



24 May 2021

Zip expands into Europe and the Middle East, with the acquisitions of European BNPL provider Twisto and UAE-based Spotii

Dollar references are in AUD unless otherwise noted.

Zip Co Limited (ASX: Z1P) ("Zip" or the "Company") is pleased to announce that it has agreed to acquire the remaining shares of European "Buy Now Pay Later" ("BNPL") provider Twisto Payments a.s. ("Twisto") and has also entered into an agreement to acquire the remaining shares of UAE-based BNPL leader Spotii Holdings Ltd ("Spotii").

The transactions align with Zip's global expansion plans and the rapidly accelerating global BNPL opportunity. As demonstrated through the acquisition of QuadPay, where annual transactions have soared by over 200% post acquisition, Zip is building its playbook in successfully identifying, completing, and integrating strategic acquisitions. Twisto and Spotii are now well-positioned to leverage the benefits of this competency and the synergies of a truly global payments organisation. Twisto and Spotii are integrated into Zip's global Single Merchant Interface (SMI), which provides merchants instant access to 11 countries across five continents.

Summary

- Following Zip's successful expansion to the US and the UK, the Company is now extending its BNPL operations to Europe and the Middle East.
- Europe is a \$1.1 trillion annual eCommerce market¹ and Twisto's license can be passported to all 27 member states of the EU.
- Spotii was founded in 2020 and operates in the Middle East, one of the fastest-growing global eCommerce regions.
- These strategic transactions will enable Zip to respond to the increased demand from merchants for a single global BNPL solution across multiple markets with a consistent global service quality.
- Zip has adopted a similar approach to Quadpay, which proved to be highly successful. By initially making low-risk minority investments, Zip is well placed to validate cultural fit and management alignment, stress test the business plan and identify synergies, and plan for integration.
- Zip expects to complete the Spotii acquisition in Q3 CY21 and the Twisto acquisition in Q4 CY21.
- The acquisitions² have a combined enterprise value of ~\$180 million³ with transaction consideration of ~\$160 million, reflecting Zip's current equity interests in both companies, to be funded with either cash and/or shares at Zip's discretion.

¹National ecommerce associations, Statista

²Via its wholly owned subsidiary Zip UK Holdings Limited for both Twisto and Spotii

³Subject to certain prescribed net debt, working capital and other completion adjustments, and excluding any deferred consideration component.



Twisto Acquisition

The decision to acquire Twisto marks an important step in Zip's European strategy. The acquisition will complement Zip's UK presence, which launched earlier this year, and provides a gateway to one of the largest eCommerce markets globally. The strategic rationale of the transaction includes:

- **Access to 27 European Union (EU) countries:** the EU is the world's second-largest eCommerce market with \$1.1 trillion annual volume. Twisto holds a European Payment Institution license, enabling the provision of payments services across all EU member states subject to regulatory consents.
- **Exceptional product suite:** Twisto's advanced product offering aligns with Zip's digital wallet strategy, with the issue of virtual cards, short and long-term instalments, an account-based revolving credit line, integrations into Apple Pay and Google Pay and the ability to pay bills via the Twisto app.
- **Strong growth:** Over 1 million customers have transacted on the platform, with an annual run-rate of \$12 million revenue and \$230 million TTV⁴, and 14,000 merchants. Flagship merchants in the region include Delivery Hero, Pizza Hut, Gap, New Balance, Yves Rocher and Under Armour. A robust pipeline of sizable merchants is developing for late 2021 on the back of a recently executed regional partnership with global fintech leader PayU.
- **Technology ready for rapid scaling:** the in-house credit and fraud scoring engine known as "Nikita" analyses 500+ factors in milliseconds and is highly transferable to new growth markets with limited access to traditional credit data.
- **Cultural alignment and management team:** Twisto's founding team has been with the company since inception and is strongly aligned with Zip's culture and vision and is excited to be part of the Zip team, leading its European growth strategy.

Zip will purchase the remaining shares⁵ in Twisto that Zip does not already own for an amount of ~€89 million⁶ (~\$140 million). The completion of the acquisition is expected to occur in Q4 CY21⁷. Refer to Appendix A to this release for further information about the material terms of the Twisto acquisition.

Twisto Founder and Chief Executive Officer Michal Smida said:

"We're excited to join the global Zip team to take advantage of the significant European opportunity and to continue to develop innovative BNPL solutions. There is a massive opportunity in Europe as BNPL follows the global trend with a shift away from the unfriendly world of credit cards. With Twisto's existing operations in Central Europe, we are uniquely positioned to tackle the \$1.1 trillion European eCommerce market. Being part of Zip's global platform will allow us to accelerate growth, expand to new markets, win global merchants operating in Europe, leverage global partnerships already in place and broaden our product offering. We share the same ethos - striving relentlessly to deliver the best omnichannel payments experience to both customers and merchants."

⁴ Based on April's monthly performance

⁵ Comprising 89.94% of the issued capital of Twisto as at the date of this announcement.

⁶ Subject to certain prescribed net debt, working capital and other completion adjustments.

⁷ Subject to satisfaction or waiver of prescribed conditions precedent (refer to Appendix A for further information).



Zip Co-founder and Chief Executive Officer Larry Diamond said:

"The acquisition of Twisto shows our commitment to global growth and follows our 'Coalition of Founders' model, where we back strong founders with a shared vision and deep cultural alignment in our quest for global payments coverage. We are very much looking forward to adding this strategic geography to our growing footprint and fulfilling global merchant demand. We have been impressed by the Twisto team, their deep customer focus and product set and look forward to working closely with them to deliver on the opportunities we jointly have in front of us."

Spotii Acquisition

The acquisition of Spotii establishes Zip as a leading player in the Middle East, with Spotii operational in the UAE and KSA, and poised to expand further. The strategic rationale of the transaction includes:

- **Fast-growing:** the Middle East is one of the fastest-growing eCommerce regions globally, with online spend increasing at 25% annually⁸.
- **Early traction:** founded in 2020, Spotii has shown early traction with 650 merchants already integrated into the platform, including flagship regional brands such as Jashanmal and Danube Home. Total transaction volume has grown at an average of 90%+ month-on-month since inception.
- **Proprietary risk engine:** Spotii's proprietary risk algorithm has allowed the company to grow rapidly while maintaining low loss rates, and allowing it to integrate across a broad spectrum of industry verticals in a market with limited access to centralised third-party data sources.
- **Strong founding team:** Spotii founders Anuscha Iqbal and Ziyaad Ahmed have over 30 years combined experience in payments, private equity, asset management and investment banking.

Under the acquisition, Zip will purchase the remaining shares in Spotii⁹ that Zip does not already own for an amount of ~USD\$16 million¹⁰ (~\$21 million), implying an enterprise value of ~USD\$20 million (~\$26 million). The completion of the acquisition is expected to occur in Q3 CY21¹¹. Refer to Appendix B to this release for further information about the material terms of the Spotii acquisition.

Anuscha Ahmed, Spotii's Co-Founder and CEO, said:

"Since founding Spotii in early 2020, we've seen significant uptake of the platform by merchants and customers, highlighting the appetite and need for BNPL solutions in the MENA region. Joining forces with Zip – a global leader in the BNPL space – will enable us to drive further growth by tapping into the company's advanced technology and expertise. For merchants, it means greater access to customers outside the MENA region, while BNPL customers in the regional markets will have greater access to international merchants. Ultimately, it highlights the Middle East as a growing region for eCommerce and BNPL offerings."

⁸ Bain and Company, E-commerce in MENA

⁹ Comprising 78.26% of the issued capital of Spotii as at the date of this announcement.

¹⁰ Subject to certain prescribed net debt, working capital and other completion adjustments.

¹¹ Subject to satisfaction or waiver of prescribed conditions precedent (refer to Appendix B for further information).



Zip Co-founder and Chief Executive Officer Larry Diamond said:

"The Spotii acquisition is an important step in Zip's global expansion and international strategy, with Ecommerce in the Middle East on a significant upward trajectory. We have been working with Spotii since our initial investment in December 2020 to broaden our understanding of the BNPL opportunity in the region and have a number of exciting global merchants we are looking forward to activating in the coming months. We also believe there is a large untapped opportunity to bring BNPL to emerging markets where cash on delivery remains a significant merchant challenge, and where the digitisation of retail accelerates."

This release was approved by the Chief Executive Officer on behalf of the Board.

- ENDS -

Advisors

ZIP

Legal advisors: Arnold Bloch Leibler, DLA Piper

Twisto

Legal advisor: Schoenherr (Robert Bachner)

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Spotii

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About Zip

ASX-listed Zip Co Limited (Z1P: ASX) 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, South Africa, the United Kingdom and the USA. Zip also owns Pocketbook, a leading personal financial management tool. Zip 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

Twisto Overview

Founded in 2013 by Michal Smida and his founding team who remain with the company, Twisto has processed more than 15 million transactions for over 1 million customers since inception. The company is a leading regional player in Central and Eastern Europe, with core markets of Poland and the Czech Republic. Twisto has developed a unique omnichannel credit platform, giving customers full control and freedom to pay over short and longer-term instalments. Twisto is also a principal member of MasterCard with a primary issuing license and partnered with Marqeta to offer card solutions across Europe. Twisto previously raised equity from leading European VCs and banks, including ING Bank, UNIQA Ventures, Elevator Ventures (Raiffeisen Bank), Finch Capital, Kaya (formerly Enern) and Velocity Capital Fintech Ventures. Mike Laven, CEO of Currency Cloud, is acting as a Chairman of the Supervisory Board.

Spotii Overview

Spotii is a leading BNPL provider operating in the GCC (Gulf Cooperation Council) and was founded in 2020 by Anuscha Iqbal and Ziyaad Ahmed. Spotii was launched with the mission to empower a new generation of consumers to enjoy more today by accessing credit and payment solutions that are simple and fair. Spotii primarily operates in the United Arab Emirates and Kingdom of Saudi Arabia, targeting a regional retail market of roughly \$250 billion. The company is integrated to 650+ merchants and has over 40,000+ customers on the platform.

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Appendix A: Details of the Twisto acquisition

The acquisition is occurring in accordance with and as a result of the exercise of a call option granted to Zip to acquire the remaining shares in Twisto that Zip does not own for an amount of ~€89 million¹². The consideration will be paid by Zip in new fully paid ordinary shares in Zip, cash or a combination of both, as to be determined by Zip in its absolute discretion prior to completion of the acquisition.

If any of the consideration is paid in Zip shares:

- Zip is required to make this decision within 30 days before completion of the acquisition;
- to the extent that Zip does not have sufficient placement capacity, the issue of Zip shares will be subject to shareholder approval;
- the maximum number of Zip shares to be issued, and the issue price of those shares, will be determined based on the higher of the volume-weighted average price of Zip's shares on the ASX for the 30 trading days before completion and a prescribed minimum share price, with Zip required to pay a cash true up amount for any difference (including any difference in a prescribed exchange rate cap); and
- such Zip shares will be subject to the following voluntary escrow arrangements¹³:
 - the co-founder and certain key employees will be subject to a voluntary escrow period of 12 months for 70% of their Zip shares, from the date of completion of the acquisition; and
 - the other sellers will be subject to a voluntary escrow period of 6 months for 50% of their Zip shares, from the date of completion of the acquisition.

The completion of the acquisition is scheduled to occur in Q4 CY21 and is subject to a number of prescribed conditions precedent (including regulatory approval¹⁴ and, to the extent required, Zip shareholder approval as outlined above), as well as the Twisto shareholders entering into transaction documentation on prescribed terms to sell their shares to Zip (which, if this does not occur within a prescribed time, Zip can either terminate the acquisition or elect to complete the acquisition on limited terms). Zip has also agreed to pay certain break fees to Twisto if the acquisition does not complete and is terminated in certain prescribed circumstances and/or within time periods. The conditions precedent must be satisfied (or waived) by 6 business days after Zip's 2021 annual general meeting, and completion must then occur no later than 5 business days after the date on which the last condition precedent is satisfied (or waived).

¹² Subject to certain prescribed net debt, working capital and other completion adjustments.

¹³ Except where certain prescribed events occur before completion and Zip agrees to renegotiate these terms.

¹⁴ Such regulatory approval is currently expected to include approval by the Czech National Bank for the acquisition.



Appendix B: Details of Transaction Terms of the Spotii acquisition

Under the acquisition, Zip will purchase the remaining shares in Spotii that Zip does not own for an amount of ~ USD\$16 million¹⁵. The consideration will be paid by Zip in new fully paid ordinary shares in Zip, cash or a combination of both, as to be determined by Zip in its absolute discretion prior to completion of the acquisition.

If any of the consideration is paid in Zip shares:

- Zip is required to make this decision within 15 Business Days prior to completion of the acquisition;
- the maximum number of Zip shares to be issued is 3,786,667 Zip shares, with the issue price of those shares to be determined based on the higher of the volume weighted average price of Zip's shares on the ASX for the 30 trading days before completion and a minimum share price of \$6.00 per share (and with Zip required to pay a cash true up amount for any difference (including any difference in a prescribed exchange rate cap)); and
- such Zip shares will be subject to the following voluntary escrow arrangements:
 - the 2 co-founders will be subject to a voluntary escrow period of 12 months for 60% of their Zip shares, from the date of the sale agreement of 24 May 2021; and
 - the other seller will be subject to a voluntary escrow period of 6 months for 30% of their Zip shares, from the date of the sale agreement of 24 May 2021.

As part of the acquisition, Zip has also agreed to pay up to USD\$15 million in deferred consideration to a subset of the Spotii sellers subject to satisfaction of prescribed performance milestones and, for a co-founder, their respective continued employment at the date of satisfaction of the relevant performance milestones.

This additional consideration can be paid by Zip in its discretion by the issue of additional Zip shares (up to a maximum number of 3,550,000 Zip shares). The performance milestones are based on aggressive growth targets relating to an achievement of a mix of total transaction value, active customers and gross profit margin targets. If the additional consideration amounts are payable, they will be paid in up to 3 payment tranches relating to the 12 month "performance periods" ending on 30 June 2022, 30 June 2023 and 30 June 2024. If any of these additional consideration amounts are paid in Zip shares:

- the number of Zip shares to be received will be determined based on the higher of the volume weighted average price of Zip's shares on the ASX for the 30 trading days before the applicable issue date and a minimum share price of \$6.00 per share, with Zip required to pay a cash true up amount for any difference (including any difference in a prescribed exchange rate cap); and
- 60% of each tranche of Zip shares issued to each seller as part of this additional consideration will be subject to a 1 year voluntary escrow period commencing on 1 July immediately after the relevant "performance period".

The completion of the acquisition is expected to occur in Q3 CY21 and is subject to a number of prescribed conditions precedent (including certain outstanding third party consents being obtained).

¹⁵ Subject to certain prescribed net debt, working capital and other completion adjustments.



The conditions precedent must be satisfied (or waived) by 31 July 2021, and completion must then occur no later than 90 business days after the date on which the last condition precedent is satisfied (or waived).

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