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Novatti Group Limited

(ASX:NOV)

Sept Quarter FY25 – Activities Update

30 October 2024

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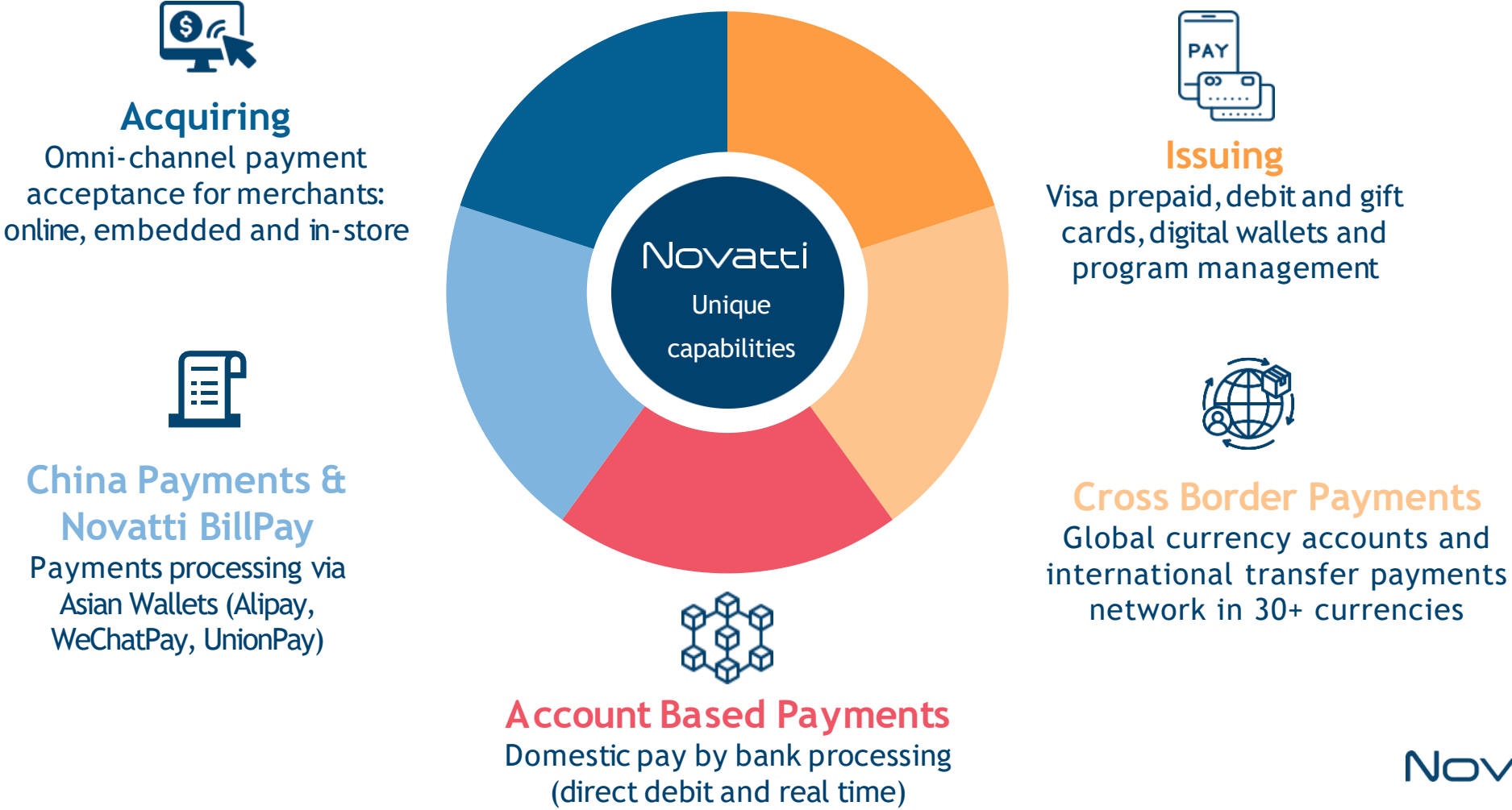
Our Purpose

*We enable businesses
to pay and be paid, from any
device, anywhere.*

Competitive advantage is Total Payment Solutions

A full payments stack and ability to offer E2E solutions for customers

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Our strategy

Transformation from a group of independent businesses into a focused Total Payment Solutions business. Underpinned by **positive cashflow** and **3 year 70%+ margin targets**.



**Simplify
the Business**



**Market Led,
Customer-Focus**

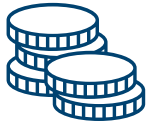


**Lift Financial
Performance**

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Transition underway to positive cashflow

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COST REDUCTIONS

- A further \$2.8m cost reduction to be implemented in Q2 FY25



STRATEGIC PARTNERSHIPS

- Provide volume and operating leverage over existing fixed cost base



ASSET SALES

- Identified non-core assets to be sold



CAPITAL MANAGEMENT

- Any surplus capital from asset sales creates potential surplus capital management options



POSITIVE CASHFLOW AND GROSS MARGIN EXPANSION

- January 2025 – target monthly positive operating cashflow¹
- H1 2025 - target positive operating cashflow for the half-year ending June 2025¹

(1) Operating cashflow as measured by cash EBITDA and excludes historic creditor liabilities.

Q1 FY25 – Initiatives implemented

Simplify the Business

- IBoA interest sold - \$2.87m
- Clearing historic liabilities
- Automation of key processes
- Enhanced insight through new data platform



Market Led, Customer Focus

- Commenced brand refresh & repositioning
- Traction in key verticals
- Deployment of China Payments in New Zealand
- Closer integration of product, marketing and sales functions and teams



Lift Financial Performance

- QoQ reduction in normalised net operating cash outflow to (\$1.8m) – a 48% YoY reduction
- Further \$2.8m in annualised cost savings to deploy in Q2
- No further IBoA/AUDD cash consumption
- Capital Raise to strengthen balance sheet

Q1 FY25 – turnaround impact continuing*

\$12.9m
Q1 FY25
Group Revenue
– New record

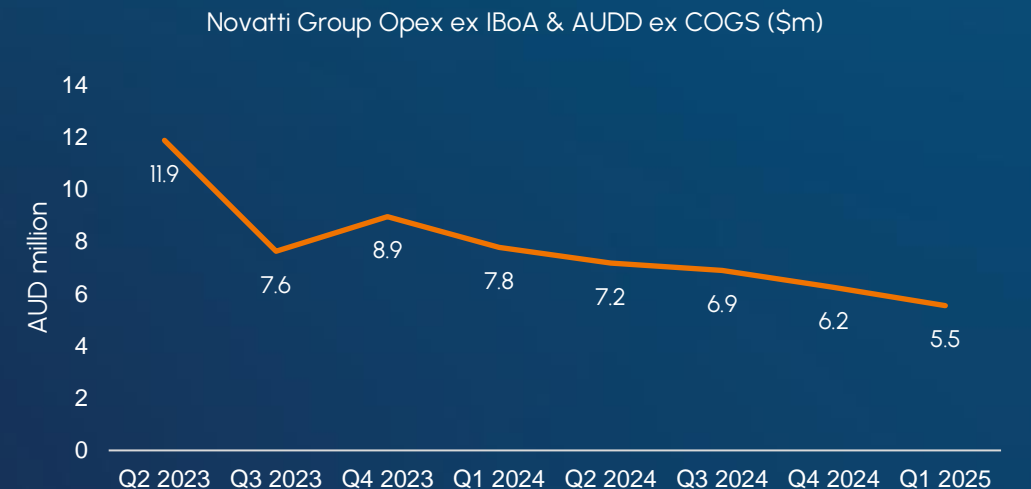
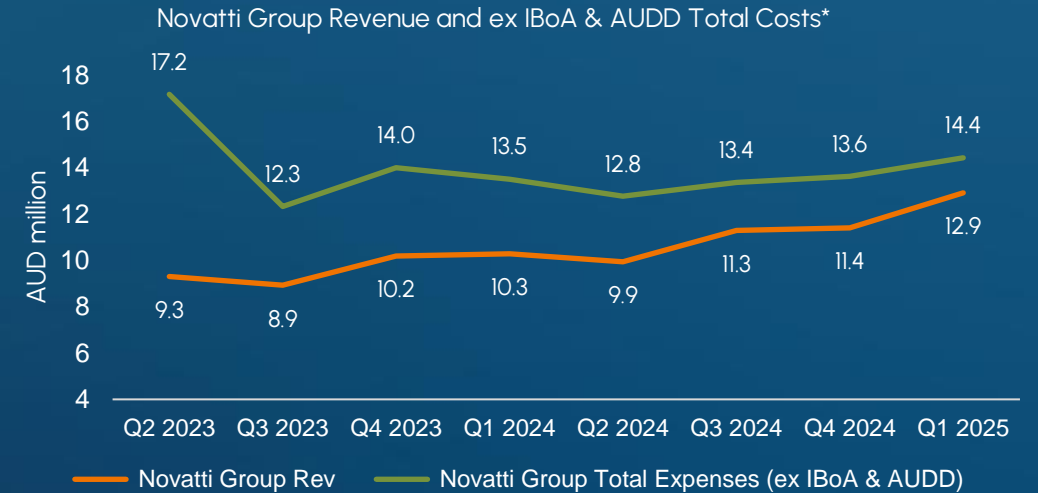
\$7m+
Annualised cost
reduction implemented

+26%
Increase in
quarterly revenue
YoY

-29%
Decrease in
quarterly expenses
YoY**

~\$4.6m
Cash at end
of Q1 FY25

~\$1.8m
Normalised net operating
cash outflow in
Q1 FY25



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*All figures throughout this presentation relating to FY25 remain unaudited unless stated otherwise. References to Opex excludes cost of goods sold.

** Excluding expenses associated with Investments: International Bank of Australia and AUDD Stablecoin

Q1 FY25 – cash use reducing

\$4.6m

Cash at end
of Q1 FY25

Up to \$9.4m

Capital raise in Q2
FY25*

	Sept 24 4C	Normalisation adjustment		Normalised Sept 24 4C
	\$'000	\$'000		\$'000
Receipts from customers	28,690			28,690
Product manufacturing and operating	(25,999)			(25,999)
Staff Costs	(4,534)	1,360	Historic PAYG and staff exit costs	(3,174)
Fixed Costs	(2,490)	749	Historic creditor payments	(1,741)
Other	430	0		430
Net Operating	(3,903)	2,109		(1,794)

Normalisation adjustments relate to abnormal non recurring costs and strengthening the balance sheet by reducing short term liabilities

Q1 FY25 – Focused on positive cashflow target

Further cost reduction

- Streamlining and automation enables further \$2.8m in annualised cost savings to come in Q2 FY25:
 - Consolidation of commercial functions/teams
 - Process automation
 - Streamlining of technology services
 - Reduction in office footprint/expense
- Further optimisation and divestment decisions expected following strategic review



Continued growth

- Targeting mid-sized merchants and integrated software partners
 - Internationals entering AU/NZ market
 - Seeking a partnership and want a high engagement, high trust relationship
 - Require a tailored payment solution
- Drive growth in mutual target verticals (e.g. education)
- Active account management – review against financial performance and risk profile

Growth opportunity ahead - Payments AU/NZ



Australian businesses believe they need to improve their payment systems



Medium and large businesses said payments are critical for their digital transformation



Businesses that invested in digital payments reported improved revenue or customer relationships

Opportunity plays to our strengths

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Payments AU/NZ

Issuing

Cross Border

Acquiring

Bill Payments

Key growth market



Payments International

Alternate Payments

ATX



Technology Solutions

Basis 2

Emersion

Enterprise Software



Investments

International Bank of Australia

AUDD

Divested in July

Self funding in FY25

Revenue
(Q1 FY25)

\$3.5m

\$7.7m

\$1.4m

Gross Margin (GM)
(Q1 FY25)

\$1.6m

\$1.0m

\$1.2m

The path forward

- Novatti brand refresh and repositioning in Q2 FY25
- Entry and penetration of target verticals and segments
- Further \$2.8m in annualised costs identified to be removed in Q2 FY25
- Payments AU/NZ supply chain restructure to improve gross margin – retain a 70%+ FY27 target
- Finalise previously announced capital raising
- Positive monthly operating cashflow target in Jan 2025
- Further optimisation and divestment decisions expected across portfolio



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