Zip Co Limited

HY23 Investor Presentation

23 February 2023

Our Mission

To be the first payments choice everywhere and every day.

Our Purpose

To create a world where people can live fearlessly today, knowing they are in control of tomorrow.

Agenda

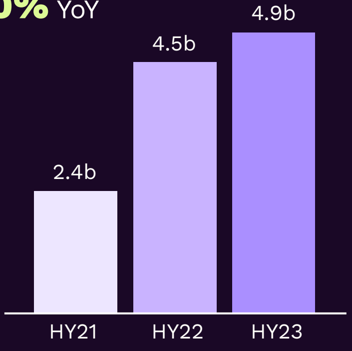
01.
Highlights

Strong operating performance in HY23

Solid growth despite external environment and tighter risk settings

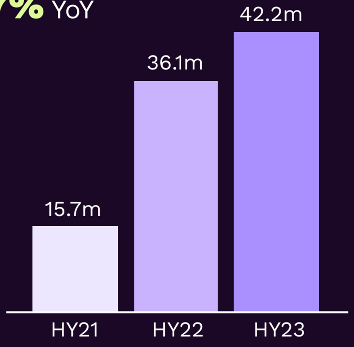
TTV ($)

+10% YoY



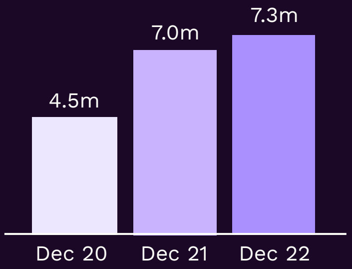
Transactions (#)

+17% YoY



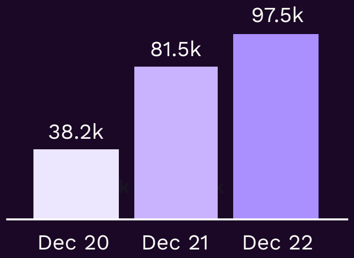
Active Customers[1] (#)

+4% YoY



Merchants (#)

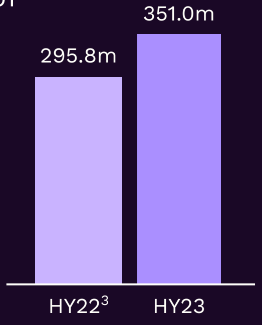
+20% YoY



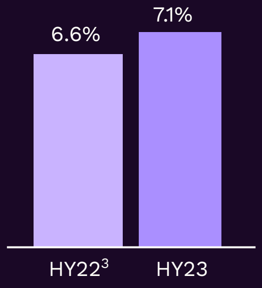
Note: 1. Defined as customer accounts that have had transaction activity in the last 12 months.
All figures based on Zip's unaudited financials as of 31 December 2022. Figures in AUD. Calculated Figures may not reconcile exactly due to rounding. All numbers presented comprise Zip's continuing operations as at Dec-22. Zip's operations in the UK, Singapore and Mexico were discontinued during the period.

Financial performance

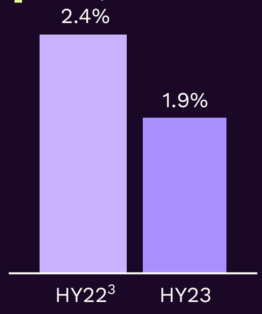
Revenue[1,2] ($)
+19% YoY



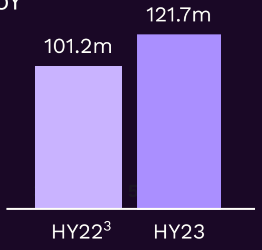
Revenue margin (% of TTV)
+50bps YoY



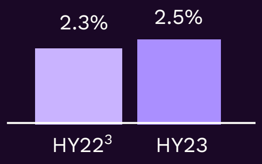
Credit Losses[4] (% of TTV)
-50bps improvement YoY



Cash gross profit ($)
+20% YoY



Cash transaction margin (% of TTV)
+20bps YoY



Core Cash EBTDA[5]

($33.2m)

+$27.3m improvement YoY

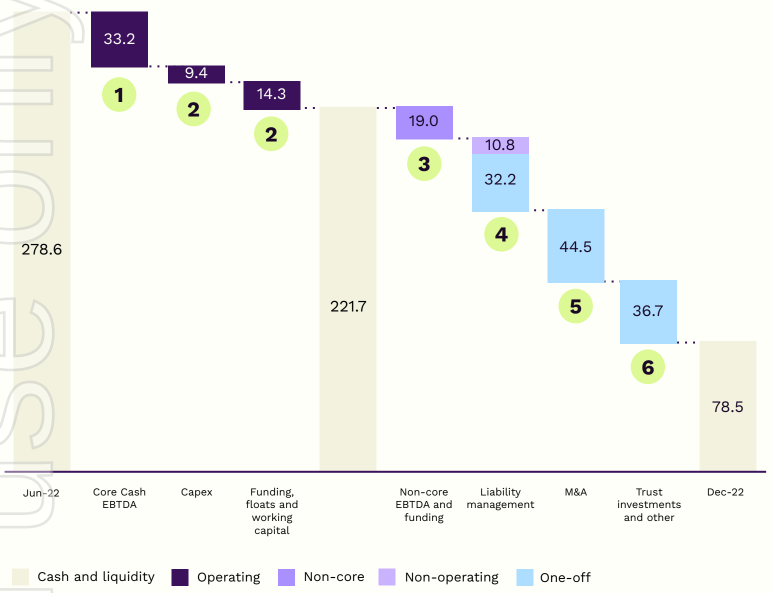
Note: 1 Revenue does not include other income, 2. Revenue for HY23 is unaudited, 3. Refer to appendix for detailed restatement of HY22 financial statements, 4. Excluding the movement in the provision for expected credit losses, 5. Includes ANZ, Americas, Zip Business and Corporate segments, adjusted for one-off items.

HY23 highlights

Growth	A record half across key operating metrics: **TTV up 10% YoY to $4.9b**; **Revenue up 19% YoY to $351.0m**; total transactions up 17% YoY to 42.2m and total merchant partners up 20% YoY to 97.5k.
Merchants	Zip continued to add to its merchant footprint, in AU consolidating its leading position in travel going live with **Qantas, Jetstar and Uber** as well as launching with **eBay AU**. In the US, Zip's **shop anywhere proposition was used at >500k locations**, both online and instore in HY23.
Business model	Zip's BNPL anywhere proposition provides additional value to customers and merchants in a rising cost environment, and its differentiated business model has demonstrated its resilience with **cash NTM increasing by 20bps to 2.5%**, a great result in a world of rising interest rates. AU business is well placed for regulatory change and is benefitting from consolidation.
Accelerating profitability	**Zip US and NZ delivered positive cash EBTDA** in November and December, supported by strong seasonal volumes, with both markets continuing that result in January. **Zip US and NZ are both on track to exit FY23 cash EBTDA positive** on a sustainable basis. **AU has been profitable for the past four years**.
Balance sheet	Took actions to improve the balance sheet with $110m of liabilities retired, and completed an upsized $300m debt issuance. Zip remains well funded with **sufficient available cash and liquidity** to support execution of strategic priorities through to group **positive cash EBTDA during 1H24**. **Strategic review complete** with additional **cash inflows from business sales, closures or restructures expected during 2H23** and **cash burn from RoW neutralised**.

HY23 included >$140m in non-core, non-operating and one-off cash outflows

HY23 movements in available cash and liquidity, ($m)



Key movements in HY23 explained

Operating: execution of strategy driving significant improvement a significant improvement of HY22

1
- Core Cash EBTDA ($33.2m) in HY23

2
- Capital expenditure and funding, floats and working capital totalled ($23.7m) for the period

Non-core, non-operating and one-off: >$140m in cash outflows in HY23

3 Non-core EBTDA and funding ($19.0m)
- $16.4m of non-core operating costs in markets outside ANZ and the US
- $2.6m in funding, floats and working capital in non-core markets

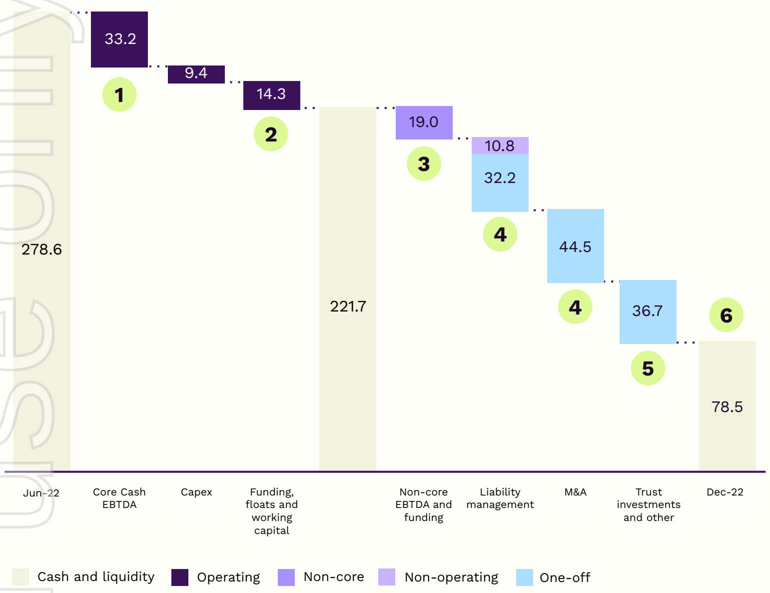
4 Liability management ($43.0m)
- $43.0m payment to retire $40m of interest bearing convertible notes in Sep-22
- Retired $70.0m of convertible notes for $0.23 in the dollar in Dec-22 (cash neutral transaction)

5 M&A ($44.5m)
- $28.2m of costs associated with prior acquisitions (e.g. Quadpay) and business wind downs (e.g. Zip Business Trade and Trade+)
- $16.3m termination payment to Sezzle

6 Trust investments and other ($36.7m)
- $32.4m additional equity invested to support growth; classified as restricted until released
- $4.3m bank guarantee for future corporate office facilities

Significant improvement expected in cash flows in 2H23

HY23 movements in available cash and liquidity, ($m)



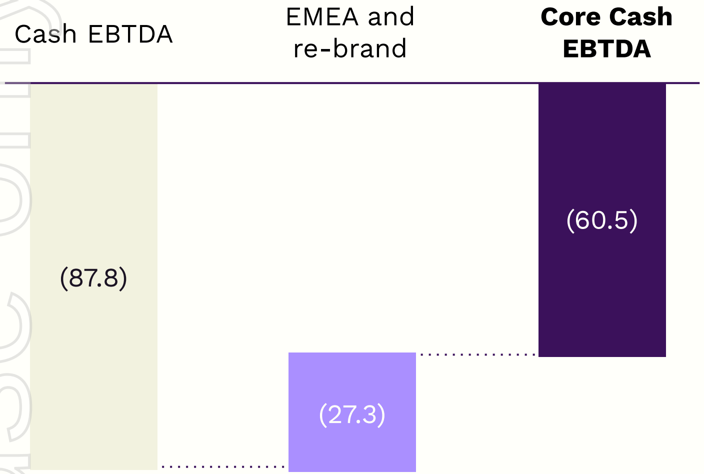
Cash flow expectations for 2H23

1. Improvement of up to 50% in Core Cash EBTDA (vs 1H23) driven by strategic focus on profitable growth, transaction margins and ongoing cost reduction actions
2. Reduced debt funding requirements in 2H23 following seasonal TTV and receivables peak
3. Neutralised cash burn from RoW
4. Significant reduction in one-off payments related to liability management and M&A in 2H23
5. Potential release of additional Trust Investments in Zip's debt funding program with initiatives underway
6. Cash inflows from business sale / closures or restructures expected during 2H23

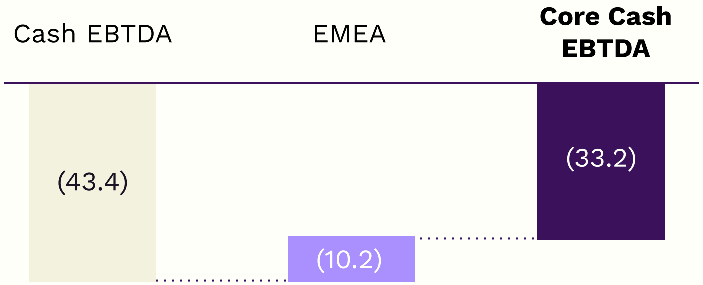
Zip remains well funded to execute on its strategic priorities through to positive cash EBTDA

+27.3m YoY improvement in Core Cash EBTDA

HY22 Cash EBTDA ($m)



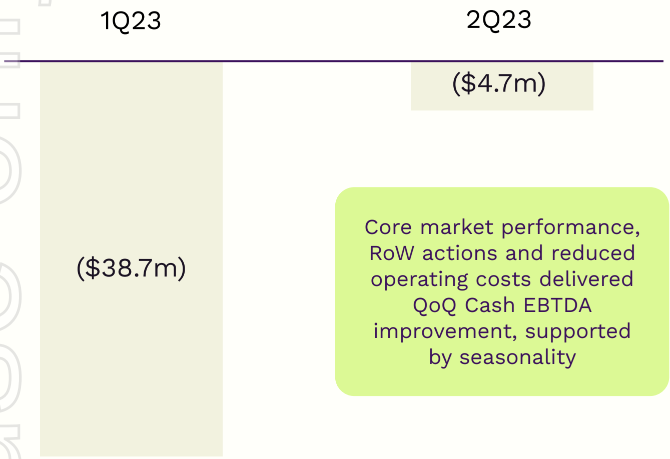
HY23 Cash EBTDA ($m)



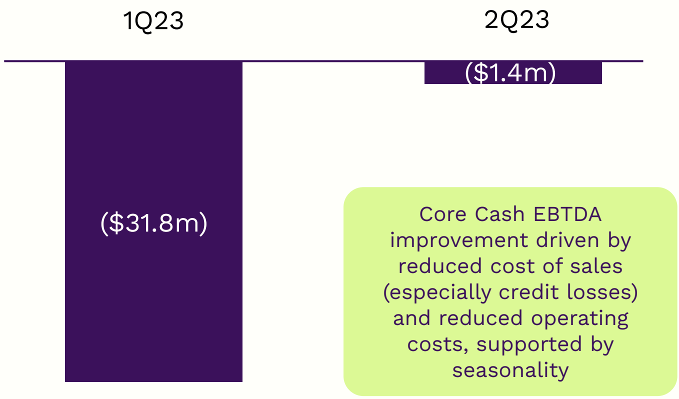
Up to 50% improvement expected in Core Cash EBTDA 2H23 vs 1H23

Cash EBTDA improvement driven by strategy execution; strong QoQ momentum into 2H23

HY23 Cash EBTDA, ($43.4m)
QoQ breakdown



HY23 Core Cash EBTDA, ($33.2m)
QoQ breakdown



Zip remains on track to be Cash EBTDA positive during 1H24

Zip is delivering on FY23 priorities

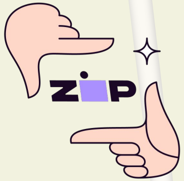
FY23 Priorities

Growth in core markets

- Deeper engagement driving **+9% YoY increase in spend per active customer** in the US in the half
- **Strong rollout of iconic merchants in ANZ** including eBay AU, Qantas, Jetstar and Uber
- Continued **strong demand for higher margin products** with the **two highest months of Zip Money TTV in November and December**
- Zip's US **physical card program continues to scale** with >300k cards shipped; driving 28% of instore volume (in December)

Improve unit economics

- **Revenue margins** remained healthy **at >7%**
- **Strong credit performance with net bad debts** of 1.9%[4] of TTV; a 50bps improvement vs pcp and within target levels of <2.0%
- **Cash transaction margin lifted to 2.5%** of TTV in line with medium term target (2.5% - 3.0%)



Reduce cost base

- **Strategic review finalised** with decisions made to divest, wind down or restructure remaining RoW businesses and **on track to neutralise cash burn** from non-core markets in 2H23
- Simplification of business to core products and core markets and ongoing streamlining of organisational structure
- Wind down of non-core businesses and discontinued products complete (Singapore, UK, Mexico, and Zip Business Trade and Trade+). Closure of Middle East on track

Sustainable growth and an accelerated path to profitability

Note: 1 Excluding the movement in the provision for expected credit losses.

Strategic review finalised with RoW cash burn to be neutralised in 2H23

Key Outcomes

- Cash burn from RoW[1] will be neutralised in 2H23
- Cash inflows in 2H23 contributing directly to available cash and liquidity
- Zip's footprint to be reduced to core markets in 2H23

Actions taken

Discontinued operations

During HY23, Zip completed the wind down of UK, Singapore and Mexico. Zip is currently in the process of winding down operations in the Middle East (Spotii) which is expected to be completed by the end of June.

Business sale, wind down or restructure

Expected to contribute cash inflows during 2H23 contributing directly to available cash and liquidity.

Results from continuing RoW operations[1]

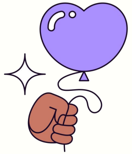
TTV	$330.9m[2]
Revenue	$18.0m[2]
Active customers	1.0m[3]
Transactions	5.5m[2]

Note: 1. RoW operations include Payflex (SA), Twisto (CZ and PL) and Spotii (UAE and SA), 2. In HY23, 3. As at 31 December 2022.

Zip is committed to sustainability and social impact

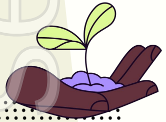
Financial empowerment

- Continued partnership with Young Change Agents, promoting financial literacy and entrepreneurial skills for youth in AU and ongoing sponsorship of Way Forward
- Advocate for responsible lending, including fit for purpose regulation and consumer protections in the AU BNPL sector
- Assisting customers to manage their budget and smooth cash flows with Zip's bank linking feature in AU and self-service payment date change feature in the US



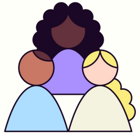
DEI and community engagement

- 44% women across our global workforce (from 42% at 30 June), including an increase at all manager levels (Executive, Director and Manager) and Board stable (at 40%)
- Donated $46,000 to the Movember Foundation, as part of a global, company-wide fundraiser to support men's health



Environmental sustainability

- Renewed our climate neutral company certification with South Pole, which verifies Zip's commitment to measure and reduce our emissions
- Invested in climate action projects to compensate for our GHG emissions



Investment in our people and wellbeing

- Strong employee engagement: 91% 2022 survey participation and 78% engagement score globally
- Upskilled a new cohort of Zipsters to become Real Mates, qualified mental health peer supporters, with not-for-profit Heart On My Sleeve

02.
Business performance

US - Achieving profitable growth

Profitable Growth
Delivered positive cash EBTDA in November and December.

Top line growth was tempered by adjustments to risk settings and overall portfolio management actions.

Improved credit results
Continued credit loss rate improvements with bad debts reducing by ~150bps YoY on a cohort basis.

Merchants
Signed and launched with a number of notable merchants, including Barnes & Noble College at >700 campuses and online.

Continued to drive growth at key enterprise merchants including Best Buy, Fanatics and Fashion Nova.

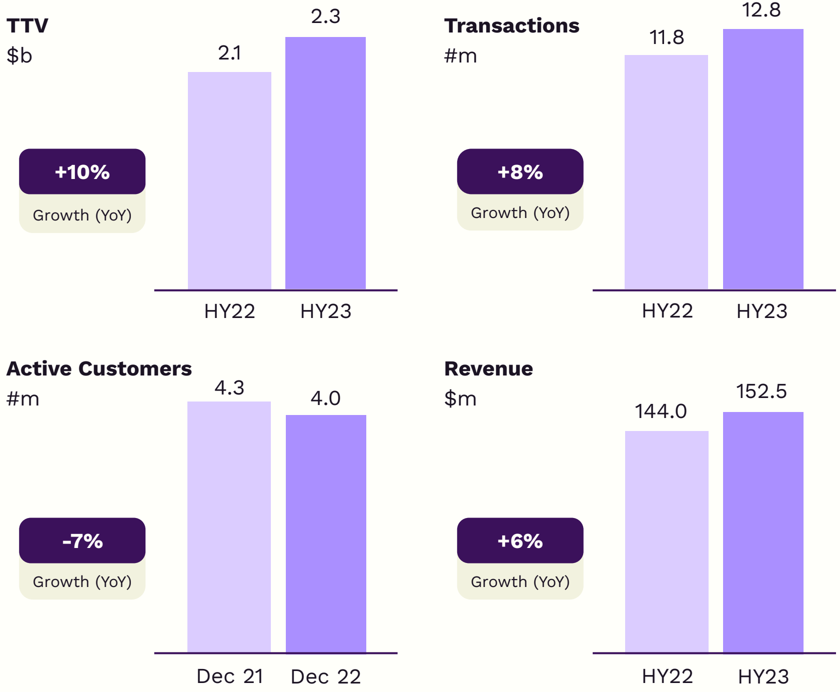
Customers shopped at >500k locations in HY23, reflecting the power of Zip's shop anywhere proposition.

Customer focus
Transactions per active customer in the 12 months to December increased 23% compared to same period last year.

Enabled self-service payment date change feature in the app to provide customers greater control and flexibility.

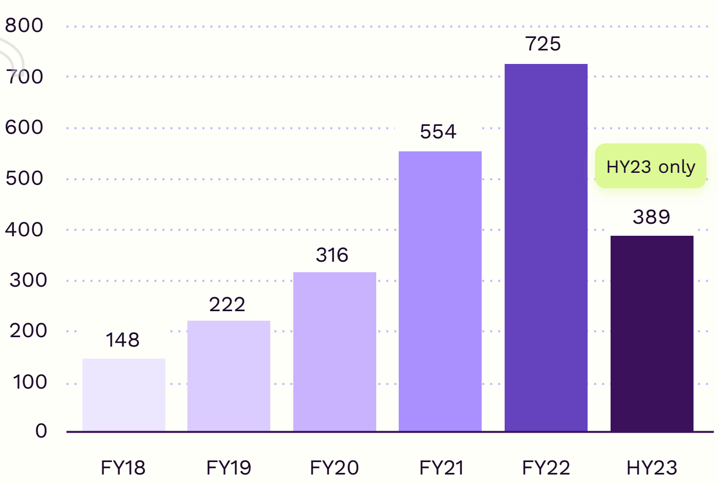
Product innovation
Continue to see strong adoption of Zip's physical card, with over 300k issued. Since launch, physical card usage is driving incremental engagement and most recently made up 28% of instore volumes in December.

Key performance metrics ($AUD)



App engagement in the US is driving increasing spend and customer lifetime value

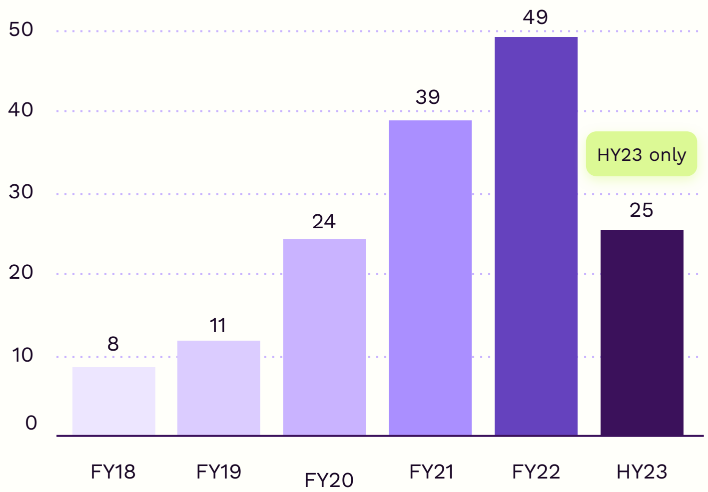
Spend per US active customer[1] ($USD)



Zip US customers are spending more:

- **Average customer spend continues to increase over time** (FY19-FY22)
- Spend per active customer increased **9%** YoY in HY23
- **Over 90%** of transactions coming from repeat customers

Revenue per US active customer[1] ($USD)



We continue to drive higher customer LTV underpinned by:

- **Increased adoption** of high margin **app product** to access open loop BNPL anywhere
- Higher repeat usage rates as a result of deeper customer engagement

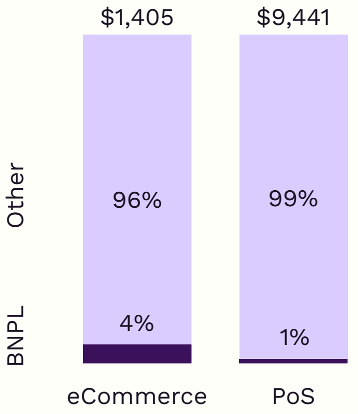
Note: 1. Defined as customer accounts that have had transaction activity in the last 12 months.

The US opportunity is significant and early in the cycle

Opportunity

The addressable market in the US is significant[1]

US total addressable market 2021 ($USDb)



Demand

Adoption and usage continues to deepen

BNPL adoption is growing in the US across generations and market segments[2,3]

> 40% Of millennials have adopted a BNPL product

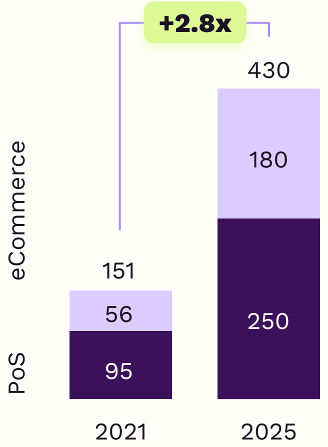
> 18% Of baby boomers have adopted a BNPL product

> 17% SMBs have adopted instalment payments

Growth

Demand continues to drive market penetration

BNPL volumes are projected to grow significantly in North America ($USDb)[1]



Source: 1. Worldpay, 2022. 2. Forbes, Cornerstone Advisors, 2021. 3. PYMNTS.com, 2021.

ANZ - Delivering profitable growth

Profitable growth

Two-sided revenue model delivered strong revenue growth up 23% YoY and revenue margins expanding to 7.8%. Higher margin Zip Money product delivered record TTV in November and December.

Zip NZ delivered positive cash EBTDA in the months of November and December and record TTV in December.

Product innovation

Refreshed Zip Money instalments to support merchants and enable customers to pay over time. Enabled bank linking to provide customers a holistic view of their financial position.

Customer engagement

Zip continues to build deeper customer relationship with dual Zip Pay and Zip Money customers growing 28% YoY.

Customers are engaging more than ever with spend per customer increasing and monthly active users now transacting on average ~4.8x in December.

New merchants and verticals

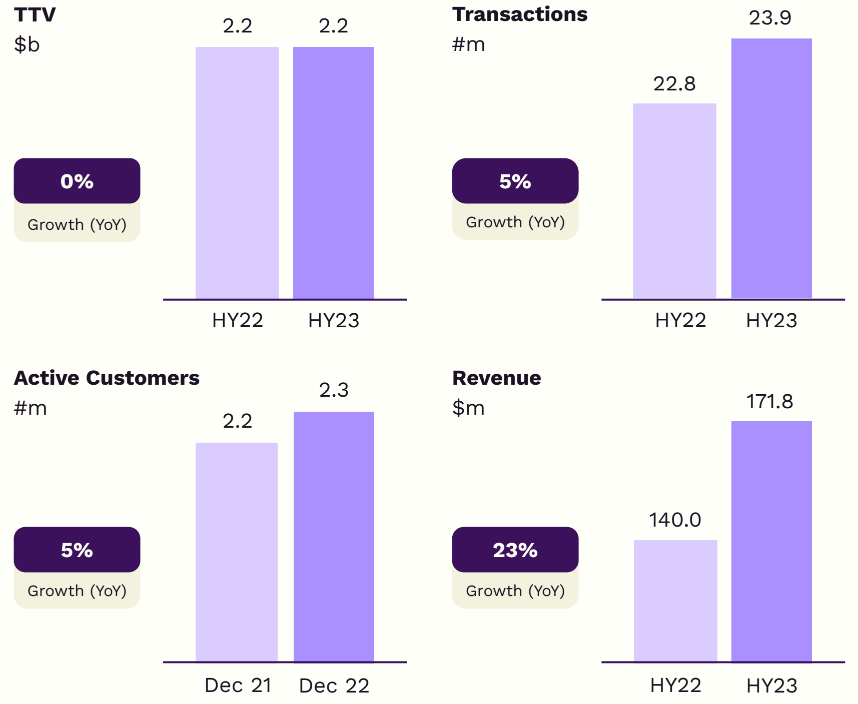
Established a significant presence in travel with Zip now live with Qantas and Jetstar, who join Virgin Australia on the platform.

Strong rollout of iconic merchants including eBay AU, Uber and Hoyts and solid growth from higher margin SMB verticals.

New merchants

QANTAS Uber Jetstar ebay HOYTS

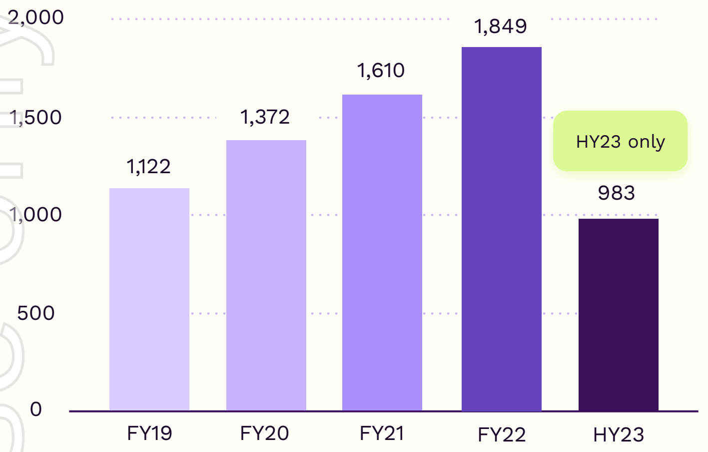
Key performance metrics[1]



Note: 1. ANZ figures include Zip Australia and Zip New Zealand Consumer businesses (excludes Zip Business).

Cross-product adoption and deeper engagement is delivering higher spend and customer lifetime value in AU

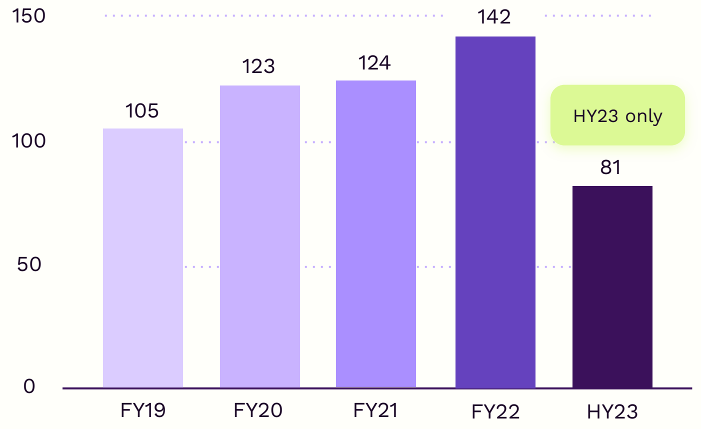
Spend per active AU customer[1] ($AUD)



Zip's unique product offering continues to drive deeper customer engagement:

- **Spend per customer continues to grow** as customer adopt more Zip products and engage more deeply
- The **top 20% of customers who joined Zip in HY23 have transacted >60x on average** since joining

Revenue per active AU customer[1] ($AUD)



We continue to drive higher customer LTV underpinned by:

- Increased adoption of Zip products; **>25% of new customers adopt both Zip Pay and Zip Money** in the first six months of joining
- **Dual account customers transact >1.3x** more than single account holders and **generate substantially higher gross profit** per account
- Deepening **engagement** (see left hand side)

Note: 1. Defined as customer accounts that have had transaction activity in the last 12 months.

Evolving market dynamics and product utility strengthen Zip's market position in AU

Zip's market position

Market consolidation

Increased demand for Zip products by consumers and merchants in ANZ

Regulatory changes

10 years of experience operating a regulated credit product; >$4.5b in credit underwritten in accordance with our credit licence and the NCCPA

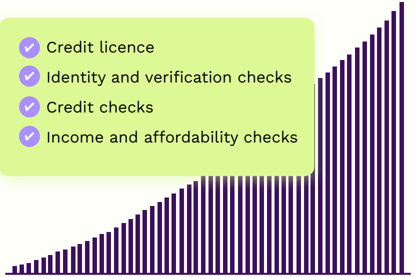
Higher cost of living; reduced discretionary spend

Zip anywhere and product construct supporting discretionary and everyday spend; customer spend accelerating in a world of rising cost

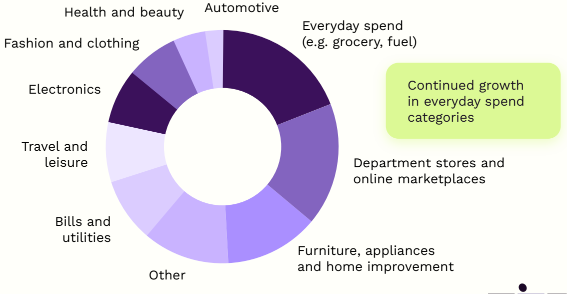
Observations

- Inbound requests for Zip products by merchants who are now underserved
- Improved TTV and revenue mix following competitor exits (trend observed in NZ)
- Increased TTV opportunity at existing merchants
- Opportunity for deeper penetration in high margin SMB verticals

>$4.5b Zip Money volume (Jul-18 to Dec-22)



TTV by category (HY23)



Zip supports fit-for-purpose regulation in AU and is ready for change

AU industry state of play

- In 2019 Zip made a series of recommendations to the Senate on BNPL regulation requiring providers to hold an ACL, conduct credit and affordability checks and provide consumer protections
- AFIA industry code of practice implemented in March 2021
- ~7m[1] active BNPL accounts in AU currently
- BNPL product transaction volumes +37% YoY in 2022 to >$16b[1]
- Regulation is appropriate to support increased scale and consumer adoption in AU market
- Treasury consultation process outcome expected in 2023

Treasury has three options for regulation

- **Option 1:** Strengthen code plus bespoke affordability tests along with codifying dispute resolution, fee caps, advertising standards and chargeback processes
- **Option 2:** Require providers of BNPL products to hold an ACL and comply with modified and scalable Responsible Lending Obligations under the Credit Act, including credit and affordability checks on all applicants
- **Option 3:** Regulation of BNPL under the National Consumer Credit Protection Act, with full Responsible Lending Obligations

Zip capabilities aligned to all Treasury options

Current capabilities and practices see Zip well-placed for BAU no matter the outcome of the Treasury review process, though with a preference for option 2

- Holds an Australian Credit Licence and Zip Money product fully regulated under NCCPA since inception
- Conducts credit and ID checks plus affordability assessment via bank linking
- Interest-free terms, simple products that are easy to repay
- Low incidence of late fees at <1% of revenue. Late fees capped
- Has already been operating to a higher regulatory threshold and has been profitable for four years

Source: 1. The Treasury, Regulating Buy Now, Pay Later in Australia November 2022.

03. Financial performance

Strong unit economics

Strategic focus on unit economics delivered NTM expansion to 2.5% (within target range) and 20% increase in cash gross profit:

- Strong revenue growth, up 19% YoY. Transaction volumes up 10% YoY
- Revenue margins increased 50bps, driven by the benefits of our two-sided revenue model. Zip's margins continue to perform strongly versus peers
- Net bad debts improved 50bps YoY to 1.9%, reflecting the outcome of adjustments to risk settings and specific actions across underwriting, portfolio management, repayments and collections, while balancing topline growth in core markets
- Interest expense movement reflects rising interest rates largely impacting the AU cost of funds. Pay-in-4 product construct well placed to mitigate interest rate rises (e.g. ~25bps increase in base rate increases US cost of funds only ~2bps per txn)

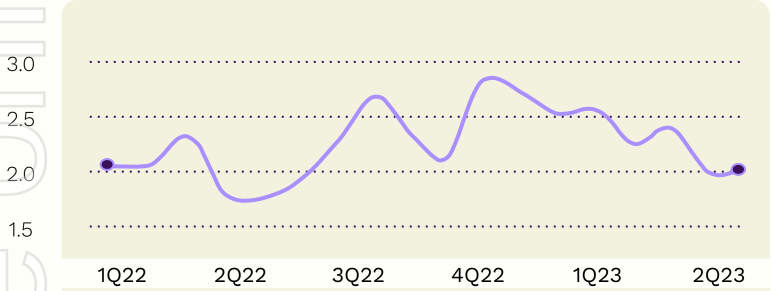
	HY23	HY22[1]	Change
TTV	**$4.9b**	**$4.5b**	**+10%**
Revenue	**$351.0m**	**$295.8m**	**+19%**
Revenue (% of TTV)	*7.1%*	*6.6%*	*+50bps*
Cash cost of sales	**$229.3m**	**$194.6m**	**+18%**
Interest expense[2] (% of TTV)	*1.4%*	*0.7%*	*+70bps*
Net bad debts written-off[3] (% of TTV)	*1.9%*	*2.4%*	*-50bps*
Bank fees and data costs (% of TTV)	*1.3%*	*1.2%*	*+10bps*
Cash cost of sales (% of TTV)	*4.6%*	*4.3%*	*+30bps*
Cash gross profit	**$121.7m**	**$101.2m**	**+20%**
Cash transaction margin (CTM) ***(% of TTV)***	**2.5%**	**2.3%**	**+20bps**

Note 1. Refer to appendix for detailed restatement of HY22 financial statements, 2. Interest expenses excludes amortisation of funding costs, 3. Excluding the movement in the provision for expected credit losses.

In AU bad debts are trending to target range

Decisioning and risk management driving bad debts towards target range

AU net bad debts written-off, as a % of TTV[1]

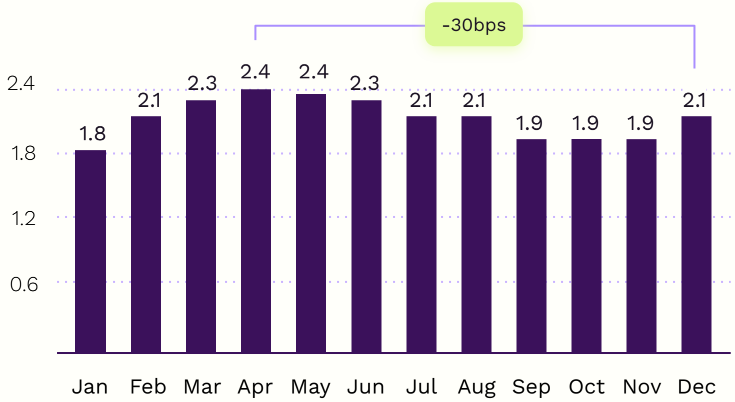


Losses continued to improve in HY23, trending to target range

- Zip implemented targeted actions to bring bad debts back within target range (e.g. increased cut off scores and credit limit management)
- Net bad debts (as a % of TTV) were 2.2% in HY23 (vs 2.5% in 2H22)
- Account management and collections remain a key area of focus to drive improved bad debt performance

Ongoing account management actions are managing arrears

AU arrears as a % of total receivables



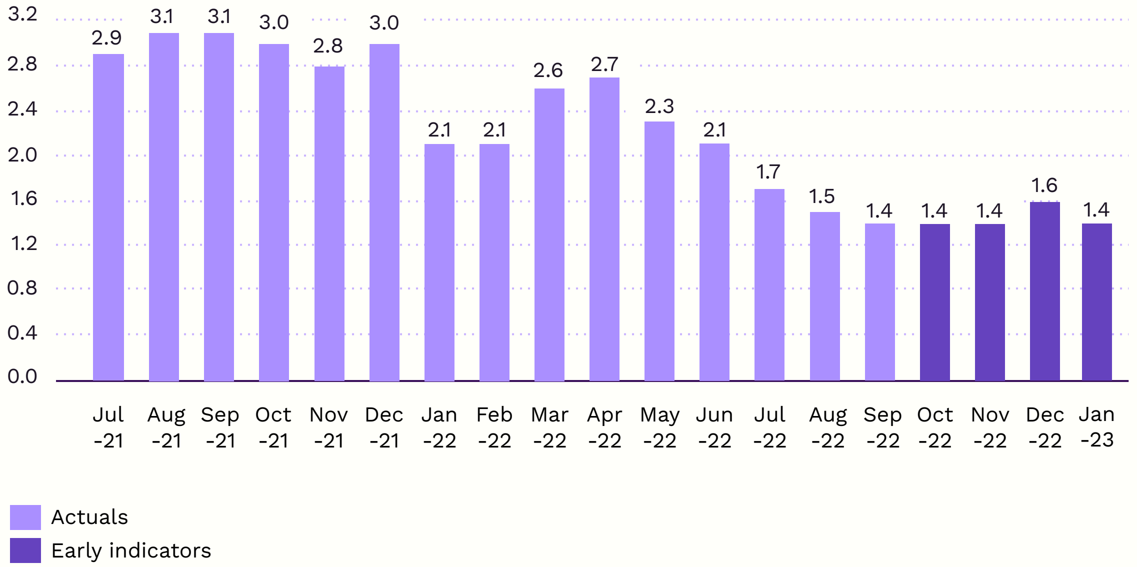
- Arrears rate has been trending down, a key indicator for future bad debt performance
- Zip continues to proactively adjust risk settings across its portfolio and monitor the external environment

Note: 1. Due to AU book recycling times, adjustments to settings take approximately six to eight months to flow through to outcomes.

US bad debt performance has improved by ~150bps YoY

- Targeted actions in the US (i.e. optimised decisioning, collections management) are driving superior credit performance
- Bad debts decreased to 1.6% of TTV for the half (on seasonal peak volumes) v 2.7% for HY22
- Exited the period with December cohort currently expected to deliver net bad debts of 1.6% (on a cohort basis)
- Early indicators of January cohort points to losses trending at 1.4% of cohort TTV

US monthly cohorts, 120 day loss performance as a % of cohort TTV



04.
Financial statements

Segment financials

- APAC growing strongly and continuing to deliver cash EBTDA outcomes despite interest rate pressures
- Americas improving cash EBTDA outcomes, reducing credit losses across the region
- EMEA includes Spotii and Twisto, acquired in Q2 FY22 and Payflex, acquired Q3 FY22
- Zip Business breaking even following the wind down of the Trade and Trade Plus products
- Corporate costs include one-off rebranding costs of $17.6m in HY22, and include legal, insurance, compliance, finance, and other general and administrative costs incurred in managing the Group's global operations not directly allocated or attributable to a segment

HY23 $m	**APAC**	**AMERICAS**	**EMEA**	**Zip Business**	**Total**
Revenue	171.8	153.0	17.4	8.7	350.9
Group contribution	49.0%	43.5%	5.0%	2.5%	100.0%
Cash EBTDA	9.9	(27.8)	(10.2)	-	(28.1)
Corporate cash costs					(15.3)
Group cash EBTDA					(43.4)

HY22[1] $m	**APAC**	**AMERICAS**	**EMEA**	**Zip Business**	**Total**
Revenue	140.0	144.2	3.6	8.0	295.8
Group contribution	47.3%	48.8%	1.2%	2.7%	100.0%
Cash EBTDA	5.0	(45.7)	(9.7)	(3.5)	(53.9)
Corporate cash costs					(33.9)
Group cash EBTDA					(87.8)

Note: 1. Refer to appendix for detailed restatement of HY22 financial statements.

Income statement

- Revenue grew 19%, hitting record levels, on strong growth in TTV and revenue margins up 0.5%
- Zip has diverse income streams, from merchants, customers, interchange and affiliate networks. Interchange and affiliate networks income up 8.5% to 25.3% of total
- Cash gross profit margin increased to 35%, as improved revenue margins, and strong net bad debt performance, offset interest rate increases
- Salaries and employment related costs were 1.9% of transaction volumes, down from 2.4% for 2H22 as Zip streamlines operations and focuses on core markets
- Marketing costs include one-off rebranding costs of $17.6m in the prior year. Excluding these cost marketing costs have dropped 48% YoY
- Improved performance of the receivables portfolio resulted in the expected credit loss provision reducing to 4.9%, from 6.0% at 30 June 2022
- Cash EBTDA improved to ($43.4m) as the group is focused on unit economics, reducing its global cost base and the path to profitability
- Cash EBTDA of ($43.4m) includes ($10.2m) for operations in EMEA which are in the process of being wound down, restructured or divested

$m	HY23	HY22[1]
Revenue	351.0	295.8
Cash cost of sales[2]	(229.3)	(194.6)
Interest expense	*(71.2)*	*(33.8)*
Bank fees and data costs	*(65.7)*	*(55.4)*
Net bad debts written-off	*(92.4)*	*(105.4)*
Cash gross profit	**121.7**	**101.2**
Cash GP%	**35%**	**34%**
Other income	2.4	0.9
Cash operating costs[3]	(167.5)	(189.9)
Salaries and employment related costs	*(91.1)*	*(78.4)*
Marketing costs	*(27.4)*	*(70.1)*
Information technology cost	*(24.7)*	*(20.0)*
Other operating costs	*(24.3)*	*(21.4)*
Cash EBTDA[4]	**(43.4)**	**(87.8)**
Unrealised FX movements	0.5	(1.7)
Effective interest on convertible notes	(62.6)	(14.8)
Movement in provision for expected credit losses	12.8	(29.8)
Amortised finance costs	(2.3)	(3.5)
Reported EBTDA	**(95.0)**	**(137.6)**

Note: 1. Refer to appendix for detailed restatement of HY22 financial statements, 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 and unrealised foreign exchange movements, 4. Cash earnings before tax, depreciation and amortisation and excluding share of loss of associate and acquisition costs.

Corporate items and one-off adjustments

- Payment made to Sezzle on the mutual termination of the merger agreement
- Incentive payment paid to Zero Coupon Senior Convertible Notes on conversion of $70m of convertible notes
- Share-based payments reduced as retention and performance shares agreed on the acquisition of Quadpay now settled
- Fair value adjustments on financial instruments made to the convertible notes and warrants, and the Group's investment in ZestMoney
- Impairment adjustments attributable to the Group's operations in Tendo and Payflex

$m	HY23	HY22[1]
Reported EBTDA	**(95.0)**	**(137.6)**
Share of loss of associates	(2.6)	(3.0)
Acquisition costs	-	(3.3)
Termination payment	(16.3)	-
Incentive payments	(12.5)	-
Share-based payments	(13.5)	(43.1)
Fair value gain / (loss) on financial instruments	(30.3)	70.9
Impairment losses	(23.1)	(44.7)
Loss on derecognition of financial assets	(3.1)	-
Loss on derecognition of financial liabilities	(5.8)	-
EBTDA	**(202.2)**	**(160.8)**
Depreciation and amortisation	(33.8)	(31.6)
Earnings Before Tax	**(236.0)**	**(192.4)**

Note: 1. Refer to appendix for detailed restatement of HY22 financial statements.

Adjusted loss before tax

- Earnings before tax include a number of non-recurring items
- Excluding these items, the Group reported an adjusted loss before tax of $113.6m, down from $131.8m in the previous corresponding period

$m	HY23	HY22[1]
Earnings Before Tax	**(236.0)**	**(192.4)**
Add back:		
Termination payment	16.3	-
Fair value loss relating to the investment	19.7	-
Incentive payments to Convertible Note holders	12.5	-
Acceleration of effective interest on convertible notes	47.7	-
Loss on derecognition of financial assets	3.1	-
Acquisition costs	-	3.3
Global re-branding costs	-	17.6
Fair value gain relating to the acquisitions	-	(5.0)
Impairment losses	23.1	44.7
Adjusted loss before tax	**(113.6)**	**(131.8)**

Note: 1. Refer to appendix for detailed restatement of HY22 financial statements.

Balance sheet

- $153.9m of cash and cash equivalents at Dec-22
- Restricted cash up due to increase in transaction volumes and number of securitisation vehicles
- Investment in ZestMoney shown at FVTPL on waiver of Zip's conditional right to increase its shareholding. Previously reported as an associate
- Goodwill reduction includes the impairment charge of $18.4m attributable to the Group's Payflex operation
- Trade and other payables includes increase in amounts for prefunding transaction volumes in seasonal peak
- Twisto holdback consideration of $19.3m settled in the period
- Movement in financial liabilities includes effective interest charged in the period and fair value adjustments net of repayments and conversions
- Improved the Group's balance sheet position, retiring $40m of Zip's $100m Interest Bearing Convertible Notes and $70m of Zip's Zero Coupon Senior Convertible Notes at ~23c in the dollar (cash neutral transaction)
- Continuing to assess market conditions for attractive liability management opportunities

$m	Dec-22	Jun-22
Cash and cash equivalents	153.9	241.3
Restricted cash	115.8	58.4
Other receivables	89.6	72.8
Term deposit	8.2	3.9
Customer receivables	2,757.0	2,508.1
Investments at FVTPL	47.0	-
Investments in associates	4.4	70.7
Property, plant and equipment	4.6	5.3
Right-of-use assets	2.1	3.8
Intangible assets	174.1	192.4
Goodwill	206.9	222.7
Total assets	**3,563.6**	**3,379.4**
Trade and other payables	222.3	140.6
Employee provisions	8.6	9.1
Deferred contingent consideration	3.8	26.2
Lease liabilities	2.3	4.0
Borrowings	2,669.2	2,380.9
Financial liabilities - convertible notes and warrants	361.6	380.9
Total liabilities	**3,267.8**	**2,941.7**
Net assets	**295.8**	**437.7**

Cash flows

- Net cash flow to operations of $226.2m ($209.9m excluding termination payment
- Paid $43.0m (including accrued interest) to settle 40% of the Interest Bearing Convertible Notes under the terms of the note agreement
- Raised $13.6m to cover the incentive payment on the conversion of 17.5% of the zero coupon Senior Convertible Notes and associated costs of the transaction
- Cash inflows from asset sales and business closures are expected to be delivered during 2H23
- Initiatives to release restricted cash are underway and equity funding requirements for peak sales are expected to reduce this half

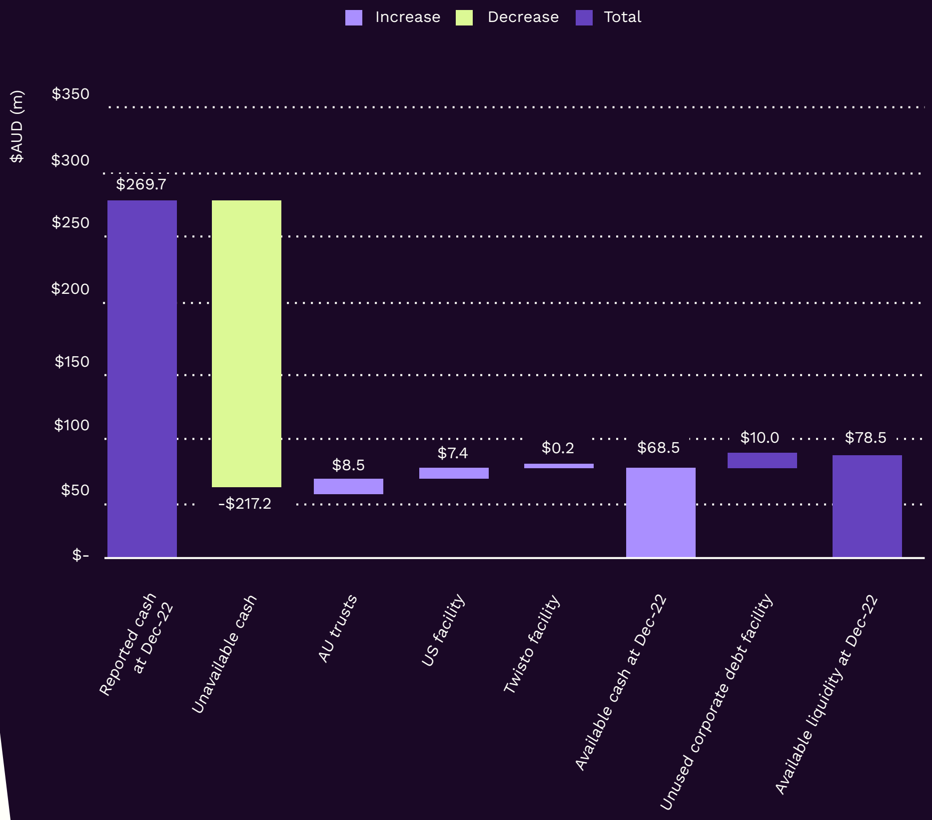
$m	HY23	HY22[1]
Revenue from customers	352.0	301.6
Payments to suppliers and employees	(165.4)	(290.3)
Net increase in receivables	(328.3)	(602.5)
Borrowing transaction costs	(1.5)	(1.8)
Interest received from financial institutions	1.6	0.6
Interest paid	(68.3)	(33.9)
Termination payment fee	(16.3)	-
Acquisition of business costs	-	(3.3)
Net cash flow used in operating activities	**(226.2)**	**(629.6)**
Payments for plant and equipment	(0.9)	(2.2)
Payments for software development	(11.2)	(13.6)
Deferred performance consideration	(2.2)	-
Payments for investments in associates	(4.3)	(72.1)
Payments for acquisitions, net of cash acquired	-	11.3
Increase in term deposits	(4.3)	-
Net cash flow used in investing activities	**(22.9)**	**(76.6)**
Proceeds from borrowings	569.5	1,119.3
Repayment of borrowings	(297.3)	(475.0)
Repayment of convertible notes	(43.0)	-
Payment of incentives in relation to convertible notes conversion	(12.5)	
Repayments of principal of lease liabilities	(1.8)	(2.2)
Proceeds from the issue of shares	13.6	0.1
Costs of share issues	(0.6)	-
Net cash flow from financing activities	**227.9**	**642.2**
Net decrease in cash and cash equivalents	**(21.2)**	**(64.0)**

Note: 1. Refer to appendix for detailed restatement of HY22 financial statements.

Available cash

- Zip had $78.5m available cash and liquidity at 31 December 2022
- Unavailable cash for the Group of $217.2m at 31 December 2022 includes restricted cash held in securitisation warehouses and special purpose vehicles, and floats held to support network transactions
- At 31 December 2022, Zip had $16.0m invested in funding vehicles that would otherwise be drawn from Zip's funding facility providers
    - $8.5m in Notes in Zip's AU funding vehicles
    - $7.4m in Zip's US funding facility
    - $0.2m in Twisto's funding facility
- Zip has $32.4m invested in its debt funding programs and has plans underway to replace itself with third party funding providers which will increase available cash once completed

Zip Group - Total available cash and liquidity at 31 December 2022



Funding update

- In Oct-22, Zip completed its fifth rated note issuance and second AAA-rated issuance under Zip Master Trust 2022-1 for a deal size of $300.0m (upsized from $200.0m launch size) maturing in Nov-23. The proceeds from this deal were used to repay Zip Master Trust 2020-1 which matured in Oct-22
- In Dec-22, Zip refinanced Variable Funding Note 2 with RBC as the Senior funder and new Class B and C mezzanine notes arranged by FIIG Securities resulting in a revised limit of $136.2m maturing in Jan-24
- Following the announcement to wind down Zip Business Trade and Trade Plus, Zip has fully repaid the ZipBiz warehouse facility and extinguished the $100m facility limit
- In Nov-22, Twisto refinanced the Senior Polish facility for a further year, maturing in Nov-23
- In Nov-22, Payflex refinanced its debt facility with a revised limit of R85.0m from R55.0m
- The weighted average interest rate on loans outstanding at 31 December 2022 was 6.03% compared to 3.70% at 30 Jun 2022. Increase of 2.33% reflects 1.95% increase in floating rates and 0.38% increase in WAM

	DEC-22 $m	**JUN-22** $m
Facility limits		
AU	2,413.8	2,477.6
US[2]	442.8	435.5
SME	97.3	196.1
NZ[2]	28.0	27.1
Europe[2]	93.0	88.2
South Africa[2]	7.3	4.9
Total limits	**3,082.2**	**3,229.4**
Facilities drawn		
AU	2,319.5	2,080.7
US	191.7	169.6
SME	65.5	53.5
NZ[2]	17.2	14.4
Europe[2]	65.7	58.5
South Africa[2]	5.2	2.7
Total drawn	**2,664.8**	**2,379.4**
Cost of funds[1]	**6.03%**	**3.70%**

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 0.6775; $AUD at $NZD 1.0711; $AUD at €0.6359; $AUD at ZAR 11.5845.

05.

Priorities and outlook

A unique set of competitive advantages enable us to win as operating conditions evolve

Competitive advantages	**Product flexibility** Unique product driving demand for merchants and enabling customers to BNPL anywhere	**Business model** Unique two-sided revenue model and risk capabilities that have underwritten >$23b of credit	**Regulatory position** 10 years of experience operating a regulated credit product in AU
Key operating considerations	**Higher cost of living**	**Rising interest rates**	**Evolving regulatory landscape**
Proof points	✓ Open and integrated product for every day and discretionary spend ✓ Anywhere product drove topline sales at >950k locations in core markets in HY23 ✓ Product flexibility to support small and large purchases	✓ Pricing flexibility delivering revenue margins >7% ✓ Risk capabilities reducing credit losses to <2% in HY23 ✓ Strong cash NTM of 2.5% in HY23	✓ Licensed credit provider in AU; Zip Money regulated by NCCPA ✓ Well-positioned for any option proposed by Treasury in AU ✓ WebBank partnership in US

We remain committed to our FY23 priorities

	Growth in core markets (US, ANZ)	Improve unit economics	Reduce cost base
FY23 Priorities	• **Win and scale merchant partnerships** • Grow adoption of **higher margin products** • Drive **deeper customer and merchant engagement** (e.g. physical card, rewards, budgeting tools)	• Proactively manage losses **across the credit lifecycle** to target range (<2%) • Enable **lower cost processing and repayment options** • **Grow network income** through product innovation and partnerships	• **Neutralise cash burn from non-core markets during 2H23** • Streamline organisational structure and processes to reduce operating costs • Pursue further opportunities for capital release and balance sheet optimisation
Target outcomes	**Risk adjusted TTV growth in FY23**	**Revenue margin 7.0%-7.5%** **Cash NTM 2.5-3.0%**	**Reduced operating cost base** **Improved EBTDA margins in core markets**

Sustainable growth and an accelerated path to profitability

Outlook: Key metrics trending towards targets

	Group HY23 result	Core HY23 result	Medium term targets (% of TTV)
Revenue	7.1%	7.3%	7.0% - 7.5%
Cash cost of sales	4.6%	4.6%	4.0% - 4.5%
Cash NTM	2.5%	2.7%	2.5% - 3.0%
Opex	3.4%	3.4%	1.5% - 2.5%
Cash EBTDA	-0.9%	-0.7%	1.0% - 2.0%

- Core markets are delivering Cash NTM margins within target range
- Strategic review finalised and focus on core regions only, coupled with Management action to reduce costs will drive Opex to target range in the short to medium term
- Expect an up to 50% improvement in Core Cash EBTDA ($33.2m) in 2H23 vs 1H23
- US and NZ on track to exit FY23 cash EBTDA positive on a consistent basis, AU already profitable

Zip remains on track to deliver group cash EBTDA profitability during 1H24

Momentum to accelerate profitability in 2H23

January performance	**Strong January trading with TTV up 9%, revenue up 12% and cash NTM of 3.5% +40bps YoY in core markets**; US net bad debts for January trending at 1.4% of TTV on a cohort basis
Zip's value proposition	**Value proposition proving more valuable** for customers and merchants demonstrated by strong TTV growth; rising inflationary environment supporting higher budgeting needs
Robust Business model	Zip's differentiated products and two-sided **revenue model continue to deliver margins in target range 2.5-3.0%** despite a rising interest rate environment
Balance sheet	Strong performance from core markets and RoW actions resulting in **improved Cash EBTDA** and **balance sheet strength** to support the company through to cash EBTDA profitability
Strategy	**Up to 50% improvement in Core Cash EBTDA expected in 2H23 vs 1H23** driven by profitable growth in core markets, improved unit economics and disciplined cost management

Appendix

Discontinuing operations

	1H23	2H22	1H22
TTV	$6.8m	$29.6m	$55.9m
Transactions	0.05m	0.24m	0.44m
Active Customers	0.1m	0.2m	0.2m
Merchants	0.1k	0.8k	0.02k
Revenue	$0.2m	$1.7m	$3.4m
Expenses	$(6.4)m	$(16.2)m	$(22.2)m
Loss before tax	$(6.2)m	$(14.5)m	$(18.8)m

Note: All figures based on Zip's unaudited financials as of 31 December 2022. Figures in AUD. Calculated Figures may not reconcile exactly due to rounding.

Income statement

(HY22 restatement)

During the financial year ended 30 June 2022, the consolidated entity determined that the consolidated financial statements for the financial year ended 30 June 2021 contained certain misstatements which required restatement. The restatements in the consolidated financial statements for the financial year ended 30 June 2021 have resulted in a restatement of the comparative information:

- A reduction in customer receivables of $2.1m with a corresponding decrease in revenue of $2.1m, in relation to the improvement in the effective interest income calculation process for customer receivables
- An increase in customer receivables of $8.6m with a corresponding decrease in the bad debts and expected credit loss expense of $8.6m, in relation to the incorrect accounting for customer disputes
- An increase in trade and other payables of $3.6m with a corresponding increase in other operating expense of $3.6m, due to adjustments to operating costs

HY22	Previously presented $m	Restatements $m	Currently reported $m
Revenue	297.9	(2.1)	295.8
Cash cost of sales	(203.2)	8.6	(194.6)
Interest expense	*(33.8)*	-	*(33.8)*
Bank fees and data costs	*(55.4)*	-	*(55.4)*
Net bad debts written-off	*(114.0)*	8.6	*(105.4)*
Cash gross profit	**94.7**	**6.5**	**101.2**
Cash GP%	**32%**		**34%**
Other income	0.9	-	0.9
Cash operating costs	*(186.3)*	(3.6)	*(189.9)*
Salaries and employment related costs	*(78.4)*	-	*(78.4)*
Marketing costs	*(70.1)*	-	*(70.1)*
Information technology cost	*(20.0)*	-	*(20.0)*
Other operating costs	*(17.8)*	(3.6)	*(21.4)*
Cash EBTDA	**(90.7)**	**2.9**	**(87.8)**
Unrealised FX movements	(1.7)	-	(1.7)
Effective interest on convertible notes	(14.8)	-	(14.8)
Movement in provision for expected credit losses	(29.8)	-	(29.8)
Amortised finance costs	(3.5)	-	(3.5)
Reported EBTDA	**(140.5)**	**2.9**	**(137.6)**

Note: Previously Reported numbers in the Condensed Statement of Profit or Loss and Other Comprehensive Income have been reclassified to reflect the split between continuing and discontinued operations before the restatement and reclassifications.

Corporate items and one-off adjustments

(HY22 restatement)

HY22	Previously Presented $m	Restatements $m	Currently Reported $m
Reported EBTDA	**(140.5)**	**2.9**	**(137.6)**
Share of loss of associates	(3.0)	-	(3.0)
Acquisition costs	(3.3)	-	(3.3)
Share-based payments	(43.1)	-	(43.1)
Fair value gain on financial instruments	70.9	-	70.9
Impairment losses	(44.7)	-	(44.7)
EBTDA	**(163.7)**	**2.9**	**(160.8)**
Depreciation and amortisation	(31.6)	-	(31.6)
Earnings Before Tax	**(195.3)**	**2.9**	**(192.4)**
Add back:			
Acquisition costs	3.3	-	3.3
Global re-branding costs	17.6		17.6
Fair value gain relating to the acquisitions	(5.0)	-	(5.0)
Impairment losses	44.7	-	44.7
Adjusted loss before tax	**(134.7)**	**2.9**	**(131.8)**

Note: Previously Reported numbers in the Condensed Statement of Profit or Loss and Other Comprehensive Income have been reclassified to reflect the split between continuing and discontinued operations before the restatement and reclassifications.

Cash flow

(HY22 restatement)

In accordance with AASB 107 *Statement of Cash Flows*, this change in presentation was considered appropriate given the cash flows were primarily derived from the consolidated entity's principal revenue-generating activities:

- "Net increase in receivables" ($602.5m) and "Borrowing transaction costs" ($1.8m) have been reclassified from "Net Cash Flow from Investing Activities" and "Net Cash Flow from Financing Activities" respectively into "Net Cash Flow to Operating Activities"
- Resulted in a change in net cash flow used in operating activities of $25.3m to net cash flow used in operating activities of $629.6m

HY22	Previously Presented $m	Restatements $m	Currently Reported $m
Net increase in receivables	-	(602.5)	(602.5)
Borrowing transaction costs	-	(1.8)	(1.8)
Net cash flow to operating activities	**25.3**	**(604.3)**	**(629.6)**
Net increase in receivables	(602.5)	602.5	-
Net cash flow to investing activities	**(679.1)**	**602.5**	**(76.6)**
Borrowing transaction costs	(1.8)	1.8	-
Net cash flow from financing activities	**640.4**	**1.8**	**642.2**

Glossary

Term	Definition
FY	*Financial year ending 30 June of the relevant financial year*
HY	*Six months ending 31 December of the relevant financial year*
H1	*Six months ending 31 December of the relevant financial year*
H2 or 2H	*Six months ending 30 June of the relevant financial year*
Q1	*Three months ending 30 September*
Q2	*Three months ending 31 December*
Q3	*Three months ending 31 March*
Q4	*Three months ending 30 June*

bps	*Basis points (1.0% = 100bps)*
CY	*Calendar year*
NPS	*Net promoter score*
FYTD	*Financial year to date*
PcP	*Prior corresponding period*
YoY	*Year on year*

TXNs	*Transactions*
TTV	*Total transaction volumes*
CTM	*Cash transaction margin*
NTM	*Net transaction margin*
COS	*Cost of sales*
EBTDA	*Earnings before tax, depreciation and amortisation*
WAM	*Weighted average margin*

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An investment in the Company's shares is subject to investment and other known and unknown risks, some of which are beyond the control of the Company. Such risks and uncertainties include, but are not limited to: the acquisition and retention of customers, third party service provider reliance, competition, reliance on key personnel, additional requirements for capital, the ability to raise sufficient funds to meet the needs of the Company in the future, potential acquisitions, platform disruption, commercialisation, changes in technology, reliance on new products, development timeframes, product distribution, insurance, security breaches, maintenance of key business partner relationships, management of growth, brand establishment and maintenance, as well as political and operational risks, and governmental regulation and change in laws. Additional risks and uncertainties that the Company is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect the Company's operating and financial performance.

Usability of the Company's products depend upon various factors outside the control of the Company including, but not limited to: device operating systems, mobile device design and operation and platform provider standards and reliance on access to internet. A number of the Company's products and possible future products contain or will contain open source software, and the Company may license some of its software through open source projects, which may pose particular risks to its proprietary software and products in a manner that could have a negative effect on its business. The Company's intellectual property rights are valuable, and any inability to protect them could reduce the value of its products and brand. The Company's products may contain programming errors, which could harm its brand and operating results. The Company will rely on third party providers and internet search engines (amongst other facilities) to direct customers to the Company's products.

The Company does not guarantee any particular rate of return or the performance of the Company, nor does it guarantee the repayment of capital from the Company or any particular tax treatment. Before investing in the Company, you should consider whether this investment is suitable for you. Potential investors should consider publicly available information on the Company, carefully consider their personal circumstances and consult their professional advisers before making an investment decision.

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