



Capital Raising Overview

Zip Co Ltd (ASX: Z1P)

29 Nov 2019





Capital Raising

Zip Co Limited (“Zip” or “the Company”) is pleased to announce a proposed \$60.0m capital raising

Capital Raising

- \$50.0m non-underwritten Placement to professional and sophisticated investors
- Zip is also seeking to raise \$10.0m in a Share Purchase Plan to all existing eligible shareholders

Pricing

- The Offer Price of \$3.70 per share represents a:
 - 5.6% discount to the last close of \$3.92 on 28 November 2019
 - 4.7% discount to the 10-day VWAP of \$3.88

Use of Funds

- Funds raised under the Placement and SPP will used to :
 - Fund Zip’s global expansion into the UK market
 - Expand Zip’s product range, including the launch of Zip Biz
 - Increase investment in product and technology
 - Strengthen Zip’s balance sheet



Placement and SPP details

Placement

- Placement of approximately 13.5m new ordinary fully paid shares at \$3.70 per share (“Offer Price”) to raise up to \$50.0m
- New shares issued under the Placement will rank pari passu with existing shares
- The Placement is not underwritten

Share Purchase Plan

- In addition, Zip will offer all existing eligible shareholders the opportunity to subscribe for new shares up to a maximum of \$27,000 per shareholder under a Share Purchase Plan (“SPP”)
- The SPP will be capped at \$10.0m, but Zip retains the right to increase the cap at its sole discretion
- Zip may scaleback applications in the event applications exceed the capped amount as determined by Zip



Proposed Use of Funds

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

- 1 Global Expansion – United Kingdom** – Launch and grow Zip's operations in the United Kingdom. Capitalise on the emergence of BNPL in a \$630B¹ market.
- 2 Product Expansion** – Launch and accelerate the growth of Zip Biz, Zip's Buy Now Pay Later solution for small businesses.
- 3 Increase investment in product and technology** – Invest in product, technology and data science talent to support global expansion.
- 4 Balance Sheet** – Strengthen the balance sheet to support a growing receivables book as transaction volumes increase.

1. Retail Economics UK (2018)



Indicative Timetable

Indicative Placement timetable	Date
Placement conducted under Trading Halt	Friday, 29 November 2019
Trading Halt lifted and Placement announcement	Prior to market open on Monday, 2 December 2019
Settlement of new shares under the Placement	Wednesday, 4 December 2019
Allotment and commencement of Trading of new shares Issued under the Placement	Thursday, 5 December 2019
Indicative SPP timetable	Date
Record date for shareholders to participate in SPP	7:00pm (AEDT) on Thursday, 29 December 2019
Dispatch SPP documents to shareholders	Friday, 6 December 2019
SPP offer opens	9:00am (AEDT) on Friday, 6 December 2019
SPP offer closes	5:00pm (AEDT) on Friday, 20 December 2019
Scaleback policy announced (if applicable)	Friday, 27 December 2019
Settlement of new shares under the SPP	Monday, 30 December 2019
Allotment of new shares under the SPP	Tuesday, 31 December 2019
Expected quotation on the ASX and normal trading of new shares under the SPP commences	Thursday, 2 January 2020
Dispatch of allotment confirmations/holding statements for New Shares	On or around Thursday, 2 January 2020

Note: The timetables above are 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. Any reference to time and date refers to AEDT.



Key Risks

Regulatory risks

Zip operates in a number of jurisdictions including Australia, New Zealand and the UK, each with differing regulatory requirements. There is a risk that Zip could be subject to additional legal, regulatory, tax, licensing, and compliance requirements in these jurisdictions, and a failure to comply with such local compliance obligations could result in a regulator investigating Zip or taking enforceable action, commencing proceedings, and/or seeking fines, undertakings, penalties or licence revocation.

The Australian Securities and Investments Commission ('ASIC') is conducting ongoing reviews into the buy now, pay later ('BNPL') sector. ASIC's findings could prompt legal or regulatory change or increase regulatory oversight of the BNPL sector.

The RBA has announced that at some stage in 2020 it will review the status quo where BNPL providers restrict the merchant's ability to pass on service fees to end users. If the RBA's review leads to statutory or regulatory reforms, this may have an impact on customer behaviour at the checkout, which in turn could affect Zip's revenue and profitability. Other legal or regulatory risks include changes in privacy, consumer or credit laws, disputes, claims or litigation (including in relation to Zip's intellectual property). Such risks could increase compliance costs and affect Zip's reputation in the market.

Competition

With increasing awareness and consumer acceptance of BNPL products, a number of new entrants are joining the established players in this BNPL sector. Established players from offshore may also enter the market, who may attempt to take market share by discounting merchant service fees or financially incentivising local retailers.

Technology outages

As an online provider of financial services, Zip is heavily reliant on the availability of communications networks and cloud services providers. Outages have the potential to prevent both customer acquisition, payment processing, and the day-to-day operation of the Zip platform. Extended outages may damage consumer confidence in the brand.

Capacity constraints arising as a result of Zip's reliance on communications networks and cloud services providers may hinder Zip's ability to increase transaction volumes, which could adversely affect Zip's financial performance.

Data security risks

Zip Co collects personal, financial and credit related information on its customers.. Data or security breaches may compromise Zip's ability to protect customer data, which could accordingly result in breaches of privacy laws and may damage Zip's brand and reputation.

Macroeconomic conditions and bad debts

Adverse macroeconomic conditions could have an impact on the retail sector and consumers' willingness to be exposed to debt, leading to lower demand for BNPL products which could adversely affect Zip's financial performance. Sustained periods of economic downturn leading to increased unemployment, higher cost of living and increased interest rates may impact customers' ability to repay debt, leading to lower demand which could adversely affect Zip's financial performance.

Brand and product relevancy

Zip's business model relies on third party partners to originate customers. The conduct, standing, and product offerings of such partners has the potential to negatively affect Zip's brand and reputation. Separately, loss of contracts with any such key partners could have a negative impact on Zip's revenue, profitability and reputation.

There is a risk that technological changes, evolving industry standards and changing customer preferences may result in Zip's product offerings ceasing to be competitive.

Zip's ability to grow and remain competitive depends on the performance and expertise of its key management personnel, loss of which could adversely affect Zip's financial performance.



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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.

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Disclaimer and important notice (continued)

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- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

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