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The background is a dark blue gradient. It features several abstract geometric elements: a large orange wireframe pyramid on the left, a smaller orange wireframe pyramid at the top right, a green wireframe pyramid at the bottom right, and a small orange pyramid at the far right edge. Thin orange lines connect the vertices of these pyramids, creating a network of geometric shapes across the page.

change.

FY2022 Q2
QUARTERLY UPDATE
AND APPENDIX 4C

31 January 2022

December 2021 Quarterly Update and Appendix 4C

FY2022 Q2 Highlights

- Revenue in December quarter totalled US\$1.8 million (A\$2.5 million)
- Contracted Annual Recurring Revenue (ARR) increased to US\$4.7 million (A\$6.5 million)
- Strong pipeline of contracted project work which delivers revenue in addition to ARR
- Receipts from customers totalled US\$1.5 million (A\$2.0 million) for the quarter
- Cash position of US\$1.6 million (A\$2.2 million) as at 31 December 2021
- New non-dilutive unsecured term facility of A\$1.5m entered into post end of Q2
- Vertexon customer ready platform delivered on schedule and within budget
- PaySim Application Programming Interface (API) complete and ready for Q3 launch
- Launched the new branding for Change's two core products and new company website
- Continued growth in sales pipeline and secured key contracts which will deliver future revenue
- Commenced onboarding first Payments as a Service (PaaS) client with targeted launch in Q3 FY22

31 January 2022 Change Financial Limited (ASX: CCA) ("Change" or "the Company"), an Australian based global fintech providing tailored payments solutions, card issuing and testing to banks and fintechs, is pleased to release an update on the Company's business activities along with the Appendix 4C for the quarter ended 31 December 2021 (Q2 FY22).

Change CEO Alastair Wilkie commented, "We have made fantastic progress during the quarter as the Change team continued to focus on executing our strategic plan. We achieved key milestones including the launch of our Vertexon platform, completion of our PaySim API and launch of our new website and product branding which are driving increased activity with our sales team and engagement with our customers."

"We continued to grow our sales pipeline and see these opportunities progress through the sales funnel. During the quarter, we converted a significant number of opportunities into contracted revenue which will be realised in future quarters.

"Our team made significant progress onboarding our first PaaS client in the US which is expected to go live this quarter. We also have interest from several new and existing clients for our SaaS offering in the US, Oceania and LATAM."

"We released the beta of PaySim API in Q2 and successfully tested with a Big 4 Bank in Australia. We are proud to have PaySim API available for general release to market in Q3. We are already seeing strong demand from new and existing clients to leverage the API to improve their payments testing automation and integration."

Cash Flow and Financial Update

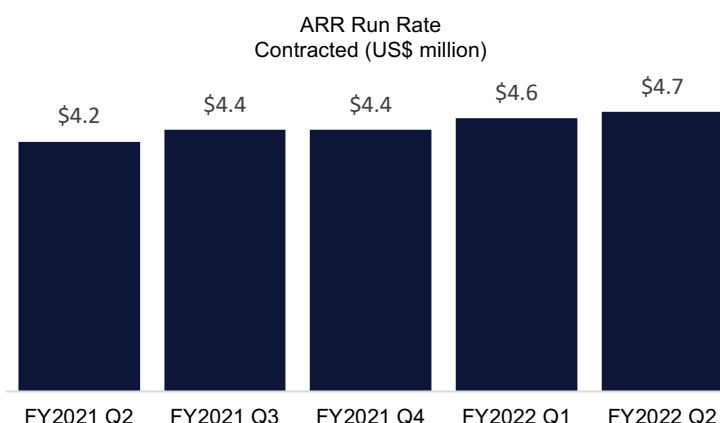
Revenue for the December quarter was US\$1.8 million (A\$2.5 million¹) while receipts from customers totalled US\$1.5 million (A\$2.0 million), compared to US\$2.8 million (A\$3.7 million) for the previous quarter. This reduction in cash receipts relative to the prior quarter was due to two key factors: strong cash collections in Q1 of both current and prior period invoiced revenue, and lower customer invoicing in Q1 relative to Q4 FY21 which delivered lower cash receipts in the quarter.

There was a significant increase in customer invoicing in Q2, particularly in December, which is expected to drive cash collections in Q3.

Change's cash position at the end of the quarter was US\$1.6 million (A\$2.2 million), compared to US\$3.5 million (A\$4.7 million) from the previous quarter. Cash operating costs remained broadly in line with the previous quarter as the Company continued to execute the Go-to-Market strategy to drive growth. In addition, the Company entered into an unsecured loan facility to assist funding the ongoing operations and future growth of the business. This facility was finalised following the end of the quarter as per the announcement dated 31 January 2022.

Change's contracted ARR increased to US\$4.7 million (A\$6.5 million) with the signing of the new Payments as a Service client in the US (as announced on 13 October 2021). The Company maintains a healthy contracted pipeline of project work which it earns above ARR. For the first half of FY22, approximately 55% of revenue was derived from recurring income streams whilst approximately 45% was derived from project and licence income (i.e. non-recurring income). Further details on Change's sales pipeline are provided below.

¹ AUD/USD = 0.72



Q1 and Q2 FY22 Contracted ARR Run Rate includes annual minimum fee commitments from new US client announced on 13 October 2021 with revenue expected to commence in Q3 FY22.

The Company also notes that it earns revenue in multiple currencies from its global customer base. The Company notes that the majority of revenue is invoiced in USD, AUD and NZD and therefore the Company's reported results will be impacted by currency fluctuations. To assist users of the reports the Company will include the applicable exchange rates.

Business Activities

Completed Key Product Development and Launched Vertexon and PaySim products

During the quarter Change completed key product development and officially launched the new branding for its two core products:

Vertexon – accelerates growth and scalability through providing card and payments solutions to banks and fintechs around the world. Through the unifying of cards, payments and processing technologies, Vertexon delivers a modern digital solution for prepaid, debit and credit cards. Change launched the Vertexon SaaS platform on Amazon Web Services (AWS) in Sydney to service banks and fintechs in the Oceania region. The multi-tenancy design of the platform is highly scalable and the seamless integration enables it to be easily implemented in multiple geographic markets in a matter of days. The customer ready platform was delivered on schedule and within budget. Change's sales team has generated several new opportunities across our key markets for our PaaS solution.

Read more about Vertexon at Change's website: <https://changefinancial.com/vertexon/>

PaySim – helps banks and fintechs accelerate their development and product release cycles through automated payment testing solutions. During the quarter, Change completed the beta phase for the new PaySim Application Programming Interface (API). The API enables clients to automate load, stress and regression testing to produce comprehensive results reporting and is the foundational component of PaySim's software as a service offering. Over the past 15 months, Change has been investing in new products, features and development, culminating in the release of PaySim. PaySim is used by five of the top 10 digital payments companies² globally.

Additionally, Change launched its new website during the quarter. The new website, combined with increased public relations activities, complements the release of the new Vertexon and PaySim brands to drive market awareness and sales growth.

Read more about PaySim at Change's website: <https://changefinancial.com/paysim/>

Sales Pipeline Growth

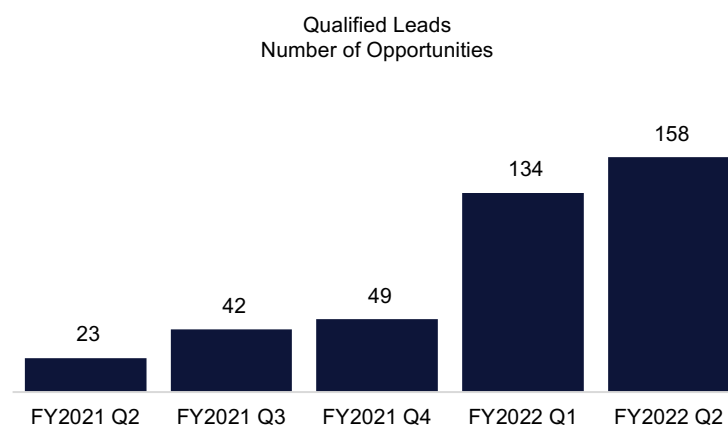
During the quarter, Change continued to focus its efforts on increasing opportunities in the pipeline. The sales team has continued to deliver a significant increase in opportunities quarter on quarter, with a total of 158 opportunities at the end of December across both the Vertexon and PaySim products.

Whilst the pipeline of opportunities continues to grow, Change has successfully closed several substantial opportunities during the quarter. Of particular note are the following significant client wins:

² <https://www.emergenresearch.com/blog/top-10-leading-digital-payment-companies-in-the-world>

- **New Payments as a Service Client** – secured a new fintech Mastercard prepaid card program in the US. The total minimum contract value is US\$0.7 million (A\$1.0 million) over an initial three (3) year term. The minimum fee commitments in the contract contribute towards Annual Recurring Revenue for Change. Client onboarding is well progressed with a target go-live in Q3 FY22.
- **Existing Clients commit to new payments projects** – secured over US\$1.3 million (A\$1.8 million) in new sales with US\$1.1 million of Vertexon projects and US\$0.2 million of PaySim projects for existing clients. The projects signal a strong commitment of growth from our clients to deliver new payment solutions to their customers, including Buy Now Pay Later (BNPL), Visa, Mastercard, JCB and UnionPay. Change expects further significant client wins to close in the third and fourth quarters of FY22 as opportunities progress through the sales funnel. The revenue from the client wins in Q2 will be recognised in future months as the programs of work complete and go-live. This revenue will be in addition to our recurring revenue and any new client wins secured and delivered (to ensure revenue can be recognized) in subsequent quarters.

Compared to the end of the prior quarter, the sales pipeline grew by net 24 opportunities. During the December quarter, 23 opportunities were won and closed out.



Payments to related parties of the entity and their associates detailed in Section 6 of the Appendix 4C relate to the directors' fees paid during the quarter. To assist the reader in relation to Section 6, the Company notes that one Director retired at the 2021 Annual General Meeting held 25 November 2021 and two new directors were appointed including the CEO. As such payments to pursuant to the CEO's remuneration are now included in Section 6. The CEO does not receive any additional payments on account of his directorship and his remuneration details remain as per those set out on page 13 of the 2021 Annual Report released to the ASX on 31 August 2021.

All financial figures in the following Appendix 4C are denominated in US dollars unless stated otherwise.

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 over 147 clients across 41 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 over 16 million credit, debit, and prepaid cards worldwide.

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 many Australian companies, including Australia's domestic card payment service eftpos.

Learn more about Change at www.changefinancial.com

For more information, please contact

Alastair Wilkie
CEO & Managing Director
Change Financial Limited
investors@changefinancial.com

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")

31 December 2021

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,468	4,308
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(1,915)	(3,526)
(f) technology / hosting expense	(225)	(411)
(g) professional fees	(224)	(605)
(h) consulting / outsourced services	(97)	(162)
(i) administration and corporate costs	(476)	(1,063)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(4)	(9)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,473)	(1,468)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses **	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
	(c) property, plant and equipment	(19)	(34)
	(d) investments	-	-
	(e) software development	(356)	(746)
	(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)	-	-
2.5	Dividends received (see note 3)	-	-
2.6	Other (provide details if material)	-	-
2.7	Net cash from / (used in) investing activities	(375)	(780)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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)	(73)	(141)
3.10	US Government Loan (PPP Program)	-	-
3.11	Net cash from / (used in) financing activities	(73)	(141)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 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	3,486	4,018
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,473)	(1,468)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(375)	(780)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(73)	(141)
4.5	Effect of movement in exchange rates on cash held	(1)	(65)
4.6	Cash and cash equivalents at end of period	1,564	1,564

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	1,564	3,486
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)	1,564	3,486

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**

98

-

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

Amount shown in 6.1 comprises payments made to directors and director related entities. Amount shown in 6.1 includes payments to Alastair Wilkie from the date of his appointment as a Director in accordance with his employment agreement.

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

-

- 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.

8. Estimated cash available for future operating activities

\$US'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,473)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,564
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,564
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.1

- 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?

For the upcoming quarter, the company expects operating expense payments to remain relatively constant versus Q2 but expects cash inflows to increase as a result of significantly higher customer invoicing in Q2, particularly in December.

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 has entered into an unsecured loan facility to assist funding the ongoing operations and future growth of the business. This facility was finalised following the end of the quarter as per the announcement dated 31 January 2022.

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, based on expected strong cash inflows in Q3 and the unsecured loan facility finalised post quarter end.

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: 31 January 2022.....

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.

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