

Pushpay Holdings Limited

More than a pure SaaS play

Pushpay not only provides the software to facilitate payments, but also collects volume based transaction fees on these payments...

Most SaaS companies provide the client with a product that makes an aspect of their business easier in return for a monthly recurring fee. Pushpay do this via a product which makes donating and paying easier, but they also collect a percentage of the transaction volume passing through their platform – this is a key element of their story and a key differentiator to many other SaaS companies.

Company Overview

Pushpay provides mobile commerce tools that facilitate fast, secure and easy non-point of sale payments between consumers and merchants. Pushpay services three target markets: the Faith Sector; Non-Profit Organisations (NPOs) and Enterprises.

In the case of the Faith Sector, donations underpin the viability of their organisation. Pushpay's product targets electronic and, in particular, mobile donating, or as the Company's slogan says "What if giving was simple?" The business model, in principle is simple, adding value to the churches by providing software applications that make it easier for the attendees to donate/"give".

Target Price

We are providing an upwards revision of our 12 month target price to \$4.92 per share, a target market capitalisation of NZ \$265m.

Key Points

- The inclusion of volume based transaction fees in the latter part of FY2015 provided a significant boost in current and future ARPM levels – positively influencing the valuation.
- Annual cash burn was higher than expected (~\$NZ 1.5m) – for the most part this was in the areas of G&A and R&D.
- FY2015 CAC months of ARPM came in lower than expected.
- Near term focus is continued aggressive cost-effective customer acquisition to generate future value.
- Moved to the NZX Main Board on the 9th of June 2015.
- Pushpay has recently completed a successful capital raise of NZ\$ 13.8m and they have also signalled talks are underway with strategic US VCs. Our forecasting suggests the Company will need further additional capital in both FY2017 & FY2018.
- Liquidity has increased, but is still relatively low, and Pushpay shares remain tightly held. Also, a significant proportion of outstanding shares come off trading restrictions in July 2015.
- Pushpay has the potential for significantly higher valuations as and when it moves into other jurisdictions and/or targets other verticals – i.e. NPO and Enterprise payments.

Market Data

NZX Code		PAY
Share Price	NZ \$	4.00
Market Capitalisation	NZ \$m	215

Valuation Summary – as at 10 June 2015

Enterprise Valuation	NZ \$m	221
Less Net Debt	NZ \$m	13.5
Market Capitalisation	NZ \$m	234
Outstanding Shares	m	54
Price Per Share	NZ \$	4.35

Target Information

12 Month Target Price	NZ \$	4.92
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Growth Profile

Target Price NZ \$	Slow	Slower	Expect	Faster
Low Scenario	1.70	2.32	2.29	2.38
Lower Scenario	2.20	3.23	3.26	3.45
Core Scenario	3.18	4.12	4.92	5.31
Upper Scenario	4.61	6.18	7.01	7.51

Financials NZ \$m	14A	15A	16F	17F	18F
Revenue	0.3	4.9	17.0	38.4	75.3
EBITDA	(1.5)	(7.1)	(7.8)	(10.3)	(8.3)
NPAT	(1.6)	(7.8)	(9.3)	(12.1)	(10.6)

Metrics	14A	15A	16F	17F	18F
EBITDA (%)	(469%)	(144%)	(46%)	(27%)	(11%)
NPAT (%)	(489%)	(155%)	(54%)	(31%)	(14%)
Churches	158	996	3,325	7,688	13,863
MoM (%)	NA	17%	11%	7%	5%
Ann. (%)	NA	530%	234%	131%	80%
ARPM (NZ\$)	175	491	511	530	550
CTS/Church (NZ\$)	NA	(128)	(201)	(209)	(216)
CAC (Months)	NA	7	7	9	12
ACMR (NZ \$m)	NA	6	20	49	91

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This report was commissioned by Pushpay, please refer to the Disclosure and Disclaimer section for important disclosures and disclaimers.

SaaS Glossary

ACMR – Annualised Committed Monthly Revenue, simply put this is CMR (Committed Monthly Revenue, defined below) multiplied by 12. This metric is often employed because in these high growth situations Year-to-Date (YTD) or Last-Twelve-Months (LTM) metrics miss the fact that the most recent month's revenues are the most representative of future revenues (assuming no further growth).

ARPU or ARPM – Average Revenue Per User, a key SaaS measure, this is the recurring amount received for each subscription to the software product, often a monthly amount (i.e. how much the company receives each month from each customer). Pushpay's equivalent is Average Revenue Per Merchant (ARPM).

CAC – Customer Acquisition Costs, this is generally presented as the cost to acquire a single customer and it encompasses all marketing and sales costs associated with acquiring the customer.

CAC Months of ARPM – Perhaps one of the most scrutinised metrics for those in the SaaS world. Instead of presenting Customer Acquisition Costs (CAC) in terms of dollars, it relates this cost in terms of the monthly revenue received from the customer (ARPM). So the metric is calculated as CAC divided by monthly ARPM resulting in the number of months of revenue required to repay the cost of acquiring the customer.

Churn – A common word in the SaaS world, churn is customer turnover, often on a monthly basis presented as a percentage of total customers or total revenue. Switching this concept on its head, the alternative is to think about how long a customer remains with the company. A key feature of a successful SaaS business model is low levels of churn.

CMR – Committed Monthly Revenue, how much monthly revenue the company receives from the subscription to its software product. Very simply, it is the unit revenue (i.e. the ARPM) multiplied by the number of customers.

CTS – Cost to Serve, again presented as the cost to serve a single customer and encompasses the cost of storing (hosting) the customers data, operational support and customer service costs.

SaaS – Software as a Service, is both a delivery method to the market and a product in itself.

Company Overview

Pushpay was incorporated in Auckland, New Zealand in 2011 by Christopher Heaslip and Eliot Crowther. Post-acquisition of seed funding, the Company has invested in technology, developing tools that facilitate fast, secure and easy nonpoint of sale mobile payments between consumers and merchants. Pushpay, via the products they have developed, services three target markets: the Faith Sector; Non-Profit Organisations; and Enterprises (both SME's and large Corporate Organisations).

Pushpay's mobile payment products are distributed to the market via a Software as a Service (SaaS) business model, generating recurring monthly revenue for the payment solutions provided. There are two main sources of monthly recurring revenue:

1. Subscription based fees; and
2. Volume based fees (which came on-stream in the latter part of FY2015).

For simplicity, these two monthly recurring revenue streams are combined and reported by the Company as Average Revenue Per Merchant (ARPM). This ARPM has previously been explained as the equivalent to Average Revenue Per User (ARPU) reported by other SaaS companies. At the highest level, these are equivalent, but this simplification of combining the two revenue streams can somewhat obscure some of Pushpay's individual characteristics relative to a lot of other SaaS companies. Not only does Pushpay provide a software product for a monthly recurring fee like other SaaS companies, but they also collect a percentage of the transactions (donations) that pass through the provided platform.

The SaaS business model benefits both Pushpay and its customers. Pushpay centrally hosts the software away from the individual users, meaning the company benefits from economies of scale in terms of data storage and processing power, software development expertise and customer support. The customer benefits from having no large up-front installation costs and access to the most up-to-date version of the software.

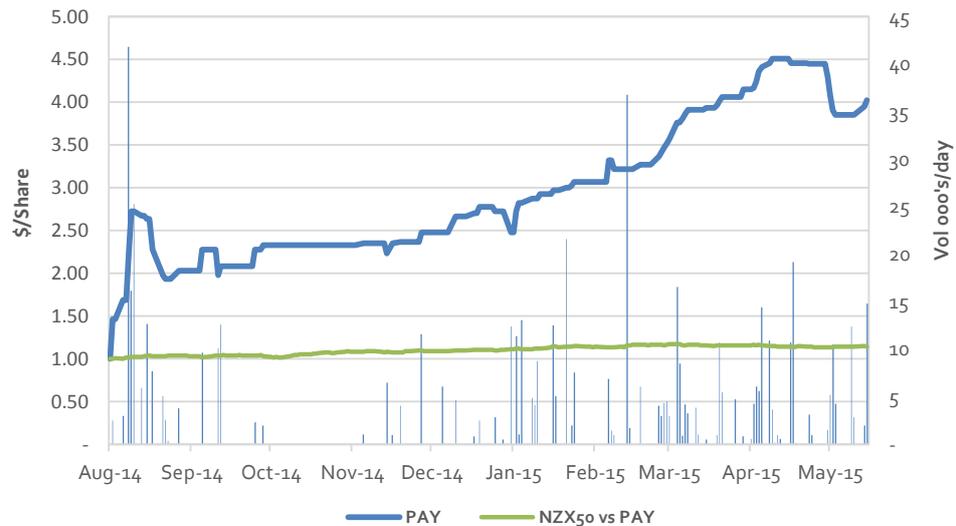
Of Pushpay's three target markets, the Faith Sector (churches) particularly in the US, is the current focus. In the case of churches, donations underpin the viability of their organisation. Pushpay's product targets electronic, and in particular mobile donating, or as the Company's slogan says "What if giving was simple?" The business model in principle is simple, adding value to the churches by providing software applications that make it easier for the attendees to donate/"give".

The church focused business model is based on the following:

A large majority of church funding comes from donations, where many churches share a similar problem; only 20% of the people who attend give regularly, the challenge is to engage with the other 80%. This challenge is accentuated as the process of giving is not always easy, the use of cash and cheques is reducing and existing electronic solutions are often complicated and time consuming. People give up, and the church misses out on donations. As a solution, Pushpay has developed a giving platform built around what is billed as "the world's first 10 second giving app". Via Pushpay, the church attendee can start the donating process via the web, a kiosk or mobile device. The sign up process takes less than 30 seconds. The app provides the ability to donate anytime, anywhere in under 10 seconds via debit or credit card or direct bank payment in the form of a one-off gift or by setting up a recurring payment. The ultimate result being, the church receiving an increase in donations. The Pushpay product also helps with church administration as it integrates directly with the church's administrative and financial databases (Church Management Software).

Pushpay's product and platform is however, not restricted to the Faith Sector. Consistent messaging from the Company is that it has always been their intention to expand into offerings for Non-Profit Organisations and Enterprises, both SME's and large Corporate Organisations – often referred to as other "verticals". This is significant. It increases the future potential number of merchants utilising Pushpay's solutions and the transaction volume passing through their platform for which the Company can also collect revenue from. Although the Company's focus is the Faith Sector, research and development of these other verticals and the products required to serve them is currently underway.

Figure 1. Pushpay Share Price Performance relative to NZX50



Since listing on the NZAX, Pushpay's share price performance in absolute terms is one of strength. Since the issue price of NZ\$1.00 in August 2014, the price rose to a peak of NZ\$4.50 before a reduction to the current price of NZ\$4.00. Several features are:

1. Although traded volumes have increased, improving liquidity in the stock, the volumes traded are still relatively low. The price movements are occurring on, both a small number, and small volume of transactions reflecting the tightly held nature of the stock;
2. 15 investors hold almost 90% of the stock and the vast majority of these investors are either on the board or have close ties to the company;
3. A significant proportion of the outstanding shares come off trading restrictions at the end of July 2015 followed by the remaining portion at the end of July 2016; and
4. The sharp reduction in price in May corresponds to the company announcing a capital raise at a capped price of NZ\$3.85.

On the 9th of June 2015 Pushpay moved from the NZAX to a listing on the NZX Main Board coinciding with the finalisation of the current round of capital raising. This move will further raise the Company's profile and in turn provide access to a wider capital market and should improve liquidity in the stock.

What is SaaS?

Pushpay's Software as a Service (SaaS) business model provides a customer focused electronic payment solution, but what is SaaS? – **SaaS is both a market delivery method and a product.**

It is the sale of software that has day-to-day business applications – for example invoicing, payroll, or HR software. This isn't the new or exciting component. Instead of purchasing this software on a license with a significant up-front cost and on-going maintenance fee, the SaaS approach delivers the product to the market via a recurring, often monthly fee – the market delivery mechanism. This is attractive to users due to lower initial setup costs and having access to up to date versions of the product. Another key feature is that SaaS software is often priced on usage levels, meaning that scaled down products or reduced volume products can be offered to users. This opens the product up to a potentially wider market. In addition, subscription based sales favour internet sales, the SaaS business model has a very different sales strategy compared to non-SaaS business models and has the benefit of being scalable outside of local markets.

As a product, SaaS differs in that the software is centrally hosted away from the individual users using cloud applications, benefiting from economies of scale in terms of: data storage and processing power; software development expertise and customer support. Rather than having software and data storage spread amongst the individual users, the point of execution for this has moved back to the developers of the software. To put it another way, rather than being sold software to use and run (with a helpline), the user is subscribing to a product whose up-keep remains the responsibility of those who developed it.

The key components of a successful SaaS business are:

- **A sizeable market opportunity** and a software product that utilises this opportunity;
- **Low Customer Acquisition Cost (CAC)** relative to recurring revenue per customer;
- **Strong recurring revenue**, often referred to as Average Revenue Per User (ARPU) and in the case of Pushpay they use Average Revenue Per Merchant (ARPM);
- High customer retention, (**low churn**) – once a customer is acquired they remain paying the monthly ARPM for a long period of time, essentially creating an "asset" out of the customer;
- **Strong growth** in both customer numbers and committed monthly revenue, often referred to as Annualised Committed Monthly Revenue (ACMR) – the high growth nature of SaaS business means that a simple annual average is not representative of where the company is at as next month the company will start with all of the current customers and add from there; and
- **Reducing/stable Cost to Serve (CTS)** per customer – reflecting the scalable nature of the SaaS model.

A good SaaS product results in low churn (high customer retention) meaning the customers become the "assets" of a business. An analogy is, just like in a manufacturing business where capital is spent on an asset to generate future revenue, a SaaS business (with low churn) spends money acquiring customers which remain for a long time producing a recurring revenue stream. An interesting quirk of accounting here is that in the manufacturing example the purchase of the asset would only hit the P&L via depreciation (i.e. spreading the cost of the asset over its useful life) whereas the purchase of the SaaS "assets" (i.e. the customers) hits the P&L immediately meaning the SaaS company records a significant near term loss yet the cash flow statements for both would be similar.

Customer Acquisition Cost (CAC) is a core component of an early stage SaaS company. If CAC is too high relative to ARPM it can sink an aspiring SaaS business. The cost to acquire a customer is often referred to as CAC months of ARPM – meaning how many months of monthly recurring revenue does it take to cover the cost of acquiring the customer. An artificial standard of a "Very Good" SaaS company is CAC months of ARPM of less than 12, meaning in gross terms the customer "pays" for itself within a year. "Gold" standard would be CAC months of ARPM of less than six, and "Platinum" standard (or Holy Grail) would be CAC months of ARPM of one, meaning after acquiring a customer and receiving the full first month's revenue, thereafter monthly revenue generated from that customer is "gross" profit.

Key Insights

More than pure play SaaS

Pushpay's performance across the range of key SaaS metrics is very strong:

- The Company has a sizeable niche market opportunity, the US Faith Sector, with considerable scope to, in the first instance move into other jurisdictions (other countries) and secondly to move the product offering to "Other Verticals" (Non-Profit Organisations and Enterprise).
- FY2015 CAC months of ARPM came in at an average of 7, with guidance that this will remain below 12 placing Pushpay between the "Very Good" and "Gold" standard.
- Low levels of revenue churn, less than 5% annually – merchants are happy with the product.
- Very high average month-on-month merchant growth, 17% (per month) for FY2015, producing a total of 530% merchant growth for the annual period.

However, a relatively unique characteristic of Pushpay compared to a lot of other SaaS companies is not only its high monthly return per customer/merchant (ARPU or ARPM), but the make-up of this ARPM. For simplicity, Pushpay's ARPM is reported as a single figure (currently at \$491), this however is made up of two core parts:

1. Subscription based fees; and
2. Volume based fees (which came on-stream in the latter part of FY2015).

It is the volume based fees which provides the relative uniqueness to the likes of Xero and GeoOp (other listed NZ SaaS companies). Like other SaaS companies Pushpay provides the customer with access to software which has beneficial day-to-day applications for a monthly recurring fee. In this case an electronic payment solution, but by also providing the platform behind this product Pushpay are able to collect a proportion of the blended transaction volume fees. This is separate and additive to the recurring SaaS subscription revenue. In addition to the SaaS subscription revenue, Pushpay receives a share of the interchange fees that are charged on the transaction volume paid through the product (i.e. a share of the 2-3% volume-based fees that Visa, MasterCard etc. charge).

Put a simpler way, Pushpay sells the merchant a product to enable them to collect donations/payments and not only receive payment for this product but also receive a percentage (~1%) of the payments the merchant puts through the purchased product. Within the Faith Sector, merchants are comfortable with this as they are often already paying 2-3% for their current payment solutions and Pushpay's volume fee is often taken out of this and/or because the payment software makes donating easier, the fee is a relatively small cost to bear in relation to the increased levels of donations.

Why this is especially good – the SaaS business model is all about recurring revenue, more importantly about increasing recurring revenue, which comes at a cost. For the most part, the ways to increase recurring revenue are:

1. Acquire more customers;
2. Upsell existing customers; or
3. Increase fees for new customers.

All of these require considerable effort by the SaaS company often with significant up-front costs.

Pushpay have a 4th way to increase recurring revenue. Once the merchant acquires Pushpay's product it is in the merchant's best interest to push their payments through the Pushpay platform. This therefore increases the volume of payments passing through the platform which in turn increases Pushpay's volume based fees, lifting the Company's overall ARPM with limited input.

Faster than expected cash burn

Yes Pushpay's loss widened. This was expected. All going to plan, Pushpay's loss will widen again in the current financial year. It is the nature of a high-growth SaaS company to post a wider loss than the previous year while they are in their high growth phase. There are two key reasons for this:

1. The company is often undertaking a proportionally large amount of research and product development to refine and expand the product offering. Rather than providing immediate benefits in terms of increased revenues, this R&D provides longer-term benefits developing the software assets of the company. Under accounting conventions, some of this is allowed to be capitalised, therefore it hits the company's profit via amortisation which spreads this cost across the useful lifespan of the asset. However, the majority of this cost is often expensed and therefore hits the company's profit well in advance of the benefits created by this spending. For the FY2015 year Pushpay reported a total of NZ\$3.86m of R&D costs, NZ\$2.43m was expensed (63%) and NZ\$1.43m (37%) was capitalised; and
2. The lifeblood of a SaaS company is the recurring revenue generated from its customers. If the company has low churn, these customers are essentially the key "asset" of the business. Acquiring these "assets" comes at a cost, Customer Acquisition Cost or CAC, via sales and marketing costs. With low churn, these "assets" will generate revenue well into the future yet the full cost of acquiring them is expensed immediately. While a SaaS company is rapidly increasing its recurring revenue, via customer acquisition, expenses will outstrip revenues resulting in a widening loss. As explained earlier, accounting rules mean that in a manufacturing example the purchase of the asset would only hit the P&L via depreciation (i.e. spreading the cost of the asset over its useful life) whereas the purchase of the SaaS "assets" (i.e. the customers) hits the P&L immediately meaning the SaaS company records a significant near term loss yet the cash flow statements for both would be similar.

What is more important is that Pushpay's cash burn was greater than expected. For the FY2015 year Pushpay reported a loss of NZ\$7.6m and a closing cash position of NZ\$0.3m compared with our forecasted loss of NZ\$6.4m and closing cash position of NZ\$1.9m – the Company burnt \$1.5m more cash than we expected. This additional cash burn was the net effect of ~NZ\$1.4m additional Product Development costs and ~NZ\$1.2m additional General and Administration costs offset by ~NZ\$0.3m increase in revenues, ~NZ\$0.3m less CAC and CTS costs and ~NZ\$0.3m income tax benefit.

Importantly, this increased cash burn was not in the area of CAC or CTS. These costs categories will be the largest future costs for Pushpay as the company grows. That said, we have calibrated our modelling based on the FY2016 cost base and increased future expenditure for the General & Administration and Research & Development categories. This adversely impacted the DCF valuation of the Company, but was more than offset by the increases in ARPM via volume-based transaction fees.

Faster than expected growth

As reported in the previous research update, Pushpay continued its track record of setting strong growth targets and exceeding them. For the three month period to 31 March 2015, Pushpay set a target of 50% growth in merchant numbers, and exceeded this by 31%. For the FY2015 annual period Pushpay added a net total of 838 merchants bringing their total to 996 merchants (530% growth).

The Company has provided a guidance target of having a total of 2,000 merchants by the end of September i.e. net additions of 1,000 merchants, adding more customers in this next six month period than they did for the whole of FY2015.

Based on this proven track record of growth and the guidance provided we have calibrated our “s-curve” growth trajectories which has increased our nearer-term forecasts of merchant numbers positively influencing the valuation (some of this effect was already included in our previous update). If the Company continues their habit of outperforming their guidance we expect a further upwards revision of merchant numbers and therefore valuations (assuming these additional merchants are acquired on a cost-effective basis).

Additional capital will be required to execute

Reported in the Company’s latest Information Memorandum, Pushpay has raised a total of over NZ\$15.6m to date plus the recently closed raise of NZ\$13.8m, provides an updated total of NZ\$29.4m raised to date. To execute the growth and development included in our core scenario and therefore our target valuation we expect the company to require additional external capital. Given the Company’s track record of accessing the required capital, we have assumed that the company accesses this additional capital requirement. We are aware that they are initiating talks with key strategic US VCs for additional capital.

Our modelling of Pushpay’s future financial performance indicates that they are likely to require additional capital (over and above the recently raised \$13.8m) as follows:

1. FY2017 – NZ\$12m; and
2. FY2018 – NZ\$13m.

Stock is tightly held and there remains a lack of liquidity

In the latter part of FY2015 liquidity in Pushpay’s stock increased, but is still low compared to liquidity of the majority of stocks on the NZX Main Board. An efficient market with low transaction costs and sufficient trading of stock (i.e. liquidity) will provide a market valuation of a company. Pushpay’s market capitalisation is still based off a relatively small number and volume of trades. The stock remains tightly held and there is a significant proportion of the outstanding shares due to come off trading restrictions at the end of July 2015 and the remaining parcel at the end of July 2016. A small number of investors hold the majority of the stock, these investors have experienced a considerable increase in the value of their stock and some of which now have the ability to realise some of this value.

Offsetting this, the Company recently completed a capital raise and a move to the NZX Main Board both of which are likely to widen the investor base and improved liquidity in the stock. Also, and probably most importantly, the cornerstone investors Christopher & Banks Private Equity have signalled their longer-term commitment to the company by providing Pushpay with NZ\$4m standby funding and by their participation in the recent capital raise.

Target merchants, US Faith Sector and expansion into other jurisdictions

Currently, Pushpay's key target market is the US Faith Sector, particularly churches with over 100 attendees. The breakdown of the US Faith Sector by church size is as follows:

Figure 2. US Churches by Size Category

Attendance	Churches	%
7-99	177,000	58.8%
100-499	105,000	34.9%
500-999	12,000	4.0%
1,000-1,999	6,000	2.0%
2,000-9,999	1,170	0.4%
10,000-plus	40	0.0%
Total	301,210	100.0%
>100	124,210	41.2%

Source: http://hrr.hartsem.edu/research/fastfacts/fast_facts.html

However, importantly within the US Faith Sector churches with less than 100 merchants are taking up Pushpay's product offering. Supplementing this, the company is undertaking further product development to provide cost-effective solutions for the smaller end of the US Faith Sector, meaning that Pushpay's target market is not restricted to churches with greater than 100 attendees.

Pushpay also has merchants on the books for both New Zealand and Australia, as at 31 March 2015 13% of Pushpay's total merchants were in these jurisdictions. These jurisdictions are not experiencing the rapid growth, nor have the size of the US market, but do contribute to Pushpay's addressable market.

Based on potential penetration into a combination of large: US Churches; NZ Churches; and Australian Churches and downwards expansion with solutions for smaller churches, a long-term target of 25,000 merchants is set in our core scenario. If Pushpay achieves either, or both, faster than expected growth towards this peak or provides guidance towards a higher peak, then there could be a significant increase in valuation. Additionally, Pushpay has indicated a move to additional jurisdictions (Canada & UK), which also has the potential to increase the valuation.

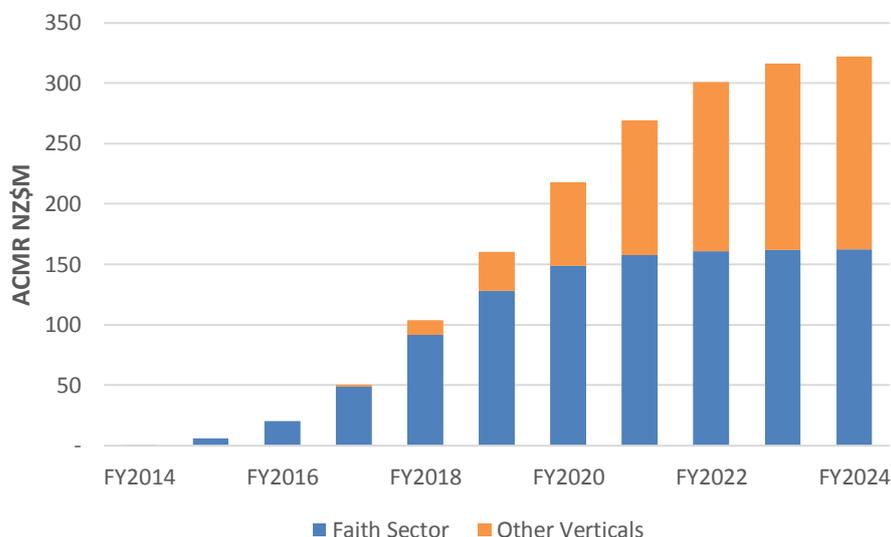
Other “Verticals”

Consistent messaging from the Company is that the Faith Sector is only part of their growth story. Their products and solutions are equally applicable for Non-Profit Organisations and Enterprises (both SME’s and large corporations). These are often referred to as other verticals. While we have not included these other verticals in our valuations they are part of the Company’s longer-term plans. These other verticals essentially stack merchant s-curves (growth profiles), significantly expanding both the Company’s peak merchants and revenue generation. Execution within one or more additional verticals would significantly increase valuations of Pushpay.

Until execution and guidance is provided for expansion into additional verticals, we have not included this potential in our core scenario and therefore target price.

However, for illustration purposes of this potential, the chart below includes an additional potential vertical for Pushpay presenting the Company’s future ACMR. This is a theoretical representation and we have simply based the growth profile of the additional vertical on the performance of the Faith Sector vertical.

Figure 3. Potential future ACMR



Valuation Analysis

Target Price

Pushpay is a relatively early stage growth story. We would expect a valuation of the company to be revised on a regular basis as and when performance continues to be proven or the company expands into additional jurisdictions/markets.

Our rolled forward 12 month target price for Pushpay is \$4.92 per share.

Our target price is based on a DCF valuation of our Core Scenario, which we roll forward at the cost of equity (14.1%). We do not include a revenue multiple valuation in our target price.

The omission of a revenue multiple as part of the target price was deliberate. A revenue multiple valuation is a relatively blunt instrument. It has its uses when comparing “like” company valuations (and even here there are limitations), but essentially it is attempting to incorporate all aspects of the companies historic growth profile, future growth profile and cost curves into a single number, which is related to current levels of revenue.

Note: All of our scenarios focus solely on RTR and the US Faith Sector as these are the company’s current focus. In time the company is likely to expand into other jurisdictions. The company’s disclosure document indicates medium term plans to expand services into Canada and open an office in the United Kingdom – events which are expected to impact positively on the share price.

DCF Valuation

A Discounted Cash Flow (DCF) valuation, values a company based on the estimated future cash flow the company will generate, discounted by the Weighted Average Cost of Capital (WACC) providing a Present Valuation (PV) of the company.

A DCF valuation requires estimates of all incomings and outgoings of cash for the company, for which there is uncertainty. This uncertainty is countered, to an extent, by the equity beta in the WACC calculation and through the inclusion of scenario analysis. Importantly, the principles for valuing a mature company with steady cash flows are the same as those applied for valuing a growth company like Pushpay. The key difference being that the latter, the growth companies, will have a higher WACC, i.e. discounting the future cash flows more heavily, and there is likely to be a considerably wider spread in the scenario analysis for the growth company.

Within a DCF the valuation is split into:

1. Valuation of cash flows within an explicit forecast period; and
2. Valuation of cash flows post the explicit forecast period, i.e. Terminal Value (TV).

Corporate Finance 101 suggests employing a five or ten year explicit forecast period with a TV when valuing a company. The general approach is to use five years. Our view is that this does not work for growth companies like Pushpay. Growth companies are spending money now and in the near term (i.e. next 2-7 years) to generate future growth. A TV based on year five’s cash flows has two key issues:

1. Revenue generation is likely to be well below what would be considered steady state levels; and
2. Costs at this relatively early stage of the company’s life cycle are disproportionately high compared to steady state levels – this is particularly the case for Customer Acquisition Costs (CAC).

A simplistic solution which is generally applied to counteract these issues is to bump up the terminal growth rate in the TV calculation. We have not done this in our valuation of Pushpay. Our DCF valuation of Pushpay is based on a 10 year explicit forecast period and a terminal valuation.

Because of its growth nature, we valued Pushpay based on a Core Scenario and have provided a range of upside and downside scenarios with faster and slower growth sensitivities for each of the scenarios. Details of these valuations are presented in the following sections.

With the exception of the traditional sensitivities (discussed below), all of the scenarios employ the following:

Figure 4. WACC assumptions

	Value
Equity Beta	1.4
Tax Rate	28.0%
Risk Free Rate	5.0%
Risk Premium	7.5%
WACC	14.1%
Terminal Growth Rate	1.50%

DCF Valuation – Core Scenario

Current DCF valuation of NZ\$234m (market cap), share price NZ\$4.35.

12-month target DCF valuation of NZ\$265m (market cap), share price NZ\$4.92.

Our Core Scenario for Pushpay is a growth scenario and is based on publicly available financial performance to date, guidance provided by the Company, overlaid with expected performance and principles of a SaaS company. The overlay can be broadly split into two components:

1. What does growth look like; and
2. Cost curves as growth occurs.

Growth

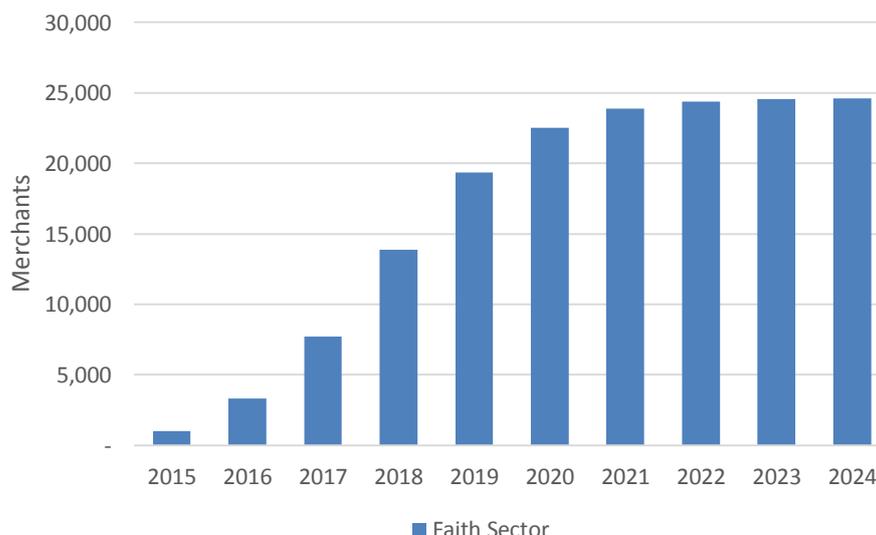
For Pushpay, at this stage, the longer term growth opportunities exist in recurring revenues from the Faith Sector. The basis of which being the number of churches Pushpay acquires.

A key feature of the SaaS business model that Pushpay is employing is its significant scalability. As the product establishes a proven foothold within the market, sales growth can very quickly increase proportional to current sales (i.e. month on month growth of x%) – producing exponential growth. However, this exponential growth is not perpetual in nature.

We have forecast growth in church numbers by employing an S-curve, producing an up-front “tail” of lower growth, a period of strong growth, and finally tapering to a period of stable church numbers.

Our Core Scenario assumes that Pushpay acquires a peak of 25,000 merchants in the Faith Sector within the next 10 years. This saturation limit is derived by a combination of the Company’s performance to date and indications from the Company.

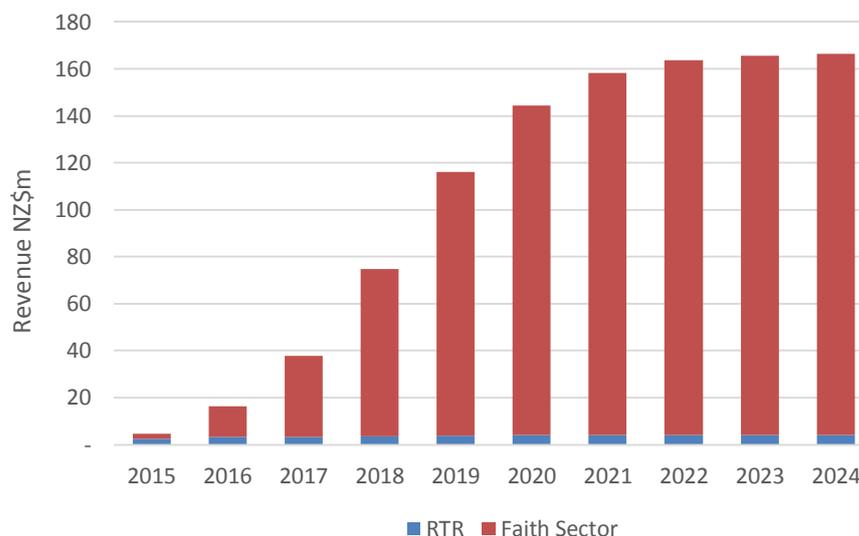
Figure 5. Forecast Faith Sector Merchants



Pushpay have reported monthly Average Revenue per Merchant (ARPM) levels of \$491 (inclusive of volume based transaction fees) trending to over \$550 in the near term. For our forecasts, we allow for ARPM to grow from \$491 to \$550 over a period of 36 months – a capped continuation of recent trends. To complete Pushpay’s revenue forecasts we have included modest growth in Run The Red’s revenue (capped at \$4.0m, down slightly from previous forecasts).

Further guidance from the Company to the market on both the expected saturation limit on church numbers and expected ARPM would allow refining of revenue forecasts for the Company.

Figure 6. Forecast Revenue



Costs

Although not currently reported as such, we have broken the company’s cost structure into a SaaS setup, allowing greater flexibility and visibility than simply overlaying an EBITDA margin on the revenue forecast. The company’s costs have been split into the following four categories:

1. General and Administration (G&A);
2. Research and Development (R&D);
3. Customer Acquisition Cost (CAC); and
4. Cost to Serve (CTS).

Each of these cost categories possess distinct features relative to the Company’s growth stage.

G&A – Benefits from economies of scale. In absolute terms the annual dollar amount of G&A costs are not likely to fall, however relative to Company size and revenue levels G&A costs will reduce over time.

R&D – A significant cost in the near term as Pushpay’s product is developed and enhanced to meet the market’s needs, again like G&A, relative to Company size and revenue levels, R&D costs will reduce over time.

CAC – CAC costs are a feature of two components, how many customers are being acquired and how much it costs to acquire each customer – CAC months of ARPU (or in Pushpay’s case CAC months of ARPM). CAC months of ARPM is not static, our forecasts employ increasing CAC costs in the form of CAC months of ARPM.

CTS – Is the combination of the cumulative number of paying churches Pushpay has at a point in time and the average cost of serving those customers (i.e. CTS per church). The cumulative number of churches is a

function of the growth and churn (which in the case of Pushpay is very low). Long term, CTS becomes the dominant cost component for Pushpay.

Figure 7. Forecast Costs (P&L) as a % of Revenue

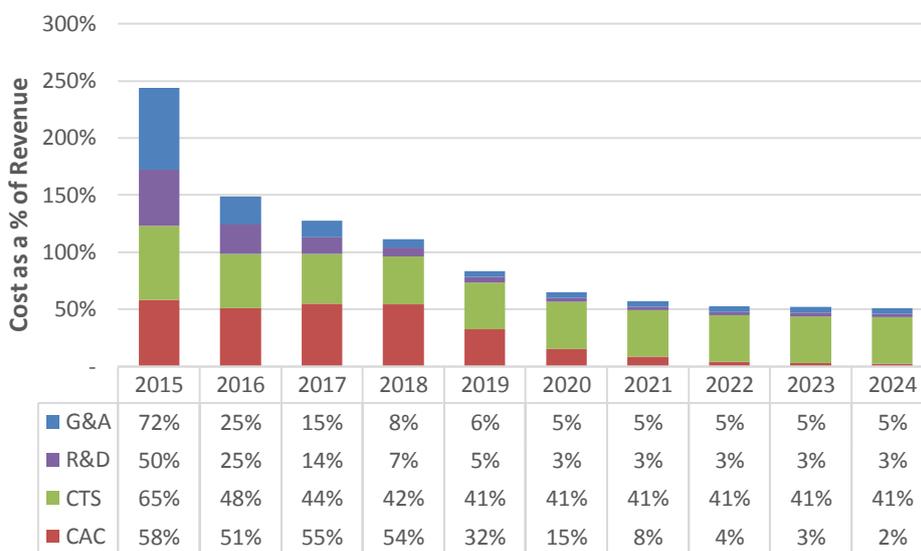
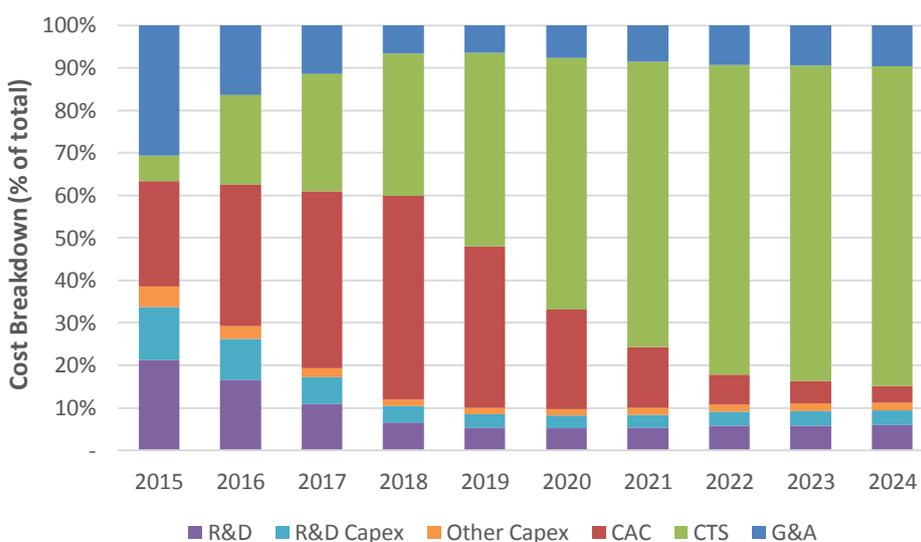


Figure 8. Forecast Costs (All) as a % of Total Costs



Forecast Income Statement(s)

The three tables below present forecast income statements for Pushpay specifically: Run The Red (RTR) only; Faith Sector only; and Group (RTR + Faith Sector). This approach highlights the profitability of RTR and its near term importance. As the Faith sector ramps up, RTR's dominance reduces significantly.

Although at this stage of Pushpay's evolution the focus is creating value through cost-effective customer acquisition, rightly or wrongly the question will be asked: when will Pushpay return a profit? It is our view that this is not completely the wrong question, however near term profitability at the expense of longer term value creation should be avoided. In summary, don't judge Pushpay solely on when it will record a profit.

For those interested in near term profitability, within our Core Scenario, Pushpay is expected to return a monthly profit in early FY2019.

Importantly, further delayed profitability for Pushpay is not necessarily a bad sign. Faster than expected customer acquisition will delay near term profitability, but add considerable value to the Company. However, if profitability is delayed due to administrative burden or agency costs this can destroy value. It is therefore important to understand the cause of changes in near term profitability.

Figure 9. Run The Red forecast financial performance

Run The Red NZ \$m	14A	15A	16F	17F	18F	...	24F
Revenue	-	3.3	4.0	4.0	4.0	...	4.0
Operating Costs	-	(2.5)	(3.0)	(3.0)	(3.0)	...	(3.0)
EBITDA	-	0.8	1.0	1.0	1.0	...	1.0
%	-	25%	25%	25%	25%	...	25%

Figure 10. Faith Sector forecast financial performance

Faith Sector NZ \$m	14A	15A	16F	17F	18F	...	24F
Revenue	0.3	1.6	13.0	34.4	71.3	...	162.4
Operating Costs	(1.0)	(6.0)	(17.5)	(39.9)	(74.9)	...	(73.5)
Admin. Costs	(0.8)	(3.5)	(4.3)	(5.8)	(5.6)	...	(8.3)
EBITDA	(1.5)	(7.9)	(8.8)	(11.3)	(9.3)	...	80.6
%	(469%)	(487%)	(67%)	(33%)	(13%)	...	50%

Figure 11. Group forecast financial performance

All NZ \$m	14A	15A	16F	17F	18F	...	24F
Revenue	0.3	4.9	17.0	38.4	75.3	...	166.4
Operating Costs	(1.0)	(8.5)	(20.5)	(42.9)	(77.9)	...	(76.5)
Admin. Costs	(0.8)	(3.5)	(4.3)	(5.8)	(5.6)	...	(8.3)
EBITDA	(1.5)	(7.1)	(7.8)	(10.3)	(8.3)	...	81.6
%	(469%)	(144%)	(46%)	(27%)	(11%)	...	49%

Forecast Cash Flow Statement

Assuming cost-effective value creation, cash flow and cash position become a very important consideration in the early stages of growth. At the close of FY2015 Pushpay had NZ\$0.3m in the bank and no debt and had access to NZ\$4m in standby funding provided by the cornerstone investor Christopher & Banks Private Equity. As discussed in preceding sections this cash position is lower than what was previously forecast due to faster than expected cash burn in the categories of Research & Product Development and General & Administration – we have updated our future cost profiles to reflect these increased levels.

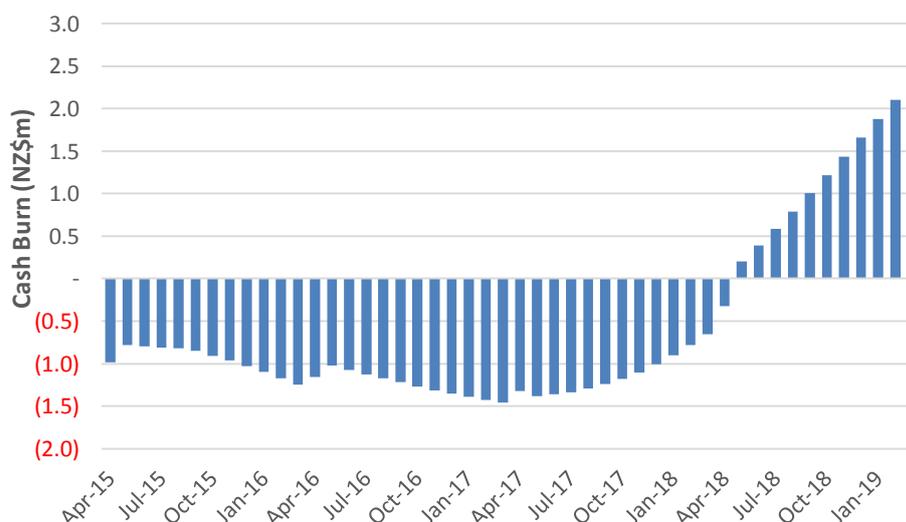
Based on our Core Scenario, our modelling of Pushpay's future financial performance indicates that they are likely to require additional capital (over and above the recently completed NZ\$13.8m capital raise) as follows:

1. FY2017 – NZ\$12m; and
2. FY2018 – NZ\$13m.

Figure 12. Pushpay Forecast Cash Flow Statement

NZ \$m	14A	15A	16F	17F	18F	...	24F
Opening Cash	0.3	2.7	0.3	2.4	-	...	215.6
Cash Received	0.2	3.5	16.6	36.0	72.5	...	166.4
Cash Paid	(1.5)	(10.3)	(24.8)	(46.6)	(81.2)	...	(84.8)
Income Tax	-	-	-	-	-	...	(24.8)
Interest Received	-	0.1	0.0	0.1	-	...	10.8
Cap. Dev Costs	(0.6)	(1.4)	(2.4)	(3.2)	(3.3)	...	(3.0)
Plant & Equipment	(0.1)	(0.6)	(0.8)	(1.0)	(1.3)	...	(1.5)
Purchase of RTR	-	(3.6)	-	-	-	...	-
Other	0.0	(0.1)	-	-	-	...	-
Share Capital	4.4	10.0	13.5	12.2	13.3	...	-
Net Cash flow	2.4	(2.4)	2.2	(2.4)	-	...	63.0
Closing Cash	2.7	0.3	2.4	-	-	...	278.6

Figure 13. Forecast Cash Burn (Excluding Share Capital)



Forecast Balance Sheet

Figure 14. Pushpay Forecast Balance Sheet

NZ \$m	14A	15A	16F	17F	18F	...	24F
Cash	2.7	0.3	2.5	0.1	0.1	...	278.7
Receivables	0.2	2.3	2.7	5.1	8.0	...	9.3
Intangible Assets	0.8	3.9	5.6	7.9	10.1	...	16.6
Plant & Equipment	0.1	0.6	0.6	0.6	0.6	...	0.6
Total Assets	3.8	9.5	13.8	16.1	21.1	...	307.5
Payables	0.4	2.5	2.5	4.7	7.0	...	6.1
Other	3.7	0.2	0.2	0.2	0.2	...	0.2
Total Liabilities	4.0	2.7	2.7	4.8	7.2	...	6.3
Net Assets	(0.2)	6.9	11.1	11.3	14.0	...	301.2
Share Capital	1.9	16.4	29.9	42.2	55.5	...	55.5
Accumulated Losses	0.1	(9.7)	(19.0)	(31.0)	(41.6)	...	245.6
Total Equity	(0.2)	6.9	11.1	11.3	14.0	...	301.2

* Note: as previously mentioned, under this scenario the Company requires additional capital. It has been assumed that Pushpay will acquire this additional capital as and when it is required. This additional capital is included in the balance sheet (this is a consistent approach employed in the tables throughout this report).

Core SaaS Metrics

Figure 15. Forecast Key Metrics

Metrics	14A	15A	16F	17F	18F	...	24F
EBITDA Margin (%)	(469%)	(144%)	(46%)	(27%)	(11%)	...	49%
NPAT Margin (%)	(489%)	(155%)	(54%)	(31%)	(14%)	...	38%
Church Numbers	158	996	3,325	7,688	13,863	...	24,626
Avg. MoM (%)	NA	17%	11%	7%	5%	...	0%
Annual Growth (%)	NA	530%	234%	131%	80%	...	0%
ARPM (\$)	175	491	511	530	550	...	550
CTS/Church (\$)	NA	(128)	(201)	(209)	(216)	...	(220)
CAC Months	NA	7	7	9	12	...	20
ACMR (\$m)	NA	6	20	49	91	...	163

DCF Valuation – Scenario and Sensitivity Analysis

Pushpay is in the early stages of its evolution which provides considerable uncertainty in the Company's future financial performance – both upside and downside. Two key features of this uncertainty surround church numbers, being:

1. The ultimate number of churches acquired – **how high**; and
2. The nature of growth – **how fast**.

We have established three scenarios to support the Core Scenario to explore the question, **how high**? These three scenarios (along with the Core Scenario) are summarised below:

- A. **Low Scenario** – Pushpay ultimately acquires only 10,000 merchants, a low-likelihood scenario, possibly a future where a major competitor comes into electronic payments for the Faith Sector.
 - **Current Valuation of NZ\$112m, NZ\$2.08 per share, target price of NZ\$2.29.**
- B. **Lower Scenario** – Pushpay acquires 15,000 merchants, a scenario which sees Pushpay acquire less than expected merchants.
 - **Current Valuation of NZ\$157m, NZ\$2.92 per share, target price of NZ\$3.26.**
- C. **Core Scenario** – Pushpay acquires 25,000 merchants.
 - **Current Valuation of NZ\$234m, NZ\$4.35 per share, target price of NZ\$4.92.**
- D. **Upper Scenario** – Pushpay acquires 40,000 merchants, a scenario where Pushpay exceeds currently expected growth profile by expanding both down market, with solutions for smaller churches and into other jurisdictions.
 - **Current Valuation of NZ\$333m, NZ\$6.18 per share, target price of NZ\$7.01.**

The information below summarises merchant numbers and revenue profiles for each of the scenarios. The Upper Scenario highlights Pushpay's potential, however as is the case for SaaS companies the addressable market and the percentage acquired and at what cost is key. How Pushpay performs in the near term and any guidance the Company provides on expected long term market share will influence the Company's valuation significantly.

Figure 16. Forecast Merchant Numbers by Scenario

Church Numbers	14A	15A	16F	17F	18F	...	24F
Low Scenario	158	996	3,071	5,770	8,079	...	9,976
Lower Scenario	158	996	3,186	6,836	10,922	...	15,036
Core Scenario	158	996	3,325	7,688	13,863	...	24,626
Upper Scenario	158	996	3,361	7,913	15,337	...	39,047

Figure 17. Forecast Revenue (NZ \$m) by Scenario

Revenue NZ \$m	14A	15A	16F	17F	18F	...	24F
Low Scenario	0.3	4.9	16.6	32.2	50.2	...	69.8
Lower Scenario	0.3	4.9	16.8	35.6	63.2	...	103.2
Core Scenario	0.3	4.9	17.0	38.4	75.3	...	166.4
Upper Scenario	0.3	4.9	17.1	39.1	80.2	...	260.8

Supplementing the scenarios above (the how high), we have also addressed the question of **how fast** by adjusting the growth profile for each of the scenarios. Figure 18 illustrates the adjustments made for the Core Scenario (the principle is the same for all scenarios). For each scenario, along with the expected growth profile we have included the:

1. **Slow** growth profile;
2. **Slower** growth profile; and the
3. **Faster** growth profile.

Figure 18. Merchant Numbers Sensitivity Analysis

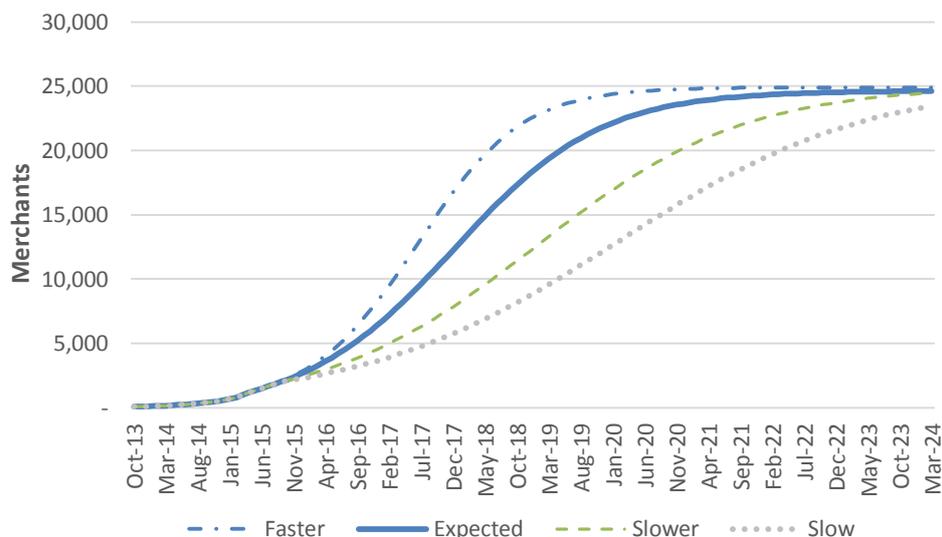


Figure 19 illustrates the effect of these sensitivities on the valuation of each of the scenarios, highlighting the considerable importance of **how fast** Pushpay adds churches. The Slow growth profile is not the basis of a SaaS business model, but on the other hand is not completely unrealistic. This downside growth profile reduces each of the scenario valuations by greater than 50%.

The takeaway message is that **how high** and **how fast** are both equally important to Pushpay – execution is key.

Figure 19. Market Capitalisation (Current) by Scenario by Growth Path Sensitivity

Market Cap. NZ \$m	Slow	Slower	Expected	Faster
Low Scenario	88	114	112	113
Lower Scenario	111	156	157	163
Core Scenario	156	199	234	251
Upper Scenario	222	295	333	353

Figure 20. Price per Share (Current) by Scenario by Growth Path Sensitivity

Share Price NZ \$	Slow	Slower	Expected	Faster
Low Scenario	1.63	2.12	2.08	2.10
Lower Scenario	2.06	2.90	2.92	3.02
Core Scenario	2.90	3.70	4.35	4.65
Upper Scenario	4.13	5.47	6.18	6.56

Figure 21. Market Capitalisation (Target) by Scenario by Growth Path Sensitivity

Market Cap. NZ \$m	Slow	Slower	Expected	Faster
Low Scenario	92	125	123	128
Lower Scenario	119	174	176	186
Core Scenario	171	222	265	286
Upper Scenario	248	333	377	404

Figure 22. Price Per Share by (Target) by Growth Path Sensitivity

Share Price NZ \$	Slow	Slower	Expected	Faster
Low Scenario	1.70	2.32	2.29	2.38
Lower Scenario	2.20	3.23	3.26	3.45
Core Scenario	3.18	4.12	4.92	5.31
Upper Scenario	4.61	6.18	7.01	7.51

Pushpay in comparison to Xero

A SaaS company in New Zealand is always going to be compared to Xero. Although Pushpay offers a different product and has a different target market, the governing SaaS principles of both companies are similar, particularly the cost-effective acquisition of customers paying recurring revenue creating future value.

Xero’s SaaS offering is an accounting package for small to medium enterprises with a significantly large worldwide Total Addressable Market (TAM) in the tens of millions of potential customers. Key markets for Xero are: New Zealand; Australia; UK; and the US, with increased focus on how Xero performs in the US. In terms of key SaaS metrics: Xero’s current weighted Average Revenue Per User (ARPU) is around NZ\$30; weighted average CAC months of ARPU of 13-15 months; and Xero has recently passed the NZ\$150 million mark for Annualised Committed Monthly Revenue (ACMR).

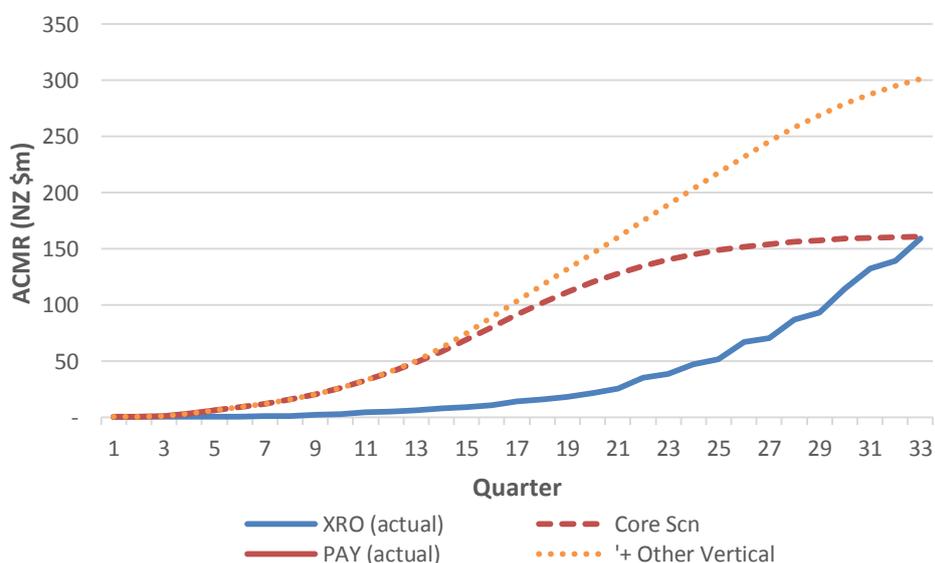
Pushpay’s SaaS offering is a mobile payment offering currently targeting the US Faith Sector, particularly churches with 100+ attendees. The Company does have merchants in New Zealand and Australia and are developing solutions for smaller Faith Sector merchants, both of which increase Pushpay’s Faith Sector TAM, but this TAM does ultimately remain in the 100’s of thousands not in the millions. Pushpay’s current ARPM (ARPU) is NZ\$491 trending to NZ\$550 in the medium term; and has a weighted average CAC months of ARPM of less than 12 months.

Of these SaaS metrics, Pushpay records a very significant win on the ARPU/ARPM front at almost 20x Xero’s figure. Pushpay’s current CAC months of ARPM is also almost 25% better than Xero’s, meaning that Pushpay is more cost-effectively acquiring customers than Xero. However, assuming efficient execution by both companies, the ultimate trump card in this equation is TAM, where Xero is the clear winner. As stated earlier in the report, Pushpay has the ability to significantly expand its TAM by either: as intended, moving into other jurisdictions; and/or expanding its penetration of its product with small to medium enterprises and corporate organisations – as and when this occurs the picture below will change.

Tracking ACMR through time for Pushpay (both actual and forecast) and Xero (actual) highlights the impact of the information above. Pushpay’s considerably higher ARPM has produced a higher ACMR than Xero for the equivalent period in Xero’s history. Pushpay’s ACMR is expected to continue to out-pace Xero’s historical performance for a further 4-5 years in our Core Scenario before the influence of the lower TAM takes effect, but ultimately TAM wins.

Key Point: Pushpay needs to expand its TAM, as a way of illustration we have also included an additional potential vertical to the Core Scenario.

Figure 23. ACMR Comparison with Xero



Another interesting point of comparison is the relationship of these two SaaS company’s Enterprise Value (EV) and their EV/ACMR Multiple over time (Note: the time periods loosely relate to the years of each Company’s evolution).

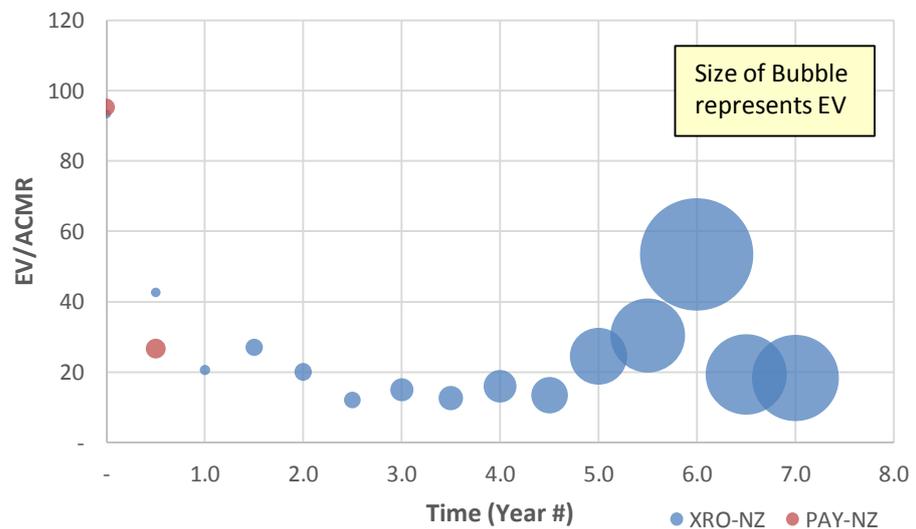
At the outset the market values of these SaaS companies were at very high EV/ACMR Multiples – a feature that must be factoring in significant future potential. In the early stages, Pushpay had a considerably lower EV/ACMR multiple than Xero but almost double the EV. The lower multiple is likely to be a combination of the lower TAM for Pushpay and increased market awareness/understanding of SaaS offerings. However, the higher EV is reflective of Pushpay’s higher ARPM and possibly the supply and demand forces that are currently impacting Pushpay’s market capitalisation.

Post this period, in Xero’s profile, there then seems to be a significant downwards adjustment in the EV/ACMR multiple for a period of time. At the same time the amount of revenue being generated increases, so the overall EV of the company starts to show signs of life.

In Xero’s evolution there has been three key features in the latter stages: firstly revenue has increased significantly due to continued growth in customer numbers; secondly there has been further upward revisions in the multiple – a feature of both: a recognition of the original promise the Company had; the market factoring in further potential; and finally a sharp reduction in both EV/ACMR multiple and overall EV – explained by some as a market correction. Perhaps this was a market correction and the valuation got ahead of itself, equally, it could be a case of the market making the best use of the imperfect information available at the time.

Given the SaaS nature of Pushpay, we expect the Company’s trajectory of EV/ACMR to follow a broadly similar path to that of Xero’s. We expect the EV/ACMR Multiple to reduce over time, but this will be compensated by increased revenues leading to increases in EV. Again as discussed, Pushpay’s higher ARPM is expected to produce a higher near term EV than Xero’s, but longer term the lower TAM will impact Pushpay’s overall market valuation in comparison to Xero. A key for Pushpay will be the indicated expansion into other jurisdictions and into the enterprise space to increase the Company’s TAM.

Figure 24. Enterprise Value and EV/ACMR Multiple over time, Pushpay versus Xero



Appendix 1 – Summary: Core Scenario (target 25,000 merchants)

Year end 31 March	2014A	2015A	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F
Merchants											
Opening Balance	NA	158	996	3,325	7,688	13,863	19,370	22,526	23,879	24,383	24,562
Additions	NA	838	2,342	4,415	6,280	5,673	3,366	1,585	746	424	309
Churn	NA	-	(13)	(52)	(105)	(166)	(210)	(232)	(241)	(245)	(246)
Closing Balance	158	996	3,325	7,688	13,863	19,370	22,526	23,879	24,383	24,562	24,626
Income Statement (\$m)											
Revenue	0.3	4.9	17.0	38.4	75.3	116.3	144.4	158.2	163.7	165.7	166.4
Cost to Serve (CTS)	(0.1)	(3.2)	(8.2)	(16.8)	(31.5)	(47.9)	(59.2)	(64.7)	(66.9)	(67.7)	(67.9)
Cost to Acquire (CAC)	(0.6)	(2.8)	(8.2)	(20.8)	(40.8)	(37.4)	(22.2)	(13.1)	(6.2)	(4.7)	(3.4)
Research & Dev.	(0.3)	(2.4)	(4.1)	(5.4)	(5.6)	(5.3)	(4.9)	(4.9)	(5.0)	(5.1)	(5.1)
Administration	(0.8)	(3.5)	(4.3)	(5.8)	(5.6)	(6.4)	(7.2)	(7.9)	(8.2)	(8.3)	(8.3)
EBITDA	(1.5)	(7.1)	(7.8)	(10.3)	(8.3)	19.2	50.9	67.7	77.4	80.0	81.6
Dep. & Amortisation	(0.1)	(0.7)	(1.5)	(1.9)	(2.4)	(2.8)	(3.1)	(3.3)	(3.5)	(3.7)	(3.8)
Interest	-	-	0.0	0.1	-	-	0.7	2.7	5.0	7.8	10.8
Net Profit Before Tax	(1.6)	(7.8)	(9.3)	(12.1)	(10.6)	16.5	48.5	67.0	78.9	84.1	88.5
Tax	-	0.3	-	-	-	-	(7.1)	(18.8)	(22.1)	(23.5)	(24.8)
Other	0.0	(0.1)	-	-	-	-	-	-	-	-	-
Net Profit After Tax	(1.6)	(7.6)	(9.3)	(12.1)	(10.6)	16.5	41.5	48.3	56.8	60.5	63.7
Cashflow Statement (\$m)											
Opening Cash	0.3	2.7	0.3	2.4	-	-	13.5	53.9	100.4	155.9	215.6
Cash Received	0.2	3.5	16.6	36.0	72.5	115.1	145.1	157.7	163.5	165.6	166.4
Cash Paid	(1.5)	(10.3)	(24.8)	(46.6)	(81.2)	(96.9)	(94.0)	(90.7)	(86.4)	(85.7)	(84.8)
Income Tax	-	-	-	-	-	-	(7.1)	(18.8)	(22.1)	(23.5)	(24.8)
Cash from Operations	(1.3)	(6.8)	(8.2)	(10.6)	(8.8)	18.1	44.0	48.2	54.9	56.4	56.7
Interest Received	-	0.1	0.0	0.1	-	-	0.7	2.7	5.0	7.8	10.8
Capitalised Dev Costs	(0.6)	(1.4)	(2.4)	(3.2)	(3.3)	(3.1)	(2.9)	(2.9)	(3.0)	(3.0)	(3.0)
Plant & Equipment	(0.1)	(0.6)	(0.8)	(1.0)	(1.3)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Purchase of RTR	-	(3.6)	-	-	-	-	-	-	-	-	-
Other	0.0	(0.1)	-	-	-	-	-	-	-	-	-
Cash from Investing	(0.7)	(5.6)	(3.1)	(4.1)	(4.5)	(4.6)	(3.7)	(1.7)	0.6	3.3	6.3
Share Capital	4.4	10.0	13.5	12.2	13.3	-	-	-	-	-	-
Cash from Financing	4.4	10.0	13.5	12.2	13.3	-	-	-	-	-	-
Net Cash flow	2.4	(2.4)	2.2	(2.4)	-	13.5	40.3	46.5	55.5	59.7	63.0
Closing Cash	2.7	0.3	2.4	-	-	13.5	53.9	100.4	155.9	215.6	278.6
Balance Sheet (\$m)											
Cash	2.7	0.3	2.5	0.1	0.1	13.6	53.9	100.5	156.0	215.6	278.7
Receivables	0.2	2.3	2.7	5.1	8.0	9.2	8.5	9.0	9.2	9.2	9.3
Intangible Assets	0.8	3.9	5.6	7.9	10.1	11.9	13.2	14.2	15.1	15.9	16.6
Plant & Equipment	0.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Assets	3.8	9.5	13.8	16.1	21.1	37.7	78.6	126.6	183.3	243.8	307.5
Payables	0.4	2.5	2.5	4.7	7.0	7.1	6.6	6.4	6.1	6.1	6.1
Other	3.7	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Liabilities	4.0	2.7	2.7	4.8	7.2	7.3	6.7	6.5	6.3	6.3	6.3
Net Assets	(0.2)	6.9	11.1	11.3	14.0	30.4	71.9	120.1	176.9	237.5	301.2
Share Capital	1.9	16.4	29.9	42.2	55.5	55.5	55.5	55.5	55.5	55.5	55.5
Accumulated Losses	0.1	(9.7)	(19.0)	(31.0)	(41.6)	(25.2)	16.3	64.5	121.4	181.9	245.6
Total Equity	(0.2)	6.9	11.1	11.3	14.0	30.4	71.9	120.1	176.9	237.5	301.2
Key Metrics											
EBITDA Margin (%)	(469%)	(144%)	(46%)	(27%)	(11%)	17%	35%	43%	47%	48%	49%
Avg. MoM (%)	NA	17%	11%	7%	5%	3%	1%	0%	0%	0%	0%
Annual Growth (%)	NA	530%	234%	131%	80%	40%	16%	6%	2%	1%	0%
ARPM (NZ \$)	175	491	511	530	550	550	550	550	550	550	550
CAC Months of ARPM	NA	7	7	9	12	12	12	15	15	20	20
ACMR (NZ \$m)	NA	6	20	49	91	128	149	158	161	162	163

Appendix 2 – Summary: Low Scenario (10,000 Merchants)

Year end 31 March	2014A	2015A	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F
Merchants											
Opening Balance	NA	158	996	3,071	5,770	8,079	9,283	9,748	9,905	9,956	9,971
Additions	NA	838	2,087	2,741	2,377	1,290	559	254	149	114	104
Churn	NA	-	(12)	(42)	(68)	(86)	(94)	(97)	(98)	(99)	(99)
Closing Balance	158	996	3,071	5,770	8,079	9,283	9,748	9,905	9,956	9,971	9,976
Income Statement (\$m)											
Revenue	0.3	4.9	16.6	32.2	50.2	62.2	67.2	69.0	69.6	69.8	69.8
Cost to Serve (CTS)	(0.1)	(3.2)	(8.0)	(14.3)	(21.5)	(26.3)	(28.3)	(29.0)	(29.2)	(29.3)	(29.3)
Cost to Acquire (CAC)	(0.6)	(2.8)	(7.3)	(12.9)	(15.4)	(8.5)	(3.7)	(2.1)	(1.2)	(1.3)	(1.1)
Research & Dev.	(0.3)	(2.4)	(4.0)	(4.4)	(3.6)	(2.7)	(2.2)	(2.0)	(2.1)	(2.1)	(2.1)
Administration	(0.8)	(3.5)	(4.2)	(4.8)	(3.8)	(3.4)	(3.4)	(3.4)	(3.5)	(3.5)	(3.5)
EBITDA	(1.5)	(7.1)	(6.9)	(4.2)	5.9	21.2	29.7	32.4	33.6	33.6	33.8
Dep. & Amortisation	(0.1)	(0.7)	(1.5)	(1.8)	(2.2)	(2.4)	(2.5)	(2.5)	(2.6)	(2.6)	(2.6)
Interest	-	-	0.0	0.2	0.0	0.1	1.0	2.0	3.1	4.4	5.6
Net Profit Before Tax	(1.6)	(7.8)	(8.4)	(5.9)	3.7	18.9	28.2	31.9	34.2	35.4	36.8
Tax	-	0.3	-	-	-	(0.2)	(7.9)	(8.9)	(9.6)	(9.9)	(10.3)
Other	0.0	(0.1)	-	-	-	-	-	-	-	-	-
Net Profit After Tax	(1.6)	(7.6)	(8.4)	(5.9)	3.7	18.8	20.3	23.0	24.6	25.5	26.5
Cashflow Statement (\$m)											
Opening Cash	0.3	2.7	0.3	3.2	-	1.9	19.7	40.2	62.9	87.3	112.7
Cash Received	0.2	3.5	16.4	30.8	49.4	62.4	67.9	68.9	69.6	69.8	69.8
Cash Paid	(1.5)	(10.3)	(23.8)	(35.6)	(44.1)	(41.4)	(37.7)	(36.6)	(36.0)	(36.1)	(36.1)
Income Tax	-	-	-	-	-	(0.2)	(7.9)	(8.9)	(9.6)	(9.9)	(10.3)
Cash from Operations	(1.3)	(6.8)	(7.4)	(4.7)	5.2	20.9	22.3	23.4	24.0	23.7	23.5
Interest Received	-	0.1	0.0	0.2	0.0	0.1	1.0	2.0	3.1	4.4	5.6
Capitalised Dev Costs	(0.6)	(1.4)	(2.3)	(2.6)	(2.1)	(1.6)	(1.3)	(1.2)	(1.2)	(1.2)	(1.2)
Plant & Equipment	(0.1)	(0.6)	(0.8)	(1.0)	(1.3)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Purchase of RTR	-	(3.6)	-	-	-	-	-	-	-	-	-
Other	0.0	(0.1)	-	-	-	-	-	-	-	-	-
Cash from Investing	(0.7)	(5.6)	(3.1)	(3.4)	(3.4)	(3.0)	(1.8)	(0.7)	0.4	1.6	2.9
Share Capital	4.4	10.0	13.5	4.9	-	-	-	-	-	-	-
Cash from Financing	4.4	10.0	13.5	4.9	-						
Net Cash flow	2.4	(2.4)	3.0	(3.2)	1.9	17.9	20.5	22.7	24.4	25.4	26.4
Closing Cash	2.7	0.3	3.2	-	1.9	19.7	40.2	62.9	87.3	112.7	139.1
Balance Sheet (\$m)											
Cash	2.7	0.3	3.3	0.1	1.9	19.8	40.3	63.0	87.4	112.8	139.2
Receivables	0.2	2.3	2.5	4.0	4.8	4.5	3.8	3.9	3.9	3.9	3.9
Intangible Assets	0.8	3.9	5.5	7.3	8.5	9.3	9.6	9.7	9.9	10.0	10.1
Plant & Equipment	0.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Assets	3.8	9.5	14.4	14.3	18.2	36.6	56.7	79.6	104.2	129.7	156.2
Payables	0.4	2.5	2.2	3.1	3.3	2.9	2.7	2.6	2.6	2.6	2.6
Other	3.7	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Liabilities	4.0	2.7	2.4	3.3	3.4	3.0	2.8	2.8	2.8	2.8	2.8
Net Assets	(0.2)	6.9	12.0	11.1	14.8	33.6	53.8	76.8	101.4	126.9	153.4
Share Capital	1.9	16.4	29.9	34.9	34.9	34.9	34.9	34.9	34.9	34.9	34.9
Accumulated Losses	0.1	(9.7)	(18.1)	(24.0)	(20.2)	(1.5)	18.8	41.8	66.4	91.9	118.4
Total Equity	(0.2)	6.9	12.0	11.1	14.8	33.6	53.8	76.8	101.4	126.9	153.4
Key Metrics											
EBITDA Margin (%)	(469%)	(144%)	(41%)	(13%)	12%	34%	44%	47%	48%	48%	48%
Avg. MoM (%)	NA	17%	10%	5%	3%	1%	0%	0%	0%	0%	0%
Annual Growth (%)	NA	530%	208%	88%	40%	15%	5%	2%	1%	0%	0%
ARPM (NZ \$)	175	491	511	530	550	550	550	550	550	550	550
CAC Months of ARPM	NA	7	7	9	12	12	12	15	15	20	20
ACMR (NZ \$m)	NA	6	19	37	53	61	64	65	66	66	66

Appendix 3 – Summary: Lower Scenario (15,000 Merchants)

Year end 31 March	2014A	2015A	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F
Merchants											
Opening Balance	NA	158	996	3,186	6,836	10,922	13,482	14,532	14,884	14,993	15,026
Additions	NA	838	2,201	3,696	4,171	2,681	1,188	497	256	181	158
Churn	NA	-	(11)	(45)	(86)	(120)	(138)	(145)	(147)	(148)	(148)
Closing Balance	158	996	3,186	6,836	10,922	13,482	14,532	14,884	14,993	15,026	15,036
Income Statement (\$m)											
Revenue	0.3	4.9	16.8	35.6	63.2	86.3	97.3	101.4	102.7	103.1	103.2
Cost to Serve (CTS)	(0.1)	(3.2)	(8.1)	(15.6)	(26.7)	(35.9)	(40.3)	(42.0)	(42.5)	(42.6)	(42.7)
Cost to Acquire (CAC)	(0.6)	(2.8)	(7.7)	(17.4)	(27.1)	(17.7)	(7.8)	(4.1)	(2.1)	(2.0)	(1.7)
Research & Dev.	(0.3)	(2.4)	(4.0)	(5.0)	(4.7)	(3.9)	(3.2)	(3.1)	(3.1)	(3.1)	(3.1)
Administration	(0.8)	(3.5)	(4.2)	(5.3)	(4.7)	(4.7)	(4.9)	(5.1)	(5.1)	(5.2)	(5.2)
EBITDA	(1.5)	(7.1)	(7.3)	(7.7)	0.1	24.0	41.1	47.2	49.9	50.2	50.5
Dep. & Amortisation	(0.1)	(0.7)	(1.5)	(1.9)	(2.3)	(2.6)	(2.8)	(2.9)	(3.0)	(3.0)	(3.1)
Interest	-	-	0.0	0.1	0.0	0.0	1.0	2.5	4.1	5.9	7.8
Net Profit Before Tax	(1.6)	(7.8)	(8.8)	(9.4)	(2.2)	21.5	39.3	46.8	51.0	53.1	55.3
Tax	-	0.3	-	-	-	-	(9.1)	(13.1)	(14.3)	(14.9)	(15.5)
Other	0.0	(0.1)	-	-	-	-	-	-	-	-	-
Net Profit After Tax	(1.6)	(7.6)	(8.8)	(9.4)	(2.2)	21.5	30.2	33.7	36.7	38.2	39.8
Cashflow Statement (\$m)											
Opening Cash	0.3	2.7	0.3	2.9	-	-	19.6	49.6	82.7	119.0	156.9
Cash Received	0.2	3.5	16.4	33.6	61.5	86.1	98.2	101.3	102.7	103.1	103.2
Cash Paid	(1.5)	(10.3)	(24.2)	(41.7)	(62.3)	(62.8)	(56.7)	(54.3)	(52.9)	(52.9)	(52.7)
Income Tax	-	-	-	-	-	-	(9.1)	(13.1)	(14.3)	(14.9)	(15.5)
Cash from Operations	(1.3)	(6.8)	(7.8)	(8.1)	(0.7)	23.4	32.5	33.9	35.5	35.3	35.0
Interest Received	-	0.1	0.0	0.1	0.0	0.0	1.0	2.5	4.1	5.9	7.8
Capitalised Dev Costs	(0.6)	(1.4)	(2.4)	(2.9)	(2.7)	(2.3)	(1.9)	(1.8)	(1.8)	(1.8)	(1.8)
Plant & Equipment	(0.1)	(0.6)	(0.8)	(1.0)	(1.3)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Purchase of RTR	-	(3.6)	-	-	-	-	-	-	-	-	-
Other	0.0	(0.1)	-	-	-	-	-	-	-	-	-
Cash from Investing	(0.7)	(5.6)	(3.1)	(3.8)	(4.0)	(3.8)	(2.4)	(0.8)	0.8	2.6	4.5
Share Capital	4.4	10.0	13.5	9.0	4.7	-	-	-	-	-	-
Cash from Financing	4.4	10.0	13.5	9.0	4.7	-	-	-	-	-	-
Net Cash flow	2.4	(2.4)	2.6	(2.9)	-	19.6	30.0	33.0	36.3	37.9	39.5
Closing Cash	2.7	0.3	2.9	-	-	19.6	49.6	82.7	119.0	156.9	196.4
Balance Sheet (\$m)											
Cash	2.7	0.3	3.0	0.1	0.1	19.7	49.7	82.8	119.0	157.0	196.5
Receivables	0.2	2.3	2.6	4.6	6.3	6.5	5.6	5.7	5.7	5.7	5.7
Intangible Assets	0.8	3.9	5.6	7.6	9.3	10.5	11.2	11.6	12.0	12.3	12.5
Plant & Equipment	0.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Assets	3.8	9.5	14.1	15.3	18.8	39.7	69.4	103.0	139.7	178.0	217.8
Payables	0.4	2.5	2.4	4.0	4.9	4.3	3.9	3.9	3.8	3.8	3.8
Other	3.7	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Liabilities	4.0	2.7	2.5	4.1	5.0	4.5	4.1	4.0	4.0	4.0	4.0
Net Assets	(0.2)	6.9	11.6	11.2	13.7	35.2	65.3	99.0	135.8	174.0	213.8
Share Capital	1.9	16.4	29.9	38.9	43.7	43.7	43.7	43.7	43.7	43.7	43.7
Accumulated Losses	0.1	(9.7)	(18.5)	(27.9)	(30.1)	(8.6)	21.5	55.2	92.0	130.2	170.0
Total Equity	(0.2)	6.9	11.6	11.2	13.7	35.2	65.3	99.0	135.8	174.0	213.8
Key Metrics											
EBITDA Margin (%)	(469%)	(144%)	(43%)	(22%)	0%	28%	42%	47%	49%	49%	49%
Avg. MoM (%)	NA	17%	10%	7%	4%	2%	1%	0%	0%	0%	0%
Annual Growth (%)	NA	530%	220%	115%	60%	23%	8%	2%	1%	0%	0%
ARPM (NZ \$)	175	491	511	530	550	550	550	550	550	550	550
CAC Months of ARPM	NA	7	7	9	12	12	12	15	15	20	20
ACMR (NZ \$m)	NA	6	20	44	72	89	96	98	99	99	99

Appendix 4 – Summary: Upper Scenario (40,000 Merchants)

Year end 31 March	2014A	2015A	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F
Merchants											
Opening Balance	NA	158	996	3,361	7,913	15,337	24,210	31,494	35,786	37,827	38,695
Additions	NA	838	2,379	4,607	7,537	9,069	7,563	4,631	2,410	1,252	742
Churn	NA	-	(14)	(55)	(113)	(196)	(279)	(338)	(370)	(384)	(390)
Closing Balance	158	996	3,361	7,913	15,337	24,210	31,494	35,786	37,827	38,695	39,047
Income Statement (\$m)											
Revenue	0.3	4.9	17.1	39.1	80.2	137.0	191.4	228.8	248.4	257.2	260.8
Cost to Serve (CTS)	(0.1)	(3.2)	(8.2)	(17.0)	(33.5)	(56.2)	(77.9)	(92.9)	(100.8)	(104.3)	(105.7)
Cost to Acquire (CAC)	(0.6)	(2.8)	(8.4)	(21.7)	(49.0)	(59.9)	(49.9)	(38.2)	(19.9)	(13.8)	(8.2)
Research & Dev.	(0.3)	(2.4)	(4.1)	(5.5)	(6.0)	(6.3)	(6.5)	(7.1)	(7.7)	(8.0)	(8.1)
Administration	(0.8)	(3.5)	(4.3)	(5.9)	(6.0)	(7.5)	(9.6)	(11.4)	(12.4)	(12.9)	(13.0)
EBITDA	(1.5)	(7.1)	(7.9)	(11.0)	(14.3)	7.1	47.4	79.1	107.6	118.3	125.8
Dep. & Amortisation	(0.1)	(0.7)	(1.5)	(1.9)	(2.4)	(2.9)	(3.3)	(3.7)	(4.1)	(4.5)	(4.8)
Interest	-	-	0.0	0.1	0.0	0.0	0.1	2.1	4.7	8.5	12.8
Net Profit Before Tax	(1.6)	(7.8)	(9.4)	(12.8)	(16.7)	4.3	44.2	77.5	108.3	122.3	133.8
Tax	-	0.3	-	-	-	-	(0.5)	(21.7)	(30.3)	(34.2)	(37.5)
Other	0.0	(0.1)	-	-	-	-	-	-	-	-	-
Net Profit After Tax	(1.6)	(7.6)	(9.4)	(12.8)	(16.7)	4.3	43.7	55.8	78.0	88.1	96.3
Cashflow Statement (\$m)											
Opening Cash	0.3	2.7	0.3	2.3	-	-	1.1	42.6	95.0	169.7	255.7
Cash Received	0.2	3.5	16.6	36.6	76.7	134.4	191.0	227.2	247.6	256.9	260.7
Cash Paid	(1.5)	(10.3)	(24.9)	(47.8)	(90.9)	(128.0)	(143.7)	(149.6)	(141.3)	(139.0)	(135.2)
Income Tax	-	-	-	-	-	-	(0.5)	(21.7)	(30.3)	(34.2)	(37.5)
Cash from Operations	(1.3)	(6.8)	(8.3)	(11.2)	(14.2)	6.3	46.8	55.8	76.0	83.7	88.0
Interest Received	-	0.1	0.0	0.1	0.0	0.0	0.1	2.1	4.7	8.5	12.8
Capitalised Dev Costs	(0.6)	(1.4)	(2.4)	(3.2)	(3.5)	(3.7)	(3.8)	(4.2)	(4.5)	(4.7)	(4.8)
Plant & Equipment	(0.1)	(0.6)	(0.8)	(1.0)	(1.3)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Purchase of RTR	-	(3.6)	-	-	-	-	-	-	-	-	-
Other	0.0	(0.1)	-	-	-	-	-	-	-	-	-
Cash from Investing	(0.7)	(5.6)	(3.2)	(4.1)	(4.8)	(5.2)	(5.3)	(3.5)	(1.3)	2.3	6.5
Share Capital	4.4	10.0	13.5	13.1	19.0	-	-	-	-	-	-
Cash from Financing	4.4	10.0	13.5	13.1	19.0	-	-	-	-	-	-
Net Cash flow	2.4	(2.4)	2.0	(2.3)	-	1.1	41.5	52.3	74.8	86.0	94.6
Closing Cash	2.7	0.3	2.3	-	-	1.1	42.6	95.0	169.7	255.7	350.2
Balance Sheet (\$m)											
Cash	2.7	0.3	2.3	0.1	0.1	1.2	42.7	95.0	169.8	255.8	350.3
Receivables	0.2	2.3	2.7	5.3	8.8	11.4	11.8	13.3	14.1	14.4	14.5
Intangible Assets	0.8	3.9	5.6	8.0	10.4	12.7	14.7	16.6	18.5	20.3	21.7
Plant & Equipment	0.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Assets	3.8	9.5	13.7	16.3	22.2	28.3	72.2	128.0	205.4	293.4	389.6
Payables	0.4	2.5	2.5	4.9	8.4	10.2	10.5	10.5	9.9	9.9	9.7
Other	3.7	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Liabilities	4.0	2.7	2.7	5.1	8.6	10.4	10.6	10.7	10.1	10.0	9.8
Net Assets	(0.2)	6.9	11.0	11.3	13.6	17.8	61.5	117.4	195.3	283.4	379.7
Share Capital	1.9	16.4	29.9	43.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0
Accumulated Losses	0.1	(9.7)	(19.1)	(31.9)	(48.5)	(44.3)	(0.6)	55.2	133.2	221.3	317.6
Total Equity	(0.2)	6.9	11.0	11.3	13.6	17.8	61.5	117.4	195.3	283.4	379.7
Key Metrics											
EBITDA Margin (%)	(469%)	(144%)	(46%)	(28%)	(18%)	5%	25%	35%	43%	46%	48%
Avg. MoM (%)	NA	17%	11%	7%	6%	4%	2%	1%	0%	0%	0%
Annual Growth (%)	NA	530%	237%	135%	94%	58%	30%	14%	6%	2%	1%
ARPM (NZ \$)	175	491	511	530	550	550	550	550	550	550	550
CAC Months of ARPM	NA	7	7	9	12	12	12	15	15	20	20
ACMR (NZ \$m)	NA	6	21	50	101	160	208	236	250	255	258

Appendix 5 – Summary – Core Scenario* (target 25,000 merchants, faster growth)

Year end 31 March	2014A	2015A	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F
Merchants											
Opening Balance	NA	158	996	3,668	10,215	18,617	23,164	24,510	24,826	24,896	24,911
Additions	NA	838	2,685	6,608	8,543	4,756	1,583	561	317	262	252
Churn	NA	-	(13)	(62)	(141)	(209)	(237)	(245)	(247)	(247)	(247)
Closing Balance	158	996	3,668	10,215	18,617	23,164	24,510	24,826	24,896	24,911	24,916
Income Statement (\$m)											
Revenue	0.3	4.9	17.5	47.0	100.9	145.6	162.7	167.1	168.2	168.4	168.4
Cost to Serve (CTS)	(0.1)	(3.2)	(8.4)	(20.2)	(41.8)	(59.7)	(66.5)	(68.3)	(68.7)	(68.8)	(68.8)
Cost to Acquire (CAC)	(0.6)	(2.8)	(9.5)	(31.1)	(55.4)	(31.4)	(10.4)	(4.6)	(2.6)	(2.9)	(2.8)
Research & Dev.	(0.3)	(2.4)	(4.3)	(6.8)	(7.6)	(6.7)	(5.5)	(5.1)	(5.2)	(5.2)	(5.2)
Administration	(0.8)	(3.5)	(4.4)	(7.0)	(7.6)	(8.0)	(8.1)	(8.4)	(8.4)	(8.4)	(8.4)
EBITDA	(1.5)	(7.1)	(9.0)	(18.1)	(11.5)	39.9	72.1	80.8	83.3	83.2	83.3
Dep. & Amortisation	(0.1)	(0.7)	(1.5)	(2.0)	(2.6)	(3.2)	(3.5)	(3.7)	(3.9)	(4.0)	(4.1)
Interest	-	-	0.0	0.1	0.0	0.0	1.6	4.4	7.2	10.3	13.5
Net Profit Before Tax	(1.6)	(7.8)	(10.5)	(20.0)	(14.1)	36.7	70.2	81.4	86.7	89.5	92.7
Tax	-	0.3	-	-	-	-	(15.3)	(22.8)	(24.3)	(25.1)	(26.0)
Other	0.0	(0.1)	-	-	-	-	-	-	-	-	-
Net Profit After Tax	(1.6)	(7.6)	(10.5)	(20.0)	(14.1)	36.7	54.9	58.6	62.4	64.4	66.7
Cashflow Statement (\$m)											
Opening Cash	0.3	2.7	0.3	1.3	-	-	32.6	87.2	144.8	206.4	270.3
Cash Received	0.2	3.5	16.9	43.2	97.1	145.3	164.4	167.0	168.1	168.4	168.4
Cash Paid	(1.5)	(10.3)	(26.1)	(61.5)	(110.3)	(107.3)	(91.4)	(86.5)	(84.9)	(85.2)	(85.1)
Income Tax	-	-	-	-	-	-	(15.3)	(22.8)	(24.3)	(25.1)	(26.0)
Cash from Operations	(1.3)	(6.8)	(9.2)	(18.3)	(13.2)	38.0	57.7	57.7	59.0	58.1	57.3
Interest Received	-	0.1	0.0	0.1	0.0	0.0	1.6	4.4	7.2	10.3	13.5
Capitalised Dev Costs	(0.6)	(1.4)	(2.5)	(4.0)	(4.5)	(3.9)	(3.2)	(3.0)	(3.0)	(3.0)	(3.0)
Plant & Equipment	(0.1)	(0.6)	(0.8)	(1.0)	(1.3)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Purchase of RTR	-	(3.6)	-	-	-	-	-	-	-	-	-
Other	0.0	(0.1)	-	-	-	-	-	-	-	-	-
Cash from Investing	(0.7)	(5.6)	(3.2)	(4.9)	(5.7)	(5.4)	(3.1)	(0.2)	2.7	5.8	9.0
Share Capital	4.4	10.0	13.5	21.9	18.9	-	-	-	-	-	-
Cash from Financing	4.4	10.0	13.5	21.9	18.9	-	-	-	-	-	-
Net Cash flow	2.4	(2.4)	1.0	(1.3)	-	32.6	54.6	57.5	61.7	63.9	66.3
Closing Cash	2.7	0.3	1.3	-	-	32.6	87.2	144.8	206.4	270.3	336.7
Balance Sheet (\$m)											
Cash	2.7	0.3	1.4	0.1	0.1	32.7	87.3	144.9	206.5	270.4	336.7
Receivables	0.2	2.3	2.9	6.7	10.6	10.9	9.2	9.3	9.4	9.4	9.4
Intangible Assets	0.8	3.9	5.7	8.7	11.9	14.1	15.3	16.1	16.7	17.3	17.7
Plant & Equipment	0.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Assets	3.8	9.5	13.0	18.5	25.5	60.7	114.8	173.3	235.6	300.1	366.8
Payables	0.4	2.5	2.9	6.5	8.6	7.1	6.3	6.2	6.1	6.1	6.1
Other	3.7	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Liabilities	4.0	2.7	3.1	6.7	8.8	7.3	6.5	6.3	6.3	6.3	6.3
Net Assets	(0.2)	6.9	9.9	11.8	16.7	53.4	108.3	166.9	229.3	293.7	360.5
Share Capital	1.9	16.4	29.9	51.8	70.8	70.8	70.8	70.8	70.8	70.8	70.8
Accumulated Losses	0.1	(9.7)	(20.2)	(40.2)	(54.2)	(17.5)	37.4	96.0	158.4	222.8	289.6
Total Equity	(0.2)	6.9	9.9	11.8	16.7	53.4	108.3	166.9	229.3	293.7	360.5
Key Metrics											
EBITDA Margin (%)	(469%)	(144%)	(51%)	(39%)	(11%)	27%	44%	48%	50%	49%	49%
Avg. MoM (%)	NA	17%	11%	9%	5%	2%	0%	0%	0%	0%	0%
Annual Growth (%)	NA	530%	268%	178%	82%	24%	6%	1%	0%	0%	0%
ARPM (NZ \$)	175	491	511	530	550	550	550	550	550	550	550
CAC Months of ARPM	NA	7	7	9	12	12	12	15	15	20	20
ACMR (NZ \$m)	NA	6	22	65	123	153	162	164	164	164	164

Appendix 6 – Summary – Upper Scenario* (target 40,000 merchants, faster growth)

Year end 31 March	2014A	2015A	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F
Merchants											
Opening Balance	NA	158	996	4,000	10,695	20,473	29,520	34,854	37,177	38,052	38,361
Additions	NA	838	3,023	6,773	9,939	9,305	5,666	2,694	1,260	700	502
Churn	NA	-	(19)	(78)	(161)	(258)	(332)	(370)	(386)	(391)	(393)
Closing Balance	158	996	4,000	10,695	20,473	29,520	34,854	37,177	38,052	38,361	38,469
Income Statement (\$m)											
Revenue	0.3	4.9	18.1	49.8	107.1	173.1	220.0	243.5	253.0	256.4	257.6
Cost to Serve (CTS)	(0.1)	(3.2)	(8.7)	(21.3)	(44.2)	(70.6)	(89.4)	(98.8)	(102.6)	(104.0)	(104.5)
Cost to Acquire (CAC)	(0.6)	(2.8)	(10.7)	(31.8)	(64.6)	(61.4)	(37.4)	(22.2)	(10.4)	(7.7)	(5.5)
Research & Dev.	(0.3)	(2.4)	(4.5)	(7.2)	(8.1)	(8.0)	(7.5)	(7.5)	(7.8)	(8.0)	(8.0)
Administration	(0.8)	(3.5)	(4.5)	(7.5)	(8.0)	(9.5)	(11.0)	(12.2)	(12.6)	(12.8)	(12.9)
EBITDA	(1.5)	(7.1)	(10.2)	(18.0)	(17.8)	23.5	74.7	102.8	119.5	124.0	126.8
Dep. & Amortisation	(0.1)	(0.7)	(1.5)	(2.0)	(2.7)	(3.3)	(3.8)	(4.2)	(4.6)	(4.8)	(5.1)
Interest	-	-	0.0	0.0	-	-	0.8	3.8	7.3	11.6	16.3
Net Profit Before Tax	(1.6)	(7.8)	(11.7)	(20.0)	(20.5)	20.2	71.7	102.3	122.3	130.8	138.0
Tax	-	0.3	-	-	-	-	(8.9)	(28.7)	(34.2)	(36.6)	(38.6)
Other	0.0	(0.1)	-	-	-	-	-	-	-	-	-
Net Profit After Tax	(1.6)	(7.6)	(11.7)	(20.0)	(20.5)	20.2	62.7	73.7	88.1	94.2	99.3
Cashflow Statement (\$m)											
Opening Cash	0.3	2.7	0.3	0.1	-	-	15.5	76.2	147.0	232.8	325.5
Cash Received	0.2	3.5	17.3	46.0	102.5	170.9	220.8	242.7	252.7	256.3	257.6
Cash Paid	(1.5)	(10.3)	(27.6)	(64.4)	(121.0)	(149.2)	(146.1)	(141.1)	(133.8)	(132.5)	(130.9)
Income Tax	-	-	-	-	-	-	(8.9)	(28.7)	(34.2)	(36.6)	(38.6)
Cash from Operations	(1.3)	(6.8)	(10.3)	(18.4)	(18.5)	21.7	65.8	72.9	84.6	87.2	88.0
Interest Received	-	0.1	0.0	0.0	-	-	0.8	3.8	7.3	11.6	16.3
Capitalised Dev Costs	(0.6)	(1.4)	(2.6)	(4.2)	(4.8)	(4.7)	(4.4)	(4.4)	(4.6)	(4.7)	(4.7)
Plant & Equipment	(0.1)	(0.6)	(0.8)	(1.0)	(1.3)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Purchase of RTR	-	(3.6)	-	-	-	-	-	-	-	-	-
Other	0.0	(0.1)	-	-	-	-	-	-	-	-	-
Cash from Investing	(0.7)	(5.6)	(3.4)	(5.2)	(6.0)	(6.2)	(5.1)	(2.1)	1.2	5.5	10.1
Share Capital	4.4	10.0	13.5	23.6	24.5	-	-	-	-	-	-
Cash from Financing	4.4	10.0	13.5	23.6	24.5	-	-	-	-	-	-
Net Cash flow	2.4	(2.4)	(0.2)	(0.1)	-	15.5	60.7	70.8	85.8	92.7	98.1
Closing Cash	2.7	0.3	0.1	-	-	15.5	76.2	147.0	232.8	325.5	423.6
Balance Sheet (\$m)											
Cash	2.7	0.3	0.1	0.1	0.1	15.6	76.2	147.0	232.9	325.6	423.7
Receivables	0.2	2.3	3.2	7.0	11.6	13.8	13.0	13.9	14.2	14.3	14.3
Intangible Assets	0.8	3.9	5.8	9.0	12.4	15.3	17.3	19.0	20.6	21.9	23.0
Plant & Equipment	0.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Assets	3.8	9.5	12.1	19.1	27.1	47.7	109.6	182.9	270.6	364.8	464.0
Payables	0.4	2.5	3.2	6.7	10.6	11.0	10.2	9.9	9.5	9.5	9.4
Other	3.7	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Liabilities	4.0	2.7	3.4	6.9	10.8	11.2	10.4	10.0	9.7	9.7	9.6
Net Assets	(0.2)	6.9	8.7	12.3	16.3	36.5	99.2	172.9	260.9	355.1	454.4
Share Capital	1.9	16.4	29.9	53.5	78.0	78.0	78.0	78.0	78.0	78.0	78.0
Accumulated Losses	0.1	(9.7)	(21.3)	(41.4)	(61.9)	(41.7)	21.1	94.7	182.8	277.0	376.3
Total Equity	(0.2)	6.9	8.7	12.3	16.3	36.5	99.2	172.9	260.9	355.1	454.4
Key Metrics											
EBITDA Margin (%)	(469%)	(144%)	(56%)	(36%)	(17%)	14%	34%	42%	47%	48%	49%
Avg. MoM (%)	NA	17%	12%	9%	6%	3%	1%	1%	0%	0%	0%
Annual Growth (%)	NA	530%	302%	167%	91%	44%	18%	7%	2%	1%	0%
ARPM (NZ \$)	175	491	511	530	550	550	550	550	550	550	550
CAC Months of ARPM	NA	7	7	9	12	12	12	15	15	20	20
ACMR (NZ \$m)	NA	6	25	68	135	195	230	245	251	253	254

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