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FY24

Full Year Results and
APPENDIX 4E

29 August 2024

CHANGE FINANCIAL LIMITED
APPENDIX 4E
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2024

Entity Details

Name of Entity	Change Financial Limited
ABN	34 150 762 351

Details on Reporting Period

Current period	Year ended 30 June 2024
Previous corresponding period	Year ended 30 June 2023

Reporting Currency

Unless otherwise stated all amounts in this report are stated in United States dollars.

Results for Announcement to the Market

	2024 US$	**2023** US$	**US$** Change	**%** Change
Revenue from ordinary activities	10,638,843	8,709,090	1,929,753	increased 22.1%
Loss from ordinary activities	(2,569,771)	(2,918,427)	348,656	decreased 11.9%
Loss for the period attributable to members	(2,569,771)	(2,918,427)	348,656	decreased 11.9%
Basic EPS – cents per share (loss)	(0.41)	(0.54)	0.13	decreased 24.1%
Diluted EPS – cents per share (loss)	(0.41)	(0.54)	0.13	decreased 24.1%

Dividends

No dividend is proposed for the year ended 30 June 2024 (2023: nil).

Additional Disclosures

Additional Appendix 4E disclosure requirements and commentary on significant aspects of the operating performance, trends in performance and other factors affecting the results for the period are contained in the 2024 Annual Report, including the Chair's Letter and CEO's Report.

This document should be read in conjunction with the 2024 Annual Report, including the Chair's Letter and CEO's Report, and any public announcements made in the period by Change Financial Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 (Cth) and the ASX Listing Rules.

FY24 Full Year Results

Highlights

- FY24 revenue of US$10.6m (A$15.8m[1]), up 22% on the prior corresponding period (pcp)
  - Record revenue – driven by an increasing contribution from PaaS clients and an increase in professional services revenue
- H2 FY24 revenue of US$6.2m (A$9.3m), up 39% on pcp
- FY24 EBITDA loss of US$0.7m (A$1.0m), 42% improvement on pcp driven primarily by increasing revenue and stable cost base
  - EBITDA neutral in H2 FY24 demonstrating increasing operating leverage
- PaaS clients onboarded with PaaS revenue ramp up continuing – a key factor in driving future revenue and cashflow
- Targeting revenue growth in excess of 30% in FY25 and maiden EBITDA positive year

29 August 2024 **Change Financial Limited (ASX: CCA) (Change** or **the Company)** is pleased to release the Company's full year results and Appendix 4E for the 12-month period ended 30 June 2024 (**FY24**).

Change CEO Tony Sheehan commented, "We ended FY24 with significant momentum demonstrated by our record revenue for the year but particularly in H2 FY24. Driven by the continued transition of our revenue composition to recurring PaaS services we now enter FY25 with strong tailwinds and business fundamentals. With more than 40,000 active cards across our three core regions generating transactional revenues, we are increasingly able to demonstrate the tangible benefits of our Vertexon PaaS platform to a wide variety of new and existing clients. As we have found, reference-ability is a key factor in the selection process for potential clients with Change now well positioned to take advantage of that.

"We have recently signed new PaaS clients, such as Unity Credit Union, which continues to demonstrate the value of our product and service offering and enables the business to scale with increased volume. More broadly, as the need for critical payments processing infrastructure increases, I feel we are well positioned to capitalise on opportunities in our target markets given our product suite, experienced team and increasing scale.

"Looking forward to FY25, we are targeting revenue growth in excess of 30% and a maiden EBITDA positive year."

Operational Update

Key Achievements

Throughout FY24, Change completed the final milestones to launch its Vertexon PaaS platform in Australia, NZ and the US. The key achievements included NZ domestic EFTPOS connectivity and all final technical and licensing requirements to enable prepaid and debit card issuing in each region. The Company then launched the first Vertexon PaaS clients in NZ and completed the migration of the first four NZ financial institution clients followed by the launch of fintech clients in all three regions. In addition, the final key hires were made to strengthen the team and operationalise the Vertexon PaaS platform allowing for growth and scale.

The launch of the latest version of Vertexon has enabled the Company to begin rationalising dated versions of the platform resulting in material cost savings and improved operational efficiency.

[1] AUD/USD = 0.67, all AUD amounts are converted for representation purposes to assist the reader

The Company also commenced a PaySim modernisation project during the period which is expected to increase lead generation and improve sales conversions upon completion.

Growth in Processing and Issuing

During the year, Change completed onboarding eight clients to the Vertexon PaaS platform and now has more than 40,000 active cards in Australia, NZ and the US. Of note, this included four financial institution clients in NZ that migrated all existing cardholders over to Change.

Unity Credit Union (new PaaS client announced 30 May 2024), with approximately 20,000 debit cardholders, will be migrating cards to Change's Vertexon platform imminently. Unity and Change have now satisfied all conditions precedent ahead of go-live.

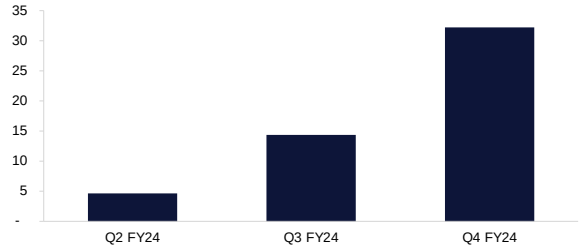
Cards for the first Australian clients have been issued with the first transactions processed in late FY24.

Transactional revenues will continue to scale up with the onboarding of already contracted and new clients.

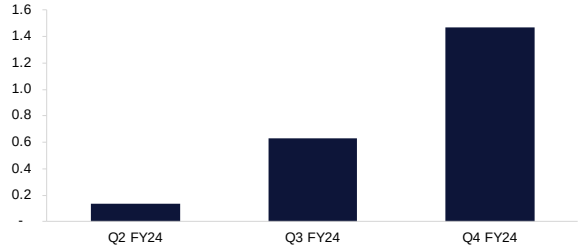
The metrics presented below are global (Australia, NZ and US) metrics for Change relating to its Vertexon PaaS offering. Vertexon on-premise client metrics are not reported given the limited correlation between card and transaction volumes and resulting revenue.

Vertexon PaaS Metrics

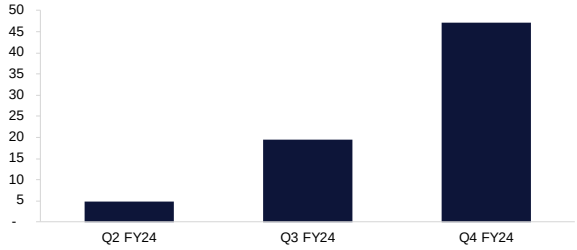
Active Cards (thousands)



Transactions Processed (millions)



Transaction Volumes (US$m[2])



Sales Update

During FY24, Change continued to sign contracts with both new and existing Vertexon and PaySim clients. The sales success highlights Change's ability to deliver simple, flexible, secure and fast to market technology solutions to both blue chip and emerging clients.

The increasing reference-ability has attracted heightened interest from potential new clients and seen the sales pipeline continue to expand, with strong momentum supporting Change's positive trajectory for sustained growth.

[2] Transactions are denominated in local currencies and have been converted to USD, Change's reporting currency, for reporting purposes

Notable sales wins for the period include:

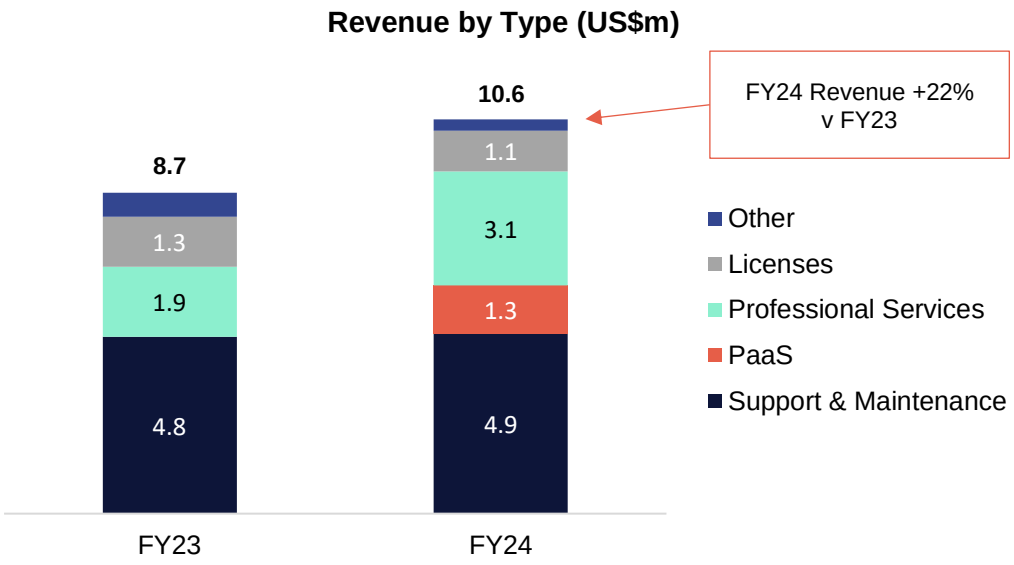
- New PaaS client – secured Unity Credit Union, one of the largest credit unions in NZ, as a new PaaS client with approximately 20,000 debit cardholders. The client is expected to go-live imminently and is anticipated to generate revenue in excess of US$2.0m (A$3.0m) per annum. Change has now secured the two largest credit unions in NZ and is one of the largest non-bank issuers of debit cards in NZ.

- Product expansion – the Company secured a major product expansion with an existing SE Asia on-premise client to broaden their offering to include credit cards. Change's Vertexon on-premise solution already provided processing services for the client's existing card offering and the expanded agreement leverages the latest version of Vertexon to process credit cards. The client will remain the issuer. The expanded product partnership continues to strengthen Change's relationship with the client and provides the potential for future professional services and license sales opportunities.

Financial Update

Change delivered FY24 revenue of US$10.6 million (A$15.8m), up 22% on pcp with H2 FY24 revenue of US$6.2m (A$9.3m), up 39% on pcp. This growth was primarily driven by the increasing contribution from PaaS revenue and an increase in professional services revenue. PaaS clients started to make a meaningful contribution to the Company's revenue in H2 FY24 as cards continued to migrate across and new programs went live. Additionally, as expected, the focus on PaaS platform development moderated in H2 FY24, freeing up capacity that has enabled the delivery of additional professional services revenue for key on-premise clients.

With PaaS revenues beginning to increase in H2 FY24, Change is building an increasing base of recurring revenue. In FY24, approximately 59% of revenue was derived from recurring income streams (Support & Maintenance and PaaS transaction fees) with 41% from project and licence income (i.e. non-recurring income). The proportion of recurring income (as a % of total revenue) is expected to increase over time driven particularly by PaaS clients as they progressively ramp up.



Change delivered an EBITDA loss of US$0.7m (A$1.0m) for FY24, a 42% improvement on pcp, driven primarily by increasing revenue and stable cost base.

Profit & Loss Summary			
(US $000's)	FY24	FY23	Var %
Revenue	10,639	8,709	22.2%
COGS	(1,402)	(567)	147.4%
Gross Profit	**9,237**	**8,142**	**13.4%**
Employee expenses	(6,179)	(5,720)	8.0%
Professional services & insurance	(1,082)	(1,012)	6.9%
Technology & hosting	(1,447)	(1,612)	(10.2%)
Other expenses	(1,141)	(1,053)	8.4%
Operating Expenses	**(9,849)**	**(9,397)**	**4.8%**
EBITDA	**(737)**	**(1,274)**	**(42.2%)**

Note: FY23 & FY24 EBITDA excludes $20k & $125k respectively of interest included as Revenue

(US $000's)	H1 FY24	H2 FY24
Revenue	4,472	6,167
Gross Profit	4,266	4,971
Opex	(4,931)	(4,918)
EBITDA	**(734)**	**(3)**

Note: H1 & H2 EBITDA excludes $69k & $56k respectively of interest included as Revenue

The Company has now separated Cost of Goods Sold (COGS) in the P&L to break out the direct costs associated with delivering its Processing and Issuing services to PaaS clients. These COGS are primarily scheme and connectivity fees. The COGS in FY23 relate to fixed connectivity fees, particularly for the US platform. Due to minimum fixed pricing for some COGS (i.e. connectivity fees), the gross margin will improve materially into the future as PaaS volumes increase.

Change's cash position at 30 June 2024 was US$2.6m (A$3.9m), with an additional US$0.5m (A$0.8m) held in cash backed security guarantees which are required now that the Vertexon PaaS Platform is 'live' in Oceania. The Company has no debt facilities in place.

Outlook

Following a significant period of product investment and operational readiness which completed in FY24, Change is well underway with the commercialisation phase of both Vertexon and PaySim with an increasing focus on growth and scale.

Record revenue in FY24 of US$10.6m (A$15.8m) begins to demonstrate the growth that Change can now deliver with the PaaS platform live and driving an increase in Change's contracted recuring revenue base. Already onboarded Vertexon PaaS clients are now making a material contribution to overall revenue. In addition, Change has a solid base of existing Vertexon on-premise and PaySim clients, contracted PaaS clients that are yet to go-live and a maturing pipeline that can deliver revenue growth in FY25 and beyond.

In FY25, Change is targeting to deliver revenue growth in excess of 30% with a significant portion already contracted from PaaS clients transacting on the Vertexon platform as well as support and maintenance contracts for Vertexon on-premise and PaySim clients.

Given the improving operating leverage within the business, which is expected to further improve over time as processing and issuing volumes continue to increase, Change is targeting a maiden EBITDA positive FY25 result.

Authorised for release by the board of Change Financial Limited.

About Change Financial

Change Financial Limited (ASX: CCA) (Change) is a global fintech, leveraging innovative and scalable technology to provide tailored payment solutions, card issuing and testing to banks and fintechs. Change's technology is used by 150+ clients across 40+ countries to deliver simple, flexible, and fast-to-market payment services, including card issuing and testing.

Change's payments as a service (PaaS) platform Vertexon, seamlessly integrates with banks and fintechs' core systems enabling delivery of digital and virtual card solutions to their customers. It includes integrated features such as Apple Pay, Google Pay, Samsung Pay and Buy Now Pay Later (BNPL) services. Change currently manages and processes credit, debit, and prepaid cards for banks, credit unions and fintechs in Oceania, SE Asia, LATAM and the US.

Using PaySim, Change tests payment systems to help clients meet the reliability and performance expectations of end customers. Simulating the full transaction lifecycle across multiple systems, PaySim enables banks and fintechs to complete end-to-end testing of their payment platforms and processes from a desktop. Change also provides the default standard for payments testing for the Australian EFTPOS network, servicing many global companies connected in Australia.

Learn more about Change at www.changefinancial.com

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