

ASX Announcement

31 January 2020

## DECEMBER 2019 QUARTERLY FINANCIAL UPDATE AND APPENDIX 4C

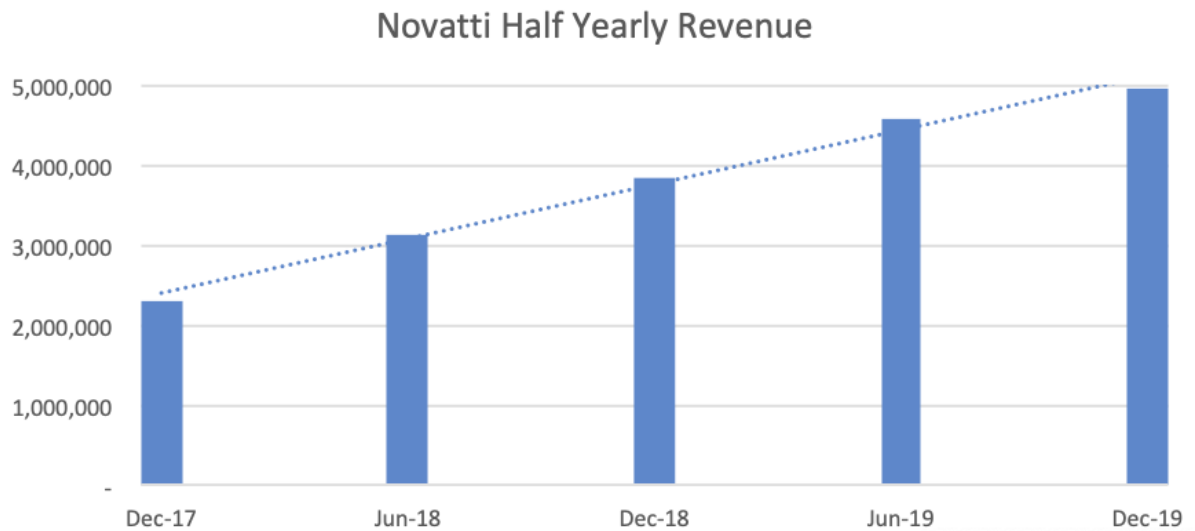
### Highlights

- Record revenue achieved in December 2019 quarter
- First half revenue grows 29% compared to first half of previous financial year
- Core transaction processing revenue increased 45% year-on-year compared to December 2018 quarter
- Strong improvement in year-on-year normalised Net Cash from Operations
- Funding secured to meet banking subsidiary application requirements (6 January 2020)
- Awarded major partnership with Visa

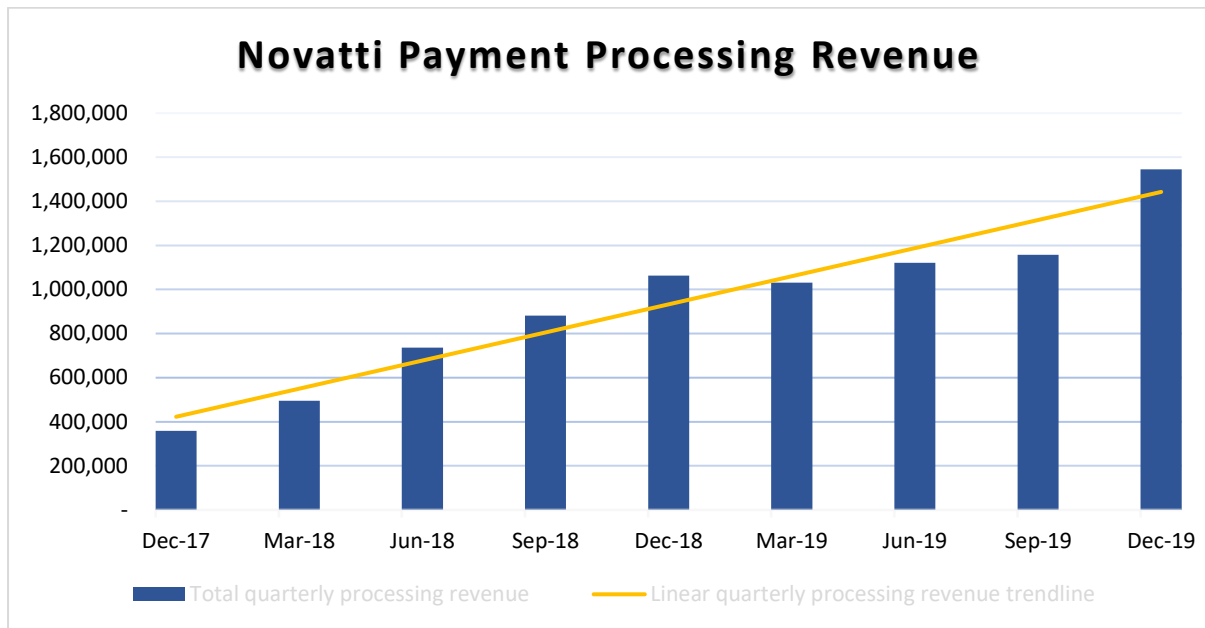
**Novatti Group Limited (ASX:NOV)** (Novatti or ‘the Company’), a leading fintech company providing international payments, banking, and software solutions, is pleased to provide a financial update.

### Revenue

Novatti achieved record revenue for the December 2019 quarter, reaching \$2.49 million. More broadly, Novatti continues to achieve consistent growth, with first half revenue of \$4.96 million, representing a 29% increase on the first half of the previous financial year.



Importantly, Novatti achieved strong growth in its core transaction processing business, with revenue increasing 45% year-on-year to \$1.55 million (unaudited).



## Cashflows

Novatti’s cashflow continue to reflect its growth focus. A total of \$2.498 million was utilised in operations in the December 2019 quarter, including all costs associated with establishing the banking unit, considered to be a core area of future potential earnings.

At the same time, Novatti achieved a 62% improvement in normalised operating cashflow (cash flow without banking subsidiary costs), with \$296,000 utilised for the half year ending 31 December 2019, down from \$790,000 for the half year ending 31 December 2018.

Activities in the quarter were funded by existing funds, the completion of the \$1.1 million convertible note into the banking subsidiary and a convertible note raising in November of \$2.275 million.

Although costs associated with applying for a restricted banking licence have been covered by Novatti to date, such costs will be covered by the banking subsidiary from the funds raised as announced on 6 January 2020. Cash costs for the application are included in the below Net Cash from Operating Activities with year to date costs of approximately \$1.5 million. This is reflected with the recording of \$1.1 million for capitalised costs and \$383,000 across staff, administration and corporate costs.

Normalised Net Cash from Operating Activities are calculated as:

	Dec 2019 Qtr	Dec 2019 HY
Net Cash from Operating Activities	(\$2.498m)	(\$2.060m)
Add back bank services capitalised costs	\$615k	\$1.139m
Add back bank services staff & admin costs	\$228k	\$383k
Add merger and activity costs	\$242k	\$242k
Normalised Net Cash from Operating Activities	(\$1,413m)	(\$296k)

## Fundraising

Novatti raised \$2.275 million in Convertible Notes secured against its US subsidiary Novatti Inc. These funds have been allocated to working capital and funding of a collateral deposit of approximately \$147,000.

Following the end of the quarter, the Company announced the raising of \$10 million as direct equity into the banking subsidiary, conditional on the banking subsidiary obtaining its restricted banking licence. As noted above, once achieved, Novatti will no longer have direct responsibility for funding the banking unit.

## Visa Partnership

During the quarter Novatti was pleased to announce that it was awarded a Principal Issuer Licence by Visa Worldwide Pty Limited, a subsidiary of Visa Inc. This partnership enables Novatti to issue Visa cards, which will initially be prepaid. This resulted in an additional \$300,000 of transaction processing revenue being confirmed for the current financial year, while also providing a platform that can be leveraged for the banking subsidiary.

## Writeback of Bank Licence Application capitalised costs

The December 2019 half-year financial statement's Statement of Profit and Loss will be adjusted by approximately \$2.9 million, to reflect costs incurred on the banking application, previously recognised as an intangible asset. This adjustment positions the banking unit's accounts for the commencement of banking services consistent with auditor expectations.

## Current Quarter Cash Outlook

The Company is currently finalising its FY19 Research and Development claim with a cash rebate of around \$500,000 expected to be received in the March 2020 quarter. Receipts are expected to grow in this quarter in line with growth in transaction processing business units and the receipt of outstanding payments.

Novatti 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>

For further information, contact:

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

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

**About Novatti Group Limited (ASX:NOV)**

Novatti is a leading fintech company providing international payments, banking, and software solutions. 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.