



AFTERPAY TOUCH GROUP LIMITED
(ASX: APT)

ASX Announcement

18 October 2017

Afterpay Touch Group Limited (ASX:APT) (**Afterpay Touch Group** or the **Company**) is pleased to provide a business update for the three month period ended 30 September 2017 (Q1 FY18):

The Afterpay Business Continues to Build Momentum

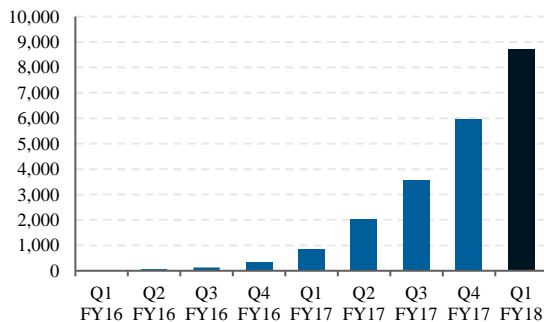
- Strong underlying growth and performance continued in Q1 FY18. Key metrics (unaudited) include:
 - Underlying quarterly sales of \$367m (up from \$271m in Q4 FY17)
 - Strong underlying sales growth in the quarter reflects mainly Afterpay system expansion given the generally / seasonally weak retail industry performance during the periodⁱ
 - Underlying annualised sales are now tracking in excess of \$1.5 billion based on recent monthly performance
 - Over 8,600 merchants now on-boarded (up from approximately 6,000 at 30 June 2017)
 - Merchant on-boarding rate has accelerated over the period as higher margin SMB's continue to represent an increasing proportion of sales mix
 - Currently over 1.1m customers (up from 841k at 30 June 2017):
 - New customers continue to grow on average by more than 3,000 per day
 - More importantly, repeat transactions per month are well over 80% and continue to increase
 - Net Transaction Margin broadly in line with FY17 performance on a year to date basis, albeit we expect there to be some seasonal variances over future quarters
 - We continue to invest strongly in the Afterpay growth agenda which is becoming increasingly apparent. While there is now a larger cost base as a result of the merger, we are focused on progressively extracting merger synergies but at the same time adding resources and infrastructure capabilities to underpin growth opportunities

- Significant development of partnership and platform initiatives in Q1 FY18 are expected to enhance Afterpay's future growth and profitability profile:
 - Additional major brands such as *Target*, *Luxottica* and *Petbarn* have been recently contracted. More are expected to be announced in Q2 FY18
 - Afterpay in New Zealand has now launched and momentum is building:
 - In addition to our Trade Me integration, key New Zealand brands such as *Overland*, *Kathmandu*, *Smith & Caugheys* and *Fishpond* have recently integrated or are in the process of on-boarding their online businesses
 - Post the signing of a term sheet, an initial \$20m stand-alone New Zealand receivables funding facility is also progressing towards finalisation with a major New Zealand domestic bank
 - We continue to receive approaches to grow the Company offshore. Other geographic expansion opportunities continue to be actively assessed
 - The Afterpay Australian in-store opportunity is very significant and major existing brands are continuing to roll-out Afterpay to their in-store networks:
 - We are confident that Afterpay's in-store footprint will at least triple in size from the end of Q4 FY17 to well over 4,000 shop fronts before the Christmas trading period
 - The Afterpay "App" continues to be rapidly adopted with more than 500k downloads since its release earlier in the year
 - Afterpay's entry into the travel sector commenced with the launch of a pilot programme with Jetstar, which is part of the Qantas Group. Customer feedback has been very positive and we are pleased with the initial results. Opportunities to expand the pilot in Q2 FY18 are currently being investigated
 - New retail industry partnerships and activations continue to be a focus and illustrate the strength of our growing customer base and assets:
 - "Afterpay Day" on 30 August 2017 was lauded by many of our key retailer partners as one of the biggest online sales days in their history
 - Afterpay has recently teamed up with Australia Post to collaborate on launching "Shipster", an innovative unlimited online shopping delivery subscription service
 - Our focus on customer satisfaction and promoting responsible customer behaviour is unwavering. Customer engagement and advocacy continues to be very strong and we continue to introduce enhancements to maintain a high and industry leading standard

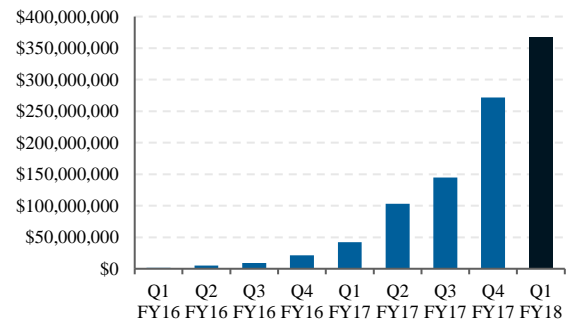
- We continue to invest strongly in transaction integrity and data analytics and our ability to add value to the retail economy is expanding through our growing capabilities, customer insights and multiple customer touchpoints. We estimate that Afterpay is now one of the largest generators of online qualified leads to Australian retailersⁱⁱ

Operating Metric	% Increase (unaudited)
Number of integrated retail merchants <i>(increase from end Q4 FY17 to end Q1 FY18)</i>	45%
Underlying merchant sales <i>(Q1 FY18 total versus Q4 FY17 total)</i>	35%
Afterpay merchant fees <i>(Q1 FY18 total versus Q4 FY17 total)</i>	36%
Unique Afterpay end-customers <i>(Q1 FY18 total versus Q4 FY17 total)</i>	34%

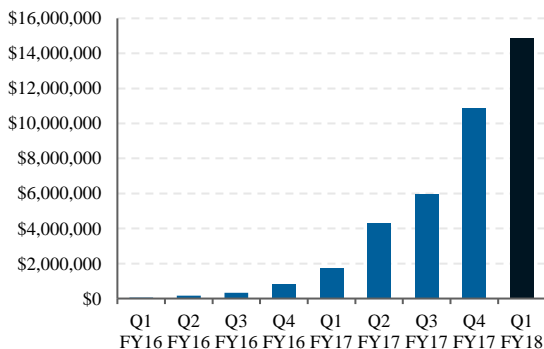
Integrated retail merchants



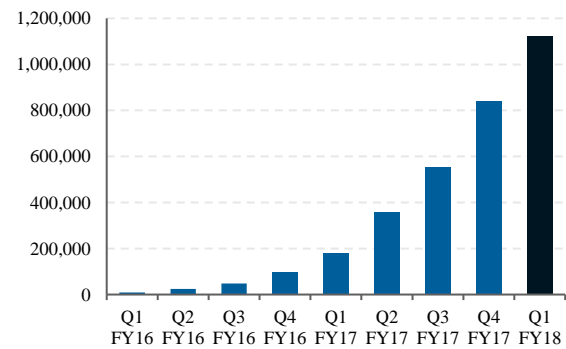
Underlying quarterly merchant sales



Afterpay quarterly merchant fees



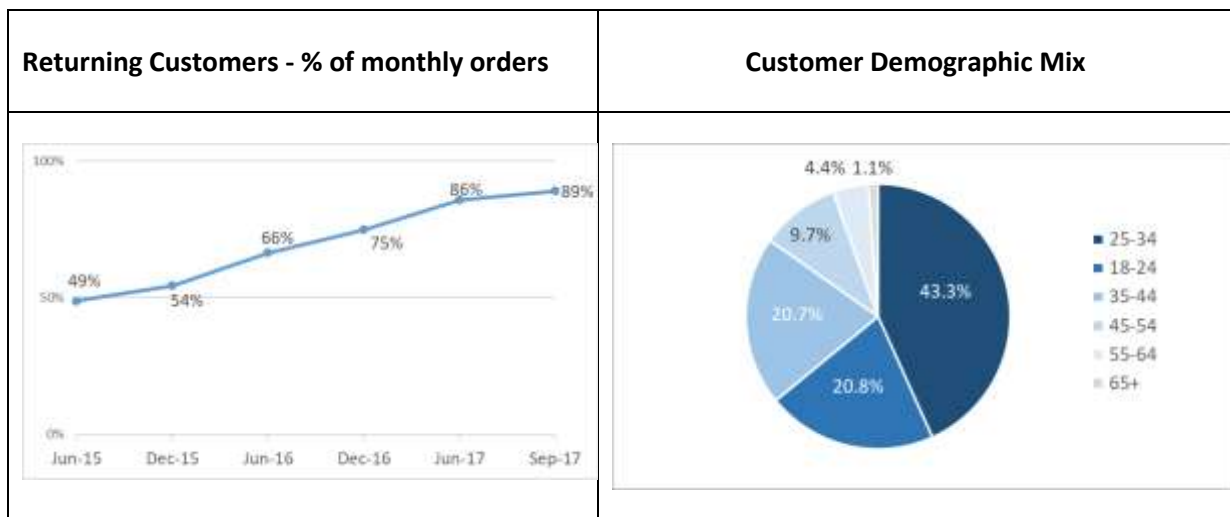
Unique Afterpay end-customers



Customers at the Core of Everything We Do

Afterpay is a unique service which was founded to champion the customer’s best interests when it comes to making retail purchases:

- Afterpay now has over 1.1m customers who use the service regularly. Despite the rapid growth in new customers, well over 80% of transactions by value per month occur from repeat Afterpay customers
- Millennials comprise approximately 75% of Afterpay’s customer base – and millennial users identified Afterpay’s platform as a useful budgeting tool for making purchasesⁱⁱⁱ. Other demographic groups are progressively increasing their representation as we continue to move from millennial to mainstream



We created Afterpay to help Australians budget for life’s little extras without needing to enter into a traditional loan or credit product. Afterpay is designed around financially healthy customers who can and do use the Afterpay service regularly. We therefore have 100% business alignment with promoting responsible customer spending and we employ many measures to achieve this:

- Prior to each and every order being approved we employ our proprietary fraud and repayment capability check – Afterpay Touch has been a pioneer in the creation of this technology
- We apply strict personal order and account limits – it starts low and only increases if repayment history with Afterpay is positive
- Importantly, Afterpay only approves one order at a time and if a payment is not made on any due date, customers are not able to make any further purchases with Afterpay

- We communicate with our customers regularly ‘in advance’ of payments becoming due

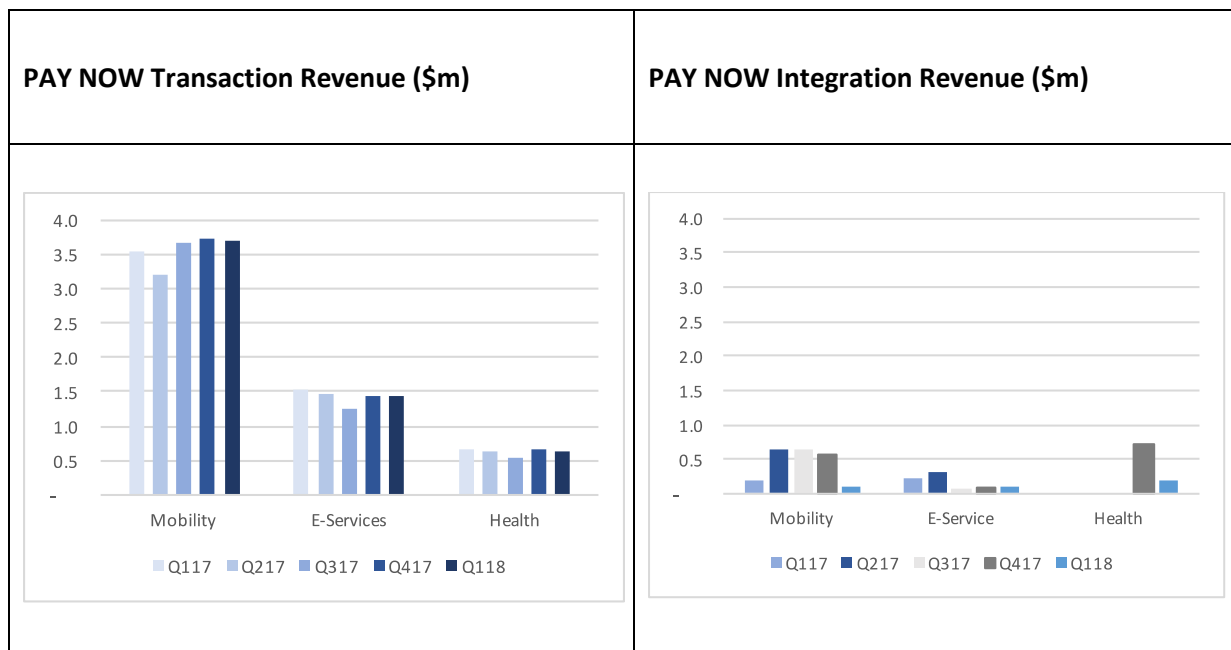
Some relevant statistics:

- Overall Net Transaction Loss was less than 1% (0.6%) of underlying sales in FY17. This is significantly lower than industry standards
- The bulk of our losses relate to first time customers who never pay. While we continually seek to reduce the incidence of these losses, our system and processes are designed to prevent these customers from using the service again
- Our business benefits when customers pay in full, on time - so we do everything we can to prevent late fees from occurring. The percentage of customers that pay late and pay late fees on all 4 instalment payments relate to less than 0.07% of total orders

PAY NOW (former Touchcorp) Business Update

The Pay Now (former Touchcorp) business lines (excluding Afterpay) continue to perform in line with expectations.

Transaction revenue has remained stable in Q1 FY18. Integration revenue is lower in comparison to the last quarter, which follows typical seasonal billing cycles. We expect integration revenue will increase during the course of FY18



ASX 300, AGM and FY18 Accounts

Afterpay Touch was recently admitted to the ASX 300 index.

The Afterpay Touch Group Annual General Meeting (AGM) will be held at 1.00 pm on Monday 20 November 2017 – Level 19, 181 William Street, Melbourne VIC 3000.

Completion of the Afterpay and Touchcorp merger became effective on 6 July 2017, following inter-dependent schemes of arrangement which received overwhelming shareholder support. The Afterpay Touch Group will first report its financial statutory results on a fully combined basis for the six-month period ending 31 December 2017.

ENDS

For further information, contact:

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About Afterpay Touch Group

Afterpay Touch Group (ATG) is a technology driven payments company with a mission to make purchasing feel great for a global customer base. ATG comprises the Afterpay and Touch products 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 end-customers to enter into a traditional loan or pay any upfront fees or interest to Afterpay. Afterpay currently has over 1.25m customers and over 8,500 retail merchants on-boarded. Touch comprises innovative digital payment businesses servicing major consumer facing organisations in the telecommunications, health and convenience retail sectors in Australia and overseas.

ⁱ Australian retail turnover fell 0.6 per cent in August 2017, seasonally adjusted, according to the latest Australian Bureau of Statistics (ABS) Retail Trade figures. This follows a fall of 0.2 per cent in July 2017.

ⁱⁱ Based on SimilarWeb website traffic data for the month of September 2017 for Afterpay compared to the leading comparison shopping engines that are known to Afterpay. Google Shopping is excluded because data is not publicly available

ⁱⁱⁱ Pureprofile nationally representative research commissioned by Afterpay in 2017