For personal use only

25 January 2017

Q2 FY17 QUARTERLY UPDATE

zipMoney Limited (ASX: ZML) (**zipMoney** or the **Company**) is pleased to announce its quarterly performance for the period ending 31 December 2016, otherwise referred to as Q2 FY17.

SECOND QUARTER HIGHLIGHTS

- Record quarterly revenue of $4.4 million, up 52% from $2.9 million in Q1 FY17; revenue of $7.3m for H1 FY17 has already exceeded total revenue for full-year 2016 by 70%
- Transactions on the platform increased by 138% over the quarter, reflecting a 59% increase in merchants and an 88% increase in customer numbers
- Transaction volume reached $50 million in the quarter (up 52% from Q1 FY17) with more than $150 million originated on zipMoney's platform to date
- Receivables increased to $88 million, up 47% on Q1 FY17; bad debts decreased to 1.2%
- Martin Brooke appointed as Chief Financial Officer, with a key focus on assisting with the finalisation of new debt facility arrangements in Q3 FY17
- Reduced cash outflow from operating activities of $0.6 million in Q2 FY17 compared to $1.1 million in Q1 FY17

COMPANY UPDATE

The Company has continued to deliver rapid growth in its underlying operations.

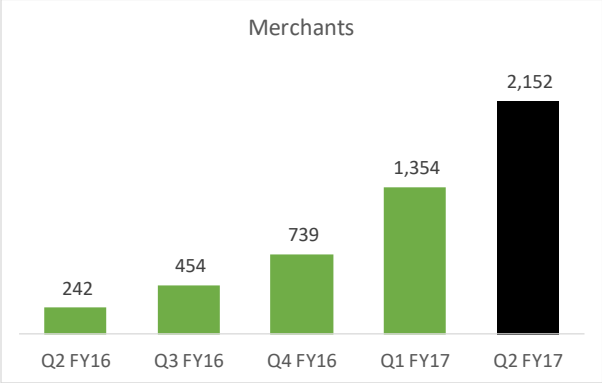
Financial and Operational Performance	Q2 FY17 Results (unaudited)	% increase on Q1 FY17 (unaudited)
Merchants[1]	2,152	59% ↑
Customers[2]	119,144	88% ↑
Receivables[3]	$87.7m	47% ↑
Transaction volume	$50.2m	52% ↑
Transactions	95,588	138% ↑
Revenue[4]	$4.2m	47% ↑

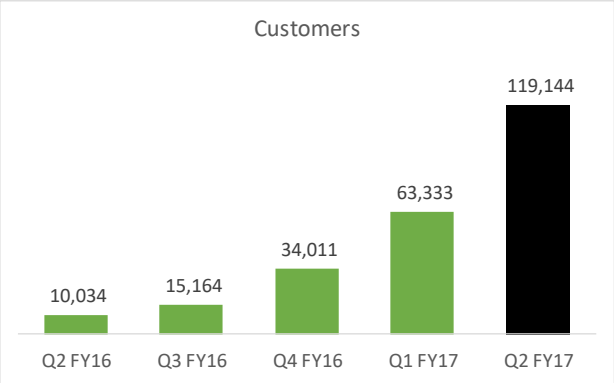
1. Number of accredited merchants
2. Number of active customer accounts
3. Receivables or otherwise referred to as Loan Book
4. Operating revenue, excluding interest and sundry income

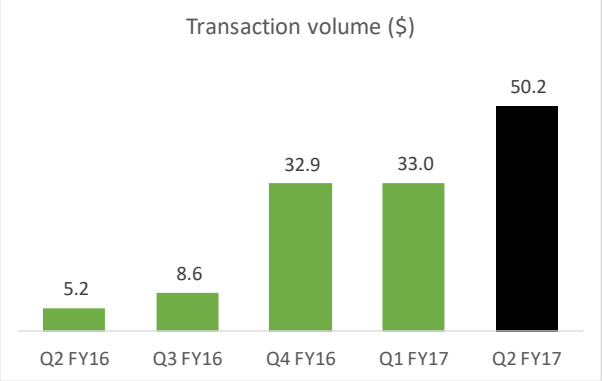
For personal use only

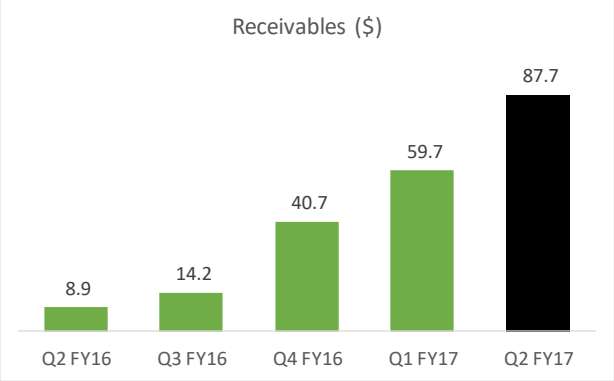
Managing Director and CEO Larry Diamond said:

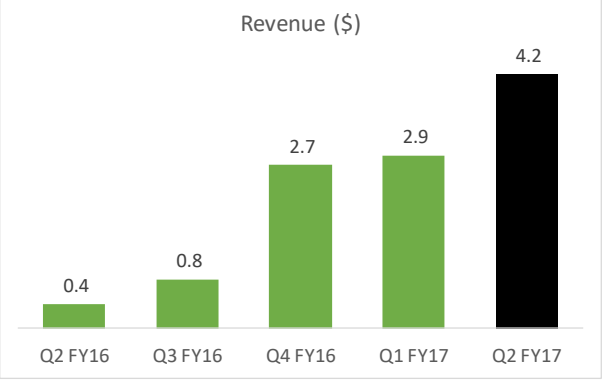
"This quarter saw significant growth in transaction volume, which was supported by strong growth in both merchant and customer numbers, and testament to the hard work of the entire team. Merchant fees continue to drive the bulk of revenues, accounting for approximately 60% of total revenues. zipMoney prides itself on its consumer-friendly offerings and responsible lending practices evidenced by the continued strength of our credit performance. Q3 FY17 has already seen the launch of some of the biggest online players in the industry."

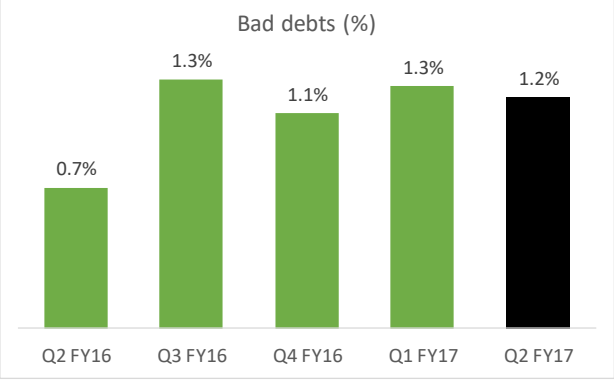












Notes: (i) Based on unaudited financials; Receivables gross, before provisions; and (ii) Bad debts defined as those accounts greater than 180 days delinquent. Annualised as a percentage of gross receivables.

For personal use only

For the quarter ending 31 December 2016, the Company grew its receivables to $88 million, up 47% on the previous quarter, on more than $50 million in transaction volume. This generated revenue of approximately $4.2 million, reflecting continued growth across the entire payments platform.

The number of transactions for the quarter was up 138%. Transaction volume grew by 52% over the quarter supported by customer growth of 88% and a strong seasonal quarter in the retail segment.

zipMoney grew its merchant base by c.60% over the quarter with continued growth in the mid-market and SMB segments, a direct result of continued investment in channel and a number of platform partnerships. Pleasingly, the growth in the number of new enterprise merchants supported a reduction in the proportion of volume contributed by the top 10 merchants, from 51% at the end of Q1 FY17 to 38% by the end of Q2 FY17.

MERCHANT UPDATE

zipMoney increased its merchant numbers to over 2,100 across Australia, both online and offline. The quarter saw zipMoney enter the lucrative and growing travel market with the addition of Lux Group, which includes leading e-commerce site Luxury Escapes. Travel is a $15 billion a year market in Australia alone, with this partnership meaning that the million-plus members of Luxury Escapes can now take advantage of zipMoney's flexible payment terms. zipMoney continues to be a leader across numerous verticals including the retail, consumer electronics, home, sports & outdoors, auto, health services, online education and travel markets, which drives continued network effects and strong growth in merchant and customer numbers across the platform.

zipMoney continues to grow its presence offline accounting for approximately 50% of total sales in the quarter. During the quarter, zipMoney continued to integrate its products instore for a number of its existing merchants as well as for new merchants. Point-of-sale (PoS) and eftpos solutions have been integrated into the core zipMoney platform, and the release of a new payment code feature has seen a marked increase in instore conversion.

zipMoney welcomed a range of merchants that went live on the platform online and in-store during Q2 FY17:

Luxury Escapes	**Catch of the Day**	**Michael Hill**	**Forever New**	**Brands Exclusive**
Home Clearance (Winnings Group)	**The Home**	**Ted's Cameras**	**MWave**	**MyMac Australia**
Williams (Fusion Brands)	**Pushy's**	**Bijoux**	**Emma & Roe**	**Solahart**

RECEIVABLES UPDATE

As at 31 December 2016, receivables were $87.7 million, up 47% over the previous quarter. The customer repayment profile continues to remain healthy at c.11% of opening receivables balance repaid each month.

The reported arrears rate was 1.5% and bad debts were at 1.2%, both well below industry standards. The strong credit performance continues to validate zipMoney's investment in its 100% owned proprietary decision technology.

For personal use only

Executive Director & COO Peter Gray said:

"Our loan book performance continues in line with management expectations. Our low rate of bad debts and arrears continues to demonstrate the strength of zipMoney's core intellectual property, being our proprietary credit and fraud decision technology. We are currently leveraging, and continuing to add to, a range of big data markers, including conventional markers such as identification and credit checks as well as unconventional markers including social, behavioural and transactional data.

zipMoney prides itself on building ethical and financially-responsible products suitable for all customers. We aim to build long-term relationships by providing fairness, transparency and genuine payment flexibility, without the need for customers to fall into arrears to drive revenue."

POCKETBOOK

The Pocketbook business continues to demonstrate strong growth in its underlying figures with total users surpassing 290,000, reflecting growth of 40,000 users (up approximately 15%) since zipMoney acquired the business in September 2016. zipMoney is already leveraging Pocketbook's core intellectual property and continues to take advantage of its data insights to feed into zipMoney's proprietary credit and fraud decision technology – driving improved automation and deeper credit profiling.

CORPORATE

During the quarter, cash receipts from customers rose to $4.4 million. Staff, administration and corporate costs were $3.2 million, reflecting the ongoing investment in the systems and people required to support the Company's growth strategy.

Cash outflows from interest paid increased to $1.8 million ($1.2 million in Q1) commensurate with the increase in customer receivables. Total cash flows from operating activities for Q2 FY17 resulted in an improvement in cash outflow of $579k compared with $1.1 million outflow in Q1 FY17.

zipMoney continues to enjoy strong economies of scale as a result of the ongoing investment in the Company's 100%-owned proprietary credit and fraud decision technology. Cash at end of quarter was $12.1 million, inclusive of $1.1 million in restricted cash.

APPOINTMENT OF CHIEF FINANCIAL OFFICER

zipMoney is pleased to announce the appointment of Martin Brooke to the role of Chief Financial Officer and also highlight Andrew Bennett's ongoing responsibility for the Group's debt securitisation.

The appointment of Martin further strengthens zipMoney's finance team, which is focused in part on progressing the ongoing debt facility discussions with one of Australia's big four banks as well as building a robust and scalable funding framework to support the growth of the business over the coming years. The process in relation to a new securitisation facility continues with completion still anticipated in Q3 FY17. Martin and Andrew's support will also enable the zipMoney founders to focus an increasing proportion of their time on growing zipMoney's operational presence.

– ENDS –

For personal use only

For more information, please contact:

Investors
Andrew Bursill
investors@zipmoney.com.au
+61 2 8294 2345

Media
Justin Kirkwood
justin@kirkwoods.com.au
+61 411 251 324

About zipMoney

zipMoney is a leading player in the digital retail finance and payment industry. The Company offers point-of-sale credit and digital payment services to the retail, education, health and travel industries. It operates under the zipPay and zipMoney brands. The Company is focused on offering transparent, responsible and fairly priced consumer credit products. zipMoney's platform is entirely digital and leverages big data in its proprietary decisioning engine to deliver real-time consumer responses. zipMoney is managed by a team with over 50 years experience in retail finance and payments and is a licensed and regulated credit provider. For more visit www.zipmoneylimited.com.au.

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

zipMoney Limited

ABN	**Quarter ended ("current quarter")**
50 139 546 428	31 December 2016

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	4,400	7,288
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs		
	(c) advertising and marketing	(38)	(115)
	(d) leased assets		
	(e) staff costs	(2,223)	(3,423)
	(f) administration and corporate costs	(963)	(2,439)
1.3	Dividends received (see note 3)		
1.4	Interest received	30	72
1.5	Interest and other costs of finance paid	(1,785)	(3,024)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(579)**	**(1,641)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(220)	(409)
	(b) businesses (see item 10), net cash acquired	17	(1,870)
	(c) investments		

For personal use only

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
	(d) intellectual property		
	(e) other non-current assets	-	(2)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Others		
	Net movement in		
	- Receivable and customer loans	(28,434)	(49,168)
	- Borrowings	24,550	48,100
2.6	**Net cash from / (used in) investing activities**	**(4,087)**	**(3,349)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	6	10,825
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(741)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**6**	**10,084**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	16,844	7,090
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(579)	(1,641)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,087)	(3,349)

For personal use only

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6	10,084
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**12,184**	**12,184**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	11,105	14,414
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (restricted cash)	1,079	2,430
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**12,184**	**16,844**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	154
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

For personal use only

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	111,610	81,610
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Research and development	
9.2	Product manufacturing and operating costs	
9.3	Advertising and marketing	50
9.4	Leased assets	
9.5	Staff costs	2,947
9.6	Administration and corporate costs	875
9.7	Other (provide details if material)	
9.8	**Total estimated cash outflows**	**3,872**

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

For personal use only

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: ..... Date: .....
(/Company secretary)

Print name: **Andrew Bursill**

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

For personal use only