

ASX Announcement

23 February 2017

**Highlights:**

- Greater sales activities leading to an increase in Flexepin merchants during the half year
- Contractual completion of Performance Acceptance Tests for Telecom Tanzania
- Recurring income growth increase of 40% on half year December 2016 to same time last year
- Increase in business development activities resulting in a strong sales pipeline heading into second half of FY17
- Significant progress made into transaction market between China and Australia with the signing of two significant agreements during the half

**Novatti Group Limited (ASX:NOV or the ‘Company’)** is pleased to provide its interim financial report for the half year ended 31 December 2016.

**Review of operations**

**Financial results**

Novatti Group Limited has made strong progress across all business divisions over the first half of the financial year.

The increase in costs from this half year to the prior year reflect the extra resources and efforts taken by all parts of the business in delivering on its strategies. This half year is also one of being an ASX listed entity with compliance and public company running costs.

Further, the Company has focused on reducing its cost base in the first half of FY17 and has been able to take out approximately \$60,000 of costs per month by reducing its operating overheads, as well as achieving savings in technology delivery. These cost reductions will be realised in the second half of FY17.

**Operating overview**

The Company has significantly increased its business development activities across the first half of the financial year, which has resulted in a strong sales pipeline heading into the second half of FY17.

Novatti is focusing its business development across four main areas which has set the Company up for strong growth in FY17. These are:

- Financial technology
- Compliance services
- Transaction processing
- China payments and merchant services

### **Financial technology**

Novatti has seen strong performance across its payments platforms business with the Company commencing commercial operations in Malaysia through its joint venture (JV) with ATX Malaysia Sdn Bhd. The initial connection to 3,000 independent retail agents through the JV has now grown to 9,000 and the Company expects this to continue to grow across 2017.

The JV provides Malaysian retailers and consumers access to a payment platform for mobile phone and utility bills. The Company is paid on a percentage of the value of the transactions processed by the JV.

Novatti is also expecting to receive approximately US\$600,000 in the second half of FY17 from Tanzania Telecommunications Company Limited (TTCL) after Novatti passed a contractual requirement for the Performance Acceptance Tests through its projects with (TTCL) in the first half of the year.

Novatti is also working on two upgrades of existing client networks, which will both be delivered in the quarter ended 31 March 2017.

### **China payments and merchant services**

The Company has made rapid progress into the large and growing transaction market between China and Australia with the signing of two significant agreements during the six months to end December 2016.

The first of these agreements was with RoyalPay Australia – the first Australian distributor of WeChat Wallet, which is a mobile wallet service provide by WeChat. WeChat is China's largest social messaging service with more than 700 million registered users. This agreement will enable users of WeChat Wallet, who are typically overseas Chinese visiting Australia, to use the app to pay for goods and services at outlets that sign on to the Novatti/RoyalPay platform.

Novatti also signed a deal with payment service aggregator, LatiPay, to cover Australian e-commerce and trade payments from China through 19 leading Chinese banks and all the major Chinese digital wallets, such as those from WeChat, Alibaba. JD.com and Baidu.

Subsequent to the reporting period, Novatti has established a business unit, called China Payments (<http://www.chinapayments.com>) to focus on executing on this growing opportunity for faster and more cost-effective payment systems to settle cross-border payments from China to Australia.

## **Transaction processing – Flexepin and TransferBridge**

Growth across the Flexepin and TransferBridge businesses was strong in the first half across a number of fronts

Flexepin continues to acquire new merchants for its cash top-up vouchers while also showing growth in transactions across its existing merchants. The business has now signed up 29 merchants with 74 websites and is expecting further growth in the second half of FY17 with a strong sales pipeline of potential merchants.

Flexepin has also seen growth in the uptake of its Open Loop Voucher Service from Bitcoin merchants in Australia and Canada. The Company now has 13 live bitcoin merchants on board, up 160% since 30 September 2016, all of which have an established customer base that transacts on a regular basis. The growth has been driven by increasing pressure on Bitcoin merchants to meet high levels of compliance as regulators increase their levels of oversight on the industry.

This is a growing opportunity for Novatti and one that provides a recurring revenue stream. The Company expects to grow its number of Bitcoin partners substantially over the remainder of FY17 and beyond.

Novatti also successfully integrated its TransferBridge platform with emerging global e-wallet and e-payment provider Zapper Marketing Limited (Zapper) during the half.

Zapper has selected Novatti to enable airtime top-up features on the Zapper app through the TransferBridge solution. Zapper's service is currently used in 15,000 merchants across Europe, Africa and North America and the integration into the Zapper platform provides Novatti with another avenue of expansion into high-growth transaction-based revenue markets.

## **Compliance & Trusted Party services**

Flexewallet Pty Ltd, a subsidiary of Novatti holds an Australian Financial Services License (AFSL) for Non-Cash Payments. The Company has signed up four Authorised Representatives since it commenced this activity in 2016. These representatives each provide the Company with recurring revenues related to compliance and financial transaction settlement services.

## Outlook

The outlook for the second half of FY17 is very positive, with growth into new markets and continued uptake of transaction processing services expected. The Company has continued to build its recurring revenue streams over the first half and further growth is expected as the Company expands its offering and reach into new markets.

Novatti is also focused on building its business to support the growing demand for a faster and more cost-effective payment system between China and Australia, which will give the Company a strong foothold in this lucrative market.

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## **About Novatti Group Limited**

Novatti is an award-winning global software technology and payment services provider. Both through technology and services, Novatti helps economies, corporations and consumers digitise cash transactions. Novatti's robust and efficient software solutions include Consumer Digital Wallets, Electronic Top-Ups, 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.