

8 June 2023

## ZIP ANNOUNCES PROPOSED LIABILITY MANAGEMENT EXERCISE

Zip Co Limited (ASX: ZIP) (“Zip”, or the “Company”) has today launched a proposed liability management exercise on its A\$330.0 million outstanding Zero Coupon Senior Convertible Notes due 2028 (ISIN: XS2330529905 / Common Code: 233052990) (the “Existing Notes”) through a concurrent incentivised conversion invitation (“Conversion Invitation”) and consent solicitation (“Consent Solicitation”) to holders of Existing Notes (“Existing Noteholders”) and a placement of shares to raise A\$24.7m (“Equity Placement”).

Liability management exercise will strengthen Zip’s balance sheet and support the path to profitability

- Today, Zip is pleased to launch a significant liability management exercise that will materially reduce leverage and strengthen its balance sheet. On a pre-tax basis, the transaction is expected to reduce corporate debt by A\$192.2m<sup>1</sup>
- The transaction is expected to be cash neutral for the Company and highly value accretive to Zip shareholders
- Zip remains on track to deliver up to 50.0% Core<sup>2</sup> Cash EBTDA improvement in 2H23 versus the (A\$33.2m) result for 1H23 and re-affirms that it will have sufficient available cash and liquidity to deliver positive Group Cash EBTDA during 1H24

Zip Co-Founder and Global Chief Operating Officer, Peter Gray said:

*“We are pleased to launch this liability management exercise which will allow us to retire a significant portion of our liabilities at a fraction of face value, and restructure our A\$330.0m zero coupon convertible note to a liability of A\$137.8m. Once completed, the transaction is expected to be cash neutral for the Company, accretive to Zip shareholders and strengthen Zip’s balance sheet, positioning the Company for the next leg of growth.”*

*Zip has been very clear on our strategy to focus on sustainable growth in our core markets and fast-tracking profitability. This liability management exercise is another significant achievement in the execution of our strategic plan, as we continue to successfully manage our debt funding requirements and liability management programs.*

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<sup>1</sup> The tax impact of proposed liability management exercise is yet to be determined. Please refer to Key Risk 22 on page 15 of the Investor Presentation released on ASX on 8 June 2023 for further detail.

<sup>2</sup> Core includes ANZ, Americas, Zip Business and Corporate segments.

*We are pleased with the support for Zip and our strategic direction demonstrated by noteholders and shareholders through this exercise and look forward to delivering on our objectives.”*

## Conversion Invitation

Zip proposes to invite eligible Existing Noteholders to convert their Existing Notes into Zip ordinary shares (“**Conversion Shares**”) under the terms and conditions of those notes at a conversion price of A\$12.0576 per share and receive a cash amount (“**Cash Incentive Price**”) which in aggregate will be up to A\$17.4 million.

Allocations will be determined by the Company in its sole and absolute discretion through an allocation process (“**Incentivised Conversion Allocation**”). Existing Noteholders who do not participate in the Conversion Invitation will continue holding Existing Notes or remaining Existing Notes (as a result of scaling back taking place), as the case may be, pursuant to the terms and conditions of the Existing Notes.

Further details in relation to the Conversion Invitation are set out in Zip’s announcement dated 8 June 2023 on the SGX-ST.

Goldman Sachs Australia Pty Limited (“**Goldman Sachs**”) is acting as dealer manager in connection with the Conversion Invitation.

## Equity Placement

Zip will also undertake a fully underwritten institutional equity placement to eligible institutional, professional, and sophisticated investors. Under the Equity Placement, Zip will issue ordinary shares (“**Placement Shares**”) at a fixed price of A\$0.47 per share, representing a 6.9% discount to the last close price of A\$0.505 per share on 7 June 2023.

The proceeds of the Equity Placement will be used to fund the Cash Incentive Price under the Conversion Invitation, the Early Bird Fee<sup>3</sup> and transaction costs.

The Placement Shares will on issue rank equally with existing Zip ordinary shares and are expected to settle on 14 June 2023 and commence trading on 15 June 2023.

The Equity Placement will not proceed if Zip elects not to proceed with the Conversion Invitation.

Goldman Sachs is acting as sole underwriter in connection with the Equity Placement.

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<sup>3</sup> Fee paid under an Early Bird Arrangement, payable to noteholders representing in aggregate up to 75% of the outstanding notional that vote in favour of the Consent Solicitation before the Irrevocable Undertaking Voting Deadline.

## Consent Solicitation

Concurrent to the Conversion Invitation, Zip initiates a Consent Solicitation process to seek the Existing Noteholders' consent to approve certain amendments to the terms and conditions of the Existing Notes as described in the Consent Solicitation Statement dated 8 June 2023 (the "**Consent Solicitation Statement**") prepared by Zip in connection with the Consent Solicitation.

A summary of the indicative changes to the Terms and Conditions of Existing Notes is set out in the Appendix of this announcement.

The Consent Solicitation Statement and related documentation is available to Existing Noteholders from The Bank of New York Mellon, London Branch, which has been appointed to act as the Tabulation Agent for the Consent Solicitation. The Tabulation Agent will assist Existing Noteholders with requests for soft copies of the Consent Solicitation Statement as well as questions in relation to the voting procedures, submission of voting instructions and participation in the Consent Solicitation.

Shareholder approval for physical settlement of the amended Existing Notes will be sought at an EGM to be held in July 2023.

Goldman Sachs is acting as dealer manager in connection with the Consent Solicitation.

This announcement does not contain the full terms and conditions of the Consent Solicitation, which are contained in the Consent Solicitation Statement.

Release approved by the Board.

– ENDS –

**For more information, please contact:**

Vivienne Lee  
Director, Investor Relations  
[vivienne.lee@zip.co](mailto:vivienne.lee@zip.co)

For general investor enquiries, email [investors@zip.co](mailto:investors@zip.co)  
For media enquiries, email [media.relations@zip.co](mailto:media.relations@zip.co)

## About Zip

ASX-listed Zip Co Limited (ASX: ZIP) 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 around the world, including through strategic investments, connecting millions of customers with its global network of tens of thousands of merchants.

Zip provides fair, flexible and transparent payment options to individual consumers, helping them to take control of their financial future and helping merchants to grow their businesses. Zip is committed to responsible lending and is managed by a team with over 100 years' experience in retail finance and payments. Zip is also a licensed and regulated credit provider and was founded in Australia in 2013.

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

Shareholders who would like to receive email communications from Computershare for all future correspondence, visit <http://www.computershare.com.au/easyupdate/ZIP>.

## Appendix: Summary of Indicative Changes to Terms and Conditions of Existing Notes

Existing Notes	AUD 330,000,000 Zero Coupon Convertible Notes due 2028 (ISIN XS2330529905) (the “Existing Notes”, or “Notes”)
Consideration Ratio	47.5% of the principal amount of the Existing Notes
Early Bird Arrangement	<p>For holders representing in aggregate up to 75% of the outstanding notional of the Existing Notes that will submit (1) irrevocable undertakings by the Early Bird Deadline and (2) electronic voting instructions to vote in favour of the Consent Solicitation no later than Monday, 19 June 2023 (“Irrevocable Undertaking Voting Deadline”):</p> <ul style="list-style-type: none"> <li>• The Company shall pay an incremental 1.0% of the notional amount of the Existing Notes in cash (the “Early Bird Fee”)</li> <li>• The Company intends to allocate the Incentivised Conversion (described below) at its discretion to Noteholders that have submitted a notional amount set out in the Irrevocable Undertaking</li> </ul> <p>The Early Bird Arrangement will be available until 2pm Sydney time / noon Hong Kong time on Friday, 9 June 2023 (the “Early Bird Deadline”).</p> <p>The Early Bird Fee will not be paid on the Incentivised Conversion notional. The Early Bird Fee will be payable on a notional amount which together with the Incentivised Conversion notional represents 75% of the Existing Notes.</p> <p>If irrevocable undertakings and electronic consents for more than 75% of the outstanding notional of the Existing Notes are received by the Early Bird Deadline, then the Early Bird Fee will be allocated on a pro-rata basis based on Noteholders’ submitted notional amount set out in the Irrevocable Undertaking.</p>
Amended Denomination	AUD1,000 per Note
Amended Notional Amount	<p>The outstanding notional of the Existing Notes multiplied by the Consideration Ratio; expected to be approximately A\$330m * 47.5 (A\$156.75m) which will be further reduced by any Notes that are converted pursuant to the Incentivised Conversion.</p> <p>This will be effected via a combination of a reduction of the original denomination of the Notes to the Amended Denomination and cancellation of a portion of the Notes such that the total notional amount of the remaining Notes shall equal the Amended Notional Amount. Such remaining Notes shall be amended in the manner set out herein.</p>
Investor Put Date	Unchanged, on 23 April 2025

Coupon	5.00% per annum, payable semi-annually in arrear
Yield to Maturity	10.00% per annum, calculated on a semi-annual basis
Final Maturity Date	Unchanged, on 23 April 2028
Conversion Premium	10.0% over the Reference Share Price
Reference Share Price	AUD0.47, the clearing price of the Equity Placement
Amended Conversion Price	AUD0.5170 per Ordinary Share; calculated as the Reference Share Price multiplied by (1 + Conversion Premium)
Settlement Method	Concurrently with the announcement of the transaction, the company has announced it will call an EGM expected to be held in July 2023 (the “EGM”) to approve the amendments to the Existing Notes including physical settlement of the Notes. Following closing of the Consent Solicitation process, the notes are expected to either be (A) physically-settled if approved by the Company’s shareholders at the EGM or otherwise if the Company has approved placement capacity; or (B) cash-settled only in all other circumstances.
Amended Conversion Period	If the settlement method is cash, then there shall be no conversion until the next AGM which will take place on or before 30 November 2023. Otherwise, the Notes will be convertible at any time until 10 business days prior to the Final Maturity Date, unless previously redeemed, converted, or repurchased and cancelled.
Amended Conversion Ratio	1,934.2360
Amended Clean Up Call	At any time on giving not less than 30 nor more than 60 calendar days’ notice, the Issuer may redeem all but not some only of the Notes at the Early Redemption Amount, if at any time 85 per cent or more in principal amount of the Notes outstanding as at the Amendment Date has already been converted, redeemed or purchased and/or cancelled.

<b>Cash Settlement Mechanism</b>	<p>If Settlement Method is cash:</p> <ul style="list-style-type: none"> <li>• The Issuer shall satisfy the exercise of any conversion rights by way of cash settlement in accordance with the amended terms and conditions of the Existing Notes.</li> <li>• The Cash Settlement Amount shall be an AUD amount calculated as the average of the daily volume weighted average price of the ordinary shares over the relevant Cash Calculation Period.</li> <li>• The Cash Calculation Period shall be 45 consecutive Dealing Days commencing on (and including) the 10<sup>th</sup> Dealing Day from the delivery of the relevant conversion notice.</li> <li>• The Cash Settlement Amount will be paid not later than 5 business days following the end of the relevant Cash Calculation Period.</li> </ul> <p>During the one-year period following the upcoming AGM, the Company will have the right to reject any conversion notice if the aggregate notional amount of the Notes converted, including the notional amount of the Notes in such conversion notice, exceeds 50% of the outstanding notional amount of the Notes as at the Amendment Date.</p>		
<b>Moratorium</b>	<p>The Issuer, Directors and Officers will be subject to a moratorium until the release of the Issuer’s FY23 Results, expected in mid-August 2023. Exclusions for any employee and officer share, option or performance rights plan, the Incentivised Conversion, the Consent Solicitation, the Equity Placement and the issue of Ordinary Shares as part consideration for any M&amp;A undertaken, provided the total equity issued for M&amp;A consideration is not more than 5% of total Ordinary Shares of the Issuer.</p>		
<b>Consent Solicitation Statement</b>	<p>Refer to the Consent Solicitation Statement dated 8 June 2023 for further details on the terms and procedures of the Consent Solicitation.</p>		
<b>Dealer Manager</b>	<p>Goldman Sachs Australia Pty Ltd (“<b>Goldman Sachs</b>”)</p>		
<b>Tabulation Agent</b>	<p>The Bank of New York Mellon, London Branch</p>		
<b>Security Codes</b>	<p>ISIN: XS2330529905</p>	<p>Common Code: 233052990</p>	<p>LEI: 254900RM95URFC15 G140</p>

## Important notices

*This announcement has been prepared for publication in Australia and may not be released to U.S. wire services or distributed in the United States. The distribution of this announcement in certain jurisdictions may be restricted by law. Persons into whose possession this announcement comes are required to inform themselves about, and to observe, any such restrictions. This announcement and any materials relating to the Conversion Invitation or the Consent Solicitation do not constitute, and may not be used in connection with, any form of offer or solicitation in any place where such offers or solicitations are not permitted by law. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States.*

*The Placement Shares to be offered and sold in the Equity Placement have not been, and will not be, registered under the U.S. Securities Act of 1933 (the 'U.S. Securities Act') or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States unless they are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.*

*This announcement contains certain forward looking statements and comments about future events, including about the plans, objectives and strategies of Zip's management, the industry and the markets in which Zip operates, Zip's expectations about the financial and operating performance of its businesses, the timetable and outcome of the Conversion Invitation, the outcome of the Placement and the use of proceeds thereof. Forward looking statements can generally be identified by the use of forward-looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.*

*Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. A number of important factors could cause Zip's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements and many of these factors are beyond Zip's control.*

*Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainty and other factors, many of which are outside the control of Zip. As such, undue reliance should not be placed on any forward looking statement. Past performance information given in this announcement is given for illustrative purposes only and is not necessarily a guide to future performance and no*



*representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward looking statements, forecast financial information or other forecast. Nothing contained in this announcement is to be relied upon as a promise, representation, warranty or guarantee as to the past, present or the future performance of Zip.*

*The information contained in this announcement does not constitute investment or financial product advice (nor taxation, accounting or legal advice), is not a recommendation to acquire Zip shares and is not intended to be used or relied upon as the basis for making an investment decision. This announcement has been prepared without taking into account the investment objectives, financial position or needs of any individuals. Before making any investment decisions, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and should seek legal, accounting and taxation advice appropriate to their jurisdiction. This announcement is not a prospectus, product disclosure document or any other disclosure document or offering document under Australian law (and has not been, and will not be, lodged with the Australian Securities and Investments Commission) or any other law. This announcement is for information purposes only and is not an invitation or offer of securities for subscription, purchase or sale in any jurisdiction and neither this announcement nor anything in it shall form any part of any contract for the acquisition of Zip shares.*