



ASX ANNOUNCEMENT
30 October 2020

September 2020 Quarter Update

Highlights

- Completed the acquisition of Wirecard NZ & Australia assets
 - Pro-forma FY20 revenue of A\$15.4 million
 - Addition of 120 customers, capability in +35 countries and a global workforce
 - Blue chip client base including the big 4 Australian banks, major Australian supermarkets, Asian and South American banks and FinTechs
- Key leadership team appointments
- Completed A\$11.3 million capital raising from existing shareholders and new sophisticated and professional investors
- Further corporate activity in the payments space

30 October 2020: Change Financial Limited (ASX: CCA) ("**Change**" or "**the Company**"), is pleased to provide the following business update for the quarter ending 30 September 2020.

Strategic Acquisition

During the quarter, Change completed the acquisition of the assets of Wirecard NZ & Australia.

The assets acquired by Change represent the Australian and New Zealand assets and operations of Wirecard which provides innovative card management and payment platform solutions to banks and financial institutions as well as digital brands and FinTechs. The technology is active across more than 35 countries, with over 120 customers and pro-forma revenue for FY20^(1,2) was A\$15.4 million.

The acquisition of the Wirecard Business represents an EV/Revenue multiple of 0.5x⁽¹⁾ based on FY20 revenue of approximately US\$11.1 million (A\$15.4 million⁽²⁾).

The acquisition was completed on 30 September 2020 with effect from 1 October 2020. Cash receipts from customers relating to the acquisition will start in the December 2020 quarter.

The acquisition includes three well established products covering:

1. **Card Management Platform** – enables issuing of physical and virtual prepaid, debt and credit cards. Processing of transactions for card issuers
2. **Financial transaction Simulator** - A locally implemented software solution at the user desktop for EFT simulation and testing, including POS, ATM, Interchange (Visa/Mastercard/UnionPay/Amex/JCB/ISO8583). Installed in over 30 countries worldwide providing continuous Regression Test and Stress Test capabilities.

¹ FY2020 based on pro-forma actuals based to 30 June 2020

² AUD/USD = 0.72

3. **Mobile payments** – allows a mobile phone to operate as a mobile payment device. Supports its own virtual wallet to register debit, credit and prepaid cards.

The Company's strategic rationale for the acquisition includes:

- **Blue-Chip Client Base** +120 customers in +35 countries including the big 4 Australian banks, major Australian supermarkets, Asian and South American banks and FinTechs.
- **Annuity Income** – client base delivered recurring revenue of US\$6.7m in FY20.^(3,4)
- **Product Development Acceleration** – established technology suite, solutions and processes will expand Change's Platform feature set and underlying IP value.
- **New Partnerships and Relationships** – Visa, AMEX, Diners, UnionPay and JCB partnerships will accelerate Change's initiatives by (i) offering 2nd card network in the US; and (ii) building bank relationships across regions.
- **EBITDA Positive⁽⁵⁾** – brings forward revenue & strengthens Change's balance sheet to accelerate the platform commercialisation in the US.
- **Geographical Reach** – customer base, card network partnerships and banking relationships will lower entry costs in high growth regions: Asia, Latin America and Oceania.
- **Existing strong management team in place** – established technical and product team across; New Zealand, Australia, Latin America and the USA.

The acquisition adds significant scale and growth to the Company, including:

- **Increasing Customers Numbers** – customer numbers increase to +120 from our current US based customer (UpChange).
- **Expanding Global Presence** – expands the Company's geographical presence from the United States into a further 35 countries
- **Immediate Revenue Contribution** – established technology suite, solutions and processes expanding Change's Platform feature set and underlying IP value.
- **Global Workforce** – increases staff numbers to 77 and customer service locations from Los Angeles and Brisbane currently to include Auckland, Melbourne and Santo Domingo, with satellite operations in Athens

Key Leadership Appointments

With the completion of Change's recent acquisition Change has bolstered its senior leadership team with a number of key senior appointments. All staff from the recent acquisition joined Change on 1 October 2020.

The new leadership team has a combined experience of over 240 years in the FinTech and payments industry and have a tenure with the Company and its products of more than 96 years.

Further details on the new Change leadership team were announced by the Company on 23 October 2020.

Corporate Activity in the Payments and Card Issuing Space

The Company also notes the recent corporate activity in the payments and card issuing space.

³ Revenue on an accrual basis which includes combination of revenue received and revenue in advance

⁴ FY20 numbers based on full 12-month contribution to 30 June 2020

⁵ Results for Wirecard have been both normalised and subject to pro forma adjustments

During the quarter, Change completed the acquisition of the Wirecard NZ & Australia assets while other parts of Wirecard AG and its global subsidiaries were also sold.

Most notably, Railsbank, a UK startup backed by Visa, agreed to purchase Wirecard Card Solutions. It said the acquisition of the UK business includes card technology and associated assets, including existing client business and some employees⁶. Wirecard North America was purchased by Syncapay in October⁷ and other subsidiaries around the world have also been sold.

More broadly, the FinTech sector has been in favour over the last 6 months with the COVID-19 pandemic bringing forward adoption of payments and banking technology. The quarter saw several highly anticipated IPOs perform well, signaling the market's continued appetite for growth in the FinTech space.

Mobile banking platform Chime raised US\$485 million in a deal that values the company at more than US\$14.5 billion⁸ and mobile foreign exchange and money transferring application Revolut extended its current funding round to US\$580 million at a \$5.5 billion valuation⁹.

Change is in a strong position to continue capitalising on the world's move to cashless and online payments that has been accelerated by the COVID-19 pandemic. The Change Platform was built from the ground up to address today's payment needs without the complexity and legacy of traditional issuer processors and forms a key part of the payments infrastructure for products and companies offering cashless payments.

Cash Flow

Cash at the end of the September 2020 quarter was US\$0.8 million. Following the quarter end, commitments of A\$4.9 million (before costs) from the recent Entitlement Offer were settled. All financial figures in the following Appendix 4C are denominated in US dollars, unless stated otherwise.

The Company also completed a placement of A\$6.4 million (before costs) during the quarter that was used to fund the acquisition.

Payments to related parties of the entity and their associates detailed in Section 6 of the Appendix 4C relate to director's fees paid during the quarter to directors.

Authorised for release by the Board of Change Financial Limited

For more information, please contact:

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About Change Financial

Change Financial Limited (ASX: CCA) is a global FinTech developing innovative and scalable payments technology to provide solutions for businesses and financial institutions. Change Financial has built a global enterprise payments and card issuing platform. To learn more, please visit: www.changefinancial.com

⁶ <https://techcrunch.com/2020/08/28/railsbank-wirecard/>

⁷ <https://www.finextra.com/newsarticle/36813/wirecard-north-america-offloaded-to-syncapay>

⁸ <https://edition.cnn.com/2020/10/05/business/chime-bank-startup/index.html>

⁹ <https://techcrunch.com/2020/07/24/revolut-extends-series-d-round-to-580-million-with-80-million-in-new-funding/>

Appendix 4C

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

Name of entity

Change Financial Limited

ABN

34 150 762 351

Quarter ended ("current quarter")

30 September 2020

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		114	114
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		-	-
(c) advertising and marketing		-	-
(d) leased assets		-	-
(e) staff costs		(380)	(380)
(f) technology / hosting expense		(161)	(161)
(g) compliance		(35)	(35)
(h) consulting / outsourced services		(112)	(112)
(i) administration and corporate costs		(378)	(377)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		4	4
1.5 Interest and other costs of finance paid		(4)	(4)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		53	53
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(899)	(899)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) entities		-	-
(b) businesses		(5,883)	(5,883)
(c) property, plant and equipment		(9)	(9)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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)	27	27
2.5	Dividends received (see note 3)	-	-
2.6	Other (provide details if material)	-	-
2.7	Net cash from / (used in) investing activities	(5,865)	(5,865)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,906	4,906
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	(313)	(313)
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)	(40)	(40)
3.10	US Government Loan (PPP Program)	-	-
3.11	Net cash from / (used in) financing activities	4,553	4,553

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	2,966	2,966
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(899)	(899)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,865)	(5,865)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,553	4,553
4.5	Effect of movement in exchange rates on cash held	66	66
4.6	Cash and cash equivalents at end of period	821	821

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	821	2,966
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)	821	2,966

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$US'000**

31

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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. Included in this amount are directors fees of US\$28,000 accrued but unpaid from the previous quarter.

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.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
-	-
-	-
-	-
-	-

7.5 Unused financing facilities available at quarter end

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- 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)	(899)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	821
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	821
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	-

- 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?

The Company acquired the business assets of Wirecard NZ and Wirecard Aust on 30 September for US\$5.9m included in 2.1 (b) above which is expected to be cash flow positive.

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?

The Company raised US\$4.4m net of fees from an Entitlement Offer the proceeds of which were received in the first week of October.

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

Yes, on the basis of the capital raised in 2. above.

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 October 2020.....

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.