

ASX Announcement

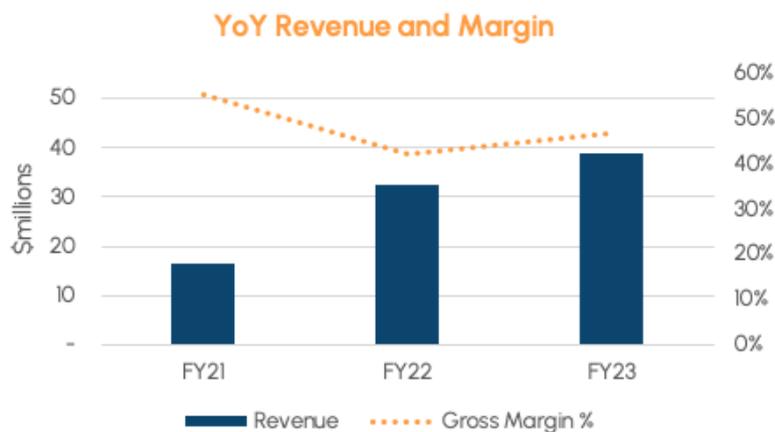
31 August 2023

Novatti FY23 Results Commentary¹

Annual growth maintained while drive for gross margins is underway

Highlights

- \$39m sales revenue, +20% YoY (FY22: \$32.6m)
- \$4.2b Gross Transaction Value, +46% YoY (FY22: \$2.9b)
- 47% gross margin, +5% YoY (FY22: 42%)
- CEO succession delivered
- New strategy commenced to streamline businesses and improve financial performance



FY 22 reduction in margin Year on Year was impacted by the acquisition of ATX

Novatti Group Limited (ASX:NOV) (Novatti or the Company), a leading fintech enabling businesses to pay and be paid, has released its Appendix 4E (Preliminary Final Report) for the year ended 30 June 2023. Audited financial statements are expected to be released before 30 September 2023.

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

"Novatti continued its long term growth journey in FY23, with annual sales revenue up 20% on the prior financial year. This was underpinned by substantial growth in underlying business activity, with Gross Transaction Value increasing 46% on FY22, to exceed \$4.2b."

"Operationally, we saw many significant milestones in Novatti's development. Many fintech platforms that we had been progressing over multiple years were delivered. In addition, we

¹ All figures throughout this document remain unaudited unless stated otherwise.

began to see substantial commercial traction in Novatti's newer businesses, particularly Acquiring, Issuing and Cross Border. The substantial growth and traction these businesses achieved highlights the strategic rationale for their development and the strong contribution we expect they will make to Novatti's overall performance in future."

"In Acquiring, we now have a fully integrated product offering for customers, covering online, offline and in-app payments. This includes coverage for scheme cards, digital wallets, including Asian wallets, account to account methods including traditional Direct Debit and the real time new payments platform (NPP), a Tap2Pay phone based softpos solution, as well as value added services, including a chargeback guarantee. Our ongoing innovation was recognised with a grant of \$2.3m from the Australian Government's Cooperative Research Centre for the development of novel anti-fraud and anti-money laundering techniques for new payment methods centred around digital currencies."

"In Issuing, we extended the product capability to include debit card and multi-currency card enablement to add to our existing prepaid and gift card capabilities. We also signed our first, dual region card program customer with solutions in planning and delivery across both the Australian and New Zealand markets. We also successfully provided support for the digital and physical VISA prepaid card solution delivered for the FIFA Women's World Cup."

"In Cross Border, we expanded our product capability into the New Zealand market. This provides New Zealand businesses with the capability to send, hold and convert funds globally by leveraging Novatti's Global Currency Accounts. We also established a partnership with a large Global Tier 1 Bank, which has improved our product capabilities and extended our global payment infrastructure to new markets, resulting in some of the largest global Remittance and Payment Service providers now using Novatti to move funds globally."

"We continue to see strong, macro-level growth in the demand for Novatti's services, as the shift to a cashless economy shows no signs of slowing down. In Australia alone, the latest Reserve Bank data highlighted how the share of in-person cash payments halved in the three years to 2022.² While this shift was no doubt initially triggered by COVID, we don't see it reversing going forward, as businesses and consumers enjoy the strong benefits of leveraging tech-based payments."

Financial Update and Investments

During the year Novatti successfully raised \$10.5m in long-term growth funding through a corporate bond issue. The core application of these funds has been to support the collateral requirements of industry partners and banks to facilitate Novatti's expansion.

Novatti's near 20% shareholding in Reckon Limited continued across FY23, with Novatti receiving \$13.5m in dividends across the year, with a further \$500k+ dividend expected in September 2023.

Overall, Novatti revenue grew by 20% to \$39m and recorded an increased loss of 7% in underlying EBITDA* of \$14.5m for FY23. A major part of this EBITDA position is driven by Novatti's continued investment in its core technology platforms with a view to long-term profit

² See: <https://www.rba.gov.au/publications/bulletin/2023/jun/cash-use-and-attitudes-in-australia.html>

uplift from automation and scale efficiencies. All expenses for platform development costs are expensed. Reducing costs across the Group has been a focus across the past 12 months, with a decrease in staff and drive for productivity resulting in the positive effect of an improvement in revenue per staff member as Novatti's business scales.

Leadership Transition

Novatti undertook a leadership succession from Peter Cook to Mark Healy in the CEO role with Healy commencing the role in June 2023. This was delivered without business disruption, and Cook's new role of strategic business development will make an ongoing positive contribution to Novatti's growth.

Commenting on the FY24 outlook, Novatti CEO, Mark Healy, said:

"We have now developed a clear portfolio view of the Group and initiated a strategy focussed on simplifying the business and driving continued improvements to gross margins on the way to achieving positive cashflow. We began to see the impact of this in Q4 FY23 as gross margins increased to 51% from 35% in Q4 FY22, highlighting our traction in this objective. We expect changes being made to our operations and processes will make it simpler for merchants and partners to engage multiple Novatti payment services, increasing opportunities for cross-selling and deeper customer engagement in FY24 and beyond."

**Underlying EBITDA is a non-IFRS measure calculated as profit before income tax, and before depreciation and amortisation, share based payments, net finance costs, due diligence costs, gain on embedded derivative and impairment of capitalised bank licensing costs and the banking business. The Company believes this non-IFRS and operational measure is useful in monitoring and understanding the Group's business and they should not be considered in isolation nor as a substitute for IFRS measures.*

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>

Investors can view all Novatti announcements and join the discussion at Novatti's Investor Community Hub at <https://announcements.novatti.com/>

For further information, contact:

Mark Healy
CEO
Novatti Group Limited
investorrelations@novatti.com

This announcement has been approved for release to the ASX by the Board of Directors.

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, processing and banking (via International Bank of Australia Pty Ltd (IBOA) under a Restricted Authorised Deposit-taking Institution licence).