

22 July 2021

Q4 FY21 RESULTS UPDATE

RECORD RESULTS BUILDING ON GLOBAL MOMENTUM

Zip Co Limited (ASX: Z1P) ("**Zip**", or the "**Company**") is pleased to announce today its Q4 results for the period ending 30 June 2021.

KEY HIGHLIGHTS (Q4 FY21)¹

* Note: all figures in AUD unless otherwise specified.

- **Record group quarterly revenue of \$129.9m (up 104% YoY).**
- **Record monthly revenue in June, annualising at \$537.2m.**
- **Record quarterly transaction volume of \$1.8b (up 116% YoY).**
- **Record transaction numbers for the quarter of 14.2m (up 230% YoY).**
- **Customer numbers increased to 7.3m (up 87% YoY).**
- **Merchants on the platform increased to 51.3k (up 84% YoY).**
- **Zip continued to execute on its global strategy, agreeing to acquire the remaining shares in both Twisto Payments (Europe) and Spotii Holdings Ltd (Middle East). The quarter also saw Zip launch organically into Canada and Mexico.**
- **Completed an extension and increase to the Goldman Sachs debt facility in the US, now US\$300m (with the option to increase to US\$400, supporting \$5b+ in TTV), whilst also securing a material improvement to the facility's weighted average cost of capital.**
- **Strong growth in app downloads continued globally with over 1.5m downloads for Zip US (Quadpay) (now 5.8m in total) and 241k downloads for Zip ANZ (now 2.8m in total).**
- **Maintained market leading BNPL margins with revenue as a % of TTV at 7.2%, while capital efficiency remains extremely healthy with the book recycling every 3 months on a blended basis.**
- **Raised \$400 million through the issuance of zero coupon senior convertible notes.**

¹ Unaudited management accounts. All financial figures are translated into AUD using the average quarterly foreign exchange rates for the respective quarter. Comparatives which include entities not acquired in comparative periods are reported on a pro-forma basis.

CEO UPDATE

Zip Managing Director and Global CEO Larry Diamond said:

"Another outstanding set of results, including over 100% YoY growth in both revenue and TTV for the group, with record numbers delivered across the business in all regions. In addition to the very strong financial performance, we continued executing on our global BNPL expansion strategy across both the developed and emerging markets.

We are now a truly global player with a presence in 12 markets, and this is a real point of difference as we target global retailers and fulfill our mission to become the first payment choice everywhere, every day.

The quarter also saw increased investment in our most prized asset, our Zipsters, including the launch of a world leading bereavement leave policy and Covid vaccine support."

BUSINESS PERFORMANCE

Zip continues to deliver with strong Q4 results across its BNPL operations in the United States (Quadpay), Australia and New Zealand (ANZ), and the United Kingdom (UK).

All key operating metrics include Zip's BNPL operations based on Zip's unaudited financials as of 30 June 2021.

Financial Performance¹ (AUD)	Q4 FY21	QoQ	YoY
Revenue	\$126.7m	13% ↑	107% ↑
USA	\$64.3m	18% ↑	280% ↑
ANZ	\$61.4m	6% ↑	39% ↑
UK	\$1.0m	n/a	n/a
Transaction Volume	\$1,764.5m	10% ↑	116% ↑
USA	\$857.1m	12% ↑	247% ↑
ANZ	\$893.5m	7% ↑	57% ↑
UK	\$13.9m	n/a	n/a
Transactions	14.2m	15% ↑	230% ↑
USA	4.9m	9% ↑	250% ↑
ANZ	9.2m	16% ↑	217% ↑
UK	0.1m	n/a	n/a

Operational Performance¹	As at 30 Jun 2021	QoQ	YoY
Customers²	7.3m	14% ↑	87% ↑
USA	4.4m	16% ↑	144% ↑
ANZ	2.8m	8% ↑	33% ↑
UK	0.07m	n/a	n/a
Merchants³	51.3k	13% ↑	84% ↑
USA	15.6k	20% ↑	388% ↑
ANZ	35.5k	10% ↑	43% ↑
UK	0.15k	n/a	n/a

GROUP UPDATES

Global Partnerships

As Zip expands its geographic footprint it has looked to leverage existing global payment relationships to drive synergies across markets. Zip is pleased to announce two strategic partnerships with world leading acquirers that will enable Zip to be offered as an Alternative Payment Method (APM) to tens of thousands of merchants through a fast and seamless integration:

- Zip and Stripe are partnering to help Stripe merchants access Zip's APM solutions. Stripe merchants, through the Master Merchant agreement, will be able to enable and facilitate payments through Zip. Additionally, Zip will use Stripe's acquiring technology, and products like Connect and Radar, to power payments processing.
- Zip also entered into a global agreement with Adyen in the quarter, which will see Zip built into the Adyen global platform as an APM. The integration is in the final stages and will provide Adyen merchants the ability to enable Zip for their customers across their online, mobile, and in-store operations.

People

Zip continued to invest in and support our most important asset, our people ('Zipsters'), introducing a world-leading bereavement leave policy. Zip now offers two-weeks of paid bereavement leave for all employees globally who experience miscarriage and pregnancy loss. This was quickly followed by vaccination related leave as Zip supports the accelerated rollout of the COVID vaccination program in AU.

² Number of active customer accounts.

³ Number of accredited merchants.

Additionally, Zip launched its global mental health and wellbeing program. This was kicked off in AU with a partnership with Heart On My Sleeve, a mental health social movement, and will be followed by similar partnerships in other regions.

Brand

Eighteen months ago, Zip was available in one market, today we're in 12 markets across five continents, and we're only just getting started. To create a platform for continued global growth, Zip's operations are uniting under a single, globally recognisable brand. Quadpay businesses in Canada and the US will be renamed Zip and a bold new brand identity and purpose will be rolled-out across our markets from mid-August.

In a competitive marketplace, Zip's new, fearless brand will provide clear differentiation. Built to reinforce Zip's commitment to developing fair and responsible products and putting people at the heart of everything we do, the new brand will become the foundation for Zip's engagement with customers, merchants and Zipsters the world over.

Zip will engage in a program of transitional communications to customers and merchants over the July-August period, to ensure widespread familiarity before launch. Brand awareness campaigns will be developed in key markets to further accelerate consumer and merchant adoption.

Zip Managing Director and Global CEO, Larry Diamond said:

"We believe Zip can become the most fair and responsible payments brand in the world, on the side of merchants and consumers. We've built a brand that will grow with us as we continue to expand our global footprint, and that allows us to celebrate our merchants, customers and our Zipsters, putting them at the centre of all that we do."

REGIONAL UPDATES

Zip US (Quadpay)

All key operating metrics from US operations based on Zip's unaudited financials as of 30 June 2021.

Financial Performance ¹	Q4 FY21 (USD)	Q4 FY21 (AUD)	QoQ (USD/USD)	YoY (USD/USD)
Revenue	\$49.5m	\$64.3m	18% ↑	342% ↑
Transaction volume	\$660.2m	\$857.1m	12% ↑	306% ↑
Transactions	4.9m	4.9m	9% ↑	250% ↑

Operational Performance¹	As at 30 Jun 2021	QoQ	YoY
Customers ²	4.4m	16% ↑	144% ↑
Merchants ³	15.6k	20% ↑	388% ↑

Zip US continued its exceptional momentum from Q3 with record numbers and significant YoY growth across all metrics:

- Revenue and transaction volume growth was again a standout, up 342% YoY and 306% YoY respectively.
- The number of transactions processed on the platform increased to 4.9m (up 250% YoY), off the back of increasing customer engagement and merchant acceptance.
- Revenue as a percentage of TTV maintained at +7%, continuing to deliver market leading unit economics.
- 608k customers joined the platform with the app downloaded over 1.5m times in the quarter.
- Completed an extension and increase to the Goldman Sachs debt facility, providing capacity to support US\$5b+ in annual transaction volume while also delivering a material reduction in the weighted average cost of capital.
- New merchants to join the platform included Teleflora, Brandsmart, Live Auctioneers, Lids, Boohoo, Sears, plus thousands more.

Zip ANZ

All key operating metrics include Zip's BNPL operations in Australia and New Zealand based on Zip's unaudited financials as of 30 June 2021.

Financial Performance¹	Q4 FY21 (AUD)	QoQ (AUD/AUD)	YoY (AUD/AUD)
Revenue	\$61.4m	6% ↑	39% ↑
Transaction volume	\$893.5m	7% ↑	57% ↑
Transactions	9.2m	16% ↑	217% ↑

Operational Performance¹	As at 30 Jun 2021	QoQ	YoY
Customers ²	2.8m	8% ↑	33% ↑
Merchants ³	35.5k	10% ↑	43% ↑

Credit Performance (AU)⁴	As at 30 Jun 2021	As at 31 Mar 2021	As at 30 Jun 2020
Arrears	1.78%	1.20%	1.33%
Net Bad Debts	1.82%	1.78%	2.24%
Receivables	\$1,795.8m	\$1,636.1m	\$1,143.0m

Zip ANZ again delivered very strong growth across all key metrics. Key highlights included:

- Revenue continued to grow strongly, now annualising at c.\$250m.
- New merchants to join the platform included JB HiFi, The Good Guys, Microsoft, JD Sports, Bed Bath & Table, Taronga Zoo plus thousands more.
- In line with the Company's mission to be the first payment choice everywhere and every day, Zip launched its subscription payments service to help customers manage their recurring payments. It works by generating a unique, tokenized virtual card per subscription and then allowing customers to bundle all their subscription payments into a single monthly balance.
- Led by Zip's market-leading proprietary risk decisioning technology, net bad debts remained steady at 1.82% in line with management expectations. Zip is well placed to adjust our risk settings based on commercial strategies or external factors.

Zip UK

All key operating metrics from UK operations based on Zip's unaudited financials as of 30 June 2021.

Financial Performance¹	Q4 FY21 (GBP)	Q4 FY21 (AUD)
Revenue	£0.6m	\$1.0m
Transaction volume	£7.6m	\$13.9m
Transactions	0.1m	0.1m

Operational Performance¹	As at 30 Jun 2021
Customers ²	69.8k
Merchants ³	0.15k

Zip UK hit the ground running in Q4, delivering pleasing results in its first full quarter of trading with strong growth in transaction volume and customer numbers.

⁴ Australian figures only. Arrears defined as those accounts greater than 60 days delinquent. Bad debts defined as those accounts greater than 180 days delinquent on an annualised basis. Receivables defined as amounts due from customers.

New merchants to go live on the platform included JD Sports, Boohoo, Fanatics, Homebase, Bathstore, I Saw It First and Rebellious Fashion, with a very healthy pipeline of merchants building. The UK is leveraging many of Zip's global relationships across both merchants and partners, with recent UK partners such as The Hut Group soon to launch across other markets including the US.

The quarter also saw the completion of the re-platforming to the global technology stack, which delivers virtual card technology and Zip Anywhere capability via the Zip app.

New Markets

The global strategy continues to be a focus for the business with several important milestones achieved in the quarter. This has been supported by increasing demand from merchants for a single global BNPL solution across multiple markets with a seamless integration and consistent global service quality. Global fashion retailer, Shein, joined the Zip platform, integrating into the Single Merchant Interface (SMI) and will go live across all Zip markets globally, beginning with the Middle East.

Zip launched in Canada (US\$43.6b ecommerce and US\$324.8b retail market in 2020⁵), providing a valuable addressable market to the group, as well as an opportunity to service the growing demand to support our US merchants in Canada. This was also the first market that Zip, and the global technology stack, supported cross border transactions.

Zip officially launched in Mexico, a key milestone in the emerging market strategy, rolling out our first non-English market and enabling language translation on the global technology stack. Mexico (US\$13.8b ecommerce and US\$189.5b retail market in 2020⁵) is one of the fastest growing ecommerce markets in the world and presents a huge addressable market, and significant potential for cross border commerce.

Zip also announced its expansion into Europe and the Middle East, agreeing to acquire the remaining shares in both Twisto Payments (Europe) and Spotii Holdings Ltd (Middle East). Zip expects to complete the Spotii acquisition in Q1 FY22 and the Twisto acquisition in Q2 FY22.

ZIP BUSINESS

Financial Performance¹	Q4 FY21 (AUD)	QoQ	YoY
Revenue	\$3.2m	39% ↑	23% ↑
Volume	\$38.7m	79% ↑	430% ↑

⁵ <https://www.euromonitor.com/>

Zip Business, with a large addressable market of millions of small businesses, and Zip's expertise in servicing tens of thousands of businesses at scale, remains a key strategic pillar for the ANZ business.

In Australia, both Trade (\$3k) and Trade Plus (up to \$150k) products are now live, with Australia delivering its largest quarter to date, while New Zealand also doubled its previous record, supported by the NZ Government Guarantee scheme.

Zip's BNPL for business suite of products saw 106% QoQ growth in TTV. Customer numbers increased 49% QoQ with very strong early engagement metrics, average order values of c.\$2,100 and 2.7x transactions per user per month.

CAPITAL MANAGEMENT

	<i>Facility Vehicle</i>	<i>Facility Limit</i>	<i>Drawn at June 21</i>	<i>Maturity</i>
AU	Zip Master Trust			
	- Rated Note Series			
	*2019-1	\$475.0m	\$475.0m	Sep-21
	*2020-1	\$285.0m	\$285.0m	Oct-22
	*2021-1	\$475.0m	\$475.0m	Apr-24
	- Variable Funding Note	\$513.7m	\$145.4m	Feb-22
	2017-1 Trust	\$312.7m	\$48.0m	May-23
	2017-2 Trust	\$70.0m	\$47.0m	Dec-22
	Total	\$2,131.4m	\$1,475.4m	
US	AR2LLC	US\$300.0m	US\$111.9m	May-24
SME	Zip Business			
	- Capital	\$46.2m	\$33.5m	Jan-22
	- Trade/Trade+	\$100.0m	\$5.5m	Feb-22
	Total	\$146.2m	\$39.0m	

Following the completion of Zip's third rated note issuance in March (Series 202-1) and the renewal of the 2017-1 facility in May, Zip AU has \$656m undrawn and available as at 30 June 2021.

Zip is currently in the process of re-marketing the 2019-1 rated note series and anticipates a reduction in the weighted average margin in line with the ratings upgrades achieved since the original notes were issued. The weighted average margin on the recently issued Series 2021-1 was 1.73% + BBSW, compared to the margin on the original Series 2019-1 of 2.90% + BBSW. In addition, subsequent to the 2021-1 issuance, Zip's Senior Notes have been upgraded to a AAA rating which, subject to market conditions, should lead to further reductions in the weighted average cost of capital.



Zip has agreed an increase in the funding facility available to fund US receivables (Goldman Sachs is the senior lender) to US\$300m (US\$111.9m drawn at 30 June 2021) and extended the facility to May 2024.

Zip Business has facilities totalling \$146.2m (\$39m drawn) across Australia and New Zealand for SME BNPL products (Trade, Trade Plus) and Capital.

Zip issued A\$400m zero coupon senior unsecured convertible notes in April. The Notes will mature on 23 April 2028 unless otherwise redeemed, repurchased, or converted in accordance with their terms and conditions. At maturity, note holders will be able to redeem the notes at 116.96% of their principal amount or convert them into fully paid ordinary shares of Zip at a conversion price of \$12.39 per Ordinary Share, which represents a conversion premium of 35% over the Reference Share Price of \$9.18. The funds were raised to accelerate Zip's global expansion.

Release approved by the Chief Executive Officer on behalf of the Board.

- ENDS -

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About Zip

ASX-listed Zip Co Limited (ASX: Z1P) is a leading player in the digital retail finance and payments industry. The company offers point-of-sale credit and digital payment services to the retail, home, health, automotive and travel industries. Zip has operations across the US, Australia, New Zealand, the United Kingdom, Canada, and Mexico. Zip also owns Pocketbook, a leading personal financial management tool. The company is focused on offering transparent, responsible, and fairly priced consumer and SME products. Zip's platform is entirely digital and leverages big data in its proprietary fraud and credit-decisioning technology to deliver real-time responses. Zip is managed by a team with over 100 years' experience in retail finance and payments and is a licensed and regulated credit provider.

For more information, visit: www.zip.co