

**AFTERPAY TOUCH GROUP LIMITED
(ASX: APT)**

ASX Announcement

21 October 2019

Response to Recent Media Commentary

Afterpay Touch Group Limited (**ASX: APT**) (“**Afterpay**” or “**Company**”) is aware of recent media and an analyst report commenting on possible regulatory developments following the Reserve Bank of Australia’s (RBA) 2020 review of payments regulation, including “surcharging” practices in Australia.

Afterpay is not currently subject to an RBA inquiry or review process. We welcome the opportunity to engage with the RBA as part of its broad based, periodic review of the payments industry next year.

The Afterpay platform delivers value to merchants and customers that extends far beyond the payment processing aspects of a transaction:

- Afterpay’s business model provides a highly customer centric service that is based on trust, loyalty and responsible spending habits. This approach is developing a high-quality and frequently returning customer base, with low outstanding balances and industry leading loss rates.
- Contrary to traditional credit models, Afterpay is a free service for customers who pay on time. Afterpay generates the majority of its revenue from merchants who choose to provide Afterpay as a service, rather than merely a form of payment.
- Merchants who offer the Afterpay service derive material value through the Afterpay digital platform:
 - Afterpay is a marketing channel to millions of hard to reach core millennial and Gen Z consumers.
 - Afterpay directs millions of leads per month to many thousands of small to medium businesses (approximately 30,000 in Australia).
 - Afterpay promotes and participates in retail events on behalf of its merchant partners and provides data insights that improve the ability of merchants to reach and interact with their existing and newly referred customers.
 - In addition to growing new customers, facilitating higher conversions and average order values, Afterpay guarantees upfront payment to all of its merchants and covers all fraud and non-payment related risks.
- Afterpay is a service that sits above the existing payments infrastructure. The Company pays card scheme related processing costs as part of delivering its service.
- Afterpay is not a ubiquitous service available for every transaction. For example, we don’t make our service available for everyday items such as groceries or petrol.
- Merchants employ a number of paid strategies to reach customers (e.g. affiliate leads, paid search, advertising) and deliver great customer experiences (e.g. free shipping and returns) to grow their businesses. We are proud that Afterpay has brought new innovation to many merchant sectors.

It is also relevant to highlight the following points in relation to the current Australian payments system regime:

- It is our understanding that legislative and/or policy change would be required for the “Buy Now Pay Later” sector to be brought under specific payment system regulation.
- The BNPL sector makes up a relatively small part of the payment landscape accounting for less than 2% of all transactions in the economy, compared to over 40% through credit transactions.
- The BNPL sector is competitive and consists of multiple players with different products and services.
- Australia is one of very few OECD countries where surcharging fees are permissible and subject to regulation. Since January 2018, surcharging fees have been banned for retail credit and debit card transactions across all member states of the European Union including the UK. Similar bans apply in a number of states in the US.
- Notwithstanding legislation which allows merchants to surcharge card transactions in Australia today, very few choose to do so, as it is generally perceived negatively by consumers:
 - The RBA’s most recent triennial Consumer Payments Survey (2016) indicated that less than 2% of all payments in Australia in 2016 incurred a surcharge and around 3.5% of all card payments in Australia incurred a surcharge.

We look forward to our continued engagement with the RBA and other relevant stakeholders.

ENDS

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About Afterpay Touch Group

Afterpay Touch Group (APT) is a global technology-driven payments company with a mission to be ‘the world’s most loved way to pay’. APT comprises the Afterpay and Pay Now (Touch) services and businesses. Afterpay is driving retail innovation by allowing leading retailers to offer a ‘buy now, receive now, pay later’ service that does not require customers to enter into a traditional loan or pay any upfront fees or interest. As of August 23, 2019, Afterpay’s 5.2 million active customers make purchases using Afterpay services and approximately 35,300 active retailers have been on-boarded to the Afterpay platform. Pay Now comprises innovative digital payment businesses servicing major consumer-facing organizations in the telecommunications, health and convenience retail sectors in Australia.