Investor Presentation

FY24 Full Year Results

2 September 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 year driven by an increase in professional services revenue and an increasing contribution from PaaS clients

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

US$10.6m
(A$15.8m)[1]
22% PCP
REVENUE FY24

40k+
CURRENT ACTIVE PaaS CARDS ON PLATFORM

59%
OF REVENUE FROM RECURRING INCOME STREAMS[2] IN FY24

2.2m
NO. OF TRANSACTIONS PROCESSED IN FY24

US$71m
$ VALUE OF TRANSACTIONS PROCESSED[3] IN FY24

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

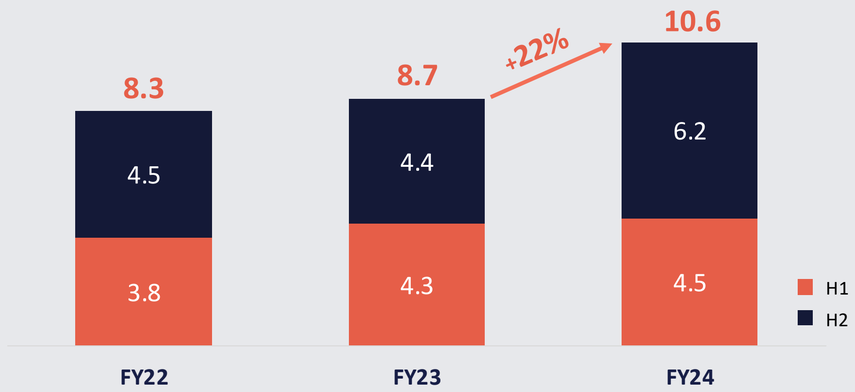
1. *AUD/USD = 0.67, all AUD amounts are converted for representation purposes to assist the reader*
2. *Includes Support & Maintenance and PaaS transaction fee revenue*
3. *Transactions are denominated in local currencies and have been converted to USD, Change's reporting currency, for reporting purposes*

FY24 Financial Results

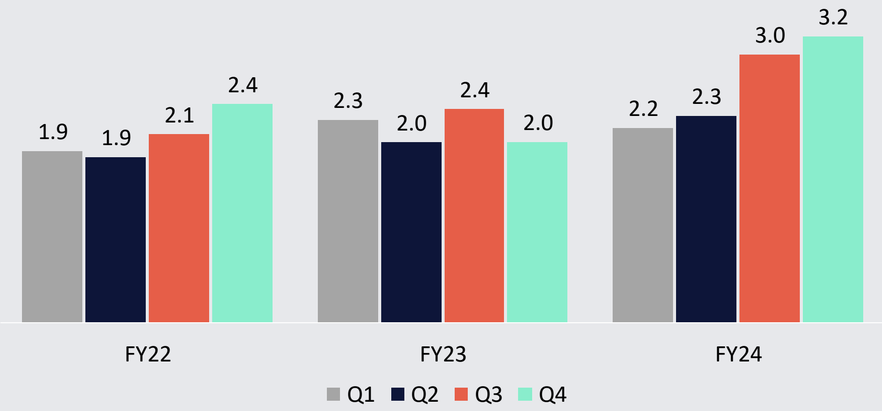
Financial Dashboard

Geographically diverse client base providing a platform for future growth and expansion

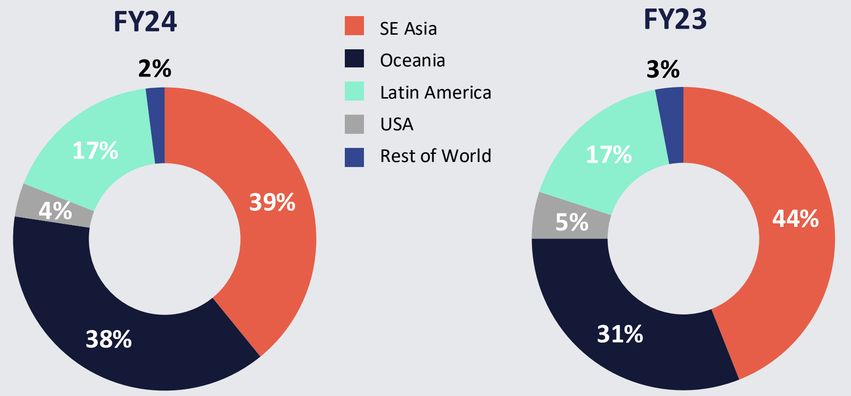
Revenue (US$m) – H1 vs H2



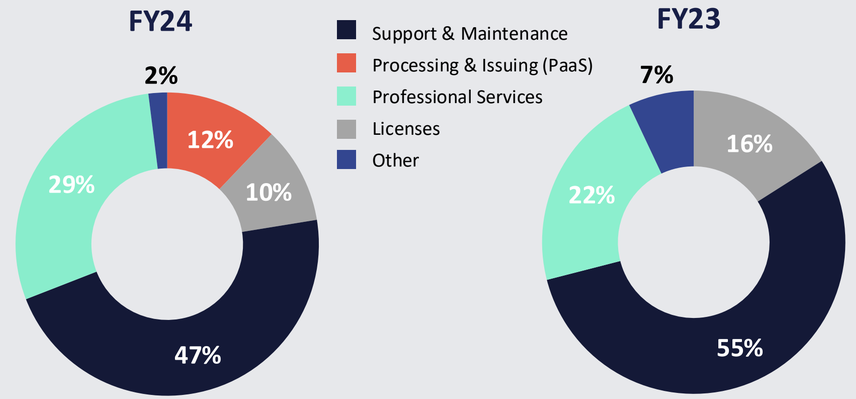
Revenue by Quarter (US$m)



Revenue by Region (%)



Revenue by Service Offering (%)



Profit & Loss

Material EBITDA improvement driven by revenue growth and stable fixed 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

Key Comments

- FY24 revenue of US$10.6m (A$15.8m), up 22% on pcp
  - **Record revenue year**
  - Growth driven by increasing PaaS revenue and increased professional services revenue
  - PaaS clients started to make a meaningful contribution to revenue in H2 FY24
- COGS are primarily scheme and connectivity fees which are attributable to Processing & Issuing (P&I)
  - Volume related component of COGS expected to increase as PaaS client numbers and volumes increase
  - Increased volume will deliver scale benefits due to a portion of COGS being fixed (i.e. connectivity fees)
- Employee costs increased moderately due to new hires relating to PaaS operational capability
  - Key roles for PaaS operations now in place
- Technology and hosting cost decrease reflects completion of integration and compliance work with Mastercard, NZ clients, and testing protocols for ANZ Vertexon go-live
- 42% improvement in EBITDA loss to US$0.7m (A$1.0m)

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

Balance Sheet

Focus on delivering profitable growth to strengthen the balance sheet

Balance Sheet		
(US $000's)	FY24	FY23
Cash & equivalents	2,591	5,351
Receivables	2,056	2,121
Other current assets	750	849
Current Assets	**5,396**	**8,321**
Intangibles	6,745	6,343
Deferred tax asset	73	103
Fixed assets	232	209
Other non-current assets	499	325
Non-Current Assets	**7,548**	**6,980**
Total Assets	**12,944**	**15,301**
Payables	(1,904)	(1,294)
Contract liabilities	(2,722)	(3,291)
Employee provisions	(1,108)	(1,060)
Other current liabilities	(260)	(121)
Current Liabilities	**(5,995)**	**(5,766)**
Non current borrowings	-	-
Other non-current liabilities	(1,072)	(1,098)
Non-Current Liabilities	**(1,072)**	**(1,098)**
Total Liabilities	**(7,066)**	**(6,864)**
Net Assets	**5,878**	**8,437**

Key Comments

- Cash balance of US$2.6m (A$3.9m) with an additional US$0.5m (A$0.8m) held in cash-backed security guarantees relating to card issuing activities
- Receivables balance includes $0.6m (A$1.0m) relating to funds due from NZ clients to settle cardholder purchases at end of day
  - Corresponding obligation of $0.6m (A$1.0m) recognised in the Payables balance relating to the liability to settle to the schemes
- Intangibles represent the carrying value of software including capitalised development costs
- Other non-current assets is the security guarantee requirement of Change's scheme and processing partners relating to card issuing
- Deferred income of US$2.7m (A$4.0m) represent maintenance and project fees invoiced in advance of the service being provided
  - Will be recognised as revenue in FY25 as work is delivered
- Other non-current liabilities includes US$1.0m (A$1.5m) incentive payment received in June 2023 from Mastercard
  - Will be progressively recognised as revenue as various transaction related milestones are achieved

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Cashflow

Continued investment in Vertexon as the platform launched in all three core target markets

Cashflow		
(US $000's)	FY24	FY23
Receipts from customers	10,485	9,548
Payments to suppliers / employees	(11,103)	(10,194)
Other	154	(414)
Operating cash flow	**(465)**	**(1,060)**
Payment for plant & equipment	(41)	(19)
Investment in software	(1,879)	(1,505)
Receipts from sub lease	-	45
Receipts (payments) for security deposits	(174)	(325)
Investing cash flow	**(2,095)**	**(1,804)**
Proceeds from share issue	-	8,482
Proceeds from (repayment of) borrowings	-	(991)
Cost of funding	-	(505)
Lease liabilities	(102)	(95)
Financing cash flow	**(102)**	**6,891**
Opening cash balance	5,351	1,501
FX adjustment	(99)	(177)
Closing Cash Balance	**2,591**	**5,351**

Key Comments

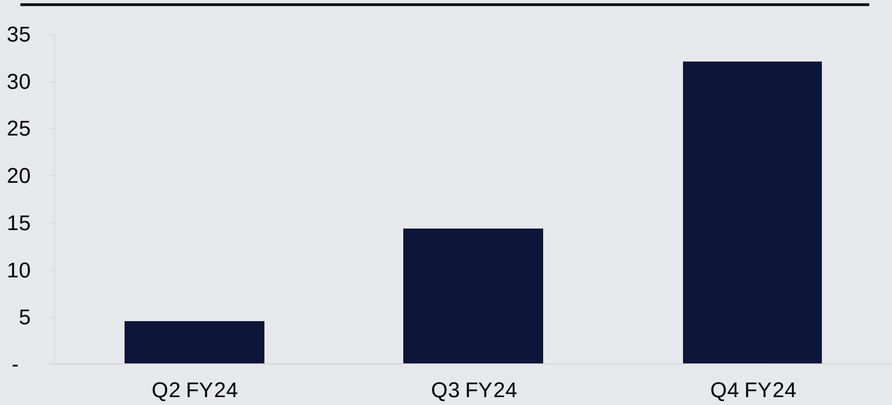
- Revenue growth driving increase in customer receipts
- Increased operating payments driven by PaaS COGS as volumes increased in H2
- Volume related receipts & payments will increase as PaaS platform scales
- Software investment relates to capitalised software development primarily on the Vertexon platform
  - Vertexon (c.89%) – key focus on digital pay support and enhancement for PaaS platform, API enhancements for credit card processing, features to support rapid onboarding for new clients from existing providers, new frontend & backend features
  - PaySim (c.11%) – key focus on UI/UX modernisation, API development, reporting & product enhancements, scheme & signature validation
- Whilst the company will continue to invest in the two core products, the quantum of investment in software is expected to moderate in FY25 given the Vertexon platform is fully live and operational in all three core target markets

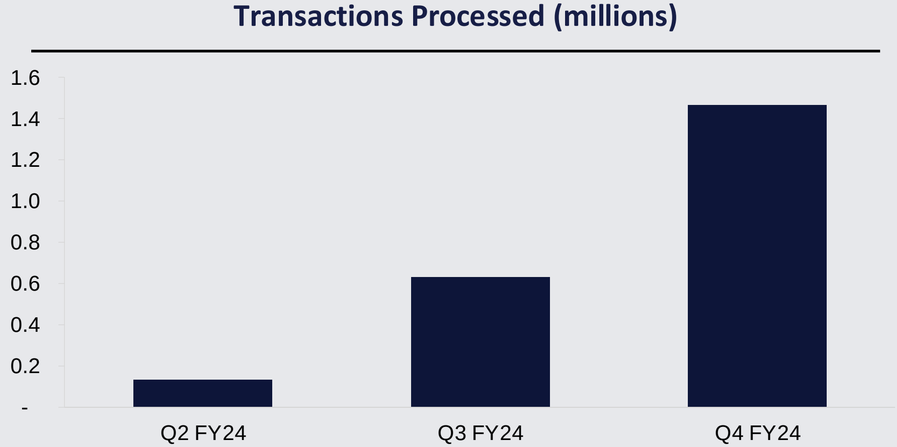
FY24 Operational Results

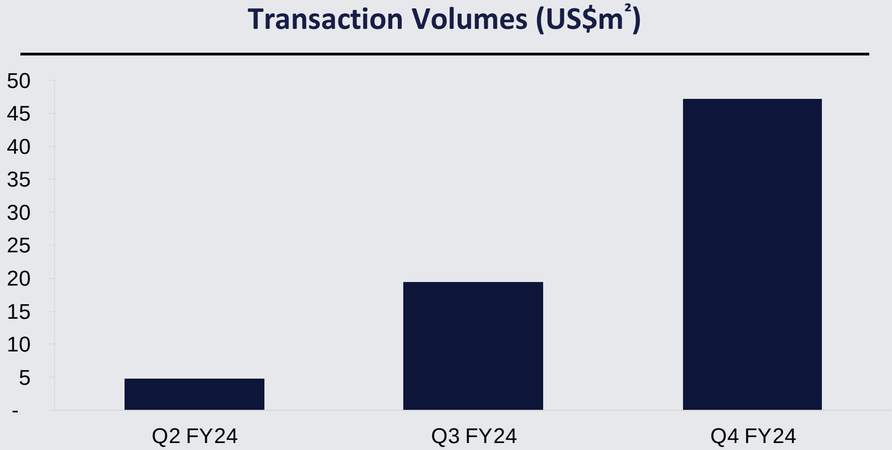
Vertexon PaaS Metrics

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

- Vertexon PaaS platform fully live and operational in Australia, NZ & US in FY24
- Major client onboarding milestones now complete
  - 9 clients now live on Vertexon PaaS platform
  - 40k+ cards active (greater revenue correlation)[1]
  - Unity Credit Union migrated 20k cards on 1 September
- Active cards & volumes continuing to increase in early FY25







1. *As at 29 August 2024*
2. *Transactions are denominated in local currencies and have been converted to USD, Change's reporting currency, for reporting purposes*

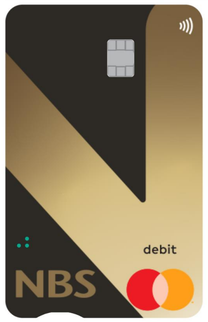
Delivering on Key Milestones – FY24 Highlights

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** – 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
- 40k+ active 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 – now live
  - Secured a major product expansion on latest version of Vertexon with an existing SE Asian on-premise client
  - Working with existing NZ clients to expand product adoption for digital pays (Apple Pay and Google Pay)
  - Increased focus on building sales pipeline on back of recent client wins and appointment of Chief Commercial Officer











Delivering on Key Milestones – FY24 Highlights (cont.)

Clear and focussed operational roadmap to deliver shareholder value

2 Operational Excellence

- Achieve go-live for NZ EFTPOS acceptance – **COMPLETE**
- Strong base operations and capabilities in place – continue to refine, improve and streamline as volumes increase – **ONGOING**
- 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 – product launched early FY25
  - Rationalised a dated platform version resulting in material cost savings and improved operational efficiency

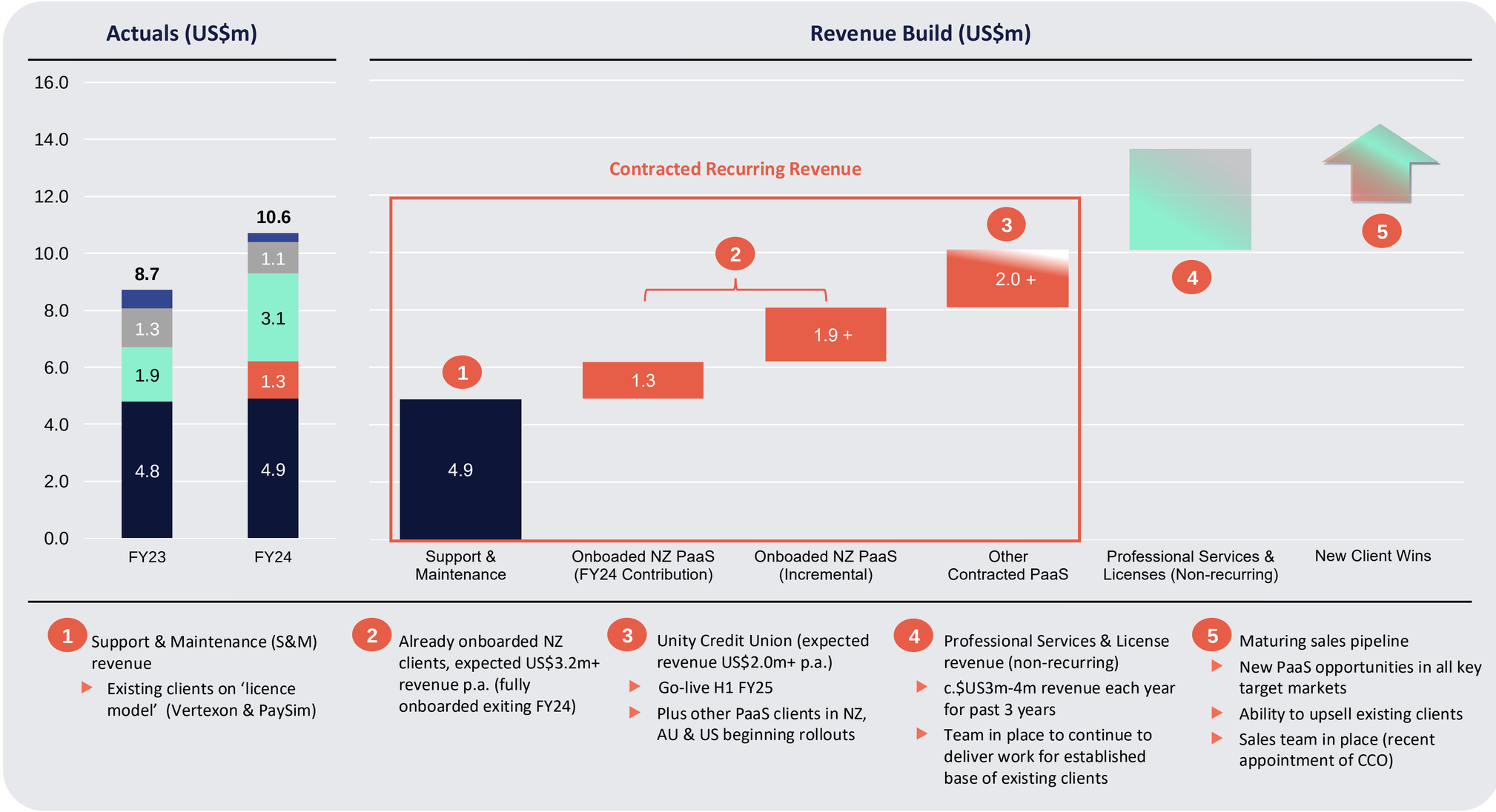
3 Market Leading Solutions

- All technical and licensing requirements to enable prepaid and debit card issuing in Australia, NZ and the US – **COMPLETE**
- Complete digital tokenization and certification to roll out Apple Pay & Google Pay to PaaS clients – **IN PROGRESS**
  - Commenced rolling out Google Pay to PaaS clients in early FY25
- Complete native SDK and API development including enablement of dynamic CVC and spend controls – **COMPLETE**
- Launch latest version of Vertexon PaaS platform in US market – **COMPLETE**
- Undertake PaySim modernisation program (UX/UI improvements) – **ONGOING FOCUS**

Outlook

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.)
- 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

4 Key Objectives to Drive Success



Accelerate Growth & Scale



Operational Excellence



Market Leading Solutions



Powering our People

Capital Raising to Support Growth

Capital raising strengthens the balance sheet and supports the Company's growth ambitions

Transaction Overview	
Offer Size	▶ Up to A$4.25 million, via issue up to approximately 56.7 million fully paid ordinary shares
Offer Type	▶ A successful A$3.50m placement to new and existing institutional, sophisticated and professional investors – binding commitments received ▶ A$0.75m Share Purchase Plan providing the opportunity for all existing shareholders to participate in the capital raising
Offer Price	▶ All shares under the Placement and SPP will be issued at a fixed price of A$0.075 per new share, representing a: ▶ 10.7% discount to the last close price on 28 August 2024 of A$0.084 ▶ 11.9% discount to the 30-day Volume Weighted Average Price (VWAP) of A$0.085
SPP Offer	▶ The SPP Offer will open on or around 9 September 2024

- **Proceeds from the capital raising will be used for**
  - **Working capital cycle support** – material increase in PaaS volumes (and hence revenue) is driving an increase in volume related COGS. Change incurs and pays these COGS daily before receiving invoice payment from clients monthly in arrears
  - **Security collateral** – uplift in PaaS volumes has resulted in an increase in required scheme collateral. Moving forward, this requirement will be mitigated through client funding of collateral (similar to Unity Credit Union arrangement)
  - **Support growth opportunities** – with the PaaS platform live and operational in NZ, Australia and the US and processing material volumes for blue chip clients, reference-ability is driving growth opportunities
- Capital raising strengthens the balance sheet and supports the Company's growth ambitions

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

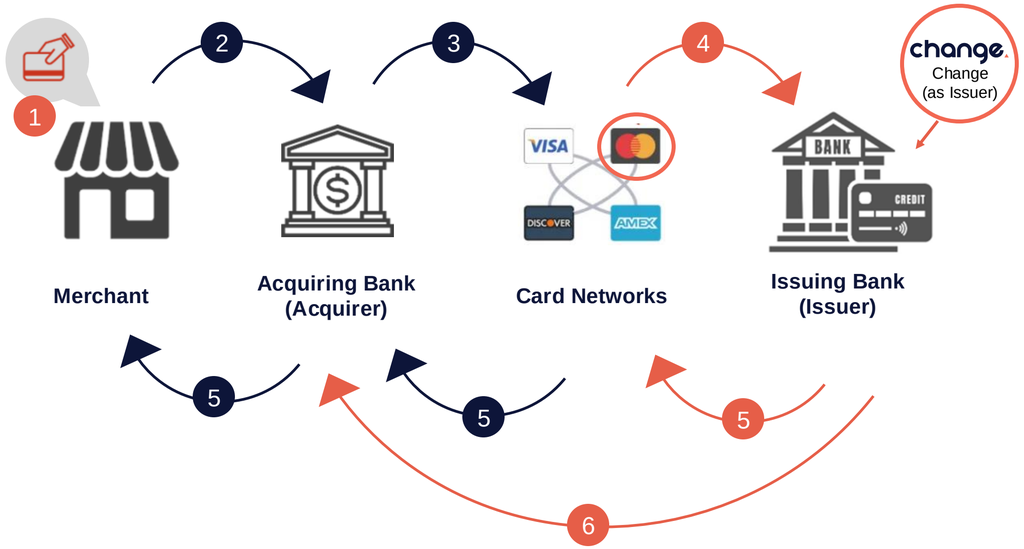
1. *https://www.emergenresearch.com/blog/top-10-leading-digital-payment-companies-in-the-world*

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 manner (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	

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