

25 February 2025

1H FY25 Results Update

Strong results driven by outstanding US growth and disciplined execution

Zip Co Limited (ASX: ZIP) (“**Zip**”, or the “**Company**”) today announced its half-year results for the six-months ended 31 December 2024 (“**1H25**”).

KEY GROUP HIGHLIGHTS

- Cash EBTDA of \$67.0m (up 117.1% vs 1H24)
- TTV of \$6.2b (up 23.9% vs 1H24)
- Total income of \$514.0m (up 19.8% vs 1H24)
- Revenue margin of 8.2% (vs 8.5% in 1H24), due to higher US contribution (now 70% of TTV)
- Transactions of 45.7m (up 18.4% vs 1H24)
- Net bad debts approximately 1.6% of TTV (vs 1.8% of TTV in 1H24)
- Cash gross profit of \$235.5m (up 30.1% vs 1H24)
- Cash net transaction margin of 3.8% (vs 3.6% in 1H24)
- Active customer numbers of 6.3m (up 1.5% vs 1H24)
- Merchants on Zip’s platforms increased to 81.9k (up 7.6% vs 1H24)

Zip Group CEO and Managing Director, Cynthia Scott said:

“Zip delivered record cash earnings of \$67.0m, an increase of 117.1% with cash net transaction margin expanding to 3.8%. The record financial outcomes achieved this half have been driven by outstanding US growth and disciplined execution of our strategy, with a focus on delivering enhanced customer experiences. We strengthened our balance sheet to support future growth and, consistent with our focus on cost discipline, continued to deliver significant operating leverage.

Our US business continued to grow above market with TTV up 40.3% year on year, driven by an exceptional holiday trading period and deeper customer engagement. We are well-positioned for our significant growth opportunity as we scale more flexible payment solutions to meet the needs of everyday Americans and leverage our merchant and channel partnerships to expand into new verticals.

Our ANZ business returned to growth in the second quarter, following an 18-month period focused on margin improvement. With a strong track record in innovation, we expanded our Australian offering, rolling out Zip Plus to new customers and launching Zip Personal Loans in January, providing customers with greater choice and flexibility in managing their finances.

We remain committed to our two-year targets, and following the momentum gained during the half we expect to deliver cash EBTDA of at least \$147 million for the year. Our team is focused on executing our FY25 priorities, as we drive long-term shareholder value and fulfil our purpose of ‘unlocking financial potential, together.’”

DELIVERING ON OUR STRATEGIC PRIORITIES

1. Growth and engagement

US

The US business delivered an outstanding performance, with TTV increasing 40.3% to US\$2.9b, driven by an exceptional holiday trading period which included the single largest trading day and month in Zip's history.

Active customers increased by 400k to 4.2m, driven by our two-sided flywheel. Customer engagement deepened further, with average spend and average transactions per customer increasing 33.1% and 29.8% respectively. In-store shopping remains a key growth driver, with Zip's in-store activity now representing 22% of TTV, with 64% year on year growth. The business added new merchants in targeted verticals of travel, entertainment and automotive, including GameStop, Major League Baseball Ticketing via Tickets.com, Major League Baseball Shop, Vivid Seats and Take 5 Oil Change.

ANZ

The ANZ business gained momentum during the half, returning to growth in the second quarter with TTV up 0.4% year on year, and with December TTV in Australia up 10%. The portfolio yield on receivables associated with the Australian business increased to 18.6%, up 110 basis points year on year. The excess spread, measured as portfolio yield less interest costs and bad debts, also improved by 70 basis points to 6.9%, a strong result in a higher interest rate environment.

New merchants in targeted higher spend verticals joined the platform including Cathay Pacific, Lagardère Travel Retail, Travello and James Pascoe Group (Prouds, Angus & Coote and Goldmark).

2. Product innovation

US

The US business continued to optimise and scale its 'Pay-in-8' instalment solution, which is now available to all eligible customers through the App and continues to facilitate higher value purchases. As the business develops new options to improve customer flexibility by allowing customers to increasingly personalise their payments, this is the next offering of the business' broader "Pay-in-Z" platform which is expected to launch in FY26.

ANZ

The rollout of Zip Plus was expanded to new customers during the half and continues to generate strong unit economics. Zip Plus customers are also highly engaged, transacting 42% more often than Zip Pay customers, which supported a 5.5% increase in total ANZ transactions for the half. Monthly acquisition of Zip Plus customers is now more than double that prior to external launch, which will be further accelerated by product specific marketing. Zip Plus receivables have increased 24% in the last three months.

The business continues to innovate and grow new products for further expansion in FY26, including Zip Personal Loans which was launched in January 2025 to both new and existing customers.

3. Operational excellence

Balance sheet strength

Zip repaid all corporate debt and associated exit fees during the period following a successful \$217.0m fully underwritten equity placement from new and existing institutional investors in July 2024. In addition, \$50.1m of equity was raised in August 2024 through a Share Purchase Plan from existing retail investors.

As at 31 December 2024, Zip had available cash of \$195.5m, up from \$80.4m at 30 June 2024, providing increased capacity and flexibility to fund future growth. During the half, Zip generated \$59.0m of operating cash flows.

Receivables financing

In October 2024, Zip increased its US funding facility by US\$75.0m to US\$300.0m, improving the capital efficiency of the facility and providing additional funding flexibility to support US growth over the medium term. In addition, \$1.1b of receivables funding facilities were refinanced in Australia. As at 31 December 2024, Zip retained US\$97.0m and A\$278.8m of undrawn and available headroom to fund receivables growth in the US and Australia respectively.

Operating costs

Zip continued to deliver operating leverage, with total operating costs of \$168.6 million representing 2.7% of total TTV, down from 3.0% in the prior corresponding period. Operating cost growth of 10.1%¹ reflected seasonal marketing spend to support future customer and volume growth. This investment spend was timed ahead of the peak holiday trading period in the US and to facilitate the launch of Zip Plus to new customers in Australia, as well as invest in core risk management systems and resources.

Sustainability

Zip remains committed to operating responsibly and delivering long-term value to all stakeholders. Recognising the importance of environmental sustainability, Zip maintained its carbon neutral status for the fourth consecutive year for Scope 1, 2 and 3 emissions.

LEADERSHIP TEAM UPDATE

Consistent with Zip's culture of innovation, ANZ CEO and Co-Founder Peter Gray will transition to a newly created leadership role as Head of Strategic Growth, to focus on accelerating Zip's growth agenda across both markets, with an initial focus on ANZ. Following a comprehensive search, Soraya Alali has been appointed as Zip's new ANZ CEO and will commence on 12 May 2025 and join Zip's Group Executive Team. Ms Alali brings over 20 years' experience in the financial services sector, with a focus on driving scalable growth, digital transformation and enhanced customer experiences.

On 28 October 2024, Linda Lu joined Zip as the Chief Legal and Risk Officer, based in the US as a member of the Group Executive Team.

OUTLOOK

Following a strong start to the year, Zip is well placed to deliver continued growth and operating leverage. Zip is on track for its FY25 results to be within its two-year target ranges as previously announced to the market in August 2024. Subject to market conditions, Zip expects to deliver cash EBTDA of at least \$147 million for FY25.

¹ Represents normalised operating cost growth adjusting for the impact of cash STI accruals in 1H24.

BUSINESS PERFORMANCE

Financial Performance (AUD)	1H25	YoY
Revenue	\$509.2m	+19.7%
US	\$302.9m	+41.1%
ANZ	\$206.3m	(2.1)%
TTV	\$6,247.5m	+23.9%
US	\$4,359.0m	+39.2%
ANZ	\$1,888.5m	(1.2)%
Transactions	45.7m	18.4%
US	22.2m	+35.9%
ANZ	23.5m	+5.5%

Operational Performance	At 31 Dec 2024	YoY
Active customers²	6.34m	+1.5%
US	4.22m	+6.2%
ANZ	2.12m	-6.2%
Merchants³	81.9k	+7.6%
US	24.4k	+1.3%
ANZ	57.5k	+10.5%

Net Bad Debts (% of TTV)	1H25	1H24
Group	1.56%	1.78%

² Active customers defined as customer accounts that have had transaction activity in the 12 months to 31 December 2024.

³ Number of accredited merchants.

PRESENTATION, WEBCAST AND CONFERENCE CALL

Zip will hold a webcast and conference call to discuss the 1H25 result at 10:00 AM AEDT today, Tuesday, 25 February 2025. Participants can register for the conference call by navigating to either of the links below. Registered participants will receive their dial in details upon registration.

Webcast & slide presentation registration link: <https://ccmediaframe.com/?id=3fHNyxVN>

Conference call registration link: <https://s1.c-conf.com/diamondpass/10034950-b7d3lt.html>

Note: Q&A functionality is only available through the conference call line.

3Q FY25 RESULTS REPORTING DATE

Zip is now scheduled to release its 3Q FY25 results update on Wednesday, 7 May 2025, compared to Wednesday, 16 April 2025 as previously announced to the Australian Securities Exchange on 13 January 2025.

This announcement was authorised for release by the Board.

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About Zip

Zip Co Limited (ACN 139 546 428) (ASX: ZIP) is a digital financial services company, offering innovative and people-centred products. Operating in two core markets - Australia and New Zealand (ANZ) and the United States (US), Zip offers access to point-of-sale credit and digital payment services, connecting millions of customers with its global network of tens of thousands of merchants.

Founded in Australia in 2013, Zip provides fair, flexible and transparent payment options, helping customers to take control of their financial future and helping merchants to grow their businesses.

For more information, visit: www.zip.co

For any shareholding and registry service enquiries, please contact Computershare. Phone: 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia). Shareholders who would like to receive email communications from Computershare for all future correspondence, visit <http://www.computershare.com.au/easyupdate/ZIP>.