TRANSCRIPTION

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[START OF TRANSCRIPT]

Operator: Thank you for standing by, and welcome to the Zipco Limited FY26 Results. All participants are in listen-only mode. There will be a presentation, followed by a question-and-answer session. If you wish to ask a question you will need to press the star key followed by the number one on your telephone keypad.

I would now like to hand the conference over to Senior Director of Investor Relations and Sustainability, Vivienne Lee. Please go ahead.

Vivienne Lee: Thank you and good morning, everyone. 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 our respects to elders past and present. This conference call is being webcast and will be made available on Zip's website.

I'm joined today by Zip's Group CEO and Managing Director, Cynthia Scott; Group CFO, Gordon Bell; US CEO, Joe Heck; and ANZ CEO, Soraya Alali. We will start this call with some prepared remarks and then open up for Q&A.

With that, I'll now hand over the call to Cynthia.

Cynthia Scott: Thank you, Viv. On behalf of the Zip team, we're pleased to deliver another year of significant growth and profitability at scale. We exceeded our FY26 guidance with record group cash earnings up 58% to $269 million and US credit losses declining to 1.7% of TTV in the fourth quarter.

These results demonstrate Zip's earnings power and mark our 12th consecutive quarter of group profitability. With strong foundations in place, we see significant opportunities ahead and are well-positioned to deliver our next phase of growth and innovation across both markets.

Slide 5 highlights the strength and reach of our two-sided network. Total transaction volume grew 27% to $16.7 billion as we processed more than 112 million transactions for 6.5 million customers. We leveraged partnerships such as Stripe to accelerate merchant growth with over 97,000 merchants now on our platform.

Turning to the next slide. We delivered material earnings growth at higher margins, underpinned by expanding operating leverage and disciplined unit economics. Credit performance was strong and remained comfortably within our targets as we grew active customers by 9% in the US and returned both ANZ revenue and Australian receivables to growth.

As shown on Slide 7, record cash earnings of $269 million were driven by continued US growth and a doubling in cash earnings in ANZ, which was an outstanding result.

Turning to Slide 8. Since achieving Group profitability in FY24, we've increased our operating margin every year to a record 20%. In FY26, we achieved 420 basis points of operating margin expansion, demonstrating the scalability and earnings power of our business model.

Turning to the next slide. Our FY26 results reflect strong execution against each of our strategic priorities. We strengthened our flywheel by deepening customer engagement and expanding our merchant network. We launched new products and enhanced existing propositions, delivering greater flexibility and value for customers and merchants. Joe and Soraya will cover this in more detail in the regional updates.

At the same time, we continued to invest for future growth by embedding AI across our people, processes, and products, enhancing our core technology platforms to enable new product development, strengthening our funding platforms and lowering funding costs, and returning $150 million to shareholders through on-market share buybacks.

In FY27, we'll maintain our focus on active capital management with the announcement today of new initiatives which Gordon will cover later in more detail, including an additional buyback, proposed share consolidation, and further investment in US growth.

Turning to Slide 10. A key enabler of our next phase of growth is our continued evolution as an AI-powered company. Every Zipster now actively uses enterprise AI tools, helping to automate workflows across almost every area of the business, including merchant onboarding, customer experience, and collections.

AI assists around 86% of code written by our US technology teams and 57% in Australia, accelerating development and speed to market. We have also enhanced customer support through our in-app AI-powered virtual agents, Zia and Zigi, and positioned Zip for the future of agentic commerce through partnerships with Google, Stripe, Visa, and IXOPAY.

Moving to the next slide. We continue to strengthen the foundations for long-term value creation. During the year, we refreshed our sustainability strategy and delivered across our key priority areas, including maintaining strong customer NPS scores of +72 in the US and +76 in ANZ, a group employee engagement score of 79%, achieving female representation of 50% across the Board and Group executive team and 46% across the total workforce, and powering our operations with 100% renewable electricity.

With that, I will now hand over to Joe to cover our US performance in more detail.

Joe Heck: Thanks, Cynthia. The US had another really strong year and importantly, we accelerated top-line growth of a much larger base. Turning to Slide 13. TTV grew 42.5% to $8.6 billion, while revenue increased over 44% to $613 million. The growth we delivered was highly profitable.

Cash earnings grew 51% to $155 million and our operating margin reached 25%. Two things drove that. First, we brought in 394,000 new customers. Second, our existing customers are using us more. Transactions per active customer are now 13.1x per annum, up 23% from 12 months ago. That engagement shows up across the business.

In-store TTV grew 67% and is now 27% of our volume. Embedded finance volumes more than doubled and was our fastest-growing channel. The Pay-in-2 launch has been strong with transactions up 86% quarter-on-quarter in the fourth quarter. And our My Bills feature in-app is now in the hands of half of our customers and supporting recurring spend.

Merchant growth also accelerated, up 25% to over 30,000, with more than 5,200 merchants added through our Stripe integration, alongside enterprise merchants including Temu, Optimum, and Rally House.

Slide 14 speaks to who we serve. The over 100 million hardworking low-to-middle income Americans who are underserved by traditional credit. We serve 4.6 million of them today. What they tell us is that they trust us, and that comes through in our customer NPS of +72.

Moving on to Slide 15. Our Pay-in-Z platform is about giving customers flexibility and choice to manage their cash flows. Pay-in-4 is still our core product and our main way of acquiring customers. Pay-in-8 is leveraged by our customers for bigger purchases like travel, and Pay-in-2 supports customers with small, high-frequency purchases such as groceries and utilities.

Customers are embracing our expanded Pay-in-Z platform, with those using multiple payment options around 4x more engaged than customers only using Pay-in-4. Most of our volumes sit in everyday non-discretionary spend, which tends to see more consistent customer spend through the cycle. Categories we've been deliberately expanding into, such as auto and transport, and health and education, were our fastest growing this year.

Slide 16 shows how we are growing customers and deepening engagement at the same time. On the left, active customers grew 9.3% year-on-year, and we are increasingly acquiring those customers direct-to-app. Our proprietary decisioning models enable us to profitably underwrite our customers while maintaining strong credit outcomes.

On the right, transactions per customer grew 23%, and spend per customer increased over 30%. Our newer cohorts also continue to accelerate their spend over time. This reflects the expansion of Pay-in-Z, uptake of the physical card to transact in-store, and expansion of our merchant network.

Turning to Slide 17. As demonstrated by our performance in FY26, we have a track record of managing loss outcomes to our target range while delivering very strong TTV and active customer growth. Losses reduced to 1.67% of TTV in the fourth quarter, reflecting seasonality, and we managed within our 1.5% to 2.0% target range through the year.

Our ability to control loss outcomes reflects our short duration portfolio of seven weeks and small average order values of $141. We decision every transaction and calibrate risk settings in real-time, meaning we can act quickly if we need to. We continue to see strong customer repayment behavior in FY27. We will continue to manage losses within our target range as we execute our significant growth opportunities.

Turning to Slide 18. We've built strong, trusted relationships with our customers, and as we understand them better, we see additional cash flow needs that fit our capabilities, making it a natural for us to explore expanding the value prop. The broader US consumer backdrop also remains resilient with unemployment relatively steady and real wage growth improving.

For many everyday Americans, the challenge is cash flow timing. Most consumers are paid every two weeks while bills like rent are generally due monthly. That mismatch in timing of income and expenses creates large opportunities beyond BNPL, particularly across bills, income smoothing, and rent.

We already see those same needs in our own customers. 45% use Zip to pay bills, 49% have used an earned wage access or cash advance product, and 60% are renters. That gives us a clear right to play. We already serve these customers across many of their everyday cash flow needs.

Our right-to-win comes from our underwriting experience, first-party data, and scaled distribution. That is what enables the product path on this slide. My Bills is in market and scaling. Income smoothing and the All Access card are in development, and rent is in exploration.

Turning to Slide 19. Here's how that translates into our FY27 priorities, where we're focused on deepening engagement across these new products and services. This year's priorities come down to three things. First, grow the core. Continuing to scale Pay-in-Z and deepening engagement.

Second, expand the proposition into additional cash flow needs as I just described. Third, build the capabilities needed to support a broader multi-product business, including data, underwriting technology in AI. For FY27, we expect US TTV growth of at least 30%, subject to market conditions and July growth was above 30%.

With that, I'll hand it over to Soraya.

Soraya Alali: Thanks, Joe. 2026 was a step change for ANZ. A year of stronger performance, renewed growth and significantly improved profitability.

Turning to Slide 21. You can see that momentum in our results. Cash earnings almost doubled, a standout result, whilst operating margin expanded by more than 750 basis points. Importantly, we delivered these results whilst also returning revenue and Australian receivables to growth, with improved conversion of TTV to revenue.

Three key things stood out. We strengthened digital wallet relevance by establishing a digital credit limit increase capability for Zip Plus, launching new Google Wallet functionality and building a recurring spend hub, giving customers greater control, spending power and more reasons to engage with Zip.

We strengthened our flywheel with more affiliate offers and rewards, adding more than 5,800 new merchants, such as The Iconic, Samsung, and ALDI Solar. We also continued to expand our reach through three new payment platform integrations. We launched our first capital-light product, Z-Mobile, creating new opportunities to deepen customer relationships and lifetime value.

Moving to the next slide. We continue to serve a broad range of customers, everyday Australians, with flexibility, transparency, financial wellbeing and trust featuring strongly in customer feedback. Our financial year '26 result reflected a sharper go-to-market focus. Transaction and spend per customer grew 17% and 15% respectively.

Spending growth was broad-based, from non-discretionary categories like utilities, health, insurance, and groceries, to larger purchases like solar, home improvement and wellbeing. In parallel, we saw growth in our customer satisfaction and advocacy, which translated into record transactions and open-loop spend during Black Friday, Cyber Monday and end of financial year.

Moving to the next slide. At the same time, we've built the capability to support our next phase of growth. We've simplified our systems and processes to enable greater automation and innovation, including the launch of Z-AI, our AI agent creation and intelligence layer. These agents have already been deployed across merchant onboarding and code creation to fraud, collections, and underwriting.

In addition, we recently announced the orderly wind-down of the New Zealand business, reflecting our strategic focus on investing in our Australian business. I would like to take the opportunity to recognise and thank our New Zealand Zipsters for their significant contribution to Zip.

Turning to the next slide. Growth we delivered came with strong underlying unit economics, despite a higher rate environment. Portfolio yield remained healthy, supported by a strong excess spread with year-on-year movement reflecting our product and portfolio mix. Funding costs declined following refinancing outcomes, whilst net bad debts improved. This reflects our ongoing focus on credit discipline, supported by the ability to calibrate the portfolio in real time.

Moving to the next slide. We move into 2027 with a refreshed strategy to capture our significant growth opportunity. Our ambition is to be Australia's homegrown digital challenger delivering everyday relevance beyond finance.

Zip already plays an important role in the lives of millions of everyday Australians. Our opportunity is now to build on that strength, helping more Australians with more of their needs, more often.

The focus is to drive customer and merchant growth, increase engagement, strong cash earnings growth and expanded operating margins and returns. This year we will deliver this in three ways. First, grow our addressable market. We will focus on driving active customer growth in our core credit products while expanding into new capital-light offerings that broaden our proposition and diversify revenue.

Second, strengthen our flywheel through AI-enabled money management experiences, stronger loyalty and rewards offerings and continued expansion across priority verticals. Third, scale smarter through accelerating AI across customer, merchant and internal workflows whilst developing new opportunities in agentic commerce.

We're confident in the opportunity ahead and are well positioned to deliver on our next stage of growth and innovation. I will now hand over to Gordon to cover Zip's financial performance.

Gordon Bell: Thank you, Soraya. I'm on Slide 28 and I'll cover how these results come together at the group level. Full year '26 was another year of strong execution by the whole Zip team with a fantastic group-wide set of results. We exceeded our FY26 guidance metrics and, importantly, continued to grow profitably and expand operating margins, which were a key focus in the full year.

Importantly, we did this while investing in both the core of our businesses and the next phases of Zip's growth through product innovation and strategic initiatives. I'll now step through our group financial results.

Turning to the income statement on Slide 29. We delivered another year of excellent financial performance. Cash gross profit increased 26% to 642 million. Cash EBITDA increased 58% to 269 million. Statutory net profit after tax increased 46% to 116 million. Underlying net profit after tax more than doubled with no one-off items recorded during the year.

Further detail including our constant currency performance is included in the appendices. Moving to unit economics. We delivered over 27% TTV growth driven by a very strong US growth of 42.5% whilst maintaining strong cash net transaction margin of 3.9%, demonstrating the strength of our model in light of base interest rate rises.

Interest expense as a percentage of TTV improved 34 basis points to 1.3%. This reflects lower funding costs following the establishment of a new warehouse facility for 283 million US and the refinancing of more than 2.5 billion of Australian receivables over the past two years at improved margins.

Net bad debts remained well controlled in each region while delivering strong customer growth and in the US with disciplined credit risk management in both markets.

Turning to Slide 31. We paired top-line growth with cost discipline while making targeted investments through the year. We expanded our operating margin by 420 basis points to 20%, an outstanding result. Investment during the year included strategic marketing initiatives across both markets, which drove customer growth and engagement, and AI-enabled tools to accelerate innovation.

Other operating expenses included Fearless Frontiers, our innovation lab, which developed products such as ZMobile and continues to progress capital-light growth opportunities in Australia and guided cash flow management solutions in the US market.

The next few slides, starting with 32, cover the group's liquidity, funding, and capital management. We ended the year with available cash and liquidity of 247 million, significantly higher than the full year '25. This reflects the strength of our cash generation, with operating cash inflows of 257 million after funding working capital, capital expenditure, and receivables growth. Non-operating cash outflows of 148 million primarily reflect our on-market capital management initiatives.

Turning to funding on Slide 33. In Australia, we reduced our cost of funds to 6.4% at period end, while extending the average tenor of the book from 20 months to 28 months. In the US, we established a 2-year, US$283 million warehouse facility in October 2025 at materially lower margins. And, we have mandated underwriters on a new rated ABS transaction in the US, which will refinance the existing US$300 million warehouse.

This transaction has launched, and is targeted to price and close in the coming days, and will set the business really well up leading into the Q2 busy season. Together, these initiatives are expected to further reduce funding costs in FY27, expand capacity for future growth, and continue diversifying and maturing our funding platform.

Our capital management framework on Slide 34 remains unchanged, and guides our approach to maximising long-term value and shareholder returns. Moving to Slide 35. In line with this framework, we completed $150 million of on-market share buybacks in the full year '26, and repurchased shares to minimise the dilution from equity incentive plans during FY26.

As Cynthia mentioned, we've also identified several initiatives for full year '27, including the following: First, we are prioritising additional investment into the US business for the high-returning product development opportunities that Joe highlighted earlier. Second, we're continuing to fund the repurchase of shares to offset equity incentive plan allocations.

Third, we provided notice today for an on-market share buyback of up to AU$50 million. And finally, we're considering a share consolidation, which would be subject to Board and shareholder approval at Zip's AGM in November. A share consolidation would bring Zip's share count to a level more appropriate for a company of Zip's market size and market position.

These initiatives, together with our strong balance sheet and financial results for the year, have us well-positioned to invest in FY27 and continue to drive long-term value for all of our stakeholders.

I'll now hand back to Cynthia to cover the group's FY27 strategy and outlook.

Cynthia Scott: Thanks, Gordon. Now on Slide 37. Over the past 3 years, we've delivered a turnaround in cash earnings of more than 300 million through a focus on sustainable, profitable growth. At the same time, we've significantly strengthened Zip's foundational capabilities and transformed the economics of the business. Entering FY27, the sustained level of strong cash generation enables us to both invest in organic growth opportunities as well as deliver value to shareholders through capital management initiatives.

Our next phase prioritises strategic investment to drive growth and capture the significant market opportunities in front of us. We will focus on two key pillars: Firstly, to compound growth in our core businesses and drive product innovation to unlock new product segments with an exciting pipeline of initiatives underway, as outlined by Joe and Soraya earlier.

And secondly, to invest in the platforms and capabilities that will drive long-term scale. Together with the capital management initiatives announced today, we will continue to appraise opportunities to maximise shareholder returns, including maintaining the option to pursue a US dual listing when it's in the best interest of all shareholders.

Moving to our FY27 outlook on Slide 38. We expect our high-growth US business to deliver very strong TTV growth of at least 30% in US dollar terms from an increasingly larger base. We are targeting a cash NTM range of 3.8% to 4% for the Group. We expect to deliver an increased operating margin of 20% to 22% underpinned by strong unit economics as we realise the efficiencies of scale.

Taken together, we expect to deliver Group cash EBITDA of 340 million in FY27, representing material growth of approximately 26% year-on-year. In closing, consistent execution has built the platform for our next phase of growth. We start FY27 with clear priorities, a strong pipeline of initiatives underway and significant growth opportunities across both markets. Our focus is on continuing to execute with discipline and translating those opportunities into sustainable value for our customers, merchants and shareholders.

On behalf of the group executive team, I would like to thank our incredible Zipsters for their passion and commitment and our shareholders for their ongoing confidence and support. That concludes our formal remarks.

We will now open the call for questions.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speakerphone, please pick up the handset to ask your question. For the sake of time today, we ask that you please ask two questions per person. If you have any further questions, you can rejoin the queue.

Your first question comes from Jonathan Higgins with Unified Capital Partners.

Jonathan Higgins: Hi, team. Thanks for taking the time. Great set of results. Couple from me. So just firstly just on some of the new initiatives. So on the Pay-in-2, can you sort of talk about sort of the penetration on that, the current TTV mix and, also with new products, what that sort of mix allows you to do across the Group?

Cynthia Scott: Yeah, thanks, Jona. Thanks so much for the question. So I will ask Joe to make some additional comments. But just in terms of Pay-in-2, I mean that we really do focus on this as a Pay-in-Z platform, and obviously each of the Pay-in-2, Pay-in-4 and Pay-in-8 drive different customer behavior and deliver a different level of customer engagement.

Pay-in-2 is still very early in its evolution. I think as you would have seen in the in the notes, it was 1% of TTV across the year, but 3% in Q4, but it really is driving engagement. So, I might hand over to Joe. Do you just want to make some comments on that product mix and what each of them is delivering for us?

Joe Heck: Yeah, absolutely. So as we discussed, Pay-in-2 continues to scale. It's available to all of our customer base and what we believe is really rounding out the Pay-in-Z platform, giving our customers access to things that smaller purchases, larger purchases with Pay-in-8, but then also just the core product continues to scale with Pay-in-4. As Pay-in-2 is going to be really important as we scale my bills and other recurring expenses, because it just matches the sequencing.

As we look at some of the new product initiatives, we're excited about deepening engagement. As we mentioned in the speaker notes, these are products our customers already use and we have a very strong level of trust with these customers that we feel confident we can expand that relationship and tap into a bigger-and-bigger TAM within our own customer demographic that we serve well today.

Jonathan Higgins: Okay. And last one from me. Just on the bad debt range, right? You sort of flagged in that range, it sort of took a little bit of pain to get there, but now that we're there, what does being in that range allow you to do? Does it in the context of last year to this year, does the range that sort of drive the TTV growth that you flag through more actives, obviously different products, like, now that we're in the range, what does that sort of give the flexibility to do?

Cynthia Scott: Yeah, thanks, John. Look, that 1.5% to 2% loss range in the US, is consistent with what we had last year and what, how we'll manage the business this year. I think what we demonstrated last year and what we continue to demonstrate is that we are in control of losses and we do have the ability to manage a number of levers to drive top-line TTV growth and customer acquisition and engagement and to deliver a result that is within that 1.5% to 2% range. And that's how we'll continue to manage the business through FY27.

Jonathan Higgins: Thanks, team.

Operator: Your next question comes from Tim Lawson with Macquarie.

Tim Lawson: Hi guys. Thanks for taking my questions. Just in respect to the 30% TT -- or better TTV growth for the US, the absolute number is actually quite similar, like it's around that sort of mid 2.6 bill. Can you can you just talk through any ability you think the business has to sort of do a larger number than that or do all the moving parts sort of end up with a sort of similar absolute level of TTV growth?

Cynthia Scott: Yeah, no, thanks, Tim. So look, once again, we're not going to break down the 30% in terms of where it's going to come from the composition, but it will be a combination of net new customer growth, higher engagement from our existing customers, and driving the different products that we've got in the portfolio, as Joe was saying earlier, Pay-in-2, Pay-in-4, and Pay-in-8. We are, one of the observations I'd make is that, this 30% growth is very strong and we are cycling off very strong comps last year. So we're really confident in our ability to deliver at least 30% growth in our US business this year.

Tim Lawson: Okay. Thank you. And then just in terms of the provisions, obviously below the cash EBITDA line, what are you doing in regard to sort of any overlay and has that changed sort of management overlay to that number?

Cynthia Scott: Yeah, and I'll ask Gordon to take that one. Thanks, Tim.

Gordon Bell: Yeah, hi, Tim. Look, the overlays, we evaluate them every quarter, in line with the accounting standards. I can confirm that in the US, that there's no change to the percentage of overlay there. With a short duration product and the products are behaving, as we would hope, we're very comfortable with the both the outcomes and the provisioning levels in the US.

In the ANZ portfolio, in the last quarter we've had some changes to unemployment, inflation and interest rate expectations, so you would expect the micro-overlay to go up a little bit in ANZ in the last quarter. That's probably contrast with the fact that the Australian business's credit performance in FY26 has been very strong, and the dollar level of write-offs in '26 was lower than '25. So, all in all, the Australian business's percentage of provision coverage is very steady year-on-year.

Tim Lawson: Okay. Thank you. Very clear.

Operator: Your next question comes from Lucy Huang with UBS.

Lucy Huang: Hi, Cynthia and team. I've got two questions as well. The first one in terms of the cash NTM margin guidance, really good outcome, they've held us flat and largely guiding to the same into FY27. Just wondering if you can give us some puts and takes on what could influence that margin range, particularly given that the US is structurally lower than Australia, like what gives you confidence at maintaining a flattish margin profile into next year?

Cynthia Scott: Yeah, no problems, Lucy. You're absolutely right. There's quite a few puts and takes in it. I'll ask Gordon just to walk you through them, but we remain very confident, have high conviction in that range.

Gordon Bell: Yeah, thanks, Lucy. So, some of the puts and takes, you've got, you know, positive positive direction from the refinancing on facilities. There's more benefit coming in the US as we refinance some of the older facilities that that I mentioned. So that that's certainly going to help. There's probably a little bit more coming in ANZ, but we're getting close to, you know, close to the WAMs on those deals that we would expect for a for a credit book of this quality.

So that gives you an insight into the comparability there. And then on the other side, base interest rate rises. You know, you've had 75 points in Australia in the last year, '25 in the US. So, we are conscious of that. That that probably challenges a little bit. And then you've got, you know, credit losses.

Now, you know, we've given our outlook range for the US, that 1.5% to 2%. So, we're looking -- pretty steady there. And as I said, this year, earlier to Tim's question, the ANZ credit book has performed, you know, very, very solidly during the year. So, we've got, you know, a good handle on credit. They're probably the main sort of moving parts.

We narrowed the range because we felt with just another year of performance that that was that was the right thing to do. And with, you know, the potential for interest rate rises in in both markets, we felt that range going a lot higher was probably, a little hard in in the current interest rate yield environment.

Lucy Huang: So, that's really helpful. Thank you. And then just my second question, so the plans around the share consolidation, just any more colour you can think that you can provide to us as to how much you we or what the range of outcomes it would be looking at?

Cynthia Scott: Yeah, no, thanks, Lucy. No, more information, more details in relation to the proposed share consolidation will be available when we send out the notice of meeting, which will be in a couple of weeks. So that and that's ahead of the AGM in November. So, you'll see those details in about in about a month or so.

Lucy Huang: Great. Thank you. Thanks so much.

Operator: Your next question comes from Phil Chippindale with Ord Minnett.

Phil Chippindale: Good morning, team. First question just for Joe. Just on Slide 18, you're talking about a couple of the products that are in development. I just want to ask about the all-access card. Can you just talk a little bit about how that would work and compare it to your pay anywhere offering, please?

Joe Heck: Absolutely. So, our pay anywhere offering is relatively simplistic. It's still a one-time use card, balances loaded and we're able to -- the customer can use it with any merchant, any digitally or in store. Where the all-access card gives more of a persistent number, it's going to allow us to tap into more recurring expenses with a persistent place, but it also simplifies the user experience in store as well. So we are excited about pushing that out even further and giving that access to more and more of our customers.

Phil Chippendale: Okay, thanks. And then my second question probably for Gordon. You guys have started your prioritising additional investment in the US. I'm just wondering if that's going to be a capitalised amount or expense and could you give some sort of quantum as to how much you're looking to in terms of additional investment first?

Cynthia Scott: Yeah, so Cynthia, I'll hand to Gordon. But I mean the additional investment in the US is within the envelope that will deliver that 340 of cash EBITDA. So you will -- you should expect to see the same continued discipline around investments and delivering of operating leverage that you've seen us deliver over the last few years. But Gordon, do you want to make some additional comments?

Gordon Bell: Yeah, that's right. So it's within the 340 guidance for the year, Phil that's point one. Point two is the way we invest, there's no change to the way we look at investments and development.

Joe and the team taking iterative approach and where we see conviction and strong customer feedback, we'll then ramp up. That will determine the level of capitalisation and the accounting treatment. So probably a little early to say until we get through a bit more of the bills there.

What I can tell you on the other side to the other part of your question is there there's no change to the sort of, what I would call, the core capitalisation approach. I think the capitalisation was roughly $22 million, $23 million in full year '26. So no change to the way we do things there to answer your other question.

Phil Chippendale: Okay, great. Thanks for your help. I'll jump back in the queue.

Operator: Your next question comes from Siraj Ahmed with Citi.

Siraj Ahmed: Hi. Just the first one, Cynthia, a bit surprised with the 4Q US TTV slowdown, because I think I think you were tracking above 40 in April and May. So can you just touch on these. And in terms of next year is I know you're not talking about the components, but is it mainly Pay-in-Z that's driving that US growth? Thanks.

Cynthia Scott: Yeah, thanks Siraj. I might ask Joe to give his perspectives on this as well. But it's not so much that we saw a slowdown. It's just in terms of the two things, Siraj. One is the mix of products that we're seeing customers transacting under. And because obviously the higher proportion of Pay-in-8 is going to be a bigger driver just given the higher AOV.

But yeah, so that I mean the main thing was the mix of products and the second thing was the level of customer acquisition, the new customer acquisition driving it. But Joe, did you want to add anything in terms of what we saw in Q4?

Joe Heck: No, I think to just echo what you said, Q4 was a very strong quarter for us and I think we're happy with the results.

Siraj Ahmed: And just in terms of next year's 1.5% to 2% net bad debts, right? I'm just wondering, I mean it's a pretty wide range. But if I compare it to FY26 and you said it's similar to that, but if I if I compare it to FY26 had Pay-in-8 scaling and obviously losses were a bit higher. This year, I mean if you're using Pay-in-2 as a customer acquisition tool. That should be structurally lower bad debts, right? So just keen to understand that range and how you're thinking about that range, right?

Cynthia Scott: Yeah, now you spot on, Siraj. There's quite a few different levers at play within that 1.5% to 2%. If you're comparing it to the FY26 performance, it is important to remember we did have a sort of a structural change in how we were thinking about losses and the loss rate coming into FY26. We also had very strong net new customer acquisition out of Q4 '25 into Q1'26.

And as you'll recall, we also had record growth in TTV in Q1 '26. So we are cycling, as I said earlier, off a very strong comp for Q1. But the combination of all that, we are very comfortable, given the Pay-in-Z product we've got in market today, that we can manage well within that 1.5% to 2% range and still deliver the earnings and the growth that we've guided to today.

Siraj Ahmed: That's helpful. Thank you.

Operator: Your next question comes from Jack Lynch with Taylor Collison.

Jack Lynch: Thanks all and thanks for taking my questions. Just on the Pay-in-2 product, like it's about 3% of the book. Just how does that flow through to your active customer growth? Do you expect that to sort of widen the net for the US as it comes through and we should see an upward lift in active customer growth over '27? Just any comments there would be great. Thanks.

Cynthia Scott: Yeah, thanks Jack. I'll throw to Joe to add some comments, but you're absolutely right. We're really excited about what Pay-in-2 will offer, both in terms of increasing engagement with our existing customer base, but also as a new customer acquisition tool. Maybe Joe, do you want to talk a bit about what we're seeing there?

Joe Heck: Yeah. So it's a really good question. We currently are not using Pay-in-2, just because it's still early days in its history. We're not using it specifically for customer acqui. But I would anticipate as we gain more experience and see the performance across new and active customers, it will be leveraged that way.

What I'm really excited about with Pay-in-2 and the All Access Card is our ability to really deepen engagement on things like My Bills platform. And as we shift to more recurring expenses, even though the dollar amounts are smaller, having more frequency, as can be seen by even what we just reported is, we're up to 13.1 transactions per user and that continues to be a very strong Pay-in-Z chassis for us to build from.

Jack Lynch: Thanks, Joe. And maybe just one for Gordon in terms of the US ACL provisioning. It looks like you've moved to a full coverage on the back book and the front book has almost halved. Just that can mean a few different things. I'm just trying to get a sense of what that means to you guys?

Gordon Bell: Yeah, no, no, thank you. Look, the provisioning in the U.S., predominantly through just the growing receivables book. Yeah, that's the main driver there, and it goes in line with AASB 9 as I called out before. That's the main driver.

Jack Lynch: Thanks, Gordon.

Operator: Our next question comes from Annabel Khun with E&P.

Annabel Khun: Hi, guys. Thanks for taking the questions. Maybe first one on customer growth in the US. Do you have some more feedback on how the recent marketing push has gone, and how we should be thinking about new customer acquisitions into FY27?

Cynthia Scott: Yeah, thanks Annabel. I'll ask Joe to talk a bit about the brand campaign because we were really pleased with the reception that the brand camp -- the national brand campaign received. We're not guiding formally to customer acqui in the U.S., but the sort of management targets that we're looking at, we're sort of thinking about a similar level to last year. So think about sort of high single digits circa 10 area. Joe, do you want to talk a bit about the campaign?

Joe Heck: Absolutely. So as we mentioned, one of the things that we feel is a unique position for us to build from is the position of trust with our customers. This is a customer base that's largely a distrustful of the financial system. They've been hurt by it or burned by something in the past and that trust is a building block for us. So the brand campaign has gone extremely well. I think you can see that in our Q4 numbers, just both in TTV and customer growth and we will continue to build from that in FY27.

Annabel Khun: Thanks. And then my second question, in terms of the US facility refinancing, how should we be thinking about the size of the margin improvement and maybe sort of accommodated on that more stabilised US margin and the credit quality of the book there, maybe just sort of like relative to the Australian like cost of facilities, how we should be thinking about the US?

Cynthia Scott: Yes, thanks. I'll ask Gordon to just give you some comments on that because they are two very different books in terms of the nature of it. Gordon?

Gordon Bell: Yes, great question. So the US refinancing, as I said, we mandated under writers and we have successfully had the deal rated by Fitch and we're pleased to announce that the AAA tranche has been successful and it's the majority of that circa $300 million issuance, as is customary with a lot of companies. We want to cleanse ourselves with results and then we'll move into book builds and pricing in the coming days. So you'll see all that in the in the public markets.

In terms of the evolution there, it's on the same pathway as the Australian business. So, moving from private credit warehouse style funding, which is what we've had to date. This is our first rated ABS deal and then we'll move further into even more mature levels of funding with public securitisations and the like. So it's a really nice stepping stone on that journey as we've seen in the Australian business, which has a very mature and very well regarded public ABS issuance program.

On spreads, the guide we gave last year with the refinancing of the October ‘25 facility is probably still the best guide until we price that deal and as I note, the pricing of that deal will be public, given the market sounding there. We looked at the spread contraction in Australia over about a two-year period from private sort of deals into public deals and that spread contraction was circa 300 basis points.

We would look to have the same spread contraction on this deal when we refinance that $300 million warehouse into this proposed $300 million rated ABS deal. We'll confirm and provide colour on that pricing when the deals closed in the next week or so.

Annabel Khun: Great. Thanks, guys.

Operator: Your next question comes from Julian Mulcahy with RBC.

Julian Mulcahy: Good day, guys. Got just a couple questions for me. Firstly, with the TTV guidance in the US, I know you don't want to bring up break up the components but you just said the customer growth be around sort of 10%. AOV is only been going up a little bit. So that kind of implies that usage needs to jump up another 2 points. Is that sort of 15%? Is that kind of a fair assessment of that, Cynthia?

Cynthia Scott: Well, I mean, as I said before, there are lots of components to it and yes, driving AOV higher, but also driving engagement so that frequency continues to go up is absolutely a focus for us. So yes, it'll be a combination of net new customer growth, a circle that high single digits to 10% area, but also seeing that 13.1x continue to grow because we are we feel very confident that given all of the activities underway in our US business that will continue to grow through FY27.

Julian Mulcahy: All right. But even like with the usage may go up a bit of paying to the AOV goes down a little bit, kind of cancel it out, but you're still expecting pretty strong growth in usage rates?

Cynthia Scott: Yes, we are. Yeah, the frequency will go up and even Joe's earlier comments in relation to the all-access card, we were obviously early to market getting a physical card in the hands of our customers and unlocking in-store. That's very much a focus for us in FY27 to make sure that our customers can seamlessly use their Zip account in-store and online, really where they want and when they want.

Julian Mulcahy: Yeah, cool. And just on the -- yes, sorry.

Gordon Bell: Yeah, the other piece to add, I think the back of your question is the 13.1x is a great result and we're really pleased with that. We've talked before in terms of number of users per year and other products like our Australian products, it's over 20. So we feel there's plenty of runway left in that and that's Joe and the US team certainly have that in their sights. So just to give you an idea of how we how we think about that sort of use case per annum.

Julian Mulcahy: Yeah, cool. And just on the loss rate in the US, do you think because of the seasonality over the year, will be a similar sort of curve to last year? I mean, it'd be good to know so that the market doesn't freak out when it pops up during the sort of seasonal peaks?

Cynthia Scott: Yeah, no, Julian, look, it is a good point and you're right. Like in FY26, the seasonality was a bit harder to see, but typically, yes, losses do go up Q4 into Q1. That is the -- that's the seasonality that we would typically see in the business and we do expect that would be the case this year.

Julian Mulcahy: Thanks, guys.

Operator: Your next question comes from Evan Karatzas with Jefferies.

Evan Karatzas: Hi, morning. Just first one on the cash EBITDA margin guidance for 20% to 22%. It looks like the 2H you're already at 21% 4Q at almost 23%. I know there's a bit of seasonality involved here, but just given the margin expansion you've been delivering the last few periods, can you just maybe talk to some of the puts and takes you're thinking about that for that from that operating margin perspective in FY27?

Cynthia Scott: Absolutely. And I'll ask Gordon to just give a bit more detail, but remember this is a 12-month guide and obviously if we need to change that through the course of the year, we will let you know. But Gordon, do you want to have a chat about?

Gordon Bell: Yeah, that's right. A full-year guide and what I'll also say is that we are balancing the investment needs in the business throughout the next four quarters. We feel really good about the opportunities we've got to invest in both of our businesses and you've heard Joe and Soraya talk to the areas they're prioritising.

They will take investment and through our capital management framework, investing in our high returning businesses is certainly where we want to prioritise some of those dollars, but all within the guidance ranges we've given you. So that's the best way to think about the puts and takes.

Evan Karatzas: Yeah, yeah. Okay, go on. It's a good segue to my next question. Just on the marketing spend and the campaigns there. Can we can we just build on that more from a ROI perspective? You're clearly driving a very strong improvement in ROI from your marketing spend. Can you just elaborate on that with any with any metrics and then just if you're thinking there's more to go in that ROI from a marketing or CAC improvement perspective as well? Thanks.

Cynthia Scott: Yeah, no, let me start by saying that. So, we have still got the same management target that marketing will remain under 0.5% of TTV. So, while we talk about, you know, an increase in marketing, we do very much focus on the ROI from that. And that and that is obviously delivered not only through new customer acquisition, but also higher engagement. And so, we are seeing the results in a positive way of the marketing spend that we have done, delivering on both of those metrics. Gordon?

Gordon Bell: Yeah. And look, I am going to cover the numbers side, and then I am going to ask Joe to talk to the actual campaign because there's some, some great sound bites in terms of how some of the national campaigns have been, been received. I mean, the, the operating margin in the US, you know, this year is the evidence of the ROI there. 25% operating margin in the US is an outstanding result. So, you know, the investment we are putting into that business is certainly, you know, achieving the returns we need. So, that's the number side.

Joe, do you want to talk about the actual campaigns?

Joe Heck: Sure. Yeah, so the actual campaign, I think continues to position the Zip brand as different from other BNPLs. We continue to focus on consumers that are really using us for more cash flow smoothing, and the trust kind of crux of the campaign has been very, very strongly received.

And as we talk about pushing into Pay-in-2, My Bills, additional products and services, we believe this is a foundation that we can continue to leverage and build from throughout FY27. And just a reminder, we continue to be just very, very disciplined in our marketing spend, which has remained at less than 0.5% of TTV.

Evan Karatzas: Yeah, okay. Good one. Well, that's it. Thanks.

Operator: Unfortunately, that is all the time we have for questions today. I will now hand the conference back to Cynthia Scott for closing remarks.

Cynthia Scott: Thank you. And I just want to close by saying thanks everyone for joining us. I suspect there might be more questions, so we will obviously be meeting with a lot of you over the next week or so. But in the interim, if you have got any follow-up questions, just speak to Vivienne in the IR team directly. Thanks everyone for joining.

[END OF TRANSCRIPT]