

Afterpay Holdings Limited



Float Watch Report

Overview: Afterpay Holdings Limited ("Afterpay", "the Company") is an Australian microfinance company focused on payment solutions. Afterpay offers a service and software infrastructure that allows retail merchant clients to offer 'buy now, pay later' programs to end-customers. Afterpay generates revenue via merchant and transaction fees and as at the date of the prospectus had 100 retail clients and 38,000 registered end-customers. The company was founded in 2015.

DISCOVERY

DEVELOPMENT

DELIVERY

Catalysts: Since inception in 2015, Afterpay has witnessed interest for its services, and increased monthly revenue 10-fold while securing more than 100 retail merchant clients and 38k end-customers. In order to sustain the trend Afterpay will use the proceeds to increase funding and working capital. Progression from product validation to scalable sales growth is expected to be the main share price driver.

BENCHMARKING

TICKER	ASSET	STATUS	VALUATION
FXL.ASX	Micro Finance	Sales	0.5x Revenue, 3x IC
TGA.ASX	Micro Finance	Sales	0.4x Revenue, 2.5x IC

Hurdles: Afterpay is reliant on external capital to fund its daily operations and with a limited operating history there is no guarantee that planned growth initiatives will yield a return on shareholder funds. Afterpay operates in a highly competitive environment and may be subject to increasing competition. A significant degree of unallocated free float may impair early trade in its shares.

Investment View: Afterpay offers speculative exposure to the micro finance industry. Early growth momentum and existing client network are attractive qualities. However the company was founded in mid 2015 and has a limited operating history, whilst being reliant on external capital. Demand for its product is an initial validation signal, however IPO participants are required to have a high risk appetite for this start-up.

USE OF PROCEEDS (\$25m)

Asset Acquisitions	Asset Development	Funding Capital	81%
Vendor Sale	Balance sheet	Working Capital	12%
		Offer Costs	7%

11th April 2016

Initial Public Offer

[Click here for Prospectus](#)

Offer Price: \$1.00

Listing 26th Apr

CORPORATE SUMMARY

TICKER	AFY.ASX
SHARES ON OFFER	25m
POST FLOAT SHARES	165m
OTHER SECURITIES	14.5m Options

MARKET CAP	\$165m
ISSUED CAPITAL	\$41.1m

FINANCIAL OVERVIEW H1 FY16

REVENUE	\$0.2m
EBITDA	(\$0.4m)
GROWTH	-
PE	-
DIVIDEND YIELD	-

BOARD OF DIRECTORS

CHAIRMAN	Anthony Eisen
MANAGING DIRECTOR	Nicholas Molnar

TRACK RECORD

VALUE CREATION	Fair
OPERATIONS	Strong
CAPITAL MARKETS	Fair

POST FLOAT SHARE HOLDERS

IPO INVESTORS	15%
MANAGEMENT	32.7%
TOUCHCORP	30.3%
OTHERS	22%

FLOAT WATCH RANKING

"Early growth momentum, but limited operating history"



1.5/5

GLOSSARY



High Flyer – strong prospect of value growth



Airborne – favourable value growth prospects



Clear for Takeoff – reasonable value growth potential with appropriate capital structure given the risks



Safety Check – elevated risks shadow value growth potential



Grounded – value growth not likely due to excessive risks

Company Life Cycle

Discovery	Assets typically at a concept stage, yet to demonstrate commercial potential. Company reliant on external capital.
Development	Feasibility and commercial trials are a primary focus. Company reliant on external capital.
Delivery	Assets are typically generating cash flow. Company has an operating focus & may no longer rely on external capital

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Mar-16	Oneview Healthcare Plc ONE.ASX
Feb-16	Sugar Dragon Limited SKN.ASX

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