ACCC green lights Afterpay mega-deal

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“While not a condition precedent, the ACCC has confirmed that it does not intend to conduct a public review of the transaction,” the scheme document revealed.

Afterpay and Square said they were not aware of any significant events that would thwart completion. All regulatory approvals, including from the Foreign Investment Review Board, Bank of Spain, US Department of Justice, ASX and NYSE, were expected to be received or waived by the day of the scheme meeting.

“With the transaction progressing well, we continue to believe the risks to the transaction closing are minimal,” said RBC Capital Markets analyst Chami Ratnapala.

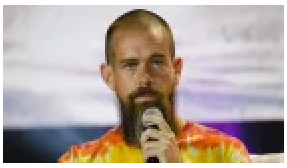
Square CEO and chairman Jack Dorsey also wrote a forward in the document, introducing Afterpay shareholders to the broader operations of Square, which include a music platform called TIDAL and TBD, a platform to facilitate ‘decentralised finance’.

“You have the opportunity to participate in the future growth and performance of the combined group,” he wrote.

Experts endorse term

In its valuation, Lonergan Edwards said Afterpay was worth between $115 and $135 a share, while it valued Square shares at between $US230 and US$265 per share.

These ranges are consistent with the band in which both companies have traded since the deal was announced. Afterpay was dipping towards the bottom end of the range on Friday, trading down 4.4 per cent at $118.89 in the afternoon session after Square's quarterly revenue missed expectations.



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Jason Orthman, deputy chief investment officer at Hyperion Asset Management, which owns both Square and Afterpay shares, said he strongly supported the deal which would provide rare access to a big US fintech player via the ASX.

"The listing of Square on the ASX allows local investors to easily gain exposure to the potential disruption of both the traditional payments and banking industries globally," he said.

"We believe a lot of the ASX listed incumbents in financial services are employing old technology that has alienated the next generation and small business. The merger of Square and Afterpay will accelerate product innovation, allowing them to become even more relevant to the next cohort of users and potentially even more disruptive to the major banks."

The scheme set out detailed risks applying to both companies, including the heightened regulatory focus.

"Regulators have become increasingly focussed on the BNPL [buy now pay later] industry as it continues to grow, and such increased regulatory interest may lead to new or modified laws or regulations or regulatory guidance which may adversely affect Afterpay's business and operations," it said.

In a note on Friday, examining the impact of the potential removal of 'no surcharge' rules by the Reserve Bank, UBS analyst Tom Beadle pointed to a buy now, pay later user survey which found 71 per cent of Afterpay's customers agreed they would not use the product if charged a 4 per cent fee and only 10 per cent would (with 19 per cent neither agreeing nor disagreeing).

After the scheme meeting on Monday, December 6 - which requires a 75 per cent approval vote from those attending - a second court hearing is scheduled for Friday, December 10.

If approved, Afterpay shares are expected to stop trading on the ASX on January 6. The new Square CDIs are scheduled to begin trading on the ASX on a deferred settlement basis on January 7, and with normal settlement on January 19.

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