

31 October 2016

## 1Q FY17 QUARTERLY UPDATE

### QUARTER HIGHLIGHTS

- Record quarterly revenue of \$2.9 million, with growth accelerating in Q2 FY17
- Transaction volume of \$33 million in the quarter with more than \$100 million originated on zipMoney's platform to date
- Strong quarter on quarter customer growth of 86%, receivables growth of 47% and transaction growth of 62%
- Completed acquisition of Pocketbook, a leading Australian personal financial management app with a strong focus on consumer financial wellbeing
- Strong start to Q2 FY17 with circa \$15 million in transaction volume expected in October

### COMPANY UPDATE

**zipMoney Limited** (ASX: ZML) (**zipMoney** or the **Company**) is pleased to announce its quarterly performance for the period ending 30 September 2016, otherwise referred to as Q1 FY17.

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

| Financial and Operational Performance | Q1 FY17 Results<br>(unaudited) | % increase on Q4 FY16<br>(unaudited) |
|---------------------------------------|--------------------------------|--------------------------------------|
| Merchants <sup>1</sup>                | 1,354                          | 83% ↑                                |
| Customers <sup>2</sup>                | 63,333                         | 86% ↑                                |
| Receivables <sup>3</sup>              | \$59.7m                        | 47% ↑                                |
| Transaction volume                    | \$33.0m                        | 0% ↑                                 |
| Transactions                          | 40,229                         | 62% ↑                                |
| Revenue                               | \$2.9m                         | 6% ↑                                 |

1. Number of accredited merchants

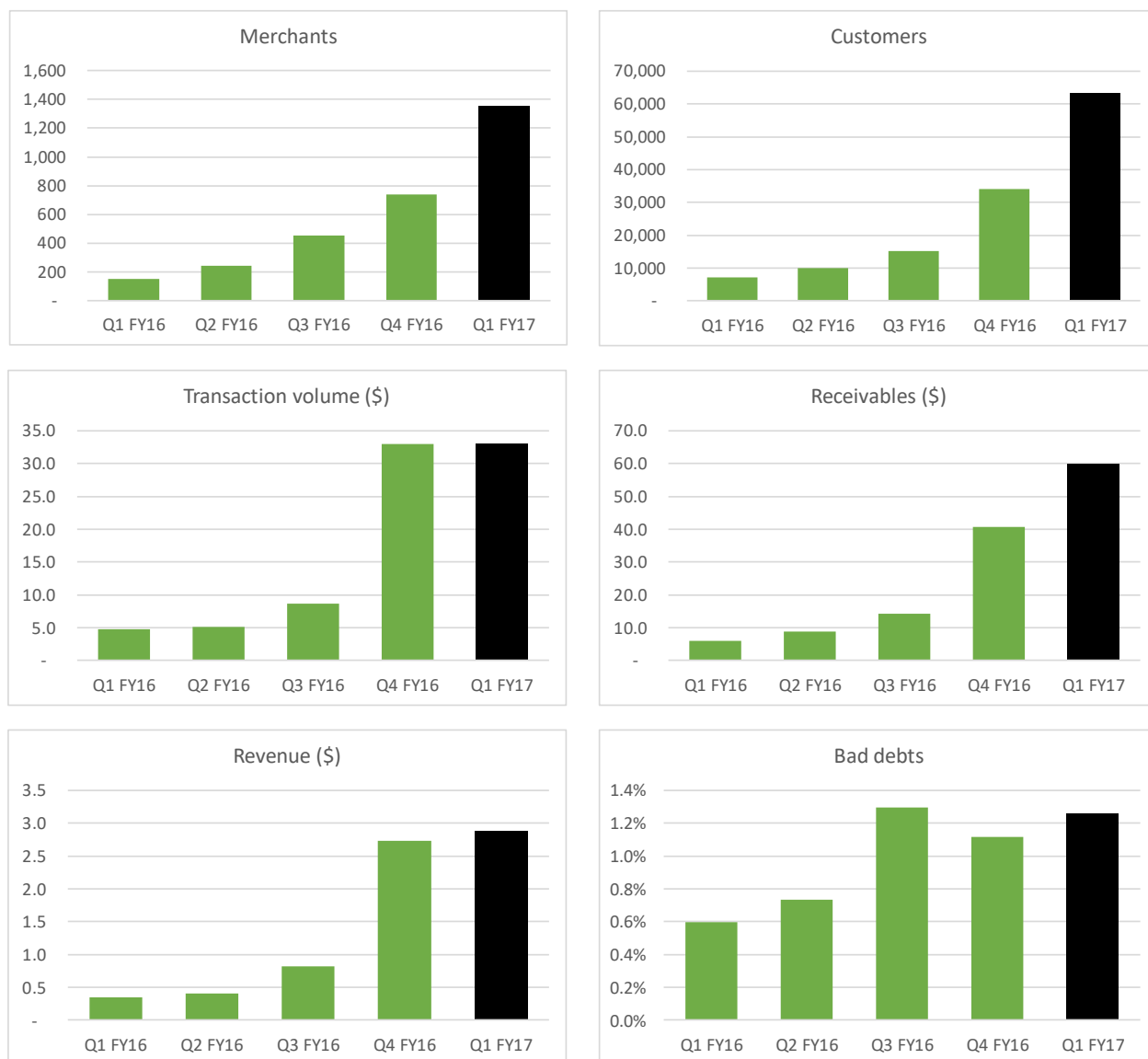
2. Number of active customer accounts

3. Receivables or otherwise referred to as Loan Book

For the quarter ending 30 September 2016, the Company grew its receivables to \$60 million, up 47% on the previous quarter, on \$33 million in transaction volume. This generated revenue of approximately \$2.9 million, reflecting a clear product-market fit and an increasingly profitable strategy.

Transactions for the quarter were up 62% and customer numbers up 86%. Transaction volume grew 0.3% in line with management forecasts, consolidating after a strong seasonal 'end of financial year' performance experienced by several top 10 merchants in the prior quarter – excluding the top 10 merchants, transaction volume for 1Q FY17 was up 58%. Pleasingly, zipMoney continues to diversify its merchant base as evidenced by the 83% increase in merchant numbers, with strong growth in the SMB segment and a fall in the proportion of volume contributed by the top 10 merchants.

zipMoney has continued to build on this solid foundation and expects circa \$15 million in transaction volume for the month of October on more than 20,000 transactions, reflecting strong growth.



Notes: (i) Based on unaudited financials; Receivables gross, before provisions; and (ii) Bad debts defined as those accounts greater than 180 days delinquent. Annualised as a percentage of gross receivables.

Managing Director and CEO Larry Diamond said “This quarter saw significant growth in both transaction and customer numbers, which reflects zipMoney’s growing market presence and differentiated product offering. Pleasingly this growth was supported by the recently launched zipPay product, which already

accounts for 30% of the total customer base. The Company also reached a significant milestone this month – with more than \$100 million processed on the platform. This is a fantastic achievement for our 3-year-old Company and is a testament to the strength of our scalable platform.”

## **MERCHANT UPDATE**

zipMoney increased its merchant locations to over 3,000 throughout Australia, both online and offline. These range across the retail (including fashion & accessories), consumer electronics, home, sports & outdoors, auto, health services and online education markets. One of the strengths of the zipMoney platform is its ability to compete across numerous verticals and this is reflected in the growing diversity of its merchant base.

zipMoney is pleased to welcome the following merchants that have recently gone live on the platform or are in the process of integration:

|                       |                      |                      |                           |                                      |
|-----------------------|----------------------|----------------------|---------------------------|--------------------------------------|
| <b>Luxury Escapes</b> | <b>Doors Plus</b>    | <b>Ted’s Cameras</b> | <b>Brands Exclusive</b>   | <b>White Runway<br/>(PAS Group)</b>  |
| <b>Fusion Brands</b>  | <b>Crazy Domains</b> | <b>Emma and Roe</b>  | <b>La-Z-Boy</b>           | <b>Coco Republic</b>                 |
| <b>Toy Universe</b>   | <b>Vitamin King</b>  | <b>Bedshed</b>       | <b>Bicycle Superstore</b> | <b>Dollar Curtain<br/>and Blinds</b> |

## **RECEIVABLES UPDATE**

As at 30 September 2016, the receivables were approximately \$60 million, up 47% over the previous quarter. The repayment profile continues to remain healthy at 10% over the quarter.

The reported arrears rate was 1.2% and bad debts were at 1.3%, both well below industry standards of approximately 3%. The strong credit performance continues to validate zipMoney’s investment in its 100% owned proprietary decision technology.

Executive Director & COO Peter Gray said "Our loan book continues to perform in line with management expectations. It is anticipated that the acquisition of Pocketbook and the ongoing investment in our Data Science team will further enhance our core IP, namely our credit and fraud decision technology. This will continue to support a competitive advantage and deliver further improvements to the zipMoney platform as we rapidly scale the business.”

The Company continues to work through the process of securing additional institutional funding, the result of which should significantly reduce the current cost of funds and provide additional expansion capital for further growth. Completion is anticipated in Q3 FY17.

## **CORPORATE**

During the quarter, cash receipts from customers were \$2.9 million. Staff, administration and corporate costs rose in line with the ongoing investment in people and systems consistent with the Company’s growth strategy objective. Specifically, cash outflows from staff costs rose from \$841k in Q4 FY16 to \$1.2 million as staff numbers grew to approximately 60 people. The Company also saw cash outflows from interest paid increase from \$464k to \$1.2 million as the receivables increased markedly. Total cash flows from operating activities for Q1 FY17 resulted in a cash outflow of \$1.1 million.



During the quarter the Company finalised the acquisition of Pocketbook Holdings which resulted in \$1.9 million in cash outflows. Investing activities also saw borrowings increase by \$23.6 million (inflow) and receivables increase by \$20.7 million (outflows).

Net cash flows from financing activities were \$10.1 million from the issuance of shares, relating to the second tranche of the oversubscribed \$20.6 million institutional placement in June 2016.

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 end of quarter was \$16.8 million, inclusive of \$2.4 million in restricted cash.

zipMoney was also pleased to welcome Megan Quinn as an Independent Non-Executive Director during the quarter. Ms Quinn was recently named one of Australia's most powerful women in retail by Inside Retail, and was a co-founder of internationally acclaimed NET-A-PORTER in 1999, where she also held an executive board role. In addition to her role on the Board of Directors, Ms Quinn is helping to drive zipMoney's growth in the retail sector.

## **POCKETBOOK INTEGRATION**

Following completion of the acquisition of Pocketbook Holdings, the integration process commenced with the team joining the zipMoney offices. The process has been very straightforward with the team already adding significant value to the core zipMoney data platform and generating strong synergies in the data analytics field. The Company expects to sign off on the revised 12-month business plan for Pocketbook in the next month.

– ENDS –

### **For more information, please contact:**

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### **About zipMoney**

zipMoney is a leading player in the digital retail finance and payment 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 credit products. zipMoney's platform is entirely digital and leverages big data in its proprietary decisioning engine 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")**

30 September 2016

| Consolidated statement of cash flows |                                                       | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|--------------------------------------|-------------------------------------------------------|----------------------------|---------------------------------------|
| <b>1.</b>                            | <b>Cash flows from operating activities</b>           |                            |                                       |
| 1.1                                  | Receipts from customers                               | 2,888                      | 2,888                                 |
| 1.2                                  | Payments for                                          |                            |                                       |
|                                      | (a) research and development                          |                            |                                       |
|                                      | (b) product manufacturing and operating costs         |                            |                                       |
|                                      | (c) advertising and marketing                         | (77)                       | (77)                                  |
|                                      | (d) leased assets                                     |                            |                                       |
|                                      | (e) staff costs                                       | (1,200)                    | (1,200)                               |
|                                      | (f) administration and corporate costs                | (1,476)                    | (1,476)                               |
| 1.3                                  | Dividends received (see note 3)                       |                            |                                       |
| 1.4                                  | Interest received                                     | 42                         | 42                                    |
| 1.5                                  | Interest and other costs of finance paid              | (1,239)                    | (1,239)                               |
| 1.6                                  | Income taxes paid                                     |                            |                                       |
| 1.7                                  | Government grants and tax incentives                  |                            |                                       |
| 1.8                                  | Other (provide details if material)                   |                            |                                       |
| <b>1.9</b>                           | <b>Net cash from / (used in) operating activities</b> | <b>(1,062)</b>             | <b>(1,062)</b>                        |

|           |                                                 |         |         |
|-----------|-------------------------------------------------|---------|---------|
| <b>2.</b> | <b>Cash flows from investing activities</b>     |         |         |
| 2.1       | Payments to acquire:                            |         |         |
|           | (a) property, plant and equipment               | (189)   | (189)   |
|           | (b) businesses (see item 10), net cash acquired | (1,887) | (1,887) |
|           | (c) investments                                 |         |         |

| Consolidated statement of cash flows |                                                       | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|--------------------------------------|-------------------------------------------------------|----------------------------|---------------------------------------|
|                                      | (d) intellectual property                             |                            |                                       |
|                                      | (e) other non-current assets                          | (2)                        | (2)                                   |
| 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                       | (20,734)                   | (20,734)                              |
|                                      | - Borrowings                                          | 23,550                     | 23,550                                |
| <b>2.6</b>                           | <b>Net cash from / (used in) investing activities</b> | <b>738</b>                 | <b>738</b>                            |

|             |                                                                             |               |               |
|-------------|-----------------------------------------------------------------------------|---------------|---------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>                                 |               |               |
| 3.1         | Proceeds from issues of shares                                              | 10,819        | 10,819        |
| 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 | (741)         | (741)         |
| 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)                                         |               |               |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                       | <b>10,078</b> | <b>10,078</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               | 7,090   | 7,090   |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | (1,062) | (1,062) |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | 738     | 738     |

| Consolidated statement of cash flows |                                                                  | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|--------------------------------------|------------------------------------------------------------------|----------------------------|---------------------------------------|
| 4.4                                  | Net cash from / (used in) financing activities (item 3.10 above) | 10,078                     | 10,078                                |
| 4.5                                  | Effect of movement in exchange rates on cash held                | -                          | -                                     |
| 4.6                                  | <b>Cash and cash equivalents at end of quarter</b>               | <b>16,844</b>              | <b>16,844</b>                         |

| 5.  | Reconciliation of cash and cash equivalents<br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------------------|
| 5.1 | Bank balances                                                                                                                                                        | 14,414                     | 6,502                       |
| 5.2 | Call deposits                                                                                                                                                        | -                          | -                           |
| 5.3 | Bank overdrafts                                                                                                                                                      | -                          | -                           |
| 5.4 | Other (restricted cash)                                                                                                                                              | 2,430                      | 588                         |
| 5.5 | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>                                                                                     | <b>16,844</b>              | <b>7,090</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<br>\$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<br>\$A'000 |
|----------------------------|
| -                          |
| -                          |

| 8. <b>Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>                                                                                                                                                                   | Total facility amount<br>at quarter end<br>\$A'000 | Amount drawn at<br>quarter end<br>\$A'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------|
| 8.1 Loan facilities                                                                                                                                                                                                                                                              | 111,410                                            | 57,410                                    |
| 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 or are proposed to be entered after quarter end, include details of those facilities as well. |                                                    |                                           |

|  |
|--|
|  |
|--|

| 9. <b>Estimated cash outflows for next quarter</b> | \$A'000      |
|----------------------------------------------------|--------------|
| 9.1 Research and development                       | -            |
| 9.2 Product manufacturing and operating costs      | -            |
| 9.3 Advertising and marketing                      | 30           |
| 9.4 Leased assets                                  | -            |
| 9.5 Staff costs                                    | 2,092        |
| 9.6 Administration and corporate costs             | 377          |
| 9.7 Other (provide details if material)            | -            |
| <b>9.8 Total estimated cash outflows</b>           | <b>2,499</b> |

| 10. <b>Acquisitions and disposals of business entities<br/>(items 2.1(b) and 2.2(b) above)</b> | Acquisitions                                           | Disposals |
|------------------------------------------------------------------------------------------------|--------------------------------------------------------|-----------|
| 10.1 Name of entity                                                                            | Pocketbook Holdings Pty Ltd                            | -         |
| 10.2 Place of incorporation or registration                                                    | Australia                                              | -         |
| 10.3 Consideration for acquisition or disposal                                                 | Cash: \$1,979,070<br>Shares: 7,310,782 ordinary shares | -         |
| 10.4 Total net assets                                                                          | To be determined                                       | -         |
| 10.5 Nature of business                                                                        | Personal financial management                          | -         |



### **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.