

20 January 2022

Q2 FY22 RESULTS UPDATE

Zip momentum continues

Zip Co Limited (ASX: Z1P) (“Zip”, or the “Company”) is pleased to announce today its Q2 results for the period ending 31 December 2021.

KEY HIGHLIGHTS (Q2 FY22)

* Note: all figures in AUD unless otherwise specified.

- Record group quarterly revenue of \$167.4m (up 58% YoY).
- Record quarterly transaction volume of \$2.6b (up 53% YoY).
- Record transaction numbers for the quarter of 22.4m (up 85% YoY).
- Customer numbers increased to 9.9m (up 57% YoY).
- Merchants on the platform increased to 81.8k (up 110% YoY).
- Achieved target of more than \$50m transaction volume per month from expansion markets¹ (and Payflex) in both November and December.
- Zip signed enterprise merchants including Footlocker, Mercari, Revolve, Shein, Driven Brands, Swappa, Electronics Express, Nespresso, Virgin Australia, Oscar Wylee, Culture Kings, Under Armour and many more.
- Completed the acquisition of Twisto providing a regional HQ and passport for European expansion. The acquisition of Payflex is expected to complete in early 2022.
- Renewed the Variable Funding Note (VFN) within the Master Trust, extending its maturity to March 2024. Increased the facility limit to \$535.4m (from \$513.7m) and the weighted average margin on the VFN reduced by 0.5%.

¹ Expansion markets include Canada, Mexico, Twisto (Poland and Czech Republic) and Spotii (UAE and KSA).

CEO UPDATE

Zip Managing Director and Global CEO, Larry Diamond said:

“Some solid growth in the quarter as Zip delivered another very strong set of numbers. The business continues to execute on its strategy with growth driven by both customer and merchant acquisition, and the increasing levels of engagement as we pursue our mission of becoming the first payment choice everywhere and every day. The growing contribution from expansion markets is pleasing and should continue to build in the medium term in line with Zip’s global strategy. Despite external noise and challenges the business continues to deliver and we are very well placed to continue the growth and momentum in 2022.”

BUSINESS PERFORMANCE

Zip continues to deliver with strong Q2 results across its BNPL operations in the United States, Australia, New Zealand, United Kingdom and Expansion Markets²:

Pro-forma figures based on Zip’s unaudited financials as of 31 December 2021.

Financial Performance ² (AUD)	Q2 FY22	QoQ	YoY
Revenue	\$163.1m	19% ↑	58% ↑
USA	\$79.1m	18% ↑	60% ↑
ANZ	\$75.9m	18% ↑	45% ↑
UK	\$2.1m	75% ↑	N/A
Expansion Markets ¹	\$6.0m	30% ↑	107% ↑
Transaction Volume	\$2,588.7m	30% ↑	55% ↑
USA	\$1,161.2m	22% ↑	64% ↑
ANZ	\$1,273.7m	39% ↑	40% ↑
UK	\$32.3m	51% ↑	N/A
Expansion Markets ¹	\$121.5m	33% ↑	118% ↑

² Unaudited management accounts. All financial figures are translated into AUD using the average quarterly foreign exchange rates for the respective quarter. Reported current and comparative financial performances include entities not acquired are reported on a pro-forma basis.

Transactions	22.4m	32% ↑	85% ↑
USA	6.5m	23% ↑	55% ↑
ANZ	13.4m	43% ↑	106% ↑
UK	0.3m	50% ↑	N/A
Expansion Markets ¹	2.2m	5%↑	47%↑

Operational Performance ²	As at 31 Dec 2021	QoQ	YoY
Customers³	9.9m	11% ↑	57% ↑
USA	5.7m	14% ↑	78% ↑
ANZ	3.0m	3% ↑	20% ↑
UK	183.4k	47% ↑	N/A
Expansion Markets ¹	1.0m	11%↑	43%↑
Merchants⁴	81.8k	39% ↑	110% ↑
USA	18.5k	8% ↑	120% ↑
ANZ	40.2k	6% ↑	34% ↑
UK	0.4k	100% ↑	N/A
Expansion Markets ¹	22.7k	514%↑	3,683% ↑

³ Number of active customer accounts.

⁴ Number of accredited merchants.

REGIONAL UPDATES

Zip US

All key operating metrics include Zip's BNPL operations in the US based on Zip's unaudited financials as of 31 December 2021.

Financial Performance ²	Q2 FY22 (USD)	QoQ	YoY
Revenue	\$57.6m	17% ↑	60% ↑
Transaction volume	\$845.1m	20% ↑	63% ↑
Transactions	6.5m	23% ↑	55% ↑

Operational Performance ²	As at 31 Dec 2021	QoQ	YoY
Customers ³	5.7m	14% ↑	78% ↑
Merchants ⁴	18.5m	8% ↑	120% ↑

Key highlights for the US include:

- Both transaction volume (up 63% YoY) and transaction numbers (up 55% YoY) delivered record results, driven by increases in both new and transacting customers. Zip had a record number of transacting customers in both November and December.
- Ahu Chhapgar (ex PayPal, Mastercard, Citi) joined as Global CTO and Levi Aron (ex SevenRooms, Deliveroo) joined as Chief Growth Officer, significantly increasing the Company's leadership capability.
- ZipFest was a four day pre-holiday shopping event held in October which resulted in over 70k app downloads and ~20% WoW TTV growth.
- Launched with Mercari, Revolve and Shein in the quarter with a healthy pipeline developing including a number of advanced discussions with top 50 US retailers.
- App downloads remain healthy with 1.4m new downloads in the quarter.
- In line with our strategic objective to increase penetration into the large instore opportunity we have completed significant work to prepare for the launch of our

physical card program. We will be looking to scale this program in Q3, significantly improving our in-store channel capabilities.

Zip ANZ

All key operating metrics include Zip's BNPL operations in Australia and New Zealand based on Zip's unaudited financials as of 31 December 2021.

Financial Performance ²	Q2 FY22 (AUD)	QoQ	YoY
Revenue	\$75.9m	18% ↑	45% ↑
Transaction volume	\$1,273.7m	39% ↑	40% ↑
Transactions	13.4m	43% ↑	106% ↑

Operational Performance ²	As at 31 Dec 2021	QoQ	YoY
Customers ³	3.0m	3% ↑	20% ↑
Merchants ⁴	40.2k	6% ↑	34% ↑

Credit Performance (AU) ⁵	As at 31 Dec 2021	As at 30 Sep 2021
Arrears	1.64%	1.87%
Net Bad Debts	2.83%	2.44%
Receivables	\$2,164.2m	\$1,809.1m

Zip ANZ again delivered very strong results in what is typically a strong seasonal period, including in December when external COVID challenges significantly impacted the broader environment and general retail conditions.

Key highlights for Zip ANZ included:

- A step change in transaction volume, up c.40% both QoQ and YoY driven by strong increases in customer engagement over the period.

⁵ 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.

- Revenue continues to grow, \$75.9m, up 45% YoY, a pleasing result into the Company's 9th year of operations.
- New merchants to go live included Shein, Virgin, Autoguru, Under Armour, Strandbags, Dell, The Hut Group, Culture Kings, Giant Bicycles, Footlocker and many more.
- Strengthened the leadership team with Cynthia Scott appointed as ANZ MD and Travis Tyler joining as Chief Product Officer.
- Net Bad debts continue to perform in line with management expectations and risk settings. The results reflect our risk settings from 12 months ago and have now been adjusted, as can be seen by the reduction in arrears, to settle at around our medium term net bad debt target.
- Penetration into instore and everyday spend categories continues to increase in line with the Company's strategic objective and significant addressable BNPL opportunity.

Zip UK

All key operating metrics include Zip's BNPL operations in the UK based on Zip's unaudited financials as of 31 December 2021.

Financial Performance ²	Q2 FY22 (GBP)	QoQ	YoY
Revenue	£1.1m	57% ↑	N/A
Transaction volume	£17.5m	54% ↑	N/A
Transactions	0.3m	50% ↑	N/A

Operational Performance ²	As at 31 Dec 2021	QoQ	YoY
Customers ³	183.4k	47% ↑	N/A
Merchants ⁴	0.4k	100% ↑	N/A

Key highlights for Zip UK included:

- Continued strong growth in transaction volume, up 54% QoQ, driven by increasing customer engagement and new merchant signings.

- Over 100 new merchants joined the platform across a cross section of industry verticals. Including Jollies, Bugaboo, Gillette, Coca Cola, Speedo, Revlon, Oral B and Shein to name a few.
- Successful launch partnership with Google wallet (Apple Pay went live in Q1) to support the “Tap and Zip” instore offering which is now live across hundreds of locations in the UK with Homebase, Yours Clothing, Hype, The Fragrance Shop and Jollies Pet Superstore all part of the initial launch program.
- Addition of 220 new affiliate partnerships within the Zip App with brands such as Halfords, Gymshark, Avon, Samsung and Trespass joining the network.
- The appointment of digital banking expert Anthony Thompson as chair of Zip UK brings significant experience and expertise to the UK business.

Expansion Markets

All key operating metrics include Zip’s BNPL operations from Canada, Mexico, Twisto (Poland and Czech Republic) and Spotii (UAE and KSA) based on Zip’s unaudited financials as of 31 December 2021.

Financial Performance ²	Q2 FY22 (AUD)	QoQ	YoY
Revenue	\$6.0m	30% ↑	107% ↑
Transaction volume	\$121.5m	33%↑	118%↑
Transactions	2.2m	5%↑	47%↑

Operational Performance ²	As at 31 Dec 2021	QoQ	YoY
Customers ³	1.0m	11%↑	43%↑
Merchants ⁴	22.7k	514%↑	3,683%↑

Key highlights for Zip’s Expansion Markets included:

- Zip completed the previously announced full acquisition of Twisto, providing Zip with a gateway to the EU marketplace, the world’s third largest eCommerce market, and an additional 1m customers and 22k+ merchants. Twisto recorded its strongest ever quarter,

driven by its 'Buy for Xmas, pay in January' campaign, up 21% from the previous quarter. Twisto also secured an additional debt facility for its Polish book, allowing for future growth.

- Zip finalized the acquisition of Spotii, which recorded another record quarter with volumes up 60% QoQ. This growth is driven by heightened demand out of KSA (Kingdom of Saudi Arabia) with Shein going live across both UAE (United Arab Emirates) and KSA.
- Mexico delivered strong growth across all key metrics, driven by high consumer adoption through Claroshop (one of Mexico's largest marketplaces). Mexico's sales pipeline remains strong, having recently signed a number of large merchants including Telmov (Technology), Ópticas Lux (Fashion) and Highstreet (Fashion).
- Canada transaction volume continues to grow, with a healthy step-change during the most recent holiday period. Zip recently signed an exclusive local agreement with electronics retailer Newegg, continuing the strong relationship built out of the US. There continues to be a strong demand for X-border trade from Canadian customers purchasing from Zip's US retailers.
- Zip completed the acquisition of South African based Payflex in early January, the leading BNPL player in South Africa, adding 1.3k+ retailers and 200k+ customers to the Zip Group. Payflex experienced record growth in volume (up 49% QoQ), customers and merchants throughout 2021. The partnership with PayU continues to pay dividends, integrating merchants such as Moresport, Cape Union Mart and JD Group. Payflex also rolled out their pilot program for an in-store solution, giving them access to a significantly unpenetrated segment of the market. (NB Payflex will not be consolidated into the Group until H2).
- Successfully launched Zip Singapore off the back of a partnership agreement with Singtel Dash (SGX:Z74). Early traction is ahead of expectations with a number of merchants joining the platform including, klook, Omnidesk, Prism+ and Reebelo.

ZIP BUSINESS

Financial Performance ²	Q2 FY22 (AUD)	QoQ	YoY
Revenue	\$4.3m	13% ↑	115% ↑
Transaction volume	\$37.0m	9% ↑	281% ↑

Operational Performance ²	As at 31 Dec 2021	QoQ	YoY
Customers	11.0k	13% ↑	633% ↑

Key highlights for Zip Business included:

- Q2 represented a record period for Zip Business AU driven by record transaction volume in November before Covid restrictions started to considerably impact small businesses in December.
- Building upon the success of the tap to pay feature, Zip Business Single Use cards were launched to enable Trade customers to transact anywhere online. Early indications show strong customer adoption with 38% of eligible customers transacting using digital cards in the first few weeks since launch.
- Customer acquisition remains strong, achieving another milestone in the quarter, hitting 11k Zip Business customers.
- Customer engagement continues to build, reinforcing the strong utility and product-market fit of Zip Business, and the significant market opportunity.

CAPITAL MANAGEMENT

	Facility Vehicle	Facility Limit	Drawn at Dec 21	Maturity
AU	Zip Master Trust			
	- Rated Note Series			
	*2020-1	\$285.0m	\$285.0m	Oct-22
	*2021-1	\$475.0m	\$475.0m	Apr-24
	*2021-2	\$617.5m	\$617.5m	Sep-24
	- Variable Funding Note	\$535.4m	\$430.2m	Mar-24
	- Variable Funding Note 2	\$200.0m	\$0m	Jan-23
	2017-1 Trust	\$264.7m	\$191.0m	May-23
	2017-2 Trust	\$100.0m	\$47.0m	Sep-23
	Total	\$2,477.6m	\$2,045.7m	
US	AR2LLC	US\$300.0m	US\$161.9m	May-24

NZ	Zip NZ Trust 2021-1	NZ\$30.0m	NZ\$0m	Jun-23
Europe	Twisto Czech	Kč 658.0m	Kč 570.2m	Oct 22
	Twisto Poland	€19.3m	€7.0m	Sep 23
	Total	€45.5m	€29.7m	
SME	Zip Business			
	- Capital Australia	\$35.0m	\$26.0m	Mar-22
	- Capital New Zealand	NZ\$12.0m	NZ\$8.0m	Feb-22
	- Trade/Trade+	\$100.0m	\$9.5m	Nov-23
	Total	\$146.3m	\$43.1m	

- Zip remains well placed with regards to its capital management requirements.
- As at 31 December, Zip AU had \$431.9m undrawn and available to fund receivables.
- The maturity date of the Variable Funding Note facility has been extended to Mar-24 and the facility limit increased by \$20.7m. The weighted average margin has reduced to 2.48% (as compared to 2.98% previously). In addition, Zip's subordination requirement has reduced to 5%, previously 7%.
- Zip has also added an additional Variable Funding Note facility within the Master Trust with an international bank as the Senior Funding partner. This additional Senior Note facility will be available in Q3 with a limit of \$200m and an initial maturity date of January 2023.
- The 2017-2 Trust facility has been extended to Sep-23 with a total facility limit of \$100m an increase of \$30m from the previous limit.
- Zip has executed a new funding facility in New Zealand with Bank of New Zealand as Senior Funder. The facility has a limit of NZ\$30m and has an availability period to June 2023. The facility remained undrawn at 31 December.
- The Zip Business (Capital) facility in Australia has been extended to March 2022 and is currently in the process of getting approved for a further extension with an increased facility limit. Zip is also in the final stages of getting approval for the extension and increase in limit of the New Zealand facility which is currently due for renewal in February 2022.

- In November 2021 Zip completed the acquisition of Central European BNPL provider Twisto. Twisto has debt facilities with a combined limit of €45.5m and an undrawn balance at 31 December of €15.8m.
- Zip US has US\$140.1m undrawn and available to fund US receivables.
- Capital efficiency remains healthy with the book recycling approximately every 3-4 months on a blended basis.

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

- ENDS -

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About Zip

ASX-listed Zip Co Limited (Z1P: 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 14 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, India, Mexico, New Zealand, the Philippines, Poland, Saudi Arabia, Singapore, 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 1,500 Zipsters worldwide.

For more information, visit: www.zip.co