

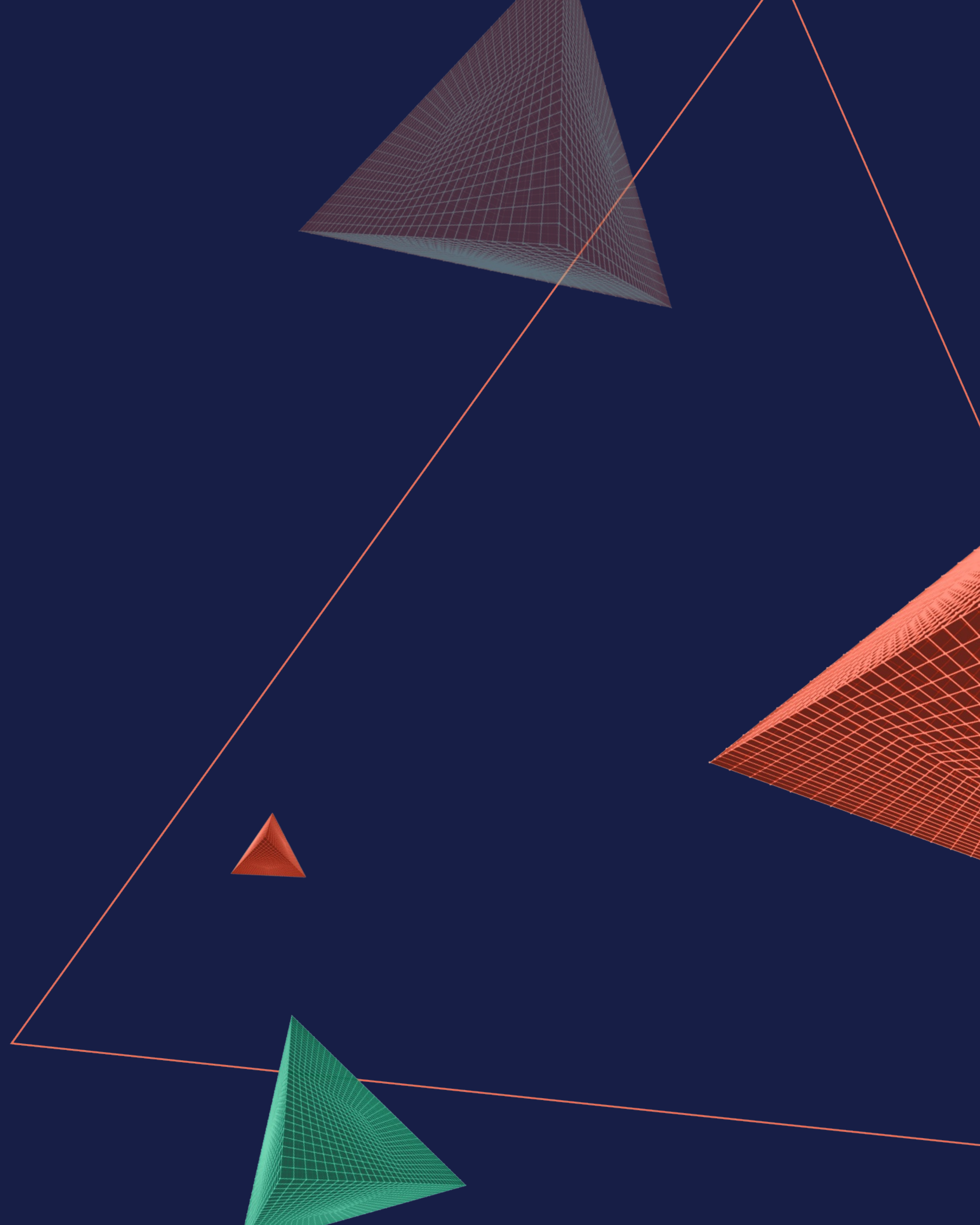
change.

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# Investor Presentation

## H1 FY23 Half Year Results

28 February 2023



# H1 FY23 summary

Simplifying payment experiences globally to be a leading PaaS provider via simple, flexible & fast to market technology

## Delivered on Financials

- ▶ H1 FY23 revenue of US\$4.3m (A\$6.4m<sup>1</sup>), up 13.6% on prior corresponding period (pcp)
- ▶ PaaS clients expected to drive sustainable revenue growth upon 'go-live'
- ▶ EBITDA loss of US\$(1.1)m (A\$(1.6)m), 37% improvement on pcp
  - ▶ Full benefit of realigned cost base to be realised in H2 FY23
- ▶ Cash at end of H1 FY23 of US\$2.8m (A\$4.2m) – bolstered by A\$6.9m capital raise in February 2023

## Established Building Blocks & Partnerships

- ▶ Granted Mastercard Principal Issuer licence in NZ for both prepaid and debit cards
- ▶ Granted AFSL in January 2023 – will enable issuing of prepaid cards in Australia
  - ▶ Targeting to achieve Mastercard Principal Issuer licence in Australia in H2 FY23
- ▶ Signed a five-year partnership agreement with Mastercard enabling Change to expand its product offering in the US to include debit cards
- ▶ Secured a strategic investment and partnership with a successful US-based fintech entrepreneur, Michael H. Giles (February 2023)

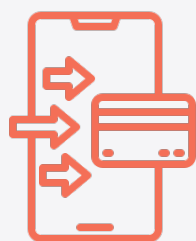
## Released Market Leading Products

- ▶ Released updated version (v8) of Vertexon platform: AWS hosted architecture, new API features, PCI-DSS security enhancements including 3DS 2.0, new rules engine features and expanded API suite
- ▶ Launched Vertexon global payment API sandbox
- ▶ Completed Mastercard technical certification – Vertexon platform now live in NZ for issuing and ready for customer 'go-live'
- ▶ Completed PaySim certification solution for ISO20022 (Faster Payments), focused on scalable multi-region implementations; completed Certification Client Portal UX / UI design

# Change today: delivering scalable payments solutions

## Banking as a Service

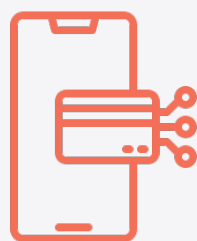
### Payments as a Service



Physical & virtual card issuing



Transaction processing for all major card schemes

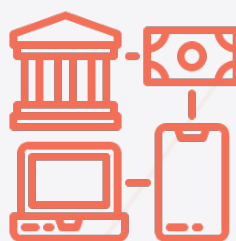


Digital payments (Apple, Google & Samsung Pay), BNPL

64%

of H1 FY23 Revenue

### Payment testing



Full payment simulation



ATM & POS emulation



Visa, Mastercard, UnionPay, Amex, JCB validation

36%

of H1 FY23 Revenue



# Vertexon: Payments as a Service (PaaS)

▶ Lowers the barrier of entry for banks & fintechs to deliver innovative digital card solutions to their customers

## Key Product Offerings

### Processing

- ▶ Cloud hosted; platform used to manage card & payments infrastructure
- ▶ **Client** responsible for card issuing
- ▶ Global

### Processing & Issuing (P&I)

- ▶ Cloud hosted; platform used to manage card & payments infrastructure
- ▶ **Change** responsible for card issuing
- ▶ ANZ & US

## Unique Selling Proposition



### Cloud Based

- ▶ Locally installed in client jurisdiction with upgrades automatically deployed



### API First

- ▶ Single API & sandbox for rapid global platform access



### Speed to Market

- ▶ Agile & nimble partner which lowers the barriers of entry for issuing & card products



### Innovation

- ▶ Leverage modern digital solutions to respond to market trends & client needs quickly



### Capital Efficient

- ▶ Capital light model through reduced compliance overhead (e.g. PCI DSS) & infrastructure investment



### Scheme Agnostic

- ▶ Transaction processing for all major schemes inc. Mastercard, Visa, Union Pay, JCB & AMEX

PaySim facilitates remote testing without the need for physical devices such as ATMs & POS terminals

# PaySim: critical payments infrastructure testing tool

- ▶ **Simulates the full transaction lifecycle**, enabling banks & fintechs to complete end-to-end testing of their payment platforms & processes
- ▶ Enables financial institutions to **test their payment systems** to meet the reliability & performance expectations of their customers

Growth Strategy	Licence Model			SaaS Model	
	Licences	Additional Modules	Maintenance	Monthly Subscription	Key benefits of SaaS solution for client
Description	New licence sales to new clients	New licence sales for additional features	c.20% p.a. of licence & module sales	All in monthly subscription fee	<ul style="list-style-type: none"><li>▶ Reduced capex</li><li>▶ Access to new features &amp; updates as they are released</li><li>▶ API &amp; cloud focused solution (improves scalability)</li></ul>
Revenue type	One-off upfront	One-off upfront	Recurring	Recurring	
Target clients	New banks, financial institutions & fintechs	Existing clients	-	New banks, financial institutions & fintechs	
Primary sales channels	Partnerships (e.g. EFTPOS mandate), resellers & direct	Direct & retargeted marketing	-	Partnerships (e.g. EFTPOS mandate), resellers & direct	

Diverse team with local knowledge to support our loyal & growing client base

# Global fintech with local expertise



**Critical payments infrastructure**  
Deep client integration



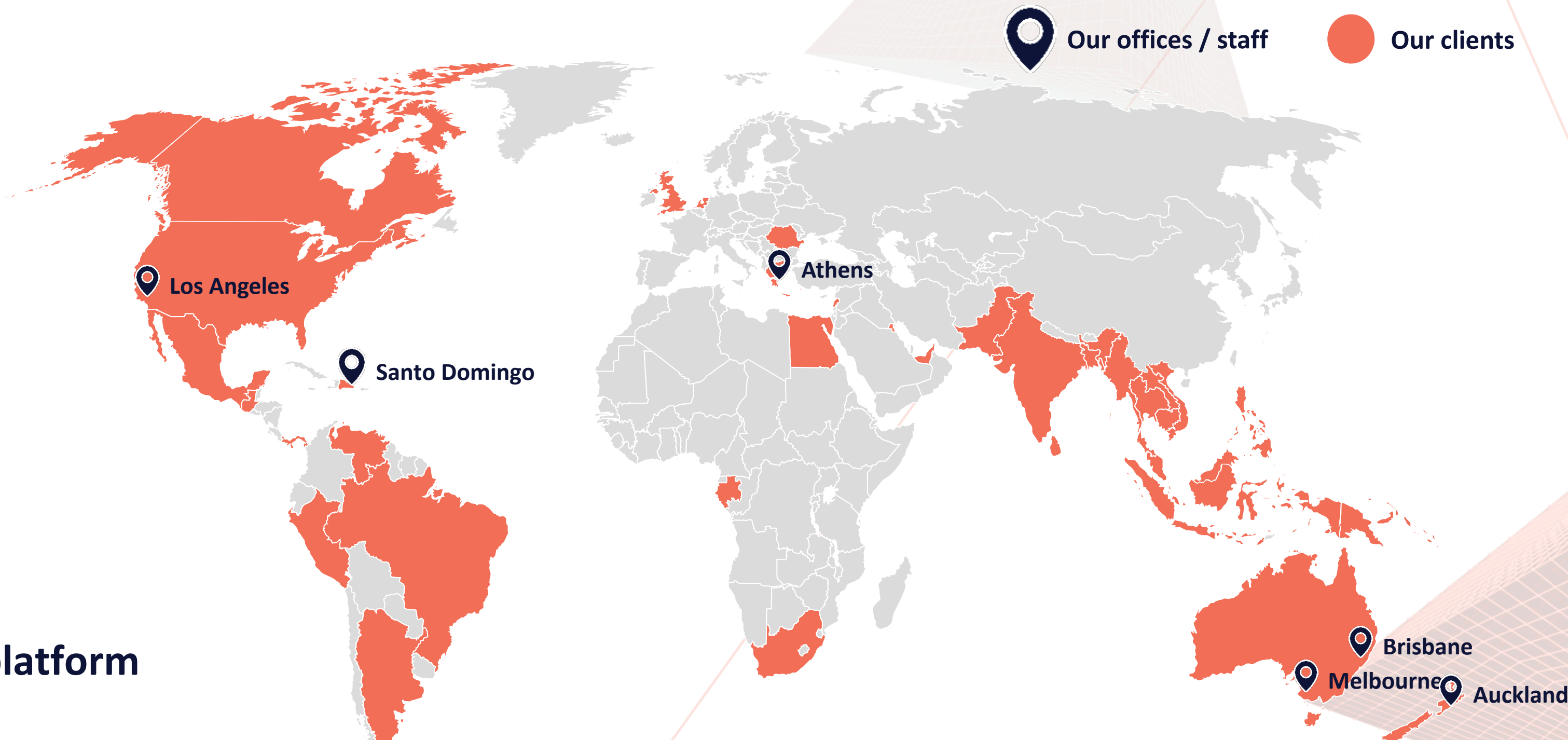
**Global footprint**  
156 Clients in 41 countries



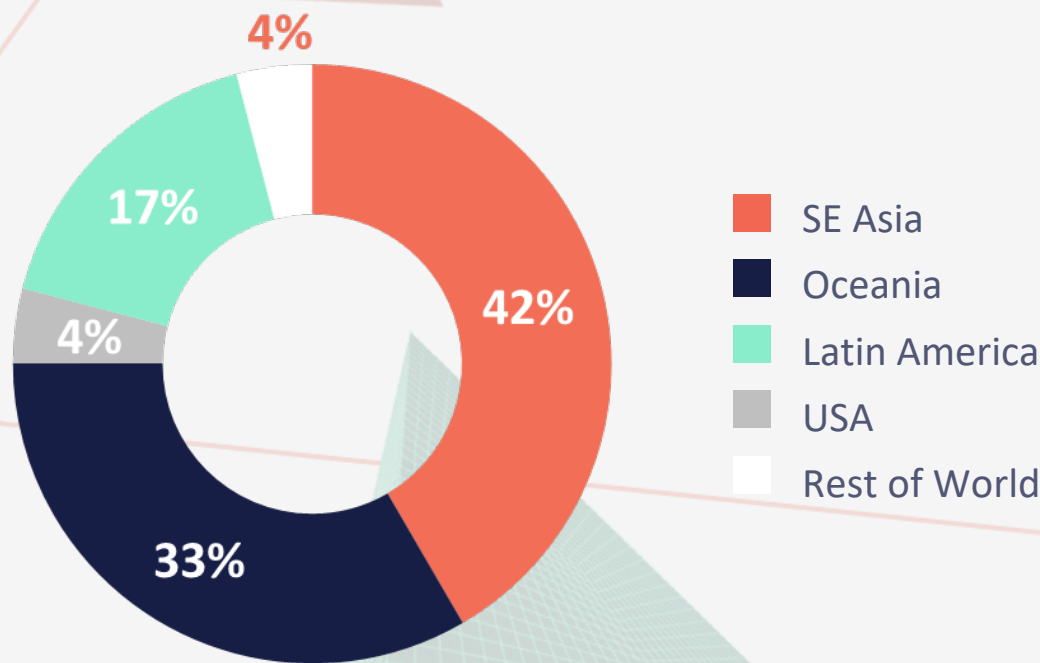
**Scalable payments platform**  
27m+ cards



**Processing for all the major schemes**



H1 FY23 Revenue by Region (%)





# Strategic investment and partnership

Significantly strengthens the Company's financial position and provides attractive opportunity to drive future growth

## Successful Fintech Entrepreneur

- ▶ In February 2023, signed a partnership in the form of a Memorandum of Understanding and secured an investment from US-based fintech entrepreneur Michael H. Giles via his investment entity FinTech HQ
- ▶ Mr. Giles sold Embed Financial Technologies Inc. to FTX US in September 2022, a US equity clearing and custody API platform business that he founded in May 2020
- ▶ Prior to this, Mr. Giles founded and sold Third Party Technologies Inc., a leading API-driven investing and trading platform for US financial markets, to Block, Inc. (formerly Square, Inc.) in Feb 2019

## Partnership to Drive Growth

- ▶ Change intends to leverage Mr. Giles' established relationships in the financial services and fintech industries to enhance the rollout of the Vertexon PaaS platform, particularly in the US
- ▶ Focused on driving growth without Change materially increasing sales and marketing spend
- ▶ Aligns with Change's targeted deployment of the latest version of Vertexon in the US during H2 FY23 and expanded partnership with Mastercard

## Strategic Investment

- ▶ Established strategic shareholding of 19.99% via on-market purchases and A\$6.86m (US\$4.6m) single-tranche placement at \$0.06 per share (17.6% premium to last close price at the time)
- ▶ As a commitment to building sustainable shareholder value, FinTech HQ has agreed to voluntary escrow the shares acquired through the placement for a period of 12 months
- ▶ Capital raised will be used to strengthen financial position, including repayment of all debt, and provide additional funding to support both organic and potential acquisition/partnership opportunities



# H1 FY23 Financial Results

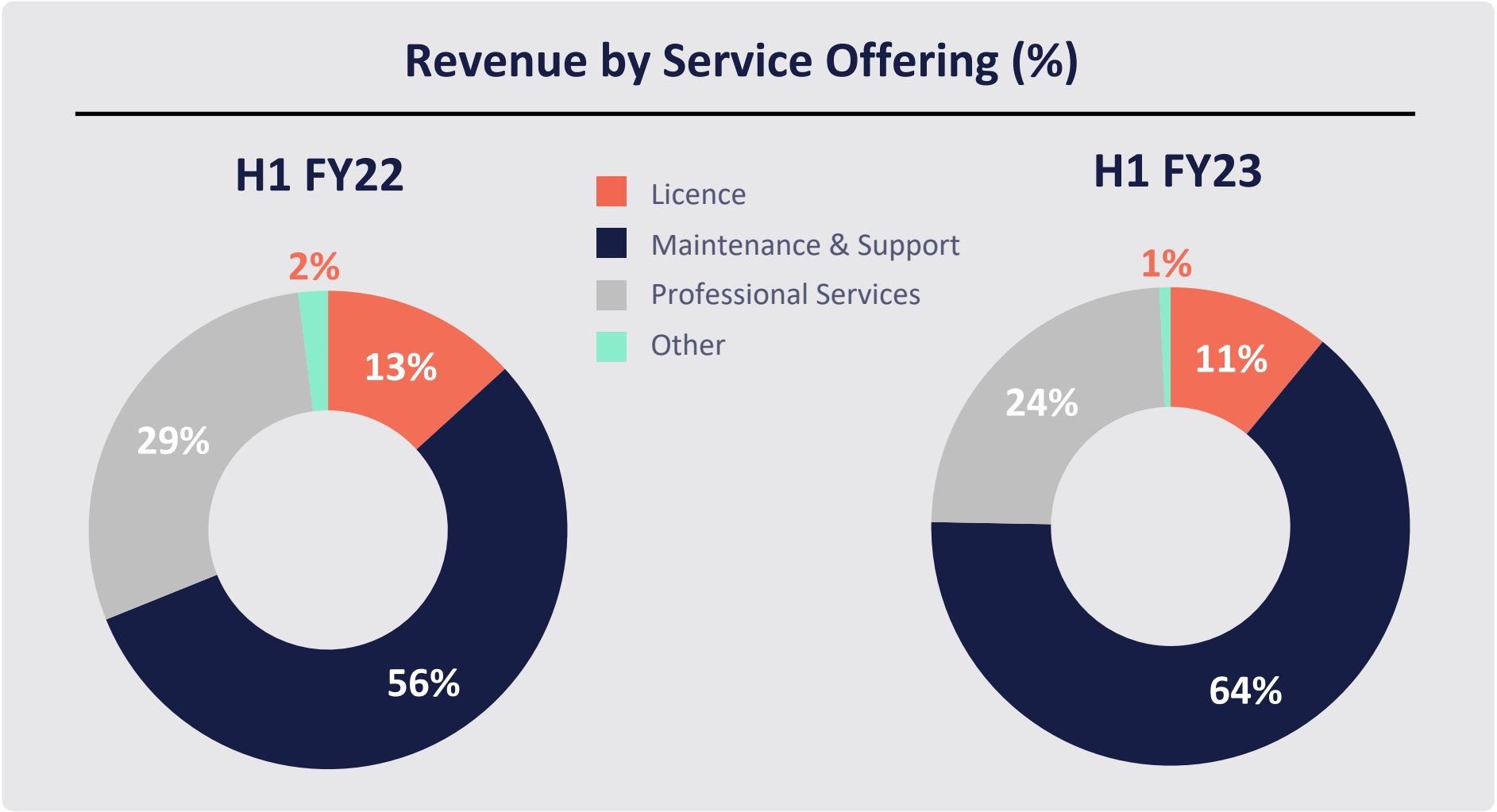
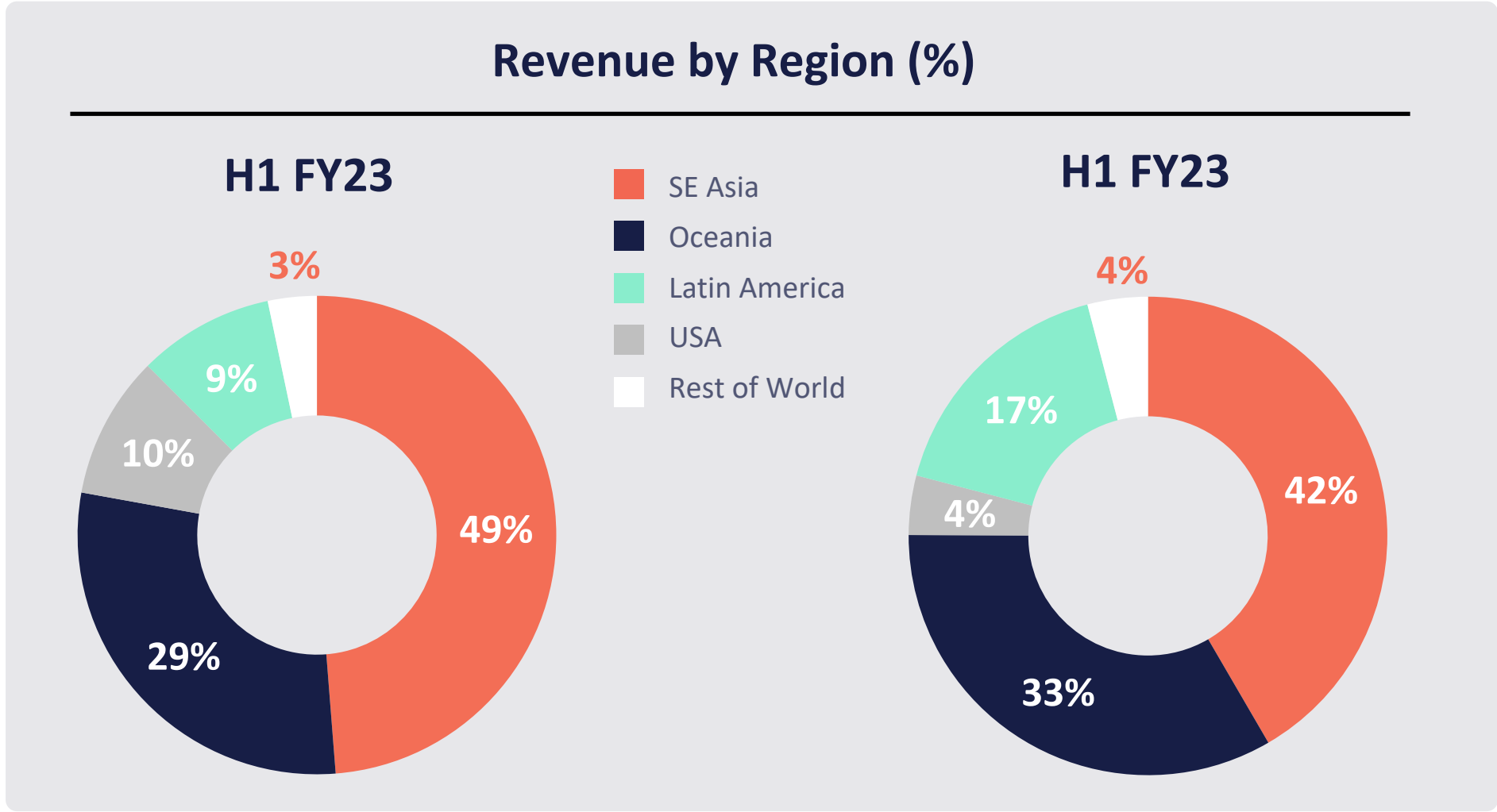
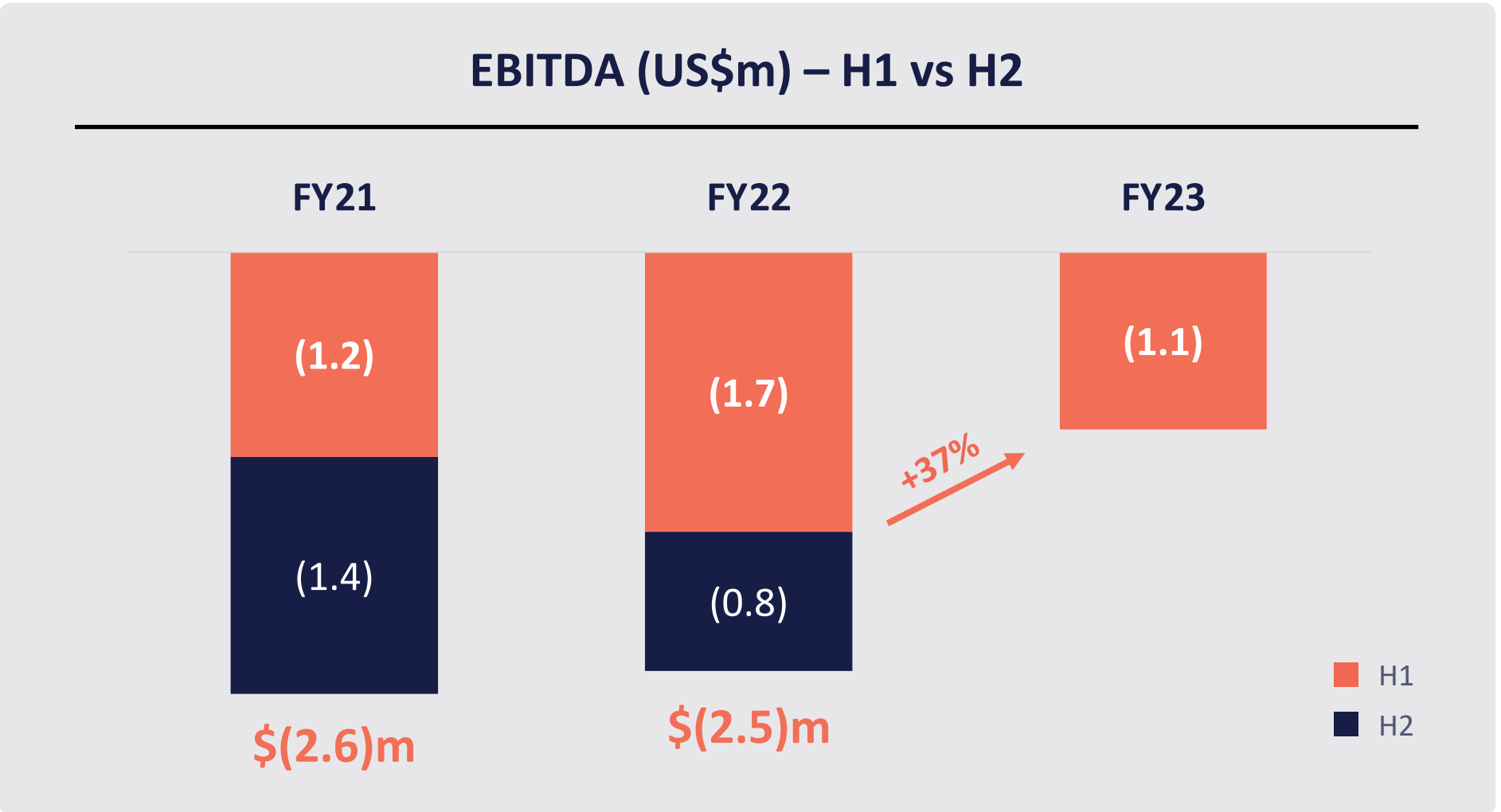
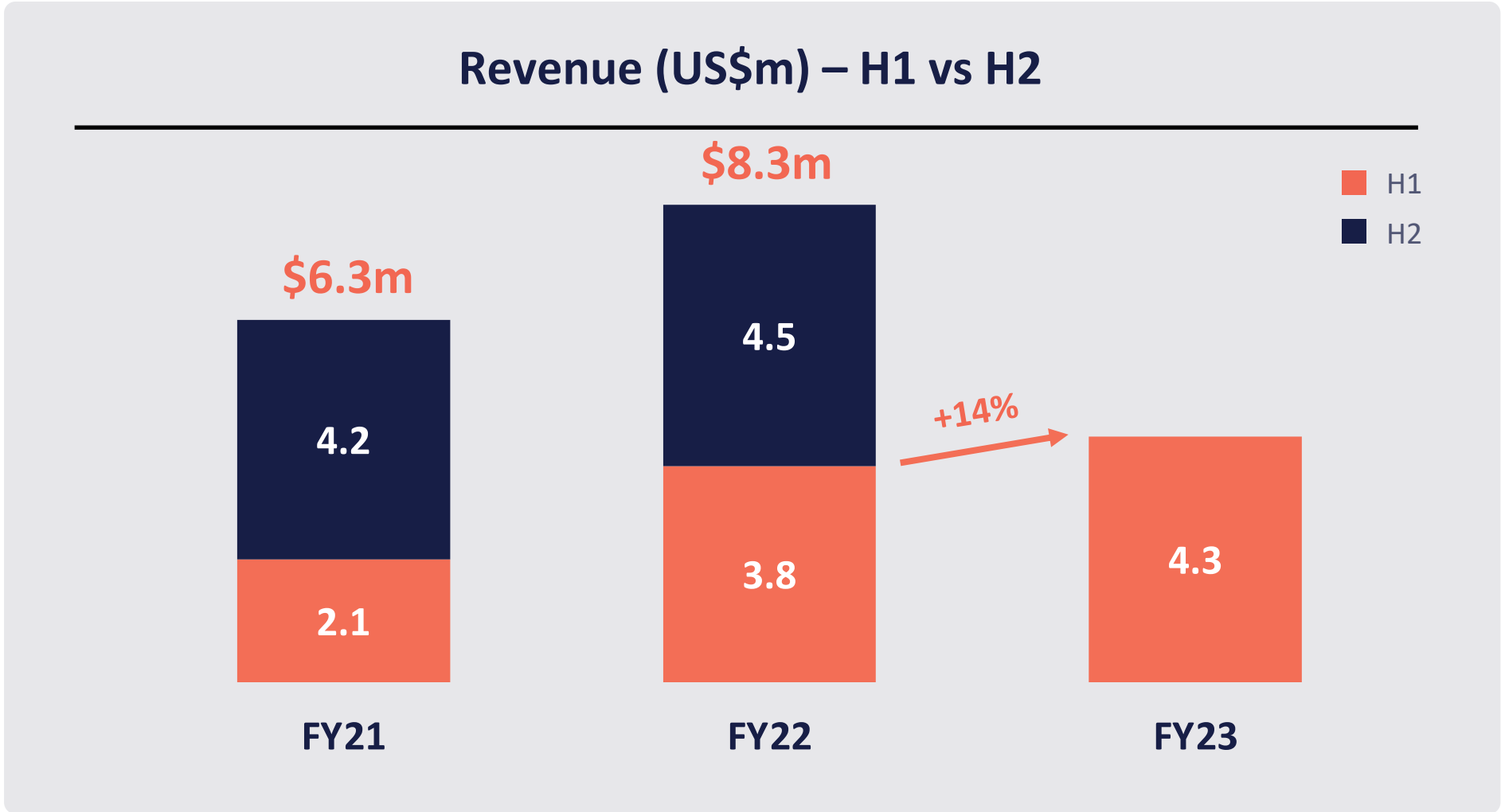
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# Financial Dashboard

Revenue growth and  
realigned cost base  
driving improved  
EBITDA



Full benefit of realigned cost base will be realised in H2 FY23

# Profit & Loss

Profit & Loss Summary			
(US \$000's)	H1 FY23	H1 FY22	Var %
Revenue	4,280	3,769	13.6%
COGS	-	-	na
Gross Profit	4,280	3,769	13.6%
Employee expenses	(3,140)	(3,754)	(16.4%)
Professional services & insurance	(547)	(514)	6.2%
Technology & hosting	(922)	(412)	124.0%
Other expenses	(738)	(768)	(3.9%)
Operating Expenses	(5,346)	(5,447)	(1.9%)
EBITDA	(1,066)	(1,679)	(36.5%)
D&A	(623)	(528)	17.9%
Finance Costs	(60)	(13)	343.3%
PBT	(1,748)	(2,220)	(21.3%)
Tax	(216)	-	na
NPAT	(1,964)	(2,220)	(11.5%)

## Key Comments

- ▶ H1 FY23 revenue of US\$4.3m (A\$6.4m), up 13.6% on pcp
  - ▶ Driven by growth in support & maintenance (recurring) and new licence sales
  - ▶ H1 FY23 revenue does not include any NZ card issuing clients – targeting to ‘go-live’ in H2 FY23
- ▶ Processing and Issuing (P&I) by new clients on the Vertexon PaaS platform will add COGS moving forward as a result of scheme related fees
- ▶ Employee costs reduced by 16%, driven by realigned cost base in July 2022
- ▶ Professional services & insurance costs driven by higher insurance costs related to transition to card issuing
- ▶ Technology and hosting cost increase due to hosting fees associated with cloud-based PaaS platform, Mastercard connectivity fees in ANZ and hardware purchased for resale to customers
- ▶ Income tax relates to current and prior year income taxes in NZ arising from transfer pricing
- ▶ 37% improvement in EBITDA loss to US\$(1.1)m (A\$(1.6)m) – targeting to achieve monthly EBITDA positive during H2 FY23

Material revenue uplift  
from transition to SaaS  
model over contract life

# Vertexon: contract revenue breakdown (indicative only)

Example illustrates an indicative program of 25k prepaid cards.  
**Debit** card programs typically result in increased revenues due to higher transaction volumes.

## Key benefits of SaaS model

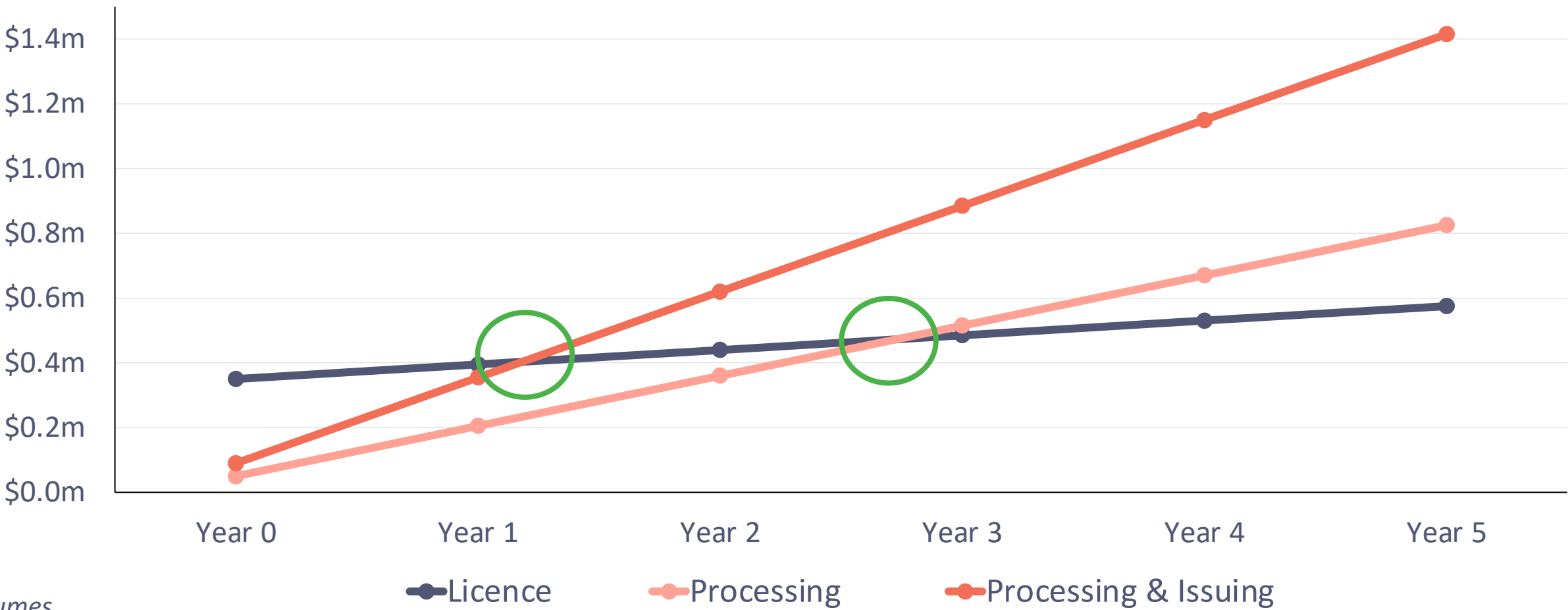
- ▶ Greater revenue over contract life
- ▶ Delivers revenue growth directly correlated to client growth through transaction & volume based fees
- ▶ Improves delivery speed & reduces cost to manage software versioning, upgrades & deployments
- ▶ Improves scalability

### Example client (prepaid card program)

Revenue Stream (US\$)	Type	Old Model	New Model (SaaS)	
		Licence	Processing	Processing & Issuing (P&I) <sup>1</sup>
Implementation fee	One-off	\$125k	\$50k	\$90k
Licence fee	One-off	\$225k	-	-
S&M fee p.a. (c.20% licence fee)	Recurring	\$45k	-	-
Minimum fee commitments	Recurring	-	\$55k	\$55k
Transaction / volume fees	Recurring <sup>2</sup>	-	\$100k	\$210k
Revenue over 5 yrs (indicative)		\$575k	\$825k	\$1.41m

Potential >3x uplift in recurring revenue

Cumulative Revenue Comparison



1. Issuing fees excludes any card scheme pass through costs  
2. Recurring in nature however \$\$ value may vary as driven by card spend & volumes



## Balance Sheet

Recent capital raising strengthens the Company's financial position and provides additional funding to support growth opportunities

Balance Sheet		
(US \$000's)	Dec 22	Jun 22
Cash & equivalents	2,800	1,501
Receivables	1,394	1,791
Other current assets	661	641
<b>Current Assets</b>	<b>4,856</b>	<b>3,933</b>
Intangibles	6,139	5,993
Fixed Assets + DTA	348	421
<b>Total Assets</b>	<b>11,343</b>	<b>10,347</b>
Payables	(1,367)	(1,196)
Deferred income	(3,059)	(3,095)
Employee provisions	(1,066)	(1,289)
Other current liabilities	(159)	(206)
<b>Current Liabilities</b>	<b>(5,652)</b>	<b>(5,786)</b>
Non current borrowings	(581)	(1,058)
Other non-current liabilities	(128)	(159)
<b>Total Liabilities</b>	<b>(6,361)</b>	<b>(7,003)</b>
<b>Net Assets</b>	<b>4,982</b>	<b>3,344</b>

### Key Comments

- ▶ Cash balance of US\$2.8m (A\$4.2m) boosted by A\$5.72m (US\$3.8m) capital raising in August / September 2022
  - ▶ Enabled repayment of A\$0.75m (US\$0.5m) of the loan
- ▶ Post reporting period end, cash balance further boosted by strategic placement of A\$6.86m (US\$4.6m) (excl. offer costs)
  - ▶ Remaining balance of the loan facility will be repaid in Q3 FY23
  - ▶ Provides additional funding to support future growth opportunities
- ▶ Intangibles include assets acquired in October 2020 and capitalised software development
- ▶ Deferred income of US\$3.1m (A\$4.6m) represents maintenance, service fees and project fees invoiced in advance of the service being provided
  - ▶ Will be recognised as revenue over next 12 months as work is delivered

## Cashflow

Cash Flow		
(US \$000's)	H1 FY23	H1 FY22
Receipts from customers	4,607	4,308
Payments to suppliers / employees	(5,378)	(5,762)
Income tax	(214)	-
Other	(9)	(13)
<b>Operating cash flow</b>	<b>(994)</b>	<b>(1,468)</b>
Payment for plant & equipment	(1)	(34)
Investment in software	(691)	(746)
Other	45	-
<b>Investing cash flow</b>	<b>(646)</b>	<b>(780)</b>
Net Borrowings	(488)	-
Equity Funding (incl costs)	3,542	-
Leases and Other	(58)	(141)
<b>Financing cash flow</b>	<b>2,996</b>	<b>(141)</b>
<b>Opening Cash Balance</b>	<b>1,501</b>	<b>4,019</b>
Movement in Cashflow	1,356	(2,388)
FX Adjustment	(57)	(67)
<b>Closing Cash Balance</b>	<b>2,800</b>	<b>1,564</b>

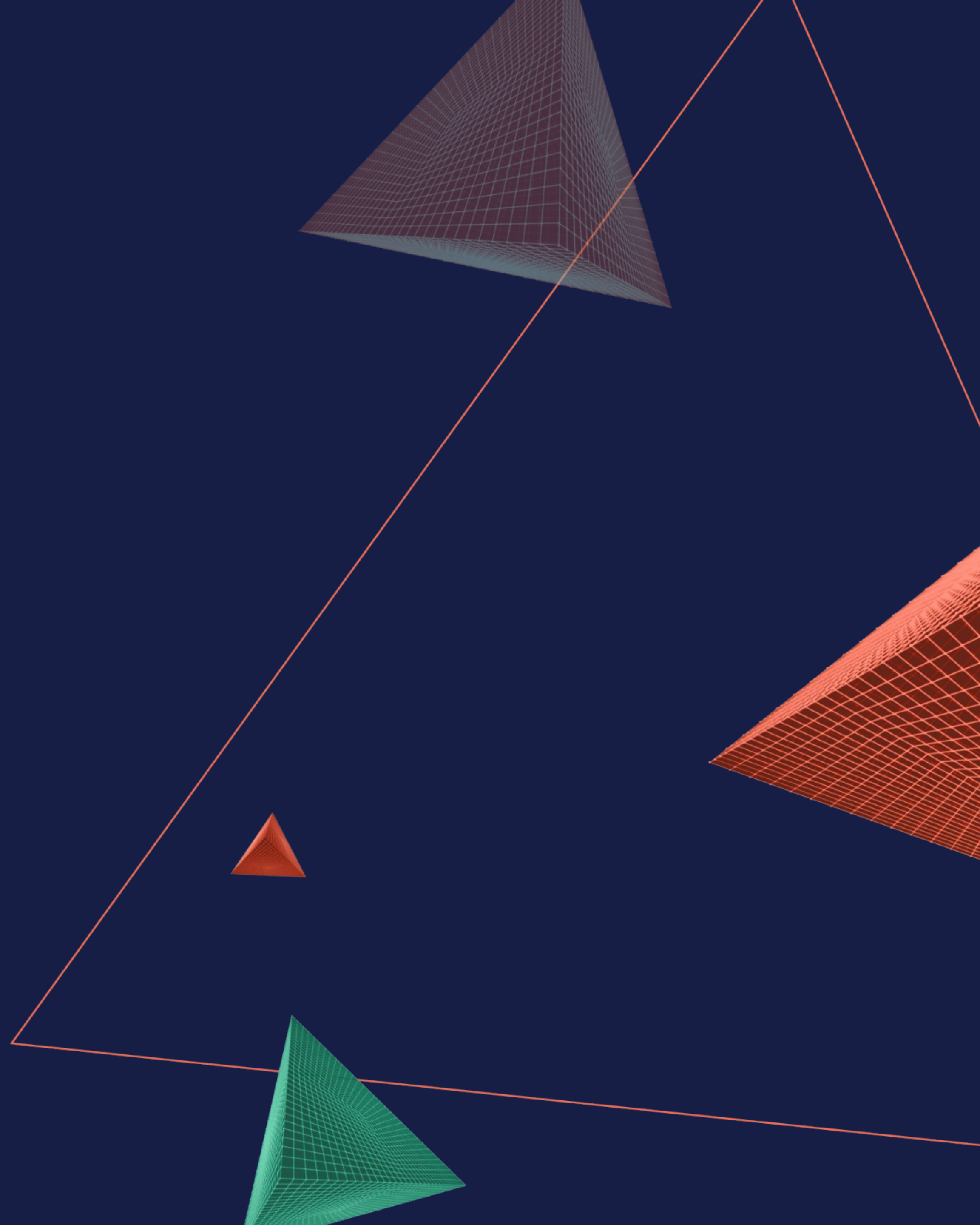
### Key Comments

- ▶ Strong cash receipts from customers as support and maintenance is typically invoiced in advance with a larger billing cycle at the end of the calendar year
  - ▶ Cash receipts expected to smooth over time as P&I clients go-live (expect to invoice monthly in arrears)
- ▶ Reduced payments reflect realigned cost base and careful cash management
- ▶ Software investment relates to capitalised software development primarily on the Vertexon platform
  - ▶ Vertexon (c.85%) – PCI DSS related improvements and integration with 3DSecure, expanded and enhanced APIs, new rules engine features and enhancements to AWS infrastructure (security, availability & scalability)
  - ▶ PaySim (c.15%) – APIs for EMV functionality, TLS, virtual cards and CVV / PVV testing added. ISO 20022 (faster payments) certification solution developed and new ISO8583 related interfaces added to support new specifications
- ▶ Repayment of borrowings and equity inflows reflect capital raise undertaken in August / September 2022
  - ▶ Balance of loan facility will be repaid in Q3 FY23

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# Outlook

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## H2 FY23 operational milestones

1

### Business readiness for direct card issuing in Oceania

- ▶ 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
- ▶ Progress approval from Mastercard to issue debit cards in Australia where the customer is an authorised deposit-taking institution (ADI) or restricted authorised deposit-taking institution (RADI)

2

### Deliver market leading products

- ▶ Vertexon – launch latest version of Vertexon PaaS platform in US market
- ▶ Vertexon – automation and reporting features, mobile app and digital pay enhancements
- ▶ PaySim – expand API capabilities and enhance ISO20022 features for certification services

3

### Grow through clients and partners

- ▶ Partners – build out partner ecosystem (inc. distribution partners and fintechs) and leverage recently secured partnerships to drive growth at scale
- ▶ New clients – leverage momentum and capabilities to secure new PaaS client wins in Oceania and US
- ▶ Existing clients – secure new project work and progress discussions to migrate from existing on-premise solution to cloud solution

Large market potential  
with targeted areas of  
near-term opportunity

# Vertexon: large global opportunity

Customer Type	Example Customer	Potential Deal Value (5 yrs)	ANZ <sup>1</sup>	US <sup>1</sup>	South East Asia <sup>1</sup>	LATAM <sup>1</sup>
Banks	BDO Unibank (Philippines)	US\$1m - \$5m	120+	2,100+	180+	400+
Financial institutions <sup>2</sup>	First CU (NZ)	US\$0.5m - \$4m	60+	3,900+	n/a <sup>3</sup>	n/a <sup>3</sup>
Fintechs	Rolling Thunder (US)	US\$0.2m - \$2m	350+	6,100+	900+	2,400+

## ANZ market opportunity

- ▶ Strong thematic of accelerating move away from 'On Premises' to cloud technology solutions
- ▶ Typically large banks have the financial capacity to invest in their own payments technology while smaller institutions & fintechs leverage third-party solutions
- ▶ Of approximately 60 financial institutions<sup>2</sup> in ANZ, Change is targeting >50%; large near-term opportunity

## Initial ANZ target market

Customer Type	Potential Deal Value (5 yrs)	No. Targets
Banks	US\$1m - \$5m	10
Financial institutions <sup>2</sup>	US\$0.5m - \$4m	40
Fintechs	US\$0.2m - \$2m	30

Similar types of credit unions and mutuals to the recent 4 NZ client wins

1. Management estimates; Sources: ANZ – RBA, RBNZ & Crunchbase, US – FDIC, NCUA & Crunchbase  
2. Includes credit unions, mutual banks, building societies & non-federally insured banks, etc.  
3. Data not available

## H2 FY23 outlook

Upon 'go-live' of first NZ client, Change entitled to a cash incentive of US\$1.0m from Mastercard

### Revenue **Growth**

- ▶ Targeting to deliver double-digit revenue growth in FY23 (H1 FY23 up 14% pcp)
- ▶ Key drivers of future revenue growth:
  - ▶ Long-standing client base with contracted revenue
  - ▶ Recently contracted PaaS clients upon 'go-live'
  - ▶ Existing clients with identified projects and new opportunities in advanced discussions

### Cost Base **Realigned**

- ▶ H1 FY23 operating expenses down 1.9% v pcp
- ▶ Full benefit of realigned cost base will be realised in H2 FY23

### Targeting **EBITDA** Positive

- ▶ Revenue growth and cost controls starting to deliver operating leverage
- ▶ Targeting to achieve monthly EBITDA positive during H2 FY23

### **CEO** Succession

- ▶ Post reporting period, Alastair Wilkie announced his intention to retire as CEO by 30 June 2023
- ▶ In line with its succession plan, the Board expects to announce a new CEO well in advance of Mr. Wilkie's planned retirement date



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[investors@changefinancial.com](mailto:investors@changefinancial.com)

