

FY22 Full Year Results and Appendix 4E

FY22 Highlights

- FY22 revenue of US\$8.3m (A\$12.0m), up 32% on prior corresponding period (pcp)
- Launched new Vertexon Payments as a Service (**PaaS**) platform
- Signed seven new Vertexon PaaS clients with total contract value (**TCV**) anticipated to be in excess of US\$12.9m (A\$18.7m) over the initial terms
 - Includes milestone Vertexon PaaS contracts with four New Zealand financial institutions with TCV anticipated to be in excess of US\$10.5m (A\$15.2m) over the initial five-year terms
 - 1st US Vertexon PaaS client now live and transacting generating recurring revenues
- Signed a six-year agreement with Mastercard to enable direct issuing in Australia & New Zealand (**ANZ**)
- Received regulatory approval to enable direct issuing in New Zealand, regulatory approval in Australia is expected in coming months
- Targeting monthly EBITDA positive during H2 FY23, driven by revenue growth underpinned by a mix of contracted soon to 'go-live' and late-stage pipeline opportunities as well as a realigned cost base
- Investors are invited to join a live Webinar today at 2:00pm via the link below

31 August 2022 - Change Financial Limited (ASX: CCA) (Change or the Company) is pleased to release the Company's full year results and Appendix 4E for the year ended 30 June 2022 (**FY22**).

Change CEO and Managing Director, Alastair Wilkie commented, "This was a transformational year for Change, with the Company in a position to scale our technology offering globally. During the period, we expanded our client base from 136 across 36 countries to 156 in 41 countries, whilst also delivering key building blocks that set us up for continued success. The Change team globally has operated in challenging circumstances and they should be proud of what they have achieved in FY22."

Operational Update

During FY22, Change has focused on delivering the necessary 'building blocks' to become a leading global player across the payments ecosystem.

In the US, the Company signed Axiom Bank as a new direct issuing partner, leading to the first US Vertexon PaaS client (Alaska Prepaid, LLC) being won shortly thereafter in H1 FY22. The momentum continued throughout H2 FY22 with Alaska Prepaid going 'live' and two further Vertexon clients being won during the period.

In Oceania, the Company signed a six-year agreement with Mastercard to enable direct issuing in ANZ for clients using the Vertexon PaaS platform. The agreement will see Change receive a cash incentive of US\$1m (A\$1.4m) from Mastercard upon the first client go-live in ANZ and enable Change to derive additional transactional and recurring revenues from Vertexon clients whilst also reducing network costs. The agreement strengthens Change's long-standing relationship with Mastercard beyond the US market and opens further growth opportunities in Oceania.

In March 2022, the Company received approval to be a registered Financial Service Provider (FSP) in New Zealand, which enables direct card issuing in that jurisdiction. Change is in the final application stages for an Australian Financial Services Licence (AFSL) which is expected to be received in the coming months.

In June, Change announced the signing of milestone contracts with four New Zealand financial institutions as new clients on the Vertexon PaaS platform. Collectively, the TCV is anticipated to be in

excess of US\$10.5m (A\$15.2m) over the initial five-year terms. This equates to anticipated revenues in excess of US\$2.1m (A\$3.0m) per annum once all four clients complete integration and migrate onto the Vertexon platform. These are the first clients signed for direct issuing in Oceania, triggering the incentive payment from Mastercard following go-live.

The pipeline continues to mature with higher value PaaS opportunities increasing as awareness of the Vertexon PaaS capabilities grows both organically and via partner referrals.

Financial Update

Full Year FY22

Change delivered full year FY22 revenue of US\$8.3m (A\$12.0m), up 32% on pcp (FY21 included 9 months from the acquisition in October 2020).

Revenues were derived from maintenance and support and professional services with the balance being licence fees and other ancillary services. At the end of FY22, Change had gone 'live' with its first client using the new Vertexon PaaS platform. As each of the current seven signed PaaS clients go-live, the Company expects the proportion of revenue from transactional and recurring style income to increase over time. Professional services revenue is expected to remain between approximately 25-35% of total revenue as new clients are implemented on the PaaS platform and existing clients undertake new upgrades/projects. The proportion of revenue from license sales, which is one-off, is expected to decline over time reflecting the progressive transition towards a SaaS revenue model.

Historically, the Company did not break out direct cost of goods (COGS), however a COGS expense line has been included given Change's move into direct issuing which will result in scheme related fees directly arising from processing and issuing via the Vertexon platform in FY23 and beyond.

In FY22, operating costs increased by approximately 21%, primarily driven by increases in employee costs that included executive management, sales and marketing along with specific technology skills to support the transition and roll-out of the Vertexon platform and onboarding of new clients. The cost base is now well established with only modest increases in employee costs expected over the next 12 months driven by the full year impact of hires made in FY22 and other select new hires critical for operations.

Profit & Loss Summary			
(US \$000's)	FY22	FY21	Var %
Revenue	8,316	6,313	31.7%
COGS	-	-	n/a
Gross Profit	8,316	6,313	31.7%
Employee expenses	(7,282)	(5,451)	33.6%
Professional services & insurance	(980)	(556)	76.3%
Technology & hosting	(1,108)	(843)	31.4%
Other expenses	(1,461)	(2,116)	(31.0%)
Operating Expenses	(10,831)	(8,966)	20.8%
EBITDA	(2,515)	(2,653)	(5.2%)

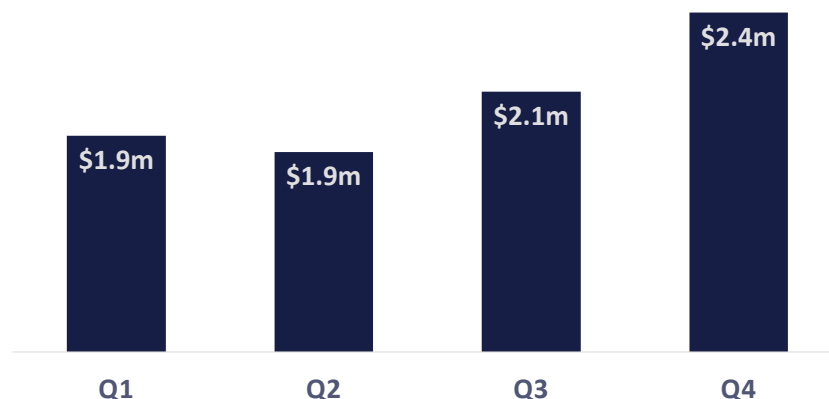
FY22 – H1 vs H2 Comparison

The Company delivered H2 FY22 revenue of US\$4.5m, up 21% on H1 FY22 revenue, driven by conversion of maturing opportunities in the sales pipeline. The Company expects future revenue growth to be driven by recent client wins expected to go-live in H1 FY23, transitioning clients onto higher recurring revenue SaaS model and new client wins.

The Company delivered a 50% improvement in H2 FY22 EBITDA loss compared to H1 FY22, driven primarily through increased revenue.

FY22 Profit & Loss - H1 vs H2			
(US \$000's)	H1 FY22	H2 FY22	Var %
Revenue	3,769	4,548	20.7%
EBITDA	(1,672)	(843)	(49.6%)

FY22 - Revenue by Quarter (US\$)



As outlined in detail in the Quarterly Update released on 1 August 2022, the Company will no longer continue reporting Annualised Recurring Revenue (ARR) as it does not reflect the ongoing financial progress and position of the business and therefore is not a relevant metric for shareholders.

The cash position at 30 June 2022 was US\$1.5m (A\$2.2m). The Company had fully drawn on a debt facility of A\$1.5m with repayment date in January 2024. Post year end, the company announced a capital raise of A\$5.72m comprising a A\$0.75m placement and A\$4.97m underwritten entitlement offer. Proceeds from the raise will be used for product enhancement, repayment of A\$0.75m debt and working capital.

Outlook

Following a transformational FY22, Change now has the key building blocks in place – people, partners, technology and infrastructure – to enable a clear focus over the next 12 months on accelerating the ‘go-live’ of recent client wins along with the signing of new clients.

Change is targeting double digit revenue growth in FY23 underpinned by a long-standing client base with contracted revenue, contracted PaaS clients who are anticipated to ‘go-live’ throughout FY23, existing clients with identified new projects and new clients in advanced discussions. In combination with a realigned cost base, the Company is targeting to reach monthly EBITDA positive during H2 FY23.

Webinar Invitation - Investors and Analysts

Investors are invited to join a live webinar and Q&A hosted by Change CEO & Managing Director Alastair Wilkie, CFO Tony Sheehan and CPO Vinnie D’Alessandro on **Wednesday, 31 August 2022 at 2:00pm** Australian Eastern Standard Time (AEST).

Please register ahead of time via the following link:

https://us06web.zoom.us/webinar/register/WN_3CiqcFCNSfOMVRvrZmpkBQ

Once the registration form is completed, investors will receive a confirmation email with details on how to access the webinar.

Investors can submit questions prior to the webinar to investors@changefinancial.com or do so via the Q&A function on Zoom.

Other Disclosures

All financial figures in the following Appendix 4E are denominated in US dollars unless stated otherwise.

Authorised for release by the board of Change Financial Limited.

About Change Financial

Change Financial Limited (ASX: CCA) (**Change**) is a global fintech, leveraging innovative and scalable technology to provide tailored payment solutions, card issuing and testing to banks and fintechs. Change's technology is used by over 156 clients across 41 countries to deliver simple, flexible, and fast-to-market payment services, including card issuing and testing.

Change's payments as a service (PaaS) platform Vertexon, seamlessly integrates with banks and fintechs' core systems enabling delivery of digital and virtual card solutions to their customers. It includes integrated features such as Apple Pay, Google Pay, Samsung Pay and Buy Now Pay Later (BNPL) services. Change currently manages and processes over 16 million credit, debit, and prepaid cards worldwide.

Using PaySim, Change tests payment systems to help clients meet the reliability and performance expectations of end customers. Simulating the full transaction lifecycle across multiple systems, PaySim enables banks and fintechs to complete end-to-end testing of their payment platforms and processes from a desktop. Change also provides the default standard for payments testing for many Australian companies, including Australia's domestic card payment service eftpos.

Learn more about Change at www.changefinancial.com

For more information, please contact

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