

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

### **ASX Announcement**

28 November 2018

#### **Chair and Group Head Remarks - AGM**

Afterpay Touch Group Limited (ASX: APT)

Good afternoon. On behalf of the Board, it is my pleasure to welcome you to Afterpay Touch Group Limited's Annual General Meeting.

My name is Anthony Eisen, the Company's Executive Chairman.

I would like to begin by introducing my fellow Directors and members of the Management team here with us today. On my left:

- David Hancock, Executive Director & Group Head;
- Elana Rubin, Non-Executive Director;
- Luke Bortoli, Chief Financial Officer; and
- Chris Stevens, General Counsel & Company Secretary.

Nick Molnar, Executive Director and CEO of Afterpay as well as Cliff Rosenberg, Non-Executive Director are in attendance via teleconference from San Francisco.

Dana Stalder, our US based Non-Executive Director, is unable to be in attendance at today's meeting and sends his apologies.

The Company's Auditors, Ernst & Young, are also in attendance and represented by David McGregor.

There will be an opportunity for questions from shareholders later in today's proceedings.

I now declare the meeting open.

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#### **Chair's Remarks**

Afterpay has been in existence for less than four years and was listed on the ASX two and a half years ago. A little over a year ago, Afterpay merged with its original technology partner to form what is today the Afterpay Touch Group.

#### **Our journey is still just beginning.**

Today we are an ASX 200 company; over 10% of the Australian purchasing population use the Afterpay service and we process well over 10% of all Australian online commerce. At the same time

we have been strongly building our physical retail presence, dramatically increasing our addressable market.

Our technology is proprietary and leverages a proud history of Australian payments innovation and entrepreneurship.

We have grown very fast because of two simple reasons:

1. Customers like and trust our service; and
2. We add value for our retail partners, by growing the retail economy

Our unique model is a win-win.

You can see this in our growth.

Today we have over 2.5 million customers, over 20,000 retail partnerships and we are attracting the attention of the biggest and most recognised regional and global brands every day.

Driving this deep connection is our unique set of competitive advantages.

1. We are not traditional credit. We champion the customer and we don't employ a hybrid or "up-sell" business model
2. We focus very specifically on a segment of the market where customers don't want a loan – we are very deliberately not for everyone or everything
3. Afterpay works wherever the customer wants to be – online and in-store
4. Our platform and data driven approach position Afterpay as one of the largest retailer lead referrers in Australia and New Zealand. This dataset in turn allows us to become incrementally and continually more precise and personal in the value we can add to customers and retailers

URBAN OUTFITTERS, ASOS, FOREVER 21, The ICONIC, COTTON-ON, NORTH FACE, PUMA, NIKE, ATHLETES FOOT, DAVID JONES, MYER, TARGET, KMART, SMIGGLE, JUST JEANS, COUNTRY ROAD, CUE, LORNA JANE, JETSTAR, PRIMARY DENTAL, OPSM, SEPHORA, BOO HOO are just a few of the privileged partnerships we have developed.

As you can see, the quality, scale and diversity of our retail partners underscores the depth of this connection and the value they see in it.

We have invested in our technology and team to ready ourselves for the global opportunity these and other retail partners are making possible for Afterpay.

Our expansion strategy is retail-led. We expanded into New Zealand in 2017 because our retailers encouraged us to do so. We expanded into the US this year because retailers believed our service and customer centric approach would be well received.

We are encouraged and excited by the early results of our expansion into the US. First and foremost we established an outstanding team lead by my co-founder and co-director, Nick Molnar. In less than

six-months we are live with over 1,150 retailers and have already garnered over 450,000 US based customers.

By leveraging our home-grown learnings and experience we have done more in 6 months in the US than we achieved in the first 2 years in Australia.

## **WHY AFTERPAY IS DIFFERENT**

Given this growth trajectory, I want to take a moment to share with you how Afterpay is different, because I think this is key to understanding how we have connected with so many customers and businesses over the past few years, and how we can leverage our competitive advantages to continue our global expansion.

I do want to emphasise we established Afterpay to champion the customer and to do the right thing. We are a relatively young company and notwithstanding our pace of growth we are committed to maintaining our social license and trust with all stakeholders. We are committed to listening and continuous improvement and that focus will be maintained as we continue to develop our processes and systems in future periods to maintain this essential core value.

**1. *We started with a clear mission*** - to become the world's most loved way to pay, a mission which we continue to focus on

**2. *We are solving a clear problem***

To allow people to budget and achieve their lifestyle goals, while avoiding the traditional debt trap.

This means providing an alternative to the old model where nothing is ever paid off in full, where debt balances continually revolve and increase, and where costs mount up through interest and fees.

**3. *We are positioned perfectly for one of the largest demographic and economic shifts on the planet***

Power is shifting to the millennial consumer. By 2030, it is estimated that millennials will earn 2 out of every 3 dollars in Australia.

Tech savvy, discerning when it comes to trust and money and already burdened with significant levels of education debt, millennials are wary of falling into a debt trap for lifestyle related purchases.

Having grown up during the Global Financial Crisis, millennials prefer debit cards and want to spend their own money. By way of example, 2 out of 3 of the 65 million millennials in the United States today do not own a single credit card.

**4. *We employ a simple, transparent business model that is the source of our integrity and guarantor of our trusted customer relationships***

When we first developed the idea for the Afterpay model we knew that we could:

- Connect customers to retailers, based on shared values, with real accountability, underpinned by very clear customer protections, and a growing body of information about who lived up to their trust, which would allow the community to become increasingly self-selecting, and self-regulating.

This is how Afterpay worked then, and it's how we work today.

I think it's important to explain this element of our competitive advantage in more detail as it really is fundamental to our story.

Under our business model:

- Afterpay's revenue is based on merchant fees, not on customer debt
- We do not make our profit from customers and users
- We make more money when customers buy what they can afford, pay on time and stick to their simple instalment plan
- When our customers get into trouble, we lose money

This means that for Afterpay, things like responsible spending are more than words. They are fundamental to the success of our business. And this means that we could not be more different to traditional credit products. It's this difference that has helped us to build trust with our customers, and trust with our retail partners.

And we back this up with our actions.

If we get it wrong, and a customer misses a payment, they cannot use Afterpay again until they settle their account with us. Could you honestly imagine a traditional credit company stopping you from buying anything else or going deeper into debt because you missed a single payment and didn't pay off discrete items in full?

These are unbreakable rules of our model, our community and our business.

These unbreakable rules prioritise customer payment responsibility.

And everything we do incentivises our community to adhere to these rules:

- Afterpay is a free service for customers who pay on time
- Customers must pay purchases off in full in a short time period – its about budgeting and buying to "own" and not "rent" – you can't "*kick the can down the road*" with Afterpay by way of paying us a fee or otherwise
- Afterpay is for discrete purchases – not a line of credit
- Customers are suspended if a single payment is late – that means bad debt cannot accrue or revolve - and we intervene as early as possible in the debt cycle to stop people getting deeper into trouble
- Similarly, late fees – if charged, are minimal, capped and don't accumulate
- And, strict spending caps that start low for first time customers and increase only with demonstrated positive behaviour - and even then the maximum individual purchase limit is capped at \$1,500

We know that these rules and incentives work because the data reinforces this point:

- Overall Afterpay rejects around 30 percent of the purchase requests we receive.
- Approximately 95% of payments received in FY18 did not attract a late fee
- Over 90% of monthly transaction volume comes from returning Afterpay customers, which is only possible if these customers use the system responsibly and their payments are up to date.
- And over 85% of our customers prefer to pay with debit cards rather than credit cards

Furthermore, our average transaction values and balances outstanding are low:

- Our average balance outstanding is just over \$121, compared to average Australian credit card debt of over \$4,000
- Of those customers that have positive balances outstanding >90% of them are less than \$500; And >75% are less than \$350

Despite our business growing exponentially, Afterpay's default rate has declined and remains very low on any comparative basis

FY18 Gross Loss = 1.5%

- 44% lower than the other buy now pay later<sup>1</sup>
- 90% lower than payday lending<sup>2</sup>
- 79% lower than other consumer leasing finance providers<sup>3</sup>

Why are we so different?

Because we employ a model that relies on merchant fees to generate profit rather than charging the customer

Reflecting these metrics, but going beyond them, I am particularly pleased to report that today Afterpay is the most trusted digital payment platform in Australia

This is especially important because all of our competitive advantage - what makes us truly unique and valuable - is most fundamentally about trust.

On the key topic of TRUST, it is interesting to note that in July 2018 Roy Morgan surveyed 1,200 Australians and found that:

- Of all the 18 sectors tested, Banks had the lowest Net Trust Score of all
- And by significantly more than double the next least trusted sector – which, incidentally, was Telcos

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<sup>1</sup> 2018 BNPL Published Results

<sup>2</sup> Alphabeta Research

<sup>3</sup> Alphabeta Research

- In trend terms each of the four pillar banks have come off peak customer satisfaction ratings pre-2015, to where they are today

While this has been going on, the finance sector has seen the arrival and growth of – new entrants, new competitors, new models and new concepts in finance.

A new generation of customers are trusting a new generation of financial services.

And at the top of this is Afterpay. Afterpay's Net trust Score according to Roy Morgan was +61 compared to the Banks at -14.

Returning now to our next area of unique competitive advantage

### ***5. We are not a product but a platform that has global applicability***

Our platform connects customers with leading retail brands and tens of thousands of small to medium sized businesses. Our impact and added value extends well in advance and beyond any one "transaction".

In fact, millions of customers come to Afterpay first, to determine where to shop. Our mobile App has had more than 2.25 million downloads across Australia, NZ and the US.

Because of this trusted relationship, we provide more leads to our retail partners than any other source in Australia and New Zealand other than Google.

Having now processed in excess of 30 million transactions, our data capability around both customers, retail preferences and retail product offerings (down to SKU level) creates insights and opportunities for our retail partners that were previously unavailable – particularly when trying to access new millennial customers or targeting personalised offers.

Our strategy is to extend this platform approach globally.

We also consider there to be multiple business model extension opportunities associated with our platform capability. We are uniquely positioned and excited to demonstrate these opportunities in future years.

### ***6. Our proprietary technology is globally scalable and effective***

We have invested extensively in our core risk and data systems which underpin our platform. The ability to expand in multiple geographies via a centralised core system capability accelerates and de-risks our approach to future expansion opportunities.

### ***7. Over and above our technology, our company is powered by an incredibly talented team with shared core values and a passion to innovate and continuously improve***

It is nothing short of a privilege for me to be part of the Afterpay team. The energy and commitment is palpable, every day and in every office. We continue to attract top-tier talent on a global comparative basis. As individuals and as a team they go over and above and it is with the utmost appreciation and respect that I commend their incredible efforts to shareholders.

## HOW ARE WE GOING SO FAR IN FY19

Looking towards the future, how are we going so far in FY19?

- Growth remains strong in respect to all key metrics.
- Customer additions in all geographies are in line with past experience and are accelerating into November.
- More importantly, repeat customer behaviour remains strong and represents well over 90% of monthly gross merchandise value (GMV).
- Losses or default rates remain well within expected ranges in all geographies.
- The pre-Christmas trading period has been above expectations with the recent online shopping events breaking all previous Afterpay new customer and underlying sales records.

**David Hancock**, our Group Head, will provide a more detailed update on our progress in a moment.

## WE ARE STILL AT AN EARLY GROWTH PHASE

So I would like to describe where I believe we are at from an economic model and lifecycle value perspective.

We have grown our business to date with an eye to profitable and sustainable growth.

This will remain the approach.

Notwithstanding, we are still very much in the early stages of developing our platform, which has the potential to create intrinsic value well beyond the transactional activity in any given period.

Building and scaling our global platform of merchants and customers therefore should remain our focus, over and above maximising short-term profitability.

Let me explain further;

Afterpay continues to expand its customer base. As at 30 June 2017, Afterpay had approximately 800 thousand total active customers. This increased more than 2.8x times to 2.2m total active customers as at 30 June 2018 and has increased again to over 2.5m total active customers today.

We are learning a lot about our customers as we scale.

Afterpay's customer lifetime value or the average spend per customer on the Afterpay platform, is also increasing over time. This is underpinned by a number of key factors:

- Firstly, activity is increasing through time with a higher percentage of existing users active each month
  - For example, for those users who made their first purchase in January 2017, 39% of them were active in September 2017 and 45% of them were active in September 2018.

- Secondly, users are purchasing more in each month
  - For example, the 39% of the users who were active in September 2017, were averaging 2.1 purchases, vs. the 45% of them active in September 2018, were making 2.5 purchases in the month.
- Thirdly, the opening of new channels is driving more growth in online
  - We have seen users who shop in both online and instore are almost twice as engaged as users who only shop online
- Fourth, user profitability has been improving over time with longer tenor customers showing lower losses

These four key attributes underpin a customer lifetime value which is increasing over time within the Afterpay platform.

This is a fairly unique trend in the e-commerce segment which reflects the long-term value of the customer network we are building.

In light of this, the focus of the business today is investing to rapidly scale Afterpay's number of customers and customer engagement – particularly in new markets.

From a long-term margin perspective, we therefore anticipate benefits emerging from:

- A maturing customer profile, which will obviously develop at different times and frequency in different markets
- The opportunity to leverage a global footprint and our significant processing volumes to reduce input costs, mainly related to transaction processing. Initiatives in this regard are currently being scoped and we estimate that material benefits could start to emerge in FY20

## **REGULATORY ENVIRONMENT**

It is fair to say our model was not envisaged by the law makers that created the current suite of finance sector regulatory frameworks around the world.

The important thing for us is to continue working closely with Australian lawmakers to explain who we are and what we do. It is my hope that we can play our part in the development of a positive regulatory framework that can serve as a model for our type of business around the world - one that recognises that Afterpay is inherently different, and that our model has the potential to benefit merchants, customers and communities everywhere.

I welcome today's statements from ASIC who, after a 10 month review of the industry, recommended Product Intervention Powers as the most suitable way to regulate Afterpay and other buy-now-pay-later products for Australian consumers.



- We believe that the proposed intervention powers represent a proportional regulatory response that recognises Afterpay's unique business model and enables us to continue serving our millions of responsible customers
- Intervention powers would give ASIC the ability to intervene in the market when and if they believe there was significant consumer detriment
- We appreciate that having clear oversight from ASIC will further increase public confidence in our product and ensure additional consumer protection is provided in the case that our product is used in an unintended manner
- We look forward to our continued engagement with the regulator as they continue to better understand our new business model

Regarding the Senate Inquiry, we continue to be advised that the key focus of the committee is investigating pay-day lenders and other high-interest products that are seen to be preying on vulnerable people with low incomes.

- We believe the inquiry is an opportunity to educate the parliament, and the wider community, on how our service works and why it is different
- We will continue to argue that the ASIC intervention powers represent a proportionate regulatory response for our service
- We have been pleased with the meetings and engagements we so far have had with parliamentarians.

We of course will continue to proactively engage with government, as we have been for some time now around establishing appropriate regulatory certainty.

## **LOOKING TO THE FUTURE**

As innovators, we are committed to continuous improvement across our business to support our customers and to limit those who shouldn't be using our system.

Since we last met we have introduced external ID checks to help prevent fraud and inappropriate use of our product.

### **Customer Responsibility and Positive Outcomes**

- We have said consistently that Afterpay would be more profitable if fewer people missed fewer payments and did not default.
- And we know that in FY2018, 95% of all payments received attracted no late fee.

- A commonly raised issue is that Afterpay's total revenue includes a component related to late fees which in FY2018 was 24% of total revenue.
- It is a hard fact of our business that our bottom line would benefit if there were no late fees or unmade payments at all - which is why we are constantly trying to ensure late payments are reduced.
- Late payments are a precursor to defaulting payments or losses. The income we receive from late fees does not cover our losses on dishonoured payments. In fact, in FY2018 Afterpay would have been \$9.3m or 28% more profitable if there were no late fee payments or losses.
- The good news is that we've already taken action and capped late fees at the lesser of 25% of the purchase price or \$68 with a minimum of \$10.
- We're already starting to see the impacts with late fee revenue coming down as a proportion
- Under our Hardship policy we have also introduced specialist teams to deal with customers who need specific attention. They work with financial counsellors and help to streamline processes that take into account the circumstances of customers holistically, especially when a customer has used the services in an unintended manner.
- And we will not stop there. As we work to better serve every one of our customers we will be developing and rolling out more initiatives around late fees and other process improvements, to further protect the small minority of customers that have difficulty meeting our shared commitment to responsible spending.
- We've shown that we can be open to change and to act when we're given feedback from consumer groups and others. We will continue to do so in the coming year.

Given the interest in the proportion of our revenue associated with late fees, can I use this opportunity to underline two key points.

Credit cards in Australia generate over 68 percent of their revenue from consumers through interest and other charges. We attribute less than a quarter of our revenue to customers, and through our actions, this is declining.

There are payday loan companies in the Australian market where consumer late payments, interest and fees make up nearly 70 percent of the company's total transaction value. Total late fees collected by Afterpay in FY18 represented 1.3 per cent of our total customer transaction value.

I cannot be clearer about this - our revenue model is based on fees from our retail partners, not on customer debt. We are not like these other companies. And that makes me extremely proud.

#### Product and Business Model Enhancements

- It's prudent for us to consider not only how we grow the business in our strongest segments of fashion, beauty and lifestyle related items, but how we work with other players in the economy

- Since we spoke last year, Afterpay is now available for pharmaceuticals, for dentistry and very recently for optometry - illustrating that the social and economic benefits of Afterpay that extend beyond physical retail

## **CORPORATE GOVERNANCE**

Afterpay is committed to building a sustainable platform that delivers long term shareholder growth. We recognise that with fast growth comes the obligation and responsibility to ensure that good corporate governance is a continued focus for our Company in FY19 and beyond.

Key focus areas include recruiting an additional independent director to the Board, reviewing remuneration structures and implementing a company-wide Long-Term Incentive plan consistent with best practice principles.

I want to be clear with all our investors that we've heard you loud and clear on remuneration.

It is common practice for high-growth businesses, which are investing heavily to win market share and attain global scale, to offer remuneration packages which balance a comparatively lower base wage with shares or options, on an incentivised basis.

These packages ensure businesses like ours can be competitive in terms of attracting the best possible talent and deliver the best outcomes for shareholders, especially at an executive and senior management level.

In this year's Annual Report we referred to the fact that Afterpay would be driving an even stronger "Acting as Owners" philosophy.

We want people's incentives strongly aligned with business growth and success.

Having said that, I would like to acknowledge that with such remuneration structures comes the responsibility of delivery of value back to the company, with KPIs and success metrics clearly identified.

## **IN CONCLUSION**

Notwithstanding everything we have achieved so far, I come back to my starting point that we are only just at the beginning of the Afterpay story. Growth continues in our core Australian and New Zealand markets and we are very enthusiastic about the growth in the US and the retail partners that are signing onto the platform. The UK is around the corner and I am pleased with our progress to date in setting up our offices and bringing together the right people to build that business.

Once we're set in the UK, we'll be appropriately deliberative in the markets that we decide to pursue - balancing the investment risk with the opportunity a new market can bring.

A special thanks to the Board for their dedication and commitment over the past twelve months, it's certainly been a ride and definitely a bigger one than what we initially imagined.

And a particular thanks to David Hancock. I couldn't imagine a stronger Group Head to have stepped in at the time of a merger which tripled the size of our team overnight; and he has brought cultural and operational alignment so that we could keep innovating and expanding into new verticals and new geographies without missing much of a beat. The effort from David and the whole team has been extraordinary and in my experience representative of innovation at its best - something only achievable I believe because of the passion and commitment of the people involved.

I'll hand over to David now to take you through some of the financials and highlights of our journey over the past financial year.

Thank you

### **Group Head's Remarks**

FY18 represented a step change in the Group's strategy for international expansion as well as its financial performance.

In FY18 the Afterpay Touch Group delivered strong financial performance, including outstanding growth in underlying sales, a lowering of losses, delivery on a number of capital management initiatives, international expansion into NZ and the US and continued investment to grow our business as rapidly as possible with the benefit of scalable infrastructure and a world class team to capture first mover advantage.

Some of our key financial highlights:

- For the combined Afterpay Touch Group, revenue and other income increased by an exceptional 390% to \$142.3m in FY18, reflecting both strong growth in Afterpay and a full year contribution of the PayNow business.
- Afterpay revenue grew by over 300% to \$116.8m while PayNow revenue was broadly stable on FY17 with \$25.6m of revenue. Afterpay now comprises the majority of the combined group at 82% of total revenue.
- The key drivers of Afterpay's revenue growth were a significant increase in underlying merchant sales to over \$2.18 billion in FY18, up 289% on FY17 as well as a stable merchant margin.
- Growth in underlying sales was in turn driven by a significant increase in existing and new customer and merchant activity.
- Moving to profitability metrics, EBITDA for the group, excluding significant items, grew by 468% to \$33.8m in FY18 driven by a full year contribution from PayNow as well as a significant uplift in Afterpay.

- Afterpay profitability was bolstered by a decline in both gross loss percentage during FY18, decline in net transaction loss percentage period on period from 0.6% to 0.4% and an increase in net transaction margin percentage from 2.5% to 2.6%.
- Over the last 3 financial years, Afterpay has demonstrated a consistent year on year improvement in its net transaction loss percentage while also significantly growing underlying sales into new geographies, new industry verticals and also new channels such as in-store as shown on the right-hand side of the page.
- The decline in net transaction loss percentage highlights the business’s improving customer repayment profile, an increasing proportion of orders from returning customers and continuous evolution of Afterpay’s transaction integrity engine.
- As Anthony previously highlighted, we are both intrinsically motivated and economically incentivised to only allow customers who can and do use the Afterpay service responsibly to remain on the platform.
- Our improving loss rates while scaling sales exponentially illustrates this commitment and focus.
- We do not profit from late fees, meaning we lose more than what we collect, and late fees are generally a pre-cursor to default. Therefore reducing late fees as a proportion remains a focus and we are encouraged by the impact of late fee caps and other initiatives we are continually employing in FY19 YTD.

Turning now to an update on each of our key regions.

In Australia and New Zealand, underlying sales or GMV has increased since FY18 year-end in line with expectations and has been buoyed by good progress made in relation to our key, previously highlighted growth initiatives:

1. Major retailers continue to on-board and include:

Kmart	EB Games	ASOS Australia
Kogan	Boohoo	Village Roadshow
Sussan	Tommy Hilfiger	Lovisa

2. In-store is gaining momentum with more and more key brands migrating to our instore platform including:

Target	Harris Scarfe	Best & Less	Sheridan
Jeanswest	Pascoes Group (Prouds, Goldmark, Angus & Coote)	Bonds	

3. New verticals, particularly in the area of healthcare, are growing strongly and receiving a very positive initial reaction from both providers and customers. I want to make the point here that these results demonstrate how the social and economic benefits of Afterpay extend beyond physical retail. At the same time, these results underscore the significant network effect and market opportunity which become possible once millions of customers become aware of a service that is affiliated with the Afterpay brand.

**Dentistry:**

Primary Dental

Maven Dental

Pacific Smiles

Totally Smiles

**Optometry:**

OPSM

Bailey Nelson

The Optical Co

4. Finally, the demographic profile of our customer base continues to broaden

The average age of a customer in Australia and New Zealand is now 33. While still millennial core at approximately 70%, we are consistently seeing older customers and more males enter the platform as our retail and service market acceptance footprint develops. As exhibited in other digital transformation industries, millennials generally lead the way and the rest of us follow.

Turning now to the US.

Momentum is building in the US and while still early days we are enthusiastic about the pace that many core millennial brands and their customers have resonated with Afterpay's business model, core values and service.

I am particularly pleased to report that since Afterpay's market update a few weeks ago, more key target retailers have been contracted and slated for launch over the next few months.

These include Forever 21, Boohoo, and Kim Kardashian West.

To date, over 450,000 customers have transacted with Afterpay and over 1,700 retailers have been contracted, with 1,150 currently live in the system.

Encouragingly, various retailers are prioritising the provision of the Afterpay service to their customers in the pre-Christmas period, many that we were not expecting given the busy time of year for the retail industry.

Turning now to the UK.

Significant progress has been made to scale the Afterpay platform into the UK.

As previously noted, the UK opportunity is based on leveraging global retail synergies and opportunities made possible by our growing network of retail partnerships that can be served on a multi-country basis, either today or in the near future.

A leadership team has been established and is working well in the pre-launch phase.

Turning now to an update on trading.

The Pre-Christmas trading environment has been positive and above expectations.

Given Afterpay's above system growth (due to new retailer and customer additions to the platform) it is difficult for us to gauge the short term retail underlying trends underlying this activity.

This notwithstanding, Afterpay has experienced record trading days in relation to the very recent Click Frenzy, Black Friday and Cyber Monday sale days. This was the case for every discrete category of sales and geography (online, in-store, Australia, New Zealand and the US).

It is noteworthy that Afterpay was the #1 downloaded app in Australia on Black Friday, illustrating the continuing potential to attract new customers to the platform, and how well positioned Afterpay is to capitalise on these emerging market trends.

Last Friday or Black Friday as it is termed, Afterpay added a record number of new customers in Australia and New Zealand. Approximately 8.5k in a single day. On the same day, Afterpay added over 19k new US customers, notwithstanding the smaller but rapidly growing start-up footprint in the US.

Turning now to a capital management update.

The Group has a very strong balance sheet position with cash of \$30.2m and net debt of \$28.7m as at 31 October based on unaudited financial results, down from a net debt position of \$112.4m as at 30 June 2018

This balance sheet position reflects the proceeds received from the institutional placement and SPP of \$142m, completed in August and September, as well as the continued strong cash flow generation by Afterpay, excluding receivables funding.

Importantly the group also maintains a strong liquidity position.

Specifically, the group has approximately A\$250m of cash and available facilities to fund working capital and international underlying sales if required.

This would facilitate well in excess of A\$2bn of annualised underlying sales outside of Australia and New Zealand prior to putting in place additional facilities.

As mentioned at the FY2018 results announcement, Afterpay has commenced a process to launch a US loan facility. This process is progressing in line with expectations and we expect it to be completed in H2 FY2019.

## **CONCLUSION**

In conclusion, I would like to thank you all for your support of our Company during FY2018.

Afterpay is an emerging, Australian-based technology company which is seeking to grow in international markets with a proven product which our customers love here in Australia and are increasingly adopting in the US and NZ.

We enjoy the support of over 2.5 million active customers and appreciate your support as we continue along an exciting journey covering new grounds in a brand-new sector.

We are thankful for this support so far and look forward to reporting back to you in twelve months' time.

Thank you.

**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 2.8 million customers and over 21,000 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.