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18 October 2021

# Q1 FY22 RESULTS UPDATE
# ZIP DELIVERS, REBRAND COMPLETE

**Zip Co Limited** (ASX: Z1P) ("**Zip**", or the "**Company**") is pleased to announce today its Q1 results for the period ending 30 September 2021.

## KEY HIGHLIGHTS (Q1 FY22)[1]

* Note: all figures in AUD unless otherwise specified.

- Record group quarterly revenue of $136.8m (up 89% YoY).
- Record quarterly transaction volume of $1.9b (up 101% YoY).
- Record transaction numbers for the quarter of 14.7m (up 177% YoY).
- Customer numbers increased to 8.0m (up 82% YoY).
- Merchants on the platform increased to 55.2k (up 71% YoY).
- Successfully completed a global rebrand to the new look Zip in 6 countries with the US changing from Quadpay to Zip. Brand launch campaign underway in the US from mid-October.
- App downloads remained robust during the rebrand with 1.5m downloads for Zip US (now 7.3m in total) and 412k downloads for Zip ANZ (now 3.7m in total).
- Entered into an agreement with Microsoft (NASDAQ: MSFT) to integrate Zip's instalment payment technology natively into the shopping experience within the Microsoft Edge web browser.
- Maintained market leading BNPL margins with revenue as a % of TTV at 7.0%.
- Continued execution of the global expansion strategy with an exciting move into India via a strategic investment in ZestMoney. ZestMoney is one of the largest and fastest growing BNPL platforms in India with over 11 million registered users, over 10,000 online merchants, and with points of presence in over 75,000 physical stores.
- Zip AU completed its latest Master Trust issuance, an oversubscribed, upsized $650m tranche with senior notes receiving a AAA rating.

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[1] Based on Zip unaudited financials as of 30 September 2021. All figures in AUD. All financial figures are translated into AUD using the average foreign exchange rates for the respective periods. All metrics are actuals, except for comparatives which include entities not acquired in comparative periods are reported on a pro-forma basis.

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## CEO UPDATE

Zip Managing Director and Global CEO, Larry Diamond said:

> *"Another very strong set of numbers for Q1 as momentum for the global Zip business continues, with more than 8 million users now on the platform. The quarter saw the successful completion of the global rebrand, which now sees Zip unified under a single payments brand at checkout globally. In support of the rebrand, we are running a major brand campaign across the US to increase awareness and acquisition. I was excited see the Zip brand take centre stage in Times Square as we launched the campaign earlier this month.*
>
> *Q2 has started strong led by the resurgence instore, Zip's ubiquitous payments technology and the lead up to the strongest seasonal quarter of the year with Black Friday, Cyber Monday and Christmas promotional sales in November and December.*
>
> *The continued growth of the business across all key metrics in the face of significant external challenges, yet again proves the resilience of the Zip business, and demonstrates the significant size, and early stage of the global BNPL opportunity. Zip is well on its way to becoming the first payment choice everywhere and everyday".*

## BUSINESS PERFORMANCE

Zip continued to deliver with strong Q1 results across its core BNPL operations in the United States (US), Australia, New Zealand (ANZ), and the United Kingdom (UK):

Pro-forma figures based on Zip's unaudited financials as of 30 September 2021.

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| Financial Performance (AUD)[1] | Q1 FY22 | QoQ | YoY |
|---|---|---|---|
| **Revenue** | **$132.8m** | **8% ↑** | **89% ↑** |
| USA | $67.1m | 11% ↑ | 174% ↑ |
| ANZ | $64.5m | 5% ↑ | 41% ↑ |
| UK | $1.2m | 20% ↑ | n/a |
| **Transaction Volume** | **$1,893.7m** | **7% ↑** | **101% ↑** |
| USA | $955.4m | 11% ↑ | 197% ↑ |
| ANZ | $916.9m | 3% ↑ | 48% ↑ |
| UK | $21.4m | 54% ↑ | n/a |
| **Transactions** | **14.7m** | **4% ↑** | **177%** |
| USA | 5.3m | 8% ↑ | 165% ↑ |
| ANZ | 9.2m | 0% | 179% ↑ |
| UK | 0.2m | 100% ↑ | n/a |

| Operational Performance[1] | As at 30 Sep 2021 | QoQ | YoY |
|---|---|---|---|
| **Customers[2]** | **8.0m** | **10% ↑** | **82% ↑** |
| USA | 5.0m | 14% ↑ | 127% ↑ |
| ANZ | 2.9m | 4% ↑ | 32% ↑ |
| UK | 124.6k | 79% ↑ | n/a |
| **Merchants[3]** | **55.2k** | **8% ↑** | **71% ↑** |
| USA | 17.1k | 10% ↑ | 242% ↑ |
| ANZ | 37.9k | 7% ↑ | 39% ↑ |
| UK | 0.2k | 33% ↑ | n/a |

[2] Number of active customer accounts.
[3] Number of accredited merchants.

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## REGIONAL UPDATES

### Zip US

All key operating metrics include Zip's BNPL operations in the US based on Zip's unaudited financials as of 30 September 2021.

| Financial Performance[1] | Q1 FY22 (USD) | Q1 FY22 (AUD) | QoQ (USD) | YoY (USD) |
|---|---|---|---|---|
| Revenue | $49.3m | $67.1m | 6% ↑ | 182% ↑ |
| Transaction volume | $702.1m | $955.4m | 6% ↑ | 204% ↑ |
| Transactions | 5.3m | 5.3m | 8% ↑ | 165% ↑ |

| Operational Performance[1] | As at 30 Sep 2021 | QoQ | YoY |
|---|---|---|---|
| Customers[2] | 5.0m | 14% ↑ | 127% ↑ |
| Merchants[3] | 17.1k | 10% ↑ | 242% ↑ |

Zip US continued to deliver record results and strong YoY growth across all metrics, a pleasing result for the seasonally slower quarter.

Highlights for the US include:

- A key achievement for the quarter was the completion of the rebranding of Quadpay to Zip, with impact in line with management expectations. Customer acquisition remained solid with over five million US consumers now on the platform. Among Under 45s, Zip's brand awareness is almost at an all-time high for the company despite only having recently commenced the brand campaign (includes period prior to rebrand).
- Transaction volume (up 204% YoY) and transaction numbers (up 165% YoY) again delivered record results YoY despite the short-term impact of the rebrand exercise.
- Revenue as a percentage of TTV continued to deliver a market leading result of +7%.
- New merchants to join the platform included Glam Seamless, Mercari, Revolve, Emma Mattress, Polaris Industries, Image Skincare and Shein. Zip has also

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entered into a strategic partnership to enable purchasing of gift cards from many of the leading US retailers, with consumers paying overtime. This capability will be available to consumers purchasing through desktop and app in time for the holiday period.

- Microsoft Edge is due to roll-out Zip's proprietary instalment technology in Q2 prior to the shopping season as a world first, once again demonstrating the Company's continued innovation.
- Zip US is anticipated to launch its physical card program in Q2, pioneering the delivery of 'buy now, pay later' pay in 4 through a physical card. Initial pilots have been highly successful, supported by the lower adoption of 'tap and pay' in the US relative to other markets.
- The US business is very well placed to make the most of the seasonally strong Q2, beginning with Zip Fest in late October, the roll-out of Microsoft in November and the promotional shopping activity driven by Black Friday and Cyber Monday.

**Zip ANZ**

All key operating metrics include Zip's BNPL operations in Australia and New Zealand based on Zip's unaudited financials as of 30 September 2021.

| Financial Performance[1] | Q1 FY22 (AUD) | QoQ | YoY |
|---|---|---|---|
| Revenue | $64.5m | 5% ↑ | 42% ↑ |
| Transaction volume | $916.9m | 3% ↑ | 48% ↑ |
| Transactions | 9.2m | 0% | 179% ↑ |

| Operational Performance[1] | As at 30 Sep 2021 | QoQ | YoY |
|---|---|---|---|
| Customers[2] | 2.9m | 4% ↑ | 32% ↑ |
| Merchants[3] | 37.9k | 7% ↑ | 39% ↑ |

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| Credit Performance (AU)[4] | As at 30 Sep 2021 | As at 30 Sep 2020 |
|---|---|---|
| Arrears | 1.87% | 0.91% |
| Net Bad Debts | 2.44% | 2.43% |
| Receivables | $1,809.1m | $1,173.0m |

Zip delivered some very strong results in the face of ongoing lockdowns and a challenging environment for retail more generally. Zip's diversified product flexibility and penetration of everyday spend categories saw the business continue to accelerate off the back of a seasonally strong EOFY Q4.

Highlights for Zip ANZ included:

- Strong revenue growth, up 42% YoY.
- New merchants to join the Zip payments platform included BP, Puma Fuel, Levara, Beaurepaires, Retail Prodigy Group (Nike, Samsung, TOMS) Whirlpool, AutoGuru, Nikon, Star Group, Kayo Sports and Strandbags.
- New product features to launch included a refreshed and improved Zip Money instalment offering, bill switching and affiliate funded offers and cashbacks
- Zip completed its latest Master Trust issuance for the Australian receivables, an oversubscribed, upsized $650m tranche with senior notes receiving a AAA rating.
- Net Bad debts continue to perform in line with management expectations, risk appetite and seasonality at 2.44% (Sep 2020 2.43%).

[4] Australian figures only. Arrears defined as those accounts greater than 60 days delinquent. Bad debts defined as those accounts greater than 180 days delinquent on an annualised basis. Receivables defined as amounts due from customers.

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**Zip UK**

All key operating metrics include Zip's BNPL operations in the UK based on Zip's unaudited financials as of 30 September 2021.

| Financial Performance[1] | Q1 FY22 (GBP) | Q1 FY22 (AUD) | QoQ (GBP) |
|---|---|---|---|
| Revenue | 0.7m | $1.2m | 17% ↑ |
| Transaction volume | 11.4m | $21.4m | 50% ↑ |
| Transactions | 0.2m | $0.2m | 100% ↑ |

| Operational Performance[1] | As at 30 Sep 2021 | QoQ |
|---|---|---|
| Customers[2] | 124.6k | 79% ↑ |
| Merchants[3] | 0.2k | 33% ↑ |

Zip UK continued its momentum delivering strong growth in transaction volume and customer numbers:

- New merchants to go live on the platform included Start Fitness, Femme Luxe, Spacetalk Watch, Perfume Direct and Yours Clothing, with a very healthy pipeline of enterprise merchants in train.
- The quarter also saw the launch of virtual card technology in the App, allowing customers to shop online and pay in 4 at any affiliate merchant, as well as the ability to pay instore on Zip's closed loop network with Apple Pay.

**New Markets**

The global expansion strategy continues to be a key area of focus for Zip as it strives to become a truly global BNPL payments company:

- In the quarter, Zip announced its expansion into India, through a strategic investment in ZestMoney, one of the largest and fastest growing BNPL platforms in India backed by a very strong management team.
- Zip Mexico is now live, processing transactions and starting to build momentum. The local sales and marketing team continues to build a strong pipeline of

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enterprise merchants, highlighted by the recent signing of Claro Shop, one of the largest online marketplaces in Mexico.

- Zip Canada continues to grow, with Canadian consumers embracing cross border shopping through Zip's large US merchants. Zip recently went live in Quebec with French translation, opening up to the second largest region in the country.
- In the Middle East, the Spotii acquisition completed today and the integration of the business into Zip is well progressed. Spotii has delivered record growth across all operating metrics in the last quarter underpinned by the signing of large enterprise merchants across both the United Arab Emirates and Saudi Arabia

**ZIP BUSINESS**

| Financial Performance[1] | Q1 FY22 (AUD) | QoQ | YoY |
|---|---|---|---|
| Revenue | $3.8m | 19% ↑ | 58% ↑ |
| Transaction volume | $33.8m | 13% ↓ | 194% ↑ |

| Operational Performance[1] | As at 30 Sep 2021 | QoQ | YoY |
|---|---|---|---|
| Customers[2] | 9.7k | 17% ↑ | 782% ↑ |

- Off the back of the EOFY seasonal peak in Q4, small business confidence decreased as lockdowns impacted businesses in NSW, Victoria, and NZ, significantly impacting transaction volume.

- Despite the lockdowns large B2B merchants including Holcim Cement, Tradelink and Paramount Liquor joined the Zip payments platform, with the pipeline continuing to build.

- The quarter saw the launch of tap to pay for Trade Plus customers, immediately driving more frequent usage, with active users tapping over 7 times per month. The Company plans to roll-out single-use virtual card technology in Q2, significantly increasing acceptance by allowing customers to use a digital card to transact anywhere online and pay in instalments.

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**CAPITAL MANAGEMENT**

| | Facility Vehicle | Facility Limit | Drawn at Sep 21 | Maturity |
|---|---|---|---|---|
| AU | Zip Master Trust<br>- Rated Note Series<br>*2020-1<br>*2021-1<br>*2021-2<br>- Variable Funding Note | <br><br>$285.0m<br>$475.0m<br>$617.5m<br>$513.7m | <br><br>$285.0m<br>$475.0m<br>$617.5m<br>$145.4m | <br><br>Oct-22<br>Apr-24<br>Sep-24<br>Jan-22 |
| | 2017-1 Trust | $264.7m | $48.0m | May-23 |
| | 2017-2 Trust | $70.0m | $47.0m | Dec-22 |
| | **Total** | **$2,225.9m** | **$1,617.9m** | |
| US | AR2LLC | US$300.0m | US$111.9m | May-24 |
| SME | Zip Business<br>- Capital<br>- Trade/Trade+ | <br>$46.4m<br>$100.0m | <br>$33.7m<br>$7.5m | <br>Jan-22<br>Nov-23 |
| | **Total** | **$146.4m** | **$41.2m** | |

- As at 30 September, following the completion of Zip's fourth rated note issuance (Series 2021-2) and the redemption of the debut issuance (2019-1), Zip AU had $608m undrawn and available to fund receivables.
- The weighted average margin on the recently issued Series 2021-2 was 1.32% + BBSW, compared to the margin on the original Series 2019-1 of 2.90% + BBSW. Series 2021-1 was Zip's first primary issuance under the Master Trust to be assigned a AAA rating on the senior note.
- Zip has US$188.1m undrawn and available to fund US receivables.
- Zip Business has facilities totaling $146.2m ($41m drawn) across Australia and New Zealand for SME BNPL products (Trade, Trade Plus) and Capital.
- Capital efficiency remains extremely healthy with the book recycling every 3 months on a blended basis.

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

– ENDS –

For more information, please contact:


| | | |
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## About Zip

ASX-listed Zip Co Limited (Z1P: ASX) or ("Zip") is a leading global financial services company, offering innovative, people-centred products that bring customers and merchants together. On a mission to be the first payment choice everywhere and every day, Zip offers point-of- sale credit and digital payment services in 13 markets around the world, including through strategic investments, connecting millions of customers with its global network of tens of thousands of merchants.

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

For more information, visit: www.zip.co