



ASX ANNOUNCEMENT

21 April 2020

March 2020 Quarter Update

Highlights

- Secured strategic investment from partner bank, Central Bank of Kansas City (**CBKC**)
- Commenced sponsorship of payments accelerator, Falls Fintech, backed by CBKC, which via its Central Payments division, is the fastest growing prepaid card issuer in the US
- Falls Fintech provides a pipeline of potential high growth fintech customers for Change in partnership with CBKC
- COVID-19 and cost reductions measures
- Launch of Entitlement Offer to raise up to A\$5.14 million

21 April 2020: Change Financial Limited (ASX: CCA) ("**Change**" or "**the Company**"), is pleased to provide the following business update for the quarter ending March 2020.

Strategic Investment by CBKC

As announced on 1 April 2020, the Company and Central Bank of Kansas City (**CBKC**), via its affiliate CPx Holdings, L.L.C., entered into a Subscription Agreement whereby CBKC has agreed to make an initial investment of A\$0.4 million⁽¹⁾ (US\$0.25 million) in Change. In addition, CBKC and the Company have also signed a non-binding term sheet where CBKC can make further investments in the Company of up to approximately A\$4.6 million⁽¹⁾ (US\$2.75 million). CBKC's investments are subject to certain conditions as set out in the ASX announcement dated 1 April 2020.

CBKC, through its Central Payments division, is the fastest-growing issuer of prepaid cards in America since 2015⁽²⁾. CBKC and Change have partnered to offer innovative payment products to the U.S. market since 2015 and were named "Best Mobile App" and the "Consumer Champion" by PayBefore in 2017.

The Company has also launched an Entitlement Offer to raise up to A\$5.14 million. Eligible Shareholders are able to download their Application Form and a copy of the Offer Booklet by going to www.changefinancial.com and clicking on "Entitlement Offer – Apply Here".

¹ Dollar amounts based on an AUD to USD exchange rate of 0.60

² Source: The Nilson Report Annual Survey of Prepaid Card Issuers, 2015 - 2018

Falls Fintech

Change is also pleased to advise that it has become a partner and sponsor of the Falls Fintech Accelerator program, an initiative of the payments division of Change's sponsor bank CBKC, Central Payments. Change joins other partners and sponsors including industry leaders Mastercard, Discover and Ubiquity.

As an Advocate sponsor, Change will play an active role in the program, and as a result have direct access to emerging new payments businesses and fintechs. Falls Fintech is a versatile, product-focused program created to accelerate market availability of innovative financial products from promising early-stage fintechs. Sponsored by Central Payments, the fastest-growing prepaid and debit card issuer in the US, Falls Fintech provides a tailored 10-week curriculum that exposes fintechs to a bundling of subject matter experts and mentorship from a network of best-in-class payments partners.

Alastair Wilkie, CEO of Change commented, "following the recent strategic investment announcement by CBKC on 1 April 2020, we are pleased to further deepen our commercial relationship through our sponsorship of their fintech accelerator. Change, by providing a streamlined and developer friendly payments and issuing platform can provide tools to fintechs to reduce time to market compared to other legacy payment processors. Our Advocacy role with Falls Fintech allows us to mentor and work with each company as they progress to commercialise their businesses. This provides Change Financial with a business development opportunity to secure multiple high growth customers for our Platform."

During March, Central Payments announced their Spring 2020 cohort for Falls Fintech. This inaugural group of companies are developing innovative financial products that leverage new technologies to solve financial challenges, particularly those experienced by underserved consumers and small businesses. Falls Fintech will run cohorts of five companies, twice a year focused on helping enable the next generation of financial services companies in the US.

Falls Fintech Spring 2020 Cohort:

- **Build Financial** (New York): Empowering middle-class users by providing them with emergency savings, spending, and financial health tools, Build Financial's core financial products (high-yield savings, mobile banking, debt consolidation, long-term investing) utilise automation and learning tools to help customers take control of their money, and make saving it automatic, accelerated, affordable, and accessible. Learn more at <https://www.buildf.com/>.
- **Invest Sou Sou** (Washington D.C.): Inspired by African and Caribbean cultures of building wealth together, Sou Sou is a smart social banking app designed for customers to save, build credit and invest with people they trust. Create a stronger financial lifestyle, track saving progress, unlock rewards and build credit, together. Learn more at <https://investsousou.com/>.
- **Permiso** (California): Revolutionising banking for youth, Permisos's created an app, card, and life literacy curriculum that keeps its user actively engaged on a daily basis. Permiso combines socio-emotional life principles with practiced executive functioning and financial literacy skills, making it not only an app to check your bank balance, but also to learn about how to succeed in life and school.

- **Soon** (Utah): Simplifying finances by consolidating checking, saving, investing and goals into a person's existing cash flow. Soon's Smart Debit Card automatically invests when a customer makes a deposit, and divests the best performing asset when money is spent to increase purchasing power, deliver investment-level returns and help users accomplish important life goals. Learn more at <https://soon.app/>.
- **XpenseOne** (Washington): A digital expense management solution developed for small and medium-sized businesses to streamline processes related to expense reports, approval workflows and back office reconciliation. Learn more at <https://xpenseone.com/>. The XpenseOne solution is white labeled and offered by banks to their businesses, driving higher retention, revenue and customer acquisition. Businesses can manage expenses made with any payment method such as personal cards, bank issued cards or cash. Learn more at <https://xpenseone.com>

COVID-19

Change's team members reside both in Australia and the US. The Company has had a work from home policy for a number of years and the transition to full-time working from home in recent weeks has been a simple transition for the entire Change team.

Since the global outbreak of the COVID-19 pandemic, Change has followed and adopted hygiene, health and work practice advice from relevant state and federal health departments and agencies in Australia and the US.

To date COVID-19 has had little impact on the ability of Change's team to continue to operate the Company's business. The Board met last week and considered a range of operational risk management initiatives, which will continue to be monitored in this fluid and rapidly changing global environment. First and foremost, the safety of our people will continue to remain a priority.

With people in Australia and the US, the Board and Management team have literally been working around the clock to reduce the Company's cost base and look at ways to strengthen our business model to ensure we come out the other side a better and stronger business.

Accelerating Move to a Cashless Society

When the World Health Organization recommended in early March that people turn to contactless payments to fight the spread of COVID-19, a number of governments and retailers across the world took action⁽³⁾.

COVID-19 has been catalytic in the move towards a cashless society as fears that the virus may be spread through notes and coins has led to many businesses only accepting cashless payments. A move to a global cashless society was already well in progress given the widespread and increasing use of tap-and-go payment channels and digital transactions but due to the COVID-19 outbreak, this trend has accelerated with many vendors now refusing to accept cash payments.

As the first US Mastercard payment and card issuing platform completed in the last 5 years and second in the last 20 years, following US based fintech unicorn, Marqeta Inc., Change is in a strong position to continue capitalising on the world's move to cashless payments. The Change Platform was built from the ground up to address today's payment needs without the

³ <https://www.businessinsider.com/cash-could-spread-coronavirus-warns-world-health-organization-2020-3>

complexity and legacy of traditional issuer processors and forms a key part of the payments infrastructure for products and companies offering cashless payments.

Corporate Activity in the Payments and Card Issuing Space

The Company also notes the recent corporate activity in the payments and card issuing space. In early April, consumer financial services platform SoFi announced that it was acquiring payments and bank account infrastructure company Galileo for US\$1.2 billion in total cash and stock⁽⁴⁾. Link Change, Galileo provides APIs that allow fintech companies to easily create bank accounts and issue physical cards, among myriad other services.

Other non-banking fintechs are also making moves to add more traditional banking and payments to their product offerings with LendingClub recently completing the US\$185 million acquisition of digital bank, Radius Bank. Payments company Square is also in the process of securing a US bank license and Varo Money recently announced it gained approval from the Federal Deposit Insurance Corp. By branching into banking these fintechs will be able to offer existing and new customers an array of products and diversify revenue streams⁵.

Cash Flow

Cash at the end of the March 2020 quarter was US\$0.42 million. All financial figures in the following Appendix 4C are denominated in US dollars, unless stated otherwise.

In addition, the Company has announced the strategic investment from CBKC of up to A\$5 million and launched an Entitlement Offer to raise up to A\$5.14 million.

Eligible Shareholders under the Entitlement Offer are able to download their Application Form and a copy of the Offer Booklet by going to www.changefinancial.com and clicking on "Entitlement Offer – Apply Here".

Authorised for release by Ben Harrison, Director

⁴ <https://techcrunch.com/2020/04/07/another-major-fintech-exit-as-sofi-acquires-banking-and-payments-platform-galileo-for-1-2b/>

⁵ <https://www.forbes.com/sites/donnafuscaldo/2020/02/19/lendingclub-buys-radius-bank-marking-first-fintech-purchase/#1684289848e7>

For more information, please contact:

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Web: www.changefinancial.com

About Change Financial

Change Financial Limited (ASX: CCA) is a US-focused fintech company developing innovative and scalable payments technology to provide solutions for businesses and financial institutions. Change Financial is building a Mastercard registered enterprise payments and card processor. Change is the first Mastercard certified processor in the last 5 years and second in the last 20 years.

To learn more, please visit: www.changefinancial.com

About Central Payments and Central Bank of Kansas City

Central Payments operates as the payments division of Central Bank of Kansas City (**CBKC**) and is headquartered in Dell Rapids, South Dakota. The fastest growing prepaid card issuer since 2015⁶, Central Payments administers payment card and funds disbursement programs via retail, employer/payroll, and online outlets nationwide. CBKC is a 68-year-old family-owned bank located in the heart of Kansas City, Missouri and one of 135 financial institutions in the country certified by the U.S. Treasury as a Community Development Financial Institution. CBKC and Central Payments share the mission to provide high-quality financial products to consumers of modest means who historically have not enjoyed the benefits of affordable and accessible financial services. "Treat Each Customer's Balance as Though It's All They Have" guides our approach to product design, customer service, and affordability. Visit <https://www.central-payments.com/>, <https://www.fallsfintech.com/> or <https://www.centralbankkc.com/> for more information. Member FDIC.

⁶ Source: The Nilson Report, 2015 to 2018

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Change Financial Limited

ABN

34 150 762 351

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1	4
1.2 Payments for		
(a) staff costs	(365)	(1,083)
(b) consulting / outsourced services	(44)	(231)
(c) technology / hosting expenses	(151)	(371)
(d) compliance	(13)	(115)
(e) other	(15)	(483)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	17
1.5 Interest and other costs of finance paid	(6)	(19)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	14	14
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(574)	(2,267)

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) software	-	-
(b) payment for investment		
(c) physical non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments	-	200
(d) intellectual property		
(e) other non-current assets		
2.3 Sub lease payments received (exlc interest)	44	92
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	44	292

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	28
3.2 Proceeds from issue of converting notes	-	951
3.3 Proceeds from disposal of investment	-	
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings	86	86
3.6 Repayment of borrowings	-	-
3.7 Payment of lease liabilities (excl interest paid)	(22)	(101)
3.8 Dividends paid		
3.9 Other – Distribution Received	-	-
3.10 Net cash from / (used in) financing activities	64	964

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	923	1,465
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(574)	(2,267)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	44	292
4.4	Net cash from / (used in) financing activities (item 3.10 above)	64	964
4.5	Effect of movement in exchange rates on cash held	(34)	(31)
4.6	Cash and cash equivalents at end of quarter	423	423

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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	423	923
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)	423	923

6.	Payments to directors of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to these parties included in item 1.2	23
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Item 6.1 comprises payments to the Directors

7.	Payments to related entities of the entity and their associates	Current quarter \$US'000
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1	Loan facilities		
8.2	Credit standby arrangements		
8.3	Other (please specify)		
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9.	Estimated cash outflows for next quarter	\$US'000
9.1	Staff costs	(375)
9.2	Consultants / outsourced services	(50)
9.3	Web Hosting / data centre equipment	(160)
9.4	Compliance	(20)
9.5	General expenses	(70)
9.6	Total estimated cash outflows	(675)

The Company notes the capital raising announced on 1 April 2020 and that the Entitlement Offer Booklet announced on 3 April 2020.

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

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.



By Order of the Board
Adam Gallagher
Company Secretary
21 April 2020

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.