# Novatti

**ASX Announcement** 

31 August 2022

# 97% increase in annual revenue with shift to positive cashflow underway

# Highlights

- \$32.5m annual sales revenue up 97%
- Five year average annual revenue growth 76%
- Annual processing revenue up 150% on FY21
- \$23m+ in new cash expected shortly adding to end of FY22 balance of \$6.1m<sup>1</sup>
- Shift to positive cashflow underway as cash used falls 48% in June quarter
- \$16.6m loss before income tax after substantial investment in new business lines
- Strong delivery against FY22 growth strategy
- ATX acquired and successfully integrated
- Visa and Mastercard acquiring licences delivered
- Reckon partnership generating revenue
- Remain confident of progress in delivering restricted bank licence





**Novatti Group Limited (ASX:NOV)** (**Novatti** or **Company**), a leading fintech enabling businesses to pay and be paid, is pleased to release its FY22 annual results.

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

"FY22 was another year of remarkable growth and development for Novatti. At the start of the year, we laid out our growth strategy that would be underpinned by a \$40m+ capital raising. This strategy focused on delivering top-line revenue growth through new and expanded markets, pursuing acquisition opportunities, and leveraging Novatti's strategic stake in Reckon Limited."

<sup>&</sup>lt;sup>1</sup> Based on publicly announced dividends expected from Reckon Limited and gross proceeds of corporate bond issue announced after completion of FY22. The final amount may be lower or higher, and will be dependent upon a number of factors including the level of debt paid down by Reckon, cash retained and tax.



"Across the year we remained focused on delivering against this strategy. In new and expanded markets, we obtained new principal acquiring licences from both Visa and Mastercard, increasing our ability to bring through larger business opportunities and margins for our acquiring business. In acquisitions, we successfully acquired and integrated ATX, a leading South East Asian fintech that also provides Novatti with an operating platform in a key growth region. And after securing a substantial strategic stake in leading accounting software provider, Reckon Limited, we were able to successfully develop a strong business relationship with them, seeing our payments solutions integrated into their products, with this integration now generating revenue."

"These achievements all made a substantial contribution towards delivering our overarching goal of top-line revenue growth. For FY22, Novatti's business near doubled, with sales revenue of \$32.5m, an increase of 97% on FY21. In particular, our processing business continues to provide the backbone of Novatti's growth, with sales revenue here increasing 150% on FY21."

"We remain particularly proud of our ability to deliver consistent, long term growth, with our five year average annual revenue growth rate now standing at 76%."

"After several years of investment and development, FY22 saw our focus shift to seeking increased leverage and returns from our leading global, B2B payments ecosystem. This also resulted in a shift in focus towards delivering positive cashflow. Substantial progress has already been made here as cash used in the June quarter fell 48% and we expect Novatti's cash usage rate to continue to fall in the quarters ahead. Further, Novatti's FY22 pre-tax loss of \$16.6m reflects substantial investment in our newer lines of business, including Acquiring, Issuing and Emersion. Here we again believe FY22 marks a turning point as we seek to deliver increased returns from these investments going forward."

"Novatti remains in a very strong position to capture future growth, with \$23m+ in new cash expected in the near term, without diluting shareholder equity, which adds to Novatti's end of year balance of \$6.1m.<sup>2</sup> Despite this strong cash position, future growth will be pursued in line with our focus on delivering increased returns from our established ecosystem. A good example here is our new stablecoin, AUDD. We believe there is enormous growth opportunities in the use of stablecoins as a payment solution going forward, which is why we want our own product in market. However, to get this new product to market we will leverage the resources of our key project partners, enabling Novatti to avoid committing substantial upfront capital."

"We continue to see strong demand for Novatti's services globally, as the macro-level shift to digital payments shows no sign of easing. We remain confident that this strong global demand will continue to support Novatti's growth going forward."

"In FY23, we will seek to maintain our track record of delivering strong, long term growth, while shifting our focus towards delivering positive cashflow."

<sup>&</sup>lt;sup>2</sup> Based on publicly announced dividend guidance from Reckon Limited and gross proceeds of corporate bond issue. The final amount may be lower or higher, and will be dependent upon a number of factors including the level of debt paid down by Reckon, cash retained and tax.



## FY23 outlook

#### Macro-conditions

Despite increased volatility in global markets in recent months, Novatti continues to see strong, global demand for its services. This demand is backed by the macro-level push to digital payments, which was accelerated by COVID-19 and shows no sign of easing.

For example, according to the World Bank, in 2017, 44% of adults in developing countries were using digital payments. By 2021, this rate had increased to 57%.<sup>3</sup> Likewise, 100m adults in China and 80m in India made their first digital merchant payment after the start of the pandemic.

Novatti's view is that people will not return to non-digital means of payment that were prevalent pre-COVID-19. As a result, the strong global demand currently seen for Novatti's services is expected to continue going forward.

## Increasing returns from global ecosystem

After several years of investment and development, Novatti's global payments ecosystem is now established. Novatti's focus will now turn to driving increasing returns from this investment.

In particular, it is expected that Novatti's absolute focus on building scalable businesses will increasingly deliver results going forward. The benefit of this approach has been highlighted by the performance of Novatti's processing business in FY22, increasing its revenue by 150% on FY21.

In FY23, this will be a key focus for Novatti's Acquiring business, which has the potential to achieve similar levels of rapid scale. This business will continue to benefit from the strong collaboration and working partnership between Novatti and Reckon Limited in particular, following the integration of Novatti's payment solutions into Reckon's products.

A further key focus of FY23 will be seeking to finalise a number of licence applications made over recent years. Novatti's top priority remains securing a restricted banking licence within Australia, for which it continues to work proactively with Australia's banking regulator for the final approvals and remains confident in progress on this front.

Equally, Novatti will continue to progress its application for an EMoney Issuing (EMI) licence in Europe, as well as its Major Payment Institution Licence in Singapore, which would greatly enhance Novatti's service offering in both markets, and which would capitalise on past years' investment.

<sup>&</sup>lt;sup>3</sup> See: https://www.worldbank.org/en/news/press-release/2022/06/29/covid-19-drives-global-surge-in-use-of-digital-payments



#### Positive cashflow

In FY22, Novatti shifted its focus to delivering positive cashflow, which continues to be a core aim. Substantial progress has already been made here, with cash used in the June quarter falling 48% on the prior quarter. Novatti expects this cash usage rate to continue to fall in the quarters ahead.

### **Ends**

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

For further information, contact:

Peter Cook
Managing Director
Novatti Group Limited
peter.cook@novatti.com

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.