

Openpay Limited (OPY)

Rating: Buy | Risk: High | Price Target: \$3.50

AGM: Momentum continues

Key Information

Current Price (\$ps)	1.22
12m Target Price (\$ps)	3.50
52 Week Range (\$ps)	1.13 - 3.35
Target Price Upside (%)	186.9%
TSR (%)	186.9%
Reporting Currency	AUD
Market Cap (\$m)	159.6
Sector	Information Technology
Avg Daily Volume (m)	0.2
ASX 200 Weight (%)	0%

Fundamentals

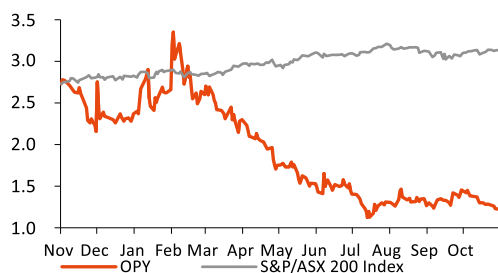
YE 30 Jun (AUD)	FY21A	FY22E	FY23E	FY24E
Sales (\$m)	26.3	52.2	75.7	109.9
NPAT (\$m)	(63.1)	(45.7)	(21.6)	1.4
EPS (cps)	(48.2)	(34.9)	(16.5)	1.0
EPS Growth (%)	(50.2%)	27.6%	52.8%	106.3%
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)	0%	0%	0%	0%

Ratios

YE 30 Jun	FY21A	FY22E	FY23E	FY24E
P/E (x)	(3.0)	(3.5)	(7.4)	nm
EV/EBITDA (x)	(2.8)	(5.5)	(17.3)	25.5
Div Yield (%)	0.0%	0.0%	0.0%	0.0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%

Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	(16.1%)	(4.0%)	(3.8%)	(71.5%)
Absolute (%)	(15.0%)	(3.6%)	(6.2%)	(55.3%)
Benchmark (%)	1.1%	0.4%	(2.4%)	16.2%



Price performance indexed to 100

Source: FactSet

Major Shareholders

Meydan Group (Program Force)	18.5%
Chow Tai Fook Enterprises	8.8%

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Event

AGM: 1Q22 momentum continues from FY21 into FY22 with all key operating metrics trending in the right direction with robust growth vs. pcp – as per original 1Q22 update on 28 October 2021. No changes to our numbers, PT or recommendation.

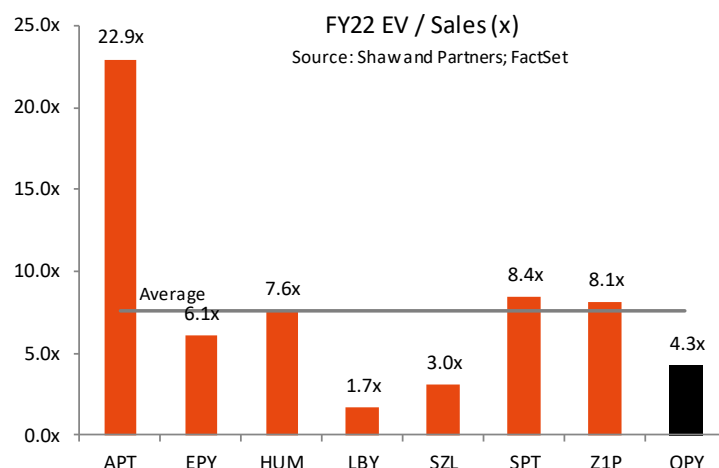
Highlights

• To reiterate: key take aways from 1Q22 metrics all strong and showing solid growth:

- Active customers +56% from 372k in pcp (1Q21) to a record 579k (+7% on pp's 4Q21)** – with (1) Australian customer growth +26% on pcp's 223k to 280k (+6% on pp); and (2) UK customers +101% from 149k in pcp to 298k (or +8% on pp).
- Active merchants improved again at +87% from ~2,300 in pcp to a record 4,300 (+13% on pp) with Australia +84% on pcp and UK + 279% on pcp** – the major positive here was that the latest trend from 2Q21 merchant growth (i.e. reversing the relatively weaker trend of q-on-q growth for the previous last five periods which had softened from 19% in 1Q20 to ~5% growth period-on-period due to larger enterprise targets) is continued to improve from 3Q21 and through to 1Q22, driven by self-onboarding, major wins and aggregators and partnerships secured (e.g. Till Payments, Prestashop, Paycove, etc.):
- Active Plans +110% on pcp's ~1,100k to a record ~2,200k (+20% on pp)** – a standout result was new plans from repeat customers at record 85% vs. 78% in pcp and 84% pp. 87% of plans are over 3 months tenure. Record 55% of Active Customers having multiple plans.
- TTV up a whopping +51% in quarter from \$68m in pcp to \$103m (above Shaw's \$98m)** – annualised run-rate improves from \$368m in 4Q21 to now \$412m vs. Shaw's extant \$397m estimate. This is (mostly) before acquisition of Payment Assist, UK ramp up and US entry this month: (1) Australian TTV growth was +47% on pcp's \$50m to \$73m (+16% on pp); and (2) UK TTV +62% from \$18m in pcp to \$30m (or +7% on pp).
- Strengthening revenue margins on a q-on-q basis as well as NTM** – revenue margins have improved and continue to do so early into 2Q11 due to portfolio management and pricing initiatives, with the remaining source of improved NTM being driven by the reversion to more normal credit settings in the UK. This actually delivered a net transaction loss rate in the quarter of only 1.4%.

Recommendation

OPY trades at a significant – and attractive – 43% discount to BNPL peers on an FY22 EV/Sales multiple of 4.3x vs. combined 7.5x (consensus) for APT, HUM, LBY, SPT, SZL, Z1P.



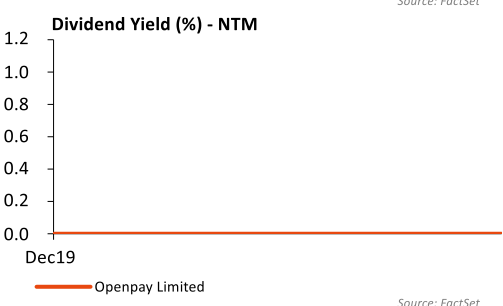
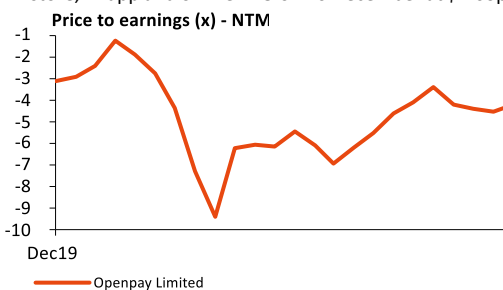
Openpay Limited
Information Technology

FactSet: OPY-AU / Bloomberg: OPY AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	1.22
Target Price (\$ps)	3.50
52 Week Range (\$ps)	1.13 - 3.35
Shares on Issue (m)	130.8
Market Cap (\$m)	159.6
Enterprise Value (\$m)	204.8
TSR (%)	186.9%

Valuation NPV	Data
Beta	1.30
Cost of Equity (%)	14.7%
Cost of Debt (net) (%)	85.3%
Risk Free Rate (%)	3.0%
Terminal Growth (%)	3.0%
WACC (%)	5.2%

OPY, which is headquartered in Melbourne, Australia, is a fintech company that partners with merchants to provide Buy Now, Pay Later (BNPL) repayment plans to customers in-store, in-app and online. IPO on 16 December at \$1.60ps.



Financial Year End: 30 June

Investment Summary (AUD)	FY20A	FY21A	FY22E	FY23E	FY24E
EPS (Reported) (cps)	(32.1)	(48.2)	(34.9)	(16.5)	1.0
EPS (Underlying) (cps)	(32.1)	(48.2)	(34.9)	(16.5)	1.0
EPS (Underlying) Growth (%)	nm	(50.2%)	27.6%	52.8%	106.3%
PE (Underlying) (x)	(6.5)	(3.0)	(3.5)	(7.4)	nm
EV / EBIT (x)	(5.5)	(2.7)	(5.1)	(14.4)	37.1
EV / EBITDA (x)	(5.7)	(2.8)	(5.5)	(17.3)	25.5
DPS (cps) (AUD)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	(25.8%)	(41.5%)	(39.5%)	(16.8%)	(5.4%)
Profit and Loss (AUD) (m)	FY20A	FY21A	FY22E	FY23E	FY24E
Sales	18.3	26.3	52.2	75.7	109.9
Sales Growth (%)	66.0%	44.1%	98.6%	45.0%	45.2%
EBITDA	(30.1)	(55.1)	(37.4)	(12.9)	8.9
EBITDA Margin (%)	nm	nm	(71.7%)	(17.1%)	8.1%
Depreciation & Amortisation	(1.3)	(2.3)	(2.6)	(2.6)	(2.8)
EBIT	(31.4)	(57.4)	(40.0)	(15.6)	6.1
EBIT Margin (%)	nm	nm	(76.6%)	(20.6%)	5.6%
Net Interest	(4.0)	(5.6)	(5.7)	(6.0)	(4.8)
Pretax Profit	(35.4)	(63.1)	(45.7)	(21.6)	1.4
Tax	0.0	0.0	0.0	0.0	0.0
Tax Rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Minorities	0.0	0.0	0.0	0.0	0.0
NPAT Underlying	(35.4)	(63.1)	(45.7)	(21.6)	1.4
Significant Items	0.0	0.0	0.0	0.0	0.0
NPAT Reported	(35.4)	(63.1)	(45.7)	(21.6)	1.4
Cashflow (AUD) (m)	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	(31.4)	(57.4)	(40.0)	(15.6)	6.1
Tax Paid	0.0	0.0	0.0	0.0	0.0
Net Interest	(4.0)	(5.6)	(5.7)	(6.0)	(4.8)
Change in Working Capital	18.2	8.0	2.8	19.0	0.9
Depreciation & Amortisation	1.3	2.3	2.6	2.6	2.8
Other	(41.7)	(13.7)	(12.9)	(21.6)	(10.2)
Operating Cashflow	(57.6)	(66.4)	(53.1)	(21.6)	(5.2)
Capex	(0.8)	(0.3)	(1.0)	(1.5)	(2.2)
Acquisitions and Investments	0.0	0.0	0.0	0.0	0.0
Disposal of Fixed Assets/Investments	0.0	0.0	0.0	0.0	0.0
Other	(1.1)	(3.7)	(3.7)	(3.7)	(3.7)
Investing Cashflow	(1.9)	(4.0)	(4.8)	(5.2)	(5.9)
Free Cashflow	(58.3)	(66.7)	(54.2)	(23.1)	(7.4)
Equity Raised / Bought Back	83.8	46.4	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Change in Debt	1.2	9.8	17.1	14.8	1.2
Other	36.8	(4.1)	7.7	7.7	7.7
Financing Cashflow	121.8	52.1	24.8	22.5	8.9
Exchange Rate Effect	(1.0)	0.3	0.0	0.0	0.0
Net Change in Cash	61.4	(18.0)	(33.1)	(4.3)	(2.2)
Balance Sheet (AUD) (m)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash	70.1	52.1	19.0	14.6	12.4
Accounts Receivable	45.2	57.5	61.0	80.7	82.3
Inventory	0.0	0.0	0.0	0.0	0.0
Other Current Assets	2.1	5.1	5.1	5.1	5.1
PPE	0.8	0.8	0.8	0.8	0.8
Goodwill & Intangibles	1.1	4.3	4.3	4.3	4.3
Investments	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	5.2	3.7	3.7	3.7	3.7
Total Assets	124.5	123.5	93.9	109.3	108.7
Accounts Payable	6.6	10.9	11.5	12.2	13.0
Short Term Debt	0.0	18.3	18.3	18.3	18.3
Long Term Debt	37.2	28.7	45.8	60.5	61.8
Income Taxes Payable	0.0	0.9	0.9	0.9	0.9
Other	5.2	5.5	6.4	7.1	8.1
Total Liabilities	49.0	64.2	82.9	99.0	102.0
Ratios	FY20A	FY21A	FY22E	FY23E	FY24E
Net Debt / EBITDA (x)	1.1	0.1	(1.2)	(5.0)	7.6
Price to Book (x)	nm	nm	nm	nm	nm

Rating Classification

Buy	Expected to outperform the overall market
Hold	Expected to perform in line with the overall market
Sell	Expected to underperform the overall market
Not Rated	Shaw has issued a factual note on the company but does not have a recommendation

Risk Rating

High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market

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Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	85	84%
Hold	15	15%
Sell	1	1%

History of Investment Rating and Target Price - Openpay Limited



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