ZIP CO LIMITED

FY22 Investor Presentation

25 AUGUST 2022

OUR MISSION

To be the first payments choice everywhere and every day.

OUR PURPOSE

To create a world where people can live fearlessly today, knowing they are in control of tomorrow.

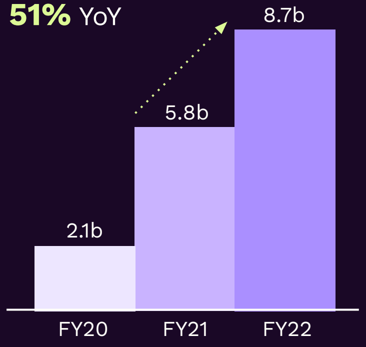
Agenda

01.

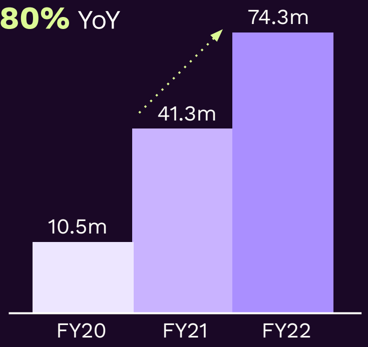
Highlights

Continued strong operating performance in FY22

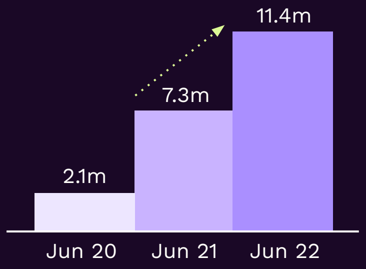
TTV ($)
Up **51%** YoY



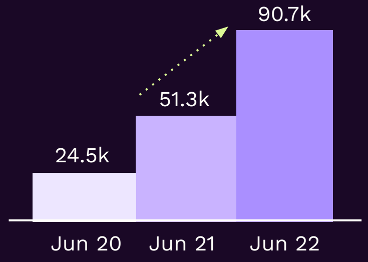
Transactions (#)
Up **80%** YoY



Customers[1] (#)
Up **56%** YoY



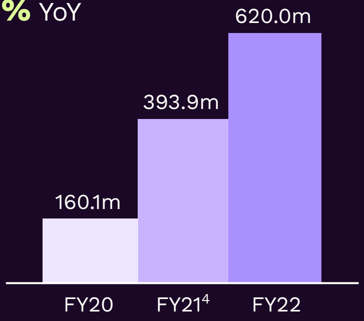
Merchants (#)
Up **77%** YoY



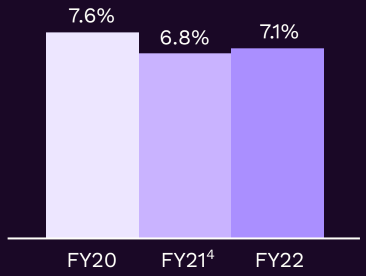
All figures based on Zip's unaudited financials as of 30 June 2022. Figures in AUD.
Note 1. US customer numbers in Zip Q4 FY22 Results Update from 21 July 2022 included approximately 600k accounts which were not activated as at 30 June.

Financial performance

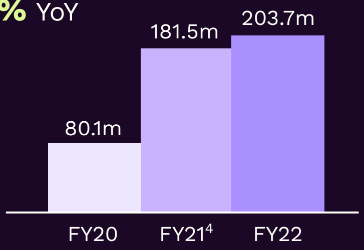
Revenue[1,2] ($)
Up **57%** YoY



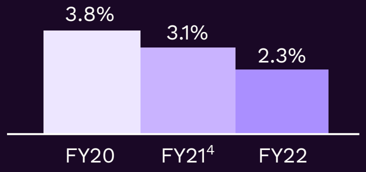
Revenue margin (%)



Cash gross profit ($)
Up **12%** YoY



Cash transaction margin (%)



Available cash and liquidity[3] ($)

$279m

FY22 cash EBTDA ($)

($207m)

Note: 1 Revenue does not include other income, 2. Revenue for FY22 is unaudited, 3. As at 30 June 2022, 4. Refer to appendix for detailed restatement of FY21 financial statements.

FY22 highlights

Growth

Strong growth across all key operating metrics: **TTV up 51% YoY to $8.7b**; **Revenue up 57% YoY to $620.0m**; total customers increasing 56% YoY to 11.4m and total merchant partners up 77% YoY to 91k.

Merchants

Launched with Top 100 US Retailers **Best Buy** and **Bed Bath & Beyond**[1] in the US. In AU Zip established a leading position in travel going live with **Qantas** and **Virgin Australia** as well as entering a number of new verticals including entertainment with brands such as Hoyts.

Customer engagement

Customer engagement continues to rise, led by the rapid adoption and usage of the Zip app (App Store rating 4.9 US/AU), driving demand to over 90k merchant partners. Zip's shop anywhere technology, saw **transactions per active customer increase 45% YoY** in core markets.

Business model

Zip delivered $28m cash EBTDA in Australia (up 250% YoY), a relatively more mature market, **demonstrating the power of strong unit economics and operating leverage** on the underlying profitability as the business scales. US on a similar glidepath.

Balance sheet

Well funded with $279m in available cash and liquidity to support execution of strategic priorities through to group cash EBTDA profitability. Completed our **first issuance under the Master Trust with a AAA rating** in Sep-21. Well funded with debt funding capacity of $397m for AU and US$183m for the US respectively.

Source: 1. Top 100 Retailers 2022, NRF, 2022.

In FY22 we pivoted our focus to execute on growth in core markets and accelerate our path to profitability

Growth

>50% YoY TTV growth and added **4.1m** customers in FY22 driven by merchant partnerships and product innovation

- **Launch enterprise merchants:** Launched Best Buy, Bed Bath and Beyond, Qantas and Virgin Australia in H2
- **New products and services:** Launched physical card in the US and instalment service for Zip Money AU
- **Drive deeper engagement:** Enhanced rewards program in AU through partnership with Qantas and launched in-store rewards feature

Unit economics

Clear path to target range, with Q4 FY22 at **2.4%** cash NTM

- **Reduce loss rates:** Adjusted risk settings and significantly increased collection activity globally to drive losses to target, with late June cohorts for Zip US expected to deliver a loss rate of 2.2%
- **Optimise repayments:** Enhanced repayment options and experiences to increase repayment velocity
- **Expand revenue margins:** Drove growth through high margin products Zip Money and Zip US app and implemented pricing changes in ANZ (revenue margins of 8.3% for Q4)

Cost management

Took decisions to exit non-core markets and product lines, reducing cost base

- **Review market presence:** Made decisions to close Zip Singapore and Zip UK and undertaking a strategic review of RoW businesses to reduce cash burn
- **Reduce operating expenditure:** Undertook an internal reorganisation to reduce people costs ($30m+ benefit in FY23)
- **Focus on core products:** Wind down of Zip Business Trade products; retirement of Pocketbook; and deprioritisation of new crypto and investment products in ANZ

Sustainable growth and an accelerated path to profitability

Sustainability and social impact

Financial empowerment

- Partnered with Young Change Agents, promoting financial literacy and entrepreneurial skills for youth in AU
- Remain committed to responsible lending and supporting our customers to manage their money better, including through our financial wellness blog

Environmental sustainability

- Undertaking continued work to remain a global, Climate Neutral certified organisation
- Established a baseline reporting structure aligned to TCFD[1], including conducting a global climate risk assessment
- Continued engagement with community partners to support waste reduction

DEI and community engagement

- Gender balance targets revised to 40% women / 40% men / 20% any gender at all levels by FY26. Reached 42% women across our global workforce in FY22
- Continued partnerships with Women Who Code and The Pinnacle Foundation[2,3]
- Undertook fundraising for emergency responses in Ukraine and The Movember Foundation

Investment in our people and wellbeing

- Strong focus on employee career development, mental health and wellbeing, including a continuation of our partnership with Heart On My Sleeve
- Extended leave policies to enable US employees to safely access abortion treatment

Note: 1. Task Force on Climate-related Financial Disclosures. 2. Women Who Code: a global not-for-profit supporting women in tech careers, 3. The Pinnacle Foundation: a not-for-profit supporting LGBTQI+ youth across Australia.

02.

Business performance

US – Growing strongly

Growth
Strong growth, delivered 67% YoY in TTV while adding 2m new customers to the platform.

New enterprise merchants
Launched with Top 100 US Retailers[1] Best Buy and Bed Bath & Beyond. Two-sided revenue model enabling flexible pricing is resonating with merchants.

Banking partnership
Established partnership with WebBank providing regulatory and funding benefits to the Zip program.

New merchants

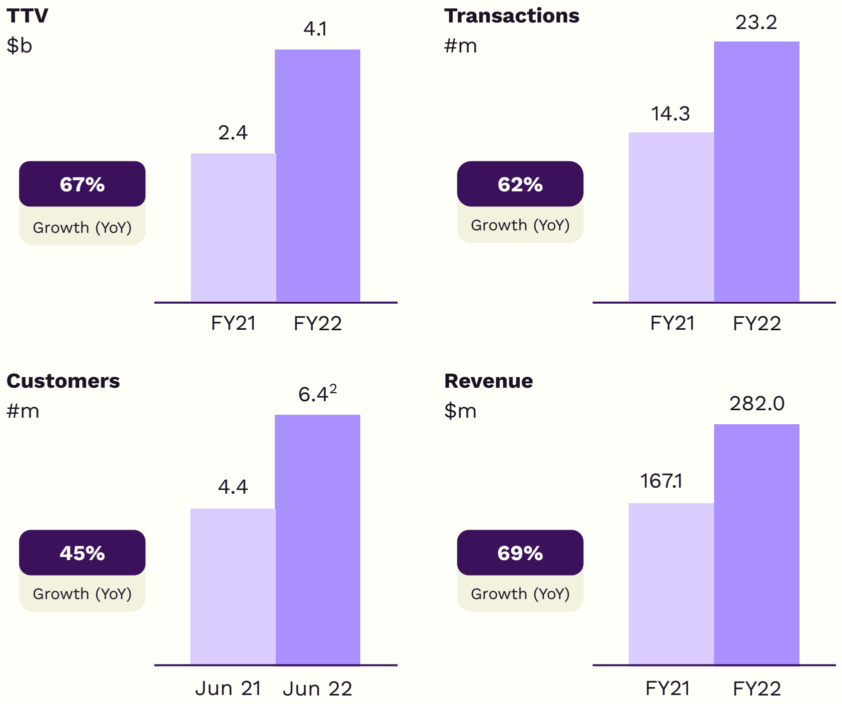
BEST BUY · BED BATH & BEYOND · REVOLVE · Gabe's · MERCARI · Pet Supermarket

Customer engagement
Driving deeper engagement, with top 10% of app customers transacting ~40x p.a., compared to 35x in FY21. 91% of orders are coming from repeat customers.

Product innovation
Launched a physical card, key to unlocking the large addressable in-store opportunity and making it easier for customers to pay with Zip.

Future focus
Sustainable growth through profitable merchant partnerships and improved customer engagement supported by strong platforms and governance - which is expected to yield EBTDA improvements in FY23.

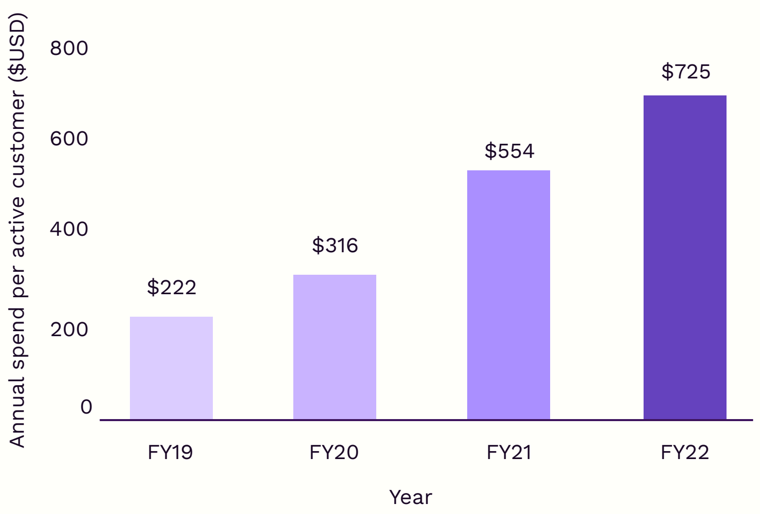
Key performance metrics



Source: 1. Top 100 Retailers 2022, NRF, 2022.
Note: 2. US customer numbers in Zip Q4 FY22 Results Update from 21 July 2022 included approximately 600k accounts which were not activated as at 30 June.

App engagement in the US is driving significant customer lifetime value

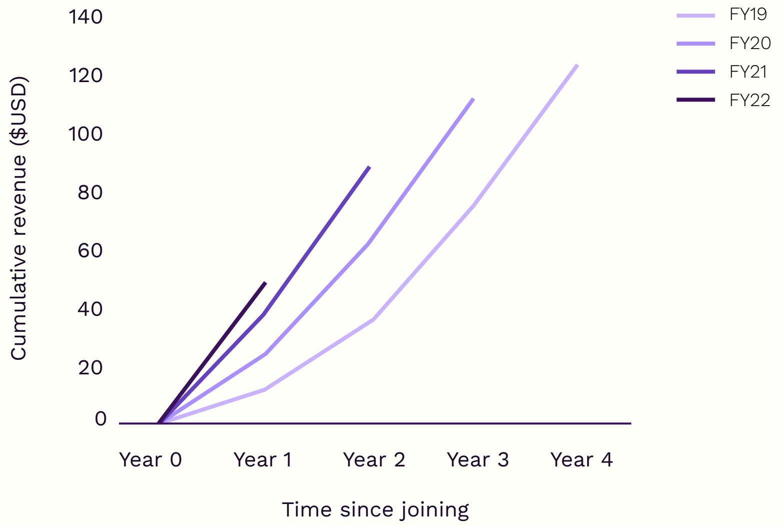
Spend per US active customer[1]



Zip US customers are spending more:

- **Average customer spend continues to increase over time** (FY19-FY22)
- **Our app is driving customer engagement and spend;** app volume increased 1.8x in FY22 vs FY21

Cumulative revenue per US active customer[1, 2]



We continue to drive higher customer LTV underpinned by:

- **Increased adoption** of high margin **app product** to access open loop BNPL anywhere
- Higher repeat usage rates as a result of deeper customer engagement

Note: 1. Defined as customer accounts that have had transaction activity in the last 12 months, 2. Based on cumulative revenue per customer by annual cohort.

ANZ - Delivering profitable growth

Profitable growth
Delivered strong growth across key metrics, with revenue growing at >1.5x the rate of transaction volume.

Product expansion
New initiatives included rollout of Zip Money instalments, enhanced rewards program (inc. Qantas rewards), product protection insurance and further scaling of open loop capabilities across both Zip Pay and Zip Money.

New merchants and verticals
Launched a number of enterprise merchants, establishing significant presence in the travel sector with Virgin Australia and Qantas and also signed with eBay AU.

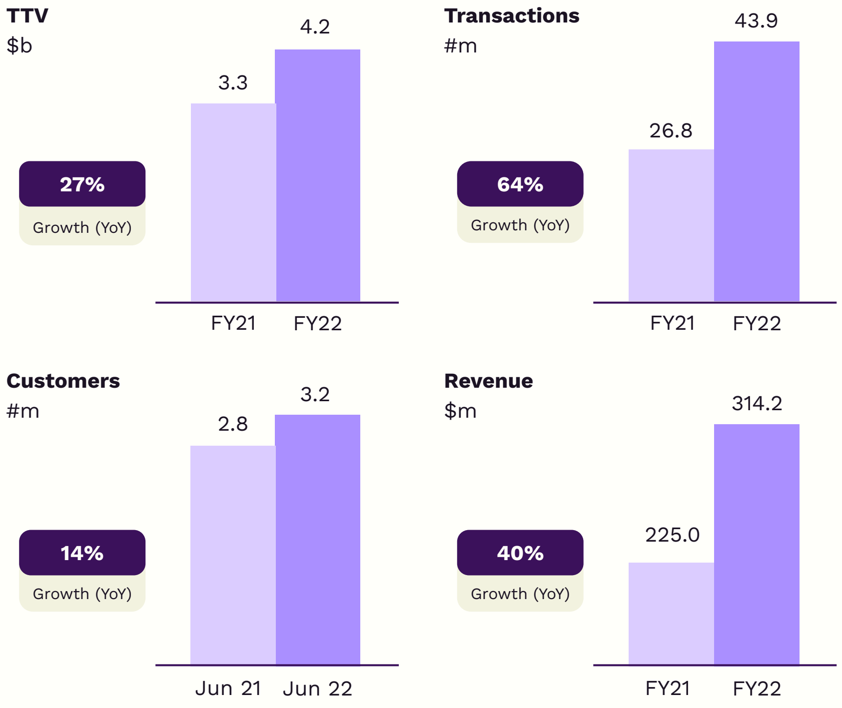
New merchants

Customer engagement
Customers are engaging with Zip more than ever with monthly users transacting on average ~4x in June alone. Uptake of multiple products continues to grow, with total dual Zip Pay and Zip Money customers growing 30% YoY.

ANZ leadership
Enhanced ANZ leadership team appointing Cynthia Scott (ANZ MD), George Gorman (Chief Technology Officer) and Travis Tyler (Chief Product Officer).

Future focus
Actions to wind down (Zip Business Trade and Trade Plus) and reprioritise product development (retirement of Pocketbook and deprioritise new crypto and investment products) to simplify and focus on core. Positioned to drive greater cost efficiencies and deliver increased EBTDA and margin expansion in FY23.

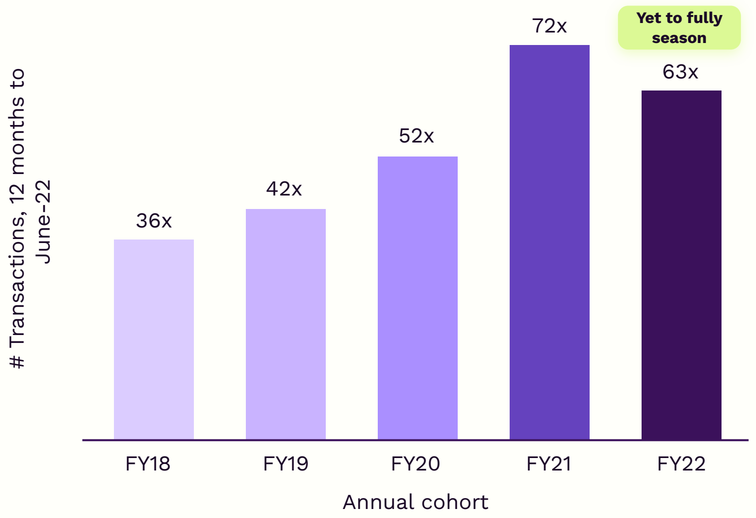
Key performance metrics[1]



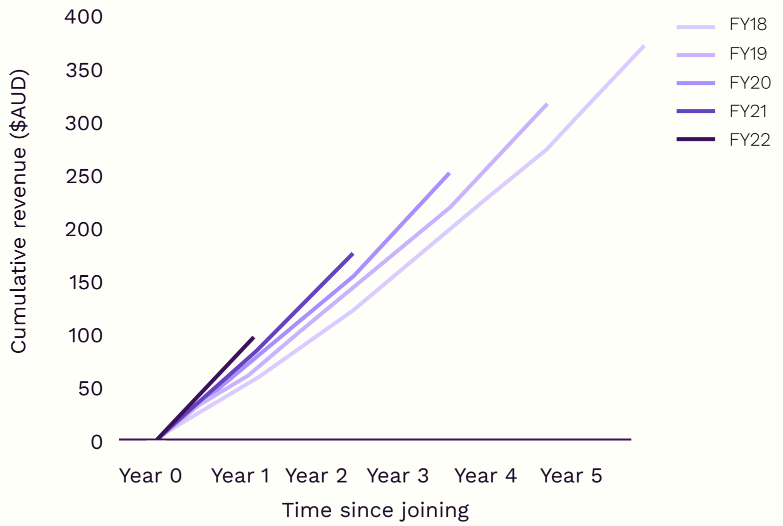
Note: 1. ANZ figures include Zip Australia, Zip New Zealand and Zip Business.

Cross-product adoption and deeper engagement is delivering higher customer lifetime value in ANZ

Total transactions, top 20% AU customers[1]



Cumulative revenue per ANZ customer[2]



Zip's unique product offering continues to drive deeper customer engagement:

- **Older cohorts are becoming increasingly engaged** (FY18-FY20)
- **Newer cohorts are transacting more often** (FY21)
- **Early indicators are very strong for FY22 cohort** which is yet to fully season

We continue to drive higher customer LTV underpinned by:

- Increased **adoption** of Zip products; >20% of new customers adopt both Zip Pay and Zip Money in the first six months of joining
- Deepening **engagement** (see left hand side)

Note: 1. For FY18-FY21 cohorts, transactions are on a rolling 12 month basis to Jun-22, 2. Based on cumulative revenue per customer by annual cohort.

Rest of world markets delivered >$450m in TTV

Twisto
Strong TTV and revenue growth up >60% and >80% YoY[1] with >1m all time customers having transacted on the platform. Taking targeted action to achieve profitability (i.e. deprioritised further EU expansion, focus on credit performance and repayments).

Spotii
Solid customer growth and key merchants joining the platform including Pan Emirates and Virgin mobile. Strong focus on unit economics across the region.

Payflex
Continued to solidify its position as #1 BNPL in the South African market with >1.8k merchants, including leading online retailer Takealot.

Canada
Continuing to expand the merchant network with the addition of key brands Fanatics, Lids and Famous Footwear. Operations streamlined to run from US HQ.

Mexico
Live with key merchants, including Claroshop and Omnilife with a strong pipeline of iconic regional merchants.

Zip is currently undergoing a strategic review of non-core markets and is in the process of winding down Singapore and the UK

Continuing to scale with a focus on sustainable growth

$455.7m TTV[2]	**7.1m** Transactions[3]
$23.7m Revenue[2]	**1.8m** Customers[3]

Note: 1. FY22 vs FY21, 2. In FY22, 3. As at 30 June 2022.

Active customers

- We are also moving to align customer definitions closer to industry standards to more accurately demonstrate the performance of the Zip business on an active customer basis
- Active customers are being measured as the number of customer accounts with transaction activity in the last 12 months
- There is an opportunity to re-engage customers who have not transacted in the last 12 months

Active customers (#m)[1]

	FY22
Group	7.5
ANZ	2.3
US	4.1
RoW (CA, MX, UK, SA, ME, SG, EU)	1.1

Note: 1. Active accounts defined as customer accounts that have had transaction activity in the 12 months to 30 June, 2022.

03.

Financial performance

Unit economics

We continue to deliver sustainable financial performance:

- Transaction volumes grew 50.8% YoY with revenue up 57.4% YoY
- Revenue margins improved 30bps, driven by benefits of our two-sided revenue model. Zip's margins continue to perform strongly versus peers
- Cash transaction margin (CTM) remains at healthy levels (>2%)
- Decline in CTM YoY largely driven by rising bad debt costs
- Medium term CTM target range of 2.5% - 3.0%

Financial performance[1]	FY22	FY21[3]	% change
Total Transaction Volume (TTV)	$8.7b	$5.8b	50.8%
Revenue	$620.0m	$393.9m	**57.4%**
% of TTV	7.1%	6.8%	+0.3%
Cash cost of sales[2] (COS)	$416.3m	$212.4m	**96.0%**
% of TTV	4.8%	3.7%	+1.1%
Cash gross profit	$203.7m	$181.5m	**12.2%**
Cash transaction margin (CTM)	**2.3%**	**3.1%**	**-0.8%**

Note: 1. Calculated figures may not reconcile due to rounding, 2. Cash cost of sales comprises net bad debts written-off, bank fees and data costs, and interest costs, 3. Refer to appendix for detailed restatement of FY21 financial statements.

Cash cost of sales

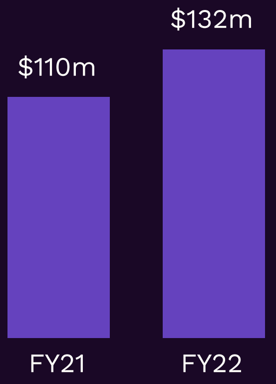
- Interest expense declined YoY driven by benefits from changed business mix and reduced funding costs in AU
- Net bad debts increase YoY driven by both external (e.g. slow down in US stimulus), internal (increased risk appetite in 2021) influences, and entry into new markets
- Management are taking action focused on improving credit performance across underwriting, portfolio management and repayments and collections, while balancing topline growth
  - US credit losses are expected to exit H1 FY23 at <2% on a cohort basis
  - In AU losses have peaked and expected to improve over the course of FY23
  - Group credit losses expected to trend towards ~2% throughout FY23
- Bank fees and data costs increased slightly reflecting volume mix shift towards the US

% of TTV	FY22	FY21[2]	Medium term target
Revenue	7.1%	6.8%	7.0%-7.5%
Interest expense[1]	0.9%	1.1%	
Net bad debts written off	2.6%	1.4%	
Bank fees and data costs	1.3%	1.2%	
Cash cost of sales	4.8%	3.7%	4.0%-4.5%
Cash transaction margin (CTM)	**2.3%**	**3.1%**	**2.5%-3.0%**

Note 1. Interest expenses excludes amortisation of funding costs, 2. Refer to appendix for detailed restatement of FY21 financial statements.

The Australian business has proven that at scale, strong unit economics converts to profitability

Cash GP[1]
Up **20%** YoY

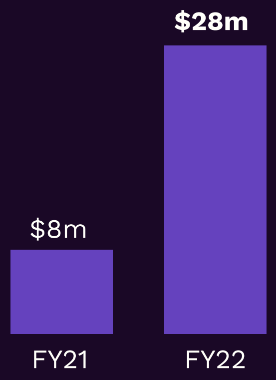


Maintain healthy margins

Cash Opex[1]
Up **2%** YoY

Scale the network

Cash EBTDA[1]
Up **250%** YoY

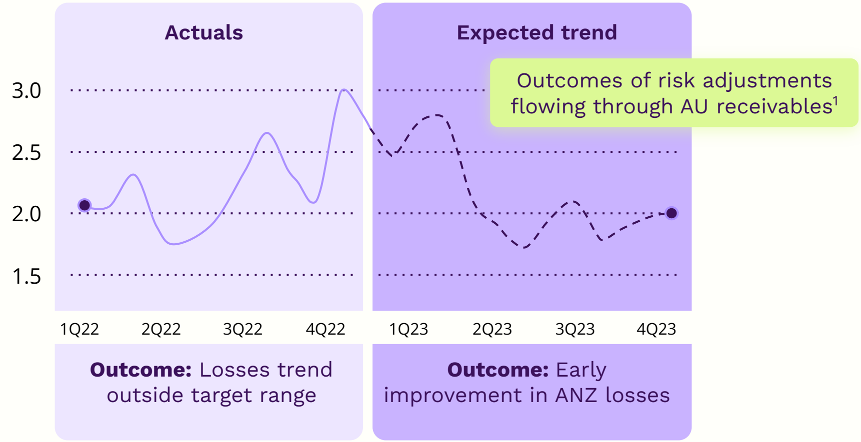


Drive profitability

Note: 1. Gross profit, operational expense and EBTDA are unaudited management accounts.

In AU actions taken across the credit lifecycle are delivering improved credit performance

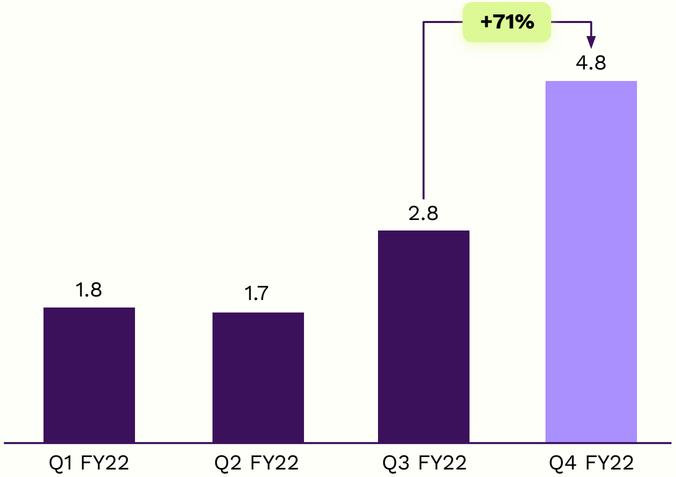
Decisioning and risk management driving write-offs to <2%
(AU net bad debts written-off, as a % of TTV)



Decisioning actions are reducing customers entering arrears, improving roll rates, which reduce write-offs. Actions include:

- Tightened credit limit management with minimum credit bureau scores and risk scorecard cut-offs increased
- Significant increase in customers connecting their bank as part of the Zip Pay application process

Collections are recovering more from written-off accounts
(Recoveries of written-off accounts, $m)



Account management and collections improvements in the quarter are driving reductions in arrears roll rates and improved recoveries:

- Optimising arrears and recoveries repayment collection processes
- Leverage network of internal and external collections teams across Zip Pay and Zip Money back book

Note: 1. Due to AU book recycling times, adjustments to settings take approximately six to eight months to flow through to outcomes.

Risk adjustments are driving US bad debts towards target range; recent cohorts seasoning at 2.1%

Credit underwriting adjustments in H2 FY22 are now delivering outcomes with loss rates trending at 18 month lows on a cohort basis

Underwriting

- Tightened decisioning rules and cut off scores
- Optimised real time transaction level checks
- Enhanced dynamic limit exposure management based on customer behaviour

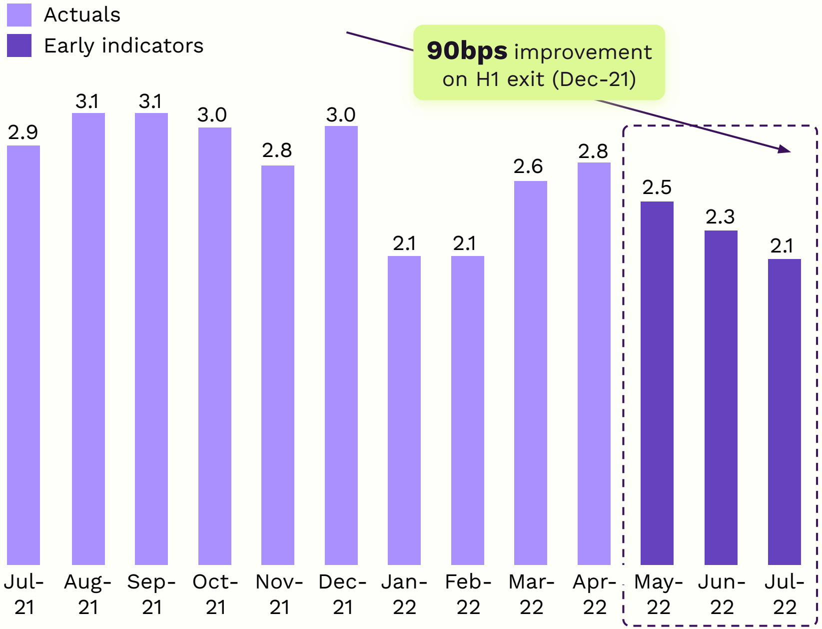
Portfolio management

- Performed selective credit limit changes to reduce portfolio risk

Repayment and collections

- Optimised approach to repayments
- Enhanced collections strategy leveraging internal and external capabilities

Losses are trending to target range on a cohort basis
(Monthly cohorts, 120 day performance as a % of cohort TTV)



Accelerated capital recycling and improved funding costs mitigate the impact of interest rate fluctuations

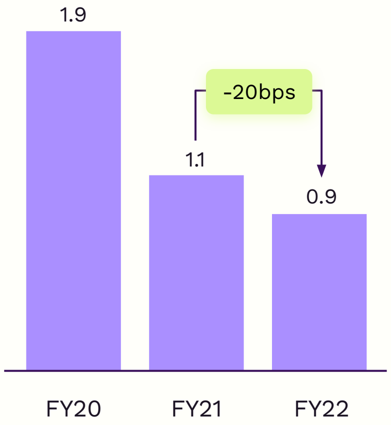
- Group receivables recycled every 3.8 months on average in FY22 vs 4.1 months in FY21, with the improvement driven by:
  - Shifting TTV mix to the US pay-in-4 product construct
  - Initiatives to improve repayment velocity in ANZ
  - Expect capital recycling to stabilise in FY23 with changes to US risk settings and initiatives to increase repayment velocity offset by growth in higher margin, longer duration products (Zip Money)
  - Material improvement in facilities pricing in FY22 due to historical receivables performance in the US and AU (AAA Master Trust issuance in Sept '21), offset by mix shift to US; Zip's interest expense improved 20bps (as % of TTV) in FY22 vs FY21
- Pay-in-4 product construct well placed to mitigate interest rate rises (e.g. ~25bps increase in base rate increases US cost of funds only ~2bps per transaction)

Repayment velocity

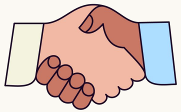
(Average months to recycle book)

Interest expense

(Interest expense as a % of TTV)

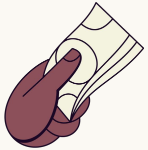


Zip has the strategy and funding runway to deliver on positive cash EBTDA



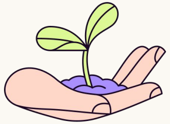
$279m

In available cash and liquidity



$50m+

Annualised cost savings from management actions to reduce cash burn



$660m+

In available debt funding in core markets

Sufficient capital and strong balance sheet

Available cash and liquidity to deliver profitability, including $173m raised via institutional placement and SPP.

Reducing annual cash burn

Initiatives to reduce cash burn across global people costs and RoW footprint (closure of Singapore and UK) expected to deliver $50m+ benefit on an annualised basis.

Further options on RoW footprint to reduce cash burn in FY23 from strategic review.

Significant headroom for growth

Group's funding facilities have substantial capacity to support future growth in core markets: $397m in AU and US$183m in US available to fund transactions.

04.

Financial statements

Segment financials

- APAC delivering growth and strong cash EBTDA outcomes. Increasing cash EBTDA forecast for FY23 supported by closure of Singapore and simplification initiatives including closure of Pocketbook and putting new products on hold
- Following the wind down of the Zip Business Trade and Trade Plus products, Zip Business Capital will form part of APAC reporting going forward
- Americas continues to grow as a share of group revenue. FY23 focused on improving cash EBTDA outcomes, reducing credit losses across the region
- New markets across EMEA scaling with costs incurred in the pursuit of growth; Zip has announced the closure of the UK and is currently undertaking a strategic review of these markets with the aim to neutralise cash burn in H2 FY23
- Corporate costs include one-off re-branding cost of $20.3m, legal, compliance, finance, and other general and administrative costs incurred in building out and managing the Group's global operations not directly allocated or attributable to a segment

FY22 $m	**APAC**	**AMERICAS**	**EMEA**	**Zip Business**	**Total**
Revenue (incl. other income)	298.1	282.9	23.4	16.9	621.3
Group contribution	48.0%	45.5%	3.8%	2.7%	100.0%
Cash EBTDA	20.3	(112.0)	(46.5)	(4.8)	(143.0)
Corporate cash costs					(43.7)
Global re-branding costs					(20.3)
Group cash EBTDA					(207.0)

Income statement

- Revenue grew 57%, hitting record levels, on strong growth in TTV and revenue margins up 0.3%
- Zip has diverse income streams, from merchants, customers, interchange and affiliate networks. Interchange and affiliate networks income up to 16% of total
- Cash gross profit margin decreased to 33%, reflecting net bad debt performance
- Lower average rates across the AU portfolio led to interest expenses reducing from 4.3% to 3.6% on loans outstanding
- Salaries and employment related costs increased as the Group invested in growth and geographic expansion
- Marketing costs include one-off costs of $20.3m due to the Group completing a global rebrand during the year, including the rebranding of QuadPay
- Expected credit loss provision 6.0%, compared to 5.1% at 30 Jun-21, due to movements in roll rates and economic overlays
- Cash EBTDA loss of $207.0m reflecting one off costs, investment in geographic expansion, and net bad debt performance

$m	FY22	FY21[4]
Revenue	620.0	393.9
Cash cost of sales[2]	(416.3)	(212.4)
Interest expense	*(73.1)*	*(58.7)*
Bank fees and data costs	*(114.3)*	*(71.5)*
Net bad debts written-off	*(228.9)*	*(82.2)*
Cash gross profit	**203.7**	**181.5**
Cash GP%	**33%**	**46%**
Other income	1.4	0.5
Cash operating costs[3]	(412.1)	(230.0)
Salaries and employment related costs	*(184.4)*	*(97.7)*
Marketing costs	*(120.1)*	*(73.8)*
Information technology cost	*(47.1)*	*(24.0)*
Other operating costs	*(60.5)*	*(34.5)*
Cash EBTDA[1]	**(207.0)**	**(48.0)**
Unrealised FX movements	1.6	(1.6)
Effective interest on convertible notes	(29.9)	(10.2)
Movement in provision for expected credit losses	(47.2)	(49.4)
Amortised finance costs	(5.5)	(5.1)
Reported EBTDA	**(288.0)**	**(114.3)**

Note: 1. Cash earnings before tax, depreciation and amortisation and excluding share of loss of associate and acquisition costs, 2. Cash cost of sales and cash operating costs comprise those expenses that have an operating cash outflow, 3. Cash operating costs exclude acquisition costs and unrealised foreign exchange movements, 4. Refer to appendix for detailed restatement of FY21 financial statements.

Corporate items and one-off adjustments

- Acquisition costs incurred on acquisitions and investments made in the year, including the mutually terminated Sezzle acquisition
- Share-based payments include $97.3m reduction in retention and performance shares agreed on the acquisition of QuadPay. The first and second performance hurdles were met
- Fair value adjustments largely relate to the revaluation of derivatives and warrants
- Impairment adjustments to goodwill and intangibles attributable to the US, UK, Spotii and Twisto CGUs reflecting:
  - Capital allocation decision as part of Zip's strategic review
  - Focus on core markets
  - Re-assessment of growth rates
  - Changes to discount rates

$m	FY22	FY21[1]
Reported EBTDA	**(288.0)**	**(114.3)**
Share of loss of associates	(8.3)	(0.8)
Acquisition costs	(17.5)	(9.9)
Share-based payments	(30.9)	(142.8)
Fair value gain / (loss) on financial instruments	129.0	(77.6)
Net adjustment relating to the acquisition of QuadPay	-	(306.2)
Impairment of goodwill and intangibles	(821.1)	-
EBTDA	**(1,036.8)**	**(651.6)**
Depreciation and amortisation	(68.6)	(91.8)
Earnings Before Tax	**(1,105.4)**	**(743.4)**
Add back:		
Net adjustment relating to the acquisition of QuadPay	-	306.2
Acquisition costs	17.5	9.9
Global re-branding costs	20.3	-
Fair value gain relating to the acquisitions	(10.0)	(4.4)
Impairment of goodwill and intangibles/Write off intangibles	821.1	42.6
Adjusted loss before tax	**(256.5)**	**(389.1)**

1. Refer to appendix for detailed restatement of FY21 financial statements.

Balance sheet

- $241.3m of cash and cash equivalents at Jun-22
- Restricted cash up due to increase in volumes and number of securitisation vehicles
- Revised processing timeframes resulting in increase in payments due from processing partners included in other receivables
- Twisto fully consolidated no longer reported as an investment at FVTPL
- Invested in associate, leading Indian BNPL operator ZestMoney
- Intangible assets include $54.9m added on acquisitions in the year, net of amortisation and impairment charges
- Goodwill increased by $152.1m following the acquisitions in the year, reduced by impairment charges
- Twisto holdback consideration of $19.3m to satisfy any claims that may arise under the acquisition agreement and contingent consideration relating to the acquisition of Payflex
- Fair value gain of $119.0m reported on convertible notes and warrants

$m	JUN 22	JUN 21[1]
Cash and cash equivalents	241.3	289.2
Restricted cash	58.4	41.0
Other receivables	72.8	30.2
Term deposit	3.9	1.5
Customer receivables	2,514.9	1,962.7
Investments at FVTPL	-	19.0
Investments in associates	70.7	7.0
Property, plant and equipment	5.2	3.3
Right-of-use assets	3.8	5.8
Intangible assets	192.4	203.8
Goodwill	222.7	773.0
Total assets	**3,386.1**	**3,336.5**
Trade and other payables	147.3	64.6
Employee provisions	9.1	6.0
Deferred contingent consideration	26.2	7.0
Lease liabilities	4.0	6.3
Borrowings	2,380.9	1,659.2
Financial liabilities - convertible notes and warrants	380.9	470.0
Total liabilities	**2,948.4**	**2,213.1**
Net assets	**437.7**	**1,123.4**

1. Refer to appendix for detailed restatement of FY21 financial statements.

Cash flows

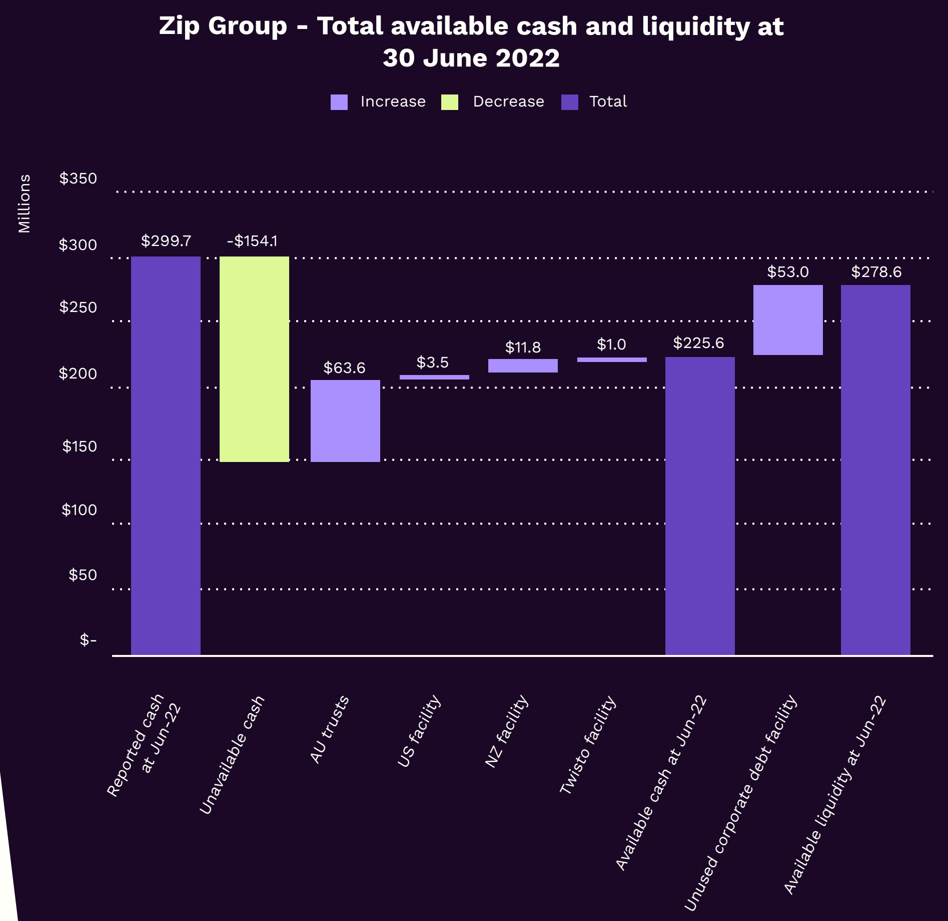
- Net cash flow to operations of $752.4m, including $20.3m on the global re-brand, investment in growth and new markets ($738.3m excluding acquisition costs)
- Increased investment in product improvement and user experience initiatives across the Group
- Acquisitions added $6.8m in cash (net) to the Group
- Invested $69.2m for a minority interest in leading Indian BNPL operator ZestMoney and invested an additional $2.8m in TendoPay
- Additional $654.4m (net) increase in borrowings to fund receivables. Initial rated note series in the Master Trust re-financed during the year

$m	FY22	FY21[1]
Revenue from customers	620.2	403.0
Payments to suppliers and employees	(517.9)	(292.6)
Net increase in receivables	(767.0)	(930.1)
Borrowing transaction costs	(2.4)	(2.1)
Interest received from financial institutions	1.2	0.2
Interest paid	(72.4)	(57.7)
Acquisition of business costs	(14.1)	(8.6)
Net cash flow (to) from operating activities	**(752.4)**	**(887.9)**
Payments for plant and equipment	(4.5)	(1.4)
Payments for software development	(24.9)	(12.0)
Payments for investments in associates	(72.0)	(6.5)
Payments for acquisitions, net of cash acquired	6.8	26.2
Payments for investments at FVTPL	-	(14.5)
Increase in term deposits	(2.4)	-
Net cash flow to investing activities	**(97.0)**	**(8.2)**
Proceeds from borrowings	1,195.4	1051.9
Repayment of borrowings	(541.0)	(521.2)
Proceeds from issue of convertible notes	-	490.9
Repayments of principal of lease liabilities	(3.9)	(3.7)
Proceeds from the issue of shares	173.0	178.0
Costs of share issues	(3.4)	(2.9)
Net cash flow from financing activities	**820.1**	**1,193.1**
Net (decrease) increase in cash and cash equivalents	**(29.3)**	**296.9**

1. Refer to appendix for detailed restatement of FY21 financial statements.

Available cash

- Zip had $278.6m available cash and liquidity at 30 Jun- 2022
- Unavailable cash for the Group of $154.1m at Jun-22 includes restricted cash held in securitisation warehouses and special purpose vehicles, amounts transferred to those warehouses and vehicles post 30 Jun, and floats held to support network transactions.
- At 30 Jun, Zip had $80.0m invested in funding vehicles that would otherwise be drawn from Zip's funding facility providers
    - $63.6m in Notes in Zip's AU funding vehicles
    - $3.5m in Zip's US funding facility
    - $11.8m in Zip's NZ funding facility
    - $1.0m in Twisto's funding facility
- The Group has access to $53m of corporate debt facility that is currently unused and available



Funding update

- In Sep-21, Zip issued its first issuance under the Master Trust with a AAA rating assigned on the senior notes reflecting Zip's receivables performance achieving a weighted average margin reduction of 1.58% compared to debut issuance in 2019
- Variable Funding Note facility in the Master Trust structure extended to Mar-24, weighted average margin reduced by 0.5%, with a 2% reduction in subordination requirement to 5%
- Additional Variable Funding Note added to the Master Trust structure in January with a new senior funding partner
- The weighted average interest rate on loans outstanding at 30 Jun 2022 was 3.70% compared to 3.67% at 30 Jun 2021
- Established a NZ$30m facility with Bank of New Zealand to support the growth of SME receivables by Zip New Zealand
- Zip Capital (AU) facility has been refinanced to Mar-24 with a limit of A$60m and NAB as the senior funder
- Zip Capital (NZ) facility has been extended to Nov-23 with an increased limit of NZ$40m
- In Jan-22, Zip completed the acquisition of South African BNPL provider Payflex. Payflex has debt facilities with a limit of ZAR 55m and an undrawn balance at 30 June of ZAR 25m
- Following an increase of Kč 300m in its Czech facility in Mar-22, Twisto has debt facilities with a combined limit of €58.1m and an undrawn balance at 30 June of €19.5m

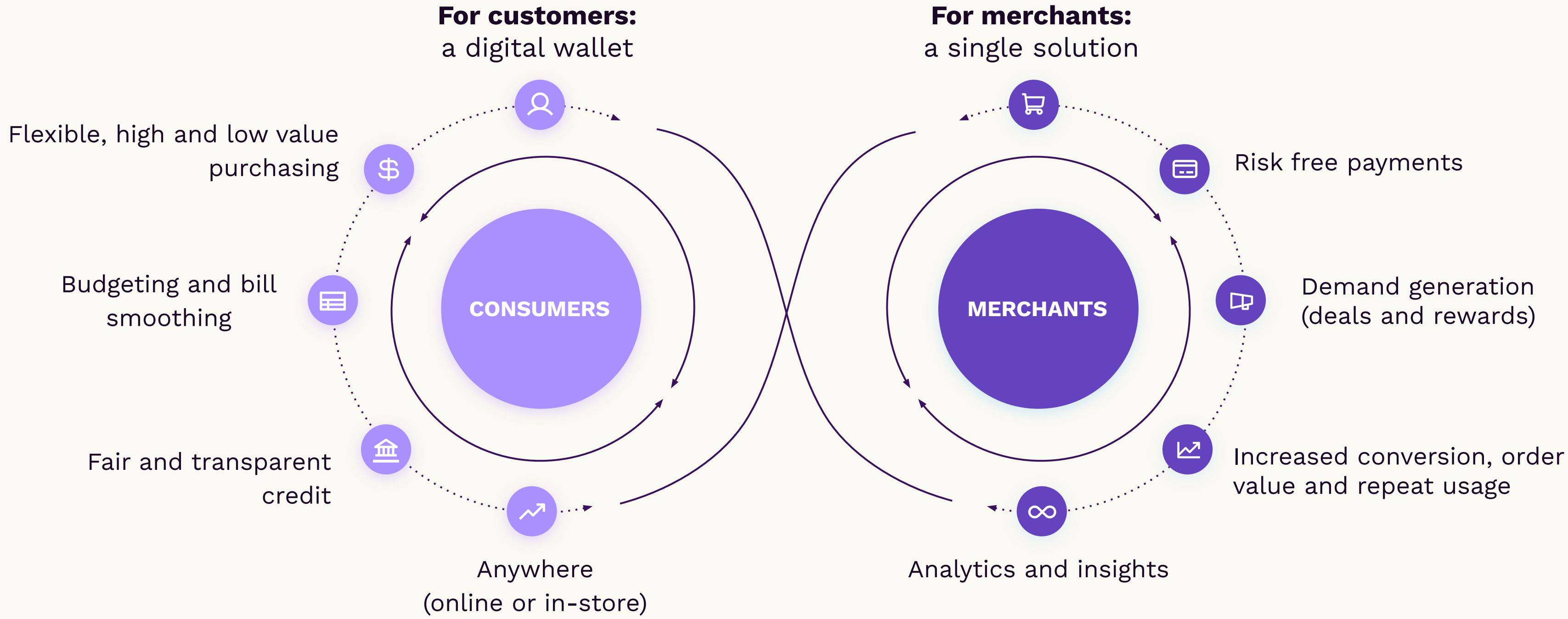
	JUN 22 $m	**JUN 21** $m
Facility limits		
AU	2,477.6	2,131.4
US[2]	435.5	399.0
SME	196.1	146.2
NZ[2]	27.1	-
Europe[2]	88.2	-
South Africa[2]	4.9	-
Total limits	**3,229.4**	**2,676.6**
Facilities drawn		
AU	2,080.7	1,475.4
US	169.6	148.8
SME	53.5	39.0
NZ[2]	14.4	-
Europe[2]	58.5	-
South Africa[2]	2.7	-
Total drawn	**2,379.4**	**1,663.2**
Cost of funds[1]	**3.70%**	**3.67%**

Note: 1. Cost of funds reflects weighted average interest rate on loans outstanding at the end of the period, 2. Converted to $AUD at $USD 0.6889; $AUD at $NZD 1.1088; $AUD at €0.6589; $AUD at ZAR 11.2214.

05.

Priorities and outlook

Our flywheel continues to provide value to both customers and merchants



Core proposition in current market:	Every day and discretionary spend, anywhere	Topline sales growth

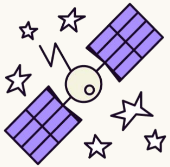
Our business model is resilient

Operating environment	**Interest rates**	**Inflation**	**Regulation**
Implications	Higher cost of borrowing	Higher cost of living, reduced discretionary spend	Potential for increasing regulatory requirements
Our model and levers	✓ **Accelerated capital recycling** underpinned by product construct ✓ **Historical receivables performance** supports Master Trust AAA rating in AU ✓ **Robust two-sided revenue model** provides pricing flexibility to maintain margins	✓ Products support **cash flow and budgeting** for consumers ✓ High product utility across **discretionary and every day spend** (online and in-store) ✓ Delivers **incremental sales** and customers to merchants ✓ Decisioning and portfolio management **capabilities to manage credit risk**	✓ **Licensed credit provider** in AU and well-placed to adapt to change ✓ Zip Money **regulated under NCCPA** ✓ **Credit and banking affordability checks** a core competency ✓ **WebBank partnership** in US ✓ Zip is supportive of fit-for-purpose regulation

A unique set of competitive advantages enable us to win in all operating conditions

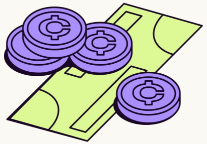
Products

We offer short and long duration instalments in a single checkout experience



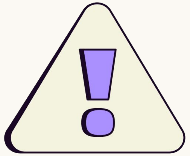
Network flexibility

We operate both an open and integrated network, accelerating our flywheel and enabling customers to BNPL everywhere



Revenue model

Our unique revenue model derives income from customers and merchants, enabling us to support merchants in any vertical and deliver healthy unit economics



Risk management

Our proprietary decisioning platform drives superior approvals and conversion for merchant partners while delivering profitable outcomes

Zip's unique business model

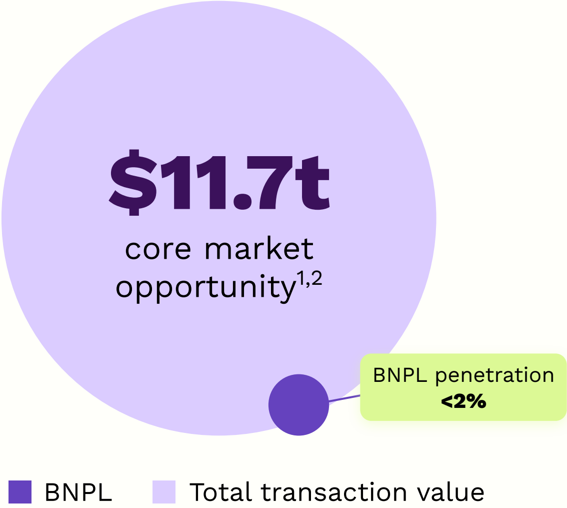
- **>20%** of AU customers adopt Zip Pay and Zip Money, within six months of joining[1]
- Our top **20%** of AU customers transact **>70x**; top 10% of US app customers ~40x p.a.
- Strong and consistent revenue margins **>7%**
- Underwritten over **$18b** in instalments globally[2]

Note: 1. Based on Dec-21 cohort, 2. From Jul-17 to Dec-21.

Our opportunity remains significant; we drive product adoption and engagement to increase penetration

Opportunity

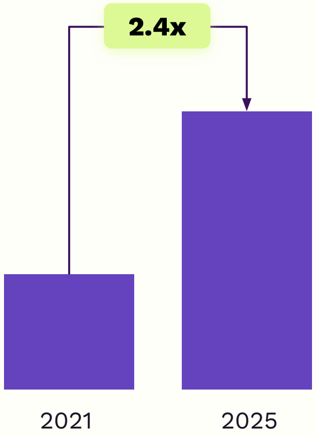
The total addressable market (TAM) is significant



Growth

Demand continues to drive market penetration

BNPL growth[2]



Zip

Customers are choosing Zip more often

Adoption

+2.4m

New customers signed up for Zip in FY22 in core markets[3]

Engagement

45%+

Increase in TXNs per active customer in core markets[4]

Source: 1. Worldpay, 2022.
Note: 2. TAM represented by total payment value for Australia, New Zealand and US in 2021, 3. New customers in FY22 vs FY23 across the US and ANZ, 4. Increase in average transactions per active customer across the US and ANZ, FY22 vs FY21.

FY23 priorities: We continue to pursue profitable growth

FY23 PRIORITIES

Growth in core markets (US, ANZ)

- **Win and scale profitable merchant partnerships** through cross-sell and new product development (e.g. long duration lending in US)
- **Review and reprice merchant agreements** for higher cost environment
- Grow adoption of **higher margin products** (Zip Money) and drive **deeper customer engagement** (e.g. physical card, rewards)

Improve unit economics

- Execute **actions across the credit lifecycle** (decisioning, account mgmt., collections)
- Enable **lower cost repayment options** (e.g. ACH) and drive **increased repayment velocity** (e.g. customised repayment schedules)
- **Grow network income** through product innovation (e.g. in-store rewards) and partnerships (e.g. affiliates)

Reduce global cost base

- Complete **closure of Singapore and UK** businesses
- Implement additional changes to global footprint from strategic review
- Complete **wind down of low margin product lines** (Zip Business - Trade and Trade Plus, Pocketbook)
- Streamline operations and **reduce third party spend** in core markets

Sustainable growth and an accelerated path to profitability

Outlook: Accelerated path to profitability

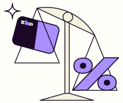
	Key management actions and assumptions	Medium term targets (% of TTV)
Revenue	• Profitable TTV growth in FY23 across ANZ and US, reduced RoW contribution • Full year impact of ANZ repricing initiatives	**7.0% - 7.5%** (previously 6.5%-7.0%)
Cash cost of sales	• Continue to execute actions to drive credit losses to within target range (<2%) • Increase in interest costs reflects lift in global base rates	**4.0% - 4.5%** (previously 3.5%-4.0%)
Cash NTM	• Strong NTM coupled with fast book recycling, supports robust business model and profit at scale	**2.5% - 3.0%**
Opex	• Reduction in people and technology costs, RoW footprint and simplification (e.g. Zip Business closure) expected to deliver significant financial benefits • Non-recurrence of FY22 one-off rebranding costs ($20m)	**1.5% - 2.5%**
Cash EBTDA	• Increased cash EBTDA and margin expansion in ANZ • Exit FY23 cash EBTDA positive in US • Neutralise cash burn from RoW businesses during H2 FY23 • Group cash EBTDA profitable during H1 FY24	**1.0% - 2.0%**

Target ranges deliver significant cash EBTDA as the business scales

Conclusion

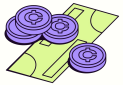
BNPL opportunity

The addressable opportunity remains significant with BNPL still maturing in Zip's core markets



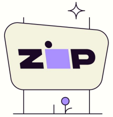
Business model

Zip's differentiated business model and innovative products position us to capture significant market share



Balance sheet

We have the balance sheet strength to support the company through to cash EBTDA profitability



Strategy

We have the strategy to accelerate group cash EBTDA profitability supported by scale and operating leverage generated by Zip AU

05.

Appendix

Income statement
(FY21 restatement)

As part of the ongoing improvement in the receivables and payables reconciliation processes' for Zip's US operations (QuadPay acquired in Aug-20), the following adjustments were identified:

- A reduction in customer receivables of $4.4m and a reduction in trade and other payables of $1.3m, with a corresponding decrease in revenue of $3.1m, in relation to the improvement in the effective interest rate calculation process for customer receivables
- A reduction in customer receivables of $7.6m with a corresponding increase in bad debts and expected credit losses of $7.6m, in relation to the incorrect accounting for customer disputes
- An increase in trade and other payable of $6.1m with a corresponding increase in other operating expense of $6.1m, and an increase in marketing expenses of $2.5m with a corresponding decrease in other receivables of $2.5m, due to an adjustment to operating costs

FY21	Previously presented $m	Restatements $m	Currently reported $m
Revenue	397.0	(3.1)	393.9
Cash cost of sales	(204.8)	(7.6)	(212.4)
Interest expense	*(58.7)*	-	*(58.7)*
Bank fees and data costs	*(71.5)*	-	*(71.5)*
Net bad debts written-off	*(74.6)*	(7.6)	*(82.2)*
Cash gross profit	**192.2**	**(10.7)**	**181.5**
Cash GP%	**49%**		**46%**
Other income	0.5	-	0.5
Cash operating costs	*(221.4)*	(8.6)	*(230)*
Salaries and employment related costs	*(97.7)*	-	*(97.7)*
Marketing costs	*(71.3)*	(2.5)	*(73.8)*
Information technology cost	*(24.0)*	-	*(24.0)*
Other operating costs	*(28.4)*	(6.1)	*(34.5)*
Cash EBTDA	**(28.7)**	**(19.3)**	**(48.0)**
Unrealised FX movements	(1.6)	-	(1.6)
Effective interest on convertible notes	(10.2)	-	(10.2)
Movement in provision for expected credit losses	(49.4)	-	(49.4)
Amortised finance costs	(5.1)	-	(5.1)
Reported EBTDA	**(95.0)**	**(19.3)**	**(114.3)**

Corporate items and one-off adjustments
(FY 21 restatement)

FY21	Previously Presented $m	Restatements $m	Currently Reported $m
Reported EBTDA	**(95.0)**	**(19.3)**	**(114.3)**
Share of loss of associates	(0.8)	-	(0.8)
Acquisition costs	(9.9)	-	(9.9)
Share-based payments	(142.8)	-	(142.8)
Fair value gain / (loss) on financial instruments	(77.6)	-	(77.6)
Net adjustment relating to the acquisition of QuadPay	(306.2)	-	(306.2)
EBTDA	**(632.3)**	**(19.3)**	**(651.6)**
Depreciation and amortisation	(91.8)	-	(91.8)
Earnings Before Tax	**(724.1)**	**(19.3)**	**(743.4)**
Add back:			
Net adjustment relating to the acquisition of QuadPay	306.2	-	306.2
Acquisition costs	9.9	-	9.9
Fair value gain relating to the acquisitions	(4.4)	-	(4.4)
Write off of Acquired Intangibles	42.6	-	42.6
Adjusted loss before tax	**(369.8)**	**(19.3)**	**(389.1)**

Balance sheet

(FY21 Restatement)

The presentation of the consolidated balance sheet changed to:

- Offset “Deferred tax assets” and “Deferred tax liabilities” in accordance with AASB 112 *Income Taxes*
- Further disaggregation of “Cash and cash equivalents” into “ Cash and cash equivalents” and “Restricted cash”

As part of the ongoing improvement in the receivables and payables reconciliation processes’ for Zip’s US operations (QuadPay acquired in Aug-20), the following adjustments were identified:

- A reduction in customer receivables of $8.0m with a corresponding reduction to trade and other payables of $8.0m due to a balance sheet posting error in the customer receivable reconciliation. The adjustment has no impact on Loss Before Income Tax
- A reduction in customer receivables of $5.3m with a corresponding reduction to trade and other payables of $5.3m due to the elimination of off balance sheet pre-approved loan commitments. The adjustment has no impact on Loss Before Income Tax

FY21	Previously presented $m	Reclassifications $m	Restatements $m	Currently reported $m
Cash and cash equivalents	330.2	(41.0)	-	289.2
Restricted cash	-	41.0	-	41.0
Other receivables	32.7	-	(2.5)	30.2
Customer receivables	1,988.0	-	(25.3)	1,962.7
Deferred tax assets	10.3	(10.3)	-	-
Total assets	**3,374.6**	**(10.3)**	**(27.8)**	**3,336.5**
Trade and other payables	73.1	-	(8.5)	64.6
Deferred tax liabilities	10.3	(10.3)	-	-
Total liabilities	**2,231.9**	**(10.3)**	**(8.5)**	**2,213.1**
Net assets	**1,142.7**	**-**	**(19.3)**	**1,123.4**

Cash flow
(FY21 Restatement)

In accordance with AASB 107 *Statement of Cash Flows*, this change in presentation was considered appropriate given the cash flows were primarily derived from the consolidated entity's principal revenue-generating activities.

- "Net increase in receivables" ($930.0 million) and "Borrowing transaction costs" ($2.1 million) have been reclassified from "Net Cash Flow from Investing Activities" and "Net Cash Flow from Financing Activities" respectively into "Net Cash Flow to Operating Activities"
- Resulted in a change in net cash flow from operations of $44.2 million to net cash flow to operations of $ 887.9 million

FY21	Previously Presented $m	Reclassifications $m	Restatements $m	Currently Reported $m
Net increase in receivables	-	-	(930.0)	(930.0)
Borrowing transaction costs	-	-	(2.1)	(2.1)
Net cash flow to operating activities	**44.2**	**-**	**(932.1)**	**(887.9)**
Net increase in receivables	(930.1)	-	930.1	-
Net cash flow to investing activities	**(938.3)**	**-**	**930.0**	**(8.2)**
Borrowing transaction costs	(2.1)	-	2.1	-
Net cash flow from financing activities	**1191.0**	**-**	**2.1**	**1193.1**

Glossary

Term	Definition
FY	*Financial year ending 30 June of the relevant financial year*
HY	*Six months ending 31 December of the relevant financial year*
H1	*Six months ending 31 December of the relevant financial year*
H2	*Six months ending 30 June of the relevant financial year*
Q1	*Three months ending 30 September*
Q2	*Three months ending 31 December*
Q3	*Three months ending 31 March*
Q4	*Three months ending 30 June*
bps	*Basis points (1.0% = 100 bps)*
CY	*Calendar year*
NPS	*Net promoter score*
FYTD	*Financial year to date*
PcP	*Prior corresponding period*
YoY	*Year on year*
TXNs	*Transactions*
TTV	*Total transaction volumes*
CTM	*Cash transaction margin*
NTM	*Net transaction margin*
COS	*Cost of sales*
EBTDA	*Earnings before tax, depreciation and amortisation*

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An investment in the Company's shares is subject to investment and other known and unknown risks, some of which are beyond the control of the Company. Such risks and uncertainties include, but are not limited to: the acquisition and retention of customers, third party service provider reliance, competition, reliance on key personnel, additional requirements for capital, the ability to raise sufficient funds to meet the needs of the Company in the future, potential acquisitions, platform disruption, commercialisation, changes in technology, reliance on new products, development timeframes, product distribution, insurance, security breaches, maintenance of key business partner relationships, management of growth, brand establishment and maintenance, as well as political and operational risks, and governmental regulation and change in laws. Additional risks and uncertainties that the Company is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect the Company's operating and financial performance.

Usability of the Company's products depend upon various factors outside the control of the Company including, but not limited to: device operating systems, mobile device design and operation and platform provider standards and reliance on access to internet. A number of the Company's products and possible future products contain or will contain open source software, and the Company may license some of its software through open source projects, which may pose particular risks to its proprietary software and products in a manner that could have a negative effect on its business. The Company's intellectual property rights are valuable, and any inability to protect them could reduce the value of its products and brand. The Company's products may contain programming errors, which could harm its brand and operating results. The Company will rely on third party providers and internet search engines (amongst other facilities) to direct customers to the Company's products.

The Company does not guarantee any particular rate of return or the performance of the Company, nor does it guarantee the repayment of capital from the Company or any particular tax treatment. Before investing in the Company, you should consider whether this investment is suitable for you. Potential investors should consider publicly available information on the Company, carefully consider their personal circumstances and consult their professional advisers before making an investment decision.

This release was approved by the Chief Executive Officer on behalf of the Board.