

28 February 2022

HY22 RESULTS

Zip reports record group revenue and transaction volumes, actively managing credit performance, while focusing on sustainable growth

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

CEO UPDATE

Zip Co-Founder and Global CEO, Larry Diamond said:

“We are pleased to report another strong set of numbers with exceptional growth in our key growth metrics - transaction volume, revenue, and both customer and merchant numbers.

We acknowledge there has been a shift in the external environment, arguably quicker and more severe than we first forecasted. Accordingly, we have refined our strategy with a focus on sustainable growth in our core markets, maintaining strong unit economics – particularly credit performance, broader cost management, right-sizing our international footprint, which accelerates our path to profitability. We have already taken decisive actions in line with this focus.

We continue our commitment to delivering transparent, fair and innovative financial products, that deliver value to our customers and merchants, in line with our mission to be the first payment choice everywhere and every day.”

KEY HIGHLIGHTS (HY22)

* Note: all figures in AUD unless otherwise specified.

- **Financial Highlights:**

- Record group revenue of \$302.2m (up 89% YoY).
- Record transaction volume (TTV) of \$4.5b (up 93% YoY).
- Record transaction numbers of 36.3m (up 147% YoY).
- Customer numbers increased to 9.9m (up 74% YoY).
- Revenue margins remained strong at 6.7% with Zip’s unique revenue model continuing to outperform Zip’s peer set.

- **Core Market Highlights:**

- AU remains a robust and sustainable model delivering the 14th consecutive quarter of positive cashflow.
- The US is also on a path to positive cashflow and continues to scale at pace with strong growth of over 70% YoY across all key metrics and remains a priority market with significant opportunity.

- **Deep Customer Engagement:** Zip's continued focus on innovation is driving deeper engagement. Zip's top 20% of AU customers transacted over 6 times per month in the 12 months to December. US customers are transacting more as well, delivering a 163% increase YoY in transaction volume.

- **More Value for Merchants:** Zip signed enterprise merchants including Footlocker, Mercari, Revolve, Under Armour, Shein, Nespresso, Virgin Australia, Oscar Wylee, Culture Kings, and many more. Merchants on the platform increased to 81.8k (up 113% YoY).

- **Sustainable Global Expansion:** Expansion markets (and Payflex) are scaling rapidly, reaching over \$50m in monthly transaction volume in both November and December. Zip is capitalising on sustainable opportunities in high growth markets with a move into India via a strategic investment in BNPL leader ZestMoney, and officially launched in Singapore with strong early adoption. Management continues to review its capital allocation and resources across its global footprint and is increasingly focusing investment in markets which accelerate the group's path to profitability, reducing cash burn.

- **Unit economics:** During the period, the cash transaction margin declined to 2.1% (from 3.7% in HY2021) reflecting rising bad debt costs reflective of current credit headwinds as well as increased weighting towards rest of world. Zip is addressing its risk decisioning policies and collections and recoveries processes to immediately address credit performance. Zip is well funded with available receivables debt financing to support its global growth plans with undrawn facilities of \$568.2m at 31 December 2021, while the weighted average interest rate on loans outstanding at 31 December 2021 was 3.08% compared to 3.67% at 30 June 2021.

- **A Financially Fearless World:** Zip continues to invest in talent across all functions, and during the period the company appointed key leadership roles including Global CTO Ahu Chhapgar, ANZ MD Cynthia Scott, and Chief US Growth Officer Levi Aron. In addition to empowering consumers every day through BNPL, the company supports its community through an ongoing partnership with Young Change Agents, a not-for-profit social enterprise, to build financial literacy and entrepreneurial skills in Australia.

- **Outlook:** In the medium term we expect to deliver a cash transaction margin of 2.5% - 3.0%, including:

- Revenue as a percentage of TTV of 6.5% to 7% as we scale our differentiated revenue model and deliver revenue accretive products and services.
- Cash cost of sales as a percentage of TTV of 3.5% to 4%, as we optimize risk rules to manage credit losses to within management's target range of below 2%, while maintaining growth and delivering

lower-cost processing through scale efficiencies and alternate repayment options, as well as driving lower cost funding options.

BUSINESS PERFORMANCE

Zip continues to deliver with strong HY results across its consumer BNPL business in the United States, Australia, New Zealand, United Kingdom and Expansion Markets¹:

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

Financial Performance ¹ (AUD)	HY22	YoY
Revenue	\$294.1m	89% ↑
USA	\$146.1m	153% ↑
ANZ	\$140.3m	43% ↑
UK	\$3.7m	N/A
Expansion Markets ¹	\$4.0m	N/A (96% ↑ YoY pro forma)
Transaction Volume	\$4,448.6m	92% ↑
USA	\$2,116.7m	163% ↑
ANZ	\$2,190.7m	43% ↑
UK	\$53.7m	N/A
Expansion Markets ¹	\$87.5m	N/A (107% ↑ YoY pro forma)
Transactions	36.3m	147% ↑
USA	11.8m	141% ↑
ANZ	22.6m	131% ↑
UK	0.4m	N/A
Expansion Markets ¹	1.5m	N/A (34% ↑ YoY pro forma)

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

² Unaudited management accounts. All financial figures are translated into AUD using the average half yearly foreign exchange rates for the respective half year.

Operational Performance ²	HY22	YoY
Customers²	9.9m	74% ↑
USA	5.7m	78% ↑
ANZ	3.0m	20% ↑
UK	0.2m	N/A
Expansion Markets ¹	1.0m	N/A (43% ↑ YoY pro forma)
Merchants³	81.8k	113% ↑
USA	18.5k	120% ↑
ANZ	40.2k	34% ↑
UK	0.4k	N/A
Expansion Markets ¹	22.7k	N/A (3,683% ↑ YoY pro forma)

ZIP BUSINESS

Financial Performance ²	HY22	YoY
Revenue	\$8.1m	88% ↑
Transaction volume	\$70.9m	234% ↑

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

² Number of active customer accounts.

³ Number of accredited merchants.

CAPITAL MANAGEMENT

	Facility Vehicle	Facility Limit	Drawn at Dec 21	Maturity
AU	Zip Master Trust			
	- Rated Note Series			
	*2020-1	\$285.0m	\$285.0m	Oct-22
	*2021-1	\$475.0m	\$475.0m	Apr-24
	*2021-2	\$617.5m	\$617.5m	Sep-24
	- Variable Funding Note	\$535.4m	\$430.2m	Mar-24
	2017-1 Trust	\$264.7m	\$191.0m	May-23
	2017-2 Trust	\$100.0m	\$47.0m	Sep-23
	Total	\$2,277.6m	\$2,045.7m	
US	AR2LLC	US\$300.0m	US\$161.9m	May-24
NZ	Zip NZ Trust 2021-1	NZ\$30.0m	NZ\$0m	Jul-23
Europe	Twisto Czech	Kč 658.0m	Kč 570.2m	Mar 22/Oct 22
	Twisto Poland	€19.3m	€13.6m	Nov 22/Nov 23
	Total	€45.8m	€36.6m	
SME	Zip Business			
	- Capital Australia	\$35.0m	\$26.0m	Mar-22
	- Capital New Zealand	NZ\$12.0m	NZ\$8.0m	Mar-22
	- Trade/Trade+	\$100.0m	\$9.5m	Nov-23
	Total	\$146.3m	\$43.1m	

- Zip achieved a AAA rating on the senior notes in its rated note series for the first time.
- Significant headroom in undrawn funding across the group's debt facilities.
- The Group has available cash and liquidity of \$212.5m at 31 December 2021.
- An additional Variable Funding Note facility within the Master Trust was added in Jan-22 with a limit of A\$200.0m and maturity date of Jan-23.

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

- ENDS -

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About Zip

ASX-listed Zip Co Limited ACN 139 546 428 (Z1P: ASX) or (“Zip”) is a leading global financial services company, offering innovative, people-centered products that bring customers and merchants together. On a mission to be the first payment choice everywhere and every day, Zip offers point-of-sale credit and digital payment services in 14 markets around the world, including through strategic investments, connecting millions of customers with its global network of tens of thousands of merchants.

One of the fastest growing BNPL providers globally, Zip has a presence in Australia, Canada, Czech Republic, India, Mexico, New Zealand, the Philippines, Poland, Saudi Arabia, Singapore, South Africa, UAE, the United Kingdom and the USA. Zip provides fair, flexible and transparent payment options to individual consumers and SMBs, helping them to take control of their financial future and helping merchants to grow their businesses. Zip is committed to responsible lending and also owns Pocketbook, a leading personal financial management tool. Founded in Australia in 2013, Zip now employs over 1,500 Zipsters worldwide.

For more information, visit: www.zip.co