

17 July 2024

4Q FY24 results update

Zip continues to deliver profitable growth driven by outstanding performance in the Americas

Zip Co Limited (ASX: ZIP) (“**Zip**”, or the “**Company**”) today announced its fourth quarter results for the three-month period ending 30 June 2024 (“**4Q24**”).

The Company is also providing an update in relation to full year Normalised Group Cash EBTDA (“**Cash EBTDA**”), given the strong financial performance in 4Q24. For the quarter, Cash EBTDA is expected to be in the range of \$22m to \$25m which will bring the FY24 Cash EBTDA to an expected range of \$67m to \$70m.

As updated in 3Q24, Zip will be accruing a payment for staff incentives in the form of cash for FY24. When assessing core operating performance against FY23, the underlying Cash EBTDA is expected to be in the range of \$77m to \$80m. This compares to a full year underlying Cash EBTDA loss of \$48m in FY23. Zip will provide more detail at the FY24 result on 27 August 2024.

Q4 GROUP FINANCIAL HIGHLIGHTS

- Transaction volume (“**TTV**”) of \$2.6b (up 19.0% vs 4Q23)
- Revenue of \$223.6m (up 22.1% vs 4Q23)
- Revenue margin of 8.6% (vs 8.5% in 4Q23)
- Transactions of 19.7m (up 8.8% vs 4Q23)
- Net bad debts, approximately 1.4% of TTV (vs 1.9% of TTV in 4Q23)
- Cash transaction margin of 3.9% (vs 3.1% in 4Q23)
- Active customers at quarter end of 6.0m
- Monthly transacting users of 2.1m (up 6.1% vs 4Q23)
- Merchants on Zip’s platforms increased to 79.3k (up 9.6% vs 4Q23)
- All remaining Senior Convertible Notes were converted during the period, further simplifying Zip’s capital structure
- Reduction in Zip’s corporate debt facility to \$130.0m following a \$20.0m repayment
- Continued recycling of capital with \$600.0m of Australian receivables refinanced during the period

CEO UPDATE

Zip Group CEO and Managing Director, Cynthia Scott said:

“In another strong performance, the team delivered its fourth consecutive quarter of positive Cash EBTDA. As a result, underlying Cash EBTDA for the full year is now expected to be in the range of \$77m to \$80m, a \$125m-\$128m turnaround on the Underlying Cash EBTDA loss of \$48m in FY23.

When compared to 4Q23, Group revenue for the quarter grew by 22.1% and Group transaction volumes grew by a substantial 19%. Cash transaction margin improved 80 basis points versus 4Q23 to 3.9%, reinforcing the strength of our business model.

The US continued its outstanding performance achieving TTV growth of 42.6% and revenue growth of 46.8% and in ANZ, the yield on receivables increased to 18.4%. In line with our operational excellence focus, we further strengthened our balance sheet, extinguishing all outstanding Zip Senior Convertible Notes during the quarter. We remain focused on continuing to provide even greater value to our customers and merchants.”

BUSINESS PERFORMANCE

All key operating metrics are based on Zip’s unaudited management financials as of 30 June 2024.

Financial Performance (AUD)	4Q24	vs 3Q24	vs 4Q23
Revenue	\$223.6m	2.2% ↑	22.1% ↑
Americas	\$121.5m	6.3% ↑	46.8% ↑
ANZ	\$102.1m	2.3% ↓	1.8% ↑
Transaction Volume (TTV)	\$2,604.5m	8.4% ↑	19.0% ↑
Americas	\$1,755.8m	9.1% ↑	42.6% ↑
ANZ	\$848.7m	6.8% ↑	11.4% ↓
Transactions (#)	19.7m	10.1% ↑	8.8% ↑
Americas	9.2m	8.8% ↑	38.9% ↑
ANZ	10.5m	11.2% ↑	8.4% ↓

Operational Performance	At 30 June 24	vs 3Q24	vs 4Q23
Active customers¹	6.0m	0.9% ↓	2.9% ↓
Americas	3.8m	0.5% ↓	1.4% ↓
ANZ	2.2m	1.7% ↓	5.4% ↓
Merchants²	79.3k	2.0% ↑	9.6% ↑

¹ Active customers defined as customer accounts that have had transaction activity in the 12 months to 30 June 2024.

² Number of accredited merchants.

Americas	24.2k	0.0% ↑	0.7% ↑
ANZ	55.1k	2.9% ↑	14.1% ↑

Net bad debts (% of TTV)	4Q24	3Q24	4Q23
Group	1.44%	1.72%	1.86%

Cash and Liquidity

As at 30 June 2024, Zip had \$353.0m of total cash on the balance sheet with \$80.4m in available cash and liquidity, down from \$95.2m on 31 March 2024. The decrease in available cash and liquidity includes a \$20.0m repayment of the corporate debt facility in the period from \$150m to \$130m. During the quarter, Zip generated \$3.8m of operating cash (comprising Cash EBTDA, capex and working capital and receivables funding movements).

REGIONAL UPDATES

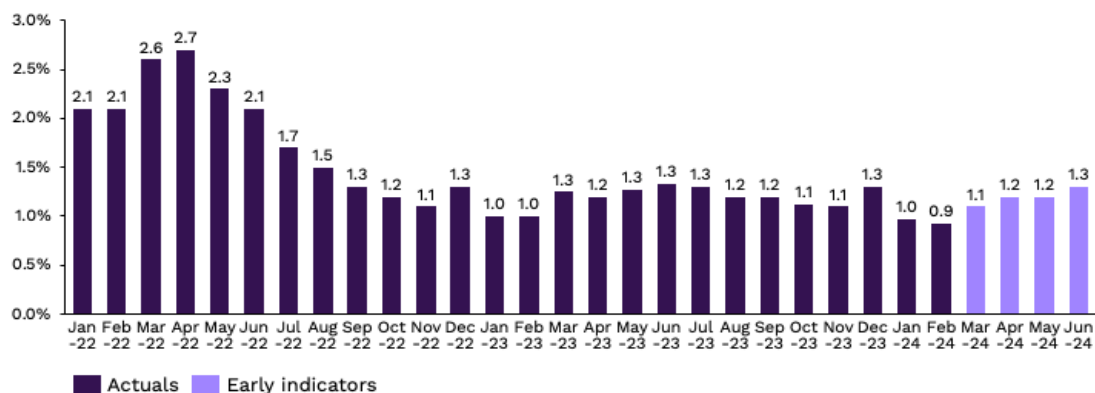
Zip Americas

Financial Performance	4Q24 (USD)	vs 3Q24 (USD)	vs 4Q23 (USD)
Revenue	\$80.2m	6.5% ↑	44.8% ↑
Transaction volume	\$1,158.0m	9.4% ↑	40.7% ↑
Transactions	9.2m	8.8% ↑	38.9% ↑

Operational Performance	As at 30 Jun 24	vs 3Q24	vs 4Q23
Active customers ¹	3.8m	0.5% ↓	1.4% ↓
Merchants ²	24.2k	0.0% ↑	0.7% ↑

Credit Performance

US monthly cohorts, 120 day loss performance as a % of cohort TTV



Key highlights in the Americas included:

- Very strong growth with TTV of US\$1,158.0m up 40.7% vs 4Q23 and revenue of US\$80.2m (+44.8% vs 4Q23) driven by continued growth from existing customers in higher-margin channels such as the app
- Revenue margins of 6.9%, flat vs 4Q23
- Monthly US cohort loss rates in 4Q24 are now expected to deliver losses of approximately 1.3% of TTV
- During the period Zip appointed Joe Heck as US CEO (who commenced in the role on 15 July), with Larry Diamond assuming the role of US Chairman. Kevin Moss also joined the Zip Board as a Non-Executive Director, based in the US
- Appointed WNBA athlete Kelsey Plum as a brand ambassador for Zip. As part of the partnership, Plum served as the Grand Marshal at Zip's 250 NASCAR Xfinity Series at Sonoma Raceway in June
- Zip noted the CFPB's interpretive rule declaring that BNPL lenders meet the regulatory definitions of "card issuers" who issue "credit cards" in the form of digital user accounts, and therefore must provide consumers certain legal protections that apply to conventional credit cards. Zip believes that its operations will fully comply with this rule on or before the effective date, and/or as it may subsequently be modified following the public consultation period which is still open

Zip ANZ

Financial Performance	4Q24	vs 3Q24	vs 4Q23
Revenue	\$102.1m	2.3% ↓	1.8% ↑
Transaction volume	\$848.7m	6.8% ↑	11.4% ↓
Transactions	10.5m	11.2% ↑	8.4% ↓

Portfolio yield ³	As at Jun-24	As at Mar-24	As at Jun-23
AU consumer receivables	18.4%	17.8%	16.1%

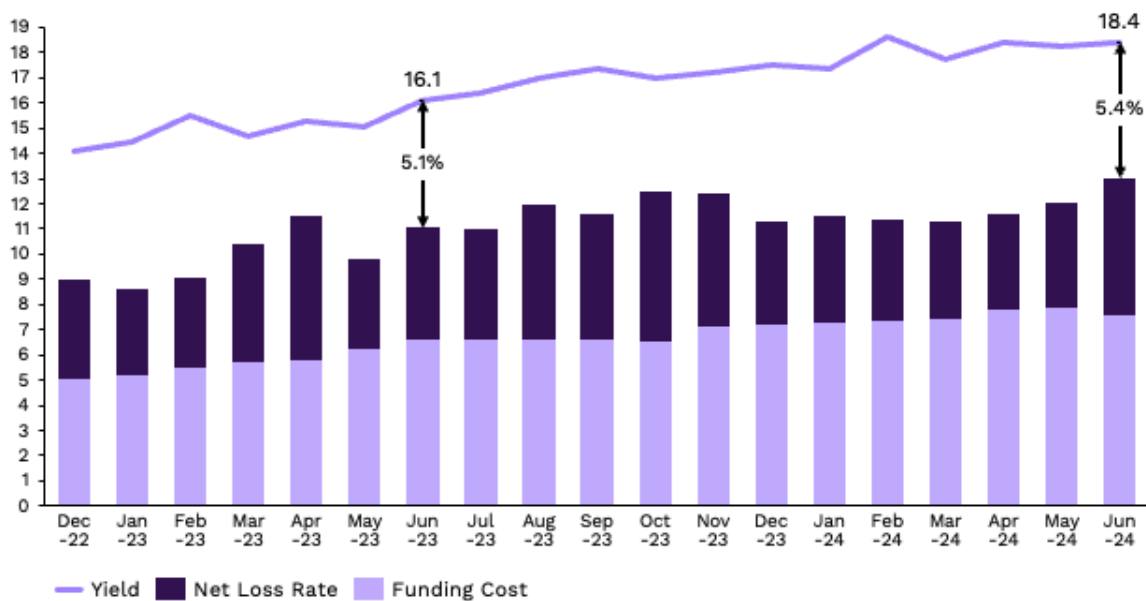
Operational Performance	As at 30 Jun 24	vs 3Q24	vs 4Q23
Active customers ¹	2.2m	1.7% ↓	5.4% ↓
Merchants ²	55.1k	2.9% ↑	14.1% ↑

Credit Performance ³ (AU)	As at 30 Jun 24	As at 31 Mar 24
Arrears ⁴	3.46%	2.72%
Net bad debts ⁵	4.69%	3.49%
Receivables	\$2,126.3m	\$2,184.2m

Zip AU increases excess spread despite rising interest rates

Zip AU book performance (excess spread)

(% of AU consumer receivables)



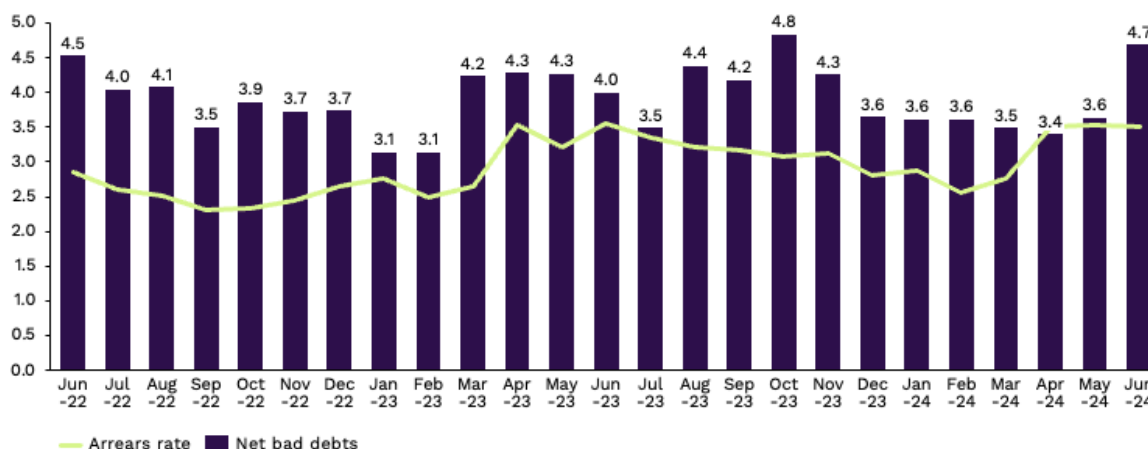
³ Calculated on receivables related to Zip AU's Master Trust facilities and funding vehicle 2017-1 Trust.

⁴ Greater than 60 days past due.

⁵ Net bad debts is calculated as annualised net write-offs in the months of June and March (net write-offs for the month x 12) over opening receivables for the month.

Increase in net bad debts during June driven by seasonality, softening in the external environment and is exaggerated given reducing receivables balance

(% of AU consumer receivables)⁵



Key highlights in ANZ included:

- Revenue of \$102.1m, up 1.8% vs 4Q23
- Revenue margins increased by 140 basis points vs 4Q23 to 12.0%
- The yield on the Zip AU receivables increased to 18.4% and the excess spread increased year on year to 5.4% in June
- We saw continued customer uptake of Zip Plus during the quarter, with financial and engagement metrics continuing to be above expectations
- After successfully focusing on margins and setting the business for a higher for longer interest rate environment, Zip AU is now focused on profitable growth and early initiatives have seen MTUs increase by 8.5% for June versus March
- Zip welcomed the Federal Government’s announcement regarding the introduction of new Buy Now Pay Later legislation in Australia. Zip has been supportive of these reforms and the introduction of these standards which are aligned with Zip’s existing practices. Zip holds an Australian Credit Licence and already conducts credit and affordability checks on its customers. In addition, it already offers two regulated products under the National Consumer Credit Protection Act - Zip Money and Zip Plus

FUNDING FACILITIES (as at 30 June 2024)

	Facility vehicle	Facility limit	Drawn at Jun-24	Maturity
AU	Zip Master Trust			
	- Rated Note Series			
	*2021-2	\$663.5m	\$663.5m	Sep-24
	*2023-1	\$190.0m	\$190.0m	May-26
	*2023-2	\$285.0m	\$285.0m	Oct-26
	*2024-1	\$285.0m	\$285.0m	Oct-25
	- Variable Funding Note	\$468.3m	\$378.2m	Mar-25
- Variable Funding Note 3	\$285.0m	\$142.5m	Apr-26	
	2017-1 Trust	\$116.6m	\$80.2m	Jul-24 ⁶
	Total	\$2,293.4m	\$2,024.4m	
US	AR3LLC	US\$225.0m ⁷	US\$188.0m	Dec-26
NZ	Zip NZ Trust 2021-1	NZ\$20.0m	NZ\$11.0m	Jul-24 ⁸
Corporate	Corporate Facility	\$150.0m	\$130.0m	Dec-27

Key highlights included:

- As at 30 June 2024, Zip AU had \$269.0m undrawn and available to fund receivables
- Zip successfully completed a \$300.0m rated note issuance for 18 months within the Master Trust (2024-1) with a weighted-average margin of 2.65% and the senior notes being AAA-rated
- Zip successfully completed a new \$300.0m warehouse facility for two years within the Zip Master Trust
- The proceeds from the above two refinancings were used to repay \$500m Master Trust (2021-1) that matured on 10 April 2024
- In June 2024, Zip repaid early and cancelled VFN No. 2 (Facility limit \$143.7m), following the steep tightening of margins as well as the headroom position
- Subsequent to 30 June 2024, Zip successfully extended the 2017-1 facility for two years with existing senior financiers and a new mezzanine investor. The revised facility limit increased to \$155.5m
- In June 2024, Zip repaid \$20.0m of the Corporate Facility to reduce the outstanding balance to \$130.0m.

⁶ Extended for 2 years to July 2026 with an increased limit of \$155.5m

⁷ Zip has the option to increase the facility to an aggregate amount of up to US\$300.0m, subject to the lender's discretion and terms and conditions

⁸ The extension of this facility has been negotiated and is at the documentation stage to settle prior to maturity date.

Release approved by the Group Chief Executive Officer and Managing Director on behalf of the Board.

- ENDS -

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About Zip

ASX-listed Zip Co Limited (ASX: ZIP) is a digital financial services company, offering innovative and people-centred products. Operating in two core markets - Australia and New Zealand (ANZ) and the United States (US), Zip offers access to point-of-sale credit and digital payment services, connecting millions of customers with its global network of tens of thousands of merchants.

Founded in Australia in 2013, Zip provides fair, flexible and transparent payment options, helping customers to take control of their financial future and helping merchants to grow their businesses.

For any shareholding and registry service enquiries, please contact Computershare. Phone: 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia). Shareholders who would like to receive email communications from Computershare for all future correspondence, visit <http://www.computershare.com.au/easyupdate/ZIP>