

22 June 2022

## BUSINESS UPDATE CONTINUING TO EXECUTE ON THE PLAN

**Zip Co Limited** (ASX: ZIP) (“**Zip**”, or the “**Company**”) provides an update in response to ongoing commentary on the industry and changes in the external trading environment.

Zip’s underlying business remains strong, with a solid pipeline of enterprise merchants coming onto the platform - including Qantas, eBay and Best Buy - and consistent customer growth and transaction volumes across core markets. The acquisition of Sezzle remains on track and is heading to a shareholder vote later this calendar year. We acknowledge that while we are not immune to market volatility, there remains significant opportunity for Zip and Buy Now, Pay Later products in a heightened inflationary environment.

In line with the strategic objectives outlined as part of the recent HY22 results update, Zip has undertaken a series of proactive steps to focus on sustainable growth in core markets and accelerate Zip’s path to group profitability, including:

- **ANZ:** Simplifying and prioritising initiatives in the already profitable Australian operations to drive increased cash EBTDA and further margin expansion.
- **Americas:** A stronger focus on unit economics and NTM driven by credit and app network revenue improvements, a more efficient fixed cost base, significantly improving and accelerating the path to profitability.
- **Global:** Cost reduction initiatives, including a process to reorganise and reduce global people costs undertaken in April, is expected to deliver \$30m+ in EBTDA benefits in FY23.

Consistent with our commitment to right-size our global cost base and deliver group profitability during FY24, Zip continues to review its capital allocation for its Rest of World (RoW) businesses to accelerate the group’s path to profitability and deliver greater value to shareholders.

Zip continues to refine its credit management strategy and performance, including both adjustments to risk settings and portfolio management, to drive losses towards our target level of 2% of TTV and below.

The Company is also well placed to respond to, and offset, the effects of rising interest rates, with a series of initiatives underway including consumer fee increases, merchant repricing, increased customer repayment velocity, and weighted average margin benefits from the refinancing of legacy receivables. The US business in particular is

resilient to a rising rate environment relative to credit cards and other consumer credit businesses, with any 25bps rise in base rate only impacting cost of funds by ~2bps per transaction.

**Zip Co-Founder and Global CEO, Larry Diamond said:**

*“We have been clear that in response to current market conditions our strategic priorities are to focus on our core business, both products and regions, and accelerate the group’s path to profitability.*

*In an environment where wage growth is falling behind heightened inflationary pressures, affordability becomes an even more important priority for consumers as they budget each month.*

*We believe our business model will stand up exceptionally well in such an environment as we continue to provide significant value and benefit to our customers and importantly our merchant partners seeking to drive continued growth.*

*We are well-funded and positioned to execute on the significant market opportunity as we execute and take control of our future.”*

As of 31 March, Zip had more than sufficient headroom to support transaction growth, with \$401.9m undrawn and available in Australia, and US\$168.1m available in the US.

Zip remains well-funded with \$303m available in cash and liquidity as of 31 March 2022 plus an additional \$24m raised from the SPP in April, which is expected to be sufficient capital to see the Company through to cash flow breakeven in FY24.

In addition, Zip acknowledges recent comments regarding the potential regulation of BNPL products in the Australian market. Zip is supportive, and always has been, of simple, fit-for-purpose regulation. Zip already holds an Australian Credit Licence and our Zip Money product is regulated under the NCCPA today. We have conducted identity and credit checks on every customer since inception, and are well-placed should further regulation see BNPL come under the NCCPA.

Zip will provide the market with a more detailed update on our progress at the upcoming 4Q22 result on 21 July 2022.

### **Resignation of Director - Pippa Downes**

Zip advises that Non-Executive Director, Pippa Downes has elected to resign from her position on the Zip Board of Directors today.

Ms Downes has served on the Board since October 2020, as Chair of the Audit and Risk Committee and a member of the Remuneration, People and Culture and Nomination Committees.

Chair of the Board, Diane Smith-Gander said:

*“On behalf of the Zip Board and Management team, I would like to thank Pippa for her contribution. We wish her the very best for the future.”*

The Board will begin the process of appointing a new Non-Executive Director and Chair of the Audit and Risk Committee. In the interim, Zip will appoint John Batistich to Chair the Audit and Risk Committee. Zip will make a further announcement once these arrangements have been finalised.

Release approved by the Chair on behalf of the Board.

- ENDS -

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**About Zip**

ASX-listed Zip Co Limited (ZIP: ASX) (ABN 58 164 440 993) is a leading global financial services company, offering innovative, people-centred products that bring customers and merchants together. On a mission to be the first payment choice everywhere and every day, Zip offers point-of-sale credit and digital payment services in 14 markets around the world, including through strategic investments, connecting millions of customers with its global network of tens of thousands of merchants.

One of the fastest growing BNPL providers globally, Zip has a presence in Australia, Canada, Czech Republic, India, Mexico, New Zealand, the Philippines, Poland, Saudi Arabia, Singapore, South Africa, UAE, the United Kingdom and the USA. Zip provides fair, flexible and transparent payment options to individual consumers and SMBs, helping them to take control of their financial future and helping merchants to grow their businesses. Zip is committed to responsible lending and also owns Pocketbook, a leading personal financial management tool. Zip is managed by a team with over 100 years' experience in retail finance and payments and is a licensed and regulated credit provider. Zip was founded in Australia in 2013.

For more information, visit: [www.zip.co](http://www.zip.co)

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