

ASX Announcement

27 April 2018

March 2018 Quarterly Report

Highlights

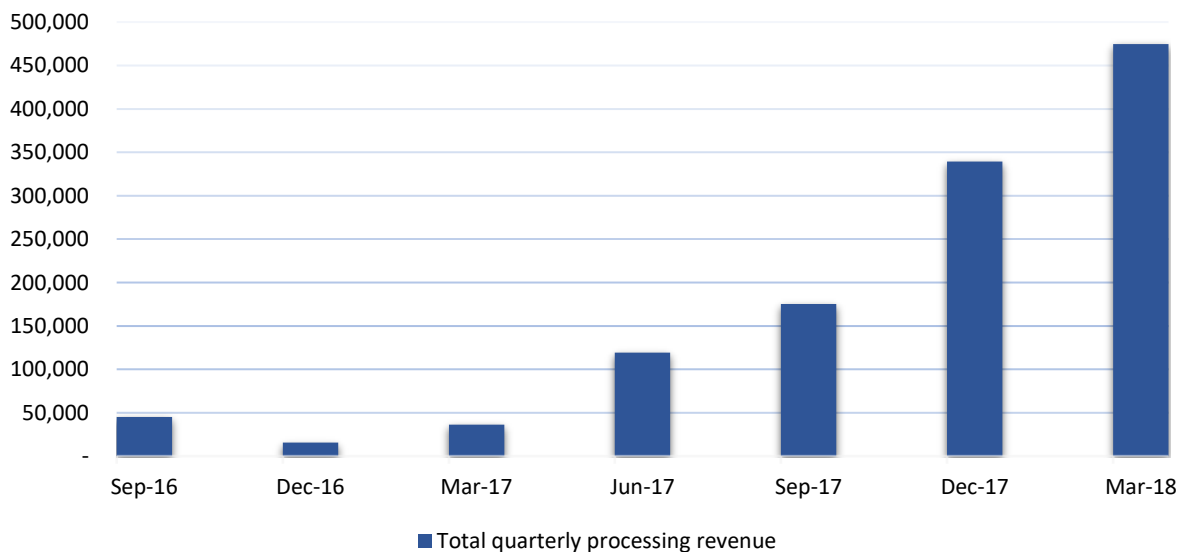
- Novatti successfully raises a further \$3.5 million, completing the second tranche of a \$7 million share placement to strategic Chinese technology investors
- Transaction processing revenue of \$0.47 million, up 39% on the prior quarter, driven by growth in transaction volumes for Flexepin
- chinapayments.com launch provides BPAY solution for Chinese residents to pay Australian bills using funds in their Alipay wallets
- Novatti's payment platform integration into blockchain global payments and asset transfer network completes, with first transactions expected in May 2018
- Novatti remains on-track to deliver continued growth for 2H FY18

Novatti Group Limited (ASX:NOV) (Novatti or 'the Company'), an online financial transactions processor and financial technology developer, is pleased to provide its quarterly update for the three months ended 31 March 2018.

Financial Update

Novatti delivered transaction processing revenue of \$474k, up 39% on the prior quarter. Payment processing services volumes continued to grow, driven by demand for the Company's prepaid top-up voucher offering, Flexepin, which delivered a 40% increase in revenue on the prior quarter. Ongoing demand for remittance and settlement services, in combination with increasing market acceptance for Chinese payments, further contributes to ongoing transaction processing growth.

Novatti Payment Processing Revenue



Revenues from the basis2 billing division are in line with expectations from the acquisition. Revenues from the technology division are muted, however with seasonal factors and a robust sales pipeline are expected to grow in Q4.

The Company has decreased operational expenses incurred during the year compared to the previous year as the Company seeks greater cost management.

Operational Overview

Transaction processing continues to grow, with growth from Flexepin, remittance services and the processing of cross-border China payment methods such as Alipay and Wechat Pay. Focus remains on the acquisition of new merchants and remittance partners as growth of inbound remittance and associated settlement services has been strong.

The ongoing business development for technology sales of the Novatti Payments Platform has led to a strong sales funnel, with one new remittance client signed during the quarter and two additional clients signing contracts subsequent to the quarter-end.

The basis2 utility billing division, purchased in May 2017, continues to perform in line with expectations. basis2 has been able to recruit two additional technical staff to meet new project works and is well progressed in releasing a major upgrade, being version 3.4 of the software.

Novatti continues to expand its offshore development capabilities, growing its Vietnamese development team from 5 to 10 staff. Overall staff costs will reduce further, with the shift in the staff makeup of Novatti's Melbourne office reflecting a reweighting from technical staff to processing and implementation staff.

Significant works continue in building the team, business plan and processes for Novatti to apply to APRA for a bank licence. Management's current intention is to apply for a licence in Q4 of FY 2018. Management expects that the evaluation of its licence application by APRA could take up to 12 months. Novatti's recently hired CEO and COO for the banking division are currently focussed on the licence application process, building the appropriate team and implementing the appropriate technology, compliance operations, processes and staff in preparation for the operation of banking services. Novatti will capitalise the costs of applying for the bank licence allowing investors to view the ongoing costs of this application.

chinapayments.com launch provides BPAY solution for Chinese residents

Subsequent to quarter-end, Novatti launched chinapayments.com, in an Australian first, providing a fintech platform for Chinese residents, migrants, students and tourists to pay bills via Australia's BPAY system, using funds from their Alipay wallet. Novatti will earn fees on a per-transaction basis as consumers use the platform to pay Australian bills. The launch furthers Novatti's strategic plans to support the booming trade between China and Australia with market leading payment services.

Planned extensions to the chinapayments.com platform, are currently underway, to include WeChat Pay and China UnionPay payments.

Stellar Blockchain Network integrated

Transactions across Stellar's blockchain global payments and asset transfer network, powered by Novatti's payments platform remain on-track to commence in May, following the completed integration of Novatti's technology in April 2018. Novatti will generate a per-click fee for each payment made across the network, powered by the Company's platform.

Corporate Overview

A total of \$7 million raised from Chinese technology investors

As announced on 11 October 2017, as the first tranche of a two tranche raise, the Company completed the issue of 25 million shares to Chinese technology investors, raising \$3.5 million. In February 2018, the capital raise's second tranche completed, raising an additional \$3.5 million and bringing total funds raised to \$7 million (before costs). Under the second tranche raising, a total of 18,213,041 shares were issued at \$0.19217 each to two existing, non-associated, Chinese shareholders, both of which have the capacity to support the strong momentum the Company has generated across the China payments platform.

These funds place the Company 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.

Outlook

Novatti expects to deliver continued strong revenue growth in the final quarter, as it focuses on acquiring new merchants and driving increased consumer usage of its transactions-based technologies. The Company remains positioned to deliver FY18 total revenue of approximately \$6 million, with seasonality trends expected to drive a significant uplift in revenue for Q4 FY18.

-ENDS-

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About Novatti Group Limited

Novatti is an award-winning global software technology, utility billing and payment services provider. Both through technology and services, Novatti helps economies, corporations and consumers digitise cash transactions. Novatti's robust and efficient software solutions include Consumer Digital Wallets, Branchless Banking, Mobile Money, Bill Payments, Remittance Services and Voucher Management Systems. Novatti's transaction processing services include Flexepin, an open-loop cash voucher service, Flexewallet for remittance and compliance services and Chinapayments.com for bill payment services for Chinese consumers.