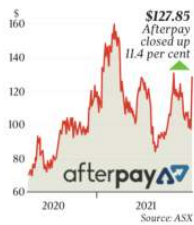




04 Aug 2021  
 Author: David Swan  
 Article type: Publication  
 Page: 20  
 Australian, The  
 Readership: 472000  
 AVE: \$8221.5  
 Circulation: 96602

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# Square founder Dorsey wowed by 'visionary' Afterpay duo



DAVID SWAN

US tech billionaire and Twitter co-founder Jack Dorsey was taken by Afterpay's "visionary" co-founders, leading to an accelerated acquisition path of just six weeks that began with talks of a partnership that quickly progressed to a takeover.

New York-listed shares in Square surged by 10 per cent early on Tuesday to \$US273.38 after it

unveiled the acquisition, which will be Square's largest to date and the largest ever takeover of an Australian company.

The surge boosted Afterpay shares by 11.4 per cent to \$127.85, with the all-scrip merger deal now valuing the Australian payments company at \$40bn.

The acquisition marks the biggest assault yet against banks as technology companies challenge their long-held grip on the lucrative payments industry.

The deal has been a boon for

the local buy now, pay later sector, with takeover speculation pushing shares in Zip 7.5 per cent higher, while Humm was up 1 per cent, and Sezzle up 2.8 per cent.

Mr Dorsey said on an investor call that beyond any product fit, Nick Molnar – a jeweller's son who started Afterpay in 2014 after running Australia's largest eBay jewellery store – and his co-founder Anthony Eisen would add significant value from a cultural and leadership perspective.

"We've been drawn from the



Dorsey

start to Afterpay's founder-led entrepreneurial team," Mr Dorsey said on the call.

"Afterpay's co-founders and co-CEOs Nick and Ant have built an authentic, thoughtful and visionary team focused on economic empowerment. It's been incredible to witness how effortlessly our conversations flowed around shared ideas and vision. Every conversation has raised the bar on what we can all do together, and our strong collaboration will well serve our integration process.

"I'm thrilled that upon closing (the transaction), Nick and Ant

will join Square and help lead Afterpay's respective merchant and consumer efforts. As part of Square's seller and cash app teams, I'm excited to see what we can build together."

Square is better known for its portable payments card reader that links with mobile phones. It also used by retailers to process payments online.

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# Dorsey wowed by BNPL pioneers

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Mr Dorsey said both companies had a focus on empowering consumers.

"Square and Afterpay have a shared purpose," he said.

"We built our business to make the financial system more fair, accessible and inclusive, and Afterpay has built a trusted brand aligned with those principles.

"By integrating Afterpay in the seller and cash apps, we plan to combine complementary businesses, while also celebrating even stronger connections, and driving more commerce across both ecosystems.

"Increasingly, we're seeing strong demand for buy now, pay later for both merchants and consumers and rapid adoption especially among younger consumers.

"This new financial service gives more control to individuals and merchants, and is one we want to make part of our combined ecosystem.

"It's a simple idea, enabling customers to pay for purchases later, interest-free, without having

to use traditional credit sources, while helping you drive more sales to the seller."

Mr Molnar said he first got to know Mr Dorsey through his philanthropic activities, while Square chief financial officer Amrita Ahuja was an early contact after he moved to San Francisco.

"I've got to know Jack over the recent period and Amrita I met very early since moving here, and there's been a huge admiration for the Square team from the Afterpay side," he said.

"The ability for Square to have delivered such sustained growth and built the platform that it has is a testament to Jack and the entire leadership team at Square.

"In terms of a partner to take this to the next level and realise what the global buy now, pay later opportunity represents, that was critical in our decision making and I couldn't be more proud."

Mr Dorsey's comments came as Afterpay investors continued to assess the deal that was announced on Monday.

Under the terms of the mega-merger Afterpay shareholders will receive 0.375 of Square's New

York listed shares for each Afterpay share that they own. Afterpay shareholders will own around 18.5 per cent of the merged company when the deal completes.

One of Australia's best performing growth funds will continue to back the merged company assuming the takeover goes through.

Hyperion Asset Management deputy chief investment officer Jason Orthman said that while the 31 per cent premium offered by Square in its all scrip bid for Afterpay "does not excite" his fund, the structure of the deal to receive Square stock listed on the ASX as a CDI was "compelling".

He said it was a "huge win" for Hyperion investors and "validates the market inefficiencies Hyperion continues to exploit as business analysts and long-term holders.

"In our view this transaction is an upgrade in liquidity, valuation and quality," Mr Orthman said.

Ord Minnett said Square's proposed Afterpay takeover had "clear implications" for the buy now, pay later sector.

The market has "firmly entered a period of strategic invest-

ment in the space", and it's another "significant validation" of the sector, while Citi's Siraj Ahmed hasn't ruled out a competing bid for Afterpay from other fintechs and e-commerce platforms, but said "the list of potential suitors is limited".

Bell Potter's Richard Coppleson described the mooted deal as a "win-win for Square and Afterpay."

"Square shareholders can see this as a very good deal for them and both brands will be able to leverage off each other for super-charged growth going forward," he said.

"What the Afterpay bears still don't realise is that Afterpay is predominantly a digital marketing platform for retailers with a buy now, pay later model and not just BNPL like all the others."

He noted that Afterpay drove about 1 million lead referrals "per day" to its merchant partners last financial year, with about 55 per cent of referrals coming from consumers browsing the home page on the Afterpay mobile app, showing the power of its platform for merchants.