

ASX Announcement

31 January 2019

December 2018 Quarterly Update, Record Half Year

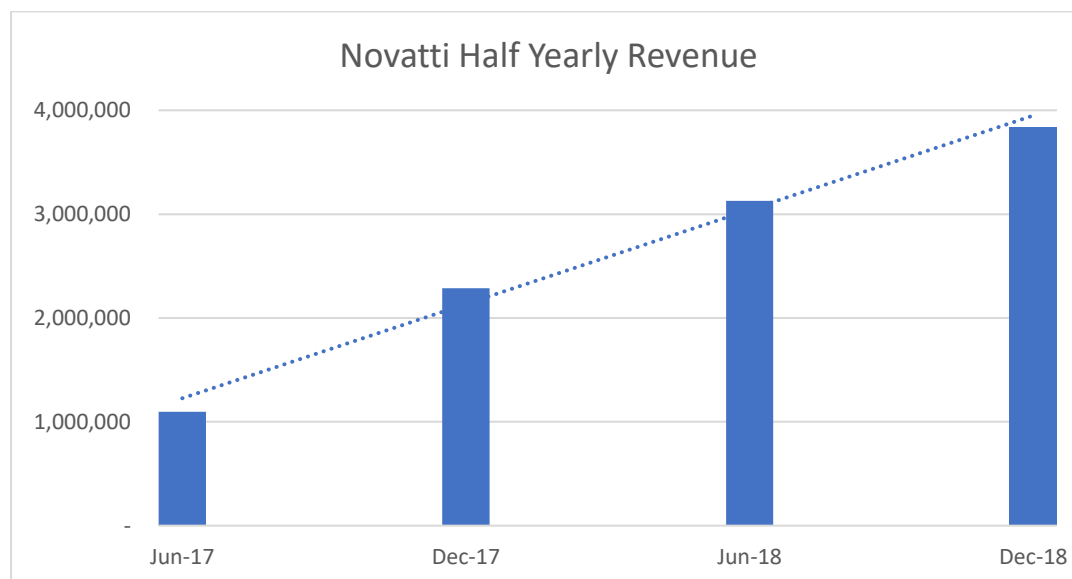
Highlights

- Record half year revenue
- Revenue of \$3.84m (unaudited) for the half including \$1.86m for the December quarter, a 81% increase from the corresponding quarter last year.
- Continued growth in transaction processing revenue, up 21% from \$881k in Q1 FY2019 to \$1.06m
- Cash balance of circa \$3.1 million
- Application for restricted Authorised Deposit Taking Institution (ADI) banking licence submitted in November 2018
- Continued revenue and operational growth expected in the coming quarters

Novatti Group (ASX: NOV or 'the Company'), an online financial transactions processor and financial technology developer, is pleased to provide its quarterly update for the three months ended 31 December 2018.

Financial Update - Growth from multiple lines of business

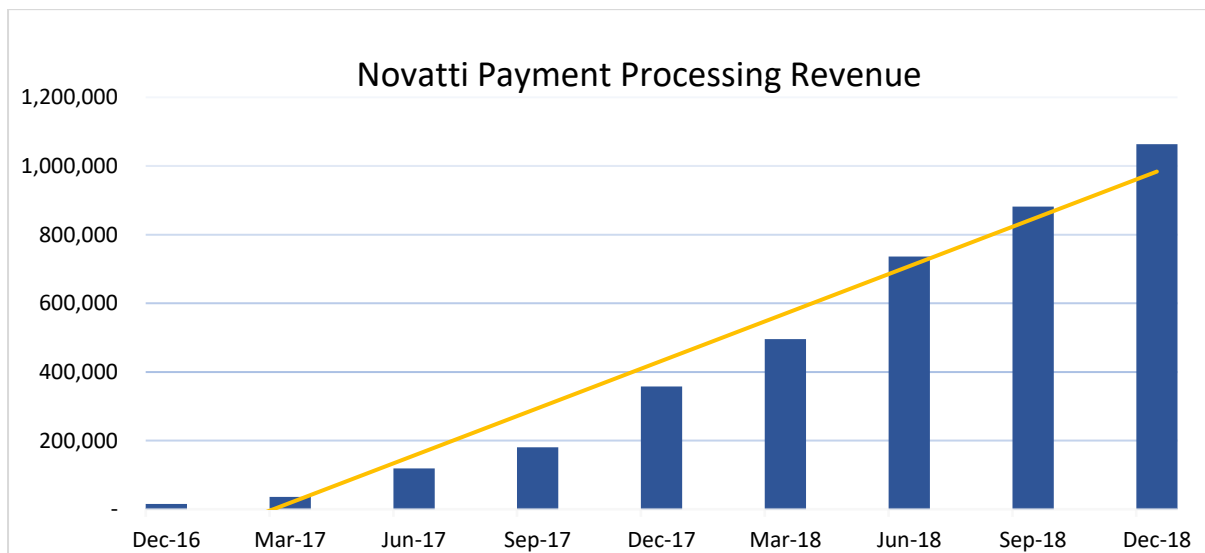
Revenue for the quarter of \$1.86m and revenue for the half of \$3.84m, excluding the R & D rebate.



This continues the strong growth over successive half years, shown below (amounts exclude the R & D rebate).

Over the quarter, transactional revenue growth increased 21% from \$881k to \$1.06m (unaudited) as a result of continued growth in Flexepin, remittance services and China payments. The increase in transaction processing revenues comes from a mix of increased sales to existing customers and new B2B processing customers.

From the December 2017 quarter until the December 2018 quarter, transactional revenue grew 196%.



The balance sheet includes \$3.06m cash at bank and nil debt.

New transaction processing agreements

During the quarter, Novatti executed agreements with 12 processing partners that should continue to drive additional transaction processing growth in future quarters. This includes agreements with:

- Incentiapay Limited (ASX:INP) for Alipay processing,
- Alipay for direct merchant acquiring
- Freight Lounge (a freight forwarders network) for digital wallet and payment processing
- Bank of Shanghai for the payment of Australian bills
- Multiple Chinese payment processors for collection of online marketplace payments
- Multiple remittance companies for provision of remittance compliance and processing services

APRA banking licence

Novatti lodged its application to APRA for a restricted Authorised Deposit-Taking Institution (ADI) 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. Novatti is currently building future banking services customers by way of its remittance services, Vasco prepaid card services and its China Payments bill payment services. In line with its growth strategy, the Company intend to apply for a full non-restricted ADI in due course.

Outlook

Novatti continues to execute a broad range of B2B financial transaction processing agreements on a regular basis. These agreements help build a high growth revenue business. Novatti aims to maintain its recent cadence of signing 8 - 12 agreements per quarter that support the ongoing growth in the transaction volume and related fees.

Novatti expects continued engagement with APRA during the current quarter and potentially into the April-June Quarter as APRA reviews Novatti's bank licence application. In parallel, Novatti's banking services team is continuing to prepare for launch assuming a successful application.

Novatti aims to continue its strong revenue growth and in parallel bring through a strong value creation event being the bank licence. In addition, Novatti will continue to assess synergistic acquisitions.

For further information, contact:

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About Novatti Group Limited

Novatti is an award-winning global software technology, utility billing and payment services provider. Both through technology and services, Novatti helps economies, corporations and consumers digitise cash transactions. Novatti's robust and efficient software solutions include Consumer Digital Wallets, Branchless Banking, Mobile Money, Bill Payments, Remittance Services and Voucher Management Systems. 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 for Chinese consumers and Vasco Pay a prepaid reloadable Visa card.

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