



## basis2 Acquisition



# Disclaimer – Important Notice

This document has been prepared by the management of Novatti Group Limited (**Company**).

The information is based on publicly available information, internally developed data and other sources. Where any opinion is expressed in this document, it is based on the assumptions and limitations mentioned herein and is an expression of present opinion only. The information in this document is an overview and does not contain all information necessary for investment decisions. In making investment decisions in connection with any acquisition or disposal of securities, investors should rely on their own examination and consult their legal, business and/or financial advisers. The Company does not have a significant operating history on which to base an evaluation of its business and prospects. Therefore, the information contained in this document is inherently speculative. No warranties or representations can be made by the Company, its directors or employees as to the origin, validity, accuracy, completeness, currency or reliability of the information. The Company, its directors and employees disclaim and exclude all liability (to the extent permitted by law) for losses, claims, damages, demands, costs and expenses of whatever nature arising in any way out of or in connection with the information, its accuracy, completeness or by reason of reliance by any person on any of it.

This document may contain statements related to our future business and financial performance and future events or developments involving the Company that may constitute forward-looking statements. These statements may be identified by words such as "expects," "looks forward to," "anticipates," "targeting," "intends," "plans," "believes," "seeks," "estimates," "will," "project" or words of similar meaning. The Company may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, Company representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of the Company's management, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond the Company's control, affect the Company's operations, performance, business strategy and results and could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends. The Company makes no undertaking to update or revise such statements.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.



# Acquisition Rationale

basis2 is a profitable utility billing business with excellent technology, “sticky” customers and key distribution partners



## Strongly Earnings Accretive

- Includes significant prepaid revenues, then ongoing margin of circa \$40k per month
- Significant contributor to Novatti targeted profitability for FY2018
- Generates predictable and stable revenues
- Attractively priced at 2.6x EBITDA



## Strongly Synergistic

- Builds on Novatti's Transactions Division offering
- Follows Novatti's recent strategic entry into e-payments in India through JV with TSN
- Growth potential for basis2 through Novatti's established Middle East, Africa, Asia network
- Acquisition brings additional skills/expertise to Novatti



# basis2 – Opportunity Overview

## Seller

Prophecy International Limited

---

## Nature of operations

- Utility billing software, primarily for water utilities
  - Operating for more than 10 years
  - Major clients - Philadelphia Water, City of Cairo
  - 95% of revenues from US
  - 5% of revenues from Middle East, Africa
- 

## Nature of revenues

- 50% recurring
  - 50% professional services to existing clients
  - Highly “sticky”
  - Low customer churn
- 

## Growth profile

- Existing clients – potential for increased revenue from more active account management
- Emerging markets – highly prospective region with a major distribution channel in place through Giza Systems in Middle East. *(Giza is an existing Novatti partner for other payment solutions)*
- New platform services offerings - “Subscription Billing as a Service”



# basis2 – Technology Overview



Basis2 is an advanced billing and customer information system (CIS) for the worldwide utilities industry

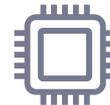
Drives value for customers by:

- Improving operational efficiencies
- Reducing the cost of serving customers



Technology is:

- Built on Oracle
- Standard, well documented software
- Robust, Scalable



# Strong, proven, customer benefits

---

basis2 CIS  
– flexible,  
better value  
and lower  
risk



## Product benefits

- Easy to configure and maintain by users and partners
- Exploits the features and capabilities of Oracle
- Relatively low implementation costs
- Stable/robust product with low ongoing upgrade and maintenance costs
- Lower risk



## Leading to “sticky” customers

- Highly integrated to their businesses
- Large, high risk projects to change supplier



# basis2 – The Market



Solution suitable for all utilities – Water, Electricity, Gas, Internet

- High value, high margin sales
- Replacement market is small, infrequent
- Many new utilities in emerging markets



Growth drivers

- Indicated demand via key distribution partner
- Low cost to deliver & service
- Novatti payment technologies a unique value add proposition



Target market sizing

- Africa, Middle East
- Circa 50 countries
- Strong knowledgeable distribution partner in this territory
- Small market share in strongly growing market



New service offering – Subscription as a Service

- Growth business requirement for internet platform businesses
- Creates efficiencies, productivity





## “Tuck in” asset acquisition

### Sales & Distribution

- Growth not actively sought by current owner
- Distribution crossover in key markets - Middle East and Africa
- Customers under serviced
- Can integrate and offerings to existing clients of both Novatti and basis2

### Technical Team

- Small team (4 persons)
- Knowledge well spread within team
- Novatti ready for technology transfer

### Culture & Management

- Fits Novatti pedigree
- Fits Novatti customer management methodology
- Low incremental cost



# basis2 – Financials



Revenue                      \$1.7m    (USD\$1.25m)

---

EBITDA                      \$1.1m    (USD0.825m)

---

Cashflow                      Year in advance payments from two largest clients  
– paid in April/May each year  
  
Monthly receipts circa \$90k per month  
  
Expenses circa \$50k per month

---

Exchange rate              0.75 cents



# Effect on Financial Position

| Novatti Group Statement of Financial Position     | Consolidated 31 December 2016 | Acquisition of basis2      | Entitlement Issue net of costs | Consolidated pro-forma |
|---|-------------------------------|----------------------------|--------------------------------|------------------------|
| <b>Current Assets</b>                             |                               |                            |                                |                        |
| Cash and cash equivalents                         | 2,639,097                     | (2,141,831) <sup>1 2</sup> | 3,055,878                      | 3,553,144              |
| Trade and other Receivables                       | 1,513,034                     | 73,136                     | -                              | 1,586,170              |
| Other assets                                      | 105,954                       | -                          | -                              | 105,954                |
| <b>Financial Assets</b>                           | 32,216                        | 7,698                      | -                              | 39,914                 |
| <b>Total current Assets</b>                       | 4,290,301                     | (2,060,997)                | 3,055,878                      | 5,285,182              |
| <b>Non-current assets</b>                         |                               |                            |                                |                        |
| Intangible assets                                 | -                             | 2,750,000                  | -                              | 2,750,000              |
| Investments accounted for using the equity method | 9,120                         | -                          | -                              | 9,120                  |
| Property, plant and equipment                     | 32,049                        | -                          | -                              | 32,049                 |
| <b>Total non-current assets</b>                   | 41,169                        | 2,750,000                  | -                              | 2,791,169              |
| <b>Total assets</b>                               | 4,331,470                     | 689,003                    | 3,055,878                      | 8,076,351              |
| <b>Current liabilities</b>                        |                               |                            |                                |                        |
| Trade and other Payables                          | 1,432,595                     | 517,643                    | -                              | 1,950,238              |
| Employee benefits                                 | 229,690                       | 77,727                     | -                              | 307,417                |
| <b>Total current liabilities</b>                  | 1,662,285                     | 595,370                    | -                              | 2,257,655              |
| <b>Non current liabilities</b>                    |                               |                            |                                |                        |
| Employee benefits                                 | 14,654                        | 93,633                     | -                              | 108,287                |
| <b>Total non current liabilities</b>              | 14,654                        | 93,633                     | -                              | 108,287                |
| <b>Total liabilities</b>                          | 1,676,939                     | 689,003                    | -                              | 2,365,942              |
| <b>Net assets</b>                                 | 2,654,531                     | -                          | 3,055,878                      | 5,710,409              |
| <b>Equity</b>                                     |                               |                            |                                |                        |
| Issued capital                                    | 11,940,604                    | -                          | 3,055,878                      | 14,996,482             |
| Reserves  | 1,000,129                     | -                          | -                              | 1,000,129              |
| Accumulated losses                                | (10,286,202)                  | -                          | -                              | (10,286,202)           |
| <b>Total Equity</b>                               | 2,654,531                     | -                          | 3,055,878                      | 5,710,409              |

1. On completion of the acquisition of basis2, an estimated \$2,338,284 is to be paid to the basis2 vendor after completion adjustments are taken into account.
2. Post-completion, an estimated \$196,453 is to be paid to Novatti pursuant to agreed post-completion adjustments.



# basis2 – Transaction Overview

Price:  
AU\$2.75m

Multiple:  
2.6 x EBITDA

Transaction type:  
Business  
& Asset sale

## Reason for sale



- basis2 is a solution, inconsistent with current owner's go-to-market strategy
- Valuation reflects Novatti ability to manage an Australian software asset with overseas clients

## Transition & Integration



- Bolt on acquisition.
- 4 technical staff. Novatti can easily manage.
- Management overhead – low.

## Synergy Savings



- Nil in year 1
- Potentially \$100k+ in year 2

# basis2 – Compelling Value Acquisition



## Revenue

Increased by \$1.7m with potential for further growth



## Recurring revenue

Half of revenue is recurring



## Cashflow

Positive cash flow from day 1



## Novatti EBITDA

Assist in Company's target of positive EBITDA in FY18



## Synergy Savings

Low



## US presence

First major client in US



## Growth opportunities

Additional solution to sell in Middle East, Africa via current partner Giza Systems  
Subscription billing as a service



# Transaction Summary

1.

basis2 is an established and profitable utility billing business with excellent technology, “sticky” customers and key distribution partners



2.

Stable and predictable cash generation with immediate cash flows – ongoing net cash flow circa \$40k per month with est. net cash of \$600k in April/May from prepaid service fees



3.

Novatti's businesses is targeted to be profitable in FY2018 and basis2 acquisition will strongly add to Novatti's profitability



4.

Strong growth profile with opportunities to leverage Novatti's existing networks/partnerships in emerging markets like Africa and Middle East



5.

Skilled technology team that will bring additional expertise to Novatti



## Contact:

### **Peter Cook**

*Chief Executive Officer & Managing Director*

[peter.cook@novatti.com](mailto:peter.cook@novatti.com) | +61 411 111 153

### **Peter Pawlowitsch**

*Chairman*

[peter.pawlowitsch@novatti.com](mailto:peter.pawlowitsch@novatti.com) | +61 419 299 302



[www.novatti.com](http://www.novatti.com)

