Q4 FY24 Investor Presentation

25 July 2024

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

72%

of FY24 Revenue

Payment testing

PAYSIM



Full payment simulation



ATM & POS emulation



Visa, Mastercard, UnionPay, Amex, JCB validation

28%

of FY24 Revenue

Key Highlights

Record revenue quarter driven by an increase in professional services revenue and an increasing contribution from PaaS clients as they continue to migrate to Change

- H2 FY24 revenue (unaudited) of US$6.2m (A$9.3m), up 39% on pcp
- FY24 revenue (unaudited) of US$10.6m (A$15.8m), up 22% on FY23

US$3.2m
(A$4.8m)[1]
56% PCP
REVENUE[2] Q4 FY24

40k+
107% QoQ
CURRENT ACTIVE PaaS CARDS ON PLATFORM

59%
OF REVENUE FROM RECURRING INCOME STREAMS[3] IN FY24

1.5m
133% QoQ
NO. OF TRANSACTIONS PROCESSED IN Q4 FY24

US$47m
142% QoQ
$ VALUE OF TRANSACTIONS PROCESSED[4] IN Q4 FY24

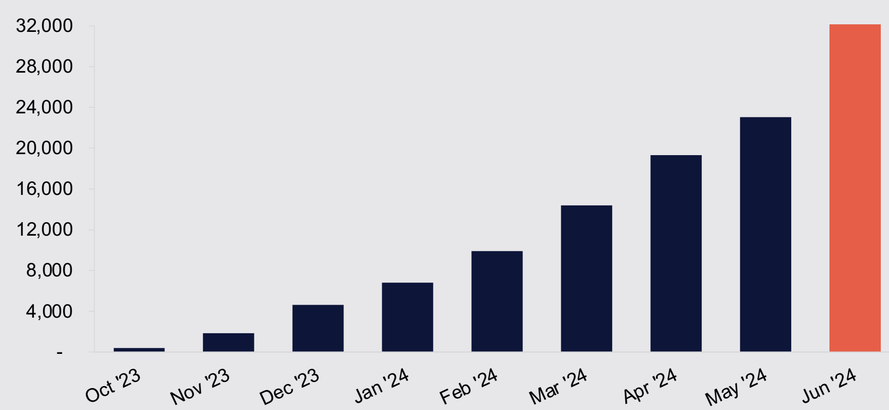
US$2.6m
CASH AS AT 30 JUNE 2024
+ US$0.5m ADDITIONAL CASH BACKED SECURITY GUARANTEES

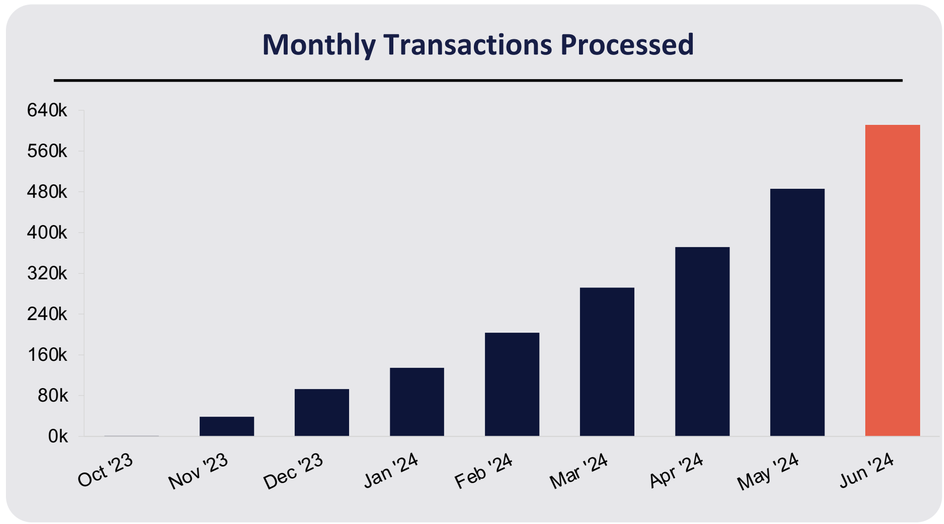
1. *AUD/USD = 0.67, all AUD amounts are converted for representation purposes to assist the reader*
2. *Unaudited*
3. *Includes Support & Maintenance and PaaS transaction fee revenue*
4. *Transactions are denominated in local currencies and have been converted to USD, Change's reporting currency, for reporting purposes*

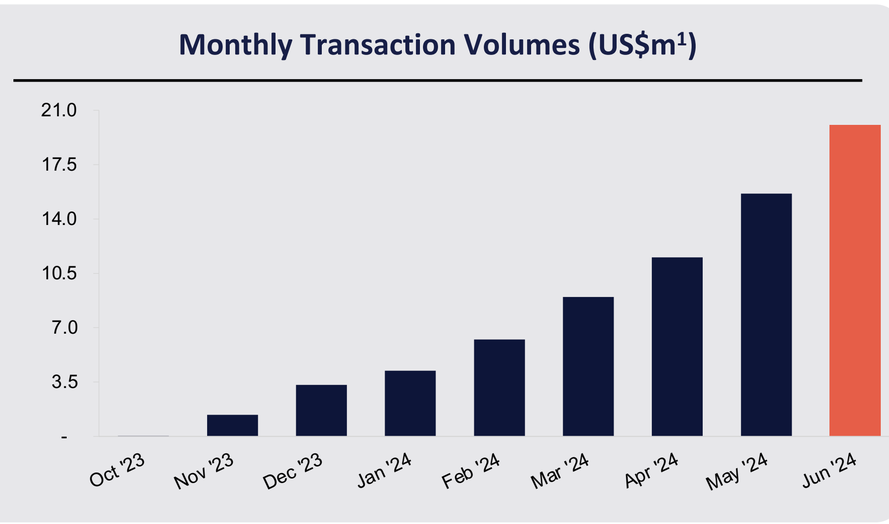
Vertexon PaaS Metrics

PaaS platform starting to scale with volumes increasing as cards migrate to Change

- Major client onboarding milestones now complete
  - 8 clients now live on Vertexon PaaS platform
  - 60k+ cards issued to date[2]
  - 40k+ cards now active (greater revenue correlation)[2]
  - Unity Credit Union to migrate 20k+ cards in H1 FY25
- Platform fully operational in Australia, NZ & US
- US clients expected to expand card offering imminently
- First Australian cards issued & transactions processed





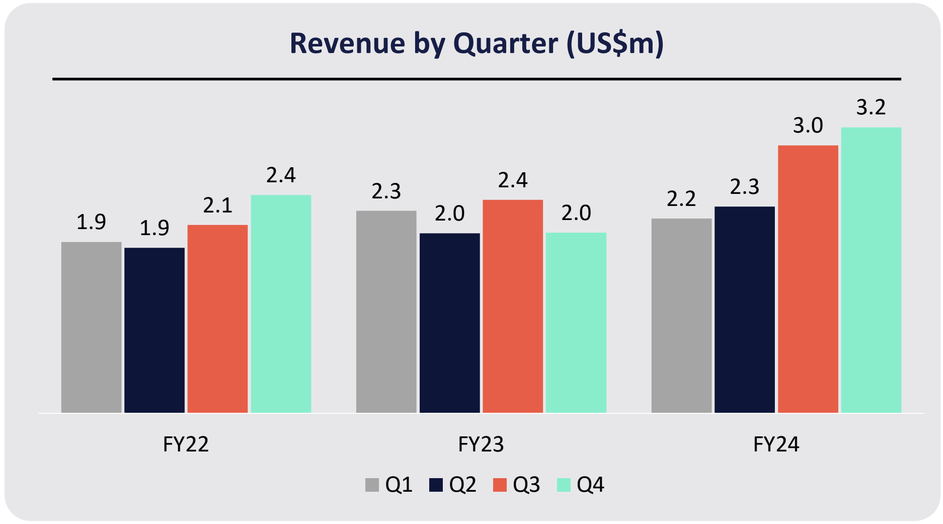


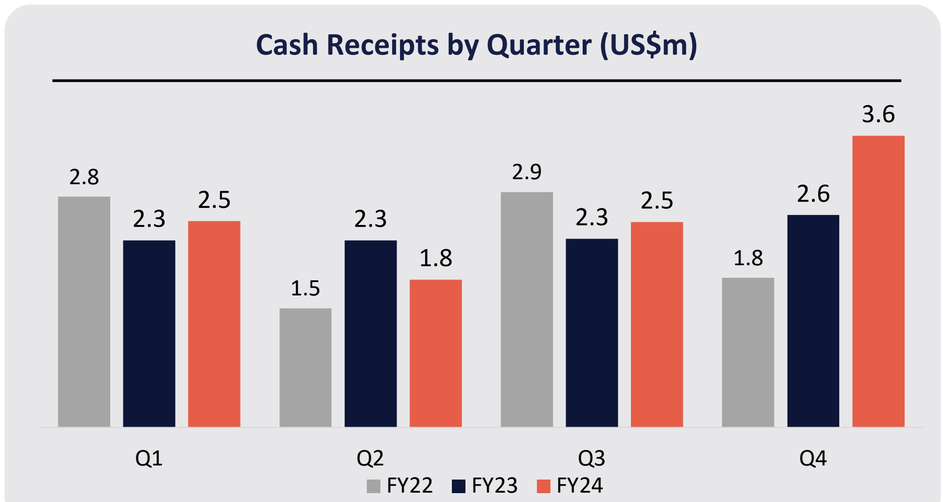
1. *Transactions are denominated in local currencies and have been converted to USD, Change's reporting currency, for reporting purposes*
2. *As at 19 July 2024*

Financial Update – Q4 FY24

Significant PaaS revenue ramp up underway

- Q4 FY24 revenue of US$3.2m (A$4.8m[1]), up 56% pcp
  - **Record revenue quarter**
  - Growth driven by increasing PaaS revenue and increased professional services revenue
  - PaaS clients started to make a meaningful contribution to revenue in H2 FY24
- Cash receipts of US$3.6m (A$5.4m), up 37% on pcp
- Cash payments for operating activities[2] of US$3.4m (A$5.1m), up 39% on pcp primarily driven by:
  - Scheme costs associated with PaaS platform connectivity in NZ, Australia and the US;
  - Transaction costs for the NZ PaaS clients as volumes increased materially; and
  - Intramonth movement of client funds related to transaction settlements for card issuing
- Positive net operating cashflow of US$0.2m (A$0.3m)
- Cash holdings of US$2.6m (A$3.9m)
  - Additional US$0.5m (A$0.8m) held in cash-backed security guarantees relating to card issuing activities





1. *AUD/USD = 0.67*
2. *Excluding income tax and interest*

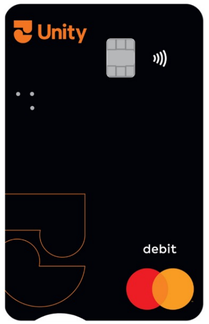
Delivering on Key Milestones – H2

Clear and focussed operational roadmap to deliver shareholder value

1 Shared Success & Growth

- Complete migration of NZ financial institution client cardholders to drive transactional revenue growth – **COMPLETE**
- Complete onboarding of US clients – **COMPLETE**
  - Rolling Thunder (LatinPay) and PlutusM (VirtCC) – clients will now work through their own launch and rollout plans
- Launch first contracted card programs in AU – **COMPLETE**
  - First cards issued and transactions processed
- 60k+ cards issued to date with 40k+ cards now active (greater revenue correlation)
- Focus on delivering value to clients and driving revenue growth – **ONGOING**
  - Secured Unity Credit Union as a new Vertexon PaaS client – go-live planned for H1 FY25
  - Increased focus on building sales pipeline on back of recent client wins and appointment of Chief Commercial Officer











Delivering on Key Milestones – H2 (cont.)

Clear and focussed operational roadmap to deliver shareholder value

2 Operational Excellence

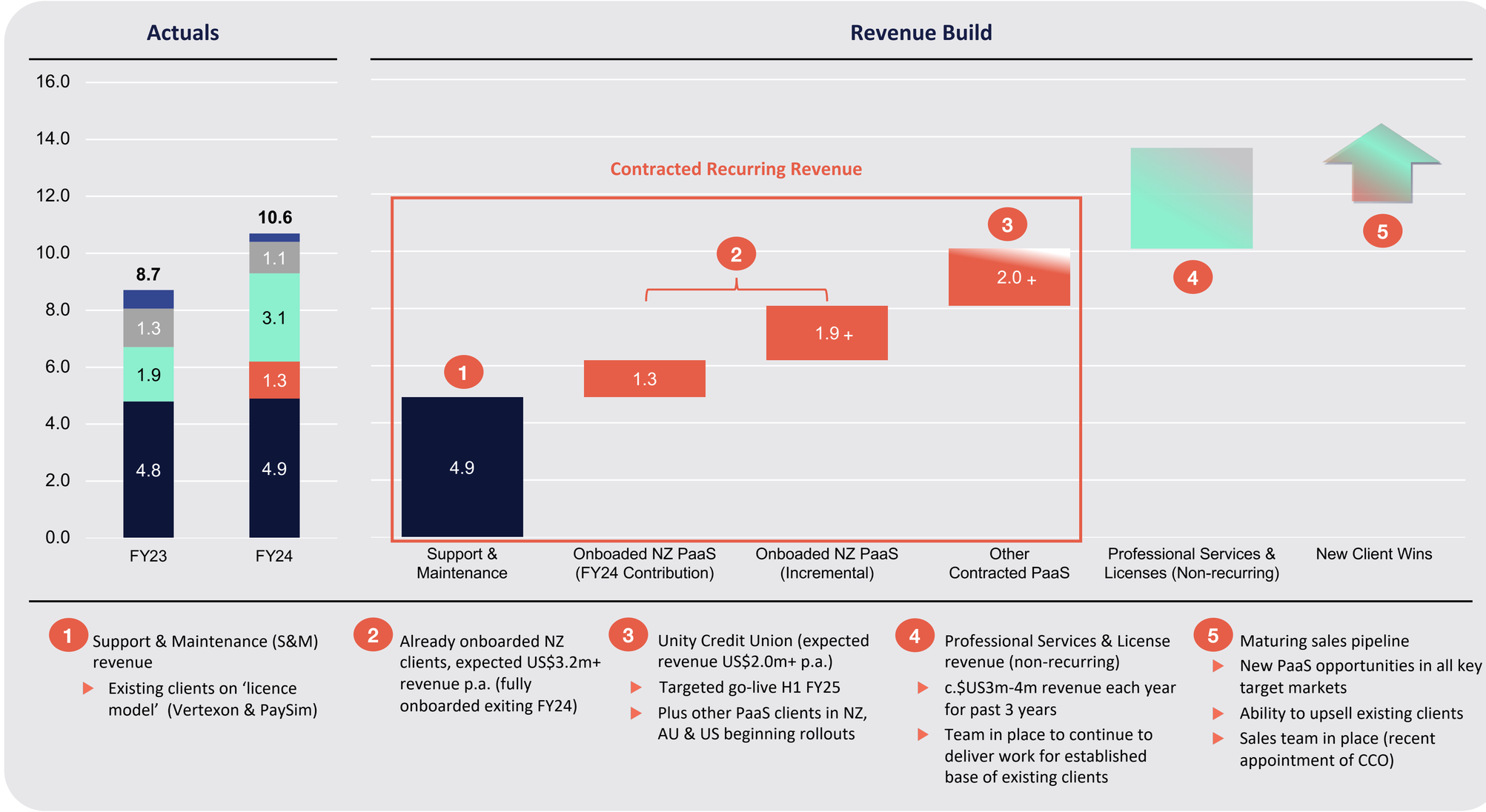
- Strengthen & refine core operations and capabilities – compliance, security, fraud & transaction monitoring – **ONGOING**
  - Strong base operations and capabilities in place – continue to refine, improve and streamline as volumes increase
  - Automate settlement and reporting processes including funds flows and reconciliation
- Continue working with existing Vertexon on-premise clients to upgrade or migrate to PaaS – **ONGOING**
  - Delivered all key milestones on time for major product expansion on latest version of Vertexon with an existing SE Asian on-premise client – targeting to launch new product in H1 FY25
  - Rationalised a dated platform version resulting in material cost savings and improved operational efficiency

3 Market Leading Solutions

- Complete digital tokenization and certification to roll out Apple Pay & Google Pay to PaaS clients – **IN PROGRESS**
  - Will commence rolling out Google Pay to PaaS clients in Q1 FY25
- Complete native SDK and API development including enablement of dynamic CVC and spend controls – **COMPLETE**
- Undertake PaySim modernisation program (UX/UI improvements) – **ONGOING FOCUS**
  - Program is expected to increase lead generation and improve sales conversions once complete

Revenue Drivers & Outlook

PaaS platform starting to scale with volumes increasing as cards migrate to Change



1 Support & Maintenance (S&M) revenue
- Existing clients on 'licence model' (Vertexon & PaySim)

2 Already onboarded NZ clients, expected US$3.2m+ revenue p.a. (fully onboarded exiting FY24)

3 Unity Credit Union (expected revenue US$2.0m+ p.a.)
- Targeted go-live H1 FY25
- Plus other PaaS clients in NZ, AU & US beginning rollouts

4 Professional Services & License revenue (non-recurring)
- c.$US3m-4m revenue each year for past 3 years
- Team in place to continue to deliver work for established base of existing clients

5 Maturing sales pipeline
- New PaaS opportunities in all key target markets
- Ability to upsell existing clients
- Sales team in place (recent appointment of CCO)

Outlook

Positive outlook as Change builds momentum and continues to scale

- PaaS clients now onboarded and contributing material revenue in FY25
  - Existing clients providing reference-ability – a key factor in the selection process for potential clients
- Targeting FY25 revenue growth in excess of 30%
  - Underpinned by significant portion of contracted revenue and increasing number of PaaS clients onboarded with transactional revenues growing
- Increasing operating leverage – targeting maiden EBITDA positive result in FY25

Investment Highlights

Following a significant period of investment, Change is entering the commercialisation phase with a strong focus on growth and scale

Building Blocks Now In Place



- All regulatory and licensing requirements for card issuing via Vertexon in NZ, AU & US in place
- Australian Financial Services Licence in in AU & Financial Service Provider in NZ
- Issuing bank partner in US
- Global relationship with Mastercard

Entering Growth & Scale Phase



- FY24 revenue of US$10.6m (A$15.8m)
- Additional contracted PaaS revenue to build over FY25
- Stable fixed cost base able to support material increase in new revenue
- **Targeting to deliver revenue growth in excess of 30% and maiden EBITDA positive result in FY25**

Marquee Customers



- Early validation of PaaS platform via several key customer wins in Oceania
- Long-term relationship with two of the largest banks in the Philippines
- 5 of the top 10 digital payment companies globally use PaySim for payments testing[1]

Product Offering



- Vertexon: leading card management system for processing & issuing
- PaySim: default standard for eftpos testing in Australia. All participants must use PaySim to validate their technology and systems

Long-term Contracts



- Longer term client relationships with initial contract terms typically 3-5 years
- Given critical nature of service provided, challenging to switch from Vertexon

Market Tailwinds



- Continued move towards digital payments as cash usage declines
- High barriers to entry to become card issuer with extensive regulatory and licensing requirements providing a strong moat for Change

1. *https://www.emergenresearch.com/blog/top-10-leading-digital-payment-companies-in-the-world*

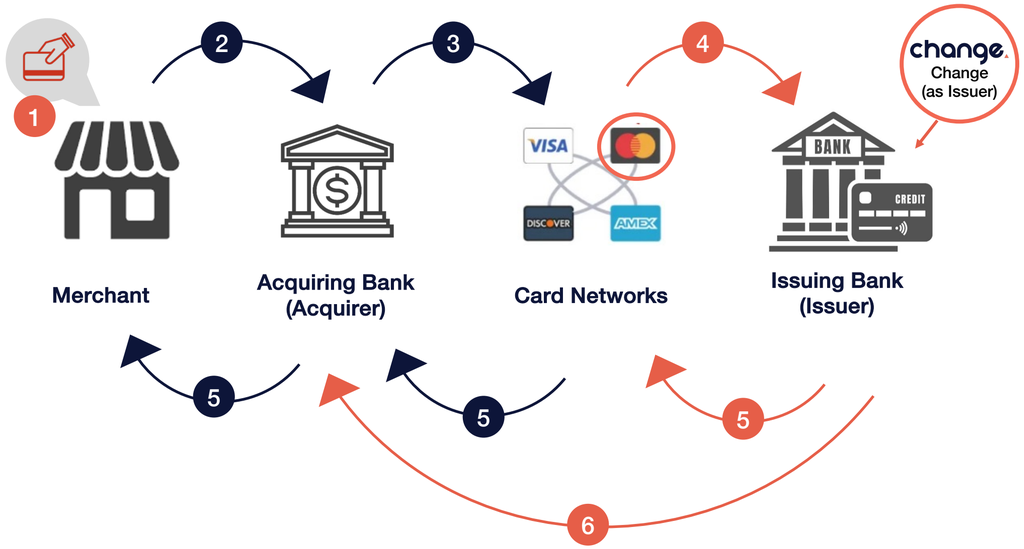
change.

Appendix

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: ○ Transaction processing ○ Card management ○ Fraud monitoring ○ Digital and virtual cards ○ BNPL functionality • Platform offers innovative processing capabilities to rival the major banks in a capital efficient manager (Change responsible for PCI DSS compliance, hosting etc) • **Client** responsible for card issuing – client holds the necessary scheme and regulatory licences	• Provide Processing capability **+** the following key card Issuing capabilities: ○ Card design and production ○ Card issuing ○ AML / CTF ○ Settlement and reconciliation ○ KYC & Onboarding • **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 • Large entities with direct issuing capability • Migration of key existing Vertexon on-premise clients	• Mid / Small banks & financial institutions incl. credit unions • Fintechs and corporates • 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

All regulatory and licensing requirements for card issuing in Australia, New Zealand and the US are now in place

- Change has completed **all** necessary regulatory and licensing requirements to enable card issuing in Australia, NZ and the US
  - Change can issue debit and prepaid cards in Australia, NZ 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	Certified	Live	Live
United States	Issuing Bank Partner	Licenced	Certified	Live	Approved

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 ▶ Access to new features & updates as they are released ▶ 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	

Change Financial Limited

ASX: CCA

Disclaimer

Important Notice
This presentation has been prepared by Change Financial Limited (Change Financial) in good faith. No express or implied warranty is given as to the accuracy or completeness of the information in this document or the accompanying presentation. All statutory representations and warranties are excluded, and any liability in negligence is excluded, in both cases to the fullest extent permitted by law. No responsibility is assumed for any reliance by any person on this document or the accompanying presentation.

Summary information
The information contained in this presentation is a summary overview of the current activities of Change Financial. This presentation does not purport to be all inclusive or to contain all the information that a prospective investor may require in evaluating a possible investment. This presentation is for general information purposes and is not intended to be and does not constitute an offer to sell or a solicitation of an offer to buy or sell securities, a prospectus, product disclosure statement, pathfinder document or other disclosure document for the purposes of the Corporations Act and has not been, and is not required to be, lodged with the Australian Securities & Investments Commission. This presentation should be read in conjunction with all other periodic and continuous disclosure announcements lodged by Change Financial with the Australian Securities Exchange, available at www.asx.com.au.

Not financial product advice
The material contained in this presentation is not, and should not be considered as, financial product or investment advice. This presentation is not an offer, invitation or recommendation to acquire New Shares, and does not take into account the investment objectives, financial situation or particular needs of any particular investor. You must make your own independent assessment and review of Change Financial, and the information contained, or referred to, in this presentation, including its financial condition, assets and liabilities, financial position, profits and losses, prospects and business affairs, including the merits and risks involved. Nothing in this presentation constitutes investment, legal, tax or other advice. You should seek legal, financial, tax and other advice appropriate for your jurisdiction.

Past and future performance
This presentation contains information as to past performance of Change Financial. Such information is given for illustrative purposes only, and is not – and should not be relied upon as – an indication of future performance of Change Financial. The historical information in this presentation is, or is based upon, information contained in previous announcements made by Change Financial to the market. These announcements are available at www.asx.com.au.

This presentation contains certain “forward looking statements”. Forward looking words such as “expect”, “should”, “could”, “may”, “will”, “believe”, “forecast”, “estimate” and other similar expressions are intended to identify forward-looking statements. Such statements are subject to various known and unknown risks, uncertainties and other factors that are in some cases beyond Change Financial’s control. These risks, uncertainties and factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements and from past results, performance or achievements. Change Financial cannot give any assurance or guarantee that the assumptions upon which management based its forward-looking statements will prove to be correct or exhaustive beyond the date of its making, or that Change Financial’s business and operations will not be affected by other factors not currently foreseeable by management or beyond its control. Such forward-looking statements only speak as at the date of this announcement and Change Financial assumes no obligation to update such information.

Thank you.

Get in touch

investors@changefinancial.com