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4Q22 AND FY22 FULL YEAR UNAUDTIED FINANCIAL RESULTS

Zebit, Inc. ("**Zebit"** or the **"Company")**, a mission-focused eCommerce and Fintech company committed to changing the lives of 100 million US credit-challenged consumers, presents its fourth quarter and year-end results to shareholders as of 31 December 2022 ("**4Q22**" and "**FY22**"). The results below are **unaudited** and expressed in US dollars under US GAAP unless otherwise noted.

4Q22 HIGHLIGHTS

- Revenue of US$34 million[1];
- Gross Margin of 24.7%[2,3];
- Provision for Bad Debts of 15.2%[4];
- Contribution Margin of 9.5%[5];

FY22 HIGHLIGHTS

- Revenue of US$69.5 million
- Gross Margin of 25.6%
- Provision for Bad Debts of 14.1%; and
- Contribution Margin of 11.5%.
- Unrestricted cash at end of the quarter of US$5.7 million; and
- Additional cash in transit (not settled by 31 December 2022) combined untapped draws from the Bastion A/R debt facility of $1.5M

SUMMARY

The Company secured US$10 million in cash via a capital raise in the form of a convertible note. The cash came into the business across five separate financial closings from May through August 2022. The Company also executed a reverse-split on the outstanding common stock on 5 October 2022, given shareholder approval. The net cash available from the convertible note, after cumulative legal and administrative expenses are deducted, was approximately US$9.2 million.

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

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

[4] 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.

Upon the last close of the capital raise, the Company began to slowly ramp-up investment in its marketing channels in September. The investment to acquire new customers came after an eight-month period of deliberately dampening revenue by minimizing marketing spend, raising approval thresholds, taking product off of the website, raising down payment amounts at checkout, and lowering new store credit lines to extend the cash runway of the business after announcing its delisting from the ASX in February 2022.

The impact of marketing spend can clearly been demonstrated in 4Q22. For example, the Company acquired 167K new users in 2022, with 115K being acquired in 4Q22 and 91K in November and December cumulatively. New users drove an acceleration of revenue during the Holiday season compared to the prior months where demand dampening was implemented. From January to September, the business recorded $36.5 million in revenue and 14% of that revenue came from customers who have not paid off an order over six months (i.e., new customers). In contrast, November – December generated $30.2 million in revenue, with over 44% of revenue coming from customers who have not paid off an order over six months. The increase of new customer revenue has a direct impact on revenue and repeat revenue from those customers over time. The fourth quarter reacceleration of revenue is a testament around the power of Zebit's value proposition and ability to manage demand in the business relative to constraints. The Company's Net Promoter Score (willingness to recommend a friend to the business) reached a peak in 4Q22 at 81.

On an operational front, the business implemented a host of projects to position the Company to hit expected EBITDA profitability starting in December 2023.

- Lowered Bad Debts stemming from fraud and credit risk in 2021 by implementing technologies to prevent the use of stolen and synthetic identities to establish a Zebit account and place orders;
- Deployed a new predictive credit model (first payment default model) at registration to reduce first payment default risk at the point of acquiring a customer;
- Eliminated non-performing underwriting assets to ensure the Company is approving the right customers, given its financial objectives and to 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; the Company estimated it can recover about US$1.2M in sales tax;
- Reduced the cost structure of the business by US$1.8M in 2022; and
- Developed a new Bad Debts estimation methodology that gives the business the ability to predict an FPD-3 rate calculated 15 days after the end of a month that is within 100-150 bp of the actualized 8-month terminal Bad Debts rate

KEY METRICS

The table below includes key metrics from FY19-FY22. It is important to note when comparing across years that FY20 results were heavily impacted by the Company's constrained growth from March to September 2020 to preserve capital until a raise occurred in October 2020. In addition, 2020 was a year that included heavy cash consumer subsides by the US government related to COVID-19 that lowered overall credit losses. The Company once again constrained growth from January – August 2022.

All numbers below are shown in US$ and are audited according to US GAAP.

Key Metrics				
US$M (audited)	**FY19**	**FY20**	**FY21**	**FY22 (unaudited)**
Revenue	$85.5M	$87.7M	$116.6M	$69.5M
Gross Margin	25.80%	26.30%	25.80%	25.60%
Provision for Bad Debts	17.40%	10.50%	17.70%	14.10%
Contribution Margin	8.40%	15.80%	8.10%	11.50%
EBITDA (w/stock comp)	($10.6M)	($3.7M)	($19.5M)	($9.6M)
EBITDA (excluding stock comp)	($10.3M)	($2.8M)	($18.1M)	($8.6M)
Net Loss After Tax	($12.4M)	($7.4M)	($21.0M)	($12.1M)

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. The Company plans to embark on a capital raise starting in 2Q23 which is expected to close prior to 4Q23.

CONTACTS

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