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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 on the right edge. Thin orange lines connect the vertices of these pyramids, creating a network of geometric shapes.

change.

FY2022 Q4
QUARTERLY UPDATE
AND APPENDIX 4C

1 August 2022

June 2022 Quarterly Update and Appendix 4C

FY2022 Q4 Highlights

- Customer receipts of US\$1.8m (A\$2.6m)
- Q4 FY22 revenue of US\$2.4m (A\$3.5m)
- FY22 unaudited revenue of approximately US\$8.3m (A\$12.0m)
- Signed milestone Vertexon PaaS contracts with four NZ financial institutions with total contract value anticipated to be in excess of US\$10.5m (A\$15.2m) over initial 5-year terms
- First US Vertexon PaaS client now live and transacting, generating recurring revenues
- New client wins in the US and NZ validates PaaS revenue transition; significant future revenue upside from existing customers via volume and transaction-based fees

1 August 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 30 June 2022 (Q4 FY22).

Change CEO and Managing Director, Alastair Wilkie commented, “Q4 marked a transformative period as we secured a milestone deal with four New Zealand financial institutions which are anticipated to deliver revenue in excess of US\$2.1m (A\$3.0m¹) per year whilst also providing market validation of our direct issuing strategy and Vertexon platform.”

“We continue to make significant strides in the US with the completion of the Axiom Bank integration to enable card issuing in the region. Furthermore, our first US Payments as Service (**PaaS**) client, Alaska Prepaid Card, LLC, has gone live with transaction processing and issuing now underway.”

“Over the past 18 months the Change team have worked hard to establish core building blocks – partnerships, compliance, technology, and talent – to deliver on our business goals. With these building blocks now in place, we are in a perfect position to grow the business from a strong foundation. Underpinned by an existing client base with contracted revenue, a mature global sales pipeline and well aligned cost base, we are targeting to reach monthly EBITDA positive during the second half of this financial year.”

Business Activities

New Milestone PaaS Client Wins

In June, Change announced that it had signed four New Zealand financial institutions as new PaaS clients on the Vertexon platform where Change will deliver both processing and issuing to the clients. Collectively the total contract value is anticipated to be in excess of US\$10.5m (A\$15.2m) over the initial 5-year terms, equating to revenues in excess of US\$2.1m (A\$3.0m) per year once all four clients complete onboarding and customers are re-carded.

The financial institutions will migrate their existing card portfolios to Change’s Vertexon platform and represent the first clients signed for direct issuing in Oceania, triggering the incentive payment from Mastercard upon go-live. Integration work has commenced and the parties are targeting a ‘go-live’ date in late H1 FY23.

US PaaS Progress

As outlined in the Q3 FY22 Quarterly Update, Change completed the integration with Axiom Bank to support Mastercard prepaid card issuing in the US.

¹ AUD/USD = 0.69

This integration has enabled the launch of Change's first Vertexon PaaS client in the US with Alaska Prepaid, LLC now live. The launch of the first US card program marks a major milestone for the business with recurring revenues from this client having now commenced.

Furthermore, Change is pleased to advise that onboarding for its next two new US PaaS clients, Rolling Thunder and PlutusM, is progressing well with launch targeted in FY23.

Vertexon API Sandbox Launch

Following the launch of the Vertexon PaaS platform in Q2 FY22, Change has recently released the Vertexon Application Programming Interface Sandbox (**API Sandbox**) to market. The API Sandbox provides existing and prospective clients with a non-production environment to improve effectiveness and efficiency as well as a key sales tool to secure new clients.

Sales Update

Change has successfully closed several substantial opportunities during Q4, including:

- **New PaaS clients:** four new Vertexon PaaS clients with a total contract value anticipated to be in excess of US\$10.5m (A\$15.2m) over the initial 5-year terms
- **New PaySim clients:** new Australian and Taiwanese clients onboarded during the quarter
- **Existing clients commit to new payments projects:** secured over US\$1.0m (A\$1.4m) in new sales with US\$0.7m (A\$1.0m) of Vertexon projects and US\$0.3m (A\$0.4m) of PaySim projects for existing clients. The revenue from the client wins in Q4 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 35 sales during the quarter. The pipeline continues to mature with higher value PaaS opportunities increasing as awareness of the Vertexon PaaS capabilities grows both organically and via partner referrals.

Financial Update

Change delivered Q4 FY22 revenue of US\$2.4m (A\$3.5m), down 8% on the prior corresponding period (pcp) (US\$2.6m). This decrease is primarily attributable to lower one-off licence sales, and in particular, one-off sales revenue from a non-core product in Q4 FY21.

FY22 unaudited revenue is expected to be approximately US\$8.3m (A\$12.0m), up 32% on FY21. Approximately 52% of revenue was derived from recurring income streams whilst approximately 48% was derived from project and licence income (i.e. non-recurring income). The proportion of recurring income (as a % of total revenue) will increase over time, driven particularly by new PaaS clients.

Change continues to progressively transition its business model (from a perpetual licence) to generate recurring PaaS revenue (along with volume and transaction fees) driving significant and sustainable future upside. Historically, the Company has reported Annualised Recurring Revenue (ARR) as a key metric to highlight the future growth profile and progress of business model transition towards greater recurring revenue.

Following a review of information being provided to shareholders, the Company believes the reporting of ARR no longer accurately represents the financial progress and position of the business going forward. Change has defined ARR as the annual contractual minimum fee commitments from clients, however based on the contract wording of recently signed PaaS contracts, the minimum fee commitments represent only a small portion of the reasonably expected annual revenue from those clients.

Therefore, ARR does not provide shareholders with a relevant metric of financial progress and as such, going forward, the Company will not continue reporting ARR.

Cash receipts from customers totalled US\$1.8m (A\$2.6m), down 14% on pcp.

Change's cash position at the end of the quarter was US\$1.5m (A\$2.2m). At the end of the quarter, the Company had fully drawn the unsecured loan facility, totalling US\$1.0m (A\$1.5m).

Outlook

One of the key rationales for the strategic acquisition in October 2020 was to enable Change to leverage a deep and extensive technology offering, thereby accelerating the product roadmap by up to two years. Change has now successfully integrated the business and is well progressed on the transition to a PaaS (recurring) cloud offering. This transition will replace the legacy back-end and processing solutions of the business and address the evolving needs of clients and the payments market.

Underpinned by an existing client base with contracted revenue, soon to 'go-live' clients and late-stage pipeline opportunities, Change is targeting to deliver double digit revenue growth in FY23 over FY22. Additionally, reviewing and aligning the cost base to ensure sustainable growth, the Company is targeting to be EBITDA positive in H2 FY23.

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, 3 August 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_cpPShg2MSwWoJpjGUd0ogQ

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.

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 156 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")

30 June 2022

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		1,841	9,047
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(788)	(2,532)
(c) advertising and marketing		(51)	(220)
(d) leased assets		(76)	(293)
(e) staff costs		(1,662)	(6,890)
(f) administration and corporate costs		(177)	(1,214)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		-	-
1.5 Interest and other costs of finance paid		(3)	(15)
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		(916)	(2,118)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(g) entities		-	-
(h) businesses		-	-
(i) property, plant and equipment		(6)	(44)
(j) investments		-	-
(k) intellectual property		(321)	(1,388)
(l) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
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	Dividends received (see note 3)	-	-
2.5	Other – sub lease payments received	100	172
2.6	Net cash from / (used in) investing activities	(227)	(1,260)

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 or convertible debt securities	-	-
3.5	Proceeds from borrowings	842	1,058
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(54)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	842	1,004

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,895	4,018
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(916)	(2,118)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(227)	(1,260)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	842	1,004
4.5	Effect of movement in exchange rates on cash held	(93)	(143)
4.6	Cash and cash equivalents at end of period	1,501	1,501

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	1,501	1,895
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)	1,501	1,895

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	113
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	1,033	1,033
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,033	1,033
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.		
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. <ul style="list-style-type: none">• Amount: up to A\$1.5 million• 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)	(916)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,501
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,501
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.6
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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?	
<p>Answer: In October 2020, Change made a strategic acquisition which has now been successfully integrated and the Company is significantly advanced in its transition to a cloud based offering. In light of these key achievements, Change has undertaken a comprehensive review of the business which has resulted in an optimised cost structure. Change expects to benefit from these initiatives in future quarters.</p>	
8.6.2 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?	
<p>Answer: The Company has been assessing its ongoing capital requirements and plans to raise capital. The Company is well advanced in its plans to complete the capital raise and has confidence in being able to raise the sufficient capital to fund growth initiatives and operations of the business.</p>	

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

Answer: Yes, on completion of the anticipated capital raise noted in 8.6.2.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 1 August 2022.....

Authorised 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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