Zebit™

# Prospectus Initial Public Offer

Lead Manager and Underwriter

ShawandPartners
an EFG company

Legal Adviser

DLA PIPER

ZEBIT, INC. ARBN 639 736 726

# Important Notices

### Offer

The Offer contained in this Prospectus is an invitation to acquire CHESS Depositary Interests ("**CDIs**") over shares of common stock ("**Shares**") in Zebit, Inc. ARBN 639 736 726, a Delaware Corporation ("**Company**" or "**Zebit**"). This Prospectus is issued by the Company for the purposes of Chapter 6D of the Corporations Act.

### Lodgement and Listing

This Prospectus is dated 13 October 2020 and a copy of this Prospectus was lodged with ASIC on that date. This Prospectus is a replacement prospectus which replaces the prospectus dated 1 October 2020 and lodged with ASIC on that date (**Original Prospectus**). This Prospectus differs from the Original Prospectus. The differences between this prospectus and the Original Prospectus are in the nature of updates and clarifications including to (a) further explain how the Company intends to scale and grow revenue; (b) further explain what working capital and marketing expenses will constitute (as refenced in the use of funds); (c) further clarify risks in relation to the Company's loss making history and the potential impact of voluntary restrictions on the liquidity of the CDIs; and (d) to update the definition of the Prospectus Date to now refer to the date of lodgement of the Original Prospectus with ASIC. The Company will apply to ASX within seven days after the Prospectus Date for admission of the Company to the official list of ASX and for quotation of the CDIs on ASX. Neither ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

### Expiry date

No Shares or CDIs will be allotted or issued on the basis of this Prospectus later than 13 months after the Prospectus Date.

### Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

No person is authorised to give any information or to make any representation in connection with the Offer or the CDIs or Shares described in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or the Lead Manager in connection with the Offer.

**This Prospectus is important and should be read in its entirety prior to deciding whether to invest in the Company's CDIs. There are risks associated with an investment in the Company's CDIs, which must be regarded as a speculative investment. Some of the key risks that should be considered are set out in Section 4. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues). There may also be risks in addition to these that should be considered in light of your personal circumstances.**

If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional adviser before deciding whether to invest in the CDIs.

No person named in this Prospectus warrants or guarantees the Company's performance, the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

### No offer where offer would be illegal

This Prospectus does not constitute an offer or invitation to apply for CDIs in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the CDIs or the Offer or to otherwise permit a public offering of the CDIs, in any jurisdiction outside Australia. The Offer is not being extended to any investor outside Australia, other than to certain institutional and sophisticated investors as part of the Institutional Offer in certain jurisdictions as described in Section 8.13. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

### Notice to U.S. residents

The CDIs being offered pursuant to this Prospectus have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended ("**U.S. Securities Act**"), or any U.S. state securities laws and may not be offered or sold, directly or indirectly, in the U.S. absent registration or an applicable exemption from registration under the U.S. Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the CDIs or distribution of this Prospectus or other offering material or advertisement in connection with the Offer in any state or other jurisdiction in which such offer, solicitation, distribution or sale would be unlawful under applicable law, including the U.S. Securities Act and applicable state securities laws. In addition, any hedging transactions involving the CDIs or any Shares into which the CDIs may be converted may not be conducted unless in compliance with the U.S. Securities Act. Persons who come into possession of this Prospectus outside of Australia should seek advice on and observe any such restrictions.

### U.S. Securities Law restrictions

The CDIs being offered pursuant to this Prospectus are being made available to investors in reliance on the exemption from registration contained in Regulation S of the U.S. Securities Act for offers which are made outside of the U.S. As a result of relying on the Regulation S exemption, the CDIs which are issued in reliance upon the exemption for registration provided by Regulation S will be "restricted securities" under Rule 144 of the U.S. Securities Act. This means that investors in the Offer will not be able to sell the CDIs issued to them under the Offer into the U.S. or to any U.S. Person for 12 months from the date of allotment of the CDIs under the Offer, unless the resale of the CDIs is registered under the U.S. Securities Act or an exemption is available. Please refer to Section 10.12 for further information.

To enforce the above transfer restrictions, all CDIs issued under the Offer, or any Shares into which the CDIs have been converted prior to the end of the 12 month restriction period, contain a legend to the effect that transfer is prohibited except in accordance with Regulation S of the U.S. Securities Act, pursuant to the registration requirements of the U.S. Securities Act or in reliance upon an available exemption from registration; and that hedging transactions involving the CDIs, or any Shares into which CDIs may be converted, may not be conducted unless in compliance with the U.S. Securities Act.

In addition, the Company has requested that all CDIs issued under the Offer bear a "FOR U.S." designation on the ASX. This designation effectively automatically prevents any CDIs from being sold on the ASX to, or to the account or benefit of, U.S. Persons (that are not QIBs). However, investors will still be able to freely transfer their CDIs on ASX to any person other than a U.S. Person who is not a QIB. Please refer to Section 10.12 for further information on the "FOR U.S." restrictions which will be placed on the Company's CDIs. Finally, all investors subscribing for CDIs under the Offer will be required to make certain representations and warranties regarding their non-U.S. status in their Application for CDIs under the Offer. Please refer to Section 10.12.2 for further information.

### Financial information and amounts

Section 6 of this Prospectus sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

The Financial Information included in Section 6 has been prepared and presented in accordance with Generally Accepted Accounting Principles (United States) ("**U.S. GAAP**") except where otherwise stated.

Investors should also note that the Pro Forma Historical Financial Information included in this Prospectus does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission ("**SEC**"). This pro forma information is based on management's beliefs and assumptions as of the date of this Prospectus and may be subject to change.

Investors should note that certain financial data included in the Prospectus is classified as non-U.S. GAAP financial measures under Regulation G of the U.S. Securities Exchange Act of 1934, as amended ("**U.S. Exchange Act**"). The disclosure of such non-U.S. GAAP financial measures in the manner included in this Prospectus may not be permissible in filings made with the SEC. The Company believes that use of non-U.S. GAAP financial measures provides useful information to users in measuring the financial performance and conditions of the Company. The non-U.S. GAAP financial measures do not have standardised meanings prescribed by U.S. GAAP, Australian Accounting Standards ("**AAS**"), (used interchangeably with Australian equivalents to International Financial Reporting Standards ("**AIFRS**"), and other authoritative pronouncements issued by the Australian Accounting Standards Board ("**AASB**"), and therefore may not be comparable with other similarly titled measures presented by other entities, nor should these be interpreted as an alternative to other financial measures determined in accordance with U.S. GAAP, AAS or AIFRS. Investors are cautioned not to place undue reliance on any non-U.S. GAAP financial information, ratios or metrics included in this Prospectus. For a description of non-U.S. GAAP financial information included in this Prospectus, see Section 6.2.4. These non-U.S. GAAP measures are not in accordance with and do not serve as an alternative for U.S. GAAP. Zebit believes that these non-U.S. GAAP measures have limitations in that they do not reflect all of the amounts associated with Zebit's U.S. GAAP results of operations. These non-U.S. GAAP measures should only be viewed in conjunction with corresponding U.S. GAAP measures. Zebit compensates for the limitations of non-U.S. GAAP financial measures by relying upon U.S. GAAP results to gain a complete picture of its performance.

All financial amounts contained in this Prospectus are expressed in U.S. dollars and rounded to the nearest million unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

An exchange rate of A$1:US$0.70 has been used throughout this Prospectus except where expressly noted otherwise.

### Disclaimer

No person is authorised by the Company or the Lead Manager to give any information or make any representation in connection with the Offer that is not contained in the Prospectus. Only information or representations contained in this Prospectus may be relied on as having been authorised by the Company or its Board of Directors, the Lead Manager or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the Prospectus Date.

This Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations, financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors, many of which are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 4. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements set out in this Prospectus and are cautioned not to place undue reliance on such forward-looking statements.

These forward-looking statements speak only as at the Prospectus Date. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with ASX after the Prospectus Date.

Certain numerical figures included in this Prospectus may have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

### Market data

This Prospectus contains market data that management obtained from industry sources, including independent industry publications. In presenting this information, management has also made assumptions based on such data and other similar sources and on management's knowledge of, and its experience to date in, the markets for Zebit's products. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. While Zebit believes the market data included in this Prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of Zebit's future performance and the future performance of the industry in which Zebit operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "Key Risks" in this Prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by Zebit.

### Past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

### Exposure period

The Corporations Act prohibits the Company from processing Applications for CDIs under the Offer in the seven-day period after the date of lodgement of the Prospectus with ASIC ("**Exposure Period**"). The Exposure Period was extended by ASIC to 15 October 2020. This period may be extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by ASIC and market participants prior to the raising of funds under the Offer. This Prospectus will be made generally available to Australian residents during the Exposure Period without the Application Form by being posted on the following website https://zebitoffer.thereachagency.com. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

### Electronic prospectus

This Prospectus will be available in electronic form on the following website: https://zebitoffer.thereachagency.com.

### Obtaining a copy of the Prospectus

A hard copy of this Prospectus will be available for Australian residents free of charge during the Offer Period by contacting the Offer Information Line on 1300 110 638 between 8.30am and 5.00pm Sydney time, Monday to Friday (excluding public holidays). If you are eligible to participate in the Offer and are calling from outside Australia, please call +61 3 9415 4063.

This Prospectus will be made available in electronic form on the following website: https://zebitoffer.thereachagency.com. Information contained on https://zebitoffer.thereachagency.com, other than the Prospectus, does not form part of this Prospectus.

The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Hard copy and electronic versions of the Prospectus are generally not available to persons in other jurisdictions (including the U.S.).

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If unsure about the completeness of this Prospectus received electronically, or a print out of it, you should contact the Company on the above. A paper copy of this Prospectus will be available for Australian residents free of charge by contacting the Zebit, Inc. Offer Information Line

Tel: 1300 110 638 (within Australia) or +61 3 9415 4063 (outside Australia) (between 8:30am to 5:00pm Sydney time)

Applications for the CDIs under this Prospectus may only be made on either a printed copy of the Application Form attached to or accompanying this Prospectus or via the electronic Application Form attached to the electronic version of this Prospectus, available at https://zebitoffer.thereachagency.com.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus. If this Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with Section 724 of the Corporations Act.

### Cooling off rights

Cooling off rights do not apply to an investment in CDIs pursuant to the Offer. This means that, in most circumstances you cannot withdraw your Application once it has been accepted.

### Privacy

The Company, the Share Registry on its behalf, and the Lead Manager may collect, hold, use and disclose personal information provided by investors to allow it to process your Application, service your needs as a CDI or shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. This means that the Company will need to collect your personal information (for example, your name, address and details of the Securities that you hold). Under the Corporations Act some of this information must be included in the Company's Share register, which will be accessible by the public.

The Company will only use and/or disclose your personal information for the purposes for which it was collected, other related purposes and as permitted or required by law. If you do not wish to provide this information, the Company and the Share Registry may not be able to process your Application.

The Company and the Share Registry may also share your personal information with agents and service providers of the Company or others who provide services on the Company's behalf, some of which may be located outside of Australia where personal information may not receive the same level of protection as that afforded under Australian law.

For more details on how the Company collects, stores, uses and discloses your information, please read the Company's Privacy Policy located at https://zebit.com/privacy-policy/. Alternatively, you can contact the Company by telephone on the Offer Information Line on 1300 110 638 (within Australia) or +61 3 9415 4063 (outside Australia) from 8:30am to 5:00pm Sydney time, Monday to Friday (excluding public holidays) or email at help@zebit.com and the Company will send you a copy of its Privacy Policy free of charge. It is recommended that you obtain a copy of this Privacy Policy and read it carefully before making an investment decision.

By completing an Application Form or authorising a broker to do so on your behalf, or by providing the Company with your personal information, you agree to this information being collected, held, used and disclosed as set out in this Prospectus and the Company's Privacy Policy (located at https://zebit.com/privacy-policy/).

The Company's Privacy Policy also contains information about how you can access and seek correction of your personal information, complain about a breach by the Company of the Australian privacy laws, and how the Company will deal with your complaint.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

### Definitions, abbreviations and time

Defined terms and abbreviations used in this Prospectus (unless specified otherwise) are explained in Section 11.

All references to time in this Prospectus refer to Sydney time unless stated otherwise.

### Photographs, data and diagrams

Photographs and diagrams used in this Prospectus which do not have any descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. See also the section above "Market data."

Diagrams used in the Prospectus are illustrative only and may not be drawn to scale and may not accurately reflect the final appearance of the subject matter which it depicts.

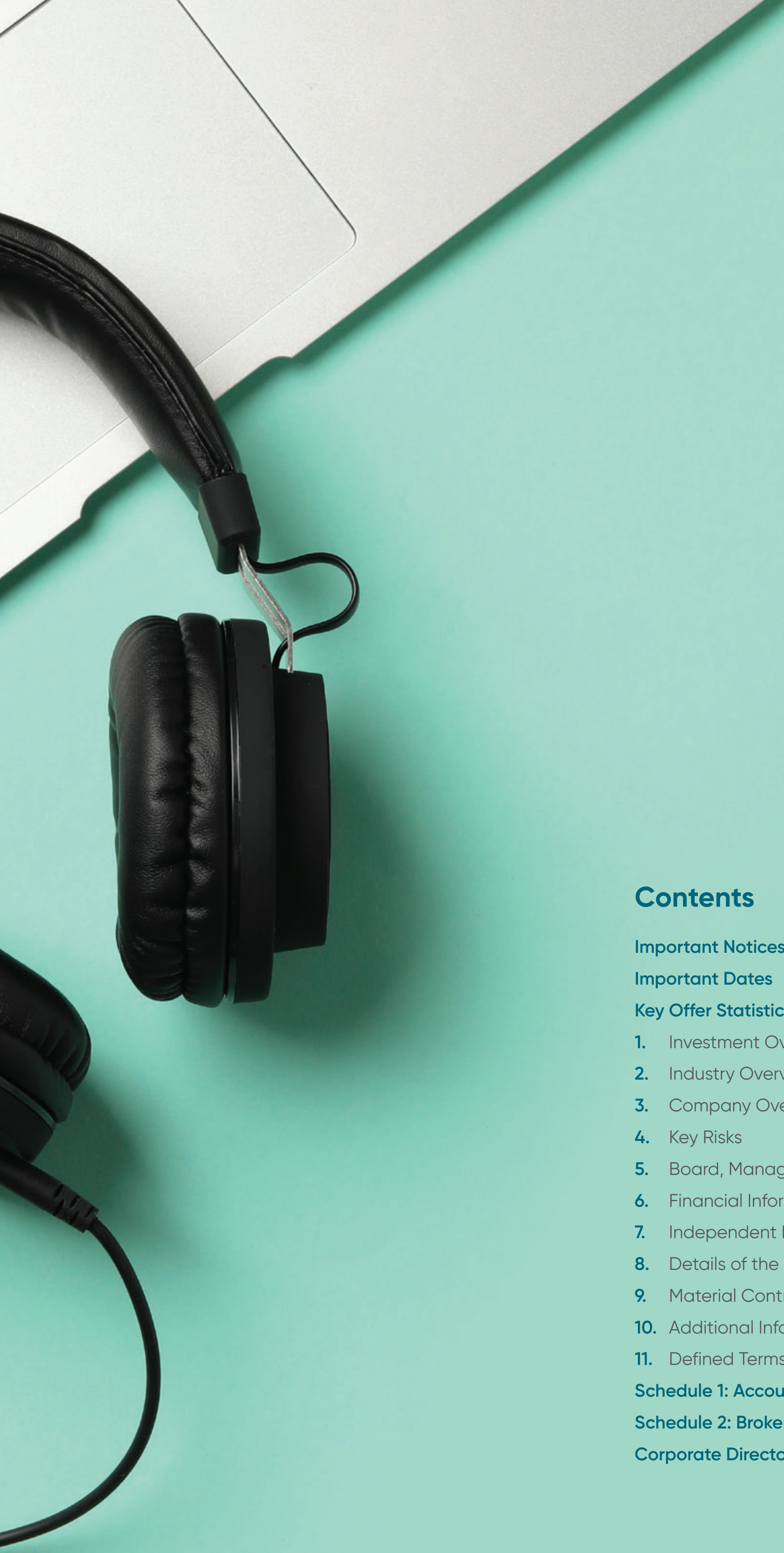
Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at 14 August 2020.

### Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in this Prospectus, is incorporated in this Prospectus by reference.

### Regulation of Zebit

As the Company is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the *Corporations Act 2001* of the Commonwealth of Australia or by the Australian Securities and Investments Commission but instead are governed by Delaware General Corporation Law and applicable U.S. law. See Section 10.9 for information about material regulations and laws that apply to the Company and its operating activities.



## Contents

## Important Dates

| | |
|---|---|
| Lodgement of the Original Prospectus with ASIC | 1 October 2020 |
| Lodgement of this Prospectus with ASIC | 13 October 2020 |
| Offer opens | 16 October 2020 |
| Offer closes | 5:00pm 21 October 2020 |
| Settlement of the Offer | 22 October 2020 |
| Issue of CDIs | 23 October 2020 |
| Expected date for dispatch of holding statements | 26 October 2020 |
| Expected commencement of trading on ASX | 26 October 2020 |

All dates and times above are Sydney time. The above timetable is indicative only. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable law. In particular, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.

## Key Offer Statistics

| | |
|---|---|
| Company | Zebit, Inc. ARBN 639 736 726 |
| Proposed ASX code for the CDIs | ZBT |
| Securities offered | CDIs |
| Ratio of CDIs per Share | 1 for 1 |
| Number of CDIs available under the Offer | 22.2 million |
| Offer Price per CDI | A$1.58 |
| Gross proceeds from the Offer[1] | A$35.0 million |
| Number of Securities on issue as at the Prospectus Date | 65.9 million |
| Total number of Securities at Completion of the Offer (on an undiluted basis) | 94.3 million |
| Total number of Securities at Completion of the Offer (on a fully diluted basis)[2] | 108.3 million |
| Indicative market capitalisation at completion of the Offer (on an undiluted basis)[3] | A$149.0 million |
| Pro forma net cash (as at 30 June 2020)[4] | A$31.9 million |
| Enterprise value[5] | A$117.0 million |
| Enterprise value[5]/Forecast Period revenue | 0.75x |

1. Calculated by multiplying the sum of the total number of CDIs to be issued under the Offer by the Offer Price.
2. Calculated as the sum of the total number of Shares and CDIs at Completion of the Offer (on an undiluted basis) plus the number of Shares that would be issued if all the Options and Warrants on issue at Completion of the Offer were exercised in full.
3. Indicative market capitalisation is determined by multiplying the number of Securities on issue at Completion of the Offer by the Offer Price per CDI. The CDIs may not trade at the Offer Price after Listing. If the CDIs trade below the Offer Price after Listing, the market capitalisation will be lower.
4. Pro forma net cash is equivalent to cash and cash equivalents (as at 30 June 2020), calculated on a pro forma basis assuming Completion of the Offer.
5. Enterprise value at the Offer Price is defined as market capitalisation (on an undiluted basis) at the Offer Price, less pro forma net cash of $31.9 million as at 30 June 2020.

Investors should note that CDIs may not trade at the Offer Price post Listing.

The key metrics above assume an exchange rate of A$1:US$0.70.

# Chairman's Letter

1 October 2020

**Dear Investor,**

**On behalf of the Directors, I am pleased to invite you to become an investor in Zebit, Inc. ("Zebit").**

Zebit is a fast growing, California based eCommerce company with a mission to reinvent how credit is provided to approximately 119.8 million financially underserved consumers in the U.S. who either have no traditional credit score or are below the mainstream threshold to access cost-effective credit or emerging buy now, pay later options. These financially underserved consumers make up a large credit segment in the U.S. and have historically been relegated to a very limited and costly set of product financing options such as rent-to-own and lease-to-own or have taken out payday loans to buy what they need. These options can cost 200% to 400% of a product's retail value and can end-up trapping consumers in a perpetual cycle of debt.

Zebit offers financially underserved consumers a large selection of products across more than twenty-five product categories (such as electronics, appliances, home décor, furniture, and beauty) and store credit to pay for their purchases over six months. The Company has built a streamlined operating model, with over 81 fully integrated drop-ship distribution partners that pick, pack, and ship product for Zebit directly to customers. This diverse and growing supply chain network has allowed Zebit to avoid the typical activities that reduce eCommerce gross margins, including tying up working capital to buy and carry inventory, inventory obsolesce, general discounting and warehousing and logistics.

In the U.S., there is currently no single off-the-shelf data source that can accurately predict a financially underserved consumer's credit worthiness. Zebit's competitive advantage is deeply rooted in its credit and risk approach, modelling, and decades of management experience serving this population. The Company leverages a variety of external device, identity, employment, income, and alternative credit information. Zebit's proprietary technology enables it to create predictive models using this information to understand the credit risk of its customers. Zebit makes a risk assessment at the point a person applies for store credit to use in the Zebit eCommerce store ("**Zebit Marketplace**") and when a customer attempts to make a purchase at checkout. The Company's advanced analytics and machine learning models are designed to detect fraud and drive consumer acquisition, determine store credit allocation, and registration and point of sale underwriting.

The Company is led by a very experienced and operationally driven CEO and management team, and a highly engaged Board with extensive experience in eCommerce, consumer financial services, and credit/risk management in the U.S. and internationally. Zebit has demonstrated a solid track record that includes generating over $182.5 million in sales since incorporation (as of 30 June FY20[1]), with less than $7.9 million of total marketing spend and historical growth rates approaching 100% per year since its inception prior to COVID-19. Zebit has shipped over 1.2 million items to its Active Customers. The Board is proud to be a part of Zebit's mission to level the credit playing field for the majority of the U.S. population that lives paycheck to paycheck and looks forward to future opportunities as Zebit continues to scale its business.

The Offer outlined in this Prospectus is underwritten by Shaw and Partners and will raise approximately A$35.0 million. The net proceeds of the Offer will be used primarily to scale the business, including working capital to support marketing spend and accounts receivable, add next generation enhancements to Zebit's bespoke eCommerce and credit platform, close talent gaps, and test some natural adjacent revenue growth initiatives.

This Prospectus contains detailed information about the Offer, the Company's operations, performance, financial position and key personnel, as well as the broader sector it operates within. It also provides detailed information on the risks associated with an investment in Zebit, which are outlined in Section 4 and include risks associated with customer default and Zebit's ability to attract new customers and retain existing customers.

I encourage you to read this Prospectus in detail before making any investment decision.

On behalf of the Board, I look forward to welcoming you as an investor.

Yours Sincerely,

**Jim M. P. Feuille**
Chairman of the Board

1. Zebit's financial year end is 31 December

# CEO and Co-Founder Letter

1 October 2020

**Dear Investor,**

**I founded Zebit in 2015 to make a fundamental and much needed change for tens of millions of people in the U.S. who are in a perpetual struggle to get a foothold toward financial stability. Economic inequality in the U.S. is real, prevalent, widespread, and must be solved. I experienced it as a child and was fortunate to make it through the obstacles that block people who come from financially unstable circumstances. Most people are not as lucky.**

While the U.S. has prospered from macroeconomic growth, most of the population continues to live in a financial recession each day, fighting to support themselves and their families and to make economic ends meet. It is hard to imagine that an economic superpower such as the U.S. has 78% of its population living paycheck to paycheck and over 100 million consumers who have been effectively blocked from accessing cost-effective, "main street" credit because they either have no credit score or have experienced volatility in their lives that has contributed to an impaired score.

A credit-challenged consumer has a finite set of options to take out cash loans or finance purchases over time. Generally, these options are very costly with punitive interest rates, riddled with fees and penalties, and are effectively structured to make the customer fail. In the end, legacy players have followed the same script: "the good customers have to pay for the bad ones". Traditional underwriting of non-prime consumers has always relied on having fees and penalties as the businesses financial cushion to make profit. In 2018, approximately US$66 billion of interest, fees, and penalties were charged on short-term credit products, with US$24 billion being associated non-sufficient funds and overdraft fees from hitting a consumer's bank account and not finding money[2].

Once a consumer interacts with these fail-prone options, the hole is dug to an almost insurmountable depth. Missed payments rack-up, and interest and fees end up being reported to credit agencies as bad performance. The cycle continues from there, with it being almost impossible to elevate oneself out of the non-prime credit band.

Zebit has reinvented the business model to allow credit-challenged consumers to finance products over time. Over the last five years, we have aspired to create a national brand for these consumers, where they can buy the products they need, and pay us back over six months. Most importantly, if they miss a payment there is no punitive action taken against them. Zebit tries to get the consumer back on track, without adding additional financial burden in terms of fees and penalties.

Zebit is also doing what "everyone" thought impossible – finding the signal in the data to understand the risk of a consumer vs. relying on a legacy fee base that destabilizes them. We have built our own big data set by investing tens of millions of dollars into our platform. In 2020, we are harnessing that investment with new decision models at the point of registration and sale in our Zebit Marketplace. We believe both customer loyalty demonstrated by long-tail repeat purchase behaviour, in combination with leading edge risk models underpin the Company's potential future growth.

We believe in Zebit's mission and are relentless in achieving it. We are proud of what we have built so far, and we aim to continue building and creating sustainable value for decades to come, for our customers, our employees, our community and our investors. While the journey ahead is exciting, it cannot be accomplished without additional investment in the business and hence our Offer through the ASX. What I can promise is a dedicated and experienced management and workforce that is focused on building a strong company and getting investors a return, all while growing our customer asset, brand, and redefining what is possible to over 100 million U.S. consumers.

I invite you take this journey with us and be part of a "first" in history of solving a major social and structural problem in the U.S.

Sincerely,

**Marc Schneider**
Co-Founder, President & CEO

2. The Financial Health Network – Financially Underserved Market Size Study | 2019

# Investment Overview

1

# 1. Investment Overview

The information set out in this Section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to apply for CDIs under the Offer, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisers.

## 1.1 Background

| Topic | Summary |
|---|---|
| **What is Zebit?** | Zebit is a California based eCommerce company that is dedicated to making a fundamental change in the lives of Financially Underserved Consumers by giving them access to a broad set of products and the ability to pay for those products in instalments over six months.<br><br>**For further information, see Section 3.1** |
| **What is Zebit's history?** | Zebit was incorporated as a Delaware C-Corp in April 2015, after its management team and Board saw a large opportunity to disrupt the product financing industry, specifically the legacy rent-to-own and lease-to-own business models. Zebit has consistently demonstrated its ability to deliver strong growth and has built impressive customer loyalty since inception.<br><br>**For further information, see Section 3.2 and Section 3.3.4** |
| **What industry does Zebit operate in?** | Zebit operates in both retail eCommerce and financial services. Zebit sells products as an eCommerce merchant and provides the financing to customers (via an in-house and proprietary BNPL solution) for those products over time.<br><br>**For further information, see Section 2.1** |
| **Why is the Offer being conducted?** | The purpose of the Offer is to:<br>• fund additional investment to acquire new customers;<br>• fund the Company's growth strategy;<br>• repay the SVB Facility;<br>• provide access to capital markets which will afford the business additional financial flexibility to pursue further growth opportunities;<br>• provide a liquid market for CDIs and an opportunity for others to invest in the Company;<br>• receive benefits of an increased brand profile that arises from being a listed entity; and<br>• pay the costs of the Offer.<br><br>**For further information, see Section 8.3** |

| Topic | Summary |
|---|---|
| How has COVID-19 impacted Zebit's growth and business? | Zebit's revenue grew over 88% from FY18-FY19, with the Company achieving $85.5 million in revenue in FY19. Zebit continued its growth in Q1-20 with revenue and gross margin exceeding both Q1-19 and Q2-19. In mid-March COVID-19 began causing disruptions in the U.S. and Australia, causing significant volatility in capital markets around the world.<br><br>As a result, Zebit did not have a path to an IPO in Australia or an alternative near-term capital raise. In March 2020 Zebit began taking steps designed to manage its cash flows. Management deliberately pulled levers to dampen consumer demand and slow growth, increase gross margins, lower credit losses, and increase cash inflows.<br><br>In addition, Zebit focused on operational efficiencies, including automating selected volume driven processes in the business and reducing headcount by 20 positions on 28 March 2020. These cost savings initiatives are expected to reduce fully loaded operating expense by over $2.0 million per year.<br><br>The results of management's actions to improve the quality and selectivity of underwritten customers and the orders it decided to approve, lowering its operating costs, and focusing on increased gross margin products from mid-March to mid-July was instrumental and necessary to keep the business operational while waiting for an opening in the capital markets.<br><br>Upon receiving the proceeds of the Offer, Zebit intends to strategically release several of the constraints it implemented in March and invest in further growth. Refer to Section 6.6 for the Forecast Period key assumptions.<br><br>**For further information, see Section 3.6 and Section 6** |

## 1.2 Key features of Zebit's business model

| | |
|---|---|
| What is the Zebit Marketplace? | The Zebit Platform combines eCommerce with years of experience in credit risk management in order to allow Registered Users to pay for products over time. Zebit operates an eCommerce platform through its closed website (www.zebit.com) ("**Zebit Marketplace**") and currently offers over 90,000 products across more than 25 product categories such as electronics, appliances, home décor, furniture, and beauty.<br><br>Registered Users, who are consumers that have been underwritten and accepted by the Company's proprietary fraud detection and credit management systems, can make purchases on the Zebit Marketplace and pay for them in instalments.<br><br>**For further information, see Section 3.3.3** |
| How does Zebit generate its income? | Zebit generates revenue by selling physical products and e-certificates on the Zebit Marketplace. The Company earns a margin from the difference between the wholesale price of a product and the retail price at which the Company sells the product. In some circumstances the Company will earn a small margin on shipping. Zebit does not earn any revenue from late fees or penalties associated with product financing or delinquencies.<br><br>**For further information, see Section 3.3.4** |
| Who are Zebit's customers? | Since Zebit's incorporation in FY15, the Company has targeted Financially Underserved Consumers in the U.S. which are consumers characterised by a lack of access to credit, low or no FICO credit score ("**FICO Credit Score**") and low-to-moderate or volatile income.<br><br>Zebit has over 627,000 Registered Users (as of 30 June 2020) and operates in all 50 States across the U.S.<br><br>**For further information, see Section 3.4** |

# 1. Investment Overview (continued)

| Topic | Summary |
|---|---|
| **How do consumers access the Zebit Marketplace and make a purchase?** | The Zebit Marketplace is a "closed" eCommerce website that is available only to consumers who are underwritten and accepted by the Company.<br><br>Applicants access Zebit through its website (www.zebit.com), initiating the registration process by clicking the "Register" button.<br><br>Once the applicant applies, Zebit's fraud and identity management models validate the applicant's identity. If the identity is approved, the consumer becomes a "Registered User", and Zebit's machine learning models and rules validate the applicant's creditworthiness and income and then allocate a store credit line ("**Zebitline**") and assign a down payment percentage at checkout.<br><br>Once a consumer becomes a Registered User, they are granted immediate access to the Zebit Marketplace, and can browse the products offered and add them to their shopping cart.<br><br>Zebit has real time underwriting at the point of sale that assess the order in a Registered User's shopping cart. At checkout, the Company's risk model assigns a score to every order which determines if the order will be approved or not approved.<br><br>If the order is approved the Registered User makes the down payment assigned by the Company's risk model and the product is then shipped (the Registered User then becomes an "**Active Customer**"). The Active Customer pays for the balance of the product in instalments over six months. The instalments are aligned with the Active Customer's income or pay cycle (e.g. weekly/fortnightly/bi-monthly/monthly) to reduce repayment friction and the likelihood of default.<br><br>**For further information, see Section 3.3.2 and 3.3.3** |
| **What happens if Zebit's customers don't pay?** | As part of Zebit's business model serving Financially Underserved Consumers, Zebit expects a certain percentage of its Active Customers to fail to pay some of their instalments. In the event an Active Customer fails to pay an instalment, Zebit freezes their Zebitline until the Active Customer repays all delinquent amounts. No late fees, or penalties are applied to the Active Customer's account.<br><br>**For further information, see Section 3.3** |
| **What are Zebit's key business model dependencies?** | Zebit's major business model dependencies include:<br>• access to a wide assortment of drop-ship products across a variety of categories;<br>• customer acquisition and retention;<br>• ability to manage credit losses as the Company scales; and<br>• use of low-cost debt capital to fund cost of goods sold.<br><br>**For further information, see Section 3.3** |
| **What is Zebit's technology?** | Zebit's proprietary technology consists of the:<br>• Zebit Registration Application Layer;<br>• Zebit Fraud and Identity Detection Systems;<br>• Zebit Underwriting Engine at Registration and the Point of Sale;<br>• Zebit Marketplace;<br>• Zebit Payment and Collection Systems; and<br>• Zebit Rewards Application.<br><br>**For further information, see Section 3.10** |

| Topic | Summary |
|---|---|
| What are Zebit's material contracts? | As of the Prospectus Date, Zebit's material contracts include:<br>• Bastion credit facility; and<br>• $1.1 million Paycheck Protection Program loan under the U.S. Coronavirus Aid, Relief, and Economic Security Act ("**CARES Act**").<br>Zebit also enters into agreements with its customers and suppliers.<br>**For further information, see Section 9** |
| How does Zebit intend to scale and grow revenue? | Zebit intends to scale and grow revenue by:<br>• **Increasing customer acquisition to strengthen market position and first-mover advantage** – using additional capital from the Offer, Zebit plans to scale customer acquisition across its enterprise, platform and direct consumer channels;<br>• **Optimising approval rates and credit losses** – utilise investment in historical testing and outcome data from FY17-FY19 to fuel 3rd generation data science models at registration and checkout to increase application approval rates, while lowering customer acquisition cost and optimising credit losses;<br>• **Developing additional platform capabilities** – improve new customer registration processes, risk models, introduce longer term financing products for best performing Active Customers, expand marketing campaign software and implement an upgraded analytics platform that allows real-time control of models in production; and<br>• **Filling talent gaps in senior management and other key roles in the organisation.**<br>**For further information, see Section 3.8** |

## 1.3 Business highlights and key strengths

| | |
|---|---|
| Large addressable market | Approximately 119.8 million U.S. adults have a credit score that is below the 'Prime' and 'Superprime' categories, or have a thin/stale credit record, or are 'credit invisible'. Zebit defines these 119.8 million U.S. adults as "Financially Underserved Consumers", because of the lack of cost-effective or mainstream credit options available to them.<br>**For further information, see Section 2.2** |
| Product selection and price | Zebit offers its Registered Users the opportunity to purchase a wide selection of products that are offered at major online and brick-and-mortar retailers. In addition, Zebit is priced below rent-to-own companies (who target a similar consumer demographic to Zebit) when factoring in interest and fees charged by these companies.<br>**For further information, see Section 3.7** |
| Early mover advantage | Zebit is one of the first eCommerce companies to address the large, Financially Underserved Consumer base in the U.S. with its own in-house BNPL solution. The Company has collected a vast amount of proprietary application and user behaviour data, in combination with 3rd party external data, to create predictive models to de-risk a customer at the point of registration and the point of sale, forgoing the need to charge fees or penalties to compensate for poor underwriting.<br>**For further information, see Section 3.5 and 3.7** |

| Topic | Summary |
|---|---|
| Data asset | Zebit has built a unique big data set on consumer behaviour that is a culmination of years of rigorous testing and experimentation and deliberate investment in FY18 - FY19. This proprietary data asset, combined with advanced machine learning models, are key components in evaluating and controlling credit risk during an economic upswing, and Zebit believes provides the ability to underwrite effectively during an economic downturn such as the recent COVID-19 generated recession.<br><br>**For further information, see Section 3.5 and 3.7** |
| Online only | Zebit operates purely in an online environment through the Zebit Marketplace, with no physical stores, no inventory or warehouses, and no discounting to move obsolete stock; enabling Zebit to retain its full gross margins and focus on its core competencies.<br><br>**For further information, see Section 3.3** |
| Technology infrastructure | The Zebit Platform is a suite of proprietary sourcing, marketing, analytics, forecasting and pricing systems that have been internally developed and refined by Zebit including machine learning and algorithmic prediction engines that are designed to optimise end to end user experience and to create a highly scalable platform to facilitate growth.<br><br>**For further information, see Section 3.3, 3.7 and 3.10** |
| Purpose-led company | Zebit exists to offer Financially Underserved Consumers a better alternative to legacy rent-to-own or lease-to-own retailers, and payday or instalment lenders. Zebit believes that this is a key contributor to Zebit's historical approximate 24% organic (word-of-mouth) customer acquisition, strong repeat revenue, and world-class customer satisfaction ratings.<br><br>**For further information, see Section 3.1** |

## 1.4 Key Financial Information

| Topic | Summary |
|---|---|
| **On what basis has the Financial Information been prepared?** | • Zebit's Statutory Historical Financial Information for the years ended 31 December 2017 ("**FY17**"), 31 December 2018 ("**FY18**"), and 31 December 2019 ("**FY19**") has been audited by BDO USA, LLP. The Statutory Historical Financial Information for the six-month periods ended 30 June 2019 ("**1H19**") and 30 June 2020 ("**1H20**") has been reviewed by BDO USA, LLP.<br>• An unqualified audit opinion in respect of these periods was issued. No modified audit reports were issued for the Company in those periods; however, emphasis of matter paragraphs were included. They outlined Zebit's recurring losses from operations and a net capital deficiency, and stated that substantial doubt exists about its ability to continue as a going concern.<br>• Zebit operates on a financial year end of 31 December. All amounts disclosed in Section 6 are presented in U.S. Dollars and, unless otherwise noted, are rounded to the nearest $1,000.<br>• The Statutory Historical Financial Information has been prepared and presented in accordance with the measurement and recognition principles of U.S. GAAP issued by the Financial Accounting Standards Board ("**FASB**"). A pro forma reconciliation between U.S. GAAP and AIFRS is contained in Section 6.5.7.<br>• The pro forma Financial Information has been derived from the statutory Financial Information, with pro forma adjustments being made to eliminate certain non-recurring items, and adjustments to reflect Zebit's operating and capital structure following Completion, and also to reflect the impact of the Offer and other material transactions post 30 June 2020.<br>• This Prospectus includes Forecast Financial Information based on the specific and general assumptions made by Zebit. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information.<br>• The Forecast Financial Information has been prepared by Zebit based on an assessment of current economic and operating conditions, and on the specific and general assumptions regarding future events and actions as set out in Section 6.6. The Forecast Financial Information is subject to the risks set out in Section 4. The inclusion of these assumptions and these risks are intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring. They are not intended to be a representation that the assumptions will occur.<br>**For further information, see Section 6.2** |

| Topic | Summary |
|---|---|
| What is Zebit's historical and forecast financial performance? | A summary of the Pro Forma Historical and Forecast Financial Information is set out below. |

| | Pro Forma Historical | | | | | Pro Forma Forecast | |
|---|---|---|---|---|---|---|---|
| US$ million | FY17 | FY18 | 1H19 | FY19 | 1H20 | FY20F[1] | Forecast Period[2] |
| Revenue | 20.8 | 45.3 | 31.0 | 85.5 | 28.1 | 82.2 | 109.1 |
| Cost of sales | (16.9) | (34.8) | (23.2) | (63.5) | (20.6) | (59.8) | (79.1) |
| Gross profit | 3.9 | 10.5 | 7.8 | 22.0 | 7.6 | 22.4 | 30.0 |
| Operating expenses | (16.1) | (22.5) | (14.2) | (35.1) | (12.2) | (30.5) | (39.5) |
| EBITDA | (12.2) | (11.9) | (6.3) | (12.8) | (4.6) | (8.1) | (9.5) |
| **Total comprehensive income** | **(12.2)** | **(12.1)** | **(7.1)** | **(14.5)** | **(5.7)** | **(10.1)** | **(11.7)** |

1. FY20F is the 12 month period ended 31 December 2020, which includes the reviewed six month period to 30 June 2020 (**1H20**) and the six month forecast period to 31 December 2020 (**2H20F**)
2. Forecast Period is the 12 month period ended 30 June 2021, which includes the six month forecast period ended 31 December 2020 included in FY20F, and the six month forecast period ended 30 June 2021 (**1H21F**).

The information above, which contains non-U.S. GAAP or AIFRS financial measures, is intended as a summary only and should be read in conjunction with more detailed discussion on the Financial Information disclosed in Section 6, including specific and general assumptions, management discussion and analysis and sensitivity analysis, as well as the key risks set out in Section 4.

Zebit is not profitable and has been loss making since inception. The Company has an accumulated deficit of approximately $63 million as of 30 June 2020, and may continue to incur losses as it scales revenue during the Forecast Period. For further information, see Section 4.2.21 and Section 6.2.1.

**For further information, see Section 3.6, 6.3, 6.6, 6.7 and 6.8.**

**What is the sensitivity of the Pro Forma Forecast Financial Information to changes in key assumptions?**

The Forecast Financial Information is based on a number of specific and general assumptions, as described in Sections 6.6.1 and 6.6.2. Set out below is a summary of the sensitivity of the Pro Forma Forecast Financial Information to changes in several key assumptions. Care should be taken in interpreting these sensitivities.

| | | Full Forecast Period | | | |
|---|---|---|---|---|---|
| | Increase/ decrease | (+) Revenue | (-) Revenue | (+) EBITDA | (-) EBITDA |
| Average Customer Spend per Month | +/- 5% | $5,462,622 | ($5,462,622) | $637,260 | ($656,221) |
| Gross Margin | +/- 100bps | $0 | $0 | $1,051,762 | ($1,051,762) |
| Bad Debt | +/- 100bps | $0 | $0 | ($1,107,174) | $1,107,174 |
| CAC | +/- 5% | ($2,283,281) | $2,697,207 | ($173,949) | $204,909 |

**For further information, see Section 6.8.**

**How does Zebit intend to fund its operations?**

Zebit intends to fund its operations from:

- pro forma cash of US$3.4 million as at 30 June 2020 (excluding proceeds from the Offer);
- Bastion credit facility of up to $30 million, with $15 million initially available to be drawn[3]; and
- proceeds from the Offer of approximately A$35.0 (US$24.5 million).

**For further information, see Section 8.4 and 6.5.3**

3. For more information see Section 9.1

| Topic | Summary |
| --- | --- |
| **What is Zebit's dividend policy?** | The extent, timing and payment of any dividends in the future will be determined by the Directors based on a number of factors, including future earnings and the financial performance and position of the Company.<br><br>While it is the aim of the Company that, in the longer term, its financial performance and position will enable the payment of dividends, at the Prospectus Date, the Company does not intend, or expect to declare or pay any dividends in the immediately foreseeable future, given that its focus will be on long term growth and reinvesting cash into the Company.<br><br>**For further information, see Section 6.9** |
| **On what basis will Zebit prepare its financial reports?** | The financial reports of the Company are prepared in accordance with U.S. GAAP, and the audit of those financial reports has been conducted in accordance with auditing standards generally accepted in the U.S.<br><br>The Company has obtained a modification of the Corporations Act to permit the Company to only lodge U.S. GAAP financial statements with ASIC, and has sought a confirmation from ASX that it may solely report in U.S. GAAP once the CDIs are listed on the ASX.<br><br>The Company does not intend to prepare future statutory financial information under AIFRS and has sought a confirmation from ASX that it may solely report in U.S. GAAP (and audit its financial reports in accordance with auditing standards generally accepted in the U.S.) once the CDIs are listed on the ASX.<br><br>**For further information, see Section 6.5.7 and Section 10.17** |

## 1.5 Key Company risks

| | |
| --- | --- |
| **A higher than expected portion of Zebit's customers may fail to repay their financial obligations to Zebit** | As part of Zebit's business model serving Financially Underserved Consumers, Zebit expects a certain percentage of its Active Customers to fail to pay some of their instalments. If a greater than expected portion of Zebit's Active Customers do not pay their instalments owing under their contracts, then Zebit may experience a decrease in operating cash flows received, and an increase in expenses (including an increase in bad debt expenses), which may have a material adverse effect on Zebit's business, financial condition, operating and financial performance, and the availability and cost of funding.<br><br>**For further information, see Section 4.2.1** |
| **Zebit's credit assessment processes may fail** | Zebit relies on its credit risk management processes when assessing the creditworthiness of customers (see Section 3.5 for further information).<br><br>If Zebit's credit risk management processes materially fail to accurately assess and monitor credit risk this could result in Zebit providing Zebitlines to a greater than expected number of customers who do not have the capacity to repay. This could have a material adverse effect on Zebit's operating and financial performance.<br><br>**For further information, see Section 4.2.2** |

| Topic | Summary |
|---|---|
| **Customer acquisition and retention** | The current and forecast financial performance of Zebit depends on its ability to retain existing Active Customers, attract new Registered Users and sell products to these Registered Users. Cost efficient Registered User acquisition and Active Customer retention are key drivers of Zebit's business.<br><br>If Zebit's marketing strategies are not successful it may have a material adverse impact on Registered User acquisition and Active Customer retention and increase Registered User acquisition costs. Registered User acquisition and Active Customer retention are also subject to macroeconomic factors including U.S. economic growth, interest rates, unemployment , consumer sentiment and exchange rate movements. One or more of these factors could have an adverse impact on Registered User acquisition and Active Customer retention and Zebit's operating and financial performance, and prospects.<br><br>**For further information, see Section 4.2.3** |
| **Demand for pay over time solutions** | There is no guarantee that demand for pay over time solutions by Financially Underserved Consumers in the U.S. will continue into the future or as currently forecast. If demand slows or contracts Zebit may not be able to meet its business objectives which would adversely affect its operating and financial performance.<br><br>**For further information, see Section 4.2.4** |
| **Changes in consumer preferences** | Zebit's sales are dependent on its ability to identify and respond to consumer product trends, and anticipate, gauge and react to changing preferences of Financially Underserved Consumers in a timely manner.<br><br>If Zebit misjudges customer preferences or fails to convert market trends into appealing product offerings on a timely basis, these may result in lower revenue and margins and could adversely impact Zebit's financial and operational performance.<br><br>**For further information, see Section 4.2.5** |
| **Zebit may be exposed to fraud** | Zebit is exposed to the risk that its Registered Users or third parties may seek to commit fraud against Zebit.<br><br>While Zebit has existing measures to detect and defend against fraud both in general and the attributes of different fraud attack patterns, there can be no assurance that Zebit's internal controls will prevent the incidence of fraud. Failure of internal controls to detect fraud may result in damage to Zebit's reputation, significant losses due to non-payment of instalments, or impact Zebit's ability to attract and retain Registered Users and Active Customers, each of which would have a material adverse effect on Zebit's operating and financial performance.<br><br>**For further information, see Section 4.2.6** |
| **Laws and regulations may impact Zebit's business** | Zebit's business and activities are regulated at the Federal level in the U.S. and across the 50 States it operates within. At the Federal level, Zebit must comply with several laws, and their respective implementing regulations, governing consumer credit and the financing of products.<br><br>The regulatory framework for eCommerce companies, including Zebit, is developing and evolving, and it is possible that new laws and regulations will be adopted in the U.S., or existing laws and regulations may be interpreted in new ways, that could affect the operation of Zebit and the way in which it interacts with its Registered Users and Active Customers. |

| Topic | Summary |
| --- | --- |
| Laws and regulations may impact Zebit's business (continued) | Regulators, including the Consumer Finance Protection Bureau and the Federal Trade Commission, other Federal agencies, and State executive agencies have broad discretion with respect to the interpretation, implementation and enforcement of the laws and regulations that apply to Zebit, including through enforcement actions that could subject Zebit to civil money penalties, customer remediations, increased compliance costs, and limits or prohibitions on its ability to offer certain products and services or to engage in certain activities.<br><br>**For further information, see Sections 4.2.7 to 4.2.9** |
| Reliance on third party suppliers | Zebit has approximately 81 suppliers that provide over approximately 90,000 products. Of these suppliers, 4 suppliers supplied approximately 74.2% of the products (by value) sold through the Zebit Marketplace for 1H20.<br><br>Zebit's formal supply contracts have no guarantees associated with renewal on like terms, availability of merchandise at any point of time, or credit terms. Any deterioration of Zebit's relationships with these suppliers, or the suppliers otherwise not performing as anticipated, may have an adverse impact on sales and Zebit's operating and financial performance.<br><br>**For further information, see Section 4.2.10 and 9.3** |
| Failure to effectively execute Zebit's growth strategy | Zebit's ability to grow its business is subject to various risks, including the need to invest significant financial resources and management attention to its growth strategy. There is a risk that the desired level of growth will not be achieved or Zebit will be unable to manage its expected growth successfully (including through the recruitment, training, integration and management of the personnel required to support that anticipated growth), and Zebit may not be able to take advantage of market opportunities, satisfy customer requirements, execute its strategic plans or adequately respond to competitive threats.<br><br>**For further information, see Section 4.2.11** |
| Competitors, new market entrants and alternative products | The performance of Zebit is influenced by a number of competitive factors including the success and awareness of its brand, the performance of the Zebit Platform, and the willingness of consumers to purchase from Zebit.<br><br>The retail and eCommerce industries are highly competitive, and competition may arise from a number of sources including traditional "brick-and-mortar" retailers, multi-channel, mono-channel, multi-branded retailers, and online-only eCommerce competitors.<br><br>**For further information, see Section 4.2.12** |
| Disruption or failure of technology, software systems and the Zebit Marketplace | The Zebit Platform, including the Zebit Marketplace, databases, IT and management systems, and security systems are critically important to Zebit's operations.<br><br>If the Zebit Platform does not function properly, there could be system disruptions, corruption in databases or other electronic information, delays in sales events, delays in transaction processing, website slowdown or unavailability, loss of data or the inability to accept and fulfil customer orders.<br><br>**For further information, see Section 4.2.13** |

| Topic | Summary |
|---|---|
| **Future capital requirements** | Although Zebit believes that, on Completion of the Offer, it will have sufficient working capital to meet its operational requirements and business objectives, there can be no assurance that such objectives can be met without further financing or, if further financing is necessary, that financing can be obtained on favourable terms or at all. Furthermore, raising additional funds by issuing equity securities may result in dilution for some or all of the Shareholders.<br><br>Zebit may seek additional debt funding in the future to finance an expansion of its business. There is no assurance that such debt facilities can be obtained when required or on reasonable terms.<br><br>**For further information, see Section 4.2.19 and 9.1** |
| **Other risks faced by Zebit** | Section 4 sets out a number of other risks that relate to an investment in Zebit as well as generally to an investment in CDIs including the following:<br>• disruption to the U.S. economy caused by the COVID-19 pandemic;<br>• competition and a range of alternative providers;<br>• reliance on data from third-party providers to underwrite customers;<br>• security or data breaches including from cyber attacks;<br>• reputation and/or brand damage;<br>• loss of key personnel;<br>• ability to attract and retain skilled staff;<br>• product liability claims;<br>• inability to protect intellectual property.<br><br>Other investment risk factors including economic factors, liquidity, tax law changes, accounting standard changes, force majeure events and Security holder dilution. |

## 1.6 Board and senior management

| | |
|---|---|
| **Who are the Directors and Proposed Directors?** | On Listing, the Board will comprise:<br>• Jim Feuille (Non-Executive Chairman);<br>• Marc Schneider (President & CEO);<br>• Sylvia Falzon (Non-Executive Director);<br>• Miriam Rivera (Proposed Non-Executive Director);<br>• Larry Rosenberger (Non-Executive Director); and<br>• Scott Thompson (Non-Executive Director).<br>**For further information, including relevant experience and expertise of the Directors and Proposed Director see Section 5.1** |
| **Who are the key senior management of the Company?** | • Marc Schneider (President and CEO);<br>• Steve Lapin (Chief Financial Officer); and<br>• Eric VonDohlen (Chief Credit Officer).<br>As of 30 June 2020 the Company had 44 employees across engineering, data science, operations, sales, and marketing.<br><br>**For further information, including relevant experience and expertise of key senior management see Section 5.2** |

## 1.7 Significant interests of key people and related party transactions

| Topic | Summary |
|---|---|
| Who are the current Shareholders and what will their interest be at Completion of the Offer? | See table below |

| Name | Immediately prior to the Offer (undiluted)[1] | | Immediately following the Offer (undiluted)[1,2] | | Options, RSUs and Warrants following the Offer | |
|---|---|---|---|---|---|---|
| | Shares | % | Shares/ CDIs | % | Securities | % |
| Crosslink[3] | 19,823,856 | 30.1% | 22,171,588 | 23.5% | 154,300 | 1.1% |
| Strome Investment | 8,543,995 | 13.0% | 8,543,995 | 9.1% | 100,000 | 0.7% |
| Wildcat | 8,280,138 | 12.6% | 9,310,470 | 9.9% | 74,665 | 0.5% |
| Leapfrog | 6,414,194 | 9.7% | 6,530,731 | 6.9% | 50,198 | 0.4% |
| Ulu Ventures[4] | 5,860,415 | 8.9% | 6,094,084 | 6.5% | 75,000 | 0.5% |
| Gain Credit, Inc. | 4,730,000 | 7.2% | 4,730,000 | 5.0% | – | 0.0% |
| Board[5] | 940,409 | 1.4% | 1,406,075 | 1.5% | 7,743,926 | 55.3% |
| Employees and Management[6] | 1,770 | 0.0% | 95,237 | 0.1% | 4,278,918 | 30.6% |
| Other Existing Shareholders | 11,281,946 | 17.1% | 13,253,421 | 14.1% | 1,516,750 | 10.8% |
| Investors in the Offer | – | 0.0% | 22,151,899 | 23.5% | – | 0.0% |
| | **65,876,723** | **100.0%** | **94,287,500** | **100.0%** | **13,993,757** | **100.0%** |

Note:

1. Undiluted consists of issued and outstanding shares.
2. Reflects the conversion of all Preferred Stock and Convertible Notes into shares (at a price of US$0.8848 per Share and an assumed conversion date of October 20, 2020). See Section 10.6 for further information.
3. Jim Feuille, Chairman and Non-Executive Director, is a Partner of Crosslink. Crosslink and its associated entities hold 4,621,242 Shares, 4,629,070 shares of Series A Preferred Stock, 10,573,544 shares of Series B Preferred Stock, and warrants to purchase 154,300 shares of Series Seed Preferred Stock. In addition, entities affiliated with Crosslink holds Convertible Notes with an aggregate principal value of US$2,009,450 that is convertible into 2,347,732 Shares.
4. Miriam Rivera, Proposed Non-Executive Director, is co-founder and managing director of Ulu Ventures. Ulu Ventures and its associated entities hold 1,361,306 Shares, 750,000 shares of Series A Preferred Stock, 3,749,109 shares of Series B Preferred Stock, and a warrant to purchase 75,000 shares of Series Seed Preferred Stock. In addition, an entity affiliated with Ms. Rivera holds a Convertible Note with a principal value of US$200,000 that is convertible into 233,669 Shares.
5. Comprising Marc Schneider, Larry Rosenberger, Scott Thompson and Sylvia Falzon.
6. Includes the options that will be granted following Completion, see Section 10.7 for further information.

**For further information, see Section 8.10**

| Topic | Summary |
|---|---|
| **What significant benefits and interests are payable to Directors and other persons connected with the Company or the Offer?** | Directors are entitled to remuneration and fees on commercial terms as disclosed in Section 5.4.1 and senior management as disclosed in Section 5.4.2 and 5.4.3. The Directors will hold interests as follows: |

| Name | Shares /CDIs immediately following the Offer (undiluted)[1] | Options and Warrants immediately following the Offer | Percentage holding of Shares as of Immediately Following the Offer (undiluted)[1] | Percentage holding of Shares as of Immediately Following the Offer (fully diluted)[1] |
|---|---|---|---|---|
| Jim Feuille[2] | 22,171,588 | 154,300 | 23.5% | 20.6% |
| Marc Schneider[3] | 105,490 | 7,083,926 | 0.1% | 6.6% |
| Miriam Rivera[4] | 6,094,084 | 75,000 | 6.5% | 5.7% |
| Larry Rosenberger[5] | 1,183,751 | 200,000 | 1.3% | 1.3% |
| Scott Thompson[6] | 116,834 | 260,000 | 0.1% | 0.3% |
| Sylvia Falzon[7] | – | 200,000 | 0.0% | 0.2% |
| | **29,671,747** | **7,973,226** | **31.5%** | **34.8%** |

1. Undiluted refers to the number of Shares on issue. Fully diluted refers to the number of Securities, Options and Warrants on issue plus Options to be granted upon Completion. Reflects the conversion of all Preferred Stock and Convertible Notes into shares (at a price of $0.8848 per Share and an assumed conversion date of October 20, 2020). See Section 10.6 for further information.
2. Jim Feuille, Chairman and Non-Executive Director, is a Partner of Crosslink. Crosslink and its associated entities hold 4,621,242 Shares, 4,629,070 shares of Series A Preferred Stock, 10,573,544 shares of Series B Preferred Stock, and warrants to purchase 154,300 shares of Series Seed Preferred Stock. In addition, entities affiliated with Crosslink holds Convertible Notes with an aggregate principal value of US$2,009,450 that is convertible into 2,347,732 Shares.
3. Consists of 105,490 shares of Series A Preferred Stock and 5,883,926 Options. Marc Schneider will be granted Options to purchase 1,200,000 Shares on or about Completion of the Offer. See Section 5.4.1.5 for further information.
4. Miriam Rivera, Non-Executive Director, is co-founder and managing director of Ulu Ventures. Ulu Ventures and its associated entities hold 1,361,306 Shares, 750,000 shares of Series A Preferred Stock, 3,749,109 shares of Series B Preferred Stock, and a warrant to purchase 75,000 shares of Series Seed Preferred Stock. In addition, an entity affiliated with Ms. Rivera holds a Convertible Note with a principal value of US$200,000 that is convertible into 233,669 Shares.
5. Consists of 121,003 Shares and 713,916 shares of Series B Preferred Stock held by a family trust associated with Larry Rosenberger, and an option to purchase 200,000 shares of common stock. In addition, Larry Rosenberger's family trust holds a Convertible Note with a principal value of US$300,000 that is convertible into 348,832 Shares.
6. Consists of 260,000 Options. In addition, Scott Thompson holds a Convertible Note with a principal value of US$100,000 that is convertible into 116,834 Shares.
7. Sylvia Falzon will be granted Options to purchase 200,000 Shares on or about Completion of the Offer. See Section 5.4.1.3 for further information.

Advisers and other service providers are entitled to fees for services and other interests as disclosed in Section 5.4.4.

**For further information, see Section 5.4**

| Topic | Summary |
|---|---|
| Will any CDIs or Shares be subject to restrictions on disposal following Completion? | Yes. The Securities referred to below will be subject to voluntary escrow agreements. |

| Escrowed Party | Escrow Period | Escrowed Shares/CDIs[1] | Escrowed Options and Warrants |
|---|---|---|---|
| Board and CEO[2] | 100%: 12 months<br>75%: 18 months<br>50%: 24 months | 1,406,075 | 7,743,926 |
| Senior Management and Employees [3] | 100%: 12 months<br>53%: 18 months<br>26%: 24 months | 95,237 | 4,278,918 |
| Crosslink | 100%: 24 months | 22,171,588 | 154,300 |
| Gain Credit, Inc. | 100%: 24 months | 4,730,000 | - |
| Leapfrog | 100%: 24 months | 6,530,731 | 50,198 |
| Strome Investment | 100%: 24 months | 8,543,995 | 100,000 |
| Ulu Ventures | 100%: 24 months | 6,094,084 | 75,000 |
| Wildcat | 100%: 24 months | 9,310,470 | 74,665 |
| Other Existing Shareholders | 100%: 12 months<br>90%: 18 months<br>32%: 24 months | 11,598,240 | 1,397,924 |
| | | **70,480,420** | **13,874,931** |

1. Reflects the conversion of all Preferred Stock and Convertible Notes into shares (at a price of US$0.8848 per Share and an assumed conversion date of October 20, 2020). See Section 10.6 for further information.
2. Includes the Options that will be granted to Marc Schneider and Sylvia Falzon on or about Completion of the Offer. See Sections 5.4.1.3 and 5.4.1.5 for further information.
3. Includes the Options that will be granted to employees on or about Completion of the Offer. See Section 10.7 for further information.

As a result of the above restrictions, there will only be liquidity with respect to approximately 25.2% of the Shares/CDIs at completion of the Offer until such time as applicable escrow periods end. There is no guarantee that an active market for the CDIs will develop or continue. For further information, see Section 4.3.4.

**For further information, see Section 10.11**

| Topic | Summary |
|---|---|
| What contracts and/or arrangements with related parties is the Company a party to? | The Company is party to an appointment letter with each non-executive Director in relation to their engagement with the Company. A summary of Marc Schneider's executive employment agreement is in Section 5.4.2. In addition, each officer and Director of Zebit has entered into an indemnification agreement with Zebit.<br><br>Jim Feuille, Larry Rosenberger and Miriam Rivera (all through associated entities) and Marc Schneider and Scott Thompson are parties to the Company's Registration Rights Agreement referred to in Section 10.13. |
| Who is the issuer of this Prospectus? | Zebit, Inc., is registered in the State of Delaware, with registration number 5486840. The Company is registered as a "foreign company" in Australia under the Corporations Act with ARBN 639 736 726.<br><br>**For further information, see Section 8.1** |

## 1.8 Proposed use of funds and key terms and conditions of the Offer

| Topic | Summary |
|---|---|
| What is the Offer? | The Offer is the offer provided under this Prospectus for investors to participate in the initial public offering of CHESS Depositary Interests ("**CDIs**") over shares of common stock in Zebit ("**Shares**"). Each CDI represents an interest in 1 Share.<br>The Offer is an offer of 22.2 million CDIs (equivalent to 22.2 million Shares representing a ratio of 1 CDI for 1 Share) at A$1.58 per CDI by the Company to raise A$35.0 before associated costs.<br>**For further information, see Section 8.1** |
| What is the proposed use of the funds raised under the Offer? | The Board believes that the Company's current cash reserves, cash flow from existing operations, plus the net proceeds of the Offer will be sufficient to fund the Company's stated business objectives. |

| Sources | US$'000's | A$'000's | % |
|---|---|---|---|
| Offer proceeds received by Zebit | 24,500 | 35,000 | 100.0% |

| Uses | US$'000's | A$'000's | % |
|---|---|---|---|
| Working Capital[1] | 6,366 | 9,094 | 26.0% |
| Marketing Expenses[2] | 6,645 | 9,493 | 27.1% |
| Active Customer Underwriting & payment processing costs | 4,196 | 5,994 | 17.1% |
| Offer costs | 3,744 | 5,349 | 15.3% |
| Repayment of SVB Facility | 1,609 | 2,298 | 6.6% |
| New Employee Compensation | 848 | 1,211 | 3.5% |
| Alternative Capital Raising Expenses | 750 | 1,071 | 3.1% |
| Platform Development | 343 | 490 | 1.4% |
| Total | 24,500 | 35,000 | 100.0% |

1. Working capital is the capital required to fund its day-to-day trading operations (for example payment of salaries, rent and other operational expenses). The more significant areas of expenditure in respect of working capital have been separately identified, being the marketing expenses to attract new registrations, costs associated with underwriting new customers driven by the increased marketing spend, payment processing for orders, increases in platform expenses related to increased traffic and volume on Zebit's properties (e.g., Amazon Web Service monthly cost), platform development costs to add capabilities to manage the business and increasing conversion at registration and point of sale, and additional employee compensation expenses. Zebit will use the remainder of the capital to fund equity required for growth of accounts receivables; especially for new orders resulting from increased marketing spend, and other general cash needs.
2. Marketing expense includes costs related to acquiring Registered Users and comprises Business to Consumer (B2C) marketing spend and Business to Business (B2B) marketing spend. B2C marketing spend is applied to various media channels that have been used historically and that are currently active such as Facebook, Paid Search, YouTube, Podcast, Radio and other digital media. Over the Forecast Period, B2C is forecast to account for c.85% of marketing spend. Zebit incurs B2B marketing spend on business partners (e.g., benefit platforms) for underwritten and approved Registered Users (and does not pay for leads or user traffic). Over the Forecast Period, B2B is forecast to account for c.14% of marketing spend. For further information on Zebit's Registered User acquisition channels including Zebit's customer acquisition costs, see Section 3.4.3, and for further information on Zebit's marketing expenses from FY17 to the Forecast Period, see Section 6.7.4.2.

The above table is a statement of current intentions as at the Prospectus Date. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of sales performance, operational and development activities, regulatory developments, and market and general economic conditions. In light of this, the Company reserves its right to alter the way the funds are applied. In addition, as the proceeds of the Offer will be received in Australian dollars and, as the expenditure will be in U.S. dollars, the actual amount of the proceeds used for each of the items above will depend on the AUD:USD exchange rate at the time that the funds are converted to U.S. dollars, as discussed in Section 4.3.3.

**For further information, see Section 8.3**

| Topic | Summary |
| --- | --- |
| How is the Offer structured? | The Offer comprises:<br>• the Broker Firm Offer, which is open to Australian resident retail clients and sophisticated investors who have received a firm allocation of CDIs from their Broker made under this Prospectus;<br>• the Institutional Offer, which consists of an offer to Institutional Investors in Australia and certain other jurisdictions, made under this Prospectus; and<br>• the Priority Offer, which is only open to investors nominated by Zebit.<br>**For further information, see Section 8.2** |
| Will the CDIs be quoted on the ASX? | Yes. The Company will apply to ASX within seven days of the Prospectus Date for quotation of all CDIs on the ASX under the ticker code ZBT.<br>Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. |
| What rights and liabilities attach to the CDIs being offered? | The Shares underlying the CDIs will rank equally with the Shares currently on issue with the Company. There are certain differences between the Shares and ordinary shares which are typically issued by Australian incorporated public companies.<br>**For further information, see Section 8.9** |
| What law governs Zebit? | As the Company is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act or by the Australian Securities and Investments Commission but instead are governed by the DGCL and applicable U.S. law, including in relation to laws and regulations relating to takeovers.<br>Further information about the differences between the laws governing the Company as a U.S. company with laws governing Australian publicly listed companies can be found in Section 10.9 |
| Is the Offer underwritten? | Yes. The Offer is fully underwritten by the Lead Manager subject to the terms of the Underwriting Agreement.<br>**For further information, see Section 9.4** |
| Is there a minimum amount to be raised under the Offer? | No, the Offer is fully underwritten by the Lead Manager. |
| What is the minimum Application size under the Offer? | The minimum Application size under the Broker Firm Offer is 1,265 CDIs or A$2,000. There is no maximum value of CDIs that may be applied for under the Broker Firm Offer.<br>**For further information, see Section 8.5** |

# 1. Investment Overview (continued)

| Topic | Summary |
|---|---|
| What is the allocation policy? | The allocation of CDIs between the Broker Firm Offer, the Institutional Offer and the Priority Offer will be determined by the Company in consultation with the Lead Manager, having regard to the allocation policies.<br><br>For Broker Firm Offer Applicants, the relevant Broker will decide how they allocate CDIs among their retail clients.<br><br>The Lead Manager and Zebit have absolute discretion regarding the allocation of CDIs to Applicants under the Offer and may reject an Application, or allocate a lesser number of CDIs than applied for. The Lead Manager and Zebit also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.<br><br>**For further information, see Section 8.4 and 8.5** |
| Is there any brokerage, commission or stamp duty payable by Applicants? | No brokerage, commission or stamp duty is payable by Applicants on acquisition of CDIs under the Offer.<br><br>**For further information, see Section 8.4** |
| What are the tax implications of investing in CDIs? | The tax consequences of any investment in CDIs will depend on your personal circumstances. It is recommended that all investors consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of CDIs, before deciding to invest.<br><br>**For further information, see Section 10.14** |
| When will I receive confirmation that my Application has been successful? | It is expected that the initial holding statements and confirmation advices will be dispatched by standard post on or around 26 October 2020.<br><br>**For further information, see Section 8.4** |
| What do Applicants pay when applying under the Offer? | All Applicants under the Offer will pay A$1.58 per CDI.<br><br>**For further information, see Section 8.1** |
| How can I apply? | Retail Investors under the Broker Firm Offer should contact their Broker for instructions on how to complete the Broker Firm Offer Application Form accompanying this Prospectus. The Lead Manager may seek to obtain identification information from Applicants. The Company reserves the right to reject an Application if that information is not provided.<br><br>**For further information, see Section 8.5** |
| Can the Offer be withdrawn? | The Company may withdraw the Offer at any time before the issue of CDIs to Successful Applicants or bidders. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).<br><br>**For further information, see Section 8.8** |
| How can I obtain further information? | If you would like more information or have any questions relating to the Offer, you can contact the Offer Information Line on 1300 110 638 (within Australia) or +61 3 9415 4063 (outside Australia) between 8:30am and 5:00pm Sydney time, Monday to Friday.<br><br>If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser. |

# Industry Overview

# 2. Industry Overview

## 2.1 Introduction

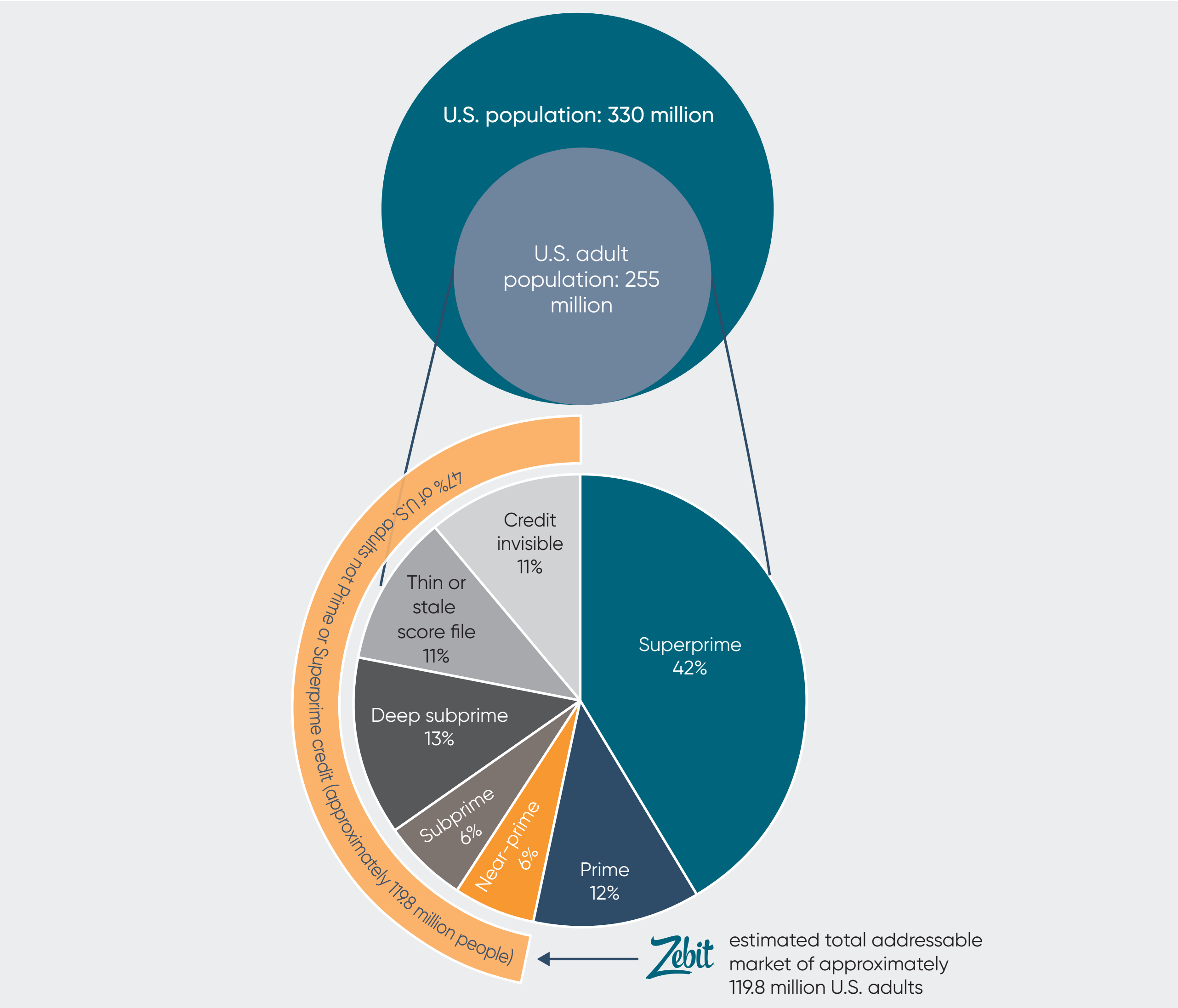
Zebit is a California-based eCommerce company that provides the opportunity for Financially Underserved Consumers in the U.S. to buy products and pay for them over 6 months, with no late fees or penalties such as overdraft fees, non-sufficient funds charges or fees to delay a payment. Zebit is working to address entrenched structural problems in the U.S. that confront approximately 119.8 million Financially Underserved Consumers[1].

Zebit is both the merchant and the credit provider and generates revenue across a broad product range, but predominantly focuses on electronics, appliances, furniture and home furnishings, clothing and accessories, health and fitness products and e-certificates. Zebit believes it is well positioned to take market share away from legacy alternatives by providing Financially Underserved Consumers access to a fair value proposition and continue its strong growth trajectory.

## 2.2 Financially Underserved Consumers

Approximately 119.8 million U.S. adults have a credit score that is below the 'Prime' and 'Superprime' categories, or have a thin/stale credit record, or are 'credit invisible'[2] (often referred to as "underserved" consumers because of the lack of cost-effective or mainstream credit options available to them) (see figure 1 below for further detail)[3]. Zebit defines these approximately 119.8 million U.S. adults as "Financially Underserved Consumers".

FIGURE 1: ANALYSIS OF POTENTIAL MARKET OPPORTUNITY[4]




1. U.S. Consumer Financial Protection Bureau – Consumer Credit Card Market Report | 2019; Page 21 and United States Census Bureau | 2020
2. U.S. Consumer Financial Protection Bureau – Consumer Credit Card Market Report | 2019; Page 2
3 Financial Health Network – Financially Underserved Market Size Study | 2019; Page 3
4. U.S. Consumer Financial Protection Bureau – Consumer Credit Card Market Report | 2019; Page 21; and United States Census Bureau | 2020

Low and middle-wage earners in the U.S. have generally faced stagnant wages growth relative to high-wage earners over the last 40 years despite strong economic conditions and equity market advances. The U.S. Congressional Research Service estimated that real wages, as adjusted for inflation, in the U.S. have increased by 1.6% for low-wage, 6.1% for middle-wage and 37.6% for high-wage earners from 1979 to 2018[5]. In just over 10 years, the S&P 500 advanced by 178.0% (from 1 January 2010 to 30 June 2020)[6]. The Financial Health Network's 2019 U.S. Financial Health Pulse[7] stated that 71% of U.S. consumers, or approximately 178 million adults, are financially "coping" or "vulnerable", while only 29%, or 70 million U.S. Consumers, are "financially healthy". Additionally, the Financial Health Network defines underserved consumers by their struggle to access mainstream financial products because of one or more of the following financial challenges:[8]

- credit challenged due to Subprime Fico Credit Scores below 600, or un-scorable due to insufficient credit information (approximately 36% of U.S. adults);
- unbanked or underbanked – struggle with access to mainstream financial products (approximately 25% of U.S. adults); and/or
- low-to-moderate income (approximately 26% of U.S. adults) or volatile income (approximately 20% of U.S. adults).

The Financial Health Network also estimated that these consumers spent US$196.4 billion on interest, fees and penalties in 2019 across all credit products (up 4.2% on US$188.5 billion in 2018), where short-term credit was estimated to account for US$66.1 billion and single-payment credit US$39.9 billion[9] (see figures 2 and 3 below for further details).

FIGURE 2: U.S. SHORT-TERM CREDIT MARKET[10]

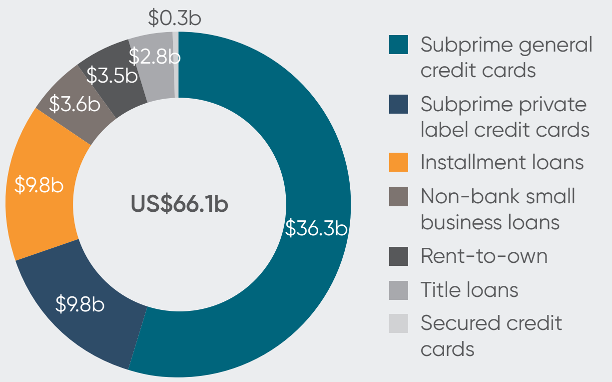
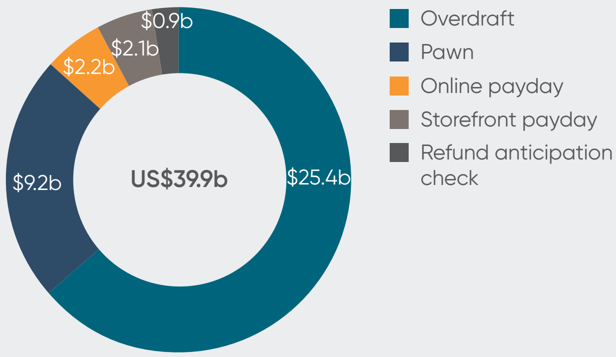



FIGURE 3: U.S. SINGLE-PAYMENT CREDIT MARKET[11]

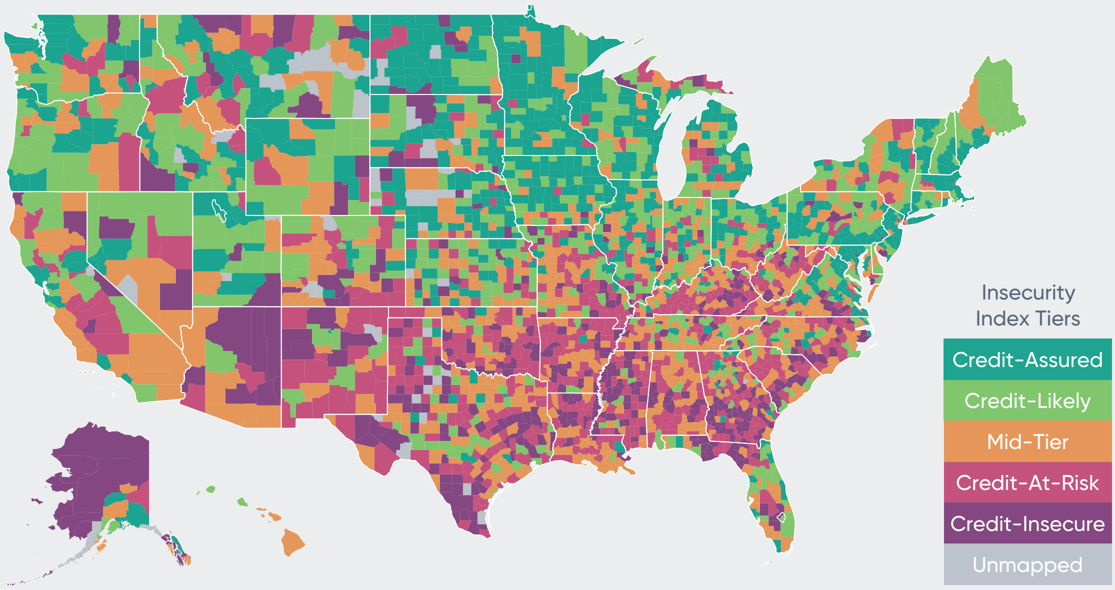



In the U.S., the federal consumer finance regulatory body is the Consumer Financial Protection Bureau ("**CFPB**"). Further illustrating the challenge faced by many U.S consumers, the CFPB reported that 8.3% of all checking accounts experience more than 10 overdrafts annually. It is estimated that this subset of most frequent over-drafters represents 75% of all overdraft revenue per year, equating to US$24.5 billion in overdraft fees in 2016[12].

The map on the following page in figure 4 produced by the Federal Reserve Bank of New York in their study of unequal access to credit, depicts credit inequality in the U.S.. Violet and purple areas highlight counties defined as having high levels of credit insecurity and low credit health, while the lighter and darker green areas depict counties whereby consumers have likely or assured access to credit, and high credit health. According to the Federal Reserve Bank of New York's report on credit access, communities with access to credit typically grow faster, and prove more resilient to economic shocks than their less creditworthy counterparts[13].

5. Congressional Research Service: Real Wage Trends from 1979 to 2018 | 2019
6. Iress | 1 January 2010 to 30 June 2020
7. Financial Health Network – U.S. Financial Health Pulse 2019 Trends Report | 2019; Page 3
8. Financial Health Network – Financially Underserved Market Size Study | 2019; Page 3
9. Financial Health Network – Financially Underserved Market Size Study | 2019; Page 5
10. Financial Health Network – Financially Underserved Market Size Study | 2019; Page 6
11. Financial Health Network – Financially Underserved Market Size Study | 2019; Page 8
12. Centre for Financial Services Innovation, 2017 Financially Underserved Market Size Study, 2017; Page 5 and 28
13. Federal Reserve Bank of New York – Unequal Access to Credit: The Hidden Impact of Credit Constraints | 2020; Page 32

FIGURE 4: MAP OF CREDIT INEQUALITY IN THE U.S.[14]




## 2.3 U.S. Credit Rating System

FICO Credit Scores are the industry standard for assessing credit quality in the U.S. and are estimated to be used by 90% of the top lenders in the U.S.[15]. FICO Credit Scores range between 300 to 850 or 250 to 900, depending on the scoring model, and are assessed using various categories including repayment history, the amount owed, their length of credit history, and credit mix. An individual's FICO Credit Score influences their access to credit, the cost of credit, or access to specific credit products[16]. A lack of credit history may result in an individual not having any FICO Credit Score or the data could be too old to render an updated score (estimated to account for 45 million U.S. consumers in 2015)[17].

The deferred payment options available to U.S. retail consumers has evolved across the spectrum of consumer credit quality scores[18], and includes the recent innovation of Buy Now Pay Later ("**BNPL**"). However, BNPL products tend to target higher credit quality consumers[19].

FIGURE 5: DEFERRED RETAIL PAYMENT OPTIONS


**Lower credit quality**

- Rent-to-own
- Payday Loan
- Instalment Loan

**Higher credit quality**

- Credit cards
- Buy-Now Pay-Later

14. Federal Reserve Bank of New York – Unequal Access to Credit: The Hidden Impact of Credit Constraints | 2020; Page 13
15. Fair Isaac Corporation, 2020; Page 1
16. Fair Isaac Corporation, 2020; Page 1
17. The U.S. Consumer Financial Protection Bureau Office of Research – Data Point: Credit Invisibles | 2015; Page 12
18. MDRC – Online Payday and Instalment Loans: Who Uses Them and Why? | 2016; Page vii
19. ASIC Report 600 – Review of buy now pay later arrangements | 2018; Page 21

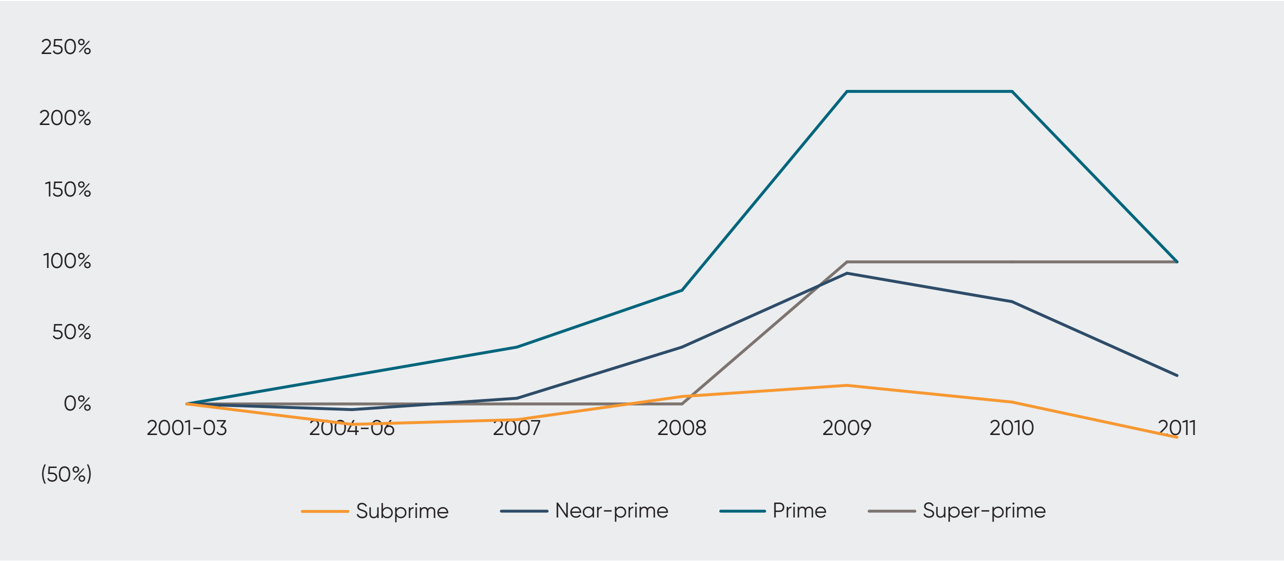
## 2.4 Access to Consumer Credit

In times of economic uncertainty access to credit decreases for all consumers, including consumers with prime and near prime credit scores. As lending policies can change in uncertain economic times, access to credit may be restricted even if the individual consumer's credit score does not change. During 2009-2010, credit card limits decreased at a much higher rate than outstanding credit card balances. Between Q3-08 and Q4-10, credit card limits decreased from a high of $3.7 trillion to $2.6 trillion (a 28% decrease) and outstanding credit card balances only decreased by 15%, from $858 to $730 billion[20].

Credit loss rates, defined as the ratio of credit account balances 60 days or more past due as a percentage of the total amount of outstanding account balances, are typically higher for subprime consumers relative to near, prime and super-prime consumers who have access to lower cost credit[21]. However, amid times of economic uncertainty, access to credit can be limited for all consumer cohorts due to indiscriminate tightening of lending policies. According to The Federal Reserve Bank of Philadelphia, near, prime and super-prime consumers who would otherwise have relatively unencumbered access to lower cost credit proved more susceptible to tightening lending policies amid economic uncertainty[22].

Lower credit quality consumers are a less volatile consumer cohort during economic recessions (~15% increase in the default rate when measured against the average rate of default, referred to as the "loss volatility") relative to super-prime (~100% loss volatility), prime (~200% loss volatility) and near-prime (~90% loss volatility) consumers (see figure 6 below for further detail)[23]. In times of economic downturn, near-prime consumers move into lower credit score segments increasing demand for alternative credit products like Zebit, as they are cut-off from mainstream alternatives. These consumers are commonly referred to as "Fallen Angels" in the U.S.

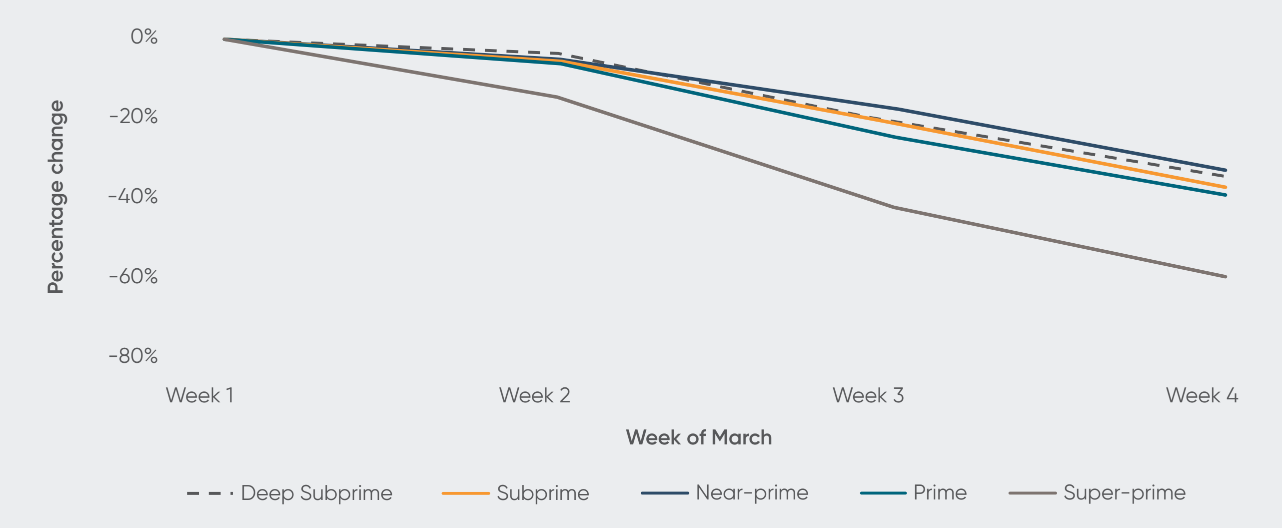
FIGURE 6: VOLATILITY ACROSS U.S. CREDIT COHORTS DURING THE 2008 GLOBAL FINANCIAL CRISIS[24]




Historically consumer credit volatility across near-prime and super prime has proven more volatile amid economic crisis, which Zebit has observed during the COVID-19 driven economic crisis[25].

20. Federal Reserve Bank of New York – Quarterly Report on Household Debt and Credit 2020-Q2 | 2020; Page 10
21. Federal Reserve Bank of Philadelphia – Credit Risk Modelling in Segmented Portfolios | 2019; Page 6 and 20
22. Federal Reserve Bank of Philadelphia – Credit Risk Modelling in Segmented Portfolios | 2019; Page 7 and 20
23. Federal Reserve Bank of Philadelphia – Credit Risk Modelling in Segmented Portfolios | 2019; Page 6 and 20
24. Federal Reserve Bank of Philadelphia – Credit Risk Modelling in Segmented Portfolios | 2019; Page 20
25. Federal Reserve Bank of Philadelphia – Credit Risk Modelling in Segmented Portfolios | 2019; Page 20

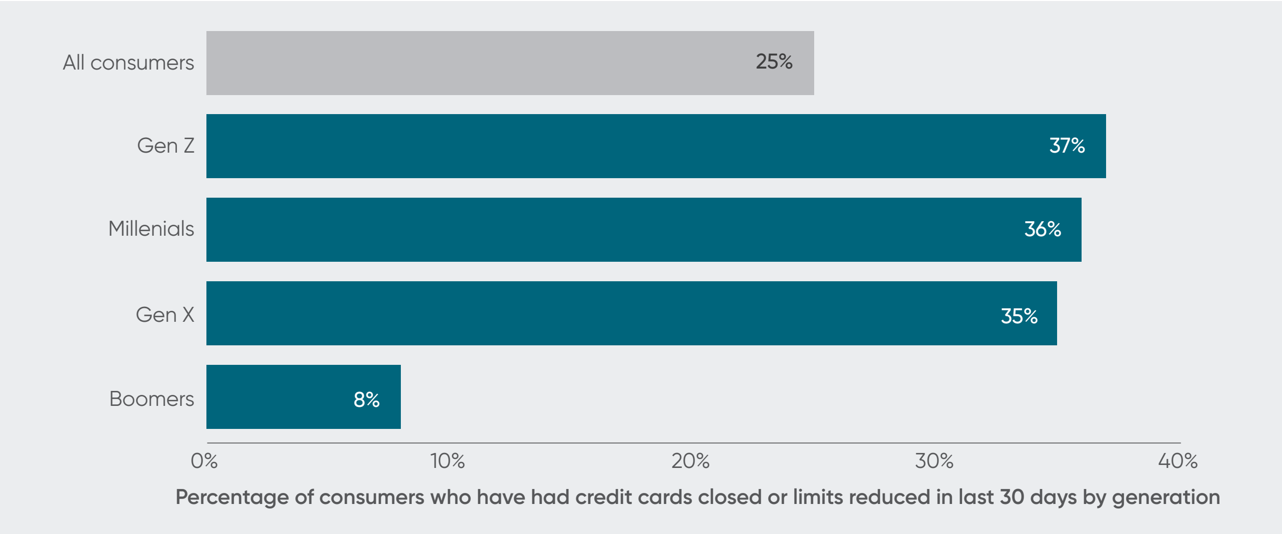
FIGURE 7: PERCENTAGE CHANGE IN REVOLVING CREDIT CARD INQUIRIES RELATIVE TO THE FIRST WEEK OF MARCH 2020 BY WEEK BY CREDIT SCORE GROUP[26]




According to the CFPB's initial analysis on the impact of COVID-19 on consumer credit and as indicated by figure 7, consumers with higher credit scores have more ability to substitute away from applying for credit unlike subprime consumers who do not have that ability[27].

In conjunction, according to a CompareCards.com survey in May 2020 nearly 1 in 4 (50 million) U.S. credit cardholders had credit limits reduced or credit card accounts closed involuntarily in April 2020[28,29]. These line reductions and account closings occurred across younger and less financially stable generational age groups including Gen Z, millennials and Gen X. Between 35% and 37% of each of these groups have been impacted. In contrast, only 8% of Boomers had their credit lines reduced or inactive credit card accounts closed in the past 30 days (1 April to 30 April 2020), according to the survey (see figure 8 below for further detail)[30].

FIGURE 8: U.S. CREDIT CARD CLOSURES AND LIMIT REDUCTIONS BY GENERATION[31]

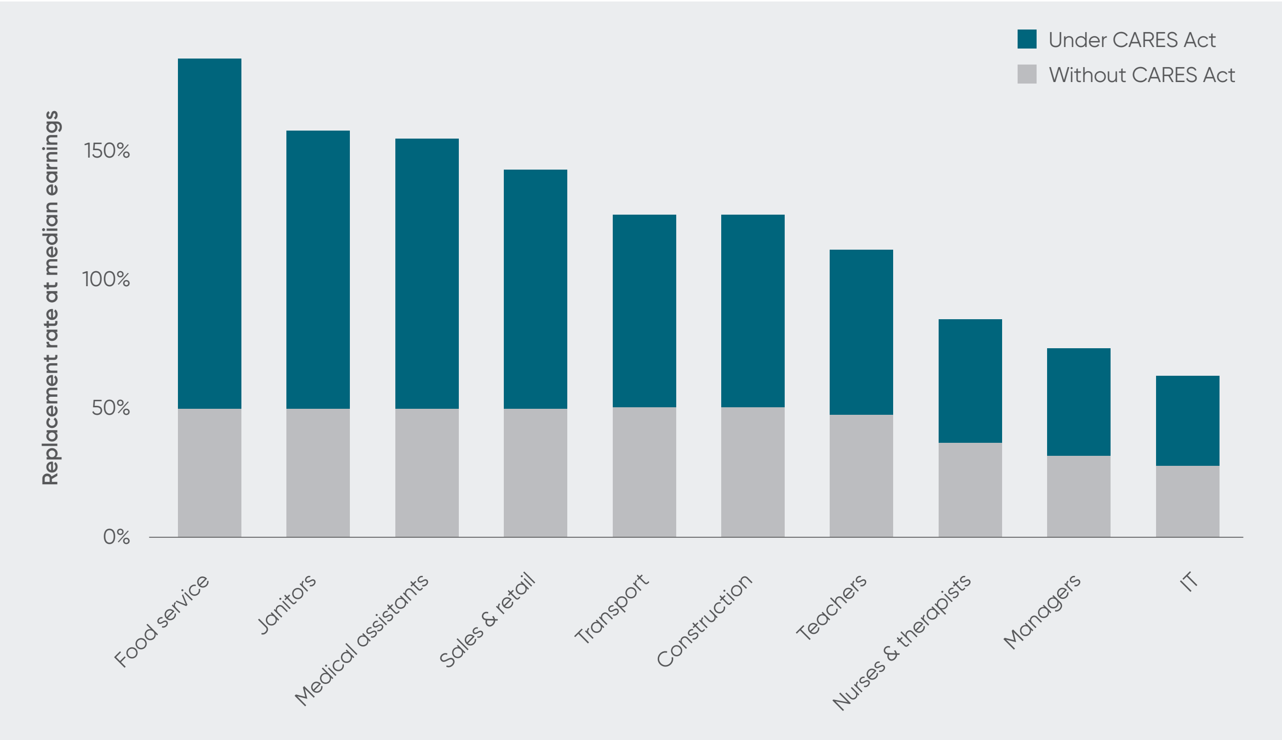



26. U.S. Consumer Financial Protection Bureau Office of Research – Special Issue Brief: The Early Effects of the COVID-19 Pandemic on Credit Applications | 2020; Page 6
27. U.S. Consumer Financial Protection Bureau Office of Research – Special Issue Brief: The Early Effects of the COVID-19 Pandemic on Credit Applications | 2020; Page 6
28. CompareCards does not disclose whether these accounts were considered active or inactive at the time of account closure or credit limit reduction
29. Lendingtree – Can a credit card company decrease your credit limit without telling you | 2020
30. Lendingtree – Can a credit card company decrease your credit limit without telling you | 2020
31. Lendingtree – Can a credit card company decrease your credit limit without telling you | 2020

## 2.5 Impact of COVID-19

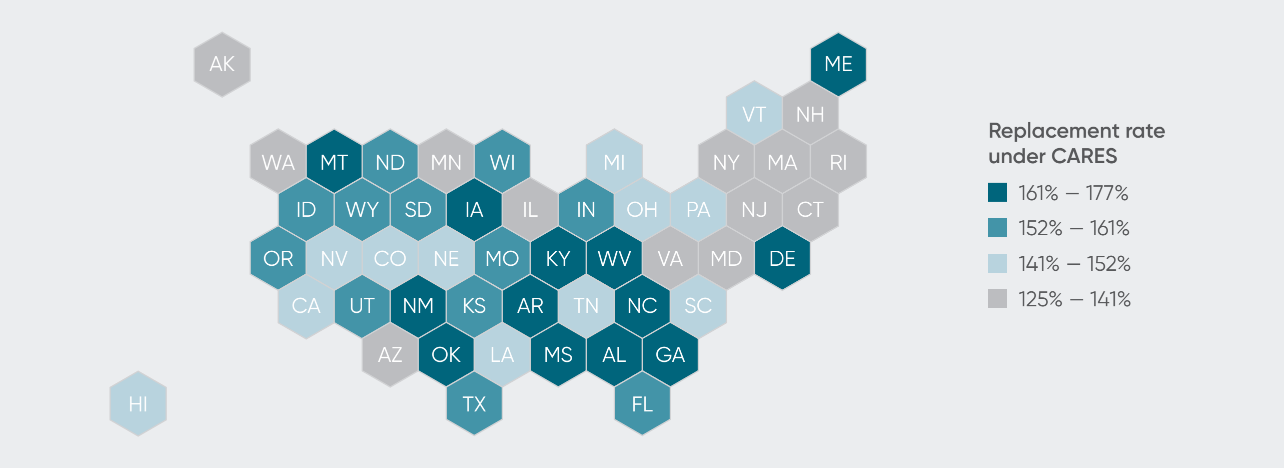
In addition to the approximately 119.8 million Financially Underserved Consumers in the U.S., the COVID-19 pandemic-driven global recession (which has caused significant volatility in securities markets and panic driven consumer buying behaviour) resulted in an increase in unemployment in the U.S. to 14.7% by April 2020, delivering financial hardship to many consumers as complete industry sectors came to a standstill[32]. In the U.S., sectors such as travel, hospitality, entertainment, physical retail shopping, and manufacturing almost completely ceased daily operations as states locked down their populations with stay-at-home quarantine orders[33,34]. Jobless claims in the U.S. rose to a peak of over 40 million people claiming unemployment benefits[35]. The U.S. government responded with broad stimulus tactics including lowering target federal funds interest rate range to 0% to 0.25%[36], providing individual stimulus checks, and increasing unemployment benefits, which resulted in an estimated 68% of unemployed workers eligible for payments receiving payments that are greater than their lost earnings, according to the University of Chicago[37,38]. The University of Chicago also found that the estimated median replacement rate (being the share of an employee's original weekly salary that is being replaced by unemployment benefits) is 134%, more than one-third above their original wage. A substantial minority of those workers, particularly in low-wage professions like food service and janitorial work, are receiving more than 150% of their previous weekly salary (see figure 9 for further detail)[39].

FIGURE 9: U.S. REPLACEMENT RATE AT MEDIAN EARNINGS RATES DURING THE PANDEMIC[40]




32. Trading Economics – United States Unemployment Rate: 1948-2020 Data | 2020
33. IBIS World - Coronavirus Update: Industry Fast Facts: Retail Trade, Transportation and Warehousing COVID-19 Sector Update (United States) | 2020
34. State of Georgia Government – Governor Brian P. Kemp Updated Georgians on COVID-19 | 2020
35. Statistica – Jobless Claims Surpass 40 million in 10 Weeks | 2020
36. Trading Economics – United States Fed Funds Rate: 1971-2020 Data | 2020
37. U.S. Department of the Treasury | 2020
38. Becker Friedman Institute – U.S. Unemployment Insurance Replacement Rates During the Pandemic | 2020; Page 1
39. Becker Friedman Institute – U.S. Unemployment Insurance Replacement Rates During the Pandemic | 2020; Page 1
40. Becker Friedman Institute – U.S. Unemployment Insurance Replacement Rates During the Pandemic | 2020; Page 5

FIGURE 10: U.S. MEDIAN BENEFIT REPLACEMENT RATES BY STATE DURING THE PANDEMIC[41]




Since May 2020, many States have been removing some restrictions and businesses are slowly starting to re-open, while unemployment numbers have begun falling from April 2020 highs of 14.7%[42,43,44]. In U.S. states, unemployment benefits last for either 13 or 26 weeks, which the U.S. Treasuries Coronavirus Aid, Relief and Economic Security ("**CARES**") Act extends for an additional 13 weeks[45,46]. In addition, on 10 June 2020 the Federal Reserve Board projected that unemployment would fall from April highs to 9.3% for 2020 and further to 6.5% for 2021[47]. While 9.3% is above historical rates pre-COVID-19 (3.5% in February 2020), it does project a marked lowering from the April 2020 highs of 14.7% unemployment[48]. It also directly implies the Federal Reserve believed employment, an important measure of U.S. economic health, would continue to stabilise between the Prospectus Date and the end of FY20. Zebit believes that Financially Underserved Consumers will continue to be "credit starved" because banks and other credit parties will not loosen their underwriting when the Federal Reserve is still predicting this level of unemployment. This provides an opportunity for Zebit to use its data science capabilities to serve this population. As part of Zebit's business model serving Financially Underserved Consumers, Zebit expects a certain percentage of its Active Customers to fail to pay some of their instalments. In the event an Active Customer fails to pay an instalment, Zebit freezes their Zebitline until the Active Customer repays all delinquent amounts. No late fees, or penalties are applied to the Active Customer's account. See Section 3.3 for additional information.

The Company believes that it is possible that unemployment benefits may be extended into 2021. The nonpartisan Congressional Budget Office ("**CBO**") expects the unemployment rate to still be as high as 10.5% in the fourth quarter of 2021[49]. Thus, Americans will continue to need extended unemployment benefits to weather the pandemic. This occurred in the last recession where the U.S. Congress authorized federal benefits up to 13 weeks starting in June 2008 and extended them all the way through 2012[50]. On 8 August 2020 President Trump signed an executive order to extend the lapsed supplemental federal unemployment benefits (the additional $600 per week from the CARES Act) at a reduced level of $400 per week[51]. Workers in most states are eligible for up to 26 weeks of benefits from the regular state-funded unemployment compensation program, although six states provide fewer weeks and one provides more. Extended Benefits ("**EB**") have triggered on in 49 states plus the District of Columbia, Puerto Rico, and the Virgin Islands. Through the end of 2020, additional weeks of federal benefits are also available[52].

41. Becker Friedman Institute – U.S. Unemployment Insurance Replacement Rates During the Pandemic | 2020; Page 6
42. State of Georgia Government – Governor Brian P. Kemp Updated Georgians on COVID-19 | 2020
43. State of South Carolina Government – Governor Henry McMaster Lifts Restrictions effective Friday May 22 | 2020
44. Trading Economics – United States Unemployment Rate: 1948-2020 Data | 2020
45. U.S. Department of Labor: Unemployment Insurance Relief During COVID-19 Outbreak | 2020
46. Center on Budget and Policy Priorities – CARES Act Measures Strengthening Unemployment Insurance Should Continue While Need Remains | 2020; Page 4 and 5
47. Board of Governors of the Federal Reserve System – Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, June 2020 | 2020
48. Trading Economics – United States Unemployment Rate: 1948-2020 Data | 2020
49. Congressional Budget Office: An Update to the Economic Outlook: 2020 to 2030 | 2020; Page 4
50. Congressional Research Service – Extending Unemployment Compensation Benefits During Recessions | 2013; Page 2
51. The White House – Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019 | 2020
52. Center on Budget and Policy Priorities – Policy Basics: How Many Weeks of Unemployment Compensation Are Available | 2020

## 2.6 The U.S. Retail Market

The retail market in the U.S. is large and growing. Retail sales in the U.S. as measured by IBIS World were approximately US$5.5 trillion in 2019 and have grown at a CAGR of approximately 1.8% from 2015 to 2019[53]. eCommerce represents a growing component of total U.S. retail sales, with eCommerce sales increasing as a share of total retail sales over the past 5 years and accounting for approximately 8.9% of total retail sales in the U.S. in 2019 (see figures 11 and 12 for further detail)[54].

FIGURE 11: U.S. RETAIL SALES ($USM)[55]

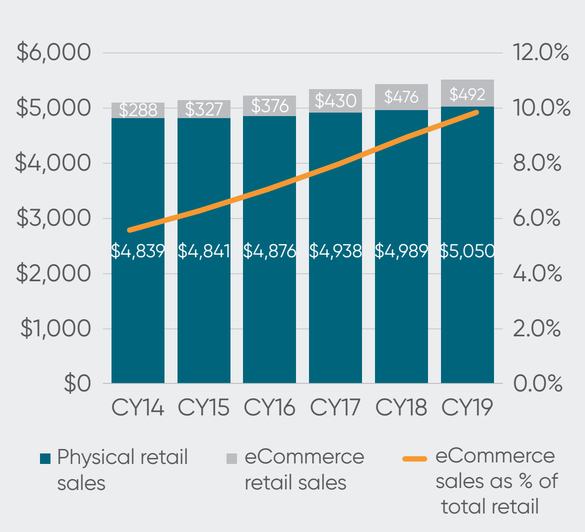
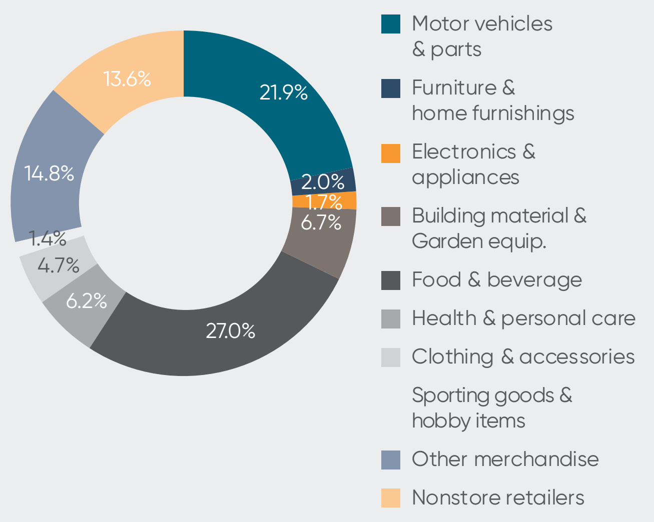



FIGURE 12: U.S. 2019 RETAIL SALES BY CATEGORY[56]




### 2.6.1 The U.S. eCommerce Industry

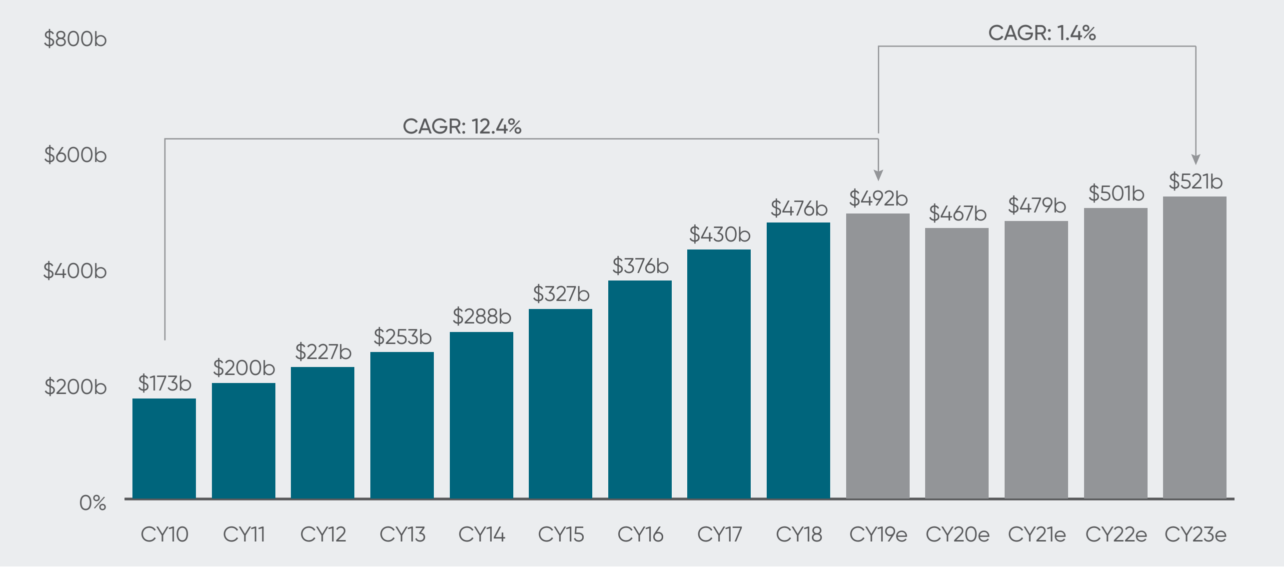
eCommerce involves the buying and selling of goods and services on the internet. Companies which undertake internet transactions by selling retail products online, such as Zebit, are referred to as online retailers ("**Online Retailers**"). Online Retailers transact in one or more of the following formats:

- B2C transactions – where businesses transact with consumers;
- B2B transactions – where businesses transact with other businesses; and
- Consumer-to-Consumer transactions ("**C2C**") – where consumers transact with each other.

eCommerce grew to approximately US$492.3 billion in 2019, an increase of 3.4% when compared to the prior year[57]. Over the past decade from 2010 to 2019 eCommerce in the U.S. achieved a CAGR of 12.4% and is expected to maintain a CAGR of 1.4% for the 4-year period from 2019 to 2023 (see figure 13 below for further detail)[58].

53. IBIS World Industry Report – Retail Trade in the US | 2019
54. IBIS World Industry Report: E-Commerce & Online Auctions in the US | 2020 Page 41
55. IBIS World Industry Report – Retail Trade in the US | 2019 and IBIS World Industry Report: E-Commerce & Online Auctions in the US | 2020
    The E-Commerce and total Retail trade markets include both goods and services in their calculations of the total market
56. IBIS World Industry Report – Retail Trade in the US | 2019
57. IBIS World Industry Report – E-Commerce & Online Auctions in the US | 2020; Page 41
58. IBIS World Industry Report – E-Commerce & Online Auctions in the US | 2020; Page 41

FIGURE 13: U.S. ECOMMERCE GROWTH



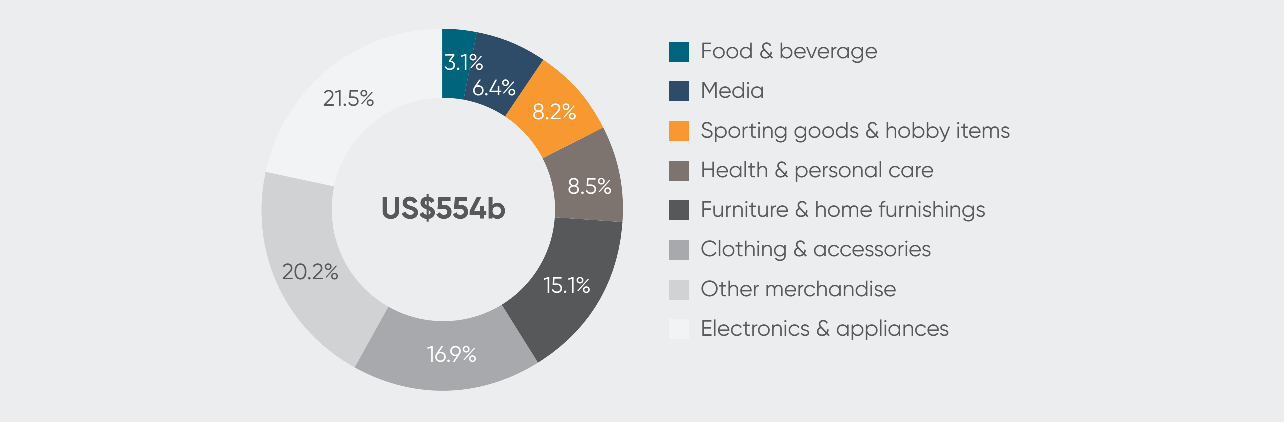

The continued growth in eCommerce sales is reflective of:

- the increasing number of goods and services available online;
- the increasing propensity of U.S. consumers to be active online; and
- the increasing trend to physical store closures in the U.S.

As the eCommerce industry has grown, certain categories have achieved a higher degree of online penetration than others. Leading categories include electronics and appliances, clothing and accessories and home and office goods (including furniture) (see figure 14 below for further detail). According to IBIS World, greater online penetration by these categories is generally reflective of factors including the following[59]:

- the lessening degree to which consumers require physical access to a product to make an informed purchasing decision; and
- ease of online price and product review comparison.

FIGURE 14: U.S. ECOMMERCE 2019 SALES BY CATEGORY[60]




The growth in eCommerce and of specialty Online Retailers has put pressure on traditional Brick and Mortar retailers. Coresight Research tracked 5,524 U.S. store-closure announcements in 2018[61], 9,302 U.S. store-closures in 2019 (see figure 15 below for further detail)[62], and 6,650 U.S. store-closures in 2020 (YTD as at 20 August 2020)[63].

59. IBIS World Industry Report – E-Commerce & Online Auctions in the US | 2020; Page 8
60. IBIS World Industry Report – E-Commerce & Online Auctions in the US | 2020; Page 8
61. Coresight Research – US Store Closures 2019 Outlook: No Light at the End of the Tunnel
62. Coresight Research – Weekly US and UK Store Openings and Closures Tracker 2019, Week 50: Dollar General Plans To Continue Store Expansion in Fiscal Year 2020
63. Coresight Research Retail Store Databank — Weekly US Store Trackers | 2020

Further, Coresight Research said between 20,000 and 25,000 retail stores in the U.S. are expected to permanently close this year as consumer demand for discretionary items stalls and more people shift to online shopping[64].

FIGURE 15: U.S. BRICK AND MORTAR RETAIL STORE CLOSINGS[65]


Within the +9,300 store closures in 2019, there have been some significant closures relevant to Zebit's Financially Underserved Consumers, including Payless Shoes (2,100 stores closed in 2019), Family Dollar (359 stores closed in 2019), and Sears (210 stores closed in 2019)[66]. Ongoing store closures have the potential to limit physical retail options available for Financially Underserved Consumers, making eCommerce providers more attractive shopping destinations.

In the first half of 2020, eCommerce purchases accelerated due to a combination of COVID-19 panic shopping and stay-at-home quarantine orders levied at the State level. In fact, U.S. retailers' online year-over-year ("**YoY**") revenue growth was up 68% as of mid-April 2020, surpassing an earlier peak of 49% in early January, with just over 306 million Americans affected by stay-at-home orders, nearly 95% of the U.S. population. In a recent Mastercard study, an estimated $53 billion in additional U.S. eCommerce sales were generated from pandemic driven consumers in April and May 2020[67,68]. While eCommerce showed explosive growth, some large physical retailers such as J.C. Penny, J. Crew, Neiman Marcus, Pier 1 Imports, and Stage Stores filed for bankruptcy[69].

## 2.7 Competitive Landscape and Existing Legacy Credit Options

Zebit provides an alternative to, but does not compete strictly within, the deferred payment options in figure 16. Some options, such as instalment loans or pay-day loans may have broader use applications than deferred payment for the purchase of products.

Deferred payment options allow consumers to take immediate delivery of products and pay for them over a period of time, typically involving a credit assessment process such as FICO Credit Scores. Zebit, acting as both the merchant and credit provider, offers a viable alternative to deferred retail payment options.

64. Coresight Research – US Store Closures 2020 Outlook: Covid-19 Update—Prolonged Impact Set To Drive Up Closures
65. Coresight Research Retail Store Databank – Weekly US Store Trackers | 2020
66. Business Insider: More than 9,300 stores are closing in 2019 as the retail apocalypse drags on | 2019
67. SBP Digital: How COVID-19 disrupted our shopping behaviour | 2020
68. Mastercard Spending Pulse: Estimated $53 billion in additional U.S. e-commerce sales as pandemic drives consumers online in April and May | 2020
69. NBC News Digital: Which big names have filed for bankruptcy since the coronavirus pandemic hit | 2020

FIGURE 16: DEFERRED PAYMENT OPTIONS TYPICALLY AVAILABLE FOR FINANCIALLY UNDERSERVED CONSUMERS

| Payment Option | Estimated Market Size | Description | Participant Examples |
|---|---|---|---|
| **Rent/lease-to-own** | US$9.5 billion (2019)[70,71] | 2 – 12 months, medium value, high fee (annual percentage rate ("**APR**") of approximately 200-350%) service that allows for predominately the purchase of furniture, appliances, and electronics through payments due in regular instalments over a period of time[72,73]. The customer does not own the rented item until all payments are complete[74]. | • **Rent-A-Center**<br>• **Aaron's**<br>• **FlexShopper**<br>• **Jerome's Furniture** |
| **Payday loan services** | US$11.4 billion (2019)[75] | 1 – 6 months, low value, high fee (APR of approximately 400%) single payment loans deducted from a consumer's next receipt of income post the cash delivery to the consumer[76]. Offered by non-bank lenders, these can be provided both through online channels or brick and mortar storefronts.<br><br>A portion of payday loans are expected to be used to finance product purchases, with other payday loans expected to be used for bills and other purposes. | • **CashNetUSA**<br>• **Check into Cash** |
| **Instalment loan services** | US$11.0 billion (2019)[77] | 1 – 48 months, generally <US$10,000, (approximate APR 35%-270% depending on the state) loans with multiple scheduled repayments[78,79]. Fees and penalties apply for being late on repayment.<br><br>A portion of instalment loans are expected to be used to finance product purchases, not in entirety. | • **Elevate Credit**<br>• **OneMain Financial**<br>• **AVANT** |
| **BNPL services** | US$4.0 billion (2019)[80] | 1 – 12 months, generally <US$2,000 with multiple scheduled repayments.<br><br>BNPL players earn fees from:<br>• Merchants by claiming a percentage of the transaction value of the good or service; and<br>• Customers including interest, late fees, account setup and management fees.<br>An initial deposit is generally paid with the customer receiving the good upfront, with multiple instalment repayments over time. | • **Afterpay**<br>• **ZIP**<br>• **Sezzle**<br>• **Affirm** |

70. IBIS World Industry Report – Consumer Electronics Appliance Rental in the US | 2020; Page 6
71. IBIS World Industry Report – Home Furniture Industry in the US | 2019; Page 6
72. M. H. Anderson – An Economic Investigation of Rent-to-Own Agreements, 89 Chi.-Kent L. Rev. 141 | 2014; Page 143
73. The U.S. Federal Trade Commission – Rent-to-own: Costly Convenience | 2015
74. Financial Health Network – Financially Underserved Market Size Study | 2019; Page 13
75. IBIS World Industry Report – Check Cashing Payday Loan Services in the US | 2019; Page 6
76. U.S. Consumer Financial Protection Bureau – What is a payday loan | 2017
77. Financial Health Network – Financially Underserved Market Size Study | 2019; Page 13
78. National Consumer Law Center – Installment Loans: Will states protect borrowers from predatory lending | 2015; Page 52
79. U.S. Consumer Financial Protection Bureau – Consumer Financial Products & Services Offered to Servicemembers | 2011; Page 4
80. Management estimate based on market participant U.S. transaction values for 2019

**How Rent-to-Own Plans Work in the U.S. (variations exist across the 50 states)[81]**

The consumer enters into a contract for the rented merchandise. The contract gives the consumer the option to buy the product, either by continuing to pay rent for a certain period or by early payment of some of the remaining rental payments.

The consumer is obligated only to pay each rental payment as it falls due and are free to end the arrangement by returning the merchandise to the store. If the consumer fails to make one or more weekly or monthly payments, the merchandise can be repossessed.

Most rent-to-own transactions are not regulated by federal lending and leasing laws that set disclosures and certain consumer protections, although some lease-purchase plans could be covered depending on the arrangement. However most States have laws regulating rent-to-own transactions and the consumer protections vary.

The contract with a rent-to-own store may include fees in addition to the weekly or monthly rental payment, which can include processing fees, delivery and pick-up fees, set-up/installation fees, excessive damage fees, and late payment fees.

**Real World Example in U.S. Dollars[82]**

A dining table and four chairs retails for $523.75. If you were to pay $83.13 a month under a 12-month rent-to-own plan, your total cost would be $997.56 (1.9x retail price). If you were to buy the dining set from a traditional retailer using a traditional credit card and paid $83.13 each month, the set would be paid off in seven months, at a total of $575.11 (including $51.36 in interest). That's an additional cost of $422.45 using a rent-to-own plan.

**How Payday Plans Work in the U.S. (variations exist across the 50 states)[83]**

The consumer enters a short-term loan agreement, with the repayment typically due on the consumer's next pay day. Repayment time frames are typically 14 days. Some States permit lenders to structure loans over multiple instalments due on the consumer's forthcoming pay days.

To repay the loan, the consumer typically writes a post-dated check for the full balance, including fees, or provides the lender with authorisation to electronically debit the funds from their bank, credit union, or prepaid card account. If the consumer doesn't repay the loan on or before the due date, the lender can cash the check or electronically withdraw money from their account.

**Real World Example in U.S. Dollars[84]**

A consumer borrows $400.00 and must repay $460.00 in 14 days. Annualised APR on the payday loan is approximately 400%, much greater than more common forms of credit such as credit cards which have an APR of approximately 12% to 30%.

81. The U.S. Federal Trade Commission – Rent-to-own: Costly Convenience | 2015
82. The U.S. Federal Trade Commission – Rent-to-own: Costly Convenience | 2015
83. U.S. Consumer Financial Protection Bureau – What is a payday loan | 2017
84. U.S. Consumer Financial Protection Bureau – What is a payday loan | 2017

# Company Overview

# 3. Company Overview

## 3.1 Introduction

Zebit is a California based eCommerce company that is dedicated to making a fundamental change in U.S. Financially Underserved Consumers' lives by giving them access to a broad set of products, offered online and with the ability to pay for those products over six months without fear of incurring penalties or late fees[1]. The Company never charges a membership fee, late fees or penalties of any kind. Zebit operates in all 50 States across the U.S.[2].

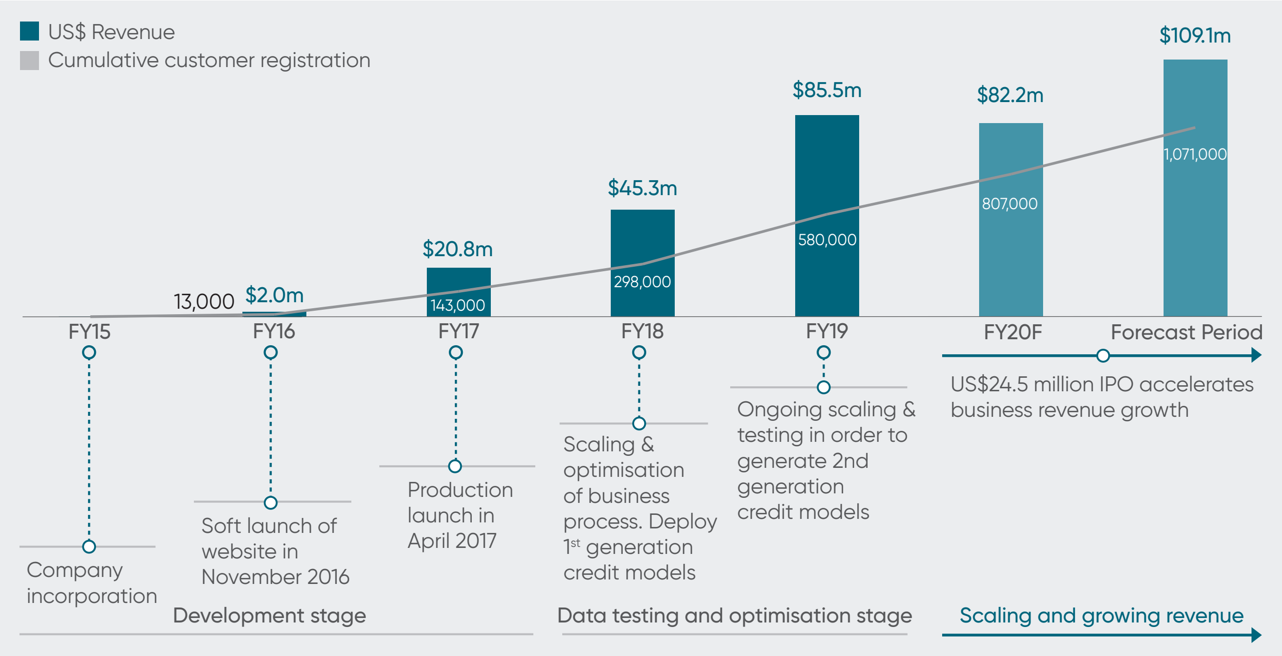
***"Zebit's mission is focused on empowering credit-limited consumers to buy what they need and pay over time without interest, late fees, penalties or pulling a FICO score."***

Zebit was created to address major structural problems in the U.S. that confront approximately 119.8 million Financially Underserved Consumers who have credit scores below where mainstream credit providers will typically approve them for product financing[3], who often live pay check to pay check. The Company is seeking to radically disrupt legacy credit options such as rent-to-own, lease-to-own or taking out an instalment loan or payday loan to buy a product, which in aggregate cost U.S. consumers fees and interest in excess of $66 billion per annum[4]. Products financed under these credit options can cost a consumer in excess of 200% of a product's market retail price[5].

Zebit is both merchant of record and the credit provider in every transaction and uses its fraud and credit risk management systems and processes to evaluate a consumer's application at the point of registration, and ultimately determine if Zebit should accept an order at checkout. Zebit then uses its balance sheet to allow Active Customers to make instalment payments over six months. Each order's instalments are aligned with the Active Customer's income or pay cycle (e.g. weekly / fortnightly / bi-monthly / monthly) to reduce repayment friction and the likelihood of default. As part of Zebit's business model serving Financially Underserved Consumers, Zebit expects a certain percentage of its Active Customers to fail to pay some of their instalments. In the event an Active Customer fails to pay an instalment, Zebit freezes their Zebitline until the Active Customer repays all delinquent amounts. No late fees or penalties are applied to the Active Customer's account. See Section 3.3 for additional information.

Figure 1 below outlines recent and potential milestones and forecasts. The milestones and forecasts are based on current expectations, estimates and projections based on information currently available to management. Factors that could cause Zebit's results and expectations to differ materially from those expressed below are set forth in the section "Key Risks". See Section 3.6 for further information in relation to the impact of COVID-19 on new Registered Users and revenue.

FIGURE 1: ZEBIT'S KEY MILESTONES AND FORECAST




1. Financial Health Network – Financially Underserved Market Size Study | 2019
2. Zebit does not operate in the District of Colombia
3. U.S. Consumer Financial Protection Bureau – Consumer Credit Card Market Report | 2019
4. Financial Health Network – Financially Underserved Market Size Study | 2019
5. Financial Health Network – Financially Underserved Market Size Study | 2019

## 3.2 Zebit's History

Zebit's management team and Board saw a large opportunity to disrupt the product financing industry, specifically the legacy rent-to-own and lease-to-own business models.

Zebit is focused on creating one of the first companies in the U.S. to leverage proprietary consumer buying behaviour data and advanced data science to understand the credit risk of Financially Underserved Consumers and build a business where revenue is driven through offering convenience, transparency and encouraging Active Customer loyalty; not driven by late fees, penalties, and charges to extend a payment out that is due.

Zebit was incorporated as a Delaware C-Corp in April 2019, had a soft launch of the website in November and December FY16, and a production launch in April FY17. Over the last 2.5 years, Zebit has continuously tested different channels and approaches to develop proprietary data to fuel underwriting models at registration and the point of sale.

## 3.3 Business Model

Zebit operates its own eCommerce website (the "**Zebit Marketplace**") through its website (www.zebit.com) and offers over 90,000 active products (physical and virtual, e.g., e-certificates) across multiple product categories through 81 fully integrated drop-ship partners that pick, pack, and ship product "on-demand" on behalf of Zebit. The Zebit Marketplace is a "closed" website that is available only to Registered Users and is part of the broader Zebit Platform. This structure allows Zebit to fully capture the multiple interaction points a Registered User has with the site and their behaviour over time.

The Zebit Platform also includes:

- proprietary fraud detection;
- underwriting at the account and order levels;
- credit management; and
- a retail instalment payment system that governs how Registered Users make repayments that are aligned with their own income or pay cycle.

The Company uses traditional and alternative credit, identity, and device information, combined with a vast data set of proprietary user behaviour and outcome information from its heavy investment in multi-year testing from FY17-FY19, captured on its "closed" website, to understand credit risk at a granular level and to make credit decisions at both the Registered User and order level.

Zebit's current machine learning models, which were implemented across March and June 2020 capitalise on the Company's testing investment and dataset from prior years. These models have already proven to be effective in better underwriting outcomes since March 2020 and provided an additional toolset to guide the Company through one of the most rapid economic downturns in history (see section 3.6 for further information). Traditional strategies often used by credit providers during an economic downturn include cutting credit lines, raising credit thresholds, and ceasing the majority of lending activity. Zebit used the levers of its platform to control risk (see section 3.6 for further information) and relied on its models to look deeper into a Registered User's ability to pay, and to find good Registered Users to extend credit during the height of COVID-19. Zebit's credit losses during the months of April, May, June and July 2020 are expected to be lower than any month in 2019 for the Company based on extrapolating write-off slopes of each of these order static pools at the Prospectus Date.

### 3.3.1 Business Model Highlights

Zebit continues to build a strong eCommerce brand with an easy to use online store and a mission to provide a best in class service. Zebit's business model couples a highly streamlined eCommerce business with proprietary inhouse technology and a data science platform that targets, evaluates, allocates credit, and incentivises repayment. The benefits of this model include:

- addressable market of approximately 119.8 million Financially Underserved Consumers in the U.S. that have access to limited and very costly product financing alternatives;
- early mover advantage to disrupt pay-day and instalment lenders, rent-to-own and lease-to-own alternatives for Financially Underserved Consumers;
- multi-year, unique and valuable proprietary big data set on Financially Underserved Consumers in the U.S. where there is limited off-the-shelf information on this segment of the population related to their overall credit worthiness;

- ability to differentiate risk by leveraging its proprietary big data set, and to build internal risk scores and machine learning models to underwrite and control credit and fraud risk at application, point-of-sale, repayment, and referral;
- retaining gross margins via its drop-ship supply chain model that allows Zebit to ship on demand without tying up working capital related to buying inventory in advance, managing warehouses, or discounting to move obsolete inventory or returned stock;
- capturing Active Customer share of wallet through strong repeat buying and long tail retention by providing a shopping experience to purchase and finance goods via store credit coupled with repayments over time;
- rewarding Active Customers who repay on-time by increasing their store credit lines, lowering down payments required to check-out, and granting access to certain products being offered from time-to-time; and
- creating viral Registered User acquisition through word of mouth, by treating Active Customers fairly and working with Active Customers to extend their lifetime value and tenure on the Zebit Platform.

As a merchant, Zebit has many levers it can pull to manage risk that are typically not available to other credit providers; especially cash lenders. In particular, the flexible and proprietary nature of the Company's platform allows Zebit to optimise for credit losses at varying states of an economic cycle. For example, Zebit has the ability to change various platform features including:

- changing its underwriting criteria at registration to be more selective about the applicant it accepts;
- increasing or decreasing the down payment required at checkout;
- decreasing the number of lower margin products available for purchase on the platform;
- showing different products with varying gross margin profiles to different Registered User risk groups on the platform;
- shortening the repayment term by risk group; and
- increasing repayment frequency for certain income or pay frequencies such as monthly re-payers.

There are risks associated with Zebit's business model which are summarised in Section 4.

### 3.3.2 Overview of the Zebit Platform

The Zebit Platform combines eCommerce with best practices in credit risk management in order to allow Registered Users to pay for products over time. Figure 2 below set out an overview of the Zebit Platform, and Figure 3 below shows examples of the products sold on the Zebit Marketplace.

FIGURE 2: ZEBIT'S OPERATING MODEL OVERVIEW

**Leading e-Commerce Business With Proprietary Online Product Financing Solutions**

**Strong e-Commerce Platform**

- **90,000+ SKUs** across **25+ product categories** featuring electronics, home appliances, home decor, beauty, etc.
- Well known brands including Apple, Samsung, LG, and many others
- Competitive online retail pricing

**Versatile, 100% Dropship Model**

- **81 "On Demand" dropshippers** that pack and ship products on-demand and direct to customers
- No inventory risk, warehouse cost, returns or discounting
- Favorable terms of 30-45 day credit lines

**Product Financing at POS**

- **6 month installment**
- Highly competitive vs. other lenders that charge very high interest rates
- $0 penalty, $0 late fees and no membership fees

**Socially Responsible Mission**

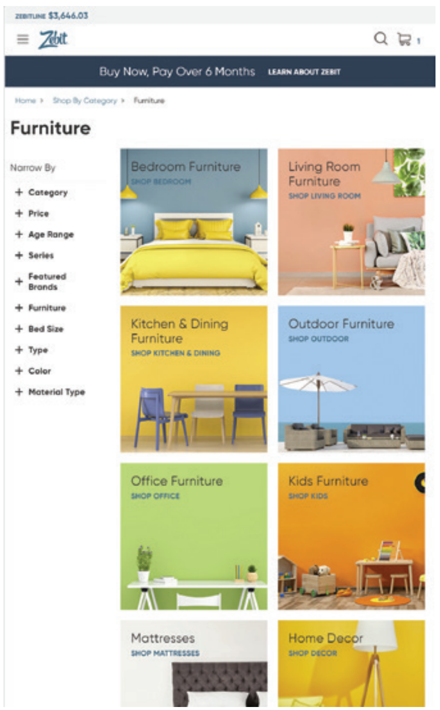
- **~78% of U.S. consumers** live paycheck to paycheck and cannot pay in full at POS
- Serves reliable, credit challenged customers that need financing options
- Under-served customers paid **~$66bn in short-term credit, interest and fees in 2019E**

***Strong Machine Learning Models***
***Big Data Analytics Targets and Manages Credit Losses***

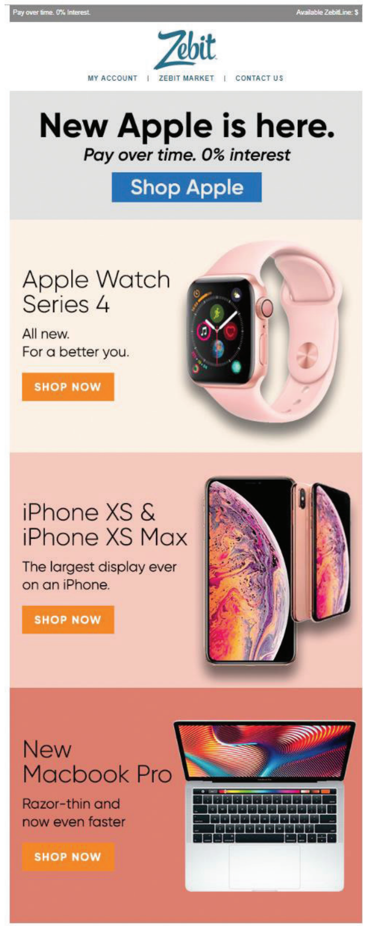
Zebit's multi-faceted approach to managing credit risk utilizes an advanced technology stack that leverages predictive analytics and big data intended to optimise its Registered User base and create strong lifetime value. The technology platform is also designed to drive marketing and retention efforts that result in consistent low-cost user acquisition metrics and high repeat purchases.

FIGURE 3: EXAMPLE PRODUCTS SOLD ON THE ZEBIT MARKETPLACE

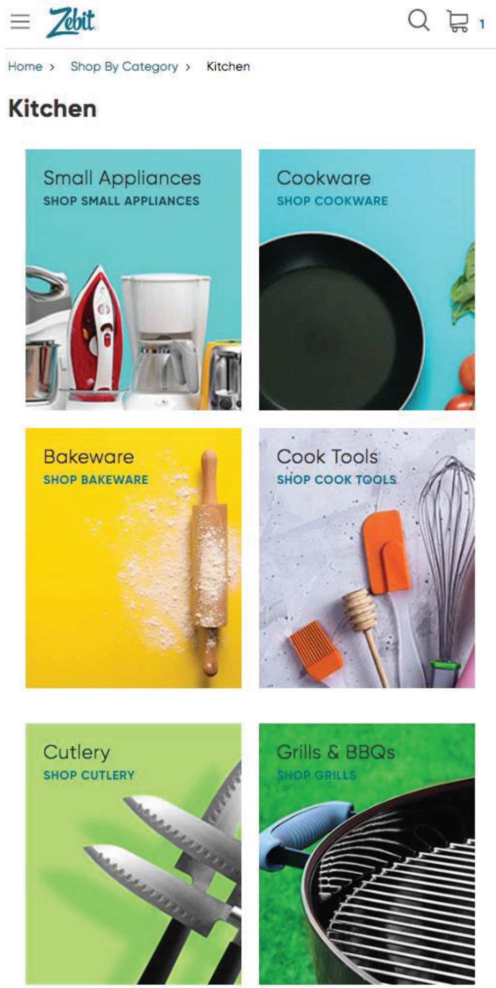
**Furniture**



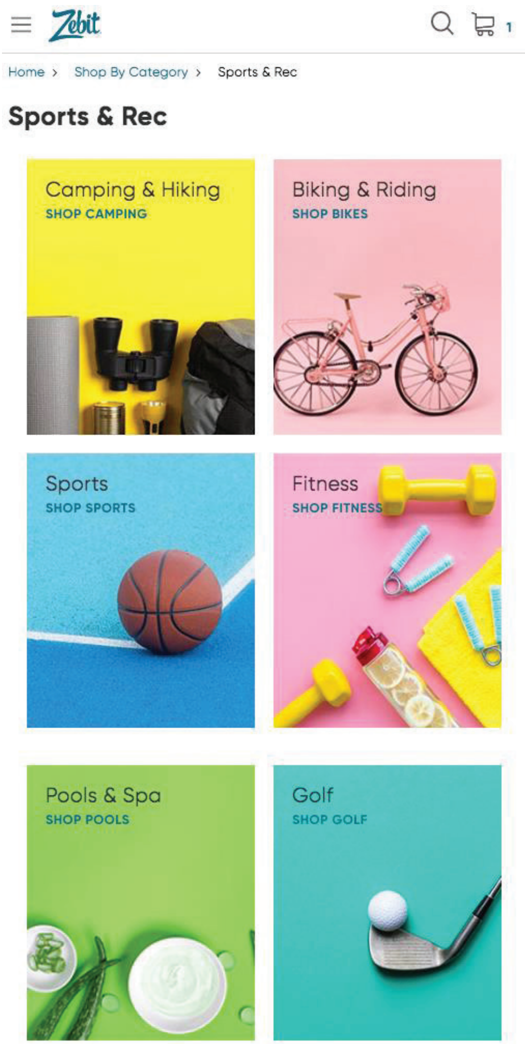

**Electronics**




**Kitchen**



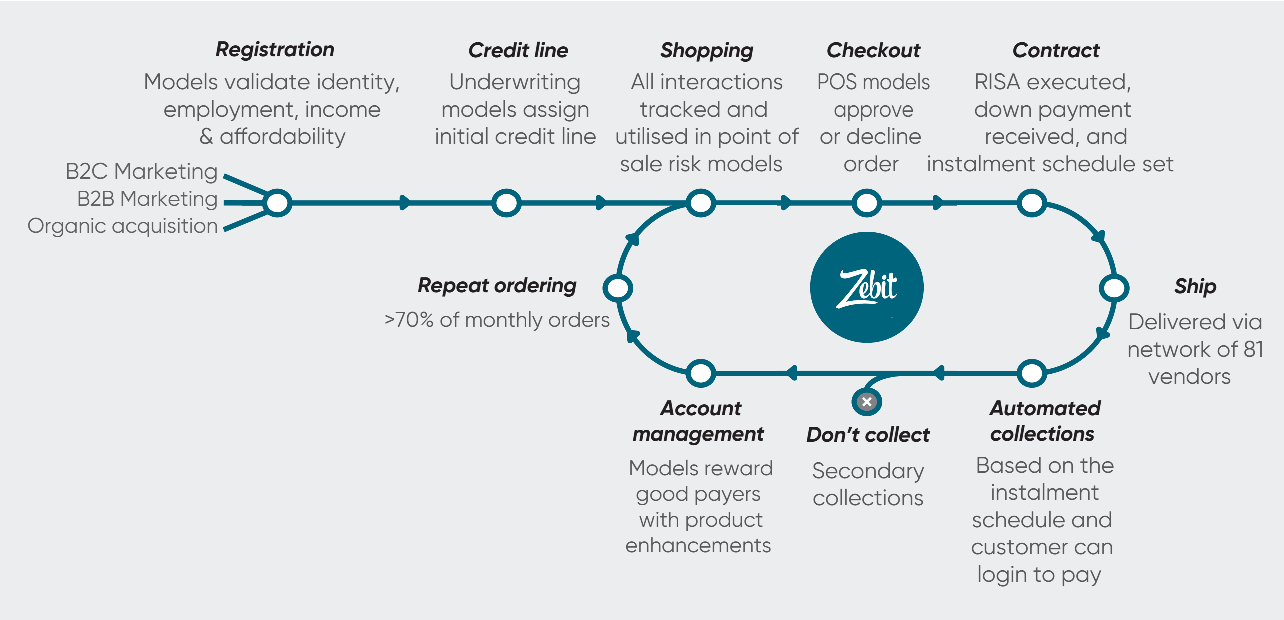

**Sports and outdoors**



### 3.3.3 Core Website and Zebit Platform

How it works

Zebit offers a fast-online registration to shopping experience.




**Step 1:** Zebit acquires consumers from multiple channels. Once a consumer lands on the home page at www.zebit.com, the consumer would initiate an application by clicking the "Register" button.

**Step 2:** Once the consumer applies, Zebit's fraud and identity management system validates their identity.

**Step 3:** If the identity is approved, Zebit's models validate the consumer's creditworthiness, income, and/or employment and then its rules allocate a Zebitline and assign a down payment percentage at checkout. The consumer then becomes a "Registered User".

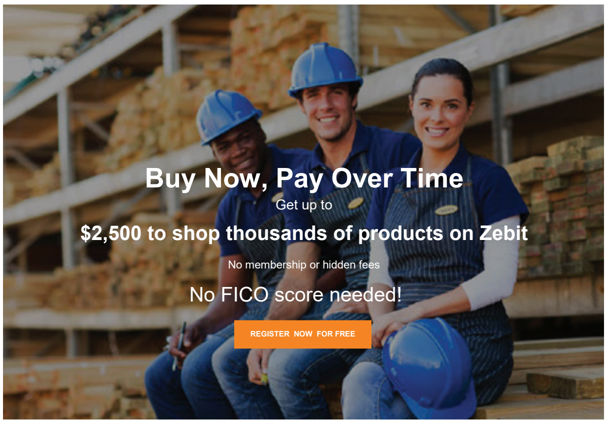
**Step 4:** After the user is approved and registered, they will have immediate access to the Zebit Marketplace, where all the shopping behaviour is captured and modelled for propensity to pay. At checkout, if the purchase is approved by Zebit, the Registered User pays a down payment (becoming an Active Customer) which has varied from 5% to 35% based on their tenure with Zebit, credit risk at underwriting, and historical behaviour on the Zebit Platform.

**Step 5:** Proprietary machine learning models at the point of sale assess the likelihood of repayment based on the Registered User's shopping behaviour, and determine if an order is acceptable to process or needs to be rejected based on the risk characteristics.

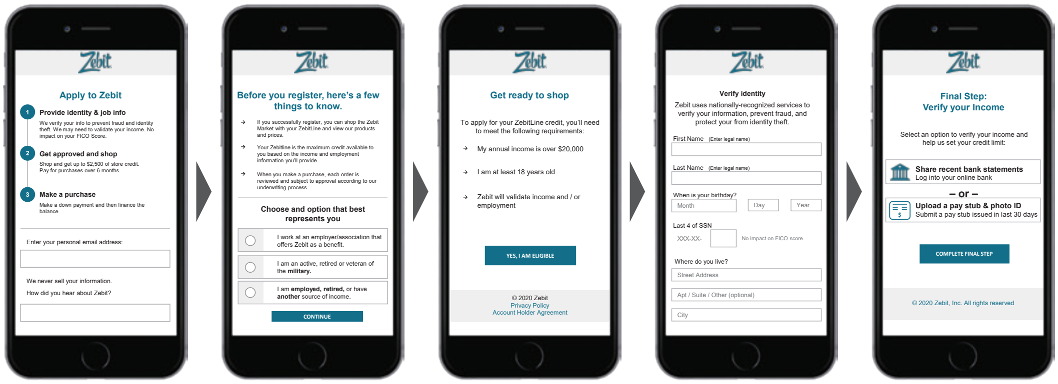
**Step 6:** Each order is assigned instalment payments based on the Active Customer's income or pay cycle. The Active Customer can select to repay via auto-pay or self-service. Most Active Customers (1H20: 85% and FY19: 91%) opt-into auto-pay where they have connected a debit card tied to their bank account for repayment.

# 3. Company Overview (continued)

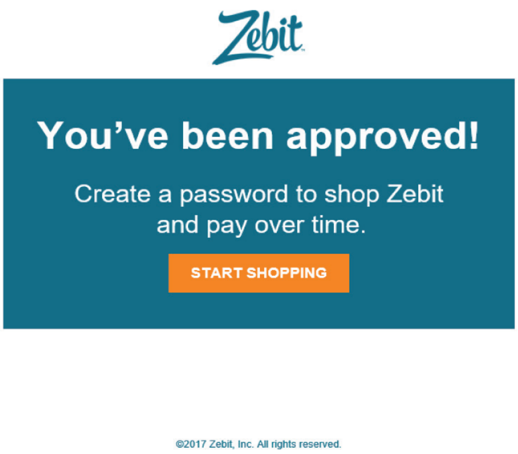
**Step 1**



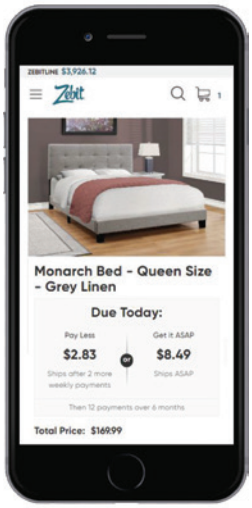

**Step 2**



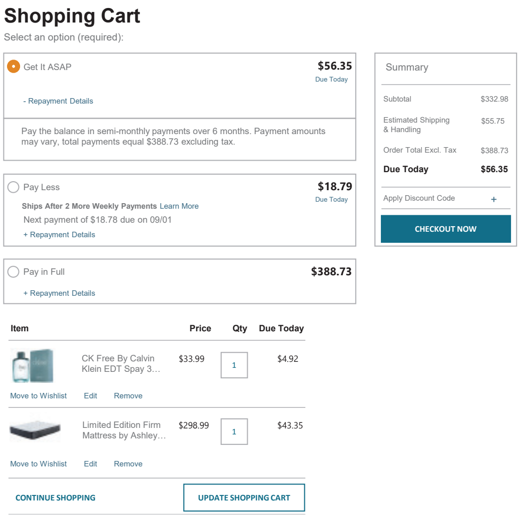

**Step 3**

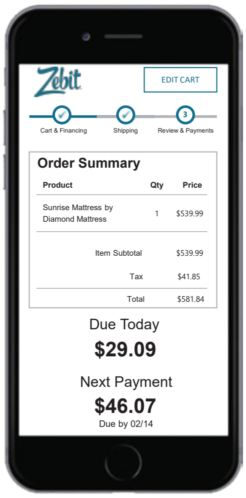


## Step 4

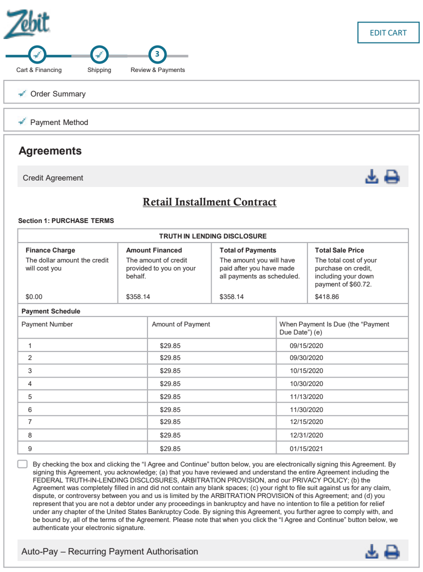

## Step 5




## Step 6

RETAIL INSTALMENT CONTRACT (SEE BELOW)



EDIT CART

Cart & Financing · Shipping · Review & Payments

✓ Order Summary

✓ Payment Method

**Agreements**

Credit Agreement

**Retail Installment Contract**

**Section 1: PURCHASE TERMS**

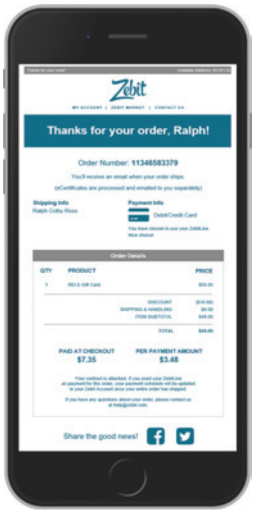
| TRUTH IN LENDING DISCLOSURE | | | |
|---|---|---|---|
| **Finance Charge** The dollar amount the credit will cost you | **Amount Financed** The amount of credit provided to you on your behalf. | **Total of Payments** The amount you will have paid after you have made all payments as scheduled. | **Total Sale Price** The total cost of your purchase on credit, including your down payment of $60.72. |
| $0.00 | $358.14 | $358.14 | $418.86 |

**Payment Schedule**

| Payment Number | Amount of Payment | When Payment Is Due (the "Payment Due Date") (e) |
|---|---|---|
| 1 | $29.85 | 09/15/2020 |
| 2 | $29.85 | 09/30/2020 |
| 3 | $29.85 | 10/15/2020 |
| 4 | $29.85 | 10/30/2020 |
| 5 | $29.85 | 11/13/2020 |
| 6 | $29.85 | 11/30/2020 |
| 7 | $29.85 | 12/15/2020 |
| 8 | $29.85 | 12/31/2020 |
| 9 | $29.85 | 01/15/2021 |

☐ By checking the box and clicking the "I Agree and Continue" button below, you are electronically signing this Agreement. By signing this Agreement, you acknowledge; (a) that you have reviewed and understand the entire Agreement including the FEDERAL TRUTH-IN-LENDING DISCLOSURES, ARBITRATION PROVISION, and our PRIVACY POLICY; (b) the Agreement was completely filled in and did not contain any blank spaces; (c) your right to file suit against us for any claim, dispute, or controversy between you and us is limited by the ARBITRATION PROVISION of this Agreement; and (d) you represent that you are not a debtor under any proceedings in bankruptcy and have no intention to file a petition for relief under any chapter of the United States Bankruptcy Code. By signing this Agreement, you further agree to comply with, and be bound by, all of the terms of the Agreement. Please note that when you click the "I Agree and Continue" button below, we authenticate your electronic signature.

Auto-Pay – Recurring Payment Authorisation



### 3.3.4 Zebit's Revenue Model

Zebit is classified as an eCommerce company under U.S. GAAP and reports revenue based on gross merchandise value and recognises revenue based on the delivery of an item to the end Active Customer.

The Company's revenue increased 117.9% from $20.8 million in FY17 to $45.3 million in FY18 and increased a further 88.7% in FY19 to $85.5 million. The Company's revenue was $28.1 million in 1H20, decreasing by 9.2% compared to 1H19 due to cash restraints created by COVID-19 (see Section 3.6 for further information). Based on management's current expectations and assumptions, Zebit projects FY20 revenue to be $82.2 million, and Zebit's revenue for the 12 months to 1H21 to be $109.1 million. These forecasts are based on current expectations, estimates and projections based on information currently available to management. Risk factors that could cause Zebit's results and expectations to differ materially from such forecasts are set forth in the Section 4.

In both FY19 and 1H20, over 70% of revenue was derived from Active Customers that had previously placed an order with Zebit. The Company believes this repeat Active Customer behaviour is demonstrative of its strong value proposition.

See Figure 4 below for further details.

FIGURE 4: HISTORICAL AND FORECAST REVENUE[1,2]

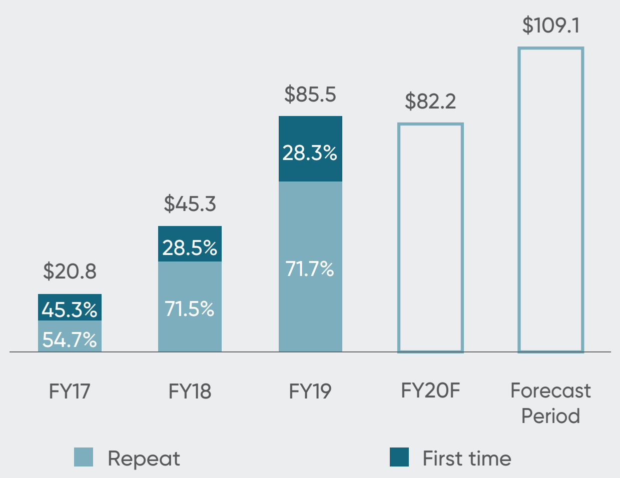
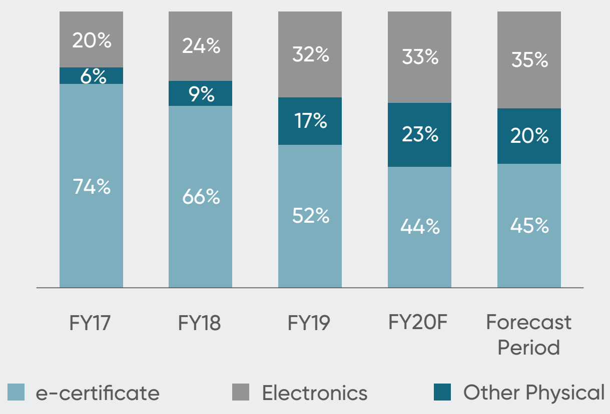



FIGURE 5: REVENUE SPLIT: E-CERTIFICATE VS. PHYSICAL PRODUCTS (HISTORICAL AND FORECAST)[1,2]




1. FY20F includes the reviewed six month period to 30 June 2020 and the six month forecast period to 31 December 2020.
2. Forecast Period includes the six month forecast period ended 31 December 2020 included in FY20F, and the six month forecast period ended 30 June 2021.

As an eCommerce company, Zebit earns a margin from the difference between the wholesale price paid by Zebit for the product and the retail price paid by the Active Customer. In addition, the Company may earn a small margin on shipping fees, depending on the composition of the end-order and shipping method. Zebit does not earn any revenue from charging membership fees, late fees or penalties associated with product financing or delinquencies. As part of Zebit's business model serving Financially Underserved Consumers, Zebit expects a certain percentage of its Active Customers to fail to pay some of their instalments. In the event an Active Customer fails to pay an instalment, Zebit freezes their Zebitline until the Active Customer repays all delinquent amounts. No late fees or penalties are applied to the Active Customer's account. See Section 3.5 for additional information.

#### Gross margin and contribution margin

From FY17-1H20, the Company demonstrated strong improvements in product gross margin, gross margin, and contribution margin (see Figures 6, 7, 9 and 10 for further information). The margin increase has been primarily driven through expanding the product offering in the Zebit Marketplace, offering product categories with higher margins, implementing proprietary pricing algorithms to set price per SKU, and curating the selection of products in each category to meet its Registered User's needs and business financial objectives.

FIGURE 6: PRODUCT GROSS MARGIN

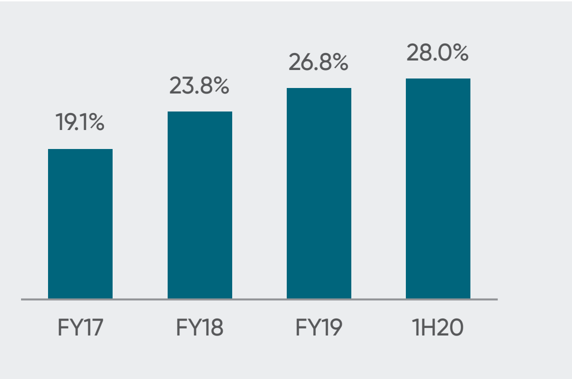



FIGURE 7: GROSS MARGIN

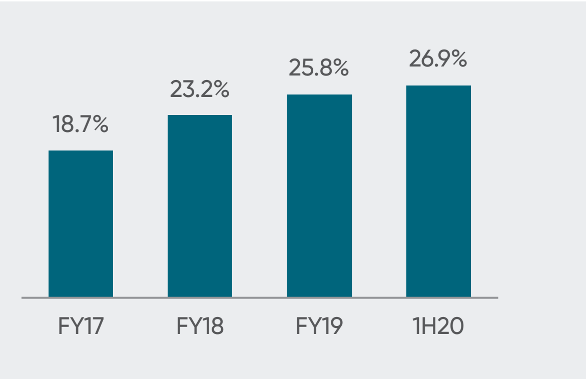



FIGURE 8: BAD DEBT RESERVE

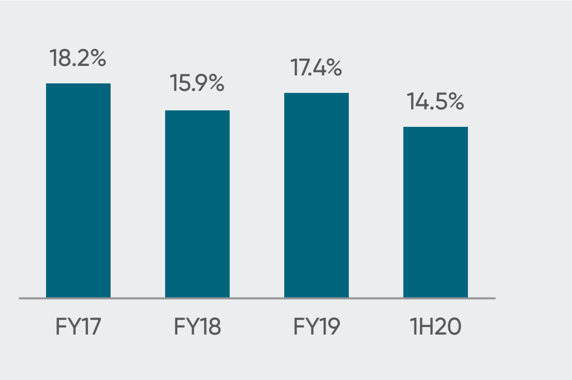
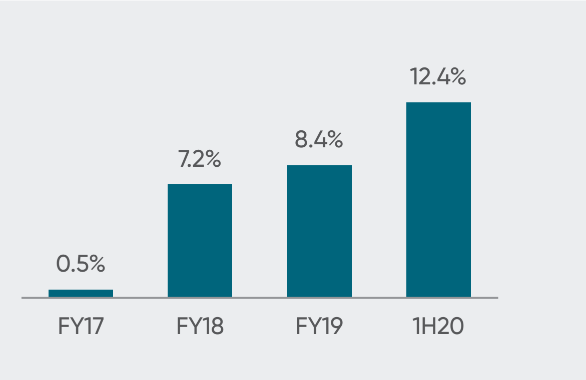



FIGURE 9: CONTRIBUTION MARGIN




As shown in Figure 8 above, FY19 Bad Debt Reserve was higher than FY18 due to intentional data testing across a wide variety of factors:

- new marketing channels and B2B partnerships;
- different down payments at check out and Zebitline allocations;
- invoicing structure (e.g., declining balance vs. straight line); and
- auto approve strategy at registration using alternative credit scores.

FIGURE 10: MARGIN DEFINITIONS

| **Name** | **Definition** |
|---|---|
| Product Gross Margin | Selling price less COGS |
| Gross Margin | Product Gross Margin plus shipping margin, less drop-shipper fees, plus any adjustments[6] |
| Contribution Margin | Gross Margin less Bad Debt Reserve |
| Bad Debt Reserve | The dollar amount of receivables that Zebit does not expect to collect. The Bad Debt Reserve is calculated as a percentage of overall gross sales that Zebit projects will become uncollectable. |

6. Shipping margin can be positive or negative; adjustments could be positive or negative depending on the adjustment made.

### 3.3.5 Capital Management

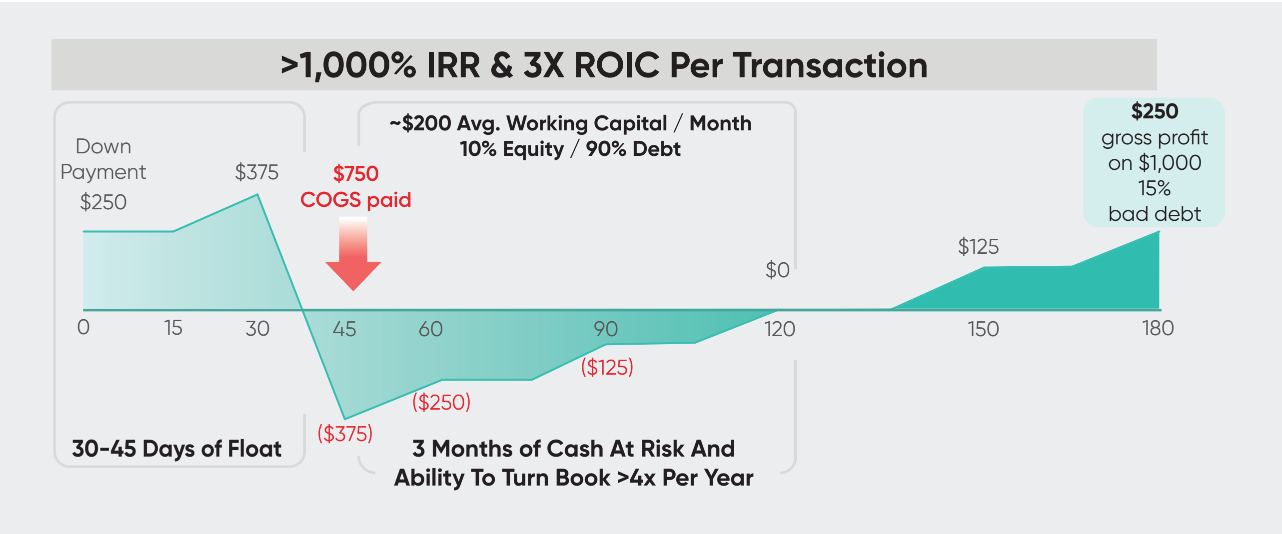
For every order, an Active Customer currently pays a down payment at checkout between 14.5% - 35% of the retail price, with the remaining paid over the next six months according to the Active Customer's payment preferences (weekly/fortnightly/bi-monthly/monthly).[7]

When Zebit is required to pay the product supplier (ie when COGS are due), Zebit uses the down payment collected from the Active Customer along with debt financing to pay the supplier (refer to Sections 3.3.6 and 9.1 for further information). Zebit does not have to pay most of its suppliers for approximately 30 days, which decreases Zebit's working capital need and increases the asset level return (refer to Section 6.6.2.2 for further information).

Zebit's debt facility covers 90% of the remaining COGS based on eligibility criteria.

This means that each Active Customer agreement results in approximately 3 months of working capital risk.

The below is an example of an Active Customer placing an order for a product with a price of $1,000 and a down payment of $250 on the Zebit Marketplace, which Zebit sources from its drop-ship suppliers at a price of $750. This generates an annualised Internal Rate of Return >1,000% and approximately 3x Return on invested capital ("**ROIC**") per completed and repaid order transaction.




### 3.3.6 Funding Providers

To date Zebit has raised approximately $55 million of equity capital from its shareholding base, which includes several top tier venture capital firms such as Crosslink, Wildcat Venture Partners, Ulu Ventures, Leapfrog Ventures, and Correlation Ventures.

Zebit has incurred debt from Bastion and Silicon Valley Bank. The balance of SVB Facility which will be repaid from the Offer proceeds.

Refer to Section 8.3 and Section 9.1 for further information.

7. Except for City Club members who do not make a down payment at checkout due to their purchases being guaranteed for credit losses by the City Club.

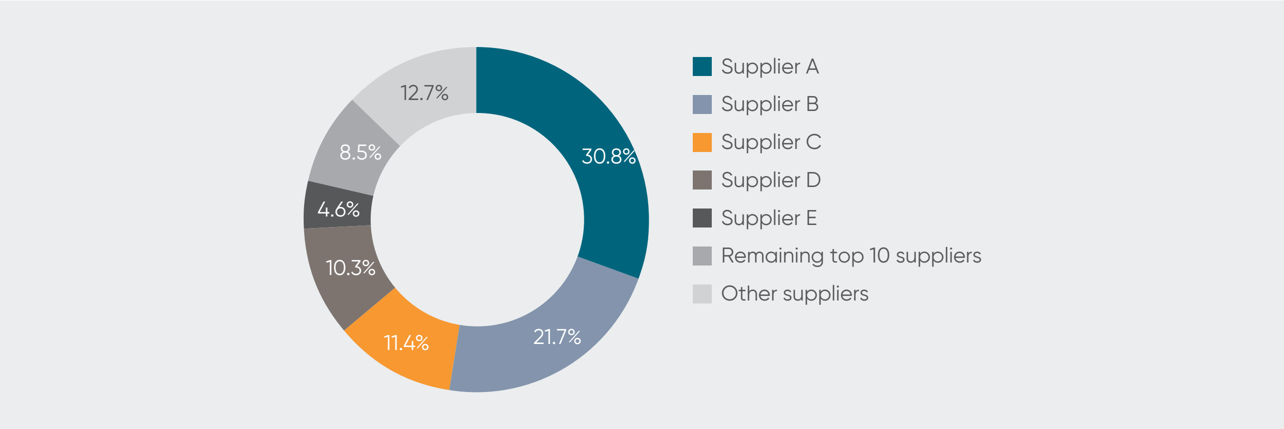
### 3.3.7 Suppliers

Zebit has 81 suppliers across a diverse set of product categories.

- 80 suppliers are located in the U.S., with 1 located in Canada.
- All suppliers are paid in U.S. Dollars and Zebit carries no foreign exchange risk.
- Zebit receives vendor payment terms ranging from 14 days to 45 days, with the majority at or exceeding 30 days.

For further details refer to Section 9.3.

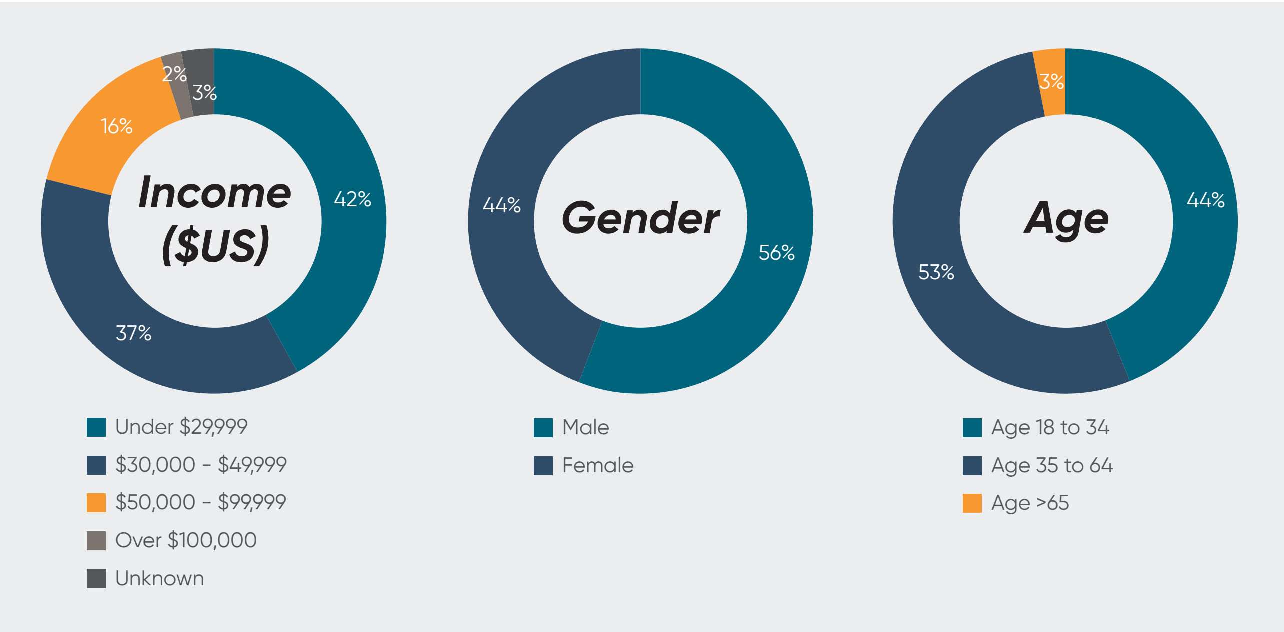
FIGURE 11: TOP 10 SUPPLIERS BY VALUE OF PURCHASES / COGS (1H20)




## 3.4 Registered Users

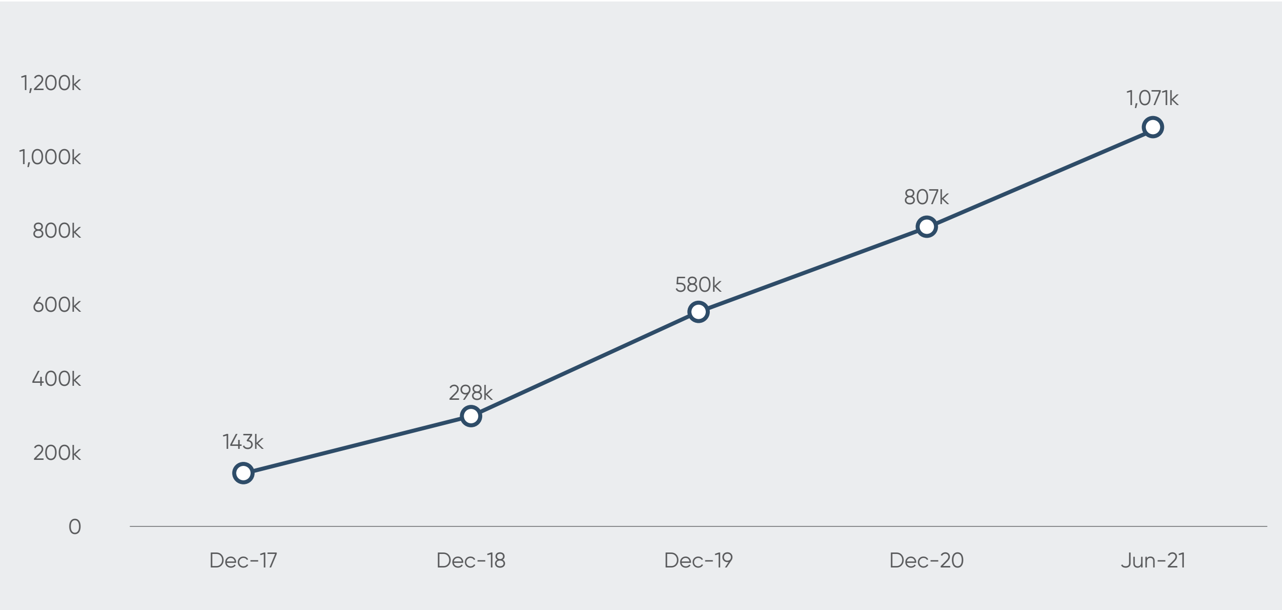
Zebit serves a diverse set of Financially Underserved Consumers across the U.S. In October 2018, Zebit enlisted Acxiom LLC to perform an "Enhanced Look Alike" analysis which reported on the demographics of Zebit's Registered User base. The report provided key insights into the sectors that Zebit has the strongest presence in. The report also provided analysis on Zebit's strongest following from a Registered User standpoint, and ways to market them more effectively. As summary appears in the figure below.

FIGURE 12: OVERVIEW OF DEMOGRAPHICS OF REGISTERED USERS



Zebit had over 627,000 Registered Users as of 30 June 2020 and operates in 50 States across the U.S. Based on information currently available to management, Zebit forecasts it will reach approximately 807,000 Registered Users by 31 December 2020 and 1,071,000 by the Forecast Period end of 30 June 2021. Since Zebit's incorporation in FY15, its Registered User base has grown strongly, partially due to organic growth through word of mouth referrals. See Figure 13 below for further information.

FIGURE 13: USER REGISTRATIONS

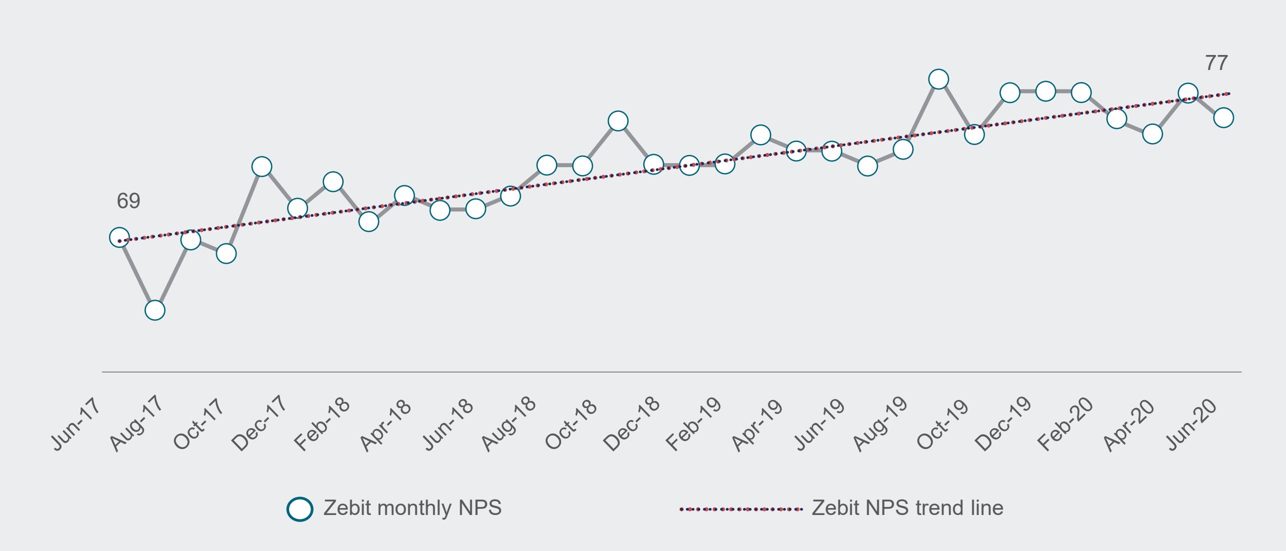



For 1H20, approximately 28% of user registrations were organically obtained, either by word of mouth and referrals, or from channels that cannot be attributed to either B2C or B2B, which reflects the Company's market-leading average net promoter score ("**NPS**") of 77 and the fact that Zebit is building the first national brand for Financially Underserved Consumers. Zebit's Registered Users actively refer friends each month without being paid to do so where most companies offer incentives such as discounts or store credit for such activities.

### 3.4.1 Registered User engagement

The Net Promoter Score is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. It is used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand. A customer's willingness to recommend a company and actually doing so is an important distinction. The latter indicates a trend toward "viral" acquisition which greatly increases customer lifetime value for the business overall. Given Zebit's attractive value proposition to Financially Underserved Consumers, in an environment of generally higher-priced alternatives, the Company has attempted to build virality into its offering. Through a combination of fair access, broad product offerings and high-quality service, Zebit believes that Registered Users have an incentive to share which has assisted in generating a consistent flow of organic acquisition.

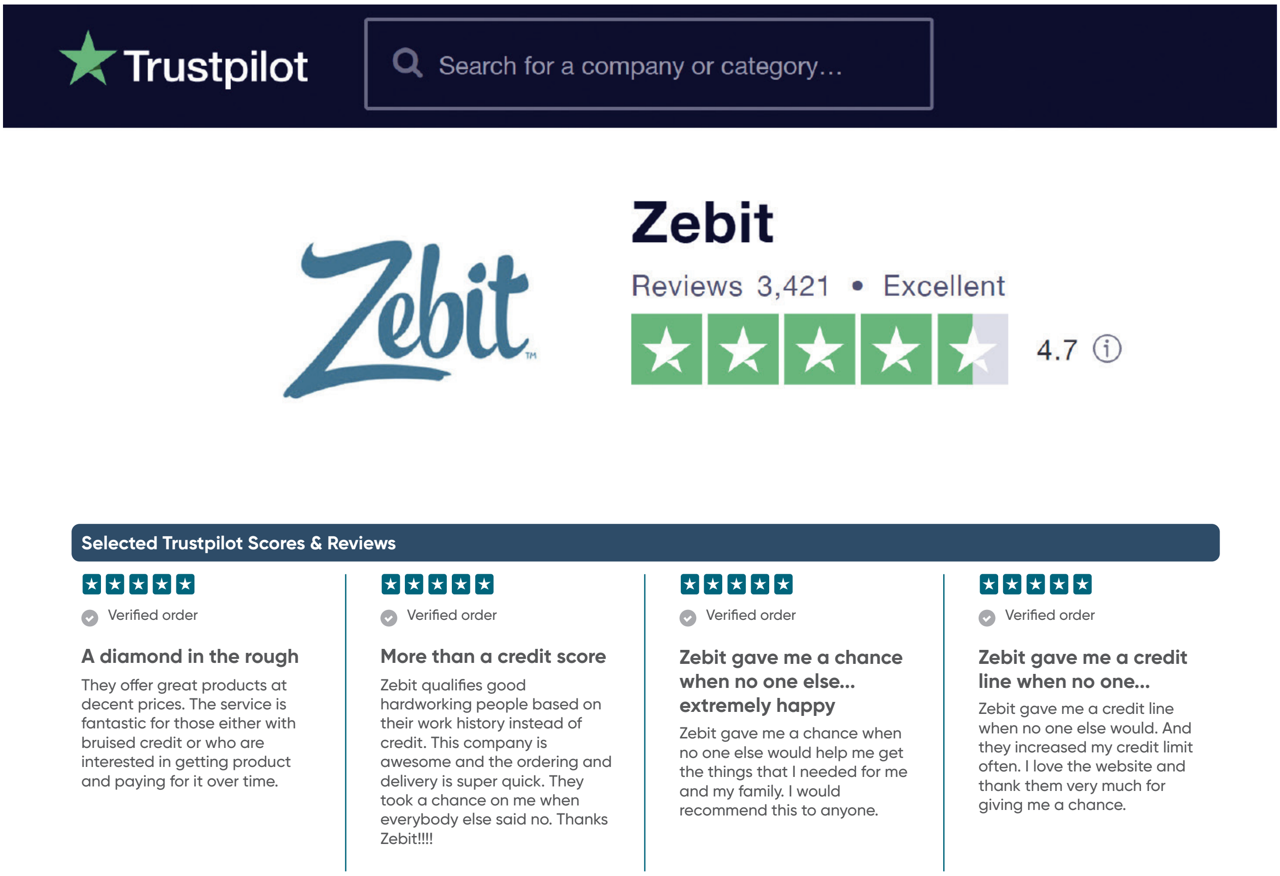
FIGURE 14: ZEBIT'S NET PROMOTER SCORE




The decline in Zebit's NPS for the months March, April and May 2020 were a result of the Company having no clear path to an IPO or alternative near-term capital raise due to COVID-19. As a result, Zebit deliberately pulled levers to dampen demand and slow growth to extend the cash-runway of the business. These constraints impacted customer engagement with the Zebit Platform by the Company being more selective on new user acceptance, increasing selectivity of orders accepted and shipped, raising the income threshold to qualify for a Zebitline, lowering line allocations to new Registered Users, ceasing line increases for Active Customers and raising down payment percentages at checkout (see Section 3.6 for more information). The outcomes of these actions were well understood by Zebit management due to testing in FY19. Zebit began releasing constraints in July 2020 due to a potential path to a capital raising, resulting in an immediate uptick in NPS.

In addition, as shown in Figure 15 below, Zebit has over 3,400 Trust Pilot reviews, and averaged 4.7/5 stars since incorporation

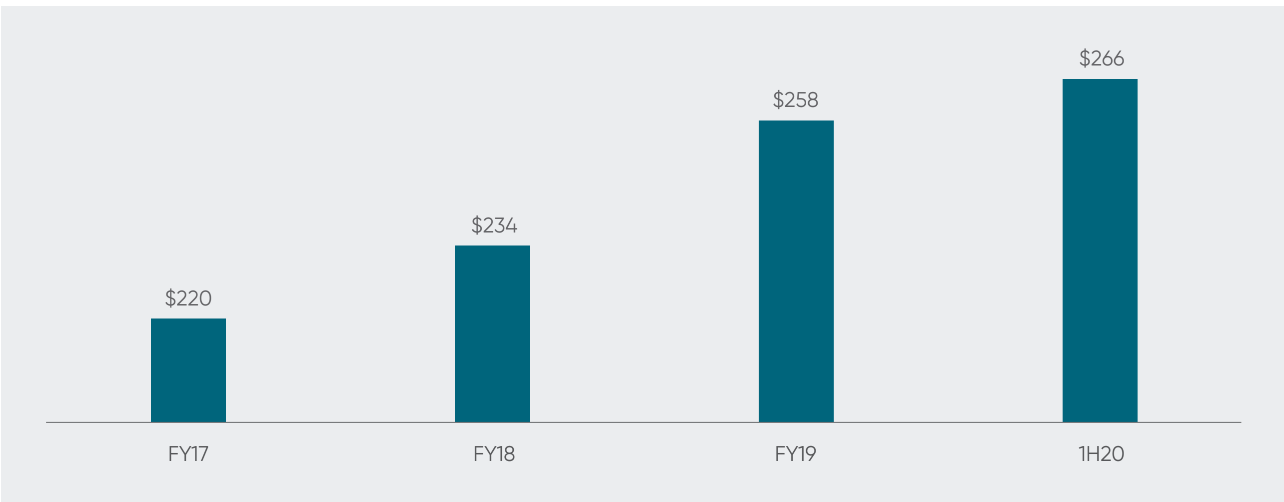
FIGURE 15: ZEBIT'S TRUSTPILOT RATING AND EXAMPLE REGISTERED USER COMMENTS




### 3.4.1.1 Average Order Value

Zebit's Active Customers had an average order value of $266 for the 6 months ended 30 June 2020, which increased by 10.9% over 1H19, 3.1% over FY19 and 13.7% over FY18. Increase in average order value has been driven by extended product ranging, together with Registered Users' Zebitlines increasing over time as a reward for on-time repayment.

FIGURE 16: AVERAGE ORDER VALUE



### 3.4.2 Revenue Generation by Cohort

Figure 17 shows the cumulative revenue generated since 1 January 2017, grouped by the underlying Active Customer's year of registration on the Zebit Platform. Figure 18 shows the revenue generated annually grouped by the underlying Active Customer's year of registration. These charts demonstrate Zebit's strong Active Customer retention, and ability to grow revenue through new user registrations whilst maintaining stable revenues from historical cohorts. Growth in existing cohort revenue is a function of repeat ordering, together with increases in average order value as described above.

FIGURE 17: CUMULATIVE REVENUE GENERATION BY ACTIVE CUSTOMER COHORT

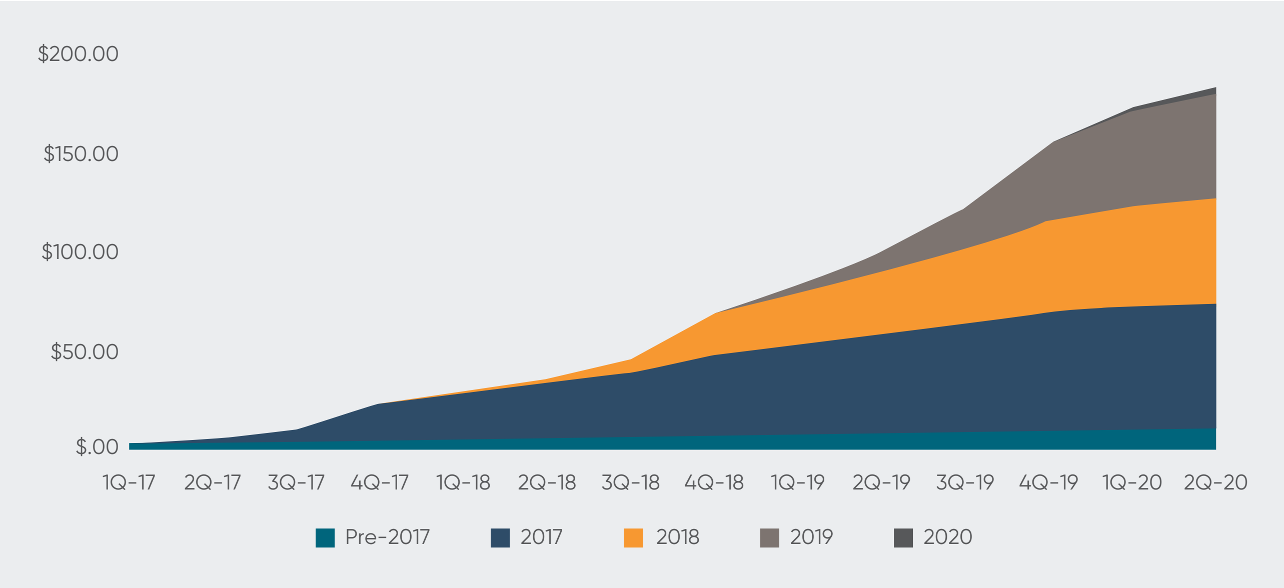
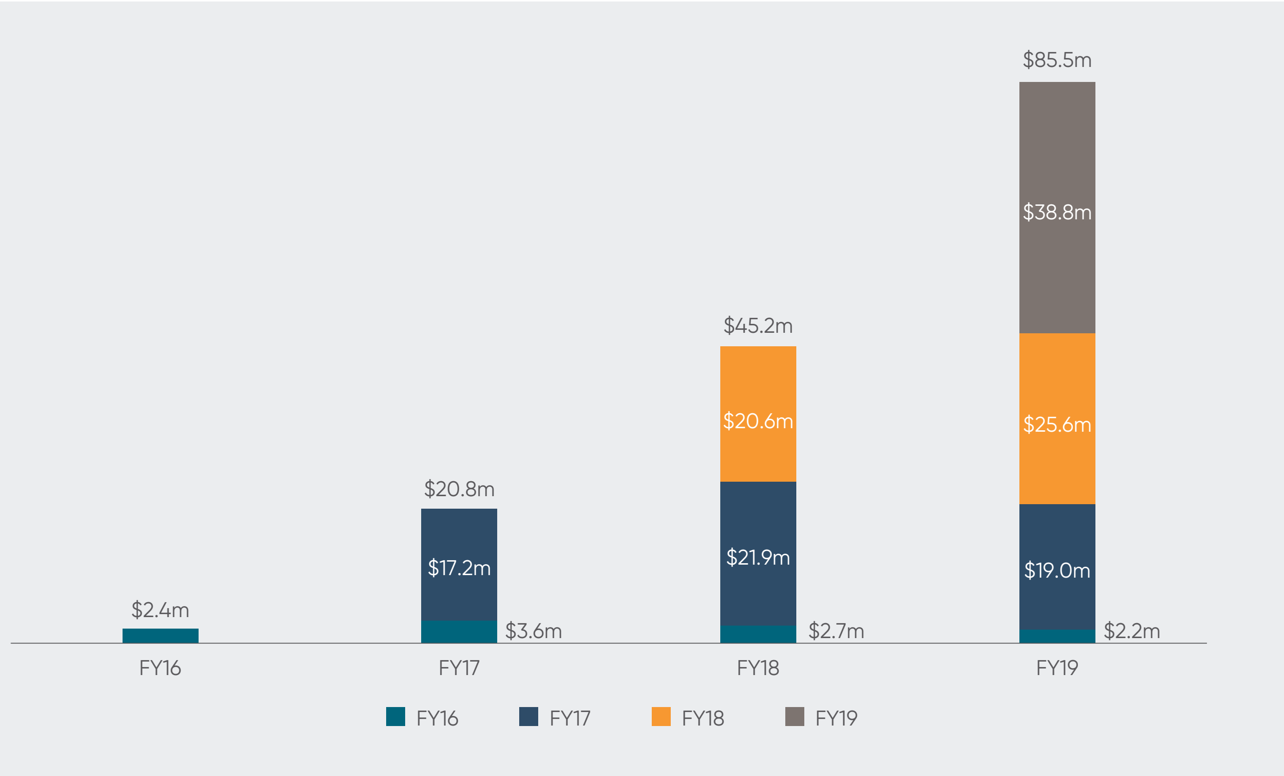



FIGURE 18: REVENUE GENERATION BY ACTIVE CUSTOMER COHORT



### 3.4.3 User Acquisition

Zebit uses three broad channels to acquire new Registered Users, including:

**B2B**

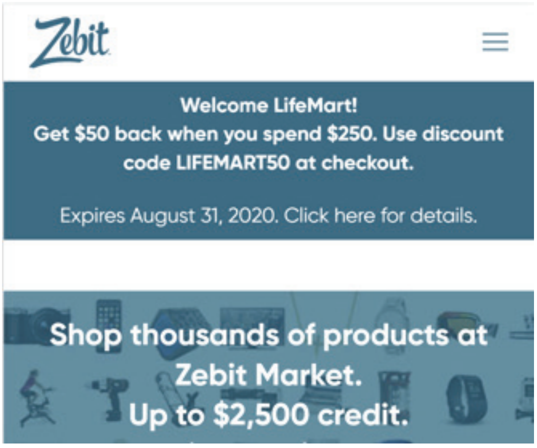
Zebit connects to some of the largest benefit platforms, partnerships, and employers in the U.S. where employees can gain exposure to Zebit.

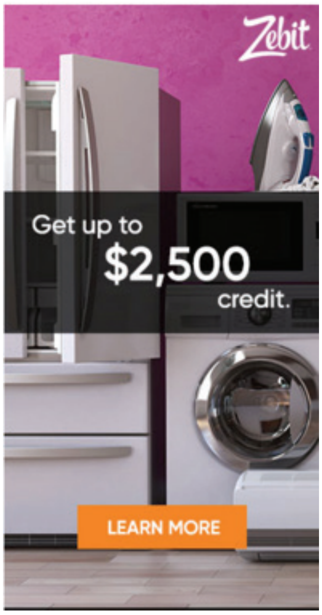
In FY19, B2B represented 34% of marketing spend and 34% of total registrations.

In 1H20, B2B represented 52% of marketing spend and 34% of total registrations (see Figure 19).

Zebit pays only for underwritten and approved Registered Users, and does not pay for leads or user traffic.

Refer to Section 6.7.4.2 for further information.



**B2C**

Zebit invests marketing dollars across digital media such as Facebook, Paid Search, YouTube, Podcast, Radio, and other media.

B2C accounted for 66% of FY19 marketing spend and resulted in 42% of registrations.

In 1H20 B2C accounted for 48% of marketing spend and resulted in 38% of registrations. (see Figure 19).

Refer to Sections 3.6.1 and 3.6.3 for the managing of B2C spend during COVID-19 and 6.7.4.2 for further information.


**Organic**

Zebit attracts new users through referrals from its existing Registered User base or from channels that cannot be attributed to either B2C or B2B (approximately 24% of FY19 and 28% of 1H20 Registered User acquisitions were organic).

The forecast assumes that 20% of registrations for 1H21 are organic. Refer to Section 6.7.4.2 for further information.


FIGURE 19: CAC BY CHANNEL (FY19 AND 1H20)

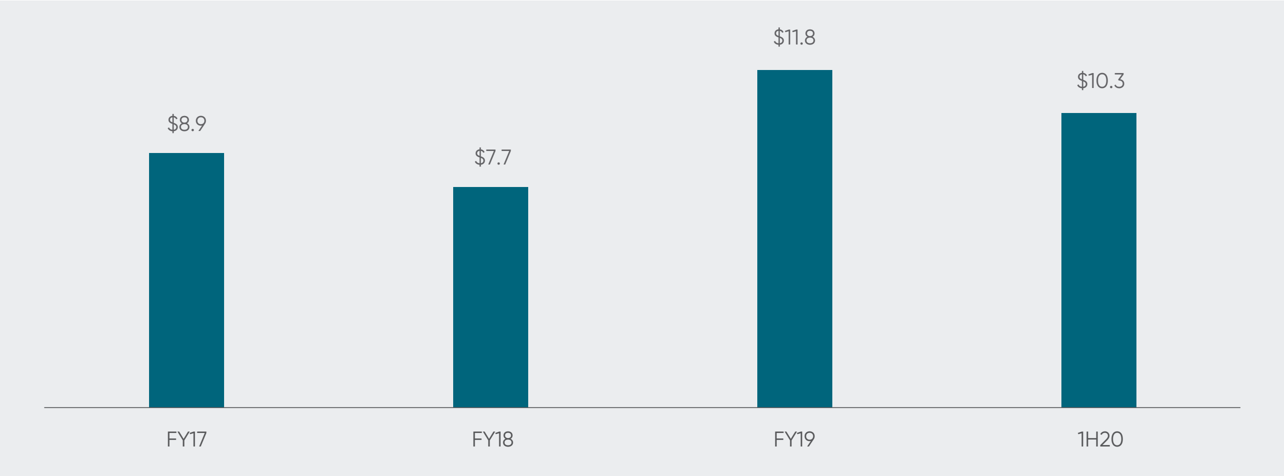

Refer to Section 3.6.1 and 3.6.3 for the managing of B2C spend during COVID-19 and 6.7.4.2 for further information.

Zebit's customer acquisition cost ("**CAC**") for FY19 and 1H20 was less than the most recently reported eCommerce industry average for FY18 by DemandJump[8]. Zebit believes its ability to scale the business across its acquisition channels, continuously optimise the cost of acquisition, and have a material proportion of Registered Users acquired organically provides a competitive advantage. For comparison, the average cost to acquire a customer using google paid search for eCommerce in FY18 was $45.27 and for display advertising was $65.80[9].

Zebit continues to test and optimise user acquisition across existing and new channels. For example, during FY19 Zebit tested user acquisition via YouTube, Instagram, Podcasts, and Native display ads, which have a higher cost of acquisition in the month of the campaign, but are displayed for a longer period of time compared to Paid, which contributes to ongoing customer acquisition.

8. DemandJump - Customer Acquisition Costs by Industry: What's a good CAC | 2019
9. DemandJump - Customer Acquisition Costs by Industry: What's a good CAC | 2019

FIGURE 20: BLENDED REGISTERED USER ACQUISITION COST




### 3.4.4 Registered User Value Metrics

Zebit aims to maintain strong returns on Registered User acquisition through efficient sales and marketing strategies. It measures this by calculating a lifetime value ("**LTV**") to CAC ratio or LTV/CAC. Zebit recoups its fully burdened Registered User acquisition costs in less than 12 months.

Based on actual cohort data for 3 years, Zebit's LTV/CAC is 3.5x.

FIGURE 21: LTV/CAC


LTV & CAC methodology:

- LTV is based on Contribution Margin (Gross Margin less Bad Debt Reserve) per Registered User.
- CAC is the cost to acquire a Registered User plus the cost to underwrite that Registered User (to provide them with a Zebitline).

## 3.5 Credit Risk Management

### 3.5.1 Credit Risk

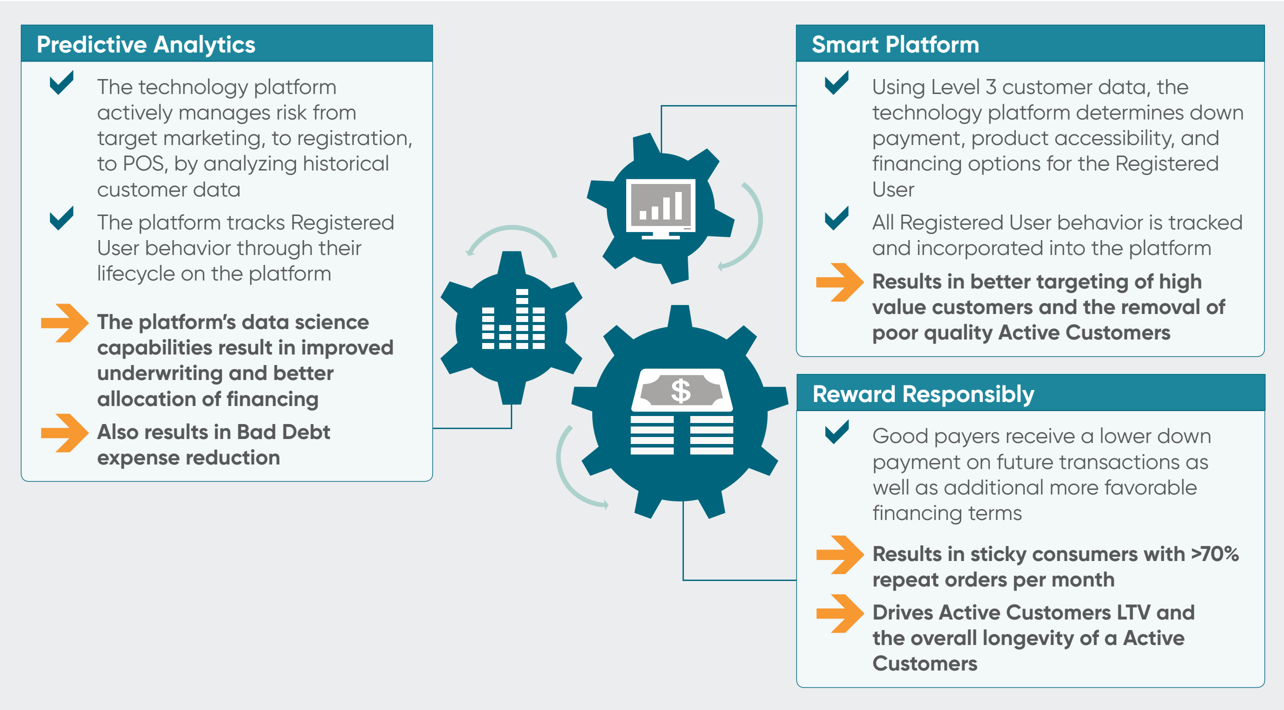
Credit risk is viewed and managed on the Zebit Platform in multiple ways, including:

- at the marketing channel level by understanding and targeting consumer populations that "look alike" compared to those who have engaged with Zebit and are considered good Active Customers;
- at the point of registration where the applicant is applying for a Zebitline where the Company's fraud and identity management systems analyse hundreds of factors to determine the authenticity of the applicant;
- at underwriting, where a Registered User's creditworthiness is assessed in combination with other variables that include employment and/or income. The result of underwriting for an approved application is an allocation of a Zebitline and a down payment percentage due at checkout;

# 3. Company Overview (continued)

- at checkout when Zebit's point of sale machine learning models evaluate the order risk characteristics that result in shipping or cancelling an order;
- at the point where a failed repayment happens and the system either freezes the Active Customer's Zebitline and/or decreases the amount of the Zebitline granted; and
- at the point where the Company's predictive reward management policy allocates a line increase based on financially responsible shopping and demonstrated on-time repayment history.

FIGURE 22: ZEBIT'S CREDIT RISK ENGINE




Every Active Customer currently pays between 14.5%-35% as a down payment at checkout (the best tenured risk Active Customers have smaller down payments)[10]. Each order, however, has a different expected value of Bad Debt based on the risk score of the Active Customer, their tenure on the platform, and if they have paid off at least one prior order in the past. Generally, the more mature the Active Customer, the lower the Bad Debt risk on every purchase they make. Active Customers who have made one or more purchases on the Zebit Platform (i.e. tenured Active Customers) "naturally de-risk" and are gradually becoming a larger and larger percentage of the order book as the Company grows and matures.

Credit losses occur when Active Customers do not pay the Company back over the six-month instalment period. The Bad Debt reserve is calculated as the amount the Active Customer is expected not to pay relative to revenue recognised in the month and adjustments are made to the reserve number if new information changes the original expectation after the month of revenue recognition.

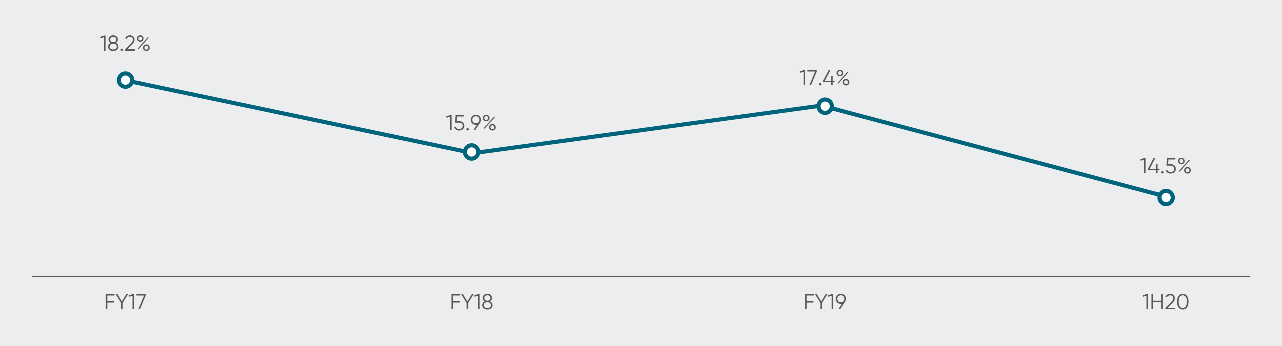
The Company forecasts or adjusts its Bad Debt Reserve for each order month based on several factors, including:

- loss rates specifically allocated to testing of new audiences within a channel or a new channel (when applicable);
- the weighted average expected risk from each channel;
- the mix of new Registered Users vs. tenured Active Customers as a percent of total revenue and the age or number of historical orders of these customers;
- the monthly order composition of Active Customer credit profiles at underwriting; and
- anticipated external, macroeconomic shocks to the U.S. economy.

Historical credit losses are in control and have tracked to the Company's forecast, considering the factors outlined above.

10. This applies to all customers except for City Club members that do not make a down payment at checkout. City Club guarantees the order amount.

FIGURE 23: BAD DEBT RESERVE TREND (% OF REVENUE)




Zebit's approach to credit management is to test, optimise, and retest to determine if a new "risk pool" of Active Customers is acceptable and the only way to do this is by testing new processes to increase the Company's internal data set. The uptick in Bad Debt Reserve in FY19 (as shown in Figure 23 above) was a result of significant testing of new Active Customer groups and channels; this data was used to build 3rd generation models to improve credit outcomes.

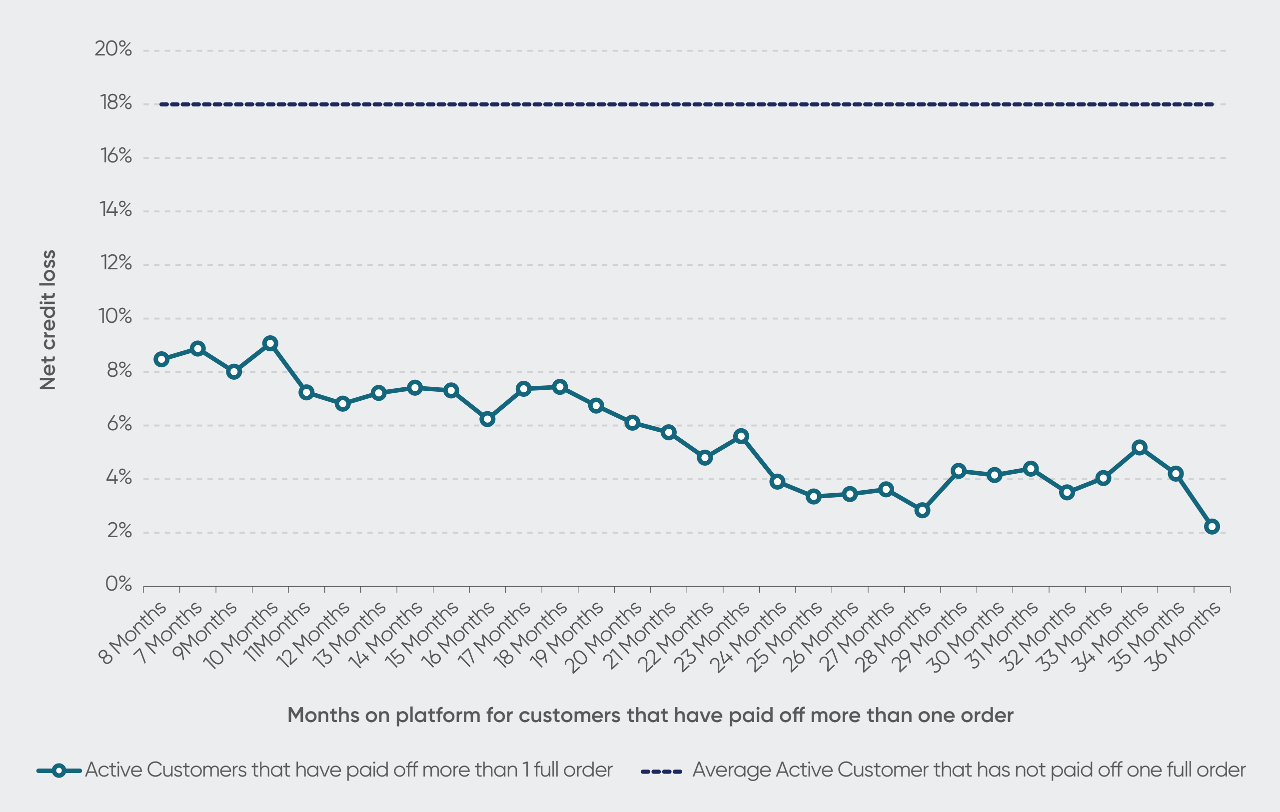
Further, Zebit has been focused on retaining Active Customers to generate long lifetime values for the Company's cohorts that will lead to greater revenue in the future. Under this approach, the Company has previously allowed for higher near-term Bad Debt Reserve to drive higher engagement, while actively managing credit on an ongoing basis to retain high-value, lower risk cohorts over time.

| Year | Comments |
|---|---|
| FY16 | Tested the Zebit Platform in beta-mode from Oct – Dec FY16. |
| FY17 | Significant initial testing of acquisition channels and creation of 1st generation of rules-based fraud, underwriting, and collection systems. |
| FY18 | Focus on optimising existing Active Customer base in the first 6 months of the year; demonstrating lower Bad Debt as Active Customer cohorts age. |
| FY19 | Heavy testing in new channels, credit-line testing, and creditworthiness score indicators; implementation of new predictive models. |
| Q1 and Q2 FY20 | Introduced 2nd generation underwriting and point of sale decision models based on significant user data on the Zebit platform gathered in FY17-FY19. Management estimates the 2nd generation rules will reduce Bad Debts by 0.5%-1.5% based on historical testing. |
| FY20F | Focus will be on continuing to scale the organisation while increasing customer LTV and long-term revenue generation for the business. Implement 3rd generation underwiting models at registration and checkout. |

A key driver of actual Net Credit Loss (credit losses after recoveries) relates to an Active Customer's prior repayment history and if they have repaid more than one order in full. Net Credit Losses are the written off losses as a percentage of revenue recognized for an order month less any post write-off recoveries associated with those orders. The average historical Net Credit Loss rate for Active Customers who had not repaid one complete order across the 6-month repayment period was 22.2% from FY17 to FY19. Net Credit Loss for all Active Customers that have repaid more than one order in full was 11.2%. As per Figure 24 below, the Net Credit Loss is observed to decline over time, down to below 3% after 36 months on the platform. Zebit believes this significant reduction in Net Credit Loss over time is a function of:

- 'bad actors' being frozen out of the platform (noting they are not removed from the platform and can regain access to their Zebitline once their order is paid off);
- recoveries actually collected on a delinquent account following the 6-month instalment period;
- ongoing optimisation of credit models at the point of sale; and
- value derived by the Active Customer using the Zebit Platform (keeping the Zebitline open or increasing through on-time repayment being an incentive).

FIGURE 24: NET CREDIT LOSS FOR ACTIVE CUSTOMERS THAT HAVE PAID OFF MORE THAN ONE ORDER (% OF REVENUE)




3.5.2 Active Customer Delinquencies and Collections

Zebit's mission is to disrupt legacy credit products including the rent-to-own and lease-to-own business models and/or eliminate the need for consumers to take out high-cost pay-day and instalment loan products. Zebit seeks to give Financially Underserved Consumers the ability to pay a competitive price for products over 6 months and attempts to work with any past-due Active Customers to figure out an achievable payment plan, rather than penalising the Active Customers with late fees or penalties.

When an Active Customer goes delinquent:

(1) the Zebit system notifies the Active Customer by email and freezes their Zebitline such that no additional purchasing can be done until the Active Customer cures the amount owed;

(2) the Company's internal collection team contacts each Active Customer by phone and email to better understand their situation and get them on a plan to pay-off the past due amount;

(3) once an Active Customer repays, their Zebitline is unfrozen. No late fees or penalties are applied to the Active Customer's account; and

(4) if an Active Customer has not paid their due amount in 90 days, Zebit's accounting policy is to write-off the outstanding debt. At that point, the Company's third party collections partner, True Accord, takes over to recover the balance due. True Accord does not purchase Zebit's debt. It is a commission-based arrangement based on dollars recovered.

## 3.6 Zebit's Response to COVID-19

As referenced in Section 3.3.1, Zebit has many levers it can pull to manage risk that are typically not available to other credit providers; especially to a cash lender. In particular, the flexible and proprietary nature of the Company's platform allows Zebit to optimise for cash flow, Gross Margin, and/or credit losses at varying states of an economic cycle and can also do this on an aggregate basis or for a specific risk group/segment of Registered Users.

Zebit's revenue grew over 88% from FY18-FY19, with the Company achieving almost US$85.5 million in revenue in FY19. Going into FY20, Zebit continued its growth in Q1-20, with Q1-20 revenue and Gross Margin exceeding both Q1-19 and Q2-19.

In mid-March FY20, COVID-19 began causing disruptions in the U.S. and Australia which resulted in uncertainty in capital markets and as a result Zebit did not have a clear path to an IPO or alternative near-term capital raise. In March 2020 Zebit began taking steps designed to manage its cash flows. Management deliberately pulled levers (as described below) to dampen demand and slow growth, increase Gross Margins, lower credit losses, and increase cash. These activities resulted in an increase in cash from approximately US$6.5 million as of 13 March 2020 to US$7.8 million as of 30 June 2020, while simultaneously paying down the debt balance from US$12.0 million to US$5.0 million during the same time period (Zebit has since entered into the credit facility with Bastion which is summarised in Section 9.1). In addition, Zebit focused on operational efficiencies, including automating select volume driven processes in the business and reducing headcount by 20 positions.

The results of Zebit's actions to improve the quality and selectivity of Registered Users and the orders it decided to approve, lowering its operating costs, and focusing on increased Gross Margin products from mid-March 2020 to mid-July 2020 was instrumental and necessary to keep the business operational while waiting for an opening in capital markets.

Upon receiving the proceeds of the Offer, Zebit will strategically release several of the constrains in the business and invest in growth. For further information refer to Section 6.6.

### 3.6.1 Actions

To extend the cash-runway of the business, the Company made a conscious decision to implement a set of actions to immediately constrain acquisition of new Registered Users as well as increase the selectivity of orders it decided to take to protect its balance sheet and investor interests. The outcomes of these actions were well understood, as the Company tested each of them and their impact in the first half of FY18. For avoidance of doubt, the Company could have tried to capitalise on the increase in eCommerce sales across certain categories that favored COVID-19; however, it could not continue to grow without additional cash on the balance sheet.

Beginning in March 2020, Zebit implemented the following measures that dampened revenue, optimised Gross Margins, increased cash flow, and lowered the Company cost structure and operating expenses:

- halted all spending in B2C channels that used direct to consumer media like Facebook or Paid Search;
- changed underwriting criteria at registration to be more selective about the users it accepted. The Company quickly deployed a 2nd generation machine learning model at the point of registration that gives the Company more granular resolution into an applicant's identity, and helps predict an applicant's intention to defraud the Company. The model is targeted to reduce credit losses by 0.5% to 1.5% points compared to the legacy model it replaced.
- raised the income threshold to qualify for Zebit from US$16,000 to US$30,000 a year which cut out approximately 68% of applications and 55% of approvals;
- lowered Zebitline allocations to new Registered Users and ceased Zebitline increases that were regularly scheduled at the end of each month;
- increased Gross Margin by rationalizing SKUs on the platform and curating its product portfolio to achieve a weighted average Product Gross Margin of approximately 29.5% (compared to an average Product Gross Margin of 26.8% in FY19);
- raised the down payment at checkout for all Registered Users who don't have repayments taken from payroll to 35% vs. a weighted average down payment at checkout for placed orders of 18% in FY19. This immediately increased the amount of cash the business was taking in while also further limiting credit losses since more cash was collected up front;
- increased the point of sale underwriting model threshold to be more selective in determining which orders to ship; and
- in addition, the Company restructured its operations and automated an extensive amount of labor-intensive processes. These cost savings are expected to reduce operating expenses and result in a more streamlined model that has the ability to scale back up with limited cost structure.

### 3.6.2 Credit outcomes during March to mid-July FY20

During March to mid-July FY20, Zebit did not see any degradation of its credit portfolio. This can be attributed to better predictive machine learning models implemented at the point of sale and registration in late Q4-19 and Q1-20 to Q2-20, combined with raising the selectivity of new Registered Users and orders, and the unemployment subsidies allocated by the U.S. government to the unemployed population. Figure 25 shows late payments dropping dramatically in FY20 and while COVID-19 persisted in the U.S.

FIGURE 25: INSTALMENT LATE PAYMENTS AS PERCENTAGE OF PAYMENTS DUE (WEEKLY)

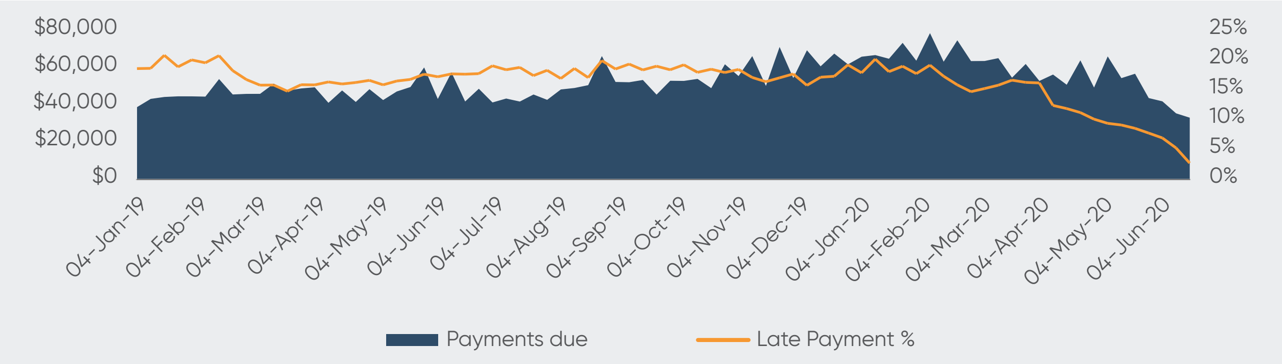
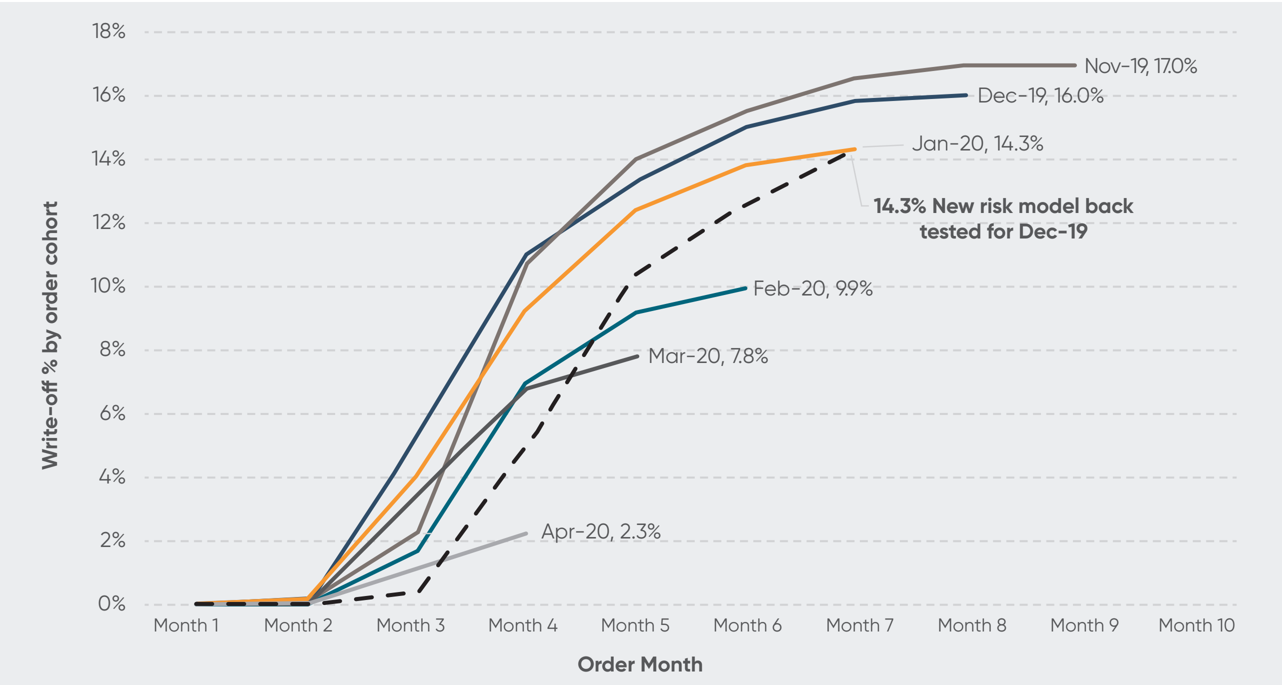



FIGURE 26: REALISED BAD DEBT PERCENTAGE BY ACTIVE CUSTOMER COHORT




Based on information currently available to management, Zebit expects credit losses for 1H20 to be below both FY18 and FY19 levels based on collections to date for each order month compared with similar collection periods historically. In addition, the percentage of orders in each month made by Active Customers who have paid off an order in full is much higher in 1H20 compared to similar periods in FY18 and FY19, which has historically led to lower credit losses.

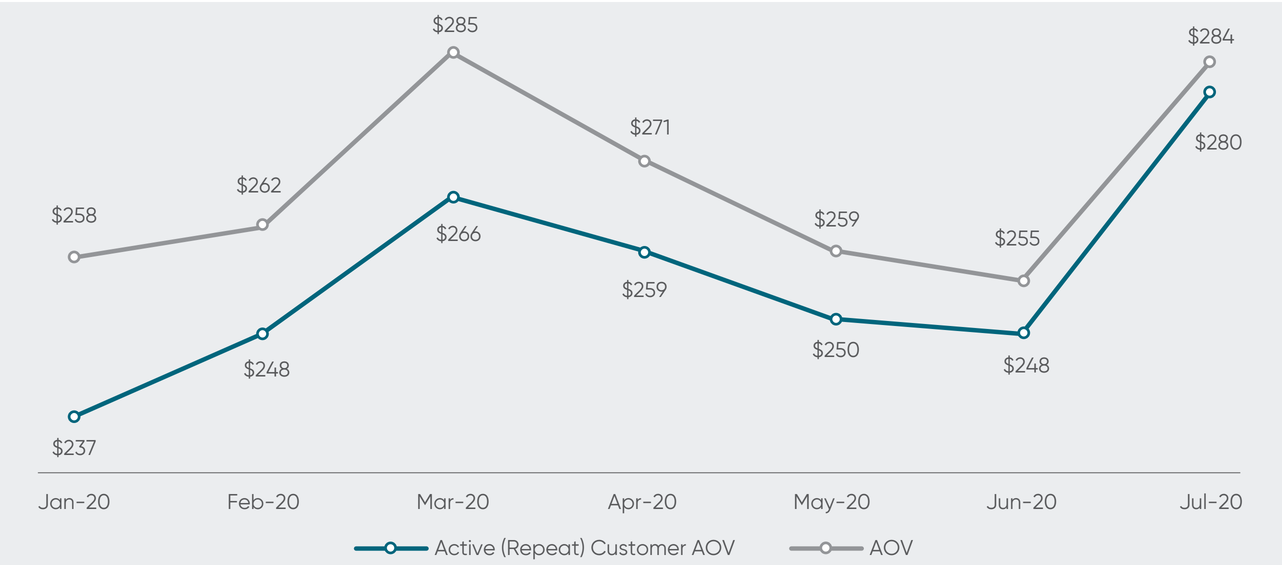
### 3.6.3 Release of growth levers

In mid-July 2020, as capital market sentiment began to improve and Zebit could foresee a capital raise that would support its growth strategies, management began to release levers that previously constrained growth as well as implement 2nd credit models and user registration models immediately driving growth:

- On 10 July 2020, Zebit reduced the required down payment percentage for approximately 70,000 mature Active Customers decreasing down payment from 35% to 20% or 14.5% based on their past down payment percentage, tenure, number of paid off orders and repayment behaviour. Whilst implementation was on 10 July 2020, the decrease was communicated to Active Customers on 13 July 2020.
  - The measure was implemented on Friday night, 10 July 2020 and resulted in a 59.6% step up in daily orders taken for 10 July 2020 by tenured Active Customers compared to the average daily orders taken for the month of June 2020.
  - The measure was communicated to investors on Monday morning, 13 July 2020 resulting in a 118.8% step up in daily orders taken for 13 July 2020 compared to the average number of daily orders taken for the month of June 2020.

- There was an immediate uptick in orders taken with 5,204 taken during the week of 11 - 17 July 2020, which was approximately 2.1x higher than the prior week orders taken.
- Total July 2020 orders taken amounted to 17,261, up 33.5% on June 2020.
- As shown in Figure 27 below, there was higher percentage of orders taken to repeat or 'tenured' Active Customers. These Active Customers are those who had previously paid off an order in full and have historically had a lower propensity to default than new Registered Users.
  - 94.9% of July 2020 orders were from tenured Active Customers (April 2020: 85.6%, May 2020: 90.6%, June 2020: 93.1%).
  - There was a strong uptake of the decreased down payment percentage by tenured Active Customers which resulted in a significant uptick in Average Order Value ("**AOV**").

FIGURE 27: ACTIVE CUSTOMER AOV VS TOTAL AOV




- Zebit recommenced marketing spend from 13 July 2020, which impacts new Registered User acquisition. Management engaged marketing spend on the Facebook marketing channel (paid media or B2C) and plans to continue to increase marketing spend. See Section 6.7.4.2. The impact of this is detailed below and in Figures 28 and 29:
  - Immediate step change in new applicants from 13 to 30 July 2020 – approximately 103% higher than the corresponding dates in June 2020.
  - Immediate step change in new approved registrants for July – approximately 2x June and 3x May 2020.
  - New Registered Users from 13 July 2020 will receive 35% down payment at checkout – scaling new Registered User expenditure conservatively; however, all of their down payments were changed to 25% on 17 August 2020.

FIGURE 28: NEW USER APPLICANTS (WEEKLY)

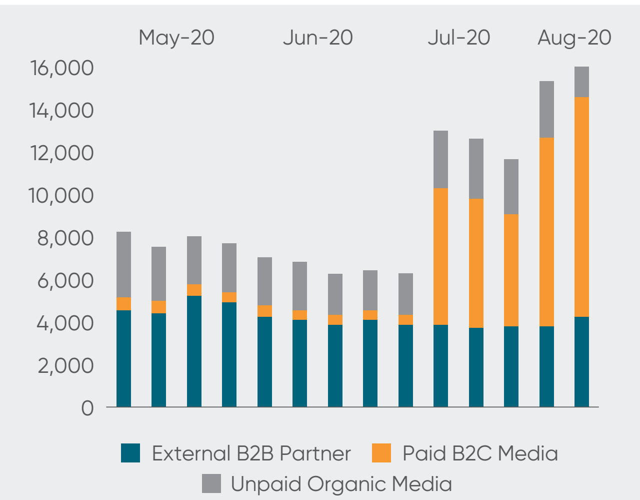
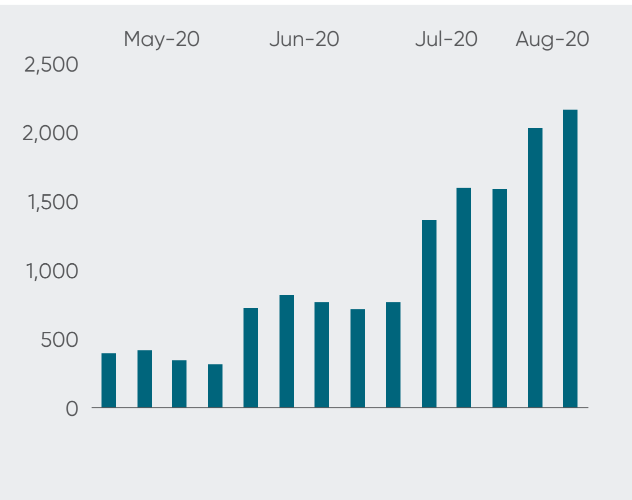



FIGURE 29: NEW REGISTERED USERS (WEEKLY)

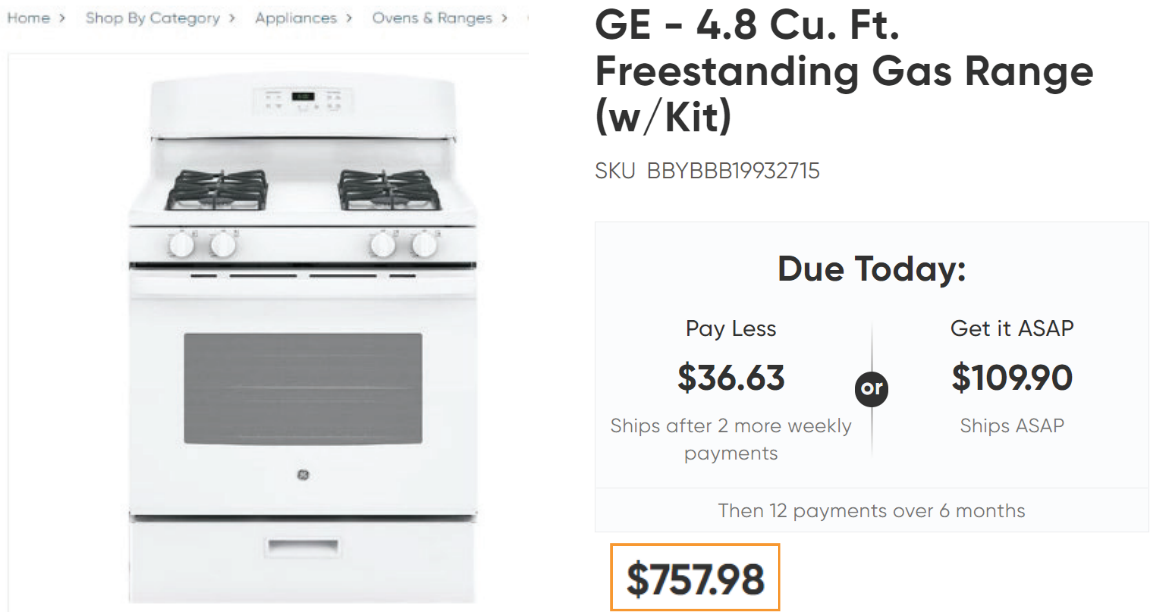


## 3.7 Competitive Strengths

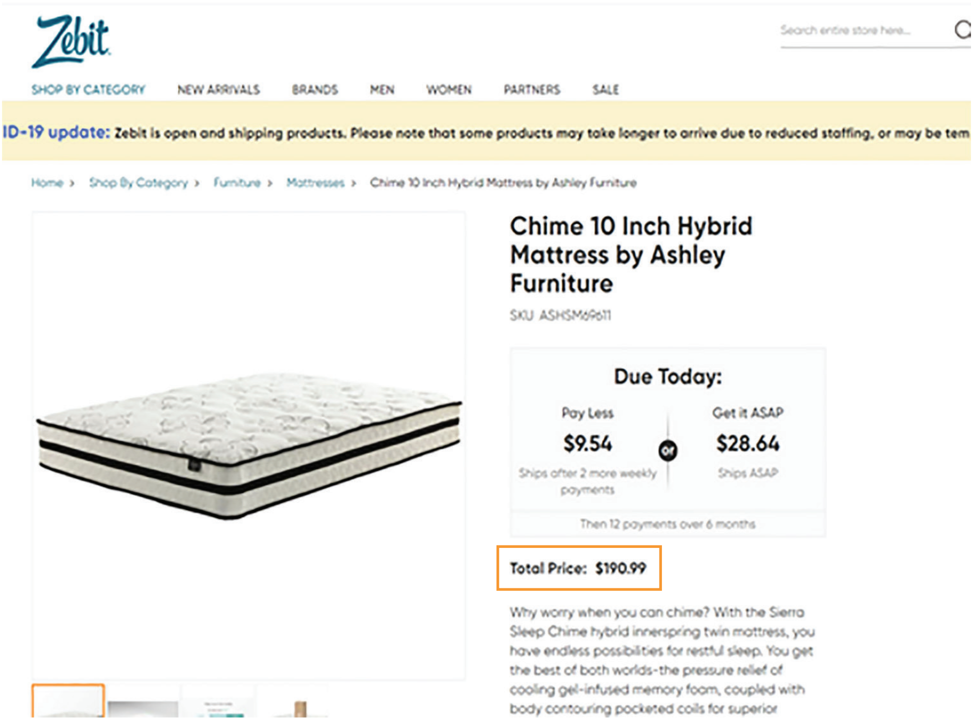
Zebit considers legacy rent-to-own and lease-to-own companies as its main competitors, and differentiates itself in the following ways:

- **Price positioning** – Zebit offers its Registered Users the opportunity to acquire a wide range of products sold by major online and brick and mortar retailers. Rent-to-own companies, who target a similar consumer demographic to Zebit, generally offer a limited selection of electronic products, appliances, and furniture at a total cost that is double or more than Zebit's pricing (taking into account interest and fees). Zebit expects its lower pricing will assist it to win market share.

The below examples were taken on 7 July 2020 to compare the full price of the same gas range and a mattress compared to Zebit.




| | |
|---|---|
| Competitor A: $1,248.00 | |
| Competitor B: $1,355.88 | |




Competitor A: $416.00 (total cost of ownership) or $219.00 (cash price)

Competitor B: $539.88 (total cost of ownership) or $256.98 (cash price)

- **Early mover advantage –** Zebit is one of the first eCommerce companies to address the large, Financially Underserved Consumer base in the U.S. Recent innovation in credit and product financing, including BNPL providers, has been focused on near prime to superprime consumers (640 FICO Credit Score and above), while Zebit's target user base are Financially Underserved Consumers (620 FICO Credit Score and below) (Refer to Section 2.3 for further information on FICO Credit Scores).
- **Data asset –** Zebit has built a unique big data set on Financially Underserved Consumer behaviour through a culmination of years of rigorous testing and experimentation. This data asset is a key component in controlling credit risk, as there is currently no off-the-shelf data repository in the U.S. that can be efficiently leveraged to gain a full view of Financially Underserved Consumer risk. Zebit identified early in its development that it would have to create its own asset to control risk at multiple points in the Registered User lifecycle.
- **Online only –** as Zebit operates purely in an online environment, with no warehouse or logistics overheads, it can maintain relatively low overheads, allowing it to operate on lower Gross Margins than brick-and-mortar competitors, and online retailers with capital intensive warehousing and distribution overheads. Zebit can pass on this cost saving to its Registered Users or retain these savings for improved net margins in the future.
- **Technology infrastructure –** a suite of proprietary sourcing, marketing, analytics, forecasting and pricing systems have been internally developed and refined by Zebit since its inception. These include machine learning, algorithmic prediction engines that optimise end-end Registered User experience, in addition to creating a highly scalable platform to facilitate future growth.
- **Purpose-led company –** Zebit exists to offer Financially Underserved Consumers a better, fairer alternative to legacy payday or instalment lenders and rent-to-own or lease-to-own retailers. Zebit believes that this is what drove its approximate 24% organic user acquisition in FY19 and 28% in 1H20 (refer to Section 3.4.3 for further information). When an Active Customer falls behind in repayments, this is when they typically need help the most – Zebit's product and approach is geared toward transparency, care, dignity, and helpfulness. Zebit does not ever charge late fees or penalties such as insufficient funds fees. Zebit also does not ever repossess products or threaten an Active Customer with repossession. Zebit believes it is creating increased brand value and user engagement by applying this approach, and that this is a huge point of differentiation in an industry where the normal seems to be taking punitive measures against Active Customers.

## 3.8 Growth Strategy

Zebit's mission is focused on empowering Financially Underserved Consumers to buy what they need and pay over time without late fees, penalties or pulling a FICO Credit Score. The Company plans to achieve this through its vision of disrupting legacy players within the rent-to-own, lease-to-own, and payday and instalment lending spaces and becoming the eCommerce product financing platform of choice. Specifically, the Company is focused on reinventing how credit is provided for the approximately 119.8 million Financially Underserved Consumers in the U.S. who have limited or no access to credit. Zebit intends to scale and grow revenue by implementing the strategies outlined below.

### 3.8.1 Continue customer acquisition to strengthen market position and first-mover advantage

Zebit intends to use the additional capital from the Offer to scale customer acquisition across its enterprise, platform, and direct to consumer channels, including:

- increasing investment in Facebook and paid search (such as Google AdWords); and
- investment in B2C partnerships and campaigns such as the recently launched campaign with Hivewyre.

For further information on customer acquisition and marketing expenses, see Sections 6.6.2.3 and 6.7.4.2, and for further information on key revenue drivers, see Section 6.7.

The Company will also continue to expand and curate its product set. Zebit currently has over 90,000 SKUs available on the Zebit Platform.

The combination of increased Registered Users and Active Customers, a broader product offer and operating scale are expected to contribute to Gross Margin expansion in FY20 and 1H21.

### 3.8.2 Optimise approval rates and credit losses

As part of Zebit's business model serving Financially Underserved Consumers, Zebit expects a certain percentage of its Active Customers to fail to pay some of their instalments. Zebit believes the Company is well positioned to utilize FY17-FY19 testing data to fuel additional advanced credit decisioning models at the point of registration and point of sale to increase application approval rates, lower cost of acquisition in known channels, and optimise credit losses by reallocating lines and down payment at checkout according to Zebit's internal risk score and making more surgical decisions about which orders to cancel at the point of sale.

Based on back testing of the 2nd generation models from actual registration and Active Customer purchase data during FY19, the new decisioning models improved credit loss provisioning by 0.5% to 1.5% depending on the cohort tested. The Company believes this will contribute to reduced credit losses going forward, and therefore contribute to an expanding Contribution Margin.

### 3.8.3 Develop additional platform capabilities

In January 2020, Zebit released a total renovation of the Zebit Marketplace and Zebit Platform in order to meet the volume requirements of the business over time and also improve the general aesthetic, searchability, and order conversion of the site. The Company intends to further expand its platform capabilities, including, but not limited to:

- redesigning the user registration process that will increase the application submission rate and overall approvals;
- using underwriting channel in registration risk models to better assign store credit;
- introducing a longer-term product for Zebit's best Active Customers who intend to buy high margin, high dollar furniture such as a dining room set or bedroom set;
- gamifying rewards to provide incentives to Active Customers who refer friends that get approved and pay back on time;
- expanding its marketing campaign software to better retarget Registered Users, present customized offers, and increase overall sales; and
- implementing an analytics platform such that the data scientist team can change production configurations of machine learning models without having to burden engineering.

### 3.8.4 Select talent acquisition in senior management and other key roles in the organisation

Post completion of the IPO, Zebit intends to fill a select few key positions in its management team and the general ranks across marketing, data science, engineering, and human resources.

## 3.9 Regulatory Environment

The regulatory framework for eCommerce companies, including Zebit, is developing and evolving, and it is possible that new laws and regulations will be adopted in the U.S., or existing laws and regulations may be interpreted in new ways, that could affect the operation of Zebit and the way in which it interacts with its Registered Users and Active Customers.

Zebit is currently required to comply with a number of U.S. Federal and State consumer protection laws including credit laws and regulations such as (but not limited to) those summarised below. Failure to comply with legal or regulatory requirements may result in regulatory enforcement actions, regulatory lawsuits, and plaintiff lawsuits, all of which could lead to fines and penalties.

### 3.9.1 Federal and State consumer protection laws

At the Federal level, Zebit must comply with several laws, and their respective implementing regulations, governing consumer credit and the financing of products, including in relation to unfair, deceptive, or abusive acts and practices, truth-in-lending, electronic funds transfers, consumer privacy and data security, telephone calling practices, equal credit opportunity, transactions with protected consumers, credit reporting, gift certificates, and marketing and advertising. Such laws include without limitation the Consumer Financial Protection Act (or Dodd-Frank Act), Fair Credit Reporting Act, Equal Credit Opportunity Act, Servicemembers Civil Relief Act and Military Lending Act, the Federal Trade Commission Act, Telemarketing and Consumer Fraud and Abuse Prevention Act, Electronic Funds Transfer Act, Truth in Lending Act, and the Gramm-Leach-Bliley Act. States also impose various consumer protection laws with similar requirements. At the State level, Zebit must comply with retail instalment sales laws and other consumer protections laws, including consumer credit laws, which may be unique to the State(s) or analogous to federal consumer protection laws.

Enforcement of these legal requirements may be pursued by various regulatory bodies including the Consumer Financial Protection Bureau, the Federal Trade Commission (see Section 4.2.7 for further information), by State attorneys general and regulatory agencies. Applicable Federal and State laws also authorise consumers to bring private actions for violations.

### 3.9.2 Retail instalment sales contracts

As Zebit provides its Active Customers with the ability to pay for their purchases in instalments over time, Zebit must comply with State retail instalment sales laws as well as any analogous consumer protection laws directed at the extension of credit.

In addition to Federal law, Zebit's contracts with its Active Customers must conform with applicable State-specific disclosure, pricing, and related consumer credit protections and requirements. Zebit monitors retail instalment sales legal and regulatory developments across all States, and does not operate in the District of Columbia.

### 3.9.3 The Consumer Financial Protection Bureau ("**CFPB**") and the Federal Trade Commission

The CFPB is charged, in part, with enforcing certain Federal laws involving consumer financial products and services, including unfair, deceptive, and abusive acts and practices, and is empowered with examination, enforcement and rulemaking authority. The Federal Trade Commission ("**FTC**") has similar authority, enforcing consumer protection laws including those addressing unfair and deceptive practices, and enforcing limitations on advertising. The CFPB and Federal Trade Commission have taken an active role in consumer credit practices and Zebit, is subject to the CFPB's and FTC's enforcement authority.

The CFPB expects the consumer credit providers that it supervises to have comprehensive policies and procedures to address consumer protection risks. Even if policies and procedures are not expressly required by law, a failure to implement policies and procedures addressing compliance management and each of the key consumer protection laws and their requirements can affect Zebit's liability for any violation of an applicable consumer law. While Zebit continues to implement measures and develop policies and procedures to address the key consumer protection laws, and to advertise material limitations related to its pricing claims, it cannot confirm that its policies, procedures, disclosures, pricing, and advertising will satisfy the requirements of the CFPB, the FTC or the Federal laws they oversee and enforce. See Section 4.2.7 for further information.

### 3.9.4 Federal Money Services business Registration Exemption

Because Zebit does not permit any specific e-certificate to be loaded with over $500 per day, and does not engage in any activity related to money services, other than such prepaid access, Zebit is not a money services business for the purposes of the regulations made under the U.S. Bank Secrecy Act of 1970, which govern similar stored value with a $2,000 per day threshold. Notwithstanding this, Zebit takes anti-money laundering seriously and maintains an anti-money laundering compliance program.

### 3.9.5 Data protection and privacy

Zebit receives, transmits, and stores personally identifiable information and other Registered User data. Zebit is subject to U.S. Federal and State laws, directives, and regulations relating to the collection, use, retention, disclosure, security and transfer of personal data. These laws may be inconsistent from State to State. Recent regulatory changes in California, including the California Consumer Privacy Act, or AB375 ("**CCPA**"), were enacted and these laws created new data privacy rights for individuals, which became effective in 2020. Zebit has made changes to the Zebit Platform, its business and processes and policies to address the CCPA. In addition, Zebit has received its SOC 2 compliance certification after undergoing an audit in 2020. Zebit monitors legal and regulatory developments in the U.S. to implement measures and develop policies and procedures to address those laws and regulations.

## 3.10 Intellectual Property and Technology

The primary intellectual property asset of Zebit is its proprietary Zebit Platform which includes fraud detection; underwriting at the account and order levels; credit management; and a retail instalment payment system that governs how Registered Users shop on Zebit, and make repayments that are aligned with the Active Customers' own income or pay cycle.

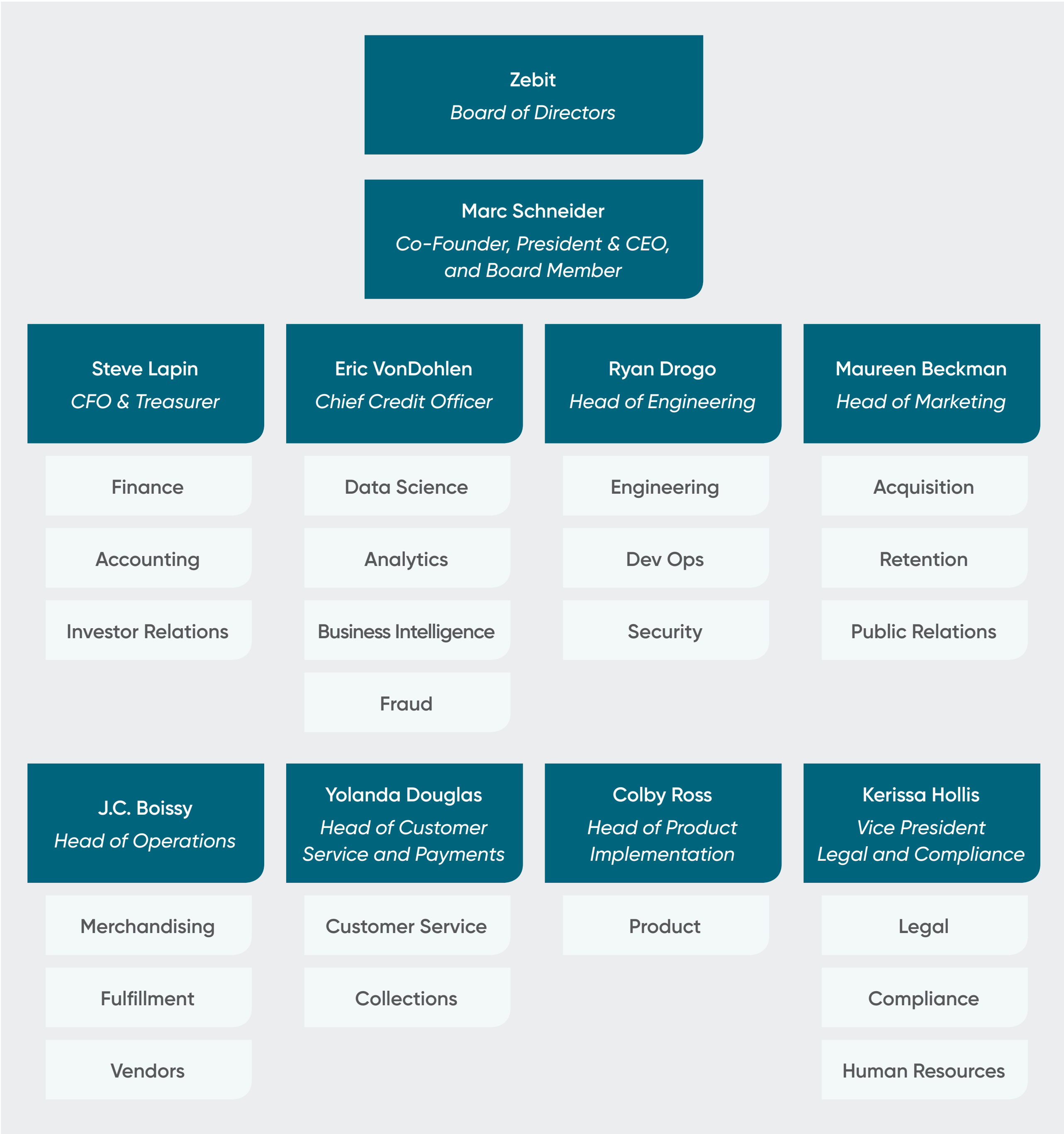
Zebit's software development and IT infrastructure management functions are all performed in-house by a team of experienced front-end, back-end, security, and corporate development resources. Zebit owns its own code and the customisation of open source code, where applicable.

## 3.11 Employees and Culture

Zebit has built its culture to ensure all employees understand the Company's mission to level the credit playing field for Financially Underserved Consumers. In fact, most of Zebit's employees have backgrounds that are similar to the Registered Users the Company serves.

Zebit runs a very open and transparent culture where employees feel that they can make a difference in building and scaling the Company on a daily basis. As of the Prospectus Date, Zebit has 44 full-time employees, with 42 located at the Company's head office in San Diego, 1 in Mississippi and 1 in Maryland. All employees are eligible for and participate in Zebit's stock option compensation.

FIGURE 30: ZEBIT'S ORGANISATIONAL STRUCTURE



# Key Risks

# 4. Key Risks

## 4.1 Introduction

This Section describes some of the potential material risks associated with Zebit's business and the risks associated with an investment in CDIs. Zebit is subject to a number of risks both specific to Zebit's business activities and of a general nature, which may, either individually or in combination, adversely impact the future operating and financial performance of Zebit, its investment returns and the value of its CDIs.

This Section does not purport to list every risk that may be associated with Zebit's business or an investment in CDIs, now or in the future. The occurrence or consequences of some of the risks described in this Section are partially or completely outside Zebit's control. There can be no guarantee that Zebit will deliver on its business strategy, or that any forward-looking statement in this Prospectus will be achieved or realised. The actual results could differ materially from those anticipated in any such forward-looking statements, including as a result of certain factors, including the risks described below and elsewhere in the Prospectus. You should note that past performance is not a reliable indicator of future performance.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk, and the impact of the risk if it did occur. The assessment is based on the knowledge of Zebit as of the Prospectus Date, but there is no guarantee or assurance that the importance of risks will not change or other risks will not emerge.

Before applying for CDIs, you should be satisfied that you have a sufficient understanding of these matters and consider whether Zebit's CDIs are a suitable investment for you having regard to your own investment objectives, financial circumstances and taxation position. You should read this Prospectus in its entirety. If you do not understand any part of this Prospectus or are in any doubt about whether to invest in Zebit it is recommended that you seek advice from your stockbroker, solicitor, accountant, taxation adviser, financial adviser or other independent and qualified professional adviser before deciding whether to invest.

## 4.2 Risks specific to Zebit's business

### 4.2.1 A higher than expected portion of Zebit's Active Customers may not pay their financial obligations to Zebit

As part of Zebit's business model serving Financially Underserved Consumers, Zebit expects a certain percentage of its Active Customers to fail to pay some of their instalments. If a greater portion of Zebit's Active Customers do not pay their instalments owing under their contracts than expected, then Zebit may experience a decrease in revenue and operating cash flows received, and an increase in expenses (including an increase in bad debt expenses), which may have a material adverse effect on Zebit's business, financial condition, operating and financial performance, and availability and cost of funding.

The main drivers for why an Active Customer may not pay their instalments to Zebit include:

- a deterioration in that Active Customer's personal financial circumstances (including due to a general economic slowdown, loss of employment, bankruptcy or reduced cash flow or disposable income, which may or may not be related to the COVID-19 pandemic);
- Zebit failing to accurately assess the creditworthiness of Active Customers, and as a result approving a Zebitline for Active Customers who do not have the capacity to pay, and do not pay, their instalments to Zebit.

Zebit does not take a security interest in the product sold to Active Customers. Zebit has limited ability to enforce its contractual rights and successfully recover against an Active Customer.

### 4.2.2 Zebit's credit assessment and processes may fail

Zebit seeks to accurately assess the creditworthiness of Active Customers when approving a purchase on the Zebit Marketplace. To achieve this, Zebit relies on its credit risk management processes (see Section 3.5 for further information).

There is a risk that Zebit's credit risk management processes may fail to accurately assess and monitor credit risk. The is also a risk that inadequate or failed operation of the credit risk management processes could result in Zebit unintentionally increasing a Zebitline, which could occur as a result of a technical failure (for example in data gathering or the use of an algorithm) or due to a failure of Zebit personnel (for example, if they fail to follow defined processes). This could result in Zebit providing Zebitlines to Active Customers who do not have the capacity to repay the Zebitline. This could have a material adverse effect on Zebit's financial and operational performance.

### 4.2.3 Customer acquisition and retention

The current and forecast financial performance of Zebit is reliant on a number of factors including:

- the conversion of Registered Users into Active Customers;
- the retention of Active Customers, and repeat purchases from these Active Customers;
- the cost efficient acquisition of new Registered Users and the conversion of these new Registered Users into Active Customers;
- its ability to increase net revenue per Active Customer.

To date, Zebit has primarily relied upon direct to consumer marketing channels such as Facebook and paid search to grow its Registered User and Active Customer base. Zebit intends to retest and optimise paid acquisition through Radio in Q4-20. There is a risk that the Radio channel may not be as successful as it was historically or at all. If Zebit's marketing strategies are not successful this may have a material adverse impact on Registered User and Active Customer growth, CAC and Zebit's financial and operational performance.

Zebit's Registered User acquisition, the conversion of these Registered Users into Active Customers, and the revenue per Active Customer is also subject to macroeconomic factors including U.S. economic growth, interest rates, real estate market, taxation, unemployment, and foreign affairs, consumer sentiment and exchange rate movements. One or more of these factors could have an adverse impact on consumers becoming Registered Users and, once registered, making a purchase (and converting to an Active User), which may have a material adverse impact on Zebit's financial and operational performance, and prospects. See also Section 3.6 in relation to COVID-19.

### 4.2.4 Continued demand for pay over time solutions

While there is continued high demand from consumers in general, and specifically from Financially Underserved Consumers, for pay over time solutions in the U.S., there is no guarantee that demand, or the average order value on the Zebit Marketplace, will continue. Zebit is subject to factors outside its current control that can impact both Zebit and its Registered Users and Active Customers including the global and U.S. outlook for economic growth, cash rate, real estate market, taxation, unemployment rate, consumer sentiment, foreign economic shocks, and adverse exchange rate movements. One or more of these factors could cause a slowing or contraction in demand for Zebit's offering and the U.S. eCommerce market as a whole. As a result, Zebit may not be able to meet its business objectives which would adversely affect its financial and operational performance.

### 4.2.5 Changes in consumer preferences

There is a risk that Zebit fails to anticipate and adapt to changing consumer preferences in a timely manner. Zebit's financial performance is impacted by its ability to identify and respond to retail product trends, as well as to anticipate, gauge and react to changing preferences of Financially Underserved Consumers in a timely manner. While Zebit undertakes rigorous demand analysis in relation to product launches, the products available on Zebit's website must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change. Zebit continues to explore different product categories and there can be no guarantee that such categories will be accepted by Zebit's existing and prospective customers or address their preferences. If Zebit misjudges the preferences of Financially Underserved Consumers or fails to convert market trends into appealing product offerings on a timely basis, these may result in lower revenue and margins and could adversely impact Zebit's financial and operational performance.

### 4.2.6 Zebit may be exposed to fraud

Zebit is exposed to the risk that its Registered Users, Active Customers or third parties may seek to commit fraud against Zebit or its Active Customers. Fraudulent behaviours could include:

- consumers undertaking identify theft, providing fraudulent information, or misrepresenting their ability to pay their instalments;
- third parties, individually or in collusion with others, using stolen identities and a variety known or unknown attack methods, to gain access to Zebitlines and shop without payment of instalments.

While Zebit has existing measures to detect and defend against fraud in general and the attributes of different fraud attack patterns, the methods used by fraudsters are changing and are becoming more sophisticated, and there can be no assurance that Zebit's internal controls will prevent the incidence of fraud. Failure of Zebit's internal controls to detect fraud may result in damage to Zebit's reputation, significant losses due to non-payment of instalments, or impact Zebit's ability to attract and retain Registered Users and Active Customers, each of which would have a material adverse effect on Zebit's financial and operational performance.

### 4.2.7 Zebit may fail to comply with key laws or regulations

Zebit's business and activities are regulated at the Federal level and across the 50 States it operates within. Regulators, including the CFPB and the Federal Trade Commission, other federal agencies, and State executive agencies have broad discretion with respect to the interpretation, implementation and enforcement of these laws and regulations, including through enforcement actions that could subject Zebit to civil money penalties, customer remediations, increased compliance costs, and limits or prohibitions on its ability to offer certain products and services or to engage in certain activities. In addition, to the extent that Zebit undertakes action requiring regulatory approval or non-objection, regulators may make their approval or non-objection subject to conditions or restrictions that could have a material adverse effect on Zebit's business, financial condition, operating and financial performance, and/or growth. If violated, applicable Federal and State law may also afford consumers a private right of action.

### 4.2.8 Zebit's business may be impacted by new laws and regulations

Federal, State and local governments and regulatory agencies may propose or enact new laws, regulations and rules related to eCommerce or the provision of consumer credit. Federal and State regulators also are enforcing existing laws, regulations and rules more aggressively, and enhancing their supervisory expectations regarding the management of legal and regulatory compliance risks.

Changing regulatory requirements could prevent Zebit from operating, developing or expanding the Zebit Marketplace or selling certain products, make the introduction of new products and services more difficult, or could render the Zebit Marketplace obsolete.  For example, Zebit offers closed-loop e-certificates that can only be redeemed for goods and services.  Almost all States regulate entities that provide money transmission services, which are known as "money transmitters".  While Zebit believes that the sale of e-certificates does not require a money transmission licence, there is a risk that amendments to the applicable State laws or regulations, or the interpretation of such laws and regulations, could result in Zebit being required to obtain and maintain a licence to sell e-certificates.

Zebit cannot determine whether any such legislative or regulatory proposals will be enacted and, if enacted, the ultimate impact that any such potential legislation or implementing regulations, or any such potential regulatory actions or interpretations by Federal or State regulators, would have upon Zebit's business. There is a risk that the introduction of new laws and regulations, or the amendment or interpretation of existing laws and regulations, could have an adverse impact of Zebit's financial and operational performance.  In addition, Zebit's failure to comply (or to ensure that our agents and third-party service providers comply) with these new or amended laws or regulations may result in costly litigation or enforcement actions, the penalties for which could include: fines and other monetary penalties; civil and criminal liability; modification of the original terms of repayments; or the permanent forgiveness of debt.

These regulatory uncertainties make Zebit's business planning more difficult and could result in changes to Zebit's business model and potentially adversely impact the results of Zebit's operations. New or amended laws or regulations, or new interpretations of existing laws or regulations, may also require Zebit to incur significant expenses to ensure compliance. As compared to competitors, Zebit could be subject to more stringent State or local regulations or could incur greater compliance costs as a result of regulatory changes.

### 4.2.9 Zebit may fail to comply with data protection regulations

Zebit must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S. and elsewhere. Misuse of or failure to secure or properly process personal information could also result in violation of data privacy laws and regulations, proceedings against Zebit by governmental entities or others, damage to its reputation and credibility and could have a negative impact on revenues. In 2018, California passed a privacy law that gives consumers significant rights over the use of their personal information, including the right to object to the "sale" of their personal information, which became effective in 2020. These rights may restrict Zebit's ability to use personal information in connection with its business operations. Failure to comply with data privacy laws could have an adverse impact of Zebit's financial and operational performance.

### 4.2.10 Zebit is reliant on third party suppliers

Zebit has approximately 81 suppliers that provide over approximately 90,000 products. Of these 81 suppliers, 4 suppliers supplied 74.2% of the products (by value) sold through the Zebit Marketplace for 1H20.

Zebit's formal supply contracts have no guarantees associated with renewal on like terms, availability of merchandise at any point of time, or credit terms for repayment. Any deterioration of Zebit's relationships with these suppliers, unwillingness of these suppliers to continue to drop-ship products for Zebit, suppliers going out of business, or otherwise not performing as anticipated, may have an adverse impact on Zebit's financial and operational performance, position and prospects, depending on the scale of products supplied by that vendor and the ability of Zebit to replace that vendor expeditiously and on commercially reasonable terms.

Zebit has credit lines and days payable with each supplier. If Zebit loses credit terms, which are not contractually guaranteed and are at the sole discretion of each supplier, or experiences a lowering of days payable for major suppliers, it may impact the overall cash flow of the business, forcing Zebit to utilise more equity capital to pay vendors in a shorter period of time.

Zebit's suppliers may also have repeated or ongoing "stock outs" with insufficient, highly desired, high volume products unavailable in either a timely manner or at all. A delay in the despatch of an order, or the cancellation of an order, as a result of a "stock out" results in a loss order, and at a large enough scale, could have an adverse impact on Registered User and Active Customer satisfaction and Zebit's financial and operational performance.

Further, the spread of COVID-19, and any future pandemic, epidemic or similar outbreak, may disrupt Zebit's third-party business partners' ability to meet their obligations to Zebit, which may negatively affect Zebit's operations. These third parties include Zebit's suppliers and logistics providers, such as FedEx, the U.S. Postal Service and other third-party delivery agents, as their workers may be prohibited or otherwise unable to report to work and transporting products within regions or countries may be limited due to extended holidays, factory closures, port closures and increased border controls and closures, among other things.

### 4.2.11 Zebit may not successfully execute its growth strategies

Zebit has developed a number of growth strategies for the business, which are set out in Section 3.8 and include the acquisition of Registered Users and Active Customers. There is no guarantee that all or any of Zebit's growth strategies will be successfully implemented, deliver the expected returns or ultimately be profitable. There is also a risk that the growth strategies may be subjected to unexpected delays and additional implementation costs.

Risks that could impact the successful execution of Zebit's growth strategies include:

- Gross Margin deterioration or stagnation if higher margin products sell at a lower rate than expected, or not at all;
- Repayment collections degradation;
- Repeat revenue decline from Active Customers not buying each month relative to historical trends;
- Inability to acquire from drop-ship suppliers popular products that Active Customers demand;
- Lack of platform scalability to handle increased order and collection volumes; and
- Retention of high-value talent to manage Registered User and Active Customer acquisition, credit losses, and overall platform security and scalability.

A failure to appropriately manage growth could adversely affect the financial and operational performance of Zebit. Any change to Zebit's ability to achieve any or all of its growth strategies, or the market's perception of Zebit's ability to deliver growth, is likely to have a significant impact on Zebit's CDI price.

### 4.2.12 Competitors, new market entrants and alternative products

The performance of Zebit is influenced by a number of competitive factors including the success and awareness of its brand, the performance of the Zebit Platform, and the willingness of consumers to purchase from Zebit.

The retail and eCommerce industries are highly competitive. Competition may arise from a number of sources including traditional "brick-and-mortar" retailers, multi-channel, mono-channel, multi-branded retailers, and online-only eCommerce competitors. There is a risk that:

- Existing or new online competitors, or traditional "brick-and-mortar" retailers, may target Financially Underserved Consumers in the U.S. by offering credit and the ability to pay over time;
- Existing or new BNPL operators may expand their offerings to Financially Underserved Consumers;
- Existing or new competitors may have significantly more financial and operational resources than Zebit and may have data science advantages which allow them to compete aggressively on pricing and/or credit terms.

The level of current and future competition in the market and changes in competitive behaviour may result in a decrease in revenue, and an increase in expenditure (including due to increased marketing expenditure). If any of these risks arise, Zebit may compete less effectively against its competitors, and it would have a material adverse effect on Zebit's financial and operational performance, even if Zebit's market share is maintained.

### 4.2.13 Disruption or failure of technology, software systems or the Zebit Platform

The constant real-time performance, reliability and availability of the Zebit Platform including the Zebit Marketplace, databases, IT and management systems, and security systems are critically important to the operation of the business. There is a risk that the Zebit Platform may fail to perform as expected or be adversely impacted by a number of factors, some of which may be outside of Zebit's control, including system disruptions, corruption in databases or other electronic information, delays in sales events, delays in transaction processing, website slowdown or unavailability, loss of data or the inability to accept and fulfil customer orders. Zebit's operational processes and contingency plans may not adequately address every potential event. Accordingly, any systemic failure could cause significant damage to Zebit's reputation, its ability to approve new Registered Users and process orders for Active Customers in a timely manner, and its ability to retain existing Registered Users and Active Customers and generate new Registered Users and Active Customers, all of which could have a material adverse effect on Zebit's financial and operational performance.

Continued increases in Active Customer volumes may require Zebit to expand and adapt its production computing infrastructure to avoid interruptions to the Zebit Platform. There is a risk that unprecedented Active Customer volumes may cause interruptions to the Zebit Platform, reduce the number of completed transactions, increase expenses, and reduce the level of customer service, which may have a material adverse effect on Zebit's financial and operational performance.

Zebit's websites, databases and management systems are all hosted on servers owned by Amazon Web Services (a third-party provider), but are managed by Zebit personnel. Zebit is subject to the disaster planning contingencies of the third-party provider to deal with events that are beyond the control of those parties such as earthquakes, floods, fires, power grid issues, telecommunication and network failures, terrorist attacks, computer viruses and other similar events. A catastrophic failure in the systems of the third-party provider is likely to have a material impact on Zebit's systems and operations, and Zebit's financial and operational performance.

### 4.2.14 Exposure to potential security breaches and data protection issues

In order to service its customers Zebit must obtain, store and encrypt Registered Users' confidential and personal information. By their nature, information technology systems are susceptible to security issues, including cyber-attacks and other unauthorised access to data and information. Security breaches may involve unauthorised access to Zebit's networks, systems and databases, including with respect to the Zebit Platform, and the deployment of viruses or other malicious software designed to create system and service disruptions, exposing financial, proprietary and Registered User personal information.

Zebit's data security systems are regularly reviewed and updated. However, there is a risk that such measures may not be sufficient to prevent security breaches from arising, or other unauthorised access to, or disclosure of, such information and data, and/or to prevent a personal data breach. Such events may cause significant disruption to Zebit's operations and potentially trigger mandatory data breach notification obligations under applicable privacy and data protection laws. This may expose Zebit to reputational damage, claims, and regulatory scrutiny or fines, any of which could have an adverse impact on Zebit's financial and operational performance.

Further, some of the Company's third-party suppliers may receive and store information provided by Zebit on its Active Customers through mobile or web applications. Although this information and disclosure may be subject to contractual confidentiality obligations, if third-party suppliers fail to adopt or adhere to robust security practices, or in the event of a breach of their own security systems, Zebit's confidential information, including Active Customer personal data and information may be improperly accessed, used or disclosed.

### 4.2.15 Reputation

Maintaining the strength of Zebit's reputation is an important part of retaining and growing Zebit's Registered User and Active Customer base. There is a risk that events may occur that may adversely impact Zebit's reputation. This may adversely affect Zebit's customer growth and retention, which may have an adverse impact on Zebit's financial and operational performance.

### 4.2.16 Disruption, failure, or unexpected contractual loss or change in service of third-party data providers

Zebit requires data to underwrite consumers at registration. The data is provided by third-party data providers. The reliability and availability of third-party data impacts the speed and accuracy of the underwriting process, which impacts on the acceptance or rejection of customers. Delays in the supply of information by third-party providers could cause customers to abandon the registration and purchasing process, which may lead to a loss of revenue and damage Zebit's reputation.

An unexpected loss of or change in service from a third-party provider could delay or adversely impact the impact the quality of Zebit's underwriting decisions. Any delay in Zebit being able to find a replacement data provider and integrate it into its platform may lead to higher credit losses during the transition time.

### 4.2.17 Reliance on key personnel

Zebit's ability to execute its business strategy is substantially dependent on the performance and expertise of its Executive Team and its technical, operational, marketing and management personnel.

Zebit's employees, excluding Marc Schneider, Steve Lapin and Eric VonDohlen, are all employed "at-will". As employees "at-will", employment may be terminated at any time, with or without cause (except for Marc Schneider and Steve Lapin who have agreed to provide a 6 months notice and Eric VonDohlen who has agreed to provide a 3 months' notice). Because employment is "at-will", employees can voluntarily terminate their employment with Zebit and therefore there is no assurance that Zebit will be able to retain the services of such persons. There is no guarantee that Zebit will be able to enforce the 6 or 3 month notice period agreed to by Marc Schneider, Steve Lapin and Eric VonDohlen.

In addition, in the U.S., the Enforcement of post-termination non-compete and non-solicit restrictions in employment contracts are a matter of State law based on where the employee is located. Courts generally look with disfavour on non-compete provisions that are not narrowly drawn. In California, where Zebit's principal executive offices are located, non-compete agreements are generally unenforceable (with certain exceptions) and there is doubt as to whether non-solicit provisions may be enforceable. As a result, Zebit has not included non-compete provisions in the employment agreements of any employees, including Marc Schneider, Steve Lapin and Eric VonDohlen. However, Zebit has entered into agreements with all key employees, including California employees, that (i) during their employment, employees are prohibited from soliciting or attempting to solicit any other Zebit employees to terminate their relationship with Zebit; and (ii) includes confidentiality and invention assignment provisions, and (iii) includes a non-disparagement provision with respect to Zebit and certain agents thereof.

Notwithstanding the provisions in these agreements, employees, including the Executive Team, can leave Zebit and are able to establish a competing business or obtain employment with one of Zebit's competitors.

The loss of key management personnel, or any delay in their replacement, may adversely affect Zebit's future financial performance.

### 4.2.18 Employee recruitment and retention

Zebit's ability to effectively execute its business plan depends on its ability to attract and retain skilled staff, and to find effective replacements in a timely manner in the event of a loss of staff. Moreover, competition for qualified personnel in Zebit's industry is intense due to the limited number of individuals who possess the skills and experience required and there is a risk that Zebit will not be able to recruit suitably qualified employees which may have an adverse impact on Zebit's ability to implement its business plan.

All employees are employed "at will", meaning that they can terminate their employment at any time, without notice (except for Marc Schneider and Steve Lapin who have each agreed to provide a 6 month notice and Eric VonDohlen who has agreed to provide a 3 month notice). The loss of staff, or any delay in their replacement, could impact Zebit's ability to operate its business and achieve its growth strategies.

### 4.2.19 Future capital requirements

Although Zebit believes that, on Completion of the Offer, it will have sufficient working capital to meet its operational requirements and business objectives, there can be no assurance that such objectives can be met without further financing or, if further financing is necessary, that financing can be obtained on favourable terms or at all. Furthermore, raising additional funds by issuing equity securities may result in dilution for some or all of the Shareholders.

Zebit may seek additional debt funding in the future to finance an expansion of its business. There is no assurance that such debt facilities can be obtained when required or on reasonable terms. Furthermore, Zebit's ability to borrow under its existing and potential future credit facilities is subject to remaining in compliance with financial covenants which could be difficult to satisfy if the COVID-19 pandemic negatively impacts Zebit's business.

An inability to raise capital or secure funding or drawdown on finance facilities or subsequently refinance Zebit's existing credit facilities, or any increase in the cost of such funding, may adversely impact the performance and financial position of Zebit.

Failure by Zebit to meet financial covenants under any credit facility could lead to a requirement to make repayments in advance of their maturity dates and/or termination of the credit facility, which may impact on the financial performance and position of Zebit and its ability to operate in the ordinary course of business.

#### 4.2.20 Outstanding indebtedness

Zebit has a $15 million credit facility with Bastion. See Section 9.1 for a summary of the credit facility.

Under the terms of the facility Zebit is required to pay a portion of its cash flow from operations to make interest payments on the debt, which may:

- reduce the cash flow available to fund capital expenditures and other corporate purposes and to grow Zebit's business;
- limit Zebit's flexibility in planning for, or reacting to, changes in its business and the industry; and
- limit Zebit's ability to borrow additional funds as needed or take advantage of business opportunities as they arise; and
- increase Zebit's vulnerability to general adverse economic and industry conditions.

If Zebit increases its indebtedness, Zebit's actual cash requirements in the future may be greater than expected. Zebit's cash flow from operations may not be sufficient to repay all of the outstanding debt as it becomes due, and Zebit may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance its debt.

#### 4.2.21 Trading history and track record

Since commencing operations in 2015, Zebit's activities have principally involved raising money to develop the Zebit Platform. Zebit has been loss making since its inception, has an accumulated deficit of approximately $63 million as of 30 June 2020, and may continue to incur losses. Zebit cannot guarantee that it will be able to increase its revenue to offset operating expenses to achieve or maintain profitability in the future. Emphasis of matter paragraphs were included in the audit opinions issued by BDO USA, LLP which outlined the Company's recurring losses from operations and a net capital deficiency, and stated that substantial doubt exists about the Company's ability to continue as a going concern. For further information, see Section 6.2.1.

#### 4.2.22 Open source software

Software code that is freely shared in the software development community is referred to as open source code ("**Open Source Code**"), and software applications built from Open Source Code are referred to as open source software ("**Open Source Software**"). Open Source Software is generally licensed by its authors or other third parties under open source licenses. Use and distribution of Open Source Software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. If Zebit combines its proprietary software with Open Source Software in a certain manner, Zebit could, under certain open source licenses, be required to release the source code of its proprietary software to the public. This would allow Zebit's competitors to create similar services and platforms with lower development effort and time and ultimately could reduce or eliminate Zebit's ability to commercialise or profit from its services.

#### 4.2.23 Product liability

As a retailer selling products for personal use, there is a risk of being involved in a product liability claim. If Zebit cannot successfully defend against product liability claims, Zebit may incur substantial liabilities or be required to limit sales of the products in question. However, Zebit believes the risk is mitigated by the practical implications of Zebit's business model and the contractual relationships in place between Zebit and its drop-ship suppliers. Zebit does not hold physical inventory such that it never has physical control of any products and all information related to product specifications, safety, and potential recalls is provided either directly to Zebit from the manufacturer, or from the distributer of the product. Zebit's contractual relationships with its drop-ship suppliers contain the necessary contractual language to indemnify against such issues either directly from the manufacturer or from the distributer who is passing along any and all indemnification rights. However, if a court were to disagree with Zebit's assessment, and Zebit is found liable for product liability claims, Zebit may incur substantial liabilities.

### 4.2.24 Protection of intellectual property

Zebit's business depends on its ability to commercially exploit its technology and intellectual property rights, including its technological systems and data processing algorithms. Zebit relies on legal protections afforded by copyright, confidentiality, trademark, trade secrecy laws and other intellectual property rights. These legal mechanisms do not guarantee that Zebit intellectual property will be protected or that its competitive position will be maintained. There is a risk that Zebit may be unable to detect the unauthorised use of intellectual property rights in all instances. Furthermore, any actions Zebit takes to protect its intellectual property rights may not be adequate or enforceable and may fail to prevent the misappropriation, copying or circumvention of, Zebit's intellectual property and proprietary information.

A breach of Zebit's intellectual property may result in the need to commence legal action, such as infringement proceedings, which could be costly, time consuming and potentially difficult to enforce in certain jurisdictions. A failure or inability to protect Zebit's intellectual property rights could have an adverse impact on Zebit's financial performance and the price of its CDIs.

### 4.2.25 Breach of third-party intellectual property rights

There is a risk that third parties may allege that Zebit's solutions use intellectual property derived by them or from their products without their consent or permission. These third parties could potentially include former employees and contractors who have been involved in the development of Zebit's software, or unrelated third parties who have developed products and services that are claimed to be substantially similar to those of Zebit. Zebit may be the subject of claims that could result in disputes or litigation and this could require Zebit to incur significant expenses, even where such claims are successfully defended or settled. If Zebit is found to have infringed on a third party's intellectual property rights, Zebit may be required to pay monetary compensation to that party or take other actions that may cause disruption to Zebit's service delivery model and increase its costs. This in turn could have an adverse impact on Zebit's operations, reputation, financial performance and the price of its CDIs.

### 4.2.26 Litigation, claims and disputes

Zebit may be subject to litigation and other claims and disputes in the course of conducting its business, including contractual disputes, product liability claims in relation to products sold, employment disputes, claims for indemnification, intellectual property infringement claims and regulatory enforcement actions among others. There is a risk that Zebit's insurance may not provide coverage against such litigation, claims or disputes. There is a risk that, even if Zebit is successful in defending them, such litigation, claims and disputes could materially and adversely impact Zebit's financial and operational performance due to the cost of litigating or settling such claims, and could also affect Zebit's reputation.

### 4.2.27 Insurance

Zebit plans to maintain insurance as it considers appropriate for its needs. However, Zebit will not be insured against all risks, either because the appropriate coverage is not available or because Zebit considers the applicable premiums to be excessive in relation to the perceived benefits that would accrue. Accordingly, Zebit may not be fully insured against all losses and liabilities that may unintentionally arise from its operations. If Zebit incurs uninsured losses or liabilities, the value of its assets may be at risk.

### 4.2.28 Technological changes

IT systems are continuing to develop and are subject to rapid change, while businesses continue to evolve. Zebit's success will in part depend on its ability to remain current with the continuing changes in technology. There is a risk that Zebit will not be successful in addressing these developments in a timely manner, or that expenses will be greater than expected. In addition, there is a risk that new technologies will supersede the technology used by Zebit. This may materially and adversely impact Zebit's financial and operational performance.

## 4.3 General risks of an investment in Zebit

### 4.3.1 Exposure to general economic and financial market conditions

Once Zebit becomes a publicly listed company on the ASX, Zebit will become subject to the general market risk that is inherent in all securities traded on a stock exchange. This may result in fluctuations in the CDI price that are not explained by Zebit's fundamental operations and activities. There is no guarantee that the price of the CDIs will increase following quotation on ASX or that an active trading market will develop in in CDIs.

Some of the factors which may adversely impact the price of the CDIs include:

- general market conditions, including investor sentiment;
- general economic conditions including interest rates, and exchange rates, changes to government fiscal, monetary or regulatory policies and settings;
- changes in government regulation;
- actual or anticipated fluctuations in Zebit's financial performance and those of other public companies in Zebit's sector;
- the U.S. securities restrictions applicable to the CDIs (as described in Section 10.12) may affect the liquidity of the market for the CDIs on ASX;
- changes in accounting principles; and
- inclusion in or removal from market indices; and
- general operational and business risks.

Deterioration of general economic conditions may also affect Zebit's business operations and the consequent returns from an investment in CDIs.

### 4.3.2 COVID-19 risks

The COVID-19 pandemic has disrupted the U.S. economy and the global economy and has put unprecedented strains on governments, health care systems, educational institutions, businesses, and individuals around the world. The impact and duration of the COVID-19 pandemic are difficult to assess or predict. It is even more difficult to predict the impact on the U.S. economy, which will depend upon the actions taken by Federal, State and local governments, businesses, and other enterprises in response to the pandemic. The pandemic has already caused, and is likely to result in further significant disruption of the US financial markets and economic uncertainty. Adverse market conditions resulting from the spread of COVID-19 may materially adversely affect Zebit's financial and operational performance.

Many of Zebit's existing and prospective Registered Users and Active Customers are employed in industries most impacted by the COVID-19 pandemic, including the retail, restaurant, hotel and hospitality industries. Zebit's products are discretionary goods, and sales are sensitive to consumer sentiment and levels of disposable income. Concerns about the US economy and job security, and decreased consumer confidence, may result in Registered Users and Active Customers reducing or delaying purchasing decisions, which could adversely affect Zebit's revenue (see also Section 4.2.3 in relation to Registered User and Active Customer risk). The economic effects of COVID-19 may also negatively impact the creditworthiness of Zebit's existing active Customers and their ability to pay instalments in respect of existing orders as and when they are due (see also Section 4.2.1 in relation to default risk).

Zebit's ability to offer a wide variety of products is a key contributor to the appeal of its business to customers. The COVID-19 pandemic has resulted in global manufacturing shutdowns and delays to shipping, and there is a risk that Zebit's third party suppliers will be unable to continue to supply products in either a timely manner or at all. Large scale delays to the despatch of orders, or the cancellation of order as a result of supply issues, could have an adverse impact on Zebit's financial performance, position and prospects (see also Section 4.2.10 in relation to supplier risk). There is a risk that suppliers may change their credit terms as a result of the COVID-19 pandemic, which may impact the overall cash flow of the business.

The COVID-19 pandemic has changed the retail and eCommerce industries. For example, many traditional "bricks-and-mortar" retailers have moved to increase their online product offerings. There is a risk that Zebit may face increased competition as a result of changes triggered by the COVID-19 pandemic as competitors evaluate their product offerings (including their terms, conditions and pricing), which may adversely affect Zebit's financial performance (see also Section 4.2.12 in relation to competition risk).

The COVID-19 pandemic has resulted in a large proportion of the global workforce working remotely, including Zebit's employees and executives. It is difficult to determine how long this shift towards working from home will continue, as this will depend, to a large extent, on factors beyond Zebit's control, including the incidence and spread of COVID-19, government policy, health authority recommendations and community sentiment. The impact, if any, of these and any additional operational changes Zebit may implement is uncertain, but changes implemented to date are not expected to materially affect Zebit's ability to maintain operations. Nonetheless, there is a risk that having employees work from home may have implications for productivity, morale, collaboration and the ability to retain and hire staff (see also Section 4.2.17 and Section 4.2.18 in relation to employee risks).

The COVID-19 pandemic has resulted in a large number of people becoming unwell. To the extent that a Zebit employee is infected with COVID-19, they may need to take a period of absence from their role, which could impact on Zebit's performance, particularly if many operational staff are infected at once or if a key executive is infected. To date, Zebit has not experienced a material adverse impact on its operations as a result of staff being infected with the virus. However, it is difficult to ascertain what the incidence and duration of the COVID-19 pandemic will be, particularly in the US where Zebit's employees are located.

The events relating to COVID-19 have resulted in a decline in general economic conditions, together with significant volatility in global share markets, including the prices of shares (and CDIs) trading on the ASX. The price of Zebit's CDIs may be disproportionately affected as investors may favour traditional industries, business models and blue-chip companies during times of market uncertainty and volatility. These factors may cause Zebit's CDIs to trade at prices below the price at which CDIs are initially acquired by investors who subscribe for CDIs pursuant to the Offer (see also Section 4.3.1 in relation to economic and market risk).

### 4.3.3 Foreign exchange risks

The proceeds of the Offer will be received in Australian Dollars, while Zebit's functional currency is U.S. Dollars. Zebit is not currently hedging against exchange rate fluctuations, and consequently will be at the risk of any adverse movement in the U.S. Dollar – Australian Dollar exchange rate between the pricing of the Offer and the closing of the Offer.

The CDIs will be listed on the ASX and priced in Australian Dollars. However, Zebit's reporting currency is U.S. Dollars. As a result, movements in foreign exchange rates may cause the price of the CDIs to fluctuate for reasons unrelated to Zebit's financial condition or performance and may result in a discrepancy between actual results of operations and investors' expectations of returns on securities expressed in Australian Dollars.

### 4.3.4 Liquidity risk

Zebit has applied to the ASX for confirmation that it has a track record of revenue that is acceptable to ASX for the purposes of ASX Listing Rule 9.1.3, and consequently, that the ASX will not apply the restrictions in Clauses 1, 2, 3, 4, 7, 8 and 9 of Appendix 9B in relation to Zebit's CDIs. Zebit will enter into voluntary escrow arrangements under which, at completion of the Offer, approximately 1.6% of the Shares/CDIs on issue will not be able to be traded for the period ending 12 months after the date the Shares/CDIs are first quoted on the ASX, approximately 7.1% will not be able to be traded until the 18 months after the date the Shares/CDIs are first quoted on the ASX, and approximately a further 66.1% will not be able to be traded until 24 months after the date the Shares/CDIs are first quoted on the ASX. Given the number of Shares/CDIs restricted from trading, there will only be liquidity with respect to approximately 25.2% of the Shares/CDIs on issue at completion of the Offer until such time as applicable escrow periods end. The CDIs issued under the Offer will only be listed on ASX and will not be listed for trading on any other securities exchanges in Australia, the U.S. or elsewhere. As such, there can be no guarantee that an active market in the CDIs will develop or continue, or that the market price of CDIs will increase. If a market does not develop or is not sustained, it may be difficult for investors to sell their CDIs. Furthermore, the market price for CDIs may fall or be made more volatile because of the relatively low volume of trading in Zebit's securities. When trading volume is low, significant price movement can be caused by trading a relatively small number of CDIs. If illiquidity arises, there is a real risk that security holders will be unable to realise their investment in the Company.

### 4.3.5 Provisions of Zebit's Certificate of Incorporation, its Bylaws and Delaware law could make an acquisition of the Company more difficult, even if the acquisition is beneficial to Zebit's Shareholders

Certain provisions of the Certificate of Incorporation and Bylaws may discourage, delay or prevent a merger, acquisition or other change of control that Shareholders may consider favourable, including transactions in which Shareholders might otherwise receive a premium for their CDIs. These provisions may frustrate or prevent any attempts by Zebit's Shareholders to replace or remove Zebit's current management by making it more difficult for

Shareholders to replace members of Zebit's board of directors, which is responsible for appointing the members of management. These provisions may also limit the price that investors would be willing to pay in the future for the CDIs, thereby depressing the market price of the CDIs. Shareholders who wish to participate in these transactions may not have the opportunity to do so. A summary of these provisions is set out in Section 10.8.

In addition, because Zebit is incorporated in Delaware, Zebit is governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any holder of at least 15% of its capital stock for a period of three years following the date on which the stockholder became a 15% stockholder, subject to certain exceptions. This is described further under the heading 'how takeovers are regulated' in Section 10.9.

#### 4.3.6 There are increased costs and management time involved in complying with the DGCL and Australian laws

As a Delaware corporation, Zebit must ensure continued compliance with the DGCL and, as Zebit will be listed on the ASX and registered as a foreign company in Australia, Zebit will also need to ensure continuous compliance with relevant Australian laws and regulations, including the ASX Listing Rules and the Corporations Act. To the extent of any inconsistency between the DGCL and Australian law and regulations, Zebit may need to make changes to its business operations, structure or policies to resolve such inconsistency. If Zebit is required to make such changes, this is likely to result in additional demands on management and extra costs.

Zebit may in the future be required to register the Shares (which may be in the form of CDIs) with the SEC under the U.S. Exchange Act if the number of Shareholders exceeds certain thresholds (described below), which would result in Zebit becoming subject to periodic reporting requirements of the U.S. Exchange Act. Zebit will become subject to the reporting requirements of the U.S. Exchange Act if, among other things, Zebit has:

- Assets of more than US$10 million; and
- Either (a) 2,000 or more holders of record of any class of equity securities or (b) 500 or more holders of record of any class of equity securities who are not 'accredited investors' as defined in Rule 501 of Regulation D of the U.S. Securities Act.

Registration under the U.S. Exchange Act will involve Zebit filing an initial registration statement with the SEC and the filing of ongoing annual, quarterly, and current reports on Forms 10-K, 10-Q and 8-K. In the absence of a waiver from the ASX Listing Rules, these SEC periodic reports will be in addition to Zebit's periodic filings required by the ASX Listing Rules. At the time Zebit becomes subject to the reporting requirements of the U.S. Exchange Act, Zebit will also become subject to the Sarbanes-Oxley Act of 2002 and certain requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("**Dodd-Frank Act**"), which will impose additional governance and reporting obligations.

The legal and accounting costs and management time that will be required to comply with these obligations are expected to be significant.

#### 4.3.7 Taxation changes

The acquisition and disposal of CDIs will have tax consequences, which will differ depending on the individual financial affairs of each investor. Tax rules or their interpretation for both the Company and its Shareholders may change. Each prospective investor is encouraged to seek professional tax advice in connection with any investment in Zebit.

There is a risk that both the level and basis of taxation may change both in the U.S. and Australia, as well as new markets it may enter in the future. The tax considerations of investing in the CDIs may differ for each Shareholder.

To the maximum extent permitted by law, Zebit, the Directors and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for CDIs under this Prospectus. Refer to Section 10.14 for other taxation considerations.

#### 4.3.8 Accounting Standards may change

Generally Accepted Accounting Principles (United States) or U.S. GAAP are set by the Financial Accounting Standards Board ("**FASB**") and are outside the control of either Zebit or its Directors and senior management. The FASB is due to introduce new or refined Financial Accounting Standards applicable in the U.S. in the coming years, which may affect future measurement, and recognition of key statement of financial performance and statement of financial position items. There is also a risk that interpretations of existing U.S. GAAP, including those relating to the measurement and recognition of key statement of financial performance and statement of financial position items may differ. Changes to U.S. GAAP issued by the FASB, or changes to the commonly held views on the application of those standards, could materially adversely affect the financial performance and financial position reported in Zebit's consolidated financial statements.

#### 4.3.9 Inflation rates

Higher than expected inflation rates could lead to increased development and/or operating costs. If such increased costs cannot be offset by increased revenue, this could impact Zebit's future financial performance.

#### 4.3.10 Risk of Shareholder dilution

In the future, Zebit may elect to issue new Securities, or engage in fundraisings to raise proceeds for investments or balance sheet strength. While Zebit will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue, Shareholders may be diluted as a result of such issues of CDIs and fundraisings.

#### 4.3.11 Zebit cannot guarantee that dividends will be declared in the future

Zebit plans to invest all cash flow into the business in order to maximise growth. Accordingly, no dividends are expected to be paid in the foreseeable future following the listing of Zebit on ASX.

In the long term, the payment and amount of any potential future dividends declared by Zebit are subject to the discretion of the Directors and will depend upon, among other things, the applicable provisions of DGCL, Zebit's earnings, financial position, tax position and capital requirements, general economic conditions and other factors that the Directors deem significant from time to time.

#### 4.3.12 Force majeure events

Acts of terrorism, an outbreak of international hostilities or pandemics, fires, floods, earthquakes, labour strikes, civil wars, disease and other natural disasters may cause an adverse change in investor sentiment with respect to Zebit specifically or the stock market more generally, which could have a negative impact on the value of an investment in the CDIs.

#### 4.3.13 Speculative Investment

The above list of risk factors is not an exhaustive list of the risks faced by Zebit or its investors. These risk factors, as well as others not specifically referred to above, may in the future materially affect the financial performance of Zebit and the value of its securities. The CDIs to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those CDIs.

Potential investors should consider an investment in Zebit as speculative and should consult with their professional advisers before deciding whether to apply for CDIs offered pursuant to this Prospectus.

# Board, Management and Governance

# 5. Board, Management and Governance

## 5.1 Board of Directors

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance expertise.

| Director | Experience and background |
| --- | --- |
| <br>**Jim Feuille**<br>Chairman of the Board and Non-Executive Director | Jim Feuille has 37 years of experience in the equity capital markets including the past 18 years as a highly accomplished principal investor in venture capital at Crosslink Capital. Jim's investment focus areas at Crosslink have included enterprise software/SaaS, internet digital media and consumer services, analytics, advertising technologies, and financial technology. Jim has led Crosslink's investments in six companies which achieved billion dollar plus market cap exits or now carry billion dollar plus valuations—Omniture (NASDAQ: OMTR, IPO 2006, acquired by Adobe 2009 for $1.8B), Ancestry.com (NASDAQ: ACOM, IPO 2009, acquired by Permira 2012 for $1.6B), Pandora (NYSE: P, IPO 2011, average market cap at fund exit $5.5B), Coupa (NASDAQ: COUP, IPO 2016, current market cap $20B), Personal Capital (acquired by Empower Retirement in 2020 for $1B), and Chime ($5.75B valuation in December 2019 Series E financing). Jim's current board seats for Crosslink include Bank Novo, Chime, Reltio, DevonWay, Gain Credit, Zebit, and Devon Way. In addition, Jim is Crosslink's board observer for SilkRoad Technology. Jim also serves on the board of Claro on behalf of private investors in the company.<br><br>Since 2018, Jim has also served as the Executive Director of the Center for Private Equity and Venture Capital at the Tuck School of Business at Dartmouth College, where he is responsible for developing and managing the school's co-curricular educational opportunities for MBA students interested in private equity and venture capital.<br><br>Prior to joining Crosslink, Jim's professional experience included positions as Global Head of Technology investment banking at UBS, Chief Operating Officer at Volpe Brown Whelan & Company, and Head of Technology Investment Banking at Robertson Stephens & Company.<br><br>Jim received an A.B. in Chemistry from Dartmouth College, a J.D. from the Stanford University Law School, and an M.B.A. from the Stanford University Graduate School of Business. |
| <br>**Marc Schneider**<br>Executive Director, President and Chief Executive Officer | Marc is co-founder, President and CEO of Zebit.<br><br>Marc is an entrepreneur and seasoned operator with over 30 years of experience in start-ups, turnarounds, and scaling businesses across a variety of different industries. Marc began his career working for the World Bank and Inter-American Development Bank. After graduating with his MBA from the University of Chicago, he was a management consultant who worked hands-on with his clients to reduce costs, streamline operations, and launch new ventures in the U.S. and abroad. After 5 years in consulting, Marc led strategic planning for RR Donnelley and Sons in the catalog, magazine, and retail inserts businesses. He then transitioned to Mexico City where he worked for Milestone Merchants Partners as a General Manager of private equity. Marc moved back to the U.S. with his family and led operations for a former SEC Chairman, Richard Breeden who was accountable to manage the victim trust funds of WorldCom, Adelphia, and Enron. In 2006, Marc joined Provide Commerce and spent over 4 years managing customer service operations and led M&A integration for the company. In 2010, Marc joined Zulily, a private sales eCommerce sales site where he was COO and grew revenues to over $150 million run rate during his tenure. After moving back to San Diego from Seattle, Marc was the SVP of Operations for Global Analytic Holdings and ran a $100 million lending platform in the UK with operations in India.<br><br>In 2015, Marc co-founded Zebit and built the company from the ground up, including its technology, risk, and operational processes.<br><br>Marc has a B.S. in economics and accounting from The Wharton School at the University of Pennsylvania and his M.B.A. in marketing and statistics from the University of Chicago's Graduate School of Business. |

| Director | Experience and background |
|---|---|
| <br>**Sylvia Falzon**<br>Non-Executive Director | Sylvia Falzon has over 35 years of experience across a range of regulated and customer facing industries including financial services, health, aged care and retail. Sylvia has significant business transformation, initial public offering, mergers and acquisitions, divestments and funds management experience. Sylvia is currently a director of Suncorp Group Limited (ASX: SUN), Premier Investments (ASX: PMV), Regis Healthcare (ASX: REG) and Chairman of Cabrini Australia.<br><br>Prior to joining the Board of Zebit, Sylvia had previously held board positions on Perpetual Limited (ASX: PPT), SAI Global (ASX: SAI) and the Museum's Board of Victoria and senior executive positions at Aviva Investors Australia, Alpha Investment Management and National Mutual Funds Management / AXA in Australia and Globally).<br><br>Sylvia has received a Bachelor of Business from the University of Western Sydney, Graduate Diploma in Applied Finance and Investment from FINSIA and a Masters of Industrial Relations and Human Resource Management (Honours) (Thesis on Retirement Incomes Policy) from the University of Sydney. She has also been awarded a Senior Fellowship from FINSIA and a Fellow of the Australian Institute of Company Directors. |
| <br>**Miriam Rivera**<br>Proposed Non-Executive Director | Miriam Rivera is co-founder and managing director of Ulu Ventures, an early seed stage venture fund. She is dedicated to increasing diversity in both the entrepreneurial and investment communities. Prior to Ulu Ventures, Miriam was vice president / deputy general counsel at Google, which she joined in 2001 as the second attorney. There she helped build and lead an award-winning global legal department. Her work to re-design and simplify contracts helped Google scale from $85M to $10B in revenues in five years.<br><br>Before Google, Miriam worked for Ariba as counsel, after having co-founded angel and then venture-backed Outcome Software. Previously, she worked as a strategy consultant for Accenture and as an associate at the law firm of Brobeck, Phleger & Harrison.<br><br>Miriam is the co-founder, former co-president and on the board of Stanford Angels & Entrepreneurs an "open source network" of Stanford alumni investors and entrepreneurs. She is a board member of the Kauffman Foundation, a national endowment dedicated to increasing opportunity for Americans through education and entrepreneurship. Miriam is a Kauffman Fellow in venture capital. She also serves on the Investment Committee of Acumen Fund America, an impact investment fund serving the needs of low-income Americans.<br><br>As a first-generation college student and scholarship recipient, Miriam graduated from Stanford University, where she earned the AB, AM and JD/MBA degrees. She has been honored with the Stanford Medal, awarded to fewer than 1 percent of alumni. |

| Director | Experience and background |
| --- | --- |
|  **Larry Rosenberger** Non-Executive Director | Larry is a pioneer in the field of predictive, decision, learning and behavioral analytics. He has a strong background in using data and analytics to invent solutions that positively impact people in the credit, insurance, retailing, health/wellness, safety and education spaces.<br><br>In 1974, Rosenberger joined FICO as its VP of R&D Division, where he led the technical development, production, and marketing of the company's most advanced products, including the FICO Score, as well as advances in predictive analytics methodology. Rosenberger is currently a Research Fellow at FICO, having previously held the roles of VP of Research and President & CEO. In his eight-year tenure as CEO, Rosenberger led the company in creating world-class analytics solutions and increasing annual revenue from $31 million to $276 million.<br><br>Rosenberger graduated from Massachusetts Institute of Technology (MIT) with a BS in Physics, and earned a Masters in Physics and two Masters in Operations Research from the University of California Berkeley. |
|  **Scott Thompson** Non-Executive Director | Scott is the CEO of Tuition.io which focuses on reducing student loan debt. He joined Tuition.io from ShopRunner where he served as CEO and led the company's rapid retail and member network expansion over four years. Prior to ShopRunner, Thompson was CEO of Yahoo. Before that, he served as President of PayPal during its most rapid growth period. During his tenure, he helped grow revenues from $1 billion to $4.4 billion and established PayPal as the leading global online payment service. Previously, Thompson held executive positions with Inovant (a subsidiary of Visa), Barclays Global Investors, and Coopers & Lybrand.<br><br>Scott hold a bachelor's degree in accounting from Stonehill College. |

Each Director and Proposed Director has confirmed to the Company that they anticipate being available to perform their duties as Non-Executive or Executive Director, as the case may be, without constraints from other commitments.

### 5.1.1 Independence of the Directors

In considering the independence of the Directors, the Board has adopted a definition of independence that is based on the definition set out in the 4th edition of the ASX Corporate Governance Principles.

The Board considers that a Director is an independent Director where that Director is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Zebit as a whole rather than in the interests of an individual security holder or other party. Based on this review, the Board has determined that:

- Larry Rosenberger, Scott Thompson and Sylvia Falzon are considered to independent Directors.
- Marc Schneider is not considered to be an independent Director due to his executive role as Chief Executive Officer with the Company.
- Jim Feuille is not considered to be an independent Director as he is a General Partner of Crosslink, a venture capital firm that is directly invested in Zebit and holds 30.1% of Zebit's outstanding shares as at the Prospectus Date.
- Miriam Rivera will not be considered to be an independent Director as she is a co-founder and managing director of Ulu Ventures which is a venture capital firm that is directly invested in Zebit and holds 8.9% of Zebit's outstanding shares as at the Prospectus Date.

### 5.1.2 Classes of Directors

Upon Listing, the Board will be divided into three classes of Directors with staggered three year terms. At each annual meeting of Shareholders commencing with the 2021 meeting, the Directors whose term then expires will be eligible for re-election to serve for a three year term (until the third annual meeting following their re-election).

The directors will be divided into three classes as follows:

| Director | Class | Expiration of term |
|---|---|---|
| Larry Rosenberger<br>Scott Thompson | Class I | 2021 annual meeting |
| Miriam Rivera<br>Sylvia Falzon | Class II | 2022 annual meeting |
| Jim Feuille<br>Marc Schneider | Class III | 2023 annual meeting |

## 5.2 Executive team

The Company has a highly experienced executive team as set out below:

| Name | Position | Experience |
|---|---|---|
| <br>Marc Schneider | Executive Director, President and Chief Executive Officer | See Section 5.1, above. |
| <br>Steve Lapin | Chief Financial Officer & Treasurer | Steve Lapin is the Chief Financial Officer and Treasurer of Zebit, Inc. Steve has 15 years of experience sourcing debt and equity investments, investor relations, and financial modeling at credit and investment organisations. Prior to Zebit, he was Head of Capital Markets at LendUp where he was responsible for raising multiple rounds of equity and closing on hundreds of millions of dollars in asset-based financing. Prior to LendUp, Steve spent 6 years at Virgo Investment Group, a San Francisco Private Equity company, focused on sourcing, originating and underwriting specialty finance, insurance, health care, niche industrial and real estate transactions. Lapin has an additional 6 years of structured finance experience at New York City based banks and hedge funds.<br><br>Steve holds a a bachelor of arts from the University of North Carolina at Wilmington. |
| <br>Eric VonDohlen | Chief Credit Officer | Eric has worked in financial services for over 20 years, holding increasingly senior leadership roles in analytics. He began his career at American Express and progressed into leadership positions at leading companies like Citigroup and Encore Capital Group. Eric has served as Chief Analytics Officer at Triton Management Services and Elevate Credit Service. Eric is a pioneer in the use of customer-level analytics in collections analysis and in distressed asset purchasing. He has also pioneered the use of bank transaction data in underwriting, as well as engineering of new data sources for use across the lending spectrum. Eric has worked with data integration and credit scoring using data from multiple hierarchical sources.<br><br>Eric earned a PhD in economics from the University of Arizona. |

## 5.3 Disclosure

No Director, Proposed Director or Key Manager has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years, which is relevant or material to the performance of their duties as a Director or which is relevant to an investor's decision as to whether to subscribe for CDIs.

Except as set out below, no Director, Proposed Director or Key Manager has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12-month period of after they ceased to be an officer.

Larry Rosenberger was a director of Tamalpais Bank at the time that it entered into external administration on 16 April 2010.

The Directors (other than Mr Rosenberger) have considered the circumstances surrounding Mr Rosenberger's involvement in Tamalpais Bank and are of the view that his involvement as a director of Tamalpais Bank at the time that it was placed under external administration in no way impacts on his contribution as a Director of the Company or the future performance or prospects of the Company.

## 5.4 Interests and benefits

This Section 5.4 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in the Prospectus, no:

- Director or Proposed Director;
- person named in this Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Zebit; or
- underwriter to the Offer or financial services licensee names in this Prospectus as a financial services licensee involved in the Offer,

had at any time during the two years preceding the Prospectus Date, an interest in:

- the formation or promotion of Zebit;
- any property acquired or proposed to be acquired by Zebit in connection with its formation or promotion, or in connection the Offer; or
- the Offer,

and no amount (whether in cash, Securities or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such person in connection with the formation or promotion of Zebit or the Offer, or to any Director or proposed Director of Zebit to induce them to become, or to qualify them as, a Director or Proposed Director of Zebit.

### 5.4.1 Directors' interests and remuneration

#### 5.4.1.1 Chief Executive Officer

Marc Schneider is employed in the position of President and Chief Executive Officer of the Company. Zebit has entered into an employment contract with Marc to govern his employment. See Section 5.4.3 below.

#### 5.4.1.2 Director appointment letters

Prior to the Prospectus Date, each of the Non-Executive Directors (and the proposed Non-Executive Director) have entered into appointment letters with Zebit, confirming the terms of their appointments, their roles and responsibilities and Zebit's expectations of them as Directors.

#### 5.4.1.3 Non-Executive Director remuneration

Under the By-laws, the Directors decide the total amount paid to Directors as remuneration for their services as a Director of Zebit, but the maximum aggregate compensation permitted for all Non-Executive Directors for their service as a member of the Board of Directors is US$1,000,000 per annum. However, under the ASX Listing Rules, the total amount of fees paid to all Non-Executive Directors must not exceed the aggregate amount of Non-Executive Directors fees approved by Shareholders in a general meeting of Zebit. This amount has been fixed at US$300,000 per annum. Any increase to the aggregate amount will require Shareholder approval. This aggregate annual sum does not include any special remuneration which the Board may grant to the Directors for special exertions or additional services performed by a Director for or at the request of Zebit, which may be made in addition to or in substitution for the Directors' fees.

The Non-Executive Directors' fees currently agreed to be paid by the Company under the appointment letters or agreements for the year ending 31 December 2020 are set out below.

| Director | Annual cash director's fees (excluding GST but including superannuation (where applicable)) | Options[1] (to purchase share of Common Stock) |
|---|---|---|
| Jim Feuille | Nil | Nil |
| Miriam Rivera | Nil | Nil |
| Scott Thompson | Nil | 200,000[1] |
| Larry Rosenberger | Nil | 200,000[2] |
| Sylvia Falzon | Nil | 200,000[3] |

1. On 4 February 2020, Scott Thompson was granted 200,0000 Options with an exercise price of US$0.19 which will comprise his compensation for his services for the year ending 31 December 2020. 1/48th of the Options granted to Scott Thompson will vest each month after a 1-year cliff is achieved and provided that Scott remains a Non-Executive Director of the Company as at the applicable date. The Company does not intend to pay any cash director's fees or grant any additional Options to Scott Thompson for the six month period ending 30 June 2021.
2. On 4 February 2020 Larry Rosenberger was granted 200,000 Options with an exercise price of US$0.19, which will comprise his compensation for his services for the year ending 31 December 2020. 1/48th of the Options granted to Larry will vest each month after a 1-year cliff is achieved and provided that Larry remains a Non-Executive Director of the Company as at the applicable date. The Company does not intend to pay any cash director's fees or grant any additional Options to Larry Rosenberger for the six month period ending 30 June 2021.
3. Following Completion the Company will grant Sylvia Falzon 200,000 Options with an exercise price which will be the U.S. dollar equivalent of the closing price of the CDIs on the date of commencement of trading of the CDIs on ASX, which will comprise her compensation for her services for the 12 month period ending 11 August 2021. 1/48th of the Options granted to Sylvia will vest each month after a 1-year cliff is achieved and provided that Sylvia remains a Non-Executive Director of the Company as at the applicable date.

#### 5.4.1.4 Indemnification and insurance

The Company's Certificate of Incorporation and By-laws provide for the indemnification of its Directors and officers to the maximum extent permitted by the DGCL.

The Company has entered into indemnification agreements with each officer, Director and proposed Director. Under these indemnification agreements, the Company has agreed to indemnify, to the maximum extent and in the manner permitted by Delaware law, each officer, Director and proposed Director in respect of certain liabilities which such person may incur arising by reason of the fact that such person was an agent of Zebit. These liabilities include losses or liabilities actually and reasonably incurred by the Director or proposed Director by reason of the fact that the indemnified is or was an agent of Zebit, or by reason of anything done or not done by the indemnified in any such capacity, including legal expenses to the extent such losses or liabilities relate to action taken in good faith by the Director and in a manner the Director reasonably believed to be in, or not opposed to, the best interests of the Company and in the case of criminal proceedings where the Director had no reasonable cause to believe that the conduct was unlawful. To the extent that the Company maintains a Directors' and Officers' policy of insurance, it must ensure that the Directors are covered for the period that they are Directors.

### 5.4.1.5 Directors' interests and securities

The Directors are not required to hold any Shares or CDIs.

The table below sets out the Directors' expected interests in Shares or CDIs as at the Prospectus Date and at Completion.

| Director | Shares/CDIs immediately following the Offer[1] | Options and Warrants immediately following the Offer | Percentage ownership as at Prospectus Date (undiluted, and assumes no Option or Warrant exercises)[1] | Percentage ownership as at Prospectus Date (fully diluted)[1,2] | Percentage ownership immediately after Completion (undiluted) | Percentage of ownership immediately after Completion (fully diluted) |
|---|---|---|---|---|---|---|
| Marc Schneider[3] | 105,490 | 7,083,926 | 0.1% | 8.3% | 0.1% | 6.6% |
| Jim Feuille[4] | 22,171,588 | 154,300 | 30.7% | 25.9% | 23.5% | 20.6% |
| Scott Thompson[5] | 116,834 | 260,000 | 0.2% | 0.4% | 0.1% | 0.3% |
| Miriam Rivera[6] | 6,094,084 | 75,000 | 8.4% | 7.2% | 6.5% | 5.7% |
| Larry Rosenberger[7] | 1,183,751 | 200,000 | 1.6% | 1.6% | 1.3% | 1.3% |
| Sylvia Falzon[8] | - | 200,000 | 0.0% | 0.2% | 0.0% | 0.2% |

1. Assumes the conversion of all outstanding Preferred Stock and Convertible Notes into Shares. Based on 65,876,723 shares outstanding as of September 21, 2020.
2. Fully diluted refers to the number of Securities, Options and Warrants on issue, plus Options to be granted following Completion described in Section 10.7.
3. Consists of 105,490 shares of Series A Preferred Stock, and 5,883,926 Options which were granted under the Prior Plan for nil cash consideration, refer to Section 10.7 for further details. A further 1,200,000 Options will be granted to Marc Schneider on or about Completion of the Offer. These Options will have an exercise price which will be the U.S. dollar equivalent of the closing price of the CDIs on the date of commencement of trading of the CDIs on ASX, 1/48$^{th}$ of the Options granted to Marc will vest each month provided that Marc remains the CEO of the Company as at the applicable vesting date.
4. Jim Feuille is partner of Crosslink. Crosslink and its associated entities hold 4,621,242 Shares, 4,629,070 shares of Series A Preferred Stock, 10,573,544 shares of Series B Preferred Stock, and warrants to purchase 154,300 shares of Series Seed Preferred Stock. In addition, entities affiliated with Crosslink hold convertible notes with an aggregate principal value of US$2,009,450, which notes are convertible into 2,347,732 Shares.
5. Consists of 260,000 Options. In addition, Scott Thompson holds a convertible Note with a principal value of US$100,000 that is convertible into 116,834 Shares.
6. Miriam Rivera is co-founder and managing director of Ulu Ventures. Ulu Ventures and its associated entities hold 1,361,306 Shares, 750,000 shares of Series A Preferred Stock, 3,749,109 shares of Series B Preferred Stock, and a warrant to purchase 75,000 shares of Series Seed Preferred Stock. In addition, an entity affiliated with Miriam Rivera holds a convertible note with a principal value of US$200,000 that is convertible into 233,669 Shares.
7. Consists of 121,003 Shares and 713,916 shares of Series B Preferred Stock held by a family trust associated with Larry Rosenberger, and an option to purchase 200,000 shares of common stock. In addition, the family trust affiliated with Larry Rosenberger holds a convertible note with a principal value of $300,000 that will convert into 348,832 Shares.
8. Sylvia Falzon will be granted an Option to purchase 200,000 shares of common stock following Completion of the Offer. Sylvia Falzon has indicated an intention to apply for 126,583 CDIs under the Priority Offer.

Directors may apply for CDIs under the Offer. Any such Securities will not be subject to escrow. Final Directors' Security Shareholdings will be notified to ASX following Listing.

### 5.4.1.6 Other information about Director remuneration

Directors may also be reimbursed for travel and other expenses reasonably incurred in connection with the performance of their duties as Directors. Directors may be paid such special remuneration as the Directors decide is appropriate where a Director performs extra work or services for, or at the request of, the Company.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions and the Company's 401(k) plan in which Executive Directors are eligible to participate as employees.

### 5.4.2 Executive remuneration

#### 5.4.2.1 Marc Schneider – Executive Director, President and CEO

Marc Schneider is employed as the President and CEO of Zebit. Marc is also a member of the Board. On Completion Marc's annual base salary will be US$350,000, less applicable withholdings. Marc receives certain other benefits such as health insurance, business travel expenses, and other customary employee benefits. In addition, Zebit has agreed to grant Marc 1,200,000 Options following Completion vesting monthly over 48 months.

Marc's employment may be terminated (i) at any time upon mutual written agreement of the parties; (ii) by Zebit immediately and without prior notice for "cause"; (iii) immediately upon death or disability; (iv) by Zebit other than for "cause" and with advance written notice of at least 6 months; (v) by Marc, other than due to death, with advanced written notice of at least 6 months; or (vi) by Marc for good reason with advanced written notice to Zebit and opportunity to cure and, if not cured, resignation shall be effective no later than 6 months following the initial occurrence of the event triggering good reason.

The executive employment agreement provides that if Zebit terminates Marc's employment without "cause" or Marc terminates his employment for "good reason", he will be entitled to receive, subject to his timely execution and non-revocation of a release of claims (i) continuing severance payments equal to his then-current base salary less applicable withholdings for a period of twelve months; (ii) a lump sum severance payment equal to the unpaid bonus that he would have earned under Zebit's bonus plan for any performance period completed prior to the termination date; (iii) accelerated vesting as to the portion of the option awards that would have vested during the severance period; and (iv) reimbursements for his health insurance premiums for up to 12 months.

The executive employment agreement also provides that if Zebit or a successor corporation terminates Marc without "cause" or Marc terminates his employment for "good reason"within 12 months following a change of control, subject to his timely execution and non-revocation of a release of claims, Mr. Schneider will be entitled to the same severance described above, except that Mr. Schneider would receive accelerated vesting as to 100% of his option awards.

#### 5.4.2.2 Steve Lapin – Chief Financial Officer and Treasurer

Steve Lapin is employed as the CFO and Treasurer of Zebit. On Completion Steve's annual base salary will be US$300,000, less applicable withholdings. Steve receives certain other benefits such as health insurance, business travel expenses, and other customary employee benefits. In addition, Zebit has agreed to grant Steve 250,000 Options following Completion vesting monthly over 48 months.

Steve's employment may be terminated (i) at any time upon mutual written agreement of the parties; (ii) by Zebit immediately and without prior notice for "cause"; (iii) immediately upon death or disability; (iv) by Zebit other than for "cause" and with advance written notice of at least 6 months; (v) by Steve, other than due to death, with advanced written notice of at least 6 months; or (vi) by Steve for good reason with advanced written notice to Zebit and opportunity to cure and, if not cured, resignation shall be effective no later than 6 months following the initial occurrence of the event triggering good reason.

The executive employment agreement provides that if Zebit terminates Steve's employment without "cause" or Steve terminates his employment for "good reason", Steve will be entitled to a receive, subject to his timely execution and non-revocation of a release of claims (i) continuing severance payments equal to Steve's then-current base salary less applicable withholdings for a period of nine months; (ii) a lump sum severance payment equal to the unpaid bonus that Steve would have earned under Zebit's bonus plan for any performance period completed prior to the termination date; (iii) accelerated vesting as to the portion of the option awards that would have vested during the severance period; and (iv) reimbursements for Steve's health insurance premium for up to 9 months.

The executive employment agreement also provides that if Zebit or a successor corporation terminates Steve without "cause" or Steve terminates his employment for "good reason"within 12 months following a change of control, subject to his timely execution and non-revocation of a release of claims, Steve will be entitled to the same severance described above, except that Mr. Lapin would receive accelerated vesting as to 100% of his option awards.

#### 5.4.2.3 Eric VonDohlen – Chief Credit Officer

Eric VonDohlen is employed in the position of Chief Credit Officer. On Completion Eric's annual base salary will be US$300,000, less applicable withholdings. Certain other benefits are available and payable to Eric such as health insurance, business travel expenses, and other expenses consistent with the Company's expense policy.

Eric's employment may be terminated (i) at any time upon mutual written agreement of the parties; (ii) by Zebit immediately and without prior notice for "cause"; (iii) immediately upon death or disability; (iv) by Zebit other than for "cause" and with advance written notice of at least 6 months; (v) by Eric, other than due to death, with advanced written notice of at least 6 months; or (vi) by Eric for good reason with advanced written notice to Zebit and opportunity to cure and, if not cured, resignation shall be effective no later than 6 months following the initial occurrence of the event triggering good reason.

The executive employment agreement provides that if Zebit terminates Eric's employment without "cause" or Eric terminates his employment for "good reason", Eric will be entitled to a receive, subject to his timely execution and non-revocation of a release of claims (i) continuing severance payments equal to Eric's then-current base salary less applicable withholdings for a period of three months; (ii) a lump sum severance payment equal to the unpaid bonus that Eric would have earned under Zebit's bonus plan for any performance period completed prior to the termination date; (iii) accelerated vesting as to the portion of the option awards that would have vested during the severance period; and (iv) reimbursements for Eric's health insurance premiums for up to 3 months.

The executive employment agreement also provides that if Zebit or a successor corporation terminates Eric without "cause" or Eric terminates his employment for "good reason"within 12 months following a change of control, subject to his timely execution and non-revocation of a release of claims, Eric will be entitled to the same severance described above, except that Eric would receive accelerated vesting as to 100% of his option awards.

### 5.4.3 Senior Management Employment Contracts

All senior management are employed under written terms of employment with Zebit.

The key terms and conditions of their employment include:

- remuneration packages;
- eligibility to participate in the Company's 2015 Stock Plan and 2020 Equity Incentive Plan (as summarised in Section 5.5);
- eligibility to participate in the Company's health care offering; and
- execution of Company's confidential information, computer use, and intellectual property agreements.

With the exception of Marc Schneider, Steve Lapin and Eric VonDohlen, all senior management are employed at-will, which means the employment relationship can be terminated by either party for any reason, at any time, with or without prior notice and with or without cause, except as otherwise agreed (refer to Section 5.4.3 for further details).

### 5.4.4 Interests of advisers

Zebit has engaged the following professional advisers in relation to the Offer:

- Shaw and Partners Limited has acted as Lead Manager to the Offer. The Company has paid or agreed to the amount described in Section 10.15 in respect of these services.
- BDO Corporate Finance (East Coast) Pty Ltd has acted as the Investigating Accountant and provided the Investigating Limited Assurance Report in Section 7. The Company has paid or agreed to pay an amount of approximately $618,052 (plus disbursements and GST) in respect of these services. Further amounts may be paid to BDO Corporate Finance (East Coast) Pty Ltd in accordance with time-based charges.
- BDO Services Pty Ltd has acted as Tax Adviser in relation to the Offer. The Company has paid or agreed to pay an amount of approximately $70,650 (plus disbursements and GST) in respect of these services up until the Prospectus Date.
- DLA Piper Australia has acted as the Australian legal adviser to the Company in relation to the Offer. The Company has paid or agreed to pay an amount of approximately A$480,000 (plus disbursements and GST) up to the date of this Prospectus in respect of these services. Further amounts may be paid to DLA Piper Australia in accordance with its normal time-based charges.
- DLA Piper LLP (US) has acted as US legal adviser to the Company in relation to the Offer. The Company has paid or agreed to pay an amount of approximately US$480,000 in respect of these services.

  Zebit will pay the remaining amounts and other expenses of the Offer out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of the expenses of the Offer is set out in Section 8.3.

## 5.5 Employee Incentive arrangements

### 5.5.1 2015 Stock Plan

Prior to the Offer, Zebit's board of directors granted equity awards to employees, Directors and consultants pursuant to Zebit's 2015 Stock Plan ("**Prior Plan**"). As of 31 July 2020, the maximum aggregate number of Shares authorised for issuance under the Prior Plan is 12,245,981 Shares, of which 1,207,159 Shares were available for grant. The Prior Plan permitted the grant of nonstatutory stock options, incentive stock options, restricted stock, and restricted stock purchase rights to Zebit's employees, consultants and directors. The Prior Plan will be terminated prior to the Completion Date, and thereafter Zebit will not grant any additional awards under the Prior Plan. However, the Prior Plan will continue to govern the terms and conditions of the outstanding awards previously granted under the Prior Plan.

Under the Prior Plan, in the event of certain corporate events or changes in Zebit's capitalisation, appropriate adjustments will be made to the exercise prices of and number of Shares subject to outstanding Options, and the purchase prices of and/or number of Shares subject to other outstanding awards.

### 5.5.2 2020 Equity Incentive Plan

Zebit has a strong employee ownership culture as every employee is generally granted Options. Zebit intends to continue this employee and Director ownership culture post Listing.

The Company adopted the 2020 Equity Incentive Plan ("**2020 Incentive Plan**"), that will become effective on the Completion Date.

| Term | Description |
|---|---|
| Administration | The 2020 Incentive Plan may be administered by the Board, the Remuneration & Nomination Committee, or those persons to whom administration of the 2020 Incentive Plan, or part of the 2020 Incentive Plan, has been delegated or permitted by the terms of the 2020 Incentive Plan and applicable law. Zebit expects that the Remuneration & Nomination Committee (the "**Administrator**") will be duly appointed to administer the 2020 Incentive Plan and have all powers and authority permitted under the 2020 Incentive Plan as specified by the Board. The Administrator will have the authority to construe and interpret the 2020 Incentive Plan and any agreement or document executed according to the 2020 Incentive Plan, grant awards, determine their terms, and make all other determinations necessary or advisable for the administration of the plan. The Administrator may grant awards that vest based on continued service with Zebit or the achievement of certain pre-established performance goals during a designated performance period, or a combination of the foregoing. The Administrator may also reduce or waive any performance criteria with respect to performance goals, or adjust performance goals to take into account changes in law and accounting or tax rules as the Administrator deems necessary or appropriate, or to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships. The Administrator may also adjust or eliminate the compensation or economic benefit due upon attainment of performance goals in its sole discretion, subject to any limitations contained in the award agreement and compliance with applicable law. |
| Awards/Eligibility | The 2020 Incentive Plan provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance-based awards and other awards (that are based in whole or in part by reference to Zebit's common stock). Incentive stock options may only be granted to employees of Zebit, including officers, and the employees of any parent or subsidiary. All other awards may be granted to employees, including officers, Non-Executive Directors and consultants, and the employees and consultants of any parent or subsidiary of Zebit. The Board does not presently intend to grant awards with performance-based vesting conditions to Non-Executive Directors. |

| Term | Description |
|---|---|
| Aggregate share limit | The total number of Shares reserved and available for grant and issuance pursuant to the 2020 Incentive Plan is 5,000,000 shares. The total number of Shares reserved pursuant to the 2020 Incentive Plan will be increased to include up to 12,245,981 shares that remained available for grant under the Prior Plan upon its termination or that are subject to options granted under the Prior Plan that expire or terminate without having been exercised in full. In addition, unexercised shares of an expired, terminated or cancelled award, shares repurchased by Zebit in connection with a forfeiture provision or repurchase right, shares surrendered under a repricing or exchange program and shares subject to awards under the 2020 Incentive Plan that are used to pay the exercise price of an award or withheld to satisfy the tax withholding obligations related to an award will be returned to the share reserve and will be available for issuance in connection with subsequent awards under the 2020 Incentive Plan. In addition, the 2020 Incentive Plan contains an "evergreen" provision that will automatically increase the share reserve on 1 January of each year beginning in 2021 and continuing through 2031 by a number of shares equal to 5% of the total number of shares of common stock outstanding as of 31 December of the preceding calendar year, or a lesser number of shares as determined by the Board. The maximum number of shares of common stock that may be issued on the exercise of incentive stock options under the 2020 Incentive Plan including for the purposes of Listing Rule 7.2, exception 13 is 17,245,981 shares. |
| Shares/CDIs | Shares issued under the 2020 Incentive Plan may be previously unissued Shares or reacquired Shares. |
| Exercise price or purchase price | The exercise price of an option or stock appreciation right will be such price as is determined by the Administrator and set forth in the award agreement. However, (i) in the case of an incentive stock option granted to a Ten Percent Owner (as defined in the 2020 Incentive Plan), the exercise price will be no less than 110% of the fair market value on the date of grant and (ii) granted to any other employee, the exercise price will be no less than 100% of the fair market value on the date of grant, and (iii) in the case of a non-statutory stock option or stock appreciation right, the exercise price will be such price as is determined by the Administrator, provided that, if the exercise price is less than 100% of the fair market value on the date of grant, it will otherwise comply with all applicable laws, including Section 409A of the Code. The purchase price for shares issued pursuant to a restricted stock grant, if any, will be determined by the Administrator on the date the restricted stock grant is granted and, if permitted by applicable law, no cash consideration will be required in connection with the payment for the purchase price where the Administrator provides that payment will be in the form of services previously rendered. |
| Vesting and exercise | Options and stock appreciation rights generally will become exercisable when the applicable vesting conditions have been satisfied. Other awards generally will vest and/or be settled by delivery of shares (or CDIs or cash, where applicable) when the applicable vesting or performance conditions have been satisfied. To the extent permitted by applicable law, the Administrator, in its sole discretion, may determine that the delivery of CDIs or shares or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any award may be deferred and may establish programs and procedures for deferral elections to be made by award holders. Deferrals by award holders will be made in accordance with Section 409A of the Code, if applicable, and any other applicable law. |

| Term | Description |
|---|---|
| **Lapsing and forfeiture** | No option or stock appreciation right will be exercisable after the expiration of ten years from the date the option or stock appreciation right is granted, or such shorter period specified in the award agreement. In addition, in the case of an incentive stock option granted to a person who, at the time the incentive stock option is granted, is a Ten Percent Owner, such option may not be exercisable after the expiration of 5 years from the date the incentive stock option is granted.<br><br>Other awards will become subject to forfeiture or compulsory transfer on the occurrence of a date or circumstance specified in the award agreement, e.g. failure to satisfy a vesting or performance condition. |
| **Transfer restrictions** | Under the 2020 Incentive Plan, the Administrator may provide for limitations on the transferability of awards in its sole discretion. Awards are generally not transferable other than by will or the laws of descent and distribution, unless otherwise provided by the Administrator. |
| **Cessation or change of employment** | Unless explicitly provided otherwise in an award agreement, if an award holder's service terminates, the holder may exercise his or her option or stock appreciation right (to the extent such award was exercisable on the termination date) within the following period of time following such termination: (i) three months following a termination by Zebit without cause or by the holder for any reason (other than due to death or disability); (ii) 12 months following a termination due to the holder's disability; (iii) 12 months following a termination due to the holder's death; and (iv) 12 months following the holder's death, if such death occurs within three months following the date of such termination. If an award holder's service is terminated for cause, the holder's options or stock appreciation rights will terminate and be forfeited immediately. Following the termination date, to the extent that the holder does not exercise such award within the applicable post-termination exercise period (or, if earlier, prior to the expiration of the maximum term of such award), such unexercised portion of the award will terminate. RSU awards terminate immediately upon the participant's cessation of service for any reason. Performance-based awards are paid on a prorated basis of attainment of the performance target relative to the performance period on participant's cessation of service due to death or disability. At the discretion of the Administrator, performance-based awards terminate in their entirety on a cessation of participant's service for any reason other than death or disability. Other awards will become subject to forfeiture or compulsory transfer on the occurrence of a date or circumstance specified in the award agreement, e.g. failure to satisfy a vesting or performance condition. |

| Term | Description |
| --- | --- |
| Change in control | In the event that Zebit is subject to a change in control (as defined in the 2020 Incentive Plan), outstanding awards acquired under the 2020 Incentive Plan will be subject to the agreement evidencing the change in control, which need not treat all outstanding awards in an identical manner, and which will provide for one or more of the following with respect to all outstanding grants as of the effective date of such change in control: (i) the continuation of an outstanding award by Zebit (if Zebit is the successor entity); (ii) the assumption of an outstanding award by the successor or acquiring entity (if any) of such change in control (or by its parents, if any); (iii) the substitution by the successor or acquiring entity in such change in control (or by its parents, if any) of equivalent awards with substantially the same terms for such outstanding awards; (iv) the full or partial acceleration of exercisability or vesting and accelerated expiration of an outstanding award and lapse of Zebit's right to repurchase or re-acquire shares acquired under an award or lapse of forfeiture rights with respect to shares acquired under an award; (v) the settlement of such outstanding award (whether or not then vested or exercisable) in cash, cash equivalents, or securities of the successor entity (or its parent, if any) with a fair market value equal to the required amount provided in the definitive agreement evidencing the change in control, followed by the cancellation of such awards; or (vi) the cancellation of outstanding awards in exchange for no consideration. In addition, the Board will have full power and authority to assign Zebit's right to repurchase or re-acquire or forfeiture rights to such successor or acquiring corporation. Finally, in the event such successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute awards, as provided above, the Administrator will notify the holder that such award will be exercisable (to the extent vested and exercisable pursuant to its terms) up to the time of consummation of the change in control, and such award will terminate upon the expiration of such period. |
| Award adjustments | In the event of a stock split or other change in Zebit's capital structure without Zebit's receipt of consideration, appropriate adjustments will be made to the maximum number and/or class of shares reserved for issuance under the 2020 Incentive Plan, the incentive stock option limit, and the class and/or number of shares and exercise price or purchase price, if applicable, of outstanding awards under the 2020 Incentive Plan. |
| Clawback and other requirements | All awards granted under the 2020 Incentive Plan will be subject to clawback or recoupment under any clawback or recoupment policy adopted by the Board or the Administrator or required by applicable law during the term of the award holder's employment or other service with Zebit that is applicable to officers, employees, directors or other service providers of Zebit. In addition, the Administrator may impose such other clawback, recovery or recoupment provisions in an award agreement as the Administrator determines necessary or appropriate. |
| Amendments | The 2020 Incentive Plan will continue in effect until its termination by the Administrator; provided that no awards may be granted after the tenth anniversary of the date on which the plan became effective. The administrator of the 2020 Incentive Plan will have the authority to amend, suspend, or terminate the 2020 Incentive Plan, although certain material amendments require the approval of Zebit's stockholders, and amendments that would materially impair the rights of any participant require the consent of that participant. No awards may be granted under the 2020 Incentive Plan while it is suspended or after it is terminated. |
| Listing Rules | The 2020 Incentive Plan and awards made under it are always subject to the ASX Listing Rules and applicable law. |

Details of any Securities issues to the Directors under the 2020 Incentive Plan will be published in each annual report of the Company relating to the period in which the Securities have been issued.

## 5.6 Corporate Governance

### 5.6.1 Overview

This Section 5.6 details how the Board will oversee both the management and corporate governance of Zebit. The Board will monitor Zebit's operational and financial position and performance and will oversee development and implementation of its business strategy, including considering and approving Zebit's strategy objectives and annual business plan, including a budget.

Copies of Zebit's key corporate governance policies and practices and the charters for the board and each of its committees will, from Completion, be available at https://shareholders.zebit.com/investor-centre/.

### 5.6.2 Purpose, strategy and values

Zebit's mission is focused on empowering Financially Underserved consumers to buy what they need and pay over time without late fees, penalties or pulling a FICO Credit score.

Zebit has adopted a number of core values which articulate how management expects (i) employees to behave and interact, (ii) the business to be managed, and (iii) the growth strategy to be executed. Zebit's core values are:

- To treat customers fairly and help make a difference in their lives.
- To act honestly, ethically and responsibly at all times in all areas of the business.
- To work together as a team and take personal accountability for our commitments.
- To be open to all ideas and constantly challenge our point of view.
- To have a work environment that fosters diversity of people and thoughts.
- To strive to meet the expectations of security holders.
- These values are operationalised across Zebit's business, policies and procedures and guide the day to day operations of Zebit as a whole.

Zebit's primary goals, as set out below, are guided by these values which includes ensuring that Zebit is at all times professional, customer-focused and trusted by both employees and customers like. Zebit's primary goals are to:

- Provide affordable credit to underserved consumers, leveraging analytics and underwriting to manage risk.
- Maximize long-term return to share owners while being mindful of our mission to help customers.
- Create a trusted brand that executes against its values.
- Scale the business, customer base and technology platform in a capital efficient manner.

### 5.6.3 Corporate governance framework

The Company is committed to best practice corporate governance and compliance arrangements for the Company to the extent appropriate given the Company's size and circumstances. The ASX Corporate Governance Council has developed and released is fourth edition of the ASX Corporate Governance Principles and Recommendations (**Recommendations**) for Australian listed entities to promote investor confidence and to assist companies in meeting stakeholder expectations. The Recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that is has not followed and provide reasons for not following it.

In light of the Company's size and nature, the Board considers that the current Board composition and structure is a cost-effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature, and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's corporate governance policies and practices as at the Prospectus Date are detailed in this Section. The Company's full Corporate Governance Statement is available in a dedicated Corporate Governance Information section of the Company's website at https://shareholders.zebit.com/investor-centre/.

### 5.6.4 Board composition

The Bylaws require that Zebit has a minimum of one Director, with the exact number of Directors being set from time to time by majority approval of the Board. At Listing the Board will be comprised of six directors:

- three independent Non-Executive Directors;
- two Non-Executive Directors, including the Chairman, who are not considered independent;
- one Executive Director (the CEO).

### 5.6.5 Independence of the Board

The Board is responsible for the overall governance of the Company. The Board considers issues of substance affecting the Company, with advice from external advisers as required. Each Director must bring an independent view and judgment to the Board and must declare all actual or potential conflicts of interest on an ongoing basis. Any issues concerning a Director's ability to properly act as a Director must be discussed at a Board meeting as soon as practical, and a Director must not participate in discussions or resolutions pertaining to any matter for which the Director has a material personal interest.

### 5.6.6 Board Charter

The Board has adopted a written Charter, having regard to the Recommendations, to provide a framework for the effective operation of the Board. The Charter outlines the Board composition, the Board's role and responsibilities, the relationship and interaction between the Board and management and the authority delegated by the Board to management and Board committees. A copy of the Charter is available on the Company's website at https://shareholders.zebit.com/investor-centre/.

### 5.6.7 Board's role in risk oversight

The Board's role in risk oversight includes receiving reports from management and the Audit and Risk Management Committee on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities. Those reports detail the effectiveness of the risk management program and identify and address material business risks such as technological, strategic, business, operational, financial, human resources and legal / regulatory risks. The Board and its committees consider these reports, discuss matters with management and identify and evaluate and potential strategic or operational risks including appropriate activity to address those risks.

### 5.6.8 Board committees

The Board may from time to time establish committees to assist in the discharge of its responsibilities. The Board has established an:

- Audit and Risk Committee;
- Renumeration and Nomination Committee, and
- Credit Committee.

Membership of these Board committees will be based on the needs of the Company, relevant legislation, regulatory and other requirements, and the skills and experience of Board members.

| Committee | Overview | Members |
|---|---|---|
| Audit and Risk Committee | The Audit and Risk Committee will oversee the Company's responsibilities with respect to internal and external audit processes, financial reporting, risk management, internal controls and related party transactions. | Scott Thompson (Chair), and Larry Rosenberger and Jim Feuille as Members |

| Committee | Overview | Members |
|---|---|---|
| **Remuneration and Nomination Committee** | The Renumeration and Nomination Committee will assist and advise the Board with respect to:<br>– the remuneration of directors and employees;<br>– executive and employee performance evaluation;<br>– the composition and performance of the Board and its committees;<br>– the process for nominating and appointing new members of the Board, including evaluating the balance of skills, knowledge, experience, independence and diversity of the Board;<br>– developing and monitoring measurable policies to achieve diversity in accordance with the Company's diversity policy;<br>– ensuring there are plans in place to manage the succession of Board members and senior executives; and<br>– ensuring that programs are in place for the continued professional development of the Board. | Sylvia Falzon (Chair), Scott Thompson and Miriam Rivera as members |
| **Credit Committee** | The Credit Committee will assist the Board in fulfilling its responsibilities with respect to the Company's approach to managing credit losses and its impact on the Company's financial performance. | Larry Rosenberger (Chair) and Jim Feuille and Scott Thompson as Members |

Each committee has the responsibilities described in its respective committee charter, which have been prepared having regard to the Listing Rules and the ASX Recommendations and are available on the Company's website at https://shareholders.zebit.com/investor-centre/.

### 5.6.9 Corporate Governance Policies

The Company has adopted the following policies, each of which has been prepared having regard to the Recommendations and is available on the Company's website at https://shareholders.zebit.com/investor-centre/.

Zebit's policies and corporate governance practices continue to be reviewed regularly and will continue to be developed and refined to meet Zebit's needs.

#### 5.6.9.1 Code of Conduct

This policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees.

#### 5.6.9.2 Continuous Disclosure Policy

Once listed on the ASX, the Company will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act to ensure the Company discloses to the ASX any information concerning the Company that is not generally available and which a reasonable person would expect to have a material effect on the price or value of the CDIs. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations.

#### 5.6.10 Risk Management Policy

This policy is designed to assist the Company to identify, assess, monitor and manage risks affecting the Company's business. The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation and discussion at the Board meetings.

### 5.6.11 Securities Trading Policy

This policy is intended to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of insider trading laws. The policy also seeks to establish a best practice procedure in relation to dealings in the Company's securities by Directors, officer, employees and their families and associates.

### 5.6.12 Shareholder Communication Policy

This policy details the practices that the Company will implement to ensure effective communication with its Shareholders.

### 5.6.13 Diversity Policy

The Board values diversity and recognises the benefits it can bring to the business' ability to achieve its goals. Accordingly, the Company has set in place a diversity policy which includes requirements for the Board, at the appropriate time and subject to the Company's size and operations, to establish measurable objectives for achieving diversity, and the Board to assess annually both the objectives, and the Company's progress in achieving them.

### 5.6.14 Anti-bribery and Corruption Policy

The Company is committed to complying with all laws of the jurisdictions in which it operates, including those related to bribery and corruption. The anti-bribery and corruption policy outlines the Company's position on bribery and other corrupt behaviour and the responsibilities of the Company's Directors, officers, executives, employees, contractors and advisors in observing and upholding the Company's position against bribery and corruption.

### 5.6.15 Whistleblower Policy

The Company has adopted a Whistleblower Policy which encourages employees to raise any concerns and report instances of illegal or unethical behaviours, without fear of reprisal. This policy establishes the mechanisms and procedures for employees to report unethical conduct in a manner which protects the whistleblower and gathers the necessary information for the Company to investigate such reports and act appropriately.

## 5.7 ASX Corporate Governance Principles and Recommendations

The Board has evaluated the Company's current corporate governance policies and practices in light of the Recommendations. A brief summary of the approach currently adopted by the Company is set out below:

**Principle 1 – Lay solid foundations for management and oversight**

The Board's responsibilities are defined in the Board Charter.

The Company has also established a clear delineation between the Board's responsibilities for the Company's strategy and activities, and the day-to-day management of operations conferred upon the Chief Executive Officer and certain other officers of the Company. The Remuneration and Nomination Committee evaluates the performance of senior executives.

**Principle 2 – Structure the Board to add value**

Half of the Board is comprised of independent Directors and the roles of Chair and Chief Executive Officer are exercised by two separate individuals.

Recommendation 2.5 provides that the chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity. The Chair of the Board is Jim Feuille, who is not an independent Director. While the Company does not comply with this recommendation currently, the Board believes that the Board and the Company are best served at this stage of the Company's growth and operations for Mr. Feuille to continue to remain Chairman. His background and public company experience, in addition to his detailed knowledge of the business, is a testament to why he should remain as Chairman during the next few years of the Company's growth.

**Principle 3 – Instil a culture of acting lawfully, ethically and responsibly**

The Company has adopted a Code of Conduct, as well as a Securities Trading Policy, a Diversity Policy and a Whistle-blower Policy to promote lawful, ethical and responsible behaviour.

**Principle 4 – Safeguard the integrity of corporate reports**

The Company has adopted an Audit and Risk Committee to oversee accounting, auditing and financial reporting responsibilities.

**Principle 5 – Make timely and balanced disclosure**

The Company is committed to providing timely and balanced disclosure to the market in accordance with its Continuous Disclosure Policy.

**Principle 6 – Respect the rights of security holders**

The Company has adopted a Shareholder Communication Policy for Shareholders wishing to communicate with the Board. The Company seeks to recognise numerous modes of communication, including electronic communication, to ensure that its communication with Shareholders is frequent, clear and accessible.

All Shareholders are invited to attend the Company's annual general meeting, either in person or by representative. The Board regards the annual general meeting as an excellent forum in which to discuss issues relevant to the Company and accordingly encourages full participation by Shareholders. Shareholders have an opportunity to submit questions to the Board and to the Company's auditors.

**Principle 7 – Recognise and manage risk**

In conjunction with the Company's other corporate governance policies, the Company has adopted a Risk Management Policy, which is designed to assist the Company to identify, evaluate and mitigate risks affecting the Company. In addition, the Board has established three standing committees to provide focused support in key areas.

**Principle 8 – Remunerate fairly and responsibly**

The Company has established a Remuneration and Nomination Committee. The Company will provide disclosure of its Directors' and executives remuneration in its annual report.

## 5.8 Related party transactions

Other than as set in this Prospectus, there are no existing agreements or arrangements, and there are no proposed transactions, in which the Company was, or is to be, a participant, and in which any related part had, or will have, a direct or indirect material interest.

### 5.8.1 Policy for approval of related party transactions

The Company's Audit and Risk Management Committee is responsible for reviewing and approving all transactions in which the Company is a participant and in which any parties related to the Company, including its executive officers, Directors, beneficial owners of more than 5% of the Company's CDIs, immediate family members of the foregoing persons and any other persons whom the Board determines may be considered related parties of the Company, has or will have a direct or indirect material interest.

The Audit and Risk Management Committee or its chair, as the case may be, will only approve those related party transactions that are determined to be in, or are not inconsistent with, the best interests of the Company and its Shareholders, after taking into account all available facts and circumstances as the Audit and Risk Management Committee or the chair determines in good faith to be necessary. Transactions with related parties will also be subject to Shareholder approval to the extent required by the ASX Listing Rules.

# Financial Information

# 6. Financial Information

## 6.1 Introduction

The financial information contained in Section 6 includes historical consolidated financial information and forecast consolidated financial information ("**Financial Information**"), as summarised in Figure 1:

FIGURE 1: OVERVIEW OF ZEBIT FINANCIAL INFORMATION

| | **Statutory Financial Information** | **Pro Forma Financial Information** |
|---|---|---|
| **Historical Financial Information** | Statutory Historical Financial Information includes the:<br>– statutory historical consolidated statements of profit or loss for the years ended 31 December 2017 ("**FY17**"), 31 December 2018 ("**FY18**"), 31 December 2019 ("**FY19**") and the six-month periods ended 30 June 2019 ("**1H19**") and 30 June 2020 ("**1H20**") ("**Statutory Historical Results**");<br>– statutory historical consolidated statements of cash flows for FY17, FY18, FY19, 1H19, and 1H20 ("**Statutory Historical Cash Flows**"); and<br>– statutory historical consolidated statement of financial position as at 30 June 2020 ("**Statutory Historical Statement of Financial Position**"). | Pro Forma Historical Financial Information includes the:<br>– pro forma historical consolidated statements of profit or loss for FY17, FY18, FY19, 1H19, and 1H20 ("**Pro Forma Historical Results**");<br>– pro forma historical consolidated statements of cash flows for FY17, FY18, FY19, 1H19, and 1H20 ("**Pro Forma Historical Cash Flows**"); and<br>– pro forma historical consolidated statement of financial position as at 30 June 2020 ("**Pro Forma Historical Statement of Financial Position**"). |
| **Forecast Financial Information** | Statutory Forecast Financial Information includes the:<br>– statutory forecast consolidated statement of profit or loss for the year ending 31 December 2020 ("**FY20F**"), which includes the reviewed six month period to 30 June 2020 and the six month forecast period to 31 December 2020 ("**2H20F**") ("**Statutory Forecast Results**"); and the six-month period ending 30 June 2021 ("**1H21F**"). The 2H20F period and the 1H21F period together are referred to as the "**Forecast Period**".<br>– statutory forecast consolidated statement of cash flows for FY20F and 1H21F ("**Statutory Forecast Statements of Cash Flows"**). | Pro Forma Forecast Financial Information includes the:<br>– pro forma forecast consolidated statement of profit or loss for FY20F ("**Pro Forma Forecast Results**"); and 1H21F.<br>– pro forma forecast consolidated statement of cash flows for FY20F and 1H21F ("**Pro Forma Forecast Statements of Cash Flows**"). |

Also summarised in this Section 6 are:

- the basis of preparation and presentation of the Financial Information (refer Section 6.2);
- information regarding certain non US GAAP or AIFRS financial measures (refer Section 6.2.4);
- summary of key pro forma operating metrics (refer Section 6.3.2);
- the pro forma adjustments to the Statutory Historical Financial Information and the Statutory Forecast Financial Information, and reconciliations to the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information respectively (refer Sections 6.3.3, 6.4.2 and 6.5.1);
- details of Zebit's indebtedness and capitalisation (refer Section 6.5.2);
- information regarding Zebit's liquidity and capital resources (refer Section 6.5.3);
- management's discussion and analysis of the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information (refer Sections 6.7);

- the specific and general assumptions underlying the Forecast Financial Information (refer Sections 6.6.1 and 6.6.2);
- an analysis of the key sensitivities of the Pro Forma Forecast Financial Information (refer Section 6.8); and
- details of the proposed dividend policy (refer Section 6.9).

Information provided in this Section 6 should be read in conjunction with the sensitivity analysis outlined in Section 6.8, the risk factors outlined in Section 4, and other information provided in this Prospectus.

## 6.2 Basis of preparation and presentation of the Financial Information

### 6.2.1 Overview

The statutory consolidated historical financial statements of Zebit for FY17, FY18 and FY19 have been audited by BDO USA, LLP. The statutory consolidated historical financial statements of Zebit for 1H19 and 1H20 have been reviewed by BDO USA, LLP.

An unqualified audit opinion in respect of these periods was issued. No modified audit reports were issued for the Company in those periods, however emphasis of matter paragraphs were. They outlined the Company's recurring losses from operations and a net capital deficiency, and stated that substantial doubt exists about its ability to continue as a going concern.

Zebit operates on a financial year-end of 31 December. All amounts disclosed in this Section 6 are presented in United States Dollars and, unless otherwise noted, are rounded to the nearest $1,000. Rounding in the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

The Statutory Historical Financial Information has been prepared and presented in accordance with the measurement and recognition principles of Generally Accepted Accounting Principles (United States) ("**U.S. GAAP**") issued by the Financial Accounting Standards Board ("**FASB**"). A reconciliation between U.S. GAAP and Australian International Financial Reporting Standards ("**AIFRS**") is contained in Section 6.5.7.

This Prospectus includes Forecast Financial Information based on the specific and general assumptions made by Zebit. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the U.S. GAAP, AIFRS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Company's key accounting policies have been consistently applied throughout the financial periods presented and are set out in Schedule 1 of this Prospectus.

On January 1, 2017, the Company early adopted Accounting Standards Update 2016-02, which was codified into Accounting Standards Codification Topic 842 – Leases ("**the standard**" or "**ASC 842**"), which supersedes ASC 840. The fundamental change as a result of ASC 842 is that entities are now required to recognize all identified leases (with limited exceptions) on the balance sheet as a lease liability with a corresponding right-of-use asset.

On January 1, 2017, the Company early adopted Accounting Standards Codification Topic 606 – Revenue Recognition ("**the standard**" or "**ASC 606**"), which supersedes ASC 605. As the Company does not anticipate any significant differences in revenue recognition policies and practices as a result of the adoption of 606, the Company elects to adopt the standard using the modified retrospective method where prior periods are not restated.

The Financial Information presented in this Prospectus has been reviewed by BDO in accordance with the *Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* as stated in its Independent Limited Assurance Report. Investors should note the scope and limitations of the Independent Limited Assurance Report (refer to Section 7).

Post-listing, Zebit will continue to prepare its financial statements in accordance with U.S. GAAP issued by FASB and its financial statements post-listing will be audited and reviewed by Zebit's auditor in accordance with auditing standards generally accepted in the U.S.

### 6.2.2 Preparation of the Historical Financial Information

The Statutory Historical Financial Information has been extracted from the audited and reviewed statutory consolidated financial statements of Zebit for FY17, FY18, FY19, 1H19, and 1H20.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Pro Forma Historical Results and Pro Forma Historical Cash Flows have been derived from the Statutory Historical Financial Information, with pro forma adjustments being made to eliminate certain non-recurring items, and adjustments to reflect Zebit's operating and capital structure following Completion, including standalone public company expenses.

The Pro Forma Historical Statement of Financial Position as at 30 June 2020 is based on the reviewed financial statements of Zebit at that date adjusted to reflect the impact of the Offer and other material transactions post 30 June 2020 (refer to Section 8).

Refer to Section 6.3.3 for a reconciliation between Statutory Historical Results and Pro Forma Historical Results, to Section 6.4.2 for a reconciliation between the Statutory Historical Cash Flows and the Pro Forma Historical Cash Flows and to Section 6.5.1 for a reconciliation between the Statutory Historical Statement of Financial Position and the Pro Forma Historical Statement of Financial Position.

Investors should note that past results are not a guarantee of future performance.

### 6.2.3 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The Forecast Financial Information is presented on both a statutory and pro forma basis for FY20F and 1H21F. The Forecast numbers for FY20F includes actual data reviewed by BDO USA, LLP for 1H20. The Forecast Period is defined as the twelve months that comprise 2H20F and 1H21F. The Forecast Period is based on specific and general forecast assumptions, as set out in Section 6.6.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information. In preparing the Pro Forma Forecast Financial Information, pro forma adjustments have been made to the Statutory Forecast Financial Information to:

- Reflect Zebit's operating and capital structure following Completion;
- Eliminate certain non-recurring items; and
- Outline standalone public company expenses.

The Forecast Financial Information has been prepared by Zebit based on an assessment of current economic and operating conditions, and on the specific and general assumptions regarding future events and actions as set out in Sections 6.6.1 and 6.6.2. The Forecast Financial Information is subject to the risks set out in Section 4. The inclusion of these assumptions and these risks are intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring. They are not intended to be a representation that the assumptions will occur.

The Forecast Financial Information presented in the Prospectus has been reviewed by BDO but has not been audited. Investors should note the scope and limitations of the Independent Limited Assurance Report on Forecast Financial Information (refer to Section 7). The Independent Limited Assurance Report on the Forecast Financial Information has been prepared solely in connection with the offer of CDIs in Australia.

Zebit believes the specific and general assumptions, when taken as a whole, are reasonable at the time of preparing this Prospectus. However, the information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on Zebit's actual financial performance, cash flows or financial position. In addition, the assumptions upon which the Forecast Financial Information are based on, by their very nature, are subject to significant uncertainties and contingencies, many of which will be outside the control of Zebit, the Directors and management. Accordingly, the Directors and management or any other person cannot give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Forecast Financial Information should be read in conjunction with the general assumptions set out in Section 6.6.1, the specific assumptions set out in Section 6.6.2, the sensitivity analysis set out in Section 6.8, the risk factors as set out in Section 4, the key accounting policies set out in Schedule 1 and other information in this Prospectus.

Zebit has no intention to update or revise the Forecast Financial Information or other forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law or regulation.

### 6.2.4 Explanation of certain non-U.S. GAAP or AIFRS financial measures

Zebit uses certain measures to report on its business. Some of these measures are not recognised under U.S. GAAP or AIFRS. These measures are collectively referred in Section 6, and under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC, as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **EBIT** is earnings before interest and tax.
- **EBITDA** is earnings before interest, tax, depreciation and amortisation.

  Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation and before interest and tax charges, which are affected by the capital structure and historical tax position of Zebit.

  Zebit also calculates EBITDA margin which is EBITDA divided by revenue, expressed as a percentage. EBITDA margin is a measure that management uses to evaluate the profitability of the overall business.

  Because it does not include the non-cash charges for depreciation and amortisation, EBITDA can be useful to help understand the cash generation potential of the business. However, Zebit believes that it should not be considered as an alternative to net free cash flow from operations and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of Zebit's operations.
- **Capital expenditure** is a combination of capitalised product development expenses and property, plant and equipment.
- **Capitalised Labor** relates to inhouse IT developer expenses directly attributable to researching and developing new services and products or significant enhancements to existing services and products.
- **Active Customer** is a Registered User that makes at least one purchase.
- **Average Monthly Spend per Active Customer** is calculated as the total spend per Active Customer on a monthly basis.
- **Revenue** is the gross merchandise value (GMV) plus shipping revenue plus net margin on warranty's sold less any post month adjustments for customer rebates. Revenue is recognized at the point the product is delivered to the end buyer.
- **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 included.
- **Bad Debt Reserve** is the proportion of bad debt 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.
- **Customer Acquisition Cost (CAC)** is the media related marketing cost that Zebit incurs to acquire a Registered User on the platform.
- **Net free cash flow** is operating free cash flow less capital expenditure.
- **Operating free cash flow** is EBITDA adjusted for changes in working capital and other non-cash items.
- **Working capital** is the sum of trade receivables, other receivables and other current assets less the sum of other payables and accrued liabilities.

Certain financial data included in Section 6 is also non-IFRS financial information.

Although Zebit believes that these measures provide useful information about the financial performance of Zebit, they should be considered supplements to the statement of profit and loss measures that have been presented in accordance with the U.S. GAAP and AIFRS and not as a replacement for them. Because these non-IFRS financial measures are not based on U.S. GAAP or AIFRS, they do not have standard definitions, and the way Zebit calculates these measures may differ from similarly titled measures used by other companies. Investors should therefore not place undue reliance on these non-IFRS financial measures.

## 6.3 Consolidated Pro Forma Historical Results, Pro Forma Forecast Results and Statutory Forecast Results

### 6.3.1 Overview

TABLE 1 SETS OUT PRO FORMA HISTORICAL RESULTS FOR FY17, FY18, FY19 AND THE PRO FORMA FORECAST RESULTS FOR FY20F, AND THE STATUTORY FORECAST RESULTS FOR FY20F.

| | | Pro Forma Historical | | | Pro Forma Forecast | Statutory Forecast |
|---|---|---|---|---|---|---|
| **$'000s** | **Notes** | **FY17** | **FY18** | **FY19** | **FY20F** | **FY20F** |
| Revenue | | 20,794 | 45,312 | 85,485 | 82,155 | 82,155 |
| Cost of sales | | (16,905) | (34,822) | (63,459) | (59,785) | (59,785) |
| **Gross profit** | | **3,889** | **10,490** | **22,025** | **22,370** | **22,370** |
| Bad Debt Expense | | (3,789) | (7,214) | (14,878) | (12,238) | (12,238) |
| Variable Expenses | 1 | (1,834) | (2,722) | (3,996) | (3,175) | (3,175) |
| Marketing Expenses | 2 | (1,462) | (1,190) | (3,313) | (2,954) | (2,954) |
| Employee Expenses | | (4,626) | (6,413) | (7,221) | (6,801) | (6,937) |
| General and Administrative Expenses | 3 | (4,372) | (4,943) | (5,661) | (5,344) | (4,671) |
| **Operating expenses** | | **(16,084)** | **(22,483)** | **(35,068)** | **(30,512)** | **(29,975)** |
| **Operating profit/(loss)** | | **(12,195)** | **(11,992)** | **(13,043)** | **(8,142)** | **(7,605)** |
| Other Income | 4 | – | 110 | 225 | 3 | 3 |
| Other Expense | | – | – | – | – | – |
| **Other income/(expense)** | | **–** | **110** | **225** | **3** | **3** |
| **EBITDA** | | **(12,195)** | **(11,883)** | **(12,818)** | **(8,139)** | **(7,602)** |
| Depreciation and Amortization | 5 | (19) | (143) | (356) | (519) | (519) |
| **EBIT** | | **(12,214)** | **(12,026)** | **(13,174)** | **(8,658)** | **(8,121)** |
| Net Interest Income / (Expense) | | 39 | (75) | (1,323) | (1,405) | (3,132) |
| **Profit/(loss) before tax** | | **(12,175)** | **(12,101)** | **(14,497)** | **(10,062)** | **(11,253)** |
| Income/state tax expense | | (2) | (10) | (17) | (11) | (11) |
| **Total comprehensive income** | | **(12,177)** | **(12,111)** | **(14,514)** | **(10,073)** | **(11,264)** |

Notes:
1. Variable Expenses include data costs and payment processing fees. Data costs represent the expenses incurred during underwriting a new consumer and payment processing fees represent the costs to collect payments from a consumer.
2. Marketing Expenses include costs related to acquiring a registered user, including creative costs, printed materials for trade shows, market research, and press releases. These are costs not directly associated with buying advertisements to acquire users. Salaries and benefits for employees with marketing roles are included in Employee Compensation.
3. General and Administrative Expenses pertain primarily to other business expenses such as professional services, occupancy, software licenses, insurance, and other.
4. Other income includes rental income from subletting office space and referral revenue from marketing channel partners.
5. Depreciation reflects the depreciation of property, plant and equipment. Amortisation predominantly relates to amortisation of capitalised development costs.

TABLE 2 SETS OUT PRO FORMA HISTORICAL RESULTS FOR 1H19, 1H20, THE PRO FORMA FORECAST RESULTS FOR 1H21F, AND THE STATUTORY FORECAST RESULTS FOR 1H21F.

| | | Pro Forma Historical | | Pro Forma Forecast | Statutory Forecast |
|---|---|---|---|---|---|
| **$'000s** | **Notes** | **1H19** | **1H20** | **1H21F** | **1H21F** |
| Revenue | | 31,003 | 28,140 | 55,094 | 55,094 |
| Cost of sales | | (23,206) | (20,570) | (39,891) | (39,891) |
| **Gross profit** | | **7,797** | **7,570** | **15,203** | **15,203** |
| Bad Debt Expense | | (4,636) | (4,085) | (7,882) | (7,882) |
| Variable Expenses | 1 | (1,847) | (1,484) | (2,505) | (2,505) |
| Marketing Expenses | 2 | (1,401) | (482) | (4,172) | (4,172) |
| Employee Expenses | | (3,462) | (3,459) | (3,962) | (3,962) |
| General and Administrative Expenses | 3 | (2,891) | (2,688) | (2,621) | (2,621) |
| **Operating expenses** | | **(14,237)** | **(12,198)** | **(21,143)** | **(21,143)** |
| **Operating profit/(loss)** | | **(6,440)** | **(4,628)** | **(5,939)** | **(5,939)** |
| Other Income | 4 | 114 | 3 | – | – |
| Other Expense | | – | – | – | – |
| **Other income/(expense)** | | **114** | **3** | **–** | **–** |
| **EBITDA** | | **(6,326)** | **(4,625)** | **(5,939)** | **(5,939)** |
| Depreciation and Amortization | 5 | (135) | (250) | (253) | (253) |
| **EBIT** | | **(6,461)** | **(4,874)** | **(6,193)** | **(6,193)** |
| Net Interest Income / (Expense) | | (606) | (816) | (1,081) | (1,081) |
| **Profit/(loss) before tax** | | **(7,067)** | **(5,690)** | **(7,274)** | **(7,274)** |
| Income/state tax expense | | (1) | – | (7) | (7) |
| **Total comprehensive income** | | **(7,068)** | **(5,690)** | **(7,281)** | **(7,281)** |

Notes:
Refer to the notes from Table 1.

### 6.3.2 Key operating metrics

TABLE 3 SETS OUT KEY HISTORICAL OPERATING METRICS FOR FY17, FY18, FY19, AND KEY PRO FORMA FORECAST OPERATING METRICS FOR FY20F. TABLE 4 SETS OUT THE KEY HISTORICAL OPERATING METRICS FOR THE PRO FORMA HISTORICAL RESULTS OF 1H19 AND 1H20, AS WELL AS THE STATUTORY FORECAST RESULTS AND PRO FORMA FORECAST RESULTS FOR 1H21F.

| | Notes | FY17 | FY18 | 1H19 | FY19 | 1H20 | FY20F | 1H21F |
|---|---|---|---|---|---|---|---|---|
| **Key operating metrics** | | | | | | | | |
| Average Monthly Spend per Active Customer | 1 | $325 | $345 | $336 | $370 | $349 | $375 | $341 |
| % change | | N/A | 6% | N/A | 7% | 4% | 1% | -3% |
| Cumulative registered users (period end) (000's) | 2 | 143 | 298 | 415 | 580 | 626 | 807 | 1,071 |
| Registered user % growth | | N/A | 108% | N/A | 94% | 51% | 39% | 71% |
| **Sales mix** | | | | | | | | |
| % of sales from e-certificates | 3 | 74% | 66% | 54% | 52% | 43% | 44% | 45% |
| % of sales from electronics | 3 | 20% | 24% | 26% | 32% | 35% | 33% | 35% |
| % of sales from other product | 3 | 6% | 9% | 20% | 17% | 22% | 23% | 20% |

Notes:
1. Average monthly spend per Active Customer is calculated as the average order value multiplied by the average number of orders per month made by an Active Customer.
2. Cumulative Registered Users include users registered since the inception of the Company and is measured at the end of each calendar year.
3. Percent of sales is calculated as the total sales in the year for e-certificates, electronics, or physical products (as appropriate) including any handling fee divided by total annual sales, excluding shipping revenue.

### 6.3.3 Pro forma adjustments to the Statutory Historical Results and Statutory Forecast Results

Table 4 below outlines the pro forma adjustments that have been made to Zebit's Statutory Historical Results and Statutory Forecast Results to reflect the impact of the operating and capital structure that will be in place following Completion as if it were in place as at 1 January 2017. These adjustments are summarised below.

TABLE 4: PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL RESULTS AND STATUTORY FORECAST RESULTS

| $'000s | Notes | FY17 | FY18 | 1H19 | FY19 | 1H20 | FY20F | 1H21F |
|---|---|---|---|---|---|---|---|---|
| **Statutory net profit after tax** | | (10,267) | (10,206) | (5,901) | (12,397) | (4,638) | (11,264) | (7,281) |
| SVB debt interest | 1 | 94 | 119 | 54 | 90 | 21 | 31 | – |
| Conv. Note interest | 2 | 373 | 345 | 2 | 68 | 89 | 155 | – |
| Listed company costs | 3 | (2,354) | (2,334) | (1,206) | (2,325) | (1,141) | (1,590) | – |
| OpCo Work Fee | 4 | – | – | – | – | 63 | 813 | – |
| Revaluation of warrants | 5 | (24) | (34) | (17) | (34) | – | 85 | – |
| Revaluation Convertible Note | 6 | – | – | – | – | (198) | 1,451 | – |
| PPP Debt Interest | 7 | – | – | – | – | 2 | 6 | – |
| Transaction Expense | 8 | – | – | – | 84 | – | – | – |
| Stock Compensation | 9 | – | – | – | – | 112 | 112 | – |
| One-time Employee Bonus | 10 | – | – | – | – | – | 128 | – |
| **Pro Forma net profit after tax** | | (12,177) | (12,111) | (7,068) | (14,514) | (5,690) | (10,073) | (7,281) |

Notes:
1. Zebit has a US$0.5 million amortising term loan as of June 30, 2020 that will be paid off using proceeds from the IPO. As such, interest expense incurred has been removed as it does not reflect the ongoing capital structure of the Company.
2. This represents the reversal of interest accrued through several convertible notes that Zebit has issued since 2017 and that were subsequently converted to preferred and common stock.
3. Reflects an estimate of the incremental annual costs that Zebit will incur as a result of being a listed public company. These costs include Directors' fees, listing fees, share registry costs, audit and legal fees, Directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual report costs and other public company costs. The adjustment for FY20F reflects the inclusion of estimated costs for the full year subtracted by the costs that have been incurred in 1H20 as well as costs included in the Forecast for 2H20.
4. Zebit expects to incur a one-off transaction cost associated with the Company assessing various capital raising alternatives in Australia and the U.S. This has been reversed in the Forecast Period as a non-recurring item.
5. Reflects the removal of historical and forecast fair value movements related to warrant liability measured at fair value through profit and loss. Immediately prior to Completion, the warrants will be converted into Common Stock through a cash exercise.
6. Reflects the removal of fair value movements related to convertibles notes measured at fair value through profit and loss. Immediately prior to completion, the convertible notes will be converted into Common Stock.
7. Reflects the interest accrued on the Company's Paycheck Protection Program loan.
8. Represents costs borne by the Company's three-year audit that were expensed to the income statement rather than capitalised as part of the IPO process.
9. Fair value adjustment to stock compensation booked in 1H20.
10. Reversal of one-time cash bonus for all employees that had salary reductions during COVID-19, except for Marc Schneider, Steve Lapin, and Eric VonDohlen.

## 6.4 Consolidated Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows

### 6.4.1 Overview

TABLE 5 BELOW SETS OUT THE PRO FORMA HISTORICAL CASH FLOWS FOR FY17, FY18, FY19, THE PRO FORMA FORECAST CASH FLOWS FOR FY20F, AND THE STATUTORY FORECAST CASH FLOWS FOR FY20F.

| | | Pro Forma Historical | | | Pro Forma Forecast | Statutory Forecast |
|---|---|---|---|---|---|---|
| **$'000s** | **Notes** | **FY17** | **FY18** | **FY19** | **FY20F** | **FY20F** |
| **Cash flows from operating activities** | | | | | | |
| Net Income | | (10,267) | (10,206) | (12,397) | (11,264) | (11,264) |
| Allowance for Doubtful Accounts | 1 | 3,789 | 7,214 | 14,878 | 12,238 | 12,238 |
| Other Non-cash Items | 2 | (1,665) | (1,210) | (1,164) | 165 | 1,756 |
| Change in Working Capital | 3 | (7,781) | (10,215) | (21,803) | (8,702) | (12,975) |
| **Net cash (used in) provided by operating activities** | | **(15,924)** | **(14,417)** | **(20,486)** | **(7,563)** | **(10,246)** |
| **Cash flows from investing activities** | | | | | | |
| Other CapEx | | (21) | (65) | (7) | – | – |
| Capitalized Costs | 4 | (230) | (240) | (1,119) | (322) | (322) |
| **Net cash flows from investing activities** | | **(251)** | **(305)** | **(1,125)** | **(322)** | **(322)** |
| **Cash flows from financing activities** | | | | | | |
| Proceeds from / (repayments of) borrowings net of offering costs | 5 | 11,159 | 7,308 | 12,534 | 25 | 25 |
| Proceeds from issuance or exercise of preferred stock, warrants, and stock options | 6 | 8 | 11,915 | 5,047 | 26,466 | 26,466 |
| **Net cash provided by (used in) financing activities** | | **11,167** | **19,223** | **17,581** | **26,491** | **26,491** |
| **Net increase (decrease) in cash and cash equivalents held** | | **(5,008)** | **4,500** | **(4,031)** | **18,606** | **15,923** |
| Cash and cash equivalents at beginning of financial year | | 5,147 | 139 | 4,639 | 609 | 6,905 |
| **Cash and cash equivalents at end of financial year** | | **139** | **4,639** | **609** | **19,214** | **22,828** |

Notes:

1. See definition of Bad Debt Reserve. Allowance for Doubtful Accounts is a non-cash provision, with actual Bad Debts written off included in Change in Working Capital (see note 3).
2. Other non-cash items include Depreciation and Amortisation, stock compensation granted during the period, non-cash lease expense, and other non-cash items.
3. Change in working capital comprises changes in customer receivables (including Bad Debts written off), trade and other receivables, trade and other payables, and movements in accrued expenses and provisions.
4. Capitalised costs primarily consist of capitalised labour relating to a percentage of IT developer costs.
5. Includes borrowings and repayments on Zebit's revolving credit line from Route 66, and principal payments on the Company's term loan of US$0.5 million. It also includes pre-IPO funds raised from the issue of convertible notes totalling US$5.4 million. The convertible notes convert to common stock immediately upon the IPO.
6. FY20F includes gross IPO proceeds of US$24.5 million, offset by capitalised transaction costs. Of the total US$3.7 million transaction costs, we expect to capitalise US$3.6 million of which, US$0.4 million was paid in FY19. Of the US$3.3 million costs expected to be incurred in FY20F, US$0.8 million is prepaid and treated as a change in net working capital in the cash flows, with the remaining US$2.5 million offset from the IPO proceeds in the cash flow statement.

TABLE 6 SETS OUT THE PRO FORMA HISTORICAL CASH FLOWS FOR 1H19, 1H20, AND THE PRO FORMA FORECAST CASH FLOWS FOR 1H21F, AND THE STATUTORY FORECAST CASH FLOWS FOR 1H21F.

| | | Pro Forma Historical | | Pro Forma Forecast | Statutory Forecast |
|---|---|---|---|---|---|
| **$'000s** | **Notes** | **1H19** | **1H20** | **1H21F** | **1H21F** |
| **Cash flows from operating activities** | | | | | |
| Net Income | | (5,901) | (4,638) | (7,281) | (7,281) |
| Allowance for Doubtful Accounts | 1 | 4,636 | 4,085 | 7,882 | 7,882 |
| Other Non-cash Items | 2 | (719) | (381) | 848 | 848 |
| Change in Working Capital | 3 | (5,659) | 6,680 | (4,074) | (4,074) |
| **Net cash (used in) provided by operating activities** | | **(7,644)** | **5,746** | **(2,625)** | **(2,625)** |
| **Cash flows from investing activities** | | | | | |
| Other CapEx | | (208) | - | - | - |
| Capitalized Costs | 4 | (479) | (151) | (171) | (171) |
| **Net cash flows from investing activities** | | **(686)** | **(151)** | **(171)** | **(171)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from / (repayments of) borrowings net of offering costs | 5 | (402) | (4,688) | (3,345) | (3,345) |
| Proceeds from issuance or exercise of preferred stock, warrants, and stock options | 6 | 4,937 | - | - | - |
| **Net cash provided by (used in) financing activities** | | **4,535** | **(4,688)** | **(3,345)** | **(3,345)** |
| **Net increase (decrease) in cash and cash equivalents held** | | **(3,795)** | **908** | **(6,141)** | **(6,141)** |
| Cash and cash equivalents at beginning of financial year | | 4,639 | 609 | 19,214 | 22,828 |
| **Cash and cash equivalents at end of financial year** | | **844** | **1,516** | **13,073** | **16,687** |

Notes: Refer to the notes from table 5

### 6.4.2 Pro forma adjustments to the Statutory Historical Cash Flows and the Statutory Cash Flows

Table 7 describes the pro forma adjustments that have been made to Zebit's Statutory Historical Cash Flows and Statutory Forecast Cash Flows to reflect the full year impact of the operating and financing structure that will be in place following Completion of the Offer as if it was in place as at 1 January 2017. These adjustments are summarised below.

TABLE 7: PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL CASH FLOWS AND STATUTORY FORECAST CASH FLOWS FOR FY17, FY18, FY19, AND FY20F.

| $'000s | Notes | FY17 | FY18 | FY19 | FY20F |
|---|---|---|---|---|---|
| Statutory increase/(decrease) in cash and cash equivalents held | | (2,743) | 6,722 | (2,221) | 15,923 |
| SVB debt interest | 1 | 89 | 113 | 77 | 25 |
| Listed company costs | 2 | (2,354) | (2,334) | (2,325) | (1,590) |
| IPO Transaction costs | 3 | – | – | 438 | 3,306 |
| One-time Transaction costs | 4 | – | – | – | 813 |
| One-time Employee Bonus | 5 | – | – | – | 128 |
| **Pro Forma increase/(decrease) in cash and cash equivalents held** | | **(5,008)** | **4,500** | **(4,031)** | **18,606** |

Notes:

1. Zebit has a US$0.5 million amortising term loan as of June 30, 2020 that will be paid off using proceeds from the IPO. As such, interest expense paid historically has been adjusted as it does not reflect the ongoing capital structure of the Company.
2. Reflects an estimate of the incremental annual costs that Zebit will incur as a result of being a listed public company. These costs include Director's fees, listing fees, share registry costs, audit and legal fees, Directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual report costs and other public company costs. The adjustment for FY20F reflects the inclusion of estimated costs for the full year subtracted by the costs that have been incurred in 1H20 as well as costs included in the Forecast for 2H20F.
3. Reflects removal of an estimate of the transaction fees for the initial public offering as a non-recurring item. These costs include legal fees, listing fees, audit and independent accounting costs, consultant expenses, road show and printing expenses, and other costs associated with an initial public offering.
4. Zebit will incur a one-time transaction cost associated with the Company assessing various capital raising alternatives in Australia and the U.S. This has been reversed in the Forecast Period as a non-recurring item.
5. Reversal of one-time cash bonus for all employees that had salary reductions during COVID-19, except for Marc Schneider, Steve Lapin, and Eric VonDohlen.

TABLE 8: PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL CASH FLOWS AND STATUTORY FORECAST CASH FLOWS FOR 1H19, 1H20, AND 1H21F.

| $'000s | Notes | 1H19 | 1H20 | 1H21F |
|---|---|---|---|---|
| **Statutory increase/(decrease) in cash and cash equivalents held** | | (2,636) | 1,194 | (6,141) |
| SVB debt interest | 1 | 47 | 17 | – |
| Listed company costs | 2 | (1,206) | (1,141) | – |
| IPO Transaction costs | 3 | – | 775 | – |
| One-time Transaction costs | 4 | – | 63 | – |
| One-time Employee Bonus | | – | – | – |
| **Pro Forma increase/(decrease) in cash and cash equivalents held** | | **(3,795)** | **908** | **(6,141)** |

Notes: Refer to the notes from table 7.

## 6.5 Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position

### 6.5.1 Overview

Table 9 below sets out the pro forma adjustments that have been made to the audited Statutory Historical Statement of Financial Position for Zebit at 30 June 2020 in order to prepare the Pro Forma Statement of Financial Position for Zebit. The adjustments consider the effect of, amongst other things, the Offer proceeds, transaction expenses, and other material transactions. These adjustments reflect the impact of the changes in capital structure that will take place as part of the Offer as if they had occurred or were in place as at 30 June 2020.

TABLE 9: STATUTORY HISTORICAL STATEMENT OF FINANCIAL POSITION AND PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

| $'000s | Notes | Jun-20 | Pro Forma adjustments | Pro Forma Jun-20 |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | 1, 2, 7, 9, 10, 11 | 7,849 | 20,051 | 27,900 |
| Accounts receivable | | 6,575 | – | 6,575 |
| Other current assets | 2 | 1,889 | (1,129) | 760 |
| **Total current assets** | | **16,313** | **18,922** | **35,235** |
| Fixed assets | | 800 | – | 800 |
| Other non-current assets | | 411 | – | 411 |
| Intangibles | | 843 | – | 843 |
| **Total non-current assets** | | **2,054** | **–** | **2,054** |
| **Total assets** | | **18,367** | **18,922** | **37,289** |
| Liabilties | | | | |
| Accounts payable | | 2,325 | – | 2,325 |
| Accrued liabilities | | 1,664 | – | 1,664 |
| Deferred revenue | | 33 | – | 33 |
| Convertible Notes | 4, 5 | 5,274 | (5,274) | – |
| Short term borrowings | 9, 12 | 5,550 | (5,550) | – |
| Other current liabilities | | 10 | – | 10 |
| **Total current liabilities** | | **14,856** | **(10,824)** | **4,032** |
| Long term liabilities and borrowings | 6, 7, 9, 12 | 1,415 | 3,907 | 5,322 |
| **Total non-current liabilities** | | **1,415** | **3,907** | **5,322** |
| **Total liabilities** | | **16,271** | **(6,917)** | **9,354** |
| **Net assets** | | **2,096** | **25,839** | **27,935** |
| **Equity** | | | | |
| Common stock | 1, 2, 3, 7, 8, 9 | 15,374 | 71,555 | 86,929 |
| Preferred stock | 3 | 49,364 | (49,364) | – |
| Reserves | | – | – | – |
| Accumulated deficit | 2, 4, 5, 6, 8, 10, 11 | (62,642) | 3,648 | (58,994) |
| **Total equity** | | **2,096** | **25,839** | **27,935** |

## 6. Financial Information (continued)

TABLE 10: STATUTORY HISTORICAL STATEMENT OF FINANCIAL POSITION AND PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

| $'000s | Jun-20 | IPO Raise Note 1 | Transaction Costs Note 2 | Preferred Stock Conversion Note 3 | Convertible Notes revaluation Note 4 | Convertible Note Conversion Note 5 | Revaluation Warrant Liability Note 6 | Warrants Conversion Note 7 | Options Issued Note 8 | Payment of Debt Note 9 | Capital Raising Alt. Costs Note 10 | One-time Employee Bonus Note 11 | Credit Facility Refinance Note 12 | Pro Forma Jun-20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | | | | |
| Cash | 7,849 | 24,500 | (2,531) | - | - | - | - | 569 | - | (1,609) | (750) | (128) | - | 27,900 |
| Accounts Receivable | 6,575 | - | - | - | - | - | - | - | - | - | - | - | - | 6,575 |
| Other Current Assets | 1,889 | - | (1,129) | - | - | - | - | - | - | - | - | - | - | 760 |
| **Total current assets** | **16,313** | **24,500** | **(3,660)** | **-** | **-** | **-** | **-** | **569** | **-** | **(1,609)** | **(750)** | **(128)** | **-** | **35,235** |
| Fixed Assets | 800 | - | - | - | - | - | - | - | - | - | - | - | - | 800 |
| Accumulated Depreciation | 411 | - | - | - | - | - | - | - | - | - | - | - | - | 411 |
| Intangibles | 843 | - | - | - | - | - | - | - | - | - | - | - | - | 843 |
| **Total non-current assets** | **2,054** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,054** |
| **Total assets** | **18,367** | **24,500** | **(3,660)** | **-** | **-** | **-** | **-** | **569** | **-** | **(1,609)** | **(750)** | **(128)** | **-** | **37,289** |
| **Liabilities** | | | | | | | | | | | | | | |
| Accounts Payable | 2,325 | - | - | - | - | - | - | - | - | - | - | - | - | 2,325 |
| Accrued Liabilities | 1,664 | - | - | - | - | - | - | - | - | - | - | - | - | 1,664 |
| Deferred Revenue | 33 | - | - | - | - | - | - | - | - | - | - | - | - | 33 |
| Convertible Notes | 5,274 | - | - | - | 1,649 | (6,923) | - | - | - | - | - | - | - | - |
| Short term borrowings | 5,550 | - | - | - | - | - | - | - | - | (677) | - | - | (4,873) | - |
| Other Current Liabilities | 10 | - | - | - | - | - | - | - | - | - | - | - | - | 10 |
| **Total current liabilities** | **14,856** | **-** | **-** | **-** | **1,649** | **(6,923)** | **-** | **-** | **-** | **(677)** | **-** | **-** | **(4,873)** | **4,032** |
| Long Term borrowings | 1,415 | - | - | - | - | - | 85 | (108) | - | (943) | - | - | 4,873 | 5,322 |
| **Total non-current liabilities** | **1,415** | **-** | **-** | **-** | **-** | **-** | **85** | **(108)** | **-** | **(943)** | **-** | **-** | **4,873** | **5,322** |
| **Total liabilities** | **16,271** | **-** | **-** | **-** | **1,649** | **(6,923)** | **85** | **(108)** | **-** | **(1,620)** | **-** | **-** | **-** | **9,354** |
| **Net assets** | **2,096** | **24,500** | **(3,660)** | **-** | **(1,649)** | **6,923** | **(85)** | **677** | **-** | **11** | **(750)** | **(128)** | **-** | **27,935** |
| **Equity** | | | | | | | | | | | | | | **-** |
| Common stock | 15,374 | 24,500 | (3,561) | 49,364 | - | - | - | 677 | 563 | 11 | - | - | - | 86,929 |
| Preferred stock | 49,364 | - | - | (49,364) | - | - | - | - | - | - | - | - | - | - |
| Reserves | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Accumulated deficit | (62,642) | - | (100) | - | (1,649) | 6,923 | (85) | - | (563) | - | (750) | (128) | - | (58,994) |
| **Total equity** | **2,096** | **24,500** | **(3,660)** | **-** | **(1,649)** | **6,923** | **(85)** | **677** | **-** | **11** | **(750)** | **(128)** | **-** | **27,935** |

Notes:
1. As a result of the Offer of 22.2 million shares of common stock, the Company will receive proceeds of US$24.5 million.
2. FY20F includes gross IPO proceeds of US$24.5 million, offset by capitalised transaction costs. Of the total US$3.7 million transaction costs, we expect to capitalise US$3.6 million of which, US$0.4 million was paid in FY19. Of the US$3.3 million costs expected to be incurred in FY20F, US$0.8 million is prepaid and treated as a change in net working capital in the cash flows, with the remaining US$2.5 million offset from the IPO proceeds in the cash flow statement. US$0.1 million of transaction costs will be expensed.
3. Upon completion there will be a conversion of US$49.4 million in preferred stock to common stock.
4. A revaluation of convertible notes resulted in a fair value movement being determined as the difference between the fair value of US$1.00 per share at the end of FY19 and the price of the Offer.
5. Outstanding convertible notes (including interest accrued) convert to common stock at the lower of US$1.00 and 80% of the Offer price.
6. A revaluation of warrants associated with capital raises in FY17 and earlier, resulted in a fair value movement.
7. Warrants are exercisable at US$1.00 per share at the option of the warrant holder. With an IPO price of A$1.58 per share, it is expected that all 568,945 of warrants outstanding will likely be cash exercised on Completion. This includes the revaluation of the warrant liability of US$0.2 million.
8. Additional stock compensation expense related to 2,386,000 options to be issued to employees and Non-Executive Directors on completion of the Offer, discussed in section 10.7
9. The Company received a Paycheck Protection Program ("**PPP**") loan at the end of April 2020 and intends to repay the entire loan that is not eligible for forgiveness under the Federal PPP guidelines. Were the entire loan be ineligible for forgiveness, the full US$1.1 million of the PPP loan would be settled with proceeds of the Offer. The Company also expects to make a repayment of the SVB Term Loan of US$0.5 million with proceeds of the Offer.
10. Zebit expects to incur transaction fees associated with the Company assessing various capital raising alternatives in Australia and the U.S.
11. Reversal of one-time cash bonus for all employees that had salary reductions during COVID-19, except for Marc Schneider, Steve Lapin, and Eric VonDohlen.
12. The company recently refinanced Route 66 with Bastion, which has reclassified the debt to long term.

### 6.5.2 Indebtedness

Table 11 sets out the indebtedness of Zebit as at 30 June 2020 on a statutory and pro forma basis, adjusted for the pro forma effects of the Offer, as if the transactions had occurred on 30 June 2020.

TABLE 11: STATUTORY HISTORICAL INDEBTEDNESS AS AT 30 JUNE 2020

| | | Pro Forma historical | | | |
|---|---|---|---|---|---|
| **$'000s** | | **Less than 1 year** | **1-5 years** | **More than 5 years** | **Total** |
| Term Loan | 1 | 170 | 308 | - | 478 |
| Route 66 Revolving Loan | 2 | - | 4,873 | - | 4,873 |
| PPP Loan | 3 | 507 | 635 | - | 1,142 |
| 2019 IPO Convertible Note | 4 | 5,274 | - | - | 5,274 |

Notes:
1. Term Loan had an outstanding facility balance of US$0.5 million, with a total cost of funds being the greater of 2.0% above Prime or 6.25%. The facility is fully amortising over 45 months with a maturity date of June 1, 2022. The financier holds 60k warrants of preferred stock that will convert to common shares of Zebit with an exercise price of US$1.00 per share. See Section 9 for further information.
2. Route 66 Revolving Loan has a total facility limit of US$5 million. The facility allows Zebit to fund 90% of the net eligible COGS for sales made. Eligible COGS are defined as an open balance from a repeat buyer who has paid off at least 1 order in full, or a buyer who has not paid off an order in full but has paid the down payment at checkout plus their first instalment payment. There are other eligible qualifiers primarily related to down payment amounts and gross margins. The facility has a cost of funds of 1-month LIBOR plus 12.1% margin and a maturity date of November 30, 2020. See Section 9 for further information. The Company refinanced Route 66 on 15 September 2020 with the new Bastion facility (see Section 9.1 for further details). The new Bastion facility is at a rate of 3-month LIBOR (subject to a 1% LIBOR floor) plus 12%, unless outstanding loan amounts exceed $20.0 million in which such rate shall be 3-month LIBOR plus 10.5%.
3. The company received a PPP loan at the end of April 2020 and intends to repay all of the loan that is not eligible for forgiveness under the Federal PPP guidelines.
4. This represents a US$5.4 million convertible note less a fair value reduction of US$0.2 million as at 30 June 2020.

TABLE 12: PRO-FORMA INDEBTEDNESS AS AT 30 JUNE 2020

Table 12 below sets out the pro-forma indebtedness of Zebit as at 30 June 2020. The adjustments consider the effect of, amongst other things, the IPO proceeds (net of capitalised transaction costs), current borrowings relating to Route 66, Term Loan and PPP and non-current borrowings relating to deferred rent.

| $'000s | | Audited Jun-20 | Pro Forma Jun-20 |
|---|---|---|---|
| Cash and cash equivalents | 1 | 7,849 | 27,900 |
| Current borrowings | 2 | (5,550) | - |
| Non-current borrowings | 3 | (1,415) | (5,322) |
| **Total (indebtedness)/net cash** | | **884** | **22,578** |
| Contributed equity | | 64,738 | 86,929 |
| Reserves | | - | - |
| Retained earnings | | (62,642) | (58,994) |
| **Total equity** | | **2,096** | **27,935** |
| **Total capitalisation and indebtedness** | | **2,980** | **50,513** |

Notes:

1. US$24.5 million in IPO proceeds, net of capitalised transaction costs of US$3.7 million (of which $1.1m was paid prior to 30 June 2020) included in the cash and cash equivalents.
2. Current borrowings include US$5.5 million related to the short-term liability for Route 66, the Term Loan, and PPP. Zebit refinanced Route 66 on 15 September 2020 with the new Bastion facility (see Section 9.1 for further details).
3. Non-current borrowings include US$0.5 million in deferred rent, US$0.3 million in Term Loan, and US$0.6 million in PPP.

### 6.5.3 Liquidity and capital resources

Following Completion, Zebit's principal sources of funds are expected to be cash flow generated from operations, cash on hand and revolving credit proceeds from a new credit facility that has refinanced the Route 66 facility.

Zebit's main use of cash is to fund operating expenses and working capital as well as capital expenditure. Historical and forecast capital expenditure and working capital trends are described in Sections 6.7.

Zebit expects that it will have sufficient cash flow from operations to meet its operational requirements and business needs during the Forecast Period. Zebit's ability to generate sufficient cash depends on its future performance which, to a certain extent, is subject to a number of factors beyond its control including general economic, financial and competitive conditions. While the Directors do not expect that the Company will need to raise additional capital in the foreseeable future, there can be no assurance that Zebit will not require further capital in the future. If further financing is necessary, Zebit may seek to sell additional shares through a follow-on offer and/or raise debt funding in the future to finance its customer receivables book.

The proceeds of the Offer will be received in Australian Dollars, while the Company's functional currency is U.S. Dollars. Zebit is not currently hedging against exchange rate fluctuations, and consequently will be at the risk of any adverse movement in the U.S. Dollar – Australian Dollar exchange rate from the pricing of the Offer until Completion of the Offer and continuing until such time either (a) the Company hedges against exchange rate fluctuations or (b) converts the Offer Proceeds into U.S. Dollars.

### 6.5.4 Quantitative and qualitative disclosures about interest rate risk

Zebit is exposed to market risk in the ordinary course of its business. Market risk represents the risk of loss that may impact Zebit's financial position due to adverse changes in financial market prices and rates. Zebit's market risk exposure is primarily a result of fluctuations in interest rates. Exposure to market risk for changes in interest rates primarily to the Company's cash, cash equivalents, and debt, which has an interest rate based on the prevailing one-month LIBOR rate.

Although Zebit believes that on Completion of the Offer, the Company will have sufficient working capital to fund its stated objectives, no assurance can be made that the Company will not need further financing in the future or elect to utilise additional or new debt financing instruments in order to operationally facilitate its anticipated expansion. As a result, if Zebit elects to finance expansion by way of debt facilities, the Company will be subject to interest rate risks associated with those new facilities.

### 6.5.5 Contractual obligations and commitments

Zebit will not have any statutory contractual obligations and commitments following Completion.

### 6.5.6 Off balance sheet items

Zebit has no material contingent liabilities or off-balance sheet arrangements. The Company is not subject to any current pending legal matters or claims that would have a material adverse effect on its financial position, result of operations, or cash flows.

### 6.5.7 Reconciliation between U.S. GAAP and AIFRS

The Pro Forma Historical Financial Information contained in this Prospectus has been derived from the Statutory Historical Financial Information which has been prepared in accordance with U.S. GAAP, which is different from AIFRS, the accounting principles generally accepted in Australia. Following Completion Zebit intends to report solely in U.S. GAAP (and audit its financial reports in accordance with U.S. auditing standards) and not AIFRS. See Section 10.17 for further information.

Zebit has reviewed the differences between U.S. GAAP and AIFRS as manifested in the Company's Historical Financial Information. They identified the following material differences relevant to potential investors under the Offers.

#### Costs of the Offer

Zebit has incurred various costs relating to the Offer and listing on the ASX. Under U.S. GAAP, costs incurred in issuing stock and listing on the ASX are classified as a reduction of equity. Under AIFRS, only those costs directly attributable to raising new equity can be offset against equity. Expenses relating to the listing of existing equity are required to be expensed and costs relating to both existing and new equity are split between equity and expenses based on the proportion of existing and new equity post the Offer. Therefore, if Zebit had prepared the Pro Forma Historical Statement of Financial Position as of 30 June 2020, in accordance with AIFRS, approximately US$2.1 million of the estimated US$3.7 million cash offer costs would be treated as an expense through the statement of operations rather than an offset against stockholders equity. Furthermore, if Zebit had prepared the Pro Forma Historical Statement of Financial Position as of 30 June 2020 in accordance with AIFRS, approximately US$1.2 million of prepaid expenses would be expensed, resulting in a decrease in net assets of US$1.2 million.

#### Convertible Preferred Stock

Zebit has issued and sold shares of convertible preferred stock to fund its operations. Under U.S. GAAP, puttable or contingently redeemable equity securities typically are classified as equity, because redemption is not certain to occur. Puttable or contingently redeemable instruments with redemption features that are not solely within the control of the issuer are classified as mezzanine equity between permanent equity and liabilities. Under AIFRS, instruments that give the holder the right to put the instrument back to the issuer for cash or another financial asset or that is automatically put back to the issuer upon the occurrence of an uncertain future event should be accounted for as a liability. Zebit determined that the contingent redemption features of its outstanding convertible preferred stock are not solely within the control of the Company. Therefore, if Zebit had prepared the statutory historical financial information in accordance with AIFRS, the convertible preferred stock would have been classified as a compound financial instrument, with the fair value of the liability calculated on the date of issue as the present value of the anticipated eventual redemption with the residual amount allocated to equity. The result of which Zebit would have recorded cumulative non-cash fair value losses of US$14.9 million since inception of the instruments through to the date of the Offer. There is no financial statement impact on the Pro Forma Historical Results (fair value adjustments under AIFRS would be reversed as non-recurring items) or the Pro Forma Historical Statement of Financial Position (the fair value of the convertible preferred stock liability under AIFRS plus the equity component at the Completion date would equal the U.S. GAAP convertible preferred stock equity, which convert to additional paid in capital at Completion).

## 6.6 Forecast Financial Information

The Forecast Financial Information is based on various specific and general assumptions concerning future events including those set out below. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 6.8, the risk factors set out in Section 4, the key accounting policies in Schedule 1 and the Independent Limited Assurance Report on Forecast Financial Information set out in Section 7. A reconciliation of the Pro forma Forecast Results to the Statutory Forecast Results is set out in Section 6.5.1.

In preparing the Forecast Financial Information, Zebit has undertaken an analysis of historical performance and applied assumptions, where appropriate, in order to forecast future performance over the Forecast period.

Zebit believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions, when taken as a whole, to be reasonable at the time of preparing the Prospectus, including each of the assumptions set forth below in Sections 6.6.1 and 6.6.2. However, actual results are likely to vary from that forecast and any variation may be materially positive or negative. The assumptions, upon which the Forecast Financial Information is based, are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Zebit and its Directors and are not reliably predictable. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

Accordingly, none of Zebit, its Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved.

The Forecast Financial Information has been prepared based on the key accounting policies adopted by the Company, which are in accordance with U.S. GAAP, and are disclosed in Schedule 1. It is assumed that there will be no changes in the U.S. GAAP or other financial reporting requirements that may have a material effect on Zebit's accounting.

### 6.6.1 General assumptions

In preparing the Pro Forma Forecast Financial Information, the following general assumptions have been adopted:

- no material change in the competitive environment in which Zebit operates;
- no significant deviation from current market expectations of economic conditions relevant to the Retail and / or Consumer Finance sectors in the U.S. in for the Forecast Period, e.g. business confidence and consumer sentiment;
- no significant interruptions, industry disruptions or disturbances in relation to Zebit's technology, platform and software used to deliver services;
- no material changes in key personnel, including key management personnel, and Zebit maintains its ability to recruit and retain the personnel required to support future growth;
- no material change in applicable U.S. GAAP, AIFRS or other mandatory professional reporting requirements of the Corporations Act which have a material effect on Zebit's financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of Zebit during the Forecast Period;
- no material changes in U.S. State and / or Government laws, regulation and policy including in relation to money laundering, interest rates, foreign investment or taxation which may impact Zebit's business, clients or levels of investment or business activity in areas in relation to which Zebit products are commonly used;
- the Offer proceeds in accordance with the timetable set out in the Important Information section of this Prospectus;
- no material industry disturbances or disruptions to the continuity of operations of Zebit, no material industrial actions, and no other material changes in its business;
- no material amendment or termination to any material contract, agreement or arrangement or material change in licences relating to Zebit's business;
- no material adverse impact in relation to litigation or claims (existing or otherwise);
- no material change in Zebit's corporate and funding structure;
- no material impairment of intangible assets;
- no material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus; and
- none of the key risks listed in Section 4 occurs, or if they do, none of them has a material adverse impact on the operations of Zebit.

### 6.6.2 Specific assumptions

The Pro Forma Forecast Financial Information is based on various best estimate assumptions. In preparing the Forecast Financial Information, Zebit has analysed historical performance, including the current rates of revenue and expenses, and applied assumptions, where appropriate, across the business. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 6.8, the risk factors set out in Section 4, the Independent Limited Assurance Report set out in Section 8 and other information contained in this Prospectus.

The basis of the specific assumptions that have been used in the preparation of the Pro Forma Forecast Financial Information is set out below.

#### 6.6.2.1 Revenue assumptions

Zebit generates revenue through the sale of products to its end customers. Revenue is recognized as Gross Merchandise Value ("**GMV**") on the date when the product is delivered to the consumer. Zebit continually monitors trends in the underlying customer base and the impact these changes may have on revenue.

The Forecast Period revenue is for the periods 2H20F and 1H21F. It has considered historical trends in the business across multiple revenue drivers. The forecasted revenue drivers are shown in detail in the Management Discussion and Analysis Section 6.7. These assumptions include:

- **Registered Users**

Online Retailers engage consumers in one or more of the following channels to become Registered Users: B2C, B2B and Organic (see Section 2.6.1 for a description). The following has been assumed for each of the channels over the Forecast Period:

  - Registrations from B2C channels are generated through the deployment of marketing spend to channels such as Facebook, Paid Search, YouTube, and Podcasts. Over the Forecast Period, US$6.6 million in proceeds from the Offer will be utilised to acquire Registered Users from B2C channels.
  - Registrations from B2B channels are received through Zebit's various B2B partners. Registered Users received through B2B partnerships are based on each B2B partner's respective historical trends.
  - Organic registrations are those which are obtained organically either by word of mouth and referrals, or from channels that cannot be attributed to either B2C or B2B. These registrants have been forecast based on historical trends.

- **Active Customers**
  - An Active Customer is a Registered User that makes at least one purchase. The level of down payment required at checkout has a direct impact on the level of engagement from Active Customers.
  - In the Forecast Period prior to receiving capital from the Offer the Company sought to maintain cash reserves. As part of this, Active Customers were required to place a higher down payment on a purchase, resulting in a discount to the engagement rate.
  - Over the Forecast Period post the Offer, Active Customers are forecast to engage at similar engagement rates as to those observed historically as the down payment required at checkout is lowered back to historical levels.

- **Average Spend**
  - Average Monthly Spend per Active Customer is calculated as the average order value multiplied by the average number of orders per month made by an active customer. Average Spend has been forecast based on historical trends.

- **Revenue mix**
  - Over the Forecast Period, it has been assumed that Zebit will continue expanding its physical product catalogue, therefore shifting its revenue mix away from e-certificates.
  - E-certificates are expected to remain a significant portion of revenue comprising 45% of all sales.
  - An 18.0% e-certificate handling fee has been incorporated over the Forecast Period, based on historical data. This handling fee covers Zebit's operational costs associated with being able to manage sales for e-certificates, including the purchase, review and fulfilment of all e-certificate orders.
  - A small percentage of revenue is generated from shipping revenue and sales of warranties. These items combine for less than 4.0% of revenue during the Forecast Period.

#### 6.6.2.2 COGS and Gross Margin assumptions

Gross Margin is expected to improve over the Forecast Period due to:

- Change in Revenue Mix, with higher margin physical product sales increasing
- Ongoing improvements in shipping and warranty margins
- Scale benefits from other direct costs included in COGS.

#### 6.6.2.3 Expense assumptions

*Bad Debt Reserve*

Bad Debt Reserve is the unrecoverable debt that Zebit expects to realise from outstanding sales.

Zebit has forecast its Bad Debt Reserve to decline. This reduction in Bad Debt Reserve is expected to be driven by the implementation of second generation risk models, which have been tested and shown to reduce loss rates. These improved underwriting models allow the Company to find more meaningful risk signals for new and repeat customers and make better targeted decisions at both the point of registration and the point of sale.

*Other Variable Expenses*

Other Variable Expenses comprises all data costs from third party data providers used in underwriting Zebit consumers as well as all merchant servicer fees related to collecting funds from active and outstanding buyers on the platform.

Forecast variable costs as a percent of revenue is expected to decline, driven by current data contracts that decrease in cost as the Company's volumes increase.

*Employee Expenses*

The Company expects to grow head count by 9 people across key management, engineering, and data science roles, from 44 people at 30 June 2020 to 53 at 30 June 2021.

The ongoing reduction in Employee Expenses as a percentage of Revenue is a function of Zebit's technology platform and inherent operating leverage as the business scales.

*Marketing Expenses*

Zebit intends to use proceeds from the IPO to enhance its sales and marketing capabilities, resulting in an increase in these costs by 100% to US$6.6 million over the Forecast Period.

In Q4 of FY20F Zebit plans to invest in new marketing channels, such as Podcast, Youtube, and Radio, which have a higher CAC than Zebit's traditional B2C marketing channels based on testing conducted to date. After the IPO, the Company will have the capital to continue to grow the marketing budget and continue to test and optimize additional marketing channels and strategies. Because of this, Zebit has assumed that CAC will increase during the Forecast Period while the Company increases spend and testing.

*Interest Income and Expense*

Zebit expects to receive interest at a rate of 0.2% from interest bearing cash deposits.

Interest expenses primarily relate to the Route 66 credit credit facility, which was refinanced on 15 September 2020, and the new Bastion credit facility. The new Bastion facility is at a rate of 3-month LIBOR (subject to a 1% LIBOR floor) plus 12%, unless outstanding loan amounts exceed $20.0 million in which such rate shall be 3-month LIBOR plus 10.5%. The Interest Expense is expected to increase during the Forecast Period as a result of the increase in customer receivables driven by an increase in Revenue through the Forecast Period.

*Rental income*

Zebit has historically received rental income for subletting a portion of its office space. Zebit has not assumed any rental income during the Forecast Period.

*Tax*

Zebit assumes a continuation of zero income tax as a result of the Company's expectation to incur net losses in FY20F and the Forecast Period.

### 6.6.3 Statutory Forecast Financial Information

The Statutory Forecast Financial Information is based on the same specific and general assumptions as those underlying the Pro Forma Forecast Financial Information as set out in Section 6.6.1 and 6.6.2 above

#### 6.6.3.1 Public company expenses

Public company expenses are assumed to be incurred during the Forecast Period and reflect Zebit's estimate of the incremental annual expenses that the Company will incur as a public entity. These expenses include non-executive Director remuneration, additional audit and legal expenses, listing fees, share registry expenses, directors' and officers' insurance premiums as well as investor relations, annual general meeting and annual report expenses.

#### 6.6.3.2 One-off IPO and other transaction expenses

IPO and transaction expenses are assumed to be incurred during the Forecast Period and reflect Zebit's estimate of expenses in connection with its initial public offering. These expenses include underwriter commissions, legal expenses, accounting and tax advisory fees, independent market expert fees, costs associated with the drafting of the Prospectus, audit fees, and independent reporting and accounting fees.

## 6.7 Management Discussion and Analysis of the Pro-Forma Historical Financial Information and Pro-Forma Forecast Financial Information

Below is a discussion of the main drivers that affected Zebit's operations and its historical financial performance in FY17, FY18, FY19, 1H19 and 1H20, combined with key assumptions that underpin the Company's Forecast Period. The discussion is intended to provide a general summary only and does not detail all factors that have affected the historical operating and financial performance of Zebit, nor everything that may affect its operations and financial performance in the future. The information in this Section 6.7 should be read in conjunction with the basis of preparation of the Forecast Financial Information in Section 6.5.1 and the key forecast assumptions set out in Section 6.6.1 and 6.6.2 and the risk factors set out in Section 4.

*Availability of Capital*

The availability of capital is an important factor that influences Zebit's ability to grow. Historically, as a private company, Zebit has been through periods where it has intentionally slowed its growth to manage its cash flow. This occurred a number of times, including March through May 2018, December 2019, and March 2020 through July 2020 (COVID-19 period). During these periods, Zebit intentionally enacted multiple levers to slow down growth, increase cash efficiency, and decrease credit risk. These levers included limiting investment in customer acquisition, increasing the down-payment required by customers at check-out, increasing underwriting thresholds and removing certain SKUs from the marketplace (see section 3.6 for further details).

Upon Completion of the Offer, Zebit expects to have access to sufficient capital to achieve its stated growth objectives. As a public company Zebit also expects to have better access to debt and equity capital markets to fund its growth.

### 6.7.1 Revenue

Figures 6 and 7 illustrate the historical and forecast revenue of Zebit. The majority of historical and forecast revenue comprises the sale of goods. The sale of goods includes the sale of physical goods and the sale of e-certificates.

Zebit has historically experienced revenue seasonality in the second half of each financial year, which includes the important selling periods in November (Black Friday and Cyber Monday) and December (Christmas and Hanukkah). In FY17 the second half of the year accounted for 86.3% of revenue, 71.8% in FY18, and 63.7% in FY19. In FY20F, Zebit is forecasting 65.7% of revenue to be generated in 2H20F, in-line with historical trends.

Zebit expects the seasonality trend of one-third of sales in the first 6 months of the fiscal year and two-thirds in the second half of the year to continue for the foreseeable future.

FIGURE 2 : REVENUE SEASONALITY 1H17-1H21F ($)

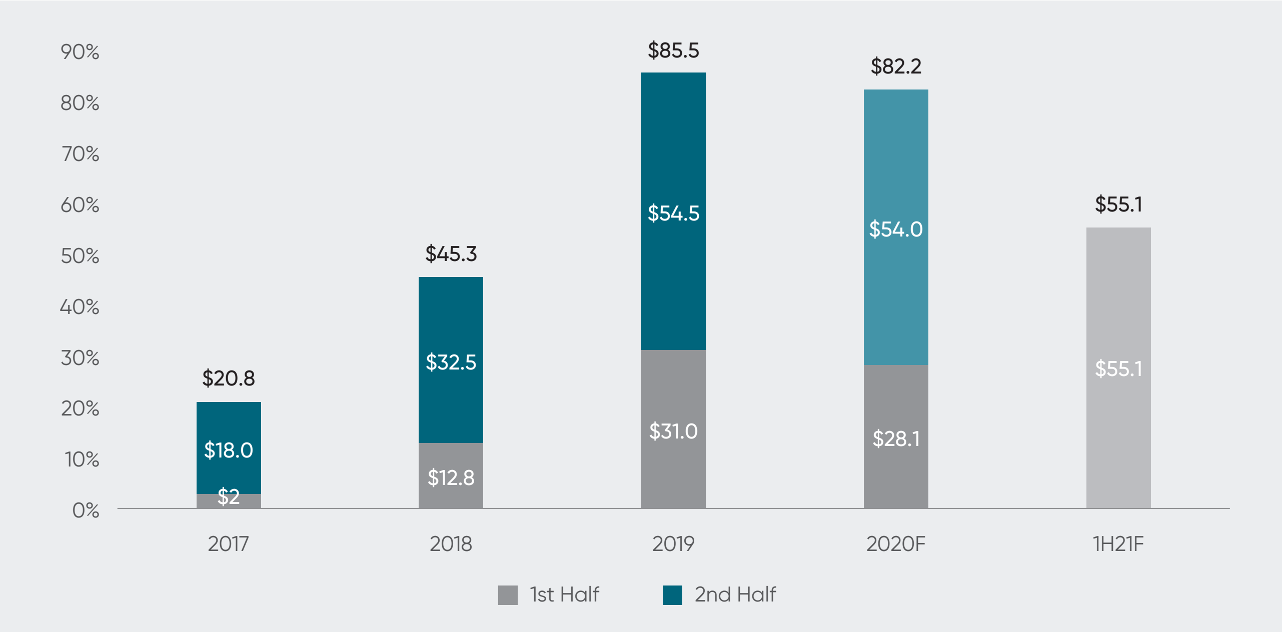
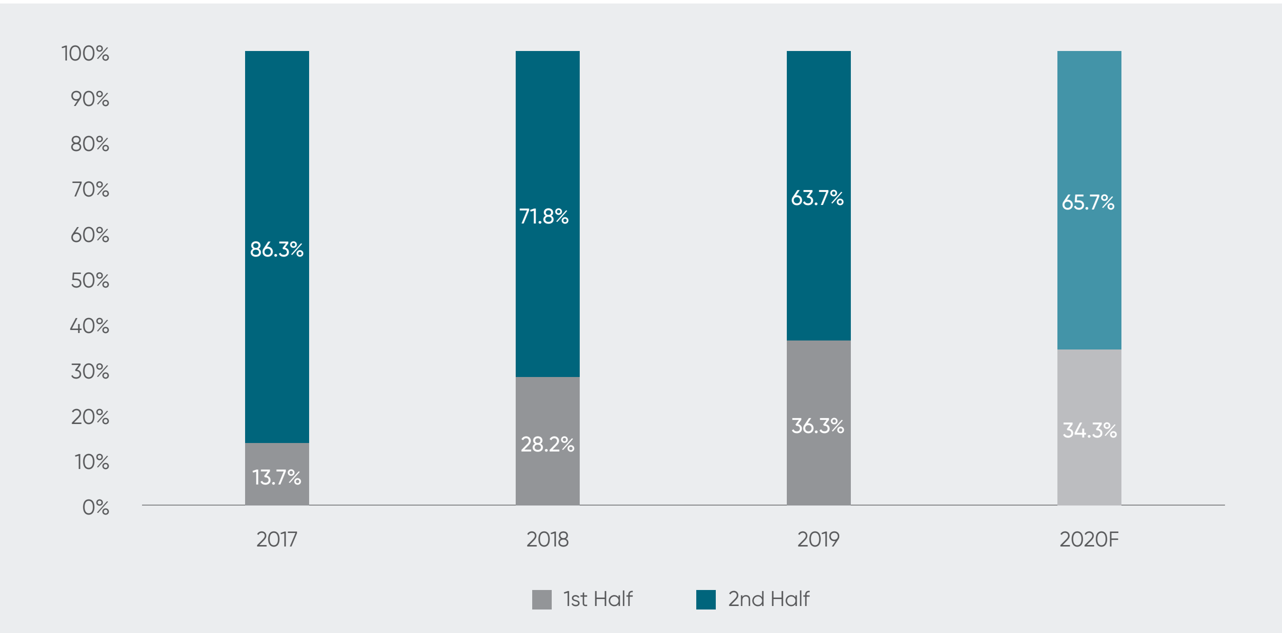



FIGURE 3 : REVENUE SEASONALITY FY17-FY20F (%)




Revenue is forecast to increase from $20.8 million in FY17 to $109.1 in the Forecast Period (12 months through June 30, 2021), representing a CAGR of 60.6%.

### FY17 to FY18

From FY17 to FY18, Zebit reported an increase in total revenue of $24.5 million, up from $20.8 million in FY17 to $45.3 million in FY18, driven by:

- An increase in the number of Cumulative Registered Users on the Zebit Platform of 155,000 (108.4%) from 143,000 at 31 December 2017 to 298,000 at 31 December 2018; and
- An increase in the Average Monthly Spend per Active Customer of $20 (6.2%) from $325 to $345

### FY18 to FY19

From FY18 to FY19, Zebit reported an increase in total revenue of $40.2 million (88.7%), from $45.3 million in FY18 to $85.5 million in FY19, driven by:

- An increase in the number of Cumulative Registered Users on the Zebit Platform of 282,000 (94.6%) from 298,000 at 31 December 2018 to 580,000 at 31 December 2019; and
- An increase in the Average Monthly Spend per Active Customer of $25 (7.2%) from $345 to $370

As discussed previously, Zebit's ability to drive growth in the key December 2019 retail period was constrained due to a decrease in the availability of capital. Zebit executed a capital raise where funds from investors were only received toward the end of the calendar month in December 2019.

### FY19 to FY20F

From FY19 to FY20F, which includes historical period 1H20 and forecast period 2H20F, Zebit is forecasting a decrease in total revenue of $3.3 million (3.9%), from $85.5 million in FY19 to $82.2 million in FY20F, driven by limited availability of capital.

This is forecast to be somewhat offset by:

- An increase in the number of Cumulative Registered Users on the Zebit Platform of 227,000 (39.1%) from 580,000 at 31 December 2019 to 807,000 at 31 December 2020; and
- An increase in the Average Monthly Spend per Active Customer of $5 (1.4%) from $370 to $375

The majority of the FY19 to FY20F decrease in Zebit' revenue is forecast to occur in 1H20 (relative to 1H19), when Zebit was subject to capital constraints driven by COVID-19 and the subsequent closure of the US and Australian capital markets for primary issuances in 2Q20. See section 3.6 for further discussion on the impact of COVID-19 and capital constraints on Zebit's business and see below for further discussion on half-year revenue.

### 1H20 to 1H21F

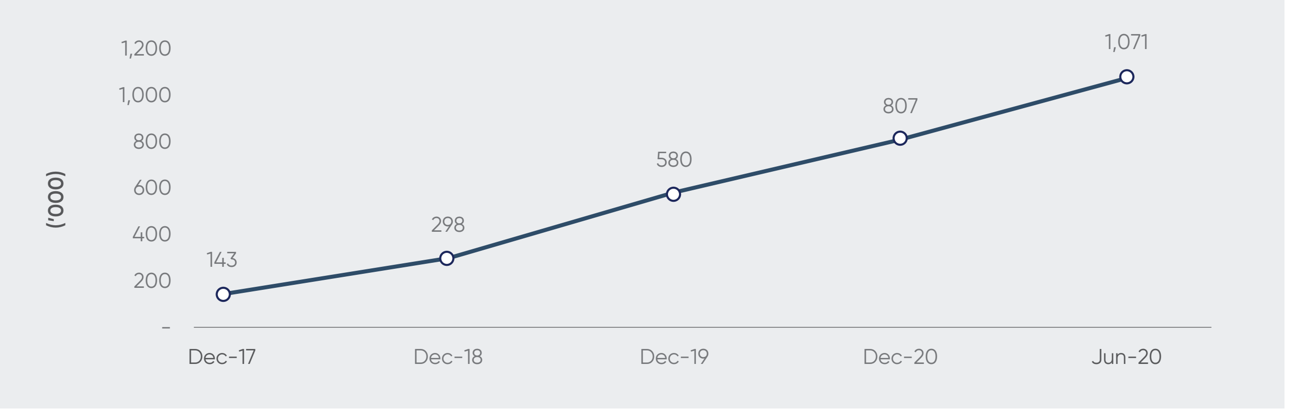
As the capital markets around the world began to normalise in July 2020, Zebit strategically released several COVID-19 constraints in mid-July 2020 that management imposed on the business beginning in March 2020 and as a result, revenue is forecast to increase by $27.0 million (95.7%) from $28.1 million in 1H20 to $55.1 million in 1H21F. See section 3.6 for further discussion on the constraints that Zebit has released and the operational results thereof.

Zebit's forecast revenue growth is expected to primarily be driven by the increased number of Cumulative Registered Users on the Zebit Platform converting into Active Customers.

Further to this, the ability for Zebit to drive growth is largely dependent on the availability of capital to fund growth.

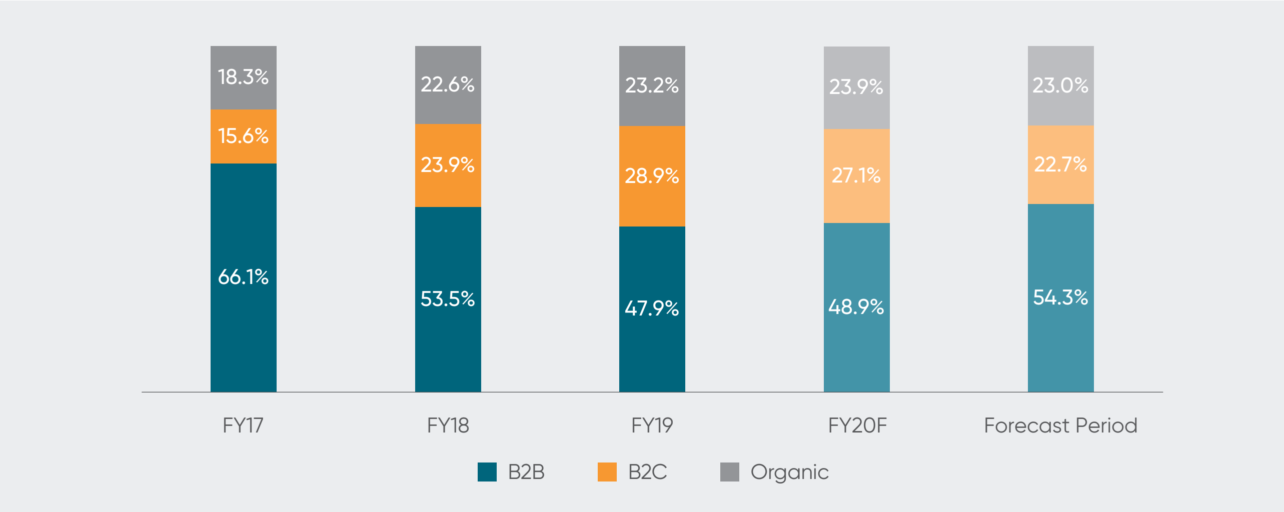
### Revenue Drivers

FIGURE 4 : CUMULATIVE REGISTERED USERS FY17 – FORECAST PERIOD (000S, AS AT PERIOD-END)



Cumulative Registered Users are forecast to increase from 143,000 at the end of FY17, to 1,071,000 at the end of the Forecast Period. The increase in the number of Registered Users is primarily driven by marketing spend (for further details refer to marketing expenses in section 6.7.4 below).

FIGURE 5: CUMULATIVE REGISTERED USERS BY CHANNEL



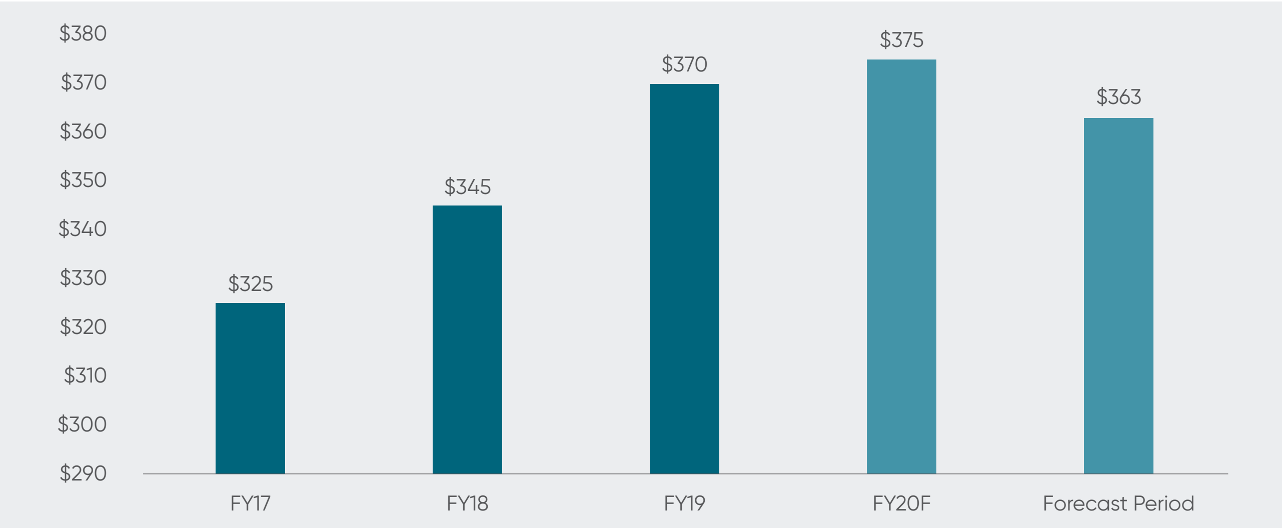

### Active Customers

The number of Registered Users who become Active Customers varies based on the down payment percentage and products that management has determined to put on the Zebit Platform. Historically, approximately 31.4% of all Registered Users in any given month have become Active Customers. This is measured as the average engagement per registration month from 1 January 2017 through 31 December 2018.

FIGURE 6: REGISTERED USER CONVERSION TO ACTIVE CUSTOMER

## Average Monthly Spend

FIGURE 7: AVERAGE MONTHLY SPEND PER ACTIVE CUSTOMER FY17 – 1H21F ($)




Average Monthly Spend per Active Customer is forecast to increase from $325 during FY17, to $375 during FY20F.

The higher average spend over this period was driven by an increase in Average Order Value ("**AOV**") during COVID-19 period as consumers shifted their purchase behaviour away from e-certificates towards higher value, physical product. Zebit believes that this is due to many physical retail locations closing during COVID-19 period, limiting the opportunity for Active Customers to utilise the e-certificates. The Average Monthly Spend per Active Customer is expected to decline slightly to $363 during the Forecast Period.

The consistent increase in Average Monthly Spend per Active Customer historically is as a result of, firstly, Zebit continuing to expand its physical product catalogue, which has resulted in sales mix shifting from e-certificates to higher value physical product, and secondly, as a result of the repeat customer cohort expanding over time with management increasing their Zebitlines allowing them to make larger purchases.

## Revenue Mix

Zebit has focused on bringing more physical products to the marketplace to reduce the proportion of revenue generated by e-certificates. Since FY17, Zebit has driven revenue away from e-certificates, which comprised of 74.2% of revenue to 51.7% in FY19 and an assumed 45% during the Forecast Period.

FIGURE 8 : REVENUE MIX FY17 – FORECAST PERIOD ($)

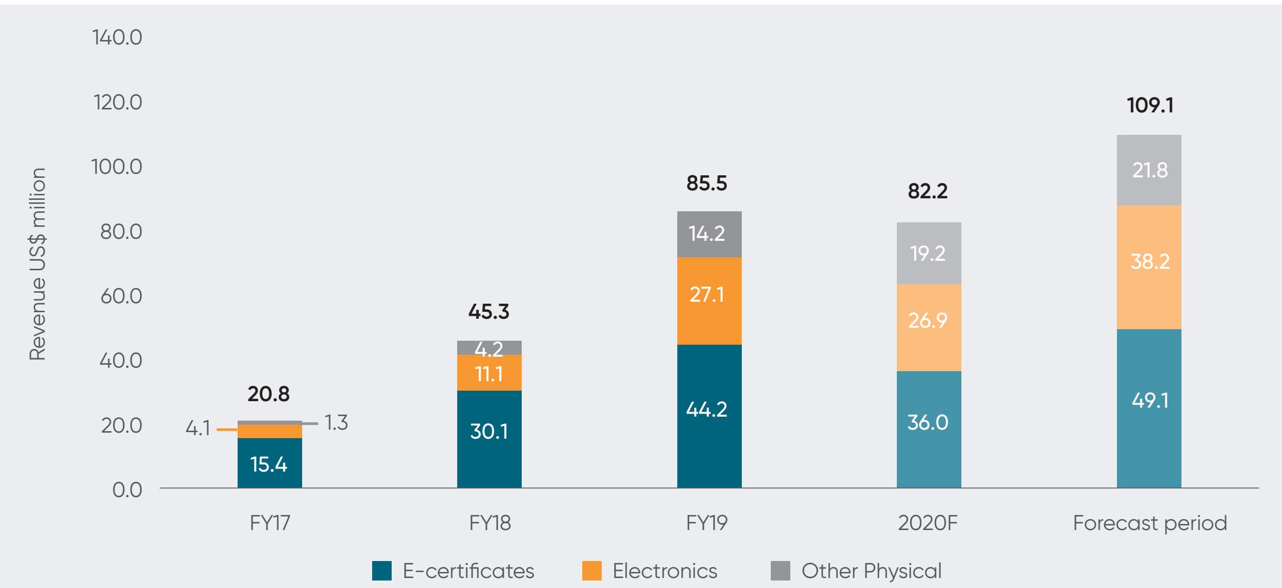
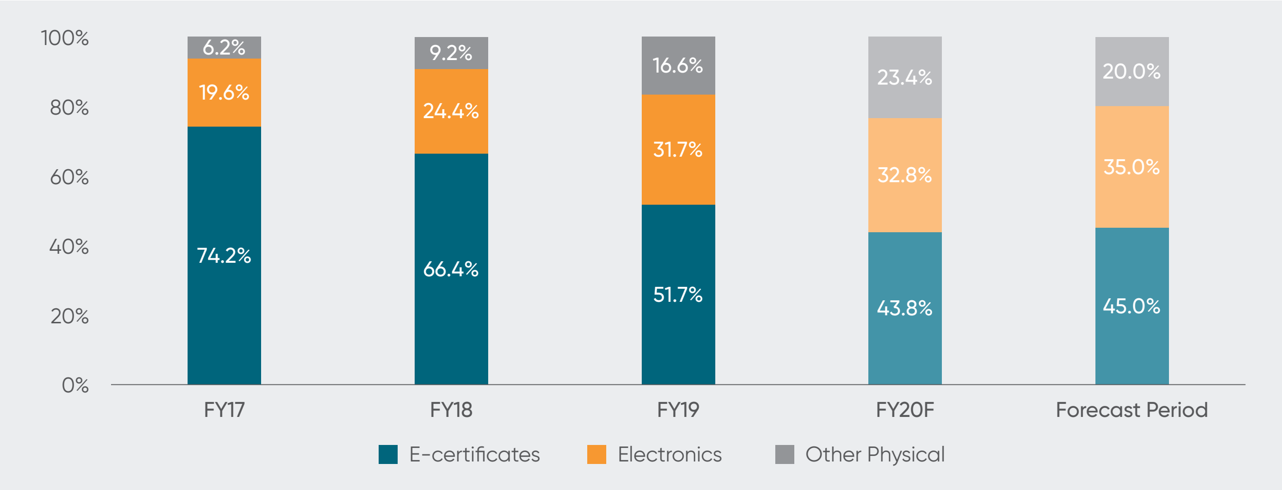
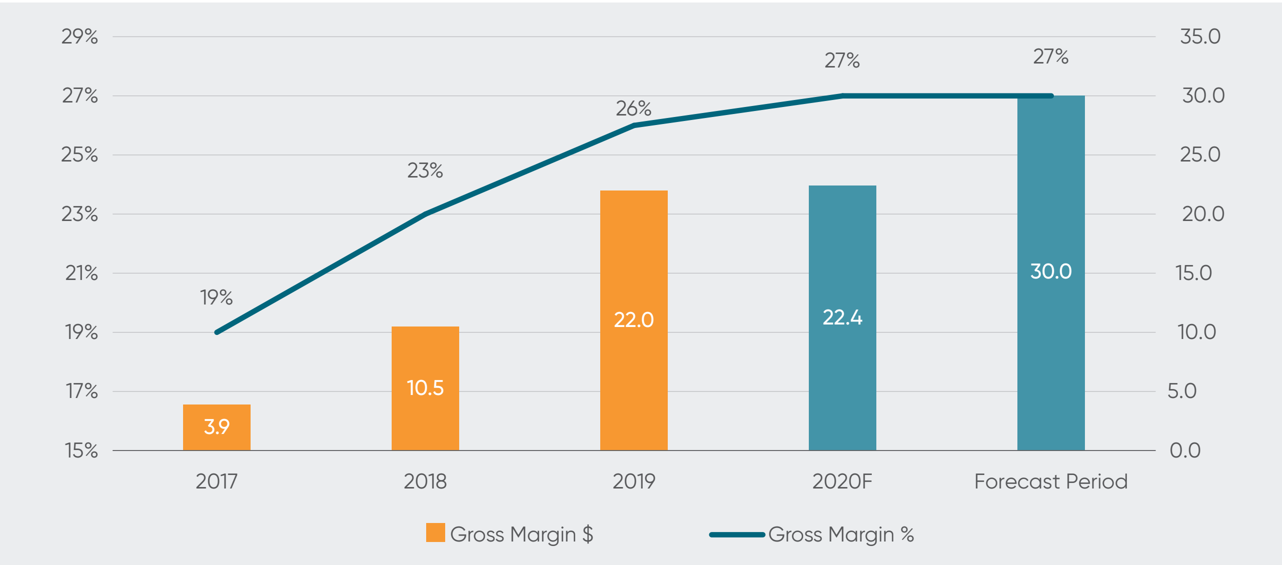


FIGURE 9: REVENUE MIX FY17 – FORECAST PERIOD (2H20-1H21F) (%)




### 6.7.2 Gross Margin

FIGURE 10: PRO-FORMA GROSS MARGIN ($) AND PRO-FORMA GROSS MARGIN PERCENTAGE (%), FY17 – FORECAST PERIOD



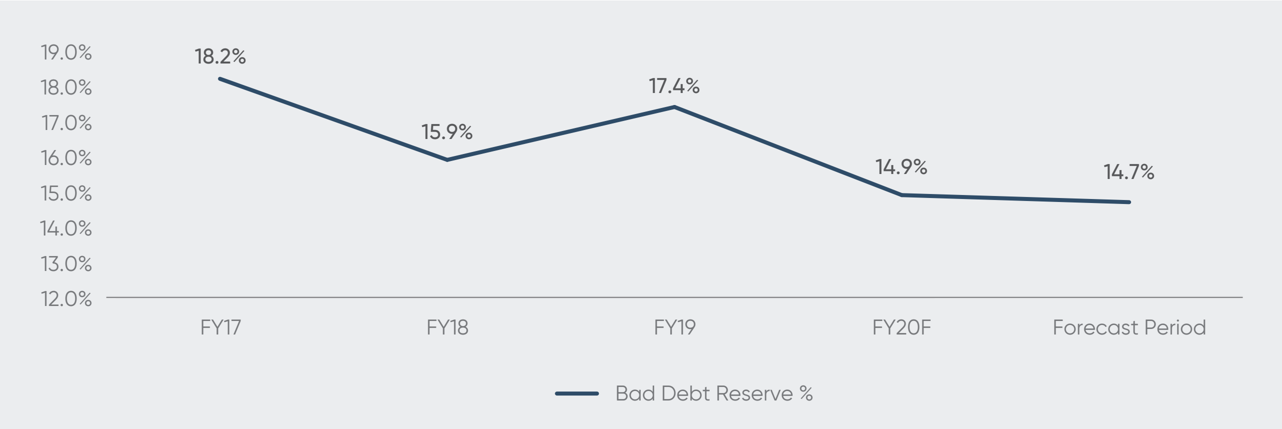

Gross Margin is forecast to increase from $3.9 million in FY17 to $22.4 million in FY20F and $30.0 million for the Forecast Period (12 months through 1H FY21) representing a CAGR of 79.1%. This is driven by an increase in forecast revenue and an improvement in Gross Margin as a percentage of Revenue. Gross Margin as a percentage of Revenue is expected to increase from 18.7% in FY17 to 27.5% in the Forecast Period. This has historically been driven by a shift in revenue mix from lower margin e-certificates to higher margin physical products. Further, Zebit expects to utilise its scale to negotiate better cost of goods from its suppliers to drive incremental margin improvements.

### 6.7.3 Bad Debt Reserve

Bad Debt Reserve is the expected credit losses from outstanding sales.

Figure 11 illustrates Bad Debt Reserve as a percentage of revenue from FY17 to the Forecast Period (12 months through to 30 June 2021).

FIGURE 11: BAD DEBT RESERVE PERCENTAGE (%), FY17 – FORECAST PERIOD




Zebit's Bad Debt Reserve percentage decreased from 18.2% of revenue in FY17 to 15.9% of revenue in FY18. This was driven by the Company's need to optimise cash over the period, leading to multiple platform levers being pulled such as raising income minimum requirements and increasing the required down payment at checkout.

In FY19 Bad Debt Reserve percentage increased to 17.4% of revenue as Zebit experimented with marketing in different channels and to different consumer segments. Zebit gained invaluable data from this experimentation and has utilised that data in building a suite of second and third generation fraud and risk underwriting models.

FY19 Bad Debt Reserve was higher than what was experienced in FY18 due to intentional data testing across multiple components of the business. This included testing:

- new marketing channels and B2B partnerships;
- different down payments at check out and Zebitline allocations;
- invoicing structure (e.g., declining balance vs. straight line); and
- auto approve strategy designed to increase underwriting approval rates for lower risk registrants by using a combination of employment indicators and/or alternative creditworthiness variables.

In FY20F Bad Debt Reserve percentage is forecast to decrease to 14.9% in FY20F and 14.7% for the Forecast Period. This is expected to be driven by the implementation of second generation risk models, which have been tested and shown to reduce loss rates (please refer to Section 3.6.2 for detail of historical testing). Additionally, as the Company continues to scale, there will be a higher percentage of purchases from more seasoned repeat buyers on the platform. This has been proven to result in improved credit performance for Zebit.

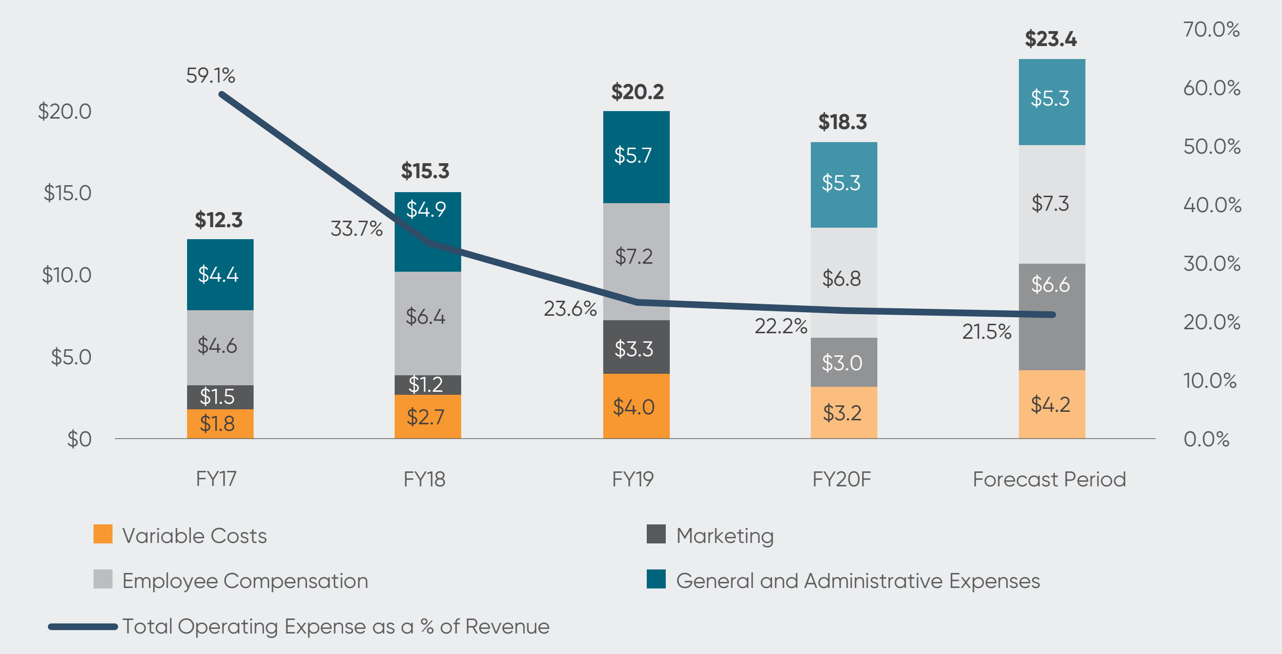
### 6.7.4 Operating Expenses

Zebit presents expense categories within the consolidated statement of profit or loss on a functional basis. The categories used are outlined below:

| | |
|---|---|
| **Variable Expenses** | Includes all third-party data provider costs used in underwriting applicants and all third-party payment processing costs associated with collections of active outstanding customer orders. |
| **Marketing Expenses** | All expenses associated with the acquisition of new registered users and the continued outreach to existing registered users through email outreach and surveys utilised to improve Zebit's product. |
| **Employee Compensation** | All personnel and related costs (including salaries, benefits, and related payroll tax are included in employee compensation. Zebit does not allocate employee costs to other lines within the profit and loss statement. |
| **General and Administrative Expenses** | These expenses include professional fees for legal, accounting, tax and other services, as well as occupancy, travel, and insurance. |

Figure 12 illustrates total operating expenses and total operating expenses as a percentage of revenue from FY17 to the Forecast Period (12 months through to 30 June 2021).

FIGURE 12: OPERATING EXPENSES ($M) AND TOTAL OPERATING EXPENSES AS A PERCENTAGE OF REVENUE (%), FY17 – FORECAST PERIOD

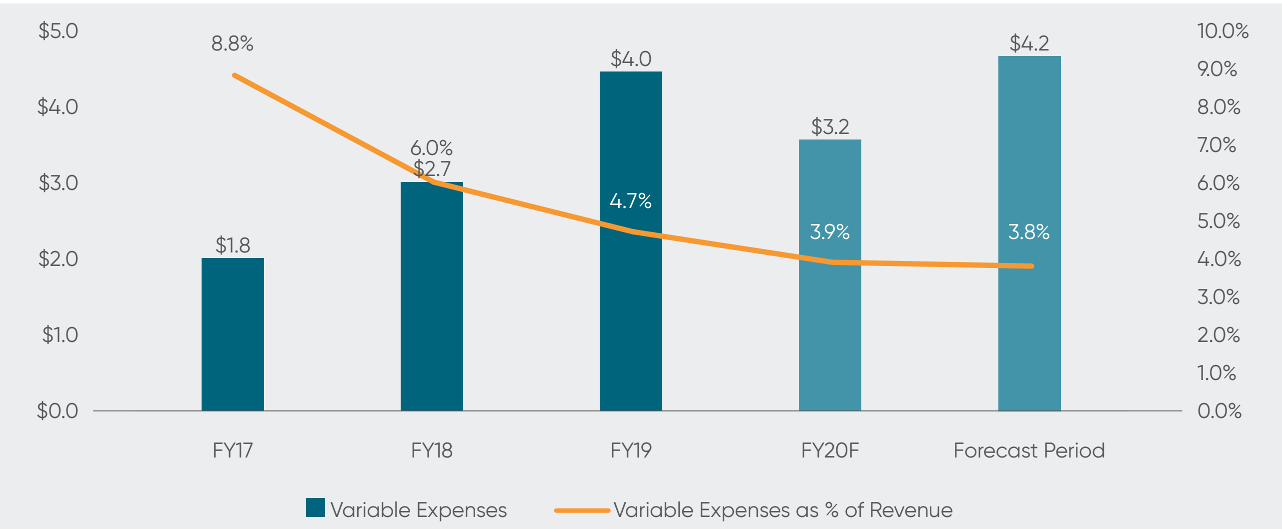



Total operating expenses as a percentage of revenue has decreased from 59.1% in FY17 to 23.6% in FY19, reflecting the operating leverage achieved from revenue growth over the period. Total operating expenses as a percentage of revenue is expected to decrease further to 22.2% by FY20F and 21.5% in the Forecast Period, reflecting similar benefits of operating leverage. The slight increase during the forecast period is driven by an increase in non-cash stock compensation as a result of revaluing employee stock options.

### 6.7.4.1 Other Variable Expenses

Figure 13 illustrates Data and Payment Processing expenses (consisting of data costs to underwrite applicants and payment processing fees) from FY17 to the Forecast Period (12 months through to 30 June 2021).

FIGURE 13: TOTAL VARIABLE EXPENSES ($M) AND VARIABLE EXPENSES AS A PERCENT OF REVENUE (%), FY17 – FORECAST PERIOD




Variable expenses increased from $1.8 million in FY17 to $2.7 million in FY18, and to $4.0 million in FY19 due to corresponding increases in revenue. Although Variable expenses are correlated to increases in revenue, Zebit still achieved scale efficiencies as the expense decreased from 8.8% of revenue in FY17 to 4.7% of revenue in FY19. This was as a result of Zebit renegotiating contracts with relevant service providers to incorporate built in volume discounts.

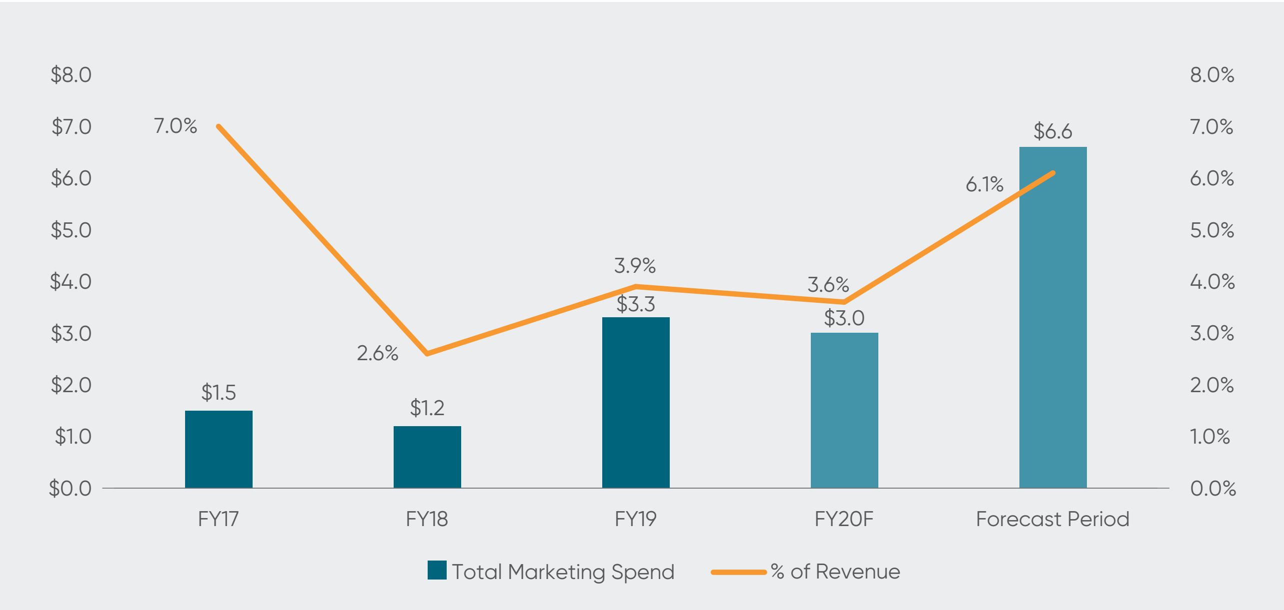
Variable expenses are forecast to decrease from $4.0 million in FY19 to $3.2 million in FY20F. This is due to Zebit intentionally slowing its growth to manage its cash flow in 1H20, when Zebit experienced uncertainty regarding a capital raise. Variable expenses are forecast to increase to $4.2 million during the Forecast Period due to increased data costs and payment processing fees as a direct result of the revenue growth during the Forecast Period. Variable expenses as a percentage of revenue are forecast to decrease from 4.7% in FY19 to 3.9% in FY20F, and 3.8% in the Forecast Period.

#### 6.7.4.2 Marketing Expenses

Marketing expense includes B2C marketing, B2B marketing, and other miscellaneous expenses not directly associated with a specific marketing channel but are necessary for current customer outreach. This includes Zebit's email outreach system and social media management, public relations/press, market research, and creative costs.

Figure 14 illustrates Marketing expense from FY17 to the Forecast Period (12 months through to 30 June 2021).

FIGURE 14: MARKETING EXPENSE ($M) AND MARKET EXPENSE AS A PERCENTAGE OF REVENUE (%), FY17 – FORECAST PERIOD




Marketing expenses decreased from $1.5 million in FY17 to $1.2 million in FY18 as Zebit intentionally slowed its growth to manage its cash flow ahead of a capital raise toward the end of 2Q18. This then increased to $3.3 million in FY19 as Zebit targeted further growth. Marketing expenses decreased from 7.0% of revenue in FY17 to 3.9% of revenue in FY19, as Zebit scaled.

Marketing expenses are forecast to decrease from $3.3 million in FY19 to $3.0 million in FY20F (from 3.9% of revenue in FY19 to 3.6% of revenue in FY20F) due to Zebit intentionally slowing its growth to manage its cash flow in 1H20, when Zebit experienced uncertainty regarding a capital raise.

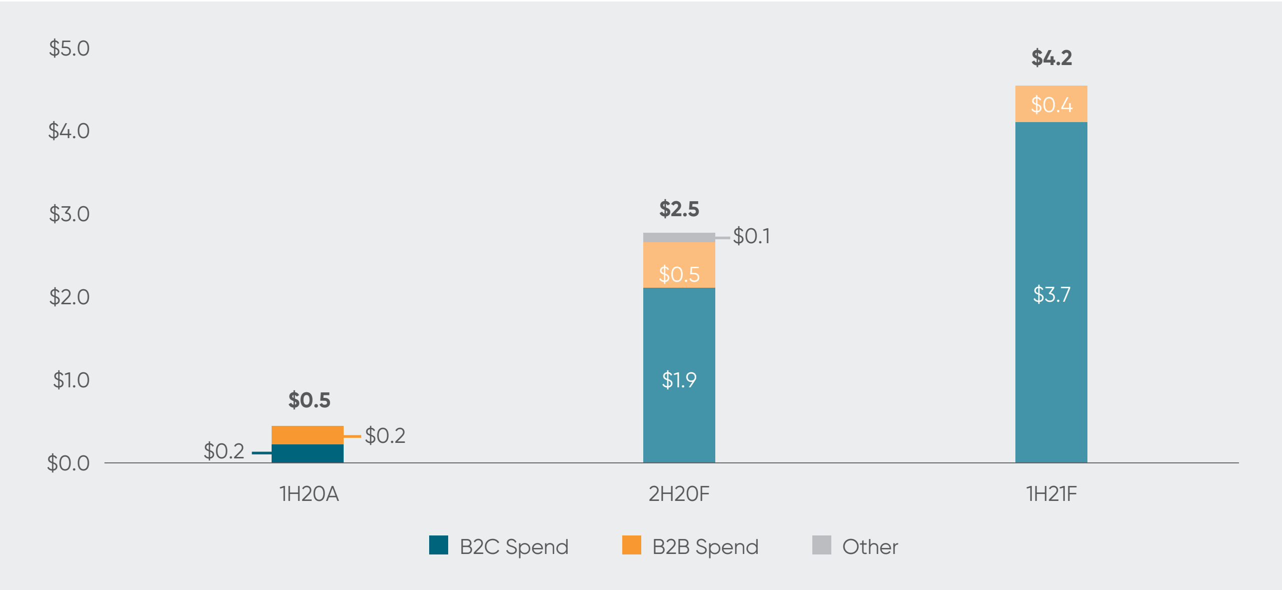
Marketing expense is forecast to increase to $6.6 million during the Forecast Period (to 6.1% of revenue) to support the forecast revenue growth and the forecast growth in Cumulative Registered Users.

Cumulative Registered Users are forecast to increase by 39.5% from 580,000 at the end of FY19 to 807,000 at the end of FY20F, after increasing by 95.0% from 298,000 at the end of FY18 to 580,000 at the end of FY19 and eventually to 1,071,000 as at 30 June 2021. The lower forecast growth rate to the end of FY20F is a result of an intentional decline in B2C and B2B marketing spend during COVID-19.

In 2H20F, following Completion of the IPO, Zebit plans to accelerate its investment in customer acquisition ahead of the important selling periods in November (Black Friday and Cyber Monday) and December (Christmas and Hanukkah). In 1H21F Zebit plans to further accelerate its investment in customer acquisition. Given new Registered Users joining the platform during 2H20F and 1H21F and will not be on the Platform for the full period, they will have less time on the platform (and therefore make fewer purchases) than existing Registered Users. Zebit believes that this results in Revenue growth lagging growth in Cumulative Registered Users and growth in Marketing expense.

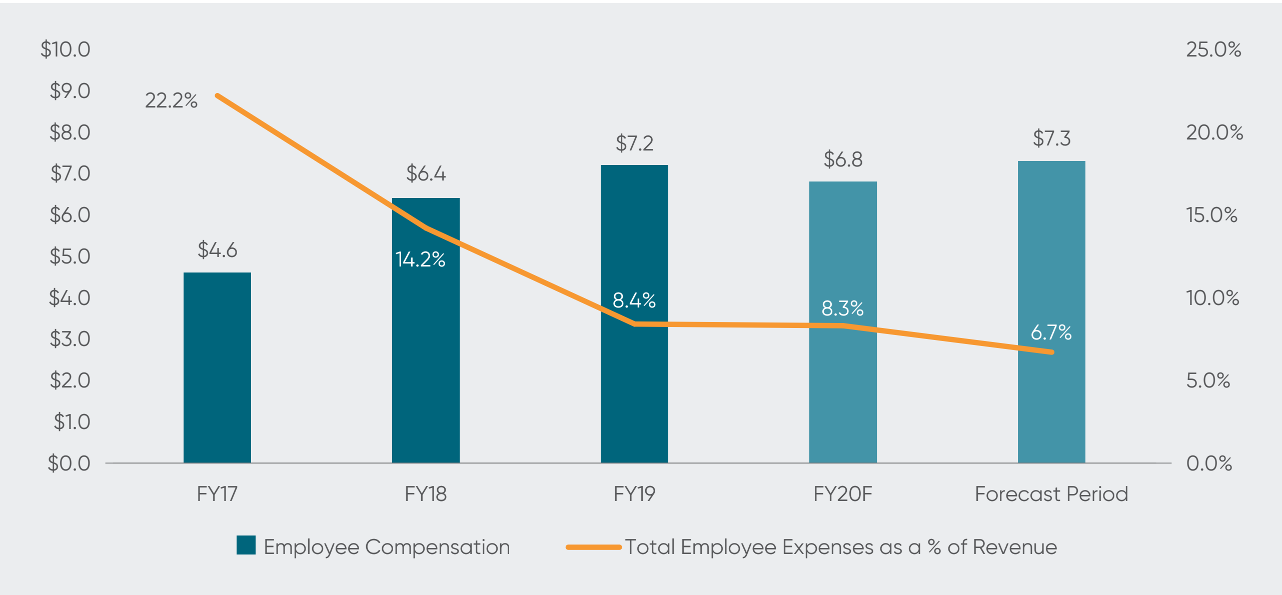
Figure 15 illustrates Marketing expense by channel and by half year from 1H20 to 1H21F.

FIGURE 15: MARKETING EXPENSE BY HALF YEAR ($M)




#### 6.7.4.3 Employee Expenses

FIGURE 16: EMPLOYEE EXPENSES ($M) AND EMPLOYEE EXPENSES AS A PERCENTAGE OF REVENUE (%), FY17 – FORECAST PERIOD



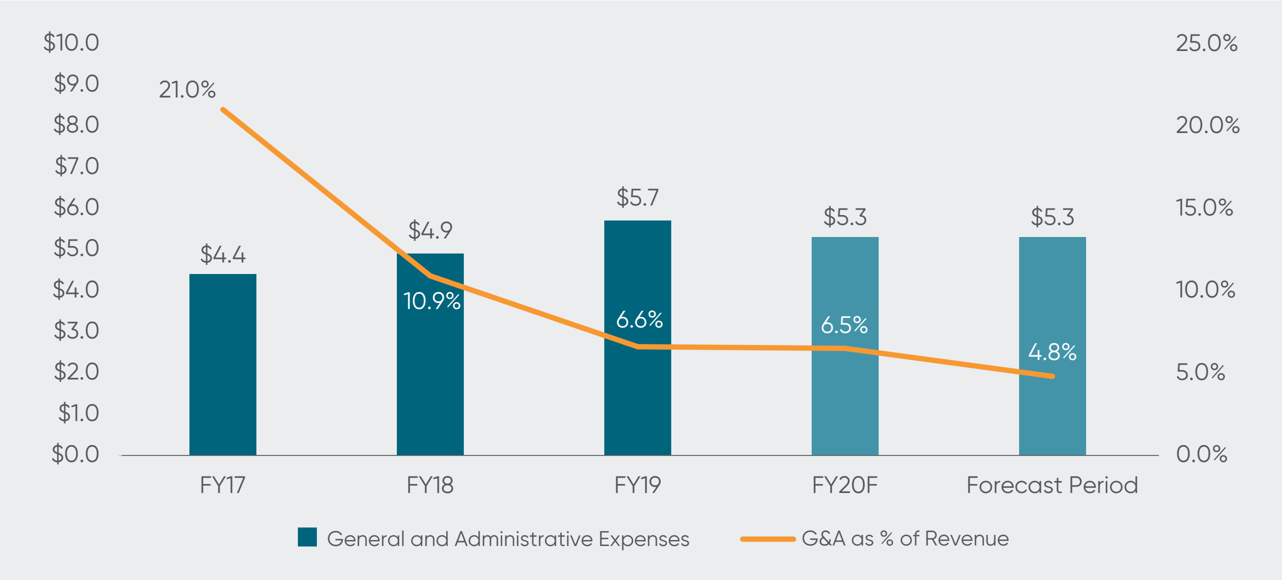

Employee expenses increased from US$4.6 million in FY17 to US$6.4 million in FY18 and to $7.2 million in FY19 due to increases in headcount.

Employee expenses are forecast to decrease from US$7.2 million in FY19 to US$6.8 million in FY20F due to Zebit reducing headcount in 1H20. Employee expenses are forecast to increase to US$7.3 million during the Forecast Period driven by a forecast increase in headcount. Of this US$7.3 million, US$1.2 million is related to non-cash stock compensation due to the revaluation of stock options granted in February 2020 and at the IPO as seen in Table 10. This is compared to stock compensation expense of US$0.3 million in 2019.

Employee expenses are forecast to decrease from 22.2% of revenue in FY17 to 8.3% of revenue in FY20F and 6.7% of revenue in the Forecast Period, reflecting the operating leverage in the business.

#### 6.7.4.4 General and Administrative Expenses

FIGURE 17: GENERAL AND ADMINISTRATIVE EXPENSES ($M) AND GENERAL AND ADMINISTRATIVE EXPENSES AS A PERCENTAGE OF REVENUE (%), FY17 – FORECAST PERIOD




General and Administrative Expenses are expected to increase from $4.4 million in FY17 to $5.3 million in the Forecast Period as a function of increased scale and costs associated with being a publicly listed company. General and Administrative Expenses as a percent of revenue are expected to decline from 6.6% in FY19 to 4.8% in the Forecast Period, reflecting the operating leverage in the business.

## 6.8 Sensitivity analysis of Forecast Financial Information

The Forecast Financial Information is based on a number of specific and general assumptions, as described in Sections 6.6.1 and 6.6.2. These specific and general assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Zebit, the Directors and management, and upon assumptions with respect to future business decisions, which are subject to change.

Set out in Table 13 below is a summary of the sensitivity of the Pro Forma Forecast Financial Information to changes in several key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown, and these variances may be substantial.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely key impact on the Pro Forma Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions. In practice, changes in assumptions may offset each other or be additive, and it is likely that Zebit management would respond to an adverse change in one item to seek to minimise the net effect on Zebit's earnings and cash flow.

For the purpose of the sensitivity analysis in Table 13, each sensitivity is presented in terms of the impact on the Forecast Period pro-forma forecast revenue and EBITDA.

TABLE 13: SENSITIVITY ANALYSIS ON PRO FORMA FORECAST REVENUE AND EBITDA DURING THE FORECAST PERIOD

| | Increase/ decrease | Full Forecast Period | | | |
|---|---|---|---|---|---|
| | | (+) Revenue | (-) Revenue | (+) EBITDA | (-) EBITDA |
| Average Customer Spend per Month | +/- 5% | $5,462,622 | ($5,462,622) | $637,260 | ($656,221) |
| Gross Margin | +/- 100bps | $0 | $0 | $1,051,762 | ($1,051,762) |
| Bad Debt | +/- 100bps | $0 | $0 | ($1,107,174) | $1,107,174 |
| CAC | +/- 5% | ($2,283,281) | $2,697,207 | ($173,949) | $204,909 |
| | **Increase/ decrease** | **2H20F** | | | |
| Average Customer Spend per Month | +/- 5% | $2,704,503 | ($2,704,503) | $317,105 | ($336,065) |
| Gross Margin | +/- 100bps | $0 | $0 | $520,719 | ($520,719) |
| Bad Debt | +/- 100bps | $0 | $0 | ($553,873) | $553,873 |
| CAC | +/- 5% | ($909,585) | $1,009,858 | ($65,156) | $74,674 |
| | **Increase/ decrease** | **1H21F** | | | |
| Average Customer Spend per Month | +/- 5% | $2,758,119 | ($2,758,119) | $320,155 | ($320,156) |
| Gross Margin | +/- 100bps | $0 | $0 | $531,042 | ($531,042) |
| Bad Debt | +/- 100bps | $0 | $0 | ($553,301) | $553,301 |
| CAC | +/- 5% | ($1,373,696) | $1,687,349 | ($108,793) | $130,235 |

## 6.9 Dividend policy

The payment of a dividend by Zebit, if any, is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results, cash flows and the financial condition of the Zebit Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Zebit Group, and any other factors the Directors may consider relevant. The Directors do not provide any assurance of the future level of dividends paid by the Company.

While it is the aim of the Company that, in the longer term, its financial performance and position will enable the payment of dividends, at the Prospectus Date, the Company does not intend, or expect to declare or pay any dividends in the immediately foreseeable future, given that its focus will be on long term growth and reinvesting cash into the Company.

# Independent Limited Assurance Report

# 7. Independent Limited Assurance Report

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

The Directors
Zebit, Inc.
9530 Towne Centre Drive, Suite 200
San Diego CA 92121
USA

30 September 2020

Dear Directors

## Independent Limited Assurance Report

### INTRODUCTION

BDO Corporate Finance (East Coast) Pty Ltd (**BDO**) has been engaged by Zebit, Inc. (**Zebit** or the **Company**) to prepare this Independent Limited Assurance Report (**Report**) for inclusion in a prospectus proposed to be issued, in relation to the initial public offering of CHESS Depositary Interests over shares in Zebit, in October 2020 (**Prospectus**) and listing on the Australian Securities Exchange (**ASX**) (the **Offer**).

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

### SCOPE

You have requested BDO to perform a limited assurance engagement in relation to the financial information described below and disclosed in the Prospectus.

The financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Generally Accepted Accounting Principles (United States) (**U.S. GAAP**) or Australian equivalents to International Financial Reporting Standards (**AIFRS**) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

### SCOPE OF REVIEW OF THE STATUTORY HISTORICAL FINANCIAL INFORMATION

You have requested BDO to review the following statutory historical financial information (together, the **Statutory Historical Financial Information**) included in the Prospectus:

- The historical consolidated statement of profit or loss for the years ended 31 December 2017 (**FY17**), 31 December 2018 (**FY18**), 31 December 2019 (**FY19**) and the six months ended 30 June 2019 (**1H19**) and 30 June 2020 (**1H20**);
- The historical consolidated statement of cash flows for FY17, FY18, FY19, 1H19 and 1H20; and
- The historical consolidated statement of financial position as at 30 June 2020.

BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170 AFS Licence No. 247420 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (East Coast) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in U.S. GAAP and the company's adopted accounting policies. The Statutory Historical Financial Information has been extracted from the financial statements of Zebit for the financial periods ended 31 December 2017, 31 December 2018 and 31 December 2019 (audited by BDO USA, LLP (**BDO USA**)) and the half year periods ended 30 June 2019 and 30 June 2020 (reviewed by BDO USA). The audits and review were performed in accordance with auditing standards generally accepted in the United States of America.

BDO USA issued an unmodified opinion with respect to abovementioned financial reports, however included an emphasis of matter paragraph in the audit report. BDO USA outlined the Company's recurring losses from operations and a net capital deficiency, and stated that substantial doubt exists about its ability to continue as a going concern. Management notes that to alleviate these conditions, the Company is actively pursuing an initial public offering (**IPO**) on the ASX and in parallel, a sale of its business in case the IPO is not successful.

## SCOPE OF REVIEW OF THE PRO FORMA HISTORICAL FINANCIAL INFORMATION

You have requested BDO review the following pro forma historical financial information (together the **Pro Forma Historical Financial Information**) included in the Prospectus:

- The pro forma historical consolidated statements of profit or loss for FY17, FY18, FY19, 1H19 and 1H20;
- The pro forma historical consolidated statements of cash flow for FY17, FY18, FY19, 1H19 and 1H20;
- The pro forma historical consolidated statement of financial position as at 30 June 2020; and
- Associated details of the pro forma adjustments,

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Zebit, after adjusting for the effects of pro forma adjustments described in Section 6 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained U.S. GAAP applied to the Statutory Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 6 of the Prospectus, as if those event(s) or transaction(s) had occurred as at 30 June 2020. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position.

### Directors' Responsibility

The directors of Zebit are responsible for the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with U.S. GAAP or AIFRS and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

**Review statement on the Statutory Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information, as described in Section 6 of the Prospectus, and comprising the:

- 12 months ended 31 December 2017;
- 12 months ended 31 December 2018;
- 12 months ended 31 December 2019;
- 6 months ended 30 June 2019; and
- 6 months ended 30 June 2020

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 6 of the Prospectus.

**Review statement on the Pro Forma Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in Section 6 of the Prospectus, and comprising the:

- 12 months ended 31 December 2017;
- 12 months ended 31 December 2018;
- 12 months ended 31 December 2019;
- 6 months ended 30 June 2019; and
- 6 months ended 30 June 2020

is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 6 of the Prospectus.

**SCOPE OF REVIEW OF THE FORECAST FINANCIAL INFORMATION**

You have requested BDO review the following forecast financial information (together the **Forecast Financial Information**) of Zebit included in Section 6 of the Prospectus:

- The statutory forecast consolidated statement of profit or loss and consolidated statement of cash flows of Zebit for the six months ending 31 December 2020 (**2H20F**) (together with the 1H20 period referred to as **FY20F**) and the six months ending 30 June 2021 (**1H21F**) (together with 2H20F referred to as the '**Forecast Period**'), as described in Section 6 of the Prospectus. The directors' best-estimate assumptions underlying the statutory forecast are described in Section 6 of the Prospectus; and
- The pro forma forecast consolidated statement of profit or loss and consolidated statement of cash flows of Zebit for FY20F and 1H21F, as described in Section 6 of the Prospectus. The pro forma forecast has been derived from Zebit's statutory forecast, after adjusting for the effects of the pro forma adjustments described in Section 6 of the Prospectus.

The Forecast Financial Information, to the extent possible, has been prepared on a consistent basis and in accordance with the recognition and measurement principles contained in U.S. GAAP and Zebit's adopted accounting policies. Due to its nature, the Forecast Financial Information does not represent the company's actual prospective comprehensive income and cash flows for the six month period ended 30 June 2021.

## DIRECTORS' RESPONSIBILITY

The directors of Zebit are responsible for the preparation of the forecast for the Forecast Period including the best-estimate assumptions underlying the forecast. They are also responsible for the preparation of the pro forma forecast for the Forecast Period, including the selection and determination of the pro forma adjustments made to the forecast and included in the pro forma forecast. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of a forecast and a pro forma forecast that are free from material misstatement, whether due to fraud or error.

## OUR RESPONSIBILITY

Our responsibility is to express limited assurance conclusions on the statutory and pro forma forecast, the best-estimate assumptions underlying the statutory and pro forma forecast, and the reasonableness of the statutory and pro forma forecast themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE *3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

### Review statement on the Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the director's best-estimate assumptions, used in the preparation of the statutory forecast consolidated statement of profit or loss and statutory forecast consolidated statement of cash flows of Zebit for the Forecast Period, do not provide reasonable grounds for the forecast; and
- in all material respects, the statutory forecast:
  - is not prepared on the basis of the director's best-estimate assumptions as described in Section 6 of the Prospectus;
  - is not presented fairly in accordance with the stated basis of preparation, as described in Section 6 of the Prospectus; and
- itself is unreasonable.

### Review statement on the Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the director's best-estimate assumptions, used in the preparation of the pro forma forecast consolidated statement of profit or loss and pro forma forecast consolidated statement of cash flows of Zebit for the Forecast Period, do not provide reasonable grounds for the pro forma forecast; and

- in all material respects, the Pro Forma Forecast Financial Information:
  - is not prepared on the basis of the directors' best-estimate assumptions, as described in Section 6 of the Prospectus;
  - is not presented fairly in accordance with the stated basis of preparation, as described in Section 6 of the Prospectus; and
- itself is unreasonable.

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of Zebit for the Forecast Period. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Zebit. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Zebit which are detailed in the Prospectus, and the inherent uncertainty relating to the forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 6 of the Prospectus. The sensitivity analysis described in Section 6 of the Prospectus demonstrates the impact on the pro forma forecast of changes in key best-estimate assumptions. We express no opinion as to whether the forecast will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the statutory forecast or pro forma forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Zebit, that all material information concerning the prospects and proposed operations of Zebit has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

### SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction(s) or event(s) outside of the ordinary business of Zebit not described in the Prospectus, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

## INDEPENDENCE

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Prospectus other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received.

## GENERAL ADVICE WARNING

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 6 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

## FINANCIAL SERVICES GUIDE

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

**Yours faithfully**
**BDO CORPORATE FINANCE (EAST COAST) PTY LTD**

**Sebastian Stevens**
Director

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Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

## FINANCIAL SERVICES GUIDE

Dated: 30 September 2020

This Financial Services Guide (**FSG**) helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd (**BDO Corporate Finance, we, us, our).**

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

### FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

### GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us c.AU$618,000 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

### REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### COMPLAINTS RESOLUTION

#### Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

#### Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (**AFCA**). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11843).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
MELBOURNE VIC 3001
Toll free: 1800 931 678
Email: info@afca.org.au

### COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

### CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - cf.ecp@bdo.com.au

BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170 AFS Licence No. 247420 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (East Coast) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

# Details of the Offer

# 8. Details of the Offer

## 8.1 What is the Offer?

This Prospectus relates to an initial public offering of 22,151,899 CDIs over new Shares to be issued by the Company, and application for admission of the Company to the official list of the ASX

Each CDI will represent one Share. The CDIs are being offered at an issue price of A$1.58 per CDI.

Upon Completion of the Offer, a total of 94,287,500 CDIs will be on issue (assuming all Shares are held in the form of CDIs) and all Shares underlying the CDIs will rank equally in all respects with the Existing Shares on issue at the date of listing. A summary of the rights attaching to the CDIs is set out in Section 10.10.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus and is fully underwritten by the Lead Manager.

## 8.2 Offer structure

The Offer comprises:

- the Institutional Offer, which consists of an invitation to certain institutional investors in Australia and a number of other authorised jurisdictions to apply for CDIs;
- the Broker Firm Offer, which is open to Australian resident retail investors and sophisticated investors who have received a firm allocation from their broker; and
- the Priority Offer, which is open to persons who have received a Priority Offer invitation from the Company.

The allocation of CDIs between the Broker Firm Offer, the Institutional Offer and the Priority Offer will be determined by agreement between the Company and the Lead Manager having regard to the allocation policies described in Sections 8.5 to 8.7 below.

## 8.3 Purpose of Offer and use of Offer Proceeds

The Offer is being conducted to:

- fund additional investment to acquire new Active Customers;
- fund the Company's growth strategy;
- repay the SVB Facility;
- provide access to capital markets which will afford the business additional financial flexibility to pursue further growth opportunities;
- provide a liquid market for CDIs and an opportunity for others to invest in the Company;
- receive benefits of an increased brand profile that arises from being a listed entity; and
- pay the costs of the Offer.

The sources and uses of the funds raised under the Offer are set out in the table below.

| Sources | US$'000's | A$'000's | Uses | US$ 000 | A$ 000 | % |
|---|---|---|---|---|---|---|
| Offer proceeds received by Zebit | 24,500 | 35,000 | Working Capital[1] | 6,366 | 9,094 | 26.0% |
| | | | Marketing Expenses | 6,645 | 9,493 | 27.1% |
| | | | Active Customer Underwriting & payment processing costs | 4,196 | 5,994 | 17.1% |
| | | | Offer costs | 3,744 | 5,349 | 15.3% |
| | | | Repayment of SVB Facility | 1,609 | 2,298 | 6.6% |
| | | | New Employee Compensation | 848 | 1,211 | 3.5% |
| | | | Alternative Capital Raising Expenses | 750 | 1,071 | 3.1% |
| | | | Platform Development | 343 | 490 | 1.4% |
| | | | **Total** | **24,500** | **35,000** | **100.0%** |

Notes:

1. Zebit will use working capital to fund equity required for growth of accounts receivables, and other general cash needs.

The above table is a statement of current intentions as at the Prospectus Date. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of sales performance, operational and development activities, regulatory developments, and market and general economic conditions. In light of this, the Board reserves its right to alter the way the funds are applied.

In addition, as the proceeds of the Offer will be received in Australian Dollars and the expenditure will be in U.S. Dollars, the actual amount of the proceeds used for each of the items will depend on the AUD:USD exchange rate at the time that the funds are converted to U.S. Dollars.

The Board believes that the Company's cash reserves, its cash flow from existing operations, plus the net proceeds of the Offer will be sufficient to fund the Company's stated business objectives, being:

- reinventing how credit is provided to financially underserved consumers who either have no traditional credit score or are below the mainstream threshold to access cost-effective credit;
- increasing customer acquisition to strengthen Zebit's market position and first-mover advantage;
- optimising approval rates and credit losses; and
- developing additional platform capabilities such as improving new customer registration processes, risk models, introducing longer term financing products for best performing Active Customers, expanding marketing campaign software and implementing an upgraded analytics platform that allows real-time control of models in production.

The Board will consider the use of further equity funding if appropriate to accelerate growth or fund a specific project, transaction or expansion.

## 8.4 Key terms and conditions of the Offer

| | |
|---|---|
| **What is the type of security being offered?** | The Company will be offering CHESS Depositary Interests ("**CDIs**") in the Company under the Offer. Each CDI represents an interest in one Share in the Company. |
| **What are the rights and liabilities attached to the security being offered?** | The holders of CDIs receive all of the economic benefit of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of an Australian listed company. The Shares underlying the CDIs will rank equally with the Shares currently on issue in the Company.<br><br>There are certain differences between the Shares and ordinary shares which are typically issued by Australian incorporated public companies. A description of the CDIs and the underlying Shares, including the rights and liabilities attaching to them, is set out in Sections 10.8 and 10.10.<br><br>If the Offer is cancelled or withdrawn before the issue of CDIs all Application Monies will be refunded (without interest) as soon as practicable in accordance with the Corporations Act. |
| **What is the Offer Price?** | The CDI Offer Price is A$1.58 per CDI representing A$1.58 per share |
| **What is the Offer Period?** | The key dates, including details of the Offer Period, are set out on page 4 in the Key Offer Information.<br><br>The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time. |
| **What are the cash proceeds to be raised?** | Approximately A$35.0 million will be raised by the Company from the issue of CDIs under the Offer. |
| **Is the Offer underwritten?** | Yes. The Lead Manager has fully underwritten the Offer in accordance with the Underwriting Agreement. Details are provided in Section 9.4. |

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|---|---|
| **What is the minimum and maximum Application size under the Broker Firm Offer, and Priority Offer?** | The minimum Application under the Broker Firm Offer and Priority Offer is 1,265 CDIs (approximately A$2,000).<br><br>There is no maximum number or value of CDIs that may be applied for under the Offer except that if you have received a personalised invitation to participate in the Priority Offer, you may apply for an amount up to and including the amount indicated on your invitation.<br><br>The Lead Manager, in consultation with the Company, reserves the right to reject any Application in the Broker Firm Offer that are from persons who they believe may be Institutional Investors, as bids in the Institutional Offer or to reject the Application(s).<br><br>The Company and the Lead Manager reserve the right to aggregate any applications that they believe may be multiple applications from the same person. |
| **What is the allocation policy?** | The allocation of CDIs between the Broker Firm Offer, Institutional Offer and the Priority Offer will be determined by the Lead Manager and the Company having regard to the allocation policies outlined in Sections 8.5.6, 8.6.2 and 8.7.6. With respect to the Broker Firm Offer, it is a matter for the Broker how they allocate firm CDIs among their eligible retail clients.<br><br>For further information on the Broker Firm Offer see Section 8.5. For further information on the Institutional Offer see Section 8.6. For further information on the Priority Offer see Section 8.7. |
| **Will the CDIs be listed?** | The Company will apply to the ASX for admission to the Official List and quotation of its CDIs on the ASX under the code ZBT.<br><br>Completion of the Offer is conditional on, among other things, the ASX approving the Company's listing application. If approval is not given within three months after the application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. |

| | |
|---|---|
| **What is the 'Foreign Ownership Restriction' designation on ASX?** | The CDIs and underlying Shares will be 'restricted securities' under Rule 144 of the U.S. Securities Act and will be subject to an initial one-year Distribution Compliance Period and other requirements specified in Rule 144. This means that, during the Distribution Compliance Period, you will not be permitted to sell the CDIs sold to you in the Offer or the underlying Shares into the U.S. or to, or for the account or benefit of, a U.S. Person, unless the resale of the CDIs or the underlying Shares is registered under the U.S. Securities Act (which the Company is not obligated to do) or an exemption from such registration is available (including resale to QIBs pursuant to Rule 144A).<br><br>The Company has requested that during the Distribution Compliance Period, all CDIs issued or transferred under the Offer bear a designation on ASX in order to enforce the above restrictions. This designation is intended to prevent any CDIs from being sold on ASX during the Distribution Compliance Period, to persons that are in the U.S. or to, or for the account or benefit of, U.S. Persons, in each case that are not QIBs. The Company cannot provide any assurances as to when this designation will be lifted from the CDIs. For more information, see Section 10.12.<br><br>The above assumes that none of the CDIs are acquired and resold by certain affiliates of the Company. Any CDIs that are acquired and subsequently resold by such affiliates will reopen the Distribution Compliance Period. While this is an inconvenience for all holders of the Company's CDIs it is necessary because there is no mechanism to distinguish the CDIs resold by such affiliates of the Company from other CDIs. Thus, the practical impact of such a resale would be to extend the Distribution Compliance Period for all of the Company's CDIs. |
| **When are the CDIs expected to commence trading?** | It is expected that trading will commence on 26 October 2020. Details are provided in the Important Dates Section on page 4.<br><br>It is the responsibility of each applicant to confirm their holding before trading in CDIs. Applicants who sell CDIs before they receive an initial statement of holding do so at their own risk.<br><br>The Company, the Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell CDIs before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Zebit Offer Information Line, a Broker or otherwise. |
| **When will I receive confirmation that my Application has been successful?** | It is expected that initial holding statements and confirmation advices will be dispatched by standard post on 26 October.<br><br>Refunds (without interest) to Applicants who make an Application and receive an allocation of CDIs, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion. |
| **Are there any escrow arrangements** | Yes. Details are provided in Section 10.11. |
| **Has any ASIC relief or ASX waiver or confirmation been sought, obtained or been relied on?** | Yes. Details are provided in Section 10.17. |

| | |
|---|---|
| **Are there brokerage, commission or stamp duty considerations?** | No brokerage, commission or stamp duty is payable by Applicants on acquisition of CDIs under the Offer. |
| **Are there any tax considerations?** | Yes. Please refer to Section 10.14 for an overview of the tax implications for Australian investors of investing in CDIs under the Offer. Note that it is recommended that all potential investors consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of CDIs, having regard to their specific circumstances. |
| **Is any duty payable on the transfer of Shares or CDIs?** | As at the Prospectus Date, no duties should be payable under U.S. or Australian federal or state laws on the transfer of Shares or CDIs. Transfers of Shares or CDIs involving a change in beneficial ownership may be subject to taxation under U.S. or Australian federal or state laws (or the laws of other applicable jurisdictions). Investors should seek professional advice from their accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest or deal in Securities. |
| **What should you do with any enquiries?** | All enquiries in relation to this Prospectus should be directed to the Offer Information Line on 1300 110 638 (within Australia) or +61 3 9415 4063 (outside Australia) between 8:30am and 5:00pm Sydney time, Monday to Friday.<br><br>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.<br><br>If you require assistance to complete the Application Form, require additional copies of this Prospectus, have any questions in relation to the Offer or you are uncertain as to whether obtaining CDIs is a suitable investment for you, you should seek professional advice from your stockbroker, solicitor, accountant, tax adviser financial adviser or other independent professional adviser before deciding whether to invest. |

## 8.5 Broker firm offer

### 8.5.1 Who can apply

The Broker Firm Offer is open to Australian resident retail clients of participating Brokers who have a registered address in Australia, received an invitation from a Broker to acquire CDIs under this Prospectus and are not in the U.S., a U.S. Person or acting for the account or benefit of a U.S. Person. You should contact your Broker to determine whether you can receive an allocation of CDIs from them under the Broker Firm Offer.

### 8.5.2 How to apply

The Applications for CDIs may only be made on a Broker Firm application form attached to or accompanying this Prospectus which may be downloaded in its entirety from https://zebitoffer.thereachagency.com. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm application form with the Broker from whom you received your firm allocation. Broker Firm application forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm application form.

By making an application, you declare that you were given access to this Prospectus (or any replacement Prospectus), together with a Broker Firm application form. The Corporations Act prohibits any person from passing an application form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum application under the Broker Firm Offer is 1,266 CDIs (approximately A$2,000). There is no maximum value of CDIs that may be applied for under the Broker Firm Offer. However the Company and the Lead Manager reserve the right to aggregate any applications which they believe may be multiple applications from the same person or reject or scale back any applications in the Broker Firm Offer. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, at its discretion in compliance with applicable laws. Applicants under the Broker Firm Offer must lodge their Broker Firm application form and application monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm application forms to the Registry.

The Broker Firm Offer opens at 9:00am (Sydney time) on 16 October 2020 and is expected to close at 5:00pm (Sydney time) on 21 October 2020. The Company and the Lead Manager may elect to extend the Offer or any part of it, or accept late applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their applications as early as possible. Please contact your Broker for instructions.

The Company, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your application.

#### 8.5.3 How to pay

Applicants under the Broker Firm Offer must pay their application monies in accordance with instructions received from their Broker.

#### 8.5.4 Acceptance of applications

An application in the Broker Firm Offer is an offer by an applicant to subscribe for CDIs in the amount specified on the Broker Firm application form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Broker Firm application form. To the extent permitted by law, an application by an applicant under the Offer is irrevocable.

An application may be accepted by the Company in respect of the full number of CDIs specified on the Broker Firm application form, without further notice to the applicant. Acceptance of an application will give rise to a binding contract.

#### 8.5.5 Application monies

The Company reserves the right to decline any application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose applications are not accepted, or who are allocated a lesser number of CDIs than the amount applied for, will receive a refund of all or part of their application monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose applications are accepted in full will receive the whole number of CDIs calculated by dividing the application amount by the Offer Price. Where the Offer Price does not divide evenly into the application amount, the number of CDIs to be allocated will be determined by the applicant's Broker.

#### 8.5.6 Broker Firm allocation policy

The allocation of CDIs to Brokers has been determined by the Lead Manager and the Company. CDIs that have been allocated to Brokers for allocation to their clients will be issued or transferred to the applicants nominated by those Brokers (subject to the right of Company and the Lead Manager to reject, aggregate or scale back applications). It will be a matter for each Broker as to how they allocate CDIs among their retail clients, and they (and not the Company or the Lead Manager) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant CDIs.

The Company expects to announce the final allocation policy under the Broker Firm Offer on or about Completion. Applicants in the Broker Firm Offer will be able to call the Zebit IPO Information Line on 1300 110 638 (within Australia) or +61 3 9415 4063 (outside Australia) from 8:30am to 5:30pm (Sydney Time), Monday to Friday (excluding public holidays), to confirm their allocation. Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Broker from whom they received their allocation.

## 8.6 Institutional offer

### 8.6.1 Invitation

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for CDIs. The Lead Manager has separately advised Institutional Investors of the application procedures for the Institutional Offer. Offers and acceptances in the Institutional Offer are made with disclosure under this Prospectus and are at the Offer Price.

### 8.6.2 Institutional Offer allocation policy

The allocation of CDIs among applicants in the Institutional Offer was determined by the Lead Manager and the Company. The Lead Manager and the Company had absolute discretion regarding the basis of allocation of CDIs among Institutional Investors and there was no assurance that any Institutional Investor would be allocated any CDIs, or the number of CDIs for which it had bid.

The allocation policy is influenced by, but not constrained by, the following factors:

- the price and number of CDIs bid for by particular bidders;
- Zebit's desire for an informed and active trading market following listing on the ASX;
- Zebit's desire to establish a wide spread of institutional shareholders;
- the overall level of demand under the Broker Firm and Institutional Offers;
- the timeliness of the bid by particular bidders; and
- any other factors that the Company and the Lead Manager consider appropriate.

## 8.7 Priority Offer

### 8.7.1 Who can apply

The Priority Offer is open to investor who have received an invitation to participate in the Priority Offer from the Company. If you have been invited by the Company to participate in the Priority Offer, you will be treated as an applicant under the Priority Offer in respect of those CDIs that are allocated to you.

### 8.7.2 How to apply

If you have received an invitation from the Company to participate in the Priority Offer, you will be separately advised of the application procedures under the Priority Offer.

The Priority Offer opens at 9:00am (Sydney time) on 16 October 2020 and is expected to close at 5:00pm (Sydney time) on 21 October 2020. The Company and the Lead Manager may elect to extend the Offer or any part of it, or accept late applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their applications as early as possible.

### 8.7.3 How to pay

Applicants under the Priority Offer must pay their application monies in accordance with instructions received from the Company.

### 8.7.4 Acceptance of applications

An application in the Priority Offer is an offer by an applicant to subscribe for CDIs in the amount specified on the Priority Offer application form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Priority Offer application form. To the extent permitted by law, an application by an applicant under the Offer is irrevocable.

An application may be accepted by the Company and the Lead Manager in respect of the full number of CDIs specified on the Priority Offer application form, without further notice to the applicant. Acceptance of an application will give rise to a binding contract.

### 8.7.5 Application monies

The Company reserves the right to decline any application in whole or in part, without giving any reason. Applicants under the Priority Offer whose applications are not accepted, or who are allocated a lesser number of CDIs than the amount applied for, will receive a refund of all or part of their application monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose applications are accepted in full will receive the whole number of CDIs calculated by dividing the application amount by the Offer Price. Where the Offer Price does not divide evenly into the application amount, the number of CDIs to be allocated will be determined by the Company.

You should ensure that sufficient funds are held in the relevant account to cover the amount of your BPAY® or electronic funds transfer payment.

If payment for application monies is less than the amount specified on the Priority Offer application form, you may be taken to have applied for such lower dollar amount of CDIs or your application may be rejected. All payments must be in Australian dollars.

#### 8.7.6 Priority Offer allocation policy

The Company will determine the allocation of CDIs to applicants under the Priority Offer and may reject an application or allocate fewer CDIs than applied for.

## 8.8 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue or transfer of CDIs to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company and the Lead Manager also reserve the right to close the Offer or any part of it early, extent the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer CDIs than applied or bid.

## 8.9 About the CDIs

The Company is incorporated in the State of Delaware, U.S.. To enable companies such as the Company to have their securities cleared and settled electronically through CHESS, depositary instruments called CDIs are issued. Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.

CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Shareholders cannot trade their Shares on ASX without first converting their Shares into CDIs.

1 CDI represents 1 underlying Share. The main difference between holding CDIs and Shares is that CDI holders hold the beneficial ownership in the Shares instead of legal title. CHESS Depositary Nominees Pty Limited ("**CDN**"), a subsidiary of ASX, will hold the legal title to the underlying Shares.

The Shares underlying the CDIs will be registered in the name of CDN and will be held on behalf of and for the benefit of the CDI holder. CDIs will be CHESS-approved from the date of Official Quotation in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. The Shares underlying the CDIs will rank equally with the Shares that the Company has previously issued. Investors should note that there are certain differences between Shares in Zebit and ordinary shares which are typically issued by Australian incorporated public companies. A summary of the key rights attaching to CDIs and Shares is set out in Sections 10.8 to 10.10 and a comparison of the rights attaching to CDIs and Shares with rights of holders of shares in an Australian listed company is set out in Section 10.9.

Holders of CDIs can choose to have their CDIs converted to a direct holding of Shares as described in Section 10.10, however, if they do so they will no longer be able to trade on ASX. Similarly, subject to any restrictions under applicable law, holders of Shares may choose to convert their Shares to CDIs to enable them to trade on ASX, as described in Sections 10.10 and 10.12.

## 8.10 Substantial Holders

The table below sets out the interests of the Existing Holders as at the Prospectus Date and immediately following the Offer who hold a substantial interest in Securities of the Company. The table does not reflect any CDIs which the Existing Holders may subscribe for under the Offer. As of the Prospectus Date, 65,876,723 shares were outstanding on a voting basis.

| | Date of Prospectus[7] | | Immediately following the Offer (undiluted)[8] | |
|---|---|---|---|---|
| | Number of Shares undiluted | Percentage of Shares on a Voting Basis[7] | Number of Shares/CDIs | Percentage of Share/CDIs |
| **Existing Holders** | | | | |
| Crosslink and its associated entities[1] | 19,823,856 | 30.1% | 22,171,588 | 23.5% |
| Strome Investment[2] | 8,543,995 | 13.0% | 8,543,995 | 9.1% |
| Wildcat Technology Partners 2015, L.P.[3] | 8,280,138 | 12.6% | 9,310,470 | 9.9% |
| Leapfrog Ventures II, L.P[4] | 6,414,194 | 9.7% | 6,530,731 | 6.9% |
| Ulu Ventures Fund II, L.P[5] | 5,860,415 | 8.9% | 6,094,084 | 6.5% |
| Gain Credit, Inc.[6] | 4,730,000 | 7.2% | 4,730,000 | 5.0% |

Notes:

1 Consists of 4,621,242 shares of common stock, 4,629,070 shares of Series A Preferred Stock, 10,573,544 shares of Series B Preferred Stock, and warrants to purchase 154,300 shares of Series Seed Preferred Stock. In addition, entities affiliated with Crosslink holds Convertible Notes with an aggregate principal value of US$2,009,450 that is convertible into 2,347,732 Shares.

2 Consists of 1,987,911 shares of common stock, 1,285,670 shares of Series A preferred stock and 5,270,414 shares of Series B preferred stock and warrants to purchase 100,000 shares of Series Seed Preferred Stock.

3 Consists of 1,943,282 shares of common stock, 2,239,960 shares of Series A preferred stock, 4,096,896 shares of Series B preferred stock and warrants to purchase 74,665 shares of Series Seed Preferred Stock. In addition Wildcat holds a Convertible Note with a principal value of $900,000 that is convertible in 1,030,332 shares.

4 Consists of 1,503,113 shares of common stock, 1,505,941 shares of Series A preferred stock, 3,405,140 shares of Series B preferred stock, and a warrant to purchase 50,198 shares of Series Seed Preferred Stock. In addition, Leapfrog holds Convertible Notes with an aggregate principal value of $100,000 that is convertible into 116,537 Shares.

5 Consists of 1,361,306 Shares of common stock, 750,000 shares of Series A Preferred Stock, 3,749,109 shares of Series B Preferred Stock, and a warrant to purchase 75,000 shares of Series Seed Preferred Stock. In addition, an entity affiliated with Ms. Rivera holds a Convertible Note with a principal value of US$200,000 that is convertible into 233,669 Shares.

6 Consists of 1,730,000 shares of common stock and 3,000,000 shares of Series Seed preferred stock.

7 On an undiluted basis, before conversion of the Convertible Notes into Shares.

8 On an undiluted basis, after conversion of the Convertible Notes into Shares and the issue of CDIs under the Offer, see Section 10.6 for further information.

## 8.11 ASX listing

No later than seven days after the Prospectus Date, the Company will apply to ASX for admission to the official list of ASX and for its CDIs to be granted official quotation by ASX. The Company is not currently seeking a listing of its CDIs or Shares on any stock exchange other than ASX.

The fact that ASX may admit the Company to the official list of ASX and grant official quotation of the CDIs is not to be taken in any way as an indication of the merits of the Company or the CDIs offered for subscription under the Offer. ASX takes no responsibility for the contents of this Prospectus. Trading in the CDIs, if quotation is granted, is expected to occur on 26 October 2020. Holding statements confirming Applicants' allocations under the Offer are expected to be sent to successful Applicants on 26 October 2020. Applicants may call the Offer Information Line on 1300 110 638 (within Australia) or +61 3 9415 4063 (outside Australia) from 21 October to confirm their allocations.

It is the responsibility of Applicants to determine their allocation prior to trading in the CDIs. Applicants who sell CDIs before they receive confirmation of their allotment will do so at their own risk.

If permission for quotation of the CDIs is not granted within three months after the Prospectus Date, all Application Amounts received by the Company will be refunded without interest as soon as practicable.

## 8.12 CHESS and issuer sponsored holdings

The Company will apply to participate in CHESS and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the CDIs become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister. For all successful Applicants, the CDIs of a CDI holder who is a participant in CHESS or a CDI holder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other CDIs will be registered on the issuer sponsored subregister.

Following Completion, CDI holders will be sent a holding statement that sets out the number of CDIs that have been allocated to them. This statement will also provide details of a CDI holder's Holder Identification Number ("**HIN**") for CHESS holders or, where applicable, the Securityholder Reference Number ("**SRN**") of issuer sponsored holders. CDI holders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

CDI holders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the CDI holder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister.

The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

## 8.13 Overseas distribution

No action has been taken to register or qualify the offer of CDIs under this Prospectus, or to otherwise permit a public offering of CDIs, in any jurisdiction outside Australia.

### Offer only made where lawful to do so

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. This Prospectus does not constitute an offer in any place in which, or to whom, it would not be lawful to make such an offer. Persons into whose possession this document comes should inform themselves about and observe any restrictions on acquisition or distribution of the Prospectus. Any failure to comply with these restrictions may constitute a violation of securities laws.

### U.S. residents

The securities being offered pursuant to this Prospectus have not been registered under the U.S. Securities Act and may not be offered or sold in the U.S. absent registration or an applicable exemption from registration under the U.S. Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Shares in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving the Shares may not be conducted unless in compliance with the U.S. Securities Act.

### Cayman Islands

No offer or invitation to subscribe for CDIs may be made to the public in the Cayman Islands or from within the Cayman Islands.

### Hong Kong residents

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "**SFO**"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the CDIs have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under the SFO) or in other circumstances which do not result in this document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) or the Companies Ordinance (Cap. 622) of Hong Kong.

No advertisement, invitation or document relating to the CDIs has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to CDIs that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" (as defined in the SFO and any rules made under the SFO). No person allotted CDIs may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

By accepting receipt of this document, each Hong Kong recipient is deemed to confirm, represent and warrant to the Company that it is a professional investor within the meaning of Section 1 of Part 1 of Schedule 1 to the SFO or Section 3 of the Securities and Futures (Professional Investor) Rules (Cap. 571D).

**New Zealand residents**

This document is provided to you as a Wholesale Investor (in terms of clause 3(2) and 3(3) of Schedule 1 of the *Financial Markets Conduct Act 2013*. You have represented to the Company and to the Lead Manager, and in accepting this document you confirm, that you are a Wholesale Investor (in terms of clause 3(2) and 3(3) of Schedule 1 of the Financial Markets Conduct Act 2013). This document has been compiled solely for information purposes to assist prospective wholesale investors to make their own evaluation of the Company, and any subsequent decision to invest in CDIs as described in this document. This document is not a prospectus or product disclosure statement under New Zealand law and does not constitute a regulated offer of financial products.

**Singapore residents**

This document or any other offering material relating to the Offer has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of CDIs may not be issued, circulated or distributed, nor may the CDIs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than to an institutional investor, as defined in section 4(A)(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), in accordance with and pursuant to section 274 of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to the CDIs being subsequently offered for sale to any other party. Investors should note there are certain on-sale restrictions (set out in, among others, sections 257 and 276 of the SFA) applicable to all investors who acquire the CDIs pursuant to the exemptions in section 274 of the SFA. As such, investors are advised to acquaint themselves with the SFA provisions relating to on-sale restrictions in Singapore or to consult their own professional advisers as to such on-sale restrictions, and to comply accordingly.

The contents of this document have not been reviewed by any regulatory authority in Singapore. This document may not contain all the information that a Singapore registered prospectus is required to contain. In the event of any doubt about any of the contents of this document or as to your legal rights and obligations in connection with the Offer, please obtain appropriate professional advice.

**Overseas ownership and resale representation**

It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

# Material Contracts

# 9. Material Contracts

The Directors consider that the material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

This Section contains a summary of the material contracts and their substantive terms which are not otherwise disclosed elsewhere in this Prospectus.

## 9.1 Bastion credit facility

In September 2020, the Company entered into a credit facility with Bastion Consumer Funding II LLC. The initial facility provides up to $15.0 million in principal borrowings, subject to a borrowing base limitation of 90% of the cost of goods sold on eligible customer receivables. The facility may be increased up to US$30.0 million, on the terms and conditions set forth in the agreement, and at the sole and absolute discretion of the lender. The facility can be drawn upon until the day before the date that is 30 months following the closing date, or through 15 March 2023, or earlier upon an event of default or early amortization event, as defined in the agreement. All principal amounts borrowed are due 36 months from the closing date, or 15 September 2023, unless due earlier as a result of the borrowing base limitation or an event of default.

Borrowings are collateralized by all of the Company's personal property, including eligible receivables which are required to be held in a separate, wholly-owned legal entity, Zebit Be-Free 2020-1. An eligible customer receivable is one that meets the eligibility criteria of the agreement. Customer payments on eligible receivables are required to be remitted into a lockbox account and the payments deposited into the lockbox account are transferred to a collections account (subject to a blocked account control agreement) whereby such available collections are distributed to make the interest payment and any required principal payment with the excess amount funded to the parent company, Zebit, Inc., as beneficial owner of the trust certificate. Outstanding borrowings bear interest, payable monthly, at a rate of 3-month LIBOR (subject to a 1% LIBOR floor) plus 12%, unless outstanding loan amounts exceed $20.0 million in which such rate shall be 3-month LIBOR plus 10.5%.

The Company must adhere to certain covenants during the term of the agreement. Failure to meet financial covenants, which are measured monthly, constitutes an event of default. Upon the occurrence of an event of default, the lender may immediately terminate any remaining commitment and declare all outstanding principal and interest due and payable. Also, pursuant to the agreement, the Company will be prohibited from issuing any other additional senior debt and will be prohibited from making any other distributions or paying any dividends except that the Company will be permitted to make tax distributions and other distributions to its members once cumulative retained earnings are positive, but at such time distributions will be limited to 50% of current year earnings.

## 9.2 Overview of Customer Agreements

To gain access to the Zebit ecommerce marketplace, a customer must first accept the terms and conditions of the Zebit Account Holder Agreement (an "**Account Agreement**"). The Account Agreement governs the terms of a customer's account with Zebit, including the initial extension of credit by Zebit for such customer to access credit to pay for products sold by Zebit. If a customer is approved for an account with Zebit, the customer receives a 'Zebitline', which is the maximum amount of potential credit Zebit may make available to that customer to make a purchase from Zebit (which amount is not guaranteed and is determined at the time of purchase). The Account Agreement provides that missing a scheduled payment is an 'event of default' that causes such account to be frozen until payments are made to bring that customer current. If such customer does not pay the outstanding amount within 90 days, Zebit may terminate the account and such customer is still responsible for the amounts owed to Zebit. Zebit may also unilaterally raise or decrease the Zebitline based on certain circumstances.

Upon electing to purchase a product sold by Zebit, Zebit and the customer enter into a specific retail instalment contract (a "**Purchase Agreement**") that provides for the terms and conditions governing the purchase and the instalment payments. Each Purchase Agreement provides applicable "Truth in Lending Disclosures" required by the applicable U.S. state law. Upon entry into the Purchase Agreement, a customer makes a down payment at checkout with a debit or credit card and the remainder of the order value is divided up by the number of pay dates the customer has over 6 months, based on the customer's pay frequency. Prepayments are permitted under the Purchase Agreement. For customers that select deferred payment (meaning they spread the down payment over three weekly payments), the customer also signs a deferred payment contract in addition to the Purchase Agreement, which only becomes enforceable if the full down payment is received, and if the customer does not make the full down payment, then the customer is fully refunded.

Late payment by the customer or violation of the Purchase Agreement's representations and warranties are considered events of default under the Purchase Agreement. Zebit may accelerate payments if (i) the customer is in default; (ii) Zebit provides the customer any notice and right to cure required by law, or (iii) the customer fails to take advantage of any such right to cure.

The Purchase Agreement provides that generally a customer may not return a product purchased on the Zebit Marketplace unless an exception applies, for example the product was broken or faulty.

## 9.3 Supplier Contracts

Zebit operates purely in an online environment, with no warehouse or logistics overheads. Zebit contracts with third parties to supply and ship the products it sells to Active Customers and has entered into agreements with over 81 fully integrated drop-ship distribution partners that pick, pack, and ship products for Zebit directly to Active Customers "on-demand" ("**Third Party Suppliers**").

The majority of Zebit's contracts with Third Party Suppliers are for terms of between 1 and 3 years, with automatic renewal at the end of the term unless Zebit or the supplier gives notice that it does not intend to proceed with the renewal. Some Third Party Supplier contracts may be terminated for convenience at the election of either Zebit or the supplier.

Zebit has not agreed to any minimum volumes with third party suppliers, and can decide in its sole discretion not to use a particular third party supplier without an contractual liability. The Third Party Suppliers are also not able to limit the number of orders that Zebit may place with them. Zebit has credit lines and days payable with each supplier which are not contractually guaranteed and are at the sole discretion of the Third Party Supplier. See also Section 4.2.10.

## 9.4 Underwriting Agreement

### Summary of Underwriting Agreement

The Offer is fully underwritten by the Lead Manager pursuant to an underwriting agreement dated on or around the date of this Prospectus between the Lead Manager and the Company (**Underwriting Agreement**). Under the Underwriting Agreement, the Lead Manager has agreed to manage the Offer and act as underwriter and bookrunner for the Offer. The Underwriting Agreement is subject to certain terms and conditions which are customary for an underwriting agreement of this type, including conditions precedent, representations and warranties and termination rights.

For the purposes of this Section 9.4, Offer Documents means the following documents issued or published by, or on behalf of the Company in respect of or relating to the Offer, and in a form approved by the Lead Manager:

(a) The pathfinder prospectus (**Pathfinder**) and any document which supplements or replaces the Pathfinder (including any addendum to the Pathfinder);

(b) the Prospectus (including any supplementary prospectus) and any Application Form;

(c) any cover email, including an appropriate cautionary legend, sent to eligible Institutional Investors outside of Australia in connection with the Institutional Offer and Bookbuild; and

(d) any investor presentation or marketing presentation and/or ASX announcement used in connection with the Institutional Offer or the Broker Firm Offer (including any addendum to those presentations and any draft of such documents used for roadshow purposes prior to the Prospectus Date),

(collectively, the **Offer Documents**).

### Fees and expenses

Subject to the Lead Manager satisfying its underwriting obligations under the Underwriting Agreement, the Company has agreed to pay 5% of the offer proceeds to the Underwriter excluding any offer proceeds received from certain excluded investors.

The Company has also agreed to pay or reimburse the Lead Manager for reasonable costs incurred by it in relation to the Offer.

**Termination Events**

If any of the following events occur before Completion, the Lead Manager may at any time by notice to the Company, without cost or liability to itself, terminate the Underwriting Agreement:

- a statement in the Prospectus is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from the Prospectus;
- there occurs a new circumstance that arises after the Prospectus is lodged with ASIC that would have been required to be included in the Prospectus if it had arisen before lodgement and that is materially adverse from the point of view of any investor;
- the Company:
  - issues or, in the reasonable opinion of the Lead Manager, is required to issue a Supplementary Prospectus, in each case, to comply with section 719 of the Corporations Act; or
  - lodges a Supplementary Prospectus with ASIC in a form and substance that has not been approved by the Lead Manager in accordance with the Underwriting Agreement;
- at any time the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the last trading day before the date of the Underwriting Agreement and is at or below that level at the close of trading:
  - for two consecutive Business Days during any time after the date of the Underwriting Agreement; or
  - the Business Day immediately prior to, Completion;
- there are not, or there cease to be, reasonable grounds in the opinion of the Lead Manager (acting reasonably) for any statement or estimate in the Offer Documents which relate to a future matter, or any statement or estimate in the Offer Document that relates to a future matter is, in the reasonable opinion of the Lead Manager, unlikely to be met in the projected time;
- the Company or any of its respective directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged since the date of this agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to
  - the Company's admission to the official list of ASX on or before the listing approval date; or
  - the quotation of the Company's CDIs on ASX or for the Company's CDIs to be traded through CHESS on or before the Issue Date,

  or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- any of the following notifications are made in respect of the Offer:
  - ASIC issues an order (including an interim order) under section 739 of the Corporations Act;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an Offer Document;
  - any person (other than the Lead Manager) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent; or
  - any person (other than the Lead Manager) gives a notice under section 730 of the Corporations Act in relation to an Offer Document;
- the Company does not provide a closing certificate required under the Underwriting Agreement;
- the Company fails to lodge the Prospectus on the Prospectus Date;
- the Company withdraws the Prospectus or the Offer (or any part of the Offer), or indicates that it does not intend to proceed with the Offer (or any part of it);
- any circumstance arises after lodgement of the Prospectus with ASIC that results in the Company either repaying any money received from applicants under the Offer or offering applicants under the Offer an opportunity to withdraw their application for Offer CDIs and be repaid their application monies;
- an event specified in the timetable in the Underwriting Agreement is delayed by more than two business days (other than a delay permitted under the Underwriting Agreement);
- the Company is prevented from allotting and issuing the CDIs within the time required by the Prospectus, the Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a governmental authority;

- the Company, without the prior written consent of the Lead Manager:
  - other than under the Offer, as disclosed in this Prospectus, alters the issued capital of the Company; or
  - disposes or attempts to dispose of a substantial part (directly or indirectly) of the Business of the Company;
- if a regulatory body or Government Agency withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under this agreement or to carry out the transactions contemplated by the Offer Documents;
- a change in the Chief Executive Officer, Chief Financial Officer or board of directors of the Company occurs, other than the appointment of Miriam Rivera as a director of the Company;
- if any of the obligations of the relevant parties under any of the material contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager) or if all or any part of any of the material contracts:
  - is terminated, withdrawn, rescinded, avoided or repudiated;
  - is altered, amended or varied without the consent of the Lead Manager (acting reasonably);
  - is breached, or there is a failure by a party to comply;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and affect, or its performance is or becomes illegal; and
- any of the following occur:
  - a director or proposed director of the Company named in the Offer Documents is charged with an indictable offence;
  - any Governmental Agency charges or commences any court proceedings or public action against the Company or any of its directors in their capacity as a director of the Company, or announces that it intends to take action; or
  - any director or any proposed director of the Company named in the Pathfinder or Prospectus is disqualified from managing a corporation under Part 2D.6 of the Corporations Act.

In addition, if any one of the following events occurs and the Lead Manager has reasonable grounds to believe that the event a) has or is likely to have a material adverse effect on the success, settlement or marketing of the Offer or on the ability of the Lead Manager to market or promote or settle the Offer or on the likely price at which the CDIs will trade on ASX, or the willingness of investors to subscribe for the CDIs; or (b) will, or is likely to, give rise to a liability of the Lead Manager under, or give rise to, or result in, a contravention by the Lead Manager or its Affiliates or the Lead Manager or its Affiliates being involved in a contravention of, any applicable law:

- a restriction deed is withdraw, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- a statement in any of the Offer Documents (other than the Prospectus) or public information is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from such an Offer Document (including without limitation, having regard to the provisions of Part 6D.2);
- there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any Governmental Agency which makes it illegal for the Lead Manager to satisfy an obligation under this document, or to market, promote or settle the Offer;
- the due diligence report or verification material or any other information supplied by or on behalf of the Company to the Lead Manager in relation to the Group or the Offer is (or is likely to), or becomes (or becomes likely to be), misleading or deceptive, including by way of omission;
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group, including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group from those respectively disclosed in any Offer Document or the public information;
- there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement);

- there is a contravention by the Company or any member of the Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), ASIC Act (any regulations under those acts), its Certificate of Incorporation or Bylaws or any of the Listing Rules;
- any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act (and all regulations under that Act), its Certificate of Incorporation or Bylaws, the Listing Rules or any other applicable law or regulation;
- any licence, permit, authorisation or consent held by a Group Member that is necessary to conduct its business is revoked, withdrawn, rescinded, breached, terminated, altered or amended (other than with the consent of the Lead Manager);
- other than as disclosed in the Prospectus, the Company creates or agrees to create an encumbrance over the whole or a substantial part of its business or property;
- a representation, warranty or undertaking or obligation contained in this agreement on the part of the Company is breached, becomes not true or correct or is not performed;
- the Company defaults on any of its obligations under the Underwriting Agreement;
- the Company varies any term of its Certificate of Incorporation or Bylaws without the prior written consent of the Lead Manager other than the adoption of the Certificate of Incorporation and Bylaws disclosed in this Prospectus;
- legal proceedings against a Group Member or against any director of a Group Member in that capacity is commenced or threatened or any regulatory body or Government Agency commences or threatens any enquiry or public action against a Group Member;
- any information supplied (including any information supplied prior to the date of this agreement) by or on behalf of the Company to the Lead Manager in respect of the Offer, or the Group is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including, by omission);
- hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, Hong Kong, New Zealand, Singapore, the People's Republic of China or the United States, or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries;
- a statement in any closing certificate provided under the Underwriting Agreement is false, misleading, inaccurate or untrue or incorrect; or
- any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, Hong Kong, New Zealand, Singapore, the People's Republic of China or the United States is declared by the relevant central banking authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - any adverse effect on the financial markets in Australia, Hong Kong, New Zealand, Singapore, the People's Republic of China or the United States, or in the foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or
  - trading in all securities quoted or listed on ASX, New York Stock Exchange, NASDAQ, the Hong Kong Stock Exchange or the London Stock Exchange is suspended or limited in a material respect for 1 day (or a substantial part of one day) on which that exchange is open for trading.

The Company may also terminate the Underwriting Agreement if the Company has not received a formal quote for Directors and Officers liability insurance before the date of Settlement of the Offer.

**Conditions, warranties, undertakings and other terms**

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Lead Managers as well as common conditions precedent, including the receipt by the Lead Managers of the final, signed due diligence report and ASX indicating that it will grant permission for quotation of the CDIs on the ASX.

The representations and warranties given by the Company relate to matters such as conduct of the Company, power and authorisations, information provided by the Company, information in this Prospectus and compliance with laws and the ASX Listing Rules. The Company also provides additional representations and warranties in connection with the business and affairs of the Company including in relation to licences, taxation and eligibility for listing.

The Company's undertakings include that it will not, until 90 days after Completion, issue (or agree to issue) or indicate in any way that it may or will issue or agree to issue any CDIs, Shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity, without the prior written consent of the Lead Managers. This undertaking is subject to certain exceptions, including any issue made pursuant to this Prospectus, an employee incentive plan, a bonus share plan, a non-underwritten dividend reinvestment or a proposed transaction disclosed in the Prospectus.

**Indemnity**

Subject to certain exceptions relating to, among other things, gross negligence, fraud or wilful misconduct of any indemnified party, the Company agrees to keep the Lead Manager and its representatives indemnified from losses suffered in connection with the Offer or the appointment and role of the Lead Manager pursuant to the Underwriting Agreement.

## 9.5 Paycheck Protection Program loan

In April 2020, the Company received loan proceeds of $1.1 million ("**PPP Loan**") pursuant to the Paycheck Protection Program (the "**PPP**") under the Coronavirus Aid, Relief, and Economic Security Act ("**CARES Act**") administered by the U.S. Small Business Administration ("**SBA**").

The PPP Loan is scheduled to mature in April 2022, bears interest at a rate of 1.00% per annum, and is subject to the standard terms and conditions applicable to loans administered by the SBA under the CARES Act. During the initial six-month period following receipt of the PPP Loan funds, no payments of principal or interest are required. Commencing in November 2020, the Company is required to pay regular monthly payments of principal and interest, however, the amount of the monthly payment has not yet been determined. The amounts outstanding under the PPP Loan may be prepaid by Zebit at any time prior to maturity without penalty.

The PPP Loan is evidenced by a promissory note, dated as of 22 April 2020, issued by the SBA, which contains customary terms related to events of default including, among other things, payment defaults and breaches of representations and warranties. Upon an event of default, the PPP Lender may, among other things, require immediate payment of all amounts owed and outstanding. Under the terms of the CARES Act, recipients of loans under the PPP can apply for and be granted forgiveness for all or a portion of such loan granted under the PPP 24 weeks after loan funds were received. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and certain other eligible costs. The Company is continuing to evaluate guidance released by the SBA regarding qualification for forgiveness of the PPP Loan, however, no assurance can be given that forgiveness of any portion of the PPP Loan will be obtained.

In order to apply for the PPP Loan, the Company was required to certify, among other things, that the current economic uncertainty made the PPP Loan necessary to support the Company's ongoing operations. This certification further required the Company to take into account the maintenance of its workforce, the Company's need for additional funding to continue operations, and the Company's ability to access alternative forms of funding to support its ongoing business operations. The Company is continuing to evaluate the criteria and additional guidance by the SBA regarding qualification and conditions for loans under the PPP.

As of 30 June 2020, the short-term and long-term principal balances outstanding for the PPP Loan were $506,694 and $633,367, respectively. The short-term and long-term classification assumes that the principal balance will be paid in equally monthly installments commencing in November 2020.

# Additional Information

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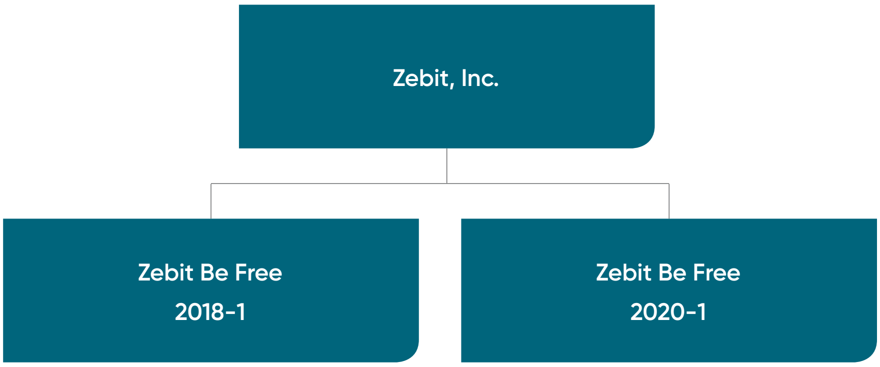
# 10. Additional Information

## 10.1 Incorporation

The Company was formed as a limited liability company in the State of Delaware, U.S., on 24 February 2014, under the name Workpays LLC. On 17 April 2015, the Company converted into a Delaware corporation and changed its name to Zebit, Inc. On 13 March 2020 the Company registered as a foreign company in Australian under Chapter 5B of the Corporations Act.

## 10.2 Group structure

The diagram below provides a graphical representation of the Company's corporate structure as at the Prospectus Date. The Company has two subsidiaries, (1) Zebit Be Free, 2018-1., which was incorporated in Delaware on 8 August 2018 to receive customer receivables under the terms of the credit facility with Route 66 which has since been refinanced, and (ii) Zebit Be Free 2020-1, which was incorporated in Delaware on 2 September 2020 to receive customer receivables under the terms of the Bastion Facility. Refer to Section 9.1 for further details.




## 10.3 Balance date and company tax status

The balance date of the Company is 31 December.

The Company and its subsidiaries are subject to tax at the relevant corporate tax rates in the jurisdictions in which it operates.

## 10.4 Current capital structure

As at the Prospectus Date, the Company has Shares, Series Seed Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Convertible Notes, Options and Warrants on issue. Options, Warrants and Shares as at Completion presented in the tables below may differ from the amounts in those tables, in particular if vested Options or Warrants are exercised and Shares are issued in respect or those Options or Warrants before Completion.

The issued capital of the Company as at the Prospectus Date is set out in the table below:

| Class of Security | Number of Shares Outstanding |
|---|---|
| **Shares** | |
| Shares of common stock | 16,114,958 |
| Series Seed Preferred Stock | 3,022,537 |
| Series A Preferred Stock | 12,278,336 |
| Series B Preferred Stock | 34,460,892 |
| **Other Securities** | |
| Warrants – Series Seed Preferred Stock | 548,935 |
| Warrants – Series A Preferred Stock | 20,000 |
| Convertible Notes | US$5.5 million outstanding |
| Options and RSUs (issued under 2015 Stock Plan) | 11,038,822 |

## 10.5 Capital structure following the Offer

Immediately prior to Completion, the following changes will be made to the capital structure of the Company:

- the existing Series Seed Preferred Stock, Series A Preferred Stock and Series B Preferred Stock will be converted to Shares, such that the Company will have issued and outstanding one class of Shares, common stock;
- the Convertible Notes will be converted to Shares (see Section 10.6 for further information); and
- the warrants over Series Seed Preferred Stock and warrants over Series A Preferred Stock will be converted to Warrants over Shares.

As at Completion, the issued share capital of the Company will comprise the following[1]:

| Class of Security | Number of Securities | CDI equivalent |
|---|---|---|
| Shares | 94,287,500 | 94,287,500 |
| Options and RSUs (issued under 2015 Stock Plan)[1] | 13,424,822 | 13,424,822 |
| Warrants over Common Stock | 568,935 | 568,935 |

1. Including the 2,386,000 options that the Company has agreed to grant following Completion. Refer to Section 10.7 for further details.
2. See Section 5.5.2 for information on the aggregate share limit under the 2020 Incentive Plan.

## 10.6 Convertible Notes

Between December 2019 and June 2020, the Company issued convertible promissory notes with an aggregate principal amount of approximately $5.4 million ("**Convertible Notes**"). The Convertible Notes accrue interest at 4.0% per annum and are denominated in U.S. dollars. Immediately before the allotment of the CDIs under the Offer the principal and accrued interest on the Convertible Notes will convert into CDI's/Shares at a rate of US$0.8848 per CDI/Share (the "**Note Conversion**").

If Completion is 20 October 2020, then a total of 6,258,878 CDIs (equivalent to the same number of Shares) will be issued pursuant to the Note Conversion. If the Note Conversion occurs on a different date, the number of CDIs (and the equivalent number of Shares) will be different, reflecting the effect of the interest accruing on a daily basis.

## 10.7 Options and warrants on issue

### Options

Zebit has the following Options on issue as at the Prospectus Date. The Options are subject to time-based vesting and were issued under the Prior Plan.

| Grant date | Exercise price per Share (US$) | Number of Options |
|---|---:|---:|
| 9 September 2015 | 0.39 | 1,646,500 |
| 22 October 2015 | 0.39 | 10,000 |
| 28 January 2016 | 0.39 | 45,000 |
| 17 March 2016 | 0.39 | 10,000 |
| 19 April 2016 | 0.39 | 10,000 |
| 14 September 2016 | 0.40 | 54,791 |
| 3 November 2016 | 0.40 | 29,583 |
| 15 December 2016 | 0.40 | 175,000 |
| 15 March 2017 | 0.40 | 7,781 |
| 27 April 2017 | 0.40 | 1,000 |
| 15 June 2017 | 0.40 | 46,062 |
| 14 September 2017 | 0.40 | 1,422,031 |
| 17 November 2017 | 0.40 | 36,228 |
| 24 January 2018 | 0.40 | 67,873 |
| 29 January 2018 | 0.40 | 250,000 |
| 7 March 2018 | 0.40 | 15,000 |
| 14 September 2018 | 0.19 | 4,148,685 |
| 12 December 2018 | 0.19 | 27,000 |
| 21 February 2019 | 0.19 | 27,957 |
| 8 May 2019 | 0.19 | 8,500 |
| 4 February 2020 | 0.19 | 2,964,831 |
| 6 March 2020 | 0.19 | 35,000 |

Generally, Options vest in accordance with the following vesting schedule for so long as the Option holder continuously provides services to the Company:

- 25% of the Options on the first anniversary of the vesting start date; and
- 1/48$^{th}$ of the Options each month thereafter.

Zebit has agreed to grant the following Options under the 2020 Incentive Plan following Completion:

- 986,000 to employees with an exercise price which will be the U.S. dollar equivalent of the closing price of the CDIs on the date of commencement of trading of the CDIs on ASX and a 10 year exercise period;
- 200,000 Options to Sylvia Falzon, refer to Section 5.4 for further information;
- 1,200,000 Options to Marc Schneider, refer to Section 5.4 for further information.

Zebit has granted the following Options to officers which vest subject to a time-based vesting schedule and accelerate upon termination in connection with a change of control of the Company.

| Option holder | Options outstanding | Grant date | Exercise price per Share (US$) | Vesting schedule |
|---|---|---|---|---|
| **Marc Schneider** | | | | |
| | 700,000 | 9 September 2015 | 0.39 | 1/48 monthly, 1 year cliff |
| | 150,000 | 15 December 2016 | 0.40 | 1/48 monthly, no cliff |
| | 1,000,000 | 14 September 2017 | 0.40 | 1/48 monthly, no cliff |
| | 2,855,311 | 14 September 2018 | 0.19 | 1/48 monthly, no cliff |
| | 1,178,615 | 4 February 2020 | 0.19 | 1/48 monthly, no cliff |
| | 1,200,000 | Following Completion | U.S. dollar equivalent of the closing price of the CDIs on the date of commencement of trading of the CDIs on ASX | 1/48 monthly, no cliff |
| **Steve Lapin** | | | | |
| | 250,000 | 29 January 2018 | 0.40 | 1/48 monthly, 1 year cliff |
| | 607,000 | 14 September 2018 | 0.19 | 1/48 monthly, 1 year cliff |
| | 403,841 | 4 February 2020 | 0.19 | 1/48 monthly, no cliff |
| | 250,000 | Following Completion | U.S. dollar equivalent of the closing price of the CDIs on the date of commencement of trading of the CDIs on ASX | 1/48 monthly, no cliff |
| **Eric VonDohlen** | 780,000 | 4 February 2020 | 0.19 | 1/48 monthly, 1 year cliff |

**Warrants**

Zebit has the following Warrants on issue as at the Prospectus Date. As at Completion, each Warrant is exercisable into one Share.

| Exercise price per Share (US$) | Term | Number of Warrants |
|---|---|---|
| $1.00 | 31 December 2021 | 508,935 |
| $1.00 | 30 September 2027 | 20,000 |
| $1.00 | 18 December 2025 | 40,000 |

## 10.8 Certificate of Incorporation, Bylaws and Rights attaching to the Shares

A summary of the Company's securities and provisions of its Certificate of Incorporation and Bylaws, which will apply from Completion, is set out below. This summary is not intended to be exhaustive.

### General description of share capital

Shares – Following Completion, the Company's authorised capital will consist of 250 million Shares, par value of $0.0001 per Share. Authorised share capital represents the maximum number of shares of a given class that may be issued by the Board without the need to amend the Certificate of Incorporation.

Options – The Company has reserved an aggregate of 5,000,000 Shares (equivalent to 5,000,000 CDIs) for issuance under the 2020 Equity Incentive Plan. The total number of Shares reserved pursuant to the 2020 Incentive Plan will be increased to include up to 12,242,531 shares that remained available for grant under the Prior Plan upon its termination or that are subject to options granted under the Prior Plan that expire or terminate without having been exercised in full.

### Voting

At a meeting of Shareholders, each holder of Shares shall be entitled to one vote per Share held on the record date for the meeting on all matters submitted to a vote of the Shareholders. Shareholders do not have cumulative voting rights.

### Dividends

Shareholders are entitled to receive, out of any assets of the Company legally available for dividend payments, such dividends as may be declared from time to time by the Board, on a pro rata basis determined by the number of Shares held.

### Rights attaching to Shares

Shareholders have no preferences, rights of conversion, exchange, pre-emption or other subscription rights. Certain Shareholders have registration rights as provided in the Registration Rights Agreement as described in Section 10.13, as amended. In addition to voting and dividend rights, in the event of liquidation, dissolution or winding up, Shareholders are entitled to share pro-rata in all assets remaining after the payment of liabilities, subject to the prior distribution rights of any preferred stock then outstanding. Shareholders have no pre-emptive, conversion or subscription rights. There are no redemption or sinking fund provisions applicable to the Shares.

### Anti-takeover provisions of Delaware Law, Certificate of Incorporation and Bylaws

As a foreign company registered in Australia, the Company will not be subject to Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares, including provisions that relate to takeovers. The acquisition of securities in the Company is subject to the DGCL, and applicable U.S. securities laws.

Certain provisions of the DGCL, the Certificate of Incorporation and the Bylaws could make it more difficult to acquire the Company by means of a tender offer (takeover), a proxy contest or otherwise, or to remove incumbent officers and Directors of the Company. These provisions (summarised below) could discourage certain types of coercive takeover practices and takeover bids that the Board may consider inadequate and encourage persons seeking to acquire control of the Company to first negotiate with the Board. The Company believes that the benefits of increased protection of its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals may result in an improvement of their terms.

**Delaware anti-takeover statute:** In addition, because Zebit is incorporated in Delaware, Zebit is governed by the provisions of Section 203 of the DGCL, which generally prohibits a Delaware corporation from engaging in a broad range of business combinations with any holder of at least 15% of Zebit's capital stock for a period of three years following the date on which the stockholder became a 15% stockholder, subject to certain exceptions. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the Board, including discouraging attempts that might result in a premium over the market price for the CDIs held by Shareholders.

### Removal of Directors

The Bylaws provide that any Director may be removed with or without cause by the holders of a majority of the Shares then entitled to vote at an election of Directors.

### Classes of Directors

At Completion, the Board will be divided into three classes of Directors with staggered three year terms. At each annual meeting of Shareholders commencing in 2021, the Directors whose term then expires will be eligible for re-election to serve for a three year term (i.e. until the third annual meeting following their re-election).

The Directors will be divided into three classes as follows:

| DIRECTOR | CLASS | EXPIRATION OF TERM |
|---|---|---|
| Larry Rosenberger<br>**Scott Thompson** | Class I | 2021 annual general meeting |
| Miriam Rivera<br>**Sylvia Falzon** | Class II | 2022 annual general meeting |
| Jim Feuille<br>**Marc Schneider** | Class III | 2023 annual general meeting |

### Size of the Board and Board vacancies

The Bylaws provide that the number of Directors may be changed by a resolution of the Board. Vacancies may be filled by a majority of the remaining Directors in office although less than a quorum, or by a sole remaining Director, unless otherwise required by the Certificate of Incorporation or Bylaws.

### Special Shareholder meetings

A special meeting of the Shareholders may be called at any time by the Board, the Chair of the Board, the Chief Executive Officer, the president or by one or more Shareholders holding in aggregate no less than 10% of the votes at that meeting.

### Requirements for advance notification of Shareholder nominations and proposals

The Bylaws establish advance notice procedures (including deadlines and methods of providing notice to the Company) with respect to nomination of candidates for election as Directors and other business to be properly brought before an annual Shareholder meeting.

### No cumulative voting

The DGCL provides that Shareholders do not have the right to cumulate votes in the election of Directors unless the Certificate of Incorporation provides otherwise.

### Authorised but unissued shares

Subject to limitations on the issue of securities under the ASX Listing Rules and DGCL, the Company's authorised but unissued Shares will be available for future issue without Shareholder approval. The Company may use additional Shares for a variety of purposes, including future public offerings to raise additional capital, to fund acquisitions and as employee compensation. The existence of authorised unissued Shares could render more difficult, or discourage, an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise.

### Amendment

The Certificate of Incorporation provides that the Bylaws may be amended by an affirmative vote of a majority of the Board. The Bylaws provide that the Bylaws may also be amended by an affirmative vote of a majority of the Shareholders then entitled to vote.

## 10.9 Comparison of Laws Governing the Company as US Company with Laws Governing Australian Publicly Listed Companies Generally

Unless otherwise stated, the Corporations Act provisions referred to below do not apply to the Company as a foreign company.

| | Delaware Law and U.S. Federal Law | Australian Law |
|---|---|---|
| **Transactions that require Shareholder approval** | The DGCL and the Certificate of Incorporation and Bylaws govern the type of transactions that require Shareholder approval. Generally, the following types of transactions will require Shareholder approval:<br>• amendments to the Certificate of Incorporation; and<br>• material corporate transactions such as a merger or acquisition, the sale of all or substantially all of the Company's assets or the dissolution of the Company.<br>The Certificate of Incorporation provides that the Bylaws may be amended by an affirmative vote of a majority of the Board. The Bylaws provide that the Bylaws may also be amended by a majority of the Shareholders that are entitled to vote on the matter. | Under the Corporations Act, the principal transactions or actions requiring Shareholder approval include:<br>• adopting or altering the constitution of the company;<br>• appointing or removing a Director or auditor;<br>• certain transactions with related parties of the Company;<br>• putting the Company into liquidation;<br>• changes to the rights attached to shares; and<br>• certain transactions affecting share capital (e.g. share buybacks and share capital reductions).<br>Under the ASX Listing Rules, Shareholder approval is required for matters including:<br>• increases in the total amount of Directors' fees payable to Non-Executive Directors;<br>• directors' termination benefits in certain circumstances;<br>• certain transactions with related parties;<br>• certain issues of shares; and<br>• if a company proposes to make a significant change to the nature or scale of its activities or proposes to dispose of its main undertaking. |
| **Shareholders' right to request or requisition a general meeting** | Pursuant to the Bylaws, special meetings of the Company's Shareholders may be called at any time by the Board, the Chair of the Board, the Chief Executive Officer, the president or by one or more Shareholders holding shares in the aggregate entitled to cast not less than 10% of the votes at that meeting. | The Corporations Act requires the Directors to call a general meeting on the request of members with at least 5% of the votes that may be cast at the meeting or at least 100 Shareholders who are entitled to vote at the meeting.<br>Shareholders with at least 5% of the votes that may be cast at the general meeting may also call and arrange to hold a general meeting at their own expense. |

| | Delaware Law and U.S. Federal Law | Australian Law |
|---|---|---|
| **Shareholders' right to appoint proxies to attend and vote at meetings on their behalf** | At a meeting of the Company's Shareholders, every holder of shares of common stock (present in person or by proxy) is entitled to one vote for each share held on the record date for the meeting on all matters submitted to a vote of Shareholders.<br><br>Under the Bylaws, the presence at the meeting (in person or represented by proxy) of the holders of one-third of the outstanding shares of stock entitled to vote will constitute a quorum for the transaction of business. All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law, all other matters shall be determined by a majority of the votes cast affirmatively or negatively.<br><br>Pursuant to Section 216 of the DGCL and except as otherwise provided by statute or by applicable stock exchange rules, the affirmative vote of the majority of shares present in person, by remote communication or represented by proxy at the meeting and entitled to vote generally on the subject matter will be the act of the Shareholders. | The position is comparable under the Corporations Act. |
| **Changes in the rights attaching to shares** | The DGCL allows the Board of Directors, together with a majority of the shares of a class or series of shares, or such other number of shares as set out in a Company's Certificate of Incorporation, to amend the rights attaching to such class or series (as applicable) of shares. | The Corporations Act allows a company to set out in its constitution the procedure for varying or cancelling rights attached to shares in a class of shares.<br><br>If a Company does not have a constitution, or has a constitution that does not set out a procedure, such rights may only be varied or cancelled by:<br>• a special resolution passed at a meeting for a company with a share capital of the class of members holding shares in the class; or<br>• a written consent of members with at least 75% of the votes in the class. |

| | Delaware Law and U.S. Federal Law | Australian Law |
|---|---|---|
| **Shareholder protections against oppressive conduct** | The Certificate of Incorporation and Bylaws provide that Zebit will indemnify its directors and officers and may indemnify its employees and other agents, to the fullest extent permitted by the DGCL. Consequently, Zebit's directors will not be personally liable to Zebit or its Shareholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:<br>• any breach of the director's duty of loyalty to Zebit or to its Shareholders;<br>• acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;<br>• unlawful payment of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL; or<br>• any transaction from which the director derived an improper personal benefit. | Under the Corporations Act, Shareholders have statutory remedies for oppressive or unfair conduct of the Company's affairs and the court can make any order as it sees appropriate. |
| **Shareholders' rights to bring or intervene in legal proceedings on behalf of the Company** | Under the DGCL, a Shareholder may bring a derivative action on behalf of the Company where those in control of the Company have failed to assert a claim belonging to the Company. A Shareholder must meet certain eligibility and standing requirements, including a requirement that the plaintiff is a Shareholder of the Company at the time of the act of which the plaintiff makes the complaint and a requirement that the plaintiff maintain his or her status as a Shareholder throughout the course of the litigation.<br><br>A derivative plaintiff must also have made a demand on the Directors of the Company to assert the corporate claim, unless such a demand would have been futile. | The Corporations Act permits a Shareholder to apply to the court for leave to bring proceedings on behalf of the Company, or to intervene in proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for those proceedings, or for a particular step in those proceedings.<br><br>The court must grant the application if it is satisfied that:<br>• it is probable that the Company will not itself bring the proceedings, or properly take responsibility for them, or for the steps in them;<br>• the applicant is acting in good faith;<br>• it is in the best interests of the Company that the applicant be granted leave;<br>• if the applicant is applying for leave to bring proceedings, there is a serious question to be tried; and<br>• either at least 14 days before making the application, the applicant gave written notice to the Company of the intention to apply for leave and of the reasons for applying, or the court considers it appropriate to grant leave.<br><br>The Corporations Act provides that proceedings brought or intervened in with leave must not be discontinued, compromised or settled without the leave of the court. |

| | Delaware Law and U.S. Federal Law | Australian Law |
|---|---|---|
| **"Two Strikes" rule in relation to remuneration reports** | In the U.S., the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* (U.S.) requires all 'reporting companies' (subject to certain exceptions) to have an advisory Shareholder vote on executive compensation at least once every three years. Companies must report the results and say how they have responded to these when making decisions on pay the following year.<br><br>The Company will be required to register as a U.S. reporting company pursuant to Section 12(g) of the *U.S. Securities Exchange Act of 1934*, as amended, or the 'U.S. Exchange Act,' if, among other things, it has (i) assets of more than $10m on the last day of its fiscal year and (ii) either 2,000 or more holders of any class of equity securities or 500 or more holders of any class of equity securities who are not 'accredited investors' as defined in Rule 501 of Regulation D of the U.S. Securities Act. If the Company qualifies as an 'emerging growth company' at the time it becomes a reporting company, then it will not be required to hold an advisory Shareholder vote on pay until it is no longer an emerging growth company.<br><br>The Company will be an emerging growth company until the earliest of: (i) the last day of the first fiscal year in which Zebit's annual gross revenues exceed $1.07 billion, (ii) the date that Zebit becomes a 'large accelerated filer' as defined in Rule 12b-2 under the U.S. Exchange Act, which would occur if the market value of the Company's Common Stock that is held by non-affiliates exceeds $700 million as of the last business day of the Company's most recently completed second fiscal quarter, or date on which the Company has issued more than $1.0 billion in non-convertible debt during the preceding three year period.<br><br>A company becomes a large accelerated filer if it meets the following conditions as of the end of its fiscal year: (i) it has an aggregate worldwide market value of the voting and non-voting common equity held by non-affiliates of $700 million or more as of the last business day of its second fiscal quarter, (ii) it has been subject to the requirements of Section 13(a) or 15(d) of the U.S. Exchange Act for at least 12 months, (iii) it has filed at least one annual report pursuant to Section 13(a) or 15(d) of the U.S. Exchange Act, and (iv) it is not eligible to rely on the requirements for smaller reporting companies for its annual and quarterly reports. | The Corporations Act requires that a company's annual report must include a report by the Directors on the company's remuneration framework (called a remuneration report).<br><br>A resolution must be put to Shareholders at each annual general meeting of the company's Shareholders ("**AGM**") seeking approval for the remuneration report. The approval is advisory only, however, if at least 25% of eligible votes cast against the remuneration report at two consecutive AGMs (i.e. two strikes), an ordinary (50%) resolution must be put to Shareholders at the second AGM proposing that a further meeting be held within 90 days at which all of the Directors who approved the second remuneration report must resign and stand for re-election. |

| | Delaware Law and U.S. Federal Law | Australian Law |
|---|---|---|
| **Disclosure of substantial holdings** | Section 16(a) of the U.S. Exchange Act requires the reporting of beneficial ownership of a reporting company's equity securities by (i) directors, (ii) officers, and (iii) stockholders owning more than 10% of the Company's common stock.<br><br>In addition, the U.S. Exchange Act requires every person who acquires beneficial ownership of 5% or more of a U.S. reporting company's equity securities to disclose:<br>• how many securities are beneficially owned by the filing person;<br>• whether there is a movement of at least 1% in their beneficial ownership; and<br>• whether they have intent to control or influence control of the company. | The Corporations Act requires every person who is a substantial holder to notify the listed company and the ASX that they are a substantial holder and to give prescribed information in relation to their holding if:<br>• the person begins to have, or ceases to have, a substantial holding in the company;<br>• the person has a substantial holding in the company and there is a movement of at least 1% in their holding; or<br>• the person makes a takeover bid for securities of the company.<br>Under the Corporations Act a person has a substantial holding if the total votes attached to voting shares in the company in which they or their associates have relevant interests is 5% or more of the total number of votes attached to voting shares in the company, or the person has made a takeover bid for voting shares in the company and the bid period has started and not yet ended.<br><br>These provisions do not apply to the Company as an entity established outside Australia. However, the Company will be required to release to the ASX any substantial holder notices that are filed in the U.S. |
| **How takeovers are regulated?** | The acquisition of securities in the Company is subject to the DGCL and applicable U.S. Securities Laws. In addition, because Zebit is incorporated in Delaware Zebit is governed by the provisions of Section 203 of the DGCL, which generally prohibits a Delaware corporation from engaging in any business combinations with any holder of at least 15% of Zebit's capital stock, for a period of three years following the date on which the stockholder became a 15% stockholder, subject to certain exceptions.<br><br>In addition, under the DGCL, the Board will have the ability to implement a broader range of takeover defence mechanisms. Under US federal securities law, certain "tender offers" to acquire shares of a company are subject to regulations that require that such offers comply with certain terms, notices, timing and other procedures. | The Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if any person's voting power in the company will increase from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%.<br><br>Exceptions to the prohibition apply (e.g. Acquisitions with Shareholder approval, 3% creep over six months and rights issues that satisfy prescribed conditions).<br><br>Substantial holder notice requirements apply (as discussed above under the heading 'Disclosure of substantial holdings').<br><br>Compulsory acquisitions are permitted by persons who hold 90% or more of securities or voting rights in a company.<br><br>The Australian takeovers regime will not apply to the Company as a foreign company. |

## 10.10 CHESS Depositary Interests

Details of CDIs and the key differences between holding CDIs and holding the underlying Shares is detailed below:

| | |
|---|---|
| **What are CDIs?** | In order for the Shares to trade electronically on the ASX, the Company intends to participate in the electronic transfer system known as CHESS operated by ASX Settlement.<br><br>CHESS cannot be directly used for the transfer of securities of companies domiciled in certain foreign jurisdictions, such as the U.S. Accordingly, to enable the Shares to be cleared and settled electronically through CHESS, the Company intends to issue depositary interests called CHESS Depositary Interests or CDIs.<br><br>CDIs confer the beneficial ownership in foreign securities such as the Shares on the CDI holder, with the legal title to such Shares being held by an Australian depositary nominee. |
| **Who is the depositary nominee and what do they do?** | The Company will appoint CDN, a subsidiary of the ASX, and an approved general participant of ASX Settlement to act as its Australian depositary.<br><br>CDN will hold legal title to the Shares on behalf of CDI holders. CDN will receive no fees for acting as the depositary for the CDIs.<br><br>By completing an Application Form, an Applicant will apply for Shares to be issued to CDN, which will in turn issue CDIs to the Applicant. |
| **What registers will be maintained recording your interests?** | The Company will operate a certificated principal register of Shares in the U.S., and uncertificated issuer sponsored and CHESS sub-registers of CDIs in Australia.<br><br>The Company's uncertificated issuer sponsored and CHESS sub-registers of CDIs will be maintained by the Share Registry. The principal register of Shares in the U.S. is the register of legal title, and will reflect legal ownership by CDN of the Shares underlying the CDIs. The two uncertificated sub-registers of CDIs combined will make up the register of beneficial title to the Shares underlying the CDIs. |
| **How is local and international trading in CDIs affected?** | CDI holders who wish to trade their CDIs will be transferring the beneficial interest in the Shares rather than the legal title. The transfer will be settled electronically by delivery of the relevant CDI holdings through CHESS. In other respects, trading in CDIs is essentially the same as trading in other CHESS approved securities, such as shares in an Australian company. |
| **What is the CDI:Share ratio?** | One CDI will represent an interest in one Share. |
| **What will Applicants receive on acceptance of their Applications?** | Successful Applicants will receive a holding statement which sets out the number of CDIs held by the CDI holder and the reference number of the holding. These holding statements will be provided to a holder when a holding is first established and where there is a change in the holdings of CDIs. |

| | |
|---|---|
| **How do CDI holders convert from a CDI holding to a direct holding of Shares on the U.S. principal register?** | CDI holders who wish to convert their ASX listed CDIs to Shares to be held on the U.S. register can do so by instructing the Company's Share Registry either:<br>• directly in the case of CDIs on the issuer sponsored sub-register operated by the Company. CDI holders will be provided with a form entitled "CDI Cancellation Request" for completion and return to the Company's Share Registry; or<br>• through their sponsoring participant (usually their broker) in the case of CDIs which are sponsored on the CHESS sub-register. In this case, the sponsoring broker will arrange for conversion from the CHESS sub-register to the issuer sponsored sub-register so that the holder may complete the relevant form and its return to the Company's Share Registry.<br>The Company's Share Registry will then arrange for the Shares to be transferred from CDN into the name of that holder and a statement of holding will be issued. This will cause the Shares to be registered in the name of the holder on the Company's principal share register in the U.S. and trading on ASX will no longer be possible. The Shares are not and will not in the near future be quoted on any market in the U.S.<br><br>The Company's Share Registry will not charge an individual security holder or the Company a fee for transferring CDI holdings into Shares (although a fee will be payable by market participants). It is expected that this process will be completed with 24 hours, provided that the Share Registry is in receipt of a duly completed and valid CDI Cancellation request form. However, no guarantee can be given about the time for this conversation to take place. |
| **How do Shareholders convert from a direct shareholding to a CDI holding?** | Holders may hold their interests in the Company in the form of CDIs (which may facilitate trading of those interests on ASX) or in Shares (which are not tradeable on ASX).<br><br>If holders of Shares wish to convert their holdings to CDIs, they can do so by contacting the Share Registry in the U.S.. The Share Registry in the U.S. will not charge a fee to a holder of Shares seeking to convert the Shares to CDIs (although a fee will be payable by market participants).<br><br>A holder that converts its Shares into CDIs must comply with the restrictions set forth in the Share Legend during the Distribution Compliance Period until it is removed by the Company. As CDIs represent a beneficial interest in the underlying Shares, holders of CDIs converted from Shares will be bound by the restrictions set forth in the Share Legend to the extent that they relate to their beneficial interest until that Share Legend is removed by the Company. See Section 10.10 for further details. |

| | |
|---|---|
| **What is the 'Foreign Ownership Restriction' designation on ASX?** | The CDIs and underlying Shares will be 'restricted securities' under Rule 144 under the U.S. Securities Act that will be subject to an initial one-year Distribution Compliance Period. This means that, during the Distribution Compliance Period, you will not be permitted to sell the CDIs sold to you in the Offer or the underlying Shares into the U.S. or to, or for the account or benefit of, a U.S. Person, unless the resale of the CDIs or the underlying Shares is registered under the U.S. Securities Act (which the Company is not obligated to do) or an exemption from such registration is available (including resale to QIBs pursuant to Rule 144A).<br><br>The Company has requested that during the Distribution Compliance Period, all CDIs issued or transferred under the Offer bear a designation on ASX in order to enforce the above restrictions. This designation is intended to prevent any CDIs from being sold on ASX during the Distribution Compliance Period, to persons that are in the U.S. or to, or for the account or benefit of, U.S. Persons, in each case that are not QIBs. The Company cannot provide any assurances as to when this designation will be lifted from the CDIs. For more information, see Section 10.12.<br><br>The discussion above assumes that none of the CDIs are acquired and resold by certain affiliates of the Company. Any CDIs that are acquired and subsequently resold by such affiliates will reopen the Distribution Compliance Period. While this is an inconvenience for all holders of the Company's CDIs it is necessary because there is no mechanism to distinguish the CDIs resold by such affiliates of the Company from other CDIs. Thus, the practical impact of such a resale would be to extend the Distribution Compliance Period for all of the Company's CDIs. |
| **What are the voting rights of a CDI holder?** | If holders of CDIs wish to attend and vote at the Company's general meeting, they will be able to do so. Under the ASX Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI holders to attend any meeting of the holders of Shares unless relevant U.S. law at the time of the meeting prevents CDI holders from attending those meetings.<br><br>In order to vote at such meetings, CDI holders have the following options:<br>(a) instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or<br>(b) informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or<br>(c) converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See above for further information regarding the conversion process.<br><br>As holders of CDIs will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.<br><br>As each CDI represents one Share, a CDI holder will be entitled to one vote for every one CDI they hold.<br><br>CDI voting instruction forms and details of these alternatives will be included in each notice of meeting sent to CDI holders by the Company.<br><br>These voting rights exist only under the ASX Settlement Operating Rules, rather than under the US. Exchange Act or the Delaware General Corporation Law. Since CDN is the legal holder of applicable shares, the holders of CDIs do not have any directly enforceable rights under the Company's Bylaws or Certificate of Incorporation. |

| | |
|---|---|
| **What dividend and other distribution entitlements do CDI holders have?** | Despite legal title to the Shares being vested in CDN, the ASX Settlement Operating Rules provide that CDI holders are to receive all economic benefits and other entitlements in relation to the underlying Shares, these include dividends and other entitlements which attach to the underlying Shares. These rights exist only under the ASX Settlement Operating Rules (which have the force of law by virtue of the Corporations Act), rather than under the US Exchange Act or the DGCL.<br><br>Whilst the Company does not anticipate declaring any dividends in the foreseeable future, should it do so in the longer term, the Company will declare any dividends in US Dollars as that is its main functional currency.<br><br>In that event, the Company will pay any dividends in Australian Dollars to CDI holders, or in US Dollars if elected by the CDI holder. If the CDI holder wishes to receive dividends in U.S. Dollars they must complete an appropriate form and return it to the Company's Share Registry, no later than the close of business on the dividend record date. |
| **What corporate action entitlement (such as rights issues and bonus issues) do CDI holder have?** | CDI holders receive all direct economic and other entitlements in relation to the underlying Shares. These include entitlements to participate in rights issues, bonus issues and capital reductions. These rights exist only under the ASX Settlement Operating Rules, rather than under the US Exchange Act or the DGCL. |
| **What rights do CDI holders have in the event of a takeover?** | If a takeover bid or similar transaction is made in relation to the Shares of which CDN is the registered holder, under the ASX Settlement Operating Rules, CDN must not accept the offer made under the takeover bid except to the extent that acceptance is authorised by the relevant CDI holder. CDN must ensure that the offeror processes the takeover acceptance of a CDI holder if such CDI holder instructs CDN to do so.<br><br>These rights exist only under the ASX Settlement Operating Rules, rather than under the U.S. Exchange Act or the DGCL. |
| **What notices and announcement will CDI holders receive?** | CDI holders will receive all notices and company announcements (such as annual reports) that Shareholders are entitled to receive from the Company. These rights exist only under the ASX Settlement Operating Rules, rather than under the U.S. Exchange Act or the DGCL. |
| **What rights do CDI holders have on liquidation or winding up?** | In the event of the Company's liquidation, dissolution or winding up, a CDI holder will be entitled to the same economic benefit on their CDIs as holders of Shares. These rights exist only under the ASX Settlement Operating Rules, rather than under the U.S. Exchange Act or the Delaware General Corporation Law. |
| **Will CDI holders incur any additional ASX or ASX Settlement fees or charges as a result of holding CDIs rather than Shares?** | A CDI holder will not incur any additional ASX or ASX Settlement fees or charges as a result of holding CDIs rather than Shares. |
| **Where can further information be obtained?** | For further information in relation to CDIs and the matters referred to above, please refer to the ASX website and the documents entitled<br>(a) "Understanding CHESS Depositary Interests at: http://www.asx.com.au/documents/settlements/CHESS_Depositary_Interests.pdf<br>(b) ASX Guidance Note 5 at: http://www.asx.com.au/documents/rules//gn05_chess_depositary_interests.pdf<br>or contact your stockbroker or the Offer Information Line. |

## 10.11 Escrow Arrangements

Certain Existing Shareholders will be restricted from dealing in their CDIs or Shares. These have been agreed to voluntarily.

The table below sets out the periods during which certain Shareholders are restricted from dealing in their CDIs and Shares pursuant to voluntary restrictions.

| Escrowed Party | Escrow period | Shares held in escrow | Equivalent number of CDIs | % of Shares | Options and Warrants held in escrow | Equivalent number of CDIs |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| Marc Schneider[2] | 100%: 12 months<br>75%: 18 months<br>50%: 24 months | 105,490 | 105,490 | 0.1% | 7,083,926 | 7,083,926 |
| Jim Feuille[3] | – | – | – | 0.0% | – | – |
| Scott Thompson | 100%: 12 months<br>75%: 18 months<br>50%: 24 months | 116,834 | 116,834 | 0.1% | 260,000 | 260,000 |
| Miriam Rivera[4] | – | – | – | 0.0% | – | – |
| Larry Rosenberger[5] | 100%: 12 months<br>75%: 18 months<br>50%: 24 months | 1,183,751 | 1,183,751 | 1.3% | 200,000 | 200,000 |
| Sylvia Falzon | – | – | – | 0.0% | 200,000 | 200,000 |
| **Investors** | | | | | | |
| Crosslink and its associated entities | 100%: 24 months | 22,171,588 | 22,171,588 | 23.5% | 154,300 | 154,300 |
| Strome | 100%: 24 months | 8,543,995 | 8,543,995 | 9.1% | 100,000 | 100,000 |
| Wildcat | 100%: 24 months | 9,310,470 | 9,310,470 | 9.9% | 74,665 | 74,665 |
| Leapfrog | 100%: 24 months | 6,530,731 | 6,530,731 | 6.9% | 50,198 | 50,198 |
| Ulu Ventures | 100%: 24 months | 6,094,084 | 6,094,084 | 6.5% | 75,000 | 75,000 |
| Gain Credit, Inc. | 100%: 24 months | 4,730,000 | 4,730,000 | 5.0% | – | – |
| Other existing shareholders[6] | 100%: 12 months<br>92%: 18 months<br>53%: 24 months | 11,598,240 | 11,598,240 | 12.3% | 1,397,924 | 1,397,924 |
| **Employees** | | | | | | |
| Employees and Management[7] | 100%: 12 months<br>75%: 18 months<br>50%: 24 months | 95,237 | 95,237 | 0.1% | 4,278,918 | 4,278,918 |
| **Total** | | **70,480,420** | **70,480,420** | **74.8%** | **13,874,931** | **13,874,931** |

Note:
1. Assumes the conversion of all Convertible Notes into Shares at a price of US$0.8848 per share on October 20, 2020.
2. Includes Options to be granted to Marc Schneider following Completion. See Section 10.7 for further information.
3. Shares held by entities affiliated with Crosslink
4. Shares held by Ulu Ventures Fund II, L.P.
5. Options to be granted to Sylvia Falzon following Completion. See Section 10.7 for further information
6. Other existing Shareholders are subject to voluntary escrow arrangements as follows:
   - an aggregate of 1,021,695 Shares and 150,873 Options and Warrants are escrowed for 12 months following Completion;
   - an aggregate of 4,749,042 Shares and 1,202,051 Options and Warrants are escrowed for 18 months following Completion; and
   - an aggregate of 5,827,503 Shares and 45,000 Options and Warrants are escrowed for 24 months following Completion
7. Senior management and employees (other than Mr. Schneider) are subject to the following escrow arrangements:
   - an aggregate of 95,237 Shares and 1,748,929 Options and Warrants are locked up for 12 months following Completion;
   - an aggregate of 1,384,568 Options and Warrants are locked up for 18 months following Completion; and
   - an aggregate of 1,145,421 Options and Warrants are locked up for 24 months following Completion.

Shareholders that have agreed to voluntary escrow arrangements may be released early from those restrictions to enable the Shareholder to:

- accept or participate in a bona fide third-party tender offer, merger, consolidation or other similar transaction made to all holders of the Company's Shares and involving a change of control of the Company's voting securities, provided that the Security holder remains subject to the voluntary escrow arrangements if such tender offer, merger, consolidation or other transaction is not completed;
- transfer those restricted securities in an off-market transaction to an entity the escrowed Security holder controls, or following the escrowed Security holder's death, or the escrowed Security holder's spouse or children, provided in each circumstance, the transferee enters into a deed under which it undertakes to be bound by the same restrictions as the escrowed Security holder;
- transfer those restricted securities in an off-market transaction to an entity the escrowed Security holder controls, or following the escrowed Security holder's death, or the escrowed Security holder's spouse or children, provided in each circumstance, the transferee enters into a deed under which it undertakes to be bound by the same restrictions as the escrowed Security holder; and
- comply with an order of a court or regulatory authority of competent jurisdiction compelling any restricted securities to be disposed of or a security interest granted over them, or, to take action with the prior consent of the Company where the action is necessary to alleviate financial hardship.

## 10.12 Foreign ownership and resale restrictions

### 10.12.1 Regulation S under the U.S. Securities Act

The CDIs being offered pursuant to this Prospectus are being made available to investors in reliance on the exclusion from registration contained in Regulation S of the U.S. Securities Act for offers which are made (1) outside of the US to persons that are not, and are not acting for the account or benefit of, US Persons and (2) in the U.S. solely to Eligible US Fund Managers, in each case in "offshore transactions" (as defined in Regulation S under the US Securities Act). An Eligible U.S. Fund Manager means a dealer or other professional fiduciary organised or incorporated in the U.S. that is acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not U.S. Persons for which it has, and is exercising, investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the U.S. Securities Act. Accordingly, the CDIs (and the Shares underlying those CDIs) to be issued under the Offer have not been, and will not be, registered under the US Securities Act or the laws of any state or other jurisdiction in the U.S.

As a result of relying on the Regulation S exemption, the CDIs which are issued or transferred under the Offer (and the Shares underlying those CDIs) will be 'restricted securities' under Rule 144 of the U.S. Securities Act. This means that you will not be able to sell the CDIs issued or transferred to you under the Offer into the U.S. or to a U.S. Person unless the re-sale of the CDIs is registered under the U.S. Securities Act or an exemption is available. The Distribution Compliance Period means the 12-month period from the issue date during which the CDIs cannot be resold to any U.S. Person or for the account or benefit of a US Person unless a securities exemption applies, which period may be extended under the circumstances described in Section 10.11.9. Accordingly, the market for CDIs is likely to be limited to ASX, and if the market on the ASX does not develop or is illiquid, purchasers of CDIs should understand that they will be unable to sell the CDIs into the market within the U.S. due to restrictions on the transfer of those CDIs.

To enforce the above transfer restrictions, Zebit has requested that all CDIs issued under the Offers are designated Foreign Ownership Restriction **("FOR")** Financial Products under the ASX Settlement Operating Rules. This designation effectively automatically prevents any CDIs from being sold on ASX during the Distribution Compliance Period to U.S. Persons unless a securities exemption applies. However, assuming a liquid market develops and is maintained, you will still be able to freely transfer your CDIs on ASX to any person other than a U.S. Person that is not a QIB. In addition, hedging transactions with regard to Zebit's CDIs may only be conducted in accordance with the US Securities Act.

### ASX No-action letter

In January 2000, the SEC issued a no-action letter to ASX with regard to initial public offerings of U.S. private companies on ASX. The letter provided that private U.S. companies, not subject to the U.S. Exchange Act's reporting requirements, such as Zebit, which had not listed their shares in the U.S., could do so on ASX in reliance on Regulation S.

The no-action letter requires purchasers of CDIs pursuant to the Offer and any person who purchases CDIs in the secondary market to make representations about their non-U.S. status. The no-action letter is based on certain assumptions and also requires that the Company, ASX, the CUSIP Bureau and ASX Participants (as defined below) to take certain actions in order to comply with the requirements set forth in the no-action letter.

Zebit intends to implement procedures in connection with the Offer and secondary market transactions during the Distribution Compliance Period that are consistent with the no-action letter procedures, other than in respect of the procedures that would allow QIBs in the U.S. to purchase CDIs in the secondary market over the ASX in transactions complying with Rule 144A under the U.S. Securities Act.

### 10.12.2 Representations regarding non-U.S. status

Each Applicant under the Offer will be deemed to have represented, warranted and agreed for the benefit of the Company and its related bodies corporate and any officers, employees, agents, advisers or brokers of any of them (affiliates) as follows:

- that the Applicant is not a U.S. Person and is not acting for the account or benefit of a U.S. Person;
- the Applicant acknowledges and agrees that, in order to ensure that U.S. Persons do not purchase any CDIs under the Offer, a number of procedures governing the trading and clearing of CDI's will be implemented, including the application to the CDIs of the status of Foreign Ownership Restriction (FOR) securities under the ASX Settlement Operating Rules and the addition of the notation "FOR Securities" to the CDI description on ASX trading screens and elsewhere, which will inform the market of the prohibition on U.S. Persons acquiring CDIs;
- the Applicant understands and agrees that, if in the future it decides to resell, pledge, transfer or otherwise dispose of any CDIs (or the Shares underlying those CDIs) it will only do so: (i) outside the U.S. in an "offshore transaction" in compliance with Rule 903 or 904 of Regulation S promulgated under the U.S. Securities Act, (ii) pursuant to an effective registration statement under the U.S. Securities Act or (iii) in a resale to a QIB in compliance with Rule 144A under the U.S. Securities Act; or (iv) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, and in each case in accordance with all applicable U.S. federal, state and foreign securities laws;
- the Applicant agrees to Zebit making a notation on its records and/or giving instructions to the Registry for the CDIs or the underlying Shares in order to implement and enforce the restrictions on transfer set forth and described in this Prospectus;
- the Applicant agrees not to engage in hedging transactions with regard to the CDIs (or the Shares underlying the CDIs) unless in compliance with the U.S. Securities Act; and
- the Applicant acknowledges that the Company and its affiliates will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that if any such acknowledgments, representations or warranties are no longer accurate, it will notify the Company immediately. Each Applicant agrees to indemnify the Company, its affiliates and their respective Directors, officers, employees and advisers against any loss, damage or costs incurred and arising out of or in relation to any breach by it of the acknowledgments, representations, warranties and agreements.

### 10.12.3 On-market transfers of CDIs in the secondary market

During the Distribution Compliance Period, CDIs may be reoffered and resold in standard (regular) brokered transactions on the ASX where neither the seller nor any person acting on its behalf knows, or has reason to know, that the sale has been prearranged with, or that the purchaser is, a person in the U.S. or is, or is acting for the account or benefit of, a U.S. Person in accordance with Regulation S, unless, in either case, that person is a QIB acquiring CDIs in one or more transactions exempt from registration under the U.S. Securities Act pursuant to Rule 144A thereunder (if available). Such reoffers and resales must also otherwise be conducted in compliance with the applicable Offer and secondary market procedures described below.

### 10.12.4 Requirements of ASX Settlement

During the Distribution Compliance Period, ASX Settlement will implement various procedures designed to ensure compliance with the restrictions imposed by U.S. securities laws on the CDIs, including (but not limited to) the following:

- Advise ASX Participating Organisations (ASX Participants) that, during the Distribution Compliance Period, no transaction on the ASX involving the CDIs may be effected if such participant has knowledge that the purchaser is in the U.S. or is a U.S. Person, unless the purchaser is a QIB (an Excluded U.S. Person);
- Circulate to all ASX Participants via electronic bulletins: (1) details of what constitutes an Excluded U.S. Person; and (2) notification details of the CDIs and the 0% permitted ownership level of CDIs by Excluded U.S. Persons;
- Cause the description of the CDIs on the ASX trading screens and elsewhere (for example, Bloomberg and IRESS) to include an identifier to indicate the restrictions the CDIs are subject to under U.S. securities laws during the Distribution Compliance Period; and
- Include in the holding statement provided by ASX Settlement to investors who hold their CDIs in the CHESS Sponsored Sub-register (as defined below) a description of the fact that the purchaser now holds a restricted security and is subject to the offer and resale restrictions of the CDI during the Distribution Compliance Period, which shall read 'These securities cannot be transferred to or held by US Persons that are not QIBs (each as defined under U.S. law)'.

### 10.12.5 Requirements of the Lead Manager and ASX Participants

The no-action letter requires that the Lead Manager and ASX Participants (brokers that are members of the ASX) take certain actions in order to comply with the applicable laws in connection with the Offer, a summary of which is set out below:

- whether in the Offer or in secondary trading, ASX Participants must not execute a transaction on the ASX in Regulation S securities if that broker knows that the purchaser is acting for the account or benefit of a U.S. Person;
- in connection with any purchase of CDIs, whether in the Offer or any secondary trading, ASX Participants must make reasonable efforts to ascertain whether a purchaser is a U.S. Person or is acting for the account or benefit of a U.S. Person, and implement measures designed to assure reasonable compliance with these requirements;
- the confirmation sent to each purchaser of CDIs either in the Offer or in any secondary market trading must include a notice that the CDIs are subject to the restrictions of Regulation S;
- any information provided by the Lead Manager to publishers of publicly available databases, such as Bloomberg and Reuters, about the terms of the issuance of the CDI's must include a statement that the CDIs have not been registered under the U.S. Securities Act and is subject to restrictions under Regulation S.

### 10.12.6 Requirements of the Company

Consistent with the ASX no-action letter, Zebit will adopt procedures as part of the Offer and Secondary Market Procedures to:

- include disclosure in this Prospectus that all purchasers from a distributor in the Offer will be deemed to have made representations regarding their non-U.S. Person status, as well as agreements regarding restrictions on resale and hedging under Regulation S and, where appropriate, Rule 144A;
- ensure that any certificated securities, including global securities, certificates into which global certificates may be subdivided, and any physical, certificated securities issued to holders of CDIs prior to the expiration of the Distribution Compliance Period, will bear appropriate restrictive legends, and any definitive securities that are issued during the Distribution Compliance Period, other than in a transaction in compliance with Rule 144A, will satisfy the requirements of Rule 903(b)(3)(iii)(B) under the U.S. Securities Act, including the legending requirement and Certification Requirement;
- ensure that any information provided by Zebit or the managers to publishers of publicly available databases about the terms of any new issuance of CDIs offered and sold in reliance on Regulation S and, if applicable, Rule 144A will include a statement that neither the CDIs nor the underlying Shares have been registered under the US Securities Act and are subject to restrictions under Regulation S and, if applicable, Rule 144A;
- require that any CDIs or Shares bearing the legend set forth in Rule 903(b)(3)(iii)(B)(3) under the U.S. Securities Act may not be transferred by Zebit's Registry or other transfer agent during the Distribution Compliance Period without a favourable opinion of counsel or other assurance that the transfer complies fully with the U.S. Securities Act; and
- provide notification of the Regulation S/Rule 144A status of its CDIs and underlying Shares in shareholder communications, such as annual reports, periodic interim reports and its notices of shareholder meetings during the Distribution Compliance Period.

### 10.12.7 Legending

Global securities, certificates into which global securities may be subdivided and any physical certificate representing the Shares into which CDIs have been converted prior to the end of the restriction period must bear certain restrictive legends required under Regulation S and certain other pertinent provisions of the U.S. Securities Act and the regulations promulgated under the U.S. Securities Act.

The Share Register will be the register of legal title of Shares. It will reflect legal ownership by CDN, the depositary for the CDIs, of the Shares underlying the CDIs, with the Shares held by CDN recorded on the Share Register in book-entry form. Although the Shares will be held in uncertificated book-entry form, the legend below (the **Share Legend**) will be included in the holding statement provided to holders of Shares by the Registry. No Shares bearing the restrictive legend may be transferred by the Registry or other transfer agent without a favourable opinion of counsel or the assurance that the transfer complies fully with the US Securities Act.

**Share Legend**

"THE SECURITIES REPRESENTED HEREBY AND ANY BENEFICIAL INTERESTS THEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE SECURITIES REPRESENTED HEREBY AND ANY BENEFICIAL INTERESTS THEREIN ARE "RESTRICTED SECURITIES" AS DEFINED UNDER RULE 144(a)(3) UNDER THE U.S. SECURITIES ACT.

THE HOLDER HEREOF, BY ACQUIRING THESE SECURITIES OR ANY BENEFICIAL INTERESTS THEREIN, AGREES FOR THE BENEFIT OF ZEBIT, INC. (THE "COMPANY") THAT THESE SECURITIES AND ANY BENEFICIAL INTERESTS THEREIN MAY BE OFFERED, SOLD, REOFFERED, RESOLD, PLEDGED, DELIVERED, DISTRIBUTED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (I) (A) TO THE COMPANY, (B) OUTSIDE THE U.S. TO PERSONS THAT ARE NOT, AND ARE NOT ACTING FOR THE ACCOUNT OR BENEFIT OF, "U.S. PERSONS" (AS DEFINED IN RULE 902(k) UNDER THE U.S. SECURITIES ACT) IN AN "OFFSHORE TRANSACTION" (AS DEFINED IN RULE 902(h) UNDER THE U.S. SECURITIES ACT) COMPLYING WITH REGULATION S ("**REGULATION S**") UNDER THE U.S. SECURITIES ACT THAT IS NOT THE RESULT OF ANY "DIRECTED SELLING EFFORTS" (AS DEFINED IN RULE 903(c) UNDER THE U.S. SECURITIES ACT), (C) IN ACCORDANCE WITH ANOTHER APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, INCLUDING, SO LONG AS THE SECURITIES REPRESENTED HEREBY AND ANY BENEFICIAL INTERESTS THEREIN ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**"), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) ("**QIB**") PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF ONE OR MORE OTHER QIBs IN ONE OR MORE TRANSACTIONS EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PURSUANT TO RULE 144A THEREUNDER, OR (D) IN A TRANSACTION REGISTERED UNDER THE U.S. SECURITIES ACT (WHICH IT ACKNOWLEDGES THE COMPANY IS UNDER NO OBLIGATION TO DO), AND, IN EACH CASE, IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE U.S. AND (II) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY OTHER APPLICABLE JURISDICTIONS. THE COMPANY UNDERTAKES NO OBLIGATION TO SATISFY THE REQUIREMENTS FOR ANY EXEMPTION OR SAFE HARBOR FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT TO FACILITATE ANY RESALES OF THESE SECURITIES.

BENEFICIAL INTERESTS IN THE SECURITIES REPRESENTED HEREBY MAY BE HELD IN THE FORM OF CHESS DEPOSITARY INTERESTS ("**CDIs**"). BY ACQUIRING ANY CDIs OR ANY BENEFICIAL INTERESTS THEREIN, THE HOLDER THEREOF AGREES FOR THE BENEFIT OF THE COMPANY THAT ANY SUCH CDIs OR BENEFICIAL INTERESTS THEREIN MAY ONLY BE OFFERED, SOLD, REOFFERED, RESOLD, PLEDGED, DELIVERED, DISTRIBUTED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN ACCORDANCE WITH ANY RESTRICTIONS APPLICABLE TO TRANSFERS OF SUCH CDIs IMPOSED BY THE AUSTRALIAN SECURITIES EXCHANGE OR ANY SUCCESSOR OR REPLACEMENT SECURITIES EXCHANGE ("**ASX**"). PRIOR TO PERMITTING ANY TRANSFER, THE COMPANY MAY REQUEST (X) THAT THE TRANSFEROR AND/OR TRANSFEREE PROVIDE DECLARATIONS AND CERTIFICATIONS TO THE COMPANY AND THE SHARE REGISTRY IN SUCH FORM AS THE COMPANY MAY PRESCRIBE FROM TIME TO TIME, INCLUDING THAT THE TRANSFEREE IS EITHER (I) NOT A "U.S. PERSON" (AS DEFINED IN REGULATION S), IS PURCHASING THESE SECURITIES OR ANY BENEFICIAL INTERESTS THEREIN IN A TRANSACTION COMPLYING WITH REGULATION S AND IS NOT HOLDING THE SECURITIES FOR THE ACCOUNT OR BENEFIT OF ANY U.S. PERSON OR (II) IS A QIB AND IS PURCHASING THESE SECURITIES OR ANY BENEFICIAL INTEREST THEREIN FOR ITS OWN ACCOUNT OR THE ACCOUNT OF ONE OR MORE OTHER QIBs IN ONE OR MORE TRANSACTIONS EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PURSUANT TO RULE 144A THEREUNDER (IF AVAILABLE) AND/OR (Y) THAT AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY BE DELIVERED TO THE COMPANY THAT SUCH TRANSFER IS TO BE EFFECTED IN A TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S OR RULE 144A (IF AVAILABLE) UNDER THE U.S. SECURITIES ACT OR IS OTHERWISE EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

HEDGING TRANSACTIONS INVOLVING THE SECURITIES OR ANY BENEFICIAL INTERESTS THEREIN MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE U.S. SECURITIES ACT.

THE HOLDER HEREOF FURTHER AGREES THAT THE SECURITIES REPRESENTED HEREBY AND ANY SECURITIES TRANSMUTED TO CDIs WILL BE SUBJECT TO A HOLDING LOCK THAT WILL PREVENT THE HOLDER FROM TRANSFERRING SUCH SECURITIES OR CDIs FOR SO LONG AS ANY RESTRICTIONS APPLICABLE TO TRANSFERS OF THE CDIs IMPOSED BY THE ASX REMAIN IN PLACE AND SUCH SECURITIES (OR THE CDIs FROM WHICH THEY WERE TRANSMUTED) HAVE BEEN HELD FOR AT LEAST ONE YEAR BY NON-AFFILIATES OF THE COMPANY AND ARE SOLD PURSUANT TO RULE 144 UNDER THE U.S. SECURITIES ACT, UNLESS THE COMPANY OTHERWISE DETERMINES TO REMOVE SUCH HOLDING LOCK.

NO AFFILIATE (AS DEFINED IN RULE 405 OF THE U.S. SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN, IN THE IMMEDIATELY PRECEDING THREE MONTHS, AN AFFILIATE OF THE COMPANY MAY PURCHASE, OTHERWISE ACQUIRE OR HOLD THE SECURITIES OR A BENEFICIAL INTEREST THEREIN AND ANY ACQUISITION OF THE SECURITIES EVIDENCED HEREBY OR ANY BENEFICIAL INTEREST THEREIN BY SUCH AN AFFILIATE OR PERSON SHALL BE NULL AND VOID AB INITIO, PROVIDED THAT THE SECURITIES OR A BENEFICIAL INTEREST THEREIN MAY BE ACQUIRED BY SUCH AN AFFILIATE OR PERSON SO LONG AS THE ACQUIRER DOES NOT HOLD THE SECURITY OR A BENEFICIAL INTEREST THEREIN IN THE FORM OF CDIs REPRESENTING THE SECURITIES OR, IF SUCH AFFILIATE ACQUIRES ANY CDIs REPRESENTING THE SECURITIES IT IMMEDIATELY TRANSMUTES THOSE CDIs INTO SHARES OF COMMON STOCK OF THE COMPANY.

THE HOLDER WILL AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE SECURITIES OR ANY BENEFICIAL INTERESTS THEREIN FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE COMPANY, THE COMPANY OR THE SHARE REGISTRAR MAY REFUSE TO REGISTER ANY TRANSFER OF THE SECURITIES OR ANY BENEFICIAL INTERESTS THEREIN NOT MADE IN ACCORDANCE WITH THE RESTRICTIONS ABOVE.

THE FOREGOING RESTRICTIONS SHALL REMAIN IN PLACE UNTIL SUCH TIME AS THE COMPANY DETERMINES IT IS APPROPRIATE TO REMOVE THEM. BY ITS ACQUISITION HEREOF, OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER REPRESENTS THAT IT IS PERMITTED TO ACQUIRE SUCH AN INTEREST AS SET FORTH IN THIS LEGEND AND AGREES TO COMPLY WITH THE FOREGOING RESTRICTIONS."

#### 10.12.8 Possible Extension of Distribution Compliance Period

Due to the nature of the ASX trading system, the restricted stock identifier and associated transfer restrictions will remain on the CDIs during the Distribution Compliance Period, which is expected to last until one year after Settlement. The CDIs will no longer bear such restricted stock identifier and associated transfer restrictions after the Distribution Compliance Period ends, subject to approval by the ASX and delivery of certain opinions, and unless required by applicable law. Zebit can provide no assurance that the ASX will approve such removal or that Zebit will be able to deliver or obtain any required certificates or opinion to effectuate such removal. If that is the case, the restrictions imposed during the Distribution Compliance Period will continue indefinitely.

In addition, the Distribution Compliance Period may restart if, among other reasons, Zebit determines to issue additional CDIs, or following the Offer an affiliate of Zebit sells CDIs pursuant to Regulation S. If this were to occur, the Distribution Compliance Period would restart as at the date of such offer and sale of CDIs. Any such extension or continuation of the Distribution Compliance Period could have an adverse effect on your ability to resell the CDIs or the liquidity of, or trading price for, the CDIs on the ASX.

#### 10.12.9 U.S. Periodic Reporting Requirements

Under applicable federal securities laws in the US, even if Zebit's CDIs or Shares are not listed for trading on a U.S. securities exchange, Zebit may at some point in the future be required to:

- file a registration statement registering its Shares under the U.S. Exchange Act on Form 10 with the SEC; and
- become subject to regulation under the US Exchange Act, including the requirement to file with the SEC annual, quarterly and current reports on Forms 10-K, 10-Q and 8-K, respectively.

Under Section 12(g)(1) of the U.S. Exchange Act, Zebit will be required to register its Shares within 120 days after the last day of its fiscal year ended on which it has (i) assets of more than $10 million, and (ii) either (a) 2,000 or more holders of any class of equity securities or (b) 500 or more holders of any class of equity securities who are not 'accredited investors' as defined in Rule 501 of Regulation D of the U.S. Securities Act. Although the first threshold will be satisfied immediately following Completion, Zebit can give no assurance as to the time (if at all) the second threshold will be satisfied, and therefore the time (if at all) that it will become subject to the US periodic reporting requirements set out above. Further, any ongoing periodic reporting and other requirements under the U.S. Exchange Act may be subject to legislative change from time to time.

At the time Zebit becomes subject to the reporting requirements of the U.S. Exchange Act, Zebit will also become subject to applicable requirements of the Sarbanes-Oxley Act and the Dodd-Frank Act, which will impose additional governance and reporting obligations upon Zebit.

The Company's U.S. periodic reporting requirements would be in addition to its periodic disclosure requirements under the ASX Listing Rules, unless appropriate waivers are obtained from ASX. If Zebit is required to register under the U.S. Exchange Act, the CDIs issued under the Offer, at such time, may still be 'restricted securities' under Rule 144 under the US Securities Act and may still be subject to the Distribution Compliance Period restrictions. Accordingly, the CDIs may not, at such time, be freely tradeable in the U.S.

#### 10.12.10 Overseas ownership and resale representation

It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed application form will be taken by Zebit to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

## 10.13 Registration Rights

Following Completion, the holders of 55,299,030 shares of Zebit's common stock issued upon conversion of convertible preferred stock or convertible notes (the "**Legacy Shares**") are entitled to certain rights with respect to the registration of these Legacy Shares under the U.S. Securities Act of 1933, as amended. These rights are provided under the terms of a registration rights agreement between Zebit and the holders of Legacy Shares ("**Registration Rights Agreement**"), and include demand registration rights, piggyback registration rights and Form S-3 registration rights, subject to certain exceptions.

The registration rights terminate three years following a "Qualified IPO" or, with respect to any particular stockholder, at such time that the stockholder can sell all of its shares during any three month period pursuant to Rule 144 of the U.S. Securities Act. A "Qualified IPO" means a firm commitment common stock public offering under the US Securities Act with a selling price to the public of at least $3 per share resulting in at least $30 million of gross proceeds to Zebit.

#### Demand Registration Rights

Under the terms of the Registration Rights Agreement, at any time after the earlier of (i) five years following Completion, or (ii) more than six months after an initial public offering under the U.S. Securities Act, Zebit will be required, upon the written request of holders of at least 30% of the Legacy Shares that are entitled to registration rights under the Registration Rights Agreement, to register, within 30 days after receiving such request, all or a portion of the Legacy Shares for public resale. Zebit is required to effect only two registrations pursuant to this provision of the Registration Rights Agreement. Such request for registration must cover a number of Legacy Share with an anticipated aggregate offering price of at least $3.0 million (exclusive of underwriters' discounts and commissions). Zebit is not required to effect a demand registration during the period from 60 days prior to the filing to 180 days following the effectiveness of a registration statement relating to a public offering of Zebit's securities.

### Piggyback Registration Rights

If Zebit registers any of its common stock for public sale in a U.S offering, the holders of Legacy Shares are entitled to include their Legacy Shares in the registration upon written request made within 20 days after notice of such registration is mailed by Zebit to the holders of Legacy Shares. Both Zebit and the underwriters of any underwritten offering have the right to limit the number of Legacy Shares registered by these holders for marketing reasons, subject to limitations set forth in the Registration Rights Agreement.

### Form S-3 Registration Rights

If Zebit is eligible to use a Form S-3 registration statement under the U.S. Securities Act, the holders of Legacy Shares are also are entitled to certain Form S-3 registration rights so long as the aggregate amount of shares to be offered and sold under such registration statement on Form S-3 is at least $3.0 million (net of any underwriters' discounts or commissions). Zebit is only obligated to file up to two registration statements on Form S-3 within a 12 month period. These registration rights are subject to specified conditions and limitations, including Zebit's ability to defer the filing of a registration statement with respect to an exercise of such Form S-3 registration rights for up to 120 days under certain circumstances.

### Expenses of Registration

Zebit will pay all expenses relating to any demand registrations, piggyback registrations and Form S-3 registrations, other than underwriting discounts and selling commissions.

## 10.14 Taxation implications of investing under the Offer

Zebit is a company incorporated in the U.S. and registered as a foreign company in Australia and as such, it would be treated as a foreign company for Australian taxation purposes.

Zebit's financial year ends on 31 December, annually. The following general taxation comments consider the Australian taxation implications for Australian tax residents only. The tax implications for holders of CDIs in Zebit relate to the receipt of dividends and potential gains on the disposal of CDIs in Zebit.

The comments do not purport to provide tax advice to any particular investor and should not be relied upon as the tax position of each investor may vary depending on the specific circumstances of the investor. The Company recommends each investor seek their own independent income tax advice based on their particular circumstances. All current or potential investors in Zebit are urged to obtain independent financial advice about the consequences of acquiring CDIs in Zebit.

To the maximum extent permitted by law, Zebit, its officers, Directors, and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of acquiring or disposing of CDIs in Zebit issued under this Prospectus.

### 10.14.1 CDIs in a Foreign Company

Generally, a foreign company is a resident of Australia if it carries on business in Australia and has either its central management and control in Australia or its voting controlled by shareholders who are residents of Australia.

In order for the foreign company to be considered a tax resident company of Australia, the foreign company must satisfy both conditions. Zebit does not carry on a business in Australia as such, it is not necessary to consider whether Zebit's central management and control is in Australia or if its voting power is held by Australian resident shareholders. Having said that, the Board of Zebit are primarily based in the United States as such, Zebit's central management and control would be based outside of the Australian tax jurisdiction.

Zebit would not be a tax resident of Australia for taxation purposes. Furthermore, the issue of CDIs in Zebit as a result of the IPO would not change the residency status of the company for income tax purposes. Therefore, the CDIs in Zebit would be considered a foreign sourced asset (ie shares/CDIs in a foreign company) in the hands of Australian tax resident shareholders.

### 10.14.2 Dividends

Where Zebit pays a dividend to an Australian tax resident Shareholder, the dividend should be included in the Shareholders assessable income for the relevant year of income. For income tax purposes the dividend is to be grossed up for any withholding tax deducted in the U.S. for an Australian tax resident Shareholder.

The general U.S. dividend withholding tax rate is 15% and may be reduced in certain circumstances. A corresponding foreign tax offset may be available to the Shareholder for the withholding tax deducted in relation to the dividend paid.

The foreign tax offset should be equivalent to the withholding tax deducted and remitted to the U.S. tax authorities. This offset is calculated on the greater of:

- A$1,000; or
- the Australian tax payable on the net income on which foreign tax is paid.

Generally, dividends received by an Australian resident company who holds at least 10% in a foreign company (ie non-portfolio dividend) would not be assessable income for Australian taxation purposes. Zebit is a foreign company, accordingly there would be no attaching franking credits to any dividend paid (ie no franked dividends).

### 10.14.3 Profit making intention

Any gain derived by shareholders who acquire their CDIs in Zebit as part of a business or with a view of profit, may be assessable as ordinary income for Australian taxation purposes. Correspondingly, any loss made on disposal may be deductible.

In this scenario, the transaction would not be subject to the Capital Gains Tax ("**CGT**") provisions and the general CGT discount concession would not be available. Each investor should seek independent advice as to whether the gain would be considered ordinary income.

### 10.14.4 Capital Gains Tax

The CGT provisions generally apply to transactions which involve the disposal of an asset (ie shares, options, etc) acquired on capital account as such, Australian tax resident Shareholders who hold their CDIs on capital account will be required to consider the impact of the Australian CGT provisions in respect of the disposal of their CDIs in Zebit.

The disposal of CDIs in Zebit by a Shareholder would be a CGT event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the CDIs in Zebit (broadly, the amount paid to acquire the CDIs in Zebit plus any transaction costs incurred in relation to the acquisition or disposal of the CDIs in Zebit). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the CDIs in Zebit.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, and the CDIs have been held for more than 12 months prior to the CGT event. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustee (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

A capital loss will be realised where the reduced cost base of the CDIs in Zebit exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

### 10.14.5 Goods and Services Tax ("GST")

Under current Australian law, no GST should be payable by Shareholders in respect of the issue, acquisition, disposal or transfer of their Shares in a company regardless of whether or not the Shareholder is registered for GST. Therefore, no GST should be payable in respect of the acquisition or disposal of the CDIs in Zebit. Further, No GST should be payable by Shareholders on receiving dividends distributed by Zebit.

#### 10.14.6 Stamp Duty

Shareholders should not be liable for stamp duty in respect of their initial subscription of Shares on the basis that Zebit does not hold any relevant interests in real property in Australia. Under current stamp duty legislation, no stamp duty should ordinarily be payable by Shareholders on any subsequent transfer of CDIs in Zebit whilst the Company remains listed on the Australian Stock Exchange at the time of the transactions.

#### 10.14.7 Future Tax Law Changes

Tax laws are complex and subject to ongoing change. The tax consequences discussed in this Section 10.13 do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in the administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The precise implications of ownership or disposal of the CDIs will depend upon each Shareholder's specific circumstances.

## 10.15 Offer expenses

A summary of the Offer costs is set out below, which assume an exchange rate of approximately A$1:US$0.71:

| Offer Costs | A$'000 | US$'000 |
|---|---:|---:|
| Lead Manager fees | 1,727 | 1,225 |
| Legal fees | 1,380 | 979 |
| Independent accountant and tax fees | 619 | 439 |
| Audit fees | 548 | 389 |
| ASX Listing fee | 358 | 254 |
| Other costs | 646 | 458 |
| Total | 5,279 | 3,744 |

The Company has paid or will pay all of the costs associated with the Offer. If the Offer proceeds, the total estimated cash expenses in connection with the Offer to be paid by the Company (including underwriting, management, advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses) are estimated to be approximately $3.7 million.

## 10.16 Consents to be named and disclaimers of responsibility

Each of the below listed parties has given and has not, before the Prospectus Date, withdrawn its written consent to being named in the Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent.

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors of the Company, any underwriters, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described below:

- BDO Corporate Finance (East Coast) Pty Ltd has consented to being named in the Corporate Directory of this Prospectus as the Company's Investigating Accountant and to the inclusion of its Independent Limited Assurance Report in Section 7 in the form and context in which it appears;
- Shaw and Partners Limited has consented to being named as Lead Manager to the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Shaw and Partners Limited;
- DLA Piper Australia has consented to being named in the Corporate Directory of this Prospectus as the Australian legal adviser to the Company, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by DLA Piper Australia;
- DLA Piper LLP (US) has consented to being named in the Corporate Directory of this Prospectus as the US legal adviser to the Company, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by DLA Piper LLP (US);
- Computershare Investor Services Pty Limited has consented to being named in the Corporate Directory and elsewhere in this Prospectus as the Share Registry for the Company. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.
- BDO USA, LLP has consented to being named in this Prospectus as the Company's US auditor, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by BDO USA, LLP.
- BDO Services Pty Ltd has consented to being named in this Prospectus as the Company's tax adviser and to the inclusion of the summary of the tax implications in section 10.14 in the form and context in which it appears. Except for the summary of tax implications in section 10.14, it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by BDO Services Pty Ltd.

Zebit has included statements in this Prospectus made by, attributed to or based on statements made by the following parties:

- U.S. Consumer Financial Protection Bureau — Consumer Credit Card Market Report | 2019
- United States Census Bureau | 2020
- Financial Health Network — Financially Underserved Market Size Study | 2019
- Congressional Research Service: Real Wage Trends from 1979 to 2018 | 2019
- Iress 2020
- Financial Health Network — U.S. Financial Health Pulse 2019 Trends report | 2019
- Centre for Financial Services Innovation, 2017 Financially Underserved Market Size Study, 2017
- Federal Reserve Bank of New York — Unequal Access to Credit: The Hidden Impact of Credit Constraints | 2020
- Fair Isaac Corporation – Understanding FICO Scores | 2020
- The CFPB Office of Research – Data Point: Credit Invisibles | 2015
- MDRC Online Payday and Instalment Loans Report: Who Uses Them and Why, 2016
- ASIC Report 600 - Review of buy now pay later arrangements | 2018
- Federal Reserve Bank of New York – Quarterly Report on Household Debt and Credit 2020-Q2 | 2020

- Federal Reserve Bank of Philadelphia – Credit Risk Modelling in Segmented Portfolios | 2019
- U.S. Consumer Financial Protection Bureau Office of Research – Special Issue Brief: The Early Effects of the COVID-19 Pandemic on Credit Applications | 2020
- Lendingtree – Can a credit card company decrease your credit limit without telling you | 2020
- Trading Economics – United States Unemployment Rate: 1948-2020 Data; 2020
- IBIS World - Coronavirus Update: Industry Fast Facts: Retail Trade, Transportation and Warehousing COVID-19 Sector Update (United States)
- State of Georgia Government – Governor Brian P. Kemp Updated Georgians on COVID-19 | 2020
- Statistica – Jobless Claims Surpass 40 million in 10 Weeks; 2020
- Trading Economics – United States Fed Funds Rate: 1971-2020 Data; 2020
- Becker Friedman Institute – U.S. Unemployment Insurance Replacement Rates During the Pandemic | 2020
- State of South Carolina Government – Governor Henry McMaster Lifts Restrictions effective Friday May 22 | 2020
- Trading Economics – United States Unemployment Rate: 1948-2020 Data | 2020
- U.S. Department of Labor: Unemployment Insurance Relief During COVID-19 Outbreak | 2020
- Center on Budget and Policy Priorities – CARES Act Measures Strengthening Unemployment Insurance Should Continue While Need Remains | 2020
- Board of Governors of the Federal Reserve System – Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy | 2020
- Congressional Budget Office : An Update to the Economic Outlook: 2020 to 2030 | 2020
- Congressional Research Service - Extending Unemployment Compensation Benefits During Recessions | 2013
- The White House – Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019 | 2020
- Center on Budget and Policy Priorities – Policy Basics: How Many Weeks of Unemployment Compensation Are Available | 2020
- IBIS World Industry Report - Retail Trade in the US | 2019
- IBIS World Industry Report: E-Commerce & Online Auctions in the US | 2020
- IBIS World Industry Report - Home Furniture Rental Industry in the US | 2019
- Source: IBIS World Industry Report: Check Cashing – Payday Loan Services in the US | 2019
- Coresight Research – US Store Closures 2019 Outlook: No Light at the End of the Tunnel | 2019
- Coresight Research – US Store Closures 2020 Outlook: COVID-19 Update—Prolonged Impact Set To Drive Up Closures | 2020
- Coresight Research Retail Store Databank — Weekly US Store Trackers | 2020
- Business Insider - More than 9,300 stores are closing in 2019 as the retail apocalypse drags on | 2019
- SBP Digital: How COVID-19 disrupted our shopping behaviour | 2020
- Mastercard Spending Pulse: Estimated $53 billion in additional U.S. e-commerce sales as pandemic drives consumers online in April and May | 2020
- NBC News Digital: Which big names have filed for bankruptcy since the coronavirus pandemic hit | 2020
- M. H. Anderson, An Economic Investigation of Rent-to-Own Agreements, 89 Chi.-Kent L. Rev. 141 (2014)
- The U.S. Federal Trade Commission - Rent-to-own: Costly Convenience | 2015
- U.S. Consumer Financial Protection Bureau – What is a payday loan | 2017
- National Consumer Law Center - Installment Loans: Will states protect borrowers from predatory lending | 2015
- U.S. Consumer Financial Protection Bureau – Consumer Financial Products & Services Offered to Servicemembers | 2011


The inclusion of statements made by, attributed to or based on statements made by these parties has not been consented to by the relevant party for the purpose of section 729 of the Corporations Act and are included in this Prospectus by Zebit on the basis of ASIC Corporations (Consent to Statements) Instrument 2016/72 relief from the Corporations Act for statements used from books, journals or comparable publications.

## 10.17 ASX and ASIC waivers and confirmations

### 10.17.1 ASX waivers and confirmations

The Company has sought the following confirmations and waivers described below:

- A waiver from Listing Rule 1.1, condition 11, to the extent necessary to permit the Company to have certain Options and Warrants on issue with an exercise price of less than A$0.20 per CDI.
- A waiver from ASX Listing Rules 6.16, 6.10, 6.21 and 6.22 to the extent necessary to permit the Company to continue the Prior Plan and to have Options on issue under the Prior Plan that do not comply with those ASX Listing Rules.
- A waiver from Listing Rule 10.14 to the extent necessary to permit the Company to grant 200,00 Options to Sylvia Falzon and 1,200,000 Options to Marc Schneider as described in Section 5.4.1.
- A waiver from Listing Rule 10.18 to the extent necessary to permit the accelerated vesting of Options described in Section 10.6 and the terms of the Employment Contracts described in Section 5.4.2.
- A waiver from Listing Rule 14.2.1 to the extent necessary to permit the Company not to provide in the proxy form for meetings, an option for CDI holders not to provide in the proxy form for meetings, an option for CDI holders to vote against a resolution to elect a director.
- A Confirmation that the restrictions in clauses 1, 2, 3, 4, 7, 8 and 9 of Appendix 9B of the ASX Listing Rules do not apply to the Company, as it has a track record of revenue acceptable to ASX.
- A confirmation that the Company may solely report in U.S. GAAP (and audit its financial reports in accordance with auditing standards generally accepted in the U.S.).

An application to the ASX on behalf of the Company to request ASX Settlement to include the CDIs in Schedule 1 of the ASX Settlement Operating Rules as 'FOR financial products' has been made. See Section 10.11 for further information on the restrictions which will be placed on the CDIs.

### 10.17.2 ASIC relief

ASIC has granted a modification of section 707 of the Corporations Act to the extent necessary to permit the Shares that will be issued on the reclassification of existing Series Seed preferred stock, Series A preferred stock and Series B preferred stock to Shares, on the conversion of the convertible notes and on exercise of Options, Warrants and RSUs granted on or before the Prospectus Date, and on the exercise of Securities granted under the 2020 Incentive Plan, to be able to be sold within 12 months of their issue without the requirement for a future disclosure document being prepared in connection with that sale.

ASIC has provided a declaration that sections 601CK(1) to 601CK(6) of the Corporations Act do not apply to the Company, on the condition that the Company prepares and files audited financial statements using U.S. GAAP.

## 10.18 Privacy

Zebit, the Share Registry on its behalf, and the Lead Manager may collect, hold, use and disclose personal information provided by investors to allow it to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. This means that Zebit will need to collect your personal information (for example your name, address and details of the Securities that you hold.

Zebit will only use and/or disclose your personal information for the purposes for which it was collected, other related purposes and as permitted or required by law. If you do not wish to provide this information, Zebit and the Share Registry may not be able to process your Application. Zebit and the Share Registry may also share your personal information with agents and service providers of Zebit or others who provide services on Zebit's behalf, some of which may be located outside Australia where personal information may not receive the same level of protection as that afforded under Australian law.

For more details on how Zebit collects, stores, uses and discloses your information, please read Zebit's Privacy Policy located at https://zebit.com/privacy-policy. It is recommended that you obtain a copy of this Privacy Policy and read it carefully before making an investment decision.

By completing an application form or authorising a broker to do so on your behalf, or by providing Zebit with your personal information, you agree to this information being collected, held and used as set out in this Prospectus and Zebit's Privacy Policy. Zebit aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this please contact Zebit or the Share Registry if any of the details you have provided have changed.

## 10.19 Legal proceedings

To the knowledge of the Directors, at the Prospectus Date there is no material current, pending or threatened litigation with which the Company is directly or indirectly involved, which the Company believes is likely to have a material impact on the business or the financial results of the Company.

## 10.20 Investor considerations

Before deciding to participate in this Offer, you should consider whether the CDIs to be issued are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of CDIs listed on ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

## 10.21 Governing law

This Prospectus and the contracts that arise from the acceptance of Applications under the Offer are governed by the law applicable in New South Wales, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

## 10.22 Statement of Directors

Other than as set out in this Prospectus, the Directors report that after due enquiries by them there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

Each Director and proposed Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

# Defined Terms

# 11

# 11. Defined Terms

| In this Prospectus: | |
|---|---|
| **2020 Incentive Plan** | The Company's 2020 Equity Incentive Plan as described in Section 5.5.2. |
| **$** | U.S. Dollars (unless otherwise specified). |
| **A$** | Australian Dollars. |
| **Active Customer** | A Registered User who has purchased, or made a down payment on, one or more items on the Zebit Platform. |
| **AAS** | Australian Accounting Standards (to be used interchangeably with AIFRS). |
| **AIFRS** | Australian International Financial Reporting Standards. |
| **AFSL** | Australian Financial Services Licence. |
| **Applicant** | A person who submits an Application Form. |
| **Application** | An application to subscribe for CDIs under this Prospectus. |
| **Application Amount** | Money submitted accompanying an Application by Applicants under the Offer. |
| **Application Form** | The application form attached to or accompanying this Prospectus. |
| **Application Monies** | The amount of money submitted or made available by the Applicant in connection with an Application. |
| **APR** | Annual percentage rate. |
| **ASIC** | The Australian Securities and Investments Commission. |
| **Associate** | Has the meaning given to that term in the Corporations Act. |
| **ASX** | ASX Limited ABN 98 008 624 691 or the market it operates, as the context requires. |
| **ASX Corporate Governance Principles** | The corporate governance principles and recommendations of the ASX Corporate Governance Council as at the Prospectus Date. |
| **ASX Listing Rules** | The official Listing Rules of ASX as amended or waived and applicable to the Company from time to time. |
| **ASX Participants** | ASX participating organisations. |
| **ASX Settlement** | ASX Settlement Pty Ltd ACN 008 504 532. |
| **ASX Settlement Operating Rules** | The settlement operating rules of ASX Settlement. |
| **ATO** | The Australian Taxation Office. |
| **Bad Debt Reserve** | The dollar amount of receivables that Zebit dos not expect to collect. The Bad Debt Reserve is calculated as a percentage of overall gross sales that Zebit projects will become uncollectable. |
| **BDO** | BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170. |
| **Bastion** | Bastion Consumer Funding II, LLC. |
| **Bastion Facility** | The Company's credit facility with Bastion, described in Section 9.1. |

# 11. Defined Terms

| In this Prospectus: | |
|---|---|
| **Board** | The board of directors of the Company. |
| **BNPL** | Buy now pay later. |
| **Broker** | Any ASX participating organisation selected by the Lead Manager in consultation with the Company to act as a broker to the Offer. |
| **Broker Firm Offer** | An invitation to Australian resident and sophisticated investors who have received a firm allocation from their Broker to apply for CDIs under this Prospectus, as described in Section 8.5. |
| **Bylaws** | The amended and restated bylaws of the Company which will be effective from Listing. |
| **CAC** | Customer acquisition cost. |
| **CAGR** | Compound annual growth rate. |
| **CARES Act** | U.S. Coronavirus Aid, Relief and Economic Security Act. |
| **CDI** | A CHESS Depositary Interest, representing a beneficial interest in one Share. |
| **CDN** | CHESS Depositary Nominees Pty Limited ACN 071 346 506, an entity registered in Australia (Financial Services Licence Number 254514). |
| **CEO** | Chief Executive Officer. |
| **Certificate of Incorporation** | The amended certificate of incorporation of the Company as described in Section 10.8. |
| **CFO** | Chief Financial Officer. |
| **CFPB** | The Consumer Financial Protection Bureau. |
| **CGT** | Capital Gains Tax. |
| **CHESS** | The Clearing House Electronic Sub-register System of share transfers operated by ASX Settlement. |
| **Closing Date** | The date that the Offer closes, expected to be 21 October 2020. |
| **COGS** | Cost of goods sold. |
| **Company or Zebit** | Zebit, Inc. ARBN 639 736 726. |
| **Completion** | Completion of the allotment of CDIs under the Offer. |
| **Contribution Margin** | Gross Margin less Bad Debt Reserve. |
| **Convertible Note** | Convertible promissory notes issued by the Company and described in Section 10.6. |
| **Corporations Act** | *Corporations Act 2001* (Cth). |
| **Crosslink** | Crosslink Ventures. |
| **CY** | Calendar year ended/ending 31 December. |
| **CY19** | The calendar year ended 31 December 2019. |
| **DGCL** | Delaware General Corporation Law. |

# 11. Defined Terms

| In this Prospectus: | |
|---|---|
| Director | A director of the Company as at the Prospectus Date. |
| Distribution Compliance Period | The 12 month period from the date of issue of the CDIs during which the CDIs cannot be resold to any U.S. Person or for the account or benefit of a U.S. Person, unless pursuant to Rule 144A, which period may be extended under the circumstances described in section 10.12.9. |
| Escrowed Shareholders | The Shareholders that have agreed to enter into voluntary escrow arrangements in relation to the Securities retained by them on Completion. |
| Executive Team | The persons set out in section 5.2. |
| Existing Shareholder | A holder of Shares immediately prior to the issue of CDIs under the Offer. |
| Exposure Period | The seven day period after the date of lodgement of the Prospectus with ASIC (as extended by ASIC (if applicable)). |
| FASB | Financial Accounting Standards Board. |
| FICO Score or FICO Credit Score | Has the meaning given in Section 2.3. |
| Financial Information | Has the meaning given in Section 6.1. |
| Financially Underserved Consumer | A consumer with a credit score that is below the 'Prime' and 'Superprime' categories, or has a thin/stale credit record, or who is credit invisible, as described in Section 2.2. |
| FOR | Foreign Ownership Restriction. |
| Forecast Financial Information | The Statutory Forecast Financial Information together with the Pro Forma Forecast Financial Information. |
| Forecast Period | The 12 month period ending 30 June 2021. |
| Fully diluted | Refers to the number of CDIs and Options (each over one Share) on issue. |
| FY | Means financial year ending 31 December. |
| Gross Margin | Product Gross Margin plus shipping margin less drop-shipper fees, plus any adjustments. |
| GST | Goods and services or similar tax imposed in Australia. |
| Historical Financial Information | The Statutory Historical Financial Information and the Pro Forma Historical Financial Information. |
| IFRS | International Financial Reporting Standards issued by the International Accounting Standards Board. |
| Independent Limited Assurance Report | The report set out in section 7. |
| Institutional Investor | Investors who are (a) persons in Australia who are wholesale clients under section 761G of the Corporations Act and either "professional investors" or "sophisticated investors" under sections 708(11) and 708(8) of the Corporations Act; or (b) institutional investors in certain other jurisdictions, as agreed by Zebit and the Lead Manager, to whom offers of or invitations to subscribe for CDIs can be lawfully made without the need for a lodged prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one which Zebit is willing in its discretion to comply). |

# 11. Defined Terms

| In this Prospectus: | |
| --- | --- |
| **Institutional Offer** | An invitation to certain Institutional Investors to apply for CDIs under the Prospectus, as described in Section 8.6. |
| **IPO** | Initial Public Offering. |
| **Key Manager** | means the Executive Director and Chief Financial Officer |
| **Lead Manager** | Shaw and Partners Limited. |
| **Leapfrog** | Leapfrog Ventures II, L.P. |
| **Listing** | The admission of the Company to the official list of the ASX and quotation of the CDIs. |
| **Listing Date** | Means the date on which the Company is admitted to the official list of ASX and the quotation of the CDIs commence. |
| **LTV** | Lifetime value. |
| **Net Credit Loss** | Net Credit Losses are the written off losses as a percentage of revenue recognized for an order month less any post write-off recoveries associated with those orders. |
| **Non-IFRS financial measures** | Has the meaning given in Section 6.2.4. |
| **Offer** | The invitation in this Prospectus to subscribe for CDIs in respect of Shares (with one CDI equivalent to one Share), comprising the Institutional Offer, the Broker Firm Offer and the Priority Offer. |
| **Offer Information line** | 1300 110 638 (within Australia) or +61 3 9415 4063 (outside Australia) from 8.30 am to 5.00 pm Sydney time, Monday to Friday. |
| **Offer Period** | The period during which investors may subscribe for CDIs under the Offer, expected to be from 16 October 2020 to 21 October 2020. |
| **Offer Price** | A$1.58 per CDI (equivalent to A$1.58 per Share). |
| **Official List** | The official list of entities that ASX has admitted to and not removed from listing. |
| **Option** | An option to acquire a Share. |
| **Original Prospectus** | The Prospectus issued by the Company dated 1 October 2020, which was lodged with ASIC on that date and is replaced by this Prospectus. |
| **Prior Plan** | The Company's 2015 Stock Plan, as described in Section 5.5.1. |
| **Priority Offer** | An invitation to persons who received an invitation from the Company to participate, as described in Section 8.7. |
| **Product Gross Margin** | Selling price less COGS. |
| **Proposed Director** | Miriam Rivera. |
| **Statements of Pro Forma Forecast Cash Flows** | Has the meaning given in Section 6.1. |
| **Pro Forma Forecast Financial Information** | Has the meaning given in Section 6.2.3. |

# 11. Defined Terms

| In this Prospectus: | |
|---|---|
| **Pro Forma Forecast Results** | Has the meaning given in Section 6.1. |
| **Pro Forma Historical Cash Flows** | Has the meaning given in Section 6.1 |
| **Pro Forma Historical Financial Information** | The Pro Forma Historical Results, Pro Forma Historical Cash Flows and Pro Forma Historical Statement of Financial Position. |
| **Pro Forma Historical Results** | Has the meaning given in Section 6.1. |
| **Pro Forma Historical Statement of Financial Position** | Has the meaning given in Section 6.1. |
| **Prospectus** | This Prospectus, dated 13 October 2020, for the issue of CDIs to raise A$35.0 million from the Offer (including the electronic form of that Prospectus) and any supplementary or replacement prospectus. |
| **Prospectus Date** | The date on which a copy of this Prospectus was lodged with ASIC, being 1 October 2020. |
| **QIB** | Qualified Institutional Buyer, as defined in Rule 144A under the U.S Securities Act. |
| **Registered User** | A consumer who has successfully applied, and been approved to use, the Zebit Platform. |
| **Registration Rights** | Has the meaning given to that term in Section 10.13. |
| **Retail Investor** | An Applicant who is not an Institutional Investor. |
| **RISA** | Retail installment sales agreement. |
| **RSU** | Restricted Stock Unit. |
| **SEC** | U.S. Securities and Exchange Commission. |
| **Security** | Includes a Share or CDI which is the subject of the Offer and any other right, or any other equity interest in the Company. |
| **Settlement** | The settlement of the Offer, expected to be 22 October 2020. |
| **Share** | A fully paid share of common stock in the capital of the Company. |
| **Share Legend** | Has the meaning given in 10.12.8. |
| **Share Registry** | Computershare Investor Services Pty Limited. |
| **Shareholder** | A registered holder of a Share or CDI. |
| **SKU** | Stock keeping unit, an alphanumeric code used to differentiate products. |
| **Statements of Statutory Forecast Cash Flows** | Has the meaning given in Section 6.2.3. |
| **Statutory Forecast Results** | Has the meaning given in Section 6.2.3. |

# 11. Defined Terms

| In this Prospectus: | |
|---|---|
| **Statutory Historical Cash Flows** | Has the meaning given in Section 6.1. |
| **Statutory Historical Financial Information** | The Statutory Historical Results, Statutory Historical Cash Flows and Statutory Historical Statement of Financial Position. |
| **Statutory Historical Results** | Has the meaning given in Section 6.1. |
| **Statutory Historical Statement of Financial Position** | Has the meaning given in Section 6.1. |
| **Strome Investment** | Strome Investment Management LP and affiliated entities. |
| **Subscription Price** | The amount payable by Applicants to the Company for the issue of CDIs under the Offer being A$1.58 per CDI. |
| **Successful Applicant** | Applicants who successfully subscribe for CDIs under the Offer. |
| **SVB Facility** | Loan advanced to the Company by the Silicon Valley Bank with an outstanding balance of approximately $467,000. The maturity date of the loan is 1 July 2022 however the Company intends to repay the loan in full on or before 31 December 2020. |
| **Ulu Ventures** | Ulu Ventures Fund II, L.P. |
| **Underwriting Agreement** | Underwriting agreement between the Company and the Lead Manager dated on or about the Prospectus Date and summarised in Section 9.5. |
| **Undiluted** | Refers to the number of CDIs (each over one Share) on issue. |
| **US$** | U.S. Dollars (or U.S Dollars). |
| **U.S. or United States** | United States of America, its territories and provinces, any state of the United States of America and the District of Colombia. |
| **U.S. Exchange Act** | U.S. Securities Exchange Act of 1934, as amended. |
| **U.S. GAAP** | Generally Accepted Accounting Principles (United States). |
| **U.S. Person** | Has the meaning given to it in Rule 902(k) under Regulation S of the U.S. Securities Act. |
| **U.S. Securities Act** | The U.S. Securities Act of 1933, as amended from time to time. |
| **Warrant** | A warrant to acquire a Share. |
| **Wildcat** | Wildcat Technology Partners 2015, L.P. |
| **Zebitline** | A line of store credit allocated to Registered Users in the Zebit Marketplace. |
| **Zebit Marketplace** | The Company's closed eCommerce website. |
| **Zebit Platform** | Includes the Zebit Marketplace, databases, IT and management systems, credit risk systems and fraud security systems. |

# Schedule 1: Accounting Policies

# 12. Schedule 1: Accounting Policies

## 12.1 Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from these estimates. On an ongoing basis, management evaluates its estimates, including those related to the accounts receivable allowance, useful lives and impairment of intangible assets and property and equipment, the fair value of a convertible debt instrument for which the fair value option has been elected, the fair value of common stock and expense for stock-based compensation awards, the fair value of stock warrants and other equity-related instruments, and income taxes, among others. The Company bases its estimates on historical experience and on various other assumptions that it believes are reasonable. Actual results could differ materially from these estimates.

## 12.2 Revenue recognition

The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers ("**ASC 606**"), when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. Revenue recognition is determined using the five-step process provided in ASC 606: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and, (v) recognize revenue when (or as) the entity satisfies a performance obligation. Refer to Sale of Goods for further information.

**Sale of goods**

The Company has determined that its performance obligations under its sales contracts with customers are to deliver the purchased goods. Accordingly, revenue is recognized at the point in time when the delivery obligation is satisfied, which is consistent with the time in which the customer obtains control of the goods. The Company recognizes revenue as the amount of consideration the Company expects to receive in exchange for transferring the goods, which is the fixed contract price for the purchased goods.

## 12.3 Cost of Revenues

Cost of revenues consists of the purchase price of goods sold to customers, outbound shipping costs, and dropship processing fees. Dropship processing fees represent vendor charges for fulfilling orders, including receiving, inspecting, picking, packaging and preparing goods for shipment. The Company recognizes cost of revenues upon delivery of the contracted purchased goods to its customer.

## 12.4 Selling and Marketing Expenses

Selling and marketing expenses are expensed as incurred and consist primarily of sales and marketing employee compensation, targeted online marketing costs, such as display advertising, keyword search campaigns and social media advertising, as well as offline marketing costs such as email and radio, and broker commissions. Broker commissions are paid to partners for each prospective customer referred by the broker and underwritten and approved by the Company.

## 12.5 Allowance for doubtful debts

The Company makes judgments as to proportion of bad debt Zebit expects to take for historical outstanding sales. This number is estimated utilizing forecasting provided by the Company's data science team on a monthly basis and is adjusted for actual bad debt incurred and for any payments received after the receivable has been written off as it is incurred.

Accounts receivable consist of trade receivables that are generated in the normal course of business. The Company records accounts receivable at the amount invoiced to the customer, less the down payment made by the customer at the time of order. The Company records an allowance for estimated uncollectible accounts against accounts receivable. In determining the amount of the allowance for uncollectible accounts, the Company makes estimates based on historical collection experience and current economic trends. Historically, the Company's losses have been consistent with its estimates, but there can be no assurance that it will continue to experience the same credit loss rates that it has experienced in the past.

## 12.6 Significant risks and uncertainties

The Company is subject to certain risks and uncertainties that could have a material and adverse effect on its future financial position or results of operations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, cash equivalents and accounts receivable. The Company limits its exposure to credit loss by placing cash and cash equivalents with institutions of high credit standing. Deposits of cash and cash equivalents may exceed the amount of insurance provided by the Federal Deposit Insurance Corporation (FDIC) on these deposits. The Company derives its accounts receivable from revenue earned from customers. The Company performs ongoing credit evaluations of its customers' financial condition, however, does not require collateral from its customers.

## 12.7 Operating Lease

The Company recognizes right-of use assets and leases liabilities for all lease agreements, or agreements containing a lease component, in accordance with ASC Topic 842, Leases ("**ASC 842**"). At inception of a lease, the Company determines the classification of the lease as either an operating lease or a finance lease. The lease liability is amortized on a straight-line basis for operating leases and is amortized using the effective interest method for finance leases.

## 12.8 Property and Equipment, Net

Property and equipment, net is stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the following asset categories:

| Asset Category | Estimated Useful Life in Years |
|---|---|
| Computer equipment | 3 |
| Furniture and fixtures | 5 |
| Leasehold improvements | Lesser of remaining lease term or 5 years |

## 12.9 Internal-Use Software

The Company capitalizes costs related to purchased and developed internal use software, which are included in intangible assets in the balance sheet. In accordance with ASC Topic 350, capitalisation of costs for the development of internal-use software begins when the application development stage is reached and ends when the post implementation stage is reached. Amortisation of software is recorded using the straight-line method over the estimated useful life of the developed software, which is three years.

## 12.10 Cash and Cash Equivalents

The Company considers highly-liquid investments with maturities of three months or less from the date of purchase to be cash equivalents. The Company maintains its cash in depository accounts that may exceed the Federal Deposit Insurance Corporation limits.

## 12.11 Restricted Cash

Restricted cash is composed of a cash reserve account required under the Company's credit facility, which is subject to the control of the lender's collateral agent, and a restricted cash account under the control of a trustee related to the Company's obligation to indemnify certain parties pursuant to the Zebit Be Free trust agreement. The Company is required to maintain cash balances in a blocked bank account in accordance with the Credit Agreement. The blocked bank account is the property of the Company, but access to cash received from Active Customers is controlled by Bastion. On a regular basis, cash received from Active Customers is deposited to the blocked account and subsequently made available to Zebit through weekly or monthly settlement reporting with Bastion. Cash deposits to the account represent cash received from Active Customers, not yet made available to the Company, as well as maintenance of minimum deposits required to maintain various fees, costs and interest charged by Bastion.

### 12.12 Inventories

Inventories consist of inventory in-transit from our vendors to our customers as the Company takes ownership of inventory at the point of shipment from the vendor's location. All inventory in-transit is recorded at cost on the balance sheet. No substantial losses on inventory were incurred during the years ended December 31, 2019, 2018 or 2017. The Company does not estimate that any losses will be incurred on inventories and therefore had no allowance for losses on inventories as of December 31, 2019 and 2018.

### 12.13 Stock-Based Compensation

The Company has an equity incentive plan under which it has historically only granted stock options to purchase shares of the Company's common stock. The Company recognizes stock-based compensation expense based on the estimated fair value of the award on the date of grant determined using the Black-Scholes option pricing model. Stock-based compensation expense for stock option awards is amortized on a straight-line basis over the requisite service period of the award, generally four years. Forfeitures are accounted for as they occur.

### 12.14 Stock Warrants

The Company has issued freestanding warrants to purchase shares of stock in connection with certain debt and equity financing transactions. The warrants are recorded as liabilities at their fair value on the issuance date and are subject to revaluation at each balance sheet date. However, warrants issued for a nominal exercise price of $0.01 per share have the characteristics of a prepaid forward sale of equity and are therefore recorded as equity and not subsequently remeasured.

### 12.15 Convertible Notes Fair Value Election

Pursuant to ASC 825, *Financial Instruments*, the Company elected to account for convertible notes issued in December 2019 at fair value. The Company determined to elect the fair value option due to complexity associated with various potential settlement outcomes per the terms of the notes. The Company reports interest expense as a component of the change in fair value of the notes in the statement of operations.

### 12.16 Fair Value Measurements

The Company uses fair value measurements for convertible notes issued in December 2019 for which the Company elected the fair value option pursuant to ASC 825, as well as for warrant liabilities. ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The standard establishes a fair value hierarchy which distinguishes between inputs that are observable in the marketplace, and therefore more objective, and those that are unobservable and therefore more subjective. Companies are required to use observable inputs when available. Additional disclosures are required for unobservable inputs.

The three levels of inputs that may be used to measure fair value are defined as follows:

Level 1 - Observable inputs, such as quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Valuations based on unobservable inputs to the valuation methodology and including data about assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances.

### 12.17 Income Taxes

The Company is a C-corporation and is subject to federal and state income taxes. The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions and is subject to examination by U.S. federal tax authorities for returns filed for the prior three years and by state tax authorities for returns filed for the prior four years. In addition, during an audit, tax authorities may redetermine the correct taxable loss for a closed year to determine the correct amount of the loss carryforward deduction for the year under audit.

The Company uses the asset and liability method of accounting for income taxes in accordance with FASB ASC Topic 740, Income Taxes ("**ASC 740**"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In accordance with ASC 740, the Company provides a valuation allowance against its deferred tax assets when circumstances indicate that it is more likely than not that its deferred tax assets will not be realized.

## 12.18 Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of business. The Company evaluates the likelihood of an unfavourable outcome in legal proceedings to which it is a party and records a loss contingency on an undiscounted basis when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These judgments are subjective and based on the status of such legal or regulatory proceedings, the merits of the Company's defences, and consultation with legal counsel. Actual outcomes of these legal proceedings may differ materially from the Company's estimates. The Company estimates accruals for legal expenses when incurred as of each balance sheet date based on the facts and circumstances known to the Company at that time.

## 12.19 Fixed Assets

It is the Company's policy to capitalize individual fixed assets, or groups of fixed assets purchased together as part of a capital project, with a total cost of $2,500 or greater that are expected to have a useful life more than one year. The total cost of an asset or group of assets includes sales tax, freight, installation, inspection and testing and other costs necessary to put the asset into service. Normal repairs and maintenance costs are expensed as incurred. Fixed assets include property, leasehold and building improvements, computer equipment, software, furniture and other equipment acquired for use in the course of the Company's business.

The Company uses various software to operate its e commerce website and other business support functions. All software is used solely for internal purposes and the Company has not sold and has no plans to sell any software. Most software utilized by the Company is SaaS (single instance of software hosted by vendor), some software is licensed from the vendor and separately hosted at AWS (Amazon Web Service), including Magento and RunDeck, and ZPS was developed by the Company and is also hosted at AWS.

Procedures:

(1) Acquisition and Capitalization

- Fixed assets are purchased (or internally developed, in the case of internal-use software) upon approval based on the established approval authority policies of the Company.
- All invoiced costs, including sales tax, freight, installation, inspection and testing and other costs necessary to prepare an asset for use, are capitalized. The cost of maintenance contracts on equipment and software are expensed as incurred.

The Company capitalizes costs associated with the development of internal use software in accordance with ASC 350-40. As of the 30 June 2020, approximately $40K in development costs are capitalized each month, and the net carrying value of capitalized software is $975K.

(2) Depreciation

- The entire cost of an asset is depreciated on a straight-line basis over its estimated useful life, as detailed below.

# SCHEDULE 2: BROKER FIRM OFFER APPLICATION FORM

# ZEBIT, INC.

**ARBN 639 736 726**

Broker Code

Adviser Code

## Broker Firm Offer Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional advisor without delay.

You should read the Zebit, Inc. replacement Prospectus dated 13 October 2020 and any relevant Supplementary Prospectus (if applicable) (Prospectus), carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus (whether in paper or electronic form). The Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in the United States. The Prospectus has been prepared for publication in Australia. The CDIs to be offered under the Offer have not been, and will not be, registered under the U.S. Securities Act or the Securities Laws of any state or other jurisdiction in the United States, and may not be offered or sold in the United States, or to, for the account or benefit of a U.S. person in the absence of registration or an exemption from registration under the U.S. Securities Act and applicable state securities law. In addition, any hedging transactions using CDIs may only be conducted in compliance with the U.S. Securities Act.

**A** **I/we apply for**

Number of CHESS Depositary Interests (CDIs) in Zebit, Inc. at A$1.58 per CDI or such lesser number of CDIs which may be allocated to me/us.

**B** **I/we lodge full Application Money**

A$ .

**C** **Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)**

Title or Company Name Given Name(s) Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

**D** **Enter the postal address - include State and Postcode**

Unit Street Number Street Name or PO Box/Other information

City/Suburb/Town State Postcode

**E** **Enter your contact details**

Contact Name

Telephone Number - Business Hours

( )

**F** **CHESS Participant**

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any CDIs issued as a result of the Offer will be held on the issuer sponsored subregister.

**G** **Payment details - Please follow the payment instruction provided to you**

**Reference**

**Amount of payment**

A$

**By submitting this Application Form**:

- I/we declare that this Application is complete and lodged according to the Prospectus, and any relevant Supplementary Prospectus, and the declarations/ statements on the reverse of this Application Form,
- I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate,
- I/we agree to be bound by the Zebit, Inc. Bylaws and Certificate of Incorporation,
- I/we represent and warrant that I/we are not in the United States or a US person and am not acting for the account of a US person, and
- I/we acknowledge and agree that certain representations and warranties are required to be given in connection with my/our application (being those set out in Section 10.12.2 of the Prospectus) and understand that by completing the Application Form I/we will be deemed to have made those representations and warranties.

**See overleaf for completion guidelines** ➔

# How to complete this Broker Firm Offer Application Form

**A Number of CDIs applied for**
Enter the number of CDIs you wish to apply for. The Application must be for a minimum of 1,266 CDIs (A$2,000.00).

**B Application Monies**
Enter the amount of Application Monies. To calculate the amount, multiply the number of CDIs applied for in Step A by the Offer Price of A$1.58.

**C Applicant Name(s)**
Enter the full name you wish to appear on the statement of securityholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the incorrect form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

**D Postal Address**
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

**E Contact Details**
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

**F CHESS**
Zebit, Inc. participates in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold CDIs issued to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on issue, you will be sponsored by Zebit, Inc. and allocated a Securityholder Reference Number (SRN).

**G Payment**
Please follow the payment instruction provided to you.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for CDIs in Zebit, Inc. is upon and subject to the terms of the Prospectus, Bylaws and Certificate of Incorporation of Zebit, Inc., agrees to take any number of CDIs that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

**Lodgement of Application**

The Broker Firm Offer opens on 16 October 2020 and is expected to close at 5pm (AEST) 21 October 2020. Zebit, Inc. and the Lead Managers reserve the right to vary the time table without prior notice.

Your Broker must receive your completed Application Form and Application Monies (if applicable) in time to arrange settlement on your behalf by the relevant Closing Date for the Broker Firm Offer.

**Privacy Notice**
The personal information you provide on this form is collected by CIS, as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

**Correct forms of registrable title(s)**
Note that ONLY legal entities are allowed to hold CDIs. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Zebit, Inc. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

| Type of Investor | Correct Form of Registration | Incorrect Form of Registration |
|---|---|---|
| Individual: use given names in full, not initials | Mr John Alfred Smith | JA Smith |
| Company: use the company's full title, not abbreviations | ABC Pty Ltd | ABC P/L or ABC Co |
| Joint Holdings: use full and complete names | Mr Peter Robert Williams &<br>Ms Louise Susan Williams | Peter Robert &<br>Louise S Williams |
| Trusts: use the trustee(s) personal name(s) | Mrs Susan Jane Smith<br><Sue Smith Family A/C> | Sue Smith Family Trust |
| Deceased Estates: use the executor(s) personal name(s) | Ms Jane Mary Smith &<br>Mr Frank William Smith<br><Est John Smith A/C> | Estate of late John Smith<br>or<br>John Smith Deceased |
| Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation | Mr John Alfred Smith<br><Peter Smith A/C> | Master Peter Smith |
| Partnerships: use the partners personal names | Mr John Robert Smith &<br>Mr Michael John Smith<br><John Smith and Son A/C> | John Smith and Son |
| Long Names | Mr John William Alexander<br>Robertson-Smith | Mr John W A Robertson-Smith |
| Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s) | Mr Michael Peter Smith<br><ABC Tennis Association A/C> | ABC Tennis Association |
| Superannuation Funds: use the name of the trustee of the fund | Jane Smith Pty Ltd<br><Super Fund A/C> | Jane Smith Pty Ltd Superannuation Fund |

# Corporate Directory

## Company

**Zebit, Inc.**

9530 Towne Centre Drive, Suite 200
San Diego, CA 92121
United States of America

Email: help@zebit.com
Web: https://zebit.com/

## Registered Office

c/o The Corporation Trust Company
1209 Orange Street
Corporation Trust Center
Wilmington, Delaware 19801

## Proposed ASX Code

ZBT

## Investigating Accountant

BDO Corporate Finance (East Coast) Pty Ltd
Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

## Lead Manager

Shaw and Partners Limited
Level 7, Chifley Tower, 2 Chifley Square
Sydney NSW 2000
Australia

## Australian Legal Adviser

DLA Piper Australia
No. 1 Martin Place
Sydney NSW 2000
Australia

## U.S. Legal Adviser

DLA Piper LLP (US)
4365 Executive Drive
Suite 1100
San Diego, CA 92121
United States of America

## Share Registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
Australia

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www.zebit.com