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## **Update – 2Q21 and Performance vs Prospectus Forecast**

This presentation is authorised for release on the ASX by the Board | 29 July 2021



*Business Overview*



*Financial Performance*



*2H21 Outlook*

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**Zebit**<sup>TM</sup>

Mission-driven e-commerce company providing U.S. credit-challenged consumers with one-stop shopping and 6-month financing with no interest, hidden fees or penalties

### Large Consumer Segment Served by Legacy Predatory Options

- Multibillion<sup>1</sup> dollar market opportunity with ~120m consumers excluded from mainstream credit
  - ✓ ~74% of the population lives paycheck-paycheck
  - ✓ ~47% of U.S. adults have an impaired or no credit score
- Limited competition other than high cost predatory product financing options
- Ripe for disruption

### High Growth with Consistent Execution Against Financial Targets

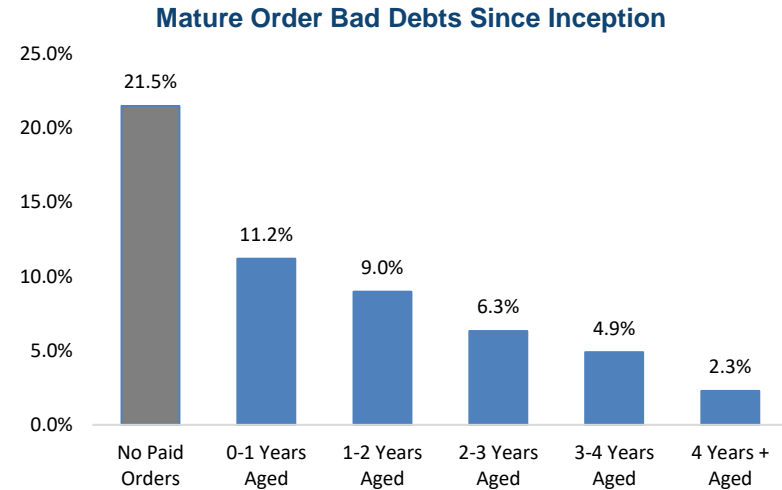
- Founded in late 2015 and HQ in CA
- ~US\$75m in equity capital raised
- IPO on ASX in late Oct-20
- US\$35m debt facility
- Experienced management team and Board skilled in eCommerce, lending, credit risk, and disruptive market models

<sup>1</sup>Per Industry Overview found on page 36 of the Zebit Prospectus

# Proprietary credit models and product structure transform credit-challenged customers into lower risk, repeat shoppers over time

## Key Highlights

- Underwrite customers using proprietary data and advanced analytics
- Shop across 25 product verticals where orders are fulfilled by a 100% dropship network
- Models assess real-time credit risk at point of sale
- Arbitrage customer down payment with supplier terms; 90% of remaining COGS financed via debt facility
- Capture customer share of wallet with high repeat engagement and long tenures approaching 5 years of loyalty
- Grow consumer credit amount, lower down payment hurdle, and offer incentives to high value customers who “de-risk” themselves over time



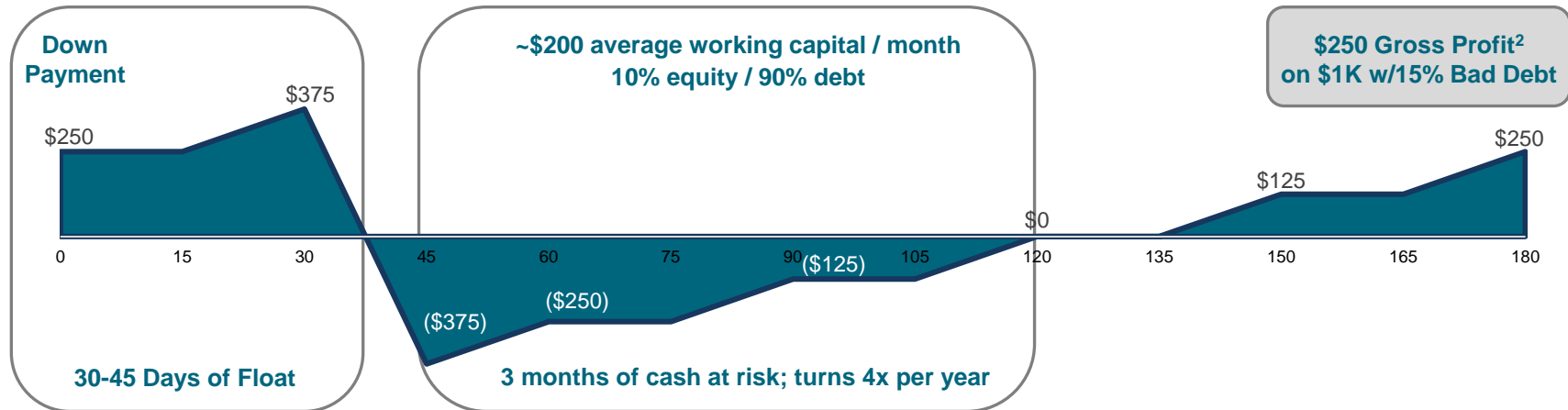
Mature order bad debts from 2016 to end of year 2020.  
All orders have at least 6 months age to account for write off timing.

## Efficient use of equity and debt capital to drive scale

- Customer pays a down payment between 5%-35% for each order
- Remaining portion financed in equal instalments over 6 months, based on income frequency
- Net 30-45 day terms with suppliers before COGS needs to be paid
- Debt facility covers 90% of the remaining COGS on the financed portion of the order
- Results in ~ 3 months of working capital risk

**Example: US\$1K @ 25% Down Payment**

**>1,000% IRR & 3x ROIC per transaction**



<sup>2</sup>Capital management example assumes 25% Gross Margin and 15% Bad Debt.



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## Zebit outperformed its 12-month IPO prospectus forecast

1H21

Revenue  
**US\$56.1M**  
vs US\$55.1M forecast

✓ Beat  
Prospectus forecast

Bad debts  
**13.3%**  
vs 14.3% forecast

✓ Beat  
Prospectus forecast

Contribution margin  
**12.3%**  
vs 13.3% forecast

Below  
Prospectus forecast

12-month

1 July 2020 to 30 June 2021

Revenue  
**US\$115.6M**  
vs US\$109.1M forecast

✓ Beat  
Prospectus forecast

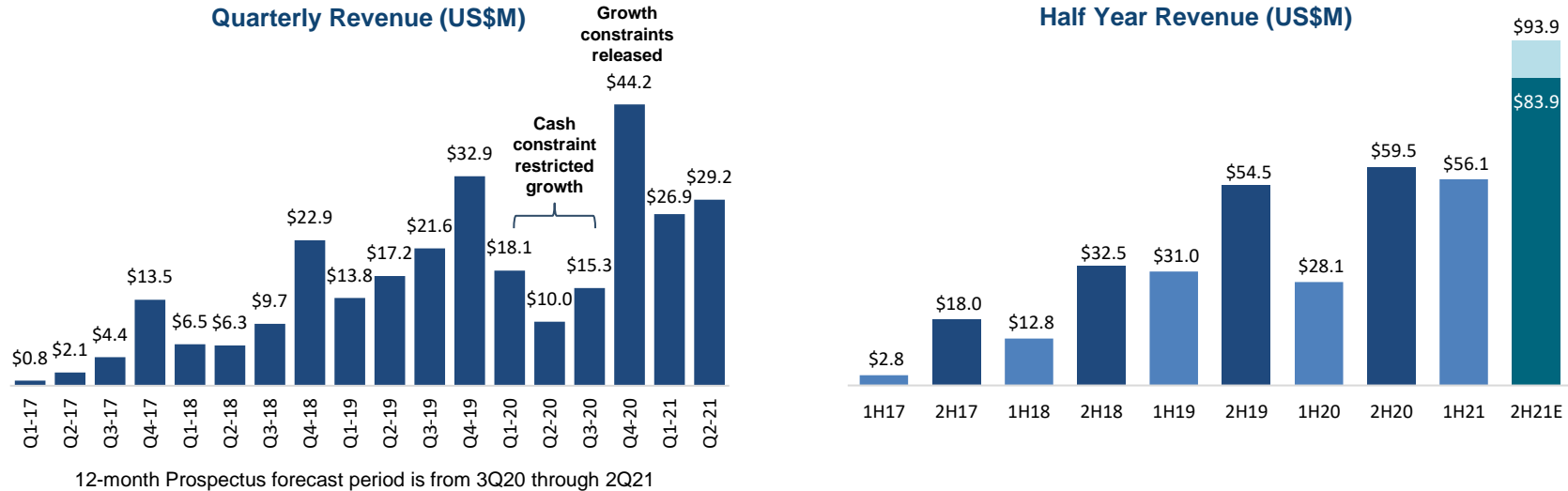
Bad debts  
**10.9%**  
vs 14.7% forecast

✓ Beat  
Prospectus forecast

Contribution margin  
**14.9%**  
vs 12.8% forecast

✓ Beat  
Prospectus forecast

# Post IPO, Zebit reignited marketing acquisition to grow the top line and beat 12-month Prospectus forecast by US\$6.5M

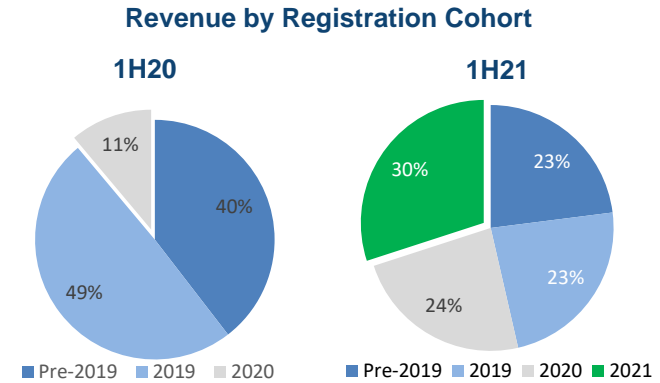
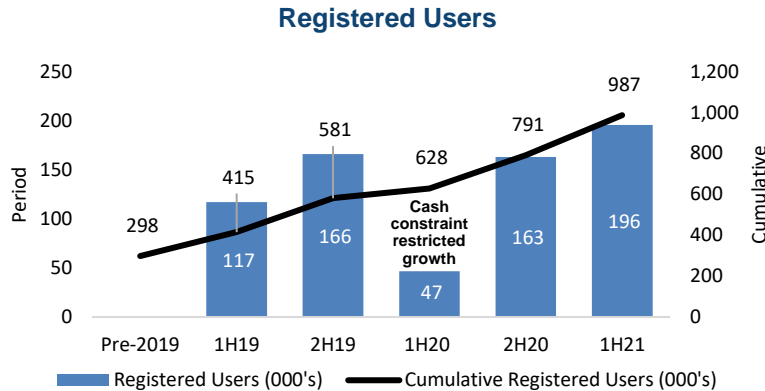


- Material growth in 2Q21 and 1H21 compared to 2019-2020 same periods<sup>3</sup>
- 2Q21 revenue buttressed by significant demand for travel, home improvement, and daily consumables

<sup>3</sup>It is important to note that quarterly YoY comparisons of revenue, contribution margin, bad debts, and other key metrics for FY20 to FY21 will be biased. From 1Q20 to 3Q20, Zebit was capital constrained ahead of its IPO resulting in management taking steps to dampen demand during that period. This was accomplished by raising all customer down payments at checkout to collect more money upfront, thereby automatically lowering bad debts. Other actions included increasing product prices, reducing product selection to a set of high margin items, and driving revenue from high value, lower risk customers. During this time, Zebit also minimised investment in acquiring new customers. The cumulative result produced more cash, historic low bad debts, and higher contribution margin compared to any prior period since the Company's inception.



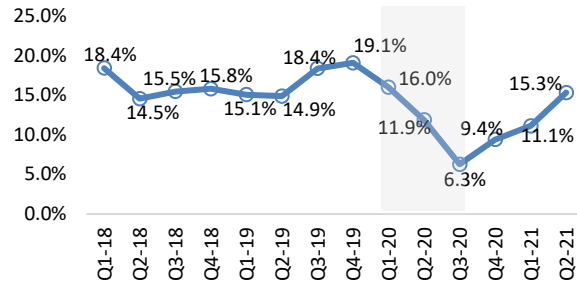
# Revenue driven by tenured customers, with new customer orders accounting for a larger mix of 1H21 revenue compared to 1H20



- Intentionally reduced customer acquisition in 1H20 (pre-IPO) and focused sales to existing, tenured customers
- Post IPO, Zebit ramped marketing spend in existing channels (Facebook, Paid Search, B2B, and others) and began investing in tests of new channels (e.g. TV) that take time to optimise and mature

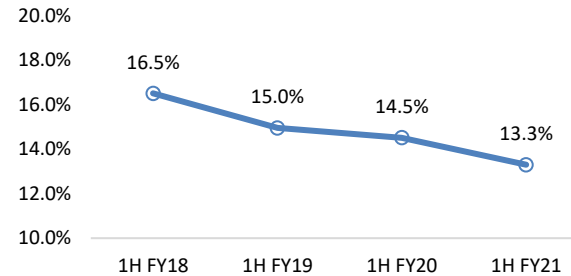
# Bad debts at historic lows during COVID/Pre-IPO, with 1H21 and 12-month bad debts outperforming Prospectus forecast

### Quarterly Bad Debts<sup>4</sup>



Shaded area denotes where the Company was intentionally dampening demand due to capital constraints prior to its IPO

### Half Year Bad Debts

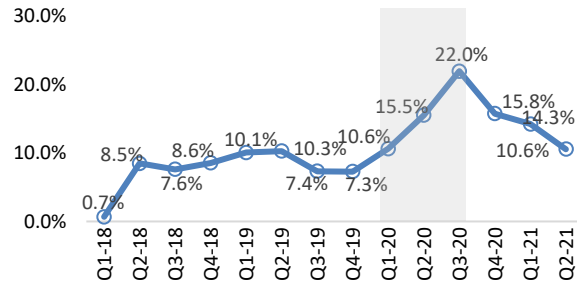


- 2Q20-3Q20 bad debts are at historic lows due to:
  - Down payments raised to 35% to collect more money upfront, lowering bad debts automatically
  - Majority of revenue generated from low-risk, long tenured customers
  - Gross margins elevated from limited selection of goods at higher prices
  - 4Q20 bad debts also low where collections were aided by government subsidies to consumers
- 2Q21 bad debts of 15.3% includes a 1.8% point prior period adjustment; underlying performance is estimated at 13.5%
- 1H21 bad debts beat Prospectus forecast by 1.0% point and full 12-month Prospectus forecast beat by 3.8% points

<sup>4</sup>Bad Debt Reserve is the proportion of bad debt Zebit expects to take for historical outstanding sales. This number is estimated utilising forecasting provided by Zebit's data science team on a monthly basis and is adjusted for actual bad debt and any payments received after the receivable has been written off as it is incurred.

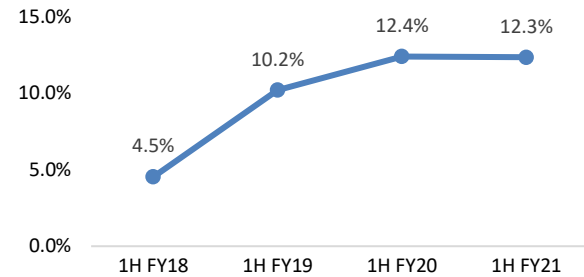
## Contribution margin is a function of gross margin and expected bad debts

### Quarterly Contribution Margin



Shaded area denotes where the Company was intentionally dampening demand due to capital constraints prior to its IPO

### Half Year Contribution Margin



- 2Q20-4Q20 contribution margin elevated due to historically low bad debts during corresponding periods
- Lower contribution margin in 2Q21 resulted from
  - Lower gross margins and a higher mix of e-certificate sales in travel and entertainment to capture post-COVID pent-up consumer demand
  - Prior period bad debts adjustment of 1.8% points booked in the quarter
- 1H21 contribution margin came in under Prospectus forecast by 1.0% point, but Company exceeded full 12-month Prospectus forecast by 2.1% points at 14.9% on \$115.6M of revenue



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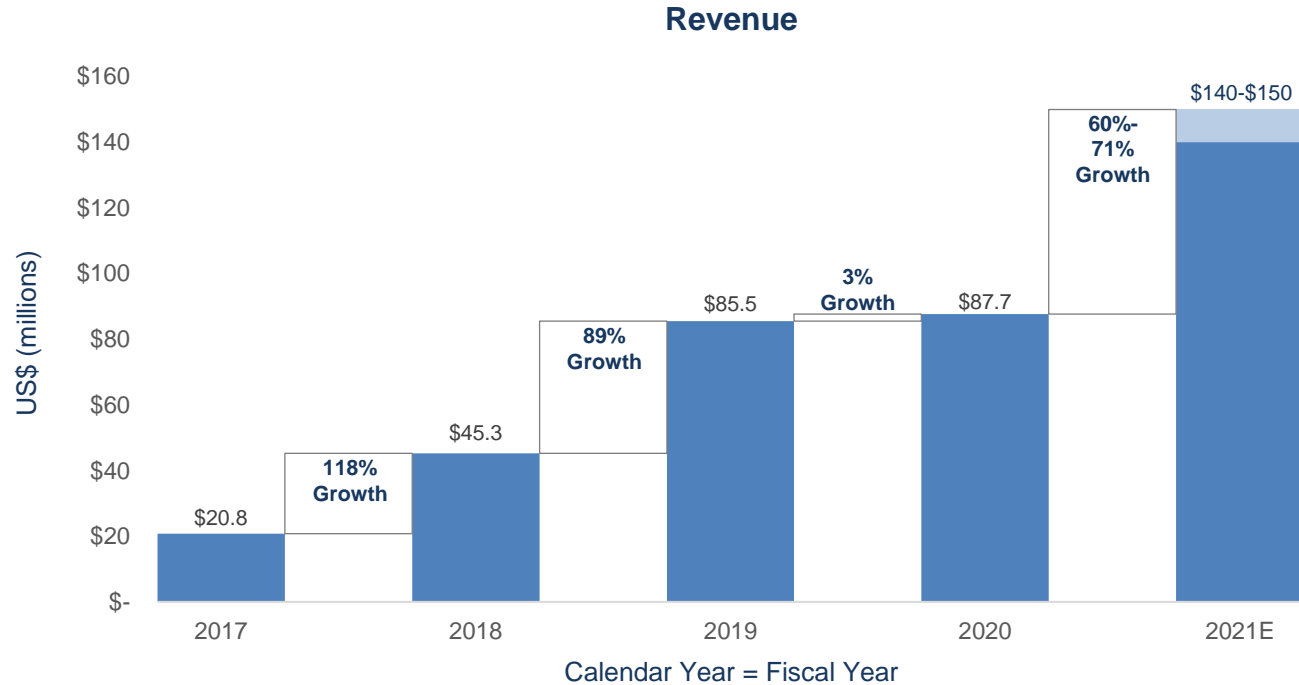


**2H21 Outlook**

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## Zebit FY21 revenue guidance unchanged at US\$140M-\$150M (60%-71%)



## 2H21 is focused on investing in new channels and talent to scale the business



### Customer Acquisition

- Optimise existing channels
- Test/scale new channels (e.g., TV, radio, digital billboards)
- Expand B2B partnerships



### Platform Enhancements

- Mobile wrapper in iOS and Google Play stores
- New email retention marketing platform
- Refer-a-friend program



### Credit Data and Modeling

- Increase approval rates with new credit underwriting at registration
- Begin data furnishing to alternative credit bureau



### Expand Product Catalogue

- Expand core assortment
- Onboard new vendors across grocery, home, appliances, furniture, and new e-certificates

# Zebit is a proven model with a path to scale and become profitable in the future

## Big Social Mission



- Break the cycle of debt from predatory product financing options impacting 120m U.S. consumers
- Become the most trusted and frequented eCommerce brand and credit solution for our consumer segment

## Proven Operating Model



- Custom eCommerce and BNPL product offering
- Superior 6-month consumer credit solution with no interest, hidden fees or penalties
- Proven differentiated credit underwriting
- Reward positive repayment behavior with increased credit
- Limited / negligible competition from legacy financiers / BNPL

## Compelling Investment Thesis



- Disrupt multibillion-dollar market
- Rapid penetration and growth
- Operating model with deep and defensible technology moats
- 5-year head start in proprietary credit risk modeling
- Capture large share of wallet with 80% repeat buying, lowering bad debts
- Long term founder / operators with track record of scaling businesses

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