

FY21 full year results

26 August 2021

A transformative FY21 sets Openpay up to become a truly diversified global payments fintech

Key Highlights

- ✓ **Strong growth delivered across the following leading indicators (all before Payment Assist integration):**
 - Active Plans hit 2.0m, up 141%, vs pcp (prior comparable period: June 2020)
 - Active Customers of 541k up 69% relative to pcp
 - Active Merchants of 3.8k up 77% relative to pcp – record increase in new Active Merchants
 - Maintained strong volume growth dynamic, with an increase in TTV, up 77% vs pcp to \$339m
 - Openpay finished FY21 with market leading revenue margin of 7.6%
- ✓ **Aggregator-driven, local market growth supports strong operational and financial results; strong start into FY22**
- ✓ **Transformative year for Openpay UK, with anticipated acquisition of leading BNPL provider to the UK Auto vertical, Payment Assist (expected to close H1 FY22) and preparing for UK Healthcare launch**
- ✓ **Opy US set to enter the \$5.5t US BNPL market with go-live set for early October 2021**
- ✓ **OpyPro sees strong trading activities with Woolworths, and new enterprise contract win, with tech company HP**
- ✓ **Significant funding package approved by shareholders, raising \$37.5m equity via an oversubscribed institutional placement, \$25m debt facility, and an \$8.7m share purchase plan, providing a strong cash position into FY22**
- ✓ **Online investor briefing webinar to be held today at 2:30pm AEST.**

MELBOURNE Australia, 26 August 2021: ‘Buy now. Pay smarter.’ company, Openpay Group Ltd (ASX: OPY) (**Openpay** or the **Company**) is pleased to release its full year results for the year ended 30 June 2021.

Openpay reported strong FY21 performance, while positioning itself both strategically and at the platform level for step change growth in its key markets of Australia, New Zealand, United Kingdom and United States.

Managing Director and Group CEO of Openpay, Michael Eidel commented: *“FY21 was a transformative year for Openpay, with many significant strategic and operational achievements that set us up to achieve our objectives of sustainable growth and mid-term profitability. We have successfully transformed the business to become a truly diversified, global payments fintech, well beyond our great B2C BNPL offering and origins, and precisely as described in our long-term vision and strategy.*

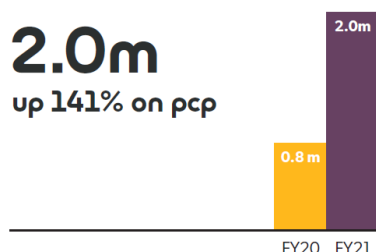
To accelerate growth as we move into FY22, Openpay continues to establish partnerships with major ecosystem providers and aggregators in our target verticals. These drive seamless integration with new merchants and customers at scale, for our longer, larger and more customised plans. Importantly, we have secured another major contract win for our OpyPro SaaS platform in B2B in Australia, with global IT giant HP, and we see strong demand in other geographies for the upcoming period.

These strategies will underpin high margin TTV growth across Openpay’s key verticals, where we will not be trapped into the dynamics of an increasingly overcrowded ‘pay-in-4’ space with strong margin decline and heightened regulatory scrutiny.”

Continued growth across all leading indicators, UK Active Customers overtake Australia

Active Plans

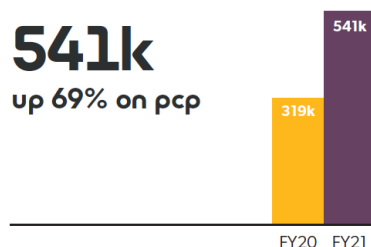
2.0m
up 141% on pcp



Active Plans increased 141% vs pcp, reaching 2.0m, driven by the continued recovery of bricks and mortar growth rates in Openpay’s specialised verticals (particularly Healthcare and Automotive). Openpay finished FY21 with a plan mix that is comparatively longer-term and higher value relative to peers, with 91% of TTV from plans three months or longer.

Active Customers

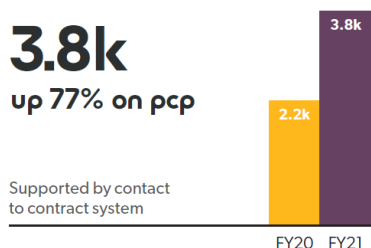
541k
up 69% on pcp



An Active Customer growth rate of 69% vs pcp was achieved at an aggregate level across all merchant verticals, and Openpay finished FY21 with 541k Active Customers. Strong customer engagement and awareness led to the **highest-ever** percentage of plans being held by repeat customers at 84%, with more than every second customer holding multiple concurrent plans. These numbers were all achieved prior to the injection of customers from the anticipated Payment Assist acquisition.

Active Merchants

3.8k
up 77% on pcp



Overall, Active Merchants grew 77% vs pcp to 3.8k, helped by Openpay’s automated merchant onboarding system. New integrations with ecommerce platforms and point of sale provider partnerships contributed to the **strongest y-o-y growth** in the number of Active Merchants on record. The growth in Active Merchants was supported by updates to Openpay’s ‘contact to contract’ system, which delivered a sharp increase in new merchants, and providing our customers even more choice.

We performed strongly in Australia & New Zealand.

In the crowded and competitive Retail sector, Openpay’s 3-4-month plans are the most popular and deliver significant average transaction value (ATV) uplifts for merchants.

New enterprise wins included: Kogan, Officeworks, Mosaic Brands, Retail Apparel Group, and SurfStitch. New ecommerce and POS platform partnerships included Adobe Magento, Quest Payments and Apparel 21.

The Home Improvement vertical was buoyant throughout FY21 lockdowns, while people shifted their spending indoors. Average plan lengths sat around 11.7 months in this vertical, with average transaction values the highest across all our verticals, at \$3,346 / transaction.

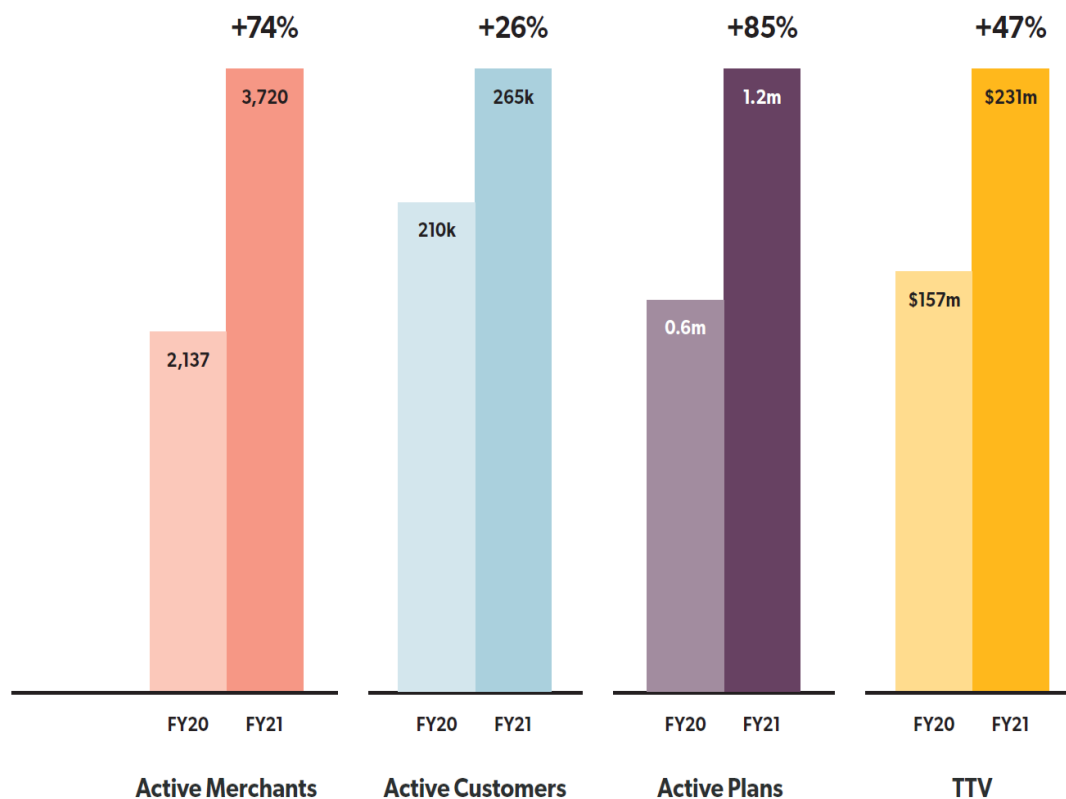
Following the signing of the Company’s first Original Equipment Manufacturer (OEM) partnership with Ford, Openpay rolled out its integration with dealer management system provider Pentana solutions in May 2021, which services 60% of the car dealership market. More than 350 new dealership groups commenced onboarding and transacting in June.

Openpay was a BNPL first mover into Hospitals, via the inaugural partnership with St John of God Healthcare. The new partnership agreement with Henry Schein, in dental, and the digital health practice (telehealth) provider

CorePlus added to the health offering. The Company’s partnership agreement with 1st Group evolved and went full scale earlier than anticipated after a strong initial trial.

Openpay also launched into the Memberships vertical via major aggregator deals with Gameday and Monash University’s Student Association.

Despite repeat lockdowns in our main markets of Victoria and New South Wales, very strong performance was recorded across leading indicators. This growth is testament to Openpay’s fast-growing presence across leading ecommerce platforms, which worked to counter repeated store closures throughout FY21.



Openpay Australia finished the year with 3,720 Active Merchants, up 74% on pcp and 265k Active Customers, up 26% on pcp. Active Plans stood at 1.2m for the year, up 85% on pcp and TTV grew strongly to finish at \$231m for FY21, up 47% over pcp.

We commenced our vertical expansion in the United Kingdom.

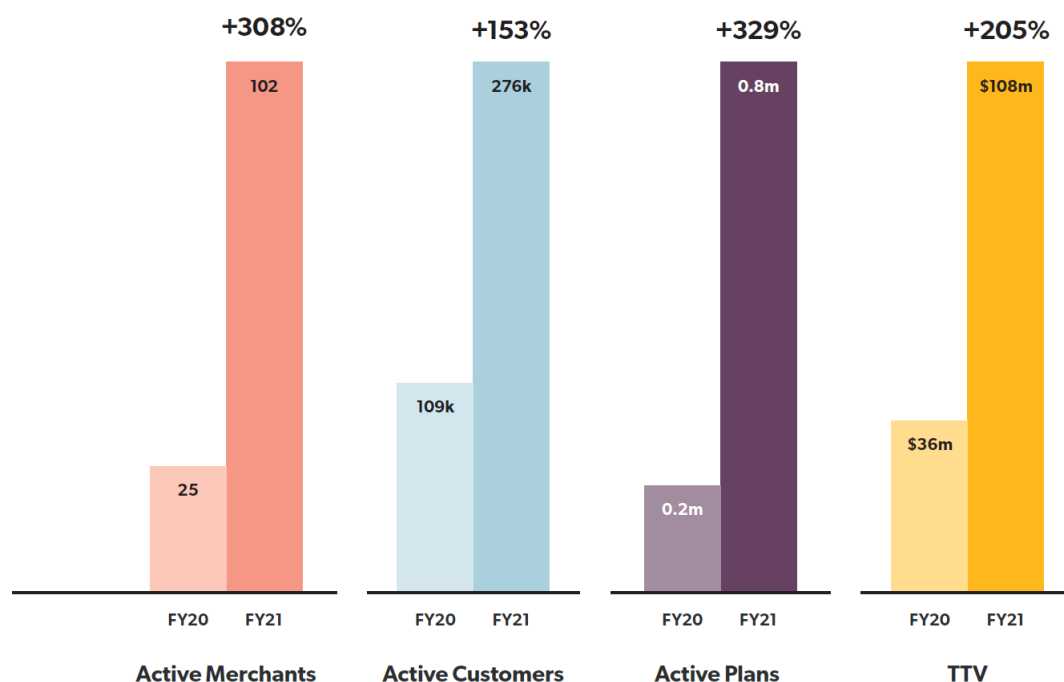
Since entering its first international market in 2019, Openpay has successfully created a strongly engaged, large customer base in bigger ticket retail in the UK. With the anticipated acquisition of leading UK Automotive BNPL provider, Payment Assist and an integration partnership with ezyVet in Healthcare, Openpay has now commenced its pivot into our core verticals within the UK.

Bigger ticket retail has been a strong differentiator versus more traditional ‘pay-in-4’ BNPL providers, with Openpay’s higher-value, longer-length plans mostly between 3 and 6 months. Snug Sofa, THG brands, Lookfantastic, Myprotein, Zavvi, Thehut.com, All Sole and Glossybox, JD Group brands, size? and Tessuti, and Kiddies Kingdom were some of Openpay UK’s new enterprise successes this year. Perfume Direct and Maplin are also on the list. Pentland Group main brands Speedo, Berghaus, Kickers, and Endura, as well as TM Lewin, Dawsons Music, and Marks Electrical, have all recently signed on.

Retail growth was powered by launches with several new brands including significant wins within the sporting arena. Openpay UK signed multiple football club partners including Fulham FC, Wolverhampton Wanderers FC, West Brom and Brentford FC who have recently been promoted to the Premier League.

Following on from successful integrations with THG’s Ingenuity Platform and Retail Sports Solutions at the end of FY20, Openpay UK landed several major partner deals through FY21.

During the second half of FY21 Openpay signed a global deal with ezyVet, the next generation in cloud-based practice management software for veterinary professionals.



UK Active Merchants increased 308% vs pcp to 102. Active Customers were up 153% vs pcp to 276k. Active Plans were up 329% vs pcp to 0.8m and TTV was up 205% on pcp to \$108m.

Openpay UK now contributes 51% of total global Active Customers and 40% of total global Active Plans. During the year, 71% of UK plans were taken out by repeat customers, with an average of 2.9 Active Plans per UK Active Customer at year end.

Highly material acquisition¹ of Payment Assist

A very significant milestone in FY21 for Openpay UK was the highly material proposed acquisition (announced June 2021) of the leading BNPL provider to the UK automotive sector, Payment Assist. The acquisition catapults Openpay into the UK Automotive vertical at scale.

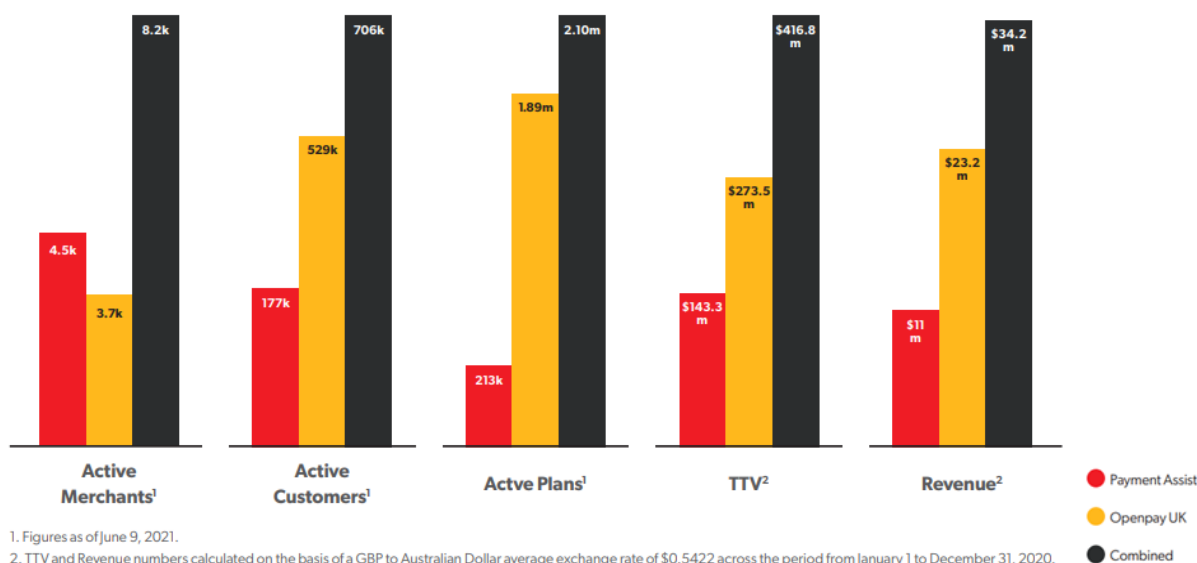
Payment Assist was founded in 2013 in the UK and has served around 500,000 customers with easy payment plans for automotive servicing and repair. It is currently available at more than 7,000 locations across the UK and has 177,000 Active Customers. In CY 2020², Payment Assist achieved a Total Transaction Value of £78.1m, up 26% on CY 2019 and is targeting TTV of £105.3m in CY 2021. With a total addressable market of £26.7 billion per annum³ across

¹ Subject to conditions precedent, including approval from the UK Financial Conduct Authority (FCA)

² Payment Assist is on a 1 January – 31 December financial year

³ Source: October 2020 UK INDUSTRY (UK SIC) REPORT G45.200 by IBIS World

42,000 UK garages, the acquisition provides Openpay with significant expansion and scale opportunity in the Automotive vertical and beyond.



The synergies flowing from the transaction are expected to more than double Openpay Group’s Active Merchants, increase its Active Customer base by a third and increase global TTV and revenue roughly by half. Contingent upon change in control approval from the UK Financial Conduct Authority (FCA), successful completion also provides Openpay with FCA authorisation, which is consistent with Openpay’s responsible approach and strategy to enter the regulated credit market. Completion is currently anticipated to occur in H1 FY22.

Our US expansion – Opy US prepares to kick off in October 2021

Through FY21, Opy US, Inc. (Opy) continued to build a strong pipeline of large merchant aggregators and ecosystem partners, while preparing to go-live in early October. To prepare, Opy has significantly progressed the buildout of the US version of Openpay (OpyPay), positioned in the US as the next generation BNPL product (BNPL Ver 2.0). With market-leading aggregators in its key verticals, Opy is establishing itself as a major player in the US, the world’s largest developed market. Opy has already signed customers and partnerships in the US and continues to progress as planned with major funders and regulatory licensing partners to support the upcoming launch. Details on customers and partnerships remain commercial in confidence and will be announced to the market when appropriate.

Opy is progressing its Six Pillars of Success strategy:

1. Recruit strong leadership
2. Launch a wholesale merchant strategy and distribution model
3. Create large-scale, sustainable ecosystem partnerships
4. ‘Americanize’ the platform
5. Tune the product to extend our differentiation
6. Pivot, expand, and scale from our existing areas of strength

Checking off its commitment to Pillar 1, Opy continues to grow its leadership team with the recent addition of leading industry veterans David Dancer as Opy’s US Head of Marketing and Beth Zampieri as Senior Vice President of Customer Engagement and Success.

Opy has established a very large pipeline of wholesale merchant aggregators (Pillar 2), each of whom can bring large groups of merchants to Opy at a time. These aggregators are deeply aligned with Opy's targeted verticals, including a pilot program with one of America's largest insurance providers, and Opy's upcoming launch with ezyVet in early October 2021. Opy is also working on US deals with aggregators and processors in dental and allied health.

At an even larger scale than the aggregator channel, Opy's Pillar 3 focuses on the ecosystem partner channel, where the pipeline also grew significantly in Q4 FY21. These partners bring massive merchant customer bases that span across industries and integrating with them enables Opy to become another form of payment (similar to credit and debit cards) in terminals and online across those merchants and their millions of consumer customers.

The US technology and product platform is advanced to the final stages of being readied for the American market (Pillar 4). Opy's US products are being developed to offer merchant and consumer friendly solutions with incomparable fair, transparent, and fixed BNPL payment options (a simple flat fee rather than an interest rate product), that extend up to \$20,000 with plan lengths of up to 24 months. These plans are the first of their kind to scale in the American fintech market.

When compared to existing BNPL options, Opy's products are customised for specific verticals that financially impact consumers the most, including Healthcare (Veterinarian and Dentistry), Home Improvement, Auto Repair and Servicing, and Education. When compared to traditional consumer loans, Opy's products are as much as one third of the cost of loans of the same size and duration, making Opy's offering game changing. Opy's products upon launch will be highly competitive, interest-free payment options for financially savvy consumers and the merchants that serve them.

Opy is building the platform with input from large US companies. Progressing very well on Pillar 5, Opy has invited merchants to join the Opy Merchant Advisory Council (OMAC) to set priorities and recommend features and functions that the merchants most value and expect when evaluating, selecting, and changing BNPL providers. This also helps ensure Opy embraces continuous innovation, keeping up with the growing demand and needs of US merchants and their customers.

Opy has made significant progress preparing for Pillar 6, where the US consumers who safely use Opy in a lower risk target vertical, can take the product to other adjacent verticals where the risk is typically higher. Opy has begun establishing key relationships with large enterprise merchants who fall into these adjacent verticals. So, when a consumer uses Opy to replace their leaky roof (and pays on time), they'll be able to use the product to replace their flat screen TV and the rug damaged under that roof.

As BNPL is becoming the fastest growing payment option in the US, and as the market grows, Opy plans to accelerate its growth in 2022 by following its consumers into a broader set of lifestyle verticals, such as bigger ticket retail and home electronics, providing Opy an opportunity to build awareness at scale and in turn, earn increased consumer loyalty.

OpyPro. B2B SaaS platform update

Openpay’s capital light, Software-as-a-Service (SaaS) solution, OpyPro had its debut in the Australian B2B market with Woolworths in September 2020. Since then, thousands of business purchases at Woolworths’ brands instore and online have migrated to OpyPro, with Openpay welcoming the first revenue from this high growth product through FY21.

In Q4 FY21, Openpay proudly announced an agreement with digital B2B lender Lumi to add a funding component to OpyPro’s business trade account management platform. In early FY22, the combined offer was signed by IT giant, HP highlighting the value of this unique platform in the broader enterprise market, in Australia and beyond.

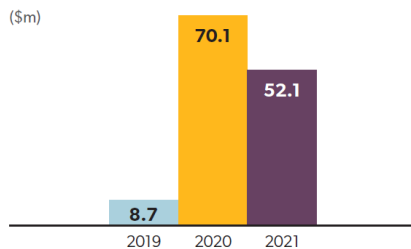
The OpyPro pipeline of new partnerships is maturing with new B2B partnerships expected to be announced in FY22.

Quality of Earnings and Financial Position

Openpay continued to register strong TTV growth momentum in FY21 in both the Australian and UK markets, supported by existing funding facilities and the successfully executed ~\$71.2m capital and corporate debt package during Q4 FY21. The funding supports the Group’s continued investment in its strong growth trajectory in Australia, the UK, and the expected launch into the US during early October.

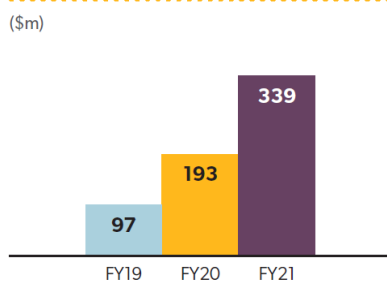
Financial Results for the year saw a reduction in the Group’s revenue margin to 7.6%, from 9.3%, due to an increased mix of TTV from the Retail vertical. When combined with the early-stage loss performance recorded in the UK, this translated into an NTM of 0.6% for the year, however loss performance improvements started to be noted in late Q4 FY21 and into early FY22. Improvements in NTM have followed suit in the new financial year, recovering to more expected levels.

Cash and cash equivalents



Openpay funding runway maintained through the capital and corporate debt raise executed in FY21, with overall funding headroom of \$214m. The Group maintains a proactive approach to funding, by sourcing the most efficient funding lines for existing portfolios, while setting up the US for growth at scale.

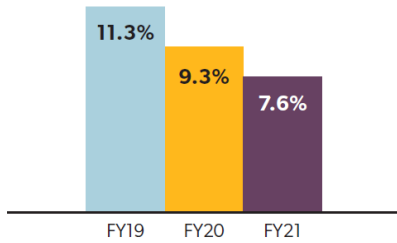
TTV



Continued TTV growth of 77% in FY21 was recorded in the Company’s established regions of Australia and the UK, delivering annual growth rates of 47% and 205% respectively. In addition to a strong start to FY22 the Group expects to deliver transformative volume growth through FY22 via the addition of Payment Assist to the UK business, as well as from the inaugural launch into the US market, both expected during H1 FY22.

BNPS Revenue Margin

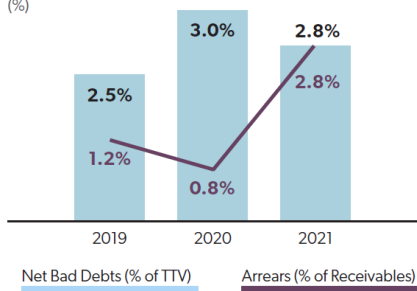
(% of TTV)



Market-leading revenue margins maintained at 7.6% for FY21, despite a portfolio mix-driven reduction from 9.3% in the previous year. The Group will further diversify its income streams in FY22 through scaling its B2B products (un-funded and funded) to ensure funding and capital light value generation maintains NTMs at or above 2.5% in the longer term.

Arrears and Net Bad Debts

(%)



Portfolio arrears performance reverting to targeted levels during the latter part of Q4 FY21. The FY21 Net Bad Debt rate of 2.8% was mostly attributed to the largest enterprise merchant in the UK and early-stage portfolio performance within the region. Performance since, and into early FY22 has significantly improved and the loss rate continues to reduce to be within expected levels.

Outlook – doubling down in FY22

Partner of choice for life's important moments.

Differentiated strategy - 'owning' the unique space of longer-larger/customized plans.

- Partner of choice for what people really need (and not only want)
- Wholesale distribution, based on integration partnerships with aggregators and ecosystems gets us to more customers
- Portfolio approach of high-margin Verticals and high-growth bigger ticket Retail to accelerate path to profitability, combining growth and value

openpay

Big-ticket Retail Auto Healthcare
Home Improvement
Membership
Education

FY22 is set to be Openpay's most exciting and transformational chapter yet.

The first trading month in FY22, July 2021, has seen very strong outcomes delivered vs pcp (July 2020): with Active Merchants up 77%, Active Plans up 130%, and \$35.9m TTV for the month, up 50%. Importantly Openpay’s NTM has increased to 1.7%, from 0.6% for FY21.

We have set ourselves ambitious targets on our journey as a truly diversified, global payments fintech, scaling our differentiated BNPS product globally, with the go live in the US, and the pivot to our verticals in the UK, all based on sticky integration partnerships with aggregators and ecosystem partners. We will also see more enterprise merchants sign up for our OpyPro SaaS platform in Australia and beyond, to capture a largely untapped market opportunity in B2B with our capital-light product, adding to the positive trend on NTM.

Combined, these dynamics provide investors a vision of profitable growth as we scale our B2C and B2B product across our target verticals and geographies, diversifying our revenue streams and creating operating leverage to reduce cost.

Online investor briefing

Investors are invited to attend an online group briefing **today at 2:30pm AEST**, where Group CEO & Managing Director, Michael Eidel, Group CFO, Jussi Nunes, and US CEO and Global Chief Strategy Officer, Brian Shniderman will discuss Openpay’s FY21 results. Please register via the following link:

https://us02web.zoom.us/webinar/register/WN_nzWmRE6nTv66-sOKcWsPQw

Authorised by:

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About Openpay

Openpay Group Ltd (ASX: OPY) is a fast-growing and highly differentiated player in the global 'Buy now pay later' (BNPL) payment solutions market. Openpay's strong platform enables it to deliver the most flexible plans in the market with durations of 2–24 months and values of up to \$20,000.

Openpay focuses on industries where it can make a true difference: Automotive, Healthcare, Home Improvement, Memberships and Education; and its target customers are finance-savvy and of an older demographic who use Openpay plans as a cashflow management tool.

Openpay also has a unique B2B offering, OpyPro, a SaaS-based platform that allows companies to manage trade accounts end-to-end, including applications, credit checks, approvals and account management in the one system.

Openpay provides services to Customers and Merchants in Australia, New Zealand, the UK and entered the US market, under the brand name Opy, in December 2020.

See more at www.opy.com.