

8 August 2023

## PaaS entering commercialisation

### Several years of investment now coming to fruition

- Positive operational cashflows during the quarter
- Targeting monthly cashflow breakeven exiting FY24
- Sales pipeline set to deliver further revenue growth

This is a revised version of the report first published on 28 July 2023.

**Respectable quarter, but growth delayed:** Change Financial delivered revenues of US\$2.0m, operational cash inflow of \$2.6m and signed 26 new contracts worth US\$2.3m in the quarter – all very respectable. However, uptake of its Payments as a Service (“PaaS”) offering has been delayed due to finalising NZ EFTPOS connectivity. This should deliver stronger growth in 1H24.

**Vertexon live in NZ with Mastercard, but EFTPOS has delayed adoption:** Three out of four of its NZ Vertexon PaaS clients are now live in market with pilot debit Mastercards, however Change is seeking deliver EFTPOS connectivity so the debit cards it issues on behalf of these institutions can be dual scheme cards. Once this connectivity launches shortly, 40,000 cards will commence rolling out.

**Strong 4Q23 sales set to flow through into future revenues:** Vertexon continues to generate strong sales with 15 new projects across 5 clients. PaySim delivered 9 additional module sales across 5 clients.

### Investment Thesis

**Remains an attractive play on the evolution of payment systems globally:** Strong execution should see Change successfully grow its PaaS revenue, first in NZ, then in Australia and the US. This should see its revenues over time become leveraged to growing payments values and transaction volumes.

**Due for a re-rating as profitability improves:** With profitable revenue growth and CCA targeting monthly operational cashflow generation by year end FY24, every update going forward could be a catalyst for the company to re-rate, given its attractive forward multiples vs. peer comparatives.

**Leverage to USD working in the company’s favour:** CCA obtains the majority of its revenues from offshore in USD, while the majority of its cost base is in AUD and NZD, and thus is positively leveraged to a falling Australian Dollar.

### Valuation

**Trimming earnings, lifting valuation:** Incorporating CCA’s 4Q23 revenue, cashflows and guidance statements, we cut our cash EPS estimates: FY23E: -31%, FY24E: -24%, FY25E: -13% and change our reported EPS estimates: FY23E: -16%, FY24E: -99%, FY25E: -44%. These changes are large as they are on small denominators. However, our DCF valuation rises to A\$0.12 using a 13% cost of equity after excluding FY23. CCA is trading on a FY24E PE of 26.9x.

### Risks

As a card issuer, Change Financial has substantial regulatory compliance requirements, including with AML/CTF regulations, CFR (Council of Financial Regulators) and ASIC requirements. Failure to comply could see the company face civil and criminal prosecution, substantial fines, and potentially the loss of key licenses enabling it to operate various services. However, it faces less competition for its PaySim service, which accounts for a substantial portion of its revenues, due to what are in effect scheme mandates to use its services by various industry organisations and bodies.

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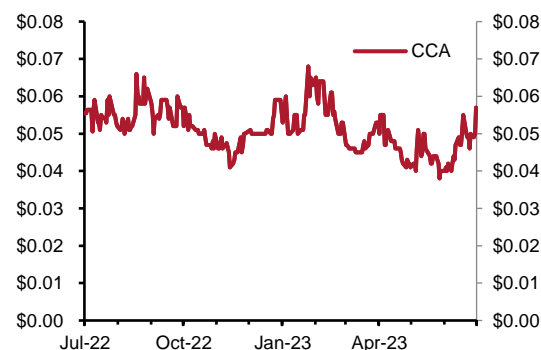
Change Financial Limited (ASX:CCA) is a global B2B fintech, leveraging innovative and scalable technology to provide tailored payment solutions, card issuing and testing to banks and fintechs. Change’s technology is used by over 150 clients across 41 countries to deliver simple, flexible and fast-to-market payments services, including card issuing and testing.

Valuation	<b>A\$0.12</b> (Previously A\$0.10)
Current price	<b>A\$0.06</b>
Market cap	<b>A\$38m</b>
Cash on hand	<b>US\$5.4m</b>

### Upcoming Catalysts / Next News

August 2023	FY23 result
1Q24	EFTPOS connectivity in NZ live
October 2023	1Q24 Appendix 4C and activities update
1H24	Transitioning cardholders in NZ to Vertexon PaaS
End FY24	Positive operating cashflows on a monthly basis

### Share Price (\$A)

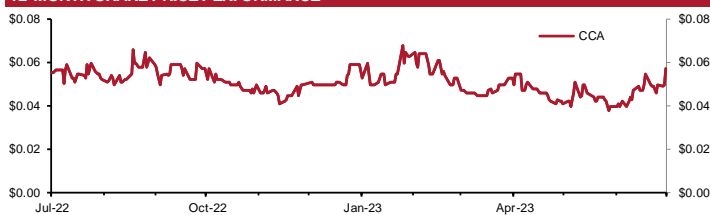


Source: FactSet, MST Access

**MARKET DATA**

Spot exchange rate	x		AUDUSD	0.6763
Price	A\$		0.060	US\$ 0.041
Valuation	A\$		0.12	US\$ 0.080
52 week low - high	A\$		0.04 - 0.07	
Market capitalisation	A\$m		37.7	US\$m 25.5
Shares on issue (basic)	m			627.7
Options / rights (currently antidilutive)	m			1.2
Other equity (LFSP treasury shares)	m			1.2
Shares on issue (fully diluted)	m			630.0

**12-MONTH SHARE PRICE PERFORMANCE**



**INVESTMENT FUNDAMENTALS**

		FY21A	FY22A	FY23E	FY24E	FY25E
EPS - diluted reported	cps	-0.88	-0.95	-0.48	-0.10	0.08
<b>EPS - diluted cash</b>	<b>cps</b>	<b>-1.01</b>	<b>-0.72</b>	<b>-0.27</b>	<b>0.15</b>	<b>0.41</b>
EPS growth	%	-0.5	-0.3	-0.6	-1.6	1.7
PE	x	-4.0	-5.6	-15.0	26.9	10.0
DPS	cps	0.0	0.0	0.0	0.0	0.0
Franking	%	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0
Payout ratio	%	0%	0%	0%	0%	0.0
Operating cash flow per share	cps	0.00	0.00	0.00	0.00	0.0
Free cash flow to equity per share	cps	-0.02	-0.01	-0.01	0.00	0.0
FCF yield	%	-47%	-15%	-20%	-4%	0.1
Enterprise value	US\$m	21.5	24.0	20.1	21.2	18.6
EV/Total Revenue	x	3.4	2.9	2.3	1.8	1.2
EV/EBITDA	x	-9.3	-9.5	-17.0	16.5	6.3
EV/EBIT	x	-6.6	-6.6	-8.1	-52.9	25.6
NAV per share	US\$	0.018	0.008	0.013	0.012	0.012
Price / NAV	x	2.3	4.8	3.2	3.5	3.3
NTA per share	US\$	0.004	-0.007	0.002	0.004	0.009
Price / NTA	x	10.7	-6.1	26.9	9.3	4.5

**KEY RATIOS**

		FY21A	FY22A	FY23E	FY24E	FY25E
NTA/Net Receivables	%	63.8%	-148.0%	42.4%	87.1%	133.8%
Revenue growth rate	%	2344.1%	31.7%	5.1%	34.6%	31.5%
ROE - reported	%	0%	0%	0%	0%	0%
ROE - cash	%	0%	0%	0%	0%	0%
Net debt	US\$m	-4.0	-1.5	-5.4	-4.2	-6.9
Interest cover	x	0.7	0.8	0.3	-0.5	-7.3
Gearing (net debt / EBITDA)	x	-0.6	-0.2	-0.6	-0.4	-0.4
Leverage (net debt / invested capital)	x	-0.7	-0.2	-0.7	-0.4	-0.5

**KEY PERFORMANCE INDICATORS**

		FY21A	FY22A	FY23E	FY24E	FY25E
Annual recurring revenue	\$m	4.4	4.7	7.1	7.1	9.4
Revenue / Annual recurring revenue	%	143%	176%	123%	166%	1.7
Gross margin	%	100%	100%	100%	100%	100%
Cost to income ratio	%	136.5%	130.2%	114.4%	87.4%	77.3%
Growth in receivables	%	918.2%	-24.2%	24.6%	40.2%	34.2%

**DUPONT ANALYSIS**

		FY21A	FY22A	FY23E	FY24E	FY25E
Net Profit Margin	%	-55%	-45%	-31%	-5%	0.0
Asset Turnover	x	0.4	0.4	0.3	0.4	0.4
Return on Assets	%	-21%	-16%	-10%	-2%	0.0
Financial Leverage	x	3.5	4.5	4.7	4.4	5.0
Return on Equity	%	-74%	-73%	-48%	-8%	0.1

**HALF YEARLY DATA**

		1H22A	2H22A	1H23A	2H23E	1H24E
Revenue	US\$m	3.8	4.5	4.3	4.5	5.5
Cost of goods sold	US\$m	0.0	0.0	0.0	-0.5	-0.5
<b>Gross Profit</b>	<b>US\$m</b>	<b>3.8</b>	<b>4.5</b>	<b>4.3</b>	<b>4.0</b>	<b>5.0</b>
Cash Expenses	US\$m	-5.4	-5.4	-5.3	-4.1	-4.5
<b>EBITDA</b>	<b>US\$m</b>	<b>-1.7</b>	<b>-0.8</b>	<b>-1.1</b>	<b>-0.1</b>	<b>0.5</b>
<b>EBIT</b>	<b>US\$m</b>	<b>-2.2</b>	<b>-1.4</b>	<b>-1.7</b>	<b>-0.8</b>	<b>-0.3</b>
Pre tax profit	US\$m	-2.2	-1.5	-1.7	-0.8	-0.3
Income tax expense	US\$m	0.0	-0.1	-0.2	0.0	-0.1
<b>Reported NPAT</b>	<b>US\$m</b>	<b>-2.2</b>	<b>-1.5</b>	<b>-1.9</b>	<b>-0.8</b>	<b>-0.4</b>
Cash NPAT	US\$m	-1.8	-1.1	-1.4	-0.2	0.3
<b>EPS - diluted cash</b>	<b>cps</b>	<b>-0.45</b>	<b>-0.27</b>	<b>-0.30</b>	<b>-0.03</b>	<b>0.05</b>
EPS - diluted reported	cps	-0.56	-0.39	-0.42	-0.14	-0.06
DPS	cps	0.0	0.0	0.0	0.0	0.0

**PROFIT AND LOSS**

		FY21A	FY22A	FY23E	FY24E	FY25E
Revenue and other income	US\$m	6.3	8.3	8.7	11.8	15.5
Cost of goods sold	US\$m	0.0	0.0	-0.5	-1.5	-2.5
<b>Gross Profit</b>	<b>US\$m</b>	<b>6.3</b>	<b>8.3</b>	<b>8.2</b>	<b>10.3</b>	<b>13.0</b>
Total Cash Expenses	US\$m	-8.6	-10.8	-9.4	-9.0	-10.0
<b>EBITDA</b>	<b>US\$m</b>	<b>-2.3</b>	<b>-2.5</b>	<b>-1.2</b>	<b>1.3</b>	<b>2.9</b>
Depreciation, amortisation and impairment	US\$m	-1.0	-1.1	-1.3	-1.7	-2.2
<b>EBIT</b>	<b>US\$m</b>	<b>-3.3</b>	<b>-3.6</b>	<b>-2.5</b>	<b>-0.4</b>	<b>0.7</b>
Net interest	US\$m	0.0	-0.1	0.0	0.0	0.0
<b>Profit before income tax</b>	<b>US\$m</b>	<b>-3.3</b>	<b>-3.7</b>	<b>-2.5</b>	<b>-0.4</b>	<b>0.7</b>
Income tax expense	US\$m	-0.2	-0.1	-0.2	-0.2	-0.2
<b>NPAT</b>	<b>US\$m</b>	<b>-3.5</b>	<b>-3.8</b>	<b>-2.7</b>	<b>-0.6</b>	<b>0.5</b>
add back non-cash items	US\$m	-0.5	0.9	1.2	1.5	2.0
Cash NPAT	US\$m	-4.0	-2.9	-1.5	0.9	2.6

**Weighted average diluted shares**

		FY21A	FY22A	FY23E	FY24E	FY25E
Weighted average diluted shares	m	398.7	396.7	569.3	626.5	626.5

**BALANCE SHEET**

		FY21A	FY22A	FY23E	FY24E	FY25E
Cash and cash equivalents	US\$m	4.0	1.5	5.4	4.2	6.9
Other receivables	US\$m	2.4	1.8	2.2	3.1	4.2
Other current assets	US\$m	0.4	0.6	0.8	3.7	5.2
<b>Total current assets</b>	<b>US\$m</b>	<b>6.7</b>	<b>3.9</b>	<b>8.4</b>	<b>11.1</b>	<b>16.3</b>
Property, plant and equipment	US\$m	0.5	0.3	0.3	0.3	0.4
Collateral for transactional business	US\$m	0.0	0.0	0.3	1.0	1.6
Intangibles	US\$m	5.5	6.0	6.9	4.6	2.2
<b>Total non current assets</b>	<b>US\$m</b>	<b>6.0</b>	<b>6.4</b>	<b>7.7</b>	<b>6.0</b>	<b>4.3</b>
<b>Total assets</b>	<b>US\$m</b>	<b>12.7</b>	<b>10.3</b>	<b>16.1</b>	<b>17.1</b>	<b>20.6</b>
Trade and other payables	US\$m	1.4	1.2	2.4	1.8	1.8
Provisions	US\$m	1.0	1.3	1.0	1.0	1.0
Contract liabilities	US\$m	2.7	3.1	4.5	6.8	9.7
Other current liabilities	US\$m	0.3	0.2	0.2	0.2	0.2
<b>Total current liabilities</b>	<b>US\$m</b>	<b>5.4</b>	<b>5.8</b>	<b>8.1</b>	<b>9.7</b>	<b>12.7</b>
Provisions	US\$m	0.0	0.0	0.0	0.0	0.0
Lease liability	US\$m	0.3	0.1	0.1	0.0	0.0
Borrowings	US\$m	0.0	1.1	0.0	0.0	0.0
<b>Total non current liabilities</b>	<b>US\$m</b>	<b>0.3</b>	<b>1.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Total liabilities</b>	<b>US\$m</b>	<b>5.7</b>	<b>7.0</b>	<b>8.2</b>	<b>9.8</b>	<b>12.8</b>
<b>Net assets</b>	<b>US\$m</b>	<b>7.0</b>	<b>3.3</b>	<b>7.9</b>	<b>7.3</b>	<b>7.8</b>
<b>Net tangible assets</b>	<b>US\$m</b>	<b>1.5</b>	<b>-2.6</b>	<b>0.9</b>	<b>2.7</b>	<b>5.6</b>
<b>Net capital</b>	<b>US\$m</b>	<b>3.0</b>	<b>1.8</b>	<b>2.5</b>	<b>3.1</b>	<b>0.9</b>
<b>Net tangible capital</b>	<b>US\$m</b>	<b>-2.5</b>	<b>-4.2</b>	<b>-4.4</b>	<b>-1.5</b>	<b>-1.3</b>
Contributed equity	US\$m	42.5	42.5	50.9	50.9	50.9
Reserves	US\$m	4.7	4.8	3.7	3.7	3.8
Retained earnings	US\$m	-40.2	-44.0	-46.7	-47.3	-46.8
<b>Total equity</b>	<b>US\$m</b>	<b>7.0</b>	<b>3.3</b>	<b>7.9</b>	<b>7.3</b>	<b>7.8</b>
Basic shares on issue	m	399.0	399.0	626.5	626.5	626.5

**CASH FLOW**

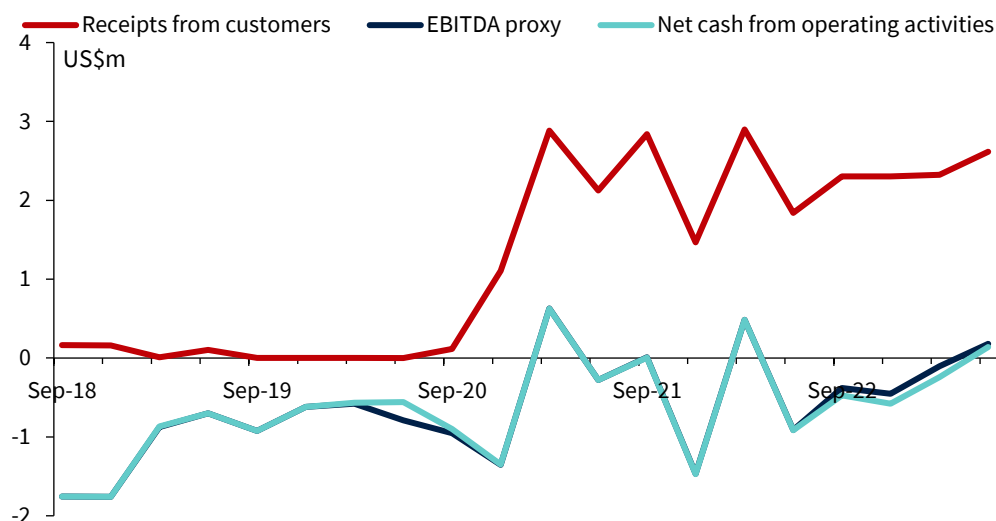
		FY21A	FY22A	FY23E	FY24E	FY25E
<b>Operating</b>						
<b>Net operating cashflow</b>	<b>US\$m</b>	<b>-1.7</b>	<b>-1.8</b>	<b>-1.3</b>	<b>0.8</b>	<b>4.7</b>
<b>Investment</b>						
Capital expenditure	US\$m	-0.7	-1.4	-1.9	-1.9	-1.9
Acquisitions and divestments	US\$m	-4.5	0.2	0.0	0.0	0.0
<b>Net investment cashflow</b>	<b>US\$m</b>	<b>-5.2</b>	<b>-1.3</b>	<b>-1.9</b>	<b>-1.9</b>	<b>-1.9</b>
<b>Financing</b>						
Equity	US\$m	8.4	0.0	8.7	0.0	0.0
Debt	US\$m	-0.6	1.0	-1.4	0.0	0.0
Leases	US\$m	-0.2	-0.3	-0.1	-0.1	-0.1
<b>Net financing cashflow</b>	<b>US\$m</b>	<b>7.6</b>	<b>0.7</b>	<b>7.2</b>	<b>-0.1</b>	<b>-0.1</b>
<b>Net cash flow</b>	<b>US\$m</b>	<b>0.7</b>	<b>-2.4</b>	<b>3.9</b>	<b>-1.1</b>	<b>2.7</b>
Free cash flow to equity	US\$m	-7.7	-2.4	-4.7	-1.1	2.7

Source: CCA reports, MST estimates

# 4Q23 activities update & Appendix 4C cashflows

Change Financial delivered another quarter of positive operating cashflows, aided by an improvement in receipts from customers, the receipt of a US\$1m incentive payment from Mastercard and tight control of its cost base. We expect that as revenues to continue to grow and the predictability of revenues continues to improve for its Vertexon and PaySim products, and the commercialisation of its Payments as a Service offering, receipts from customers will continue to grow and net cash from operating activities will continue to improve.

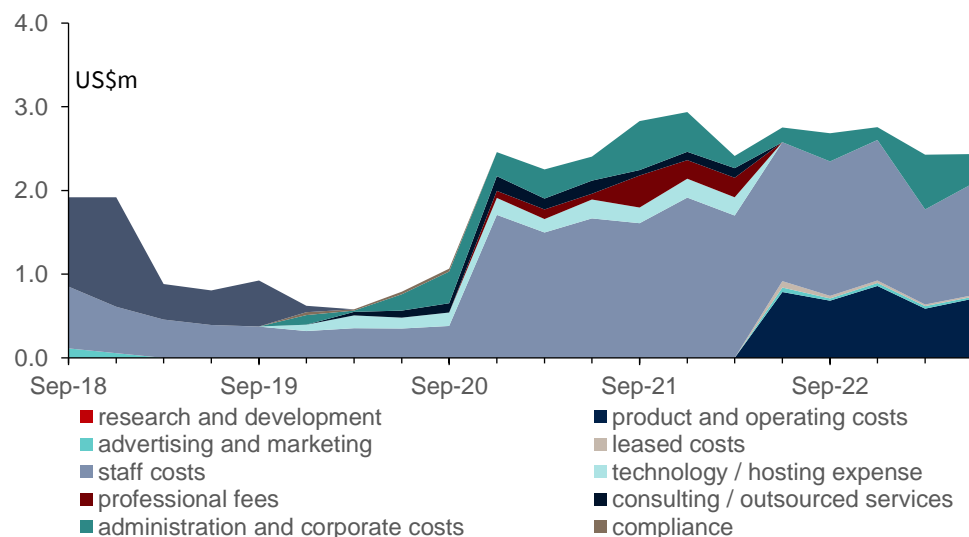
**Figure 1: Quarterly cash receipts and operating cashflow**



Source: Company reports, MST Access estimates

The benefits of Change Financial's expense reductions in 1H23 are again evident in its 4Q23 cashflow figures, with cash expenses effectively flat on the prior quarter, and down on a year earlier.

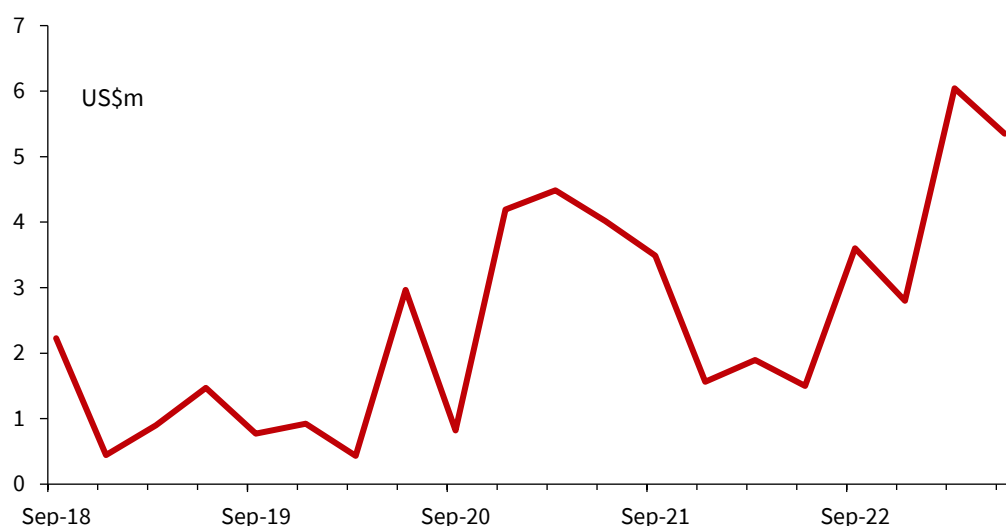
**Figure 2: Cash operating expenses**



Source: Company reports, MST Access estimates

There were also increased investing cashflows associated with funding collateral, which will grow as PaaS transactions volumes increase. Change has flagged that it is seeking alternative means of providing this funding collateral. The increase in investing cashflows were responsible for Change Financial's cash balance dropping slightly over the quarter.

**Figure 3: Change Financial quarterly cash balance**



Source: Company reports, MST Access estimates

While Change Financial did not need to calculate a cash runway in its Appendix 4C release due to having positive operational cashflows during 4Q23, this was due to receiving the US\$1m incentive payment from Mastercard. Reversing this \$1m payment out from operating cashflow provides an indication of its underlying cash burn, and how much runway the company has with its current cash balance. With over 6 quarters of cash runway, based upon its underlying burn rate in 4Q23, and a target of becoming operationally cashflow generative on a monthly basis by the end of FY24, it may have a substantially further cash runway than this (and hence may not need to undertake another capital raising), provided it can find a solution for its funding collateral requirements in the interim.

**Figure 4: Adjusted cash runway**

	2023 Q4 US\$m	Adjustments US\$m	Adjusted US\$m	Comments
Net cash from / (used in) operating activities	0.139	-1.000	-0.861	Removes the US\$1m incentive payment from Mastercard
Cash and cash equivalents at quarter end	5.351	0.000	5.351	
Unused finance facilities available at quarter end	0.000		0.000	
Total available funding available	5.351	0.000	5.351	
<b>Estimated periods of funding available</b>	<b>n.m.</b>		<b>6.2</b>	

Source: Company reports, MST Access estimates

## Earnings estimate revisions

**Figure 5: Changes to MST Access estimates for Change Financial Limited**

		FY23E			FY24E			FY25E		
		Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	A\$m	9.7	8.7	-10%	13.0	11.8	-10%	15.7	15.5	-2%
Gross Profit	A\$m	9.2	8.2	-11%	11.0	10.3	-7%	13.7	13.0	-5%
EBITDA	A\$m	-0.8	-1.2	-45%	1.4	1.3	-7%	3.1	2.9	-6%
EBIT	A\$m	-2.1	-2.5	-17%	-0.3	-0.4	-33%	0.9	0.7	-19%
Reported NPAT	A\$m	-2.3	-2.7	-16%	-0.3	-0.6	-99%	0.9	0.5	-44%
Cash NPAT	A\$m	-1.2	-1.5	-31%	1.2	0.9	-24%	2.9	2.6	-13%
EPS diluted reported	cps	-0.4	-0.5	-16%	0.0	-0.1	-99%	0.1	0.1	-44%
<b>EPS diluted cash</b>	cps	-0.2	-0.3	-31%	0.2	0.2	-24%	0.5	0.4	-13%
DPS	cps	0.0	0.0	n.a.	0.0	0.0	n.a.	0.0	0.0	n.a.

Source: Company reports, MST Access estimates

Reflecting Change Financial's 4Q23 cashflows and activities update, as well as its updated outlook commentary, we have made the following changes to our earnings estimates:

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## Peer comparative valuation multiples

Relative valuation techniques such as peer valuation multiples are a popular way to value many companies, including price earnings multiples and Enterprise to Revenue multiples. Our financial summary on page 2 of this report details our derivation of these current implied valuation multiples for CCA.

Figure 7: Change Financial Peer Comparatives Valuation Multiples

Identifier (RIC)	Company Name	Forward EV / Revenue	Forward EV / EBITDA	Forward P/E	Forward P/CF	P/B	P/NTA
CCA.AX	Change Financial Ltd	1.8	16.6	26.9	-22.3	3.2	26.9
NOV.AX	Novatti Group Ltd	0.5	11.8	-99.8	73.9	2.0	3.3
EML.AX	EML Payments Ltd					1.1	-17.3
A2B.AX	A2B Australia Ltd	1.0	7.5	17.9	3.1	1.8	2.9
SMP.AX	SmartPay Holdings Ltd	4.4	17.6	38.8	13.8	7.0	32.4
TYR.AX	Tyro Payments Ltd	1.5	16.6	82.8	33.4	1.9	19.6
	<b>Australian average (ex CCA.AX)</b>	<b>1.9</b>	<b>13.4</b>	<b>9.9</b>	<b>31.0</b>	<b>2.8</b>	<b>8.2</b>
	<b>Australian median (ex CCA.AX)</b>	<b>1.3</b>	<b>14.2</b>	<b>28.3</b>	<b>23.6</b>	<b>1.9</b>	<b>3.3</b>
PAY.TO	Payfare Inc	1.2	11.1	18.8		4.1	5.5
PAYP.L	PayPoint plc	3.0	6.1	8.8		4.8	-63.0
NETW.L	Network International Holdings PLC	5.9	14.2	28.5	16.9	3.2	-28.4
PSFE.K	Paysafe Ltd	0.9	3.1	42.6	3.1	1.0	-0.3
MQ.O	Marqeta Inc	1.6				2.2	2.2
WU	Western Union Co	1.4	5.9	7.5	7.9	10.8	-2.4
WEX	WEX Inc	4.2	9.7	14.0	8.5	4.3	-3.4
WLN.PA	Worldline SA	2.8	10.5	14.7	10.9	1.1	-3.0
AMA.MC	Amadeus IT Group SA	6.0	15.5	27.5	18.6	4.8	-10.6
SQ	Block Inc	2.2	32.6	44.6	29.3	2.2	13.0
	Fidelity National Information Services Inc	3.8	9.0	10.3	7.6	1.5	-1.9
FIS							
FI	Fiserv Inc	5.5	12.3	17.1	14.4	2.1	-4.2
PYPL.O	PayPal Holdings Inc	2.8	10.9	14.8	11.8	4.0	10.4
MA	Mastercard Inc	15.5	25.3	33.3	32.2	52.8	-60.8
V	Visa Inc	14.7	21.0	27.3	24.7	11.0	-61.0
	<b>International average</b>	<b>4.8</b>	<b>13.4</b>	<b>22.1</b>	<b>15.5</b>	<b>7.3</b>	<b>-13.8</b>
	<b>International median</b>	<b>3.0</b>	<b>11.0</b>	<b>18.0</b>	<b>13.1</b>	<b>4.0</b>	<b>-3.0</b>

Source: IBES, Refinitiv, MST Access for Change Financial, Novatti and A2B, where we have used our FY24E estimates for forward multiples, and FY23E for PB and P/NTA.

## Updated investment thesis

Change Financial is an attractive way to gain exposure to the evolution of payment systems globally. Both of its businesses are ideally positioned to profit from this evolution:

- Vertexon enables banks and fintechs to deliver modern card payment solutions to their customers. As consumer expectations grow, requiring investments beyond what institutions are willing to make, and as it becomes harder to employ staff with the necessary skillset to maintain and develop existing in-house infrastructure, we believe more institutions are likely to outsource larger portions of their payments infrastructure. In Australia, most third-tier institutions already outsource their payments infrastructure, as do most of the second-tier institutions, and even ANZ is now going down this path with its JV with Worldline. However, this is a global trend, and Vertexon has a sizeable (and growing) existing customer base in Oceania, South East Asia and Latin America, as well as a reasonable presence in the US. With the recent development of Apple and Android mobile smartphones also now being able to serve as payment terminals, we also see the long-term potential for Vertexon to expand into the merchant acquirer space without the need to provide end user (merchant acquirer) hardware.
- PaySim is an essential utility, to test systems before they go live. Regulators are becoming increasingly aggressive around disruption to payment systems, and PaySim enables its users, such as financial institutions, to test their systems before they go live to ensure that any changes, such as upgrades or new functionality, will work seamlessly, and not cause system problems. It can simulate a wide range of systems, including online transactions, ATMs and payment terminals, and the various payment networks in between a bank's own systems.

The company obtains the majority of its revenues from offshore, reports in USD, and thus is positively leveraged to a falling Australian Dollar, which is supportive of the company's valuation.

Furthermore, we believe that the company is due for a re-rating, with the company now expecting to be generating profitable growth, EBITDA positive on a monthly basis and targeting being cashflow generative on a monthly basis by the end of FY24, before growth capital investments (capex) in technology and operations.

## Risks and sensitivities

In summary, Change Financial's risks and sensitivities can be categorised under strategic, financial and operational risks summarised as:

### Strategic

Change Financial's Vertexon operates in a competitive, highly innovative industry of payments provision, with direct competitors both in Australia and internationally who are close to perfect substitutes for its payments as a service offerings.

As a payment processor, Change Financial has substantial regulatory compliance requirements, including with AML/CTF regulations, CFR and ASIC requirements. Failure to comply could see the company face civil and criminal prosecution, substantial fines, and potentially the loss of key licenses enabling it to operate various services.

However, it faces less competition for its PaySim service, which accounts for a substantial portion of its revenues, due to what are in effect scheme mandates to use its services by various industry organisations and bodies.

### Financial

Being a payments company, Change Financial has a range of risks and sensitivities applicable to most companies in the financial sector. These include:

- Macroeconomic conditions
- Liquidity and funding risks
- Credit risk
- Fraud
- Compliance risks

### Operational

Most companies, including Change Financial, have a range of operational risks. These include:

- Governance
- Key personnel
- Information technology
- Cybersecurity and data protection
- Force majeure events
- Litigation, claims and disputes
- Execution capability and effectiveness

## Company description

Change Financial Limited (ASX:CCA) 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 150 clients across 41 countries to deliver simple, flexible and fast-to-market payments 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 payment 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 16 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.



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