



**October 4, 2022**

**Zebit, Inc.**

<https://zebit.com/investor-center/>

**CEO'S ADDRESS  
ZEBIT SPECIAL SHAREHOLDER MEETING  
Monday October 4, 2022 (US) / Tuesday October 5, 2022 (AUS)**

Good afternoon. I am Marc Schneider, the co-Founder and CEO of Zebit. I want to thank you for attending Zebit's October Special Shareholder Meeting to vote on the Company's four resolutions. Before the Chairman reads the resolutions outlined in the Notice of Meeting, I will take a moment to do some housekeeping and provide a brief update on the Company which supplements the information we have communicated since delisting in April. This included completing a US\$10M capital raise in early August, renewing the Company's US\$23M debt facility with Bastion Funding, publishing Q1-22 and Q2-22 unaudited results, and working with hundreds of shareholders over the last two months to complete their US IRS shareholder tax exemption forms. We plan to publish Q3-22 unaudited results by the end of October. All communications will continue to be posted on our investor website.

Some housekeeping items before we get started:

First, I highly recommend that all shareholders ensure their physical mailing address on their account is correct. Second, only 30% of shareholders have added an email address to their accounts. This limits the timeliness of communications and the ability to provide informal updates on the business to all investors. If you have not established access to your US Computershare account, please email [IR@zebit.com](mailto:IR@zebit.com) and we will send you instructions.

Now on to the business at hand.

As background, we gained overwhelming shareholder approval to delist from the ASX. The Company ended all trading on April 22<sup>nd</sup> to become a private US company. After we delisted, I immediately embarked on a capital raise in the US. We successfully raised US\$10M in capital via a convertible note. The last closing to the financing round occurred on August 5, and the money is now being used to fund marketing and operational activities with the goal of achieving profitability in 2023-2024. Crossing the plane of profitability is a unifying objective across the Company with all key initiatives being implemented to achieve this goal. Key initiatives include the following:



- Lowering Bad Debt stemming from fraud and credit risk<sup>1</sup>
  - We implemented 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
  - Implement 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
- We are also investing in new customer acquisition channels that pay back within one year - our focus is to acquire buyers not registered users
- 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
- Lastly, to execute against our priorities, it is critical to retail our talent pool:
  - Option pool increase
  - Salary adjustments where needed; especially cost-of-living adjustments for frontline employees, given inflation in the US

The preparatory work is now complete. In August, the business reignited selected acquisition channels for growth. As of the end of August, the Company booked approximately US\$31M in Revenue<sup>2</sup> at an average Contribution Margin<sup>3</sup> of 13.5% and with a provision for Bad Debt of 13.1%. It is important to note that we will not book expected sales tax recovery that I mentioned above against Bad Debt until the cash comes in from the impacted states. This is a conservative approach and offers upside to both the cash the business will have to operate and the impact on the Bad Debt from this set of recoveries.

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<sup>1</sup> The provision for Bad Debt is the estimate of Bad Debt 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 Debt 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.

<sup>2</sup> 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.

<sup>3</sup> Gross Margin is defined as the Product Margin less shipping profit or loss, logistics costs, and refunds. Product Margin is defined as the selling price minus the cost of goods sold. Contribution Margin is Gross Margin less the provision for Bad Debt.



As the Company moves forward, my personal resolve and commitment to the business remain intact. I am very grateful and humbled by the support of investors, especially after delisting. The Company will remain focused on creating long-term, sustainable shareholder value. On behalf of my management team and Board, I thank you again for your interest and support in our path forward.

Now back to our Chairman.

#### **ABOUT ZEBIT, INC.**

Zebit is a California-based, ESG eCommerce company that is dedicated to changing the lives of 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/investor-center/>

#### **CONTACTS**

For investor inquiries, please email:

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#### **FORWARD-LOOKING STATEMENTS**

Please note that this CEO address contains forward-looking statements. All statements that address events or development that may occur or are anticipated to occur in the future are forward-looking statements. Forward-looking statements are based on the Board or management's beliefs and expectations, derived from information currently available to the Board or management. The Company believes that these forward-looking statements are reasonable as and when made. However, you should not place undue reliance on any forward-looking statements which are inherently uncertain. We do not undertake to publicly update or revise any forward-looking statements affected by new information, future events or other factors, except as required by law. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results, events or developments to differ materially from historical experience or present expectations and projections.