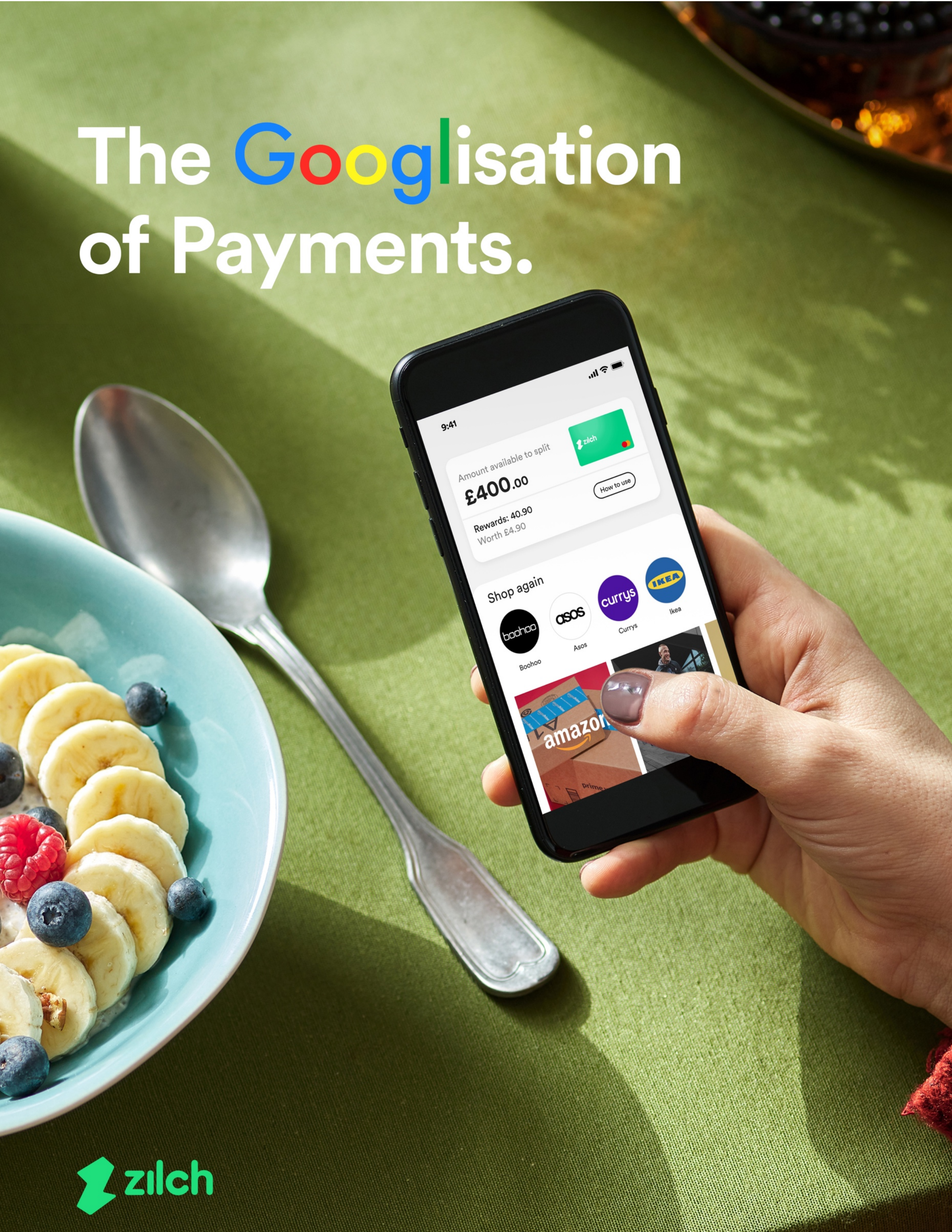
The Googlisation of Payments.



zilch

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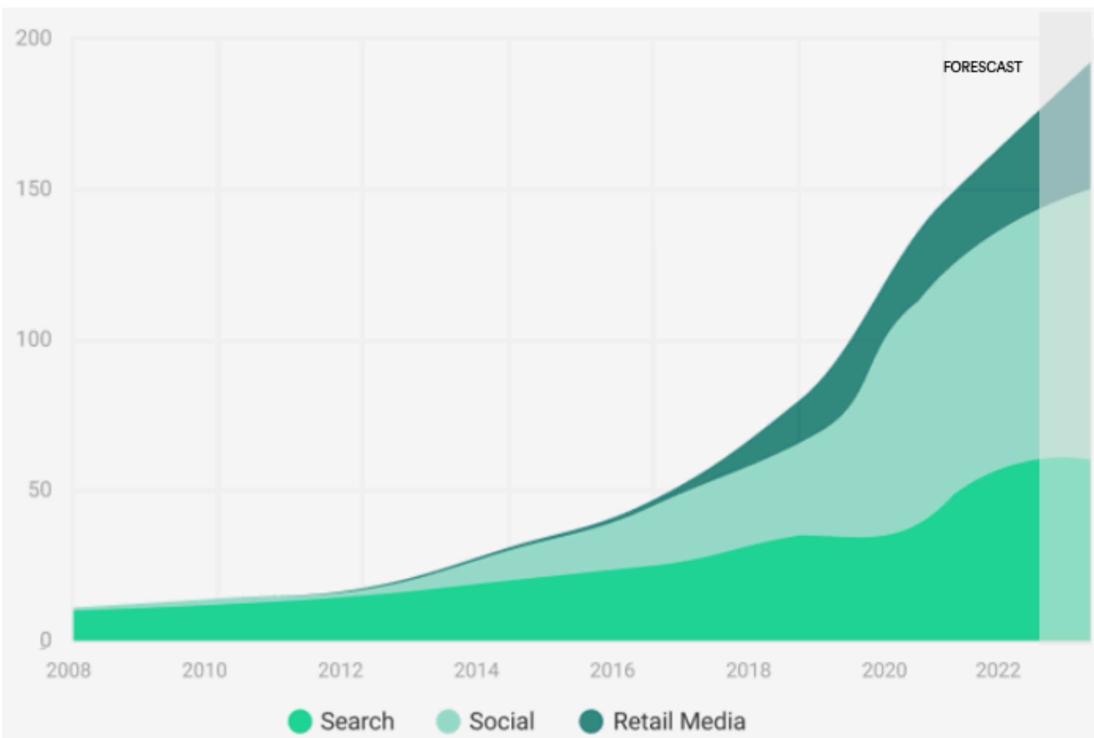
Introduction

The global advertising industry continues to grow at a rapid pace. According to the World Advertising Research Centre (WARC), the global advertising market grew by 24% to a value of $771 billion in 2021 and is expected to **reach $1 trillion in 2025.**

The industry is also continuously evolving through a series of paradigm shifts. Media investment company GroupM's global end-of-year report found that digital advertising accounted for 64.4% of total advertising spend in 2021, up from 60.5% in 2020 and 52.1% in 2019.

Each of these paradigm shifts has enabled the explosive growth of mass-consumer businesses, notably in media first, then in search and, more recently, in social.

DIGITAL ADVERTISING ($bn)



Source: FT, eMarketer, Zilch

With each evolutionary step the industry has grown more sophisticated than before in terms of the ability to precisely reach the right customer, achieve the highest conversion at the lowest price and, most importantly, accurately attribute an outcome to every dollar.

"Half the money I spend on advertising is wasted; the trouble is I don't know which half."

John Wanamaker, US Department store owner

The current, dominant, search and social-based advertising paradigm has fuelled the growth of the internet giants. Alphabet and Meta alone account for approximately half of all digital ad spend.

But **a new form of advertising is set to outpace these goliaths**, laying the foundations for the explosive growth of a new breed of consumer platforms, such as Zilch. It's called **Retail Media**.

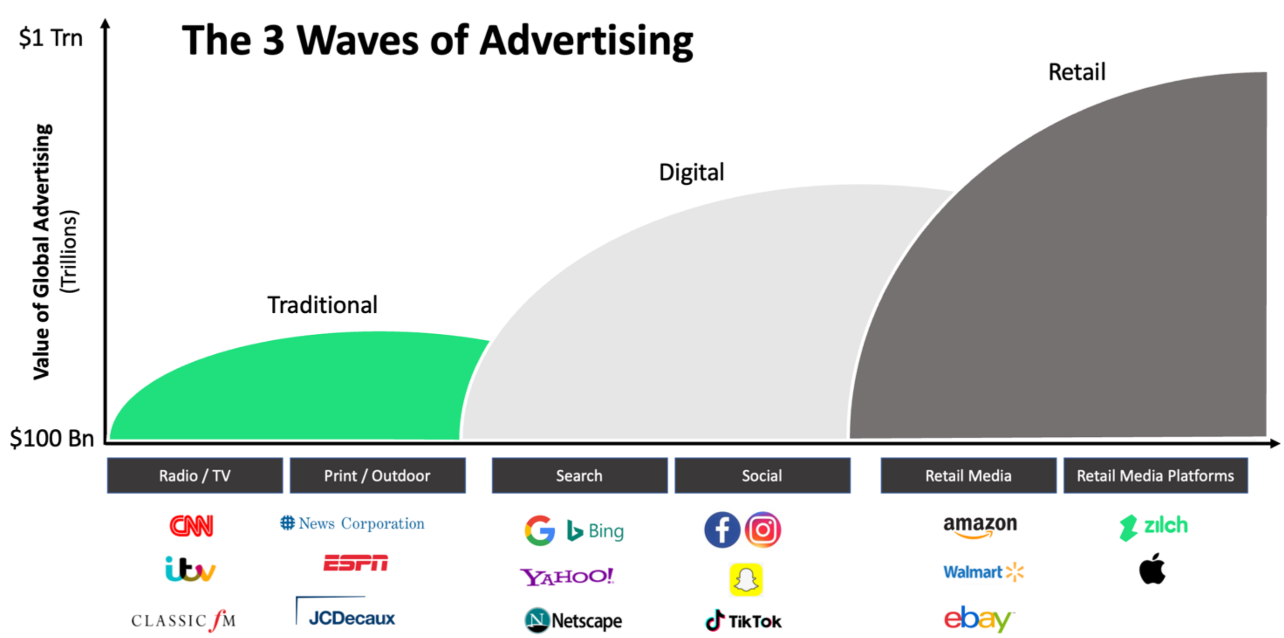
Retail Media is a form of advertising that targets a customer when they are already in a given retailer's environment. In effect, it turns retailers into vendors of advertising services.
All advertising is about driving demand. Retail Media reaches consumers when they are already planning to make a purchase and therefore more receptive to targeted ads. Retailers enjoy the added benefit of a greater ability to measure whether individual adverts converted into sales, in near real time.
This new wave of advertising is already driving billions in revenue for large retailers like Walmart, Amazon, eBay and many others. However, their earnings potential is capped by the number of products they stock and sell.

But a payments product that is used across all customer purchases, online and offline, that could leverage Retail Media would have near unlimited earnings potential. Enter Zilch.

Zilch is the ultimate Retail Media Platform. It has the customers, data and payments capability to deliver:

- **the right customers** to retailers,
- at the **right time**,
- for the **right product**, and to
- **convert the sale** by enabling them to pay.

The Retail Media wave is enabling Zilch to subsidise the cost of credit, discounts, cashbacks, savings and rewards for customers - the Googlisation of Payments.



Source: Zilch

Evolution of Advertising

Wave 1: Traditional Media (TV, Radio, Print, etc)

Media consumption has shifted significantly over the past 40 years. Traditional media brought mass consumer reach for advertisers but offered very little by way of attribution, tracking or targeting. The landscape has since changed beyond recognition, with digital channels now accounting for more than half of total ad spend. The rise of these mediums has come at the expense of more traditional channels such as TV, radio, newspapers, magazines and outdoor as ad dollars continue to flow to digital.

Wave 2: Digital Media (Search, Social)

We started with Search.

First we had Google, founded in 1998, who built ad-revenue on top of 'Search'. Google knew what customers were searching for, which provided an opportunity to offer brands a very targeted, high-intent opportunity to serve an ad and make a sale. You want a new lawnmower? Then retailer A would now have to compete with retailer B to ensure their product was the first one you saw.

Traditionally, media had targeted a broad audience through billboards or television with no real understanding if people seeing the adverts really cared or converted. With Search, targeting, tracking and attribution became far better. Ads were specifically created and targeted based on a customer's search, which provided the opportunity to target customers with higher **intent**. Ultimately this created far greater conversion and return on investment (ROI).

Social brought us so much more…

Then came Meta with the introduction of ad-revenue on top of social media – something that is now so ingrained in our everyday lives that we seldom question it. Adverts evolved from static display or search ads to the emergence of the influencer – an industry that was sized at $1.7 billion in 2016 and is projected to expand to $16.4 billion in 2022.

Attribution was just as good as search but, importantly, social platforms opened the door to even better targeting. The social platforms knew a great deal more about users than search engines could. Users signed up with their hobbies, likes, friends, favourite brands and even locations they'd visited, all of which could be used for better targeting and retargeting.

As an outcome, this meant ads could now be targeted directly to customers based on multiple attributes, not just based on their search. Furthermore, lookalike audiences would allow sellers to target people that looked like those to whom they had already made sales, creating very high-intent inventory and even better conversion and ROIs.

Ad fraud tops $100 billion

However, as the second wave of advertising matured, technology loopholes formed and fraud surged. Statista forecast the worldwide cost of digital ad fraud in 2023 to be $100 billion. Worryingly, that's 3x the $35bn it was just five years ago 2018. A recent article from Wired, reported the ANA as citing ad fraud to be as high as $120bn a year. Shortly after publishing the figure, the ANA retracted it claiming it was out of date. One deduction from that remark is, it just validates and provides credibility to the worryingly high estimates of ad fraud.

Clicks and impressions through search or social are easy to spoof. But when a retailer only pays for successful retail sales, virtually all fraud can be eliminated. This adds to the attractiveness of the latest wave of advertising.

Wave 3: Retail Media (Retail & Consumer Payments Brands)

Apple's $18 billion (per annum) decision

In 2021, Apple changed the game by releasing a new privacy setting that upended the rules of digital advertising on their iOS platform. "You had a whole industry that was predicated on behavioural targeting and measurement, and it's been kneecapped," said Andrew Lipsman, ecommerce analyst at eMarketer.

By limiting an advertiser's ability to drop cookies and track user behaviour, Apple forced them to adapt to the new paradigm of a cookie-less world. They didn't hang around; it came fast. Almost overnight, first-party data - information you have on your customers because you need it to deliver them a service - became the must-have for advertisers. Third-party data, which is information used to target a customer with ads based on data from their activity on a third party site (such as Meta), became exponentially less valuable, by comparison.

Retailers are a major source of first-party data. Accordingly they have seen ad dollar spend shift to them, at scale, as part of the Retail Media wave, from places like Meta, whose effectiveness has dropped due to their heavy reliance on third-party data.

The impact is clear. In August 2022, the Financial Times reported that Facebook, Snap, Twitter and YouTube were estimated to lose $18bn in revenues this year alone from Apple's change. All the while, Apple is quietly expanding its own advertising empire, as reported in both Business Insider and The New York Times.

The Retail Media wave

These same trends are driving more and more ad dollars to Zilch, and to Retail Media more broadly. The 2022 Ecommerce and Retail Media Forecast predicts that global Retail Media spend will likely reach $101 billion in 2022, a 15% year-on-year increase from $88 billion in 2021. By 2027, total global retail media spend will hit $160 billion, representing growth of 60% over five years.

The advantages to advertisers are manifold. Rather than the intrusive banner ads and embedded videos associated with search and social, retailers can promote products organically within their existing UX. Retailers have access to first-party data on what shoppers have previously bought with which they can target ads, rather than third-party data. Conversion is therefore better than search or social, with sellers able to directly target customers based on previous purchasing behaviour, rather than by inference.

This form of direct marketing doesn't rely on cookies and tracking. It doesn't bill on clicks or impressions but rather on direct sales made and, as such, is already comfortably outpacing traditional forms of advertising. eMarketer reports that retailers' ad revenues are almost double those of radio and print combined and rapidly gaining on the $68 billion of ad sales projected for television in 2022.

Amazon is currently at the vanguard of Retail Media. Its recent Q3 earnings report revealed quarterly advertising revenues were over $9.5bn - more than double the sales from its physical stores and greater than all its subscription services (including Amazon Prime, audiobooks and digital music) combined. Five years ago advertising wasn't even a line item for Amazon; instead it was grouped in with other miscellaneous services which together generated less than half the revenue of subscriptions. Furthermore, The Economist reports Amazon is forecast to take **nearly 7% of worldwide** digital-ad revenue in 2022.

But others retailers are catching on. They are finally awake to the fact they have a certain scale of digital attention that **allows them to monetise data**. As a result, many are now making considerable inroads into advertising, especially since the surge in online shopping during the pandemic brought millions more eyeballs to their websites and mobile apps.

Walmart recently reported a **30% jump in its ad revenues** in Q3 2022, driven by the expansion of its US media business, Connect. According to eMarketer's estimates, Walmart is on track to generate $2.2bn in revenues from advertising in the US this year. Speaking to analysts on the company's recent Q3 earnings call, Walmart's CFO cited advertising as **not only faster growing than its main retail business, but also with a higher margin associated.**

Retail Media is enabling Zilch to deliver the Googlisation of Payments

For all its benefits, Retail Media is siloed and only works if the retailer already has a big audience coming to their site.

- What makes Zilch so compelling to all advertisers (small, medium and large) is that **Zilch applies across all commerce** (product and services), brands and stores, both online and in-store. **Zilch is a Retail Media Platform.**
- Furthermore, **Zilch not only has the depth and capability to target by what customers have bought** before, searched and the probability of what they would buy next, but also has the live knowledge of the **financial position of millions of customers** at any given point in time.
- With Zilch's market-leading understanding of any customer's affordability, it is easy for Zilch to understand, **target and present what a customer can afford to buy**. There would be no point showing a customer that loves to buy TVs a new television when they can't afford it.

No other media network today can combine all these factors and attribute sales in real time, both online and offline.

Retailers who want to thrive through the next decade must innovate and get smarter about how they reach customers. Zilch looks at what people are buying every day and integrates seamlessly into their lives. **Zilch is not interrupting their journey.** If they want to buy something online through Amazon, or anything in person at their local Amazon Fresh, Tesco or Aldi, Zilch is there, enabling the journey and passing advertising revenue back to each customer in the form of cashbacks, savings, deals, free credit and discounts.

Zilch is the ultimate Retail Media Platform.

The World's 1st Ad-Subsidised-Payments-Network (ASPN)

Credit, Debit, Savings, Deals, Discounts and Rewards with Retailers, dynamically connected all in one

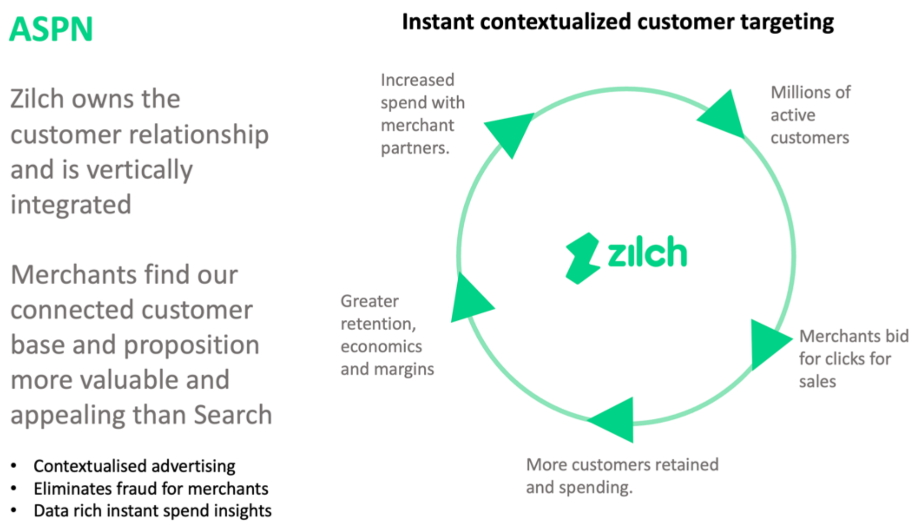
In today's world everyone has multiple cards dependent on how they are trying to spend money. A debit card, a credit card, a charge card, a prepaid card and a savings card (to name a few). How do you give a customer all of that value in one ubiquitous product?

The answer: a virtual Zilch card, supported by our proprietary **Ad-Subsidised-Payments-Network (ASPN – pronounced "*ASPEN*").**

This unique flywheel **allows brands** and product owners (sellers) to pay and **visibly get in front of high-intent, liquid customers right at the point of purchase** – enabling retailers access to a platform of consumers. It provides them with live data and insights and the ability to target customers through their advertising budgets.

By doing this, Zilch's ASPN:

- Generates advertising revenue each time a Zilch customer transacts with their Zilch card, which
- Zilch in turn passes back to the customer (after its share of revenue generated) in the form of market-leading cashback, deals, discounts or free short-term credit.



Source: Zilch

The proof of this value flywheel is in the figures. **The data that Zilch provides to retailers is extremely valuable - more so than targeting people on social platforms** by inferring what a customer may want or like based on others that have purchased and behave like them.

Zilch's customer utilisation figures average 80-100 times a year (per customer), a metric that has been progressively rising over time. By being vertically integrated with customers, much like Tesla, Meta and Google, with a tech stack that includes the very best Open Banking interfaces, **Zilch's ASPN understands what its millions of customers are spending their money on, their personality, their habits and what their purchasing triggers are**. Further, Zilch can push this value to retailers, without imposing on customers at the checkout to fulfil service level agreements.

"We have seen incredible sales growth from Zilch in just two years. A combination of their highly engaged customer audience, customer liquidity, higher average order values and smart use of Open Banking data has made them a crucial partner for every advertiser."

Adam Ross, CEO, Awin

Zilch's mature returning cohort of customers is today using Zilch daily - **sometimes Zilching their payments up to 10-15x a day.** The benefits of such high utilisation are that, combined with Open Banking, Zilch gains unprecedented insights into and clarity over a customer's behaviours. Zilch's relationship and brand equity with the customer is so integrated that Zilch's knowledge of affordability goes to a level unseen in finance until now.

Ultimately, the world around us has changed. Margin pressures are unlike ever before and, as companies have to adapt to continue to deliver the service customers are accustomed to, Zilch's sustainable business model continues to bring value to both customers and retailers.

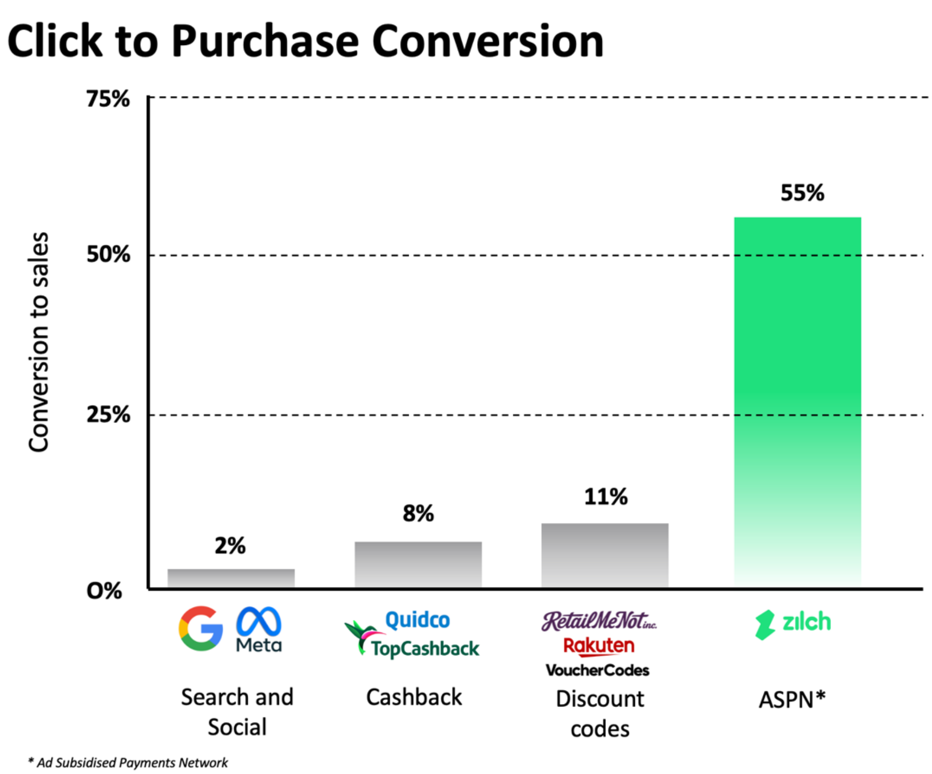
This is because payments is at the centre of the world of commerce – **it's the bullseye on the dartboard of global commerce – but nobody has yet built a global brand in that bullseye.**

In just eight quarters since Zilch launched in September 2020, the advertising ROI results for retailers are compelling. When you **consider e-commerce, average conversion rates are between 1-2%.** Brands that are working on Zilch's ASPN are today converting significantly higher due to its highly engaged audience, intent to purchase and optimised app in the hand of millions of customers. An example of this is British supermarket chain Iceland, which has been working with Zilch for more than two years.

"Since working with Zilch, we have been delighted with the volume and quality of sales from their highly engaged, highly transactable customers, and Zilch is one of Iceland's key affiliates. Most importantly, we are fully aligned insofar as customer-centricity."

Steve North, Iceland affiliates and partners manager

As of 1 December 2022, **Zilch's top 10 retailers convert on average 55.4%, with some as high as 72%.** This means it's converting around 30-70x more than the industry standard of search and social.



Source: Zilch, Google

Closing Statement

Our early thesis around payments subsidised through advertising is proving to be accurate and has created a counter-cyclical business model in a market that's set to be worth more than $1 trillion by 2025.

Loved by our customers and retail partners equally, we have product-market fit with a business that is hyper-scalable and relevant.

Google built a massive ads business on top of Search, Meta did it with Social and Amazon is doing it with Retail. Nobody has done it with Payments - until now.

Philip Belamant
CEO and Co-Founder, Zilch

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Zilch Technology Limited ("Zilch") shares are an investment that is only available to high net worth individuals, and accredited, sophisticated, professional and institutional investors. The principal risk factors relevant to the investment are as set out below. The following risk factors should be considered, but it should be noted that these are not exhaustive and not in any particular order of priority. Zilch Shares, which will be unquoted, involves a high degree of risk and investors should assume that there is a risk that they could lose all of their investment. It may be difficult to obtain information on the current value of the Zilch Shares and, as there is no formal market for them, it may be difficult for Investors to realise their investment. Investors should note that the value of shares can go down as well as up and there is no certainty that Investors will get back the full amount that they invest and may consequently lose some or all of the monies invested. Past performance and the experience of the management team is no guide to future performance and hopes, assumed performance, aims, targets, plans, and financial illustrative returns or intentions contained in this document are no more than that and should not be construed as forecasts. There is no guarantee that Zilch's strategy or trading activities will be successful. The returns from the trading activities undertaken will inevitably vary from the target financial returns set out in our material. Although it is hoped that exit routes will be available, for example via a listing, there is no guarantee that there will be any exit route for Investors. Zilch's business plan depends on the market acceptance of Zilch's service offering. If the products are not accepted as anticipated, this may have a materially adverse effect upon its trading performance and value and ultimately upon the value of Zilch Shares. Any company is vulnerable to performance risk, counterparty credit risk, interest rate risk, market risk, failure of the technology to deliver and provide service on an on-going basis, customer concentration risk and other commercial risks which might impact their performance. Although it is intended that Zilch will be operated so as to minimise such risks, it is possible that an Investor will not get back a part of, or any of, his or her investment. Zilch's future success is substantially dependent on the continuing services and performance of the management team.

No assurances can be given that members of the management team will remain, although Zilch believes the culture and remuneration packages will be attractive and that the directors are committed to Zilch. However, the loss of the services of any of the Directors and other key employees could damage the business. Zilch may also fail to attract the right employees in the right roles and may fail to foster the right culture to retain them. Zilch may seek to raise future funds via debt instruments however there is no certainty that finance will be available at a commercially attractive rate (or at all). In this scenario Zilch may need to raise additional funds by way of further equity investment, which would result in the dilution of any returns anticipated by Investors. The ownership and control of the Company may change and this may present both risks and opportunities for the Company. No compensation fund exists for Investors who lose all or part of their investment in Zilch. As part of Zilch's customer base is overseas, changes in exchange rates may have an adverse effect on its performance, which could impact the value of Investors' investments. Uncertainties arising from international financial and geo-political events in the international markets may have an impact on the value of the investment. Costs may be higher than forecast, exchange rate impacts may be higher than forecast and the model assumes a $1.35 to the £1 which as the money is spent may cost more or less, depending on the exchange rate at the time and the currency weighting of funds raised, funds held and liabilities in different currencies. Zilch may fail to raise sufficient capital, it may not be able to identify the right suppliers and enough volume of certain supplies or services. Zilch may fail to respond to competition adequately, content and technology suppliers may fail to deliver and they may fail to provide the right service levels to consumers. There may be a number of taxation risks, including those related to an international company operating subsidiaries and distribution operations across multiple legal and taxation jurisdictions.

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