

# ASX Announcement

## 15 November 2022

### 2022 Annual General Meeting – Chairman’s Address and CEO Presentation

MELBOURNE Australia, 15 November 2022 - Openpay Group Ltd (ASX: OPY) (**Openpay**), attaches the following documents to be presented at its 2022 AGM being held today:

- Chair’s address
- CEO’s presentation script
- CEO’s presentation slides

The results of the AGM will be communicated to the ASX shortly after the conclusion of the AGM.

Authorised by:  
**The Board of Directors**  
**Openpay Group Ltd**

For further information, please contact:

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#### **About Openpay**

Openpay Group Ltd (ASX: OPY) is a fast-growing and highly differentiated fintech solution provider. The Company supports both B2C and B2B platforms.

Openpay’s B2C platform is an embedded finance solution delivering flexible repayment plans that help manage cashflow and household budgeting. Plans range from 2–24 months and enable transactions up to \$20,000. Openpay is accepted in verticals including: Automotive, Healthcare, Retail, Home Improvement and Education.

Openpay’s B2B platform, OpyPro, is a SaaS solution that enables merchants to manage their trade accounts via an end-to-end digitised platform enabling transactions in-store and online. The platform supports the application and onboarding process, ongoing account management and business processing, including invoicing, remittance, and reconciliation.

## Chair's Address

Before we move to the formal items of this general meeting, I would like to briefly reflect on the 2022 financial year.

Financial year 22 saw a significant change in financial markets around the world as we emerge from the global pandemic and face into a challenging macroeconomic environment characterised by historically high inflation and rising interest rates around the world. For Openpay Group, it has been a year of proactive change as we have deliberately positioned our operations on a path to profitability in our core domestic market, underpinned by a more simplified business strategy and approach.

In January 2022, we announced a strategic review, focused on simplifying Openpay's regional market approach. The Board made the difficult but timely decision to exit the UK market while focusing on delivering profitability in Australia. And in July, we announced the Group would indefinitely pause its existing US operations and cease loan originations given the continuing volatility and uncertainty in the US macroeconomic environment and equity market.

Despite our exit from the UK and US markets, Openpay's Australian business has continued to perform strongly in FY22 and into Q1 of FY23, delivering record results across a range of key metrics, both in its B2C (Openpay) and B2B (Opypro) operations, while continuing to successfully manage our credit risk and optimise our cost base to deliver industry-leading core unit economics.

Openpay provides a unique consumer experience compared to traditional credit solutions. Our focus is on industry verticals where we have real differentiation, including Automotive, Healthcare, Home Improvements, Memberships, Education and Retail; where our target customers are typically using Openpay as a cashflow management tool. In FY22, we revised our customer payment plan pricing, to deliver transparent fixed pricing to our customers which have improved profit margins across our targeted industry verticals.

Our higher value, longer-term plans are delivered in a single, consistent customer journey – differentiating Openpay from the more traditional “pay-in-4” BNPL segment which offer shorter term plans, typically lower in value. Our goal is to fill the gap between the highly competitive pay-in-4 space and more traditional consumer credit providers, albeit much more responsibly with respect to affordability and pricing. In an inflationary environment, with rising interest rates, our products become even more attractive to customers that can make non-discretionary purchases and spread their payments over time.

As regulation for the sector continues to evolve, Openpay remains committed to taking a leadership position, working with regulators to deliver fair outcomes that do not stifle sector innovation. We welcome clear rules for better customer and merchant outcomes. A core focus for Openpay is on consumer care and support, and our platform incorporates robust consumer checks and features to promote responsible spending, providing consumers with a flexible and transparent way to budget and take control of their finances and lifestyles.

In closing, on behalf of the entire Board of Directors, I'd like to sincerely express our gratitude to Openpay's senior management and the wider Openpay team for their strong contribution to the Company's achievements over the past financial year. They have done a great job, competently directing the business through what has been a very challenging environment. Similarly, I'd like to thank our shareholders and funding partners who continue to place their trust and confidence in Openpay, as well as our customers and merchants. Your ongoing support and loyalty are very much appreciated and never taken for granted.

We look forward to the financial year ahead, as we leverage the business simplification and deliver EBITDA profitability by June 2023.

Thank you. I will now hand it over to Dion for his presentation.

### **CEO Presentation**

Thank you, Patrick, and good morning, to everyone with us today in person, and online.

#### **Slide 2 – Openpay Mission.**

I would like to start by thanking our shareholders, key partners, Board and wonderfully talented team at Openpay for your continued belief and support in delivering our focused business plan and mission, to change the way people pay for the better, across both our B2C and B2B platforms.

In 2022, we were the first to take the tough decisions to simplify our business. This solidified our path to profitability early, and today we will talk about the progress being made to deliver the milestones to cash EBITDA profitability in ANZ by June 2023.

#### **Slide 3 - Our clear and focused goal.**

We are targeting cash EBITDA profitability on a monthly basis by June 2023. To achieve this, we are delivering on four key milestones:

1. **Profitable growth:** we focus on areas where our differentiated offering can add the most value to customers and merchants. We continue to experience increased demand for our product, and together with our revised payments plan pricing, has delivered improved margins as customers are willing to pay for the extra time, lower and transparent fortnightly repayments.
2. **Maintain credit quality:** remarkably consistent portfolio performance and proven track record of managing bad debts and arrears within an acceptable range. We have headroom in our thresholds to accommodate weakening macroeconomic conditions, but more importantly, we have the tools in our technology platform to respond quickly to changes in credit quality.
3. **Cost efficiencies:** we are a simpler, leaner business with a sharp focus on Australia and no longer requiring the corporate overheads of a multi-jurisdictional company. But we're also a fast-growing business locally, with a rapidly increasing receivables book, gaining size-related cost advantages helping us improve cost efficiencies due to economies of scale.
4. **Secure funding:** we continue to actively manage our funding requirements. We have recently extended and increased working capital facilities. Just last week, we announced that we have doubled our committed receivables funding to \$110m which provides more than enough headroom to support volumes required to reach profitability.

**Slide 4 - Delivering profitable growth without compromising credit quality.**

We remain laser beam-focused on delivering profitable growth, not growth at any cost. This has led to our revenue growing faster than the underlying Total Transaction Volume (TTV), driven by many proactive initiatives Openpay have taken and continues to deliver across both our B2C and B2B platforms and product lines, including but not limited to:

1. A new, simpler product offering with transparent pricing was fully implemented by Q4 of FY22, focused on our differentiated offering of longer-term (but still interest-free) plans that customers value more and are willing to pay for, and
2. Opypro our high-margin, low-capital and lower-risk SaaS platform that is unique in the B2B marketplace and continues to gain traction with existing customers and a maturing pipeline that delivers diversified revenue streams.

Credit quality and ultimately losses have also been appropriately managed:

1. Our proprietary decisioning technology engine ARM, is assisting Openpay in responsibly lending the right amounts, to the right customers, at the right merchants.
2. We have a fast-turning book that responds quickly to changes and enhancements in our underwriting parameters.
3. We have a sticky product with high repeat purchase rates whereby 90%+ of plans are from repeat and loyal customers, who we have repayment data on, which ensures credit quality and responsible spending.
4. All this is available across our diversified portfolio of industry verticals including: Automotive, Healthcare, Home Improvements, Education, and higher-value Retail.

**Slide 5 – ANZ performance is delivering on the trajectory to profitability.**

Our now simplified business means fewer corporate overheads. Coupled with profitable revenue growth as described earlier, means we can also now truly deliver operational leverage and profitability.

Since July 2022, and under new leadership, we have experienced some material benefits of being a more simplified business operation, with additional gains to be made as we continue to steadily grow our receivables book, that all puts Openpay on a clear trajectory to deliver profitability.

We have seen our variable costs increasing at a slower rate than revenue due to achieving the underlying strong growth in our book, resulting in subsequent economies of scale.

Our fixed costs as a proportion of TTV will continue to reduce rapidly driven by growth, delivering significant operating leverage as a result of:

1. Reduced corporate overheads
2. Outsourcing and nearshoring of functions outside of our core competencies
3. Increased product development, technology deployments and business automation
4. Increased revenue from our B2B platform Opypro, as it starts to scale

### **Slide 6 - An enhanced Capital Management Strategy, with funding secured.**

Underpinning the path to profitability is a renewed capital management strategy that has seen several key and major achievements already delivered early in FY23:

1. We successfully completed an equity raising including an \$18.25m placement and oversubscribed SPP that secured a further \$5.86m.
2. Our existing Working Capital funding agreements have been extended and increased to a total \$42.5m.
3. Importantly our Receivables funding facility has doubled to \$110M to support our growth. This has been backed by existing longstanding funding partner, GCI who introduced and arranged to club together with Fortress Investment Group (who are owned by Softbank). This upsized facility sets up the business for expected growth and cash flow breakeven as per the plan. At this point I would like to thank the GCI team for having the vision and commitment to further support our growth, and we officially welcome Fortress.

### **Slide 7 - Our strategy and team.**

All these results wouldn't be possible without a well-considered strategy and plan. This plan was developed by and is the combined effort of management in consultation with the extended leadership team of subject matter experts across the business.

Together, we have crafted and then translated these four milestones to deliver profitability into Objectives and Key Results (OKRs) that our team manage and deliver to.

To recap, the Objectives are firmly set around our customers, new and existing, delivering value to our merchants in B2C and scaling B2B with Opypro.

These Objectives are underpinned by the discipline to deliver continuous improvement through efficiency and productivity enhancements, whilst retaining and attracting top talent.

The results are speaking for themselves as we're already experiencing such accolades as; Awarded third place in AFR BOSS "Best Places To Work" in the Financial Services sector and were recently awarded the highly acclaimed consumer Canstar Award for Outstanding Value in the sector.

As we officially close out FY22 and are well underway in delivering in FY23, I would like to thank the Openpay team and Board. You are resilient, focused, engaged and energised. I also want to extend my thanks and appreciation to our shareholders, merchants and customers for your continued support, in what has been a year of positive change for the Openpay Group.

We've made the necessary decisions in a challenging environment to ensure we remain focused and committed to delivering continued sustainable growth and profitability by June 2023.

I will now hand back to Patrick to go through the AGM's formal items of business, after which time I look forward to answering any questions.

Thank you.

# 2022 AGM.

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## CEO Presentation

Delivering milestones to profitability

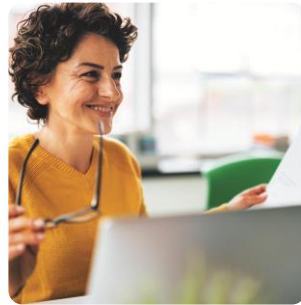
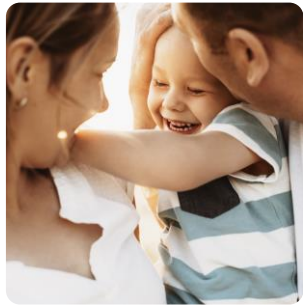
Dion Appel

Chief Executive Officer  
Openpay Group Ltd (ASX: OPY)

15 November 2022

# We're on a mission:

To change the way people pay, for the better



# Our goal is to deliver profitability by June 2023.

We have four key milestones to achieve ANZ cash EBITDA breakeven on a monthly basis (profitability)

Profitable  
growth

1

Maintain credit  
quality

2

Cost  
efficiencies

3

Secure funding

4



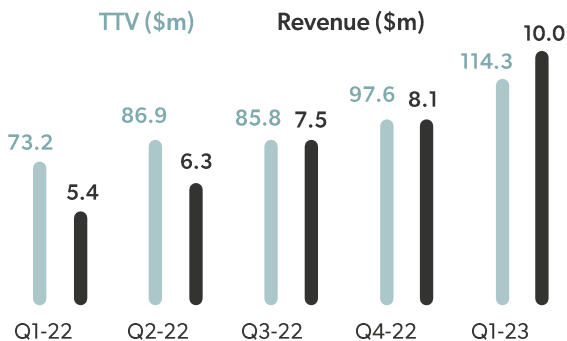
# Delivering profitable growth without compromising credit quality.

Strong growth, improved margins, diversified revenue streams and a well managed portfolio in ANZ

## Profitable growth

- Consistently delivering high year-on-year TTV growth across diversified verticals
- Revenue is accelerating faster than TTV
- Improved B2C margins in our most popular and differentiated longer-term plans
- Diversified revenue streams through our high-margin Opypro B2B solution

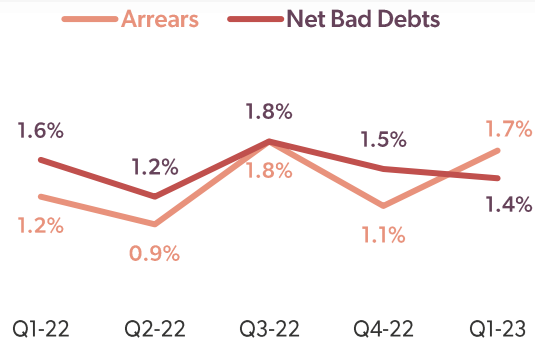
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## Maintain credit quality

- Proprietary decisioning technology is assisting in delivering a quality, diversified portfolio within our target thresholds for bad debts and arrears
- Our fast-turning portfolio responds quickly to tuning of underwriting parameters
- 90%+ of plans are provided to repeat customers with known repayment history

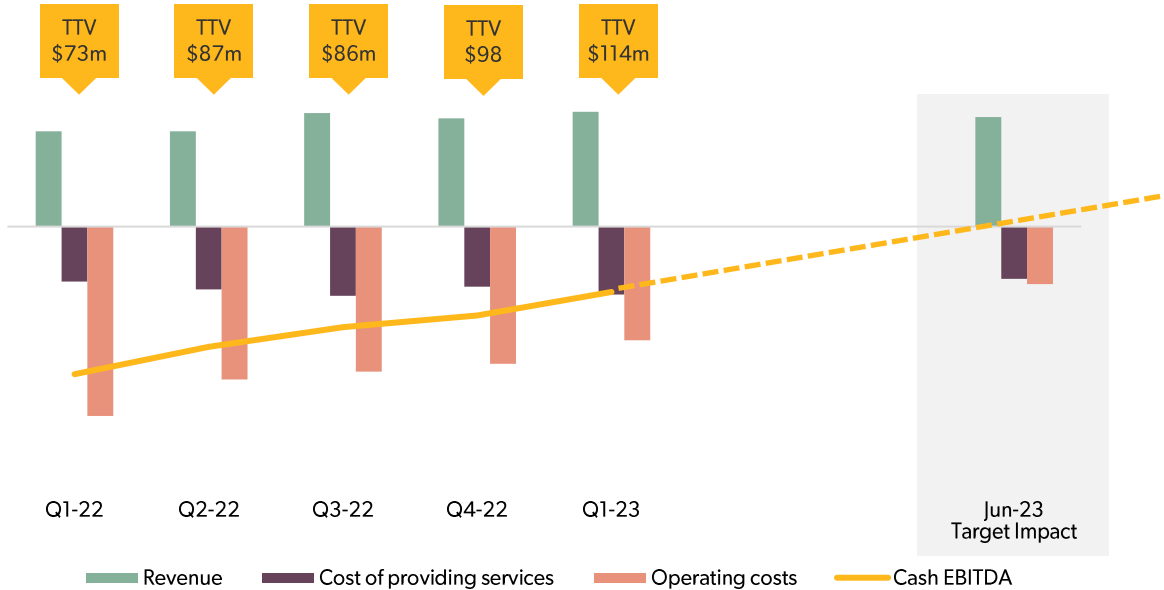
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# ANZ performance is delivering on the trajectory to profitability.

We continue to gain efficiencies in operating costs with a simpler and more focused business

## Clear path to profitability in ANZ (% of TTV)



## Cost efficiencies

- Economies of scale from sustained TTV growth
- Eliminating overheads required to operate an international group
- Outsourcing and nearshoring functions outside of our core competencies
- Increased automation to streamline business operations
- Enhanced cost controls and monitoring

3

# Funding secured to support the strategy.

## Funding secured

- Strong equity support from existing, institutional, and retail shareholders completed in Aug-22 securing \$18.25m Placement and \$5.86m SPP
- \$42.5m working capital facilities extended in Sep-22
- Committed receivables funding capacity doubled to \$110m in Nov-22 with existing (GCI) and new (Fortress) funders



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ANZ	Facility Amount <sup>1</sup>	Committed <sup>1</sup>	Amount Drawn <sup>2</sup>	Committed Available <sup>2</sup>	Maturity <sup>1</sup>
Receivables Funding	\$110m	\$110m	\$58.5m	\$51.5m	Jan-24
Working Capital	\$12.5m	\$10m	-	\$10m	Oct-23
Working Capital	\$30m	\$25m	\$25m	-	Jul-23
<b>Total</b>	<b>\$152.5m</b>	<b>\$145m</b>	<b>\$83.5m</b>	<b>\$61.5m</b>	

1. As at the date of this report
2. Based on Amount Drawn as per Q1-23 Appendix 4C

# FY23 strategy on a page.

## Key Business Objectives

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### 1. Grow existing Customers

Convert and retain approved customers to drive increased value from existing customers

### 2. Convert new Customers

Grow the customer base through our verticalised strategy, while focusing on high quality customers and profitable segments

### 3. Deliver value to Merchants

Continue to deliver merchant value to increase acquisition and advocacy



### 4. Scale Opypro

Scale Opypro (B2B) trade account management platform across target verticals

## Key Operational Objectives

### 5. Continuous Improvement

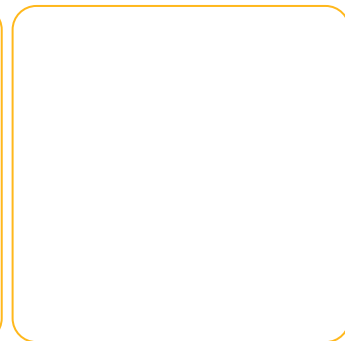
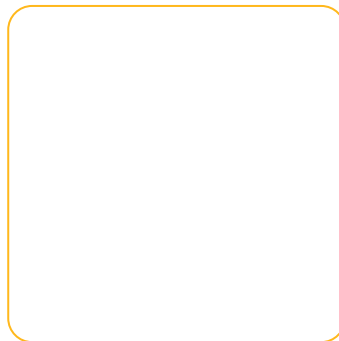
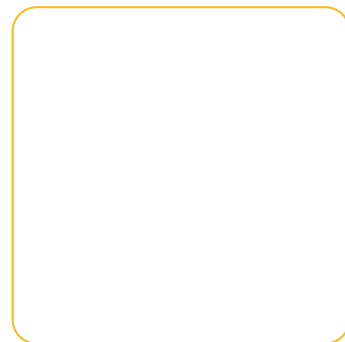
Drive cost efficiencies and productivity improvements without restricting growth

### 6. Top Talent

Retain and attract talent while maintaining flexible ways of working



# Thank you.



## Contact

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