

# Smartpay Holdings Limited

| NZX : SPY | ASX : SMP | ARBN: 160 712 210 |



## **SMARTPAY AMENDED FY16 INTERIM RESULTS PRESENTATION**

**AUCKLAND, 25 November 2015**

Please see attached the amended FY16 Interim Results presentation with the full year results wording corrected to interim results wording.

# RESULTS PRESENTATION FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2015



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# AGENDA

**Interim Results  
and Commentary**

1

**Review of  
Operations**

2

**Strategy Update**

3

**Key Focus Areas  
– 2<sup>nd</sup> half and  
beyond**

4

**Summary and  
Outlook**

5





# INTERIM FINANCIAL RESULTS

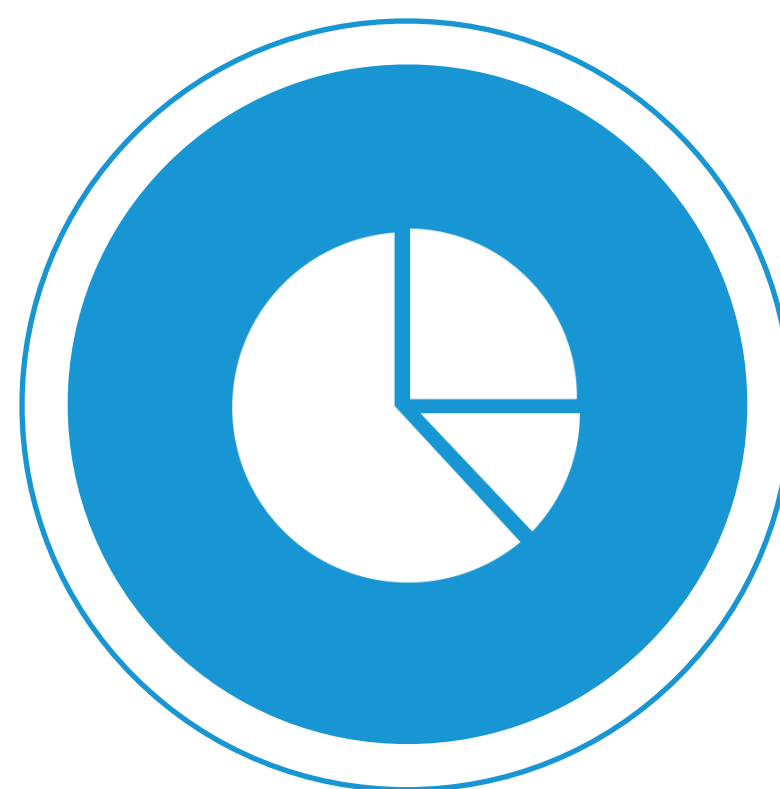
# INTERIM FINANCIAL RESULTS

## 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	30 Sept 2014	31 Mar 2015
		Unaudited	Unaudited	
<b>Continuing operations</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue	3	9,896	11,770	22,191
Other income		4	2	21
Operating expenditure	4	(6,191)	(6,968)	(13,009)
<b>Earnings before interest, tax, depreciation, share option expense, amortisation, impairments, and unrealised foreign exchange</b>		<b>3,709</b>	<b>4,804</b>	<b>9,203</b>
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)
<b>Profit before tax</b>		<b>84</b>	<b>1,440</b>	<b>1,451</b>
Tax benefit	5	59	59	119

	Note	Group		
		30 Sept 2015	30 Sept 2014	31 Mar 2015
		Unaudited	Unaudited	
<b>Profit for the period from continuing operations of owners</b>		<b>143</b>	<b>1,499</b>	<b>1,570</b>
<b>Other comprehensive income</b>				
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
<b>Total comprehensive income of owners</b>		<b>(81)</b>	<b>1,352</b>	<b>1,669</b>
<b>Earnings per share from continuing operations attributable to the equity holders of the company during the period.</b>	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

1

The primary contributor to the lower revenue and profit was the cessation of our largest Australian taxi contract revenue at the end of December 2014.

2

Smartpay is making substantial progress to replace this revenue through our new Australian taxi payments business.

3

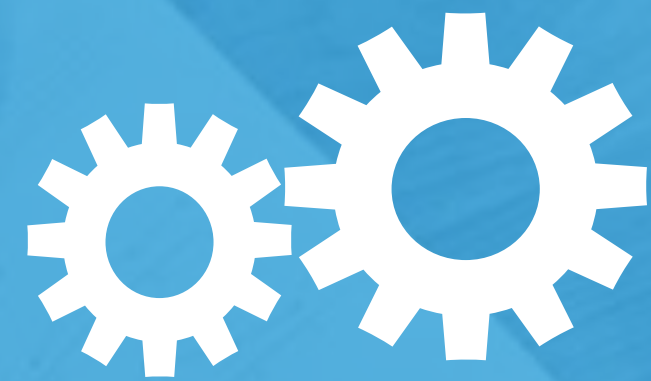
Other contributing factors to the lower revenue and profit relative to the prior period were:

- The prior period included revenue contribution from two software development projects. As these projects were concluded in the prior period there was no corresponding income in the current period; and
- The timing effects of old contracts concluding at earlier points in the period relative to the start dates of new contracts.

4

Our replacement taxi business is growing well and is expected to ultimately replace and exceed the revenue from the previous contract.





# 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

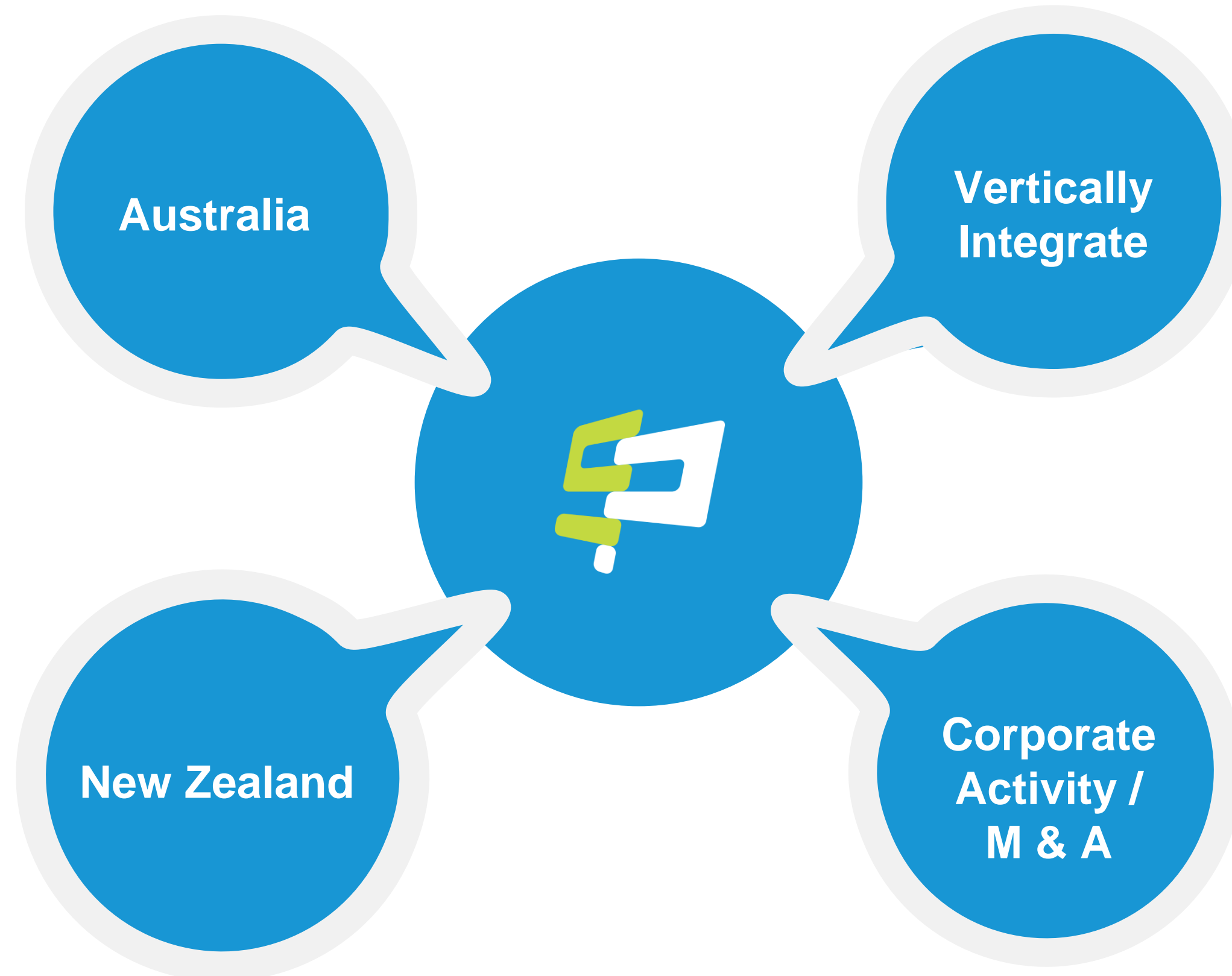
Organic growth in Australia through targeting specific parts of the market where the bank's can't/don't want to play and where we have a **competitive advantage**, defined by our **differentiated product and capability**. We have identified and are pursuing the following 2 areas and will add additional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





# 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.

7

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.

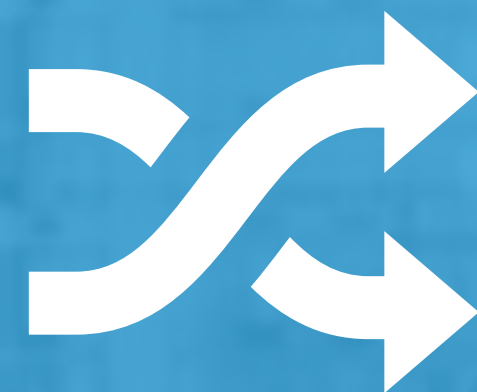
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We see a similar opportunity emerging in NZ where Smartpay's terminals already represents a significant portion of the ~NZ\$1Bn EFTPOS transactional fee market through our 32% terminal market share.

# CORPORATE ACTIVITY / M&A



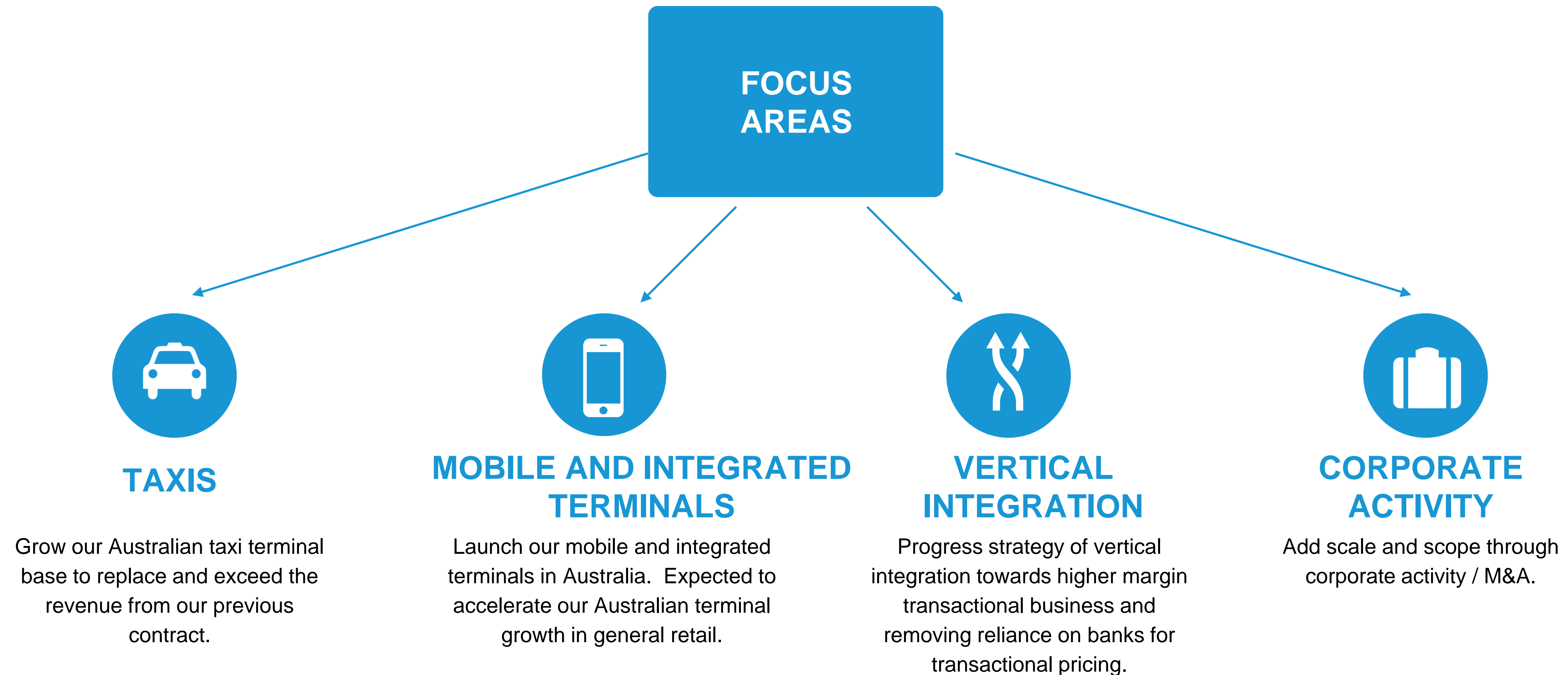
We currently have a number of  
corporate / M&A type opportunities  
under consideration




## SUMMARY AND OUTLOOK

# SUMMARY AND OUTLOOK

FOCUS AREAS FOR THE NEXT 12 MONTHS







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QUESTIONS