

ASX Announcement

30 April 2020

## QUARTERLY REVENUE HITS \$3M FOR FIRST TIME

### Highlights

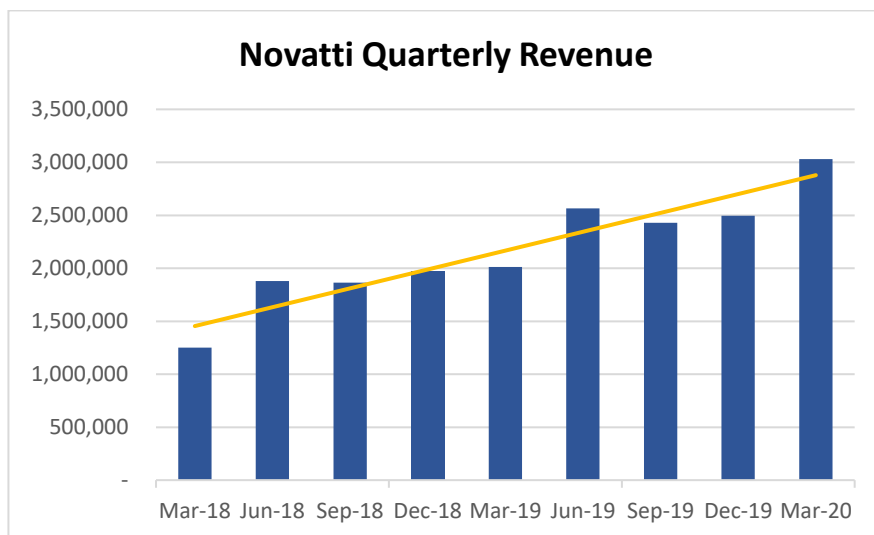
- Record total revenue of \$3m achieved in March quarter
- Total revenue increased more than 21 per cent on December 2019 quarter
- Results strongly supported by growth in core processing business, which grew 67 per cent year-on-year and more than 11 per cent on the previous quarter
- Strong quarter of operational achievements, including more than 20 new merchant and partner agreements
- Revenue growth and outlook remain positive despite challenges of COVID-19

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

### Financial

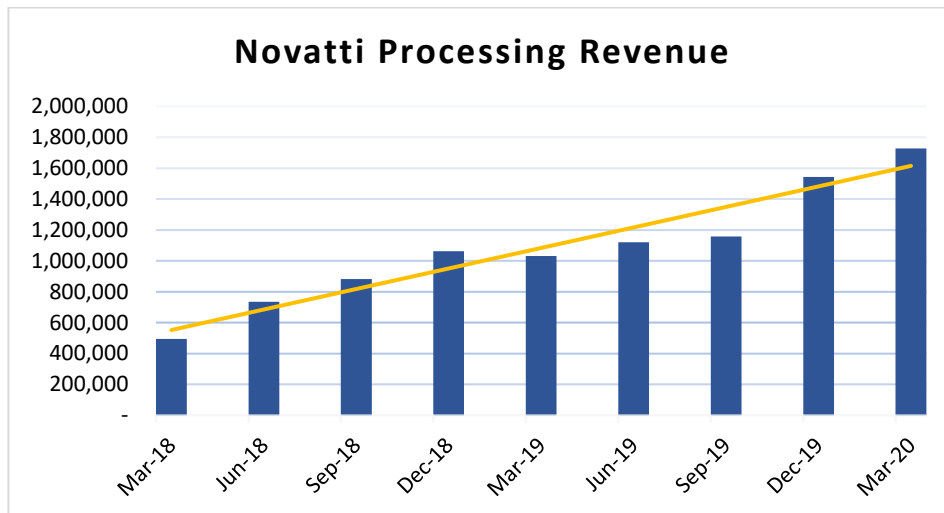
#### Revenue

In the March 2020 quarter, Novatti achieved its strongest-ever total quarterly revenue, reaching \$3 million (unaudited) for the first time. This is an increase of more than 21 per cent on the previous quarter, December 2019, and an increase of more than 18 per cent on the previous strongest quarter in June 2019.



Importantly, Novatti is achieving consistent revenue growth, with year to date revenue of \$7.95 million now more than 35 per cent higher than at the same time last financial year.

These strong results were supported by Novatti's core processing business, with revenue here increasing to \$1.72 million for the quarter, marking back-to-back record quarters. This result was an increase of more than 67 per cent year-on-year and more than 11 per cent on the previous quarter, December 2019.



### Cash flow

Novatti's cashflow also continued to strengthen in the March quarter. A total of \$543,000 was used in operations, substantially down from nearly \$2.5 million in the previous quarter. Importantly, cashflow continues to be prioritised for Novatti's long-term growth agenda with a focus on revenue growth and cost base management.

This cashflow result largely reflects the ongoing focus on achieving cost efficiencies, including within product engineering, with further savings expected going forward. At the same time, receipts remained largely stable.

Due to the temporary hold being placed by the Australian Prudential Regulation Authority (APRA) on the issuing of new banking licences due to COVID-19, for the time being Novatti will continue to fund the costs of its application for a Restricted Authorised Deposit Taking Institution (RADI) licence. However, this is not expected to have any adverse impact on Novatti's results going forward, as many of the costs will be deferred until APRA resumes approvals.

At the end of the March quarter, Novatti maintained a cash balance of \$3.091 million.

### Fundraising

Novatti raised \$1.225 million in convertible notes during the March quarter, secured against Novatti's share capital in its wholly-owned subsidiary, Novatti Inc. These funds were raised to enable Novatti to continue to drive the growth in its core processing business.

### Director payments

The cash flow includes approximately \$47,000 of payments for the quarter to directors in accordance with their respective agreements.

## Operations

Novatti completed a number of significant operations milestones during the March 2020 quarter that aligned with its growth strategy. These milestones included:

- Achieving back-to-back quarters of record revenue for its core processing business, increasing more than 11 per cent on the December 2019 quarter and more than 67 per cent year-on-year.
- Continued expansion of Novatti's payment networks and the acquisition of more than 20 new online merchants and partners.
- Securing a new partnership with Rent.com.au, gaining access to new revenue and the rental payments market.

## Restricted Bank Licence

Novatti also continues to develop its new banking unit as it seeks to become a banking services provider. As previously announced, during the quarter Novatti received guidance from APRA noting that it would be placing a temporary hold on issuing new banking licences due to COVID-19. However, APRA also advised that applications will continue to be assessed during this period, minimising any potential delays. Novatti's final Restricted Authorised Deposit Taking Institution (RADI) licence was submitted in November 2019. Novatti will continue to work constructively with APRA to assist and expedite this process where possible. At the same time, Novatti will continue to develop its customer and strategic partnership base in readiness for launch.

## Acquisition of Emersion

On 2 April 2020, Novatti announced the acquisition of the Emersion business and assets from Emersion Software Systems Pty Ltd (**Seller**). Novatti will be issuing the Seller with 16,725,000 fully paid ordinary shares as part consideration and \$1m paid in monthly instalments until June 2021. Emersion brings additional revenues of circa \$2 million to Novatti and is cashflow positive.

## Outlook

Novatti continues to successfully navigate the current challenges presented by COVID-19 while pursuing its growth-focused strategy.

Importantly, there has not been any noticeable slowdown in core processing activity related to the virus and processing revenue is expected to continue to grow this quarter. In part, this can be attributed to the digital nature of Novatti's processing business, which will be bolstered by the recent acquisition of Emersion in April. Novatti also continues to pursue larger, more strategic payments networks and opportunities and is aiming to cement a number of larger deals during Q4 of 2020.

Novatti will continue to take a prudent approach to managing cashflow. This will be strengthened by the ongoing drive to achieve greater cost efficiencies and generate further savings, while Novatti will also utilise government COVID-19 business support initiatives where applicable.

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 services 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.