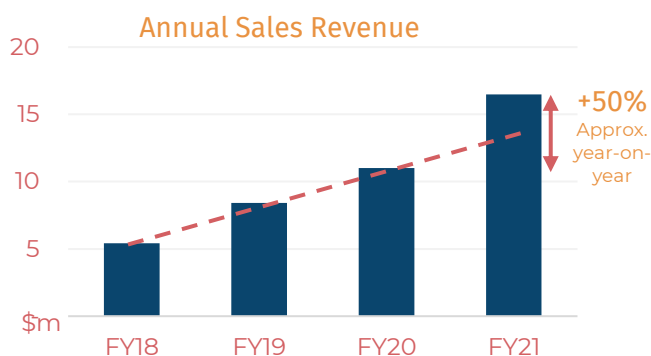
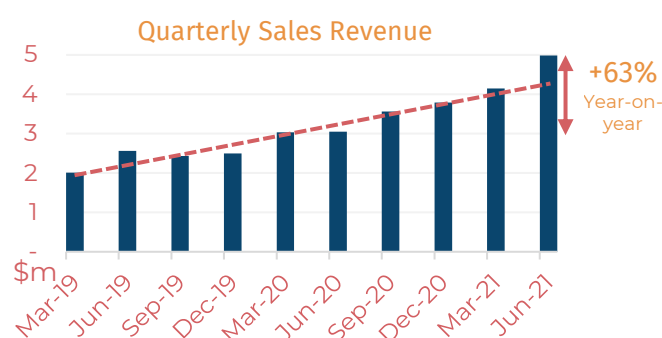


Annual sales revenue up nearly 50% after record June quarter

Highlights

- New record quarterly sales revenue of more than \$4.9m, up 63% year-on-year
- Payment processing business delivers 9th consecutive quarter of record sales revenue
- Record \$18.4m in total revenue – up more than 50% year-on-year
- Record \$16.4m in annual sales revenue – up around 50% year-on-year
- Annual sales revenue growing at an average of 45% across the past 3 years
- Cash balance at end of June quarter - \$8.8m
- \$40m capital raise with strong support from highly-regarded institutional investors undertaken early July
- Investment in ecosystem validated with Afterpay partnership in New Zealand
- Strategic stake in Reckon creates new opportunities to explore synergies and deliver growth
- Actively assessing a number of acquisition opportunities
- New banking business launch ready - aiming for regulatory approval by end Nov 2021
- Visa and Mastercard acquiring licences - aiming for end of Sept 2021



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 FY21 quarter performance.

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

“The June quarter highlights the ongoing strength in Novatti’s growth. Not only did Novatti achieve record quarterly sales revenue of more than \$4.9m, this result also saw Novatti deliver annual sales revenue of approximately \$16.5m, also a record and an increase of nearly 50% on the previous financial year.”

¹ All figures throughout this document related to FY21 and the June quarter remain unaudited unless stated otherwise. Audited figures will be provided in Novatti’s full year reports.

“Novatti has now grown its annual sales revenue by an average of 45% each year for the past three years, highlighting our ability to deliver consistent, long-term results.”

“Our core payment processing business continues to provide a platform for Novatti to achieve its broad-based growth, having now delivered nine straight quarters of record revenue.”

“After spending the past years developing Novatti’s ecosystem, the shift to monetising this ecosystem continues to accelerate. In the March quarter we saw this through new fintech players like Lifepay and LITT seeking to leverage this ecosystem. Fast-forward to the June quarter, and this leaped forward with leading fintech Afterpay choosing Novatti as its partner in New Zealand.”

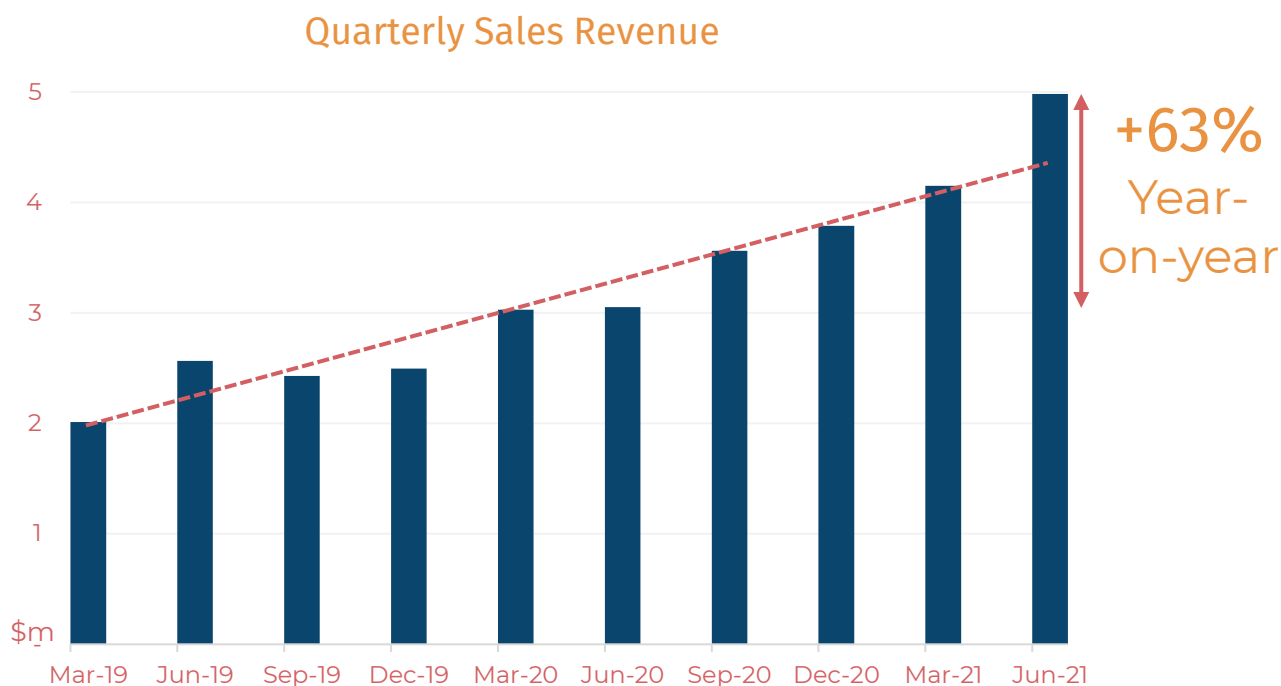
“This partnership with Afterpay highlighted that once regulatory approval to operate in a particular jurisdiction is obtained, Novatti is able to rapidly monetise this investment. This is a model that we believe we can replicate in other jurisdictions, unlocking new addressable markets.”

“The funds from our recent capital raising will assist in pursuing new markets as part of our expanded growth strategy. This capital raising is transformational as Novatti seeks to increase both its capabilities and ambitions to deliver further growth going forward.”

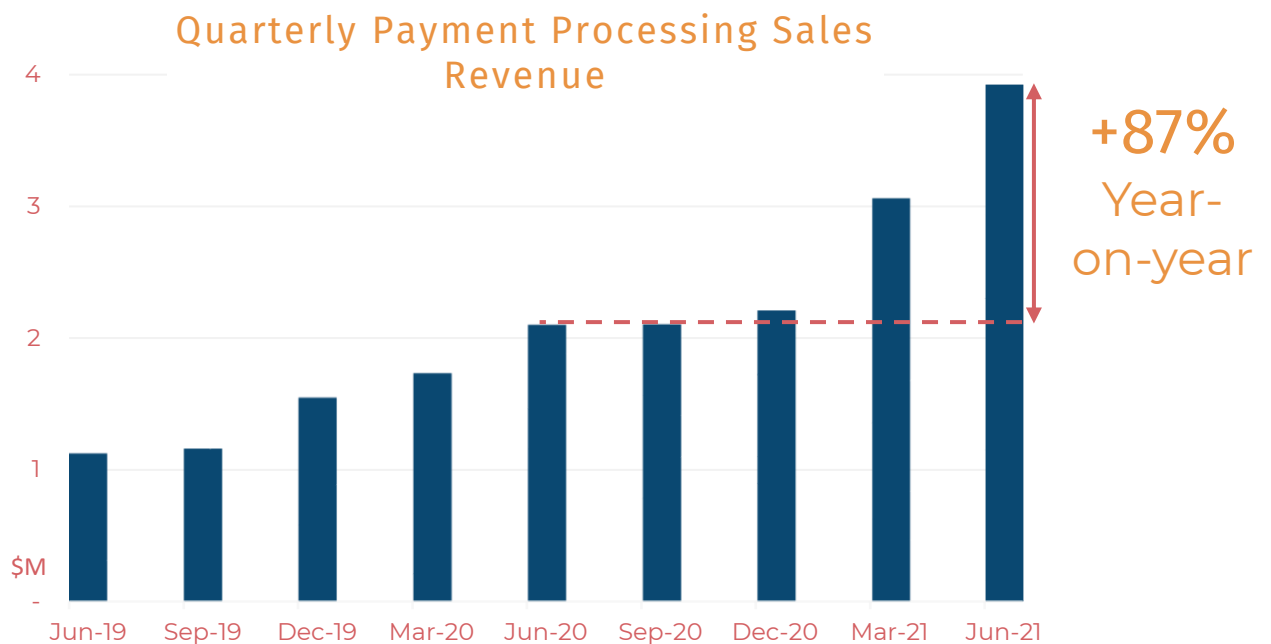
Financial performance

Revenue

The June FY21 quarter saw Novatti again achieve its highest-ever quarter of sales revenue, at \$4.9m. This represents growth of 63% year-on-year and 20% on the previous quarter.

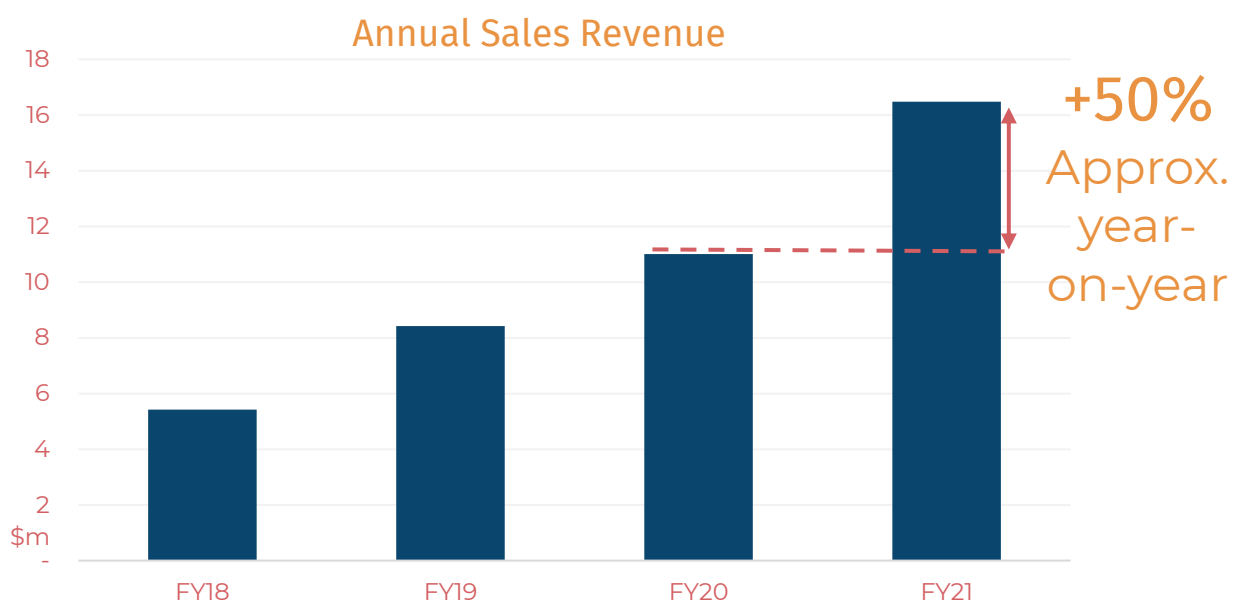


Novatti's core payment processing business delivered its 9th consecutive quarter of record sales revenue, at more than \$3.9m. This was a 28% increase on the previous quarter and 87% increase year-on-year.



With this result, Novatti has delivered total annual revenue of approximately \$18.4m including annual sales revenue of approximately \$16.5m, both records and both up nearly 50% on the previous financial year.

Across the last three financial years, Novatti has now grown sales revenue by an average of 45% each year.



Cash flow

Novatti ended the June FY21 quarter with cash of \$8.8m (\$6.2m at 31 March 2021), with net operating cash outflows for the period of \$1.1m, a \$0.8m reduction compared to the prior quarter outflow. Assisting the decrease in total operating cash outflow for the quarter relative to the prior period was the receipt of the FY20 R&D rebate of \$1.1m.

Receipts from customers increased 27% on the prior quarter to \$10.54m.

Novatti continues to prioritise its cashflow for growth. This includes investing in its ecosystem, including further regulatory licences, compliance management, business development and teams to open up new markets. This is included in product manufacturing and operating costs (\$7m) and staff costs (\$4.3m) and in administration and corporate costs (\$1.1m) for the June quarter.

During the June quarter, BC Investment Group Holdings Ltd invested \$2m into Novatti's dedicated banking subsidiary, Novatti B Holding Co Pty Ltd, as part of a seed funding round to acquire 19.9% share of Novatti B Holding Co Pty Ltd.

Further, a BC Invest consortium including Far East Consortium International Ltd and senior management invested \$3m directly into Novatti Group through a placement of 6.38m ordinary shares at a price of \$0.439.

After the completion of the June quarter, Novatti undertook a \$45m capital raising with a \$40m placement and \$5m share purchase plan.² This capital raising is transformational for Novatti and enables the launch of an expanded growth strategy to:

- Increase its presence in existing markets
- Enter new markets
- Purchase 19.9% of Reckon Limited (ASX:RKN) for circa \$22m
- Pursue a range of acquisition opportunities

As this capital raising is yet to close, full details will be provided in Novatti's September quarter FY22 report. In the meantime, more information can be seen at: <https://www.novattigroup.com/asxannouncements>.

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 incorporates directors' fees, salaries and superannuation.

Outlook

Novatti's business continues to be supported by a number of positive macro forces, including the accelerating shift to cashless and digital payments, development of new as well as merging

² Novatti ASX Announcement – *Capital raising and acquisition of strategic stake to launch expanded growth strategy* – 2 July 2021

markets, and the rise of fintech seeing traditional players in the payments sector no longer competitive in a number of areas.

In entering FY22, Novatti will continue to leverage these strong macro forces and, with the funds from its recent capital raising, expand its growth strategy to increase its presence in existing markets, enter new markets, and pursue a range of acquisition opportunities.

New licences

New banking business

APRA recently issued the first new banking licence since December 2019, having previously put these approvals on hold during COVID.³ With the restarting of this process, Novatti is seeking to achieve regulatory approval for this new business before the end of November 2021.

New market licences

During the June quarter, Novatti announced that it had been selected by Afterpay to deliver its payment card program in New Zealand.⁴ Novatti's partnership with Afterpay in New Zealand highlighted that once regulatory approval to operate in a particular jurisdiction is obtained, Novatti is able to monetise this investment quickly.

This is a model that Novatti believes it can replicate in other jurisdictions, unlocking new addressable markets. Work here is already underway, with Novatti applying for:

- European Union – E-money Licence: which would enable Novatti to issue a range of financial products in the EU.
- Singapore - Major Payment Institution Licence: which would enable Novatti to provide payment services without being subject to specified thresholds.

In seeking to capture a share of these new addressable markets, Novatti would leverage its existing customer and contact network in both regions, including Emersion which has operated in Singapore for several years.

Visa and Mastercard acquiring

Novatti has applied to both Visa and Mastercard for Acquiring Licences. Novatti is aiming to be approved for these licences by end of September 2021. These licences will enable Novatti to extend its acquiring services and bring through larger business opportunities as a B2B provider in the fintech space and drive deeper margins from our own merchants.

³ APRA – News – *APRA grants new restricted authorised deposit-taking institution licence to Alex Bank* – 7 July 2021

⁴ Novatti ASX Announcement – *Afterpay partners with Novatti in New Zealand* – 29 April 2021



Strategic investment in Reckon

Novatti's recent capital raising specifically enabled the acquisition of a strategic stake in leading ASX-listed accounting software provider, Reckon Limited. Reckon has revenue of more than \$75 million, EBITDA of more than \$32 million, and a rapidly growing pool of more than 100,000, cloud-based customers.

As a payments company and, in particular, leveraging Novatti's experience with Emersion, there is a tight synergy between business automation software and payments processing. For software clients, this combination drives increasing productivity. And for providers, it drives a strong economic return based on cross selling.

Novatti's strategic investment in Reckon has created an opportunity to explore synergies going forward.

Potential acquisition pipeline

A key pillar of Novatti's expanded growth strategy, funded through the recent capital raising, is the pursuit of new acquisitions. Novatti has developed a pipeline of potential acquisitions and continues to assess a number of near term opportunities.

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.novattigroup.com/subscribe>

Novatti Managing Director, Peter Cook, will be hosting a shareholder webcast, including quarterly results presentation and Q&A, on **Thursday, 29 July 2021, at 11am** (AEST). Investors can register at: <https://www.novattigroup.com/webinar>

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. Novatti holds all necessary regulatory licences and registrations, including an Australian Financial Services Licence (No 448066) through its subsidiary Flexewallet Pty Ltd, registration in New Zealand as a Financial Services Provider (FSP613789) through subsidiary Flexewallet (NZ) Limited, and is registered with AUSTRAC as a Remittance Network Provider.

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 2021

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	10,540	34,155
1.2 Payments for		
a) research and development	-	-
b) product manufacturing and operating costs	(7,043)	(23,130)
c) advertising and marketing	(123)	(305)
d) leased assets	(93)	(385)
e) staff costs	(4,358)	(13,570)
f) administration and corporate costs	(1,124)	(2,326)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	38
1.5 Interest and other costs of finance paid	(8)	(275)
1.6 Income taxes (paid)/refund	5	(3)
1.7 Government grants and tax incentives	1,170	1,837
1.8 Other	-	-
- Other Working Capital	(65)	(1,698)
1.9 Net cash from / (used in) operating activities	(1,094)	(5,662)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
a) entities	-	-
b) businesses	(405)	(810)
c) property, plant and equipment	(70)	(177)
d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	e) intellectual property	(28)	(240)
	f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	a) entities	-	-
	b) businesses	-	-
	c) property, plant and equipment	-	-
	d) investments	-	560
	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 assets (funding collateral for transactional business)	(667)	(1,970)
2.6	Net cash from / (used in) investing activities	(1,170)	(2,637)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,545	15,913
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(199)	(859)
3.5	Proceeds from borrowings	-	200
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(459)	(641)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,887	14,613

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	6,184	2,600
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,094)	(5,662)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,170)	(2,637)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,887	14,613
4.5	Effect of movement in exchange rates on cash held	(9)	(116)
4.6	Cash and cash equivalents at end of period	8,798	8,798

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	8,798	6,184
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)	8,798	6,184

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(39)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
	<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify) – Convertible Note	1,617.5	567.5
7.4	Total financing facilities	1,617.5	567.5
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 – Convertible Notes

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). \$1.1m was raised from the issue of one converting note. The documented maturity date was 31 March 2020, and in light of APRA's temporary hold on issuing licences for up to six months (see ASX announcement on 9 April 2020) and with an updated guidance by APRA noting that it will recommence issuing bank licences in two phases, with licencing of new operations, such as Novatti's, to begin from March 2021 (see ASX announcement 11 August 2020), NBH and AFIG remained in discussions for the extension of the convertible note. It was contemplated that the note would convert into NBH shares automatically upon confirmation by the Australian Regulation Authority (APRA) that a Restricted Authorised Deposit-taking Institution (RADI) licence will be raised on terms and conditions acceptable to NBHC, or the new extended date, whichever is the earlier. Converts into 1.1m NBH shares. The note was unsecured and no interest is payable on the note.

On the 9th April 2021 Novatti announced its 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. Payment for the assignment will be made in instalments over the next 12 months, secured by Novatti's interest in LifePay. No interest is payable except in the case of payment default. The first payment to AFIG occurred on April 9 2021 for \$400k. A subsequent payment of \$300k was made on 01 July 2021.

Convertible note facility of \$3.5m issued to sophisticated investors of Novatti. The funds will be used to continue Novatti's growth in its core payments units. The primary terms are: a) Aggregate funds raised amount to \$3.5m from the issue of 3.5m notes, b) Conversion price at lower of 25 cents or the lowest capital raising price prior to maturity c) Convertible at the election of noteholders at any time prior to maturity, 30 July 2021, d) 9% coupon, which may be capitalised at the election of noteholders, e) One free attaching option to be issued for each \$1 note with a 25 cent exercise price expiring 30 October 2022 and f) The notes are secured over Novatti's share capital in its wholly-owned subsidiary, Novatti Inc, which owns the basis2 business. \$1,882.5k of the \$3.5m of the convertible notes have been converted to shares. As at 30 June the balance is \$1,617.5k. At the time of writing there remains \$97,500 of notes to convert.

Equity Raisings – As announced to the ASX 3 May 2021

BC Investment Group Holdings Ltd has invested \$2m into Novatti's dedicated banking subsidiary, Novatti B Holding Co Pty Ltd, as part of a seed funding round to acquire 19.9% share of Novatti B Holding Co Pty Ltd.

A BC Invest consortium including Far East Consortium International Ltd and senior management invested \$3m directly into Novatti Group through a placement of 6.38m ordinary shares at a price of \$0.439.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,094)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	8,798
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	8,798
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	8.04
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?	

Answer: N/A

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?

Answer: N/A

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

Answer: N/A

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 2021



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.