

Zip

HY21 Investor Presentation

February 2021



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Internal use only

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01

We are Zip



Our Purpose

The freedom to own it



Our Mission

To be the first payment choice, everywhere and every day

We have five key differentiators that set us apart

Product

We deliver a flexible product set that services all purchase values, across all verticals. We provide **short and long term interest-free instalments** globally.

Unit economics

Our unique model derives **revenue from both customers and merchants**, supporting healthy and sustainable unit economics. Our customer fees are always simple, fair and transparent.

Business model

We operate on both a closed and open loop payments network which enables customers to buy now, pay later everywhere, **deepening customer engagement and driving traffic to our merchant partners.**

Global

Zip is one of the few truly global BNPL players with operations and interests across 9 geographies. With a single integration, merchants can instantly open up multiple markets. Our scalable technology platform enables new market entry at speed, while managing all the financial, regulatory and inherent risk complexities.

Risk management

Financial responsibility is at our core, we have built **superior credit decisioning and portfolio management capabilities** that enable us to balance risk and growth.

We are Zip



\$7.5bn+

Annualised volume¹



\$480m+

Annualised revenue²



171%+

YoY transaction growth³



600+

Employees



5.7m

Customers⁴



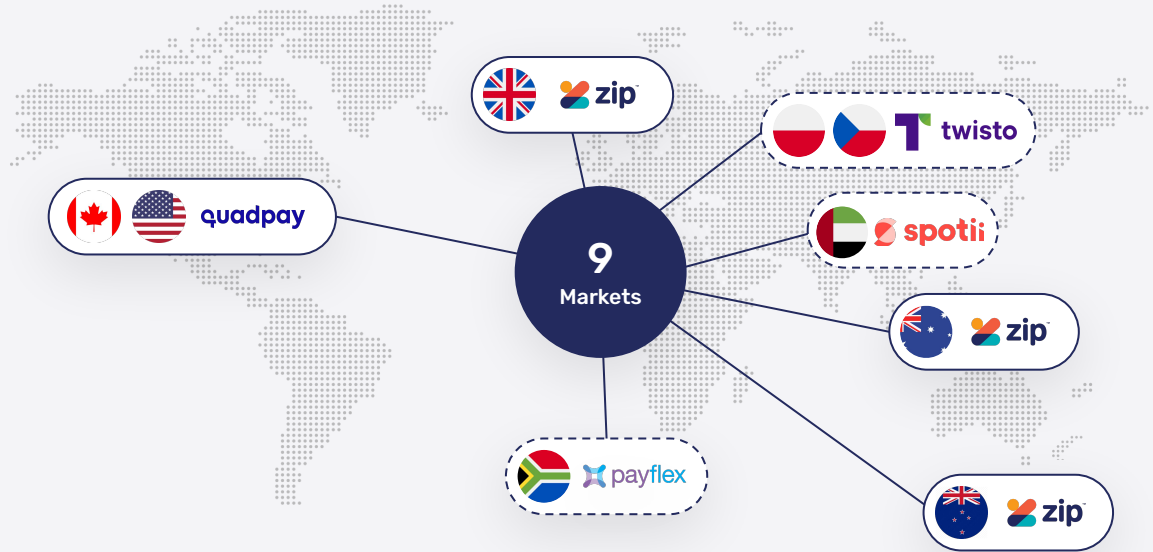
38.5k

Merchants⁵

Source: Pro-forma figures based on Zip unaudited financials as of 31 December 2020.

Note: 1. TTV is December 2020 annualised, 2. Revenue is December 2020 annualised, 3. December 2020 vs December 2019, 4. As at 31 December 2020, 5. As at 31 December 2020, Figures in AUD.

Zip is a global BNPL leader with a footprint across nine markets



Core markets



Strategic investments



We are delivering on our strategic priorities for FY21

Payment acceptance

- ✓ **Launched Tap & Zip** in AU to unlock the instore opportunity
- ✓ **Enabled Chrome Extension** to drive shop anywhere online in the US
- ✓ **Grew merchant base 73% YoY** and secured key global brands

App engagement

- ✓ **#1 downloaded BNPL App in Australia** in Dec-20/Jan-21¹ and **#2 Alt-Credit App in USA** during the holiday season²
- ✓ **2.8M App downloads** in HY21
- ✓ **Customer base grew** to 5.7m

Global expansion

- ✓ **Strong momentum in the US** following the completion of the Quadpay acquisition
- ✓ **Launched in the UK** Dec-20 with a number of marquee brands. Strong pipeline building
- ✓ Established the New Markets team and made **investments in Europe and the Middle-East**

Zip Business

- ✓ **Launch of Zip Business Trade** solution
- ✓ **Key partnerships with Facebook and eBay** secured and launched
- ✓ **Customer acquisition and engagement** growing, team in place



HY21 Highlights



Solid growth

Zip cements its position as one of the fastest growing BNPL players in the US, and as a true global BNPL leader, with over 5.7m customers, annualised TTV of c.\$7.5bn and annualised revenue of c\$480m – **delivered 100%+ YoY growth** across key metrics in HY21.

Quadpay (US)

Completed the acquisition of Quadpay in August 2020 to accelerate growth in the US. The business has grown TTV >130% in 4 months since completion and has strong momentum in the largest global market opportunity.

Board appointments

Bolstered the Board with 2 key non-executive director appointments – Diane Smith-Gander as Chair (AGL, ex. WES, BRS) and **Pippa Downes** as Chair Audit and Risk (ALE, Infotrack, Ingenia Communities, Australian Super IC).

Capital Raise

Raised \$176.7m via an **oversubscribed placement and share purchase plan (SPP)** to retail and institutional investors **to fuel global growth**, with outstanding support from our loyal retail base, accepting all SPP oversubscriptions.

Product innovation

Launched Tap & Zip in Australia reimagining BNPL in-store and became a Visa principal issuer. **Enabled Quadpay Chrome extension** in the US enabling customers to pay later on any website.

Key partnerships

Secured **key partnerships with eBay and Facebook** (Zip Business) and continued to secure iconic brands such as Harvey Norman, Boohoo, JD Sports and Fanatics to drive global growth.



Financial highlights

We continue to deliver exceptional growth and sustainable financial performance

- Cash EBTDA positive as a group while investing significantly for global growth
- Transaction Volume and Revenue 100%+ YoY
- Healthy unit economics per transaction (3.71% of TTV on a Cash GP basis)

Source: Pro-forma figures based on Zip unaudited financials as of 31 December 2020.

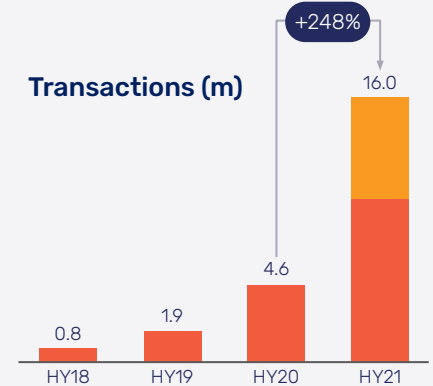
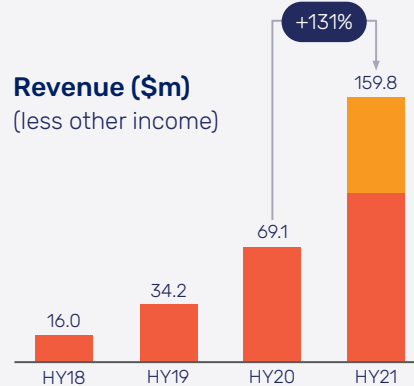
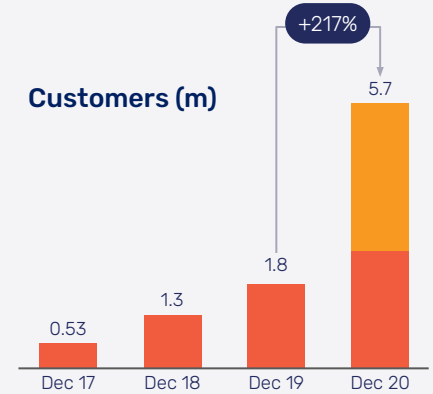
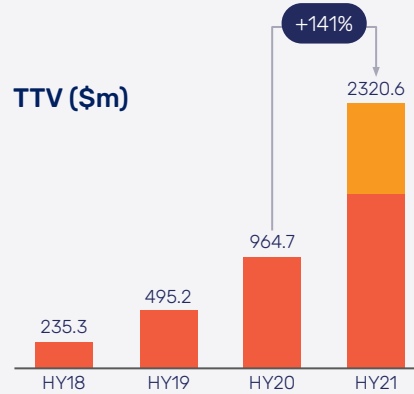
Note: 1. Other Income of \$0.2m HY21 (\$0.5m HY20) excluded 2. Cash Cost of Sales comprises Net Bad Debts written off, Bank Fees and Data Costs, and Interest Costs.

Financial performance	HY21 (\$m)	HY20 (\$m)	YoY Growth
Total Transaction Volume (TTV)	2,320.6	964.7	141%
Revenue (less other income) ¹	159.8	69.1	131%
Revenue as a % of TTV	6.89%	7.17%	-0.28%
Cash Cost of Sales ²	73.7	33.5	120%
Cash COS as a % of TTV	3.18%	3.47%	-0.29%
Cash Gross Profit	86.1	35.6	142%
Cash Gross Profit as a % of TTV	3.71%	3.70%	+0.01%
Cash EBTDA	0.2	1.5	
Reported EBTDA	(14.8)	(11.3)	

Operational highlights

We have proven our ability to execute across the globe

- Our core business in ANZ has continued to perform very strongly
- Our US business (Quadpay) has been a growth engine, with outstanding performance across all key metrics
- The US is contributing an increasing share of group performance (>40% of TTV in December) with a strong outlook ahead



■ ANZ ■ US

Source: Based on Zip unaudited financials as of 31 December 2020.

Note: 1. Other Income of \$0.2m HY21 (\$0.5m HY20) excluded, 2. Customer numbers are as at 31 December 2020, 3. ANZ figures includes Zip Australia, Zip New Zealand, Zip Business and Zip UK, 4. All figures in AUD\$ converted at USD\$0.77.



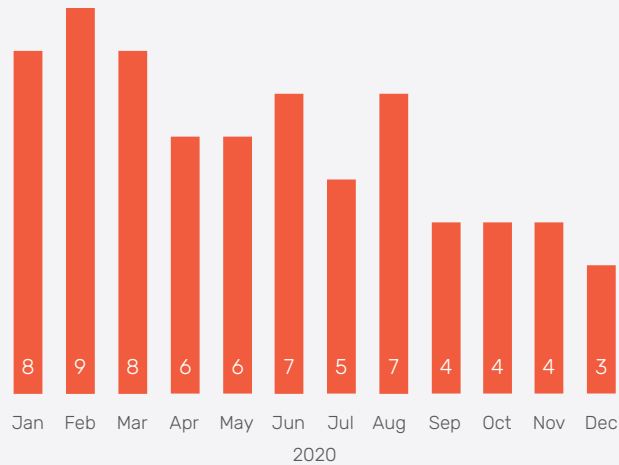
Capital efficiency

The addition of Quadpay delivers a step change in yield and capital efficiency.

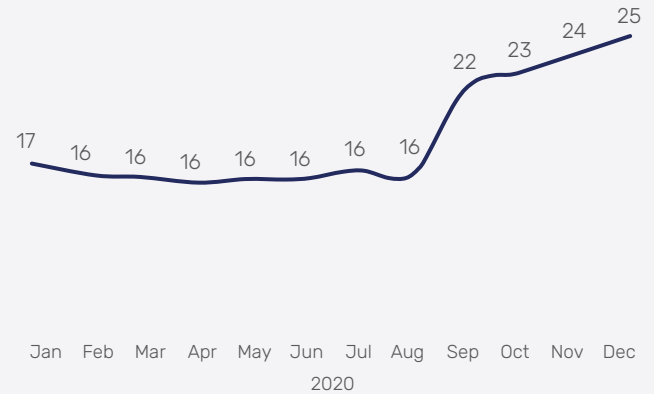
From Sep yield improved from 16% to 25%, with the receivables now turning every 3 months on average.

- The US acquisition with its weighting to short-term instalments was a major driver to this changes
- In addition customer repayment rates in ANZ improved positively impacting yield and repayment profile

Repayment velocity
(average months to recycle book)



Revenue yield
(revenue / average receivables %)



Even though we are 7 years in, global BNPL adoption remains in its infancy

\$22tn

Addressable retail market¹



1.6%

BNPL penetration of global e-commerce spend²



02

US update

Internal use only



Our US business has been a standout performer

Significant opportunity

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

Strong growth

>200% YoY growth in key metrics; contributing \$58m in revenue since acquisition in September

App performance

App reaching #15 in the shopping category in the US App store (4.9 rating, iOS)

Market leading unit economics

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

Product and innovation

Many initiatives launched in the half, whilst growing the US team incl. key appointments across payments, product and credit-tech

quadpay

HY20 HY21

Pro-forma TTV

HY21 vs 20
Sm

256%²

Growth (PcP)

273.5 972.7

Customers

Total at Dec-20 vs 19
#m

200%²

Growth (YoY)

1.1 3.2

Pro-forma Revenue

HY21 vs 20
Sm

252%²

Growth (PcP)

19.7 69.3

App downloads

HY21 vs 20
#m

127%²

Growth (PcP)

1.0 2.2

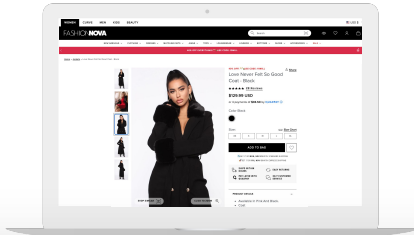
Source: 1. US Census 2019, 2. Pro-forma figures based on Zip unaudited financials as of 31 December 2020.

Note: 1. TTV, Revenue and App downloads are for the period HY21 compared to HY20, 2. Customer numbers are as of December 2020, 3. All figures in AU\$ converted at USD\$0.77.

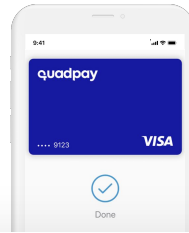


Our market leading Quadpay product is available across all channels

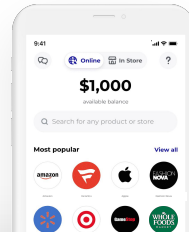
At Checkout



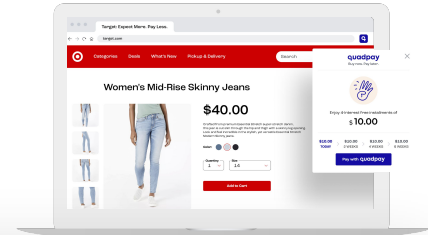
Anywhere Instore



Anywhere Online



Chrome Extension



Underpinned by:



Seamless sign up
process with no SSN
required



No impact on **credit**
rating



Instalments for effective
budgeting



Instant access to shop
anywhere, instore or
online



We continue to partner with leading brands and leverage strategic partnerships to drive growth

Key Merchants

GameStop

Fanatics



FAMOUS footwear

TickPick

sunglass hut

Strategic Partnerships

fiserv.

vyze

stripe

Goldman Sachs

OAKTREE

Key Merchants

- **Integrating lighthouse brands continues to be a key part of our business model** driving customer acquisition and engagement
- **Grew our merchant base 7x** in the year to December 2020
- **Instore represents a significant opportunity**, we recently launched across 1,200 Sunglass Hut outlets

Strategic Partnerships

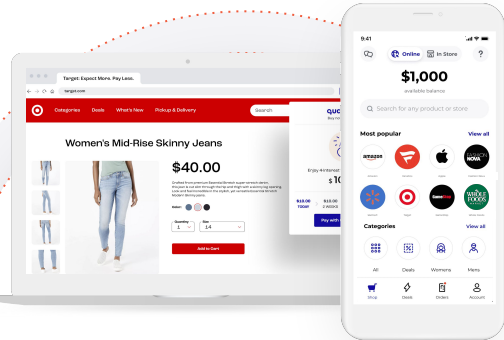
We continue to leverage strategic partnerships to drive growth:

- **Distribution partnerships** with Fiserv and Mastercard/Vyze to accelerate acquisition
- **Funding** of US\$150m through Goldman Sachs and Oaktree Capital to support our growth in the US, supporting annual transaction volumes US\$2bn+
- **Payments partnerships** with Stripe and others to drive efficiencies and continued product innovation



Our unique model is accelerating our flywheel

Open network



Groceries

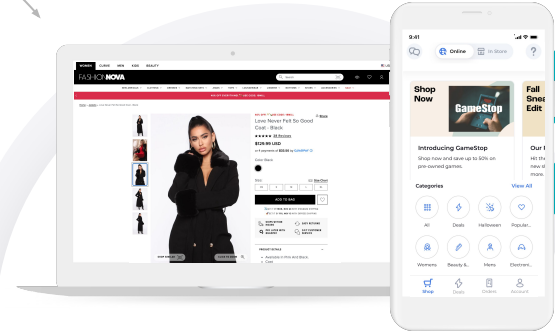
Utilities

Gas



Organic growth through our App is driving demand for our integrated partners

Integrated network



Over 8.3k merchants

MERCARI

FASHION NOVA

GameStop

FAMOUS footwear



Customers ability to shop anywhere is unlocking spend in new categories

Internal use only



The App is delivering strong growth

App Transaction Volume

We optimised our product and marketing efforts to **maximise acquisition and engagement during peak retail events in H1**



Fuelled by our unique product, **growth has been significant...**

Note: 1. US only.

App originated customers

Our App has been a **strong source of growth**, unlocking **spend in new categories**



...our **App** has been a key driver of **organic growth in HY21**



Our App is driving higher engagement

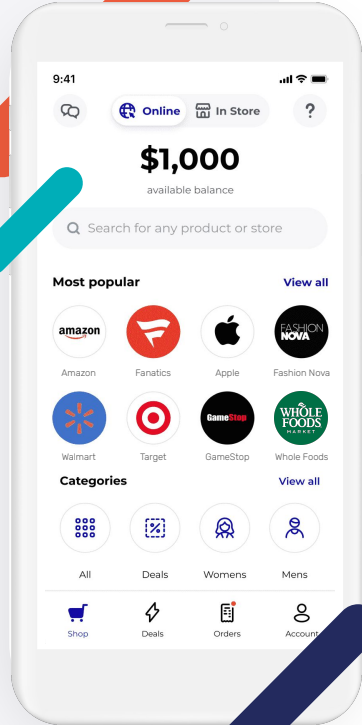
The Quadpay App

>2.1m

Downloads in HY21

- 1.2m average daily App users in December
- App Store Ranking of 4.9 on iOS and 4.2 on Android

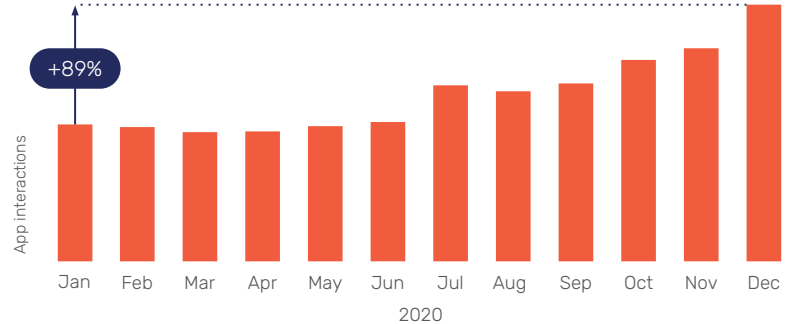
Quadpay reached #15 in the US shopping category over the Black Friday and Cyber Monday period



App engagement

Customers are interacting with the App more frequently, with interactions per user growing ~90% over the period Jan to Dec 2020

Average interactions per monthly user



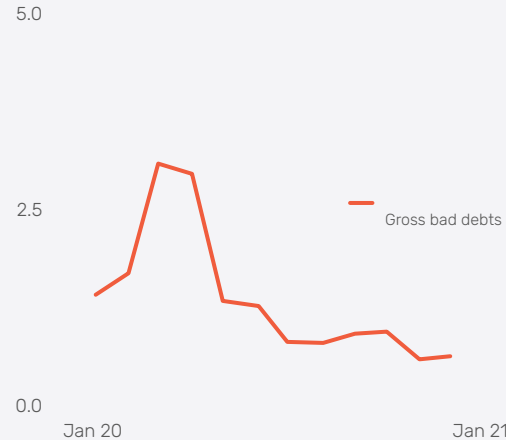
Returning customer contribution is growing, this is expected to improve credit performance over time

US returning customer contribution (% of monthly orders)



Returning customers account for
>85% of monthly orders...

Monthly gross bad debts (% of monthly TTV)



...losses are **trending down over time**

Over 85% of orders are from return customers.

Returning customer cohorts are expected to **drive improved loss performance** over time.

We continue to test, learn and **optimise** our credit and risk decisioning to **maximise long term profitability.**

Note: 1. Gross bad debts are calculated as value of instalments that fall >84 days past due each month / monthly TTV.



03

ANZ update

Internal use only



ANZ has continued to perform strongly

Strong growth

We delivered strong growth across all key metrics

Customer acquisition

More customers are joining the platform than ever before

Customer engagement

Zip customers are transacting more frequently than ever, completing 2.5m transactions in December (up 142% YoY)

Product innovation

We continue to launch product innovations including Tap & Zip and cash back rewards

Merchants

We continue to partner with the most iconic brands in ANZ (e.g. Harvey Norman, Adore Beauty)



● HY20 ● HY21

TTV

HY21 vs 20
\$m

58%¹

Growth (PcP)



Customers

Total Dec-20 vs 19
#m

39%¹

Growth (YoY)



Revenue

HY21 vs 20
\$m

45%¹

Growth (PcP)

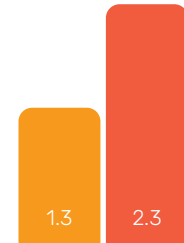


App downloads

Total Dec-20 vs 19
#m

77%²

Growth (YoY)



Source: ¹ Based on Zip unaudited financials as of 31 December 2020, ² App Annie, 2021.
Note: 1. TTV and Revenue are Zip AU and Zip NZ only for the period HY21 compared to HY20 excl. Zip Business, 2. Customer and App download numbers are as at December 2020.



Our products enable customers to shop across all categories and values

Product	Zip Pay	Zip Money
Acceptance	Everywhere	30k merchant network + anywhere online
Limit	Up to \$1,500	Up to \$50k
Repayments	Flexible	Flexible
Real time approval	✓	✓
Interest free	✓	Up to 60 months
Unit economics	Blended cash gross profit c50%	

Our unique product set enables users to pay across all industry verticals, both online and instore



Groceries



Electronics



Furniture



Fashion



Automotive



Home and Kitchen



Health and Beauty

We can **service customers and merchants everywhere, everyday**



We continue to expand our partner network to fuel growth

Key Merchants

ADOREBEAUTY

EVENT
HOSPITALITY & ENTERTAINMENT
EST. 1910

STEVE MADDEN

BREITLING
1884

Harvey Norman

DOMAYNE

Strategic Partnerships

BIGCOMMERCE

salesforce commerce cloud

Magento

adyen

Key Merchants

Zip's integrated partner relationships are a key accelerator of our flywheel

- ~30k merchants across our ANZ network
- We continue to partner with global merchants while understanding the **importance of iconic brands in our core markets (e.g. Harvey Norman)**

Strategic Partnerships

- We are **increasing our focus on strategic partnerships** to expand our distribution network
- Key partnerships with **payment service providers and e-commerce platforms** are enabling us to connect with more merchants and SMEs

We continue to **build a strong pipeline of global and iconic local merchants** to drive growth

We are Australia's most downloaded BNPL App

Australia's leading BNPL App

Zip continues to deliver best in class customer experiences with App ratings:

4.9 star rating on Apple Store

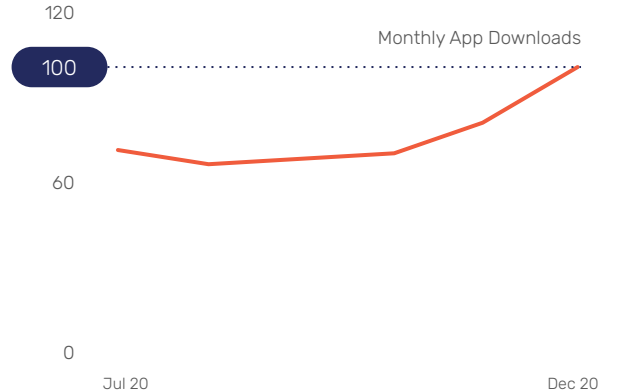
4.8 star rating on Google Play

85%

of our customers since Sep-18 have the Zip App



Zip App downloads ('000s)¹



Our App was **Australia's most downloaded BNPL App** in December and January¹



Engagement continues to accelerate, driving increased revenue per customer cohort

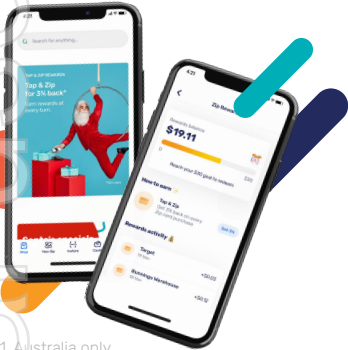
Key initiatives

Tap & Zip

Launched **Tap & Zip**, reimagining BNPL instore

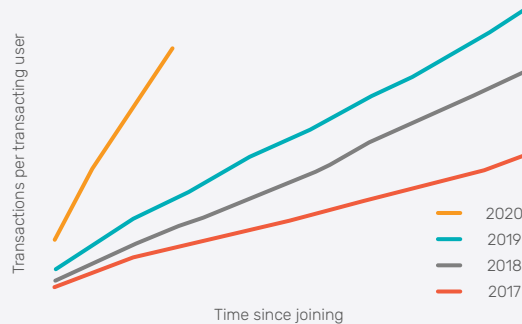
Rewards

Experimented with cash back rewards



Engagement per customer cohort

Newer cohorts are transacting more frequently



Our focus on Tap & Zip and other experiments (e.g. Rewards) is **significantly improving engagement**.

Revenue per customer cohort

Revenue per customer is improving with each new cohort



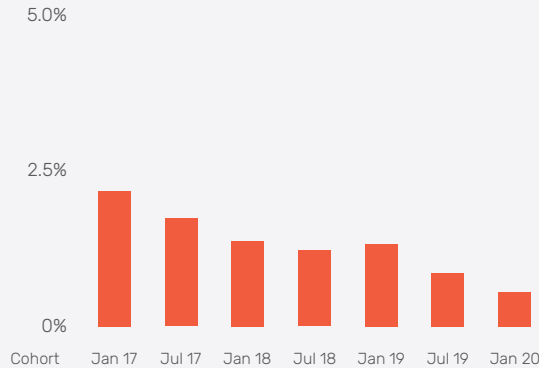
Engagement increasing significantly through better App utility driving more transactions.



Deep customer engagement and market leading decisioning capability is delivering unrivalled credit performance

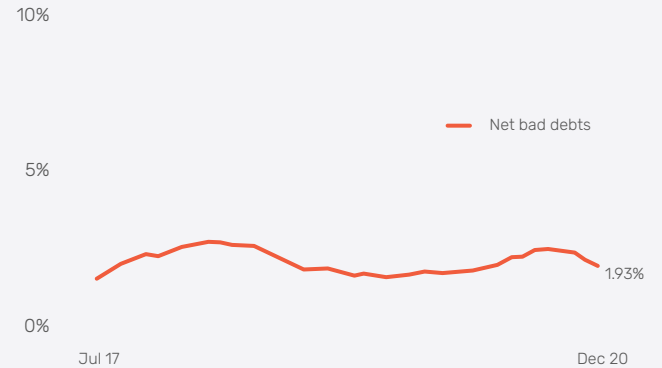
Our machine learning engines provide the agility to continuously adjust risk settings, **leading to better credit performance**

Gross bad debt per cohort¹



Customer cohorts evidence **improvements in our approach to risk management**

Net bad debts²



Our agility enables us to **control and manage risk to ensure optimum bottom line results**

Note: 1. Gross bad debt is write-offs per cohort / TTV per cohort. 2. Net bad debts is write-off net of any recoveries. 3. Australia only.



04

Global and Zip Business

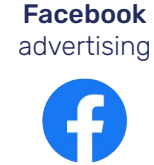
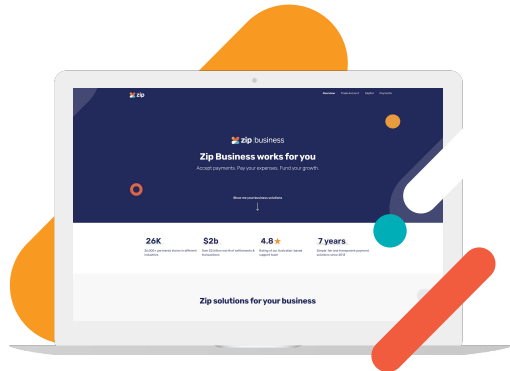
Internal use only



Zip Business is gaining momentum

We are well positioned to capitalise on the **significant small business opportunity** in Australia:

- Public launch of **Zip Trade** (everyday spend up to \$5k) in December with **strong initial uptake** providing momentum into H2
- Launch of **Zip Trade+ planned for H2** providing SMEs solutions up to \$150k
- **Partnership with Facebook** unlocks 1000s of SMEs who can choose to advertise now and pay later



Product	Zip Trade	Zip Trade+ Coming soon	Zip Capital
Category	Everyday purchases and supplies	Equipment and inventory	Large equipment and inventory
Limit	\$1,000 to \$3,000	\$3,000 - \$150k	\$10k - \$500k
Decisioning	Real time	24 hrs	24-48 hrs
Interest free period	✓	✓	3 year loan term

Early indicators evidence our **Zip Business product gaining momentum** with customer numbers growing and customers **transacting more frequently**



Zip has officially launched in the UK

Since launching in December we have focused on **five key areas**:

1

Core technology

Replatform of core technology to mirror Quadpay functionality, providing the foundations for growth

2

App

Launching a new mobile App enabling customers to sign-up for Zip, shop online and manage their account

3

Innovation

Enabling customers to shop anywhere online using virtual card technology planned in Q3

4

Key merchants

Go-live of enterprise merchants BooHoo, JD Sports, and Fanatics scheduled for Q3 with a strong pipeline building

5

Team

Continued growth of the team with a key focus on technology and enhancing local credit and risk decisioning capabilities

boohoo



NASTY GAL

FASHION NOVA

Fanatics

COTTON:ON



Investing in new markets

We have a dedicated New Markets team, which evaluates opportunistic and strategic expansion options across the globe

- 30+ headcount focussed on regulatory, product, tech, risk and market launching
- Pro-actively explore best entry path in targeted jurisdictions
- Focused on lifting, shifting and scaling Zip's offering globally
- Responsible for global merchant integrations with a number of recent successes (Boohoo, Cotton-On, Adyen, JD Sports)



quadpay 

Mobilising a team to enable a soft launch in Canada to **support demand from our US merchant base and cross border trade.**



twisto

Minority investment in leading BNPL player in Eastern Europe (Czechia and Poland) operating since 2014. Strong team on the ground **led by experienced co-founders.** Ability to passport licensing across the EU.

spotii

Minority investment in leading BNPL player in the United Arab Emirates), focused on the Gulf Cooperation Council. Strong team on the ground **led by experienced co-founders.**



Pocketbook is helping thousands of customers manage their money

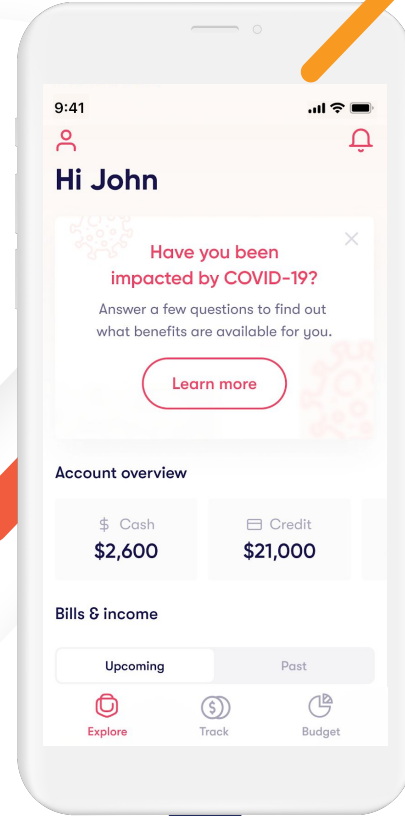
Pocketbook is a market-leading personal financial management app, which is free for users and focused on financial wellbeing

- Allows users to manage savings and spend responsibly (track, budget, save)
- Aggregates a user's bank accounts for automated expense tracking and controls
- Strong user advocacy supporting organic customer growth



812k
Users¹

2.5b
Transactions
to-date¹



05

Financial Results

Internal use only



Segment financials

- Cash EBTDA breakeven as a Group, a solid result, driven by strong unit economics balanced against significant spend for growth and global expansion.
- Strong unit economics delivering Cash Gross Profit margins above 50%.
- AU segment remains Cash EBTDA positive while continuing to invest for growth in the local market.
- Global segment now a significant contribution to Group operation, with a small Cash EBTDA loss - strong volume and unit economics delivering while investing in global opportunity.
- Zip Business still early stage, investing for growth with a huge opportunity in the SME market.

HY21 \$m	AU	Global	Zip Business	Total
Revenue	94.7	60.9	4.4	160.0
Group contribution	59%	38%	3%	100%
Cash EBTDA	3.1	(0.6)	(2.3)	0.2

Note: Segments aligned to financial reporting view, with US, UK and NZ included in Global.



Income statement

- Operating Income hit record levels, 131% increase on HY20.
- Cash Gross Profit remains healthy as the business scales, with Cash GP margin improving to 54%.
- Cash EBTDA was \$0.2m as the Company continues to invest for growth on a global scale.
- Average Interest Costs reduced from 4.7% to 3.9% due to lower average rate across the AU portfolio.
- Bank fees and data costs reflect the inclusion of Quadpay in the Groups results and increased volumes.
- Salaries and Employment Related Costs increased due to the inclusion of Quadpay and scaling the global business, with headcount increasing to 612. Team members overseas total 191.
- Marketing Costs increased with the inclusion of Quadpay, the launch of Tap and Zip, increased brand activity.
- IT costs reflect the increased global footprint and further investment in resilience and security.
- Expected Credit Loss provision decreased from 4.4% to 3.8% due to improved roll rates, and faster repayment profile for Zip Money. Economic overlay remains unchanged as a percentage.

Note: 1. Cash Earnings Before Tax, Depreciation and Amortisation and excluding Share of loss of associate and Acquisition Costs 2. Cash Cost of Sales and Cash Operating Costs comprise those expenses that have an Operating Cash Outflow, 3. Cash Operating Costs exclude acquisition costs.

	HY21 \$m	HY20 \$m
Operating Income	159.8	69.1
Cash Cost Of Sales ²	(73.7)	(33.5)
<i>Interest Costs</i>	<i>(25.5)</i>	<i>(17.9)</i>
<i>Bank Fees and Data Costs</i>	<i>(25.8)</i>	<i>(4.4)</i>
<i>Net Bad Debts Written-Off</i>	<i>(22.4)</i>	<i>(11.2)</i>
Cash Gross Profit	86.1	35.6
Cash GP%	54%	52%
Other Income	0.2	0.5
Cash Operating Costs ³	(86.1)	(34.6)
<i>Salaries and Employment Related Costs</i>	<i>(38.7)</i>	<i>(18.2)</i>
<i>Marketing Costs</i>	<i>(26.4)</i>	<i>(5.8)</i>
<i>Information Technology Cost</i>	<i>(9.7)</i>	<i>(4.7)</i>
<i>Other Operating Costs</i>	<i>(11.3)</i>	<i>(5.9)</i>
Cash EBTDA¹	0.2	1.5
Unrealised FX Movements	(3.5)	-
Effective Interest on Convertible Notes	(2.4)	-
Movement in Provision for Expected Credit Loss	(7.1)	(12.0)
Amortised Finance Costs	(2.0)	(0.8)
Reported EBTDA	(14.8)	(11.3)

Corporate items and one-off adjustments

- The Income Statement was impacted in the half by a number of one-off adjustments and non-cash movements.
- There was a large net adjustment of \$306.2m relating to the acquisition of Quadpay. Refer slide 37 for further detail.
- Share-Based Payments includes \$63.4m relating to retention and performance shares agreed on the acquisition of Quadpay. The first performance hurdle has been met.
- Fair Value Loss on Financial Instruments represents required revaluation of derivatives and warrants issued to support Quadpay growth. Refer slide 38 for further detail.
- Acquisition costs incurred in acquiring Quadpay and The Urge, as well as minority investments in Twisto and Spotii, in addition to the costs of issuing the convertible notes and warrants not capitalised.
- Depreciation and Amortisation includes depreciation of "Right-of-Use" assets \$1.9m (\$1.0m in HY20) and amortisation of Acquired Intangibles \$10.0M (\$0.9m in HY20).
- The adjusted loss before tax after the one-off items (net adjustments relating to Quadpay and professional services relating to the acquisitions) was 139.8m.

	HY21 \$m	HY20 \$m
Reported EBTDA	(14.8)	(11.3)
Share of Loss of Associate	(0.2)	-
Acquisition Costs	(7.8)	(2.3)
Share-Based Payments	(74.4)	(10.4)
Fair Value Loss on Financial Instruments	(33.2)	-
Net Adjustments Relating to Acquisition of Quadpay	(306.2)	-
EBTDA	(436.6)	(24.0)
Depreciation and Amortisation	(17.2)	(6.3)
Earnings Before Tax	(453.8)	(30.3)
Add back:		
Net Adjustments Relating to Quadpay	306.2	-
Acquisition Costs	7.8	2.3
Share-Based Payments	-	6.0
Amortisation of Intangibles	-	1.9
Adjusted loss before tax	(139.8)	(20.1)

Quadpay acquisition adjustment



- No cash or business impact. Accounting only.
- Acquisition announced on 2 June 2020 (15 day VWAP to 29 May \$3.39).
- The number of Zip shares to be issued to acquire Quadpay was equivalent to up to 23.3% of the issued share capital of Zip at completion.
- Shareholders approved the acquisition of Quadpay on 31 August 2020.
- The closing share price on the day was \$9.16.
- Accounting standards require that:
 - Zip revalues its existing holding in Quadpay based on the \$9.16 share price (fair value gain of \$109.7m).
 - Zip records the cost of the investment in Quadpay based on the \$9.16 share price.
- In conjunction with its independent valuers the Company determined that a spot price was not a fair reflection of the market value of Zip's shares for the purposes of calculating the fair value of the investment in Quadpay.
- Based on a review of the VWAP of Zip's shares, a fair market value equivalent to a share price of \$6.50 was determined, and a Day 1 adjustment of \$415.9m made to goodwill.

Zip Share Price May 2020 - December 2020



	\$m
Fair value adjustment on pre-existing investment	109.7
Share value not reflected in Goodwill	(415.9)
Net adjustment	(306.2)



Convertible notes and warrants

- Issue announced on 2 June 2020:
 - Convertible Notes issued with an initial conversion price of \$5.53, a 50% premium to the 1 day VWAP.
 - Warrants issued at a 40% premium to the 1 day VWAP.
- Ensured funding in place to support the growth of Quadpay post acquisition.
- Issue approved by shareholders on 31 August 2020.
- Zip received \$100.0m cash, \$96.8m net of costs.
 - Valuation of Convertible Note split between debt host and embedded derivative.
 - Debt host amortised over 5 years to expected cash outflow.
 - Embedded derivative and warrants fair valued at each reporting date.
 - Fair valued at HY21 using a \$5.29 share price.
 - Fair value sensitive to share price movements. 100% increase in share price will result in a fair value adjustment of approximately \$160m.

	Convertible Notes Net Debt Host	Convertible Notes Embedded Derivatives	Warrants	Total
	\$m	\$m	\$m	\$m
30-Jun-20				
Issued during the period	59.1	21.7	17.2	98.0
Interest on convertible notes	2.4	-	-	2.4
Fair value loss recognised	-	17.0	16.2	33.2
31-Dec-20	61.5	38.7	33.4	133.6



Balance Sheet

- \$217.8m of cash at Dec-20, which included \$75.3m in restricted cash. Unrestricted balance includes amounts remitted to funding Trusts the following business day.
- Prepaid marketing costs and accrued income included in other receivables.
- Investment movements over the period include: the derecognition of the Quadpay stake on acquisition (\$82.9m) and minority investments in Spotii (Middle East) and Twisto (Czech Republic).
- Intangible assets include \$253.7m acquired on the acquisition of Quadpay.
- Goodwill increased by \$735.5m following the acquisition of Quadpay.
- Trade and other payments increased due to amounts due to merchants on increased transaction volumes.
- Vendors of PartPay hit the first TTV hurdle and 50% of the deferred contingent consideration was settled in shares.

	HY21 \$m	FY20 \$m
Cash and Cash Equivalents	217.8	32.7
Other Receivables	26.7	6.9
Term Deposit	1.5	1.5
Customer Receivables	1,603.6	1,116.6
Investments	3.2	82.9
Investments in Associate	4.3	1.2
Property, Plant and Equipment	3.3	3.5
Right-of-use Assets	8.0	8.2
Intangible Assets	271.6	25.1
Goodwill	788.9	53.4
Total Assets	2,928.9	1,332.0
Trade and Other Payables	53.7	19.5
Employee Provisions	4.1	2.7
Deferred Contingent Consideration	7.0	14.0
Lease Liability	8.3	8.4
Borrowings	1,530.0	1,082.0
Financial Liabilities - Convertible Notes and Warrants	133.6	-
Deferred Tax Liability	66.0	-
Total Liabilities	1,802.7	1,126.6
Net Assets	1,126.2	205.4

Cash Flows

- Generated positive Operating Cashflow of \$13.9m in HY21 (\$20.5 excluding acquisition costs) compared to \$4.4m in HY20 (\$6.7m excluding acquisition costs).
- The acquisitions of Quadpay and Urge added \$26.2m in cash (net) to the Group.
- Minority investments in Spotii in the Middle East and Twisto in the Czech Republic.
- An additional \$466.0m was drawn from the Group's funding programs and used to finance receivables.
- Raised \$121.1m in equity capital and \$96.8m through the issuance of convertible notes in HY21. A further \$56.7m was raised via a Share Purchase Plan after the balance date.
- Costs associated with the equity raise totaled \$1.8m.

	HY21 \$m	HY20 \$m
Operating income from customers	160.0	69.3
Payments to suppliers and employees	(114.3)	(46.0)
Interest received from financial institutions	-	0.1
Interest paid	(25.2)	(16.7)
Acquisition on business costs	(6.6)	(2.3)
Net Cash Flow from Operating Activities	13.9	4.4
Payments for plant and equipment	(0.7)	(2.8)
Payments for software development	(4.5)	(5.1)
Net increase in receivables	(453.3)	(328.7)
Payments for acquisitions, net of cash acquired	26.2	2.7
Payment for investments in associates	(3.3)	(16.6)
Payments for investments	(3.2)	-
Net Cash Flow to Investing Activities	(438.8)	(350.5)
Borrowing transaction costs	(2.1)	(2.4)
Proceeds from borrowings	466.0	316.0
Repayment of borrowings	(66.2)	-
Proceeds from issue of convertible notes	96.8	-
Repayments of principal of lease liabilities	(1.7)	(1.0)
Proceeds from the issue of shares	121.1	62.1
Costs of share issues	(1.8)	(2.1)
Net Cash Flow from Financing Activities	612.1	372.6
Net Increase/(Decrease) in Cash & Cash Equivalents	187.2	26.5

Funding update

- The Company is well placed with regards to available debt financing to support its global growth plans.
- Zip completed its second rated note issuance within the Master Trust. Rating of senior notes improved two notches due to performance of the receivables portfolio.
- This rating improvement delivered a 10bps reduction in AU interest costs, with further reductions expected over time.
- The weighted average interest rate on loans outstanding at 31 December 2020 was 3.9% compared to 3.7% at 30 June 2020 (includes Quadpay and SME receivables facilities currently at higher rates).
- Undrawn facilities of \$308.1m at 31 December 2020. Facility increased by \$204.4m in January 2021.
- US debt facility with Goldmans / Oaktree US\$150m. US\$25m repaid in Jan following seasonal peak.
- Established a \$100m facility with US firm Victory Park Capital to support the growth of SME receivables under Zip Business.

Note: 1. Cost of funds reflects weighted average interest rate on loans outstanding at the end of the period. 2. Converted to \$AUD at \$USD 0.77

	HY21 \$m	FY20 \$m
Facility Limits		
<i>Consumer Receivables</i>		
AU	1,499.2	1,144.5
US ²	194.8	-
<i>SME Receivables</i>	146.3	46.2
Total Limits	1,840.3	1,190.7
Facilities Drawn		
<i>Consumer Receivables</i>		
AU	1,339.5	1,050.0
US	158.2	-
<i>SME Receivables</i>	34.5	32.1
Total Drawn	1,532.2	1,082.1
Cost of Funds¹	3.9%	3.7%

06

Outlook

Internal use only



HY21 has provided strong momentum for us to build upon in H2



H1 was transformational

H1 was our biggest result yet across all key metrics.

The US-based, **Quadpay acquisition has been transformational for Zip** with growth set to continue.



Remain focused on key priorities

We remain focused on our **4 strategic priorities set at the beginning of FY21**: (i) Payments acceptance, (ii) App engagement, (iii) Global expansion, and (iv) Zip Business.



We have global momentum

We have set the foundations to accelerate growth across the globe in FY21, with **particular focus on US**.

We continue to look for new opportunities and strategic partnerships to expand our footprint.



Our pipeline is strong

We have a **strong pipeline of global retail partnerships** as iconic merchants seek to take advantage of our increasing global presence.



Relentless focus on unit economics

Our growth ambitions will be delivered with a **continued focus on healthy and sustainable unit economics**.

Internal use only



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

