



Growth in Financial Transaction Processing

Market Update – July 2017

What We Do

Novatti (NOV) is an online financial transactions processor and infrastructure developer with two core revenue drivers

1) Transaction Services

- Processes financial transactions on a percentage of revenue basis
- Incorporates compliance capabilities such as AFSL, FCA (UK) licencing and Austrac Remittance Network Provider registration
- Cryptocurrency enabler
 - China Payments
 - Flexepin
 - TransferBridge

2) Platforms

- Builds and/or operates technology platforms for financial services enterprises
- Generates a combination of one off and upfront fees plus ongoing annuity revenues (support, license fees, SaaS revenues)
- Fintech solutions
- Mobile payments including mobile money, banking, remittances and digital wallets



Key Investment Considerations

1. **Imminent earnings inflection point**

- expected to post maiden profit in FY18

2. **Recurring revenues**

- strong growth in recurring revenues from both transaction services and platforms divisions

3. **Diversified revenues** from quality customer base

- contracted tier 1 enterprises on a range of SaaS and support contracts

4. **Highly scalable** and leveraged to:

- High growth in Chinese visitors to Australia and growth in retail payments from these groups
- Growth in mobile payment platforms by Chinese visitors: Alipay (400m users), WeChat Wallet (700m users)
- Emerging markets for cashless payments growth
- Expanding demand of cryptocurrency
- Growing online payment of utility bills



Segment Revenue Mix and Outlook

Segment Overview	Revenue Model	Indicative annual revenue	Target Market/Key Clients	Outlook
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Transaction Services – Growing rapidly

Flexepin Digital vouchers	- Margin on transaction	Run rate circa \$500k and growing rapidly	- 4,000 retail outlets in Australia 6,000 retail outlets in Canada Sales in Africa and Scandinavia commenced in March 2017	High-growth business in high growth sector
TransferBridge Global Remittance Payments	- Fee per transaction		- Zapper Wallet (Africa) - Amagetsi (Zimbabwe) - ATX (Malaysia) - Voucher payments (South Africa)	Growing wholesale opportunities as growth attracts new entrants
China Payments	- Merchant service fees per transaction		- Chinese visitors/tourists using WeChat Wallet (700m users) and Alipay (400m users)	Multiple announcements, strong growth in processing fees

Novatti Platforms – Growth and recurring revenues

Novatti platforms	- Platform development fees - SaaS revenues - Support and Maintenance - License fees - R&D Grant	\$4.0m (\$2.5m recurring)	- Emerging markets in Africa, Asia - Telstra (Australia) - Hutchison Telecom (Hong Kong) - TTCL (Tanzania)	Contemporary technology for the high growth mobile and emerging markets
basis2 Utility billing and CIS	- Recurring fees plus professional services	\$1.7m (850k recurring)	- Philadelphia Water - City of Yonkers - City of Cairo - Addis Ababa Water	Opportunities to leverage Novatti's existing network

Novatti Transaction Services



Novatti transaction services has three business segments which are growing rapidly



Processing of China payment methods in Australia

- Key customers are Chinese visitors to Australia (including tourists and students)
- Chinese tourists forecast to overtake New Zealand in 2017 as largest group of annual visitors to Australia
- Large and growing addressable market



Digital vouchers for online payments

- Currently 4,000 retail outlets in Australia and 6,000 in Canada
- Transactions growing rapidly with 135% increase in June quarter*
- Growing cryptocurrency payments business



International transaction networks

- Revenue from transaction fees on transactions that flow through remittance and alternate payment networks
- Specialist networks and commercial situations in Malaysia and Africa driving growth



China Payments can process transactions from all the major Chinese e-payment providers through key partnerships including WeChat Wallet, AliPay, Baidu, JD Pay and 19 Chinese banks






China Payments services three key segments

- **In-store purchases:** Chinese tourists and students who shop for goods and services within Australia at physical outlets
- **E-Commerce:** Online shoppers based in China who are looking to make purchases directly from Australian websites
- **Trade Payments:** SMEs in China looking to import Australian goods



China Payments – Large Addressable Market

China Payments services large, addressable and under-serviced markets – social platform transactions and Chinese visitors to Australia

Payment Method	Logo	Comments
WeChat Wallet		<ul style="list-style-type: none">• Part of TenCent Group• WeChat is the largest social media platform with 700m users• WeChat Wallet = 400m users• Preferred in-store payment method, common online method
AliPay		<ul style="list-style-type: none">• 400m users• Common payment method in-store and online• Biggest player in China's mobile payments market with 80% market share
JDPay	 JD PAY	<ul style="list-style-type: none">• JD.com operates China's largest e-commerce platform by revenue• It listed on the NASDAQ in 2014 and has close to 200m users• Generated revenues of \$US28bn in 2015
Baidu		<ul style="list-style-type: none">• Baidu is China's dominant search engine• Has around 80% <u>market share</u> of ad revenue (Google China 9.2%)• Launched into other services like payments and mapping to protect market share
Chinese banks x 19		<ul style="list-style-type: none">• Preferred for importers for payment to reduce fees



- Novatti's China Payments segment allows Chinese tourist and students to complete financial transactions in Australian retail outlets
- Enabling Australian retail stores, Online eCommerce stores and trade exporters to accept all common Chinese payment methods
- Revenue from margin per transaction

Market Segments

Characteristics

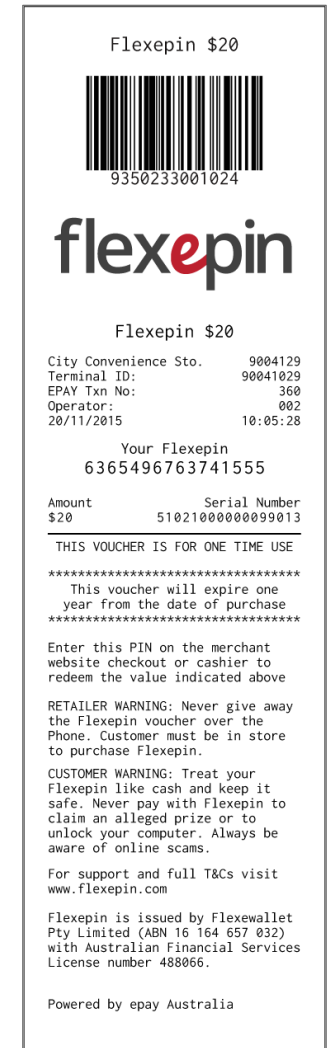
Chinese Tourists	1.2 million visitors a year, high spend, most do not have Visa or MasterCard
Chinese Students	200,000 at Tertiary, Secondary and Primary
Online Consumers	From 1.2 billion residents, very high propensity to online shopping with Australian-sourced goods in high demand (consumers do not trust Chinese retailers due to risk of counterfeit goods)
Chinese trade importers	Want cheap efficient direct payments from their banks

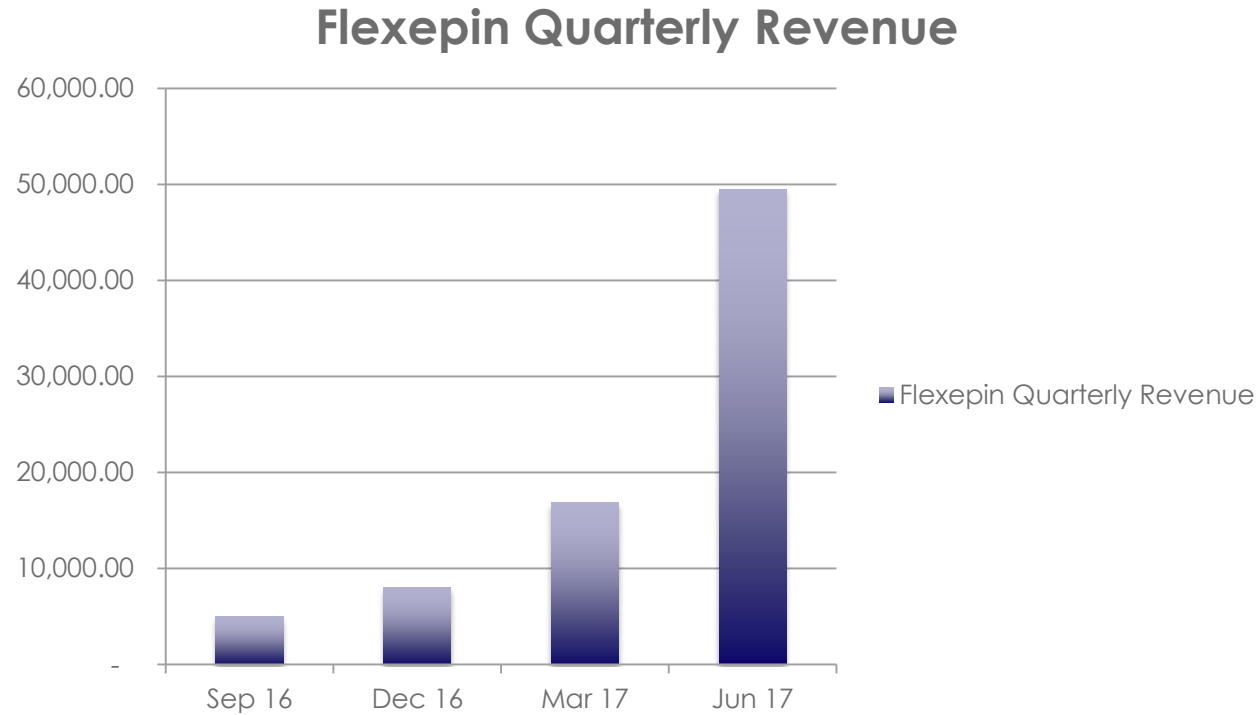


Flexepin | Voucher for Online Payments

flexepin

- Flexepin is a prepaid debit voucher for online purchases with a large footprint in Canada
- Current focus has been aiding the pursuit of cryptocurrency adoption
- Flexepin generates income on a transactional basis – revenue from margin per transaction
- Number of transactions expected to rise by 130% in the June quarter
- Currently 6,000 retail outlets in in Canada that resell Flexepin vouchers, and 80 - 100 online merchant sites accepting Flexepin vouchers
- White label voucher sales commenced March 2017 in Scandinavia
- First two countries in Europe live in May 2017





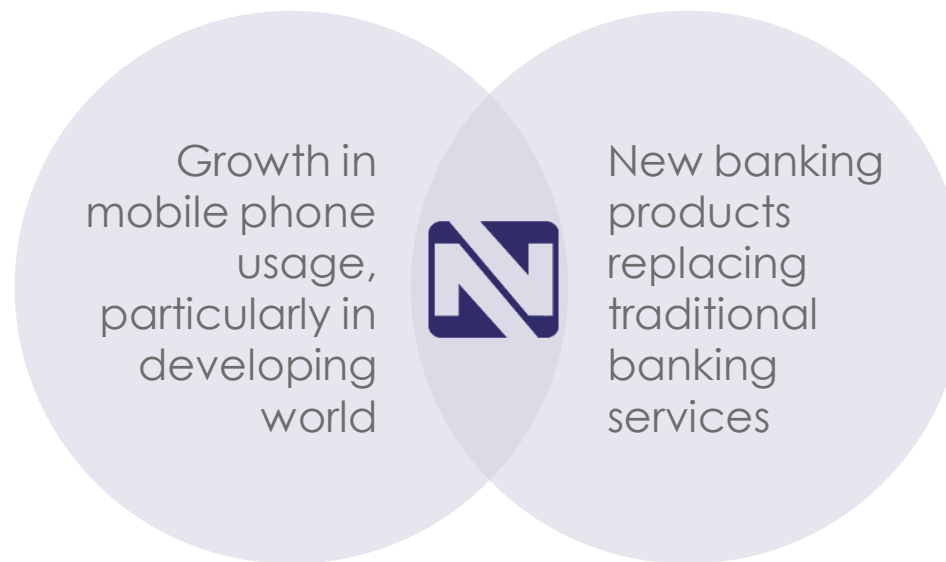
- TransferBridge provides the link between a business receiving cash in one country and a business providing cash/value in another country
- Network built: offers connection to 680 payment suppliers and retailers in 120 countries. Technology built/owned by Novatti Group
- Revenue from transaction fees on transactions that flow through remittance networks – high-volume sector
- ATX Malaysia agent and bill payment network in Malaysia
- Amagetsi payment network for inbound payments to Zimbabwe
- Expanding into high-growth transaction-based revenue markets across Africa



Novatti Platforms – Overview



- Novatti enables governments, utilities, telecoms operators and financial institutions to provide innovative financial services such as mobile money, branchless banking, remittances and digital wallets
- The Novatti Payments Platform extend our client's market reach by providing FinTech solutions that reduce the cost to acquire and manage a previously underserved market segment



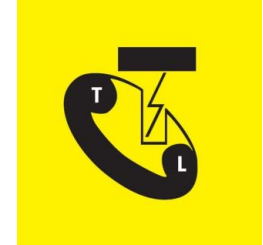
Monetising technology via revenue share agreements for large upside



Quality Customer Base



Hutchison Telecom
Hong Kong Holdings



CABLE & WIRELESS



CATHAY PACIFIC

**payment
source.ca**



In addition to supply and installation requirements, the majority of customers require ongoing maintenance and support, providing continuous, predictable revenue after the implementation of the project



basis2 – Leveraged to Growth in Utilities Payments

basis2 (acquired on 25 May 2017) is a profitable utility billing business with excellent technology, quality customers and key distribution partners

Strongly earnings accretive

- Includes significant prepaid revenues, then ongoing margin of circa \$40k per month
- Significant contributor to Novatti targeted profitability for FY2018
- Generates predictable and stable revenues
- FY16 revenue of \$1.7m (US\$1.25m) & EBITDA of \$1.1m (US\$0.825m)

Nature of operations

- Utility billing software, primarily for water utilities
- Operating for more than 10 years
- Major clients - Philadelphia Water, City of Cairo
- 95% of revenues from US
- 5% of revenues from Middle East, Africa

Nature of revenues

- 50% recurring
- 50% professional services to existing clients
- **Highly recurring revenue model**

Growth profile

- Existing clients – modeled at 10% per year
- Emerging markets – highly likely from major distributor channel Giza Systems in Middle East. *(Giza is an existing Novatti partner for other payment solutions)*
- New platform services offerings - "Subscription Billing as a Service"





Novatti (ASX: NOV)

Market cap	\$11.34m
Shares on issue	117.94m
Share price ((as at June 15, 2017))	\$0.115
Revenues (unaudited FY17)	\$4.25m
Cash (as at 31 March)	\$1m
52 week high-low	\$0.09 - \$0.25
Debt	Nil

Top 5 Shareholders

Brayter Limited	42.58%
Kenneth Lai	11.80%
Corangamite Pty Ltd	10.14%
BNP Paribas Nominees	1.83%
Half Full Pty Ltd	1.79%

Top 20 Shareholders

80.88%

Share price – 6 months



Experienced Board



Peter Cook – Chief Executive Officer and Managing Director

A tech entrepreneur with a strong record in the mobile payment solutions business, Peter is a FinTech industry thought leader in mobile and new banking who has successfully executed several disruptive business models and multiple successful exits including Total Tel Limited, Unidial Australia and Ezpin Australia and Canada. Deputy Chairman of Senetas Corporation Limited (ASX:SEN) from June 1999 to Feb 2006

Peter Pawlowitsch – Chairman

Peter has extensive business experience and expertise across business administration and project evaluations. He is a director of several companies including Dubber (ASX:DUB), Knosys (ASX:KNO), Rewardle (ASX:RXH) and Ventnor Resources (ASX:VRX)

Brandon Munro – Non-Executive Director

Brandon is a former lawyer with extensive experience in M&A and Capital Markets. He is currently Managing Director of Bannerman Resources Ltd (ASX:BMN)

Kenneth Lai – Non-Executive Director

Kenneth is the MD of Hong Kong-based investment firm Prestige Team Limited, which has interests in payment processing, real estate, digital marketing and information technology support services. Mr Lai has a wide range of investment and business experience in Asia and has a successful track record in acquiring and integrating a number of payment companies

Paul Burton – Non-Executive Director

Paul has more than 15 years experience in the payments industry and was the former CFO and CEO of payment processing company Datacash Limited, which was sold to Mastercard. Paul is also a former Director of UK based electronic money system Ukash



Proven Management



Alan Munday – Chief Operating Officer

Alan has enjoyed a long and successful business career and has more than 25 years experience as a director, executive and consultant with KPMG, Senetas and as an executive director with Granite Investment and Total Tel International

Steven Stamboultgis – Chief Financial Officer

Steven is a financial expert with more than 25 years experience in commercial finance. He has held CFO positions at listing of technology companies Urbanise.com (ASX:UBN) and Praemium (ASX:PPS)

UK Management Team

Stan Rubin – Money Laundering Reporting Officer

Stan has over 30 years experience in various financial, operational and compliance roles. He was the COO and last employee of Ukash prior to their consolidation with Paysafecard

Gregory Lee – Global Distribution Manager, Flexepin

Greg has over 20 years experience in business development within the mobile payments industry. He has held VP and GM positions at technology companies Emida, FinMobile and MI-Pay



Summary

1. Inflection point

Expected to post maiden profit in FY18



2. Recurring revenues

Strong growth in recurring revenues from transaction services division



3. Opportunity

Strong and growing base business underpinning new blue sky transaction businesses



4. High-Growth

Strong exposure to high growth mobile, payments and emerging markets



5. Scalable

Truly global business with international applications for all business divisions



6. Expansion

Growing strategic partners and strategic acquisitions



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