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zipMoney (ZML)

Speculative

See key risks on Page 8.
Speculative securities may not be suitable for Retail Clients.

A string of recent positive announcements

Recommendation

Buy (unchanged)

Price

\$0.675

Valuation

\$1.31 (previously \$1.27)

Risk

Speculative

GICS Sector

Diversified Financials

Expected Return

| | |
|-----------------------|--------------|
| Capital growth | 94.1% |
| Dividend yield | 0.0% |
| Total expected return | 94.1% |

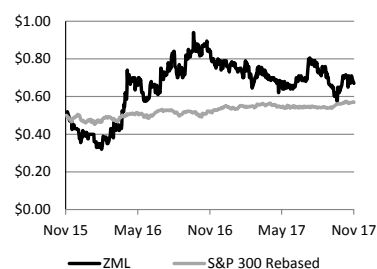
Company Data & Ratios

| | |
|------------------------|------------------------|
| Enterprise value | \$141.8m |
| Market cap | \$160.7m |
| Issued capital | 238.1m |
| Free float | 68.1% |
| Avg. daily val. (52wk) | 246,909 |
| 12 month price range | \$0.555-\$0.865 |

Price Performance

| | (1m) | (3m) | (12m) |
|----------------|------|--------|--------|
| Price (A\$) | 0.64 | 0.76 | 0.85 |
| Absolute (%) | 4.69 | -11.84 | -21.18 |
| Rel market (%) | 3.36 | -16.06 | -29.78 |

Absolute Price



SOURCE: IRESS

Momentum building

ZML appears to be building momentum with a string of recent positive announcements, including its AGM presentation. In addition the trading update provided as part of the AGM suggests ZML is tracking ahead of our expectations when measuring transaction volumes and receivables book size.

ZML has announced three important merchant wins during November with the addition of Kogan (KGN.ASX), Fantastic Furniture, and Quest Payment Systems. Following comments at the AGM, the company also expects a number of additional retail merchants wins before the end of 2Q18, as both ZML and merchants aim to capitalise the influx of sales expected to occur during the holiday period.

AGM and recent highlights

- Receivables book has hit \$200.0m in November, up from \$176.4m at the end of September;
- Transaction volumes in the quarter expected to beat guidance of \$115m, which compares to our revised estimate of \$119.7m;
- Kogan and Fantastic Furniture signed up to offer zipMoney;
- Quest Payment Solutions, which provides transaction facilities to 5,900 merchants, has signed up to offer zipMoney as a payment option; and
- ZML confirmed lower funding costs from refinancing.

Earnings revisions

Following the AGM we have upgraded our underlying EPS by 0.2%, 17.5% and 2.3% for FY18, FY19 and FY20 respectively. However note, the FY19 revision is off a low base (the net change was from EPS of 0.5cps to 0.6cps). Following the changes, our revised Valuation is \$1.31 per share (previously \$1.27 per share).

Earnings Forecast

| Year end June 30 | 2017 | 2018e | 2019e | 2020e |
|------------------------|-------|-------|-------|-------|
| Sales revenue (\$m) | 17.0 | 37.0 | 70.7 | 113.3 |
| EBITDA (A\$m) | -18.9 | -9.4 | 4.2 | 15.4 |
| NPAT (reported) (A\$m) | -20.2 | -11.6 | 1.8 | 10.4 |
| NPAT (adjusted) (A\$m) | -20.2 | -11.6 | 1.8 | 10.4 |
| EPS (adjusted) (cps) | -7.9 | -3.9 | 0.6 | 3.4 |
| EPS growth (%) | n/a | n/a | 129% | -513% |
| Adjusted PER (x) | -8.5 | -17.2 | 114.9 | 20.0 |
| Price/CF (x) | 22.0 | -4.9 | -42.1 | 11.1 |
| EV/EBITDA (x) | n/a | -15.7 | 35.0 | 9.6 |
| Dividend (eps) | 0.0 | 0.0 | 0.0 | 0.0 |
| Yield (%) | 0.0% | 0.0% | 0.0% | 0.0% |
| ROE (%) | -174% | -29% | 4% | 20% |
| Franking (%) | n/a | n/a | n/a | n/a |

SOURCE: BELL POTTER SECURITIES ESTIMATES

Overview

Significant Merchant wins

ZML has announced three important merchant wins during November with the addition of Kogan (KGN.ASX), Fantastic Furniture, and Quest Payment Systems. Following comments at the AGM, the company also expects a number of additional retail merchants wins before the end of 2Q18, as both ZML and merchants aim to capitalise the influx of sales expected to occur during the holiday period. These recent wins continue to highlight ZMLs ability to sign high calibre merchant partnership deals. Key highlights of these recent wins include:

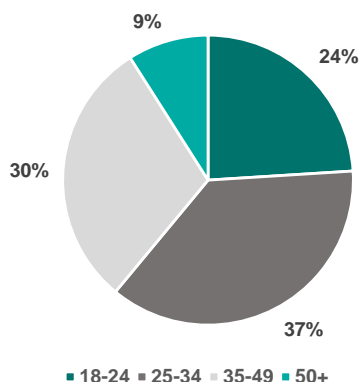
Kogan (KGN.ASX): Australia’s largest online retail platform with a product portfolio of 70,000+ products extending over a range of market segments including; retail, travel, mobile, insurance and internet. Key Kogan statistics include:

- FY17 Sales & services revenue of \$289.5m;
- 5.5m monthly website visits;
- 1m+ active customers; and,
- 6.2m email subscribers

Fantastic Furniture: one of Australia’s leading sofa & bedding manufacturers, with ~77 stores Australia wide. Prior to being taken over in 2016 Fantastic Holding (parent company of Fantastic Furniture) reported FY16 sales of \$543.7m, of which the Fantastic Furniture brand accounted for \$387.2m in sales.

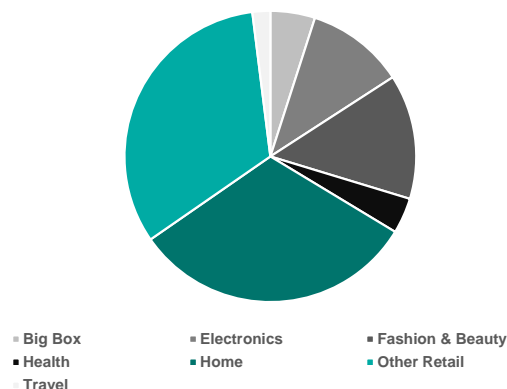
Quest Payment systems: is a Melbourne based manufacturer of end-to-end payment solutions. Quest develops integrated EFTPOS terminals used by a number of retail, hospitality and Convenience/Petrol providers. With ZML integration now available across all of quests POS merchant terminals, this represents a significant step ZML as it looks to further expand its instore merchant reach.

Figure 1 - ZML Customers by age



SOURCE: COMPANY DATA

Figure 2 - Transaction volumes by category



SOURCE: COMPANY DATA

Earnings revisions and assumptions

Earnings revisions

Following the AGM we have upgraded our underlying EPS by 0.2%, 17.5% and 2.3% for FY18, FY19 and FY20 respectively. However note, the FY19 revision is off a low base (the net change was from EPS of 0.5cps to 0.6cps). The company has reiterated that it expects to be largely cashflow breakeven in FY18, with profitability occurring in FY19. Following the changes, our revised Valuation is \$1.31 per share (previously \$1.27 per share).

Figure 3 - Earnings revisions

| Earnings Revisions | FY18e (new) | FY18e (previous) | % Change | FY19e (new) | FY19e (previous) | % Change | FY20e (new) | FY20e (previous) | % Change |
|--------------------|-------------|------------------|----------|-------------|------------------|----------|-------------|------------------|----------|
| Adjust EPS (cps) | -3.9 | -3.9 | 0.2% | 0.6 | 0.5 | 17.5% | 3.4 | 3.3 | 2.3% |

SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 4 - Key assumptions

| Revenue drivers | FY16 | | | | | FY17 | | | | | FY18e | | | FY19e | | FY20e |
|---|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------|--|-------|
| Period end | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 | Jun-18 | Jun-19 | Jun-20 | | | |
| Key assumptions | | | | | | | | | | | | | | | | |
| Receivables (\$m) | | | | | | | | | | | | | | | | |
| New sales (\$m) | 51.5 | 33.0 | 50.2 | 61.0 | 86.4 | 230.6 | 95.1 | 119.7 | 143.2 | 171.3 | 529.2 | 951.5 | 1,407.2 | | | |
| Repayments & other (\$m) | -10.8 | -14.0 | -22.2 | -34.0 | -49.1 | -78.6 | -70.7 | -86.8 | -105.0 | -124.6 | -235.1 | -441.9 | -661.0 | | | |
| Closing Gross receivables (\$m) | 40.7 | 59.7 | 87.7 | 114.7 | 152.0 | 152.0 | 176.4 | 209.3 | 247.4 | 294.2 | 509.5 | 746.2 | | | | |
| Closing provisions for bad debts (\$m) | 1.2 | 1.9 | 2.6 | 3.4 | 4.6 | 4.6 | 4.0 | 5.2 | 6.2 | 7.4 | 7.4 | 13.8 | 20.9 | | | |
| Closing net-receivables (\$m) | 38.1 | 57.8 | 83.0 | 108.5 | 143.8 | 143.8 | 168.2 | 199.0 | 235.3 | 279.8 | 483.6 | 707.4 | | | | |
| Average gross receivables (\$m) | 21.8 | 49.5 | 73.7 | 101.2 | 133.4 | 91.0 | 164.2 | 192.8 | 228.3 | 270.8 | 215.9 | 400.4 | 634.5 | | | |
| Receivables attrition rate (%) | -32% | -28% | -30% | -34% | -37% | -32% | -43% | -45% | -46% | -46% | -45% | -46% | -46% | | | |
| Revenue (\$m)* | 4.3 | 2.7 | 3.8 | 4.6 | 5.3 | 16.4 | 6.6 | 8.0 | 9.5 | 11.4 | 35.5 | 68.2 | 110.4 | | | |
| Revenue / qtrly transaction values (%) | 8.3% | 8.2% | 7.6% | 7.5% | 6.2% | 7.1% | 6.9% | 6.6% | 6.7% | 6.7% | 6.7% | 7.2% | 7.8% | | | |
| Revenue / average gross receivables (%) | 19.7% | 21.8% | 20.6% | 18.2% | 16.0% | 18.1% | 16.1% | 16.5% | 16.7% | 16.9% | 16.5% | 17.0% | 17.4% | | | |
| Other key revenue assumptions | | | | | | | | | | | | | | | | |
| New customers per month (No.) | 9,948 | 9,444 | 18,604 | 26,323 | 34,256 | 88,627 | 34,361 | 37,500 | 37,500 | 37,500 | 146,861 | 140,000 | 120,000 | | | |
| Period end customers (No.) | 35,000 | 63,333 | 119,144 | 198,113 | 300,882 | 300,882 | 403,964 | 516,464 | 628,964 | 741,464 | 741,464 | 1,161,464 | 1,521,464 | | | |
| Average number of customers (No.) | 20,078 | 49,167 | 91,239 | 158,629 | 249,498 | 167,941 | 352,423 | 460,214 | 572,714 | 685,214 | 521,173 | 951,464 | 1,341,464 | | | |
| Average Spend Per Customer (\$0.00) | 2,565 | 671 | 550 | 385 | 346 | 1,373 | 270 | 260 | 250 | 250 | 1,015 | 1,000 | 1,049 | | | |
| Transaction Value (\$m) | 51.5 | 33.0 | 50.2 | 61.0 | 86.4 | 230.6 | 95.1 | 119.7 | 143.2 | 171.3 | 529.2 | 951.5 | 1,407.2 | | | |

* includes establishment fees, merchant fees, monthly account fees, interest payments

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 5 - BDD assumptions

| Period end | FY16 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | FY17 | 1Q18 | 2Q18e | 3Q18e | 4Q18e | FY18e | FY19e | FY20e |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|
| | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 | Jun-18 | Jun-19 | Jun-20 |
| Provisions and Bad and Doubtful Debts | | | | | | | | | | | | | |
| Opening provisions for doubtful debts (\$m) | 0.1 | 1.2 | 1.9 | 2.6 | 3.4 | 1.2 | 4.6 | 4.0 | 5.2 | 6.2 | 4.6 | 7.4 | 13.8 |
| Additional provisions (what's expensed in P&L) \$m | 1.4 | 0.9 | 1.0 | 1.2 | 1.8 | 4.9 | 0.3 | 2.3 | 2.3 | 2.9 | 7.8 | 16.9 | 24.8 |
| Bad-debts written off (\$m) | -0.4 | -0.2 | -0.3 | -0.4 | -0.7 | -1.5 | -0.9 | -1.1 | -1.4 | -1.7 | -5.0 | -10.5 | -17.7 |
| Closing provisions for doubtful debts (\$m) | 1.2 | 1.9 | 2.6 | 3.4 | 4.6 | 4.6 | 4.0 | 5.2 | 6.2 | 7.4 | 7.4 | 13.8 | 20.9 |
| Bad debts (180 days) % | 1.1% | 1.3% | 1.2% | 1.3% | 1.9% | 1.9% | 2.0% | 2.1% | 2.2% | 2.3% | 2.3% | 2.5% | 2.7% |
| Provisions as % of total receivables (%) | 3.0% | 3.2% | 3.0% | 3.0% | 3.0% | 3.0% | 2.3% | 2.5% | 2.5% | 2.5% | 2.5% | 2.7% | 2.8% |

SOURCE: BELL POTTER SECURITIES ESTIMATES

Business overview

zipMoney (ZML) is a disruptive consumer finance and payments company that was formed in 2013 by co-founders Larry Diamond and Peter Gray. The company uses proprietary software to offer interest free and merchant payment services, acting to assess consumers in real-time and in turn integrating customers into a digital wallet offering.

Three arms to the business

zipMoney – zipMoney is the company's flagship product which offers interest free lines of credit (for a minimum interest free period of three months) for customers in both offline and online environments. The service which integrates directly with merchants is estimated to account for the majority of the company's current TV. The key drivers include:

- Revenues are generated through a combination of interest, merchant, establishment and late fees;
- Targeted towards higher value planned purchases, with slightly lower turnover; and
- Target markets include retail, health, travel & education.

zipPay – zipPay is the company's latest product launched in January this year. The product is a no interest ever offering designed to stimulate consumer purchases targeting higher turnover, lower value market segments:

- zipPay's revenues are generated through merchant fees and monthly fees;
- Products are targeted towards lower value, everyday discretionary higher turnover segments; and
- Target market is mainly retail, food and hospitality segments.

Pocketbook – Pocketbook was acquired by the company in September this year for an upfront consideration of \$6m (with a possible earn-out of \$1.5m). Pocketbook is a leading Australian personal financial management app that is targeted at the next generation, the mobile millennial generation. The application has a strong focus on consumer financial wellbeing and integrates directly to your bank account, providing several core features:

- A holistic understanding of a person's financial profile;
- Provides total visibility and helps users track and manage their bills, spending, and savings; and
- Educates consumers and provides simple tools to better manage their finances and achieve their personal goals.

Figure 6 - Business overview



SOURCE: BELL POTTER SECURITIES ANALYSIS & COMPANY DATA

Interim earnings

Figure 7 - Interim earnings

| INTERIM INCOME STATEMENT | | | | | | | | | | | | | |
|--|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/e June 30 (\$m) | 2016 | 1H17 | 2H17 | 2017 | 1H18e | 2H18e | 2018e | 1H19e | 2H19e | 2019e | 1H20e | 2H20e | 2020e |
| Total operating revenue | 4.5 | 6.7 | 10.3 | 17.0 | 15.2 | 21.8 | 37.0 | 30.6 | 40.1 | 70.7 | 51.5 | 61.8 | 113.3 |
| Operating expenses | 3.8 | 6.4 | 12.6 | 19.0 | 12.7 | 13.2 | 25.9 | 13.9 | 14.3 | 28.2 | 16.1 | 18.9 | 35.0 |
| Impairment expenses | 1.4 | 1.9 | 3.4 | 5.3 | 2.6 | 5.2 | 7.8 | 7.5 | 9.4 | 16.9 | 12.1 | 12.7 | 24.8 |
| Reported EBITDA | -0.7 | -1.7 | -5.6 | -7.3 | -0.2 | 3.4 | 3.3 | 9.2 | 16.4 | 25.6 | 23.3 | 30.2 | 53.5 |
| Funding expense | 1.5 | 2.3 | 9.2 | 11.5 | 6.3 | 6.3 | 12.6 | 9.1 | 12.3 | 21.4 | 17.3 | 20.7 | 38.1 |
| Adjusted operating EBITDA | -2.2 | -4.0 | -14.9 | -18.9 | -6.5 | -2.9 | -9.4 | 0.1 | 4.1 | 4.2 | 6.0 | 9.5 | 15.4 |
| Depreciation & Amortisation | 0.6 | 0.5 | 1.4 | 1.9 | 1.1 | 1.1 | 2.2 | 1.2 | 1.2 | 2.4 | 1.3 | 1.3 | 2.6 |
| EBIT | -2.7 | -4.5 | -16.2 | -20.7 | -7.6 | -4.0 | -11.6 | -1.1 | 2.9 | 1.8 | 4.7 | 8.2 | 12.8 |
| Interest earned | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBT | -2.7 | -4.5 | -16.2 | -20.7 | -7.6 | -4.0 | -11.6 | -1.1 | 2.9 | 1.8 | 4.7 | 8.2 | 12.8 |
| Operating income tax expense | 0.0 | 0.0 | -0.6 | -0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.5 | 2.5 |
| Operating NPAT | -2.7 | -4.5 | -15.7 | -20.2 | -7.6 | -4.0 | -11.6 | -1.1 | 2.9 | 1.8 | 4.7 | 5.7 | 10.4 |
| One-off items | -4.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported NPAT | -6.9 | -4.5 | -15.7 | -20.2 | -7.6 | -4.0 | -11.6 | -1.1 | 2.9 | 1.8 | 4.7 | 5.7 | 10.4 |
| Loan receivables | | | | | | | | | | | | | |
| Y/e June 30 (\$m) | 2016 | 1H17a | 2H17e | 2017e | 1H18e | 2H18e | 2018e | 1H19e | 2H19e | 2019e | 1H20e | 2H20e | 2020e |
| Gross loan receivables | 40.7 | 87.7 | 152.0 | 152.0 | 209.3 | 294.2 | 294.2 | 399.0 | 509.5 | 509.5 | 639.5 | 746.2 | 746.2 |
| Closing provisions for bad debts | 1.2 | 2.6 | 4.6 | 4.6 | 5.2 | 7.4 | 7.4 | 10.4 | 13.8 | 13.8 | 17.9 | 20.9 | 20.9 |
| Net customer loan receivables | 38.1 | 83.0 | 143.8 | 143.8 | 199.0 | 279.8 | 279.8 | 379.1 | 483.6 | 483.6 | 606.3 | 707.4 | 707.4 |
| Total ZML cash used in receivable facility | 5.9 | 1.1 | 2.9 | 2.9 | 19.9 | 28.0 | 28.0 | 37.9 | 48.4 | 48.4 | 48.5 | 56.6 | 56.6 |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Key Risks

Downside risks to investment thesis

Key risks for the stock include although are not limited to:

- **Cash flows** – ZML is currently cash flow negative from operations. Although the company's aim is to grow and reach profitability (performance shares to this course) there is no guarantee that the business can reach cash flow breakeven;
- **Bad Debt charges** – Although ZML's loan trust currently in place through Victory Park Capital is non-recourse, ZML holds the first loss position within the trust meaning bad debt charges may affect the financial performance of the business. As an unsecured lender, the company's ability to secure further debt funding may be affected by a poorly performing book driving into the future growth prospects of the company;
- **Managing exponential growth** – ZML is currently growing at an exponential rate. At this time the both the fixed and variable cost base of the company is increasing, and remains difficult to forecast. There are operational, financial and cultural risks that are associated with operating a high growth start up;
- **Integration and Application Programming Interface (API) risks with merchant clients** – ZML uses a proprietary credit and secure website portal with every merchant on boarded. The company must integrate their engine within merchant systems incurring costs and possible technical difficulties. The engine does go down at times and unforeseen technical problems may harm the merchant relationship or affect the customer experience at the checkout;
- **Credit availability** – Macro credit factors may be outside of ZML's control and may inhibit access to credit for the purpose of an SPV. The company raised capital in June 16 for a further warehouse facility, and successfully secured an additional debt funding facility in May 17. ZML will continue to require availability of credit as it grows its receivables book;
- **Regulatory environment** – The regulatory environment for certain types of small unsecured personal loans has been a fluid one. ZML as a regulated credit and financial provider is exposed to any future regulatory changes;
- **Capital structure** – ZML has a complex capital structure, with a variety of performance shares, escrows and options all combining to blur the observable and actual market capitalisation and liquidity of the company;
- **Key Management** – Key management of the organisation owns a significant amount of the company and drives both the strategic direction of the company and the day to day operations. This concentration risk manifests itself at both board and management level; and
- **Market risk** – A prolonged recession, economic crisis/shock, or other factors may lead to a sustained weak market environment have the ability to increase the levels of defaults and adversely affect the earnings potential of the company. In addition, being a listed stock, the share price may be subject to volatility and fluctuations in price.

Table 1 – Financial summary

| zipMoney (ZML) | Valuation (A\$) | 1.31 | Share Price (A\$) | 0.675 | |
|---|----------------------------|--------------|-------------------|--------------|--------------|
| | Recommendation: Buy (Spec) | | Market Cap (A\$m) | 160.7 | |
| INCOME STATEMENT | | | | | |
| Y/e June 30 (\$m) | 2016 | 2017 | 2018e | 2019e | 2020e |
| Total operating revenue | 4.5 | 17.0 | 37.0 | 70.7 | 113.3 |
| Operating expenses | 3.8 | 19.0 | 25.9 | 28.2 | 35.0 |
| Impairment expenses | 1.4 | 5.3 | 7.8 | 16.9 | 24.8 |
| Funding expense | 1.5 | 11.5 | 12.6 | 21.4 | 38.1 |
| Adjusted operating EBITDA | -2.2 | -18.9 | -9.4 | 4.2 | 15.4 |
| Depreciation & Amortisation | 0.6 | 1.9 | 2.2 | 2.4 | 2.6 |
| EBIT | -2.7 | -20.7 | -11.6 | 1.8 | 12.8 |
| Interest earned | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBT | -2.7 | -20.7 | -11.6 | 1.8 | 12.8 |
| Operating income tax expense | 0.0 | -0.6 | 0.0 | 0.0 | 2.5 |
| Operating NPAT | -2.7 | -20.2 | -11.6 | 1.8 | 10.4 |
| One-off items | -4.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported NPAT | -6.9 | -20.2 | -11.6 | 1.8 | 10.4 |
| VALUATION DATA | | | | | |
| Y/e June 30 (\$m) | 2016 | 2017 | 2018e | 2019e | 2020e |
| Adjusted NPAT (\$m) | -2.7 | -20.2 | -11.6 | 1.8 | 10.4 |
| Adjusted EPS (c) | -1.9 | -7.9 | -3.9 | 0.6 | 3.4 |
| EPS growth (%) | n/a | n/a | n/a | 115% | 474% |
| Adjusted P/E ratio (x) | -36.3 | -8.5 | -17.2 | 114.9 | 20.0 |
| EV/Sales (x) | 32.8 | 8.7 | 4.0 | 2.1 | 1.3 |
| CFPS (c) | -5.3 | 3.1 | -13.7 | -1.6 | 6.1 |
| Price/CF (x) | na | 22.0 | -4.9 | -42.1 | 11.1 |
| DPS (c) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Yield (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Franking (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| EV/EBITDA (x) | -68.1 | -7.8 | -15.7 | 35.0 | 9.6 |
| Price/book (x) | 8.5 | 13.4 | 4.6 | 4.6 | 3.7 |
| NTA/share (\$) | 0.07 | 0.00 | 0.11 | 0.11 | 0.14 |
| CASHFLOW | | | | | |
| Y/e June 30 (\$m) | 2016 | 2017 | 2018e | 2019e | 2020e |
| EBITDA | -0.7 | -18.9 | -9.4 | 4.2 | 15.4 |
| Working capital change | -7.2 | 14.7 | -28.7 | -8.8 | 4.6 |
| Change in provisions | 0.1 | 0.2 | 0.3 | 0.0 | 0.0 |
| Interest earned | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Tax paid | 0.0 | 0.0 | 0.0 | 0.0 | -2.5 |
| Other | 7.0 | 10.9 | 0.0 | 0.0 | 0.0 |
| Operating cashflow | -14.9 | 7.1 | -37.7 | -4.6 | 17.6 |
| Capex | -1.4 | -2.7 | -2.2 | -2.4 | -2.6 |
| Investments | 0.0 | -1.9 | 0.0 | 0.0 | 0.0 |
| Asset sales | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Investing cashflow | -1.2 | -4.5 | -2.2 | -2.4 | -2.6 |
| Equity raised | 14.9 | 10.2 | 43.1 | 0.0 | 0.0 |
| Dividends paid | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.8 | 7.1 | 0.0 | 0.0 | 0.0 |
| Financing cashflow | 14.9 | 17.3 | 43.1 | 0.0 | 0.0 |
| Net change in cash | -1.2 | 19.8 | 3.1 | -7.0 | 14.9 |
| Cash at end of period | 7.1 | 19.2 | 18.9 | 11.9 | 26.9 |
| PROFITABILITY RATIOS | | | | | |
| Y/e June 30 (\$m) | 2016 | 2017 | 2018e | 2019e | 2020e |
| EBIT/sales (%) | -61% | -122% | -31% | 3% | 11% |
| Return on assets (%) | -6% | -12% | -4% | 0% | 1% |
| Return on equity (%) | -23% | -174% | -29% | 4% | 20% |
| Dividend cover (x) | na | na | na | na | na |
| Effective tax rate (%) | 30% | -3% | 0% | 0% | 19% |
| LIQUIDITY AND LEVERAGE RATIOS | | | | | |
| Y/e June 30 (\$m) | 2016 | 2017 | 2018e | 2019e | 2020e |
| Net debt/(cash) (\$m) | -13 | -4 | -33 | -34 | -45 |
| Net debt/(cash) (ex SPV)* | -7 | -19 | -19 | -12 | -27 |
| Net debt/equity (%) | -112% | -32% | -81% | -82% | -86% |
| Current ratio (x) | 2.9 | 16.3 | 15.7 | 8.6 | 23.6 |
| INTERIMS | | | | | |
| Half end December 31 (\$m) | 1H16 | 1H17 | 1H18e | 1H19e | 1H20e |
| Operating revenue | 0.8 | 6.4 | 14.6 | 29.4 | 50.1 |
| EBIT | -2.0 | -4.5 | -7.6 | -1.1 | 4.7 |
| Pre tax profit | -2.0 | -4.5 | -7.6 | -1.1 | 4.7 |
| Adjusted profit | -2.0 | -4.5 | -7.6 | -7.6 | -1.1 |
| One-off items | -3.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported profit | -5.0 | -4.5 | -7.6 | -1.1 | 4.7 |
| Interim DPS (cents) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interim Adjusted EPS (cents) | -1.8 | -1.8 | -2.7 | -0.4 | 1.5 |
| Gross loan book | | | | | |
| Y/e June 30 (\$m) | 2016 | 2017 | 2018e | 2019e | 2020e |
| Gross loan receivables | 40.7 | 114.7 | 176.4 | 294.2 | 399.0 |
| Allowance for impairment | 1.2 | 3.4 | 4.0 | 7.4 | 10.4 |
| Net loans receivable | 38.1 | 108.5 | 168.2 | 279.8 | 379.1 |
| Share count | | | | | |
| Y/e June 30 (no.) | 2016 | 2017 | 2018e | 2019e | 2020e |
| W/A shares on issue | 145.1 | 255.6 | 295.2 | 307.5 | 307.5 |
| W/A fully diluted shares | 145.1 | 255.6 | 295.2 | 307.5 | 307.5 |
| *Net debt ex SPV represents total interest bearing liabilities-cash | | | | | |
| BALANCE SHEET | | | | | |
| Y/e June 30 (\$m) | 2016 | 2017 | 2018e | 2019e | 2020e |
| Cash | 7.1 | 19.2 | 18.9 | 11.9 | 26.9 |
| Loan receivables | 38.1 | 143.8 | 279.8 | 483.6 | 707.4 |
| Other receivables | 0.1 | 0.4 | 0.4 | 0.4 | 0.4 |
| PPE | 0.1 | 0.5 | 0.5 | 0.5 | 0.5 |
| Intangibles | 1.5 | 10.6 | 10.6 | 10.6 | 10.6 |
| Other | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total assets | 48.1 | 174.6 | 310.2 | 507.0 | 745.8 |
| Payables | 3.9 | 2.6 | 3.0 | 3.0 | 3.0 |
| Funding facility | 32.3 | 159.3 | 266.2 | 461.2 | 689.6 |
| Interest bearing liabilities (ex SPV) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Provisions | 0.2 | 0.6 | 0.6 | 0.6 | 0.6 |
| Other | 0.2 | 0.4 | 0.4 | 0.4 | 0.4 |
| Total liabilities | 36.6 | 162.9 | 270.2 | 465.2 | 693.6 |
| Net assets | 11.5 | 11.6 | 40.0 | 41.8 | 52.2 |
| Contributed equity | 19.4 | 37.1 | 77.1 | 77.1 | 77.1 |
| Total shareholders funds | 11.5 | 11.6 | 40.0 | 41.8 | 52.2 |

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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Lafitani Sotiriou owns 5000 shares in ZML.

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