

ASX Announcement

02 April 2020

ACQUISITION OF EMERSION EXTENDS CAPABILITIES AND RECURRING REVENUE

Highlights

- Emersion is a leading business process integration platform
- Acquisition extends Novatti's capability offering and strengthens core payments business
- Brings profitable business, with recurring revenue and loyal customer base
- Emersion's revenue base likely to be steady or growing in negative global economic scenarios
- Continued growth during the COVID-19 pandemic as Emersion's customers benefit from automation and cloud hosting of their own billing and payment services
- Potential to continue growth of customer base as drive to cloud based services

Novatti Group Limited (ASX:NOV) (Novatti or Company), a leading digital banking and payments company, will significantly extend its core payments business with the acquisition of Emersion, a leading business process integration and payments platform.

Emerson integrates diverse business applications, such as subscription billing, payments and provisioning, into existing business platforms, such as Customer Relationship Management software. By creating a one-stop-shop application, it drives efficiency in business process, saving customer time and energy.

The quality of its product is highlighted by its partnerships with leading international software platforms, including Salesforce, Xero, and ConnectWise.

Emersion has developed a loyal customer base including utility, telecommunications and managed service provider companies, across Australia, New Zealand and Singapore.

Emersion boasted revenue of more than \$1.7 million in FY2019, with more than 80 per cent of this being recurring. It is cash flow positive and enjoyed an EBITDA for FY2019 of \$300,000, providing a sustainable financial base to integrate into Novatti. Emersion's business has also shown continued growth through the current COVID-19 pandemic with revenue greater than \$500k in Q3 FY20, with 80% recurring, as its customers benefit from automation and cloud hosting of their billing and payments services.

In addition to providing recurring future revenue, the acquisition will benefit Novatti by:

- Generating synergies through a simple bolt-on acquisition.
- Expanding its sales capacity and loyal customer base.
- Strengthening its product capabilities, including by providing multiple payment functions.

- Enhances Novatti's continuing revenue stream resilience to a post COVID-19 world
- Boosting expertise and in-house capabilities with the addition of Emersion's culturally aligned and highly skilled team.

This acquisition continues Novatti's recent growth-focused achievements including:

- Securing the full funding required to launch its new banking subsidiary, with its final application for a restricted banking licence submitted in late 2019.
- Being awarded a Principal Issuer Licence by Visa Worldwide Pty Limited, enabling Novatti to issue Visa cards.
- Achieving record revenue for the December 2019 quarter.
- Gaining access to new revenue and the rental payments market through its partnership with Rent.com.au.

Managing Director of Novatti, Peter Cook said, "Despite challenges within the global economy, Novatti is steadfast in its plan to create long-term value for its shareholders by delivering on its growth-focused strategy. The acquisition of Emersion does this by strengthening Novatti's existing capabilities to digitise payment and subscriber management services, while also expanding its recurring revenue and loyal customer base."

Emersion's Founder and CEO Paul Dundas commented, "Emersion helps businesses Engage with their customers, Integrate Systems and Automate business processes including Signup, Ordering / Provisioning, Billing, Rating Usage all with Embedded Payment. This saves most small businesses at least 40 hours of work every month, making the implementation of Emersion Systems a very compelling return on investment. The combined product offering will empower the broader sales teams to have dynamic weapons to take to market and help businesses automate through Covid-19, ensure they can collect payment, and accelerate their recovery thereafter. Most of our clients have reported continued growth, through the early part of CY2020, as we service essential services business, and all of our clients are benefiting from our as-a-service commercial model."

Under the terms of the agreement for the acquisition, Novatti will acquire the Emersion business and assets as a going concern from Emersion Software Systems Pty Ltd (**Seller**), an Australian proprietary company.

The consideration for the acquisition comprises a \$1 million cash component and a shares component comprising 16,725,000 Novatti fully paid ordinary shares, all of which will be subject to voluntary escrow until 31 March 2021. Based on the closing price of Novatti shares on ASX on the day prior to this announcement, this equates to an enterprise value for the Emersion business of approximately two times Annualised Recurring Revenue.

The \$1 million in cash is payable over monthly instalments of varying amounts until June 2021, with the first payment of \$100,000 due at completion. The share consideration will be issued to the Seller and third party nominees of the Seller (including to holders of outstanding convertible notes in the Seller) in two tranches, the first being 7,493,256 shares at completion

(under the Company's remaining ASX listing rule 7.1 issue capacity) and the balance of 9,231,744 shares following Novatti obtaining shareholder approval for their issue (under listing rule 7.1). The Company will convene a shareholders' meeting as soon as practicable for that purpose. Neither the Seller nor any of the third-party nominees are related to Novatti.

The agreement also includes provisions customary for a transaction of this nature, including clauses for pre-completion undertakings, the employment of Emersion key personnel by the Novatti group from completion, post-completion adjustments and obligations, warranties and representations, confidentiality and non-competition/solicitation.

Completion is conditional upon finalisation of new employment contracts, execution of relevant documentation with the third-party nominees referred to above and there being no material adverse change, among others. The parties expect completion to take place in April.

Investors can access a detailed presentation on Emersion separately lodged on the ASX and at www.novattigroup.com.

Novatti also invites investors to keep up to date with company news, events and industry research by joining the Novatti mailing list at: <https://www.novattigroup.com/subscribe>

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This announcement has been approved for release to ASX by Peter Cook, Managing Director.

About Novatti Group Limited (ASX:NOV)

Novatti is a leading digital banking and payments company. Through innovative technology, Novatti positions its customers to thrive in the growing cashless economy. 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 for the issue of reloadable Visa cards. Novatti subsidiary Flexewallet Pty Ltd holds an Australian Financial Services Licence No 448066 and is registered with AUSTRAC as a Remittance Network Provider. Novatti subsidiary Novatti IBA Pty Ltd has applied to APRA for a RADI licence. Novatti's software solutions include Consumer Digital Wallets, Branchless Banking, Mobile Money, Bill Payments, Remittance Services and Voucher Management Systems.

About Emersion Software Systems Pty Limited

Emersion is a leading provider of Customer Engagement, Payment, Provisioning and Subscription Billing solutions to Managed services providers (MSP's), Independent software vendors (ISV's), System integrators (SI's), utilities and Telco's in Australasia.

Emersion helps businesses Engage with their customers, Integrate Systems and Automate business processes including Signup, Ordering / Provisioning, Billing, Rating Usage and ultimately Collect Payment.

Emersion integrates diverse business systems including CRM's, professional services automation (PSA) and configure, price, quote (CPQ) tools, Accounting, Payment Gateways, Suppliers, Vendors and Internal Systems. We integrate to over 70+ vendors and have 400+ supported service types.

We empower teams to work remotely and securely, helping them create efficiencies and improving profitability, while reducing the resources needed to onboard and support customers. This means that manual and time-consuming processes like subscription billing, invoicing, payment processing, collections and reporting can be automated. This increases the amount of resources available in a business to focus on customer engagement, and results in a better customer experience, as well as increased business profitability.



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