

ASX Announcement

30 July 2020

RECORD QUARTERLY REVENUE MAINTAINED DESPITE COVID-19

Highlights

- Operating revenue again tops \$3 million in June quarter despite COVID-19 disruption
- Core processing business remains strong, with processing revenue for the quarter up more than 86 per cent year-on-year
- Annual total revenue growth now averaging approximately 50% across the past three years
- Cash used in operations narrows to just \$16,000 for the quarter
- \$10.2 million capital raising undertaken to accelerate current growth strategy
- Strong quarter of operational achievements, including new tier-one partnerships

Novatti Group Limited (ASX:NOV) (Novatti or Company), a leading digital banking services and payments company, is pleased to provide an update on its activities for the June 2020 quarter.

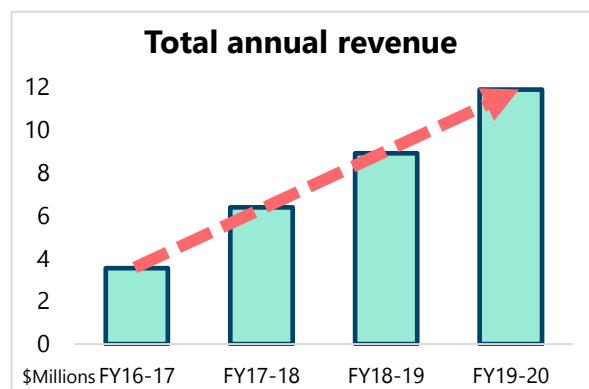
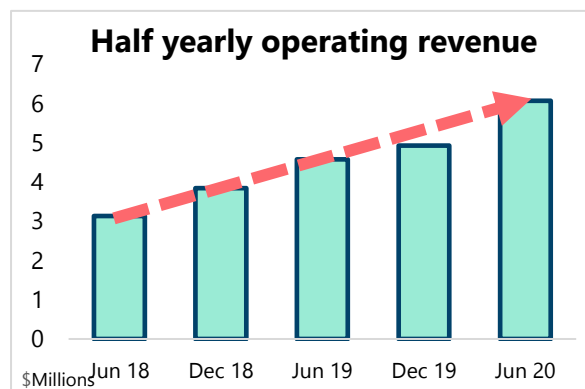
Financial

Revenue

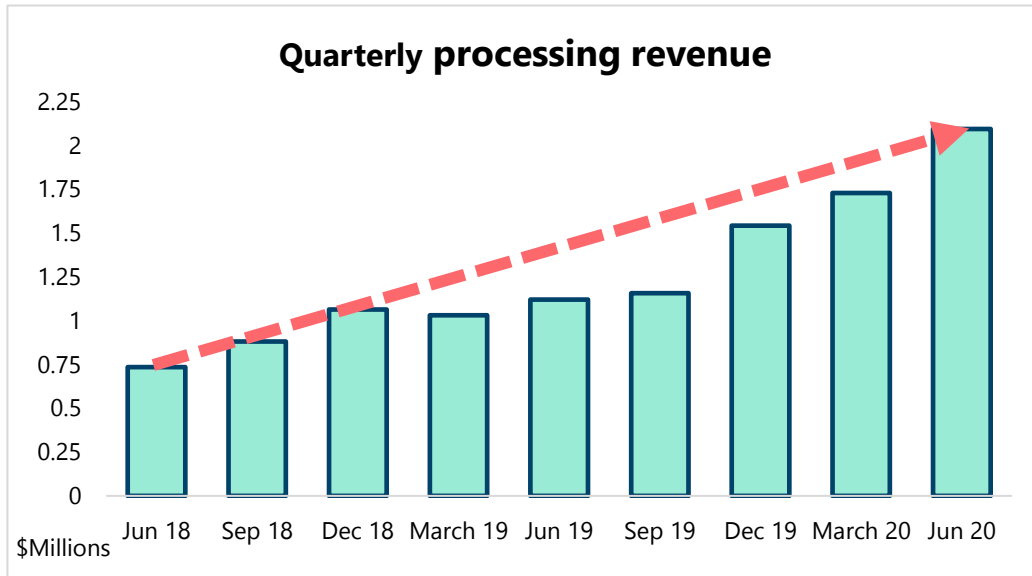
Despite the widespread disruption caused by COVID-19 during the June quarter, Novatti maintained record operating revenue of \$3.05 million (unaudited), slightly higher than its March 2020 quarter result.

This result furthers Novatti's record of delivering consistent, long-term revenue growth with the FY20 total revenue increasing more than 33 per cent on the previous financial year's \$8.9m to \$11.86 million (unaudited).

Across the last three financial years, Novatti has now grown total revenue by an average of approximately 50% each year.



This sustained growth through the challenges of COVID-19 is a testament to the resilience of the overall business, particularly Novatti's processing business which recorded revenue of \$2.10 million (unaudited) for the June quarter, representing year-on-year growth of more than 86%. This business will continue to play an integral role in Novatti's long-term growth going forward.



Cash flow

Novatti's cashflow continued to strengthen over the FY20 year. Product manufacturing and operating costs as a percentage of receipts from customers reduced from 75.9% in FY19 to 68.5% in FY20, reflecting the lower direct costs to deliver its increased processing revenue. Novatti was almost cashflow positive as net cash used in operations for the quarter narrowed to just \$16,000, down from \$543,000 in the March 2020 quarter.

While Novatti held \$2.6 million in cash at the end of the June quarter, this does not include the \$10.2 million raised through a share placement announced at the end of the quarter.

Going forward, Novatti's management will continue to prudently balance cashflow to navigate the challenges of COVID-19 while pursuing its growth strategy.

Item 6.1 of Appendix 4C accompanying this quarterly report relates to director fees and salaries paid in the quarter.

Fundraising

As noted above, during the June 2020 quarter Novatti successfully secured \$10.2 million in new funds through a share placement. With this raising, Novatti is fully funded to accelerate its current growth strategy, including by:

- increasing business development resources;

- acquiring new Visa card issuing programs;
- securing new strategic, global partnerships; and
- fast-tracking Novatti's integration into other payment networks.

Operations

Novatti recorded a number of significant operational achievements during the quarter, which were particularly notable given the broader disruption to the economy caused by COVID-19. These achievements included:

- Acquiring and successfully integrating Emersion, with performance beating expectations and adding to the transactional and recurring nature of Novatti's core processing revenue.
- Launching Novatti's new Visa card issuing business after partnering with European payments processor, Decta Limited.
- Successfully integrating Novatti's China-focused, cross-border payments platform, ChinaPayments, into Alipay's app.
- Being chosen by global payments leader Marqeta as its partner to launch its prepaid card business in Australia.

Acquisition and successful integration of Emersion

On 2 April 2020, Novatti announced the acquisition of Emersion, a leading business process integration platform. Through Emersion's platform, businesses are able to combine diverse applications, including subscription billing, payments and provisioning, into existing business platforms, saving time and energy.

As part of the acquisition, Novatti issued the seller, Emersion Software Systems Pty Ltd, with 16,725,000 fully paid ordinary shares as part consideration and a total of \$1 million will be paid in monthly instalments until June 2021.

During the same quarter, Novatti swiftly and smoothly integrated Emersion, with immediate positive impacts, including strengthened revenue, which is expected to continue going forward.

Launch of Visa issuing business

Novatti launched its Visa issuing business after partnering with leading European payments processor, Decta Limited, to develop new business in the Asia-Pacific region.

This follows Novatti being awarded a Principal Issuer Licence by Visa in September 2019, enabling Novatti to issue and distribute physical and digital Visa cards.

As part of its partnership with Decta, Novatti will provide payment processing support, particularly leveraging its anti-fraud and pre-paid card management capabilities and experience.

New tier-one partnerships

After announcing its partnership with Decta Limited, Novatti continued to deliver on its growth strategy during the quarter with the announcement of a number of new partnerships with global tier-one players.

Firstly, Novatti's China-focused, cross-border payments platform, ChinaPayments, was successfully integrated directly into the main page of Alipay's app.

ChinaPayments will provide substantial value-add to Alipay's users by enabling them to pay Australians bills directly, with Novatti to receive a fee per any transaction going forward.

Secondly, global payments leader Marqeta chose Novatti as its partner to launch its prepaid card business in Australia.

Marqeta is already a partner of Afterpay, Square, Uber, Affirm, Instacart and DoorDash and has issued around 140 million payment cards globally. It was recently named in the Forbes 2020 Fintech 50 and the CNBC 2020 Disrupter 50 lists.

Novatti will support Marqeta by utilising the capabilities of its Visa card issuing licence and platform and will receive fees for project implementation, ongoing services, and also project performance.

These new partnerships again validate the quality of Novatti's product and service offering and its strategy to work with tier-one players.

Restricted Bank Licence

As announced early in the quarter, Novatti received guidance from APRA that it would be placing a temporary hold on issuing new banking licences due to COVID-19. This follows the submission of Novatti's final application for a Restricted Authorised Deposit Taking Institution licence in November 2019.

Importantly, APRA also advised that applications will continue to be assessed during this period, minimising any potential delays.

Novatti will continue to work constructively with APRA to assist and expedite this process.

Outlook

Novatti continues to navigate the challenges of COVID-19 while remaining steadfast in pursuing its strategy to deliver long-term growth for shareholders.

While Novatti saw an initial setback to processing revenues in April as the community adjusted to operating during COVID-19, overall, revenue continued to increase and has been strengthened by the acquisition of Emersion.

Novatti's current growth strategy is fully funded, and resources will be deployed to pursue larger, more strategic growth opportunities. This strategy will be furthered by the ongoing prudent management of Novatti's cashflow.

Through this approach, it is expected that Novatti's record of consistent growth will continue going forward, particularly as the shift to digital banking and payments accelerates.

Novatti

Digital Banking

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 ASX release 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 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.