



# ASX Release

**30<sup>th</sup> November 2020**

## **Annual General Meeting: Managing Director / CEO Presentation**

Zip Co Limited (ASX: Z1P) attaches in relation to its Annual General Meeting, the following documents:

- Managing Director / CEO Presentation.

Release approved by the Chief Executive Officer on behalf of the Board.

– ENDS –

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### **About Zip**

ASX-listed Zip Co Limited (Z1P: ASX) 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, home, health, automotive and travel industries. Zip has operations across Australia, New Zealand, South Africa, the United Kingdom and the USA. Zip also owns Pocketbook, a leading personal financial management tool. The company is focused on offering transparent, responsible and fairly priced consumer and SME products. Zip's platform is entirely digital and leverages big data in its proprietary fraud and credit-decisioning technology to deliver real-time responses. Zip is managed by a team with over 100 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)

# Zip Co Limited Annual General Meeting

30 November 2020





### Our Purpose

**The freedom to own it**

### Our Mission

**To be the first payment  
choice, everywhere and  
every day**





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# 01 Company Overview



# Zip at a glance



\$4.8bn+

Annualised  
volume<sup>1</sup>



\$300m+

Annualised  
revenue<sup>1</sup>



140%+

YoY transaction  
growth<sup>2</sup>



500

Employees



4.8m

Customers<sup>3</sup>



36.5k

Merchants<sup>3</sup>

ZIP IS A LEADING GLOBAL BNPL PLAYER WITH OPERATIONS ACROSS FIVE  
MARKETS: AUSTRALIA, NEW ZEALAND, UK, USA AND SOUTH AFRICA



Source: Pro-forma figures based on Zip unaudited financials as of 31 October 2020. Note: 1. TTV and Revenue are FY21 YTD annualised (31 October 2020), 2. October 2020 vs October 2019, 3. As at 31 October 2020.











# Through our digital ecosystem, Zip brings customers and merchants together for fair and valued payment experiences

## CUSTOMERS

-  Spend everywhere (online and instore)
-  Payment flexibility
-  Interest free terms
-  Exclusive deals and offers
-  Budgeting tools (via Pocketbook)
-  Cashback
-  Bill payments



## MERCHANTS

-  Data and customer insights
-  Accept Zip payments (online and instore)
-  BNPL for business
-  Demand generation and customer referrals
-  Higher AOV and checkout conversion
-  Marketing tools



# Financial responsibility underpins our business

## HOW WE WORK



Interest free terms,  
flexible repayments and  
transparent fees



Credit and ID checks  
for all applicants



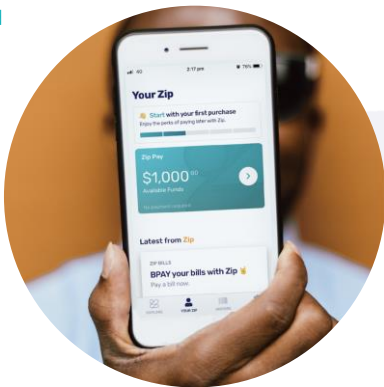
A revenue model that  
**does not rely** on  
customers falling behind



Uniquely paired with  
**financial management**  
**tools** to encourage  
responsible spending



Tailored account limits  
with great transparency



Significant investment  
in our **decisioning**  
**technology** and **data**  
**science** teams

## WHAT IT DELIVERS

# Higher

### Average Zip credit score

Compared to the average 'Big 4' credit card applicant

# 1/100

### Zip customers are late<sup>1</sup>

In any given month compared to 1/6 for credit cards and other BNPLs

# 0.89%

### Arrears<sup>2</sup>

An outstanding result in this climate and a forward indicator on future performance





# Our business model continued to deliver during COVID-19 and remains resilient



## Spending Habits

- A rise in spend across electronics, health, fitness and home improvements
- Exposure to the significant growth in online spend; now ~85% of Zip transactions
- Everyday spend a key Zip use case



## Business Model

- Monthly repayment rates are now higher than pre-Covid
- Monthly arrears rates have dropped to 0.89%<sup>1</sup> in October 2020
- Customer hardships are now less than 1k, lower than pre-Covid levels<sup>2</sup>



## Merchants

- Diversified merchant base with limited exposure to vulnerable sectors
- Zip Business products are tailored to help get SMEs back on track
- Access to Phase 1 and 2 of the Australian Government SME Guarantee Scheme



## Our DNA

- Our unique DNA and ability to quickly respond to change has allowed us to:
  - Seamlessly adopt remote working
  - Innovate and execute remotely
  - Maintain our culture



# We are Zip

## We move fast

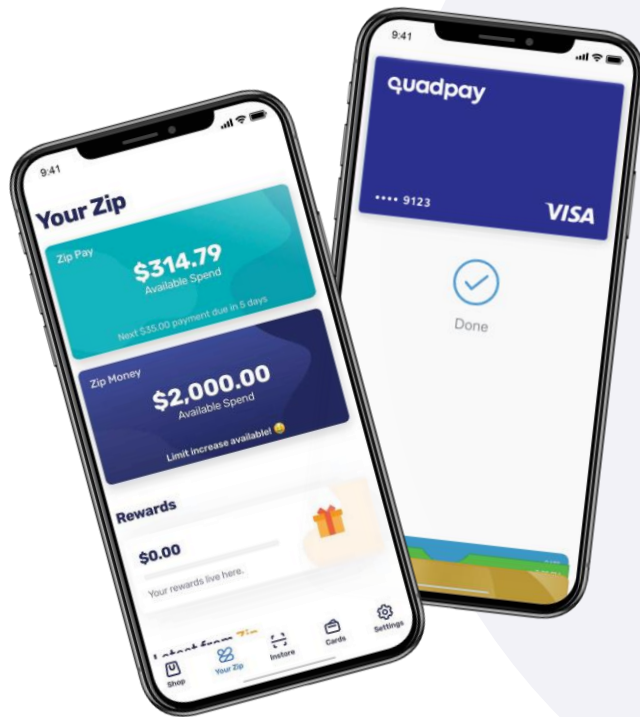
It's all in the name

## We execute on our mission

Tap & Zip, everywhere and every day<sup>1</sup>

## We constantly innovate

Driven by customer, merchant and business needs



“

True to their brand the Zip team move at pace. Working alongside Zip and Marqeta, the launch of Tap & Zip has been one of our fastest implementations to date, enabling Zip users to instantly generate a virtual card and add this to their digital wallet.

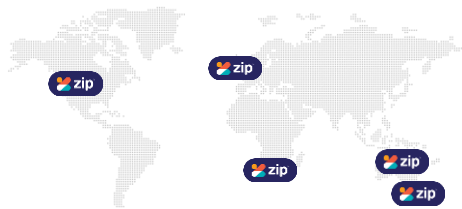
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**Julian Potter,**  
Visa, Group Country Manager for Australia,  
New Zealand and South Pacific

# 02 Results Update



# Business highlights



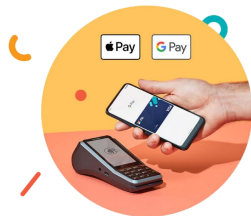
**Continued growth** in AU, **scaling** in the US and an imminent UK **launch**; Zip reached \$4.8bn<sup>1</sup> TTV and 4.8m<sup>2</sup> customers



**Strong unit economics**, achieving cash GP margins of ~50% in AU and NTM >2% in US in FY20



Continued to drive customer awareness, **app downloads** now more than **5m<sup>2</sup> globally**



Launched Tap & Zip to **unlock everyday spend** and grew our merchant base to 36.5k<sup>2</sup> globally



Maintained **strong credit performance** in a challenging climate with monthly arrears reducing to 0.89%<sup>3</sup> in October



**Launched Zip Business** and secured a partnership agreement with eBay to strengthen our SME network

# Strong results in FY20, providing momentum into FY21

145%

\$3.2b

Transaction Volume  
(Pro forma)

FY19 \$1.3b



175%

\$253m

Revenue  
(Pro forma)

FY19 \$91m



120%

4m

Customers  
(Pro forma)

FY19 1.8m



65%

\$1.2b

Receivables  
(Pro forma)

FY19 \$723m

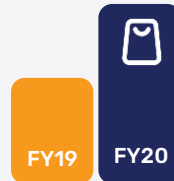


70%

29k

Retail Partners  
(Pro forma)

FY19 17k



60bps

2.24%

Net Bad Debts<sup>1</sup>

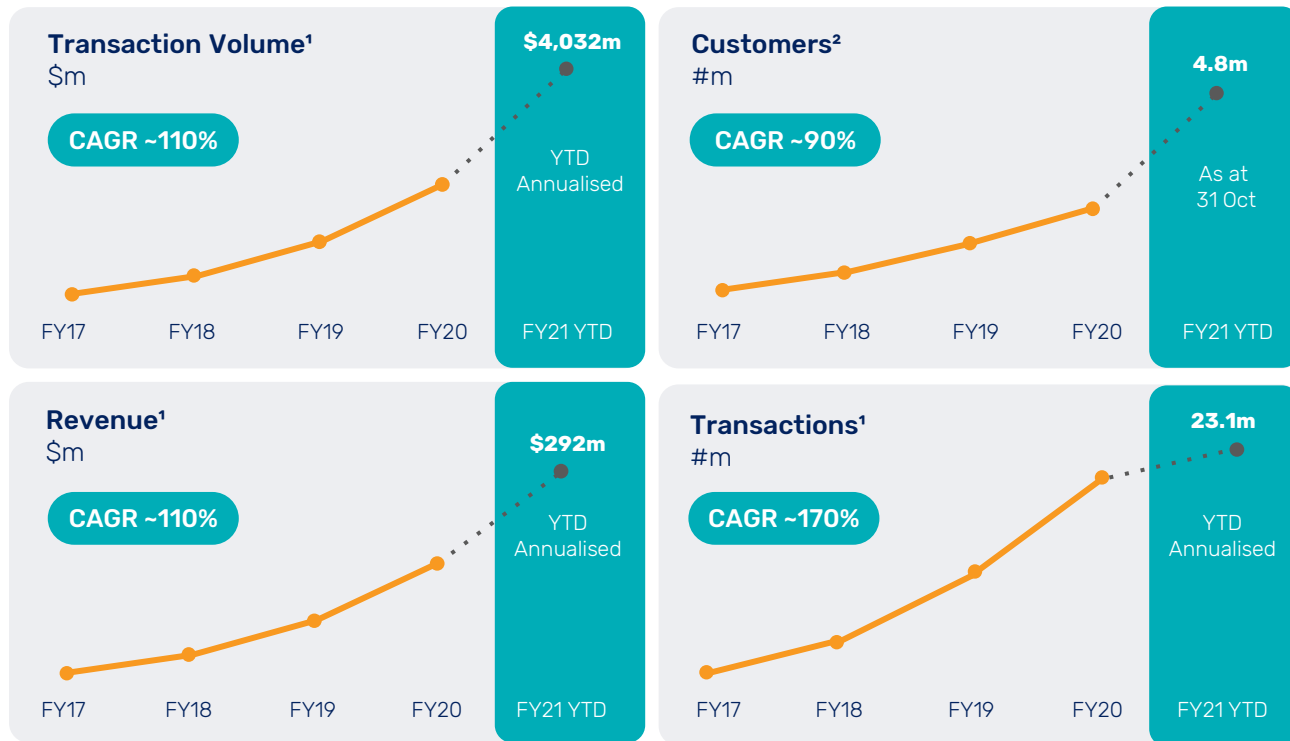
FY19 1.63%



# We continue to deliver significant YoY growth

A strong YTD performance globally, points to accelerated growth.

November seasonal trading period set for another Zip record.



Source: Pro-forma figures based on Zip unaudited financials as of 31 October 2020.

Note: 1. TTV, Revenue and Transactions are FY21 YTD annualised (31 October 2020), 2. Customer numbers are as at 31 October 2020, 3. CAGR is calculated across FY17 to FY20.

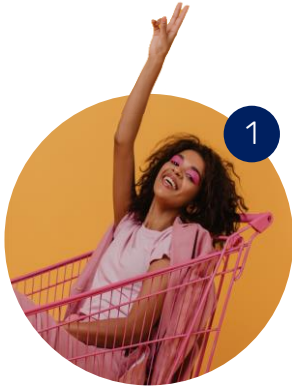


# 03 Our Strategic Priorities





# We set out to execute on four strategic priorities in FY21



## Payment acceptance

- Deliver on Zip's mission to be the first payment choice everywhere, every day
- Capitalise on the instore BNPL opportunity
- Expand into everyday categories and broaden the tier 1 merchant account base



## App engagement

- Continue to invest in one of Australia's top financial apps, deepening user engagement
- Increase penetration in new user segments
- Increase the number of monthly transacting users and their frequency



## Global expansion

- Post completion, rapidly accelerate Quadpay's growth
- Launch the UK in FY21
- Explore new market opportunities



## Zip Business

- Launch Zip Business, Zip's BNPL and credit offering for SME's
- Rollout additional products to our retail partners and small businesses to support continued growth

# We reimagined BNPL for our customers, enabling spend everywhere, every day

Our Australian business continues to deliver exceptional results and launch BNPL innovations:



Became a principal issuer of Visa in October



Launched Tap & Zip, reimagining BNPL in-store for customers

Tap and Zip is driving increased spend in everyday categories:



Grocery



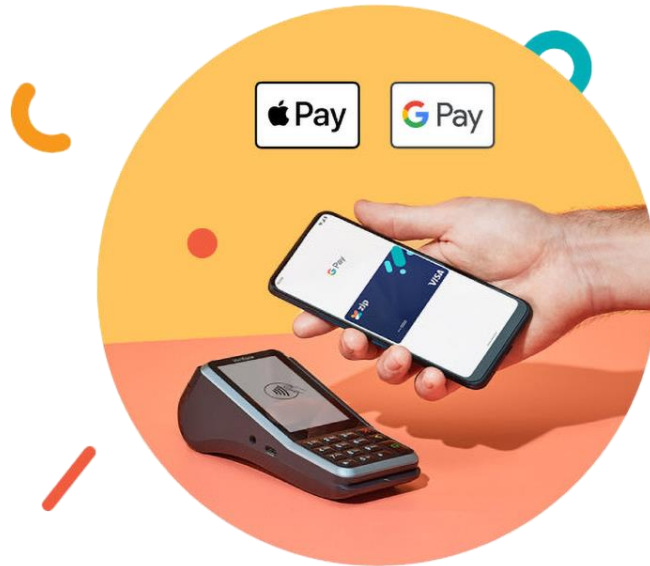
Fuel



Department stores



Transport



# We continue to grow our global merchant network

Across Australia, New Zealand, the US and UK our global merchant network continues to grow at pace

## 74%

YoY growth in our global merchant network

## 36.5k<sup>1</sup>

Our network has grown from 21k in October 2019

Source: Pro-forma figures based on Zip unaudited financials as of 31 October 2020.  
Note: 1. As at 31 October 2020.



# Loved by customers, our apps are growing rapidly across the globe

5.2m

Downloads globally<sup>1</sup>

1.9m

Monthly App Users globally<sup>1</sup>

≥4.6

On Apple Store globally<sup>2</sup>

≥4.4

on Google Play globally<sup>2</sup>

>200%

YoY growth in downloads globally<sup>1</sup>

140%

YoY growth in transactions globally<sup>3,4</sup>

2

App Engagement

Note: 1. Numbers are sourced as at 31 October 2020 from internal sources and App Annie, 2. Based on local Apple and Google stores ratings where Zip is present, 3. Based on Zip's unaudited financials as at 31 October 2020, 4. July to October 2019 vs July to October 2020.

# Tap & Zip driving increased customer engagement and transaction frequency

## TAP & ZIP

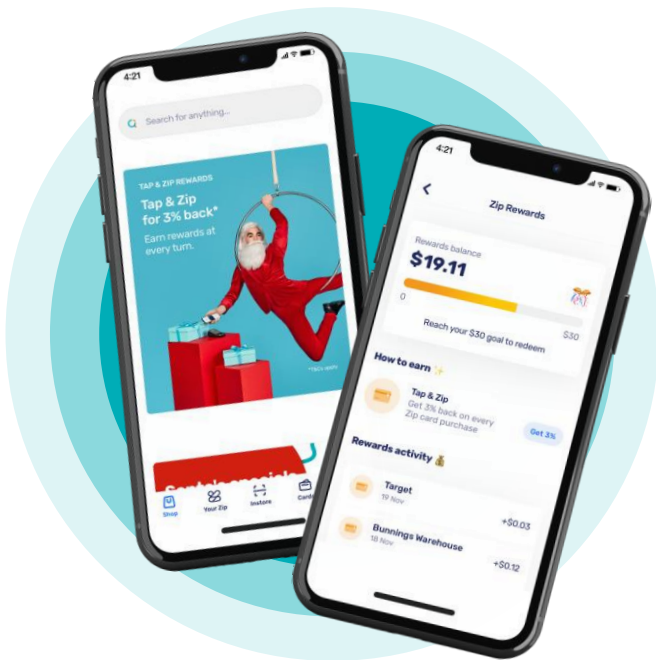
6+

transactions

Initial Tap & Zip results highlight an uplift in customer engagement with early adopters transacting 6+ times in November 2020

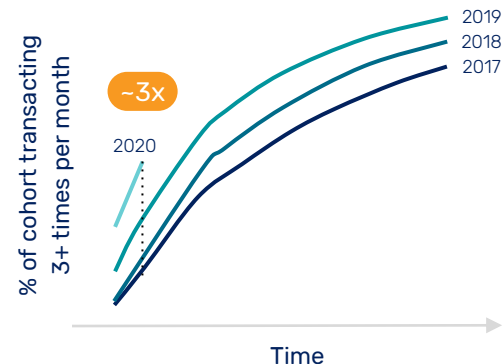
## CASHBACK

Launched Zip's first cashback experiment to deliver additional value during the seasonal trading window



Our strategic choices in Q1 are driving immediate improvement in customer engagement

Highly frequent users as a share of new cohorts has grown 3x



# The global BNPL market is significant and Zip is investing to capitalise on this opportunity



## Growth drivers



**Debit card** usage has overtaken credit cards<sup>7</sup>



**E-commerce** is growing rapidly across the globe and is forecast to reach ~US\$5tn in 2021<sup>8</sup>



**Large global under 35 population** accounting for over 55% of BNPL users<sup>9</sup>

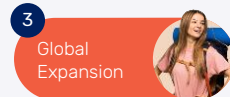
Zip recently established a dedicated New Markets division to lead the active pursuit of a number of global growth opportunities

# Our US business is a growth engine

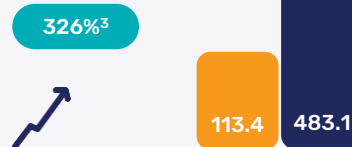
With an addressable retail market of ~\$5t<sup>1</sup>, our strategic acquisition of Quadpay in the US is delivering significant value with strong momentum for further growth

 **>320%** YoY growth in TTV

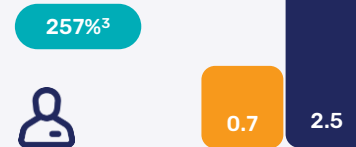
 **2.5m** Customers and over 15k app daily downloads in November



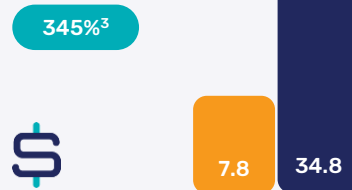
TTV  
Jul-Oct 19 vs 20  
\$m



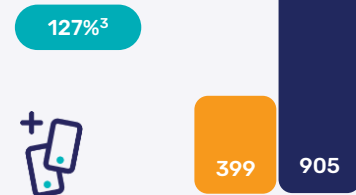
Customers  
Oct 19 vs Oct 20  
#m



Revenue  
Jul-Oct 19 vs 20  
\$m



App downloads  
Jul-Oct 19 vs 20  
#000



Source: 1. US Census 2019 2. Pro-forma figures based on Zip unaudited financials as of 31 October 2020.  
Note: 1. TTV, Revenue and Downloads are July to October 2020, 2. Customer numbers are as at October 2020,  
3. Growth on prior corresponding period (YoY).





# We have secured a number of strategic partnerships

- Integrated multiple Internet Retail 100<sup>1</sup> merchants including Fanatics and GameStop
- Partnered with Fiserv, a leading US payments processor to offer BNPL instalments to their large merchant base
- Became the first BNPL to launch a Chrome Extension. An innovation that allows customers to pay later on any website, utilising unique virtual card technology alongside a Google plug-in

FASHION **NOVA**

 **Fanatics**

**GameStop**

 **PGA TOUR  
SUPERSTORE**

 **TickPick**





**quadpay**

Enabling shoppers to pay in instalments, in one-click, everywhere they shop online



# Zip is officially landing in the UK



- ✓ A strong team of 25+ on the ground to grow the pipeline and support execution at scale



- ✓ Several large enterprise merchants secured for launch



- ✓ Leveraging global and local e-commerce channel partnerships

\$600bn<sup>+</sup>

- ✓ Addressable retail market worth over \$600bn<sup>1</sup> and Europe's largest e-commerce market<sup>2</sup>



- ✓ Over 150 merchants already live on the platform across a range of verticals



- ✓ Global relationships are being leveraged to drive growth and are gaining traction



# We are scaling Zip Business

Small business represents a significant market opportunity, which has been notoriously underserved by the banks, and looking for new growth opportunities post Covid.

Following a successful pilot to understand SME needs, Zip is now well placed to capitalise on this market segment:

- **Enterprise partnerships** unlock access to thousands of small businesses
- Large opportunity in the existing partner base of **28.5k<sup>1</sup> vendors and merchants**
- A seamless **end-to-end product offering** for SMEs to accept payments, pay expenses and fund growth
- **Track-record** of servicing the SME sector for the past seven years



# The building blocks are in place for accelerated global growth



## MASSIVE GLOBAL OPPORTUNITY

Market leader in a fast growing \$1.2t<sup>1</sup> global instalment segment. Immediate access to ANZ, UK, US and SA geographies with a portable instalment technology platform.



## NETWORK-DRIVEN BUSINESS

\$4.8b<sup>2</sup> in annualised transaction volume, 4.8m<sup>3</sup> customers and 36.5k<sup>3</sup> retail partners across the globe, driving a connected ecosystem between customers and merchants.



## PRODUCT INNOVATION AND EXECUTION

Investments in real-time decision-technology and a highly scalable platform are enabling Zip to launch new payment experiences and execute on global opportunities.



## WELL CAPITALISED

~\$1.5b in receivables funding from major Australian banks (NAB), Goldman Sachs and public markets to support global growth.



## ATTRACTIVE UNIT ECONOMICS

Combined Cash GP margins of ~50% in AU and market leading net transaction margins in US >2%. Focused and disciplined investment into new markets to drive growth and shareholder value.



## CORPORATE RESPONSIBILITY

Strong focus on supporting our customers, our Zipsters and the community, centred around digital, interest free and transparent products.





Thank you



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