



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

**ASX Announcement**

16 January 2018

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 31 December 2017 (Q2 FY18).

**The Afterpay Business Continued to Perform Strongly in Q2 FY18**

- Strong underlying growth and performance continued in Q2 FY18 with respect to all key metrics (unaudited):
  - Underlying quarterly sales of \$551m (up from \$367m in Q1 FY18 and up from \$103m in Q2 FY17)
  - Underlying sales of approximately \$918m for H1 FY18 (up from \$145m in H1 FY17) and now tracking in excess of \$2.0 billion on an annualised basis based on recent quarterly performance
  - Approximately 11,500 merchants now on-boarded (up from approximately 8,700 at end of Q1 FY18)
  - Currently over 1.5m customers (up from 1.1m at the end of Q1 FY18):
    - New customer growth accelerated during Q2 and the lead-up to Christmas (on average by approximately 4,000 new customers per calendar day)
    - More importantly, repeat transactions per month have been maintained at well over 80%
    - Customer demographic profile continues to broaden as market reach and in-store presence continues to expand
    - Customer engagement and affiliation with the Afterpay brand continues to grow. In line with the seasonal trading uplift, it was pleasing to see a marked step-up in the number of retailer referrals promoted through the Afterpay website, Mobile App and direct customer communications

- Our focus on both customer satisfaction and promoting responsible customer behaviour is unwavering. Afterpay’s proprietary transaction integrity engine continues to perform well as the business scales:
  - Net Transaction Loss for H1 FY18 (unaudited) expected to be less than 0.8% of underlying sales (well within our targeted range of 0.6% - 1%), notwithstanding deeper seasonal provisioning for bad and doubtful debts
  - Revenue margins have been maintained and Net Transaction Margin (unaudited) for H1 FY18 is expected to be in the order of 2.25% of underlying sales, broadly in line with FY17 performance after allowing for financing costs (which were not material in FY17)
- While still a relatively small but growing proportion of underlying sales in H1 FY18 (approximately 8.5% in December), we are pleased with the in-store footprint expansion that occurred up until late in the 2017 calendar year:
  - Afterpay’s in-store footprint is now in excess of 5,000 shopfronts represented by premier retailers such as Country Road Group, Just Jeans Group, Sephora, Strandbags, and Adairs
  - During the remainder of FY18, Afterpay will concentrate on further expansion and increasing in-store penetration via marketing, promotion and training programmes
  - The Afterpay Mobile App continues to be rapidly adopted with more than 850k downloads since its release earlier in 2017
- Afterpay New Zealand continues to gather momentum (*Macpac, Ziera Shoes, Bras N Things, Country Road, Super Cheap Auto, Once it* all went live in Q2 FY18) and a number of new retailers are highly engaged to join the Afterpay platform in H2 FY18
- A number of major new retailer groups joined the Afterpay platform during the course of Q2 FY18 and are expected to make a more meaningful contribution to H2 FY18 underlying sales:

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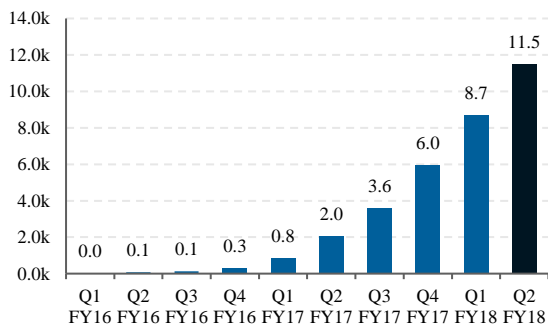
<i>David Jones</i>	<i>Bardot</i>	<i>Calvin Klein</i>	<i>Bed Bath &amp; Table</i>	<i>Calibre</i>	<i>Styletread</i>
<i>Stylerunner</i>	<i>Baby Bunting</i>	<i>The North Face</i>	<i>Ben Sherman</i>	<i>Clinique</i>	<i>Estée Lauder</i>
<i>Lacoste</i>	<i>Coach</i>	<i>UGG</i>	<i>Nude By Nature</i>	<i>Hallenstein Brothers</i>	<i>Tommy Hilfiger</i>

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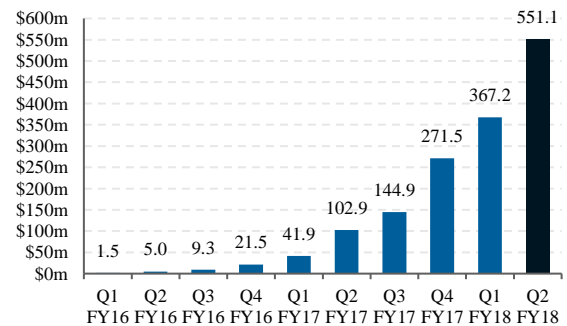
## Afterpay Metrics (unaudited)

Operating Metric	% Increase (unaudited)
Number of integrated retail merchants <i>(increase from end Q1 FY18 to end Q2 FY18)</i>	32%
Underlying merchant sales <i>(Q2 FY18 total versus Q1 FY18 total)</i>	50%
Afterpay merchant fees <i>(Q2 FY18 total versus Q1 FY18 total)</i>	49%
Unique Afterpay end-customers <i>(increase from end Q1 FY18 to end Q2 FY18)</i>	33%

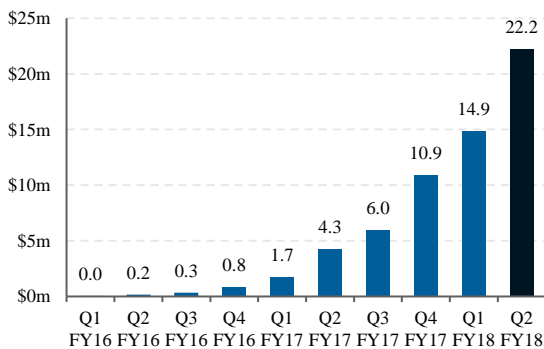
### Integrated retail merchants



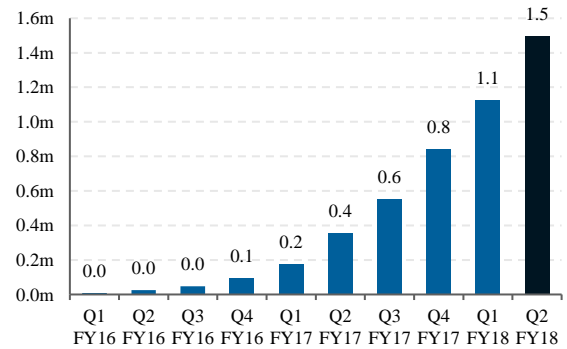
### Underlying quarterly merchant sales



### Afterpay quarterly merchant fees



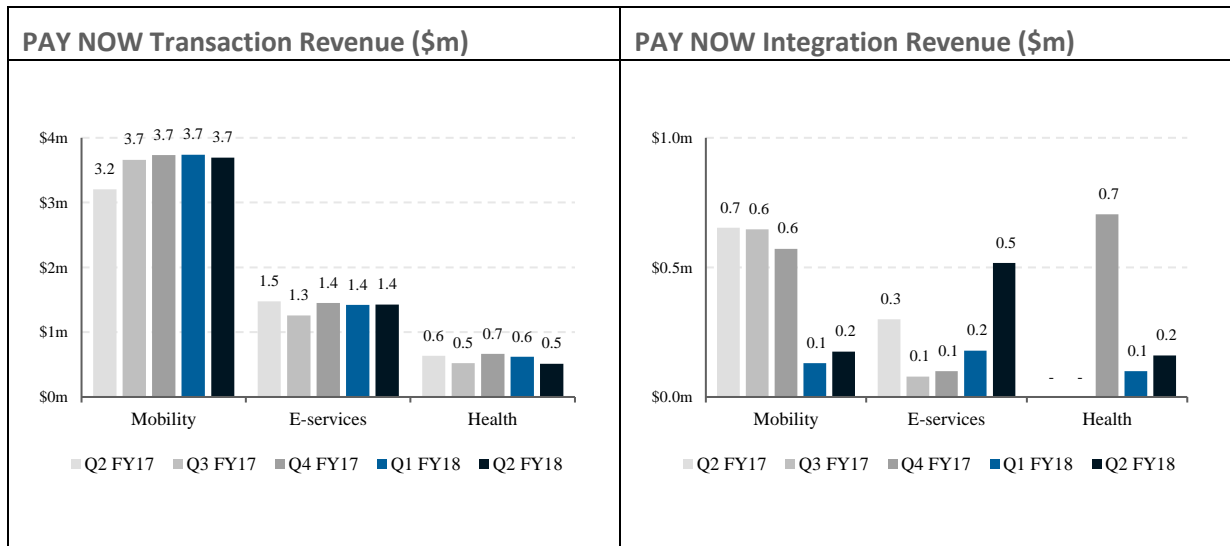
### Unique Afterpay end-customers



## PAY NOW (former Touchcorp) Business Update

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

Transaction and integration revenue has remained stable in Q2 FY18.



## FY18 Consolidated Accounts – Group Performance (unaudited)

Completion of the Afterpay and Touchcorp merger became effective on 6 July 2017, following inter-dependent schemes of arrangement.

A number of post-merger restructuring projects remain in process that are expected to have an impact on the combined group performance in future periods. Subject to audit review, Afterpay Touch expects consolidated revenue for the six-month period to 31 December 2017 to be in the order of \$60m (including other income) and EBTDA (prior to one-off expenses and non-cash share-based expenses) to be in the range of \$11m - \$12m. During the second half of February 2018, the Afterpay Touch Group will first report its financial statutory results on a fully combined basis for the six-month period ended 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 1.5m customers and over 11,500 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.