

22 September 2021

ZIP ENTERS HIGH GROWTH INDIAN BNPL MARKET THROUGH STRATEGIC INVESTMENT IN ZESTMONEY

Zip Co Limited (ASX: Z1P) (“Zip” or the “Company”) is pleased to announce that it has agreed to make a strategic investment in ZestMoney, a leading Indian BNPL operator.¹ Founded in 2015 by Lizzie Chapman, Priya Sharma and Ashish Anantharaman, ZestMoney is one of the largest and fastest growing BNPL platforms in India with 11 million registered users having signed up, over 10,000 online merchants on the platform and with a point of presence in over 75,000 physical stores.

This investment is consistent with Zip’s strategy to build a truly global BNPL business that supports regional and global partners in multiple markets, providing everyone, everywhere with access to fair and transparent payment products. Zip is well placed to continue to accelerate with BNPL forecast to become the fastest growing eCommerce payment method over the next 5 years.²

India market poised for consumption driven boom

India has the potential to become one of the largest markets globally and by FY2026 is forecast to have US\$300bn+³ in BNPL payment volume. This will be driven by:

- Changing consumer spending trends, in particular young aspirational individuals view of credit and how they engage with financial services
- Current low penetration of online shopping (Only 100⁴ million shoppers currently transact online, which is less than 10% of India’s population, and is expected to increase to 220⁵ million in 2025)
- Population age demographics (more than half⁶ of India’s population of c. 1.4bn⁷ is under the age of 30, and more than 50%⁶ is expected to be aged 15-49 by 2026 with this group expected to drive the India consumption story going forward)

¹ Zip’s investment in ZestMoney is occurring by way of Zip investing in Primrose Hill Ventures Pte Ltd (Company Registration No. 201627962E), a company incorporated in Singapore, which is the holding company of the ZestMoney business. Zip is investing through its wholly-owned subsidiary, Zip International India Pty Ltd.

² WorldPay Global Payments Report, 2021.

³ Redseer, 2021: Internet-focused consulting firm.

⁴ Street Research, ZestMoney.

⁵ India Brand Equity Foundation (IBEF), 2021.

⁶ National Population Commission, Government of India, 2019.

⁷ Worldometers.

- A large under penetration of credit, an emerging middle class, transformation in the digital payment ecosystem and robust growth in retail and eCommerce markets
- The eCommerce market in India is set to reach c. US\$120bn⁸ by 2025 underpinned by strong economic growth and increasing access to the internet
- The overall user base for BNPL has potential to reach c. 80-100m³ users by FY2026 surpassing the 73m³ unique credit card users in India

ZestMoney is a market leader and a highly scalable business with expanding network effects

ZestMoney has several attractive features:

- Largest fully automated, AI-driven BNPL provider for mass market customers in India
- Partners with over 10,000 online merchants across all major consumer verticals including Amazon, Flipkart and Apple. This is complemented by over 75,000 points of presence in physical stores significantly increasing the total addressable opportunity
- Differentiated product set, offering loans to customers across short term tenures (15-30 days) as well as long term tenures (3 to 18 months)
- Diverse funding solutions with capacity to extend finance directly through its own credit license or a capital light model leveraging partner bank balance sheets
- Deep omni-channel point-of-sale acceptance network in India servicing 19,000+ area codes
- A strong management team and innovative culture that is backed by leading global fintech investors including PayU (Prosus), Goldman Sachs and Ribbit Capital
- Recognised as a 'Technology Pioneer' by the World Economic Forum in 2020 for making affordable digital finance accessible to a large number of people

Investment overview and Zip's disciplined approach to investing for growth

Zip will acquire a minority shareholding in ZestMoney by investing US\$50.0m to subscribe for Series C Preference Shares. Zip has also negotiated terms to increase its shareholding over time⁹, with specific reserved matters requiring Zip approval and a board seat as part of the investment.

As part of its disciplined global investment strategy, Zip identifies high growth targets, in attractive markets, with the potential to generate strong standalone cashflows, which can then be further accelerated by leveraging Zip's scale economies,

⁸ GlobalData

⁹ Zip's various rights to increase its shareholding over time is exercisable at Zip's discretion.

merchant network, technology and experience. This investment has been executed using a similar strategy to that which has been successful in the US (Quadpay). At 30 June 2021 Zip had \$461.6m cash and cash equivalents available and remains well funded to support and accelerate its global operations.

Zip Co-founder and Chief Executive Officer Larry Diamond said:

"We are excited to partner with ZestMoney to drive fair and responsible payment solutions in India. While Buy Now, Pay Later is emerging as a preferred mode of payment globally, in India it also plays a crucial role in driving access to credit. With more people using digital payments and online shopping, ZestMoney can positively impact hundreds of millions of lives in the coming years. With deep partnerships with online and offline merchants and lending partners, ZestMoney is poised to accelerate growth as the market develops. We have been incredibly impressed with the founders and leadership team and look forward to the next stage of the ZestMoney journey."

Lizzie Chapman, ZestMoney's Co-founder and CEO, said:

"We are thrilled to have Zip come onboard for the next phase in our journey of powering affordability in the lives of Indian consumers. This is a deep validation of our position as the market leader in the Buy Now Pay Later category in India. The shift towards Pay Later solutions is a global phenomenon and represents young digital consumers looking for transparency, honesty and no hidden charges in financial products. We believe India will leapfrog traditional products like credit cards, along with many other emerging markets, going straight to digital payment solutions. We strongly believe India will emerge as the largest BNPL market in the world over the next 5 years."

The strategic investment is subject to several conditions precedent and is expected to complete prior to the end of September.

Advisers

Zip is advised by:

- Financial: Monash Advisory, FirstRand Bank Limited (India Branch) and Jarden Australia
- Legal: White & Case (Singapore), Khaitan & Co (India), Arnold Bloch Leibler (Australia)

ZestMoney is advised by:

- Financial: BofA Securities, Deloitte (India)
- Legal: Cooley (Singapore), Minter Ellison (Australia)

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

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For more information, please contact:

Larry Diamond
Chief Executive Officer
larry.diamond@zip.co

Martin Brooke
Chief Financial Officer
martin.brooke@zip.co

Mathew Abbott
Director, Corporate Affairs
matthew.abbott@zip.co
0402 543 128

For general investor enquiries, email investors@zip.co

About Zip

ASX-listed Zip Co Limited (ZIP: ASX) or (“Zip”) is a leading global financial services company, offering innovative, people-centred products that bring customers and merchants together. On a mission to be the first payment choice everywhere and every day, Zip offers point-of-sale credit and digital payment services in 12 markets around the world, including through strategic investments, connecting millions of customers with its global network of tens of thousands of merchants.

One of the fastest growing BNPL providers globally, Zip has a presence in Australia, Canada, Czech Republic, Mexico, New Zealand, the Philippines, Poland, Saudi Arabia, South Africa, UAE, the United Kingdom and the USA. Zip provides fair, flexible and transparent payment options to individual consumers and SMBs, helping them to take control of their financial future and helping merchants to grow their businesses. Zip is committed to responsible lending and also owns Pocketbook, a leading personal financial management tool. Founded in Australia in 2013, Zip now employs over 1,000 Zipsters worldwide.

For more information, visit: www.zip.co

About ZestMoney

ZestMoney is the largest and fastest growing Buy Now, Pay Later platform in India. Founded in 2015 by Lizzie Chapman, Priya Sharma and Ashish Anantharaman the company enables affordability in the lives of millions of people by offering transparent pay later options at the checkout of online and offline stores. The company’s mission is to impact the lives of 300 Mn households who have little or no access to credit cards or other formal financing options.

It is the largest omnichannel Buy Now, Pay Later company in India with presence at 10,000+ online and 75,000 physical stores. Customers can use the ZestMoney Pay Later option across categories from smartphones, large appliances, fashion, travel, Electric vehicles and Edtech courses among others. In 2020, it was recognised as a ‘Technology Pioneer’ by the World Economic Forum for its innovative technology and work to make affordable digital finance accessible to a large number of people.

For more information, visit: www.zestmoney.in