

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

15 May 2018

**U.S. Market Launch Commences****Key Appointments to Drive Global Expansion and Product Capabilities****Commitment to Customers and Continual Improvement**

*The Afterpay Touch Group announces launch in the U.S. market in May 2018 with Urban Outfitters, Inc., one of the largest portfolio of consumer lifestyle brands based in the U.S.*

Afterpay is pleased to announce that it will this week commence transacting in the United States in a phased approach with a number of significant lifestyle retailers, providing U.S. customers with a new way to pay and budget.

U.S. launch partners include Urban Outfitters, Inc. (URBN)\*, whose brands include Anthropologie, Free People and Urban Outfitters. URBN is one of the largest lifestyle fashion retailers in the U.S. with total sales volume in the order of US\$3bn across stores and digital channels in the US, which is broadly equivalent to the size of the total Australian online fashion market.

Dave Hayne, Chief Digital Officer at URBN, says “We look forward to launching Afterpay across our portfolio of brand websites in the US market. We have been impressed with the positive impact Afterpay has brought to their Australian retail partners, and we hope to see a similar response with our US customers.”

Early engagement has been positive across Afterpay’s initial target market with over 50 retailers having signed contracts or term sheets which are in varying stages of integration. Pleasingly, partnerships include a mix of well recognised U.S. based retailers as well as Australian retailers that have an overseas presence, including:

- *Morphe Cosmetics*
- *Quay Australia*
- *Loeffler Randall*
- *Margaux*
- *Lorna Jane*
- *Cotton On*
- *Showpo*
- *Princess Polly*
- *P.E. Nation*
- *Zanerobe*

*\* Afterpay's contracts with retailers do not lock in any minimum sales volume. The URBN agreement is for a period of up to five years with a minimum of two years.*

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## The U.S. Market Opportunity is Substantial

The size of the US market is substantial and represents a significant opportunity for Afterpay. Key statistics include:

- In 2017, total U.S. retail sales were more than US\$3,800bn, with over US\$450bn purchased online<sup>i</sup>, which compares to the Australian online market of approximately US\$18b
- The U.S. online fashion market alone is US\$60bn compared with Australia of US\$3.0b<sup>ii</sup>
- More than 15% of the U.S. total fashion market is purchased online<sup>iii</sup>
- The millennial market in the US has a population of 63 million compared with Australia of 6 million<sup>iv</sup>
- 67% of US people aged 18-29 do not own a credit card<sup>v</sup>

As previously disclosed, Matrix Partners invested approximately \$19.4m in Afterpay Touch in January 2018, with those funds earmarked to invest in the U.S. launch and market development strategy in the first 12-month period. Matrix is a globally recognised venture capital firm based in Cambridge, Massachusetts, with offices in San Francisco and Palo Alto, California. While this is currently considered sufficient, Afterpay has a strong balance sheet with significant excess cash on hand and maintains diversified funding sources (as illustrated by the recent successful \$50 million bond issuance in April 2018).

Afterpay will commence in the US as an online only platform with an intention to introduce in-store capability in due course. Initial transaction experience and learnings in relation to retail and customer dynamics will be translated into a programme of product development specific to the U.S. market. To effectively embark on this strategy, a U.S based team has been established with extensive skills across relevant business functions. This team will leverage core global infrastructure and processes now established in Australia with the benefit of applying strong local experience and capabilities.

### Key U.S. Based Appointments

The partnership is progressing well with Afterpay Touch board member and General Partner of Matrix, Dana Stalder, working closely with co-founder Nick Molnar who is leading the US market expansion. A key area of collaboration with Matrix has related to identifying and accessing the best in-market talent.

Attracting great people to the Afterpay is fundamental to our success. We are pleased with the depth and range of quality talent that continues to build our global team. Key senior U.S. based team members have been hired to support both US market expansion as well as developing our global business and product capabilities, including:

*Xin Ge* – Xin joins Afterpay as the Global Chief Risk and Analytics officer. Xin's most recent role was the Head of Risk Management at Uber, where he was responsible for Uber's global account security, payment risk, marketplace fraud and abuse. Prior to Uber, Xin spent 14 years with eBay and PayPal focusing on trust and safety and overall risk management. He was VP of Global Seller Risk Management, Resolutions and Protections at PayPal and founder of the PayPal Global Risk Management Centre in China.

*Melissa Davis* – Melissa joins Afterpay as the U.S. Chief Revenue Officer. Prior, Melissa was the Executive Vice President and General Manager of ShopStyle, where over 9 years she built the business into one of the largest fashion websites in the United States. ShopStyle works closely with many of the largest fashion retailers in the country.

*Akash Garg* – Akash joins Afterpay as the U.S. CTO and VP of Product. Most recently, Akash was the Director of Engineering at Uber, where he led the Driver and Mobile engineering teams. Prior, Akash was Senior Director of Engineering for Twitter's Growth team from 2011-2015, where his teams delivered tens of millions of active users to Twitter. He also co-founded and developed a social networking site, hi5.com, that emerged as one of the largest social networking sites in the world prior to its sale in 2011. Akash has experience scaling businesses from early stage to platforms with millions of consumers and participants.

### **Commitment to Customers and Continual Improvement**

We founded Afterpay as an innovative solution to a customer need through introducing a new approach to budgeting for lifestyle purchases. Our origins were born from a recognition of the shortcomings of traditional point of sale financing and payment methods. The Afterpay product was developed to provide customers with a better alternative to traditional credit products.

Afterpay's value proposition is clearly resonating. Over 1.8 million customers in Australia and New Zealand have transacted with Afterpay, supported by over 14,000 enterprises and small to medium businesses. Afterpay has scaled quickly in its relatively short history and it is clear that the vast majority of customers use our service in the way it was intended – an effective budgeting tool, delivering a free service to customers that want to split payment over a short period for discrete, non-major purchases.

As Afterpay assumes all customer non-payment risk and doesn't allow customers to keep transacting if they can't make a payment, our business model only works if customers use the Afterpay product responsibly and our systems and processes are therefore focussed on achieving this outcome. Afterpay has maintained low default rates relative to all market comparators.

We are absolutely committed to encouraging responsible spending and eliminating, to the greatest extent possible, misuse of the system. This is not just good for our business but reflects our core values and popularity amongst a significant and growing percentage of the population.

A number of product and system enhancements were recently announced. We look forward to updating the market in due course on these initiatives and additional initiatives underway as part of our continual commitment to responsible customer spending.

**ENDS**

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**About Afterpay Touch Group**

Afterpay Touch Group (ATG) is a technology driven payments company. 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 1.8m customers and approximately 14,000 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.

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Note: all Australian figures converted to USD at 0.75 USD/AUD

<sup>i</sup> Source: US Census Bureau, 2017 figures excluding motor vehicles

<sup>ii</sup> Source: Goldman Sachs, Australia Post – Inside Australia Online Shopping, 2017

<sup>iii</sup> Source: Goldman Sachs

<sup>iv</sup> Source: Goldman Sachs, US Census Bureau, ABS

<sup>v</sup> Source: Bankrate Money Pulse Survey, May 2016

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