



30 April 2021

ZEBIT QUARTERLY ACTIVITIES REPORT Q1 ENDING 31 MARCH 2021

San Diego based Zebit, Inc. (ASX: **ZBT**) (**Zebit** or the **Company**) today released its Appendix 4C – Quarterly Cash Flow Report for the quarter ended 31 March 2021 (**Q1 FY21**) together with a review of its business activities for the same period. The Appendix 4C is unaudited and is expressed in US dollars under US GAAP unless otherwise noted.

Zebit remains on track to deliver its Prospectus revenue forecast for H1 FY21 and full twelve month period from 1 July 2020 to 30 June 2021. The first quarter exhibited strong revenue growth and a significant improvement in contribution margin on the previous corresponding quarter.

Q1 FY21 HIGHLIGHTS¹

- Revenue of US\$26.9M, up 48.8% or \$8.8M vs Q1 FY20;
- Contribution Margin of 14.3%² an improvement from 10.6% during Q1 FY20;
- EBITDA loss of US\$1.4M, an improvement of US\$904K compared to an EBITDA loss of US\$2.3M in Q1 FY20; and
- Net Loss after tax of US\$2.1M compared to a loss of US\$2.9M in Q1 FY20.

Commenting on the Company's performance for the quarter, Zebit CEO and Co-Founder, Marc Schneider said:

“The business performed well in Q1 FY21 after a particularly strong Q4 FY20, which resulted in Zebit beating Prospectus Forecast for FY20. During the first quarter we focused on expanding new acquisition channels, optimizing approval rates, and testing engagement strategies within our eCommerce site. In addition, we strengthened the management team by bringing on board people with extensive experience in driving growth and scaling businesses. Joseph Liu, a veteran executive with 18 years of marketing, product, and general management experience has been hired as Zebit’s first Chief Revenue Officer, together with Dawei Cao as Director of B2C Marketing and Site Optimization, and Michael Tremmel as Senior Director of Supplier Acquisition who will drive increased product selection for our customer base. I am excited about the capabilities and diverse backgrounds they bring to the team.”

¹ All figures presented in USD unless specified otherwise. Q1 FY21 financial information is unaudited.

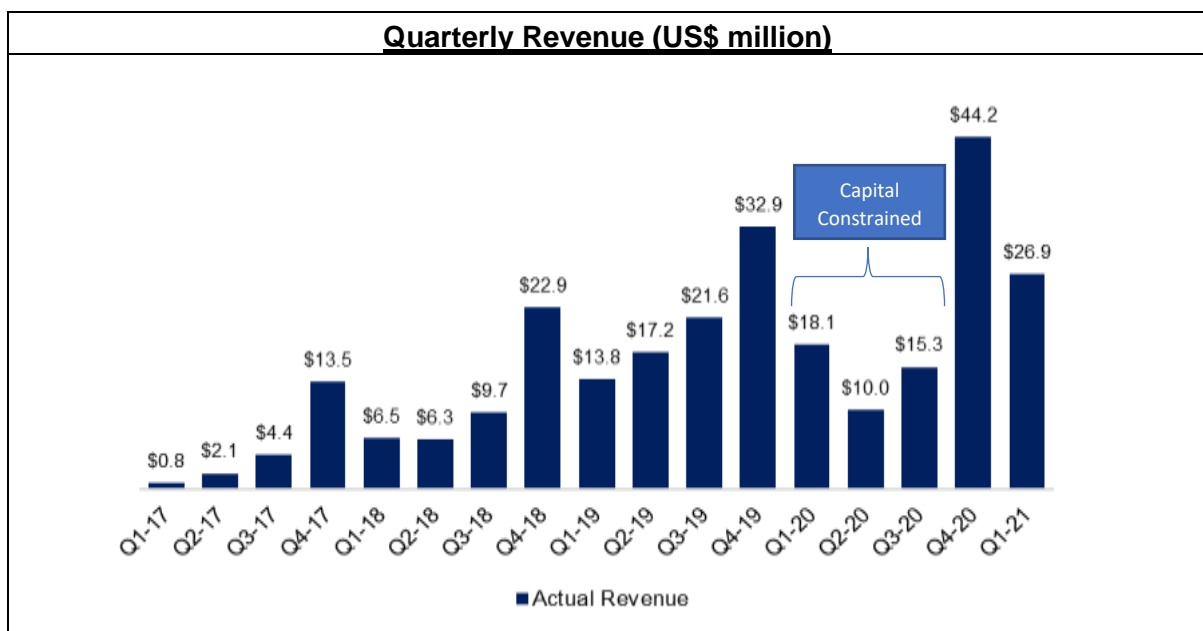
² “Contribution Margin” is Gross Margin less Bad Debt Reserve. “Gross Margin” is the dollar margin, reflected as a percentage, between the price at which Zebit sources a product and the price Zebit charges its consumer for the product including shipping margin and all dropship fees and adjustment. “Bad Debt Reserve” is the proportion of bad debt Zebit expects to take for historical outstanding sales. Refer to Section 6.2.4 of Zebit’s Prospectus for further information.

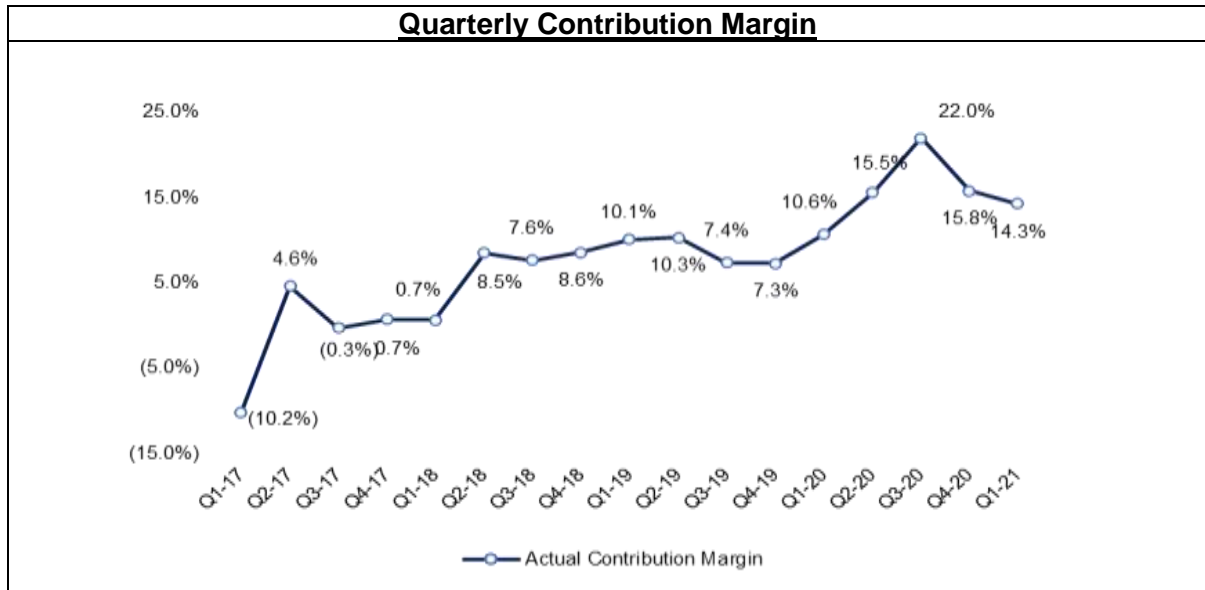


Business Activities Update

Zebit’s key financial metrics improved during Q1 FY21 when compared to Q1 FY20. The following table and charts summarise these key metrics:

	Q1 FY21 (a)	Q1 FY20 (b)	Change (a-b)
Revenue (\$)	\$26.9M	\$18.1M	\$8.8M
Bad Debt (%)	11.1%	16.0%	-4.9%
Contribution Margin (%)	14.3%	10.6%	3.7%
Net Income (\$)	-\$2.1M	-\$2.9M	\$0.8M





Contribution margin expanded during FY20 due to lower credit losses, which stemmed from a heavier mix of revenue coming from tenured repeat customers during COVID, new credit risk models implemented on the platform, and an increase in repayments due to stimulus checks. In FY21, with the expansion of new channels, return to normal operations, and a one-time stimulus received in March 2021, the Company expects Contribution Margin (“CM”) to compress to a more normalized level as outlined in the Prospectus Forecast. This compression is a natural outcome of the Company’s increased marketing spend and efforts to scale new registered user growth.

**Cash Flow**

Pursuant to Listing Rule 4.7C2, the Company confirms that during the period since listing on the ASX on 26 October 2020, its expenditure incurred is in line with the Use of Funds as set out in the Prospectus, with a summary as shown in the table below:

Use of Funds under Prospectus (\$000's)	Prospectus	Q1 FY 21	Cumulative Funds expended to 31 March 2021
Working Capital	\$6,366	-\$2,228	-\$1,756
Marketing Expenses	\$6,645	\$1,904	\$2,905
Active Customer Underwriting & Payment Processing Costs	\$4,196	\$1,227	\$1,752
Offer Costs	\$3,744	\$0	\$651
Repayment of Debt	\$1,609	\$0	\$469
New Employee Compensation	\$848	\$284	\$469
Alternative Capital Raising Expenses	\$750	\$0	\$700
Platform Development	\$343	\$64	\$84
Total	\$24,500	\$1,251	\$5,274

Appendix 4C cash flow comparison Q1 FY21 versus Q4 FY20

Zebit ended Q1 FY21 with a cash balance of \$21.3M, which will continue to fund the Company's growth throughout 2021. For Q1 FY21, cash used in operating activities decreased by \$13.6M to \$1.1M from \$14.7M used in Q4 FY20. The higher Q4 FY20 costs used in operating activities was due to seasonal sales growth related to peak holiday shopping in the United States. Cash generated from Q4 FY20 receivables offset expected working capital needed during Q1 FY21.

A summary of the operating cash outflows can be found below:

- Cost of goods sold were \$22.6M, down \$6.4M from Q4 FY20 due to a natural decline in demand after peak holiday shopping;
- Administrative and corporate costs were \$2.3M, down \$1.7M compared to Q4 FY20 driven by costs recognized during Q4 FY20 primarily related to the IPO and alternative capital raising expenses;
- Advertising and marketing expenses were \$1.9M, up \$204K compared to Q4 FY20 driven by increased marketing spend; and



- Staff costs were \$1.7M, up \$237K from Q4 FY20 driven by new hires to support the growth of the business.

As noted in the Appendix 4C, the Company made payments of \$85K for salaries and benefits to the CEO as a Director of the entity. No other payments were made to any related parties or their associates of the entity.

Investor Conference Call

A conference call will be held on 30 April 2021 at 9.30am AEST.

Participants wishing to ask a question or listen in to the call should register and join via their browser here: <https://s1.c-conf.com/DiamondPass/10013708-kd85a9.html>

Annual General Meeting

Zebit's Annual General Meeting for the year ending 31 December 2020 will be held virtually on 27 May. Details of the time and link to register will be provided in the Notice of Meeting.

Authorisation

This announcement was approved by Zebit's Board.

About Zebit, Inc.

ASX-listed Zebit, Inc. (ZBT: **ASX**) or ("**Zebit**") is a California based eCommerce company that is dedicated to changing the lives of over 120 million U.S. credit-challenged consumers by giving them access to a broad set of products and the ability to pay for those products in instalments over six months. Zebit was founded in 2015 and operates in all 50 States across the U.S.

For more information, visit: <https://zebit.com/>

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Zebit's CHES Depository Interests (CDIs) are issued in reliance on the exemption from registration contained in Regulation S of the U.S. Securities Act of 1933 (Securities Act) for offers of securities which are made outside of the U.S. Accordingly, the CDIs have not been, and will not be, registered under the Securities Act or the laws of any state or other jurisdiction in the U.S. As a result of relying on the Regulation S exception, the CDIs are 'restricted securities' under Rule 144 of the Securities Act. This means that you are unable to sell the CDIs into the U.S. or to a U.S. person who is not a QIB for the foreseeable future except in very limited circumstances after the end of the restricted period, unless the re-sale of the CDIs is registered under the Securities Act or an exemption is available. To enforce the above transfer restrictions, all CDIs issued bear a FOR Financial Product designation on the ASX. This designation restricts any CDIs from being sold on ASX to U.S. persons excluding QIBs. However, you are still able to freely transfer your CDIs on ASX to any person other than a U.S. person who is not a QIB. In addition, hedging transactions with regard to the CDIs may only be conducted in accordance with the Securities Act.