

Quarterly Update and Appendix 4C

31 January 2023

Openpay announces a record quarter driven by continued growth in Q2 and a strong peak trade period

Key Highlights, ANZ – Q2 FY23

- ✓ **Continued strong growth and record results across leading indicators:**
 - Record quarterly TTV of \$126m, up 45% vs pcp (Q2 FY22)
 - Record quarterly Revenue (incl. Opypro B2B) of \$10.1 million, up 59% vs pcp
 - Record Active Plans of 2.1m, up 40% vs pcp
 - Record Active Customers of 347k, up 15% vs pcp
 - Active Merchants of over 4,200, in line with pcp
- ✓ **Improved Revenue Margin; lower NTM:**
 - Revenue Margin of 7.8%, up from 7.2% in the pcp
 - Net Transaction Margin (NTM) of 1.6%, down from 2.4% in the pcp
- ✓ **NTL, Arrears and Net Bad Debts softened but remained within target thresholds:**
 - Net Transaction Loss (NTL) of -2.0% (vs -1.2% in Q2 FY22)
 - Arrears of 1.7% (vs 0.9% in Q2 FY22)
 - Net Bad Debts of 2.2% (vs 1.2% in Q2 FY22)
- ✓ **Opypro continues to deliver record results:**
 - Record Opypro TTV of \$44.1m, up 446% vs pcp
 - Record Opypro Trade Accounts of 15.9k, up 124% vs pcp

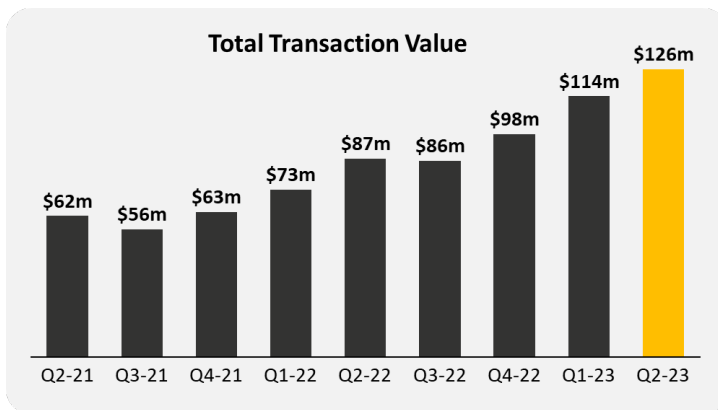
MELBOURNE Australia, 31 January 2022: Openpay Group Ltd (ASX: OPY) (Openpay or the Company) is pleased to release its business update for the quarter ended 31 December 2022 (Q2 FY23).

Dion Appel, Openpay CEO, said:

“We are pleased to announce that Q2 has set new records across TTV, Revenue and other key leading indicators. This is a result of the enduring consumer demand for our differentiated offering of longer, larger payment plans. Our improved revenue margins show that consumers and merchants are willing to pay for that extra value as the cost of living increases.

While credit performance has softened, it has done so when compared to the pandemic era, where government stimulus was high and Openpay prudently did not relax its underwriting rules. While the results remain within our target threshold, we have implemented additional measures designed to mitigate any significant deterioration. These results have been achieved with an increasingly streamlined organisation”

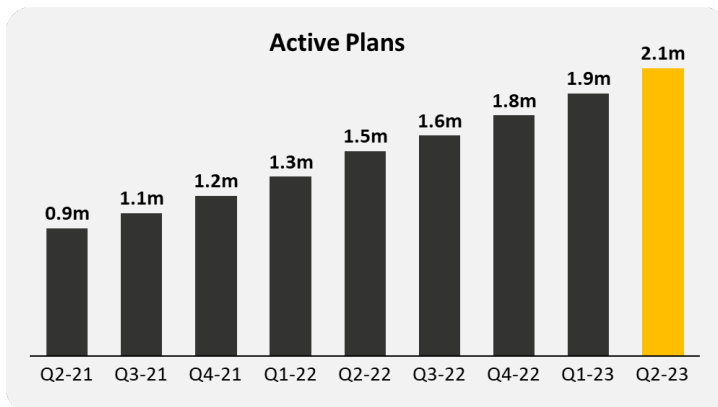
ANZ Openpay (B2C) Update – Another record quarter



Total Transaction Value (TTV) increased sharply by 45% vs pcp and 10% vs Q1 FY23.

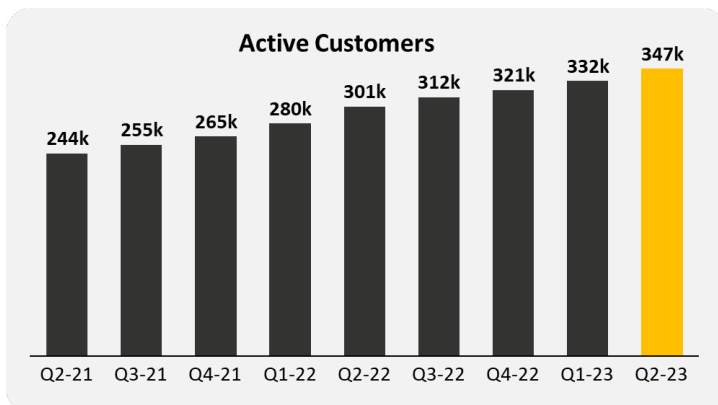
Strong momentum from Q1 continued into Q2, the peak quarter for retail trade. New records were set for both the quarter and month (December).

During the period, customers continued to preference longer-term payment plans from Openpay's flexible offering.



Active Plans increased 40% vs pcp and 10% vs Q1 FY23.

Active Plans grew slightly slower than TTV, reflected in higher average transaction values.

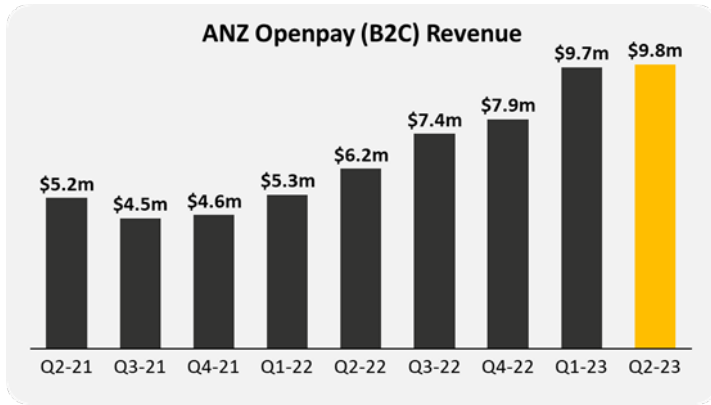


Active Customers increased 15% vs pcp and 4% vs Q1 FY23.

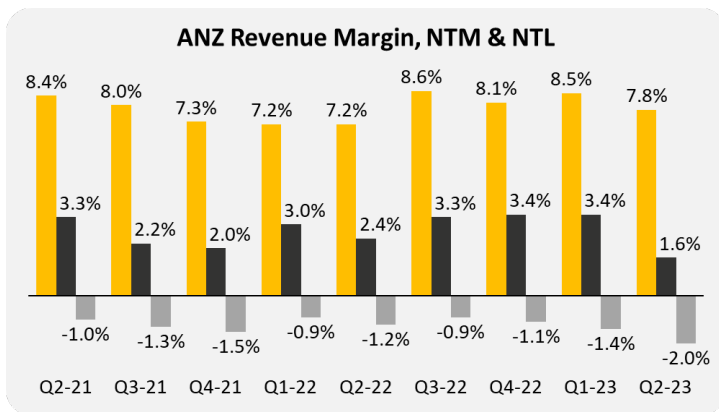
Openpay is leveraging its established customer base with high repeat purchase rates: 93% of plans were provided to repeat customers, and two thirds of Active Customers held multiple concurrent Active Plans. This leads to reduced acquisition costs and improved credit performance.

Openpay's B2C products achieved record quarterly TTV of \$126 million, an increase of 45% vs pcp. Nearly 90% of the volume was generated from plans 3 months or longer, up from approximately 80% in the pcp. Given the option, customers are increasingly selecting Openpay's longer-term plans over its 2-month plan, which is typical of pay-in-4 BNPL providers. Providing this choice and flexibility is even more valuable to customers in an inflationary environment.

During the quarter, over 4,200 Active Merchants supported record numbers of Active Plans, 2.1m, and Active Customers, 347k. The number of Active Merchants remained consistent with the pcp due to more selective merchant acquisition and the offboarding of unprofitable merchants from the Openpay platform.

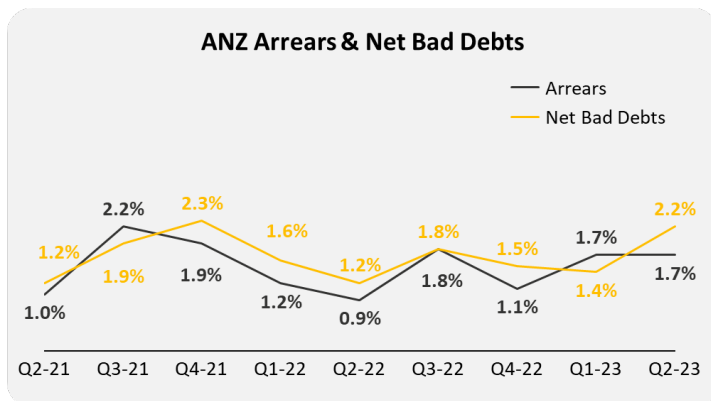


As a result of strong TTV growth, Openpay (B2C) revenue increased to a record \$9.8 million, up 57% vs pcp. This represented a Revenue Margin of 7.8% of TTV, up from 7.2% in the pcp, and revenue from plans provided in Q2 will continue to be earned in Q3 and beyond as fees on customer repayments are collected.



Net Transaction Margin (NTM) was 1.6% for the quarter. This represents a softening when compared with Q2 FY22 NTM of 2.4%, which was earned during a period of high government stimulus and in which Openpay acted prudently not to loosen underwriting criteria. Due to the deferred nature of the Openpay business, including record TTV in Q2, the NTM is expected to positively rebound in Q3.

Net Transaction Loss (NTL) was -2.0%, following a similar trend to NTM and increasing from -1.2% in the pcp.

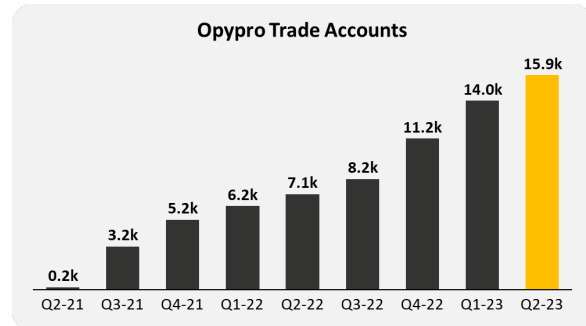
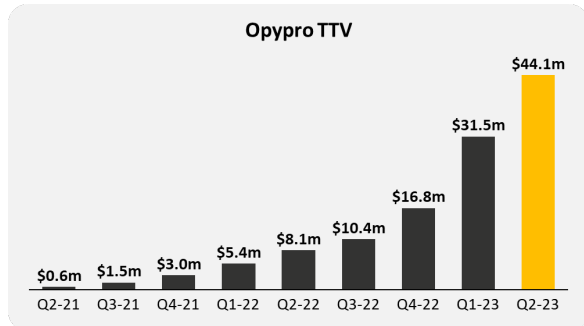


Arrears (1.7%) and Net Bad Debts (2.2%) both increased vs the pcp, a particularly low base, and remain well within Openpay's target and historical ranges.

The company is monitoring the impacts of the macroeconomic environment and continues to implement strategies to mitigate its potential impact on financial performance. Due to a high receivables turn rate, changes to underwriting criteria are reflected quickly in credit quality.

Opypro (B2B) Update – Continued record growth

Opypro reported another record-breaking quarter, reaching over 15,000 trade accounts (up 124% vs pcp), and TTV through the platform of \$44 million (up 446% vs pcp).



During the quarter, the Opypro team continued to market the platform regularly across various professional channels to further grow awareness and demand amongst prospective suppliers. As a result, Opypro's pipeline continues to grow to plan. This is in addition to the record revenue months in Q2 FY23 delivered via existing partners including Woolworths Group, Kogan and HP.

New Zealand Update

During the quarter, Openpay ceased operations in New Zealand. TTV and revenue generated from New Zealand in the financial year to date were highly immaterial.

Payments made to related parties and their associates during the quarter were \$168,000 and related to Director and consultancy fees, as listed in section 6 Company's Quarterly Cash Flow Report (Appendix 4C).

Authorised by:

A sub-committee of the Board, comprised of Patrick Tuttle, Sibylle Krieger and David Phillips

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")

31 December 2022

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	130,670	244,532
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,366)	(3,380)
(c) advertising and marketing	(815)	(1,227)
(d) leased assets	(108)	(399)
(e) staff costs	(6,431)	(14,459)
(f) administration and corporate costs	(2,122)	(6,152)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	13
1.5 Interest and other costs of finance paid	(2,837)	(5,497)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (payments to merchants)	(135,203)	(251,306)
1.9 Net cash from / (used in) operating activities	(18,202)	(37,875)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	17,671
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	-	(108)
3.5	Proceeds from borrowings	30,900	38,900
3.6	Repayment of borrowings	(3,257)	(10,452)
3.7	Transaction costs related to loans and borrowings	(1,261)	(1,426)
3.8	Dividends paid	-	-
3.9	Other (principal elements of lease payments)	-	-
3.10	Net cash from / (used in) financing activities	26,382	44,586

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,864	10,344
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(18,202)	(37,875)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	26,382	44,586
4.5	Effect of movement in exchange rates on cash held	(20)	(31)
4.6	Cash and cash equivalents at end of period	17,024	17,024

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	14,348	6,245
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Cash Suspense)	2,676	2,619
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	17,024	8,864

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	(168)
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>		

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	152,500	111,500
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	152,500	111,500
7.5	Unused financing facilities available at quarter end		41,000
7.6	<p>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> <p>Loan facilities in Australia consist of working capital facilities with A H Meydan Pty Ltd and OP Fiduciary Pty Ltd, and a commercial bill with GCI Commercial Finance Fund (GCI) and Fortress Investment Group (Fortress). Borrowings carry a fixed interest rate subject to certain criteria (working capital facilities) and an interest rate based on the Bank Bill Swap Rate (GCI/Fortress) plus a margin.</p> <p>The working capital facilities offer an available borrowing base of \$42.5 million of which \$7.5 million is uncommitted. There was \$26.5 million outstanding on the working capital facilities as of 31 December 2022. The commercial bill offers an available borrowing base of \$110 million (100% committed). Of the \$110 million total facility, \$85 million was drawn as of 31 December 2022.</p> <p>A Utilisation Notice has been served under the working capital facility with A H Meydan Pty Ltd but, as at the time of lodgement of this Appendix 4C, funding has not yet been received. The Company will update the market with respect to any material developments regarding the group's financing arrangements as needed in accordance with its continuous disclosure obligations.</p> <p>The loan facility in the UK was terminated during the quarter.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(18,202)
8.2	Cash and cash equivalents at quarter end (item 4.6)	17,023
8.3	Unused finance facilities available at quarter end (item 7.5)	41,000
8.4	Total available funding (item 8.2 + item 8.3)	58,023
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.19
	<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?

N/A

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?

N/A

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?

N/A

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: 31 January 2023

Authorised by: A sub-committee of the Board, comprised of Patrick Tuttle, Sibylle Krieger and David Phillips

(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.