

Equity Raising: Growth Capital



December 2020

Zip Co Ltd (ASX: Z1P)

Not for release to US wire services or distribution in the United States





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- Use of Growth Capital

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Capital Raise



Capital raise, up to \$150m in equity



Capital Raising

- A\$120m underwritten institutional placement to professional and sophisticated investors¹
- Zip is also seeking to raise up to A\$30m in a non-underwritten share purchase plan to existing eligible shareholders



Pricing

The Offer Price of A\$5.34 represents:

- a 4.1% discount to Zip's last traded price of A\$5.57 on 16 December 2020



Uses of Growth Capital

- US growth
- UK expansion
- New Markets
- Product expansion

Note: 1. Refer to Annexure 3 for a summary of the key terms and conditions of the underwriting arrangement



Capital raising details

Offer Size



- Fully underwritten Institutional Placement (**Placement**) to raise approximately A\$120 million¹
- Non-underwritten Share Purchase Plan (**SPP**) to raise up to A\$30 million²

Placement



- The Placement will raise approximately A\$120 million
- Placement is fully underwritten by Merrill Lynch Equities (Australia) Limited³ with Shaw and Partners acting as a Broker to the placement
- New shares issued under the Placement will be issued at A\$5.34 per new share (**Placement Price**)
- The Placement Price represents a 4.1% discount to Zip's last traded price of A\$5.57 on 16 December 2020
- Approximately 22.5 million new ordinary shares will be issued under the Placement, representing 4.3% of Zip's existing shares on issue (**New Shares**)
- It is intended that eligible shareholders who bid for up to their 'pro rata' share of New Shares under the Placement at the Placement Price will be allocated their full bid, on a best endeavours basis

Note: 1. Zip reserves the right to increase the amount of funds to be raised under the Placement at its discretion, although any increased amount above A\$120 million will not be underwritten. 2. Full details of the SPP are contained in the SPP offer booklet, which will be sent to eligible Zip shareholders in due course. Eligible shareholders are those registered in Australia and New Zealand subject to exceptions noted in the SPP offer booklet. Zip reserves the right to increase or decrease the size of the SPP and/or scale back applications under the SPP at its discretion. 3. Refer to Annexure 3 for a summary of the key terms and conditions of the underwriting arrangement.



Capital raising details (cont'd)

Share Purchase Plan (SPP)



- Non-underwritten SPP to raise up to A\$30m¹
- Zip will offer eligible shareholders the opportunity to subscribe for new shares up to a maximum of A\$30,000 per eligible shareholder under the SPP, free of any brokerage, commission and transaction costs²
- New Shares under the SPP will be issued at the lower of the Placement Price and a 2% discount to the 5-day VWAP of Zip's shares up to and including the date the SPP is scheduled to close (expected to be 13 January 2021)
- SPP offer booklet expected to be sent to eligible shareholders on 23 December 2020, and the SPP offer is expected to open on 4 January 2021

Ranking



- New Shares issued under both the Placement and SPP will rank equally with existing Zip shares from their date of issue

Notes: 1. Zip reserves the right to increase or decrease the size of the SPP and/or scale back applications under the SPP at its discretion. 2. Full details of the SPP are contained in the SPP offer booklet, which will be sent to eligible Zip shareholders in due course. Eligible shareholders are those registered in Australia and New Zealand subject to exceptions noted in the SPP offer booklet.

Sources and uses of growth capital

Sources

Placement	A\$120m
Share Purchase Plan	Up to A\$30m

Total

Up to A\$150m^{1,2}

Uses

1	US growth	A\$85m
2	UK expansion	A\$15m
3	New Markets expansion and growth	A\$35m
4	ANZ product expansion (Small Business)	A\$12m
	Transaction expenses	A\$3m

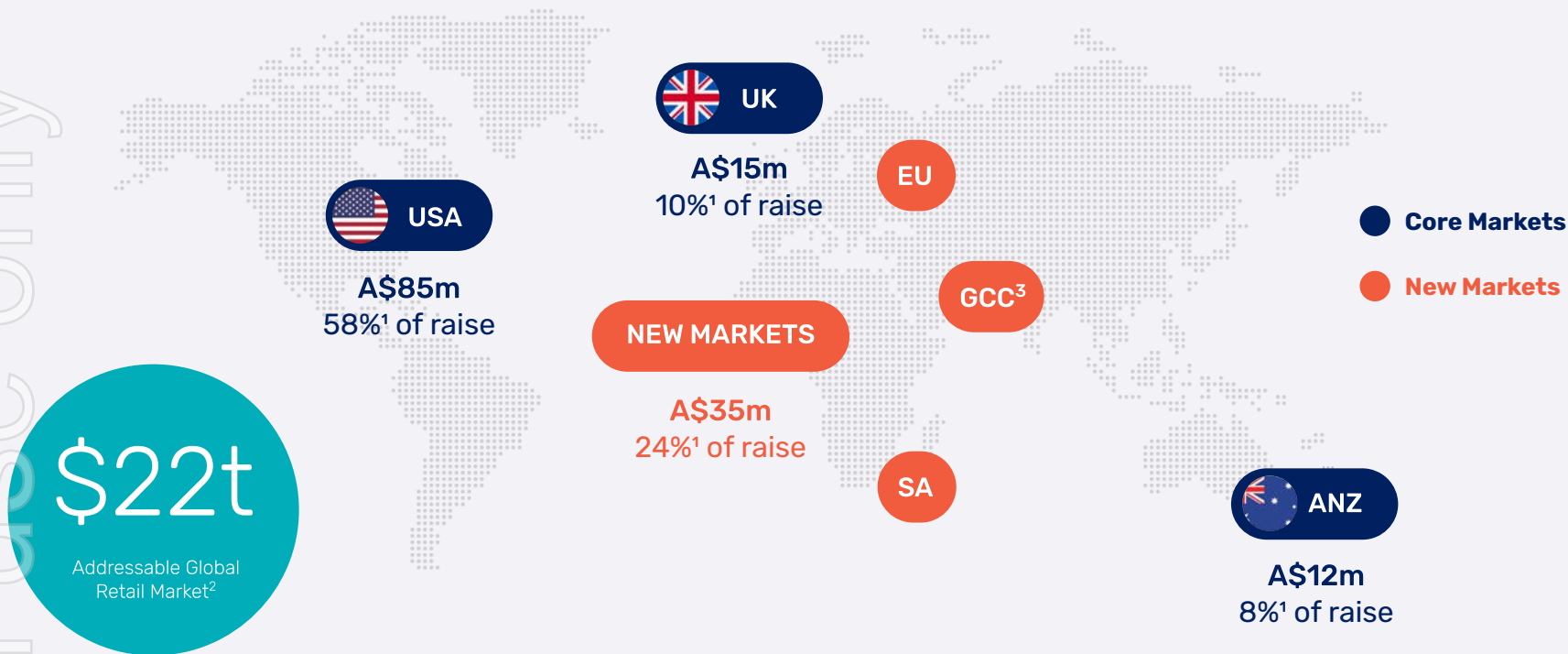
Total

Up to A\$150m^{1,2}

Note: 1. Subject to Zip's discretion to increase the amount of funds to be raised under the Placement and/or SPP. 2. If less than A\$30m is received under the SPP the uses will be decreased in their respective portions.



Capital will be deployed to drive growth in core markets and expansion into new regions



Notes: 1. Percentages of total expected raise excluding transaction costs. 2. eMarketer Worldwide Retail eCommerce Sales. 3. Gulf Cooperation Council countries.

Placement and SPP Timetable¹

Placement Timetable

	Date
Announcement of completion of Placement	Prior to market open Thursday 17 December 2020
Settlement of New Shares under the Placement	Monday 21 December 2020
Allotment and commencement of trading of New Shares issued under the Placement	Tuesday 22 December 2020

SPP Timetable

	Date
Record date for shareholders to participate in SPP	7:00pm, Tuesday 15 December 2020
Dispatch SPP documents to shareholders	Wednesday 23 December 2020
SPP offer opens	Monday 4 January 2021
SPP offer closes	Wednesday 13 January 2021
Scaleback policy announced (if applicable)	Monday 18 January 2021
Settlement of new shares under the SPP	Tuesday 19 January 2021
Allotment of new shares under the SPP	Wednesday 20 January 2021
Expected quotation on the ASX and normal trading of new shares under the SPP commences	Thursday 21 January 2021
Dispatch of allotment confirmations / Holding statement for New Shares	On or around Thursday 21 January 2021

Notes: 1. The timetables above are indicative only and subject to change. Zip reserves the right to amend any or all of these events, dates and times, without notice, subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws. Any reference to time and date refers to AEDT unless otherwise specified.

02

Global strategy:
Use of growth
capital



Uses of growth capital

Maintain a strong core business in ANZ, whilst investing for growth globally and capitalising on the present market opportunity



US Growth

- Capitalise on the successful acquisition of QuadPay in the US
- Accelerate growth including customer acquisition, app usage and merchant partnerships
- Product expansion



UK Expansion

- Scale Zip's operations in the United Kingdom
- Focus on securing enterprise merchants, small business and customer acquisition
- Receivables funding until a local facility is established



New Markets

- Recently established a dedicated New Markets division to lead the active pursuit of global growth opportunities
- Invest in strategic interests, greenfield launches and local partnerships outside the core



Product Expansion

- Support the launch of *Zip Business*, Zip's BNPL offering for SME's in Australia
- Continue the rollout of additional products within the digital wallet

US growth is accelerating



Significant opportunity

The US addressable retail market of ~\$5t¹ presents a significant opportunity to capture market share



Strong growth

November 20' transactions grew ~3x vs. November 19'



App Performance

App reaching #16 in the shopping category in the US App store (4.8 rating)



Market Leading unit economics

Highly efficient operation with strong unit economics (2%+ NTM)



Deep expertise

Continue to build a team with deep expertise in payments, credit decisioning and technology



1

US Operations



TTV
Nov 20 vs 19
\$m

205%²



86.6

264.2

Customers
Nov 20 vs 19
#m

211%²



0.9

2.8

Revenue
Jul-Oct 20 vs 19
\$m

345%²



7.8

34.8

App downloads
Total at Nov 20 vs 19
#m

366%²



0.6

2.8

2019

2020

Source: 1. US Census 2019 2. Pro-forma figures based on Zip unaudited financials as of 31 October 2020. Note: 1. TTV, Revenue and Downloads are July to October 2020, 2. Customer numbers are as at October 2020, 3. Growth on prior corresponding period (YoY).





Led by our marketing leading BNPL App

We have strong momentum...

...and will accelerate growth through two key levers



Demonstrated growth - Nov 20'

- **464k new customers**
- **1.5m** transactions
- ~**20k** app downloads a day
- **Second most downloaded BNPL app** over the holiday shopping period¹



Innovation

- Scaling our first-to-market **pay anywhere** virtual card solution
- Expanding our product and **digital wallet** capabilities
- Continuing to **innovate** the BNPL experience (e.g. first BNPL to launch a **Chrome Extension**)



Strategic relationships

- Continuing to partner with with **marquee merchants** (e.g. Fanatics, GameStop)
- Scaling **strategic distribution partnerships** (e.g. Fiserv)
- Securing **new partnerships** with global payment service providers

With more exciting developments in the pipeline





The opportunity in the UK is significant, we have the ingredients for success

Addressable market

The size of the UK market and online spend present an exciting opportunity for BNPL which is only getting started:

\$600bn+

Addressable retail market

Largest

e-commerce market in Europe

Ingredients for success

We have the foundations in place to capitalise on the opportunity:



Team and Product

Strong team of 25+ on the ground, led by an experienced MD (ex PayPal, Amex) and a platform ready to scale



Merchant Relationships

Enterprise merchants (e.g. JD Sports, Boohoo) have been secured and pipeline is gaining traction. Global relationships are being leveraged to drive growth

Our competitive advantages:



We have established **global e-commerce** channel (Stripe, BigC) and distribution partnerships



Product Innovation
We continue to be first to market with new product innovations



Instore and vertical focus
As a true credit card disruptor, we will enable BNPL customers to shop everywhere



Zip has recently set up a New Markets division to capitalise on the present global opportunity

A dedicated team of 25+ with deep expertise to execute across product, engineering, regulatory and growth functions, combined with a highly flexible and portable tech platform ensures we can tailor our entry to meet local requirements.



Greenfield

Where it makes sense to **go at it alone** and set up shop with the Zip brand, product, technology stack and a local team



Partnership

Leveraging our **strategic channel and distribution relationships** to offer localised customer propositions at scale



Strategic Investment

Investments in **high-performing, culturally aligned** existing players to quickly gain access and acquire customers

- Demonstrated **success of execution** with an initial strategic investment in **QuadPay** in the US followed by a full acquisition
- **Current strategic interest** and continued collaboration with **PayFlex** in South Africa
- Strategic investment in the UAE and non-binding agreement in Czechia





New investments include



- A **leading BNPL player headquartered in the United Arab Emirates (UAE)** and focused on the Gulf Cooperation Council (GCC) region

- **Combined forces of Spotii and Zip will provide a wealth of new opportunities for GCC merchants**, driving new customer acquisition, accelerating revenue growth and expanding the local BNPL market

Strong team on the ground and in region
lead by experienced co-founders
Anuscha Iqbal and Ziyaad Ahmed



- A **leading payments platform** operational in Czechia and Poland with over seven years of proven growth
- Ability to **passport licensing across the EU**
- An **omni-channel product set** that is aligned with Zip's digital wallet offering
- Combining forces to cover the rest of EU and **actively explore emerging market opportunities**
- **Experienced and proven team** on the ground **led by founder Michal Smida**



We are well funded in ANZ for continued growth with new investment in product expansion

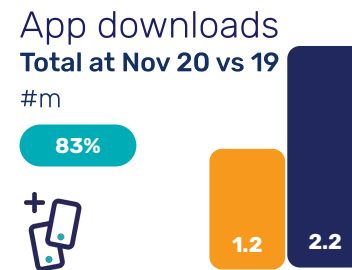
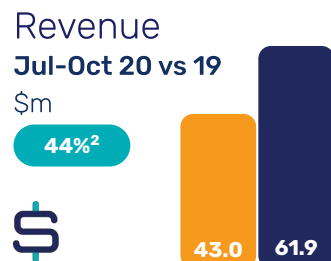
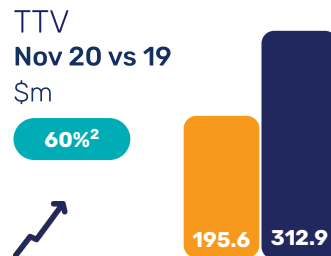
2019 2020

We continue to deliver strong growth across the ANZ core business:

- AU operating cashflow breakeven for 9 consecutive quarters with ~50% Cash GP
- Record results in November, delivering >130% growth in transactions vs November 2019
- Well funded, receivables book \$1.2B+ supported by major Australian banks and a master trust facility

Accelerated growth driven by:

- Tap & Zip (instore) driving **significant engagement** with early adopters transacting 6x per month (vs 2x in control cohorts)
- **Focus on everyday spend categories** such as grocery, fuel and transport
- A strong **pipeline of enterprise merchants** and **strategic partners**
- Scaling our **Zip Business** product suite (next page)



Source: 1. US Census 2019 2. Pro-forma figures based on Zip unaudited financials as of 31 October 2020. Note: 1. TTV, Revenue and Downloads are July to October 2020, 2. Customer numbers are as at October 2020, 3. Growth on prior corresponding period (YoY).

We are scaling our Zip Business product

We are well positioned to capitalise on the **significant small business opportunity** in Australia with over 2.3m SMBs¹:



Proven **proprietary decisioning technology** and deep **expertise in interest free** products



Enterprise **partnerships with eBay and Facebook** provide a significant opportunity to acquire 10s of 1000s of small businesses



30k existing small business partner base that can access our Zip Business products



A **significant acceptance network** where small businesses currently transact

4

Product Expansion



\$100M

Secured debt funding from US-based, Victory Park Capital

eBay
sellers



Facebook
advertising



Annexure 1: Key Risks

Legal and regulatory

Zip operates in a number of jurisdictions including Australia, New Zealand, the UK and the US, each with differing legal and regulatory requirements. There is a risk that Zip could be subject to additional legal, regulatory, tax, licensing, and compliance requirements in these jurisdictions, and a failure to comply with such local compliance obligations could result in a regulator investigating Zip or taking enforceable actions, commencing proceedings, and/or seeking fines, undertakings, penalties or licence revocation.

The Australian Securities and Investments Commission (**ASIC**) has been conducting an ongoing review into the buy now, pay later (**BNPL**) sector, and released the findings from its review on 16 November 2020. ASIC could introduce regulatory changes in light of its findings. The Australian parliament also recently introduced legislation empowering ASIC to intervene in relation to financial and credit products where it identifies a significant risk of consumer detriment.

The Reserve Bank of Australia (**RBA**) is also currently undertaking a review of the BNPL sector and in particular the restrictions imposed by BNPL providers on merchants' abilities to pass on service fees to end users. The RBA's review could lead to statutory or regulatory reforms which may have an impact on customer behaviour at the checkout, which in turn could affect Zip's revenue and profitability.

Additionally, there has been an increased supervisory, regulatory and enforcement focus on compliance with anti-money laundering and counter-terrorism financing laws (**AML/CTF laws**). While Zip has policies, systems and controls in place designed to manage its obligations under AML/CTF laws, ineffective implementation, monitoring or remediation of a policy, system or control could give rise to future compliance issues. Any such issues could lead to regulatory investigations, reviews, enforcement action, as well as potential litigation by third parties and adverse media coverage.

Other legal or regulatory risks include changes in privacy, consumer or credit laws. Such risks could increase compliance costs and affect Zip's reputation in the market. Zip may also be subject to disputes, claims or litigation including in relation to Zip's intellectual property, contractual disputes and employment disputes.

Competition

With increasing awareness and consumer acceptance of BNPL products, a number of new entrants are joining the established players in the BNPL sector. Established players from offshore may also enter the market, who may attempt to take market share through discounting merchant service fees or financially incentivising local retailers.

Technology outages

As an online provider Zip is heavily reliant on the availability of communications networks and cloud services providers. Outages have the potential to prevent both customer acquisition, payment processing and the day-to-day operation of Zip's platforms. Extended outages may damage consumer confidence in the brand. Capacity constraints arising as a result of Zip's reliance on communications networks and cloud services providers may hinder Zip's ability to increase transaction volumes, which could adversely affect Zip's financial performance.

Data security

Zip collects personal, financial and credit related information on its customers. Data or security breaches may compromise Zip's ability to protect customer data, which could result in breaches of privacy laws and may damage Zip's brand, reputation and consumer confidence.

Annexure 1: Key Risks (cont'd)

Macroeconomic conditions and bad debts

Adverse macroeconomic conditions could have an impact on the retail sector and consumers' willingness to be exposed to debt, leading to lower demand for BNPL products which could adversely affect Zip's financial performance. Sustained periods of economic downturn leading to increased unemployment, higher cost of living and increased interest rates may impact customers' ability to repay debt, leading to lower demand which could adversely affect Zip's financial performance.

The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. There continues to be considerable uncertainty as to the duration of and further impact of COVID-19 including in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and travel restrictions and the impact on the Australian and global economy and share markets. The COVID-19 pandemic and related containment measures, may have an impact on end customers' abilities to repay debt, leading to increases in Zip's bad debts.

Zip's financial performance may fluctuate due to various factors, including movements in domestic and international capital markets, recommendations by brokers and analysts, investor perceptions, interest and exchange rates, changes in government, inflation, fiscal, monetary and regulatory policies, prices of commodities, global geopolitical events, hostilities and acts of terrorism, and other factors. These factors may affect Zip's income and expenses and may cause Zip's share price to fluctuate.

Funding

Zip has various financing arrangements in place in Australia and overseas, including various warehouse facilities. If repayments are not made under these facilities or certain terms and conditions are not satisfied, Zip's lenders may terminate their respective funding arrangements. In these circumstances, Zip's capacity to pay its merchants and other creditors may be diminished if Zip is unable to secure additional funding on the same terms. This could result in damage to Zip's brand, growth, and ability to fund its business.

Brand and product relevancy, key customers and key management personnel

Zip's business model relies on third party partners to originate customers. The conduct, standing and product offerings of such partners has the potential to negatively affect Zip's brand and reputation. Separately, loss of contracts with any such key partners could have a negative impact on Zip's revenue, profitability and reputation.

There is a risk that technological changes, evolving industry standards and changing customer preferences may result in Zip's product offerings ceasing to be competitive. Additionally, Zip's ability to grow and remain competitive depends on the performance and expertise of its key management personnel, loss of which could adversely affect Zip's financial performance.

Acquisition, integration and growth

Zip's growth strategy may involve the acquisition of additional businesses which are aligned with Zip's core values. Zip's ability to grow and expand also depends on its ability to attract additional end customers and merchants. These growth strategies involve inherent risks, including risks around implementation and integration. For example, Zip's systems and technologies need to be integrated into, and operate with, various third-party systems and platforms, including websites and point of sale systems. Implementation risks could be costly and could take time to remedy, adversely affecting Zip's revenue, profitability and reputation.

Underwriting

Zip has entered into an underwriting agreement in respect of the Placement. If certain conditions are not satisfied, the underwriter may have a right to terminate the underwriting agreement. This may have a material impact on the proceeds raised under the Placement, and Zip may need to find alternative financing arrangements to fund its operations.

Annexure 2: International Offer Restrictions

This document does not constitute an offer of new ordinary shares (**New Shares**) of Zip Co Limited (**the Company**) in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**the SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Japan

The New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (**the FIEL**) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of New Shares is conditional upon the execution of an agreement to that effect.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (**the FMC Act**). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in the Norwegian Securities Trading Act).



Annexure 2: International Offer Restrictions (cont'd)

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**the SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). If you are not an investor falling within one of these categories, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United Arab Emirates

This document does not constitute a public offer of securities in the United Arab Emirates and the New Shares may not be offered or sold, directly or indirectly, to the public in the UAE. Neither this document nor the New Shares have been approved by the Securities and Commodities Authority (**SCA**) or any other authority in the UAE.

This document may be distributed in the UAE only to "qualified investors" (as defined in the SCA Board of Directors' Chairman Decision No. 37 RM of 2019, as amended) and may not be provided to any person other than the original recipient. No marketing of the New Shares has been, or will be, made from within the UAE other than in compliance with the laws of the UAE and no subscription for any securities may be consummated within the UAE.

No offer or invitation to subscribe for New Shares is valid, or permitted from any person, in the Abu Dhabi Global Market or the Dubai International Financial Centre.

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU). This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.



Annexure 2: International Offer Restrictions (cont'd)

United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The New Shares will only be offered and sold in the United States to:

- "qualified institutional buyers" (as defined in Rule 144A under the US Securities Act); and
- dealers or other professional fiduciaries organized or incorporated in the United States that are acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not US persons and for which they exercise investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act.

Annexure 3: Underwriting Agreement Key Terms

Zip has entered into an underwriting agreement with Merrill Lynch Equities (Australia) Limited (**Underwriter**), pursuant to which the Underwriter has agreed to fully underwrite the Placement (excluding the SPP) (**Underwriting Agreement**).

The Underwriting Agreement contains representations, warranties, undertakings and indemnities in favour of the Underwriter. The Underwriter may terminate its obligations under the Underwriting Agreement if a 'termination event' occurs. The 'termination events' include, but are not limited to, the following:

- a. certain events in respect of the Placement are delayed by more than 1 business day (without the prior written approval of the Underwriter);
- b. Zip withdraws the Placement;
- c. the confirmatory certificate which Zip is required to provide to the Underwriter is not provided when required, or is not true or incorrect;
- d. approval (or approval conditional only on customary conditions) is refused or not granted to the official quotation of all of the shares the subject of the Placement in accordance with the timetable prescribed under the Underwriting Agreement;
- e. (*) Zip is in breach of the Underwriting Agreement or any of the representations or warranties given by Zip in the Underwriting Agreement are not true or incorrect;
- f. any material adverse change or effect occurs, or an event occurs which is likely to give rise to a material adverse change or effect, in the condition (financial or otherwise), assets, earnings, business, affairs, liabilities, financial position or performance, results of operations, profits or losses of Zip from that existing at the date of the underwriting agreement;
- g. Zip is unable or is unlikely to be able to issue the shares the subject of the Placement in accordance with the timetable prescribed under the Underwriting Agreement;
- h. Zip alters its capital structure or its constitution without the prior consent of the Underwriter (other than as contemplated in the Underwriting Agreement);
- i. (*) Zip or the Underwriter becomes aware of any existing circumstance, or there is a change which, in the Underwriter's opinion, could have an adverse effect on Zip or any other party's ability or willingness to execute or perform its obligations under any agreement in relation to the purpose of the Placement;
- j. (*) a change in the position of the chief executive officer, chief financial officer, chief operating officer or the board of directors of Zip occurs or is announced;
- k. Zip is or becomes insolvent, or a circumstance arises in consequence of which Zip may cease to be solvent or able to pay its debts as and when they fall due, or any liquidator, provisional liquidator, administrator, receiver, receiver and manager or other similar official is appointed in relation to it or any of its assets;
- l. ASIC or AUSTRAC issues, or threatens to issue, proceedings or commences any inquiry or investigation in relation to the Placement or Zip that is market sensitive information and is required to be disclosed by Zip under ASX Listing Rule 3.1;
- m. the ASX makes an official statement, or indicates to Zip or the Underwriter, that Zip's shares will be suspended from quotation or that Zip will be removed from the official list of the ASX or that quotation of all of the shares under the Placement will not be granted by the ASX or such approval has not been given in accordance with the timetable prescribed under the Underwriting Agreement or such suspension from quotation occurs;

Annexure 3: Underwriting Agreement Key Terms (cont'd)

- n. any regulatory body commences or announces any public action against any director or officer of Zip (in his or her capacity as a director or officer of Zip) or announces that it intends to take any such action or a director or officer of Zip is charged with an indictable offence or is disqualified from managing a corporation under the Corporations Act;
- o. Zip or any of its directors or officers or Zip's chief executive officer or chief financial officer engages in any fraudulent conduct or activity whether or not in connection with the Placement;
- p. (*) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving certain countries, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of these countries elsewhere in the world;
- q. the closing level of the S&P/ASX 200 Index on 2 days in the period from and including the date of the Underwriting Agreement or on the day before the settlement date of the Placement is equal to or less than the level of that index as at the close of trading on the day before the Underwriting Agreement (Initial Level), minus 12.5% of the Initial Level;
- r. a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
- s. (*) there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority including Takeovers Panel and ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement), any of which does or is likely to prohibit or otherwise adversely affect the Placement, capital issues or stock markets;

- t. (*) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for more than one day on which that exchange is open for trading; or
- u. (*) there is any adverse change or disruption to the political conditions or financial markets of Australia, the United States of America or the United Kingdom or the international financial markets or any change involving a prospective adverse change in national or international political, economic or financial conditions.

The Underwriter may not terminate the Underwriting Agreement in reliance on any of the above termination events denoted with an asterisk (*) unless the Underwriter has reasonable and bona fide grounds to believe and does believe that the event:

- a. could give rise to a material liability of Underwriter under any Law or regulation;
- b. has or may have a material adverse effect on the marketing, settlement or outcome of the Placement or the likely trading price of the Shares; or
- c. has resulted in or may result in a material change in the financial position or performance or prospects of Zip from that which existed at the date the Underwriting Agreement other than as disclosed to ASX prior to the date of the Underwriting Agreement.

Termination of the Underwriting Agreement by the Underwriter could have an adverse impact on the amount of proceeds raised under the Placement.

For details of fees payable to the Underwriter, see the Appendix 3B released to ASX in connection with the Placement.

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All dollar values are in Australian dollars ("A\$") and financial data is presented as at and for the full year ended 30 June 2020, unless otherwise stated. Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.



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This release was approved by the Chief Executive Officer on behalf of the Board.

