

ASX Announcement

9 April 2021

Buy-back of converting note delivers full optionality for banking business

Highlights

- Full control of banking business opportunities delivered with converting note buy back
- Banking business remains key part of strategy to value-add to existing businesses
- Novatti maintains regular contact with APRA while application is assessed

Novatti Group Limited (ASX:NOV) (Novatti or Company), a leading digital banking and payments company, is pleased to announce that it has delivered full control and optionality over the opportunities for its banking business with the Novatti group's buy back of an outstanding converting note in its dedicated banking subsidiary, Novatti B Holding Company Pty Ltd (**NBHC**).

In November 2019 Novatti entered into strategic partnership with Australian Fintech Investment Group Pty Ltd (**AFIG**) for the provision of working capital to NBHC via a \$1.1 million converting note and a joint venture to fund the launch of a consumer digital wallet business in Australia using the latest Chinese digital wallet technology and Novatti licences and integration services¹.

The investment in NBHC coincided with Novatti's submission of its final Restricted Authorised Deposit Taking Institution (**RADI**) licence application to the Australian Prudential Regulation Authority (**APRA**). In April 2020 APRA placed a temporary hold on the issuing of any new banking licences following the onset of COVID-19 and in August 2020 provided updated guidance noting that it will recommence issuing banking licences in two phases, with licencing of new operations, such as Novatti's, to begin from March 2021.²

During 2020 and into early 2021, as part of their strategic partnership Novatti and AFIG jointly developed with third parties a new innovative fintech platform, Lifepay, leveraging Novatti's technology and licences with a soft launch in February 2021 and a full commercial launch in the following month as announced to ASX.³

Following the success of LifePay's development and launch, and AFIG's focus moving to the consumer digital wallet sector in the light of APRA approval delays caused by COVID-19, the Novatti group has agreed to buy-back the converting note from AFIG, removing any external debt from NBHC's balance sheet.

Managing Director of Novatti, Peter Cook, said: "Developing Novatti's new banking business is a key pillar of our long-term growth strategy. With this business, Novatti will seek to provide value-add and increased margins to its existing, established businesses, while leveraging our extensive customer and partner base.

"The buy-back of this converting note removes external debt in our banking subsidiary and provides Novatti with full control and optionality over the exciting opportunities for that business."

¹ Novatti ASX Announcement – *First investment round in Novatti's banking services* – 8 November 2019

² Novatti ASX Announcements – *Guidance received on banking licence processing during COVID-19* – 9 April 2020 and *Update on APRA Bank Licence Issuing* – 11 August 2020

³ Novatti ASX Announcements – *Lifepay taps into Novatti's ecosystem to launch new B2C fintech platform* – 24 February 2021 and *Lifepay moves to commercial launch* – 11 March 2021

This announcement follows some of Novatti's other recent growth-focused achievements, including:

- Ripple partnership going live and generating transactions to the Philippines⁴
- Completing the on-time launch of Emersion in the US⁵
- Supporting two innovative B2C platforms in LITT and Lifepay to hit the market with innovative fintech offerings⁶
- Record half-year sales revenue of \$7.35m, up 49% year-on-year, highlighting consistent, long term growth⁷

The buy-back was conducted via an assignment of the converting note from AFIG to the Company, effective immediately, for the \$1.1 million face value of the note. Payment for the assignment will be made in instalments over the next 12 months, secured by Novatti's interest in LifePay. No interest is payable except in the case of payment default.

Novatti invites investors to keep up to date with company news, events and industry research by joining the Novatti mailing list at: <https://www.novattigroup.com/subscribe>

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This announcement has been approved for release to the ASX by Peter Cook, Managing Director.

About Novatti Group Limited (ASX:NOV)

Novatti is a leading digital banking and payments company. Its fintech, billing, and business automation platforms make payments fast, simple, and secure. Payments services include card issuing, merchant acquiring, payment processing and settlements, and enable our customers to thrive as we shift to a cashless economy. Novatti holds all necessary regulatory licences and registrations, including an Australian Financial Services Licence (No 448066) through its subsidiary Flexewallet Pty Ltd, registration in New Zealand as a Financial Services Provider (FSP613789) through subsidiary Flexewallet (NZ) Limited, is registered with AUSTRAC as a Remittance Network Provider, and has applied to APRA for a restricted banking licence through its subsidiary Novatti IBA Pty Ltd.

⁴ Novatti ASX Announcement – *Ripple partnership live to Philippines* – 9 April 2021

⁵ Novatti ASX Announcement – *Emersion launches in US ahead of strong forecast market growth* – 30 March 2021

⁶ Novatti ASX Announcement – *Lifepay moves to commercial launch* – 11 March 2021, and *Novatti fintech underpins record breaking hybrid social media platform LITT* – 17 March 2021

⁷ Novatti ASX Announcement – *Half year update and Appendix 4D* – 25 February 2021