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change.

H1 FY23
Half Year Results and
Appendix 4D

28 February 2023

H1 FY23 Half Year Results and Appendix 4D

H1 FY23 Highlights

- H1 FY23 revenue of US\$4.3m (A\$6.4m), up 14% on prior corresponding period (pcp)
- H1 FY23 EBITDA loss of US\$(1.1)m (A\$(1.6)m), a 37% improvement on pcp reflecting revenue growth and lower cost base
- Granted AFSL in January 2023; enabling Change to finalise Mastercard Principal Issuer licence for prepaid cards in Australia
 - Regulatory approval now granted in both Australia and New Zealand
- Expanded Mastercard partnership agreement in the US providing ability to offer debit cards
- In February 2023, secured a strategic investment (19.99% shareholding) and entered MoU with US-based fintech entrepreneur Michael H. Giles to accelerate US market traction

Investor Webinar Registration

Tuesday, 28 February 2023 at 11:00am Brisbane time (AEST) / 12:00pm Sydney time (AEDT)

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

28 February 2023 Change Financial Limited (ASX: CCA) (“Change” or “the Company”) is pleased to release the Company’s half year results and Appendix 4D for the period ended 31 December 2022 (H1 FY23).

Change CEO and Managing Director, Alastair Wilkie commented, “This half we continued to build on the momentum established over the course of FY22. We have mentioned several times our progressive delivery of the ‘building blocks’ to accelerate customer adoption of the Vertexon platform and pleasingly, the formal granting of an Australian Financial Services Licence (**AFSL**) marks another major accomplishment. Furthermore, our expanded Mastercard partnership in the US combined with the imminent release of our latest version of the Vertexon Payments as a Service (**PaaS**) platform significantly enhances our product offering in the US.

“Revenue for the half year grew 14% over the prior corresponding period. This growth, combined with a lower cost base, significantly reduced our EBITDA loss for the period. The recent material investment by Michael Giles has significantly improved the Company’s financial position and provides additional funding to support growth opportunities. We’re excited to work closely with Michael to drive growth in the business, particularly in the US.

“Lastly, as announced to the market on 16 February, I am intending to retire as CEO by 30 June this year. I would like to thank everyone who has played a role in Change over the past four years as it has been a fantastic and rewarding journey. The Company is well positioned for its journey ahead with an amazing and highly capable team of people.”

Operational Update

Key Building Blocks

During H1 FY23, Change continued to focus on delivering the key ‘building blocks’ to establish the foundations for future growth.

In the US, the Company signed an expanded five-year partnership agreement with Mastercard, significantly strengthening the relationship both regionally and globally. The expanded partnership will enable Change to offer debit cards, complementing the existing prepaid card offering in the US. The

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debit card offering will be available following completion of the Mastercard licence application and technical certification, both of which are expected to be completed in H2 FY23.

In Oceania, the Company was formally granted an AFSL which will enable the Company to issue prepaid cards in Australia. Following granting of the AFSL, Change will proceed to finalise the Mastercard Principal Issuer licence process for Australia, which is expected to complete in the coming months. During the half year, Change achieved Mastercard Principal Issuer status in New Zealand. Card issuing in Oceania is a key component of Change's strategy and will enable the Company to generate revenue growth through transaction and processing-based fees.

Change is also in discussions with Mastercard to seek approval to issue debit cards in Australia where the client is an authorised deposit-taking institution (**ADI**) or restricted authorised deposit-taking institution (**RADI**).

Client Progress

Change continues to progress towards 'go-live' of the first New Zealand client card program, having delivered all key milestones on time to date. Change is working closely with all parties to commence transitioning card programs in H2 FY23, thereby starting to generate transaction and processing-based revenue from the delivery of those services.

Upon 'go-live' of the first card program with a New Zealand client, Change will be entitled to a cash incentive of US\$1m from Mastercard as previously announced.

The first card program in the US, Alaska Prepaid Card, LLC is 'live' and is expected to ramp up transaction and cash load volumes over the course of H2 FY23 and beyond. Although not financially material yet, transaction volumes are expected to provide a sustainable revenue base going forward that will grow with the client.

Sales Update

During the first half, Change signed 36 new contracts worth in excess of US\$1.8m (A\$2.7m¹) from both new and existing Vertexon and PaySim clients, with revenue to be earned over the next 12 months.

The sales pipeline continues to mature with higher value opportunities across both Vertexon PaaS and PaySim progressing through the sales funnel. The Company has seen a significant uplift in Vertexon interest in the Oceania market following the milestone New Zealand client contract announcement and securing the AFSL in Australia. Growth in the PaySim pipeline has been driven by increased interest in certification services and subscriptions, in addition to traditional licence and module opportunities.

Strategic Investment

On 16 February 2023, Change announced it had secured a strategic investment from US-based fintech entrepreneur Michael H. Giles, via his investment entity FinTech HQ Pty Ltd (**FinTech HQ**).

Mr. Giles is a highly successful Australian-born, US-based fintech entrepreneur who over the past six months has taken strategic investments in several financial institutions via FinTech HQ Inc., the US parent company to FinTech HQ, including a number of regulated US banks.

FinTech HQ has established a strategic shareholding of 19.99%, acquired via a combination of on-market purchases and a A\$6.86m (US\$4.6m) single-tranche placement at \$0.06 per share (17.6% premium to last close price at the time). In recognition of his commitment to building sustainable long-term value, FinTech HQ has agreed to voluntary escrow the placement shares for a period of 12 months.

As part of the investment, FinTech HQ has signed a collaboration agreement in the form of a Memorandum of Understanding with Change (**Partnership**) to accelerate growth in the US market and complement the increasing opportunities Change has in the Oceania market. Change is expected to deploy the latest version of Vertexon in the US during H2 and therefore the Partnership's initial focus will be on supporting sales efforts related to the roll-out of the new platform.

¹ AUD/USD = 0.67

CEO Succession

In February, the Company announced Alastair Wilkie's intention to retire as CEO by 30 June 2023. The Company has commenced a search for a new CEO and will update the market when a decision has been made.

Financial Update

Change delivered H1 FY23 revenue of US\$4.3m (A\$6.4m), up 14% on pcp. The majority of revenue was generated from maintenance & support (64%) and professional services (24%) with the balance being licence fees (11%) and other ancillary services (1%). Geographically, Change is well diversified with 42% of revenue from SE Asia, 33% from Oceania and 17% from Latin America. Whilst the US currently only contributes 4% of revenue, the Company expects revenue from the region to increase over time given the expanded Mastercard partnership, the imminent launch of the new Vertexon platform and the Partnership with FinTech HQ.

The EBITDA loss for H1 FY23 was US\$(1.1)m (A\$(1.6)m), a 37% improvement on pcp. This material narrowing of the EBITDA loss was attributable to revenue growth combined with a lower cost base. The Company expects to see the full benefits of the realigned cost base in H2 FY23.

The cash position at 31 December 2022 was US\$2.8m (A\$4.2m). The cash position of the Company has materially increased following completion of the single-tranche placement of \$A6.86m (US\$4.6m) to FinTech HQ in February. The capital raised has significantly strengthened the Company's financial position and enables the repayment of all current debt in Q3 FY23.

Outlook

Operationally, Change is targeting several key milestones in H2 FY23 including:

- achieve 'go-live' of first New Zealand client;
- complete the establishment of Risk and Compliance operations in Oceania;
- finalise Mastercard Principal Issuer licence for prepaid cards in Australia;
- launch latest version of Vertexon PaaS platform in US market; and
- expand PaySim API capabilities and enhance ISO20022 features for certification services.

Financially, Change continues to target double digit revenue growth in FY23, with H1 FY23 revenue growth of 14% on pcp. Change also continues to target achieving monthly EBITDA positive during H2 FY23 through a combination of revenue growth and controlled costs from the realigned cost base.

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 Tuesday, 28 February 2023 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_wYfgpuFkTtWTqDF5vtFOBA

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

Other Disclosures

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

Authorised for release by the board of Change Financial Limited.

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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

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