

27 April 2017

## Q3 FY17 QUARTERLY UPDATE

**zipMoney Limited** (ASX: ZML) (**zipMoney, Zip** or the **Company**) is pleased to announce its quarterly performance for the period ending 31 March 2017, otherwise referred to as Q3 FY17.

### THIRD QUARTER HIGHLIGHTS

- Record quarterly revenue of \$4.6 million and \$11.2 million YTD (restated<sup>4</sup>)
- Transactions on the platform increased by 66% over the quarter, reflecting a 49% increase in merchants and an 62% increase in customer numbers
- Transaction volume reached \$61 million for the quarter (up 22% from Q2 FY17) with more than \$200 million originated on the platform to date
- Receivables increased to \$115 million, up 31% on Q2 FY17; bad debts were 1.2%
- Announced \$200m financing arrangement with a Big 4 Australian bank
- Partnership with eWAY, Australia's largest payments platform

### COMPANY UPDATE

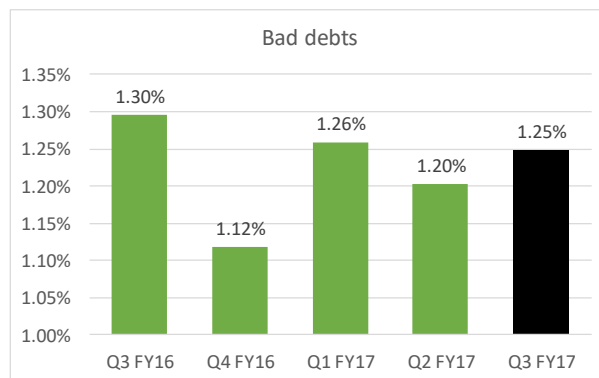
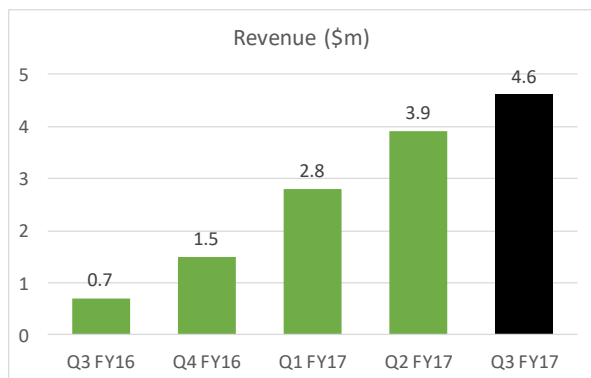
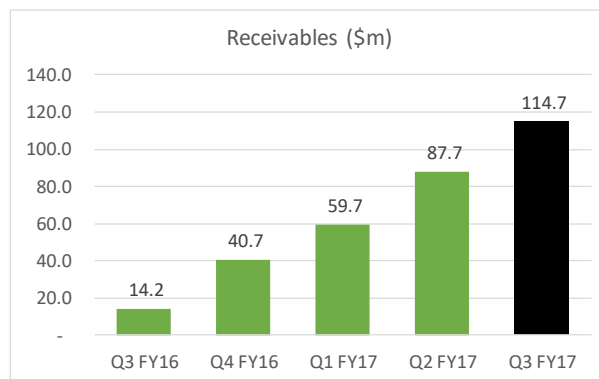
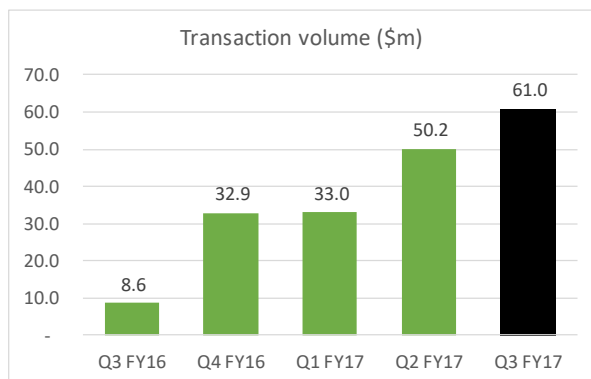
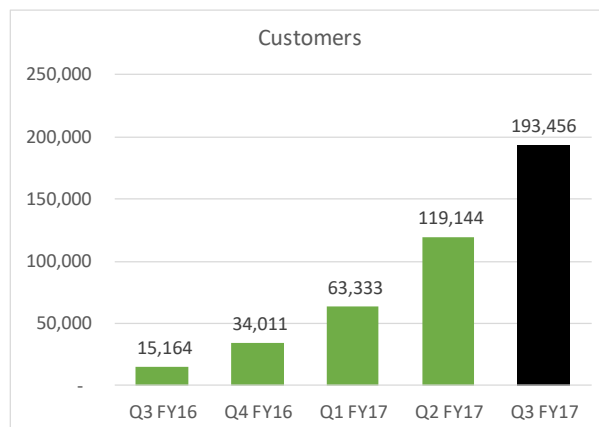
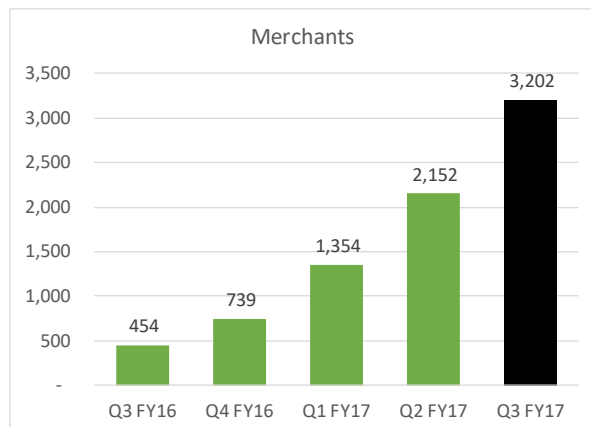
The Company has continued to deliver rapid growth in its underlying operations.

Financial and Operational Performance	Q3 FY17 Results (unaudited)	% increase on Q2 FY17 (unaudited)
Merchants <sup>1</sup>	3,202	49% ↑
Customers <sup>2</sup>	193,456	62% ↑
Receivables <sup>3</sup>	\$114.7m	31% ↑
Transaction volume	\$61.0m	22% ↑
Transactions	158,668	66% ↑
Revenue <sup>4</sup>	\$4.6m	18% ↑

1. Number of accredited merchants
2. Number of active customer accounts
3. Amounts due from Customers (Receivables)
4. Portfolio income (restated per half year accounts)

Managing Director and CEO Larry Diamond said:

*“This quarter saw a significant jump in transactions, supported by strong growth in zipPay-accepted retailers and an increased re-purchase rate across the entire Zip customer base. The Company added hundreds of stores to the marketplace and the pipeline has never looked better across all products and vertical segments. zipMoney prides itself on its consumer-friendly offerings and responsible lending practices, evidenced by the continued strength of our credit performance.”*



Notes: (i) Based on unaudited financials; (ii) Receivables gross, before provisions; (iii) Revenue in line with Portfolio Income (per Half Year Report); and (iv) Bad debts defined as those accounts greater than 180 days' delinquent. Annualised as a percentage of gross receivables.

For the quarter ending 31 March 2017, the Company grew its receivables to \$115 million, up 31% on the previous quarter, on \$61 million in transaction volume. This generated revenue of \$4.6 million, reflecting continued growth across the entire payments platform.

The number of transactions for the quarter was up 66% and transaction volume grew by 22%. This was supported by significant growth in customer numbers, which were up by 62% over Q2 with 900 customers added to the platform each day.

zipMoney grew its merchant base by approximately 50% over the quarter, with continued growth in the mid-market and SMB segments a direct result of continued investment in channel and platform partnerships. A number of lighthouse brands also joined the platform, detailed below.

## **MERCHANT UPDATE**

zipMoney increased its merchant numbers to over 3,200 across Australia. The Company continued to diversify its end-customer industries, including retail, food and hospitality, travel, health services and consumer electronics – demonstrating the versatility of Zip’s core offerings.

The Company continued its push into the \$15 billion travel and leisure sector with the onboarding of TripADeal, one of Australia’s leading travel deal sites. The Company continues to expand its presence within the travel sector and looks forward to updating the market with further partnerships.

zipMoney welcomed a range of merchants in the quarter that either went live on the platform or are currently in integration:

<b>Baby Bunting</b>	<b>Forever New</b>	<b>Camilla</b>	<b>Napoleon Perdis</b>	<b>Matt Blatt</b>
<b>TripADeal</b>	<b>Dusk</b>	<b>Living Social</b>	<b>Deals.com.au</b>	<b>Decjuba</b>
<b>Catch of the Day</b>	<b>Crazy Domains</b>	<b>Epson</b>	<b>PC Case Gear</b>	<b>4WD Supacentre</b>

## **CHANNEL UPDATE**


### *eWAY partnership*

In the quarter, zipMoney announced a strategic partnership with eWAY, part of US giant Global Payments. eWAY is Australia’s largest online payment gateway and processes more than 25 percent of all online payments. The partnership will see the roll out of the Zip digital wallet solution as a core offering to over 30,000 online retailers in Australia and millions of Australian shoppers.

### *Retail Directions*

zipMoney has also announced a strategic partnership with Retail Directions, one of the leading providers of point-of-sale and retail technology solutions to Australian and International retailers. The engagement with Retail Directions further accelerates the growth of zipPay, making the interest free solution available at point-of-sale (POS) in thousands of stores nationwide. An integration with Retail Directions’ eCommerce platform is also being planned.

The Company continues to invest in channel and point-of-sale partnerships to rapidly accelerate the acceptance of Zip in as many locations as possible. zipMoney is currently in discussions with several parties and looks forward to announcing further partnerships in due course.



### *In-store payments*

With over 90% of all retail transactions taking place in-store, this is a core focus for the Company. To this end, the Company continues to invest in both channel partnerships, as well as, optimising the customer and retailer experience. Hundreds of stores now offer Zip in-store, and the feedback and conversion from the process has been very encouraging. Zip is now offered as a payment option at thousands of physical locations nationally where customers are able to transact using a PIN (payment code) at checkout.

### **RECEIVABLES UPDATE**

As at 31 March 2017, receivables were \$114.7 million, up 31% over the previous quarter. The customer repayment profile continues to remain healthy at 13% of opening receivables balance repaid each month.

The reported arrears rate was 1.8% and bad debts were at 1.2%, both well below industry standards. The strong credit performance continues to validate zipMoney's investment in its 100% owned proprietary credit and fraud decision technology.

Executive Director & COO Peter Gray said:

*"The strong performance of the loan book continues to demonstrate the power of our proprietary credit and fraud decision technology. The repayment ratio as a percentage of receivables is also a strong validation of our core mandate to build long-term relationships by providing transparency and genuine payment flexibility through the offer of fair and financially responsible products.*

*We are continuing to iterate our credit and fraud decision technology, with significant amounts of both application and performance data available to optimise and improve this capability. As the business grows we will continue to add further data sources, along with machine learning and broader modelling techniques to drive better outcomes for both the business and our customers."*


### **POCKETBOOK AND DATA SCIENCE**

The Pocketbook business continues to demonstrate strong organic growth closing the quarter at approximately 325,000 users (over 13% growth on Q2). Key developments over the quarter included increased coverage of financial institutions and the "While You Were Away" feature which provides real-time, data-driven user insights. Also underway are major improvements to the platform's industry-leading transaction analysis and categorisation engine, with completion next quarter driving increased automated, more granular sub-categories, as well as structured meta data. These changes will power the next generation of product features, providing a more personalised customer experience with continued enhancements to decision automation and credit profiling across the Group.

### **CORPORATE AND FUNDING**

During the quarter, cash receipts from customers were \$4.6 million. Staff, administration and corporate costs were \$4.2 million, reflecting the ongoing investment in the systems and people required to support the Company's growth strategy.

Cash outflows to interest paid increased to \$2.5 million (\$1.8 million in Q2) commensurate with the increase in customer receivables. Total cash flows from operating activities for Q3 FY17 resulted in cash outflows of \$2.2 million.



zipMoney continues to enjoy strong economies of scale as a result of the ongoing investment in the Company's 100%-owned proprietary credit and fraud decision technology. Cash at the end of the quarter was \$11.1 million, plus \$7.1 million in restricted cash.

During the period, zipMoney increased the size of its committed debt facilities to over \$170 million (drawn \$118 million) to support the continued growth of its receivables.

zipMoney is currently finalising documentation and is on track to close an additional \$200 million asset-backed financing arrangement with a Big 4 Australian bank in Q4 FY17. It is expected that the new facility will approximately halve the weighted average cost of capital of the current loan facility, leading to a material direct contribution to the Company's bottom line. It is also expected that the Company will refinance c.\$75 million at closing with no prepayment penalty. The Company continues to forecast cashflow breakeven in FY18.

– ENDS –

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**About zipMoney**

ASX-listed zipMoney (ZML: 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, education, health and travel industries. It operates under the zipPay and zipMoney brands. The Company is focused on offering transparent, responsible and fairly priced consumer products. zipMoney's platform is entirely digital and leverages big data in its proprietary fraud and credit decisioning technology to deliver real-time consumer responses. zipMoney 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 visit: [www.zipmoneylimited.com.au](http://www.zipmoneylimited.com.au)

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

zipMoney Limited

**ABN**

50 139 546 428

**Quarter ended ("current quarter")**

31 March 2017

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		4,643	11,159
1.2 Payments for			
(a) research and development			
(b) product manufacturing and operating costs			
(c) advertising and marketing		(130)	(245)
(d) leased assets			
(e) staff costs		(1,868)	(3,871)
(f) administration and corporate costs		(2,343)	(4,711)
1.3 Dividends received (see note 3)			
1.4 Interest received		32	156
1.5 Interest and other costs of finance paid		(2,525)	(5,549)
1.6 Income taxes paid			
1.7 Government grants and tax incentives			
1.8 Other (provide details if material)			
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(2,191)</b>	<b>(3,061)</b>

<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire:			
(a) property, plant and equipment		(60)	(498)
(b) businesses (see item 10), net cash acquired			(1,870)
(c) investments			

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(d) intellectual property		
	(e) other non-current assets	(1,013)	(2,576)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Others		
	Net movement in		
	- Receivable and customer loans	(27,140)	(75,588)
	- Borrowings	36,375	84,500
2.6	<b>Net cash from / (used in) investing activities</b>	<b>8,162</b>	<b>3,968</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	25	10,850
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(666)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	<b>Net cash from / (used in) financing activities</b>	<b>25</b>	<b>10,184</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	12,185	7,090
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,191)	(3,061)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	8,162	3,968

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	25	10,184
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>18,181</b>	<b>18,181</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	11,000	11,105
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (restricted cash)	7,181	1,080
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>18,181</b>	<b>12,185</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
154
-

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-



8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	174,260	117,760
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

As announced on 27 February the Group is negotiating a new facility with a "Big 4" Australian Bank that is expected to be operational in Quarter 4.

9. <b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	982
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	173
9.4 Leased assets	
9.5 Staff costs	2,118
9.6 Administration and corporate costs	1,718
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows</b>	<b>4,991</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

### **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: ..... Date: .....  
(/Company secretary)

Print name: **Andrew Bursill**

### **Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.