



# ASX Release

**7 August 2018**

## **Transformative year for the Zip business, with strong start to FY19.**

Zip Co Limited (ASX : Z1P) ("Zip" or "Company"), a leading player in the digital retail finance and payments industry, today announced its full year results for the year ended 30 June 2018.

### **FY18 HIGHLIGHTS**

- Revenue of \$40.4 million, up 138%.
- Transaction volume of \$542.9 million, up 136%.
- Current run rate \$750 million in transaction volume per annum.
- Loan book (receivables) of \$316.7 million, up 108%.
- More than 738,000 customers and 10,500 partners on the platform.
- Net bad debts of 2.61%, well below industry standards.
- Achieved cashflow breakeven on a monthly basis in 4Q18 and forecasting to remain so.
- Significant improvement in cash EBTDA - \$1.2 million loss in 2H18, compared to a loss of \$7.6 million in 1H18.
- New brand launch executed and resonating with consumers and retail partners.
- Billion-dollar partners joined the Zip platform.

Larry Diamond, Managing Director and CEO said:

*"We are delighted with the progress the Zip business has made this year, with a continuation of rapid growth in consumer accounts, transactions and revenue. This outstanding result reflects the incredible hard work of the entire Zip team.*

*In June, we achieved the major milestone of cashflow breakeven on a monthly basis. This demonstrates the operational leverage in the business, as our*

*consumer numbers and receivables continue to grow rapidly, with only modest increases in our cost base.*

*The Zip rebrand, which took place in June, has given the company a dynamic new look and feel which is resonating well with our consumers and partners. The unified brand lays a foundation for the Zip native app which is now being rolled out to consumers with very promising early results.*

*Major partners continue to join the Zip platform and this year we announced some of our biggest signings to date including: Kogan, Fantastic Furniture, Tiger Airways, Super Retail Group (which includes Rebel Sport and Supercheap Auto) and Officeworks, with many more in the pipeline.*

*Whilst we are proud of these results, we are only just beginning and are well positioned for a bumper 2019 financial year. Our focus is clear: continue to develop our consumer product offering and engagement levels, continue to sign billion-dollar partners and continue to expand our acceptance network to drive further growth in the Zip ecosystem.*

During FY18 the Company saw significant growth in all core operating metrics, compared to the previous financial year:

- Customer numbers increased by 145% to over 738,000.
- Partner numbers increased by 139% to over 10,500.
- Transaction volumes increased by 136% to \$542.9 million.
- Number of transactions processed increased by 243% to 1.9 million.

Accordingly, revenue for the financial year increased from \$17.0 million to \$40.4 million, an increase of 138% reflecting this growth across all key metrics.

Pocketbook, Australia's category-leading personal finance management tool, increased users to over 530,000 and consistently remains in the top 20 domestic finance apps. Pocketbook received the "Excellence in Wealth Management" award at the 2018 Fintech Australia Finnies adding to the numerous industry accolades won over the past two years.

## **Receivables Performance**

Consumer receivables increased by 108% from \$152.0 million at 30 June 2017 to \$316.7 million by 30 June 2018.

Monthly repayments continue to run at approximately 14% of the prior month's closing balance, meaning on average consumers are repaying their entire balance in just over seven months, a very healthy capital recycle rate.

Despite our receivables growing substantially during the year, both arrears and bad debts remain significantly better than industry standards and are a testament to the substantial investment in our proprietary credit decisioning technology. As at 30 June 2018, the

reported arrears rate was 1.87% a significant improvement on FY17 of 2.90%. Net bad debt write-offs were 2.61% compared to 1.28% at 30 June 2017, reflecting a seasoning of the receivables in line with management expectations.

## **Financial Position and Debt Funding**

The Company had \$12.7 million in cash on its balance sheet, inclusive of restricted cash of \$8.7 million, as at 30 June 2018.

The Company has funding facilities available of \$380.0 million, of which \$290.0 million was utilised at 30 June 2018. The Company is about to commence documenting a further increase of \$100.0 million in the facilities available within the 2017-1 Trust and has completed the documentation of an additional \$20.0 million in the facilities available within the 2017-2 Trust. Once both are completed, total facilities available to the Company will be \$500.0 million providing substantial funding headroom for strong growth in FY19.

Zip holds \$16.4m in equity subordination across its various funding programs and retains the ability to access mezzanine capital in the future, enabling the release of equity to fund growth initiatives and capital expenditure as required

## **FY19 Outlook & Beyond**

Over the past five years since formation, our unwavering goal has been to disrupt the credit card industry, using big data and technology to build leading-edge, digital consumer products which provide fairness, transparency and genuine payment flexibility, without the need for customers to fall into arrears to drive revenue.

Key priorities for the Company in FY19 are:

### **Targets**

- Drive towards \$1 billion+ in annual transaction volume.
- 1 million + consumers with an active Zip account.
- Maintain rapid growth whilst remaining cashflow breakeven.

### **Increase consumer engagement**

- Rollout native App and drive significant monthly active usage.
- Complete the rollout of the new brand and increase awareness and market share.

### **Expand the Zip network**

- Continue to win and rollout large, iconic retail partners in our key verticals.
- Leverage channel relationships to expand Zip's "rails" and drive acceptance.

### **Favourable Operating Environment**

- Capitalise on the positive landscape for Fintechs and Alternate Payment providers.

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**About Zip**

ASX-listed Zip Co Limited (Z1P: 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 Zip Pay, Zip Money 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.zip.co](http://www.zip.co)