

ASX Announcement

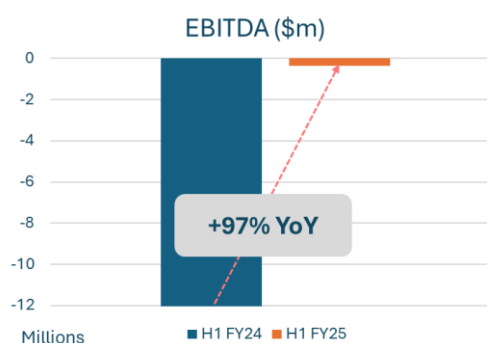
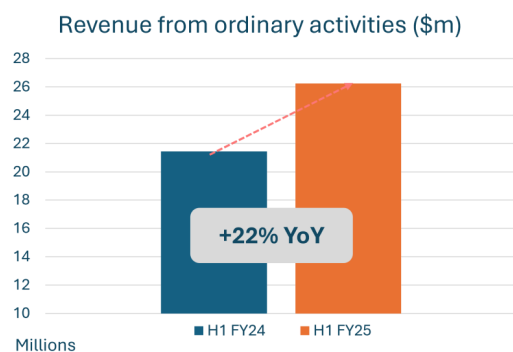
27 February 2025

Half Year Report and Appendix 4D

## H1 results highlight turnaround now embedded

### Highlights

- \$26.2m in H1 revenue – up 22.3% YoY
- 29% decrease in H1 FY25 opex YoY<sup>1</sup>
- 97% YoY improvement in H1 EBITDA to (\$0.36m)<sup>2</sup>
- 2024 cost out program fully implemented – full benefits from H2 FY25
- Business streamlined with sale of International Bank of Australia interest for \$2.87m
- Balance sheet strengthened with removal of legacy liabilities and capital raising
- Remain on track to achieve positive operating cashflow for the half-year ending June 2025<sup>3</sup>
- \$6.25m cash at end of H1 FY25



**Novatti Group Limited (ASX:NOV) (Novatti or the Company)**, a leading fintech enabling businesses to pay and be paid, is pleased to release its Half Year Report (H1 FY25) and Appendix 4D.

**Commenting on the Company's H1 FY25 performance, Novatti CEO, Mark Healy, said:**

"At this time last year, I reported to you that the positive results from our turnaround strategy were just emerging. Fast forward 12 months, and I am now pleased to report to you that the positive results from our turnaround strategy are clear and embedded, as highlighted in Novatti's H1 FY25 results.

<sup>1</sup> Excluding COGS and expenses associated with investments in IBoA and AUDD Stablecoin

<sup>2</sup> Earnings before interest, taxation, depreciation and amortisation

<sup>3</sup> Operating cashflow as measured by cash EBITDA and excludes historic creditor liabilities

“To start with, revenue increased 22.3% YoY in H1 FY25, despite our intense focus on reducing costs. Notably here, revenue and activity is increasing in the areas considered core moving forward, particularly Payments AU/NZ, which increased gross transaction value by 38% YoY (excluding cross border payments).

“The contribution being derived from this increasing revenue is also increasing, following the review across H1 FY25 to exit low profitability services, solutions and customers. This review helped contribute to Q2 FY25 Payments AU/NZ gross margin increasing to 49%, an increase of 15% YoY, on our way to achieving our three-year 70% target. Notably here, further gains are expected across CY25 in particular.

“A clear focus across H1 FY25 was our substantial cost out program, which has now been fully implemented. While the full results of that program won’t be seen until Q3 FY25, the impact is already clear as opex in H1 FY25 fell 29% YoY.<sup>4</sup>

“When combined, the embedding of Novatti’s turnaround strategy saw a 97% improvement YoY in H1 EBITDA, to (\$0.36m). While this turnaround is significant, the job is not finished and our absolute focus in the short term remains on achieving our positive operating cashflow goals, which remain on track for H2 FY25.

“At the same time, we are now positioning Novatti for growth on the other side of these targets. We consider that the Payments AU/NZ business will provide the core growth platform moving forward and, to this end, we will use the remainder of FY25 in particular to execute on our existing pipeline for this business. At the conclusion of H1 nearly 40% of the 500 merchant pipeline identified at the beginning of H1 FY25 had completed onboarding. We particularly expect this process to benefit from our February brand refresh to better reflect Novatti’s strength as a single payments solutions provider for Australian and New Zealand businesses.

“Having made significant structural changes to the business since the beginning of FY24, and having embedded our turnaround across H1 FY25, we remain incredibly positive about the prospects of the business and its growth moving forward. Achieving positive operating cashflow will be the next milestone in this turnaround journey.”

## Operations Update

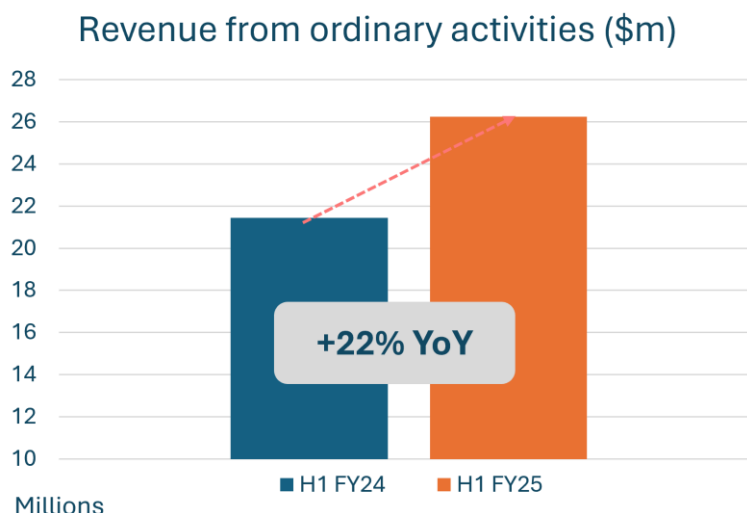
### Business performance

Novatti’s H1 FY25 results highlight how, after several quarters of initiatives, its turnaround strategy is now embedded.

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<sup>4</sup> Excluding COGS and expenses associated with investments in IBoA and AUDD Stablecoin

The first indicator of this is revenue, which increased 22.3% YoY in H1 FY25, to \$26.2m. Notably, H1 FY25 saw a sustained focus on driving growth from Novatti's existing customer base, including seeing a 38% increase YoY in H1 FY25 gross transaction value in the core Payments AU/NZ business (excluding cross border).



Novatti continues to focus on its future revenue growth pipeline, with the onboarding of 40% of the FY25 500 merchant acceptance pipeline completed across H1 FY25. The onboarding of the remainder of this pipeline is expected to greatly benefit from initiatives being undertaken to improve the onboarding process.

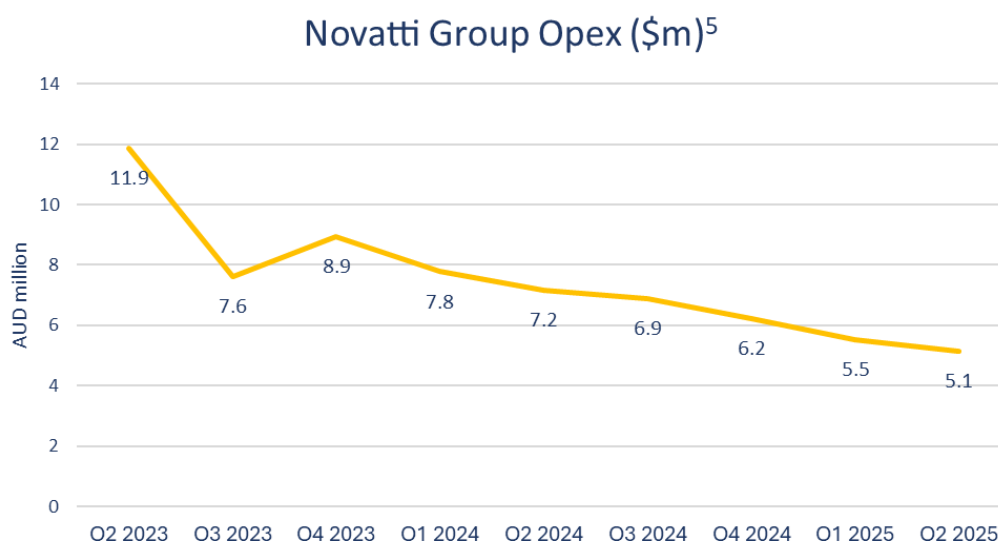
The shift in focus across H1 FY25 to becoming increasingly market led and customer focused saw several significant commercials wins, including:

- **Tier one telco:** Renewed a multi-year service agreement with a tier one Australian telecommunications provider
- **Major global airline contract:** Novatti won a contract to enhance the voucher payment offering of a major Asian-based global airline, upgrading to a digital solution to improve their customer experience
- **ChinaPayments geographic expansion:** Novatti's ChinaPayments product went live in New Zealand and is processing payments from Asia wallets for a large university accommodation provider
- **Education market segment penetration:** Integrated Novatti's Asian payment solutions with a global education software business that services over 30 universities across Australia and New Zealand was completed in FY24.
- **Accounting Services card issuance:** A leading accounting services firm extended their Australian card issuing program via Novatti into New Zealand (NZ), with over 8,400 cards now on issue.

Novatti expects its push for new sales to benefit from its brand refresh, which will highlight its commitment to being the one-stop-shop for all customer payment needs in Australia-New Zealand. The brand refresh takes into account feedback from customers following a series of deep dive interviews as well as a focus on better market positioning moving forward.

The ongoing review of low profitability services, solutions and customers, also had a positive impact across H1, particularly again in Payments AU/NZ where margins increased to 49% in Q2 FY25, a 15% increase YoY. Here, Novatti's three year, 70%+ gross margin target remains firmly in place.

The below chart highlights the substantial progress made in removing costs from the business, with Novatti Group H1 FY25 opex falling 29% YoY.<sup>5</sup> Notably, Novatti's strong focus on cost reduction has so far seen \$9.8m in annualised costs removed from the business.

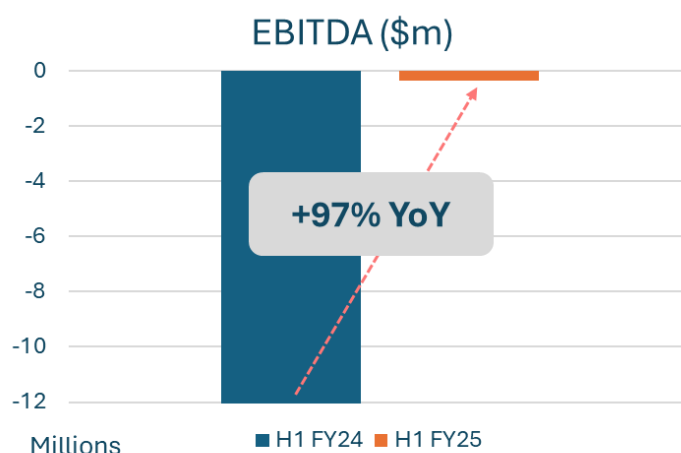


Overall, Novatti recorded a 97% improvement YoY in H1 EBITDA, to (\$0.36m). As advised in Novatti's December quarter FY25 update released in January 2025, Novatti expects to come within \$30k of positive monthly operating cashflow within January and to achieve positive operating cashflow for the half-year ending June 2025.<sup>6</sup>

At the end of H1 FY25, Novatti held \$6.25m in cash.

<sup>5</sup> Excluding COGS and expenses associated with investments in IBoA and AUDD Stablecoin

<sup>6</sup> Operating cashflow as measured by cash EBITDA and excludes historic creditor liabilities



### Investments and Business Portfolio Update

Novatti's strategic review of all business units and subsidiaries remains ongoing. This includes active communication with parties interested in acquiring non-core assets, including one potential purchaser of multiple assets expected to shortly enter the due diligence phase.

H1 FY25 saw Novatti successfully divest its interest in International Bank of Australia (IBoA) for \$2.87m. The Company's decision to divest its interest in IBoA was motivated by Novatti's strategic review, which determined that IBoA was unlikely to contribute to Novatti's long-term financial goals.

Novatti's majority owned Stablecoin business (AUDC Pty Ltd) continued to strengthen AUDD's position as the leading Australian dollar-backed stablecoin, advancing its technical and regulatory initiatives, and strengthening its position in the stablecoin ecosystem. AUDC remains self-funded through FY25, investing in compliance, infrastructure, and scalability.

### Corporate

During H1 FY25, Novatti announced it would be undertaking a partially underwritten capital raising comprising a placement to professional and sophisticated investors in two tranches (**Placement**) and a pro-rata 1 for 3 non-renounceable entitlement offer to eligible shareholders (**Entitlement Offer**) of fully paid ordinary shares in the Company (**Shares**) at an issue price of 4 cents each. Recipients of Shares under the Placement and Entitlement Offer were also offered a free-attaching 6.4 cents, 31-Dec-27 option (**Options**) on a 1:1 basis.

The first tranche of Shares under the Placement, comprising 50,612,567 Shares, were issued on 23 October 2024 within the Company's existing 15% share issue capacity pursuant to Listing Rule 7.1.

The partially underwritten Entitlement Offer was made under a prospectus lodged with ASIC on 24 October 2024, and the offer closed on 19 November 2024 raising an aggregate \$3,007,500 from accepted entitlements and shortfall subscribed for pursuant to the partial underwriting. In addition, the Placement was supported by major shareholder, Brayter Limited, and Novatti directors Peter Pawlowitsch and Peter Cook. The second tranche of Shares under the Placement, comprising

50,000,000 shares, was issued on 9 December 2024, with the issue having been approved by shareholders at the Company's Annual General Meeting held on 28 November 2024. The Placement raised \$4,024,502 in aggregate.

The Company on 9 December 2024 also issued an aggregate of 155,852,587 Options to recipients of Shares under the Placement and to GBA Capital Pty Ltd and Ord Minnett Limited (and their nominees) in connection with lead manager and underwriting services for the Capital Raising, with these issues also having been approved by shareholders at the Company's Annual General Meeting 2024 Annual General Meeting.

The total funds raised by the Company under the capital raising was \$7,032,002 and a total of 175,800,067 Shares and 231,040,087 Options were issued.

In addition, the Company issued Shares and Options to holders of existing convertible notes (that were issued by the Company in early 2024) under a matching incentive offer of a free-attaching Option on a 1:1 basis for every Share issued to holders who elected to convert their notes into Shares by 30 November 2024 at a conversion price of 4 cents, being the same price as under the Placement and Entitlement Offer. A total of 9,295,492 Shares and 9,295,492 Options were issued to those noteholders who accepted the offer.

Proceeds from the capital raising have been allocated to unlocking internal growth, new business initiatives, and a brand refresh. As highlighted in the above discussion on cash use, proceeds also contributed to strengthening Novatti's balance sheet across Q2 FY25 through the repayment of legacy liabilities.

## Ends

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 Mark Healy, CEO and the Board.

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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.