

ASX Announcement

25 July 2024

Sale of Interest in International Bank of Australia

Highlights

- Novatti has executed a binding agreement to sell all of its interest in International Bank of Australia for \$2.87m
- Follows strategic review of IBOA interest finding it unlikely to contribute to Novatti's long term financial goals
- Novatti's ongoing strategic review of all business units and subsidiaries is expected to identify further opportunities for optimisation and divestment

Novatti Group Limited (ASX: NOV) (Novatti or the Company), a leading fintech that enables businesses to pay and be paid, has entered into a binding agreement with Eurus Capital Pty Ltd (**Eurus**) for the sale of 100% of its shares in IBOA Group Holdings Pty Ltd (**IBOA**) for \$2.87 million.

This decision was made as part of Novatti's ongoing strategic review of all business units and subsidiaries in the Novatti group. It believes that IBOA will need significant additional capital and support if it is to satisfy the Australian Prudential Regulatory Authority (**APRA**) that it is operationally and financially ready to commence business as a bank and that APRA should grant it a full authorised deposit-taking (**ADI**) licence.

Under the terms of its current restricted authorised deposit-taking (**RADI**) licence, IBOA is approaching a critical deadline, and is required to obtain an ADI licence or to cease its banking business by 2 November 2024. APRA has stated that extensions of RADI licences will only be granted in exceptional circumstances.

Novatti's interest in IBOA was subject to its strategic review of all business units and subsidiaries, undertaken since the start of FY24. This review found the interest in IBOA was unlikely to contribute to Novatti's long term financial goals, particularly conflicting with Novatti's target of positive operating cashflow.

Novatti CEO, Mark Healy, said: "The barriers to entry for new banks in Australia are very high. IBOA has faced many challenges and adverse and unexpected circumstances outside of its control. In particular, the pause in issuing new banking licences announced in March 2020 substantially delayed IBOA's development of its business, adversely impacted its go-to-market strategy, and increased its funding requirements.

"With the upcoming regulatory deadline for IBOA to either obtain a full ADI licence or to hand back its RADI licence, IBOA will require significant additional capital. As the majority shareholder, after reviewing alternative options to maximise the economic return from Novatti's interest in IBOA, the Novatti board was not prepared to provide the additional capital required to underwrite IBOA's financial independence and enable it to obtain a full ADI licence.

“This decision reinforces Novatti’s commitment to its long-term financial targets, particularly positive cashflow.”

To facilitate the sale, Novatti and Eurus have entered into a sell down facilitation deed pursuant to which Eurus must procure purchasers for all of Novatti’s 36,363,637 shares in IBOA for an aggregate purchase price of \$2.87 million. The purchase price is to be held in an independent escrow agent pending completion, which is scheduled for no later than 30 July 2024.

Prior to completion Eurus must provide to Novatti a list of the purchasers of its IBOA shares and the number of IBOA shares they will purchase. Eurus must ensure that each of the purchasers will, as at completion, be in compliance with the *Financial Sector (Shareholding) Act 1998* (Cth) (and in particular that each purchaser will not have a "stake" of more than 20% (as defined in that Act)).

This announcement follows other initiatives taken to turnaround Novatti and achieve positive operating cashflow by the end of H1 FY25, including:

- Delivering a 24% decrease in quarterly expenses in Q3 FY24¹
- Implementing a \$4m+ annualised cost reduction program
- Identifying a further \$3m in annualised costs to be reduced in Q1 FY25
- Realising \$8.9m through the sale of Novatti’s interest in Reckon Limited

In Q3 FY24, Novatti saw a new record of \$12.4m in quarterly revenue. Since then, Novatti has announced \$1.5m in commercial wins in April 2024 and, separately, a pipeline of 500+ new merchants to be onboarded by the end of H1 FY25.

The strategic review of other business units and investments within the Novatti portfolio remains ongoing and is expected to result in further opportunities for optimisation and divestment, all with the aim of supporting growth in Novatti’s core Payments AU/NZ business and the delivery of its long-term financial goals.

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Investors can view all Novatti announcements at: <https://www.novatti.com/asx-announcements>

This announcement has been approved for release by Mark Healy, CEO and the Board.

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¹ Revenue and expense improvements in Q3 FY24 are compared against Q4 FY23 which is the period prior to the commencement of Novatti’s business transformation and strategy change. Excludes IBOA.

About Novatti Group Limited (ASX:NOV)

Novatti is a leading fintech that enables businesses to pay and be paid from any device, anywhere. From corner stores and start-ups to global organisations, our solutions will unlock your ambitions. Solutions include acquiring, billing, issuing, processing.

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