



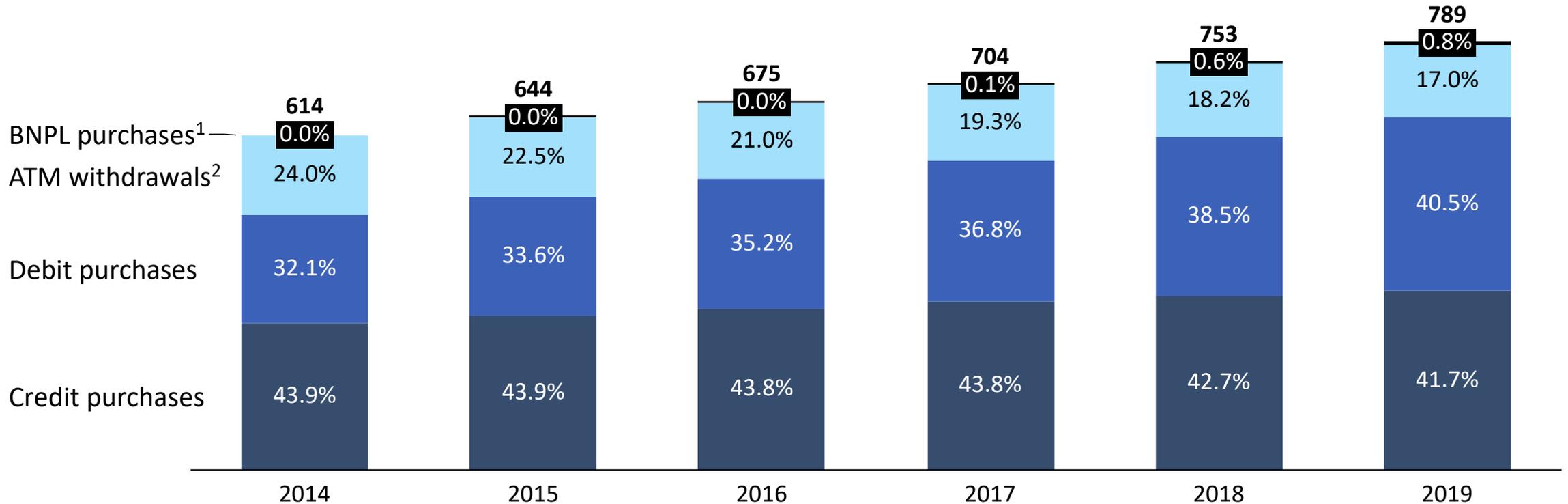
Attachment A: Afterpay submission to RBA

February 2019

'Buy now pay later' services have grown rapidly, but still represent less than 1% of total payments

Total purchases by category

Annual value of purchases – Fiscal years, \$b



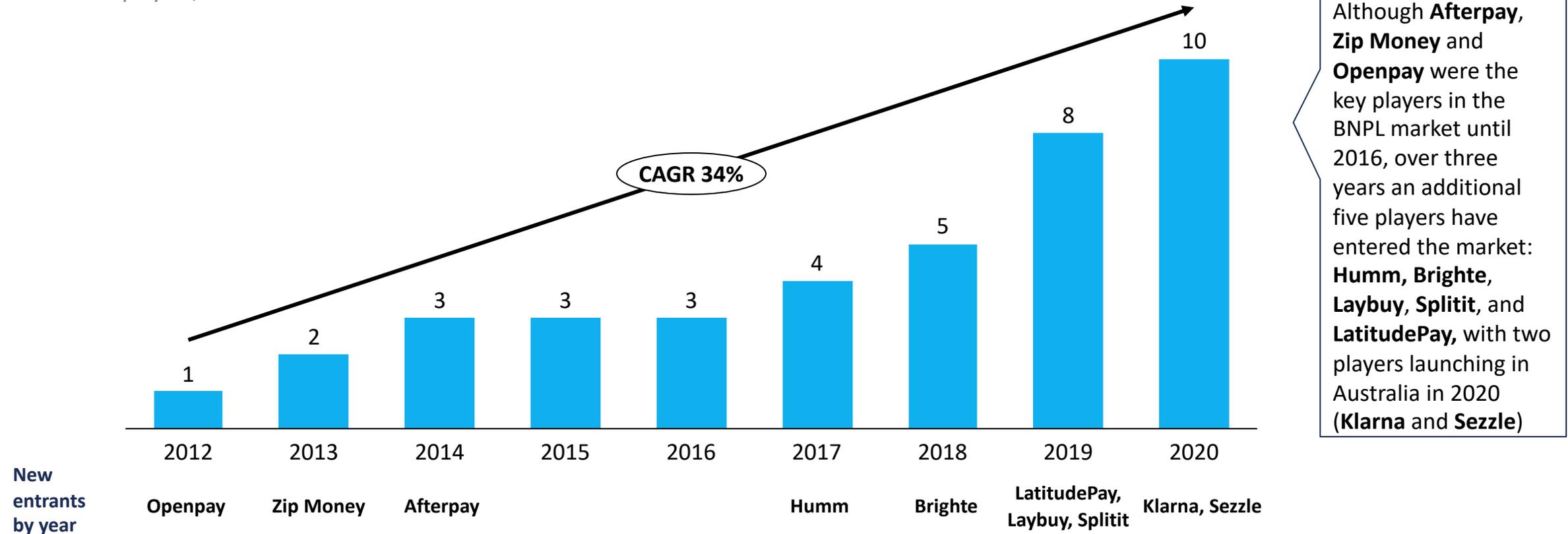
NOTES: 1. BNPL purchases only include purchases using Afterpay, Zip Pay and Openpay until 2017. The figure for 2018 also includes purchases using Certegy Ezi-Pay, Oxipay and BrightePay. The 2019 figure includes all purchases in the BNPL market. 2. Information for cash transactions is not available, ATM withdrawals used as a proxy for cash expenditure

SOURCE: Afterpay data, Afterpay 2017 annual report, RBA, Zip 2017 annual report, ASIC Report 600: Review of buy now pay later arrangements (2018), AlphaBeta analysis

The number of players in the BNPL sector has grown annually by 34%

Players in the BNPL sector

Number of players, 2016 – 2019

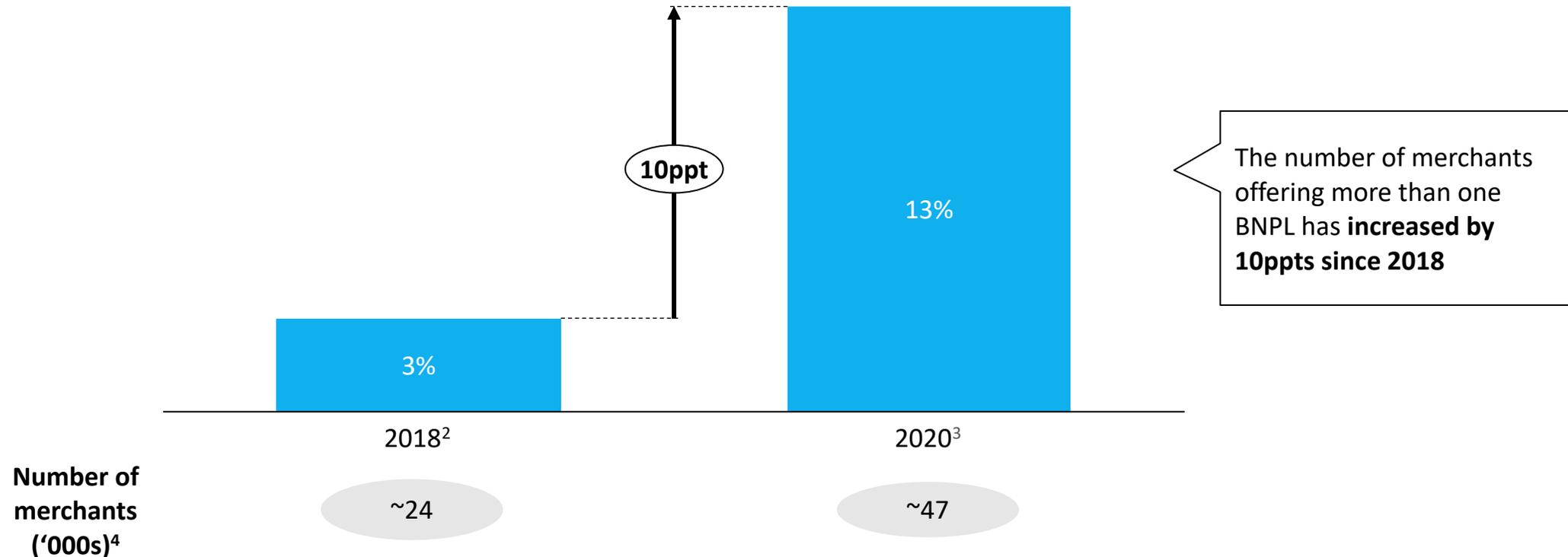


New entrants by year

Merchants have a choice on which BNPL service to accept – the number of merchants offering more than one BNPL has increased by 10ppts since 2018

Many merchants now offer multiple BNPL services¹

% of BNPL-active merchants, 2018 – 2020



NOTES: 1. Information from Finder. 2018 estimate based on a sample of 2,000 merchants; 2020 estimate based on a sample of 22,000 merchants. These samples were used to calculate the share of merchants that offered only one BNPL service, and the share of merchants that offered more than one BNPL service. 2. As at June 2018. Analysis based on merchants offering Afterpay, Zip Pay or Openpay. 3. As at January 2020. Analysis based on merchants offering Afterpay, Zip Pay or Openpay. 4. Publicly available information on the number of merchants offering Afterpay, Zip Pay or Openpay was separately collected from provider websites or annual reports. To estimate the total number of unique merchants in the BNPL market, the following steps were taken: (1) the share of Afterpay merchants offering at least one other BNPL service was calculated. This was calculated for Zip Pay and OpenPay as well (see footnote 1). (2) The share of Afterpay merchants offering only Afterpay was calculated. This was calculated for Zip Pay and Openpay as well (see footnote 1). (3) These shares are applied to the number of respective merchants at each BNPL service. The number of merchants only offering one BNPL service were aggregated. This number does not account for the cohort of merchants that offer more than one BNPL service, due to data limitations.

SOURCE: Finder, Zip Annual Report, Openpay Prospectus, Afterpay, AlphaBeta analysis

The RBA has regulated payments services but not services with payments functionality such as Uber Eats, eBay or Amazon

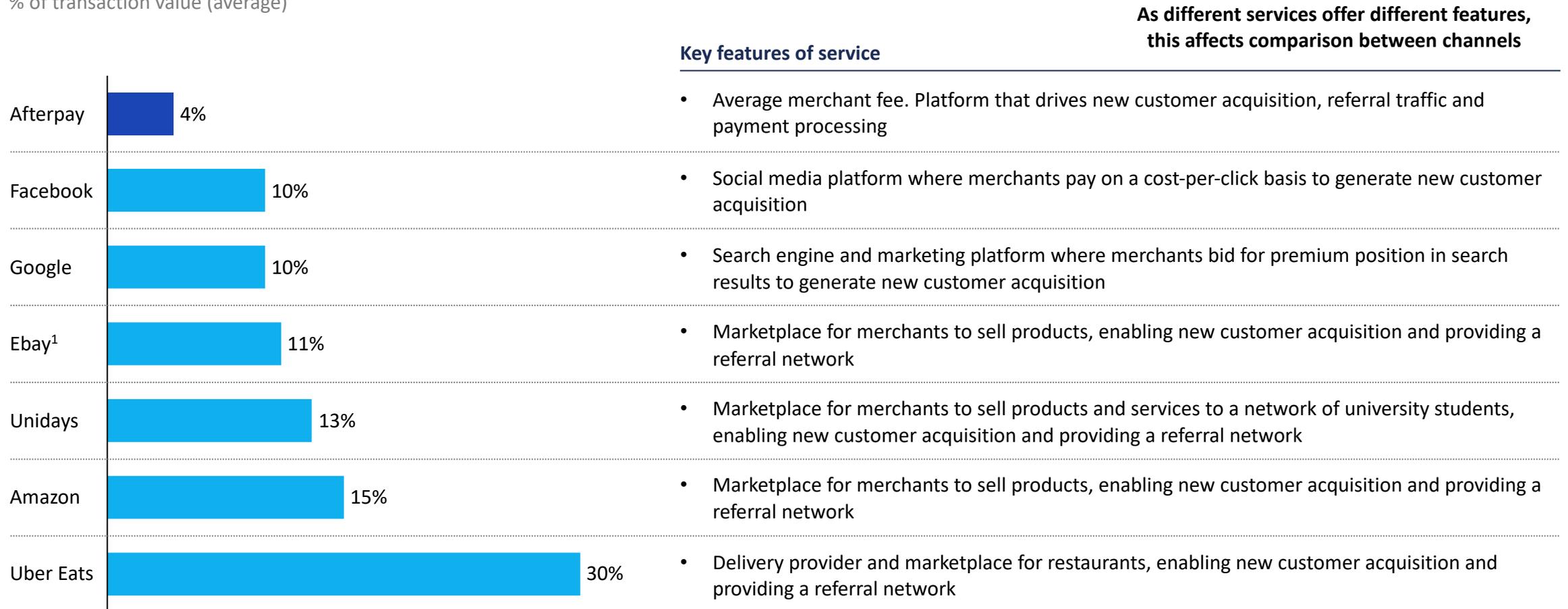
		RBA regulated payment services ¹				Non-RBA regulated services with embedded payment functionality			
		Cash 	Debit card Visa/MasterCard	Credit card Visa/MasterCard	PayPal ¹	afterpay ¹	Uber Eats	eBay	amazon
Product attributes	Issuer of receipt	Merchant <i>(merchant name appears on transaction record)</i>				Service <i>(Service name appears on transaction record)</i>			
	Spending tracking & budgeting support		<ul style="list-style-type: none"> Tracks spending through bank app 	<ul style="list-style-type: none"> Tracks spending and credit card balance through bank app 	<ul style="list-style-type: none"> Tracks historical transactions (e.g. sent and received payments) 	<ul style="list-style-type: none"> Tracks spending and future payments 	<ul style="list-style-type: none"> Tracks historical spending 	<ul style="list-style-type: none"> Tracks historical spending 	<ul style="list-style-type: none"> Tracks historical spending
	Loyalty program and/or membership benefits		<ul style="list-style-type: none"> Loyalty schemes include 'Visa offers' and 'MasterCard priceless' 	<ul style="list-style-type: none"> Loyalty schemes include 'Visa offers' and 'MasterCard priceless' 					<ul style="list-style-type: none"> Membership benefits including free same day delivery, exclusive savings and access to daily deals
	Delayed settlement			<ul style="list-style-type: none"> Revolving line of credit 		<ul style="list-style-type: none"> Payment in four, fortnightly instalments 			
	Consumer marketplace					<ul style="list-style-type: none"> App connects users with 37,000 merchants 	<ul style="list-style-type: none"> App connects users with 25,000 restaurants 	<ul style="list-style-type: none"> App connects users with 40,000 merchants 	<ul style="list-style-type: none"> App connects users with over 10,000 merchants
	Revenue generator for merchants					<ul style="list-style-type: none"> Increases purchases and order value of existing customers Increases customer base 	<ul style="list-style-type: none"> Increases purchases and order value of existing customers Increases customer base 	<ul style="list-style-type: none"> Increases purchases and order value of existing customers Increases customer base 	<ul style="list-style-type: none"> Increases purchases and order value of existing customers Increases customer base
	Reduction in costs for merchants				<ul style="list-style-type: none"> Lower fraud rates Faster settlement of transactions 	<ul style="list-style-type: none"> Lower marketing costs Lower operating costs Reduction in return rates Lower fraud rates 	<ul style="list-style-type: none"> Lower marketing costs Reduction in delivery costs 	<ul style="list-style-type: none"> Lower marketing costs Digital tools to build online storefront 	<ul style="list-style-type: none"> Lower marketing costs (e.g. Amazon Prime Day) Reduction in delivery costs

NOTES: 1. Includes payment services which are formally or informally regulated by the RBA. PayPal has updated its service agreement to align with RBA's regulatory framework on surcharging, permitting merchants to surcharge PayPal transactions as long as the surcharge does not exceed the amount the merchant is charged by PayPal for the transaction.

Afterpay's merchant fees are low relative to providers of similar marketing services

Merchant fee by customer acquisition channel

% of transaction value (average)



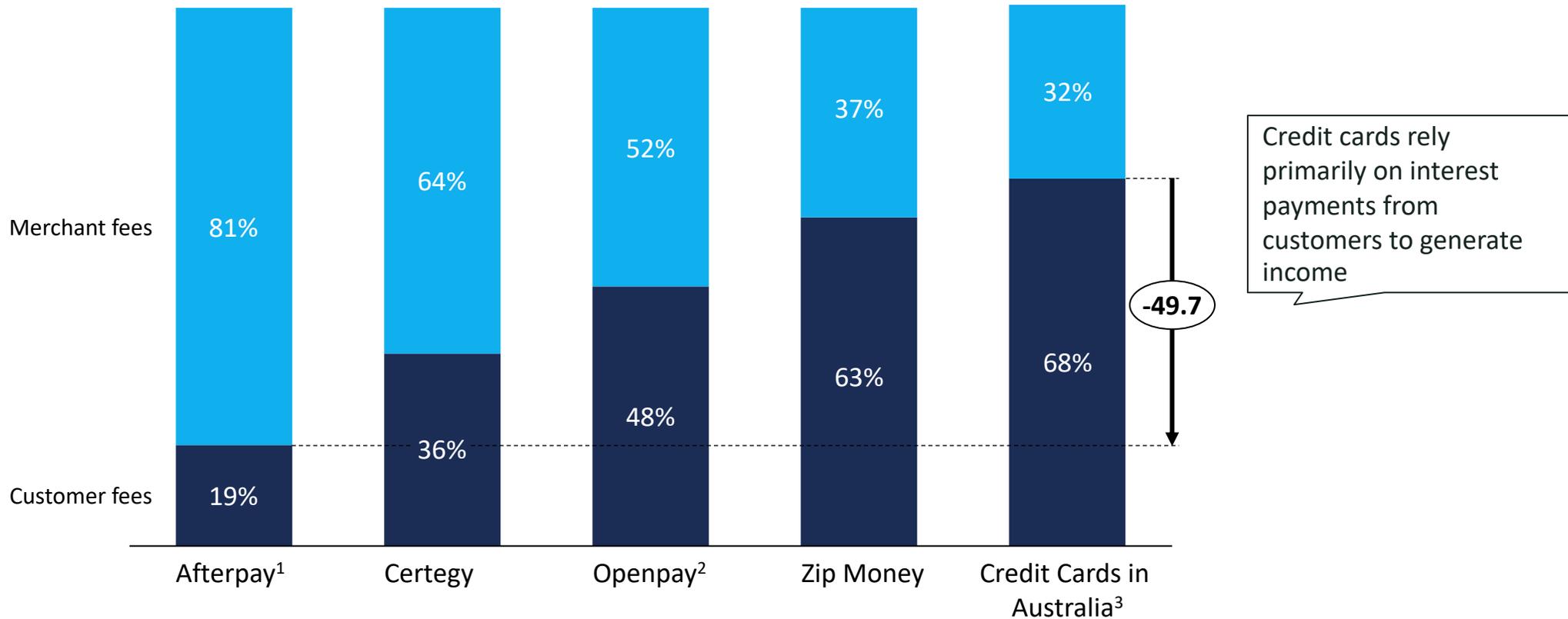
NOTES: 1. Based on the midpoint of 10% (Clothing, Shoes & Accessories), and 12% (Music, Books).

SOURCE: eBay, Amazon, Afterpay

Unlike credit cards, Afterpay's services are primarily supported by merchant rather than consumer fees; less than 20% of Afterpay's revenue comes from consumers versus 68% from credit cards

Sources of income

% of total income, FY 17-18 (unless noted)



NOTES: 1. Products listed for which data is publicly available. 2. Afterpay Annual Results FY19. 3. Openpay Prospectus 2019. 4. Senate Economics Committee 'Interest Rates and Informed Choice 2015'

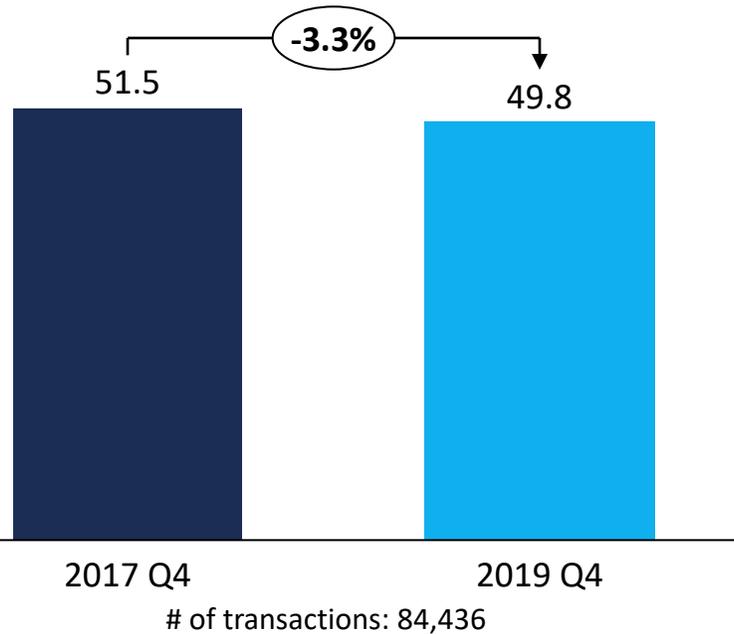
SOURCE: Afterpay Annual Results (FY19), Openpay Prospectus 2019, ASIC

Afterpay does not lead to price increases on items; the items purchased most frequently on Afterpay have seen their prices fall faster than the items purchased least-frequently on Afterpay

Price changes by their frequency of purchase on Afterpay

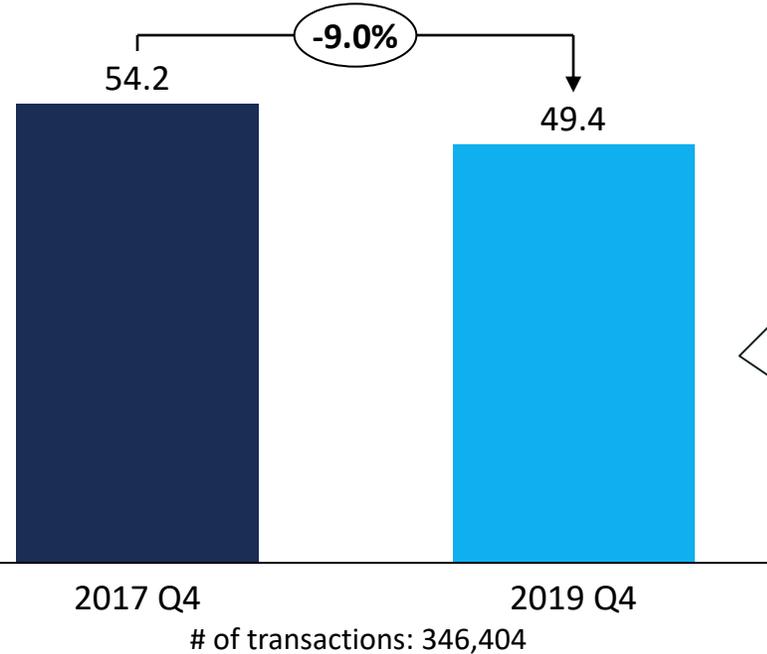
Average price per SKU by category, \$, 2017 Q4 – 2019 Q4

Least purchased products on Afterpay



Products in this category include swimwear, babywear and casual wear

Most purchased products on Afterpay



Products in this category include ladies bags, make-up and jewellery

- Note: SKU level price declines are normal for fashion and accessories
- Prices on most-purchased products in 2019 Q4 have decreased by **9%** since 2017 Q4
- As prices on least-purchase products have not increased, higher profit margins on APT sales may have led to a reduction in prices on products that are most-purchased today