

ASX Announcement

2 July 2021

Capital raising and acquisition of strategic stake to launch expanded growth strategy

Highlights

- Expanded growth strategy to launch with \$45 million capital raising under a \$40 million placement and a \$5 million share purchase plan
- Novatti to expand its presence in existing markets, enter new markets, and acquire a 19.9% interest in Reckon Limited (ASX:RKN)
- Capital raising receives strong support from highly regarded Australian and offshore institutional investors

Novatti Group Limited (ASX:NOV) (Novatti or Company), a leading fintech company that enables businesses to pay and be paid, is pleased to announce that it will launch an expanded growth strategy with a \$45 million capital raising (**Capital Raising**).

With this expanded growth strategy, Novatti will:

- Increase its presence in existing markets
- Enter new markets
- Pursue a range of acquisition opportunities
- Acquire a strategic stake in Reckon Limited (ASX:RKN) (**Reckon**)

The Capital Raising was strongly supported by a number of highly regarded Australian and offshore institutional investors.

Petra Capital Pty Ltd is acting as sole lead manager and sole bookrunner for the Capital Raising.

The Company's shares will resume normal trading on 2 July 2021.

Novatti Managing Director, Peter Cook, commented:

"Today Novatti enters a new, expanded growth phase as we seek to increase our presence in existing markets, enter new markets, and pursue a range of acquisition opportunities."

"Importantly, this capital raising specifically enables Novatti to acquire a strategic stake in a leading accounting software provider, Reckon Limited. With 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, we believe this stake in Reckon presents an attractive investment for Novatti."

“As a payments company and, in particular, leveraging our experience with Emersion, we know that 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. We believe Novatti’s strategic investment in Reckon will open up new opportunities to explore synergies and deliver growth in the Novatti business.

“We are delighted with the strong support for our capital raising, and welcome a number of highly regarded Australian and offshore institutional investors as new Novatti shareholders. We also welcome further participation by existing shareholders in the announced share purchase plan.

“Novatti has a strong track record of delivering growth for its shareholders from funds raised. In addition to funding our strategic stake in Reckon, these funds enable us to build and expand on Novatti’s business. For example, since Novatti undertook its last substantial capital raising in the June FY20 quarter, quarterly sales revenue has increased by 33%. At the same time, Novatti’s market capitalisation has also increased by more than 200%.

“This capital raising and strategic acquisition marks another important milestone in Novatti’s journey as we pursue greater growth for our shareholders.”

Expanding Novatti’s growth strategy

Novatti has a proven track record of applying funds raised to grow its business. In particular, across the past 12 months Novatti has:

- Formed new partnerships with global payments leaders including Apple Pay, Google Pay, Samsung Pay, and UnionPay
- Obtained regulatory approval and then partnered with Afterpay to issue Visa prepaid cards in New Zealand
- Expanded business development resources
- Launched its new acquiring business, enabling merchants to accept payments online and through mobile
- Integrated with Ripple with transactions taking place in the Philippines
- Successfully launched Emersion in the US
- Secured funding commitments and a strategic partner to launch and operate its new banking business, once regulatory approval is obtained

The funds raised from the Capital Raising will enable Novatti to expand on this proven growth strategy, including by:

- Funding the acquisition of a strategic stake in Reckon (further details below)
- Expanding Novatti’s presence in existing markets and enter new markets, including through new potential partnership agreements

- Funding further potential strategic acquisition opportunities
- Funding the progress of licensing for Novatti's banking subsidiary

Acquisition of a strategic stake in Reckon Limited (ASX:RKN)

Novatti will acquire a strategic stake in Reckon, the ASX-listed, leading accounting software provider.

Reckon has strong cash flow generation and has historically paid sustainable dividends to its shareholders. Notably, Reckon recorded \$75.6 million in revenue and \$32.6 million in EBITDA for FY20 (Dec).

Reckon has three core business divisions:

- Business Group providing small business accounting and payroll
- Practice management and compliance for accountants
- Practice management and workflow for legal firms

Importantly, Reckon has invested heavily in shifting its services to the cloud. This is seeing strong results with cloud-based users for its Business Group increasing 35% from 2019 to 2020, to more than 100,000 users.

Novatti has or will acquire a total of approximately 22.5 million shares in Reckon from existing shareholders, primarily at a price of \$1.00 per share (see substantial shareholder notice lodged today for further details). This will see Novatti acquire an approximately 19.9% interest in Reckon at a total acquisition price of approximately \$22.5 million. Final completion of the acquisition of the 19.9% strategic interest is subject to, and will occur shortly after, the issue of the first tranche of shares under the Capital Raising.

Capital Raising

The Capital Raising consists of:

- a \$40 million share placement (**Placement**); and
- a share purchase plan to raise up to \$5 million (**SPP**)

Placement

Novatti has received firm commitments for a two-tranche placement of new, fully paid ordinary shares to sophisticated and institutional investors in Australia and overseas to raise \$40 million before costs.

The tranches will comprise the following:

Tranche	# of Shares to be issued*	Funds to be raised*
Tranche 1	51,120,472	\$28,116,260
Tranche 2	21,606,801	\$11,883,740
Total	72,727,273	\$40,000,000

**Tranche 2 subject to shareholder approval at a general meeting of the Company expected to be held on or around 18 August 2021.*

The offer price is \$0.55 per new share, which is a:

- 14.1% discount to last closing price of \$0.64 on 29 June 2021; and
- 20.9% discount to the 15 trading day volume weighted average price (**VWAP**) of \$0.696 to 29 June 2021.

Shares to be issued under Tranche 1 of the Placement will be issued pursuant to the Company's existing placement capacity under ASX listing rules 7.1 (27.4 million shares) and 7.1A (23.6 million shares) and their issue will not require prior shareholder approval.

Tranche 2 of the Placement is subject to shareholder approval at a general meeting of the Company expected to be held on or around 18 August 2021.

The issue of shares under Tranche 1 of the Placement is expected to occur on or around 9 July 2021 and the issue of shares under Tranche 2 of the Placement is expected to occur on or around 24 August 2021 (subject to shareholder approval).

Funds raised under the Placement will be allocated to funding the acquisition of the Company's strategic stake in Reckon, growth of the Novatti business into existing and new markets, further strategic acquisition opportunities, licensing for the Company's banking subsidiary and general working capital.

All new shares issued will have the same rights as existing, fully paid ordinary shares in the Company.

Share Purchase Plan

Novatti is pleased to offer all existing shareholders on the Company's share register at 7.00pm (Sydney time) on 1 July 2021, with registered addresses in Australia or New Zealand, the opportunity to apply for new shares by participating in the SPP. Participation in the SPP is optional.

The SPP will provide each eligible shareholder with the opportunity to apply for up to \$30,000 worth of new shares at the same issue price as under the Placement, namely \$0.55 per new share. Shareholders will not pay brokerage or transaction costs under the SPP.

Novatti is targeting to raise up to \$5 million (before costs) through the SPP. The SPP offer may also be subject to a scale back of applications at the discretion of the Company. Any shortfall in take up of the SPP offer may be placed at the discretion of the Company in consultation with the lead manager, Petra Capital Pty Ltd (subject to the ASX Listing Rules).

The funds raised under the SPP will be used for the same purposes as under the Placement. The new shares issued under the SPP offer will rank equally with existing Novatti fully paid ordinary shares on issue.

The SPP offer document containing further details of the SPP offer will be released to ASX separately and is expected to be despatched on 12 July 2021, being the date on which the SPP offer will open.

The proposed timetable for the SPP offer is set out below however the Company reserves the right to vary the dates and times without notice.

Event	Date
SPP record date (7.00pm Sydney time)	1 Jul 2021
Announcement of SPP offer	2 July 2021
Dispatch SPP offer documents and personalised application forms to shareholders Lodgement of Appendix 3B with ASX SPP Offer opens	12 Jul 2021
SPP closing date (5.00pm Sydney time)	2 Aug 2021
Announcement of SPP results	5 Aug 2021
Issue of new shares under the SPP Offer (before noon) Lodgement of Appendix 2A with ASX	9 Aug 2021
Dispatch of holding statements and normal trading of new shares issued under SPP	10 Aug 2021

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>

For further information, contact:

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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.