

3 November 2022

2022 AGM – Chair address

Zip Co Limited (ASX: ZIP) (“Zip”, or the “Company”) releases to the market the address of the Chair, Diane Smith-Gander AO to be delivered at Zip’s Annual General Meeting at 10:00am today.

Release approved by the Board.

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About Zip

ASX-listed Zip Co Limited (ASX: ZIP) (ABN 58 164 440 993) 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 around the world, including through strategic investments, connecting millions of customers with its global network of tens of thousands of merchants.

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 is managed by a team with over 100 years’ experience in retail finance and payments. Zip is also a licensed and regulated credit provider and was founded in Australia in 2013.

For more information, visit: www.zip.co

Shareholders who would like to receive email communications from Computershare for all future correspondence, visit <http://www.computershare.com.au/easyupdate/ZIP>.

Chair's address

Before we move to the formal part of the meeting, I will make some comments on performance in the financial year to 30 June 2022 and reflect on our areas of focus as a Board. I will then hand over to Larry Diamond, Zip's co-founder, CEO and Managing Director, for his remarks, including an update on the Company's current performance and outlook.

As I reflect on the past 12 months, it has been another year of significant growth for Zip in terms of revenue, number of customers and merchants. Your Company delivered revenue of \$620.0 million, up 57% and ended financial year 2022 with 11.4 million customers and over 90,000 integrated merchants globally. These figures demonstrate the increasing relevance of our products to both customers and merchants.

In the first half of the year, Zip expanded into geographies outside ANZ and the US as part of our global growth strategy. Markets shifted significantly towards the end of the half, perhaps faster than most observers thought possible. This has required a review of our strategy. While it is clear BNPL is relevant globally, in light of these changing market conditions, the Board recalibrated strategy to focus on Zip's core markets of ANZ and the US. The clear aim is accelerating the pursuit of positive group cash flow. We are now well advanced in a strategic review of our non-core markets and reallocating capital and resources accordingly.

During the year, Zip also announced both the acquisition of Sezzle as part of the US growth strategy, and the subsequent mutually agreed termination of the proposed transaction. Your Board determined the changes to the broader macroeconomic environment and market conditions post signing, made it in the best interests of the Company and shareholders to mutually agree to terminate the proposed acquisition.

In the year, a combination of both internal and external factors contributed to credit losses increasing beyond our target range. Zip responded by adjusting risk settings and implementing portfolio management and collections initiatives to lower credit losses back towards target levels. Due to Zip's product construct and therefore short recycling of the loan book we have been able to deliver results quickly. In the US, credit loss rates for the most recent cohorts in this market are now in line with target levels of below 2% of TTV and losses in the Australian business have peaked and are declining in line with expectations.

In a rising interest rate and inflationary environment Zip's products continue to provide useful cash flow and budgeting solutions for consumers, and more value for merchants with benefits of new and repeat customers and increased order values. Through our unique offering and partnerships with merchants, we provide short and long-term lending, across both open and integrated networks, giving our customers the flexibility to manage payments of all types - from daily necessities to larger purchases.

At Zip we recognise that our obligations extend beyond simply our product and financial performance. In the previous financial year, we launched our strategic framework for sustainability – Zip it Forward – with initiatives delivering on our environmental, social and governance considerations and we have progressed this meaningfully in financial year 2022.

As a Board, we have continued to assess our performance and take the time to bring together the right mix of skills and experience to support the business and its strategic priorities. This is critical to steering the business with confidence and it is our intention to expand the Board as we continue to grow in our core markets. Pippa Downes left the Board during the year, and we welcome Meredith Scott as Chair of our Audit and Risk Committee. Meredith will speak to her profile later in the meeting to support her election but suffice to say the Board has been well strengthened by Meredith's extensive audit experience built of more than three decades with Ernst and Young.

We are devoting time to developing robust governance frameworks that guide the business as it scales without hindering innovation and speed. The Board ensures that we have the ability to manage and mitigate key risks. This year we undertook an external review of Zip's risk management framework to ensure that it remains appropriate. During the year, we further strengthened our capabilities with additional investment in our risk and compliance functions and cyber security resilience. This is particularly important as we build scale. Your Board and senior management constitute a Cyber Security Council which meets monthly under non-executive director John Batistich's leadership. John's energy and attention to this important topic is really noteworthy.

Zip has always been proactive in our approach to our obligations as a key player in financial services and we are attuned to the regulatory environment. Your Company takes seriously its responsibilities to consumers and supports appropriate, fit-for-purpose regulation. Responsible lending and genuine care for the consumer is in our DNA, reflected in our practice of conducting credit and affordability checks on our customers. Given this approach, this may give us an additional operating advantage should regulation develop across our core markets. We engage actively with regulators, including with Treasury for their current review in the Australian market and in the US where the recent CFPB report makes very positive statement of the role BNPL plays in supporting under-served consumer segments.

As a financial technology company, we also understand the challenges of financial inequality, as well as the importance of financial wellbeing and feeling financially empowered. We remain committed to providing simple, fair, and transparent products that allow customers to take control of their financial future. We work with key partners such as Young Change Agents and Way Forward that aid financial wellbeing in our communities, something that we are looking forward to developing further in the current financial year.

Decreased global mobility from the pandemic continues to drive competition for skilled people in many markets. Zip's commitment to driving a people-first culture is key to the recruitment and retention of the talent that fuels innovation throughout our business. Our employees are highly engaged and over the last 12 months, we have focused on building the capability of our senior leaders, career development and employee wellbeing. We also recruited and retained talent in areas that required additional focus, contributing to our resilience and competitive positioning.

Zip knows that businesses with greater diversity achieve improved long-term success. Though we have taken many steps, including implementing a global strategy for Diversity, Equity and Inclusion, there is more to do. On gender equality, I am pleased that this year we reviewed and extended our measurable objectives for gender diversity to 40% women, 40% men, 20% any gender by the 2026 financial year, at all levels including for our Executive Team and the Board. This year we will be extending our DEI initiatives with the design and roll out of our First Nations inclusion strategy in Australia.

Your Company acknowledges that climate change is a risk to Zip and to people, customers, and communities around the globe. That is why we've been integrating climate change considerations into our governance, risk management and strategy processes, in alignment with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). I'm also pleased to say that we continued our commitment to being a global climate neutral organisation and more work is underway to establish science-based emission reduction targets and an emissions reduction strategy.

Zip has a clear plan and a focused strategy. Your Company is intent on becoming self-sufficient, and in the past year the Board and management team has acted decisively to secure this objective, taking steps to make our organisation simpler and more efficient and choosing to refocus on Zip's core markets.

During financial year 2022, Zip also raised \$173 million through a fully underwritten institutional placement and share purchase plan, providing the Company with the capital to progress our strategic priorities and sufficient runway to deliver positive cash flow.

Zip remains steadfast in its mission to deliver fair and transparent payments solutions and the opportunity ahead is significant. In ANZ, our product continues to gain traction and we are focused on deepening customer engagement and delivering increased lifetime value. With a renewed focus on the higher margin product Zip Money and execution of further operating efficiencies, we expect to deliver margin expansion and EBTDA growth in this segment.

In the US, the opportunity for BNPL is nascent with penetration below 2% of the total addressable market¹. Zip's differentiated offering is well placed to claim meaningful market share and we are focused on scale and sustainable growth – key to our goal of positive cash EBTDA in the US as we exit financial year 2023. With Larry relocating to the US to bring additional focus to this strategic market, your Company fully recognises the significant opportunity and its importance to Zip's growth trajectory. Our board renewal focus remains on securing a credentialed US based director.

To the Directors and Management team, thank you for your clear thinking and stewardship in financial year 2022.

To our Zipsters, your hard work, character and commitment directly improves our business. Financial year 2022 was a challenging year, however the Company has come through that year with a sharpened focus and is well positioned for the future.

And finally, thanks to you, our Shareholders, for your support of our business. There are exciting opportunities ahead for Zip. I am pleased with how the team is executing on its plan to support our mission and drive long-term shareholder value. We still have much more to do on the Zip journey and we look forward to your ongoing support.

¹ WorldPay Global Payments Report 2022