

NZX: SPY
ASX: SMP

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Issued Shares: 171,752,278

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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

10th microEQUITIES RISING STARS

SMARTPAY (ASX SMP)

Presented by Bradley Gerdis (CEO)



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INTRODUCTION TO SMARTPAY



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AGENDA

Who We Are

1

What We Do

2

How We Do It

3

The Opportunity

4

Our Strategy

5

Identified
Opportunities

6

Recent Results
/ Commentary

7

Summary and
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



~8,000 terminals
Growing Market Share

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



We identify merchants' payment requirements, current and emerging.

We develop solutions to meet these requirements.

We generate our revenue through:

- Fixed monthly fees for terminal rental (target: NZ\$48 / terminal / month; A\$43 / terminal / month);
- Transaction fees for processing transactions (e.g. taxi payments) and a share of our bank partner's card acquiring fees (in Australia).
- Bespoke software development fees

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



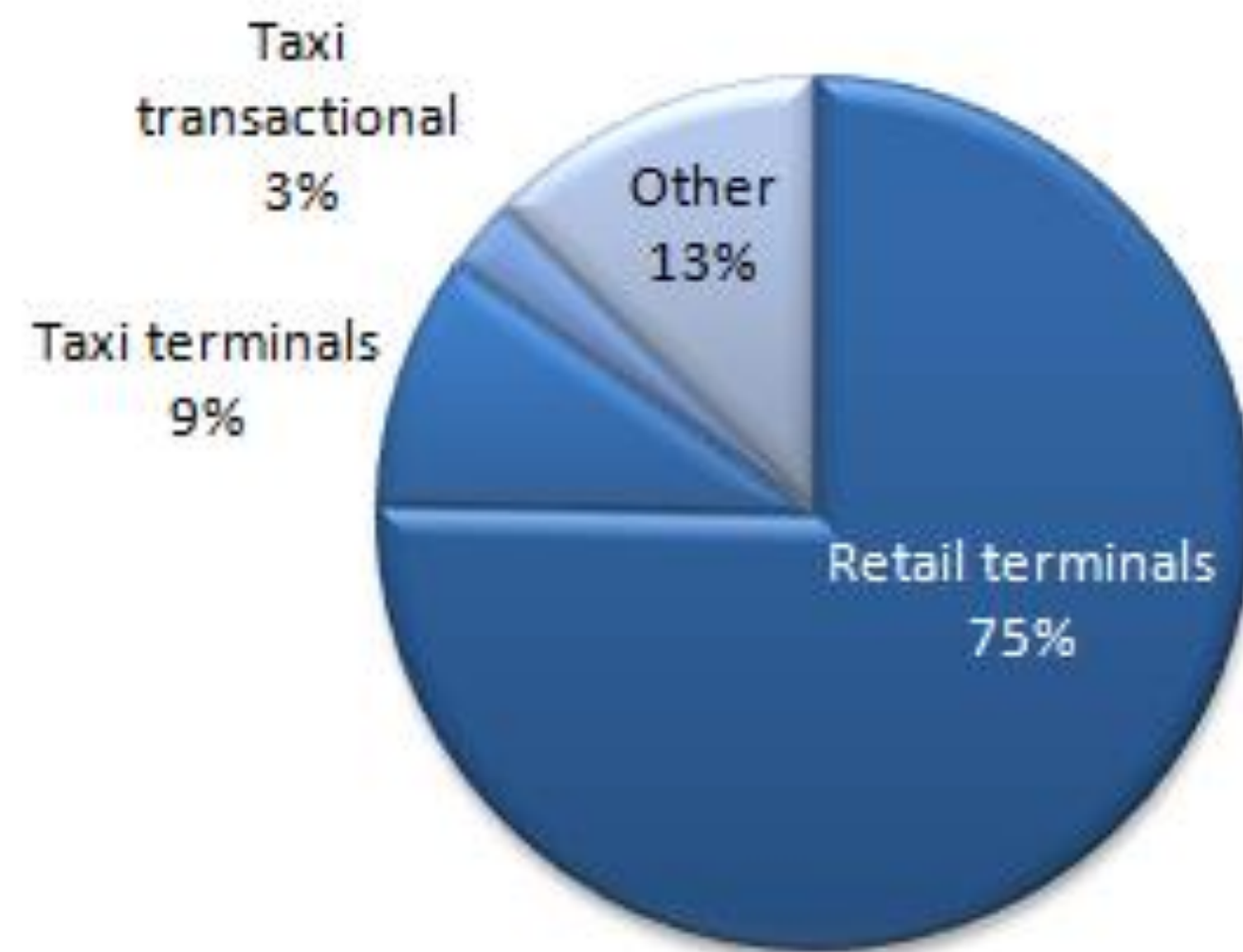
Combination of rental + share of bank acquiring fee (% MSF)

- 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

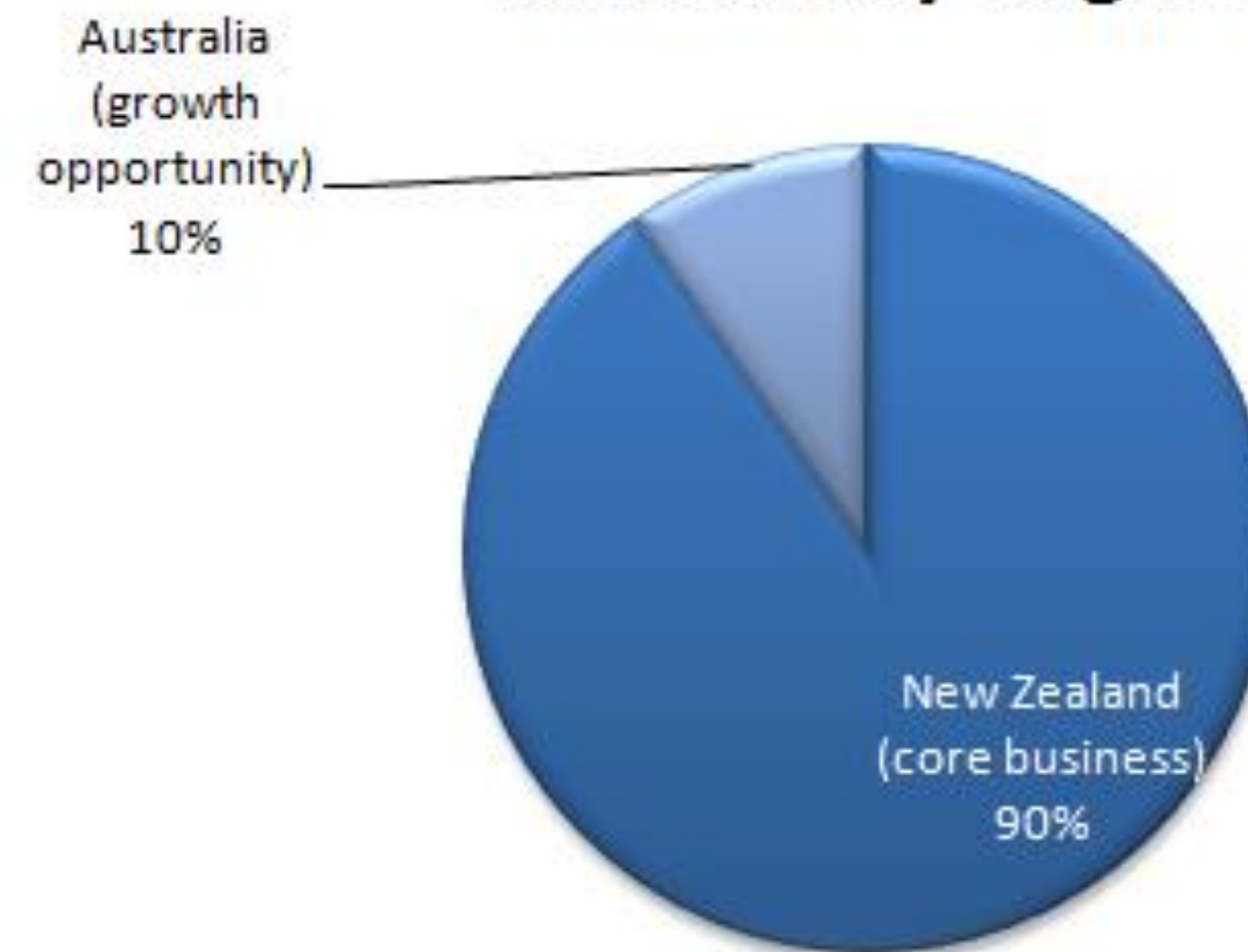
Other revenue lines: Value Add Services through the terminals (mobile top-up; surcharging; DCC; loyalty etc); transaction processing; content delivery

CURRENT REVENUE SOURCES

Revenue Streams



Revenue by Region

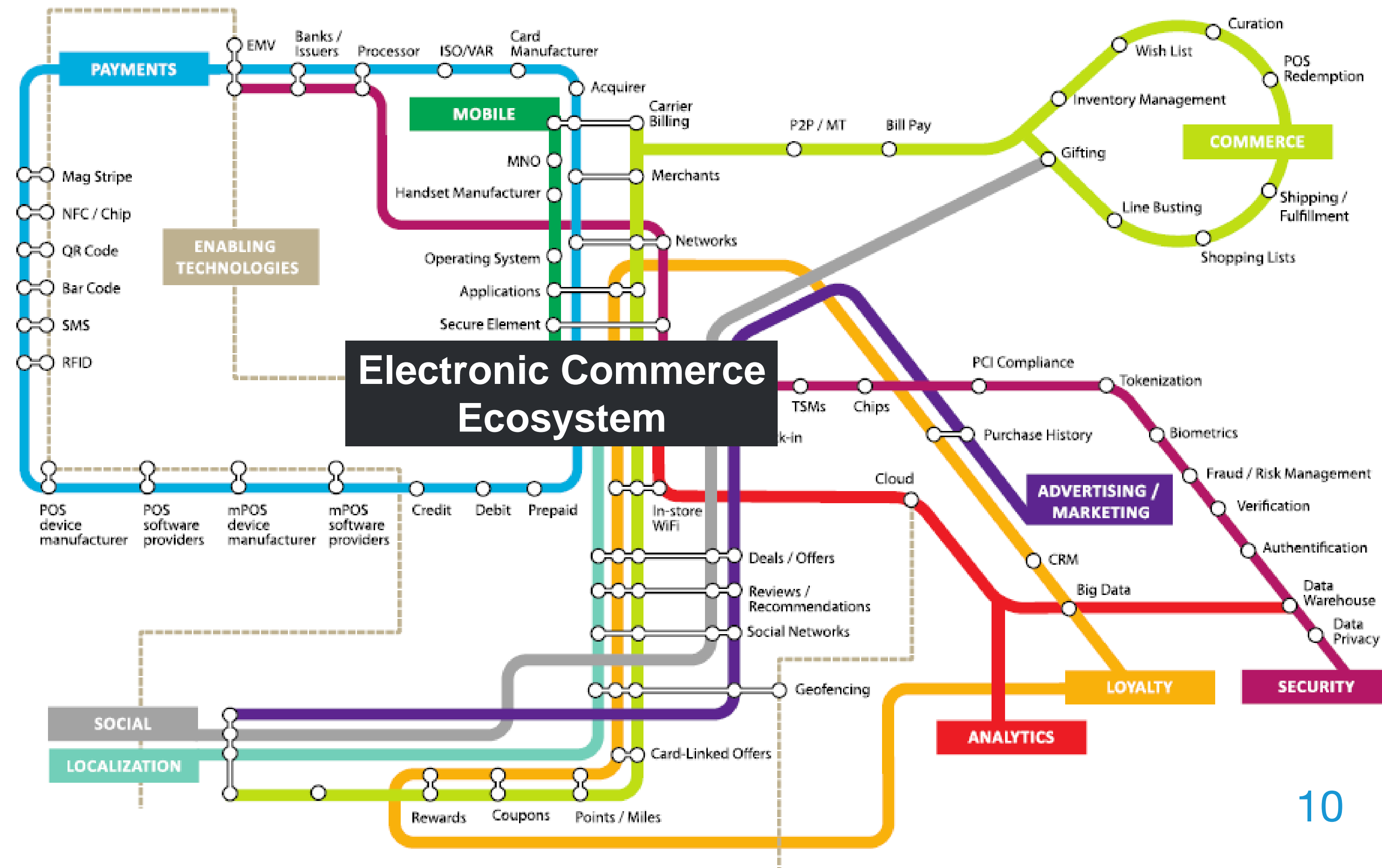




The Move From: "Bricks"...

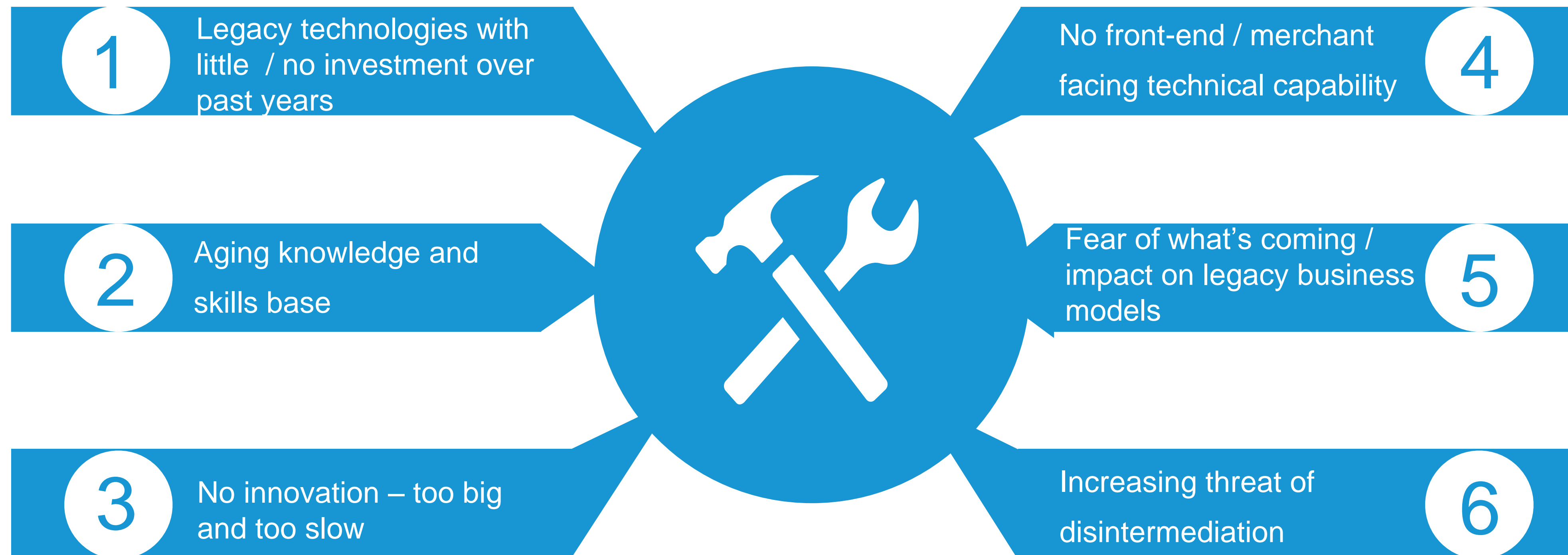


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THE CHALLENGE FOR BANKS



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

Merchant requirements
drive demand

1

2

3

Technology
moving at
exponential
rate

4

Merchant
requirements
changing with
technology

Banks increasingly
challenged to meet
these changes

5

Structural shift away from banks
to independent providers:

- Non-core activity for banks;
- Similar to shift towards ATM ISO model (from bank dominance)

BARRIERS TO ENTRY / COMPETITIVE ADVANTAGE

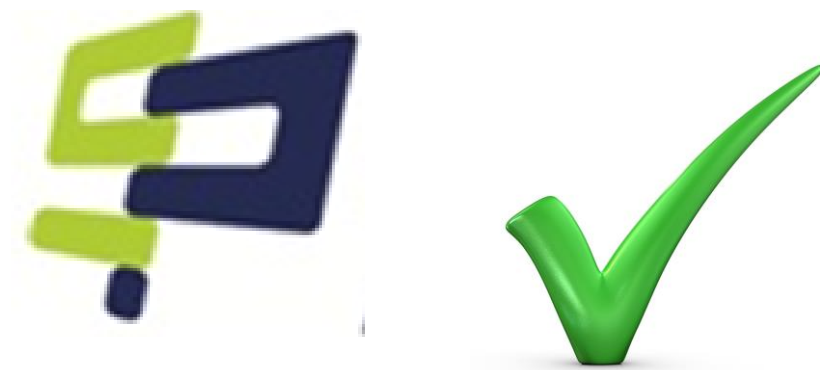
1

High and increasing security and compliance requirements around electronic payments



2

Requires scale to be profitable



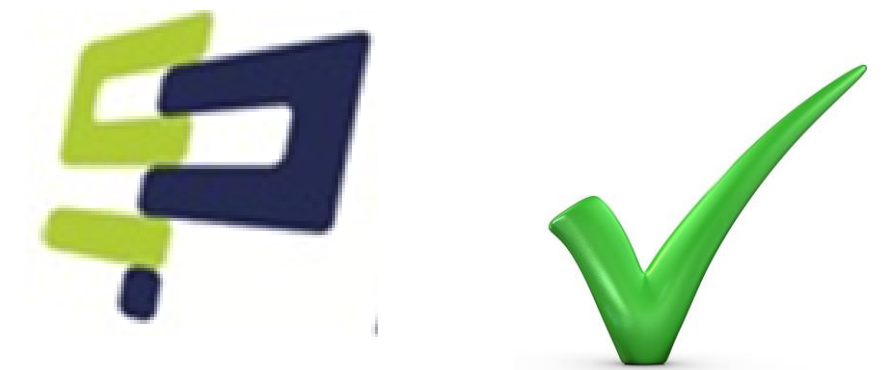
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Certification requirements time consuming; costly and require technical resource



4

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





STRATEGY UPDATE

4 CLEAR STRATEGIES

Strategy One

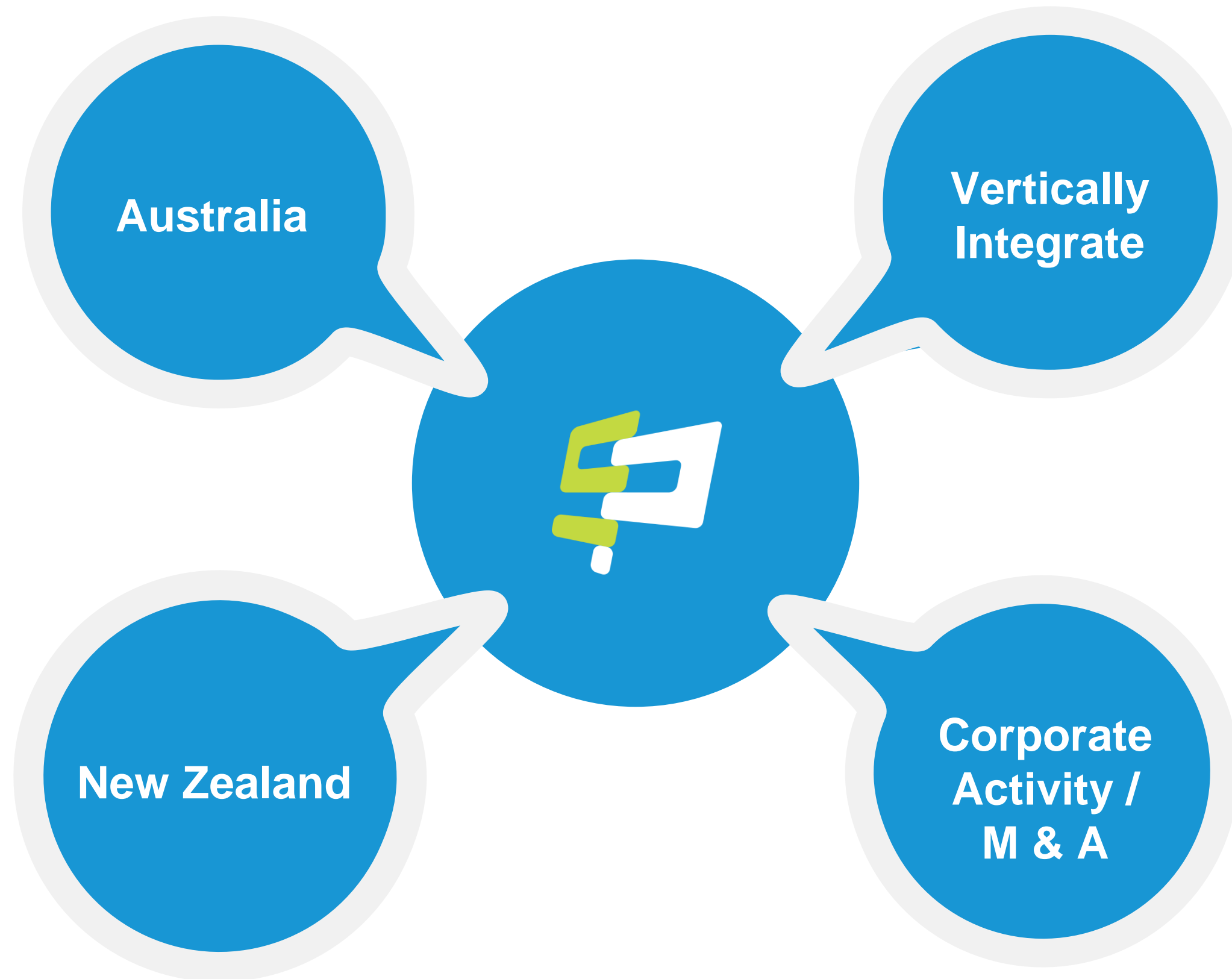
Organic growth in Australia through targeting specific parts of the market where the bank's can't/don't want to play and where we have a **competitive advantage**, defined by our **differentiated product and capability**. We have identified and are pursuing the following 2 areas and will add additional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



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

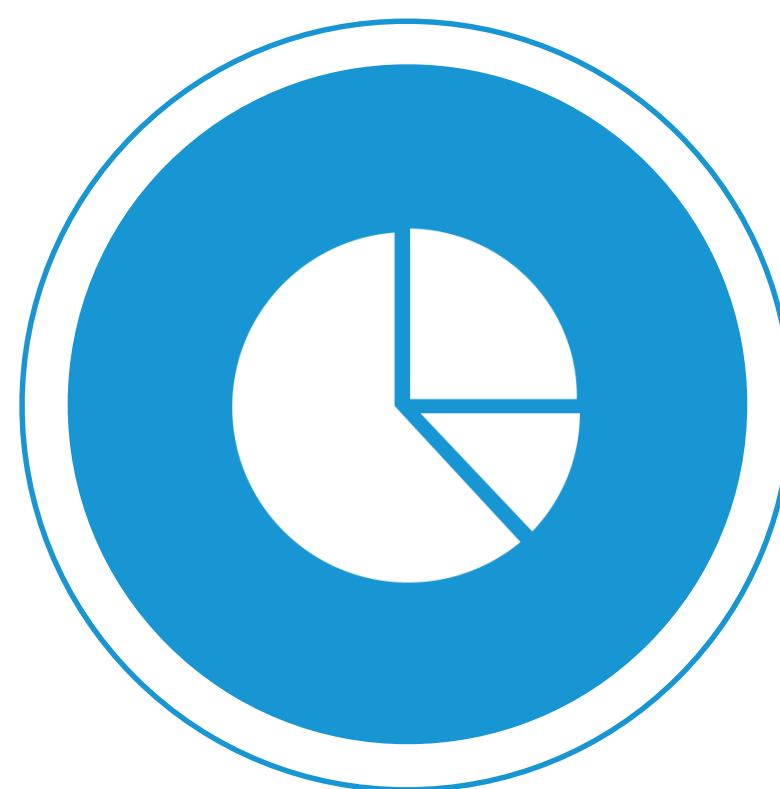
FY16 FINANCIAL RESULTS

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

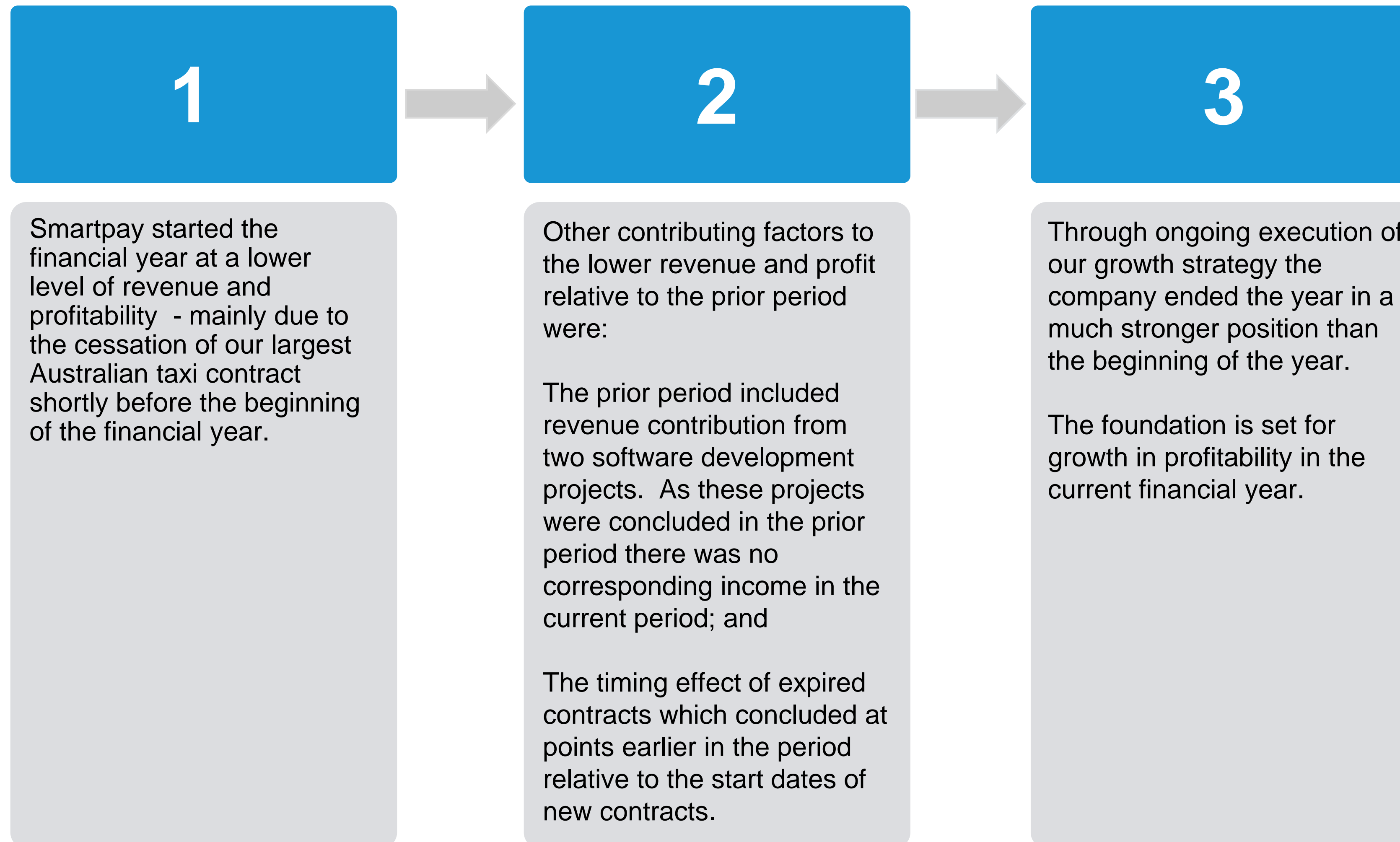
DILUTED EARNINGS PER SHARE



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.

