

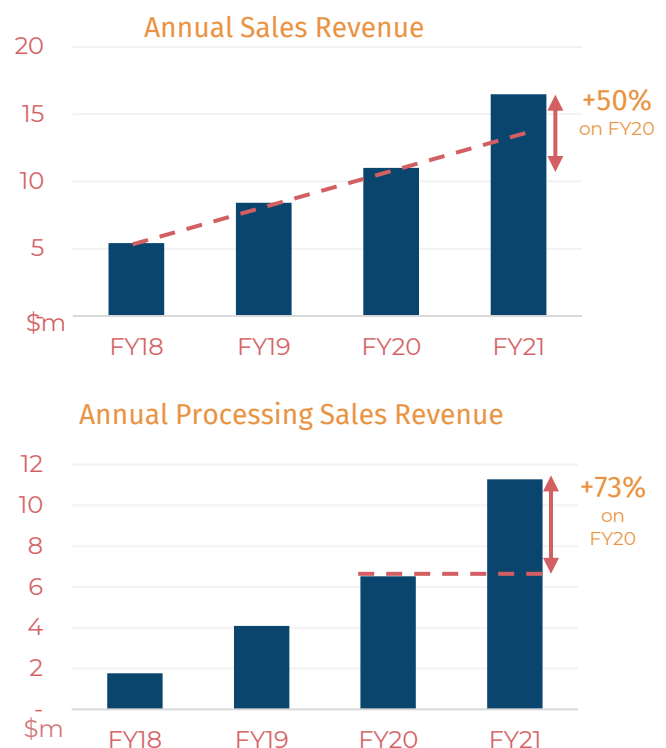
ASX Announcement

31 August 2021

FY21 sees record revenue while ecosystem investment positions for future growth

Highlights

- Record \$18.4m in total revenue – up 55% on FY20
- Record \$16.5m in annual sales revenue – up 50% on FY20
- Record \$11.2m+ in annual processing sales revenue – up 73% on FY20
- Annual sales revenue grows an average of 45% across the past three years
- Cash balance at end of FY21 - \$8.8m
- Loss after income tax expense of \$11.8m
- Underlying EBITDA* loss of \$4.28m
- Follows increased ecosystem investment, particularly talent, with Novatti's team growing from 65 to 128
- FY22 starts with \$40m+ capital raise to expand growth ambitions
- Actively assessing acquisition opportunities
- Opening up new opportunities to explore synergies with Reckon Limited (ASX:RKN), following investment in 19.9% strategic stake
- New banking business launch ready - aiming for regulatory approval by end of November 2021
- Visa and Mastercard acquiring licences - aiming for end of September 2021



Novatti Group Limited (ASX:NOV) (Novatti or Company), a leading fintech enabling businesses to pay and be paid, is pleased to release its FY21 annual results.

Commenting on the results, Novatti Managing Director, Peter Cook, said:

“FY21 was a year of tremendous growth for Novatti. Our business, capabilities, and team all grew to position us to capture the wave of disruption facing the payments industry during and following COVID-19.”

“The year started with a \$10m capital raising and we applied these funds to deliver a number of significant achievements, including new partnerships with Apple Pay, Google Pay, Samsung Pay, and Ripple, partnering with Afterpay in New Zealand, seeing our partnership with Ripple go live in the Philippines, and Emersion launching in the US.”

“This record of achievements highlights Novatti’s commitment to use funds raised to deliver growth in our business and ultimately for our shareholders.”

“Across the year we invested heavily in Novatti’s ecosystem, which includes our technology, licences, partnerships, and our team. This ecosystem is central to capturing growth in key markets, as businesses seek a partner to pay and be paid.”

“I want to particularly highlight the investment we’ve made in our team, which grew from 65 to 128 over the past year. This team enables Novatti to develop new solutions, open new markets, and facilitate our long-term growth. It is exciting to see the best talent in the fintech industry choosing Novatti to further their career, particularly in such a competitive market.”

“All these achievements flowed into Novatti delivering its strongest-ever annual revenue results, with \$18.4m in total revenue, including \$16.5m in sales revenue. Both these results were up around 50% on FY20. Novatti has now grown its annual sales revenue by an average of 45% each year for the past three years, highlighting our ability to deliver consistent, long-term results.”

“We are carrying strong momentum into FY22, which has been furthered by the \$40m-plus capital raising we undertook at the start of the new financial year. With this capital raising, we will seek to increase our presence in existing markets, enter new markets, pursue a range of acquisition opportunities, and open new opportunities to explore synergies with Reckon Limited, following our investment in a 19.9% strategic stake.”

“We are incredibly proud of our FY21 achievements and equally excited about what Novatti seeks to achieve in the years ahead, starting with FY22.”

Outlook

Novatti’s business continues to be supported by a number of positive macro forces, including the accelerating shift to cashless and digital payments, development of new as well as merging markets, and the rise of fintech seeing traditional players in the payments sector no longer competitive in a number of areas.

In entering FY22, Novatti will continue to leverage these strong macro forces and, with the funds from its recent capital raising, expand its growth strategy to increase its presence in existing markets, enter new markets, and pursue a range of acquisition opportunities.

New licences

New banking business

APRA recently issued the first new banking licence since December 2019, having previously put these approvals on hold during COVID.¹ With the restarting of this process, Novatti is seeking to achieve regulatory approval for this new business before the end of November 2021.

New market licences

During the June FY21 quarter, Novatti announced that it had been selected by Afterpay to deliver its payment card program in New Zealand. Novatti's partnership with Afterpay in New Zealand highlighted how once regulatory approval to operate in a particular jurisdiction is obtained, Novatti is able to monetise this investment quickly.

This is a model that Novatti believes it can replicate in other jurisdictions, unlocking new addressable markets. Work here is already underway, with Novatti applying for:

- European Union (EU) – E-money Licence: which would enable Novatti to issue a range of financial products in the EU.
- Singapore - Major Payment Institution Licence: which would enable Novatti to provide payment services without being subject to specified thresholds.

In seeking to capture a share of these new addressable markets, Novatti would leverage its existing customer and contact network in both regions, including Emersion, which has operated in Singapore for several years.

Visa and Mastercard acquiring

Novatti has applied to both Visa and Mastercard for Acquiring Licences. Novatti is aiming to be approved for these licences by the end of September 2021. These licences will enable Novatti to extend its acquiring services and bring through larger business opportunities as a B2B provider in the fintech space and drive deeper margins from Novatti's own merchants.

Strategic investment in Reckon

Novatti's recent capital raising specifically enabled the acquisition of a strategic stake in leading ASX-listed accounting software provider, Reckon Limited (ASX:RKN). Reckon has revenue of more than \$75m, EBITDA of more than \$32m, and a growing pool of more than 100,000, cloud-based customers.

As a payments company and, in particular, leveraging Novatti's experience with Emersion, there is a tight synergy between business automation software and payments processing. For

¹ APRA – News – APRA grants new restricted authorised deposit-taking institution licence to Alex Bank – 7 July 2021

software clients, this combination drives increasing productivity. And for providers, it drives a strong economic return based on cross selling.

Novatti's strategic investment in Reckon has created an opportunity to explore synergies between the two companies.

Potential acquisition pipeline

A key pillar of Novatti's expanded growth strategy, funded through the recent capital raising, is the pursuit of new acquisitions. Novatti has developed a pipeline of potential acquisitions and continues to assess a number of opportunities.

Ends

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>

Novatti Managing Director, Peter Cook, will be hosting a webcast to discuss the FY21 results, including presentation and Q&A, on **Tuesday, 31 August 2021, at 11am (AEST)**. Investors can register at: <https://www.novattigroup.com/webinar>

For further information, contact:

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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 fintech that enables businesses to pay and be paid, from any device, anywhere. From corner stores and startups to global organisations, our solutions will unlock your ambitions. Solutions include issuing, acquiring, processing, and billing, while Novatti has also applied to APRA for a restricted banking licence through its subsidiary Novatti IBA Pty Ltd. 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, and is registered with AUSTRAC as a Remittance Network Provider.