

ASX Announcement

12 January 2022

Openpay to begin 2022 with renewed focus on US market opportunity and accelerated path to profitability in Australia

- **Openpay to prioritise unparalleled US market opportunity, leveraging strong commercial partnerships already successfully in place**
- **Record Australian operating performance in Q2 FY22 delivered the highest ever monthly TTV of \$34.6 million in December and industry-leading margins. Cost reductions and efficiency initiatives will be implemented to further accelerate the pathway to profitability in our home market**
- **Openpay and Payment Assist agree to a strategic partnership in the UK market instead of an outright acquisition**
- **Simplification of Group's regional strategy leads to the departure of Group CEO**

MELBOURNE Australia, 12 January 2022: Encouraged by strong support from key US partners as well as the emerging scale of the opportunity this now presents, Openpay Group Ltd (ASX: OPY) (**Openpay / the Company**) has made a strategic decision to focus on accelerating and supporting the US business as the Company's core growth engine. In parallel, Openpay will accelerate Australia's pathway to profitability and enter into a partnership agreement with Payment Assist in the UK instead of an outright acquisition.

Openpay's US opportunity is unparalleled in scale, and our carefully chosen verticals, initially in Healthcare (including Veterinary and Dental) and Automotive, are expected to deliver sustainable growth and value to merchants, customers, and shareholders alike. Our US product suite will differentiate Opy from its more traditional pay-in-four peers while offering merchants and consumers a more cost-effective solution compared to existing US consumer credit providers within our targeted industry verticals.

Commenting on the renewed strategic direction, Non-Executive Chairman Patrick Tuttle said, *"This enhanced strategic focus in the US, in addition to bringing forward planned profitability in Australia and entering into a partnership agreement with Payment Assist in the UK market, will ensure the Group's capital and resources are best focused on those opportunities which the Board believes can deliver the strongest financial returns and long-term commercial success"*.

Unique US opportunity

The US market potential for Openpay (branded "Opy" in the US) is unparalleled, as merchants and customers have been longing for a fair, flexible, and transparent payment solution when they need it the most. Opy's addressable market just in its core verticals is larger by many multiples than the opportunity otherwise presented in other markets. Opy now has all the building blocks in place to monetize this significant and unique opportunity.

The decision to focus the majority of Openpay's ongoing investment in the US market has been further encouraged by the strong support of our key US partners including American Express, Worldpay from FIS, Goldman Sachs, Cross River, Experian, PatientNow, ezyVet, and Kyriba, among others.

Since our launch in October 2021, Opy has signed and begun onboarding dentists, veterinarians, and auto dealers across the US who have enthusiastically signed up to accept OpyPay. In addition, Opy has also recently secured a confidential pilot with a large US healthcare insurance provider (with access to over 50 million customers) that has the potential to rapidly drive scale and value to the Opy business through the responsible funding of payment plans for patient healthcare procedures.

Our entry into the US has been led by a market-leading team of professionals drawn from the US payments industry, non-bank lenders, Fintechs, and financial regulators, including US CEO Brian Shniderman. Our product is not like the traditional pay-in-four offerings of other US BNPL providers and is designed to accommodate larger, longer-term plans with highly transparent and predictable payment terms for consumers. Opy has US regulatory permission and multi-State credit licensing through the Company's partnership with Cross River.

To assist the Company with its ongoing US expansion and broader capital market strategy, Openpay has also recently appointed US investment bank Keefe, Bruyette & Woods (KBW) as corporate advisors.

Openpay ANZ delivers strongest ever operating performance in Q2 FY22

Openpay's Australian business has achieved the highest ever quarterly TTV of \$87 million, leading to year-to-date TTV of \$160 million, an increase of 44% year-on-year (YoY). Record TTV of \$35 million in the month of December, generated \$2.4 million in Revenue, an increase of 55% YoY on a comparable basis.

The strongest ever ANZ TTV volume delivered market-leading revenue margin of 7.2% and a net transaction margin of 2.9% as at December year-to-date. The Company's strong margins together with improved productivity support our ambition to deliver profitability in Australia within the next 12-18 months.

To support this strong trading performance, the Company is also actively implementing a range of efficiency measures to further accelerate the pathway to profitability in our home market. Further specific details on the Group's recent trading performance will be provided in our Q2 results update to be released on or around 25 January 2022.

Openpay and Payment Assist agree to a strategic partnership in the UK

In conjunction with our increased focus on the US ramp-up and the acceleration towards profitability in Australia, Openpay has made a strategic decision to change direction in the UK. The Company will no longer pursue the acquisition of Payment Assist announced on 22 June 2021. Instead, Openpay and Payment Assist will enter into a partnership to introduce some of Openpay's UK merchants to Payment Assist under a revenue-sharing arrangement. Openpay is also exploring opportunities with Payment Assist to leverage Openpay's installed merchant and customer base and market-leading technology platform in the UK market. These changes will likely result in capital being returned from the Company's existing UK receivables book as well as significant ongoing cost savings, that will be available for reinvestment in the US and Australian businesses.

Management and Board changes

In anticipation of the increased focus on our US expansion as well as the acceleration towards Australian profitability, the Company recently made several changes to key executive positions intending to shift management responsibilities to more directly align with the US and Australian businesses. This included the appointment of Dion Appel as Australian CEO (announced on 28 July 2021) to work alongside US CEO, Brian Shniderman. At the same time, the Company announced the appointment of Ed Bunting as Group Chief Operating Officer (COO) in addition to his existing responsibilities as General Counsel and Company Secretary. These appointments were designed to facilitate a shift of resources and accountabilities from the Group functions to the regional teams.

As a result of the Company's strategic simplification and focus, Managing Director & Group CEO, Michael Eidel, will leave Openpay.

Departing Group CEO, Michael Eidel, commented, *"It is the right time for the Company to write the next chapter of its success story. The team can be proud of the great achievements over the last three years, and I wish them all the very best and great continued success."*

Chairman Patrick Tuttle said, *"On behalf of the Board, I want to thank Michael for his strong leadership and contributions to the Company's achievements over the last three years, including highlights such as its listing on the ASX in 2019, successfully navigating the business through the various COVID pandemic lockdowns, driving substantial growth in all key business metrics, and establishing the solid platform to enable us to pursue a more streamlined regional strategy"*.

The Board has appointed Ed Bunting, effective immediately, as interim Group CEO to oversee the simplification of the Group structure as outlined in today's announcement. Ed has been with the Openpay since 2016, he will be fully supported by the Board in this interim role and will work closely with the regional leadership teams. Ed will also retain his existing responsibilities, including his role as Company Secretary.

Non-Executive Director Kelly Bayer Rosmarin has also advised that she will be leaving the Openpay Board as part of managing her portfolio of Board commitments. The Company proposes to use this succession opportunity to appoint a US-based non-executive director to better support Brian and his team with Opy's US expansion.

Patrick Tuttle added: *"On behalf of the Board, I'd like to thank Kelly for her strong commitment to Openpay's business over the past 3 years, including as Chair of the Remuneration Committee, and on top of her extensive CEO commitments. We wish her well in the future."*

Authorised by:

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About Openpay

Openpay Group Ltd (ASX: OPY) is a fast-growing and highly differentiated player in the global 'Buy now pay later' (BNPL) payment solutions market. The Company's strong platform enables it to deliver the most flexible plans in the market with durations of 2–24 months and values of up to \$20,000.

Openpay brings fairness, transparency, and flexibility to merchants and consumers alike, and focuses on industries where it can truly make a difference: Automotive, Healthcare, Home Improvement, Memberships, and Education.

The company focuses on providing a greater range of payment solutions and has created a powerful next-generation BNPL solution—Buy Now, Pay Smarter—that provides transparency and control to consumers when they need it most.

Openpay's B2B offering, OpyPro, is a SaaS-based platform that enables companies to manage trade accounts end-to-end, including applications, credit checks, approvals, and account management all in one system.

Openpay provides services to, payment processors, merchants, and their customers in Australia, New Zealand, the United Kingdom, and the United States, where it operates under the brand name Opy.

The company was recently ranked number 318 on the Deloitte Technology Fast 500™ Asia Pacific 2020 and is ranked 41 on the Deloitte Technology Fast 50 Australia. For more information, visit www.opy.com.