

AFTERPAY HOLDINGS LIMITED

(ASX: AFY)

ASX Announcement

31 May 2017

Business and Funding Facility Update

Afterpay Holdings Limited (Afterpay or the Company) is pleased to announce a number of significant recent business developments:

- Underlying retail sales are estimated to be approximately \$165m for the two months ending 31 May 2017 (unaudited), already significantly surpassing Q3 FY17 underlying sales. **Annualised underlying sales estimated to be greater than \$1 billion based on recent monthly trading performance**
- Growth is accelerating with the recent on-boarding of enterprise scale retailers (such as Myer, Premier Investments, Big W and Officeworks) and Afterpay's continued rapid penetration of the SMB market. There are now **over 5,000 retailers live on the platform** (up over 35% in the two-month period since the end of Q3 FY17)
- NAB committed **Receivables Funding Facility up-scaled from \$40m to \$200m on improved pricing terms**, providing substantial scope for continued rapid expansion
- Currently **more than 700,000 unique end-customers** on the Afterpay platform (growing by an average of more than 2,500 customers per calendar day since the end of Q3 FY17)
- 'In-store' growth and demand remains very strong and Afterpay's omni-channel retail value proposition further enhanced with recent release of the instantly popular Afterpay 'app'
- International expansion strategy commences with agreement with New Zealand's largest e-commerce player – TRADE ME (ASX:TME)
- Afterpay awarded '**FinTech Organisation of the Year**' at the FinTech Australia National Awards
- Merger with Touchcorp remains on-track and executive teams working well in preparation

Growth Continues

Afterpay continues to experience rapid growth in the number of both retail partners and customers. Total underlying retail merchant sales through the Afterpay platform since inception is approximately \$500 million, including \$165 million expected to be achieved in the two months of April and May FY17.

Based on recent monthly sales through the Afterpay platform, annualised underlying sales is estimated to be greater than \$1 billion.

More importantly, we are continuing to make a positive difference to our customers (now over 700,000) and retail partners. All observable metrics and retailer feedback in relation to Afterpay customer conversion, Afterpay customer repeat purchases, retail check-out penetration, increase in average order values and incremental retail sales indicates that our value proposition to our key stakeholders is significant and improving with scale.

Afterpay's Revenue Margins, Net Transaction Loss and Net Transaction Margin performance on a financial year to date basis has remained robust and in-line with the Company's expectations.

The pipeline of integrating retailers for both Afterpay online and in-store applications remains strong. We expect our developing partnerships with Tyro, BigCommerce, TRADE ME and others to progressively and materially contribute to further underlying sales growth during the second half of the 2017 calendar year.

The Afterpay 'app' for iPhone and iPad users was launched in mid-May 2017 and rose to number one on the App Store within 48 hours of announcing the launch to Afterpay's customer base. The Android version will be released shortly. Afterpay is strongly committed to developing the in-store opportunity across all product categories and we maintain a full pipeline of integrating retailers.

National Australia Bank Receivables Funding Facility Increase

In November 2016, Afterpay announced its agreement with the National Australia Bank (NAB) to fund a Secured Receivables Funding Facility. This funding facility commenced operation in December 2016 and provides Afterpay with a structurally efficient and low transaction cost model to support Afterpay's strong growth profile.

NAB committed facilities have now been increased from \$40m to \$200m on improved pricing terms.

The increase in committed facilities by NAB will allow Afterpay to maintain further rapid growth in underlying sales, utilising Afterpay's existing equity base. Afterpay has a strong balance sheet with over \$70m of net assets as at 31 December 2016.

Afterpay maintains an efficient capital model, underpinned by a short duration receivables book at any point in time. The weighted average duration of Afterpay's customer receivables book remains less than 30 calendar days and this is expected to continue. Consequently, Afterpay can conservatively support a receivables book of more than twelve times the value of its combined equity and debt capital base. This implies that current committed facilities will support well over \$2.5b of annualised underlying sales in Australia.

Afterpay wins the FinTech Organisation of the Year at the 'FINNIES'

The 'FINNIES' which were set up to recognise champion leaders of fintech in Australia, awarded Afterpay as the 'FinTech Organisation of the Year', crediting the platform for its revolutionary approach to payment technology that allows customers to buy now, receive now and pay later.

We were honoured to be acknowledged by the industry for our contribution to date - it is a testament to the hard work and talents of the Afterpay team. Afterpay continues to attract and retain leading talent to support its future growth ambitions.

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About Afterpay:

Founded in 2014 and listed on the Australian Securities Exchange in May 2016, Afterpay is a leading Australian retail payments innovator that facilitates commerce between retail merchants and their end-customers. Afterpay offers a 'buy now, receive now, pay later' service that does not require end-customers to enter into a traditional loan or pay any upfront fees or interest to Afterpay. Afterpay currently has over 700,000 customers and over 5,000 retail merchants.

For more information, visit www.afterpay.com.au.