



ASX ANNOUNCEMENT

11 September 2020

Strategic Acquisition and Capital Raising

Investment Highlights

- Binding agreement executed for the acquisition of Wirecard NZ & Australia assets for A\$7.8 million⁽¹⁾
- The acquisition represents an EV/Revenue multiple of 0.5x⁽²⁾ based on FY20 revenue of approximately US\$11.1 million
- Pro-forma FY20^(2,3) key financial metrics include:
 - A\$15.4 million revenue
 - A\$9.3 million is annual recurring revenue (ARR)⁽⁴⁾
- Acquisition brings significant scale and growth through the addition of 120 customers, capability in +35 countries and a global workforce
- Blue chip client base including the big 4 Australian banks, major Australian supermarkets, Asian and South American banks and fintechs
- Accelerates customer acquisition cycle and future platform development and will speed up conversion of Change's existing customer pipeline
- +10 new customers identified to onboard in next 12 months
- Post-acquisition Change will be a leading, global Banking as a Service (BaaS) platform
- Cash consideration funded by the proposed placement and entitlement offer

11 September 2020: Change Financial Limited (ASX: CCA) ("**Change**" or the "**Company**"), is pleased to present the following strategic acquisition and capital raising initiative.

Strategic Acquisition

Change has entered into a binding agreement to acquire all the business assets ("**Wirecard Business**") of Wirecard NZ Limited (administrators appointed) ("**Wirecard NZ**") and Wirecard Australia Pty Ltd (administrators appointed) ("**Wirecard Australia**") for a total cash consideration of A\$7.8 million⁽¹⁾.

The Wirecard Business being acquired by Change represents the Australian and New Zealand business assets of the vendors which provide innovative card management and payment platform solutions to banks and financial institutions as well as digital brands and fintechs. The Wirecard Business's technology is active with over 120 customers, across more than 35 countries.

The Wirecard Business has three well established products covering:

1. Card Management Platform – enables issuing of physical and virtual prepaid, debt and credit cards. Processing of transactions for card issuers
2. Central managed testing hub for financial transactions – simulator system to test payment transactions to ensure financial service providers comply with relevant payment standards

¹ Final Consideration will be adjusted for net working capital adjustments at completion

3. Mobile payments – allows a mobile phone to operate as a mobile payment device. Supports its own virtual wallet to register debit, credit and prepaid cards.

The acquisition of the Wirecard Business represents an EV/Revenue multiple of 0.5x⁽²⁾ based on FY20 revenue of approximately US\$11.1 million (A\$15.4 million⁽³⁾).

Cash consideration and costs are proposed to be funded via:

- a Placement to professional and sophisticated investors raising approximately A\$6.4 million; and
- an Entitlement Offer to existing shareholders raising approximately A\$4.9 million.

Highlights

The Company's strategic rationale for the acquisition includes:

- **Blue-Chip Client Base** +120 customers in +35 countries including the big 4 Australian banks, major Australian supermarkets, Asian and South American banks and fintechs
- **Annuity Income** – client base delivered recurring revenue of US\$6.7m in FY20.^(4,5)
- **Product Development Acceleration** – established technology suite, solutions and processes will expand Change's Platform feature set and underlying IP value.
- **New Partnerships and Relationships** – Visa, AMEX, Diners, UnionPay and JCB partnerships will accelerate Change's initiatives by (i) offering 2nd card network in the US; and (ii) building bank relationships across regions.
- **EBITDA Positive⁽⁶⁾** – brings forward revenue & strengthens Change's balance sheet to accelerate the platform commercialisation in the US.
- **Geographical Reach** – customer base, card network partnerships and banking relationships will lower entry costs in high growth regions: Asia, Latin America and Oceania).
- **Existing strong management team in place** – establish technical and product team across; New Zealand, Australia and America.

The acquisition adds significant scale and growth to the Company, including:

- **Increasing Customers Numbers** – Customer numbers increase to +120 from our current US based customer (UpChange).
- **Expanding Global Presence** – expands the Company's presence into 35 countries, from 1 country (United States) currently.
- **Immediate Revenue Contribution** – Established technology suite, solutions and processes will expand Change's Platform feature set and underlying IP value.
- **Global Workforce** – Increases staff numbers from 15 to 75 and increases office locations from Los Angeles and Brisbane currently to include Auckland, Melbourne and Santo Domingo.

Following the acquisition, the Company will embark on the following growth initiatives:

- **Upgrading existing Platform** – acquired technology adds new features to existing Platform. Increases addressable market in US by 10x with addition of debt and credit card processing
- **Onboarding of customers** – focus with onboarding +10 customer in the US over next 12 months on existing Platform

² FY2020 based on pro-forma actuals based to 30 June 2020

³ AUD/USD = 0.72

⁴ Revenue on an accrual basis which includes combination of revenue received and revenue in advance

⁵ FY20 numbers based on full 12-month contribution to 30 June 2020

⁶ Results for Wirecard have been both normalised and subject to pro forma adjustments

- **Upgrading customers** – established technology suite, solutions and processes will expand Change's Platform feature set and underlying IP value.
- **Investing in sales and marketing** – investing in sales and marketing which has been significantly under invested by previous owners

Additional Background

In July 2020, Wirecard NZ, and its wholly owned subsidiary Wirecard Australia, were placed into voluntary administration. McGrathNicol and BDO were appointed voluntary administrators of Wirecard NZ and Wirecard Australia respectively. The Wirecard Business is separate from the much publicised administration process of the global group which centred around the dealings of Wirecard AG, the ultimate parent company and not Wirecard NZ. Notably, the Wirecard Business (being acquired by the Company) was previously acquired by Wirecard AG in 2014 and was a profitable business with 29 years of operation. The Wirecard Business still remains a going concern.

Following a due diligence exercise and competitive sale process, Change Financial was selected as the preferred bidder and has signed a binding sale and purchase agreement with the administrators.

The Company will release to ASX a presentation which provides additional details on the assets being acquired and the Capital Raising referred to below.

Capital Raising

Placement Summary

The Company has received unconditional binding commitments for a placement to institutions, sophisticated and professional investors ("**Placement**"). The Placement will raise approximately A\$6.4m, before offer costs. The Placement comprises the issue of approximately 67.4 million new, ordinary fully paid Change shares ("**New Shares**"), at A\$0.095 per New Share ("**Offer Price**"). The Offer Price represents:

- 17.4% discount to the last close price of A\$0.115
- 21.3% discount to the 15-day Volume Weight Average Price ("**VWAP**") of A\$0.121

The Placement will be undertaken in a single tranche within the Company's existing placement capacity under ASX Listing Rule 7.1⁽⁷⁾ and 7.1A.

Settlement of the Placement is scheduled to occur on Thursday, 17 September 2020, with the Placement shares scheduled to be allotted through the ASX and expected to commence trading on Thursday 17 September 2020. An Appendix 3B for the proposed issue of the New Shares will be lodged following this announcement.

Altor Advisory Partners and Canaccord Genuity acted as Joint Lead Managers to the Placement.

Entitlement Offer Summary

In addition to the Placement, Change proposes to undertake a non-renounceable entitlement offer to eligible shareholders, on the basis of two (2) new fully paid ordinary shares ("**New Entitlement Offer Shares**") for every eleven (11) existing shares held, at an issue price of A\$0.095 per share ("**Entitlement Offer Price**"), to raise approximately A\$4.9 million ("**Entitlement**

⁷ The Company has applied to ASX for a waiver under Listing Rule 7.1

Offer). The Entitlement Offer Price represents 15.1% discount to the Theoretical Ex-Rights Price of A\$0.112.

The Entitlement Offer is fully underwritten by Altor Advisory Partners and Canaccord Genuity ("**Underwriters**"). Director of Change, Harley Dalton has entered into a general sub-underwriting agreement for \$81,481.50. A related party of Harley Dalton, the Altor Alpha Fund has entered into a priority sub-underwriting agreement for \$699,999.90. Mr Dalton's and the Altor Alpha Fund's participation in the sub-underwriting is in accordance with the provisions of exception 2, Listing Rule 10.11. A summary of the terms of the underwriting agreement are provided in the Appendix 3B, lodged with ASX.

Assuming no existing options on issue in the Company are exercised, approximately 51.6 million New Entitlement Offer Shares will be offered under the Entitlement Offer. The Entitlement Offer will be available to shareholders with registered addresses in Australia and New Zealand who are recorded on the register as holding shares on 7pm Wednesday, 16 September 2020 ("**Record Date**"). New Shares issued pursuant to the Entitlement Offer will rank equally with all shares on issue.

Change does not require shareholder approval in relation to the Entitlement Offer. The Company is preparing and proposes to lodge an offer document ("**Offer Document**") with ASX on or before Monday 21 September 2020 in relation to the Entitlement Offer. The Entitlement Offer made under the Offer Document will be an offer to Eligible Shareholders of continuously quoted securities (as defined in the Corporations Act) and will be prepared in accordance with Section 708AA of the Corporations Act. The Offer Document is expected to be despatched to Eligible Shareholders on Monday 21 September 2020.

The New Shares will be offered in accordance with the indicative timetable presented below:

| Event | Date (2020) |
|--|-------------------------|
| Announcement of issue (including Appendix 3B information) | Friday, 11 September |
| Shares commence trading on an ex entitlement basis | Tuesday, 15 September |
| Record Date for the Offer | Wednesday, 16 September |
| Settlement of the New Shares issued under the Placement | Thursday, 17 September |
| Offer Document released on ASX and despatched to Shareholders with Entitlement and Acceptance Form | Monday, 21 September |
| Opening Date of Offer | Monday, 21 September |
| Closing Date of Offer | Wednesday, 30 September |
| Advise ASX of any shortfall | Friday, 2 October |
| Announcement of results of the Offer | Monday, 5 October |
| Allotment of the New Entitlement Offer Shares | Wednesday, 7 October |
| Commencement of trading of New Entitlement Offer Shares on ASX and dispatch of holding statements | Thursday, 8 October |

All dates are subject to change and accordingly are indicative only. The Company together with the Underwriters reserve the right, subject to the *Corporations Act 2001* (Cth) and the ASX Listing Rules, to amend the indicative timetable and in particular, to extend the closing date or to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the date of allotment and issue of New Shares.

Authorised for release by Ben Harrison, Chairman.

For more information, please contact:

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About Change Financial

Change Financial Limited (ASX: CCA) is a US-focused fintech company developing innovative and scalable payments technology to provide solutions for businesses and financial institutions. Change Financial is building a Mastercard registered enterprise payments and card processor. To learn more, please visit: www.changefinancial.com