

9 November 2023

## **2023 AGM - Group CEO and Managing Director's Address**

**Zip Co Limited** (ASX: ZIP) ("**Zip**", or the "**Company**") releases to the market the address of the Group CEO and Managing Director, Cynthia Scott to be delivered at Zip's Annual General Meeting at 10:00am today.

Release approved by the Company Secretary on behalf of the Board.

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### **About Zip**

ASX-listed Zip Co Limited (ASX: ZIP) (ABN 58 164 440 993) is a digital financial services company, offering innovative, people-centred 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 around the world, including through strategic investments, connecting millions of customers with its global network of tens of thousands of merchants.

Zip provides fair, flexible and transparent payment options to individual consumers, helping them to take control of their financial future and helping merchants to grow their businesses. Zip is committed to responsible lending and is managed by a team with over 100 years' experience in retail finance and payments. Zip is also a licensed and regulated credit provider and was founded in Australia in 2013.

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

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

## Managing Director and CEO's Address

Thank you Diane, good morning shareholders.

It is a pleasure to address you all today at my first AGM as Group CEO.

This morning, I will cover:

- Where Zip is today and where I see the opportunities ahead.
- A brief recap of our financial and operational performance for financial year 2023.
- Update on first quarter trading, our priorities and outlook for financial year 2024.

### Where Zip is today

I am delighted that as a group we achieved positive cash EBTDA for the first quarter of the financial year 2024. This is an important milestone and a testament to Zip's execution of a very focused strategy to deliver sustainable profitable growth.

Zip is now a simplified and stronger business focused on two regions; Australia and New Zealand ("ANZ") and the Americas. These markets are at different growth stages and they each have distinct and important roles to play in enabling us to deliver even stronger outcomes for our stakeholders, and to capture our future growth opportunity.

What makes Zip unique and differentiates us is our commitment to being a responsible lender and giving choice and flexibility to our over 6 million active customers and more than seventy thousand merchants. Our commitment to providing fair and transparent credit is one of the reasons why customers choose our products and remain engaged with Zip.

As a digital native company, we also have a proven ability to innovate through technology to disrupt and create better customer experiences. Our data and machine learning capabilities play an important role in credit decisioning processes, ensuring our products are the right fit for our customers and enabling us to safely process over 72 million transactions a year on our payments infrastructure. Our products give customers greater knowledge, access and control over their finances to manage their budgets accordingly.

It is this approach to financial responsibility and innovation that first attracted me to Zip two years ago. These principles are at the core of our business model and guide our decision-making and relationships with our customers, merchants and other stakeholders.

### FY23 was about delivering a simpler, stronger business

Despite the uncertain macro environment, we did what we said we would do in financial year 2023 and, in line with our strategy, became a simpler and stronger business, better positioned for sustainable growth.

We delivered on initiatives to improve margins, lowered our cost base and de-leveraged our balance sheet, including taking actions to reduce the face value of our convertible notes outstanding by more

than \$312.0 million. We completed the exit of non-core operations and products and neutralised the associated cash burn.

With a firm focus on our two core markets, we exited financial year 2023, with the US business achieving cash EBTDA profitability, joining the Australian business which had been cash EBTDA profitable for five years. Group cash EBTDA improved by \$103.2 million versus the prior year.

### **Achieving positive Group cash EBTDA in 1Q24**

Building on the momentum of financial year 2023 and with a clear set of strategic priorities for financial year 2024, we reached a significant milestone - achieving a positive cash EBTDA result as a Group for the first quarter of this financial year. And following a strong start, we now expect to deliver positive Group cash EBTDA for financial year 2024. The improvement in guidance reflects the performance of the ANZ business, further momentum in US TTV, ongoing margin expansion and continued cost discipline.

Group revenue grew by 31.9% for the first quarter and revenue margins were 8.9%, up 140 basis points versus the prior corresponding period. Cash transaction margin improved 110 basis points year-on-year to 3.5%, demonstrating the resilience of the business model in a rising interest rate environment.

While we note the challenging external environment in our core markets, these results reinforce that we have the right strategy and team in place to be a self-sustaining business and deliver even greater value for our shareholders, customers and merchants.

### **Our areas of focus**

In financial year 2024, we remain focused on the strategic pillars that we shared with you at our results presentation in August, being growth and profitability, product innovation and operational excellence. I'll now take you through some of the year-to-date highlights for each of these.

#### **1. US growth opportunity**

In the US, now that the business is cash EBTDA positive, our focus is on driving incremental profitable growth and scale, and continuing to innovate for our customers and merchants, both instore and online.

In the first quarter of this financial year, Americas TTV growth accelerated by 28.9% year-on-year driven by profitable growth in higher-margin channels. We are deepening engagement with our US customers, with transactions per active customer up 29.0% year-on-year, while maintaining solid credit performance with credit losses still below our target at 1.3% of TTV on a cohort basis.

I am extremely pleased with the performance and momentum of the US business and having just spent some time in the US with our team, I am focused on the significant growth opportunity that exists in this market. With the total addressable market estimated to be approximately US\$12.0 trillion and BNPL penetration still under 2.0% of total payments – both online and instore, this illustrates the sheer size and early stage of the opportunity that Zip is well-positioned to capture.

We continue to scale rapidly, deliver strong revenue margins and demonstrate our ability to grow while maintaining losses within our target range, positioning us well for accelerated, profitable growth in the US.

## 2. Product innovation in Australia

In Australia, as a profitable business, with strong yields (at 17.4% of receivables) and significant market share, we are focused on cash EBTDA expansion and our next stage of growth, including through product innovation.

As I touched on earlier, Zip has a 10-year history of innovation and disruption and as a business we are focused on unlocking new ways for our customers to pay and budget responsibly.

In response to customer demand, we are excited to be launching our latest next generation financial services product in Australia, Zip Plus. This new product is currently being offered to a targeted cohort of existing customers, providing our most engaged and higher credit quality customers with the ability to access greater spending power and flexibility to manage their finances. In line with our existing responsible lending practices, Zip Plus will be fully compliant with the regulatory requirements of the National Consumer Credit Protection Act operating under our Australian Credit Licence.

Zip Plus will sit alongside Zip's other core products in Australia, Zip Pay and Zip Money, providing customers with further choice and flexibility to budget and manage their spending responsibly. The product has been designed for a higher-for-longer interest rate environment and is expected to deliver revenue yield accretion from the second half of this financial year.

## 3. Strengthening the balance sheet

We continue to make good progress on strengthening our balance sheet and the renewal of our funding facilities. In addition to the further deleveraging of Zip's balance sheet and reduction in convertible notes liabilities, earlier this month, Zip successfully priced a \$300.0 million securitisation issue (with the senior tranche AAA-rated), which will be used to refinance a maturing facility and fund our Australian receivables. In addition, we also recently completed a transaction to release restricted cash from Zip's debt funding program. The collective impact of these actions is a net improvement to our available cash position. Zip remains well-funded with sufficient undrawn capacity and available cash to support the Company as it achieves positive Group cash EBTDA this financial year..

## Outlook

Following our strong first quarter performance where we achieved positive Group cash EBTDA, we reaffirm guidance that we expect to deliver a positive Group cash EBTDA result for the second half of financial year 2024 and positive Group cash EBTDA for the 2024 financial year.

We are well progressed against our medium-term targets with our revenue margin and net transaction margin in the first quarter of financial year 2024 at 8.9% and 3.5% respectively - well within, or at the upper end of our stated target ranges. These targets are unchanged from those that we shared with you at the financial year 2023 result, and our cash EBTDA guidance for financial year 2024 was upgraded to reflect Zip's first quarter trading.

Building on our strong momentum in the Americas, the expansion of our financial services offering in Australia and our strengthened balance sheet, we are well-placed to capture our future growth opportunity.

## **Closing comments**

In closing, I would like to thank our wonderful team of Zipsters for their dedication to delivering exceptional outcomes for our customers and merchants, the leadership team for their focus and commitment to delivering on our strategic objectives, and our Board for your guidance and stewardship.

That is the end of my formal presentation. I want to thank you once again, our shareholders, for your continued support. I'll now hand back to Diane to go through the AGM's formal items of business, and I look forward to answering any shareholder questions later on.