

31 July 2017

Q4 FY17 QUARTERLY UPDATE

zipMoney Limited (ASX: ZML) (**zipMoney, Zip** or the **Company**) is pleased to announce its quarterly performance for the period ending 30 June 2017, otherwise referred to as Q4 FY17.

FOURTH QUARTER HIGHLIGHTS

- Record quarterly revenue of \$5.6m million and \$17.0 million YTD (unaudited).
- Transactions on the platform increased by 59% over the quarter, reflecting a 39% increase in merchants and an 52% increase in customer numbers.
- Transaction volume reached \$86 million for the quarter (up 42% from Q3 FY17) with close to \$300 million originated on the platform to date.
- Receivables increased to \$152 million, up 33% on Q3 FY17; bad debts were 1.86%.
- Completed \$260m consumer financing arrangement led by NAB.
- Appointment of industry payments expert, Joel Symmans as Chief Revenue Officer.
- Strategic partnership with Shopify, one of the world's leading ecommerce platforms.
- Zip and Pocketbook both win awards at the 2017 Australian FinTECH Awards.

COMPANY UPDATE

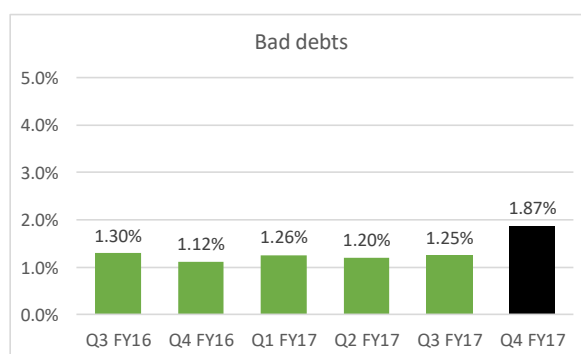
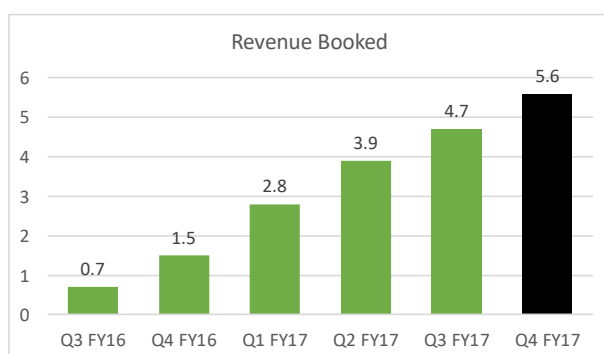
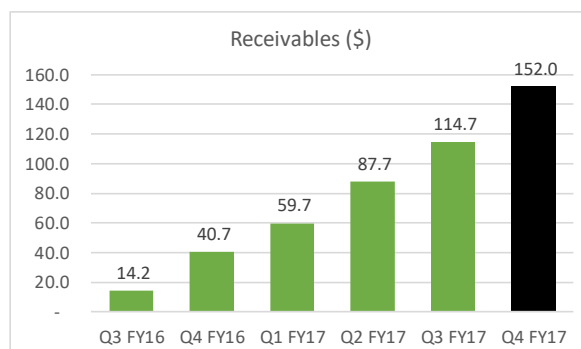
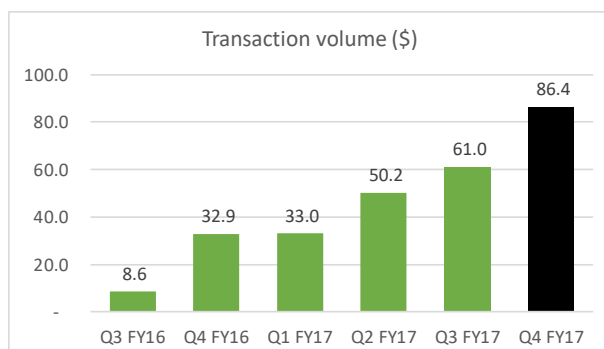
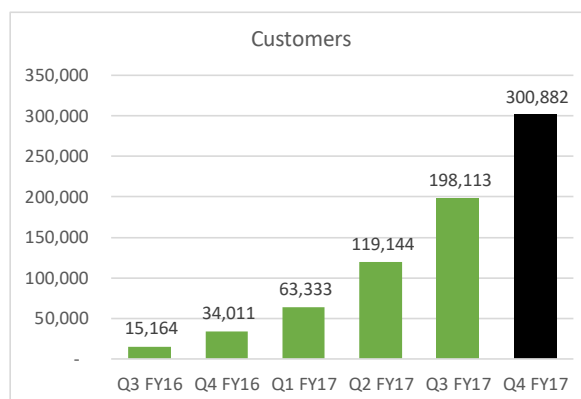
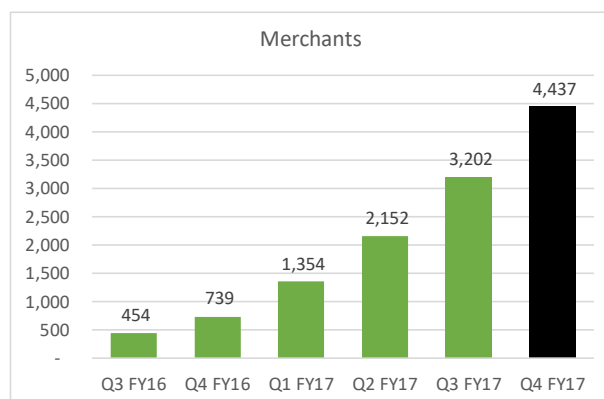
The Company has continued to deliver rapid growth in its underlying operations.

Financial and Operational Performance	Q4 FY17 Results (unaudited)	% increase on Q3 FY17 (unaudited)
Merchants ¹	4,437	39% ↑
Customers ²	300,882	52% ↑
Receivables ³	\$152.0m	33% ↑
Transaction volume	\$86.4m	42% ↑
Transactions	252,126	59% ↑
Revenue ⁴	\$5.6m	20% ↑

1. Number of accredited merchants
2. Number of active customer accounts
3. Amounts due from customers (Receivables)
4. Portfolio income (as defined in the 1H 2017 half year accounts)

Managing Director and CEO Larry Diamond said:

“This quarter saw the network effect gain momentum with customer numbers up more than 50%. The Zip brand continues to expand its presence, now at the checkout of thousands of retailers. Our investment in strategic commercial partnerships has been a core enabler of this strategy. We continue to invest in our proprietary technologies around fraud and credit tech, as well as our digital payment services.”



Notes: (i) Based on unaudited financials; (ii) Receivables gross, before provisions; (iii) Revenue based on portfolio income; and (iv) Bad debts defined as those accounts greater than 180 days' delinquent. Annualised as a percentage of gross receivables.

For the quarter ending 30 June 2017, the Company grew its receivables to \$152 million, up 33% on the previous quarter, on \$86 million in transaction volume. This generated revenue of \$5.6 million, reflecting continued growth across the entire payments platform. As per the half-year results, the Company adopts

the effective interest method for recording revenue, which recognises revenue (known as portfolio income) over the implied repayment term rather than upfront.

The number of transactions for the quarter was up 59% and transaction volume grew by 42%. This was supported by significant growth in customer numbers, which were up by 52% over Q3, with 1,200 customers added to the platform each day.

Zip grew its merchant base by approximately 39% over the quarter, with continued growth in the mid-market and SMB segments, a direct result of continued investment in channel and platform partnerships.

MERCHANT UPDATE

Zip increased its merchant numbers to over 4,400 across Australia with thousands of locations now accepting Zip. The Company continued to diversify its end-customer industries, including retail, food and hospitality, travel, health services and consumer electronics – demonstrating the versatility of Zip’s core offerings.

Zip welcomed a range of known brands in the quarter that either went live on the platform or are currently in integration:

Webjet Exclusives	Shaver Shop	Betts	Kathmandu	Adairs
Wallace Bishop	Leading Edge	Wittner Shoes	Harris Farm	Pacific Smiles
Australian Geographic	Peters of Kensington	Temple & Webster	National Tiles	Tree of Life

DATA SCIENCE UPDATE

Zip continued to invest in its core intellectual property, with the team expanding the number of data scientists and projects in the last quarter, including:

- Deployed new machine learning algorithms resulting in a 50% increase in automated decisions within selected categories. Early analysis indicates a reduction in arrears for these key segments.
- Implemented new technologies enabling risk analysts to more effectively identify hidden relationships between customer accounts, whilst proactively detecting suspicious transaction behaviour.
- Further optimisation of Zip’s Big Data infrastructure increasing speed-to-market in order to rapidly deploy new AI/machine learning capabilities and analytics across all business units.



POCKETBOOK

Strong growth continues for the Personal Financial Management (PFM) app, organically growing to 365,000 users, a 12% increase over the quarter.

A key development over the quarter was the continued improvement of Pocketbook's industry-leading transaction analysis and categorisation engine, which are already delivering a significant 15% increase in accuracy. Further enhancements are expected over the coming months through continued investment in machine learning and natural language processing. This key group-wide competency directly contributes to Zip's proprietary, real-time credit and fraud decision automation platform.

Pocketbook is currently expanding the budgeting feature to allow users to budget by category, one of the most requested features. Further features leveraging these improvements are also under development for FY 2018.

AUSTRALIAN FINTECH AWARDS 2017

Zip and Pocketbook both received awards at the prestigious 2017 Australian FinTECH Awards during the quarter. Zip received the 'Innovation in Payments' award for, "an innovative new product or service that disrupts the local payments sector across mobile or digital currency providers" and Pocketbook received the 'Innovation in Wealth Management (Robo Advice)' award for, "a new, or significantly improved product or service that leverages technology to benefit customers or financial institutions."

Zip CEO and Managing Director, Larry Diamond, commented:

"We are ecstatic about our historic wins by both companies. Every day at Zip we strive to change the way Australians pay, plan and save. Every aspect of what we do at Zip is to ensure Australians get the fairest and most transparent financial experience possible. Continuous innovation in this area is core to our DNA. These awards are evidence of the boundaries we seek to test across both sides of our business, Pocketbook and Zip."

RECEIVABLES UPDATE

As at 30 June 2017, receivables were \$152.0 million, up 33% over the previous quarter. The customer repayment profile continues to remain healthy at 13% of opening receivables balance repaid each month.

The reported arrears rate was 2.94% and bad debts were at 1.87%, both well below industry standards. The increase in both arrears and bad debts reflect the ongoing maturing of the customer receivables portfolio.

Executive Director & COO Peter Gray said:

"The strength of our proprietary decision technology continues to be validated by the performance of our receivables. The exceptional monthly repayment behaviour also confirms the high levels of customer engagement as a direct result of our transparent, responsible and flexible product offering."

CORPORATE AND FUNDING

During the quarter, cash receipts from customers were \$5.7 million. Staff, administration and corporate costs were \$5.3 million (\$4.2 million in Q3), reflecting the full run-rate costs invested over the previous quarters in people and technology.

Cash outflows in respect of interest paid increased to \$4.0 million (\$2.5 million in Q3) commensurate with the increase in customer receivables. As more receivables are funded out of the lower-cost, NAB-led facility, the Company expects the cost of debt to continue to reduce. Total cash flows from operating activities for Q4 FY17 resulted in cash outflows of \$3.9 million. During the period, Zip increased the size of its committed debt facilities to \$413 million (drawn \$162 million) to support the continued growth of its receivables. The Company entered into a new asset backed securitisation warehouse program led by the National Australia Bank, totalling \$260m (zipMoney Trust 2017-1). During the quarter, the Company also secured a new, flexible facility available to fund customer receivables as well as a working capital facility. At 30 June, the facility totalled \$33.4 million of which \$20.4 million was drawn (including \$6 million as working capital).

Zip continues to enjoy strong economies of scale as a result of the ongoing investment in the Company's 100%-owned proprietary credit and fraud decision technology. Cash at the end of the quarter was \$6.6 million, plus \$12.6 million in restricted cash.

The Board is currently evaluating a number of long-term funding opportunities to support the continued growth of Zip in market, including from strategic investors.

– ENDS –

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About zipMoney

ASX-listed zipMoney (ZML: ASX) or ("Zip") is a leading player in the digital retail finance and payments industry. The Company offers point-of-sale credit and digital payment services to the retail, education, health and travel industries. It operates under the zipPay and zipMoney brands. The Company is focused on offering transparent, responsible and fairly priced consumer products. Zip's platform is entirely digital and leverages big data in its proprietary fraud and credit decisioning technology to deliver real-time consumer responses. Zip is managed by a team with over 50 years' experience in retail finance and payments and is a licensed and regulated credit provider.

For more information visit: www.zipmoneylimited.com.au

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

zipMoney Limited

ABN

50 139 546 428

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,675	16,834
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing	(305)	(550)
(d) leased assets		
(e) staff costs	(1,778)	(6,422)
(f) administration and corporate costs	(3,479)	(8,041)
1.3 Dividends received (see note 3)		
1.4 Interest received	40	147
1.5 Interest and other costs of finance paid	(4,014)	(9,563)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material) - Funding Costs		
1.9 Net cash from / (used in) operating activities	(3,861)	(7,595)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(124)	(622)
(b) businesses (see item 10), net cash acquired	-	(1,870)
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
	(d) intellectual property		
	(e) other non-current assets	(856)	(2,658)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Others		
	Net movement in		
	- Receivable and customer loans	(36,870)	(112,458)
2.6	Net cash from / (used in) investing activities	(37,850)	(117,608)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	24	10,874
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(8)	(674)
3.5	Proceeds from borrowings	104,600	189,100
3.6	Repayment of borrowings	(60,000)	(60,000)
3.7	Transaction costs related to loans and borrowings	(1,888)	(1,988)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	42,728	137,312

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	18,181	7,089
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,861)	(7,595)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(37,850)	(117,608)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	42,728	137,312
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	19,198	19,198

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,609	11,000
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (restricted cash)	12,589	7,181
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	19,198	18,181

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
154
-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	412,860	162,360
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

During the quarter, the Group entered into a new asset backed securitisation warehouse program led by the National Australia Bank, totalling \$260 million (zipMoney Trust 2017-1).

The Group now has three funding programs in place the zipMoney Trust 2015-1, the zipMoney Trust 2017-1 and the zipMoney Trust 2017-2.

The zipMoney Trust 2015-1 and zipMoney Trust 2017-1 are traditional asset backed securitisation warehouses whereby the facility is secured by the underlying pool of receivables with no recourse back to zipMoney. At 30 June facilities totalled \$379,500,000 of which \$141,000,000 has been drawn.


The zipMoney Trust 2017-2 is a secured trust available to fund customer receivables as well as a working capital facility. At 30 June, the facility totalled \$33,360,000 of which \$20,360,000 was drawn (including \$6,000,000 as working capital).

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	929
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	295
9.4 Leased assets	
9.5 Staff costs	2,788
9.6 Administration and corporate costs	2,138
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	6,150

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: ...  Date: 31 July 2017
(/Company secretary)

Print name: **Andrew Bursill**

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.