

Afterpay Limited ASX: APT

ASX Announcement

17 November 2020

Market Announcements Office
Australian Securities Exchange
20 Bridge Street, Sydney NSW 2000

2020 Annual General Meeting – Address and Presentation

Afterpay Limited attaches the following documents to be presented at its 2020 AGM being held today:

- Chair's address;
- Co-CEOs' presentation;
- AGM presentation slides; and
- proxies received on each resolution.

The results of the AGM will be communicated to the ASX shortly after the conclusion of the AGM.

Authorised by:

Anthony Eisen
Co-CEO & Managing Director

ENDS

For further information contact

Investors	Company	Media
Marie Festa EVP Investor Relations & Communications marie.festa@afterpay.com +61 405 494 705	Amanda Street Company Secretary amanda.street@afterpay.com	Melissa Patch Director of Communications melissa.patch@afterpay.com +61 412 124 195

For personal use only

2020 Annual General Meeting – Chair’s address

2020 is a year that none of us will ever forget. The number of lives lost around the world as a result of the COVID-19 virus is incomprehensible, and the associated social and economic impacts from the pandemic are likely to be felt for many years to come. Since this time last year, we have experienced devastation from severe bushfires in both Australia and the US, and we all observed the tragic events in the US, that raised our much needed awareness of issues relating to racial injustice, and other under served communities around the world.

The impacts of these events were felt by our employees in many different ways. Our focus at Afterpay remained firmly on the health and wellbeing of our people. We sought to provide all the support we could, to help our people navigate through this period of significant uncertainty.

I am continually amazed by the resilience and passion of the Afterpay team, who despite having endured significant upheaval, have managed to achieve major outcomes for our business. On behalf of all of our stakeholders, I would like to thank every single person in our team, for their unwavering commitment to Afterpay, and for delivering outstanding results for the business.

We were fortunate to have withstood the impacts of COVID-19 and did not have to reduce our workforce or access government funded job keeper assistance. Having said that, in the initial stages of the pandemic, when there was a high level of uncertainty, the Board decided to forego 20% of their Board fees for three months from May 2020 and the co-founders elected to take a 20% reduction in the base salary over the same period.

Doing the right thing by our customers and retailers during these unprecedented times was also critical. We identified a number of ways in which we could leverage our business model and relationships, to drive value for these important stakeholders. We promoted our hardship program to our consumers, to ensure they were aware of the assistance available to them, if they found themselves in financial difficulty.

Our immediate response to COVID-19 in March, included a tightening of the risk settings in our operating model, to minimise the impact of a potential increase in losses. While this was a prudent and appropriate response initially, the dynamic nature of our model allowed us to readjust our risk setting quickly, once we saw positive repayment behaviour from our customers. Our differentiated business model, and the combination of a global shift towards online spending, and further shift away from traditional credit, meant that this period would serve as a tailwind for our business.

Our results for the 2020 financial year were strong. Underlying sales and active customers more than doubled compared to the prior corresponding year, while active merchants increased by over 70%. Our net transaction margin increased 110% and represented 2.3% of our underlying sales. EBITDA, excluding significant items, was \$44 million, up 73% on the prior year. And all of this was achieved against a backdrop of historically low loss rates, and a very robust balance sheet. Over this period, we continued to expand in the US and the UK, prepared to launch in Canada, and acquired businesses that will see us



expand into Europe and Asia. Our co-founders Anthony and Nick will provide more details on this in their address.

Regulation was, and continues to be, a core focus for the business, as the buy now pay later sector increases in relevance, and becomes further fragmented from a product perspective. We continue to engage with regulators and policy makers in all of our regions, to ensure they understand our differentiated service, and the customer protections inherent in our model. While we are at varying stages of engagement in each country, we make it clear that we support regulation that is fit for purpose, and delivers positive outcomes for consumers.

In the US, we have engaged with State regulators to understand their views and have aligned our licensing arrangements to meet their individual requirements. In the UK, we continue to highlight our commitment to consumer protection and responsible spending.

In Australia, we have cooperated with the various government and regulatory reviews into the buy now pay later sector, and have been a key proponent of the development of an industry wide BNPL code of practice.

Yesterday, ASIC released a report following its review of the BNPL industry. The report called out the significant role for industry self-regulation in ensuring good consumer outcomes and promoting consumer confidence, as well as the important role ASIC's new product intervention powers, and design and distribution obligations, will play. The report clearly highlights that Buy now pay later is a term used to describe a range of providers with fundamentally different business models.

While Afterpay is clearly the largest of the companies profiled, representing 73% of the total value of BNPL transactions, it only represents 27% of BNPL related consumer debt. Part of the reason for this is that, compared to other BNPL providers, Afterpay has the lowest average transaction value at \$147, one of the lowest spending limits and the shortest duration payment terms.

The other reason is that Afterpay has in built consumer protections that sees customers suspended from Afterpay, if they miss a single instalment payment and late fees that are low and capped. Having a business model that does not rely on customers to drive revenue means we don't need our customers to revolve in debt to make money.

Importantly, ASIC's report raised the potential for financial stress among users of different financial products categorised as BNPL. We urge ASIC to continue their focus on this and extend it to all forms of payments.

To understand our customers, including the potential for financial stress, Afterpay conducted its own research of over 144,000 Afterpay customers, and found that there is no causal link between spending on Afterpay and changes in spending on essentials. We do know however, that customer circumstances may change from time to time, and to address this, Afterpay offers a generous and accessible hardship program, where flexible payment timelines with no additional fees or cost can be agreed. It's important to note that Afterpay has never enforced a debt nor does it sell debts to collection agencies.

For personal use only

We remain committed to our customers and to working with ASIC, the Government, industry, consumer groups and all stakeholders to promote consumer protection outcomes.

During the year, the independent audit required by AUSTRAC, in respect of Afterpay's compliance with anti-money laundering and counter terrorism financing, was completed during the year. Last month the regulator advised that it would not take any further regulatory action against the company. The external audit provided us with the opportunity to better understand our obligations, and assisted the ongoing strengthening of our AML/CTF compliance. We will use these learnings, and our ongoing engagement with AUSTRAC, to continue enhancing our AML/CTF framework as required, as the business continues to grow.

With the scaling of our business globally over the past five years, we have experienced rapid growth across all of our core business drivers. We have attracted a global and diversified shareholder base, and we have seen our market value increase significantly. As part of this rapid evolution, we have invested heavily in strengthening the foundations of our business, and building a world class leadership team to manage the business for the long term.

As I mentioned earlier, as part of our Board renewal process, it gives me great pleasure to say we appointed three new and highly skilled Board members that are here with us today, albeit virtually. You will hear from each of them soon. Cliff Rosenberg resigned from the Board in May this year. Cliff had been with Afterpay right from the start, and was an important member of the Board. I would like to thank Cliff for his significant contribution and wish him all the best.

Our renewed, majority independent Board, is joined by two of the most amazing executive directors I have had the pleasure of working with, our two co-founders Anthony Eisen and Nick Molnar. What Anthony and Nick have achieved, in such a short period of time, is unheard of, and is the result of a lot of hard work, extreme perseverance and an unwavering commitment to Afterpay's purpose.

Their demonstrably strong partnership and complementary skills and experience has been key to the company's success. They have both held various roles within the business over the past five years, to ensure there has been the right amount of focus in the right areas, at the right time. As the business continues to expand globally, the focus on our international operations has never been greater. The Board and the co-founders believe that it is important to have an appropriate level of oversight, executive prominence and presence, both internationally and domestically.

To achieve this, Anthony and Nick will become Co-CEOs of Afterpay. They will continue to share responsibility for executing on the strategy, and their performance will be measured on the same key objectives. Nick will return to the US as soon as is practicable, and Anthony will continue to be based in Australia. As a Board we believe this positions us strongly for the future and reflects our ongoing evolution globally.

Supporting our co-founders is a team of highly capable individuals, with diverse world class experiences. A number of new appointments were made during the year from many different sectors, including fintech, retail, banking and ASX listed

companies. Importantly, as a result of these appointments, we delivered on our commitment to enhance our gender diversity at a leadership level.

Diversity and Inclusion is a core focus for the business, and a number of important initiatives have been implemented this year. As a business whose success is dependent on diversity of thinking, and an inclusive culture, it is critical that we have the right mindset in place across the business. We introduced a new diversity and inclusion policy, and have established a committee of employees to help guide our efforts. We have also appointed a Head of Diversity and Inclusion to ensure we maintain our focus.

We completed our first year under a new remuneration framework, which was outlined in our remuneration report last year. The framework has been applied globally, and continues to align with our remuneration principles. Our remuneration framework is leveraged to equity, as opposed to cash. In this way, we create greater alignment between Executives and Shareholders, by rewarding people for performance over the long term, as opposed to the short term. The variable elements of the new framework include a short term incentive paid in cash, and a performance tested long term incentive plan, awarded in market priced options.

Our remuneration report for the 2020 financial year outlines the outcomes of the balanced scorecard, used to determine the 2020 financial year short term incentive. The business achieved 86% of the total available vesting against the targets set, which included both financial and non financial metrics, and a board discretion modifier for doing the right thing. As many of you will recall, Executive KMP volunteered for their STI to be withheld until the outcomes of the final report of the external AUSTRAC audit were known. The Board has determined that the FY19 STI be paid in full as all metrics were met.

The performance tested long term incentive plan, continues to be a key component of the Afterpay's remuneration framework. If the performance measures are achieved, the LTI is awarded in market priced options, so that they only deliver value to Executives if the share price increases. The FY20 and FY21 LTI performance measures of GMV or underlying sales and NTM were chosen by the Board as they are the key drivers of the Group's growth strategy, and are the key metrics used by the market to assess the Group's performance in this phase of the company's evolution. In the case of the two co-founders, their remuneration is heavily weighted to LTIs, and the exercise price is set at a 20 per cent premium. Their packages exclude any RSUs and STI, and their cash remuneration is well below market.

It is important that shareholders consider this when asked to vote on resolutions Items 7 and 8, which pertain to the award of their long term incentives.

There is an additional resolution, Item 6, that shareholders are being asked to consider, which relates to equity awards to California based participants of the plan. Importantly, the legacy US employee share offer plan is now closed, and new incentive awards are provided by way of Afterpay's parent entity, equity incentive plan. In order to make these new awards, there are certain Californian securities law requirements which must be met. A vote in favour of this resolution, will facilitate the participation of California based employees in the plan.

In July this year, the company undertook an institutional placement successfully raising \$650 million by issuing 9.8 million shares, priced at \$66 per share. This was complemented by a Share Purchase Plan that raised approximately \$136 million.

At the same time as the institutional placement, the two co-founders sold just over two million shares each, at the same price as the institutional placement. Final pricing and allocation decisions were made by a sub-committee of independent Afterpay Directors. I can confirm that following the co-founders sale, of a relatively small percentage of their overall holdings, they continue to be the largest individual shareholders of Afterpay, and they have reiterated their long term commitment to the business.

The funds from the capital raise will be used to accelerate our investment in existing regions and expedite our expansion into new markets. It also delivers greater flexibility and capacity to execute on potential non organic growth opportunities. Pleasingly, our capital position, post the capital raise, provided us with the capacity to fund over \$30 billion in underlying sales above the current run rate. Today's item 4 resolution seeks shareholder ratification of the issue of shares relating to the July placement.

We are also seeking approval in Item 5, to issue the convertible note that relates to the Pagantis acquisition announced on 24 August 2020. This acquisition, once completed, will allow us to expedite our expansion into countries such as Spain, France, Italy and Portugal, and provides the opportunity to extend our service into other European Union countries. The reason we are seeking approval, is to ensure we maintain capacity to issue up to 15% of our issued capital, which we believe is a prudent approach for any business.

In my address, I have sought to answer some of the questions we have received from shareholders that relate specifically to resolutions of the meeting. Anthony and Nick will also address some of the questions, relating to the operations and ongoing performance of the business. But before I ask them to address the meeting, I will respond to several other, more frequently asked questions sent to us.

The first relates to provision of legacy option grants to many employees in the past, resulting in a large number of significant windfall gains. And whether we believe this is appropriate?

Afterpay's legacy equity plan resulted in a number of one off grants of equity (in the form of options, loans shares or rights), at the time the employee commenced employment with the Group. These awards were subject to continued employment and in some cases, the achievement of specific KPIs.

These arrangements were essential, at the time they were put in place, to attract and compete for top-tier talent in the global technology sector. It was only a few years ago that Afterpay was a small company with limited financial resources, and we purposely used equity to provide a strong retention mechanism for key talent during its start-up phase. Grants made under the plan were not seen to be excessive at the time, and no one could have foreshadowed the rapid growth of the business and its share price. Attracting and retaining this talent was key in achieving our success to date, and importantly, the equity outcomes are exactly the same as those experienced by our shareholders over the same period. As I mentioned earlier, we developed a new remuneration framework, that

reflects the maturity and scale of our business, and moves away from these types of legacy arrangements.

Another question commonly asked relates to our efforts around corporate social responsibility and our overall sustainability strategy?

As part of our Do the Right Thing strategic pillar and core values, we focus on a number of different areas, where we feel we can make a difference to our people, our communities and the environment. Our whole business model is based on trust. Our social licence to operate is linked to this mutual trust relationship, and our objective to look for a win-win outcome in everything we do. The long term sustainability of our business is reliant on us living up to our responsibilities as a good corporate citizen.

During the year, we have undertaken a number of initiatives that build on our commitments. This included the introduction of Afterpay Access, which is a one-stop-shop for small businesses, offering tools and expert advice on how to grow during this challenging period and beyond. We also showcased and connected small businesses with millions of Afterpay customers through our Afterpay Connect and Support Small program. We now overtly support sustainable fashion, by partnering with Good on You, the world's leading source for sustainable fashion brand ratings, and we have progressed towards carbon neutrality, by purchasing the necessary carbon credits to offset our emissions.

We also partnered with five charity partners in each of our regions, and launched the "Add \$1 / £1" at the checkout", providing our customers the option to donate directly to the charities we have partnered with on the Afterpay platform.

When I reflect on all that has occurred since our AGM last year, it is fair to say that it was another very busy and very active 12 months for Afterpay, in one of the most challenging periods we, as a society, have ever experienced.

I would like to offer my sincere thanks to our shareholders globally, for their ongoing belief and support for our business. My thanks to our world class and hard working Board for their continued guidance and commitment, and to our co-founders for maintaining their focus on realising our vision, and for flawlessly executing on our strategy. To the executive leadership team, congratulations on another successful year, and thank you for your hard work and continued leadership of our fabulous team.

And to our people, thank you for making Afterpay everything that it is today, your passion, resilience and your tireless efforts are what makes our business so successful. I look forward to continuing working with each of you, as we strive to create fairness and financial freedom for all.

2020 Annual General Meeting – Co-CEOs' presentation

Anthony Eisen

Good morning everyone, I'm pleased to be here addressing you today albeit in a different forum than previous years, as we continue to operate within the safety and health guidelines in Melbourne.

I will begin today's presentation and I will then hand over to Nick Molnar who will join us from Sydney.

As Elana mentioned, 2020 brought with it many challenges across the globe that impacted businesses, people and ways of working.

While we are still witnessing the ever-changing COVID environment, our focus has been, and remains, taking care of our people above all else.

Our team's safety, health and wellbeing is our top priority across all regions and in many ways has brought our teams closer together through their support of each other. Just last month our teams across all geographies ran different activities and sessions to highlight the importance of mental wellbeing during Mental Health Awareness Month.

I know I speak on behalf of the leadership team to say that we continue to be incredibly inspired by our team's resilience during these uncertain times and the outstanding work they have delivered.

We have also been extremely proud of how our teams have stood - virtually - shoulder to shoulder to ensure we continue to keep our customers and merchant partners at the centre of everything we do. This has been fundamental to continuing to build trust and loyalty during these challenging times.

Our Q1 FY21 Performance

As we shared only a few weeks ago, we have had a solid start to FY21.

Our active customers continued to grow in the first quarter reaching 11.2 million active customers¹ by the end of September. We also continued to increase the number of merchant partners on the platform to over 63 thousand. Q1 FY21 Underlying Sales grew by 115% to \$4.1b, up from \$1.9b Q1 FY20 as a result of strong growth across all regions.

The benefits of our retail platform continued to drive value with an average of over 19m lead referrals generated per month to retailers in Q1 FY21.

If we look at each region's performance during the first quarter, ANZ grew strongly year on year, up 63% on Q1 FY20, underlying sales momentum continued to accelerate both online and in-store. Underlying sales in the US increased by 229% compared to Q1 FY20, and Underlying sales in the UK in Q1 FY21 grew by 346% when compared to Q1 FY20.

¹ Defined as having transacted at least once in the last 12 months.

October was another record month for underlying sales globally and we are performing ahead of this in November.

Instore sales in ANZ continue to increase as a percentage of total sales reaching 23% in recent weeks. Notwithstanding the growth in in-store and the relaxation of lock-down conditions across ANZ we see online sales growth continue to track strongly.

While retailer and consumer demand for our offering internationally continues to be strong.

The growth of new customers is accelerating since the end of Q1 in both the US and UK as the pipeline of new merchants go live on our platform.

We have had a number of key international new merchants join our platform in the past week alone including, Bed Bath & Beyond, Buy Buy Baby, Glossier, SAXX and Arcadia (which includes the major Top Shop brand). Nick will speak more on our new regions in a few minutes.

On our key financial and performance metrics, there is no change to the comments we made around gross losses, net transaction losses and Net transaction Margins in our Q1 business update and we are pleased with how the business is tracking in the first 6 weeks of Q2 FY20.

Our evolution

What we saw through COVID was the acceleration of consumers moving away from traditional credit to debit, and a shift to online shopping. Our purposefully differentiated model benefited from this shift, and the trust we have built with our customers and merchant partners enabled us to continue to grow and expand during this time.

As a leadership team, we also took the time to reflect on where we were heading and how we stay true to who we are. We evolved our vision, mission, strategy and values to ensure they truly reflect Afterpay, our customers, merchant partners and stakeholders.

With a focus on Millennials and Gen Z, we have redefined our vision that aspires to create fairness and financial freedom for all. And, our mission is to power an economy in which everyone wins, which means working to deliver a “win/win” for all of our stakeholders.

Our strategic focus remains the same but we have evolved our priorities to further drive our long-term growth and ensure we meet the changing needs of our customers. Our renewed values are reflective of the mindset and behaviours we expect from our employees as we execute our strategy.

I am extremely proud of our team and what we have delivered so far.

- We launched our evolved **Brand**, which included a new visual identity, vision and mission. Our brand provides a platform that allows us to clearly articulate who we are and what we do on a global scale.
- Continued to increase our merchant partners, customers and expanded globally. This enabled us to **Grow** and be available where our customers want us to be

- We listened to our customers and merchants and continued to **Innovate** to meet their needs. I will share more on recent innovative initiatives we have launched with a responsible spending focus
- We have been able to **Perform** successfully each year by focusing on all aspects of our business and on the right long term investments.
- Everything we have done and continue to do is underpinned by **Doing the Right Thing** for our teams, customers and everyone within our community. This is something we think about and action every day.

Our commitment to do the right thing is something our team continues to be incredibly passionate about. The challenges we faced in 2020 only amplified the passion and determination of both our team and our customers to support those in need.

Over the past 12 months we have partnered with Red Cross to support the Australian Bushfire Appeal, developed 'support local' campaigns, launched social campaigns in support of Black-owned businesses and partnered with charities in each of our regions to support those who have been impacted by COVID.

Commitment to responsible spending

We take our role in making a positive contribution to society extremely seriously. We are committed to leading and educating consumers on financial wellbeing and seek to provide the platform and services to help drive these behaviours.

Our recent announcement regarding our plans to offer savings and budgeting tools, in partnership with Westpac's banking-as-a-service digital platform, will enable us to provide customers with an alternative to traditional banking and credit products.

We spent a lot of time talking with our customers about what matters to them when it comes to being empowered with their money - we heard words like; control, choice and flexibility. For our customers it's about being in control of their money but with the flexibility and choice in how to manage it.

By broadening our ecosystem to include new money management tools and products, we are able to deliver innovative solutions that meet the needs of a powerful next generation of customers.

These solutions will also help our customers make better-informed financial decisions and have greater control over their finances.

We have now introduced our new Pulse Rewards program in Australia and the US. This program highlights yet another way we are building on our core principles by encouraging financial wellness.

We know that Millennials and Gen Z are making conscious decisions to be more responsible with their finances by using debit rather than credit. We also know that customer loyalty is not purely a program, it's a feeling delivered through experience. Our customers want to feel empowered in how they choose to spend their money and we are rewarding their positive behaviours.



This is why we built Pulse Rewards, which rewards paying on time rather than the traditional concept of “the more you spend, the more you earn.” There are very few customer loyalty programs like this.

We have launched in ANZ and US and will also look to launch in the UK and will continue to reward our customers based on our core principles.

As we continue to innovate through our platform and services - like Pulse and our money management tools - our core principles and differentiated business model will remain the same.

We believe trust-based relationships result in positive customer behaviours. We trust our customers and reward them for spending responsibly, and will empower people to use their money on things they want by being financially in control.

Afterpay’s incentives are aligned with consumers – an on time payer is more profitable for the business. Unlike traditional credit - who need consumers to lose for them to win and survive by charging interest - Afterpay doesn't charge fees or have hidden costs and we pause customer accounts if a single payment is missed.

We will always remain committed to rewarding and empowering our customers through trust and good repayment behaviours.

FY21 investments

Before I hand over to Nick I would like to make some concluding comments.

Delivering on our strategy and priorities will be absolutely key to our success in FY21 and beyond.

In FY21 we will further accelerate our investment to:

- Enhance our platform and continue to grow our people resources
- Pursue co-marketing opportunities and invest with our retail partners
- Consolidate our market-leading position in existing markets
- Expedite our expansion into new markets and leverage an early mover advantage

I am truly excited by what lies ahead.

I would like to thank the Afterpay team, who do an incredible job day in, day out.

The passion, drive, dedication and support our team has displayed has been nothing short of inspiring to watch.

I will now hand over to Nick, who will provide an update on our customers and merchant partners.

For personal use only

Nicholas Molnar

I am thrilled to be able to address you all today and continue sharing the incredible work our team has done in what we know has been an extremely challenging year. We know this difficult year has been felt by so many around the world - including many of our customers and merchant partners.

I was so proud to see how our teams focused our customers and merchants. Whether it was ensuring our customers were aware of how we could help if they needed, or supporting our small business through different resource tools or expert advice during this challenging year.

I also want to echo Anthony's comments about our people. We feel very fortunate to have the team we do, and continue to be amazed by them.

Global expansion

I would like to start by reflecting on our global expansion efforts over the past few months.

A key focus for our growth strategy is to be where our customers and merchants want us to be. And, we know this from what they tell us.

Launching into Canada in August was a really exciting moment for the team. We have had a solid start with a number of large merchants now live, integrating or signed.

The acquisition of Pagantis in Europe, which remains subject to approval from the Bank of Spain, is a key step in our efforts to be a truly global business. Pagantis provides us with the opportunity to launch into Spain, France and Italy immediately and creates a glidepath to other countries in the European Union. Our teams are busy developing integration plans to ensure we are ready to launch as soon as the acquisition is completed. We are excited about working with the talented Pagantis team and learning from their wealth of knowledge.

The discovery of our expansion plans into Asia are also progressing with a base now established in Singapore. This will enable us to drive the development of a strategy for the South East Asia market.

Our Cross Border Trade also builds on our global expansion by enabling our merchants to offer their products to customers across the world. Specifically, all Afterpay merchants can now open their ecommerce sites to Australian, British, Canadian and New Zealand shoppers. Next year, global merchants will also be able to sell to US consumers.

As with all of our global expansion opportunities, we will continue to use our successful ANZ operations as a blueprint for execution.

What has been most compelling in ANZ to date is the development and evolution of our flywheel. The benefits of our model and the compounding impact on our performance is extremely obvious in our most mature market. And importantly we are seeing similar outcomes in our newer international markets.

Our flywheel highlights the important symbiotic relationship between our retailers and customers. As more retailers join our platform, the flywheel drives new customer acquisition and greater network acceptance.

Acceptance amplifies usage, which drives frequency and stickiness between our customers' favourite brands, and their favourite way to pay. When the compounding impact of frequency and active customers reaches a tipping point, we see an acceleration of our network effect. The value of this network effect positively impacts customers, retailers and Afterpay, ultimately demonstrating how we power an economy in which everyone wins.

Our market experience in ANZ has established an important blueprint for growth in other regions. We find that the longer our customers are on the platform the frequency of transactions increases - in FY20 the earliest customer cohorts in ANZ were transacting ~25 times per year. We also find that as we increase the number of merchant verticals, customers will spend across more verticals - over a 12 month period the top 10% of customers² in ANZ, on average, transacted across 26 different merchants; within 11 different verticals.

Through our blueprint we have demonstrated that high acceptance + high frequency = lower losses + higher profitability.

We have seen similar trends at the same stage of the merchant and customer lifecycle with our international markets.

Understanding our customers³

To truly optimise our opportunity for global growth, underpinned by this network effect, understanding our core customer base is more important than ever before.

As Anthony mentioned earlier, the shift to online and the shift away from traditional financial products like credit cards shows there is a longer term step change that is taking place, driven in large part by Afterpay's core customer base, and retail's next generation of consumers - Millennials and Gen Z.

These shifts in trends, that started after the Global financial crisis, are exactly why we founded Afterpay. We wanted to empower younger generations to use their own money and feel in control of their finances - not just today but over their life stages.

We know that Millennials and Gen Z will reach their peak earning potential over the next 10 years, driving a significant increase in the percentage of total global retail spend coming from these two generations.

In recent weeks we've been working on a global economic series about consumer spending, with a focus on these younger generations - it's called the Next Gen Index.

² Top 10% of customers measured by value of underlying sales contribution over rolling 12 month period to 30 September 2020

³ Source: All data can be found in our Next Gen Index Reports on our website Newsroom www.afterpay.com/en-AU/media

The insights - based on internal and external data - recognise the growing power of Millennials and Gen Z in the economy, and how their behaviours and preferences are shaping the future of commerce. They also shine a light on the role of BNPL in the changing landscape.

While there are more in-depth reports available for Australia, the US and the UK on our website, I'd like to touch on some key insights around our core customer base, from this Next Gen series.

Currently, Gen Z and Millennials represent 36% of the total retail spend in Australia. By 2030, that will grow to 48% as more of Gen Z enter the workforce. In the US that share of retail spend will increase from 32% to 48%, and in the UK it will grow from 25% to 39%. Spending by these younger generations has also recovered faster than older generations since the start of COVID.

Spending by Millennials here in Australia is now 2% above pre-COVID levels. In the US, spending by Gen Z and Millennials is back to only 5% below pre-COVID levels, and in the UK, Millennial spending is back at the same level it was pre-COVID while Gen Z is 7% above pre-COVID levels. Spending by older generations is significantly lower in each market, all still well under pre-COVID levels.

This spending by younger generations is playing an important role in the current economic climate, helping to stimulate the economy and support retailers - that should not go unrecognised.

What is also clear is that this spending is increasingly occurring through BNPL.

BNPL is trending up across all generations in Australia, rising by 60% for the year while credit spend has decreased by 10%. But it is these younger generations that are leading the charge - while Gen X spend is up 47% since January, Millennial BNPL spend has grown by 48% - from a much higher base - and Gen Z is up by 80%. In the US, Millennial BNPL spend is up 86%, and Gen Z is up 201%. In the UK, Millennial use is up 128% since January, and Gen Z BNPL use is up 213%.

Gen Z and Millennials are becoming a powerful force in the economy. But spending behaviours aside, from a population point of view, Millennials and younger generations will soon outnumber older generations across our markets. In Australia, by FY24. In the UK, this year. And in the US, they already do.

Looking at our own data, we know that our interactions with Millennials and Gen Z are expanding.

Millennials account for the majority of spending on Afterpay in Australia, the US and the UK. That said, in Australia, spending by Gen Z on our platform has increased by 126% year on year. In the US, 209%. And in the UK, it has grown 228% since January.

We also know what they're spending on. In Australia, the home and recreation category has seen the most growth, with furniture, auto accessories, outdoors and home comfort purchases popular among Gen Z and Millennials.



When it comes to where these younger generations like to spend, we know they support small. Two thirds of small business in Australia and the US comes from Millennials and Gen Z. In the UK, that number is even higher. This spend is up on pre-COVID levels across all markets.

As a company that was founded to meet the changing needs of young people post the GFC, we are committed to deeply understanding these important generations - how they want to spend, where they want to spend, and why they want to spend - so that we can continue to meet their needs in a way that aligns with their core values.

Re-election

I would now like to take this opportunity to speak to my re-election as a Director on the Afterpay Board.

The journey so far with Afterpay has been amazing.

Looking back at what we have achieved is just incredible. We have had many pinch-yourself moments. And, it's not just Anthony and myself, it's our 650 plus global team members who have worked so hard and passionately.

I am as driven - if not more so - as I was when we launched 6 years ago. We have built a brand that our customers and merchants trust and love, and we have so much more to do as we continue to grow.

I am honoured to be part of the Afterpay Board and look forward to continuing driving value to you - our shareholders.

On a final note, I have been reflecting a lot over the past few days, in the lead up to this AGM.

We often refer to our team as the Afterpay family and this year cemented how true this is. The respect, trust and admiration I have for our team is beyond words.

Our strong results in FY20 and solid start to FY21 is a testament to this team - our Afterpay family. On behalf of the global leadership team and the Board - thank you.

We're heading into FY21 with great enthusiasm and a clear strategy.

To our customers and merchant partners, on behalf of the Afterpay team, thank you for your continued support and trust.

To our shareholders - those who have been with us from the beginning and those who have recently joined - thank you for supporting our journey and providing us with an opportunity to move towards our vision.

For personal use only

Internal use only



Co-CEOs'
presentation

mal use only

Anthony Eisen

The year gone by...

Our key focus was taking care of our people and supporting our customers and merchants during these unprecedented, challenging times.

only
mal use

Q1 FY21 Performance

A\$ **4.1b** up 115%

Underlying Sales

11.2m up 98%

Active Customers¹

63.8k up 70%

Active Merchants¹

By region

ANZ **\$2.2b**

ANZ **3.4m**

ANZ **\$2.2b**

UK **\$0.3b**

US **\$1.6b**

US **6.5m**

US **\$1.6b**

UK **\$0.3b**

On a constant currency basis **\$4.2b²**

UK **1.2m**

Notes: 1. Defined as having transacted at least once in the last 12 months. 2. Underlying sales on a Constant currency basis has been calculated by translating underlying sales for Q1 FY21 at the effective exchange rates for the prior corresponding period of Q1 FY20

Our Vision

Fairness and
financial freedom
for all

Our Strategy

-  Brand
-  Grow
-  Innovate

-  Perform
-  Do the Right Thing

Our Mission

To power an
economy in which
everyone wins

Our Values

-  Keep it Real
-  Be Brave
-  Do the Right Thing
-  Shape the Future

Delivering our strategic priorities



Brand

Our brand provides a platform that allows us to clearly articulate who we are and what we do on a global scale



Grow

Increased our merchants and customers across all our regions. Globally expanding to be where our our customers want us to be



Innovate

Differentiate our value proposition through customer-led product innovation and empowering responsible spending



Perform

Continued strong performance and focus on long-term investments

Our strategic pillar **Do the Right Thing** underpins everything we do



Do the Right Thing



Partnering with Red Cross to support the Australian Bushfire Appeal, Afterpay and our customers donated \$250k.

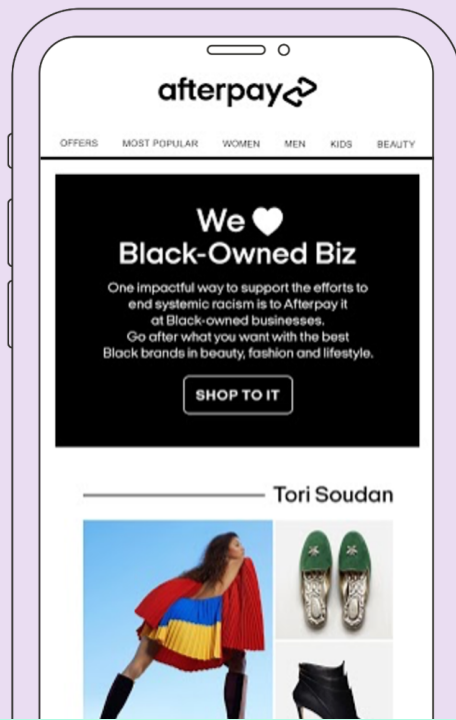


Developed campaigns to support smaller retailers during the bushfires and continued during COVID.

Our US team launched social media campaigns in support of Black-Owned businesses.

Partnered with charities in each of our regions to support those who have been impacted by COVID.

We launched 'Add \$1/1£ at the checkout initiative' with funds going directly to our charity partners. Overall our customers raised over \$330k.



Money Management Tools

afterpay ↻ × Westpac

Partnered with Westpac's banking-as-a-service digital platform to offer:

Alternative to traditional banking and credit products

Savings and budgeting tools

Support and enable better informed financial decisions

Greater control over financial wellness



anal use only

Rewarding good repayment behavior

Pulse

Core principles

Encourage financial wellness

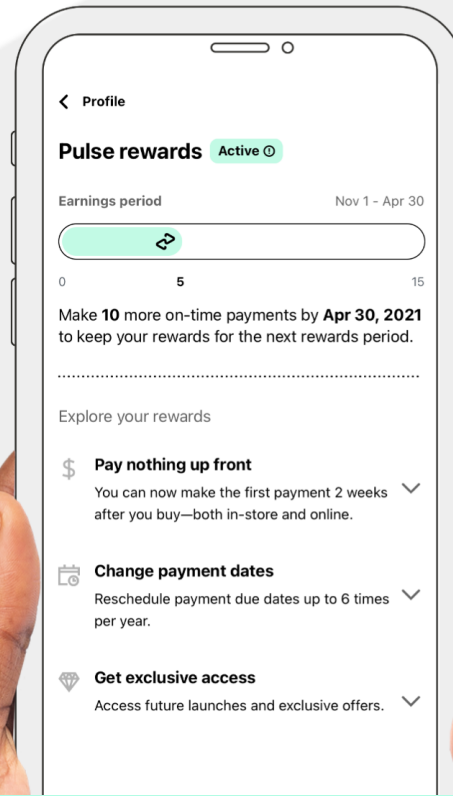
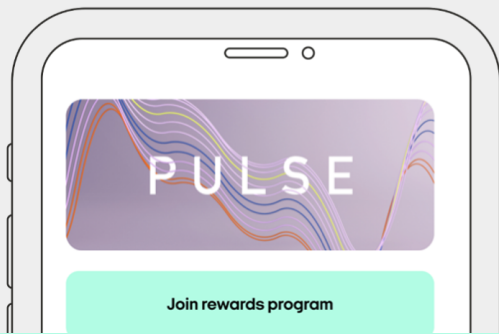
Incentivises paying on time

Rewards customers who spend responsibly

Rollout

Launched in ANZ and US, with UK to follow

Pulse benefits aligned to our core principles – demonstrated by on-time payments



**Encouraging responsible spending
is at the core of what we do**

Traditional Credit Industry

vs



Needs the **consumer to lose for them to win**

Survives by **charging interest** and pushing consumers into **revolving debt**

We **trust in the next generation** and reward people spending responsibly

We empower people to use their money for the things they want – we put the **consumer first**

We **don't charge interest** or hidden fees

Accounts are paused when customers miss a single payment

We see the world differently



Accelerated investment

In FY21 we will further
accelerate our investment to:

Enhance our platform and continue
to grow our people resources

Pursue co-marketing opportunities
and invest with our retail partners

Consolidate our **market-leading
position** in existing markets

Expedite our expansion into new markets
and leverage early mover advantage



Internal use only

mal use only

Nick Molnar

Global expansion

Canada

United States

United Kingdom

Spain

France

Portugal

Italy

Singapore

Indonesia

Australia

New Zealand

Now you can
shop across
borders



Cross border trade allows retailers to open their storefronts to the world - delivering new customers, higher conversion and ultimately more merchant sales, without additional set-up costs or fee.

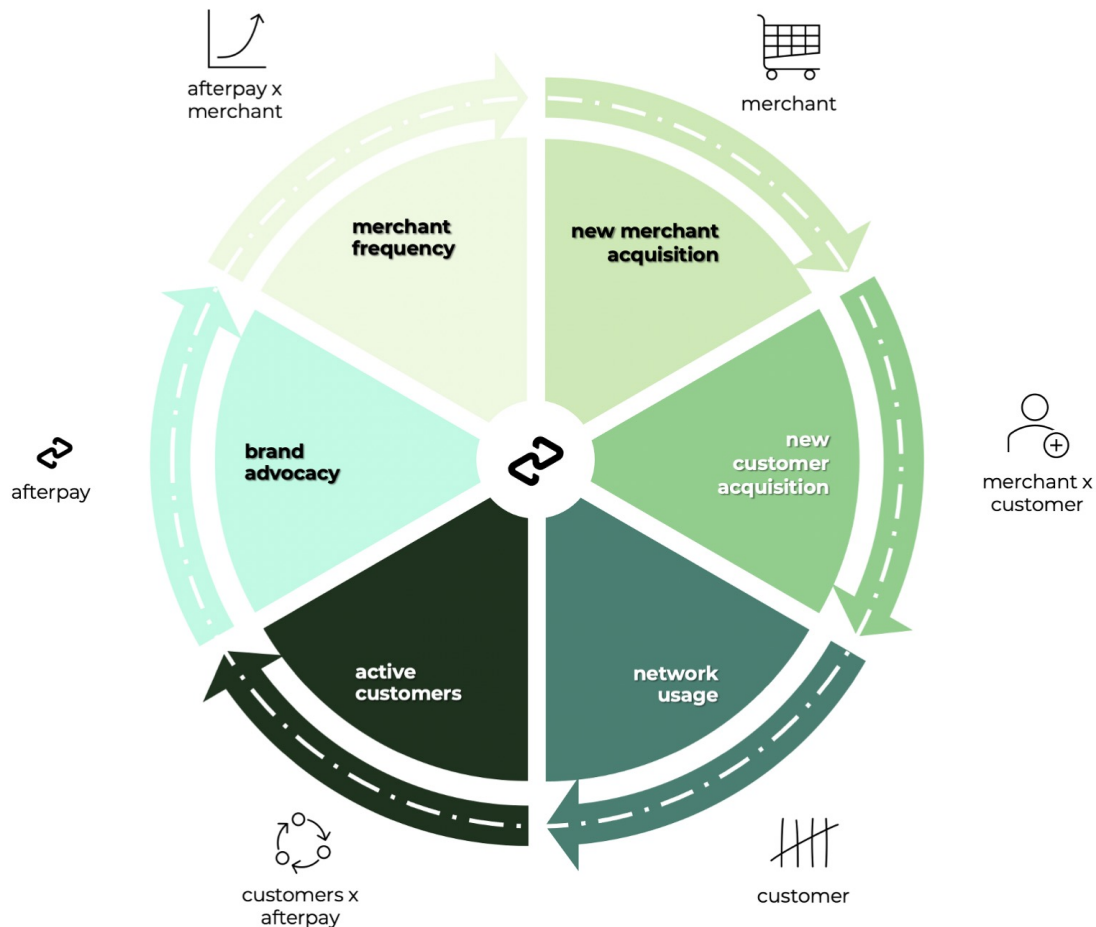
Our flywheel

Afterpay's flywheel drives an important symbiotic relationship between our retailers and customers.

As more retailers join our platform and as we add new verticals, the flywheel drives both acceptance and new customer acquisition into the Afterpay network.

Acceptance amplifies network usage and drives frequency of customers utilisation across the network and with customers' preferred merchants.

When the compounding impact of frequency and active customers reaches a tipping point we see an acceleration of our network effect.



ANZ Blueprint

High acceptance

+

High frequency

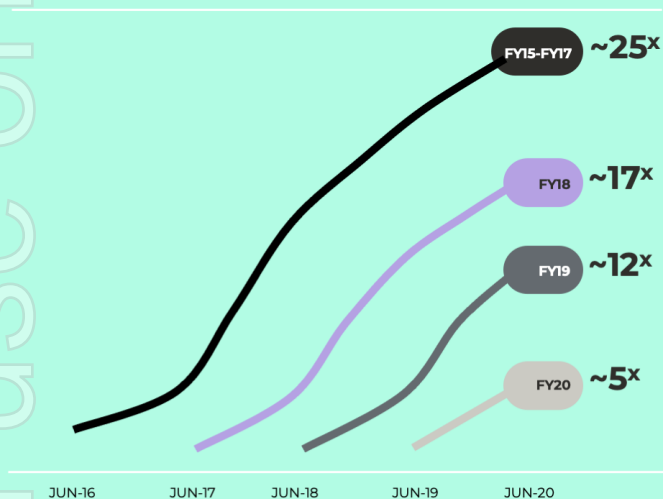
=

Lower losses

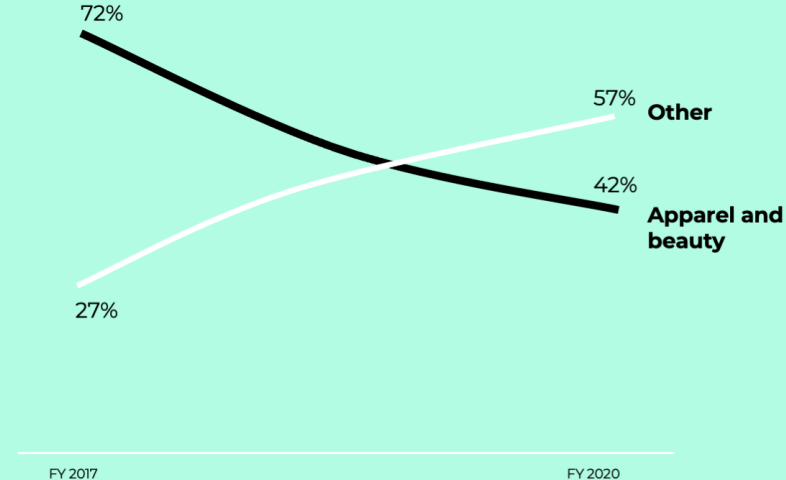
+

Higher profitability

In FY20, the earliest customer cohorts in ANZ are transacting ~25x per annum



In FY17 - Fashion and Beauty represented 72.19% of our underlying sales in ANZ, in FY20 this number has decreased to 42.47%



Internal use only

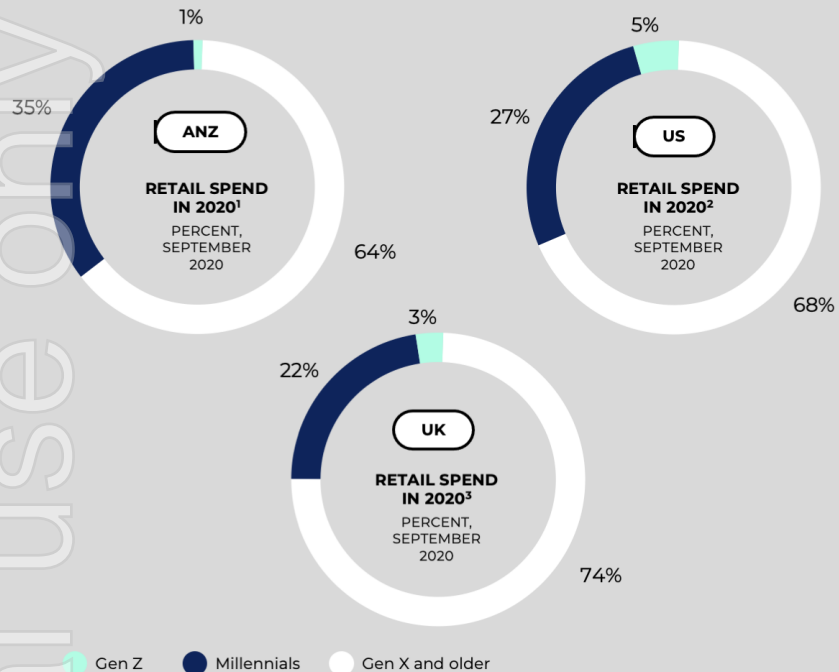
The Afterpay Next Gen Index

The Next Gen Index is an economic series on consumer spending. The insights provided recognise the growing power of younger generations in the economy, and how their behaviours and preferences are shaping the future of commerce. The series also shines a light on the role of BNPL in the changing landscape.



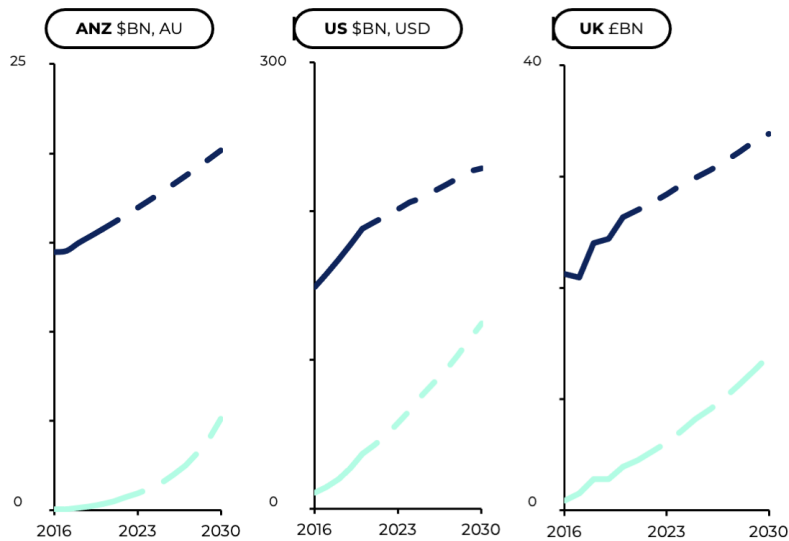
Gen Z and Millennials are becoming a more powerful force in the economy

Millennial and Gen Z share of spend will grow to 48% in AU and US, and 39% in the UK.



Millennials and Gen Z peak earning years are still to come

RETAIL SPENDING OVER TIME FOR MILLENNIALS AND GEN Z

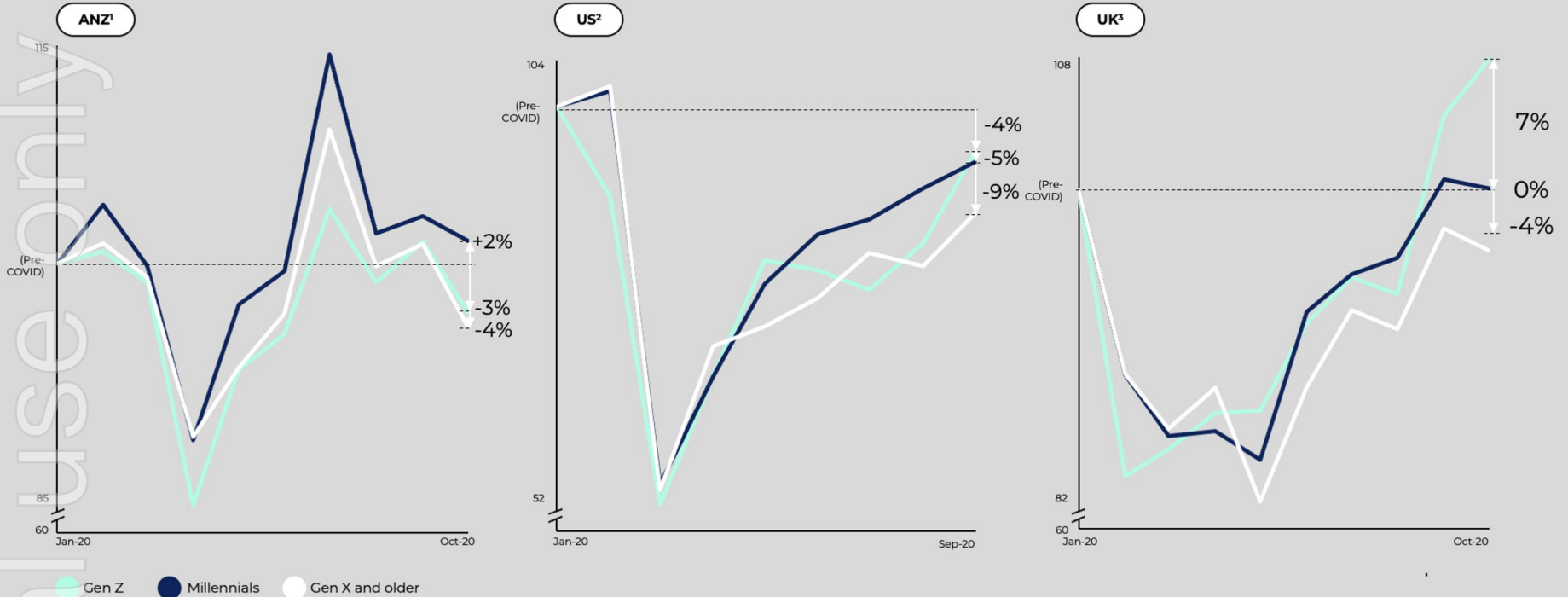


Note: Retail expenditure includes clothing and footwear, personal care, household goods and services and medicines, prescriptions and healthcare products. Source: 1. Forecasts based on the ABS Household Expenditure Survey 2015-2016, HILDA Waves 6-18 2. Forecasts based on the University of Michigan Panel Study of Income Dynamic 2005-2017, Bureau of Labor Statistics CE Generation Tables, Census Bureau Population projections for United States - Table 3.3. 3. Forecasts based on the Living Costs and Food Survey 2015-2019

Spending by younger generations has recovered faster during COVID

SPENDING BY GENERATION

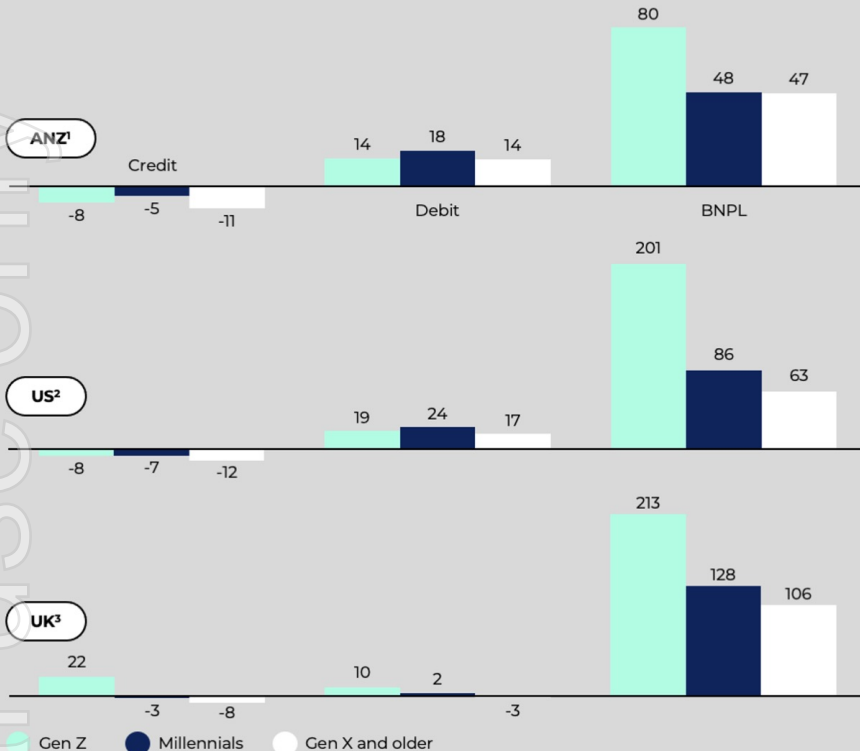
MONTHLY INDEX OF CONSUMPTION, 100 = JANUARY 2020



Source: 1, 2. Consumer transaction data, AlphaBeta (part of Accenture) analysis. 3. Source: Money Dashboard Insights

BNPL use is up across all segments but younger generations lead the growth

CHANGE IN VALUE OF PURCHASES BY PAYMENT METHOD AND GENERATION
%, YEAR TO DATE



Source: 1. Consumer transaction data, AlphaBeta (part of Accenture) analysis. 2. Source: Consumer transaction data, Company quarterly release reports, AlphaBeta (part of Accenture) analysis. Note: Data year-to-date as of September 2020. 3. Money Dashboard Insights, AlphaBeta (part of Accenture) analysis. Note: Data year-to-date as of October 2020

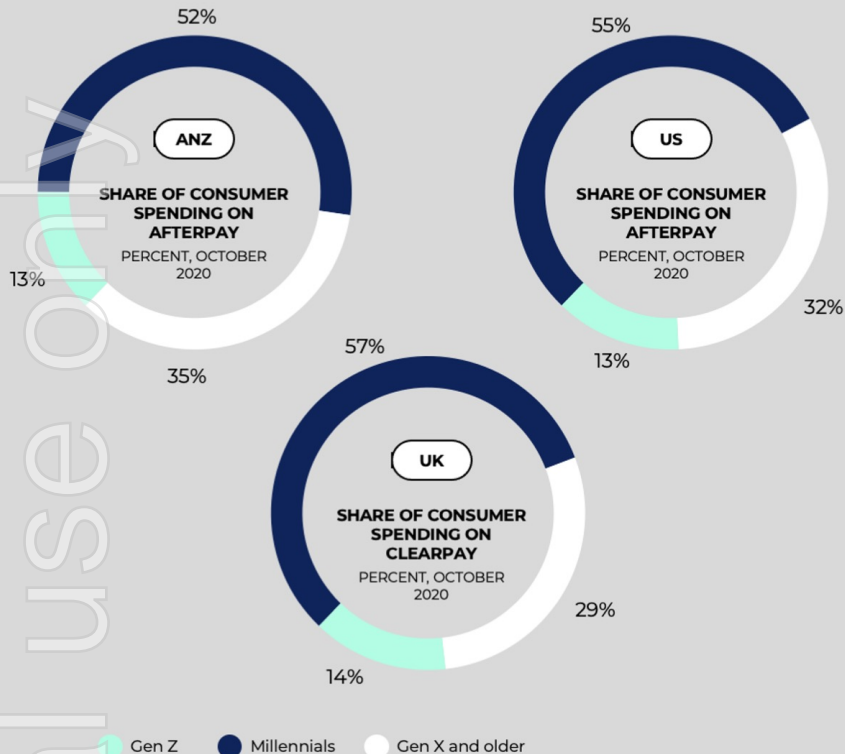


BNPL is trending up across all generations in Australia

rising by **60%**
For the year

while credit spend has decreased by 10%.

Millennials account for the majority of Afterpay spend but Gen Z is growing rapidly



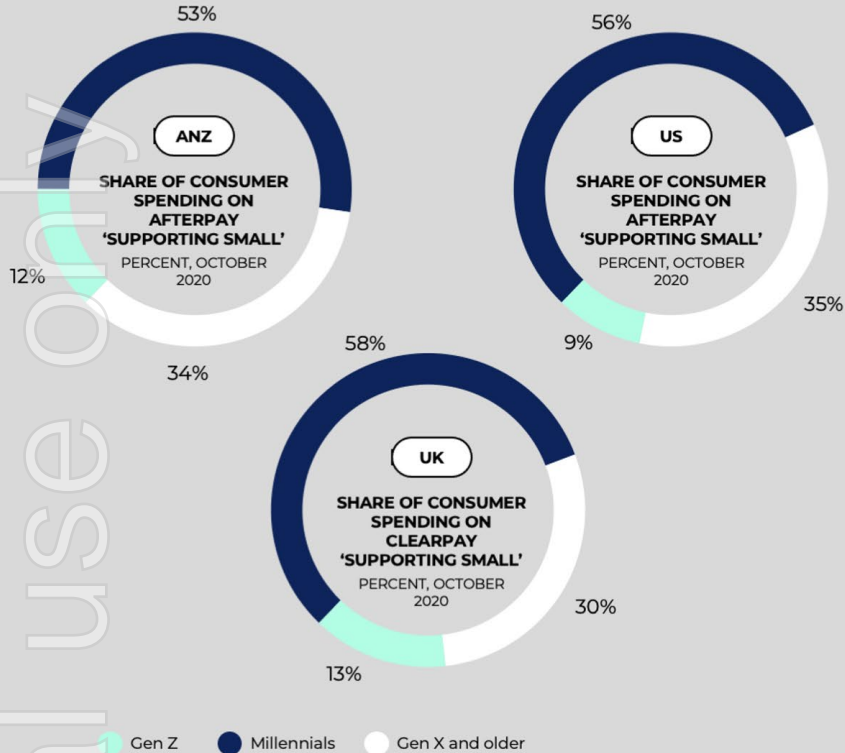
Younger Aussies are spending more on home and recreation

Household purchases is the fastest growing category, especially among younger generations – **growing 197% YoY for Gen Z and 68% among Millennials.**

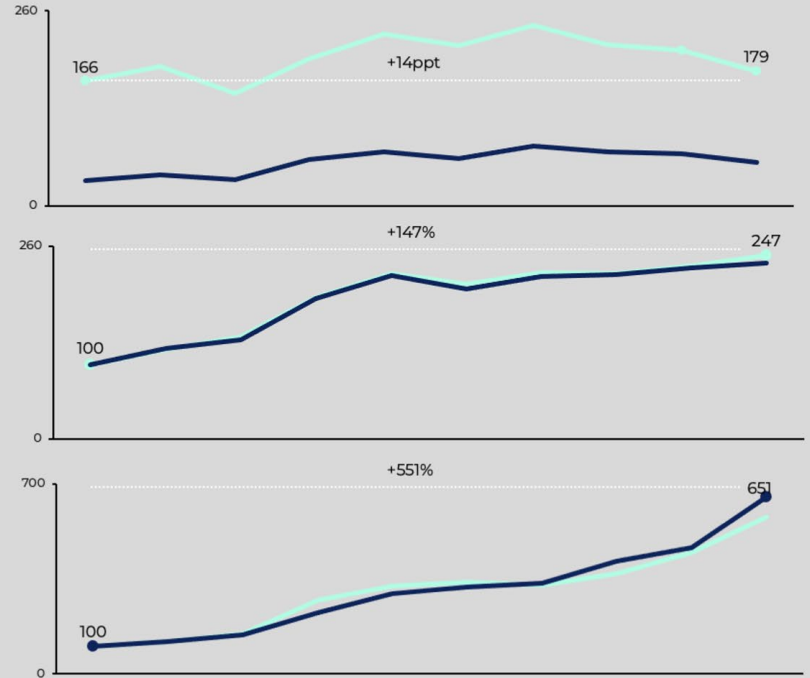
For these gens, spending growth in this category is being driven by **furniture, auto accessories, outdoors and home comfort** purchases.



Younger generations increasingly support our small business partners



GROWTH IN CONSUMER SPENDING ON AFTERPAY/CLEARPAY FOR 'SUPPORTING SMALL' % , YEAR-ON-YEAR



Re-election as a Director - Resolution 2D

“I am honoured to be part of the Afterpay Board and look forward to continuing to drive value for you – our shareholders.”

mal use only

Thank you

afterpay 

Voting resolutions

Resolution

- 2A** Election of Gary Briggs as a Director
- 2B** Election of Patrick O'Sullivan as a Director
- 2C** Election of Sharon Rothstein as a Director
- 2D** Re-election of Nicholas Molnar as a Director
- 3** Adoption of the Remuneration Report
- 4** Ratification of issue of shares pursuant to July 2020 placement
- 5** Approval of issue of convertible note pursuant to Pagantis acquisition
- 6** Application of supplementary terms of Afterpay Equity Incentive Plan to equity awards issued to participants in California
- 7** LTI grant – Anthony Eisen
- 8** LTI grant – Nicholas Molnar

Proxies received

RESOLUTION	VOTES FOR	VOTES AGAINST	VOTES OPEN	TOTAL
Resolution 2A % of vote	194,295,406 99.77%	20,440 0.01%	430,100 0.22%	194,745,946 68.41% of issued capital
Resolution 2B % of vote	193,507,210 99.37%	805,173 0.41%	431,290 0.22%	194,743,673 68.41% of issued capital
Resolution 2C % of vote	194,285,742 99.77%	25,793 0.01%	439,316 0.22%	194,750,851 68.41% of issued capital
Resolution 2D % of vote	194,124,323 99.66%	205,273 0.11%	429,419 0.23%	194,759,015 68.41% of issued capital
Resolution 3 % of vote	139,989,719 90.39%	14,443,260 9.33%	428,456 0.28%	154,861,435 54.40% of issued capital
Resolution 4 % of vote	184,514,634 99.43%	642,555 0.35%	408,947 0.22%	185,566,136 65.18% of issued capital
Resolution 5 % of vote	194,223,459 99.73%	101,469 0.05%	433,087 0.22%	194,758,015 68.41% of issued capital
Resolution 6 % of vote	188,478,489 96.82%	5,790,172 2.97%	424,263 0.21%	194,692,924 68.39% of issued capital
Resolution 7 % of vote	138,917,013 89.66%	15,601,224 10.07%	423,882 0.27%	154,942,119 54.43% of issued capital
Resolution 8 % of vote	138,915,840 89.66%	15,602,081 10.07%	423,537 0.27%	154,941,458 54.43% of issued capital