



# AGM PRESENTATION AND CHAIRMAN'S SCRIPT

25 September 2020

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

## SHARE INFORMATION

**Issued Shares:** 209,466,562

## BOARD OF DIRECTORS

**Non- Exec Chairman:** Greg Barclay  
**Managing Director:** Martyn Pomeroy  
**Non-Executive:** Matthew Turnbull  
**Non-Executive:** Carlos Gill  
**Non-Executive:** William Pulver

## 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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The Board of Smartpay Holdings Limited (NZX: SPY, ASX : SMP), is pleased to attach the presentations and scripts for the Smartpay Annual Meeting of Shareholders commencing at 2.30pm NZT.

The meeting is being held as a virtual meeting and attendance is accessed using the Lumi AGM app. The Notice of Meeting and details for shareholders logging onto the meeting virtually can be found on the Smartpay website : <http://www.smartpayinvestor.com/meetings-presentations/>. Guests wishing to view the meeting can use the Lumi AGM app or via browser [web.lumiagm.com](http://web.lumiagm.com) meeting ID: 391-937-254 and logon as a guest.

ENDS

Any enquiries should be directed to Greg Barclay + 64 21 306 594



# ANNUAL MEETING OF SHAREHOLDERS SMARTPAY HOLDINGS LIMITED

*25 SEPTEMBER 2020*

Good afternoon and welcome to Smartpay's Annual Meeting for 2020. I'm pleased to be speaking on behalf of the Board, for my fifth Annual Meeting as Chair of the Board.

I'd like to welcome those shareholders who are attending today's Meeting which is being held online via the Lumi platform. This allows Shareholders, Proxies and Guest to attend the meeting virtually. All attendees can listen to the live webcast of the meeting. In addition, shareholders and proxies have the ability to ask questions and submit votes.

To begin, I'll introduce those on the panel today.

Joining me we have Marty Pomeroy, our Managing Director who will be presenting to you today. With him are independent directors Matt Turnbull and William Pulver and Non Executive Director Carlos Gil.

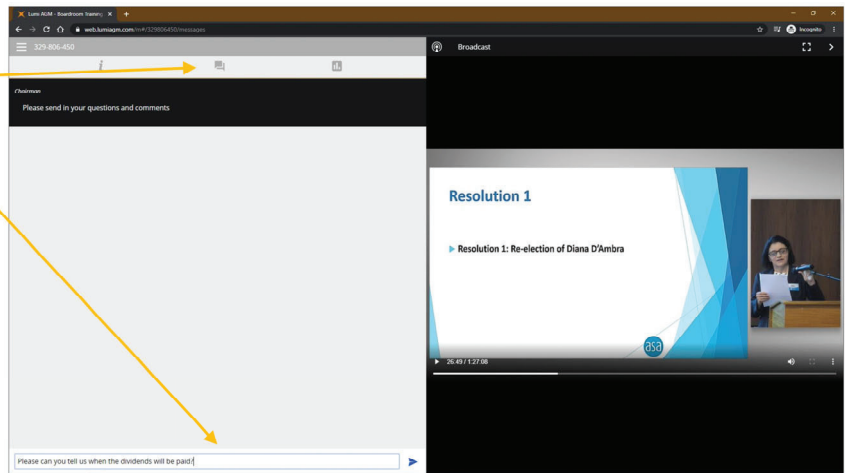
# Agenda



We'll begin today with a presentation from Marty Pomeroy which will be followed by the formal business of the meeting.

## Online Attendees – Question Process

- When the Question function is available, the Q&A icon will appear at the top of the app.
- To send in a question, simply click in the 'Ask a question' box, type your question and then press the send arrow.
- Your question will be sent immediately for review.



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Questions can be submitted at any time. To ask a question press on the speech bubble icon. This will open a new screen. At the bottom of that screen there is a section for you to type your question. Once you have finished typing please hit the arrow symbol to send.

Please note that while you can submit questions from now on, I will not address them until the relevant time in the meeting. Please also note that your questions may be moderated or if we receive multiple questions on one topic, amalgamated together. Finally, due to time constraints we may run out of time to answer all your questions. If this happens, we will answer them in due course via email.

For further instructions please refer to the Virtual Meeting Guide contained in the Notice of Meeting that has been sent to shareholders and is also available on the information screen in the Lumi AGM app.

I also have a question that has been submitted prior to the meeting and I will identify and answer this at the appropriate point during the meeting. If we are unable to get through all questions today, we will respond individually after the meeting.



## Chairman's Welcome and Introduction

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The Company Secretary has confirmed to me that the Notice of Meeting has been sent to all shareholders and other persons entitled to receive it. I can also confirm that the quorum requirements for the Meeting have been met and that the meeting is therefore properly constituted.

The Board has received no apologies.

With that said, as Chair of the Meeting, I declare Smartpay's 2020 Annual Meeting formally open.

The matters requiring consideration today are outlined in detail in the Notice of Meeting that has been provided to shareholders and I will take this as read.

The minutes of the Last Annual Meeting, held on 24 September 2019 have been signed as a true record of the meeting and are available for inspection.

Smartpay's financial statements for the 2020 financial year, together with the Auditor's report, are set out in the Company's Annual Report, which is available on our website and on the Lumi platform.

Marty will cover the performance of the Company in his presentation, after which we will consider any questions and we will then move on to the formal part of the meeting and the resolutions.

Before I hand over to Marty there are some points that I would like to make. It goes without saying that this has been a particularly difficult year with huge challenges for all businesses in New Zealand and Australia. Early impacts of the Covid pandemic were first felt by us when the offer made by Verifone to acquire the trading assets of Smartpay's NZ business was withdrawn the day confirmation of the final condition was due at the end of April.

*cont'd next page...*

## Chairman's Welcome and Introduction

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The withdrawal of this offer was, purportedly, due to uncertainty created by the pandemic. Despite that setback, the business has proved to be very resilient with New Zealand remaining very solid and growth continuing out of Australia, and I know that Marty will elaborate on this as a part of his presentation.

However, a large part of the reason that the business has performed as well as it has during this turbulent Covid period is because of the quality and the efforts of the staff at Smartpay, we have an incredibly capable group of people in this company and I want to take the opportunity to acknowledge and thank them for their hard work and dedication to the business, it really is appreciated.

As we know, last month, longstanding CEO Bradley Gerdis stood down from his role after over eight years at the helm of Smartpay. I also want to acknowledge and thank Bradley for his sterling service over that period of time. I think that the best compliment that I can give Bradley is, in summary, what I said as part of his farewell – that is that the company is in a far better position now than it was when he started and much of that development and growth can be attributed to Bradley's enthusiasm, effort and ability. He contributed an immense amount to Smartpay and he should be very proud of what he achieved. We wish him all the best in his future pursuits.

With Bradley's departure, I do want to formally welcome Marty Pomeroy to the role of Managing Director which he commenced on the 1st of this month. Marty has been with Smartpay for a number of years, working closely with Bradley as Chief Operating Officer and he has been very closely involved with both the Australian and New Zealand businesses. The board had no hesitation in elevating Marty to the MD role when Bradley decided to finish up and we are fully confident that this will be a seamless transition.

I will now hand over to Marty Pomeroy

## Chief Executive's Review and Financial Statements



Thank you Greg.

Good afternoon and welcome everyone, and thank you all for attending our AGM.

I'm Marty Pomeroy, CEO and Managing Director of Smartpay.

# Disclaimer Statement

This presentation may contain certain statements and projections provided by or on behalf of Smartpay Group (Smartpay) with respect to anticipated future undertakings. Any forward looking statements reflect various assumptions by or on behalf of Smartpay. Accordingly, these statements are subject to significant business, economic and competitive uncertainties and contingencies associated with the business of Smartpay which may be beyond the control of Smartpay which could cause actual results or trends to differ materially, including but not limited to competition, industry downturns, inability to enforce contractual and other arrangements, legislative and regulatory changes, sovereign and political risks, ability to meet funding requirements, dependence on key personnel and other market and economic factors. Accordingly, there can be no assurance that any such statements and projections will be realised. Smartpay makes no representations as to the accuracy or completeness of any such statement of projections or that any projections will be achieved and there can be no assurance that any projections are attainable or will be realised.

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# Chief Executive's Review



The agenda for my presentation this afternoon will cover the following items of review.

Initially I'll cover our most recent full financial year results, I'll then provide a business update including performance against our sales and marketing execution plans and finally I'll provide a summary and outlook for the remainder of the financial year and beyond.

Post my presentation there will be time to answer any questions you may have on the information provided today. The questions need to be provided in written form and you can send them at anytime during todays presentation and AGM.



**FULL YEAR  
FINANCIAL  
RESULTS**

## Results Commentary

- Revenue \$28.3m, a 34% increase on the prior year \$21.1m
- Australian acquiring revenue:
  - \$9.5m, a 275% increase on the prior year \$2.5m
  - Monthly acquiring revenue grew to \$1m / month (prior to COVID-19), up from \$0.5m at the beginning of the period.
- Australian acquiring terminal fleet grew to 4,613 as at 31 March 2020
- Full year deployment target of 2,500 new terminals achieved
- Continued increase in acquiring margin through the year
- Cost increase driven by:
  - Increase in y-o-y sales, marketing and systems costs: ~\$1m
  - NZ business sale deal costs: ~\$400k
  - Non-cash Con Note costs: \$2.5m  
(amortisation and revaluation due to significant share price rise over the year)



Monthly acquiring revenue grew through FY20 from \$0.5 million per month to \$1 million per month prior to the effect of COVID late March this year.

Our Australian acquiring terminal fleet grew to 4,613 terminals by the end of March and we achieved our target of 2,500 new terminals for the financial year.

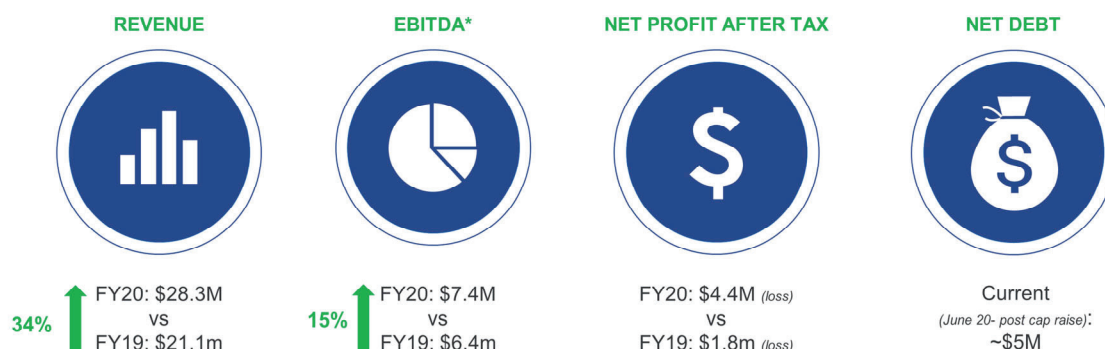
Post the completion of the project to transition our pre-acquiring fixed rate customers to Smartpay acquiring we grew our fleet with higher margin products leading to an increase in average acquiring margin throughout the year.

The main cost increases for the financial year were associated to sales and marketing efforts and systems costs.



# Full Year Financial Results

31 March 2020



\*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.

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We are pleased with our full year financial performance for FY20 as it largely reflects the first full year result of our sales and marketing growth plans and importantly proved up our business KPI's and the potential of our Australian growth opportunity.

Highlight outcomes in the result were a 34% increase in consolidated revenue, mostly attributable to our Australian acquiring revenue growth which when reviewed in isolation represents a 275% increase on the prior financial year.

Our EBITDA was up 15% year on year and this includes around \$400k of one-off deal costs associated to the Verifone acquisition that ultimately did not proceed.

Net profit was affected by a non cash adjustment of approximately \$2.4 million associated to the valuation of our Convertible Note instrument due to the strong share price increase over the reporting period.

We completed a highly successful capital raise in June, although post the FY20 year end, this reduced our net debt to circa \$5 million dollars and provided a solid capital base to support our ongoing growth plans in Australia.





## Business Update

- Capital raise of \$15m completed June 2020:
  - Completed **at** market (*no discount*), significantly oversubscribed

### Australia

- Increased marketing spend and sales resource post capital raise
- Exceeding pre COVID growth
- Achieving record:
  - lead generation; and
  - customer acquisition
- Fleet quality continues to improve as evidenced in higher ave transactional values and volumes per terminal (*above pre COVID levels*)

### New Zealand

- Resilient through COVID
- Focused on post COVID growth opportunities



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In late June this year we completed a very successful capital raise with \$15 million dollars of capital introduced. This raise was completed at market with no discount and was significantly oversubscribed which is pleasing support from the market.

Post the capital raise and the initial Covid lockdown in Australia we have increased both our marketing spend and our in house sales capacity. This approach has born fruit with record levels of lead generation and customer acquisition currently being achieved.

Our fleet quality has continued to improve as evidenced in higher transactions per terminal and average transaction value.

Our New Zealand business has shown resilience through both the initial nationwide COVID lockdown and the most recent regional lockdown.

Whilst many of our New Zealand customers have experienced a drop in trading volumes through these periods our instore card payment solution is possibly more important for their business than ever as consumers moved away from cash.

## Australia remains our key growth focus

- Market leading terminal and platform engineering capability leveraging our extensive Payments IP and expertise
- Simple customer propositions:

### Simple Flat Rate

Know exactly what you're paying

With our Simple Blended Rate, you pay the same rate for each transaction, no matter what card your customer pays with.

- Reduces complexity, uncertainty and 'bill shock' for the merchant

### Zero Cost EFTPOS - SmartCharge

No fees. Ka-ching!

Keep more of your earnings  
No terminal rental or transaction fees  
Do business Eftpos fee free

- Removes variable cost for Small to Medium Enterprise
- Supports customers' cash-flow focus

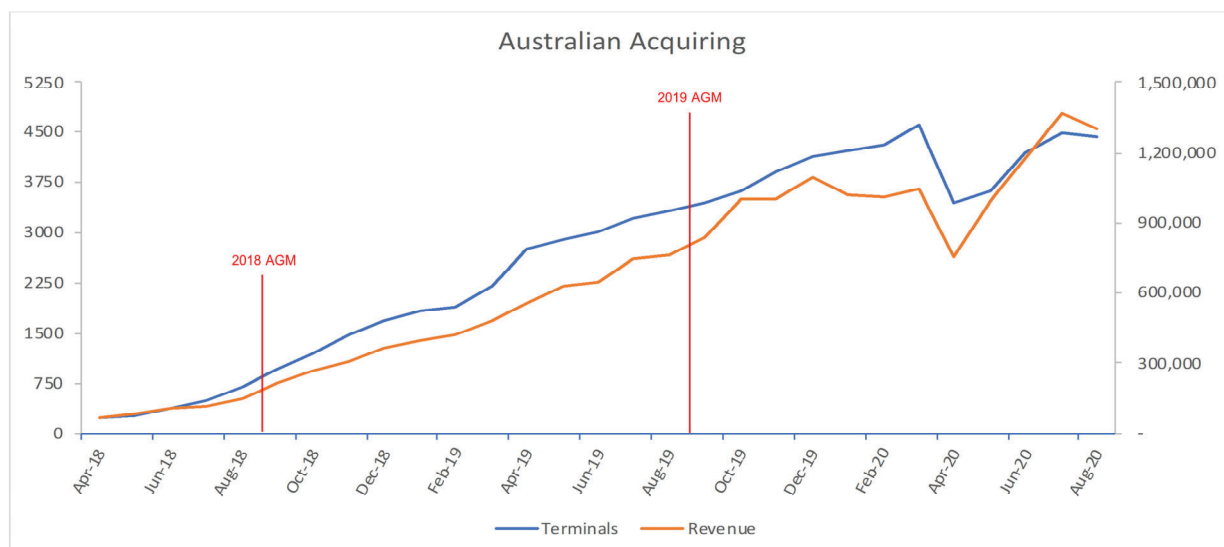
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Australia remains our key growth focus.

Smartpay has extensive Payments IP and expertise and we continue to leverage this competency to grow out into our Australian opportunity.

We understand our target audience, the SME market, and have years of insight into the key drivers our customers focus on when choosing providers. This insight led us to introduce 2 terminal and acquiring solutions into the Australian market in early 2018;

- Firstly we have a simple flat rate product. Different card types in market are subject to different variable costs to acquire. Our main competitors predominantly provide solutions where the merchant is charged different rates to accept different cards. These solutions are generally defined as 'interchange plus' and are complex to understand for the merchant. Our Flat Rate product sets a single acceptance rate for all Visa and MasterCard cards accepted and provides the merchant with a greater level of certainty of acceptance cost each month.
- Our other product, which represents the majority of new business we acquire and we promote as zero cost eftpos, is a merchant surcharge product we brand as SmartCharge.
- Smartcharge allows the merchant to 'pass on' to the cardholder an agreed cost of acceptance. In essence this provides our merchants with a zero cost eftpos solution and is very well received in the SME segment.



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We have determined the size of our addressable market in Australia to be circa 250,000 SME's so the size of the opportunity and prize for our organization is significant.

We include this graph with each quarterly market update, which we will continue to provide moving forward – the next one will be for the September 20 quarter which will be provided early to middle of October.

As illustrated in the graph we have largely returned to pre Covid transacting terminal levels which is pleasing given we continue to have a number of customers who are not transacting due to Covid restrictions.

The consistent growth highlighted in the graph has proved up our customer proposition and key marketing and sales performance indicators.



So in summary,



## Summary

- We are delivering strong Australian Acquiring Revenue growth and this is expected to be reflected in a very positive September quarter result.
- This Revenue growth is an outcome of our growing underlying customer acquisition.
- Australian margins continue to grow through a combination of our fleet profile moving progressively towards our higher margin product, through focusing our sales and marketing resources on higher value customer segments and the ongoing trend towards card payments from cash.
- With the ongoing affects of COVID still impacting many of our Australian customers, once we move past the lockdowns, we expect further positive increases to our revenues.
- The quality of our NZ business continues to show through our resilience during the COVID period and remains a strategic asset both in the NZ market and in providing leverage and scale support for our Australian business.

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We have had very positive progress to date against our sales and marketing execution plans.

- We have delivered strong growth in Australian Acquiring Revenue which with the ongoing affects of COVID still impacting many of our Australian customers is a reflection of the very positive underlying customer acquisition we are achieving.
- Australian margins continue to grow through a combination of;
  - our fleet profile moving progressively towards our SmartCharge solution,
  - Starting to move the focus of our sales and marketing resources towards higher value customer verticals,
  - and more recently the post COVID effect of customer behaviour moving to more card transactions compared to cash.
- Our NZ business continues to show resilience to the effects of COVID and remains a strategic asset both in the NZ market and in providing leverage and scale support for our Australian business.

## Outlook

- We have made very positive progress over the last 12 months and have proved up our growth execution plans and unit economics.
- We have successfully transitioned our Australian business into a growing transactional financial service provider and are delivering on our growth objectives and revenue targets.
- As a result, revenues are growing strongly and we will continue to invest our capital in activity and capacity with a mind to acceleration.
- We expect this momentum to continue through the current year and beyond as we continue to innovate and maintain focus on our sales and marketing activities.

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We have made very positive progress throughout FY20 and have proved up our growth plans and unit economics.

We have successfully transitioned our Australian business into a growing transactional financial service provider and are now operating as a legitimate challenger to the incumbent providers in our addressable market.

As a result our revenues are growing strongly and we see this as a reinforcement to continue to focus and invest as an organization on our sales and marketing execution into the Australian market.

We continue to see reward for our investment in digital and social media lead generation channels and are steadily broadening our efforts and investing in developing widespread awareness of our proposition into our target merchant segments and accelerating the acquisition of new customers.

Our own analysis highlights that the majority of the merchants we sign up monthly are transferring to Smartpay from their incumbent provider, therefore we believe we will be rewarded for actively and aggressively promoting our offering to the existing SME instore payments market in Australia and supporting this with scaled-up direct sales engagement.



Thank you, I will now pass over to the Chairman Greg Barclay.

Thank you Marty, we will now look to answer any questions.

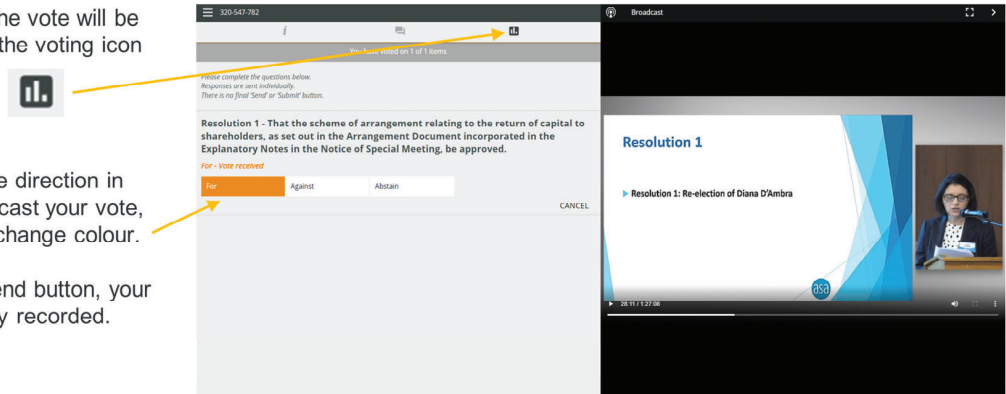
Thank you Marty

I will now move to the formal business of the Meeting.



## Online Attendees – Voting Process

- When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen.
- To vote simply select the direction in which you would like to cast your vote, the selected option will change colour.
- There is no submit or send button, your selection is automatically recorded.



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### Voting

Voting today will be conducted by way of a poll on all items of business. In order to provide you with enough time to vote, I will shortly open voting for both resolutions.

At that time, if you are eligible to vote at this meeting, a new polling icon will appear. Selecting this icon will bring up a list of resolutions and present you with voting options. To cast your vote simply select one of the options. There is no need to hit a submit or enter button as the vote is automatically recorded. You do however have the ability to change your vote, up until the time I declare voting closed. I now declare voting open on all items of business. The polling icon will soon appear, please submit your votes at any time. I will give you a warning before I move to close voting.

The Board unanimously recommends you vote in favour of all resolutions.

Once we have tallied the votes they will be posted on the market announcement platforms of the NZX and ASX following the end of this meeting.



The proxy votes that have been submitted for each resolution are set out on the slide. To give some context to these numbers, the current number of shares on issue in Smartpay is around 209.5 million.

I have been appointed proxy in respect of approximately 88m shares voting either for, against, or with discretion, for resolution 1; approximately 88m shares voting either for, against, or with discretion, for resolution 2; As indicated on the proxy form, I intend to vote all discretionary proxies where I am appointed as proxy in favour of both resolutions.

# Resolutions



## Resolution One

### Fixing the Auditors Remuneration.

*"That the Board be authorised to fix the auditor's remuneration for the ensuing year."*

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#### Proxies

**For:** 88,345,558 (42.18% of all securities)

**Against:** 1,500 (0.00% of all securities)

**Discretionary:** 240,036 (0.11% of all securities)

**Abstain:** 47,784 (0.02% of all securities)



## Resolution Two

### Adoption of new Constitution.

*"That the existing Constitution of the Company be revoked and a new Constitution in the form tabled at the meeting, and referred to in the explanatory notes, be adopted with effect from the close of the Annual Meeting"*

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#### Proxies

**For:** 88,341,648 (42.17% of all securities)

**Against:** 0 (0% of all securities)

**Discretionary:** 249,019 (0.12% of all securities)

**Abstain:** 44,211 (0.02% of all securities)

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## Auditor Remuneration

Now, turning to the first resolution, which relates to the authorisation of the Board to fix the remuneration of Smartpay's auditors. KPMG are automatically re-appointed as the company's auditor under section 207T of the Companies Act 1993. This resolution authorises the Board to fix the fees and expenses of the auditor.

If there are any questions or comments regarding this resolution I will pause now to enable these to be submitted via the Lumi platform.

### **[Questions]**

I propose the resolution, Peter Trengrove has confirmed that he seconds the resolution.

If you haven't already done so, please now cast your vote on this item

## Resolution 2: Change in Constitution

The second resolution seeks approval to revoke the existing Constitution and the new Constitution adopted with effect from the close of this meeting.

If there are any questions or comments regarding this resolution I will pause now to enable these to be submitted via the Lumi platform.

### **[Questions]**

I propose the resolution, Jane Powell has confirmed that she seconds the resolution.

If you haven't already done so, please now cast your vote on this item



## Conclusion

That concludes the resolutions to be presented to the Meeting. We will leave the vote open for a couple of minutes, the poll will therefore formally close at (current time, plus 2 minutes). Please ensure you have cast your vote on both resolutions.

[pause]

Voting has now closed.

As mentioned earlier, the votes will be tallied and will be available on the market announcement platforms of the NZX and ASX following this Meeting.

Thank you all for attending Smartpay's Annual Meeting. I now declare the Meeting closed.

--ENDS--

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