The Problem
The credit card model is broken.

- High acquisition costs
- Not ‘on your side’
- The ‘fine print’
- A focus on interest revenue
- Unable to attract millennials
- Confusing
- Hard sign ups
- Poor product structure
- Banks put you on the minimum
- Loyalty programs eroding value
Our Purpose
Reimagining payments.
Improving every day.
Our Mission
We create simple, fair and transparent credit and payment solutions that improve lives every day.
5 Key Messages

• FY19 is shaping to be another record year for Zip with November to be the Company’s first ever $100 million month.

• The Company rebrand and introduction of the Zip native app has been a ‘game changer’ for the business. The app consistently ranks in the top 10 for shopping and finance, with all engagement metrics significantly up on digital web.

• The current quarter has seen Zip’s biggest partners join the platform (Bunnings, Target) and expansion of its product offering and utility.

• Zip achieved its first quarter of positive Cash EBTDA and expects this measure to grow from here.

• ASIC’s review of the BNPL sector was released on 28 November. Zip’s strong focus on transparent, responsible, affordable, and flexible credit products means it is well placed for any potential changes to the regulatory environment, should they arise.
The Zip Difference

Zip’s model is unique in market as it stands alongside credit cards and other Pay Later peers.

**Responsible financial services**
Credit and ID checks for all applicants, delivering tailored account limits with greater control and transparency

**Disrupting credit cards**
We offer interest free terms, flexibility and a digital alternative

**Big data advantage**
Significant investment in decision technology and data sciences

**Payment flexibility**
Uniquely positioned to offer credit for both small and large purchases

**Competitive acquisition model**
Low, single digit $ cost per acquisition (CPA) vs banks

**Network value**
Established payments network built online and instore with partners
Key Highlights

1. Circa 1.5 million consumers across Zip and Pocketbook.

2. Run-rate annualised transaction volume as at 30 September 2018.

1.5m+ Happy consumers

$1bn+ Annualised transactions

$40.4m (FY18) Q1 revenue of $15.0m

Cash Flow Break-even on a monthly basis

New Brand Exciting new look launched

Major Partners Bunnings, Officeworks, Target, Super Retail Group, Virgin Australia

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1. Circa 1.5 million consumers across Zip and Pocketbook.
2. Run-rate annualised transaction volume as at 30 September 2018.
FY18 Key Metrics

1. Revenue includes Portfolio income and other income.
2. Gross receivable value at 30 June.
3. Bad debts are written off in line with policy after 180 days past due. Percentage calculated on the gross receivable amount. Net bad debts includes the impact of bad debts recovered.
Key Drivers

1. Based on unaudited financials;
2. Receivables gross, before provisions.
3. Revenue including Portfolio and Other Income.
4. Bad debts defined as those accounts written-off at greater than 180 days’ delinquent. It is calculated as the aggregate prior 12 months as a percentage of gross receivables.
## Financial Dashboard

### Cash Earnings Before Tax, Depreciation and Amortisation (Cash EBTDA) as a yield of average receivables.

<table>
<thead>
<tr>
<th></th>
<th>1H17</th>
<th>2H17</th>
<th>1H18</th>
<th>2H18</th>
<th>1Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue Yield(^1)</strong></td>
<td>20.7%</td>
<td>17.1%</td>
<td>17.0%</td>
<td>17.7%</td>
<td>17.5%</td>
</tr>
<tr>
<td><strong>Cash Cost of Sales(^1,2)</strong></td>
<td>(15.5)%</td>
<td>(16.7)%</td>
<td>(13.2)%</td>
<td>(9.7)%</td>
<td>(8.8)%</td>
</tr>
<tr>
<td><strong>Cash Operating Costs(^1,3)</strong></td>
<td>(16.8)%</td>
<td>(14.0)%</td>
<td>(12.4)%</td>
<td>(9.6)%</td>
<td>(8.4)%</td>
</tr>
<tr>
<td><strong>Cash EBTDA(^1,3)</strong></td>
<td>(11.6)%</td>
<td>(13.6)%</td>
<td>(8.6)%</td>
<td>(1.6)%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

| Medium Term Target   | 20%    | (8)%   | (5)%   | 7%     |

### Notes:
1. All figures expressed as a percentage of half year/quarter average receivables. All figures are on an annualised basis.
2. Cash Cost of Sales includes interest, bank fees, data costs, and bad debt write-offs.
3. Cash Operating Costs exclude funding program establishment costs, share based payments, depreciation and amortization.
Winning Major Partners

Zip continues to add significantly larger enterprise retailers to its platform.

Many large retailers offer multiple alternate payment methods at checkout, as they value the right complimentary “mix” of options to drive conversion.

The sales pipeline continues to expand with well known, exciting brands.

Note: Size of bubbles indicate approximate size of business. Large red bubbles include +$1bn billion in annual sales.
We're Just Getting Started

We are currently processing annualised transaction volume of $1bn+, less than 0.1% of the market.

There is an estimated $1 trillion+ in annual payment volume in Australia.

Zip is uniquely placed to penetrate across all verticals given its diverse model.

Increasing adoption of alternative payment methods is driving industry acceptance right across the ecosystem.

2. Tourism Research Australia www.tra.gov.au
New Native App

Now live in the App and Play Stores as of August 2018.

Consumers can browse, shop and manage their account from one, convenient place.

Captive platform for promoting retailer offers and discounts.

Scannable barcodes used to transact instore.
Native App Adoption

12 weeks.
375k happy customers.
Top 10 in appstore.
4.9 ★ rating.
New Store Directory

An easier way for consumers to find the stores and products they need and want.

2.4M user sessions per month across our websites
Pocketbook FY18 Highlights

- 540,000 users, 30 institutions.
- Australian first open banking integration (Macquarie Bank).
- $500m+ transactions, totalling ~$200b.
- 3m+ bill notifications, users saved $30m+.
Strong Credit Performance

• Credit performance significantly better than industry benchmarks, and in line with management’s expectations.
• Strong performance continuing throughout Q1 FY19.
• Bad debt recoveries improving bottom line.
• Enhancement of Zip’s proprietary decision technology including:
  • Sophisticated machine learning models
  • Additional data sources
  • Implementation of new risk rules and policies
• We are now well placed to fine-tune approval and scorecard thresholds to enhance revenue maximisation while managing losses.

1. Arrears defined as those accounts greater than 60 days delinquent. Bad debts defined as those accounts greater that 180 days delinquent. All figures are on an annualised basis.
2. Repayment expressed as a percentage of receivables at the beginning of the month.
Funding Update

- Completed the refinancing of all receivables out of expensive legacy funding program during the 1H FY18.
- Existing trust structure provides flexibility at a reduced cost.
- Total facility size now increased to $501m.
- Working on a structure to meet the funding requirements of the business over the next 3 to 5 years.
- Ongoing funding cost expected to be maintained below 6% in the short term, with further reduction expected in the medium term.
- Zip maintains an equity position of $15.6m in its various trusts.

<table>
<thead>
<tr>
<th>Facility Size (Class A and B)</th>
<th>Sep 18 $M</th>
<th>Jun 18 $M</th>
<th>Jun 17 $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-1 Trust</td>
<td>460.0</td>
<td>360.0</td>
<td>240.0</td>
</tr>
<tr>
<td>2017-2 Trust</td>
<td>41.0</td>
<td>20.0</td>
<td>33.4</td>
</tr>
<tr>
<td>2015-1 Trust</td>
<td>-</td>
<td>-</td>
<td>139.5</td>
</tr>
<tr>
<td>Total Available</td>
<td>501.0</td>
<td>380.0</td>
<td>412.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Facilities Utilised</th>
<th>Sep 18 $M</th>
<th>Jun 18 $M</th>
<th>Jun 17 $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securitisation Warehouses</td>
<td>334.0</td>
<td>290.0</td>
<td>155.4</td>
</tr>
<tr>
<td>Working Capital</td>
<td>-</td>
<td>-</td>
<td>6.0</td>
</tr>
<tr>
<td>Total Utilised</td>
<td>334.0</td>
<td>290.0</td>
<td>161.4</td>
</tr>
<tr>
<td>Cost of Funds¹</td>
<td>5.1%</td>
<td>5.2%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

1. Cost of funds reflects weighted average interest rate on loans outstanding at the end of the financial year.
ASIC Update

Zip welcomes the release of ASIC’s Buy Now Pay Later industry report and supports efforts from the regulator to increase standards across the sector.

- The Report reinforces that customers are embracing alternative payment products such as Zip Pay that deliver better customer outcomes.
- The Report supports our business model.
- Since inception Zip has performed credit and identification checks on every application and has introduced our bank verification step into the Zip Pay product. The Zip business model does not rely on late payment fees or customers not being able to afford their repayments to drive revenue.
- Given the rapid growth of the sector, Zip supports ASIC’s recommendation to grant Product Intervention Power (“PIP”) and believe further regulation will enhance consumer trust and confidence in the sector.
- **Zip is well placed for any changes in the regulatory environment.**
November Business Update

FY19 is shaping to be another record year for Zip. November will be the first ever $100 million month.

- Record performance continues, underpinned by growth across all key metrics – revenue, transaction volume, consumers and retail partners.
- On track to beat our goals of transaction volumes annualising at $1 billion run rate and a consumer base of 1 million.
- Our biggest promotional campaigns delivered record transaction volumes: Zip Frenzy, Black Friday, and Cyber Monday.
- Recent big wins include: Bunnings, EB Games, General Pants, SurfStitch, VideoPro, and Monash IVF.
- Very strong credit performance with Net Bad Debt write-offs standing at 2.4% at the end of Q1, and reducing again in October, an outstanding result considering a rapidly growing receivables book.
- Zip app downloads across IOS and Android platforms since inception total over 375k:
  - IOS platform: Ranking #6 in shopping category in Apple Store with customer rating 4.9
  - Android platform: Ranking #3 in finance category in Google Play with customer rating 4.8

1. Zip app customer downloads, ranking and customer rating are reviewed as at 27 Nov 2018.
Outlook for FY19

Key priorities for the Company in FY19:

1. **Targets**
   - Drive towards **$1 billion+ in annual transaction volume.**
   - **1 million+ consumers** with an active Zip account.
   - Maintain **rapid growth whilst remaining cashflow positive.**

2. **Increase consumer engagement**
   - Rollout native app and drive significant monthly active usage.
   - Complete the rollout of the new Zip brand and increase awareness and market share.

3. **Expand the Zip network**
   - Continue to win and rollout large retail partners in our key verticals.
   - Leverage channel relationships to expand Zip’s ‘rails’ and drive acceptance.

4. **Favourable operating environment**
   - Capitalise on the positive landscape for Fintechs and Alternative Payment providers.
   - Comprehensive Credit Reporting, Open Banking, Productivity Commission.
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