

ASX Release

24 August 2017

FY 2017 Results – A Watershed Year

zipMoney Limited (ASX:ZML) (**zipMoney, Zip or Company**), a leading player in the digital retail finance and payments industry, today announced its full year results for the period ended 30 June 2017.

For the period ending 30 June 2017, the Company grew its loan book to \$152.0 million (2016: \$40.7m) on \$230.7 million in transaction volume. This generated revenue of \$17.0 million (2016: \$3.2m), up 431% over the prior year. Reported NPAT was a loss of \$20.2 million (2016: \$9.0m loss) for the year.

RESULTS HIGHLIGHTS

- Transaction volume of \$230.7 million, up 348%.
- Loan book (receivables) of \$152.0 million, up 273%.
- Company revenues of \$17.0 million, up 431%.
- Now more than 300,000 customers and 4,400 merchants.
- Omni-channel strategy delivering volume growth.
- Bad debts of 1.9%, well below industry standards.

Zip is an early mover in the digital consumer finance sector. Its strategy is to be the leading issuer of credit and payment solutions at the digital checkout, with a strong focus on responsible financial services. Zip provides a simple and seamless interest-free offering, available online and in-store.

Zip products enable merchants to generate more sales by converting browsers into shoppers, increasing basket size and driving repeat purchasing behavior, all through the power of offering a seamless payments experience.

The company operates under the zipPay, zipMoney and Pocketbook brands.

CEO Commentary

Managing Director and CEO Larry Diamond said:

“This was only our second year as a listed company on the Australian Stock Exchange (ASX) and by far our most accomplished. We enjoyed explosive growth driven by the network effect from our fintech business model, our relentless disruption of the local market and our intensive focus on transparency, fairness and financial responsibility.”

FY17 saw a number of very pleasing achievements for the Company, including significant growth in transaction volume, with \$230.7 million processed on the Zip payments platform and around \$300 million since inception.

Our merchant base grew to 4,400 during the year (2016: 740) and across our target sectors, Zip onboarded a number of enterprise clients onto the platform, including Webjet Exclusives, Luxury Escapes, Baby Bunting, Harris Farm, Kathmandu, Shaver Shop, Adairs and Pacific Smiles.

The company continues to see the strong demand from both consumers and retailers for alternative payment methods (APMs), specifically non-card options, at the checkout. Zip, as a proponent of APMs, is uniquely positioned in the Australian market to offer interest-free instalments regardless of the transaction value: zipPay for everyday discretionary purchases and zipMoney for life's larger purchases.

Supported by significant investments in data science, decision technology (Decisiontech) and credit technology (Credittech), Zip prides itself on its ability to digest and understand ever increasing amounts of data about its applicants. It differentiates itself from other consumer finance companies and credit card issuers through its approach to big data, artificial intelligence (AI) and machine learning.

In September last year Zip acquired Pocketbook, the industry's leading personal financial management (PFM) app with a strong focus on a consumer's financial wellbeing. It is firmly aligned with the company vision to create a financial services model that is built around honesty, visibility and empowering consumers to make better financial decisions, thus improving their lifestyle.

Pocketbook was integrated into the Zip business during the year and its market-leading transaction categorisation engine is supporting Zip's core credit and fraud decision technology, driving improved automation and deeper credit profiling.

Pocketbook is Australia's category leading personal finance management tool with over 370,000 users and consistently in the top 20 finance apps in Australia. Pocketbook won a number of industry accolades over the financial year including; 'Best Mobile app of the year' from StartCon 2016, 'Best Personal Financial Management App' from Finder 2016, 'Fintech Innovation in Wealth Management (Robo-Advice)' from Fintech Awards 2017 and 'Best Personal Finance Innovator of the Year' from FintechBusiness 2017.

Loan Book Performance

As at 30 June 2017, the loan book stood at \$152.0 million (2016: \$40.7m), representing growth of 273%. This was supported by \$412.8 million in asset-backed securitisation warehouses provided by the Company's finance providers, including National Australia Bank, FIIG and Victory Park Capital.

The repayment profile continues to remain healthy at approximately 13% of the book returning each month. The reported arrears rate was 2.9% (2016: 1.3%) and bad debts were at 1.9% (2016: 1.2%), both of which reflect a seasoning of the portfolio and remain well below industry standards. The strong credit performance continues to validate Zip's investment in its 100% owned proprietary decision technology.

Executive Director and COO Peter Gray said:

"The strong performance of the loan book continues to demonstrate the power of our proprietary decisioning technology (Decisiontech). The receivables performance reflects a seasoning in the portfolio and remains well ahead of the industry. Continued investment in

Zip's proprietary Decisiontech and Data & Risk division is expected to result in improved portfolio performance over the coming periods.

The adoption of new technologies, data sources, improved collection strategies and product innovation, as well as the deployment of advanced machine learning models are just some of the initiatives being adopted by Zip to maintain its market leading performance. The strong repayment rate of 13% of outstanding receivables further evidences this."

Financial Position and Debt Funding

As at 30 June 2017, the Company had \$19.2 million in cash on its balance sheet (inclusive of restricted cash of \$12.6 million) and a working capital loan of \$6m (included in Borrowings in the Balance Sheet).

FY2017 was a monumental year for funding. The Company managed to secure two of the largest Australian equity and debt Fintech funding deals in recent history:

- Zip partnered with National Australia Bank (NAB) on a new \$260 million asset-backed securitisation warehouse program for its consumer receivables, which will see a significant reduction in its weighted average cost of capital (from 12-14% to around 5%) – a significant Company milestone demonstrating a maturing loan portfolio and validating our proprietary credit decision technology.
- Zip also secured a \$40 million strategic equity investment from Westpac Banking Corporation (Westpac), at a 18.4% premium to the two-month VWAP of \$0.68 per share. Westpac and Zip also entered a strategic relationship, which allows the parties to explore the integration of Zip's products and services across Westpac's network throughout Australia.

FY18 Outlook & Beyond

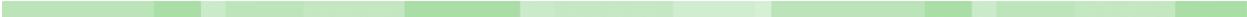
Our goal remains as strong as it did four years ago: to build lasting relationships by providing fairness, transparency and genuine payment flexibility, without the need for customers to fall into arrears to drive revenue.

Key priorities for the Company in FY18 include:

- Continue to expand Zip's presence in the \$300B retail industry.
- Continue to invest in our data science capabilities.
- Drive significant increases in monthly transaction volume.
- Drive increased penetration of Zip in the health services segment.
- Achieve cashflow breakeven on a monthly basis during the year.
- Focus on managing costs while investing for growth and a sustained advantage.
- Release step-change products and new features from Pocketbook.
- Continue to diversify our debt funding programs.

Implementation of these core priorities will see the continued growth of the Zip brand, its receivables, customer and retailer footprint.

– 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, zipMoney and Pocketbook 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