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change.

Q2 FY24
QUARTERLY UPDATE
AND APPENDIX 4C

31 January 2024

December 2023 Quarterly Update and Appendix 4C

Q2 FY24 Highlights

- Customer receipts of US\$1.8m (A\$2.7m)
- Q2 FY24 revenue of US\$2.3m (A\$3.5m), up 14.8% on prior corresponding period (pcp)
- H1 FY24 revenue (unaudited) of US\$4.5m (A\$6.8m), up 5.0% on pcp
- More than 14,000 cards issued via Vertexon PaaS platform – significant PaaS revenue ramp up underway which will be a key factor in achieving the Company's target of monthly cashflow breakeven run-rate exiting FY24
- New contract signed with existing client, HealthNow, to expand into Australia; HealthNow live in NZ with 3,000 prepaid cards issued to date
- PaaS clients Rolling Thunder and PlutusM now with live cards issued in the US
- Cash holdings of US\$3.2m (A\$4.8m) with no debt as at 31 December 2023 – excludes additional cash backed security guarantees of US\$0.5m (A\$0.8m)

Investor Webinar Registration

Wednesday, 31 January 2024 at 10:00am Brisbane (AEST) / 11:00am Sydney (AEDT)

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

31 January 2024 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 December 2023 (**Q2 FY24**).

Change CEO Tony Sheehan commented, "During the quarter our New Zealand PaaS clients commenced migrating cardholders to Change. We now have over 14,000 cards on the platform and will continue migrating cards to Change over the remainder of FY24. After a significant period of investment, we are now starting to generate transaction and volume-based revenue which is anticipated to grow strongly in the coming months as migrations continue.

"We have also launched the first prepaid card program on the platform in New Zealand, complementing the debit card programs of our financial institution clients. Additionally, two of our US PaaS clients are now live on the platform and have commenced processing transactions.

"Whilst Q2 revenue grew 14.8% versus prior year, this only includes a relatively small contribution from PaaS fees. We anticipate PaaS revenue to contribute meaningfully in H2 FY24. The migration of cards on to the platform and associated transaction and volume-based revenue generation marks a significant moment in our Company's journey. We have made a significant investment in the platform and incurred material expense to ensure operational readiness. We are now well positioned to scale the platform, incurring only minimal incremental costs for key areas such as client onboarding, fraud management, risk, compliance and treasury as we grow our client base.

"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. Scaling our PaaS platform will be a key driver in achieving our financial targets for FY24 and beyond."

Business Activities

Growth in Processing and Issuing

During the quarter, Change made significant progress on launching and migrating clients to the Vertexon PaaS platform which is live in Australia, NZ and the US. Change has now issued cards to

clients in NZ and the US, and BINs are live for Australian clients, Fintech Actuator and HealthNow, ahead of live cards being issued imminently. Transactional revenues are scaling up with the onboarding of clients and associated migration of cards.

Significant progress has been made migrating the NZ financial institution clients from their previous providers to Change, with approximately 25% of total anticipated debit cards issued to date. This marks a key milestone for the Company and is a key driver of the early growth in PaaS metrics. Auckland Credit Union and Police Credit Union have completed the migration of all debit cards to Change, with the remaining clients expected to continue migrating cards throughout FY24.

The metrics presented below are global (Australia, NZ and US) metrics for Change relating to its Vertexon PaaS offering. Vertexon on-premise client metrics are not reported given the limited correlation between card and transaction volumes and resulting revenue.

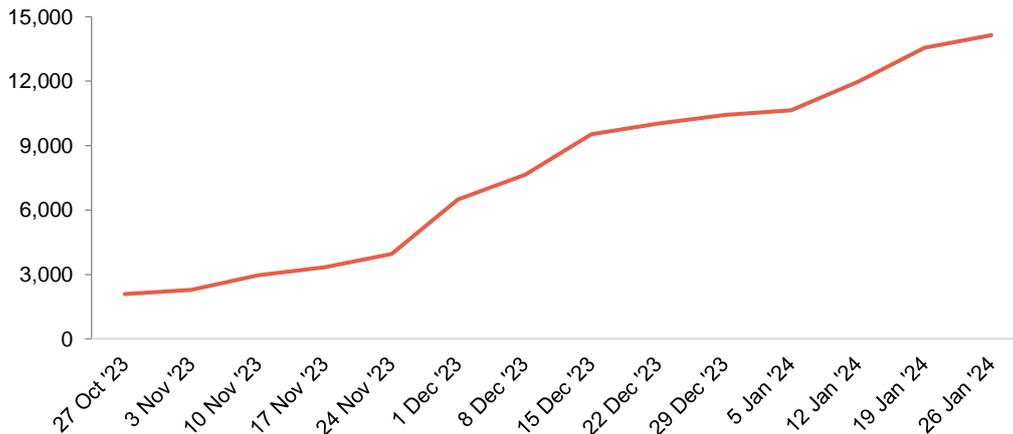
In the initial ramp-up phase the Company will report specific data over a weekly/monthly timeframe, before transitioning to quarterly timeframes to align with quarterly and 4C reporting.

As the rollout of PaaS cards, and hence resulting transactional revenues, is still in the early stages, the Company requires further data (which will come as more cards are issued and activated) in order to provide investors with meaningful commentary as to how to interpret the metrics for the purposes of revenue growth assumptions.

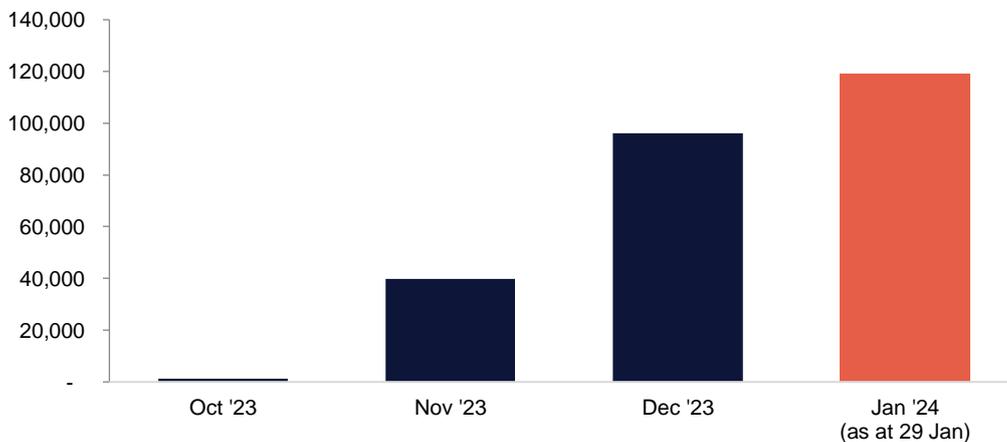
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Vertexon PaaS Metrics

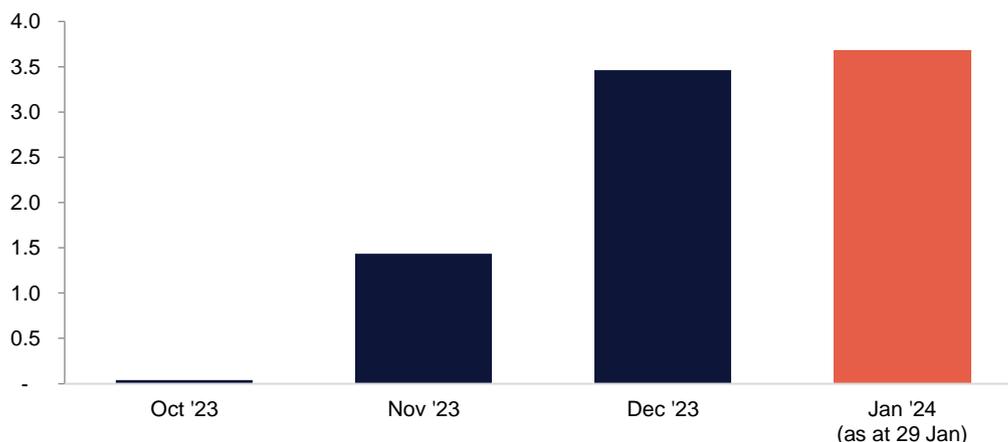
Total Cards on Issue



Monthly Transactions Processed



Monthly Transaction Volumes (US\$m¹)



Expansion of HealthNow Contract



HealthNow (Australia) – an existing Change client that recently issued their first 3,000 cards to NZ customers, has signed an additional agreement with Change to launch and offer prepaid cards to their Australian customers.

Australian Payments Incubator – First Fintech Selected



Change and Fintech Actuator, in partnership with Mastercard, have selected the debut participant, Doing Good Rewards, for the Australian Payments Incubator. The first prepaid cards are expected to be issued in the current quarter (Q3 FY24) and the program will run as part of the incubator for six to nine months. The next incubator participants are currently being short listed.

Vertexon – other key client updates

- Five new projects across clients in SE Asia, LATAM and Oceania
- Change is in advanced stages of scoping a significant project with an existing on-premise client to expand their product partnership with Change. Following a successful scoping process, a contract would be required to formalise the project
- Continue to progress PaaS opportunities in our core target markets, with particular traction in New Zealand given clients are now live and processing on the platform. As expected, client reference-ability is assisting in market as opportunities mature through the sales pipeline

PaySim

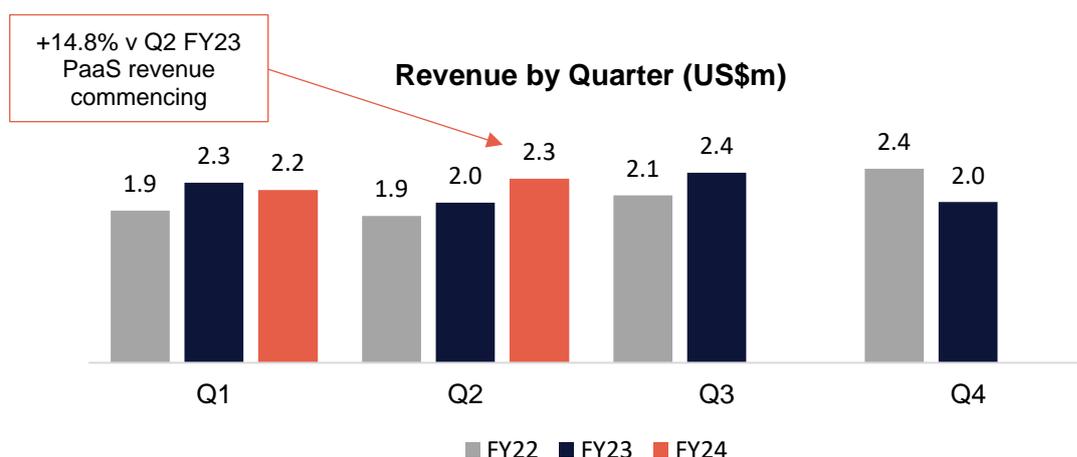
- New licence sale to a LATAM Point of Sale provider
- Two additional module sales to existing clients in Asia and LATAM
- Planning is well progressed on the PaySim modernisation program (UX/UI improvements) which is expected to increase lead generation and improve sales conversions, particularly in FY25

¹ Transactions are denominated in local currencies and have been converted to USD, Change's reporting currency, for reporting purposes

Financial Update

Change delivered Q2 FY24 revenue of US\$2.3m (A\$3.5m²), up 14.8% on prior corresponding period (**pcp**). This growth was primarily driven by increased licence sales, professional services revenue and, to a lesser extent, early PaaS revenue. As outlined above, PaaS clients are expected to make a meaningful contribution to the Company's revenue in H2 FY24 as cards continue to migrate across and new programs go-live. Additionally, as outlined in the Q1 update, it is expected that the focus on PaaS platform development will moderate in H2 FY24, freeing up capacity to deliver additional professional services revenue for key on-premise clients.

H1 FY24 revenue (unaudited) totalled US\$4.5m (A\$6.8m), up 5.0% on pcp. In H1 FY24, approximately 59% of revenue was derived from recurring income streams with 41% 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 PaaS clients as they progressively ramp up.



Cash receipts from customers totalled US\$1.8m (A\$2.7m), down 21% on pcp. The decrease is primarily attributable to delayed invoicing of several key clients (due to client purchase order requirements) which subsequently delayed cash receipts. These invoices have been issued to the clients in early January resulting in a corresponding increase in accounts receivable with payment expect to be received in the current quarter (Q3 FY24).

Cash payments for operating activities (excluding income tax and interest) totalled US\$3.1m (A\$4.7m), up approximately 13% on pcp. Staff costs, which comprised approximately 57% of cash payments for operating activities (excluding income tax and interest), were up 6% on pcp and up 44% on Q1 FY24. The slight increase in staff costs relative to pcp was due to additional costs associated with ensuring operational readiness for card issuing – these include key roles of fraud management, compliance and client onboarding. These key competencies are critical to protecting the business, ensuring compliance with scheme and regulatory requirements and servicing clients. These key hires will enable the Company to scale as volumes increase and new clients are onboarded.

The material increase in staff costs on Q1 FY24 (44%) is primarily due to payment timings. In Q2 FY24, there was an additional payroll plus payment of FY23 sales incentives. Cash payments for staff costs are expected to reduce in Q3 FY23 given the impact of the additional payroll and sales incentives will not occur.

The material increase in administration and corporate costs primarily relate to:

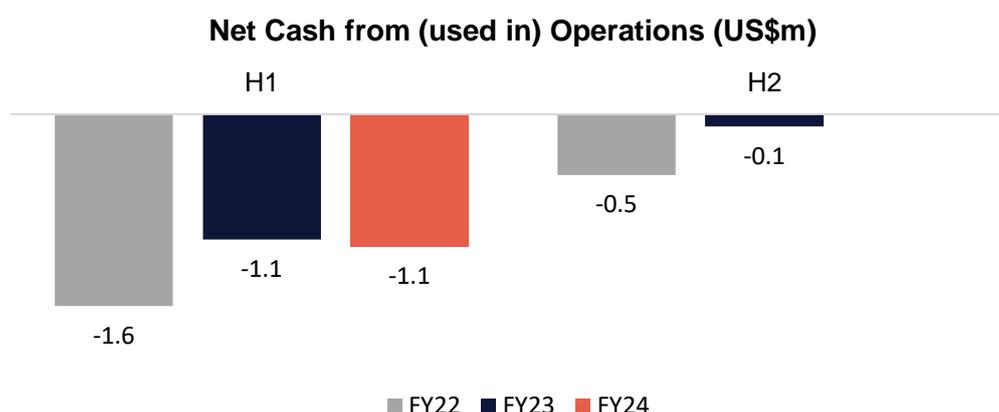
- Scheme costs incurred for go-live of the PaaS platform in NZ, Australia and the US;
- Transaction costs for PaaS clients as cards migrate; and
- Change partially funding client settlement in NZ on an overnight basis pending completion of an automated funds flow process. These funds, totaling approximately US\$0.1m (A\$0.2m), are not included in Change's cash balance at 31 December 2023. As the automated funds flow

² AUD/USD = 0.66

process is implemented, which is expected in Q3 FY24, client funds will be used for all settlement.

Whilst Change's cash flows from operating activities fluctuate materially on a quarter-to-quarter basis, the cash used in H1 FY23 is broadly in line with the prior year as the Company incurred substantial costs to enable go-live of the PaaS platform.

However, as illustrated below, H1 is typically a higher cash usage period relative to H2 and the Company would expect a similar trend to continue this half with H2 operating cash outflow expected to be a material improvement over H1.



Change's cash position at the end of the quarter was US\$3.2m (A\$4.8m), 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, the migration of NZ cards to Vertexon is well underway and Change has commenced generating PaaS revenue. PaaS revenue is expected to progressively increase as the NZ migrations are completed and new clients onboard in all regions.

Change continues to target a monthly cashflow breakeven run-rate exiting FY24 driven by a stable existing client base, increasing transactional revenue from PaaS clients and new Vertexon and PaySim client wins. As a result, the Company expects a material improvement in H2 operating cash outflow compared to H1.

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 **Wednesday, 31 January 2024 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_CQadS-KWSy-fzAaINu9_GQ

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.

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")

31 December 2023

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,820	4,362
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(712)	(1,440)
(c) advertising and marketing	(49)	(116)
(d) leased assets	(27)	(48)
(e) staff costs	(1,781)	(3,021)
(f) administration and corporate costs	(555)	(845)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	31	69
1.5 Interest and other costs of finance paid	(3)	(5)
1.6 Income taxes paid	-	(56)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,276)	(1,100)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	(7)	(20)
(j) investments	-	-
(k) intellectual property	(481)	(994)
(l) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 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	(10)	(162)
2.6	Net cash from / (used in) investing activities	(498)	(1,176)

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	4,678	5,351
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,276)	(1,100)

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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(498)	(1,176)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	248	77
4.6	Cash and cash equivalents at end of period	3,152	3,152

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	3,152	4,678
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)	3,152	4,678

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	80
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. 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)	(1,276)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,152
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,152
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.5
<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 January 2024

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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