# Q4 FY23 Investor Presentation

27 July 2023

# Delivering innovative and scalable payments solutions

**Payments solutions provider driving innovation in the banking ecosystem**

- Change leverages innovative and scalable technology to provide tailored payment solutions, card issuing and testing to 150+ banks & fintechs across 40+ countries
- Two core products in the banking & payments ecosystem – Vertexon & PaySim

## Banking as a Service

### Payments as a Service

vertexon



Physical & virtual card issuing



Transaction processing for all major card schemes



Digital payments (Apple, Google & Samsung Pay), BNPL

**64%**

**of FY23 Revenue**

### Payment testing

PAYSIM



Full payment simulation



ATM & POS emulation



Visa, Mastercard, UnionPay, Amex, JCB validation

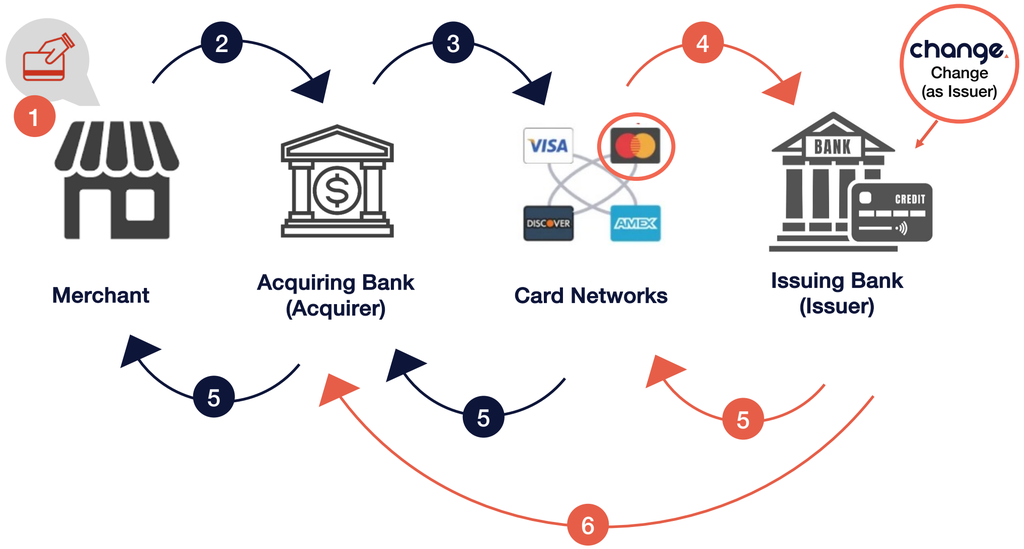
**36%**

**of FY23 Revenue**

# Vertexon in the payments process

**Change's role in the payments process depends on the region, client type and services provided**

- **Processing:** An Issuer (Change's client) using the Vertexon Platform (technology only) to manage their cards – client is the Issuer and cards can be issued on any card network supported by Vertexon
- **Processing & Issuing (P&I):** A client using the Vertexon Platform (technology) to manage their cards with Change as Issuer (regulatory & licence) – **Change** is the Issuer and cards are issued on the **Mastercard Network**




1. **Processing:** Customer pays with card (all card networks supported) & purchases goods/services from merchant

   **P&I:** Customer pays with a **Change** issued **Mastercard** & purchases goods/services from a merchant
2. Payment authenticated – the merchant point-of-sale system captures the customer's account information & securely sends it to the acquirer (i.e. merchant's bank)
3. Transaction submitted – merchant acquirer asks card network to get authorisation from the issuer (i.e. customer's bank)
4. **Processing:** Authorisation requested – card network submits transaction to issuer for authorisation

   **P&I:** Authorisation requested – card network submits transaction to **Change** (as Issuer) for authorisation
5. **Processing:** Authorisation response – using Vertexon Platform issuer authorises the transaction and routes the response back via the card network and acquirer

   **P&I:** Authorisation response - using the Vertexon Platform **Change** (as Issuer) authorises the transaction and routes the response back via the card network and acquirer
6. **Processing:** Settlement – card network debits the issuer and pays the acquirer who in turn makes payment to the merchant

   **P&I:** Settlement – card network (**Mastercard**) debits the issuer (**Change**) and pays the acquirer who in turn makes payment to the merchant

*Cards can be physical and virtual cards (inc. Apple Pay, Google Pay, etc.) available via Vertexon*

# Vertexon product offering

**Vertexon offering can be tailored by client to offer services that best suit client and end customer needs**

| | Processing | Processing & Issuing |
|---|---|---|
| **Overview** | • Provide core technology to enable card issuing and management including:<br>  ○ Transaction processing<br>  ○ Card management<br>  ○ Fraud monitoring<br>  ○ Digital and virtual cards<br>  ○ BNPL functionality<br>• Platform offers innovative processing capabilities to rival the major banks in a capital efficient manager (Change responsible for PCI DSS compliance, hosting etc)<br>• **Client** responsible for card issuing – client holds the necessary scheme and regulatory licences | • Provide Processing capability **+** the following key card Issuing capabilities:<br>  ○ Card design and production<br>  ○ Card issuing<br>  ○ AML / CTF<br>  ○ Settlement and reconciliation<br>  ○ KYC & Onboarding<br>• **Change** responsible for card issuing – Change holds the necessary scheme (Mastercard) and regulatory licences (i.e. AFSL / FSP / Issuing Bank Partner) |
| **Cards Supported** | • Prepaid, Debit and Credit | • Prepaid and Debit |
| **Target Clients** | • Banks & financial institutions<br>• Large entities with direct issuing capability<br>• Migration of key existing Vertexon on-premise clients | • Mid / Small banks & financial institutions incl. credit unions<br>• Fintechs and corporates<br>• BIN sponsorship (Australia & New Zealand only) |
| **Regions** | • Global - processing does not require scheme or regulatory licences | • Australia, New Zealand and the US |
| **Supported Schemes** | mastercard, VISA, UnionPay, JCB, American Express, Diners Club International | mastercard |

# Vertexon issuing capabilities

**The majority of key enablers for card issuing in Australia, New Zealand and the US are now in place**

- Change has completed the majority of the necessary regulatory and licensing requirements to enable card issuing in NZ, Australia and the US
- Upon completion of the two remaining items shaded orange (targeting Q1 FY24), Change will be able to issue debit and prepaid cards in NZ, Australia and the US
- Mastercard Principal Memberships in Australia and New Zealand enables Change to offer BIN Sponsorship in these regions
  - Enables clients without local issuing capabilities to access Change's principal issuing status with Mastercard to issue and manage prepaid and debit cards
  - Also provides an efficient and cost-effective solution for clients looking to expand their service offerings in the region

| | Regulatory Licence | Mastercard Issuing Licence | Mastercard Certified Processor | Mastercard Prepaid Issuing | Mastercard Debit Issuing[1] |
|---|---|---|---|---|---|
| New Zealand | Registered FSP | Licenced | Certified | Live | Live |
| Australia | AFSL | Licenced | Q1 FY24 | Approved | Approved |
| United States | Issuing Bank Partner | Licenced | Certified | Live | Q1 FY24 |

1. *Debit issuing requires a partner bank (US) or customers to be a licensed deposit taking entity (NZ & AU)*

# PaySim: critical payments infrastructure testing tool

**Software facilitates remote testing without the need for physical devices such as ATMs & POS terminals**

- **Simulates the full transaction lifecycle**, enabling banks & fintechs to complete end-to-end testing of their payment platforms, processes & scheme rule compliance
- Enables financial institutions to **test their payment systems** to meet the reliability & performance expectations of their customers

| | Licence Model | | | SaaS Model | |
|---|---|---|---|---|---|
| **Growth Strategy** | **Licences** | **Additional Modules** | **Maintenance** | **Monthly Subscription** | **Key benefits of SaaS solution for client** |
| **Description** | New licence sales to new clients | New licence sales for additional features | c.20% p.a. of licence & module sales | All in monthly subscription fee | ▶ Reduced capex<br>▶ Access to new features & updates as they are released<br>▶ API & cloud focused solution (improves scalability) |
| **Revenue type** | One-off upfront | One-off upfront | Recurring | Recurring | |
| **Target clients** | New banks, financial institutions & fintechs | Existing clients | - | New banks, financial institutions & fintechs | |
| **Primary sales channels** | Partnerships (e.g. EFTPOS mandate), resellers & direct | Direct & retargeted marketing | - | Partnerships (e.g. EFTPOS mandate), resellers & direct | |

# Operational update – Q4 FY23

**Accelerating opportunities across key regions following recent regulatory approvals and partnerships**

| Milestone | Q4 Key Achievements |
|---|---|
| **Business readiness for direct card issuing in Oceania** | ▶ Approved for Mastercard Principal Membership in Australia<br>▶ Will enable Change to issue Mastercard debit and prepaid cards in Australia<br>▶ 3 out of 4 NZ clients now issued 'live' cards and will progressively transition cardholders on to Change's Vertexon platform over H1 FY24<br>▶ In the process of finalising EFTPOS NZ connectivity<br>▶ Mastercard already live and transacting – EFTPOS will provide full market coverage |
| **Grow through clients and partners** | ▶ Partners<br>▶ Launched prepaid and debit Bank Identification Number (BIN) sponsorship offering in Australia and New Zealand<br>▶ Demand for prepaid and debit issuing in Australia and New Zealand growing given regulatory and scheme licences secured<br>▶ Clients<br>▶ Signed 26 new contracts worth US$2.3m (A$3.4m) with both new and existing clients during Q4 FY23<br>▶ New projects, services and licence sales for clients across SE Asia, Oceania and LATAM<br>▶ Two Vertexon clients received banking awards<br>▶ Maya (Philippines) – Best Digital Bank PurePlay in Philippines & SE Asia 2023<br>▶ Banco De Reservas (Dominican Republic) – Best Bank in Dominican Republic 2023 |
| **Corporate activities** | ▶ Completed the transition to new CEO – Tony Sheehan commenced in the role effective 3 July 2023<br>▶ Strengthened the Board with appointment of experienced Non-Executive Director – Mr Geoffrey Sam, OAM<br>▶ Additional Compliance and Fraud Management resources added in Australia and New Zealand |

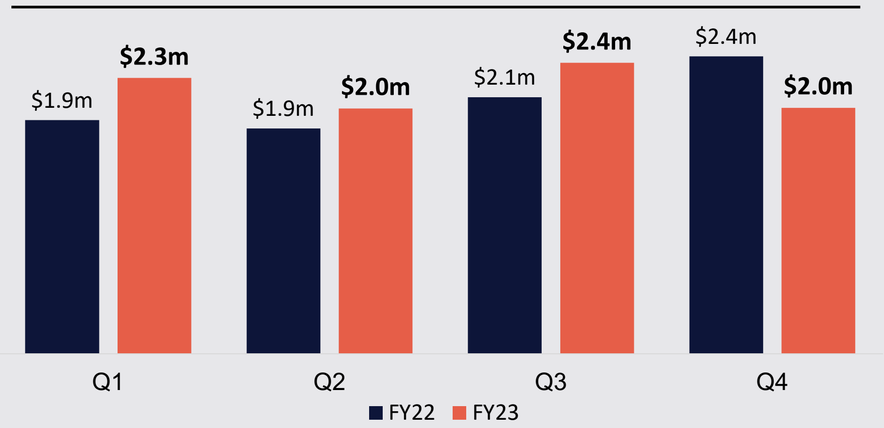
1. *AUD/USD = 0.68*

# Financial Update – Q4 FY23

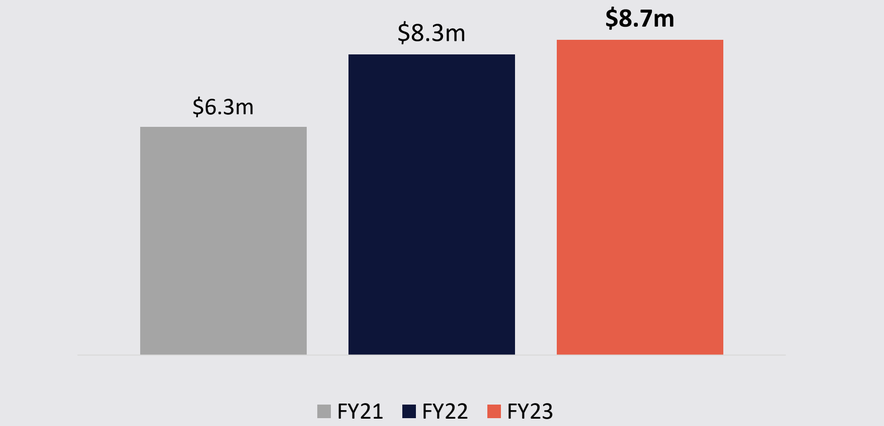
**FY23 delivered modest revenue growth with reduced cost base**

- Q4 FY23 revenue of US$2.0m (A$2.9m[1])
- FY23 YTD revenue (unaudited) of US$8.7m (A$12.8m), up 4.7% on FY22
  - FY23 revenue lower than the target 'double digit' revenue growth due to delays in NZ PaaS revenue
  - Full NZ market coverage of Mastercard and EFTPOS will enable card migrations to Vertexon during H1 FY24
- Cash receipts of US$2.6m (A$3.8m), up 42% on pcp
  - Significant increase is primarily attributable to the receipt of the US$1.0m (A$1.5m) Mastercard incentive
- Cash payments for operating activities (excluding income tax and interest) of US$2.4m (A$3.5m)
  - Realigned cost base has contributed to reduction in staff costs
- Cash holdings of US$5.4m (A$7.9m)
  - Additional US$0.3m (A$0.4m) held in cash-backed security guarantees

**Revenue by Quarter (US$)**




**Revenue by Year (US$)**




1. *AUD/USD = 0.68*

# Outlook

**Focused execution and delivery to achieve success**

- **Profitable revenue growth**
  - Realigned cost base has positioned Change to deliver profitable revenue growth in FY24+
  - Despite initial delays with NZ clients, they are now onboarded with first live cards issued and transition of cardholders now planned to occur over H1 FY24
- **Cashflow breakeven**
  - Targeting to achieve a monthly cashflow breakeven run-rate exiting FY24 through
    - Existing client base + contracted PaaS clients + new client / partner wins

## 4 Key Objectives to Drive Success



**Shared Success & Growth**



**Operational Excellence**



**Market Leading Solutions**



**Powering our People**

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