

13 June 2018

ASX Announcement

Acquisition of Vasco Pay A prepaid reloadable card offering

Highlights

- Novatti signs a binding agreement to acquire 100% of Vasco Pay, a pre-paid reloadable Visa card provider that targets multiple market segments including millennials, 2 million local and 570,000 international tertiary students and their parents.
- Strong strategic alignment with Novatti's remittance business, with customers of Vasco Pay strong candidates to potentially become future customers of Novatti's banking services
- Acquisition will add financial transaction revenues
- Upfront consideration of \$150,000 cash plus 1.6 million Novatti Shares, with earn-out payments based on EBITDA multiples in FY20 and FY21
- Funding from Novatti will accelerate sales and marketing promotional activity of Vasco Pay which is expected to drive customer growth and increase product awareness

Novatti Group Limited (ASX:NOV) ('Novatti' or the '**Company**'), an online financial transactions processor and financial technology developer, is pleased to announce it has signed a binding agreement to acquire 100% of the issued share capital of Vasco Pay Pty Ltd ('**Vasco Pay**'), a pre-paid Visa card payments provider (the '**Acquisition**').



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Transaction Overview

The agreement for the acquisition ('**Acquisition Agreement**') provides for Novatti acquiring Vasco Pay for upfront consideration of \$150,000 cash and 1.6 million Novatti fully paid ordinary shares (**Novatti Shares**) (of which 800,000 will be escrowed for a period of 12 months and the remaining 800,000 for 24 months) plus deferred consideration to be determined pursuant to earn-out arrangements on the following terms:

- (i) following the end of the First Earn-Out Period (1 July 2019 to 30 June 2020), Novatti shall pay as additional consideration an amount equal to 1.225 times the 2020 EBITDA to be satisfied, at the election of each seller, in cash or by the allotment and issue of Novatti Shares at an issue price of 90% of VWAP in the 90 day period prior to 30 June 2020.
- (ii) following the end of the Second Earn-Out Period (1 July 2020 to 30 June 2021), Novatti shall pay as additional consideration an amount equal to 1.1025 times the 2021 EBITDA to be satisfied, at the election of each seller, in cash or by the allotment and issue of Novatti Shares at an issue price of 90% of VWAP in the 90 day period prior to 30 June 2021.

The Acquisition Agreement is otherwise on terms customary for a transaction of this nature, including provisions for warranties, confidentiality and non-competition.

Completion of the Acquisition under the Acquisition Agreement is expected to take place by Friday, 15 June 2018.

About Vasco Pay

The Vasco Pay card is an easy and secure reloadable prepaid Visa card that targets multiple market segments including millennials, parents, students and disbursements. The initial offering is tailored for 570,000 international and 2 million local tertiary students. Much more than a prepaid card, it is coupled with a raft of discounts and special offers relevant to students with brands such as Sephora, Samsung, Cotton On and Nexus Notes.

Vasco Pay fits the payment needs of students and their parents giving them piece of mind with a service that saves them time and money. Uniquely, Vasco Pay will help the journey for international students from when they start in their home country to the length of their studies in Australia.

A simple online application in under 3 minutes gives the student access to payments in Australia. Vasco Pay supports Visa payWave, cash withdrawals at ATMs, online or instore purchases.

Fee structures can be tailored to different programs, and include sign up fees, annual or monthly fees and transaction fees. Vasco Pay also earns commissions from retail partners for purchases made at retail partner stores by Vasco Pay customers, with revenues dependent on amount of active customers and the level of card usage.

Vasco Pay has processed over 1,500 customer orders since January 2018, with minimal promotional marketing spend. Vasco Pay is now poised to launch a national sales and marketing campaign, which is expected to significantly drive product awareness and uptake of its product.

Acquisition adds complementary offering and establishes a potential customer base for future banking services

The Acquisition supports Novatti’s strategic plans to become a provider of banking services to Australian customers and, in particular, new migrants with customers of Vasco Pay potentially providing a target customer base for Novatti’s future banking services. Vasco Pay’s offering is highly complementary to the Company’s remittance business, and the prepaid card will be offered to Novatti’s existing remittance customers.

Vasco Pay is poised for significant growth, with a full-scale marketing campaign planned in mid 2018 to nationally promote Vasco Pay’s brand and product offering. Promotional activity will be executed across electronic direct mail (EDMs), print and digital campaigns, brand ambassadorship and joint-marketing activities with retail partners, and is expected to deliver strong customer growth from the large and growing market of 2 million local and over half million international students.

Founder and Managing Director Leo Borovilas and Chairman Tim Boucaut will remain with the Vasco Pay business to continue to drive its strategic marketing and growth plans. Guy Carvalho, GM of banking services at Novatti, will oversee the Vasco Pay integration.

Novatti Group Limited MD, Peter Cook comments: “This Acquisition strengthens and broadens Novatti’s payment transaction services offering, which is integral to our strategic positioning and growth over the next 12 to 24 months. Vasco Pay provides additional payment capabilities for our customers, including international students and migrants, who traditionally struggle to set up conventional banking accounts. We anticipate Vasco Pay’s customer base will form a large pool of potential customers for Novatti’s future banking services offering.”

Vasco Pay Founder & MD, Leo Borovilas comments: “We look forward to working closely with Novatti Group to drive growth of the Vasco Pay product. The support provided by Novatti to launch our sales and marketing promotional campaign is expected to significantly increase Vasco Pay’s brand and product awareness and drive customer uptake and revenues.”

-Ends-

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About Novatti Group Limited

Novatti is an award-winning global software technology, utility billing 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, 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, Flexewallet for remittance and compliance services and Chinapayments.com for bill payment services for Chinese consumers.