

AFTERPAY TOUCH GROUP LIMITED (ASX: APT)

ASX Announcement

15 April 2019

Afterpay US Inc. 2018 Equity Incentive Plan

Afterpay Touch Group Limited (ASX: APT) (“**APT**” or “**Company**”) wishes to provide the following update in relation to the Afterpay US Inc. 2018 Equity Incentive Plan (“**Plan**”) as our business in the US is growing and Afterpay US Inc. is approaching the maximum level of options issuance under the Plan. APT shareholders approved the Plan (including the potential issue of APT shares as described below) at the 2018 Annual General Meeting.

The Plan has been an essential part of APT's strategy to attract world class talent to our US operation in a competitive labour market and we are extremely pleased with the way the team has come together and strongly developed the US business since launch. APT previously disclosed details about the Plan in its most recent Annual Report and Half Year Report and will continue to do so in accordance with its reporting obligations.

Under the Plan, Afterpay US Inc. (the Company's US subsidiary) may offer options which give eligible participants a right to acquire common stock (or shares) in Afterpay US Inc. (“**US Options**”). On vesting and exercise of the US Options, common stock in Afterpay US Inc. will be allocated (“**exercised shares**”).

In specified circumstances, exercised shares may be exchanged for APT shares. Details about the exchange mechanism are set out in APT's 2018 Notice of Meeting and Note 11 in the Notes to the Financial Statements in the 2019 Half Year Report. In summary, the exercised shares will automatically be exchanged for fully paid ordinary shares of APT if the conversion option of the convertible notes issued to Matrix Partners X, L.P. and Weston & Co X LLC (the issue of which were ratified at the 2018 APT Annual General Meeting) is exercised between January 2023 and January 2025 and prior to other specified corporate events. Exchange for APT shares may also occur at the discretion of the APT Board if the convertible notes are not converted and expire and other specified corporate events have not occurred. Holders of exercised shares do not have a separate right to require exchange for APT shares.

The number of APT shares which could be issued on exchange of the exercised shares is currently unascertainable. The number of APT shares that may be issued will be based on the fair value of the common stock in Afterpay US Inc. at the date of exchange, taking into account the volume weighted average price of APT shares at that time. It is unlikely that the exchange will be on a one-for-one basis, and the number of US Options and exercised shares on issue should not be taken as an indication of the number of APT shares which might eventually be issued on exchange. However, the maximum number of APT shares that can be issued under the Plan in exchange for exercised shares cannot exceed 21,777,661 APT shares (being 10% of the number of APT shares on issue at the date the Matrix convertible notes issue was announced). This maximum number is now less than 10% of current APT shares on issue due to APT share issues since that date. APT considers it unlikely that the maximum number of APT shares would be issued because for this to happen it would necessarily mean that the value of APT (excluding the US business) is negligible or very low in comparison to the assessed value of Afterpay US Inc.

As of the date of this update, the Company confirms the following information for the purposes of Listing Rule 3.10.3:

- A total of 10,028,314 US Options are currently on issue. This number includes options that have been exercised early but remain subject to vesting and a re-purchase right by Afterpay US Inc.
- There is a total of 615,740 exercised shares on issue, which are fully vested.
- US Options and exercised shares are not quoted. US Options are not entitled to dividends payable by APT and do not have voting rights.
- APT shares allocated to US Option holders if an exchange occurs will rank equally with all other APT ordinary shares then on issue.
- US Options are issued under a US employee incentive plan which is designed to provide incentives to individuals who are integral to the ongoing success of Afterpay US, Inc.
- US Options are issued for nil cash consideration and have an exercise price of US\$0.19. The exercise price of US Options is set on a periodic basis by reference to a third-party valuation of Afterpay US Inc. which is conducted for US tax purposes.
- A maximum of 10% of common stock in Afterpay US Inc. may be issued to participants under the Plan.

ENDS

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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 around 3.5 million active customers and over 25,000 active 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.