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FY2023 Q1
QUARTERLY UPDATE
AND APPENDIX 4C

28 October 2022

September 2022 Quarterly Update and Appendix 4C

FY2023 Q1 Highlights

- Customer receipts of US\$2.3m (A\$3.6m)
- Q1 FY23 revenue of US\$2.3m (A\$3.6m)
- Granted Mastercard Principal Issuer licence for prepaid and debit cards in New Zealand
- Draft Australian Financial Securities License (AFSL) granted; full approval targeted for late Q2 FY23
- Product implementation near complete and on-track to go-live with four New Zealand financial institutions in late Q2 FY23
- Cash holdings of US\$3.6m (A\$5.7m) and fully drawn unsecured debt facility of US\$0.5m (A\$0.9m) as at 30 September 2022

Investor Webinar Registration

Monday, 31 October 2022 at 11:00am Brisbane time (AEST) / 12:00pm Sydney time (AEDT)

[Click here to register](#) (or see link below)

28 October 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 September 2022 (Q1 FY23).

Change CEO and Managing Director, Alastair Wilkie commented, “Q1 marked another productive period for the business as we continued to execute on our strategy. We made strong progress on our operational readiness for direct issuing in Australia and New Zealand and were granted a Mastercard Principal Issuer licence for prepaid and debit cards in New Zealand.”

“Revenue for the quarter grew +18% relative to Q1 FY22. We realigned our cost base to streamline the business and enable future revenue growth to be delivered profitably. Whilst we have incurred several one-off costs this quarter in executing the cost base realignment, we remain confident of reaching monthly EBITDA positive during the second half of this financial year.”

“Furthermore, we successfully completed our capital raising which will help facilitate future growth and strengthen the financial position of the Company, enabling us to further execute on our strategic plans.”

Business Activities

Mastercard Principal Issuer licence granted in New Zealand and imminent in Australia

In March 2022, Change announced an exclusive agreement to partner with Mastercard to issue prepaid and debit card products in Australia and New Zealand.

During the quarter, Change was granted a Mastercard Principal Issuer licence for prepaid and debit cards in New Zealand which occurred as a result of being granted regulatory approval as a Financial Service Provider (FSP). This enables Change to deliver card programs to banks, credit unions, fintechs and other businesses in New Zealand looking to offer digital and physical card payments to their customers.

The Mastercard Principal Issuer licence is a key component to enable go-live of the card programs for the four New Zealand financial institutions recently contracted by Change.

Change's Australian Mastercard Principal Issuing licence is well progressed but is dependent on the Company obtaining an Australian Financial Services Licence (**AFSL**). The Australian Securities and Investments Commission has granted Change a draft AFSL. Granting of a full AFSL is subject to finalisation of operational matters, including regulatory registrations and obtaining additional insurance coverage, which Change is targeting to complete in late Q2 FY23.

Progress towards 'go-live' on four New Zealand financial institutions

In addition to securing Mastercard Principal Issuer status, the Company continues to make strong progress towards 'go-live' of the four New Zealand client card programs in late Q2 FY23.

Key activities completed in Q1 FY23 included:

- Mastercard transaction level testing completed
- Software as a Service production environment established
- Card operations team established for production support
- Cardholder APIs enhancements completed
- Settlement accounts established

Whilst exact 'go-live' timing is a collaborative process with the four New Zealand financial institutions and Finzsoft Solutions Limited (banking platform provider), Change is pro-actively working to deliver the following outcomes in Q2 FY23:

- Mastercard New Zealand certification
- Card design and certification
- Banking system connection
- User Acceptance Testing

Sales update

Change signed 22 new contracts with both new and existing clients during Q1 FY23, including:

- **Vertexon:** signed US\$1.0m (A\$1.6m¹) of new projects, services and licence sales for clients across SE Asia, Oceania and LATAM
- **PaySim:** secured a new PaySim client in India along with project and licence uplifts to existing clients in SE Asia and Oceania

The pipeline continues to mature with higher value Vertexon Payments as a Service (PaaS) opportunities and PaySim subscription and certification offerings progressing through the sales funnel. The Company has seen a significant uplift in Vertexon interest within the Oceania market following the milestone New Zealand client contract announcement and, following the granting of a full AFSL in Australia, will be able to further progress these opportunities.

Other key sales and marketing activities during the quarter included Change exhibiting Vertexon and PaySim at the Customer Owned Banking Association 2022 Conference, which was strongly attended by existing clients and new key target opportunities in the credit union and financial mutual space.

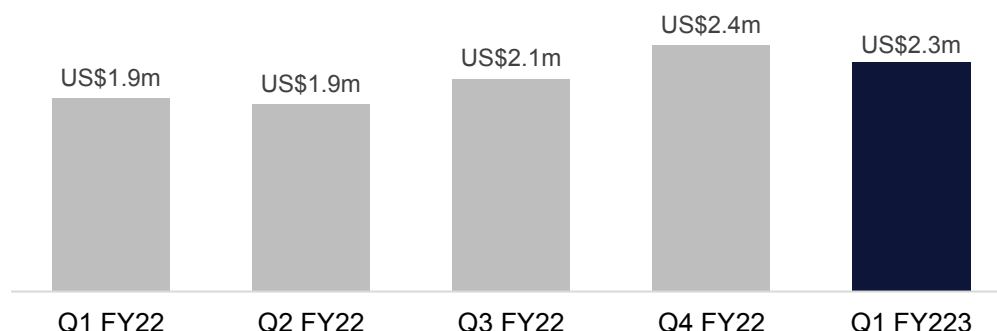
Underpinned by an existing client base with contracted revenue, soon to 'go-live' clients and late-stage pipeline opportunities, Change continues to target to deliver double digit revenue growth in FY23.

Financial Update

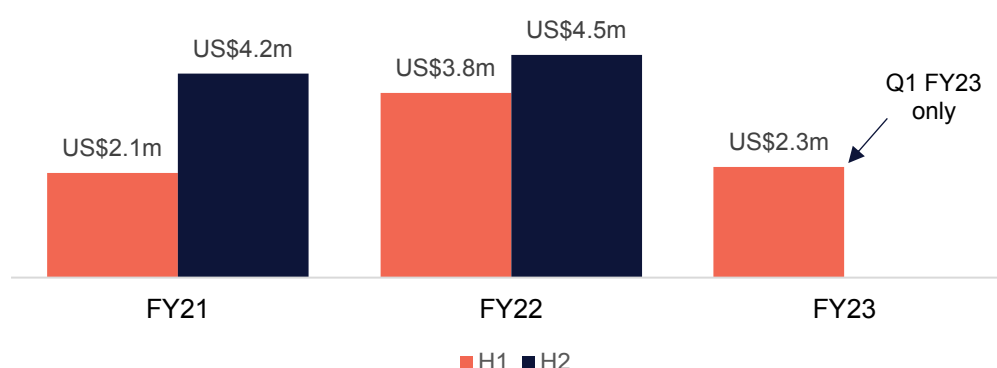
Change delivered Q1 FY23 revenue of US\$2.3m (A\$3.3m), up 18% on prior corresponding period (pcp) (US\$1.9m). This growth was primarily driven through support and maintenance and new license sales, which will generate increased support and maintenance in future quarters. Approximately 54% of revenue was derived from recurring income streams whilst approximately 46% was derived from project and licence income (i.e. non-recurring income). The proportion of recurring income (as a % of total revenue) is expected to increase over time, driven particularly by new PaaS clients.

¹ AUD/USD = 0.63

Revenue by Quarter



Revenue by Half



During the quarter, Change realigned its cost base to streamline the business and enable future growth to be delivered profitably. As part of the cost base realignment, there were several one-off restructuring costs incurred during the period. In particular, as outlined in the accompanying Appendix 4C, these one-off expenses primarily relate to staff costs (accrued employee entitlements and redundancy costs) with the vast majority being incurred in Q1 FY23. The Company expects operating expenses to reduce for the remainder of FY23, particularly in the second half.

As previously announced, the Company is targeting to reach monthly EBITDA positive during H2 FY23 driven by revenue growth, due to the onboarding of the four New Zealand client wins, coupled with the realigned cost base.

Cash receipts from customers totalled US\$2.3m (A\$3.7m), down 19% on pcp. Stronger cash receipts in the prior period were driven by the collection of a significant one-off licence fee from the sale of a non-core product and the collection of aged debtors, some dating back to the time of the strategic acquisition in October 2020.

In August 2022, Change announced a capital raising of A\$5.72m via a placement and non-renounceable entitlement offer to eligible shareholders. The Company successfully completed the capital raising which was well supported by Change's existing shareholder base as well as several new institutional and sophisticated investors. Funds raised are being used to execute on growth plans, specifically enhancing the Vertexon offering via increased issuing capability and connectivity, increased sales and marketing strategies, and paying down A\$0.75m (of a A\$1.5m) of the unsecured loan facility.

Change's cash position at the end of the quarter was US\$3.6m (A\$5.7m) with US\$0.5m (A\$0.9m) (including accrued interest) of debt remaining via an unsecured loan facility, which cannot be redrawn.

The majority of Change's revenue is derived in USD whilst most operating costs are currently incurred in AUD and NZD. As such, the Company benefits from a strengthening USD relative to the AUD and NZD. Additionally, whilst the Company reports in USD, the majority of cash held by the business is in AUD to align with the denomination of the majority of the cost base. As a result of this dynamic, the USD reported figures will be subject to foreign exchange rate fluctuations during the reporting periods (refer accompanying Appendix 4C).

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 Monday, 31 October 2022 at 11:00am Brisbane time (AEST) / 12:00pm Sydney time (AEDT).

Please register ahead of time via the following link:

https://us06web.zoom.us/webinar/register/WN_R7KpwssuTVKcCKTAYagitw

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 27 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 September 2022

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,304	2,304
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(682)	(682)
(c) advertising and marketing	(29)	(29)
(d) leased assets	(29)	(29)
(e) staff costs	(1,606)	(1,606)
(f) administration and corporate costs	(339)	(339)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	(88)	(88)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(473)	(473)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	(4)	(4)
(j) investments	-	-
(k) intellectual property	(359)	(359)
(l) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 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	45	45
2.6	Net cash from / (used in) investing activities	(318)	(318)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,867	3,867
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	1	1
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(270)	(270)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(488)	(488)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	3,110	3,110

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,501	1,501
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(473)	(473)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(318)	(318)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,110	3,110
4.5	Effect of movement in exchange rates on cash held	(217)	(217)
4.6	Cash and cash equivalents at end of period	3,603	3,603

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	3,603	1,501
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)	3,603	1,501

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	90
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. 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	540	540
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	540	540
7.5	Unused financing facilities available at quarter end		-
7.6	<p>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.</p> <p>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:</p> <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 <p>In September 2022, the Company repaid A\$0.75 million of the unsecured term facility. There is no ability to redraw under the facility.</p>		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(473)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,603
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,603
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	7.6
<p><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></p>		
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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> <p>Answer:</p> <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> <p>Answer:</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:

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: 28 October 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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