



PAYMENTS

Cheat Sheet: Square's acquisition of Buy Now, Pay Later firm Afterpay

This is a \$29 billion all-stock deal.

The deal appears to be mutually beneficial for Square and Afterpay.

SHEHZIL ZAHID | AUGUST 20, 2021



Square announced that it's buying buy now, pay later Afterpay. This is an important tie-up for both companies as they both benefit from each others' audiences and merchant bases.

Details

- On August 1, Square announced that it was buying Afterpay in an all-stock deal valued at \$29 billion.
- The deal is expected to close some time early next year.
- Once the deal closes, Afterpay's co-founders and co-CEOs Anthony Eisen and Nick Molnar will join Square. In doing so, they'll lead Afterpay's merchant and consumer businesses.
- Square also intends to place an Afterpay director on its board.

Square will integrate Afterpay into its Seller and Cash App units and Square merchants will have the option to offer installment payments at checkout. Similarly, Afterpay users can manage their installment payments directly in Cash App. Cash App users will also be able to find BNPL offers within the app.

Square

Cash App stands to benefit a lot from an integration with Afterpay, considering that the BNPL has a higher caliber of consumers. 31% of Afterpay users make \$100,000, compared to only 13% of Cash App users, according to a Cornerstone Advisors study. Square wants to increase its pool of higher-income consumers because they undoubtedly have more spending power, which Square needs to attract and retain new merchants to its platform.

Bringing Afterpay's 100,000 global merchants into its own ecosystem is another big incentive for Square.

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Afterpay

Since launching in the U.S. in 2018, Afterpay has penetrated just 2.5% of the U.S. market compared to 14% of Australia/New Zealand market, where it has 3.4 million customers. That's not to say Afterpay has done a bad job of expanding and growing in the U.S. — it has twice as many users in the U.S. as it does in its native region — just that American consumers have been slower to adopt BNPL services.

Integrating Afterpay into Cash App would expose the BNPL to millions of more customers and sellers, expanding Afterpay's presence in the U.S. market online and offline. Afterpay customers would also have access to Cash App's features including money transfer, stock and Bitcoin purchases, Cash Boost, and more.

What's the word?

Buy now, pay later has proven very popular with Gen Z and Millennials with one eMarketer report suggesting that the two generations accounted for 75% of all BNPL users in the U.S. Not only has the installment program won the hearts of the young, but it's also expected to grow tremendously in the next few years. By some estimates, BNPL services are expected to grow 181% by 2024 in North America.

Given the growth and interest in the space, companies are looking to get a piece of the BNPL pie. Last month, it was reported that Apply Pay was introducing a BNPL solution with Goldman Sachs called Apple Pay Later. Visa has also quietly been making moves to implement a BNPL feature under its own umbrella for its credit-card-issuing customers.

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