

## ASX Announcement

30 April 2020

Openpay maintains positive momentum in Q3 FY20; responds swiftly to COVID-19

### Key highlights

- **Continued very strong growth for Q3 FY20 across all leading indicators:**
  - Active Plans up 203% - new record - relative to pcp<sup>1</sup>;
  - Active Customers up 113% - new record - relative to pcp; and
  - Active Merchants grew 63% relative to pcp
- **Increased repeat use of Openpay's differentiated offering across key verticals demonstrated by:**
  - 69% of new plans generated from Repeat Customers over the quarter; and
  - 40% of Active Customers with more than one plan
- **Total Transaction Value (TTV) grew to \$45.8m for the quarter, up 80% relative to pcp; revenue of \$5.3m in Q3 FY20, up 71% relative to pcp**
- **Shifting mix in channel usage as online business currently contributing 32% of TTV and 45% of plan originations, versus 7% and 13% respectively in the same period last year**
- **Openpay UK business recorded continued strong early-stage growth, with 56k Active Customers (up from 34k in December 2019) and 92k Active Plans (up from 44k in December 2019)**
- **Major agreement won with Pentana Solutions which will see Openpay's BNPS solution deployed across up to 1,900 car dealers - revenues expected from H1 FY21**
- **First *Openpay for Business* win recorded during quarter with Woolworths as inaugural client; integration progressing with revenues expected from H1 FY21**
- **Strong COVID-19 response and cash conservation program implemented**
- **Strong balance sheet and growth funding positions means no immediate need for any equity raising. Openpay currently has close to 9 quarters of funding available, comprising cash on hand of \$45.6m, and undrawn Australian debt facilities of \$45m**
- **Discussions develop positively with UK debt funders, whilst proactive shortening of some longer term plan types alleviates receivables book pressure, reducing near-term need for UK debt funding**
- **Openpay brand refresh underway with initial program roll out in UK; ANZ to follow**

MELBOURNE Australia, 30 April 2020: 'Buy now, pay smarter' company, Openpay Group Ltd (ASX: OPY) (**Openpay** or the **Company**) is pleased to release its quarterly business update for the period ended 31 March 2020 (Q3 FY20). Openpay finished Q3 FY20 with record growth in Active Plans and has maintained strong momentum for its buy now, pay later (BNPL) business across all key operating metrics despite the accelerating global economic slowdown due to COVID-19.

*Openpay CEO, Michael Eidel commented: "Openpay had another quarter of very strong growth across all our key metrics. Whilst we are proud of the success of our business, we acknowledge the unprecedented impact of COVID-19 on people, businesses and communities. In line with our 'Buy now, pay smarter' ethos, we remain strongly engaged where customers need us in cases of financial hardship. We are also working in close*

---

<sup>1</sup> Prior comparable period being year-to-date or quarter-to-date as of Q3 FY19

*alignment to support our 'essential services' merchants, particularly those in our Healthcare, Home Improvement and Automotive verticals.*

*"Openpay has responded swiftly to preserve its strong funding position for a potential extended period of economic downturn, by taking decisive measures to reduce costs. The Board, Senior Management and all staff have been strongly supportive of the strategy to reduce employee expenses by 35% - this is testament to their commitment to Openpay and I am proud of the unity shown through this period. With the benefit of significant internal cost saving measures and a solid funding position, we are well equipped to weather the storm and grow the business into the foreseeable future."*

### **Openpay's response to COVID-19 trading environment**

Global markets were hard hit during the reporting period. Openpay is well placed to address the current uncertainties associated with longer-term macroeconomic trends that may arise from COVID-19. During the quarter, Openpay moved to put in place a series of key initiatives including:

- (1) **Protecting the health and safety of our team:** necessary measures were put in place to ensure the health and safety of our workforce, with all employees working from home since mid-March. This transition occurred seamlessly, with no impact to the provision of services to our merchants or customers.
- (2) **Financial hardship considerations:** an increase in hardship claims was recorded toward the end of March, however, this trend slowed moving into April. Openpay applies appropriate consideration in true hardship situations, while ensuring impact on the quality of the receivables book is minimised. Stricter credit rules were introduced, and a number of supportive options made available, including extension of payments, deferral of payments, and reversal of fees.
- (3) **Cost reduction program:** employee expenses were reduced by 35% and all other costs have been reviewed to enable the company to operate for an extended period of time without the need for further external capital.
- (4) **Risk and plan settings adjusted:** to address global economic indicators, plan lengths either have been reduced or can be reduced temporarily to limit longer-term receivables book exposure. Openpay is working with merchants to optimise plan lengths.
- (5) **"Automated Risk Management" (ARM) credit risk decisioning and fraud prevention technology:** which underpins appropriate customer selection, has been updated with further third-party inputs. The new release of ARM will contribute to the Company's strong ongoing risk performance.
- (6) **Closely supporting essential services merchants:** Openpay's focus on supporting merchants in specialised industries has resulted in strong coverage of *essential products and services* across all verticals that the Company operates in. Customers are using Openpay plans to support their everyday needs around home improvement and whitegoods, and an increase has been observed in the need for veterinary services and mobile automotive servicing.
- (7) **Continued focus on attracting an older demographic:** the average Openpay customer is 39 years old and usage trends across the period have continued to see the Openpay plans used as a smart budgeting tool, rather than a cheap source of credit.

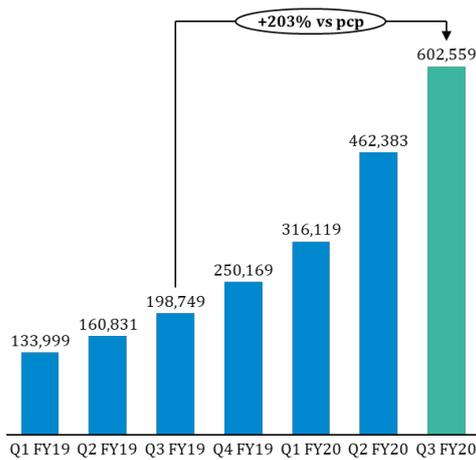
### **Continued strong growth in Active Plans, Active Customers and propensity of use**

As at Q3 FY20, more than 602k *Active Plans* were in place. Active Plans within each vertical grew more than 100% vs pcp, with particularly strong increases in Healthcare (+170%), Retail (162%) and Automotive (+123%). The UK contributed significantly to this record growth with 92k Active Plans, all of which were generated through the online retail channel. The increase in repeat usage (69% of new plans are from

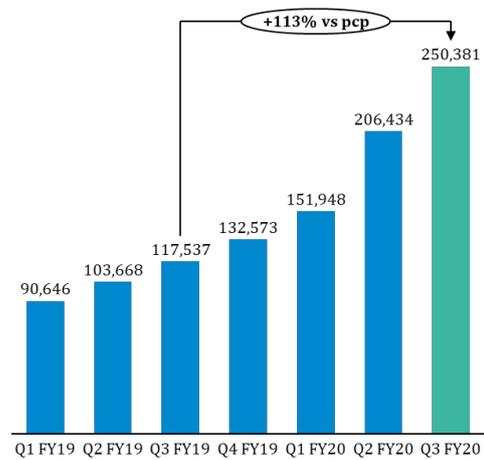
repeat customers) and concurrent plans (40% of all customers have multiple Active Plans) also contributed to this growth.

Active Customer growth rates of 97% and above were achieved across all specialist merchant verticals (Automotive, Health, and Home Improvement). Openpay finished the quarter with more than 250k Active Customers, up 113% vs pcp. Growth in Active Customers was strongest in Healthcare at +132% vs pcp, followed by Automotive (+103%) and Home Improvement (+97%).

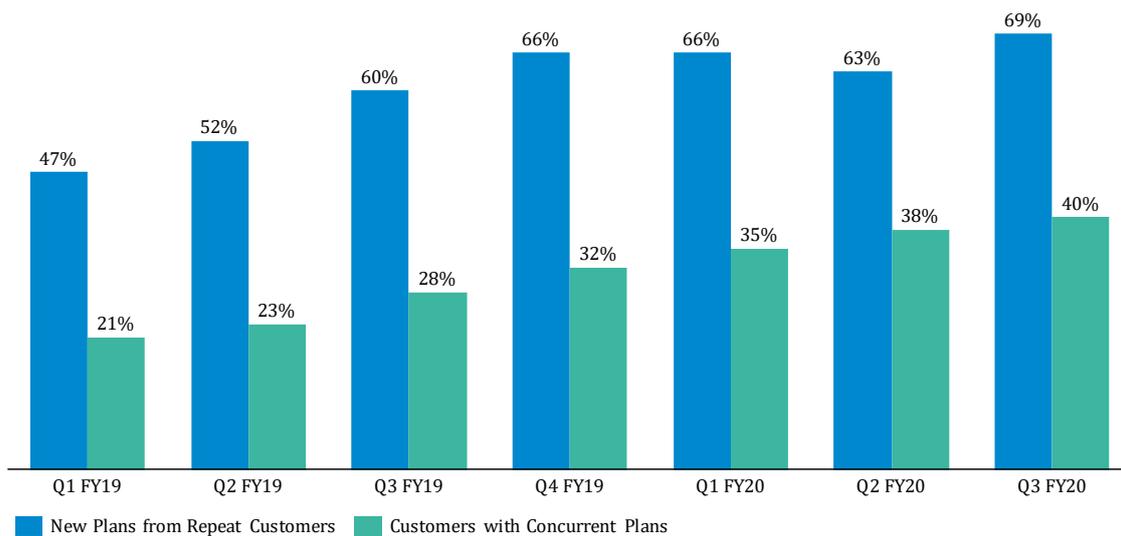
**Number of Active Plans as at end Q3 FY20**



**Number of Active Customers as at end Q3 FY20**



**Percentage of New Plans from Repeat Customers<sup>2</sup> & Customers with concurrent plans**



<sup>2</sup>A Repeat Customer is defined as a customer who has made more than one purchase with Openpay.

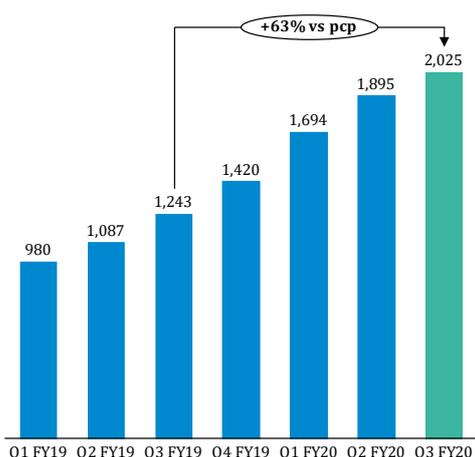
### New merchant wins across all verticals

Active Merchants increased by 63% versus pcp to 2,025 as at end Q3 FY20 with notable additions in Automotive (+86% versus pcp) and Healthcare (+66% versus pcp), both verticals where Openpay is typically the sole BNPL provider, or one of only two.

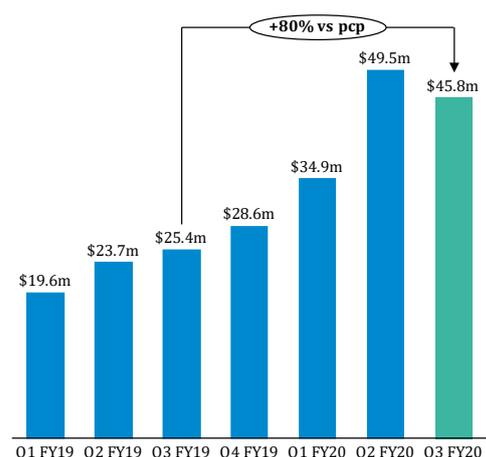
In early March, Openpay announced an agreement to integrate its 'Buy now, pay smarter' offering into Pentana Solutions' leading car dealer management software, EraPower, which services more than 60% of the Australian car dealer market. The integration of Openpay into EraPower to offer our product for car repairs, services and accessories remains on track to commence in Q4 FY20 with revenues expected from H1 FY21. Sample merchant wins from the period include:

<b>Retail Apparel Group</b>	<b>RSEA</b>	<b>Crumpler</b>
<b>National Workwear</b>	<b>Grand Prix Store</b>	<b>Pentana</b>
<b>Armstrong Motor Group</b>	<b>Hearing Australia</b>	<b>National Optical Care</b>
<b>Poyser Motor Group</b>	<b>CenVet</b>	<b>ProVision</b>

**Number of Active Merchants as at end Q3 FY20**



**Total Transaction Value (\$m) as at end Q3 FY20**



### Solid financial performance

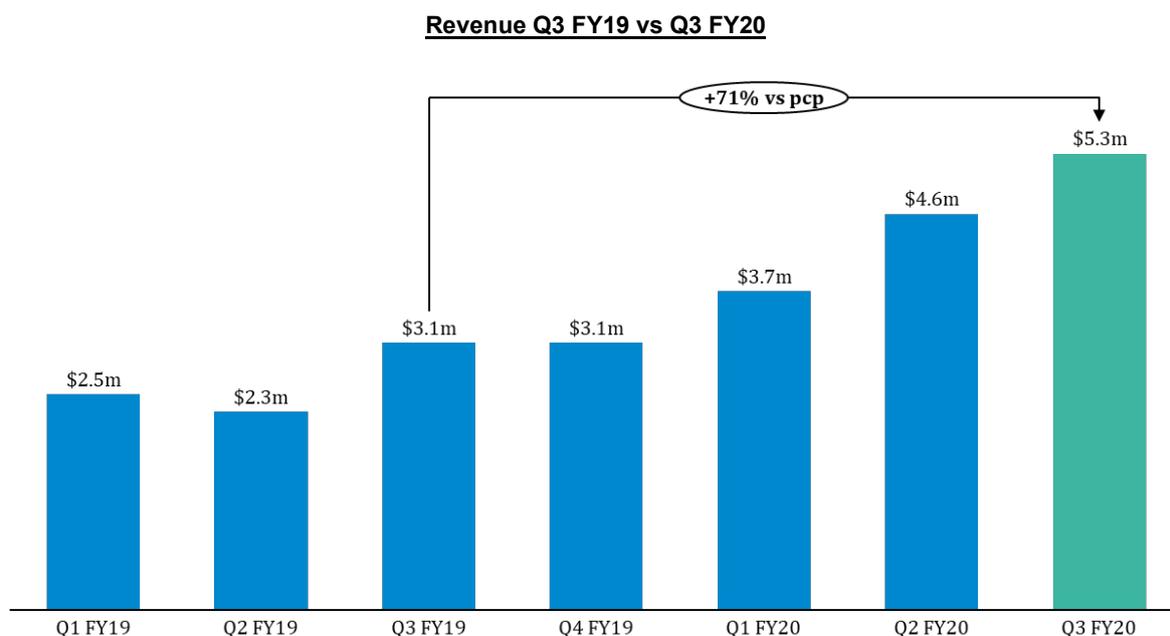
Whilst TTV growth continued strongly in Q3 FY20, up 80% versus pcp, it did not reach the record high of 95% growth reported in H1 FY20 for two main reasons, 1) seasonal trading in November/December was high, driven by Black Friday and Christmas shopping, and 2) consumers have prioritised their spending on lower value purchases in the current trading environment, resulting in an 8% lower average transaction value versus pcp.

The impact of COVID-19 and the Australian Federal Government's response has led to a change in business mix in Healthcare, with a decline in Dental due to deferred treatments, but a strong increase in Veterinary.

In Automotive, the decline in use of public transport has led to an increase in people viewing car servicing as an essential service: this has given Openpay the opportunity to introduce new variations to our flexible product suite, supporting merchants with the introduction of more mobile car and tyre services. In Retail, Openpay has observed a shifting mix in channel usage, with online business currently contributing 32% of TTV and 45% of plan originations, versus 7% and 13% in the same period last year. Despite this shift, which has also been driven by the strong growth of online Retail in the UK, instore retail has remained strong, particularly Bunnings, which had a record TTV during the March quarter.

In the first three weeks of April, Openpay observed a strong continuation of growth in global TTV, up 102% compared to the same period last year.

Revenues for the first nine months increased to \$13.5m (71% vs \$7.9m in first nine months FY19), reflective of the continued strong growth in customers, plan volumes and the propensity of use.



Gross revenue yield as a percentage of TTV was stable at 12% relative to the same period last year, up from 9% in Q2 FY20.

The rolling three months Net Bad Debts as a percentage of TTV increased to 4.7% relative to pcq of 2.4% due to a significant increase in targeted fraud over the Christmas retail period. Openpay has addressed this by supplementing its existing ARM system with 3<sup>rd</sup> party solutions that were deployed during March. As a consequence, the Company's fraud exposure rates for April have reduced by ~80% after the new version of ARM was released.

### UK maintains solid momentum

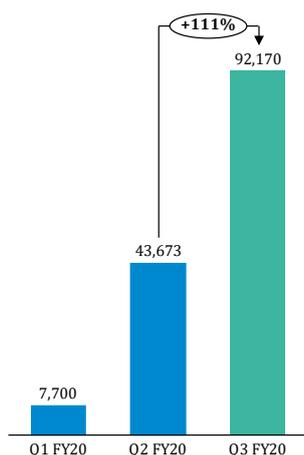
The UK BNPL business, which is operating in the online retail channel, was a significant contributor to the Company's strong top line result for the March quarter.

Total Active Merchants in the UK grew to 24. Whilst high-volume merchants, such as Ideal Shopping Direct, have continued to grow, more recent merchant wins such as Instasmile, House, Hand on Heart Jewellery, Makers Retail, Masdings, have seen a strong increase in trading volume in their first few months. In March

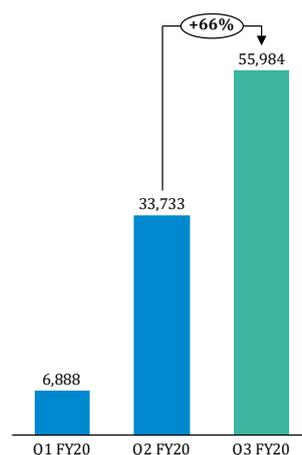
2020, Openpay commenced trading with Atlantic Electronics, KC sofas and Thane TV. The launch date of JD Sports, a £2.1bn UK retailer has been revised to Q4 FY20.

In the first nine months of UK operations, Active Plans grew from 2.95k to over 92k and Active Customers increased from 2.75k to 56k. By quarter's end, Active Plans grew by 111% and Active Customers increased by 66%, compared to Q2 FY20. New Plans from Repeat Customers increased to 52% as at 31 March 2020, compared to 30% as at 31 December 2019. Continued strong growth in TTV has been observed in the UK through April.

**Number of Active Plans as at end Q3 FY20 (UK)**



**Number of Active Customers as at end Q3 FY20 (UK)**



### **Strong balance sheet and funding position**

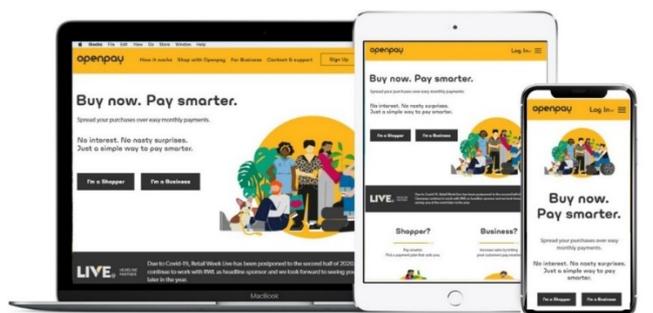
Openpay's strong balance sheet and growth funding positions means no immediate need for any equity raising. With \$45.6m cash at bank (30 December 2019: \$52.6m) and undrawn Australian debt facilities of \$45.0m, Openpay holds close to 9 quarters of available funding.

Discussions with multiple debt funding providers for one or more UK debt facilities continue on a positive basis. Given the COVID-19 environment, potential funders have extended their due diligence processes, to assess the impact of the economic slowdown. As a proactive measure, Openpay has moved to shorten some longer plan types, with decisions made on a per merchant basis. This has enabled Openpay to significantly reduce the funding demand on its receivables book. As a result, the immediate need for UK debt funding has diminished, as Openpay's balance sheet can comfortably and cost efficiently fund growth of its UK business in the near-term. As the only fixed sum instalment buy now, pay later player in the UK market that can offer plan lengths longer than two months, it is not anticipated that this temporary change will yield any adverse competitive impact.

### **Continued investment in growth and key areas**

Openpay has continued to extend its platform capabilities to support its growth strategy. Following its launch into the business-to-business (B2B) sector via an inaugural agreement with Woolworths, Openpay has made a number of new investments in its growth capabilities over the last three months as follows:

- **New consumer app** launched in Australia in March 2020 making it quicker for customers to sign up and easier to manage their payment cards. In the weeks since its launch, 87% of Openpay's Active Customers have upgraded to the new app.
- Implementation of a **new release** of Openpay's ARM technology to **detect and prevent fraud and improve credit decisioning**.
- **New merchant pilots**. To extend its footprint into more verticals, Openpay has piloted new products to merchants in **Memberships** and **Online Education** which specifically address the needs of merchants and customers in these sectors. It is expected that the go to market will occur in the second half of FY21.
- **Brand refresh**. Over the past few months, Openpay has refreshed its brand to better communicate our mission: *to change the way people pay, for the better*. A key part of this was establishing a new look and feel to create stand out amongst the competition and build a uniquely identifiable brand. Phase one of our global rebrand saw us unveil our new look across all UK Openpay channels and our UK app. Phase two will see the brand refreshed across Australia and New Zealand.



### More information

Investors are invited to visit our website at [openpay.com.au](http://openpay.com.au) for more information on Openpay.

Authorised by the Board of Openpay Group Ltd

For further information, please contact:

Investors	Media
Ed Bunting Company Secretary Mobile: +61 401 555 333 <a href="mailto:investors@openpay.com.au">investors@openpay.com.au</a>	Jane Lowe IR Department Mobile: +61 411 117 774 <a href="mailto:jane.lowe@irdepartment.com.au">jane.lowe@irdepartment.com.au</a>

**About Openpay** - see more at [openpay.com.au](http://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.

## Annexure

In accordance with ASX Listing Rule 4.7C Openpay provides the following information:

The quarter ended 31 March 2020 is covered by the "Use of Funds Statement" as in the Openpay Prospectus dated 22 November 2019. As Openpay listed on the ASX as of 16 December 2019 with an existing cash balance the company has reflected the cashflows 1 January 2020 to satisfy the ASX Listing Rule 4.7C except for the costs of the initial public offering transactions which has been captured from the date of listing.

A summary of the expenditure for the quarter ended 31 March 2020 is outlined below:

Uses of Offer Proceeds	Per Prospectus AUD\$M	Quarter ended 31 March 2020 AUD\$M
UK staffing investment <sup>1</sup>	8.0	1.0
UK marketing and customer acquisition <sup>2</sup>	2.3	0.7
Development and engineering <sup>3</sup>	13.9	2.3
Funding Australian receivables growth <sup>4</sup>	6.4	0.0
Funding UK receivables growth <sup>5</sup>	10.0	3.7
Working capital and other <sup>6</sup>	3.6	0.4
Costs of the offer from 16 December 2019	5.8	5.1
<b>Total uses</b>	<b>50.0</b>	<b>13.2</b>

1. UK staffing investment includes the increase in headcount across all functions to support the future growth in this jurisdiction.
2. UK marketing and customer acquisition include costs incurred to build up the brand presence in the UK with digital advertising, sponsorship and other associated marketing costs.
3. Development and engineering costs include investments in integrations, development and enhancement of the Openpay platform and system integrations, implementation and upgrade of fraud checking tools, and maintenance of the platform.
4. Funding Australian receivables growth relates to the equity funded portion of the Australian receivables.
5. Funding UK receivables growth represents funding of the entire UK receivables book.
6. Working capital and other mainly relates to funding of the day to day operations of the Group.

Payments to Directors and related parties during Q3 FY20 totalled \$314,000.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Openpay Group Limited

**ABN**

97 637 148 200

**Quarter ended ("current quarter")**

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	49,832	126,172
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,918)	(4,214)
(c) advertising and marketing	(983)	(3,421)
(d) leased assets	(193)	(722)
(e) staff costs	(7,082)	(17,615)
(f) administration and corporate costs	(2,572)	(8,018)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	78	109
1.5 Interest and other costs of finance paid	(603)	(4,484)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (payments to merchants)	(47,133)	(130,754)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(10,574)</b>	<b>(42,947)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(218)	(740)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(218)</b>	<b>(740)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	50,000
3.2	Proceeds from issue of convertible debt securities	-	26,200
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2,236)	(5,124)
3.5	Proceeds from borrowings	6,000	10,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (principal elements of lease payments)	(312)	(503)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>3,452</b>	<b>80,573</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	52,572	8,705
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(10,574)	(42,947)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(218)	(740)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,452	80,573
4.5	Effect of movement in exchange rates on cash held	367	8
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>45,599</b>	<b>45,599</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	43,599	51,452
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Cash Suspense)	2,000	1,121
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>45,599</b>	<b>52,573</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(314)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Section 6.1 includes remuneration to executive and non-executive directors of Openpay Group Ltd and related parties.

**7. Financing facilities**

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	75,000	30,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>75,000</b>	<b>30,000</b>

7.5 **Unused financing facilities available at quarter end** 45,000

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Loan facilities consist of a working capital facility with A H Meydan Pty Ltd, a commercial bill with GCI Consumer Credit Finance Trust 1 and a revolving credit facility with the Specialised Finance Warehouse Trust 1. Borrowings carry a fixed interest rate (working capital facility), an interest rate based on the Bank Bill Swap Rate (GCI) and RBA Cash Rate (Specialised Finance Warehouse Trust 1) plus a margin. The working capital facility offers a committed borrowing base of \$10 million. The commercial bill offers an available borrowing base of \$40 million of which \$30 million is committed and \$10 million is uncommitted. Of the \$30 million committed, \$30 million is drawn as of 31 March 2020. The revolving credit facility offers a committed borrowing base of \$25 million, with the prospect to extend to \$100 million. There were no borrowings outstanding on the working capital facility nor the revolving credit facility as of 31 March 2020.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(10,574)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	45,599
8.3 Unused finance facilities available at quarter end (Item 7.5)	45,000
8.4 Total available funding (Item 8.2 + Item 8.3)	90,599
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>8.6</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2020

Authorised by: By the Board

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.