

## FY22 Highlights

**GMV 47% ↑**

GMV reaching NZ\$868 million.

**Customers 23% ↑**

Active customers reached 931,000.

**Income 45% ↑**

Reaching NZ\$47.1 million.

**Merchants 50% ↑**

Active merchants reached nearly 14,000.

## Laybuy releases audited financial statements.

This week Laybuy released its audited consolidated financial statements for FY22.

Laybuy Managing Director Gary Rohloff says despite the difficult economic conditions and negative sentiment surrounding the tech and growth stocks, the past year has seen Laybuy continue to deliver steady growth.

“Our GMV increased 47 percent while our revenue was up 45 percent. We added 175,000 new customers and we increased our active merchants by 50 percent,” says Gary.

“We have achieved profitability, excluding corporate overheads, in Australia and New Zealand, and we are continuing to grow in the UK.”

Gary says that despite this growth, the past year has been an extremely challenging one for Laybuy and its shareholders.

“Supply constraints, skill shortages, cost of living pressures, tightening monetary policy and increasing interest rates have all shaken investor confidence, and this has seen sentiment turn against growth and tech stocks, particularly in the BNPL sector.

“In addition, there has been a marked increase in fraudulent activity on e-commerce platforms and this has impacted many BNPL providers. As a result, our NTM has been negatively impacted by the higher than anticipated level of fraud. While we are pleased that it has improved in recent months, we know that we have more work to do.

“Despite the challenges and negative sentiment that exists towards the sector, we do remain confident in the sustainability of our business. We know the long-term growth forecasts are positive. But we also understand and share the pain of our shareholders.

“In the current environment, we have determined that the proper course of action is to further increase our focus on our pathway to profitability and this means taking additional measures to contain costs, improve efficiencies and invest in our fraud prevention toolkit.



“We are also progressing with our strategic review with the support of NOR Capital, who are assisting the Board to explore various strategic alternatives and capital raising options. These conversations are progressing and we are in active conversations with several parties.

“While no decisions have been made, and it is still too early to know what the outcomes of this review might be, the review might see investment by a new partner, or the sale or partial sale of part of the business. This would allow new capital to be injected and support our pathway to profitability.”

Gary says while he remains confident in the strategic direction of Laybuy, it is important that the company remains flexible so that it can respond quickly and strategically to a changing environment.

“By acting prudently now, we will maximise the opportunities presented by the long-term growth prospects. In considering the options available, the Board is committed to always working in the best interests of all shareholders so that Laybuy can emerge through the current headwinds as a stronger company.”

## **New report shows BNPL forecast to continue growing strongly.**

A new report by data firm GlobalData indicates the value of global payments by BNPL will grow 380 percent by 2026.

In their report *Buy Now Pay Later – Thematic Research*, GlobalData has found the global transaction value of BNPL payments reached US\$120 billion in 2021, and is set to reach US\$576 billion by 2026.

BNPL is currently estimated to make up 2.3% of the global ecommerce market and some reports project it will reach 5.3% of global transaction value as early as 2025.

This would make BNPL one of the fastest growing payment methods globally while other payment methods, including credit cards, debit cards, bank transfers and prepaid cards, are all expected to fall.

GlobalData’s report acknowledges the sector will be subject to increasing competition as new players are likely to enter the market, including Apple who recently announced the launch of Apple Pay Later in the United States.

Laybuy Chief Operating Officer Phillip Finnegan says Laybuy welcomes the increased competition and sees Apple’s move into the sector as further proof of BNPL’s huge growth potential as consumers increasingly shift away from credit cards.

“Apple Pay will undoubtedly bring added global competition to the sector but this can only be a good thing. Competition drives improved service and innovation, which will ultimately deliver better outcomes for consumers,” says Phillip.

“While Apple’s move into the sector has generated a lot of headlines, these have likely overhyped the impact on the sector. Just like the launch of Apple TV has not seriously impacted streaming services, we don’t expect to see a major impact from the launch of Apple Pay Later.

“We know that there will be growing competition within the BNPL sector as increasing numbers of companies look to take advantage of the forecast growth. We are prepared for this and will continue to grow our market share by doing what we do best – leveraging our competitive advantage and by being better than our competitors.”

## **UK move to strengthen regulatory framework welcomed.**

Last week’s announcement by the UK Government outlining its plans to regulate the BNPL sector has been welcomed as an important step that will help protect vulnerable consumers.

Under the proposals, BNPL providers will be required to carry out affordability checks to ensure loans are affordable for consumers. Financial promotion rules will be amended to ensure BNPL advertisements are fair, clear and not misleading.

Providers will also need to be approved by the Financial Conduct Authority and borrowers will be



able to take a complaint to the Financial Ombudsman Service.

The release of the proposals follows the Woolard Review, which identified a potential risk of harm from an unregulated sector, and a subsequent discussion document that had sought stakeholder feedback on the scope of future regulation.

In introducing the proposals, Economic Secretary to the Treasury John Glen said that Buy Now Pay Later can be a helpful way to manage finances but that there was a need to ensure people can embrace new products with appropriate protections in place.

Laybuy's Chief Risk Officer Jamie Byles says Laybuy has long advocated for a proportionate regulatory framework that protects vulnerable consumers, supports retailers and sets high standards across the industry.

"The plans announced in the UK are a step in the right direction. We strongly believe that no one should take on a debt that they cannot afford. That is why we have always undertaken a credit and affordability check of every new customer," says Jamie.

"We do know that we have more work to do to prepare for a strengthened regulatory framework, but we believe we are well positioned for the changes announced in the UK given we already credit check, cap late fees and have a robust hardship policy.

"We will continue to work closely with regulators as they now focus on the drafting of legislation, which is expected to be released for consultation towards the end of the year."

The Government anticipates laying secondary legislation in mid-2023, which will confirm the scope and framework of the new regulatory regime. This will then enable the Financial Conduct Authority to consult on its approach to the new regime.

The Government has also indicated that it will also consider a transitional regime for bringing firms into regulation to ensure it runs smoothly and that firms are given sufficient time to acclimatise to the new regulatory framework.

Jamie says it is likely that governments around the world will be looking to strengthen regulation given the growing popularity of BNPL as a payment method.

"We aspire to be a global leader in the provision of responsible credit, which is why we strongly support the introduction of minimum standards for the BNPL sector," says Jamie.

"We will continue to advocate for a proportionate regulatory framework that protects vulnerable consumers but also allows shoppers to continue to take advantage of the benefits of BNPL.

"We think the UK has struck the right balance and this should serve as a useful model for other countries looking at regulation, including New Zealand and Australia."