

ASX Announcement

31 October 2016

## September Quarter Update

### Highlights:

- Cash balance in excess of \$3.1m as at 30 September 2016, sufficient for Novatti to execute business plan
- Cash receipts expected to grow steadily from current quarter as the Company builds its recurring revenue businesses
- Project deliveries on schedule
- Additional key agreements expected in the near term

**Novatti Group Limited** (ASX:NOV, the 'Company') is pleased to provide its quarterly update for the three months ended 30<sup>th</sup> September 2016 with the Company making further significant inroads in monetising its payments platform.

Highlights for the latest quarter are detailed below.

### Operating overview

Novatti has made a strong start to the 2017 financial year and continues to make progress in a number of key areas as the Company builds a recurring revenue stream.

These efforts were headlined in September when Novatti subsidiary Flexewallet Pty Ltd that holds an Australian Financial Services Licence for Non Cash Payments (AFSL No 448066) signed an Authorised Representative agreement with an Australian distributor for WeChat Wallet; Tunnel Show Pty Ltd (trading as RoyalPay Australia).

RoyalPay enables Chinese consumers to pay for goods and services in Australia by using WeChat Wallet at participating merchants. This market is particularly relevant to Chinese visitors as WeChat Wallet is a preferred payment method. RoyalPay are signing up merchants on a regular basis ensuring consistent growth in this business unit. WeChat is the market leading social networking app in China with more than 700 million registered users. Novatti receives compliance and transaction processing fees for RoyalPay transactions in Australia.

The RoyalPay agreement was the first deal for Novatti's Trusted Party Services business. In addition, Novatti's subsidiary Flexewallet Pty Ltd has signed up three further Authorised Representatives that should provide ongoing revenues related to compliance services and the processing of financial transactions.

Flexepin continues to acquire merchants and show strong transaction growth within the existing merchants. Flexepin has now signed up 47 merchants with 97 websites and has a significant sales pipeline of potential merchants. The addition of agreements with two Payments Service Providers (PSPs) enables direct approaches to their merchants after they have integrated to Flexepin and is expected to significantly boost merchant and website numbers in the next six months. Flexepin hired an additional business development manager in Canada during the quarter who has increased the focus of merchants into the games market and payment service providers.

Novatti continues to build relationships for TransferBridge in line with management expectations. Initial commercial transactions in Africa have commenced.

Also during the quarter, Novatti commenced commercial operations in Malaysia through its joint venture with ATX Malaysia Sdn Bhd. The JV provides Malaysian retailers and consumers access to a payment platform for mobile phone and utility bills. Novatti is paid on a percentage of the value of the transactions processed by the JV. The Novatti platform was initially connected to 3,000 independent retail agents in Malaysia and is now currently connected to approximately 9,300 and is on track to expand to approximately 20,000 by the end of 2016.

The Company, in October, successfully completed a material milestone requirement for Tanzania Telecommunications Company Limited (TTCL) for their mobile money system. Project deliveries to other clients remain on track.

## **Corporate and Financial Overview**

Novatti finished the quarter with a cash holding of \$3.1 million. Cash receipts for the period were \$1.15 million. Additional receipts in the December quarter are expected from TTCL as a milestone receipt. The Company is also expecting to receive a significant cash rebate from its FY16 Research & Development submission.

Receipts will be further bolstered in subsequent quarters from the ramp up in transactions processing and compliance services.

## **Outlook**

The outlook for Novatti is positive as the Company is well placed to capitalise on the momentum it has built in the last quarter, particularly on its efforts to create a recurring revenue base.

Novatti anticipates that it will secure additional partnerships with other international e-wallet companies in the wake of the RoyalPay agreement, which will give the Company greater leverage to the booming inbound Asian tourism industry.

Further, market adoption and development of Novatti's Flexepin and TransferBridge services are gaining good momentum.

“Our cash burn is expected to drop in the subsequent quarters as revenues from a number of strategic agreements start to ramp up. It is pleasing to see that our effort to build a recurring revenue base is paying off,” said Novatti’s Chief Executive Officer, Peter Cook.

“What’s more, we have a strong balance sheet and the resources to achieve the next set of key commercial milestones for the Company, which will further bolster our recurring income streams.”

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### **About Novatti Group Limited**

Novatti, an Australian-based company, is an award-winning global software technology and payment services provider. Both through technology and services, Novatti helps economies, corporations and consumers digitize cash transactions. Novatti’s robust and efficient software solutions include Consumer Digital Wallet, Electronic Top-Up, Mobile Money, Bill Payments, Remittance Services and Voucher Management Systems. Novatti’s transaction processing services include Flexepin, an open loop cash voucher service and TransferBridge, a global remittance network

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Novatti Group Limited

**ABN**

98 606 556 183

**Quarter ended ("current quarter")**

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,151	1,151
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(451)	(451)
(c) advertising and marketing	(24)	(24)
(d) leased assets	-	-
(e) staff costs	(1,547)	(1,547)
(f) administration and corporate costs	(301)	(301)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	16
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other:		
- Repayment of Flexewallet's CAPS1 program of clients' funds held on trust	(393)	(393)
- Other Working Capital	(30)	(30)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,582)</b>	<b>(1,582)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(1)	(1)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1)</b>	<b>(1)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,726	4,726
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,582)	(1,582)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(30)	(30)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>3,113</b>	<b>3,113</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,113	<b>3,113</b>
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,113</b>	<b>3,113</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	26
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Salaries and Benefits to Non-Executives paid as Directors Fees, \$26,250.

7. <b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
NA	

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
NA		

9. <b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(827)
9.3 Advertising and marketing	(132)
9.4 Leased assets	-
9.5 Staff costs	(1,664)
9.6 Administration and corporate costs	(377)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(3,000)</b>

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
(Company secretary)

Date: .....31/10/2016.....

Print name: ....Ian Hobson.....

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.