



FY19 AGM Presentation

Zip Co Ltd (ASX: Z1P)

November 2019





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Our Purpose

The freedom to own it

Our Mission

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

Building the next digital wallet to bring customers and retailers together through a fair and valued payments experience

Customers love us

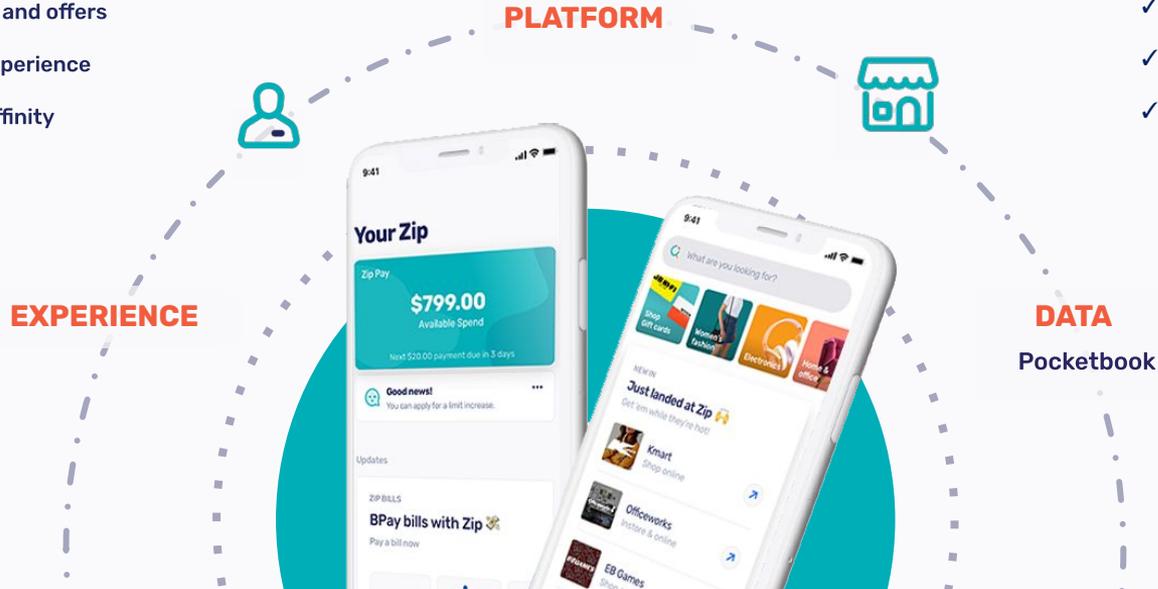
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- ✓ Interest free terms
- ✓ Payment flexibility
- ✓ Exclusive deals and offers
- ✓ Great mobile experience
- ✓ Strong brand affinity

Retailers love us

.....

- ✓ Increased sales
- ✓ Larger basket sizes
- ✓ Great repurchase rates
- ✓ Risk-free transactions
- ✓ Customer insights



Compelling Investment Case



SIGNIFICANT GROWTH

Market leader in a dynamic industry, delivering 100%+ YoY revenue growth for the last five years¹.



NETWORK-DRIVEN BUSINESS

\$1.7B² annualised volume, 1.6M customers, 20K³ retail partners and over 45K points of acceptance.



100% PROPRIETARY PLATFORM

Leveraging big data to provide sophisticated real-time credit and fraud decisions.



BRAND AFFINITY

The Zip brand lives where our customers shop each day, always front of mind.



ATTRACTIVE UNIT ECONOMICS

Cash GP margins above 50%.
Pathway to increase Cash EBTDA.



MASSIVE MARKET OPPORTUNITY

More than \$1T⁴ addressable payment market in Australia, and then there is global.



01

Company Overview



Responsibility is in our DNA

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

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

1

Interest free terms, **flexible repayments** and **transparent fees**

2

Credit and ID checks for all applicants

3

Tailored account limits with greater control and transparency

4

5

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



Delivering best in class credit performance

1.68%

Net bad debts¹

Market leading loss rates

1/100

Zip customers are late

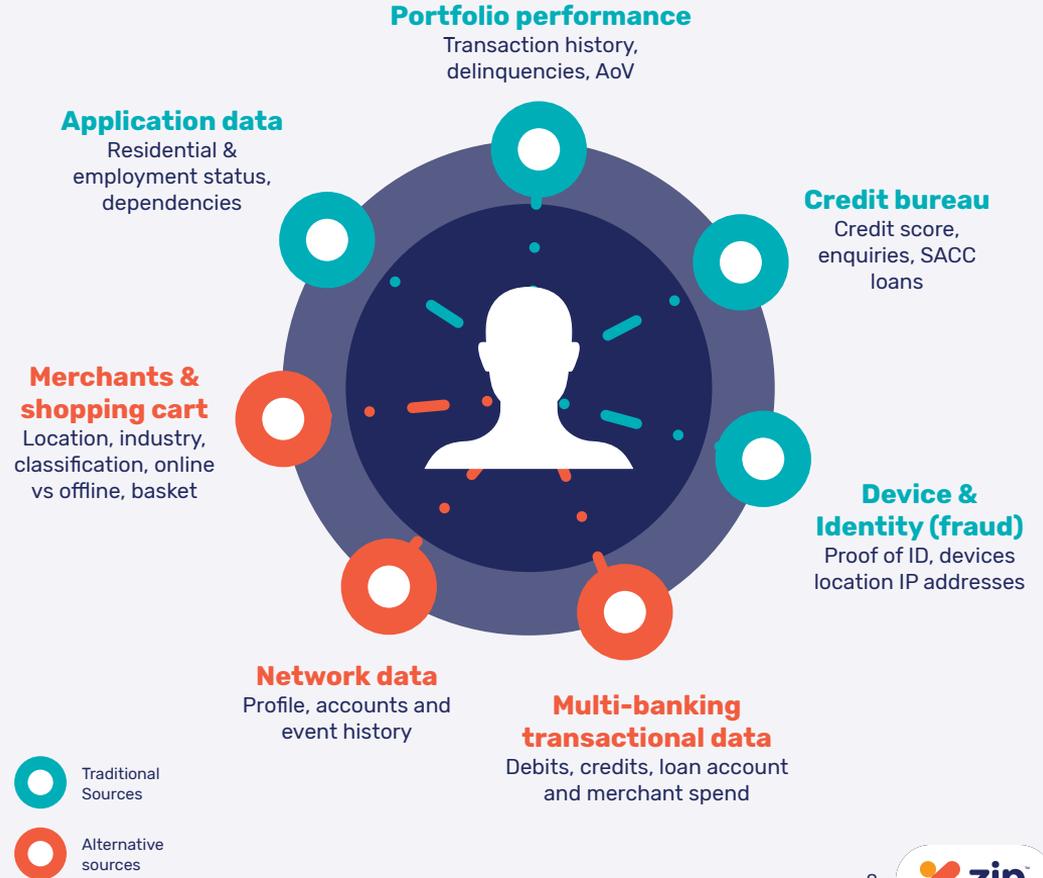
in any given month compared to 1/6 for credit cards

Higher

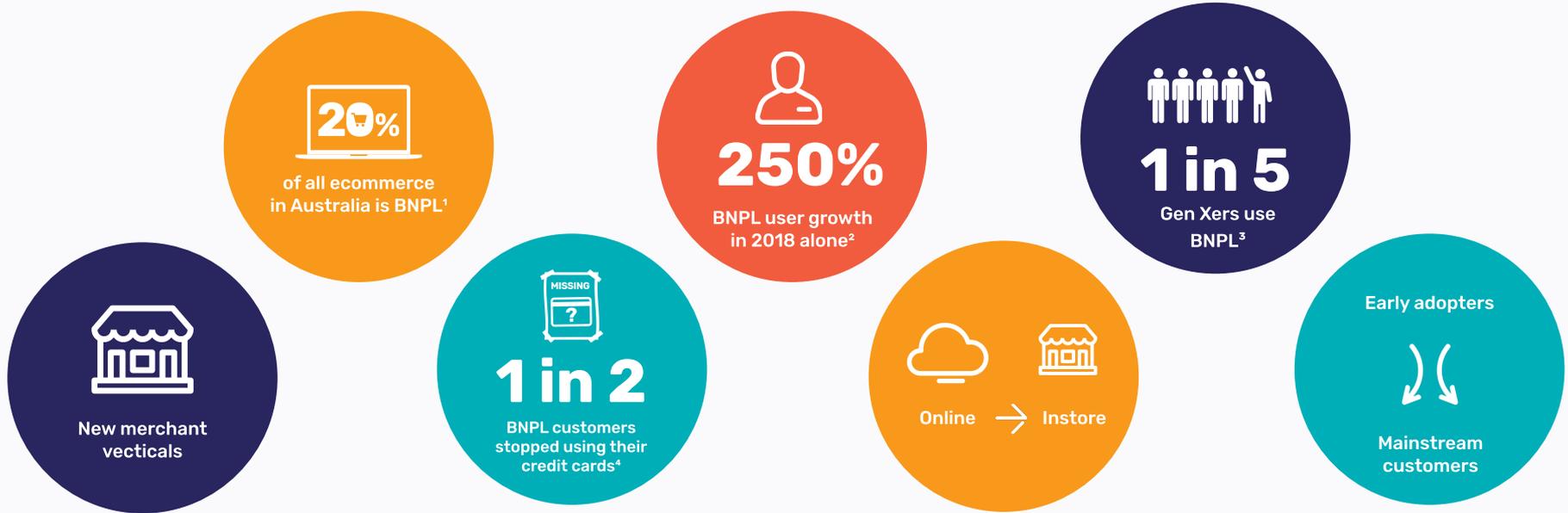
Average Zip credit score

compared to the average "big 4" credit card applicant

1. Reported as at Q1 FY20.



BNPL is no longer the alternative



1. Calculated from [Spaceship Invest] and internal data (November 2019). 2. Australian Retailers Association *Buy Now Pay Later - New? Old? Better?* (October 2019). 3. Roy Morgan *Single Source (Australia)* (February 2018). 4. Mozo *Buy Now Pay Later Report* (2019).

High quality customer base, strong demand for interest free

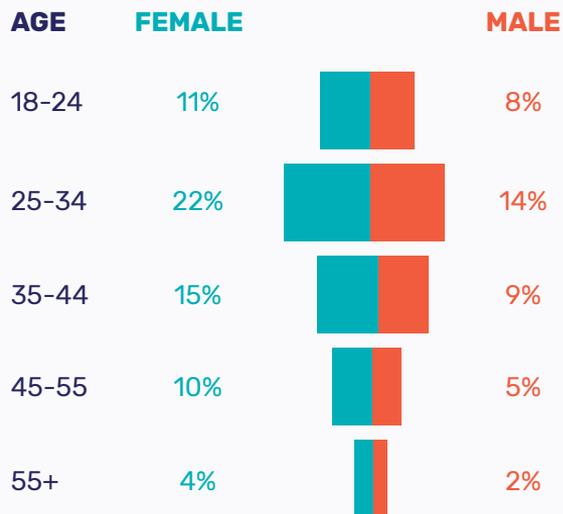
1.6m
Customers in ANZ¹

77%
Growth YoY¹

97%
Retention rate²

BY AGE²

Median age 31



ONLINE VS INSTORE³



Instore is growing

68%
Online

32%
Instore

BY EMPLOYMENT STATUS⁴



Majority have a steady income stream

- Full-time
- Part-time
- Self employment

1. Group figures include PartPay as at 31-Oct-19, 2. Retention rate calculated as total account numbers less customer churn for FY19, 3. Percentages calculated as a share of volume as at 31-Oct-19, 4. Based on Zip Money portfolio.

Our key metrics demonstrate consistent quarterly growth

Merchants¹



Customers¹ (k)



Transaction Volume¹ (\$m)



Receivables^{1,2} (\$m)



Momentum continues into 2020, with ANZ trading update to 31-Oct

1.6m

Customers
(vs 903k Oct 18')



20k

Merchants
(vs 13k Oct 18')

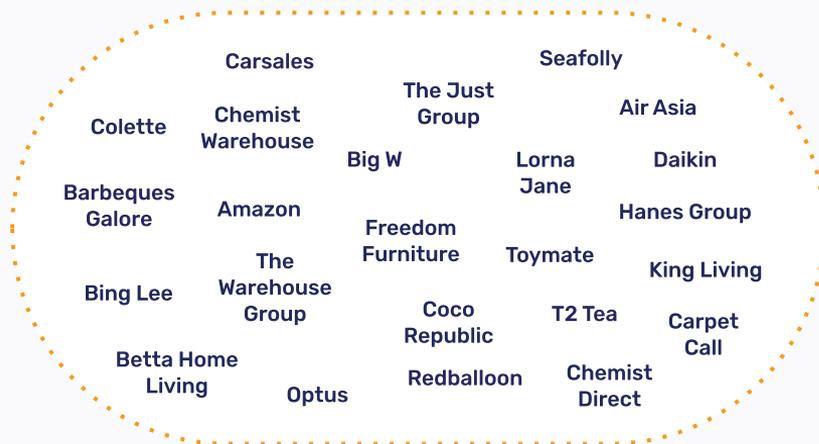


\$565m

Transaction Volume
(vs \$275m 4 months to 31-Oct YTD)



New retailers live in the last 2 months



- 4 months to 31-Oct YTD up over 100% YoY
- November set to be a record month for the Company
- Acquisition of Partpay completed 7-Nov
- Retailers incl. Amazon, Chemist Warehouse, Seafully and Optus live in November

Financial dashboard

Cash Earnings Before Tax, Depreciation and Amortisation (Cash EBTDA) as a percentage of average receivables

	H1FY18	H2FY18	H1FY19	H2FY19	1QFY20	MEDIUM TERM TARGET
Revenue Yield ¹	17.0%	17.7%	17.6%	17.1%	16.8%	18%
Cash Cost of Sales ^{1,2}	(13.2%)	(9.7%)	(8.5%)	(8.0%)	(8.0%)	(7%)
Cash Operating Costs ^{1,3}	(12.4%)	(9.6%)	(8.2%)	(7.1%)	(7.8%)	(4%)
Cash EBTDA^{1,3}	(8.6%)	(1.6%)	0.9%	2.0%	1.0%	7%

- A strong focus on investing for growth, whilst maintaining yield.
- Increased fixed costs led by brand and marketing, as well as product and engineering (eg supporting recent Amazon launch).
- Expect further reductions in debt funding following Zip's industry-first BNPL securitisation issuance.
- Targets reflect 2-3 year timeframes.

1. All figures expressed as a percentage of half year average receivables (quarterly average receivables for 1QFY20). All figures are on an annualised basis

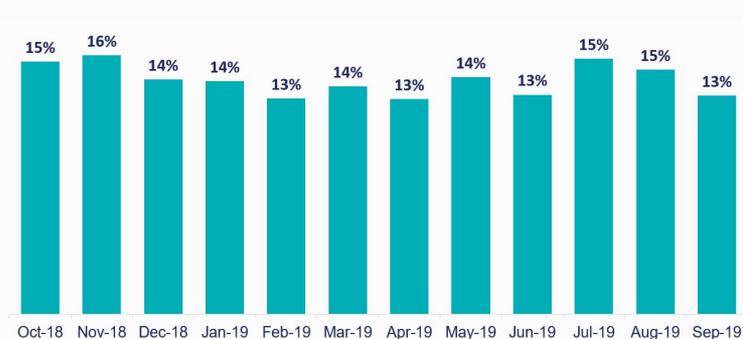
2. Cash Cost of Sales includes interest, bank fees, data costs, and bad debt write-offs. 3. Cash Operating Costs exclude funding program establishment costs, depreciation and amortisation

Strong portfolio performance

Credit Performance¹



Repayment Rate²



Decisioning models continually enhanced, driving performance

Portfolio net bad-debt rates have stabilised under 2.0%³

Arrears have averaged 1.85% over the last 6 months³

The repayment rate has averaged 14% over the last 6 months³

1. Arrears defined as those accounts greater than 60 days delinquent. Bad debts defined as those accounts greater than 180 days delinquent.
2. Repayment expressed as a percentage of receivables at the beginning of the month. 3. All figures are on an annualised basis and are based on unaudited financials.

We help retailers drive growth, risk-free



Retail **52%**

Home **21%**

Other **15%**

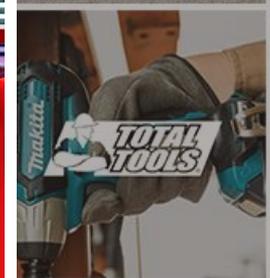
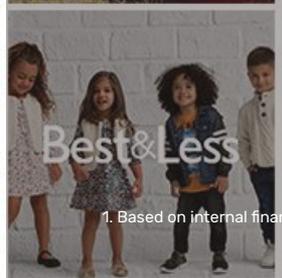
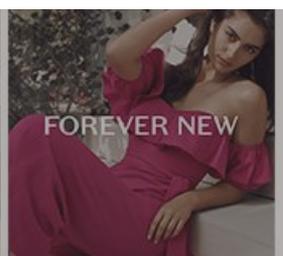
Health **6%**

Auto **4%**

Travel **2%**

↑ **47k**
points
of presence¹

↑ **20k**
businesses¹



1. Based on internal financial and marketing metrics as at 31st October 2019

Regulatory update

INDUSTRY LEADER

BNPL is not regulated under consumer credit laws, however Zip's practices still lead the industry.

Zip welcomes lifting industry standards.

BNPL CODE OF CONDUCT

Zip actively supports the Code development.

RBA AND SURCHARGES

RBA to review policy in 2020.

Zip adds value to retailers through data insights, referrals customer conversions & more.

Zip's business model and systems put in place from Day 1, position it to embrace any possible regulatory changes with little to no disruption.

i



02

2019 Highlights



2019 has been a pivotal year for Zip

TECHNOLOGY



CUSTOMER CENTRICITY



GOING GLOBAL



PEOPLE



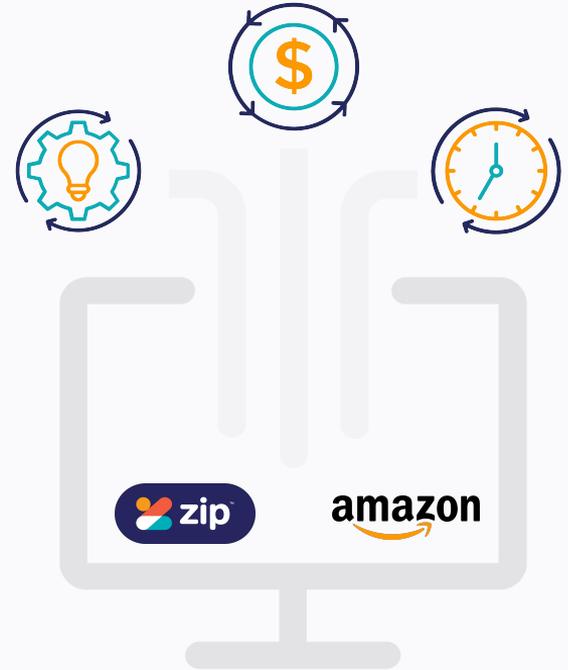
Ongoing investment in technology prepares the platform for future growth

TECHNOLOGY

- New architecture delivers step-change to system speed and stability
- New APIs deliver faster checkout experience
- Multi-region deployments for resilience and ease of entry into new markets
- New APIs and SDK allows us to target new verticals (eg ticketing and everyday)
- Heavy use of automation and tooling reduces time to production from days to minutes
- Significant investment in security

10x
Transactional capacity¹

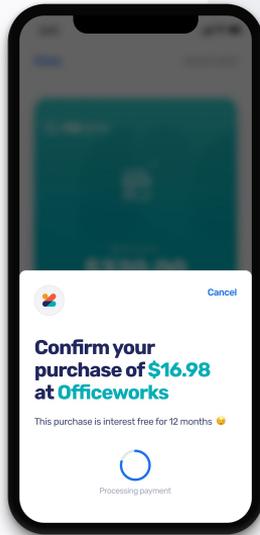
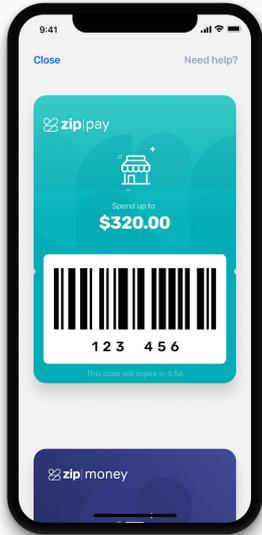
5x
Faster API response times¹



1. Based on internal testing metrics

We continue to push ourselves to deliver customer centric products

CUSTOMER CENTRICITY



Our new, faster **native instore checkout**

Launching **in-app personalisation** to drive greater engagement

One-click checkout for a frictionless buying experience



4.8
on Google Play¹



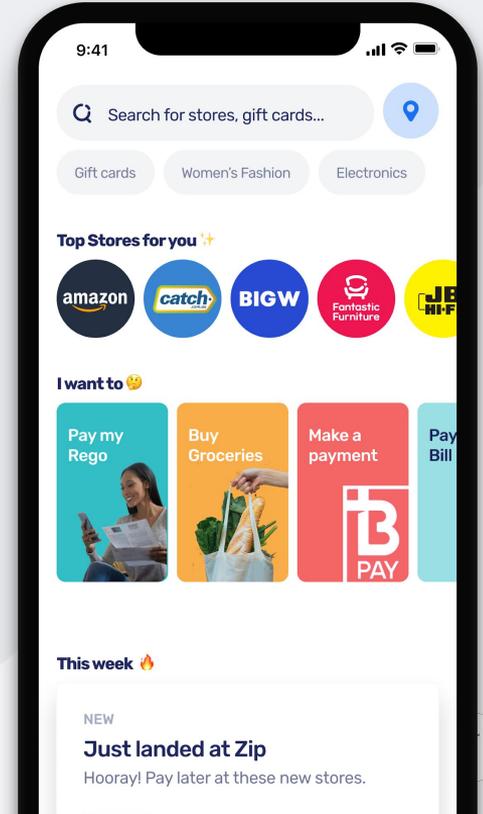
60+
NPS¹



4.9
on Apple Store¹



1.2m
Downloads¹



1. Figures are as at 31st October 2019

App usage has seen strong user engagement, new customer cohorts are transacting more often

CUSTOMER CENTRICITY

Active App Users

27%
average growth q/q²

Rebase (#)¹



Sep-18 Dec-18 Mar-19 Jun-19 Sep-19

— Monthly Active App users
at the end of the month

App Users vs Non-App Users

App users
transact on average

3.4x

more than
non-app users³...

...with only

0.73%

in arrears vs 1.03%
for non-app users⁴



New customers are transacting
30% more often from
day one compared to 2018⁵



26% higher transaction
frequency among existing
customers⁵



93% of transactions
are from existing customers⁵

1. Rebased to the number of app users as at 30 September 2018; 2. Calculated as a compounded average growth rate on the past four quarters' rebased numbers; 3. Since 30 September 2018; 4. Based on % of accounts with >65 days arrears; 5. Based on an internal cohort analysis performed in October 2019.

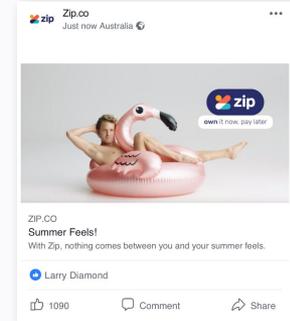
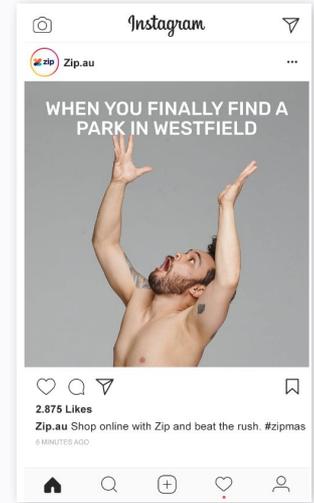
Our first brand campaign has gained solid traction in market

CUSTOMER CENTRICITY

440
screens¹

NSW,
VIC & QLD

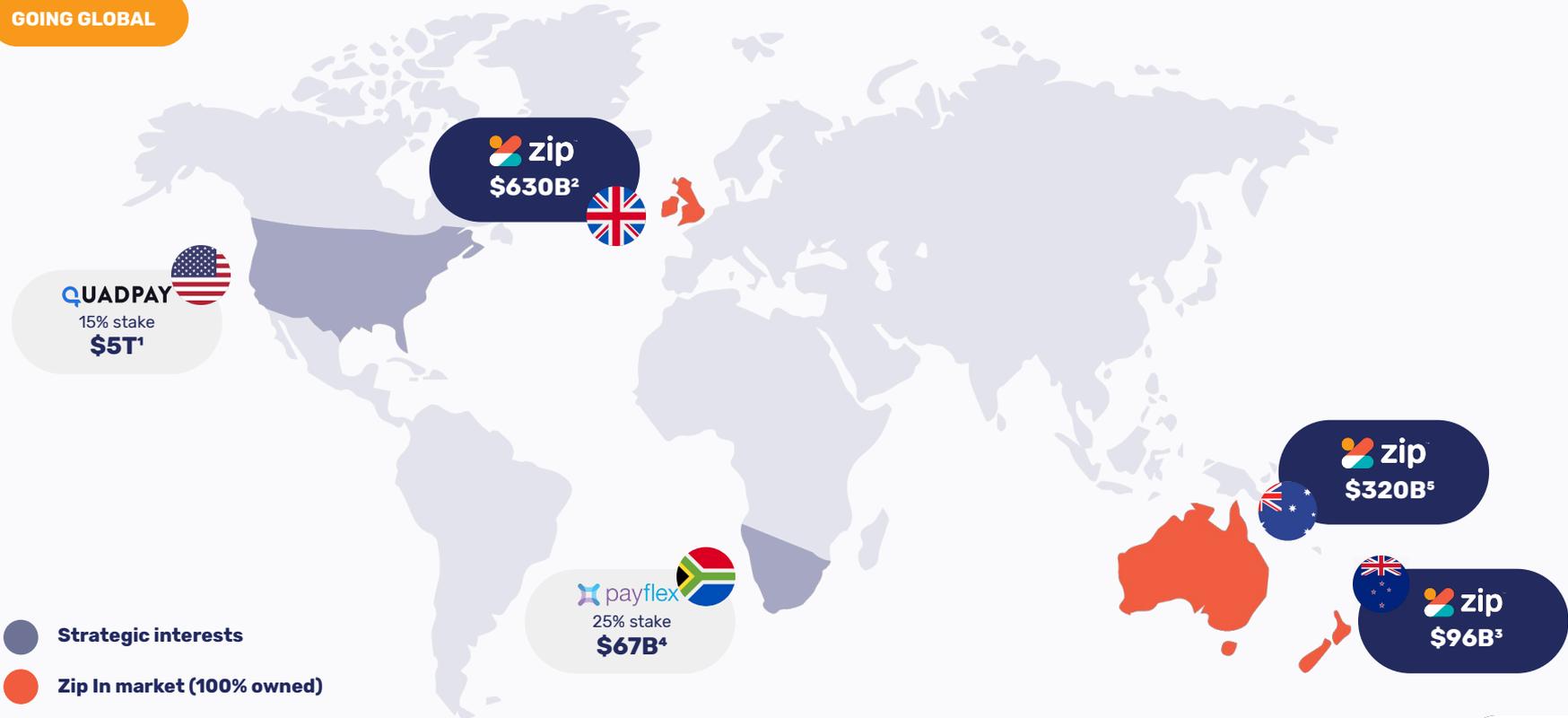
39
shopping centres¹



1. Campaign metrics are as at 31st October 2019

Taking advantage of a global BNPL opportunity

GOING GLOBAL



● Strategic interests

● Zip In market (100% owned)

1. US Census 2019 (US), 2. Retail Economics UK (2018) 3. Nielsen Insights 2018 (NZ) 4. Dept of Statistics South Africa (2019) 5. NAB Online Retail Sales Index (Dec 2018)

Made possible by our incredible team of Zipsters

PEOPLE

350+

Zipsters¹

40%

Product & Tech split¹

80%

Favourable engagement score²

New additions to the executive team

Steve Brennen Chief Customer Officer

20+ years of sales, marketing & management experience. Awarded Australia's most innovative and effective CMO by CMO50. Formerly at Uber, Paypal, Virgin and eBay.

Patrick Collins Chief Product Officer

20+ years of entrepreneurial experience across tech businesses in San Francisco. Founded, scaled and exited multiple ventures including 5th Finger.



1. As at 31 October 2019, 2. 2019 Zip Employee Engagement Survey.



03

2020 Outlook



**As we dive into 2020, the company
is focused on 3 growth areas**

CORE



PRODUCT EXPANSION



GLOBAL EXPANSION



A simple strategy to win -> more customers, transacting in more places, more often

CORE

INCREASED RETAILER ACCEPTANCE

Continue to grow the Zip network online and instore, expand into new verticals and build payments partnerships.

DEEPEN CUSTOMER ENGAGEMENT

Drive monthly transacting users via the native app, personalisation, everyday and more utility.

RETAILER INSIGHTS

Shopper insights to help drive user demand generation (eg deals and offers) and campaign management.

'BEST IN CLASS' SERVICE

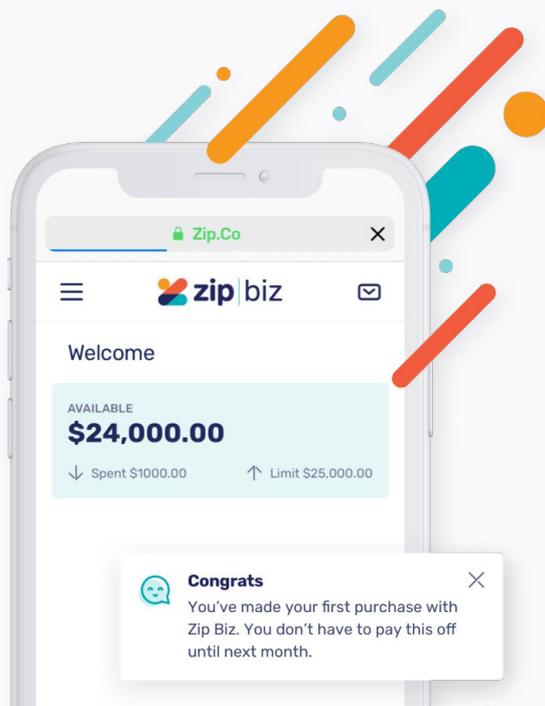
Provide quality service to both customers and retailer partners, over the phone and in-store, using the latest tech tooling.

TECHNOLOGY AND PLATFORM

Continue to invest in technology, data science and analytics driving performance levels and improving the velocity of delivery.

Zip Biz, our instalment product for small business is in *Beta*

PRODUCT EXPANSION



- Zip Biz is an interest-free digital wallet
- Up to \$25k revolving line of credit
- Instore at over 20,000 Zip retailers
- Approval in under 3 minutes!
- In market in beta, full rollout 3Q 2020

1. ABS 2019

2. NAB More Than Money Business Whitepaper 2017

57%
of GDP

2.3m
SMBs

77%
have a B2B
offering



PartPay is all Zipped up

GLOBAL EXPANSION

Acquisition completed
22 days ago on

Nov 7

Australia & New Zealand united

—
**New website
and app launched**

—
**Partpay instalment
product rebrand
to Zip complete**

—
**Leveraging AU
partner leads**

Our UK journey has begun

—
**MD hired
(Anthony Drury)
20+ years payments
experience at Amex,
PayPal, Easyjet**

—
**Scaling team
with 7 already on
the ground,
focus on sales
and marketing**

—
**Currently in soft
launch with full
rollout scheduled
for Q3 FY20**

—
**Retailer
pipeline
developing
well**

Financial targets

We are confident in our ability to drive growth, achieve targets, and expand globally with a deliberate lift, shift & scale strategy.



Thank you

