

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

ASX Announcement

2 July 2019

APT Board & Organisational Update

Afterpay Touch Group Limited (**ASX: APT**) (“**Afterpay**” or the “**Company**”) is pleased to provide an update in relation to the Board and Executive leadership of the Company.

Afterpay is continuing to develop from a start-up, Australian-centric business to a maturing business with a focus on developing its global platform. Since our initial public offering approximately three years ago, the Company has undergone a period of rapid growth which has today positioned Afterpay as an ASX100 company and as an emerging global technology company in a new sector. To reflect the Company’s current market position and future growth opportunity, Afterpay is making important organisational and governance changes to support the pursuit of our mid-term strategy and continue to deliver value to our shareholders.

APT Board

Afterpay is committed to evolving the composition and independence of its Board.

The Company is in the process of transitioning to a majority independent Board with an independent Chair. A global search is about to commence to recruit at least two additional independent directors that will complement the skill set of the existing directors and reflect the globalisation of Afterpay as a business.

As a first step towards this transition, the following Board changes will be implemented immediately. These changes complement the development of the Company’s organisational structure to reflect the expanding global nature of Afterpay’s operations.

Co-founder, Anthony Eisen will assume the role of CEO & Managing Director of the Company and will focus on managing the global business and overseeing the management of the Company’s operations. Given this new role, Anthony and the Board felt it was the appropriate time to transition to an independent Chair. Anthony will continue to serve on the Board as an Executive Director.

Elana Rubin, currently an independent Non-Executive Director, will assume the role of Interim Chair until such time as a new independent Chair is appointed.

Co-founder, Nick Molnar, will maintain his focus on delivering value for our customers and our merchant partners via the expansion and development of the Afterpay global platform and will become Global Chief Revenue Officer, reporting to Anthony. Nick will maintain a global leadership role with a particular focus on managing the US business and global merchant relationships. Nick will continue as an Executive Director on the Board.

David Hancock assumed the role of Group Head following the merger of Afterpay and Touchcorp in mid-2017 to facilitate the integration of what at the time were two distinct businesses and to develop a unified team, technology platform and operating base that would facilitate Afterpay’s expansion in Australia and overseas. Prior to assuming this role David was an active director since the time of Afterpay’s IPO as well

as an early-stage investor in the Company. David has worked tirelessly towards achieving these objectives and his leadership role has made a significant impact on the successful development of the business. In line with Afterpay's next phase of expansion and evolving global organisational structure, the role of Group Head will come to an end in-line with the review timing stipulated in David's employment agreement. David has been instrumental in preparing the organisation for the next phase and in light of the proposed changes intends to step down from the Board at the conclusion of 2019 financial year-end matters. David will facilitate the transition of his role to the CEO & Managing Director and other members of the leadership team for a period of up to 12 months. During this transition period David will report to the CEO & Managing Director. The Board would like to thank David for his significant contribution to the success of the business in his leadership role.

New Appointment – Global Chief Operating Officer

In coordination with the development of Afterpay's mid-term strategic plan, a global search has been conducted over the last 6 months for a key leadership role to oversee Afterpay's global operating platform and functional activities. We are pleased to announce that Frerk-Malte (Malte) Feller commenced employment with the Company in a newly created Global Chief Operating Officer role, effective 1 July 2019. Joining Afterpay from Facebook in Menlo Park, CA, Malte has significant experience in the operations of fast-growing, globally expanding technology enterprises, including eBay and PayPal. His time at PayPal included a period as Managing Director of Australia from 2009 to 2011. Further, Malte led Hewlett Packard's eCommerce business for North America and was previously President of Zipcar's European operations. Malte will be based in Australia and will report to the CEO & Managing Director. A summary of Malte's remuneration terms are attached to this announcement. The remuneration package is structured to generate strong alignment between Malte and Afterpay's shareholders and has been set with the benefit of advice from external remuneration consultants.

Malte's appointment follows the recent appointment of Carl Scheible who is leading our UK operations, reporting to the Global Chief Revenue Officer, Nick Molnar. Both appointments significantly enhance Afterpay's developing global operating model and capability.

Barry Odes will assume the role of Chief of Staff, reporting directly to the CEO & Managing Director.

Anthony Eisen said: "The proposed changes will enhance our governance and appropriately position the business and its leadership team to continually innovate and fully realise the global opportunity before us".

"These changes represent a significant new phase in the Company's evolution and strengthens our organisational platform as we continue to build our domestic and international presence. We feel privileged to have a strong leadership team that continues to expand, providing the Company with the necessary skills across a range of important disciplines which are essential to the Company's future success."

Co-founders Ongoing Commitment

As previously announced, Anthony Eisen and Nick Molnar remain fully committed to the business and remain as excited as ever by the potential to build an Australian listed global technology company that is focused on delivering a customer-centric and trusted service to a global audience. Anthony and Nick do not intend to sell any further shares during the current financial year (FY2020).

ENDS

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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 4.3 million active customers and approximately 30,600 active 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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ANNEXURE – GLOBAL COO REMUNERATION DETAILS

Following the recent confirmation that Mr Feller has obtained the necessary work visa to commence on 1 July, Afterpay proposes to make certain equity incentive grants to Mr Feller as part of his remuneration. All such grants are subject to Afterpay's Board approving and implementing a new long term incentive scheme for the 2020 financial year (FY20 LTI). Accordingly, the following information remains a proposal at this stage, and details of grants will be announced to ASX when they are actually made.

While specific details of Mr Feller's total remuneration package (once finalised) will be disclosed in detail in the FY2020 Remuneration Report, Mr Feller's package has been structured to focus on equity (as against cash) and the long term (as against short term) to generate strong alignment between Mr Feller and Afterpay's shareholders.

Mr Feller's total remuneration package for FY2020 will comprise:

- fixed cash remuneration (comprising base salary and superannuation) of \$300,000;
- a restricted equity grant of \$400,000 (with vesting subject to service);
- a cash short term incentive of up to \$300,000 (with vesting conditional upon achieving performance conditions over the financial year); and
- a long-term incentive opportunity of up to \$1,100,000 (with vesting conditional upon achieving performance conditions over a 3-year performance period).

The Company also proposes to make a one-off buy-out incentive (delivered in equity) to Mr Feller as compensation for equity forgone at his former employer, as set out below.

As at the date of this update, Afterpay confirms the following information in relation to the equity awards for the purposes of ASX Listing Rule 3.10.3:

Buy-out incentive

- The Company proposes to grant the Global COO a once-off, buy-out incentive in the form of rights over ordinary shares in the Company, with a total face value of \$900,000.
- The rights are granted to compensate Mr Feller for equity foregone at his former employer (for which all hurdles other than employment had been satisfied) and to align the interests of the Global COO with the interests of the Company and its shareholders.
- The number of rights is not known, and will be calculated by dividing the grant value (being \$900,000) by the 10-day VWAP of the Company's shares immediately prior to the grant date.
- The rights will vest in three equal tranches after 1, 2 and 3 years from Mr Feller's commencement date, subject to the Global COO remaining employed at the relevant vesting dates.
- The rights will be issued for nil cash consideration.

FY2020 Restricted Equity Grant

- The Company proposes to grant the Global COO a restricted equity grant for FY2020 which will be in the form of rights over ordinary shares in the Company, with a total face value of \$400,000.
- The information in relation to the "buy-out incentive" is also relevant to the FY2020 Restricted Equity Grant, in terms of vesting timetable (including the requirement that Mr Feller remain employed at the respective vesting dates for rights to vest) and the methodology for calculating the number of rights to be granted.
- As noted above, the Company has structured the remuneration package to focus on equity rather than cash. Accordingly, the fixed cash remuneration component of the package is positioned below peer companies in recognition of the value of the Restricted Equity Grant.

FY2020 Long Term Incentive

- The Company intends to invite the Global COO to participate in the proposed new FY20 LTI when it is finalised, with a total grant value of \$1,100,000.
- The form of award to be offered has not yet been determined. It could comprise rights or options, and in either case is intended to be subject to performance conditions assessed over a 3-year period commencing 1 July 2019 to drive long-term performance in the interests of Afterpay's shareholders.
- If the award is in the form of rights, then the above methodology for calculating the number of rights to be granted is intended to apply in relation to the grant value. If the award is in the form of options, then the number of options to be granted will be determined by means of an option pricing methodology to be determined by the Board.

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