2018 Annual General Meeting

Wednesday, 28 November 2018

Chairman's Address

Ladies and gentlemen, today marks an important milestone in the history of Change Financial.

As you know, the Company was listed on the ASX on 30 June 2016. At that time the vision for the company was to build a US facing mobile banking business. The company has achieved its goal of developing a sound technology in the mobile banking space, as well as a rich set of features for a "no fee" business model. The app has been downloaded by over half a million customers in the US, 180,000 customers have opened an account and have contributed to a monthly total transaction value of $29 million in the third quarter of calendar year 2018.

Over the last two years, the company expanded by building a card issuer processing platform.

Each of these businesses is quite distinct, and each requires a unique set of management skills and other resources to achieve success. In addition, the Company acquired a minority interest in a blockchain crypto currency business.

Early in 2018, founder Ash Shilkin recognized that the company needed a new type of leadership. He knew that he was an entrepreneur who had created the vision for the company, and successfully launched two lines of business, and led the investment into a third line of business. He also knew that the time had come to transition to an operationally focused management team that would execute on the business plans for the company.

We set out to recruit new leaders, but we experienced challenges in hiring the right management, in large part because of the complexity and vast range of skills required to manage the distinct businesses in which this relatively small company has operated.

The company has decided to restructure by disposing of the mobile banking business so that we can maintain a sharper focus on just one area: the issuer processor. At the time of this writing, we are in the process of receiving expressions of interest to acquire the banking business.

Going forward, pending adequate funding, Change Financial will focus exclusively on the issuer processor business. We believe that this is the best use of shareholder investment for a large number of reasons. Below we outline several financial characteristics of the industry.

- First, this business has significant barriers to entry. It is capital intensive, and requires patient capital, willing to wait to achieve ROI. We are already roughly two years into the investment, and expect to see the first revenue from this business within the next 12 months. In today's investment climate, there are not many investors willing to wait years before the dawn of any ROI.
- Second, for those investors patient enough to wait, the industry tends to grow large scale enterprises. In the US market where we operate, the average market capitalization of the top five players in this space is over $20 billion, based on trailing P/E ratios of 20-30x.
- Third, related to point number two above, once clients sign on to an issuer processor, if the processor performs well, there is a high year over year retention rate of clients as the operational switching costs (time, money and manpower) are high, leading to a cash flow profile that has a high percentage of recurring revenue.

- Fourth, this industry is large, with a high projected growth rate through at least 2025. In a report by industry expert Edgar Dunn, the industry is expected to reach $50 billion in 2019, with an annual growth rate of approximately 20% per annum, resulting in a $150 billion industry in 2025.
- Fifth, industry players have large balance sheets and are highly acquisitive. Five of the largest public industry players in the US have balance sheets with an average of approximately $400 million in cash

Against this industry backdrop is the changing nature of the consumers the issuers are serving. The "one size fits all" model of processing no longer applies. Processors must respond to evolving demand for more specialized, customized options being offered by a wider range of issuers. Issuers are brought more closely into the development strategy through formal interfaces with product management, such as issuer conferences. Issuers are more aware of the underlying technology, and its effects on their own strategies. Issuers want more transparency into their data, and seek to control how the processor uses such data.

As ecommerce becomes more sophisticated (think Amazon "one click" shopping for repeat customers; think increasing e-commerce transactions via a mobile device vs. a desktop; think retailers expanding their brands to include digital payment options), processors must differentiate their service offerings to respond to the demand for more customized solutions by card issuers.

Change's greatest asset to meet this evolving landscape is its team located in Los Angeles, California. This group of highly qualified engineers is dedicated to delivering excellence, and to building a processor that meets the demands of new challengers in the card issuer space. In October 2018, the team

successfully completed Mastercard transaction certification, which enables the business to be registered as one of less than 30 Mastercard third party processors globally. Change will use its niche positioning to offer customized solutions to credit unions, corporates, and other issuers.

CLOSING

In closing, I would like to stress that while 2018 has been a difficult year for Change, we have taken tough decisions to sell a core asset, to reduce our monthly burn, and to focus on the business with the greatest promise.

I would like to thank the staff who have persevered, and continue to contribute valuable ideas towards improving the company's performance.

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I would like to thank my board colleagues for their valuable strategic direction, hard work, commitment, and dedication during this difficult chapter in the company's history. Our path to sustained earnings is now clear and we remain committed to optimising shareholder value as the implementation of our new vision progresses.

On behalf of the board and management, we take the opportunity of thanking you, fellow shareholders, for your support during the year and assure you of our dedication to position the Company for growth and the delivery of superior returns.