



**ASX: SMP**

**NZX: SPY**

#### SHARE INFORMATION

**Issued Shares:** 173,752,278

#### BOARD OF DIRECTORS

**Non- Exec Chairman:** Greg Barclay

**Managing Director:** Bradley Gerdis

**Non-Executive:** Matthew Turnbull

**Non-Executive:** Carlos Gill

**Non-Executive:** William Pulver

**Executive Director:** Marty Pomeroy

#### WEBSITES

[www.smartpay.co.nz](http://www.smartpay.co.nz)

[www.smartpay.com.au](http://www.smartpay.com.au)

[www.smartpayinvestor.com](http://www.smartpayinvestor.com)

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## Business Update

20 April 2020

The Board of Smartpay is pleased to provide the following business update following the completion of the fourth quarter to 31 March 2020 of the FY20 financial year.

#### Highlights

- Strong growth in revenue over the corresponding period last year, driven primarily by Australian terminal and acquiring volume growth.
- Australian acquiring terminal fleet at 4,613 as at end March 2020.
- We are pleased to confirm that we met our Australian deployment target of 2,500 net new terminals for the full financial year. However due to the effects of COVID-19, the net growth in *transacting* terminals at end March is slightly lower at 2,415 due to many of the terminals deployed in the last two weeks of March not having transacted yet.
- Australian acquiring margin remains strong.
- COVID-19 has impacted Australian acquiring revenues by around 40%. Current indications are that volumes have stabilised around this level for the current lock-down measures.

#### Trading Update

As highlighted in the table below, the business has achieved a 32% increase in quarterly revenue to the same quarter last year (Q4 FY20 vs Q4 FY19); and a 1% decrease on the prior quarter (Q4 FY20 vs Q3 FY20).

The majority of this year-on-year growth is driven by the growth being achieved in our Australian acquiring business, with our NZ terminal revenues remaining steady.

Australian acquiring revenue grew by 176% (\$1.9m) on the same quarter last year (Q4 FY20 vs Q4 FY19); and 2% (\$71k) on the prior quarter (Q4 FY20 vs Q3 FY20).

The lower growth in Australian acquiring revenues in the March quarter over the December quarter are a function of the following:

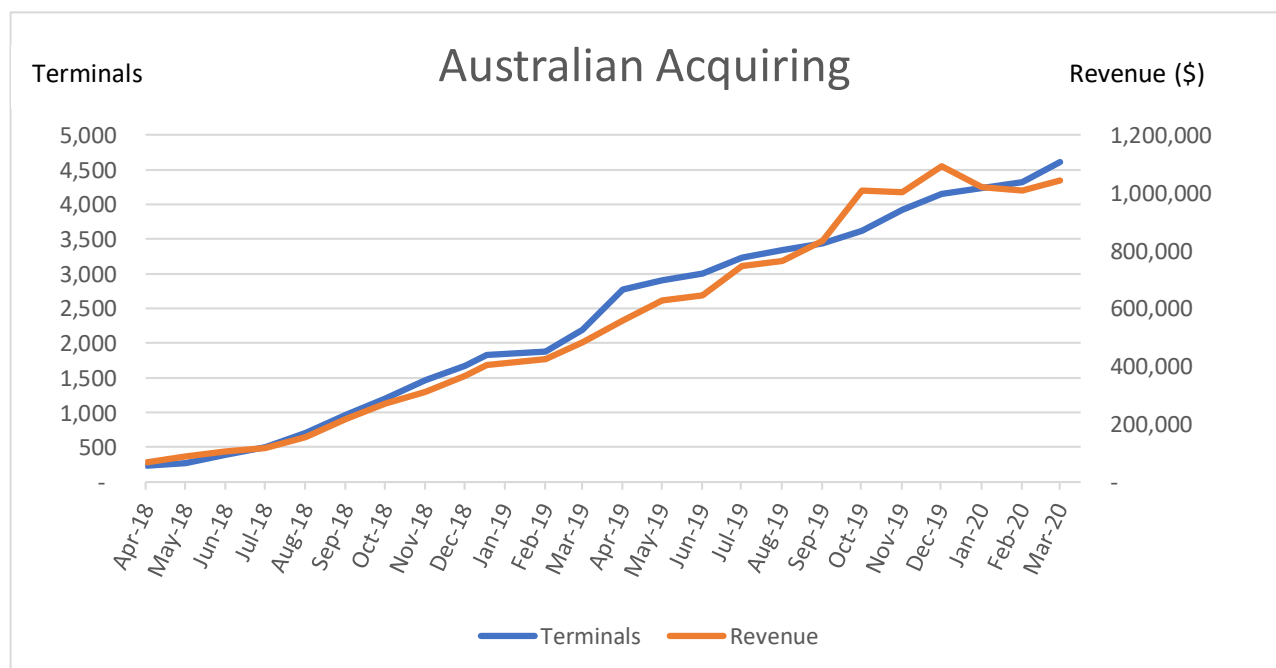
- The December quarter is generally seasonally higher due to Xmas; and
- The March quarter is generally seasonally lower (in Jan and Feb) and includes the impact of COVID-19 in March (see below).

The 1% decrease in overall revenue in the March quarter vs December quarter is a function of the points above and the conclusion of a legacy (non-acquiring) terminal rental contract in Australia in December.

As can be seen in the graph below, Australian acquiring terminals have grown to 4,613 transacting terminals to the end of March.

Gross margin contribution across our acquiring fleet remains strong after trending up through the year off the back of margin optimisation across the existing portfolio and an increase in the proportion of our higher margin SmartCharge product in our monthly sales.

Quarterly Revenue Indicators - Unaudited									
NZ\$'000	Year on Year to 31 March				Quarter on Quarter to 31 March				
	Q4 FY20	Q4 FY19	Variance \$	Variance %	Q4 FY20	Q3 FY20	Variance \$	Variance %	
Total Consolidated Revenue	7,379	5,584	1,795	32%	7,379	7,453	-	74	-1%
Australian Acquiring Revenue	2,932	1,063	1,869	176%	2,932	2,861	71	2%	



## COVID-19 Impact

### Australia

As a direct result of the measures implemented by federal, state and territory governments in response to COVID-19 on many of our merchants, we have seen a decline in aggregate transactional revenues through our terminals of around 40%. Current indications are that volumes have stabilised at this level for the current lock-down measures. We are also seeing a reduction in new terminal sales during the lock-down period.

### New Zealand

The primary revenue driver in our NZ business is terminal rental as we do not participate in the general acquiring revenues of our NZ terminals (other than WeChat and Alipay which are not material to our overall NZ revenue). We are therefore not exposed to transactional impacts in the NZ market from the NZ Government's COVID-19 lock-down measures, other than transactional processing revenue from our NZ taxi terminals which represents less than 3% of our NZ revenue and has seen a significant contraction due to COVID-19. However, as these lock-down measures are more significant than Australia, we have seen requests for rental relief from some merchants which we are evaluating on a case-by-case basis. While it's

too early to be definitive on the extent of the revenue impact to our NZ business, our expectation is that it will be materially less than the impact being experienced in our Australian business.

### **Cost and Cashflow Initiatives**

We moved quickly and decisively to reduce our cost base in order to offset as much of the revenue impact as possible. This has included redundancies in both NZ and Australia, standing down a number of Australian staff and implementing blanket salary reductions across all remaining staff and Directors for a period of time. We have also addressed other cost items such as marketing and rent.

We have extended our banking facilities until 30 June 2021 and have secured an initial deferment of principal repayment (March 2020). We have also extended the maturity date of our Convertible Notes by 12 months and at lower interest as per below.

We are in the process of availing the business of the applicable government support available in each country.

Our expectation, based on current conditions, is that these proactive cost and cashflow initiatives will protect the business from the currently observed impacts of COVID-19. We are evaluating the situation as it develops and will adjust our planning and update the market if / when necessary.

### **New Zealand Sales Process Update**

As advised at the time of announcing the sale of our NZ business and assets, the sale is subject to the following conditions:

<b>Conditions to completion of the sale</b>	<ol style="list-style-type: none"><li>1. NZ Commerce Commission Clearance</li><li>2. Smartpay Shareholder Approval</li><li>3. Assignment of Material Contracts</li></ol>
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As advised to the market on 30 March 2020, the New Zealand Commerce Commission provided an updated decision date of 15 May 2020 in relation to Verifone Inc's application for clearance to acquire Smartpay Holding Ltd's New Zealand business and assets. The Commission has subsequently issued a Statement of Issues which is publicly available on their website.

We are continuing to progress the satisfaction of the conditions above which includes proceeding with our Special Meeting of Shareholders to be held at 10:30am NZST on 29 April 2020 to seek shareholder approval for the transaction and continuing to assist with the NZ Commerce Commission process.

### **Convertible Notes**

Smartpay has reached agreement with all remaining holders of Convertible Notes to extend the maturity date of the Convertible Notes and to a reduction in interest and amendment in payment terms as follows:

- 12 month extension of the original maturity date with a reduction in interest rate conditional as per below.

- 6 month capitalisation of coupon starting from 1 April at a 6.4%p.a (20% reduction to current 8% coupon rate).
- After 6 months, and for the following 12 months, coupon reverts to 6.4%p.a. if paid in cash monthly or 9.6% if capitalised
- Each Note Holder gives its undertaking that in the event of Commerce Commission clearance and cash completion of the NZ deal occurring on the current terms which have been disclosed to market (including pricing), that it will convert its notes in full within 20 business days of completion disclosed to the market.
- All other original terms remain unchanged.

Documentation to give effect to the above is expected to be completed shortly.

### **Summary and Outlook**

We are pleased with the substantial growth achieved in the business this financial year, up until the event of COVID-19. Notwithstanding the general market and economic uncertainty of COVID-19, we believe we have taken the necessary steps to best place the business to trade through this period and look forward to resuming our growth trajectory as soon as conditions return to normal.

**ENDS**

**Approved for release by the Board of Smartpay Holdings Limited  
20 April 2020**

**For further information contact: Bradley Gerdis, Managing Director, +61 (2) 7903 6333 / 64 (9) 442 2717**

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## Corporate Directory

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### Shareholder Enquiries

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