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change.

Q1 FY24
QUARTERLY UPDATE
AND APPENDIX 4C

31 October 2023

September 2023 Quarterly Update and Appendix 4C

Q1 FY24 Highlights

- Customer receipts of US\$2.5m (A\$3.9m)
- Q1 FY24 revenue of US\$2.2m (A\$3.4m)
- Completed domestic EFTPOS connectivity in New Zealand which has enabled the New Zealand clients to commence transitioning cardholders to Change
- First 2,000+ cards issued via Vertexon PaaS platform to existing NZ client cardholders
- Completed all technical and licensing requirements to enable prepaid and debit card issuing in Australia, New Zealand and the US
- Four new Vertexon PaaS client wins across ANZ and US markets
- Launched the latest version of the Vertexon PaaS platform in the US, key catalyst to driving future client wins
- Cash holdings of US\$4.7m (A\$7.3m) with no debt as at 30 September 2023 – excludes additional cash backed security guarantees of US\$0.5m (A\$0.8m)

Investor Webinar Registration

Tuesday, 31 October 2023 at 10:00am Brisbane (AEST) / 11:00am Sydney (AEDT)

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

31 October 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 September 2023 (**Q1 FY24**).

Change CEO Tony Sheehan commented, "During the quarter Change successfully completed domestic EFTPOS connectivity in New Zealand. This provides full market acceptance of Change issued cards in New Zealand and has enabled our New Zealand clients to commence transitioning cardholders to Change.

Additionally, we received Mastercard certification of the Vertexon PaaS platform in Australia and launched the latest version of the platform in the US. This means that Change has now successfully completed all the technical and licensing requirements to enable prepaid and debit card issuing in our core target markets of Australia, New Zealand and the US. Change is now one of only a limited number of certified card processing and issuing providers (outside the major banks) in the Oceania region, an attractive proposition for future value creation in the business.

These achievements represent a major de-risking for the Company with revenue expected to ramp up as cardholders progressively migrate to Change. As we execute on our strategic plan, we continue to see a strong pipeline of sales opportunities in our core target markets, as evidenced by the four new client wins during the quarter. We remain focused on building a strong and sustainable business which delivers profitable growth and continue to target a monthly cashflow breakeven run-rate exiting FY24."

Business Activities

Certification in Australia Complete, Now Approved for Debit Cards in the US

Change has now achieved all major licensing and regulatory milestones as part of the launch of its Vertexon Payments as a Service (**PaaS**) offering to the Oceania and US markets. Having received Mastercard certification of the platform in Australia and launched the latest version of the Vertexon PaaS platform in the US, the Company now has all the technical and licensing requirements in place to enable prepaid and debit card issuing in Australia, NZ and the US.

The table below outlines the key licences and certifications for these jurisdictions. The deliverables shaded green indicate what has been completed during Q1 FY24.

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

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

Migration of NZ Clients Underway and PaaS Revenues Ramping Up

Change's connectivity to the domestic EFTPOS network has now been completed providing full market acceptance in NZ for Mastercard and EFTPOS transactions. Completion of this milestone enables the migration of NZ client cardholders to commence. As at the date of this report, more than 2,000 cardholders who are being migrated to Change have been issued their cards and will begin transacting through Vertexon. EFTPOS functionality is now available for all future clients in NZ, including financial institutions that offer debit card products similar to Change's current NZ clients.

With all four NZ clients now live and migration of existing cards to the Vertexon PaaS Platform underway, PaaS revenues will progressively ramp up until the full migration is complete.

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 in a more expedited manner given the platform is fully live and operational. Although many factors influence the speed at which clients can onboard onto the Vertexon PaaS platform (e.g. existing contracts, number of cardholders, policies and procedures, etc.), platform readiness removes a significant amount of latency in the timeline.

Launch of Latest Version of Vertexon PaaS Platform in the US

During the quarter, Change successfully launched the latest version of the Vertexon PaaS platform in the US. This brings the US version of Vertexon in line with the advanced features of the platform currently live in Australia and NZ.

Integration is well advanced with existing signed clients, Rolling Thunder and PlutusM, with launch of these programs planned for Q2 FY24.

Sales Update

Outlined below are the key sales to both new and existing clients during the quarter:

- **Vertexon – new PaaS clients**
 - HealthNow (NZ) – a health services provider launching a prepaid card in conjunction with their Employer Aid offering which sets a new standard for workplace wellness, empowering employers in supporting employee wellness and health improvement.
 - Simply Zibra (Australia) – an AI-driven digital wallet that helps consumers get the most out of their money. Optimising every payment made via the Change issued Mastercard by analysing the transaction in real time and selecting the card that will provide the most benefits for the consumer (e.g. maximum rewards or lowest FX fees).
 - Fintech Actuator (Australia) – Change and Fintech Actuator have partnered with Mastercard to launch an incubator program for Australian fintechs to trial prepaid card solutions. Under the partnership, Change will issue Mastercard prepaid cards and

Fintech Actuator will act as the program manager to assist fintechs with onboarding, scope and design.

- Onni Gift (US) – an instant gifting app and fintech launching their personalised and instantly redeemable gift offering in the US leveraging Vertexon's instant issuing of digital prepaid cards.



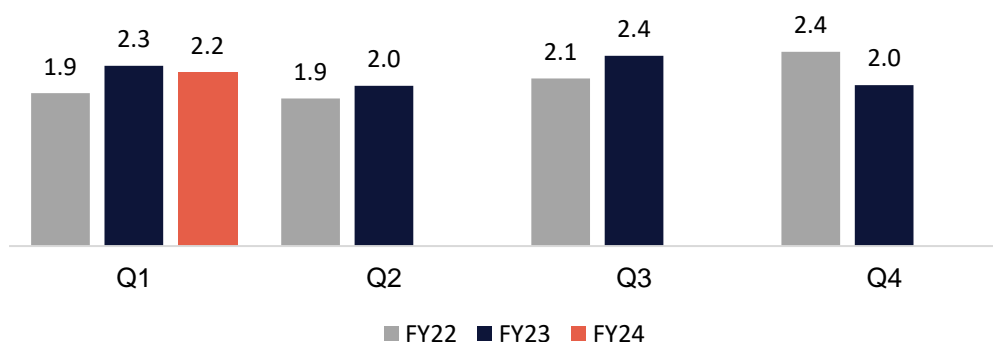
- **Vertexon – existing client sales**
 - Four new projects across clients in SE Asia, LATAM and Oceania
- **PaySim**
 - Three new licence sales to global financial institutions
 - Two additional module sales to existing clients in Asia and LATAM
 - Project work for Australian clients

Financial Update

Change delivered Q1 FY24 revenue of US\$2.2m (A\$3.4m¹), down 3.8% on prior corresponding period (pcp). The slight decline on pcp is due to lower licence sales and professional services revenue which was impacted by the Company's increased development on the Vertexon PaaS platform. The focus on PaaS platform development is expected to moderate in H2 FY24 which will free up capacity to deliver additional professional services revenue in conjunction with the ramp up of PaaS revenues. As outlined in the Business Activities section above, despite delays, Change has now commenced migrating NZ cardholders to Vertexon and PaaS revenues will progressively ramp up until the full migration is complete.

In Q1 FY24, approximately 60% of revenue was derived from recurring income streams with 40% 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 ramp up.

Revenue by Quarter (US\$m)



Cash receipts from customers totalled US\$2.5m (A\$3.9m), up 10% on pcp. The increase is primarily attributable to receipts from debtors invoiced during the current and prior quarters.

¹ AUD/USD = 0.64

Cash payments for operating activities (excluding income tax and interest) totalled US\$2.3m (A\$3.6m), down approximately 13% on pcp. Staff costs, which comprised approximately 53% of cash payments for operating activities (excluding income tax and interest), were down 23% on pcp and down 7% on Q4 FY23. The decrease relative to pcp was due to Q1 FY23 having an additional fortnightly pay-run and employee costs associated with the cost base realignment.

Change's cash position at the end of the quarter was US\$4.7m (A\$7.3m), with an additional US\$0.5m (A\$0.8m) 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. As previously outlined, the Company is exploring alternative security arrangements that may reduce the requirement for cash collateral in the future. The Company has no debt obligations in place.

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.

Outlook

Change remains focussed on delivering profitable revenue growth in FY24 and beyond. Despite delays, Change has now commenced migrating NZ cardholders to Vertexon and PaaS revenues will progressively ramp up until the full migration is complete.

Change is targeting to achieve a monthly cashflow breakeven run-rate exiting FY24 driven by a stable existing client base and increasing transactional revenue from clients migrating cardholders to Change in addition to new Vertexon and PaySim client wins.

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 **Tuesday, 31 October 2023 at 10:00am Brisbane (AEST) / 11:00am Sydney (AEDT)**.

Please register ahead of time via the following link:
https://us06web.zoom.us/webinar/register/WN_K-IQxxmcSHefCSsE1dM84A

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 final salary payments of the former Managing Director and CEO, Alastair Wilkie, who continues as a non-executive Director of the Company. Following the final executive payments to the former Managing Director, the CEO's salary will no longer be included in Section 6 of future Appendix 4Cs as he is not a related party.

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 September 2023

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	2,541	2,541
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(728)	(728)
(c) advertising and marketing	(67)	(67)
(d) leased assets	(20)	(20)
(e) staff costs	(1,240)	(1,240)
(f) administration and corporate costs	(290)	(290)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	38	38
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	(56)	(56)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	176	176
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	(14)	(14)
(j) investments	-	-
(k) intellectual property	(512)	(512)
(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:		
	(a) funding collateral for transactional business	(152)	(152)
2.6	Net cash from / (used in) investing activities	(678)	(678)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,351	5,351
4.2	Net cash from / (used in) operating activities (item 1.9 above)	176	176

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(678)	(678)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(171)	(171)
4.6	Cash and cash equivalents at end of period	4,678	4,678

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	4,678	5,351
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)	4,678	5,351

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	109
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 <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	-	-
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)	176
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,678
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,678
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: 31 October 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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