



# ASX Release

6 September 2019

## Zip acquires SME lender Spotcap Australia and New Zealand, fast tracking the launch of its Zip Biz BNPL product

Zip Co Limited ('Zip') is pleased to announce today that it has entered into an agreement to acquire the Australian and New Zealand businesses ('Spotcap ANZ') of global SME lending provider Spotcap ('Spotcap Global'), providing significant capability in the small and medium-sized enterprise ('SME') credit space.

The acquisition of Spotcap ANZ provides Zip with:

- A proven SME credit decisioning platform that has been live in market since 2015 and originated over \$200 million in credit lines on the platform;
- An accelerated "go to market" strategy for the recently announced Zip Biz 'buy now, pay later' ('BNPL') product in both Australia and New Zealand;
- Access to the underlying intellectual property and technical code base ('IP') which will assist in driving continued innovation in Zip's business-focused digital wallet product offering. The IP will be licensed perpetually from Spotcap Global, the Berlin-based FinTech that offers "lending as a service" decision systems around the world; and
- Approximately \$23 million in Australian SME receivables and 4 years of credit performance data<sup>1</sup>;

### **Acquisition accelerates Zip Biz's "go to market" strategy**

The Spotcap technology platform provides Zip with a market-leading commercial decisioning engine that leverages traditional credit data, accounting data and bank transactional data to provide real-time onboarding. Commencing operations in Australia and New Zealand in 2015, Spotcap ANZ has loaned over \$130 million of funds in the SME market across the region, with loss rates of less than 3%<sup>2</sup> per annum.

With this acquisition, Zip gains a proven and market leading underwriting capability with 4 years of credit portfolio performance data and deep learnings driven from commercial bank transactional data. The acquisition of Spotcap ANZ, and the licence of the underlying IP,

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<sup>1</sup> In addition Zip also has the right to purchase approximately NZ\$7 million of NZ receivables within 10 Business Days of the Closing Date [at par carrying value] (and the vendors also have the right to sell these receivables to Zip after that time period).

<sup>2</sup> Based on the impairment 180 days bad debts as a % of loan book in last 12 months

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provides the opportunity for Zip to fast track the launch of its recently announced Zip Biz BNPL product in market.

Spotcap ANZ's key management team, including Australian and New Zealand Managing Director Simon Keast, will remain with the business and join the Zip team. Spotcap ANZ will be acquired from wholly owned subsidiaries of Spotcap Global.

The Spotcap ANZ acquisition involves a total consideration of \$8.825 million, to be settled through the issue of new fully paid ordinary shares in Zip<sup>3</sup> subject to an agreed level of net working capital. The Spotcap vendor entities will be required to deposit c. \$3.0 million in cash to be held in escrow subject to the achievement of certain operational and integration milestones.

### **Delivering a new Payment Solution for Small Business in AU and NZ**

Zip CEO and Managing Director, Larry Diamond, said:

*"Extending our consumer BNPL product offering into the SME space is a natural evolution for Zip. The strategic acquisition of Spotcap will fast-track the delivery of this product using a proven origination platform that is live in the Australian and New Zealand markets."*

Peter Gray, Zip COO and Executive Director, added:

*"What impressed us most about the Spotcap platform was the proven underwriting track record, the use of bank transactional data and smarts around cash flow forecasting. Their commercial underwriting approach very closely aligns with what we have built on the consumer side."*

### **Timetable and other information**

Subject to the satisfaction of certain prescribed conditions precedent, Zip expects to complete the transaction by no later than 15 November 2019. The Transaction is not subject to Zip shareholder approval.

### **Advisers**

Zip is advised by:

- Corporate adviser: Monash Private Capital
- Legal adviser: Arnold Bloch Leibler

Spotcap ANZ is advised by:

- Legal adviser: Corrs Chambers Westgarth & Anderson Lloyd

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<sup>3</sup> As consideration for the acquisition of Spotcap ANZ, the maximum number of Zip shares to be issued to the vendor entities is 3.22 million shares. The exact number of shares to be issued will be calculated with reference to the volume weighted average price (VWAP) of Zip's shares on the trading day immediately prior to the date of issuance of the shares, subject to a minimum issue price of A\$2.74

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**For more information, please contact:**

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**About Zip**

ASX-listed Zip Co Limited (ASX: Z1P) or ("Zip") is a leading player in the digital retail finance and payments industry. The Company offers point-of-sale credit and digital payment services to the retail, education, health and travel industries. It operates under the Zip Pay, Zip Money and Pocketbook brands. The Company is focused on offering transparent, responsible and fairly priced consumer products. Zip's platform is entirely digital and leverages big data in its proprietary fraud and credit decisioning technology to deliver real-time consumer responses. Zip 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 information, visit: [www.zip.co](http://www.zip.co)

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