

ASX Announcement

18 December 2020

End of 2020 business update

Highlights

- Substantial achievements recorded across 2020, including new tier-one partnerships and revenue growth
- New clients secured in current quarter for key growth businesses, including Emersion and Visa card issuing
- Close contact maintained with APRA to assess application for a restricted banking licence to add value to existing businesses
- Strong momentum carried into 2021 to accelerate our fully-funded growth strategy

Novatti Group Limited (ASX:NOV) (Novatti or Company), a leading digital banking and payments company, provides the following business update as the end of 2020 approaches.

2020 highlights

Despite the challenges of COVID-19, 2020 has also seen Novatti record many notable achievements, including:

- Increasing annualised gross transaction value to more than \$2.3 billion¹
- Launching new businesses, such as the Visa prepaid card issuing platform and Digital Payments Accelerator, to help capture the rapidly increasing demand for cashless payments²
- Successfully acquiring and integrating subscriber billing and payments platform, Emersion, to capture the growth in automation and cloud hosting of billing and payment services, particularly following COVID-19³
- Securing new partnerships with Ripple, Union Pay, Google Pay, Samsung Pay, Marqeta, Alipay, and Decta, in addition to Novatti's existing partnerships with global majors such as Visa and WeChat Pay⁴
- Achieving average annual revenue growth of approximately 50% for each of the past three years⁵
- Delivering the 6th consecutive quarter of record revenue for its payment processing business⁶

¹ Novatti ASX Announcement – *September FY21 quarterly update* – 26 October 2020

² Novatti ASX Announcement – *Digital-Payments Accelerator launched to meeting increasing market demand* – 29 September 2020

³ Novatti ASX Announcement – *Acquisition of Emersion extends capabilities and recurring revenue* – 2 April 2020

⁴ See Novatti ASX announcements - <https://www.novattigroup.com/asxannouncements>

⁵ Novatti ASX Announcement – *FY20 results presentation* – 27 August 2020

⁶ Novatti ASX Announcement – *September FY21 quarterly update* – 26 October 2020

- Recruiting industry leaders to join the Novatti team, with a strong focus on business development and customer management⁷
- Continuing its international expansion with regulatory approval for issuing and managing means of payment obtained in New Zealand⁸

Current quarter update

In addition to the highlights across 2020, Novatti has continued its strong performance during the current quarter. Here, Novatti is pleased to report on recent highlights, including:

- Growth in Novatti's Card Issuing business, securing three new white-label programs, including one client ordering 50,000 Visa cards
- Subscriber billing and payment platform, Emersion, securing an average of five new customers per month, up from an average of less than two prior to Novatti's acquisition in April this year. Emersion also remains on track to launch in the US in Q3 this financial year, with a focus on securing sales through its Salesforce, Oracle, and ConnectWise partnerships. Emersion's recurring revenue run rate is approximately 30% higher than at April 2020
- Ongoing growth in other Novatti business lines including ChinaPayments, Subscriber Billing, and Technology Services
- Continued progress in new business development, new partnerships and payment network integrations

A full report on this quarter's activities will be provided as part of Novatti's regular quarterly update, expected to be released in late January 2021.

Banking licence update

Novatti submitted its final application for a Restricted Authorised Deposit Taking Institution licence to the Australian Prudential Regulation Authority (APRA), the regulator of Australia's banking sector, in November 2019.

In April 2020, APRA advised all licence applicants that it would be placing a temporary hold on the issuing of new banking licences during COVID-19.⁹ Since then, Novatti has received updated guidance from APRA noting that it would be recommencing the issuing of banking licences in two phases, with licencing of new operations, such as Novatti's, to begin from March 2021.¹⁰ As part of this updated guidance, APRA again advised that Novatti's application will continue to be assessed during this time, minimising any potential delays.

Novatti remains in continued, regular communication with APRA and the development of Novatti's banking business remains a key part of Novatti's long-term growth strategy.

⁷ Novatti ASX Announcement – *September FY21 quarterly update* – 26 October 2020

⁸ Novatti ASX Announcement – *New licence paves the way for New Zealand expansion* – 2 October 2020

⁹ Novatti ASX Announcement – *Guidance received on banking licence processing during COVID-19* – 9 April 2020

¹⁰ Novatti ASX Announcement – *Update on APRA bank licence issuing* – 11 August 2020

Earlier this week it was announced that the Australian company, Xinja, would return its banking licence and depositor's funds and would seek to change the direction of its business to other areas, if circumstances allow.¹¹

While Xinja used its banking licence to establish an entirely new business, Novatti's banking strategy is to value-add to its existing, established businesses, particularly leveraging its well-established customer and partner base.

Novatti applauds the prudent approach that APRA is taking to manage the return of Xinja's licence and its ongoing role in ensuring that the integrity of Australia's banking sector is maintained.

This week it has also been reported that Judo, the new Australian challenger bank focused on small and medium business lending, is expected to finalise a funding round valuing it at \$1.65 billion, just six months after being previously valued at \$1 billion.¹² These reports also suggest Judo became profitable in August this year.

Quotes attributable to Managing Director, Peter Cook:

"Following Novatti's substantial achievements in 2020, we head into 2021 in a very strong position, with \$11m in cash available¹³, strong and growing macro-level demand for digital services, and the existing platforms to service this demand.

"With the support of these strong foundations, we will use 2021 to continue to accelerate Novatti's growth by securing new strategic partnerships, driving revenue from newly deployed payment networks, and furthering our international expansion, starting with Emersion entering the US.

"2021 promises to be another exciting year in Novatti's growth journey."

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>

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

¹¹ See Xinja media release - <https://xinja.com.au/press/2020/media-release-xinja-bank-withdraws-deposit-accounts/>

¹² Australian Financial Review – *New bank Judo scores \$1.65b valuation in fresh funding round* – 17 December 2020

¹³ As at 30 September 2020

About Novatti Group Limited (ASX:NOV)

Novatti is a leading digital banking and payments company. Its fintech, billing, and business automation platforms make payments fast, simple, and secure. Payments services include card issuing, merchant acquiring, payment processing and settlements, and enable our customers to thrive as we shift to a cashless economy. Novatti holds all necessary regulatory licences, including an Australian Financial Services Licence (No 448066) through its subsidiary Flexewallet Pty Ltd, registration with the New Zealand Companies Office FSP613789 through subsidiary Flexewallet (NZ) Limited, is registered with AUSTRAC as a Remittance Network Provider, and has applied to APRA for a restricted banking licence through its subsidiary Novatti IBA Pty Ltd.