21 October 2022

**Zebit, Inc.**
9920 Pacific Heights Blvd
Suite #150
San Diego, CA 92121
*https://zebit.com/investor-center/*

## 3Q22 Unaudited Financials

**Zebit, Inc.** ("**Zebit**" or the **"Company"**), a mission-focused eCommerce company committed to changing the lives of US credit-challenged consumers, presents its results to shareholders for the quarter ended 30 September 2022 ("**3Q22**"). The results below are unaudited and expressed in US dollars under US GAAP unless otherwise noted.

### 3Q22 HIGHLIGHTS

- Revenue of US$16.3 million[1];
- Gross Margin of 25.6%[4];
- Provision for Bad Debts of 14.9%[5];
- Contribution Margin of 10.6%[6]; and
- Unrestricted cash at end of the quarter of US$7.5 million

### YTD HIGHLIGHTS

- Revenue of US$35.5 million
- Gross Margin of 26.5%
- Provision for Bad Debts of 13.0%; and
- Contribution Margin of 13.5%.

### SUMMARY

The Company secured US$10 million in cash via a capital raise in the form of a convertible note. Information about the raise was email or physically mailed to all shareholders and was posted on the Company's investor website at https://zebit.com/investor-center/. The cash came into the business across five separate financial closings dated 6 May, 15 June, 30 June, 29 July, and 5 August, where the Company raised approximately US$3.8 million, US$237.5K, US$1.94 million, US$3.65 million, and US$355K to total US$10 million cumulatively. Starting in September, Zebit ramped investment in its marketing channels to acquire customers and grow the business carefully and selectively through this macro-economic uncertainty.

---

[1] Revenue is the gross merchandise value (GMV) plus shipping revenue plus net margin on warranties sold less any post month adjustments for customer rebates. Revenue is recognized at the point the product is delivered to the end buyer.

[2] Average Order Value (AOV) is defined as revenue divided by the number of orders delivered to the end customer base.

[3] Product Margin is defined as the sales price for a product less its cost of goods sold.

[4] Gross Margin is defined as the Product Margin less shipping profit or loss, logistics costs, and refunds.

[5] The provision for Bad Debts is the estimate of Bad Debts that Zebit expects to book for historical revenue vintages with a positive underlying Accounts Receivable balance. The initial provision is estimated for each monthly revenue cohort by applying historical loss data against a segmented view of the monthly revenue cohort that considers prior repayment history, customer tenure and repayment methods. The initial provision is net of any expectation of recoveries related to payments received after the receivable has been written off. The provision for Bad Debts is not a static number at any point in time, as it is influenced by new revenue months, potential adjustments from prior periods as collection experience matures, and offsets related to recoveries of written off debt and other factors.

[5] Contribution Margin is Gross Margin less the provision for Bad Debts.

To support the post-capital raise rescaling of the business, several key initiatives were implemented:

- Lowered Bad Debt stemming from fraud and credit risk by implementing technologies to combat fraud, including preventing stolen and synthetic identities from being used to establish a Zebit account and place orders
- Deployed a new predictive credit model to reduce first payment default risk at the point of acquiring a customer
- Eliminated non-performing underwriting assets to ensure we are approving the right customers, given our financial objectives and save money on data costs
- Implemented new collections strategies to improve automated repayment capture on due dates and a higher overall collections rate of delinquent payments
- Implemented automated tax credit strategies across all 50 states to recover uncollected sales tax for written off orders – we estimate we can recover about US$1.2M in sales tax recovery in late 2022 to Q1-23.
- On the customer front, we are targeting 30% of revenue from "untested" customers and 70% from tenured customers to achieve monthly contribution margin targets that build the foundation to capital conservation and profitability
- To that end, we have curated Zebit's product assortment to maximize contribution margin by customer risk group; specifically, not allowing higher-risk customers access to purchase lower-margin products until they demonstrate account stability
- On the op-ex side, we have lowered the overall cost structure of the business, reducing approximately US$1.8M in 2022 and continue to look for additional opportunities

**CORPORATE ACTION**

Zebit held a Special Meeting of Stockholders (the "Special Meeting") in Australia on Wednesday, October 5, 2022, commencing at 11:00 am (Sydney time) and in the US at 5:00 pm (Pacific Time) on Tuesday, October 4, 2022. Attendance was only via the virtual online facility. The matters considered and voted on at the Special Meeting were described the Notice of the October 2022 Special Meeting of Stockholders ("Notice of Meeting") and Proxy Statement emailed or physically mailed to all stockholders starting in mid-August. All four resolutions were passed, including a reverse stock split of 1:2,500 shares that was effective on 5 October (US). Investors with less than 2,500 shares of common stock will receive a check in the mail at US$0.16 per share for all of their shares, and subsequently be removed from Zebit's capital table. Investors with greater than 2,500 shares not divisible perfectly by 2,500 will receive a check for their fractional shares. All fractional shares will be retired. Checks for US investors were sent the week of 10 October and checks for Australia were bulk shipped to Australia to be sent through the Australian mail system.

**OUTLOOK**

The Company continues to focus on improving its financial performance by lowering its overall cost structure and focusing on profitable growth through acquiring better quality new customers and continuing to drive high lifetime value with tenured customers that produce a material part of revenue at a higher Contribution Margin per order. This strategy was implemented in November 2021 and remains the strategic approach being executed in FY22.

**CONTACTS**

For investor and PR enquiries, please email:

Investor Relations - IR@zebit.com
CEO - marc.schneider@zebit.com
https://zebit.com/investor-center/