afterpay

LOVE THE WAY YOU PAY
CEO AND CRO PRESENTATION
Annual General Meeting
Wednesday 13 November 2019
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We are empowering a generational movement away from traditional credit products. Millennials prefer debit cards and want to spend their own money.

Providing merchants with a channel to the world’s best customers.

It works and evokes a feeling.

NOTE: 1. NET PROMOTER SCORE – INDUSTRY STANDARD SURVEY THAT MEASURES HOW LIKELY CUSTOMERS ARE TO RECOMMEND AFTERPAY
PURPOSEFULLY DIFFERENT TO TRADITIONAL FINANCE AND OTHER BNPL

FOCUSED
On customer lifestyle spending and the brands they love

NO CHANNEL CONFLICT
We don’t compete with our merchants or use our platform to sell finance products

DATA DRIVEN INSIGHTS
We know more about millennial spending behaviour – at scale

GLOBAL PLATFORM
Largest portfolio of globally recognised merchant brands

MOVE THE NEEDLE
Our platform and capabilities drive outcomes for merchants

DEEP DATA + RISK MANAGEMENT CAPABILITY
Proprietary technology and systems, alternate and multi-dimensional data sources, highly skilled global team
UNWAVERING FOCUS ON CUSTOMER TRUST, SIMPLICITY AND TRANSPARENCY

1. Discrete low value transactions
2. Free on-time payments
3. No revolving debt
4. No line of credit
5. No traps

MATCHED BY A BUSINESS MODEL THAT BENEFITS FROM GOOD CUSTOMERS

1. Merchant pays for the service
2. Late payments result in immediate suspension
3. Only customers who pay on-time can repeat purchase
4. High customer return rate results in lower losses and more valuable merchant fees
5. Curating high quality customer base most coveted by our merchant partners
6. Short duration receivables lowers portfolio risk and is balance sheet light (frequency economics versus revolve economics)
NOTE: 1. AS AT 31 OCTOBER 2019

PLATFORM DRIVES SHARED VALUE

MORE THAN JUST A TRANSACTION ENGINE

Connecting the hardest to reach consumers with the brands and services they love

10m+
Lead referrals globally in October

6.1m
CUSTOMERS
today¹ and growing

5m+
Afterpay App downloads globally¹

NEARLY
40,000
MERCHANTS
today¹ and growing

MILLENNIAL + GEN Z
focused but demographic base is broadening.
Average age 34

>95%
GMV from returning customers in Australia and New Zealand

AFTERPAY HAS BECOME A LIFESTYLE

Expanding strongly into travel, health, wellness and experiences
MOMENTUM IN FY20 IS BUILDING...

IN ALL KEY AREAS:

1. MERCHANTS
   - Portfolio and pipeline

2. CUSTOMERS
   - Growth, quality, and frequency

3. PLATFORM + PARTNERSHIPS
   - Scaling marketing channel

4. PERFORMANCE
   - Underlying sales and margins

5. CAPABILITY
   - Team, governance, strategic capital
Nearly 40k active merchants globally, almost double 12 months ago

SMB acquisition remains strong, supporting blended merchant margins in all markets

SMB now represents >90% of all active merchants
CUSTOMER GROWTH AND FREQUENCY ACCELERATING

OVER 6 MILLION ACTIVE CUSTOMERS AT THE END OF OCTOBER

ON AVERAGE, OVER

15,000 new customers joined the platform per day in October, representing the largest customer acquisition month on record.

AFTERPAY ACTIVE CUSTOMERS¹

MILLIONS

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+137% on 31-OCT-19

¹ DEFINED AS HAVING TRANSACTED AT LEAST ONCE IN THE LAST 12 MONTHS.

NOTE: CHANGE CALCULATIONS MAY NOT EQUATE DUE TO ROUNDING.
ANZ ILLUSTRATING WHAT WE CAN ACHIEVE GLOBALLY

4 years old
Network driven growth keeps building strongly
Broadening customer demographics
Omni-channel
Marketing platform to serve merchants (events + channel marketing)
High and growing transaction frequency
Vertical expansion
Low transaction losses that continue to decline

~29.0k
In-store shopfronts (up from 23.6k in June 2019)

23%
GMV from In-store (up from 18% in FY19)

>95%
GMV from returning customers

17%
Of Australian purchasing population have used Afterpay

ANZ CUSTOMER COHORT PURCHASING FREQUENCY OVER TIME

NOTE: 1. AUSTRALIAN BUREAU OF STATISTICS (2019)
PARTNERSHIP

- Australia’s largest online marketplace
- more than 40,000 retailers
- 11 million unique Aussie visitors a month
- Afterpay’s largest online arrangement in Australia
- Shared commitment to deliver value to merchants
GLOBAL EXPANSION
(UK + US)
OUR PAST 18 MONTHS

As an Australian founded business we scaled our business globally by launching in the US 18 months ago and UK 6 months ago.

Our performance so far:

- Daily customer acquisition is accelerating
- Frequency is increasing
- Share of cart is growing
- Merchant onboarding is accelerating
- Customer referrals from our shop directory are growing strongly and creating real value

Some of the most coveted global brands have chosen to join the Afterpay platform and the pipeline remains strong:

- ULTA
- M&S
- THE HUT
- Madewell

We are live with US and UK retailers with addressable GMV equal to over three quarters of the total online retail market in Australia.

Approximately half (3m) of our customers are outside ANZ.
MOMENTUM CONTINUES IN THE US

LEADING US AND GLOBALLY RELEVANT BRANDS CONTINUE TO JOIN OUR PLATFORM
9.0k+ active or currently integrating merchants

GROWTH IS ACCELERATING

2.6m active customers\(^1\) up 51% from the end of June 2019

Over 9,000 new customers acquired per day, on average, in October

Underlying sales of $0.7bn, October FYTD

FREQUENCY TRENDS ARE POSITIVE EARLY IN LIFECYCLE

FY18 and FY19 customer cohorts transacting at 11x and 4x per year respectively

RECORD LEAD REFERRALS

>5m lead referrals in October, contributing more than half the total global referrals on the Afterpay platform

MARGINS

Merchant revenue margin and Gross Loss experience is ahead of FY19 YTD

NOTE: 1. AT 31 OCTOBER 19
UK EXPANSION DELIVERING SOLID RESULTS

RESONATING WITH KEY UK RETAILERS

Merchant revenue margin and loss performance improving since launch

MARGINS

PLATFORM GROWTH ABOVE EXPECTATIONS

Over $100m of underlying sales October YTD
Excludes contribution from recent merchant additions such as M&S
Over 400k active customers, higher than US at the equivalent stage of lifecycle

CLEARPAY APP LAUNCHED

Successful launch of the Clearpay app in October
Already meaningful lead generation with over 0.5m referrals across the Clearpay website and app in October

NOTE: 1. AT 31 OCTOBER 19
STRATEGIC PARTNERSHIP

Afterpay and MasterCard have entered into a strategic partnership in the Australian market to help scale Afterpay’s business and deliver services to merchants with more efficiency and flexibility.

Follows partnership with Visa in US, announced August 2019

PLATFORM

Lead Growth – 10.3m referrals globally in October, delivering data insights and outcomes

Variable payment upfront – ~23,000 merchants globally enabled so far and seeing incremental volume

Cross border – 1,500 merchants now live in ANZ

Persistent login – 945k consumers enabled, creating a seamless, faster experience

PRODUCT INNOVATION
Underlying sales of $2.7b in 4-months to October, up 110% on pcp

October represented a record month of underlying sales, annualised run rate in excess of $8.5b globally

Unaudited year to date Group Gross Loss, Net Transaction Loss (NTL) and Net Transaction Margin (NTM) remain in-line with FY19, notwithstanding higher contribution from newer, higher loss international markets
Capital management activities undertaken in FY19 directed towards underwriting mid-term plan in existing markets (ANZ, US, UK)

$200m private placement to Coatue (1 year escrow)

Investment targeted to global platform expansion opportunities beyond mid-term plan deliverables

Coatue is one of the world's largest technology investment firms (US$17b+ AUM)

Pre-existing Afterpay shareholder and largest institutional shareholder post placement

Coatue is built on data science and Afterpay proposes to benefit through a collaboration agreement (retail data analytics and future data driven products)
REGULATORY UPDATE (Australia)

SENATE SELECT COMMITTEE ON FINANCIAL TECHNOLOGY
Welcome the Government’s support for the sector

CODE OF PRACTICE
Supportive participant, working with the industry

SURCHARGING
We are pro-consumer in our approach
Afterpay is more than a payment system
- Lead referrals
- Marketing channel
- Platform delivering shared value

AUSTRAC
Commitment to ensure our AML/CTF compliance is robust
Final independent audit report on track to be delivered later this month
THANK YOU

afterpay

LOVE THE WAY YOU PAY