



27 May 2021

ASX Announcement
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CEO'S ADDRESS
ZEBIT ANNUAL GENERAL MEETING
Thursday, 27th May 2021

Thank you, Jim, for your leadership as Chairman and your continued efforts to support Zebit as its largest shareholder. Good morning everyone and thank you for making the time today to attend Zebit's first Annual General Meeting as an ASX listed company. As Jim noted, last year was fraught with uncertainty, and it has been encouraging in recent months to see some progress toward global economic recovery.

Multiple trips to Australia in 2019, coupled with speaking to other CEOs in the US whose companies are listed on the ASX, led me to understand that our IPO would need to be supported by building strong, direct relationships with Australian investors. I knew building those relationships would come through regular communication and transparency regarding our business model, financial projections, and management's ability to execute. It goes without saying that under normal circumstances I would be in Australia for this milestone event in our company's history; however, while international travel is not an option for my team or Board at this time, I am hopeful that we will be able to have face-face meetings later this year.

Our Chairman has talked about Zebit's purpose and what makes it so unique in the e-commerce space. As the co-founder of the business, launching Zebit has been a personal journey and I would like to take a moment to reflect on why we built this company as well as the importance of its core mission to provide both e-commerce and financing to over 120m credit challenged US consumers.

Zebit set out to create a model that no other company had done before and producing a new shopping paradigm is much more difficult than simply building a better model. Investors certainly feel more comfortable with being able to say: "you are just like company A, but you do it this way." With Zebit, we broke the mould.



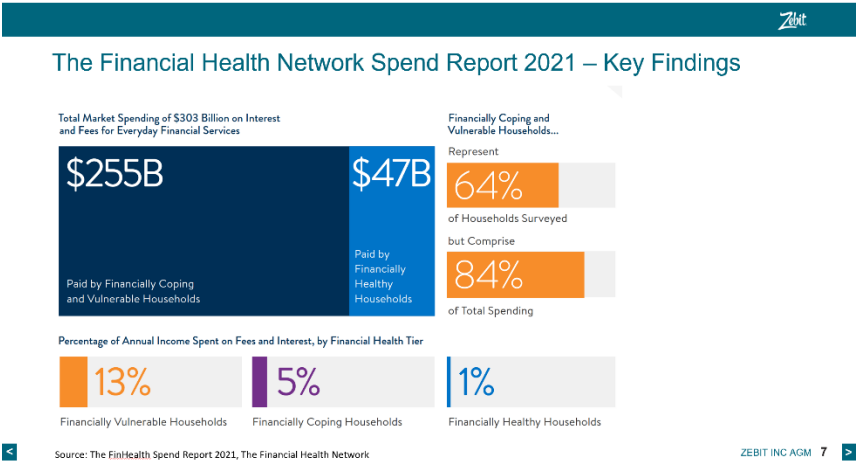
Breaking the mould in e-commerce and credit financing with a new shopping paradigm

Zebit	vs	Legacy Product Financing
Product financing is tailored to customer's risk, income, and/or ability to pay		High cost, limited selection
Products sold to customer at a competitive price		Financing through 'rent to own', 'lease to own' or payday loan costing 2-4 times the retail price
No interest, membership or late fees or penalties, with money earned via the e-Commerce margin		Underwriting heavily supplemented by interest, fees and penalties
Sophisticated assessment of risk through investment in advanced analytics, machine learning models and proprietary data		Revenue from paying customers must exceed losses from non-paying, with fees used to bridge the gap or supplement margin

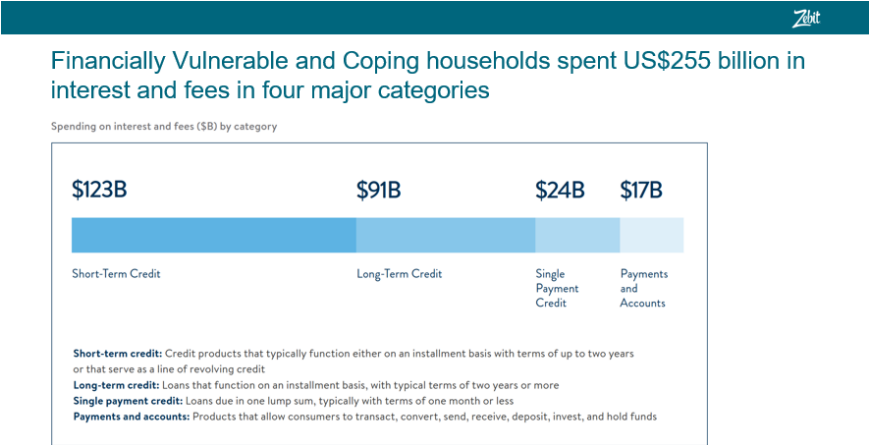
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Traditional lenders in the US have extended high-cost, predatory cash loans to credit-challenged customers for decades, and traditional product financing companies have provided a similar approach in the 'rent-to-own' and 'lease-to-own' spaces, extending credit that costs 2-4X above the retail price across a narrow selection of products. Most underwriting to this credit segment has been heavily supplemented with interest, fees, and penalties. For these models to be successful, revenue from paying customers needs to exceed losses from non-paying ones, and the high interest and fees help offset the rate of failures. The outcome is often financial failure for many customers with the result that they are trapped in a cycle of debt that compounds over time.

This year, the Financial Health Network published an update on their 2020 study that focused on the evolution of the financially underserved market in the US.



The study concluded that approximately “two-thirds of the US population struggles to spend, save, borrow, and plan. Yet those households contribute 84% of total spending on interest and fees for everyday financial services like credit cards, product financing, auto loans, remittances, account maintenance fees, and overdraft charges. They also spend a greater share of their income compared with those who are financially healthy. In 2020, Financially Coping and Vulnerable households spent a staggering US\$255 billion out of a total of US\$303 billion nationwide on interest and fees for everyday financial services. On average, Financially Vulnerable households spent 13% of their income on fees and interest, compared with 5% for Coping households and just 1% for Financially Healthy households.”¹



¹ The FinHealth Spend Report 2021, The Financial Health Network

Of that US\$255 billion spent by Financially Coping and Vulnerable households, almost half or US\$123 billion, was spent on interest and fees for short term credit such as credit cards, secured cards, rent-to-own, and instalment loans with another US\$24 billion in interest and fees for single payment loans with a duration of one month or less. These are the categories which we would describe as reflecting predatory lending practices and is the segment of the US population that we are most focused on providing a fair and ethical consumer credit alternative. Lastly, the report asserted that certain consumer segments, such as Black and Latinx households, are more likely to “utilise high-cost, single payment credit products and other alternative financial services, which is reflective of the economic and racial disparities in accessing mainstream services”. This confirms what we at Zebit already know.



Economic and racial disparities in accessing main-stream credit

- Black households are 2.7 times more likely to use pawn loans and 3.8 times more likely to use payday loans than White households
- Latinx households are 3.1 times more likely to use payday loans than White households
- Low- and medium-income households are 7 times more likely to use pawn loans than higher-income households
- Forty-three percent (43%) of vulnerable households with cheque accounts report having gone into overdraft in the past year, with each household having an average of 9.6 overdrafts



Source: The FinHealth Spend Report 2021, The Financial Health Network

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- That Black households are 2.7 times more likely to use pawn loans and 3.8 time more likely to use payday loans than White households, while Latinx households are 3.1 timesmore likely to use payday loans than White households;
- That low- and medium-income households are 7 times more likely to use pawn loans than higher-income households and
- That forty-three percent (43%) of Vulnerable households with cheque accounts report having gone into overdraft in the past year, with each household having an average of 9.6 overdrafts.”²

The conclusions within this year’s updated report continue to reinforce the notion that there is a systemic issue that has been facing US credit-challenged consumers for decades. In fact, there is nothing new reported here, other than the lack of innovative business models to address the challenges these consumer face. However Zebit was founded to address exactly this problem and we are well on our way to doing just that.

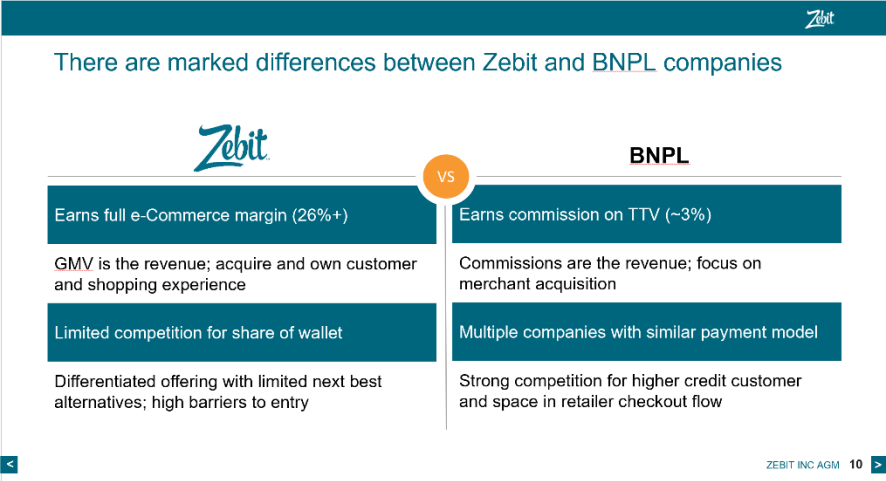
Let me give you some background on our journey to date. Before Zebit, I spent 10 years working for e-commerce and fintech companies domestically and abroad. These were businesses that used advanced analytics to offer innovative products to consumers, and that experience gave me insight into how to serve credit challenged consumers in the US. In 2015, I asked myself if there was a business model that could offer consumers access to products at fair prices with the ability to finance part of the purchase over time. I came up with several ideas with my co-founder, but we landed squarely on the intersection between e-commerce and credit. We believed this provided the best product and market fit to address the systemic issues facing 47% of the US adult population that has limited access to credit either because these consumers have no credit score or have experienced volatility in their lives contributing to an impaired credit score.

We had to determine whether we could transform inherently risky customers into reliable shoppers and repayers by providing them a product and credit offering that was fair and that aligned with their needs. In order

² The FinHealth Spend Report 2021, The Financial Health Network

to accomplish this, we knew we would have to provide a first-class e-commerce experience and develop a very granular view of risk at the first point of customer interaction as well as throughout the shopping experience and each attempted purchase. To create such granular views of risk, we invested heavily in developing proprietary databases, advanced analytics, and machine learning models. After six years in business, we have demonstrated that we can turn a risky customer into a reliable shopper with low expected credit losses. That is clearly evidenced in our FY20 results.

But before I take you through those, I'd like to make a couple of comments about the Buy Now Pay Later space.



Because our customers repay the credit we provide them in instalments over 6 months, market commentators have been tempted to view us as part of that new wave of disruptive intermediation principally targeted at the predatory pricing of credit card providers. The reality is that our business model is very different on several levels.

First of all, we operate an e-commerce business and derive our revenue, and ultimately our profit, from the margin between our cost of goods sold and the retail price on our products. BNPL contracts with thousands of retailers to offer a payment service for the products bought by their customers and they receive a commission of around 3% for providing that service. Their relationship is primarily with the merchant, while ours is with the customer. We are the only e-commerce business offering finance to a segment of the US population that has been denied access to traditional forms of credit. BNPL is operating in an increasingly crowded marketplace competing for space in merchant carts of those customers with credit cards or access to affordable credit. For Zebit, the relationship with the customer is everything and I believe it is that which will drive not only the growth but the profitability of this business.

FINANCIAL AND OPERATIONAL PERFORMANCE



Last year was an incredibly tough and taxing year for our employees and me. After a strong year of growth in 2019, we entered 2020 with optimism and a direct line of sight to an IPO in May. When COVID hit in March, everything changed. We acted swiftly and dampened growth significantly, reduced our workforce by 1/3 and, from the end of March to September, managed the business for cash. For example, we sharply decreased customer acquisition during that period to give us time to get the business positioned for the reopening of the IPO market. The new injection of capital in late October came at the right time, enabling us to rejuvenate the workforce, deliver some certainty back into the business, and return to a growth trajectory.

Zebit was able to achieve record revenue in the fourth quarter of 2020 of US\$44m, a Contribution Margin of 15.8%, Bad Debt Reserve of 9.4%, and a net loss of \$2.4M in that period. As you know, we created an aggressive 12-month Prospectus Forecast and to date have exceeded that for the period ending 31 December 2020.

As reported in our first quarter Trading Update to the market in late April, we saw solid performance again across Revenue, Contribution Margin, and EBITDA. Based on this result, we are on track to meet or exceed our remaining Prospectus forecast which is for the six months to 30 June 2021. I hope this will provide further evidence to the market that we understand our market and increase investor confidence in both the model and management team.

OUTLOOK

2020 was not a typical year given that for six months management took its foot off the accelerator and effectively marked time until we could access the capital needed to grow the business. As our results from the past two quarters show, we are back on track, and I believe the best is yet to come. Zebit is now positioned to drive strong growth. As we continue to grow, our focus is coupled with attention to the optimisation of our business

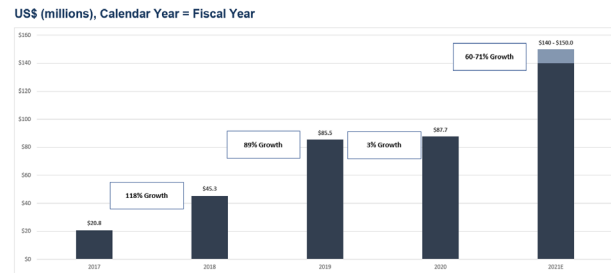


This includes expanding Zebit’s reach into new marketing channels like TV where we launched our first set of commercials in mid-April as well as B2B channels and partnerships. We will also be working on increasing approval rates of new customers applying for Zebit and engagement rates of customers across their life cycle. These are powerful factors to accelerating the scale of the business. In this context, we’re excited to announce our drop-ship partnership with a Unilever subsidiary that allows us to offer everyday grocery items to customers. This is a full and deep assortment of dry goods, frozen, and eventually refrigerated goods that will be delivered direct to the consumer’s home. This category alone allows us to capture more of the lifecycle purchases for our customer base, making our relationship even deeper and stickier. Finally, we will be increasing the marketing spend later in the year as well as a continued investment in our people and platform to handle the increasing scale of the business.

As we move into the second half of 2021, I want to provide some guidance on how we see the business tracking through to the end of 2021.

Zebit FY21 Guidance

- On track to meet or exceed 1H21 Prospectus forecast
- Revenue for FY21 expected to be between US\$140-150 million (+60-70% on FY20)



To that end, we are committing to US\$140M - \$150M of revenue which represents ~60%-70% growth YoY compared to 2020. While there is always the possibility to exceed this forecast, given Q4 is a material part of the business, management and the Board are comfortable providing this initial guidance, given continued uncertainty related to COVID-19, vaccination rates, unemployment rates, and a return to more normalcy compared to prior years.

In closing, I want to assure you we remain focused on creating long-term, sustainable shareholder value in this exciting sector. Our customers have given us the opportunity to serve them, which reinforces our dedication to the mission of building a purposeful business that grows responsibly and makes a social difference. On behalf of my management team, I thank you again for your interest and continued support of Zebit.

Authorisation

This CEO's Address was approved by Zebit's Board.

About Zebit, Inc.

ASX-listed Zebit, Inc. (ZBT: **ASX**) or ("**Zebit**") is a California based e-commerce 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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