



27 August 2020

## **ZIP DELIVERS RECORD RESULTS, EMERGING AS A GLOBAL BNPL LEADER**

**Zip Co Limited** (ASX: Z1P) (**Zip** or **Company**), a leading player in the Buy Now Pay Later (BNPL) and payments industry, is today pleased to announce its full-year results for the year ended 30 June 2020.

### **FY20 HIGHLIGHTS**

- **Achieved record full-year revenue of \$161.0 million, up 91% YoY.**
- **Achieved record transaction volume of \$2.1 billion, up 87% YoY.**
- **Loan-book (receivables) increased to \$1,182.0 million, up 73%.**
- **More than 2.1 million customers and 24,500 partners on the Zip platform.**
- **Delivered positive Cash EBTDA whilst investing in growth.**
- **Business model continues to demonstrate strong resilience in the current COVID environment, across revenue, customer acquisition, transaction volume and credit performance.**
- **Strong credit performance with net bad debt write-offs of 2.24% and arrears 1.33%, in line with management expectations and significantly outperforming the market.**
- **Amazon, Cotton On, Petbarn, City Chic, Grill'd, Pizza Hut and a large number of strategic merchants joined the Zip platform.**
- **Announced a marquee partnership with eBay, launching Zip Business, with a range of BNPL and working-capital products coming to market.**
- **During the year acquired and integrated global BNPL technology platform PartPay, and the ANZ operations of SME lender Spotcap.**
- **Announced the acquisition of US-based BNPL player QuadPay and an equity investment of up to \$200.0m from Susquehanna Investment Group, subject to EGM approval on 31 August 2020.**
- **Raised \$59.8m in equity in late 2019, net of costs, in an oversubscribed capital raise.**

Larry Diamond, Managing Director and CEO said:

*"2020 has been another monumental year for Zip as we delivered a record set of financial results, whilst navigating the unprecedented impacts of COVID and transforming the business with a number of game-changing products and business acquisitions. We are Zip!*

*We began FY20 with a vision to become a global BNPL player and capitalise on the increasing trends fueling the industry's growth. The successful acquisition of PartPay led us to QuadPay, all developed on the same code base, with proven portability into multiple global markets. We look forward to the shareholder vote next week and integrating QuadPay into our business.*

*This year Zip confronted the significant challenges of COVID, and our business responded well – our exposure to everyday and diverse industries, together with our credit-verified consumers and shift to online drove strong results.*

*These outstanding achievements are testament to the incredible hard work of the entire Zip team of “Zipsters”, and on behalf of the Board I would like to thank everyone for their dedication and commitment. This year’s theme has clearly been resilience.*

*We also share our sympathies with many individuals and businesses out there who have been adversely impacted by COVID either financially or health-wise, and we look forward to an expeditious end to the pandemic and a recovery to all economic areas.”*

## **Business Update**

During FY20, the Group saw significant growth across all core operating metrics:

- During the June quarter Zip achieved a new milestone, with more than 2 million active Zip customer accounts across the region (up 62% YoY);
- Partner numbers increased to over 24,500 across ANZ;
- Transaction volume increased by 87% YoY to \$2.1 billion, whilst the number of transactions processed increased by 120% over the period; and
- The Zip app continued to enjoy market leading engagement – top 10 app in the Apple and Google app stores with ratings of 4.9 and 4.8, respectively. App downloads increased by 110%.

In FY20 NZ enjoyed 100%+ YoY growth and welcomed a number of lighthouse brands onto the platform (Bunnings NZ, Chemist Warehouse), alongside leading NZ-retailer, The Warehouse Group. The release of the app helped to drive strong instore traffic in the region.

The UK market launch was delayed as a result of COVID, however it remains a massive opportunity given the size of the market (3-5x Australia) and online penetration of non-food sales at over 40%. We are currently expanding the team building the pipeline in preparation for launch in H1FY21.

## *Product and Engineering*

During FY20 significant investment went into product and engineering, driving increased velocity of output and getting value into the hands of customers sooner. Several highlights included:

- Food ordering app, Hey You went live with Zip, taking advantage of the new mobile SDK, providing a seamless mobile app integration for partners;
- Zip fast-tracked its Shop Everywhere feature, supporting customers during COVID-19 with the ability to transact at any merchant online, using a one-time virtual card. The feature was very well received by customers, who were able to purchase their everyday needs from the safety of their living room;
- Revamped our merchant onboarding experience, allowing SMB merchants to self-provision and onboard quicker;
- Released our single merchant interface (SMI), allowing multinational merchants to enable Zip online in multiple markets via a single point of integration; and
- Increased investment in our platform and security teams, ensuring as we continue to grow in AU, the Zip platform remains robust and a key enabler to new product development.

## *Merchants*

Consistent with our mission to be “the first payment choice, everywhere and every day”, Zip continued to drive both enterprise, small business and channel partnerships. At the end of June there were over 24.5k merchants (up 51% YoY) in ANZ accepting Zip.

Significant merchant partnerships that went live in the year, included:

- AU: Cotton On, Canon, Petbarn, Camilla & Marc, Tupperware, Wizard Pharmacies, Greencross vets, Carpet Court, Oscar Wylee and OzSale.
- NZ: Sony, Bunnings, Cotton On, NZ Sale, Nutrimetics, Trade Depot and Playtech.

## *Zip Business*

During FY20 Zip acquired Spotcap ANZ and also successfully beta-tested our first business BNPL solution with a handful of pilot customers. Zip recently announced a marquee agreement with eBay to provide flexible credit lines to their 40,000 sellers. There is a significant and growing need in the underserved SMB market to access flexible BNPL payments and working capital solutions to help spread the costs of everyday trade payables and capital investments - an area that will remain a focus in FY21.

## *Pocketbook*

Pocketbook, Australia’s category-leading personal finance management tool, increased users to 800,000 and relaunched with a new ‘look and feel’ with encouraging early results. The app is free and allows users to track, budget and save as they get on top of their financial wellbeing – increasingly important in the uncertain economic times resulting from COVID-19.

## **Receivables Performance**

The customer receivables portfolio has performed extremely well in the current economic environment, validating Zip’s proprietary decisioning engine, portfolio management and collections processes.

The AU customer receivables portfolio increased by over 67% to \$1,143.0 million at 30 June 2020, monthly arrears are running at 1.33% (2019: 1.89%) and net bad debts at 2.24% (2019: 1.63%). Monthly repayments for June 20 were 15.6% of the prior month’s closing balance, which equates to customers repaying their entire balance in just over c.6 months on average. Accounts in hardship, due to COVID comprised less than 0.08% of the receivables portfolio at 30 June 20.

The SME receivables portfolio was \$37.1 million at 30 June 2020, with arrears running at 3.13% and bad debts 2.47%. From March 2020, COVID 19 started to impact small business in both Australia and New Zealand. Throughout this period Zip provided substantial support to small businesses with both access to hardship relief and additional funding via both existing lending capabilities and access to the SME Guarantee.

## **Financial Position and Debt Funding**

The Company had \$32.7 million in cash on its balance sheet, inclusive of restricted cash of \$8.4 million, at 30 June 2020.

The Zip Master Trust was launched during the year providing a scalable funding program to fund Zip’s Australian-based customer receivables into the future. The Master Trust enables Zip to issue multiple note series against one pool of receivables and is expected to provide significant cost benefits over time. The Master Trust supplements Zip’s existing bank warehouses.

The Company had funding facilities available of \$1,144.5 million at 30 June 2020 to fund customer receivables, of which \$1,050.0 million was drawn. The total facility size increased to \$1,214.3 million in July 2020, following an increase in the facilities available in the Variable Funding Note within the Master Trust.

Facilities to fund SME customers total \$46.2 million of which \$32.1 million was drawn at 30 June 20. Zip has been approved under the Australian Government Guarantee Scheme, which provides a government guarantee for 50% of eligible new loans granted under the program.

During the year Zip raised \$61.9 million from new and existing retail, institutional, sophisticated and professional investors, \$59.8 million net of costs. Shareholders are due to vote at the EGM on 31 August 2020 in relation to up to \$200.0 million in equity capital through a combination of notes and warrants from Susquehanna Investment Group.

### **Company Outlook for FY21:**

As the Company looks forward into the next financial year to capitalise on the fast growing BNPL market opportunity, it is critical to maintain both a strong core business in ANZ, whilst investing for growth globally.

Key goals for year ahead:

#### *Global Integration and Expansion*

- Close the acquisition of QuadPay and accelerate growth in the US.
- Launch in the UK in H1FY21.
- Continue to invest and grow our team, capabilities, and networks as we organise to deliver on our global ambitions.

#### *Zip Business*

- Launch Zip Business, Zip's BNPL and credit offering for SMEs in Australia.
- Continue the rollout of additional products via integrated solutions to our retail partners and channels, supporting Australian SMEs.

#### *Increase Zip Acceptance*

- Deliver on Zip's mission to be the first payment choice everywhere, every day.
- Capitalise on the significant instore BNPL opportunity.
- Expand into everyday categories and broaden the tier 1 merchant account base.

#### *Drive App Engagement*

- Continue to invest in one of Australia's top financial apps, deepening user engagement.
- Increase penetration in new user segments.
- Meaningfully increase the number of monthly transacting users and their frequency.

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, home, health, automotive and travel industries. Zip has operations across Australia, New Zealand and the United Kingdom, with associates in the USA and South Africa. Zip also owns Pocketbook, a leading personal financial management tool and SME lending provider Spotcap. The Company is focused on offering transparent, responsible and fairly priced consumer and SME products. Zip's platform is entirely digital and leverages big data in its proprietary fraud and credit-decisioning technology to deliver real-time responses. Zip is managed by a team with over 100 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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