

ASX ANNOUNCEMENT (ASX: LBY)

23 November 2021

Laybuy continues strong growth for the first half of FY22 and provides revised FY22 revenue guidance

Laybuy Group Holdings (**ASX:LBY**) ("**Laybuy**", the "**Company**") is pleased to provide its Half Year Report for the six months ended September 2021 (H1 FY22). Laybuy has reported strong GMV and revenue growth, with record momentum continuing into October and November 2021. The Company is also providing an update to its FY22 guidance for revenue and a correction to the results for the quarter ending September 2021 (Q2 FY22).

All numbers are stated in New Zealand dollars ("NZ\$") and comparisons relate to the six months ended 30 September 2021 ("H1 FY22" or prior comparative period, "PcP" or year on year ("YoY"), unless otherwise stated.

Highlights

- **GMV reached a record NZ\$391 million for 1H FY22**, or annualised GMV of NZ\$782 million, an increase of 60% YoY.
- **United Kingdom GMV almost doubled YoY in 1H FY22**, reaching annualised GMV of NZ\$415 million, up 95% YoY.
- **Laybuy remains on track to achieve annualised GMV of \$1 billion**, with NZ\$989 million annualised for October 2021, 119% above October 2020.
- **Record income for the half year of NZ\$21.2 million**, or annualised income of NZ\$42.4m, up 60% YoY.
- **For the half year, Net Transaction Margin (NTM) was 1.5%**, down from 1.7% PcP.
- **Updated revenue guidance for FY22 of 60-70% growth on FY21**, with the UK expected to be 75-85% up YoY.

- **Correction to September quarter results** include defaults which increased to 3.0% for Q2 FY22 (restated from 2.2%) which in turn resulted in a decrease in Net Transaction Margin (NTM) to 1.0% for Q2 FY22 (restated from 1.9%).
- **Laybuy App Exclusives (Affiliate Marketing Network) continues to grow** following its successful launch in the UK during the quarter, providing customers with access to more than 170 new household brands and enabling Laybuy to add more than 5,000 merchants in a wide range of verticals in the future.
- **Active Customers reached 889,000, up 57% YoY.** UK active customers up 90% YoY.
- **Active Merchants reached 11,700, up 86% YoY.** UK active merchants up 332% YoY.
- **New debt facility with US specialist lenders Partners for Growth (PFG) of £30 million** to support UK loan book growth and provides substantially greater availability and flexibility for draw downs.
- **Increase in Kiwibank facility limit to NZ\$30 million** and increase in LVR to further support ANZ loan book growth to 80% (previously 75%).

Managing Director Gary Rohloff commented: “The first half of FY22 has continued to see Laybuy deliver strong growth, particularly in our focus market of the UK. In the first months of this financial year, we have almost doubled GMV in the UK, which has helped achieve record group GMV of \$391 million in the first half of the year. Our active customers are up 57% and our active merchants have increased by 86%.

“This continued strong growth means that we remain on-track to achieve GMV of \$1 billion this financial year, supported by the successful launch of the Laybuy App Exclusives (the Affiliate Marketing Network), which provides Laybuy with yet another differentiator to access growth in the UK. Initially launching with 160 merchants in late August, it now has over 170 active merchants and has the ability to increase to 5,000 over time across a wide range of verticals.

“While the Laybuy App Exclusives has given Laybuy a significant uplift in GMV in the UK, it has resulted in a lower than anticipated average commission earned. Late fees as a percentage of GMV are lower than the prior comparative period. As a result, Laybuy is targeting global revenue growth of 60-70% this financial year. Our forecast annualised GMV remains unchanged at NZ\$1 billion.”

“Our focus remains firmly focussed on growing our UK market, which continues to present enormous opportunities to Laybuy. We are one of the top three BNPL providers in the UK and we expect to see revenue growth of between 75-85%. To support continued revenue growth in the UK, we have also established a dedicated team focussed on maximising commercial arrangements and optimising revenue.”

Key Operating and Financial Metrics

The table below presents the Laybuy Group's (the "Group's") key operational metrics¹ for 1H FY22 compared to 1H FY21.

Group (NZ'm)	1H FY22	1H FY21	Movement	%
UK GMV	\$208m	\$106m	\$102m	95%
ANZ GMV	\$183m	\$139m	\$44m	32%
Gross Merchandise Value (GMV)	\$391m	\$245m	\$146m	60%
Income	\$21.2m	\$13.3m	\$7.9m	60%
Net Transaction Margin (NTM)	\$5.7m	\$4.1m	\$1.6m	39%
NTM % of GMV	1.5%	1.7%	(20bps)	
Defaults % of GMV	(2.6%)	(2.5%)	(10bps)	
Normalised EBITDA²	(\$16.3m)	(\$8.1m)	(\$8.2m)	(103%)
Loss after tax ³	(\$22.6m)	(\$26.4m)	\$3.8m	15%
Active customers ⁴	889,000	568,000	321,000	57%
Repeat customers ⁵	66%	63%	30bps	
Active merchants ⁴	11,700	6,300	5,400	86%

¹ Non-GAAP measures have been included as we believe they provide useful information for users of the financial statements that assist in understanding Laybuy's financial performance. The non-GAAP financial information does not have a standardised meaning prescribed by IFRS and therefore may not be comparable to similar financial information presented by other entities. The non-GAAP financial information has not been subject to audit or review.

² Normalised EBITDA excludes one-off items such as the cost associated with the IPO, one-off recruitment cost, fair value movements on convertible notes and share-based payments. EBITDA and Normalised EBITDA also excludes Interest Expense on Debt Facilities (included in Net Transaction Margin).

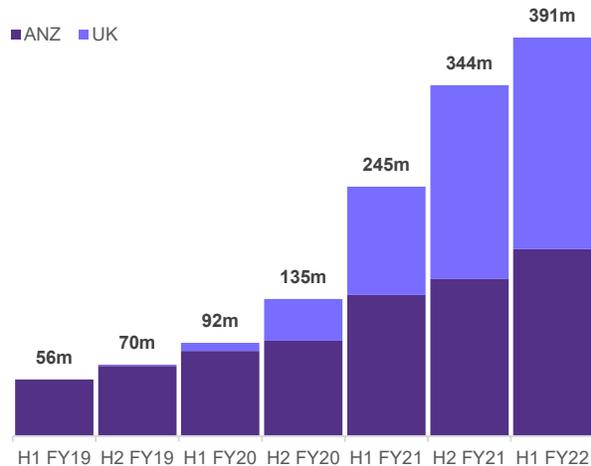
³ Statutory Loss After Tax in line with IFRS.

⁴ Active is defined as having transacted at least once in the last 12 months.

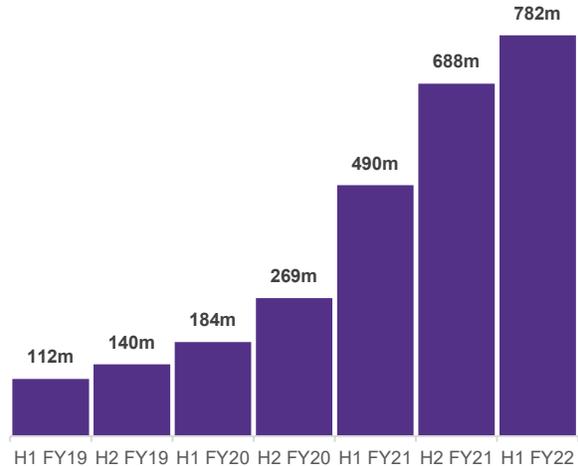
⁵ A customer who has made more than one purchase through the Laybuy platform within the 12 months prior to the end of the relevant period.

Gross Merchandise Value (GMV)

GMV by region (NZ\$m)



Annualised GMV (NZ\$m)



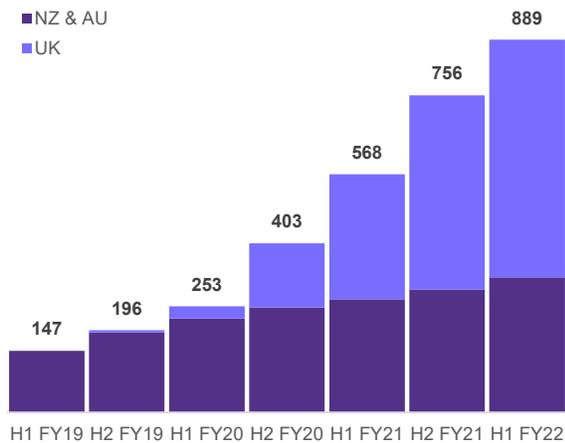
Laybuy's GMV for 1H FY22 was a record NZ\$391 million, with annualised GMV of NZ\$782 million, up 60% YoY. The UK contributed significantly to this uplift, with annualised UK GMV of NZ\$415 million – up 95% YoY. This strong growth in the UK was supported by an increase of 332% in active merchants and 90% in active customers compared to 1H FY21.

The Laybuy App Exclusives launched at the end of August and resulted in over 80,000 transactions in September, with a large portion of our existing customers using the Laybuy App to shop at some of the world's leading and most recognised brands, using our Mastercard/ EML product. The App Exclusives is a product differentiator and is set to enhance Laybuy's merchant growth strategy in the UK.

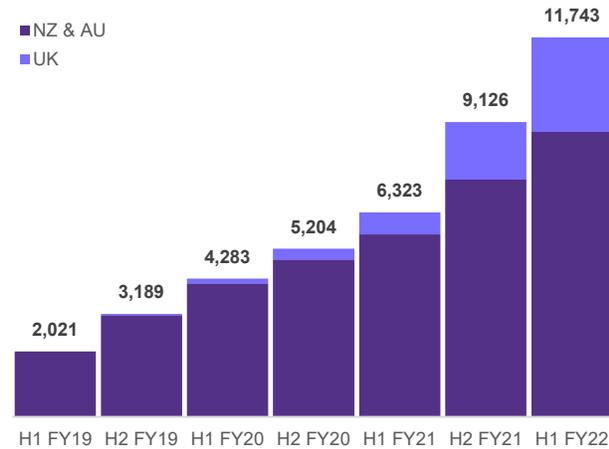
The launch of the App Exclusives has been accompanied with a campaign in the UK to raise awareness amongst key consumer groups of the new offering, pivoting the business from a traditional B2B marketing business to a B2C marketing business.

Active Customers and Merchants

Active Customers by region ('000)



Active Merchants by region



Active customers increased to 889,000 in 1H FY22, an increase of 321,000 on 1H FY21. The growth was particularly strong in the UK, as Laybuy continues to deliver on its strategic initiatives by broadening its merchant offering further supported by the launch of the App Exclusives.

Active merchants have reached 11,700 in 1H FY22, an increase of 5,400 on 1H FY21. The UK had particularly strong growth, with an increase of 332% YoY. The App Exclusives launched in late August and already has over 170 merchants active, with the ability to increase to 5,000 over time.

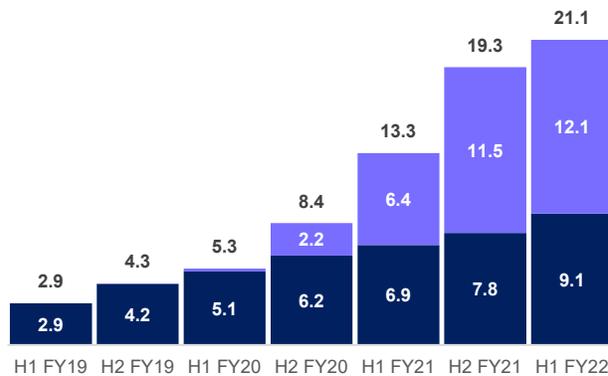
Over the past year, Laybuy has on-boarded a large number of Active Merchants, reflective of its investment in resources in both the UK and ANZ for acquiring and onboarding new merchants. This strong growth is expected to continue and drive increased customer acquisitions and increased purchasing frequency, both of which will contribute to substantial GMV growth as customers continue to use Laybuy as a preferred payment method at checkout. Laybuy continues to increase its brand awareness through major sporting partnerships including Manchester United, Manchester City and Arsenal football clubs in the UK, and Super Rugby clubs in New Zealand.

Financial performance

The graphs below represent the Group's half yearly income and NTM.

Group income by region (NZ\$m)

■ NZ & AU
■ UK



Half Yearly Net Transaction Margin (% of GMV)



Total income for the half year ending 30 September 2021 increased to NZ\$21.2 million, an increase of 60% on the same period last year.

Merchant fee income as a % of GMV remained consistent with PcP. The average merchant fee for new retailers added to the platform during the first half of the year were on average higher than the average merchant fee historically derived. The Laybuy App Exclusives launched in late August 2021 initially has a lower commission rate on average, offsetting some of the increases in the direct channel. Late fees as a % of total revenue decreased from 44% in 1H FY21 to 43% in 1H FY22.

New Zealand has significantly lower levels of late fees as a percentage of income compared to the UK, reflecting the relative stages of maturity in these markets. As the UK market becomes more established, management believes that the late fees will reduce to similar levels experienced in New Zealand. The UK is seeing an increase in repeat customer use and expects late fees as a % of revenue to decline over time.

NTM as a percentage of GMV slightly reduced to 1.5% for the half year ended 30 September 2021, down from 1.7% in PcP. The decrease in NTM was primarily driven by an increase in credit losses, up 10bps to 2.6% for 1H FY22, due to larger contribution of growth from the UK market, combined with the launch of App Exclusives in late 1H FY22. The Company is continuously refining its fraud management technology to ensure credit losses reduce over time. Transaction costs have remained consistent at 1.2% of GMV.

Laybuy continues to invest for future growth, including heavily invested in marketing, people, product development, partnerships, and capital and debt right-sizing. Several one-off costs were incurred, and these have been factored into the normalisations of \$0.5 million. Normalised EBITDA loss increased from NZ\$8.1 million in 1H FY21 to NZ\$16.3 million in 1H FY22

Financial position

The Group's net asset position has increased to NZ\$54.3 million as at 30 September 2021, up from NZ\$36.7 million PcP. This is due to the capital raising and funding activities, and growth in the GMV, offset by the losses for the period. The customer loan book continues to grow in line with the GMV growth.

Total liabilities as at 30 September 2021 were NZ\$23.8 million, up from NZ\$23.3 million at 30 September 2020. Borrowings (drawdowns from debt facilities) remained consistent on PcP, as no drawdown was made for the UK receivables ledger at 30 September 2021 – the new Partners for Growth (PFG) facility was put in place in October 2021.

Capital management and debt facility update

Laybuy secured a £30 million debt facility in October 2021 with PFG to support the UK customer loan book. This new debt facility provides substantially greater availability and flexibility for drawdowns (subject to a condition precedent being satisfied).

Laybuy also announced an increase in the Kiwibank facility from NZ\$20 million to NZ\$30 million, also obtaining an increase in the LVR rate from 75% to 80% and an extension of the maturity date from June 2022 to June 2023. This will further support growth in the ANZ customer loan book.

Correction to September 2021 (Q2 FY22) quarter-end numbers

Laybuy uses an effective credit loss methodology to predict current impairment losses. Receivables that are 90+ days in aging are used in the model to determine the predicted repayment rates across all aging buckets including current/not yet due.

Laybuy launched its App Exclusives opportunity in late August and above the line advertising commenced the second week of September. A number of high-end brands and merchants who sell electronic goods were included in the 160 brands at launch. Whilst we saw a positive increase in active customers in the

UK as a result of offering a large number of new merchants in our shop directory, we also experienced a higher instance of fraud.⁶

Prior to the approval of the interim condensed consolidated financial statements, an assessment is made whether actual loss experience is reflected in the impairment loss calculation. This assessment identified that Laybuy was under-provided for in the mid-late September cohorts.

Therefore, additional write-offs were required to be included in the September financials. The default rate reported in the Q2 FY22 4C and Business Update provided to the ASX on 28 October 2021 increases from 2.2% to 3.0%, which therefore reduces NTM from 1.9% to 1.0%.

The high-risk merchants have been removed and other measures are now in place to deter fraudulent behaviours.

Updated guidance

The Company is now targeting revenue growth of 60-70% for FY22 compared to FY21 - a lower revenue target from the outlook provided in April 2021.

The launch of the new Laybuy App Exclusives has given Laybuy a significant uplift in GMV in the UK, but the average commission earned is initially lower than that of direct integrated SME merchants. Offsetting the lower Commission is the absence of any integration or marketing contributions to enable access to these retailers.

A dedicated team has been set up to ensure we maximise the opportunity in the future with a focus on entering better commercial arrangements to optimise revenue through this channel. Late fee revenue contribution is tracking lower than expected with higher repeat customer usage across the portfolio. Laybuy will add additional retailers to the App Exclusives program prior to Christmas, with more than 170 already live. App Exclusives will allow Laybuy to significantly grow GMV in the UK over time, allowing Laybuy customers to pay with Laybuy at up to 5,000 merchants, across a range of verticals, all through the Laybuy app without the need for further product integration.

The UK region is still expected to see revenue growth of between 75% and 85% YoY. This growth rate continues to be significant when compared to the prior financial year (137% increase in Total Group

⁶ Fraud is defined as any transaction that results in instalments 2-6 not being paid, a deliberate intention to defraud Laybuy, as well as stolen identity/account takeovers.

Income for the year ended 31 March 2021) and the Company remains focused on the UK as its key growth market.

Total revenue as a % of GMV is forecasted to remain consistent year on year.

Laybuy is expected to deliver NZ\$1 billion of annualised GMV for Q3 FY22.

Outlook

The outlook for continued GMV growth remains strong. Laybuy continues to focus on accelerating its growth in the UK, having spent the quarter building out the management team and differentiating its product offering via Laybuy App Exclusives and *Tap to Pay in-store* to make Laybuy available as a payment method at a wider number of merchants. ANZ continues to build on a strong foundation and looks to see continued momentum into the holiday season.

October has continued to see record growth, with annualised GMV of NZ\$989 million and UK GMV up 119% on previous October. Over 115,000 transactions were processed through App Exclusives in October, compared to 80,000 for September.

With the upcoming Christmas season and Black Friday sales of Q3, Laybuy expects to see strong growth in GMV and is on track to exceed NZ\$1 billion of annualised GMV during FY22.

ENDS

Zoom Webinar – 1H FY22 Results and November Trading Update

A Zoom webinar will be held on Wednesday 1 December 2021 at 11:00 am AEDT / 1:00pm NZDT

Event: LBY Investor Webinar

Presenters: Managing Director, Gary Rohloff, and Chief Financial Officer, Katrina Kirkcaldie

Time: Wednesday 1 December 2021 at 11:00 am AEDT / 1:00 pm NZDT

Where: Zoom Webinar, details to be provided upon registration. To register your interest for the webinar please click through to the link below.

Registration Link:

https://janemorganmanagement-au.zoom.us/webinar/register/WN_7tmjjXrdTvGGDSZ0nczQfw

After registering your interest, you will receive a confirmation email with information about joining the webinar. Participants will be able to submit questions via the Panel throughout the presentation, however, given we are expecting a large number of attendees we encourage shareholders to send through questions via email beforehand to jm@janemorganmanagement.com.au

For any immediate questions, please contact investors@laybuy.com

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This announcement was approved for release by the Board of Directors of Laybuy Group Holdings Limited.

About Laybuy

Launched in 2017, Laybuy is a rapidly growing fintech company providing buy now, pay later services partnering with over 12,000 retail merchants. Laybuy is available in New Zealand, Australia and the UK. The unique, fully integrated payment platform is helping to revolutionise the way consumers spend. Laybuy is simple. Customers can shop now, receive their purchase straight away, and pay it off over six weekly payments without paying interest. For more information visit laybuyinvestors.com.