

AFTERPAY LIMITED (ASX: APT)

ASX Announcement

27 February 2020

H1 FY20 Financial Results Presentation

Afterpay Limited (Company) attaches a copy of the Company's H1 FY20 Presentation.

Authorised by:

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MOMENTUM

H1 FY20 RESULTS PRESENTATION



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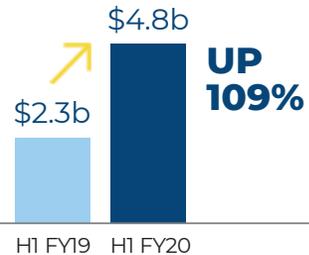
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This presentation contains statements that are, or may be deemed to be, forward looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe", "estimate", "plan", "target", "project", "anticipate", "expect", "intend", "likely", "may", "will", "could" or "should" or similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. You are cautioned not to place undue reliance on such forward-looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of APT or any of its related entities which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

STRONG GROWTH AND PERFORMANCE ACROSS KEY DRIVERS



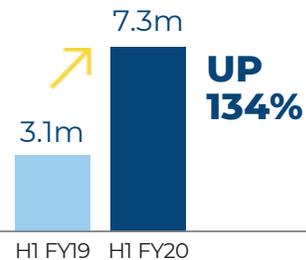
AFTERPAY UNDERLYING SALES



AFTERPAY TOTAL INCOME²



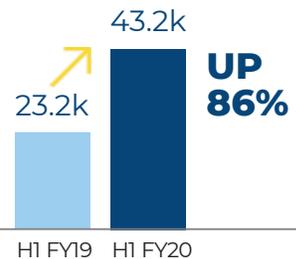
AFTERPAY ACTIVE CUSTOMERS¹



AFTERPAY NET TRANSACTION MARGIN



AFTERPAY ACTIVE MERCHANTS¹



AFTERPAY GROSS LOSSES³



NOTE: CHANGE CALCULATIONS MAY NOT EQUATE DUE TO ROUNDING 1. ACTIVE IS DEFINED AS HAVING TRANSACTED AT LEAST ONCE IN THE LAST 12 MONTHS 2. AFTERPAY TOTAL INCOME INCLUDES AFTERPAY INCOME AND OTHER INCOME, EXCLUDES PAY NOW REVENUE 3. GROSS LOSSES ARE DEFINED AS AFTERPAY RECEIVABLES IMPAIRMENT EXPENSE AS A PERCENTAGE OF UNDERLYING SALES

KEY TAKEAWAYS

H1 FY20

Global underlying sales up 109%

Run rate now over **\$11b** p.a. (based on Q2 trading)

Canada - next target market in 2020

Record number of active customers¹ at 7.3m globally

averaging **>16,800** new customers per day in H1 FY20 (**>22,900** per day in November and December 2019)

86% increase in global active merchants¹ driven by strong growth in all markets

Merchant margins remain stable at **3.8%** (3.7% in H1 FY19)

Validates Afterpay business model

In-store offering in ANZ continues to grow

24% of total ANZ underlying sales, additional **14.2K** store fronts on H1 FY19

Significant global opportunity - Launch US H2 FY20

Gross losses² materially lower

down **17%** on H1 FY19 despite increased contribution from new and developing markets

Net Transaction Margin stable at 2.1% notwithstanding significant contribution from newer markets and lower late fees

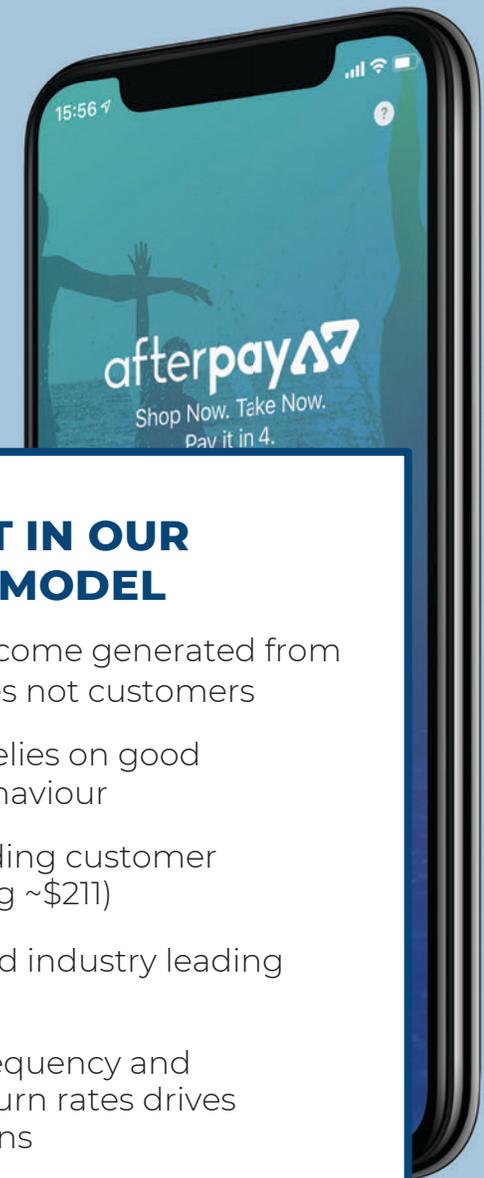
Continue to invest in developing and new markets

Ambition to exceed mid-term plan targets

Australia's maturing performance provides strong investment case to invest ahead of the curve, notwithstanding near-term Group profitability impact

PERFORMANCE VALIDATES AFTERPAY'S UNIQUE APPROACH

PURPOSEFULLY DIFFERENT TO TRADITIONAL CREDIT AND OTHER BNPL PROVIDERS



DIFFERENT IN OUR SERVICE

- Budgeting tool
- Late fees capped and don't accumulate
- No interest or hidden fees
- No revolving debt entrapment
- Discrete purchases, not a line of credit

DIFFERENT IN OUR MERCHANT PARTNERS

- Global enterprise brand portfolio
- Shared retail insights and data to drive value
- Pioneered In-store movement at scale

DIFFERENT IN OUR BUSINESS MODEL

- Majority of income generated from merchant fees not customers
- Profitability relies on good customer behaviour
- Low outstanding customer balances² (avg ~\$211)
- Lower risk and industry leading loss rates
- Increasing frequency and customer return rates drives higher margins
- Short receivables book (<30 days) drives high ROCE

DIFFERENT IN OUR PLATFORM

- Channel to hard to reach audience
- Data driven insights and functionality
- Merchant and product promotion
- Retail events
- New customer and customer lifetime value focus

DIFFERENT IN OUR CUSTOMERS

- Customers trust us because we are different and on their side
- NPS > 80¹
- Frequency keeps rising
- Global scale >7m customers

BUSINESS PERFORMANCE BY REGION

	H1 FY20 ¹	H1 FY19 ¹	CHANGE ¹ %
UNDERLYING SALES (A\$)	4.8b	2.3b	109%
ANZ	3.1b	2.0b	55%
US	1.4b	0.3b	445%
UK	0.2b	-	-
ACTIVE CUSTOMERS²	7.3m	3.1m	134%
ANZ	3.1m	2.5m	26%
US	3.6m	0.7m	443%
UK	0.6m	-	-
ACTIVE MERCHANTS²	43.2k	23.2k	86%
ANZ	35.5k	21.8k	63%
US	7.4k	1.4k	421%
UK	0.4k	-	-

NOTE: 1. SUM AND CHANGE MAY NOT EQUATE DUE TO ROUNDING. 2. ACTIVE IS DEFINED AS HAVING TRANSACTED AT LEAST ONCE IN THE LAST 12 MONTHS



SUSTAINED GROWTH IN ANZ

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Continued customer growth in our most mature market

Tracking consistently over past 12 months

Frequency keeps rising across highly active customer base

Early cohorts now purchasing ~23x per annum

SMB now represents a meaningful proportion of underlying sales, supporting profitability

Large recent verticals still nascent and growing

KEY MERCHANTS
LIVE¹ IN Q2 FY20

THE REJECT SHOP

Camilla freedom 

MECCA BED BATH & BEYOND 

VICTORIA'S SECRET

MICHAEL KORS

QBD BOOKS  Kidstuff

High profitability

High acceptance + high frequency = more data, insights and lower losses

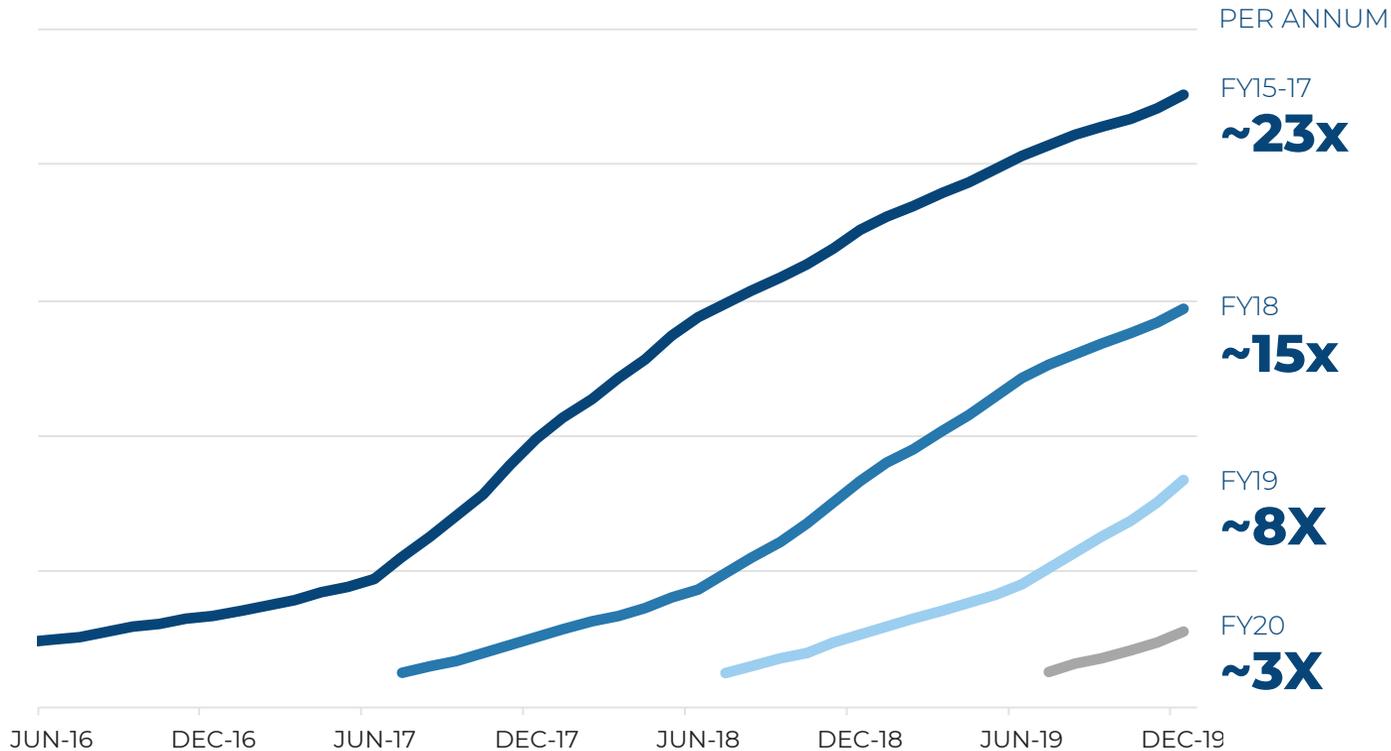
In-store is gaining momentum and remains largest growth opportunity

Pipeline remains strong across enterprise and new verticals

E.g. health and ticketing

ANZ CUSTOMER FREQUENCY KEEPS RISING

PURCHASING FREQUENCY OVER TIME
BY ANZ CUSTOMER COHORT



- Customer tenure drives higher purchase frequency, lower loss rates and improved customer lifetime value
- Frequency curve continues to climb for all customer cohorts in ANZ
- Newer markets (US and UK) following glidepath at equivalent stage of lifecycle

ANZ BALANCES REMAIN LOW AND LOSSES KEEP DECLINING

HIGHER PURCHASING FREQUENCY WITH AFTERPAY DOES NOT MEAN HIGHER CONSUMER DEBT

- Purchases **must** be paid off within 4 instalments
- Restricted from making more purchases if single payment is late
- Payment terms cannot be extended
- Means only responsible spenders stay on the platform
- 98% of ANZ orders are from repeat purchasers

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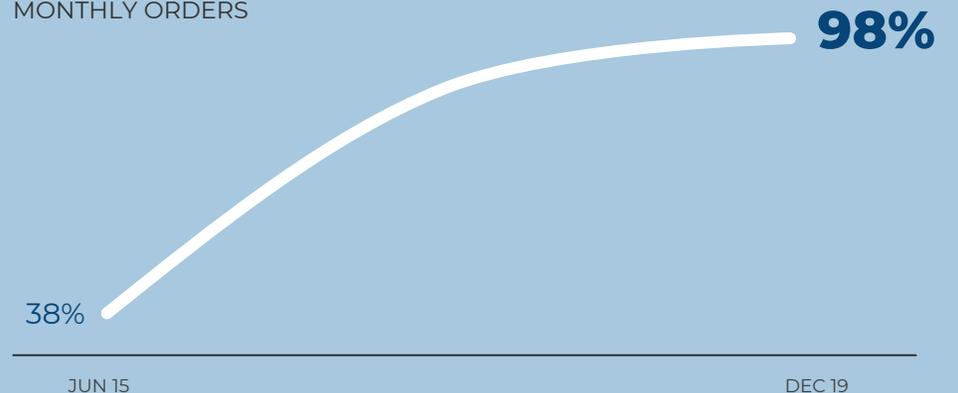
LOWER AVERAGE OUTSTANDING BALANCES

AFTERPAY¹
~\$211

CREDIT CARD²
~\$3,380

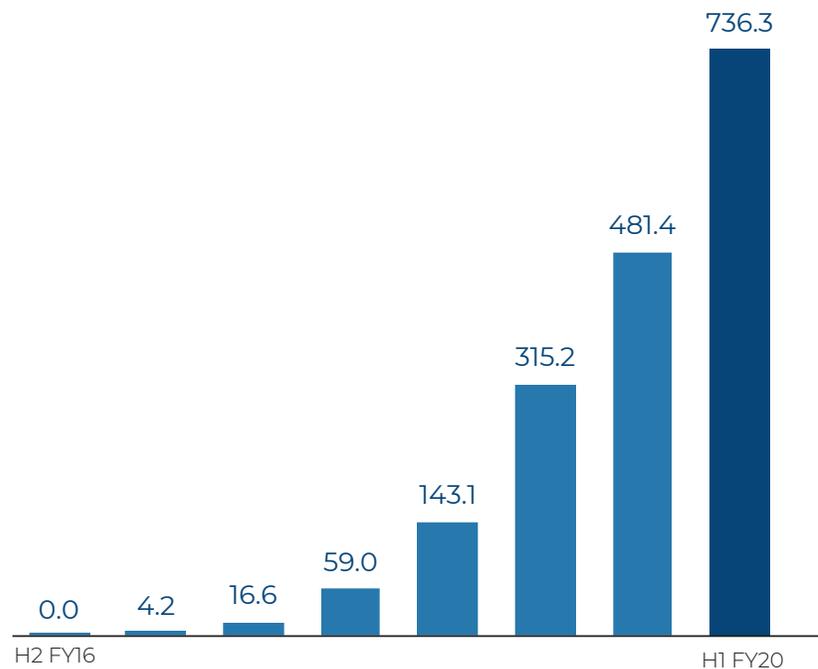
HIGH REPEAT CUSTOMER CONTRIBUTION

ANZ RETURNING CUSTOMER,
MONTHLY ORDERS



ANZ IN-STORE MOMENTUM

IN-STORE UNDERLYING SALES
PER 6 MONTH PERIOD
A\$M



LARGEST GROWTH OPPORTUNITY

Since H1 FY18:

- In-store underlying sales is **12.5** times higher
- Store fronts have increased by **~26k**

In-store underlying sales in H1 FY20 represents **~24%** of total underlying sales in ANZ

Leverage momentum to capture greater portion of Australia's **~A\$140b** addressable omni-channel market¹

ACCELERATED GROWTH IN US



Underlying sales >110% higher compared to H2 FY19 and more than **5x H1 FY19**

Underlying sales contribution in H1 FY20 represented **>30% of total Group**
Run rate now ~\$3.8b per annum (based on Q2 trading)

Active merchant base almost double H1 FY19 with >7.4k active¹ merchants now on the platform

MAJOR GLOBAL RETAILER TO JOIN AFTERPAY PLATFORM

AEO

AMERICAN EAGLE *aerie*

SIGNIFICANT RECENT ADDITIONS

FINISH LINE

THE HUT

Madewell

ULTA
BEAUTY

COST PLUS
WORLD MARKET

J.CREW

GYMSHARK

ba&sh

SKIMS

HAUS
LABORATORIES

CARBON³⁸

ESTÉE LAUDER
COMPANIES

CREDO

PAC SUN

Already largest active¹ customer market at 3.6m

Over 1m new customers acquired in November and December 2019

Customer cohort from FY18 are now **transacting at >11x per year**

Following ANZ blueprint

>3k contracted merchants currently in pipeline

SMB channel gaining momentum

STRONG FIRST FULL SIX MONTHS IN UK



Underlying sales of ~\$200m in first full 6 months of trading in H1 FY20
December 2019 run rate underlying sales ~\$650m

600k active¹ customers as at 31 December 19, broadly in line with the US at the same stage post launch

3 of the top UK retailers by ecommerce revenue² already on the platform in first year of operation

ASOS boohoo
MARKS & SPENCER

OTHER KEY MERCHANTS LIVE³

JD Foot Locker THE HUT
MYPROTEIN lookfantastic

UK business has started to deliver **positive NTM ahead of expectations**

Frequency run rate of 6x per year, highest customer frequency of any market at same point in time since launch date

GLOBAL KEY MERCHANTS LIVE IN H1 FY20



AUSTRALIA AND NEW ZEALAND



UNITED STATES



UNITED KINGDOM



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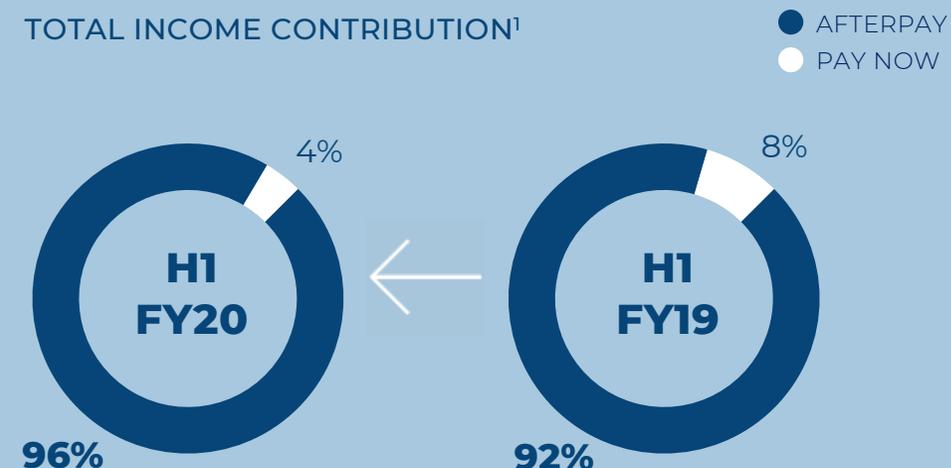


FINANCIAL PERFORMANCE

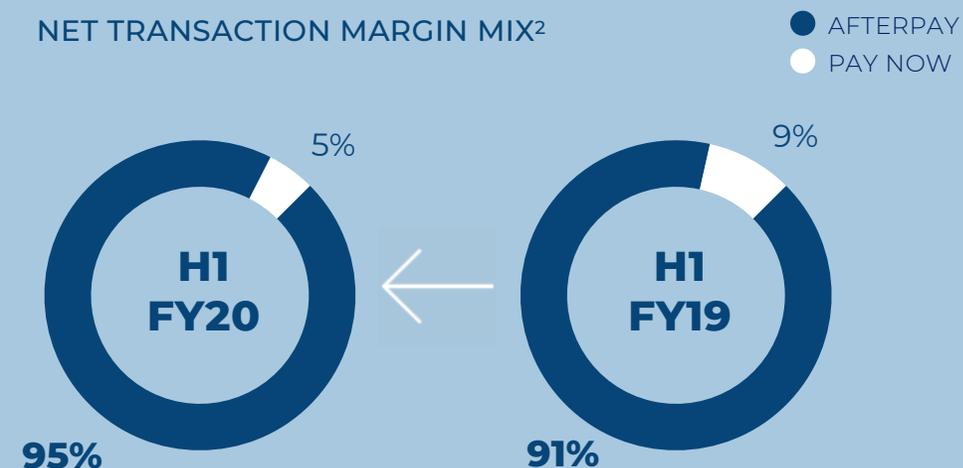
GROUP FINANCIAL SNAPSHOT

A\$M (UNLESS OTHERWISE STATED)	H1 FY20	H1 FY19	CHANGE %
GROUP - KEY FINANCIAL METRICS			
TOTAL INCOME	220.3	112.3	96%
AFTERPAY ¹	212.2	103.4	105%
PAY NOW	8.1	8.9	(9)%
NET TRANSACTION MARGIN²	107.0	51.6	108%
AFTERPAY	102.0	46.7	118%
PAY NOW	5.0	4.8	4%
EBITDA (excluding significant items)³	6.8	13.9	(51)%
LOSS AFTER TAX - STATUTORY	(31.6)	(22.2)	42%

TOTAL INCOME CONTRIBUTION¹



NET TRANSACTION MARGIN MIX²



NOTE: CHANGE CALCULATIONS MAY NOT EQUATE DUE TO ROUNDING 1. INCLUDES AFTERPAY INCOME AND OTHER INCOME (LATE FEES) 2. NET TRANSACTION MARGIN IS EQUAL TO AFTERPAY NET TRANSACTION MARGIN AND PAY NOW GROSS MARGIN 3. H1 FY19 EBITDA (EXCLUDING SIGNIFICANT ITEMS) HAS BEEN RESTATED TO INCLUDE A FAVOURABLE \$2.3 MILLION FX GAIN TO BE LIKE-FOR-LIKE WITH H1 FY20 EBITDA (EXCLUDING SIGNIFICANT ITEMS) WHICH INCLUDES AN UNFAVOURABLE \$1.0 MILLION FX LOSS. H1 FY20 IS INCLUSIVE OF ADJUSTMENTS TO AASB 16 LEASES, WITH A BENEFIT TO EBITDA (EXCLUDING SIGNIFICANT ITEMS) OF \$2.7 MILLION

AFTERPAY KEY FINANCIAL METRICS



REFERENCE	A\$M (UNLESS OTHERWISE STATED)	H1 FY20	H1 FY19	CHANGE %
	UNDERLYING SALES	4,758.0	2,272.6	109%
	ANZ	3,118.5	2,009.0	55%
	US	1,437.4	263.7	445%
	UK	202.1	-	~
A	AFTERPAY INCOME¹	179.6	85.2	111%
	% OF UNDERLYING SALES	3.8%	3.7%	~
	AFTERPAY OTHER INCOME²	32.6	18.2	78%
	% OF UNDERLYING SALES	0.7%	0.8%	~
	AFTERPAY TOTAL INCOME	212.2	103.4	105%
	GROSS LOSS³	(47.8)	(27.4)	75%
	% OF UNDERLYING SALES	(1.0%)	(1.2%)	~
B	NET TRANSACTION LOSS (NTL)⁴	(21.8)	(13.6)	60%
	% OF UNDERLYING SALES	(0.5%)	(0.6%)	~
C	OTHER VARIABLE TRANSACTION COSTS (Including Finance Costs ⁵)	(55.9)	(24.8)	125%
	% OF UNDERLYING SALES	(1.2%)	(1.1%)	~
A-B-C	NET TRANSACTION MARGIN (NTM)	102.0	46.7	118%
	% OF UNDERLYING SALES	2.1%	2.1%	~

- Group underlying sales more than doubled H1 FY19 to a record \$4.8b for a six month period
- US underlying sales is more than 5x H1 FY19 and now in excess of \$1.4b
- Increase in Afterpay income % to 3.8% notwithstanding higher contribution from US and UK underlying sales which are initially lower margin
- Gross loss and NTL both declined as % of underlying sales despite higher contribution of new markets with higher losses (due to early lifecycle)
- Net transaction margin remains strong at 2.1% and stable on H1 FY19 notwithstanding significant contribution from lower margin, earlier stage, US and UK platforms

NOTE: CHANGE CALCULATIONS MAY NOT EQUATE DUE TO ROUNDING. 1. AFTERPAY INCOME IS INCOME FROM MERCHANT FEES. 2. AFTERPAY OTHER INCOME RELATES TO LATE FEE REVENUE AND IS INCLUDED IN THE CALCULATION OF NET TRANSACTION LOSS. 3. GROSS LOSS IS INCLUDED IN THE CALCULATION OF NTL AND IS SHOWN FOR INFORMATION PURPOSES. 4. NTL CALCULATION COMPRISES GROSS LOSS, CHARGEBACKS & DEBT RECOVERY COSTS, NET OF LATE FEES INCOME. 5. FINANCE COST ASSOCIATED WITH EXTERNAL RECEIVABLES FUNDING; REPORTED IN INTEREST EXPENSE BUT INCLUDED IN NTM.

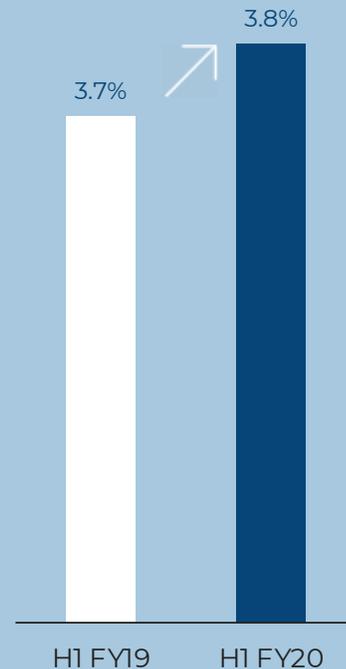
MAINTAINED MERCHANT INCOME MARGINS

MERCHANT STRATEGY EFFECTIVE AT MAINTAINING MERCHANT INCOME MARGINS

Afterpay merchant income margin is broadly in line with the prior comparable period, notwithstanding:

- Increased In-store contribution, led by growth in Enterprise merchants including Big W, Officeworks, Target and Rebel
- UK merchant base weighted to Enterprise in the early stages of lifecycle

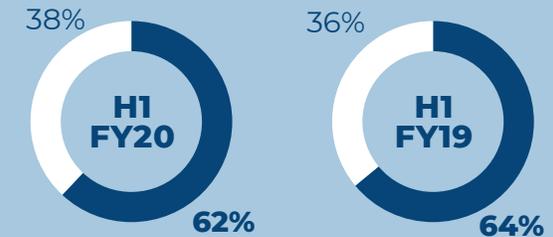
AFTERPAY MERCHANT INCOME MARGIN
PERCENT OF UNDERLYING SALES



GROUP MERCHANT TIER MIX

PERCENT OF UNDERLYING SALES

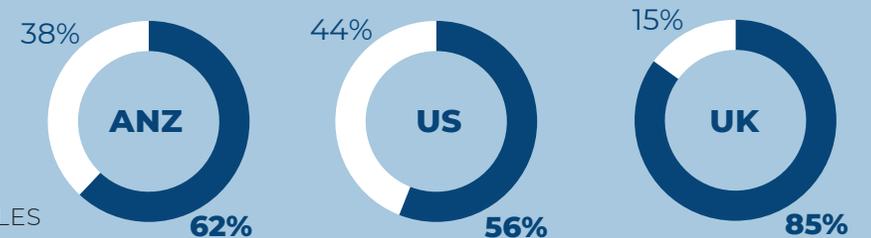
- ENTERPRISE
- OTHER



H1 FY20 REGIONAL MERCHANT TIER MIX

PERCENT OF REGIONAL UNDERLYING SALES

- ENTERPRISE
- OTHER



ANZ ONLINE / IN-STORE CHANNEL MIX

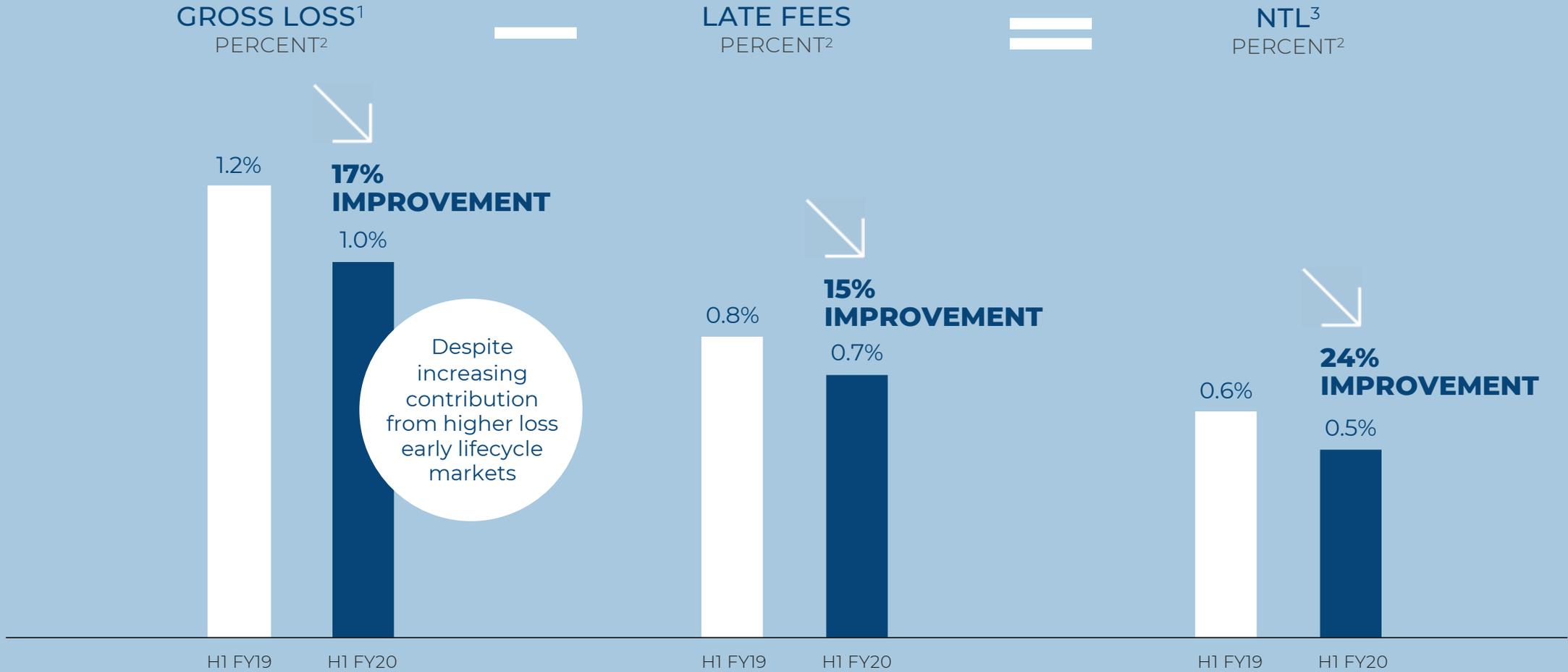
PERCENT OF ANZ UNDERLYING SALES

- ONLINE
- IN-STORE



REDUCED LOSSES AND LATE FEES

NET TRANSACTION LOSS (NTL) IMPROVEMENT AS REDUCTION IN GROSS LOSS OFFSETS LOWER CONTRIBUTION OF LATE FEES



NOTE: CHANGE CALCULATIONS MAY NOT EQUATE DUE TO ROUNDING 1. GROSS LOSS IS REFERRED TO AS THE RECEIVABLES IMPAIRMENT EXPENSE IN THE FINANCIAL STATEMENTS 2. GROSS LOSS, LATE FEES & NTL ARE SHOWN AS A % OF UNDERLYING SALES 3. NTL CALCULATION ALSO INCLUDES OTHER ADJUSTMENTS (CHARGEBACKS AND DEBT RECOVERY COSTS WHICH WERE 0.1% IN H1 FY20 AND 0.2% IN H1 FY19)

GROUP STATUTORY RESULTS

A\$M (UNLESS OTHERWISE STATED)	H1 FY20	H1 FY19
AFTERPAY INCOME	179.6	85.2
PAY NOW REVENUE	8.1	8.9
OTHER INCOME	32.6	18.2
TOTAL INCOME	220.3	112.3
COST OF SALES	(55.4)	(25.9)
GROSS PROFIT	164.9	86.4
DEPRECIATION AND AMORTISATION EXPENSES	(13.8)	(11.2)
EMPLOYMENT EXPENSES	(36.0)	(20.9)
SHARE BASED PAYMENTS (SBP) EXPENSES	(13.6)	(18.1)
RECEIVABLES IMPAIRMENT EXPENSES	(47.8)	(27.4)
NET LOSS ON FINANCIAL LIABILITIES AT FAIR VALUE	(0.9)	~
OPERATING EXPENSES	(80.6)	(25.4)
OPERATING LOSS	(27.9)	(16.6)
FINANCE INCOME	0.7	0.2
FINANCE COST	(8.6)	(5.1)
LOSS BEFORE TAX	(35.8)	(21.5)
INCOME TAX BENEFIT/(EXPENSE)	4.2	(0.7)
LOSS FOR THE PERIOD	(31.6)	(22.2)

Investment

- **Employment Expenses** (\$36.0m) increased due to investment in talent for newer markets (US and UK), global sales, product and technology teams
- **Operating Expenses** (\$80.6m) increased due to greater investment in Marketing (\$32.0m) to support accelerating the pipeline of new merchants and investments to support Afterpay growth objectives
- **Operating Expenses excluding Marketing** (\$48.6m) increased due to investment in technology, customer service and legal costs to support underlying sales growth
- Employment Expenses and Operating Expenses excluding Marketing broadly grew in line with underlying sales (~1.8% of underlying sales)

Other Cost Base Movements

- **Share Based Payments Expenses** (\$13.6m) declined largely due to completion of former Group Head's share-based payments
- **One-Off Costs** (\$6.3m) reported in Operating Expenses included international expansion costs (\$2.9m), business combination and other costs (\$0.4m) and AUSTRAC related costs (\$3.0m)

Reconciliation to Statutory Accounts

- A reconciliation of Gross Profit to NTM is provided in the Appendix
- A reconciliation of Loss for the Period to EBITDA (excluding significant items) is provided in the Appendix. EBITDA (excluding significant items) adds back one-off items, D&A, SBP and Net Loss on Financial Liabilities at Fair Value

STRONG GROUP BALANCE SHEET

BALANCE SHEET

A\$M (UNLESS OTHERWISE STATED)	31 DEC 19	30 JUN 19
CASH	402.5	231.5
RESTRICTED CASH ¹	23.1	2.0
RECEIVABLES	761.0	452.7
OTHER CURRENT AND NON-CURRENT ASSETS	177.3	134.3
TOTAL ASSETS	1,364.0	820.5
PAYABLES	93.8	110.0
DEBT ³	416.9	50.2
OTHER LIABILITIES	12.6	11.7
TOTAL LIABILITIES	523.4	172.0
EQUITY	840.6	648.5
NET DEBT		
CASH	402.5	231.5
RESTRICTED CASH ¹	23.1	2.0
DEBT ³	(416.9)	(50.2)
NET CASH / (DEBT)	8.7	183.3
LIQUIDITY		
CASH	402.5	231.5
UNDRAWN WAREHOUSE CAPACITY ⁴	269.6	378.6
LIQUIDITY	672.1	610.1

- Strong total cash² balance of \$425.6m
- Total cash increased by \$192.1m driven by \$200m equity placement in November 2019
- The significant increase in receivables reflected the continued growth in Afterpay underlying sales
- Debt increased to \$416.9m³ as at 31 December 2019 primarily due to the utilisation of warehouse facilities to fund underlying sales
- Total liquidity (cash and undrawn warehouse capacity⁴) increased to \$672.1m

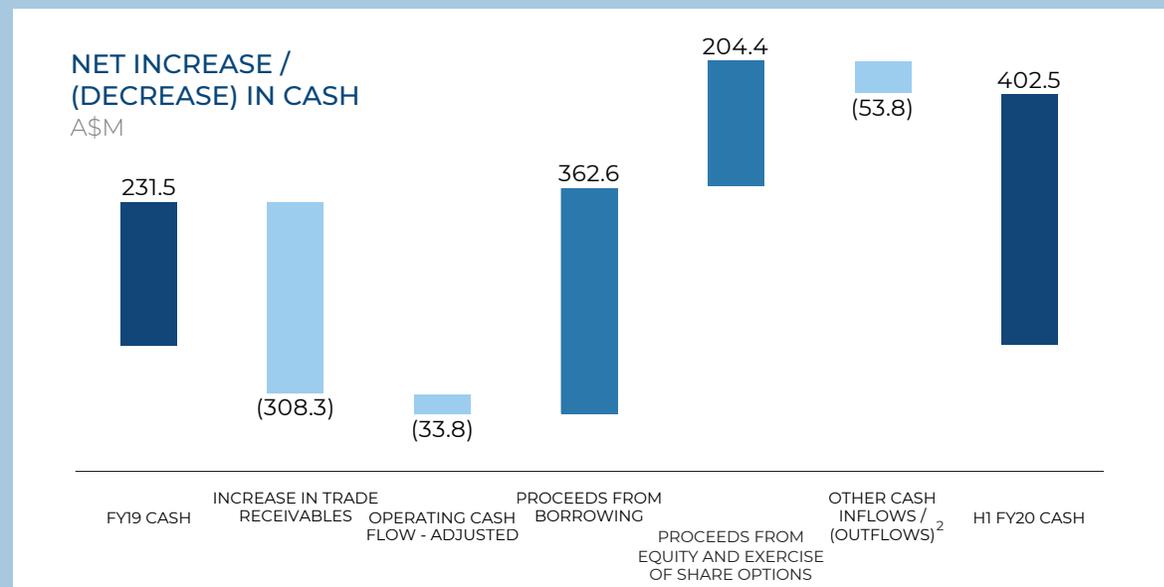
NOTE: AMOUNTS MAY NOT SUM DUE TO ROUNDING

1. RESTRICTED CASH OF \$23.1 MILLION (JUNE 2019: \$2.0 MILLION) ARE CASH ASSETS THAT ARE HELD WITH AA-/BBB+ BANKS AS COLLATERAL FOR DAILY CASH SETTLEMENTS WITH MERCHANTS AND PAYMENTS TO FUNDING PROVIDERS. REPORTED AS OTHER FINANCIAL ASSETS IN THE FINANCIAL STATEMENTS 2. TOTAL CASH INCLUDES CASH AND RESTRICTED CASH 3. DEBT MOVEMENT IN BALANCE SHEET INCLUDES AMORTISATION RELATED TO CAPITALISED BORROWING COSTS, ACCRUED INTEREST AND NON CASH MOVEMENT IN LEASE LIABILITY, THEREFORE WILL NOT BE COMPARABLE TO CASHFLOW MOVEMENT 4. UNDRAWN WAREHOUSE CAPACITY REFERS TO THE AVAILABLE BORROWING CAPACITY IN THE DEBT FACILITIES AS AT 31 DECEMBER 2019

CASH FLOW STATEMENT

A\$M (UNLESS OTHERWISE STATED)	H1 FY20	H1 FY19 ³
RECEIPTS FROM CUSTOMERS	4,117.5	2,037.0
PAYMENTS TO MERCHANTS AND SUPPLIERS	(4,415.3)	(2,175.6)
PAYMENTS TO EMPLOYEES AND OTHER	(44.3)	(21.3)
OPERATING CASH FLOW	(342.1)	(159.9)
INCREASE IN TRADE RECEIVABLES	308.3	191.3
OPERATING CASH FLOW - ADJUSTED	(33.8)	31.4
PAYMENTS FOR INTANGIBLES AND PPE	(19.3)	(10.7)
PROCEEDS FROM SALE OF BUSINESS	~	4.0
OTHER	0.7	0.3
INVESTING CASH FLOW	(18.6)	(6.3)
PROCEEDS FROM BORROWING	362.6	43.5
PROCEEDS FROM EQUITY	200.0	142.0
PROCEEDS FROM EXERCISE OF SHARE OPTIONS	4.4	5.5
INTEREST & BANK FEES PAID	(7.6)	(5.7)
CAPITAL RAISING EXPENSES & OTHER	(29.6)	(4.7)
FINANCING CASH FLOW	529.8	180.6
NET INCREASE / (DECREASE) IN CASH	169.1	14.3
FX ON CASH BALANCE ¹	1.9	0.4
STARTING CASH	231.5	32.6
ENDING CASH	402.5	47.3

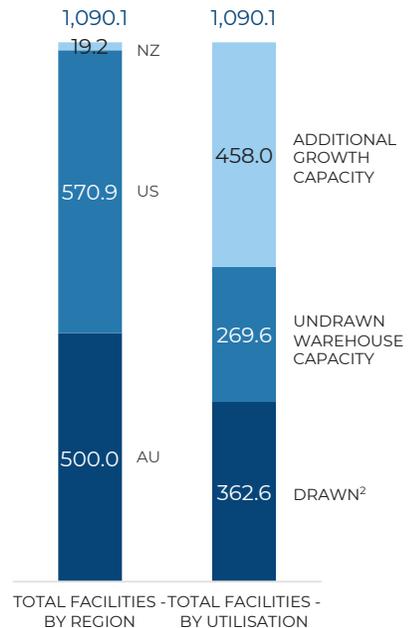
- Operating Cash Flow – Adjusted for H1 FY20 was -\$33.8m
- Operating Cash Flow was impacted by two additional days of merchant payments falling into H1 FY20 from sales recorded in FY19, as 30 June 2019 was a Sunday. Excluding this impact, Operating Cash Flow – Adjusted would have been ~\$5.2m
- Proceeds From Equity includes the November 2019 equity capital raising
- Proceeds From Borrowing reflected the increase in warehouse funding to support underlying sales growth
- Capital Raising Expenses and Other includes \$21.1m of cash that is classified as Restricted Cash for bank and merchant guarantee payments
- Cash balance at H1 FY20 end excludes ~\$33m of proceeds from Share Purchase Plan completed on 17 January 2020



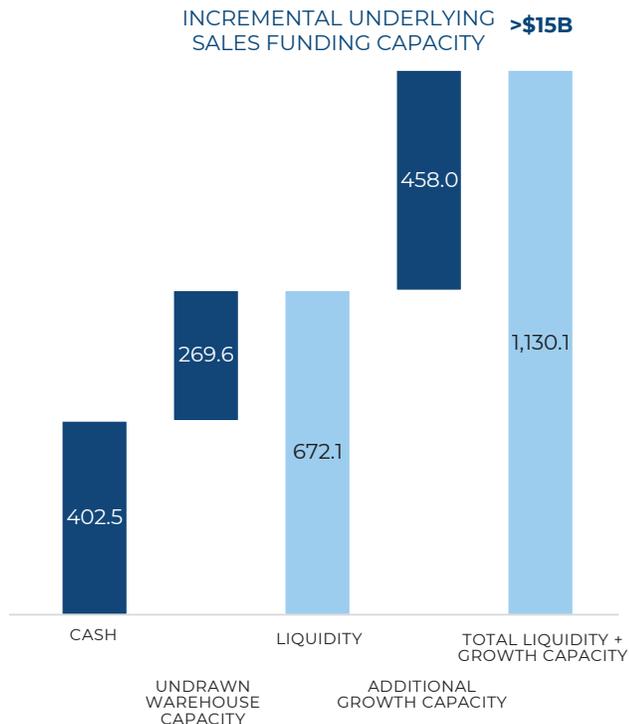
NOTE: AMOUNTS MAY NOT SUM DUE TO ROUNDING 1. FX ON CASH BALANCE REFLECTS UNREALISED FOREIGN CURRENCY GAIN, WHICH IS A NON-CASH ITEM 2. OTHER CASH INFLOWS / (OUTFLOWS) INCLUDES FX ON CASH BALANCE 3. THE PRIOR YEAR CASH AND CASH EQUIVALENTS AT END OF THE PERIOD HAS BEEN RESTATED TO BE COMPARABLE WITH THE CURRENT YEAR PRESENTATION OF CASH IN TRANSIT. OTHER COMPARATIVE CASH FLOW FIGURES HAVE BEEN UPDATED ACCORDINGLY

SIGNIFICANT CAPACITY FOR CONTINUED GROWTH

TOTAL WAREHOUSE FACILITIES¹
A\$M



INCREMENTAL FUNDING CAPACITY
A\$M



FUNDING FACILITY MATURITY PROFILE
A\$M

WEIGHTED AVERAGE LIFE OF DEBT FACILITIES OF 2.1 YEARS³



Incremental funding capacity

- As at 31 December 2019 the Group had \$672.1m of liquidity, comprising \$402.5m of cash and \$269.6m of undrawn warehouse capacity
- Existing facilities have headroom of \$458.0m to fund growth in receivables ("additional growth capacity")

CURRENT LIQUIDITY AND ADDITIONAL GROWTH CAPACITY PROVIDES THE ABILITY TO FUND IN EXCESS OF \$15B ANNUALISED UNDERLYING SALES ABOVE CURRENT RUN RATE

New and extended facilities

- New US warehouse facility with Goldman Sachs (US\$200m)
- AU warehouse facilities extended to FY23
- Increased quantum of facilities and extended maturity profile

NOTE: 1. TOTAL WAREHOUSE FACILITIES EXCLUDES THE \$50.0M CORPORATE BOND 2. ACTUAL DRAWN DEBT UNDER THE RECEIVABLES WAREHOUSE FACILITIES IS \$362.6M. THIS IS REPORTED IN THE STATUTORY ACCOUNTS AS 'SECURED INTEREST BEARING BORROWINGS' OF \$357.7M, REFLECTING ACTUAL DRAWN DEBT OF \$362.6M ADJUSTED FOR CAPITALISED BORROWING COSTS AND ACCRUED INTEREST OF \$4.9M 3. AS AT 27 FEBRUARY 2020

MOMENTUM



UNDERLYING SALES MOMENTUM CONTINUES

ACCELERATING IN US AND UK

New markets are accelerating at a faster pace than experienced in ANZ

IN-STORE ANZ GROWING

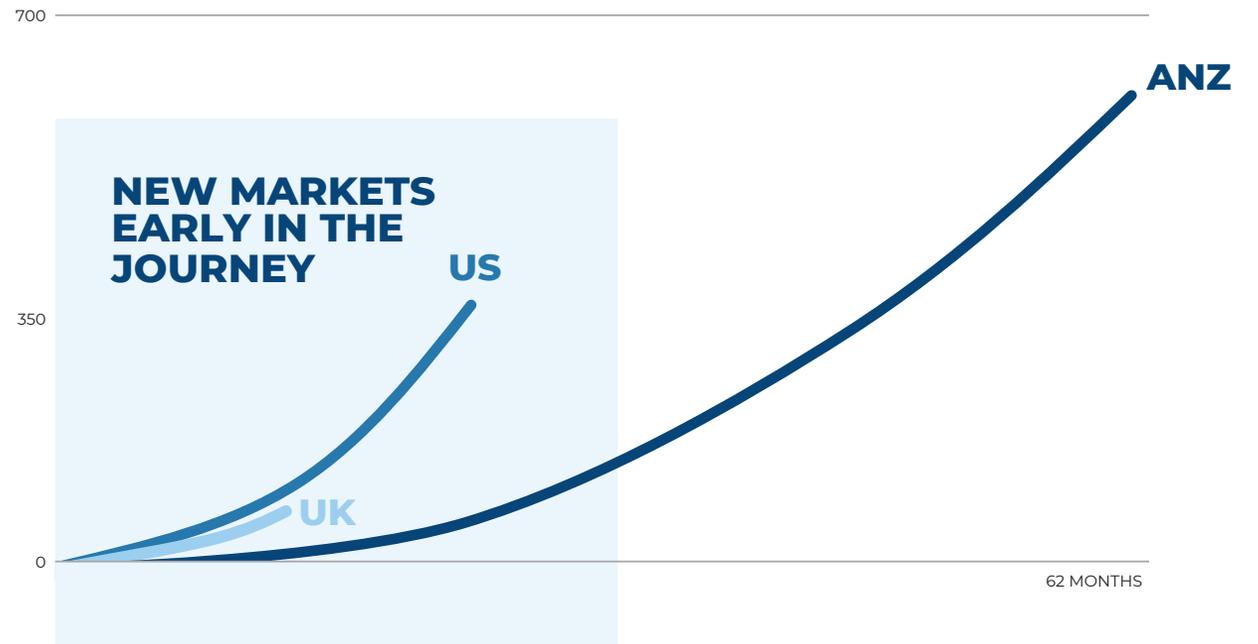
In-store in ANZ is now a significant growth opportunity and will **launch in US in H2 FY20**

NEW MARKETS - CANADA

New markets are actively being pursued **Canada** next target market in 2020

NEW AND DEVELOPING MARKETS GROWING AT A FASTER RATE THAN ANZ EXPERIENCE

UNDERLYING SALES
A\$M, TRENDLINE



MERCHANT ACQUISITION MOMENTUM IN DEVELOPING MARKETS OF US & UK

LIVE MERCHANTS US &
UK ADDRESSABLE¹
ONLINE OPPORTUNITY

>\$26b

RECENT NEW MERCHANTS
(LIVE² IN Q2 FY20)

FINISH LINE

ULTA
BEAUTY

THE HUT

Madewell

GYMSHARK

FENTY BEAUTY
BY RIHANNA

COST PLUS
WORLD MARKET.

BOMBAS **OLEHENRIKSEN**® **ba&sh**  **FragranceNet**

TATI BEAUTY **CLINIQUE** **RUGGABLE** **RTW retailwinds**

 **ROTHY'S**

ESTÉE
LAUDER
COMPANIES

Outdoor
Voices 

HAUS
LABORATORIES

PIPELINE OF
INTEGRATING
/CONTRACTED
MERCHANTS
ADDRESSABLE¹
ONLINE
OPPORTUNITY

\$4.5b

Over **3.5k merchants**
contracted or currently
integrating in US and UK



NEW VERTICALS MOMENTUM ANZ

SIGNIFICANT TRANSACTION VOLUME PARTNERSHIPS WILL COME ONLINE IN 2020

PLATFORM

Australia's largest online marketplace
40k Australian retailers
11 million unique Australian visitors a month



TRAVEL

Play offers curated holiday packages that can be paid for in weekly or fortnightly instalments. AP Ventures¹ invested in LayAway Travel and conducted a successful pilot of the newly branded Play service



Webjet is a leading online travel agency in Australia and New Zealand (>\$366m Revenue FY19)



HEALTH

nabhealth



HICAPS is Australia's leading claims and payments solution for healthcare providers, and currently has more than 80,000 providers Australia-wide

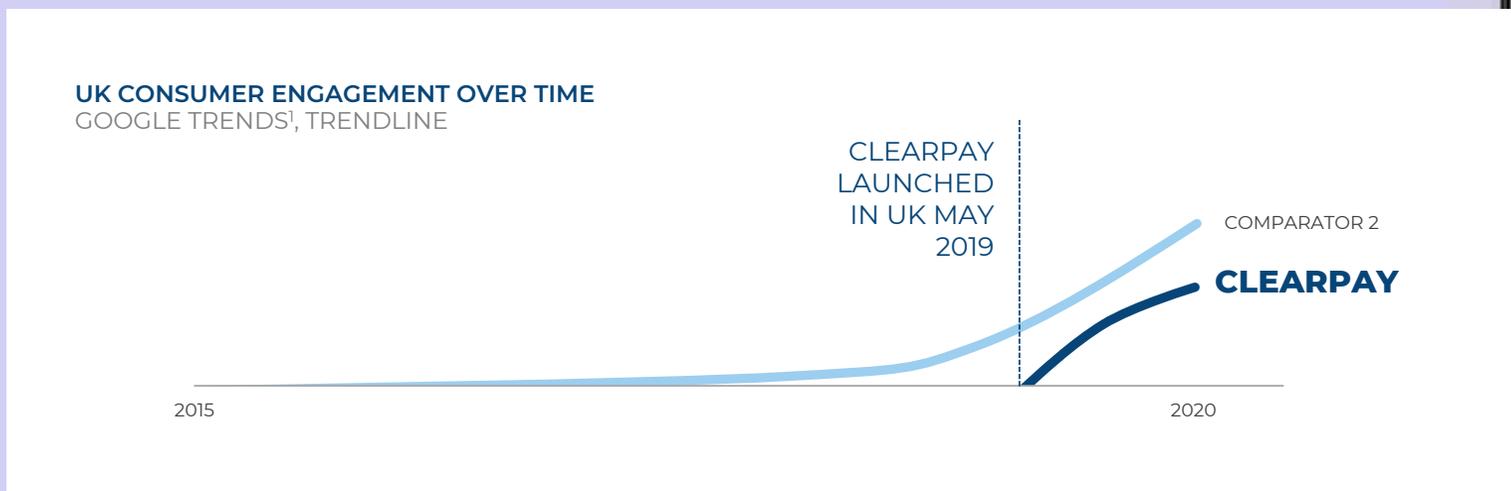
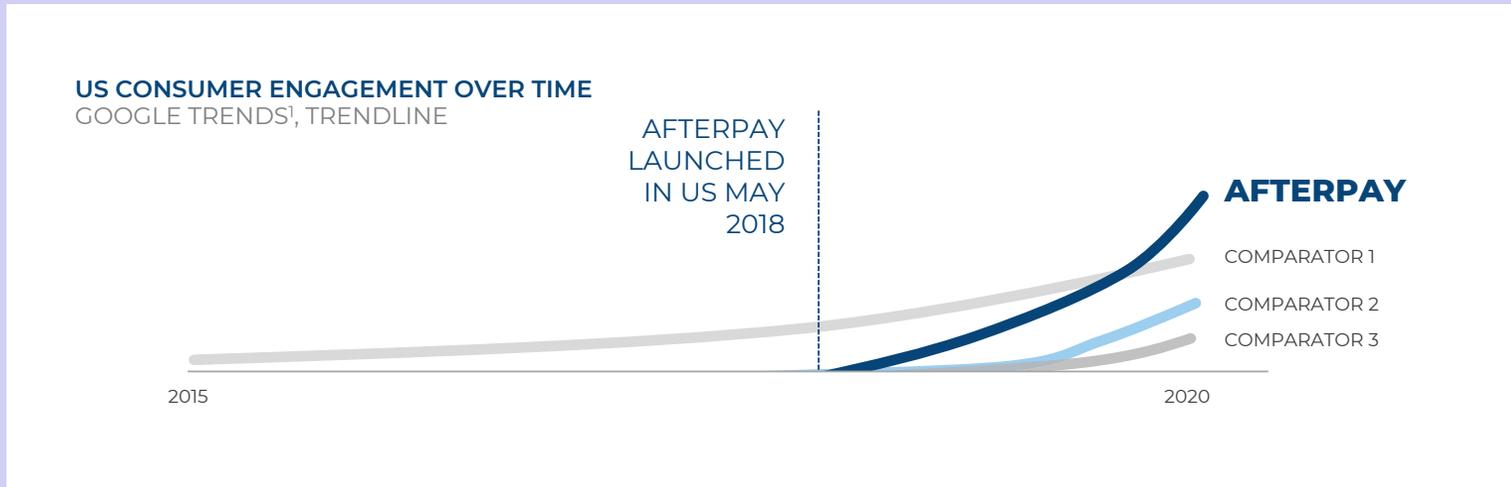


Symbion is a national wholesaler of healthcare services and products with over 4,000 pharmacy customers across Australia

ENTERTAINMENT AND SERVICES



PLATFORM MOMENTUM DRIVING STRONG CUSTOMER AND MERCHANT ENGAGEMENT



GROWTH IN LEAD REFERRALS FROM AFTERPAY PLATFORM DELIVERING DATA INSIGHTS AND OUTCOMES FOR MERCHANTS

GLOBALLY IN Q2 FY20

~14m

AVERAGE NUMBER OF REFERRALS PER MONTH

Up from average of ~9m per month in Q1 FY20

NOTE: 1. GOOGLE TRENDS CHART SHOWS HOW FREQUENTLY AFTERPAY IS SEARCHED IN THE GOOGLE SEARCH ENGINE RELATIVE TO COMPARATORS

TALENT ACQUISITION MOMENTUM

KEY INVESTMENT IN GLOBAL CAPABILITIES INCLUDING SALES, PRODUCT AND TECHNOLOGY TEAMS

ENHANCING CAPABILITY GLOBALLY

World class talent continues to be recruited:

GLOBAL CHIEF PRODUCT OFFICER

DAVID KATZ (EX FANATICS, Groupon)

GLOBAL CHIEF MARKETING OFFICER

GEOFF SEELEY (EX AIRBNB)

CHIEF ENTERPRISE RISK OFFICER

CASSANDRA WILLIAMS (EX CBA)

ANZ SALES DIRECTOR

KATRINA KONSTAS (EX AMEX)

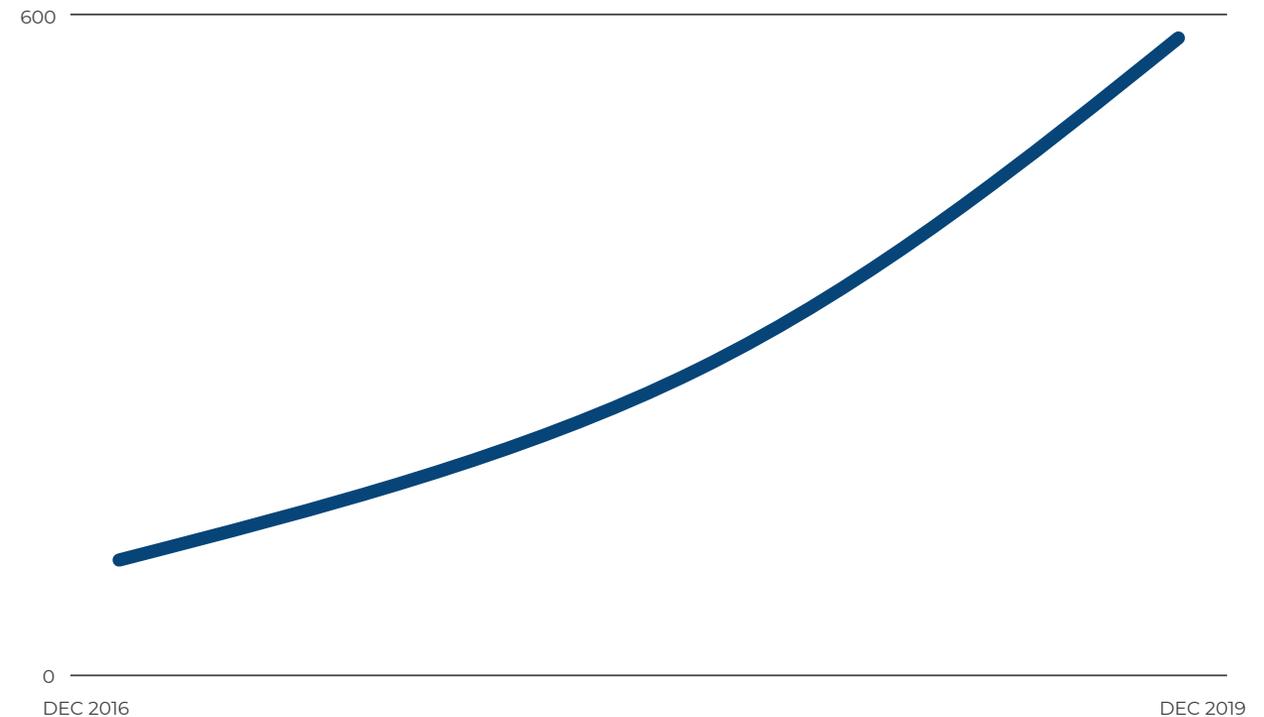
VP PRODUCT DESIGN

SCOTT POLCHLEB (EX WEWORK)

US HEAD OF FINANCE

LAURA NADLER (EX VISA)

HEADCOUNT GROWTH



PARTNERSHIPS AND INNOVATION

VISA AND MASTERCARD STRATEGIC PARTNERSHIPS

Agreement with both Visa and Mastercard previously announced

- VISA preferred payment network in US
- Mastercard preferred payment network in Australia
- Both partnerships include incentives and processing cost benefits

Further aspects of the partnerships will be announced as they develop



LITE INTEGRATION

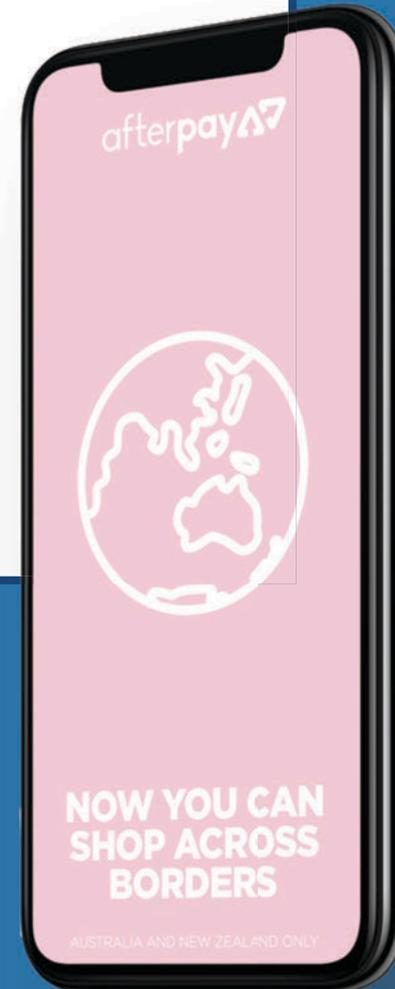
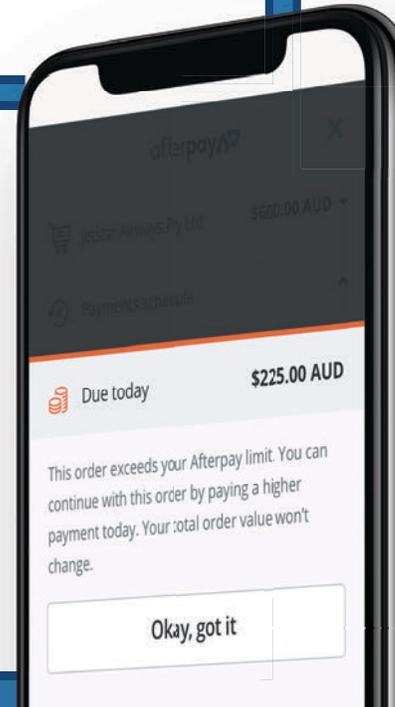
- Enables enterprise merchants to integrate Afterpay faster
- Launched in US prior to 2019 holiday season, including Finish Line (now largest US merchant)
- Extending to Australia
- Leverages scheme virtual card to fund merchant

VARIABLE FIRST PAYMENT

- Enables consumers to pay more up front
- Higher average order value and higher approval rates
- 35,000 merchants¹ enabled globally

XBT (CROSS BORDER TRADE)

- New revenue, sales and consumer acquisition stream
- Activated between Australia and NZ in Q2 FY19
- **Plan to add UK by end of FY20** and other markets subsequently

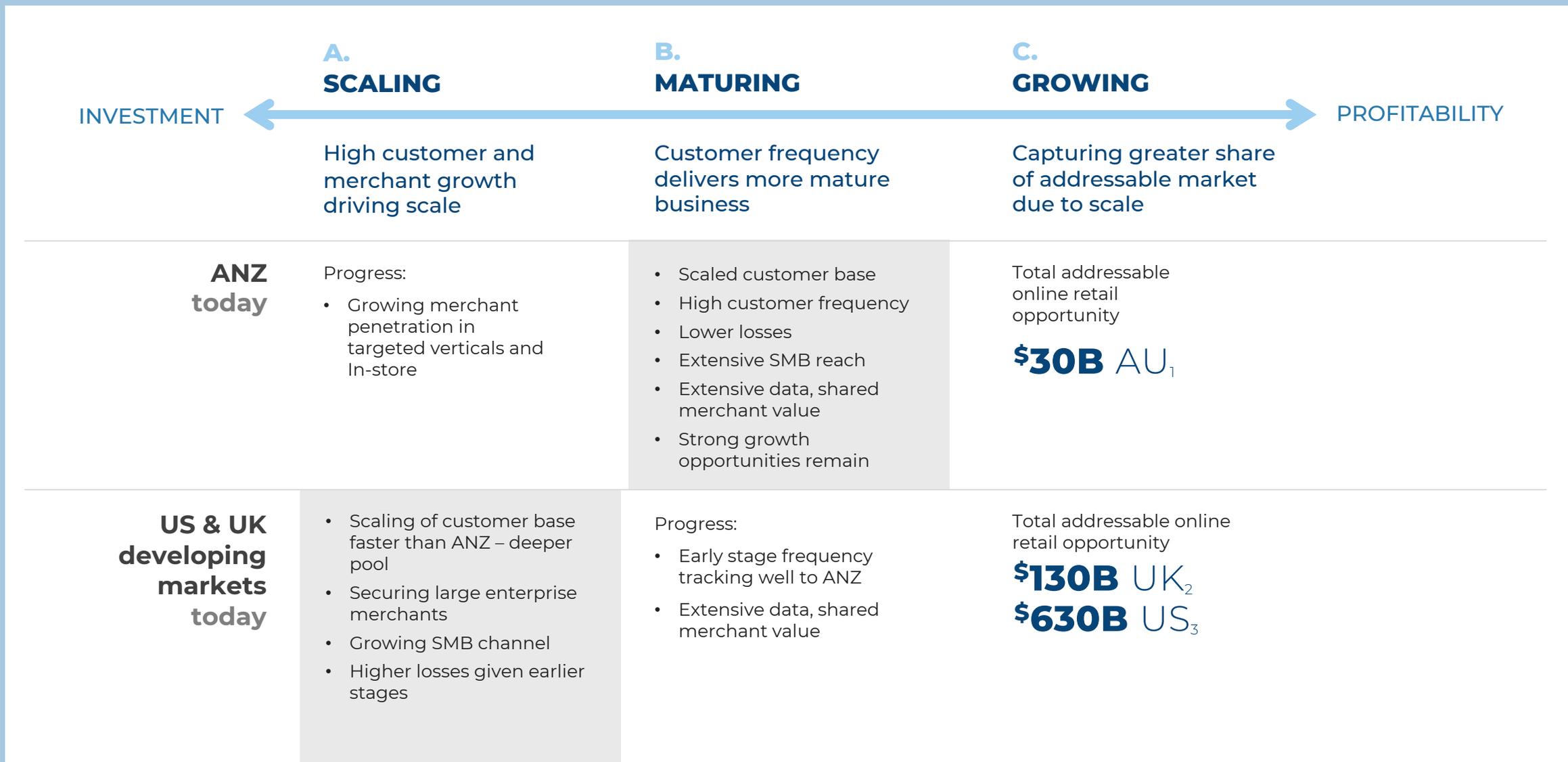


WHY INVESTING IN GROWTH IN DEVELOPING AND NEW MARKETS MAKES SENSE

- ANZ illustrates the power and **profitability of a maturing customer base** that aligns with Afterpay's customer centric core values
- Our business model is highly profitable **without relying on debt entrapment/revolving economics** typically associated with bank lending and other BNPL providers
- Not only is this good for our customers but it lowers our risk as increased frequency **does not** translate to more outstanding debt but it **does** translate to lower losses and higher margins
- **ANZ is our blueprint** for new markets growth glidepath
- **Success achieved to date with ANZ blueprint gives confidence to invest in our global expansion growth opportunity**

- **New and developing markets are growing at a faster pace** than ANZ and we are investing in the growth opportunity we have created
- These markets will **impact profitability at a group level** as market penetration increases and customer base matures across regions

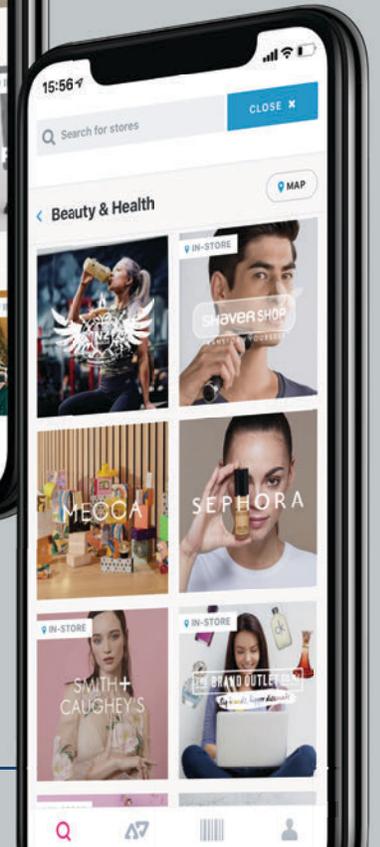
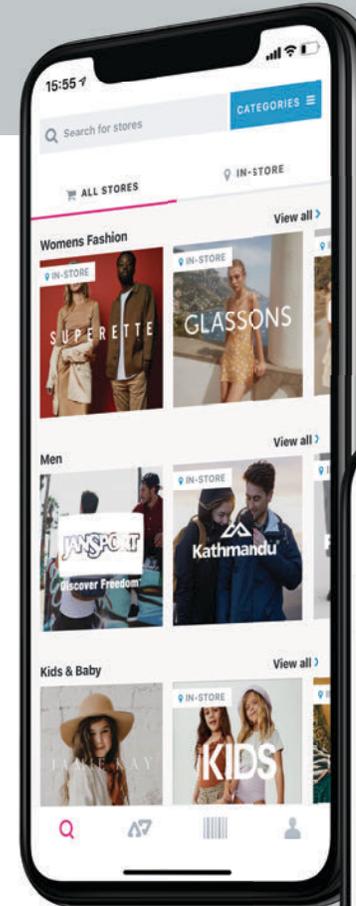
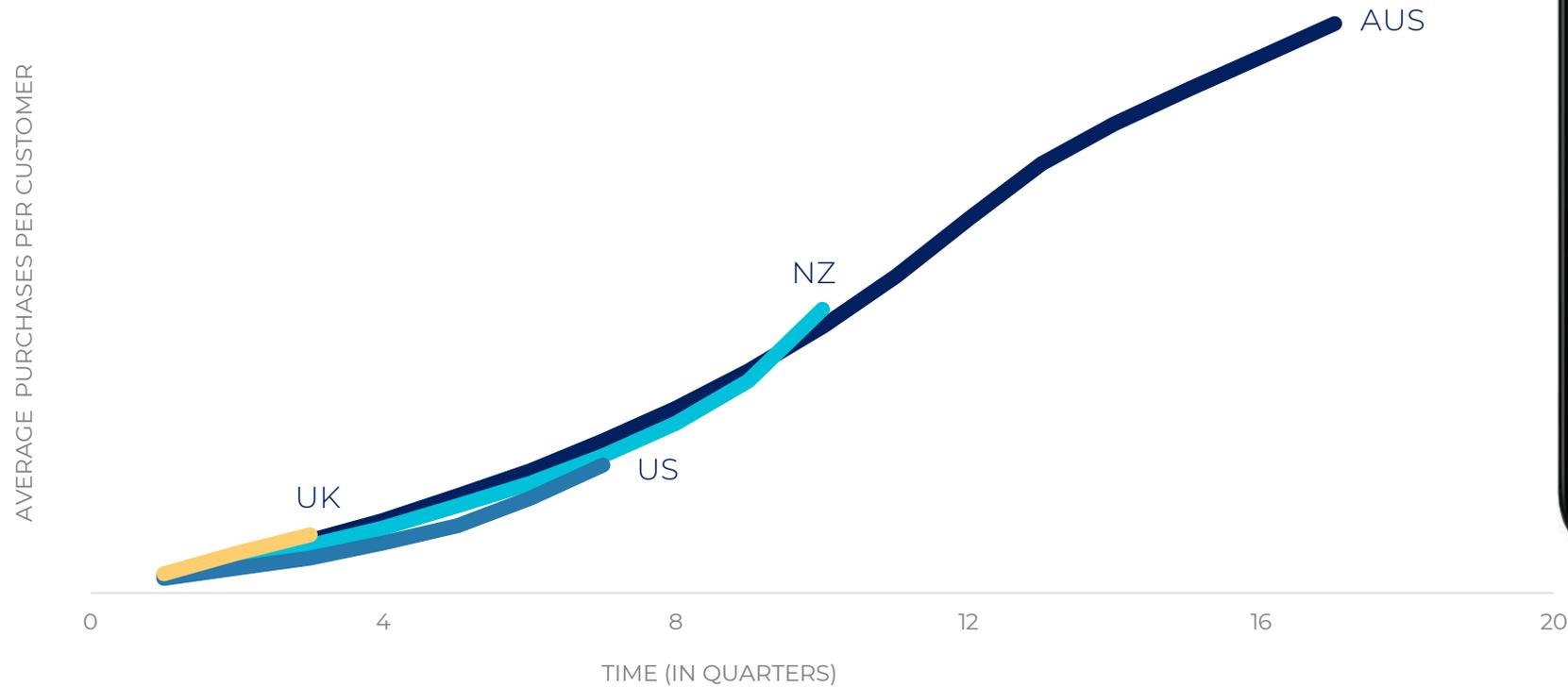
ANZ BLUEPRINT = GLOBAL EXPANSION MOMENTUM



NOTE 1. NAB ONLINE RETAIL INDEX (DECEMBER 2018) 2. UK HOUSE OF COMMONS REPORT (2018) 3. NATIONAL RETAIL FEDERATION (2019), FTI CONSULTING (2017)

NEW MARKETS PURCHASING FREQUENCY TRACKING WELL TO ANZ BLUEPRINT

AVERAGE NUMBER OF PURCHASES PER CUSTOMER OVER TIME TRENDLINE



INVESTING TO EXCEED MID-TERM TARGETS

HIGHER INVESTMENT IN H1 FY20 REFLECTS:

- Increased operating expenses to expand global platform and capabilities
- Increased marketing expenses to invest in marketing activities with major brand merchants recently integrated and in the pipeline
- New market preparation – Canada next, others to come
- New product features to drive performance

Investment in these areas will continue in H2 FY20 with a focus on exceeding mid-term targets for underlying sales and customer growth

RUN RATE UNDERLYING SALES
(Q2 FY20) ANNUALISED

>\$11b

AMBITION TO REACH **9.5m** **ACTIVE¹ CUSTOMERS**
BY THE END OF FY20

AMBITION TO **EXCEED UNDERLYING SALES MID-TERM TARGET**

BY THE END OF FY22

~\$20b

SUBSTANTIAL INVESTMENT TO SCALE FASTER -
IMPACT ON SHORT TERM PROFITABILITY AT A
GROUP LEVEL

BALANCE SHEET STRONG

GROWTH ASPIRATIONS ARE FULLY FUNDED

AUSTRALIA

Draft BNPL Code of Practice

Code of Practice released for public consultation. Consultation period ends 11 March 2020

Afterpay long standing supporter of industry code

Senate Committee inquiry into FinTech and RegTech

Submission lodged, appeared before the inquiry on 20 February 2020. Committee to report back later this year

RBA Issues Paper – Surcharging

Submission made in response to the RBA's Issues Paper on payment system regulation

Submission highlighted:

- why Afterpay should not be classified as a payment system from a policy and legal perspective
- Afterpay is fundamentally different to payment systems, and the diverse and unique benefits that the Afterpay platform provides to merchants and consumers

AUSTRAC

AUSTRAC considering auditor's report. Afterpay continuing to work on implementing recommendations

COMMITMENT TO OUR PEOPLE, GOOD GOVERNANCE AND THE COMMUNITY



PEOPLE

Launch of our first **graduate program** mentoring young engineers

Strategic focus on globally-aligned workforce, operational scale and efficiency, clear accountability and shared rewards

Investment in **shared rewards**, with all employees to be shareholders under global award program



COMMUNITY

Bushfire appeal

\$250k+ donated to Red Cross in response to Australian Bushfire partnership, plus **hardship relief** for affected consumers and support for impacted merchants

Afterpay participated in 'All In Thursday' retail event which raised **\$780k**



GOVERNANCE

Pat O'Sullivan to join Board as Independent Non-Executive Director in March 2020. Current Chair of carsales.com Ltd

Follows appointment of **Gary Briggs** as Independent Non-Executive Director announced in November 2019

Global recruitment process continues

H1 FY20 FINANCIAL DETAIL

APPENDIX



STATUTORY TO MANAGEMENT PROFIT AND LOSS RECONCILIATION

STATUTORY PROFIT AND LOSS

A\$M (UNLESS OTHERWISE STATED)	H1 FY20	CROSS REFERENCE
AFTERPAY INCOME	179.6	A
PAY NOW REVENUE	8.1	
OTHER INCOME	32.6	B
TOTAL INCOME	220.3	
COST OF SALES	(55.4)	C
GROSS PROFIT	164.9	
DEPRECIATION AND AMORTISATION EXPENSES	(13.8)	
EMPLOYMENT EXPENSES	(36.0)	D
SHARE-BASED PAYMENTS (SBP)	(13.6)	
RECEIVABLES IMPAIRMENT EXPENSES	(47.8)	E
NET LOSS ON FINANCIAL LIABILITIES AT FAIR VALUE	(0.9)	
OPERATING EXPENSES	(80.6)	F
OPERATING LOSS	(27.9)	
FINANCE INCOME	0.7	
FINANCE COST	(8.6)	G
LOSS BEFORE TAX	(35.8)	
INCOME TAX BENEFIT	4.2	
LOSS FOR THE PERIOD	(31.6)	

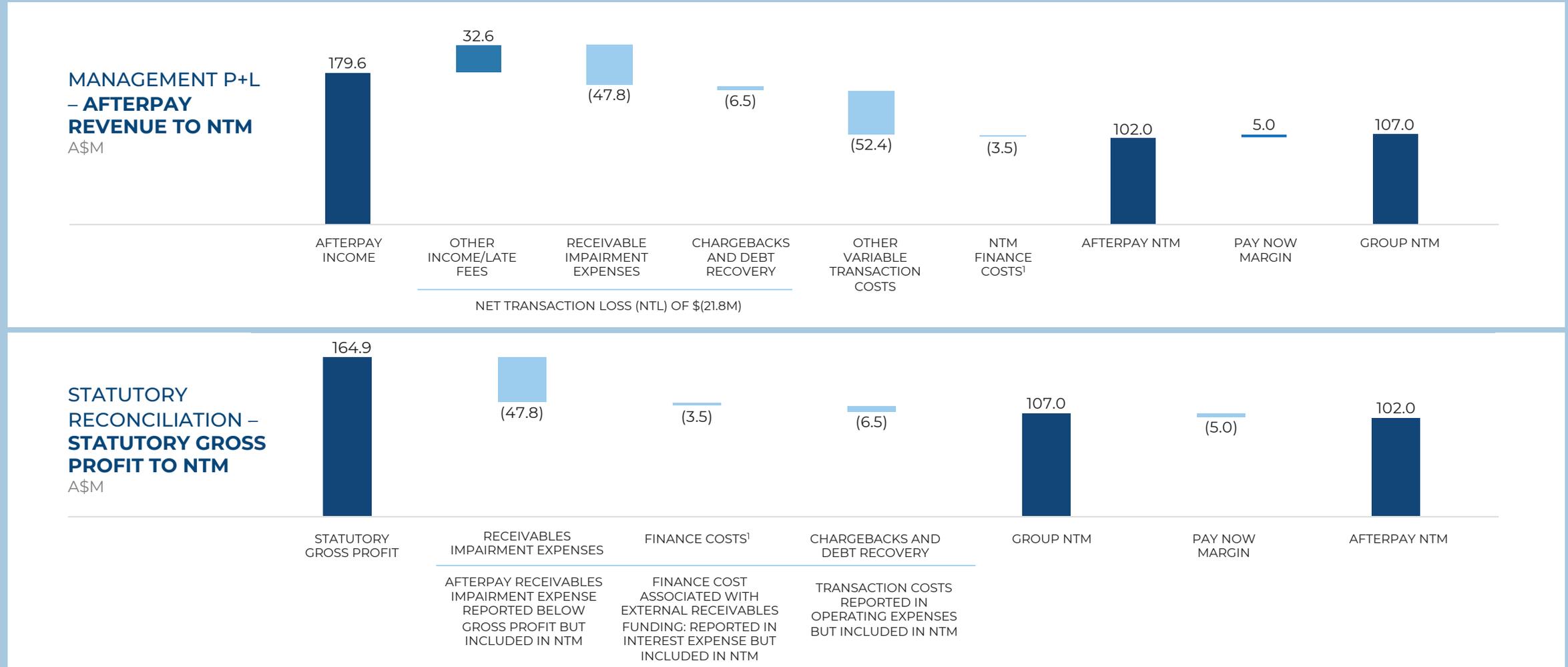
MANAGEMENT PROFIT AND LOSS – EBITDA RECONCILIATION

A\$M (UNLESS OTHERWISE STATED)	H1 FY20	CROSS REFERENCE
AFTERPAY INCOME	179.6	A
OTHER INCOME / LATE FEES	32.6	B
RECEIVABLES IMPAIRMENT EXPENSES	(47.8)	E
CHARGEBACKS & DEBT RECOVERY COST	(6.5)	INCLUDED IN F
NET TRANSACTION LOSS (NTL)	(21.8)	
OTHER VARIABLE TRANSACTION COSTS	(52.4)	INCLUDED IN C ¹
NTM FINANCE COSTS	(3.5)	INCLUDED IN G ²
OTHER VARIABLE TRANSACTION COSTS (Incl. Finance Costs)	(55.9)	
AFTERPAY NET TRANSACTION MARGIN (NTM)	102.0	
PAY NOW GROSS MARGIN	5.0	
GROUP NET TRANSACTION MARGIN (NTM)	107.0	
ADD: CHARGEBACKS & DEBT RECOVERY COST	6.5	INCLUDED IN F
ADD: FINANCE COSTS	3.5	INCLUDED IN G ²
EMPLOYMENT EXPENSES	(36.0)	D
OPERATING EXPENSES	(80.6)	F
ONE-OFF COST	6.3	INCLUDED IN F
EBITDA (excluding significant items)	6.8	

NOTE: CHANGE CALCULATIONS MAY NOT EQUATE DUE TO ROUNDING 1. EQUAL TO STATUTORY COST OF SALES (\$55.4M) LESS COST OF SALES ASSOCIATED WITH PAY NOW (\$3.1M) 2. FINANCE COST ASSOCIATED WITH EXTERNAL RECEIVABLES FUNDING; REPORTED IN INTEREST EXPENSE BUT INCLUDED IN NTM. EXCLUDES AMORTISATION OF CAPITALISED BORROWING COSTS, CORPORATE BOND INTEREST, LEASE EXPENSE AND INTEREST INCOME. METHODOLOGY CONSISTENT WITH PRIOR PERIODS

NTM BRIDGE AND NTM RECONCILIATION

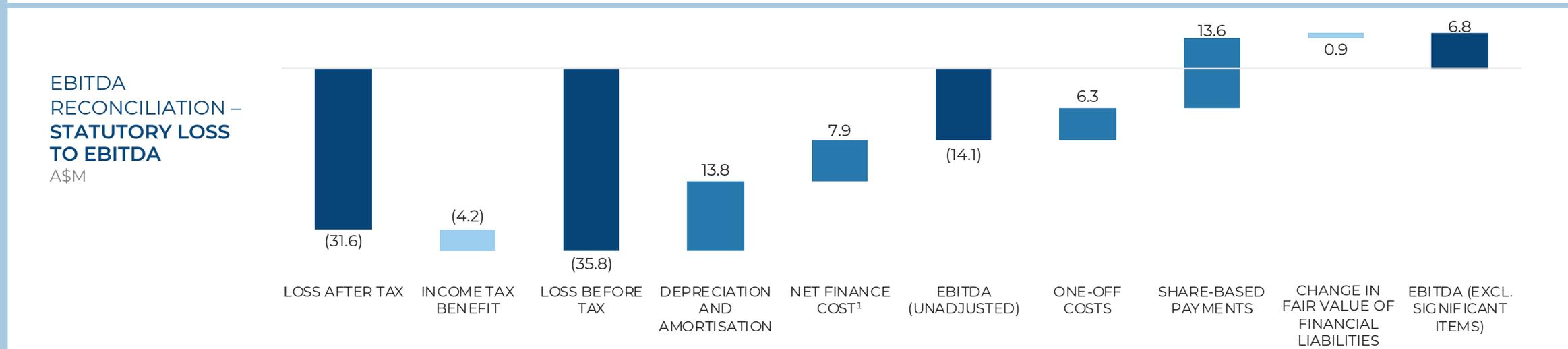
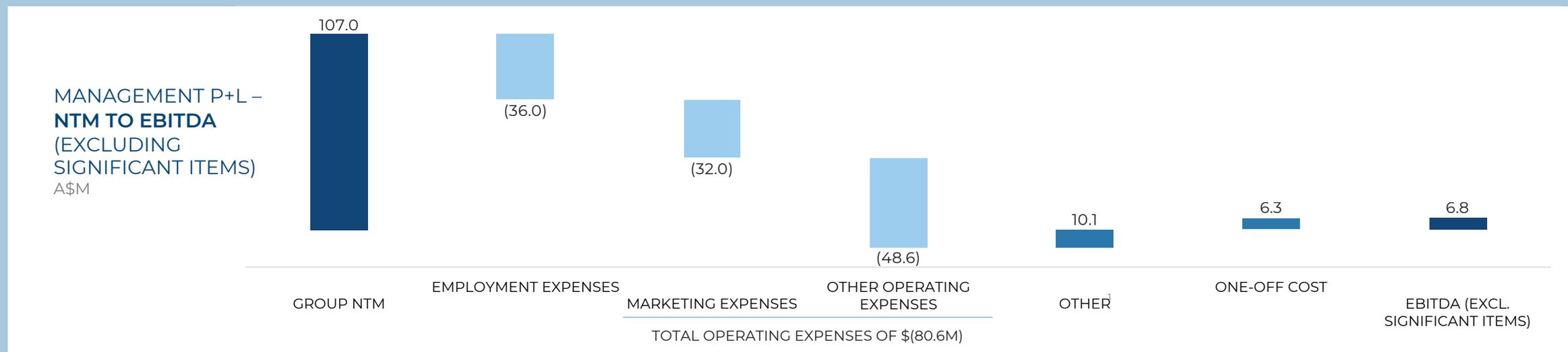
AFTERPAY'S MEASURE OF MARGIN IS NET TRANSACTION MARGIN (NTM). NTM IS A MORE CONSERVATIVE VIEW OF GROSS MARGIN WHICH INCLUDES GROSS LOSS AND FINANCE COSTS



NOTE: CALCULATIONS MAY NOT SUM DUE TO ROUNDING 1. FINANCE COST ASSOCIATED WITH EXTERNAL RECEIVABLES FUNDING: REPORTED IN INTEREST EXPENSE BUT INCLUDED IN NTM. EXCLUDES AMORTISATION OF CAPITALISED BORROWING COSTS, CORPORATE BOND INTEREST, LEASE EXPENSE AND INTEREST INCOME. METHODOLOGY CONSISTENT WITH PRIOR PERIODS

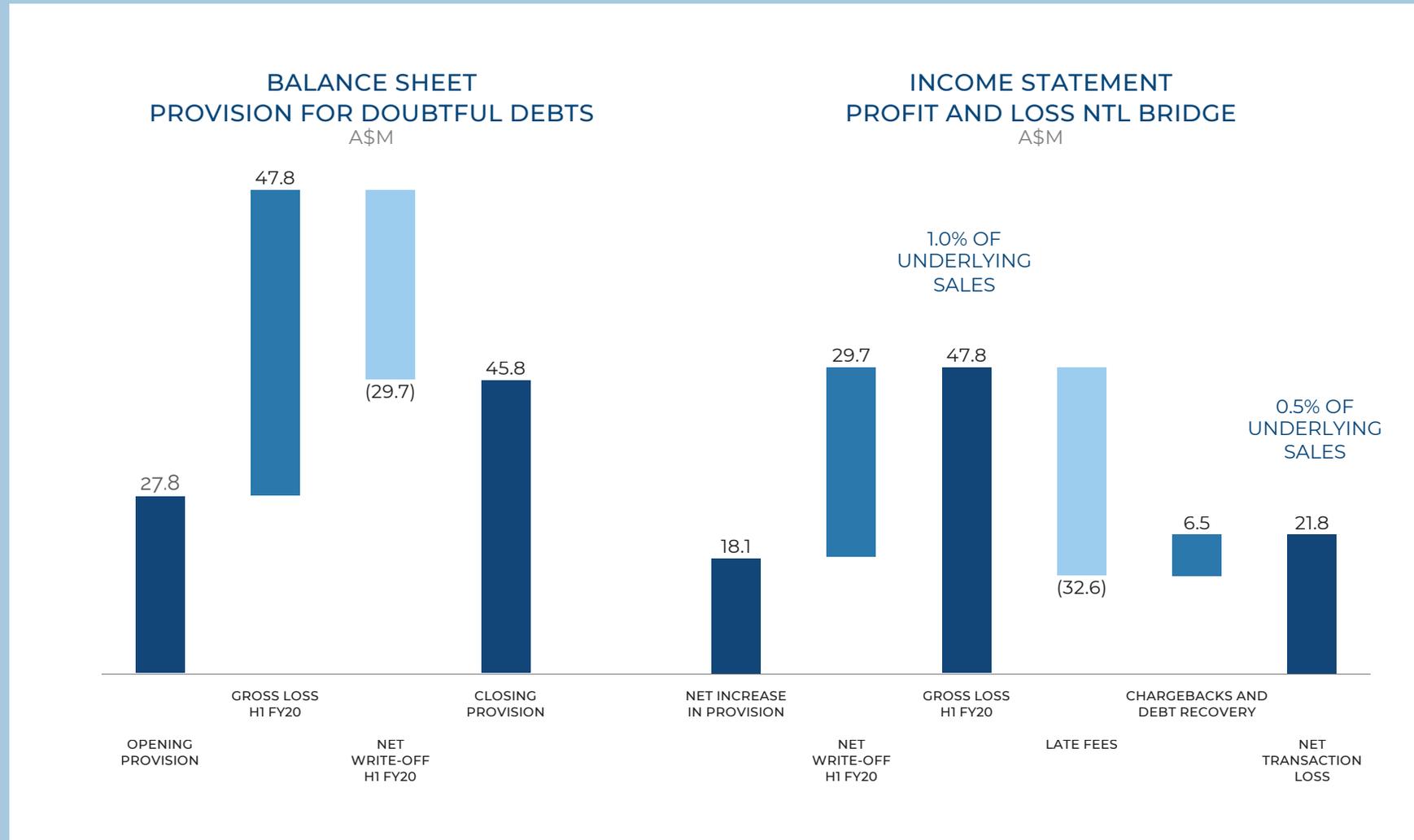
EBITDA AND EBITDA RECONCILIATION

AFTERPAY'S KEY EXPENSE ITEMS BETWEEN NTM AND EBITDA (EXCLUDING SIGNIFICANT ITEMS) ARE EMPLOYMENT, MARKETING AND OTHER OPERATING EXPENSES



NOTE: CALCULATIONS MAY NOT SUM DUE TO ROUNDING. 1. 'OTHER' INCLUDES: \$65M CHARGEBACKS AND DEBT RECOVERY COSTS (TRANSACTION COSTS REPORTED IN OPERATING EXPENSES BUT INCLUDED IN NTM) AND \$35M FINANCE COSTS (ASSOCIATED WITH EXTERNAL RECEIVABLES FUNDING AND INCLUDED IN NTM BUT NOT EBITDA). 2. NET FINANCE COST COMPRISES FINANCE INCOME LESS FINANCE COST AS REPORTED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME. A COMPONENT OF NET FINANCE COST IS FINANCE COST ASSOCIATED SPECIFICALLY WITH EXTERNAL RECEIVABLES FUNDING WHICH IS INCLUDED WITHIN NET TRANSACTION MARGIN. THE BALANCE OF NET FINANCE COST RELATES TO AMORTISATION OF CAPITALISED BORROWING COSTS, CORPORATE BOND INTEREST, LEASE EXPENSE AND FINANCE INCOME

NET TRANSACTION LOSS RECONCILIATION



	H1 FY20	H1 FY19
LATE FEES AS A PERCENTAGE OF UNDERLYING SALES	0.7%	0.8%
LATE FEES AS A PERCENTAGE OF AFTERPAY INCOME ²	15.3%	17.6%

NOTE: CALCULATIONS MAY NOT SUM DUE TO ROUNDING 1. GROSS LOSS IS REFERRED TO AS RECEIVABLES IMPAIRMENT EXPENSE IN THE FINANCIAL STATEMENTS 2. LATE FEES AS A PERCENTAGE OF AFTERPAY TOTAL INCOME, EXCLUDES PAY NOW

BALANCE SHEET

DEBT METRICS

BALANCE SHEET

A\$M (UNLESS OTHERWISE STATED)	31 DEC 19	30 JUN 19	CHANGE \$	CHANGE %
CASH	402.5	231.5	171.0	73.9%
RESTRICTED CASH	23.1	2.0	21.1	1039.4%
TOTAL CASH	425.6	233.5	192.1	82.3%
WAREHOUSE FUNDING ¹	(357.7)	~	(357.7)	~
SENIOR UNSECURED NOTES AND OTHER	(50.0)	(49.9)	(0.1)	0.1%
LEASE LIABILITY	(9.3)	(0.3)	(9.0)	2624.3%
TOTAL DEBT	(416.9)	(50.2)	(366.7)	730.1%
NET CASH / (DEBT)	8.7	183.3	(174.6)	(95.2)%

NET DEBT

A\$M (UNLESS OTHERWISE STATED)	31 DEC 19	30 JUN 19	CHANGE \$	CHANGE %
TOTAL LIQUIDITY ²	672.1	610.1	62.0	10.2%
INTEREST COVER RATIO ³	3.4x	3.8x	(0.4)x	(10.5)%
% DRAWN OF WAREHOUSE FACILITIES ⁴	33.3%	0.0%	~	~
WAREHOUSE DEBT/RECEIVABLES ⁵	47.6%	0.0%	~	~
UNDRAWN COMMITTED FACILITIES	727.6	946.9	(219.3)	(23.2)%

COMMENTARY

Total Cash increased by \$192.1m to \$425.6m in the period reflecting the November 2019 equity placement

Total Debt increased by \$366.7m to \$416.9m reflecting a drawdown on warehouse facilities to fund underlying sales (receivables) growth

Receivables increase the Group's liquidity or borrowing capacity available in the warehouse facilities

Total liquidity (cash and undrawn warehouse capacity) increased by \$62.0m to \$672.1m in the period

The proportion of the Group's warehouse facilities that are drawn is 33.3% reflecting the significant facility headroom and capacity to fund underlying sales growth

The proportion of funding relative to the receivables portfolio is 47.6% which is reflected in our strong liquidity position

NOTE: CALCULATIONS AND CHANGE MAY NOT EQUATE DUE TO ROUNDING
 1. WAREHOUSE FUNDING IS REPORTED IN THE STATUTORY ACCOUNTS AS 'SECURED INTEREST BEARING BORROWINGS' OF \$357.7M, REFLECTING ACTUAL DRAWN DEBT OF \$362.6M ADJUSTED FOR CAPITALISED BORROWING COSTS AND ACCRUED INTEREST OF \$4.9M 2. TOTAL LIQUIDITY REFLECTS THE EXISTING CASH BALANCE PLUS THE UNDRAWN WAREHOUSE CAPACITY UNDER THE RECEIVABLES WAREHOUSE FACILITIES 3. THE INTEREST COVER RATIO CONTAINED IN THE SENIOR UNSECURED NOTES REMAINS WELL ABOVE THE COVENANT LEVEL 4. REPRESENTS THE PROPORTION OF ACTUAL DRAWN WAREHOUSE DEBT OF \$362.6M TO TOTAL WAREHOUSE FACILITIES OF \$1,090.1M 5. REPRESENTS THE PROPORTION OF ACTUAL DRAWN WAREHOUSE DEBT OF \$362.6M TO RECEIVABLES OF \$761.0M

SIGNIFICANT ITEMS AND DEPRECIATION AND AMORTISATION

ONE-OFF COSTS

A\$M (UNLESS OTHERWISE STATED)	H1 FY20	H1 FY19
INTERNATIONAL EXPANSION	(2.9)	(1.5)
NET GAIN ON SALE OF BUSINESS	~	1.3
BUSINESS COMBINATION	(0.4)	(0.9)
AUSTRAC-RELATED COSTS	(3.0)	~
TOTAL	(6.3)	(1.1)

SHARE BASED PAYMENT EXPENSES

A\$M (UNLESS OTHERWISE STATED)	H1 FY20	H1 FY19
GROUP HEAD OPTIONS	(1.2)	(10.7)
OTHER	(12.4)	(7.4)
TOTAL	(13.6)	(18.1)

NET LOSS ON FINANCIAL LIABILITIES AT FAIR VALUE

A\$M (UNLESS OTHERWISE STATED)	H1 FY20	H1 FY19
THINKSMART PUT OPTION	(0.9)	~
TOTAL	(0.9)	~

DEPRECIATION & AMORTISATION

A\$M (UNLESS OTHERWISE STATED)	H1 FY20	H1 FY19
DEPRECIATION	(1.1)	(0.9)
AMORTISATION	(12.7)	(10.3)
TOTAL	(13.8)	(11.2)

COMMENTARY

International expansion costs include one-off consulting spend associated with international expansion activities, assessment of new growth opportunities and one-off organisational changes

Net gain on sale of business related to sale of e-Services EU business

Business combination costs include costs related to the establishment of Clearpay in the UK

AUSTRAC-related costs includes spend on regulatory responses

COMMENTARY

Decline in SBP expense for the former Group Head's options due to the vesting of those securities in the period

Other SBP expenses increased due to an investment in senior talent across the Group who were issued share-based equity in line with the Group's new remuneration framework (see FY19 Annual Report)

COMMENTARY

Net loss on financial liabilities at fair value relates to the increase in fair value following the revaluation of ThinkSmart's put option to sell the remaining 6.5% of issued shares it holds in Clearpay (10% less 3.5% allocated to Clearpay employees)

COMMENTARY

Depreciation and Amortisation relates primarily to amortisation of acquired intangibles (\$0.4m), amortisation of internally generated technology (\$9.8m) and the adoption of AASB 16 which includes a \$2.5m amortisation impact of the Lease's right-of-use asset

PAY NOW SEGMENT

GROSS MARGIN RELATIVELY FLAT

A\$M (UNLESS OTHERWISE STATED)	H1 FY20	H1 FY19	CHANGE %
REVENUE			
MOBILITY	5.3	5.4	(1%)
E-SERVICES	1.1	2.0	(47%)
HEALTH	1.7	1.5	12%
TOTAL REVENUE	8.1	8.9	(9%)
COST OF SALES	(3.1)	(4.1)	(25%)
GROSS MARGIN	5.0	4.8	4%
OTHER EXPENSES	(2.3)	(2.2)	3%
EBITDA CONTRIBUTION (excluding significant items)	2.7	2.6	4%

COMMENTARY

Decline in revenue largely driven by divestment of e-Services EU in October 2018

Discontinuation of remaining e-Services business to occur in H2 FY20

Stable gross margin driven by an increased mix of higher margin services vs H1 FY19

A man with short dark hair and glasses is smiling broadly, leaning forward with his arms resting on a white surface. He is wearing a black long-sleeved shirt. The background is a bright yellow color. There are faint, semi-transparent images of the same man in the background, creating a layered effect.

afterpay 

THANKYOU