~21,500 taxis in Australia.

Cabcharge (ASX: CAB) is the largest provider of payments technology into taxis. CAB has a market cap of ~AU\$350m.

02

Secondary Providers

A number of secondary providers have existed, benefiting from the previous high margin 10% fee regime.

03

Structural Change

There is structural change underway following regulation reducing the fees. NSW, VIC and WA have all reduced the surcharge on taxi payments from 10% + GST to 5% incl GST.

- All existing secondary providers have suffered.
- Another recent development is that the ACCC is requiring CAB to open up its proprietary corporate card system to acceptance by other payments providers.



TAXI

SMARTPAY'S TAXI OPPORTUNITY

01

Smartpay is uniquely placed to benefit from these changes

Smartpay's solution offers a market leading taxi payment eco system combining terminal, payments processing and integrated booking app.

02

Commercial Opportunity

Smartpay provides a better commercial framework for drivers and operators.

03

Innovation

Smartpay is currently testing our taxi solution with the Taxi Services Commission in Victoria to accept and process MTPT Subsidised Mobility transactions – the first provider outside of Cabcharge.

04

Delivering Results

We are seeing significant growth in this part of our business which we expect to continue.

Progress since the beginning of the year:

We have achieved 8% market share and growing

	Deployed	Active	Qualified Pipeline
No. Terminals	1,720	1,540	2,150

VERTICAL INTEGRATION – SWITCHING AND ACQUIRING

1

The Australian EFTPOS/card acquiring market is worth in excess of A\$2Bn annually.

2

Historically there was a regulatory requirement in Australia to have a banking licence to acquire card transactions.

3

This regulatory requirement was removed earlier this year.

4

Advances in payments technology and structural access have significantly reduced build time/cost and operational cost/risk to participate.

5

These changes are going to open access to AU\$2Bn in acquiring revenue to nimble, innovative merchant facing payments providers.

6

We believe Smartpay is well placed to participate.

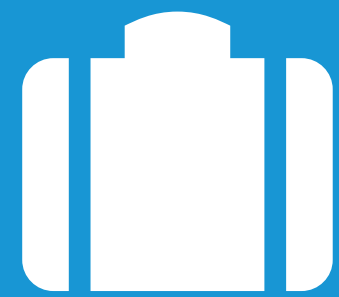
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This will move the business away from predominant reliance on hardware rental towards higher margin financial transaction revenue and ultimately position the business as a value add financial system access provider.

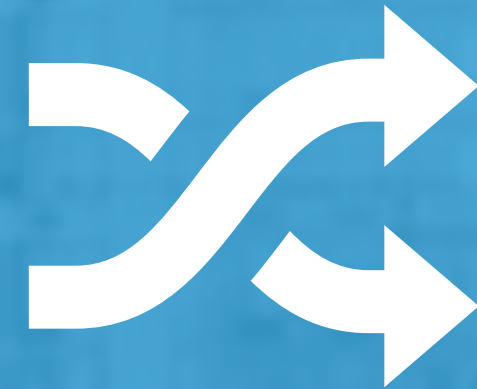
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We see a similar opportunity emerging in NZ where Smartpay's terminals already represents a significant portion of the ~NZ\$1Bn EFTPOS transactional fee market through our 32% terminal market share.

CORPORATE ACTIVITY / M&A



We currently have a number of corporate / M&A type opportunities under consideration



SUMMARY AND OUTLOOK

SUMMARY AND OUTLOOK

FOCUS AREAS FOR THE NEXT 12 MONTHS

