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Response to the Coronavirus - Impact minimised by Zip's digital business model

Zip Co Limited (ASX: Z1P) (**Zip** or the **Company**) would like to provide an update following the recent volatile market conditions as it relates to the Coronavirus (COVID-19).

To date Zip has not observed any material impact from COVID-19 across its business, though we do believe there will be implications for various parts of the economy.

The business continues to perform strongly, with healthy customer growth, transaction volume and a strong pipeline of enterprise partners in integration or in advanced discussions.

The Company generated \$30m in revenue during Jan-Feb 2020 which was 98% higher than the same period in 2019, with core transaction volume quarter-to-date of \$403m up 85% yoy.

Whilst it's inevitable there will be a softening in demand across certain segments, such as bricks and mortar retail, discretionary spend categories, travel and tourism, we expect continued strong demand for online purchases, bill payments, everyday spend and health - where Zip continues to increase its penetration.

Zip is in a strong position following its recent \$62m equity placement in December 2019. It has over \$1.1bn in committed funding through its various securitisation vehicles, with all covenants solely relating to the performance of receivables. Zip remains well inside all covenants, and the receivables continue to perform very well and in line with management expectations, with net bad debts of 1.79% in Feb-20.

Zip is well placed to respond and adapt to any potential credit impact from COVID-19 as a result of:

- The significant investment in our market leading proprietary credit and decisioning systems
- Credit and ID checks have been conducted on every customer since inception
- We can immediately adjust our credit scorecards to manage any potential increased risk and with the healthy repayment profile any changes flow through the receivables book very quickly

Zip Chief Executive Officer, Larry Diamond said:

"Zip is a digital-first business and we are well prepared for the operational impacts resulting from COVID-19, with staff working remotely and without any effect on our ability to support customers and retail partners. The business continues to perform in line with expectations, and while we haven't seen any material impact on the business we are taking a rational and considered approach to our go-forward strategy. We will adapt and take decisive action if required.

Zip remains well funded and is well placed for any change in economic conditions, given our product differentiation, strong proprietary credit platform, healthy repayment profiles and penetration into everyday spend categories.

Despite recent market volatility, the Board and I maintain an extremely positive long-term view on the opportunity. We continue to believe the credit card model is broken and that customers want flexible, responsible, interest free alternatives. With over a trillion dollars of local payments coupled with our emerging exposure to the UK, US and South Africa, we believe the coming years will continue to see the rapid adoption of alternative payments, including BNPL. We believe that the benefits of our products will become even clearer in times like this.

Finally, the wellbeing of our staff is our top priority, with remote working to start from next week. We hope for a minimal health impact in the community and continue to advocate for calm and considered responses to COVID-19.”

- ENDS -

For more information, please contact:

Larry Diamond
Chief Executive Officer
larry.diamond@zip.co

Martin Brooke
Chief Financial Officer
martin.brooke@zip.co

Sling & Stone
Media and Communications
zip@slingstone.com
+61 431 051 335

For general investor enquiries, email investors@zip.co

About Zip

ASX-listed Zip Co Limited (Z1P: ASX) or ("Zip") is a leading player in the digital retail finance and payments industry. The Company offers point-of-sale credit and digital payment services to the retail, education, health and travel industries. It operates under the Zip Pay, Zip Money and Pocketbook brands. The Company is focused on offering transparent, responsible and fairly priced consumer products. Zip's platform is entirely digital and leverages big data in its proprietary fraud and credit decisioning technology to deliver real-time consumer responses. Zip is managed by a team with over 50 years' experience in retail finance and payments and is a licensed and regulated credit provider.

For more information, visit: www.zip.co

This release was authorised by Larry Diamond, Managing Director and CEO.