

ASX ANNOUNCEMENT (ASX: LBY)

Quarterly Update and Appendix 4C

31 January 2023

Laybuy achieves second highest quarterly GMV result; Defaults continue to fall; Remains on track to achieve EBITDA profitability by year end.

Laybuy Group Holdings Limited (ASX:LBY) (**Laybuy** or **the Company**) is pleased to provide its quarterly business update and Appendix 4C for the period ended 31 December 2022¹.

Key Highlights - Q3 FY23:

- **Second highest GMV quarterly result achieved despite a tightening retail environment**
 - GMV of \$231 million, up 13.3% from previous quarter, delivering Laybuy's second highest quarterly result ever.
- **Record low default rate achieved as credit risk management tools continue to deliver results**
 - Group default rate fell to a record low of 1.74%, a reduction from 2.0% from the previous quarter and from 4.0% year-on-year. Significant fall in UK defaults this financial year.
- **Ongoing growth in GMV per customer as focus remains on improving overall customer base.**
 - GMV per customer grew 18.5% for the quarter, with particularly strong growth in the UK where GMV per customer increased more than 20%.
- **Reaffirms commitment of achieving EBITDA operating profitability by end of FY23**
 - Operating EBITDA as a percentage of GMV tracking in line with expectations allowing reconfirmation of EBITDA profitability in March 2023.

¹ All numbers stated are in New Zealand dollars (NZ\$) and comparisons relate to the quarter ended 30 September 2022 (**Q2 FY23** or **quarter-on-quarter**) or the quarter ended 31 December 2022 (**Q3 FY22** or **year-on-year**), unless otherwise stated.

Operational Performance

Managing Director Gary Rohloff commented:

“This quarter has seen Laybuy continue to deliver results as it implements its strategy to achieve EBITDA profitability by March of this financial year.

“Despite a weaker macroeconomic environment, which is impacting consumer confidence and the retail sector, we were still able to achieve our second highest quarterly GMV result, as well as strong growth in GMV per customer.

“In addition, the work undertaken to improve our credit risk management processes has led to a significant improvement in our customer base, especially in the UK. As a result, we have seen our default rate continue to fall with our Group default rate sitting at an all-time low of 1.74% of GMV. Pleasingly, our UK default rate is now similar to our default rate in ANZ.

“The investment in credit risk management processes, and the resulting lower group default rate, means that although our GMV was lower than it was in Q3 FY22, it was of much higher quality because a lower proportion of GMV was the result of fraudulent transactions.

“Following the very strong results achieved in Q2, which saw our NTM peak at 4%, we have recognised some timing differences in the current quarter, which have had a negative impact on NTM but not a material impact on the Company’s cash position.

“In addition, the Board made a number of strategic decisions during the quarter to ensure Laybuy was better positioned for financial sustainability into the future. This included the termination of a number of expensive sponsorship arrangements as well as investment decisions linked to the selection of fit for purpose credit tooling systems. The lower EBITDA and NTM this quarter reflect the combination of these decisions.

“We are confident that given the decisions made this quarter, income will increase and NTM will settle in a range of between 3.0% and 3.5% in Q4. As a result, Laybuy can affirm its commitment to be EBITDA positive in March 2023.”

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Key Operating and Financial Metrics

The table below presents Laybuy's key operational metrics for Q3 FY23 and has been prepared based on unaudited results.

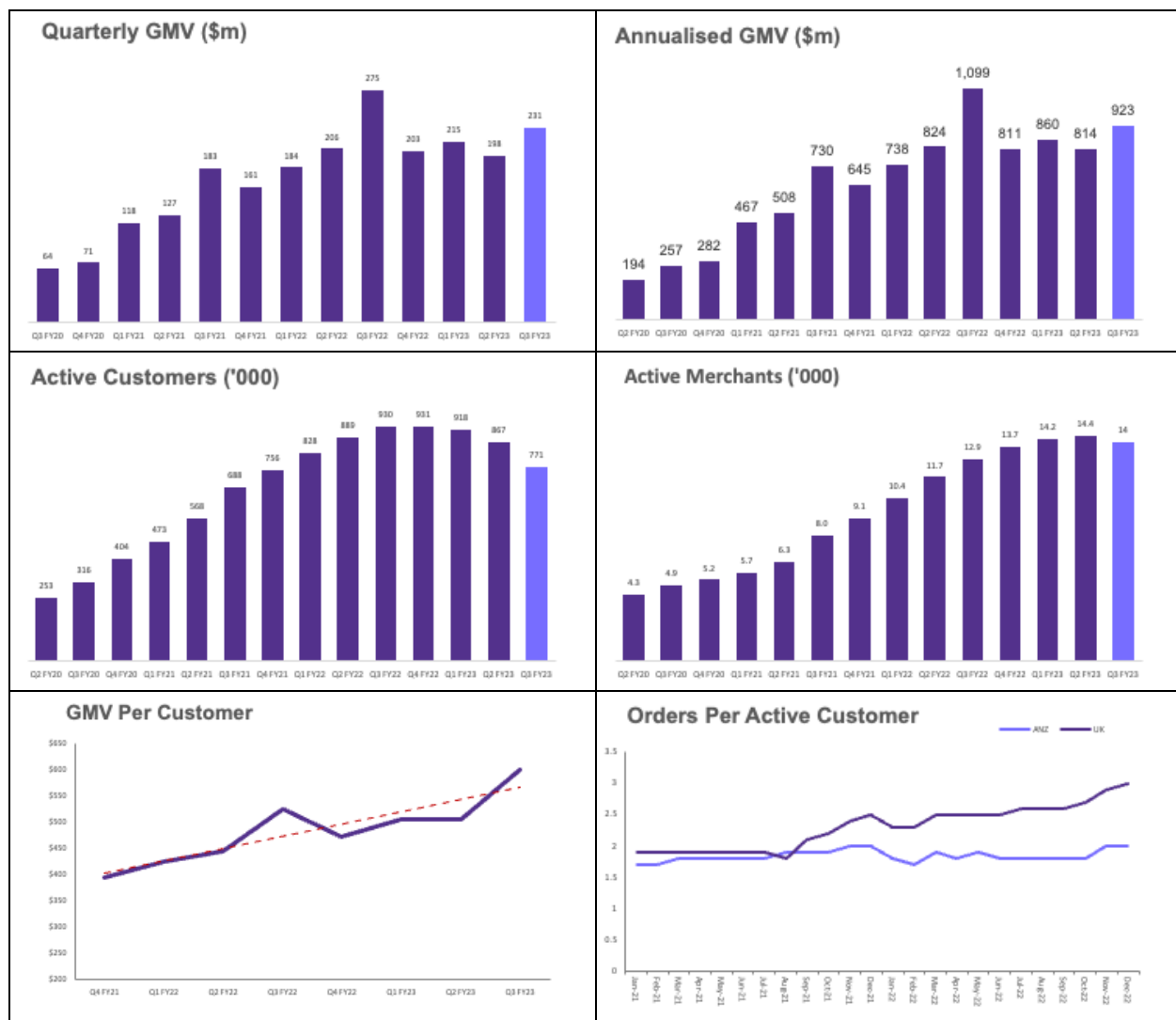
Group	Q3 FY23	Q2 FY23	% change QoQ	Q3 FY22	% change YOY
GMV	\$231m	\$198m	16.7%	\$275m	(16.0%)
Annualised GMV	\$923m	\$793m	16.4%	\$1,100m	(16.0%)
Active Customers	771,000	866,500	(11.0%)	930,000	(17.1%)
Active Merchants	14,000	14,400	(2.80%)	12,900	8.5%
Income	\$9.9m	\$14.5m	(32.40%)	\$13.5m	(28.7%)
Net Transaction Margin (NTM) as % of GMV	1.3%	4.0%	(270bps)	0.0%	134bps
Gross Losses as % of GMV	(1.7%)	(1.5%)	(20bps)	(4.0%)	230bps
UK					
GMV	\$144m	\$117m	23.1%	\$170m	(14.8%)
Annualised GMV	\$578m	\$470m	23.0%	\$678m	(14.8%)
Active Customers	484,000	562,000	(13.9%)	606,000	(20.1%)
Active Merchants	4,000	4,100	(2.4%)	3,400	17.6%
ANZ					
GMV	\$86m	\$81m	6.2%	\$105m	(17.9%)
Annualised GMV	\$345m	\$323m	6.8%	\$421m	(17.9%)
Active Customers	287,500	304,000	(5.4%)	324,000	(11.3%)
Active Merchants	10,100	10,200	(1.0%)	9,500	6.3%

Second highest GMV quarterly result achieved as GMV per customer climbs

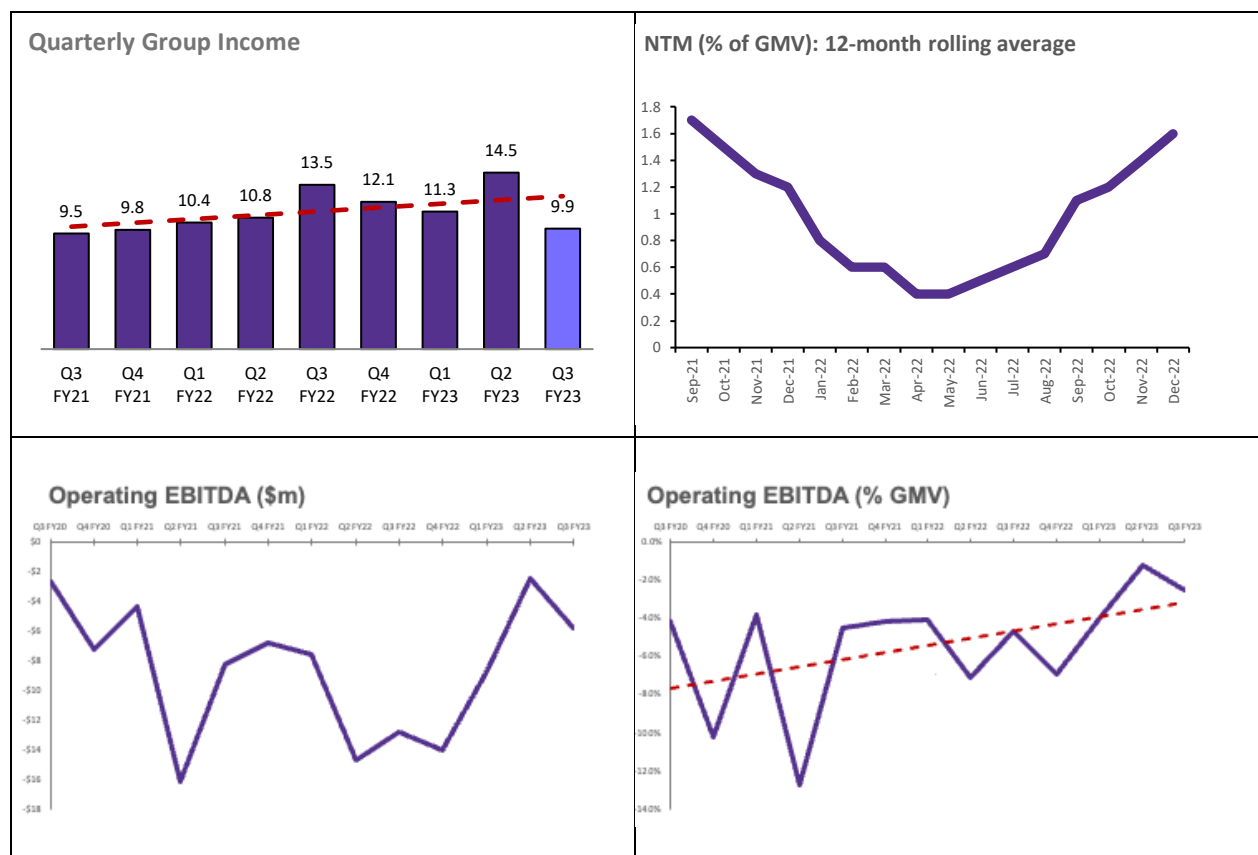
GMV for the quarter was \$231 million, an increase of 13.3% from the previous quarter. While GMV was down 16% year-on-year, this quarter still produced Laybuy's second best GMV result.

The continued reduction in active customer numbers was anticipated and reflects the ongoing focus on tightening credit risk management processes and the exiting of bad actors off the platform. Improving the quality of the customer base forms a key part of the Company's profitability strategy by reducing credit losses.

Despite a 11% reduction in active customers there was strong growth in GMV per customer, which increased 18.5% when compared to the previous quarter, reflecting the ongoing improvement of the quality of the customer base.



Income and NTM solid despite constrained retail environment.



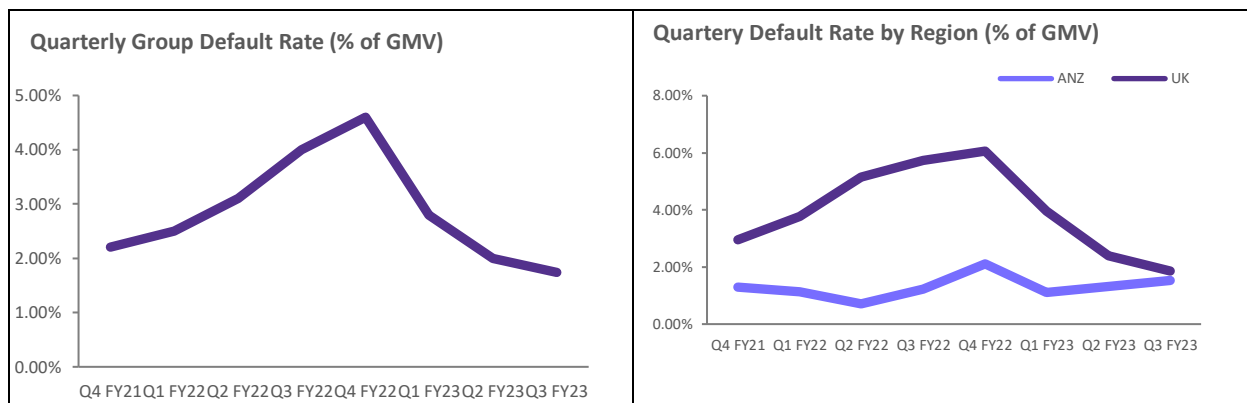
Income for the quarter was \$9.9 million, a reduction of 32% quarter-on-quarter. We expect this Income to increase in Q4 in line with the longer-term trend line above. This lower level of income reflects a timing difference and we expect to see this recover to levels of \$12m to \$13m per quarter, consistent with the longer-term average.

This quarter also saw NTM return to a lower-than-expected level of 1.3% following its peak of 4.0% last quarter. On a 12-month rolling basis, NTM continues to improve as expected. We remain confident that NTM will settle in a range between 3.0% and 3.5% in following quarters.

A record low default rate

Our investment in fraud and credit risk management tools is continuing to drive reductions in our default rate.

The group default rate fell to 1.74%, down from a peak of 4.6% in Q4 F22. Reductions in defaults have been most marked in the United Kingdom, where defaults have fallen to 1.86% and are now similar to the default rate in ANZ

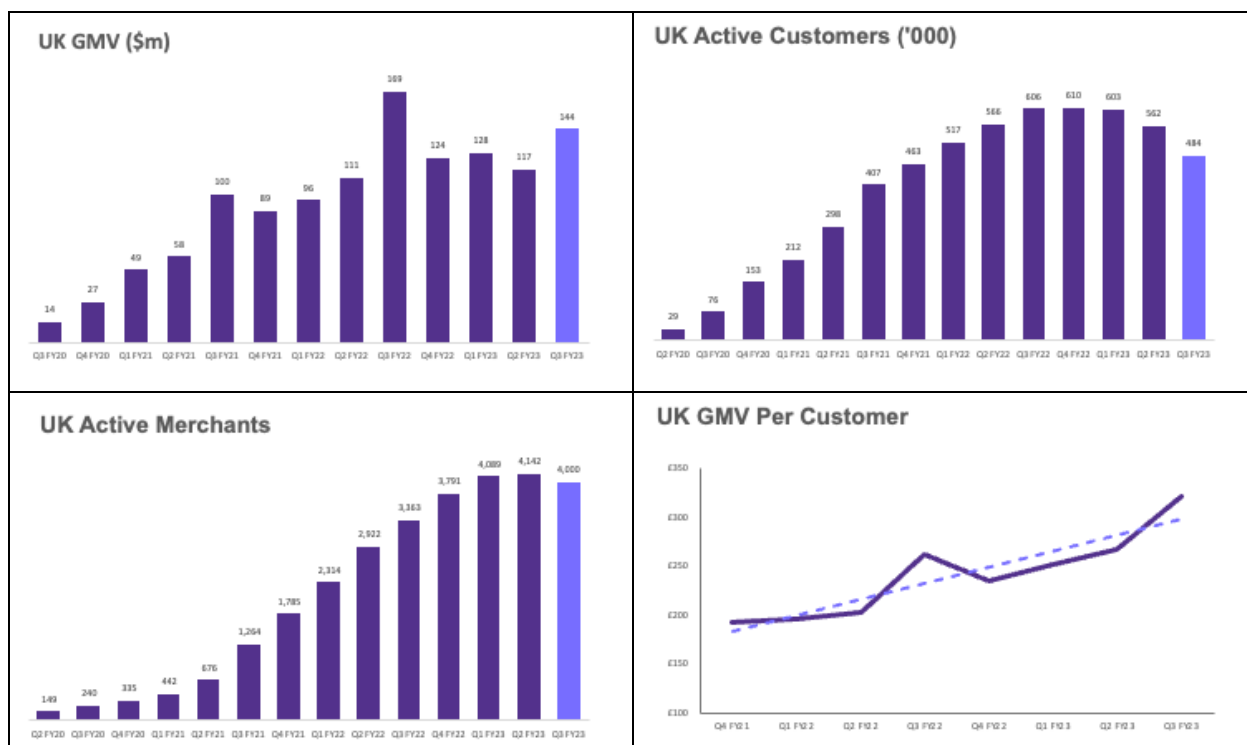


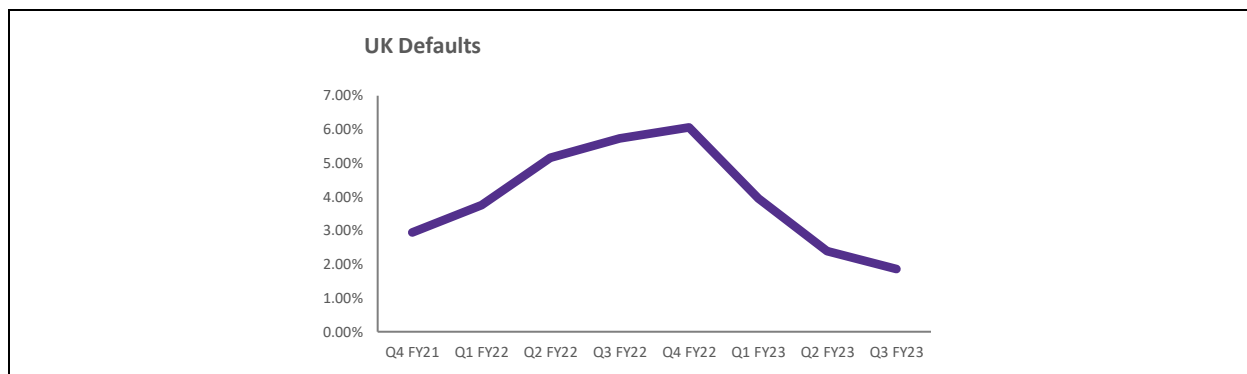
Regional Update

UK – Falling defaults and rising GMV per customer

The UK achieved its second highest quarterly GMV result, reaching \$144 million – an increase of 17.1% quarter-on-quarter. While there has been a 14% decrease in active customers, this was expected as we enhanced credit risk management processes and exited poor quality customers off the platform.

The result of this work is reflected through the continued reduction in defaults, which fell more than 50bps quarter-on-quarter, and the strong growth in GMV per customer, which increased by 20% from the previous quarter.

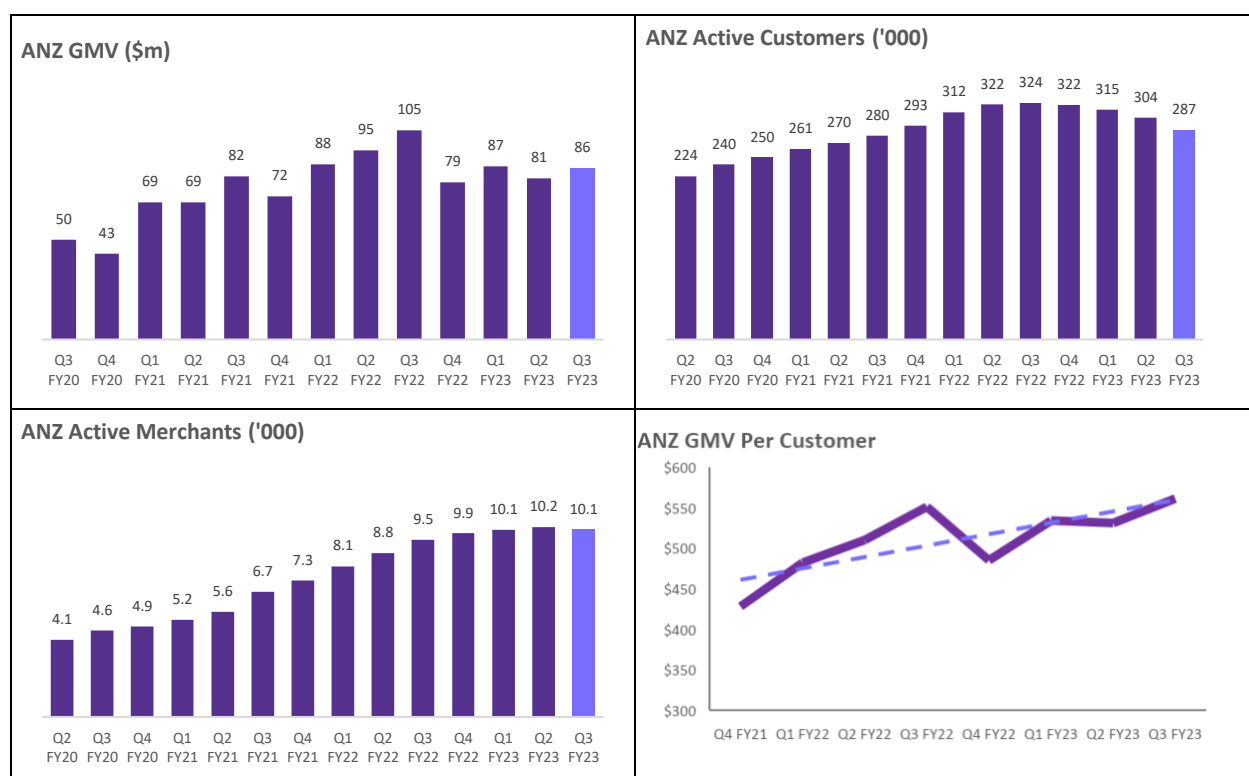




ANZ - Stable GMV in a softening retail market

GMV in ANZ increased 6.2% this quarter to reach \$86 million this quarter. While this represents a softening year-on-year of 18%, this is attributable to the Auckland region being in lockdown in the prior period. This drove higher levels of eCommerce during part of Q3 FY22. This quarter's results reflect a return to a more normalised level, which was achieved despite signs of a retail sector under pressure due to macroeconomic conditions.

While there has been a reduction in active customers in ANZ, GMV per customer has increased 5.6%. Active merchants remain stable.



Capital management and debt facility update

Our weekly repayment cycle means that we are one of the most capital efficient BNPL providers in the market. During the quarter, we maintained a £20 million debt facility with Partners for Growth (PFG), which supports our UK customer loan book, and a \$30 million debt facility with Kiwibank, which supports our ANZ customer loan book.

Facility	Facility Limit	Drawn as at 31 December 2022	Maturity
Kiwibank	\$30.0m	\$13.6m	Jun-24
Partners for Growth	\$38.1m (£20m)	\$26.7m	Oct-24
Total	\$68.1m	\$40.3m	

The receivables ledger increased by \$4.1 million this quarter to \$46.3 million, in line with increased GMV growth.

Our Kiwibank facility interest rate is calculated as being the sum of the cost of the funds +2.5% margin while our UK debt facility with Partners for Growth has a fixed interest rate, which reduces as the drawn facility increases. As a result, our exposure to rising interest rates continues to be minimal, with scenario modelling showing that a 2% increase in interest rates will have less than a 0.04 percent on NTM.

Cashflows

Our aggregate cash available was \$8.6 million as of 31 December 2022 (excluding \$5.5m of Stripe receipts, which were in transit and received on the first working days in January 2023).

Operating Activities

Operating cash outflows were \$12.2 million this quarter. This is an increase when compared to Q2 FY23 when the operating cash outflow was \$1.9 million. This increase was expected as it reflects the seasonal nature of the business with this quarter seeing the funding of the normal pre-Christmas increase in the Receivables book.

Research and development costs totalled \$1.0 million, \$0.7 higher than the previous quarter. These costs represent the external and internal costs relating to the development of the core Laybuy platform. Expenditure includes salary and contractor costs as well as any related technology costs.

Product manufacturing and operating costs, which includes all the variable transaction costs, were \$3.6 million this quarter, approximately the same as the previous quarter.

Advertising and marketing spend totalled \$1.6 million this quarter, a reduction of 0.7 million from the previous quarter. Advertising and marketing spend includes amortization of costs previously paid as well as previous merchant incentive payments.

Employee costs were \$2.7 million this quarter, down from up \$4.8 million for Q2 FY23. This decrease reflects the realisation of savings from the significant restructuring undertaken by the company in Q1 FY23. A total of \$0.4 million was paid to related parties and their associates, comprising \$0.3 million by way of salary and wages under their terms of employment and a further \$0.1 million by way of fees payable to non-executive directors.

Administrative and corporate costs were \$0.6 million this quarter, compared to \$0.8 million in the prior quarter. Administrative and corporate costs include recruitment fees, legal fees, accounting and audit fees.

Investing Activities

Total payments capitalised this quarter were \$0.00 million, compared to \$0.03 million in the previous quarter.

Financing Activities

Financing activities had a cash inflow of \$11.2 million this quarter, compared to a cash outflow of \$1.4 million in the previous quarter. The inflow this quarter was driven by a drawdown on debt facilities to support GMV growth during the peak retail period.

Outlook

Laybuy has continued to make strong progress on its pathway to profitability and the results this quarter allows the Company to reaffirm its commitment to be EBITDA profitable by March 2023.

Despite a tightening macroeconomic environment, Laybuy achieved its second highest quarterly GMV to date, credit losses have fallen significantly and GMV per customer continues to climb strongly. While income and NTM were more subdued this quarter, this was anticipated and is a return to more normal levels following a peak in the previous quarter.

After careful consideration, an application to voluntary delist has been submitted and approved by the ASX. A final decision on whether to delist will be made by shareholders at a Special General Meeting scheduled on 23 February 2023. If approved, Laybuy will delist on 23 March 2023. The decision was made after it was determined that the costs of remaining on the ASX outweigh any future potential benefits.

Laybuy Managing Director Gary Rohloff commented: “Given the continued low trading volumes and underperformance of the share price, the Laybuy Board has concluded that delisting from is in the best interests of shareholders.

“The work undertaken this year has put the business in a strong position, but this is not being reflected in our share price. The Board has also concluded that being listed on the ASX is no longer providing an effective platform for valuing the business given the negative sentiment towards the BNPL sector.

“Importantly, delisting allows the Laybuy to source a much more objective and independent valuation which can be used to attract future investment from a broader range of partners. This will support Laybuy to implement its long-term strategy and protect shareholders interests.”

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Zoom webinar

Event: LBY Investor Webinar

Presenters: Managing Director, Gary Rohloff, and Chief Financial Officer, Mark Conelly

Time: 7 February 2023 11.00 AEST / 13:00 NZST

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://laybuy.zoom.us/webinar/register/WN_wrzwyRNbQnuUpbbRA4KSkg

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 investors@laybuy.com

For more information, please contact:

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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 14,000 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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity:

Laybuy Group Holdings Limited

ABN

ARBN 642 138 476

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows		Current quarter NZ\$'000	Year to date (9 months) NZ\$'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	197,608	564,337
1.2	Payments for		
	(a) research and development	(1,024)	(2,403)
	(b) product manufacturing and operating costs	(3,619)	(10,999)
	(c) advertising and marketing	(1,575)	(5,919)
	(d) leased assets	(318)	(910)
	(e) staff costs	(2,710)	(11,825)
	(f) administration and corporate costs	(561)	(2,902)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(821)	(2,083)
1.6	Income taxes (paid)/refunded	(46)	752
1.7	Government grants and tax incentives	-	-
1.8	Other (payments to merchants)	(199,142)	(547,636)
1.9	Net cash from / (used in) operating activities	(12,208)	(19,588)

Consolidated statement of cash flows (continued)	Current quarter NZ\$'000	Year to date (9 months) NZ\$'000
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(12)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets (payments for development of intangible assets)	-	(91)
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	-	(103)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5 Proceeds from borrowings	12,807	24,801

Consolidated statement of cash flows (continued)		Current quarter NZ\$'000	Year to date (9 months) NZ\$'000
3.6	Repayment of borrowings	(1,355)	(8,662)
3.7	Transaction costs related to loans and borrowings	(222)	(372)
3.8	Dividends paid	-	-
3.9a	Other (payment to original shareholders from sell down of shares)	-	-
3.9b	Other (payments for lease liabilities)	(5)	(15)
3.10	Net cash from / (used in) financing activities	11,225	15,752

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,713	12,354
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(12,208)	(19,588)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(103)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	11,225	15,752
4.5	Effect of movement in exchange rates on cash held	(190)	125
4.6	Cash and cash equivalents at end of period	8,540	8,540

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 NZ\$'000	Previous quarter NZ\$'000
5.1	Bank balances	7,695	8,731
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details) ²	845	982
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,540	9,713

² Money held on trust with EML Payments in Australia and the UK to fund transactions through Tap to Pay and App Exclusives. These funds were received in April 2022.

6.	Payments to related parties of the entity and their associates	Current quarter NZ\$'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	367
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 NZ\$'000	Amount drawn at quarter end NZ\$'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	68,081	40,290
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	68,081	40,290
7.5	Unused financing facilities available at quarter end		38
7.6	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>Laybuy had two debt facilities in place at 31 December 2022. The NZ\$30 million debt facility with Kiwibank funded the Laybuy New Zealand and Australia loan book while the £20 million debt facility with Partners for Growth funded the Laybuy UK loan book.</p> <p>The Kiwibank facility is advanced against the New Zealand and Australian receivables ledgers. The interest rate for the quarter was 6.65%. The facility has been extended to mature in June 2024. The drawn down balance at 31 December 2022 was NZ\$13.6 million. The Kiwibank facility interest rate is calculated as being the sum of the cost of funds + 2.5% margin. Therefore, though it is likely that the ANZ economies will continue to see increased interest rates, the impact to Laybuy is likely to be minimal, coupled with the high book turn Laybuy experiences.</p> <p>The Partners for Growth (PFG) facility is advanced against the UK receivables ledger. The interest rate for the quarter was 11.35%. The facility matures in October 2024. The drawdown balance at 31 December 2022 was £14 million.</p>		

	In addition, Laybuy had funds of NZ\$5.5 million in transit from payment processing providers. Therefore, with the inclusion of these funds, total cash resources available at 31 December 2022 were NZ\$14 million.
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8. Estimated cash available for future operating activities	NZ\$'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(12,208)
8.2 Cash and cash equivalents at quarter end (item 4.6)	8,540
8.3 Unused finance facilities available at quarter end (item 7.5)	38
8.4 Total available funding (item 8.2 + item 8.3)	8,578
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.7

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.

8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:
8.6.1	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?
	<p>Answer: Laybuy has transitioned to a new Operating Model which has materially decreased its cost base. This, combined with improvements in losses from Defaults and a more managed GMV Growth strategy will enable the Business to be financially sustainable.</p> <p>Additionally, the cash outflow for this quarter reflects the increase in trading during the highest trading period for the year. This is expected to reverse in Q4. The majority of the Cash outflows are funded by a financing activity, debt funded, and reverses in Q4.</p>
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?
	<p>Answer: The transition to the new Operating model as described above means that Laybuy does not believe that it needs to raise further cash to fund its operation. Additionally it is expected that the receivables book will reduce in Q4, in line with normal seasonal patterns, which will result in a more positive cash flow in Q4</p>
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?
	<p>Answer: Laybuy has transitioned to a new Operating Model which is focused on profitable growth with a lower cost base.</p>

	<p>To achieve this, Laybuy has undertaken a significant restructure to streamline operations and reduce duplications where possible. This has appropriately resized the business in order to achieve its revised strategic objectives of profitable and sustainable growth.</p> <p>Additionally, Q3 is traditionally a high cash out period as we fund the growth of the Receivables book leading into the busiest trading period. This will reverse in Q4.</p>
	<p><i>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.</i></p>

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: Authorised by the Board of Directors
(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.