

4 November 2021

2021 AGM – Managing Director & CEO Address

Zip Co Limited (ASX: Z1P) (“**Zip**”, or the “**Company**”) (ASX:Z1P) provides the following in relation to the Company’s 2021 Annual General Meeting:

- Managing Director & CEO’s Address – Larry Diamond.

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

- ENCL -

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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, 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

Zip Co Limited ACN 139 546 428

FY2021 Annual General Meeting

Co-Founder & Global CEO Address

Thank you, Diane.

Good morning, good afternoon and good evening to all our shareholders wherever you might be.

First up, I would like to thank you all for your investment in Zip and your continued support of the Company.

It has been another transformative 12 months for Zip against the backdrop of COVID-19's second wave.

Today, I'm going to take you through my presentation for the 2021 AGM, which covers the following areas:

- A general Company update;
- A more Market specific update; and
- Zip's priorities for FY 2022.

Before we get started, I want to remind investors of the three maxims that underscore who Zip is and what we do:

- **Our Mission** - to be the first payments choice everywhere and every day, which can only be achieved when we take an active role in improving the lives of the people we serve.
- **Our Purpose** - to create a world where people can live fearlessly today, knowing they are in control of tomorrow. As a leader in the BNPL category, we recognize the importance of not simply giving people access to money, but rather, giving people the ability to take control over their financial future.
- **Our Promise** - a more financially fearless world. It's our promise that motivates every-single Zipster around the world. A unified drive to make the world more financially fearless. When you give people the knowledge, access and ability to control their financial lives, you give people the opportunity to live every day with confidence.

Our message to investors has been consistent – having spent the first six years developing and bedding down the model in Australia, we then rapidly expanded internationally.

Now, Zip is a global growth story and over the past 12 months we've become a truly leading and global BNPL player with operations in 13 markets and a rapidly expanding footprint, and we are seeing strong growth out of our expansion markets, which we will cover today.

As you can see, our overall metrics show the health of the Company at the end of Q1 FY22:

- \$7.6bn in annualised TTV;
- \$531m in annualised revenue;
- 177% YoY transaction growth;
- 1,000 employees;
- 8 million customers, and
- 55K merchants.

Our growth over the past 12 months has been driven by a mix of greenfield organic expansion and teaming up with regional, founder led BNPL fintechs.

Our focus has been predominantly in the more established markets, such as Australia and the US, together with smaller investments in emerging geographies – with high mobile penetration, large addressable markets and enormous commercial potential.

As you can see, we have observed strong growth across all key operating metrics in:

- TTV;
- Transactions;
- Customers;
- Merchants and
- Revenue.

All up over 100%.

Just in the last quarter ended September 2021, we have seen further growth with annualised TTV of \$7.6bn v a full year 2021 result of \$5.8bn – a 30%+ increase and annualised revenue of \$531m for the quarter - also up over 30% on the full year.

Finally on our financial scorecard, we have seen over the past year maintenance of strong margins, while also improving our business's capital efficiency.

In particular:

- Zip's cash transaction margins remained strong Year on Year, with both a shift to the US in our business mix weighting and the adoption of everyday spend fuelling a reduction in the cash-transaction margin.
- Likewise, higher returning customer rates plus investments in decisioning capability resulted in improved loss rates in FY21.
- Finally, capital efficiency improved as loan book durations shortened, led by Pay-in-4 instalments in the US.

Shareholders, you will have seen this slide from our Full Year results.

You will remember that last year we set out four strategic pillars for the 12 months ahead, and now I believe that we have delivered on these.

- 1st pillar, **Payment acceptance** - we launched our innovating Tap & Zip technology allowing customers across Australia and the US to shop anywhere Visa is accepted. We also signed deals with Stripe, Adyen and Big Commerce and welcomed more than 26K merchant partners to the Zip network.
- 2nd pillar, **App engagement** – our customer base grew by over 5m customers to 8m, while we launched new wallet products such as deals, rewards and subscriptions. Work is also under way to integrate Personal Financial Management (PFM), credit building and personalisation into the Zip App.
- 3rd pillar, **Global Expansion** – as mentioned, we ran hard on the world stage, completing the QuadPay deal in the US, launching in the UK plus expanding into a further 12 markets through a mixture of acquisition and partnership.
- 4th pillar, **Zip Business** – we launched BNPL for Small Business and struck deals with great technology brands such as Facebook and eBay.

Zip is delivering on its priorities and winning the contest. It's a very big market, which helps.

We are winning due to our unique set of competitive advantages. As a refresher, these are:

- **Our product** - We offer not just short but also long duration instalments in a single checkout experience. Some products need more time to pay off. When you “Zip” a transaction, we want you to think of splitting that purchase whatever period you can afford.
- **Flexible solutions** - We operate both an open and integrated network, which helps to accelerate our flywheel enabling customers to BNPL everywhere, including in-store with a single “Tap”.
- **Business Model** - Our unique revenue model derives income from both customers and merchants, and that those customer fees are fair, transparent and easy to understand. This enables us to attract the right customers as well as support partners in any vertical, whilst delivering market-leading unit economics.
- **Risk Management** – Our proprietary decisioning platform drives superior approvals and conversion for merchant partners while delivering profitable outcomes. Over the last 8 years we have moved from a largely manual underwriting model digesting both conventional and non-conventional credit data to full automation, supported by AI machine learning models.
- **Global Reach** - We are now a truly global BNPL player with one of the largest geographic footprints. Why is this important? Because it means we can serve and truly partner with merchants on a global basis. Our global technology platform enables us to unlock 13 markets for partners through a single API integration. That’s our promise.

I now want to delve deeper into our core markets.

In the **US**, the business continues to deliver record results and healthy margins.

First to our brand awareness - investors will know that in August of this year, Zip unveiled a major global rebrand, which in the US saw the retirement of the QuadPay name and the introduction of the *fearless* Zip brand.

That change has gone very smoothly and is now being supported by a major advertising campaign, which has seen awareness among under-45s now at 14%, an all-time high.

As an aside, I recently spent two months in the US - my first trip outside of Australia since Covid commenced.

That time was spent getting to know our incredible US Zipsters, as well as meeting and listening to merchants, investors, legislators and the media.

Those of you on LinkedIn might have seen my post in front of the massive Times Square screens that displayed our fearless new Zip brand. It is really starting to resonate with the retailer community and should provide strong tailwinds into FY22.

In the **US**, as at Q1FY22:

- We generated \$995m in TTV - up 197%;
- Processed 5.3m transactions - up 165%;
- Hit over 5m customers - up 127%; and
- \$67.1m in revenue - up 174%.

Along with record metrics, we secured major new merchants, such as Microsoft, Shein, Polaris and Mercari, to name a few.

We also reported market leading BNPL margins with revenue as a percentage of TTV at circa 7%.

Along with these achievements, we have a strong pipeline of products and merchant initiatives I will share later.

I've said before that Zip is now a truly global company, but with an Australian heart.

And in **Australia and New Zealand**, as this next slide shows, we have seen strong growth underpinned by deep customer engagement.

Despite repeated waves of Covid lockdown, our metrics were solid, experiencing double-digit growth for Q1FY22:

- \$917m in TTV - up 48%;
- 9.2m transactions - up 179%;
- 2.9m customers - up 32%; and
- \$64.5m in revenue - up 41%.

This growth was built on:

- **New verticals** – where we secured marquee partnerships with target verticals in everyday spend and travel categories. Recent wins include Kayo, BP, Samsung, and Beaurepaires.
- **Customer engagement** – where our great local innovation, Tap & Zip, continues to drive even deeper customer engagement with users now tapping an average of 6.4 times in the September month.
- **Product** - we are continually refining and boosting the utility of our digital wallet with new features such as a bill switching, with more improvements in the coming 12 months (such as itemised insurance and personal financial management).

As you can see, based on the higher growth in transactions v TTV – this is showing the increased utility and engagement with the product. We also achieved brand awareness for under-45s of 53% this month, a very strong result in a maturing market.

In the **United Kingdom**, our business continues to build momentum after a launch this year.

We saw strong QoQ growth of:

- \$21m in TTV - up 54% compared with Q4 FY21; and
- 124K customers - up 79% QoQ.

Over the quarter we saw good growth in our:

- **UK merchant numbers** – up 30% with new names such as Homebase, Shein and Jollyes.
- **Product** – on the QuadPay stack, we successfully launched our virtual card technology in the App, providing customers with greater flexibility to shop online at affiliate partners, we also enabled in-store shopping capability using Apple Pay.
- **On the topic of regulation** – Zip is engaging with Her Majesty's Treasury on its announced consultation process to build a proportionate regulatory framework for BNPL in the UK. Zip has a lot of experience from its time in Australia to bring to that discussion.

I now want to unpack for investors our Priorities for FY22.

Fellow shareholders, we are laser focused on four key areas for Financial Year 2022 and beyond.

1. The 1st **Deepen customer engagement**. We will keep pushing hard to develop new products and services for our customers, to increase the utility of our digital wallet, which should translate into higher average revenues per user and increased lifetime value (LTV).
2. The 2nd **More Value for Merchants**. We will create more value for our merchant network, through innovative solutions and making BNPL truly global through a single integration, as well as supporting their long-term growth via delivering increased awareness, increased traffic and conversion

3. The 3rd **Global expansion** - We have grown fast and wide and now is the time to deliver results from these geographies. This means driving growth and brand awareness in our established markets, while accelerating growth in our high-potential geographies.
4. The 4th **Creating a financially fearless world**. We want to play our part in delivering a financially fearless world. That means we will keep investing in initiatives that have a meaningful social impact and drive financial wellbeing across our user base.

Let me unpack each of those a bit more.

Consumer engagement is all about innovation, that is the driver, 'pure and simple'.

The brilliant basics together with new products and services are leading to deeper engagement:

- Over the year we demonstrated Zip's ability to cross-sell, with more than 20% of active Australian customers using multiple products.
- We piloted physical cards in the US. The result? Spend by card-users increased 2x over a 12-month period.

And while we are innovating and creating customer preference, "to be the first payment choice everywhere and everyday", we are super mindful of creating tools to assist customers to take control of their financial lives. These include things like:

- Personal financial management tools;
- Credit building;
- Itemised insurance; and
- Bill switching – comparing gas and electricity bills to switch and save.

Investors will be familiar with me talking about Zip being a "customer-first" organisation. By "customer" we also mean our merchant partners. Our very first customer was indeed the merchant, Chappelli Cycles, selling hipster bicycles around Christmas.

For FY22 our merchant focus will include:

- **Demand generation:** enabling merchants to seamlessly join our affiliate network and participate in the Zip Rewards program in Australia. This is an ongoing program that has already seen a TTV uplift of 2.5x when merchants promote via Zip Rewards.
- **Remember me:** launched as a pilot in the US on Android, it drove a 15%+ uplift in conversion, with plans to now roll out to all iOS users as well as in AU in 2Q 2022.
- **Zip Business:** launched "Tap to Pay" for Trade Plus customers meeting their BNPL needs over the month. Active users now tap more than 7x per month on their phone.

For merchants, seamless integration is the pathway to unlocking access to our 13 global markets. Once smitten by BNPL the desire to offer this worldwide becomes a real business need.

Over the past year we have partnered with global names to help our distribution of acceptance:

- **Adyen:** this global partnership provides merchants in the Adyen network access to BNPL solutions at checkout with the flick of a switch, now available in Australia, New Zealand, the UK and the US, with more markets underway.
- **Stripe:** this relationship provides merchants access to alternative payments globally; while leveraging our scale to slash processing costs and enhance margins. Stripe has been a long-time partner of the Company in the US.
- **Sabre:** Zip now offers a global distribution system (GDS) integration into the Sabre platform used by travel agents, hotels and car rental companies enabling BNPL solutions for end-customers.

Global Expansion is Zip's third strategic priority, and to date we have successfully landed in priority areas with plans to scale quickly. The addressable global market before Zip is a staggering \$24 trillion a year.

To attack this opportunity our strategy has a three-pronged investment approach:

- Core markets (ANZ, the US and the UK);
- Expansion markets (such as Canada and Mexico, the Middle East, south-east Asia and eastern Europe); and
- Strategic investments in people and capabilities, including our stakes in Zest in India and TendoPay in The Philippines.

Zip's global presence gives merchants much needed global access via a single integration.

Our technology platform can flex to accommodate market-based needs (for instance, it now covers English, Spanish and French language).

And as Responsibility is part of Zip's DNA, we continue to invest in our proprietary credit and risk decisioning engine that serves both mature and emerging markets.

Investors, there is a resolution before the meeting today addressing Zip's acquisition of the shares it does not already own in Twisto.

Ahead of this process, I would like to provide you with more detail on the Twisto opportunity, its performance to date and the opportunity for Zip capitalise on the significant European market opportunity.

Let me unpack a few points:

- Firstly, **EU access**: Europe is a \$1.1 trillion annual eCommerce market, 2nd largest and just ahead of the US. Twisto's license has the ability be passported to all 27 member states of the EU which is pretty handy.
- Next **Product and Innovation**: Twisto's digital wallet covers BNPL, budgeting, rewards and a premium offering (including FX and insurance) which has proven to drive deep engagement. Active Twisto customers transact circa 15 times per month spending \$400 per month on average.
- Next its **Strong growth**: There are over 350K active users who have transacted on the Twisto platform this year, it has 20,000+ merchants and is now annualising at \$328m in TTV based on the September accounts. Flagship merchants in the region include Delivery Hero, Pizza Hut, Gap, New Balance, Yves Rocher and Under Armour.
- Finally, on **Cultural alignment and management**: Twisto's founding team, led by Michael Smida, has been with the Company since inception (funnily enough incorporated in June 2013 similar to another exciting fintech) and is strongly aligned with Zip's culture and vision. Michal fits nicely into our "coalition of founders model" and together with his team is excited to be part of Zip, leading its European growth strategy. Twisters will become Zipsters.

Completion of the Twisto acquisition is planned to take place shortly after today's AGM.

Zip continues to scale from its regional points of presence, capitalising on new opportunities in its high-growth markets. Our expansion from established geographies continues with a push into new:

- **North America** – we organically expanded north and south and now have operations in Canada with consumers embracing the ability to shop cross-border at large US merchants. We also have a presence in Quebec with French translation, showing how our systems flex to local requirements and nuances. Likewise, we are live and processing in Mexico with a strong merchant pipeline developing and a fantastic founding team, whom I visited on my recent trip.

- **Asia** - I am pleased today to announce that Zip is launching into Singapore via a strategic partnership with Singtel Dash, the all-in-one mobile wallet app. Zip will be available as the exclusive BNPL option to users of the Singtel Dash App.

Launching our Asia business from Singapore - a country long recognised for its creativity and innovation - is consistent with Zip's strategy to build a truly global BNPL business and presents an opportunity for us to tap into a vibrant and accelerating market. Most importantly it provides another geography to add to our global offering and supporting our merchant partners.

This announcement follows Zip's strategic investment in September into India's leading BNPL company Zest.

- Finally, the **EMEA region** - the acquisition of Spotii provides an entry into the Middle East, one of the fastest-growing economic regions, while Twisto provides access to central and eastern Europe and adjacent countries. In South Africa, Payflex is experiencing strong growth, with an expanding merchant network and strong pipeline.

As this slide shows, the momentum Zip has built in new markets is expected to grow.

We are targeting \$50m in TTV in December from our Twisto, Spotii and Payflex operations which annualises at well over \$500m in additional TTV.

Zip's final priority for FY22 is about creating a financially fearless world.

We have long said responsibility is part of Zip's DNA and now as a global company, this sentiment has developed into a larger global narrative.

As a global operation, we are focused on the role we need to play as a good corporate citizen. And for Zip that means starting with our people and the financial & social wellbeing of our communities.

Our initiatives in this area cover four areas:

- **Financial empowerment** – where we are building financial literacy and entrepreneurial skills via a partnership in Australia with Young Change Agents and helping Zip consumers manage debt through the charity, Way Forward.
- **New Zip leaders** – we have appointed new global leaders with the hiring of our new Chief Technology Officer, Ahu Chhapgar and Global General Counsel, David Tyler, both of which have extensive expertise in payments, financial services and global operations. We have also refined our performance scorecard to monitor growth as well as customer and employee engagement.
- On the topic of **Employee wellbeing** - we are showing our commitment to mental health and wellbeing through a range of important initiatives and external partnerships.
- Finally, **Diversity Equity and Inclusion (DEI)** – This year Zip set five-year targets for its gender balance, which we will track and measure as we work towards these goals. We are also proud to share that we have reached more than 40% female representation across our global workforce, not bad a for a fintech, but long way to go in hitting our 5-year goals.

Finally, a short business update, having finished the 1st quarter and now firmly into Q2 FY22, the December seasonal quarter:

- **On growth performance** - October was Zip's highest TTV month on record processing over \$770m in transaction volume for the month, which was a 94% increase on October 2020, with the Company now annualising at over \$9b. Off the back of the rebrand, October delivered a 24% MoM increase which provides outstanding momentum entering the seasonal peak period.

- **On partners** - we secured partnerships with major names including Microsoft, PayU and Adyen and are live with global merchants such as Shein in multiple geographies.
- **On brand** - as mentioned previously, we successfully completed our global rebrand across six markets, including the US where we have seen our highest ever ratings for brand awareness.
- **On Regulation** – As flagged earlier in the presentation, in the UK, Zip will take part in Treasury’s process to map out a proportionate regulatory framework for BNPL. In the US, Zip has joined with other leading fintechs a new US industry group – the Financial Technology Association - to make the case for BNPL. Alongside this, Zip has also engaged with multiple regulators and Federal legislators to explain our business model and how we engage with US consumers.
- And on **Bank partnerships** – Zip is excited to share that we are in the process of establishing a financial partnership with Utah based WebBank to provide Zip the flexibility to drive further innovation in product and lending across the country.

That is the end of my formal presentation. I want to thank you for your support today and in the future.

I’ll hand back to the Chair to go through the AGM’s formal items of business, and I look forward to shareholder questions later on.

Thank you.

ENDS