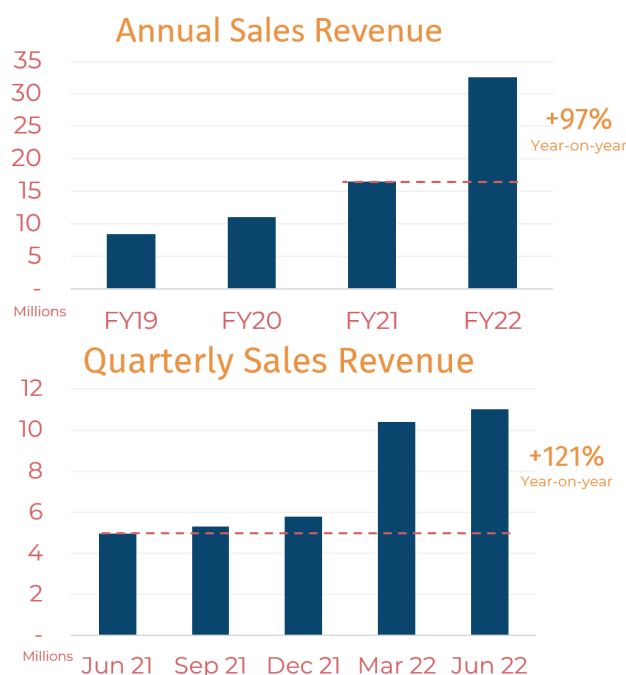


FY22 revenue exceeds \$32m as Q4 cash use falls 48%

Highlights

- **\$11m quarterly sales revenue – highest ever**
- **\$32.5m annual sales revenue – up 97%**
- **Five year average annual revenue growth - 76%**
- **Quarterly processing revenue exceeds \$10m for first time – up 157% YoY**
- **Quarterly cash use falls 48% with shift to positive cashflow underway**
- **\$8m+ in new cash expected in near term to add to balance of \$6.1m²**
- **Integration into Reckon Limited products generating revenue**
- **Continuing to work with APRA for final banking licence approvals**



Novatti Group Limited (ASX:NOV) (Novatti or Company), a leading fintech enabling businesses to pay and be paid, is pleased to provide an update on its June FY22 quarter performance.

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

“The June quarter saw the completion of another incredibly successful financial year for Novatti. The first three quarters of the financial year had resulted in record revenue results. I’m pleased to report that this strong performance continued in the June quarter, with yet another record result of more than \$11m in sales revenue, representing a year-on-year increase of 121%.”

“As a result, Novatti again recorded its strongest ever annual sales revenue, at \$32.5m, an increase of more than 97% on FY21. Novatti has now grown its annual sales revenue by an average of 76% across the past five years. We remain incredibly proud of our ability to deliver such strong long term growth.”

¹ All figures throughout this document related to the June quarter and FY22 remain unaudited unless stated otherwise.

² Based on special dividend expected from Reckon Limited. The \$8m+ figure is an approximation based on public information available as at the date of release of this announcement. 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.

"In particular, our processing business continues to support this strong growth, with June quarter sales revenue of more than \$10m, another standalone record and an increase of more than 157% year-on-year."

"It is worth reflecting on this strong performance in the context of the significant volatility seen in global markets over recent months. Despite this volatility, Novatti has continued to produce record results, while the longer term, macro-level shift to digital payments that supports Novatti's growth, shows no sign of easing."

"After several years of development and investment, Novatti's global, B2B payments ecosystem is now well-established and we are focused on delivering increasing returns from this investment. Notably, we have already shifted our focus to delivering positive cashflow, with substantial progress already being made in the June quarter as cash use fell 48%."

"We expect Novatti's cash usage rate to continue to fall in the quarters ahead. In addition, we expect to receive \$8m+ in new cash in the near term with a special dividend from our interest in Reckon, which will further strengthen our end of quarter cash balance of \$6.1m."³

"Despite already bringing down our cash use significantly, we still remain committed to executing on our long term strategy and positioning Novatti to capture new growth markets. 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 wanted our own product in market. But importantly, we are launching this new product without committing substantial upfront capital by leveraging the resources of our key project partners. This approach enables Novatti to continue to pursue enormous growth opportunities without substantially impacting available cash."

"We remain very pleased with the progress being made in our strategic relationship with leading accounting software provider, Reckon Limited. Our shareholding in Reckon has produced more than \$1.1m in dividends since our investment a year ago, with a special dividend still on the way, which is expected to be more than \$8m. Further, the integration of Novatti's payment solutions into Reckon's products is now generating revenue, as we seek to add value to Reckon's 114k cloud-based users."

"FY22 has been a remarkable year of growth and development for Novatti, and I remain incredibly proud of all the achievements of our team. Across the year, we remained focused on delivering against our growth strategy, including new and expanded markets, acquisitions, and extending the value from our strategic investment in Reckon."

"While we maintain our focus on achieving positive cashflow, we remain confident that the global push to digital payments will continue to support Novatti's growth in the quarters ahead."

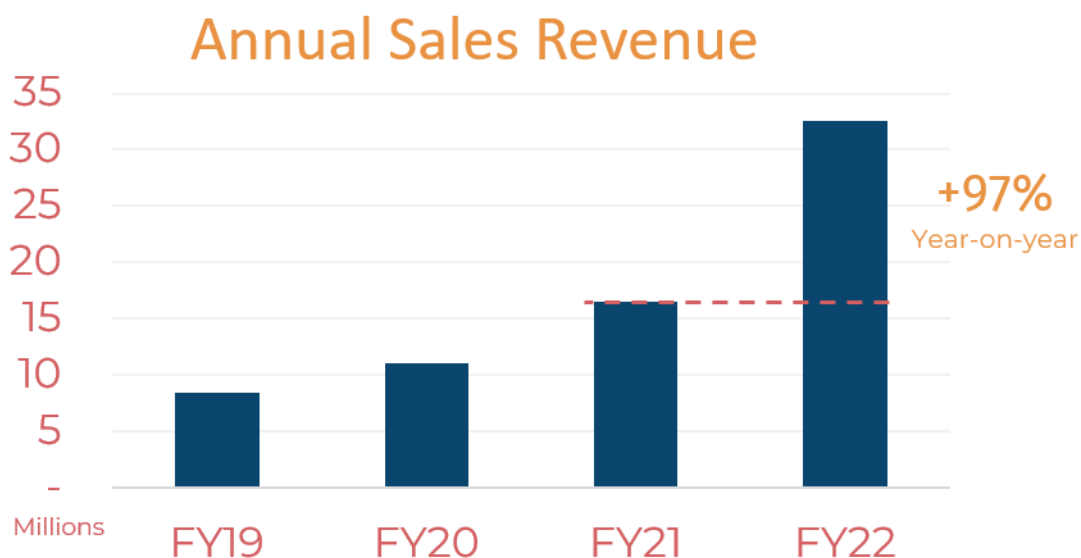
³ The \$8m+ figure is an approximation based on public information available as at the date of release of this announcement. The final amount may be lower or higher, and will be dependent upon a number of factors including the level of debt paid down by Reckon, cash retained and tax.

Financial performance

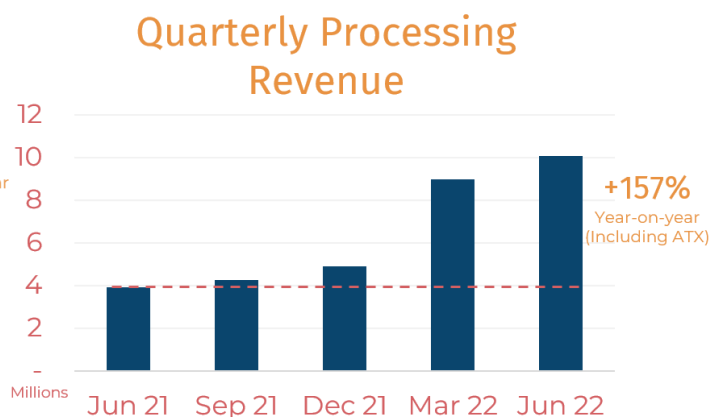
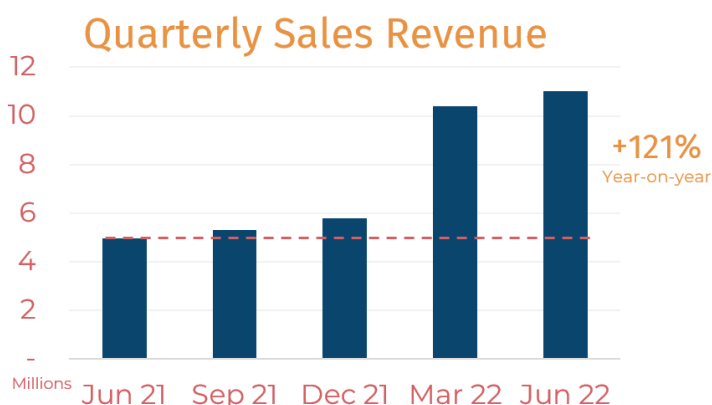
Revenue

The June FY22 quarter saw Novatti deliver more than \$11m in sales revenue, its strongest ever quarter. This marked four consecutive quarters of record revenue across FY22, resulting in annual sales revenue of \$32.5m, an increase of 97% on the previous financial year.

As a result, Novatti's sales revenue has now grown by an average of 76% annually across the past five financial years.



Following the completed acquisition of ATX, Novatti's payment processing business grew 157% year-on-year to deliver quarterly sales revenue of more than \$10m.



Cash flow

In the June quarter, Novatti's cash use in operations fell 48% on the prior quarter, to \$2.3m. Cash receipts from customers increased 31% on the previous quarter to \$21m. This contributed to an increase in quarterly product manufacturing and operating costs to \$14.5m, while staff costs decreased slightly.

As flagged in its March quarter update, Novatti has already shifted its focus to delivering positive cashflow and the June quarter results highlight the significant progress already achieved. This cash usage rate is expected to continue to fall in the quarters ahead.

In addition, in the near term Novatti expects to receive in excess of \$8m+ in new cash, which will add to its end of June quarter cash balance of \$6.1m (\$8.36m at 31 March 2022). This follows the announcement by Reckon Limited of a special dividend for shareholders, which is discussed in further detail below.⁴

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.

Fundraising

Novatti previously advised that it is considering leveraging its assets as collateral should future fundraising be required. If and when a material transaction is agreed, Novatti will promptly advise the market in accordance with its continuous disclosure obligations.

Activities update

The June quarter brings to a close a financial year in which Novatti achieved four straight quarters of record sales revenue. In doing so, Novatti continues to carry the strong momentum developed from its previous years of investment and development.

A number of Novatti's key activities undertaken or completed during the June quarter are discussed below.

ATX highlights successful M&A strategy

ATX continues to perform soundly since its acquisition was successfully completed in the March quarter. Importantly, this acquisition has immediately created an established base for Novatti to operate within South East Asia. This has already resulted in opportunities to explore further leveraging of existing partnerships in that region.

⁴ The \$8m+ figure is an approximation based on public information available as at the date of release of this announcement. 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.

Reckon Limited partnership strengthened

Since its strategic investment in Reckon one year ago, Novatti has received more than \$1.1m in dividends from its shareholding. As announced during the June quarter, Novatti now expects to receive an additional \$8m+ special dividend following Reckon announcing the sale of its Accountants Practice Management Group to the Access Group for \$100m.⁵

Importantly, the partnership between Novatti and Reckon to provide payment solutions to Reckon's 114k cloud-based users is not impacted by this sale. In fact, this initiative is now operating and generating revenue.

Going forward, Novatti will continue to work collaboratively with Reckon to identify further opportunities to add value to their customer base.

New and expanded markets

European expansion

Novatti continues to progress its application for an EMoney Issuing (EMI) licence in Europe. This licence will further strengthen the service offering of Novatti's existing European business, which has continued to grow over recent quarters, as well as deepening the strategic value of Novatti's global payments ecosystem.

Launching new stablecoin

Novatti believes that digital assets, such as stablecoins, present an enormous growth opportunity for the payments sector going forward, as they leverage digital technologies to provide a more efficient and cost effective means of payment.

During the June quarter, Novatti's strategy took a leap forward by announcing the development of its own stablecoin, to be called AUDD.

AUDD provides a digital representation of the Australian Dollar (AUD), and is secured with a 1:1 backing of AUD fiat value. AUDD will be available on multiple, leading blockchain networks. By leveraging this technology, it will create a secure, and permanent, digital record of all transactions and account balances, which maintains the integrity of each transaction and provides a strong framework to maintain Novatti's absolute focus on compliance.

AUDD will be integrated into Novatti's existing suite of payment solutions, providing clients with a new and innovative way to pay and be paid through potentially faster and lower cost domestic, cross-border and billing payments, as well as stablecoin-linked payment cards, while also creating new potential revenue streams for Novatti, subject to product demand.

⁵ The \$8m+ figure is an approximation based on public information available as at the date of release of this announcement. 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.



Importantly, Novatti is launching this new product without committing substantial upfront capital by leveraging the resources of its key project partners, including global blockchain leaders, Ripple and Stellar.

Proposed new banking business

Novatti continues to work proactively with Australia's banking regulator for the final approvals of its restricted banking licence. Novatti management remain confident in their progress on this front.

Novatti was pleased to see recent progress in issuing new restricted banking licences, with the Regulator announcing that the IBA Group Pty Ltd had been granted a restricted banking licence after the completion of the June quarter.

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>

Novatti Managing Director, Peter Cook, will be hosting a shareholder webcast, including quarterly results presentation and Q&A, on **Friday, 29 July 2022, at 12.00pm (AEST)**. Investors can register at: <https://novatti.com/investor-briefing/>

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.

Appendix 4C

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

Name of entity

Novatti Group Limited

ABN

98 606 556 183

Quarter ended ("current quarter")

30 June 2022

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	21,035	62,097
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(14,483)	(43,697)
(c) advertising and marketing	(148)	(665)
(d) leased assets	(60)	(247)
(e) staff costs	(6,378)	(22,749)
(f) administration and corporate costs	(2,002)	(8,701)
1.3 Dividends received (see note 3)	-	1,125
1.4 Interest received	13	38
1.5 Interest and other costs of finance paid	(254)	(723)
1.6 Income taxes (paid)/refund	(1)	(14)
1.7 Government grants and tax incentives	-	256
1.8 Other – Working Capital	-	-
1.9 Net cash from / (used in) operating activities	(2,278)	(13,280)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	(3,149)
(c) property, plant and equipment	(5)	(147)
(d) investments	-	(22,517)
(e) intellectual property	(150)	(326)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets (acquisition of BC Investment Group Holdings Ltd 19.9% share of Novatti B Holding Company Pty Ltd)	-	(2,000)
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(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:		
	(a) funding collateral for transactional business	(104)	(1,508)
	(b) cash acquired on acquisition of subsidiary	-	1,051
2.6	Net cash from / (used in) investing activities	(259)	(28,596)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	40,249
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	1,619
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(2,221)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(39)	(804)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(39)	38,843

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,359	8,798
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,278)	(13,280)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(259)	(28,596)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(39)	38,843
4.5	Effect of movement in exchange rates on cash held	276	294
4.6	Cash and cash equivalents at end of period	6,059	6,059

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	6,059	8,359
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)	6,059	8,359

6. Payments to related parties of the entity and their associates

- 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

Current quarter \$A'000
(69)
-

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

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify) – Convertible Note	40	40
7.4 Total financing facilities	40	40

7.5 **Unused financing facilities available at quarter end** -

7.6 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.

Finance facilities including Convertible Notes

On 8 November 2019, it was announced that a convertible note facility of \$1.1m into Novatti's dedicated banking subsidiary, Novatti B Holding Company Pty Ltd (NBH) for the provision of its working capital by Australian Fintech Investment Group Pty Ltd (AFIG) had been executed. \$1.1m was raised from the issue of one converting note.

On the 9th April 2021 Novatti announced the buy back of the outstanding converting note from AFIG. The buy-back was conducted via an assignment of the converting note from AFIG to the Company, effective immediately, for the \$1.1 million face value of the note. No interest is payable except in the case of payment default. During FY22, a total of \$640k was paid down on the note leaving a balance of \$40k as at 30 June 2022 repayable to AFIG.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,278)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	6,059
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	6,059
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.66

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

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?

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?

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

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: 29 July 2022



Authorised by: The Disclosure Committee

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.