

27 August 2024

FY24 RESULTS UPDATE

Zip delivers outstanding financial results with record cash EBTDA

Zip Co Limited (ASX: ZIP) (“**Zip**”, or the “**Company**”) today announces its full-year results for the period ending 30 June 2024 (“**FY24**”).

KEY GROUP HIGHLIGHTS

- Group cash EBTDA¹ of \$69.0m (up 243.2% vs FY23)
- Revenue of \$868.0m (up 28.2% vs FY23)
- Total Transaction Volume (“**TTV**”) of \$10.1b (up 14.0% vs FY23)
- Revenue margin of 8.7% (up 96bps vs FY23)
- Net bad debts of 1.7% of TTV (down 18 bps vs FY23)
- Cash Net Transaction Margin of 3.8% (up 96bps vs FY23)
- Cash gross profit of \$372.9.0m (up 52.8% vs FY23)
- Merchant numbers increased to 79.3k (up 9.6% vs FY23)
- Active customer numbers of 6.0m (down 2.9% from FY23)
- Zip Americas (“**Americas**”) delivered record Cash EBTDA of \$77.2m² (up 420.0% vs FY23), record TTV of \$6.5b (up 39.5% vs FY23) and record revenue of \$450.6m (up 45.6% vs FY23) driven by optimisation across product and underwriting and continued growth from existing customers in higher-margin channels
- Zip Australia and New Zealand (“**ANZ**”) delivered a record cash EBTDA result of \$33.0m (up 137.4% vs FY23) with strong revenue of \$417.4m (up 13.5% vs FY23), despite a significant increase in interest costs and a more challenged macro environment
- Zip’s balance sheet was further simplified and strengthened. All Zip convertible notes were converted or extinguished and in July 2024, the Company executed an institutional equity placement to repay the \$130.0m outstanding corporate debt facility and associated exit fee
- Zip executed numerous financing transactions throughout the year associated with its Australian and US receivables programs, together with Zip’s increased available cash of \$80.4m as at 30 June 2024, these funding programs provide headroom for future growth

¹ Group Cash EBTDA is Earnings Before Tax, Depreciation and Amortisation, less non-cash and one-off items.

² All numbers converted to AUD unless stated otherwise.

CEO UPDATE

Zip Group CEO and Managing Director, Cynthia Scott said:

“This has been an outstanding year for Zip, with the Company executing against all of its strategic priorities and reinforcing its position as a strong, simplified and profitable business.

The team successfully delivered four quarters of profitability, achieving Cash EBTDA of \$69.0 million for the year, an improvement of \$117.0 million on FY23. This result was driven by Zip’s particularly strong performance in the US with record cash EBTDA, TTV and revenue, and the ANZ business delivering a record cash EBTDA result of \$33.0 million underpinned by continued margin expansion.

During the year, Zip launched a new product in Australia, Zip Plus and piloted a new ‘Pay-in-8’ product in the US, reinforcing Zip’s commitment to innovating and creating great products and experiences for customers and merchants.

With a focus on operational excellence, Zip strengthened and simplified its balance sheet, extinguishing the remainder of the Company’s convertible note liabilities, and in July, repaid all existing corporate debt via an oversubscribed institutional equity placement. Over the course of the last financial year, Zip successfully refinanced \$2.4 billion of funding.

Looking ahead, we maintain a clear strategy with identified growth opportunities in both markets to drive continued profitable growth in FY25 and beyond and deliver long-term value for our customers, merchants and stakeholders”.

STRATEGIC PRIORITIES

1. Growth and Profitability

Americas: Zip Americas delivered record TTV and revenue, with growth accelerating through the year due to continued optimisation across product and underwriting and deepening customer engagement. The significant turnaround in cash EBTDA (up 420.0% vs FY23 to a record \$77.2m), was driven by growth in higher margin channels (app and physical card), continued improvements in net transaction margins and increased operating leverage. During the period, Zip expanded into new merchant verticals such as the automotive sector. Zip also commenced vertical-specific marketing efforts, including sponsorships with NASCAR and Speedway Motorsports, and signing brand ambassador Kelsey Plum, Women’s National Basketball Association (WNBA) star and Olympic gold medallist.

ANZ: Zip ANZ delivered revenue growth of 13.5% and revenue margins increased 289bps to 11.7%, demonstrating the resilience of Zip’s unique two-sided revenue model. Despite a significant increase in interest costs, and a more challenged macroeconomic operating environment, cash EBTDA increased substantially to \$33.0m, up 137.4% vs FY23. There was a strong rollout of new merchants across a diverse range of targeted verticals including travel, ticketing, telecommunications and healthcare.

The portfolio yield on receivables associated with the Australian business increased to 18.4%, an increase of 230bps versus FY23. Additionally, the excess spread, measured as gross yield less

interest costs and bad debts, also improved by 30bps to 5.4% (June 2024 vs June 2023).

2. Product innovation

Americas: Zip's physical card continued to deliver strong in-store engagement. Card volume increased 148.1% vs FY23 and is now driving more than 30.0% of in-store volumes.

Zip Americas continued to invest in its core payments architecture to provide greater payment flexibility to customers. During the period, Zip tested a 'Pay-in-8' instalment solution, allowing customers to pay over eight fortnightly instalments, supporting higher average order values and healthier serviceability. Early results have been pleasing and the Company plans to progressively roll this product out to more customers in FY25.

ANZ: In FY24, Zip Plus, a credit product regulated under the National Consumer Credit Protection Act was launched in Australia, addressing customer demand for higher credit limits while positioning Zip well in a higher interest rate environment. Early customer engagement has been positive with the product delivering strong unit economics. Zip plans to progressively roll out this product to more customers in FY25.

3. Operational excellence

Balance sheet strength

During the period, Zip's balance sheet was further strengthened and simplified. Action was taken to fully extinguish Zip's convertible notes with all processes completed by May 2024. All Zip convertible notes have now been extinguished or converted into ordinary equity.

As at 30 June 2024, Zip had available cash of \$80.4m, providing capacity and flexibility for further growth in core markets.

Subsequent to year end, in July 2024, Zip successfully completed a fully underwritten institutional equity placement, raising \$217.0m from new and existing institutional investors and in August, an additional \$50.0m was raised through a Share Purchase Plan from existing retail investors. These funds further strengthened Zip's balance sheet with proceeds used to pay down the Company's corporate debt facility and the associated exit fee.

Receivables financing

Through FY24, Zip successfully refinanced \$1.9b of receivables funding facilities in both Australia and the US. As at 30 June 2024, the business had A\$269.0m and US\$37.0m undrawn and available to fund receivables growth in Australia and US respectively. In late August, Zip priced a A\$350.0m public bond at a weighted average margin of 2.13%³. This demonstrates Zip's ability to further tighten its funding spreads as a result of corporate and portfolio performance.

Operating costs

Zip continued to focus on streamlining its cost base and driving operating leverage. After reductions for discontinued operations, total cash operating costs were \$306.9m in FY24 which was 2.6% up

³ Settlement expected September 2024.

on the comparative amount of \$299.3m⁴ for FY23. However, the FY24 costs included an amount of \$9.8m for short term incentives paid in cash that was not in the comparative FY23 period and so taking this into consideration, total cash operating costs would have been \$297.1m, marginally down on FY23.

Sustainability

Zip remains committed to operating responsibly and delivering long-term value to its customers, merchants, shareholders and other stakeholders. Achievements during the year included:

- **Financial Inclusion and Wellbeing:** Zip piloted a financial literacy hub in the US for our most engaged app customers with content addressing various financial needs. In Australia, Zip enhanced its hardship application flow to ensure a simplified and streamlined process that supports strong customer outcomes.
- **DEI and Employee Wellbeing:** Zip continued to see strong employee engagement in FY24. The Zip Group engagement survey showed an overall engagement score of 80%. The Company's focus on gender diversity remained a priority, with women representing 43% of the total workforce. Female representation on Zip's Board is now at 50%.
- **Environmental sustainability:** For the third consecutive year, Zip partnered with an external consultant to calculate and publish the Company's Greenhouse gas emissions across Scopes 1, 2 and 3 and invest in carbon offsetting initiatives to neutralise FY23 emissions. Zip also furthered its commitment to transparency, participating in the Carbon Disclosure Project and Corporate Sustainability Assessment.

Leadership team

The Group Executive team was strengthened in September 2023 with the appointment of Gordon Bell as the Group Chief Financial Officer. In April 2024, Alex Christie joined Zip as Chief People Officer, with group-wide responsibility for people and culture at Zip.

In May 2024, Joe Heck was appointed US CEO, assuming the position from Larry Diamond, who has taken the role of US Chairman and continues as an Executive Director of the Zip Board. Kevin Moss, who is based in the US, was also appointed as an independent Non-Executive Director, effective 21 May 2024.

⁴ In FY23 Zip reported cash operating costs of \$303.7m, removing Zip Business results in cash operating costs of \$299.3m.

BUSINESS PERFORMANCE

Zip delivered strong results across its consumer business in its two core markets; ANZ and the Americas.

Financial performance ⁵ (AUD)	FY24	YoY
Revenue	\$868.0m	28.2% ↑
Americas	\$450.6m	45.6% ↑
ANZ	\$417.4m	13.5% ↑
Transaction volume (TTV)	\$10,051.1m	14.0% ↑
Americas	\$6,495.4m	39.5% ↑
ANZ	\$3,555.7m	14.5% ↓
Transactions	76.2m	4.7% ↑
Americas	33.9m	33.6% ↑
ANZ	42.3m	10.8% ↓

Operational performance	FY24	YoY
Active customers⁶	6.0m	2.9% ↓
Americas	3.8m	1.4% ↓
ANZ	2.2m	5.4% ↓
Merchants	79.3k	9.6% ↑
Americas	24.2k	0.7% ↑
ANZ	55.1k	14.1% ↑

PRESENTATION, WEBCAST AND CONFERENCE CALL

Zip will hold a webcast and conference call to discuss the FY24 result at 10:00 AM AEST today, Tuesday, 27 August 2024. Participants can register for the conference call by navigating to either of the links below. Registered participants will receive their dial in details upon registration.

Webcast & slide presentation registration link: <https://ccmediaframe.com/?id=W0ZmFa8f>

Conference call registration link: <https://s1.c-conf.com/diamondpass/10039230-mz6yqv.html>

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

Release approved by the Board.

- ENDS -

⁵ All financial figures are translated into AUD using the average yearly foreign exchange rates for the respective year. Note that revenue does not include Zip Business.

⁶ Active customers defined as customer accounts that have had transaction activity in the 12 months to 30 June 2024.

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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>