

18 December 2023

Zip successfully completes new funding facilities to strengthen balance sheet, simplify capital structure and support ongoing profitable growth

Zip Co Limited (ASX: ZIP) (“**Zip**”, or the “**Company**”) is pleased to announce a number of updates in relation to its funding facilities and capital structure which collectively strengthen Zip’s balance sheet, provide additional funding diversification, extend duration and further simplify the Company’s capital structure to support ongoing profitable growth.

Key points:

- **Corporate Facility:** Zip has executed an agreement for a new \$150.0m corporate debt facility which will refinance its existing corporate debt of \$90.0m
- **CVI Convertible Notes:** Zip has concurrently undertaken an incentivised conversion and repayment of the \$40.0m outstanding CVI Convertible Notes to simplify the capital structure, reducing the outstanding face value and monies owing to zero
- **Senior Convertible Notes:** Zip has seen a continued deleveraging of its balance sheet with Zip’s Senior Convertible Notes outstanding face value reducing to \$85.0m (vs \$110.1m on 30 September 2023)
- **US receivables funding:** Zip has executed an agreement to refinance Zip’s US\$225.0m facility for three years to December 2026
- **AU receivables funding:** Zip has successfully refinanced Zip’s Series VFN No. 2 facility in the Zip Master Trust, extending the facility to March 2025

Zip Group CEO and Managing Director, Cynthia Scott said:

“We are pleased to announce a suite of financing initiatives which further strengthen Zip’s balance sheet, provide financial flexibility and a strong platform for ongoing profitable growth. The new corporate facility will be used to refinance our existing corporate debt - providing the Group with corporate funding certainty for the next four years, and concurrently allow Zip to undertake an incentivised conversion and repayment of the CVI Convertible Notes.”

In addition, with the outstanding face value of the Senior Convertible Notes having now reduced to \$85.0m, we have seen a further strengthening of the balance sheet and simplification of Zip’s capital structure. The successful refinancing of our US and Australian receivables funding provides headroom for receivables growth and demonstrates support from new and existing investors.”

Corporate Facility

Zip has executed an agreement for \$150.0m to refinance its existing corporate debt with funds managed by Ares Management Corporation (“**Ares**”), a global alternative investment manager, providing corporate funding certainty, diversification and duration to the Company. Proceeds from the facility will be used to repay Zip’s existing corporate facility, fund the cash component of the incentivised conversion of the outstanding CVI Notes, and provide additional liquidity to support growth. The term of the facility will be four years, with the option at Zip’s discretion to refinance or repay the facility prior to maturity.

Key terms of the Corporate Facility are set out in the Appendix.

CVI Convertible Notes

Concurrent with the refinancing of the Corporate Facility, Zip undertook an incentivised conversion with CVI Investments to convert the existing \$40.0m of outstanding notes into 21,688,445 Zip ordinary shares at the existing conversion price of A\$1.8443 per share. Under the incentivised conversion, CVI Investments will also receive a cash payment of \$29.4m which is intended to be fully funded by the new Corporate Facility.

As a result of the incentivised conversion, the outstanding face value of, and all other amounts owing under the CVI Convertible Notes will be reduced to zero, and Zip will have no future cash flow requirements in relation to this liability (subject to payment of the above cash payment).

FY24 financial impacts

The collective impacts of the new Corporate Facility and incentivised conversion of the CVI Convertible Notes (net of associated transaction costs) are expected to have a modest positive net impact to the Group's available cash and liquidity position.

The cash impact to Zip's corporate interest expense as a result of the above changes to the Group's capital structure is expected to be immaterial. Zip reiterates its expectation to achieve a positive Group cash EBTDA result for 2H24 and a positive Group cash EBTDA result for FY24.

Senior Convertible Notes

Further to the Company's last update on Zip's Senior Convertible Notes at the 1Q24 result on 24 October 2023, Zip has seen continued deleveraging of the Company's balance sheet with \$25.1m of the Senior Convertible Notes converting to equity. This has reduced the outstanding face value of the notes to \$85.0m as at 15 December 2023 and will further reduce the associated coupon expense to Zip.

US receivables funding

Zip US has successfully executed an agreement to refinance its receivables funding facility of US\$225.0m, providing ongoing undrawn and available capacity to fund receivables growth. The new facility will be provided by Victory Park Capital and has a three year term to December 2026.

AU receivables funding

Following the successful \$300.0m securitisation issue in November 2023, Zip also completed the refinancing of \$143.7m of notes under VFN Series No. 2 in the Zip Master Trust earlier this month, with strong support from existing and new investors. This extends the facility to March 2025.

Release approved by the Board.

Appendix

Key terms of the Corporate Facility:

Item	Description
Borrower	zipMoney Payments Pty Ltd a wholly-owned subsidiary of Zip Co Limited
Lender	Funds managed by Ares Management Corporation or any of its affiliates
Type of facility	Loan note facility
Face value	A\$150.0m
Use of proceeds	Repayment of existing Senior Convertible Notes and existing working capital facility, and general working capital requirements of the Zip Group
Interest rate	15.0% per annum subject to adjustment after 30 June 2024 based on financial performance, paid quarterly
Maturity	22 December 2027 (four years). The Borrower may elect to repay earlier, in which case a premium may be payable to the Lender
Security	First-ranking security over the Borrower, Zip Co Limited and its Australian and New Zealand subsidiaries and the shares in Zip Co US Inc
Covenants	Customary covenants, representations and events of default for a secured corporate facility, including customary financial covenants comprising cash EBTDA, liquidity and portfolio performance
Exit fee	On full repayment of the facility, the Company to pay an exit fee calculated as $A\$25.0m \times A/B$. "A" is the 30-day volume-weighted average price of Zip Co Limited ordinary shares (Zip VWAP) on the date of repayment of the facility, subject to customary adjustments. "B" is the 30-day Zip VWAP on the date of entry into the facility

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For more information, please contact:

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 For media enquiries, email media.relations@zip.co

About Zip

ASX-listed Zip Co Limited (ASX: ZIP) is a digital financial services company, offering innovative, people-centred products that bring customers and merchants together. Operating in two core markets - Australia and New Zealand (ANZ) and the Americas, Zip offers point-of-sale credit and digital payment services, connecting millions of customers with its global network of tens of thousands of merchants.

Founded in Australia in 2013, Zip provides fair, flexible and transparent payment options, helping customers to take control of their financial future and helping merchants to grow their businesses. Zip is also a licensed and regulated credit provider and is committed to responsible lending.

For more information, visit: www.zip.co.

Shareholders who would like to receive email communications from Computershare for all future correspondence, visit <http://www.computershare.com.au/easyupdate/ZIP>.

About Ares Management Corporation

Ares Management Corporation (NYSE: ARES) is a leading global alternative investment manager offering clients complementary primary and secondary investment solutions across the credit, private equity, real estate and infrastructure asset classes. We seek to provide flexible capital to support businesses and create value for our stakeholders and within our communities. By collaborating across our investment groups, we aim to generate consistent and attractive investment returns throughout market cycles. As of September 30, 2023, Ares Management Corporation's global platform had approximately \$395 billion of assets under management, with approximately 2,800 employees operating across North America, Europe, Asia Pacific and the Middle East. For more information, please visit www.aresmgmt.com.

About Victory Park Capital

Victory Park Capital Advisors, LLC is an SEC-registered, established credit manager. The Firm was founded in 2007 and is headquartered in Chicago, Illinois, with additional resources in New York, Los Angeles, San Francisco, and London. VPC provides custom financing solutions across the private capital spectrum, focusing on companies with strong corporate governance and a compelling growth trajectory. VPC invests in emerging and established businesses across various industries worldwide. For more information, please visit www.victoryparkcapital.com.