

FY2021 Q4

QUARTERLY UPDATE
AND APPENDIX 4C

30 July 2021

June 2021 Quarterly Update and Appendix 4C

FY2021 Q4 Highlights

- Record revenue in June quarter of US$2.6 million (A$3.4 million)
- Receipts from customers totalled US$2.1 million (A$2.8 million) for the quarter
- Cash position of US$4.0 million (A$5.3 million) at 30 June 2021
- Annual Recurring Revenue (ARR) remained steady at US$4.4 million (A$5.9 million)
- Key executive and business development appointments made to execute on growth strategy
- Phase 2 (Customer Ready Platform) on track to accelerate sales pipeline
- Go-to-Market strategy completed with release on 2nd August

30 July 2021 **Change Financial Limited (ASX: CCA) ("Change"** or **"the Company")**, a global fintech offering banking and payments solutions to businesses and financial institutions, is pleased to release an update on the Company's business activities along with the Appendix 4C for the quarter ended 30 June 2021.

Change CEO Alastair Wilkie commented, "We have had another positive quarter as we continue building the foundations to offer a next generation of innovative banking and payments solutions to our customers. We focused on developing our technology and team and strengthened our platform to capitalise on the global opportunity in front of us. We have also finalised our go-to-market strategy and the year ahead will be an exciting journey for Change as we execute on taking our business to the next level."

Cash Flow and Financial Update

Revenue for the June quarter was a record for the Company at US$2.6 million (A$3.4 million) as the Company successfully secured a number of new licence deals.

For the June quarter, receipts from customers were lower, totalling US$2.1 million (A$2.8 million[1]), compared to US$2.9 million (A$3.9 million) from the previous quarter. This is due to timing differences with annual invoicing undertaken in the December quarter with subsequent cash receipts from customers deposited in the following quarter (being the quarter ended 31 March). Additionally, receipts from customers in the prior quarter were also increased due to the collection of outstanding debtor balances from the acquisition.

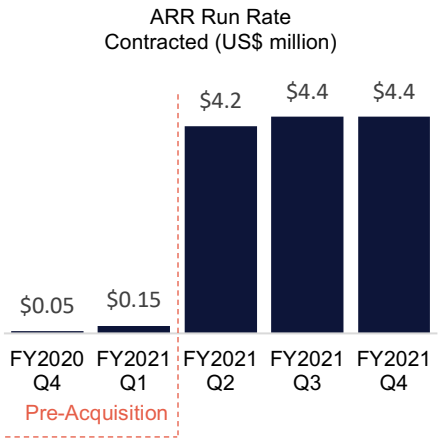
Cash position at the end of the quarter was US$4.0 million (A$5.3 million), compared to US$4.5 million (A$6.0 million) from the previous quarter. This was a result of the lower cash receipts. Cash operating costs remained in line with the previous the quarter with an uptick in staff costs as the Company delivered on key executive and business development appointments to drive its growth strategy.

Change's ARR run rate remained steady at US$4.4 million (A$5.9 million), despite the impact of converting a client from recurring revenue to a significant one-off licence payment during the quarter. Change continues to drive incremental growth through the onboarding of customers 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 payment processing and card management solutions.

Change maintains a healthy contracted pipeline of project work which it earns above ARR, further details on the Company's sales pipeline is provided below.

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's reporting of results.

[1] AUD/USD = 0.75



Business Activities

People

During the quarter, Change continued its focus on investing in the business with key appointments, including the appointment of Mr Tony Sheehan as Chief Financial Officer to lead Change's financial and commercial management, while being an integral member of the leadership team as Change executes on its growth strategy.

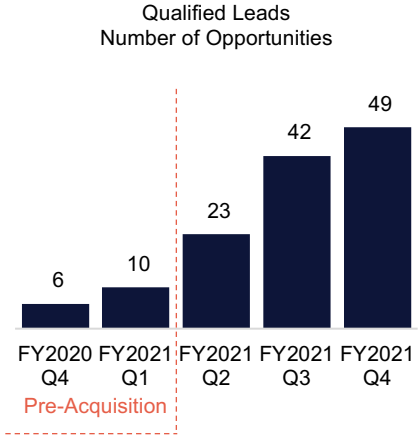
Additionally, Change appointed Vice Presidents of Business Development for Oceania and North America. They both have extensive experience within the global payments industry and will be based in Brisbane and New York respectively.

The Company also continues to recruit for a senior business development executive to head up its Southeast Asia sales initiatives and drive new opportunities from new and existing customers in the region.

Sales pipeline

With a focus on global business development and sales growth strategies, Change expects its sales pipeline to continue to grow with consequent uplifts in sales results as opportunities develop. Change will complete the roll out of its Phase 2 Customer Ready Platform during the September 2021 quarter, which will allow Change to offer a next generation integrated payment processing and card management solutions platform.

Change closed out approximately half of the project and licencing opportunities in its pipeline at the end of the March quarter, delivering over US$1 million (A$1.3 million) in revenue for the June quarter. The projects and licences delivered were for upgrade and change works for existing clients as well as new licence sales of Change's payments testing solution to new and existing clients. During the quarter, Change has realised new sales as well as further growth in its pipeline to 49 total opportunities as at 30 June.



Change maintains a healthy contracted pipeline of project work for upgrades and changes with existing clients, the majority of which are scheduled to be delivered over the next six months.

In June 2021, Change entered a licencing agreement with Pi Pay to enable them to utilise a small selection of Change's technology to power their mobile payments and digital merchant management platform. The agreement

is on a non-exclusive basis outside Cambodia and Company is exploring expanding the jurisdictional reach of these specific technologies in partnership with Pi Pay. The specific technologies are also currently used by Change's clients in Africa.

Go-To-Market Strategy

The Company's Go-To-Market strategy has been completed and a summary will be released to the market on 2nd August as part of Change's quarterly webinar.

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.

Authorised for release by the board of Change Financial Limited.

About Change Financial

Change Financial Limited (ASX: CCA) is a global fintech, leveraging innovative and scalable technology to offer banking and payments solutions to businesses and financial institutions.

- Next generation payments processing and card management solutions platform
- Integrated financial transaction testing solution
- More than 125 customers in 36 countries
- Manages and processes over 16 million virtual, credit, debit and prepaid cards worldwide
- Annuity income from blue-chip client base including major banks, supermarkets and fintechs
- Highly experienced management and technical team

To learn more, please visit: www.changefinancial.com

For more information, please contact

Alastair Wilkie
Chief Executive Officer
Change Financial Limited
investors@changefinancial.com

Maude Lacasse
Investor Relations
NWR Communications
maude@nwrcommunications.com.au

Appendix 4C

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

Name of entity	
Change Financial Limited	
ABN	**Quarter ended ("current quarter")**
34 150 762 351	30 June 2021

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	2,126	6,091
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(1,666)	(5,301)
	(f) technology / hosting expense	(225)	(684)
	(g) professional fees	(69)	(227)
	(h) consulting / outsourced services	(156)	(628)
	(i) administration and corporate costs	(288)	(1,210)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	6
1.5	Interest and other costs of finance paid	(2)	(12)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	60
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(280)**	**(1,905)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses **	-	(4,492)

Consolidated statement of cash flows		Current quarter $US'000	Year to date (12 months) $US'000
	(c) property, plant and equipment	-	(40)
	(d) investments	-	-
	(e) software development	(235)	(665)
	(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	**Net cash from / (used in) investing activities**	**(235)**	**(5,154)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	8,359
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	-	(607)
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)	(37)	(147)
3.10	US Government Loan (PPP Program)	-	-
3.11	**Net cash from / (used in) financing activities**	**(37)**	**7,605**

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	4,484	2,966
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(280)	(1,905)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(235)	(5,154)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(37)	7,605
4.5	Effect of movement in exchange rates on cash held	86	506
4.6	**Cash and cash equivalents at end of period**	**4,018**	**4,018**

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	4,018	4,484
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)**	**4,018**	**4,484**

6.	Payments to related parties of the entity and their associates	Current quarter $US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	33
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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 or director related entities.

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.*	**Total facility amount at quarter end $US'000**	**Amount drawn at quarter end $US'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

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)	(280)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,018
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	4,018
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	14.4

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?

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?

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

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: 30 June 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.

