



ASX Release

14 March 2019

\$42.8 million raised through successful placement to institutional, sophisticated and professional investors

Highlights:

- **Successful completion of placement raising \$42.8 million (before costs)**
- **Proceeds to be used to accelerate growth initiatives, and strengthen the Company's balance sheet**
- **In addition, Zip will offer all existing eligible shareholders the opportunity to participate in the capital raise under a Share Purchase Plan**

Placement

Zip Co Limited (ASX: Z1P) ("**Zip**", or the "**Company**") is pleased to announce that it has received firm commitments to raise \$42.8 million before costs via a placement ("**Placement**") of 28 million ordinary shares ("**Placement Shares**"). The oversubscribed placement was completed with the support of new and existing institutional, sophisticated and professional investors and closed early. The issue price for the Placement Shares was \$1.53 per share representing a:

- 7.8% discount to the last traded price of the Company's shares on 12 March 2019; and
- 7.8% discount to the previous 10-day volume weighted average price of the Company's shares traded on the ASX up to and including 12 March 2019.

The Placement Shares are expected to be allotted and issued on Friday, 22 March 2019 and will rank equally with the Company's existing ordinary shares on issue. The Placement Shares will represent approximately 8.9% of the issued capital of the Company before the Placement and will be issued within Zip's existing placement capacity under ASX Listing Rule 7.1.

As previously announced by the Company on 7 August 2017 and 8 September 2017, under the terms of the investment by Westpac Banking Corporation Limited ("**Westpac**") in the

Company, Westpac was granted a top-up right which will enable Westpac to maintain its percentage shareholding in Zip by participating in the Placement. The Company confirms that notice has been given to Westpac for the purpose of Westpac considering its top-up right. In the event that Westpac exercises its top-up right, Westpac will be entitled to subscribe for up to an additional 5,812,448 shares in the Company raising up to an additional \$8.9 million. Westpac and the Company have agreed that Westpac has until 1 April 2019 to advise the Company if it will take up its entitlement (including the extent to which it will take up its entitlement). If Westpac does not take up its entitlement in full, Zip may offer the remaining shares to other professional and sophisticated investors.

Larry Diamond, Managing Director and CEO of Zip said:

"We greatly appreciate the support of our existing shareholders that participated in the Placement and welcome all the new shareholders that have joined our register as part of this equity raise. The additional equity capital will enable Zip to continue its significant growth through further investment to support our brand, enhance our product, and monetise our assets. The capital raising will also provide a stronger balance sheet to capitalise on growth opportunities, both organic and inorganic."

Share Purchase Plan

Following completion of the Placement, Zip's shareholders will be given the opportunity to subscribe for shares at the same price as the issue price for the Placement Shares of \$1.53 per share under a Share Purchase Plan. Under the terms of the Share Purchase Plan, shareholders registered at 7.00pm (Sydney time) on Wednesday, 13 March 2019 will be entitled to subscribe for up to \$15,000 of Zip shares to raise up to a maximum of \$5.0 million (subject to Zip's discretion to scale back applications).

Further details of the Share Purchase Plan will be provided to shareholders in due course.

Timetable

Set out in Appendix A of this Announcement is an indicative timetable for the Placement and Share Purchase Plan.

The Placement has been undertaken by Shaw and Partners as Lead Manager, and Arnold Bloch Leibler acted as legal adviser.

- ENDS -

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About Zip

ASX-listed Zip Co Limited (ASX: Z1P) 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

APPENDIX A Offer Timetables

The indicative Placement timetable of key dates is set out below:

Event	Date
Trading Halt lifted and Placement announcement	9:00am Thursday, 14 March 2018
Settlement (New Shares under the Offer)	Thursday, 21 March 2019
Allotment and Issue of New Shares under the Offer	Friday, 22 March 2019
Normal trading commences (New Shares)	Monday, 25 March 2019

Note: The timetable above is indicative only and subject to change. Zip reserves the right to amend any or all of these events, dates and times, without notice, subject to the Corporations Act 2001 (Cth) (**Corporations Act**), the ASX Listing Rules and other applicable laws

The indicative SPP timetable of key dates is set out below:

Event	Date
Record date for shareholders to participate in SPP	7:00pm (Sydney time) on Wednesday, 13 March 2019
Dispatch SPP documents to shareholders	Thursday, 21 March 2019
SPP offer opens	9:00am (Sydney time) on Monday, 25 March 2019
Closing date for SPP	5:00pm (Sydney time) on Thursday, 11 April 2019
Scaleback policy announced (if applicable)	Friday, 12 April 2019 – Monday, 15 April 2019
Settlement of Shares under SPP	Wednesday, 17 April 2019
Allotment of Shares under SPP	Thursday, 18 April 2019
Expected quotation on the ASX and normal trading of Shares under SPP commences	Friday, 19 April 2019
Dispatch of allotment confirmations/holding statements for New Shares	On or around Monday, 22 April 2019

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Capital Raising Presentation

Zip Co Ltd (ASX: Z1P)



14 March 2019

The Problem

The credit card model is broken.

High acquisition costs

Not 'on your side'

The 'fine print'

Unable to attract millennials

Hard sign ups

A focus on interest revenue

Confusing

Loyalty programs eroding value

Poor product structure

Banks put you on the minimum



Our Purpose

Reimagining payments.
Improving every day.



Our Mission

We create simple, fair and transparent credit and payment solutions that improve lives every day.



Investor Highlights



Zip provides direct exposure to the rapidly growing Fintech and Alternative Payments sector

- ✓ **Processing \$1 billion+** in annual transaction volume and over 1 million active customers.
- ✓ **Revenue growth of 100%+** with 1H FY19 growth of 114% over the previous year.
- ✓ **Cashflow positive** for the last 4 quarters.
- ✓ **Market-leading credit and fraud decision technology** – 100% owned IP delivering industry leading loss rates.
- ✓ **Scalable technology platform** will drive significant operational leverage over time.
- ✓ **Large addressable market opportunity** – there is an estimated \$1 trillion in annual payment volume in Australia alone.
- ✓ **Alternative payments no longer alternative** – over 13,000 partners with many Australian businesses adopting ‘buy now pay later’ as credit card volumes stagnate.
- ✓ **Strong team** with deep payments, credit and product expertise driving continued innovation and new product development.

Capital Raising Summary



Zip Co Limited (“Zip” or “the Company”) completes oversubscribed \$42.8m Placement today

Capital Raising

- \$42.8m Placement to professional and sophisticated investors successfully completed
- Zip is also raising up to:
 - \$5.0m in a Share Purchase Plan to all existing eligible shareholders
 - \$8.9m in a “top-up” placement to Westpac¹

Pricing

The Offer Price of \$1.53 represents a:

- 7.8% discount to the last close of \$1.66²
- 7.8% discount to the 10-day VWAP of \$1.66²

Use of Funds

- To accelerate growth and strengthen the Company’s balance sheet
- Take advantage of Zip’s strong market position, growing customer base and favourable conditions
- Product and market expansion

1. See next page for further details
2. As at last close on 12 March 2019. Source: IRESS

Placement and SPP details



Placement

- Unconditional Placement of approximately 28.0m new ordinary fully paid shares (“Offer Securities”) at \$1.53 per security (“Offer Price”) to raise up to \$42.8m (“the Offer”).
- New shares issued under the Placement will rank pari passu with existing securities.

Share Purchase Plan

- In addition, Zip will offer all existing eligible investors the opportunity to subscribe for new shares up to a maximum of \$15,000 per investor under a Share Purchase Plan (“SPP”). The SPP will be capped at \$5.0m.

‘Top-up’ Placement

- The Company confirms that notice has been given to Westpac for the purpose of Westpac considering its top-up right. Westpac has until 1 April 2019 to advise the Company if it will take up its entitlement¹.
- In the event that Westpac exercises its top-up right, Westpac will be entitled to subscribe for up to an additional 5.8m shares at \$1.53 per share for a total of \$8.9m.

1. As previously announced by the Company on 7 August 2017 and 8 September 2017, under the terms of the investment by Westpac Banking Corporation Limited (“Westpac”) in the Company, Westpac was granted a top-up right which will enable Westpac to maintain its percentage shareholding in Zip by participating in the Placement. If Westpac does not take up its entitlement in full, Zip may offer the remaining shares to other professional and sophisticated investors.

Timetable



Indicative Placement timetable	Date
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Significant Growth Opportunity



Capitalising on strong market position, growing customer base and favourable conditions

- **Fintech Acceleration** – Strong support for fintech and competition in financial services. Regulations and Government enabling increased innovation in the sector.
- **Partnerships** – Banks, payment gateways and terminal providers looking to partner as Zip’s customer base continues to grow rapidly as demand for alternative payments increases both instore and online.
- **Customer Adoption** – Customers are demanding alternatives to credit cards that offer simplicity and better terms, and continue to turn to Zip products.
- **New Technologies** – Open Banking and the New Payments Platform present opportunities to disrupt the traditional payments experience and credit card model.
- **Strong Brand Awareness** – Leverage the Zip brand advocacy, and enter more sectors to give our customers more places to use our products.

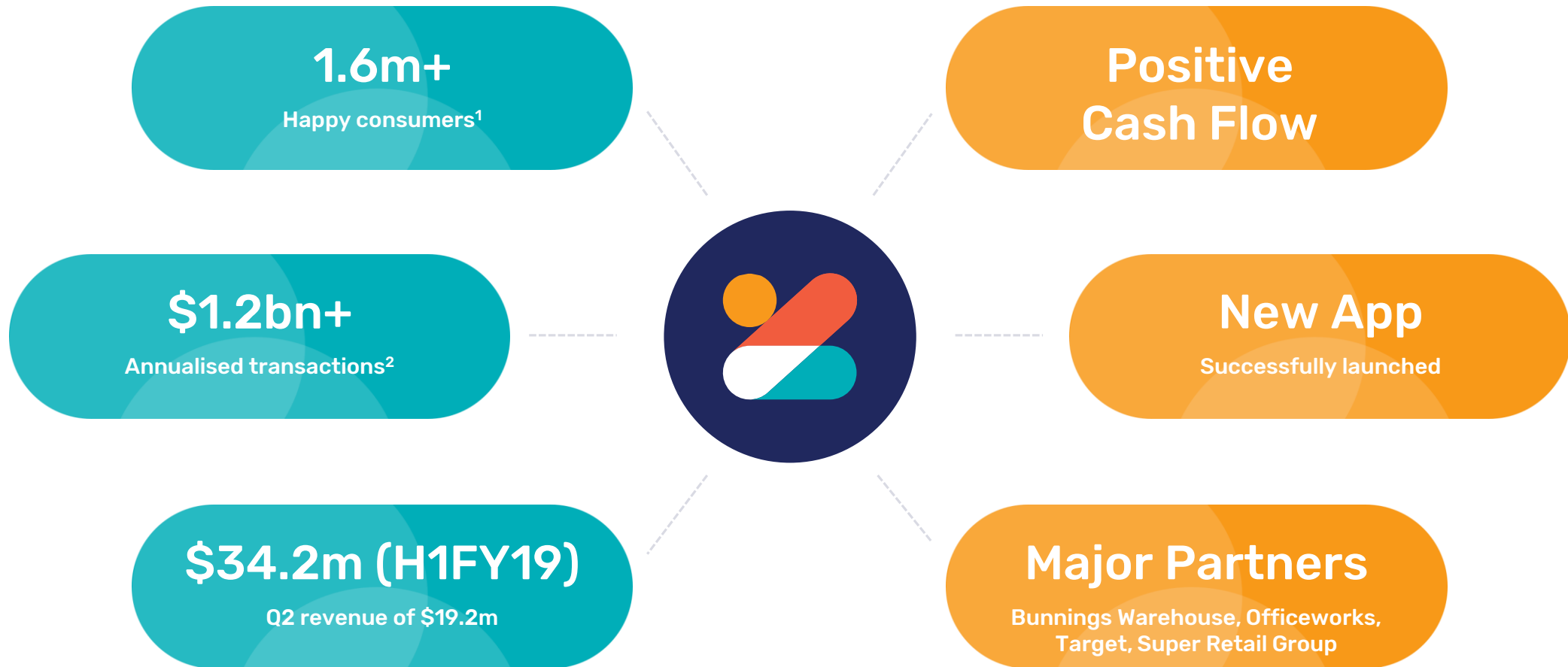
Proposed Use of Funds



Compelling use of funds to accelerate growth and strengthen the Company's balance sheet

- 1 Product, Tech and Data Science** – Accelerate investment in core IP, capitalise on the in-store BNPL opportunity and develop new complementary offerings.
- 2 Customer Acquisition** – Aggressively drive new customer and partner acquisition.
- 3 Enter New Markets** – Move from pilot to rollout within New Zealand (first new market expansion).
- 4 Balance Sheet** – Strengthen the balance sheet and fast-track the delivery of a scalable, lower-cost funding program.
- 5 Pocketbook** – Expand product range and monetise.

1H FY19 Results



1. Circa 1.6 million consumers across Zip and Pocketbook.
2. Quarterly run-rate annualised transaction volume as at 31 December 2018.

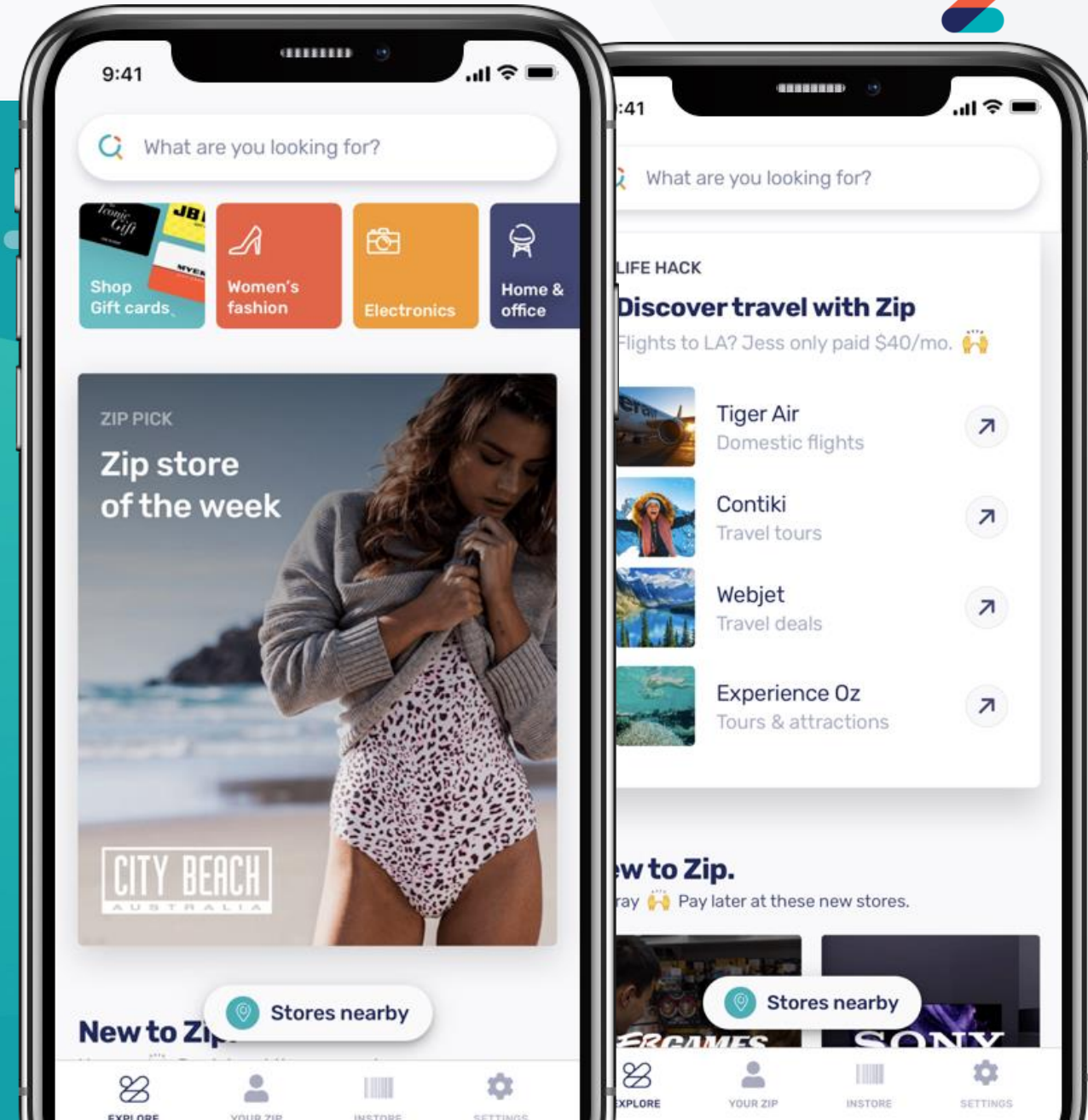
Strong Mobile Adoption

34 weeks since launch.

675k Zip customers.

Top 10 in App Store & Google Play Store.

4.9★ rating.



Expanding Product Features

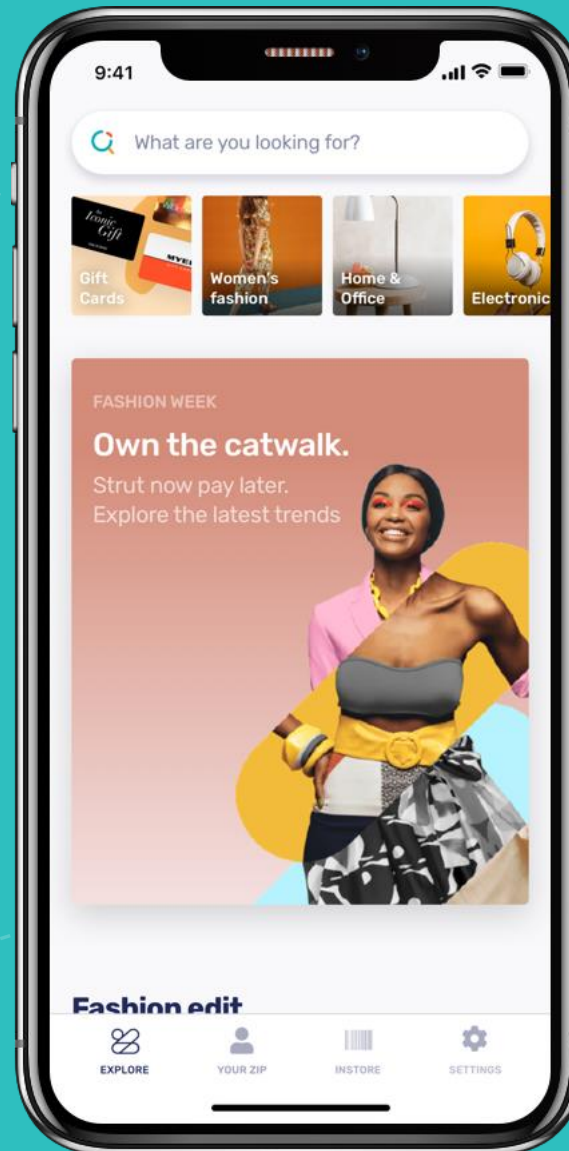


Offers and Coupons

Store discovery

Smooth in-store
experience

Personalisation
powered by AI



Intuitive
maps

Gift card
marketplace

Secure bill
payments

Ease &
Convenient

Outlook for FY19



The impact of today's capital raise will be reflected in our targets for FY20+. Key priorities for the Company in FY19 remain as follows:

1 Targets

- Drive **\$1 billion+ in annual transaction volume**.
- **1 million+ consumers** with an active Zip account.
- Maintain **rapid growth whilst growing Cash EBTDA**.

3 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.

2 Increase consumer engagement

- Introduce new features and Increase monthly active usage of the native app.
- Offer tailored promotions to our consumer base.
- Encourage consumers to make every day purchases on their Zip Account.

4 Favourable operating environment

- Capitalise on the positive landscape for Fintechs and Alternate Payment providers.
- Comprehensive Credit Reporting, Open Banking, Productivity Commission.

Disclaimer and Important Notice



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This presentation may contain statements that may be deemed "forward looking statements". Forward risks, uncertainties and other factors, many of which are outside the control of the Company can cause actual results to differ materially from such statements. Such risks and uncertainties include, but are not limited to: the acquisition and retention of customers, commercialisation, technology, third party service provider reliance, competition and development timeframes and product distribution. Usability of Zip's products depend upon various factors outside the control of the Company including, but not limited to: device operating systems, mobile device design and operation and platform provider standards, reliance on access to internet, limited operating history and acquisition and retention of customers, reliance on key personnel, maintenance of key business partner relationships, reliance on new products, management of growth, brand establishment and maintenance. A number of the Company's products and possible future products contain or will contain open source software, and the company may license some of its software through open source projects, which may pose particular risks to its proprietary software and products in a manner that could have a negative effect on its business. The Company's intellectual property rights are valuable, and any inability to protect them could reduce the value of its products and brand. The Company's products may contain programming errors, which could harm its brand and operating results. The company will rely on third party providers and internet search engines (amongst other facilities) to direct customers to Zip's products. Other risks may be present such as competition, changes in technology, security breaches, insurance, additional requirements for capital, potential acquisitions, platform disruption, ability to raise sufficient funds to meet the needs of the Company in the future, the Company's limited operational history, reliance on key personal, as well as political and operational risks, and governmental regulation and judicial outcomes.

The Company makes no undertaking to update or revise such statements, but has made every endeavour to ensure that they are fair and reasonable at the time of making the presentation. Investors are cautioned that any forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in any forward-looking statements made.

An investment in the Company's shares is subject to investment and other known and unknown risks, some of which are beyond the control of the Company. The Company does not guarantee any particular rate of return or the performance of the Company, nor does it guarantee the repayment of capital from the Company or any particular tax treatment. Before investing in the Company, you should consider whether this investment is suitable for you. Potential investors should consider publicly available information on the Company, carefully consider their personal circumstances and consult their professional advisers before making an investment decision. Additional risks and uncertainties that the Company is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect the Company's operating and financial performance.

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Thank You