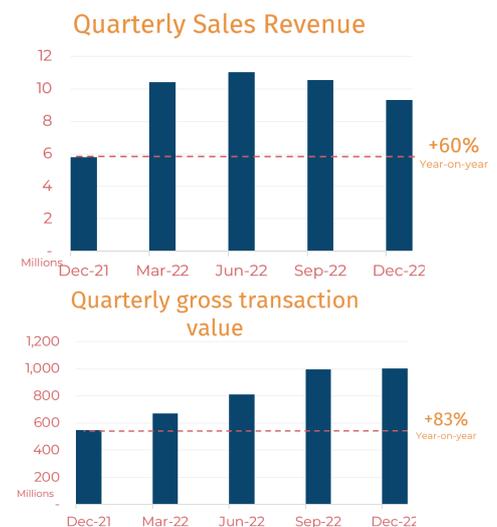


Quarterly GTV passes \$1b highlighting growing scale

Highlights

- \$9.3m quarterly sales revenue – up 60% YoY
- Quarterly GTV passes \$1b - up 83% YoY²
- Acquiring division's Quarterly GTV up 13X YoY & 19% on prior quarter
- International Bank of Australia launched with 91% shareholding
- \$25.7m cash highlights strong balance sheet
- Committed to delivering positive cashflow - significant cashflow improvement strategy in place



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 December quarter FY23 performance.

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

"The December quarter saw Novatti's business hit a number of significant growth milestones. Most notably, quarterly gross transaction value passed \$1b for the first time, up 83% year-on-year. This figure alone highlights the continued growth in Novatti's base."

"This base will only be strengthened by the momentum building in Novatti's future growth engines, which are increasingly attracting new, large-scale clients. For example, our Acquiring business saw its quarterly gross transaction value passing \$54m, up 13x year on year and 19% on the prior quarter, as its partner and capability roadmap developed and sales strategy continued to result in new signings. Likewise, quarterly gross transaction value in our Issuing business is now up 242% year on year."

"We were absolutely thrilled to launch the International Bank of Australia in November. This followed several years of investment and development to secure a restricted banking licence. Importantly, Novatti maintains a 91% shareholding in this new business. Since launching, we

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

² Gross Transaction Value (GTV)

have wasted no time in building the Bank's commercial base, holding discussions with more than 50 potential partner channels, such as migration, travel and education agencies."

"While Novatti's quarterly sales revenue increased 60% year on year, it did decrease on the prior quarter. This was largely the result of lower margins from one, large-scale international client, as well as seasonal factors related to ATX's revenue flow in South East Asia. In both cases, we expect revenue growth to return as the volume of business increases overall."

"Novatti continues its push ahead with delivering positive cashflow. Substantial savings have already been achieved, including in administrative and corporate costs, while the launch of the International Bank of Australia is expected to remove in order of \$3m in annual operating expenses currently carried by Novatti. Novatti's commitment to achieving positive cashflow will also be aided by the increasing leverage and efficiency now being achieved from its payments ecosystem, and evident from growing gross transaction value results."

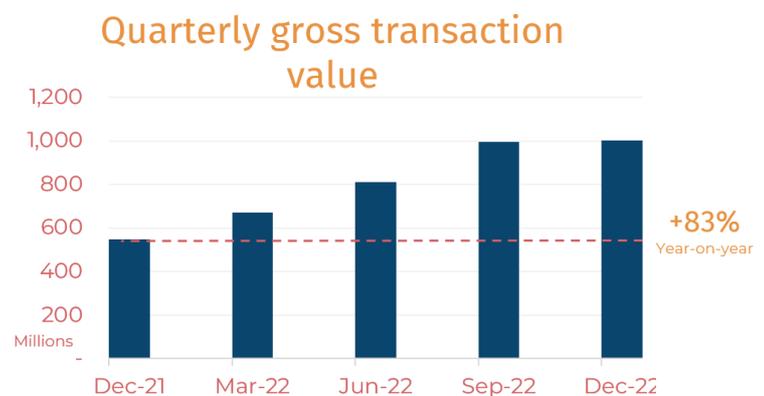
"Novatti continues to maintain a very strong balance sheet. In particular, we are confident our current cash resources will be more than enough to enable us to reach positive cashflow while continuing to execute our growth strategy."

Financial performance

Revenue

The December quarter saw Novatti deliver \$9.3m in sales revenue, a 60% increase year-on-year although down on the prior quarter. This result largely followed lower margins from one, large-scale international client, as well as seasonal factors related to ATX's revenue flow.

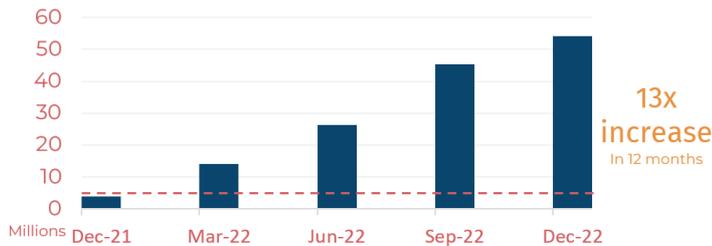
Notwithstanding these two factors, Novatti achieved the significant milestone of quarterly gross transaction value hitting more than \$1b, an 83% increase year-on-year.



Novatti

In particular, we are seeing continued strong transaction growth in Novatti's future growth engines, such as Acquiring and Issuing, also highlighted below.

Acquiring - Quarterly Gross Transaction Value



Issuing - Quarterly Gross Transaction Value



As a result of this continued processing growth, we expect revenue growth to return in the short term.

Cash flow

Novatti's cash position finished the December quarter with \$25.7m, highlighting the continued strength of its balance sheet. This included circa \$7.2m of funding for the International Bank of Australia.

Product manufacturing and operating costs as a percentage of customer receipts fell significantly from nearly 69% in the September quarter to 64%, reflecting both higher receipts and lower overall costs.

Quarterly Cash Used v Cash Available*



*Dec 22 Quarter cash used in operations result normalised to remove special dividend received from Reckon Limited

On a normalised basis (taking into account the receipt of a special dividend from Reckon Limited and the circa \$850k expended by IBOA in the quarter), cash used in operations for the quarter was \$1.6m. Here, Novatti remains committed to delivering positive cashflow. Substantial savings have already been achieved, including in administrative and corporate costs. Implementation of a significant cashflow improvement strategy is now in place.

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

During the quarter, Novatti finalised a Series A equity round for IBOA Group Holdings Pty Ltd (IBOA Group)³, which heads Novatti's dedicated banking division and is parent entity of the Bank, as part of securing a restricted banking licence.

Through this funding round, Novatti made an additional \$5 million investment, consequently retaining a 91% interest in IBOA Group. The aggregate \$8 million in new funding under this round will enable the Bank to launch and build its business.

Activities update

Growth in Acquiring

Novatti's Acquiring business continues to go from strength-to-strength, both in terms of growth and increased capabilities and customer offering.

Novatti's solution now enables businesses to accept payment from customers online, in-store and through mobile. This includes through credit and debit cards, direct debits to various digital wallets, along with Amex, UnionPay, Alipay, and WeChat Pay.



As shown above, in the December quarter, \$54m in gross transaction value was processed, which represents an increase of more than 19% on the prior quarter, and a 13x increase year-on-year, highlighting the significant traction this business is achieving.

Novatti continues to invest in increasing the capabilities of this business. Some of the recent developments include:

- Offering a “tap and pay” solution for businesses, enabling them to accept payment through an Android device without the need for any additional payment terminal or hardware
- Integrating acquiring solutions into the products of leading accounting software provider, Reckon Limited, enabling payments to take place directly through issued invoices
- Providing 100% protection from fraudulent chargebacks through a partnership with Riskified
- Working with point of sale network provider DataMesh to extend the offering to potentially many thousands of retailers and businesses

This business is expected to have an increasing impact on Novatti's performance, growth and margin contribution going forward.

³ Formerly known as Novatti B Holding Company Pty Ltd.

International Bank of Australia launched

In November, Novatti launched the International Bank of Australia. This followed the granting of a restricted banking licence by Australia's banking regulator.

This was a very significant milestone in the delivery of Novatti's long term strategy, and followed several years of investment and development. A key focus for the Bank will be partnering with fintechs who need an innovative and nimble payments banking partner. The Bank will leverage best in class digital technologies to enable the seamless end-to-end movement of money. In addition, the Bank will also seek to prioritise the underserved migrant sector.

International Bank of Australia will have the strong advantage of being able to leverage Novatti's existing payments ecosystem and global footprint to help win customers quickly. Here, no time has been wasted in building the Bank's customer base since launching, with discussions held with more than 50 potential channel partners, such as migration, travel and education agencies.

Further, the Bank has also strengthened its core capabilities by appointing a Chief Risk Officer, auditor, and its own core banking provider. These operational achievements are all important milestones in its pursuit of an unrestricted banking licence.

As part of the Bank securing its restricted banking licence, Novatti also finalised a Series A equity round for IBOA Group Holdings Pty Ltd (IBOA Group)⁴, which heads Novatti's dedicated banking division and is parent entity of the Bank. Through this funding round, Novatti made an additional \$5 million investment, consequently retaining a 91% interest in IBOA Group. The aggregate \$8 million in new funding under this round will enable the Bank to launch and build its business.

Reckon partnership

The December quarter saw Novatti receive a \$12.8m special dividend from its strategic stake in Reckon Limited.

This brings total dividends received since acquiring this strategic stake in 2021 to \$14.6m, while Novatti's 19.9% interest in Reckon remains in place.

In addition, Novatti and Reckon's strategic business partnership, offering payment services to Reckon's 117k+ cloud-based users, continues to progress.

AUDD launched

Novatti's new stablecoin, AUDD, was successfully launched in November 2022. AUDD aims to be a high governance and compliant digital asset that will reduce friction points in many payment services.

AUDD enables currency and remittances to be sent globally with near-instant settlement, creating great value for businesses who need to transact on this scale.

⁴ Formerly known as Novatti B Holding Company Pty Ltd.

Novatti

We've already seen great interest in this new product with more than 100 accounts already created and new business customers registering for its use.

The launch of AUDD has again highlighted how Novatti can leverage its global payments ecosystem to quickly and efficiently commercialise new products to drive revenue growth.

Board and management update

Novatti was delighted to announce the appointment of Killian Murphy as a non-executive director, effective from 13 October 2022. Killian contributes deep financial markets skills to the board and strong networks both within Australia and globally. He brings more than 15 years of experience working with growth companies across the UK, EU, US, and Australia. As part of this, he has advised both domestic and international companies and investors, including in the technology and payments sector, particularly on leveraging global capital markets. He currently works with leading financial firm, MST Financial. Killian holds a Master of Arts (Economics) and a Bachelor of Arts (Hons) in Economics from University College Dublin, National University of Ireland.

Following the completion of the quarter, Abigail Cheadle resigned as a director to focus on her other business interests.

Further, Novatti's Chief Financial Officer, Steven Stamboultgis, tendered his resignation effective after the Company lodges its half yearly reviewed financial accounts for the period ended 31 December 2022. The Company is engaging a recruitment consultant to assist in the search for a new Chief Financial Officer.

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>

Investors can view all Novatti announcements and join the discussion at Novatti's Investor Community Hub at: <https://announcements.novatti.com/>

Novatti Managing Director, Peter Cook, will be hosting a shareholder webcast, including quarterly results presentation and Q&A, on **Tuesday, 31 January 2023, at 12.30pm (AEDT)**. Investors can register at: <https://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.

Novatti



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 start-ups to global organisations, our solutions will unlock your ambitions. Solutions include issuing, acquiring, processing, and billing, while Novatti also holds a restricted banking licence through its 91% owned subsidiary International Bank of Australia Pty Limited.

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 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	20,067	38,810
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(12,878)	(25,775)
(c) advertising and marketing	(371)	(680)
(d) leased assets	(63)	(152)
(e) staff costs	(6,921)	(13,372)
(f) administration and corporate costs	(1,950)	(3,978)
1.3 Dividends received (see note 3)	12,835	13,511
1.4 Interest received	174	198
1.5 Interest and other costs of finance paid	(466)	(659)
1.6 Income taxes (paid)/refund	(7)	(15)
1.7 Government grants and tax incentives	-	1,051
1.8 Other – Working Capital	-	-
1.9 Net cash from / (used in) operating activities	10,420	8,939
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(12)	(26)
(d) investments	-	-
(e) intellectual property	(81)	(212)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(f) other non-current assets	-	-
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	(1,089)	(1,573)
(b) cash acquired on acquisition of subsidiary	-	-
2.6 Net cash from / (used in) investing activities	(1,182)	(1,811)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	3,000	3,000
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	10,500
3.6 Repayment of borrowings	-	(40)
3.7 Transaction costs related to loans and borrowings	(53)	(392)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	2,947	13,068

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	14,488	6,059
4.2	Net cash from / (used in) operating activities (item 1.9 above)	10,420	8,939
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,182)	(1,811)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,947	13,068
4.5	Effect of movement in exchange rates on cash held	(952)	(534)
4.6	Cash and cash equivalents at end of period	25,721	25,721

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	25,721	14,488
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)	25,721	14,488

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	(61)
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	10,500	10,500
7.2 Credit standby arrangements	-	
7.3 Other (please specify) – Convertible Note	-	-
7.4 Total financing facilities	10,500	10,500

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

A bond was issued on August 12, 2022. The \$10.5m bond is secured and is issued for a fixed term of five years. Interest is at 90 day BBSW plus 650 bps.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	10,420
8.2 Cash and cash equivalents at quarter end (Item 4.6)	25,721
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	25,721
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) Note: Positive net cash from operating activities results in an anomaly in this result.	N/A

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

1. 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?

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?

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

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: 31 January 2023



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.