



# Emersion Software Systems Acquisition

---

NOVATTI GROUP LIMITED (ASX:NOV)

02 APRIL 2020

## Disclaimer – Important Notice

---

This document has been prepared by the management of Novatti Group Limited (**Company**).

The information is based on publicly available information, internally developed data and other sources. Where any opinion is expressed in this document, it is based on the assumptions and limitations mentioned herein and is an expression of present opinion only. The information in this document is an overview and does not contain all information necessary for investment decisions. In making investment decisions in connection with any acquisition or disposal of securities, investors should rely on their own examination and consult their legal, business and/or financial advisers. The Company does not have a significant operating history on which to base an evaluation of its business and prospects. Therefore, the information contained in this document is inherently speculative. No warranties or representations can be made by the Company, its directors or employees as to the origin, validity, accuracy, completeness, currency or reliability of the information. The Company, its directors and employees disclaim and exclude all liability (to the extent permitted by law) for losses, claims, damages, demands, costs and expenses of whatever nature arising in any way out of or in connection with the information, its accuracy, completeness or by reason of reliance by any person on any of it.

This document may contain statements related to our future business and financial performance and future events or developments involving the Company that may constitute forward-looking statements. These statements may be identified by words such as "expects," "looks forward to," "anticipates," "targeting," "intends," "plans," "believes," "seeks," "estimates," "will," "project" or words of similar meaning. The Company may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, Company representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of the Company's management, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond the Company's control, affect the Company's operations, performance, business strategy and results and could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends. The Company makes no undertaking to update or revise such statements.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

## ACQUISITION RATIONALE

Emersion is a leading provider of **Customer Engagement, Payment, Provisioning and Subscription Billing solutions**. Emersion empowers teams to work remotely and securely, helping them **Engage** their customers, **Integrate** their systems and **Automate** their billing and payment processes.

### EBITDA positive and growing



- EBITDA positive
- Potential to grow transaction revenue with minimal invested funds infusion from Novatti
- Generates predictable, cumulative and stable subscription revenues
- Attractively priced at approx. 2 x Annual Recurring Revenue (ARR)

### Synergistic operations



- Builds on Novatti's Transactions Division offering
- Established customers in Australia, New Zealand and Singapore
- Significant growth potential in existing markets (APAC) and overseas.
- Acquisition brings additional integration, payments and subscription management skills and expertise to Novatti
- Follows Novatti's 2017 acquisition of basis2 billing software business

## OPPORTUNITY OVERVIEW

Seller	Emersion Software Systems Pty Ltd
<b>Nature of operations</b>	<ul style="list-style-type: none"><li>• Real Time – Subscription billing, provisioning, payments and business support software platform</li><li>• Partnerships with leading international software vendors - Salesforce, Xero and ConnectWise</li><li>• Developing integrations to leading marketplaces – Rhipe and Ingram Micro</li><li>• Customers include Datacom, Simply Energy (NZ), Frontier Networks, Data Express, Whiz (SG),</li></ul>
<b>Nature of revenues</b>	<ul style="list-style-type: none"><li>• &gt;80% recurring revenue (resilient to COVID-19 scenarios)</li><li>• Diversified customer base with more than 70 customers</li><li>• Highly “sticky” due to efficiencies created (e.g. automating the entire payment process)</li><li>• Low customer attrition</li></ul>
<b>Growth profile</b>	<ul style="list-style-type: none"><li>• Existing clients – potential for increased revenue from more active account management</li><li>• Leveraging key global distribution partners – ConnectWise &amp; Salesforce</li><li>• Expanding in Asia Pacific Region (AU, NZ, SG)</li><li>• New potential international markets including Europe and US, UK and Canada</li><li>• Growth to date has been driven by word of mouth</li></ul>

## MARKET SEGMENT DEFINITION

Emersion provides subscription billing, payments and provisioning capability to Managed services providers (MSP's), Independent software vendors (ISV's), System integrators (SI's), Utilities and Telco's, with integration to CRM, professional services automation and configure, price, quote (CPQ) tools.

### Emersion's go-to-market strategy



- Strong vendor relationships in Asia Pacific Region.
- Inbound marketing to drive lead generation
- Partnership with ConnectWise which is used by more than 970 MSPs in the ANZ region (Source: ConnectWise)
- Exploring partnerships with Value Added Distributors Ingram Micro ('The world's largest distributor of computer and technology products') and Rhipe ('The Cloud Company')
- Promote integrations to XERO and Salesforce

### Market segment thematic



- Fundamental connection with the growth of the digital economy
- This market segment is experiencing digital disruption, moving away from capital expenditure model towards subscription and consumption models
- Product and service sales provided on subscription need flexible provisioning, billing and payments support

## EMERSION OVERVIEW

Emersion integrates diverse business systems (e.g. Accounting, Payment Gateways, Suppliers, Vendors and Internal Systems).

This means that manual and time consuming processes like subscription billing, invoicing, payment processing, collections and reporting can be automated. This increases the amount of resources available in a business to focus on customer engagement, and results in a better customer experience, as well as increased business profitability.

## VALUE CREATION

Emersion's advanced payment system means that customers can pay their accounts by multiple methods including credit card, EFT, bank transfer, direct debit and Bpay. Invoices can be set to go out automatically at a frequency chosen by the customer or sent on an ad-hoc basis. Emersion can be configured to suit any product or service, including bundled subscription and usage based services and products.



**ENGAGE**



**INTEGRATION**



**AUTOMATE**



**COLLECT**

# ENGAGEMENT TO SUPPORT A POST COVID-19 WORLD



## DETAILED INVOICES

Detailed invoices make it clear exactly what products and services a customer is paying for.



## SELF-SERVICE PORTALS

Self service portals make it easy for customers to view and pay their bills, and make changes to their account details and their subscription.



## BRANDING

Invoices and self service portals can be customised to match the look and feel of a company's brand, providing a more consistent service offering.



## QUICKER ORDER PROCESSING

The time to process orders while a customer is in store or on the phone is greatly reduced through Emersion.



## FEWER ERRORS

Less data entry and automated internal processes mean fewer errors. This results in a better customer experience and less work staff.



## BETTER RESOURCE MANAGEMENT

Staff have to do less manual work, and receive fewer enquiries from customers, meaning that it is easier to service a growing customer base.



## TICKETING

Ability to log tickets for support and changes to their service.

^ In Progress Integration

# BILLING & PAYMENTS

## PAYMENT GATEWAYS

Supported payment gateways in the APAC region include:

### GLOBAL

- Stripe
- Wirecard

### AUSTRALIA

- ANZ Bank eGate
- Commbank bPoint
- E-matters
- IntegraPay
- Ezidebit
- SecurePay
- St George Bank
- Westpac Payway Instant Credit Card
- ABA File Processing

### NEW ZEALAND

- Westpac
- ASB Bank
- Bank of NZ

### SINGAPORE

- DBS Giro



## ONLINE PAYMENT

Emersion supports online payment methods including one off payment methods (Credit Card, EFT and Bpay) and subscription payment methods (Credit Card, Direct Debit)



## PAYMENT GATEWAY AGGREGATION

Emersion supports Payment Gateways in multiple countries and currencies. The system can store and tokenise cards allowing the service provider to change payment vendors easily.



## REVENUE ASSURANCE

Emersion's diverse integrations, sophisticated workflows and automations mean that customers are billed for all products and services on their account.



## EVENTS AND NOTIFICATIONS

Events and notifications can be sent out if a customers account is overdue. These can be sent to customers or internal staff.



## AUDIT & MARGIN ANALYSIS

Full margin analysis against all billing objects in the system. Auditing is real time and automated.



## REAL TIME BILLING

Emersion's billing is in real time. Clients have control over when they bill their customers (up to 28 times per month) and can also send ad-hoc invoices when needed.



## COMPLEX USAGE & RATING PACKAGES AND BUNDLES

Emersion supports complex products and services, including usage based products. Multiple products and multiple services can be combined together into bundles.

## GROWTH MODEL



Solution suitable for all products, all markets, multi-tier

- Unique industry and product agnostic
- Subscription billing, service management, provisioning
- Single portal, delivered by AWS Cloud service
- Key part of client's new digital economy offerings



Growth drivers

- Aligns with the global digital transformation trends
- Demand enhanced via key global referral partner
- Payment technologies provide value added opportunities in Novatti markets
- Gartner consulting on international and product strategy



Target market sizing

- Approximately 11,100 MSPs in ANZ region
- Rhipe integration is suitable for most MSPs in APAC region
- Partner ConnectWise have 24,000+ global customers – 770+ in ANZ
- Can leverage Novatti international market presence
- Small market share in strongly growing market



Highly desirable service offering

- Essential business requirement for high growth managed service businesses
- Creates efficiencies, productivity, and enables clients to focus on their targeted market segment with sales efforts, not back room administration
- Solves industry pain points including integrating subscription billing into their operations, accepting online payments and custom invoices

## HIGHLY SYNERGISTIC ACQUISITION

### Sales & Distribution

- Bolsters both the Novatti and Emersion platform sales capacity
- Expands Novatti subscription billing and payments sales operations and reach
- Leverages current efforts of management to build billing revenues
- Cost efficient overheads with both located in close proximity and targeting billing and payments opportunities

### Technical Team

- Small specialist team
- Similar operational support model to Novatti
- Novatti understands the technology and can support

### Culture & Management

- Fits Novatti culture
- Fits Novatti customer management methodology
- Builds management expertise
- Builds overall Novatti capability

## PAYMENTS CAPABILITY

### Emersion Payment System

- Specific synergies for Novatti from Emersion payment capability
- Interfaces with various banks, card providers and other payment services providing a Payment Gateway facility
- Allows for storage of payment information and collection of payments
- Manual/user initiated and automated payment methods

### Payment plan capability

- Supports various payment plans
- Credit cards and Bank Accounts debited without manual entry of each transaction (real time or batch)



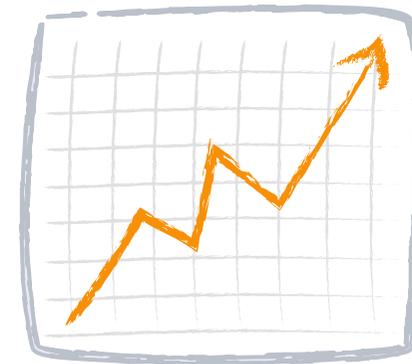
### Automated payment methods

- Direct debit from a bank account.
- Credit cards (VISA, MasterCard, Diners, AMEX)
- BPay Biller code and Reference number generation / storage per account

## FINANCIALS FY19 ACTUAL

---

<b>Revenue</b>	\$1.71m \$1.43m recurring revenue (>80%)
<b>EBITDA</b>	\$0.3m
<b>Cashflow</b>	Cashflow positive
<b>Head office location and territory</b>	Bourke St Melbourne Clients in Australia, New Zealand and Singapore
<b>No of staff</b>	13



## TRANSACTION OVERVIEW

Enterprise value:  
**\$2.6m**

Multiple:  
**2 x ARR**

Transaction type:  
**Asset purchase**

### Consideration

- Shares – 16,725,000 shares
- Cash – \$1,000,000 in monthly payments until June 2021



### Transition & Integration

- Bolt on acquisition
- Cultural alignment facilitates effective transition
- Management overhead – low, strong contributors to daily operations



### Savings and Growth

- Strong technology and staffing synergies
- Strong high growth thematic – automation, digital transactions, subscriptions services
- Accumulative recurring revenues growth



ARR – Annualised Recurring Revenue

## COMPELLING VALUE ACQUISITION



### Revenue

Circa \$2m with significant potential for further growth



### Recurring revenue

>80% of revenue is recurring



### Cashflow

Positive cash flow.



### Novatti Revenue

Enhances ongoing revenue growth



### Synergy Savings

Low and to be reinvested for growth



### APAC presence

Local Melbourne based business with APAC client profile



### Growth opportunities

Considerable growth potential in Australasian market and potential to expand internationally, particularly to leverage Novatti international presence

## CONTACT

---

**Peter Cook**

*Chief Executive Officer & Managing Director*

[peter.cook@novatti.com](mailto:peter.cook@novatti.com) | +61 411 111 153

**Peter Pawlowitsch**

*Chairman*

[peter.pawlowitsch@novatti.com](mailto:peter.pawlowitsch@novatti.com) | +61 419 299 302

[www.novattigroup.com](http://www.novattigroup.com)

