

7 June 2019

Mr Dean Litis  
Principal Adviser, Listings Compliance  
ASX Compliance Pty Ltd  
Level 4, North Tower, Rialto Towers, 525 Collins Street  
Melbourne VIC 3000

Dear Mr Litis

**Afterpay Touch Group Limited (APT) – Press release information query**

APT refers to your letter of 6 June 2019 regarding our news release dated 5 June 2019 (the **Press Release**) and our "Business Update" announcement which was released to ASX on the morning of 6 June 2019 (the **Business Update**).

Your letter refers specifically to information contained in the Business Update, to the effect that since launching in the United States just over a year ago, APT had reached 1.5 million active US customers, who can now use the service when shopping at more than 3,300 active merchants as at the end of May 2019 (defined as the **Information**).

APT is pleased to provide the following responses in relation to your letter.

1. *Does APT consider the Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?*

No.

2. *If the answer to question 1 is "no", please advise the basis for that view, including why APT is of the view that the Information is not materially different to the US February 2019 Numbers.*

In our view, the Information would not have a material effect on the price or value of APT shares because it simply reflects the expected growth in customer and merchant numbers in the US based on numbers and growth rates that were announced to ASX in January and February this year. Afterpay is a fast-growing business in the US, and a certain level of growth is expected by the market. The market would expect that, by the end of May 2019, customer and merchant numbers in the US would be materially different from the corresponding numbers as at the end of February 2019. The following analysis sets out the reasons for this conclusion.

*January 2019 ASX announcement*

On 18 January 2019 APT released an announcement titled "Business Developments". This disclosed that as at 31 December 2018:

- 650,000 new customers had been acquired in the US business in the preceding 6 months, and
- there were 1,400 merchants on the platform in the US, with a total of 2,200 US merchants signed up or in the process of integration.

### *February 2019 ASX announcement*

On 26 February 2019, APT released its half year results presentation, which further disclosed that:

- there were 900,000 US customers as at 22 February (an increase of 250,000 in less than 2 months since the 31 December 2018 number, or around 140,000 per full month),
- customer growth rates on a global basis were increasing (that is, the monthly increase in customer numbers was itself accelerating), and
- there were over 1,900 active merchants in the US with another 900 or so in the process of integrating.

### *Implied growth rates from prior ASX announcements*

Looking first at US customer numbers: from a baseline of 900,000 as at 22 February and a growth rate of 140,000 customers per month, if there were no increase in growth rates then the market would expect there to be around 1.4 million US customers by the time of the 5 June Press Release (around 3.5 months of growth since the 22 February customer number). A figure of 1.5 million US customers is not materially different from this extrapolation and would be well within market expectations given previous announcements regarding accelerating growth rates.

Looking at US merchant numbers: the February ASX announcement already disclosed that there were over 1,900 active merchants with another 900 being integrated, for a total at that time of around 2,800. Noting the addition of around 500 merchants in less than 2 months between 31 December and 22 February that was disclosed in the February announcement, a total of around 3,300 active US merchants (with more in the pipeline) at the end of May 2019 would be expected as a natural consequence of the previously announced pipeline and growth rates.

### *Conclusions on materiality*

The above extrapolations using recently announced customer and merchant numbers and observed growth rates would lead the market to expect that there would be the customer and merchant numbers as disclosed in the Information. On this basis, APT did not consider that the Information needed to be immediately disclosed to ASX under Listing Rule 3.1. Any other interpretation of the materiality of the Information could lead to a conclusion that a fast-growing business like Afterpay would have to make very frequent announcements about ordinary, business-as-usual operations.

There could have been a range of other factors and alternative explanations for the increase in APT's share price on 5 June, including:

- the cut in official interest rates in Australia on the afternoon of Tuesday 4 June, leading to an expectation in the market of improved consumer confidence which traditionally benefits retailers and businesses like Afterpay that provide services to retailers. For example, the Zip Co share price (ASX:Z1P) closed up over 6% and the Splitit Payments share price (ASX:SPT) closed up over 8% on 5 June.
- the fact that even after the price increase on 5 June the APT share price was still below where it had been just a week earlier. APT is a volatile stock, and its price movements often involve short term (sometimes sharp) retracing of recent increases or decreases.

3. *Was the Press Release reviewed by the Company Secretary (either alone or in consultation with APT senior executives and/or external advisers) to determine whether the information was required to be disclosed in accordance with the APT Continuous Disclosure Policy?*

Yes. The Press Release was reviewed by the Company Secretary in consultation with senior executives and external legal advisers in accordance with APT's Continuous Disclosure Policy and as part of APT's Continuous Disclosure Committee. The Press Release contained no financial information.

4. *If the answer to question 3 is "no", please advise why not?*

Not applicable.

5. *What arrangements does APT have in place to ensure compliance with Listing Rule 15.7?*

As referred above in response to question 3, APT has a Continuous Disclosure Committee (**CDC**) which is comprised of the Company Secretary (who has certain specific responsibilities in respect of ASX disclosure in accordance with APT's Continuous Disclosure Policy) and other senior executives. The aim of the CDC is to be able to quickly convene and make decisions on disclosure issues without delay, and to have the benefit of the knowledge of the most senior executives in the Group.

In this instance, the Press Release was considered in the context of APT's ASX disclosure obligations (including Listing Rule 15.7) before it was posted on the Company's website. The review was undertaken by the CDC comprising the Company Secretary, Group Head David Hancock and Chief Financial Officer Luke Bortoli, and with the advice of external legal advisers.

6. *If the current arrangements are inadequate or not being enforced, what additional steps does APT intend to take to ensure compliance with Listing Rule 15.7?*

APT considers that its current arrangements and CDC is operating in an effective and efficient manner, and in accordance with the Company's Continuous Disclosure Policy.

7. *Please confirm that APT's responses to the above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of APT with delegated authority from the board to respond to ASX on disclosure matters.*

I confirm that these responses have been authorised under APT's Continuous Disclosure Policy and approved by the Continuous Disclosure Committee.

Please feel free to contact me if you would like to discuss these responses further.

Yours sincerely



Christopher Stevens  
General Counsel & Company Secretary  
Afterpay Touch Group Limited



6 June 2019

Reference: ODIN03180

Mr Christopher Stevens  
Company Secretary & General Counsel  
Afterpay Touch Group Limited  
Level 5, 406 Collins Street  
Melbourne VIC 3000

By email: christopher.stevens@afterpay.com.au

Dear Mr Stevens

**Afterpay Touch Group Limited ('APT'): Press release information query**

ASX refers to the following:

- A. APT's announcement entitled '*Business Update*' released on ASX on 6 June 2019 (the 'Announcement') in which APT disclosed, among other things, under the heading 'US Market Update' that since launching in the United States just over a year ago, APT had reached 1.5 million active US customers, who can now use the service when shopping at more than 3,300 active merchants as at the end of May 2019 (the 'Information').
- B. APT's news release appearing on its website dated 5 June 2019 under the headline '*Afterpay Launches New Partnerships with Levi's, Ray-Ban, O'Neill and Tarte Cosmetics to Provide Payment Flexibility*' with the sub-headline: 'Company Reaches 1.5 Million Customers and 3,300 Retail Partners in US Just One Year After Launch' (the 'Press Release') which was first reported on various newswires from approximately 1:10pm (AEST) reportedly following a speaking engagement by Mr Nicholas Molnar, APT CEO, at the WWD Beauty Conference in New York.
- C. The information contained in the Press Release included disclosure which is materially identical to the Information in the Announcement.
- D. APT's share price on 5 June 2019 which opened at \$23.03 and reached a high of \$24.57 at approximately 1:32pm (AEST) before closing at \$23.90.
- E. APT's announcement entitled "*H1 FY19 Financial Results and Further Business Developments*" released on ASX on 26 February 2019 in which APT disclosed, among other things, in relation to the US business operations:
  - *Adoption in the US remains above expectations with Afterpay on track to reach over 1 million active customers and 2,000 active merchants within 11 months of operations*
  - *As at today, active customers in the US have increased by approximately 260,000 or 40% since 31 December 2018 level*
  - *Similarly, the merchant base continues to expand with over 1,900 active merchants as at today, up from 1,400 at 31 December 2018*

(together, the 'US February 2019 Numbers').

F. Listing Rule 3.1 which states:

*“Once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities, the entity must immediately tell ASX that information”*

G. Listing Rule 15.7 which states:

*“An entity must not release information that is for release to the market to any person until it has given the information to ASX and has received an acknowledgment that ASX has released information to the market.”*

H. Section 3.2 of APT’s Continuous Disclosure Policy available on its website, which states:

*“Any information concerning the Company which would, or would be likely to, influence investors in deciding whether to acquire or sell the Company securities (material price sensitive information) must be disclosed to the ASX in accordance with this Policy.”*

*The Company Secretary is responsible for determining what information is to be disclosed. Where there is doubt as to whether certain information should be disclosed, the Company Secretary will discuss the issue with senior executives, and if necessary, seek external advice.”*

Section 3.2 of the Policy also provides a guide as to the type of information that is likely to be disclosed, including:

- (k) significant developments in regard to new projects or ventures; and*
- (l) major new contracts, orders, or changes in suppliers or customers.*

Listing Rule 15.7 requires that a listed entity not release information which is for release to the market to any person (including the media, even on an embargoed basis) until it has given the information to ASX and received an acknowledgment that ASX has released it to the market.

As the Information has appeared in the Press Release prior to the Announcement being released to ASX, it appears that APT may have breached Listing Rules 3.1 and/or 15.7.

### **Request for Information**

Having regard to the above, ASX asks APT to respond separately to each of the following questions and requests for information:

1. Does APT consider the Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view, including why APT is of the view that the Information is not materially different to the US February 2019 Numbers.
3. Was the Press Release reviewed by the Company Secretary (either alone or in consultation with APT senior executives and/or external advisers) to determine whether the information was required to be disclosed in accordance with the APT Continuous Disclosure Policy?
4. If the answer to question 3 is “no”, please advise why not?
5. What arrangements does APT have in place to ensure compliance with Listing Rule 15.7?
6. If the current arrangements are inadequate or not being enforced, what additional steps does APT intend to take to ensure compliance with Listing Rule 15.7?

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7. Please confirm that APT's responses to the above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of APT with delegated authority from the board to respond to ASX on disclosure matters.

### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEST Tuesday, 11 June 2019**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, APT's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph and may require APT to request a trading halt immediately.

### **Trading Halt**

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [ListingsComplianceMelbourne@asx.com.au](mailto:ListingsComplianceMelbourne@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to APT's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that APT's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Suspension**

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in APT's securities under Listing Rule 17.3.

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**Enquiries**

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

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**Dean Litis**

Principal Adviser, Listings Compliance (Melbourne)