

ASX Announcement

8 November 2019

**First investment round in Novatti's banking services unit at pre-money valuation of \$20m**

**Highlights**

- **\$20 million pre-money valuation for Novatti's banking services unit**
- **\$1.1 million invested via non-interest bearing converting note**
- **Strategic investor brings Chinese fintech technology**
- **MOU with Novatti for launching consumer digital wallet service in Australia**

**Novatti Group Limited (ASX: NOV) (Novatti)**, a payments innovator and processor, has entered into to a strategic partnership with Australia Fintech Investment Group Pty Ltd (**AFIG**) under which:

- AFIG has invested \$1.1 million into Novatti B Holding Company Pty Ltd (**NBHC**), Novatti's wholly-owned subsidiary and head of its banking services unit, via a non-interest bearing converting note at a \$20m pre-money valuation.
- AFIG and Novatti reach in-principle agreement for a joint venture to fund the launch of a consumer digital wallet business in Australia using the latest Chinese digital wallet technology and Novatti licences and integration services.

The terms of the investment are set out in a converting note agreement between NBHC and AFIG signed overnight. The key terms of the agreement are as follows:

- Funds raised amount to \$1.1 million from the issue of 1 converting note.
- Maturity date of 31 March 2020 or such other date agreed by the parties.
- Note converts into NBHC shares automatically upon confirmation by the Australian Prudential Regulation Authority (**APRA**) at any time before maturity that a Restricted Authorised Deposit-taking Institution (**RADI**) licence will be issued on terms and conditions acceptable to NBHC.
- Converts into 1.1 million NBHC shares. Currently there are 20 million NBHC shares on issue, all of which are held by Novatti.
- No interest is payable on the note.
- The note is unsecured.

The agreed terms for the launch of the joint venture are set out in a memorandum of understanding (**MOU**) between Novatti and AFIG. The key terms of the MOU are as follows:

- AFIG to provide a sophisticated consumer digital wallet app suitable for deployment in Australia based on capabilities of similar apps deployed in China.
- AFIG to fund working capital and management for the venture.
- Novatti to provide licensing and compliance services and access to its AFSL for Non Cash Payments.
- Novatti to provide integration technology and services in Australia.

Commencement of the joint venture is subject to formal documentation, which will set out full commercial terms, including as to fees and the term of the joint venture, to be finalised as soon as reasonably practicable.

AFIG's Chairman, David Gao commented that, "Novatti already has an extensive understanding of Chinese and international payment services and, with our access to Chinese wallet technology, we can quickly launch new services for consumers and merchants in Australia."

"In addition, the application has the ambitious aim of revolutionising consumer banking behaviour and to enhance merchant to consumer interaction over mobile devices. Access to Novatti's licences are critical for holding of funds in a wallet and then later for deposit services to the bank."

Peter Cook, CEO of Novatti said, "AFIG has access to funds and technology that can accelerate both Novatti's payment processing and banking plans. Customers gained from this new venture will aid the long term bank customer acquisition."

### **Application for RADI licence**

As previously announced to ASX<sup>1</sup>, Novatti lodged an application to APRA for a RADI licence in November 2018.

Novatti's goal is to create Australia's leading migrant services bank through the offer of new banking services to Australian customers with a focus on new migrants.<sup>2</sup> This consumer-led focus is intended to be on delivering an innovative suite of digital first banking solutions to migrants in Australia through a culturally appropriate, customer centric approach.

The RADI is a new regulatory framework whereby the licensee may launch limited banking services whilst making application for a full banking licence. APRA reviews and processes the application as the relevant regulatory body.

Novatti's application for a RADI licence is largely finalised, with final submissions for approval of the licence underway.

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<sup>1</sup> ASX announcement dated 28 November 2018, "Confirmation of Lodgement of Restricted Bank Licence application to APRA".

<sup>2</sup> ASX announcement dated 11 February 2019, "Creating Australia's Leading Migrant Bank".

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**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.

[www.novattigroup.com](http://www.novattigroup.com)

**About Australia Fintech Investment Group Pty Ltd**

Australia FinTech Investment Group Pty Ltd (AFIG) was established in 2018 to invest in companies looking to advance the delivery of financial and banking services through the development of innovative financial technologies. AFIG recognises the vast gap in the development and adoption of financial technologies that exists between Asia and Australia. This has resulted in the company seeking opportunities to become early participants in Australian companies embracing the opportunity both technology and regulatory reform has presented to the Australian FinTech industry. AFIG's vision is to enable Australian consumers to access cutting edge financial technologies, products and services.