

CHANGE FINANCIAL (ASX:CCA)

1H24 Interim Results

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change.



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Executive Summary

ASX Code	ASX:CCA
Share Price	\$0.056
Market Cap	\$35.1m
Net Cash	\$4.9m
Enterprise Value	\$30.2m

Issued Capital	627.7m
Free Float	55.7%
Avg Daily Volume (Yr Rolling)	0.23m
52 Week High/Low	\$0.08 - \$0.04

(US\$m)	FY23A	FY24F	FY25F
Revenue	8.7	10.3	15.7
EBITDA	(1.3)	(0.4)	2.9
NPAT	(3.0)	(1.4)	2.2
<i>EV/EBITDA</i>	(15x)	(46x)	7x
<i>EBITDA Margin</i>	(15%)	(4%)	18%
<i>EPS (cps)</i>	(0.55)	(0.23)	0.36
<i>PE</i>	(6x)	(16x)	10x

Our View

► **Overall:** Unchanged from our commentary on the recent release of the 2Q24 update. Delays in monetising the NZ client contract wins (US\$10.5m+/5 years) announced in 2022 have now been resolved. CCA is now in a transition phase from core product development to commercialisation. Future contract wins should now undergo a more streamlined implementation process with established market issuer status. Liquidity remains sound, and NOCF should improve from here. Moving forward, the focus will remain on realising the monetisation of contracts already won, securing new contracts, and continuing the transition of existing customers to a PaaS revenue model, which moves CCA from a static licence fee model to a PaaS model driven more by transaction volumes.



1H24 Result Highlights

- **NLAT:** Neg US\$1.5m (v Neg US\$2.0m in 1H23 and Neg US\$1.0m in 2H23).
- **Revenue:** US\$4.5m (+5% pcp), short of our pre-result forecast of US\$5.0m due to a delay in NZ contract monetisation.
- **EBITDA:** Neg US\$0.7m (v Neg US\$1.1m in 1H23 and Neg US\$0.2m in 2H23) compared to our forecast of Neg US\$0.2m.
- **OPEX:** Reduced to US\$5.1m (-4% pcp). Technology and hosting expenses of \$696k (-25% pcp) due to hardware purchased for resale to clients.
- **Net Operating Cash Flow (NOCF):** Neg US\$1.05m (1H23: Neg US\$994k).
- **Cash:** US\$3.2m as of 1H24 (FY23: US\$5.4m), excluding US\$0.5m held in cash-backed security guarantees, no external debt.
- **Changes to forecasts:** Downgrade to FY24/25 Underlying EBITDA forecasts due to input of 1H24 resulted in weaker-than-expected revenue due to lower PaySim revenues than we expected. CCA has flagged that COGS will become more meaningful as PaaS revenues become more material – we have retained such costs in OPEX for now.

Key Takeaways

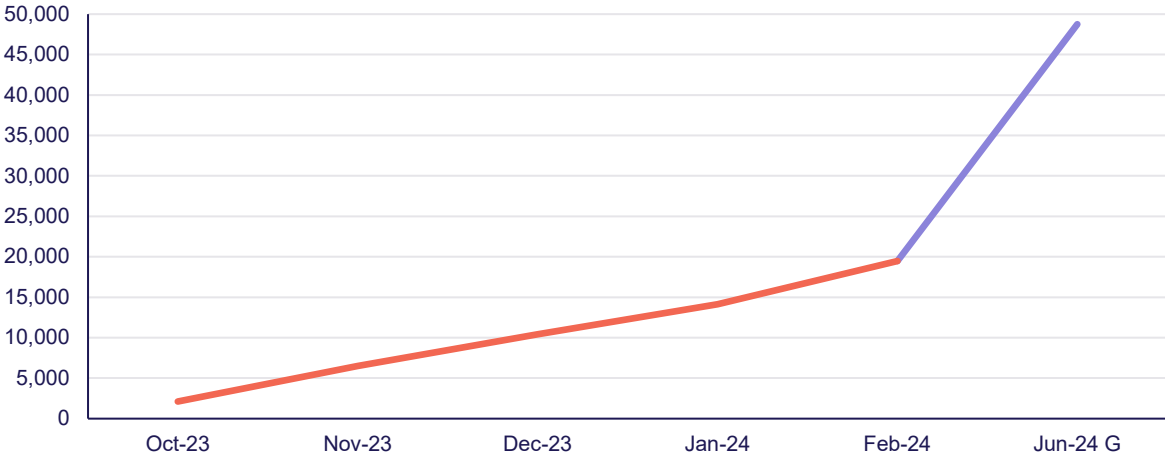
CCA targets run-rate cash flow and EBITDA breakeven by the end of FY24.

Business Updates & Outlook

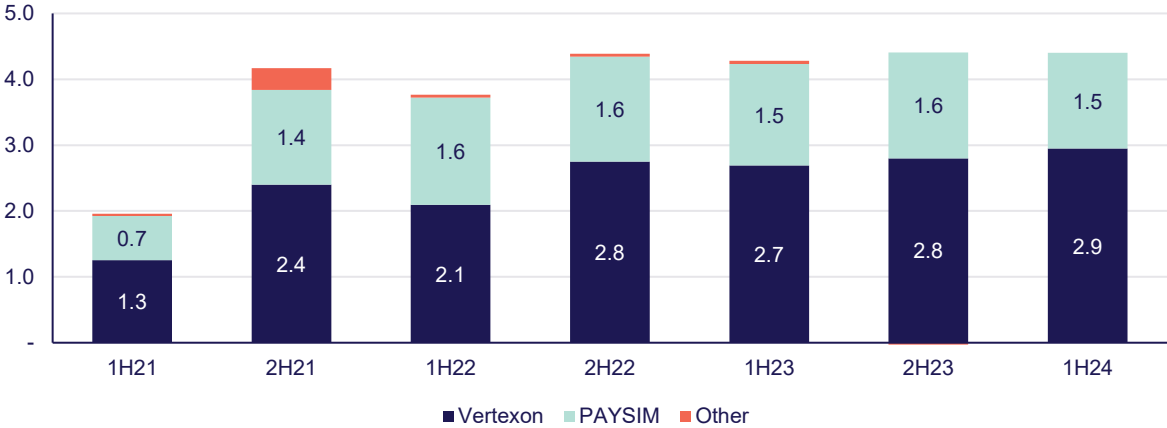
- ▶ **Outlook:** CCA continues to target run-rate cash flow and EBITDA break even by the end of FY24, with profitable growth after that. Key drivers will be strong PaaS revenue growth as NZ migrations (annualised revenue of US\$2.1m+) conclude and new clients are onboard in other geographies. CCA also noted that key NZ clients' go-live status has attracted additional market interest. In addition, 2H24 cash payments will not include staff incentives. CCA is now comfortably on the cusp of positive earnings, with revenue set to leverage OPEX.
- ▶ **Vertexon (67% of 1H24 revenue):** Auckland Credit Union and Police Credit Union fully transitioned with the balance to transition across FY24. CCA is now disclosing metrics around cards on the issue and the monetary value of transactions under its PaaS revenue model – it expects to update the market more regularly on these metrics in the near term. CCA citing several new project clients across SE Asia, LATAM, and Oceania during 1H24. CCA has also announced that the contract signed in August 2023 with New Zealand-based fintech HealthNow has been extended to Australia.
- ▶ **PaySim (33% of 1H24 revenue):** CCA citing 4 new licence sales to global financial institutions in 1H24 and further module sales to existing clients.

Vertexon PaaS Metrics

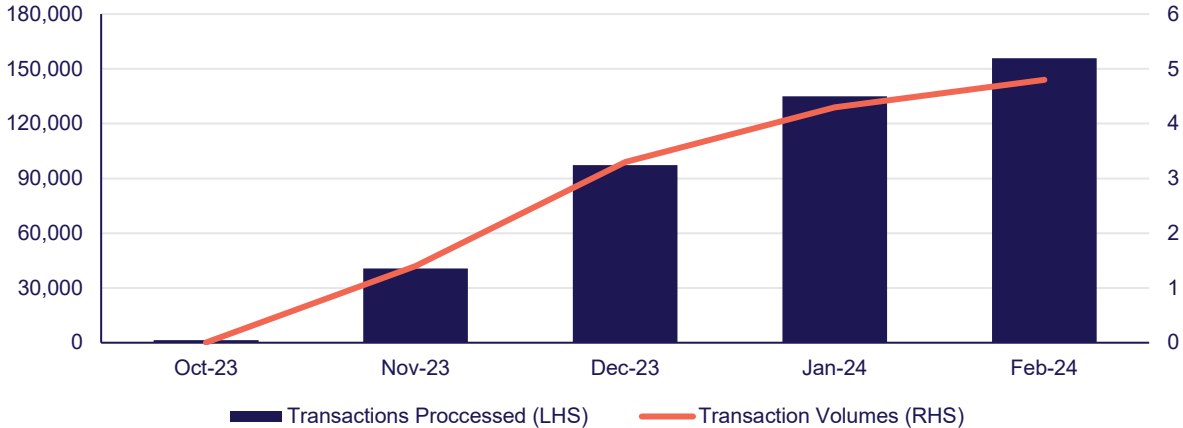
Total Cards on Issue



Revenue By Product (A\$m)



Monthly Transactions (LHS) & Volume (A\$m) (RHS)

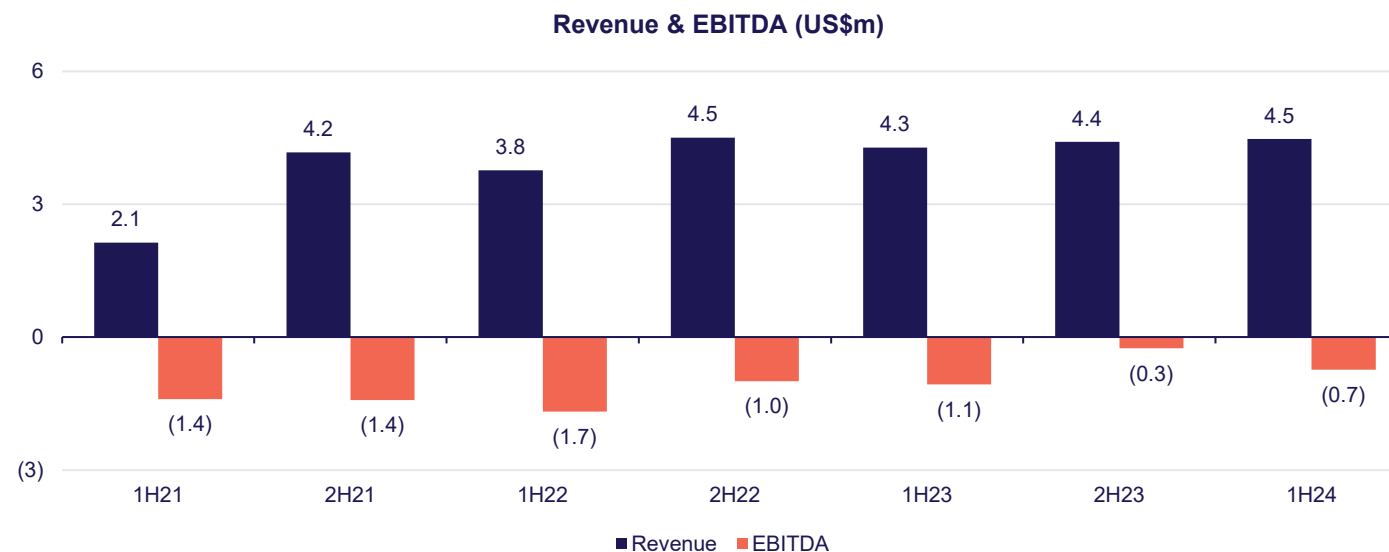


Profit & Loss

1H24 contains nominal PaaS revenue from new NZ contracts.

(US\$m)	1H23	2H23	1H24	pcp	Note
Operating	4.3	4.4	4.4	3%	
Other	-	0.0	0.1		
Total Revenue	4.3	4.4	4.5	4%	1
Employee Expenses	(3.1)	(2.6)	(3.2)	1%	3
Other Expenses	(2.2)	(2.0)	(2.0)	(11%)	3
U.EBITDA	(1.1)	(0.3)	(0.7)	(31%)	
One-offs	-	-	-		
EBITDA	(1.1)	(0.3)	(0.7)	(31%)	2
D&A	(0.6)	(0.7)	(0.8)	23%	
EBIT	(1.7)	(0.9)	(1.5)	(11%)	
Net Interest	(0.1)	(0.0)	0.1		
NPBT	(1.7)	(0.9)	(1.4)	(18%)	
Income Tax	(0.2)	(0.1)	(0.1)	(58%)	
NPAT	(2.0)	(1.0)	(1.5)	(22%)	
<i>U.EBITDA Margin</i>	<i>(25%)</i>	<i>(6%)</i>	<i>(16%)</i>		
<i>Diluted EPS (cps)</i>	<i>(0.4)</i>	<i>(0.1)</i>	<i>(0.2)</i>	<i>(40%)</i>	

- Revenue:** US\$4.5m (+4% pcp) as per recent 2Q24 update. 59% is derived from recurring income, with the remainder from project and licence income. Revenue in 1H24 fell short of our pre-2Q24 update forecast of US\$5.0m due to a delay in NZ contract monetisation. PaaS contributed nominal revenue during 1H24, and transaction revenues are expected to contribute to revenue in 2H24 meaningfully. Operating revenue in 1H24 derived mainly from SE Asia/Oceania – 73% of operating revenue (1H23: 75%).
- EBITDA:** Neg US\$0.7m (v Neg US\$1.1m in 1H23 and Neg US\$0.2m in 2H23) compared to our forecast of Neg US\$0.2m. The improving profit trend established in 2H23 has continued into 1H24 due to a cost realignment undertaken in 1H23 resulting in a nominal increase in employee expenses on a pcp basis – however, CCA previously citing staff costs increasing by 44% in 2Q24 versus 1Q24 due to the timing of staff incentives and additional investment (fraud management, compliance and client onboarding) as card issuance continues to scale. We had awaited the 1H24 result before adjusting our forecasts.
- OPEX:** Reduced to US\$5.2m (-4% pcp). Technology and hosting expenses of \$696k (-25% pcp) due to hardware purchased for resale to clients.



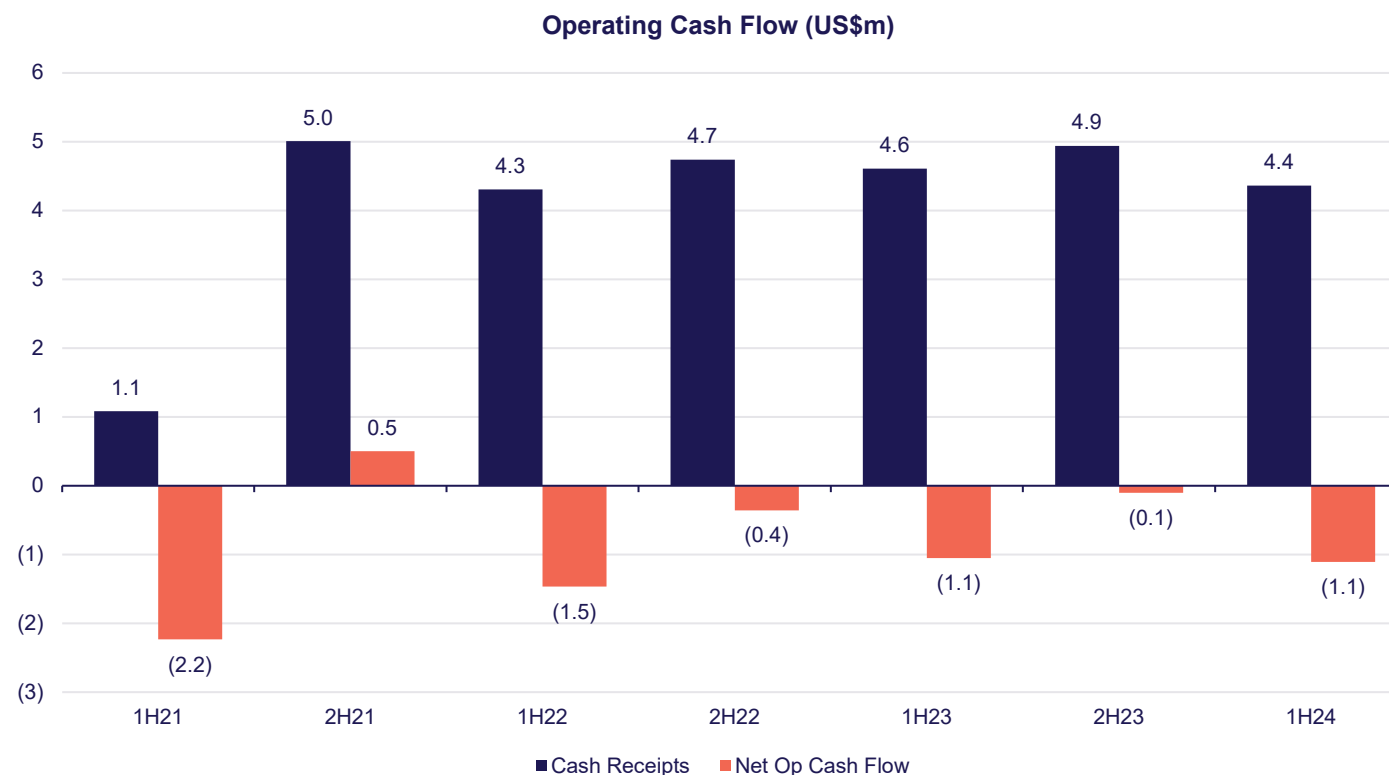
Balance Sheet & Cash Flow

Cash burn has remained modest ahead of NZ contract commercialisation.

Balance Sheet (US\$m)	1H23	FY23	1H24	Note
Cash	2.8	5.4	3.2	1
Other Assets	2.1	3.0	2.4	
Total Current Assets	4.9	8.3	5.6	
Intangibles	6.1	6.3	6.7	
Other Assets	0.3	0.6	0.9	
Total Non Current Assets	6.5	7.0	7.5	
Total Assets	11.3	15.3	13.1	
Borrowings	-	-	-	
Other Liabilities	5.7	5.8	5.1	
Total Current Liabilities	5.7	5.8	5.1	
Borrowings	0.6	-	-	
Other Liabilities	0.1	1.1	1.2	
Total Non Current Liabilities	0.7	1.1	1.2	
Total Liabilities	6.4	6.9	6.2	
Net Assets	5.0	8.4	6.9	
Equity	5.0	8.4	6.9	
Net Cash	2.2	5.4	3.2	

Cash Flow (US\$m)	1H23	2H23	1H24	Note
Customer Income	4.6	4.9	4.4	2
Payments to Suppliers/Employees	(5.4)	(4.8)	(5.4)	2
Other	(0.2)	(0.2)	0.0	
Net Operating	(1.0)	(0.1)	(1.1)	
Payments for IT	(0.7)	(0.8)	(1.0)	
Other	0.0	(0.3)	(0.2)	
Net Investing	(0.6)	(1.2)	(1.2)	
Capital Raised	3.9	4.1	-	
Other	(0.9)	(0.2)	(0.0)	
Net Financing	3.0	3.9	(0.0)	
Cash at beginning	1.5	2.8	5.4	
Net Change	1.4	2.7	(2.3)	
Other Adj	(0.1)	(0.1)	0.1	
Cash at end	2.8	5.4	3.2	1

- Cash:** US\$3.2m as of 1H24 (FY23: US\$5.4m), excluding US\$0.5m held in cash-backed security guarantees, no external debt.
- Net Operating Cash Flow (NOCF):** 1H24 NOCF of Neg US\$1.11m (vs Neg US\$1.05m pcp). 2Q24 of Neg US\$1.3m (vs Neg US\$0.6m pcp) versus +US\$176k in 1Q24. As per the recent quarterly update, NOCF was weaker in 2Q24 relative to 1Q24 due to the combination of delayed receipts and an increase in cash payments (ex-interest and tax) to US\$3.1m in 2Q24 (+13% pcp) and versus US\$2.3m in 1Q24. Cash receipts of US\$4.4m aligned to revenue. However, there was an increase in the NOCF deficit due to the delayed invoicing of several key clients.



Forecasts & Sensitivity

Modest changes in FY24/25 EBITDA forecasts in absolute dollar terms.

(US\$m)	FY23A	1H24A	Previous		Revised	
			FY24F	FY24F	FY25F	FY25F
Operating	8.6	4.4	11.6	10.2	16.8	15.7
Other	0.0	0.1	-	0.1	-	-
Total Revenue	8.7	4.5	11.6	10.3	16.8	15.7
Employee Expenses	(5.7)	(3.2)	(6.2)	(6.4)	(6.6)	(6.8)
Other Expenses	(4.2)	(2.0)	(4.8)	(4.2)	(6.4)	(6.0)
U.EBITDA	(1.3)	(0.7)	0.6	(0.4)	3.8	2.9
One-offs	-	-	-	-	-	-
EBITDA	(1.3)	(0.7)	0.6	(0.4)	3.8	2.9
D&A	(1.3)	(0.8)	(1.0)	(1.3)	(1.0)	(1.0)
EBIT	(2.6)	(1.5)	(0.4)	(1.7)	2.8	1.9
Net Interest	(0.1)	0.1	0.6	0.4	0.6	0.6
NPBT	(2.6)	(1.4)	0.2	(1.3)	3.4	2.5
Income Tax	(0.3)	(0.1)	(0.0)	(0.1)	(0.3)	(0.2)
NPAT	(2.9)	(1.5)	0.2	(1.4)	3.0	2.2
<i>U.EBITDA Margin %</i>	<i>(15%)</i>	<i>(16%)</i>	<i>5%</i>	<i>(4%)</i>	<i>23%</i>	<i>18%</i>
<i>Diluted EPS (cps)</i>	<i>(0.54)</i>	<i>(0.24)</i>	<i>0.02</i>	<i>(0.23)</i>	<i>0.49</i>	<i>0.36</i>

- ▶ **Forecast changes:** Downgrade to FY24/25 Underlying EBITDA forecasts due to input of 1H24 resulted in weaker-than-expected revenue due to lower PaySim revenues than previously forecast. Whilst actual 1H24 revenue was in line with the recent 2Q24 update, we had awaited the release of the interim result before adjusting our forecasts.
- ▶ **OPEX:** CCA has flagged that COGS will become more meaningful as PaaS revenues become more material – we have retained such costs in OPEX for now. We have increased FY25 forecast staff expenses in light of CCA's intention to hire a Chief Commercial Officer.

		Revenue (US\$m)				
		9.2	9.7	10.2	10.7	11.2
Fixed Cost Growth	22%	(1.6)	(1.3)	(1.0)	(0.7)	(0.4)
	17%	(1.3)	(1.0)	(0.7)	(0.4)	(0.1)
	12%	(1.0)	(0.7)	(0.4)	(0.1)	0.2
	7%	(0.7)	(0.4)	(0.1)	0.2	0.5
	2%	(0.4)	(0.1)	0.2	0.4	0.7
		U. EBITDA (US\$m)				

- ▶ 5% ↑↓ Revenue = ~35% ↑↓ U.EBITDA
- ▶ 5% ↑↓ FC Growth = ~35% ↑↓ U.EBITDA

Comparable Analysis

Comparative valuations will become more important as CCA attains profitability.

						Revenue			EBITDA			EV/Revenue			EV/EBITDA		
Company name	SP	MCap	Net Debt	EV	FY23A	FY24F	FY25F	FY23A	FY24F	FY25F	FY23A	FY24F	FY25F	FY23A	FY24F	FY25F	
ASX Peers																	
EML	EML Payments Limited	\$0.905	339	19	366	254	274	268	14	52	59	1.4x	1.3x	1.4x	26.6x	7.0x	6.2x
NOV	Novatti Group Limited	\$0.055	19	(6)	16	39	57	70	(22)	(4)	3	0.4x	0.3x	0.2x	(0.7x)	(4.1x)	5.1x
8CO	8common Limited	\$0.053	12	(2)	10	7	na	na	(2)	na	na	1.4x	na	na	(4.9x)	na	na
											Mean	1.1x	0.8x	0.8x	7.0x	1.4x	5.7x
CCA	Change Financial Limited	\$0.056	35	(5)	30	9	10	16	(1)	(0)	3	3.5x	2.9x	1.9x	(22.9x)	(71.7x)	10.4x
											<i>Premium/(Discount) to Mean</i>	223%	265%	142%	(427%)	(5118%)	84%

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