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change.

Q3 FY23
QUARTERLY UPDATE
AND APPENDIX 4C

27 April 2023

March 2023 Quarterly Update and Appendix 4C

Q3 FY23 Highlights

- Customer receipts of US\$2.3m (A\$3.4m)
- Q3 FY23 revenue of US\$2.4m (A\$3.6m), up 13% on prior corresponding period (**pcp**)
- First New Zealand client now 'live' with first cards issued and transactions processed through the Vertexon PaaS Platform; 'go-live' with other NZ clients expected in Q4 FY23
- New Vertexon PaaS Platform client win in New Zealand
- Change has invoiced Mastercard for the US\$1.0m (A\$1.5 million) incentive payment
- Appointed Tony Sheehan as new Chief Executive Officer, effective 3 July 2023
- Secured a strategic investment of A\$6.9m and entered MoU to accelerate traction in the US
- Cash holdings of US\$6.0m (A\$9.0m) as at 31 March 2023 – debt facility fully repaid

Investor Webinar Registration

Thursday, 27 April 2023 at 11:00am Brisbane/Sydney time (AEST)

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

27 April 2023 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 2023 (**Q3 FY23**).

Change CEO and Managing Director, Alastair Wilkie commented, "During the quarter the first New Zealand client went 'live' on the Vertexon PaaS platform. This is a major achievement for the Company and is a result of a tremendous effort from the team over the past two years. We continue to work closely with our New Zealand clients to launch the remaining card programs over the coming months, which will help accelerate our future revenue growth profile. Furthermore, during the quarter we continued our momentum in New Zealand by winning a new Vertexon PaaS client, further demonstrating our value proposition in that market. We continue to see material upside potential in the New Zealand market over the coming year.

"Revenue for the quarter grew 13% relative to Q3 FY22, with revenue year to date (9 months) growing 14% over the prior corresponding period to US\$6.7m. Additionally, the strategic investment by FinTech HQ has significantly strengthened the Company's financial position and enabled all debt to be repaid. We are continuing to target to deliver double-digit revenue growth in FY23 and achieve monthly EBITDA positive during H2 FY23."

Business Activities

Launch of First NZ Client

Change has achieved another major milestone as part of the launch of its Vertexon Payments as a Service (**PaaS**) offering to the Oceania market. Following onboarding, Change is now 'live' with the first client cards in New Zealand (**NZ**) and has commenced processing transactions.

Change will continue working with the NZ clients to launch the remaining card programs over the coming months and expects to complete the transition of all existing cards in early FY24, producing an anticipated increase in contracted revenues over this period.

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The launch of the first NZ client has also triggered the US\$1.0m (A\$1.5m¹) incentive payment from Mastercard (announced on 31 March 2022).

New Vertexon PaaS Client Win - Credit Union Auckland

During the quarter, Change signed a new PaaS contract with Credit Union Auckland (**NZCU Auckland**) to provide direct issuing, processing and card management solutions via its Vertexon platform (**Contract**).

The Contract contains upfront implementation fees as well as ongoing volume and transaction-based fees. NZCU Auckland has approximately 4,000 active cards in market that will be transitioned across to the Vertexon platform. Revenues from the Contract will contribute to Change's PaaS revenues in FY24 with pricing similar (on a per card / transaction basis) to the existing NZ client contracts.

Change will begin onboarding NZCU Auckland this quarter (Q4 FY23) with launch anticipated in H1 FY24. NZCU Auckland will utilise Finzsoft Solutions Limited (**Finzsoft**) as their banking platform provider. As such, the development work has already been completed through the Change and Finzsoft integration.

Sales Update

Change signed 22 new contracts worth US\$1.6m (A\$2.4m) with both new and existing clients during Q3 FY23, including:

- **Vertexon**
 - NZCU Auckland as a processing and issuing client
 - 11 new projects across 8 clients in SE Asia and Oceania
 - New projects, services and licence sales for clients across SE Asia, Oceania and LATAM
- **PaySim**
 - Secured Saudi National Bank as a new PaySim client
 - 10 additional sales across 8 clients in Asia and Oceania including subscriptions

Change is awaiting the Mastercard Principal Issuer licence for Australia, having completed the regulatory and applications processes.

As evidenced by the NZCU Auckland client win, Change's partnership with Finzsoft in New Zealand is generating attractive opportunities. Change is progressing similar partnership opportunities in Australia which are primarily focused on prepaid card programs. These partnerships offer a 1-to-many relationship with card programs, enabling Change to increase reach and drive revenue at scale.

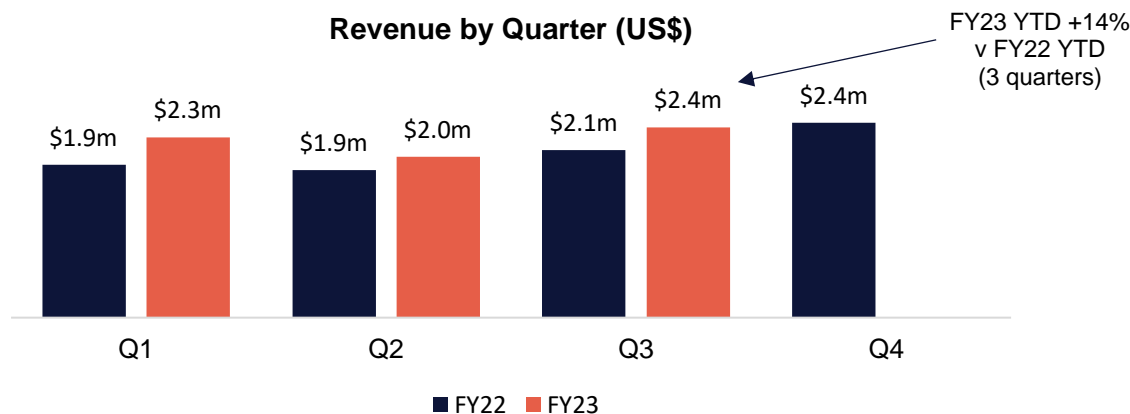
Change also continues to progress new direct Vertexon PaaS opportunities and PaySim subscription and certification offerings as well as the potential for PaaS migrations of existing Vertexon on-premise clients.

Financial Update

Change delivered Q3 FY23 revenue of US\$2.4m (A\$3.6m), up 13% on prior corresponding period (**pcp**) (US\$2.1m). This growth was primarily driven by increased licence sales, which will also contribute associated recurring support and maintenance revenue in future periods.

FY23 year to date (**YTD**) revenue (unaudited) totals US\$6.7m (A\$10.0m), up 14% on pcp. For FY23 YTD, approximately 54% of revenue was derived from recurring income streams with the balance 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 as they progressively 'go-live'.

¹ AUD/USD = 0.67



Cash receipts from customers totalled US\$2.3m (A\$3.4m), down 20% on pcp. This is a result of cash collection timing differences as a portion of the larger invoicing that occurred in Q2 FY23 was collected in that quarter (Q2 FY23) as opposed to the majority being collected in Q3 in the prior year. For clarity, the earlier collection of customer receipts has essentially smoothed the cash inflows over Q2 and Q3 FY23 relative to the pcp.

Cash payments for operating activities (excluding income tax and interest payments) totalled US\$2.4m (A\$3.6m), down approximately 2% on pcp. Staff costs for the current quarter, which comprised approximately 47% of cash payments for operating activities (excluding income tax and interest payments), were down 33% on pcp and 32% on Q2 FY23. The reduction relative to the prior quarter was due to Q2 FY23 incurring the payment of FY22 staff incentives, the final payment of restructuring costs and an additional fortnightly pay-run. As outlined in the Q2 FY23 quarterly update, staff costs were expected to decrease in H2 FY23. The increase in Administration and Corporate payments is primarily attributable to monthly US network connectivity fees which had been accrued in prior periods but were payable in Q3 FY23. Going forward, these fees will be incurred and paid monthly. Interest and other costs of finance primarily reflects the payment of accrued interest at the time of repayment of the unsecured loan facility. The repayment of the balance of the loan facility is detailed at section 3 of the 4C.

Change's cash position at the end of the quarter was US\$6.0m (A\$9.0m) with all outstanding debt repaid during the quarter. As outlined in further detail below, the funds raised from the strategic investment and the associated costs are outlined in section 3 of the 4C.

As Change is now 'live' with the Vertexon PaaS platform in Oceania, one of the requirements for providing processing and issuing services is that Change must provide a security guarantee. This is a requirement of Change's scheme and processing partners to provide security for settlement and other payment obligations relating to the processing of cards and associated transactions. As such, Change expects to place approximately US\$0.4m in security deposits in Q4 FY23. The funds transfers for 'security' are detailed in section 2 of the 4C. Whilst these funds remain an asset of Change, the funds will not be reported in cash holdings while they are held for the purpose of security. The Company is exploring alternative security arrangements that may enable release of a portion of this cash collateral in the future.

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).

Corporate Activities

Strategic Investment

During the quarter, the Company secured a strategic investment from successful US-based fintech entrepreneur Michael H. Giles, via his investment entity FinTech HQ Pty Ltd (**FinTech HQ**). FinTech HQ committed A\$6.9m via a placement and 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.

Through the Partnership, Change intends to leverage FinTech HQ and Mr Giles' extensive relationships with banking institutions, complementary fintech companies and other strategic partners to accelerate potential customer identification and procurement without the need to materially increase Change's sales and marketing expenditure in the region.

Whilst the Partnership has only recently commenced, initial discussions have begun with US banks and fintechs. These opportunities will take time to explore and progress, and the Company will update the market as appropriate.

Appointment of CEO

During the quarter the Company announced the planned retirement of its CEO Alastair Wilkie at the end of the 2023 financial year. Post quarter end, Change announced the appointment of Mr Tony Sheehan as the new Chief Executive Officer (**CEO**) effective 3 July 2023.

Following a recruitment process undertaken by the Board in conjunction with external consultants, Tony was selected from a highly competitive field of internal and external candidates.

Tony is an experienced senior executive in the payments and technology industry and has held the positions of Chief Financial Officer and Chief Operating Officer for the past nine years at leading payments companies, Global Payments Inc, (NYSE: GPN) and Change. In these positions, Tony has led numerous aspects of the respective organisations including finance, sales and marketing, people and culture, legal, compliance and customer support.

Over the last two years, Tony has demonstrated exceptional leadership and management skills in his role as Chief Financial Officer with Change and the Board believes that Tony is best placed from the short-listed candidates to lead the Company through the next stage of its evolution.

Outlook

Underpinned by an existing client base with contracted revenue and late-stage pipeline opportunities, Change continues to target to deliver double-digit revenue growth in FY23 and achieve monthly EBITDA positive during 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 **Thursday, 27 April 2023 at 11:00am Brisbane/Sydney time (AEST)**.

Please register ahead of time via the following link:

https://us06web.zoom.us/webinar/register/WN_70w1zhPGSESQFLufUHNRgw

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

Investors can submit questions prior to the webinar to investors@changefinancial.com or do so via the Q&A function on Zoom.

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 157 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

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Change Financial Limited

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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 2023

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	2,324	6,931
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(589)	(2,130)
(c) advertising and marketing	(31)	(96)
(d) leased assets	(18)	(77)
(e) staff costs	(1,135)	(4,420)
(f) administration and corporate costs	(656)	(1,148)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(78)	(82)
1.6 Income taxes paid	(60)	(274)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(241)	(1,294)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	(11)	(12)
(j) investments	-	-
(k) intellectual property	(390)	(1,080)
(l) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 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:		
(a) sub lease payments received	-	45
(b) funding collateral for transactional business	(25)	(25)
2.6 Net cash from / (used in) investing activities	(426)	(1,072)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	4,615	8,482
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	1
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(180)	(505)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(503)	(991)
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	3,932	6,987

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,800	1,501
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(241)	(1,294)

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Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(426)	(1,072)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,932	6,987
4.5	Effect of movement in exchange rates on cash held	(22)	(79)
4.6	Cash and cash equivalents at end of period	6,043	6,043

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	6,043	2,800
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)	6,043	2,800

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	98
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

7.	Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
	<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>		
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
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. During the quarter ended 31 March 2023, the remaining balance (including accrued interest) of A\$881,279 was repaid in full. There is no ability to redraw under the facility.		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(241)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,043
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,043
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	25.0
	<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?	
	Answer:	
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?	
	Answer:	

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: 27 April 2023.....

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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