

Quarterly Update and Appendix 4C

28 July 2022

Embedded lending and payments fintech Openpay delivered another record-breaking quarter with market-leading margins and low bad debts

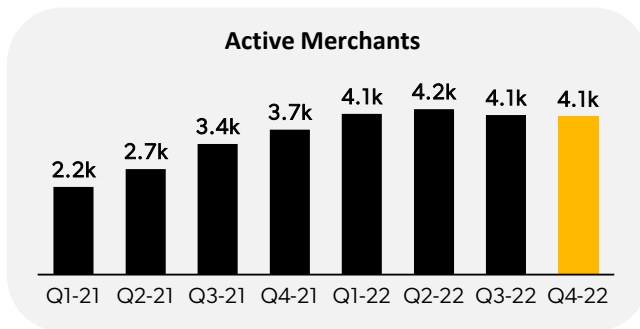
Key Highlights, ANZ – Q4 FY22

- ✓ **Solid growth across leading indicators:**
 - Active Plans of 1.8m, an increase of 50% compared to pcp (Q4 FY21)
 - Active Customers of 321k, an increase of 21% compared to pcp
 - Over 4,100 Active Merchants, compared to 3,700 in Q4 FY21
 - A quarterly TTV record of \$97.6m, an increase of 54% compared to pcp
 - Total quarterly Revenue (including OpyPro) reached a record \$8.5m, up 80% compared to pcp
- ✓ **Market-leading margins, that continue to improve**
 - Revenue Margin has improved from 7.3% in Q4 FY21 to 8.1% in Q4 FY22
 - Net Transaction Margin (NTM) has improved from 2.0% in Q4 FY21 to 3.4% in Q4 FY22
 - Net Transaction Loss (NTL) has improved from -1.5% in Q4 FY21 to -1.1% in Q4 FY22
- ✓ **Continued strong trends in arrears and bad debts**
 - Arrears down to 1.1% from 1.9% in Q4 FY21
 - Net Bad Debts down to 1.5% from 2.3% in Q4 FY21
- ✓ **OpyPro delivered another record quarter with strong customer validation of the platform**
- ✓ **Pausing US operations as a result of current macroeconomic and market conditions, to focus capital and resources on delivering core profitability in Australia by June 2023**
- ✓ **Openpay will continue to look for commercialisation opportunities for both the Openpay US and UK platforms in a capital-light manner**

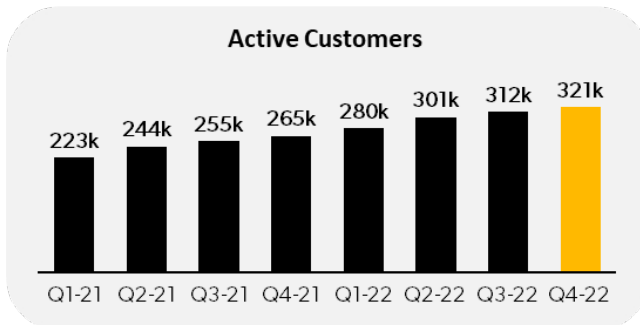
MELBOURNE Australia, 28 July 2022: Openpay Group Ltd (ASX: OPY) (**Openpay** or **the Company**) is pleased to release its quarterly business update for the period ended 30 June 2022 (Q4 FY22).

Dion Appel, Openpay CEO, said: *“This last quarter saw Openpay take some further tough but important decisions which has allowed the Company to focus on its core operating platform in Australia (across both B2C but also B2B via OpyPro). As these quarterly results highlight, the ability to focus our capital, people and strategy on Australia (which has always been our home market) versus multiple jurisdictions is delivering the outcomes we are seeing in the continued growth in TTV and revenue, the strength of our gross and net margins (arguably the strongest in our peer set), whilst at the same time continuing to deliver and improve our extremely low arrears and bad debts. This focus has allowed us to target hitting cash flow profitability by June 2023 and we remain committed to that target. We will continue to optimise the business on an ongoing basis as well as look for opportunities to accelerate to profitability should they present themselves. Sometimes being the smaller guy in the room allows you to adapt and pivot quicker to the market environment we operate in than our larger peers. We think we have been decisive in our decision making and quick to then execute on those decisions and this remains one of our key advantages.”*

ANZ OpyPay (B2C) Update – Record TTV and Revenue in the quarter

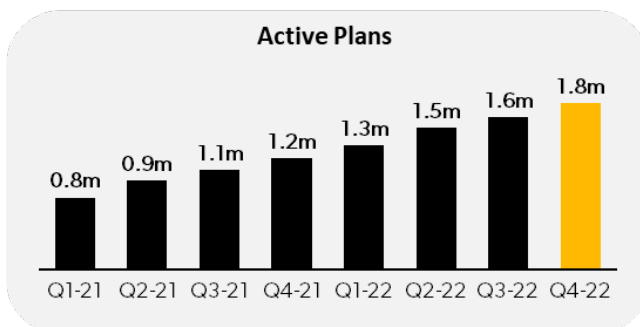


Openpay continues to focus on Merchant selection and acquisition across target verticals. **Active Merchants increased 9% vs pcp** to 4.1k as at Q4 FY22



Ongoing customer experience improvements led to **Active Customers increasing 21% vs pcp** to reach 321k at the end of Q4 FY22.

Openpay's strong value proposition of longer and larger plans, led to a record 65% of customers holding multiple active plans, and 92% of active plans being held by repeat customers.



Active Plans increased 50% vs pcp, reaching 1.8m at the end of the quarter, with 82% of TTV from plans three months or longer as the Company continues to gain traction across target verticals.

Openpay ANZ achieved record quarterly TTV of \$97.6m, an increase of 54% vs pcp. In June alone TTV reached \$35.4m, up 65% vs pcp - surpassing the previous peak trading month of December 2021 (\$34.6m). We continue to see strong demand for our payment plans in July and expect the momentum to continue.

As a result of sustainable growth, OpyPay B2C revenue increased significantly to reach \$7.9m at the end of the quarter (up 70% vs pcp). This strong performance was coupled with our market-leading revenue margin of 8.1% (up 80bps vs pcp) and NTM of 3.4% (up 140bps vs pcp) in Q4 FY22.

Continued growth across key leading indicators, with Active Merchants reaching 4.1k, and Active Customers growing to 321k, 21% higher vs pcp. Strong performance with Active Plans growing 50% vs pcp to over 1.8m, highlighting increased demand for Openpay's payment plans and further solidifying the Company's value proposition.

Openpay's portfolio is diversified across key verticals of high-value Retail, Healthcare, Automotive, Home Improvement, and Education. 42% of the portfolio consists of loans originated outside of Retail, in higher-margin, lower-risk verticals. They were most impacted by the pandemic as their sales occur mainly in-store, rather than online, and are now growing faster as a proportion of the portfolio.

These five key verticals attract a mature customer base, with a median age of approximately 40 and a high repeat purchase rate (92% of plans are held by repeat customers). Customers use Openpay as a cashflow management tool

and take advantage of flexible repayment options to spread the cost of high-value purchases over a longer period. Under 10% of the portfolio relates to low-value, short-term plans typical of pay-in-4 providers.

Openpay remains focused on delivering its targeted approach of larger lends over longer periods of time, a strategy that consistently results in market-leading margins and low net bad debts. The Company continues to target to deliver cash profitability in Australia by June 2023.

Australia OpyPro (B2B) Update – Another quarter of record growth

OpyPro reported another record-breaking quarter, including nearly 6,000 new accounts added (up 114% vs pcp) and TTV through the platform of \$16.6m (up 463% vs pcp).

Ongoing platform enhancements is solidifying OpyPro's position as an alternative solution of business trade management for enterprise customers. The platform will now replace all legacy systems for a key customer further validating its unique market offering with strong customer endorsement.

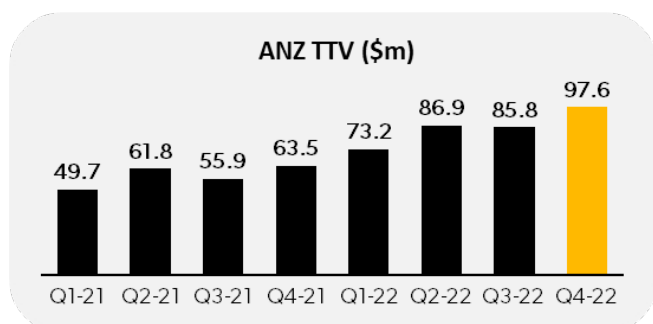
US Update – Pausing operations

In January 2022, Openpay Group implemented a number of structural and strategic decisions across the Group aimed at simplifying the business to accelerate its pathway to profitability in Australia, including the announced withdrawal from the UK. More recently Openpay also announced its withdrawal from the US market, leaving Australia as its core operating jurisdiction.

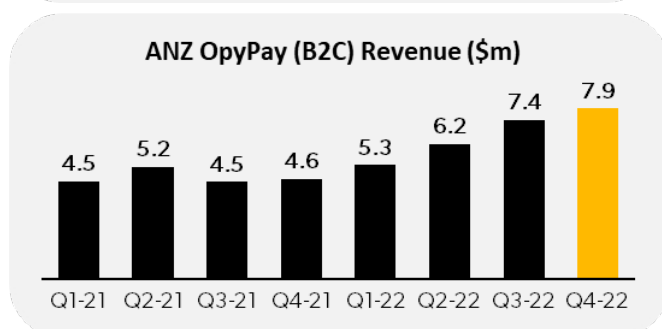
Openpay's decision will result in no further investment in its existing US operations in the near term, subject to one-off costs associated with the restructuring. Openpay believes that available capital and funding are best allocated to the Australian business given its continued strong growth, market-leading margins and unique market positioning. Openpay will continue to explore opportunities to extract value from the UK and US platforms.

It should be noted that there is no goodwill or other capitalised costs associated with the UK or the US which would need to be released/expensed as a consequence of the withdrawal from those markets.

Financial Performance

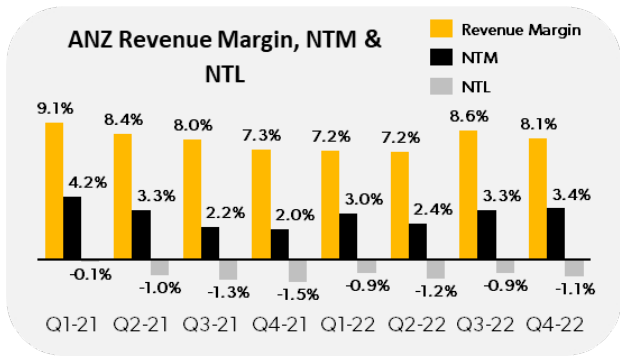


ANZ TTV continues to experience strong growth, delivering a record \$97.6m at the end of Q4 FY22 (up 54% vs pcp), driven by increased demand from our flexible plans across all verticals.

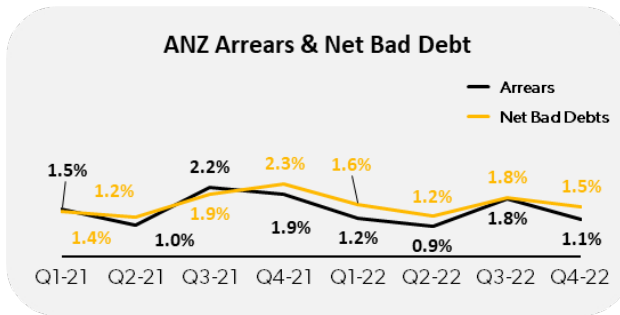


Revenue (ex-OpyPro) grew 70% to reach another record in Q4 FY22 - \$7.9m - as Openpay's pricing strategy matures and delivers the flexibility customers seek from its differentiated offering.

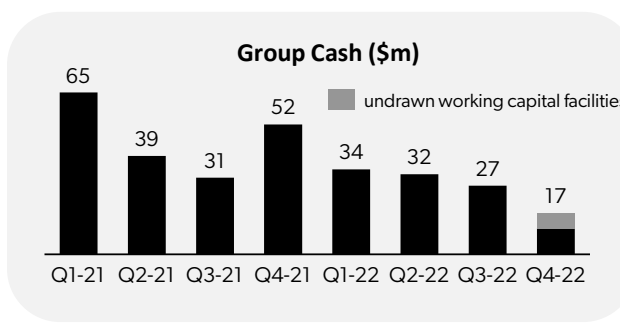
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In Q4 FY22, Openpay continued to deliver market-leading margins – Revenue Margin 8.1% (up 80bps vs pc); Net Transaction Margin (NTM) was 3.4% (up 140bps vs pc) and Net Transaction Loss (NTL) was -1.1% (a 40bps improvement vs pc).



Openpay’s continued portfolio performance management effort delivered industry leading low Arrears and Net Bad Debt in ANZ. In Q4 FY22, stand-alone Arrears were 1.1% (vs 1.9% in Q4 FY21) and Net Bad Debts were well managed at 1.5% (vs 2.3% in Q4 FY21). Openpay will continue to manage the portfolio to ensure asset quality and earnings are sustainable and strong.



Q4 FY22 cash balance is \$10m. Openpay also has \$11.2m (\$6.2m committed) of undrawn working capital facilities. The Group continues to actively manage its funding requirements.

On 10 August, Openpay Group will host an Extraordinary General Meeting (EGM) seeking shareholders’ approval for the \$11.8m (before costs) second tranche of the capital raise announced in May and the Share Purchase Plan (SPP) of up to \$2.0m (non-underwritten).

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.

Appendix 4C

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

Name of entity

Openpay Group Ltd

ABN

97 637 148 200

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	103,653	432,909
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,318)	(9,490)
(c) advertising and marketing	(2,776)	(8,331)
(d) leased assets	(67)	171
(e) staff costs	(10,060)	(47,557)
(f) administration and corporate costs	(1,356)	(13,877)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	27
1.5 Interest and other costs of finance paid	(3,212)	(16,714)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (payments to merchants)	(97,888)	(417,988)
1.9 Net cash from / (used in) operating activities	(14,024)	(80,850)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(52)	(223)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1)	45
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(53)	(178)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,263	6,263
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	3,284	49,334
3.6	Repayment of borrowings	(12,806)	(14,665)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (principal elements of lease payments)	(158)	(1,027)
3.10	Net cash from / (used in) financing activities	(3,417)	39,905

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	27,489	52,078
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(14,024)	(80,850)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(53)	(178)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(3,417)	39,905
4.5	Effect of movement in exchange rates on cash held	413	(547)
4.6	Cash and cash equivalents at end of period	10,408	10,408

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,099	24,425
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Cash Suspense)	3,309	3,074
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,408	27,499

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(134)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>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.</i>		
7.1	Loan facilities	604,763	82,861
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	604,763	82,861
7.5	Unused financing facilities available at quarter end		521,901
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.		
	<p>Loan facilities in Australia consist of working capital facilities with A H Meydan Pty Ltd and Riviera Capital Pty Ltd, and a commercial bill with GCI Commercial Finance Fund. Borrowings carry a fixed interest rate (working capital facilities), an interest rate based on the Bank Bill Swap Rate (GCI) plus a margin. The working capital facilities offer an available borrowing base of \$40 million, \$5 million of which is uncommitted. There was \$29 million outstanding on the working capital facilities as of 30 June 2022. The commercial bill offers an available borrowing base of \$65 million of which \$55 million is committed and \$10 million is uncommitted. Of the \$55 million committed, \$50.5 million is drawn as of 30 June 2022.</p> <p>The Loan Facility in the UK consists of a funding agreement with Global Growth Capital (GGC) of £60 million of which £25 million is committed and £35 million is uncommitted. Borrowings carry a fixed interest rate. Of the £25 million committed, £2 million is drawn as of 30 June 2022.</p> <p>The Loan Facility in the US consists of a warehouse funding agreement with Goldman Sachs and Atalaya of US\$271 million of which US\$137.7 million is committed and US\$137.7 million is uncommitted. Borrowings carry a floating interest rate based on Libor plus a margin. As at 30 June 2022 no funds have been drawn under this facility.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(14,024)
8.2	Cash and cash equivalents at quarter end (item 4.6)	10,408
8.3	Unused finance facilities available at quarter end (item 7.5)	521,901
8.4	Total available funding (item 8.2 + item 8.3)	532,309
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	38.0
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	

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

8.6.1 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:

8.6.2 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:

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

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 28 JULY 2022

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

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.

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