Zip Co Limited

FY23 Investor Presentation

29 August 2023

Our Mission

To be the first payments choice everywhere and every day.

Our Purpose

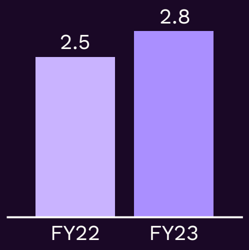
To create a world where people can live fearlessly today, knowing they are in control of tomorrow.

Agenda

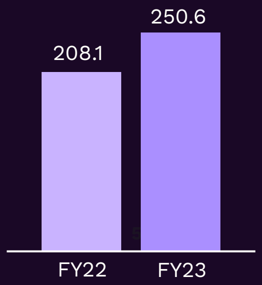
01.
FY23 highlights

Strategy execution delivered strong financial performance despite a rising rate environment

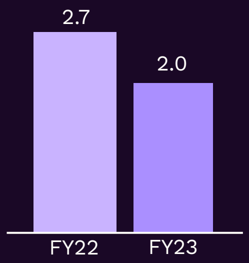
Cash transaction margin (% of TTV)
+30bps YoY



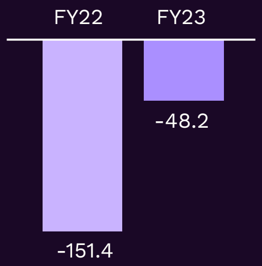
Cash gross profit ($m)
+20.4% YoY



Net bad debts[1] (% of TTV)
-70bps improvement YoY



Core cash EBTDA ($m)
+$103.2m improvement YoY

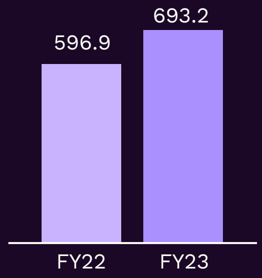


Note: 1. Excluding the movement in the provision for expected credit losses.
All figures based on Zip's unaudited financials as of 30 June 2023. Figures in AUD translated using the average yearly foreign exchange rates for respective years. Calculated Figures may not reconcile exactly due to rounding. All numbers presented unless otherwise stated comprise Zip's continuing operations or 'Core markets' as at Jun-23. Zip's operations in the UK, Singapore, Mexico, South Africa, Middle East and Central and Eastern Europe were sold or discontinued during the period. FY22 comparatives have been restated to reflect the discontinued operations in the current year.

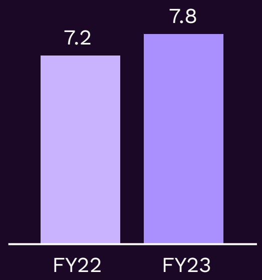
Solid top line operating performance in FY23

Controlled growth despite external environment and tighter risk settings

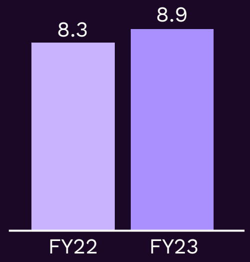
Revenue[2,3] ($m)
+16.1% YoY



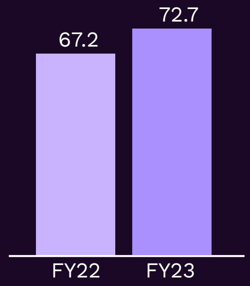
Revenue margin (% of TTV)
+60bps YoY



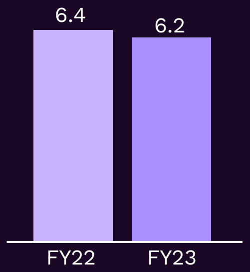
TTV ($b)
+7.0% YoY



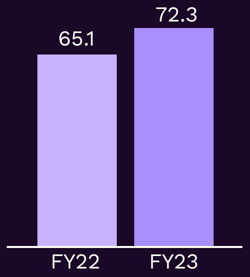
Transactions (#m)
+8.3% YoY



Active customers[1] (#m)
-3.5% YoY



Merchants (#k)
+11.2% YoY



Note: 1. Active customers defined as customer accounts that have had transaction activity in the last 12 months, 2. Revenue for FY23 is unaudited, 3. Revenue does not include other income.

Zip adjusted its strategy for FY23 to create a simpler, stronger business, fast tracking profitability

We focused on **three priorities**

Growth in core markets

(ANZ and Americas)

Improve unit economics

Reduce cost base

...with **clear target outcomes**

Risk adjusted TTV growth

Cash NTM 2.5-3.0%

Improved Core cash EBTDA

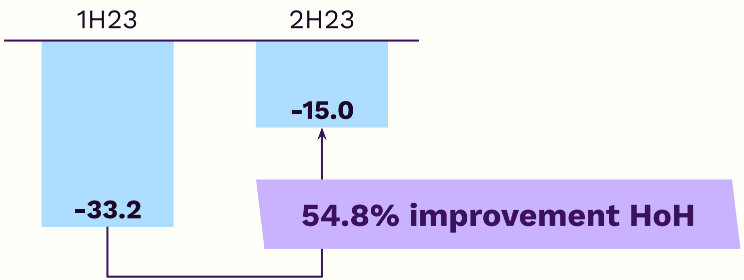
Zip delivered, executing on all our strategic priorities in FY23

What we said we would do	What we delivered
Profitable TTV growth in FY23 across ANZ and US	✓ +7% TTV growth across core markets ANZ and US
Drive net bad debts to within target range (<2%)	✓ Group net bad debts at 2.0% of TTV; -70bps YoY
Strong cash NTM of 2.5%-3.0% of TTV	✓ Revenue margin of 7.8%, +60bps YoY and Group cash NTM at 2.8% of TTV, +30bps YoY
Exit FY23 cash EBTDA positive in US	✓ US business exited FY23 cash EBTDA positive
Neutralise cash burn from RoW businesses	✓ Cash burn from RoW businesses neutralised; cash inflows returned to Zip Group
Reduce opex and streamline organisational structure	✓ Cash opex down 15.7% YoY, further action taken in 4Q23
Pursue opportunities for liability management	✓ Took actions to reduce convertible note outstanding face value[1] by $312.2m

Note: 1. Outstanding face value is defined as outstanding convertible notes on issue multiplied by the face value per convertible note.

Core cash EBTDA improved 54.8% HoH, ahead of guidance, providing strong momentum into FY24

FY23 Core cash EBTDA, ($48.2m)
FY23 HoH breakdown ($m)

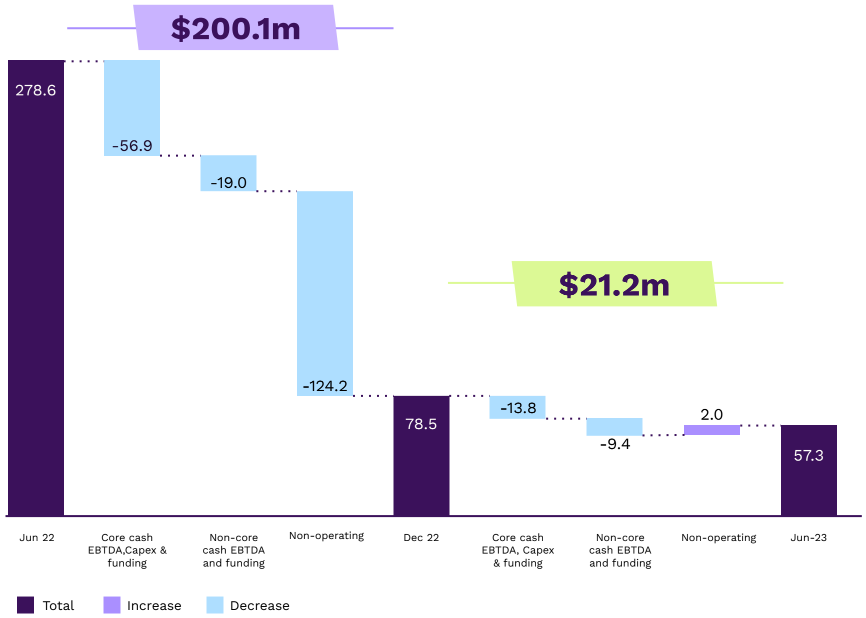


- Revenue margin of 8.4% in 2H23, up 110bps HoH
- Cash NTM in 2H23 of 3.0% up 40bps HoH, a strong result despite rising interest rates
- US and NZ exited FY23 cash EBTDA positive on a monthly basis; AU already cash EBTDA positive

Zip remains on track to be **cash EBTDA positive during 1H24**

Zip delivered a significant improvement in cash flows in 2H23

1H vs 2H23 movements in available cash and liquidity, ($m)



Improvement in cash flows in 2H23 were driven by:

- Significant improvement in Core cash EBTDA (54.8% improvement in 2H23 vs 1H23)
- Cash inflows from business sale / closures or restructures
- Neutralised cash burn from RoW
- Significant reduction in one-off payments related to liability management and M&A

Zip undertook actions to strengthen its balance sheet reducing convertible notes outstanding face value by $312.2m[1]

Key actions to deleverage the balance sheet

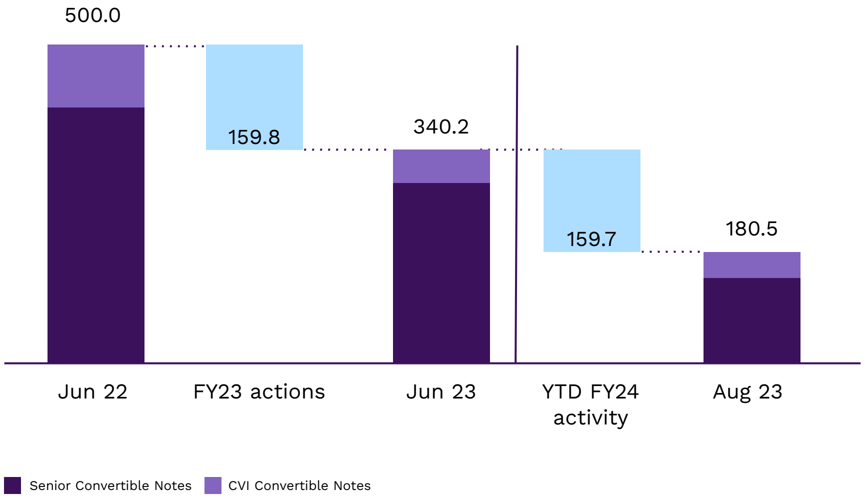
FY23 actions:

- Repaid $40.0m of CVI Convertible Notes in Sep-22
- Converted $70.0m of Senior Convertible Notes for $0.23 in the dollar in Dec-22 (cash neutral transaction)
- Repaid $10.0m of CVI Convertible Notes in Mar-23
- Converted $39.8m of Senior Convertible Notes for $0.475 in the dollar in Jun-23 (cash neutral transaction)

YTD FY24 activity:

- Consent solicitation to amend certain terms and conditions and reduce Senior Convertible Notes outstanding face value to $137.8m in Jul-23
- $7.3m of Senior Convertible Notes converted into ordinary shares (as at 28 Aug-23).

Movements in Zip's convertible note debt outstanding face value, ($m)



Note: 1. Completed in July 2023
Senior Convertible Notes refers to Zip's $400.0m convertible notes issued on 23 April 2021 which are listed on the Singapore Securities Trading Exchange. CVI Convertible Notes refers to Zip's convertible notes issued 1 September 2020 to CVI Investments, Inc (CVI)

Zip remains committed to responsible lending and sustainable environmental, social and corporate governance

We remain committed to operating sustainably and responsibly with a focus on topics of material impact and that provide enhanced value for all stakeholders

	FY23 achievements and progress
Financial wellbeing	• Committed to responsible lending and advocate for fit for purpose regulation and consumer protection across the sector • Product features assist customers to manage their budget and smooth cash flows • Continued engagement with Financial Counsellors in AU and to improve support for vulnerable customers. Ongoing partnerships with Young Change Agents and ongoing sponsorship of Way Forward
Cyber-security & financial crime	• Ongoing focus on cyber security and data privacy resilience • No notifiable cyber security events affecting data privacy or operations during FY23 and achieved a Bitsight security rating of 770 at year end, placing Zip in the top 10% of the Financial Services sector • Invested in a new financial crime platform to uplift our screening and monitoring capabilities
DEI & employee wellbeing	• Strong employee engagement: 78% company-wide engagement score • 44% women across our total workforce (from 42% in FY22), including an increase at all manager levels
Environmental sustainability	• Renewed our climate neutral company certification with South Pole for emissions produced in FY22[1] • Made progress towards aligning our governance and risk management to TCFD recommendations

Note: 1. Zip is currently in the process of calculating our total emissions for FY23. Results will be provided in our FY23 Sustainability report.

Zip is now a simpler business, with stronger foundations to pursue long term growth and deliver cash EBTDA profitability

Business Simplification

Reduced global footprint

Zip exited non-core and RoW markets through divestment and wind down processes

Narrowed business focus to core markets ANZ and Americas

Simplified product offering

Discontinued low margin and business products

Deprioritised product features not aligned with our strategy to capture more market share in consumer credit

Streamlined organisation

Simplified operating structure

Reduced corporate overheads and operating cost base

Strengthened Foundations

Strengthened balance sheet

Took actions to reduce corporate liabilities by $312.2m through liability management initiatives

Delivered cash proceeds back to Zip Group through RoW strategic review

Secured debt funding

Completed two note issuances for $200.0m and $300.0m in AU; senior notes being AAA rated

Funding in place in core markets to support product innovation and future growth

Strategy execution

Focus on responsibly capturing more market share in consumer credit in our core markets

Developed distinct strategies to win in core markets

02.
Business performance

Americas: Solid platform ready to accelerate

Profitable growth

FY23 saw an adjusted focus with a strategic reset, accelerating profitability. Customer numbers were tempered by Zip's risk settings in line with the strategy

The US exited FY23 EBTDA cash positive on a monthly basis. June delivered 20.1% TTV growth and 60bps reduced cohort bad debts YoY. Along with fixed cost reduction, this positions the business for accelerated and profitable growth in FY24

Merchants

Customers shopped at >800k locations in FY23, reflecting the power of Zip's shop anywhere proposition

Strengthened merchant sales leadership and effectiveness, with addition of Andy Stearns (ex CapitalOne and Amex). Clear strategic focus on new verticals, embedded distribution partnerships and winning in-store

Customer focus

Transactions per active customer increased 15.7% in FY23 with TTV per US customer up 11.3%

New feature launches including gamified repayments, payment date change and flexible first installment are unlocking incremental TTV, improving credit performance and assisting customers to budget and develop improved financial literacy

Product innovation

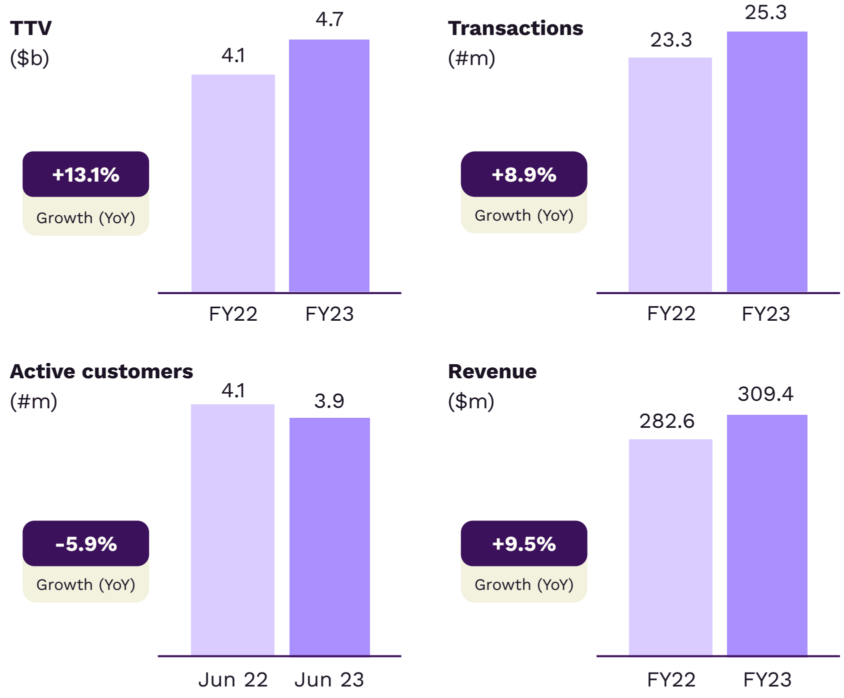
Continue to see strong adoption of Zip's physical card, with ~400k cards issued to date. Physical card usage is driving incremental engagement and made up ~30% of in-store volumes in June

Regulation

Expanded relationship with WebBank - now the lender for Zip in 45 states, providing further regulatory support to the Zip US offering

New merchants

Key performance metrics ($AUD)

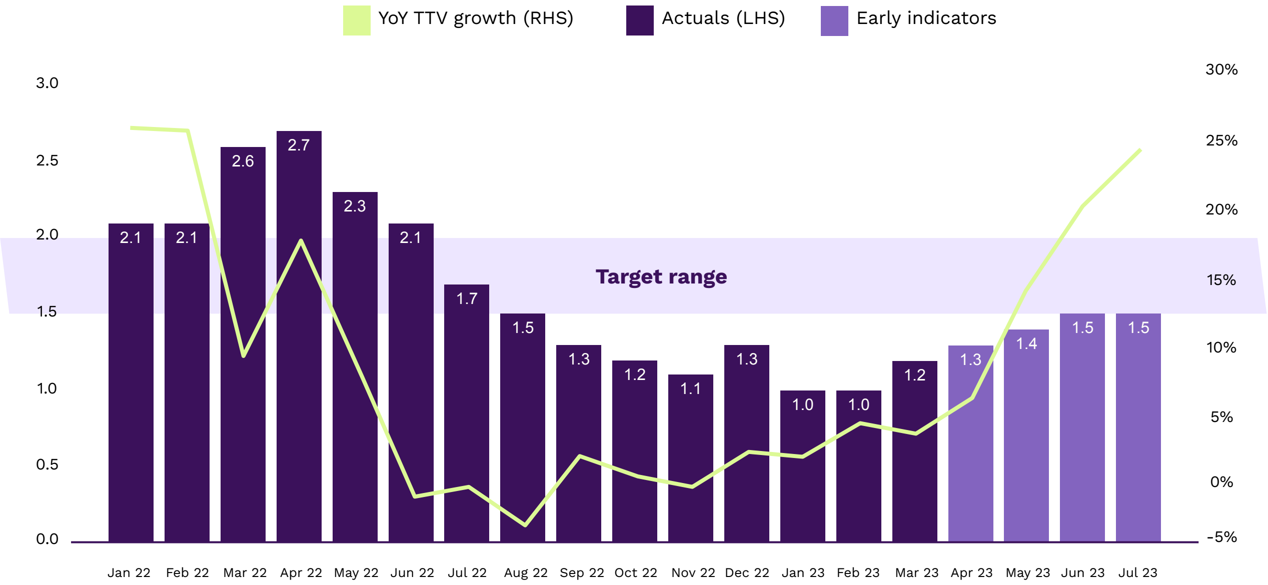


Note: 1. Active customers defined as customer accounts that have had transaction activity in the last 12 months.

US bad debt improvements are driving profitable growth

- Actions across the credit lifecycle in the US (i.e. optimised decisioning, limit management, collections management, decisioning platform uplift) are driving superior credit performance and profitable growth
- The US exited FY23 with 20.1% YoY TTV growth in June and lower losses despite challenging macro conditions
- Risk settings are being adjusted and losses expected to trend towards target rates of 1.5%-2.0% of TTV to support accelerated, profitable growth in FY24

US monthly cohorts, 120 day bad debt performance
(% of cohort TTV)



ANZ: Strong revenue margins the standout

Revenue growth

Two-sided revenue model delivered strong revenue growth of +23.7% YoY and revenue margins +148bps YoY to 8.8%

Zip NZ delivered positive cash EBTDA for FY23

Deeper customer engagement

Transactions per active customer increased 7.3% YoY with customers shopping at >610k locations in FY23

Spend per active customer increased 5% YoY in line with adjustments to internal risk settings

Growth in customer numbers reflected conservative risk settings in 2H23

Strong AU regulatory position

Zip welcomes the recent decision from Treasury to provide certainty around the BNPL framework

The option selected was the option Zip endorsed and supported and is aligned with our existing business practices. Since inception, we have held an Australian Credit Licence and conducted ID, credit and affordability checks on Australian customers

New merchants and verticals

Established a significant presence in travel with Zip now live with Qantas, Jetstar, Webjet and Virgin Australia

Strong rollout of iconic merchants including eBay AU, Uber, Peloton, HP, ASICS and Hoyts

New merchants

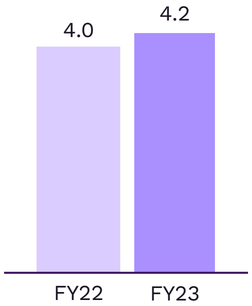
Jetstar webjet.com.au Uber

PELOTON hp HOYTS ebay

Key performance metrics[1]

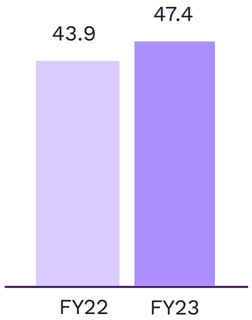
TTV
($b)

2.9%
Growth (YoY)



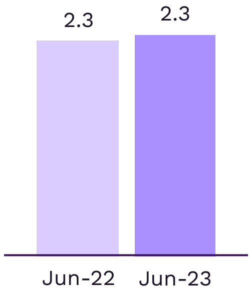
Transactions
(#m)

8.0%
Growth (YoY)



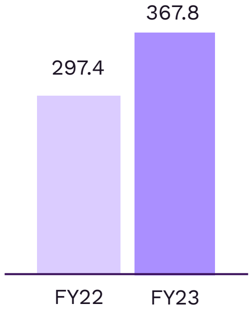
Active customers
(#m)

0.7%
Growth (YoY)



Revenue
($m)

23.7%
Growth (YoY)

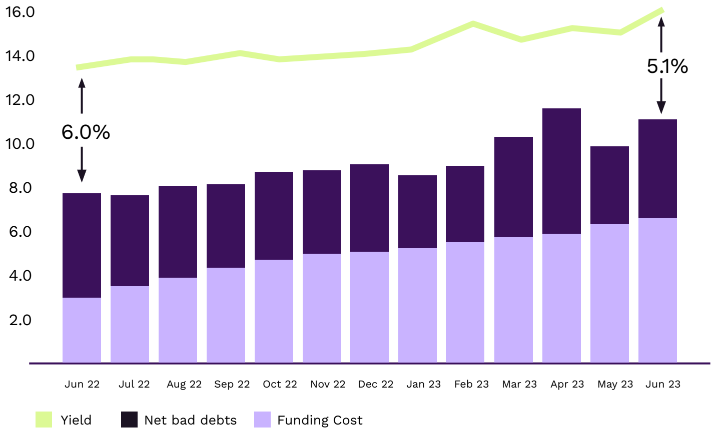


Note: 1. ANZ figures include Zip Australia and Zip New Zealand Consumer businesses (excludes Zip Business).

Zip AU's loan book performance remains strong, increased yield and reduced losses offsetting the speed of rate rises

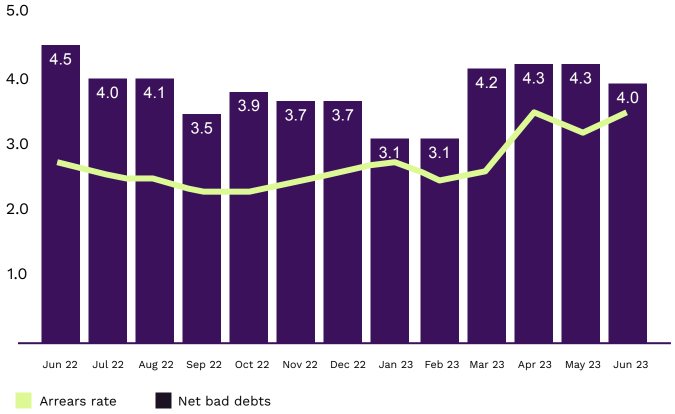
FY23 book performance (excess spread)[1]

(% of AU consumer receivables)



Arrears rate and net bad debts[1,2]

(% of AU consumer receivables)

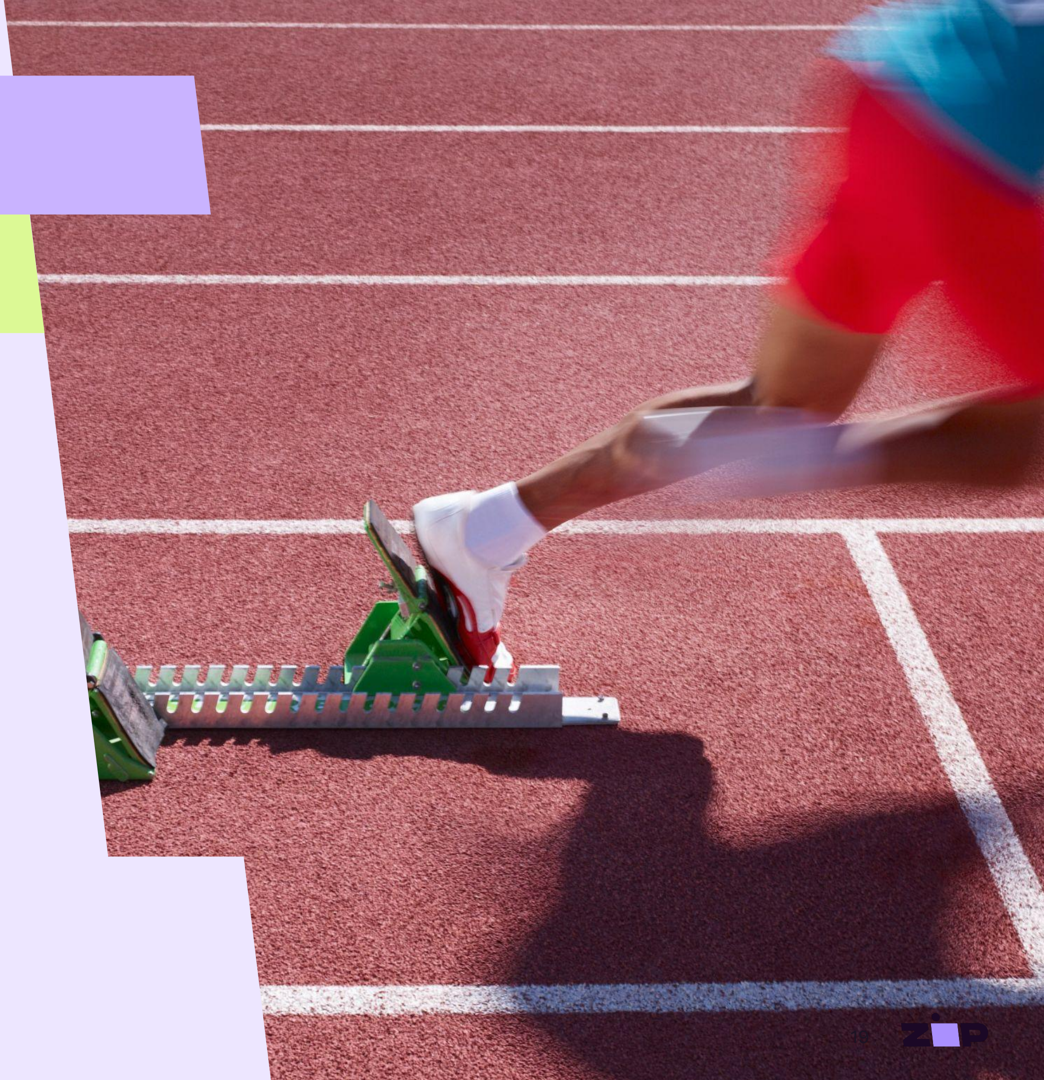


- Increased yield (+249bps YoY) and stable loss performance, offset by speed of increase in funding costs (+360bps YoY)
- Product mix and pricing expected to continue upwards yield trend; loss performance an ongoing management focus
- FY24 loss performance is expected to reflect controlled TTV growth and ongoing softness in the external environment

- Arrears have increased consistent with seasonality, consumer credit more broadly and the impacts of a one-off 3rd party processing issue
- Actions to improve credit performance including tightened lending criteria and increased bank linking are delivering results with early arrears trending down to lowest levels since 2021
- Improved credit quality and lower early stage arrears expected to drive improved future loss performance

Note: 1. Calculated on receivables related to Zip AU's Master Trust facilities and funding vehicle 2017-1 Trust.
2. All figures calculated on an annualised basis over opening receivables for the month.

03.
Financial performance



Strong unit economics

Strong NTM expansion to 2.8% and 20.4% increase in cash gross profit despite increasing interest rate environment:

- Strong revenue growth, up 16.1% YoY
- Revenue margins increased 60bps, driven by the benefits of our two-sided revenue model and growth in higher margin products
- Net bad debts improved 70bps YoY to 2.0%, reflecting the outcome of tightened risk settings and improvements in the repayment journey
- Interest expense movement reflects rising interest rates largely impacting the AU cost of funds
- Pay-in-4 product construct well placed to mitigate interest rate rises (e.g. ~25bps increase in base rate increases US cost of funds only ~2bps per transaction)

	FY23	FY22[1]	Change
TTV	**$8.9b**	**$8.3b**	**+7.0%**
Revenue	**$693.2m**	**$596.9m**	**+16.1%**
Revenue (% of TTV)	*7.8%*	*7.2%*	*+60bps*
Cash cost of sales	**$442.6m**	**$388.8m**	**+13.9%**
Interest expense[2] (% of TTV)	*1.8%*	*0.9%*	*+90bps*
Net bad debts written-off[3] (% of TTV)	*2.0%*	*2.7%*	*-70bps*
Bank fees and data costs (% of TTV)	*1.4%*	*1.3%*	*+10bps*
Cash cost of sales (% of TTV)	*5.0%*	*4.7%*	*+30bps*
Cash gross profit	**$250.6m**	**$208.1m**	**+20.4%**
Cash transaction margin (CTM) *(% of TTV)*	**2.8%**	**2.5%**	**+30bps**

Note: 1. FY22 comparatives restated to reflect the discontinued operations in the current year,
2. Interest expenses related to customer receivables exclude amortisation of funding costs,
3. Excluding the movement in the provision for expected credit losses.

Segment financials

- ANZ performance impacted by the speed of interest rate increases, somewhat offset by increasing revenue margins
- Americas improving cash EBTDA outcomes reflects profitable TTV growth, lower net bad debts and reduced operating costs
- During FY23 Zip ceased offering its Zip Business Trade and Trade Plus products to SMEs and commenced the wind down of Zip Business Capital
- Corporate cash costs dropped 15.5% and include legal, insurance, compliance, finance, and other general and administrative costs incurred in managing the Group's operations not directly allocated or attributable to a segment

FY23 ($m)	**ANZ**	**Americas**	**Zip Business**	**Total**
Revenue	367.8	309.4	16.0	693.2
Group contribution	53.1%	44.6%	2.3%	100.0%
Cash EBTDA	10.9	(24.1)	1.9	(11.3)
Corporate cash costs				(36.9)
Group cash EBTDA				(48.2)
FY22[1] ($m)	**ANZ**	**Americas**	**Zip Business**	**Total**
Revenue	297.4	282.6	16.9	596.9
Group contribution	49.8%	47.4%	2.8%	100.0%
Cash EBTDA	22.1	(104.7)	(4.8)	(87.4)
Corporate cash costs				(43.7)
Global rebranding costs				(20.3)
Group cash EBTDA				(151.4)

Note: 1. FY22 comparatives restated to reflect the discontinued operations in the current year.

Income statement

- Revenue grew 16.1%, hitting record levels, on strong growth and revenue margins up 60bps
- Cash gross profit margin increased to 36.1%, strong revenue growth and net bad debts performance offset the increase in interest expense and bank and data fees
- Salaries and employment related costs were 1.9% of transaction volumes, down from 2.0% for FY22, with headcount reductions in 4Q reducing annualised salary costs going forward by $16.1 million
- Marketing costs include one-off rebranding costs of $20.3m in the prior year. Excluding these cost marketing costs have dropped 52% YoY to 0.5% of TTV
- Expected credit loss provision 5.5% of gross customer receivables, from 6.0% at 30 June 2022, reflecting improved performance of the receivables portfolio
- Effective interest charge includes accelerated interest charge of $49.0 million as conversion assumptions revised during the year
- Cash EBTDA improved by $103.2m to ($48.2m) as the Group focused on unit economics, the path to profitability and reducing its total cost base

$m	FY23	FY22[4]
Revenue	**693.2**	**596.9**
Cash cost of sales[1]	**(442.6)**	**(388.8)**
Interest expense	*(154.8)*	*(68.3)*
Bank fees and data costs	*(121.7)*	*(107.5)*
Net bad debts written-off	*(166.1)*	*(213.0)*
Cash gross profit	**250.6**	**208.1**
Cash GP%	**36.1%**	**34.9%**
Other income	4.9	0.8
Cash operating costs[2]	**(303.7)**	***(360.3)***
Salaries and employment related costs	*(170.4)*	*(163.5)*
% of underlying volumes	*1.9%*	*2.0%*
Marketing costs	*(41.9)*	*(107.6)*
% of underlying volumes	*0.5%*	*1.3%*
Information technology cost	*(44.4)*	*(43.7)*
% of underlying volumes	*0.5%*	*0.5%*
Other operating costs	*(47.0)*	*(45.5)*
% of underlying volumes	*0.5%*	*0.5%*
Cash EBTDA[3]	**(48.2)**	**(151.4)**
Unrealised FX movements	(2.7)	1.6
Effective interest on convertible notes	(78.1)	(29.9)
Movement in expected credit loss and other provisions, and other non cash items	(22.1)	(44.7)
Amortised finance costs	(4.9)	(5.5)
Reported EBTDA	**(156.0)**	**(229.9)**

Note: 1. Cash cost of sales and cash operating costs comprise those expenses that have an operating cash outflow, 2. Cash operating costs exclude acquisition costs and unrealised foreign exchange movements, 3. Cash earnings before tax, depreciation and amortisation and excluding share of loss of associates and acquisition costs. 4. FY22 comparatives restated to reflect the discontinued operations in the current year.

Corporate items and one-off adjustments

- Payment made to Sezzle on the mutual termination of the merger agreement
- Incentive payments paid on conversion of $109.8m of Senior Convertible Notes
- Share-based payments reduced as Quadpay acquisition commitments discharged
- Fair value adjustments on financial instruments made to the convertible notes and warrants, and the Group's investment in ZestMoney
- Impairment losses attributable to Tendo, Zip Business and other intangible assets

$m	FY23	FY22[1]
Reported EBTDA	**(156.0)**	**(229.9)**
Share of loss of associates	(4.7)	(8.3)
Acquisition costs	-	(17.5)
Termination payment	(16.3)	-
Incentivised conversion - incentive payments	(29.9)	-
Professional services fees on conversion and restructuring of the Senior Convertible Notes	(2.0)	-
Share-based payments	(14.3)	(26.9)
Fair value (loss) / gain on financial instruments	(61.1)	129.0
Impairment losses	(14.5)	(592.9)
Loss on derecognition of financial assets	(3.1)	-
Loss on derecognition of financial liabilities	(7.0)	-
EBTDA	**(308.9)**	**(746.5)**
Depreciation and amortisation	(63.4)	(61.6)
Earnings before tax	**(372.3)**	**(808.1)**

Note: 1. FY22 comparatives restated to reflect the discontinued operations in the current year.

Adjusted loss before tax

- Earnings before tax include a number of non-recurring items
- Excluding these items, the Group reported an adjusted loss before tax of $204.7m, versus $187.4m in the previous corresponding period

$m	FY23	FY22[1]
Earnings before tax	**(372.3)**	**(808.1)**
Add back:		
Termination payment	16.3	-
Fair value loss on investment at FVTPL	52.8	-
Incentivised conversion - incentive payments	29.9	-
Effective interest charged on convertible notes (accelerated)	49.0	-
Loss on derecognition of financial assets	3.1	-
Professional service fees on conversion and restructuring of the Senior Convertible Notes	2.0	
Impairment loss	14.5	592.9
Acquisition costs	-	17.5
Global re-branding costs	-	20.3
Fair value gain relating to the acquisitions	-	(10.0)
Adjusted loss before tax	**(204.7)**	**(187.4)**

Note: 1. FY22 comparatives restated to reflect the discontinued operations in the current year.

Balance sheet

- $152.0m of cash and cash equivalents at Jun-23
- Restricted cash increased due to increase in transaction volumes and number of securitisation vehicles
- Right of use assets and lease liabilities increases relate to initial recognition of new office lease
- Investment in ZestMoney, previously reported as an associate, reclassified as FVTPL upon waiver of Zip's conditional right to increase its shareholding. Movement includes fair value loss on revaluation
- Goodwill reduction includes the impairment charges of $18.4m and $2.2m attributable to the Group's Payflex and Zip Business operations, respectively
- Trade and other payables increase driven by higher volumes impacting merchant payables and partner pre-funding requirement
- Twisto holdback consideration of $20.0m and Payflex deferred consideration of $4.9m settled in the year. Remaining Payflex deferred consideration of $1.9m settled subsequent to the year end
- Financial liabilities reduced due to conversion of $109.8m of the Senior Convertible Notes and $50.0m repayment of the CVI Convertible Notes, net of effective interest charged

$m	Jun-23	Jun-22
Cash and cash equivalents	152.0	241.3
Restricted cash	124.0	58.4
Other receivables	87.2	72.8
Term deposit	7.2	3.9
Customer receivables	2,596.8	2,508.1
Investments at FVTPL	13.8	-
Investments in associates	2.2	70.7
Property, plant and equipment	5.1	5.3
Right-of-use assets	18.7	3.8
Intangible assets	141.6	192.4
Goodwill	209.2	222.7
Total assets	**3,357.8**	**3,379.4**
Trade and other payables	213.6	140.6
Employee provisions	8.8	9.1
Deferred consideration	1.9	26.2
Lease liabilities	17.7	4.0
Borrowings	2,591.2	2,380.9
Financial liabilities - convertible notes and warrants	327.2	380.9
Total liabilities	**3,160.4**	**2,941.7**
Net assets	**197.4**	**437.7**

Cash flows

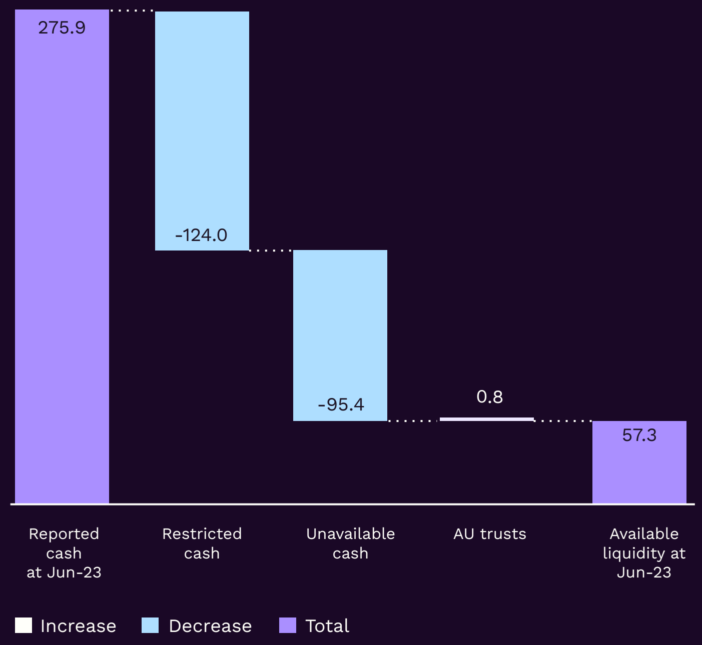
- Net cash flow to operations of ($225.0m) ($208.7m excluding termination payment)
- Paid $53.8m (including accrued interest) to settle 50% of the CVI Convertible Notes under the terms of the note agreement
- Raised $38.4m to cover the incentive payments on conversion of 27.5% of the Senior Convertible Notes and associated costs of the transaction
- Cash inflows of $5.8m from asset sales and business closures received in the year, net of costs of disposal and cash held by entities disposed of

$m	FY23	FY22
Revenue from customers	728.8	620.2
Payments to suppliers and employees	(438.5)	(517.9)
Net increase in receivables	(338.3)	(767.0)
Borrowing transaction costs	(2.8)	(2.4)
Interest received from financial institutions	3.6	1.2
Interest paid	(161.5)	(72.4)
Termination payment fee	(16.3)	-
Acquisition of business costs	-	(14.1)
Net cash flow used in operating activities	**(225.0)**	**(752.4)**
Payments for plant and equipment	(3.2)	(4.5)
Payments for software development	(21.4)	(24.9)
Disposal of subsidiaries, net of cash disposed of	5.8	-
Payments for acquisitions, net of cash acquired	-	6.8
Deferred consideration	(4.0)	(72.0)
Payments for investments in associates	(4.3)	-
Increase in term deposits	(3.4)	(2.4)
Net cash flow used in investing activities	**(30.5)**	**(97.0)**
Proceeds from borrowings	757.8	1,195.4
Repayment of borrowings	(487.6)	(541.0)
Repayment of convertible notes	(53.8)	-
Payment of incentives in relation to convertible note conversion	(12.5)	-
Repayments of principal of lease liabilities	(3.9)	(3.9)
Proceeds from the issue of shares	38.4	173.0
Costs of share issues	(1.8)	(3.4)
Net cash flow from financing activities	**236.6**	**820.1**
Net decrease in cash and cash equivalents	**(18.9)**	**(29.3)**

Available cash

- Zip had $57.3m available cash and liquidity at 30 June 2023
- Restricted cash for the Group of $124.0m at 30 June 2023 includes cash held in securitisation warehouses and special purpose vehicles. Restricted cash also includes capital raise monies of $23.5m paid to convertible noteholders (incl. costs) in August 2023 following successful completion of liability management exercise
- Unavailable cash for the Group of $95.4m at 30 June 2023 includes floats held to support network transactions and cash in transit due to merchants or securitisation warehouses
- Zip has $28.4m invested in its debt funding programs and is expected to release back to available cash by 1Q25 or earlier if replaced with third party funding providers

Zip Group - Total available cash at Jun-23 ($m)



Funding update

- In Oct-22, Zip completed a $300.0m (upsized from $200.0m launch size) rated note issuance within the Master Trust (2022-1). The proceeds from this deal were used to repay Zip Master Trust 2020-1 which matured in Oct-22
- In Jun-23, Zip completed a $200.0m rated note issuance within the Master Trust (2023-1) with the senior notes being AAA rated
- In Dec-22, Zip refinanced Variable Funding Note 2 with a revised limit of $136.2m
- 2017-1 was refinanced in line with ongoing initiatives to optimise Zip's debt funding program the limit was revised to $126.5m
- As at 30 Jun-23, Zip AU and Zip US had $133.5m and $141.3m respectively undrawn and available to fund receivables
- As Zip Business winds down in both Australia and New Zealand it will progressively repay drawn facilities in accordance with the terms of the respective funding arrangements. Zip has agreed a reduction in facility limits in both Australia and New Zealand to align with the progressive repayments
- Corporate facility (2017-2) was refinanced in Feb-23 with a revised limit of $90m and extended to Dec-23 with an option to extend further to Mar-24 at Zip's discretion
- The weighted average interest rate on loans outstanding at 30 June 2023 was 7.36% compared to 3.63% at 30 June 2022. Increase of 3.73% reflects 3.10% increase in floating rates and 0.63% increase in WAM

	Jun-23 ($m)	Jun-22 ($m)
Secured funding facilities		
Facility limits		
AU	2,365.6	2,377.6
US[2]	339.4	435.5
SME	59.8	196.1
NZ[2]	18.4	27.1
Total limits	**2,783.2**	**3,036.3**
Facilities drawn		
AU	2,232.1	2,033.7
US[2]	198.1	169.6
SME	51.9	53.5
NZ[2]	10.1	14.4
Total drawn	**2,492.2**	**2,271.2**
Corporate facility		
Facility limit	90.0	100.0
Facility drawn	90.0	47.0
Cost of funds[1]	**7.36%**	**3.63%**

Note: 1. Cost of funds reflects weighted average interest rate on loans outstanding at the end of the period, 2. Converted to AUD at USD 0.6630; AUD at NZD 1.0883.

04.
Strategy and outlook

Zip's strategy continues to focus on sustainable cash EBTDA profitability and product capabilities to drive scale

Deliver strong and sustainable growth through increased consumer lending and payments market share

	ANZ	Americas
Distinct strategies	Mature, profitable business with 10 years operating history. AU cash EBTDA positive for five years	Business exiting FY23 cash EBTDA positive, while continuing to pursue early and significant US opportunity
Role in Zip Group	Responsible consumer lending delivering cash EBTDA growth	Product led growth engine delivering significant scale
Medium term priorities	Expanded financial services offering Diversified revenue streams Optimised capital generation	Grow BNPL offering - online and instore Expanded consumer lending product offering Increased scale and operating leverage

Zip ANZ has well established foundations to deliver cash EBTDA growth in FY24

Distribution

- 2.3m active customers, market leading digital distribution network
- >56% brand recognition[1] in AU
- >47m transactions p.a. at over >610k locations

Product

- Zip anywhere proposition online or instore
- 4.9 App Store Rating from 285k+ reviews
- $0-$50k purchase limits providing utility across all verticals
- +60 NPS

Business model

- Two-sided revenue model delivering 8.8% revenue margins in FY23
- Cash EBTDA profitable for five years in AU
- NZ cash EBTDA profitable in FY23
- <1% of revenue from capped late fees in AU
- 10 years operating history, providing rich proprietary data assets

Loan book

- $2.4b consumer receivables
- $200m rated note issuance in ZMT complete (Jun-23)
- High yielding AU loan book
- Strong underwriting capabilities

Regulation

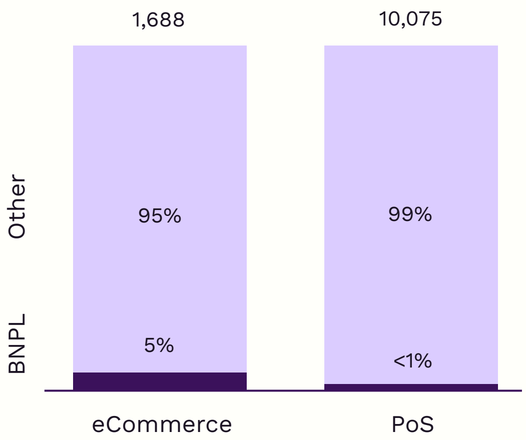
- Licensed credit provider in AU
- Zip Money regulated by NCCPA
- Well-positioned for Option two endorsed by Government
- Responsible lending practices
- Zip NZ is well placed to comply with the recently announced BNPL regulations

Note: 1. For under 45's as at Jul-23.

Zip US volumes have grown at 24.5% CAGR since FY21 with a significant and early market opportunity remaining

US total addressable market 2022[1]

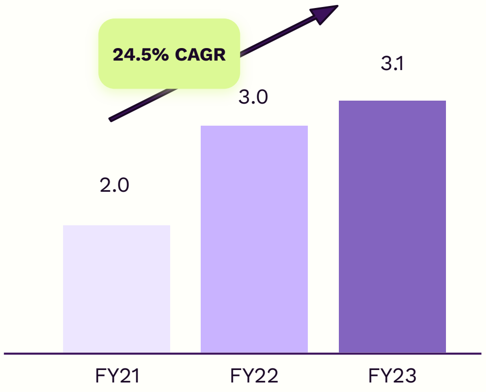
(USDb)



- USD 12t addressable market
- Projected to grow at 5% CAGR 2022-2026
- Opportunity to deliver innovative, fair and transparent credit to underserved customer segments

Volume growth since FY21

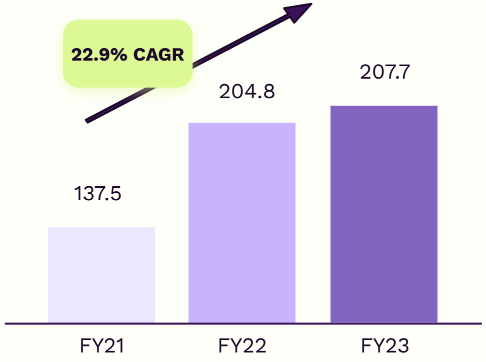
(TTV, USDb)



- Significant growth supported by flywheel model and increasing customer engagement
- Proven ability to grow while maintaining losses within target range

Revenue growth since FY21

(Revenue, USDm)



- Strong revenue margins reflecting initiatives to support profitability
- Cash EBTDA positive within ~5 years of launch

Note: 1. WorldPay, 2023.

Zip US continues to mature, reaching cash EBTDA profitability with platforms in place to support accelerated growth in FY24

Unique value proposition

- Zip anywhere (App and Physical Card)
- Focus on financial inclusion and literacy
- Customer-centric product innovation (first in market with anywhere proposition, CLI gamification)
- NPS of +55, up 10 points over the past year[1]

Strong, adaptive underwriting

- Proven ability to drive growth while maintaining credit performance
- Innovation in data insights, underwriting models and products to maximise approvals within target loss range
- Ability to rapidly adjust risk settings through credit cycles

Capital efficiency

- Book recycles every six weeks
- ~25bps increase in base rate increases cost of funds only ~2bps per transaction
- Significant yield on receivables

Business model

- Two-sided revenue model
- Business exited FY23 cash EBTDA profitable on a monthly basis
- Distribution through 1:1 merchant relationships and 'embedded' finance channels (ISVs, PSPs)[2]

Regulatory readiness

- Expanded relationship with WebBank - now the lender for Zip in 45 states
- Well positioned to respond to any changes in regulatory environment or increased oversight

Note: 1. Zip NPS - after 1 month and after 6 months (as of Jul'23), 2. ISV = Integrated Software Vendor PSP = Payment Service Provider. CLI = Credit Limit Increase

Zip has clear priorities in FY24 to drive profitable growth

Growth and profitability

Extending distribution and performance of core products

Product innovation

Unlocking new customer and market segments for growth

Operational excellence

Strengthening our platforms and balance sheet to support scale

Outlook[1]

	FY23 result (% of TTV)	Key management actions and assumptions for FY24	Medium term targets (% of TTV)
Revenue	7.8	• Increased revenue margin from new products	**8.0 - 9.0** (previously 7.0 - 7.5)
Cash cost of sales	5.0	• Manage net bad debts to optimise transaction margins • Increase in interest costs reflects lift in base rates	**5.0 - 6.0** (previously 4.0 - 4.5)
Cash NTM	2.8	• Balancing TTV growth and transaction margins	**3.0 - 4.0** (previously 2.5 - 3.0)
Opex	3.3	• Continued focus on simplification of the business • Expect reduction in cash operating costs	**2.0 - 3.0** (previously 1.5 - 2.5)
Cash EBTDA	-0.5	• Increased cash EBTDA margins in core markets • Group cash EBTDA profitable during 1H24 • Positive Group cash EBTDA for 2H24	**1.0 - 2.0** (unchanged)

Target ranges deliver significant cash EBTDA as the business scales

Note: 1. Subject to market conditions

Well positioned for the next phase of growth

Unique value proposition

Proven business model

Significant distribution network

Platforms to support growth

Strong early momentum in FY24

Growth and profitability

US TTV growth accelerating off profitable base

July US cohort bad debts at 1.5% of TTV

Early arrears trending down in AU

Product innovation

Well progressed with new product initiatives

Operational excellence

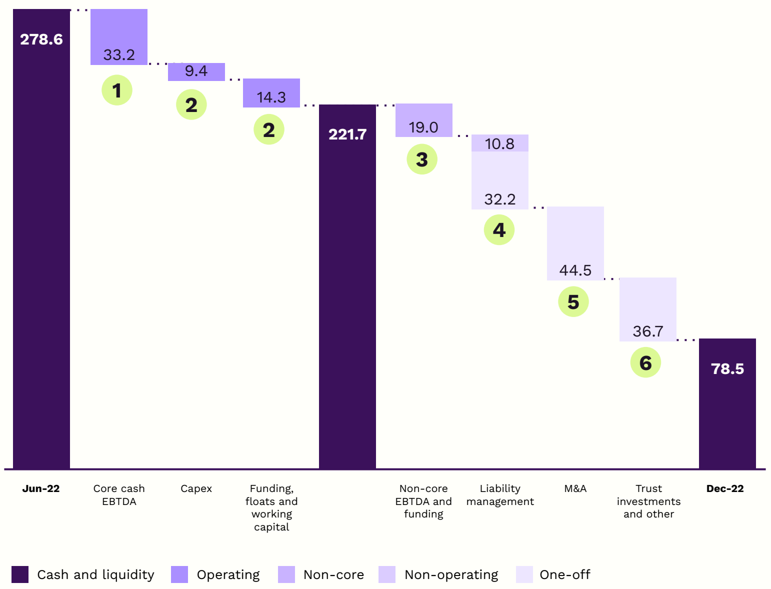
Reduced convertible note liabilities in July and August

Q&A

Appendix

1H23 breakdown of movements in available cash and liquidity

1H23 movements in available cash and liquidity, ($m)



Key movements in 1H23 explained

Operating: execution of strategy driving significant improvement a significant improvement vs FY22

1 Core cash EBTDA ($33.2m) in 1H23

2 Capital expenditure and funding, floats and working capital totalled ($23.7m) for the period

Non-core, non-operating and one-off: >$140m in cash outflows in 1H23

3 Non-core EBTDA and funding ($19.0m)

- $16.4m of non-core operating costs in markets outside ANZ and the US
- $2.6m in funding, floats and working capital in non-core markets

4 Liability management ($43.0m)

- $43.0m payment to retire $40.0m of CVI Convertible Notes in Sep-22
- Retired $70.0m of Senior Convertible Notes for $0.23 in the dollar in Dec-22 (cash neutral transaction)

5 M&A ($44.5m)

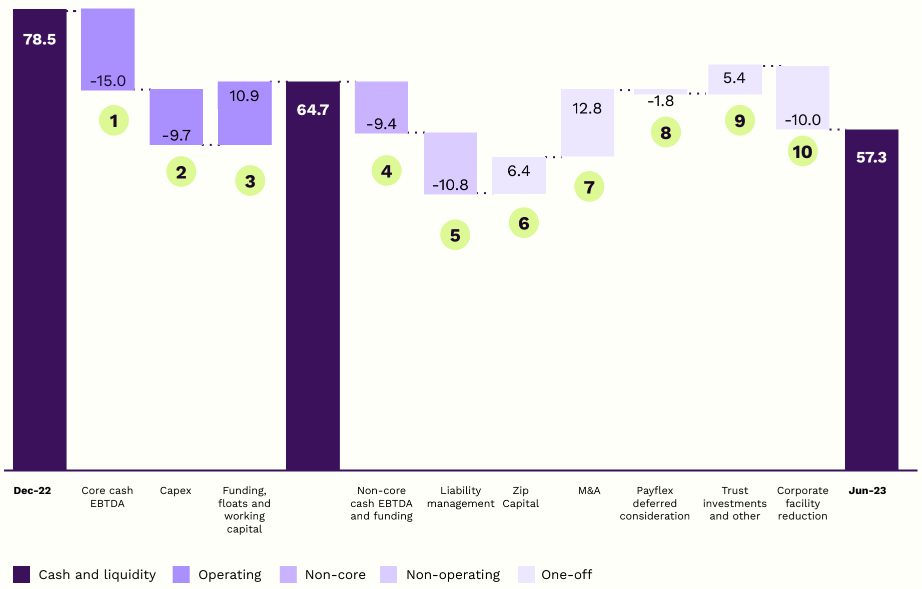
- $28.2m of costs associated with prior acquisitions (e.g. Quadpay) and business wind downs (e.g. Zip Business Trade and Trade+)
- $16.3m termination payment to Sezzle

6 Trust investments and other ($36.7m)

- $32.4m additional equity invested to support growth; classified as restricted until released
- $4.3m bank guarantee for future corporate office facilities

2H23 breakdown of movements in available cash and liquidity

2H23 movements in available cash and liquidity, ($m)



Key movements in 2H23 explained

Operating: execution of strategy driving significant improvement a significant improvement of FY22

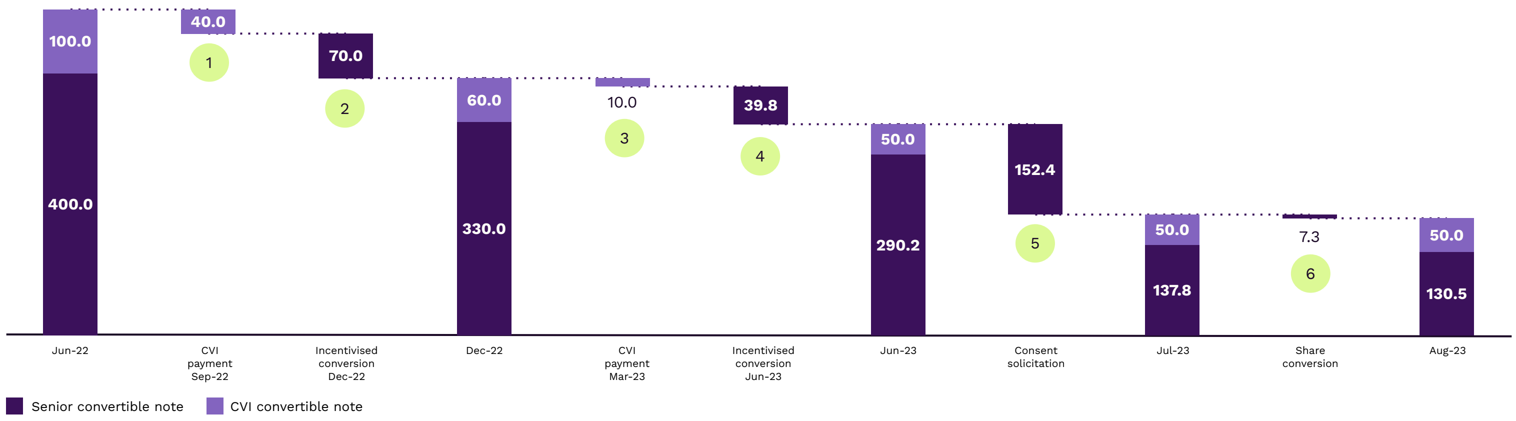
1. Core cash EBTDA ($15.0m) in 2H23
2. Capital expenditure ($9.7m)
3. Funding, floats and working capital totalled $10.9m inflows for the period

Reduction in non-core, non-operating and one-off cash flows vs 1H23: $7.4m in net cash outflows in 2H23

4. Non-core EBTDA and funding ($9.4m)
5. Liability management $10.8m payment to retire $10.0m of CVI Convertible Notes in Mar-23
6. $6.4m of inflows from the wind down of the Zip Business receivables
7. M&A $12.8m of net inflows. Reflects inflows from the divestment of Twisto and Payflex, net of disposal costs
8. Holdback consideration paid in relation to the acquisition of Payflex
9. Trust investments and other $5.4m
   - $3.9m equity released from funding facilities
   - $1.5m bank guarantee for future corporate office facilities
10. Reduction in corporate debt facility following renegotiation and extension ($10.0m)

Convertible notes outstanding face value breakdown: FY23 to YTD FY24

Movements in Zip's convertible note debt outstanding face value, ($m)



Key liability management actions explained

1. Repaid $40.0m of CVI Convertible Notes in Sep-22
2. Converted $70.0m of Senior Convertible Notes for $0.23 in the dollar in Dec-22 (cash neutral transaction)
3. Repaid $10.0m of CVI Convertible Notes in Mar-23
4. Converted $39.8m of Senior Convertible Notes for $0.475 in the dollar in Jun-23 (cash neutral transaction)
5. Consent Solicitation to amend certain terms and conditions and reduce Senior Convertible Notes to $137.8m in Jul-23
6. $7.3m of Senior Convertible Notes converted into ordinary shares

Discontinuing operations

	FY23	FY22
TTV	$559.4m	$432.9m
Transactions	9.7m	7.1m
Active customers	-	1.1m
Merchants	22.0k	25.6k
Revenue	$33.9m	$23.7m
Expenses	$(81.9)m	$(321.0)m
Gain on disposal on the subsidiary before income tax	$6.7m	-
Loss before tax	$(41.3)m	$(297.3)m
Income tax benefit	$0.2m	$0.5m
Loss after tax	$(41.1)m	$(296.8)

Note: Figures in AUD. Calculated Figures may not reconcile exactly due to rounding.

Continuing operations: Income statement 1H23 and 2H23

$m	2H23	1H23
Revenue	359.7	333.5
Cash cost of sales[1]	(229.8)	(212.8)
Interest expense	*(89.4)*	*(65.4)*
Bank fees and data costs	*(60.5)*	*(61.2)*
Net bad debts written-off	*(80.0)*	*(86.1)*
Cash gross profit	**129.9**	**120.7**
Cash GP%	**36.1%**	**36.2%**
Other income	2.7	2.2
Cash operating costs[2]	(147.6)	(156.1)
Salaries and employment related costs	*(86.8)*	*(83.6)*
% of underlying volumes	*2.0%*	*1.8%*
Marketing costs	*(16.2)*	*(25.7)*
% of underlying volumes	*0.4%*	*0.6%*
Information technology cost	*(20.9)*	*(23.5)*
% of underlying volumes	*0.5%*	*0.5%*
Other operating costs	*(23.6)*	*(23.4)*
% of underlying volumes	*0.6%*	*0.5%*
Cash EBTDA[3]	**(15.0)**	**(33.2)**
Unrealised FX movements	(3.2)	0.5
Effective interest on convertible notes	(15.5)	(62.6)
Movement in expected credit loss and other provisions, and other non cash items	(33.7)	11.6
Amortised finance costs	(2.6)	(2.3)
Reported EBTDA	**(70.0)**	**(86.0)**

Note: 1. Cash cost of sales and cash operating costs comprise those expenses that have an operating cash outflow, 2. Cash operating costs exclude acquisition costs and unrealised foreign exchange movements, 3. Cash earnings before tax, depreciation and amortisation and excluding share of loss of associates and acquisition costs.

Glossary

Term	Definition
FY	*Financial year ending 30 June of the relevant financial year*
1H	*Six months ending 31 December of the relevant financial year*
2H	*Six months ending 30 June of the relevant financial year*
1Q	*Three months ending 30 September*
2Q	*Three months ending 31 December*
3Q	*Three months ending 31 March*
4Q	*Three months ending 30 June*
bps	*Basis points (1.0% = 100bps)*
CY	*Calendar year*
NPS	*Net promoter score*
FYTD	*Financial year to date*
PcP	*Prior corresponding period*
HoH	*Half on half*
YoY	*Year on year*
TXNs	*Transactions*
TTV	*Total transaction volumes*
CTM	*Cash transaction margin*
NTM	*Net transaction margin*
COS	*Cost of sales*
EBTDA	*Earnings before tax, depreciation and amortisation*
WAM	*Weighted average margin*
RoW	*Rest of World*

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This release was approved by the Managing Director and Chief Executive Officer on behalf of the Board.