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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 triangle at the bottom right. Thin orange lines connect the vertices of these pyramids, creating a network of lines across the page.

change.

Q4 FY23
QUARTERLY UPDATE
AND APPENDIX 4C

27 July 2023

June 2023 Quarterly Update and Appendix 4C

Q4 FY23 Highlights

- Customer receipts of US\$2.6m (A\$3.8m)
- Q4 FY23 revenue of US\$2.0m (A\$2.9m)
- FY23 unaudited revenue of US\$8.7m (A\$12.8m), up 4.7% on FY22
- Change approved for Mastercard Principal Membership in Australia
- Launch of BIN sponsorship offering in Australia and New Zealand
- 3 out of 4 NZ clients now issued "live" cards and will progressively transition cardholders onto Change's Vertexon Platform over H1 FY24
- Mastercard US\$1.0m (A\$1.5m) incentive payment received
- Cash holdings of US\$5.4m (A\$7.9m) as at 30 June 2023 – excluding cash backed security guarantees of US\$0.3m (A\$0.4m)

Investor Webinar Registration

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

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

27 July 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 30 June 2023 (**Q4 FY23**).

Change CEO Tony Sheehan commented, "FY23 marked another period of solid progress for Change as we completed the second year of our three-year strategy. Our partnership with Mastercard, coupled with applicable regulatory licences, has positioned the Company to drive future growth from card issuing in our core target markets of New Zealand, Australia and the US.

"We continued to grow revenue in FY23, albeit at a slightly lower rate than anticipated, which was primarily driven by delays in transitioning the card programs for the NZ clients. Whilst we have achieved 'go-live' for the NZ clients with Mastercard and transactions are flowing through the Vertexon PaaS platform, it has taken longer than anticipated to complete NZ domestic EFTPOS connectivity. Once NZ EFTPOS connectivity has been completed, which we expect to occur over the coming months, this will provide our clients with full market acceptance in NZ, and as such accelerate the transition of cards and resulting revenue.


"Despite some initial delays, as could be expected for the first clients in a new market for Change, we are now confident in our approach to new client onboarding and expect future client transitions to occur in more expedited way, demonstrating the scalability and flexibility of the Vertexon platform."

Business Activities

Principal Issuer Licence Granted for Australia

During the quarter, Change achieved another major milestone as part of the launch of its Vertexon Payments as a Service (**PaaS**) offering to the Oceania market having received Mastercard Principal Issuer Membership for Australia. Change has now successfully completed the majority of the necessary regulatory and licencing requirements to enable prepaid and debit card issuing in NZ, Australia and the US. The table below outlines the current status of key licences and certifications for these jurisdictions. The deliverables shaded green indicate what has been completed during Q4 FY23.

Change is now targeting to complete the two remaining items shaded orange in Q1 FY24. The Vertexon PaaS Platform in Australia is now undergoing Mastercard technical certification which will enable live issuing. This process has been recently completed for the Vertexon PaaS Platform in NZ and is substantially similar in Australia.

	Regulatory Licence	Mastercard Issuing Licence	Mastercard Certified Processor	Mastercard Prepaid Issuing	Mastercard Debit Issuing ¹
New Zealand	Registered FSP	Licenced	Certified	Live	Live
Australia	AFSL	Licenced	Q1 FY24	Approved	Approved
United States	Issuing Bank Partner	Licenced	Certified	Live	Q1 FY24

1. Debit issuing requires a partner bank (US) or customers to be a licensed deposit taking entity (NZ & AU)

BIN Sponsorship offering for Australia and New Zealand

Change has also launched its Banking Identification Number (**BIN**) Sponsorship offering for Australia and New Zealand. This new service will enable payment processors without local issuing capabilities to access Change's principal issuing status with Mastercard. By leveraging this capability, processors will be able to offer their customers the ability to issue and manage Mastercard prepaid and debit cards. This offering will provide an efficient and cost-effective solution for processors looking to expand their service offerings in the region. Change is committed to providing innovative solutions to the payments industry and looks forward to partnering with payment processors to bring this new capability to market.

Update on Launch of NZ Clients

Change has continued working closely with its contracted NZ clients to onboard them to the Vertexon PaaS Platform. With two further credit unions having received their first cards during the quarter, Change is targeting to complete the transition of existing cards to the Vertexon PaaS Platform in H1 FY24, producing an anticipated increase in contracted revenues over this period.

Change is the process of finalising domestic EFTPOS connectivity which will provide full market acceptance in NZ for Mastercard and EFTPOS transactions. EFTPOS functionality is required for the contracted NZ clients to provide cardholders with full payment optionality. The EFTPOS functionality will be available for all future clients in NZ, including financial institutions that offer debit card products similar to the contracted NZ clients. The Company is expecting to have full Mastercard and EFTPOS connectivity in NZ in Q1 FY24.

As noted above, whilst the rollout of NZ clients, the first using the Vertexon PaaS Platform in Oceania, has taken slightly longer than anticipated, the Company expects future rollouts to occur expeditiously given the platform is fully live and operational.

Client	Status	Notes
First Credit Union	Live	Following contract signing, First Credit Union has acquired Westforce Credit Union and Steelsands Credit Union. The cardholders of these credit unions will also be transitioned to Change under the First Credit Union brand. Transition to Change occurring during H1 FY24
Police Credit Union	First Live Cards Issued	Transition to Change occurring during H1 FY24
Nelson Building Society	First Live Cards Issued	Transition to Change occurring during H1 FY24
NZCU Auckland	Final Testing	Anticipated go-live in Q1 FY24

Sales Update

Change signed 26 new contracts worth US\$2.3m (A\$3.4m¹) with both new and existing clients during Q4 FY23, including:

- **Vertexon**
 - 15 new projects across 5 clients in SE Asia, LATAM and Oceania
 - New projects, services and licence sales for clients across SE Asia, Oceania and LATAM
- **PaySim**
 - 9 additional module sales across 5 clients in Asia and Oceania

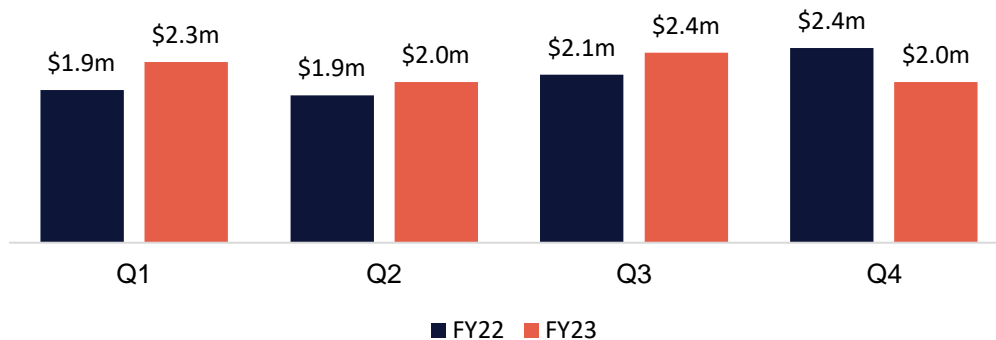
Having now obtained both its Australian Financial Services Licence (AFSL) and Principal Issuer Membership with Mastercard, Change has experienced a recent increase in sales opportunities in the Australian market. Change also continues to progress PaySim subscription and certification offerings to generate growth.

Financial Update

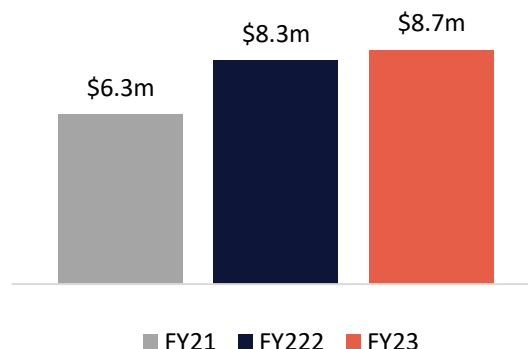
Change delivered Q4 FY23 revenue of US\$2.0m (A\$2.9m). FY23 revenue (unaudited) totals US\$8.7m (A\$12.8m), up 4.7% on FY22. FY23 revenue was lower than the 'double digit' revenue growth the Company was seeking, primarily due to delays associated with PaaS revenue from the NZ clients which are expected to be resolved in H1 FY24 (refer Business Activities section).

In FY23, approximately 56% of revenue was derived from recurring income streams with 44% 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' during H1 FY24.

Revenue by Quarter (US\$)



Revenue by Year (US\$)



¹ AUD/USD = 0.68

Cash receipts from customers totalled US\$2.6m (A\$3.8m), up 42% on the prior corresponding period (**pcp**). The significant increase is primarily attributable to the receipt of the US\$1.0m (A\$1.5m) Mastercard incentive payment during the quarter. Consistent with accounting standards, the incentive payment will be progressively recognised as revenue in future periods once target processing volumes have been achieved. No revenue has been recognised from the Mastercard incentive payment for the year ending 30 June 2023.

Cash payments for operating activities (excluding income tax and interest) totalled US\$2.4m (A\$3.5m), down approximately 12% on pcp. Staff costs, which comprised approximately 55% of cash payments for operating activities (excluding income tax and interest), were down 19% on pcp, but up 18% on Q3 FY23. The increase relative to the prior quarter was due to Q4 FY23 having an additional fortnightly pay-run. As previously outlined, staff costs have decreased in H2 FY23 (compared to H1 FY23) as a result of the cost base realignment. As expected, Administration and Corporate cost payments reduced relative to the prior quarter which included the payment of monthly US network connectivity fees. These fees are now incurred and paid monthly.

Change's cash position at the end of the quarter was US\$5.4m (A\$7.9m), with an additional US\$0.3m (A\$0.4m) held in cash backed security guarantees which are required now the Vertexon PaaS Platform is 'live' in Oceania. The security guarantees are 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. 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 reduce the requirement for 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). All AUD amounts are converted for representation purposes to assist the reader.

Corporate Activities

Further to the announcement of the appointment of Tony Sheehan as CEO released 26 April 2023, the Company is pleased to confirm that Tony has commenced in the role effective 3 July 2023 as planned.

Outlook

Having realigned the Company's cost base in H1 FY23, Change has positioned itself to deliver profitable revenue growth in FY24 and beyond. Despite delays with the transition of new PaaS clients in NZ, these clients are now onboard with the first live cards issued by Change, and the transition of cardholders is now planned to occur over H1 FY24.

As a result, Change enters FY24 with a solid base of existing clients, several US and NZ PaaS clients progressively going 'live', and an increasingly maturing pipeline of opportunities which when combined with a realigned cost base positions the Company well as it works towards its target of a monthly cashflow breakeven run-rate exiting FY24.

Webinar Invitation - Investors and Analysts

Investors are invited to join a live webinar and Q&A hosted by Change CEO, Tony Sheehan and CPO, Vinnie D'Alessandro on **Thursday, 27 July 2023 at 11:00am Brisbane/Sydney time (AEST)**.

Please register ahead of time via the following link:

https://us06web.zoom.us/webinar/register/WN_oyNhDv2rR4SNu99rLUMrWw

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 former Managing Director, Alastair Wilkie, who continues as a non-executive Director of the Company.

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 150+ clients across 40+ 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:

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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")

30 June 2023

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	2,616	9,547
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(707)	(2,837)
(c) advertising and marketing	(22)	(118)
(d) leased assets	(18)	(95)
(e) staff costs	(1,338)	(5,758)
(f) administration and corporate costs	(351)	(1,499)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18	20
1.5 Interest and other costs of finance paid	(3)	(85)
1.6 Income taxes paid	(56)	(330)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	139	(1,155)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	(8)	(20)
(j) investments	-	-
(k) intellectual property	(424)	(1,504)
(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:		
	(a) sub lease payments received	-	45
	(b) funding collateral for transactional business	(300)	(325)
2.6	Net cash from / (used in) investing activities	(732)	(1,804)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	-	(505)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(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	-	6,987

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,043	1,501
4.2	Net cash from / (used in) operating activities (item 1.9 above)	139	(1,155)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(732)	(1,804)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	6,987
4.5	Effect of movement in exchange rates on cash held	(99)	(178)
4.6	Cash and cash equivalents at end of period	5,351	5,351

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	5,351	6,043
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)	5,351	6,043

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	116
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	-	-
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.		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	139
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,351
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,351
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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 July 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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