

FY21

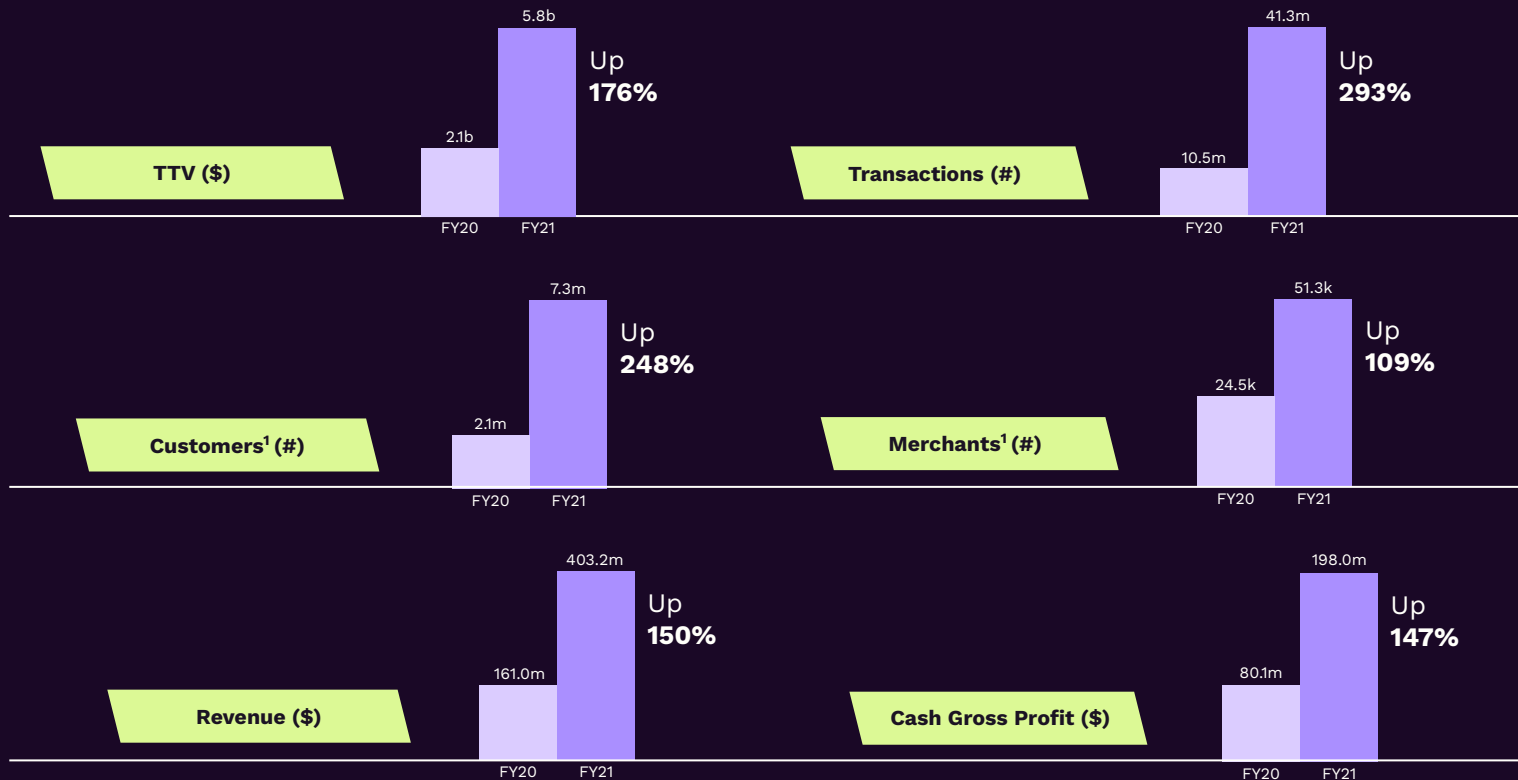
Investor Presentation

AUGUST, 2021



zip

Strong growth across all key metrics

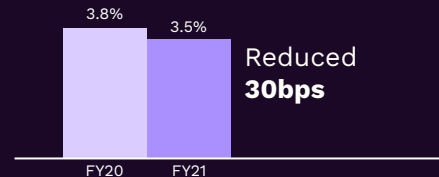


Note: 1. As at 30 June 2021 v 30 June 2020.

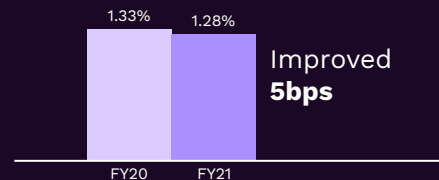
Strong margins and reduced capital intensity

- Cash margins remain strong YoY, reduction resulting from business mix weighting to US and everyday spend
- Improved loss rates driven by high returning customer rates and investments in decisioning capability
- Improved capital efficiency as loan book duration shortened, led by Pay-in-4 instalments

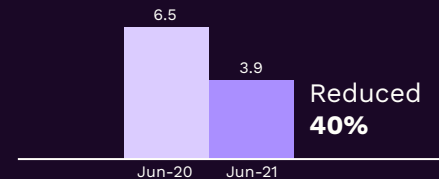
Cash transaction margin



Losses¹



Loan book duration²



Source: 1. Net bad debts written off as a % of TTV, 2. Group, average number of months to recycle book.

We delivered on our FY21 strategic priorities

PAYMENT ACCEPTANCE

- ✓ **Launched Tap & Zip** (AU) and **Chrome Extension** (US) enabling BNPL anywhere
- ✓ Key distribution partnerships with **Stripe, Adyen** and **Bigcommerce**
- ✓ Welcomed over **26k partners** to the Zip network with many tier 1 merchants
- ✓ **Significant investment in the platform** to enable payment flexibility and rapid global scaling

APP ENGAGEMENT

- ✓ **~5m App downloads¹**
- ✓ **Customer base grew by 5.2m customers**
- ✓ **Launched new wallet products** (e.g. rewards and subscriptions)
- ✓ **Personal Financial Management (PFM) integration** into the Zip App underway leveraging Pocketbook code base

GLOBAL EXPANSION

- ✓ Completed **Quadpay acquisition** and Zipster integration; **rapidly scaling in the US**
- ✓ **Officially launched in the UK**; momentum building
- ✓ Expanded our presence to **12 markets** including entry into **Europe** and the **Middle East**
- ✓ **Launched** greenfield sites in **Canada** and **Mexico**

ZIP BUSINESS

- ✓ **Launched Zip Business product** suite: Trade, Trade Plus and Capital
- ✓ **Key partnerships** with **Facebook** and **eBay** launched
- ✓ **Record Q4 volumes (79% QoQ growth)** with strong pipeline building

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01.

Overview



Mission

To be the first payment choice,
everywhere and every day.

Purpose

Create a world where people can
live fearlessly today, knowing they're
in control of tomorrow.

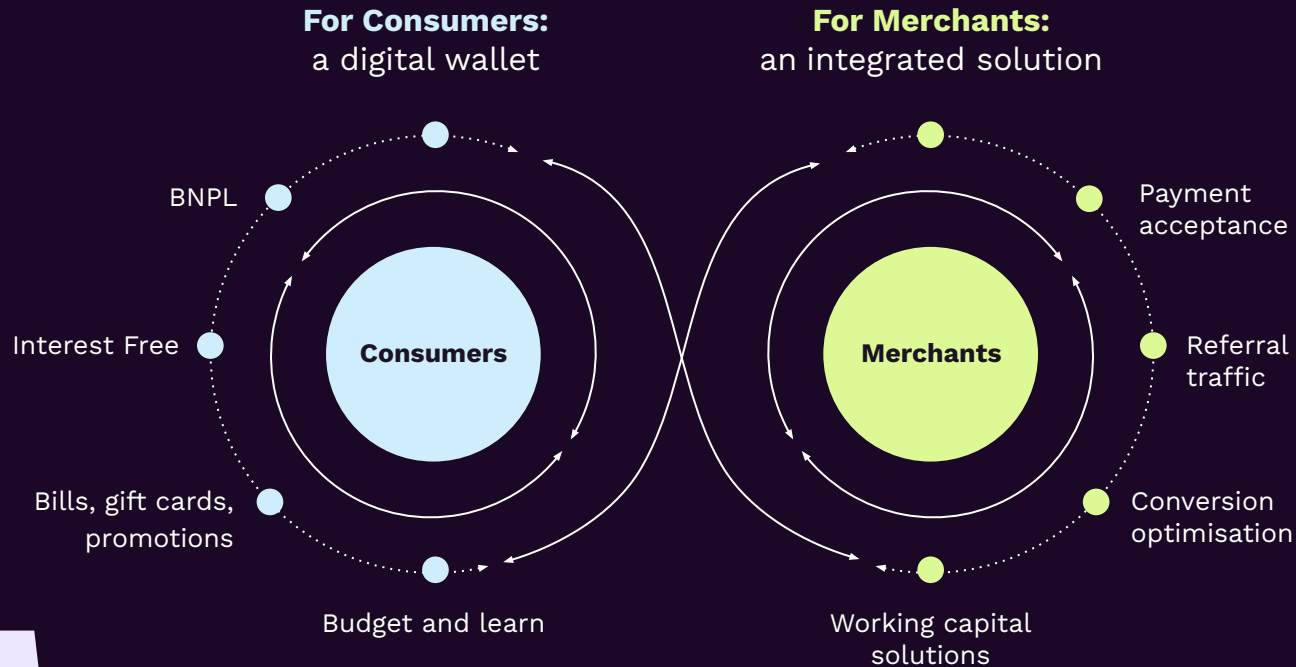
Promise

A more financially fearless world.



Our flywheel effect

We bring customers and merchants together for fair and valued payment experiences



We have a unique set of competitive advantages that enable us to win



Our Product

We offer short and long term duration instalments in a single checkout experience



Flexible Solutions

We operate both an open and integrated network, accelerating our flywheel and enabling customers to BNPL everywhere



Our Business Model

Our unique revenue model drives income from customers and merchants, enabling us to support partners in any vertical and deliver market leading unit economics



Risk Management

Our proprietary decisioning platform drives superior approvals and conversion for merchant partners while delivering profitable outcomes



Global Reach

We are a truly global BNPL player. Our global technology platform enables us to unlock 12 markets for partners through a single API integration

We are Zip

\$5.8b

FY21 TTV

\$403m

FY21 revenue

293%+

YoY transaction
growth

1k

Employees

7.3m

Customers¹

51.3k

Merchants¹

Note: 1. As at 30 June 2021, figures announced on ASX 22 July, 2021. All
Figures in AUD.

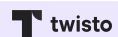
Zip is a leading global BNPL player with operations in 12 markets, a
single integration point and a rapidly expanding footprint



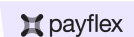
Middle East



Asia Pacific



Europe



Africa

— Core markets

- - - Strategic investments

We deliver growth for some of the biggest brands

amazon.com.au



Microsoft AU

SHEIN

boohoo

GameStop
POWER TO THE PLAYERS™

FASHION NOVA



Fanatics

● sunglass hut

HOME BASE

ebay

COTTON:ON

MERCARI

Famous
Footwear



THE HUT GROUP®

JB HI-FI

BUNNINGS
warehouse

the warehouse //

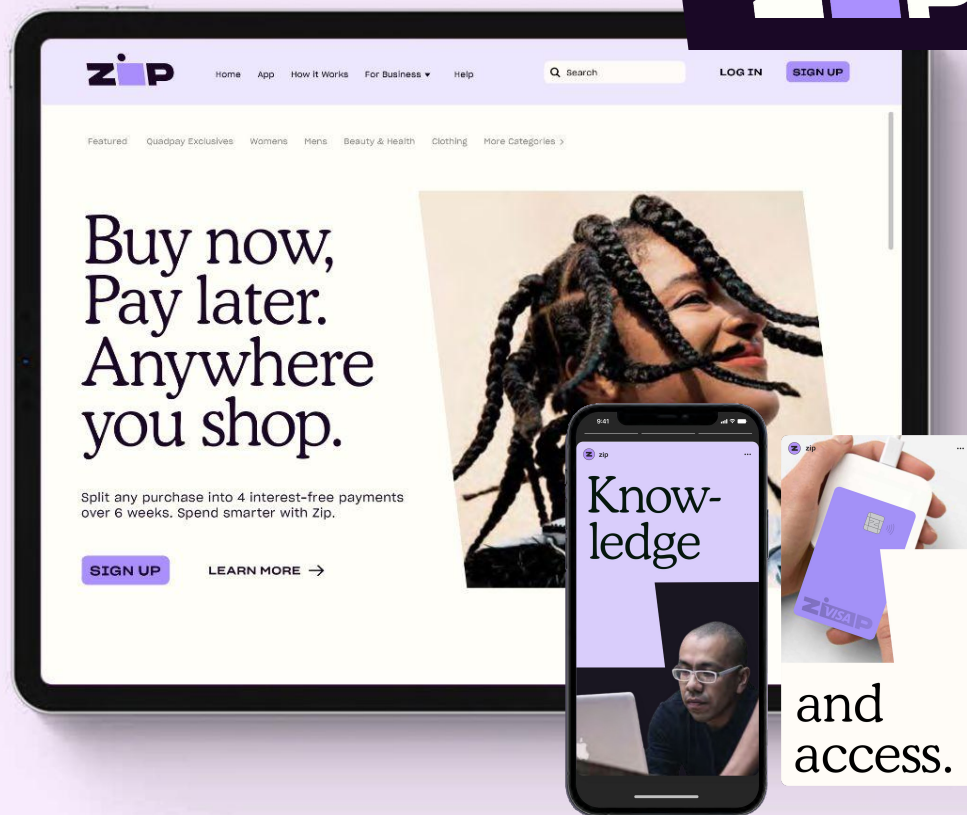
Same Zip. New look.

A revitalised **global brand**.

To create a platform for continued **growth**, we are uniting our **rapidly expanding business** under **one, fearless and globally recognisable brand**

A **unified global** brand will enable us to:

- Continue to build **trust** with our customers and merchants
- Increase **product efficiencies**
- Reinforce our **commitment** to developing **fair, transparent** products by putting people at the **centre** of everything we do, and
- Support Zipsters in becoming even closer as a single, global **company** with a strong team **culture**



Continued investment in people and the community

In addition to achieving significant growth in FY21, we continue to invest in our people and the community



Our Staff

Employee Wellbeing

Launched employee mental wellbeing program.
Increased support for family and domestic violence.
Inclusive leave policies for volunteering, COVID vaccination and miscarriage bereavement.

Diversity, Equity and Inclusion

DEI communities established globally.
Global strategy for DEI rollout commenced.

Our Customers

Financial Empowerment

Delivered customer financial literacy campaigns.
New financial wellbeing product features.

Small and Local Enterprises

Zip Business education blog established.
Initiated partnership with Shop My Town, supporting local traders in AU in FY22.

Our Community

Environment

Achieved Climate Neutral Certification.
Switched to 100% green power at Zip HQ.

Ethical Supply Chain

Adopted a Supplier Code of Conduct and Human Rights Statement.
Reported on modern slavery obligations, including training for all staff.

02.

Recap of FY21



FY21 highlights

Growth

Strong growth across all key metrics - **transaction volumes of \$5.8b** and **revenue of \$403.2m**, delivering **176% YoY TTV growth** and **150% YoY revenue growth**. Maintained market leading unit economics (3%+ cash transaction margins), generating \$198m in cash gross profit and \$44m in operating cashflow.

Expansion

Successfully expanded our global presence to **12 markets** with the official additions of **US, UK, Canada** and **Mexico** to the Zip group. Regional market entry points established in **Europe, The Middle East** and **Southeast Asia**.

Partners

Welcomed over **26k new partners to the Zip integrated network** including iconic local brands (e.g. JB Hi-fi, NewEgg) and global accounts (e.g. Shein, The Hut Group). Established key partnerships with PSPs (e.g. Stripe) and eCommerce platforms (e.g. BigCommerce).

Funding

Delivered **strong improvements to weighted average cost of capital** through a range of funding arrangements including public rated securitisation issuance, expansion of Goldman Sachs facility (US). Raised **over \$660m** via convertible notes, a direct placement and an oversubscribed share purchase plan.

Innovation

Delivered **BNPL payment innovations** (e.g. Tap & Zip, Subscriptions, Chrome Extension) enabling our US and AU customers to BNPL at **over 500k unique merchants**, both **online or in-store**. Launched our **Zip Business** product suite in ANZ.

CSR

Invested heavily in our people, including a world leading bereavement leave policy and Covid-19 vaccine support. Continued to execute on our **commitments to our communities and the environment** (e.g. 100% green power at Zip HQ).

Unit economics

We continue to deliver significant growth and strong financial performance

- Transaction volumes grew 176% YoY while revenue margins remained healthy at ~7%, with movement YoY reflecting the shift in mix to the US and everyday spend
- Strong cash transaction margins relative to peers at 3%+, with ongoing management of COS
- Resulting in Cash Gross Profit growth of 147% YoY and GP margins of ~50%
- Australia evidences the power of operating leverage having delivered 12 consecutive quarters of positive cash flow

Note: 1. Calculated figures may not reconcile due to rounding. 2. Cash Cost of Sales comprises Net Bad Debts written off, Bank Fees and Data Costs, and Interest Costs.

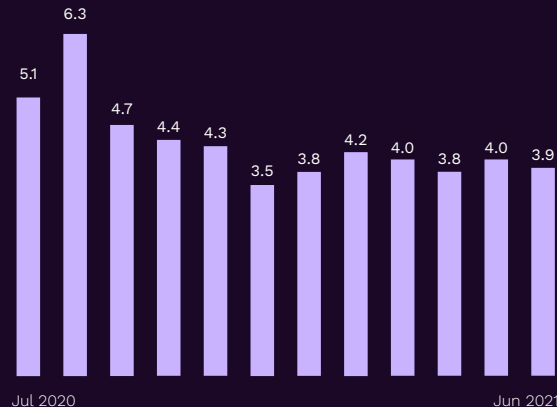
Financial performance	FY21	FY20
Total Transaction Volume (TTV)	\$5.8b	\$2.1b
Revenue (less other income)	\$402.7m	\$160.1m
% of TTV	7.0%	7.6%
Cash Cost of Sales ² (COS)	\$204.7m	\$80.0m
% of TTV	3.5%	3.8%
Cash Gross Profit	\$198.0m	\$80.1m
Cash Transaction Margin (CTM)	3.5%	3.8%

Capital efficiency

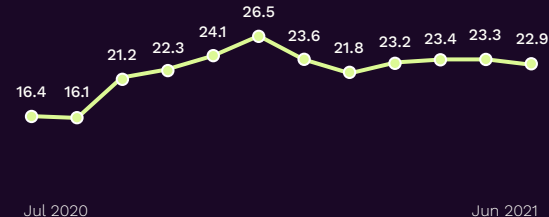
Capital efficiency and yield remain strong

- Yield averaged ~22% over the period with receivables turning every 3-4 months on average
- The US weighting to short-term instalments is the major driver of improvement
- In ANZ, we continue to focus on product innovation and customer repayments, to drive improved capital efficiency

Repayment velocity
(average months to recycle book)



Revenue yield
(revenue / average receivables %)

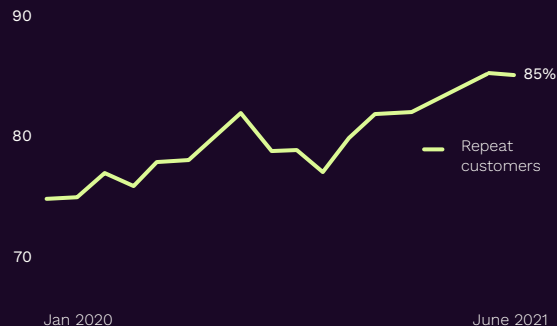


Credit and risk

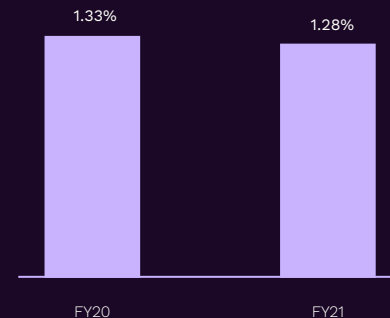
We delivered strong credit performance despite the impacts of Covid-19

- Deeper customer engagement is driving high repeat usage rates
- Investments in our proprietary decisioning capability are providing the agility to adjust to market settings
- Net bad debts as a share of transaction volumes remained broadly consistent in FY21 vs FY20

Returning Customer Contribution¹
(as a % of TTV)



Net Bad Debts Written Off^{2,3}
(as a % of TTV)



Note: 1. Includes Australia and US, 2. Zip Group, 3. Net bad debts represents impaired receivables written off during the year, net of any recoveries.

Our US Business

03.



Our US business has achieved significant growth in FY21

Opportunity

We continue to capture market share in the US \$5t retail market.

Growth

>140% YoY growth in all key metrics; the US is now Zip's largest market.

Product and innovation

Our market leading products (App, Chrome extension) continue to drive customer and merchant engagement; all time App downloads surpassed 5m during FY21.

Partnerships

Secured key distribution and strategic partnerships (e.g. Stripe, Fiserv).

Market leading unit economics

Highly efficient business model that continues to deliver healthy unit economics (2%+ NTM).



Pro-forma TTV

FY21 vs 20

\$b

225%

Growth (YoY)

0.8¹

2.6

Customers

Total at Jun-21 vs 20

#m

144%

Growth (YoY)

1.8

4.4

Pro-forma Revenue

FY21 vs 20

\$m

269%

Growth (YoY)

52.1

192.0

App downloads²

FY21 vs 20

#m

225%

Growth (YoY)

1.6

5.2

FY20

FY21

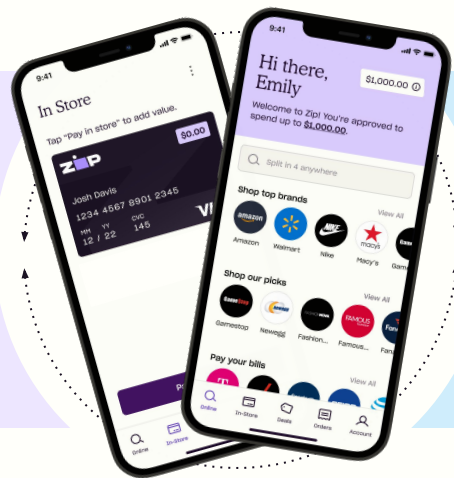
Note: 1. Difference in TTV from FY20 investor presentation is based on FX (average monthly rate).
Source: 2. App Annie, total app downloads for Android and iOS.

Our flywheel effect

Our growth and sustainable financial performance is underpinned by our unique model

Open Network

Customers ability to shop anywhere is **unlocking spend in new everyday categories**



Integrated Network

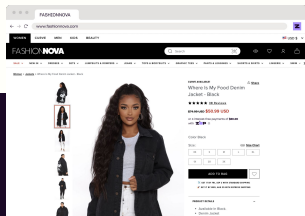
Organic growth through our wallet is **driving demand for our integrated partners**

~2/3rds of customers are **acquired at checkout** via our **integrated merchants** with strong conversion to App

App customers are our **most engaged cohort** and **transact ~2x** as much as checkout customers

Driving conversions and lead referrals is core to our merchant value proposition

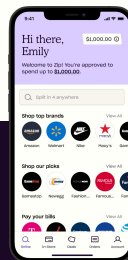
At Checkout



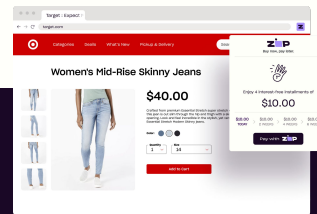
Anywhere in-store



Anywhere online



Chrome Extension



TTV growth:

2x at checkout¹

Our core integrated network continues to perform strongly

8x in-store¹

Huge opportunity to grow our in-store volume

5x via our App¹

Continues to be a stand out channel enabling BNPL everywhere

6x chrome extension²

Proven innovation growing in volume enabling customers to shop anywhere online

Note: 1. 12 months transaction volume growth to June-21, 2. 8 months transaction volume growth to June-21 (since launch).

Customer engagement

Customers are deeply engaged using more of our products, more often.

More products

2x

increase in customers using multiple Zip products (App, Chrome, Web)

30%+

of activated App customers go on to purchase in our integrated network

More often

>35x¹

average transactions p.a. by top 10% of App customers

>85%

of orders from returning customers

Note: 1. Includes App customers that transacted between October 2020 and July 2021, 2. Cohorts are based on active App customers, data range used is September 2019 to June 2021 on a rolling 12 month basis.

US App customers are transacting ~29x p.a. within two years of joining²



Engagement is **deepening amongst older cohorts** and **accelerating amongst newer cohorts**

We continue to set the foundations to accelerate our two-sided network and maintain strong margins

Key Merchants

Key Merchants

We continue to partner with the world's largest and most iconic brands:

- Our US merchant base **grew 388%** YoY¹
- In-store partnerships continue to represent a significant opportunity
- Inaugural Quadpay Fest, a four day omnichannel shopping experience, drove significant incremental traffic for partners
- New merchant partners joining the platform in FY21 include:



Strategic Partnerships

Strategic Partnerships

We continue to invest in strategic partnerships that enable fast and easy access to BNPL products for merchants across the globe:

- **Partnering with Stripe** to deliver merchants alternative payment options globally; while also leveraging our global scale to reduce processing costs and improve margins
- **Integrating with Adyen** to deliver omnichannel BNPL solutions to merchants (online, mobile and in-store)



Treasury and Funding

Treasury and Funding

We successfully completed an extension to the US debt facility with Goldman Sachs:

- **Growth:** increased capacity to support \$5b+ in annual transactions volumes
- **Unit economics:** negotiated improved terms that deliver a material reduction in the weighted average cost of capital



Our ANZ Business

04.



FY21 was a year of strong growth in ANZ

Growth

We have maintained strong growth across our key metrics further cementing ourselves as a local BNPL leader.

Product expansion

We continued to build out the utility of our digital wallet through the rollout of Tap and Zip, subscriptions and updates to our PFM app Pocketbook.

Entry into new verticals

Our unique product construct unlocks BNPL across new verticals with everyday spend categories growing significantly (+156% YoY in groceries and supermarkets; +293% YoY in service stations).

Customer engagement

Customers are engaging with Zip more than ever with monthly users transacting on average 3.6x in June (90% increase PcP).

Payment Infrastructure

We have enhanced our core payments infrastructure to create additional flexibility and drive greater cost efficiencies.

Partnerships

We secured a number of industry leaders (JB Hi-fi, Harvey Norman, Chemist Warehouse) and extended our reach through strategic partners (BigCommerce, Propell).



TTV

FY21 vs 20
\$b

52%

Growth (YoY)

2.1

3.2

Revenue

FY21 vs 20
\$m

40%

Growth (YoY)

153.6

214.5

Customers

Total Jun-21 vs 20
#m

33%

Growth (YoY)

2.1

2.8

App downloads²

Total Jun-21 vs 20
#m

55%

Growth (YoY)

2.0

3.1

FY20

FY21

Note: 1. ANZ figures includes Zip Australia and Zip New Zealand.
Source: 2. App Annie, total app downloads for Android and iOS.

We continue to deliver innovative products and services to our customers

Tap & Zip

We have reimaged the BNPL in-store experience, enabling shopping anywhere.

Rewards

Delivering more value to customers through exclusive deals, rewards and cashback.

Pay Now (Debit)

Enabling customers greater payment flexibility when shopping online using Zip.

Subscriptions

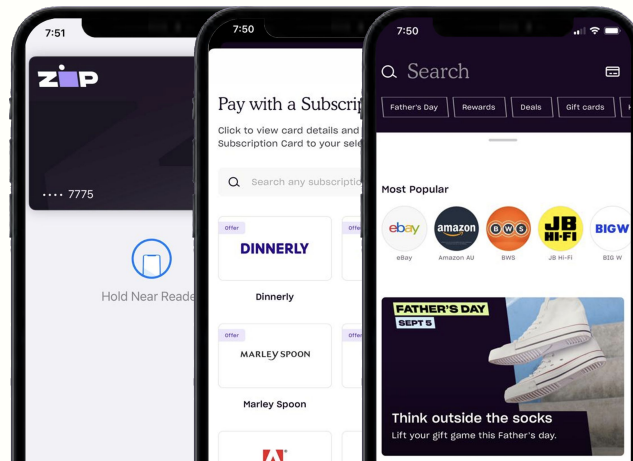
Enabling greater financial visibility and control with subscriptions management.

53m leads generated for merchants

~80% of customers download our app in their first month

1.1m downloads for the year (ANZ)²

4.9 star rating on Apple Store and 4.8 on Google Play³



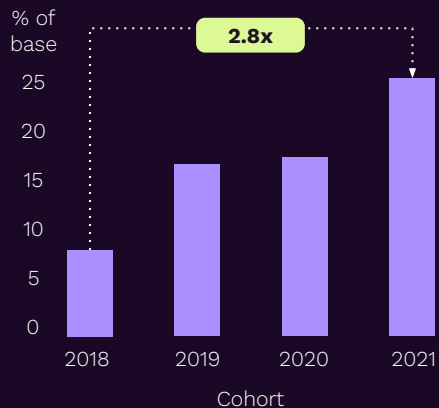
Note: 1. Australia only unless otherwise specified.

Source: 2. App Annie, Android and iOS. 3. App Store, 2021; Google Play, 2021.

Customer engagement in our wallet continues to deepen

Newer cohorts are using multiple Zip products

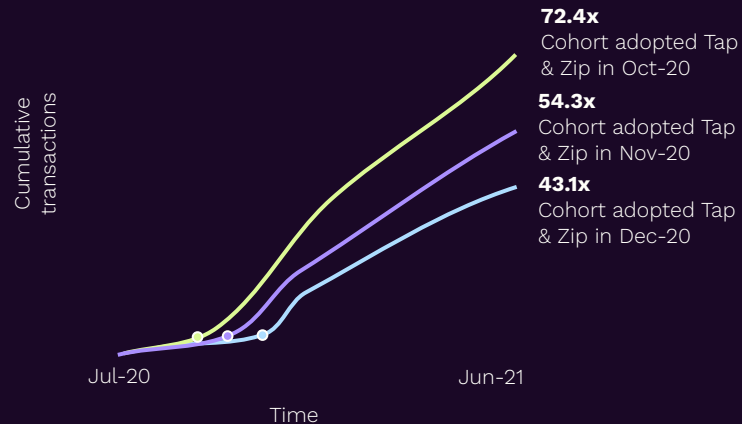
% of customers with both Zip Pay and Zip Money products²



Our focus on **additional products and services in a single wallet** is driving increased uptake in multiple Zip products.

Continued focus on product innovation is driving deeper engagement

Tap & Zip users total transactions in FY21^{3,4}



Continued focus on **enhancing our product offering** is **significantly improving engagement**.

Note: 1. Australia only, 2. Within 3 months since joining, 3. Tap & Zip product subject to local lockdowns in FY21, 4. 12 month active Zip Pay customers who adopted Tap & Zip in October to December 2020, transaction data is for the period July 2020 to June 2021.

The merchant network continues to expand

Key Merchants

- Zip's integrated partner relationships are a key accelerator to our flywheel, we added **11K new merchants to our ANZ network**
- We continue to build on our global merchant network through our **market leading single merchant integration**
- New merchants included **iconic brands** such as: JB HiFi, The Good Guys, Taronga Zoo, and Bed Bath & Table

Strategic Partnerships

- We continue to **focus on strategic partnerships** to expand our distribution network and provide more customers and merchant with access to fair and transparent BNPL products

Key Merchants

ADOREBEAUTY

JB HI-FI



Microsoft

D O M A Y N E

Harvey Norman



Strategic Partnerships



BIGCOMMERCE



commerce cloud

adyen



Magento®



MARKETPLACER™

Zip Business

FY21 has set the foundations for accelerated growth in Zip Business with strong early results

Addressable market

Supporting 2.3m SMBs in ANZ historically underserved by the banking community¹.

Product range

Trade (\$3k), Trade Plus (up to \$150k) and Zip Capital (up to \$500k) cover a broad set of business needs.

Government Support for SMBs

In Q1 FY21 Zip participated in the Australian Governments' SME Guarantee Scheme. Zip was also accepted into the NZ Govt Guarantee scheme supporting record growth in Q4.

Strategic Partnerships

We continue to grow our partnerships with Facebook and eBay enabling SMBs to advertise and grow now, pay later.

Source: 1. Australian small business and family enterprise Ombudsman, 2019.
Note: 2. Includes Zip Capital loan drawdowns

2.7 Monthly TxNs
Per Trade user

\$2.1k AoV on Trade
products

106% QoQ growth in
Trade TTV in Q4

\$38.7m TTV in Q4²

Our Strategic Partnerships

facebook

ebay

PARAMOUNT
LIQUOR

Tradelink

zip

The one trade
account for your
business

\$1,000 to \$150,000
interest free

Always interest
free with nothing
to pay upfront

Hi Amanda

Shop at a store that accepts Zip
Use the barcode below to pay at checkout. A
new barcode appears each time you open
the app.

Trade Account
\$3,000.00
Expires in 9:00



3 21 65 4

05.

Global Expansion



We see a huge opportunity for a truly global BNPL solution

2.1%

BNPL penetration of global eCommerce spend¹

\$24t

Addressable retail market²

2x

eCommerce BNPL penetration to double by 2024¹

BNPL expected to be the fastest growing eCommerce payment method over the next 5 years¹



We are well placed to capitalise on global BNPL demand

Why global?

We hold strong conviction for a global BNPL proposition

- ✓ Proven in core markets, there is a **strong and growing demand from consumers** for instalments
- ✓ Heightened **demand from regional and global partners** for solutions that support multiple markets
- ✓ We believe **everyone, everywhere should have access** to fair and transparent payment products

Why Zip?

Our capabilities position us for long term success

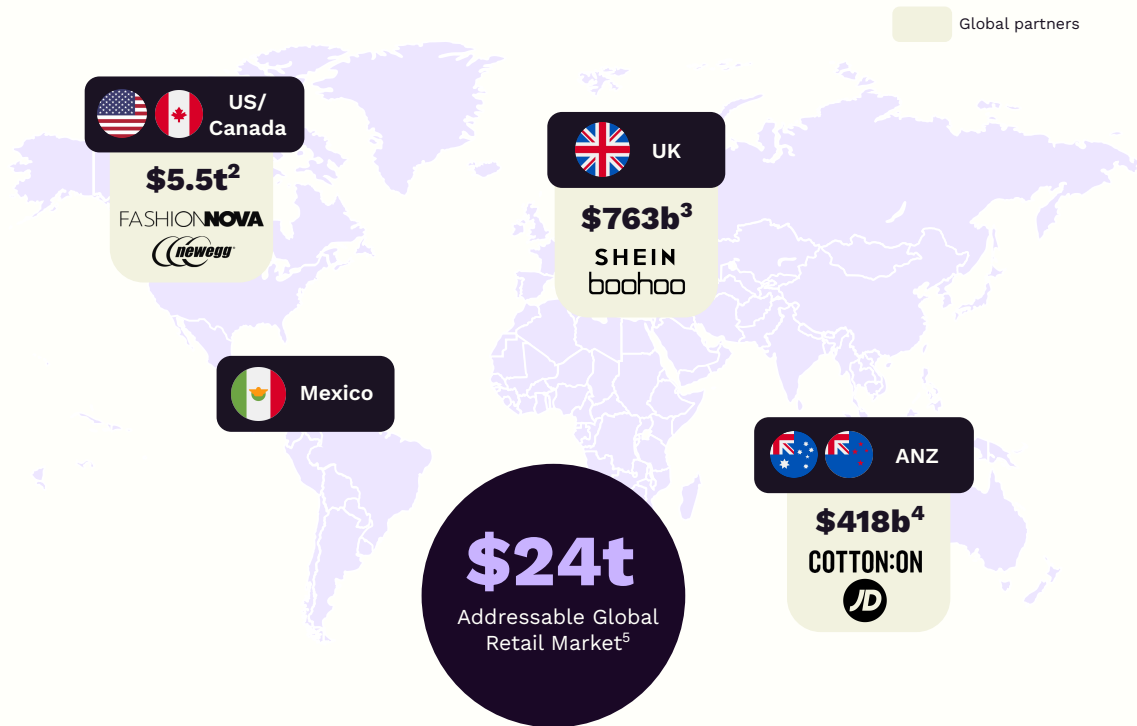
- ✓ **Robust technology platform** that is customisable to market needs (e.g. language, repayment methods, risk)
- ✓ A **proven, cash generating business model** that can be flexed and scaled globally
- ✓ A **global coalition of founders** who understand local consumer preferences and merchant needs
- ✓ Credit and risk decisioning engine using both **traditional and alternate data to support established and emerging markets**
- ✓ A **single point of integration** for merchants and partners to access all Zip markets globally
- ✓ A dedicated New Markets team with deep **expertise in navigating risk** (e.g. regulation) and **scaling**



We continue to see our core markets as the backbone of our global solution

Core markets underpin our growth strategy

- ✓ Global BNPL penetration growing from a low rate at ~2%
- ✓ Demand from global merchants for a single solution accelerating growth in adjacent markets (e.g. US -> Canada)
- ✓ Local teams developing merchant network with significant opportunity for scaling cross-border trade. Cross-border eCommerce activity forecast to be \$4.3t by 2025¹
- ✓ Global technology platform customisable to local markets needs (e.g. translation to Spanish in Mexico)
- ✓ Proven business model (e.g. ANZ) and experienced team scaling into new markets



Source: 1. Euromonitor, 2019. 2. US Census, 2019 (US); Euromonitor, 2020 (CA). 3. Retail Economics UK, 2020. 4. Euromonitor, 2020 (NZ); NAB Online Retail Sales Index, 2021. 5. eMarketer Global Ecommerce Update, 2021.

UK is showing strong early momentum

Accelerating growth

Strong growth in the UK's first full quarter since launch. Strong lead indicators across all key metrics ahead of peak trading period.

Platform

Successfully rolled out Zip's proven global technology stack enabling market leading wallet capabilities at scale, including leveraging virtual card technology.

Merchants

Growing merchant base, securing leading UK brands since launch such as JD Sports, BooHoo, and Fanatics. The recent addition of UK brand, The Hut Group, will soon launch across other Zip markets.

Key Performance Metrics (Q4 FY21)

\$13.9m TTV

70k Customers

Key Merchants

boohoo

HOMEBASE

Fanatics

PRETTYLITTLETHING

SHEIN



FASHION NOVA

oh POLLY

LOOKFANTASTIC

COTTON:ON

The Fragrance Shop

THG

Delivering fair and transparent payment products to new and emerging markets

Components supporting adoption in emerging markets¹

BNPL Product Suitability

Products democratise access to credit in emerging markets supported by product construct, low limits and digital nature

Internet Connectivity

Rapid growth in internet connectivity with penetration at 72%² enabling mass distribution of digital products

Smartphone Penetration

High penetration rate of 73%², driving adoption of digital payments; fuelling mobile commerce growth

Underserved Populations

32% of the population are underbanked³; limited adoption of credit cards and revolving credit products

Emerging Markets present a significant opportunity for Zip to deliver large underserved populations a fair, transparent digital payment product that leaps credit cards and combats risks associated with over indebtedness



Strategic investments provide Zip an entry into key regions

Overview

T twisto (Europe)

- In May, Zip announced intention to purchase the remaining shares in Twisto
- Acquisition provides Zip the ability to passport licensing across EU to further regional expansion

spotii (Middle East)

- In May, Zip announced intention to purchase the remaining shares in Spotii
- Acquisition provides Zip entry point for further regional expansion across the GCC region

T TendoPay (Asia Pacific)

- Zip completed a 25% minority investment in Q4 FY21
- Tendo is fully licensed with the Philippines Securities and Exchange Commission

Growth

- Solid performance, maintaining growth despite lockdown impacts
- Annualised revenue of \$12m and TTV of \$230M TTV¹
- Partnership with PayU driving significant growth of merchant network
- Enterprise merchant growth across core BNPL (e.g. iStyle) and new verticals (e.g. Pizza Hut, Avast)
- Strong product pipeline with rollouts (virtual card) driving incremental growth

- Supported by strong eCommerce growth in the region (25% CAGR)²
- Recent expansion into Saudi Arabia
- Strong pipeline of enterprise merchants with recent go-live of Shein evidencing importance of a global solution

- Delivers core instalment products with unique repayments via salary deduction
- In the process of securing debt funding to provide headroom for future growth
- Partnered with major brands (e.g. Samsung, Havaianas, Western Appliances) with strong growth pipeline for the next 6 months

Investment highlights

Zip will purchase the remaining shares in Payflex



Strong first-mover advantage with access to broader African markets

Why Africa?



400m mobile payments users⁴

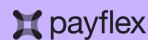


Over **50%** of the population underbanked⁵



Rapid smartphone adoption, with over **650m connections** by 2025⁶

Why Payflex?



Founder-led business, first BNPL instalment provider in South Africa



4.5x TTV growth in the 12 months to June 2021



Over **125k** customers have used the platform driving demand for merchant network



Over **1k** merchants in the network driving customer acquisition



Market leading Pay-in-4 and Pay Now product offering



Proprietary automated credit and risk decisioning delivering **market leading loss rates**

Note: 1. Figures as at August 2021. 2. Zip acquired 24.7% stake in Payflex through the acquisition of Partpay (Oct 19). 3. Refer to transaction terms in appendix for further details.
Source: 4. BCG, 2020. 5. McKinsey, 2018 6. GSMA, 2020.

Since Zip's investment in Oct '19 growth has accelerated; **>80x TTV, >85x revenue, 70x customers and 16x merchants**

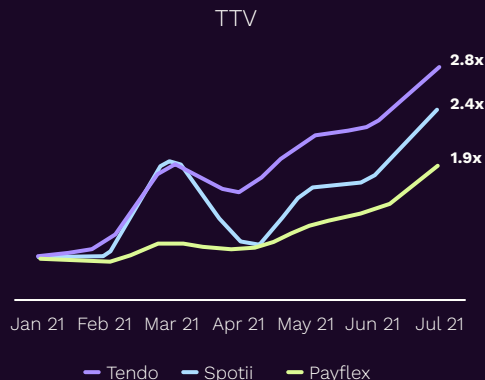
Strong growth in key metrics across emerging markets and a healthy pipeline for further acceleration

Payflex (Africa): Experienced a step-change in growth over the past 12 months. Potential for further scaling across Africa.

Spotii (Middle East): Healthy pipeline of enterprise merchants to drive scale. Recent, strong customer growth expected with newly onboarded brands (e.g. Shein).

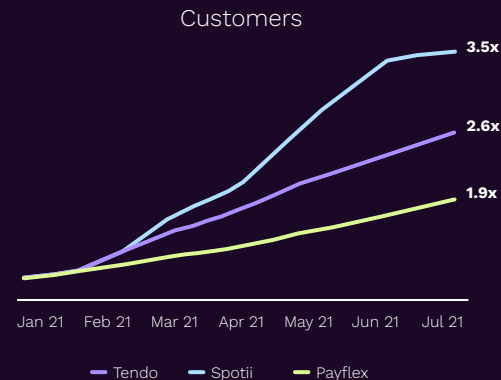
TendoPay (Asia Pacific): Continues to expand at an impressive pace with ~30% MoM TTV growth over the year, off a low base.

Growth in TTV
(multiples on Jan-21¹)



Strategic investments continue returning pleasing TTV growth

Growth in customers
(multiples on Jan-21¹)



Strong customer acquisition to underpin future growth in transaction volumes

06.

FY21
Financial
Results



Segment financials

- Investing in growth and global expansion, Cash EBTDA for the Group (\$22.9m)
- Cash Gross Profit margins remain healthy at ~50%
- AU growing strongly and remaining Cash EBTDA positive
- Zip's investments in expanding its Global footprint now contributing 46% of Group Revenue and will be the largest contributor in FY22
- Zip Business formally launched during the year and positioned to deliver on the significant SME opportunity

FY21 \$m	AU	Global	Zip Business	Total
Revenue	207.6	184.7	10.9	403.2
Group contribution	51%	46%	3%	100%
Cash EBTDA	8.4	(26.3)	(5.0)	(22.9)

Note: 1. Segments aligned to financial reporting view, with US, UK and NZ included in Global.

Income statement

- Operating Income hit record levels, 152% increase on FY20
- Cash Gross Profit remains healthy as the business scales, with Cash GP margin steady at 49%.
- Cash EBTDA was (\$22.9m) as the Company continues to invest for growth on a global scale
- Average Interest Costs reduced from 4.7% to 4.3% due to lower average rate across the AU portfolio
- Bank fees and data costs reflect the inclusion of QuadPay in the Groups results and increased volumes
- Salaries and Employment Related Costs increased due to the inclusion of QuadPay and scaling the global business, with headcount increasing to 1,049
- Marketing Costs increased with the inclusion of QuadPay, the launch of Tap and Zip, and new market expansion
- IT costs reflect the increased global footprint and further investment in resilience and security
- Expected Credit Loss provision 5.0% up from 4.4% reflecting higher provisioning on capital efficient BNPL business

Note: 1. Cash Earnings Before Tax, Depreciation and Amortisation and excluding Share of loss of associate and Acquisition Costs, 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.

	FY21 \$m	FY20 \$m
Operating Income	402.7	160.1
Cash Cost Of Sales ²	(204.7)	(80.0)
Interest Costs	(58.7)	(38.9)
Bank Fees and Data Costs	(71.5)	(13.2)
Net Bad Debts Written-Off	(74.5)	(27.9)
Cash Gross Profit	198.0	80.1
Cash GP%	49%	50%
Other Income	0.5	0.9
Cash Operating Costs ³	(221.4)	(77.5)
Salaries and Employment Related Costs	(97.7)	(44.3)
Marketing Costs	(71.2)	(9.5)
Information Technology Cost	(24.0)	(11.5)
Other Operating Costs	(28.5)	(12.2)
Cash EBTDA¹	(22.9)	3.5
Unrealised FX Movements	(1.6)	-
Movement in Provision for Expected Credit Loss	(49.4)	(25.8)
Amortised Finance Costs	(5.1)	(1.9)
Reported EBTDA	(79.0)	(24.2)

Cash Transaction Margin

- Reducing interest costs as capital recycling faster
- Further improvement in interest costs through:
 - US facility renegotiated and extended at lower cost
 - AAA rating on senior notes in Australian warehouse
- Balancing risk and revenue in underwriting models
- Processing costs higher in the US
- Reducing unit processing costs through global contracts, leveraging volumes

FY21 \$m	FY21	FY20	% change
Revenue	7.0%	7.6%	0.6%
Interest Expense	1.0%	1.9%	-0.9%
Net bad debts written off	1.3%	1.3%	0.0%
Bank fees and data costs	1.2%	0.6%	0.6%
Cash Cost of Sales	3.5%	3.8%	-0.3%
Cash Transaction Margin	3.5%	3.8%	-0.3%

Note: 1. Figures are expressed as a percentage of TTV.

Corporate items and one-off adjustments

- The Income Statement was impacted by a number of one-off adjustments and non-cash movements
- Acquisition costs incurred in acquiring QuadPay and The Urge, on investing in associates, and on issuing convertible notes and warrants
- Share-Based Payments include \$102.7m relating to retention and performance shares agreed on the acquisition of QuadPay. The first performance hurdle has been met
- Fair Value Loss on Financial Instruments mainly represents required revaluation of derivatives and warrants issued to support QuadPay growth. Refer to 'Convertible notes and warrants' slide for further detail
- Net adjustment of \$306.2m relating to the acquisition of QuadPay. Refer to 'QuadPay acquisition adjustment' slide for further detail
- Depreciation and Amortisation includes the write off of the Quad brand on re-branding to Zip (\$42.6m) and the amortisation of Acquired Intangibles following the acquisition of QuadPay

	FY21 \$m	FY20 \$m
Reported EBTDA	(79.0)	(24.2)
Share of Loss of Associates	(0.8)	(0.2)
Acquisition Costs	(9.9)	(10.3)
Share-Based Payments	(142.8)	(20.4)
Fair Value (Loss)/gain on Financial Instruments	(77.6)	47.5
Net Adjustment Relating to the Acquisition of QuadPay	(306.2)	-
Effective Interest on Convertible Notes	(10.2)	-
EBTDA	(626.5)	(7.6)
Depreciation and Amortisation	(91.8)	(13.0)
Earnings Before Tax	(718.3)	(20.6)
Add back:		
Fair Value (gain) on Financial Instruments	-	(47.5)
Net Adjustment Relating to the Acquisition of QuadPay	306.2	-
Acquisition Costs	9.9	10.3
Share-Based Payments	-	11.0
Write Off of Acquired Intangibles	42.6	1.9
Adjusted loss before tax	(359.6)	(44.9)

QuadPay acquisition adjustment

- No cash or business impact. Accounting only
- Acquisition announced on 2 June 2020 (15 day VWAP to 29 May \$3.39)
- The number of Zip shares to be issued to acquire QuadPay was equivalent to up to 23.3% of the issued share capital of Zip at completion
- Shareholders approved the acquisition of QuadPay on 31 August 2020
- The closing share price on the day was \$9.16
- Accounting standards require that:
 - Zip revalues its existing holding in QuadPay based on the \$9.16 share price (fair value gain of \$109.7m)
 - Zip records the cost of the investment in QuadPay based on the \$9.16 share price
- In conjunction with its independent valuers the Company determined that a spot price was not a fair reflection of the market value of Zip's shares for the purposes of calculating the fair value of the investment in QuadPay.
- Based on a review of the VWAP of Zip's shares, a fair market value equivalent to a share price of \$6.50 was determined, and a Day 1 adjustment of \$415.9m made to goodwill.

Zip Share Price May 2020 - December 2020



	\$m
Fair value adjustment on pre-existing investment	109.7
Share value not reflected in Goodwill	(415.9)
Net adjustment	(306.2)

Convertible notes and warrants

- \$100.0m in Convertible Notes and 19.4m warrants Issued to CVI Investments:
 - Convertible Notes issued with an initial conversion price of \$5.53, a 50% premium to the 1 day VWAP
 - Warrants issued at a 40% premium to the 1 day VWAP
- Ensured funding in place to support the growth of Quadpay post acquisition
- Embedded derivative in the Convertible Note and warrants fair valued at each reporting date. Fair valued at 30 June 21 using a \$7.57 share price
- Fair value sensitive to share price movements
- \$400.0m zero coupon senior Convertible Notes issued
 - Convert at maturity at a share price of \$12.39 or redeemed at 116.96% of principal amount
 - Debt and equity component. No fair value adjustments

	Convertible Notes Net Debt Host	Convertible Notes Embedded Derivative	Warrants	Total Liability	Convertible Notes Equity
	\$m	\$m	\$m	\$m	\$m
30-Jun-20	-	-	-	-	-
Issued during the period	338.8	21.7	17.2	377.7	114.5
Interest on convertible notes	10.2	-	-	10.2	-
Fair value loss recognised	-	38.9	43.1	82.0	-
30-Jun-21	349.0	60.6	60.3	469.9	114.5

Balance sheet

- \$330.2m of cash at Jun 21, which included \$41.0m in restricted cash. Unrestricted balance includes amounts remitted to funding vehicles the following business day
- Prepaid marketing costs and accrued income included in other receivables
- Investment movements over the period include the movement of the QuadPay stake on acquisition (\$82.9m) and minority investments in Spotii (Middle East), Twisto (Czech Republic), and Tendo (Philippines)
- Intangible assets include \$253.7m acquired on the acquisition of QuadPay. QuadPay brand written off on re-branding to Zip
- Goodwill increased by \$735.5m following the acquisition of QuadPay
- Trade and other payments increased due to amounts due to merchants on increased transaction volumes
- Vendors of PartPay hit the first TTV hurdle and 50% of the deferred contingent consideration was settled in shares

	FY21 \$m	FY20 \$m
Cash and Cash Equivalents	330.2	32.7
Other Receivables	32.7	6.9
Term Deposit	1.5	1.5
Customer Receivables	1,988.0	1,116.6
Investments	19.0	82.9
Investments in Associates	7.0	1.2
Property, Plant and Equipment	3.3	3.5
Right-of-use Assets	5.9	8.2
Intangible Assets	207.7	25.1
Goodwill	788.9	53.4
Deferred Tax Assets	10.3	-
Total Assets	3,394.5	1,332.0
Trade and Other Payables	67.4	19.5
Employee Provisions	6.0	2.8
Deferred Contingent Consideration	7.0	14.0
Lease Liabilities	6.3	8.4
Borrowings	1,659.2	1,082.0
Financial Liabilities - Convertible Notes and Warrants	470.0	-
Deferred Tax Liabilities	10.3	-
Total Liabilities	2,226.2	1,126.7
Net Assets	1,168.3	205.3

Cash flows

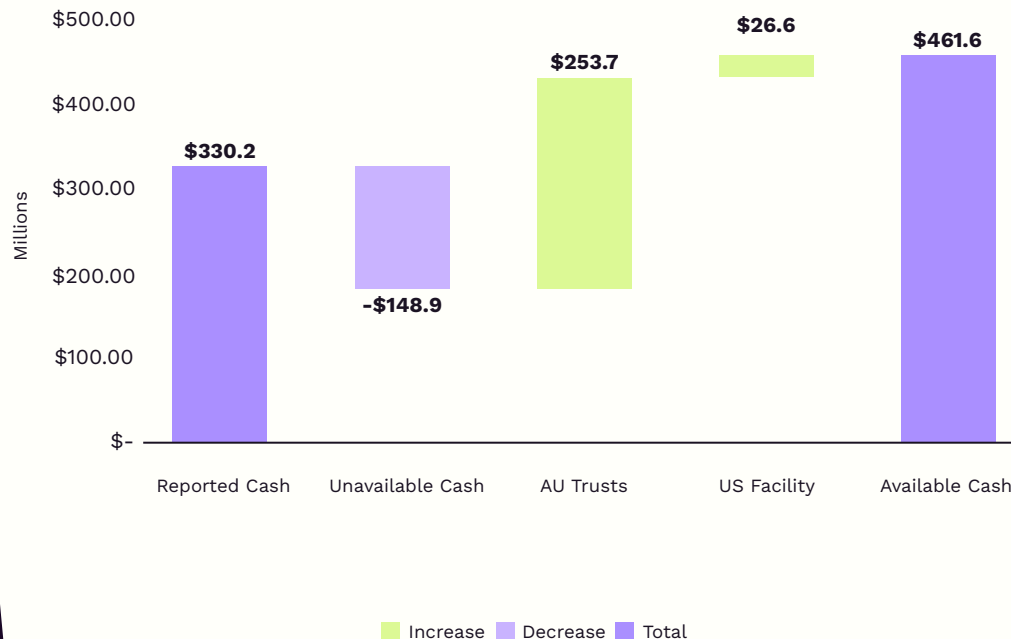
- Generated positive Operating Cashflow of \$44.2m in FY21 (\$52.9 excluding acquisition costs) up from \$14.7m in FY20 (\$23.0m excluding acquisition costs)
- The acquisitions of Quadpay and Urge added \$26.2m in cash (net) to the Group
- Minority investments in Spotii in the Middle East, Twisto in the Czech Republic and Tendo in the Philippines
- An additional \$578.3m was drawn from the Group's funding programs and used to finance receivables
- Raised \$178.0m in equity capital and \$491.0m through the issuance of convertible notes
- Costs associated with the equity raise totaled \$2.9m

	FY21 \$m	FY20 \$m
Operating income from customers	403.0	160.5
Payments to suppliers and employees	(292.6)	(99.2)
Interest received from financial institutions	0.2	0.1
Interest paid	(57.7)	(38.4)
Acquisition on business costs	(8.7)	(8.3)
Net Cash Flow from Operating Activities	44.2	14.7
Payments for plant and equipment	(1.4)	(2.4)
Payments for software development	(12.0)	(17.0)
Net increase in receivables	(930.1)	(488.8)
Payments for acquisitions, net of cash acquired	26.2	2.6
Payments for investments in associates	(6.5)	(0.1)
Payments for investments	(14.5)	(16.6)
Net Cash Flow to Investing Activities	(938.3)	(522.3)
Borrowing transaction costs	(2.1)	(2.9)
Proceeds from borrowings	1,051.9	473.6
Repayment of borrowings	(521.2)	(0.6)
Proceeds from issue of convertible notes	491.0	-
Repayments of principal of lease liabilities	(3.7)	(2.2)
Proceeds from the issue of shares	178.0	62.0
Costs of share issues	(2.9)	(2.1)
Net Cash Flow from Financing Activities	1,191.0	527.8
Net Increase in Cash and Cash Equivalents	296.9	20.2

Available cash

- Zip has raised \$491.0m (after costs) through the issuance of Convertible Notes and \$175.1m (after costs) through equity issuances during the year
- Cash is used to fund receivables in Zip's funding vehicles prior to being deployed for investment purposes, or used to fund growth
- At 30 June, Zip had \$280.3m invested in funding vehicles that would otherwise be drawn from Zip's funding facility providers
 - \$253.7m in Notes in Zip's ANZ funding vehicles
 - \$26.6m in Zip's US funding facility
- Zip had \$461.6m available cash at 30 June 2021

Available Cash at 30 June 21



Funding update

- The Company is well placed with regards to available debt financing to support its global growth plans
- Weighted average margin reduction of 1.07% achieved in latest rated note issuance as a result of ratings upgrade
- Following a further upgrade, Zip's Class A notes have now achieved AAA Rating due to the continued strong performance of the receivables portfolio
- Subject to market conditions this rating improvement will deliver reductions in AU interest costs, with further reductions expected over time
- The weighted average interest rate on loans outstanding at 30 June 2021 was 3.69% compared to 3.70% at 30 June 2021
- Undrawn facilities of \$1,013.4m at 30 June 2021
- US debt facility with Goldmans / Oaktree increased to US\$300m, and extended to May 24 with a reduction in weighted average margin from August 21
- Established a \$100m facility with US firm Victory Park Capital to support the growth of SME receivables under Zip Business

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 0.7518

	FY21 \$m	FY20 \$m
Facility Limits		
AU	2,131.4	1,144.5
US ²	399.0	-
SME	146.2	46.2
Total Limits	2,676.6	1,190.7
Facilities Drawn		
AU	1,475.4	1,050.0
US	148.8	-
SME	39.0	32.1
Total Drawn	1,663.2	1,082.1
Cost of Funds¹	3.69%	3.70%

07.

FY22 Priorities



We are laser focused on four key business areas for FY22

1.

Deep Customer Engagement

Developing new products and services to increase the utility of our digital wallet

Delivering tools to help customers live fearlessly today, knowing they're in control of tomorrow

2.

More Value for Merchants

Delivering more value to merchants through enhanced and broader solutions (e.g. demand generation)

Unlocking BNPL globally for our merchants through a single integration

3.

Global Expansion

Scaling markets where we have an established presence (inc. integrations)

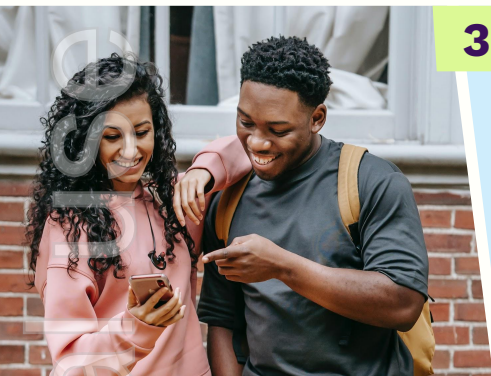
Capitalising on opportunities in high growth markets

4.

A Financially Fearless World

Invest in social impact initiatives that drive financial wellbeing

Uplift the knowledge, capability and diversity of our Zipsters



FY22 outlook

Thematics	Early indicators
Growth	<ul style="list-style-type: none">• FY22 showing strong early signs with TTV growing 58% in AU and 240% in US YTD vs FY21¹• Global market entries and investments to start contributing meaningful TTV in FY22
Partners	<ul style="list-style-type: none">• Continue to onboard global merchants driving customer acquisition and TTV growth• Healthy pipeline of enterprise merchants and strategic partnership opportunities
Covid-19	<ul style="list-style-type: none">• The shift to online due to the pandemic is here to stay, despite the easing of restrictions. Payment choice and fulfilment choice continuing to drive the merchant agenda• Well positioned to capitalise on the return to in-store and expect the next quarter to drive significant sale volumes leading into the seasonal high
Brand	<ul style="list-style-type: none">• Leveraging the new global brand to drive awareness with customers and partners• A new platform for zipster experience and community social impact
Product	<ul style="list-style-type: none">• Significant investment in merchant products to unlock new customer segments and drive referrals to merchant partners• Relentless focus on driving deeper customer engagement and growing in-store

nal use only

ZIP

Thank you.



Appendix: Payflex Acquisition Terms

Remaining shares in South African BNPL provider, Payflex, to be acquired for mostly scrip consideration with anticipated completion during Q3 FY22

Acquisition Value	<ul style="list-style-type: none"> Maximum potential purchase price of R184.4 million (~\$16.9 million) for the remaining shares in Payflex¹ that Zip does not already own, comprising the Upfront Consideration, BEE Holdback Amount and Deferred Consideration as described below Implied Maximum Enterprise Value of R250 million (~\$22.9 million)
Upfront Consideration	<ul style="list-style-type: none"> Upfront Consideration of R103.4 million (~\$9.5 million)² payable in new fully paid ordinary shares in Zip, subject to a maximum issuance of 1,477,686 shares³ Zip shares issued in settlement of the Upfront Consideration will be subject to voluntary escrow arrangements⁴
BEE Holdback Amount	<ul style="list-style-type: none"> Potential additional cash payment of up to a maximum of R7.2 million (~\$0.7 million), which Zip has agreed to pay generally within 12 months from completion subject to certain agreed conditions in connection with Zip exploring the merit of “empowering” Payflex in accordance with South African legislation, policy and good corporate governance practice regarding ‘black economic empowerment’ investment⁵
Deferred Consideration	<ul style="list-style-type: none"> Deferred Consideration of up to R73.8 million (~\$6.8 million) subject to satisfaction of prescribed performance milestones, which are based on robust growth targets relating to achievement of total transaction value and net margin for the 12-month ‘performance period’ ending 30 June 2022. Deferred Consideration is payable by the issue of up to 1,053,608 Zip shares⁶ Zip shares issued in settlement of the Deferred Consideration will be subject to voluntary escrow arrangements⁷ Payflex’s founder and CEO, Paul Behrmann, will be eligible to earn an additional Performance Incentive, subject to satisfaction of prescribed performance milestones relating to achievement of targets for total transaction value and net margin, and also dependent on his continued employment at the date of satisfaction of the relevant performance milestones (other than in certain prescribed ‘good leaver’ circumstances)⁸
Conditions and Completion	<ul style="list-style-type: none"> Transaction is subject to customary conditions, including South African Reserve Bank (SARB) approval Completion anticipated to occur during Q3FY22

Notes: 1. Comprising 73.75% of the issued capital of Payflex, 2. Subject to certain prescribed net debt, working capital and other post completion adjustments. For the avoidance of doubt, the completion adjustments cannot result in any increase to the maximum amount of the Upfront Consideration, 3. The maximum number of Zip shares determined on the basis of (i) AUD:ZAR exchange rate being 1:10; and (ii) Zip share price being \$7.00. If, at the time of issue of the Zip shares, either the Zip share price is less than \$7.00 and/or the AUD:ZAR exchange rate is less than 1:10, then a determination will be made as to whether the number of Zip shares to be issued to the sellers exceed 1,477,686. If such shares do exceed 1,477,686 then Zip will pay a cash ‘true-up’ amount to the sellers, 4. 25% of the management shareholder’s Zip shares (52.7% of total remaining) will be subject to a voluntary escrow period of 12 months from completion; and 25% of the other shareholders’ Zip shares (47.3% of total remaining) will be subject to a voluntary escrow period of 6 months from completion, 5. BEE is a South African governmental legislative program which aims to remedy historical racial imbalances and achieve economic transformation by increasing the equity participation of previously disadvantaged black South Africans, 6. The maximum number of Zip shares has been determined on the same basis as (3) above. If, at the time of issue of the Zip shares, either the Zip share price is less than \$7.00 and/or the AUD:ZAR exchange rate is less than 1:10, then a determination will be made as to whether the number of Zip shares to be issued to the sellers exceeds 1,053,608. If such shares do exceed 1,053,608 then Zip will pay a cash ‘true-up’ amount to the sellers, 7. 70% of the management shareholder’s Zip shares (52.7% of total remaining) will be subject to a voluntary escrow period of 12 months from the date of issue; and 50% of the other shareholders’ Zip shares (47.3% of total remaining) will be subject to a voluntary escrow period of 6 months from the date of issue, 8. If the Performance Incentive (up to R54 million / ~\$5.0 million) becomes payable, it will be paid in up to 771,428 Zip shares across 3 payment tranches relating to the 12-month ‘performance periods’ ending 30 June 2022, 30 June 2023 and 30 June 2024. The maximum number of Zip shares has been determined on the same basis as (3) and (6) above. If, at the time of issue of the Zip shares, either the Zip share price is less than \$7.00 and/or the AUD:ZAR exchange rate is less than 1:10, then a determination will be made as to whether the number of Zip shares to be issued to Behrmann exceeds 771,428. If such shares do exceed 771,428 then Zip will pay a cash ‘true-up’ amount to Behrmann.

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