Level 9, 469 La Trobe Street
Melbourne, Victoria, Australia

ASX Announcement

11 July 2022

Notice of General Meeting (**Notice**) and related documents

MELBOURNE Australia, 11 July 2022: Openpay Group Ltd (ASX: OPY) (**Openpay**) attaches the following documents in relation to its General Meeting of Shareholders:

- Letter to Shareholders in relation to the Notice;
- Notice; and
- Proxy Form.

Openpay advises that the Letter to Shareholders and Proxy Form is being dispatched to Shareholders today.

Authorised by:
Ed Bunting
Company Secretary
Openpay Group Ltd

For further information, please contact:

Investors	**Media**
Aline van Deventer Head of Investor Relations Mobile: +61 423 55 34 34 investors@openpay.com.au	Australia: Keep Left openpay@keepleft.com.au

About Openpay

Openpay Group Ltd (ASX: OPY) is a fast-growing and highly differentiated fintech solution provider. The Company supports both B2C and B2B platforms.

Openpay's B2C platform is an embedded finance solution delivering flexible repayment plans that help manage cashflow and household budgeting. Plans range from 2–24 months and enable transactions up to $20,000. Openpay is accepted in verticals including: Automotive, Healthcare, Retail, Home Improvement and Education.

Openpay's B2B platform, OpyPro, is a SaaS solution that enables merchants to manage their trade accounts via an end-to-end digitised platform enabling transactions in-store and online. The platform supports the application and onboarding process, ongoing account management and business processing, including invoicing, remittance, and reconciliation.

General Meeting – Letter to Shareholders

Openpay Group Limited (ASX:OPY) ("Openpay" or the "Company") advises that a General Meeting of Shareholders will be held at 10:30am (AEST) on Wednesday, 10 August 2022 at **level 5, 126 Phillip Street, Sydney, Australia** and as a **virtual meeting** (**Meeting**).

In accordance with Part 1.2AA of the Corporations Act 2001 (Cth), the Company will only be dispatching physical copies of the Notice of Meeting (**Notice**) to Shareholders who have elected to receive the Notice in physical form. The Notice is being made available to Shareholders electronically and can be viewed and downloaded online at the following link. https://investors.openpay.com.au/site/investor-centre/asx-announcements. Alternatively, the Notice will also be available on the Company's ASX market announcements page (ASX:OPY).

By the time this letter is received by Shareholders, circumstances may have changed but the Notice is given based on circumstances as at the date of this letter. Accordingly, should circumstances change, the Company will make an announcement on the ASX market announcements platform and on the Company's website at https://investors.openpay.com.au/site/investor-centre/asx-announcements. Shareholders are urged to monitor the ASX announcements platform and the Company's website.

Virtual Meeting

The company is pleased to provide shareholders with the opportunity to attend and participate in the virtual Meeting through an online meeting platform powered by Automic.

Shareholders that have an existing account with Automic will be able to watch, listen, and vote online.

Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance of the Meeting** to avoid any delays on the day of the Meeting. An account can be created via the following link investor.automic.com.au and then clicking on "**register**" and following the prompts. Shareholders will require their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) to create an account with Automic.

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

To vote in person, attend the Meeting on the date and at the place set out above.

All resolutions will be decided on a poll. The poll will be conducted based on votes submitted by proxy and at the Meeting.

Shareholders attending the meeting virtually and wishing to vote on the day of the meeting can find further instructions on how to do so in the Notice of Meeting. Alternatively, shareholders are strongly encouraged to complete and submit their vote by proxy by using one of the following methods:

Online	Lodge the Proxy Form online at https://investor.automic.com.au/#/loginsah by following the instructions: Log into the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' – 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form.
By post	Completing the enclosed Proxy Form and posting it to: Automic, GPO Box 5193, Sydney NSW 2001
By hand	Completing the enclosed Proxy Form and delivering it by hand to: Automic, Level 5, 126 Phillip Street, Sydney NSW 2000
By email	Completing the enclosed Proxy Form and emailing it to: meetings@automicgroup.com.au

Your Proxy instruction must be received not later than 48 hours before the commencement of the Meeting. **Proxy Forms received later than this time will be invalid.**

The Chair intends to vote all open proxies in favour of all resolutions, where permitted.

Yours Faithfully,

Ed Bunting

Company Secretary

OPENPAY GROUP LTD
Level 9
469 La Trobe Street
Melbourne, VIC 3000
ACN: 637 148 200

https://www.openpay.com.au/

OPENPAY GROUP LTD

Notice of General Meeting

Explanatory Statement | Proxy Form

Wednesday, 10 August 2022

10:30AM AEST

Address
Automic Group
Level 5
126 Phillip Street
Sydney, NSW 2000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

An Independent Expert's Report in respect of Resolution 4 is included in this Notice of Meeting. The Independent Expert's Report has been prepared by Grant Thornton Corporate Finance Pty Ltd (**Independent Expert**). The Independent Expert has determined that the proposal outlined in Resolution 4 is not fair but reasonable to the non-associated Shareholders.

A copy of the Independent Expert's Report is contained in Annexure A of this Notice of Meeting. It is recommended that all Shareholders read the Independent Expert's Report in full.

Contents

Important Information for Shareholders about the Company's General Meeting

Given the health concerns attributed to the COVID-19 pandemic, in addition to guidelines and restrictions issued by Australian state and federal governments, the Company considers that it is appropriate to hold this General Meeting as a hybrid meeting. Shareholders are encouraged to monitor the ASX announcements platform and the Company's website for any announcements should circumstances change.

Venue and Voting Information

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.30am (AEST) on Wednesday, 10 August 2022 at Automic Group, Level 5, 126 Phillip Street, Sydney, NSW 2000 and as a **virtual meeting (Meeting)**.

Please note that there may be a limit on the number of persons able to attend the physical Meeting. The Company therefore encourages shareholders to attend the meeting virtually to avoid the disappointment of not being able to attend in person.

The company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic.

Shareholders that have an existing account with Automic will be able to watch, listen, and vote online.

Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance of the Meeting** to avoid any delays on the day of the Meeting. An account can be created via the following link investor.automic.com.au and then clicking on "**register**" and following the prompts. Shareholders will require their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) to create an account with Automic.

To access the virtual meeting on the day:

1. Open your internet browser and go to investor.automic.com.au
2. Login with your username and password or click "**register**" if you haven't already created an account. **Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting**
3. After logging in, a banner will display at the bottom of your screen to indicate that the meeting is open for registration, click on "**Register**" when this appears. Alternatively, click on "**Meetings**" on the left-hand menu bar to access registration.
4. Click on "**Register**" and follow the steps

5. Click on the URL to join the webcast where you can view and listen to the virtual meeting. Note that the webcast will open in a separate window.

Shareholders will be able to vote (see the "Voting virtually at the Meeting" section of this Notice of Meeting below) and ask questions at the virtual meeting.

Shareholders are also encouraged to submit questions in advance of the Meeting to the Company.

Questions must be submitted in writing to Aline van Deventer at investors@openpay.com.au at least 48 hours before the General Meeting.

The Company will also provide Shareholders with the opportunity to ask questions during the Meeting in respect to the formal items of business as well as general questions in respect to the Company and its business.

Your vote is important

The business of the General Meeting affects your shareholding and your vote is important.

Voting in person

To vote in person, attend the General Meeting on the date and at the place set out above.

Please note that there may be a limit on the number of persons able to attend the physical Meeting and the Company therefore recommends that you attend the meeting virtually to avoid the disappointment of not being able to attend in person.

Voting virtually at the Meeting

Shareholders who wish to vote virtually on the day of the General Meeting can do so through the online meeting platform powered by Automic.

Once the Chair of the Meeting has declared the poll open for voting click on "Refresh" within the platform to be taken to the voting screen.

Select your voting direction and click "confirm" to submit your vote. Note that you cannot amend your vote after it has been submitted.

For further information on the live voting process please see the **Registration and Voting Guide** at https://www.automicgroup.com.au/virtual-General Meetings/

Voting by proxy

To vote by proxy, please use one of the following methods:

Online	Lodge the Proxy Form online at https://investor.automic.com.au/#/loginsah by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' – 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form. For further information on the online proxy lodgement process please see the **Online Proxy Lodgement Guide** at https://www.automicgroup.com.au/virtual-General Meetings/
By post	Automic, GPO Box 5193, Sydney NSW 2001
By hand	Automic, Level 5, 126 Phillip Street, Sydney NSW 2000

Your Proxy instruction must be received not later than 48 hours before the commencement of the Meeting. **Proxy Forms received later than this time will be invalid.**

Power of Attorney

If the proxy form is signed under a power of attorney on behalf of a shareholder, then the attorney must make sure that either the original power of attorney or a certified copy is sent with the proxy form, unless the power of attorney has already provided it to the Share Registry.

Corporate Representatives

If a representative of a corporate shareholder or a corporate proxy will be attending the Meeting, the representative should bring to the Meeting adequate evidence of their appointment, unless this has previously been provided to the Share Registry.

Notice of General Meeting

Notice is hereby given that a General Meeting of Shareholders of Openpay Group Ltd ACN 637 148 200 will be held at 10.30am (AEST) on Wednesday, 10 August 2022 at Automic Group, Level 5, 126 Phillip Street, Sydney, NSW 2000 and as a **virtual meeting (Meeting)**.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form forms part of this Notice of Meeting.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 7pm (AEST) on Monday 8 August 2022.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

Resolutions

<u>Ratification of Prior Issue of Tranche 1 Placement Shares</u>

1. **Resolution 1** – Ratification of Prior Issue of Tranche 1 Placement Shares issued under Listing Rule 7.1

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 13,703,841 fully paid ordinary shares issued on 30 May 2022 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 1 by or on behalf of:

(a) a person who participated in the issue or is a counterparty to the agreement being approved; or

(b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 1 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

2. **Resolution 2** – Ratification of Prior Issue of Tranche 1 Placement Shares issued under Listing Rule 7.1A

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 13,135,894 fully paid ordinary shares issued on 30 May 2022 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 2 by or on behalf of:

(a) a person who participated in the issue or is a counterparty to the agreement being approved; or

(b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 2 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Issue of Tranche 2 Placement Shares

3. **Resolution 3** – Approval of Issue of Tranche 2 Placement Shares to Non-Related Parties

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution:**

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 7,118,600 fully paid ordinary shares to new and existing institutional and sophisticated investors, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of:

(a) a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company); or

(b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 3 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

4. **Resolution 4** – Approval of Issue of Tranche 2 Placement Shares to Program Force Pty Ltd atf Meydan Family Trust No. 4 (or its nominee), an entity associated with Yaniv Meydan, a Director of the Company

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution:**

"That, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, the Shareholders of the Company approve:

a. the issue and allotment of 41,666,666 fully paid ordinary shares to Program Force Pty Ltd atf Meydan Family Trust No. 4 (or its nominee), being an entity associated with Yaniv Meydan, a Director of the Company; and in doing so,

*b. the acquisition of a relevant interest in the issued voting Shares of the Company in excess of the threshold prescribed by section 606(1) of the Corporations Act by Program Force Pty Ltd atf Meydan Family Trust No. 4 and its associates (together the **Meydan Group**),*

and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Independent Expert's Report (IER): When considering this Resolution Shareholders are recommended to read the IER prepared by Grant Thornton Corporate Finance Pty Ltd (**Independent Expert**) which is included in this Notice of Meeting at Annexure A. The Independent Expert has determined that the proposed acquisition of the voting power and interest by the Meydan Group is not fair but reasonable to the non-associated Shareholders.

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of Program Force Pty Ltd atf Meydan Family Trust No. 4 or any of its associates (together, the **Meydan Group**).

5. **Resolution 5** – Approval of Issue of Tranche 2 Placement Shares to Patrick Tuttle (or his nominee), a Director of the Company

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution:**

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 416,666 Tranche 2 Placement Shares to Patrick

Tuttle (or his nominee), a director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of:

(a) a person who is to receive the securities as a result of the proposed issue;

(b) a person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company); or

(c) an Associate of that person or those persons described in (a) or (b).

However, this does not apply to a vote cast in favour of Resolution 5 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Issue of SPP Shares

6. **Resolution 6** – Approval of Issue of SPP Shares

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution:**

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue and allotment of up to 8,333,334 SPP Shares to eligible shareholders under the Share Purchase Plan announced by the Company on 23 May 2022 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

A voting exclusion has not been included as the Company has obtained a waiver from ASX in respect of Listing Rule 7.3.9.

Ratification of Prior Issue of Warrants

7. **Resolution 7** – Ratification of Prior Issue of Warrants

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and issue of 4,000,000 Warrants issued on 4 January 2022 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of:

(a) a person who participated in the issue or is a counterparty to the agreement being approved; or

(b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 7 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

BY ORDER OF THE BOARD

Ed Bunting
Company Secretary

Explanatory Statement

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10.30am (AEST) on Wednesday, 10 August 2022 at Automic Group, Level 5, 126 Phillip Street, Sydney 2000 and as a **virtual meeting**.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Full details of the business to be considered at the General Meeting are set out below.

Resolutions

Background to Resolutions 1 - 5

On 23 May 2022, the Company announced that it had successfully completed a placement to new and existing institutional and sophisticated investors for the issue of 76,041,667 fully paid ordinary shares (**Placement Shares**) at an issue price of $0.24 (24 cents) per Placement Share raising $18.25 million (before costs) (**Placement**).

The Placement consists of two tranches. Under tranche 1 of the Placement the Company issued 26,839,735 Placement Shares, representing $6.44 million, on 30 May 2022 by utilising its placement capacities under Listing Rules 7.1 and 7.1A (**Tranche 1 Placement Shares**). Under tranche 2 of the Placement the Company is seeking shareholder approval to issue a further 49,201,932 Placement Shares, representing $11.81 million (**Tranche 2 Placement Shares**).

The Tranche 2 Placement Shares are proposed to consist of the following issues:

1. 7,118,600 Tranche 2 Placement Shares to non-related parties of the Company;
2. 41,666,666 Tranche 2 Placement Shares to Program Force Pty Ltd atf Meydan Family Trust No. 4 (or its nominee) (**Program Force**), being an entity associated with Yaniv Meydan, a Director of the Company (**Tranche 2 Related Placement Shares**). If approved the issue of the Tranche 2 Related Placement Shares to Program Force will create a relevant interest for Program Force and its associates (together the **Meydan Group**), in excess of the threshold prescribed by section 606(1) of the Corporations Act; and
3. 416,666 Tranche 2 Placement Shares to Patrick Tuttle (or his nominee) a Director of the Company (**Tranche 2 Tuttle Placement Shares**).

Accordingly, shareholder approval is being sought for the following resolutions in respect of the Placement:

- Resolutions 1 and 2: Ratification under Listing Rule 7.4 of the 26,839,735 Tranche 1 Placement Shares issued under Listing Rules 7.1 and 7.1A respectively;
- Resolution 3: Approval to issue 7,118,600 Tranche 2 Placement Shares to non-related parties of the Company under Listing Rule 7.1;
- Resolution 4: Approval to issue 41,666,666 Tranche 2 Placement Shares to Program Force, being an entity associated with Yaniv Meydan, a Director of the Company and in doing so also approve the Meydan Group exceeding the threshold prescribed by section 606(1) of the Corporations Act pursuant to item 7 of section 611 of the Corporations Act; and

- Resolution 5: Approval to issue 416,666 Tranche 2 Placement Shares to Patrick Tuttle (or his nominee) a director of the Company.

Further information in respect of each of these resolutions can be found below.

Ratification of Prior Issue of Tranche 1 Placement Shares

Resolutions 1 and 2 – Ratification of Prior Issue of Tranche 1 Placement Shares under Listing Rules 7.1 and 7.1A

Background

As detailed above the Company issued a total of 26,839,735 Tranche 1 Placement Shares on 30 May 2022 utilising the Company's existing capacities under Listing Rule 7.1 and Listing Rule 7.1A.

ASX Listing Rules 7.1 and 7.1A

Collectively, Resolutions 1 and 2 propose that Shareholders of the Company approve and ratify the prior issue and allotment of 26,839,735 Tranche 1 Placement Shares, which were issued on 30 May 2022 (**Issue Date**).

Resolution 1 seeks approval and ratification of 13,703,841 Tranche 1 Placement Shares issued under Listing Rule 7.1 and Resolution 2 seeks approval and ratification of 13,135,894 Tranche 1 Placement Shares issued under Listing Rule 7.1A.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

At the Company's last Annual General Meeting, the Company sought and obtained approval of its Shareholders under Listing Rule 7.1A to increase this 15% limit by an extra 10% to 25%.

The issue of the Tranche 1 Placement Shares did not fit within any of the exceptions (to Listing Rules 7.1 and 7.1A) and, as it has not been approved by the Company's Shareholders, it effectively uses up part of the expanded 25% limit in Listing Rule 7.1 and 7.1A, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 and Listing Rule 7.1A for the 12 month period following the Issue Date (noting that the extra 10% under Listing Rule 7.1A will expire unless re-approved by the Company's Shareholders on an annual basis).

Listing Rule 7.4 allows the Shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1.

A note to Listing Rule 7.4 also provides that an issue made in accordance with Listing Rule 7.1A can be approved subsequently under Listing Rule 7.4 and, if it is, the issue will then be excluded from variable "E" in Listing Rule 7.1A.2 (which means that the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1A is not reduced).

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolutions 1 and 2 collectively seek Shareholder approval to subsequently approve the issue of 26,839,735 Tranche 1 Placement Shares for the purposes of Listing Rule 7.4.

If Resolutions 1 and 2 are passed, the issue of the 26,839,735 Tranche 1 Placement Shares under the Placement will be excluded in calculating the Company's 25% capacity to issue equity securities under Listing Rules 7.1 (15%) and 7.1A (10%) without Shareholder approval over the 12 month period following the Issue Date.

If either, or both, of Resolutions 1 and 2 are not passed, the issue of the sum of Tranche 1 Placement Shares not approved will be <u>included</u> in calculating the Company's 25% capacity to issue equity securities under Listing Rules 7.1 (15%) and 7.1A (10%) without Shareholder approval over the 12 month period following the Issue Date, which will reduce the Company's available 25% placement capacity.

Information required by ASX Listing Rule 7.5

The following information is provided to Shareholders for the purposes of Listing Rule 7.5 in respect of both Resolution 1 and Resolution 2.

(a) The Tranche 1 Placement Shares were issued to new and existing institutional and sophisticated investors.

(b) The Company issued 26,839,735 Tranche 1 Placement Shares.

(c) The Tranche 1 Placement Shares were fully paid on issue and ranked equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.

(d) The Tranche 1 Placement Shares were issued on 27 May 2022.

(e) Each of the Tranche 1 Placement Shares were issued at an issue price of $0.24 per Tranche 1 Placement Share, which raised $6,441,536.16.

(f) Funds raised from the issue of the Shares have been and will be used by the Company to support its Australia & New Zealand (**ANZ**) strategy, including being used for:

    a. the acquisition of new merchants at scale in ANZ;

    b. the acquisition of new customers at scale and increasing customer retention in ANZ;

    c. platform and technology enhancements;

    d. contribution to rapidly growing receivables book in ANZ; and

    e. working capital in a rapid growth business, and facility repayment.

Directors' recommendation

The Board of Directors recommend that Shareholders vote for this Resolution.

<u>Issue of Tranche 2 Placement Shares</u>

Resolution 3 – Approval of Issue of Tranche 2 Placement Shares to Non-Related Parties

Background

As detailed above the Company is seeking Shareholder approval to issue and allot 7,118,600 Tranche 2 Placement Shares to non-related Parties of the Company raising $1.7 million (**Tranche 2 Non-Related Placement Shares**).

The effect of this Resolution is for Shareholders to approve the issue of these Tranche 2 Non-Related Placement Shares to fall within an exception to ASX Listing Rule 7.1, which will allow the Company to issue these without using the Company's 15% capacity under Listing Rule 7.1.

ASX Listing Rule 7.1

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

An issue of equity securities that is approved by the Company's Shareholders under Listing Rule 7.1 will not use up the Company's 15% limit and therefore does not reduce the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, this Resolution seeks Shareholder approval to approve the issue of the Tranche 2 Non-Related Placement Shares under and for the purposes of Listing Rule 7.1.

If this Resolution is passed, the issue of the Tranche 2 Non-Related Placement Shares will be excluded in calculating the Company's 15% limit in Listing Rule 7.1 to issue equity securities without Shareholder approval over the 12 month period following the date on which the Tranche 2 Non-Related Placement Shares are issued.

If this Resolution is not passed, and the Company proceeds with the issue, the Tranche 2 Non-Related Placement Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1 to issue equity securities without Shareholder approval over the 12 month period following the date on which the Tranche 2 Non-Related Placement Shares are issued.

Information Required by Listing Rule 7.3

The following information is provided to Shareholders for the purposes of Listing Rule 7.3:

(a) The allottees are new and existing institutional and sophisticated investors that are not related parties of the Company.

(b) The maximum number of Tranche 2 Non-Related Placement Shares to be issued is 7,118,600.

(c) The Tranche 2 Non-Related Placement Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.

(d) These Tranche 2 Non-Related Placement Shares will be issued within 3 months of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).

(e) The Tranche 2 Non-Related Placement Shares will be offered at an issue price of $0.24 per Tranche 2 Non-Related Placement Shares, to raise $1,708,464.

(g) Funds raised from the issue of the Shares will be used by the Company to support its ANZ strategy, including being used for:

   a. the acquisition of new merchants at scale in ANZ;
   b. the acquisition of new customers at scale and increasing customer retention in ANZ;
   c. platform and technology enhancements;
   d. contribution to rapidly growing receivables book in ANZ; and
   e. working capital in a rapid growth business, and facility repayment.

Directors' Recommendation

The Board of Directors recommend Shareholders vote for this Resolution.

Resolution 4 – Approval of Issue of Tranche 2 Placement Shares to Program Force Pty Ltd atf Meydan Family Trust No. 4 (or its Nominee), an entity associated with Yaniv Meydan, a Director of the Company

Background

As detailed above the Company is seeking Shareholder approval to issue and allot 41,666,666 Tranche 2 Placement Shares to Program Force Pty Ltd atf Meydan Family Trust No. 4 (or its nominee) (**Program Force**), being an entity associated with Yaniv Meydan, a Director of the Company raising $10 million (**Tranche 2 Related Placement Shares**). The participation of Program Force in the Placement is conditional upon non-associated Shareholders approving the issue of the Tranche 2 Related Placement Shares, and completion of the Placement (other than the issue of the Tranche 2 Related Placement Shares) (or such later date as agreed between the Company and Program Force).

Approval for the issue of the Tranche 2 Related Placement Shares is being sought under item 7 of section 611 of the Corporations Act. An Independent Expert's Report (**IER**) has been prepared by Grant Thornton Corporate Finance Pty Ltd (**Independent Expert**) to assess the fairness and reasonableness of the proposed acquisition of the voting power and interest by the Meydan Group. The Independent Expert has determined that the proposed acquisition of the voting power and interest by the Meydan Group is not fair but reasonable to the non-associated Shareholders. The IER can be found in Annexure A of this Notice of Meeting and Shareholders are advised to carefully read the IER before deciding on how to vote on this Resolution.

Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, the Company, as a listed company, must not issue equity securities to persons in a position of influence without Shareholder approval.

A person in a position of influence for the purposes of Listing Rule 10.11 includes:

(a) a related party;

(b) a person who is, or was at any time in the 6 months before the issue of agreement, a substantial (30%+) holder in the Company;

(c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the Company and who has nominated a director to the board of the Company pursuant to a relevant agreement which gives them a right or expectation to do so;

(d) an Associate of a person referred to in (a) to (c) above; and

(e) a person whose relationship with the Company or a person referred to in (a) to (d) above is such that, in the ASX's opinion, the issue or agreement should be approved by Shareholders.

Pursuant to ASX Listing Rule 10.12, Exception 6, ASX Listing Rule 10.11 does not apply to an issue of equity securities approved for the purposes of item 7 of section 611 of the Corporations Act. As such, the Company is not required to seek Shareholder approval under ASX Listing Rule 10.11 for the issue of the Tranche 2 Related Placement Shares to Program Force, being an entity associated with Yaniv Meydan, a Director of the Company.

Additionally, if approval is obtained under item 7 of section 611 of the Corporations Act, in accordance with Listing Rule 7.2 (exception 8), separate approval is not required under Listing Rule 7.1 or Listing Rule 7.1A.

If this Resolution is passed, the Company will be able to proceed with the proposed issue of Tranche 2 Related Placement Shares to Program Force, being an entity associated with Yaniv Meydan, a Director of the Company upon receipt of the Placement proceeds of $10,000,000.

If this Resolution is not passed, the Company will not be able to proceed with the proposed issue of Tranche 2 Related Placement Shares to Program Force and will not receive the Placement proceeds of $10,000,000.

Section 611 (item 7)

Section 606(1) of the Corporations Act states that a person must not acquire a relevant interest in the issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by, or on behalf of, the person and because of the transaction, that person's or someone else's voting power in the Company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a Company involves determining the voting shares in the Company in which the person and the person's associates have a "relevant interest".

A person (**Second Person**) will be an 'associate' of the other person (**Primary Person**) if one or more of the following paragraphs applies:

(a) the Primary Person is a body corporate and the Second Person is:

  (i) a body corporate the Primary Person controls;

  (ii) a body corporate that controls the Primary Person; or

  (iii) a body corporate that is controlled by an entity that controls the Primary Person;

(b) the Second Person has entered or proposes to enter into a relevant agreement with the Primary Person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs;

(c) the Second Person is a person with whom the Primary Person is acting or proposed to act, in concert in relation to the Company's affairs.

A person has a "relevant interest" in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition, whereby a person may make an otherwise prohibited acquisition of a relevant interest in a company's voting shares with Shareholder approval.

The following information is required to be provided to shareholders pursuant to the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining Shareholder approval under the exception for the passing of this Resolution 4. Shareholders are also referred to the Independent Expert's Report (**IER**) contained in Annexure A of this Notice of Meeting.

<u>Material terms of the proposed acquisition of Tranche 2 Related Placement Shares:</u>

(a) The allottee is Program Force Pty Ltd atf Meydan Family Trust No. 4 (or its nominee), being an entity associated with Yaniv Meydan, a Director of the Company.

(b) The maximum number of Tranche 2 Related Placement Shares to be issued is 41,666,666.

(c) The Tranche 2 Related Placement Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.

(d) The Tranche 2 Related Placement Shares will be offered at an issue price of $0.24 per Tranche 2 Related Placement Share, being the same price paid by investors for Tranche 1 Placement Shares and Tranche 2 Placement Shares.

(e) The subscription price payable by Program Force for the Tranche 2 Related Placement Shares will be (in part) set off against all amounts owing to an entity associated with the Meydan Group under the $10 million working capital facility with that associated entity, which, as at the date of this notice, is approximately $4.44 million. Other funds raised from the issue of the Tranche 2 Related Placement Shares (expected to be approximately $5.56 million following repayment of amounts owing under the working capital facility) will be used by the Company to support its ANZ strategy, including being used for:

a. the acquisition of new merchants at scale in ANZ;

b. the acquisition of new customers at scale and increasing customer retention in ANZ;

c. platform and technology enhancements;

d. contribution to rapidly growing receivables book in ANZ; and

e. working capital in a rapid growth business, and facility repayment.

<u>Why is approval under the exception in item 7 of section 611 of the Corporations Act needed?</u>

As detailed in the Background to Resolutions 1 – 5 section and in the Background to Resolution 4 section, Shareholder approval is being sought to issue 41,666,666 Tranche 2 Related Placement Shares to Program Force, being an entity associated with Yaniv Meydan, a Director of the Company.

Program Force and its associates, being the entities listed in Table 1, have a relevant interest in securities of the Company by virtue of being registered holders of securities in the Company. Each of those entities are associated by virtue of being under the collective control of Yaniv Meydan (a Director of the Company) and his associates, Moshe Meydan and Eido Meydan (together with the entities listed in Table 1, the **Meydan Group**).

The Meydan Group are an existing substantial holder of the Company which has been disclosed per the requirements of section 671B of the Corporations Act.

Shareholder approval under item 7 of section 611 of the Corporations Act is required because if this Resolution 4 is approved and the Tranche 2 Related Placement Shares are issued, the Meydan Group's relevant interest in the issued voting shares will increase from 20% or below to more than 20%. The potential change in voting power of the Meydan Group is outlined in Table 1 below.

Table 1 – Relevant Interests of Program Force and its associates.

Meydan Group Holdings	Existing Holding	Current Voting Power (Undiluted)[(a)]	Tranche 2 Related Placement Shares	Max. Holding (undiluted)[(b)]	Max. Voting Power (undiluted))[(b)]	Max. Holding (Fully diluted)[(c)]	Max. Voting Power (Fully diluted)[(c)]
Program Force Pty Ltd ATF The Meydan Family Trust No. 4	16,054,464	10.15%	41,666,666	57,721,130	27.83%	57,721,130	25.99%
Yemiva Pty Ltd ATF Yemiva Trust	1,356,456	0.86%	Nil	1,356,456	0.65%	1,356,456	0.61%
BNPL Pty Ltd ATF BNPL Trust	678,228	0.43%	Nil	678,228	0.33%	678,228	0.31%
Horizons Equity Pty Ltd <Horizons Equity A/C>	6,066,444	3.83%	Nil	6,066,444	2.92%	6,066,444	2.73%
Total	**24,155,592**	**15.26%**	**41,666,666**	**65,822,258**	**31.72%**	**65,822,258**	**29.70%**

Notes:

(a) Based on 158,279,339 fully paid ordinary shares being the total number of fully paid ordinary shares on issue as at 17 June 2022.

(b) Based on 207,481,271 fully paid ordinary shares being: 158,279,339 (the number of Shares on issue as at 17 June 2022) + 49,201,932 (Tranche 2 Placement Shares).

(c) Following completion of Tranche 2 of the Placement, assuming that all Options, Performance Rights and Warrants (**Convertible Securities**) are exercised. These percentages are based on a total sum of 221,651,255 Shares, which has been calculated as follows: 158,279,339 (the number of Shares on issue as at 17 June 2022) + 49,201,932 (Tranche 2 Placement Shares) + 14,169,984 (Convertible Securities on issue as at 17 June 2022).

(d) This Table 1 does not include any Shares which will be issued under the SPP for which shareholder approval is being sought under Resolution 6. If Resolution 6 is approved and Shares are issued under the SPP it will have the effect of decreasing the total ownership of the Meydan Group.

Intentions of the Meydan Group

Yaniv Meydan is a co-founder of Openpay Group Limited as well as CEO of the Meydan Group. The Meydan Group have been substantial shareholders of the Company since its inception having held a relevant interest and voting power of 24.3% of the Company at the time of its admission to the ASX on 16 December 2019 and 15.27% as at the date of this Notice of Meeting[1]. The potential increase in relevant interest and voting power of the Meydan Group to approximately 31.7% does not therefore represent a significant change to the Meydan Group nor its intentions for the Company.

Specifically, the Meydan Group have no present intention to:

(i) change the business of the Company;

(ii) inject further capital into the Company;

(iii) make changes regarding the future employment of the present employees of the Company;

(iv) to transfer any assets between the Company and the Meydan Group;

(v) redeploy any fixed assets of the Company; and

(vi) significantly change the financial or dividend distribution policies of the Company.

These intentions are based on information concerning the Company, its business and the business environment which is known to the Meydan Group as at the date of this Notice of Meeting.

[1] Based on the total number of fully paid ordinary shares on issue as at the date of this Notice of Meeting.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time. Accordingly, the statements set out above are statements of current intentions only.

Advantages, disadvantages and risks

The Company considers that the issue of the Tranche 2 Related Placement Shares to Program Force has the following advantages and disadvantages:

Advantages:

- The Company will receive an additional $10,000,000 in Placement proceeds which will provide the Company with total Placement proceeds of $18,250,000 (before costs) to be used to support its Australia & New Zealand strategy, including being used for: (i) the acquisition of new merchants at scale in ANZ; (ii) the acquisition of new customers at scale and increasing customer retention in ANZ; (iii) platform and technology enhancements; (iv) contribution to rapidly growing receivables book in ANZ; and (v) working capital in a rapid growth business and facility repayment.
- As noted above, the subscription price payable by Program Force for the Tranche 2 Related Placement Shares will be (in part) set off against all amounts owing to an entity associated with the Meydan Group under the $10m working capital facility with that associated entity, which, as at the date of this notice, is approximately $4.44 million .

Disadvantages:

- Dilution of existing Shareholdings in the Company: The dilution effect of the issue of the Tranche 2 Related Placement Shares is set out in Table 2 below:

Table 2 – Potential dilution effect to existing Shareholders of the Company upon the issue of the Tranche 2 Related Placement Shares.

Shareholder	Existing Holding (Undiluted)[(a)]	Existing Holding (Fully diluted)[(b)]	Existing Interest % (Fully diluted)[(b)]	Potential Holding (Fully diluted)[(c)]	Potential Interest % (Fully diluted)[(c)]
The Meydan Group	24,155,592	24,155,592	14.01%	65,822,258	29.70%
All remaining Shareholders	134,123,747	148,293,731	85.99%	155,828,997	70.30%
Total	**158,279,339**	**172,449,323**	**100%**	**221,651,255**	**100%**

Notes:

(a) Based on the number of fully paid ordinary shares on issue as at 17 June 2022.

(b) Based on the number of fully paid ordinary shares on issue as at 17 June 2022 plus the assumption that all Options, Performance Rights and Warrants (**Convertible Securities**) on issue as at 17 June 2022 are exercised. This being: 158,279,339 (existing number of Shares on issue) + 14,169,984 (Convertible Securities).

(c) fully paid ordinary shares on issue as at 17 June 2022 plus the assumption that all Options, Performance Rights and Warrants (**Convertible Securities**) on issue as at 17 June 2022 are exercised plus Tranche 2 of the Placement. This being: 158,279,339 (existing number of Shares on issue) + 14,169,984 (Convertible Securities) + 49,201,932 (Tranche 2 Placement Shares).

(d) This Table 2 does not include any Shares which will be issued under the SPP for which shareholder approval is being sought under Resolution 6. If Resolution 6 is approved and Shares are issued under the SPP it will have the effect of decreasing the total ownership of the Meydan Group.

Independent Expert's Report

ASIC Regulatory Guide 74 provides that to satisfy the obligation to disclose all material information on how to vote on a section 611 (item 7) resolution, the directors should provide members with an independent expert report (**IER**) or a detailed directors' report on the proposed transaction.

Accordingly, the Company has appointed Grant Thornton Corporate Finance Pty Ltd (**Independent Expert**), as an independent expert to produce the IER. The IER is contained in Annexure A of this Notice of Meeting.

The Independent Expert has concluded that the acquisition of the voting power and interest by the Meydan Group is not fair but reasonable to the non-associated Shareholders of the Company, as of the date of the IER.

The advantages and disadvantages of the acquisition of the voting power and interest by the Meydan Group are outlined in the IER and are provided to enable non-associated Shareholders of the Company to determine whether they are better off if the acquisition of the voting power and interest proceeds as opposed to if it did not proceed.

Shareholders are advised to carefully read the IER before deciding on how to vote on this Resolution.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

(a) the giving of the financial benefit falls within one of the exceptions to the provisions; or

(b) Shareholder approval is obtained prior to the giving of the financial benefit and the benefit is provided within 15 months after such approval.

The proposed issue of Tranche 2 Related Placement Shares (which is a type of equity security, for the purposes of the Chapter 2E of the Corporations Act) constitutes the giving of a financial benefit.

A "related party" for the purposes of the Corporations Act and the Listing Rules is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company. The definition of "related party" also includes a person whom there is reasonable grounds to believe will become a "related party" of a public company.

The non-conflicted Directors of the Company (being Sibylle Krieger and David Phillips) carefully considered the issue of these Tranche 2 Related Placement Shares to Program Force and formed the view that the giving of this financial benefit is on arm's length terms, as the Tranche 2 Related Placement Shares are proposed to be issued on the same terms as offered to non-related parties of the Company.

Accordingly, the non-conflicted Directors of the Company believe that the issue of these Tranche 2 Related Placement Shares to Program Force fall within the "arm's length terms" exception as set out in section 210 of the Corporations Act, and relies on this exception for the purposes of this Resolution. Therefore, the proposed issue of Tranche 2 Related Placement Shares to Program Force requires Shareholder approval under and for the purposes of item 7 of section 611 of the Corporations Act only.

Resolution 5 – Approval of Issue of Tranche 2 Placement Shares to Patrick Tuttle (or his nominee), a Director of the Company

Background

As detailed above the Company is seeking Shareholder approval to issue and allot 416,666 Tranche 2 Placement Shares to Patrick Tuttle (or his nominee), a Director of the Company (**Tranche 2 Tuttle Placement Shares**).

Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, the Company, as a listed company, must not issue equity securities to persons in a position of influence without Shareholder approval.

A person in a position of influence for the purposes of Listing Rule 10.11 includes:

(a) a related party;

(b) a person who is, or was at any time in the 6 months before the issue of agreement, a substantial (30%+) holder in the Company;

(c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the Company and who has nominated a director to the board of the Company pursuant to a relevant agreement which gives them a right or expectation to do so;

(d) an Associate of a person referred to in (a) to (c) above; and

(e) a person whose relationship with the Company or a person referred to in (a) to (d) above is such that, in the ASX's opinion, the issue or agreement should be approved by Shareholders.

As Patrick Tuttle is a Director of the Company, Mr Tuttle is a related party of the Company and accordingly is a person in a position of influence for the purposes of Listing Rule 10.11. The proposed issue does not fall within any of the exceptions in Listing Rule 10.12, and therefore requires the approval of the Company's Shareholders under Listing Rule 10.11.

To this end, this Resolution seeks the required Shareholder approval to issue the 416,666 Tranche 2 Tuttle Placement Shares to Patrick Tuttle (or his nominee) under and for the purposes of Listing Rule 10.11.

If approval is obtained under Listing Rule 10.11, in accordance with Listing Rule 7.2 (exception 14), separate approval is not required under Listing Rule 7.1.

If this Resolution is passed, the Company will be able to proceed with the proposed issue of Tranche 2 Tuttle Placement Shares to Mr Tuttle (or his nominee), a Director of the Company upon receipt of the Placement proceeds of $100,000.

If this Resolution is not passed, the Company will not be able to proceed with the proposed issue of Tranche 2 Tuttle Placement Shares to Mr Tuttle (or his nominee) and will not receive the Placement proceeds of $100,000.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

(a) the giving of the financial benefit falls within one of the exceptions to the provisions; or

(b) Shareholder approval is obtained prior to the giving of the financial benefit and the benefit is provided within 15 months after such approval.

The proposed issue of Tranche 2 Tuttle Placement Shares (which is a type of equity security, for the purposes of the Chapter 2E of the Corporations Act) constitutes the giving of a financial benefit.

A “related party” for the purposes of the Corporations Act and the Listing Rules is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company. The definition of “related party” also includes a person whom there is reasonable grounds to believe will become a “related party” of a public company.

As Mr Tuttle is a Director of the Company, he is a “related party” of the Company. Therefore, the proposed issue of Tranche 2 Tuttle Placement Shares to Mr Tuttle (or his nominee) requires Shareholder approval under both Chapter 2E of the Corporations Act and Listing Rule 10.11.

The non-conflicted Directors of the Company (being Sibylle Krieger and David Phillips) carefully considered the issue of these Tranche 2 Tuttle Placement Shares to Mr Tuttle (or his nominee) and formed the view that the giving of this financial benefit is on arm’s length terms, as the Tranche 2 Tuttle Placement Shares are proposed to be issued on the same terms as offered to non-related parties of the Company.

Accordingly, the non-conflicted Directors of the Company believe that the issue of these Tranche 2 Tuttle Placement Shares to Patrick Tuttle (or his nominee) fall within the “arm’s length terms” exception as set out in section 210 of the Corporations Act, and relies on this exception for the purposes of this Resolution. Therefore, the proposed issue of Tranche 2 Tuttle Placement Shares to Patrick Tuttle (or his nominee) requires Shareholder approval under and for the purposes of Listing Rule 10.11 only.

Information required by ASX Listing Rule 10.13

The following information in relation to the issue of 416,666 Tranche 2 Tuttle Placement Shares is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

(a) The allottee is Patrick Tuttle (or his nominee).

(b) Patrick Tuttle falls under the Listing Rule category 10.11.1 (related party) because he is a director of the Company.

(c) The maximum number of Tranche 2 Tuttle Placement Shares be issued is 416,666.

(d) The Tranche 2 Tuttle Placement Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.

(e) The Tranche 2 Tuttle Placement Shares will be issued within 1 month of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).

(f) The Tranche 2 Tuttle Placement Shares will be offered at an issue price of $0.24 per Tranche 2 Tuttle Placement Share.

(g) Funds raised from the issue of the Tranche 2 Tuttle Placement Shares will be used by the Company to support its ANZ strategy, including being used for:

    a. the acquisition of new merchants at scale in ANZ;

    b. the acquisition of new customers at scale and increasing customer retention in ANZ;

    c. platform and technology enhancements;

    d. contribution to rapidly growing receivables book in ANZ; and

    e. working capital in a rapid growth business, and facility repayment.

Issue of SPP Shares

Resolution 6 – Approval of Issue of SPP Shares

Background

This Resolution seeks Shareholder approval to issue and allot up to a maximum of 8,333,334 fully paid ordinary shares to eligible shareholders under the Share Purchase Plan (**SPP**) announced by the Company on 23 May 2022 (**SPP Shares**).

As announced to the market on 23 May 2022 and in accordance with the terms of the SPP Offer Booklet lodged with ASX on 26 May 2022 the Company offered eligible shareholders the opportunity to participate in a non-underwritten SPP to raise up to $2.0 million on the same terms (i.e. at the same price per Share) as the Placement. The SPP allowed eligible shareholders, being those shareholders that are residents of Australia or New Zealand that held shares in the Company as at 7:00pm AEST on Friday, 20 May 2022 (**Record Date**), to subscribe for up to $30,000 worth of shares without incurring any brokerage or transaction costs.

Shares were offered under the SPP at a price of $0.24 per share. The SPP opened on 26 May 2022. On 11 July 2022 an extension to the SPP closing date was announced, and the SPP is now expected to close at 5:00pm AEST on 9 August 2022.

The final number of SPP Shares issued will be subject to the number of applications received however will not exceed the maximum number of 8,333,334 fully paid ordinary shares. In the event that Applications for more than $2.0 million are received, the Company will conduct a scale back which will be applied to the extent and in the manner the Company sees fit.

Exception 5 of Listing Rule 7.2 provides an exception to listed entities being required to utilise their placement capacity under Listing Rule 7.1 or Listing Rule 7.1A for securities issued under a securities purchase plan, provided:

- The issue satisfies the conditions in ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (**Regulatory Instrument**);
- the number of securities to be issued is not greater than 30% of the number of fully paid ordinary securities already on issue; and
- the issue price of the securities is at least 80% of the volume weighted average price (VWAP) for securities in that class calculated over the last five (5) days on which sales in the securities were recorded, either before the day on which the issue was announced or before the day on which the issue was made.

The SPP complies with the requirements of the Regulatory Instrument and the maximum number of securities to be issued will not be greater than 30% of the number of fully paid ordinary securities on issue. However, the issue price of $0.24 is less than 80% of the five day VWAP and as such the issue of the SPP Shares is not eligible for exception 5 under Listing Rule 7.2.

Further, the issue of Tranche 1 Placement Shares on 30 May 2022 detailed in the background to Resolutions 1 to 5 in this Explanatory Statement, fully utilised the Company's available capacities under Listing Rules 7.1 and 7.1A. Accordingly, this Resolution seeks Shareholder approval to issue up to 8,333,334 fully paid ordinary shares under Listing Rule 7.1.

ASX Listing Rule 7.1

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

An issue of equity securities that is approved by the Company's Shareholders under Listing Rule 7.1 will not use up the Company's 15% limit and therefore does not reduce the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1.

If this Resolution is passed, the issue of the SPP Shares will be excluded in calculating the Company's 15% limit in Listing Rule 7.1 to issue equity securities without Shareholder approval over the 12 month period following the date on which the SPP Shares are issued.

If this Resolution is not passed but Resolutions 1 and 2 are passed, the Company may choose to proceed with the issue of the SPP Shares and the SPP Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1 to issue equity securities without Shareholder approval over the 12 month period following the date on which the SPP Shares are issued.

If this Resolution is not passed and Resolutions 1 and 2 are not passed, the Company will not be able to proceed with the issue of the SPP Shares.

Information Required by Listing Rule 7.3

The following information is provided to Shareholders for the purposes of Listing Rule 7.3:

(a) The allottees are the eligible shareholders who have subscribed for SPP Shares in accordance with and subject to the terms of the SPP and whose application has been or will be accepted by the Company.

(b) The maximum number of SPP Shares to be issued is 8,333,334.

(c) The SPP Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.

(d) These SPP Shares will be issued on or around 16 August 2022, in accordance with timetable and terms set out in the SPP Booklet lodged with ASX on 26 May 2022, as revised in the announcement dated 11 July 2022.

(e) The SPP Shares will be offered at an issue price of $0.24 per SPP Share to raise up to $2 million.

(f) Funds raised from the issue of the SPP Shares will be used by the Company to support its ANZ strategy, including being used for:

   a. the acquisition of new merchants at scale in ANZ;

   b. the acquisition of new customers at scale and increasing customer retention in ANZ;

   c. platform and technology enhancements;

   d. contribution to rapidly growing receivables book in ANZ; and

   e. working capital in a rapid growth business, and facility repayment.

(g) The Company has applied for, and the ASX has granted, a waiver of Listing Rule 7.3.9 (**Waiver**) to enable all eligible shareholders to vote on this Resolution. The Waiver is subject to the following conditions:

   a. that the SPP is not underwritten or, if it is underwritten, the Company excludes any votes cast on this Resolution by any proposed underwriter or sub-underwriter of the SPP; and

   b. that the Company excludes any votes cast in favour of this Resolution by any investor who may receive shares under any SPP shortfall.

Directors' Recommendation

The Board of Directors recommend Shareholders vote for this Resolution.

Ratification of Prior Issue of Warrants

Resolution 7 – Ratification of Prior Issue of Warrants

Background

As announced by the Company on 22 December 2021 (**Agreement to Issue Date**), the Company amended its corporate debt facility with OP Fiduciary Pty Ltd (**Lender**) to provide for additional uncommitted funding of up to $5 million (subject to customary conditions precedent and lender approval), together with changes to certain financial covenants and an extended maturity for up to $15 million.

In connection with the amendments and upsizing of its debt facility, the Company agreed to issue up to 6 million warrants (**Warrants**) to the Lender (2 million of these dependent on the additional $5 million upsizing becoming committed) with each warrant exercisable into one fully paid ordinary share in the Company at a subscription price of the lower of $0.3825 per warrant (being 50% of the share price on the date immediately prior to entry into the amendment to the existing facility), and the 30 day VWAP of the Company prior to the date of exercise of the warrants issued.

The agreement to issue the Warrants was made by utilising the Company's existing capacity under Listing Rule 7.1. 4 million of the Warrants were issued to OP Fiduciary Pty Ltd on 4 January 2022 (**Issued Warrants**).

ASX Listing Rule 7.1

This Resolution proposes that Shareholders of the Company approve and ratify the prior issue and allotment of 4 million Issued Warrants, which were issued on 4 January 2022 (**Issue Date**).

All of the Issued Warrants were issued, or agreed to be issued, by utilising the Company's existing capacity under Listing Rule 7.1.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

The issue, or agreement to issue, of the Warrants did not fit within any of the exceptions to Listing Rule 7.1 and, as it has not been approved by the Company's Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the Issue Date.

Listing Rule 7.4 allows the Shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, this Resolution seeks Shareholder approval to subsequently approve the issue of 4 million Issued Warrants for the purposes of Listing Rule 7.4.

As of the date of this Notice of Meeting it remains unclear if, or when, the remaining 2 million Warrants that have been agreed to be issued (**Unissued Warrants**) will be issued. The Company is therefore not seeking Shareholder approval to subsequently approve the agreement to issue the Unissued Warrants. The 2 million Unissued Warrants will therefore continue to be included in calculating the Company's 15% capacity to issue equity securities under Listing Rule 7.1 without Shareholder approval over the 12 month period following the Agreement to Issue Date.

If this Resolution is passed, the issue of the Issued Warrants will be excluded in calculating the Company’s 15% capacity to issue equity securities under Listing Rule 7.1 without Shareholder approval over the 12 month period following the Agreement to Issue Date.

If this Resolution is not passed, the issue of the Issued Warrants will be included in calculating the Company’s 15% capacity to issue equity securities under Listing Rule 7.1 without Shareholder approval over the 12 month period following the Agreement to Issue Date.

Information required by ASX Listing Rule 7.5

The following information is provided to Shareholders for the purposes of Listing Rule 7.5.

(a) The Issued Warrants were issued to OP Fiduciary Pty Ltd, the Lender.

(b) The Company issued 4 million Issued Warrants.

(c) The material terms of the Issued Warrants are set out in Annexure B.

(d) The Issued Warrants were issued on 4 January 2022 and originally agreed to be issued on 22 December 2022.

(e) The Issued Warrants were issued at $nil per Issued Warrant.

(f) Funds were not raised from the issue of the Issued Warrants as the Issued Warrants were issued to the Lender in return of the provision for additional uncommitted funding of up to $5 million (subject to customary conditions precedent and lender approval), together with changes to certain financial covenants and an extended maturity for up to $15 million. If the Warrants are exercised, the Company will receive the Subscription Price, unless Goldman Sachs exercised its cash-out right under the terms of the Warrants. The Company proposes to use amounts raised on exercise of the Warrants for general working capital.

(g) The Issued Warrants were issued pursuant to a Warrant Deed between the Company and the Lender. The material terms of the agreement are set out in Annexure B.

Directors’ recommendation

The Board of Directors recommend that Shareholders vote for this Resolution.

Enquiries

Shareholders are asked to contact Aline van Deventer at investors@openpay.com.au if they have any queries in respect of the matters set out in these documents.

Glossary

AEST means Australian Eastern Standard Time as observed in Sydney, New South Wales.

ANZ means Australia and New Zealand.

ASIC means Australian Securities and Investments Commission.

Associate has the meaning given to it by the ASX Listing Rules.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

ASX Listing Rules or **Listing Rules** means the official ASX Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Board means the current board of Directors of the Company.

Business Day means a day on which trading takes place on the stock market of ASX.

Chair means the person chairing the Meeting.

Company means Openpay Group Ltd ACN 637 148 200.

Corporations Act means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

Director means a current director of the Company.

Dollar or "**$**" means Australian dollars.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

General Meeting or **Meeting** means a General Meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

Notice of Meeting or **Notice of General Meeting** means this notice of General Meeting dated 11 July 2022 including the Explanatory Statement.

Option means an option which, subject to its terms, could be exercised into a Share.

Ordinary Resolution means a resolution that can only be passed if at least 50% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

Proxy Form means the proxy form attached to this Notice of Meeting.

Resolutions means the resolutions set out in this Notice of Meeting, or any one of them, as the context requires.

Securities mean Shares and/or Options (as the context requires).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Share Registry means Automic Group, Level 5, 126 Phillip Street, Sydney 2000.

Trading Day has the meaning given to that term in ASX Listing Rule 19.12.

VWAP means the volume weighted average market (closing) price, with respects to the price of Shares.

Annexure A – Independent Expert's Report

Openpay Group Limited

Independent Expert's Report and Financial Services Guide

6 July 2022

Grant Thornton Corporate Finance Pty Ltd
ABN 59 003 265 987
AFSL 247140

Level 17, 383 Kent Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230
T + 61 2 8297 2400
F + 61 2 9299 4445
E info@gtnsw.com.au
W www.grantthornton.com.au

The Independent Directors
Openpay Group Limited
Level 9, 469 La Trobe Street
Melbourne, Victoria 3000

6 July 2022

Dear Independent Directors

Introduction

Openpay Group Limited ("Openpay" or "the Company" or "OPY") is a pure "Buy now pay later" ("BNPL") provider offering flexible plans in the market with durations between 2 and 24 months and values of up to A$20,000. Revenues is generated from a diversified mix of merchant fees and customer fees in its key target verticals[1] of automotive, home improvement, large ticket retail, healthcare (dental) and education. The Company is listed on the Australian Securities Exchange ("ASX") with a market capitalisation of c. A$30.2 million[2] as at 3 June 2022.

On 23 May 2022, the Company announced that it had successfully completed a placement to new and existing sophisticated and institutional investors for the issue of 76,041,667 fully paid ordinary shares ("Placement Shares") at an issue price of A$0.24 per Placement Share ("Issue Price") raising A$18.25 million (before costs) ("Placement" or the "Offer"). The Issue Price represents a 21.9% discount to the 7 Day VWAP[3] trading prices before the announcement of the Placement.

The Placement consists of two tranches as summarised below:

- *Tranche 1* – On 30 May 2022, under Tranche 1 of the Placement, the Company issued 26,839,735 Placement Shares by utilising its placement capacities under Listing Rules 7.1 and 7.1A, representing A$6.44 million.

- *Tranche 2* – Under Tranche 2 of the Placement, the Company is seeking shareholder approval to issue a further 49,201,932 Placement Shares, representing A$11.81 million. Tranche 2 of the Placement is subject to and conditional upon shareholder approval to be sought at an Extraordinary General Meeting ("EGM") of the Company, expected to be held in July 2022 ("Tranche 2").

As part of the Placement, and subject to shareholder approval, the Company has received cornerstone commitments from existing substantial shareholder and Director Mr Yaniv Meydan (or his associated entities[4]) to invest A$10.0 million under Tranche 2 of the A$11.81m Placement. Post the Placement, Mr Yaniv Meydan and his associated entities ("Meydan Group") will increase its shareholding in the Company from 18.47% before the Tranche 1 Placement or 15.3% after the

[1] Vertical markets or "verticals" are a group of companies focused on a specific niche.
[2] Based on a share price of c. A$0.23 as at 1 June 2022.
[3] Up to and including 19 May 2022.
[4] Associated entities comprise of Program Force Pty Ltd, Yemiva Pty Ltd, BNPL Pty Ltd, Moshe Meydan and Eido Meydan.

Tranche 1 Placement to c. 31.7%[5] of the shares on issue after the Tranche 2 Placement. The subscription price payable by the Meydan Group will be offset against amounts owing to the Meydan Group under the existing working capital facility between the Meydan Group and the Company ("Meydan Debt Facility"). As at 30th May 2022, A$3.8 million had been drawn down from this facility.

In addition to the Placement, the Company intends to offer a non-underwritten Share Purchase Plan ("SPP") to existing eligible shareholders[6] to raise c. A$2.0 million on the same terms as the Offer. The SPP is expected to settle in July 2022.

The Tranche 2 Placement is subject to the approval of OPY shareholders not associated with Mr Yaniv Meydan (or his associated entities) ("Non-Associated Shareholders"), and other customary conditions precedent.

The Independent Directors have unanimously recommended that the Non-Associated Shareholders vote in favour of the issue of OPY Shares to the Meydan Group under the Tranche 2 Placement and subject to the same qualifications, all Independent Directors intend to vote, or procure the voting of, all OPY Shares held or controlled by them in favour of the Tranche 2 Placement.

Purpose of the report

The Independent Directors have engaged Grant Thornton Corporate Finance to prepare an Independent Expert Report ("IER") stating whether, in its opinion the issue of OPY Shares to the Meydan Group under the Tranche 2 Placement is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act; and

When preparing this IER, Grant Thornton Corporate Finance has had regard to the ASIC Regulatory Guide 111 *Contents of expert reports* ("RG 111"), ASIC Regulatory Guide 74 *Acquisitions approved by members* ("RG 74") and Regulatory Guide 112 *Independence of experts* ("RG 112"). The IER also includes other information and disclosures as required by ASIC.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the issue of OPY Shares to the Meydan Group under the Tranche 2 Placement is NOT FAIR BUT REASONABLE to the Non-Associated Shareholders.

In forming our opinion, Grant Thornton Corporate Finance has considered whether the issue of OPY Shares to the Meydan Group under the Tranche 2 Placement is fair and reasonable to the Non-Associated Shareholders and other quantitative and qualitative considerations.

Fairness Assessment

In accordance with the requirements of the ASIC RG 111, in forming our opinion in relation to the fairness of the Placement, Grant Thornton Corporate Finance has compared the value per OPY share before the Tranche 2 Placement on a control basis to the assessed value per share of the

---

[5] Based on 207,400,608 fully paid ordinary shares, being 158,198,676 (the number of shares on issue as at 30 May 2022) plus 49,201,932 (Tranche 2 Placement Shares).

[6] Eligible shareholders are registered OPY shareholders, as at 7.00pm (AEST), 20 May 2022 who have a registered address in Australia or New Zealand, do not hold OPY shares on behalf of a person who resides outside of Australia or New Zealand. The SPP is subject to shareholder approval.

Company after the Tranche 2 Placement on a minority basis. We note that in our valuation assessment before the Offer, we have included the OPY Shares issued under the Tranche 1 Placement.

The following table summarises our fairness assessment:

Fairness assessment A$ per share	*Section Reference*	Low	High
Fair market value of Openpay Shares before Tranche 2 Placement (Control)	*6.1.1*	0.21	0.33
Fair market value of Openpay after Tranche 2 Placement (Minority)	*8*	0.16	0.22
Difference (A$/share)		**(0.05)**	**(0.11)**
FAIRNESS ASSESSMENT		**NOT FAIR**	

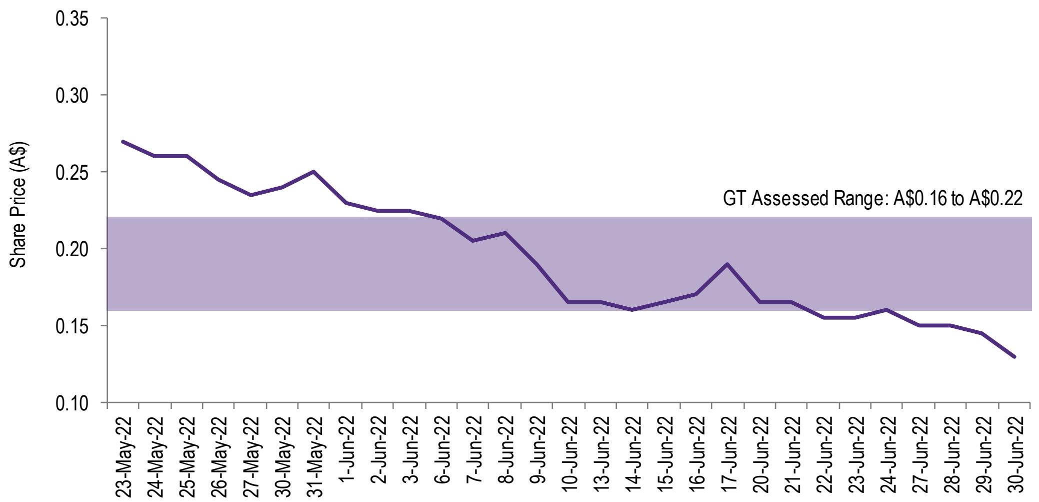
Source: GTCF analysis

Our assessment of the fair market value of OPY on a minority basis after the Tranche 2 Placement is lower than our valuation assessment of OPY before the Tranche 2 Placement on a control basis and accordingly, we have concluded that the Tranche 2 Placement is NOT FAIR to the Non-Associated Shareholders.

Non-Associated Shareholders should be aware that the valuation of OPY represents a range of possible outcomes for which there are numerous different value comparisons that can be made. Non-Associated Shareholders should be aware that our assessment of the value per OPY Share post the Tranche 2 Placement does not reflect the price at which OPY Shares will trade if the Tranche 2 Placement is completed. The price at which OPY Shares will ultimately trade depends on a range of factors including the liquidity of OPY Shares, macro-economic conditions, the underlying performance of the OPY business and the supply and demand for OPY Shares.

We note that our valuation assessment of OPY after the Tranche 2 Placement is more than the recent trading prices although not inconsistent with the trading prices after the announcement of the Placement as set out in the graph below.

Trading price after the announcement of the Placement and GT assessed value range



Source: GTCF analysis, S&P Global

We are of the opinion that our assessed valuation range is not unreasonable due to the following:

- Since the Placement was announced, the volatility in the financial markets has been severe and several BNPL players, including OPY, have lost significant value. OPY trading prices reduced from c. A$0.30 before the Placement to A$0.16 as at 15 June 2022. This trend was consistent across the market with ZIP Co and Payright reducing by c. 25% and 27% respectively in the last 5 trading days. Our valuation assessment is less affected by short-term market volatility.

- As part of the Placement, the Company raised A$18.25 million at A$0.24 per share from sophisticated and institutional investors. The issue price was a 18.6% discount to the last closing price before the announcement of the Placement. This was the outcome of an extensive and highly negotiated process and number of non-related party investors participate to the process and the raising. We are of the opinion that this is an important value reference point.

Notwithstanding the above and given the rapidly changing circumstances, we will continue to monitor the trading prices of OPY and other market participants and we will update our valuation assessment on a as required basis.

Reasonableness Assessment

RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the security holders to accept the offer in the absence of any superior proposal. In assessing the reasonableness of the issue of OPY Shares to the Meydan Group under Tranche 2 Placement, we have considered the following advantages, disadvantages and other factors.

Advantages

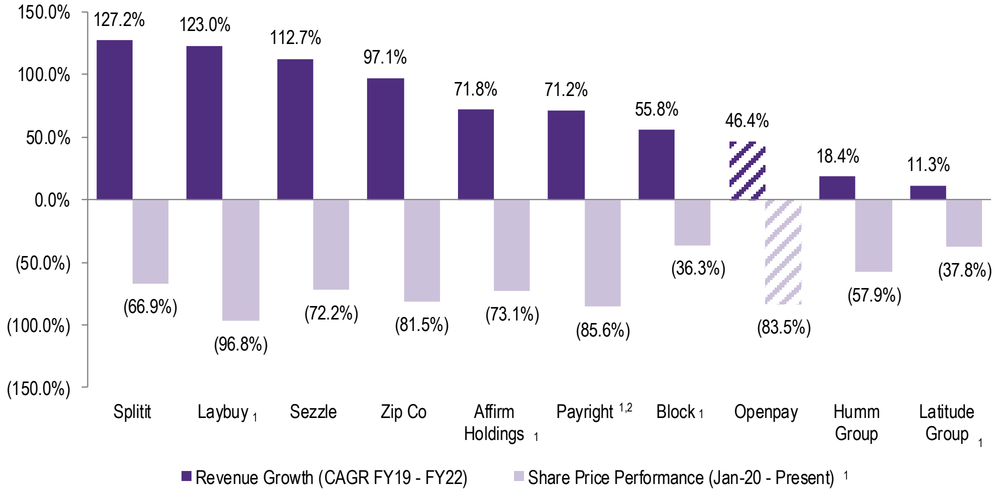
Ability to operate as a going concern

Whilst OPY has rapidly grown its total transaction values and revenues, it remains loss making in Australia and New Zealand ("ANZ"). These losses have been exacerbated by set-up costs to establish the US operations, as well as widening losses in the UK (before the restructuring of these operations). Accumulated losses have resulted in the reported net assets contracting from A$59.3 million at year end June 2021 to A$19.1 million at end December 2021. As a result of the Company's financial position, the external auditors have raised an emphasis of matter in the FY21 annual report related to the Company's ability to operate as a going concern. Auditors noted the FY21 annual net loss of c. A$63.1 million and FY21 net operating cash outflows of A$66.4 million. They emphasised the importance of maintaining cash reserves and debt facilities, and securing further funding through the issuance of debt or new shares to support its growth and for the Company to continue operating.

Deteriorating market conditions

Over the past six months, the valuation of listed BNPL players have been adversely affected by change in the market conditions and in the macro-economic environment. The Australian Consumer Price Index rose by 5.1% in March 2022 compared with the same period last year and the Reserve Bank of Australia ("RBA") has increased the base rate by 75bps in May and June 2022. Consumer confidence is also low, reflected in the Westpac-Melbourne Institute Index of Consumer Sentiment which fell to 90.4 in May 2022, a 20% decrease from May 2021. All these factors are expected to adversely affect disposable income, consumer spending and BNPL loan growth. Arrears and bad debts are also expected to increase amongst BNPL providers. Against this backdrop, and notwithstanding that BNPL players have continued to perform strongly and live up to the market's expectations in terms of growth, valuations have been failing as set out in the graph below.

Revenue growth (CAGR) and share price performance of OPY and peers



Source: GTCF analysis, S&P Global, Company Filings and Annual Reports
Note: (1) Company listed after 1 January 2020. Accordingly, share price performance has been calculated since inception. Laybuy listed on the ASX on 7 September 2020. Affirm Holdings listed on the NASDAQ on 13 January 2021. Payright listed on the ASX on 23 December 2020. Block listed on the ASX on 20 January 2022. Latitude Group listed on the ASX on 20 April 2021; (2) Revenue Growth (CAGR Fy19 – FY22) for Payright is based on GT's projected FY22 revenue for Payright of c. A$17.0 million. This has been computed by adding 1HFY22 revenue of c. A$7.9 million and an estimated 2HFY22 revenue of c. A$9.2 million, which has been computed by applying the half yearly revenue CAGR (from 1HFY20 to 1HFY22) of c. 16.7% to the 1HFY22 revenue.

In this environment, raising both debt and equity capital will become increasingly challenging and potentially even more dilutive than the Tranche 2 Placement.

Protection of debt covenants and existing debt facilities

OPY is required to comply with debt covenants and clauses on its debt facilities. For example, the Australian receivables facility contains a clause requiring a review period in the event of a material uncertainty related to going concern being raised in the Company's audited financial reports. Following the release of the audited accounts, the lenders have completed this review period and have given no indication that funds would be withdrawn, however uncertainty remains. Another example is customary loan to value covenants which precludes this ratio from rising above c. 85%. Although OPY remains in compliance, the net debt to receivables ratio which we use as a proxy for the loan to value, was 73% at the end of December 2021. The Tranche 2 Placement will assist in mitigating the risk of the loan to value ratio from moving closer to its threshold, protecting existing facilities and providing headroom for future drawdowns. In the table below, we present OPY's net debt and gearing levels, pre and post Tranche 1 and Tranche 2 placements.

Pro forma Net Debt as at A$ '000	31-Dec-21	Post Tranche 1, Pre-Tranche 2	Post Tranche 2
External debt - 31st Dec 2021	86,750	86,750	86,750
Plus lease liabilities - 31st Dec 2021	2,093	2,093	2,093
Less: cash balance - 31st Dec 2021	(32,120)	(32,120)	(32,120)
Net debt - 31 Dec 2021	**56,723**	**56,723**	**56,723**
Proceeds from Tranche 1 Placement		6,120	6,120
Proceeds from Tranche 2 Placement			11,218
Net debt (post Tranche 1)		**50,603**	
Net debt (post Tranche 2)			**39,385**
Net assets - 31st Dec 2021	19,143	19,143	19,143
Receivables - 31st Dec 2021	77,667	77,667	77,667
Market capitalisation - 7th June 2022	32,450	32,450	32,450
Net debt/Net assets	**296%**	**264%**	**206%**
Net debt/Receivables	**73%**	**65%**	**51%**
Net debt/Market capitalisation	**175%**	**156%**	**121%**

Source: OPY, GTCF

Although debt levels remain high, the Tranche 2 Placement will assist in lowering gearing.

Reduced cash burn rate

OPY's cash position has declined from A$52.1 million on the 30 June 2021 to A$32.1 million on the 31 December 2021. By the 31 March 2022, it had declined further to A$27.5 million. The decline in cash balances has been driven by costs associated with setting up and supporting the US operation, we well as ongoing losses in the UK[7] and ANZ. In H122, the net cash outflows from operating activities was c. A$60 million increasing from A$37.2 million in the pcp. In the past, these outflows were partly funded by both debt and equity however, in light of the emphasis of matter raised in the FY21 annual report, raising new debt has become increasingly risky. The Tranche 2 Placement will increase OPY's cash balance, fund growth and help scale the business, reducing the rate at which it burns cash.

Pathway to profitability in ANZ

Although OPY is not yet profitable in ANZ, it has enjoyed strong growth in total transaction value ("TTV") and revenue. Between FY19 and FY21 these increased at a CAGR of c. 57% and 33% respectively to A$228.9 million and A$18.9 million respectively. As the business continues to grow, it will generate greater economies of scale. Furthermore, the Company has put in place a strategy to ensure break-even EBITDA on a cash basis is achieved by June 2023. This strategy is based on acquiring new merchants and customers to ensure ongoing growth in TTV, enhancing the platform technology and funding the receivables book. The Tranche 2 Placement will enable OPY to execute this strategy.

[7] Which have been materially curtailed after the restructuring of the UK operations.

Alternative transactions – Based on discussions with the Directors of the Company, we understand that the Independent Directors have investigated and evaluated a number of alternative transactions to the Placement over the last 6 months with a focus on seeking a solution that provides capital in continuing on the growth pattern in ANZ whilst monetising the US opportunity. Whilst the Company has entertained discussions with number of parties and investors, the difficult market conditions and the challenging performance of several BNPL players have necessitated for the major shareholder to step-in to become the cornerstone investor in the Placement. In the absence of the willingness of the Meydan Group to support the Placement, the ability of the Company to continue as a going concern may have been in jeopardy.

Disadvantages

The Proposed Placement is not fair

Based on the requirements of ASIC RG111, the Tranche 2 Placement must be treated as a takeover bid of the Company and accordingly, we have concluded that the Tranche 2 Placement is not fair.

However, we note that our valuation assessment of OPY before the Tranche 2 Placement is on a 100% basis and incorporates the application of a full premium for control in accordance with the requirements of RG111. However, the Meydan Group will increase its interest in the Company from 15.3% before the Tranche 2 Placement to c. 31.7%[8] of the enlarged share capital. This represents a significant interest, although the Meydan Group will not have control of the Company. In addition, Meydan Group has indicated that it has no current intention to change the strategic direction of the Company, employment level or management team.

Proceeds raised from Meydan Group under the Tranche 2 Placement will be partially used to repay the Meydan Debt Facility

OPY has A$10 million working capital facility from the Meydan Group, carrying fixed interest rates of 12% and maturing in October 2022. As of 30th May 2022, c. A$3.8m of Meydan Group Facility has been drawn-down. Proceeds raised from Meydan Group of A$10 million of the Tranche 2 Placement will first be used to repay the Meydan Debt Facility. Although this will extinguish expensive debt, it effectively reduces the amount of the Tranche 2 Placement proceeds available to fund growth and scale the business, which was the primary rationale for the Placement. However, we note that in the absence of the Tranche 2 Placement, the Company may require to undertake alternative fund raising to repay the Meydan Debt Facility when it expires unless both parties can agree to alter the terms. It is possible that at that point in time, the bargaining position of the Meydan Group may be greater which may lead to a more dilutive transaction for the Non-Associated Shareholders compared with the Placement.

Earnings per share ("EPS") dilution

The Placement of A$11.81 million represents a significant portion of OPY's market capitalisation and it will result in a large number of new shares being issued. This will represent significant dilution for the Shareholders not participating in the Placement.

[8] Before dilution from SPP, which remains subject to shareholder approval

Likelihood of receiving a takeover offer in the future

In our opinion, if the issue of OPY Shares to the Meydan Group under the Tranche 2 Placement is approved, the likelihood of the Company receiving a takeover offer without the agreement of Meydan Group will diminish as it will increase its shareholding from 15.3% after the Tranche 1 Placement to a 31.7%[9] after the Tranche 2 Placement.

Other factors

Implications if the Tranche 2 Placement is not implemented

There is a greater risk that OPY's existing credit facilities would be withdrawn suggesting its ability to operate as a going concern may be compromised.

Directors' recommendations and intentions

As at date of this Report, the Independent Directors of OPY have recommended that OPY Shareholders vote in favour of the issue of OPY Shares to the Meydan Group under Tranche 2 Placement. The Independent Directors also intend to vote the shares they hold or control in favour of the Tranche 2 Placement.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the issue of the OPY Shares to the Meydan Group under the Tranche 2 Placement is **REASONABLE** to the Non-Associated Shareholders.

Overall conclusion

After considering the above mentioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the issue of OPY Shares to the Meydan Group under the Tranche 2 Placement is **NOT FAIR BUT REASONABLE** to the Non-Associated Shareholders. In the absence of a superior alternative proposal emerging, we are of the opinion that the advantages of the issue of OPY Shares to the Meydan Group under Tranche 2 Placement outweighs the disadvantages and accordingly, we believe that it is in the best interest of the Non-Associated Shareholders to vote in favour of the issue of the OPY Shares to the Meydan Group under Tranche 2 Placement.

[9] Before dilution from SPP, which remains subject to shareholder approval

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide ("FSG") in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the issue of OPY Shares to the Meydan Group under the Tranche 2 Placement is a matter for each OPY Shareholder to decide based on their own views of value of OPY and expectations about future market conditions, OPY's performance, risk profile and investment strategy. If OPY Shareholders are in doubt about the action they should take in relation to the Placement, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

JANNAYA JAMES
Director

6 July 2022

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by OPY to provide general financial product advice in the form of an independent expert's report in relation to the Proposed Placement. This report is included in OPY's Explanatory Memorandum.

2 Financial Services Guide

This FSG has been prepared in accordance with the Corporations Act 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report, we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is OPY. Grant Thornton Corporate Finance receives its remuneration from OPY. In respect of the Report, Grant Thornton Corporate Finance will receive from OPY a fee of A$135,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this Report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of OPY in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with OPY (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Tranche 2 Placement, other than the preparation of this report. Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Placement. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority which can be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this Report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

Contents

1 Outline of the Transaction

OPY has secured A$18.25 million from new and existing institutional investors by agreeing to issue 76.0 million new fully paid ordinary shares in the Company at an issue price of A$0.24 per share. The Issue Price is at a 21.9% discount to the 7 day VWAP trading prices before the announcement of the Placement.

The Placement will take place as two tranches with the first tranche falling within the Company's ASX Listing Rule 7.1 and 7.1A placement capacity available for issue, and the second tranche subject to shareholder approval proposed at an extraordinary general meeting of the Company, to take place in July 2022. Approximately A$6.4 million has already been raised under Tranche 1 through the issue of 26.84 million new shares on 30 May 2022. Tranche 2 will raise A$11.8 million, subject to the receipt of shareholder approval.

The institutional investors able to participate in the Placement must be in Australia "sophisticated investors", "experienced", and "professional investors" (as defined in section 708(8), 708(10), and 708(11) of the Australian Corporations Act 2001 (Cth)). Outside Australia, the offer of securities will only occur in certain jurisdictions.

The Meydan Group currently held c. 18.47% of the issued capital before Tranche 1 Placement or 15.3% after the Tranche 1 Placement. The Meydan Group intends to subscribe for c. A$10.0 million under Tranche 2 of the Placement which at the Offer Price of A$0.24 per share would result in Meydan Group holding c. 65.8 million shares, equivalent to c. 31.7%[10] of the shares on issue.

The subscription price payable by the Meydan Group will be offset against amounts owing to Meydan Group under the existing working capital facility between the Meydan Group and the Company.

Meydan Group's participation in the Placement is subject to Non-Associated Shareholders approving resolutions to be proposed at the EGM.

In addition to the Institutional Placement, the Company intends to offer a non-underwritten SPP to eligible shareholders to raise approximately A$2.0 million on the same terms as the Offer and subject to shareholder approval.

[10] Before dilution from SPP, which remains subject to shareholder approval

2 Purpose and scope of the report

2.1 Purpose

Item 7 of Section 611 of the Corporations Act

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in the issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the shareholders not associated with the acquisition (i.e. the Non-Associated Shareholders) to waive this prohibition by passing a resolution at a general meeting. RG 74 and RG 111 set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Item 7 of Section 611 of the Corporations Act be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the Non-Associated Shareholders. The Directors may satisfy their obligations to provide such an analysis by either:

- Commissioning an independent expert's report; or
- Undertaking a detailed examination of the proposal themselves and preparing a report for the Non-Associated Shareholders.

If the Proposed Transaction is approved, the Meydan Group will increase its voting power in OPY from 18.47% before the Proposed Transaction to 31.7%[11].

Based on the above, the Directors have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the issue of OPY Shares to the Meydan Group under the Tranche 2 Placement is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

2.2 Basis of assessment

In preparing our report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly RG 111, which states that an issue of shares requiring approval under Item 7 of Section 611 of the Corporations Act should be analysed as if it were a takeover bid. Accordingly, we have assessed the Proposed Transaction with reference to Section 640 of the Corporations Act. RG 111 states that:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.

[11] Before dilution from SPP

- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
  - The offeror's pre-existing entitlement, if any, in the shares of the target company.
  - Other significant shareholding blocks in the target company.
  - The liquidity of the market in the target company's securities.
  - Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
  - Any special value of the target company to the offeror.
  - The likely market price if the offer is unsuccessful.
  - The value to an alternative offeror and likelihood of an alternative offer being made.

Grant Thornton Corporate Finance has determined whether the Proposed Transaction is fair to the Non-Associated Shareholders by comparing the fair market value of OPY Shares before the Proposed Transaction on a 100% and control basis with the fair market value of OPY Shares after approval of the Proposed Transaction on a fully diluted and minority basis.

In considering whether the Proposed Transaction is reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- Whether the Proposed Transaction is fair.
- The implications to OPY and the Non-Associated Shareholders if the Proposed Transaction is not approved.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111.
- Other costs and risks associated with the Proposed Transaction that could potentially affect the Non-Associated Shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Proposed Transaction with reference to the ASIC RG 112.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Grant Thornton

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

2.4 Consent and other matters

Our report is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Transaction. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of General Meeting and Explanatory Memorandum proposed to be sent to the OPY Shareholders on or around 1 July 2022.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the Non-Associated Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual Non-Associated Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

The decision of whether or not to approve the Proposed Transaction is a matter for each Non-Associated Shareholder based on their own views of value of OPY and expectations about future market conditions, OPY's performance, risk profile and investment strategy. If the Non-Associated Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

2.5 Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."

3 Industry overview

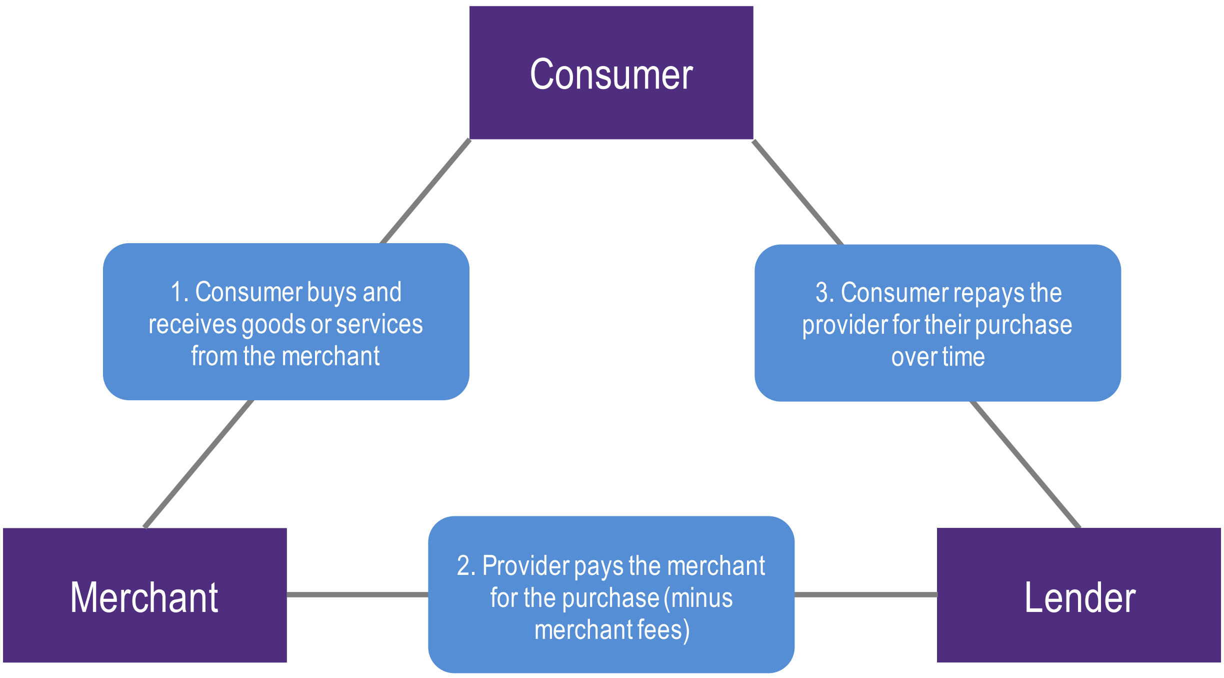
Although OPY has operations in Australia, the UK and the US, the majority of its revenue is currently generated in Australia which is the focus of our industry review.

3.1 Overview of the BNPL sector

3.1.1 How BNPL point of sale finance arrangements work

BNPL arrangements are a form of point of sale finance which generally involve three interdependent contracts, firstly between the consumer and the lender, secondly between the lender and the merchant, and finally between the merchant and the consumer. Typically, the consumer pays a proportion of the sale value to the BNPL provider upfront at the time of purchase, with the remaining amount deferred across a number of instalments[12]. The lender pays the merchant the full sale value of the good or service, less a merchant fee, and collects the remaining payments from the consumer over the lifetime of the existing agreement. The merchant will then be responsible for delivering the good or service to the consumer. The following graph details the aforementioned relationship:

How a BNPL arrangement works



Source: ASIC: Review of BNPL arrangements – Report 600.

Note, the above diagram is representative of a typical and generic BNPL arrangement, however there are several variations offered by market participants that alter certain terms, namely repayment timings, fee structures and maximum transaction values. Some providers do short term credit contracts (up to 62 days) whilst others do longer plan durations (up to 36 months). Additionally, some providers may introduce consumer charges (either fixed charges or interest) into their BNPL products, especially those that offer higher transaction limits and longer repayment terms.

[12] Typically across four fortnightly periods, otherwise known as “pay-in-4” BNPL models.

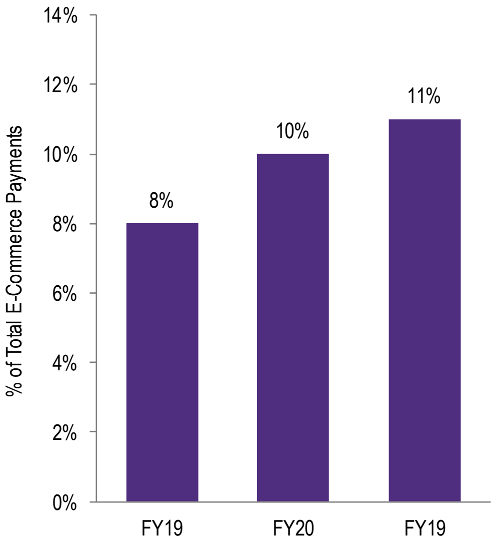
3.1.2 The BNPL sector in Australia

Whilst the BNPL industry within Australia is relatively well established now in terms of players, the sector is still growing rapidly. The use of BNPL arrangements, together with the retail transactional activity of merchants, are in part driven by overall consumer spending dynamics, both in respect of in-store and online retail transactions and also by consumer payments trends.

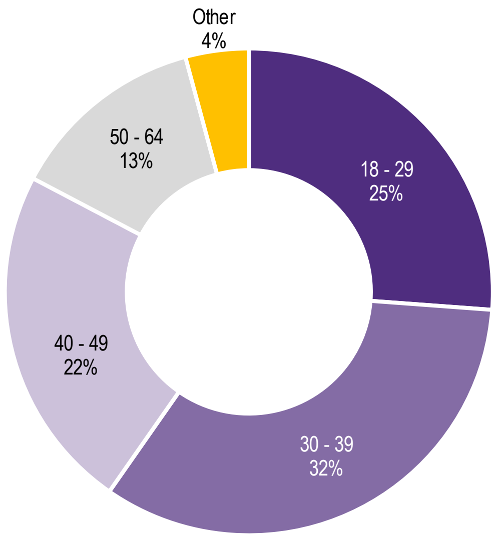
Consumer uptake of BNPL services domestically has grown at a strong pace in the last few years, with company reports for several ASX-listed BNPL providers indicating that the value of BNPL transactions processed in 2019-20 was around A$10 billion of purchases in Australia and New Zealand[13]. The COVID-19 pandemic has further accelerated the growth in value of BNPL transactions given the rapid shift to electronic payment methods and online shopping. More recently, due to their growing popularity, BNPL providers have become a source of obtaining new customers who merchants may not be able to ordinarily target.

BNPL services are usually more often used by younger consumers, with more than c. 55% of BNPL users in the 2021 RBA Consumer Payments Survey aged under 40. The following graphs detail the growing market share of BNPL companies in E-Commerce payments from 2019 to 2021 as well as the demographic breakdown of users by age brackets.

BNPL Penetration in Australia



BNPL Use by Age – Australia



Source: RBA, Consumer Payment Behaviour in Australia: March 2020, Statista, GTCF analysis

Medium to long term growth forecasts of the BNPL market in Australia also remain strong, with an expected compound annual growth rate ("CAGR) of c. 24.0% over the next six years to 2028[14]. While the growth of the BNPL payment method has been supported by the growing adoption of online shopping during the global pandemic, BNPL providers are now betting large on the adoption of payment methods for in-store shopping over the coming years.

Whilst a large portion of OPY's revenue is derived from the consumer retail sector, the Company also services specific segments of the Australian automotive (including vehicle repairs and servicing, tyres and

[13] Developments in the Buy Now Pay Later market, RBA,
[14] Global News Wire – Australia Buy Now Pay Later Market Report 2021.

other related accessories), healthcare (including dental, optometry, audiology, pharmacy, chiropractic, mobility and veterinary) and home improvements sectors (including home and garden trades, services, furniture and related home improvement goods).

Merchants typically operating within the consumer retail segment often integrate payment solutions with multiple BNPL providers. The automotive, healthcare and home improvement sectors involve a different mix of competitors to the Company, albeit still multiple point of sale finance providers exist. Nevertheless, OPY remains a preferred supplier within these sectors. Individually, these sectors are large and mature as summarised in the table below:

Summary of Automotive, Healthcare and Home Improvements sectors Australia	Total sales FY21 (A$ b)	CAGR FY17 to FY21
Specific Automotive Segments		
Tyre retailing	5.1	-1.7%
Motor vehicle parts retailing	5.8	2.6%
Motor vehicle engine and parts repair and maintenance	12.2	1.0%
Sub Total	**23.1**	**0.6%**
Specific Healthcare Segments		
Dental services	10.6	0.2%
Optometry and optical dispensing	3.9	0.5%
Veterinary services	4.3	2.5%
Sub Total	**18.9**	**1.1%**
Specific Home Improvement Segments		
Hardware and building supplies	27.6	3.0%
Sub Total	**27.6**	**3.0%**

Source: Various IBIS World reports; GTCF analysis.

The sectors that OPY services are continuing to evolve as the Company responds to changing consumer preferences and targets new growth opportunities.

3.1.3 Key competitors in the BNPL sector in Australia

Typically, BNPL operators seek to differentiate themselves through variations in the products they offer, which fluctuate in the types of fees or interest charged, repayment terms and maximum allowable transaction value. The following table details the product specifics for the key BNPL providers within Australia.

Company	Account Keeping Fee	Interest Free	Repayment Term	Late Fees	Late Fee Caps
openpay Buy now. Pay smarter.	A$nil - A$5.00 Depending on terms	Yes	Flexible	A$9.50	Capped at A$9.50
afterpay	None	Yes	4 installments over 6 weeks	Maximum of A$8.00 per installment	25% of purchase price Never above A$68.00
brighte paying made easy	A$1.50 Charged fortnightly	Yes	4 installments over 6 weeks	A$4.99	A$49.99 per Calendar year
humm group	A$nil for Little Things A$8 p/m for all else	Yes	Flexible	A$6.00	A$6.00 less than A$65.00 18% above A$65.00
Klarna.	None	Yes	3 installments, one at 30 one at 60 days	A$nil up to A$49.99 A$3.00 over A$50.00	A$nil up to A$49.99 A$9.00 over A$50.00
LATITUDE PAY	None	6 months	Flexible	A$10.00	A$10.00 up to A$49.99 A$50.00 over A$50.00
payright	A$3.50 p/m	Up to A$20k	Flexible	A$12.95 for a missed scheduled payment	10% of approved limit or up to A$250.00
zip	A$7.95 p/m	Yes	Flexible	A$5.00	One payment of A$5.00

Source: Australian Finance Industry Association; GTCF analysis. Note: OPY's late fees are capped at A$9.50 per instalment. There is a two-day grace period before late fees are charged.

Due to the differentiation of the products offered by each BNPL provider, the fees charged and revenue models vary from business to business. Further, many BNPL providers offer flexible payment solutions, ranging anywhere from monthly instalments all the way up to six monthly instalments. This deviation away from the typical pay-in-4 model is a key differentiator for many and is a value add for the business' customers.

In addition to the above, the BNPL industry within Australia is evolving rapidly with new providers entering the market. This has the potential to place further downward pressures on fees and reduce market share of existing players. Furthermore, the Australian and New Zealand market has recently seen the entry of incumbent financial services providers, payment providers and technology companies looking to gain increasing levels of exposure into the BNPL sector. We note the following:

1. In January 2020, the Commonwealth Bank of Australia ("CBA") took a c. 5.5% stake in Klarna. As a result, CBA announced that customers using the Commbank app would be capable of using Klarna's BNPL offering for certain items.

2. In August 2020 PayPal announced its "Pay in 4" product. Under this new product, customers could make interest free payments over fortnightly periods with no sign-up fees or late fees on purchases. Key merchants within Australia include Adairs, JB-HI-FI, The Good Guys, Best and Less, Myer, Harvey Norman, Spotlight and Australia Post; and;

3. In September 2021 MasterCard detailed that it was to launch its BNPL MasterCard equivalent program in Australia. The program allows existing banks, lenders, fintechs and wallets to offer BNPL to customers at a wide range of merchants where MasterCard is accepted. In conjunction with this, CBA launched StepPay that allows customers to use their CBA StepPay card to purchase and then pay back in 4 anywhere that accepts MasterCard cards. NAB is also in the process of launching its own BNPL equivalent, NAB Now Pay Later. MasterCard, CBA StepPay and NAB Now Pay Later all

rely on regulated interchange and therefore are unable to achieve the merchant economics of OPY. Typically, these offerings are also only for existing bank customers and provide a pay in 4 option only.

3.2 Evolving customer payment trends

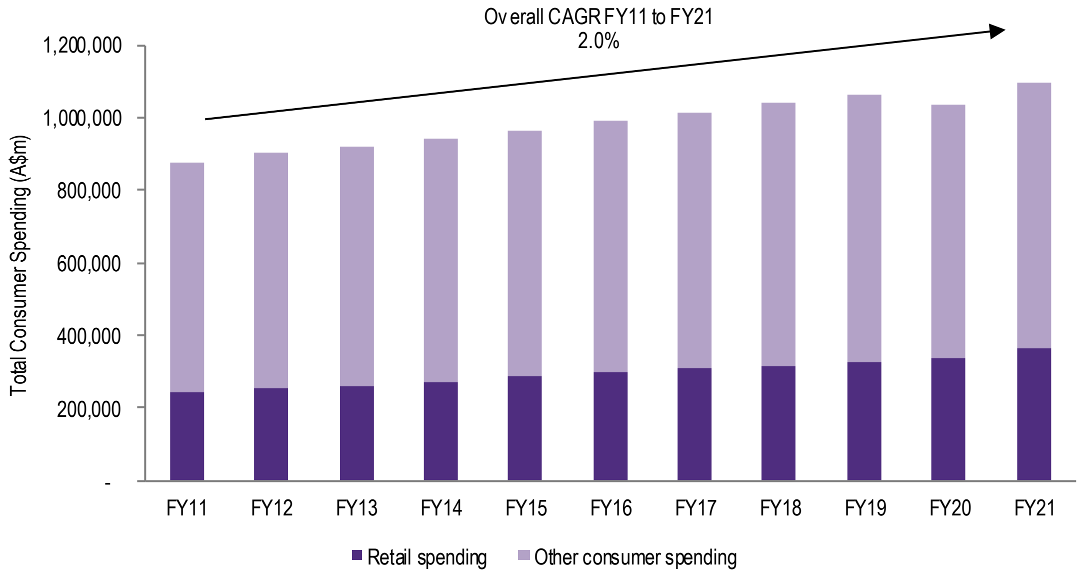
Consumer payment preferences vary considerably across different demographics. Alternative payment methods like digital wallets and bank transfers are currently the norm, whilst the use of historically popular methods such as credit cards and cash continue to decline. Whilst the use of BNPL currently is relatively low in comparison to established payment methods, evolving consumer preferences are expected to significantly increase its overall usage in the medium term.

3.3 Shift to online shopping

BNPL arrangements are slowly becoming one of the key ways to promote retail spending, with the primary volume of transactions occurring online via Australia's growing E-Commerce market. Therefore, the market opportunity for BNPL is linked to the size and growth of consumer spending in online retail. This connection however applies primarily for the pay in 4 BNPL product and less so in relation to the longer duration BNPL products.

Total consumer spending in Australia has increased consistently over the last 11 years evidenced by the CAGR of 2.0% as set out in the graphs below. This growth has been driven by rising consumer confidence, high level of disposable income and growing penetration of online shopping. In FY21, retail expenditure accounted for c. 33.3% of total Australian household consumption.

Total consumer spending in Australia FY11 to FY21

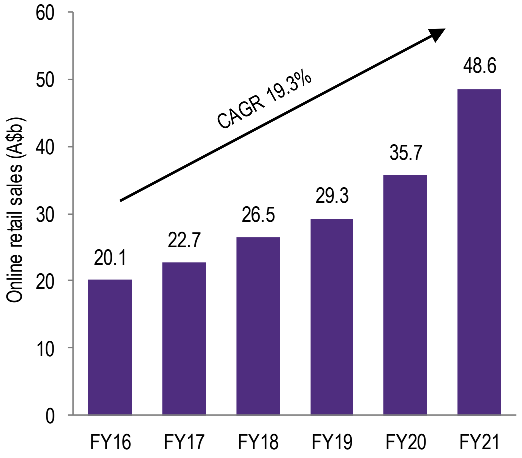


Source: ABS, GTCF analysis.

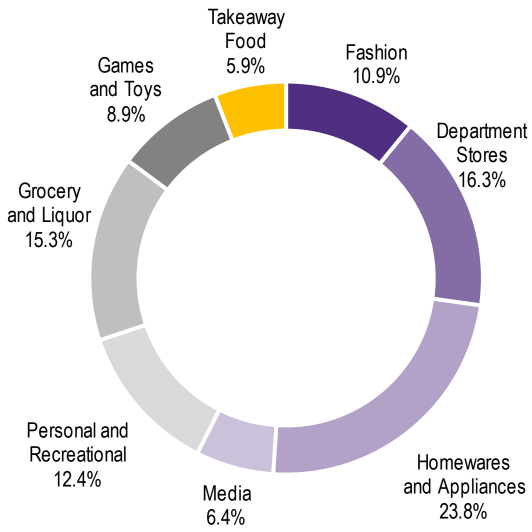
Spending during CY20 was impacted by the outbreak of COVID-19 and its associated lockdowns. Despite an overall increase in the savings ratio, the uncertainty associated with the emergence of new variants and lockdown restrictions temporarily reduced consumer confidence. CY21 on the other hand has seen a marked increase in total expenditure back to pre-pandemic levels as households have accepted the new COVID-19 norm and Australia shifts its approach to living with the outbreak amongst the community rather than exclusion.

Another factor the pandemic brought was that there has been a growing inclination towards online sales which have increased materially as a share of total retail sales. According to the NAB Online Retail Sales Index ("NAB Index")[15], online sales have increased by c. 25.6% from FY20 to FY21. In the 12-month period to December 2021, NAB estimates that Australians spent A$52.93 billion on online retail, which represents a c. 13.9% share of total retail sales and about 29.8% higher market share than in September 2019.

Online retail sales in Australia



Australian online retail sales in FY21

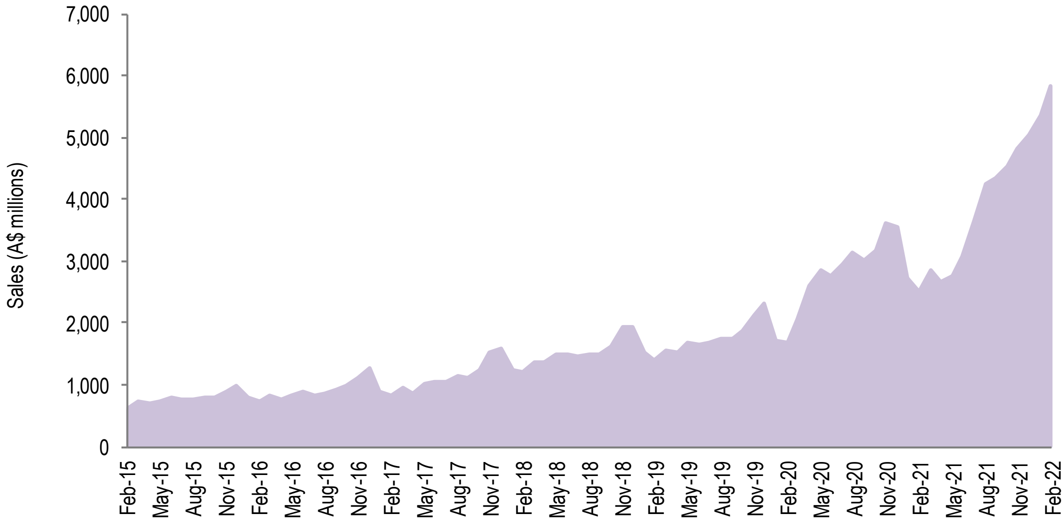


Source: NAB Online Sales Index August 2021

Throughout early 2022, online shopping has continued to remain popular, despite the expected dip following the Christmas and festive season (c. 9.6% down from December 2021)[16]. Year on year, growth in online sales was up a total of c. 16.6%, and c. 5.5 million households have shopped online each month so far in 2022[17]. This is consistent with the monthly average over the last 12 months and is a positive sign that engagement with online shopping will likely remain strong through the remainder of 2022. The following graph provides a snapshot of the growth in total online retail sales within Australia since February 2015.

[15] The NAB Online Retail Sales Index measures all online retail spending by consumers using various electronic payment methods such as credit cards, BPAY, PayPal and BNPL. The Index is derived from personal transaction data from NAB platforms and it is then scaled up to be representative of the economy.
[16] Australian Post: Inside Australian Online Shopping - E-Commerce Update, February 2022.
[17] Ibid.

Online retail sales in Australia



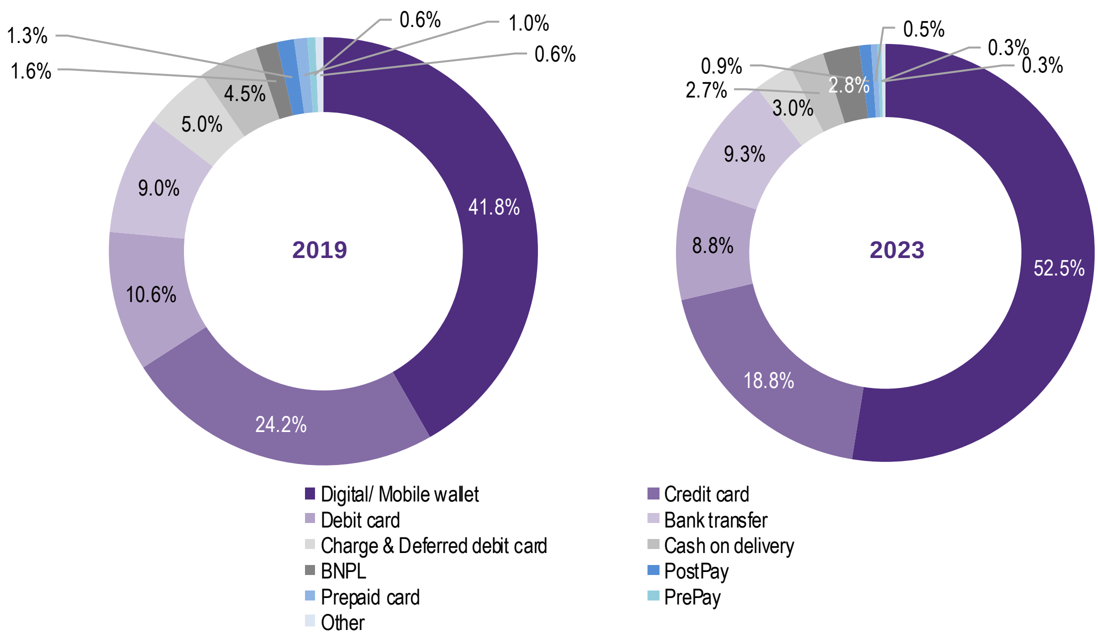
Source: ABS Retail Trade, February 2022, GTCF analysis.

3.3.1 Changing payments methods

The growth in online retail has also been supported by consumers increasingly adopting digitalised payment methods. This is primarily due to easier and more secured electronic payments, policies by the Australian government to incentivise a shift away from cash to better track payments and the emergence of digital wallets which enable cardholders to aggregate cards in a single device to facilitate payments.

As set out in the graphs below, whilst the BNPL sector makes up a small but growing proportion of overall transactions its market share is particularly strong for online sales. Further, digital wallets and BNPL payments are the only payment methods that are expected to significantly grow over the medium term mainly at the detriment of debit cards and credit cards.

E-Commerce payment methods – Historical and forecast



Source: RBA calculations based on data from Colmar Brunton, Ipsos and Roy Morgan Research. GTCF analysis. Note (1): 'Other' methods include Paypal, prepaid, gift and welfare cards and 'buy now, pay later' services

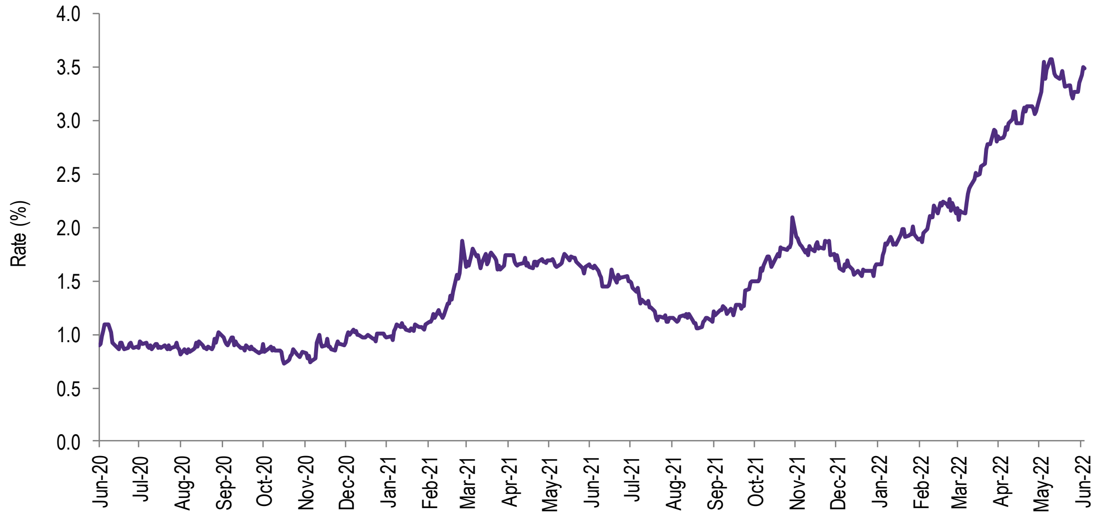
The reduction in credit card use is particularly prominent amongst the younger age categories, in CY02, c. 58% of Australians aged between 20 to 35 years owned a credit card, which has declined to c. 41% by CY16. Whilst reasons for this are varied, approximately 9 out of 10 millennials are electing not to own a credit card, predominately because they prefer to use their own money and want to avoid interest payments and or fees[18]. This sustained shift in consumer payments methods is likely to benefit the BNPL industry in the long term.

3.4 Macro-economic environment

Presented below is a brief summary of the Australian macro-economic factors that may impact the performance of the BNPL industry moving forward.

- *Interest Rate* – Interest rates are one of the key macro-economic variables that impact all BNPL providers. The following graph shows the fluctuations in the yield on the 10-year Australian government bond since January 2020.

Australia 10-year bond yield – Prior two years



Source: S&P Global, GTCF analysis

To support the recovery of businesses following the impact of COVD-19, the Reserve Bank of Australia ("RBA") reduced the cash rate twice in March 2020 to 0.25%, and then further to a historic low of 0.10% in November 2020. However, rising inflation to well above the RBA's long term inflation target of between 2%-3%, resulted in an increase in the cash rate by 0.25% in May 2022, the first time in over a decade. Additionally, there is consensus that the RBA will continue to raise interest rates for the remainder of the year. For BNPL providers, this will result in an increase in borrowing costs which will put downward pressure on margins. Further, in a higher interest rate environment, arrears and bad debts are also likely to increase. Late fees will only partly offset this increase.

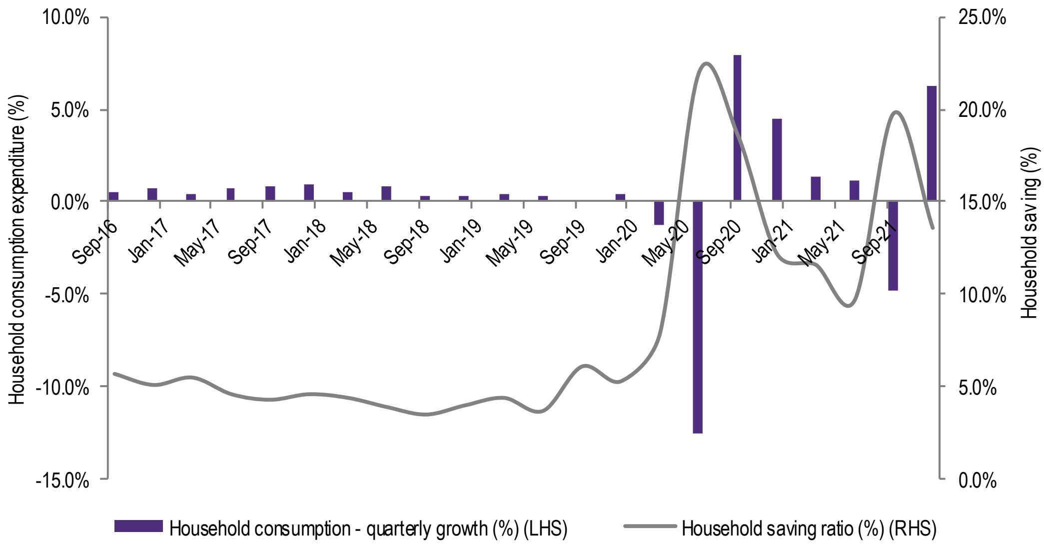
- *Inflation* – Increasing levels of inflation erodes an individual's purchasing power and devalues the currency in which they purchase their goods. As BNPL providers typically operate with merchants who offer somewhat elastic and discretionary goods, heightened periods of inflation are likely to have negative impacts on sales within the industry. Inflation has recently increased and is forecasted to continue rising over the short term. Factors influencing increasing inflation include a lag in supply chain disruptions off the back of sustained lockdowns throughout the third quarter of 2021, pent-up

[18] RBA, Payments Data 2019.

consumer demand for goods following the re-opening of economies and the Russian-Ukrainian conflict. The RBA still maintains a long term inflation target of between 2% to 3%. An increase in interest rates is expected to help contain growing inflation in the medium term.

- *Household disposable income and the saving ratio* – These are key drivers of retail sales and accordingly, are major variables affecting the BNPL industry. The following graphs set out the historical household final consumption ratio and household saving ratio.

Household saving ratio & household consumption quarterly growth (%)

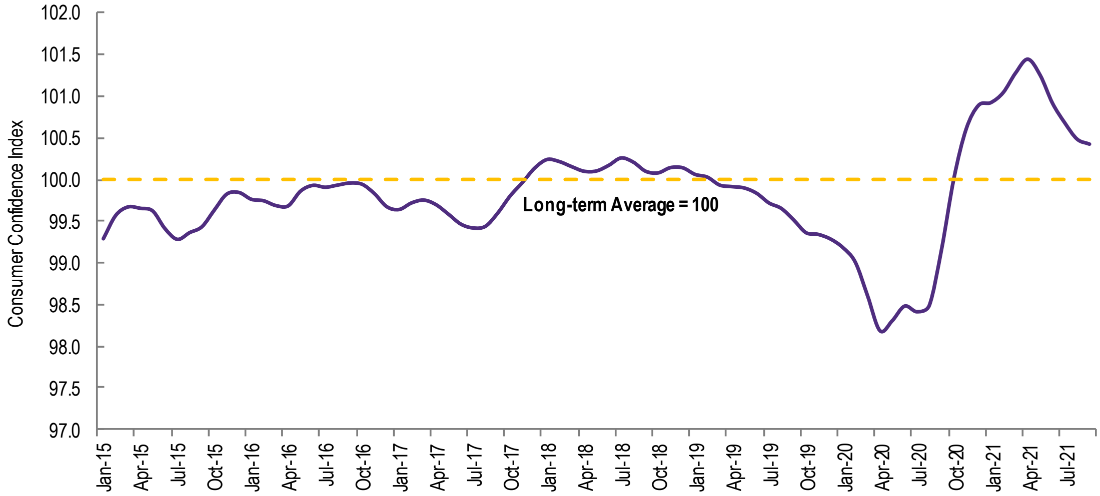


Source: Reserve Bank of Australia

In the first half of 2020, the pandemic caused a contraction of consumption which boosted household savings. Whilst most of Australia exited from lockdowns in the second half of 2020, broader restrictions on movements remained and prolonged lock-downs became the norm throughout 2021. During this period, the Australian government provided stimulus through payments such as Jobkeeper and Jobseeker in a bid to preserve employment levels and support the economy. This had a flow on effect into households' income and consumption, with the latter experiencing significant growth relative to prior years.

- *Consumer confidence* – This is a measure of optimism amongst households regarding their financial situation, the current economic conditions, employment and savings. Generally speaking, negative consumer confidence is correlated with a scale back in individual expenditure on discretionary items, including retail expenditure associated with BNPL arrangements. The following graph illustrates the Consumer Confidence Index ("CCI") within Australia since January 2015 to September 2021.

Consumer Confidence Index – Australia



Source: OECD Data: 60 years, GTCF analysis.
Note (1): A value greater than 100 is indicative of a boost of the consumer's confidence towards the future economic circumstances and vice versa.

As illustrated above, the CCI value traded slightly below 100 for the five years leading up to the January 2020 quarter, after which the COVID-19 pandemic hit and the CCI plunged to lows not seen since the global financial crisis. Despite this phenomena, the CCI quickly climbed back to above pre-pandemic levels, largely due to the Federal government's large fiscal and monetary expenditure, low levels of infections relative to other countries and increased household savings ratio. However, the country wide lockdowns in the second half of 2021 as well as growing inflation has stymied overall confidence.

3.5 The BNPL Regulatory Framework

Whilst OPY has operations in all of Australia, New Zealand, the UK and the US, the regulatory framework for BNPL arrangements is not uniform across jurisdictions. Taking this into consideration as well as the nature of the business structure, the Company in many cases is exempt from traditional consumer credit laws and regulations. The following details how OPY is able to offer its current products in different jurisdictions:

1. *Australia:* Without an Australian Credit Licence ("ACL") or Australian Financial Services Licence ("ASL");

2. *New Zealand:* Registration with Financial Services Provider with product and services exemptions under the Credit Contracts and Consumer Finance Act 2003 ("CCCFA"); and

3. *The United Kingdom:* Without an authorisation from the Financial Conduct Authority ("FCA").

Due to continued expansion as well as growth in the industry as a whole internationally, it's likely that the Company will become subject to further legal, regulatory, tax and industry standards in the future. Currently OPY holds an ACL through its wholly owned subsidiary OPY Solutions Pty Ltd, however the potential products that it may offer pursuant to the ACL are still in development phase.

Presently there is significant debate around whether or not the BNPL sector should be regulated in a similar way to banks and other financial institutions. OPY's BNPL arrangements in Australia are exempt from the National Credit Code under s6(5) as provision of credit under a continuing credit contract where the only charge that is or may be made for providing the credit is a periodic or other fixed charge that does not vary according to the amount of credit provided. Other BNPL providers in Australia rely on an exemption set out in section 6(1) of the National Credit Code relating to short term credit contracts. As a result, some BNPL providers are exempt from complying with certain obligations[19] that other financial institutions must comply with, including statutory responsible lending obligations[20].

From an international lens, many countries globally are increasingly scrutinising BNPL schemes due to their rapid growth within a lack of regulation. The Woolard Review[21], A UK publication released to the public in 2021, advised that regulation of the BNPL industry globally was a matter of extreme urgency. More recently, the European Union disclosed proposed reforms of its Consumer Credit Directive to include BNPL arrangements under the same umbrella. Whilst these advancements are currently outside the scope of OPY's business model, increased talk globally of proposed BNPL regulations likely have the potential to encourage further regulatory investigations amongst other jurisdictions.

3.5.1 ASIC

Whilst the company's BNPL arrangements are exempt from the *National Consumer Credit Protection Act 2009 (Cth),* they are regulated as credit under the *Australian Securities and Investment Commission Act 2001 (Cth)* ("ASIC Act"). This ASIC Act dictates general consumer protection provisions that apply across all businesses within the financial services industry, including prohibitions.

In 2018 ASIC completed its initial review of the BNPL sector and delivered report 600[22], which summarised the findings from its review of the arrangements offered by six BNPL providers, including OPY. The report found that credit checking and background checking was not always undertaken by BNPL providers; however noted that due to some specific definitions it had limited jurisdiction to intervene. It pushed for industry self-regulation and the development of a code of practice to govern the sector.

In 2020 ASIC conducted a second review of the sector and released report 672[23], of which OPY again participated. This report found that the sector had experienced significant growth and had taken some steps to improve self-regulation. ASIC also noted that there was still to some degree customer harm and the services offered appeared to have an inflationary impact on prices. In addition, ASIC report 672 detailed the Design and Distribution Obligations ("DDO") to come into effect from October 2021. DDOs, under Part 7.8A of the *Corporations Act 2001 (Cth)*, require product issuers to identify in advance the consumers for which their products are appropriate and to accordingly direct these distributions to that target markets. Put simply, DDOs require BNPL providers to design fit-for-purpose products that meet consumer needs and to actively monitor whether their offerings are reaching the appropriate consumers[24].

ASIC has strengthened its powers in recent years and may potentially yet require more stringent financial assessments checking to limit consumer harm. If similar requirements were to apply, BNPL providers would have to adhere to stricter financial assessments, amend standards for managing complaints and reduce late fees if they are set too high. ASIC also flagged that it was looking to overseas models including Sweden, the United Kingdom, New Zealand and California, where consumers are more clearly warned about the risks of the BNPL sector.

---

[19] Set out in the National Credit Act.
[20] Paragraph 68 of ASIC Report 600: Review of buy now, pay later arrangements, dated November 2018.
[21] The Woolard Review: A review of change and innovation in the unsecured credit market, report to the FCA published 2 February 2021 (Woolard Review).
[22] Australian Securities and Investments Commission (Report 600): Review of buy now pay later arrangements.
[23] Australian Securities and Investments Commission (Report 672): buy now pay later – an Industry update.
[24] ASIC Report 672, pages 20 and 21; ASIC media release dated 16 November 2020.

3.5.2 The BNPL code of practice

As a result of the Federal Senate committee recommendation in February 2019, Australia's key BNPL providers established the BNPL Code of Practice ("The Code") to enable the industry to take a proactive approach to increasing consumer protections and go beyond current regulatory obligations. The eight members that aided in establishing The Code, who together account for c. 95% of total pure-play BNPL providers within the domestic market, include OPY, Afterpay, Brighte, Humm Group, Klarna, Latitude, Payright and Zip Co. The Code was voluntarily developed and is intended to assist code complaint members of the Australian Finance Industry Association ("AFIA") BNPL providers group to promote a customer-centric approach, high industry standards of service for customers and support compliance with legal and industry obligations.

The Code additionally gives the AFIA the power to identify and call out those that contravene The Code, sets out best practice standards for the sector and strengthens consumer protections. Further, BNPL providers have additionally committed within The Code to not initiate bankruptcy proceedings against consumers.

3.5.3 RBA

In October 2019[25], the RBA announced a general review of payments regulation which contained a number of areas that the central bank was keen to hear market feedback on. One of those areas was a review of policy issues surrounding BNPL platform's merchant agreements which prevent customer surcharging. Under current card payment regulations, merchants have the right to surcharge for more expensive payment methods, however the charge must be closely linked to the actual cost of acceptance. The rules give the merchants the right to apply a surcharge should they wish to do so. Currently most BNPL contracts between providers and merchants prohibit merchants applying a surcharge on NPL transactions. The RBA was seeking input from the payments community regarding whether BNPL providers should be able to enforce "no surcharging" rules when other payment providers could not. Merchants are not forced to accept BNPL, which carries a c. 3% to 6% fee. However, given the popularity of BNPL and how widely it is now accepted, merchants may be compelled to offer the payment option for competitive reasons. Whilst no formal announcements have been made, the Reserve Bank governor provided a strong indication that BNPL providers will be able to continue to insist merchants do not pass their costs on to customers.

3.5.4 Anti-Money Laundering and Counter-Terrorism Financing ("AML/CTF")

In all of OPY's jurisdictions of operations, the Company is required to comply with AML/CTF legislation. Accordingly, the Company is currently registered with the regulatory bodies in each country it provides credit to consumers. Additionally, OPY has also developed a global AML/CTF framework that outlines their approach to AML/CTF compliance and sets out the procedures it will follow to ensure it meets its regulatory obligations and adequately managers the risks it faces. In addition, the Company periodically engages expert AML/CTF advisors and auditors in each jurisdiction to assist in ensuring and monitoring compliance.

[25] RBC Capital Equity Research initiation report on Afterpay, 12 December 2019.

4 Profile of OPY

4.1 Overview

Established in 2013, OPY offers payment solutions to consumers and merchants using its proprietary technology platform. It currently generates most of its revenue from its BNPL offering that offers longer duration payment plans (up to 24 months) and larger value purchases than many other BNPL providers (in particular those that only offer short term credit contracts up to 62 days). Revenues are generated from a more diversified mix of merchant fees and customer fees than other BNPL providers.

The Company aims to partner with merchants in its key target verticals[26], being automotive, home improvement, large ticket retail, healthcare (dental, veterinary and hospitals) and education, which are considered less discretionary than apparel and small retail items. In addition, OPY's customer cohort is typically older than other BNPL providers with its median customer age of c. 40 years old.

As at 31 March 2022, OPY had approximately 4,100 Active Merchants[27], 312,000 Active Customers[28] and c. 1.6 million Active Plans[29] in ANZ generating a Total Transaction Value[30] ("TTV") of c. A$309 million for the 12-months ending 31 March 2022.

Whilst the ANZ market generates the majority of the revenue, OPY currently also has operations in the UK and in the US. In FY21, the UK market contributed c. 27% to BNPL income, however in January 2022, OPY announced a change in strategic direction largely leading to a material reduction of its UK operations. In the US, OPY invested in a bespoke technology platform, staffing, credit funding, regulatory approvals and licenses. It went live in the US in October 2021. Despite progress made thus far in the US, operations have been paused, as it was unable to find a partner to help fund and scale the platform.

In addition to its BNPL offering, OPY has developed a B2B SaaS trade account management platform, OpyPro, an end-to-end customisable platform that automates and digitises trade accounts management for businesses. In FY21, OpyPro accounted for less than 1% of OPY's revenues; however, the Company anticipates OpyPro will account for a greater percentage of OPY's revenues over time.

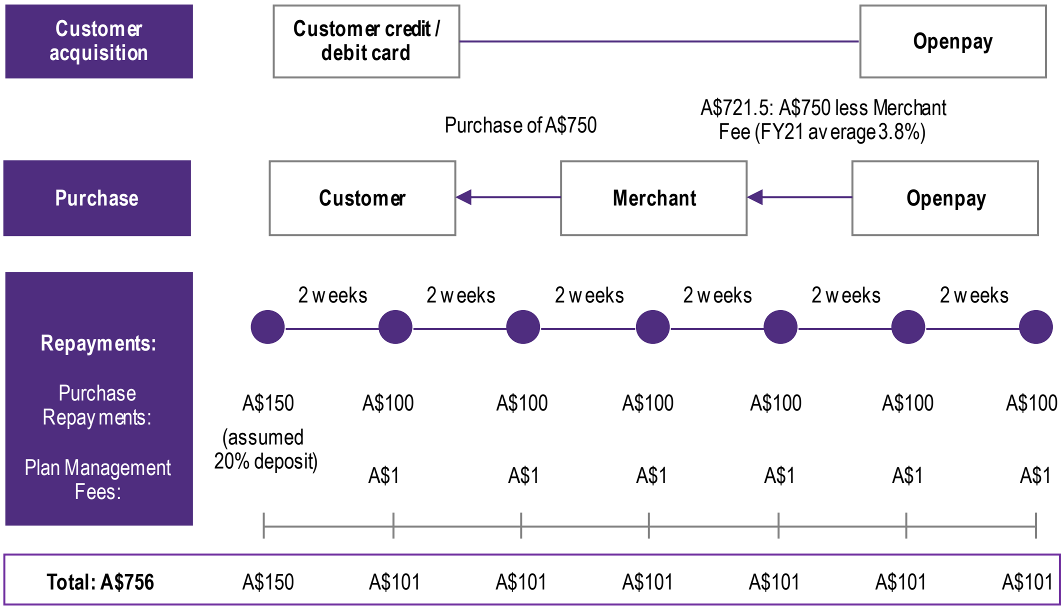
4.2 Business model

The OPY platform facilitates payments between customers and merchants by allowing customers to make in-store and online purchases, and defer the payment for these purchases by splitting the purchase price into multiple repayments over time. OPY pays the full purchase price (less the merchant fee) to the merchant the business day after the purchase and the customer pays OPY a deposit at the time of purchase (typically 10% to 20% of the purchase price) plus a Plan Management Fee, followed by instalments for the balance of the purchase price plus a Plan Management Fee on each remaining instalment. To the extent the customer is late in meeting its planned repayments, a late fee is also charged (subject to certain late fee caps). Below we present an illustrative BNPL arrangement.

[26] Vertical markets or "verticals" are a group of companies focused on a specific niche.
[27] An Active Merchant is defined as a merchant that has transacted through the OPY platform in the preceding 12 months. Merchants may have multiple store locations, and in some cases have over 100 locations.
[28] An Active Customer is defined as a customer that has commenced or continued a plan within the last 12 months.
[29] An Active Plan is defined as a plan that has commenced or continued within the last 12 months.
[30] Total Transaction Value is measured as the sum of the total sales value of all new plans in the period.

Grant Thornton

Illustrative OPY BNPL arrangement[1]



Source: OPY website.
Note (1): This scenario assumes the customer adopts a 3 month plan with fortnightly Plan Management Fees of A$1 and makes all repayments on time, thus not incurring any late fees. (2) The above illustration is missing a plan management fee on the deposit therefore the total repayment figure is understated.

Customers must first create an account with OPY which can be done in-store, online, or through OPY's mobile application (although not all sign up methods are available in all locations). To sign up, customers must provide certain information to verify their identity, as well as other information such as contact information and a valid MasterCard or Visa debit or credit card. Below we present a table outlining the customer journey both in-store and online.

	Customer Journey	
Step	In-store	Online
1	Identify stores and products: Customers find participating stores via mobile app and website. If customer enters store, it may be notified of the Openpay service by merchant staff and/or in-store marketing materials	Identify stores and products: Customers access the merchant's website directly (or select from a range of merchants on Openpay's website), and selects an item for purchase.
2	Checkout: Merchants provide Openpay with purchase details (either directly integrated with POS or via Openpay web browser). Customer scans barcode or QR cod with mobile app at merchant's check out.	Checkout: Merchant's website directs the customer to the merchant's online checkout where Openpay is displayed as a payment method.
3	Plan seclection: Customer selects Openpay plan (duration and payment frequency) via mobile app, on merchants own device, through checkout terminal or via instructing merchant staff. Customers select date of first repayment after initial deposit.	Plan selection: Customer selects desired Openpay plan duration, payment frequency and first repayment date after initial deposit.
4	Approval process: Openpay's platform performs customer/transaction assessment in real time and determines whether or not the Customer is approved to proceed with payment. If approved, customer approves plan details and makes the deposit to Openpay via their selected debit or credit card and completes the transaction.	

Source: OPY Prospectus

Unlike typical pay in 4 BNPL providers, OPY's customer base is more mature and theoretically, have a stronger credit record. In FY21, 55% of OPY's customers were over 39 years old. Transaction values are typically higher and repayments are spread on longer tenures.

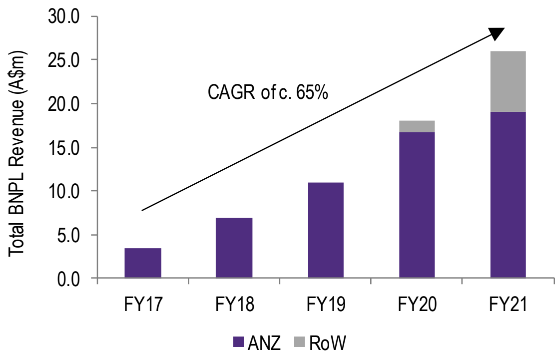
Traditionally, OPY has targeted bringing new merchants onto the OPY platform at an individual merchant level. This is done by integrating OPY with the Merchant's system via a suite of application programming interfaces ("APIs") and development kits that can be adapted to meet each merchant's requirements. This process typically takes a few months from start to finish for each merchant and can be relatively time consuming. From 2019, in order to grow more rapidly, the Company's merchant acquisition strategy broadened to also include targeting merchant aggregator platforms which are third-party payment providers that manage payments on behalf of merchants in exchange for a processing fee.

OPY is currently offered via a wide range of merchants across its four targeted verticals of retail, automotive repairs, home improvements and healthcare. In FY21, OPY had c. 3,800 active merchants, including some large and prominent Australian brands in the retail, healthcare, automotive and home improvements markets.

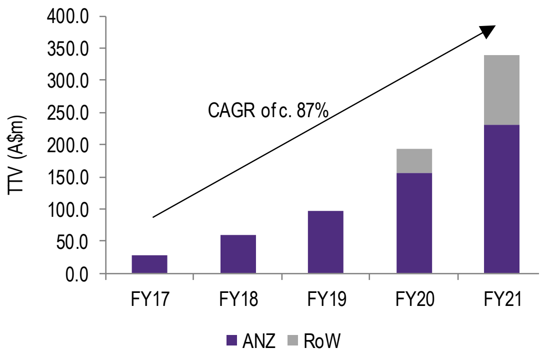
4.3 Revenue generation

The Company generates revenue from fees charged to both merchants and customers in exchange for the use of its platform. OPY's revenues have grown rapidly over the last five years (CAGR of c. 65%) driven by the Company's increasing active customer and merchant base and TTV.

BNPL Revenues[1] (FY17 to FY21)



Total Transaction Value / Underlying Sales (FY17 to FY21)



Sources: OPY FY21 Annual Report; OPY Prospectus.
Note (1): Revenues represent BNPL revenues, which excludes c. A$0.2 million of B2B revenues in FY21 from OpyPro.

Whilst ANZ is the dominant market, OPY currently has a small presence in the UK healthcare market and commenced operations in the US market in October 2021. In FY21, the UK contributed 27% to BNPL income; however, OPY's decision to materially reduce its UK operation is resulting in the unwinding of the receivables book and a reduction in group costs. The change in strategy was driven by the need to pursue profitable growth in ANZ and to launch into the US as the Company's primary growth opportunity.

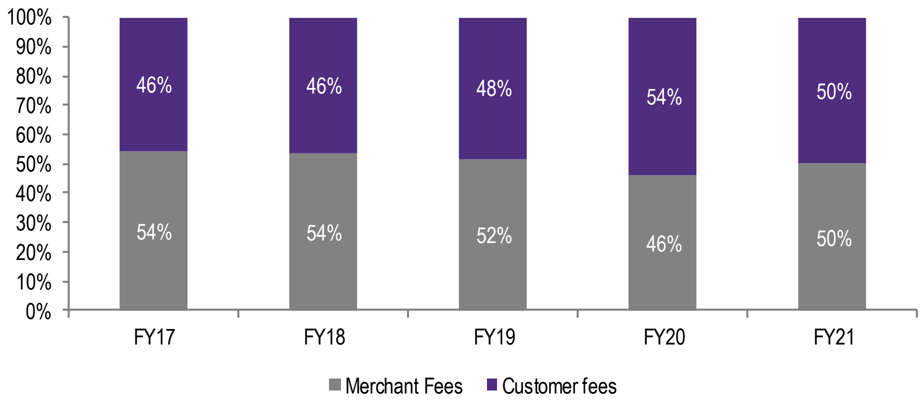
In the US, OPY has invested in a bespoke technology platform, staffing, credit funding, regulatory approvals and licenses. Since going live with its offering in October 2021, the Company secured a number of merchants in its targeted verticals of healthcare, auto repair, home improvements and education including Ezyvet and Patient Now. Ezyvet is a vet group which will offer the use of the OPY payment platform to its 1,200 vet clinics and hospitals across the US. Patient-Now will provide access to the OPY payment platform to its 2,500 healthcare providers in the US.

OPY partners with Cross River in the US to allow OPY to offer regulated fee-based consumer loans and tenure of up to US$20,000 and 24 months respectively, fully underwritten by Cross River. Once a consumer-selected payment plan is approved, the loan is originated and funded by Cross River and serviced by OPY. OPY later acquires the loan from Cross River after origination. The Company has also secured partnerships with Worldpay from FIS and American Express to distribute Opy, as it is known in the US, to their respective merchants.

Despite its recent launch and progress, OPY required a US partner to provide a direct investment into the US business which never materialised. Given the deterioration in macro-economic fundamentals, as well as difficult debt and equity capital markets, OPY has made the strategic decision to pause its operations in the US and refocus exclusively on ANZ.

Historically, approximately half of OPY's revenues have been generated from customer fees and half from merchant fees as summarised below.

Split of Customer Fees and Merchant Fees (FY17 to FY21)

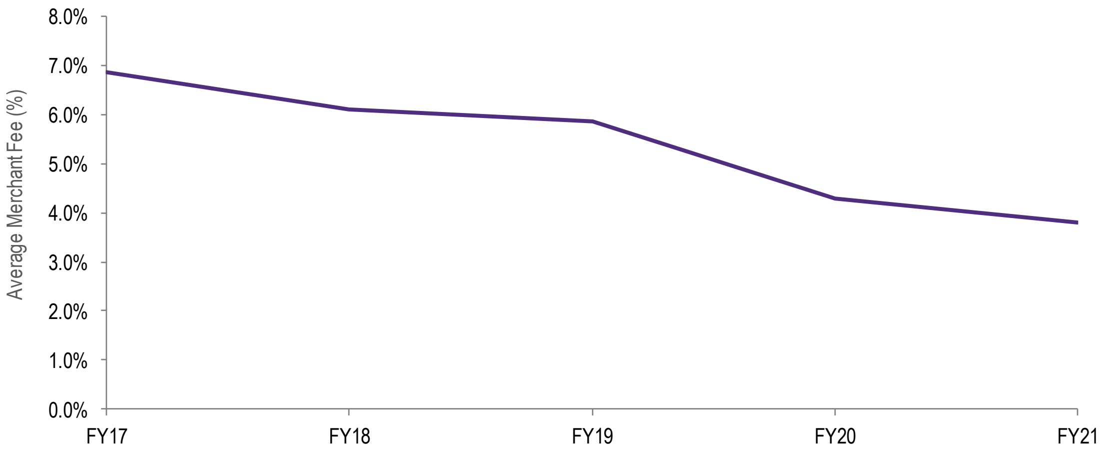


Source: OPY FY21 Annual Report; OPY Prospectus

1. *Merchant fees* – They are derived from transactions on the OPY platform and represent a percentage of the TTV. They are retained by OPY when settling the purchase price with the merchant and vary depending on the contractual arrangements with each merchant. Over the last five years, OPY average merchant fee as a percentage of TTV has fallen from c. 6.9%[31] in FY17 to c. 3.8% in FY21 driven by increasing competition within the BNPL sector and change in the merchant mix.

[31] Average merchant fees calculated as merchant fee revenue divided by TTV. In FY20 and FY21, Opepay has not separately disclosed Merchant Fee revenues. To derive it, we have multiplied total revenues (excluding OpyPro revenue) by the proportion of merchant fee revenues as disclosed by Openpay, and divided it by the TTV for the period.

OPY Merchant Fee[1] as a % of TTV



Sources: OPY FY21 Annual Report; OPY Prospectus; GTCF analysis.
Note (1): Average merchant fees calculated as merchant fee revenue divided by TTV. In FY20 and FY21, Opepay has not separately disclosed Merchant Fee revenues. To derive it, we have multiplied total revenues (excluding OpyPro revenue) by the proportion of merchant fee revenues as disclosed by OPY, and divided it by the TTV for the period.

2. *Customer fees* – The types of customer fees that can be charged varies by geography due to relevant legislation. However, in Australia, OPY receives from its customers:

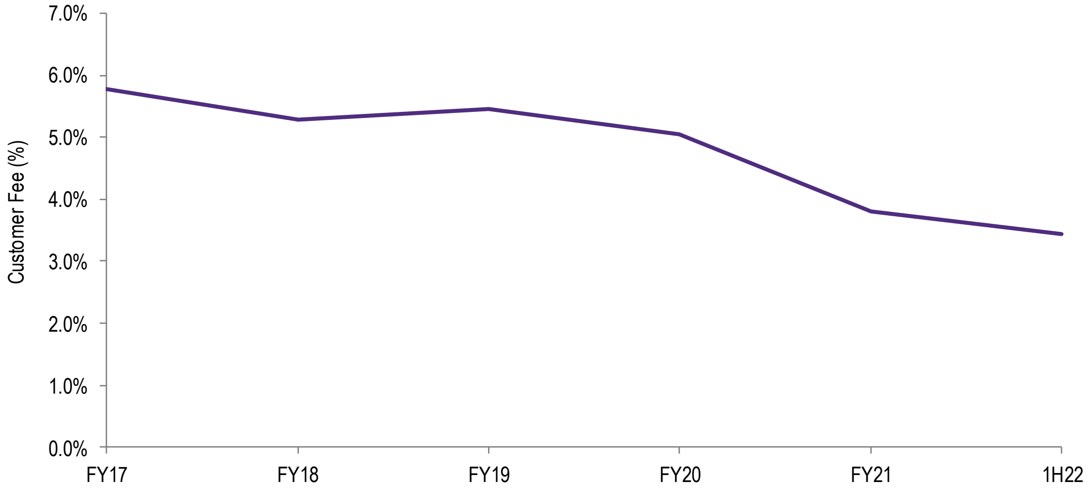
   - *Plan Management Fees* – For some plans, OPY charges its customers a Plan Management Fee on a fortnightly basis. The longer the plan selected by the customers, the higher the fortnightly Plan Management Fee incurred by them. Only the shortest plans of two months (5 instalments) do not incur any Plan Management Fees. In general, a three month plan will incur a fortnightly A$1 Plan Management Fee until the plan is repaid. For each additional month of duration selected by the customer on the plan, the fortnightly Plan Management Fee varies.

   - *Late Payment Fees* – A customer is charged a late payment fee if a scheduled repayment is missed. A 2 day grace period applies before late fees are charged. In FY21, late fees were about A$ 6.6m.

   - *An initial establishment fee* – In some cases, a customer is charged a fee to establish an account although this fee is being phased out after a pricing standardisation program undertaken by OPY.

OPY's customer fees as a percentage of transaction value have been trending down over the last five years driven by change in customer mix from higher yielding verticals like healthcare and automotive repair, to the lower yielding retail vertical which is typically repaid faster. We note that upon implementation of new customer pricing changes, consumer fees have improved from roughly 3.6% during 1H FY22 to 5.8% in 3Q FY22.

OPY Customer Fee as a % of TTV



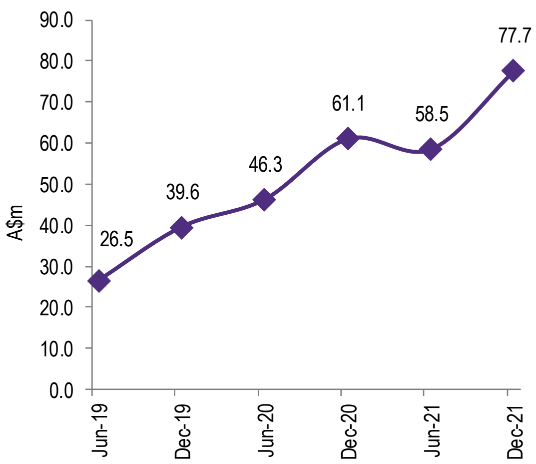
Source: OPY Annual Reports, OPY H1FY22 Report, GTCF analysis

4.4 Receivables and funding strategy

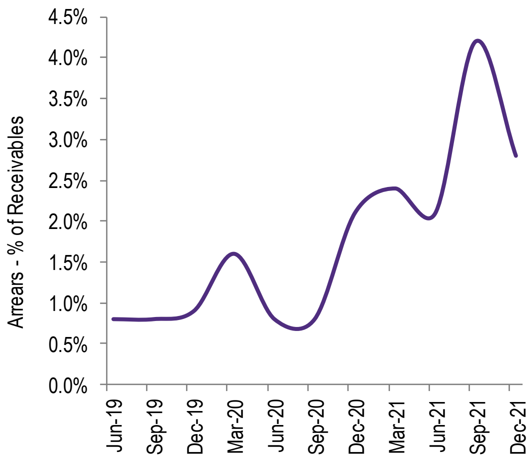
Since inception, OPY has facilitated more than A$700 million in TTV across three million plus plans worldwide. As a function of this, cash flow is often quite lumpy and a significant portion of OPY's assets (c. 62.7%) relate to both current and non-current trade and other receivables.

The Company continues to monitor its cash flow position and make enhancements to its Automated Risk System ("ARM") in a bid to improve credit and fraud management. The following graphs illustrate the growth in OPY's net receivables since 30 June 2019 as well as the quarterly arrears as a percentage of net receivables.

Net Receivables



Quarterly Arrears - % of Receivables



Source: Management, GTCF analysis

Net receivables as at 31 December 2021 were c. A$77.7 million, representing a c. 32% increase on 30 June 2021. The movement in OPY's accounts receivables balance reflects the growth in the overall book adjusted for the timing difference between collection of TTV from customers and payments made to merchants. Throughout FY21, the annual collections rate increased to 4.6 times from 4.2 times in FY20, driving up OPY's capital efficiency and enabling for more rapid reinvestment of funding to support growth.

The increase in OPY's arrears as a percentage of receivables was mainly caused by the tail-end of temporary early stage losses in the UK region, relating to the Company's largest enterprise merchant within the retail vertical. The portfolio has since returned to a more normalised performance and is expected to remain within the target credit and fraud loss rate between 1.5% and 2.5%.

From a capital management and funding perspective, in Q4 FY21 OPY successfully closed a c. A$71.2 million equity and debt funding package. This comprised of an institutional share placement of c. A$37.5 million at a price of A$2.03 per share, a new corporate debt facility of c. A$25 million with Riviera Capital Pty Ltd and a SPP that closed oversubscribed at c. A$8.7 million.

OPY also has a variety of other funding facilities committed which are used to fund growth in the receivables book and to balance the time lag between outgoing payments to merchants and incoming payments from customers. The following table illustrates a breakdown of these facilities as at 31 March 2022.

Overview of Funding Sources Domestic currency - A$000	*Note*	Facility Amount	Committed	Amount Drawn	Uncommitted	Maturity Audited
Receivables funding facilities						
Australia	*1*	65,000	55,000	47,000	10,000	Jan-24
The United Kingdom	*2*	105,189	43,829	15,778	61,360	Nov-22
The United States	*3*	362,737	181,369	-	181,369	Apr-24
Total receivables funding facilities		**532,927**	**280,198**	**62,778**	**252,729**	
Working capital facilities						
Working capital	*4*	10,000	10,000	4,050	-	Oct-22
Working capital[1]	*5*	30,000	25,000	25,000	5,000	Oct-22
Total working capital facilities		**40,000**	**35,000**	**29,050**	**5,000**	

Source: OPY Note 1: OPY may elect to extend the committed facility of the total facility limit to July 2023

In relation to the above, we note the following:

- *Note 1* – In September 2021, an amendment was made to this facility to include a provision that in the event of a material uncertainty related to going concern being emphasised within the Company's audited financial reports, a review period would commence for 14 days.
- *Note 2* – The expiry date of this facility was originally May 2022, however it has been recently extended by an additional 6 months in conjunction with the Company's enhanced ability to fund receivables throughout its reduction in UK operations.
- *Note 3* – In terms of credit funding, OPY has secured credit facilities amounting to US$271.4 million from Goldman Sachs and Atalaya Capital Partners. However, as at 31 December 2021, the Company had not yet satisfied the conditions precedent, which relate predominantly to tangible net worth and cash requirements, to drawn down upon the pre-committed funding. In connection with these credit facilities, 1,022,271 million warrants were issued to Goldman Sachs. Each warrant is exercisable into one fully paid ordinary share at a subscription price of c. A$1.3 per warrant.
- *Note 4* – This working capital facility is available to fund operating expenses.
- *Note 5* – Circa A$15 million of the committed balance matures in October 2022, however the Company may elect to extend c. A$10 million committed and c. A$5 million uncommitted of the total facility limit to July 2023.

4.5 IT Platform

OPY has developed a proprietary technology platform to facilitate seamless transactions between its merchants and customers. This includes its internally developed risk management tool which is designed to prevent fraud and other financial crimes and assess credit applications in real time. The risk management tool has developed a range of risk groups based on internal and external data. When a customer first joins the OPY platform, they are assigned to a risk group based on a number of inputs such as demographics and geography. If a customer uses the platform responsibly, they may be approved for higher transaction values. In Australia, external credit checks are conducted on customers for purchases greater than A$2,000, and for purchases below that if the customer requests a higher amount than OPY's proprietary credit decisioning system has indicated. In the US, external credit checks and other financial assessments are conducted on all customers.

4.6 OpyPro (B2B)

OpyPro is OPY's B2B software as a service platform that allows companies to digitally manage their accounts with suppliers, from on-boarding, to customised account management, invoicing and automated reconciliation. OpyPro was launched in FY21 and accounted for less than 1% of revenue. As a SaaS product, OPY does not bear any balance sheet risk associated with OpyPro. OpyPro currently has three initial customers in Australia, Woolworths Group, Hewlett-Packard and Kogan.

4.7 Financial Information

OPY's external auditors raised an emphasis of matter in OPY's FY21 annual report related to the company's ability to operate as a going concern. The annual report was prepared on a going concern basis despite a net operating cash outflow of A$66.4 million and a net loss for the period of c. A$63.1 million. OPY's ability to continue as a going concern, as discussed within the annual report, would be dependent on maintaining cash reserves and debt facilities as at 30 June 2021, as well as securing further funding through either additional debt funding or the issuance of new shares. The Company would be required to secure additional funding options, either debt or equity, in support of its business growth and working capital.

4.6.1 Financial Performance

The table below illustrates the Company's audited consolidated statements of comprehensive income for the last three financial years and last half financial year.

Consolidated statements of financial performance A$ '000	FY19 Audited	FY20 Audited	FY21 Audited	1H22 Audited
BNPS	10,993	18,005	25,814	15,011
OpyPro income			217	
Other income		248	288	194
Total income	**10,993**	**18,253**	**26,319**	**15,205**
Receivables impairment expense	(2,970)	(7,890)	(12,210)	(4,999)
Employee benefits expense[1]	(7,256)	(21,229)	(29,769)	(25,990)
Advertising and market expense	(2,178)	(3,198)	(7,162)	(2,532)
Other operating expenses	(10,020)	(20,637)	(32,250)	(17,218)
EBITDA	**(11,431)**	**(34,701)**	**(55,072)**	**(35,535)**
EBITDA margin	*(104.0%)*	*(190.1%)*	*(209.2%)*	*(233.7%)*
Depreciation & Amortisation	(94)	(1,312)	(2,321)	(1,839)
EBIT (before non-recurring items)	(11,525)	(36,013)	(57,393)	(37,375)
EBIT margin	*(104.8%)*	*(197.3%)*	*(218.1%)*	*(245.8%)*
Non-recurring items	(415)	6,407		
EBIT after non-recurring items	(11,940)	(29,606)	(57,393)	(37,375)
Net interest (expense)	(2,742)	(5,796)	(5,666)	(4,617)
Net profit before tax	**(14,682)**	**(35,402)**	**(63,059)**	**(41,991)**
Tax expense	-	-	-	-
Net profit / (loss)	**(14,682)**	**(35,402)**	**(63,059)**	**(41,991)**
Net profit margin	*(133.6%)*	*(194.0%)*	*(239.6%)*	*(276.2%)*
Exchange rate differences on translating foreign operations	(0)	(1,195)		(23)
Total loss	**(14,683)**	**(36,597)**	**(63,059)**	**(42,015)**

Source: OPY's annual reports Note: Share based payment expenses is included in employee benefit expenses. In FY19, FY20, FY21 and 1H22 these were A$96,500, A$0.4m, A$2.1m and A$1.8m respectively.

In relation to the above, we note the following:

- OPY has achieved high growth in its revenues with a CAGR in total revenues of c. 33% between FY19 and FY21. Revenue growth within the BNPL product was underpinned by strong TTV growth which more than tripled over the period. Notably however, over the same period BNPL income as a percentage of TTV has declined from 11.3% to 7.6%, predominately a function of a decline in merchant fees in FY21 relative to FY19.

- Receivables impairment expense increased by c. 55% from FY20 to FY21, following portfolio growth, early stage losses within the UK portfolio and the resultant increase in provisions for future credit losses.

- In FY21 employee benefits expense increased to A$ 29.7 million from A$21.2 million in FY20 driven by the first time addition of a US team in preparation for a launch in the US market, as well an increase in operational capacity in Australia and the UK. We have included share based payment expenses in employee benefit expenses.

- Other operating expenses, which include professional services used to develop and enhance OPY's technology, business processes and policies, are constituted by the following:

Overview of Other Expenses	FY19	FY20	FY21	1HFY22
A$ '000	Audited	Audited	Audited	Audited
Processing and data costs	(1,666)	(5,262)	(10,041)	(5,229)
Professional services	(3,675)	(8,402)	(13,429)	(7,125)
Technology and communication	(2,676)	(2,678)	(4,828)	(3,740)
Sales, general and administrative	(2,004)	(4,294)	(3,951)	(1,124)
Total other expenses	**(10,020)**	**(20,636)**	**(32,249)**	**(17,218)**

Source: OPY's annual reports

- Non-recurring items in FY19 and FY20 include fair-value calculation of financial derivatives.

4.6.2 Financial Position

The table below illustrates the Company's audited consolidated statements of financial position as at 30 June 2020, 30 June 2021 and 30 December 2021.

Consolidated statements of financial position	30-Jun-20	30-Jun-21	31-Dec-21
A$ '000	Audited	Audited	Audited
Assets			
Cash and cash equivalents	70,059	52,078	32,124
Trade and other receivables	45,180	57,527	76,780
Other current assets	2,145	5,031	4,553
Other financial assets at amortised cost	-	22	-
Total current assets	**117,383**	**114,658**	**113,457**
Receivables	1,099	925	887
Property, plant and equipment	825	829	844
Right-of-use assets	3,913	2,424	1,729
Intangible assets	1,095	4,326	3,393
Other non-current assets	-	-	2,816
Other financial assets at amortised cost	146	373	814
Total non-current assets	**7,079**	**8,877**	**10,482**
Total assets	**124,462**	**123,536**	**123,940**
Liabilities			
Trade and other payables	6,553	10,861	10,432
Borrowings	-	18,330	43,249
Lease liabilities	1,694	1,233	841
Employee benefits	991	1,740	2,117
Financial liabilities	-	-	1,800
Other liabilities	-	850	878
Total current liabilities	**9,239**	**33,014**	**59,317**
Borrowings	37,221	28,682	43,501
Lease liabilities	2,456	1,565	1,252
Employee benefits	36	102	124
Financial liabilities	-	-	603
Other non-current liabilities	-	850	-
Total non-current liabilities	**39,713**	**31,199**	**45,480**
Total liabilities	**48,951**	**64,213**	**104,797**
Net assets	**75,511**	**59,322**	**19,143**

Source: OPY annual reports

We note the following regarding the Company's financial position:

- The following table shows a breakdown of OPY's current and non-current trade and other receivables:

Overview of Historical Receivables A$ '000	30-Jun-20 Audited	30-Jun-21 Audited	31-Dec-21 Audited
Current			
Plan receivables	48,725	62,101	81,600
Unearned future income	(1,446)	(206)	(103)
Provision for expected credit loss	(2,099)	(4,367)	(4,716)
Net current plan receivables	**45,180**	**57,527**	**76,780**
Non-current			
Plan receivables	1,385	1,099	1,040
Unearned future income	(263)	(153)	(140)
Provision for expected credit loss	(23)	(21)	(13)
Net non-current plan receivables	**1,099**	**925**	**887**
Total receivables	**46,279**	**58,452**	**77,667**

Source: OPY annual reports.

- A receivable is considered to be in default at 90 days past due or if it satisfied the criteria for being written off. OPY's policy is to write off balances that are outstanding for over 120 days or when they are unlikely to receive the outstanding amount in full based on either internal or external indicators. Further information on OPY's receivables can be found in section 4.4.

- Intangible assets include internally developed technology that supports its core activities of providing technology-based payments solutions to merchants and customers.

- Right-of-use assets and lease liabilities are recognised by OPY in relation to the offices that they lease in both Australia and the United Kingdom. The rental contracts are over a fixed period of between 2 to 5 years and there are no current extension options available.

- Between June 2020 and December 2021, OPY's total receivables increased from A$46.3 million to A$77.7 million driven by growth in transaction values. Over the same period, net assets declined from A$75.5 million to A$19.1 million driven by an increase in interest bearing liabilities, as at the beginning of its operations, the Company was funding its activity mainly via equity. Since June 2020, OPY's net debt to total receivables, which we use as a proxy for the loan to value increased from negative 62% to positive 73%. We note, one of OPY's covenants precludes the loan to value ratio from rising above c. 85%. The audited account as at 30 June 2021 included an emphasis of matter raised by the auditors in relation to the Company's ability to continue as a going concern. This is a review event in one of its funding agreements. OPY is in regular contact with this financial institution regarding its financial position and capital raising timeline and is confident this source of funding will not be withdrawn if the Proposed Transaction is completed.

4.6.3 Cash Flow Statement

The table below illustrates the Company's audited consolidated statements of comprehensive income for the last two financial years and last half financial year.

Consolidated statements of cash flow A$ '000	FY20 Audited	FY21 Audited	H1FY22 Audited
Cash flows from operating activities			
Receipts from customers	186,930	359,944	220,571
Payments to merchants	(195,672)	(357,044)	(229,371)
Payments to suppliers and employees	(44,699)	(63,948)	(47,349)
Interest received	173	113	25
Interest paid	(4,292)	(5,457)	(4,310)
Net cash inflow from operating activities	**(57,561)**	**(66,393)**	**(60,435)**
Cash flows from investing activities			
Payments for property, plant and equipment	(780)	(330)	(217)
Payments for intangible assets	(1,115)	(3,716)	-
Net cash outflow from investing activities	**(1,895)**	**(4,046)**	**(217)**
Cash flow from financing activities			
Proceeds from issue of equity securities	83,767	46,438	-
Proceeds from borrowings	19,383	9,016	41,450
Proceeds from convertible notes issue	26,200	-	-
Capital raising costs	(6,725)	(1,968)	-
Principal elements of lease payments	(818)	(1,370)	(710)
Net cash (outflow)/inflow from financing activities	**121,808**	**52,115**	**40,740**
Net increase / (decrease) in cash and cash equivalents	**62,352**	**(18,324)**	**(19,911)**
Cash and cash equivalents at the beginning of the financial year	8,705	70,059	52,078
Effects of exchange rate changes on cash and cash equivalents	(998)	343	(43)
Cash and cash equivalents at year end	**70,059**	**52,078**	**32,124**

Source: OPY's annual reports

We note the following in relation to OPY's cash flow statements:

- Receipts from customers has steadily grown over the last two years alongside the business scaling its operations both domestically and internationally. These are comprised of the collection of cash from accounts receivable, including customer fees and late fees collected during the year. Based off of the H1FY22 figures, on an annualised basis receipts from customers is expected to increase again. Due to growing TTV's and timing differences between merchant payments and customer receipts, payments to merchants was higher than receipts from customers in both 1H22 and FY20. A compression in customer revenue yields, resulting in lower revenue per A$, and merchant yields, resulting in larger payments to merchants per A$ have also contributed to merchant payments exceeding customer receipts.

- Operating cash outflows for FY21 were c. negative A$66.4 million, with the increase in cash outflow driven by investment into the receivables book to support growth in active plans and TTV volumes, as well as continued investment in people and platform in support of future growth.

- Movement in financing cash flows in FY21 relates to drawdowns on receivables funding of c. A$9.0 million, supporting growth in the book and a net cash inflow of c. A$44.5 million relating to equity raised through the share placement and SPP throughout H2FY21.

4.8 Share capital structure

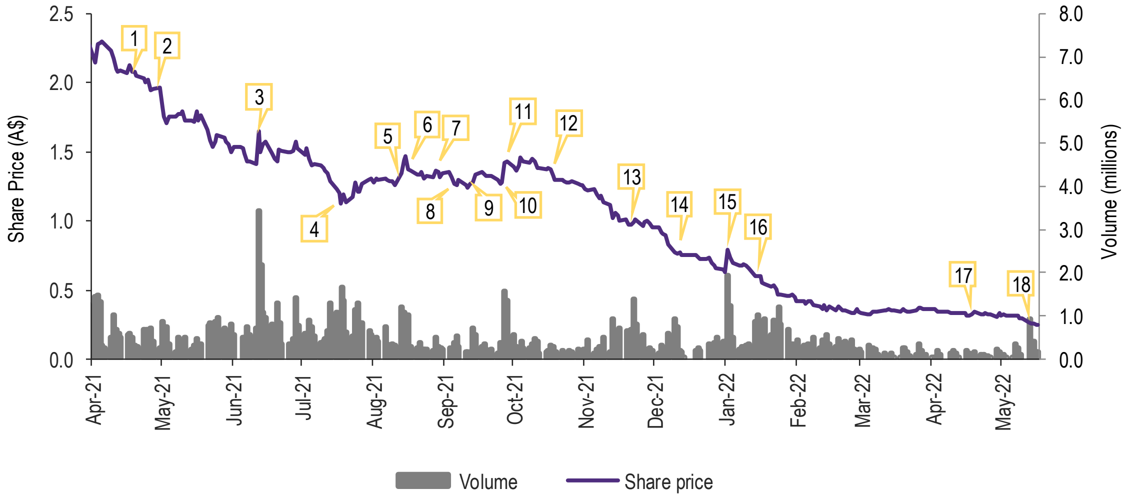
As at the date of this report, OPY has the following securities on issue:

- 158,198,676 OPY Shares.
- Approximately 4.4 million unlisted options on issue with various strike prices and expiry dates.
- In connection with the US$271.4 million revolving warehouse facility, announced on 7 October 2021, 1,022,271 million warrants were issued to Goldman Sachs. Each warrant is exercisable into one fully paid ordinary share at a subscription price of c. A$1.3 per warrant, subject to adjustment.
- In connection with the amendments and upsizing of its corporate debt facility with OP Fudiciary Pty Ltd, announced on 22 December 2021, 4.0 million warrants were issued to OP Fudiciary Pty Ltd on 4 January 2022. The issue of the remaining 2.0 million warrants are dependent upon the additional A$5.0 million upsizing being committed. Each warrant is exercisable into one fully paid ordinary share at an exercise price which will be the lower of c. A$0.38 per warrant or the 30 (trading) day VWAP ending on the date immediately preceding the date of exercise as outlined in the warrant deed.

4.8.1 Share price and market analysis

Our analysis of the daily movements in OPY's trading share prices and volume since April 2021 is set out below:

Historical share price and volume for OPY



Source: S&P Global, GTCF analysis

The following table describes the key events which may have impacted the share price and volume movements recently as shown above.

Event	Date	Comment
1	28-Apr-21	OPY announced its quarterly business update for the quarter ended 31 March 2021 (Q3 FY21), as summarised below: • Active Plans of 1.7 million up 185% relative to pcp • Active Customers of 505k up 102% relative to pcp (50% now from UK) • Active Merchants of 3.4k up 70% relative to pcp

<table>
<tr><th>Event</th><th>Date</th><th>Comment</th></tr>
<tr><td></td><td></td><td>TTV of A$83 million up 80% relative to pcp
In Australia, agreements were signed with Officeworks and Ford, and OPY entered into the hospital sector with St John of God Health Care
International expansion continued with OPY entered into the US and UK veterinary markets in partnership with ezyVet
Funding package secured raising A$37.5 million equity via an institutional placement, A$25.0 million debt facility, and a A$5.0 million Share Purchase Plan (still open to shareholders as at 28 April 2021).</td></tr>
<tr><td>2</td><td>07-May-21</td><td>OPY announced the successful completion of its Share Purchase Plan announced on 31 March 2021 with applications received from shareholders totalling A$8.7 million. OPY was seeking to raise c. A$5.0 million in funds through the Share Purchase Plan, however in response to strong demand from eligible shareholders the Company agreed to accept oversubscriptions and increase the amount raised to A$8.7 million.</td></tr>
<tr><td>3</td><td>22-Jun-21</td><td>OPY announced it has entered into a binding agreement to acquire 100% of Payment Assist Ltd (“Payment Assist)”, a leading BNPL provider to the UK automotive sector. Under the agreement OPY will pay GBP 11.5 million upfront, plus an earn-out component of up to GBP 17.0 million, with completion expected to 1H FY22.</td></tr>
<tr><td>4</td><td>28-Jul-21</td><td>OPY announced its quarterly business update for the quarter ended 30 June 2021 (Q4 FY21), as summarised below:
Active Plans of 2.0 million, Active Customers of 541k, Active Merchants 3.8k and TTV of A$92 million
Platform partnerships signed with Adobe, Quest Payment Systems, One Step Checkout, Shopwired, Aero Commerce and Apparel 21
OPY is targeting to go live with Opy USA in early October 2021</td></tr>
<tr><td>5</td><td>23-Aug-21</td><td>OPY announced it has signed an agreement to deliver its OpyPro business to business (“B2B”) platform to global information technology company HP Inc. (“HP”).</td></tr>
<tr><td>6</td><td>26-Aug-21</td><td>OPY announced its full year results for the year ended 30 June 2021 (FY21), as summarised below:
Active Plans of 2.0 million, an increase of 141% relative to pcp
Active Customers of 541k, an increase of 69% relative to pcp
Active Merchants of 3.8k, an increase of 77% relative to pcp
TTV of A$339 million, an increase of 77% relative to pcp
OPY also announced that it had signed a referral agreement to expand its OpyPro B2B platform to Kyriba’s US client base. Kyriba is a US based global leader in treasury and payables solutions.</td></tr>
<tr><td>7</td><td>07-Sep-21</td><td>OPY announces partnerships in Automotive and launches Healthcare in the UK, as summarised below:
OPY signed a partnership with Goodyear & Dunlop Tyres Australia
OPY secured preferred BNPL provider status in partnership with the Victorian Automobile Chamber of Commerce and Bosch Car Service Australia
Agreement signed with Nexus Hospitals in Australian Healthcare vertical
Agreement signed with Henry Schein UK, a global leader in the provision of dental practice management software and marketing solutions</td></tr>
<tr><td>8</td><td>15-Sep-21</td><td>OPY announced it has consolidated and extended its existing Australian receivables funding facilities into a new A$65.0 million facility with Global Credit Investments (“GCI”), with the new maturity date of 31 January 2024.</td></tr>
<tr><td>9</td><td>23-Sep-21</td><td>OPY announced it has signed an agreement to deliver its OpyPro B2B platform to online retailer Kogan.com. OPY also announced it has secured an agreement with Nissan Australia, enhancing OPY’s position in the Automotive sector.</td></tr>
<tr><td>10</td><td>05-Oct-21</td><td>OPY announced a partnership with Cross River Bank (“Cross River”), which enables Opy to launch a US platform to facilitate Cross River’s origination of BNPS consumer loans. Cross River is a New Jersey state-chartered, Federal Deposit Insurance Corporation insured bank.</td></tr>
<tr><td>11</td><td>07-Oct-21</td><td>OPY announced it had secured a US$271.4 million asset-backed revolving debt facility with Goldman Sachs and mezzanine financing provided by Atalaya Capital Management. The key terms of the facility are summarised below:
Committed facility of US$135.7 million
An additional US$135.7 million of uncommitted funding at the discretion of the lenders
2.5 year facility term, subject to customary termination rights
In connection with the facility, 1,022,271 million warrants were issued to Goldman Sachs, with a value of up to A$1.33 million</td></tr>
</table>

Event	Date	Comment
12	28-Oct-21	OPY announced its quarterly business update for the quarter ended 30 September 2021 (Q1 FY21), as summarised below: • Active Plans of 2.2 million, up 110% relative to pcp • Active Customers of 579k, up 56% relative to pcp • Active Merchants of 4.3k, up 87% relative to pcp • TTV of A$103 million, 51% relative to pcp
13	02-Dec-21	OPY announced it has signed an agreement with American Express.
14	22-Dec-21	OPY announced to its existing corporate debt facility with OP Fiduciary Pty Ltd, as summarised below: • The existing A$25.0 million corporate debt facility (drawn to A$15.0 million as at 22 December 2021) has been amended to provide additional uncommitted funding of up to A$5.0 million
15	12-Jan-22	OPY announced its strategic decision to focus on accelerating and supporting the US business as the Company's core growth engine. In parallel, OPY will accelerate its Australian operations pathway to profitability and enter into a partnership agreement with Payment Assist in the UK instead of the outright acquisition as announced 22 June 2021.
16	25-Jan-22	OPY announced its quarterly business update for the quarter ended 31 December 2021 (Q2 FY22), as summarised below: • Active Plans of 2.5 million, up 71% relative to pcp • Active Customers of 614k, up 33% relative to pcp • Active Merchants of 4.4k, up 60% relative to pcp • TTV of A$118 million, 22% relative to pcp
17	28-Apr-22	OPY announced its quarterly business update for the quarter ended 30 March 2022 (Q3 FY22), as summarised below: • Total Active Merchants of 4.2k, up 24% relative to pcp • Total Active Customers of 589k, up 17% relative to pcp • Total Active Plans of 2.4 million, up 41% relative to pcp • Total Group TTV of A$94 million, up 14% relative to pcp • Total Arrears down from 4.2% in Q3 FY21 to 2.4% in Q3 FY22 • Total Net Bad Debts down from 3.3% in Q3 FY21 to 2.7% in Q3 FY21
18	23-May-22	OPY announced the successful completion of a A$18.25 million two-tranche Placement. The key details are outlined below: • Approximately 76 million new fully paid ordinary shares in OPY were issued which represented 57.9% of OPY's existing issued capital • New shares were issued at a price of A$0.24 per share, representing a 21.9% discount to the 7 Day VWAP up to and including 19 May 2022 • The proceeds from the capital raise will be used to support OPY ANZ's accelerated pathway to profitability, which is expected by June 2023 OPY also announced a non-underwritten A$2.0 million SPP, subject to shareholder approval. The key details are outlined below: • New Shares under the SPP will be offered at A$0.24 cents per share, being the same issue price as the Placement • The SPP allows eligible shareholders to subscribe for up to A$30k worth of New Shares without incurring any brokerage or transaction costs

Source: ASX announcements, GTCF analysis

The monthly share price performance of OPY since April 2021 and the weekly share price performance of OPY over the last 16 weeks is summarised below:

Openpay Limited	Share Price			Average
	High	Low	Close	weekly volume
	$	$	$	000'
Month ended				
Apr 2021	2.500	2.030	2.050	3,567
May 2021	2.080	1.645	1.660	2,387
Jun 2021	1.720	1.400	1.430	4,469
Jul 2021	1.610	1.110	1.130	3,763
Aug 2021	1.500	1.150	1.335	3,150
Sep 2021	1.385	1.215	1.330	1,487
Oct 2021	1.515	1.255	1.300	2,010
Nov 2021	1.305	0.955	0.975	1,593
Dec 2021	1.055	0.720	0.725	1,831
Jan 2022	0.790	0.515	0.520	2,780
Feb 2022	0.542	0.350	0.350	2,306
Mar 2022	0.385	0.310	0.345	1,064
Apr 2022	0.390	0.310	0.340	592
Week ended				
11 Feb 2022	0.475	0.415	0.420	2,048
18 Feb 2022	0.440	0.395	0.395	1,563
25 Feb 2022	0.400	0.350	0.380	1,879
4 Mar 2022	0.385	0.330	0.355	1,781
11 Mar 2022	0.375	0.320	0.335	1,236
18 Mar 2022	0.375	0.310	0.340	1,047
25 Mar 2022	0.370	0.345	0.350	404
1 Apr 2022	0.370	0.340	0.340	796
8 Apr 2022	0.390	0.340	0.365	840
15 Apr 2022	0.365	0.340	0.340	408
22 Apr 2022	0.345	0.330	0.330	536
29 Apr 2022	0.350	0.310	0.340	638
6 May 2022	0.340	0.315	0.320	314
13 May 2022	0.335	0.300	0.310	618
20 May 2022	0.330	0.285	0.295	766
27 May 2022	0.300	0.230	0.235	1,982

Source: S&P Global, GTCF analysis
Note: The share price analysis is based on 30 May 2022.

We have also considered OPY's recent trading prices for the purpose of our valuation of OPY. Refer to Section 8.1.2 for further details and analysis on the trading price of the Company.

4.7.2 Substantial shareholders

We have provided in the below table the 20 largest shareholders of OPY as at 19 April 2022.

Openpay Top 20 Shareholders as at 19 April 2022		
Name	Number of Shares	% of Shareholding
Mr Yaniv Meydan	24,155,592	18.5%
Chow Tai Fook Enterprises	7,946,433	6.1%
Alteris Financial Group	7,921,870	6.1%
Swift Hunter	6,043,152	4.6%
Colourdome	4,748,071	3.6%
Mr & Mrs Weian Zhang	2,741,905	2.1%
Wise Park International	2,366,292	1.8%
Mr & Mrs Shaya Kramer	1,523,394	1.2%
Investec Australia	1,439,600	1.1%
JECCEM Management Pty Ltd	1,150,000	0.9%
Mr Richard A Broome	907,278	0.7%
Private Clients of Interactive Brokers	862,089	0.7%
Mr Leslie Yau Chak Leung	855,000	0.7%
Siu Yin Wong	788,763	0.6%
Mr Avi Schechter	766,693	0.6%
Private Clients of DBS Bank	705,863	0.5%
Mr Raymond Kong	674,893	0.5%
Mr & Mrs Kenneth J Mason	600,000	0.5%
Mr & Mrs Edmond WK Cheung	600,000	0.5%
Xiaoyi Lin & Ms Amy Wong	600,000	0.5%
Total top 20 shareholders	**67,396,888**	**51.5%**
Remaining shareholders	63,376,828	48.5%
Total shareholding	**130,773,716**	**100.0%**

Source: Sharetrak, GTCF analysis, S&P Global

5 Valuation methodologies

5.1 Introduction

As part of assessing whether or not the Proposed Transaction is fair to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared:

- Fair market value of OPY before the Tranche 2 Placement on a control basis.
- Fair market value of the OPY after the Tranche 2 Placement on a minority basis.

In each case, Grant Thornton Corporate Finance has assessed the value using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

We note, RG111 requires the fairness assessment to be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.

5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, approval of an issue of shares using item 7 of s611 of the Corporations Act, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

5.3 Selected valuation methods

As discussed in the executive summary and highlighted in the Company section 4, OPY is a fast-growing company but still in the early stage of its lifecycle. As a result, it has not achieved a normalised level of profitability and scale. In our assessment of the fair value of OPY, Grant Thornton Corporate Finance has relied on two valuation methodologies as outlined below:

- *Revenue Multiple Method* – Grant Thornton has selected the Revenue Multiple Method to assess the fair market value of OPY. Whilst revenue multiples are widely used to benchmark the value of technology companies, we note that, generally, businesses are more often valued with reference to an earnings multiple as earnings are considered the best proxy for measuring a company's underlying financial performance and can be readily benchmarked against other comparable companies. However, several factors in our view, make a revenue multiple approach the most appropriate to assess the fair market value of technology companies, like OPY. In particular, given its early state of maturity, OPY (and many comparable businesses) exhibits high levels of growth and high rates of reinvestment in research and development (R&D), marketing and sales; further, OPY has no history of generating positive earnings. The value of businesses displaying these characteristics is predominantly driven by their growth potential and capacity to increase market share, as opposed to short term earnings, cash flow generation and dividend distributions. We are also of the opinion that this valuation approach is reasonable, particularly due to the following circumstances:

    - There is a listed universe of pure-play BNPL companies of various sizes both in Australia and internationally with which to compare OPY. While product offerings are differentiated by tenure and fees payable by both customers and merchants, underlying business models are similar. There is also a universe of listed diversified fintech companies with exposure to BNPL. Similar to OPY, most of the listed BNPL peers are in a growth phase of their respective life-cycles and have also not yet achieved sufficient scale to cover cash costs.

    - There have been a number of mergers and acquisitions in the industry driven by larger, more diversified fintech companies wanting to gain exposure to the fast-growing BNPL sector or the need for pure-play BNPL operators to scale.

- *Quoted Security Price Method* – As a cross check, we have adopted the Quoted Security Price Method. This method is based on the Efficient Market Hypothesis which assumes that the share price at any point in time reflects all publicly available information and will change when new information becomes publicly available.

We note that other valuation methodologies, such as the Discounted Cash Flows approach, were not considered applicable as the Company has not prepared long term forecasts which could be relied upon to assess the value of OPY. In addition, given the historical growth of the Company and the industry more in general, the assumptions underlying the cash flows would be hypothetical rather than best estimates.

6 Valuation of OPY before the Placement

6.1 Revenue Multiple Method

As discussed in section 5, we have assessed the fair market value of OPY Shares before the Tranche 2 Placement on a control basis using the Revenue Multiple Method. Set out below is a summary of our valuation assessment based on the capitalisation of the FY22 Revenue.

Valuation summary of Openpay before the Tranche 2 Placement (control) A$ '000 (except where stated otherwise)	*Section Reference*	Low	High
Assessed FY22 ANZ revenue	*6.1.1*	26,000	27,400
Assessed Revenue Multiple (control basis)	*6.1.2*	4.0x	4.5x
Enterprise value (control basis)		**104,000**	**123,300**
Less: Net debt as at 31-March 2022	*6.5.0*	(78,932)	(78,932)
Proceeds from Tranche 1 Placement		6,120	6,120
Net asset value of UK, after closure costs		1,500	1,500
Equity value (control basis)		**32,688**	**51,988**
Number of outstanding shares ('000s) (fully diluted) before Tranche 1		131,359	131,359
Shares issued in Tranche 1 Placement		26,840	26,840
Number of outstanding shares ('000s) (fully diluted) after Tranche 1 (before Tranche 2)		158,199	158,199
Value per share (control basis) (A$ per Share)		**0.21**	**0.33**

Source: GTCF analysis, OPY Management
Note 1: We have assumed a 5% transaction cost associated with the Tranche 1 Placement.

6.1.1 Selected revenue

OPY currently operates in three markets being Australia, the UK and the US. However, as at the date of this report, sustainable and ongoing revenue are only generated in Australia.

In the UK, OPY announced a change in strategic direction in January 2022 aiming at materially reducing its origination and physical presence, including a withdrawal from the highly competitive retail vertical. Following this change of strategy, the receivable balance of the UK business has been unwinding rapidly from a gross amount of A$25.9 million on 31 December 2021 to A$5.6 million on 31 May 2022. Based on the above, it is not appropriate to attribute a value to the UK business based on a revenue multiple approach. However, we have considered in section 6.1.6 whether or not there is any residual value in the net assets as at 31 March 2022, net of the cost to realise them.

In the US, OPY has invested in a bespoke technology platform, staffing, credit funding, regulatory approvals and licenses. It has also secured a number merchants in its targeted verticals of healthcare, auto repair, home improvements and education. However, OPY required an equity partner to help fund growth and scale the business. Although discussions advanced with a number of interested parties, an equity partner has to date, not been secured and as such OPY has made the strategic decision to pause these operations. In assessing the fair market value of the US business, we have considered the cost incurred so far by the business to establish its presence however given the decision to wind down this operation, we believe the value that could be attributed to this by a pool of potential purchasers is negligible.

Accordingly, the FY22 revenue adopted for the valuation of OPY is represented by the ANZ operations and it is based on reported revenue for the 9 months to 31 March 2022 and three months of forecasts up to 30 June 2022. In order to assist in estimating the revenue for Q422, we have summarised below the historical quarterly TTV growth rate and the revenue yield over the same period for the ANZ operations.

ANZ 3 months ended	4Q FY20 June	1Q FY21 Sept	2Q FY21 Dec	3Q FY21 March	4Q FY21 June	1Q FY22 Sept	2Q FY22 Dec	3Q FY22 March
TTV (A$m)	**45,000**	**50,000**	**62,000**	**56,000**	**63,000**	**73,000**	**87,000**	**85,848**
y/y [1] growth (%)	*Na*	*Na*	*Na*	*Na*	*40.0%*	*46.0%*	*40.3%*	*53.3%*
q/q [2] growth (%)	*Na*	*11.1%*	*24.0%*	*(9.7%)*	*12.5%*	*15.9%*	*19.2%*	*(1.3%)*
Revenue (A$m)	**5,760**	**4,550**	**5,208**	**4,480**	**4,599**	**5,256**	**6,264**	**7,383**
y/y [1] growth	*Na*	*Na*	*Na*	*Na*	*(20.2%)*	*15.5%*	*20.3%*	*64.8%*
q/q [2] growth	*Na*	*(21.0%)*	*14.5%*	*(14.0%)*	*2.7%*	*14.3%*	*19.2%*	*17.9%*
Revenue yield	**12.8%**	**9.1%**	**8.4%**	**8.0%**	**7.3%**	**7.2%**	**7.2%**	**8.6%**

Source: GTCF analysis, OPY Quarterly Reports
Note: (1) Revenue represents income from ANZ BNPL only. It excludes OpyPro revenue which in 3Q FY22 was A$96,000. (2) Year-on-year; (3) Quarter-on-quarter

In the estimate of the FY22 Revenue, we have relied on the following assumptions:

- *TTV* – Q422 TTV in ANZ has been increased between 40% and 50% based on the historical growth rate and discussions with Management of the Company. This implies a total FY22 TTV between A$334.2 million and A$340.5 million.

- *Revenue yields* –Q422 has been estimated between 8% and 9%. This implies a revenue yield for the full year between 7.8% and 8.1% down from 10.7% in FY20 and 8.2% in FY21. In ANZ, revenue yields have compressed due to a greater number of BNPL providers offering similar payment solutions to merchants and customers and the growth of the receivables in lower yielding verticals like retail. The uplift in yield in 3Q22 to 8.6% was driven by lengthened payment terms as well as an increase in customer fees allowing OPY to capture greater fee income. This is expected to continue going forward.

Set out in the table below is a summary of our estimates and a comparison with the full year historical financial information.

TTV, Revenue and Revenue yield A$ '000 (except where stated otherwise)	FY19A	FY20A	FY21A	9M FY22	Low case 4Q FY22	High case 4Q FY22	Low case FY22E	High case FY22E
TTV ANZ	97,300	156,000	230,000	246,000	88,200	94,500	334,200	340,500
Growth rate (y/y [1] %)	*60.8%*	*60.3%*	*47.4%*	*34.5%*	*40.0%*	*50.0%*	*38.6%*	*48.2%*
BNPS income ANZ	10,993	16,751	18,827	18,916	7,056	8,505	25,972	27,421
Growth rate (y/y [1] %)	*60.8%*	*52.4%*	*12.4%*	*17.6%*	*41.5%*	*81.2%*	*29.2%*	*48.3%*
Revenue yield ANZ (%)	11.3%	10.7%	8.2%	7.7%	8.0%	9.0%	7.8%	8.1%
OpyPro income and other income			505	412	412	412	824	824
Total ANZ revenue	**10,993**	**16,751**	**19,332**	**18,916**	**7,056**	**8,505**	**25,972**	**27,421**

Source: GTCF analysis, OPY
Note: (1) Year-on-year

Before reaching our conclusions on the FY22 Revenue to be adopted for the purpose of our valuation assessment, we have also considered the FY22 consensus revenue estimates for OPY prepared by investment analysts. However, we note that OPY is only covered by two investment analysts and accordingly the consensus forecast below should be considered with caution especially given the winding down of the UK operations as well as the recent announcement of the US operations being paused. This risk is the reflected in the wide range of FY22 revenue forecast outlined below which refer to the business as a whole rather than just to the ANZ operations.

Consensus Broker estimates A$ '000 (except where stated otherwise)	Date of issue	FY21 Actual	FY22 Forecast	y/y[1] (%)
Broker 1	7-Mar-22	26,319	37,600	42.9%
Broker 2	17-May-22	26,319	31,300	18.9%
Average		**26,319**	**34,450**	
Median		**26,319**	**34,450**	

Source: Broker reports
Note: (1) Year-on-year

FY22 revenue estimates from both brokers are materially higher than Grant Thornton's estimate. In our opinion, this is due to the fact that Grant Thornton's estimate of future maintainable revenue only relates to the ANZ operations, whereas the brokers are also likely to have included an allowance for the US and the UK markets which appears to be significant given that the actual 9MFY22 revenue achieved. We also note that Broker 1 released its report before the Q3 update from the Company.

Given the limitations associated with the broker forecast, we have only used them as a guide. Based on the above discussions and a review of the information available, we are of the opinion that our revenue forecast for FY22 between A$26.0 million and A$27.4 million is reasonable.

6.1.2 Trading multiples

Summarised below are the trading multiples of the selected companies having regard to the trading prices:

Company	Year-end	Country	Market Cap (A$m)	Enterprise Value[2] (A$m)	EV / Revenue multiple[1,3] (times) FY21 Actual	FY22 Forecast	FY23 Forecast
Tier 1 - Pure Play BNPL Companies							
Splitit Payments Ltd	31 Dec xx	United States	61	113	7.4x	4.0x	2.1x
Zip Co Limited	30 Jun xx	Australia	259	2,785	7.0x	4.5x	3.2x
Payright Limited[4]	30 Jun xx	Australia	7	77	6.3x	4.5x	Na
Affirm Holdings, Inc.	30 Jun xx	United States	7,925	10,683	8.4x	5.5x	3.9x
Sezzle Inc.	31 Dec xx	United States	54	45	0.3x	0.2x	0.2x
Low - Tier 1					**0.3x**	**0.2x**	**0.2x**
Average - Tier 1					**5.9x**	**3.7x**	**2.3x**
Median - Tier 1					**7.0x**	**4.5x**	**2.6x**
High - Tier 1					**8.4x**	**5.5x**	**3.9x**
Tier 2 - Diversified Fintech Companies							
Block, Inc.	31 Dec xx	United States	54,024	56,069	2.2x	2.2x	1.8x
Latitude Group Holdings Limited	31 Dec xx	Australia	1,236	6,501	7.9x	7.6x	6.8x
Humm Group Limited	30 Jun xx	Australia	203	2,647	6.0x	5.5x	4.6x
Low - Tier 2					**2.2x**	**2.2x**	**1.8x**
Average - Tier 2					**5.4x**	**5.1x**	**4.4x**
Median - Tier 2					**6.0x**	**5.5x**	**4.6x**
High - Tier 2					**7.9x**	**7.6x**	**6.8x**

Sources: S&P Global; GTCF analysis
Notes: (1) Revenue multiples as at 30 June 2022; (2) Enterprise value includes net debt (interest-bearing liabilities less non-restricted cash), non-controlling interests and AASB16 liabilities; (3) Forecast trading multiples are based on the median of broker consensus estimates; (4) Payright's FY22 multiple is based on GT's projected FY22 revenue of c. A$17.0 million. This has been computed by adding 1HFY22 revenue of c. A$7.9

million and an estimated 2HFY22 revenue of c. A$9.2 million, which has been computed by applying the half yearly revenue CAGR (from 1HFY20 to 1HFY22) of c. 16.7% to the 1HFY22 revenue.

A brief description of the companies listed in the table above is set out in Appendix B.

For the purpose of assessing an appropriate EV/Revenue multiple range to value OPY, we have considered pure-play listed BNPL companies in Australia and diversified fintech's in Australia and the US with exposure to BNPL. We have placed greater emphasis on pure-plays, especially those with similar product offerings, life cycles, cost structures and size. Summarised below are key operational and financial metrics of the Tier 1 comparable peer group.

FY21 Local Currency '000 (except where stated otherwise)	Openpay[1]	Zip Co[2]	Payright	Sezzle	Splitit	Affirm[3]
TTV	339,000	5,716,400	85,000	1,807,846	396,000	8,292,000
Revenue	26,319	403,200	12,174	114,816	10,507	870,464
3 Yr CAGR Revenue (%)	57.0%	99.5%	219.6%	112.7%	127.2%	70.9%
Merchant revenue (%)	50.0%	38.0%	64.0%	96.1%	100.0%	49.3%
Customer revenue (%)	50.0%	61.0%	34.0%	4.0%		51.0%
ANZ revenue (%)	78.0%	51.4%	100.0%		2.0%	
Revenue yield (%)	7.8%	7.1%	14.3%	6.4%	2.7%	10.5%
Net transaction margin (%)[4]	2.5%	3.5%	3.1%		1.7%	5.0%
Bad debts as % of revenue	38.4%	19.9%	19.4%	35.4%	15.2%	7.5%
Bad debts as % of receivables	19.7%	4.0%	3.7%	30.3%	2.0%	3.4%

Source: GTCF analysis, Annual reports

Notes: (1) In FY21, OPY was subject to fraud which negatively impacted bad debts. In 1H22, bad debts as % of annualised revenue and receivables fell to 17% and 7% respectively, which is more in line with the peer group; (2) Zip Co's merchant and customer revenue split is sourced from ASIC industry report 'Buy Now Pay Later: an Industry Update', dated November 2020; (3) Affirm entered the Australian market in November 2021; (4) The net transaction margin is an industry definition used to describe unit economics in a BNPL transaction. It is calculated by dividing BNPL revenue plus late fees, less transaction costs (like payment gateway and interchange fees), interest costs and bad debts. The net transaction in the table above is a reported number. (5) We note that bad debts relative to revenue and receivables appears high and would be lower measured against the total transaction value. Differences between competitors may be a function of differences in business models and growth more than portfolio performance.

- The revenue multiples presented above reflect the value of underlying companies on a minority basis and do not include a premium for control.

- All Tier 1 peers provide, broadly speaking, BNPL or similar type of services. They are all fast growing, with 3 years CAGR of at least 57% and none are EBITDA profitable.

- In the Tier 1 peer group, companies with relatively larger TTVs generate higher net transaction margins due to benefits of scale and this is reflected in higher trading multiples relative to the sector. Affirm stands out in this regard. With an FY21 TTV of US$8.2 billion, it is the largest BNPL provider in North America. The second largest is Afterpay, acquired by Block at the beginning of 2022. In FY21, Afterpay's North American TTV was $7.2 billion. Affirm's net transaction margin of 5% is the highest in the sector. Given its size and market position in the US, we have not relied on Affirm's revenue multiple for the purpose of our valuation assessment.

- Bad debts as a percentage of revenue is high among all Tier 1 peers. Although bad debts are partly offset by late fees, it highlights the importance of high quality receivables book. In a rising interest rate environment, bad debts are likely to deteriorate across the peer group resulting in weaker net transaction margins and widening losses. Sezzle has the highest bad debts in the sector and also trades at lowest multiple. Sezzle, founded in 2017, is a pure/traditional pay in four attracting merchant fees only which enhance the risk for the business in a downturn. Sezzle is currently in the process of implementing a merger with ZIP Co which is subject to customary closing conditions.

- OPY's products generate fee income from both merchants and customers. It offers customers flexible payment terms ranging from traditional pay in 4 interest free options, to longer dated tenures of up to 24 months attracting customer fees on each payment which can to some extent, be increased annually. As income is generated from two sources, OPY's revenue yield is somewhat protected in an increasingly competitive environment faced with the potentially rising interest rates, and is higher than peers that are more exposed to merchant fees such as Splitit and Sezzle. OPY's relatively high revenue yield has also provided some downside protection to OPY's net transaction margin.

- Zip Co operates mainly in Australia and North America but has recently made a number of smaller acquisitions in Central Europe, Middle East, India and South Africa. It is significantly larger than OPY in Australia and more geographically diversified. Similar to OPY it generates income from both merchants and customer fees. In Australia, purchases below A$1,000 attract a monthly account management fee while larger purchases attract interest after three months as well as a monthly account management fee. Zip Co has a relatively high revenue yield, its bad debts are relatively low, while its net transaction margin is relatively high. At the end of February 2022, Zip Co announced the acquisition of Sezzle for 100% scrip consideration to enhance its scale and product offering, with the ability to also accelerate its growth in the US. Zip Co indicated that the acquisition has the potential to realise EBITDA benefits of up to c. A$130 million in FY24 (of which A$60-80 million are cost synergies). In conjunction with the acquisition, which is yet to complete, Zip Co announced a A$148.7 million institutional placement to strengthen its balance sheet and position the company for sustainable growth. The capital raising occurred at a A$1.90 per share or 14% discount to Zip Co's last trading prices. However, since then, Zip Co trading prices have decreased to c. A$0.44 per share reflecting the difficult market conditions in the industry and for the company in particular.

- Payright has a smaller TTV than OPY however its product offering and geography are similar. Like OPY, it allows customers to select repayment terms between 2 months and up to 60 months for larger purchases. Its customer fees include an establishment fee (for new customers only), account keeping and payment processing fee and specialises in purchases valued between A$1,000 and A$20,000 in non-retail verticals. Payright benefits from having the highest revenue yields in the sector and relatively high net transaction margins. Its bad debts as a percentage of receivables are in-line with the peer group. It has recently completed a A$9.5 million capital raising comprising A$1.5 million in ordinary shares at 20% premium to the last close price and A$8.0 million in convertible notes with a fixed conversion price at a 50% premium to the last close. The capital raising occurred at 18c per share but the current trading price[32] stands at c. 14c per share. At the same time, the company announced A$125 million warehouse facility to fund growth and reduce funding costs.

- Splitit has a different service offering as it partners with Visa, Mastercard, Discover and UnionPay credit cards in over 100 countries and enables customers to spread payments on larger transactions over more manageable periods. It targets a more affluent customer base and this is reflected in its relatively low bad debts. It is also less likely to be subject to regulatory changes in the BNPL sector as it is subject to existing credit legislation. That said, it only receives income from merchants and this is reflected in its low revenue yields and net transaction margins.

In our view, whilst none of the Tier 1 companies are perfectly comparable to OPY, Payright has a similar business model, geographical exposure and market positioning. Although Pay right is slightly smaller

[32] On or around 8 June 2021.

than OPY, it generates higher revenue yields and net transaction margins arising from it targeting less competitive, higher value verticals. Furthermore, its receivables book appears to be of a better quality given its comparatively low bad debts as a percentage of revenue and it has recently completed a capital raising at a significant premium to the prevailing trading prices.

6.1.3 Transaction multiples

In our valuation assessment, we have mainly relied on the multiples implied by historical transactions involving companies comparable to OPY in Australia and overseas. In relation to the revenue multiple implied by comparable transactions, we note that:

- The implied transaction multiples may incorporate various levels of control premium and special values paid for by the acquirers.
- The multiples may reflect synergies paid by the acquirer which may be unique to them.
- The transactions observed took place during the period between December 2019 and February 2022. Economic and market factors, including competition dynamics and consumer confidence may be materially different from those as at the valuation date. These factors may influence the amounts paid by the acquirers for these businesses.
- The multiples are calculated based on revenue and enterprise values at the time of the respective transactions and were executed at a premium to the trading multiples.

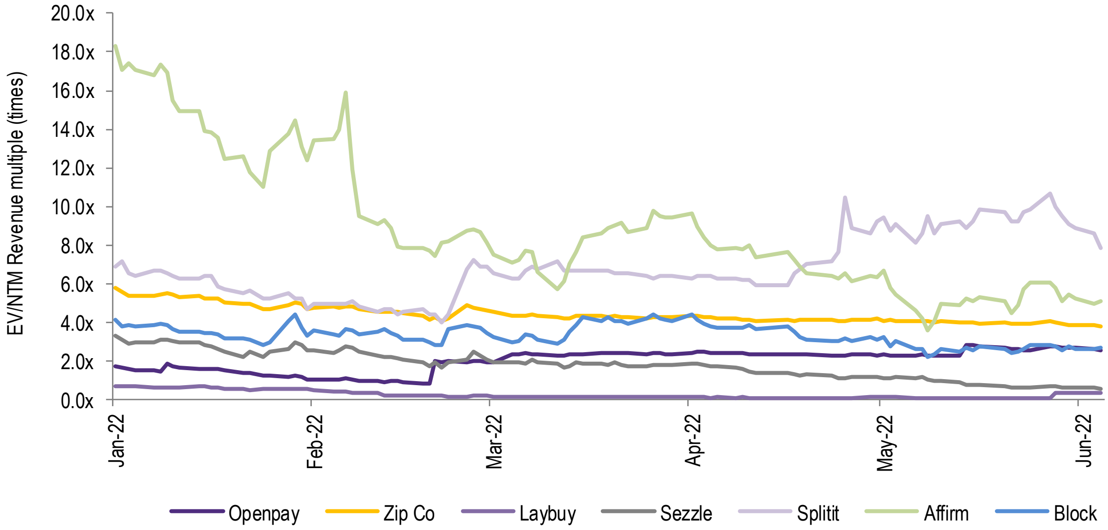
Transaction analysis Date[1]	Target Company	Country	Bidder Company	Stake (%)	Enterprise value (A$m)	Revenue Multiple
28-Feb-22	Sezzle Inc.	United States	Zip Co Limited	100%	491	4.3x
6-Jan-22	Humm Consumer Finance[2]	Australia	Latitude Group	100%	335	2.7x
1-Aug-21	Afterpay Limited	United States	Block Inc	100%	39,000	42.3x
25-May-21	Twisto Payments a.s.	United States	Zip Co Limited	89.9%	140	11.7x
20-Aug-19	PartPay Limited	United States	Zip Co Limited	100%	62	Na
2-Jun-20	QuadPay, Inc.	United States	Zip Co Limited	100%	403	5.8x
13-Dec-19	VersaPay Corporation	United States	Great Hill Partners LLC	100%	125	Na
Average (excl. Afterpay)						**6.1x**
Median (excl. Afterpay)						**5.0x**

Source: Mergermarket; GTCF analysis

Note: (1) Transaction announcement date; (2) On 17 June 2022, Latitude Group and Humm Group mutually agreed to terminate the proposed sale of Humm Consumer Finance to Latitude Group.

Revenue multiples implied in the more recent transactions have trended down as a result of the recent valuations resetting in the sector as set out in the graph below.

EV / NTM rolling revenue multiple – OPY and peers



Source: GTCF analysis, S&P Global

We note the following in relation to the comparable transactions above.

- The transaction multiple implied in the Afterpay acquisition highlights the extent to which a global leader can attract a premium. Smaller transactions are executed at significantly lower multiples.

- Zip Co has expanded aggressively in international markets. Its initial entry in the US was via the acquisition of 100% of Quadpay in June 2020, a traditional pay in 4 BNPL provider offering interest-free instalments over 6 weeks. At the time of the acquisition, Quadpay had 1.5 million customers, 3,400 merchants and a TTV of US$900 million. The acquisition was highly strategic as it gave Zip Co immediate access to the largest retail market in the world and this is reflected in the transaction multiple.

- More recently, Zip Co announced a proposed merger with Sezzle, enhancing its scale and market share in the US. The acquisition is expected to give rise to synergies (both cost and revenue synergies) of US$130 million and will result Zip Co increasing its US revenue exposure to 60% from 49% in FY21. It also secures a US listing for Zip Co providing it with a wider shareholder base and greater liquidity. That said, Sezzle has the highest bad debts in the sector at 35% of revenue in FY21. It is also highly reliant on merchant fees suggesting it has limited flexibility to pass on the cost of higher interest rates to consumers.

- In mid-2021, Zip Co also acquired a Central European BNPL provider Twisto which generated revenue of A$12 million in FY21 from a TTV of A$230 million. The Twisto platform allows consumers to buy interest free for up to 45 days and incur charges thereafter. The acquisition was strategically important to Zip Co as it provides them with a license to operate in all EU member countries.

- On 18 February 2022, Latitude executed a binding agreements to acquire Humm Group's consumer business Humm Consumer, a BNPL, Instalments and Cards provider in ANZ with net receivables of A$1.8 billion, over 2.6 million customers and relationships with over 60,000 merchants as at 31 December 2021. The business will be combined with Latitude's BNPL offering to create a larger, more competitive business. Due to the complementary nature in product offerings, the acquisition is expected to generate c. A$55.0 million of annual synergies from duplicate costs, technology rationalisation and funding benefits. The low transaction multiple is driven by a large proportion of the receivables being associated with more traditional credit cards and consumer loans rather than BNPL.

6.1.4 Conclusion on the selected multiple

Based on the analysis of listed comparable companies and comparable transactions, Grant Thornton Corporate Finance has assessed a revenue multiple for the valuation of OPY before the Proposed Transaction in the range of 4.0x to 4.5x on a control basis based on the following:

It includes an allowance for the value attributed to the US business which we cannot disclose for confidentiality reasons as discussed below.

- The trading multiple of Payright of 5.0x if a control premium of 30% is added.
- The median revenue multiple of the comparable transactions.

6.1.5 Value of the US business

With an addressable market of c. US$829 billion, the US presents a significant opportunity for OPY. In 1H FY22, OPY launched a BNPL platform in the US and put in place the following:

- The requisite licences and bank relationships in 47 states.
- On-boarded the first 100 planned test merchants' locations.
- Loan origination partnership with Cross River allowing the provision of regulated credit and consumer fees on customer purchases.
- It has also secured a combined US$271m asset backed loan facility from Goldman Sachs and Atalaya Capital, although certain conditions precedent were not met to commence draw-down.

Given the size of this opportunity, OPY required significant additional funding to support its growth plans. In this regard, it seeked an equity investment to complete the US entry, scale the platform and reduce the need for capital injections from OPY. The Company worked with investment bank Keefe, Bruyette & Woods ("KBW") on various capital strategies which included discussions with various interested parties to provide a direct investment in the business.

However, given the deterioration in the macroeconomic environment, pressure in both debt and equity markets, and the likely additional capital investment required to scale the US platform, OPY management has made the strategic decision to pause its existing US operations indefinitely and cease loan originations in the US. As a result, the US workforce will be materially reduced, with a small skeleton team to continue for a short period to assist in the transition. Prior to the announcement, OPY was required to fund monthly expenses of c. A$2 million, hence the decision to pause its US operations will result in no further investments, subject to one-off costs associated with the restructure. It will also result in additional funding available for ANZ.

To date, OPY has invested c. A$32m to fund the US operation excluding corporate and governance costs, however based on the discussion above and the current market conditions, we are of the opinion that a pool of potential purchasers will attribute negligible value to the US business.

6.1.6 Value of the UK business

In the UK, OPY announced a change in strategic direction in January 2022 aiming at materially reducing its origination and physical presence. In particular, we note the following:

- OPY has entered into a partnership agreement with Payment Assist, and will no longer pursue the previously proposed acquisition. As at the date of this report, the parties are still engaged in shaping the partnership and revenue is yet to be generated.

- The gross receivable balance of the UK business has been unwinding rapidly from A$25.9 million on 31 December 2021 to A$5.6 million on 31 May 2022 which is expected to reduce A$nil by February 2023.

Based on the above, in our valuation assessment, we have adopted a value for the UK business of A$1.5 million based on the net receivable balance as at 31 May 2022 less an allowance for closure costs and other items.

7 Cross check based on the Quoted Security Pricing Method

In our assessment of the fair market value of OPY shares, we have also had regard to the trading price of the listed securities on the ASX since January 2020. The assessed value per share based on the trading price is an exercise of professional judgement that takes into consideration the depth of the market for the listed securities, volatility of the trading price, and whether or not the trading price is likely to represent the underlying value of OPY. The following sections detail the analysis undertaken in selecting the share price range.

7.1 Liquidity analysis

In accordance with the requirements of RG 111, we have analysed the liquidity of OPY Shares before considering them for the purpose of our valuation assessment. We have set out below the monthly trading volume of OPY shares from April 2021 to April 2022 as a percentage of the total shares outstanding as well as free float shares outstanding[33].

OPY - Liquidity analysis Month end	Volume traded ('000)	Monthly VWAP ($)	Total value of shares traded ($'000)	Volume traded as % of free float shares	Cumulative Volume traded as % of free float shares	Volume traded as % of total shares	Cumulative Volume traded as % of total shares
Apr 2021	15,693	2.2280	34,965	23.6%	23.6%	14.5%	14.5%
May 2021	10,025	1.8264	18,310	13.2%	13.2%	8.1%	8.1%
Jun 2021	19,663	1.5431	30,342	24.5%	37.6%	15.0%	23.1%
Jul 2021	16,557	1.3584	22,491	20.6%	58.2%	12.7%	35.8%
Aug 2021	13,862	1.3103	18,164	17.2%	75.5%	10.6%	46.4%
Sep 2021	6,544	1.3074	8,555	8.1%	83.6%	5.0%	51.4%
Oct 2021	8,442	1.4014	11,831	10.5%	94.1%	6.5%	57.8%
Nov 2021	7,010	1.1281	7,908	8.7%	102.8%	5.4%	63.2%
Dec 2021	8,422	0.9019	7,596	10.5%	113.3%	6.4%	69.6%
Jan 2022	11,675	0.6574	7,675	14.5%	127.8%	8.9%	78.6%
Feb 2022	9,225	0.4437	4,093	11.5%	139.3%	7.1%	85.6%
Mar 2022	4,896	0.3485	1,706	6.1%	145.4%	3.7%	89.4%
Apr 2022	2,485	0.3460	860	3.1%	148.4%	1.9%	91.2%
Min				**3.1%**		**1.9%**	
Average				**13.2%**		**8.1%**	
Median				**11.5%**		**7.1%**	
Max				**24.5%**		**15.0%**	

Source: S&P Global, GTCF analysis

With regard to the above analysis, we note that:

- The level of free float of OPY is c. 61.5%. This is broadly in line with all the other the listed peers as set out in the table below.

[33] Free float shares excludes those owned by Company employees, individual insiders, related parties and/or other strategic investors.

Liquidity analysis[1] Company	Country	Free float (%)	Average volume traded as a % of total shares	Average volume traded as a % of free float shares	Cumulative volume traded as a % of total shares	Cumulative volume traded as a % of free float shares
Openpay Group Ltd	Australia	61.5%	7.6%	12.4%	91.2%	148.4%
Splitit Payments Ltd	United States	58.0%	10.3%	17.7%	123.4%	212.8%
Zip Co Limited	Australia	97.1%	33.5%	34.4%	401.4%	413.3%
Sezzle Inc.	United States	40.6%	6.9%	17.0%	82.9%	204.2%
Laybuy Group Holdings Limited	New Zealand	51.5%	7.7%	14.9%	92.3%	179.1%
Payright Limited	Australia	Na	1.1%	Na	13.4%	Na
Affirm Holdings, Inc.	United States	70.1%	79.1%	112.8%	948.9%	1353.1%
Block, Inc.	United States	88.7%	49.6%	55.9%	594.8%	670.9%
Latitude Group Holdings Limited[2]	Australia	30.6%	0.3%	0.8%	3.1%	10.2%
Humm Group Limited	Australia	69.4%	7.9%	11.4%	95.2%	137.2%
Douugh Limited	Australia	64.3%	5.8%	9.1%	70.2%	109.1%
Low			**0.3%**	**0.8%**	**3.1%**	**10.2%**
Average			**20.2%**	**30.5%**	**242.6%**	**365.5%**
Median			**7.8%**	**17.0%**	**93.7%**	**204.2%**
High			**79.1%**	**112.8%**	**948.9%**	**1353.1%**

Sources: S&P Global, GTCF analysis
Note: (1) The liquidity analysis is based on the monthly traded volumes; (2) Latitude Group Holdings Limited listed on the ASX on 20 April 2021. Accordingly, cumulative volume traded has been calculated starting from May 2021.

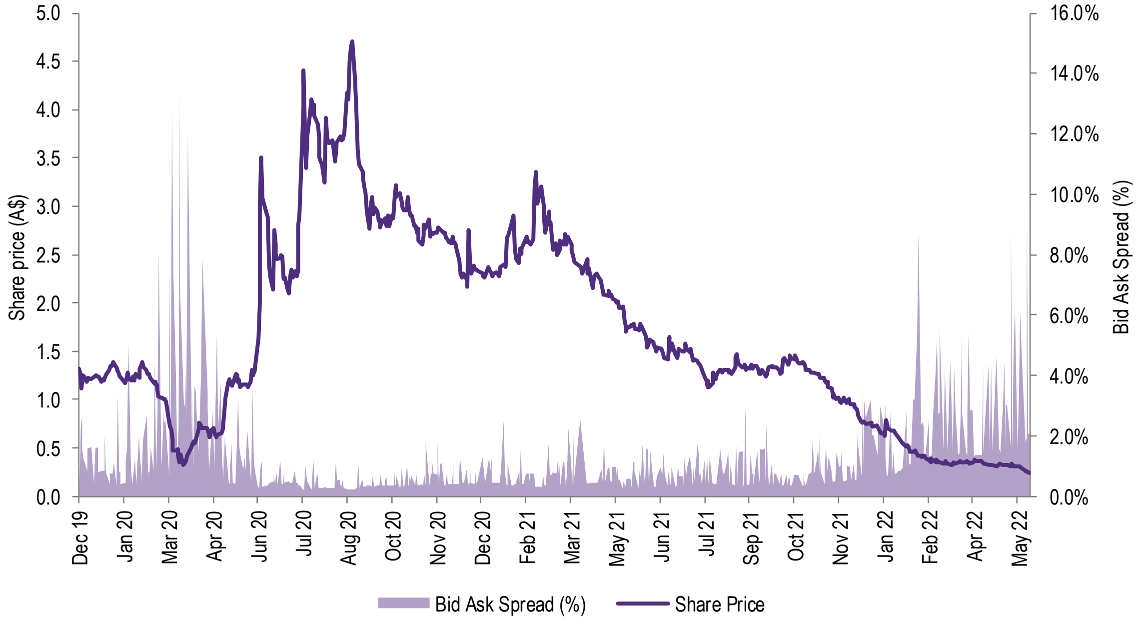
- In the absence of a takeover or alternative transactions, the trading price represents the value at which minority shareholders could realise their portfolio investment.

- OPY complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of the Company.

- OPY provides updates to the market on a regular basis with information regarding its strategy and performance. In addition, the stock is covered by two investment analysts who provide updates to the market on a regular basis

- Where a company’s stock is not heavily traded or is relatively illiquid, the market typically observes a difference between the ‘bid’ and ‘ask’ price for the shares as there may be a difference in opinion between the buyer and seller on the value of the stock. We have set out below the bid and ask price of OPY since listing.

OPY – Bid/Ask Spread 16 December 2019 to 30 May 2022



Source: S&P Global, GTCF analysis

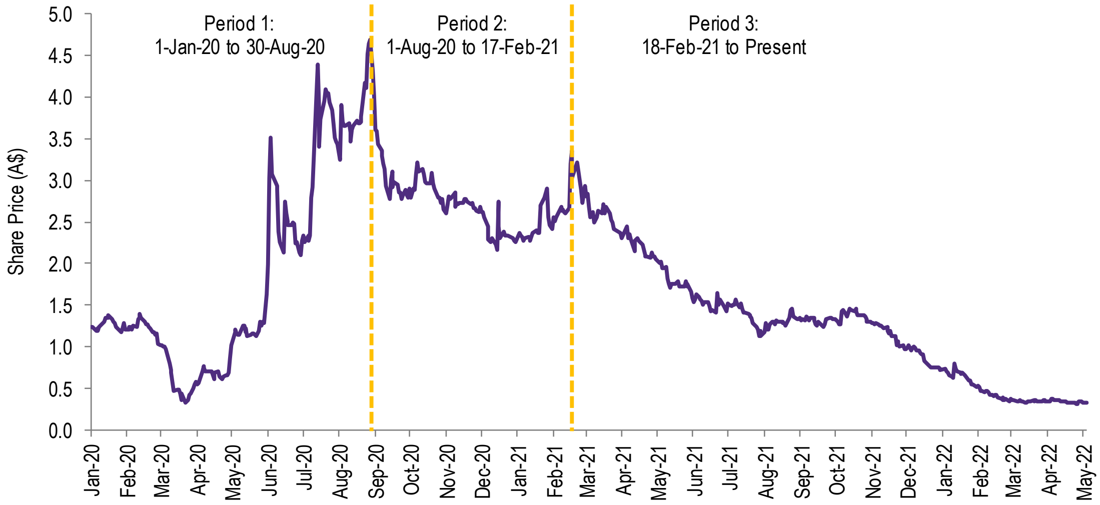
As set out in the graph above, we note the historical average and median bid-ask spread has been around 1% since December 2019 with spikes above 13.0% in conjunction with large movements in the trading price. In the last three months, the average bid and ask spread has remained substantially low at 2.7%.

Based on the analysis above, we conclude that there is sufficient liquidity in OPY's trading price for utilisation of the Quoted Security Price Method as a cross check to our valuation assessment.

7.2 Analysis of the trading prices

Over the last two years, market conditions have been volatile due to the outbreak of COVID-19, inflationary pressures, forecasted interest rate hikes and in the past few weeks Russia's invasion of Ukraine. Accordingly, we have discussed below the market conditions, key events and the performance of OPY since 1 January 2020 over three distinct periods to gather insights into the performance of the business.

OPY – Historical share trading price (1 January 2020 to present)

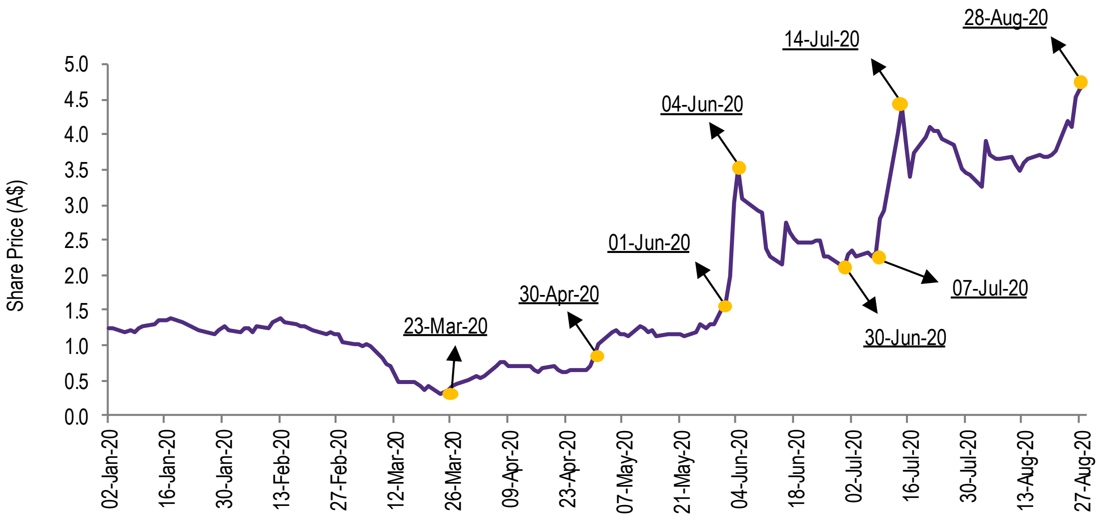


Source: S&P Global, GTCF analysis

Period 1: 1 January 2020 to 30 August 2020

The following graph sets out the trading price between 1 January 2020 and 30 August 2020.

OPY – Trading price and key announcements



Source: S&P Global, GTCF analysis

On 16 December 2019, the Company started trading on the ASX with an IPO price of A$1.60 per share but traded between A$1.17 and A$1.40 through to mid-February 2020 when the share price declined materially reaching a low of A$0.32 on 23 March 2020 due to market volatility caused by the outbreak of COVID-19 which was officially declared a pandemic by the World Health Organisation ("WHO") on 11 March 2020.

On 30 April 2020, OPY provided its quarterly update for Q3 FY20 reporting strong growth across leading indicators. Active Plans and Active Customers were up 203% and 113% relative to pcp, respectively, whilst TTV was 80% higher than pcp. This had a positive impact on the trading price which increased from a previous close of A$0.69 to A$0.86 per OPY share.

The upwards trend continued in the following weeks. Notably on 1 June 2020, OPY announced it had secured a new debt facility with UK financier Global Growth Capital ("GGC") to provide funding of GBP 25.0 million for its recently established UK BNPL business. OPY also provided further updates on its operations, announcing the addition of major UK retailer JD Sports to its existing merchant base. Following the announcement, OPY's trading price increased c. 114.0% to A$3.51 on 4 June 2020.

On 4 June 2020, OPY announced an institutional placement to further accelerate growth. The placement, which received strong support, raised c. A$33.8 million at A$2.40 per share. The issue price represented a 20.5% discount to the last closing price of A$3.02 on 3 June 2020.

Whilst no company specific announcement was made, we note that on 7 July 2020 it was announced that the greater Melbourne area would return to stage 3 lockdown from midnight on 8 July 2020 for a period of six weeks. This boosted OPY Australia's online channel contributions which increased to 39% of plan originations for Q4 FY20 compared to 14% in the pcp. The trading price trended upwards over the next week increasing c. 93.8% to A$4.40 on 14 July 2020.

On 15 July 2020, OPY announced its Q4 FY20 results, recording strong growth across all leading indicators. Active Plans, Active Customers and TTV increased 229%, 141% and 119% relative to pcp, respectively. Growth was largely driven by OpenMay initiatives (OPY's flagship month of special promotions with Merchant partners) and a surge in the UK business.

In August 2020, OPY announced a series of new partnerships with MSL Solutions Limited and the Hut Group. As a result of these announcements, the trading price of OPY shares trended upwards reaching a high of A$4.70 on 28 August 2020.

Period 2: 31 August 2020 to 17 February 2021

On 31 August 2020, OPY announced its FY20 results, with demonstrated growth across all key metrics, continued strong momentum in the UK market and notable merchant and integration partnership wins across all verticals. Despite this positive sentiment, the trading price fell sharply over the next two weeks to A$2.77 on 14 September 2020, a decline of c. 41.1% from its high on 28 August 2020. This was driven by general market decline for BNPL providers as outlined in the table below.

Trading price performance of OPY shares and peers (31 August 2020 to 14 September 2020)

Trading price performance - OPY vs. Peers A$ unless otherwise stated	Openpay	Zip Co	Splitit	Sezzle
Trading price - 28 August 2020	4.7	8.9	1.8	11.3
Trading price - 14 September 2020	2.8	5.8	1.5	5.8
Share price performance (%)	**(41.1%)**	**(34.2%)**	**(19.7%)**	**(48.6%)**

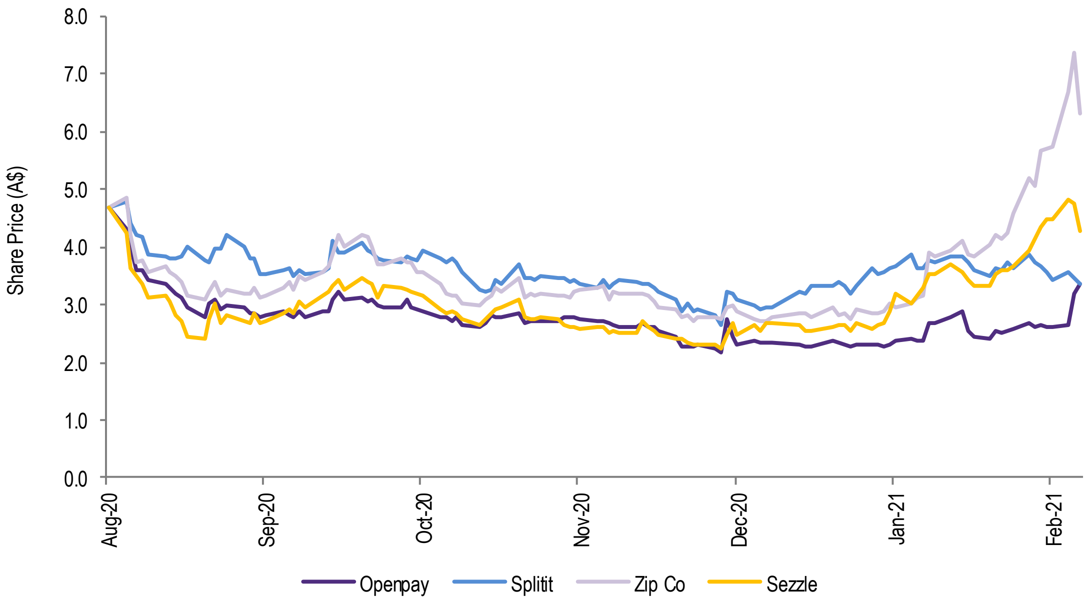
Source: S&P Global, GTCF analysis

The trading price continued its downwards trend in October 2020 and November 2020, albeit less severe and notwithstanding that OPY released several positive announcements.

Notably, November 2020 was a record month for OPY, driven by Australian online sales initiatives such as Click Frenzy, Black Friday and Cyber Monday. TTV for the month reached A$35.7 million, up 121% compared to the pcp. OPY also secured new partnerships with retailer Kogan.com Ltd and US SaaS group BigCommerce Holdings Inc.

In spite of this positive momentum, the general market conditions in November 2020 were impacted by a market rotation from growth to value stocks. The uncertainty in relation to the US election was removed and the news of positive interim clinical trial results of Pfizer's COVID-19 vaccine candidate signalled a potential re-opening of economies around the world and an exit from a protracted period of lockdowns, triggering a market rotation from growth to value stocks. Value stocks usually include companies that are exposed to the economic cycle and which have historically performed well coming out of recessions. OPY is considered a growth stock. Accordingly, during this period, the trading price performance of OPY moved largely in accordance with peer group companies suggesting that, to a degree, OPY's trading price performance was impacted by macroeconomic conditions as opposed to factors specific to the Group.

Trading price performance of OPY shares and peers (rebased to OPY trading price) from 31 August 2020 to 17 February 2021



Source: S&P Global, GTCF analysis

The second half of December 2020 and the beginning of 2021 saw the trading prices of OPY and peers trend higher, likely coinciding with favourable seasonal trends i.e. the holiday season. We note OPY continued to release positive announcements and achievements as outlined below.

- On 16 December 2020, OPY commenced the launch of its consumer and B2B offerings in the United States. This had a positive impact on the trading price which increased from a previous close of A$2.16 to A$2.75, c. 27.3%.
- On 28 January 2021, OPY provided its Q2 FY21 update recording strong uplift in all leading indicators. TTV recorded its strongest quarter on record, up 43% compared to Q1 FY21.
- On 17 February 2021, OPY announced a partnership with Officeworks, whereby OPY's plans would be rolled out across Officeworks online and in-store Australia-wide in February and March respectively.

Overall, we note that compared to the trading price high of A$4.70 at the end of the prior period, OPY's trading price had declined by c. 28.7% to A$3.35 at the end of the period.

Period 3: 18 February 2021 to Present

Trading prices continued their decline, falling from c. A$3.35 per share to c. A$0.35 per share, or c. 89.6%, notwithstanding that OPY continued to release positive announcements as outlined below.

- On 26 February 2021, OPY announced its 1HFY21 results with continued growth across all key metrics. Main growth drivers included the peak retail season and strong growth in OPY's core verticals, particularly Healthcare and Automotive, which increased 66% and 41% respectively, compared to the pcp.

- Over the period, OPY also announced a number of new partnerships and agreements, enabling OPY to continue to scale its offerings in Australia as well as enter into new verticals in the US and UK markets, such as healthcare and automotive. Notable partnerships included ezyVet, Goodyear & Dunlop Tyres Australia, HP Inc, Nexus Hospitals, Henry Schein UK and American Express.

- On 22 June 2021, OPY announced the acquisition of Payment Assist, a leading BNPL provider to the UK automotive sector for GBP 11.5 million upfront, plus an earn-out component of up to GBP 17.0 million. This had a positive impact on the trading price which increased c. 17.0% from its previous close to A$1.65.

- On 7 October 2021, OPY announced entry into a US$271.4 million United States receivables warehouse facility with Goldman Sachs and Atalaya Capital management, which would be used to fund expansion into the United States.

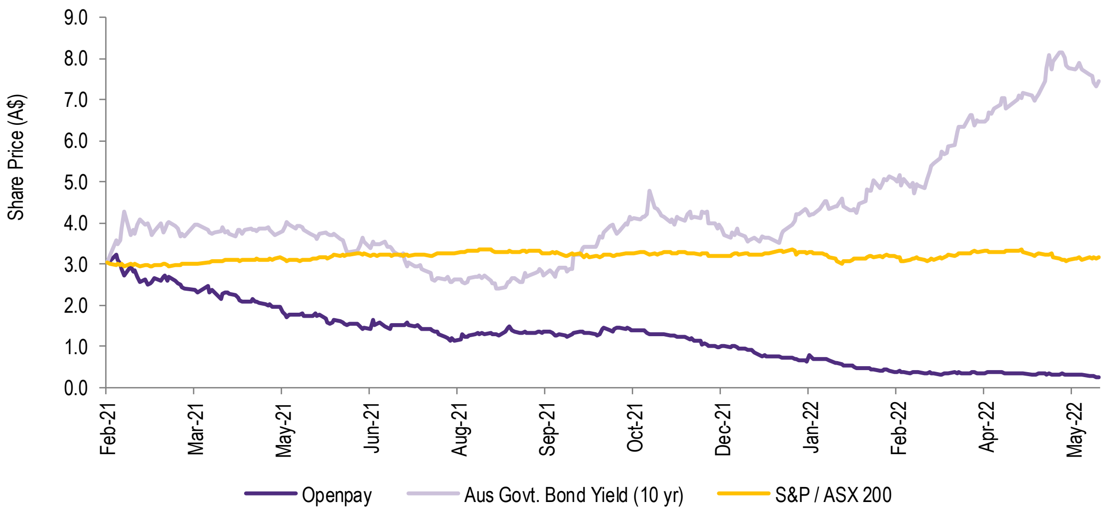
- On 12 January 2022, OPY announced a strategic decision to prioritise the United States business as the Company's core growth engine. In parallel with the renewed strategic direction, OPY would accelerate the pathway to profitability in Australia and enter into a partnership agreement with Payment Assist in the UK instead of an outright acquisition as announced on 22 June 2021. OPY has since paused operations in the US.

- On the 28 April 2022, OPY issued 3Q FY22 results. ANZ TTV increased 54% y/y to A$86 million. ANZ revenue rose by 62% to A$7.5 million and the revenue yield improved from 8.0% to 8.6% a year earlier.

- On 23 May 2022, OPY announced the Placement to raise A$18.25 million two-tranche Placement as well as the intention to undertake a Share Purchase Plan which will be non-underwritten and for an amount of c. A$2.0 million.

The decline in the trading prices has been driven, in our opinion, by macro-economic conditions and a general reset of valuations of high growth stocks and BNPL providers in particular. Since February 2021, there has been a steady increase in the 10-year Australian Government bond yields which are well above their 3-year historical averages. This, together with central banks globally and the RBA signalling a tightening of monetary policy via a series of interest rate hikes in the coming 18 months has further solidified the market rotation from growth to value stocks. We note the impact has been more muted on the S&P / ASX 200, which largely comprises of value stocks. The above thematic is outlined in the graph below.

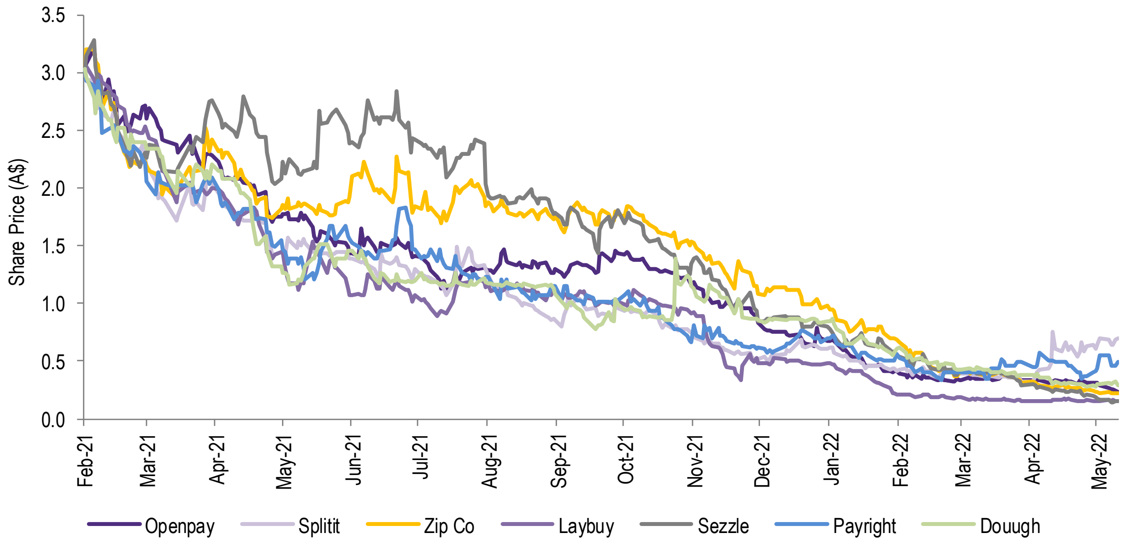
OPY, bond yield and S&P / ASX 200 movement from 18 February 2021 to 30 May 2022



Source: S&P Global, GTCF analysis

As set out in the graph below, the impact has been similar across the trading price of comparable companies (growth stocks), which have all seen a material decline in their trading price over the period. As part of this analysis, we have reviewed the announcements released by the comparable BNPL providers during this period and observe that the announcements were on balance positive. This suggests that the reduction in price was driven by a general market correction rather than specific circumstances of the businesses.

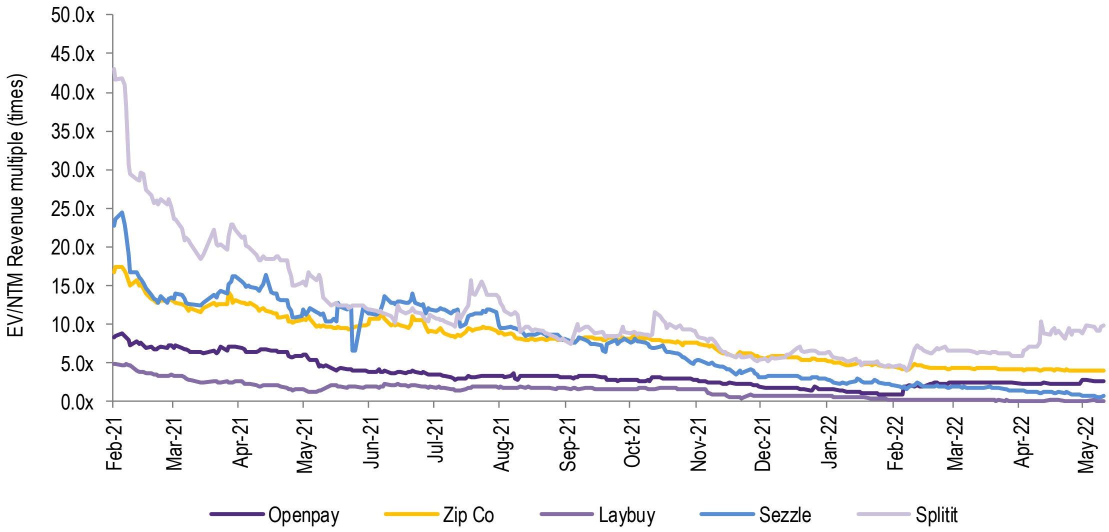
Trading price performance of OPY shares and peers (rebased to OPY trading price) from 18 February 2021 to Present



Source: S&P Global, GTCF analysis

In line with the above thematic, the revenue multiples of OPY and comparable companies have also reduced materially over the period as outlined in the graph below:

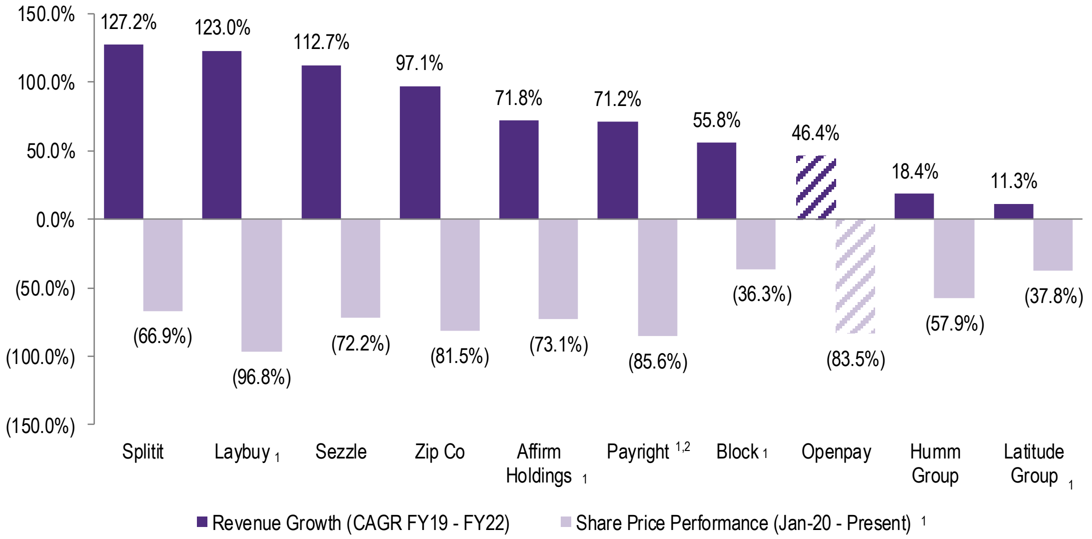
EV / NTM revenue rolling multiples[34] from 18 February 2021 to Present



Source: S&P Global, GTCF analysis

Overall, over the last 18 months there has been a general market re-setting of the valuation of BNPL providers in Australia and globally driven by an increase in government bond yields and bad debts which has seen a material decline in the trading price of companies across the sector. As set out in the graph below, despite BNPL providers continuing to grow revenue over the last few years trading prices since January 2020 have declined materially across the sector.

Revenue growth (CAGR) and share price performance of OPY and peers



Source: GTCF analysis, S&P Global, Company Filings and Annual Reports
Note: (1) Company listed after 1 January 2020. Accordingly, share price performance has been calculated since inception. Laybuy listed on the ASX on 7 September 2020. Affirm Holdings listed on the NASDAQ on 13 January 2021. Payright listed on the ASX on 23 December 2020. Block listed on the ASX on 20 January 2022. Latitude Group listed on the ASX on 20 April 2021; (2) Revenue Growth (CAGR Fy19 – FY22) for Payright is based on GT's projected FY22 revenue for Payright of c. A$17.0 million. This has been computed by adding 1HFY22 revenue of c. A$7.9 million and an estimated 2HFY22 revenue of c. A$9.2 million, which has been computed by applying the half yearly revenue CAGR (from 1HFY20 to 1HFY22) of c. 16.7% to the 1HFY22 revenue.

34 The rolling NTM revenue multiple is calculated using the next twelve month consensus median revenue forecasts divided by the enterprise value, as at each date.

Conclusion of the trading price

Based on the analysis outlined above, we are of the opinion that the material decline in the trading price of OPY over the last 18 months has been primarily driven by market conditions, notably a general market correction within the BNPL sector as opposed to factors specific to the Group and accordingly it is not unreasonable to rely on the trading prices for the purpose of our valuation assessment.

7.3 Valuation assessment of OPY based on the trading price

Set out below is a summary of the VWAP of OPY shares over the last nine months[35].

VWAP		Low	High	VWAP
Up to	23 May 2022			
1 day		0.255	0.300	0.272
5 day		0.255	0.330	0.288
10 day		0.255	0.335	0.293
1 month		0.255	0.350	0.302
2 month		0.255	0.390	0.326
3 month		0.255	0.400	0.339
4 month		0.255	0.655	0.422
5 month		0.255	0.790	0.496
6 month		0.255	1.120	0.614
9 month		0.255	1.515	0.875

Source: S&P Global, GTCF analysis

Based on the above discussions and analysis, we have assessed the fair market value of OPY Shares based on the trading price between A$0.28 and A$0.30 on a minority basis and before the Placement.

The trading prices presented above reflect the value of OPY on a minority basis and thus do not include a premium for control. Evidence from studies suggests that successful takeovers in Australia have completed based on premium for control in the range of 20% to 40%. The premium for control implied in our valuation assessment based on the Revenue Multiple is between 3% and 37%. We are of the opinion that this wide range is due to the following:

- *Market volatility* – Since the Placement was announced, the volatility in the financial markets has been severe and several BNPL players, including OPY, have lost significant value. OPY trading prices reduced from c. A$0.30 before the Placement to A$0.16 as at 15 June 2022. The trading prices selected for our valuation assessment are before the announcement of the Placement and accordingly they do not reflect the recent market volatility which is instead taken into account, to a certain extent, in our fair market value assessment.

- *Review event* – An emphasis of matter in OPY's audited (year-end) financial reports is considered a review event under one of OPY's funding agreements. We note the audited account as at 30 June 2021 included an emphasis of matter raised by the auditors in relation to OPY's ability to continue as a going concern. OPY is in regular contact with this financial institution regarding its financial position

[35] Up to but excluding the announcement date of the Placement and SPP on the 23 May 2022.

and capital raise timelines. Accordingly, OPY is confident the existence of this review event does not alter management's assessment that the Group can continue to operate as a going concern.

- *General re-setting of value for BNPL providers* – Over the last 18 months, there has been a general market re-setting of the valuation of high growth stocks and BNPL providers in particular, which has seen a rotation from growth to value stocks. Accordingly, despite the announcements released by BNPL providers during this period being on balance positive there has been a material decline in the trading prices across the sector.

- *Unfavourable macroeconomic environment* – Several changes in macroeconomic conditions have led to an unfavourable macroeconomic environment for BNPL providers, most notably:

  - Since February 2021, there has been a steady increase in the 10-year Australian Government bond yields.

  - Central banks globally have started hiking interest rates in an attempt to reduce inflation. The RBA has increased the base rate by 25bps in May and by 50bps in June.

- *Capital constraint* – Given the Group's business model and stage of development, the ability of OPY to continue as a going concern is dependent on maintaining existing cash reserves and debt facilities as well as securing additional debt facilities and or the issue of new shares. We note in FY21 OPY incurred a net operating cash outflow of A$66.4 million and a net loss of A$63.1 million. Accordingly, OPY will be required to secure additional funding options, either debt or equity, in support of growing its customer receivables, continuing its investment in platform capability and its operational expenditure until it reaches scale and is in a profitable position.

8 Valuation assessment of OPY after Tranche 2 Placement

In our assessment of the market value of OPY after the Tranche 2 Placement, we have adjusted our valuation assessment set out in Section 6 in order to consider the following:

- The issue of 49.2m shares under the Tranche 2 Placement.
- The application of a minority discount in accordance with the requirements of RG 111.

Set out below is a summary of our valuation assessment considering the issue of 49m new shares at A$0.24 per share to raise A$11.8m under the Tranche 2 Placement.

Valuation summary of Openpay post Tranche 2 of the Placement A$ '000 (except where stated otherwise)	*Section Reference*	Low	High
Equity value before the Proposed Transaction	*6.1.0*	32,688	51,988
Minority discount (%)	*8.1.0*	33.0%	33.0%
Equity value of Openpay on a minority basis		**21,901**	**34,832**
Proceeds from Tranche 2 Placement		11,218	11,218
Equity value of Openpay after Tranche 2 Placement		**33,119**	**46,050**
Number of shares outstanding before Tranche 2		158,199	158,199
Number of Tranche 2 shares to be issued		49,202	49,202
Number of outstanding shares ('000s) (fully diluted)	*8.2.0*	207,401	207,401
Value per share (minority basis) (A$ per Share)		**0.16**	**0.22**

Source: GTCF analysis
Note (1): We have assumed transaction costs of 5% in calculating proceeds from Placement

8.1 Minority discount

As the Tranche 2 Placement is considered a control transaction in accordance with RG 111, we have compared our assessment of OPY on a control basis before the Tranche 2 Placement with our assessment of OPY on a minority basis afterwards. Historical premium for control in the Australian market has averaged between 20% and 40% (Refer to Appendix E for details). However, as set out in the table below, control premium in the diversified financials and fintech sector have averaged at c. 50%.

Control Premium Observed in Recent Transactions

Control premium analysis			Stake	Implied Premium for control (%)	
Date	Target Company	Bidder Company	(%)	1-day	1-month
May-22	MyDeal	Woolworths Group	80%	62.8%	Na
Feb-22	Sezzle Inc.	Zip Co Limited	100%	22.0%	31.7%
Oct-21	Cashrewards Limited	1835i Group Pty Ltd	100%	19.5%	30.2%
Aug-21	Afterpay Limited	Block Inc	100%	30.8%	22.1%
Jul-21	Youfoodz Holdings Limited	Marely Spoon AG	100%	82.0%	109.0%
Jul-20	Powerwrap Limited	Praumium Limited	100%	51.1%	62.2%
Jun-20	OneVue Holdings Limited	Iress Limited	100%	66.7%	83.6%
Jul-19	GBST Holdings Limited[1]	FNZ (UK) Ltd	100%	94.9%	97.6%
Jun-19	Tableau Software, Inc.	salesforce.com, inc.	100%	42.1%	30.6%
Feb-19	NetComm Wireless Limited	Casa Systems, Inc.	100%	52.8%	49.9%
Oct-18	MYOB Group Limited[2]	KKR & Co. Inc.	80%	27.4%	Na
Sep-18	Decimal Software Limited	Sargon Capital Pty Ltd	100%	76.3%	43.2%
Jul-18	Spookfish Limited	Eagle View Technologies, Inc.	91%	76.5%	78.4%
May-18	Mitula Group Limited	LIFULL Co.,Ltd.	100%	88.9%	81.3%
Apr-18	Fidessa Group Holdings Limited	ION Investment Group Limited	100%	32.8%	55.5%
Jan-18	Bulletproof Group Limited[3]	AC3 Systems	100%	126.9%	118.5%
Dec-17	Aconex Limited	Vantive Australia Pty Ltd	100%	47.4%	50.8%
Nov-17	Barracuda Networks, Inc.	Thoma Bravo, LLC; Thoma Bravo Fund XII, L.P.	100%	16.3%	21.4%
May-17	Grays eCommerce Group Limited	Leasing Finance (Australia) Pty Limited	100%	32.4%	31.7%
Feb-17	Rubik Financial Limited	Temenos Solutions Australia Pty Ltd	100%	54.5%	75.2%
Nov-16	Cellnet Group Limited[4]	Wentronic Holding GmbH	67%	7.7%	7.8%
Sep-16	ASG Group Limited	Nomura Research Institute, Ltd.	100%	19.9%	28.4%
Jul-16	NetSuite Inc.	Oracle Corporation	77%	19.0%	32.2%
Dec-15	Onthehouse Holdings Limited	Macquarie Corporate Holdings Pty Limited	81%	46.6%	49.2%
Nov-15	iProperty Group Limited[5]	REA Group Limited	77%	55.0%	61.9%
Aug-14	Oakton Limited	Dimension Data Australia Pty Limited	100%	29.7%	35.1%
Jun-13	Bravura Solutions Limited	Ironbridge Capital Pty Ltd	33%	31.5%	31.5%
Low				**7.7%**	**7.8%**
Median				**46.6%**	**49.2%**
Average				**48.6%**	**52.8%**
High				**126.9%**	**118.5%**

Source: GTCF analysis, Company announcements

Note (1): The control premium is based on the notional share price on 12 April 2019, being the day prior to Bravura's offer; (2): The control premium is based on the notional share price adjusted for the movement in MYOB's peers from 5 October 2018 to the date prior to signing the scheme implementation agreement; (3) The control premium is based on the share price prior to the 21 November 2017, the day that Macquarie Telecom announced its offer of A$0.11; (4) The low control premium was a result of the illiquidity of Cellnet shares and low volume traded. The liquidity in Cellnet shares based on the ASX over the 12 month period prior to 9 November 2016 was 8.9%; (5) The control premium is based on the share price as at 20 July 2015, being the day prior to which it was announced to the market that the bidder become a substantial shareholder of the target company.

Accordingly, in our valuation assessment, we have applied a minority discount of 33% which is the inverse of the 50% premium for control.

8.2 Share on issue

Set out below is a summary of the OPY Shares on issue following completion of the Placement.

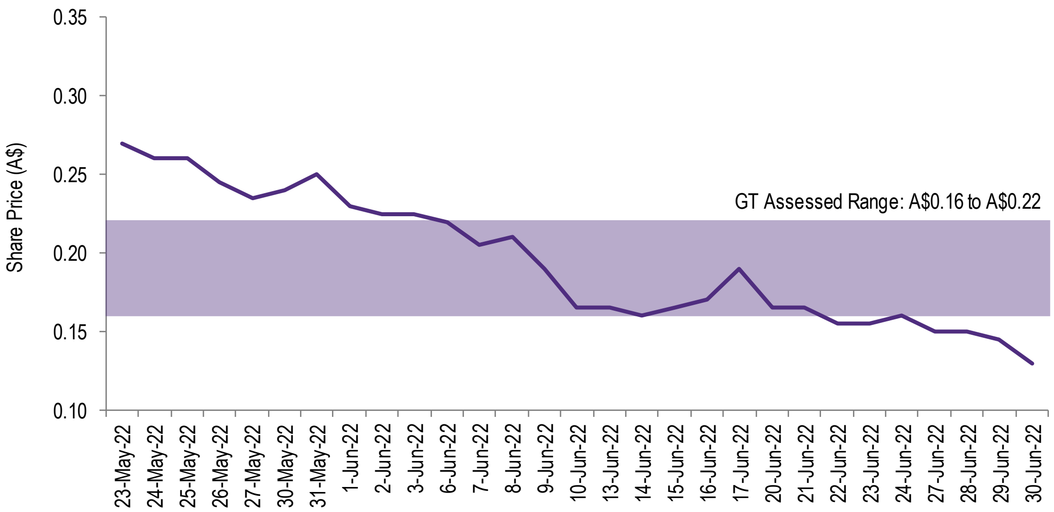
Analysis of shares on issue (fully diluted) '000	
Shares on issue before the Placement	131,359
Total shares issued under Tranche 1 Placement	49,202
Total shares on issue	**158,199**
Total shares to be issued under Tranche 2	49,202
Total shares on issue post Tranche 2 Placement	**207,401**
Increase in the number of shares (%)	**31.1%**

Source: GTCF analysis, Management
Note: (1) 19 May 2022; (2) Tranche 2 remains subject to shareholder approval; (3) OPY has also announced a non-underwritten Share Purchase Plan to raise c. A$2m at A$0.24 per share. If the full amount is raised, the number of shares will increase by a further 8,333,000 shares, bringing the total number of shares to 215,734,000, representing a 64% increase in the total number of shares before the Placement.

8.3 Cross check based on the trading prices

Our valuation assessment on a minority basis after the Tranche 2 Placement does not seem inconsistent with the trading prices after the announcement of the Placement although the latter have been more weighted towards the low-end of our range, in particular in the last few days as set out in the graph below.

Trading price after the announcement of the Placement and GT assessed value range



Source: GTCF analysis, S&P Global

9 Sources of information, disclaimer and consents

9.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Annual reports/consolidated accounts of OPY for FY18 to FY21.
- Management projections for OPY and for FY22 and FY23.
- Minutes of Board meetings.
- Transaction databases such S&P Global Capital IQ and Mergermarket.
- IBISWorld industry reports.
- Various industry and broker reports.
- Press releases and announcements by OPY on the ASX.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of OPY and its advisers.

9.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been prepared in accordance with the requirements of Section 611, item 7 of the Corporations Act in relation to the Tranche 2 Placement. This report should not be used for any other purpose.

OPY has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate

Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

Grant Thornton

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses. This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model. Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction. Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Grant Thornton
An instinct for growth™

Appendix B – Comparable companies OPY

Company	Description
Pure Play BNPL Companies	
Splitit Payments Ltd	Splitit Payments Ltd, together with its subsidiaries, provides payment solution services in North America, the United Kingdom, Europe, and Australia. Its solution enables customers to pay for purchases with an existing credit to break payments into bite-sized pieces to pay overtime with no interest, applications, and fees Splitit Payments Ltd was incorporated in 2008 and is headquartered in New York, New York.
Zip Co Limited	Zip Co Limited provides point-of-sale credit, digital retail finance, and payments solutions to consumers, and small and medium sized merchants (SMEs) in Australia, the United Kingdom, the United States, New Zealand, Mexico, and Canada. It operates through three segments: ZIP AU, Zip Global, and Zip Business. The company offers unsecured loans, line of credit, and payment services to SMEs through online and in store. It provides Zip Pay and Zip Money, which are digital wallets; and Pocketbook, an app that provides personal financial management solutions. In addition, the company offers Buy Now Pay Later services whereby consumers split repayments into equal instalments. It serves retail, education, health, and travel industries. The company was formerly known as ZipMoney Limited and changed its name to Zip Co Limited in December 2017. Zip Co Limited was incorporated in 2009 and is headquartered in Sydney, Australia.
Payright Limited	Payright Limited provides in-store credit, point of sale, and online buy now pay later payment options at participating merchants and retailers in Australia and New Zealand. It serves retail, home improvement, health and beauty, photography, education, and automotive sectors. The company was formerly known as Devizo Pty Ltd. Payright Limited was incorporated in 2015 and is based in Hawthorn East, Australia.
Affirm Holdings, Inc.	Affirm Holdings, Inc. operates a platform for digital and mobile-first commerce in the United States and Canada. The company's platform includes point-of-sale payment solution for consumers, merchant commerce solutions, and a consumer-focused app. Its payments network and partnership with an originating bank, enables consumers to pay for a purchase over time with terms ranging from one to forty-eight months. As of June 30, 2021, the company had approximately 29,000 merchants integrated on its platform covering small businesses, large enterprises, direct-to-consumer brands, brick-and-mortar stores, and companies. Its merchants represent a range of industries, including sporting goods and outdoors, furniture and homewares, travel, apparel, accessories, consumer electronics, and jewelry. The company was founded in 2012 and is headquartered in San Francisco, California.
Sezzle Inc.	Sezzle Inc. operates as a technology-enabled payments company in United States, Canada, India, and Europe. The company provides payment solution at online stores and various brick-and-mortar retail locations that connects consumers with merchants. Its platform enables customers to make online purchases and split the payment for the purchase in four equal interest free payments over six weeks. The company was incorporated in 2016 and is headquartered in Minneapolis, Minnesota.
Diversified Fintech Companies	
Block, Inc.	Block, Inc., together with its subsidiaries, creates tools that enables sellers to accept card payments and provides reporting and analytics, and next-day settlement. It provides hardware products, including Magstripe reader, which enables swiped transactions of magnetic stripe cards; Contactless and chip reader that accepts Europay, MasterCard, and Visa (EMV) chip cards and Near Field Communication payments; Square Stand, which enables an iPad to be used as a payment terminal or full point of sale solution; Square Register that combines its hardware, point-of-sale software, and payments technology; Square Terminal, a payments device and receipt printer to replace traditional keypad terminals, which accepts tap, dip, and swipe payments. The company also offers various software products, including Square Point of Sale; Square Appointments; Square for Retail; Square for Restaurants; Square Online and Square Online Checkout; Square Invoices; Square Virtual Terminal; Square Team Management; Square Contracts; Square Loyalty, Marketing, and Gift Cards; and Square Dashboard. In addition, it offers a developer platform, which includes application programming interfaces and software development kits. Further, the company provides Cash App, which enables to send, spend, and store money; and Weebly that offers customers website hosting and domain name registration solutions. It serves in the United States, Canada, Japan, Australia, Ireland, France, Spain, and the United Kingdom. The company was formerly known as Square, Inc. and changed its name to Block, Inc. in December 2021. Block, Inc. was incorporated in 2009 and is based in San Francisco, California.
Latitude Group Holdings Limited	Latitude Group Holdings Limited operates in instalments and lending business in Australia and New Zealand. It provides various instalment products to support customers, the merchants, and other commercial partners. The company also offers lending products comprising credit cards, personal loans, and motor loans through commercial partners, as well as various channels, such as direct, online, and by phone. In addition, it provides debt consolidation, home renovation, and travel loans, as well as insurance services. The company was incorporated in 2015 and is based in Docklands, Australia. Latitude Group Holdings Limited operates as a subsidiary of Latitude Financial Group Limited.
Humm Group Limited	Humm Group Limited provides various financial services in Australia, New Zealand, and Ireland. It operates through four segments: Buy Now Pay Later, New Zealand Cards, Australia Cards, and Commercial and Leasing. The company offers buy now, pay later solution under the bundll brand name; humm, an interest-free payment platform with repayment options; long term interest free finance and everyday spend solutions under the humm90 brand; humm pro, a buy now pay later solution for businesses; Q Mastercard, an interest free credit card; FlexiCommercial, a business financing solution, which includes leasing and chattel mortgages for small and medium businesses; and leasing solutions for enterprise, SME, education and retail businesses. The company was formerly known as FlexiGroup Limited and changed its name to Humm Group Limited in November 2020. Humm Group Limited was founded in 1988 and is based in Sydney, Australia.

Grant Thornton
An instinct for growth™

Appendix C – OPY Comparable transactions' target descriptions

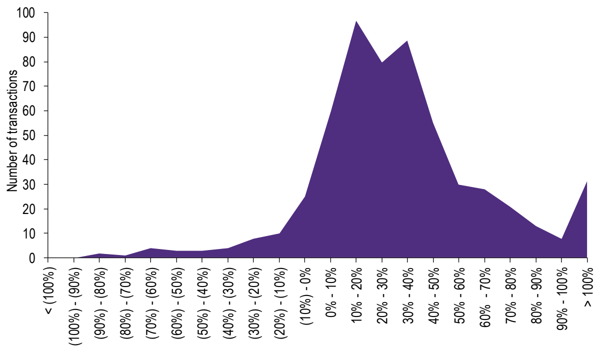
Target	Description
Sezzle Inc.	Sezzle Inc. operates as a technology-enabled payments company in United States, Canada, India, and Europe. The company provides payment solution at online stores and various brick-and-mortar retail locations that connects consumers with merchants. Its platform enables customers to make online purchases and split the payment for the purchase in four equal interest free payments over six weeks. The company was incorporated in 2016 and is headquartered in Minneapolis, Minnesota.
Humm Consumer Finance	Humm Consumer Finance comprises the BNPL, instalment and credit card operations of hummgroup.
Afterpay Limited	Afterpay Limited, together with its subsidiaries, provides payments solutions to customers, merchants, and businesses. Its Afterpay Asia Pacific segment operates the Afterpay platforms in Australia, New Zealand, and Asia. The company's Afterpay North America segment operates the Afterpay platforms in the United States and Canada. Its Clearpay segment operates the Clearpay platforms in the United Kingdom and Europe. The company's Pay Now segment provides mobility, health, and e-services. The company was formerly known as Afterpay Touch Group Limited and changed its name to Afterpay Limited in November 2019. Afterpay Limited was incorporated in 2017 and is based in Melbourne, Australia. As of January 31, 2022, Afterpay Limited operates as a subsidiary of Lanai (AU) 2 Pty Ltd.
Twisto Payments a.s.	Twisto payments a.s. develops Twisto, a payment application that enables users to buy now from its partner e-shops and make the payment later. It mainly serves customers in Poland and Czech Republic. The company was incorporated in 2013 and is based in Prague, Czech Republic. As of November 12, 2021, Twisto payments a.s. operates as a subsidiary of Zip Co Limited.
PartPay Limited	As of November 07, 2019, PartPay Limited was acquired by Zip Co Limited. PartPay Limited offers online payment processing solutions to merchants. The company was incorporated in 2016 and is based in Auckland, New Zealand
QuadPay, Inc.	QuadPay, Inc. designs and develops payment platform through which users can pay for their purchases. The company was founded in 2017 and is based in New York, New York.
VersaPay Corporation	VersaPay Corporation is a listed Canada based company engaged in providing cloud-based invoicing, accounts receivable management, and payment solutions for businesses, headquartered in Toronto, Ontario.

Grant Thornton
An instinct for growth™

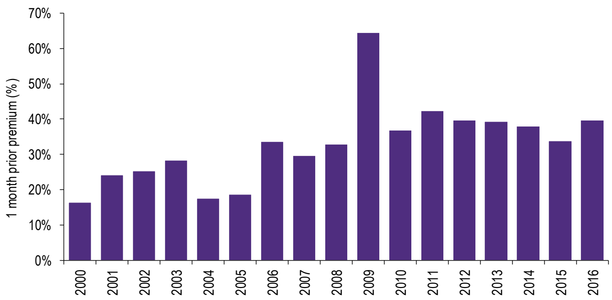
Appendix D – Premium for control study

Evidence from studies indicates that premium for control on successful takeovers has frequently been in the range of 20% to 40% in Australia, and that the premium vary significantly for each transaction.

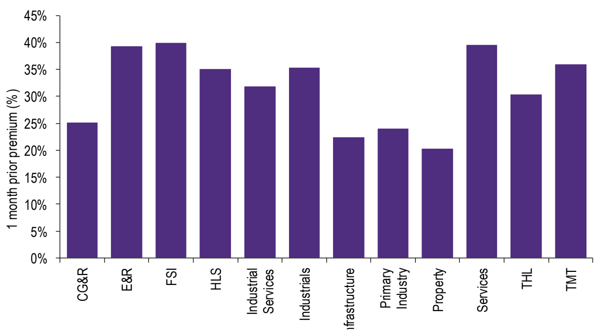
1 Month Prior Control Premium



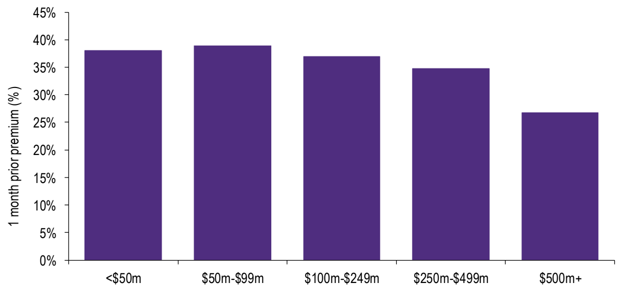
Control premium per completion date



Control premium per industry



Control premium and size



	Control premium
Average	34.33%
Median	29.34%

Source: GTCF analysis.

GrantThornton
An instinct for growth™

Appendix E – Glossary

A$	Australian Dollar
ABS	Australian Bureau of Statistics.
ACL	Australian Credit Licence
AFIA	Australian Finance Industry Association
AML/CTF	Anti-Money Laundering and Counter-Terrorism Financing
APES	Accounting Professional and Ethical Standards
APES225	Accounting Professional and Ethical Standard 225 "Valuation Services"
APIs	Application programming interfaces
ARM	Automated Risk System
ASIC	Australian Securities and Investments Commission
ASIC Act	Australian Securities and Investment Commission Act 2001 (Cth) ("ASIC Act").
ASL	Australian Financial Services Licence
ASX	Australian Securities Exchange
B2B	Business to business
BNPL	Buy Now, Pay Later
CAGR	Compound annual growth rate
CBA	Commonwealth Bank of Australia
CCCFA	Credit Contracts and Consumer Finance Act 2003
CCI	Consumer Confidence Index
Cross River	Cross River Bank
DCF	Discounted cash flow
DDO	Design and Distribution Obligations
EGM	Extraordinary General Meeting
EPS	Earnings per share
FCA	Financial Conduct Authority
FME Method	Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets
FSG	Financial Services Guide
FSG	Financial Services Guide
GCI	Global Credit Investments
GGC	Global Growth Capital
GTCF	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
IER or Report	Independent Expert Report
IER or Report	Independent Expert Report
Issue Price	A$0.24 per share
KBW	Keefe, Bruyette & Woods
NAB Index	NAB Online Retail Index
Offer	76.0 million new fully paid ordinary shares in the Company
Openpay	Openpay Group Limited
OPY	Openpay Group Limited
Payment Assist	Payment Assist Ltd
Placement	76.0 million new fully paid ordinary shares in the Company
Placement Shares	76,041,667 fully paid ordinary shares
QSPM	Quoted Security Price Method

RBA	Reserve Bank of Australia
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of experts"
SPP	Share Purchase Plan
The Code	BNPL Code of Practice
The Company	Openpay Group Limited
TTV	Total Transaction Value
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital
WHO	World Health Organisation

Annexure B - Summary of Warrant Terms and Warrant Deed

The material terms and conditions of the Issued Warrants the subject of Resolution 7, and the Warrant Deed pursuant to which the Issued Warrants were issued, are set out below:

Topic	Summary
Issue	The Company agreed to issue to OP Fiduciary Pty Ltd (**Initial Warrantholder**) on the date of amendment of the existing facility up to 6 million unlisted warrants, each of which entitles the Warrantholder to: • subscribe for one Ordinary Share at the Subscription Price (the lower of A$0.3825 or the 30 day VWAP of the Company prior to the date of exercise); or • receive a cash consideration equal to the 5 trading day VWAP up to the Exercise Date (**Cash-out Amount**) less the Subscription Price (**Cash-out Right**). The Company issued 4 million warrants on 4 January 2022, and the issue of the remaining 2 million of these dependent on the additional $5 million upsizing becoming committed.
Exercise	The Warrants may be exercised in full or in part during the Exercise Period. The Exercise Period commences on the date of issue of the Warrants (being 4 January 2022) and expires on the date which is 36 months after the date of issue of the Warrants.
Listing	The Warrants will not be admitted to listing or trading on any stock exchange. The Company must take steps (but is not obliged) to ensure the Shares issued on exercise of the Subscription Right are freely tradable on issue.
Transfer	Subject to certain conditions, the Warrantholder may transfer any Warrant. The Warrantholder may only transfer any Warrant held by it in whole or in part within the first 12 months of the date of issue of the Warrant to a person who is a professional or sophisticated investor pursuant to the Corporations Act, or otherwise is a person to whom an offer and issue of securities may be made without the need for disclosure.
Adjustments	If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment) then upon completion of such issue: • the number of Shares to be issued on exercise of the remaining Subscription Rights will be increased by the number of Shares which the Warrantholder would have received if the Warrantholder had exercised all of the Subscription Rights before the record date for the bonus issue; and

	• no change will be made to the Subscription Price payable in respect of each Warrant and any bonus shares to be issued shall be credited as fully paid. If the Company makes a pro rata issue (as that term is defined in the ASX Listing Rules) of Shares to existing Shareholders (except a bonus issue) then upon completion of such issue the Subscription Price will be reduced according to the following formula (provided that in no event shall the new Subscription Price exceed the old Subscription Price): New Subscription Price = $O - \frac{E\,[P-(S+D)]}{N+1}$ O = the old Subscription Price. E = the number of underlying Shares into which one Warrant is exercisable. Note: E is one unless the number has changed because of a bonus issue. P = VWAP per Share of the underlying Shares calculated over the five (5) Trading Days ending on the day before the ex rights date or ex entitlements date. S= the subscription price of a Share under the pro rata issue. D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue). N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share. If there is any reorganisation (including, but not limited to, any division, consolidation, conversion, reclassification or redenomination) of the issued share capital of the Company, the rights of the Warrantholder will be varied upon completion of such reorganisation to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of the reorganisation and shall, in all cases, treat the Warrantholders in the same manner as holders of Shares. In all cases, the total number of Shares for which the outstanding Subscription Rights would then be capable of being exercised carry as nearly as possible (and in any event not less than) the same proportion of voting rights prior to such event and the same entitlement to participate in the profits and assets of the Company (including on liquidation) as if that had been no such event giving rise to the adjustment, provided that no benefit is received by the Warrantholder that holders of Shares do not receive. Notwithstanding anything to the contrary, following the occurrence of an adjustment, the Subscription Price shall not be less than the nominal value of the Shares, provided that in no case shall the

	Subscription Price be adjusted or reorganised in a way that provides a benefit to the Warrantholder that holders of Shares do not receive The Company must ensure the record date for any proposed issues contemplated above is at least 5 Business Days after the Company has notified the Warrantholder of the proposed issue.
Fractional entitlements	No fractional shares shall be issued or transferred, as applicable, upon the exercise of the Warrants, and the number of Shares to be issued or transferred, as applicable, shall be rounded to the nearest whole share.
Participation in new issues	In accordance with the ASX Listing Rules, there are no participation rights or entitlements inherent in the Warrants, and the Warrantholder shall not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Warrants prior to exercise.
Winding up	If a process of liquidation or winding up of the Company is initiated, the Warrantholder shall have the right to be treated as if it had, immediately prior to the date of such event, exercised its Cash-out Rights, with the payment date occurring immediately before the date of such event. Each Warrantholder is entitled to prove and / or vote in any such liquidation or winding up as a creditor to the Company for an amount equal to the net cash-out amount for each Warrant. Any outstanding Warrant shall lapse on liquidation of the Company.
Lapse on expiry	If on the last date of the Exercise Period any Warrants have not been exercised, and the net cash-out amount under the Warrant Deed remains outstanding, the Warrantholder is deemed to have delivered an exercise notice for exercise of its Cash-out Rights and for net settlement to apply.
Surrender	The Company shall accept the return / surrender of the Warrants at any time by any Warrantholder for any reason and without delay. Any Warrants surrendered will be cancelled forthwith and will not be available for re-issue or resale.

OPENPAY GROUP LTD I ACN 637 148 200

Proxy Voting Form

If you are attending the virtual Meeting
please retain this Proxy Voting Form
for online Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **10.30am (AEST) on Monday, 8 August 2022,** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: https://investor.automic.com.au/#/home Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise, if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.
Joint holding: Where the holding is in more than one name, all Shareholders should sign.
Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.
Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.
Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at https://automic.com.au.

Lodging your Proxy Voting Form:

Online:
Use your computer or smartphone to appoint a proxy at
https://investor.automic.com.au/#/loginsah
or scan the QR code below using your smartphone
Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.

BY MAIL:
Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:
Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:
meetings@automicgroup.com.au

BY FACSIMILE:
+61 2 8583 3040

All enquiries to Automic:

PHONE:
1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

VIRTUAL GM

FOR VIRTUAL PARTICIPATION AT THE GM:

The company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where shareholders will be able to watch, listen, and vote online.

To access the virtual meeting:

1. Open your internet browser and go to **investor.automic.com.au**
2. Login with your username and password or click "**register**" if you haven't already created an account. **Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting**

Further information on how to do this is set out in the Notice of Meeting. The Explanatory Notes that accompany and form part of the Notice of Meeting describe the various matters to be considered.

STEP 1: Appoint Your Proxy

COMPLETE AND RETURN THIS FORM AS INSTRUCTED ONLY IF YOU DO NOT VOTE ONLINE

I/We being a Shareholder entitled to attend and vote at the General Meeting of Openpay Group Limited, to be held as a Hybrid meeting at **10:30am (AEST) on Wednesday, 10 August 2022** at **Automic Group, Level 5, 126 Phillip Street, Sydney, NSW 2000** hereby:

Appoint the Chairman of the Meeting (Chair) OR if you are not appointing the Chairman of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the "for", "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

STEP 2: Your Voting Direction

	Resolutions	For	Against	Abstain
1.	Ratification of Prior Issue of Tranche 1 Placement Shares issued under Listing Rule 7.1			
2.	Ratification of Prior Issue of Tranche 1 Placement Shares issued under Listing Rule 7.1A			
3.	Approval of Issue of Tranche 2 Placement Shares to Non-Related Parties			
4.	Approval of Issue of Tranche 2 Placement Shares to Program Force Pty Ltd atf Meydan Family Trust No. 4 (or its nominee), an entity associated with Yaniv Meydan, a Director of the Company			
5.	Approval of Issue of Tranche 2 Placement Shares to Patrick Tuttle (or his nominee), a Director of the Company			
6.	Approval of Issue of SPP Shares			
7.	Ratification of Prior Issue of Warrants			

***Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.*

STEP 3: Sign Here + Contact Details

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name:

Email Address:

Contact Daytime Telephone

Date (DD/MM/YY)

/ /

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).

AUTOMIC

OPY