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Zebit, Inc.

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1Q23 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 31 March 2023 (“**1Q23**”). The results below are unaudited and expressed in US dollars under US GAAP unless otherwise noted.

1Q23 HIGHLIGHTS

- Revenue of US\$16.8 million¹;
- Gross Margin of 24.6%⁴;
- Provision for Bad Debts of 11.4%⁵;
- Contribution Margin of 13.1%⁶; and
- Unrestricted cash at end of the quarter of US\$2.9 million

SUMMARY

The Company continued to focus on improving its financial performance through profitable growth and lowering its overall cost structure. Operating metrics for the company are in line with expectations. The predictive credit model (first payment default model) deployed at registration, refinements to checkout order models, and revenue segmentation models are producing intended results.

Zebit introduced new personalization capabilities to drive customer level experiences on-site and through targeted marketing communications that improve sales conversion. In addition, Zebit has been beta testing its Z Rewards loyalty program, which uniquely rewards customers for both paying on-time and shopping responsibly. Since launch in late 4Q22, the loyalty program has over 20K customers enrolled as part of a larger customer account management program. The Company’s Net Promoter Score (willingness to recommend a friend to the business) remains high in 1Q23 at 75.

The Company realigned and consolidated resources across functions reducing the cost structure of the business by US\$1.1M on an annual basis. And, as previously announced, the Company named Joseph Liu, CEO as part of a planned succession.

OUTLOOK

The Company is working with its investment banker, Piper Sandler, to run a dual process to sell the business to a better capitalized entity or raise additional capital to fund business operations. Zebit will deliberately dampen revenue thru 3Q23 to extend the Company’s cash runway during the strategic process to allow management time to secure an outcome for the business. During this period, the Company will limit new customer acquisition, raise customer down payments at check out, tighten underwriting thresholds both at registration and point of sale, and selectively market certain product offerings to customers.

CONTACTS

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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 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 Debt