

Pushpay Holdings Limited

Pushpay exceeds growth targets

Pushpay keeps its promises... Pushpay continues 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% merchant growth, and exceeded this by 31%. Updated guidance is for 100% merchant growth in the six months, to 30 September 2015.

Company Overview

Founded in Auckland in 2011, 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 and Enterprises. Pushpay operates a Software as a Service business model, where the Company's current focus is within the US Faith Sector.

Target Price

Based on updated merchant numbers and the guidance provided, we are providing an upwards revision of our 12 month target price to \$4.44 per share.

Since the Last Report

- Share price has increased by 42%, with increased liquidity.
- Pushpay achieved 66% merchant growth in three months, out-performing guidance by 31%.
- Cornerstone investors, Christopher & Banks Private Equity provided Pushpay with NZ\$4m of standby funding, a commitment that not only helps fund growth but shows belief both in terms of performance to date and the opportunity that exists.
- The Company has provided guidance of doubling merchant numbers to 2,000 merchants in the next six months. Updating our core scenario with this information our valuation now has Pushpay exceeding 3,100 merchants by the end of FY2016, ultimately targeting ~25,000 merchants by end of FY2024.
- Pushpay has signalled a near term capital raise of NZ\$13.8m. This is over and above the capital requirements included in our Core Scenario, suggesting an intention to further accelerate growth which would uplift the 12 month target price towards \$5.00.
- Pushpay has signalled a move from the NZAX and a listing on NZX Main Board post capital raise. As noted in our previous report, the capital raise and the move to the NZX Main Board was expected – these earlier moves are a positive sign in Pushpay's growth story.
- At the time of moving to the NZX Main Board Pushpay is expected to have a market capitalisation of ~NZ\$245m, which will place it just outside of the NZX50 in terms of size.

Market Data

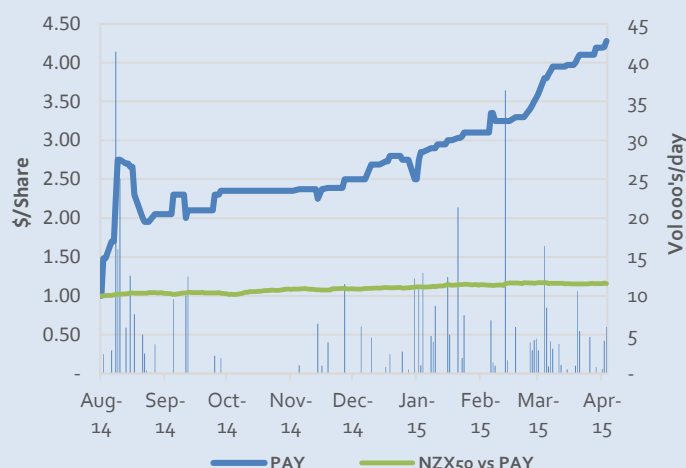
NZX Code		PAY
Share Price	NZ \$	4.55
34 Week Change	%	355%
Market Capitalisation	NZ \$m	228

Target Information (as at 24th March 2015)

12 Month Target Price	NZ \$	4.44
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Target Information Sensitivities	Growth	
	Base	Faster
Base CAC Costs	NZ \$ 4.44	4.67
Reduced CAC Costs	NZ \$ 4.53	4.81

Share Price Performance



Contact

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<http://clarecapital.co.nz/pushpay-equity-research/>

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

Thoughts on share price: Our 12 month target price has been revised upwards to \$4.44 per share which is in-line with the current share price. However, if Pushpay continues their pattern of exceeding guidance, further upwards revision is likely, north of \$5.00 is possible.

Financial Summaries

Note: Pushpay have moved to reporting ARPM and revenue including interchange fees on behalf of third parties, such as Visa or Mastercard. For this update we have reported results (i.e. revenue, ARPM and ACMR) on a net basis in line with the Company's most recently release financial statements. Further updates will match the Company's most recently reported financial statements.

Figure 1. Summary Core Scenario – Expected Growth Profile

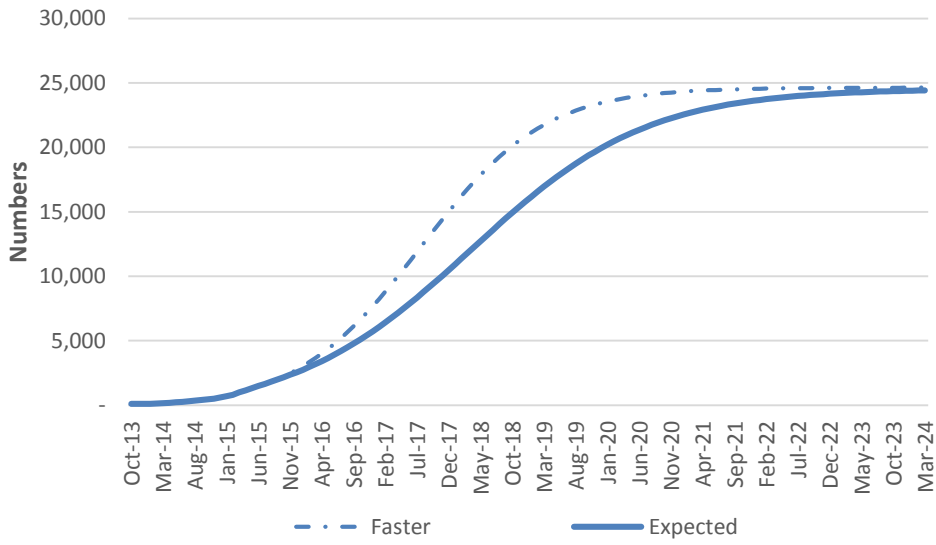
Year end 31 March	2014A	2015E	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F
Income Statement (\$m)											
Revenue (Net)	0.3	4.5	10.9	22.5	42.1	65.8	84.8	96.8	102.9	105.7	106.9
Cost to Serve (CTS)	(0.5)	(3.6)	(5.1)	(8.9)	(14.6)	(21.6)	(26.5)	(30.2)	(30.6)	(31.4)	(31.7)
Cost to Acquire (CAC)	(0.3)	(2.6)	(7.0)	(12.5)	(18.9)	(18.5)	(13.8)	(8.9)	(6.5)	(4.7)	(3.0)
Research & Dev.	(0.3)	(1.0)	(1.1)	(1.6)	(2.1)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)	(2.6)
Administration	(0.8)	(3.0)	(2.9)	(3.0)	(3.4)	(3.9)	(4.9)	(5.2)	(5.2)	(5.2)	(5.2)
EBITDA	(1.5)	(5.6)	(5.1)	(3.5)	3.0	19.4	37.2	50.1	58.2	61.8	64.4
Dep. & Amortisation	(0.1)	(0.9)	(1.3)	(1.3)	(1.4)	(1.6)	(1.8)	(1.9)	(2.1)	(2.2)	(2.3)
EBIT	(1.6)	(6.5)	(6.4)	(4.8)	1.6	17.8	35.5	48.2	56.1	59.7	62.1
Interest	-	0.1	0.1	-	-	-	0.3	1.6	3.3	5.4	7.7
Net Profit Before Tax	(1.6)	(6.4)	(6.3)	(4.8)	1.6	17.8	35.8	49.7	59.4	65.1	69.9
Tax	-	-	-	-	-	(0.5)	(10.0)	(13.9)	(16.6)	(18.2)	(19.6)
Net Profit After Tax	(1.6)	(6.4)	(6.3)	(4.8)	1.6	17.2	25.8	35.8	42.8	46.9	50.3
Key Metrics											
EBITDA Margin (%)	(459%)	(125%)	(47%)	(16%)	7%	29%	44%	52%	57%	59%	60%
NPAT Margin (%)	(489%)	(142%)	(58%)	(21%)	4%	26%	30%	37%	42%	44%	47%
Church Numbers	158	996	3,186	6,786	11,829	16,969	20,711	22,804	23,802	24,240	24,425
Avg. MoM (%)	NA	17%	10%	7%	5%	3%	2%	1%	0%	0%	0%
Annual Growth (%)	NA	530%	220%	113%	74%	43%	22%	10%	4%	2%	1%
ARPM (Net) (\$)	175	284	297	322	346	350	350	350	350	350	350
CTS/Church (\$)	(500)	(375)	(125)	(115)	(110)	(110)	(105)	(105)	(100)	(100)	(100)
CAC Months of ARPM	9	12	11	11	11	10	10	11	15	20	20
ACMR (Net) (\$m)	0	3	11	26	49	71	87	96	100	102	103

Figure 2. Summary Core Scenario – Faster Growth Profile

Year end 31 March	2014A	2015E	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F
Income Statement (\$m)											
Revenue (Net)	0.3	4.5	11.4	28.2	58.3	87.2	101.1	106.1	107.5	107.9	108.0
Cost to Serve (CTS)	(0.5)	(3.6)	(5.3)	(11.0)	(19.9)	(28.4)	(31.4)	(32.9)	(31.9)	(32.0)	(32.0)
Cost to Acquire (CAC)	(0.3)	(2.6)	(8.5)	(19.9)	(27.7)	(18.0)	(7.8)	(3.4)	(2.2)	(2.1)	(1.8)
Research & Dev.	(0.3)	(1.0)	(1.1)	(2.0)	(2.9)	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)
Administration	(0.8)	(3.0)	(2.9)	(3.4)	(4.4)	(4.9)	(5.7)	(5.9)	(5.9)	(5.9)	(5.9)
EBITDA	(1.5)	(5.6)	(6.5)	(8.1)	3.4	32.4	52.7	60.4	64.0	64.5	64.8
Dep. & Amortisation	(0.1)	(0.9)	(1.3)	(1.3)	(1.6)	(1.9)	(2.2)	(2.5)	(2.7)	(2.9)	(3.0)
EBIT	(1.6)	(6.5)	(7.7)	(9.4)	1.8	30.5	50.5	58.0	61.4	61.6	61.8
Interest	-	0.1	0.1	-	-	-	0.5	2.2	4.3	6.6	9.1
Net Profit Before Tax	(1.6)	(6.4)	(7.6)	(9.4)	1.8	30.5	51.0	60.2	65.7	68.3	70.9
Tax	-	-	-	-	-	(2.5)	(14.3)	(16.9)	(18.4)	(19.1)	(19.9)
Net Profit After Tax	(1.6)	(6.4)	(7.6)	(9.4)	1.8	28.0	36.7	43.3	47.3	49.2	51.0
Key Metrics											
EBITDA Margin (%)	(459%)	(125%)	(57%)	(29%)	6%	37%	52%	57%	60%	60%	60%
NPAT Margin (%)	(489%)	(142%)	(67%)	(33%)	3%	32%	36%	41%	44%	46%	47%
Church Numbers	158	996	3,662	9,405	16,786	21,749	23,756	24,387	24,568	24,620	24,633
Avg. MoM (%)	NA	17%	11%	8%	5%	2%	1%	0%	0%	0%	0%
Annual Growth (%)	NA	530%	268%	157%	78%	30%	9%	3%	1%	0%	0%
ARPM (Net) (\$)	175	284	297	322	346	350	350	350	350	350	350
CTS/Church (\$)	(500)	(375)	(125)	(115)	(110)	(110)	(105)	(105)	(100)	(100)	(100)
CAC Months of ARPM	9	12	11	11	11	10	10	11	15	20	20
ACMR (Net) (\$m)	0	3	13	36	70	91	100	102	103	103	103

Growth Profiles

Figure 3. Church Numbers Growth Profiles (Core Scenario)



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