Novatti Group Limited

NOV.AX

A research platform of MST Financial

21 November 2023

Mission Possible: Debt Reckoning

Higher rates make corporate bond unattractive

- Sale of Reckon for 40cps brings in $8.9m
- Repayment of $10.5m corporate bond facility
- Releases $1.5m cash, reduces interest by $1.1m p.a.

With partnership in place, strategic equity stake no longer necessary: Having formed a partnership ~18 months ago, with Novatti's payments now embedded into Reckon One and benefiting both companies, Novatti has sought to redeploy the capital used to obtain that partnership and repay its corporate bonds.

Tax losses enhance returns on RKN ownership: Novatti at first glance appears to have lost money on this investment, initially purchasing Reckon at $1 per share, and selling down at 40c. However, just like a structured off market buyback, on the way through it picked up 67.5c in dividends, 66% franked.

Unsurprising given streamlining strategy: Novatti had been flagging potential asset sales as part of its strategic review – given that its commercial partnership with Reckon will continue to expand, the divestment of its strategic stake and repayment of bonds simplifies its balance sheet and cashflow and moves it closer to its positive operating cashflow goal.

Investment Thesis

Switch from product to customer focus should aid revenue growth: The move away from a business unit structure to a functional structure is delivering positive feedback from customers and enabling far greater agility, connectivity and collaboration, which should support stronger revenue growth via cross-sell.

Omni-channel appeal across acquiring, coupled with issuing and payments: Novatti now supports an omni-channel acquiring offering across online, offline, mobile and embedded payments which is a key appeal to potential acquiring customers, as well as strengthen margins as customers are migrated onto the Novatti payments platform. It may also increase its appeal to potential acquirers of the company, seeking to gain a comprehensive foothold in the Australian and south-east Asian markets.

Capitalised for growth: The consolidated group has $14.7m of cash available at the end of the period. With over 4 quarters of cash at the current burn rate, targeting by the end of FY24 to deliver positive operating cashflows, and with a strategic review which may release capital, it should have sufficient cash to achieve this without needing to raise further capital (however IBOA will need to raise further capital in order to obtain its unrestricted banking licence).

Valuation

Valuation up by 4c to 48c following sale of RKN and repayment of debt.
We change our EPS estimates: FY24E: -31%, FY25E: 925%, FY26E: 46%.
Our cost of equity remains 10.5% and terminal growth rate 3.0%.

Risks

Being a payments company and owning a bank, Novatti has a range of risks applicable including macroeconomic conditions, liquidity and funding risks, credit risk, fraud, cybersecurity, asset-liability mismatch and compliance risks.

Equities Research Australia

Financials

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Novatti is a leading digital banking and payments fintech. It enables business to pay and be paid, from any device, anywhere. It does this by leveraging its 'ecosystem', which includes technology and platforms, extensive regulatory licences, and global commercial partnership.

Its services capture the entire payments value chain. This includes issuing, such as prepaid Visa cards, acquiring, enabling merchants to accept payment from financial institutions, and processing, including cross-border transfers and automated invoicing.

https://novatti.com/

Valuation	**A$0.48** *(Prev A$0.44)*
Current price	**A$0.097**
Market cap	**A$32.8m**
Cash on hand	**A$14.7m**

Upcoming Catalysts / Next News

Period	
Late January 2024	2Q24 activities update and Appendix 4C
Late February 2024	1H24 result
Pending Regulation	EMI License

Share Price ($A)

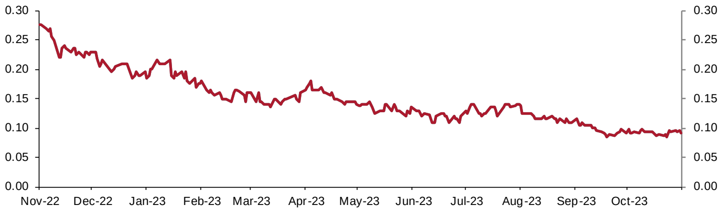
Source: FactSet, MST Access

NOVATTI GROUP LIMITED — NOV-AU

Year end 30 June, AUD unless otherwise noted

MARKET DATA		
Price	**$**	0.097
Valuation	**$**	0.48
52 week high / low	$	0.08 - 0.29
Market capitalisation	**$m**	32.8
Shares on issue (basic)	m	338.7
Options / rights / ESP / LTIP	m	0.0
Other equity	m	0.0
Shares on issue (fully diluted)	m	338.7

12-MONTH SHARE PRICE PERFORMANCE



INVESTMENT FUNDAMENTALS		FY22A	FY23A	FY24E	FY25E	FY26E
Reported NPAT	$m	(16.6)	(26.5)	(9.0)	1.2	3.5
Underlying NPAT	**$m**	**(16.6)**	**(26.5)**	**(9.0)**	**1.2**	**3.5**
Reported EPS (diluted)	¢	(5.1)	(7.9)	(2.7)	0.4	1.0
Underlying EPS (diluted)	**¢**	**(5.1)**	**(7.9)**	**(2.7)**	**0.4**	**1.0**
….Growth	%	(1%)	54%	(66%)	(114%)	186%
PER underlying	**x**	**(1.9)**	**(1.2)**	**(3.6)**	**26.9**	**9.4**
Operating cash flow per share	¢	(4.0)	0.4	(2.4)	0.6	1.2
Free cash flow per share	¢	(12.0)	2.7	(3.0)	0.5	1.1
Price to free cash flow per share	**x**	**n.m.**	**0.0**	**n.m.**	**0.2**	**0.1**
FCF yield	%	(124.1%)	28.3%	(30.8%)	4.9%	11.4%
Dividend	**¢**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Payout	%	0.0	0.0	0.0	0.0	0.0
Yield	**%**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Franking	%	0.0	0.0	0.0	0.0	0.0
Enterprise value	**$m**	**26.8**	**14.6**	**24.7**	**23.1**	**19.4**
EV/Revenue	x	0.8	0.4	0.4	0.3	0.2
EV/Underlying EBITDA	x	-2.0	-1.0	-6.4	7.4	2.6
Book value per share	¢	10.9	4.6	1.9	2.3	3.3
Price to book (NAV)	x	0.9	2.1	5.1	4.3	2.9
Net tangible assets per share	¢	8.1	2.2	-0.4	-0.1	1.0
Price to NTA	x	1.2	4.3	-22.8	-146.5	10.1

KEY RATIOS		FY22A	FY23A	FY24E	FY25E	FY26E
Net debt /(cash)	$m	(6.0)	(18.2)	(8.1)	(9.7)	(13.4)
Interest cover (Operating NPAT / net inter	x	(22.9)	(37.1)	61.1	(0.7)	(6.8)
Gearing (net debt / underlying EBITDA)	x	0.4	1.3	2.1	nm	nm
Leverage (net debt / (net debt + equity)	x	nm	6.6	4.9	4.8	5.9

DUPONT RATIOS		FY22A	FY23A	FY24E	FY25E	FY26E
Return on Assets	%	nm	nm	nm	0.82	1.73
Financial Leverage	x	3.0	9.4	21.5	19.3	18.0
Return on Equity	**%**	nm	nm	nm	15.87	31.24

GROWTH PROFILE		FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	%	97.5	19.7	46.4	23.2	21.2
Underlying EBITDA	%	(217.4)	(6.6)	73.4	181.6	136.0
NPAT	%	(40.3)	(59.7)	66.0	114	186
Underlying Profit	%	(92.3)	(194.1)	222.4	384	631
Underlying EPS	%	1.2	(54.1)	66.2	114	186
DPS	%	n/a	n/a	n/a	n/a	n/a

HALF YEARLY DATA		1H23A	2H23A	1H24E	2H24E	1H25E
Revenue	**$m**	19.9	19.1	27.8	29.2	34.6
Other income	$m	1.3	0.9	1.6	1.0	1.6
Cash expenses	$m	-28.2	-27.4	-33.4	-30.1	-34.7
Underlying EBITDA	**$m**	**-7.0**	**-7.4**	**-4.0**	**0.1**	**1.4**
EBITDA	$m	-10.0	-10.2	-6.9	-0.1	1.2
Depreciation, amortisation and impairmen	$m	-1.1	-1.1	-1.1	-1.1	-1.1
EBIT	**$m**	**-11.1**	**-11.3**	**-8.0**	**-1.2**	**0.1**
Associates and JVs	$m	0.0	0.0	0.0	0.0	0.0
Net interest	$m	-1.0	0.3	-0.2	0.4	0.4
PBT	**$m**	**-12.1**	**-10.9**	**-8.2**	**-0.8**	**0.5**
Income tax	$m	-0.1	0.0	0.0	0.0	0.0
NPAT	**$m**	**-12.3**	**-10.9**	**-8.2**	**-0.8**	**0.5**

PROFIT AND LOSS		FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	**$m**	**32.6**	**39.0**	**57.1**	**70.3**	**85.2**
Other income	$m	1.8	2.1	2.6	2.6	2.5
Cash expenses	$m	-48.0	-55.6	-63.5	-69.7	-80.3
Underlying EBITDA	**$m**	**-13.6**	**-14.5**	**-3.8**	**3.1**	**7.4**
EBITDA	$m	-14.0	-23.5	-6.9	2.7	7.0
Depreciation, amortisation and impairment	$m	-1.9	-2.2	-2.2	-2.2	-2.2
EBIT	**$m**	**-15.9**	**-25.7**	**-9.2**	**0.5**	**4.8**
Associates, JVs and fair value adjustments	$m	0.0	0.0	0.0	0.0	0.0
Net interest	$m	-0.7	-0.7	0.2	0.7	0.7
PBT	**$m**	**-16.5**	**-26.4**	**-9.0**	**1.2**	**5.5**
Income tax	$m	-0.1	-0.1	0.0	0.0	-2.0
NPAT	**$m**	**-16.6**	**-26.5**	**-9.0**	**1.2**	**3.5**
Weighted average diluted shares on issue	m	325.0	336.8	338.7	338.7	338.7

BALANCE SHEET		FY22A	FY23A	FY24E	FY25E	FY26E
Cash & equivalents	$m	6.1	18.2	8.1	9.7	13.4
Trade & other receivables	$m	8.4	7.7	8.2	8.7	9.3
Financial assets - funds in trust	$m	52.4	92.4	103.9	110.2	158.7
Investments accounted for using the equity metho	$m	0.1	0.0	0.0	0.0	0.0
Other investments	$m	27.7	11.8	0.3	0.3	0.3
Net Property Plant And Equipment	$m	0.5	0.4	0.4	0.4	0.4
Right of use assets	$m	1.8	1.5	1.5	1.5	1.5
Intangibles	$m	9.3	7.9	7.9	7.9	7.9
Deposits	$m	3.7	4.4	7.6	8.4	8.9
Other	$m	0.9	1.1	1.1	1.1	1.1
Total Assets	**$m**	**111.0**	**145.6**	**139.0**	**148.2**	**201.5**
Trade and other payables	$m	16.2	22.4	23.8	25.2	26.8
Settlement and remittance funds payable	$m	52.1	91.6	102.9	109.2	157.3
Lease liabilities	$m	2.1	1.8	1.8	1.8	1.8
Unearned revenue	$m	0.3	0.3	0.3	0.3	0.3
Borrowings, including convertible notes	$m	0.0	0.0	0.0	0.0	0.0
Employee benefits	$m	2.9	3.5	3.7	3.9	4.2
Other	$m	0.8	10.5	0.0	0.0	0.0
Total liabilities	**$m**	**74.4**	**130.2**	**132.6**	**140.5**	**190.3**
Net assets	$m	36.6	15.5	6.5	7.7	11.2
Contributed equity	$m	89.3	90.7	90.7	90.7	90.7
Reserves	$m	5.0	5.4	5.4	5.4	5.4
Retained earnings	$m	-57.7	-83.5	-92.5	-91.3	-87.8
Shareholder's equity	**$m**	**36.6**	**15.5**	**6.5**	**7.7**	**11.2**
Basic shares on issue	m	335.3	338.7	338.7	338.7	338.7

CASH FLOW		FY22A	FY23A	FY24E	FY25E	FY26E
Net Income (Cashflow)	$m	-16.6	-23.2	-9.0	1.2	3.5
Depreciation & Amortization	$m	1.9	2.2	2.2	2.2	2.2
Change in Net Operating Assets	$m	4.0	-5.6	-2.0	-2.2	-2.3
Other Non-Cash Items, Total	$m	-2.4	4.6	0.8	0.8	0.8
Other	$m	0.0	23.4	0.0	0.0	0.0
Operating cash flow	**$m**	**-13.0**	**1.4**	**-8.0**	**2.1**	**4.2**
Capital expenditure	$m	-2.1	-2.0	-0.3	-0.3	-0.3
Acquisitions/divestment/other	$m	-24.6	0.0	8.9	0.0	0.0
Investing cash flow	**$m**	**-26.7**	**-2.0**	**8.6**	**-0.2**	**-0.2**
Equity	$m	36.0	3.1	0.0	0.0	0.0
Debt (including convertible)	$m	-0.8	10.1	-10.5	0.0	0.0
Leases	$m	-0.2	-0.3	-0.2	-0.2	-0.2
Financing cash flow	**$m**	**36.6**	**12.9**	**-10.7**	**-0.2**	**-0.2**
Net cash flow	**$m**	**-3.1**	**12.3**	**-10.1**	**1.6**	**3.7**
Free cash flow	$m	-39.1	9.2	-10.1	1.6	3.7

Source: Company reports and MST Acccess estimates

Reckoning the financial impact

Figure 1: Novatti's cashflows associated with Reckon strategic investment

Date	Cashflows	Shares	Value per share	Franking	Notes
Jun 2021	-$22,518,138.00	22,518,138	-$1.000		Purchase price
Sep 2021	$675,544.14	22,518,138	$0.030	100%	
Mar 2022	$450,362.76	22,518,138	$0.020	100%	
Sep 2022	$675,544.14	22,518,138	$0.030	100%	
Nov 2022	$12,835,338.66	22,518,138	$0.570	60%	Written down to 52c at FY23 - resulting in a fair value loss of $15.425m
Sep 2023	$562,953.45	22,518,138	$0.025	100%	
Nov 2023	$9,007,255.20	22,518,138	$0.400		Sale price
Total	**$1,688,860.35**		**$0.075**		

Source: Company reports, MST Access estimates

Earnings Revisions

Following Novatti's divestment of its strategic shareholding in Reckon and planned corporate bond repayment, we make the following changes to our earnings estimates.

Figure 2: Changes to earnings estimates for Novatti Group Limited

		FY24E			FY25E			FY26E		
		Old	New	%chg	Old	New	%chg	Old	New	%chg
Revenue	A$m	57.1	57.1	0.0%	70.3	70.3	0.0%	85.2	85.2	0.0%
Underlying EBITDA	A$m	-3.8	-3.8	0.0%	3.1	3.1	0.0%	7.4	7.4	0.0%
EBIT	A$m	-6.5	-9.2	-41.7%	0.5	0.5	0.0%	4.8	4.8	0.0%
Profit before tax	A$m	-6.9	-9.0	-31.3%	0.1	1.2	924.6%	4.4	5.5	25.1%
NPAT (reported)	A$m	-6.9	-9.0	-31.3%	0.1	1.2	924.6%	2.4	3.5	46.0%
EPS (underlying)	cps	-2.0	-2.7	-31.3%	0.0	0.4	924.6%	0.7	1.0	46.0%
EPS (reported)	cps	-2.0	-2.7	-31.3%	0.0	0.4	924.6%	0.7	1.0	46.0%
DPS	cps	0.0	0.0	n.a.	0.0	0.0	n.a.	0.0	0.0	n.a.

Source: Company reports, MST Access estimates

These changes are primarily due to Novatti:

- Divesting 22,518,138 shares in Reckon, at 40c per share, which after transaction costs generated $8.9m, is visible in the investing section in the cashflow statement. Following the writedown in value to 52c in its FY23 accounts, this is a loss of 12cps, or $2.7m impacting EBIT in FY24.
- Repaying its $10.5m Corporate Bond with the proceeds as well as funds held in escrow. There may be additional costs associated with this repayment. This is visible in the financing section of the cashflow statement.
- With an interest rate of 90 day BBSW +650bps the rapid rise in interest rates since these bonds were issued in August 2022 means that its floating interest rate if assessed on 15 November 2023 would be around 10.9%. Hence the repayment of this bond will from 2H24 improve Novatti's net interest position by ~$1.1m p.a., leading to the upgrade of earnings in future years below EBIT.

Changes may appear large due to a small denominator, with Novatti transitioning from being loss making to being profitable during our forecast period.

Full details of our earnings estimates appear in the financial summary on page 2.

Valuation

We use a blend of valuation approaches to estimate Novatti's valuation, considering:

- intrinsic valuation scenarios of its potential future growth profiles
- peer multiples and growth rates,

Other equity market considerations such as short sales; any likely forthcoming changes in index inclusion; depth of stock research coverage; composition of and change in the mix of investors (such as founders, board and staff, domestic institutions, foreign institutions, and retail investors) are not incorporated in our valuation; however investors should consider such factors if they seek to develop a price target for the company.

Discounted cash flow

Figure 3: MST Access valuation of Novatti

Current date		16-Nov-23											
Next balance date		31-Dec-23											
		Dec-23	Jun-24	Dec-24	Jun-25	Dec-25	Jun-26	Dec-26	Jun-27	Dec-27	Jun-28	Dec-28	Jun-29
Free cash flow to equity	**A$m**	**-9.6**	**-0.5**	**0.6**	**1.0**	**1.5**	**2.3**	**3.0**	**4.4**	**6.0**	**7.6**	**8.8**	**9.0**
Discounted cash flow	**A$m**	**-9.5**	**-0.5**	**0.5**	**0.9**	**1.2**	**1.7**	**2.2**	**3.1**	**4.0**	**4.8**	**5.3**	**5.1**

Sum of discount streams	A$m	18.8	**CAPM**	
Future value into perpetuity	A$m	237.5	Risk free rate	4.50%
NPV of terminal value	A$m	135.5	Equity beta	1.2
add adjusted net cash at FY23	A$m	9.2	Equity risk premium	5.00%
Value of total equity	**A$m**	**163.5**	Cost of equity	10.5%
Diluted shares on issue	m	338.7		
Value per share	**A$**	**0.48**	Terminal growth	3.0%
Upside/downside	%	398%		

Source: Company reports, MST Access estimates

We continue to use a DCF of free cash flow to equity forecasting out to FY29 before applying a terminal value. We continue to use a cost of equity to 10.5% composing of a 4.5% risk free rate, a 5% equity risk premium and beta of 1.2, and we continue to assume a 3.0% terminal growth rate.

The above earnings upgrade lifts our valuation from 44c to 48c.

Peer comparative multiples

Figure 4: Selected peer comparable companies' valuation multiples

Identifier (RIC)	Company Name	EV / Revenue	EV / EBITDA	P/E	P/CF	P/B	Dividend Yield %
NOV.AX	Novatti Group Ltd	0.4	-6.4	-3.6	n.m.	2.1	0.0%
CCA.AX	Change Financial Ltd	1.8	16.2	29.9	36.7	3.3	0.0%
EML.AX	EML Payments Ltd			17.1	10.6	2.2	
SMP.AX	SmartPay Holdings Ltd	3.0	12.1	20.9	10.8	6.1	0.0%
TYR.AX	Tyro Payments Ltd	1.0	8.5	36.9	13.5	2.6	0.0%
MQ.O	Marqeta Inc	3.5				2.5	0.0%
V	Visa Inc	13.6	19.3	24.1	20.6	11.4	0.9%
MA	Mastercard Inc	13.4	21.7	27.7	25.6	39.2	0.7%
PYPL.O	PayPal Holdings Inc	1.9	7.7	10.6	8.1	2.6	0.0%
AMA.MC	Amadeus IT Group SA	4.9	12.5	21.0	13.9	4.8	2.3%
NETW.L	Network International Holdings PLC	4.8	11.2	19.8	14.1		1.1%
FIS	Fidelity National Information Services Inc	5.0	12.1	12.7	7.4	1.6	3.9%
PAY.TO	Payfare Inc	0.7	5.0	8.0			
FI	Fiserv Inc	5.0	11.1	14.8	11.9	1.3	0.0%
WEX	WEX Inc	3.7	8.7	10.9	9.8	3.2	0.0%
PSFE.K	Paysafe Ltd	1.0	3.5	6.6	2.5	0.9	0.0%
PAYP.L	PayPoint plc	1.9	4.3	8.2			7.4%
WLN.PA	Worldline SA	1.5	6.4	6.8	5.7	0.4	0.0%
WU	Western Union Co	1.3	5.3	7.0	6.1	7.4	8.1%
SQ	Block Inc	1.3	13.9	18.6	15.7	1.7	0.0%

Source: IBES, Refinitiv, MST Access estimates for Novatt and Change Financial

We also consider the trading multiples of a range of peers across the multiple industries in which NOV operates as reference for potential price to book and price to NTA multiples that NOV might trade on.

As part of March 2023 changes to the Global Industry Classification Standard, Novatti now falls under the new Transaction and Payment Processing Services sub-industry within the Financial Services industry, in the Financials sector, which should deliver a more appropriate peer group for Novatti.

With Novatti being the Australian partner for Marqeta, we see that as its key peer, trading on 2.5x forward EV/Revenue. In comparison, on our forecasts Novatti is trading on 0.4x.

Investment thesis

The stock is trading well below our assessed intrinsic valuation for the company.

With a moat provided by a trifecta of technology, licences and partnerships difficult, time consuming and costly to replicate, the ability of new entrants to join the payments industry is limited. This barrier to entry has led many existing payments providers to rest on their laurels, which Novatti is taking advantage of through its innovative offerings and partnerships for digital payments.

Novatti provides investors with exposure to several fast-growing areas of the banking and payments industry:

- By participating in segments of the payments industry that have seen traditional, major financial institutions become uncompetitive due to tech disruption, including general payments and also transfers and card payments for gambling companies and remittance payments.
- Through investing in fintech start-ups and providing underlying payment technologies for these start-ups.

We expect that Novatti's strong revenue growth will continue into the foreseeable future. This should see revenues rise sufficiently to lift the group to profitability within the next few years.

The diversification that Novatti has in its business model across a variety of technology, licenses and partnerships is demonstrating resilience to disruptive developments, however, it does again highlight that there are meaningful potential downside risks for Novatti and its stock.

Key Risks and Sensitivities

Macroeconomic impacts

Key influences on our valuation include:

- Economic conditions, influencing exchange rates, interest rates, inflation and bad debts.
- Equity and debt markets, influencing investment returns and risk premiums.

Regulatory Requirements

As a payment processor, Novatti has substantial regulatory compliance requirements, including with AML/CTF regulations, APRA and ASIC requirements. Failure to comply could see the company face civil and criminal prosecution, substantial fines, and potentially the loss of key licenses enabling it to operate various services.

Growing pains

The challenge of managing explosive growth – including hiring people with appropriate qualifications, experience and background clearances while maintaining the company's culture, training staff to have an in depth knowledge of the company's products and features, scaling fixed infrastructure and managing customer and investor expectations can be challenging, and there are many examples where problems have emerged because growth has occurred faster than management has been able to suitably manage it. It's a high-quality problem to have but can lead to missed expectations.

Reputational risks

Reputational risks could threaten Novatti's entire business model and social license to operate. As a payments' provider, should a prolonged disruption occur at Novatti or with its partners (as happened early last calendar year to Tyro Payments), leading to a loss of customer and/or investor confidence, this could in turn threaten its financial viability. Similarly, a cyberattack on bridges between blockchains for its AUDD stablecoin could lead to the realization of these reputation risks.

Technology Changes

In addition to continued product development, Novatti will be required to also stay abreast of emerging technology platforms, competitors, and disruptions in order to take advantage of new payment methods and/or protect against direct impacts to its capabilities. Furthermore, its service offering relies on a handful of external software and hardware vendors which contribute to its capabilities, and adverse changes to the products provided by these vendors could lead to Novatti needing to impair intangible assets related to functionality or features.

Market & Shareholder Support

As a listed company, Novatti is hostage to market conditions. In volatile markets, this can result in a lack of liquidity; which can lead to volatile trading where the shares trade at prices significantly diverged from their intrinsic value.

While our modelling suggests that NOV is likely to improve its cash position; there is a risk that should the company identify an additional high growth market it wishes to address, it might seek additional capital from the financial markets. We consider it unlikely that the company would seek to dilute existing shareholders in order to acquire additional businesses, and any acquisition is likely to instead be assessed by management as highly accretive over the long term.

The level of the company's share price is likely to also influence the approach management takes to growing the company. When the company trades on high revenue multiples, and capital is cheap, this incentivises management to aggressively chase further growth, potentially raising capital to fund investments to achieve this growth. Lower revenue multiples provide less incentive to aggressively chase sales growth. As a payments company, a large proportion of expenses are largely fixed, so greater revenue growth translates rapidly into improving operational leverage.

Company Description

Novatti is a leading digital banking and payments fintech. It provides services that enable financial transactions to take place digitally, on any device, anywhere. It does this by leveraging its 'ecosystem', which includes technology and platforms, extensive regulatory licences, and global commercial partnership. This ecosystem is hard (expensive and time consuming) to replicate and creates a "moat" to new entrants, with other organisations having such an ecosystem typically much larger than Novatti.

Its services capture the entire payments value chain. This includes issuing, such as prepaid Visa cards, acquiring, enabling merchants to accept payment from financial institutions, and processing, including cross-border transfers and automated invoicing.

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 is a 91% owner of International Bank of Australia Pty Ltd which has a Restricted ADI licence. It is also in the process of applying for an EMoney Issuing (EMI) licence in Europe.

Methodology & Disclosures

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