

ASX Announcement

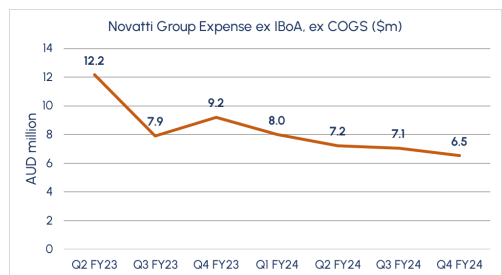
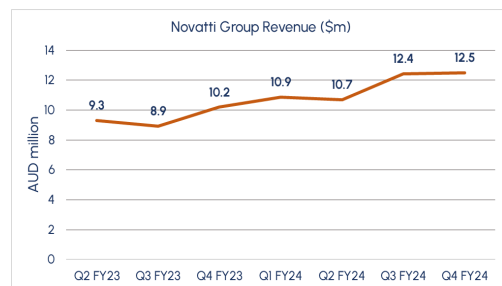
31 July 2024

June Quarter FY24 Activities Report and Appendix 4C¹

FY24 turnaround measures add up as cash use falls 41% QoQ

Highlights

- \$2.5m quarterly net operating cash outflow, 41% QoQ improvement (\$4.3m) and 38% YoY improvement (\$4.1m)
- \$12.5m quarterly revenue - slightly ahead QoQ and up 23% YoY
- 19% increase in FY24 revenue YoY to \$46.5m
- 21% decrease in FY24 operating expenses YoY (ex IBOA)
- IBOA interest sold for \$2.87m in Q1 FY25
- A further \$3m in annualised costs to be removed in Q1 FY25



Novatti Group Limited (ASX: NOV) (Novatti or the Company), a leading fintech enabling businesses to pay and be paid, is pleased to provide an update on its June quarter performance (Q4 FY24).

Commenting on the results, Novatti CEO, Mark Healy, said:

“Since the start of FY24, we have pursued multiple initiatives to execute the new strategy and simplify the business, introduce a market led, customer focus, and ultimately lift financial performance. Across the past four quarters, this included many individual initiatives, introducing a new leadership team, streamlining Novatti’s business portfolio, undertaking a strategic review of all business areas for optimisation and divestment, implementing a \$4m+ annualised cost reduction program, streamlining access to multiple products, and repositioning Novatti to leverage its strengths for high-margin revenue opportunities.

“With Novatti’s Q4 FY24 results, we are starting to see the real, cumulative impact of all these initiatives and the broader turnaround that’s underway. For example, quarterly operating expenses (excluding IBOA) are down 29% YoY and have been reduced every quarter throughout the year. This had a substantial, positive impact on Q4 cash consumption, with a \$1.8m net operating cash

¹ All figures throughout this document related to the June quarter and FY24 remain unaudited unless stated otherwise. References to expenses excludes cost of goods sold.

reduction in just one quarter. Annual operating expenses (excluding IBOA) were down 21% in FY24 compared with FY23.

“On the other side of the ledger, we are still growing the business, with Q4 revenue of \$12.5m slightly in-front of the record quarter in Q3, while increasing 23% YoY. Overall, FY24 revenue increased 19% on FY23 to \$46.5m. Importantly, Payments AU/NZ, the core growth focus in the business, saw annual revenue grow 33% YoY and gross margin also increased to 45% (FY23: 37%) as we move towards our three year 70% target.

“We are continuing to take advantage of further growth opportunities, having already announced \$1.5m in commercial wins in April and separately announcing a pipeline of 500+ new merchants to be on-boarded by the end of H1 FY25.

“While important progress has been made, much more is coming. We will continue our focus on portfolio optimisation, margin growth, improving efficiencies and reducing expenses with a further \$3m in annualised costs to be removed in Q1 FY25 as we remain committed to achieving positive operating cashflow by the end of H1 FY25.”

Operations Update

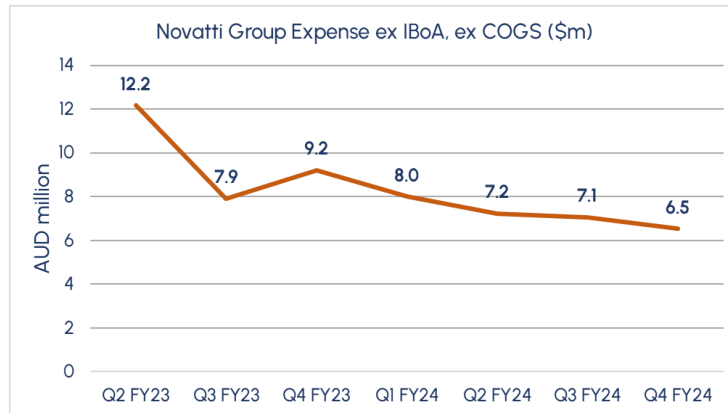
Business performance

Novatti is now one year into its transformation strategy, focused on streamlining the business, implementing a market led, customer focus, and ultimately lifting financial performance to achieve positive operating cashflow and 70% gross margins within three years.

A key focus across FY24 has been the considered, multi stage reduction of costs, alongside investment in Novatti’s marketing, data and automation. Novatti has streamlined its workforce, integrating further the functional teams within Payments AU/NZ, which was a key initiative as part of a broader \$4m annualised cost reduction program implemented in Q4 FY24.

The progressive results of this program contributed to Q4 FY24 expenses (excluding IBOA) of \$6.5m, which was a 29% YoY decrease and 7.6% drop on the prior quarter.

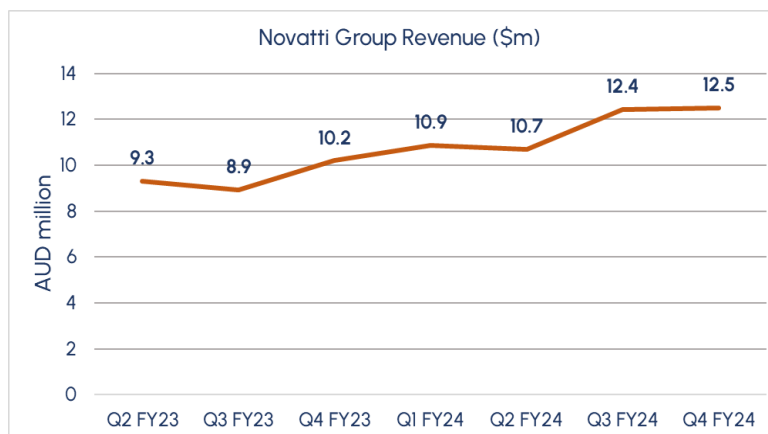
A further \$3 million in annualised costs have been identified to be removed from Novatti’s business in Q1 FY25.



With these expense reduction initiatives underway, the positive impacts are now starting to flow through to Novatti’s cash consumption, which fell to \$2.5m in Q4, also aided by increasing receipts. Importantly, this cash consumption includes \$0.78m of expenses for International Bank of Australia (IBOA), which was included as a consolidated entity for accounting purposes due to Novatti’s majority shareholding. Subsequent to the end of the quarter, Novatti sold its interest in IBOA. IBOA expenses will therefore not be included in Novatti’s net operating cash flows going forward, resulting in significant further savings.

More broadly, Novatti maintains its target of achieving positive operating cashflow by the end of H1 FY25. At the end of Q4 FY24, Novatti held \$8.4m in cash and cash equivalents.

Revenue of \$12.5m for Q4 FY24 highlighted Novatti’s ability to deliver cost reductions while continuing to deliver on the transition to a market led, customer focus. This result was up slightly on the prior quarter and represents a 23% increase YoY.



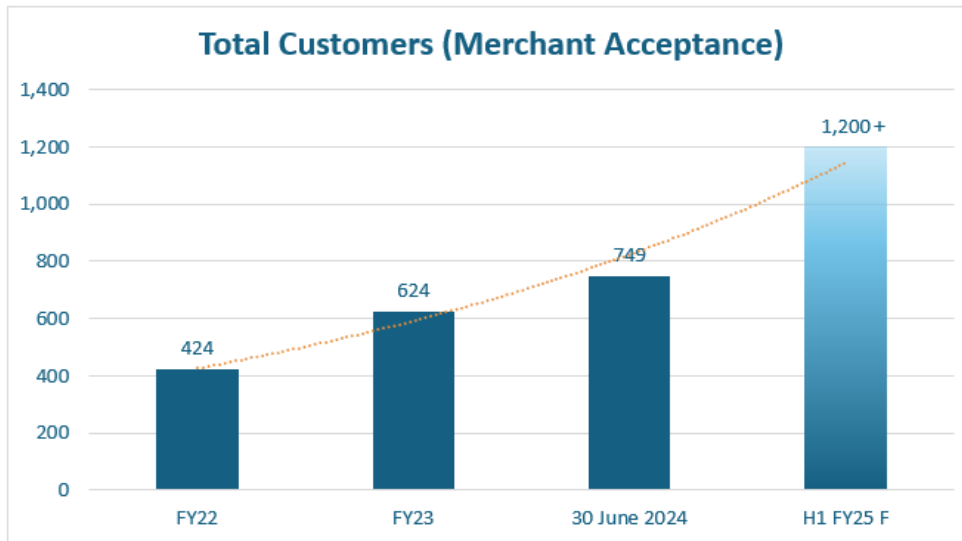
As a core part of the new strategy, Novatti is increasingly applying major changes to become market led within the core payments domain. Positive results from this approach were seen with several large commercial wins announced in key target markets, including:

- **BNPL:** Novatti’s long-term partnership with a major Buy Now Pay Later (BNPL) operator has been extended, with more than \$1b in transaction volume expected to be processed by the partner through Novatti in CY24, an annual increase of more than 25%.

- **Food Delivery:** Novatti has established a strong presence in Australia’s hospitality industry with the initiation of payment services for one of Australia’s largest food delivery platforms.
- **Accounting Services:** a leading NZ accounting services firm has launched a card issuing program, which leverages Novatti’s services. In the first month of this program, Novatti issued more than 3,000 cards for this firm.
- **ChinaPayments:** Will now launch in New Zealand, leveraging the success of its Australian business and supported by immediate customer demand in that market, including through an accommodation provider with over 100 venues across Australia and NZ.
- **Education:** Novatti’s Asian payment solutions have been integrated with a global education software business that services 33 universities across Australia and New Zealand
- **University Union:** the student union at a major university with approximately 36,000 international students is partnering with Novatti to market and promote a digital bill payment service, including for tuition payments. This service went live in July 2024 to enable payments for the July semester onwards.
- **Hospitality:** Novatti is now a payments partner for a rapidly growing hospitality QR code ordering platform and, as a result, is in the process of onboarding 300+ food and hospitality merchants
- **Wine distributor:** an international wine distributor based in Australia has engaged Novatti to integrate digital wallet payment services into their platform, which reaches 200+ retail locations nationally
- **Fitness chain:** an existing major fitness chain client has on-boarded 46 new merchant outlets since commencing their migration onto the Novatti acquiring platform in April 2024

These Payments AU/NZ commercial wins contributed to \$1.5 million of additional expected gross revenue, as well as a pipeline of 500+ merchants expected to be onboarded by the end of H1 FY25.

More broadly, Novatti continues to attract strong growth within its Payments AU/NZ business, particularly within merchant acceptance. As at the end of Q4 FY24, 749 merchants were using Novatti for their payments acceptance, a 15% increase since the start of FY24. This result is net of intentionally offboarded customers following a review of their financial performance and risk profile during FY24.



This review into the financial performance and risk profile of customers and services remains ongoing as part of the strategic review. For example, during Q4 Novatti ceased offering wholesale (as opposed to B2B) cross border payment services due to the high compliance costs and low overall profitability. While this specific customer segment contributed ~\$1.5m to annual revenue, it is not considered to contribute positively to Novatti’s long term financial targets, particularly positive cashflow and margins.

Novatti will still continue to provide cross-border support for B2B customers going forward, as this is considered an important differentiator being a complementary product for existing and new mid-sized customers, and still aligning with long-term financial targets.

Going forward, the continued streamlining and management of customer accounts is expected to increase margin for Payments AU/NZ, which annually is now 45% (FY23: 37%) as Novatti progresses towards its stated three year 70% target.

Investments and Business Portfolio Update

Subsequent to the end of the quarter, Novatti announced that it has executed a binding agreement to sell all of its interest in International Bank of Australia (IBOA) for \$2.87m. This follows the strategic review of IBOA finding it unlikely to contribute to Novatti’s long term financial goals. Notably, under the terms of IBOA’s current restricted authorised deposit-taking licence, IBOA is approaching a critical deadline, and is required to obtain an Authorised Deposit Taking Licence or to cease its banking business by 2 November 2024. APRA has stated that extensions of restricted licences will only be granted in exceptional circumstances. The Novatti board was not prepared to provide the additional capital required to underwrite IBOA’s financial independence and enable it to obtain a full licence. The sale completed on 30 July 2024.

This decision reinforces Novatti’s commitment to its long-term financial targets, particularly positive cashflow.

AUDD progressed its commercial strategy, accelerating the further reach of its stablecoin services through partnerships and integrations with new blockchains. In July 2024, AUDD completed a pre-seed funding round, which raised \$306k from industry investors at \$0.20 per share. The previous funding round completed in January 2024 was at \$0.12 per share. The increased price for the July round reflects continued investor interest in AUDD, the growth of the ecosystem, and increased use of AUDD stablecoin, which exceeded \$100 million for the 6 months ended 30 June 2024. At \$0.20 per share, AUDD completed the pre-seed funding round at a \$5.1M pre-money valuation. Novatti holds 20 million shares in AUDD but did not participate in the funding round and does not intend to increase its investment in the future.

In accordance with Listing Rule 4.7C, payments made to related parties and their associates are included in item 6.1 of the Appendix 4C, which incorporates directors' fees, salaries and superannuation.

Online Investor Briefing

Novatti CEO, Mark Healy, will be hosting a shareholder webcast, including quarterly results presentation and Q&A, on 31 July 2024, at 11.00am (AEST). Investors can register at: <https://novatti.com/investor-briefing>

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>

Investors can view all Novatti announcements at: <https://www.novatti.com/asx-announcements>

This announcement has been approved for release by Mark Healy, CEO and the Board.

For further information, contact:

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Novatti Group Limited

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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 start-ups to global organisations, our solutions will unlock your ambitions. Solutions include acquiring, billing, issuing, and processing.

Important Notices

Some of the statements appearing in this announcement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which Novatti operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. No forward looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors

and subject to various uncertainties and contingencies, many of which will be outside of Novatti's control. Novatti does not undertake any obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in this announcement. To the maximum extent permitted by law, none of Novatti, its directors, employees, advisors or agents, nor any other person, accepts any liability for any loss arising from the use of the information contained in this announcement. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this announcement reflect views held only as at the date of this announcement. This announcement is not an offer, invitation or recommendation to subscribe for, or purchase, securities by Novatti. Nor does this announcement constitute investment or financial product advice (nor tax, accounting or legal advice) and is not intended to be used for the basis of making an investment decision. Investors should obtain their own advice before making any investment decision. By reviewing or retaining this announcement, you acknowledge and represent that you have read, understood and accepted the terms of this important notice.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Novatti Group Ltd

ABN

98 606 556 183

Quarter ended ("current quarter")

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	28,553	96,942
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(24,291)	(80,488)
(c) advertising and marketing	(18)	(494)
(d) leased assets	-	-
(e) staff costs	(4,941)	(22,251)
(f) administration and corporate costs	(1,724)	(8,498)
1.3 Dividends received (see note 3)	-	563
1.4 Interest received	315	1,260
1.5 Interest and other costs of finance paid	(579)	(1,722)
1.6 Income taxes paid	(13)	(17)
1.7 Government grants and tax incentives	169	676
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,529)	(14,029)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(10)
(d) investments	-	-
(e) intellectual property	-	(218)
(f) other non-current assets	-	-

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	8,958
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	8,730

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	675	1,698
3.2 Proceeds from issue of convertible debt securities	-	3,500
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	600	2,100
3.6 Repayment of borrowings	-	(11,720)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(134)	(354)
3.10 Net cash from / (used in) financing activities	1,141	(4,776)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	9,457	18,215
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,529)	(14,029)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	8,730
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,141	(4,776)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	327	256
4.6	Cash and cash equivalents at end of period	8,396	8,396

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	8,396	9,457
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,396	9,457

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	880	880
7.2	Credit standby arrangements	-	-
7.3	Other (convertible notes)	3,488	3,488
7.4	Total financing facilities	4,368	4,368
7.5	Unused financing facilities available at quarter end		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>As at 30 June four related parties have provided unsecured loans of \$0.88m at 12% interest per annum on the principal amount, which will accrue from day to day.</p> <p>Novatti Group Limited issued a convertible note facility in the amount of \$3.50m. The first tranche of the convertible note facility was issued on 3rd January 2024 to the value of \$1.46m and the second tranche issued on 14th February 2024 to the value of \$2.04m and subsequently \$12k was converted to shares with current balance being \$3.488m.</p> <p>The Convertible Notes have a \$1.00 face value, a coupon of 10% per annum and a maturity date of 22 December 2026. They are convertible into Shares at a conversion price of the lower of \$0.06 and the next equity capital raising price, subject to a floor price of \$0.04. Current balance is \$3.488.</p> <p>See announcement on 2nd of January 2024 for further details.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,529)
8.2	Cash and cash equivalents at quarter end (item 4.6)	8,396
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	8,396
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.32
	<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2024

This announcement has been approved for release to the ASX by Executive Director, Peter Cook and CEO, Mark Healy.

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.