

ASX Announcement
31 October 2019

September 2019 Quarterly Update

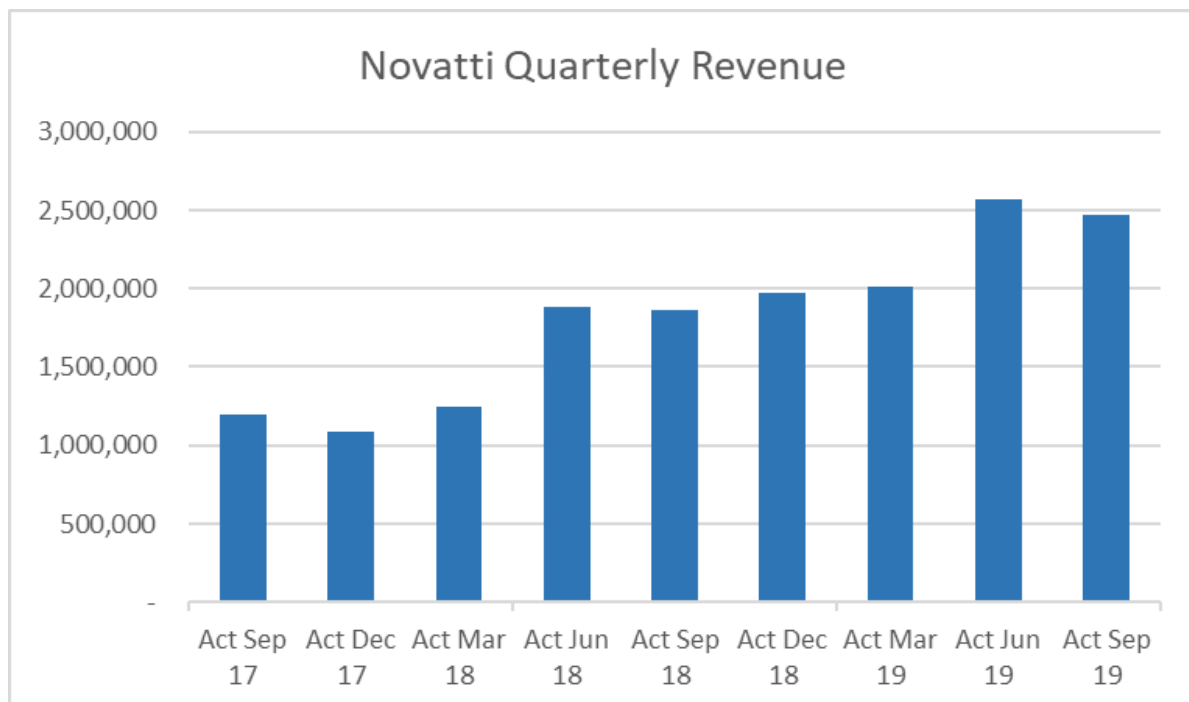
Highlights

- Total revenue of \$2.47m for the September quarter, up 32% from the corresponding quarter last year
- Transaction revenue of \$1.16m showing continued growth, up 31% from the corresponding quarter last year
- Application for Restricted Authorised Deposit Taking Institution (RADI) banking licence ready for final submission and approval by APRA
- Early stage funding received into Novatti's banking subsidiary of \$0.8m
- Cash balance of \$2.5m at end of September quarter, up from \$1.8m at end of June quarter

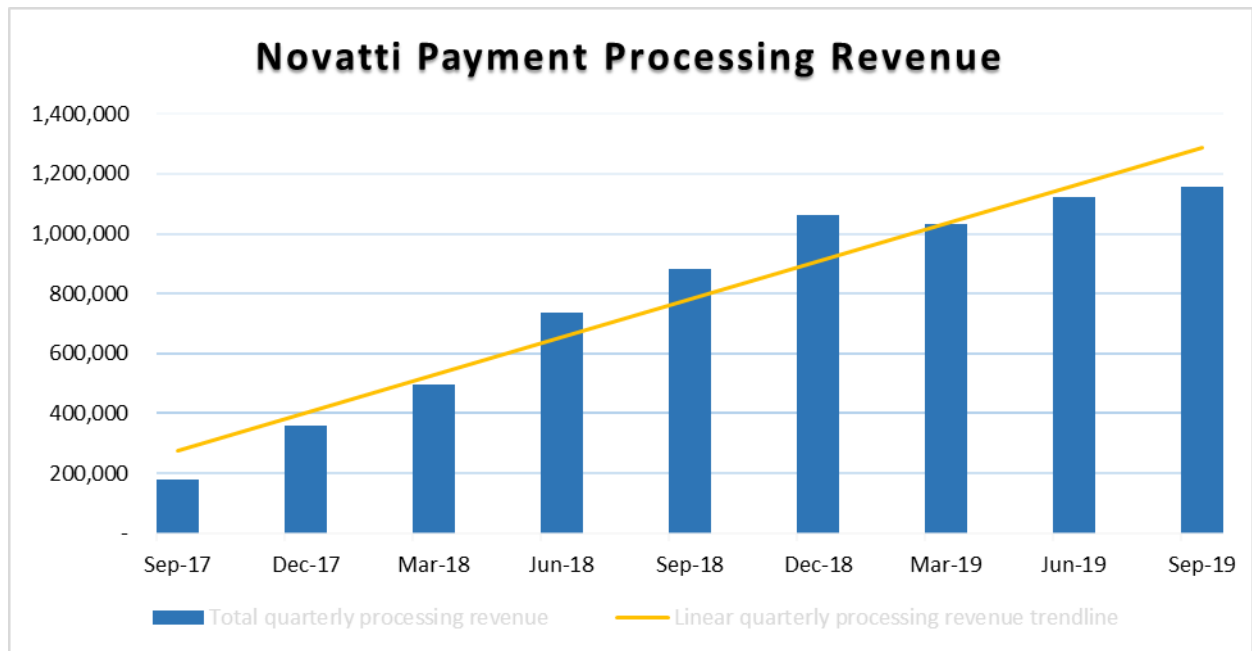
Novatti Group (ASX: NOV or 'the Company'), a payments innovator and processor, is pleased to provide its quarterly update for the three months ended 30 September 2019.

Financial

Total revenue was \$2.47m for the September quarter, up 32% from the corresponding quarter last year, which augurs well for another year of strong growth.



Payment processing revenue grew by 31% to \$1.16m over the corresponding quarter last year. With the ongoing commercialisation of new products and services focussing on large market opportunities, payment processing revenue is expected to continue to grow strongly in FY20.



The Company's balance sheet has \$2.5m in cash and a \$800k debt at the end of the quarter. The debt is a new loan provided to the banking subsidiary of Novatti by a third party lender. Debt at the end of the prior quarter had included a short term loan from a director which has since been repaid. The growth in the Company's cash balance in the September quarter was driven by continued prudent cash management.

New Business Initiatives

Principal Visa Issuer

During the September quarter the company was granted a Principal Issuer Licence ("Visa Issuer") of Visa Worldwide Pty Ltd, a subsidiary of Visa Inc. This marks a milestone in Novatti's growth.

The initial Visa cards issued will be prepaid – a product experiencing rapid growth, with the Australian prepaid card market expected to increase from \$29 billion in 2019 to \$46 billion in 2031.

This initiative demonstrates the continued growth in B2B partnerships and agreements that will continue to drive growth in payment processing revenues in the year ahead.

European E-Money Issuing Licence

Novatti submitted its application for an E-Money Issuing Licence in Lithuania during the quarter with an aim that this be granted by end of Q3 FY20. This will enable Novatti to issue a range of financial products in Europe and extend the range of licences and compliance capabilities within the group.

APRA banking licence

Novatti lodged its initial application to APRA for a Restricted Authorised Deposit-Taking Institution (RADI) or banking licence in November 2018. The focus of such a banking licence is to offer new banking services to Australian customers with a focus on new migrants.

The Application for Restricted Authorised Deposit Taking Institution (RADI) banking licence is now largely finalised with final submission now underway then awaiting final approval from APRA.

In the meantime the Company continues to develop its banking subsidiary with the strategy of sourcing capital from external 3rd party investors directly into the bank. In the September quarter Novatti accepted an initial \$800k loan from an external investor into the banking subsidiary for the provision of working capital. Further announcements on more substantial bank funding initiatives are expected in Q2.

Outlook

FY 2020 promises to be a transformational for Novatti. The Company expects the existing payments processing business to continue to grow strongly driven by new client agreements and volume growth from existing users of our platforms.

If successful, the granting of a restricted banking licence (RADI) from APRA and finalisation of initial funding for the bank will be a major milestone for Novatti. In Europe an E-Money Issuing licence will extend the reach and future growth of the Company.

The Company expects to achieve cash EBITDA operating profitability (excluding the banking subsidiary) on a monthly basis during FY20.

For further information, contact:

Peter Cook
Managing Director
Novatti Group Limited
peter.cook@novatti.com
+61 411 111 153

About Novatti Group Limited (ASX:NOV)

Novatti is an innovative high growth payment services provider. Novatti's transaction processing services include Flexepin, an open-loop cash voucher service, Flexewallet for remittance and compliance services, Chinapayments.com for bill payment services and Vasco Pay a prepaid reloadable Visa card. Novatti subsidiary Flexewallet Pty Ltd holds an Australian Financial Services Licence No 448066 and is registered with AUSTRAC as a Remittance Network Provider. Novatti applied to APRA for a Restricted Authorised Deposit Institution (RADI) licence in November 2018. Novatti's software solutions include Consumer Digital Wallets, Branchless Banking, Mobile Money, Bill Payments, Remittance Services and Voucher Management Systems.

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