

ASX Announcement

11 October 2024

Capital raising announced backed by professional and institutional investors

Highlights

- Proposed capital raising of up to \$9.4 million (**Capital Raising**), comprised of:
 - a placement to sophisticated and professional investors, to raise \$4 million (**Placement**)
 - a non-renounceable pro rata entitlement offer on a 1-for-3 basis, to raise up to \$5.4 million (**Entitlement Offer**)
- Supported by major shareholder, Brayter Limited, and the Board, aggregate binding commitments of \$7 million have been received, comprising \$4 million under the Placement and \$3 million in partial underwriting of the Entitlement Offer by GBA Capital
- Proceeds from the capital raising will go towards unlocking internal growth, including a 70% gross margin target in FY27, by increasing operational and financial performance
- Follows implementation of turnaround strategy and business simplification since start of FY24
- Continued progress has been made towards achieving targets of monthly positive operating cashflow by January 2025 and positive operating cashflow for half-year ending June 2025¹

Novatti Group Limited (ASX:NOV) (Novatti or the Company), a leading fintech enabling businesses to pay and be paid, is pleased to announce a capital raising initiative to raise up to \$9.4 million.

The raising has received strong support from professional and institutional investors, with binding commitments received for approximately \$4 million under the Placement and approximately \$3 million in a partial underwriting of the Entitlement Offer. Major shareholder, Brayter Limited, has committed to subscribe for \$920,000 and Directors Peter Pawlowitsch and Peter Cook have committed to subscribe for an aggregate \$380,000 under the Entitlement Offer and sub-underwrite in aggregate \$520,000.

Commenting on the Capital Raising, Novatti CEO, Mark Healy, said: “Since the start of FY24, the Novatti leadership team has been focussed on the successful implementation of its turnaround strategy that is simplifying the business, narrowing its focus and ultimately increasing group financial performance. This work has already delivered tangible results, with more than \$7 million in annualised cost savings implemented, with further savings to be implemented in Q2 FY25, the sale of non-core assets, the streamlining of existing business, and the exit from complex or unprofitable services.

“Indicative of the positive financial impact flowing from these initiatives, between FY22 and FY24, revenue within Novatti’s core Payments Australian/New Zealand business has increased 173%,

¹ Operating cashflow as measured by cash EBITDA.

customers have jumped by 76%, and gross transaction value has surged by 143%. In FY24 alone we saw a 20% reduction in operating expenses (excluding International Bank of Australia) and in Q4 FY24 cash usage fell 54% year-on-year.

“With the boost to Novatti’s financial performance from these initiatives continuing to flow through, we remain committed to our targets of monthly positive operating cashflow by January 2025, and an overall positive operating cashflow in the half year ending June 2025.²

“As we move closer to achieving these targets, the Capital Raising will help Novatti fund initiatives that unlock key catalysts for growth. On the back of the work already undertaken to turnaround and simplify the business, this growth will increasingly be unlocked within Novatti’s existing core Australia and New Zealand payments business. For example, we have already delivered a 700-basis point increase in gross margins in the core business across FY24 to 44%, with an FY27 target of 70%+ gross margins. This capital raising will help us to achieve this target via the delivery of new business initiatives, including improved customer targeting, brand awareness, and an overall focus on selling higher yielding product mixes.”

Use of proceeds

Proceeds from the Capital Raising (after costs) will be allocated to:

- vertical market penetration (education, real estate and health)
- brand refresh
- repayment of liabilities
- new business initiatives
- general working capital

Capital Raising Overview

The Capital Raising has as the following structure:

- a Placement of approximately 100.6 million new fully paid ordinary shares in the Company (**New Shares**) to professional, institutional and sophisticated investors at \$0.04 per New Share (the same issue price as the Entitlement Offer) to raise up to approximately \$4 million (before costs). The Placement will be undertaken in two tranches with the second tranche subject to shareholder approval. Approximately 50.6 million New Shares, will be issued under the first tranche within the Company’s existing placement capacity under ASX Listing Rule 7.1; and
- a 1-for-3 Entitlement Offer to existing eligible shareholders to raise up to approximately \$5.4 million (before costs) at \$0.04 per New Share. The Entitlement Offer is partially underwritten by GBA Capital Pty Ltd (**GBA Capital**) for approximately \$3 million.
- For every New Share subscribed for under the Capital Raising, investors will receive a free attaching listed option on a 1 for 1 basis exercisable at \$0.064 and expiring on 31 December 2027. Attaching Options are subject to shareholder approval. The Company will seek to list the Option on ASX as a new class of quoted security for the Company, subject to ASX approval.

² Operating cashflow as measured by cash EBITDA.

The offer price of \$0.04 per New Share (**Offer Price**) represents:

- 31.6% discount to the Company's last traded price of A\$0.0585 on 8 October 2024; and
- 39.7% discount to the 5-day VWAP of A\$0.0664 as at 8 October 2024.

GBA Capital and Ord Minnett Limited are acting as joint lead managers to the Capital Raising.

Entitlement Offer Details

Eligible shareholders with a registered address in Australia or New Zealand as at the Record Date (**Eligible Shareholders**) will have the opportunity to take up their entitlement for shares at the Offer Price, on the terms and conditions that will be set out in a prospectus scheduled to be despatched to Eligible Shareholders on 31 October 2024. The Entitlement Offer opens on that date and is scheduled to close on 19 November 2024.

As the New Shares issued under the first tranche will be issued prior to the record date for the Entitlement Offer, and investors who are participating in the first tranche of the Placement may participate in the Entitlement Offer if those New Shares are held on the record date.

Eligible Shareholders can choose to take up all, part, or none of their entitlements.

Furthermore, the Entitlement Offer will include a top-up facility under which Eligible Shareholders who take up their entitlement in full may also apply for additional New Shares up to a maximum of 100% of their entitlement. There is no guarantee that applicants under the top-up facility will receive all or any of the additional New Shares for which they apply. New Shares allocated under the top-up facility will be allocated in accordance with the allocation policy outlined in the prospectus.

The Company's board of directors also reserves the right to place any shares forming part of any shortfall from the Entitlement Offer (**Shortfall Shares**) at their discretion within three months after the closing date of the Entitlement Offer at an issue price per Shortfall Share which is no less than the Offer Price.

Shareholders with a registered address outside Australia or New Zealand on the Record Date are ineligible to participate in the Entitlement Offer (**Ineligible Shareholders**). Shareholders who are on the register on the Record Date will be notified by Novatti if they are ineligible to participate in the Entitlement Offer.

Eligible Shareholders will receive a personalised entitlement and acceptance form that will accompany the prospectus, which will provide further details of how to participate in the Entitlement Offer.

The Entitlement Offer is partially underwritten by GBA Capital for approximately \$3.0 million.

Timetable

The following indicative timetable has been prepared for the Capital Raising. The timetable is subject to change at the Company's discretion and subject to compliance with applicable laws and ASX Listing Rules.

Event	Date (2024)
Trading halt (pre-open)	Wednesday, 9 October
Announcement of Entitlement Offer and Placement Appendix 3B lodged	Friday, 11 October
Settlement of Tranche 1 Placement Shares	Monday, 21 October
Issue of Tranche 1 Placement Shares Appendix 2A lodged	Tuesday, 22 October
Prospectus lodged with ASIC and announced on ASX	Wednesday, 23 October
"Ex" date	Friday, 25 October
Record date for Entitlement Offer (5.00pm Melbourne time)	Monday, 28 October
Prospectus and Personalised Acceptance Forms despatched Announce to ASX despatch of Prospectus and Entitlement Offer opening Entitlement Offer opens	Thursday, 31 October
Last day to extend Closing Date of the Entitlement Offer	Thursday, 14 November
Closing date for Entitlement Offer (5.00pm Melbourne time)	Tuesday, 19 November
Announcement of results of the Entitlement Offer and Shortfall	Friday, 22 November
Settlement of Entitlement Offer (before noon Melbourne time)	Monday, 25 November
Issue and Shares and Options under Entitlement Offer Appendix 2A lodged Annual General Meeting	Tuesday, 26 November
Settlement of Tranche 2 Placement Shares	Wednesday, 4 December
Issue of Tranche 2 Placement Shares Appendix 2A lodged	Thursday, 5 December
Issue of Placement Options Issue of Underwriter Options Appendix 2As lodged	Thursday, 5 December

*The above dates are indicative only and subject to change. The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. Accordingly, the date the securities are expected to commence trading on ASX may vary.

Novatti invites investors to keep up-to-date with company news, events and industry research by joining the Novatti mailing list at <https://www.novatti.com/subscribe>

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

This announcement has been approved for release by Chairman Peter Pawlowitsch and CEO Mark Healy.

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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, and processing.

Important Notices

Some of the statements appearing in this announcement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which Novatti operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. No forward looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside of Novatti's control. Novatti does not undertake any obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in this announcement. To the maximum extent permitted by law, none of Novatti, its directors, employees, advisors or agents, nor any other person, accepts any liability for any loss arising from the use of the information contained in this announcement. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this announcement reflect views held only as at the date of this announcement. This announcement is not an offer, invitation or recommendation to subscribe for, or purchase, securities by Novatti. Nor does this announcement constitute investment or financial product advice (nor tax, accounting or legal advice) and is not intended to be used for the basis of making an investment decision. Investors should obtain their own advice before making any investment decision. By reviewing or retaining this announcement, you acknowledge and represent that you have read, understood and accepted the terms of this important notice.