



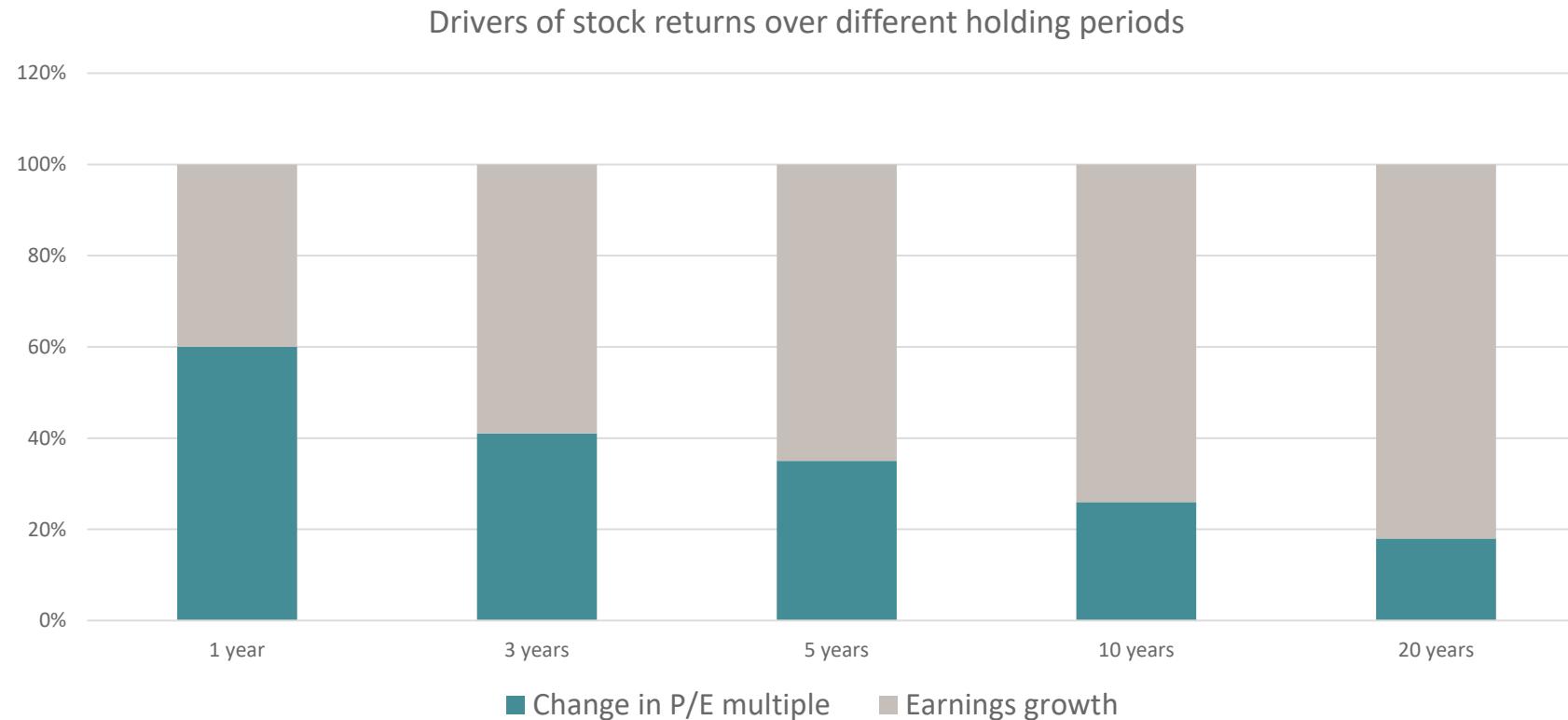
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AFSL: 277737

Regal Funds Management
Morgan Stanley 7th Australia Summit 2025

What are the primary drivers of a share price over a 1-year timeframe?

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In the short term, share prices are primarily influenced by investor sentiment, liquidity flows and shifting market narratives resulting in multiple expansion or contraction (driving ~60% of 1-year equity returns). However, as the investment horizon extends, earnings growth accounts for the vast majority of investment outcomes.

Why we believe Zip's share price has the potential to outperform over the next 12 months

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1. Large TAM & structural tailwinds (superior credit model & underpenetrated) to underpin growth 
2. One of the strongest organic growth profiles on the ASX, potential for near term guidance beat 
3. Strong valuation support with potential for multiple re-rate (currently <14x FY26 cash EBTDA) 
4. Strong balance sheet (>\$200m cash & liquidity, no corporate debt), \$50m buyback underway 
5. Excellent management team 

BNPL is a superior credit model for the modern, digitally native consumer

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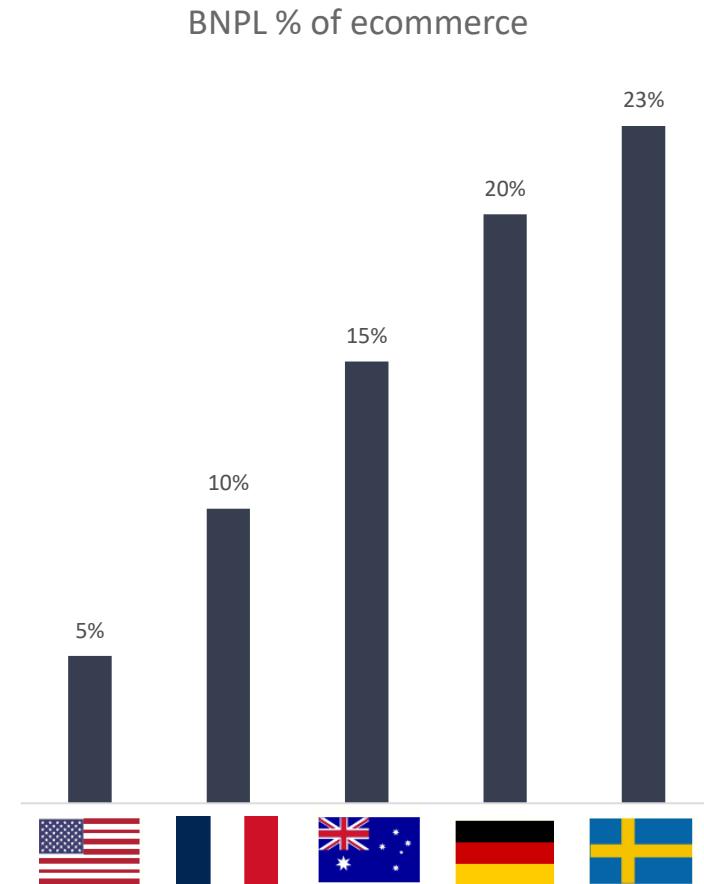
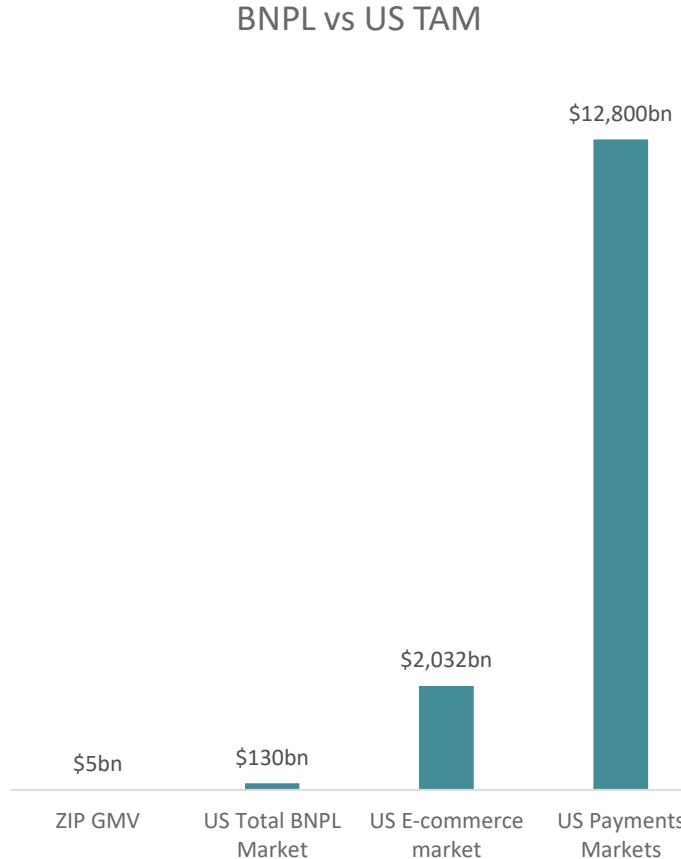
- BNPL is a paradigm shift in how credit is originated (digital checkout), distributed (instant, frictionless) and repaid (simple, transparent fixed term instalments).
- Younger cohorts actively distrust revolving debt and prefer budgeting tools over credit lines. BNPL – embedded in check out and mobile-first – is built for the digitally native.
- BNPL boosts cart conversion and average order value, producing a strong ROI for merchants

Feature	BNPL	Credit cards
Interest charges	Mostly zero or lower interest & transparent	Compounding, opaque APR
Approval process	Digital underwriting = instant, frictionless	Manual underwriting = long forms, credit scores
Repayment transparency	Simple fixed term instalments (pay in 4)	Revolving debt
Fee structure	Merchant-pays model	Consumer-pays model
Customer acquisition	Embedded in checkout, mobile-first	Separate application process
Millennial adoption	High & rising	Declining penetration

Zip has a large, global addressable market that is materially underpenetrated

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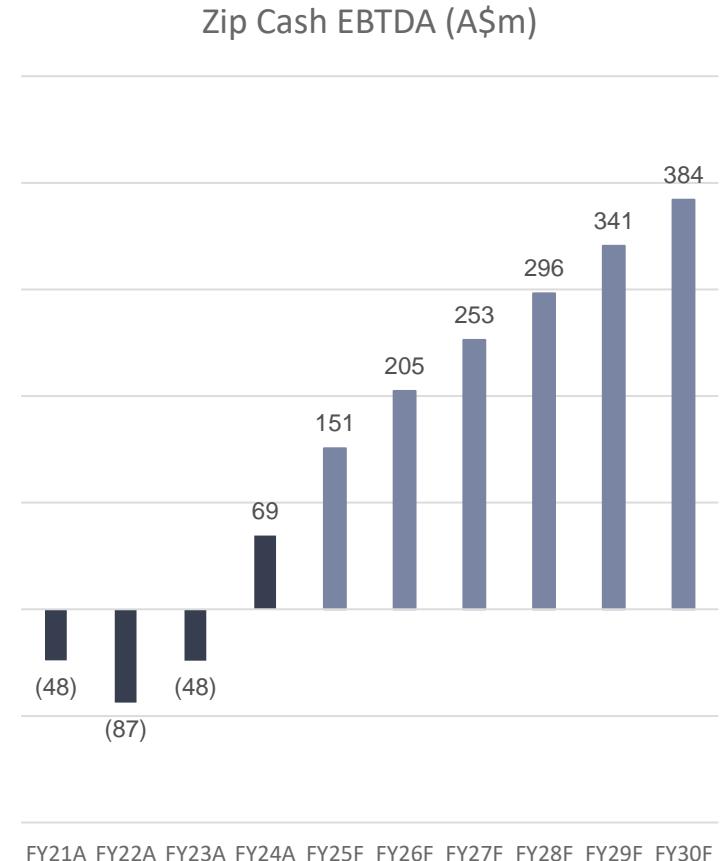
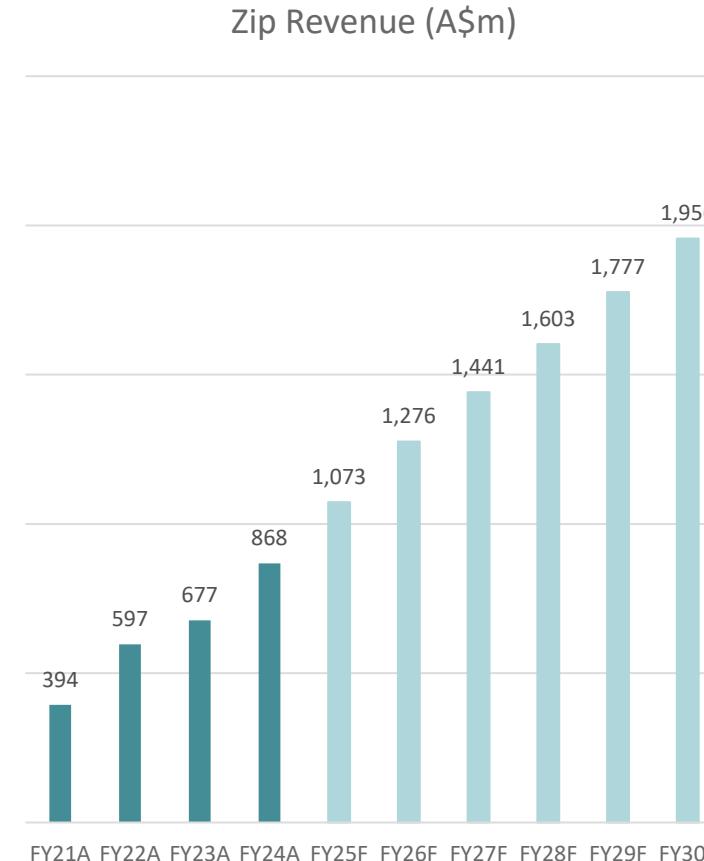
- Buy Now, Pay Later (BNPL) penetration is still low in absolute terms but growing 2-3x faster than credit card balances in most developed markets.
- BNPL represents <2% of total US commerce transaction value (vs ~39% credit card, ~28% debit card, ~19% digital wallet & ~12% cash & other payment products).
- BNPL is only in its infancy from an adoption perspective at ~5% penetrated within US ecommerce.



Strong execution is driving rapid organic revenue growth, resulting in a significant inflection in profitability

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- One of the strongest organic earnings growth profiles on the ASX, underpinned by rapid organic growth in US market
- Scope to beat near term FY25 guidance and longer-term consensus forecasts
- Ongoing robust earnings growth to be underpinned by
 - Continued penetration, particularly in nascent US market
 - New product launches
 - Falling interest rates
 - Operating leverage



Zip's share price performance has materially diverged from earnings expectations in CY25...

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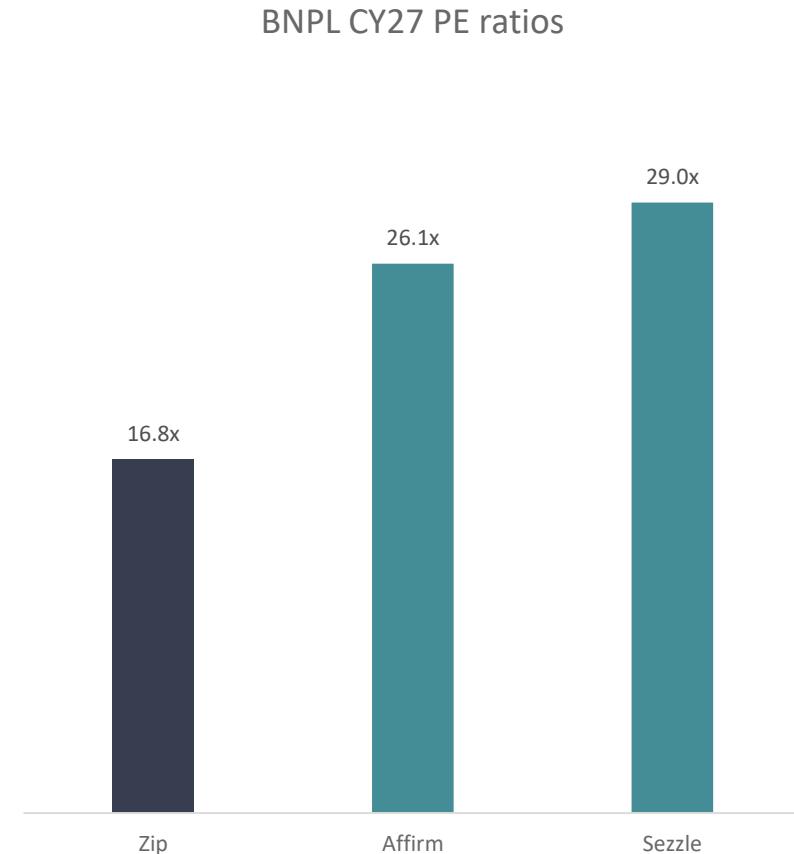
Zip share price (blue) vs 1 year forward EBITDA (white)



Zip's share price has meaningfully diverged from its 1-year forward earnings expectations which have steadily risen over the past >3 years. We believe this 'multiple de-rate' is likely to be temporary (driven by excessively negative investor sentiment and bearish narratives around the US consumer), creating a particularly compelling opportunity at the current share price.

...resulting in Zip currently commanding a historically low multiple and a material discount versus peers

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Where could we be wrong? Bad debts are at the bottom of the target range but we will be monitoring this closely

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Resilient customer base

- Icon: Cash register: Majority of TTV derived from non-discretionary spend with Zip used as a cash flow management tool
- Icon: Document: 98%+ of transactions are repaid in full
- Icon: House: Zip customer skew 25-44s, female, living in the Southern US states balancing work and family
- Icon: Briefcase: Over 90% of Zip customers either work full time, part time or are self employed

Active credit management supports profitable growth

US monthly cohorts, 120-day bad debt performance (% of TTV)



Type of loan	Tenor
BNPL (pay in 4)	6 weeks
Personal loans	12-84 months
Auto loans	~70 months
Mortgage	15-30 years

The short duration nature of BNPL results in quick portfolio turnover, with repayment trends evident after 14 days. Adjustments to the underwriting model and therefore portfolio quality can be made quickly if conditions change. Better data (SKU-level data & real time transaction context) also facilitates transaction level digital underwriting powered by AI models vs. manual underwriting of credit card large, open-ended limits without context.

Conclusion: Zip offers exceptional earnings growth on both a short and long-term basis but is trading on a 'value' multiple

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Exceptional organic growth

- US business growing TTV organically at robust rate of >40%
- Australian business returned to solid double digit TTV growth rates (~13% in 3Q25)

Near term catalyst

- Anticipate near term beat to FY25 cash EBTDA guidance of >\$153m (after interest expenses) and FY26 consensus expectations
- Buyback ongoing, potential for upsizing

Scope for material share price outperformance in next 12 months to be driven by:

- Robust earnings growth profile (>120% cash EBTDA growth in FY25; >35% growth in FY26)
- Upwards revisions to broker consensus
- Potential for improved sentiment to lead to multiple re-rate towards historical/peer multiples

