

ASX Announcement

28 February 2020

Openpay delivers record growth for 1H FY20

MELBOURNE Australia, 28 February 2020: Buy now. Pay smarter. company, Openpay Group Ltd (ASX: OPY) (**Openpay** or the **Company**) is pleased to release its half year results for the period ended 31 December 2019 (1H FY20).

Openpay finished 1H FY20 with record growth and strong momentum for its buy now, pay later (BNPL) business across all key operating metrics, with positive growth continuing well into 2H FY20.

Key highlights

- **Record growth for 1H FY20 across all leading indicators:**
 - **Active Plans up 187% relative to pcp¹;**
 - **Active Customers up 99% relative to pcp; and**
 - **Active Merchants grew 74% relative to pcp**
- **Increased repeat use of Openpay's differentiated offering across key verticals demonstrated by:**
 - **71% of new plans generated from Repeat Customers; and**
 - **42% of Active Customers with more than one plan**
- **Total Transaction Value (TTV) grew to \$84.4 million, up 95% relative to pcp**
- **Revenue of \$8.3m for 1H FY20, up 73% relative to pcp**
- **Net Transaction Margin 4.0% of TTV and Net Transaction Loss 1.7% of TTV**
- **Online shopper awareness of Openpay increased to 80%² (up from 5% in 2018); Merchant awareness of Openpay increased to 60%**
- **UK market gaining swift momentum, following June 2019 launch**
- **Successful launch of *Openpay for Business*, with Woolworths as a marquee first client post 1H FY20**
- **Well positioned to fund continued growth:**
 - **Cash on hand of \$56.2m plus \$51m of undrawn facilities in Australia**
 - **Advanced discussions with number of financiers for additional facilities to support UK growth**
- **Strong momentum continuing into 2H FY20, with demonstrated growth across all key metrics as at end January 2020**

Openpay CEO, Michael Eidel commented: "Openpay is delighted to announce its first half yearly result as a listed company. We have achieved record growth across all BNPL metrics and through our international expansion, created significant momentum in the UK. We also built out our new B2B offering, Openpay for Business and announced Woolworths as our inaugural client.

Supported by the significant investment made to date across people, technology and new markets, we expect to see high volumes and rapid evolution of the BNPL business enabled by our differentiated approach."

¹ Prior comparable period 1H FY19

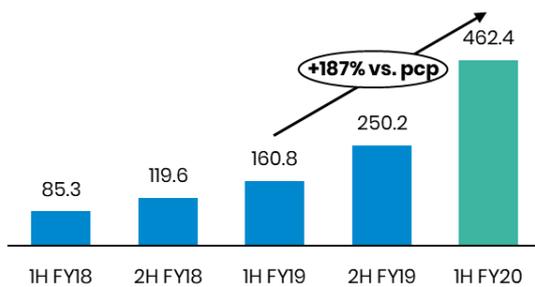
² Spotlight Series, Buy Now, Pay Later 2019

Growth in Customers, Plans and propensity of use

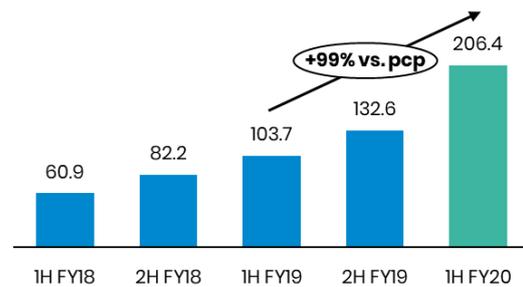
As at 1H FY20, more than 462,000 Active Plans were in place. Active Plans within each vertical grew more than 100% growth vs pcp. This result was further supported by the introduction of major retailers, the Company's expansion into the UK and the increase in repeat usage and Concurrent Plans.

Record Active Customer growth was achieved across all specialist merchant verticals. Openpay finished the half with 206,434 Customers, up 99% vs pcp. Growth in Active Customers was strong across all specialist merchant verticals, with Healthcare growing the largest by 136% vs pcp.

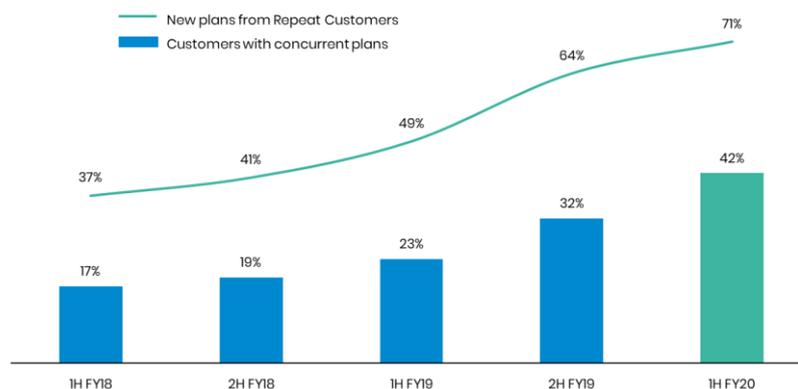
Number of Active Plans as at end 1H FY20



Number of Active Customers as at end 1H FY20



Percentage of New Plans from Repeat Customers³ & Customers with concurrent plans



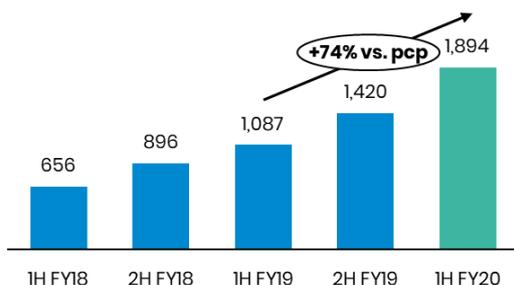
New merchant wins across all verticals

Active Merchants were up 74% to 1,894 as at end 1H FY20 with additions across our verticals, particularly across Healthcare and Automotive, where Openpay is typically the sole BNPL provider or one of only two.

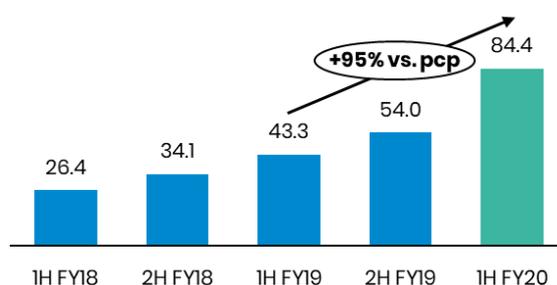
A selection of new Australian merchants that integrated Openpay during the period include: MySmilePlan; United Vet Group; Vision Australia; Bupa Hearing; additional UltraTune and JAX Tyres franchises; Trade Tools, Hanes Australia, The Just Group, Salt&Pepper, House of Golf and Petstock.

³A Repeat Customer is defined as a customer who has made more than one purchase with Openpay.

**Number of Active Merchants as at end
1H FY20**



**Total Transaction Value (\$m) as at end
1H FY20**



Larger retail merchants drive record TTV

Several high volume, multi-store retail merchants led Openpay to report record TTV. Bunnings, for example, increased its TTV by 150% during the month of December 2019, compared to December 2018. As the strong increase in Active Plans shows, Openpay has been able to cross-pollinate customers from retail into other specialised verticals, where Average Transaction Values (ATV) are higher.

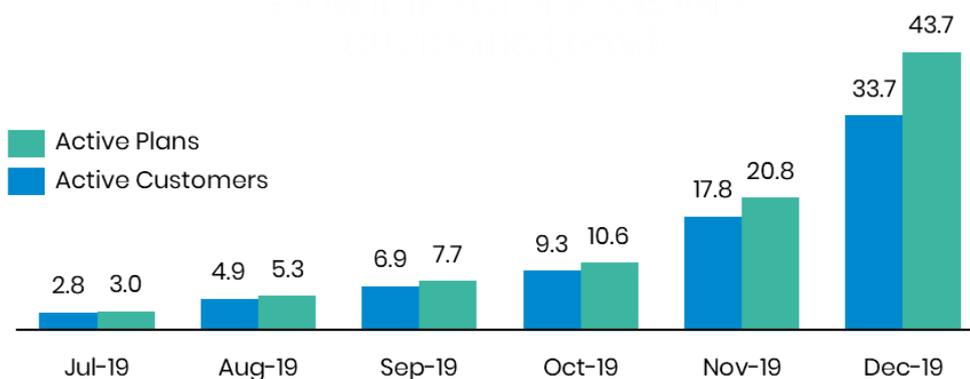
UK gains momentum

An area of investment and also a contributor to the Company’s strong top line result has been Openpay’s UK BNPL business. The UK market represents a significant opportunity as it is a larger market relative to Australia with limited, if any, competitive BNPL offerings in Automotive, Home Improvement and Healthcare.

After launching in June 2019, Openpay UK has had a solid start, securing contracts and launching with several high impact merchants, such as Ideal Shopping Direct, promoting Openpay’s plans of up to 11 months duration to its audience 24 hours a day, 7 days a week. Other UK Merchants signed in 1H FY20 included Instasmile, House, Hand on Heart Jewellery, Makers Retail, Masdings. JD Sports, a £2.1bn UK retailer is expected to go live during Q3 FY20.

In the six months of UK operations, Active Plans grew from 2,950 to over 43,000 and Active Customers increased from 2,750 to over 33,000, with positive trends of repeat use shown.

Growth in Active Plans and Customers (000's)



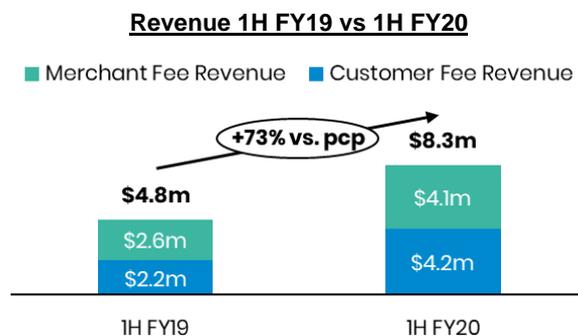
Openpay for Business – complementary product, low risk, high margins and globally applicable

Openpay’s entry into the business-to-business (B2B) sector via an inaugural agreement with major Australian retailer, Woolworths Group Limited (ASX: WOW, Woolworths) represented a major milestone. Under the agreement, Woolworths will roll out Openpay’s new SaaS B2B platform, *Openpay For Business*. The contract has an initial term of three years with an option to extend for a further two years. Woolworths will not be offering a BNPL facility through the platform. Implementation of the platform will ramp up in 2H FY20, with revenues expected to be generated in 1H FY21.

The new *Openpay for Business* adds to the Company’s diversification by opening up a large, new enterprise market. It is capital light, with long term contracts and high margins. It is globally applicable through its ability to enable the end to end digitisation of enterprise merchant relationships with debtors and wholesalers. Under the SaaS business model, the product will deliver recurring revenues to Openpay based on usage which scales with the customer’s operations.

Financial Performance

Revenues for the first half increased to \$8.3m (73% vs 1H FY19), reflective of the continued growth in customers, plan volumes and the propensity of use. Merchant Fees for 1H FY20 accounted for 49% of revenue (54% 1H FY19) and 51% from Customer Fees (56% 1H FY19).



Openpay reported a statutory loss before tax of \$15.9m for 1H FY20 (statutory loss of \$4.6m 1H FY19), which includes one-off items related to the Company’s December 2019 IPO and is reflective of the significant strategic investment in people, technology and growth initiatives designed to scale the business. This included an investment of c.\$4.5m during 1H FY20 to support its UK expansion. The Company’s expansion of people has largely been completed in 1H FY20 with the rate of growth in headcount expected to taper going forward.

Receivables Performance

Net Receivables increased in the 6 months to 31 December by 63.5% vs pcp, reflecting the strong growth in Active Plans of 187% vs pcp.

Net Transaction Margin of 4.0% improved slightly (+23 bps vs 2H FY19) driven by strong gross revenue yields of 9.8%, and controlled funding and transaction costs with stable Net Transactional Losses.

Net Transaction Losses were 1.7% (+4 bps vs 2H FY19). Reported arrears and net bad debts were 0.9% of receivables (30 June 2019: 1.2%) and 2.2% of TTV (2H FY19: 3.0%) as at 1H FY20, respectively. Openpay continues to optimise its dynamic credit decision capabilities through its proprietary Automated Risk Management (ARM) and augmented machine learning fraud management systems.

Financial Position and Debt Financing

Cash as at 31 December totalled \$52.6 million (30 June 2019: \$8.7 million).

Openpay has Australian debt facilities in place of up to \$75 million (30 June 2019: \$55 million) made up of Australian receivables facilities with two providers of \$65m (\$41m undrawn as at 31 December) and a \$10m working capital facility (\$10m undrawn). As at 31 December 2019, the loan to value ratio of the Australian receivables book was 66%, providing significant headroom with a target of 80% and a limit of 85% under our initial facility.

Openpay has strong interest from and is in advanced discussions with a number of potential financiers to help support and fund UK growth.

Regulation

Openpay is fully committed to providing products to customers in a responsible manner and has been working closely on the development of a self-governing BNPL Code of Practice, together with the Australian Finance Industry Association (AFIA) and other sector peers.

The Code was made available for public consultation on 29 January 2020 and AFIA aims to have it operating in July 2020. We look forward to working in line with the Code once adopted.

Strong momentum into 2H FY20

Going into 2H FY20, Openpay saw continued strong growth in its January 2020 numbers, with Active Plans reaching c.513k, Active Customers reaching c.224k and Active Merchants totalling 1,902.

TTV for the month ended 31 January 2020 rose to \$15.7m, and revenue to \$1.9m, demonstrating pcg growth rates of 86% and 58% respectively.

Growth strategy for FY20 onwards

Openpay has made significant progress towards its stated goal of becoming a leading provider of payment services. Looking ahead, the Company will continue to leverage its strong investment in the growth of the business and further deliver on the three key value drivers as outlined in its IPO prospectus:

Domestic growth:

- Capitalising upon the strong position within the existing verticals through new merchant acquisitions
- Continuing to drive platform utilisation and Repeat Customer growth

Continues UK expansion:

- Leveraging the early momentum to continue driving further merchant acquisitions
- Securing UK debt facility to fund receivables growth
- Seeking FCA Authorisation (Expected FY21) to provide opportunity for product diversity

Extension of platform capabilities:

- Implementing and extending *Openpay For Business* platform
- Expanding Openpay's BNPL products into new adjacent verticals
- Continuing to investment in platform, including UX/CX, credit risk and fraud detection and prevention capabilities

More information

Investors are invited to visit our website at openpay.com.au for more information on Openpay.

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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, New Zealand and the United Kingdom.