

ASX Announcement

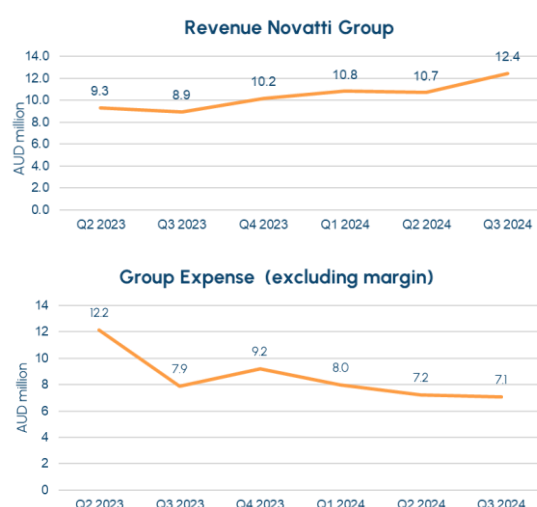
30 April 2024

March Quarter FY24 Activities Report and Appendix 4C<sup>1</sup>

## Record quarterly revenue \$12.4m with cash flow benefits throughout Q4

### Highlights

- \$12.4m quarterly revenue (+16% QoQ) – a new record
- Growth driven by core Payments AU/NZ (+17% QoQ) and Payments International (+18% QoQ)
- \$4m+ annualised cost reduction program implemented - positive impact from April
- Further optimisation and divestment flowing from strategic review



**Novatti Group Limited (ASX: NOV) (Novatti or the Company)**, a leading fintech enabling businesses to pay and be paid, is pleased to provide an update on its March quarter performance (Q3 FY24).

Commenting on the results, Novatti CEO, Mark Healy, said:

“Substantial progress continues to be made in Novatti’s transformation. Since this transformation began at the start of Q1 FY24, quarterly revenue is now up 21% and quarterly expenses are now down 23%. In Q3 FY24 alone, Novatti achieved 16% revenue growth on the prior quarter to reach \$12.4m, which is a new quarterly record for the business. Here, the potential of Novatti’s core AU/NZ Payments business in particular is starting to shine through, with revenue increasing 17% on the previous quarter.

“This record quarter of revenue follows the implementation of a market-led, customer focused approach that has already seen early wins, including contract renewal with a major BNPL partner for card issuing and payment services and a new partnership secured with one of Australia’s largest food delivery platforms. These wins are further complemented by ChinaPayments expanding into New Zealand, leveraging the success of its Australian business, as demand for Asian digital wallet payment services continues to open opportunities for Novatti to engage with new and existing clients.

<sup>1</sup> All figures throughout this document related to the March quarter remain unaudited unless stated otherwise.

“Further, the strong potential of Novatti’s Acquiring services was highlighted again in Q3, with the integration of one new client seeing its business within Novatti rank as an overall top 3 revenue generator within the first month of operation.

“While we are very pleased with this strong revenue growth, this needs to be balanced with equally strong cost reduction to move towards our overarching goal of positive operating cashflow. To this end, in Q3 FY24 we implemented a \$4m+ annualised cost reduction program. While this resulted in costs decreasing only slightly in Q3 to \$7.1m, the substantial positive financial impact of this annualised program is expected to be seen from Q4 and into FY25.

“We remain absolutely committed to achieve positive operating cashflow but have identified that our mid-2024 target is becoming increasingly challenging and is now likely to be towards the end of calendar year 2024. In particular, more work is needed to accelerate higher margin sales and to further manage expenses. Further, following the ongoing results of Novatti’s strategic review, we also expect decisions to be made on a number of additional optimisation and divestment measures in areas that do not meet Novatti’s long term financial goals.

“Regardless, we remain absolutely committed to achieving positive cashflow as soon as possible and will be implementing the measures necessary to deliver this.”

## Operations Update

### Business performance

Novatti has continued progressing its business transformation program that commenced in Q1 FY24, with Stage 1 having focused on streamlining business operations, and Stage 2 commencing in Q3 with a focus on expense reduction.

While expenses of \$7.1m for Q3 FY24 were a small reduction on the prior quarter, this result does not include any substantial impact from the \$4m+ annualised cost reduction program implemented in Q3, with this program’s annualised savings expected to be materialised from Q4 and into FY25. Several decisions are expected to be made on a number of additional optimisation and divestment measures in areas that do not meet Novatti’s long term financial goals, all with the view of achieving positive cashflow as soon as possible.

Importantly, to date Novatti’s cost reduction efforts have not had a negative impact on revenue. Q3 FY24 revenue of \$12.4 million represented a near 16% increase on the previous quarter (Quarter-on-Quarter) and is a new quarterly record for the Company. At the same time, Novatti has seen several early wins from its market led customer focus, with new and renewed customer engagements from the Buy Now Pay Later, food delivery, accommodation and accounting services sectors.

Quarterly margin for Payments AU/NZ remained steady at 45% and has increased 500 basis points since the start of FY24. Reported cash consumption in the Appendix 4C of \$4.32m does not materially reflect the annualised impact of cost reduction measures announced in Q3, and still includes Q3 expenses of \$0.62m for International Bank of Australia (IBOA), which is included as a consolidated

entity for accounting purposes due to Novatti's 86% shareholding. Despite being classified as a consolidated entity, IBOA's operations remain independent of Novatti with its own Board of Directors and executive team.

At the completion of Q3 FY24, Novatti held nearly \$9.5m in cash.

In accordance with Listing Rule 4.7C, payments made to related parties and their associates are included in item 6.1 of the Appendix 4C, which incorporates directors' fees, salaries and superannuation.

#### Investments and Business Portfolio Update

The International Bank of Australia (IBoA) Series A capital raising continues, with additional significant subscriptions currently under final negotiation. If additional funds are not received imminently IBoA will request to return the Restricted License to the Australian Prudential Regulation Authority (APRA). Novatti will not be participating in additional capital raisings for IBoA.

AUDD progressed with its commercial strategy to build out its capabilities through partnership and blockchain integrations. AUDD is now self-funded through FY24 following its recent \$600k funding round, with Novatti retaining an 80% interest. Through Q3 FY24, circulating supply of AUDD reached a new high of \$3.2m and ended the quarter at \$1.8m. New partners secured by AUDD during Q3 FY24 include popular onboarding gateway Banxa which enables AUDD to be used widely recognised and trusted payment methods like Visa and Mastercard. AUDD can now also be purchased with major currencies such as USD, EURO, HKD, and SGD. This caters for a global user base, allowing more people around the world to access and utilise AUDD in their preferred currency.

#### Capital Raising

In Q3 FY24, Novatti announced a capital raising comprised of a convertible note facility for up to \$3.5m (subject to shareholder approvals) and a Share Purchase Plan to support Novatti's business, fund additional collateral for growing Novatti's Payments Solutions division and working capital. A total of \$4.3 million (before costs) was successfully raised from this initiative.

#### Online Investor Briefing

Novatti CEO, Mark Healy, will be hosting a shareholder webcast, including quarterly results presentation and Q&A, on Tuesday, 30 April 2024, at 11.00am (AEST). Investors can register at: <https://novatti.com/investor-briefing>

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 Peter Cook, Executive Director, and Mark Healy, CEO.

**For further information, contact:**

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Novatti Group Limited

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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, processing and banking (via International Bank of Australia Pty Ltd (IBOA) under a Restricted Authorised Deposit-taking Institution licence).

## Appendix 4C

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

## Name of entity

Novatti Group Ltd

## ABN

98 606 556 183

## Quarter ended ("current quarter")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	23,506	68,389
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(20,612)	(56,197)
(c) advertising and marketing	(158)	(476)
(d) leased assets	-	-
(e) staff costs	(5,278)	(17,310)
(f) administration and corporate costs	(1,831)	(6,774)
1.3 Dividends received (see note 3)	-	563
1.4 Interest received	294	945
1.5 Interest and other costs of finance paid	(371)	(1,143)
1.6 Income taxes paid	(39)	(4)
1.7 Government grants and tax incentives	169	507
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,320)</b>	<b>(11,500)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(10)
(d) investments	-	-
(e) intellectual property	(94)	(218)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	8,958
	(e) intellectual property	-	-
	(f) 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>(94)</b>	<b>8,730</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,023	1,023
3.2	Proceeds from issue of convertible debt securities	3,500	3,500
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	1,500
3.6	Repayment of borrowings	(1,220)	(11,720)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(78)	(220)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>3,225</b>	<b>(5,917)</b>

<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 period	10,808	18,215
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,320)	(11,500)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(94)	8,730
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,225	(5,917)

Appendix 4C

**Quarterly cash flow report for entities subject to Listing Rule 4.7B**

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(162)	(71)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>9,457</b>	<b>9,457</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	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	9,457	10,808
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>9,457</b>	<b>10,808</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	280	280
7.2	Credit standby arrangements	-	-
7.3	Other (convertible notes)	3,488	3,488
7.4	<b>Total financing facilities</b>	<b>3,768</b>	<b>3,768</b>
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>As at 31 March two related parties have provided unsecured loans of \$0.28m at 12% interest per annum on the principal amount, which will accrue from day to day.</p> <p>Novatti Group Limited issued a convertible note facility in the amount of \$3.50m. The first tranche of the convertible note facility was issued on 3<sup>rd</sup> January 2024 to the value of \$1.46m and the second tranche issued on 14<sup>th</sup> February 2024 to the value of \$2.04m and subsequently \$12k was converted to shares with current balance being \$3.488m.</p> <p>The Convertible Notes have a \$1.00 face value, a coupon of 10% per annum and a maturity date of 22 December 2026. They are convertible into Shares at a conversion price of the lower of \$0.06 and the next equity capital raising price, subject to a floor price of \$0.04. Current balance is \$3.488m.</p> <p>See announcement on 2<sup>nd</sup> of January 2024 for further details.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(4,320)
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,457
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	<b>9,457</b>
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>2.18</b>
	<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>	



8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

### 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.

Date: 30 April 2024

This announcement has been approved for release to the ASX by Executive Director, Peter Cook and CEO, Mark Healy.

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.