

**GENERAL MARKET UPDATE
FOR
SMARTPAY LIMITED
SHAREHOLDERS**

28 APRIL 2011

smartpay

Agenda

Chairman's introduction:

Managing Director's presentation:

Chief Executive's presentation:

Formal Business

Summary and close

Questions

The SmartPay story so far:

- May 2006: SPY lists on NZX
- August 2008: New MD appointed to restructure SmartPay and drive performance.
- Company reports EBITDA profit and cash flow positive to six months ended 30 Sept 2009.
- August 2009: SmartPay acquires the payments business of ProvencoCadmus, growing five-fold.
- August 2009: Raised \$9.0m of debt to fund the acquisition and provide working capital
- 4 half's of positive EBITDA

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Focused management and significant director input.

- Very tight market in 2010 – NZX equity markets very tight
- Investors holding funds in bank instead of investing
- Bank funding not available – banks prefer buildings as security
- Raised a total of circa \$10M equity and bulk funding (rental book) facilities of \$20M
- Majority did not come via banks, brokers or investment houses – Funding came via directors contacts
- Daily meetings via phone or in person working on the strategy, funding and direction
- High interest rates and options had to be given to secure funding.

Score card

Financial Performance

- Sustained growth in gross profit and EBITDA
- Forecast EBITDA guidance of \$7m for FY 2011
- Forecast EBITDA earnings would provide EPS of circa \$0.0064c

Capital Structure

- Significantly reduced the cost of borrowing
- Market capitalisation from \$8m to approx \$24m
- Improved debt to equity ratio
- Successfully raised funds in a tight market
- Improved debt repayment profile
- Launched debt vehicle to finance rental contracts

Comparisons ASX vs. NZX

ASX Code	Company Name	Market Cap	Market P/E	Share Price
CLT	Cellnet Group Limited	\$22m	11.22 \$	0.35
CUS	Customer Limited	\$178m	14.74 \$	1.32
CXN	Connexion Limited	\$4m	11.32 \$	0.01
ICP	Icash Payment Systems Limited	\$29m	11.21 \$	0.31
MNW	Mint Wireless Limited	\$7m	11.21 \$	0.04
PIE	pie NETWORKS Limited	\$23m	11.22 \$	0.02
RFL	Rubik Financial Limited	\$13m	10.61 \$	0.06
NZX Code	Company Name	Market Cap	Market P/E	Share Price
SPY	Smartpay Limited	\$24m (NZD)	5 \$	0.02

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A lot to do still!

- Directors, management and shareholders are totally aligned to value increase
- Share consolidation underway 1 for 10 consolidation to bring share price up
- ASX Listing to be established as a Foreign Listed Entity. Dual listing.
 - Maintains Shareholder value
 - No changes to current status
 - Plan to progress this as soon as Audited accounts are released – 3 – 4 month program
 - Increased governance – New director needed for Australia – fees already approved
- Operational business continues in NZ under new CEO control
- Australian growth – build on what we have now
 - Via organic growth
 - Acquisitions

A turnaround business, delivering value



- Focusing on value added payments and transaction solutions to corporate and retail merchants in Australia and New Zealand
- Proven rental book model – NOT a “box mover”
- Provides a recurring revenue stream which continues to grow
- Continued focus on reducing interest costs
- Launched Smartpay Subscriptions Limited to fund rental book
- Launched RPS offer to reduce corporate funding costs.

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We have done what we said we would do!



- Consolidated acquisitions
- New products released – PAX in NZ and Australia
- Restructured out of Manufacturing – reduced costs
- Have had 4 periods of positive EBITDA
- Focusing on value added payments and transaction solutions to corporate and retail merchants in Australia and New Zealand

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A turnaround business, delivering value cont'd

- Appointed new CEO and restructured management team
- Achieved significant cost savings in operations
- Generating higher margins
- Increased size of customer base
- Ongoing “tail” brings recurring revenues

Selection of major customers

Live taxiEpay

 **Noel Leeming**



300 3000

 **Fairfax Media**



LIVE THE DREAM®

Paperplus 

My books. My stationery. My store.



 **POSTIE PLUS
GROUP LTD**

MITRE 10

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Our customers

- 30,000 customers on databases in New Zealand & Australia
- SmartPay has approx 60% of New Zealand's corporate retail market
- Estimated 65% by volume of taxi transactions in NZ and circa 15% in Australia
- Direct sales model starting in Australia – already have customers
- Focussed corporate sales team
- 50% of the SmartPay team is in sales

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Our future

- The future is payment services sold using a rental model
- Emerging technologies
 - Contactless cards – supplier to Snapper card in Wellington
 - Mobile payments (using your phone)
 - Internet payments
 - Bill payments
- Focus on recurring revenue streams from transactional processing
- Australia, New Zealand focus
- Interest rate and debt reduction – Rental book Vs. corporate debt



Australia – a springboard for growth



- SmartPay management seconded to Australia
- Huge opportunity – 600,000 terminals need upgrading
- Obtained certification for our products
- Have existing relationships with banks and EFTPOS switches
- SmartPay already have over 15,000 terminals installed in Australia

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Australia – a springboard for growth cont'd

- Proven sales strategy – SmartPay ‘owns’ the customer and relationship
- Australia provides:
 - An emerging market
 - Larger volume
 - access to more capital to assist with growth
 - greater acquisition and organic growth potential
 - Shareholder liquidity
- Intended ASX listing will support growth and shareholder value

Funding a growth company

- Last year we had to address capital issues in a tight market
- Directors succeeded where brokers and investment houses could not.
- Funding largely completed now with:
 - Bank and mezzanine funders for funding rental book
 - Own facilities in the market for corporate and book funding
- Options to directors and management are not “free” and are outside the money
- Market cap must be circa \$50M + to give any benefit
- Aligns shareholder and management objectives

Consolidation of business and strategy

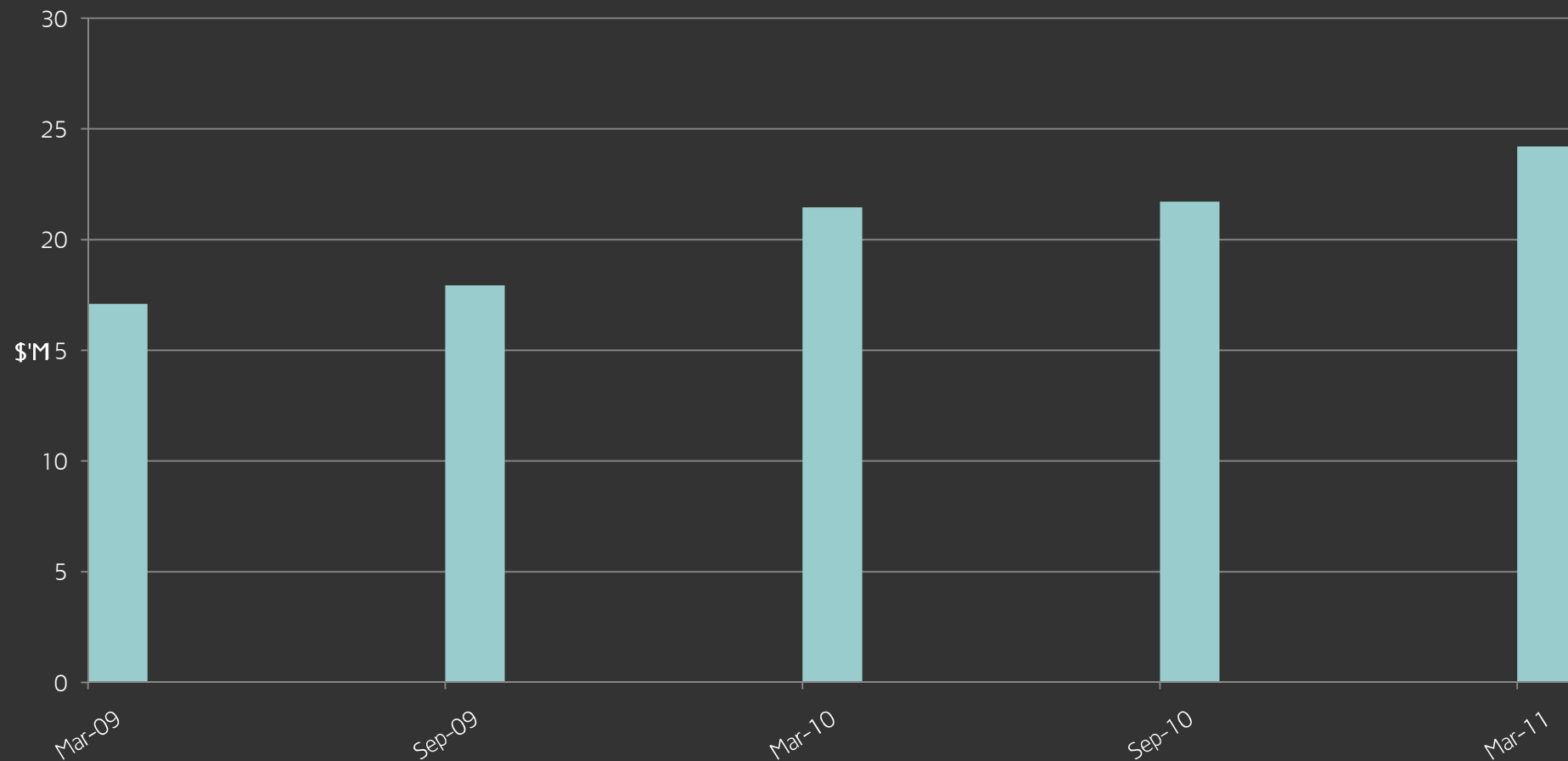
- Focus on payments and transactions and owning the customer relationship
- Consolidation of products to PAX range
- Australian focus and dedicated resource to ensure success
- Trans-Tasman operations and product focus to remove duplication and leverage NZ IP
- Consolidation of merged entities, CRM, operating processes & structures

The business focus

- Simplification of the business model
- Sales focused growth opportunities
- ~30% reduction in headcount
- Diverted resource to focus on growing the Australia business
- Reduction of service and support costs
- Cash savings in stock of over \$3m

Success of the Business

Revenue

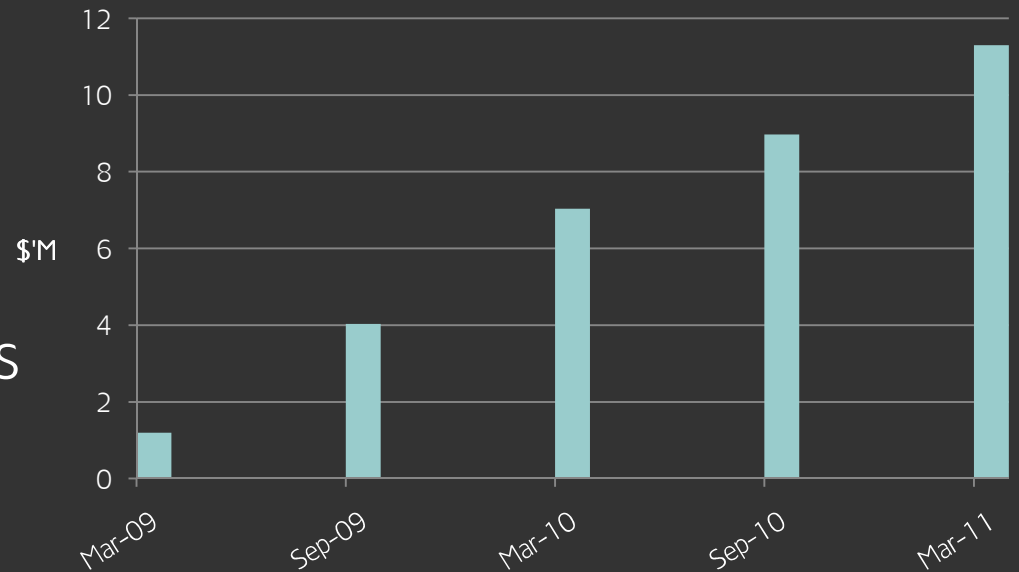


- Strong growth in revenue over past four “half's”

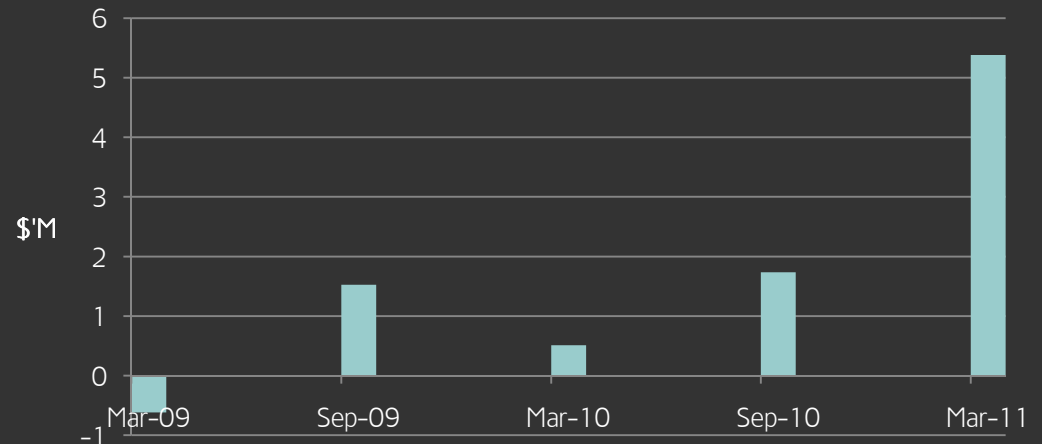
Success of the Business

- Continued GP growth
- Focus on higher margin business
- EBITDA (operating profit) is now positive and growing
- Guidance EBITDA \$7M – 2011

Gross Profit

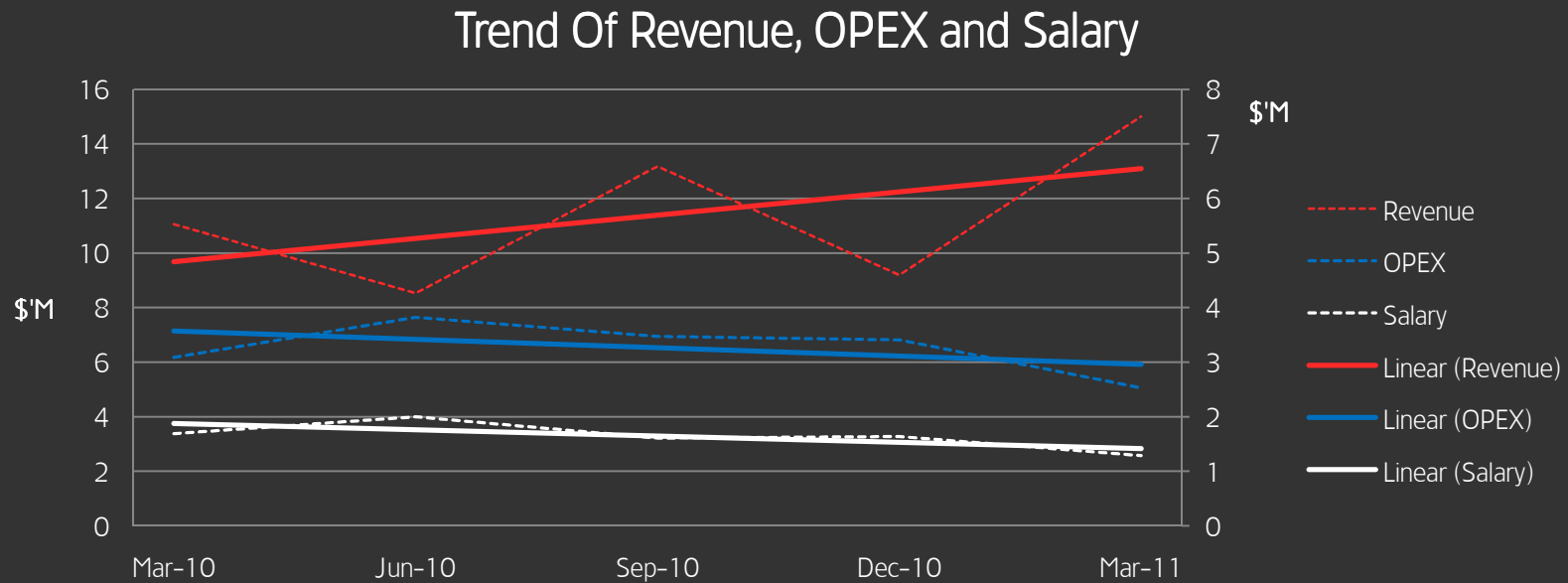


EBITDA



Success of Smartpay Business

- Costs managed – relationship between revenue and costs is moving in the right direction



Success of Smartpay Business cont'd

- Improving finance and bank relationships
- Growth capital raised/in place for stock and operations
- Goal is to optimise funding, reduce interest costs
- We expect the debt market to continue to be challenging

Two distinctly different requirements for debt funding

Corporate Debt

- Funds acquisitions, and corporate debt
- Replace using RPS offer for lower costs

Rental book

- Funds SPY's growing base of rental contracts
- Will grow as the business grows
- Provides solid cash flow
- Fund using banks and SSL for lower interest costs