

A photograph of two young women sitting outdoors in front of a dense green ivy wall. The woman on the left is wearing a blue and white striped shirt and is looking down at a smartphone held by the woman on the right. The woman on the right is wearing a dark top with a white collar and is smiling while looking at the phone. A brown leather strap is visible across the woman on the left. A semi-transparent dark grey banner is overlaid across the middle of the image, containing the 'zip' logo and the presentation title.

zip

1H 2017 Results Presentation

27 February 2017

“

Simplifying how you pay everywhere and
save everyday, through
simple-to-use, consumer-friendly and
financially-responsible products

“

Investment highlights

- ✓ **Significant first mover advantage** disrupting the consumer finance space with a fully digital offering and a proven track record since founding in 2013
- ✓ **100% owned proprietary technology** leveraging Big Data supports a differentiated product offering with high barriers to entry
- ✓ **Scalable, 'nextgen' technology payments platform** allowing us to exist across the entire payments ecosystem.
- ✓ **Uniquely positioned** to onboard a consumer at checkout, regardless of the transaction size
- ✓ Backed by **\$200m institutional debt funding**
- ✓ **\$100bn+ market opportunity** across retail, health, education and travel sectors
- ✓ **Strong brand**, positive network effects, **clear product-market-fit** and reputation as a customer-friendly provider are driving rapid growth

Company overview

Simplifying how you pay
everywhere and save everyday



zipPay



zipMoney
a better way to pay



Pocketbook

Digital wallet (up to \$1,000) that helps customers buy now and pay later for everyday purchases online & in-store (fashion, hospitality).

Digital wallet (up to \$20,000) that helps customers buy now & pay later for life's larger purchases online & in-store (home, lifestyle).

The free Pocketbook mobile app helps you get smart with your money. It automatically categorises your spending (eg clothes, groceries and fuel) to help you reach your financial goals.

Credit, ID and fraud analysis (including credit checks) performed on all borrowers. Strong focus on responsible financial services.

Results highlights – discussion

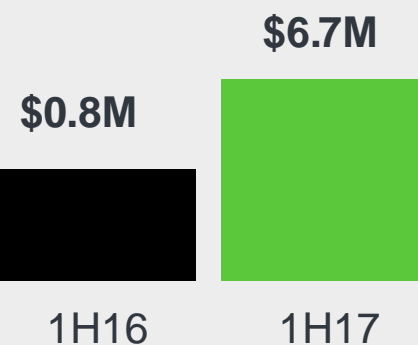
- **Partners with Big 4 Australian bank** in \$200m financing arrangement – significant Company milestone demonstrating a maturing loan portfolio and validating our proprietary credit decision technology
- **Strong performance** across entire business – Revenue grew 722%, transaction volumes 740% and customers by 1,100% (1H17 v 1H16)
- **Merchant numbers grew** to 2,200 across Australia, both online and offline
- Initiated **pilot in New Zealand** of zipMoney, with promising early results
- Significant growth in transactions demonstrates the **robust and scalable** nature of the platform
- zipMoney **enters the lucrative and growing travel market** with the addition of a number of travel vendors including the Lux Group and their leading e-commerce site Luxury Escapes
- **Continued investment in channel** and platform integrations – supporting our vision to see Zip at every checkout in Australia
- Continued **growth in offline payments** accounting for approximately 50% of total sales
- **Acquisition of Pocketbook**, Australia's leading personal finance app
- **Key appointments** incl. Martin Brooke (CFO), Tommy Mermelshtayn (CSO) and Megan Quinn (Non-executive director)

1H17 results – highlights

\$6.7m

Revenue

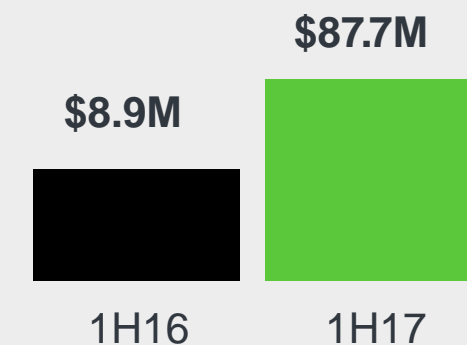
↑722% pcp



\$87.7m

Receivables

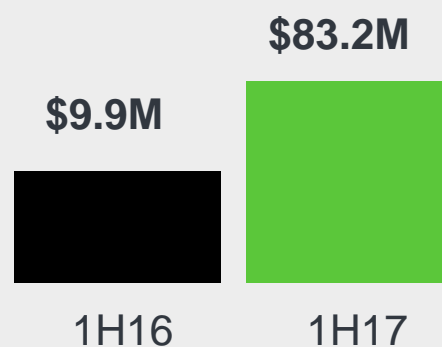
↑984% pcp



\$83.2m

Transaction Volume

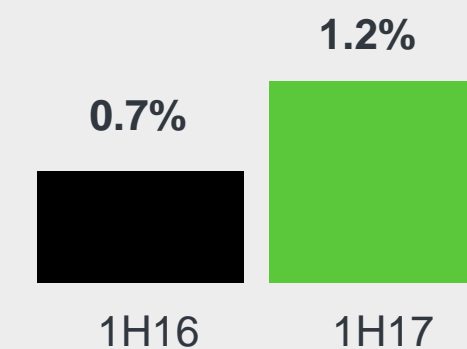
↑740% pcp



1.2%

Bad debts

↑0.5% pcp



120K

Customers

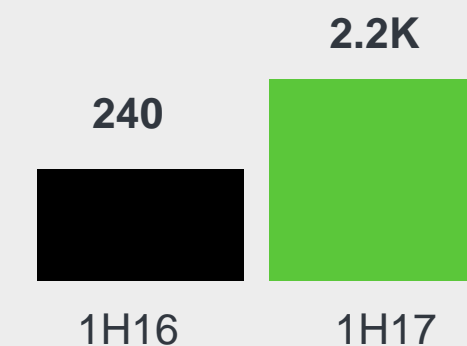
↑1,100% pcp



2.2k

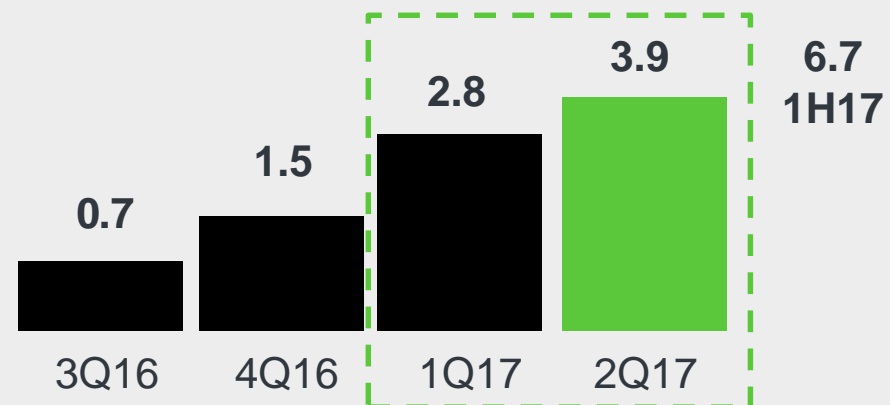
Merchants

↑817% pcp

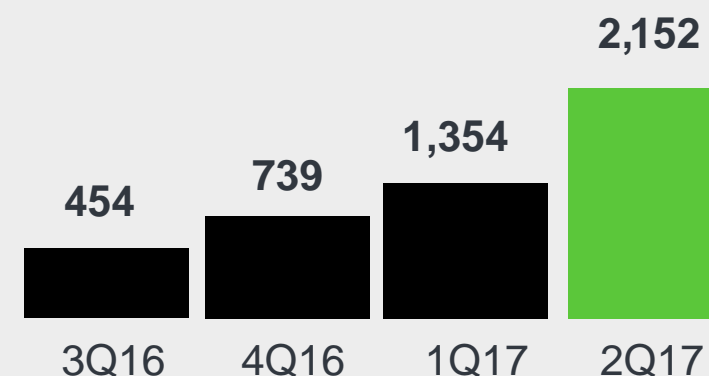


1H17 results – key business drivers

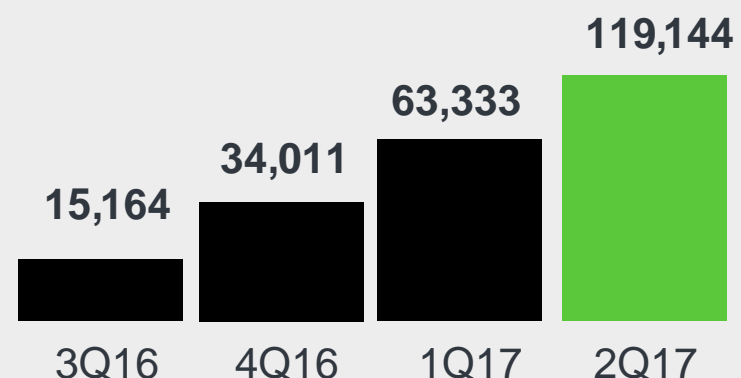
Revenue¹
(\$m)



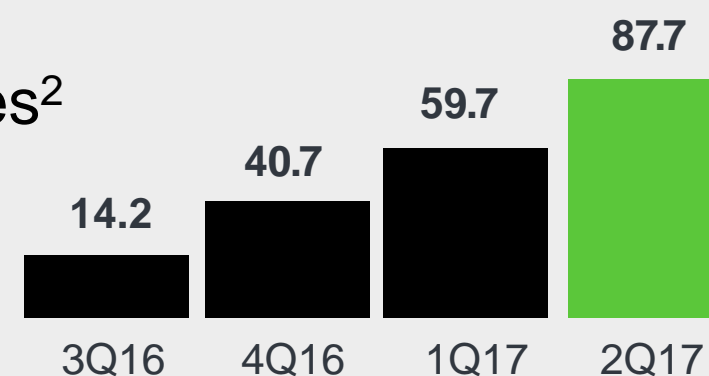
Merchants



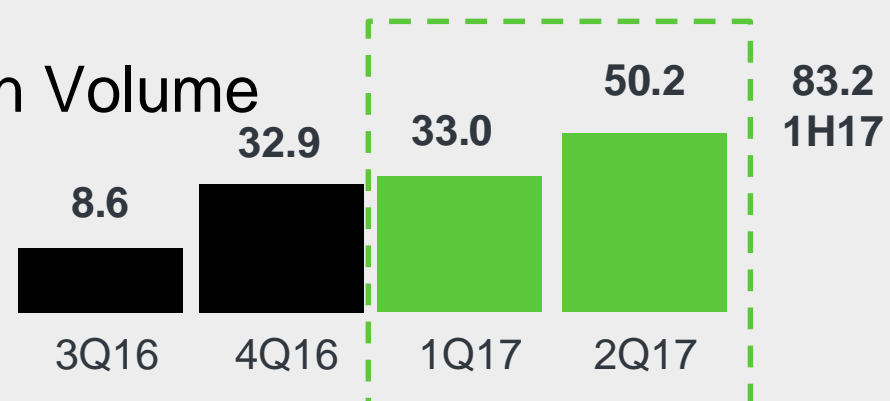
Customers



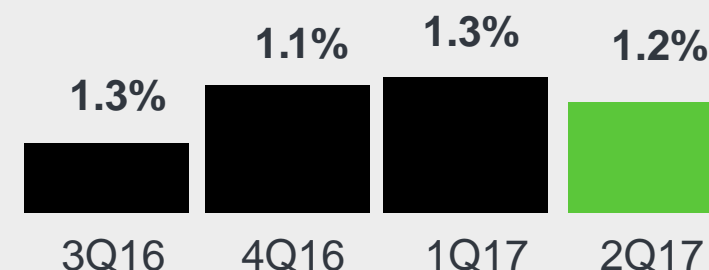
Receivables²
(\$m)



Transaction Volume
(\$m)



Bad debts³
(%)



1. Revenue includes Portfolio income (previously revenue from ordinary activities) and other income (including from Pocketbook)
2. Gross receivable value prior to any fair value adjustments
3. Bad debts are written off in line with policy after 180 days past due

Summary financials

All figures \$m	1H 2017	1H 2016
Revenue ¹	6.7	0.8
% growth	722%	924%
Underlying NPAT ²	(5.9)	(2.8)
Reported NPAT	(5.9)	(5.1)
Basic EPS (c)	(2.56)	(4.69)
Cashflow Operations	(0.9)	(0.6)
Cashflow Investing	(52.3)	(6.3)
Cashflow Financing	58.3	10.0
Net mvmt	5.1	3.2
Cash period end ³	12.2	4.2

- 1H17 revenue growth driven by the growth in customers, merchants and transaction volume
- Statutory result includes \$1.0m in share based payments and \$0.4m Victory Park Capital (VPC) options expensed in finance costs
- Investing cashflows include Pocketbook cash consideration (\$1.9m) and R&D (\$1.6m)
- Financing cashflows include \$10.8m from institutional placement
- Strong balance sheet with no corporate debt – cash at bank \$12.2m (inclusive of restricted cash)

1. Revenue includes portfolio income and other revenue
 2. Adjusted in 1H 2016 for listing costs of \$2.3m
 3. Includes restricted cash of \$1.1m

Strong loan book performance

All figures \$m	1H 2017	2H 2016	1H 2016
Receivables	87.7	40.7	8.9
% growth	115%	357%	206%
Aggregate account limits ¹	197.6	76.5	21.0
Transaction volume	83.2	41.6	9.9
% growth	100%	320%	180%
Repayments	36.0	10.0	3.7
Arrears ²	1.5%	1.3%	2.2%
Bad Debt ³	1.2%	1.1%	0.7%

1. Calculated as aggregate of active customer account limits

2. Reported arrears are defined as accounts 60 days or more overdue

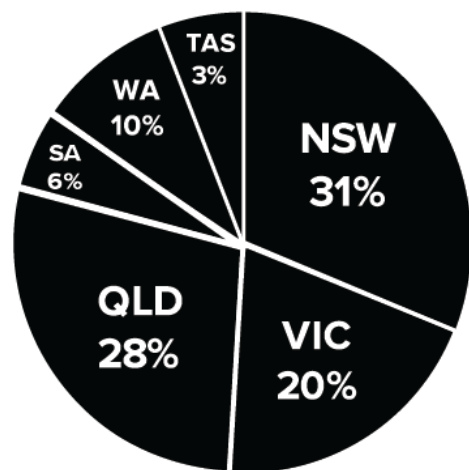
3. Bad debts are written off in line with policy after 180 days. Annualised as percentage of receivables

4. Calculated as % of opening period balance

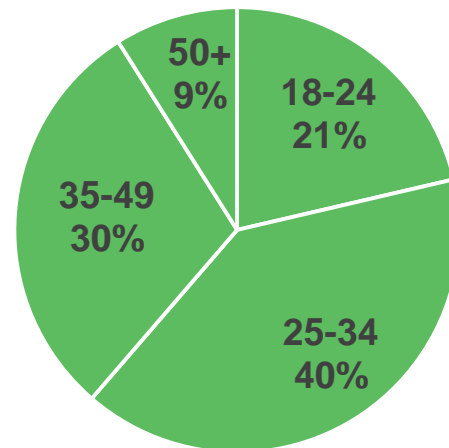
- Value of receivables grew 115% on June half (2H 2016)
- \$80.4m in drawn debt funding against receivables of \$87.7m
- \$198m in aggregate account limits with 44% utilisation; average \$740 per borrower
- Healthy repayment profile with c.10% of receivables repaid each month⁴
- Credit performance in line with management projections. Achieving bad debts well below industry benchmarks of ~3%

High quality customers, strong credit performance

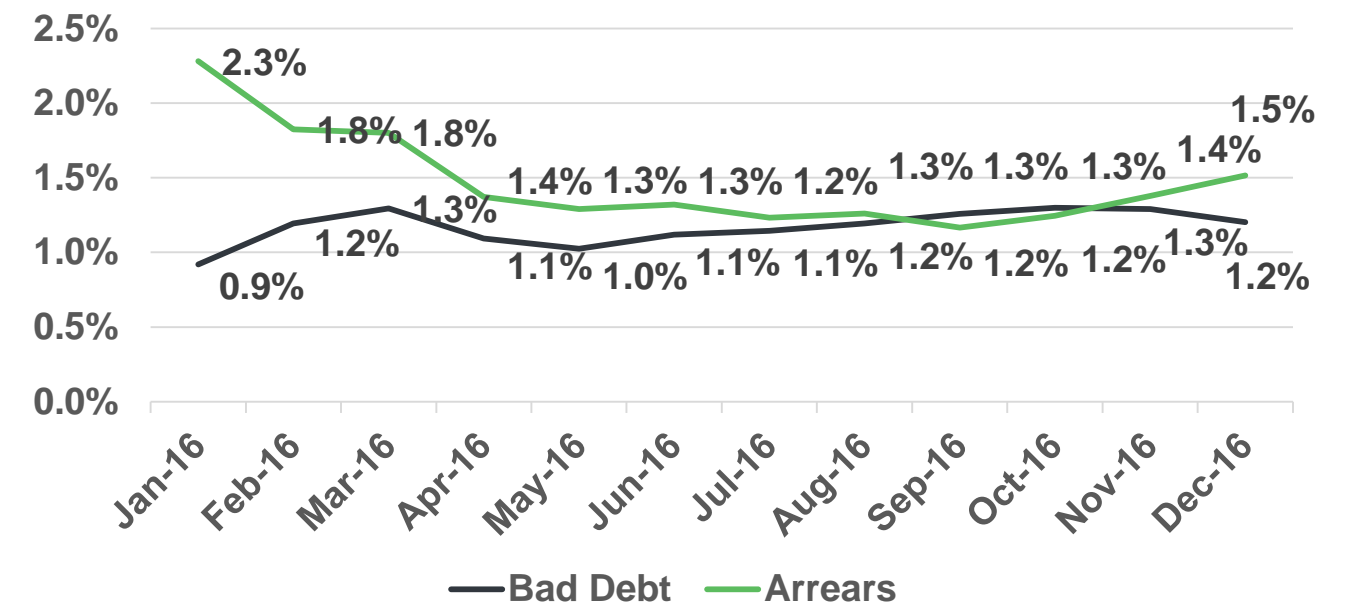
Locale



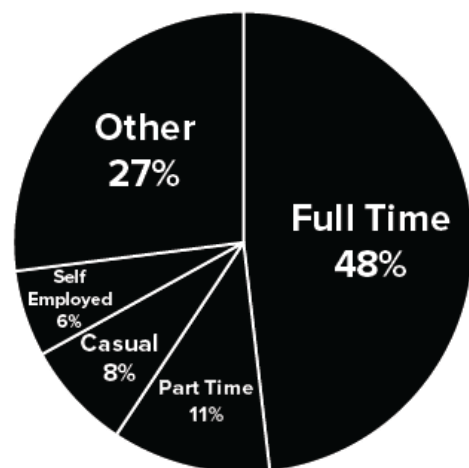
Age



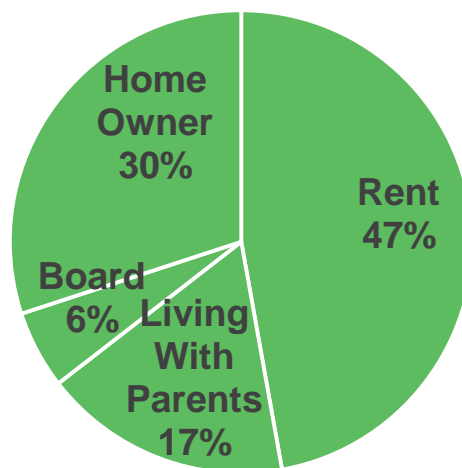
Credit performance¹



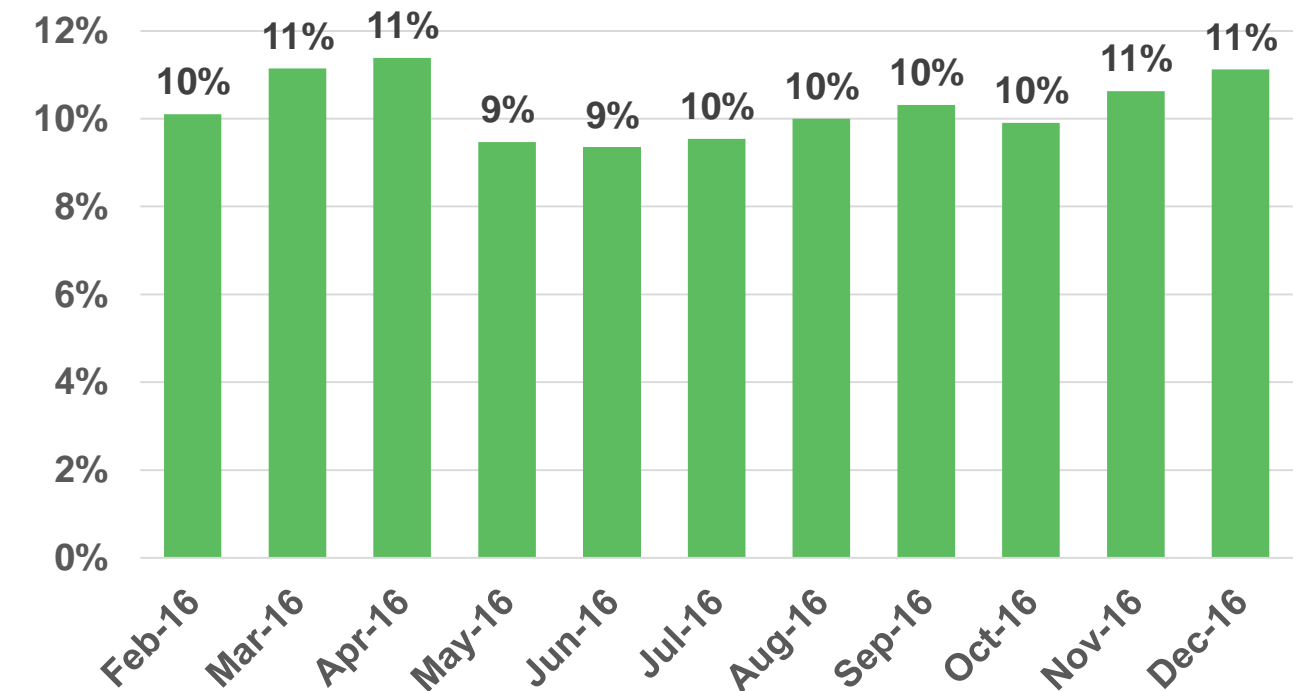
Employment Status³



Residential Status³



Repayment Profile²



Note: All charts contain unaudited figures and may be rounded

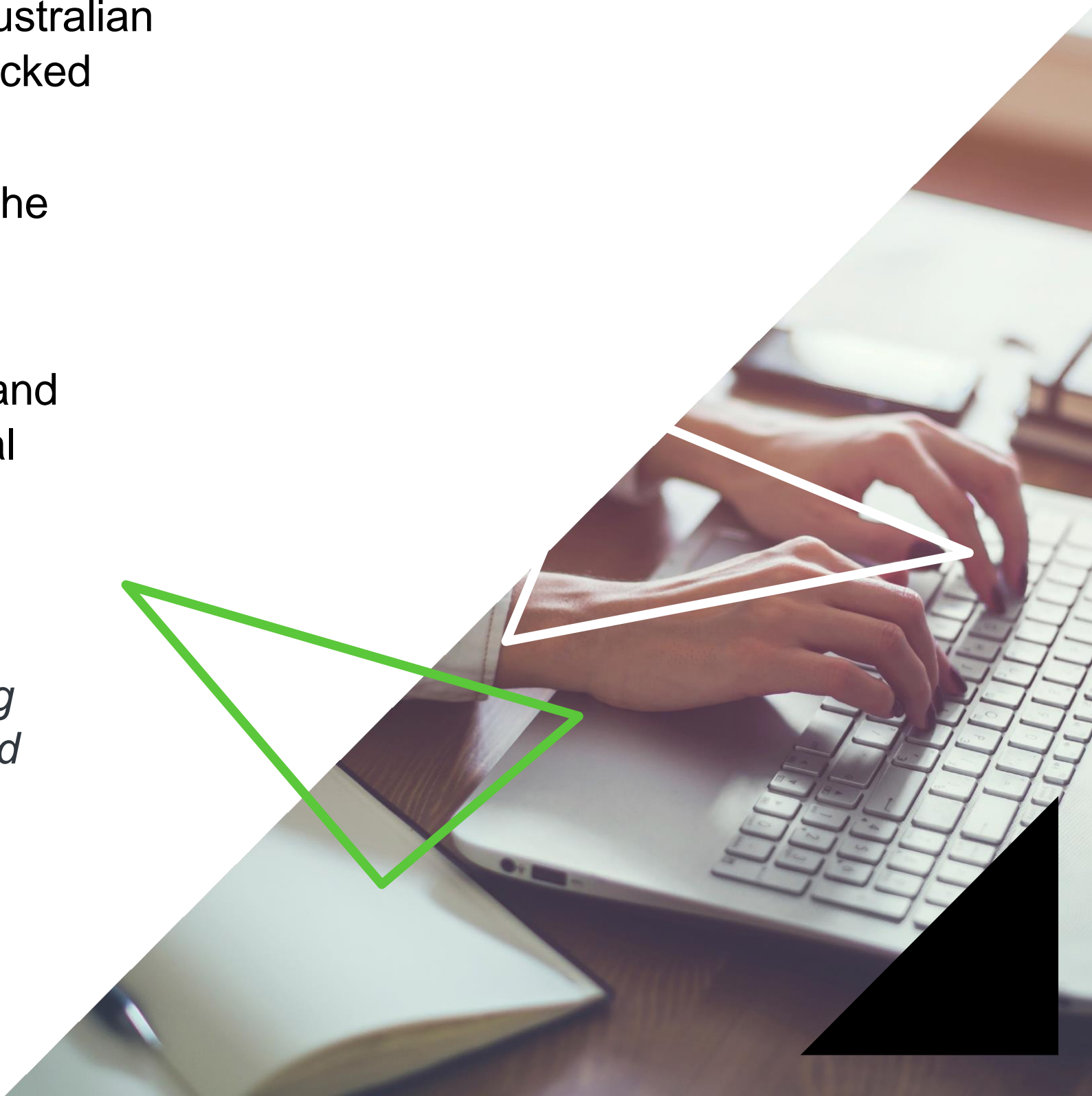
1. Arrears 60 days and Bad debts 180 days past due
2. Repayment rate as at beginning of month
3. Based on zipMoney receivables as at 31 Dec 16

New 'Big 4' funding facility

- zipMoney has agreed key terms with a 'Big 4' Australian bank for the provision of a \$200 million asset-backed securitisation warehouse
- New facility is expected to approximately halve the weighted average cost of capital of zipMoney's loan book
- The transaction is subject to closing conditions and documentation and is expected to be operational by Q4 FY17

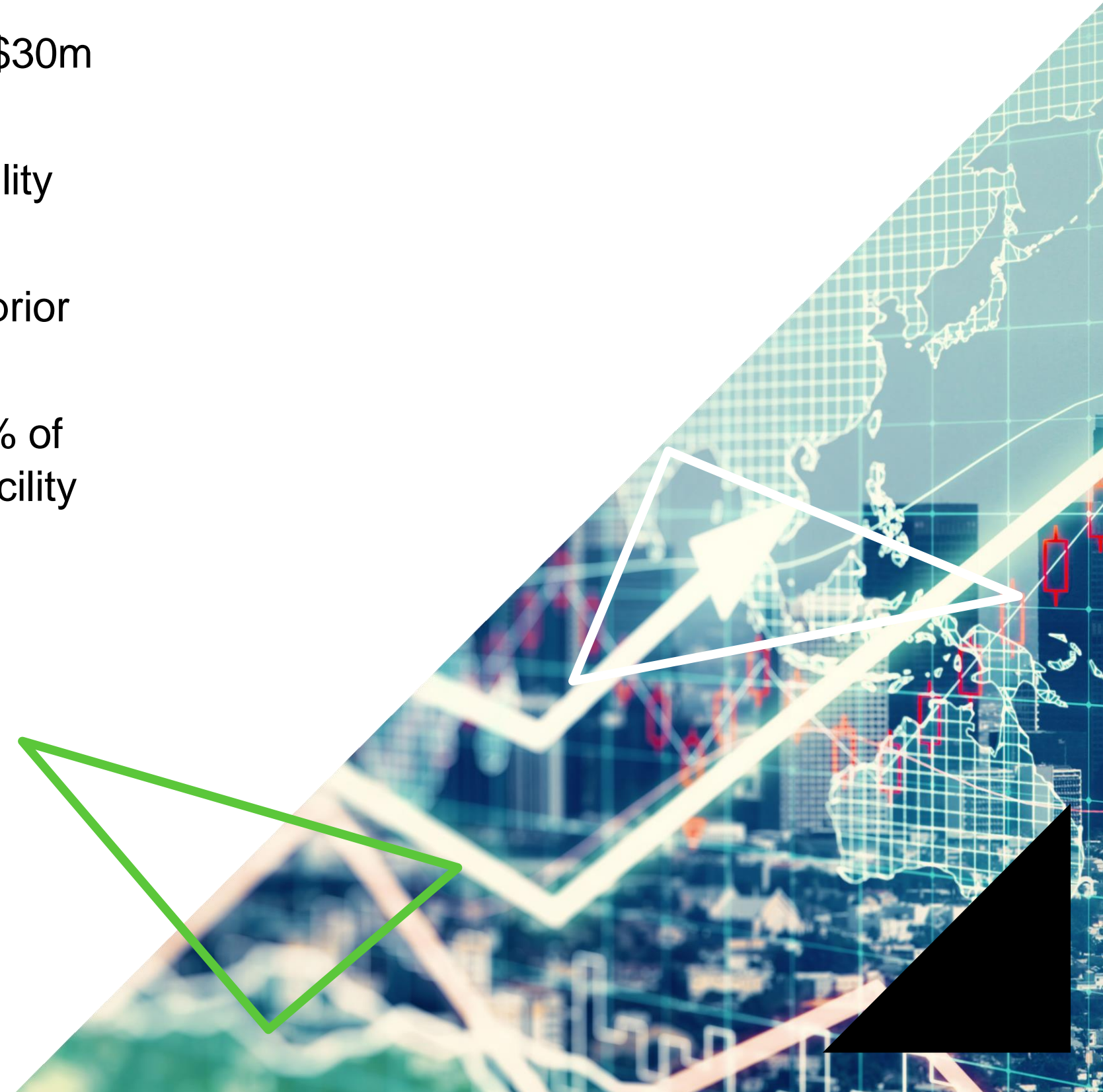
"This is a transformative step forward for the Company. We are very pleased to be partnering with this 'Big 4' Australian bank and look forward to releasing further details in due course."

CEO Larry Diamond



Extension of current funding facility

- Current funding facility with VPC upsized by \$30m to total commitment of \$140m
- Option (in zipMoney's favour) to increase facility up to \$200m and term until the end of 2018
- Provides capacity to support volume growth prior to 'Big 4' facility established
- zipMoney intends to refinance more than 50% of the Victory Park facility into the new 'Big 4' facility once it is operational



Funding capacity – today and tomorrow

All figures \$m

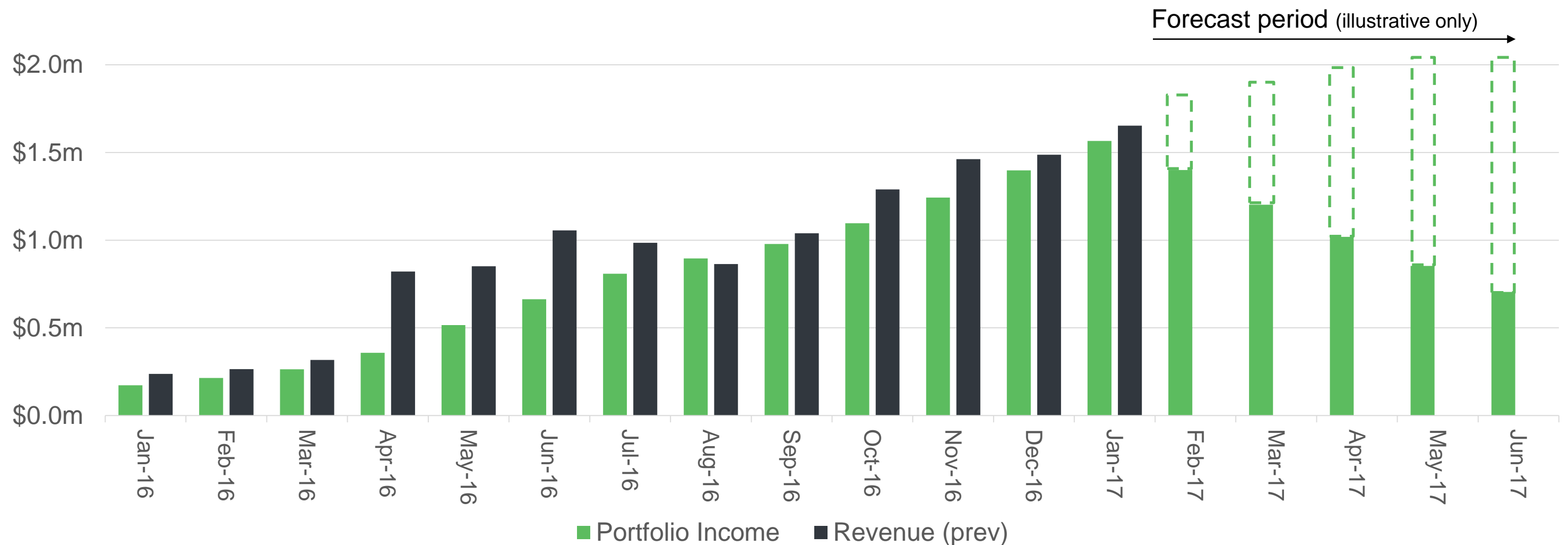
Limit – Class A (VPC)	100.0
Limit – Class B	10.4
Total Limit (31 Dec)	110.4
Drawn	80.4
Available - undrawn	30.0
 VPC extension – committed	 30.0
Class B – uncommitted	5.0
Available - undrawn (27 Feb)	65.0
 Future funding options	
VPC call option – committed	70.0
Total commitment - VPC	200.0
 Big 4 facility (subject to conditions and documentation)	 200.0

- \$65m of funding headroom to support business and allow orderly transition to 'Big 4' facility
- Call option (in zipMoney's favour) for a further \$70m from VPC
- zipMoney intends to refinance more than 50% of VPC facility on transition to 'Big 4' facility
- Sufficient Class B noteholders to facilitate smooth transition to new 'Big 4' structure
- Strong interest from new mezzanine investors

Revenue recognition – summary

- Following a period of significant and sustained growth in originations (+\$150m) and consumer repayments (+\$50m), the portfolio was at a level of maturity that allowed us to move to a more traditional portfolio-based income recognition methodology.
- The analysis was conducted after carefully reviewing the methodologies employed by peer comparables (eg FlexiGroup and Latitude/GE), as well as, several credit card providers.
- The outcome of this analysis led the Company to revise its revenue recognition policies:
 1. All fees (incl. merchant fees, establishment fees, monthly fees) now classed as *portfolio income*.
 2. Customer receivables are initially measured at fair value and subsequently measured at *amortised cost* using the effective interest method.
 3. When calculating the *effective interest rate*, the Group estimates cash flows considering all contractual terms of the receivable but does not consider potential future credit losses.
 4. The *effective interest rate* is the rate that exactly discounts payments through the expected repayment period of the receivable. Interest is recorded as portfolio income in the P&L over the repayment period.
- In line with the revised methodology, the Company is restating revenue to Jun-16 of \$1.4m, and reduced the revenue that would have been reported in the six months to Dec-16 by \$0.7m.
- The impact to revenue is non-cash and the deferral means some income is earned in the near future versus all upfront – however this will not impact the cashflow breakeven point.
- The longer term impact of the change is a smoother revenue curve, and industry standard recognition of revenue over a loan's repayment term.

Revenue recognition – portfolio comparison



- This chart compares revenue from the new amortised cost model to the previous approach.
- Demonstrates a smoother income curve over time, based on yield earned on customer receivables over the repayment period (known as portfolio income).
- The chart above shows future, portfolio income yet to be earned (Feb-Jun), with approximately 90% of February's income already locked in before the beginning of the month.
- Revenue deferral through the P&L will not impact the Company's cashflow breakeven point.

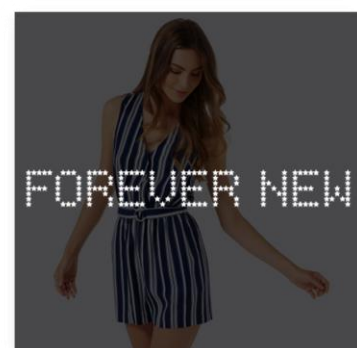
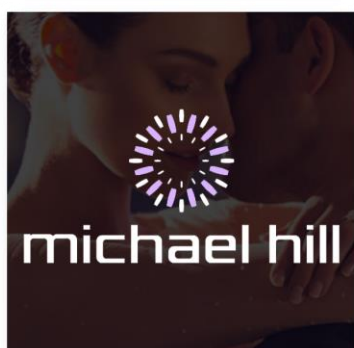
Share based payment – summary

- 5,000,000 options were issued to Victory Park Capital (VPC) in November 2015
- Options issued were conditional on the basis VPC completes the \$100m notes subscription facility
- The facility was completed and this proved to be fundamental to the growth of the Company to date
- AASB 2 requires the fair value of options to be recognised at grant date and be amortised over the period of the facility
- Fair value was determined using the Black-Scholes model at \$1.7m:
 - \$0.5m has been reported as a prior year adjustment
 - \$0.4m has been booked in the six months to Dec 16
 - \$0.8m will be amortised over the remaining term
 - The costs are included as a finance cost in the Profit and Loss Statement

Strong traction evidenced by growing merchant numbers

“

Youfoodz as a whole has increased weekly revenue and marketing spend by over 200% since we started with zipPay



Total merchants (Feb 2017)

2,700

+43%

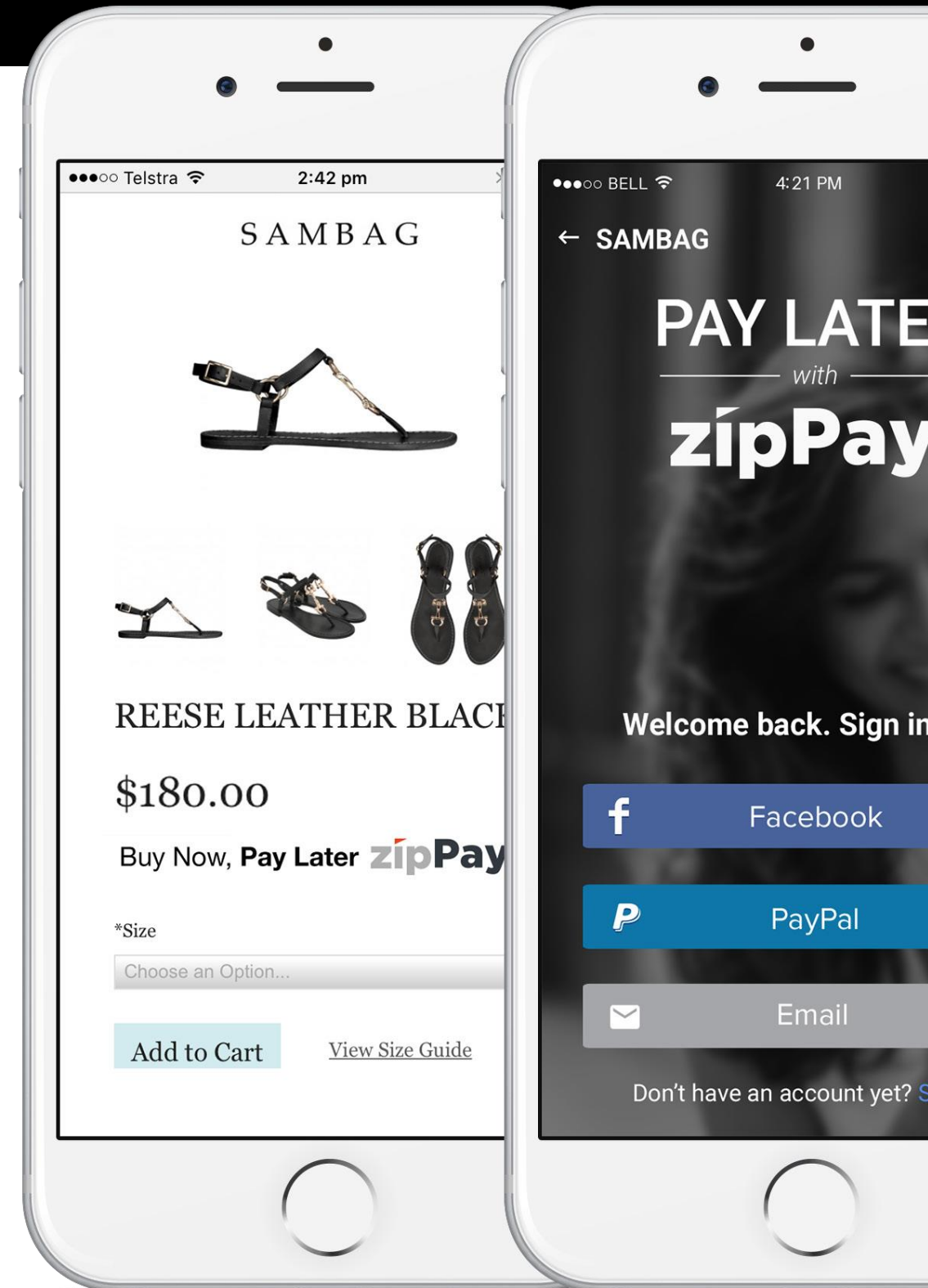
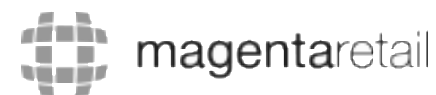
Av increase in basket size

+20%

Av increase in conversion

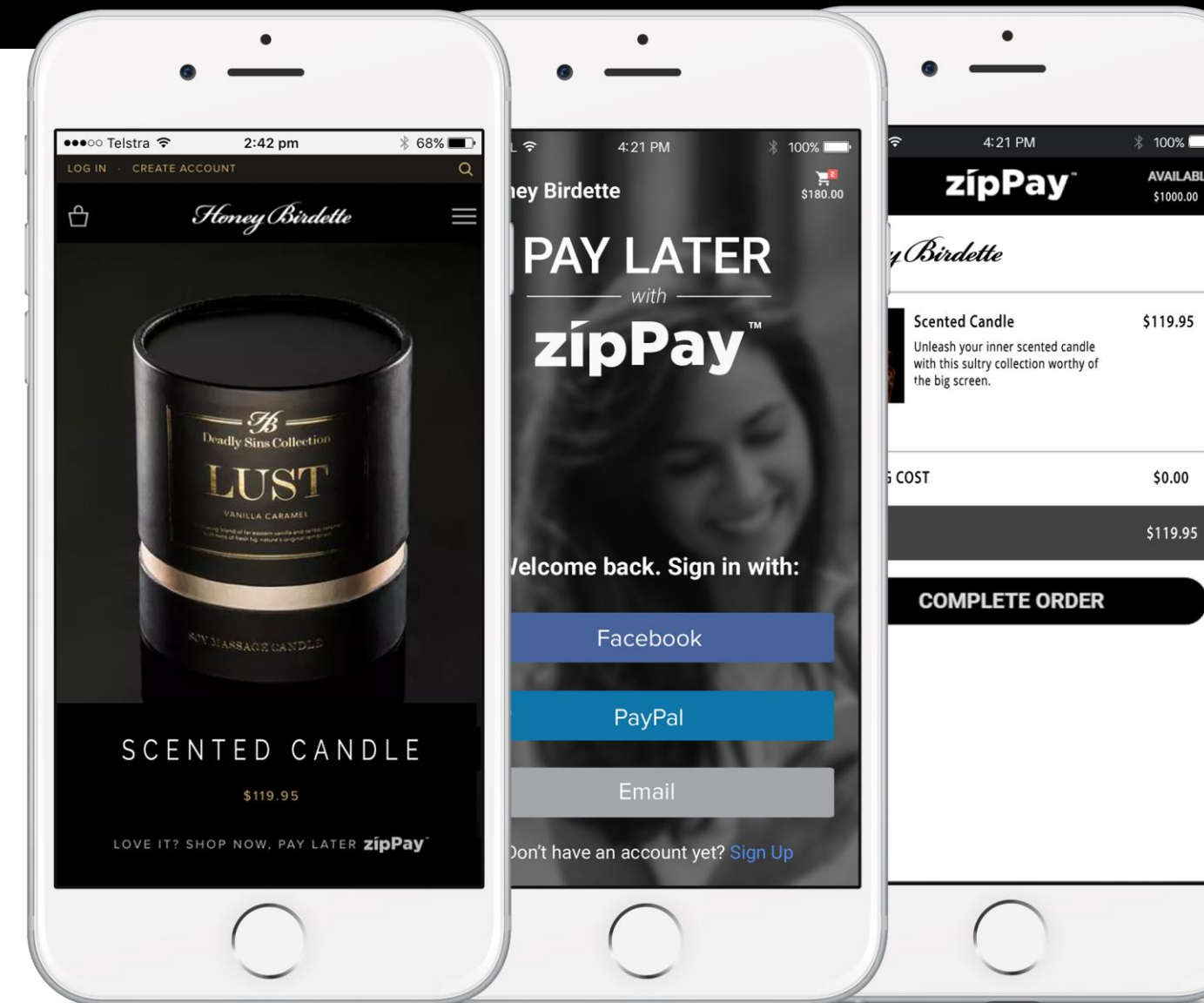
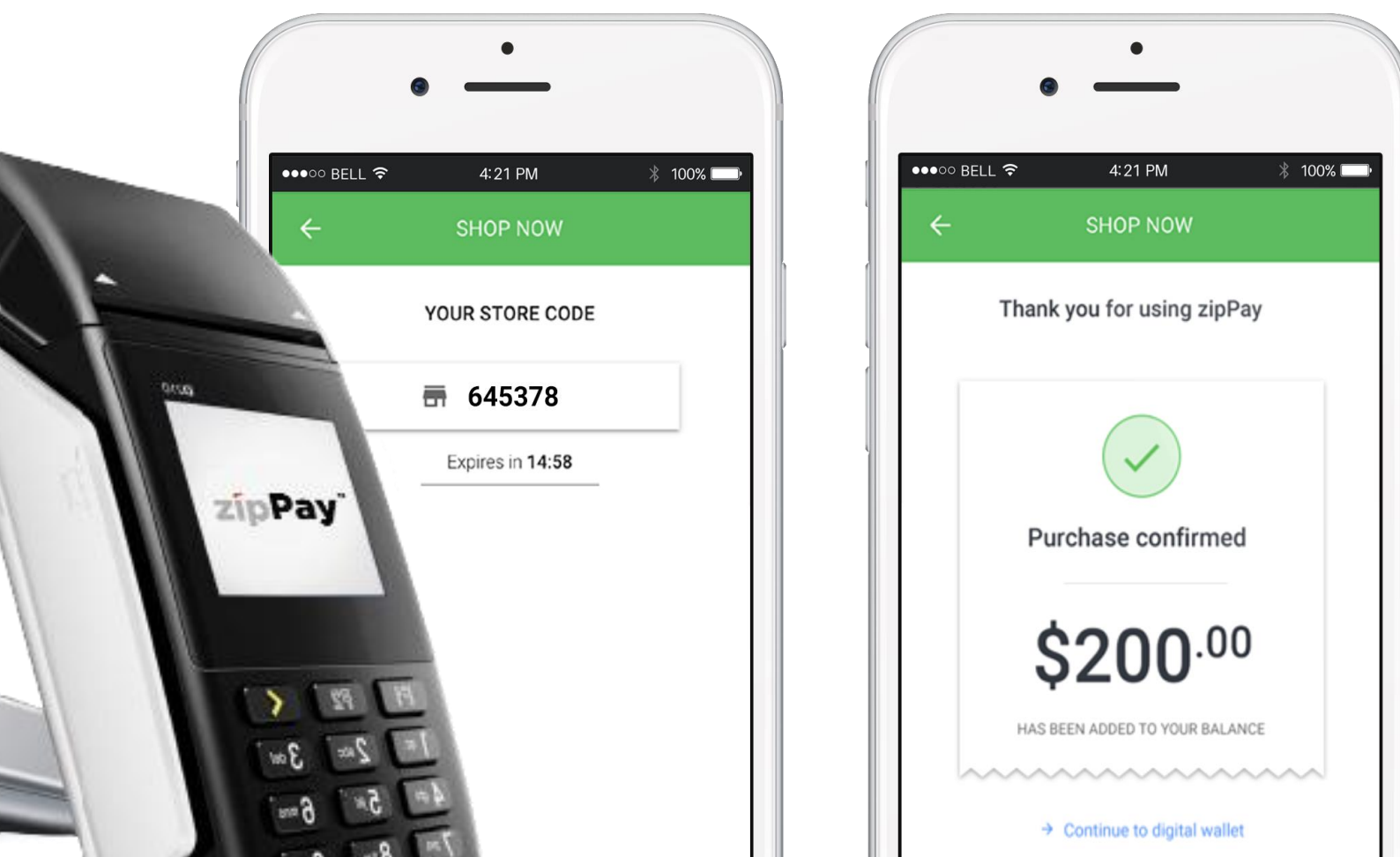
Platform integrations & channel partnerships

- Now integrated into 11 shopping carts, 5 Point-of-sale (PoS) systems and several eftpos solutions
- zipMoney offers 'easy to install' plugins and real-time APIs that allow partners to seamlessly integrate with Zip online and instore
- Currently in discussions with a number of hardware and software channel partnerships



Revolutionising offline payments

- Integrated omni-channel solution
- Sales person selects Zip as tender type in PoS
- Consumer provides unique Payment Code (from within Zip app)
- Code is entered into PoS or eftpos machine
- Transaction is executed seamlessly



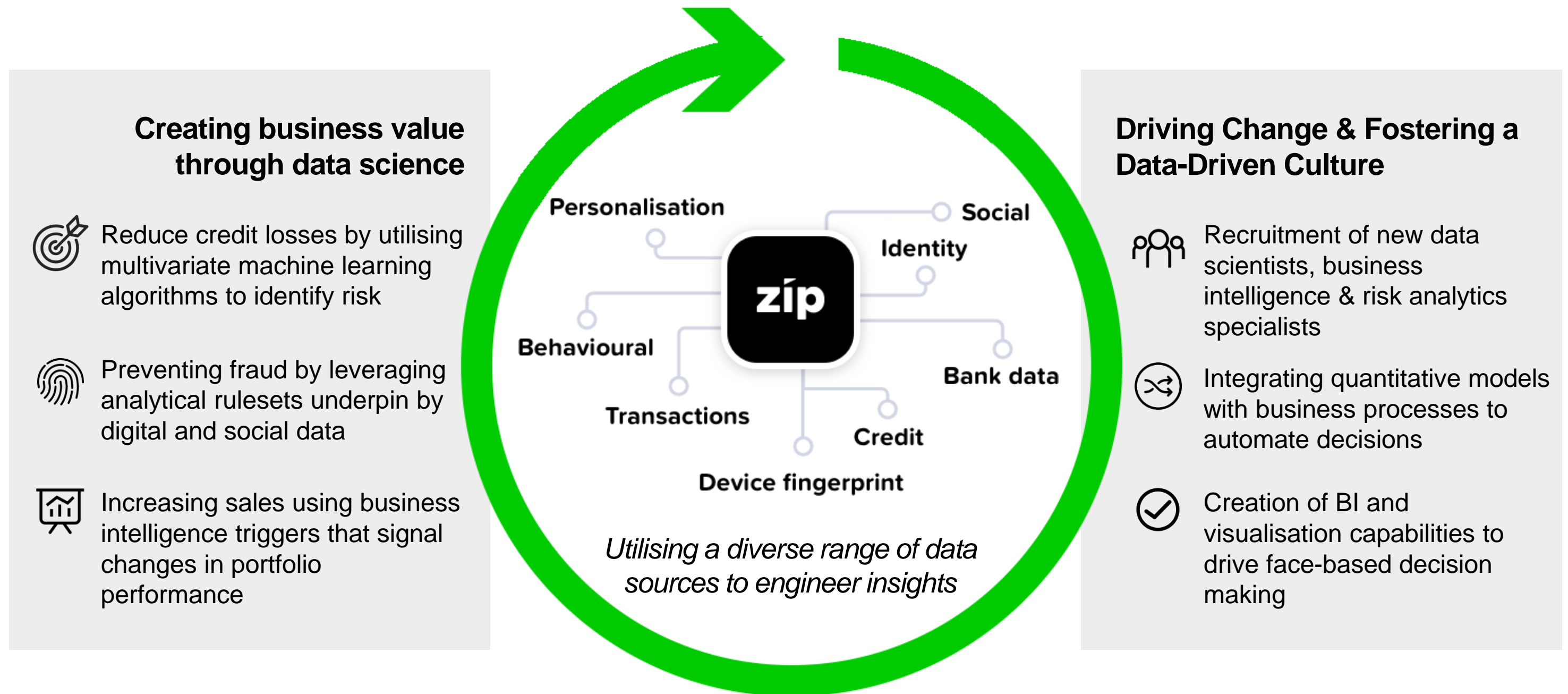
“Since launch 34% of our orders have been through zipPay. Customers love it and so do we!”

Honey Birdette

Belinda Sharpin, Head of Digital

100%-owned intellectual property

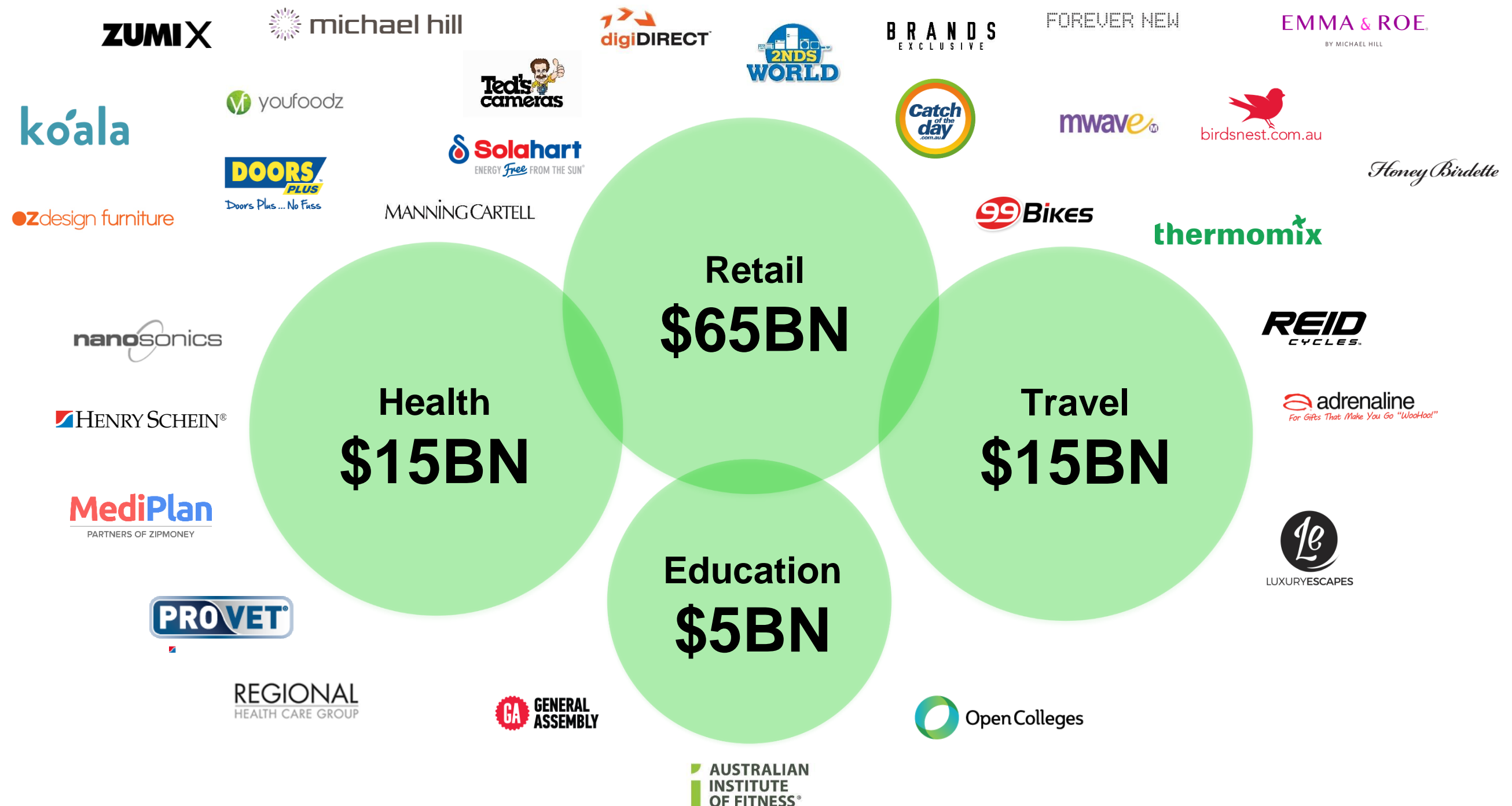
Proprietary decisioning platform to reduce losses & generate revenue



Our proprietary decisioning platform keeps bad debts well below industry average, and is architected and maintained in-house

Rapidly increasing traction across market segments

\$100bn Market Opportunity in Australia



Pocketbook is a leading personal finance service in Australia



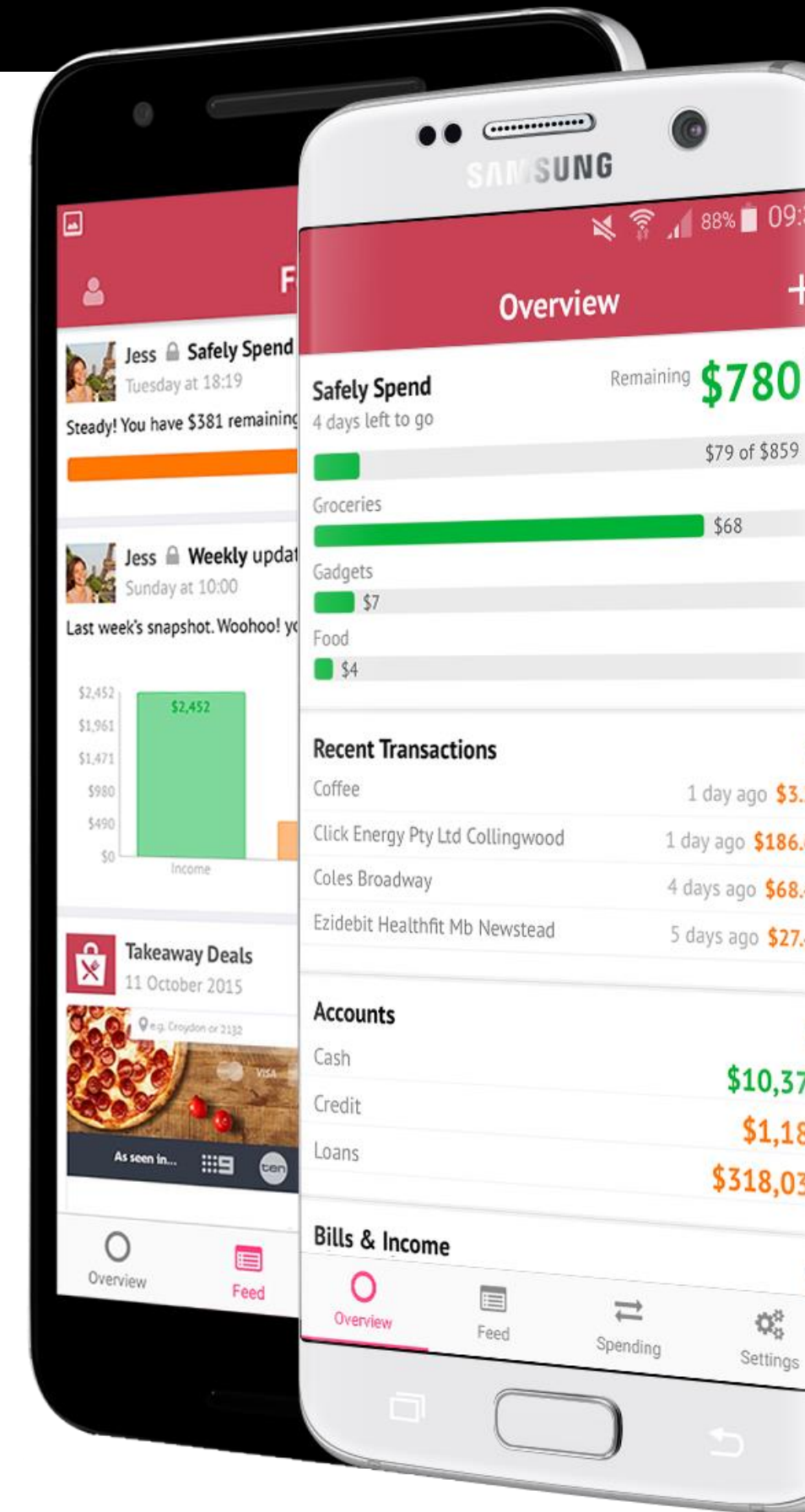
Market leading personal financial app with **over 300,000 users**



Features heavily driven by **data and smart algorithms** to organise spending, manage bills, detect anomalies and keep users informed.



- Enjoyed **largest ever acquisition month** in Jan-17
- **Voted #1 personal financial service** by both industry and users in 2016
- Increased press and profile demonstrating the **power of the underlying data**
- **Significant investments** in the presentation layer, as well as, API micro services will allow the platform to move beyond budgeting into proactive features



2H17 trading update

- Processed c.\$19m in transaction volume in January, a great result given a typically seasonally weaker month than December. Receivables were \$97.1m as at 31 Jan '17.
- Customer numbers now 160,000 and merchant numbers 2,700, representing growth of 34% and 25%, respectively, since 31 December.
- Continued push into core segments with a range of new deals signed in the travel and health segments, with integrations commencing.
- Announced the national launch of its strategic patient finance alliance with Henry Schein Halas, the largest global dental distributor at its national "Vision" sales conference.
- A range of new 'plug-ins' developed/certified which will allow for easier integration, spanning both enterprise and SMB merchants.
- Continued investment into software and systems to automate workflows, increase productivity and speed of lead-to-live.
- Negotiating a number of new channel arrangements within the POS space which will increase the adoption of Zip products in the in-store environment.

Strong outlook FY17 and beyond

Cashflow breakeven FY18

On track to reach cashflow breakeven FY18

Technology platform

Continued investment in proprietary technology platform including leveraging data IP to drive growth in new opportunities

Lighthouse brands

Strong pipeline of lighthouse brands underpins quality and growth on the platform

Sector penetration

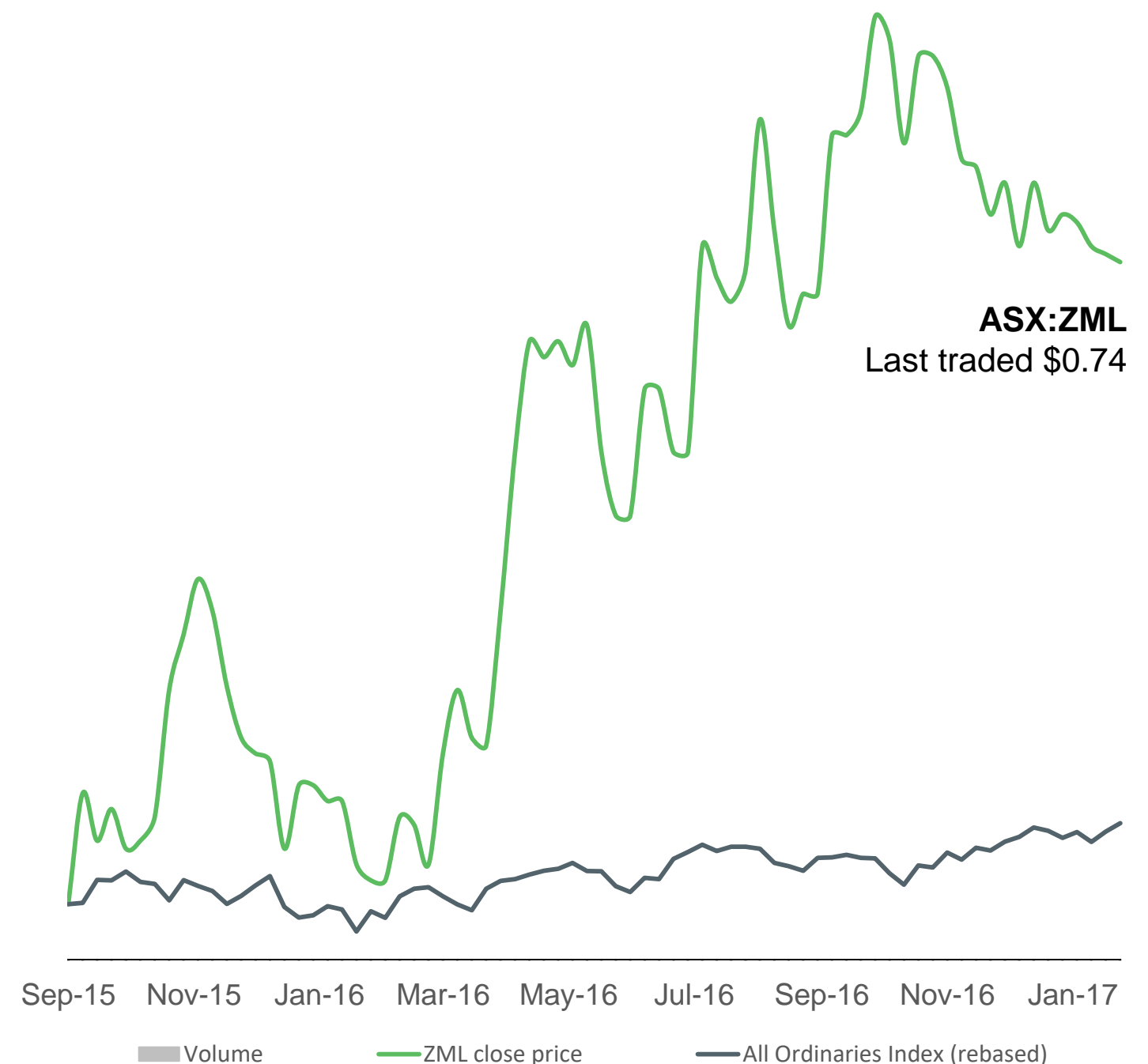
Following successful entry into the A\$15bn travel sector, focus is on deeper penetration and growth in merchants

Market share growth

Growing existing market share within the initial A\$100bn+ market opportunity

Growth in offline

Continued investment in payment capabilities to enhance our seamless in-store experience



Company overview

Top shareholders

Larry Diamond (Managing Director / CEO)	26.5%
Peter Gray (Executive Director / COO)	8.7%
Adam Finger (CIO)	3.7%
Other Board and management	4.8%

Financial information

Share price (24-Feb-17)	\$0.74
Shares on issue	238.1m ¹
Market capitalisation	\$176.2m
Cash (Dec-16)	\$11.1m ²
Debt (Dec-16)	No corporate debt
Enterprise value	\$165.1m

1. Includes 88.7m escrowed shares to be released Sep-17; Excludes 6.7m unlisted options and 13.3m performance shares
2. Excludes restricted cash relating to the securitisation warehouse facility



Philip Crutchfield
Chairman

Philip is a practising barrister and a former partner of Mallesons Stephen Jaques (now King & Wood Mallesons). He is a member of the Melbourne University Law School Foundation Board and sits on the Board of Bell Shakespeare Theatre Company.



Megan Quinn
Non-Executive Director

Megan is a highly experienced retail executive. She was a co-founder and executive director of the internationally acclaimed NET-A-PORTER and is currently on the Board of ASX Specialty Fashion Group and UNICEF Australia



Larry Diamond
Managing Director & CEO

Larry co-founded zipMoney following 12 years in retail, technology and investment banking at Pacific Brands, Macquarie and Deutsche Bank. Larry is a qualified CA and has a Bachelor of Information Technology and a Master of Commerce (Finance).



Peter Gray
Executive Director & COO

Peter co-founded zipMoney in 2013 with over 20 years of experience in the retail finance industry. He is a licensed responsible manager for zipMoney Payments under the ASIC regime. He has managed a \$500m+ loan book for 300,000+ customers.

APPENDIX

zipPay - Overview



Up to \$1,000 digital account to shop online & in-store.



No upfront payment required at time of purchase.



Always interest free & no hefty late fees – both brand and consumer friendly.



Full payment flexibility, customers can pay back weekly, fortnightly or monthly. Up to 60 days to pay back free, or get more time.



Real-time approval & frictionless social sign-up via Facebook, PayPal or email.



Store bank account and debit card details in your digital wallet for direct debit and one off payments.

Digital account up to

\$1,000

No upfront
Payments

Always

Interest free

Full payment

Flexibility

zipMoney - Overview



Up to \$20,000 digital account to shop online & in-store.



No upfront payment required at time of purchase.



Interest free terms – both brand and consumer friendly.



Full payment flexibility, customers can pay back weekly, fortnightly or monthly.



Real-time approval & frictionless social sign-up via Facebook, PayPal or email.

Digital account up to

\$20,000

No upfront

Payments

Interest free

Periods

Full payment

Flexibility

Pocketbook - Overview

Pocketbook complements zipMoney's strong focus on helping Australians achieve financial well-being

- ✓ **Market leader**
Category leading personal finance app with more than 300,000 users, majority of whom are mobile
- ✓ **Finance tool**
Strong engagement via its money management features enriched with banking transactional data
- ✓ **Valuable Big Data**
The breadth of data, and unique acquisition methods enriches zipMoney's work on credit modelling
- ✓ **Data synchronisation**
Allows consumers to synchronise data with most Australian banks and receive enhanced categorisation

300K users

Leading personal finance app

PFM

Personal Financial Management

Awards

Finder 'Personal Financial Management App' (2016)

Startcon 'Best Mobile App' (2016)

Fintech Business Awards (2017)

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