

TRANSCRIPTION

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Operator: Thank you for standing by, and welcome to the Zip Co Limited FY24 Results Briefing. All participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. If you'd like to ask a question via the phones, you'll need to press the star key followed by the number one on your telephone keypad.

I'd now like to hand the conference over to Director of Investor Relations and Sustainability, Rachel Cooper. Please go ahead.

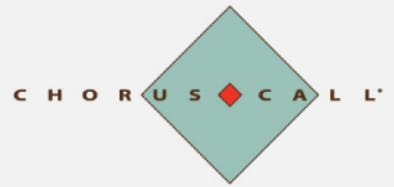
Rachel Cooper: Good morning and thank you for joining Zip's FY24 Earnings Call. To open, I'd like to begin by acknowledging the traditional owners of the land on which we meet today, the Gadigal of the Eora Nation, and pay my respects to Elders past and present. This conference call is also being webcast and an archive will be available on the Zip's website.

I'm joined today by Zip's Managing Director and Group CEO, Cynthia Scott; and Group CFO, Gordon Bell. We will start this call with some prepared remarks and then open up to questions.

With that, I'll now hand over to our Group CEO, Cynthia Scott.

Cynthia Scott: Thanks, Rachel. Good morning and welcome to Zip's FY24 results presentation. This morning, I'll cover the FY24 highlights and regional business performance. Then Gordon will take us through the financial performance and I'll conclude with remarks regarding our FY25 strategy and outlook.

Turning to Slide Four. We began FY24 with a clear and simplified strategy to deliver profitable growth, product innovation and to drive operational excellence



across the business. Zip executed strongly against each of its strategic priorities.

We delivered profitable growth in both core markets and achieved record Group profitability. We simplified our balance sheet and reset our capital structure, providing greater operational flexibility to drive future growth. Importantly, we've materially strengthened Zip's foundation and have the right settings, products and strategy in place to deliver on our significant future growth opportunities.

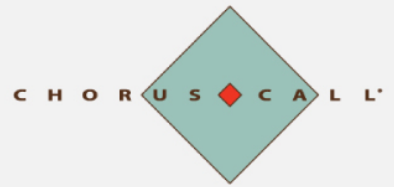
Our key financial highlights for the Group are set out on Slide Five. Revenue rose 28.2% to 868 million, while revenue margins continue to expand, increasing 96 basis points to 8.7% of TTV. Our cash net transaction margin expanded 96 basis points to 3.8% and net bad debt fell to 1.7% of TTV, down 18 basis points over the year.

Across the Group, we delivered 10.1 billion in transaction volumes, up 14% on the prior year, driven by deeper customer engagement across the business. And merchant growth continues, increasing 9.6% with over 79,000 merchants on our platform, reflecting the strong demand we see from merchants to have Zip available for their customers.

Turning now to Slide Six. Our focus on execution saw Zip deliver four quarters of profitable growth, resulting in record profitability for FY24. Zip achieved normalised Group cash EBTDA of 69 million, a \$117 million turnaround on FY23. This includes the impact of cash STI payments of approximately 10 million, which meant that underlying cash EBTDA was 79 million, or a \$127 million turnaround versus the prior financial year.

In the Americas, cash EBTDA was a record 77.2 million, up 101.3 million or 420% from a loss of 24.1 million in FY23. Our ANZ business recorded a cash EBTDA result of 33 million, a \$19.1 million improvement on FY23, despite a more challenging operating environment. Zip crossed a key inflexion point in FY24, where economies of scale opened up significant operating leverage for the business.

Over the year, as a Group, Zip achieved 28% revenue growth, which translated to more than 240% growth in cash EBTDA. We will look to continue this focus on operating leverage in FY25, while making measured investments to support



future growth. Moving now to Slide Seven, and our execution against our strategic priorities.

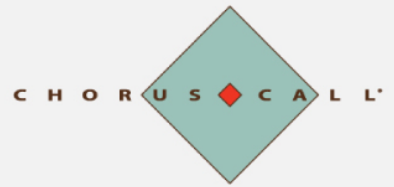
As highlighted, we delivered growth and sustainable profitability, and focused on product innovation. Launching a new product in Australia, Zip Plus, and piloting a new Pay and Ace product in the US. With a focus on operational excellence, we strengthened and simplified our balance sheet, removing all convertible note liabilities, and repaying all corporate debt by an oversubscribed institutional equity placement and shared purchase plan in July 2024.

These actions have put Zip in a very strong position with no corporate debt, and sufficient equity and free cash flow generation to support our growth opportunities. Turning now to Slide Eight, covering Zip's focus on sustainability. Our business model is built on being a responsible lender, and doing what's right by our customers, merchants, and other stakeholders.

We recognise the importance of financial wellbeing and inclusion, and continue to focus on offering accessible, fair, and flexible products that cater to diverse financial needs and circumstances. This year, we piloted a financial literacy hub for our most engaged US app users. The response from customers has been very positive, and we'll look to expand the hub to a broader range of customers in the coming year.

For our Zipsters, engagement levels remain high at 80%, with minimal gaps between genders in our engagement scores. We remain committed to driving gender balance, including through our gender balance targets, and are pleased to report that 43% of our workforce are women, and that we have 50% female representation on our board. During FY24, we continued our commitment to calculating and offsetting our greenhouse gas emissions across all three scopes, and increased our ESG transparency, participating in the Carbon Disclosure Project and Corporate Sustainability Assessment.

Turning now to Slide 10. Before I cover the operating results for each of our core markets, I'd like to provide some insight into how the Zip Leadership 10 drives performance, both at a regional and group level. As you'll see on the Slide, at a regional level, we measure growth and performance through total transaction volume, and the number and engagement levels of active customers.



As highlighted earlier, managing our cost base and delivering scalable operating leverage is a key component to delivering strong results through the cycle for Zip. For regional profitability, we assess revenue margin, cash net transaction margin, and regional cash in the EBTDA generation. And at a group level, a primary profitability measure is operating margin.

And we monitor our return on allocated capital to ensure we're operating in an efficient manner. Moving to Slide 11, and the operating performance of the US. Our American business had an outstanding year. We delivered record TTV growth of 39.5%, and revenue growth of 45.6%, driven by continued optimisation across product and underwriting, and deepening customer engagement.

Although active customer numbers were slightly subdued during the year, we've seen strong growth from existing customers in both revenue per customer and transactions per customer, particularly in higher margin channels, such as the app. The American business delivered a 420% turnaround in cash EBTDA versus FY23, with a result of 77.2 million, demonstrating the capital efficiency of the US business and its ability to produce sustainable profits at scale.

Higher margin channels, including the physical card, saw strong in-store engagement, with card volumes up nearly 150% versus the prior year, and in-store volume now driving 20% of all US TTV. And we expanded into new verticals, including automotive, and commenced vertical-specific marketing efforts, including sponsorships with NASCAR and Speedway Motorsports, and signing brand ambassador, WNBA star and Olympic gold medalist, Kelsey Plum.

Slide 12 covers credit performance, US credit performance, in more detail, and demonstrates how Zippers delivered significant growth while maintaining loss rates below our target range. The US business exited FY24 with significant momentum. And in July, we welcomed Joe Heck as US CEO, with Larry Diamond assuming the role of US Chairman and remaining as an Executive Director on the Zip Board. I'd like to recognise and thank Larry for the significant contribution he's made to strengthening the foundation and leading what has been an outstanding milestone year for the US business.

Onto the ANZ operating results, now on Slide 13. The ANZ business continued to deliver very strong results. In addition to record cash EBTDA results, Zip ANZ saw strong revenue growth of 13.5%, and revenue margins widened nearly 290 basis points, so 11.7%. As we've discussed throughout the year, in FY24, the ANZ business settings focused on driving yield, and ANZ TTV and customer growth were tempered by deliberate adjustments made to credit risk settings in response to the external environment. However, pleasingly, we've seen early success in our Q4 initiatives to pivot the ANZ business to focus on profitable growth, with an increase in customer engagement in June versus March.

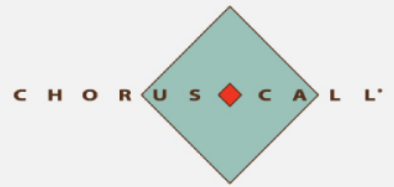
We've also seen strong customer engagement and positive improvements to margins with the launch of our low-rate virtual credit card product, Zip Plus, which complements our existing Zip Money and Zip Pay products. And new merchant growth remains strong, with an uplift across targeted verticals, including travel, ticketing, telecommunications, and healthcare.

Turning to Slide 14 for more detail on the performance of the Australian Loan Book. Increased yield, strong portfolio management, and ongoing initiatives to tighten funding costs delivered strong excess spread from the Australian Loan Portfolio. We're pleased with this result, particularly when compared to the Australian consumer credit market more broadly.

And on net bad debts, shown in the graph on the right-hand side, we reached a seasonal peak in June of 2024, which has begun to normalise in July, down 40 basis points month-on-month. Careers are also trending favourably, which supports future loss performance. I'll now hand over to Gordon to cover the group's financial performance.

Gordon Bell:

Thank you, Cynthia. Starting with Slide 16. As highlighted earlier, Zip achieved an outstanding positive cash EBTDA result of 69 million for the full year 2024. Cash gross profit was 372.9 million, up 52.8% from the full year '23. This was driven by the strong performance in revenue as a result of TTV growth in the Americas and further yield expansion in the Australian portfolio. During the year, we continue to exercise a disciplined approach to managing costs across the group, as demonstrated by our cash operating expense outcome.



Now that Zip has reset the baseline for operating costs, we will manage costs going forward in conjunction with growth opportunities and the unit economics we have developed. For the full year, Zip delivered a statutory net profit before tax of 25.1 million. And I'm pleased to be able to say today this is the first year in Zip's corporate history we have delivered a statutory profit before tax.

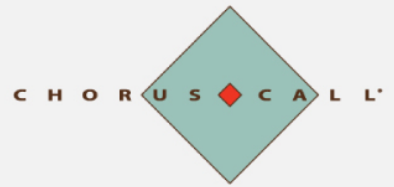
The appendix shows the breakdown of the non-cash items and the reconciliation from cash EBTDA to statutory profit. The main movements relates to depreciation, amortisation and the one-off adjustments in FY24 from convertible note transactions and the extinguishment of the corporate debt facility. Moving to Slide 17. As Cynthia outlined, during FY24 we focused on improving all aspects of our business which have translated into great outcomes and leverage in our unit economics.

Throughout the year, we were able to absorb the increased cost to fund receivables and manage both bad debts and other cost of sales to generate a 52.8% increase in cash gross profit. The bad debts written-off as a percentage of TTV was particularly strong result against a general worsening of credit conditions in the Australian and the US economies which have seen an increase in delinquencies and a number of other asset classes.

The performance for all aspects of unit economics contributed the 96 basis point increase in our cash net transaction margin to 3.8%. Moving to Slide 18, this provides the year-on-year walk for the cash NTM. The 96 basis points improvement in revenue margin was the key contributor to NTM expansion, driven by the benefits of Zip's two-sided revenue model and higher margin products.

This increase more than offset the 30 basis point increase in interest expense, reflecting the impact of rising interest rates mainly on Australian cost of funds. Net bad debts improved to 1.7% of TTV, reflecting ongoing discipline with credit settings and active portfolio management in both core markets.

The resulting 96 basis point increase in cash transaction margin is a very strong result in the current environment where margins have been challenged across other sectors. Moving to Slide 19 on cash operating expenses. Overall, cash opex was up 2.6% on FY23 levels. However, when adjusting for the 9.8 million of STI to be paid in cash and enabling a like-for-like year-on-year comparison,



the FY24 cash opex would have been 297.1 million, which is marginally down on the FY23 number of 299.3 million.

This outcome is especially pleasing when considering the inflation backdrop in both Australia and the US over the past 12 months. Strong cost disciplines shown across the group in FY24 has delivered the operating leverage we'll continue to use as the business scales. Salaries and employment-related costs declined 3.8%, reflecting actions taken in late FY23 and continuing into the full year FY24, which streamlined our operations and our cost base.

Marketing costs declined 7.6% year-on-year due to disciplined merchant promotions, particularly in the US. The movement in IT costs reflects proactive actions taken to review and rationalise supplier costs. Finally, other operating costs increased due to a larger corporate debt facility compared to the prior year.

Moving to Slide 20, the next few slides starting with this cover the group's balance sheet and capital position. Slide 20 provides the breakdown of our cash position along with the year-on-year movement in available cash. In the chart on the left-hand side, you'll see the breakdown of Zip's 353 million total cash position. After we allow for cash held at balance states that was unavailable and we include cash that may be withdrawn from our funding vehicles, this has 80.4 million in what we define as available cash at 30 June 2024.

On the right-hand side, you'll see the material movement and improvement in our available cash position was driven by both operating and non-operating cash flows.

Pleasingly, operating cash flows which comprise cash EBTDA, capex, working capital and funding requirements contributed a positive 18.4 million of cash inflows. This was driven by the group's strong operating result offset by floats and working capital required to fund the TTV growth in the US. Non-operating cash flows of 4.7 million include inflows from the release of restricted cash in funding facilities and the exit of non-core businesses completed in the full year 24.

This is offset by the partial repayment of the corporate debt facility of 20 million, which occurred in the fourth quarter, and the repayment of 10.8 million in

principal and interest for the CVI convertible notes in the first half, 24. Collectively and altogether, these actions delivered a 23.1 million improvement in our available cash balance since June 2023, further strengthening our balance sheet. Following the year end, in late August, Zip finalised the share purchase plan portion of the announced equity raise. This contributed an additional 50 million of cash available to the Group.

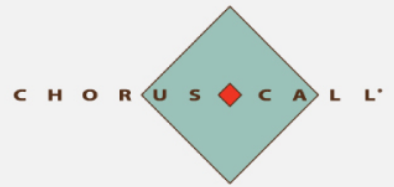
Slide 21 outlines the financing facilities in place for Zip's receivables and our headroom for future growth. Over the course of FY24, Zip refinanced 1.97 billion of receivables across Australia and the US. With the improvement in corporate performance and our receivables credit performance, we have been able to refinance a majority of our financing facilities, especially in the second half, with extended tenor and materially improved credit margins.

In the US, we refinanced our \$225 million facility in December with a three-year term to December 2026. This facility also has the option to upsize to US\$300 million with the financier. In Australia and New Zealand during the year, we completed a number of refinancing arrangements.

The highlights included two \$300 million rated issuances with the senior tranches both being AAA rated. We refinanced our primary warehouse, VFN1, in March and in April established a new 300 million facility, VFN3, with new investors. We also repaid early one of Zip's smaller receivables warehouses, VFN2, on commercial grounds.

Pleasingly, our progress this year on financing is evidence of the strong support we're seeing from both existing and new investors. Australian refinancing activities for the first half of 2025 are well progressed, with two initiatives in their closing stages to refinance the September ABS bond maturity of 700 million. You'll see in the table on the right.

Firstly, we are on track to settle a new \$300 million warehouse facility, labelled VFN4. We're at documentation stage and the agreed pricing with new and existing investors involved in this transaction. Secondly, last week, we launched and priced a \$350 million rated ABS public issuance labelled Series 2024-2, which had a weighted average margin of 2.13%, which is tighter than our April bond deal.



Of note, the demand and interest from existing and new investors enabled us to upsize this from the original launched \$300 million notional amount and this bond will settle in September. Across the Australia and US marketplaces, we have sufficient funding headroom to support receivables growth currently sitting at 269 million of headroom in Australia and US\$37 million headroom in the US, with an additional \$75 million US available through our facility upsizing option. Our refinancing activities through the year have positioned us well to support our strategic growth initiatives as we move into FY25.

Moving to Slide 22, on the capital structure during FY24, Zip executed a number of transactions to simplify the capital structure and set our group up for the future. These transactions have resulted in the extinguishment or conversion of all of the 340 million of convertible notes which were present at the start of the year. The conversion into equity for the public convertible notes and the completion of the shareholder sales facility earlier this year enabled an increase in ordinary shares available, which have largely been taken up by institutional investors and strengthened the share register.

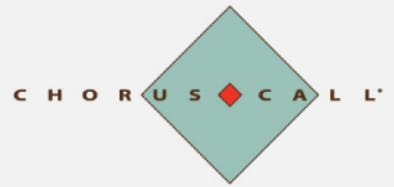
As at 30 June 2024, Zip has 130 million of corporate debt outstanding, which was repaid in July following our successful institutional equity placing. I'm pleased to announce that today Zip has no corporate debt. Overall, our strength in financial position and our available capital has Zip well positioned for future growth.

I'll now hand back to Cynthia to cover the group's strategy and outlook.

Cynthia Scott:

Thanks Gordon. I'm moving now to Slide 24. I'd like to make a few observations on the external operating environment for Zip. There are several aspects that have continued to evolve over the course of FY24 and Zip remains well positioned across each of them. There have been regulatory developments in both our core markets during the past year and Zip is well positioned as a result of our commitment to responsible lending and our current business practises. In terms of the shift in consumer preferences for credit products, as demonstrated by the growth in TTV this year, our product set is resonating with customers and merchants.

We've continued to expand our margins despite the higher interest rate environment and a more challenging macro backdrop and are well placed to meet the evolving consumer credit demand in ANZ and the US. On to Slide 25.



Our business model is a robust two-sided network where we drive demand, increase basket sizes and improve conversion rates for our merchant partners.

We're proud to partner with some of the world's most recognisable brands. For FY25, we have a group-wide focus on leveraging our strategic partnerships in the payments and e-commerce ecosystem deepening our engagement with distribution partners such as Stripe and Google Pay to further accelerate growth. Moving to Slide 26 and the US market growth opportunity.

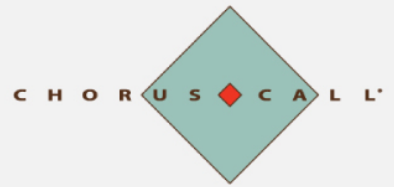
In terms of the total addressable market, Zip currently represents 4.2 billion of the approximately 104 billion BNPL market, which remains in its infancy relative to the 12.3 trillion US payments market. We have a clear strategy to grow our customer base and transaction volumes through growing our existing Pay in 4 product by expanding into new merchant verticals and leveraging strategic partnerships, such as that recently announced Stripe, which enables seamless integration for Stripe merchants accessing Zip in the US market.

And secondly, scaling our US Pay in 8 product, which will become available to more customers and merchants in FY25, and opens up new verticals for Zip with higher average order values, such as travel and automotive. We're often asked about expectations for growth in the US market in terms of TTV.

And what I would say is that looking at our peers' performance we've observed average market growth rates of 30% to 32% year-on-year for comparable US instalment products over the last six months. This backdrop and our own strong momentum has Zip well positioned to grow above the average market rate for instalment products in FY25, subject to trading conditions.

Turning to Slide 27, Zip has operated in Australia for over 11 years now, and it's privileged to have a network of around 10% of the adult population as active Zip customers and over 55,000 merchants. We see strong headroom for growth in our ANZ business and are focused on executing on three market opportunities.

Firstly, deeper penetration of the \$98 billion personal lending market through scaling our virtual low-rate credit card Zip Plus and also offering personal loans to our customers. Secondly, we still see growth in the \$870 billion ANZ payments market through our core products, Zip Pay and Zip Money, including through strategic partnerships and our targeted merchant verticals.



And finally, we're also exploring options to participate in other consumer lending segments, such as home loans, through capital-light propositions that leverage our engaged customer base and deliver a diversified revenue stream.

Moving now to Slide 28. Our FY25 strategic priorities remain broadly the same, with a continued focus on growth, but with an increased emphasis on customer engagement. We'll continue to deliver product innovation, and as we said earlier, driving operating leverage as the business scales further.

Turning to Slide 29. Our outlook has been updated for the next two years and reflects the results Zip delivered in FY24, our streamlined operations and our market opportunities. We're targeting the following two-year ranges and have noted several areas of focus for FY25.

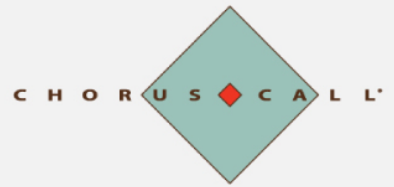
Firstly, revenue and the percentage of TTV is targeted to be between 8% and 9%, and we expect the contribution of the US business to increase over the next two years, given the growth rates we're experiencing. Our cash NTM range has been narrowed to now be between 3.5% and 4%. And on cash EBTDA, we're targeting to deliver more than 1% of TTV in FY25 and between 1% and 2% over the next two years.

And finally, consistent with how we manage the business, we're now including operating margin as a performance metric, which would have been 9.8% on a pro forma basis in FY24 when you exclude the corporate interest costs, and is now expected to reach between 12% and 17% over the next two years.

So finally, in closing, Zip's executed very well on its strategic priorities in FY24, becoming a stronger, simplified and sustainably profitable business. We begin FY25 with great momentum, the right foundation and a very clear strategy to drive ongoing profitable growth and enhanced customer and merchant experiences.

Zip continues to demonstrate we're well positioned to capitalise on our significant growth opportunity and drive long-term value creation for shareholders. On behalf of the executive team, I'd like to thank our Zipsters for everything that they've achieved in FY24, and our shareholders for their ongoing support.

So that concludes the formal part of our presentation. I'll now hand back to the operator to take questions. Thank you.



- Operator: Thank you. If you'd like to ask a question via the phones, you'll need to press the star key, followed by the number one on your telephone keypad. If you'd like to cancel your request, please press star two. Your first question comes from Jonathon Higgins from Unified Capital Partners. Please go ahead.
- Jonathon Higgins: Hi, guys. Great set of results. Thanks for taking my questions today. Just a couple from me. Just firstly, on the US, there's a lot of emphasis on the USA. Can you just sort of give us any comments on how that's sort of currently trading and the like? Is there any reason to think that that market's slowed down or accelerated or continuing at the same sort of pace, firstly?
- Cynthia Scott: Yeah, thanks Jona. And I will say, we're also joined on the call by Pete and Larry. And I might throw to either of them just to add some comments after I answer questions. But just in terms of the US, we are seeing continued strong momentum in the US. And our loss rates continue around that 1.3% of TTV.
- But I think the external operating environment, we still see very constructive consumer sentiment, constructive retail sales and then the other big shift in the US is, of course, we're starting to see more commentary in relation to interest rates coming down, which as we've talked about is a definite tailwind both for these customers, but also for our own financial performance. So very constructive operating environment in the US.
- Jonathan Higgins: Excellent. Maybe just a second one just on that. You've had some sort of large partnerships that have been announced over sort of the last six months. You got the expansion with Google Pay. You're operating Pay and Aid. I mean, if I was going to describe FY25-24 to be sort of operating leverage and ATV in the US, can you sort of talk towards what those partnerships could mean towards active customers and sort of that virtuous circle of active customers times ATV?
- Cynthia Scott: Yeah, it's a good question, Jona. And yes, customer numbers have been subdued in the US. And the FY24 performance was really largely driven by existing customers being even more engaged and increasing their average spend each time they engaged. And there's been several initiatives that we undertook to stimulate these existing customer base.
- Going forward for FY25, there is a very strong focus on both bringing net new customers directly to Zip, particularly directly to our app, but also prioritising merchant integrations for embedded finance, but also, as you mentioned, the



channel partnership. So we've just announced the extension of our strategic partnership with Stripe.

And Stripe has literally 4 million merchants on their platform in the US. So it is a very significant opportunity for us to partner with the likes of Stripe and GPay, Adyen and others.

Jonathan Higgins: Excellent. Last one from me, just on the medium-term targets. Great to see that you're putting a sort of a number to that on the two-year range. Is it sort of a bit of a cheeky question to ask, what sort of TTV growth goes into the right-hand side column at the cash EBTDA line? And secondly, I'd just say on the net margins, we're sort of at the top end of that range, even though you've tightened it, just sort of your comments on current net margin strength.

Cynthia Scott: Yeah, so just on the TTV, I mean, I think at the end of the day, there is a limit to the amount of exact guidance we're going to give on everything, but you can infer, I think from the comments that we've made in relation to, if you look at the US business, we've been clear in our indication that our US business at the moment is growing above the market rate.

So over the last six months we see comparable instalment products growing at sort of 30% to 32% in terms of TTV. We've obviously been growing stronger than that. So for FY25, for TTV in the US, we would see our business continuing to grow above that 30% to 32% growth. And then as an overall percentage of this business, the ANZ, sorry, excuse me, the US business will continue to grow.

The other thing to bear in mind, Jona, with respect to the margins is the TTV growth in the US, is significant and will continue to be significant. That obviously impacts the denominator. And so that will then have an impact on the revenue margin.

Jonathan Higgins: Yeah, perfect. I understand that exactly. Thanks, guys.

Cynthia Scott: Yes. Thank you.

Operator: Thank you. Your next question comes from Lucy Huang from UBS. Please go ahead.

Lucy Huang: Morning, Cynthia and Gordon and thanks for taking questions. I've got three as well. Maybe I'll just start off with customer growth. I think you mentioned like in

the US, you're looking to see growth above that kind of 30% to 32% market rate. Just how much of that do you think will come from new customers?

And I guess your net bad debts in the US are still really low. So how aggressive are you willing to, I guess, use that labour to drive new customer acquisitions? Just trying to get a sense of how fast customers could contribute into next year?

Cynthia Scott: Thanks, Lucy. And you're just focussing specifically there on the US side?

Lucy Huang US, and then I'll probably ask around Australia too after this.

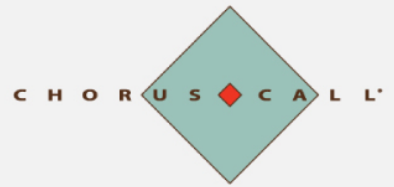
Cynthia Scott: Okay. So just in terms of the customer growth. Yeah, I mean, look, we have seen an increase in MTUs in the US and an increase in transactions per active customer and the AOV per active customer, and we will continue to undertake initiatives in the US to drive that dynamic to continue in the US, but really the additional growth will come from net new customers that we'll bring in through merchants or direct to the app. So we're not giving a guidance in terms of customer growth numbers, that 30% to 32% was on TTV. And your question in relation to net bad debts?

Gordon Bell: Yes, Lucy, it's Gordon. I think on the bad debts, we are just below that range as you highlight. I think what I would say in FY24, we have seen really strong repeat business with existing customers who we know really well.

And if you recall, our product there turns over fairly frequently, every six weeks or so. And so the credit decisioning and the credit platform that we operate enables us to, frankly, drive a really good outcome there. As we do scale and as we do bring on new customers, and as we do generate more flows from pay and other products, that's why we've kept that range a little bit higher where it is so that we do have the flexibility to maximise on that growth.

Lucy Huang: Yes, that makes sense. And then what about Australia? Are we starting to see in the early days of FY25, TTV growth starting to turn positive? And also, yes, any comments on customer acquisition as well and how that's trending?

Cynthia Scott: Yes, so a couple of the initiatives that we undertook in the middle of Q4 towards the end of last financial year in the ANZ business were designed to reposition the ANZ business for growth. And so that was things like turning back on credit limit increases, cross-sell between Zip Pay and Zip Money, etcetera. And I should say, as a result of those initiatives, we've now seen monthly transacting



users between March and June pick up in ANZ, which is, as we've talked about before, it's a positive leading indicator for us in terms of customer activity.

And in terms of FY25, the new customer growth will come from not only bringing new merchants onto the platform, but also particularly from Zip Plus. So we have actually done a soft launch of Zip Plus already, but we will go above the line with Zip Plus, and there'll be external marketing, etcetera, from Q2. And that product is really designed for customers who are looking for a low-rate virtual card, given it has all the great functionality of Zip Pay, but also behaves more like a credit card and has a very low competitive rate on it.

Lucy Huang: Yes, wonderful. And then just, sorry, my last question on the cash EBTDA target of 1% to 2%. I mean, what are the key levers to kind of get that metric into the mid-range of that target? Like, are we thinking it's more to do with TTV growth, or do you think there's still more to do on COGS or opex over the next few years?

Gordon Bell: Yes, this is Gordon. It's primarily around growth. We will look to keep generating upside through unit economics. However, with the material improvement this year, there's obviously a limit to how far that can go. So we are looking primarily for growth on that.

Lucy Huang: Wonderful. Thanks, guys.

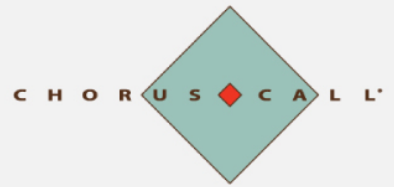
Cynthia Scott: Thanks, Lucy.

Operator: Thank you. Your next question comes from Phil Chippindale from Ord Minnett. Please go ahead.

Phil Chippindale: Hi, Tim. Thanks for your time. First question, just on this TTV expectations for FY25. I might have gotten a bit confused here, so I just want to clarify. So for FY25, are you just saying you're expecting to take market share? Is that what that final bullet point is on Slide 29, combined with the footnote?

And just so, again, just so I understand it, is the footnote just saying, look, the market grew 30% to 32% in the last six months, and you did better than that. And so therefore, it is showing that you're already taking market share. Have I understood this correctly?

Cynthia Scott: Yes, it's the latter. Yes, we're saying that the market, so for comparable instalment products, the market grew 30% to 32%. We grew stronger than that.



And then in terms of our FY25 expectations, we expect to continue to grow stronger than the market.

Phil Chippindale: Yes, whatever that growth level may be.

Cynthia Scott: Correct.

Phil Chippindale: Great. Thank you. Just on the Stripe partnership, obviously, that's due to launch or sort of broaden rather. I know you've got to sum roll that to some extent. But when are you expecting that to sort of hit the ground running? Is that sort of before sort of October sales season?

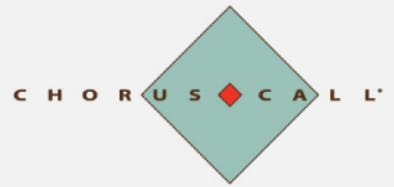
Cynthia Scott: Yes, I mean, Larry's here. I might ask Larry to comment specifically on that.

Larry Diamond: Yes, no, we're pretty excited about the Stripe partnership as you might recall the US actually built a lot of its business infrastructure on Stripe issuing and acquiring, so this is really the next chapter of that growth and there's a lot of sponsorship from the top down on that go-to-market. So we are now effectively live in America, so merchants can turn us on, so we've got a go-to-market campaign jointly with Stripe that's coming over the next quarter. We've already brought the Stripe partnership to life in Australia and that's yielded really healthy fruit, so we've had hundreds and hundreds of merchants that have been turned on here.

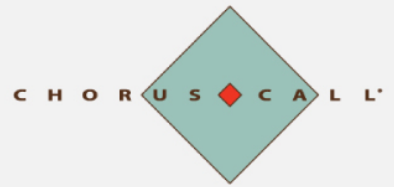
And I guess it's part of what we're seeing just more generally in digital acquiring, where the Adyen's and Stripe's of the like are allowing merchants much more easily to be able to turn on alternative payment methods. And we're also live now with Adyen in America as well and again, so through both of these PSP partnerships, we're hoping that that improves our pipeline over the next year.

Phil Chippindale: Okay, thanks. Final question from me, just want to touch on Slide 19 and the cost expectations for 25. I mean, given the last six months, you've had cash NTM at 3.9% with the improvements from the savings in the corporate debt facility alone the cash EBTDA is basically knocking on the door at 1% at the moment. So I'm just trying to understand what the expectations are on the opex side of things into FY25, particularly salaries, marketing and IT costs. Could you perhaps give us a sense of what sort of growth you're expecting here?

- Gordon Bell: Yes, thanks, fellas. Gordon, so with regard to costs, we will take a disciplined approach, so we will grow those in line with the business needs. We don't want to constrain a growing business, I guess is my first comment there.
- We would look to have that commensurate with what we need to grow the business. So I think we had somewhere between 6% to 10% would be reasonable, but we will make a call on that as we go throughout the year.
- Phil Chippindale: Okay, thanks. I'll jump back in the queue.
- Cynthia Scott: Thank you.
- Operator: Thank you. Your next question comes from John Marrin from CLSA. Please go ahead.
- John Marrin: Hi, guys. Thanks for taking my questions. I guess one final congratulations on a nice job with FY24. Also appreciate the strategy update and the two-year outlook. I guess maybe just on that two-year outlook, is there some glide path you can provide us, like what FY25 and FY26 might look like over that time frame on some of those categories?
- Cynthia Scott: Well, yes, thanks, John. And that sort of goes to the comments that I made earlier. I mean, in terms of cash EBTDA, we are expecting FY25 that we will be above the 1%, so we'll be inside the range for FY25. And then in terms of operating margin, similarly, we'll be inside the range for FY25. So that was a comment that I made earlier in the prepared remarks.
- John Marrin: Yes, sorry. I just got a little bit late because I forgot to call up. In terms of the revenue margin 8% to 9%, I guess I thought it could be a bit higher. And I guess I'm sort of reverse engineering when I think that it's probably US growth that's diluting that a bit. Can you just sort of-
- Cynthia Scott: It is, yes. And that's spot on. So the way to think about the revenue margin is as we've said for a while the US business is sort of sustainably at a 7% revenue margin. As we generate significant growth, particularly in TTB from the US obviously, it's nominal growth but you've got a greater percentage of that group revenue margin being contributed by a business that's running at a 7% revenue margin. So that's why we maintain that 8% to 9% range.
- John Marrin: Right. And in terms of upside on the Aussie business, is there some upside from where it is today?



- Cynthia Scott: Yes, there is still upside in the Aussie business particularly as Zip Plus continues its rollout because the unit economics in Zip Plus and the impact on portfolio yield is favourable.
- John Marrin: Yes. Okay. And then, I guess, maybe just on these initiatives that you have to drive engagement in ANZ and sort of focussing on these four or the three focus areas.
- I mean, can you just talk to maybe some of the SG&A that might be putting back on just to sort of drive those initiatives? Just really speaking to that wide-the cash EBTDA guidance of 1% to 2% is a pretty wide range there and that sounds like you're going to be putting some of that back in.
- Cynthia Scott: Well, I'd say, John, the way to think about that at a high level is that we've got a highly engaged customer base in Australia who we've had a long-term relationship with. There are adjacent financial services products and opportunities that we can distribute to that customer base and the majority or that the largest of those would be something like home loans. Which would fall into the category of a capital like proposition. So they would not be balance sheet intensive. It would be revenue accretive, because we'd be adding margin without building and funding the product. And so that's the way to think about some of those opportunities.
- John Marrin: All right. Thanks guys.
- Cynthia Scott: Thank you.
- Operator: Thank you. Your next question comes from Siraj Ahmed from Citigroup. Please go ahead.
- Siraj Ahmed: Good morning. Cynthia -- from this first thing bit confused -- just in terms of FY25 for the US? I thought you said you are targeting 30% plus growth in FY25 Is that not the case?
- Cynthia Scott: That's right. What we said was that, we see the comparable market growth. In the order of 30% to 32% and that we will be growing. We're targeting growing above that range for US, TTV.
- Siraj Ahmed: Yes, sorry. Just so you are targeting US TTV growth of more than 30% in '25. Is that right?



Cynthia Scott:

That's right.

Siraj Ahmed:

Okay, so just on that, just keep to understand what you've assumed to get there, right? Clearly moment is quite strong right now. I think you meant, stripes being announced as well. You were talking about some new merchants as well. Is that what's been assumed for that or do you think, that's not required to get a 30% plus?

Cynthia Scott:

I know well, it's right. It's the combination of all of that Siraj, is both the channel partnerships bringing new merchants onto the platform. It says remember the scale of the opportunity in the US is significant given the much lower penetration of this product. So we still represent less than 2% of total payments in the US and so even as the penetration of the product grows. That is a growth lever a growth driver for our US business. So it really is a combination of all of those factors.

Siraj Ahmed:

Got it, but you're still assuming some big merchants of strong merchants in the near term. I believe in this. I think what it goes they stop integrating new partners by October, right typically 20%?

Cynthia Scott:

It's both channel partnerships such as Stripe and Adyen and the others we've been talking about because that will bring. Particularly small to medium sized enterprises, but it also is integrating with larger merchants. So it is both and Siraj, the other comment make them as we talked about a Q4 is the US business has also been undertaking a number of activities to raise the brand awareness of this and to bring customers direct to the Zip App. Which is obviously, how we acquire customers in markets like Australia

Siraj Ahmed:

Got it. Secondly, just on regulation CFPB, I think the last thing is saying, you'll be ready for the changes, I think, I saw online about some that you've stopped in Maryland or something might be temporary. Any potential implications that you may not be able to provide? Zip in some states or something the US.

Cynthia Scott:

Okay. Yes. So in terms of the CFPB interpretive rule. So, the requirement for us to comply with the interpretive rule was by the end of July. And we have adjusted all about operating processes and procedures to ensure that we are compliant with the CFPB interpretive rule. So we met that deadline. There are some specific licencing requirements in some states and you and one of them you mentioned is Maryland in a very small number of states. We have some

further work to do to make sure that, we've got compliance from a licencing perspective. And so that's why at the moment Maryland. We're just going through the process of getting that compliance before we turn that back on. But it's not material Siraj, in the context of our overall flows in the US.

Siraj Ahmed: Yes, you're still seeing growth in spite of that and last. Lastly in terms of Australia understand the marketing for the plus which should drive growth I think one thing which Pete mentioned the 4Q update was being impacted by, early repayments by customers. Is that still the case? In Australia that headwind no longer the case

Gordon Bell: Yes, it's Gordon. What you tend to see is you tend to see different periods of the year. So there's seasonality there. There are some earlier repayments around the June, July time of the year as it comes to financial year end. But I think probably nothing untoward.

Siraj Ahmed: All right. Thank you.

Operator: Thank you. Your next question comes from Julian Mulcahy from E&P. Please go ahead.

Julian Mulcahy: Hi guys, I'm just a couple of questions on the stripe arrangement. Can you sort of talk through what the revenue share is? Do you just take a clip of their interchange sort of fee or do you - will you charge merchants an extra fee on top of that?

Cynthia Scott: Thanks. Larry - well, it is obviously a commercial arrangement, but I'll ask Larry to make some comments at a high level around the general way it's structured.

Larry Diamond: Yeah essentially, players like Adyen and Stripe, we can set up a master merchant agreement. So effectively wholesale rates to them and they can resell it out to the market. But that's designed very much in line with our discipline unit economics and so it's a very healthy channel for us.

A lot of our customer acquisition comes through the checkout channel. And then those customers ultimately work their way into the app where we provide much healthier net transaction margins over time and you can see in the latest results just how those two flywheels work together. And that would be consistent with all other alternative payment methods, our peer group as well.



Julian Mulcahy: So even though you're kind of sharing a fee with them, you can still maintain that 7% revenue to TTV margin for the US?

Larry Diamond: Yes. And again, it's a combination. We take a portfolio view. So it's the two flywheels that work virtuously together, both the checkout economics and then the app economics. And so we do tend to be a little bit more competitive on the unit economics at the checkout channel, knowing that we ultimately activate those customers in the app.

And then we build that lifetime financial partnership with the customers. And you can see a lot of the work that we're doing that's going into driving activity, pay and aid, portfolio management, propensity modelling that we're doing a lot as well. And the product roadmap that we've got coming out over the next year.

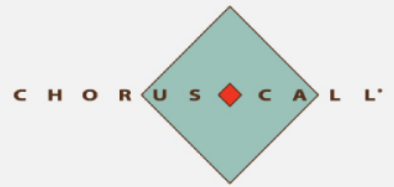
Julian Mulcahy: Right. And where cards are used in non-aligned merchants, how do you maintain your revenue margin on those usages?

Larry Diamond: I mean, if the transaction happens inside the Zip app, so we were one of the first to issue virtual cards in the US. We actually did that with Stripe. We had the Stripe team in our office a few years ago and innovated there. And that obviously came off the back of customers unable to use Zip a big merchant. And so to do that, we issue a virtual card and we earn interchange on that card. So transactions that happen in the Zip app, we derive the interchange. Obviously, there can be some affiliate income and then sometimes some customer income as well.

Julian Mulcahy: Yes, I can't get it. And just finally on the user numbers, I mean, active customers down a bit. Well, what has the monthly transacting users been in the last quarter? You haven't provided a figure for a little while?

Larry Diamond: Well, there's a number on the deck on monthly transacting usage, which is actually up very healthy year-over-year, just North of 16%. But what I would say is we've seen brand awareness grow into 20% and we've seen our NPS scores. So these are all really healthy trend indicators on how customer acquisition is growing.

Cynthia also mentioned a lot of the brand activity. So we are expecting healthier actives this coming year. And again, some of the tailwinds actually across the industry are going to be very, very helpful here. The strong customer and particularly our competitive setting credit cards and private label credit cards



are probably suffering a little bit because of the macro data with delinquencies up, higher rates and then potentially late fee caps. So it's increasing, I'd say, the overall trend that's coming into BNPL.

Julian Mulcahy: Cool. Okay. Thanks, guys.

Operator: Thank you. Your next question comes from Roger Samuel from Jefferies Australia. Please go ahead.

Roger Samuel: Well, hi, good morning, guys. I've got two questions. First one just on your bank fees and data costs line item. Given your partnerships with Adyen and also Stripe, can we sort of infer that your bank fees as a percentage of TTV would actually go down as well as you've become more efficient in your processing?

And also, I think the Fed is proposing to lower the debit exchange fee in the middle of next year. And just want to hear from you, that's going to be a tailwind or a headwind in terms of lower exchange fee that you can earn from your transactions?

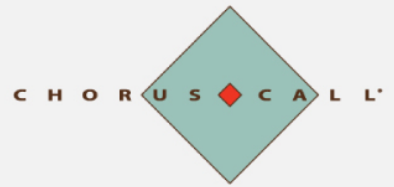
Cynthia Scott: Okay. Yes. Thanks, Roger. So in terms of the bank fee as a percentage of TTV, it's actually not so much the Stripe partnerships that would bring that down. It's more initiatives such as moving to ACH or least cost routing and so forth that we're working on that would bring down the cost of bank fees as a percentage of TPV.

Roger Samuel: Got it, okay. Yes, and what about the Fed proposal?

Gordon Bell: Yes, I don't think it's got any material. I'm just looking at the modelling. I wouldn't say it's a material change for us. I think bank fees year on year, I mean, they've gone up given volumes gone up, but we have generated some leverage and efficiency there. I wouldn't say it's going to be material going forward in terms of efficiency or drop.

Roger Samuel: Got it, yes. My second question is on your initiative in Australia to offer home loans. So you mentioned it's a capital light model. So is it going to be something like a lead generation business?

Cynthia Scott: Yes, well, just to clarify what we're talking about on that slide is just the strategic direction of Zip moving into more of a next gen financial services provider. So it won't be any Zip home loans being offered in the very near



future. Initially, we will be looking at expanding our penetration into personal lending and making sure that we expand Zip Plus to a broader customer base.

And we really go after the low rate virtual credit card market. We use home loans as an example of an obvious adjacency where we know that our very engaged customer base is about 600,000 of them who do have mortgages and obviously about 100,000 refinance each year. So there is an opportunity for us in a capital light way to look exactly as you say, it's sort of a lead gen revenue generation model so that we are not the producer of that product and we're not the balance sheet funder of that product.

Roger Samuel: Okay, got it. Thank you.

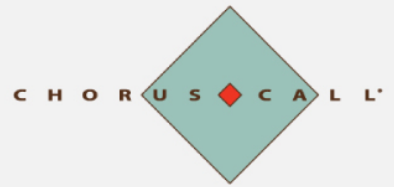
Operator: Thank you. Once again, if you'd like to ask a question, please press star one on your telephone and wait for your name to be announced. Your next question comes from Jack Lynch from RBC Capital Markets. Please go ahead.

Jack Lynch: Hi guys, well done on the result. Most of my questions have been asked, but maybe just one on the pricing environment. You've spoken about it being national in the past. I guess, have you seen any changes there recently and how should we be thinking about that coming into FY25?

Cynthia Scott: Yes, thanks Jack. Yes, no, it's still very rational. Particularly, I guess you're talking about in the US where our competitors and we're not taking market share from one another necessarily, the whole market is growing. And so we continue to see a very rational approach, particularly to marketing spend and to competition. So no change from a pricing perspective or a marketing spend perspective.

Jack Lynch: Okay, thanks for that. And maybe just one on the revenue margin in the US. Like 7%, I know we've got the changes coming with the Payne 8, sort of the AOB and maybe the higher margin verticals that we're going to. Is 7% still the way to think about it or is that maybe a little bit conservative?

Cynthia Scott: No, I still think that's still the way to think about it. It is a different product construct than ANZ where we've got more of a line of credit and where some of our products have got a back end interest rate. So I think we'll always have a situation where given the product construct, the ANZ business will have a higher revenue margin than the US. So 7% is still a fair assessment for FY25.



Jack Lynch: Okay, thank you.

Operator: Thank you. Your next question is a follow-up from Phil Chippindale from Ord Minnett. Please go ahead.

Phil Chippindale: I just want to follow up. I don't think it's been covered, but can you make a comment on US TTV growth in the first seven to eight weeks of the financial year?

Cynthia Scott: Okay, thanks. So well, I mean, other than to say the business continues to exhibit really strong momentum and it gives us confidence to indicate that the US business from a TTV perspective is growing stronger than the market. So continue to definitely have momentum pointing in the right direction.

Phil Chippindale: Okay, thanks.

Operator: Thank you. Is there no further questions at this time? I'll now hand the conference back to Ms. Scott for any closing remarks.

Cynthia Scott: Thank you. And thanks everyone for joining us. We look forward to the next couple of days and weeks. We've got meetings, one-on-one and group meetings with many of you. In the interim, if you've got additional questions, then please, in the first instance, direct them to Rachel. But thanks very much, everyone, for joining our presentation today.

Operator: Thank you. That does conclude our conference for today. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]