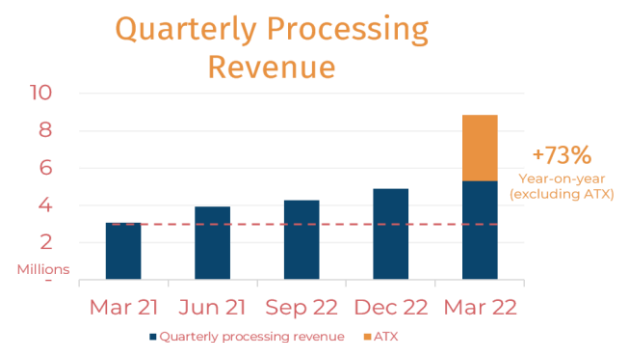
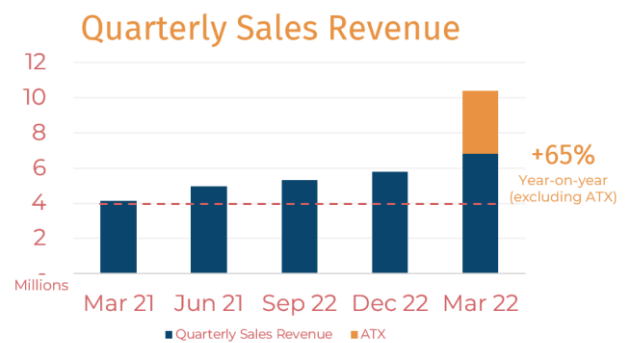


Accelerated growth and ATX acquisition propel quarterly sales revenue past \$10m

Highlights

- **\$10.4m quarterly sales revenue including ATX**
- **Excluding ATX - 65% y-o-y growth in quarterly sales revenue to \$6.8m - new record**
- **Excluding ATX - 73% y-o-y growth in quarterly processing revenue to \$5.3m – new record**
- **\$8.3m - cash balance at the end of the quarter**
- **Integration into Reckon Limited products creates new potential revenue streams**
- **Planning for rapid growth in digital asset demand**
- **Continuing to work with APRA for final banking licence approvals**



Novatti Group Limited (ASX:NOV) (Novatti or Company), a leading fintech enabling businesses to pay and be paid, is pleased to provide an update on its March FY22 quarter performance.

Commenting on the results, Novatti Managing Director, Peter Cook, said:

“Following the successful integration of ATX, Novatti recorded \$10.4m in quarterly sales revenue, its strongest ever result. Importantly, even without the addition of ATX, Novatti’s existing business continued to show strong growth, with quarterly sales revenue of \$6.8m, a new record in its own right and a 65% increase year-on-year.

“Novatti’s processing business continues to provide a strong platform for the company’s overall growth, with quarterly sales revenue of \$5.3m excluding ATX, an increase of 73% year-on-year.”

“These results highlight Novatti’s ability to continue to deliver against its main objective for this financial year, being topline revenue growth, while also reaffirming the strong business case for the acquisition of ATX.”

¹ All figures throughout this document related to the March quarter remain unaudited unless stated otherwise.

“Importantly, Novatti is also seeing the contribution of some of its newer businesses really start to accelerate. For example, the quarterly sales revenue of Novatti’s Acquiring business grew 189% on the previous quarter. It is envisaged that this business, like Novatti’s other earlier stage businesses, will continue to benefit from leveraging Novatti’s established ecosystem to rapidly scale going forward.”

“Across the past few quarters, Novatti has made a significant investment in growth, particularly in expanding our team. This investment is paying off, with Novatti’s more mature businesses, namely Processing and now also ATX, achieving positive cash flow for the March quarter. While Novatti’s overarching objective continues to be driving topline revenue growth, achieving positive cash flow is a significant milestone in the development of Novatti’s individual businesses, and will be an increasing focus going forward to deliver a return on our recent investment in growth.”

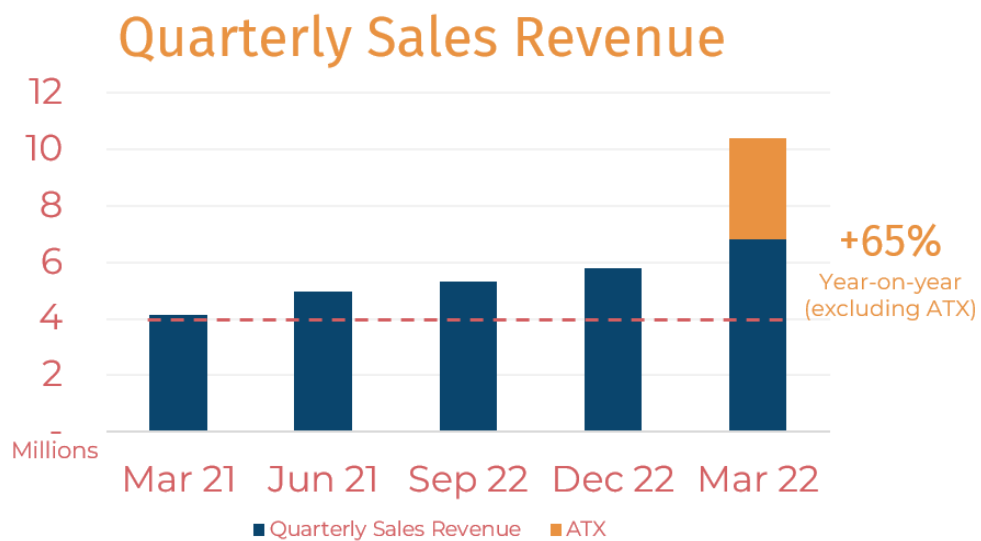
“The March quarter also saw Novatti establish a new business partnership with leading accounting software platform, Reckon Limited, following the strategic investment last year. This will see Novatti’s payment solutions integrated into Reckon’s products, providing an opportunity to work with Reckon to add value to its 114k+ users. Novatti will share equally with Reckon any gross margin revenue generated from these activities.”

“Going forward, Novatti will continue to focus on delivering against its growth strategy by driving growth in current operations and establishing new and expanded markets. We continue to see growing macro-level demand for our services. The global push to digital payments continues to accelerate post COVID and, having established our global payments ecosystem and operating base, we are in a strong position to grow with this demand.”

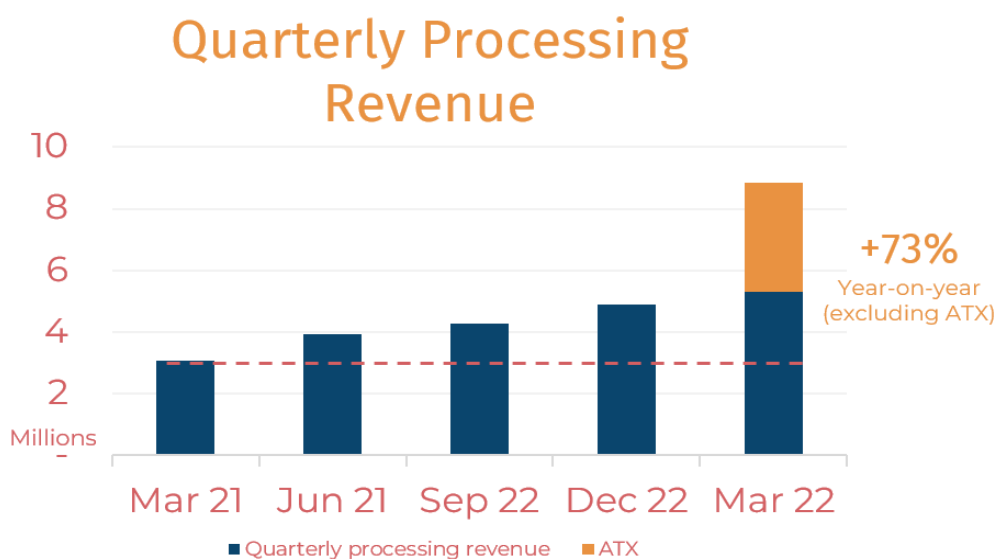
Financial performance

Revenue

The March FY22 quarter saw Novatti continue to deliver new record results, with \$10.4m in quarterly sales revenue following the successful integration of ATX. Even excluding ATX, Novatti delivered more than \$6.8m in quarterly sales revenue, an increase of 65% year-on-year.



Likewise, excluding ATX, Novatti’s payment processing business grew 73% year-on-year to deliver quarterly sales revenue of \$5.3m. This marked the 12th consecutive quarter of record growth for this business.



Cash flow

At the end of the March quarter, Novatti's cash balance was \$8.36m (\$12.94m at 31 December 2021).

Novatti received \$16.1m in cash receipts from customers for the March quarter, an increase of 21% on the previous quarter. This increase in cash receipts also contributed to an increase in quarterly product manufacturing and operating costs to \$12.2m.

The last three quarters have seen Novatti make a significant investment in expanding its team, to now more than 230. This is reflected in the March quarterly staff costs, which increased to \$6.9m from \$5.2m in the December quarter. However, despite this strong growth focus, Novatti has kept administrative and corporate costs under tight control, decreasing from \$2m in the December quarter to \$1.5m in the March quarter.

Across the March quarter, Novatti used \$4.4m cash in operating activities. With its ecosystem in place and having undertaken the significant investment in expanding its team, Novatti is now shifting its focus to generating returns from this investment in the quarters ahead.

During the March quarter, Novatti also received a \$450k dividend from its strategic stake in Reckon Limited. This followed the \$676k dividend received in the December quarter and brings the total dividend received from this investment to \$1.1m.

In accordance with Listing Rule 4.7C, payments made to related parties and their associates are included in item 6.1 of the Appendix 4C, which incorporates directors' fees, salaries and superannuation.

Fundraising

The Board is considering leveraging its assets as collateral should future fundraising be required. If and when a material transaction is agreed, Novatti will promptly advise the market in accordance with its continuous disclosure obligations.

Outlook

So far in FY22, Novatti has achieved three straight quarters of record revenue, continuing the momentum set across the previous financial years. This also follows the substantial investment Novatti has made in establishing its ecosystem and expanding its team. Going forward, Novatti will maintain its focus on delivering topline revenue growth while seeking to drive increasing returns as the Company scales.

Progress made against the key objectives of Novatti's growth strategy during the March quarter and key targets going forward are discussed below:

New and expanded markets

Accelerating acquiring business

Novatti's acquiring business enables merchants, particularly those in e-commerce and with sophisticated billing and embedded payment needs, to accept payment from consumers, including through credit cards, direct debits, and other mechanisms such as Alipay and WeChat Pay.

The business has a rapidly growing customer base, including a number of financial services and business customers of Novatti's other business units, who have sought additional services. This is reflected in the strong growth of Acquiring's quarterly sales revenue, which grew 189% on the previous quarter.

During the March quarter, Novatti commenced implementation of its full acquiring switch solution. This solution is due to go-live by June and will enable Novatti to attain greater margins from its acquiring business and bring on other fintech clients for wholesale aggregation services.

Emersion US Expansion

Novatti has diligently worked to bring Emersion to the US market. This has involved building a sales and technical team and localizing several aspects of the product suite. Initial clients in the Managed Service Provider space in both the US and Canada have been signed with extensive marketing and sales operations now building a strong sales funnel. In addition, one telecommunications Mobile Virtual Network Operator has signed a five year contract for circa \$1m of revenue.

European Expansion

Novatti has a business development and compliance team located from its office in Cyprus. Leveraging this local presence, Novatti has been able to drive strong growth for its existing Flexepin voucher business and cross border settlements. In addition, the new Verv IBAN services have gained their first customers and have a very strong sales pipeline. Post the quarter end in April, Novatti's subsidiary, Novatti Tech Europe has been granted an EMD Agent licence which will enable Flexepin services to further grow in Europe. Novatti is also in the process of applying for an EMoney Issuing (EMI) licence in Europe.

Embracing digital assets

Novatti believes that digital assets, such as stablecoins, present an enormous growth opportunity for the payments sector going forward, as they leverage digital technologies to provide a more efficient and cost effective means of payment.

To this end, Novatti has initiated several projects to increase its exposure to any future growth in demand for these products and to ensure it remains at the cutting edge of payments innovation. This includes:

- Enabling Australia's first Visa-powered crypto payment card through Cryptospend
- Enabling businesses to accept crypto payments in a compliant and secure method where funds are settled in AUD
- Advanced work on digital currency and stablecoin solutions

It is viewed that in time this will provide Novatti's clients with greater choice in methods of payment while also creating new potential revenue streams such as processing and conversion fees.

Proposed new banking business

Novatti continues to work proactively with Australia's banking regulator for the final approvals of its restricted banking licence.

Acquisitions

ATX

During the March quarter, ATX was successfully integrated into Novatti. Based in Malaysia, ATX provides e-wallet providers, traditional retail stores and kiosks with digital payment services, such as third-party bill and product payments.

The acquisition of ATX has had an instant positive impact on Novatti's business, including contributing more than \$3.5m in sales revenue for the March quarter, while also being cash flow positive. ATX has continued to drive new customer acquisition and remains in a strong position to grow at a similar rate to the rest of Novatti. FY23 will see relevant Novatti services extended to the current ATX business.

Following the successful integration of ATX, Novatti continues to assess additional opportunities as part of its pipeline of potential acquisitions.

Strategic investment in Reckon Limited

The March quarter saw Novatti reach agreement with leading accounting software platform, Reckon Limited, to integrate Novatti's payment solutions into their products.

This follows Novatti's strategic investment in Reckon in July last year. Since then, Novatti and Reckon have been working collaboratively to identify opportunities to add value to their 114k+ users.

The agreement covers both existing and new Reckon products, with an initial focus on incorporating payments into the Reckon One accounting software platform and new invoicing app. This will, for example, see Novatti services integrated as an option into invoices issued through Reckon's products.

The agreement provides Novatti with an opportunity to further monetise its existing payments ecosystem as Novatti and Reckon will share equally any gross margin revenue generated from these activities, with any revenue subject to service demand.

Since securing its strategic stake in Reckon in July last year, Novatti has also received \$1.1m in dividends.

Director change

During the quarter it was announced that Steven Zhou, a director since 2017, has resigned to focus on his other business interests.

Ends

Novatti invites investors to keep up to date with company news, events and industry research by joining the Novatti mailing list at: <https://www.novatti.com/subscribe>

Novatti Managing Director, Peter Cook, will be hosting a shareholder webcast, including quarterly results presentation and Q&A, on **Friday, 29 April 2022, at 12.15pm (AEST)**. Investors can register at: <https://www.novatti.com/investor-briefing>

For further information, contact:

Peter Cook
Managing Director
Novatti Group Limited
peter.cook@novatti.com

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

About Novatti Group Limited (ASX:NOV)

Novatti is a leading fintech that enables businesses to pay and be paid, from any device, anywhere. From corner stores and startups to global organisations, our solutions will unlock your ambitions. Solutions include issuing, acquiring, processing, and billing, while Novatti has also applied to APRA for a restricted banking licence through its subsidiary Novatti IBA Pty Ltd.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Novatti Group Limited

ABN

98 606 556 183

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	16,090	41,108
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(12,579)	(29,292)
(c) advertising and marketing	(208)	(517)
(d) leased assets	(66)	(194)
(e) staff costs	(6,531)	(16,359)
(f) administration and corporate costs	(1,566)	(6,690)
1.3 Dividends received (see note 3)	450	1,125
1.4 Interest received	7	25
1.5 Interest and other costs of finance paid	46	(469)
1.6 Income taxes (paid)/refund	-	(13)
1.7 Government grants and tax incentives	-	256
1.8 Other – Working Capital	-	-
1.9 Net cash from / (used in) operating activities	(4,357)	(11,020)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	(3,149)
(b) businesses		
(c) property, plant and equipment	(28)	(130)
(d) investments	-	(22,517)
(e) intellectual property	(130)	(214)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(f) other non-current assets (acquisition of BC Investment Group Holdings Ltd 19.9% share of Novatti B Holding Company Pty Ltd)	-	(2,000)
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other:		
(a) funding collateral for transactional business	(849)	(1,404)
(b) cash acquired on acquisition of subsidiary	1,051	1,051
2.6 Net cash from / (used in) investing activities	44	(28,363)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	40,249
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	-	1,619
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(2,221)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(125)	(764)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	(125)	38,883

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,993	8,798
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,357)	(11,020)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	44	(28,363)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(125)	38,883
4.5	Effect of movement in exchange rates on cash held	(196)	61
4.6	Cash and cash equivalents at end of period	8,359	8,359

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	8,359	12,993
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)		

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	(53)
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify) – Convertible Note	80	80
7.4 Total financing facilities	80	80

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Finance facilities including Convertible Notes

On 8 November 2019, it was announced that a convertible note facility of \$1.1m into Novatti's dedicated banking subsidiary, Novatti B Holding Company Pty Ltd (NBH) for the provision of its working capital by Australian Fintech Investment Group Pty Ltd (AFIG) had been executed. \$1.1m was raised from the issue of one converting note.

On the 9th April 2021 Novatti announced the buy back of the outstanding converting note from AFIG. The buy-back was conducted via an assignment of the converting note from AFIG to the Company, effective immediately, for the \$1.1 million face value of the note. Payment for the assignment will be finalised in the FY22 year and is secured by Novatti's interest in LifePay. No interest is payable except in the case of payment default. During the first half of FY 22, a total of \$620k was paid down on the note leaving a balance of \$80k as at 31 March 2022 repayable to AFIG.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(4,357)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	8,359
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	8,359
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.91

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The entity expects the current level of outflows to decrease as its cash receipts and revenues increase. Over the last 3 quarters there has been a significant investment in growth expanding the team from approx. 100 to now over 230, now the focus has moved from expanding the team to ensuring the Company is generating returns from this investment.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The entity is considering leveraging its assets as collateral should future fundraising be required. If and when a material transaction is agreed, the entity will promptly advise the market in accordance with continuous disclosure obligations.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The entity does expect to carry on with its business. As mentioned in 1 and 2 above, the entity has been proactive in its pursuits to ensure on going funding for its operations and it confident of completing a favourable outcome. In addition, the Company has liquid assets on its balance sheet it can convert to cash if required.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 April 2022



Authorised by: The Disclosure Committee

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.