

21 February 2022

HY22 RESULTS UPDATE

Zip Co Limited (ASX: Z1P) (“**Zip**”, or the “**Company**”) will announce its results for the half-year ended 31 December 2021 on Thursday, 24th February 2022.

Zip is pleased today to provide an interim update on its HY22 results¹:

- Top line performance across the group and in core markets continues to be on a strong trajectory, as Zip executes on its mission of becoming the first payment choice everywhere and every day.
 - Record revenues of \$302.2m for HY22 (up 89% YoY), with continued momentum seen across the business.
 - Record transaction volumes of \$4.5bn for HY22 (up 93% YoY), and record transaction numbers of 36.3m (up 147% YoY), as customers continue to benefit from products such as Tap and Zip, and deepening engagement through initiatives such as Zip’s personalised rewards offering.
 - Customer numbers increased to 9.9m (up 74% YoY) and merchants on the platform increased to 81.8k (up 113% YoY).
- Our differentiated revenue model saw revenue margins remain strong at 6.7%.
- Healthy cash transaction margins of 2.1% reflecting changes in business and geographic mix, and an increase in bad debts.
 - Average capital efficiency remains healthy with the book recycling approximately every 3 to 4 months on a blended basis.
 - Weighted average margin on loans outstanding at 31 December 2021 was 3.30% (down 0.37% YoY), reflecting recent repricing activity in Australia – the business remains well placed for continued benefits on repricing to offset any increase to the broader interest rate environment. As a percentage of transaction volumes, interest expense was 0.7% (down 0.4% YoY).

¹ All figures in AUD unless otherwise specified.

- Bank fees and data costs of 1.3% of transaction volumes (up 0.2% YoY), with continued opportunities to leverage Zip's increased scale and lower cost payment methods (particularly in the US).
- Net bad debts of 2.6% of transaction volumes (excluding the movement in provisions) reflect the inclusion of less mature expansion markets and a change in the external environment in the US impacting the industry, with the easing of government stimulus affecting consumer portfolios generally.
- The group has already adjusted its risk settings to drive down future losses, in line with similar actions successfully implemented in 2020 at the onset of COVID-19, which were effective in bringing losses back to levels in line with medium term targets (<2%).
- Cash EBTDA is expected to be a loss of \$108.1m, driven by the group's investment in growth, geographic expansion and the pathway to becoming a global company.
 - Cash operating costs were \$204.5m for HY 2022, reflecting a significant investment in the business including engineering, marketing and a global re-brand, which has delivered continued growth and an expanded global footprint, with Zip now operating in 14 markets.
- The group continues to take a disciplined approach with regards to its funding and capital management requirements.
 - During the period, Zip issued its first primary issuance under the Master Trust with a AAA rating reflecting Zip's improved receivables performance, subsequently enhancing the company's ability to continue to refinance earlier issuances at a lower WACC, mitigating the impact of a potential rising interest rate environment.
 - Significant headroom in undrawn funding across the group's debt facilities, and an available cash liquidity position of \$212.5m at 31 December 2021.
 - Zip is undertaking a series of cost saving initiatives with continued focus on driving sustainable growth and increased profitability in core markets, whilst adjusting capital allocation to markets where Zip believes there is a near term pathway to profitability. These measures are expected to improve cash flow and will help reduce run-rate costs in the second half of FY22.
 - Capital allocation to drive growth in the UK reduced, resulting in the impairment of goodwill for accounting purposes of \$44.7m
- Management remains confident in the outlook for the business, with healthy unit economics and continued strong growth in core markets driving cash flow generation. Further updates will be given at the HY 2022 results presentation on Thursday, 24 February 2022.

Further to the announcement on 25 January 2022, Zip confirms it continues to be in discussions with Sezzle Inc. (ASX: SZL) (“Sezzle”) in relation to a potential acquisition. There is no certainty that the discussions will result in a transaction of any kind and Zip will keep the market updated in accordance with its continuous disclosure obligations. The Zip Board remains committed to ensuring any transaction delivers value to shareholders and will always be disciplined in its assessment of potential opportunities. The Board pursues transformational transactions that help accelerate the delivery of Zip’s broader strategic objectives of greater scale in core markets, improved customer and merchant value, and a faster path to profitability through significant synergies.

HY22 Results - Conference Call Details

Shareholders and investors are encouraged to participate in a Conference Call (Call ID “**Zip 1**”) to discuss the results on **Thursday, 24th February 2022 at 10:30 AM AEDT**.

The dial in details are as follows:

Reference the Call ID: “**Zip 1**”.

Participant Toll free

Australia:	1800 144 837
Czech Republic:	800 700 539
Hong Kong:	800 901 494
India:	000 800 100 7615
Japan:	0053 116 0855
Mexico:	001 800 514 6145
New Zealand:	080 044 9207
Singapore:	800 101 2018
South Africa:	080 098 1020
U.K.:	0808 101 1183
US:	800 895 3361

For all other countries, the call can be accessed by Toll number.

Participant Toll +1 785 424 1062

Alternatively, you can access the audio-only webcast [HERE](#) or visit the below link.

<https://event.on24.com/wcc/r/3655199/71209937596300D1BF2528CC09B4C4F3>

Note: Q&A functionality is only available through the conference call line.

Release approved by the Board.

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For more information, please contact:

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For general investor enquiries, email investors@zip.co

About Zip

ASX-listed Zip Co Limited (Z1P: ASX) or (“Zip”) is a leading global financial services company, offering innovative, people-centered products that bring customers and merchants together. On a mission to be the first payment choice everywhere and every day, Zip offers point-of-sale credit and digital payment services in 14 markets around the world, including through strategic investments, connecting millions of customers with its global network of tens of thousands of merchants.

One of the fastest growing BNPL providers globally, Zip has a presence in Australia, Canada, Czech Republic, India, Mexico, New Zealand, the Philippines, Poland, Saudi Arabia, Singapore, South Africa, UAE, the United Kingdom and the USA. Zip provides fair, flexible and transparent payment options to individual consumers and SMBs, helping them to take control of their financial future and helping merchants to grow their businesses. Zip is committed to responsible lending and also owns Pocketbook, a leading personal financial management tool. Founded in Australia in 2013, Zip now employs over 1,500 Zipsters worldwide.

For more information, visit: www.zip.co