

21 September 2020

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Openpay Group Limited

Software

HOLD

OPY A\$2.98

TARGET PRICE A\$2.91

Openpay Group Ltd. is a payments technology company that offers a buy now, pay later product. It provides a payments platform that facilitates seamless, secure and swift payments between customers and merchants. The company's platform allows customers to make in-store and online purchases, and split the payment for these purchases into multiple repayments over time.

Company Data

Number of shares	107.9M
Market Capitalisation	\$321.4M
Free float (%)	N/A
12-month high/low	\$4.70/\$0.32
Average Daily Turnover (\$m)	23.14
% S&P/ASX200	0.02%
DDM Ranking	n/a
% All Ordinaries	0.02%
GICS Industry Group	Financials

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	18.3	32.8	53.2	71.4
EBITDA (\$M)	-30.1	-24.3	-16.3	2.7
Reported NPAT (\$M)	-35.4	-21.1	-25.8	-7.8
Adjusted NPAT (\$M)	-36.5	-21.1	-25.8	-7.8
Reported EPS (c)	-33.1	-29.1	-23.4	-7.0
Adjusted EPS (c - FD)	-0.5	-29.1	-23.4	-7.0
Adjusted EPS growth (%)	-96.6	5,605.6	-19.7	-69.9
Adjusted P/E (x)	-584.3	-10.2	-12.7	-42.4
Dividend (c/sh)	0.0	0.0	0.0	0.0
Gross yield (%)	0.0	0.0	0.0	0.0
Net yield (%)	0.0	0.0	0.0	0.0
ROIC (%)	-83.0	-23.8	-23.2	-5.4

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

Record Growth Across Leading Indicators

On 21 September Openpay Group Ltd (OPY) announced a business update for August 2020 with the following highlights.

August 2020 Update

- **Active Plans and Customers:** Continued strong growth in August saw record number of Active Plans and Active Customers. Number of Active Plans increased 237% versus pcp from 292,000 to 986,000. number of Active Customers increased 147% versus pcp from 145,000 to 359,000;
- **Active Merchants:** Total Active Merchants increased 40% versus pcp from 1,605 to 2,250. OPY had significant merchant wins, including a signing with JD Sports Australia in the Retail vertical and a partnership with veterinary software provider, ezyVet;
- **Total Transaction Value** grew 88% versus pcp from \$12.1million to \$22.7 million. Main growth drivers included accelerated growth in Australian e-commerce and strong increases in UK trading volume;
- Revenue for the month grew 63% from \$1.2 million in August 2019 to \$2.0 million;
- Net Bad Debt as a percentage of Total Transaction Value remained stable at 1.53% versus 1.54% in July;
- Plan mix reported to be strongly skewed to comparatively longer-term and higher-value plans with 3months or longer plans accounting for 91% of Total Transaction Volume. 3-5month plans were the most prevalent plan structure across the Company's key verticals, making up 54% of Total Transaction Value. 2month plans only contributed 9% of OPY's Total Transaction Value despite the market seeing a significant increase in competitive dynamics for these plans;
- In the UK, OPY signed with global e-commerce technology group The Hut Group (THG) as well as Shopto and Fulham Football Club; and
- OPY went live with *Openpay for Business* with Woolworths in September, which is expected to be gradually rolled out over the next few months. *Openpay for Business* is a business trade account management platform that provides an end-to-end, fully digitised solution, from account activation and transactions to remittance and reconciliation. It will enable companies to improve their B2B offering.

Outlook

- Continued accelerated growth in Australian e-commerce and increase in UK trading volumes supporting strong revenue growth; and
- OPY's finance savvy customers who use Openpay as a budgeting tool will continue to be attracted by the longer-term, higher value plan across all industrial verticals, including Retail.

On the 31st August 2020, OPY announced their FY20 Results Presentation with the following highlights:

- July revenue of \$2.1m.

Earnings changes

OPY's revenue increased from \$1.2m in August 2019 to \$2.0m in August 2020, however this was below the July 2020 revenue figure of \$2.1m. Hence, we do not expect any significant earnings revisions.

We are initiating on OPY with a 12-month price target to \$2.91/sh and a hold recommendation. The price target is underpinned by our DDM valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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