



Afterpay Limited ASX: APT

ASX Announcement

20 December 2021

Conversion of Matrix Convertible Notes for 6.5 million Afterpay shares and acquisition of shares in Clearpay held by ThinkSmart for 1.65 million Afterpay shares

Afterpay Limited (**Afterpay**) provides the following update with respect to the status of:

- (a) the convertible notes (**Matrix Convertible Notes**) on issue to Matrix Partners X L.P and Weston & Co X LLC (collectively **Matrix**) and the Afterpay US, Inc. 2018 Equity Incentive Plan (**US ESOP**); and
- (b) the acquisition of the remaining shares in Clearpay Finance Limited (**Clearpay**) held by ThinkSmart Europe Limited (**ThinkSmart Europe**) and the resulting option exercise under the Clearpay 2020 Share Option Plan and Option Agreement (**UK ESOP**),

in connection with the proposed acquisition by Lanai (AU) 2 Pty Ltd, a wholly owned indirect subsidiary of Block, Inc. (NYSE: SQ) (formerly known as Square, Inc.), of Afterpay by way of scheme of arrangement (**Scheme**).

Matrix Convertible Notes

As disclosed in section 4.13(a)(ii) of the scheme booklet dated 5 November 2021 (**Scheme Booklet**), Afterpay commenced discussions with Matrix in relation to the early conversion of the Matrix Convertible Notes, but as at the date of the Scheme Booklet, no agreement had been reached.

Afterpay US, Inc. (**Afterpay US**) and Matrix have now agreed that 6,500,000 Afterpay shares will be issued to Matrix as consideration upon conversion of the Matrix Convertible Notes and Afterpay US has now notified Matrix that the Matrix Convertible Notes are to be converted in accordance with their terms and Afterpay shares will be issued prior to commencement of trading on 21 December 2021.

The consideration was determined in accordance with agreed valuation principles set out in the Matrix Convertible Notes based upon an agreed valuation for Afterpay US. This is below the maximum number of 14,155,480 Afterpay shares disclosed in the scheme booklet dated 5 November 2021 that could be issued on conversion. Upon the issuance of Afterpay shares following the conversion of the Matrix Convertible Notes, all rights and obligations under the Matrix Convertible Notes will be extinguished.

US ESOP

Following conversion of the Matrix Convertible Notes, eligible outstanding securities under the US ESOP will be exchanged for Afterpay shares at the same valuation for Afterpay US agreed between Afterpay and Matrix. In accordance with the terms of the US ESOP, issuance of Afterpay shares to US ESOP participants will take place 30 days after the issuance of Afterpay shares to Matrix. The number of shares to be issued will be determined by reference to the volume weighted average Afterpay share price over the 30 trading day period prior to (but excluding) the date the Matrix Convertible Notes are converted (being on or about 20 December 2021). Afterpay shares will be issued to US ESOP participants before the earliest possible record date for the Scheme, being 21 January 2022 (as noted by Afterpay in its announcement on 7 December 2021).

ThinkSmart

As disclosed in section 4.13(b)(ii) of the Scheme Booklet, Afterpay commenced discussions with ThinkSmart Limited (**ThinkSmart**) in relation to the shares in Clearpay held by ThinkSmart's wholly owned subsidiary, ThinkSmart Europe, but as at the date of the Scheme Booklet, no agreement had been reached.

Afterpay, ThinkSmart and ThinkSmart Europe have now agreed that Afterpay will acquire the 6,000,000 fully paid B ordinary shares in the capital of Clearpay held by ThinkSmart Europe (consisting of the 6.5% interest held by ThinkSmart and 3.5% interest held by ThinkSmart on behalf of the UK ESOP participants) in exchange for Afterpay issuing 1,650,000 fully paid ordinary Afterpay shares to ThinkSmart, subject to the approval of ThinkSmart shareholders (**ThinkSmart Transaction**). This is below the maximum number of Afterpay Shares that may be issued or exchanged for the remaining Clearpay shares held by ThinkSmart as a result of its exercise of the put option which is capped at 5% of Afterpay Shares on issue at the time of exchange, as disclosed in the scheme booklet dated 5 November 2021 (which, if calculated as at the date of this announcement, would be a cap of approximately 14,545,735 Afterpay Shares). The parties have entered into a share purchase agreement to give effect to this agreement (**ThinkSmart SPA**). The ThinkSmart SPA includes an obligation on the directors of ThinkSmart to recommend shareholders vote in favour of the ThinkSmart Transaction (subject only to exercising their fiduciary duties in connection with a superior proposal) and to vote their shares in favour of the ThinkSmart Transaction at the shareholder meeting. If ThinkSmart shareholder approval is not obtained by 17 January 2022, Afterpay can terminate the ThinkSmart SPA.

Provided that ThinkSmart shareholder approval is obtained, Afterpay shares will be issued to ThinkSmart before the earliest possible record date for the Scheme, being 21 January 2022.

UK ESOP

Once implemented, the ThinkSmart Transaction will trigger a right for the options issued under the UK ESOP to become exercisable. If the ThinkSmart Transaction is implemented, Afterpay will issue such number of Afterpay shares to holders of options under the UK ESOP as is equivalent to their proportionate holding of options. The exact number of Afterpay shares required to be issued in connection with the settlement of the UK ESOP is expected to be confirmed in mid-January 2022 (provided that ThinkSmart shareholder approval is obtained).

Provided that the ThinkSmart Transaction becomes unconditional and is implemented, Afterpay shares will be issued to holders of options under the UK ESOP before the earliest possible record date for the Scheme, being 21 January 2022.

Authorised by

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