

ASX Announcement

31 October 2018

September 2018 Quarterly Update

Highlights

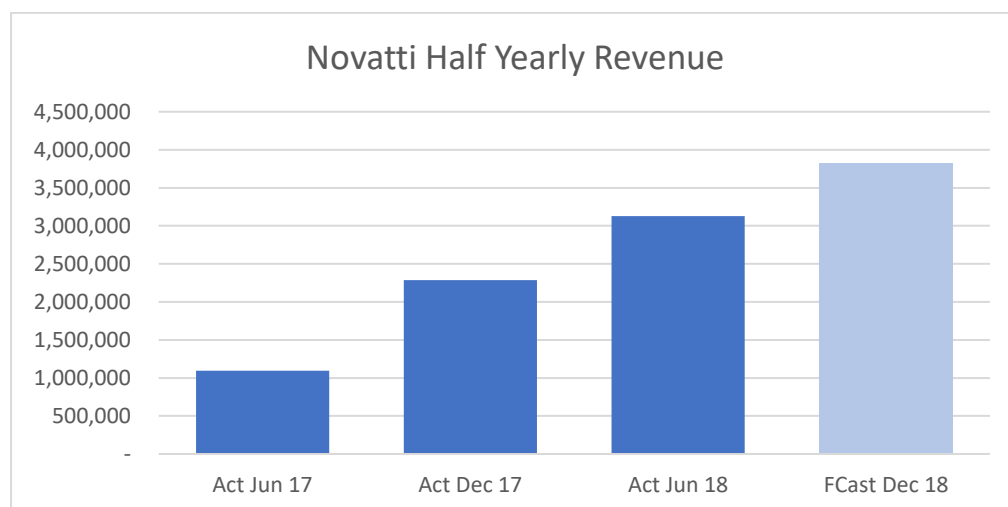
- Revenue of \$1.86m for the September quarter, a 55.7% from the corresponding quarter last year.
- Continued growth in transaction processing revenue, up 16% from \$736k in Q4 FY2018 to \$856k (unaudited)
- Strong cash balance of circa \$4.4 million
- Application for restricted Authorised Deposit Taking Institution (ADI) banking licence still in progress, expected to be submitted in November 2018
- Continued revenue and operational growth expected in the coming quarters

Novatti Group (ASX: NOV or 'the Company'), an online financial transactions processor and financial technology developer, is pleased to provide its quarterly update for the three months ended 30 September 2018.

Financial Update - Growth from multiple lines of business

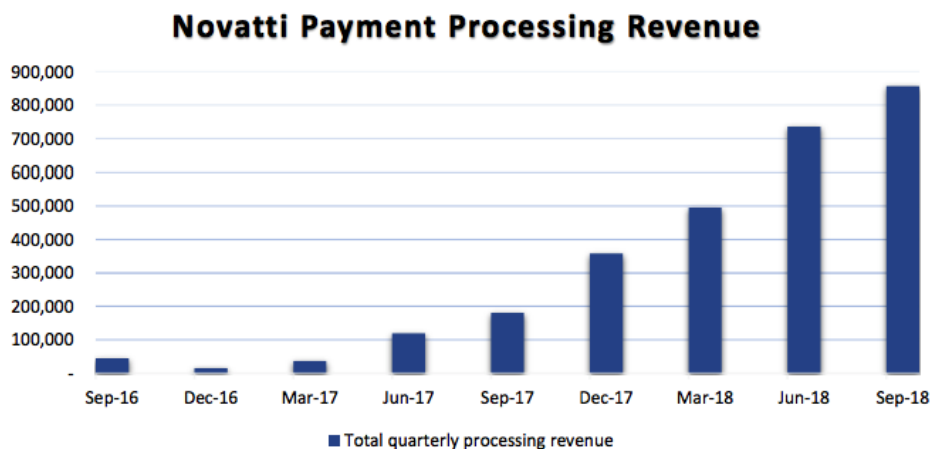
Revenue for the quarter of \$1.86m giving a strong start to 1H FY2019 with the Company targeting revenue in excess of \$3.7m, excluding the R & D rebate.

This continues the strong growth over successive half years, shown below (amounts exclude the R & D rebate).



Over the quarter, transactional revenue growth increased 16% from \$736k to \$856k (unaudited) as a result of continued growth in Flexepin, remittance services and China payments. The increase in transaction processing revenues comes from a mix of increased sales to existing customers and new B2B processing customers.

From the September 2017 quarter until the September 2018 quarter, transactional revenue grew 374%.



Expenses incurred closely match the requirement to support new business initiatives and existing business needs. The business has increased its outsourcing needs in line with the growth and benefits from this cost effective, scalable strategy.

The balance sheet remains strong with \$4.4M cash at bank and nil debt.

New agreements

During the quarter, the Company's licenced subsidiary Flexewallet Pty Ltd signed an agreement with Chinese financial services processor Payzero to provide specialist cross border payment processing services for Chinese merchants. The Payzero service enables other Chinese payment companies to efficiently manage the collection of global payments on behalf of B2B and B2B2C merchants. Signing the agreement has been beneficial for the Company as it has already seen significant interest from domestic Chinese payment companies via its Payzero relationship, to partner with Novatti and add this service to their offering. The agreement gives Novatti access to increasing number of Chinese payment processors and supports its business model of becoming a leading financial services company with a strong presence in Australia and Asia. Related to this continuing focus on China payments, Flexewallet has opened bank accounts in China that will further facilitate cross border payment flows and opportunities.

Novatti executed agreements with a further 6 processing partners during the September quarter that should result in continuing growth in processing volumes.

Following the end of the quarter, Novatti has announced that it will become an anchor on the Stellar global payments network which will act as a that will bring further increase in processing services. Novatti will launch the Novatti AUD tethered utility token which will allow KYC'd customers to transact on the Stellar network.

APRA banking licence

The Company is continuing to build its application to APRA for a restricted Authorised Deposit-Taking Institution (ADI) or banking licence. Novatti plans to lodge the formal licence application in November 2018. The focus of such a banking licence is to offer new banking services to Australian customers with a focus on new migrants. Novatti is currently building future banking services customers by way of its remittance services, Vasco prepaid card services and its China Payments bill payment services. In support of the application, Novatti can demonstrate its existing operations, compliance and technological capabilities, as well as its ability to raise appropriate funds.

In line with its growth strategy, the Company intend to apply for a full non-restricted ADI in due course.

Outlook

Subsequent to the quarter, Novatti has signed a number of significant agreements supporting the growth and commercialisation of the Company. Revenues from these agreements are expected to materialise in 2019 as the Company continues to invest in growth.

This in addition to progress with its banking licence application, set to make 2019 a transformational year for the Company.

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About Novatti Group Limited

Novatti is an award-winning global software technology, utility billing and payment services provider. Both through technology and services, Novatti helps economies, corporations and consumers digitise cash transactions. Novatti's robust and efficient software solutions include Consumer Digital Wallets, Branchless Banking, Mobile Money, Bill Payments, Remittance Services and Voucher Management Systems. Novatti's transaction processing services include Flexepin, an open-loop cash voucher service, Flexewallet for remittance and compliance services, Chinapayments.com for bill payment services for Chinese consumers and Vasco Pay a prepaid reloadable Visa card.

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