

ASX ANNOUNCEMENT

28 February 2018

Strong revenue growth from recurring and transaction-based business divisions**Highlights**

- 1H FY18 Revenue (excluding other income) of \$2.3m, up 108% on 1H FY17, with strong growth in recurring and transaction based revenue
- 1H FY18 transaction revenue of \$0.51m, up from \$0.06m in 1H FY17
- Disciplined management reduced operating costs to \$3.87m for 1H FY18, down from \$4.33m on 1H FY17
- Launch of Australian Remittance Services provides significant transactional revenue upside,
- US billing and customer information service offering, basis2, fully integrated into Novatti's business, and is performing slightly above expectations
- Opportunities to utilise Blockchain technology being investigated as agreements with Stellar and Gingkoo Financial Technology Co. provide opportunity to advance capabilities
- Commencement of works for banking licence application
- Major fundraising from Chinese technology investors supports Company's China transaction and payments strategy

Novatti Group Limited (ASX: NOV, "Novatti"), an online financial transactions processor and financial technology developer, is pleased to provide an overview of its half year results for the period ended 31 December 2017.

Financial Overview

Novatti delivered revenue of \$2.3m for 1H FY18, up 108% from 1H FY17. Strong increases in recurring and transaction processing volumes was driven by high growth in mobile and emerging markets, growth in Flexepin, strong demand for remittance services and increasing market acceptance for Chinese payments to deliver growth across multiple revenue streams.

Operating expenses of \$3.87m for 1H FY18 decreased from \$4.33m as disciplined cost management delivered a 10.6% decrease in costs, compared to the same time last year.

Operational HighlightsRemittance services launched in Australia

In July, Novatti launched a new remittance service, allowing Australian-based retail consumers and small businesses to send funds overseas. Novatti is currently providing processing for two affiliate agent networks akin to a wholesale service. A critical service used by many migrants living and working in Australia, Novatti earns transaction fees, typically ranging from 0.3% to 1% of remittance transaction value, which averages between A\$200 – A\$5,000. Novatti also provides inwards remittance services, whereby it aids international remittance companies with local remittance settlement services. Since launch, these services have been generating strong growth and will increasingly contribute to Novatti transaction processing revenues.

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Over US\$16.2 billion in remittances were sent overseas from Australia in 2016 and US\$2.1 billion sent from other countries to Australia¹, providing a significant market opportunity for the Company with significant transaction revenue upside.

basis2 integration complete

During the period, the Company successfully completed its integration of US-based billings and customer information provider, basis2, following its acquisition in May 2017. Since it was acquired, basis2 has contributed recurring revenues to Novatti, performing slightly above expectations.

Blockchain potential advanced

In the second quarter, Novatti signed an agreement with US-based Lightyear.io to integrate Novatti's platform into open-source blockchain network, Stellar. Stellar facilitates faster, more efficient and cheaper cross-currency and cross-asset payments. The two parties will integrate Novatti's platform into Stellar and transition it into a global blockchain payments solution.

Further extending the Company's potential to leverage blockchain, Novatti signed an MOU with Ginkoo Financial Technology Co., a leading Chinese blockchain technology company, to develop opportunities leveraging Ginkoo's blockchain technology and expertise.

Corporate Overview

Major placement brings significant funds to support strategic growth

During the period, Novatti signed an agreement with Chinese technology investors to raise up to \$10 million (varied to \$7m, details below) via a placement of shares. The placement has been conducted in two tranches, with the first tranche completing in October 2017, raising \$3.5m. By agreement, the second tranche has now been capped at \$3.5m with the raising completed on 28 February 2018.

A total of 18,213,041 fully paid ordinary shares under the second tranche will be issued under the Company's current capacity per ASX listing rule 7.1. No options will be issued under this capital raising.

As such, Novatti has raised \$7m. These funds place Novatti in a strong position to execute its strategic growth plans in the near to medium term and to focus on expanding its cross-border and Chinese payments businesses. Further, the investors each have the capacity to support the strong momentum that the Company has generated in the growth of its China Payments business and development of the Company's key relationship with a number of companies including RoyalPay, ePay and LatiPay.

Board's cryptocurrency and blockchain capabilities strengthened

As part of the recent share placement, Mr Steven Zhou was appointed to the Novatti board as non-executive Director, bringing extensive experience in start-up financial services companies in Australia and China. Already, Steven's appointment has created ties between Novatti and several Chinese companies with blockchain or cryptocurrency capabilities, including with Ginkoo Financial Technology Co. with which Novatti is currently investigating opportunities.

Outlook

Novatti expects to deliver continued strong revenue growth into 2H FY18, as it focuses on acquiring new merchants and driving increased consumer usage of its transactions-based technologies. Novatti is aiming to be profitable from operations before fundraising and other non-operating expenses. Additional services that have been incubated should commence contributing in 2H 2018.

The Company continues to pursue opportunities with blockchain and capitalise on the strong interest in the leading digital asset technology, which it expects to drive future revenue growth opportunities. In addition, the Company continues to review potential acquisitions of complementary businesses.

¹ <http://www.pewglobal.org/interactives/remittance-map/>

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The Company is also focussed on its long-term goal of becoming a licensed authorised deposit-taking institution (ADI) and continues to monitor the Australian Prudential Regulation Authority's (APRA) proposals to support increased competition in the Australian banking sector. Novatti engaged a former senior banking executive to lead the application process, which will leverage off Novatti's executive capability, history/profile in the Fintech industry and established internal compliance systems.

Ends.

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About Novatti Group Limited

Novatti, an Australian-based company, is an award-winning global software technology and payment services provider. Both through technology and services, Novatti helps economies, corporations and consumers digitize cash transactions. Novatti's robust and efficient software solutions include Digital Wallet, Branchless banking, Mobile Money, Bill Payments, Remittance Services, Voucher Management Systems and Utility billing. Novatti's transaction processing services include Flexepin, an open loop cash voucher service, processing of Chinese payment methods including AliPay and WeChat Pay and remittance services.

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