



13 January 2020

Q2 FY20 TRADING UPDATE

RECORD QUARTER, TRANSACTION VOLUMES ANNUALISING AT OVER \$2.3BN

Zip Co Limited (ASX: Z1P) (**Zip** or the **Company**) is pleased to provide a trading update for the quarter ended 31 December 2019 (**Q2 FY20**).

GROUP HIGHLIGHTS

- **Record quarterly revenue of \$38.5, up 24% on Q1 FY20 (up 101% YOY).**
- **Receivables increased to \$1,040.5m, up 33% on Q1 FY20 (up 113% YOY).**
- **Record quarterly transaction volume of \$562.6m, up 40% on Q1 FY20 (up 85% YOY) – Zip is now annualising at \$2.3bn.**
- **Customer numbers increased to 1.8 million (up 24% on Q1 FY20).**
- **Merchant numbers increase to 20,875 (up 17% on Q1 FY20).**
- **Delivered record transaction volume of \$44m from Black Friday to Cyber Monday.**
- **Zip struck a strategic relationship with Amazon Australia and successfully launched in November 2019. Zip is Amazon Australia's first instalment payment option.**
- **Ola, Optus, Seafolly, Jax Tyres, Sigma and a number of other household names went live or joined the platform in the quarter.**
- **Successfully completed a number of marquee integrations – Westpac's payment gateway (powered by Qvalent) and Tyro.**
- **Zip app continues to rank in the top 10 across both the Apple (#7, rating 4.9) and Google Stores (#4, rating 4.8).**
- **Completed the acquisition of global instalment technology platform, PartPay Limited, providing exposure to New Zealand, United Kingdom, United States and South Africa.**
- **Recently acquired SME lending provider Spotcap ANZ performing well – Zip Biz, now in beta, leveraging its market leading credit decisioning capability.**
- **Continuing to strengthen executive team leadership with recent global appointment – Hamish Moline as Chief Commercial Officer (ex Visa).**
- **Successful capital raising of \$61.9m (before costs) from institutional, sophisticated and professional investors, and share purchase plan.**

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KEY OPERATIONAL METRICS (ZIP ONLY)

All key operating metrics have continued to deliver rapid growth in their underlying operations, as outlined below. The metrics now include operations in New Zealand and the UK, following the recent PartPay transaction, which was approved on 30 October 2019.

Financial and Operational Performance	Q2 FY20 Results (unaudited)	% increase on Q1 FY20 (unaudited)	% increase on Q2 FY19 (unaudited)
Revenue	\$36.1m	17% ↑	88% ↑
Merchants ¹	20,875	17% ↑	65% ↑
Customers ²	1,753,862	24% ↑	71% ↑
Receivables ³	\$1,003.8m	28% ↑	105% ↑
Transaction volume	\$562.6m	40% ↑	85% ↑
Transactions	2,879,527	57% ↑	133% ↑

1. Number of accredited merchants
2. Number of active customer accounts
3. Amounts due from Customers

Zip AU

The December quarter was Zip's strongest to date, recording transaction volumes of over \$200m in a single month for the first time. Zip added 172,542 customers during the quarter and 1,841 merchants. Transaction volumes for the quarter totalled \$543.9m, up 35% quarter on quarter, and receivables increased 27% quarter on quarter to \$997.1m.

Pleasingly, we saw engagement statistics from the base continuing to grow sharply, with monthly transacting users up 45% in the quarter, largely driven by:

- Strong growth in app downloads (1.3m to date) and monthly app usage.
- Well known, popular retailers continuing to join the platform, including Amazon Australia.
- Strong promotional activity across the sector during the quarter, particularly Black Friday, Cyber Monday and Boxing Day.
- Zip launched its first ever brand campaign across 3 states (NSW, VIC and QLD) including outdoor, shopping centres, YouTube and catch-up TV.
- November and December were strong months for gifting, with solid demand for digital gift cards on the Zip platform.

The credit performance of the receivables book continues to deliver strong results, led by Zip's market leading credit decisioning platform:

- Gross bad debts at Dec-19 of 1.91% (vs 1.95% at Sep-19).
- Net bad debts at Dec-19 of 1.68% (vs 1.68% at Sep-19).

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Zip NZ

Zip NZ (formerly PartPay) was acquired in October 2019, has since rebranded to Zip and successfully integrated into the core business. Zip NZ generated revenue of \$0.6m on transaction volume of \$18.7m from 117k transactions in the two months since acquisition - NZ is now annualising at over \$100m in transaction volume. Customer numbers increased to over 165k (with 32k added in the quarter) and merchant numbers grew to 1,100. Leading retail brands on the platform include: The Warehouse Group, TheMarket, Spark, Rockshop, Saben and Lighting Plus.

The teams in both Australia and New Zealand have successfully collaborated on a number of multi-jurisdiction opportunities, successfully signing Bunnings and King Living in NZ. The pipeline continues to build and management expects a number of key signings in the coming quarter.

Zip UK

Zip successfully appointed Anthony Drury to the position of Managing Director of Zip UK in late December. Anthony has over 20 years' experience in the payments industry including leadership roles at Amex, PayPal, and Easyjet. Anthony will be responsible for building out the local team, working with head office and spearheading the go-to market plan in the region.

There is currently a team of 10 on the ground, with a number of key hires to start this coming quarter. Preparations are underway for a strong acceleration of the business in 2020.

SPOTCAP

Zip completed the acquisition of Spotcap in September 2019, acquiring the Australian and New Zealand businesses of global SME lending provider Spotcap, providing an accelerated "go-to market" for the recently announced Zip Biz "buy now pay later" product. The acquisition delivers Zip a proven SME decisioning platform and the underlying intellectual property and technical code base to assist in driving continued innovation in Zip's business-focused digital wallet. Zip is currently in pilot with a handful of merchants, using the Spotcap decisioning service to onboard Zip Biz BNPL customers.

In Q2, Spotcap reported quarterly revenue of \$2.4m on receivables of \$36.8m. Drawdowns totalled \$19.9m for the quarter, up 42% on Q1.

EXECUTIVE APPOINTMENTS

Zip continues to bolster its executive team with seasoned talent from around the world. Today Zip is excited to announce the appointment of Hamish Moline to the position of Chief Commercial Officer. Hamish joins the team with extensive experience working with regional and global payment wallets, neo-banks, alternate lending and e-commerce platforms. Most recently he was at Visa, where he held the regional role of VP Digital Partnerships & Ventures - APAC, and prior to that he held senior roles with PayPal and eBay.

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MERCHANT AND PARTNER UPDATE

Zip's merchant base continued to expand with 20,875 partners now accepting Zip across 51,000 points of presence both online and in-store across Australia and New Zealand. New partners that went live on the platform in the quarter or are currently in integration include:

Amazon	Optus	Ola	Seafolly	City Chic
Nutrimetics	My House	Sigma	Freddy's	Jax Tyres
Beginning Boutique	Betta Home Living	Budget Pet Products	mycar (Kmart Tyre & Auto)	Bridgeclimb Sydney

Ola represents the Company's first foray into ridesharing, as Zip continues to execute on its strategy of adding everyday spend to the Zip digital wallet – extending beyond retail as a true credit card disruptor. Go-live is anticipated at the end of the quarter.

The quarter saw the final integration work completed for both Westpac online and Tyro terminals. These 2 marquee payment partnerships enable broader acceptance in the physical world and will see the first use of Zip's QR technology. A number of pilot merchants will go live this coming quarter.

POCKETBOOK

Pocketbook had another impressive quarter finishing with over 747,000 users. December is typically a seasonally weaker quarter relative to March, when users set their financial goals in the new year.

The team released a new product Alpha to 10,000 users in the quarter and is on track for production release later in FY20.

FY20 FINANCIAL TARGETS

Zip is tracking well against its financial targets set for FY20:

- Zip is now annualising at transaction volumes of \$2.3bn for Q2, against a target for EOFY 2020 of \$2.2bn.
- Zip currently has 1.8 million customers with an active Zip account against an EOFY 2020 global target of 2.5 million.

Zip will be releasing its half yearly results to December 2019 towards the end of February. It also notes that it will no longer produce quarterly financial reports, rather it will provide a business trading update at the end of each quarter.

Release approved by the Chief Executive Office on behalf of the Board.

– ENDS –

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About Zip

ASX-listed Zip Co Limited (Z1P: ASX) 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

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