

29 October 2024

1Q FY25 results update

Zip delivers strong Group Cash EBTDA result driven by outstanding US momentum and growth

Zip Co Limited (ASX: ZIP) (“**Zip**”, or the “**Company**”) today announced its results for the quarter ending 30 September 2024 (“**1Q25**”).

Zip achieved Group Cash EBTDA of \$31.7m (up 233.7% vs 1Q24), driven by a particularly strong performance in the US business. Zip US delivered Total Transaction Volume (“TTV”) of US\$1,301.8m up 42.8% vs 1Q24 and revenue of US\$92.1m, an increase of 43.9% vs 1Q24.

1Q25 FINANCIAL HIGHLIGHTS

- Group Cash EBTDA of \$31.7m (up 233.7% vs 1Q24)
- TTV of \$2.8b (up 22.8% vs 1Q24)
- Revenue of \$239.9m (up 18.8% vs 1Q24)
- Revenue margin of 8.5% (vs 8.8% in 1Q24)
- Transactions of 21.3m (up 18.1% vs 1Q24)
- Net bad debts approximately 1.6% of TTV (vs 1.9% of TTV in 1Q24)
- Cash transaction margin of 3.9% (vs 3.6% in 1Q24)
- Active customers at quarter end of 6.08m (up 1.1% vs 4Q24)
- Merchants on Zip’s platforms increased to 80.1k (up 7.0% vs 1Q24), including Cathay Pacific in ANZ and GameStop, Major League Baseball Ticketing via Tickets.com and Major League Baseball Shop in the US
- Zip US delivered very strong TTV performance of US\$1,301.8m, up 42.8% vs 1Q24 and revenue of US\$92.1m, an increase of 43.9% vs 1Q24
- US active customers increased YoY (vs 1Q24) and QoQ (vs 4Q24) underpinned by customer demand for the App and initiatives to drive brand and customer awareness in the US market
- Zip AU continued to deliver improved portfolio yield which increased to 19.2% and excess spread to 6.9% in September 2024
- Repaid all existing corporate debt through the successful execution of a fully underwritten equity placement and Share Purchase Plan (“**SPP**”)

- Continued recycling of capital with \$840.8m of receivables refinanced during the period

CEO UPDATE

Zip Group CEO and Managing Director, Cynthia Scott said:

“Zip has continued to drive scale and deliver significant operating leverage in FY25, with the team delivering a Group Cash EBTDA result of \$317m, up 233.7% vs 1Q24. When compared to 1Q24, Group revenue for the quarter grew by 18.8% and Group TTV grew by 22.8%.

Our US business continued to deliver outstanding growth, with TTV up 42.8% and revenue up 43.9%, versus 1Q24, driven by ongoing engagement in higher-margin channels such as the App. In ANZ, the yield on receivables increased to 19.2% driven by strategic portfolio management actions, and excess spread expanded to 6.9%, a very strong result in the current high interest rate environment.

During the quarter, we refreshed our Purpose to ‘unlocking financial potential, together’, to better reflect Zip’s strategic priorities and our growth opportunity. Our team is committed to fulfilling Zip’s refreshed Purpose and is aligned on our refreshed Mission ‘to bring exceptional experiences, innovation and partnership to every financial journey’. Zip remains focused on delivering its FY25 priorities of growth and engagement, product innovation and operational excellence.”

BUSINESS PERFORMANCE

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

Financial Performance (AUD)	1Q25	vs 4Q24	vs 1Q24
Revenue	\$239.9m	7.3% ↑	18.8% ↑
US	\$137.4m	13.0% ↑	40.5% ↑
ANZ	\$102.5m	0.4% ↑	1.5% ↓
TTV	\$2,814.4m	8.1% ↑	22.8% ↑
US	\$1,942.9m	10.7% ↑	39.5% ↑
ANZ	\$871.5m	2.7% ↑	3.1% ↓
Transactions	21.3m	8.2% ↑	18.1% ↑
US	10.2m	11.7% ↑	39.8% ↑
ANZ	11.1m	5.1% ↑	3.3% ↑

Operational Performance	At 30 Sept 24	vs 4Q24	vs 1Q24
Active customers¹	6.08m	1.1% ↑	1.0% ↓
US	3.94m	2.9% ↑	2.6% ↑
ANZ	2.14m	2.1% ↓	7.0% ↓
Merchants²	80.1k	1.1% ↑	7.0% ↑
US	24.2k	0.4% ↑	0.9% ↑
ANZ	55.9k	1.4% ↑	9.8% ↑

Net Bad Debts (% of TTV)	1Q25	4Q24	1Q24
Group	1.59%	1.44%	1.89%

Board and Executive update

In September 2024, Zip appointed Matthew W. Schuyler as an independent Non-Executive Director, effective 7 October 2024. Based in the US, Matthew has over 35 years' experience in brand-building, human resources, cultural strategy and business transformation.

On 28 October 2024, Linda Lu joined Zip as the Chief Legal and Risk Officer. Based in the US, and as a member of the Group Executive Team, Linda will oversee Zip's legal, compliance, enterprise risk and financial crime functions. She brings significant expertise in those fields, including most recently as Senior Vice President, Deputy General Counsel at TransUnion.

REGIONAL UPDATES

Zip US

Financial Performance	1Q25 (USD)	vs 4Q24 (USD)	vs 1Q24 (USD)
Revenue	\$92.1m	14.9% ↑	43.9% ↑
TTV	\$1,301.8m	12.4% ↑	42.8% ↑
Transactions	10.2m	11.7% ↑	39.8% ↑

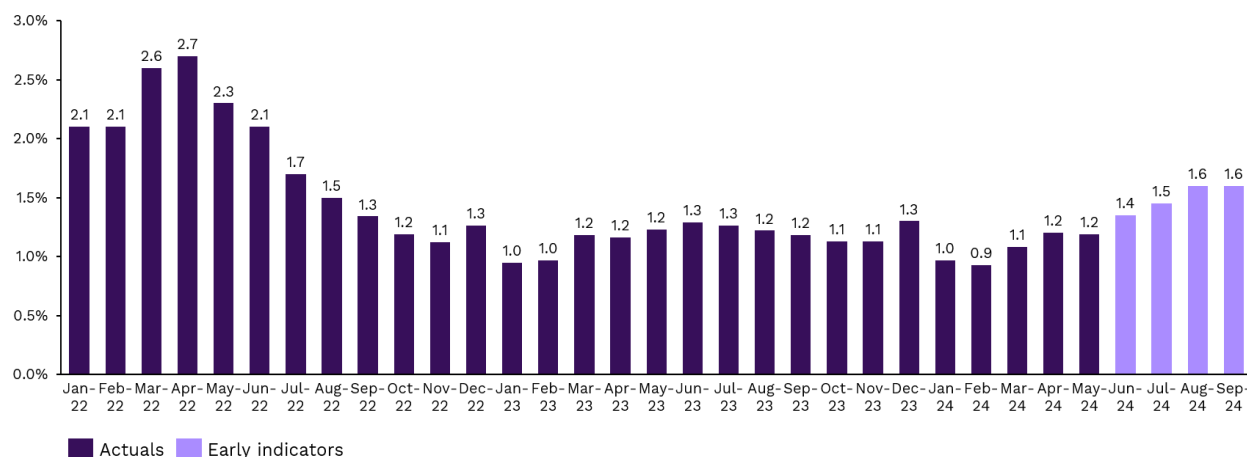
Operational Performance	As at 30 Sept 24	vs 4Q24	vs 1Q24
Active customers ¹	3.94m	2.9% ↑	2.6% ↑
Merchants ²	24.2k	0.4% ↑	0.9% ↑

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

² Number of accredited merchants.

US achieved significant above market growth whilst maintaining credit losses within the target range of 1.5% to 2.0% of cohort TTV

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



Key highlights in the US included:

- Zip US had very strong TTV growth of US\$1,301.8m up 42.8% vs 1Q24 and revenue of US\$92.1m up 43.9% vs 1Q24, driven by ongoing engagement in higher-margin channels such as the App
- Active customers increased YoY (vs 1Q24) and QoQ (vs 4Q24) underpinned by customer demand for the App and initiatives to drive brand and customer awareness in the US market
- Monthly US cohort loss rates in 1Q25 are now expected to deliver losses of approximately 1.5% to 1.6% of TTV, within the target range for commensurate growth
- During the quarter, Zip US continued to expand its merchant partnerships in target verticals including entertainment and experiences, and automotive and tools, signing FanBasis, GameStop, Major League Baseball Ticketing via Tickets.com, Major League Baseball Shop, Take 5 Oil Change and Tools.com

Zip ANZ

Financial Performance	1Q25	vs 4Q24	vs 1Q24
Revenue	\$102.5m	0.4% ↑	1.5% ↓
TTV	\$871.5m	2.7% ↑	3.1% ↓
Transactions	11.1m	5.1% ↑	3.3% ↑

Portfolio Yield ³	Sept-24	June-24	Sept-23
AU consumer receivables	19.2%	18.4%	17.4%

Operational Performance	As at 30 Sept 24	vs 4Q24	vs 1Q24
Active customers ¹	2.14m	2.1% ↓	7.0% ↓
Merchants ²	55.9k	1.4% ↑	9.8% ↑

Credit Performance ³ (AU)	As at 30 Sept 24	As at 30 June 24
Arrears ⁴	2.92%	3.46%
Net bad debts ⁵	4.18%	4.69%
Receivables	\$2,032.5m	\$2,126.3m

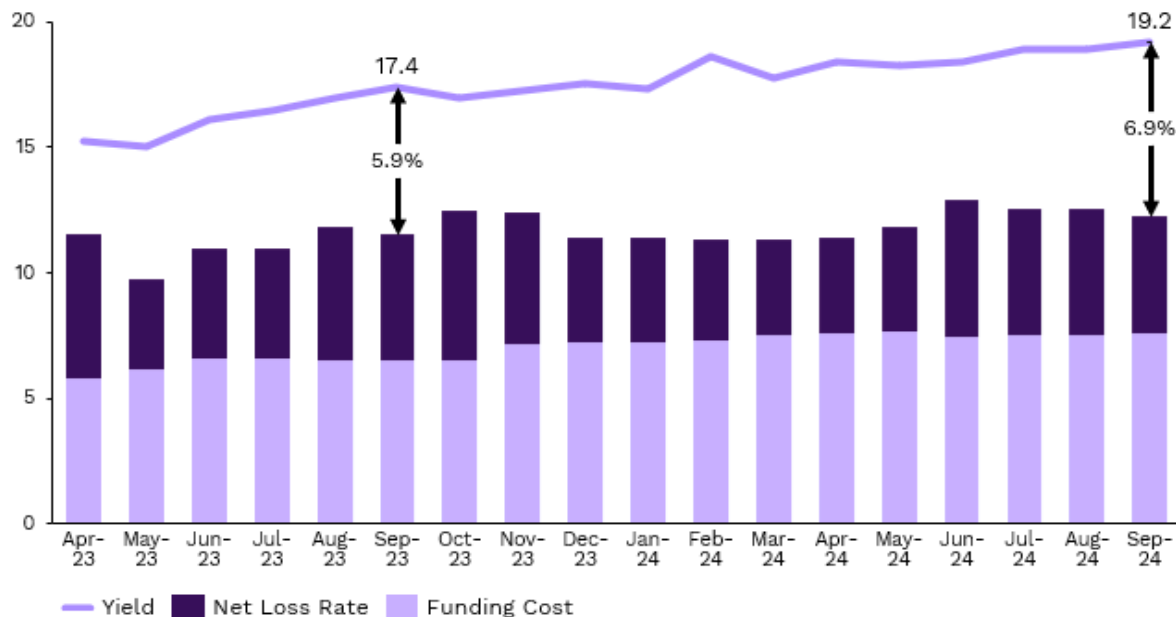
³ Calculated on receivables related to Zip AU's Master Trust facilities and funding vehicle 2017-1 Trust.

⁴ Greater than 60 days past due.

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

Zip AU excess spread continues to increase

Zip AU book performance (excess spread)
(% of AU consumer receivables)



Net bad debts moderated following seasonal peak in June 2024

Arrears rate and net bad debts^{1,2}
(% of AU consumer receivables)⁵



Key highlights in ANZ included:

- The yield on the Zip AU receivables increased to 19.2% with the excess spread improving to 6.9% in September 2024 (vs 5.9% in September 2023)
- Revenue margins increased by 19bps vs 1Q24 to 11.8%
- Arrears rates and net bad debts have normalised after seasonal peaks earlier in the quarter and remain in line with management expectations and longer term averages for the period
- Zip signed or went live with merchants including Cathay Pacific and post-quarter end, James Pascoe Group (Prouds, Angus & Coote and Goldmark)
- Zip Plus is now available to new customers ahead of seasonal peak, with additional marketing spend to commence in H2 FY25 as Zip continues its transition to becoming a next generation financial services provider. The product continues to demonstrate strong customer engagement and unit economics

FUNDING FACILITIES (as at 30 September 2024)

	Facility vehicle	Facility limit	Drawn at Sept-24	Maturity
AU	Zip Master Trust			
	- Rated Note Series			
	*2023-1	\$190.0m	\$190.0m	May-26
	*2023-2	\$285.0m	\$285.0m	Oct-26
	*2024-1	\$285.0m	\$285.0m	Oct-25
	*2024-2	\$332.5m	\$332.5m	Sep-27
	- Variable Funding Note	\$468.3m	\$363.8m	Mar-25
	- Variable Funding Note 3	\$285.0m	\$142.5m	Apr-26
- Variable Funding Note 4	\$285.0m	\$190.0m	Mar-27	
	2017-1 Trust	\$155.5m	\$111.7m	Jul-26
	Total	\$2,286.3m	\$1,900.5m	
US	AR3LLC	US\$225.0m ⁶	US\$203.0m	Dec-26
NZ	Zip NZ Trust 2021-1	NZ\$20.0m	NZ\$11.0m	Jul-26

⁶ Zip has the option within the facility to increase to an aggregate amount of up to US\$300.0m, subject to approval of terms from both parties

Key highlights included:

- As at 30 September 2024, Zip AU had \$385.8m undrawn and available to fund receivables
- Zip successfully completed a \$350.0m rated note issuance for three years within the Master Trust (2024-2) with a weighted-average margin of 2.13% and the senior notes being AAA-rated, Zip retained 5.0% of the facility
- Zip successfully completed a new \$300.0m warehouse facility for two and half years within the Zip Master Trust, Zip retained 5.0% of the facility
- The proceeds from the above two refinancings were used to repay the \$698.4m Master Trust (2021-2) that matured on 10 September 2024
- Zip successfully extended the 2017-1 facility for two years with existing senior financiers and a new mezzanine investor. This facility is a smaller trust separate to Zip's Master Trust funding vehicle. The revised facility limit increased to \$155.5m
- Zip successfully extended the Zip NZ facility for two years with its existing senior financier
- In July 2024, Zip successfully completed a fully underwritten equity placement, raising \$217.0m, (before costs) from new and existing institutional investors and in August, an additional \$50.1m 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

Cash and Liquidity

As at 30 September 2024, Zip had \$341.5m of total cash on the balance sheet with \$147.0m in available cash and liquidity, up from \$80.4m on 30 June 2024. The increase in available cash and liquidity includes \$50.1m proceeds from the SPP and \$14.6m of cash released from investments in funding vehicles. During the quarter, Zip generated \$10.4m of operating cash (comprising cash EBTDA, capex and working capital and receivables funding movements).

Release approved by the Chief Executive Officer 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>