

13 June 2019

Pushpay Holdings Ltd (PPH)

The company will hold its Annual Shareholders Meeting **2.00pm Wednesday 19 June 2019**.

The location is the **Conference Centre, Level 2, 167 Victoria Street West, Auckland**.

The company was co-founded by Christopher Heaslip and Eliot Crowther in 2011 and listed on the NZX in August 2014. It provides a donor management system, including donor tools, finance tools and a custom community app, to the faith sector, non-profit organisations and education providers in the US, Canada, Australia and New Zealand.

Growth has been spectacular over the past few years with revenue of US\$1.3 million in FY15 climbing to US\$98.4 million in FY19.

The company has been able to build a strong customer base of 7649 mostly church organisations who look to collect regular contributions from their followers. The amount collected was US\$4.2 Billion up from US\$3.0 Billion in FY18 (up 40%) and revenues reflected this with a 40% increase on the previous year.

Further good news for shareholders was EBITDAF at US1.6 million from a loss of \$18.6 million in FY18 and NPAT of US\$18.8 million from a loss of \$US23.3 million. However this year's profit figure came about as a result of the company moving to recognise a deferred tax asset of \$US20.9 million. Staff headcount is 389 up from 350 so with revenues up 40% it appears that the company doesn't have to add significant additional staff cost to achieve revenue growth, a good sign.

As with all companies and particularly tech companies the secret is to stay ahead of the competition or would be competitors by retaining existing customers, adding new customers and ensuring the product range is leading edge and offers best value for money.

Only time will tell if PPH can achieve this.

Board Composition

There have been a significant number of changes both across and within the management and board teams over the past year. Co-founder and former Director and shareholder Eliot Crowther exited the company as a Director and shareholder in June 2018.

Chris Heaslip resigned as CEO at 31st May 2019 but remains a Non-Executive Director. Bruce Gordon, the former Independent Chairman took on the CEO role as well as being an Executive Director. The Association is generally not in favour of CEOs also serving on the Board. It muddies the separation between the governance and management roles and prevents a clear delineation of a Board directing a CEO as regards carrying out its policy and strategy. In this instance, the fact that the CEO and Executive Director is the former Chairman brings with it increased risk that the CEO will have undue influence on the board.

Graham Shaw, formerly an Independent Director replaced Bruce Gordon as an Independent Chairman.

So, the Board consists of an Independent Chairman, a CEO who is also an Executive Director, an Independent Director, and two Non-Independent Non-Executive Directors by way of their shareholdings in the company.

With five Directors plus an Alternate and with 98% of the business in North America it appears that the Board will seek to add more Directors probably based where the bulk of the business is. We note there is a resolution to increase the Director Fee Pool which we comment on below. We have discussed it with the company.

The Board has no female directors. We would suggest the Board should look at appointing one or more appropriately skilled women to bring diversity to the Board table.

The Board has the appropriate skill sets with one of the co-founders as a Director and several of other Directors having backgrounds in related businesses plus accounting and finance backgrounds.

Resolutions

1. To amend the Constitution to comply with the new NZX Listing Rules.

The NZX Listing Rules were amended as at 1st January 2019. This resolution seeks shareholder approval to amend the current Constitution to comply with the new Rules. The details are set out in the Notice of Meeting.

We will vote undirected proxies **IN FAVOUR** of this resolution.

2. To re-elect Christopher Heaslip as a Non-Independent Non-Executive Director.

Christopher Heaslip was a co-founded of the company. His biography is set out in the Notice of Meeting.

We will vote undirected proxies **IN FAVOUR** of this resolution.

3. To re-elect Graham Shaw as an Independent Director.

Graham Shaw was appointed to the Board in January 2015. His biography is set out in the Notice of Meeting.

We will vote undirected proxies **IN FAVOUR** of this resolution.

4. To elect Peter Huljich as a Non-Independent Director.

Peter Huljich was Alternate Director for Christopher Huljich between 7 November 2018 and 8 May 2019, before being appointed by the Board as a Director on 8 May 2019. As such he is required to retire as a Director and offer himself for election. His biography is set out in the Notice of Meeting.

The Huljich family are significant investors in Pushpay Holdings, so in that sense are aligned with outside investors. However, Peter Huljich was, some years ago, involved in controversial activities while a senior executive of Huljich Wealth Management, a company that he co-founded. The activities lead to Peter Huljich's conviction and fining in late 2011, after pleading guilty to misleading the public with investment statements issued by the company. With this background, even allowing for the passage of time, we have concerns around the appropriateness of this appointment. We also consider that this adverse information should have been disclosed in the notes accompanying the Notice of Meeting, consistent with relevant commentary in the NZX Corporate Governance Code.

We will vote undirected proxies **AGAINST** this resolution.

5. To increase the Directors Fee Pool from US\$450,000 to US\$650,000.

The current Fee pool was approved by the shareholders at the 2015 meeting. Details of the proposed increase are set out in the Notice of Meeting. Although the headroom looks generous it is clear from our discussion with the company that it is required if they are to recruit a director from the USA. The company has undertaken to explain this fully at the meeting.

We will vote undirected proxies **IN FAVOUR** of this resolution.

6. That the Board is authorised to fix the auditor's remuneration for the coming year.

This is an administrative resolution.

We will vote undirected proxies **IN FAVOUR** of this resolution.

Proxies

You can vote online or appoint a proxy at <http://vote.linkmarketservices.com/PPH/>

Instructions are on the Proxy/voting paper sent to you.

Voting and proxy appointments close **2.00pm Monday 17 June 2019**

Please note you can appoint the Association as your proxy. We will have a representative at the meeting.

STANDING PROXIES – Now you can AUTOMATICALLY APPOINT NZSA AS YOUR PROXY FOR SOME OR ALL OF YOUR HOLDINGS WITHOUT THE HASSLE OF FILLING IN INDIVIDUAL FORMS EACH TIME. MAKE YOUR VOTE COUNT! DETAILS ARE IN THE LATEST ISSUE OF THE SCRIP.

IF YOU FIND NZSA PROXY VOTING INTENTION PAPERS HELPFUL, PLEASE SPREAD THE WORD AND ENCOURAGE OTHERS TO JOIN NZSA.

The Team at NZSA