

22 January 2024

## **2Q FY24 Results and Interim 1H24 Results Update**

### **Zip delivers a very strong quarter with margin expansion and improved positive Group cash EBTDA performance**

**Zip Co Limited** (ASX: ZIP) (“**Zip**”, or the “**Company**”) today announced its second quarter results for the three-month period ending 31 December 2023 (“**2Q24**”).

The Company is also providing an interim update on its 1H24 result in relation to Group cash EBTDA. Zip continued its strong momentum and delivered positive cash EBTDA as a Group for 2Q24 driven by a strong seasonal performance in the US business. Group cash EBTDA for 1H24 is expected to be between \$29.0m and \$33.0m (including 1Q24 Group cash EBTDA of \$9.5m), vs (\$33.2m) in 1H23. Zip will report on its cash EBTDA performance in more detail at its upcoming 1H24 result.

#### **KEY HIGHLIGHTS FOR 2Q24**

- Group cash EBTDA for 1H24 is expected to be between \$29.0m and \$33.0m
- Transaction volume of \$2.8b (up 8.5% vs 2Q23)
- Quarterly revenue of \$225.6m (up 26.1% vs 2Q23)
- Revenue margin improved to 8.2% (vs 7.1% in 2Q23)
- Transaction numbers of 20.6m (up 4.1% vs 2Q23)
- Cash transaction margin was 3.5% (up from 2.8% in 2Q23)
- Active customer numbers at the quarter end of 6.3m (vs 6.1m in 1Q24)
- Zip Americas delivered a record quarter for TTV (up 31.1% vs 2Q23) and revenue (up 34.8% vs 2Q23) with a strong seasonal performance
- US bad debts continued to perform well with monthly cohort loss rates approximately 1.3% - 1.4% of TTV, below the target range of 1.5% - 2.0% and in AU net bad debts improved by 54bps QoQ to 3.64% of receivables<sup>1</sup>
- In AU, Zip launched a new product to existing customers, Zip Plus - designed for a higher-for-longer interest rate environment and expected to support revenue yield accretion
- Key enterprise merchants launched during the period in ANZ included Moshtix, Amaysim, Bang & Olufsen, National Geographic and RM Williams. Zip US announced a partnership with Google Pay which went live in January 2024

<sup>1</sup> Net bad debts is calculated as annualised net write-offs in the months of December and September (net write-offs for the month x 12) over opening receivables for the month.

- Zip's balance sheet was further strengthened and simplified with a new \$150.0m corporate debt facility and an incentivised conversion and repayment of the \$40.0m outstanding CVI Convertible Notes
- Continued deleveraging of Zip's balance sheet with the outstanding face value of Zip's Senior Convertible Notes reducing to \$68.8m at 31 December 2023. Further conversions in January have reduced the outstanding face value to \$61.9m as at 19 January 2024
- Available cash and liquidity position increased to \$81.3m (from \$53.2m on 30 September 2023)
- In the US, Zip executed an agreement to refinance its US\$225.0m receivables funding facility for three years to December 2026 and in AU, successfully refinanced Zip's Series VFN No. 2 facility in the Zip Master Trust, extending the facility to March 2025 and providing headroom for receivables and transaction growth

#### CEO UPDATE

Zip Group CEO and Managing Director, Cynthia Scott said:

*"Zip delivered an outstanding Group cash EBTDA result for the second quarter, underpinned by a particularly strong seasonal performance in US TTV, the resilience of the ANZ business, improved margins and continued cost discipline. Group cash EBTDA for 1H24 is expected to be between \$29.0m and \$33.0m, compared to (\$33.2m) in 1H23.*

*Today's result reinforces that Zip is delivering as a self-sustaining business. Group revenue grew by 26.1% and revenue margins were 8.2%, up 110bps versus 2Q23. Cash transaction margin improved 70bps versus 2Q23 to 3.5%, demonstrating the strength of the business model in a challenging external environment. We also further strengthened our balance sheet with a new corporate debt facility, refinanced receivables funding facilities in AU and the US, and saw a further deleveraging of the balance sheet with the outstanding face value of the Senior Convertible Notes reducing to \$68.8m. Available cash and liquidity also improved to \$81.3m from \$53.2m on 30 September 2023.*

*During the quarter, Zip continued its disciplined strategy execution and relentless focus on delivering for our customers and merchants. We achieved record TTV in the Americas of US\$1,133.2m, up 31.1% versus 2Q23, driven by increased customer engagement while maintaining US credit losses at 1.3% - 1.4% of cohort TTV, and the ANZ business expanded revenue margins by 310 bps versus 2Q23 to 10.5% for the period. We also successfully launched a new product in the Australian market - Zip Plus, announced a partnership with Google Pay in the US and welcomed new merchants to Zip with Moshtix, Amaysim, Bang & Olufsen, National Geographic and RM Williams joining the platform.*

*We look forward to providing a further update at our 1H24 results on 27 February. We remain focused on driving sustainable growth, product innovation and operational excellence in our two core markets as we deliver on our mission to be the first payment choice, everywhere and every day."*

## BUSINESS PERFORMANCE

Zip continues to deliver solid top-line numbers in its core markets of the Americas (US and Canada) and ANZ (Australia and New Zealand).

Reported figures are based on Zip's unaudited financials as at 31 December 2023. The growth rates presented in the table below include changes in the average exchange rate used this period versus the prior corresponding periods.

### Consumer

Financial Performance <sup>2</sup> (AUD)	2Q24	QoQ	Vs 2Q23
<b>Revenue</b>	<b>\$223.6m</b>	<b>10.8% ↑</b>	<b>27.9% ↑</b>
Americas	\$116.9m	19.5% ↑	35.5% ↑
ANZ	\$106.7m	2.5% ↑	20.4% ↑
<b>Transaction Volume</b>	<b>\$2,750.3m</b>	<b>20.0% ↑</b>	<b>3.8% ↓</b>
Americas	\$1,737.6m	24.7% ↑	32.3% ↑
ANZ	\$1,012.7m	12.6% ↑	15.6% ↓
<b>Transactions</b>	<b>20.6m</b>	<b>13.9% ↑</b>	<b>4.1% ↑</b>
Americas	9.0m	22.4% ↑	29.2% ↑
ANZ	11.6m	8.0% ↑	9.5% ↓

Operational Performance	As at 31 Dec 23	QoQ	Vs 2Q23
<b>Active customers<sup>3</sup></b>	<b>6.3m</b>	<b>1.1% ↑</b>	<b>2.5% ↓</b>
Americas	4.0m	3.0% ↑	2.2% ↓
ANZ	2.3m	1.9% ↓	3.2% ↓
<b>Merchants<sup>4</sup></b>	<b>76.2k</b>	<b>1.7% ↑</b>	<b>9.3% ↑</b>
Americas	24.1k	0.3% ↑	1.0% ↑
ANZ	52.1k	2.3% ↑	13.6% ↑

Net bad debts (% of TTV)	2Q24	1Q24	4Q23
Group	1.74%	1.99%	1.84%

<sup>2</sup> Unaudited management accounts. All financial figures are translated into AUD using the average quarterly foreign exchange rates for the respective quarter.

<sup>3</sup> Active customers defined as customer accounts that have had transaction activity in the 12 months to 31 December 2023.

<sup>4</sup> Number of accredited merchants.

### Cash and Liquidity

As at 31 December 2023, Zip had \$81.3m in available cash and liquidity, increasing from \$53.2m on 30 September 2023. The balance at the end of the quarter included \$29.1m of non-operating cash net inflows, including the following movements:

- \$24.7m of additional cash and liquidity related to Zip’s new corporate debt facility and restricted cash released from Zip’s funding facilities
- \$4.4m of inflows related to the exit of non-core businesses

Total cash on the balance sheet at 31 December 2023 was \$303.8m.

### REGIONAL UPDATES

#### Zip Americas

All key operating metrics include Zip’s consumer operations in the US and Canada based on Zip’s unaudited financials as of 31 December 2023.

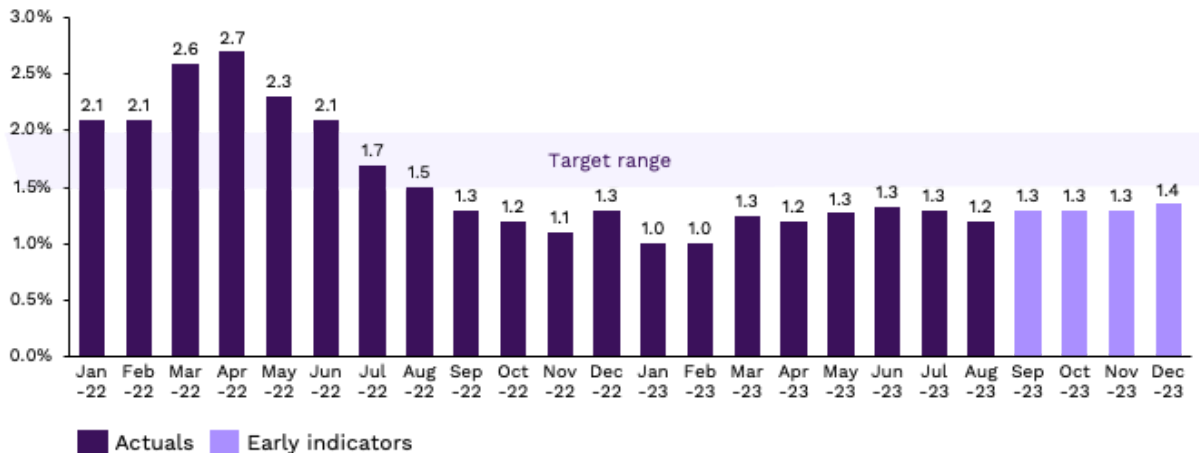
Financial Performance <sup>2</sup>	2Q24 (USD)	QoQ (USD)	Vs 2Q23 (USD)
Revenue	\$76.2m	19.1% ↑	34.8% ↑
Transaction volume	\$1,133.2m	24.3% ↑	31.1% ↑
Transactions	9.0m	22.4% ↑	29.2% ↑

Operational Performance	As at 31 Dec 23	QoQ	Vs 2Q23
Active customers <sup>3</sup>	4.0m	3.0% ↑	2.2% ↓
Merchants <sup>4</sup>	24.1k	0.3% ↑	1.0% ↑

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### Credit Performance

US monthly cohorts, 120 day loss performance as a % of cohort TTV



Key highlights in the Americas included:

- Zip Americas delivered a record quarter with US\$1,133.2m in TTV (+31.1% vs 2Q23) and US\$76.2m in revenue (+34.8% vs 2Q23) respectively, driven by strong seasonal volumes and profitable growth from existing customers in higher-margin channels such as the app and in-store
- Revenue margins increased by 10bps vs 2Q23 to 6.7%
- Active customers grew 3.0% QoQ to 4.0m and customer engagement improved with transactions per Monthly Transacting User (“MTU”) up 17.7% vs 2Q23 and MTUs up 9.9% vs 2Q23 on average
- Zip’s physical card continues to deliver strong customer engagement with TTV +158.2% vs 2Q23 and contributing >30.0% of in-store volumes
- Zip US announced a partnership with Google Pay, enabling US merchants that accept Google Pay to offer Zip Pay-in-4 at checkout and provide consumers enhanced flexibility in their payment choices. The service launched in pilot phase in January
- Monthly US cohort loss rates in 2Q24 are now expected to deliver losses of approximately 1.3% - 1.4% of TTV, and remain below the target range of 1.5% - 2.0%, consistently demonstrating Zip’s ability to drive profitable growth. Zip continues to strengthen its proprietary risk decisioning platform introducing cash flow underwriting at sign-up and new machine learning models
- Zip US invested in its core payments architecture to provide greater payment flexibility to customers. During the quarter, Zip tested a ‘Pay in 8’ instalment solution, allowing customers to pay over three-months, supporting higher average order values and

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healthier serviceability. The Company plans to progressively roll this product out over the coming quarters

### Zip ANZ

All key operating metrics include Zip's consumer operations in ANZ based on Zip's unaudited financials as of 31 December 2023.

Financial Performance <sup>2</sup>	2Q24	QoQ	Vs 2Q23
Revenue	\$106.7m	2.5% ↑	20.4% ↑
Transaction volume	\$1,012.7m	12.6% ↑	15.6% ↓
Transactions	11.6m	8.0% ↑	9.5% ↓

Operational Performance	As at 31 Dec 23	QoQ	Vs 2Q23
Active customers <sup>3</sup>	2.3m	1.9% ↓	3.2% ↓
Merchants <sup>4</sup>	52.1k	2.3% ↑	13.6% ↑

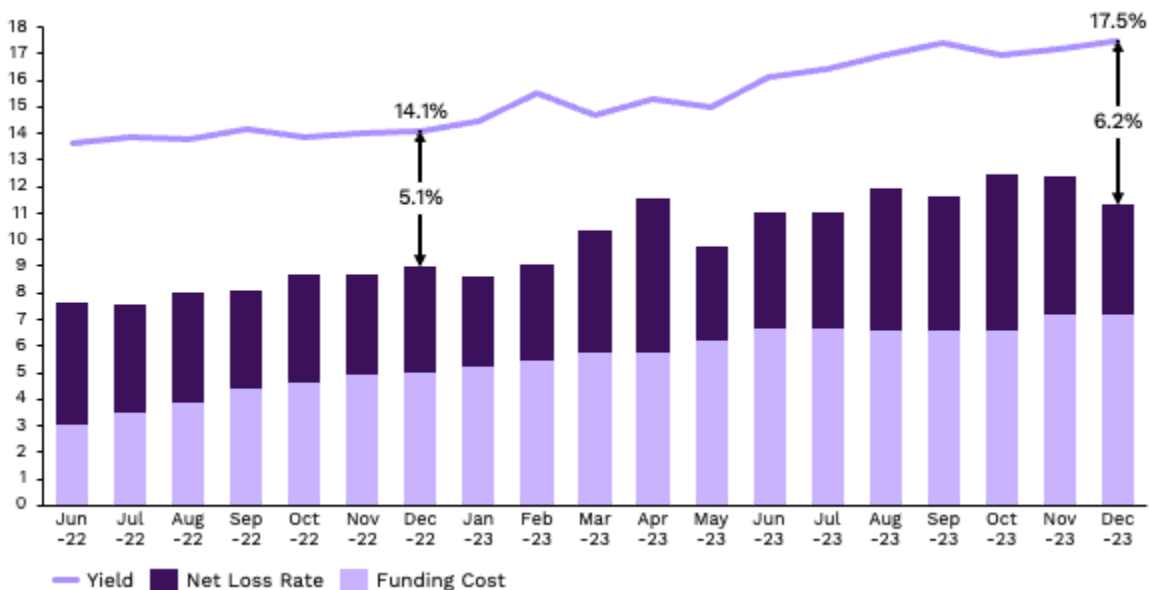
Credit Performance <sup>2,5</sup> (AU)	As at 31 Dec 23	As at 30 Sep 23
Arrears <sup>6</sup>	2.75%	3.12%
Net bad debts <sup>1</sup>	3.64%	4.18%
Receivables	\$2,312.7m	\$2,291.2m

<sup>5</sup> Calculated on receivables related to Zip AU's Master Trust facilities and funding vehicle 2017-1 Trust.

<sup>6</sup> Greater than 60 days past due.

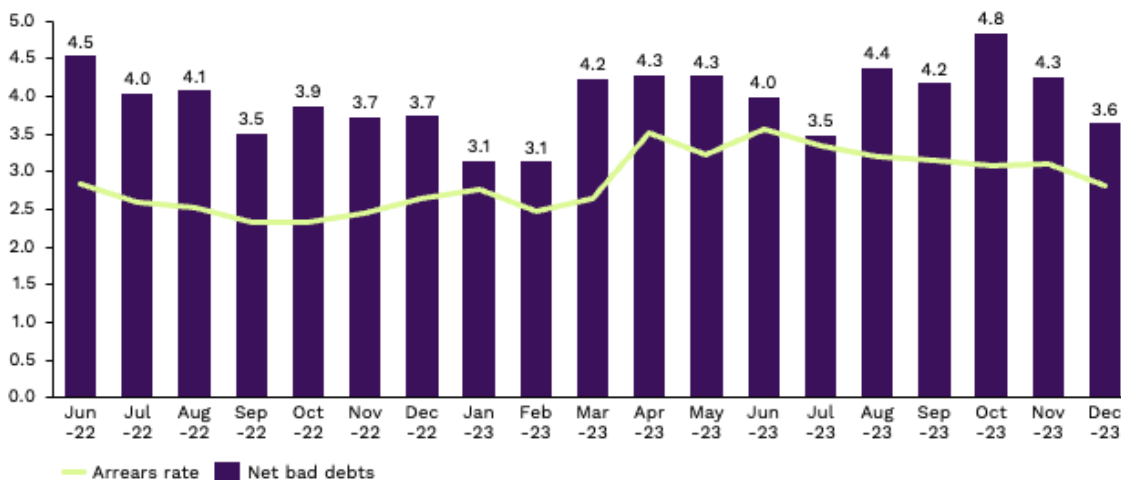
### Zip AU increases excess spread despite rising interest rates

Zip AU book performance (excess spread)  
(% of AU consumer receivables)



### Actions taken delivering strong outcomes on portfolio performance

Zip AU arrears rates and net bad debts have trended down during the quarter  
(% of AU consumer receivables)<sup>5</sup>



Key highlights in ANZ included:

- Very strong revenue growth of 20.4% vs 2Q23
- Revenue margins increased by 310bps vs 2Q23 to 10.5%

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- The yield on the Zip AU receivables increased to 17.5% and excess spread improved further to 6.2%, demonstrating the resilience of the business model in a challenging external environment
- Zip went live with a number of large merchants including Moshtix, Amaysim, Bang & Olufsen, National Geographic and RM Williams. The merchant pipeline remains very healthy across a range of industries and verticals
- On its journey to becoming a next generation financial services provider, Zip launched a new product in Australia, Zip Plus, to a targeted cohort of existing customers. Zip Plus is fully compliant with the regulatory requirements of the National Consumer Credit Protection Act. The product has been designed for a higher-for-longer interest rate environment and is expected to support revenue yield accretion
- Zip AU continues to proactively monitor its risk settings in response to the external environment. These settings have tempered both volume and customer numbers. Management actions are again delivering Zip's targeted outcomes, with arrears and net bad debts improving and expected to continue this trend during 2H24 and beyond
- The wind-down of Zip Business Capital ANZ that commenced in 4Q23 continues to deliver net cash inflows as capital from debt funding facilities for Zip Business loans is released back to Zip. Zip Business contributed revenue of \$2.0m in the quarter



## FUNDING FACILITIES

	Facility vehicle	Facility limit	Drawn at Dec-23	Maturity
<b>AU</b>	Zip Master Trust			
	- Rated Note Series			
	*2021-1	\$475.0m	\$475.0m	Apr-24
	*2021-2	\$663.5m	\$663.5m	Sep-24
	*2023-1	\$190.0m	\$190.0m	May-26
	*2023-2	\$285.0m	\$285.0m	Oct-26
	- Variable Funding Note	\$535.4m	\$352.6m	Mar-24
- Variable Funding Note 2	\$143.7m	\$126.0m	Mar-25	
	2017-1 Trust	\$116.6m	\$80.2m	Jul-24
	<b>Total</b>	<b>\$2,409.2m</b>	<b>\$2,172.3m</b>	
<b>US</b>	AR2LLC	US\$225.0m	US\$147.0m	May-24 <sup>7</sup>
<b>NZ</b>	Zip NZ Trust 2021-1	NZ\$20.0m	NZ\$16.0m	Jul-24
<b>SME</b>	Zip Business			
	- Capital Australia	\$15.3m	\$15.3m	Mar-24
	- Capital New Zealand	NZ\$17.0m	NZ\$17.0m	Run-off
	<b>Total</b>	<b>\$31.1m</b>	<b>\$31.1m</b>	
<b>Corporate</b>	Corporate Facility	\$150.0m	\$150.0m	Dec-27

Key highlights included:

- Zip successfully completed a new \$150.0m corporate debt facility with Ares Management Corporation for a term of four years, with an option at Zip's discretion to refinance or repay the facility prior to maturity. The proceeds were used to repay Zip's maturing \$90.0m corporate debt facility (2017-2), fund the cash component of the incentivised conversion of the outstanding CVI Convertible Notes, and provide additional liquidity to support growth
- As at 31 December 2023, Zip AU had \$236.9m undrawn and available to fund receivables
- In November 2023, Zip successfully completed a \$300.0m rated note issuance in the Master Trust (2023-2) with the senior notes being AAA-rated. The proceeds were used to refinance a facility in the Master Trust (2022-1) that matured in November 2023
- In December 2023, Zip successfully refinanced Zip's Series VFN No. 2 facility in the Zip Master Trust, extending the facility to March 2025

<sup>7</sup> Refinanced in December 2023 for a three-year term to Dec-26

- As at 31 December 2023, Zip US had US\$78.0m undrawn and available to fund receivables
- In December 2023, Zip US executed an agreement to refinance its US receivables funding facility of US\$225.0m for a three-year term to December 2026 with the facility live in January 2024
- Zip continues to progress upcoming refinances and new transactions as part of the ordinary course of business. Zip continues to assess all funding facilities and plans to refinance all facilities as and when they fall due
- As Zip Business winds down in both Australia and New Zealand, it will progressively repay drawn facilities in accordance with the terms of the respective funding arrangements. Zip has agreed a reduction in facility limits in both Australia and New Zealand to align with the progressive repayments

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

- ENDS -

**For more information, please contact:**

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**About Zip**

ASX-listed Zip Co Limited (ASX: ZIP) is a digital financial services company, offering innovative, people-centred products that bring customers and merchants together. Operating in two core markets - Australia and New Zealand (ANZ) and the Americas, Zip offers point-of-sale credit and digital payment services, connecting millions of customers with its global network of tens of thousands of merchants.

Founded in Australia in 2013, Zip provides fair, flexible and transparent payment options, helping customers to take control of their financial future and helping merchants to grow their businesses. Zip is also a licensed and regulated credit provider and is committed to responsible lending.

For more information, visit: [www.zip.co](http://www.zip.co).

Shareholders who would like to receive email communications from Computershare for all future correspondence, visit <http://www.computershare.com.au/easyupdate/ZIP>.