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change.

FY2022 Q3
QUARTERLY UPDATE
AND APPENDIX 4C

28 April 2022

March 2022 Quarterly Update and Appendix 4C

FY2022 Q3 Highlights

- Receipts from customers totalled US\$2.9m (A\$4.0m) for the quarter
- Revenue totalled US\$2.1m (A\$2.9m) for the quarter
- ARR increased to US\$4.9m (A\$6.8m)
- Cash position increased to US\$1.9m (A\$2.6m) as at 31 March 2022
- 21 sales opportunities from new and existing clients won in the quarter with the value of the sales pipeline continuing to grow
- Secured two new Payments as a Service (PaaS) clients in the US with combined total minimum fee commitments of US\$2.0m (A\$2.8m) over initial terms
- Received regulatory approval for direct issuing in New Zealand, which significantly expands opportunities to deliver PaaS solutions
- Signed a 6-year agreement with Mastercard for direct issuing in Australia and New Zealand which includes an upfront cash incentive of US\$1m (A\$1.4m) from Mastercard as well as network cost discounts and incremental transaction revenues for Change

28 April 2022 Change Financial Limited (ASX: CCA) (“Change” or “the Company”) is pleased to release an update on the Company’s business activities along with the Appendix 4C for the quarter ended 31 March 2022 (Q3 FY22).

Change CEO and Managing Director, Alastair Wilkie commented, “We continued to make excellent progress on executing our strategic plan during the quarter. We announced our direct issuing strategy for Australia and New Zealand and successfully achieved two major milestones to bring this to life. Firstly, we strengthened our relationship with Mastercard through entering an exclusive 6-year partnership for direct issuing in Australia and New Zealand. This partnership is expected to deliver transactional and recurring revenues, while providing incentive discounts which reduce Change’s network costs.”

“Additionally, we received regulatory approval in New Zealand to be a registered Financial Service Provider. This registration, combined with our partnership with Mastercard, will enable Change to issue debit and prepaid cards in New Zealand. Excitingly, we are already seeing strong interest in our offering in New Zealand.”

“We also signed two new PaaS clients in the US providing further evidence of our PaaS model’s broad market appeal. Further, we are seeing increased interest from new and existing clients for both our Vertexon and PaySim product offerings in the US, Oceania and LATAM as we continue to deliver on our product roadmaps and sales pipeline.”

Financial Update

Revenue and Cashflow

Revenue for the March quarter was US\$2.1m (A\$2.9m¹) while receipts from customers totalled US\$2.9m (A\$4.0m), compared to US\$1.5m (A\$2.1m) for the previous quarter. As outlined in the previous quarter update, this increase in cash receipts relative to the prior quarter was expected due to strong customer invoicing in Q2 FY22 resulting in higher cash collections in Q3 FY22.

Change’s cash position at the end of the quarter was US\$1.9m (A\$2.8m), an increase from US\$1.6m (A\$2.2m) in the previous quarter. Cash operating costs were lower than previous quarters following a reduction in administration and corporate costs but are expected to trend back towards the prior quarter levels as the Company executes the Go-to-Market strategy to drive growth. As outlined in the accompanying Appendix 4C, cash flows from Operating Activities for the quarter were positive.

¹ AUD/USD = 0.72

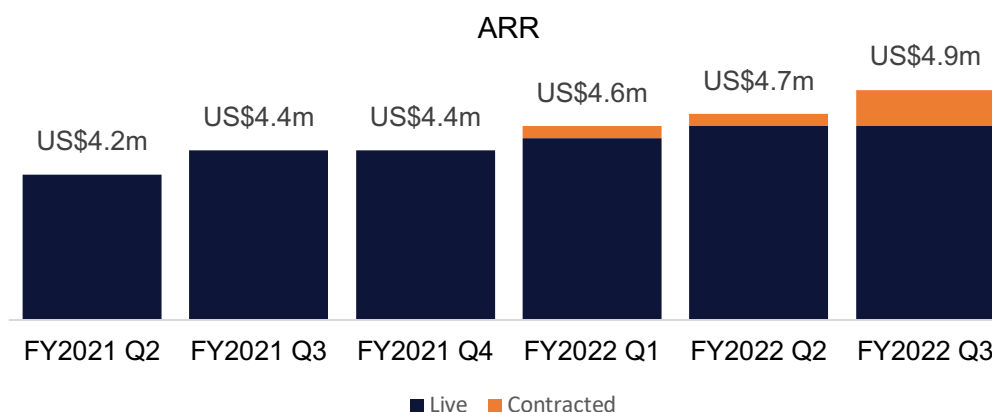
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At the end of the quarter, the Company had drawn US\$0.2m (A\$0.3m) of the unsecured loan facility with US\$0.9m (A\$1.2m) remaining undrawn under the facility.

Recurring Revenue

Change's Annualised Recurring Revenue (**ARR**²) increased to US\$4.9m (A\$6.8m) driven largely by the signing of two new PaaS clients in the US (announced on 26 April 2022).

Change's ARR is up 11% on the prior corresponding period of Q3 FY21.



The contracts Change signs with PaaS clients often contain increasing minimum fee commitments over the contract term. Only the next 12 months of minimum fee commitments are included in Change's reported ARR and any increasing contracted minimum fee commitments will increase ARR in future periods.

Contracted ARR comprises annualised contractual minimum fee commitments from clients that are scheduled to commence within the next 12 months. Transactional based fee revenue from PaaS clients is not included in the ARR calculation and will be earned on top of ARR where volumes are higher than contracted minimum fee commitments.

In addition, the Company maintains a healthy contracted pipeline of project work which it earns in addition to ARR and transaction revenue. For FY22 year to date, approximately 55% of revenue has been derived from recurring income streams whilst approximately 45% has been derived from project and licence income (i.e. non-recurring income). Further details on Change's sales pipeline are provided below.

Business Activities

New PaaS Client Wins

Change has secured two US fintechs, Rolling Thunder and PlutusM, as new PaaS clients on Change's Vertexon platform with the contract and bank approvals finalising post quarter end.

Rolling Thunder and PlutusM will leverage the Vertexon platform to offer physical and digital cards and payments to their customer bases.

The contracts contain upfront implementation fees as well as ongoing monthly minimum fee commitments with additional revenue expected from interchange, transaction and other fees. The combined minimum value of the contracts over the initial terms is US\$2.0m (A\$2.8m). The resultant minimum contracted contribution to Change's ARR will be:

² ARR comprises annualised contractual minimum fee commitments from clients that have commenced and are ongoing or are scheduled to commence within the next 12 months. Only the next 12 months of minimum commitments are included in Change's reported ARR and any increasing contracted minimum fee commitments will increase ARR in future periods. Revenue is invoiced in multiple currencies and therefore reported revenue will be impacted by currency fluctuations.

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- US\$0.2m (A\$0.3m) in year one;
- US\$0.4m (A\$0.6m) in year two; and
- US\$0.6m (A\$0.8m) in year three.

The new clients demonstrate the increasing traction that Change's partnership with Axiom Bank is gaining as sales opportunities in the US market continue to grow.

Direct Issuing Strategy and Mastercard Agreement

During the quarter, the Company announced it would launch direct issuing services for card programs in Australia and New Zealand. Regulatory approval as a Financial Service Provider (FSP) in New Zealand has already been received and an application for an Australian Financial Services Licence (AFSL) has been submitted with approval anticipated in H1 FY23.

Change also signed an exclusive 6-year agreement with Mastercard for direct issuing in Australia and New Zealand. Change will receive an upfront cash incentive of US\$1m (A\$1.4m) from Mastercard and the partnership is expected to deliver transactional and recurring revenues as well as providing incentive discounts which reduce Change's network costs.

The agreement strengthens Change's long-standing relationship with Mastercard beyond the US market and opens up further opportunities to drive growth in Oceania. Working together and leveraging Change's Vertexon platform will accelerate the delivery of payments as well as prepaid and debit card programs for banks and fintechs in the region.

Axiom Bank Integration Completed

Change has completed the integration with Axiom Bank to support Mastercard prepaid card issuing in the US. This integration is a key milestone and solidifies the partnership with Axiom for US issuing and card programs.

Further, the completion of this integration enables the launch of Change's PaaS clients with the first program, Alaska Prepaid, expected to go-live in the current quarter (Q4 FY22).

PaySim API launch

Following the successful completion of beta testing, the PaySim Application Programming Interface (APIs) was publicly released to market which allows clients to integrate and automate PaySim into their existing quality assurance and testing platforms.

APIs are a key capability of the PaySim Product Roadmap and new features are already in development based on client feedback.

Sales Pipeline Conversion

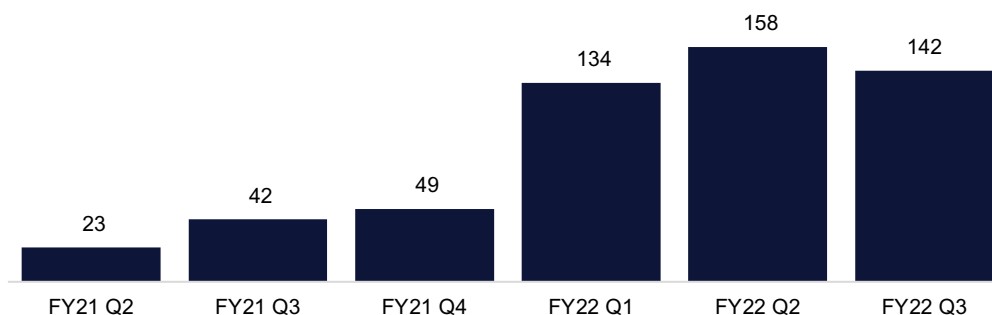
Change has successfully closed several substantial opportunities including:

- **New PaaS clients** – 2 new US Vertexon clients signed in April
- **First PaySim API sale** – ANZ Bank in Australia became the first client to licence the new PaySim API. There is strong demand for the API from existing and new clients.
- **Existing clients commit to new payments projects** – secured over US\$1.6m (A\$2.2m) in new sales with US\$1.2m of Vertexon projects and US\$0.4m of PaySim projects for existing clients. The revenue from the client wins in Q3 will be recognised in future months as the programs of work complete and go-live.

Change has continued to advance qualified leads through the sales pipeline and successfully converted 21 sales during the quarter. Change's focus on converting maturing opportunities in the pipeline saw total opportunities in the pipeline reduce slightly to 142. The pipeline remains healthy and has grown by 93 opportunities compared to the prior corresponding period of Q3 FY21. Although the total number of opportunities has reduced since Q2, the pipeline value has increased due to significantly higher value PaaS opportunities, driven by the recent launch of the Vertexon platform and Mastercard partnership.

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Qualified Leads
Number of Opportunities



Webinar Invitation - Investors and Analysts

Investors are invited to join a live webinar and Q&A hosted by Change CEO & Managing Director Alastair Wilkie, CFO Tony Sheehan and CPO Vinnie D'Alessandro on Wednesday, 4 May 2022 at 11:00am Australian Eastern Standard Time (AEST).

Please register ahead of time via the following link:

https://us06web.zoom.us/webinar/register/WN_vWnXrxCRRMCy938I9Qjfiw

Once the registration form is completed, investors will receive a confirmation email with details on how to access the webinar.

Other Disclosures

Payments to related parties of the entity and their associates are detailed in Section 6 of the Appendix 4C relate to the directors' fees and other related party fees paid during the quarter including the salary of the Managing Director.

As announced on 31 January 2022, Change entered into an Unsecured Term Facility with Altor Capital (**Funder**) to allow Change to pursue near-term revenue growth opportunities without the need to issue new shares as well as complete key initiatives to enhance the platform for future revenue growth and diversification. As previously disclosed, the Funder is a related party of Mr. Harley Dalton who retired as Director of Change on 25 November 2021. Accordingly, amounts paid to the Funder during the quarter have been included in the notes of Section 6 of the Appendix 4C.

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 150 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

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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 March 2022

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,898	7,206
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(1,702)	(5,229)
(f) technology / hosting expense	(218)	(629)
(g) professional fees	(231)	(836)
(h) consulting / outsourced services	(117)	(278)
(i) administration and corporate costs	(144)	(1,206)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3)	(12)
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	483	(985)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses **	-	-

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Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
	(c) property, plant and equipment	(4)	(38)
	(d) investments	-	-
	(e) software development	(321)	(1,068)
	(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)	72	72
2.5	Dividends received (see note 3)	-	-
2.6	Other (provide details if material)	-	-
2.7	Net cash from / (used in) investing activities	(253)	(1,034)

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	215	215
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(54)	(54)
3.8	Dividends paid	-	-
3.9	Payment of lease liabilities (excluding interest paid)	(76)	(217)
3.10	US Government Loan (PPP Program)	-	-
3.11	Net cash from / (used in) financing activities	85	(55)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 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	1,564	4,018
4.2	Net cash from / (used in) operating activities (item 1.9 above)	483	(985)
4.3	Net cash from / (used in) investing activities (item 2.7 above)	(253)	(1,034)
4.4	Net cash from / (used in) financing activities (item 3.11 above)	85	(55)
4.5	Effect of movement in exchange rates on cash held	16	(50)
4.6	Cash and cash equivalents at end of period	1,895	1,895

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	1,895	1,564
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)	1,895	1,564

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	94
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$US'000**

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. Amount shown in Item 6 does not include any payments to related parties associated with the Unsecured Term Facility with Altor Capital which totalled approximately US\$54,000 which are included in item 3.

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.

	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	1,080	216
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,080	216

7.5 **Unused financing facilities available at quarter end** 864

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.

On 31 January 2022, the company finalised an unsecured term facility to assist funding the ongoing operations and future growth of the business. The key terms of the facility were outlined in the announcement dated 31 January 2022 and include:

- Funder: Altor Capital via ACM AEPF Pty Ltd ATF Altor Emerging PIPE Fund
- Interest rate: 13.0% pa accrued and capitalised monthly
- Establishment fee: 2.0% of the facility, to be offset against the first draw down
- Term: 24 months
- Security: unsecured

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	483
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,895
8.3 Unused finance facilities available at quarter end (Item 7.5)	864
8.4 Total available funding (Item 8.2 + Item 8.3)	2,759
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A (positive operating cashflow)

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?

N/A

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?

N/A

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

N/A

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: 28 April 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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