

ASX Announcement

31 August 2020

Openpay delivers record growth for FY20 supported by a strong cash position, increased UK debt funding and rapid UK business growth

Key highlights

- **Record growth in FY20 across leading indicators:**
 - **Active Plans up 229% - new record¹**
 - **Active Customers up 141% - new record**
 - **Active Merchants up 52%**
- **Increased repeat use of Openpay's differentiated offering across key verticals**
- **Notable merchant and integration partnership wins achieved across all verticals**
- **UK market sees continued strong momentum, with Active Plans up 329% and Active Customers up 223% H2 vs H1**
- **First *Openpay for Business* win recorded during FY20 with Woolworths as inaugural client; first revenues expected in H1 FY21**
- **Total Transaction Value (TTV) grew to a record \$192.8m, up 98%, with a significant shift to online. Revenues of \$18m, up 64%**
- **FY20 EBITDA loss before significant items² of \$30.1m (FY19: \$11.5m loss) well in line with management's expectations**
- **Solid receivables performance, with Net Transaction Margin 2.5% of TTV and Net Transaction Loss 2.3% of TTV**
- **Very strong funding position for continued growth, with \$70.1m cash on hand and \$80.8m of available funding**
- **Significant investments made in innovation and platform extension for future growth**
- **Strong momentum continuing into FY21, with demonstrated growth across all key metrics as at end July 2020**
- **Openpay to continue to deliver on strategic priorities**

MELBOURNE Australia, 31 August 2020: 'Buy now. Pay smarter.' company, Openpay Group Ltd (ASX: OPY) (**Openpay** or the **Company**) is pleased to release its full year results for the year ended 30 June 2020.

Openpay finished FY20 with record growth and strong momentum for its 'buy now pay later' (BNPL) business across all key operating metrics, with positive headway continuing well into H1 FY21.

Openpay CEO, Michael Eidel commented: "Openpay is delighted to announce our first full year result as a listed company. We are extremely proud to have made such significant progress on our strategic agenda, delivering very strong growth across all our key metrics, while also carefully protecting our people, merchants and customers through the COVID-19 period."

¹ Active metrics compared to FY19

² Significant items include fair value calculation of financial derivatives, convertible notes; share-based payments expense arising on Initial Public Offering; costs of equity raising, IPO and share placement

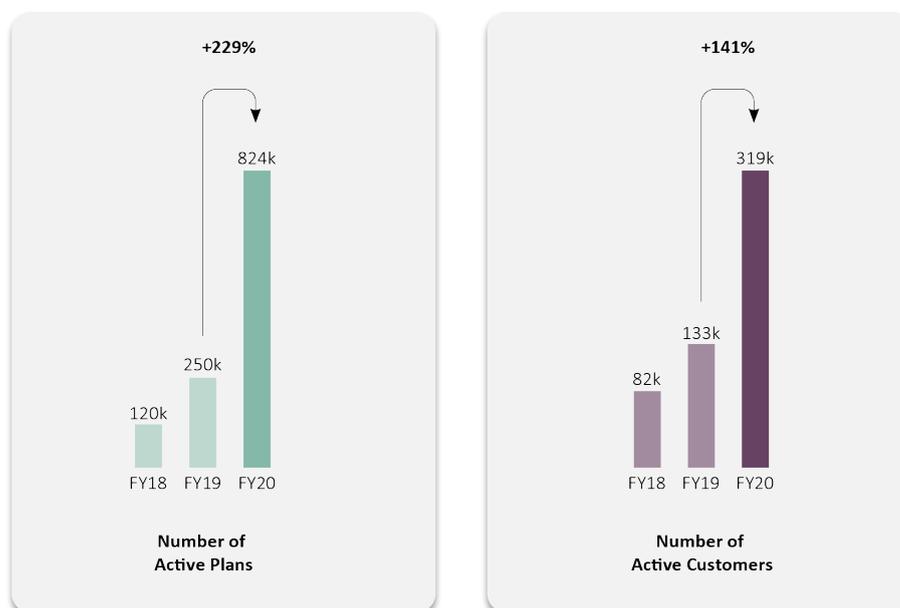
Through FY20, we recorded many commercial firsts, including the launch into B2B via Openpay for Business with Woolworths as our inaugural client, a number of key integration partnerships and the soft launch into new verticals of Education and Memberships. We demonstrated very strong growth in our first international market, the UK. To underpin our strong trajectory, we secured significant additional equity and debt funding. We also invested heavily into our people, processes and platform to enable delivery of our future growth targets.

Looking forward, we expect continued momentum and rapid evolution of our BNPL business, enabled by our 'Buy now. Pay smarter.' approach."

Continued strong growth in Active Customers, Active Plans and propensity of use

As at the end of FY20, a record number of Active Plans, 824k, were recorded, up 229% vs FY19. Notable improvements were seen in Active Plans across the Healthcare (+127%) and Automotive (+92%) verticals, and in Retail (+260%) due to the strong shift of purchases from instore to online³. The UK business contributed significantly to this record, increasing to 187k Active Plans (44k as at 31 December 2019), all of which were generated through the online Retail channel.

70% of plans were generated by Repeat Customers and 42% of customers had Concurrent Plans⁴, demonstrating that more people made it routine to use Openpay plans to manage their budget smartly. Openpay finished the financial year with more than 319k Active Customers, up 141% vs FY19. The UK contributed 109k Active Customers to this record growth (+223% from 31 December 2019).



New merchant and integration partnership wins across all verticals

Amid national lockdowns and forced business closures due to COVID-19, Active Merchants increased by 52% to 2,162 as at 30 June 2020, with additions across all verticals, particularly in Automotive (+65%) and Healthcare (+42%), where Openpay is typically either the sole BNPL provider or one of only two.

³ Certain merchants in Home Improvement reclassified into Retail, leading to an adjusted lower growth percentage than historical trends.

⁴ Concurrent Plans are multiple Active Plans which an Active Customer holds

During the financial year, Openpay successfully added strategic integration partners to its specialised verticals to increase reach and scale. In early March, Openpay announced an agreement to integrate its ‘Buy now. Pay smarter.’ offering into Pentana Solutions’ leading car dealer management software, EraPower, which services more than 60% of the Australian car dealer market. Revenues from the agreement are expected from H1 FY21.

Similarly, a strategic partnership and revenue share agreement was signed in the Healthcare vertical with digital health group 1st Group (ASX: 1ST) in June. The agreement will see Openpay plans offered to patients of practices that provide services through the MyHealth1st.com.au health services portal. Another key integration in the Healthcare vertical was with Henry Schein’s practice management software which is a leading system used by many dental clinics.

Sample Merchant wins from FY20 include:

- In Healthcare: LiveLife Pharmacy Group, United Vet Group, the Lost Dogs Home, Lort Smith, Southern Cross Veterinary Group, Veterinary Specialists of Sydney, MySmilePlan, Vision Australia, National Optical Care, Bupa Hearing, Hearing Australia, and additional CenVet and ProVision practices;
- In Automotive: Zagame Group, LSH Auto, Armstrong Motor Group, Poyser Motor Group, Ryde Motor Group, Pacific Motor Group, Norris Motor Group, Parramatta Motor Group, Mornington Motor Group, Auto Masters and additional UltraTune, Repco and JAX Tyres franchises. Partnerships with Motor Traders Association chapters in NSW, QLD, WA, SA & NT; and
- In Home Improvement: Trade Tools and National Tiles.

Within the Retail vertical, Openpay successfully acquired new merchants such as MyDeal.com.au, Hanes Australia, The Just Group, Wittner, Grand Prix Store, National Workwear, RSEA, Crumpler, Koala, Aquila, Gazman, House of Golf, Salt and Pepper, Retail Apparel Group, Eva Mattress, Brand Developers, Cycles Galleria, Esther, On Course Golf, Personal Digital and Shop Zero. Openpay also launched into the ‘baby’ category, with merchants including Tell Me Baby, Silver Cross Prams and Baby Mode.



Soft launch into new verticals

In line with Openpay’s IPO strategy, a soft launch was conducted into new verticals - Education and Memberships - in H2 FY20. The launch has been promising with a number of Active Merchants established in each new vertical.

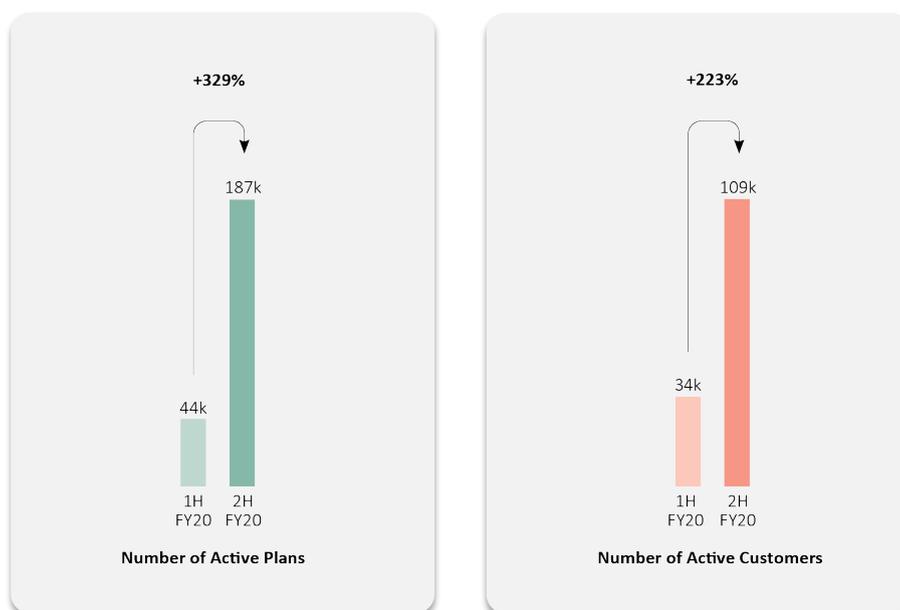
Post the end of the reporting period, Openpay signed a revenue sharing Merchant Agreement with sports, leisure and hospitality SaaS technology provider MSL Solutions Limited (ASX: MSL). The agreement will see MSL integrate Openpay’s BNPL offering with MSL’s golf and membership products. This allows up to 400 golf clubs to include Openpay’s BNPL plans as a payment option for member subscription fees, whilst enhancing golf clubs’ operating cashflows.

Significant growth in the UK

Openpay’s UK business has recorded significant growth since its establishment in June 2019, with Active Plans at 187k, up 329% vs H1 and Active Customers at 109k, up 223% vs H1. The UK business continues to operate in the online channel only.

The main Merchant additions during the financial year were House, Ideal Shopping Direct, KC Sofas, Hand on Heart Jewellery, Makers Retail, Watchshop, Masdings, Atlantic Electronics, KC sofas, Thane TV and major UK retailer JD Sports.

Post the end of the reporting period, Openpay secured a new merchant partnership with global e-commerce technology group and brand owner, The Hut Group (THG). THG is a digital-first consumer brand and proprietary technology group.



Openpay for Business – successful entry in B2B market with Woolworths

Openpay successfully entered the business-to-business (B2B) sector during the financial year via an inaugural agreement with major Australian retailer, Woolworths Group Limited (ASX: WOW, Woolworths). Under the agreement, Woolworths will roll out *Openpay for Business* with an initial term of three years with an option to extend for a further two years.

Openpay for Business is a unique SaaS-based capital light, low risk, transactional product that clearly differentiates Openpay from all other BNPL players and financial services providers and provides the company with a major market opportunity across the enterprise segment.

Integration of *Openpay for Business* with Woolworths is well progressed to deliver revenues in H1 FY21.

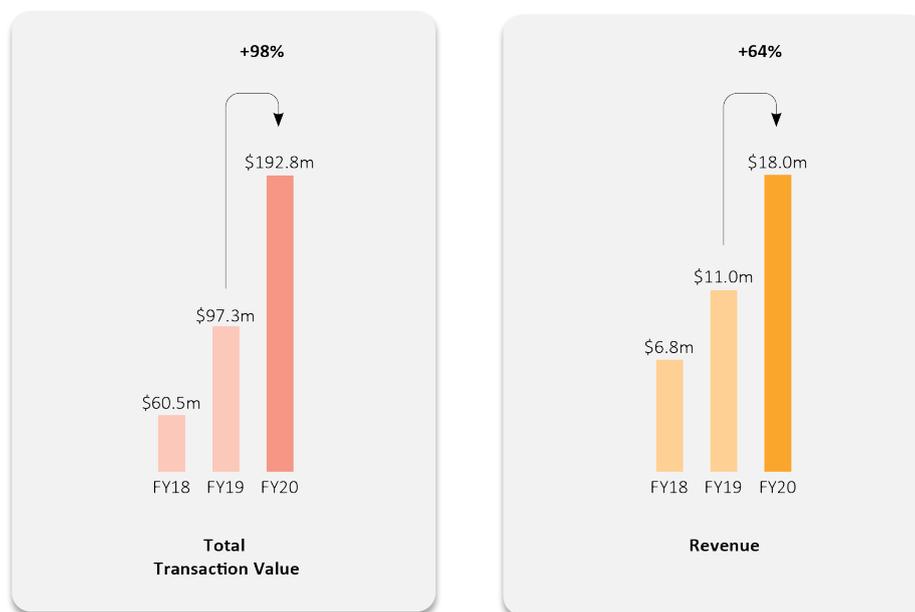
Solid financial performance

TTV grew to a record \$192.8m, up 98% (\$97.3m in FY19), with the substantial increase driven by two major factors: a record month in May as a result of Merchant marketing initiatives across all industry verticals during ‘OpenMay’, Openpay’s own flagship promotional month and an increase in UK trading volumes, recently accelerated by the launch of major retailer JD Sports in May.

Trends identified following the March 2020 lockdown in Openpay’s key markets have prevailed. Across all industries, there has been a continued shift in channel usage as Australian online business contributed 18% of TTV and 28% of plan originations for FY20, versus 8% and 16% respectively for FY19. 100% of the Openpay UK business is online.

Through the lockdown period, Openpay has worked flexibly with Merchant partners, introducing a number of product suite variations and delivering more essential services (such as the introduction of more mobile car and tyre services) to respond to customer needs. Openpay continues to support its Merchants through this shift to online via its seamless offering and integration, particularly as the Australian state of Victoria entered stage 4 restrictions on 2 August.

Revenues for FY20 increased to \$18m (+64% vs FY19), driven by the record growth in underlying TTV. Customer Fees for FY20 accounted for 54% of revenue (FY19: 48%), representing an increase in the number and mix of plan types, while Merchant Fees accounted for 46% (FY19: 52%).



Openpay delivered an FY20 EBITDA loss before significant items of \$30.1m (FY19: \$11.5m), well in line with management expectations. On a statutory basis, this resulted in a loss before tax of \$35.4m (FY19: \$14.7m). This statutory result includes one-off items related to the Company’s December 2019 IPO as well the significant strategic investment made in people, processes and technical platforms to support the growth of the business.

Solid receivables performance

Net Receivables increased in FY20 by 75%, reflecting the strong growth in Active Plans of 229%. Net Transaction Margin reduced to 2.5% (-180 bps) as expected, reflecting the Company's growth strategy and changing product mix as the merchant and customer base expands.

Net Transaction Loss was 2.3% (+110 bps). Reported arrears were 0.8% of Net Receivables (FY19: 1.2%) and receivables impairment expense was 4.1% of TTV (FY19: 3.1%). Successful optimisation of credit rules and decisioning processes resulted in arrears of 0.8%, a reduction of 40 bps. As part of a prudent response to COVID-19 and market uncertainty, Openpay increased its provision for expected credit losses by an additional 23% in June 2020.

Net Bad Debts for FY20 stood at \$5.8m and 3.0% of TTV (FY19: \$2.4m and 2.5%). Net Bad Debts as a percentage of TTV decreased significantly to less than 2.9% in Q4 FY20 (down from 4.7% in Q3 FY20) due to improvements in Openpay's Automated Risk Management (ARM) system's anti-fraud capabilities. In July 2020, after the reporting period, Net Bad Debts as a % of TTV further decreased to 1.5%, continuing to show a material positive impact of the ARM improvements.

Strong financial position and debt financing to support continued growth

Cash as at 30 June totalled \$70.1m (FY19: \$8.7m). During the year, Openpay secured new and renewed existing debt facilities to support its continued growth. It extended its existing GCI Consumer Credit facility to \$40m with a 3-year term and also secured new Australian receivables funding facilities with 255 Finance for a \$25m revolving facility, with the potential to extend to \$100m.

Openpay has Australian debt facilities in place of \$75 million (FY19: \$55 million) made up of the Australian receivables facilities with GCI and 255 Finance of \$65m (\$35m undrawn as at 30 June) and a \$10m working capital facility (\$10m undrawn).

In June, Openpay also secured a new UK facility with Global Growth Capital (GGC) for £25m, with the potential to extend to £60m, with a 21-month term.

Innovations and platform extensions

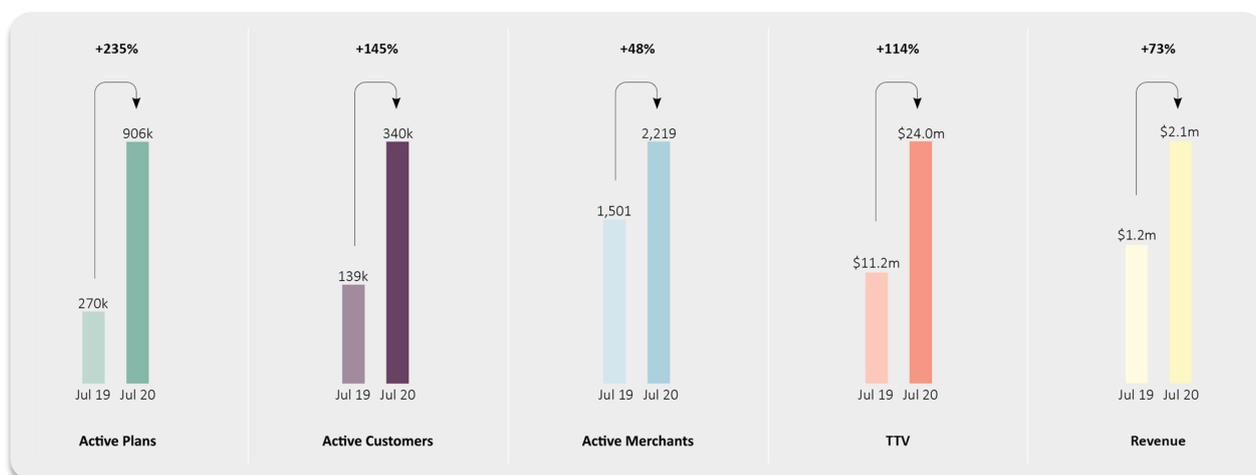
Notwithstanding the current COVID-19 pandemic environment, Openpay achieved several key milestones under its strategy to extend product and platform capabilities in FY20. These deliverables will have a positive impact on customer experience, business growth and flexible funding arrangements in FY21 and beyond:

- New consumer app launched in Australia in March 2020, making it quicker for customers to sign up and easier to manage their payment cards
- Implementation of a new release of Openpay's ARM technology to detect and prevent fraud and improve credit decisioning
- Integrations built out with leading platforms in the Retail vertical, including the eCommerce platforms Big Commerce and Hybris, and in-store POS-system Futura4POS. These integrations extend Openpay's possible reach into thousands of additional Merchants in Australia and the UK

- Establishment of flexible special purpose vehicles to accommodate additional funders' specific debt covenant requirements across the Company's industries and geographies, supporting the recent addition of GGC as the Company's first debt funder in the UK
- New data and advanced analytics infrastructure introduced to enhance credit risk decisioning. This has enabled the targeted adaptation of credit rules in response to the challenges of COVID-19, keeping credit risk healthy and minimising financial hardship

Strong momentum into FY21

Going into FY21, Openpay saw continued strong growth in its July 2020 numbers, with Active Plans reaching a record 906k, Active Customers reaching 340k and Active Merchants totalling 2,219. TTV for the month ended 31 July 2020 rose to \$24m, which represents the strongest month in Openpay's history, and revenue to \$2.1m, demonstrating prior corresponding period growth rates of 114% and 73% respectively.



Next horizon: FY21 growth strategy

Looking ahead, the Company will continue to leverage its strong growth by focusing on three core strategic pillars:

A strong local market

- Drive platform utilisation and Repeat Customers growth
- Capitalise on strong position in existing verticals (driving revenue from exclusive agreements)
- Enter strategic partnerships (e.g., merchants, tech platform operators) to scale

A global vision

- Continue success and momentum in UK
- Seek Financial Conduct Authority (FCA) authorisation to drive further product diversity
- Explore other markets to complement current strong growth

Platform enrichment

- Generate first revenue from *Openpay for Business* platform in FY21
- Extend capabilities into new sector verticals (including hard launch in Education and Memberships)

- Continue investment in core platform (automation, self-service, integrations), product innovations, customer experience and advanced analytics

The Company advises, in accordance with ASX Listing Rule 3.10A, and following the release of the Company's preliminary FY20 results (Appendix 4E) that 30,571,480 ordinary shares will be released from voluntary escrow on 10 September 2020.

Authorised by
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Openpay Group Ltd

For further information, please contact:

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About Openpay - see more at openpay.com.au

Openpay Group Ltd (ASX: OPY) is a well-established player in the fast-growing global market for 'Buy now pay later' (BNPL) payment solutions. Openpay partners with merchants to provide BNPL repayment plans to customers in-store, in-app and online. Openpay's BNPL offering allows customers to purchase what they want and need while spreading repayments over time with no interest costs.

By providing flexible payment solutions to customers, Openpay's BNPL offering also facilitates increased transaction values and conversion rates for merchants at checkout.

Openpay provides services to Customers and Merchants in Australia, United Kingdom and New Zealand.