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# change.

**FY2021 Q3**  
QUARTERLY ACTIVITIES REPORT  
GLOBAL TRADING UPDATE

28 April 2021

## FY2021 Q3 Global Trading Update

### FY2021 Q3 Highlights

- Completion of Phase 1 which has successfully integrated the existing certified processing and acquired payments management platform.
- Phase 2 - Customer Ready Platform now in progress and due for completion FY2022 H1
- Change's BaaS Platform includes features such as Visa, Mastercard and AMEX cards, InstallPay and Major Purchase (Buy Now, Pay Later), multi-currency accounts, digital and contactless payments
- Change provides BaaS technology to more than 125 customers in 36 countries including the Philippines' largest bank, BDO Unibank, Inc. ("BDO")
- Change's BaaS Platform currently manages and processes more than 16 million cards globally
- Receipts from customers totalled US\$2.88 million and the cash position at the end of the quarter increased to US\$4.48 million
- Sales activities and pipeline increasing from ongoing investment in business development

**28 April 2021** Change Financial Limited (ASX: CCA) ("Change" or "the Company"), is pleased to provide the following business update for the quarter ending March 2021.

Change is a global FinTech developing innovative and scalable payments technology offering Banking as a Service (BaaS) solutions to businesses and financial institutions. Change has built an integrated global enterprise payment processing and management platform as well as a financial transaction testing solution. These solutions are used by more than 125 customers in 36 countries globally. Change's BaaS Platform currently processes more than 16 million credit, debit and prepaid cards worldwide with approximately 50% of those cards being VISA, 40% Mastercard and 10% others (including, Amex, Diners, JCB and UnionPay).

Change's BaaS Platform has an extensive list of features and functionalities already being used by FinTech and banking customers globally. A key focus for the Company is to bring the technologies and platforms to market to take advantage of multiple commercialisation opportunities from its pipeline of existing and new customers. These strategies include partnering with customers, banks and other FinTech and payment companies to accelerate new offerings in key markets such as Oceania, Asia, the Americas and the US.

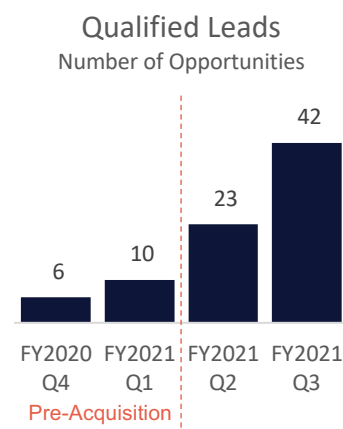
## Business and Operating Activities

### Business Development Update

During the quarter, Change continued its focus on investing in business development and building out its sales pipeline. In addition to the previously announced business development staff hires, the Company has recently appointed Malcolm Bourke to VP of Business Development and Client Relationships to lead Change's global sales efforts of its financial transaction testing solutions. Malcolm has more than 15 years of experience working in business development and account management for the major Australian banks and ASX-listed EML Payments.

The Company's sales pipeline continues to grow with sales opportunities developed during the quarter in the US, Dominican Republic, Chile, Columbia, Argentina, Thailand, Cambodia, Australia and New Zealand. These new leads have come as a direct result of Change's business development Manager in LATAM/South America in addition to focussed engagement efforts with our existing global client base that have embraced Change's new technology roadmap.

Change is currently recruiting senior business development staff for North America and Oceania to continue its investment in sales that complements and leverages the phased integration of the acquired technology.



With an ongoing focus on global business development and sales, the Company expects its sales pipeline to continue to grow with consequent uplifts in sales results as opportunities progress through the pipeline.

## Operations Update

Following the recent acquisition, Change has now completed all available contract novations and is finalising replacement contracts with 12 remaining customers, the majority of which are now in advanced stages of completion.

The Company's human resource requirements are continually being assessed as Change continues to grow its client base, regional operations and global technology integrations. Change's software development and QA teams across its global network are progressing major product and technology projects to allow the Company to accelerate speed to market for new platform developments. Aside from the strategic investment in Business Development and Marketing resources, Change's team numbers have been managed to an appropriate level to facilitate current business requirements.

In the last six months, Change has also terminated the former Wirecard Auckland and Melbourne office leases and rescaled tenancy requirements to align with staff numbers including leasing new smaller offices in Melbourne and Auckland. Change is also negotiating to resize its tenancy in the Dominican Republic to accommodate staff complements in that region.

## Customer Spotlight – Philippines' Largest Bank

A key customer of Change, the Philippines' largest bank, BDO Unibank, Inc. ("**BDO**"), have integrated many of Change's solutions to issue and maintain their card programs and merchants.

A senior vice president of BDO shared the following testimony:

*"We have been using Change's solutions to operate and expand our credit card products and offerings. Over that time we have grown our credit card portfolio to the largest in the Philippines."*

*Change's staff are very knowledgeable, professional and cooperative throughout each project. They have helped us bring many innovative and flexible payments solutions such as Buy Now, Pay Later and Major Purchases capabilities to market quickly."*

*We look forward to continuing our great working partnership with Change into the future to help us further achieve our growth goals."*

BDO is a full-service universal bank in the Philippines. It provides a complete array of industry-leading financial products and services including Lending (corporate and consumer), Deposit-taking, Foreign Exchange, Brokering, Trust and Investments, Credit Cards, Corporate Cash Management and Remittances in the Philippines.

BDO is the Philippines' largest bank with total assets of US\$68.5 billion and one of the widest distribution networks across the country consisting of more than 1,400 operating branches and over 4,400 ATMs nationwide.

## Technology Update

As previously announced, the Company now plans to accelerate the development of its payment technologies. With Phase 1 now complete the Company has a working demo of its combined platform (certified processing platform and payments management platform).

A summary of the review of the current technology offering including its certified processing platform, payments management platform and payments testing solution is detailed below.

Feature	Description
<b>Card Issuing</b>	Customers are able to issue credit, debit and prepaid cards branded Mastercard, Visa, Amex, JCB, UnionPay International (UPI), Diners and Discover. Card features include EMV (chip) and contactless payments as well as virtual cards. Change is also able to issues private label cards (e.g. store-branded cards), charge cards and corporate cards for businesses.
<b>Account Features and Dynamic Controls</b>	<p>Key Platform applications include developer tools, card program tools, risk management, case management, data insights and admin controls.</p> <p>Change's BaaS Platform operates transactions in 99 currencies and allows its bank and FinTech customers to customise features such as:</p> <ul style="list-style-type: none"> <li>- direct debit (scheduled payments)</li> <li>- credit controls (delinquency management)</li> <li>- credit and velocity limits</li> <li>- business and corporate card programs for SMEs</li> <li>- merchant management and merchant payments</li> <li>- loyalty program settings and export</li> </ul>
<b>InstallPay and Major Purchase (Buy Now Pay Later)</b>	<p>Change's BaaS Platform has two Buy Now Pay Later (BNPL) capabilities that work on existing payment rails and do not require any specialised merchant or POS systems. The Company's platform empowers, banks and FinTechs to offer their customers BNPL products with any merchant without having to partner with third-party providers.</p> <p>Change's InstallPay technology powers a dedicated BNPL card or account while Major Purchase allows customers to turn their large purchases or existing balances into BNPL repayments.</p>
<b>Certified Processor</b>	Payment processing capability built on Mastercard's new network gateway (MNGS). Leverages the best of Mastercard's evolving technology advancements.
<b>Risk and Program Management</b>	<p>Change's BaaS Platform includes the following risk management protocols and tools to assist customers with managing their card and banking programs:</p> <ul style="list-style-type: none"> <li>- Decision Intelligence (DI) solution, a real-time authorisation decisioning solution to approve genuine transactions.</li> <li>- Change also monitors and executes recurrent security risk processes including Office of Foreign Assets Control (OFAC) along with key functions such as disputes and chargebacks.</li> <li>- Risk Alert Manager (RAM) – a rules-based fraud alerting and decisioning engine for cardholder authorisations.</li> <li>- 3D Secure™ (or 3DS) - a secure online payment service available for Visa and MasterCard cards.</li> <li>- Online Customer Tracking (OCT) to manage delinquent/over limit customers.</li> </ul>



<b>Payment Processing</b>	Change's BaaS Platform takes care of all the behind the scenes payments processing and payment authentication. Change enables banks to run multi-tenancy/bank solutions (issuing on behalf of subsidiary banks), handles the scheme clearing and settlement file processing, authentication (address verification, card verification value (CVV) or 3D secure) and eCommerce processing.
<b>Mobile Solution</b>	Change has developed a consumer-facing mobile app that customers are able to white-label for their end-users running on the Change BaaS Platform (e.g. banks wanting to offer their customers a mobile solution). The app includes features such as paperless mobile account opening and innovative money management tools.
<b>Financial Testing Solution</b>	Change's technology includes a leading global payment testing simulator that allows banks to test ATM, POS, Interchange, Regression and Stress test cases concurrently, using a single system. Change's system speeds up testing and reduces testing costs for its customers removing the requirement for integrations with third parties and physical testing devices.
<b>Acquiring</b>	The acquiring portion of Change's BaaS Platform allows banks and other financial institution to accept and processes transactions made with any of Visa, Mastercard, Amex, JCB, UPI, Diner and Discover cards. Payment cards may be credit, debit, or prepaid cards.

During this current quarter, FY21 Q4, the Company is focused on completing Phase 2 – Customer Ready Platform – which is due for completion in FY22 H1. This will allow Change to have the next generation of its Platform available in the market for customers.

Change has completed an initial market assessment with its recently appointed global payments advisory team and concluded that there is a strong global market growth opportunity for its Platform solution. Combining the two platforms (certified processing platform and payments management platform) and 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 BNPL functionality is estimated to bring forward Change's previous product development roadmap by approximately 24 months. The final results of the market assessment and the go-to-market strategy will be available later in FY21 Q4.

## Cash Flow and Financial Update

### FY21 Q3 Performance Highlights

- Receipts from customers totalled US\$2.88 million
- Cash position at the end of the quarter increased by US\$0.29 million to US\$4.48 million
- Annual Recurring Revenue (ARR) increased from the previous quarter

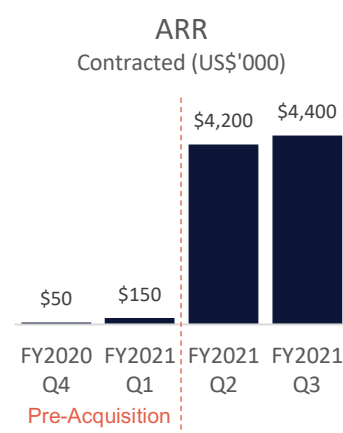
Receipts from customers were higher for the quarter totalling US\$2.88 million (previous quarter: US\$1.09 excluding a positive acquisition completion adjustment of US\$1.19 million). There were some impacts to revenue during the quarter due to deferrals of project work relating to client internal delays and the holiday period. The Company anticipates these revenues to be realised over subsequent quarters.

Change has achieved its ARR growth noted above through the onboarding of customers during FY21 Q3 following completion of contracted projects, licensed sales and continued success from software sales initiatives. Change is well-positioned to capitalise on the global trend of digital and contactless payments leveraging its BaaS Platform.

Change maintains a healthy contracted pipeline of project work the majority of which is scheduled to be delivered over the next six months.

After a reassessment of ARR following the acquisition, the Company has taken a view to exclude licence revenues when reporting ARR as they typically form part of project work and other direct contracted sales activities.

The Company also notes that it earns revenue in multiple currencies from its global customer base. As of today, the majority of revenue is invoiced in USD, AUD and NZD and therefore there will be currency exchange fluctuations in the Company reporting of results.



At the end of the quarter, outstanding invoices owed by customers to Change totalled approximately US\$1.70 million (previous quarter: US\$3.50 million). The reduction reflects Change's continued efforts and success at collecting outstanding invoices. Change expects the remaining receivables, which mostly relate to customer contracts from the acquisition, to be further reduced over future periods.

Cash at the end of the March 2021 quarter was US\$4.48 million (previous quarter: US\$4.19 million), an increase of US\$0.29 million.

Payments to related parties of the entity and their associates detailed in Section 6 of the Appendix 4C relate to the directors' fees paid during the quarter.

All financial figures in the following Appendix 4C are denominated in US dollars unless stated otherwise.

## Corporate Activity in the FinTech and Payments Space

The Company also notes the recent corporate activity in the FinTech and payments space.

In April, Plaid, who provide technical infrastructure and APIs to connect users, banks and developers, recently raised US\$425 million at a US\$13.4 billion valuation, implying a revenue multiple of 59 times. Plaid is using the new capital to invest scale geographically, bolster its APIs, expand the team and product offering.<sup>1</sup>

Plaid's capital raising comes after Visa's January 2020 bid of US\$5.3 billion was terminated following antitrust pushback from the Department of Justice in November 2020.<sup>2</sup>

Following consumer financial services platform SoFi's acquisition of Galileo in April 2020, for US\$1.2 billion, it was announced in January that SoFi would list on the NASDAQ via a SPAC.<sup>3</sup> The acquisition values SoFi at US\$8.65 billion. Similar to Change, Galileo provides APIs that allow fintech companies to easily create bank accounts and issue physical cards, among a catalogue of other services.<sup>4</sup>

Fellow ASX listed EML Payments also recently announced the acquisition of Sentenial Group at an enterprise value of A\$108.6 million plus an earn-out component of A\$62.1 million. Sentenial operates in the European Open Banking sector and provides capabilities to manage payments across scheme and non-scheme, as well as both card and non-card payments.<sup>5</sup>

<sup>1</sup> <https://www.forbes.com/sites/jeffkaufman/2021/04/07/plaids-134-billion-valuation-makes-its-founders-fintechs-newest-billionaires/?sh=59d958232a22>

<sup>2</sup> <https://techcrunch.com/2021/01/12/visa-will-not-acquire-plaid-after-running-into-regulatory-wall/>

<sup>3</sup> <https://www.sofi.com/press/sofi-to-acquire-galileo>

<sup>4</sup> <https://www.crowdfundinsider.com/2021/01/171018-sofi-to-go-public-in-8-65-billion-spac-deal-with-chamath-palihapitiya-social-capital/>

<sup>5</sup> <https://www.businesswire.com/news/home/20210406006171/en/EML-Acquires-Sentenial-Group-Enters-The-Open-Banking-Market-In-Europe>

## Variations to the CEO's Remuneration

In acknowledgement of the increased scope of the role post-acquisition, the board has approved a revised remuneration package for the Company's CEO, Alastair Wilkie.

In accordance with Listing Rule 3.16.4 the Company provides the following summary of material terms of Mr Wilkie's executive services agreement:

- Total fixed remuneration A\$350,000 per year (including statutory superannuation contributions)
- Potential annual cash bonus of \$20,000 AUD on achievement of KPIs set by the board in each financial year
- The following existing unvested options are to be cancelled:
  - o 1,000,000 options ex \$0.26, exp 28 Oct 2022, vesting after 10 customers have been onboarded
  - o 1,000,000 options ex \$0.32, exp 28 Oct 2022 vesting at the point of operational cashflow breakeven
- The following new options are to be issued:
  - o 1,000,000 options, ex \$0.20, exp 28 October 2022 vesting after the Company achieves revenue of US\$11 million on a trailing 12-month basis;
  - o 1,000,000 options, ex \$0.30, exp 28 October 2022 vesting at the point of operational cashflow breakeven including capitalised development costs;

There is no set contract term with either party able to give the other six months' written notice to terminate.

All other terms remain unchanged.

Authorised for release by the board of Change Financial Limited.

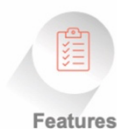
For more information, please contact:

**Email:** [investors@changefinancial.com](mailto:investors@changefinancial.com)  
**Web:** [www.changefinancial.com](http://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 has built an integrated global enterprise payment processing and management platform as well as financial transaction testing solution
- Leading Global BaaS Platform
- More than 125 customers in 36 countries
- Annuity income from blue-chip client base including major banks, supermarkets and FinTechs
- Change's BaaS Platform currently manages and processes more than 16 million credit, debit and prepaid cards worldwide
- Highly experienced 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 March 2021

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US'000</b>	<b>Year to date (9 months) \$US'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	2,882	4,101
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(1,500)	(3,588)
	(f) technology / hosting expense	(157)	(521)
	(g) professional fees	(116)	(239)
	(h) consulting / outsourced services	(130)	(425)
	(i) administration and corporate costs	(350)	(1,004)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	6
1.5	Interest and other costs of finance paid	(3)	(10)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	60
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>627</b>	<b>(1,620)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses **	-	(4,482)
	(c) property, plant and equipment	(4)	(40)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
	(d) investments	-	-
	(e) software development	(270)	(270)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	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)	-	42
2.5	Dividends received (see note 3)	-	-
2.6	Other (provide details if material)	-	-
2.7	<b>Net cash from / (used in) investing activities</b>	<b>(274)</b>	<b>(4,749)</b>

\*\* The proceeds of US\$1,401 represents Completion adjustments received.

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	-	(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)	(28)	(115)
3.10	US Government Loan (PPP Program)	-	-
3.11	<b>Net cash from / (used in) financing activities</b>	<b>(28)</b>	<b>7,666</b>

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,193	2,966
4.2	Net cash from / (used in) operating activities (item 1.9 above)	627	(1,620)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(274)	(4,749)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(28)	7,666
4.5	Effect of movement in exchange rates on cash held	(34)	221
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,484</b>	<b>4,484</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	4,484	4,193
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,484</b>	<b>4,193</b>

**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**

31

-

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**

-
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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)

627

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)**

n/a  
(positive cash flow)

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?

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?

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?

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: 28 April 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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