19 August 2024

Issue of Share Performance Rights, and Capital Management

Smartpay Holdings Limited (Smartpay) advises that it has issued 5,024,541 share performance rights to selected members of its executive and management teams pursuant to its Long Term Incentive Plan (LTI). The share performance rights give the holder options to acquire ordinary shares in Smartpay, which may be exercised if the performance rights vest. The vesting period for the share performance rights is 1 April 2024 to 31 March 2027 and vesting of the share performance rights is subject to Smartpay meeting certain annual revenue and EBITDA per share hurdles.

Smartpay also advises that it intends to undertake a share buyback programme to acquire shares to assist in meeting its obligation in relation to any vested share performance rights.

The attached information is supplied pursuant to NZX Listing Rules 3.13.1 and 4.14.1(a).

Issue of Share Performance Rights to the Managing Director

Martyn Pomeroy was appointed by the Board as Managing Director on 1 September 2020. The Board has negotiated a remuneration package with Martyn that includes a long-term incentive (LTI) component comprising the issue of share performance rights (SPRs) as described below. The LTI component of the remuneration is designed to ensure the retention of Martyn Pomeroy as Managing Director and create value for shareholders. The key terms of Martyn's issue of SPRs are set out below:

(a) each SPR represents a right to receive one Smartpay ordinary share, subject to vesting conditions and performance hurdles. Each ordinary share will rank equally with all other ordinary shares in Smartpay;

(b) the LTI will run for three financial years commencing with the current financial year ending 31 March 2025;

(c) under the LTI Martyn will be granted NZD$5.1 million of SPRs calculated at the 20-day VWAP of the Company's shares on the NZX on the 29th March 2024. The 20-day VWAP as at that date was NZD$1.489505 resulting in a total award of 3,422,820 SPRs in aggregate;

(d) one-third of the SPRs will be allocated to each financial year and therefore Martyn will receive an annual award of 1,140,940 SPRs for each of the financial years ending 31 March 2025, 31 March 2026 and 31 March 2027;

(e) the SPRs will conditionally vest annually based 50/50 on two performance hurdles, being (i) EBITDA Per Share and (ii) Revenue. EBITDA Per Share will be the EBITDA recorded in the audited consolidated financial statements of the Smartpay group for the applicable financial year (adjusted, as determined by the Board, to reflect accounting policy changes or extraordinary circumstances with a significant impact e.g. impairments, revaluations, restructuring activities), divided by the number of shares on issue as at the last day in that financial year. Revenue will be the gross revenue recorded in the audited consolidated financial statements of the Smartpay group for the applicable financial year (adjusted, as determined by the Board, to reflect accounting policy changes or extraordinary circumstances). Each performance hurdle has an annual award of 570,470 SPRs;

(f) The performance hurdles for each financial year (before any applicable adjustment) are as follows:

Financial Year	EBITDA Per Share Performance Hurdle*	Revenue Performance Hurdle
FY ending 31 March 2025	$0.10	$130,682,000
FY ending 31 March 2026	$0.17	$173,719,000
FY ending 31 March 2027	$0.25	$226,755,000

** based on the current shares on issue (being 242,113,395 shares), the EBITDA Per Share Performance Hurdle equates to an EBITDA of approximately $24.7 million in the year ending 31 March 2025, $40.1 million in the year ending 31 March 2026 and $60.1 million in the year ending 31 March 2027.*

(g) If a performance hurdle is met or exceeded for any applicable financial year then the grant of SPRs relevant to that performance hurdle will conditionally vest;

(h) if the EBITDA Per Share for the year ending 31 March 2025 or 31 March 2026 is 95% or more of the EBITDA Per Share performance hurdle for that year, but is less than 100% of the applicable EBITDA Per Share performance hurdle, then 50% of the SPRs for the EBITDA Per Share performance hurdle for that financial year will conditionally vest;

(i) any SPRs which do not conditionally vest as set out in (g) or (h) above shall roll over, and be added to, the tranche of SPRs for the applicable performance hurdle in the immediately following financial year, provided that any SPRs which do not conditionally vest in connection with the financial year ending 31 March 2027 shall automatically lapse and be cancelled;

(j) subject to limited exceptions referred to in (l) and (m) below, all of the SPRs are subject to the overriding vesting condition that Martyn remain employed as Managing Director of the Smartpay Group as at 31 March 2027;

(k) Martyn will receive one fully paid ordinary share in Smartpay for each fully vested SPR (plus any additional shares to ensure that he is protected from any dividend payments made during the vesting period). The ordinary shares will be issued to Martyn 10 business days after the date on which the Smartpay group's audited consolidated financial statements for the financial year ending 31 March 2027 are signed by the Board (the Exercise Date);

(l) all unvested SPRs will vest (and Martyn will receive one fully paid ordinary share for each such SPR) if there is a takeover offer for all shares in Smartpay before the Exercise Date and the offer becomes unconditional;

(m) if Martyn's employment with the Company is terminated by the Company prior to the Exercise Date and he is a 'good leaver' then all SPRs which have conditionally vested at that time will vest and he will receive the relevant number of fully paid ordinary shares in the Company. All other SPRs will lapse on cessation of employment;

(n) the Board retains the ability to make adjustment to one or more of the performance hurdles to take account of any adverse impacts on the revenue or EBITDA of the Smartpay group resulting from any pandemic or similar;

(o) the terms of the SPRs (including the performance hurdles) may be adjusted by the Board (subject to obtaining any necessary approvals from NZX or approval from shareholders) to take account of events such as a rights issue, share buy-back, consolidation, amalgamation, acquisitions, disposals, etc.;

(p) if the Company makes any bonus issue of shares prior to the Exercise Date (as defined below), then Martyn will be entitled to receive an additional number of shares (as determined by the Board) on exercise of any vested SPRs to put him in the same position as he would have been had he held those shares at the time of the bonus issue;

General

The balance of the SPRs referred to in this notice have been issued to other select members of Smartpay's executive and management teams. The terms of the SPRs issued to other executives and members of the senior management teams are identical to those summarised above. The issue of the SPRs is not expected to have a material dilutionary effect on the shareholdings of existing shareholders. This is because the number of ordinary shares that would be issued if 100% of the SPRs were to vest (being 5,024,541 ordinary shares, plus any additional ordinary shares to ensure dividend protection) is relatively small when compared to Smartpay's current issued share capital of 242,113,395 shares. The total number of SPRs represents just over 2% of Smartpay's current issued share capital. The dilutionary impact is likely to be reduced further as a result of any shares acquired under the share buyback programme referred to below.

In issuing the SPRs the Board has continued to engage a high-calibre executive and senior management team who have the experience and energy to continue to drive the business forward.

Share Buyback

In conjunction with the issue of the SPRs, Smartpay advises of its intention to make selective on-market purchases of up to 5,024,541 ordinary Smartpay shares pursuant to NZX Listing Rule 4.14.1(a). The primary purpose of the share buyback is to enable Smartpay to meet its obligation to issue shares in connection with any vested SPRs, whilst minimising the dilutionary impact of such issue on Smartpay's shareholders. The Smartpay Board considers that the share buyback is an appropriate use of Smartpay's available funds in light of the current Smartpay share price.

Pursuant to NZX Listing Rule 4.14.2, buybacks may take place on and from the date falling three business days after the date of this notice, up to the date falling 12 months after the date of this notice. The maximum number of shares to be acquired under the share buyback programme is 5,024,541 ordinary shares in Smartpay. The number of shares purchased under the programme from time to time will be notified to the NZX and ASX. Shares acquired under the buyback programme will not be cancelled but will be held in treasury in order to meet future obligations with respect to the SPRs.

Approved for release by the Board

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ENDS

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