



26 October 2020

ACQUISITION OF THE URGE AND OTHER SHARE ISSUANCES

Zip Co Limited (ASX: Z1P) ("**Zip**" or "**the Company**") provides a number of disclosures in relation to the shares issued under the Appendix 3B released today.

Acquisition of the Urge

Zip is pleased to announce today that it has acquired all of the shares in Sydney-based technology company, Urge Holdings Pty Ltd ("**Urge**") (the "**Urge Acquisition**"). Since inception in 2018, the Urge has been helping shoppers find and buy the items they're looking for, driving increased sales, reach and exposure for its retail partners. The Urge's team and its capabilities include expertise in search functionality, optimisation and indexation, all of which will be integrated into Zip's platform globally, beginning with the QuadPay app in the US.

The Urge Acquisition involves total upfront consideration of approximately \$3 million, to be settled through the issue of 432,516 fully paid ordinary shares in Zip to the shareholders of Urge. A further \$5.5 million of deferred consideration may be received by Urge's shareholders subject to certain prescribed performance milestones being achieved within the next 3.5 years (the "**Milestone Consideration**").

In accordance with ASX Guidance Note 19, a summary of the key terms of the Milestone Consideration is set out in Annexure A. The shares issued under the Urge Acquisition are subject to certain voluntary escrow arrangements as summarised in Annexure A.

Remuneration changes

Following a review conducted by Zip's Remuneration Committee, in conjunction with independent external advisors Guerdon Associates, Zip announces the following changes to the remuneration packages of its co-founders, Mr Larry Diamond, Managing Director and CEO, and Mr Peter Gray, Executive Director and COO, effective 1 July 2020.

Mr Larry Diamond:

- Base salary increased to \$520,000 inclusive of statutory superannuation.
- Long Term Equity added to the value of 50% of base salary (excluding statutory superannuation) delivered through the grant of Performance Rights. Performance Rights equivalent to an amount of \$249,150 will be granted to Mr Diamond in February 2021, subject to shareholder approval at Zip's upcoming Annual General Meeting.

Mr Peter Gray:

- Base salary increased to \$500,000 inclusive of statutory superannuation.
- Long Term Equity added to the value of 50% of base salary (excluding statutory superannuation) delivered through the grant of Performance Rights. Performance Rights equivalent to an amount of \$239,150 will be granted to Mr Gray in February 2021, subject to shareholder approval at Zip's upcoming Annual General Meeting.

The changes have been made as the review concluded that the remuneration packages for Mr Diamond and Mr Gray were significantly lower than the median remuneration packages awarded to senior executives of peer companies.

MediPlan

Zip has also issued today 725,689 fully paid ordinary shares in Zip in connection with marketing and promotional services provided by the MediPlan group of companies. These shares have been issued at a deemed issue price of \$6.89 per share, and Zip does not expect to issue any further shares under this arrangement with MediPlan.

Released approved by the Chief Executive Officer on behalf of the Board.

– ENDS –

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About Zip

ASX-listed Zip Co Limited (Z1P: ASX) is a leading player in the digital retail finance and payments industry. The company offers point-of-sale credit and digital payment services to the retail, home, health, automotive and travel industries. Zip has operations across Australia, New Zealand, South Africa, the United Kingdom and the USA. Zip also owns Pocketbook, a leading personal financial management tool. The company is focused on offering transparent, responsible and fairly priced consumer and SME products. Zip's platform is entirely digital and leverages big data in its proprietary fraud and credit-decisioning technology to deliver real-time responses. Zip is managed by a team with over 100 years' experience in retail finance and payments and is a licensed and regulated credit provider.

For more information, visit: www.zip.co

ANNEXURE A: SUMMARY OF MILESTONE CONSIDERATION AND ESCROW ARRANGEMENTS

Term	Description
Milestone Consideration	<p>The Milestone Consideration amount of up to \$5.5 million is payable by Zip subject to the achievement of certain prescribed milestones ("Milestones"), and if payable will be settled by the issue of up to a maximum of 916,660 fully paid ordinary shares in Zip (the "Milestone Consideration Shares").¹</p> <p>The Milestones are based on the successful implementation, use and commercialisation of Urge's functionality into Zip's global platform.</p> <p>Depending on the relevant Milestone that is achieved, the Milestone Consideration Shares will be issued at either:</p> <p>(a) an issue price of \$6.8439 per Zip share; or</p> <p>(b) an issue price equal to the higher of \$6.00 per Zip share, and Zip's volume weighted average price of its shares on the ASX in the 30 trading days prior to their applicable issue date.</p> <p>The Milestone Consideration may also become payable early as a result of specific acceleration events as documented between the parties.</p>
Maximum dilution	Up to a maximum of 916,660 shares may be issued as the Milestone Consideration. This represents up to a maximum of 0.177% of Zip's issued share capital prior to the date of this announcement. ²
Persons who may receive the Milestone Consideration Shares	The Milestone Consideration Shares will be issued to each of the sellers under the Urge Acquisition (the " Sellers "), in their respective percentage ownership interest in Urge. None of the Sellers are related parties of Zip (although it is noted that the founders of Urge have agreed to become employees of Zip).
One-for-one	Each contractual right to receive a Milestone Consideration Share confers on the holder a right to receive one fully paid ordinary share in Zip.
No rights as a shareholder of Zip	<p>Zip confirms that the contractual rights to receive Milestone Consideration Shares:</p> <p>(a) are not transferrable;</p> <p>(b) will not be quoted on the ASX or any other exchange;</p> <p>(c) do not confer any right to vote at a shareholder meeting of Zip;</p> <p>(d) do not confer any entitlement to a dividend, whether fixed or at the discretion of the directors of Zip;</p> <p>(e) do not confer any right to a return of capital, whether in a winding up of Zip, upon a reduction of capital of Zip, or otherwise;</p> <p>(f) do not confer any right to participate in the surplus profit or assets of Zip upon a winding; and</p> <p>(g) do not confer any right to participate in new issues of securities in Zip such as a bonus issue or entitlement issue,</p> <p>unless and until the applicable Milestone Consideration Shares have been issued.</p>

¹ The maximum number of Zip shares has been determined based on the agreed minimum price of \$6.00 per share. If, when any Milestone Consideration Shares are issued, Zip's share price is less than \$6.00 per share, Zip will be required to pay a 'true up' amount in cash to the Sellers in their original shareholding proportions for this difference.

² Based on Zip having 517,376,118 ordinary shares on issue immediately prior to the date of this announcement. This calculation is on an undiluted basis and does not include the impact of: (a) the shares issued as part of the 'upfront consideration' under the Urge Acquisition; (b) any Milestone Consideration Shares issued under the Urge Acquisition; and (c) any issue of shares on or after the date of this announcement (whether on exercise or conversion of any securities which Zip has on issue or otherwise).

Lapse of Milestone Consideration	The contractual right to receive any Milestone Consideration Shares will lapse on the expiry of the relevant 'milestone period' if the applicable Milestone has not been satisfied. The Milestones must generally be satisfied by no later than 3.5 years after the date of the Urge Acquisition.
Appropriate and equitable	Zip is of the view that the contractual rights to receive any Milestone Consideration Shares are appropriate and equitable as those rights are based on objective criteria (namely the Milestones) and there is a direct nexus between the relevant Milestones and the successful implementation, use and commercialisation of Urge's functionality into Zip's global platform.
Escrow arrangements	<p>The shares issued under the Urge Acquisition are subject to the following voluntary escrow arrangements:</p> <ul style="list-style-type: none"> (a) 50% of the Zip shares issued as the 'upfront consideration' to each Seller will be escrowed from their date of issue and will be released from escrow 12 months thereafter; and (b) 50% of the Zip shares issued as the Milestone Consideration to each founder will be escrowed from their date of issue and will be released from escrow 12 months thereafter. <p>The terms of the escrow arrangements include certain exceptions relating to potential corporate actions.</p>