



Zebit, Inc.

<https://zebit.com/>

ASX ANNOUNCEMENT – 31 August 2021
SIX MONTHS ENDED 30 JUNE 2021
ZEBIT HALF YEAR RESULTS RELEASE

San Diego-based Zebit, Inc. (ASX: ZBT) (Zebit or the Company) is pleased to provide its results for the six months ended 30 June 2021 (1H21). In addition, Zebit is providing its performance versus its 12-month Prospectus forecast. All numbers contained in this announcement are unaudited and expressed in US dollars under US GAAP unless otherwise noted.

Executive Summary

Zebit outperformed its full 12-month IPO Prospectus forecast ended 30 June 2021. The Company beat revenue by \$6.5M, booked a Bad Debts Reserve¹ of 10.9%, and achieved an overall Contribution Margin² of 14.9% on \$115.6M of Revenue.³

The Company reconfirms its original market guidance of \$140M-\$150M for FY21 which is 60-71% greater than FY20 revenue of \$87.7M. Given 1H21 revenue of \$56.1M, 2H21 revenue is expected to be between \$83.9M-\$93.9M.

Management continues to prudently accelerate Zebit's growth along multiple tracks, including: (i) investing in and optimising customer acquisition channels like TV, affiliate networks, and direct partnerships; (ii) expanding its initial grocery offering via the onboarding of a second strategic supplier in 2H21 that will add more product diversity, depth, and bulk sizing to the assortment; (iii), launching Zebit's first mobile application to the Apple and Google stores in September 2021 as a means to acquire more customers and communicate more effectively with the current base; (iv), leveraging additional fraud-prevention and subprime-focused credit data into acquisition underwriting to gain more risk control; (v) transitioning to a new marketing retention system that incorporates a refer-a-friend program to garner more organic registrations and capitalise on the Company's strong Net Promoter score average of 75 and Trust Pilot Rating of 4.5/5.0; and (vi), hiring key talent to add to its senior team and elsewhere in the organisation.

Half Year Results Summary

US\$'000s (unaudited)	1H21A	1H20A	% Change
Revenue	\$56,119	\$28,140	99.4%
Operating profit/(loss) ⁴	(7,195)	(3,662)	96.5%
EBITDA	(5,860)	(3,659)	60.1%
Profit/(loss) before tax	(7,260)	(4,637)	56.6%
Income/(loss) after tax	(7,266)	(4,637)	56.7%

¹ Bad Debts Reserve is the proportion of bad debts 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. Bad Debts Reserve is not a static number at any point in time, as it is influenced by new revenue months, potential adjustments from prior, not fully matured months, and offsets related to recoveries of written-off debt and other factors.

² Contribution Margin is Gross Margin less Bad Debts 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 adjustments. Refer to Section 6.2.4 of Zebit's Prospectus for further information.

³ See the Revenue, Contribution Margin, and Bad Debts section below, Zebit's Appendix 4D for H121, and Management's presentation that provide additional guidance on how the 1H21 Bad Debts Reserve may mature into 2H21.

⁴ Operating profit/(loss) excludes depreciation and amortisation.



Marc Schneider, CEO and Co-Founder of Zebit commented:

“The business performed well during the first half, building on a strong foundation established in 4Q20 and adapting to changing consumer buying patterns related to ambiguity around expected future subsidies from the US government. Consumer shopping behaviours were influenced by a semi-opened US economy, partial vaccinations, rising prices, and increased supply chain shortages coupled with an intense demand for home improvement, consumables, and travel and entertainment products and services. During the half of this year, Zebit continued to optimise approval rates, expand product assortment, evaluate new customer engagement strategies, and increase its marketing spend by approximately 10x vs PCP as the business invested in existing and new customer acquisition channels such as TV, affiliates, and direct business partnerships.

These results demonstrate the team’s ability to execute against its strategy and navigate through a period of great uncertainty. The team has worked tirelessly to achieve these results and will continue to do so as we focus on executing the next phase of our growth strategy and build long-term, shareholder value.”

Key Performance Metrics for 1H21 and Full Prospectus Period

All figures below are shown in US\$

1H21 Key Metrics (unaudited)	1H21 Actual	1H20 Actual	Prospectus Forecast	Change on 1H20	Prospectus Change
Revenue	\$56.1M	\$28.1M	\$55.1M	99.4%	1.9%
Contribution Margin	12.3%	12.4%	13.3%	(0.1%) points	(1.0%) points
Bad Debts	13.3%	14.5%	14.3%	(1.2%) points	(1.0%) points
Net Loss after Tax	(\$7.27M)	(\$4.64M)	(\$7.28M)	56.7%	(0.2%)
Net Loss as % of Revenue	(12.9%)	(16.5%)	(13.2%)	(3.6%) points	(0.3%) points

Last 12 Months (Prospectus) (unaudited)	LTM Actual	Prospectus Forecast	Prospectus Change
Revenue	\$115.6M	\$109.1M	6.0%
Contribution Margin	14.9%	12.8%	2.1% points
Bad Debts	10.9%	14.7%	(3.8%) points
Net Loss after Tax	(\$10.0M)	(\$13.9M)	(27.8%)
Net Loss as % of Revenue	(8.7%)	(12.7%)	(4.0%) points
Cumulative Registered Users (000s)	987	1,071	(7.8%)

First Half 2021 Performance and Business Update

In the first half of 2021, the US began to relax COVID-19 restrictions and commerce started to open across all 50 states. During this time, particularly in the second quarter, the Company saw strong revenue growth driven by increased demand for travel, home improvement, and daily consumables. Zebit addressed this demand by selling lower gross margin e-certificates for hotels, airlines, and large box stores that focus on home improvement needs. Consumer buying patterns at Zebit were matched by the broader trend across the US.

Zebit also solidified a supplier partnership with a Unilever subsidiary, enabling it to test selling very large bulk grocery items across disposable goods, dry goods, as well as frozen and refrigerated products. The decision to enter this category through the beta launch of *Zebit Grocery* was driven by significant demand from customers and is consistent with its long-term goal to be a one-stop online retail destination. Even with the limited rollout of grocery at the end of the second quarter, the nascent category produced approximately 0.4% of product sales for June. This is expected to increase as the Company deepens its product assortment and onboards another strategic partnership during 2H21 which will further diversify the offering and increase the

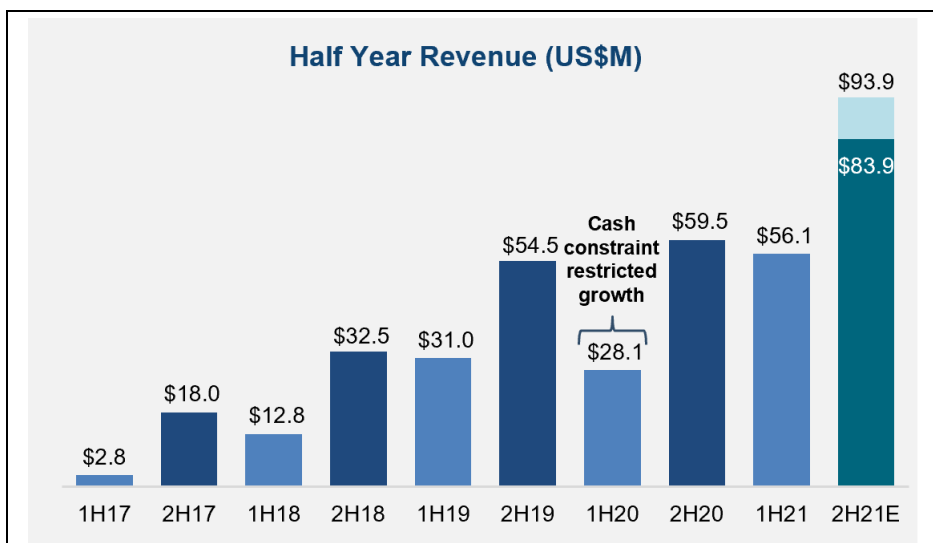


number of products and their respective sizing proportions relative to what consumers want and is available today on Zebit’s eCommerce site.

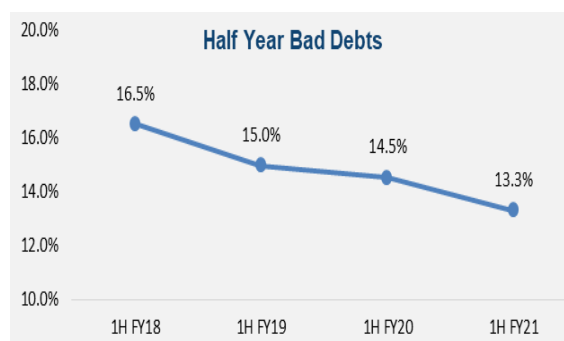
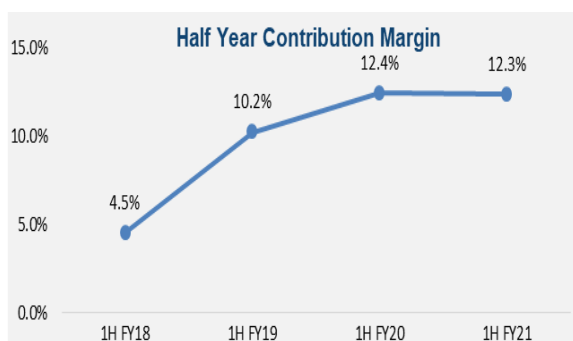
Other initiatives started during this period include: piloting of Zebit’s first national and local television campaigns, which the Company is expanding in 2H21; implementing a new alternative credit score into Zebit’s 3Q21 underwriting; coding of Zebit’s first mobile application for both Apple and Google stores which will be rolled out in 2H21; and furnishing of performance data back to an alternative credit agency, starting in October 2021, which will influence a consumer’s alternative credit score.

Revenue, Contribution Margin, and Bad Debts

Revenue increased 99% to \$56.1 million vs PCP. The level of revenue also almost matches the revenue of the seasonally stronger second half of last year that includes major holidays.



The flattening of the Contribution Margin in 1H21 displayed in the charts below was due to lower gross margins generated from a higher proportion of e-certificate sales in travel and entertainment (pent up demand from COVID as consumers started to travel again).



Since the close of 2Q21, and consistent with its normal practice of risk management, Zebit analysed July - August collections data for monthly cohorts with greater than three months of maturity. The data showed instability in recent consumer repayments that was different from historical patterns observed in the Company to date. The root cause of the behaviour is likely related to macroeconomic trends in the US economy that have not fully materialised. Zebit estimates the provision for bad debts associated with orders delivered in



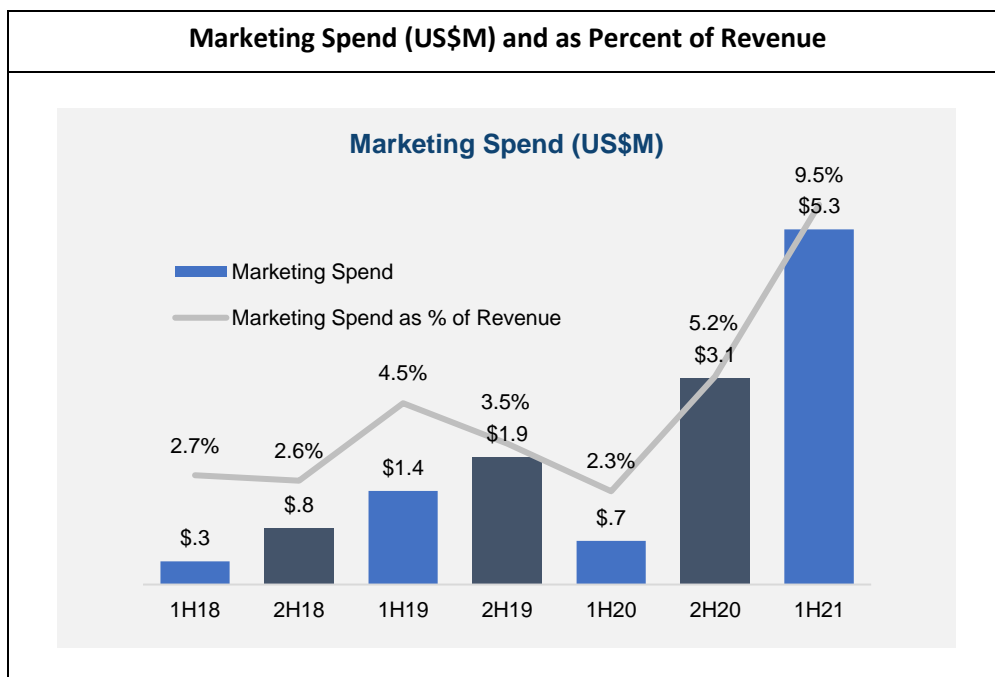
1H21 could increase by \$500,000 to \$1.5 million when fully matured. Increasing the provision for bad debts is consistent with what other BNPL companies are reporting for the first half of 2021. Any actual reserve adjustment will be applied in 2H21.

It is important to note that Zebit’s business model is designed to adapt to risk. Since its inception, the business has adapted to changing market environments, capital availability, and entry into new marketing channels. In preparation for 2H21, and the eventual emergence of the US consumer out of a heavily government-subsidised environment, Zebit proactively increased its down payment at checkout in mid-May from 20% to 25% for all new registrants. By July, the Company was testing and utilising new fraud-prevention technologies and additional alternative credit data in its custom underwriting process. In short, Zebit is well positioned going into the second half of the year and has a number of high-priority marketing and data science initiatives to support growth, including the furnishing of performance data to an alternative credit bureau.

Marketing Initiatives

After the IPO in late October 2020, Zebit increased its marketing expenditure to acquire new customers via existing and new channels to reignite growth. During the 1H21, marketing expense rose 72% from US\$3.1 million in the prior six months to US\$5.3 million, with marketing as a percentage of revenue increasing from 5.2% to 9.5%. Funds were deployed across the Company’s core channels (such as Facebook and Paid Search) and allocated to test channels such as TV. The Company acquired ~196K registrants in 1H21 and is on track to exceed that result with over 105K registrants already acquired in July and August 2021. August 2021 will represent the largest acquisition month in the Company’s history with ~55K registrants.

Test channels will require additional investment over time to optimise. For instance, TV was started with a test spend of US\$75K/month and will likely ramp to an average of US\$175K/month for 2H21. New B2B affiliate platforms were also tested during the half. For example, Rakuten’s affiliate platform generated 128 registrants in late February 2021 when launched, then produced over 1,900 registrants per month by the end of 2Q21, and approximately 19.5K registrants thus far in 3Q21. Lastly, a new direct acquisition partnership was launched in 1Q21 and produced around 21.5K registrants during H121. This partner has already generated an additional 13K registrations in the first two months of 3Q21.





Strengthened Executive and Management Team

During the first half, significant attention was placed on broadening and deepening the talent pool at the executive level by bringing on board people with extensive experience in driving growth and scaling businesses. Joseph Liu, a veteran executive with 25 years of marketing, product, and general management experience was hired as Zebit's first Chief Revenue Officer, together with Dawei Cao as Director of B2C Marketing and Product Optimisation, and Michael Tremmel as Senior Director of Supplier Acquisition who will drive increased product selection for Zebit's customer base. Recruitment also commenced for Zebit's first Chief Technology Officer, a role which will be focused on aligning the Company's platform strategy with its business objectives, as well as continuing to harden its cybersecurity risk posture.

In recent weeks, the transition to a new Chief Financial Officer and Treasurer also commenced following the announcement of Steve Lapin's resignation in July which will take effect at the end of October. Brian Markworth started with Zebit in mid-August and comes to Zebit with over twenty-five years of experience in finance, accounting, credit and risk underwriting, capital markets, and investment banking. For the past ten years he was CFO at Gain Credit, working closely with the CEO and credit analytics team to build an award-winning and market-leading fintech company that provides lending products to millions of credit-challenged customers. Gain operates in the UK, where customers face similar dynamics to credit-challenged consumers in the US.

Half Year Results Briefing

Zebit is holding a briefing at 9.00am AEST on 31 August with participation via webcast.

Full details of our results, including the presentation, are available on the ASX and our website (www.zebit.com).

Access to the live webcast (with synchronised slides) is via the following link:

<https://services.choruscall.com.au/webcast/zebit-210831.html>

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 US 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 US.

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

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