Shareholder Frequently Asked Questions

21 February 2023 (NZT)

Question 1: Can you provide more detail on the process that resulted in the Non-Conflicted Directors' decision to recommend the Scheme?

In early 2022, Pushpay received a number of unsolicited, non-binding conditional expressions of interest from third parties interested in acquiring the company. Pushpay announced the receipt of those expressions of interest to the market on 26 April 2022.

In response to the expressions of interest, Pushpay formed an Independent Committee of Directors. The Committee comprised all of Pushpay's independent directors and was chaired by Lorraine Witten. Due to his role as a Senior Adviser to Sixth Street, director John Connolly was not a member of, and did not participate in, the Committee. The Committee appointed Goldman Sachs as financial adviser, Harmos Horton Lusk as New Zealand legal adviser and Shearman & Sterling as US legal adviser. The company also engaged additional external resources to assist it to respond to the expressions of interest, to ensure that management could remain focused on implementing Pushpay's growth strategy.

With the assistance of its financial adviser, the Committee implemented a process designed to explore the potential for a transaction that would be in the best interests of shareholders as a whole, with a view to enhancing shareholder value. Following the 26 April 2022 announcement, Pushpay received further unsolicited interest from third parties and proactively approached various other parties which had been identified as potentially having an interest in a transaction involving Pushpay.

In addition to the members of the Sixth Street and BGH consortium, the company signed non-disclosure agreements with over a dozen third parties, including both financial sponsors (e.g., private equity firms) and strategic participants. Based on engagement with those parties (including an assessment of their level of interest, proposed pricing, proposed conditions and execution risks), the Committee selected a small group to undertake detailed due diligence on Pushpay.

In considering the options resulting from the process, including the possibility of continuing to implement Pushpay's growth strategy as a publicly listed company, your Non-Conflicted Directors adopted a long-term view of the risks and rewards of various alternatives. As part of this, the Board obtained confidential valuation advice from its financial adviser and, separately, obtained confidential valuation advice from an external valuation firm. After a thorough assessment, on 28 October 2022, the Board concluded that the Scheme represented the most compelling risk adjusted value for shareholders. It provides shareholders with an opportunity to accelerate a capital return, while also mitigating the risks and uncertainties that are otherwise involved in delivering the opportunities from executing Pushpay's strategic plan over time (as summarised in Section 5.6(e) of the Scheme Booklet).

Since the announcement of the Scheme on 28 October 2022 to the date of this letter, no superior proposal has emerged. Your Non-Conflicted Directors do not believe that a superior proposal is likely to emerge, including for the reasons set out in Section 5.6(h) of the Scheme Booklet.

Question 2: Why did the Non-Conflicted Directors recommend that shareholders vote in favour of the Scheme when the Scheme price is near the low end of the Independent Adviser's valuation range?

The key factor that influences the Independent Adviser's valuation range for Pushpay is Pushpay's forecast earnings for the financial years ending 31 March 2022 to 31 March 2027. The internal forecasts that were provided to the Independent Adviser are a good faith estimate of Pushpay's plan for medium-term performance.

As with any set of forecasts, there is a wide range of potential outcomes. Pushpay is currently executing on its strategic growth plan, including a reset of its sales and marketing strategy and team, as well as significant investment in new customer segments, including its Catholic segment expansion. These initiatives represent a significant opportunity, but several of these initiatives are at a relatively early stage and there are uncertainties as to timing, investment and resulting earnings growth. Pushpay has recently confirmed that it is on track to meet its revised revenue and earnings guidance for the financial year ending 31 March 2023. However, the downwards revision of that guidance in October 2022 and the delay of our medium-term growth outlook have highlighted that the operational risks and external economic and general market risks identified in Section 5.6(e) of the Scheme Booklet are some of the challenges that may affect Pushpay's ability to achieve its medium-term forecasts.

The Non-Conflicted Directors considered these factors and applied a range of their own sensitivities and scenarios to potential earnings estimates when assessing options resulting from the process described in Question 1 above, including the possibility of remaining a publicly listed company. The Non-Conflicted Directors concluded that the Scheme represents the most compelling risk adjusted value for shareholders. The Scheme consideration of NZ$1.34 per share provides you with certainty of value for your Pushpay shares in cash (if the Scheme is implemented) and an opportunity to mitigate the risks that are otherwise involved in delivering the opportunities from executing Pushpay's strategic plan over time. If the Scheme is implemented, you will no longer be subject to the business risks, investment and other risks associated with an investment in Pushpay shares. The Non-Conflicted Director's considered that it was appropriate to recommend the Scheme where the Scheme consideration price is within its own assessment of the range of the company's value, which was broadly consistent with external valuation advice received, and the value assessed by the Independent Adviser.

While the Non-Conflicted Directors are unable to predict the price at which Pushpay shares will trade in the future, the Non-Conflicted Directors believe that if the Scheme is not implemented, and in the absence of a superior offer, the Pushpay share price will likely fall to a price below the consideration of NZ$1.34 per Pushpay share that is being offered by the Bidder.

Question 3: How does the exchange rate affect the Independent Adviser's valuation range?

The Independent Adviser valued Pushpay in United States dollars (US$) and then converted that valuation into New Zealand dollars (NZ$) using an exchange rate of NZ$1 = US$0.61 to enable comparison with the Scheme consideration, which is in New Zealand dollars.

The actual NZ$:US$ exchange rate at any point in time may differ from the exchange rate used by the Independent Adviser for valuation purposes. By way of example, at the time of the finalisation of the Scheme Booklet on 27 January 2023 for printing purposes, the exchange rate was NZ$1 = US$0.6506. If that exchange rate is used, NZ$ valuation range implied by the Independent Adviser's US$ valuation of Pushpay, is NZ$1.25 to NZ$1.43 per Pushpay share. This rate is subject to ongoing change. In the period since 9 December 2022 to 3 February 2023, the NZ$:US$ exchange rate has had a 'low' of NZ$1 = US$0.6253 and a 'high' of NZ$ = US$0.6538 and, as at, the date of this letter, the current NZ$:US$ exchange rate is NZ$1 = US$0.6359. The Independent Adviser has said that it is not appropriate to update its valuation for a single input, such as foreign exchange, without considering other key assumptions.

Section 5.2.1 of the Independent Adviser's Report sets out a range of valuation sensitivities, which include the impact of different exchange rates (with all other variables unchanged) on the Independent Adviser's valuation range for Pushpay shares.