

ASX ANNOUNCEMENT

8 May 2017

Novatti makes highly earnings accretive acquisition and undertakes accelerated non-renounceable entitlement offer

Highlights:

- Novatti acquires established billing business basis2 which will provide immediate and recurring revenues to the group
- The acquisition is strongly earnings accretive and is highly complementary to Novatti's existing businesses
- The acquisition is attractively priced at around 2.6 times EBITDA
- basis2 provides immediate positive cash flows post acquisition
- The transaction will assist with Novatti targeted profitability in FY2018
- The acquisition will be funded through a 1 for 4 accelerated non-renounceable entitlement offer raising approx. \$3.25m

Novatti Group Limited (ASX: NOV, **Novatti** or the **Company**) has entered into a conditional binding agreement with Prophecy International Limited to acquire 100% of its basis2 billing and customer information systems (CIS) business.

The consideration for the acquisition is \$2.75 million in cash, which equates to a multiple of around 2.6 times EBITDA. The acquisition is earnings accretive and will provide immediate cash flows to Novatti, with the actual cash payable being approximately \$2.3m due to advanced payments by customers being netted off the acquisition price and ongoing net cash flow of circa \$40k per month.

The revenues generated from the acquisition are expected to be a significant contributor to Novatti's targeted profitability in FY2018.

In addition to providing predictable and stable revenues to the Novatti business, the acquisition also builds on the Company's Transactions Division offering and will bring additional skills and expertise to Novatti.

Overview of basis2 and the acquisition

The basis2 business is profitable and has been operating for more than 10 years. It offers technologically advanced billing and CIS solutions to the utilities industry, providing a low cost and low risk way for utility providers to improve operational efficiencies and lower the cost of servicing their customers.

One of the key strengths of basis2 is its stable and predictable earnings stream that stems from a "sticky" client base in the US, Middle East and Africa. basis2 generated revenues of approximately \$1.7 million in FY2016 with EBITDA of approximately \$1.1 million.

Further details about the basis2 business is included in a presentation about the business, which is to be released after this announcement.

Completion under the sale and purchase agreement for basis2 is conditional upon Novatti completing a \$2.75 million capital raising and certain key employees taking up employment with Novatti, as well as standard conditions relating to warranties remaining true and accurate and there being no material adverse event. Completion is anticipated to occur in late May or early June.

Strong synergies

The acquisition builds on Novatti's Transaction Division offering and follows the Company's recent strategic entry into billing and e-payments in India through its joint venture with Transaction Solutions International (TSN), which was announced to the market on 13 April, 2017.

Novatti believes that there is growth potential in the basis2 business, particularly in emerging markets in the Middle East and Africa where Novatti will be able to utilise its existing distribution network to drive growth where there is existing pent up demand.

There is an opportunity for basis2 to grow its business in these emerging markets, which currently only accounts for 5% of its revenue. There is also potential to cross-sell Novatti's offerings to basis2 clients and vice-versa.

Furthermore, the acquisition will include a team of four technical staff from basis2, which will provide additional technological knowhow and expertise to Novatti.

"This acquisition marks an important inflection point for Novatti assisting the Company with its target of being profitable in FY2018, basis2 will add significantly to our earnings growth over the period and beyond," said Novatti CEO Peter Cook.

"What's more, the cash flow generated from basis2 will ensure that current growth plans for our existing businesses are fully funded. This is on top of the immediate and longer term growth opportunities in the basis2 business that can be achieved under our ownership."

Capital Raising – Accelerated Non-Renounceable Entitlement Offer

The acquisition will be funded through a \$3.25 million accelerated 1 for 4 pro rata non-renounceable entitlement offer of Novatti fully paid ordinary shares to shareholders at \$0.14 per share (**Entitlement Offer**), with Hunter Capital Advisors Pty Ltd as Lead Manager to the offer.

Shareholders who are on the members' register at 7.00pm (AEST) on 10 May 2017 will be eligible to participate in the Entitlement Offer.

The funds raised from this Entitlement Offer will be used to fund:

- the acquisition of basis 2 and costs associated with the acquisition;
- general working capital; and
- the costs of the Entitlement Offer.

The Entitlements are non-renounceable and will not be tradable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements will not receive any value for those Entitlements that they do not take up. Shareholders who are not eligible to receive Entitlements will not receive any value for the Entitlements they would have received had they been eligible.

Existing option holders need to exercise their options and be registered retail holders of fully paid ordinary shares on the Record Date if they wish to participate in the Entitlement Offer.

It is expected that approximately 23,220,956 New Shares will be issued as part of the Entitlement Offer. New Shares issued under the Entitlement Offer will rank equally with existing shares.

The Entitlement Offer includes an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**).

Under the Institutional Entitlement Offer, eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place today, 8 May 2017. Eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Novatti has already received strong support with the Company's two largest shareholders who have provided confirmation of their intention to accept their full entitlements under the Institutional Entitlement Offer in the amount of \$1,667,407.

Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer and Entitlements that would otherwise have been offered to ineligible institutional shareholders are intended to be placed as shortfall by the Directors (in consultation with the Lead Manager and subject to legislative requirements) at their absolute discretion.

Eligible retail shareholders in Australia and New Zealand will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on 15 May 2017 and close at 5.00pm (AEST) on 24 May 2017. The Retail Entitlement Offer will include a top-up facility under which eligible retail shareholders who take up their full Entitlement will be invited to apply for additional shares in the Retail Entitlement Offer from a pool of those not taken up by other eligible retail shareholders. There is no guarantee that applicants under this top-up facility will receive all or any of the shares they apply for under the facility. The Retail Entitlement Offer is not underwritten. Entitlements not taken up under the Retail Entitlement Offer may be placed as shortfall by the Directors (subject to listing rule and legislative requirements) at their absolute discretion.

Novatti will notify shareholders as to whether they are eligible to participate in the Entitlement Offer. On 15 May 2017 eligible shareholders will be sent an information booklet including a personalised entitlement and acceptance form which will provide further details of how to participate in the Entitlement Offer. A copy of the Information Booklet will also be lodged with ASX on 10 May 2017.

Novatti confirms that no dividend or distribution has been, or is planning to be, announced.

Proposed timetable*

Novatti expects that the Entitlement Offer will be conducted according to the following timetable:

Activity	Date
Trading halt (before market open)	4 May 2017
Announcement of the Entitlement Offer and Appendix 3B and cleansing notice lodged	8 May 2017
Institutional Entitlement Offer opens	8 May 2017
Institutional Entitlement Offer closes	8 May 2017
Announcement of results of Institutional Entitlement Offer and release of the Retail Entitlement Offer documentation to ASX (before commencement of trading following the trading halt)	10 May 2017
Trading halt is lifted, and Existing Shares resume trading on an ex-entitlement basis	10 May 2017
Record Date for Entitlement Offer (7.00pm (AEST))	10 May 2017
Information Booklet and Entitlement and Acceptance Form despatched, and announcement of despatch	15 May 2017
Retail Entitlement Offer opens	15 May 2017
Settlement of the Institutional Entitlement Offer	15 May 2017
Updated Appendix 3B for New Shares issued under the Institutional Entitlement Offer lodged (if required)	15 May 2017 (before noon)
Expected issue and quotation of New Shares issued under the Institutional Entitlement Offer	16 May 2017
Closing date for acceptances under the Retail Entitlement Offer (5.00pm (AEST))	24 May 2017
Announcement of results of the Retail Entitlement Offer and under-subscriptions	25 May 2017
Settlement of the Retail Entitlement Offer	26 May 2017
Expected issue of New Shares under the Retail Entitlement Offer	29 May 2017
Updated Appendix 3B for New Shares issued under the Retail Entitlement Offer lodged (if required), along with other required information (e.g. distribution schedule)	29 May 2017 (before noon)
Expected quotation of New Shares under the Retail Entitlement Offer	30 May 2017
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	2 June 2017

** This timetable is indicative only. The directors may vary these dates subject to the ASX Listing Rules. An extension of the closing date will delay the anticipated date for issue of the New Shares. The directors of Novatti also reserve the right not to proceed with the whole or part of the Entitlement Offer any time prior to the issue of the New Shares under the Entitlement Offer. In that event, the relevant application monies (without interest) will be returned in full to applicants.*

For more information on the Entitlement Offer, please contact the Company Secretary on +61 8 9388 8290.

For further information on the basis2 acquisition please contact:

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About Novatti Group Limited

Novatti, an Australian-based company, is an award-winning global software technology and payment services provider. Both through technology and services, Novatti helps economies, corporations and consumers digitize cash transactions. Novatti's robust and efficient software solutions include Consumer Digital Wallet, Branchless banking, Mobile Money, Bill Payments, Remittance Services and Voucher Management Systems. Novatti's transaction processing services include Flexepin, an open loop cash voucher service and TransferBridge, a global remittance network.