



Afterpay Limited ASX: APT

ASX Announcement

25 August 2021

Afterpay Full Year Results to 30 June 2021

(all currency figures are in Australian dollars unless otherwise stated)

Afterpay Limited (Afterpay) is pleased to release its results for the full year ended 30 June 2021 (FY21).

OVERVIEW

GLOBAL (A\$)	FY21	FY20	CHANGE ¹
Afterpay Underlying Sales	21.1b	11.1b	90%
Afterpay Underlying Sales (constant currency ²)	22.4b	11.1b	102%
Afterpay Active Customers ³	16.2m	9.9m	63%
Afterpay Active Merchants ³	98.2k	55.4k	77%
Afterpay Gross Loss ⁴ as % of Underlying Sales	0.9%	0.9%	~
Group Total Income ⁵	924.7m	519.2m	78%
Group Total Income (constant currency ²)	978.9m	519.2m	89%
Afterpay Income ⁶	822.3m	433.8m	90%
Afterpay Income (constant currency ²)	875.1m	433.8m	102%
Afterpay Income Margin	3.9%	3.9%	~
Afterpay Net Transaction Loss	(132.6m)	(42.8)m	210%
Afterpay Net Transaction Loss as % of Underlying Sales	(0.6%)	(0.4%)	0.2pp
Afterpay Net Margin ⁷	434.1m	250.2m	74%
Afterpay Net Margin as a % of Underlying Sales	2.1%	2.3%	0.2pp
EBITDA (excluding Significant Items) ⁸	38.7m	44.4m	(13)%
Total Cash ⁹	1,161.0m	607.6m	91%
Liquidity & Growth Capacity ¹⁰	2,563.2m	1,270.2m	102%

¹ Change calculations may not equate due to rounding.

² Constant currency is a non-IFRS measure and has been calculated by translating the results for the full year ended 30 June 2021 at the effective exchange rates for the prior comparative period ended 30 June 2020.

³ Active defined as having transacted at least once in the last 12 months.

⁴ Gross Loss defined as Afterpay receivables impairment expense.

⁵ Group Total Income includes Afterpay Income, Other Income and Pay Now Revenue.

⁶ Afterpay Income reflects merchant income, affiliate fees and interchange (earned from the US virtual one time use card).

⁷ Afterpay Net Margin reflects margin earned directly from Underlying Sales, plus other income and margin items associated with the Afterpay platform (such as Money by Afterpay).

⁸ EBITDA (excluding Significant Items) excludes foreign currency gains, share-based payment expenses, net loss on financial liabilities at fair value, share of loss of associate, gain on dilution of shareholding in associate and one-off items.

⁹ Total Cash includes Cash and Restricted Cash.

¹⁰ Liquidity includes Cash and undrawn borrowing capacity in the debt facilities as at 30 June 2021. Growth Capacity reflects the difference between the total debt facility limit and the drawn and undrawn capacity in the warehouse facilities.

FY21 KEY OPERATING HIGHLIGHTS

- Continued global growth during FY21 and strong operating performance achieved across all regions.
- FY21 Underlying Sales of \$21.1 billion, a 90% increase on the prior corresponding period (pcp), with a current run rate of over \$24 billion per annum (based on Q4 FY21 trading).
- On a constant currency basis, the Group delivered a 102% increase in FY21 Underlying Sales on pcp to \$22.4 billion, exceeding its previously stated objective to reach \$20 billion in Underlying Sales, 12 months ahead of target¹¹.
- The geographic profile of the Afterpay business continues to evolve, with all regions performing strongly during the period notwithstanding that global retail remains at various points of reopening due to the effects of the Pandemic.
- Underlying Sales in North America¹² (NA) and Clearpay were up 177% and 242% respectively compared to FY20 on a local currency basis. Combined Underlying Sales contributions from these regions increased from 41% in FY20 to 55% in FY21. North America is now Afterpay's largest region in terms of Underlying Sales.
- Active customers during FY21 grew to 16.2 million, an increase of 63% on pcp (9.9 million at 30 June 2020), and approximately 25k new customers joined the platform globally per day during FY21. NA and Clearpay reached 10.5 million and 2.1 million active customers respectively.
- During FY21, 30% of Active customers initiated one or more purchases from the Afterpay platform¹³. Reflecting the power of its network, Afterpay drove ~1 million customer referrals to our retail partners every day during H2 FY21.
- In Afterpay's most established ANZ region, the top 10% of consumers are now using Afterpay more than 60 times per year. International regions continue to follow the ANZ trajectory with both NA and Clearpay recording increases in consumer frequency during the period. ~93% of FY21 Underlying Sales coming from repeat customers.
- As of today, the Afterpay global integrated active merchant network now exceeds 100k, following an increase of 77% in FY21 (98.2K as at 30 June 2021).
- Afterpay launched into four key regions during FY21 - Canada, Spain, France, and Italy. Consistent with our retail-led strategy, Germany is a priority region for advancement.
- Afterpay Day (bi-annual four-day sales event) was held on 19-22 August 2021 in ANZ and resulted in a 25% increase in Underlying Sales, a 19% increase in customers,

¹¹ Afterpay FY2019 ASX Market Disclosure page 11, <https://www.asx.com.au/asxpdf/20190828/pdf/447y85zk8g127f.pdf>

¹² The United States and Canada.

¹³ Percentage of Active customers that initiated one or more transactions from the Afterpay Shop Directory during FY21.

and a 15% increase in referrals from the Afterpay Shop Directory compared to the ANZ Afterpay Day held in March 2021.

- Afterpay will scale and unlock further global growth opportunities during FY22 by:
 - Consolidating our leadership across existing geographies
 - Further enhancing the consumer experience and frequency with the launch of Money by Afterpay, expansion of new income streams, and the revamped Pulse Loyalty program
 - Investing in our dual online and offline approach to merchant and customer-led growth
 - Growing our digital marketing capabilities with the launch of Afterpay iQ, our new merchant insights platform
 - Maintaining investment into our customer-aligned, low risk and self-reinforcing business model that is capital efficient and differentiated from traditional consumer lending businesses.

FY21 KEY FINANCIAL PERFORMANCE

- Strong Underlying Sales and income growth continued to match margin performance in FY21.
- Group Total Income¹⁴ of \$924.7 million, 78% higher than FY20, driven by the strong performance of the Afterpay business growing from a much larger base.
- Afterpay Income increased by 90% on the prior year to \$822.3 million. Maintained Afterpay Income Margin at 3.9% of Underlying Sales, with integrated active Afterpay merchants now exceeding 100k globally, and including a growing number of global enterprise merchant partnerships.
- Gross Loss represented 0.9% of Underlying Sales and was in line with pcp. This was a strong result notwithstanding the effects of COVID-19, the growth in new active customers, and increased contribution from newer regions as compared to the more mature ANZ region.
- ANZ represented ~60% of group Underlying Sales in FY20, reducing to ~45% in FY21 (decreasing from approximately 49% in H1 FY21 to approximately 41% in H2 FY21).
- Net Transaction Loss of 0.6% of Underlying Sales increased slightly (up from 0.4% at FY20) reflecting a lower contribution of late fees from customers.
- Late fees contributed less than 10% of Afterpay Total Income, down from 14% in FY20 and 19% in FY19. Late fees now represent less than 0.4% of Underlying Sales.
- Afterpay Net Margin¹⁵ was \$434.1 million in the year ended 30 June 2021, up 74% on the prior year.

¹⁴ Group Total Income includes Afterpay Income, Other Income and Pay Now Revenue.

¹⁵ Afterpay Net Margin is a non-IFRS measure that is not audited but is a key financial metric used by management to track Afterpay's gross profit inclusive of losses and funding costs. Afterpay Net Margin consists of Afterpay Income less Afterpay variable costs, including Cost of Sales, NTL, direct Receivables funding costs and other Afterpay platform related margin.

- Afterpay Net Margin was 2.1% at FY21 and was well managed during yet another high growth year, albeit down moderately on the prior period. This is consistent with the higher contribution from newer international regions, which are initially lower margin during early lifecycle, and lower contributions from late fees.
- EBITDA (excluding significant items) of \$38.7 million (down 13% from pcp), reflects a combination of strong earnings and increased investment in people, operations, and marketing to scale the Afterpay business into new regions and to drive brand awareness and customer acquisition.
- FY21 Statutory Loss after Tax of \$159.4 million. Statutory loss is impacted by significant items (including one-off items, share-based payment expenses, net loss on financial liabilities at fair value, the share of loss of associate, gain on dilution of shareholding in associate, and foreign currency gains).
- Employment Expenses were \$150.9 million, up 75% on FY20 but declined as a percentage of Underlying Sales compared to the prior period.
- Afterpay grew its global team to ~1,300 people during FY21 (up from 665 at the end of FY20). Investment in talent was made across the sales, marketing, technology, and product functions to support global expansion plans and product development.
- Operating Expenses, which comprise Marketing and Other Operating Expenses, were \$298.6 million for the year ended 30 June 2021, up 104% on the prior year. Operating Expenses represented 1.4% of Underlying Sales, a marginal 0.1pp increase against the prior year.
 - Marketing expenses were higher during H2 FY21 compared to H1 FY21 and above FY20 reflecting increased investment in driving brand awareness particularly in new regions, growth, and lifecycle marketing, and investment in new in-store partnerships and visual merchandising. Further investment in marketing will continue in FY22.
- During early FY21, Afterpay completed a successful capital raise, which delivered net proceeds of \$774.4 million. In March 2021, the business successfully undertook a \$1.5 billion convertible note offering.
- Afterpay's combined liquidity and growth capacity of more than \$2.5 billion can fund more than \$40 billion in annualised Underlying Sales above the current run-rate of over \$24 billion (Q4 FY21 annualised). This excludes additional liquidity and growth capacity that may be created by increasing existing or establishing new receivables warehouse funding facilities.
- The Group's debt funding is diversified by both source and maturity. During the year ended 30 June 2021, Afterpay:
 - Extended all previously existing facilities for at least 12 months;
 - Increased the NZ\$50 million NZ receivables warehouse funding facility with Bank of New Zealand to NZ\$100 million;

- Established a £125 million UK receivables warehouse funding facility with Citi with an FY23 maturity;
 - Established a £50 million UK receivables warehouse funding facility with NAB with an FY23 maturity; and
 - Issued the \$1.5 billion APT Convertible Notes with an FY26 maturity.
- Afterpay has no debt maturity within the next 12 months¹⁶ with a weighted average debt facility maturity of ~3.3 years as at the date of this announcement.

REGIONAL PERFORMANCE

GLOBAL	FY21	FY21 (constant currency)	FY20	VARIANCE to pcp	VARIANCE to pcp (constant currency)
Underlying Sales (A\$B)	21.1b	22.4b	11.1b	90%	102%
North America	9.8b	11.1b	4.0b	146%	177%
ANZ	9.4b	9.4b	6.6b	44%	44%
Clearpay ¹⁷	1.8b	1.9b	0.6b	227%	242%

GLOBAL	As at 30 JUN 2021	As at 30 JUN 2020	VARIANCE to pcp
Active¹⁸ Customers	16.2m	9.9m	63%
North America	10.5m	5.6m	88%
ANZ	3.6m	3.3m	8%
Clearpay	2.1m	1.0m	104%
Active Merchants	98.2k	55.4k	77%
North America	28.4k	11.5k	148%
ANZ	63.1k	42.8k	47%
Clearpay	6.7k	1.1k	501%

¹⁶ The earliest debt maturity is December 2022.

¹⁷ Includes Clearpay UK and EU.

¹⁸ Active is defined as having transacted at least once in the last 12 months.

NORTH AMERICA

- The NA region continues to change the geographic profile of Afterpay and is now the largest contributor to Underlying Sales, generating \$9.8 billion during FY21 or \$11.1 billion on a constant currency basis (up 177% on pcp).
- There were 10.5 million active NA customers at the end of FY21 up from 5.6 million at 30 June 2020. Total US customers that have ever signed up to Afterpay in the US exceeds 19.5 million¹⁹. During FY21, approximately 90% of US orders were made by repeat customers.
- Afterpay went live in Canada in August 2020 and has experienced strong in-country growth, with a run rate of ~A\$211 million in annualised sales (based on July 2021). Merchants that went live online, are integrating or contracted during the period include Revolve, Volcom, Morphe, Swim Co, Crocs, JD Sports, Fragrancebuy, and Lounge Underwear.
- Likewise, cross-border shopping has become an important part of the Afterpay offer for Canadian consumers who purchased from more than 3k US merchants during FY21. Approximately 10% of all Canadian orders are to cross-border merchants after cross-border shopping was introduced in November 2020.
- NA pipeline of merchants in the process of contracting accounts for ~US\$15 billion across both in-store and online retailers across homewares, automotive, pets, fashion, leisure, and travel verticals. New merchants signed and preparing to go live during H1 FY22 include Fashion Nova, PetSmart, and Allbirds.
- Merchants that went live online, are integrating or contracted during FY21 include The Container Store, DICK'S Sporting Goods, The Children's Place, Dermstore, Aldo, Bare Necessities, Babylist, Paige, Johnny Was, NAPA Auto Parts, Alternative Airlines, ShoeDazzle, Solo Stove, REEDS, and Unique USA.

ANZ

- Underlying Sales grew 44% on FY20 to \$9.4 billion. The region saw strong momentum from in-store (up 48% on pcp) and continued growth online (up 43% on pcp).
- ANZ SMBs saw a 48% increase in Underlying Sales against pcp as Afterpay customers continued to shop local during FY21.
- Afterpay continues to expand the number of merchants and verticals offered to ANZ consumers, going live, integrating, or signing several additional and prominent hospitality, electronics, lifestyle, and travel merchants.
- As principal partner of Afterpay Australian Fashion Week, Afterpay released its inaugural co-report, *From High Fashion to High Vis*²⁰, with the Australian Fashion

¹⁹ Since inception.

²⁰ AFC Report: From Fashion to High Vis report, May 2021

Council, which emphasised the important contribution that the Australian fashion and textiles industry makes to the Australian economy, highlighting it:

- Contributes more than \$27.2 billion to the Australian economy and employs 489k Australians (315k full time) which is more than mining and utilities
 - Generates \$7.2 billion in export revenue, totaling 1.7% of all Australian exports, more than double the value of wine and beer exports.
 - The report was launched on day one of Afterpay Australian Fashion Week, cementing its commitment to the success of an industry that championed Afterpay from day one.
- Afterpay has engaged with ASIC on the forthcoming Design and Distribution Obligations (DDO) and is on track to implement the requirements prior to DDO's commencement in October 2021.
 - Afterpay continues to proactively engage with the New Zealand Ministry of Business, Innovation, and Employment (MBIE) concerning the BNPL industry in that jurisdiction.

CLEARPAY (UK + EU)

- Clearpay Underlying Sales increased by 227% compared to FY20 and were up 242% against pcg, on a local currency basis.
- Notwithstanding intermittent pandemic restrictions during FY21, Clearpay performed strongly, doubling its active customer base to 2.1 million customers compared to pcg.
- Merchant acceptance in the Clearpay UK continued strongly with more than 5,000 new merchants added during FY21. New merchants that went live, are integrating, or contracted include Wayfair, Lazy Oaf, Cox and Cox, Lick, Serenata Flowers, Bottle Club, Lucy and Yak, T.M Lewin, Steve Madden, Rat & Boa, Feel Unique.
- Clearpay UK continues to engage with HM Treasury and the UK Government regarding a proportionate regulatory framework for currently exempted Buy Now Pay Later (BNPL) products.
- In partnership with the British Fashion Council, Clearpay announced a collaborative initiative, The Clearpay Collective, which brings together innovative and diverse talent shaping the future of fashion. Launched with British designers Halpern and KNWLS, the program will produce a range of exclusive fashion designs, unique shopping experiences, and designer-led content to celebrate London Fashion Week this September 2021.
- Clearpay EU went live across Spain, France, and Italy in March 2021. More than 450 merchants went live, are integrating or signed following the launch. Merchants include Pandora, JD Sports, Boohoo, Shein, Pretty Little Thing, Nasty Gal, Gioseppo, Ava & May, Hoepli.it, Hype Clothinga, df Sport Specialist, and Nove25. Clearpay EU

also confirmed a channel partnership with PrestaShop, a significant player in Central Europe during FY21.

UNLOCKING OUR ECOSYSTEM ADVANTAGE

- Afterpay has built a powerful ecosystem that has seen income and volume grow by up to four times during the last two years. This growth has been supported by global expansion and scaled innovation.

Global expansion and cross border shopping

- Global Channel partnerships that went live during the period include Cybersource, Wix, Stripe, Squarespace, and Adyen. Overall, active merchants that went live via partnerships during FY21 increased by 37% on pcp.
- Of those that went live with WooCommerce, more than 4k merchants have enabled Afterpay Express Checkout with merchants reporting up to a 7% increase in sales conversion.
- Afterpay continued to grow its cross-border trade (XBT) offering during the period, with consumers now able to shop from merchants across all regions.
 - XBT sales have increased ~120% on pcp as more merchants and consumers access the offering. XBT shoppers transact ~24% more frequently than domestic-only shoppers globally.
 - There has been a ~350% increase on pcp in merchants' uptake of Afterpay XBT. Merchants using Afterpay XBT can see up to ~13% increase in sales by accessing a global consumer base.

New income streams

- Afterpay extended the power of its ecosystem by launching in-app advertising formats giving merchants a way to promote their offers, products, and collections to Afterpay's highly engaged audience. Merchants can choose the products they want to promote via sponsored listings formats such as sponsored deals, products, and collections and pay when users engage with those merchants. Early results include merchants observing a 20% lift in sales when using Afterpay ads to promote their products.
- During June 2021, Afterpay also enabled an initial cohort of consumers with the option to shop using a one-time-use virtual card at non-integrated merchants that account for ~40% of US e-commerce volume. This is currently enabled for ~25% of all US app users with plans to expand the number of merchants available during the pre-holiday ramp-up. Afterpay monetises these transactions via a combination of affiliate fees and interchange.
- Money by Afterpay launched its staff pilot in July, with Afterpay and Westpac staff now trialing the app ahead of a full-scale Australian launch. The Money app offers one daily account with a physical debit card, digital wallet offerings, real-time payments, the opportunity to earn a competitive interest rate on up to 15 different

savings accounts, and no fees. Westpac's use of the pioneering new 10x platform and collaboration with Afterpay have helped deliver an exceptional experience in record time and will help provide a strong runway to help customers with their future financial needs.

Product innovation and omnichannel investment

- To further enhance the Group's merchant value proposition, Afterpay will launch Afterpay iQ, its new merchant insights platform in September 2021. The new product combines artificial intelligence, machine learning, and data science to provide merchants with deep consumer insights to optimise their marketing investment.
- During FY21, Afterpay launched in-store cards across ANZ and the US, with the UK to follow in Q2 FY22. In-store gained further momentum during FY21 and following the successful launch of the ANZ Afterpay Card, more than 1.4 million customers have added the Afterpay Card to their digital wallet.
- Omnichannel consumers are higher frequency and higher transacting consumers across the regions. This is reflected in:
 - Afterpay US omnichannel customers are shopping 160% more frequently than online-only customers during FY21 (after launching in September 2020).
 - Afterpay US omnichannel shoppers spent 176% more than online-only shoppers in FY21 (after launching in September 2020).
 - A recent Mastercard Advisors study found that following their adoption of Afterpay, Australian consumers spend more per transaction and shop more frequently, driving a 45% increase in consumer spending at Afterpay integrated merchants.²¹
 - 89% of ANZ in-store customers are shopping both in-store and online, shopping at a frequency of 26 times.²²
- Approximately 81% of Afterpay US omnichannel consumers made their initial Afterpay purchases online. To meet this shift towards omnichannel demand, Afterpay went live, integrated, or contracted with in-store and omnichannel merchant partnerships, including PetSmart, Shutterfly, The Children's Place, The Container Store, DICK'S Sporting Goods, REEDS, lululemon, NAPA Auto Parts, and Aldo, during the period.
- US in-store continues to accelerate with a run rate of \$400 million in annualised underlying sales (based on July 2021), along with customer numbers and orders tracking materially above Australia when compared to the same point in time and notwithstanding the effects of the Pandemic.

²¹ Source: Mastercard Advisors 2021 study commissioned by Afterpay.

²² During the last 12 months.

- In July, Afterpay announced a multi-year national partnership agreement with Unibail Rodamco Westfield (URW)²³ in the US, owner of Westfield shopping centres in the US and Europe to support the return of in-person shopping post-pandemic.

NEXT-GENERATION REPORTS

- Afterpay's core principles, purposefully different model and focus on financial wellbeing is aligned with consumers around the world.
- The latest quarterly NextGen Indexes²⁴, on Australian, US, and UK Gen Z and Millennials' consumer spending behaviours and preferences found:
 - Millennial and Gen Z share of spending will increase to 47% by 2030, so their influence on the economy will only continue to grow, especially as they reach peak earning years.
 - In Australia, spending on BNPL has grown by 120% while credit card spending has remained static among these groups in the same period, only growing between 1-2%. Similarly, debit spending trails BNPL, climbing to between 23-25%.
 - In the US, BNPL spend has grown by 230%, compared to a 43% increase for debit and an increase of only 8% for credit cards.
 - In the UK, BNPL spend has grown by 315%, compared to a 4% increase in credit and debit card purchases.

PEOPLE

- To further support the mental and physical health of our ~1,300 global team members, Afterpay launched several initiatives, including quarterly Wellbeing Days, a dedicated weekly Wellbeing Hour, as well as continuing our partnership with Headspace during FY21.
- Afterpay also strengthened its focus on Diversity & Inclusion during the period with a comprehensive range of team and communications initiatives that included education, resources, events, and programs anchored to significant diversity and inclusion moments.

PROGRESS OF SQUARE, INC. PLAN TO ACQUIRE AFTERPAY

- On 2 August 2021, Afterpay Limited (ASX: APT) and Square, Inc. (NYSE: SQ) announced that they had entered into a Scheme Implementation Deed under which Square, Inc. has agreed to acquire all of the issued shares in Afterpay by way of a recommended court-approved Scheme of Arrangement in a transaction with an implied value of approximately US\$29 billion (A\$39 billion) (Transaction) as at the close of trade on July 30, 2021. The Transaction is expected to close in Q1 CY2022.

²³ [Afterpay Media Release](#), 8 July 2021.

²⁴ [Afterpay AU, US and UK Next Generation reports](#), August 2021



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Ends

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