For personal use only

openpay

Placement and SPP to accelerate pathway to profitability in ANZ

MAY 2022

For personal use only

Disclaimer.

IMPORTANT NOTICE

This presentation has been prepared by Openpay Group Limited ACN 637 148 200 (**Company**) and contains summary information about the Company and its subsidiaries and their activities (**Information**). Statements in this Information are made only as at 16 May 2022 and the Information remains subject to change. The Information is of a general nature and does not purport to be complete. References to the Company in this Information include subsidiaries of the Company.

In consideration for being given access to this Information, the recipient confirms, acknowledges, undertakes and agrees to the matters set out in this Important Notice. This presentation has been prepared in relation to a proposed placement of new fully paid ordinary shares (**Shares**) in the Company to institutional investors and certain existing institutional shareholders (**Placement**) under section 708A of the Corporations Act 2001 (Cth) (**Corporations Act**), as modified by ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73 and an offer of new Shares to eligible Openpay shareholders under a security purchase plan in accordance with ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (SPP) (the Placement and SPP together, the Offer).

ELIGIBLE RECIPIENTS AND DISTRIBUTION

Nothing in this presentation should be construed as either an offer or a solicitation of an offer to buy or sell securities in the Company in any jurisdiction or be treated or relied upon as a recommendation or advice by the Company. This Presentation is for information purposes only and is not a prospectus, product disclosure statement or other offering document under Australian law or any other law (and will not be lodged with the Australian Securities and Investments Commission (ASIC) or any other foreign regulator). This Information is not, and does not constitute, or form any part of, an offer to sell or the solicitation, invitation or recommendation to purchase any securities in any jurisdiction and neither this Information nor anything contained herein shall form the basis of any contract or commitment. This Information may not be distributed or released in the United States.

Securities may not be offered or sold in the United States unless such securities are registered under the U.S. Securities Act of 1933, as amended (**U.S. Securities Act**) or in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws. Each institution or person that reviews this Information will be deemed to represent that each such institution or person is not in the United States.

The distribution of this Information outside Australia may be restricted by law. Persons who come into possession of this Information who are not in Australia should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

NO LIABILITY

An investment in Shares is subject to investment and other known and unknown risks, some of which are beyond the control of the Company including possible loss of income and principal invested.

No representation or warranty, express or implied, is made by any person, including any Company group entity, and their respective directors, officers, employees, professional advisors and agents as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this Information. This Information does not purport to summarise all information that an investor should consider when making an investment decision. In considering an investment in Shares, investors should have regard to (amongst other things) the risks outlined in this Presentation in the Key Risks section.

To the maximum extent permitted by law, none of the Company or its respective affiliates or related bodies corporate or any of their respective officers, directors, employees and agents, nor any other person, accepts any responsibility or liability for the content of this Information including, without limitation, any liability arising from fault or negligence, for any loss arising from the use of or reliance on any of the information contained in this Information or otherwise arising in connection with it.

NOT FINANCIAL PRODUCT ADVICE

Reliance should not be placed on the Information or opinions contained in the Information. This Information is for informational purposes only and is not financial product or investment advice or a recommendation to acquire shares in the Company and does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Subject only to any legal obligation to do so, the Company does not have any obligation to correct or update the content of this Information.

You should make your own assessment of an investment in the Company and should not rely on this Information. In all cases, you should conduct your own research of the Company and analysis of the financial condition, assets and liabilities, financial position and performance, profits and losses, prospects and business affairs of the Company and its business, and the contents of this Information. You should seek legal, financial, tax and other advice appropriate to your jurisdiction.

PAST PERFORMANCE

Past performance information given in this Information is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. The Company does not guarantee any particular rate of return or the performance of the Company, nor does it guarantee the repayment of capital from the Company or any particular tax treatment.

FORWARD-LOOKING STATEMENTS

This Information contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Company and associated entities of the Company and certain plans and objectives of the management of the Company. Forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms “believes”, “estimates”, “anticipates”, “expects”, “predicts”, “intends”, “plans”, “goals”, “targets”, “aims”, “outlook”, “guidance”, “forecasts”, “may”, “will”, “would”, “could” or“should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which because of their nature may cause the actual results or performance of the Company to be materially different from the results or performance expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the political and economic environment in which the Company will operate in the future, which may not be reasonable, and are not guarantees or predictions of future performance. No representation or warranty is made that any of these statements or forecasts (express or implied) will come to pass or that any forecast result will be achieved.

Forward-looking statements speak only as at the date of this Information and to the full extent permitted by law, the Company, and its affiliates and related bodies corporate and each of their respective directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to information to reflect any change in any of the information contained in this Information (including, but not limited to, any assumptions or expectations set out in the Information).

KEY ASSUMPTIONS

Certain information in this presentation, particularly forward looking information, is based on general and specific assumptions. General assumptions include those customary when preparing such information, including no material changes to the competitive or regulatory environment, economic and industry conditions, laws or accounting standards, FX rates, disturbances or disruptions, changes to customers and their arrangements, litigation, key personnel and none of the risks described in the Key Risks section) arising.

Investment Highlights.

- ✓ **Capital raise expected to fully fund Openpay's ANZ business through to profitability** – transaction has received strong cornerstone support from both existing and new institutional investors
- ✓ **Openpay Group remains an attractive and highly differentiated opportunity that sits outside the crowded BNPL pay-in-4 space** – designed for larger essential expenses targeting underserved healthcare, veterinarian, automotive and home improvements segments
- ✓ **Openpay ANZ continues to grow strongly and maintain market-leading margins** – compelling top-line growth, market-leading margins and clear runway to profitability expected by June 2023
- ✓ **Clear demand and opportunity for OpyPro (B2B)** – high-margin SaaS platform with leading Australian brands already onboarded
- ✓ **Significant value unlock available in US platform –** process to find capital partner to fund the significant US growth opportunity ongoing
- ✓ **Opportunities to monetise Openpay's proprietary technology platform** – exploring opportunities in the UK and other jurisdictions to provide its technology solutions to local partners

For personal use only

Accelerating ANZ profitability.

For personal use only

Clear runway to profitability.

- **Compelling top-line growth** — April monthly revenue $2.5m+ (up 69% vs pcp), with $276m of FY22 YTD[1] TTV (up 47% vs pcp)
- **Market-leading margins** — April-22 revenue yield of 8.3%, NTM of 2.9%, and NTL of -0.9%; continuing to strengthen
- **Successful cost improvements** — operational leverage and further cost efficiencies as business continues to grow
- **Pathway to profitability** — capital raise solidifies expected path to profitability in core business by June 2023

1. July 2021 to April 2022

Unlocking untapped value.

For personal use only

SaaS economics with OpyPro (B2B).

High-margin SaaS platform
trade credit solution with recurring revenue, economies of scale, and low credit risk

Product-market fit; ready to scale
used by leading AU brands and approaching 10,000+ SME buyers over multiple years

Clear demand and opportunity
organic and inorganic growth, as suppliers use 3-4 solutions and 29 FTEs[1] to manage trade credit

US poised for growth via direct investment.

US investor discussions
US investor(s) sought to scale Opy USA; Group expected to maintain significant position (not yet priced in)

Market progress as planned
regulatory permissibility (47 states), avg. plan value (>US$1k), avg. tenor (11 months)

Successful Testing & Tuning (required by partners)
tested loans in 21 states, 3 verticals, 100+ merchant locations; validated loans >US$5k, approvals over 77%

Material TTV planned to begin 2H CY22
activating distribution channels with large partners and access to their 1M+ merchants and customer base

Platform monetisation strategy.

Reduced UK operations
significantly reduced operations and repatriated capital, with book now close to run-off

Pipeline of prospective partners
banks, fintechs, and tech companies interested in licensing Openpay UK technology

Pivot to partner enablement in local markets
focus on monetising the proven platform to local partners in new markets, rather than originating

1. Reimagine Buyer Account Management, a Forrester Consulting Paper Commissioned by Openpay, December 2021

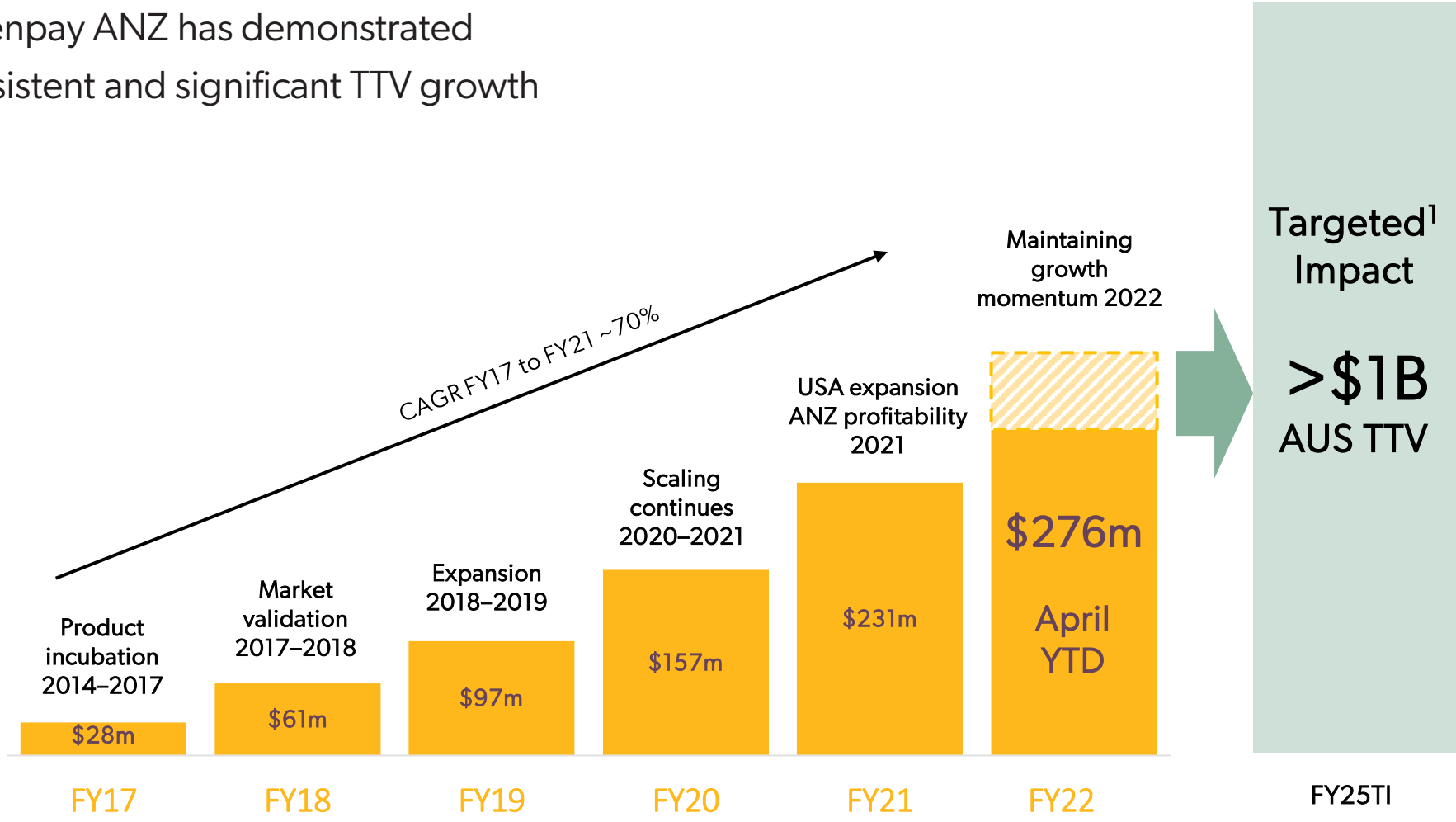
For personal use only

Openpay ANZ Core Business Overview

openpay

Consistent ANZ growth.

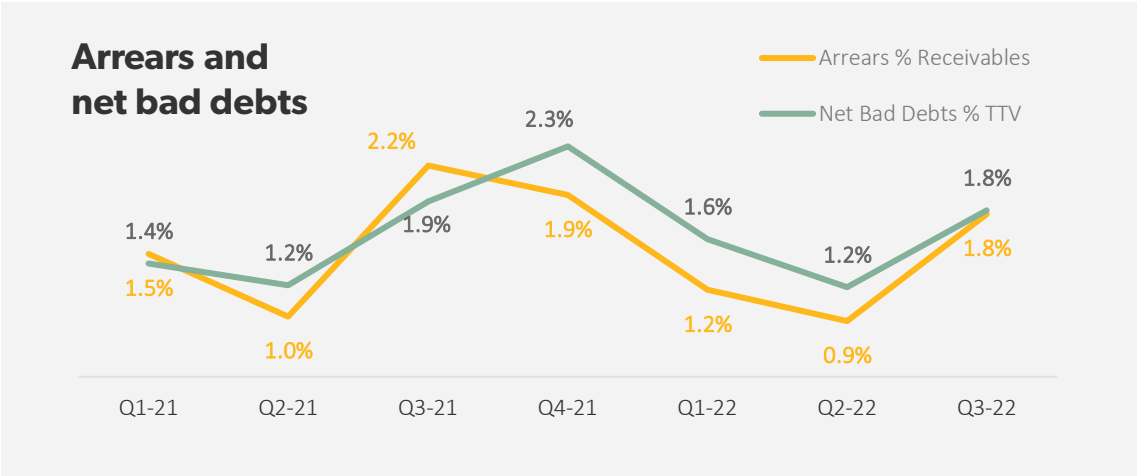
Openpay ANZ has demonstrated consistent and significant TTV growth



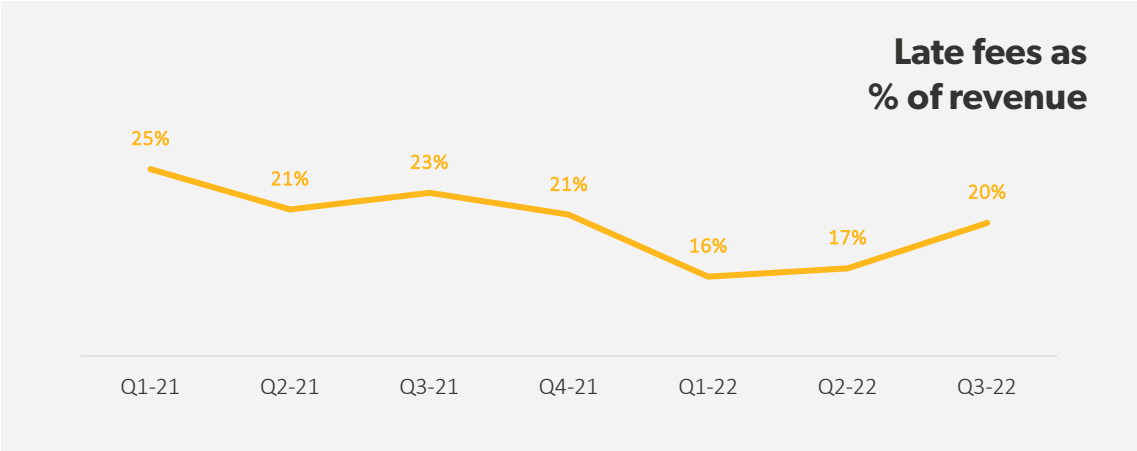
1.Openpay's Targeted Impact (TI) are targets based on portfolio metrics observed to date and do not constitute guidance or a forecast

For personal use only

High-Quality Loan Book.



- ✓ Driven by focus on targeted verticals, and maintained with Openpay's proprietary credit management system
- ✓ Net bad debts of ANZ business reduced to only 1.8% in Q3 FY22 (vs 1.9% in Q3 FY21)
- ✓ Arrears are similarly low, having also reduced to 1.8% in Q3 FY22 (vs 2.2% in Q3 FY21)



- ✓ Openpay ANZ's late fees as a % of revenue have continued to trend down from 25% in Q1-21 to 20% in Q3-22. Compared with other BNPL peers reaching as high as 45% in FY21
- ✓ Driven by targeting financially responsible consumers looking to use OPY as a cash management tool for more considered purchases

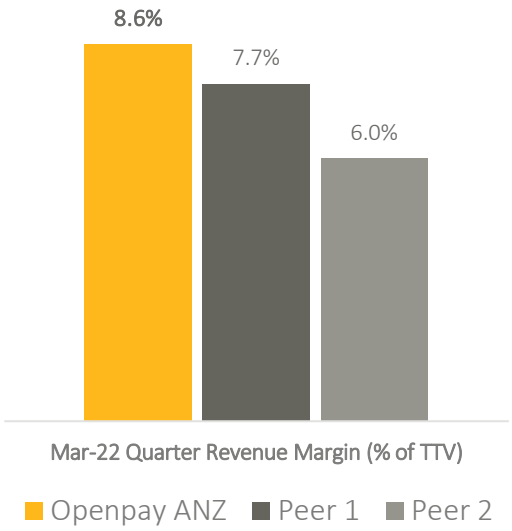
For personal use only

Market-Leading Margins.

With leading revenue margins and very low NTLs already in place, Openpay is ideally placed to generate market leading NTMs as it reduces its cost of funding and transaction processing costs continue to decrease as the business continues to scale

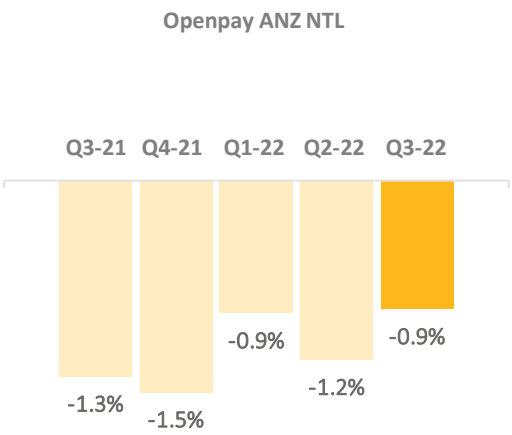
Revenue margin (% of TTV)

Leading revenue margin due to differentiated offering and optimised fee model, more resilient to sector wide margin compression



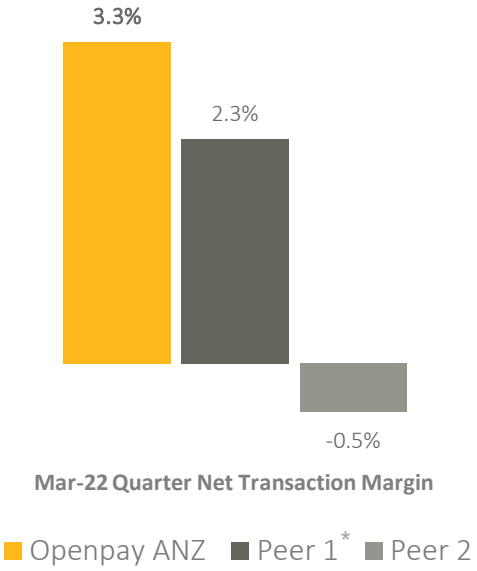
Net transaction loss (NTL)

Very low NTL, supported by high quality customer base and technology to actively mitigate fraud and manage credit loss



Net transaction margin (NTM)

Combining strength of revenue margin and low NTL, Openpay ANZ's NTM is significantly above other BNPL players



Source: Company filings, Broker reports.
Peers are other ASX listed peers. Slight variances exist in reporting between peers
* Defined as cash transaction margin

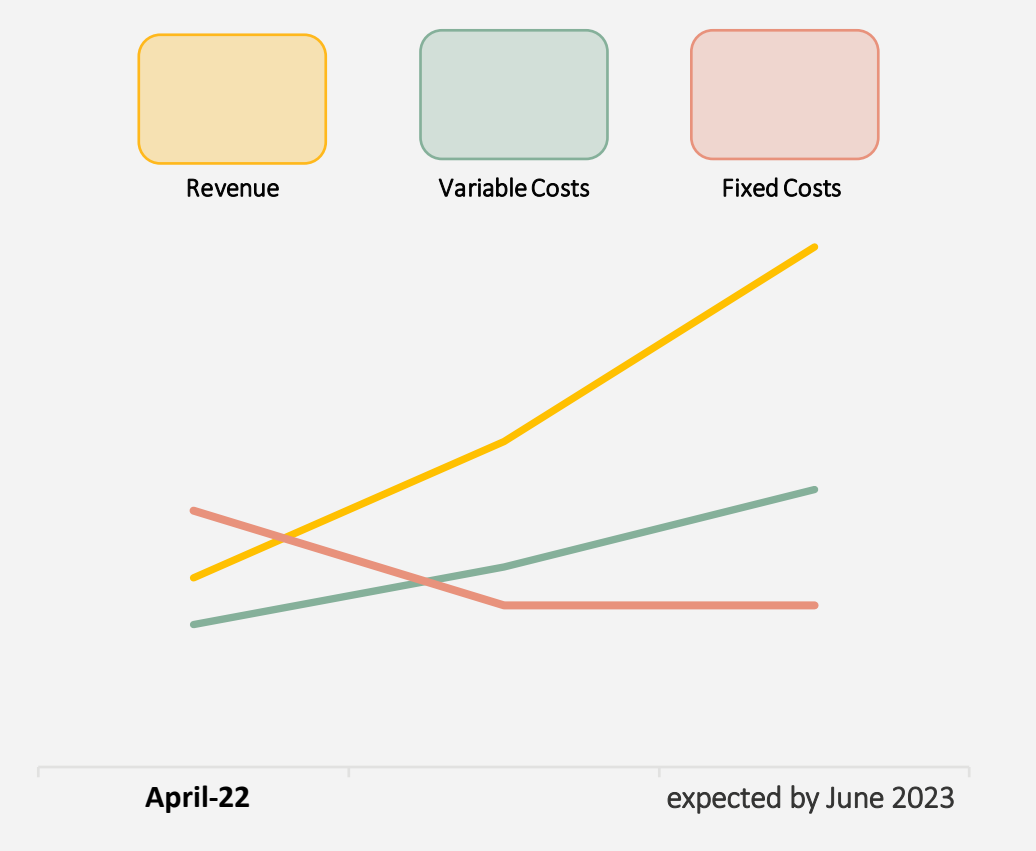
For personal use only

For personal use only

Clear path to ANZ profitability.

Openpay ANZ has achieved critical mass, allowing it to now focus on active strategies to accelerate pathway to core profitability expected by June 2023

- ✓ Continued growth in TTV
- ✓ Maintaining market-leading margins
  - April Revenue Margin of 8.3% (vs 7.1% in pcp)
  - April NTM of 2.9% (vs 1.4% in pcp)
  - April NTL of -0.9% (vs -1.6% in pcp)
- ✓ Leveraging economies of scale to slow the growth of variable costs relative to TTV
- ✓ Managing credit & fraud losses within targeted levels
- ✓ Continued optimization of cost base, driving strong operating leverage



Based on portfolio metrics observed to date and do not constitute guidance or a forecast

Investment Highlights.

- ✓ Capital raise expected to fully fund Openpay's ANZ business through to profitability
- ✓ Openpay Group remains an attractive and highly differentiated opportunity that sits outside the crowded BNPL pay-in-4 space
- ✓ Openpay ANZ continues to grow strongly and maintain market-leading margins
- ✓ Clear demand and opportunity for OpyPro (B2B)
- ✓ Significant value unlock available in US platform
- ✓ Opportunities to monetise Openpay's proprietary technology platform

For personal use only

Equity Raise Details.

For personal use only

Offer structure	• Two-tranche placement to sophisticated and professional investors ("Placement") to raise approximately $18.25m, comprising
	  • Unconditional placement of 26.8m New Shares to raise approximately $6.4m under the Company's existing ASX Listing Rule 7.1 and 7.1A placement capacity (Tranche 1)
	  • Conditional placement of 49.2m New Shares to raise approximately $11.8m subject to and conditional on shareholder approval to be sought at an Extraordinary General Meeting expected to be convened by the Company on or around Tuesday, 12 July 2022
	• Up to approximately 76.0 million new fully paid ordinary shares (New Shares) to be issued under the Placement representing approximately 57.9% of existing Openpay shares on issue
	• The Company intends to undertaking a Share Purchase Plan for Eligible shareholder in Australia and New Zealand[1] which will be non-underwritten and capped at an amount of $2.0m[2] ("SPP"). Eligible shareholders will be entitled to subscribe for up to $30,000 worth of New Shares under the SPP
	  • The issue of New Shares under the SPP is subject to shareholder approval, proposed to be sought at the EGM in July 2022

Offer Price	• All shares under the Placement and SPP will be issued at a fixed price of $0.24 per New Share (Offer Price)
	• The Offer Price represents:
	  • 18.6% discount to the last close of $0.2950 on Thursday, 19 May 2022
	  • 21.9% discount to the 7-day VWAP of $0.3074 up to and including Thursday, 19 May 2022

Use of Proceeds	• Acquisition of new merchants at scale in ANZ • Acquisition of new customers at scale and increasing customer retention in ANZ • Platform and technology enhancements • Contribution to rapidly growing receivables book in ANZ • Working capital in a rapid growth business, and facility repayment
Cornerstone Investor Support	• The Company has received commitments from existing and new shareholders to invest $16.0m under the placement • As part of the Placement, and subject to shareholder approval, the Company has received commitments from existing substantial shareholder and Director Mr Yaniv Meydan (or his associated entities) to invest $10 million under the Placement • Post the Capital Raising, Mr Yaniv Meydan (or his associated entities) will hold approximately 65.8m shares representing 31.7% of the shares on issue
Ranking	• New shares issued under the Equity Raise will rank equally in all respects with Openpay's existing ordinary shares from the date of their issue
Syndicate	• Shaw and Partners Limited acting as Lead Manager and Bookrunner to the Placement

1. Eligible shareholders are registered Openpay shareholders, as at 7.00pm (AEST), 20 May 2022 who have a registered address in Australia or New Zealand, do not hold Openpay shares on behalf of a person who resides outside Australia or New Zealand. 2. In the event that Openpay receives valid applications under the SPP in excess of $2.0m, Openpay reserves the right to (in its absolute discretion) accept applications that raise more than this amount, or scale back the number of New Shares issued under the SPP.

Sources and uses of funds.

Transaction sources of funds	$m
Placement proceeds	18.3
SPP	2.0
Total	**20.3**

Transaction uses of funds	
Customer and merchant acquisition	6.0
Loan book growth	3.5
Working capital use and facility repayment	4.3
Platform and technology enhancements	5.3
Fees	1.2
Total	**20.3**

Pro-forma capitalisation	
Shares on issue[1]	131,358,941
Placement shares[2]	76,041,667
SPP shares[2]	8,333,334
Total shares on issue	215,733,942
Cash[3]	42.5

For personal use only

1. 19 May 2022. 2. Post Equity Raise estimate. Assumes SPP raises the target amount sought. 3. Pro-Forma Mar-22 balance

Equity Raise Timetable.

Event	Date
Record Date for Eligibility to participate in the SPP	7:00pm, Friday, 20 May 2022
Trading halt lifted and announcement of Placement and SPP	Monday, 23 May 2022
Dispatch of SPP Offer Booklet and SPP Offer Period Opens	26 May 2022
Settlement of New Shares issued under the Tranche 1 Placement	27 May 2022
Allotment and commencement of trading of New Shares issued under the Tranche 1 Placement	30 May 2022
SPP Offer Period Closes	11 July 2022
EGM for the approval of the issue of New Shares under the Tranche 2 Placement	12 July 2022
Settlement of New Shares issued under the Tranche 2 Placement	14 July 2022
Allotment and commencement of trading of New Shares issued under the Tranche 2 Placement	15 July 2022
Allotment and commencement of trading of New Shares issued under SPP	15 July 2022

For personal use only

Dates and times are indicative only and subject to change without notice. Openpay reserves the right to alter the dates at its discretion and without notice, subject to the ASX Listing Rules and the Corporations Act 2001 (Cth)

For personal use only

openpay

Aline van Deventer
Head of Investor Relations
Mobile: +61 423 55 34 34
investors@openpay.com.au

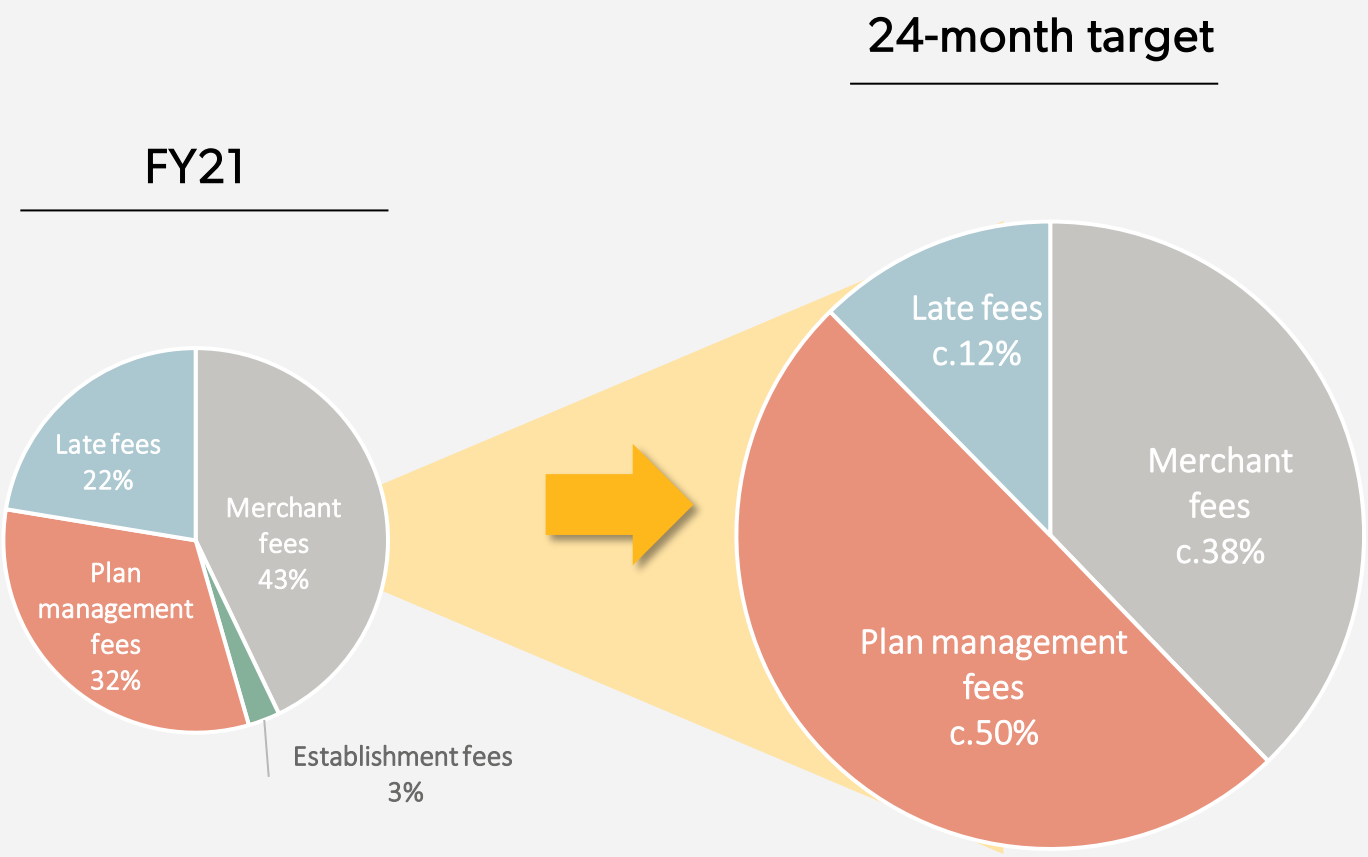
For personal use only

Appendix 1 – additional information

For personal use only

Targeted ANZ core revenue mix.

New pricing models further diversify revenue mix towards plan management fees (paid by customers) and merchant fees, coupled with a material reduction in late fees driven by our responsible lending model

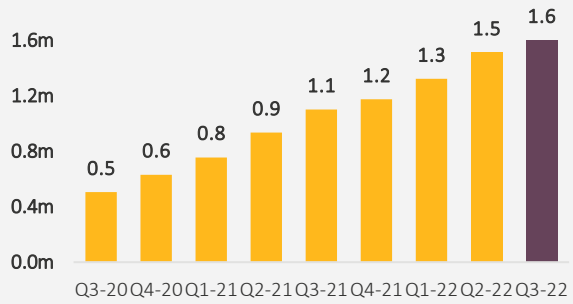


For personal use only

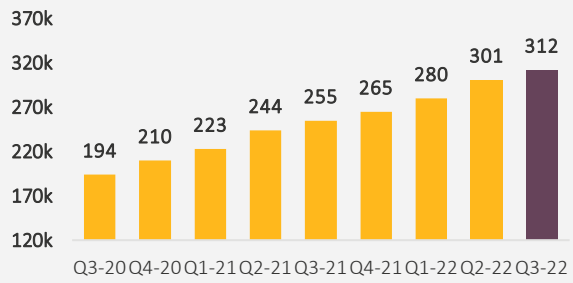
Clear leading indicators.

Openpay ANZ is now a highly established business of continually expanding scale across the ANZ market

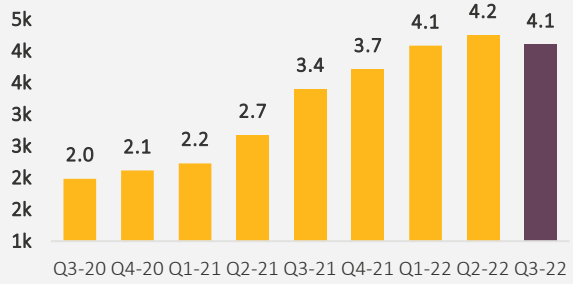
By focusing on the right merchants, Openpay has increased active plans and customers while improving margins and revenue yields.



>1.6 million
ANZ Active Plans



>312,000
ANZ Active Customers



~4,100
ANZ Active Merchants

For personal use only

OpyPro - Trade Credit Made Easy.

An integrated invoice-to-cash SaaS platform that improves supplier and SME buyer relationships, streamlines onboarding, and provides trade credit reconciliation and reporting – internationally scalable and with low credit risk to Openpay.

The Challenge

Trade credit is manual, with long onboarding, complicated reconciliation, high working capital risks, and poor customer experience.

Real Costs[1]

- Buyer account management costs have increased by 21% over the last 12 months
- Failed payment recovery costs average 22% of payment size; 7% of buyers churn
- 47% of suppliers reported days sales outstanding (DSO) of over 30 days

Poor Solutions[1]

- Suppliers have 3-4 tech solutions to manage buyer accounts (68% non-purpose-built)
- Suppliers reported having an average 29 FTEs involved in managing buyer accounts
- 52% reported difficulty leveraging data and insights to better engage buyers.

The Opportunity

A fully digitized, cloud native SaaS trade account management platform, directly connected to Enterprise ERP and CRM systems via modularized APIs

- **Instant Onboarding:** Automated digital onboarding and credit checks for business buyers, all in under 10 minutes
- **Account Management:** Buyers can activate accounts, purchase on terms, in real time, online and in-store, with accuracy, accelerating revenue
- **Automated Business Processing:** Customizable, auto-generated invoicing, reconciliation, and collection comms

Delivering Full Transparency: Visibility into purchases, applications, and overdue accounts, with extensive data and reporting library to ensure accuracy, removing friction.

Current Customers

Woolworths Group, hp, kogan.com, INGRAM MICRO, SUNSTAR

Current Partners

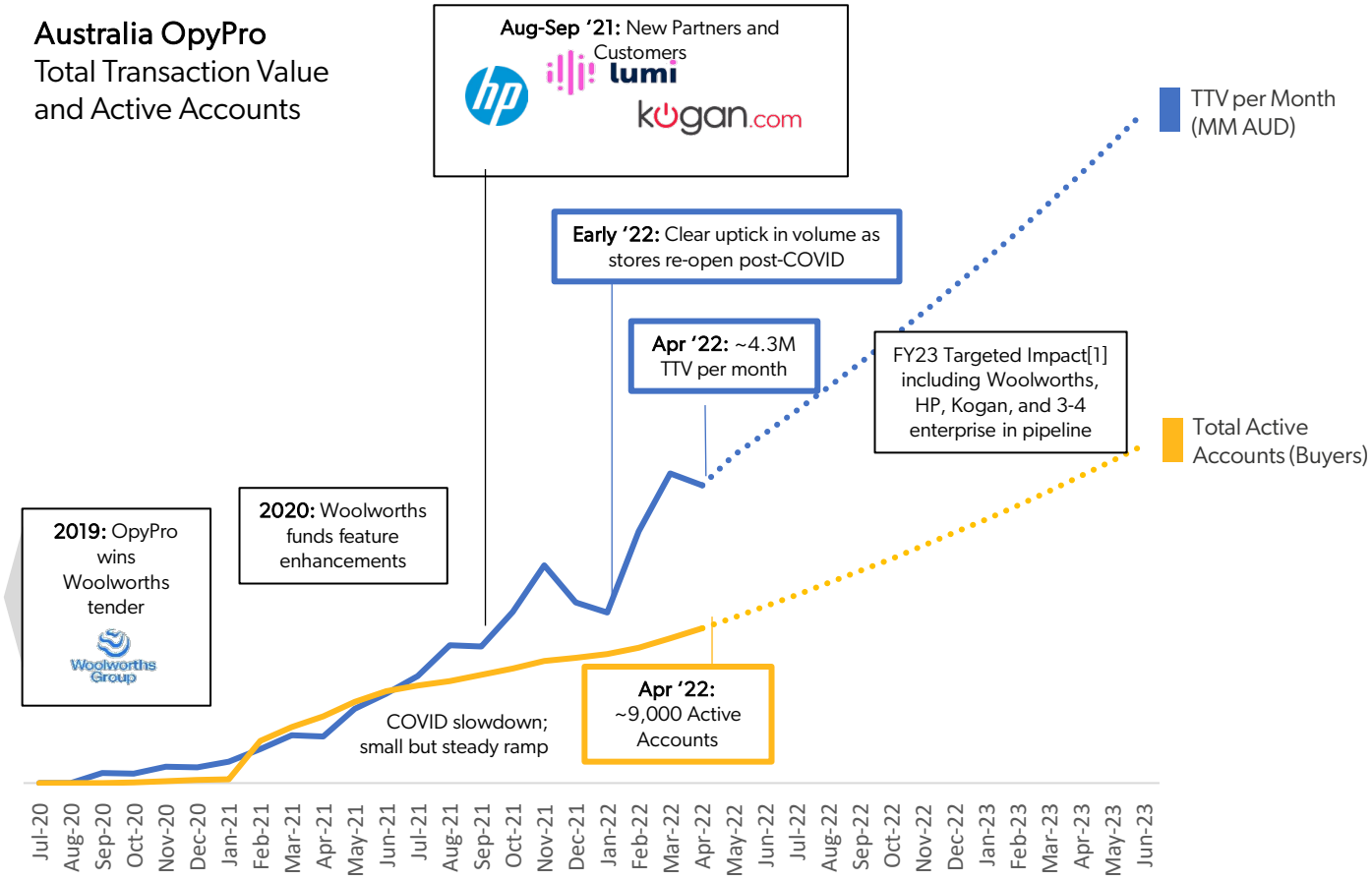
lumi

1 - Reimagine Buyer Account Management, a Forrester Consulting Paper Commissioned by Openpay, December 2021

For personal use only

Value-accretive profitability driver.

SaaS platform with economies of scale, low credit risk to Openpay, and opportunity to accelerate through commercial arrangements with financial service providers seeking OpyPro's unique technology and customer reach.



Optimizing the model

Refined pricing for sustainability, scalability and flexibility to deliver recurring revenue streams :

- % of Total Transaction Value (TTV)
- $ per Active Accounts per month
- Monthly platform fee (negotiable)
- Paid enhancements and customizations

Revenue aligned with customer success

(Lead indicators: TTV, Active Accounts)

Diversified to additional suppliers (3-4 enterprise clients)

1.Openpay's Targeted Impact (TI) are targets based on portfolio metrics observed to date and do not constitute guidance or a forecast

Pro Forma Consolidated Balance Sheet

Equity raise expected to ensure the business is well funded through to a sustainable cash-flow breakeven point by the end of FY23

Pro Forma Consolidated Balance Sheet	Dec-21	Placement Adjustment	Pro-Forma Dec-21
Cash	32,124	15,032	47,156
Receivables	82,397		82,397
Provision for Doubtful Debts	(4,730)		(4,730)
Right of Use Assets	1,729		1,729
Fixed Assets	2,816		2,816
Intangible Assets	3,393		3,393
Other Assets	6,211		6,211
Total Assets	**123,939**		**138,972**
Accounts Payable	10,432		10,432
Other Liabilities	7,615		7,615
Debt	86,750	(4,050)	82,700
Total Liabilities	**104,797**		**100,747**
Net Assets	**19,143**		**38,224**
Ordinary Equity	182,745	19,082	201,827
Other Equity	5,630		5,630
Accumulated Losses	(169,233)		(169,233)
Total Equity	**19,143**		**38,224**

For personal use only

Capital Management

Available receivables funding and working capital facilities

As at 31 March 2022	Facility Amount ($)	Committed ($)	Amount Drawn ($)	Uncommitted ($)	Maturity
Receivables funding facilities					
Receivables funding in Australia	65,000,000	55,000,000	47,000,000	10,000,000	Jan-24
Receivables funding in the UK	105,189,341	43,828,892	15,778,401	61,360,449	Nov-22
Receivables funding in the US	362,737,236	181,368,618	-	181,368,618	Apr-24
Total receivables funding facilities	**532,926,577**	**280,197,510**	**62,778,401**	**252,729,067**	
Working capital facilities					
Working capital	10,000,000	10,000,000	4,050,000	-	Oct-22
Working capital[1]	30,000,000	25,000,000	25,000,000	5,000,000	Oct-22
Total working capital facilities	**40,000,000**	**35,000,000**	**29,050,000**	**5,000,000**	

1. Group may elect to extend $10 million committed and $5 million uncommitted of the total facility limit to July 2023

For personal use only

For personal use only

Appendix 2 – key risks factors

Key risk factors (1 of 5)

For personal use only

1 Introduction

This Appendix B sets out the key risks attaching to an investment in shares in Openpay, which may affect the future operating and financial performance of Openpay and the value of Openpay shares.

Openpay is subject to a variety of risk factors, some of which are specific to its business activities, while others are of a more general nature. Before investing in Openpay, you should consider these risks and whether this investment is suitable for you having regard to publicly available information (including this Presentation), your personal circumstances and following consultation with financial or other professional advisers.

The risks listed below are not an exhaustive list of all risks associated with an investment in Openpay and this information should be considered in conjunction with all other information in this Presentation. Many of the risks described below are outside the control of Openpay, its directors and management.

2 Operational risks

2.1 Competition Openpay operates in a competitive environment, which means there is a risk of new providers or existing competitors delivering a comparatively superior solution or experience. As such, the significant number of existing providers and new entrants into the BNPL sector, including but not limited to the large financial institutions and other large technology players such as PayPal, Block and Apple, may have a significant impact on the competitiveness and profitability of Openpay.

Competitors consolidating or partnering to deliver benefits at a scale that Openpay cannot effectively compete with is also a risk. Such competition may reduce Openpay's market share or its ability to expand into new offerings. Additionally, it may place pricing pressure on Openpay and impact its ability to attract and retain customers and merchants.

2.2 Regulatory Openpay is subject to a range of laws, regulations and industry compliance requirements in the jurisdictions in which we conduct business. Each jurisdiction has differing legal and regulatory requirements, increasing the cost to the business of complying with multiple regimes. The main types of laws, regulation and industry standards applicable to Openpay include, but are not limited to:

(a) Financial services and consumer protection (including product suitability);

(b) Anti-money laundering and counter-terrorism financing;

(c) Privacy and data protection;

(d) Financial and taxation; and

(e) Employment.

Failure to comply with these obligations, or to appropriately respond to these changes, could adversely impact reputation and performance, including increased compliance costs, the requirement to cease certain business activities, and exposure to litigation, penalties or other regulatory inquiries.

There is also a risk that regulatory requirements may increase. For example, with an increased regulatory focus on anti-money laundering and counter-terrorism financing laws, future compliance issues may arise in respect of Openpay's policies, systems and controls. Ineffective implementation or monitoring may result in regulatory investigations, reviews, enforcement action or litigation.

There is also growing interest and scrutiny of the BNPL industry, resulting in an evolving regulatory landscape. New laws and greater regulation of the industry may increase compliance costs, make it uneconomic to operate in certain markets or impact the strategic decisions of the company.

Key risk factors (2 of 5)

For personal use only

2.3 Liquidity and funding risk The Openpay business model is reliant on the ability to pay merchants while enabling customers to use Openpay services to acquire goods and services. If sufficient liquid funds are not available to transfer to merchants within the specific service levels agreed, in relation to purchases made by customers, there is a risk that the merchant may become dissatisfied and not offer Openpay as a payment solution. This could have an adverse effect on Openpay's operations and financial performance.

In addition, Openpay may be required to raise additional equity or debt funding in the future to support the continued growth in both the Openpay receivables book, general working capital and inorganic acquisitions. Any inability to secure debt funding from time to time or to service its debt may have a material adverse effect on Openpay's financial performance and prospects. Should investor sentiment deteriorate, share price or the share market underperform, there is a risk that Openpay is unable to secure the required capital to support its growth plans, either on terms acceptable to Openpay or at all. Further, the terms of any existing or future facilities or instruments may contain covenants which impose operating and financial restrictions on the Openpay business and may impact pursuit of business opportunities.

2.4 Third-party services There is a risk that the service offered by third-party providers - who support Openpay's product and service offerings - may fall below expected standards or experience disruption. Any such failures will have a consequential impact on the reliability and quality of the Openpay offering and may adversely affect our relationships with our merchants and customers. Further, where a third-party provider ceases to offer its services to Openpay and no replacement is readily available, this could lead to disruption of the Openpay service and impact on the company's revenue and reputation.

2.5 Bad and doubtful debts A current operating expense incurred by Openpay relates to bad and doubtful debts, which represents the portion of customers who delay or fail to meet their repayment obligations (outside of the initial deposit received by Openpay). Excessive exposure to bad and doubtful debts will materially adversely impact the company's financial position.

Excessive exposure to bad and doubtful debts could be caused by a failure to implement upgrades or enhancements to our front-to-back credit decisioning and management process, or anti-fraud controls. Failure to efficiently manage the upgrade or enhancement is also a risk.

2.6 Technology Technology systems are core to ensuring Openpay's product and service remain relevant and able to evolve at the required pace. Openpay is exposed to the risk of disruptive technologies, which may reduce Openpay's market share. Without continuous investment and development, it will be hard to retain a competitive edge and position as the most relevant and flexible products and service offering for merchants and customers.

The BNPL sector is heavily reliant on the availability of communications networks and cloud services providers. Frequent and extended outages will hinder the day-to-day operation of the Openpay platform and likely result in reputational damage. Reliance on these services also exposes Openpay to the risk of capacity constraints which may impact its ability to increase transaction volumes and profitability.

2.7 Market growth (customers & merchants) Openpay's ability to increase revenue and achieve profitability is dependent on the ability to profitably scale the business, which in turn is dependent on increases in transaction volumes and growth in its customer and merchant base. It also involves consideration of future acquisitions and investment opportunities and potential expansion into new market segments. Failure to grow may materially impact Openpay's ability to achieve economies of scale and increase market share, which may have an adverse impact on Openpay's financial performance. Conversely, Openpay's growth strategies will also involve inherent risks, including risks related to implementation and integration.

Key risk factors (3 of 5)

For personal use only

In addition, any expansion of the Openpay business into new segments or jurisdictions may require additional investment and may put pressure on Openpay's management, financial and operational resources. Unsuccessful expansion attempts could damage Openpay's reputation and will likely incur significant costs, adversely impacting its operational and financial position.

2.8 Exposure to general market conditions (including COVID-19) Openpay's performance depends, to a certain extent, on macroeconomic factors that impact the spending power and preferences of customers, which in turn may lead to lower demand for BNPL products. These factors include economic growth, unemployment rates, interest rates, customer confidence, cost of living, taxation, inflation and the availability and cost of credit. A sustained economic downturn in key jurisdictions or sectors, such as the retail industry, may adversely affect Openpay's performance.

Foreign exchange rates are also relevant to Openpay's business, and as such, adverse movements in foreign currency markets could affect Openpay's profitability and financial position.

Consumer spending may be affected by unforeseen global events such as floods, droughts, pandemics and natural disasters. Several uncertainties have arisen because of the COVID-19 pandemic and containment measures, such as lockdowns, quarantine requirements and travel restrictions, impacting macroeconomic factors such as unemployment and consumer confidence. The visible economic impact of COVID-19 in the relevant jurisdictions may result in a reduction of credit underwritten, in customer demand and customer spending, changes in customers' ability to repay debt, delays in acquiring new merchant partners, the closure of current merchants, increased cyber security risks, and financial market volatility (including currency markets) - all of which may adversely impact Openpay's financial performance. COVID-19 may affect the ability of Openpay's merchants to comply with their obligations under their agreements and influence renewal or subsequent contracting decisions. The longer-term impacts of COVID-19 on economic or industry conditions and customer preferences are uncertain and may adversely impact Openpay's future performance.

2.9 Cybersecurity and data protection Openpay collects and holds a wide range of personal and commercial information about customers and merchant partners. There is a risk that Openpay's systems, or those of its third-party service providers, may be impacted by external malicious attacks.

Unauthorised access to, or a breach of Openpay's technology infrastructure due to cyber-attacks, negligence, human error or other third-party actions, could disrupt Openpay operations and result in the loss or misuse of confidential data. This may result in breaches of privacy laws and expose Openpay to litigation, claims, regulatory fines or penalties.

Where Openpay is unsuccessful in combating these malicious attacks, its business reputation and brand name may be adversely affected and user traffic could decline, impacting Openpay's operations and financial performance.

2.10 Intellectual property Openpay relies, in part, on its ability to develop and commercialise its intellectual property. It also relies on the legal system protecting intellectual property rights in the jurisdictions in which it operates.

A failure to adequately protect Openpay's intellectual property or the unauthorised use or copying of the Openpay software or data may result in lost opportunities and adverse impacts on the operations and financial position of Openpay. Actions taken by Openpay to protect its intellectual property rights can be time-consuming and costly, and may not always prevent unauthorised use.

Further, there is a risk that third parties may challenge the validity or ownership of Openpay's intellectual property. Successful claims and injunctions may impact Openpay's ability to use the disputed intellectual property and materially affect the operations of Openpay.

Key risk factors (4 of 5)

For personal use only

2.11 Brand and reputation Openpay is reliant on its reputation and branding which are crucial to retaining and increasing the number of customers and merchants that utilise the Openpay service. Any reputational damage or negative publicity may impact Openpay's future growth and profitability. In addition, there is a risk Openpay may be prevented or limited from using its brand name in some markets, which may impact future growth plans.

2.12 Loss of key personnel Openpay relies on the expertise, knowledge and experience of its key management personnel. These individuals have extensive knowledge of Openpay and the BNPL industry and positively contribute to the success of the business. The loss of any key personnel, including senior management, may have a material impact on the operations and strategic direction of the company. Additionally, Openpay's ability to attract, retain and replace employees and key management personal in a competitive environment could affect the company's operational and financial performance.

2.13 Litigation Openpay may, in the ordinary course of business, be involved in disputes. Any dispute or litigation is likely to be time-consuming and costly and the outcome may have a material adverse effect on Openpay's operations and financial performance. Regardless of the outcome, any publicised dispute will be subject to public scrutiny and may result in reputational damage.

2.14 Taxation Changes to taxation laws and in the way taxation laws are interpreted may impact the tax liabilities of Openpay, shareholder returns, the level of dividend imputation or franking, or tax treatment of a shareholder's investment. In particular, both the level and basis of taxation may change. Frequent changes to taxation laws may cause compliance issues and any failure by Openpay to comply with evolving laws may increase its tax liabilities or expose the company to enforcement action.

An investment in shares involves tax considerations that differ for each investor. Investors should consult with a tax professional in connection with any investment in Openpay.

2.15 US transaction As noted in the presentation, Openpay is currently exploring potential transactions with investors to provide support to the US business. Such transaction may involve the issue of equity in the US business to one or more potential investors, which could result in external investors obtaining a majority ownership position in the US business, and Openpay no longer controlling the US business. In addition, any such transaction would result in a reduction of Openpay's exposure to any potential profits of the US business.

3. Equity raising risks

3.1 Investment in equity capital There are risks associated with any investment in equity capital and stock markets. The market price of Openpay shares will fluctuate due to various factors, many of which are out of Openpay's control, such as general movements in the stock markets, recommendations by brokers and analysts, changes in inflation rates and interest rates, changes in government, fiscal, monetary and regulatory policies, global geopolitical events and hostilities, acts of terrorism and investor perceptions. As a consequence, Openpay shares may trade at a higher or lower price than the issue price of the shares issued under the Offer. There is also considerable uncertainty surrounding the ongoing impact of COVID-19 and the increasingly regulatory interest in the BNPL sector.

Equity capital markets are subject to significant volatility and Openpay, its directors and its management cannot guarantee the performance of the shares.

Key risk factors (5 of 5)

For personal use only

3.2 Dilution risk Existing shareholders who do not participate in the capital raising will be diluted as a result of the issue of new shares. A participating shareholder may still be diluted even though they participate in the Placement, depending on the number of Placement Shares issued to them. In the future, Openpay may decide to issue additional shares to raise funds for operations or acquisitions the company decides to make, and shareholders may be diluted as a result.

3.3 Liquidity risk There is no guarantee of an active market for Openpay shares or that the price of Openpay shares will increase. Shareholders who wish to sell their Placement Shares may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market. Therefore, changes in the prevailing market price of Openpay shares may result in a loss of money invested for shareholders.

Appendix 3 – international offer restrictions

For personal use only

International Offer Restrictions (1 of 2)

For personal use only

This Document does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

1. Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). Accordingly, this document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

2. Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the "SFA") or another exemption under the SFA.

This document has been given to you on the basis that you are an "institutional investor" or an "accredited investor" (as such terms are defined in the SFA). If you are not such an investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

3. United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

International Offer Restrictions (2 of 2)

For personal use only

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

4. Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

No offering or marketing material relating to the New Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to investors who qualify as "professional clients" (as defined in the Swiss Financial Services Act). This document is personal to the recipient and not for general circulation in Switzerland.

.