



ASX Release

30th November 2020

Annual General Meeting: Chair Address

Zip Co Limited (ASX: Z1P) attaches in relation to its Annual General Meeting, the following documents:

- Chair's Address.

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

– ENDS –

For more information, please contact:

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

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

Matthew Abbott
Head of Corporate Affairs
matthew.abbott@zip.co
0402 543 128

For general investor enquiries, email investors@zip.co

About Zip

ASX-listed Zip Co Limited (Z1P: ASX) 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, home, health, automotive and travel industries. Zip has operations across Australia, New Zealand, South Africa, the United Kingdom and the USA. Zip also owns Pocketbook, a leading personal financial management tool. The company is focused on offering transparent, responsible and fairly priced consumer and SME products. Zip's platform is entirely digital and leverages big data in its proprietary fraud and credit-decisioning technology to deliver real-time responses. Zip is managed by a team with over 100 years' experience in retail finance and payments and is a licensed and regulated credit provider.

For more information, visit: www.zip.co



Zip 2020 Annual General Meeting
Monday 30th November 2020
Chairman's address

Good morning ladies and gentlemen and welcome to the 2020 Annual General Meeting of Zip Co Limited.

I am Zip's Chairman Philip Crutchfield and today I speak to shareholders via a Zoom link from Sydney. Thank you for your interest in the affairs of the company, your continued support as shareholders and for attending the meeting.

Zip listed on the ASX in September 2015, with the aim of disrupting the antiquated and opaque credit card market. The company has undoubtedly been successful in that objective and buy now pay later (BNPL) solutions are clearly having an impact. The RBA recently reported Australian credit card balances have fallen to the lowest point they have been in over 15 years, with the growth of BNPL being a key contributing factor.

Today, Zip has in excess of 4.8 million customers, over 500 employees, more than \$5 billion in annualised transaction volumes across four markets, and is well on its way to becoming a major player and innovator in the fast-changing global payments landscape. However, we believe we are just getting started. The opportunity in a global context is immense and Zip is well placed to continue on the ambitious agenda that co-founders Larry Diamond and Peter Gray commenced seven years ago.

All over the world, the biggest shift in consumer finance since credit cards were introduced more than half a century ago is under way. Digital wallets such as those from Zip are providing customers with the autonomy to access credit and spread the costs of specific purchases via interest-free instalments, on their own terms.

People can do this seamlessly through a digital experience at checkout - both online and instore - without a cumbersome sign-up process, crushing interest, the need to visit a physical bank branch or waste half a morning on a bank help line as part of a credit card application. Customers can now access fairer, more transparent and friendly products such as those offered by Zip, that don't rely on hidden fees or debt traps, or customers being late to make the economics work.

We firmly believe that new forms of payments that provide simple, transparent and fair alternatives will continue their phenomenal growth.

From day one, Zip's founders made a decision that growth at all costs would not be pursued. Credit would be provided responsibly, and only after proper due diligence on those wanting access to Zip's services. This focus on responsibility is at the core of the business and is the reason why every new customer undergoes a credit and ID check and why account limits are tailored to a customer's specific circumstances.

This focus on upfront due diligence and responsibility is evident in the customer outcomes Zip delivers. For example, less than one Zip customer in 100 is late with a payment each month. Compare that with one out of six for credit cards and other buy now pay later offerings. Our purpose is "the freedom to own it" and we own the responsibilities that come from issuing "micro-credit" in real time.

COVID

The uncertainty of life revealed itself with all its force this year, with the onset of a global pandemic that threw the world into lockdown, convulsed the health of millions and upended world economies. Our hearts go out to all those people who have lost loved ones or been otherwise affected by this continuing pandemic. And we thank all of the incredible health workers for their services, and for keeping us safe. We should cherish our world-leading doctors, nurses and health care providers. We also commend Government for quick responses, protecting citizens and providing timely and essential financial support to affected workers and businesses.

Some eight months on from the onset of the pandemic in Australia, and it is clear the Zip business model stood tall, with continued growth in transaction volume, strong revenue and market-leading credit performance.

This resilience during COVID can be explained not only by Zip's robust business model that embodies flexibility, transparency and fairness, but also the fast forwarding of the global move to on-line shopping, the continued aversion towards traditional credit products and the global uptake of digital payment solutions.

And while we saw a small spike in customer hardship requests in March/April, at year end, Zip had only 1000 of our 2.1 million customers in hardship. This figure is now at less than pre-COVID levels.

Board composition

It would be remiss of me not to publicly thank Westpac's nominee to our board, Di Challenor, for her service to Zip. I and my co-directors have forged a lifelong friendship with Di and we thank her for her wise counsel and advice.

Ladies and gentleman, you will notice a new face among our directors today.

It is my pleasure to welcome Pippa Downes to her first Zip AGM. Pippa is an experienced listed-company director who will be a tremendous asset to Zip's board and governance, especially as the company executes on its global expansion strategy. Pippa has had a successful banking and finance career of more than 20 years, and her experience and advice will be of immense benefit to the management team and the board.

I thank my other co-non executive director John Batistich for his energy and numerous contributions to the company, and for chairing our Audit and Risk committee and Remuneration and Nominations committee.

We continue to look at expanding our board, with a focus on diversity and the global nature of our business.

I also thank and congratulate Larry and Pete, the Zip management team and all the remarkable Zipsters, all over the world. Together, you are building an extraordinary global payments business that is delivering valuable, innovative and better solutions to millions of customers, while retaining the essential ingredients that make Zip such a joyful place to work.

Global expansion

While we have pushed through COVID, the pandemic did temporarily delay our global expansion plans. During the early days of the pandemic, with unprecedented uncertainty, we made the decisions to scale back some of our expansion plans and, in particular, delayed our UK launch.



It was in June this year that Zip announced the acquisition of QuadPay, a leading US BNPL company, that provides Zip access to the world's largest retail market, which at US\$5 trillion a year, is fifteen times larger than the Australian retail sector.

QuadPay, founded by Australian tech pioneers Brad Lindenberg and Adam Ezra, has similar technology to Zip and more importantly, an aligned culture based on moving fast, innovation and an identical commitment to responsibility. As our market updates show, the US business is growing extremely quickly. With 2.5m customers, over \$2b in annualised volume, and 15,000 daily downloads they are leading the way in payments innovation. We are very optimistic about the growth in the US, and the experienced team and partners we have in place.

I can report today that Zip is officially launching in the UK. We are live with over 150 merchants and will be bringing on global fashion and apparel brands, JD Sports, Boohoo, Fanatics and Fashionova as we scale in the region. As one of only a few truly global BNPL players, Zip has a huge and unique opportunity in this region.

Zip Business

Extending our BNPL offering to Small and Medium Sized Enterprises (SMEs) is a natural evolution for Zip. Small businesses have the same needs, specifically the ability to easily spread the costs of a purchase over time on fair and transparent terms. The pilot we recently completed validated the market opportunity and provided key learnings that flowed through to our product development.

The strategic acquisition of SpotCap in September 2019 delivered a proven SME credit-decisioning platform that will enable us to rapidly scale Zip Business. Further, we have recently launched our new BNPL product for SME, where small businesses can access interest-free instalments to manage their cash flow, leveraging the deep network Zip has already built with its major trading partners.

Pocketbook

The need for customers to understand their spending, and saving is ever more present given the uncertainty from COVID. We continue to invest in the Pocketbook app, one of Australia's leading personal finance apps, and in the coming weeks will enable customers to link hundreds of more bank accounts to give our 800,000 users a more complete view of their finances. We are also looking forward to the continued evolution of the Consumer Data Rights and Open Banking, as they will enable us to continue to deliver innovative features to the app.

People and Culture

As our presence has grown into new markets so has our headcount. Globally we are now 535 people. As our focus on product and technology continues, so too has our investment in these functions which now make up well over 30% of our global workforce.

To name just a few of the initiatives our Chief People Officer, Anna Buber-Farovich and her team are working on, they include;

- Scaling our global culture and performance through our values of: Customer First, Own It, Stronger Together and Change the Game, and embedding those values into the everyday life of the Group;
- Building leadership through our newly formed Extended Leadership Team (XLT) and the rollout of Global Manager Development Training to help build world-class leaders; and
- Investing heavily in Corporate Social Responsibility and Diversity and Inclusion, with the appointment of two key new hires to drive our strategy and execution in these important areas.

All of these projects and initiatives are furthering our goal of building a global company with enviable values and enabling the fast-moving innovative culture that is Zip.

ASIC Report / BNPL Code

On the regulatory front, the Australian Securities and Investments Commission (ASIC) this month released its long-awaited Report 672 on the Australian “Buy Now Pay Later” sector.

The report confirms what Zip has known for a long time - that millions of mainstream Australians are shifting away from the broken credit card model towards interest-free alternatives where balances are repaid in weeks or months not years.

As the ASIC report also confirms, there are different BNPL providers in Australia with different business models and different ways of engaging with customers.



The report also confirms that Zip makes less than 1% of its revenue from late fees, among the lowest of all BNPL providers – Zip does not rely on consumers falling behind to drive its economics.

Our sector is also developing a self-regulatory industry Code of Practice which will establish minimum standards for the industry. While we believe the Code is a good start, Zip will continue to implement its own higher standards, particularly around customer suitability for responsible access to Zip's products.

We believe the continued growth of the segment will inevitably lead to increased focus from legislators and regulators around the world. This is as it should be. Zip supports further and fit-for-purpose regulation of players in the industry.

Closing

Financial Year 2020 was another watershed year for Zip as we made specific moves to deliver on our global ambitions, expanded our offerings to small businesses and executed our plan against a backdrop of significant uncertainty. The first half of this year has continued this positive momentum and we are exceptionally well placed to accelerate growth and capitalise on the opportunity to be a BNPL world leader.

Thank you again for your interest in the affairs of the company.

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