AFTERPAY TOUCH GROUP LIMITED
(ASX: APT)

ASX Announcement

13 November 2019

Annual General Meeting – Chair Address

The 2019 financial year was a transformational year for Afterpay. We had our first full year operating in the US and expanded to the UK. We increased our active customer base by 130 percent and our active merchant partners by 101 percent. We grew from a circa $2 billion company into a more than $6 billion company, which saw us become a top 100 ASX listed company. And we changed our board and organisation structure to ensure we are meeting the expectations of our shareholders and are well placed to deliver on our global aspirations.

Anthony Eisen and Nick Molnar will provide an update on business performance, since the end of FY19, following my address.

Considering the Afterpay business listed only three years ago, and the Touchcorp merger occurred only two years ago, the company has evolved significantly and grown rapidly in a very short period of time.

Throughout this amazing journey, I am pleased to say, the Afterpay model has remained true to its purpose. With the accelerated expansion of our business, we have adapted to our changing circumstances, and maintained a clear focus on our mission – which is – to be the world's most loved way to pay.

In order to deliver on our mission, we must be the preferred payment platform across the markets in which we operate. This means we must continue to invest in the business, and to accelerate our growth in preferred global markets. As we execute on our strategy, we will continue to be a growth company with a long term focus. We believe that the investments we make today will sustain us well into the future and provide long term value for our shareholders.

In order to deliver our strategy, we also need to ensure, that as a business, we have the right foundations in place and remain committed to continuous improvement.

Over the past 12 months, we allocated significant time and resources to getting this right. As a Board and management team, we understood the need to put in place the structures and resources required to take us from a small start-up company to a global business. We also recognised that, despite having been listed for a relatively short time, we needed to mature and meet the standards of a top 100 listed company.

As a result, we announced a significant Board and management restructure in June this year. The new structure introduced a number of key changes required to ensure we are well positioned to tackle the next phase of our global growth. It also facilitated a transition to a majority independent Board with an independent Chair.

Since our announcement to appoint two to three new Board members, the company engaged a leading global recruitment firm to undertake a world-wide search. I am extremely pleased to announce our first appointment here today.

Afterpay Touch Group Limited
ACN 618 280 649 Phone: 1300 100 729
Level 5, 406 Collins Street, Melbourne VIC 3000

Gary Briggs will be joining the Afterpay Board at the start of next year. Gary is one of the most experienced marketing leaders in the digital sector. He has held a number of senior executive positions including most recently, Chief Marketing Officer at Facebook. We are delighted to have secured someone of Gary's calibre. His skills and deep knowledge of the tech sector will be of great value to the Board and our business.

We have a strong list of candidates for the remaining positions. We are confident that our renewed Board will be well equipped to guide the business forward. We hope to update you on our progress in the near future.

The organisational restructure has delivered greater clarity around management accountabilities, and further aligned the skills and experience of our team with their key areas of responsibility. Our founders, Anthony and Nick, have taken on the roles of Chief Executive Officer and Group Chief Revenue Officer respectively. These changes have provided both Anthony and Nick the time and scope to focus on what they do best - that is, to lead the company and drive the execution of our strategy.

The restructure also saw David Hancock step down as Group Head and Director of the Board. I'd like to take this opportunity to, once again, thank David for his contribution throughout the early phase of our company's evolution.

The re-organisation also provided us with the opportunity to bring in new high profile global talent such as our Global Chief Operating Officer, Malte Feller, who joined us from Facebook. This follows a number of appointments of highly experienced individuals from leading tech companies such as Google, Uber, Airbnb and PayPal. There have also been a number of senior appointments made – and in progress – in the areas of governance and compliance, technology and human resources. This investment in our people and in our culture, is critical to our sustainability and the delivery of long term shareholder value.

Another key focus area during 2019 was a review of the Group's remuneration framework. The previous framework reflected Afterpay's origins as a much smaller company, needing to attract and retain top talent in a highly competitive global market. That framework, which was linked to service-based equity arrangements, was successful in attracting and securing key talent. But we knew that our remuneration framework needed to evolve to reflect the growing maturity and scale of the organisation, and the expectations of shareholders. And so, the Board spent considerable time and effort developing a new framework, with the assistance of a leading remuneration advisor.

The new FY20 framework aims to strike a balance between the need to compete for world-class talent and meeting the expectations of a top 100 ASX company.

Our new executive remuneration structure is based around four key components:

- A moderate fixed cash payment,
- An annual fixed grant of restricted stock units or RSUs, which vest in equal parts over three years, subject to service,
- A moderate cash short-term incentive or STI, which is linked to a balanced score card, and is subject to board discretion around 'Doing the Right Thing'
- and a long-term incentive program or LTI, which includes annual grants of market priced options that are subject to long-term performance hurdles, tested over three years.

I should point out that the CEO and GCRO have elected to forego any STI or RSU component under the new framework, and will instead receive modest fixed remuneration, and an LTI grant which is subject to shareholder approval here today. Their grants are based on options that will be priced at a 20%

Afterpay Touch Group Limited
ACN 618 280 649 Phone: 1300 100 729
Level 5, 406 Collins Street, Melbourne VIC 3000

premium to market and are subject to the Group's long term performance hurdles. The CEO and GCRO's total remuneration for FY20 is positioned well below market comparators.

I also note that in light of the ongoing AUSTRAC matter, all the Executive KMP volunteered for their FY19 STI awards to be withheld until the outcome of the AUSTRAC directed audit is known. This includes David Hancock, who has also volunteered to defer a component of his LTI.

We believe our new remuneration framework strikes the right balance between meeting the needs of our business and the expectations of the market. By providing remuneration packages that are highly leveraged to the long term, as opposed to the short term, and to equity, as opposed to cash, we generate stronger alignment between Executives and shareholders. Our new four tiered structure also supports our objective of remaining competitive for talent globally.

We also undertook a review of our Non-Executive Director fees and determined that an increase to fees, to just below the median of market comparators, was appropriate. This ensures we remain competitive in attracting and retaining the calibre of directors required for our business.

The increase to Directors fees was accompanied by a new minimum shareholding requirement from FY20. All Directors will be required to hold at least one times their base salary in Afterpay shares, within 3 years from now or from their appointment.

As part of our review, we also recognised that our existing fee pool did not support the plans for our renewed Board. That is why we are seeking approval from you today to increase the fee pool for Non-Executive Directors. This increase will accommodate our intention to appoint an Independent Chair and new Non-Executive Directors, including overseas Directors, to support our global expansion.

While the business has evolved in a very short time, we are continuously faced with a number of opportunities and challenges. It is therefore important to remind ourselves of where we have come from, and our reason for being.

The Afterpay company was set up by our founders in 2015. The model was developed to provide an alternative to traditional credit, allowing customers to pay for their goods in 4 equal instalments, without paying a fee or interest. As we developed, we became a retail technology company that connected our retail partners, with the hardest to reach and most valuable consumers. Our overarching purpose was to deliver shared value to both retailers and customers. I am extremely proud to say we have remained true to our purpose and our reason for being.

Since bringing this new and highly disruptive service to market, there have been a number of new competitor products launched, which has led to the emergence of the buy now pay later sector. Today, this sector includes a multitude of products that, in a lot of instances, differ considerably from Afterpay.

Afterpay is often - unhelpfully - grouped with other sector participants and is frequently used as the face for the buy now pay later sector. As a consequence, stakeholders sometimes misunderstand the core principles of our differentiated model.

What sets us apart and makes us unique is:

- We are not a bank or a traditional credit provider
- We are a non-aligned, independent player
- We are a retail technology company that delivers shared value to both retailers and customers
- We're about small purchases - average transaction is $150, with built-in consumer protections
- The vast majority of our revenue is made from retailers paying a fee, as opposed to customers

Afterpay Touch Group Limited
ACN 618 280 649 Phone: 1300 100 729
Level 5, 406 Collins Street, Melbourne VIC 3000

- Our primary focus remains on lifestyle purchases that appeal to our millennial customer base, the world's most valuable consumer

Not only is our differentiated model our competitive advantage, it is also our social licence to operate. It is important that shareholders know we are committed to engaging with all our stakeholders, on how and why we sit outside the new "norm" of the buy now pay later sector.

This is particularly important in the context of regulation. Much of the existing legislation never contemplated a service like Afterpay. Therefore, there is, and will continue to be, interest from regulators. This is typically the case when any service and product completely disrupts well established and entrenched practices.

This attention has led to a number of reviews into the buy now pay later sector. In those reviews, where we have had the opportunity to explain who we are and what we do, for example the ASIC Review and Senate Committee process, it was confirmed that we are different to traditional credit, and that a separate framework should exist for the sector. We welcomed the new product intervention powers introduced earlier this year, which sees the sector formally regulated by ASIC. And, we have been actively supporting the development of a Code of Practice for the industry.

In June this year, Afterpay received a notice from AUSTRAC requiring the appointment of an external auditor, to carry out an independent audit of our AML/CTF compliance. An interim report was delivered to AUSTRAC in late September, with a final report due to be provided to AUSTRAC later this month. We want to assure you that the Board takes this matter, and our regulatory compliance across all our operations very seriously.

We welcome ongoing dialogue with regulators and government agencies, and believe that engaging and working co-operatively with them, will help them better understand our platform, and help us have a better understanding of their requirements. This also assists us to continuously improve our systems and processes, to ensure they remain fit for purpose.

I'd like to now address some of the more frequently asked questions from our shareholders.

The first relates to an update on the proposed Shareholder Purchase Plan or SPP that was deferred on the 26 June 2019. I'd like to acknowledge that we understand many of our shareholders may be disappointed with our decision to defer the SPP. At the time, the Board considered it would be in the best interests of shareholders to defer the SPP, until after the outcomes of AUSTRAC directed audit are known. We believe that deferring the Plan was the most responsible course of action.

What is important for shareholders is that we are committed to keeping the key terms of the SPP the same. This means that the record date would continue to be 7 June 2019, and the offer price would still be the lower of $23.00, and the 5-day VWAP of APT shares up to the SPP closing date. We will provide further details regarding the SPP once the outcomes of the AUSTRAC directed audit have been considered by the Board.

The second question I would like to address relates to the lack of gender diversity at the Board and senior management level. This is a cause dear to my heart and an area that we must address. Diversity makes good business sense. We are committed to improving gender diversity over the next twelve months, as we believe our Board and senior management should also better reflect the gender balance of our customer base and importantly our 45% female workforce.

Afterpay Touch Group Limited
ACN 618 280 649 Phone: 1300 100 729
Level 5, 406 Collins Street, Melbourne VIC 3000

The last commonly asked question from shareholders is the recently announced US Advisory Board and how this Board fits in with the business. The US Advisory Board is a non-statutory, non-decision making Board. It has been established to assist the company to better understand the significant US market and help identify key business opportunities and partnerships. We see significant value in working with local experts to gain insights into the way things are done. We have been extremely fortunate to attract some very senior and influential individuals who have expertise in a range of areas including government, regulation, retail and consumer behaviour.

This brings me to the end of my address, and in closing, I would like to take the opportunity to thank my fellow directors for their tireless efforts over the past few years. I would also like to acknowledge our two founders who are two of the hardest working individuals I've worked with. Their passion for Afterpay and their unwavering commitment to achieving our mission is unrivalled. To the management team and all the employees within the Afterpay family, I thank you on behalf of the Board for the amazing work you do, day in and day out. And finally, I'd like to thank you, our shareholders for your continued support of Afterpay. I look forward to another successful year as we move further towards being the world's most loved way to pay.

ENDS

For further information, contact:

Investors:	**Company:**	**Media:**
Luke Bortoli Chief Financial Officer luke.bortoli@afterpaytouch.com	Christopher Stevens General Counsel & Company Secretary christopher.stevens@afterpay.com.au	Chloe Rees-Cato & Clegg m) 0417 665 416 chloe@catoandclegg.com

About Afterpay Touch Group

Afterpay Touch Group (ATG) is a global technology-driven payments company with a mission to be 'the world's most loved way to pay'. ATG comprises the Afterpay and Pay Now (Touch) services 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 customers to enter into a traditional loan or pay any upfront fees or interest to Afterpay. As at 31 October 2019, Afterpay has over 6.1 million active customers and nearly 40,000 active merchants on-boarded. Pay Now comprises innovative digital payment businesses servicing major consumer-facing organisations in the telecommunications, health and convenience retail sectors in Australia.

Afterpay Touch Group Limited
ACN 618 280 649 Phone: 1300 100 729
Level 5, 406 Collins Street, Melbourne VIC 3000