FY2017 Results Presentation

24 August 2017

Simplifying how you pay everywhere and save everyday, through easy-to-use, consumer-friendly and financially-responsible products.

ASX: ZML

Investment highlights

- ✓ **Significant first mover advantage** disrupting the consumer finance space with a fully digital offering and a proven track record since founding in 2013.
- ✓ **100% owned proprietary technology** leveraging Big Data supports a differentiated product to lead the market.
- ✓ **Scalable, 'nextgen' alternative payments company** offering a fully integrated online and instore solution, ensures shopping across the omni channel is seamless.
- ✓ **Uniquely positioned** to onboard a consumer at checkout, regardless of the transaction size.
- ✓ Backed by **$300m institutional debt and equity funding (NAB, Westpac)**.
- ✓ **$300bn+ market opportunity** across retail, health, education and travel sectors.
- ✓ **Strong brand**, **positive network effects**, clear product-market-fit and reputation as a customer-friendly provider are driving rapid growth.

zip

Company overview

665,000 users[1]

4,400 merchants[2]

$300M in transaction volume[3]

$150M loan receivable[4]

$67M in equity raised[5]

$415M in debt raised[6]

zipPay

Digital wallet (up to $1,000) that helps customers buy now and pay later, interest free always, for everyday purchases online and in-store (fashion, hospitality, CE/IT products).
www.zippay.com.au

zipMoney

Digital wallet (up to $30,000) that helps customers buy now and pay later, interest free, for life's larger purchases online and in-store (CE/IT, travel, lifestyle).
www.zipmoney.com.au

Pocketbook

The free mobile app helps you get smart with your money. It automatically categorises your spending (eg clothes, groceries) to help you reach your financial goals.
www.getpocketbook.com

1. Current accounts across zipMoney, zipPay and Pocketbook as at 30 June 2017; 2. Current merchants on platform as at 30 June 2017; 3. Total volume processed on platform since inception; 4. Loan receivable of $152M as at 30 June 2017 (rounded); 5. Total equity raised on ASX (includes $5M Sep-15, $1M Nov-15, $20.6M Jun-16, $40M Aug-17); 6. Total off balance sheet debt commitments in aggregate.

FY17 results – discussion

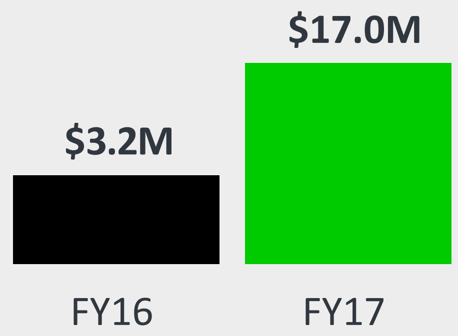
- **$40m strategic equity investment from Westpac** – represents the largest direct investment in a fintech by a major bank.
- **Partnered with NAB in $260m financing** – significant Company milestone demonstrating a maturing loan portfolio and validating our proprietary credit decision technology (credittech).
- **Strong performance** across the entire business – Revenue grew 431%, transaction volume by 348% and customers by 785% (FY17 v FY16).
- **Merchant numbers grew** to 4,400 across Australia and NZ, both online and offline.
- **Continued investment in channel** and POS partnerships – supporting our vision to see Zip at every checkout in Australia.
- Continued **growth in offline payments** accounting for approximately 45% of volume.
- **Acquisition of Pocketbook**, Australia's leading personal finance app for millennials.
- Zip and Pocketbook **received industry awards** at the prestigious 2017 FinTECH Awards for *'Innovation in Payment'* and *'Innovation in Wealth Management'*, respectively.
- **Key leadership appointments** include Martin Brooke (CFO), Tommy Mermelshtayn (CSO), Joel Symmans (CRO) and Andy Mitchell (CGO).

zip

FY17 results – highlights

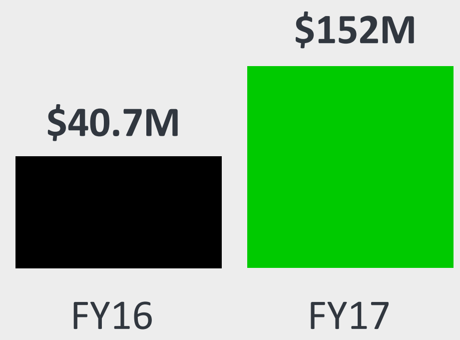
$17.0m
Revenue

↑431%



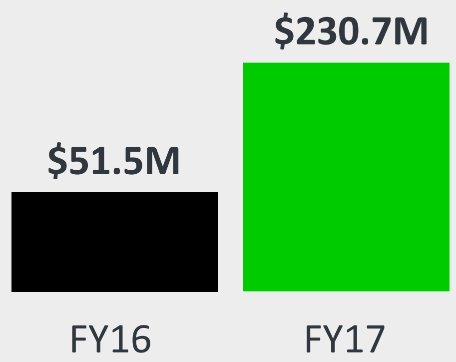
$152.0m
Receivables

↑273%



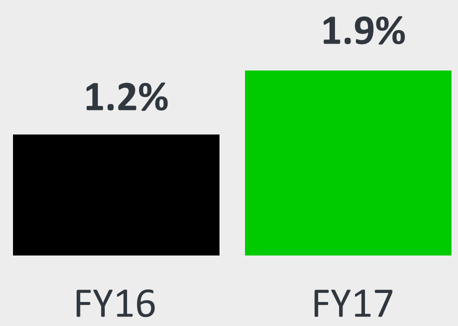
$230.7m
Transaction Volume

↑348%



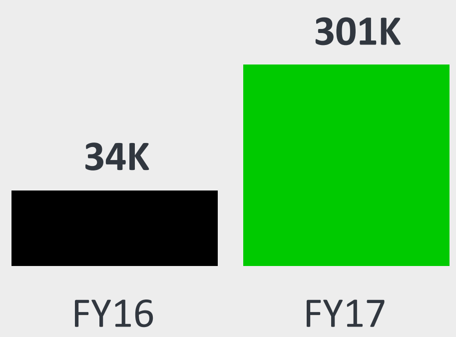
1.9%
Bad debts

↑0.75%



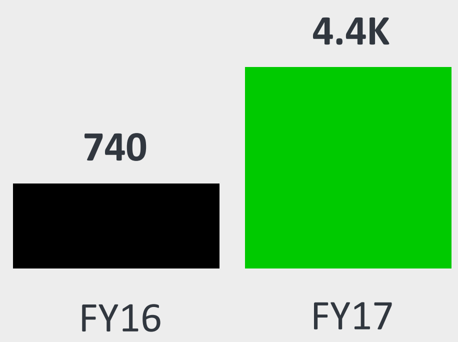
301K
Customers

↑785%

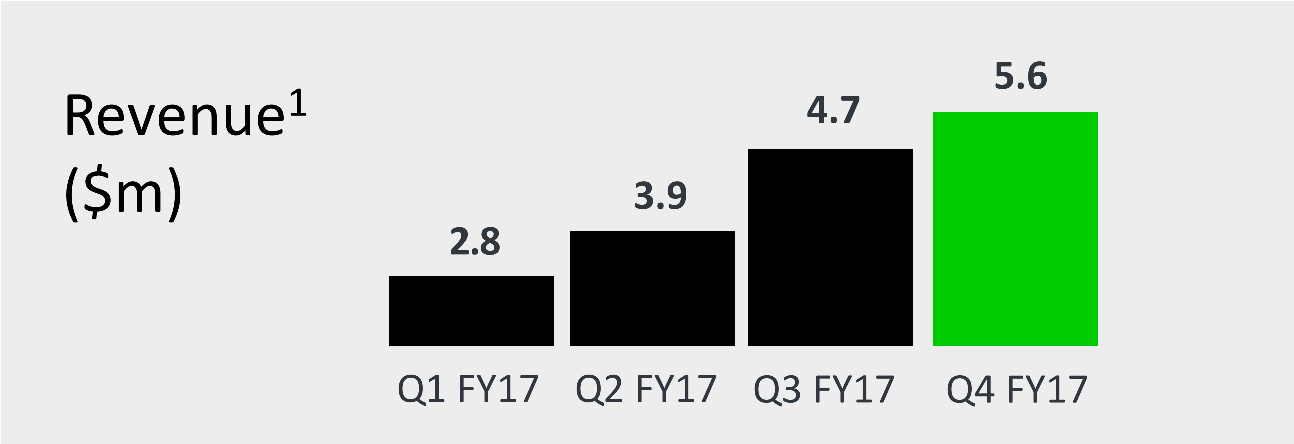


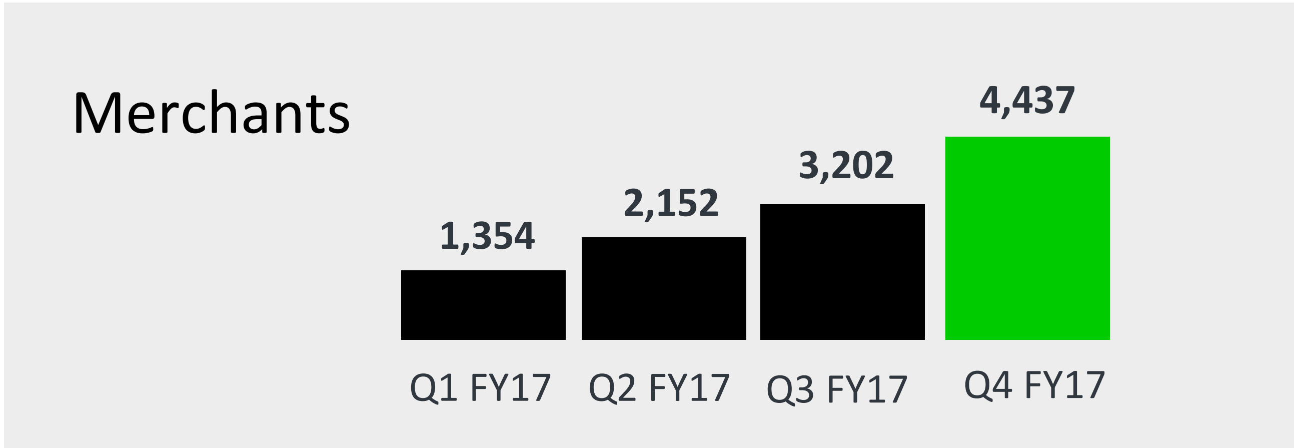
4.4k
Merchants

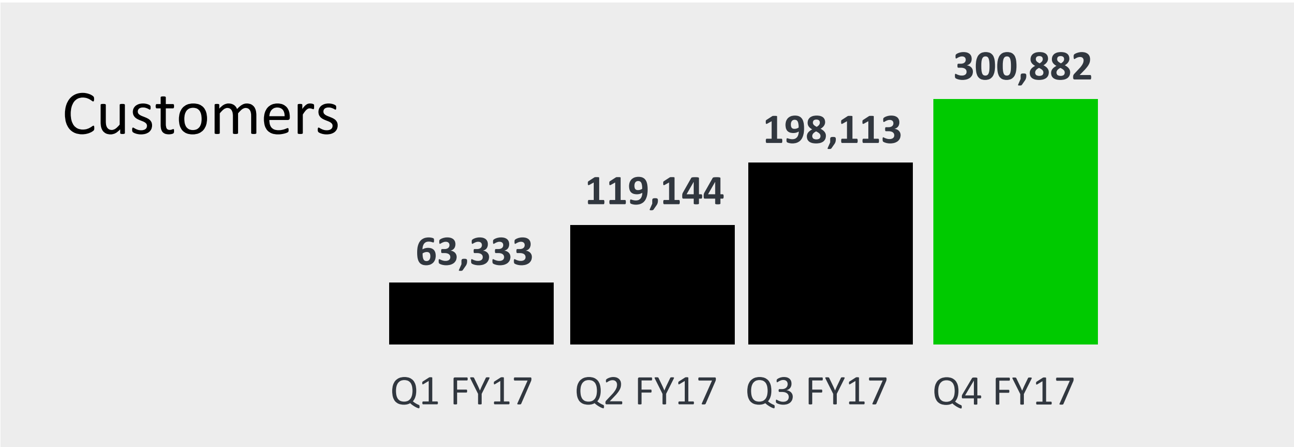
↑501%

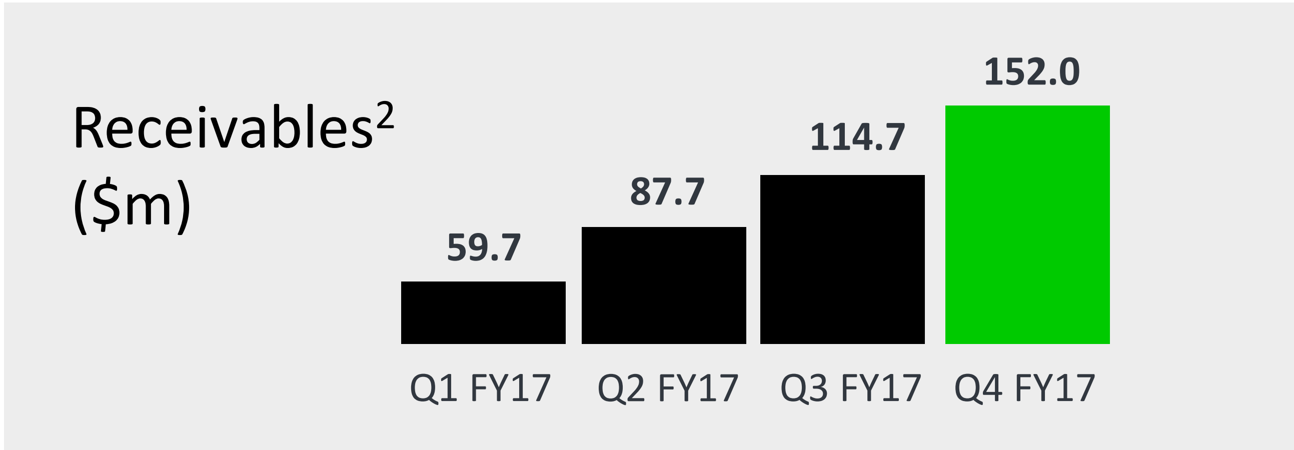


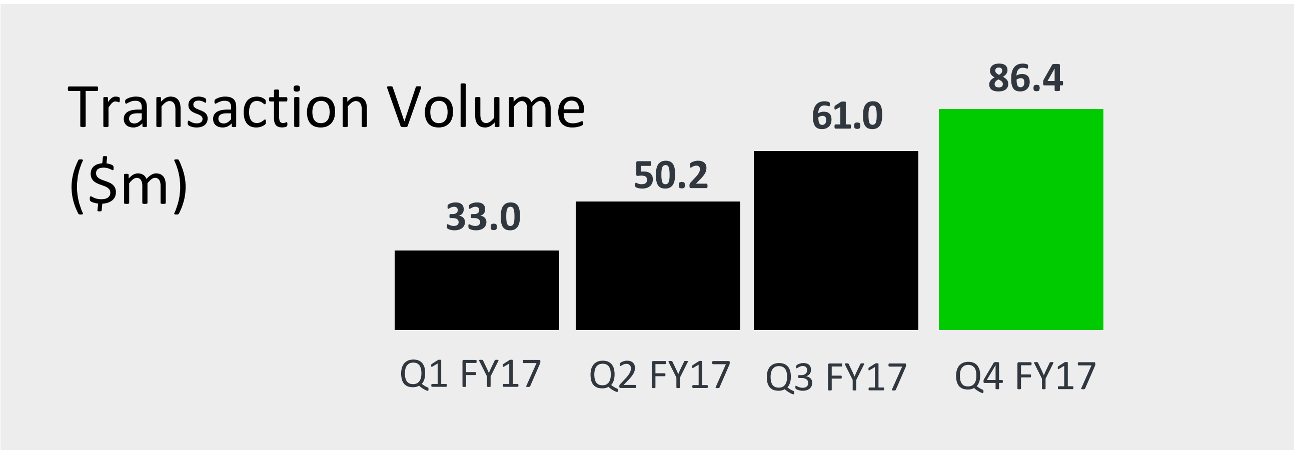
FY17 results – key business drivers

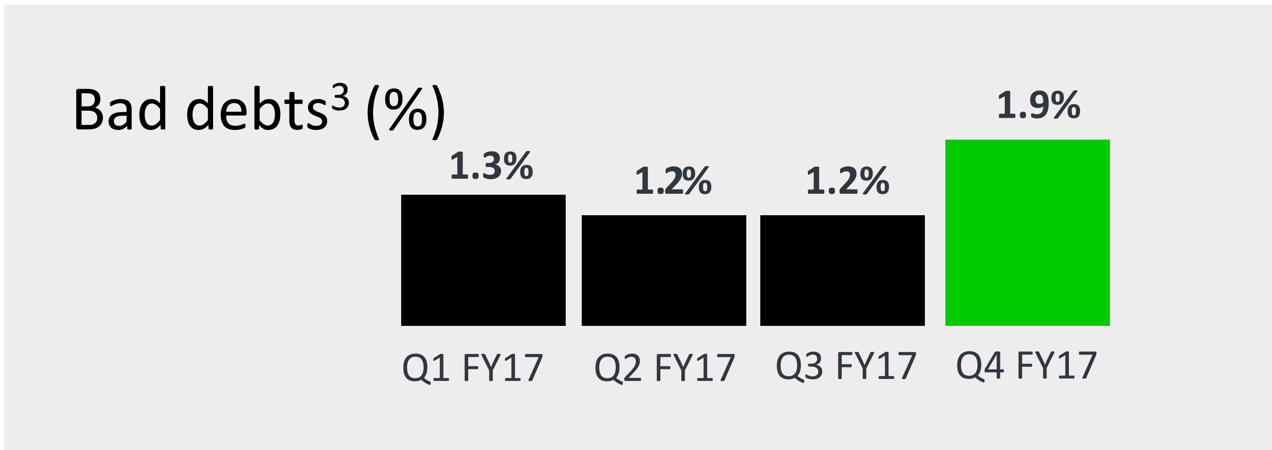












1. Revenue includes Portfolio income (previously revenue from ordinary activities) and other income (including from Pocketbook).
2. Gross receivable value prior to any fair value adjustments.
3. Bad debts are written off in line with policy after 180 days past due.

Summary financials

All figures $m	FY 2017	FY 2016
Revenue[1]	17.0	3.2
% growth	*431%*	*700%*
Underlying NPAT	(20.2)	(9.0)
Reported NPAT	(20.2)	(9.0)
Basic EPS (c)	(8.58)	(6.18)
Cashflow Operations	(7.6)	(1.9)
Cashflow Investing	(117.6)	(36.1)
Cashflow Financing	137.3	44.0
Net mvmt	12.1	6.0
Cash period end[2]	19.2	7.1

1. Revenue includes portfolio income and other revenue.
2. Includes restricted cash of $12.6m in FY 2017.

- FY17 revenue growth driven by the growth in customers, merchants and transaction volume.
- Bank fees and data costs increasing in line with transactions. Unit cost reducing.
- Significant investment in headcount to support the expected growth.
- Cost of debt reducing in line with refinance.
- Investing cashflows include Pocketbook cash consideration ($1.9m) and Research and Development ($2.7m).
- Financing cashflows include $10.8m from institutional placement.

Strong loan book performance

All figures $m	FY 2017	FY 2016
Receivables	152.0	40.7
% growth	*273%*	*1296%*
Aggregate account limits[1]	406.3	76.5
Transaction volume	230.7	51.5
% growth	*348%*	*962%*
Repayments	118.2	13.7
Arrears[2]	2.9%	1.3%
Bad debt[3]	1.9%	1.1%

- Value of receivables grew 273% on FY 2016 supported by strong originations and re-transaction activity by Zip's customers
- $230m in transaction volume processed on the Zip platform.
- $406.3m in aggregate account limits with 38% utilisation; average $505 per borrower.
- Healthy repayment profile with 13% of receivables repaid each month [4].
- Arrears and Bad debts remain below industry benchmarks.

1. Calculated as aggregate of active customer account limits.
2. Reported arrears are defined as accounts 60 days or more overdue.
3. Bad debts are written off in line with policy after 180 days. Annualised as percentage of receivables.
4. Calculated as % of opening period balance.

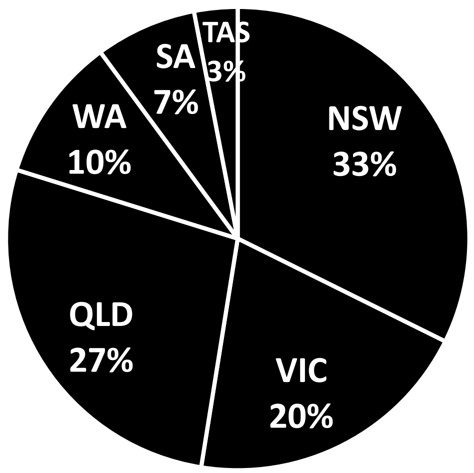
Funding capacity – today and tomorrow

All figures $m	**FY 2017**
Facility size - Class A and B	
2017-1 Trust (NAB)	240.0
2017-2 Trust	33.4
2015-1 Trust	139.5
Total commitments	**412.9**
Utilised	
Securitisation warehouses	155.4
Working capital	6.0
Total utilised	**161.4**
Cost of funds	
June 16	12.0%
June 17 – all trusts	9.6%
June 17 – 2017-1 Trust only	5.5%

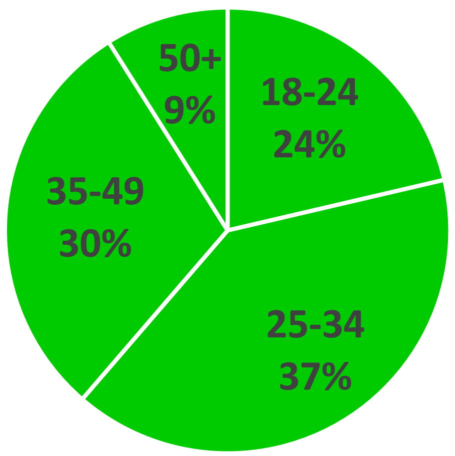
- Currently $413m in current debt commitments for receivables program.
- 2017-1 Trust established in May-17 led by NAB as senior funder with significantly lower cost of funds at c.5% (on a fully drawn basis).
- Successfully refinanced $75m of receivables from 2017-2 (VPC-led) into 2017-1 at no cost.
- Remaining receivables in 2015-1 (VPC) Trust to be refinanced in Nov-17.
- Strong interest from new senior and mezzanine financiers for further funding.
- Post year end and the Westpac investment, the Company increased its equity positions in its trusts to minimise interest costs.

High quality customers, strong underlying credit performance

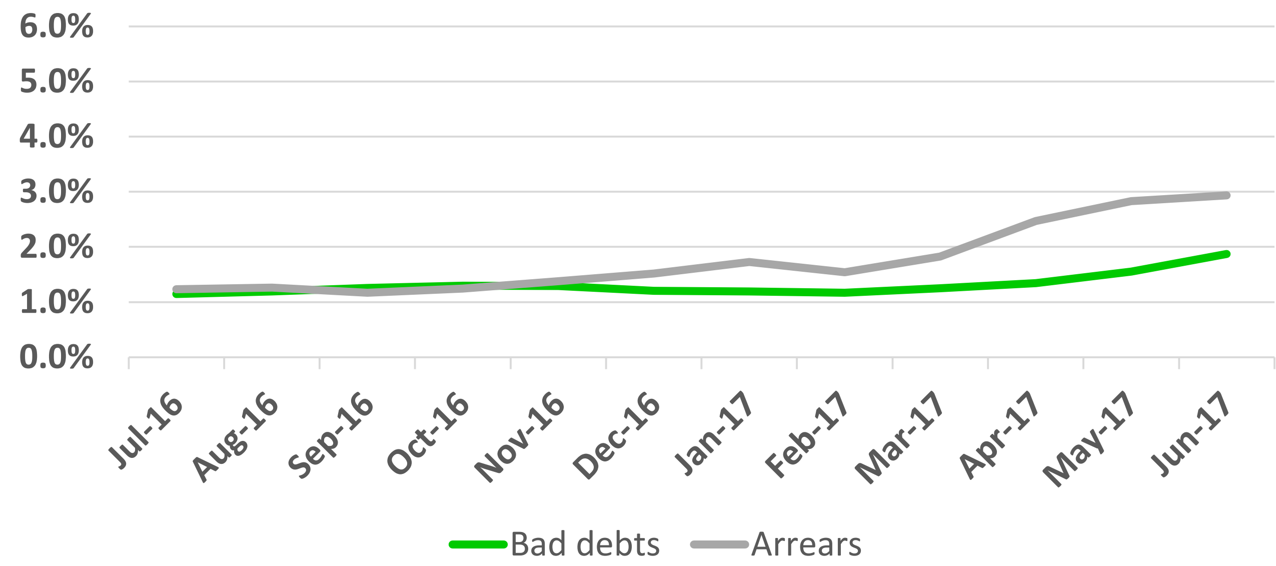
Locale



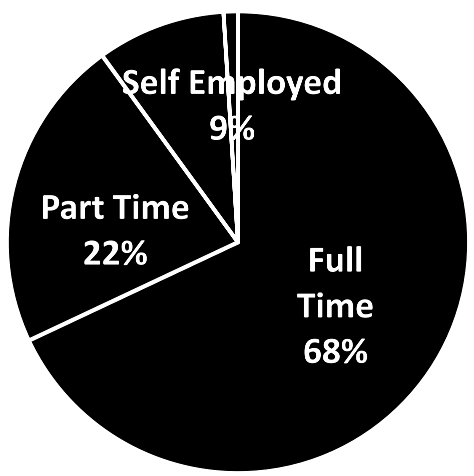
Age



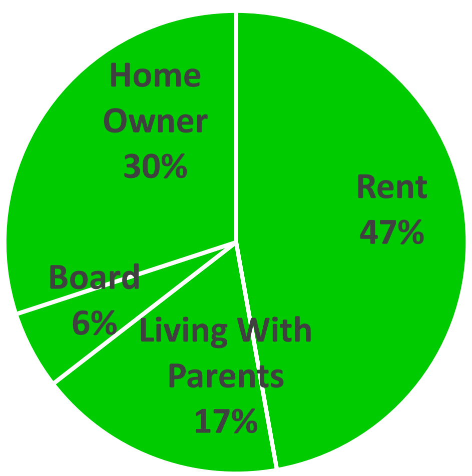
Credit performance[1]



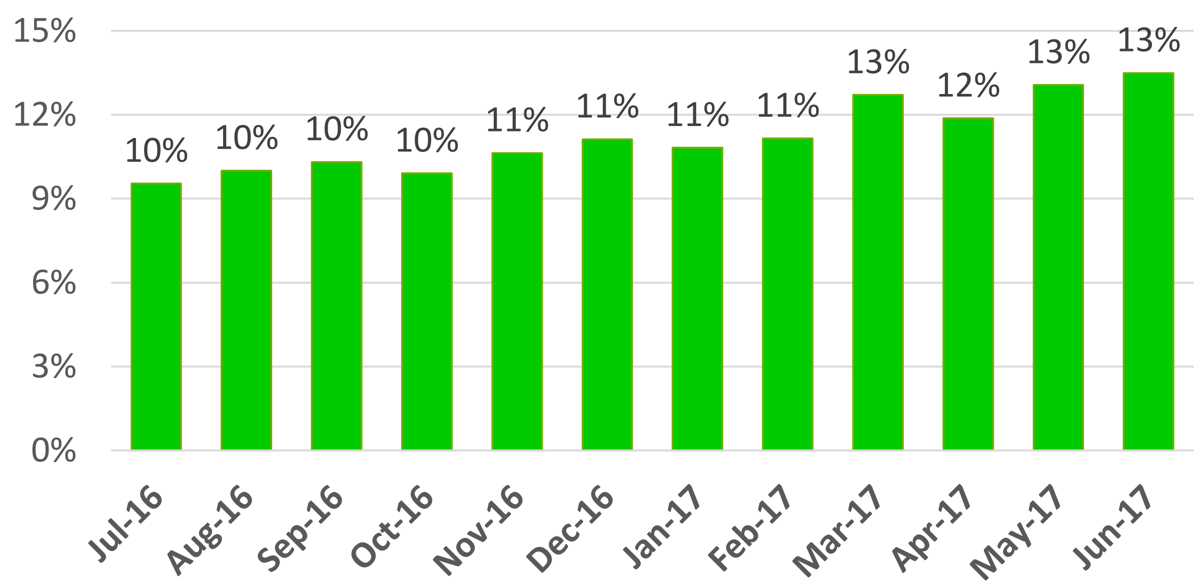
Employment Status[3]



Residential Status[3]



Repayment Profile[2]



Note: All charts contain unaudited figures and may be rounded

1. Arrears 60 days and Bad debts 180 days past due.
2. Repayment rate as at beginning of month.
3. Based on zipMoney receivables as at 30 June 17.

Zip secures $40M strategic investment from Westpac

This transformational transaction represents the largest direct investment in a fintech by a major bank.

- On 7 August 2017, Zip secured a $40m strategic equity investment from Westpac at $0.81 per share, representing a 14.1% premium to the last closing price.
- As part of the relationship, parties will explore the rollout of Zip's products and services across Westpac's payments network.
- Proceeds to be used to accelerate Zip's growth plans and the development of new products and technologies, including enhancing its data science and credittech capabilities. It will also be used to support the growth of the loan book.
- As part of the strategic investment, the Zip Board has agreed to appoint an additional non-executive director to be nominated by Westpac.

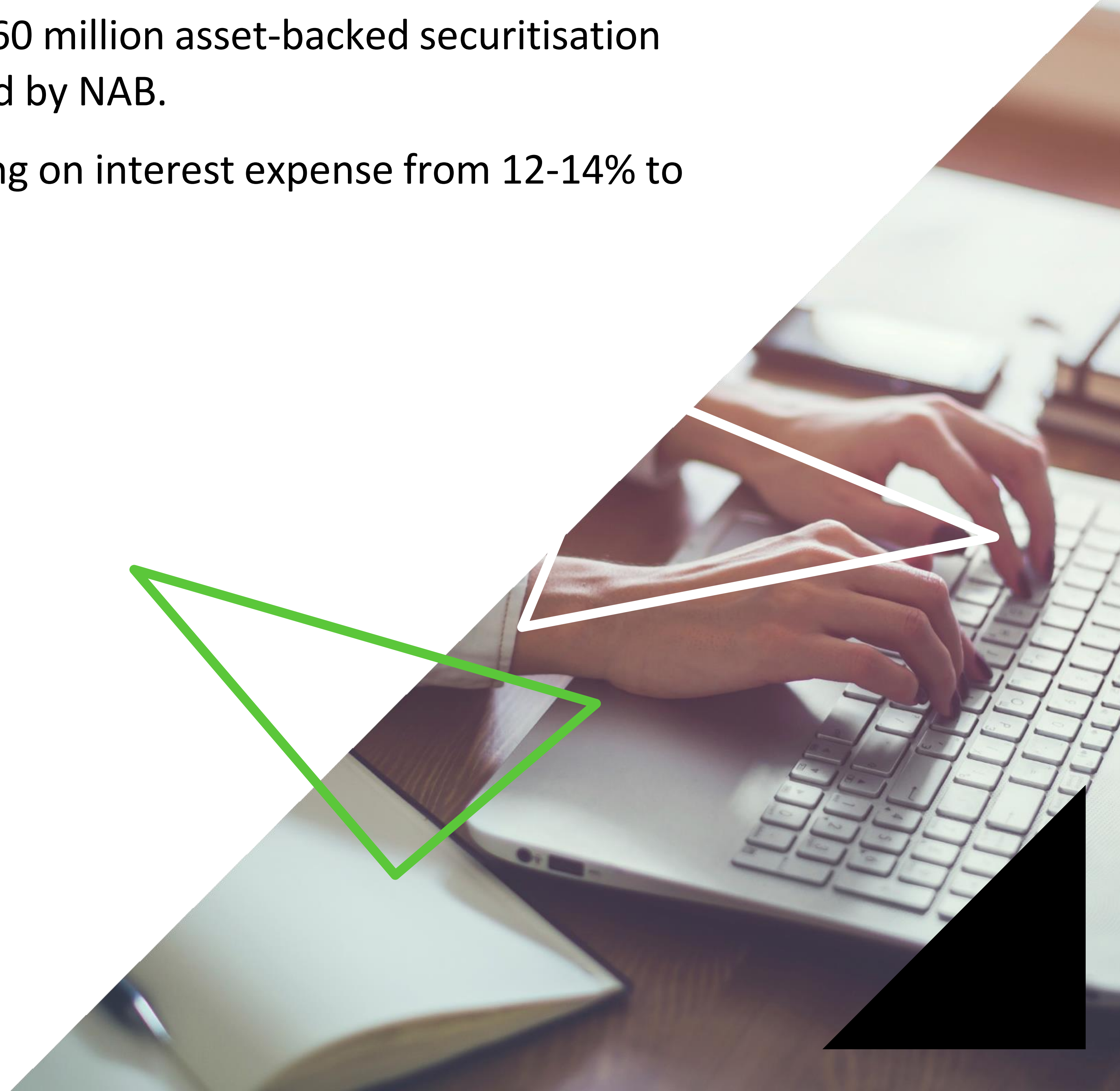
"Westpac is excited to be working with one of Australia's leading Fintechs with a strong vision for the future of payments in Australia."

Westpac Group Executive, Strategy & Enterprise Services, Gary Thursby

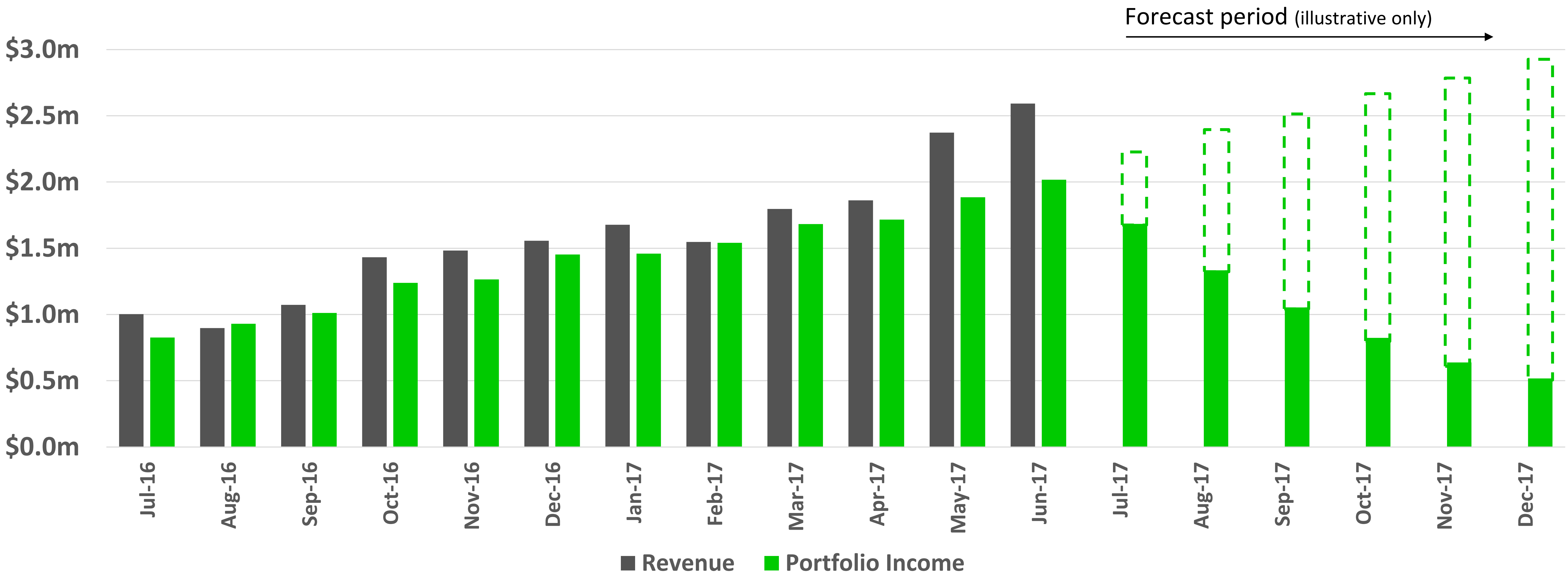
Zip closes $260m facility led by National Australia Bank

Securing 'Big 4' financing was a major milestone for Zip and validation of its Credittech.

- On 24 May 2017, Zip announced completion of a $260 million asset-backed securitisation warehouse program for its consumer receivables, led by NAB.
- New funding is expected to deliver a significant saving on interest expense from 12-14% to c.5% on a full-drawn, blended cost basis.
- Key details of the facility:
  - 2 year term
  - Weighted average cost of c.5%
  - $260 million in committed funding
  - Refinanced ~$75 million of existing receivables
  - SPV borrowings are non-recourse



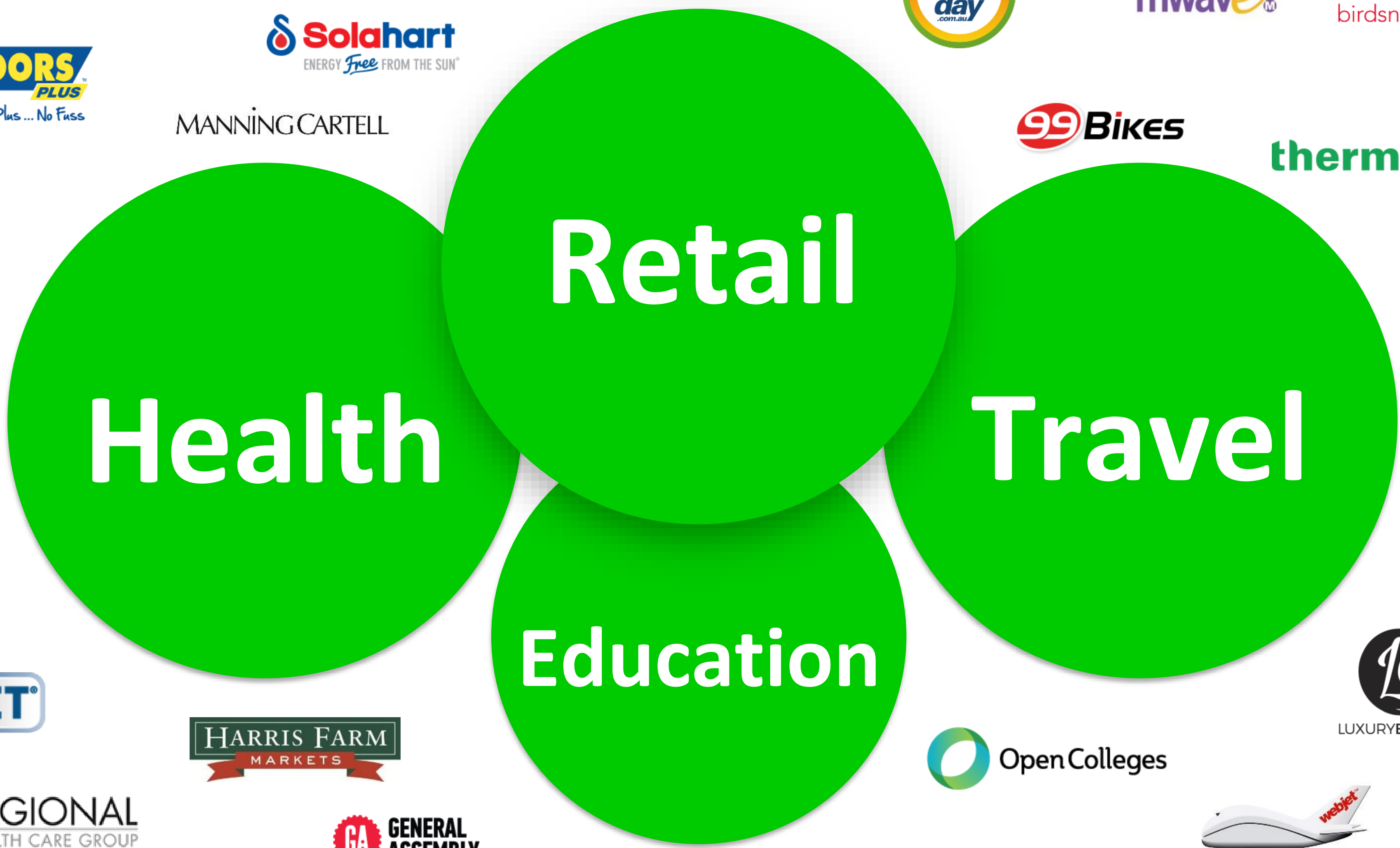
Zip adopts the portfolio income approach to revenue recognition



- Zip adopts a traditional portfolio-based income recognition methodology for its accounts.
- This chart compares the current revenue policy (based on the amortised cost model) to the previous approach, where all fees were recognised upfront.
- Demonstrates a smoother income curve over time, based on the yield earned on customer receivables over the repayment period (known as portfolio income).
- This chart also shows 'locked in', portfolio income yet to be earned (Jul – Dec).

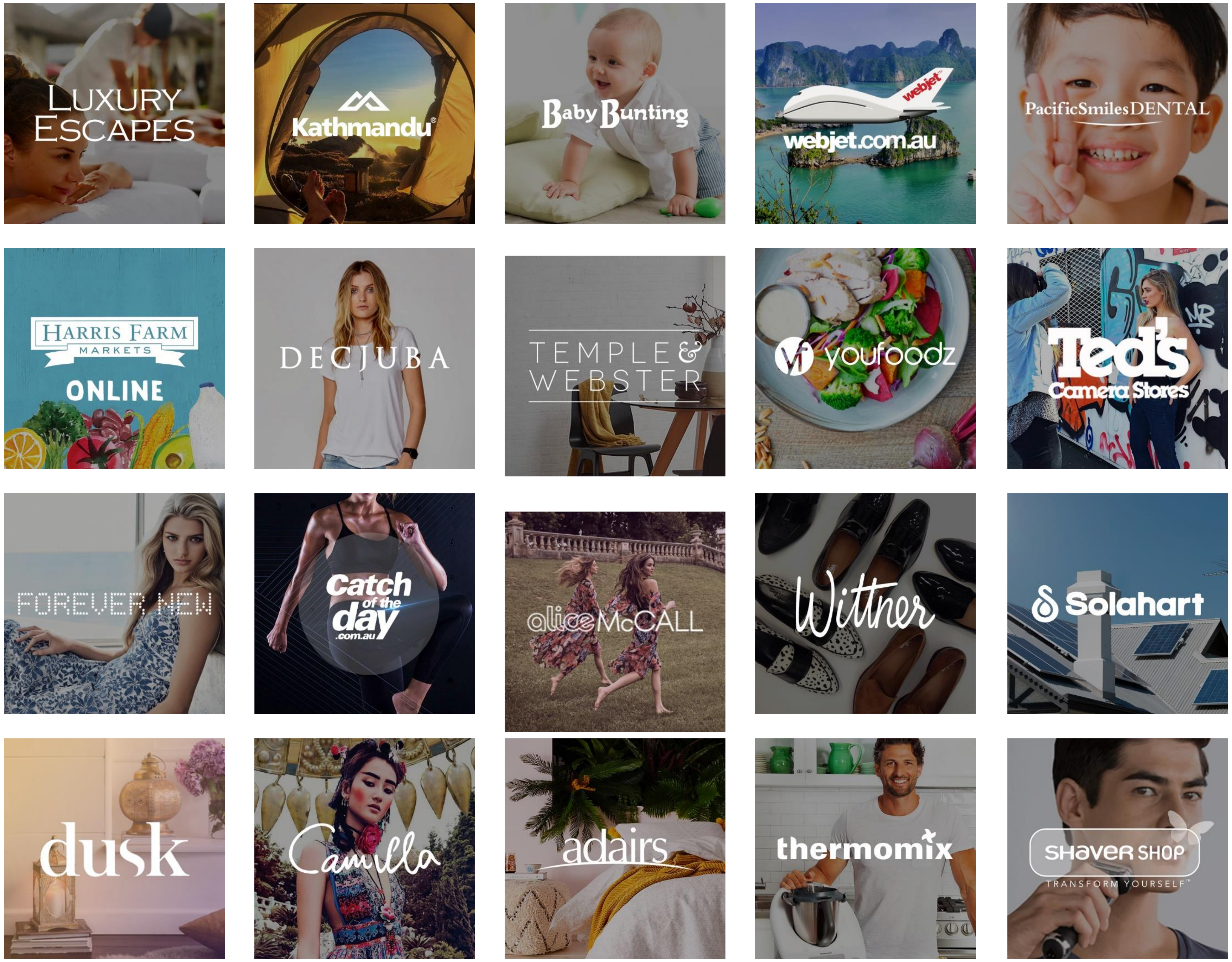
Zip's targets four primary market segments

There is more than $300B spent annually in Zip's target markets. With only 0.1% of the market captured (in TTV) and 4,400 retailers, there presents a very large opportunity ahead.



Source: ABS (2017)

A ‘win-win’ model delivers top-line growth to our retailers



“ Youfoodz as a whole has increased weekly revenue and marketing spend by over 200% since we started with zipPay. “

youfoodz

20%

Average increase in conversion

43%

Average increase in order value

2-3x

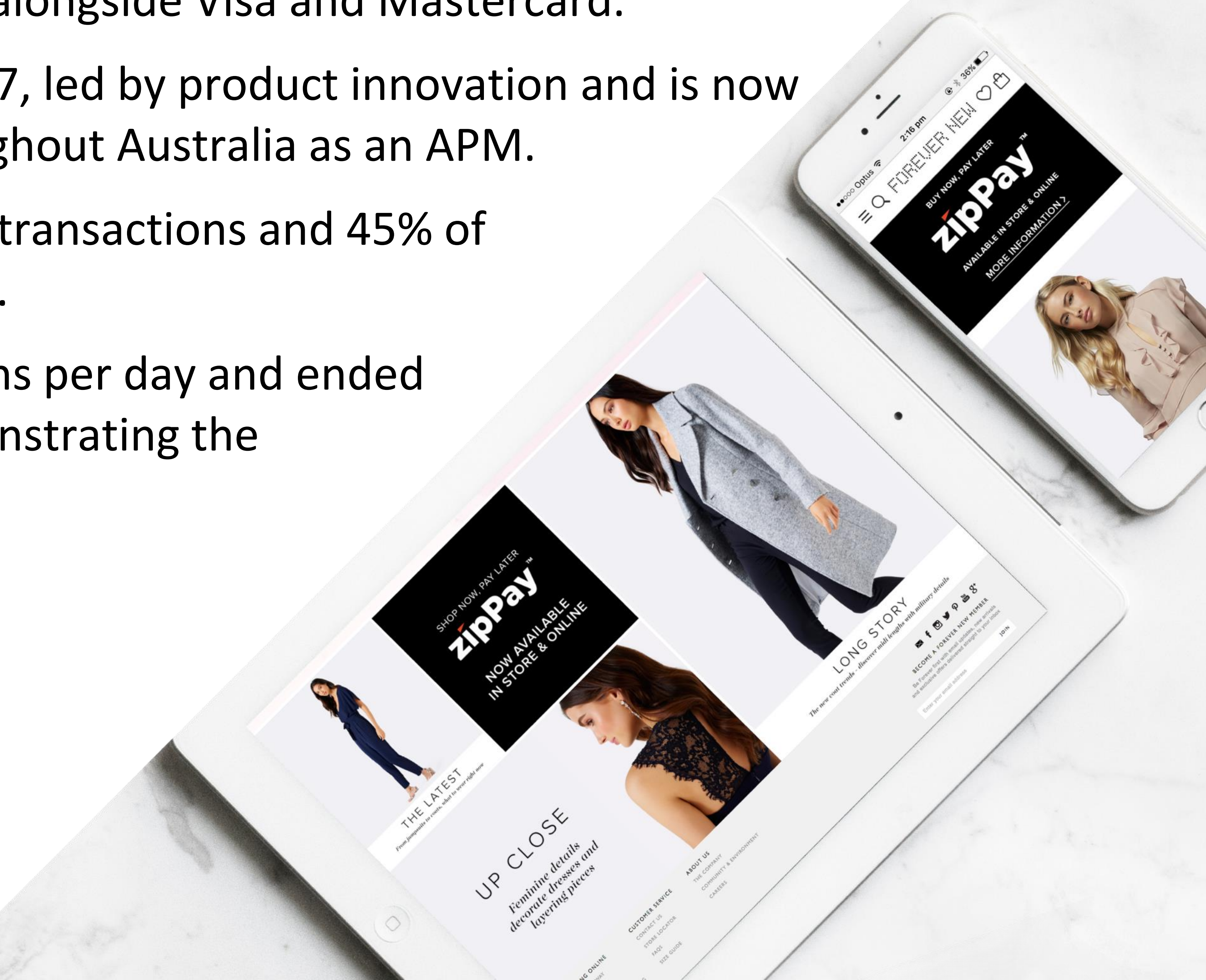
Repurchase rate

Source: based on internal sample data sets.

Revolutionising alternative payments

Retailers are seeing the rise of Alternative Payment Methods (APMs) at checkout as traditional methods lose favour in the eyes of consumers.

- Zip is leading the charge with a fully-integrated checkout solution and the ability for retailers to seamlessly offer interest-free instalments alongside Visa and Mastercard.
- Zip enjoyed significant growth in-store in FY17, led by product innovation and is now accepted at more than 8,000 locations throughout Australia as an APM.
- By the end of FY17, approximately 20% of all transactions and 45% of transaction volume were taking place instore.
- Zip began the year processing 300 transactions per day and ended processing over 3,000 per day – clearly demonstrating the cloud-based, scalable nature of the platform.



Health is a core focus for Zip

The health sector is a core focus for Zip, with an estimated $29 billion in annual personal spending and a further $21 billion on health insurance premiums.

- Strong focus on dental, veterinary and cosmetic segments.
- Launch of Henry Schein Halas strategic partnership.
- Over the course of the year, the healthcare team expanded, with the segment growing strongly since January 2017:
  - **+70% average** month-over month growth of transactions.
  - **+30% average** month-over-month growth of clinics.
  - More than **500 clinics** currently accepting Zip across Australia.

We partner with the best in the industry…

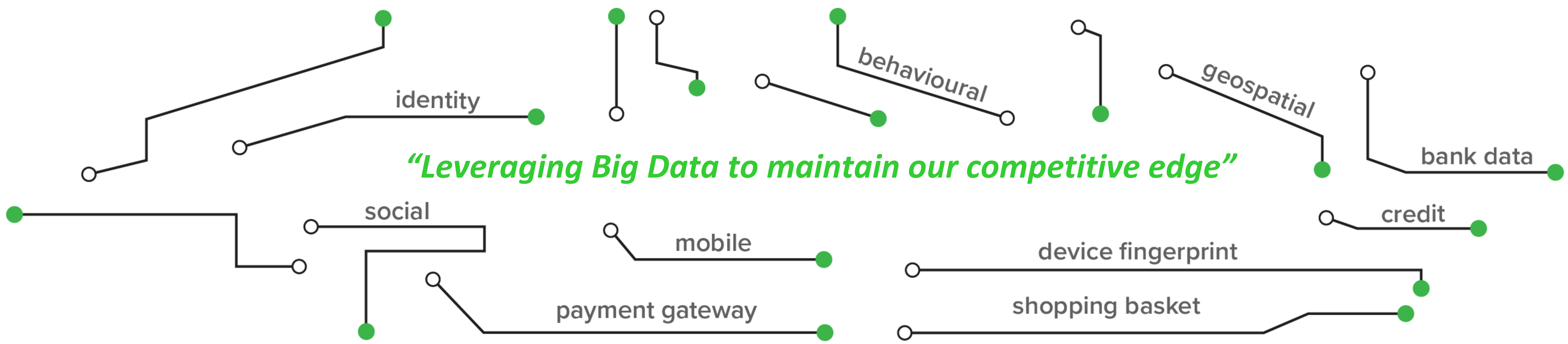
HENRY SCHEIN® | HALAS

REGIONAL HEALTH CARE GROUP | PROVET | nanosonics | MediPlan

Source: Australian Institute of Health and Welfare (2017)

Zip leads in market through its data science capabilities

Zip continues to invest in its core intellectual property – its 100% owned fraud, payments and credit decision technology (Credittech); as well as fostering a data-driven organisational culture.



Highlights over the year included:

- Optimised Zip’s Big Data infrastructure, increasing speed-to-market for rapid deployment.
- Deployed a number of new AI/machine learning algorithms focused on increased automation and loss prevention.
- Augmented the decision engine with new alternate data sources to enhance risk models and analytical capabilities.
- Developed a new Business Intelligence (BI) platform to better track performance and provide deep analytical insights.
- Implemented new technologies enabling risk analysts to more effectively detect suspicious transaction behaviour.

zip

Platform integrations and channel partnerships the key to growth

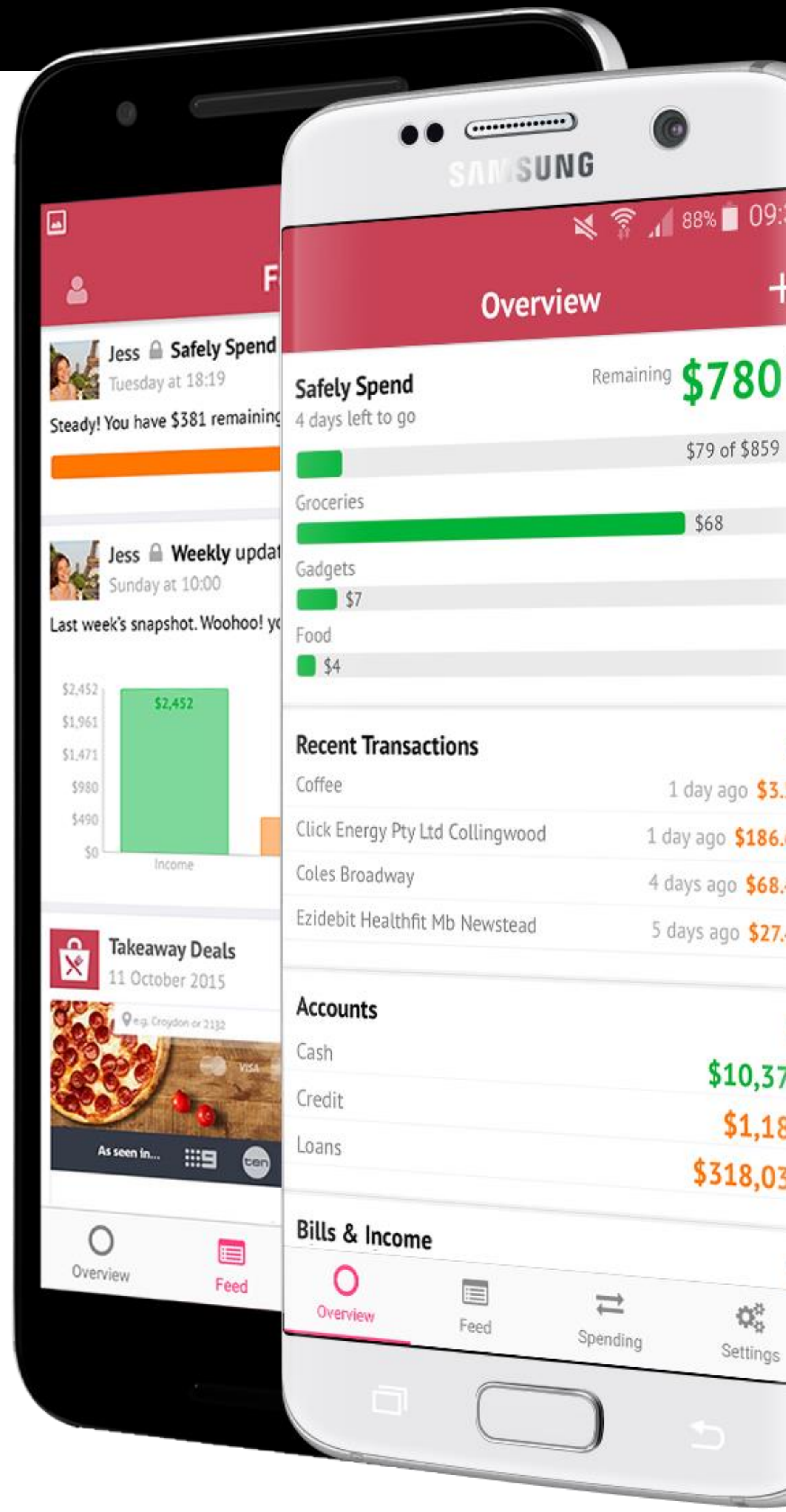
- Our mission is to see Zip accepted everywhere, online or in-store, alongside Visa and Mastercard.
- Platform and vendor partnerships as well as investment in our integration services layer helps drive the network effect beyond traditional sales channels.
- Recent partnerships include eWAY, Shopify and Retail Directions, with many more currently in the pipeline.
- Zip has integrated with close to 30 platforms including shopping carts, point-of-sale systems and terminals – making it seamless for retailers to offer Zip at the checkout.

Pocketbook, a leading personal finance service

Not all customers desire credit and Zip is as equally focused on the asset side of the balance sheet for its millennials.

Highlights for the year include:

- ✓ Organic growth reached 370,000 users, an 44% increase since acquisition.
- ✓ Continued enhancement of its industry-leading transaction categorisation engine – pending Q2 launch is expected to increase accuracy by 15%.
- ✓ Provided meaningful contributions to Zip's core proprietary, decision automation platform through enhanced categorisation, bill and income detection as well as credit profile personas.
- ✓ Launched the 'While You Are away' feature, providing real-time, data-driven user insights – drove 30% higher engagement levels.



A year of recognition for Zip and Pocketbook

Zip and Pocketbook received awards at the **2017 Australian FinTECH Awards**:

- Zip received the '**Innovation in Payments**' award for, *"an innovative new product or service that disrupts the local payments sector across mobile or digital currency providers."*
- Pocketbook received the '**Innovation in Wealth Management (Robo Advice)**' award for, *"a new, or significantly improved product or service that leverages technology to benefit customers or financial institutions."*

> *Pocketbook is one of the simplest and most user-friendly ways for Australians to monitor their spending and create a budget. Its integration with all major banks … makes it suitable for all Australians who want to take control of their finances.*
>
> **Chris Jager (Finder 2016)**

Strong outlook FY18 and beyond

Cashflow breakeven FY18

Achieve cashflow breakeven on a monthly basis during the financial year.

Data and technology

Continued investment in proprietary technology platform including leveraging data IP to drive growth in new opportunities.

Funding

Continue to diversify our debt funding programs, both provider and tenor.

Sector penetration

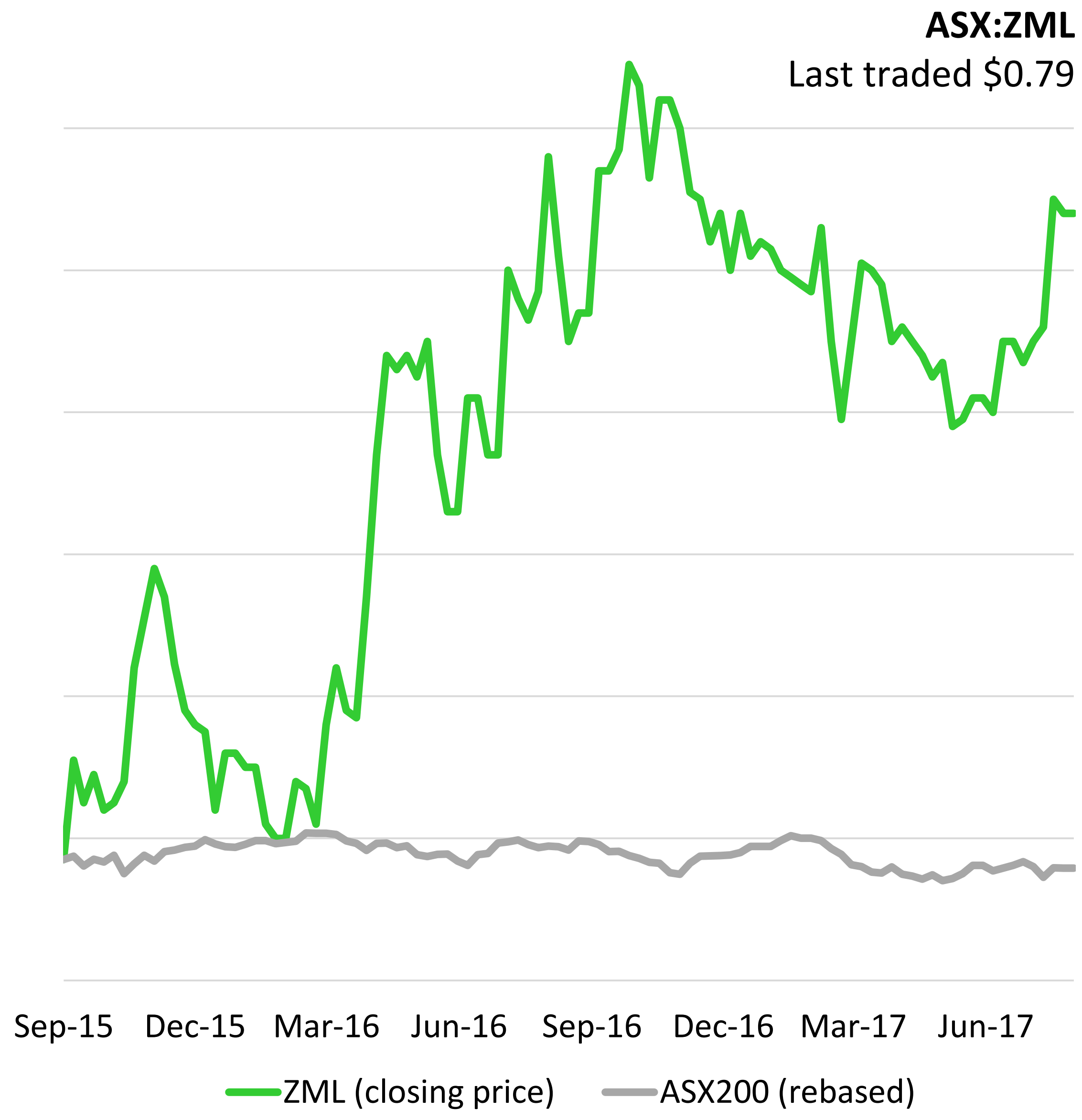
Drive increased penetration of Zip in market and particularly in the health services segment.

Market share growth

Grow existing market share within the A$300bn+ retail industry and broader payments ecosystem.

Pocketbook

Release step-change products and new features in the native app.



Share capitalisation and Board of Directors

Top shareholders

Larry Diamond (Managing Director / CEO)	21.0%
Westpac Banking Corporation	17.1%
Peter Gray (Executive Director / COO)	6.9%

Financial information

Share price (23 Aug 17)	$0.79
Shares on issue	288.7m[1]
Market capitalisation	**$228.0m**
Cash (Jun 17)	$6.6m[2]
Debt (Jun 17)	$6.0m
Enterprise value	**$227.4m**

1. Includes 88.7m escrowed shares to be released Sep-17; Excludes 6.7m unlisted options and 13.3m performance shares.
2. Excludes restricted cash relating to the securitisation warehouse facility.

Philip Crutchfield
Chairman

Philip is a practising barrister and a former partner of Mallesons Stephen Jaques (now King & Wood Mallesons). He is a member of the Melbourne University Law School Foundation Board and sits on the Board of Bell Shakespeare Theatre Company.

Megan Quinn
Non-Executive Director

Megan is a highly experienced retail executive. She was a co-founder and executive director of the internationally acclaimed NET-A-PORTER and is currently on the Board of ASX Specialty Fashion Group and UNICEF Australia

Larry Diamond
Managing Director & CEO

Larry co-founded zipMoney following 12 years in retail, technology and investment banking at Pacific Brands, Macquarie and Deutsche Bank. Larry is a qualified CA and has a Bachelor of IT and a Master of Commerce (Finance).

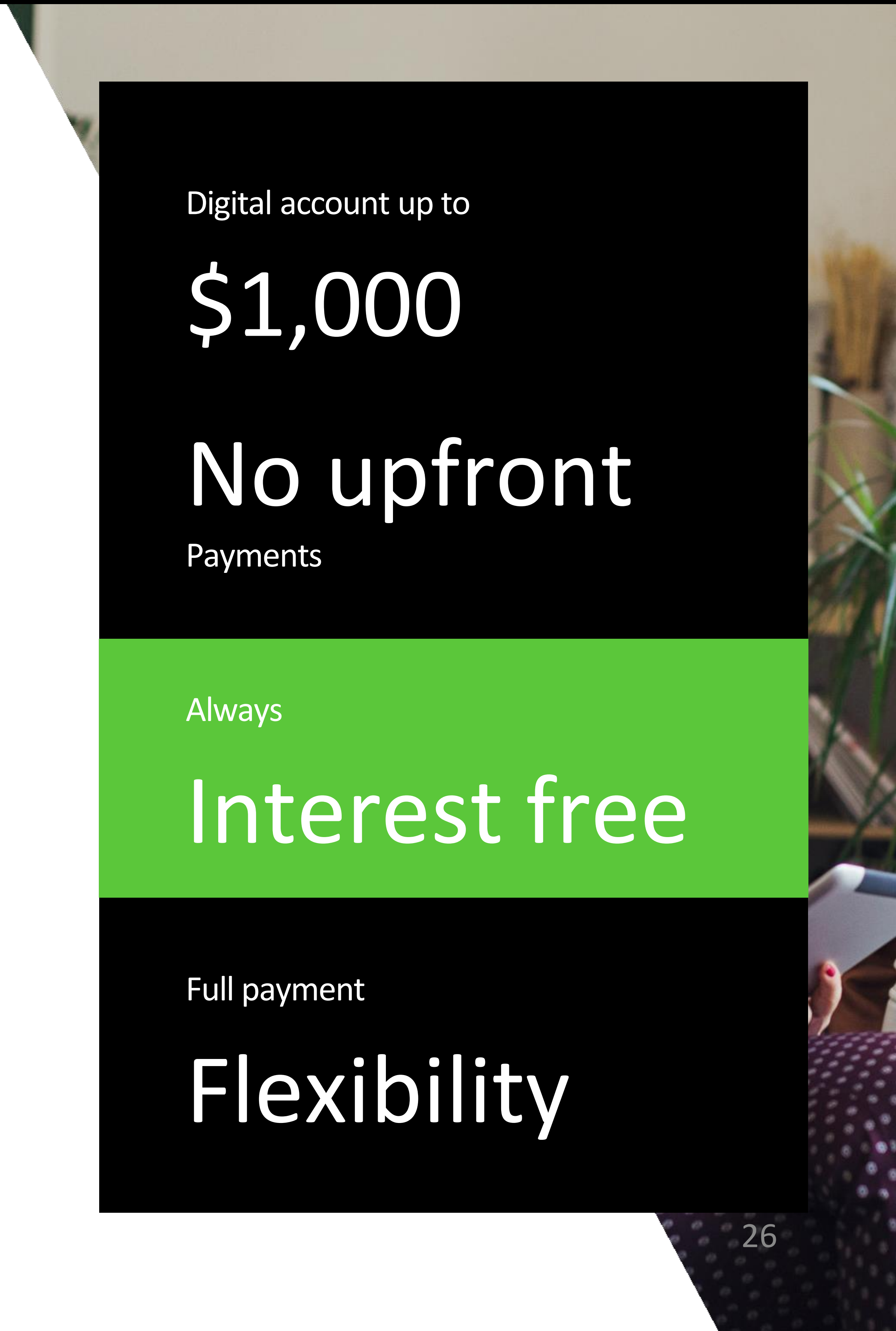
Peter Gray
Executive Director & COO

Peter co-founded zipMoney in 2013 with +20 years of experience in the retail finance industry. He is a licensed responsible manager for zipMoney Payments under ASIC. He has managed a $500m+ loan book for 300,000+ customers.

APPENDIX

zipPay - Overview

- Up to $1,000 digital account to shop online and in-store.
- No upfront payment required at time of purchase.
- Always interest free and no hefty late fees – both brand and consumer friendly.
- Full payment flexibility, customers can pay back weekly, fortnightly or monthly. Up to 60 days to pay back fee-free, or get more time.
- Real-time approval and frictionless social sign-up via Facebook, PayPal or email.
- Store bank account and debit card details in your digital wallet for direct debit and one off payments.



Digital account up to

$1,000

No upfront

Payments

Always

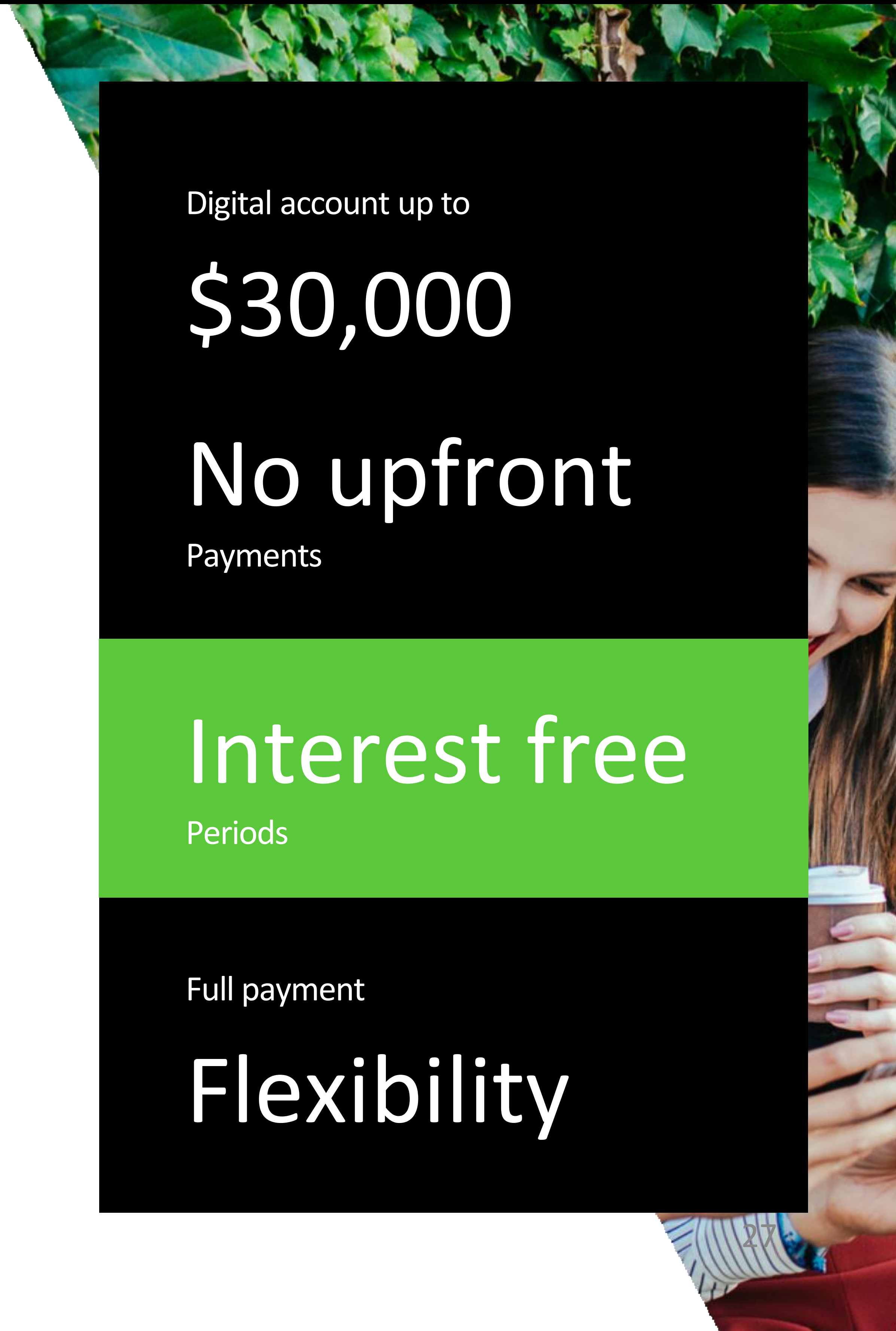
Interest free

Full payment

Flexibility

zipMoney - Overview

- Up to $30,000 digital account to shop online and in-store.
- No upfront payment required at time of purchase.
- Interest free terms which are both brand and consumer friendly.
- Full payment flexibility, allows customers to pay back weekly, fortnightly or monthly.
- Real-time approval and frictionless social sign-up via Facebook, PayPal or email.



Digital account up to

$30,000

No upfront

Payments

Interest free

Periods

Full payment

Flexibility

zip

Pocketbook - Overview

Pocketbook

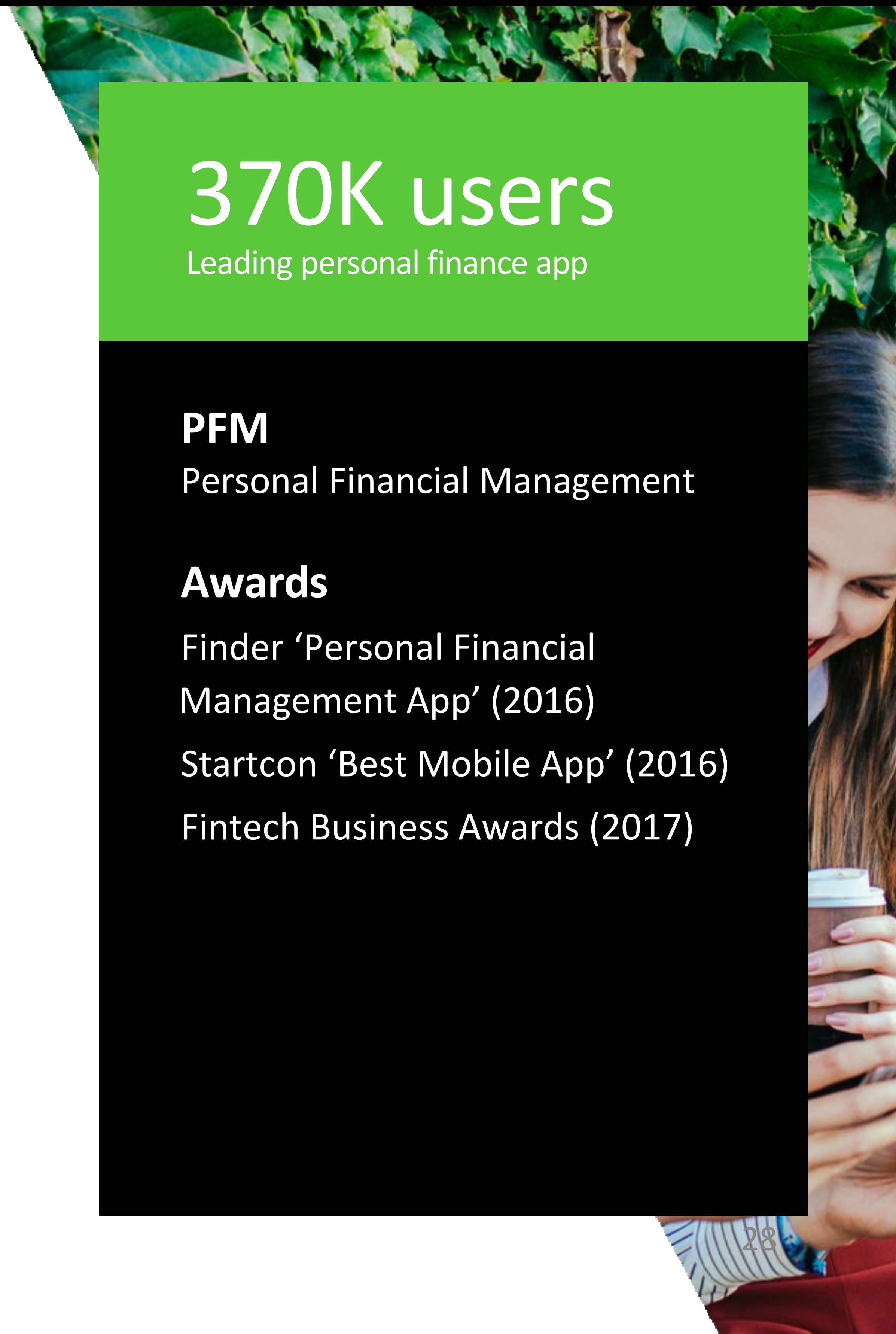
Pocketbook complements zipMoney’s strong focus on helping Australians achieve financial well-being

Market leader
Category leading personal finance app with more than 370,000 users, the majority of whom are mobile.

Finance tool
Strong engagement through money management features enriched with banking transactional data.

Valuable Big Data
The breadth of data and unique acquisition methods enriches zipMoney’s work on credit modelling.

Data synchronisation
Allows consumers to synchronise data with most Australian banks and receive enhanced categorisation.



370K users

Leading personal finance app

PFM

Personal Financial Management

Awards

Finder ‘Personal Financial Management App’ (2016)

Startcon ‘Best Mobile App’ (2016)

Fintech Business Awards (2017)

Revenue recognition – summary

- Zip adopts a traditional portfolio-based income recognition methodology for its accounts.
- This is in line with methodologies employed by peer comparables (eg FlexiGroup and Latitude/GE), as well as, several credit card providers.
- In summary:
  1. All fees (incl. merchant fees, establishment fees, monthly fees) are classed as *portfolio income*.
  2. Customer receivables are initially measured at fair value and subsequently measured at *amortised cost* using the effective interest method.
  3. When calculating the *effective interest rate*, the Group estimates cash flows considering all contractual terms of the receivable but does not consider potential future credit losses.
  4. The *effective interest rate* is the rate that exactly discounts payments through the expected repayment period of the receivable. Interest is recorded as portfolio income in the P&L over the repayment period.
- The results of this policy typically lead to a smoother revenue curve and industry standard recognition of revenue over the loan's forecasted repayment term.

Share based payment – summary

- 5,000,000 options were issued to Victory Park Capital (VPC) in November 2015
- Options issued were conditional on the basis VPC completes the $100m notes subscription facility
- The facility was completed and this proved to be fundamental to the growth of the Company to date
- AASB 2 requires the fair value of options to be recognised at grant date and be amortised over the period of the facility
- Fair value was determined using the Black-Scholes model at $1.7m:
  - $0.5m has been reported as a prior year adjustment
  - $0.8m has been booked in the Financial Year
  - $0.4m will be amortised over the remaining term
  - The costs are included as a finance cost in the Profit and Loss Statement

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