

ASX Announcement

31 January 2020

Openpay quarterly business review: continued strong growth in all key metrics

Highlights

- **Strong underlying growth and performance across all key metrics continued in Q2 FY20 (December quarter, unaudited) underpinned by Black Friday and Christmas trading:**
 - **Active Plans increased by 187% in the twelve months from 31 December 2018 to 31 December 2019 (yoy) and 46% compared to Q1 FY20**
 - **Active Customers increased by 99% yoy and 36% compared to Q1 FY20**
 - **Active Merchants increased by 74% yoy and 12% compared to Q1 FY20**
 - **Total Transactional Value for 1H FY20 (period ended 31 December 2019) increased 95% compared to 1H FY19, primarily due to continued strong growth in the Australian retail sector and introduction of new UK client, Ideal Shopping Direct**
 - **Revenue for 1H FY20 (period ended 31 December 2019) increased by 73% compared to 1H FY19, made up of 58% increase in Merchant fees and a 91% increase in consumer fees**
- **Openpay to continue to grow its core BNPL business and to expand into additional household spend verticals and other adjacent market opportunities**
- **Cash at bank: \$52.6m as at end of Q2 FY20.**

MELBOURNE Australia, 31 January 2020: Buy now, pay smarter company, Openpay Group Ltd (ASX: OPY) (**Openpay** or the **Company**) is pleased to announce its Appendix 4C and quarterly business activities review for the quarter ended 31 December 2019 (Q2 FY2020). This is the first 4C report following the Company's Initial Public Offering (IPO) in December 2019.

Openpay CEO, Michael Eidel commented, *"In this first quarterly review since our IPO, Openpay is pleased to report demonstrated strong growth across all key metrics, including a record increase in customer acquisitions for the December quarter. We've executed and implemented agreements with notable retail brands and are starting to bed down agreements with highly active UK retailers.*

"The remainder of FY20 will be a busy time for Openpay as we continue to grow our core buy now pay later business across Australia and the UK and continue to deliver upon our IPO objectives."

Operational update

Strong growth across all metrics further driven by Black Friday and seasonal trading

The December quarter was a peak retail time with both Black Friday and Christmas trading leading to continued strong growth across all key metrics: Active Plans, Active Customers, Active Merchants, Total Transaction Value and Revenue.

The number of Active Plans – i.e. those plans where there has been a transaction in the last 12 months – lifted by 187% yoy and 46% compared to Q1 FY20, closing with a total of 462,384 Active Plans as at 31 December 2019.

For personal use only

Active Customers increased by 99% yoy and 36% compared to Q1 FY20 to 206,434, with an average of 592 new customers per day added throughout the quarter. This record increase in customer acquisition was largely driven by seasonal factors such as Black Friday and Christmas trading.

Active Merchants increased 74% year-on-year (yoy) and by 12% compared to Q1 FY20 to 1,894 supported by merchants preparing for trade ahead of the holiday period.

New merchants contracted in Openpay's Australian retail, healthcare, automotive and home improvement markets during the quarter included Wittner, Koala, Aquila, Gazman, Trade Tools, House of Golf, Salt and Pepper (online), Build-A-Bear Workshop, LiveLife Pharmacy Group, United Vet Group, PETstock, the Lost Dogs Home, Lort Smith, Cable Melbourne, RSEA, Mercedes Benz Parramatta and Castle Hill, LSH Auto and not-for-profit group, Vision Australia. In total 200 Active Merchants were added in the current quarter.

Openpay has agreed new terms under which it will transition the exclusive BNPL brand and marketing rights to more than 600 dental practices to Openpay that it formerly serviced in partnership with MySmilePlan Pty Ltd. Under the redefined partnership, Openpay will become the sole merchant of record and have full responsibilities for managing the BNPL solutions, end-to-end for these practices.

In the UK, Instamille, House, Hand on Heart Jewellery, Makers Retail, Masdings and others were added as merchants alongside Ideal Shopping Direct, a large online and TV retailer. As announced in December, Openpay has also signed a contract with JD Sports, a £2.1bn UK retailer, with online trading expected to commence during the quarter ending 31 March 2020.

FY20 Total Transaction Value (TTV) for 1H FY20 (period ended 31 December 2019) increased by 95% compared to the previous corresponding period (1H FY19). TTV for Q2 FY20 increased by 42% to \$49.5m compared to Q1 FY20, primarily due to continued strong growth in the Australian retail sector and the contract established with UK multi-channel retailer, Ideal Shopping Direct in December.

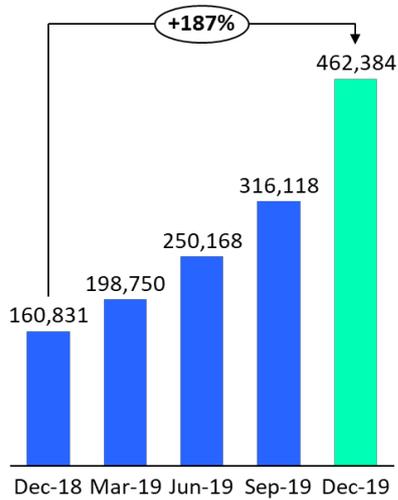
Revenue 1H FY20 (period ended 31 December 2019) increased by 73% compared to the previous corresponding period (1H FY19), which represents an increase of 25% for the quarter compared with Q1 FY20.

For personal use only

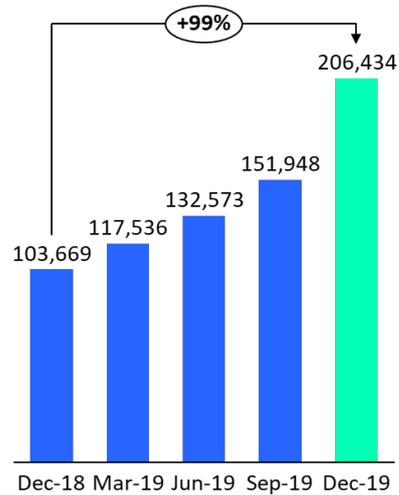
Summary of key metrics¹ (unaudited)

	As at end Q2 FY20	Compared to Q1 FY20	YoY comparison
Active Plans	462,384	+46%	+187%
Active Customers	206,434	+36%	+99%
Active Merchants	1,894	+12%	+74%

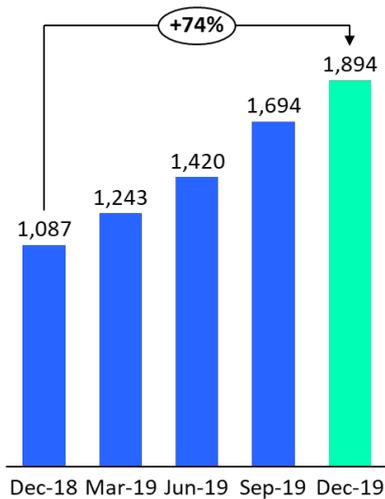
Number of Active Plans as at end Q2 FY20



Number of Active Customers as at end Q2 FY20



Number of Active Merchants as at end Q2 FY20²



¹Historical figures are reported on a pro-forma basis

²Not fully representative as one merchant can often represent multiple locations.

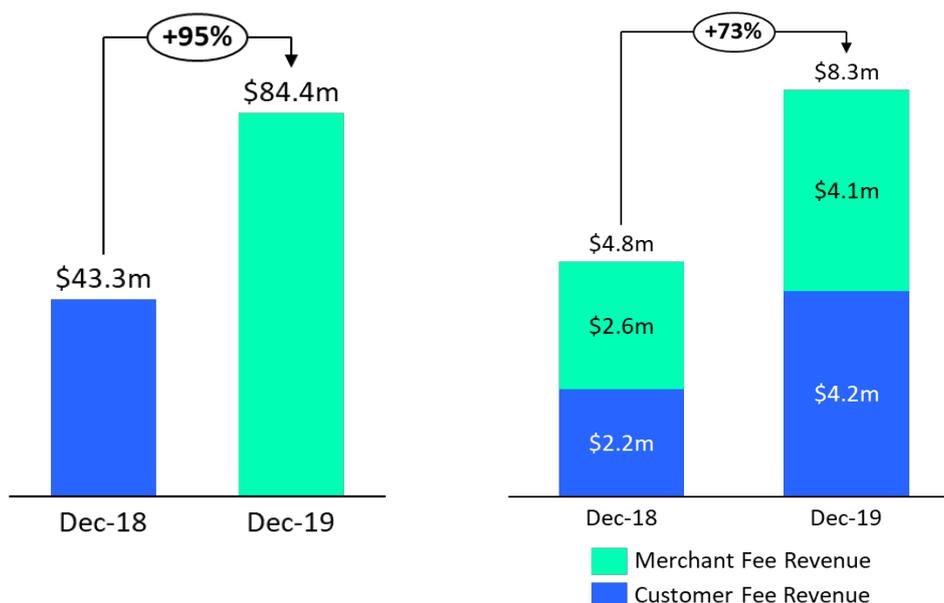
For personal use only

Summary of key metrics³ (unaudited, cont'd)

	FY20 YTD for the period ended 31 December 2019	Compared to previous corresponding period, 1H FY19
Total Transaction Value	\$84.4m	+95%
Revenue	\$8.3m	+73%

Total Transaction Value YTD for the period ending
31 December 2019

Revenue YTD for the period ending 31 December
2019



Corporate summary

Openpay debuts on Australian Securities Exchange

Openpay successfully listed on the Australian Securities Exchange in December after a heavily oversubscribed IPO which raised \$50 million through the issue of 31.25m new shares at \$1.60. The IPO was strongly supported by institutional and retail investors, demonstrating the investor appetite for the Company's payment technology offering and significant growth potential.

Proceeds from the IPO will be primarily used to support Openpay's growth strategies, including working capital to underpin the Company's target business plans as well as continued investment into increasing the Company's addressable market through product development, talent acquisition and continued UK expansion, enhancement of its technology platform and decisioning tool and receivables growth through increased access to equity funding.

³Historical figures are reported on a pro-forma basis

For personal use only

BNPL Code of Practice

In December, the Australian Financial Industry Association (AFIA) announced that it would work with industry participants to develop a Buy Now, Pay Later (BNPL) Code of Conduct. The Code is designed to ensure BNPL products are provided in a responsible manner, are fair and easy to understand.

Openpay has been an active member of the group working to develop the Code and is committed to working under its guidance once implemented.

AFIA released the Code for public consultation on 29 January 2020 and aims to have the Code operating by 1 July 2020 but acknowledges this may be affected by the consultation process.

Cash and debt financing

Cash as at 31 December totalled \$52.6m and included a number of one-off expenses associated with the company's IPO and ASX listing in the December quarter. In addition, Openpay has in place debt financing of up to \$75m which is used to fund growth in the receivables book and balance the lag time between Openpay's outgoing payments to merchants and incoming payments from customers.

Cash receipts in Q2 were \$42.7 million, comprised of accounts receivables, consumer and merchant fees collected during the period. The movement in Openpay's accounts receivables balance reflects the timing difference between the collection of TTV from customers and payments made to merchants at the time of purchase. Operating cashflow for Q2 was (\$21.3 million), driven by increases in Active Plans, TTV volumes and continued investment for future growth.

Outlook

Openpay continues to focus on its aim of positioning itself as the 'go to' provider for responsible, financially savvy consumers. Through to the end of FY20, Openpay will build upon its competitive market position in the automotive, healthcare and home improvement verticals to capture a larger share of the Australian retail market. It will also leverage its BNPL platform to expand into new household spend verticals and other adjacent market opportunities.

In addition to continuing the strong momentum in the Australian market, a strategic plan is in place to convert interest from the nascent UK BNPL market, with a strong pipeline of leading retail merchant brands.

More information

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

Authorised by
Michael Eidel
CEO and Managing Director
Openpay Group Ltd

For personal use only

For further information, please contact:

Investors	Media
Ed Bunting Company Secretary Mobile: +61 401 555 333 investors@openpay.com.au	Jane Lowe IR Department Mobile: +61 411 117 774 jane.lowe@irdepartment.com.au

About Openpay

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.

See more at openpay.com.au.

For personal use only

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Openpay Group LTD

ABN

97 637 148 200

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	42,654	76,554
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,541)	(2,303)
(c) advertising and marketing	(1,477)	(2,426)
(d) leased assets	(686)	(1,003)
(e) staff costs	(6,407)	(10,478)
(f) administration and corporate costs	(2,287)	(5,676)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	31
1.5 Interest and other costs of finance paid	(1,642)	(2,776)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (payments to merchants)	(49,906)	(83,842)
1.9 Net cash from / (used in) operating activities	(21,287)	(31,919)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(402)	(520)
(b) businesses (see item 10)	-	-
(c) investments		

For personal use only

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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	(402)	(520)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	50,000	50,000
3.2 Proceeds from issue of convertible notes	7,250	26,200
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(3,595)	(3,595)
3.5 Proceeds from borrowings	4,000	4,000
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	57,655	76,605

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	16,753	8,705
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(21,287)	(31,919)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(402)	(520)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	57,655	76,605

For personal use only

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(147)	(299)
4.6	Cash and cash equivalents at end of quarter	52,572	52,572

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	51,452	15,892
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (Cash Suspense)	1,120	861
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	52,572	16,753

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
(52)
-

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

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
(189)

For personal use only

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	75,000	24,000
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include 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, \$24 million is drawn as of 31 December 2019. The revolving credit facility offers a committed borrowing base of \$25 million, with an option to extend to \$100 million. There were no borrowings outstanding on the working capital facility nor the revolving credit facility as of 31 December 2019.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(3,313)
9.3 Advertising and marketing	(1,224)
9.4 Leased assets	(382)
9.5 Staff costs	(6,425)
9.6 Administration and corporate costs	(2,027)
9.7 Other (payments to merchants)	(75,296)
9.8 Total estimated cash outflows	(88,667)

Note: Section 9 reflects the estimated operational cashflows for the quarter ending 31 March 2020. This section does not take into account cash inflows such as receipts from customers, which are expected to be around \$61.1 million in the quarter ending 31 March, or the Company's additional debt financing (up to \$41.0 million), which is used to balance the lag time between Openpay's outgoing payments to merchants and incoming payments from customers. Openpay uses debt financing to fund the continued growth of its receivables book.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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.

Sign here:



Date: 31 JANUARY 2020

Print name: EDWARD BUNTING, COMPANY SECRETARY

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

For personal use only