

**NZX: SPY**  
**ASX: SMP**

#### SHARE INFORMATION

**Issued Shares:** 171,752,278

#### BOARD OF DIRECTORS

**Non- Exec Chairman:** Greg Barclay  
**Managing Director:** Bradley Gerdis  
**Non-Executive:** Matthew Turnbull  
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Please see attached Smartpay presentation presented by Bradley Gerdis, Managing Director, to Micro Equities "Rising Stars" micro cap conference in Sydney today.

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ENDS

# 10<sup>th</sup> microEQUITIES RISING STARS

## SMARTPAY (ASX SMP)

Presented by Bradley Gerdis (CEO)



# INTRODUCTION TO SMARTPAY



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# AGENDA

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What We Do

2

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3

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4

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5

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Opportunities

6

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7

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Outlook

8

# WHO WE ARE

- ❑ Smartpay is a merchant facing payments technology business
- ❑ We have a significant position in the New Zealand payments market with a 32% market share represented by ~35,000 terminals across ~18,000 merchant relationships
- ❑ We are the largest owner of terminals generating transactions on the Paymark switch
- ❑ We have a growing business in a large market in Australia with ~ 8,000 terminals

**~32% market share**  
**~35,000 terminals across**  
**~18,000 merchants**

**Payments partner to 3 of 4 banks**  
**~110 staff**  
**Dominant provider to taxi market**

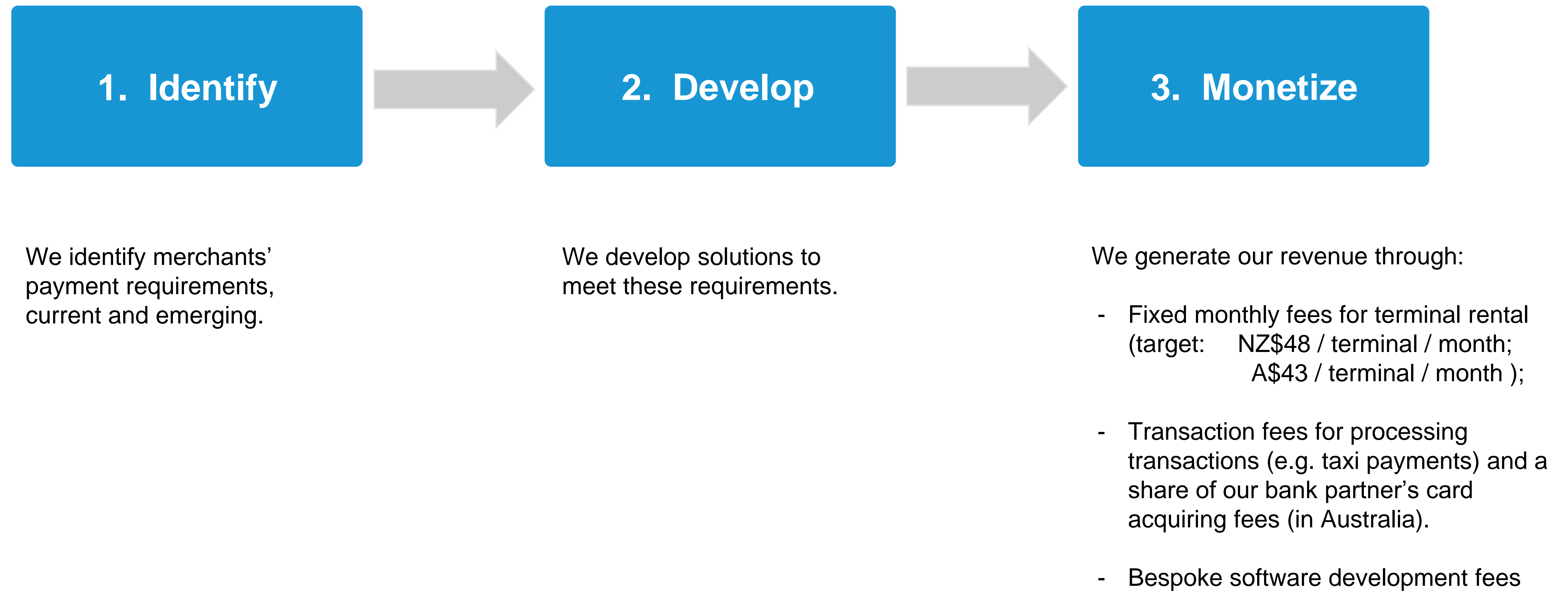


# WHAT WE DO

“We enable merchants to accept payments securely and efficiently”.

“We offer a range of value-add payments/retail technology services to merchants”.

# HOW WE DO IT



# CURRENT REVENUE MODEL

Every 1,000 terminals adds = ~\$500k incremental revenue / EBITDA



## Pure Rental Model

- Term: 3-5 year contracts
- Ave rental: NZ\$48 / month
- Terminal payback period: 6 - 8 months



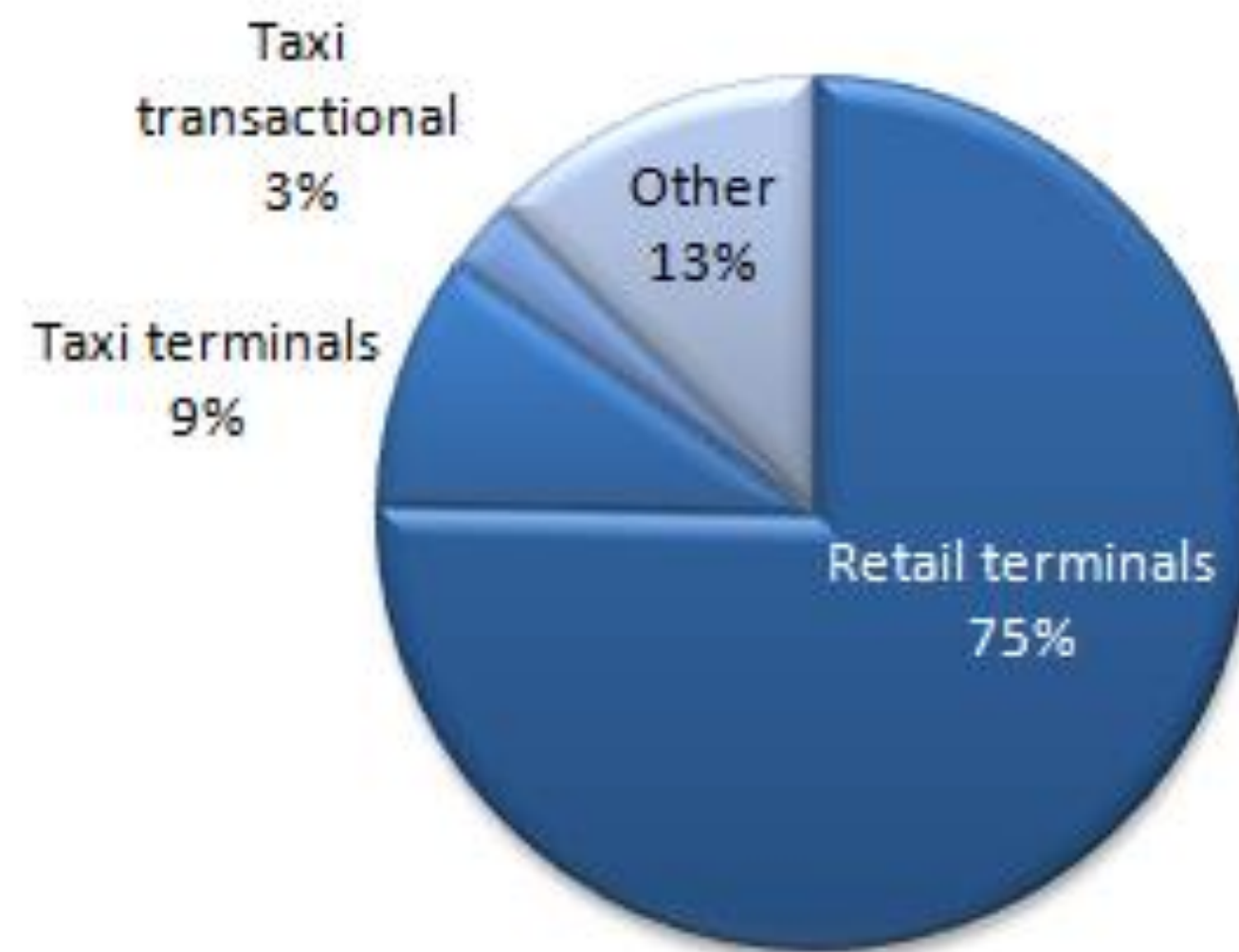
## Combination of rental + share of bank acquiring fee (% MSF)

- 3 – 4 year contracts
- Target average revenue/unit = AU\$45 / month, includes:
  - Terminal rental and share of bank acquiring fee (share of the 1-2% of transaction value)
- Terminal payback period: 6 – 8 months

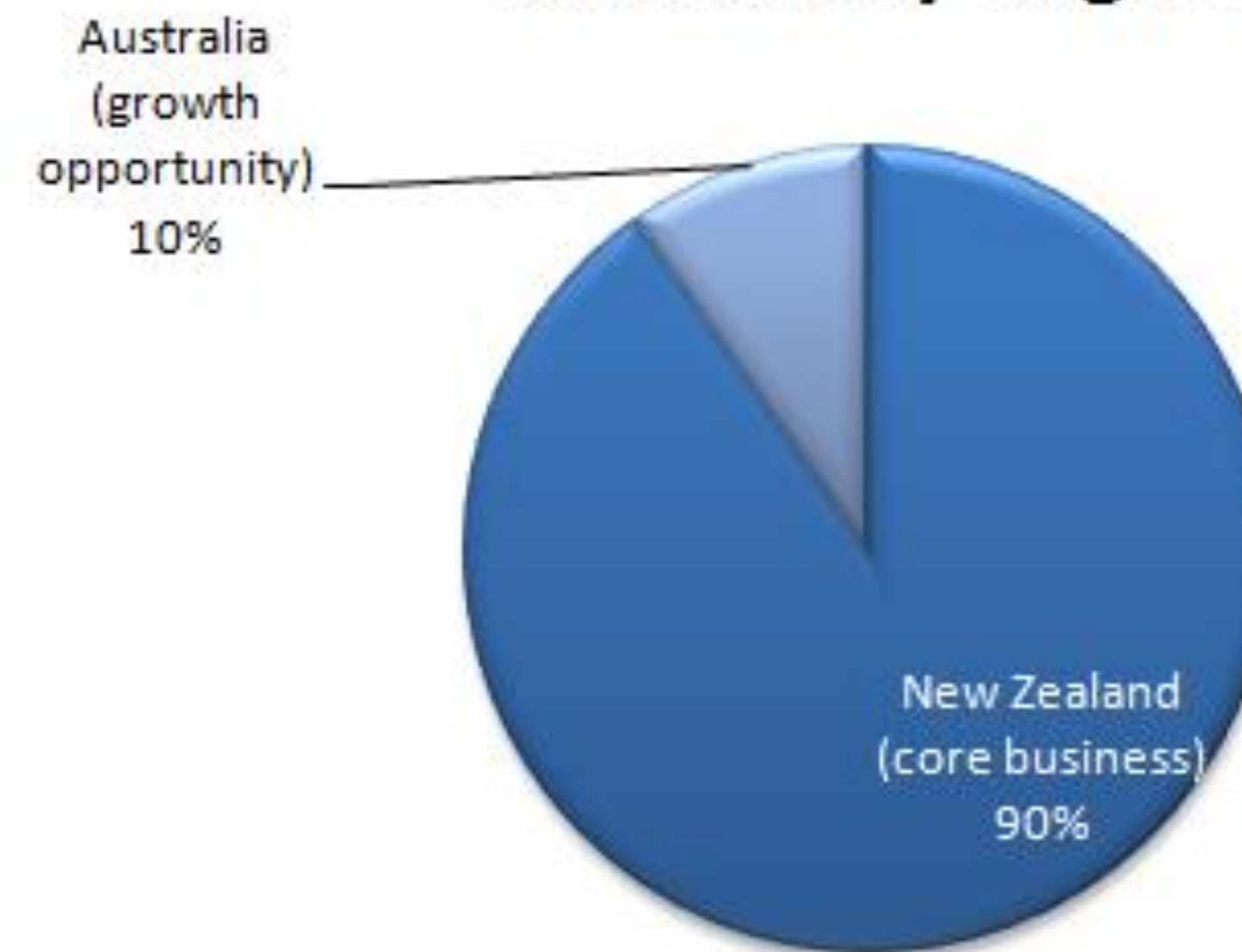
Other revenue lines: Value Add Services through the terminals (mobile top-up; surcharging; DCC; loyalty etc); transaction processing; content delivery

# CURRENT REVENUE SOURCES

## Revenue Streams



## Revenue by Region

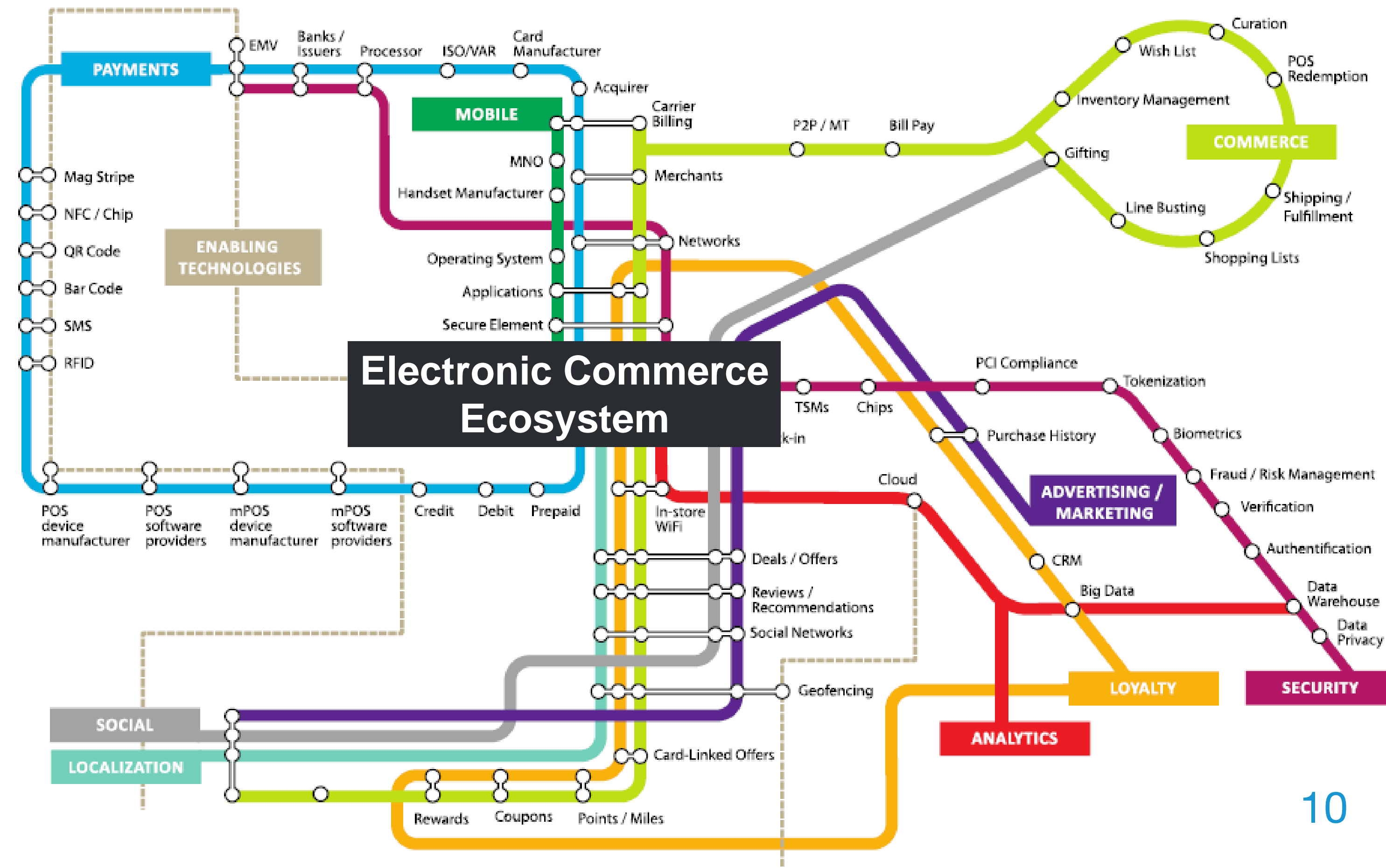




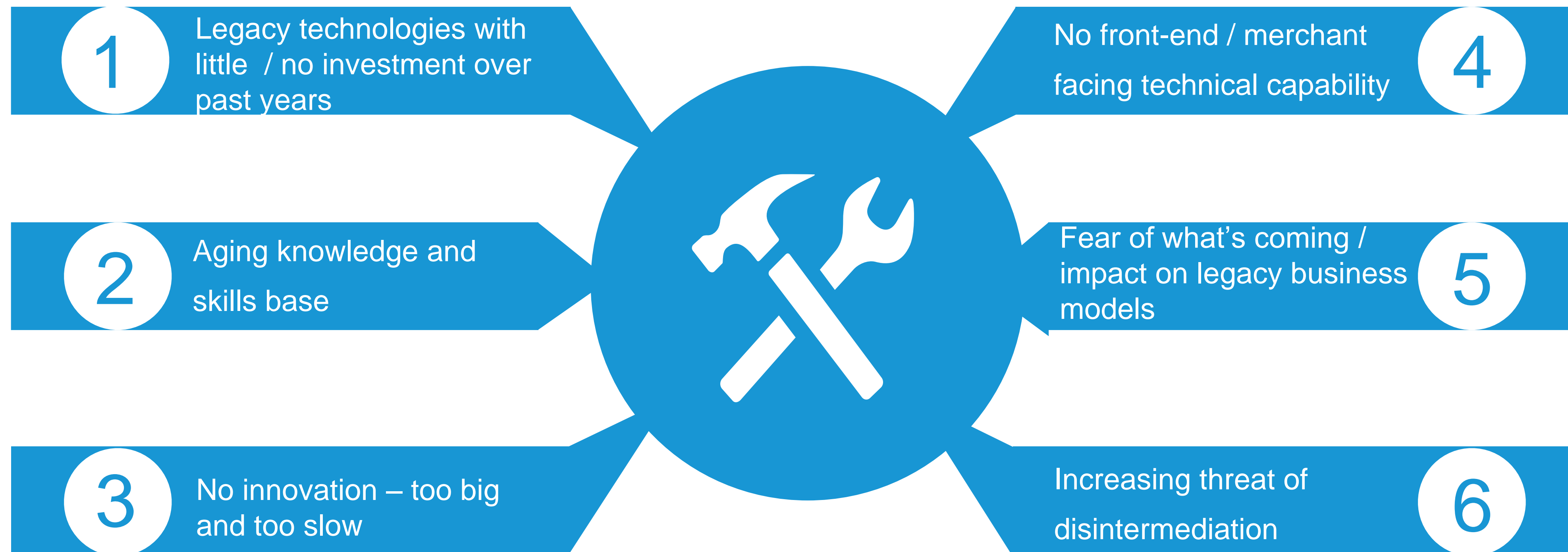
# THE OPPORTUNITY

# The Move From: “Bricks”...

## To: Clicks...



# THE CHALLENGE FOR BANKS



# THE MERCHANTS POSITION

1

Legacy hardware –  
Expensive and inflexible  
POS

2

Tidal wave of new  
payments options – hard  
to know where to go

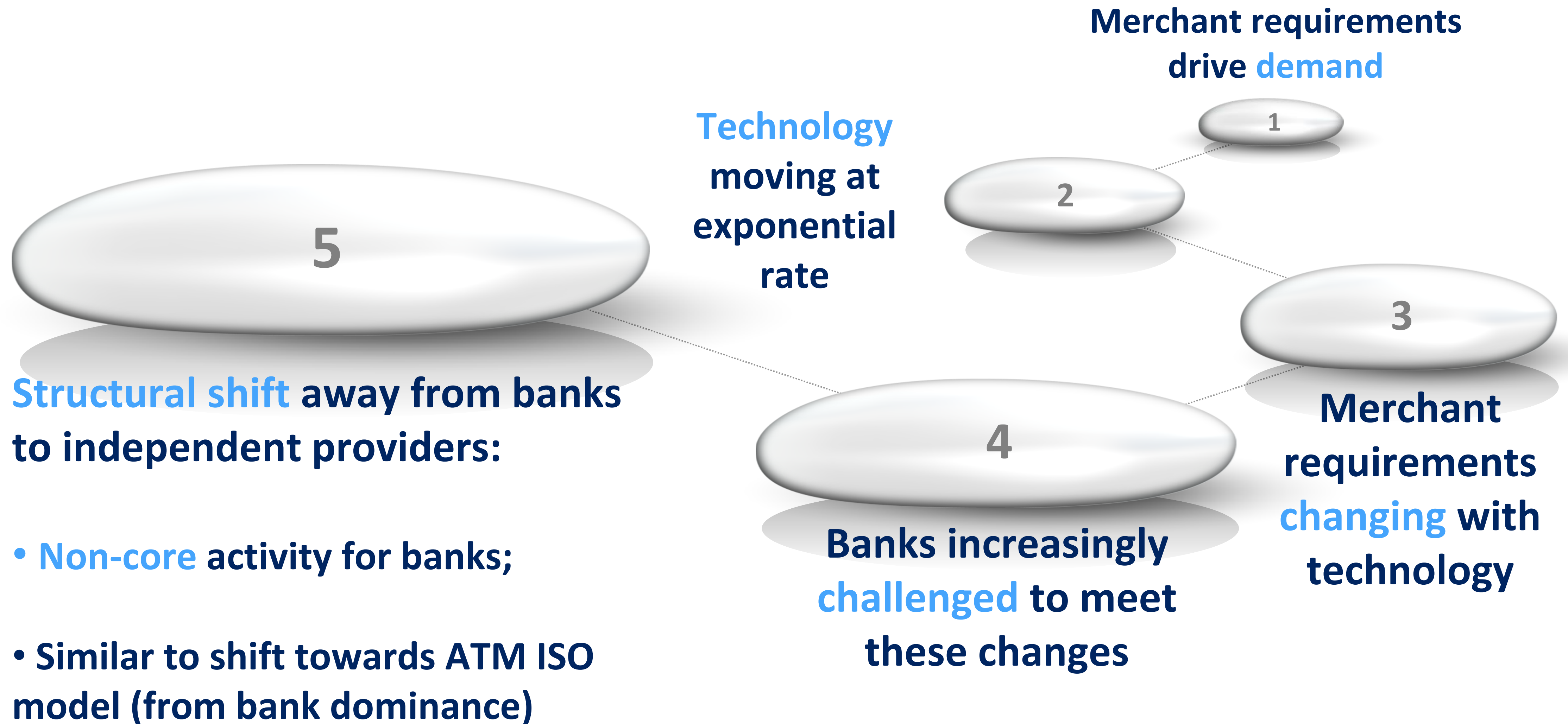
3

Need to stay current  
with emerging payment  
methods

4

Traditional providers –  
banks – unable to facilitate  
next level of innovation

# THE OPPORTUNITY



# BARRIERS TO ENTRY / COMPETITIVE ADVANTAGE

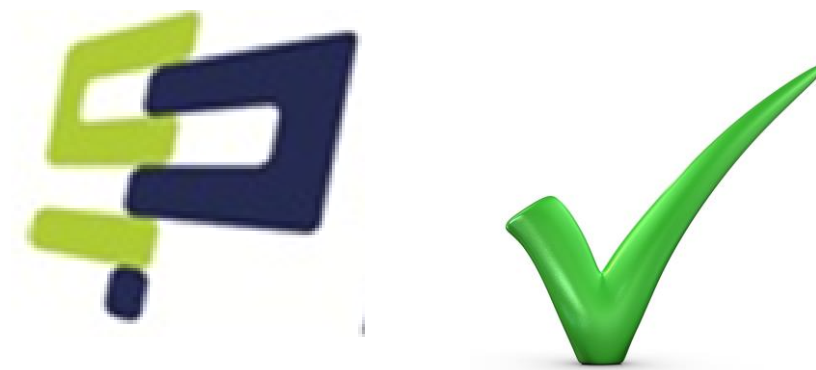
1

High and increasing security and compliance requirements around electronic payments



2

Requires scale to be profitable



3

Certification requirements time consuming; costly and require technical resource



4

Fully integrated product offering / value add capability requires substantial investment in technology infrastructure





# STRATEGY UPDATE

# 4 CLEAR STRATEGIES

## Strategy One

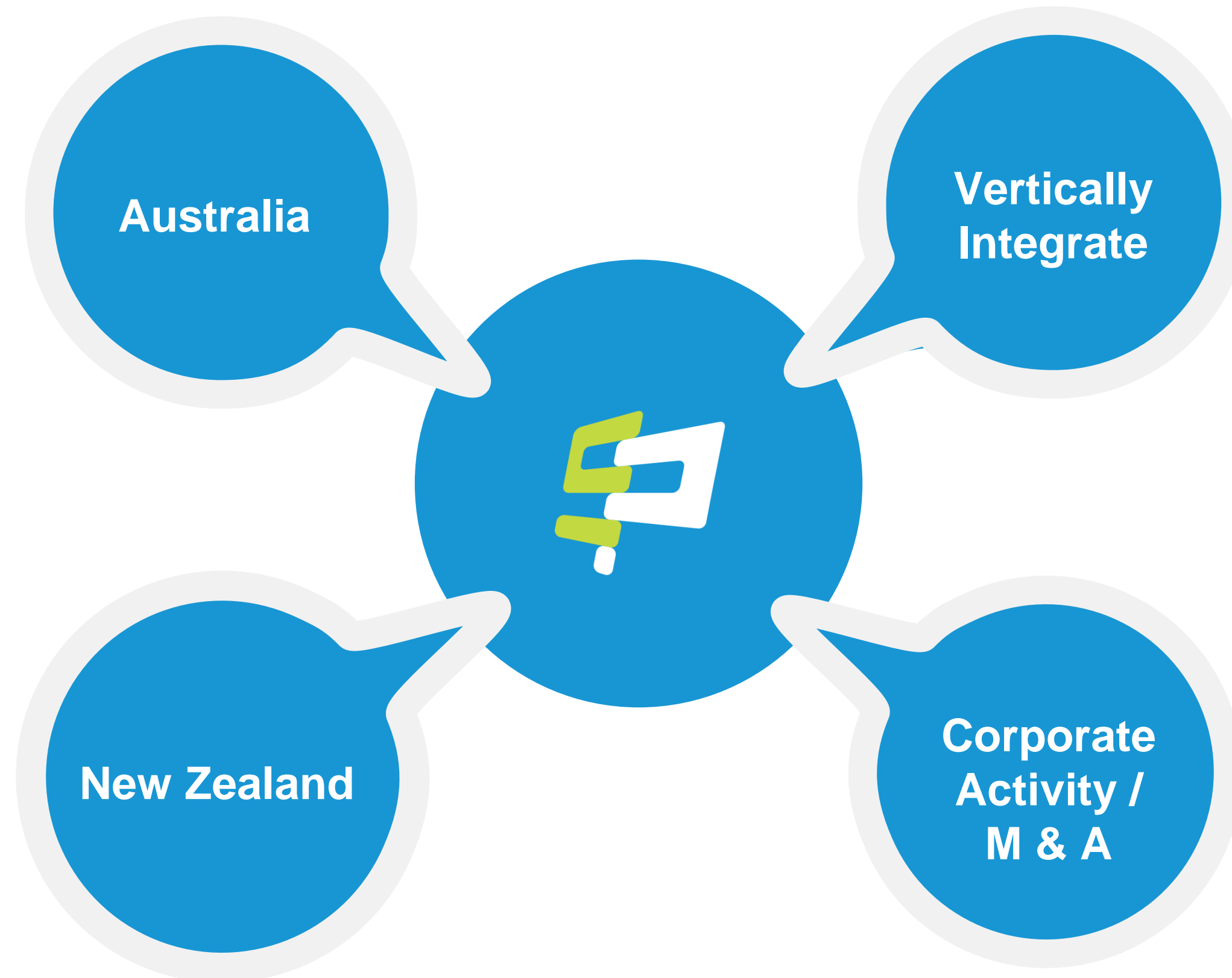
Organic growth in Australia through targeting specific parts of the market where the bank's can't/don't want to play and where we have a **competitive advantage**, defined by our **differentiated product and capability**. We have identified and are pursuing the following 2 areas and will add additional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



IDENTIFIED  
OPPORTUNITIES

# AUSTRALIAN RETAIL OPPORTUNITY

01

## Overview

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

02

## Emerging Technologies Entrenching EFTPOS

Emerging payment 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

01

## Overview

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\$400m.

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 have seen good growth in this part of our business.

# 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 last 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.

8

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



## FY16 FINANCIAL RESULTS

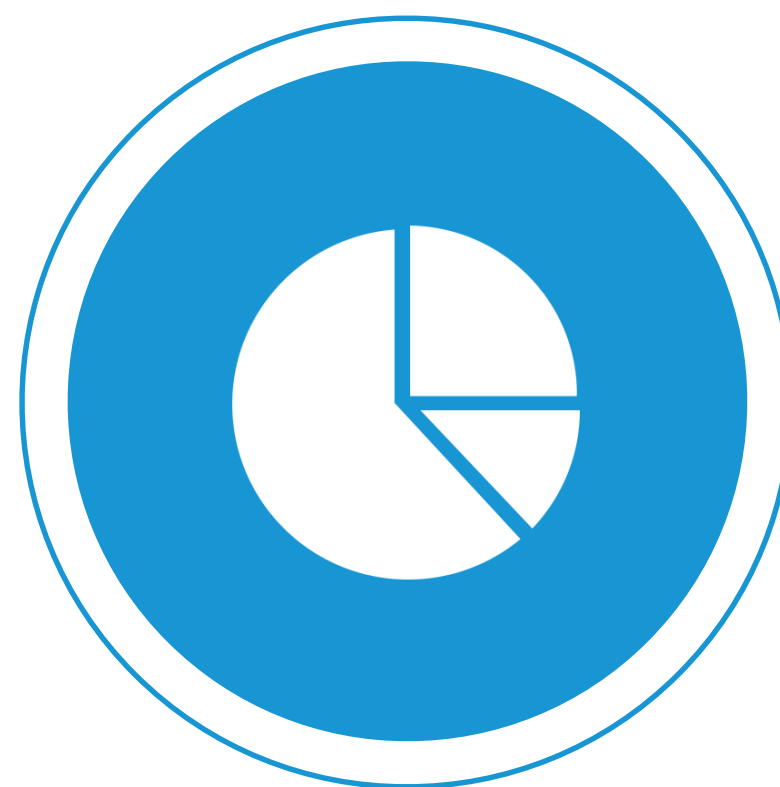
# FY16 FINANCIAL RESULTS

## REVENUE



\$20.4m, 8% lower than the prior year \$22.2m

## EBITDA\*



\$8.1m, 12% lower than the prior year \$9.2m

## NET PROFIT AFTER TAX



Net Profit after Tax \$0.2m, 86% lower than the prior year \$1.6m

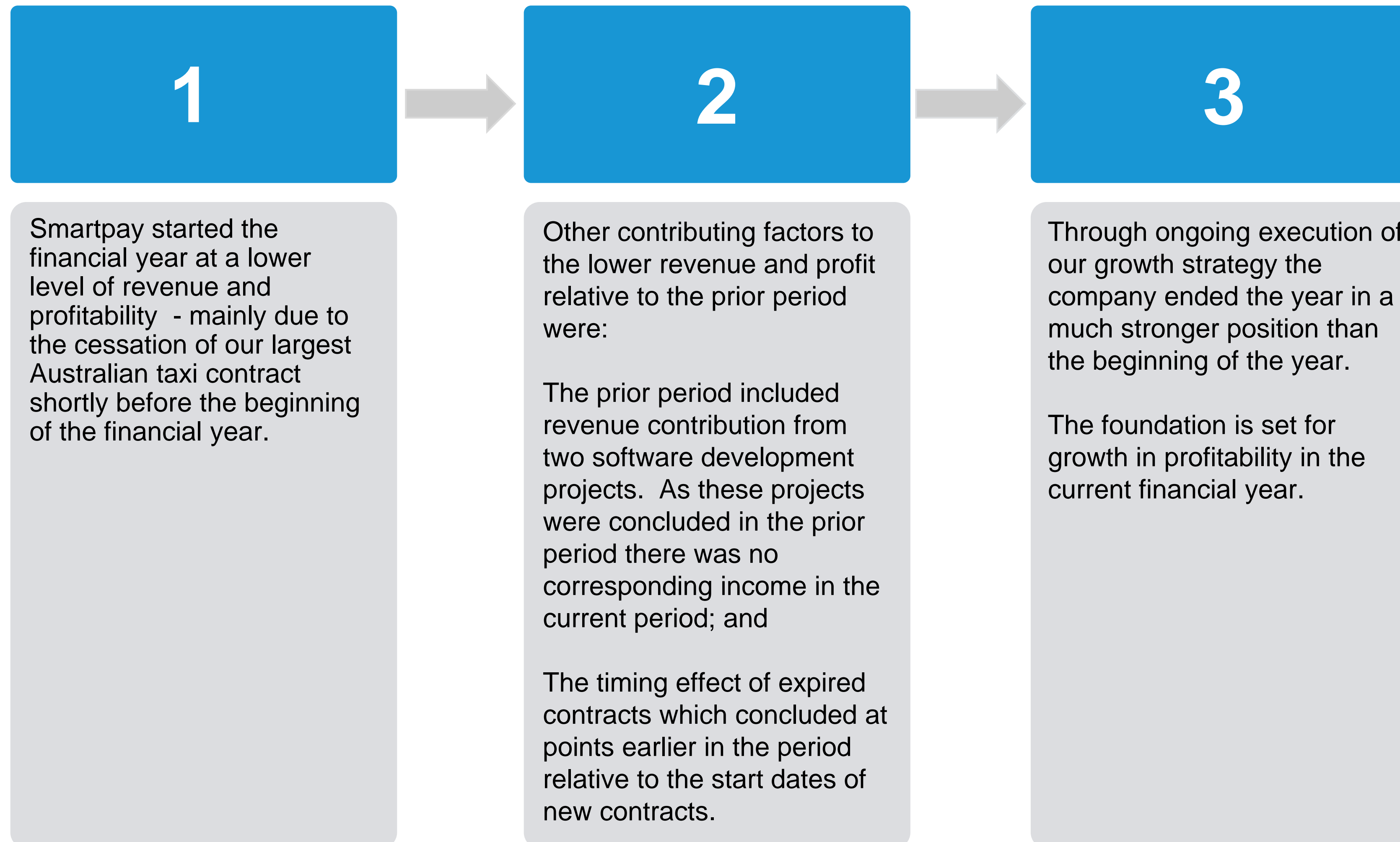
## DILUTED EARNINGS PER SHARE



Diluted Earnings Per Share (EPS) of 0.13 cents, 86% lower than the prior year 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





## SUMMARY AND OUTLOOK

# SUMMARY AND OUTLOOK

1. Smartpay offers a unique investment proposition as an established Fin-Tech growth company:
  - i. An established annuity style business with a leading market position in the NZ market; supporting
  - ii. An early stage growth business growing into the large, opening Australian market.
2. We operate in a changing industry of which we have deep understanding and see significant opportunity.
3. After a slow start the foundations are in place to deliver top line and bottom line growth this year and beyond.



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QUESTIONS