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ASX Announcement

20 October 2021

Acquisition of leading South East Asian fintech – ATX

Highlights

- Novatti to acquire Malaysia payments fintech ATX - recognised as a top 50 rising startup in South East Asia
- Large established payments network, including 30k+ touch points across Malaysia
- Revenue circa $3m and EBITDA circa $0.6m (normalised figures)
- Valuation multiple of 2.8X normalised annual revenue
- Minimum $8.4m acquisition price, by way of cash and Novatti shares
- Enables Novatti to scale the existing ATX business, introduce additional Novatti services, such as billing, and further expand across South East Asia

Novatti Group Limited (ASX:NOV) (Novatti or **Company)**, a leading fintech that enables businesses to pay and be paid, is pleased to announce that it will acquire ATX, a leading South East Asian payments fintech, based in Malaysia.

Founded in 2011, ATX provides traditional retail stores and kiosks with digital payment services, such as third party bill and product payments. It has also been recognised as a top 50 rising startup in South East Asia.[1]

ATX has established a number of strong business and consumer facing brands, including:[2]

- PayHub – a B2B payments aggregator for 130+ products with 19,000+ touch points
- GoPay – a B2C digital wallet used by 10,000+ agents, providing access to more than 100 bill payment and reload products
- MyPOSPay – a B2B2C platform, enabling traditional retailers to offer value-add postal services, such as click and collect for online merchants
- RuncitHero – a B2B2C online marketplace for grocers, providing individual retailers with purchasing power and efficient inventory management

[1] Source: Tech In Asia - 50 rising startups in Southeast Asia 2020.
[2] Data provided by ATX management and subject to final due diligence.

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In FY21, ATX generated normalised annual revenue of $3.0m and EBITDA of $0.6m.[3] This would have represented an additional 18% annual sales revenue for Novatti in FY21 alone, increasing from $16.5m to $19.5m.

Novatti has been a partner of ATX since 2015, which has resulted in a strong understanding of the business, greatly de-risking the acquisition.

To date, this partnership has largely focused on leveraging Novatti's technology. Going forward, the acquisition creates an opportunity for Novatti to use its ecosystem and resources to scale the existing ATX business in Malaysia, introduce additional Novatti services, such as billing, and further expand across South East Asia. In addition, there is potential to add other value added products into ATX's customer base.

The acquisition presents strategic value for Novatti on a number of fronts, including:

- Access to an established network of 30,000+ payments touch points across Malaysia
- Providing an on-the-ground presence in South East Asia for further expansion, including leveraging Novatti's partnerships with other fintech leaders, such as Ripple
- ATX's strong leadership team, including its founders who hold the positions of CEO and Director – Strategy, and who will remain employed post acquisition, ensuring continuity
- Access to ATX's existing innovative solutions and technology, including its e-wallets

Managing Director of Novatti, Peter Cook, said: "ATX is a leading payments fintech in South East Asia. We have thoroughly enjoyed working together as partners since 2015 and see high value in the innovative solutions that ATX has developed for digital payments."

"The acquisition of ATX will not only provide Novatti with a strong business in Malaysia, it also provides a platform to continue our expansion in South East Asia, where we see increasing growth in digital payments. This growing demand has already supported a number of Novatti's other recent activities in the region, including the expansion of our partnership with Ripple into Thailand, after launching in the Philippines earlier this year."

Founder and CEO of ATX, K. Sashi Kumar, said: "We are thrilled to be joining the Novatti team. Having worked together for several years, we know the strength of Novatti's solutions and believe we can add value. We are particularly excited by the prospect of working together to expand in Malaysia and South East Asia. We look forward to this exciting new chapter!"

Under the terms of the acquisition agreement, Novatti will acquire all of the issued share capital of ATX Fintech Holding Sdn Bhd, the Malaysian parent company of the ATX group, for a

[3] Normalised Revenue is an estimate of Sales Revenue that best aligns with Novatti's Revenue Recognition policy. Normalised revenue and EBITDA are based on FY21 (July 20 – June 21). AUD$ conversion based on RM:AUD0.33.

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minimum consideration of approximately $8.4m up to $9.9m, payable in cash and Novatti fully paid ordinary shares in two components:

- Initial consideration at completion by way of a cash payment of $3.96m and the issue of 3,600,000 Novatti shares, with a value equivalent to $1.98m at an issue price of $0.55 per share. These shares will be subject to a two-year escrow period from their date of issue, and will be issued within the Company's LR7.1 placement capacity.
- Deferred consideration, payable in two cash instalments following the first and second calendar years post completion, at a minimum aggregate payment of approximately $2.475m, with potential under an earn out to increase up to an aggregate of approximately $3.96m if specified revenue targets are reached. The eligibility of the ATX founders and majority shareholders to receive deferred consideration is also subject to their ongoing employment.

None of the selling parties are related to Novatti.

The agreement also includes provisions customary for a transaction of this nature, including clauses for pre-completion undertakings, the continued employment of key personnel, post-completion adjustments and obligations, warranties and representations, confidentiality and non-competition/solicitation.

Whilst Novatti has progressed its due diligence investigations into the proposal, the agreement remains conditional upon finalising due diligence and, among other things, ATX obtaining requisite consents and approvals required in connection with acquisition. Completion is expected to occur by the end of November 2021.

This announcement follows some of Novatti's other recent growth-focused achievements, including:

- Closing the Series A funding round for its new banking business, with $10.5m committed
- Expanding its partnership with Ripple into Thailand
- Delivering record total annual revenue of $18.4m for FY21, an increase of 55% on FY20
- Completing a $40m plus capital raising to expand its growth strategy

Novatti invites investors to keep up to date with company news, events and industry research by joining the Novatti mailing list at: https://www.novatti.com/subscribe

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This announcement has been approved for release to the ASX by Peter Cook, Managing Director.

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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.

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