

change.



FY21 Q2 QUARTERLY ACTIVITIES REPORT GLOBAL TRADING UPDATE

28 January 2021

FY21 Q2 Highlights

- First full quarter financial contribution from recent acquisition
- Newly acquired business contributed US\$0.58 million (A\$0.75 million) EBITDA (30% margin) for the quarter
- Group revenue for the quarter was US\$2.13 million (A\$2.77 million)
- Business development activities in full swing with multiple new customers signed to the platform
- New contract wins of US\$1.43 million (A\$1.86 million) total contract value signed with new and existing customers during the quarter
- Assessment of a number of technologies post acquisition with investment commitment made by Board to develop and commercialise new technologies

FY21 Q2 Global Trading Update

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28 January 2021 Change Financial Limited (ASX: CCA) ("Change" or "the Company"), is pleased to provide the following business update for the quarter ending December 2020. Following the acquisition of the assets of Wirecard NZ & Australia ("Acquisition") which completed on 1 October 2020, the December 2020 quarter includes a number of one-off factors that from a cashflow perspective are not anticipated to rollover into subsequent quarters. As such the Company expects cashflow to normalise in future quarters.

Business and Operating Activities

The December 2020 quarter represented the first quarter following the Acquisition. The efforts of the entire Change Team, both new and existing, during the quarter focused on integrating the two businesses. Key areas of focus included securing the transfer of the customer base, building the sales pipeline, bedding down the technology integration plans, combining the teams and setting the strategic and operational direction for the Company as a new combined business.

Change recruited key staff, signed contracts for new office premises, replaced and updated core internal business systems and solutions, sold multiple new licenses across four countries and commenced key investment projects to integrate its core Mastercard certified processing platform with the acquired payments management platform enhancing both technologies.

Acquisition Summary

As announced on 11 September 2020, Change entered into an agreement to acquire the assets of Wirecard NZ & Australia effective 1 October 2020. Following the final consideration adjustments, the effective consideration was reduced to NZ\$6.83 million. The acquisition was limited to the assets of the Wirecard business, including customers, staff, technology and outstanding invoices owed by customers. As such, other than staff leave balances, no liabilities were inherited by Change. All other potential liabilities were ring fenced in the entities currently in liquidation.

Business Development Update

During the quarter, Change signed four new customers to its platform and services with total contracts representing US\$0.83 million (A\$1.08 million¹) revenue. These new customers are based in Australia, the United Kingdom, the Philippines and the South Pacific. Change has also established a pipeline of new customers across more than 12 countries.

Change has now novated 80% of the contracts over from the acquired business and continues to work with the remaining acquired customers and their legal advisors to novate outstanding contracts, or where required put in place new contracts. Although this administration process has been disruptive for existing customers, Change has worked tirelessly to restore normal business operations and anticipates the remaining customers will novate or sign new contracts. Based on its success to date, Change expects that ultimately all customers will be retained following the acquisition.

¹ AUD/USD = 0.77 as at date of this announcement

New signed contracts for project work from existing customers for the quarter totalled US\$0.60 million (A\$0.78 million), an average of US\$0.20 million (A\$0.26 million) per month for the period. Change expects this project revenue to remain consistent over the short term.

The Company has recently appointed a business development manager to lead its sales efforts in South America and is in the process of recruiting key sales positions covering North America, Asia and Australia. With an ongoing focus on global business development and sales the Company expects its sales pipeline to continue to grow and anticipates further customer wins as the business growth initiatives take effect.

Technology Update

Following the extensive due diligence and the first quarter operating the new business the Board sees deep commercial and technical value in the customer base, technologies and people that it has acquired. The Company now plans to accelerate development of its payment processing technologies.

The management team has worked diligently over the quarter reviewing the functional capabilities of the technology platforms acquired. The payments management platform was built as a comprehensive onsite product with the capability to service large banks and digital brands that are launching or managing payments solutions for their end customers.

During the quarter the Board committed to a new project to combine the two platforms (Mastercard certified processing platform and payments management platform) together leveraging both the Company's existing technology and the recently acquired features and functionality including debit and credit capabilities, EMV, virtual cards as well as Apple Pay and Google Pay. The new project is split into three phases. Phase 1 – Proof of Concept, Phase 2 – Customer Ready Platform and Phase 3 – Advanced Platform Features. The Company anticipates Phase 1 will be complete by FY21 Q4 and will allow the first capabilities to be delivered in a non-production environment, accelerating timeframes without being reliant on potential or existing customers. The deliverables from Phase 1 will give Change a platform to demonstrate its new capability to customers and accelerate the sales and business development cycle.

A key focus moving forward is to bring the technologies and platforms to market to take advantage of multiple commercialisation opportunities from its pipeline of new and existing customers. These strategies include partnering with customers, banks and other FinTech and payment companies to accelerate new offerings in key markets such as Australia, Asia and the US.

To continue delivering on its growth plans Change has recruited 10 new staff across four countries. The new hires include software engineers, project managers and business development personnel. Change has employees operating out of five countries and is focussed on supporting its existing clients and growing its sales and business development capabilities.

Cash Flow and Financial Update

FY21 Q2 Performance Highlights

- Group revenue for the quarter was US\$2.13 million (A\$2.77 million)
- Newly acquired business contributed US\$0.58 million (A\$0.75 million) EBITDA (30% margin) for the quarter (unaudited)
- New contract wins of US\$1.43 million (A\$1.86 million) total contract value signed with new and existing customers during the quarter
- At the end of December 2020, the Company's cash position was US\$4.19 million (A\$5.44 million)

Receipts from customers for the quarter were US\$1.09 million (A\$1.42 million) (excluding the completion adjustment from the acquisition of US\$1.19 million) (previous quarter: US\$0.11 (A\$0.14 million)). The increase in receipts from customers are largely attributed to the acquisition which contributed EBITDA of US\$0.58 million (A\$0.75 million) at an EBITDA margin of 30%.

For the quarter, cash receipts from customers were lower than the US\$2.13 million (A\$2.77 million) revenue earned due to a number of one-off factors and the impacts of the acquired business having been in administration. The lower cash receipts were partly offset by the completion adjustments totalling US\$1.40 million in favour of the Company and is reflected in the reduced effective acquisition consideration of NZ\$6.83 million.

Since the acquisition, the Company has worked diligently with its customers to secure existing business and lay the foundation for new business. Overall the new ownership has been well received by customers. Total invoicing

during the quarter was US\$2.87 million (A\$3.73 million) including agreed fees invoiced in advance for project work and annual maintenance fees. While there will always be a difference in timing between invoicing, receipts and earned revenue, based on the level of invoicing and forward work, the Company expects cash receipts to more closely align with earned revenue in coming quarters.

Cash payments for operating activities of US\$2.46 million (A\$3.19 million) for the quarter reflect the Company's current operating costs. The Company anticipates costs will increase with new hires and investment in technology development that will lay the foundation for future revenue growth.

At the end of the quarter, outstanding invoices owed by customers to Change totalled approximately US\$3.50 million (A\$4.55 million).

Cash at the end of the December 2020 quarter was US\$4.19 million (A\$5.44 million). All financial figures in the following Appendix 4C are denominated in US dollars, unless stated otherwise.

Payments to related parties of the entity and their associates detailed in Section 6 of the Appendix 4C relate to director's fees paid during the quarter and capital raising fees paid to Altor Advisory Partners Pty Ltd, one of the Joint Lead Managers and Underwriters of the recent capital raising, a related party of Director Harley Dalton.

Authorised for release by the board of Change Financial Limited.

For more information, please contact:

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Web: www.changefinancial.com

Change (ASX: CCA) is a global FinTech developing innovative and scalable payments technology offering Banking as a Service (BaaS) solutions to businesses and financial institutions

- Change Financial has built a global enterprise payments and card issuing platform and financial transaction testing solution
- Leading Global BaaS Platform
- More than 120 customers in 36 countries
- Annuity income from Blue-Chip Client Base including the big 4 Australian banks, major Australian supermarkets, Asian and South American banks and FinTechs
- World class management and technical team

Platform Functionality



Features

BaaS • APIs • Mobile Solution
Data Insights • Dynamic Controls • Multi-Currency
Prepaid Cards • Debit Cards • Credit Cards
EMV • Virtual Cards



Currencies



Card Networks



Platform Benefits

Designed For The Future

A modern payments and card issuing platform allowing delivery of innovative new financial products and services.

Speed To Market

Fully integrated infrastructure and partnerships improving time to market.

Flexibility and Control

Providing the management and control to implement and modify your payment and card products.

Our Global Presence



Appendix 4C

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

Name of entity

Change Financial Limited

ABN

34 150 762 351

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities			
1.1 Receipts from customers		1,105	1,219
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		-	-
(c) advertising and marketing		-	-
(d) leased assets		-	-
(e) staff costs		(1,708)	(2,088)
(f) technology / hosting expense		(203)	(364)
(g) professional fees		(83)	(123)
(h) consulting / outsourced services		(176)	(295)
(i) administration and corporate costs		(288)	(654)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	5
1.5 Interest and other costs of finance paid		(3)	(7)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		7	60
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(1,348)	(2,247)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) entities		-	-
(b) businesses ⁽¹⁾		1,401	(4,482)
(c) property, plant and equipment		(27)	(36)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	1	1
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Sub lease payments received (excluding interest)	15	42
2.5	Dividends received (see note 3)	-	-
2.6	Other (provide details if material)	-	-
2.7	Net cash from / (used in) investing activities	1,390	(4,475)

(1) The proceeds of US\$1.401 million represents completion adjustments received from the administrators as part of the acquisition.

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,484	8,390
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	(296)	(609)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Payment of lease liabilities (excluding interest paid)	(47)	(87)
3.10	US Government Loan (PPP Program)	-	-
3.11	Net cash from / (used in) financing activities	3,141	7,694

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	821	2,966
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,348)	(2,247)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,390	(4,475)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,141	7,694
4.5	Effect of movement in exchange rates on cash held	189	255
4.6	Cash and cash equivalents at end of period	4,193	4,193

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	4,193	821
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)	4,193	821

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
\$US'000**

45

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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

Amounts shown in 6.1 are amounts paid to directors. Included in this amount are directors fees of US\$28,000 accrued but unpaid from the previous quarter.

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.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
-	-
-	-
-	-
-	-

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.

n/a

8. Estimated cash available for future operating activities

\$US'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,348)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,193
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	4,193
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.11

- 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?

The current quarter cash flow is not representative of future quarterly cash flows due to it being the first quarter of operations post acquisition of the payments software business from Wirecard out of Administration. The timing of receipts and payments of operating cash flows were affected by the acquisition and it is expected that operating cash flows will normalise in future quarters.

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?

No

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

Yes

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: 28 January 2021

Authorised by: By the board.....
(Name of body or officer authorising release – see note 4)

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.

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