28 January 2021

ASX RELEASE
Company Announcements Platform

H2 FY20 and Q4 FY20 Update: E-Commerce Company Zebit Inc. Beats Prospectus Forecast and Posts Strong Results

Highlights

Zebit, Inc., a U.S. eCommerce company, (ASX: ZBT, Zebit or the Company) posted strong results across key financial metrics for December, Q4, and H2 FY20. For the second half of FY20 ('H2') Zebit reported revenue (unaudited) which exceeded Prospectus forecast, higher contribution margin[1] vs the prior corresponding period (pcp), lower bad debts vs pcp and improved net loss compared to 2019. The fourth quarter, the most important quarter for Zebit as it represents peak shopping season in the United States, also showed similar positive trends. The following highlights are unaudited and expressed in U.S. dollars unless otherwise noted.

December

- **Record Dec FY20 revenue of $22.8M, up 51.0% or $7.7M vs Dec FY19;**
- **Dec FY20 contribution margin of 14.6%, a significant improvement from 6.7% during Dec FY19;**
- **Dec FY20 bad debts reduced to 10.9% from 19.9% in Dec FY19;**
- **Record Dec FY20 net income of $752K compared to a loss of $822K in Dec FY19.**

Q4

- **Q4 FY20 revenue of $44.2M, up 34.2% or $11.3M vs Q4 FY19;**
- **Q4 FY20 contribution margin of 15.8%, a significant improvement from 7.3% during Q4 FY19;**
- **Q4 FY20 bad debts reduced to 9.4% from 19.1% in Q4 FY19;**
- **Q4 FY20 net loss of $2.4M[2] compared to a loss of $3.1M in Q4 FY19.**

H2

- **H2 FY20 revenue of $59.5M, up 10.2% or $5.5M vs Prospectus forecast and up 9.2% or $5.0M vs H2 FY19;**

[1] "Contribution Margin" is Gross Margin less Bad Debt Reserve. "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 customer for the product including shipping margin and all dropship fees and adjustments. "Bad Debt Reserve" is the proportion of bad debt Zebit expects to take for historical outstanding sales. Refer to Section 6.2.4 of Zebit's prospectus for further information.

[2] Net income for Q4 and H2 includes a one-time fair value adjustment of convertible notes of $1.6mm.

- **H2 FY20 contribution margin of 17.4%, a significant improvement from 7.3% during H2 FY19;**
- **H2 FY20 bad debts reduced to 8.6% from 18.8% in H2 FY19;**
- **H2 FY20 net loss of $2.8M[2] compared to a loss of $6.5M in H2 FY19.**

Zebit President and CEO, Marc Schneider, commented: "I am extremely pleased with the Company's performance and continued strong operational execution of Q4 and H2 FY20. We saw positive trends with strong revenue growth and improved credit performance. We launched multiple new credit risk models which benefited our Q4 credit performance and are expected to continue to impact our future metrics during 2021 in a positive manner. Zebit continues to be the one-stop eCommerce solution for millions of U.S. consumers who do not qualify for mainstream credit and need a longer duration to finance sizable purchases. In over 30 years of operating companies, I have never seen such a strong demand and repeat usage of a product offering. The Company continues to be focused on high growth in 2021. Lastly, we are working on piloting an eCommerce solution for prime credit customers that will allow Zebit to move up market with a differentiated product."

Operational Update

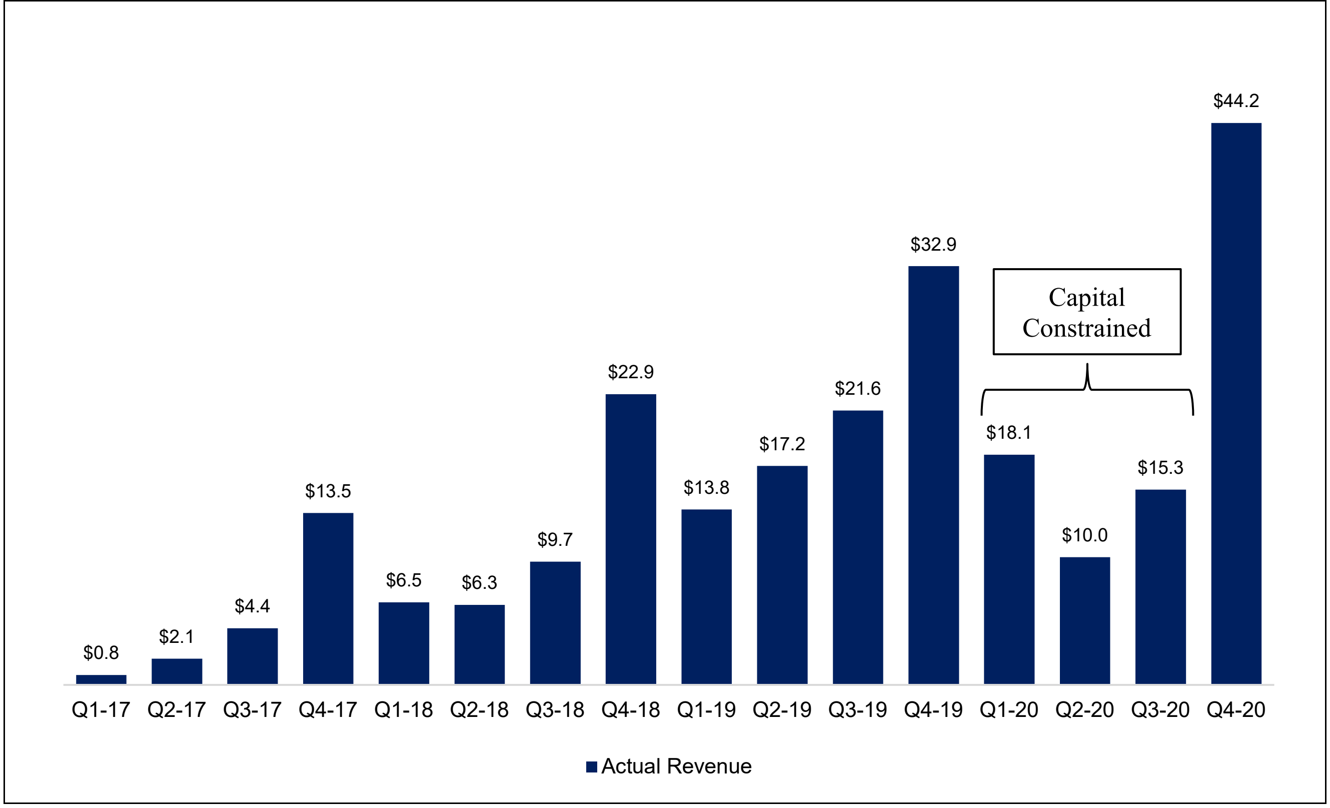
Zebit's key financial metrics improved during and Q4 FY20 and H2 FY20. Below are outlines of these key metrics relative to Q4 FY19 and H2 FY19:

	Dec FY20 (a)	**Dec FY19 (b)**	**Change (a-b)**
Revenue ($)	$22.8M	$15.1M	$7.7M
Bad Debt (%)	10.9%	19.9%	-9.0%
Contribution Margin (%)	14.6%	6.7%	7.9%
Net Income ($)	$752K	-$822K	$1.6M

	Q4 FY20 (a)	**Q4 FY19 (b)**	**Change (a-b)**
Revenue ($)	$44.2M	$32.9M	$11.3M
Bad Debt (%)	9.4%	19.1%	-9.7%
Contribution Margin (%)	15.8%	7.3%	8.5%
Net Income ($)	-$2.4M	-$3.1M	$0.7M

	H2 FY20 (a)	**H2 FY19 (b)**	**Change (a-b)**
Revenue ($)	$59.5M	$54.5M	$5.0M
Bad Debt (%)	8.6%	18.8%	-10.2%
Contribution Margin (%)	17.4%	7.3%	10.1%
Net Income ($)	-$2.8M	-$6.5M	$3.7M

Quarterly Revenue (US$ million)

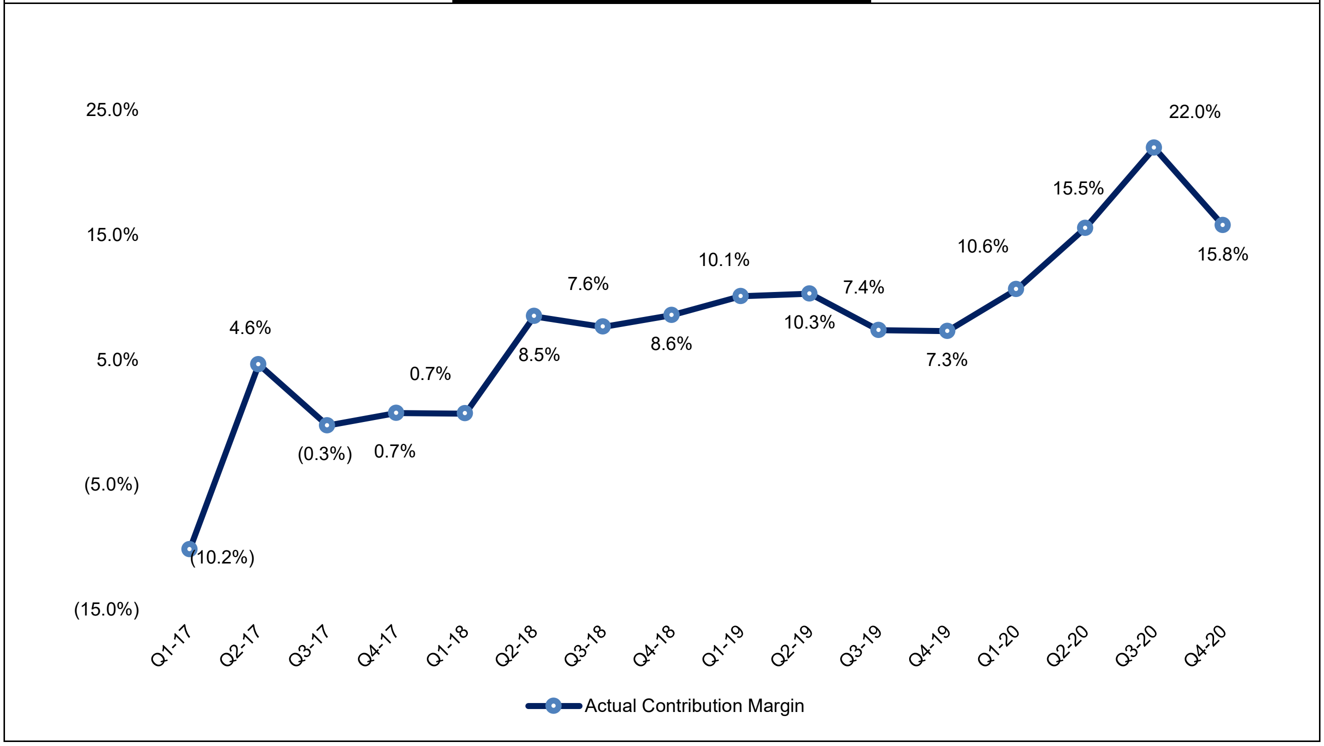


During Q4 FY20, the Company drove revenue growth and expanded contribution margin. Contribution margin was significantly stronger than the prior year due to better than expected credit performance. This was a result of a combination of factors, including a reduction of the Company's bad debt reserve, improved underwriting across the platform due to new model deployments, and active management of customer down payments and shopping limits based on expected credit risk. Examples of new models launched included:

1. Second generation bank transaction predictive model that assesses affordability and spending limit allocation;
2. Third generation registration risk model responsible for assessing credit risk as a function of identity;
3. Third generation order risk model that governs all orders taken at check-out.

These models, along with operating levers within Zebit's platform, allowed the Company to simultaneously manage bad debt risk, while driving high revenue growth. Given the low bad debt, management was able to offer special products during Q4 FY20 (e.g., new PS5 and Xbox as well as high demand e-certificates) to capture additional demand.

Quarterly Contribution Margin



In the Prospectus, the bad debts were forecasted at 14.9% for the FY20 and the Company significantly beat its bad debts forecast. This improvement in bad debts allowed the Company to release portions of the bad debts reserve related to Q1 and Q2, according to its accounting policy, which positively impacted Q3 and to a lesser extent, Q4 contribution margin. Contribution margin in Q3 and Q4 were well above the Prospectus forecast.

Financial

Pursuant to Listing Rule 4.7C2, the Company confirms that during the period since listing on the ASX on 26 October 2020, its expenditure incurred is in line with the Use of Funds as set out in the Prospectus, with a summary as shown in the table below:

Use of Funds under Prospectus ($000's)		Funds allocated under Prospectus	Funds expended to 31 December 2020
Working Capital		$6,366	$473
Marketing Expenses		$6,645	$1,001
Active Customer Underwriting & Payment Processing Costs		$4,196	$525
Offer Costs		$3,744	$651
Repayment of Debt		$1,609	$469
New Employee Compensation		$848	$185
Alternative Capital Raising Expenses		$750	$700
Platform Development		$343	$20
Total		**$24,500**	**$4,024**

Zebit, Inc. ended Q4 FY20 with a cash balance of $22.6M, which will continue to fund the company's growth throughout 2021. For Q4 FY20, cash used in operating activities of $14.7M, an increase in cash used from the $1.7M in Q3 FY20 due to seasonal sales growth related to peak holiday shopping in the United States.

A summary of the operating cash outflows can be found below:

- Cost of goods sold were $29.0M, up $17.9M from the prior quarter and driven by the increase of Q4 FY20 peak business;
- Administrative and corporate costs were $4.0M, up $3.3M compared to the prior quarter driven by costs related to the IPO, tax related costs and data costs during peak the holiday;
- Advertising and marketing were $1.7M, up $728K compared to the prior quarter driven by increased spend;
- Staff costs were $1.5M, up $312K from the prior quarter driven by increased salaries for executives as part of the IPO and new hires to support the growth of the business.

The company drew an additional $8.4M from its debt funding facility with Bastion to support the peak holiday accounts receivable growth. This brought total funding on the Company's revolving line of credit to $15.0M at the end of the December. Bastion is currently in the process of documenting an increase in the size of the facility to $35.0M to support the Company's continued growth.

This announcement was approved for release by Zebit Inc's Board.

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About Zebit Inc.

Zebit is a California based eCommerce company dedicated to changing the lives of over 120 million U.S. credit-challenged consumers by giving them access to a broad set of products and the ability to pay for those products in instalments over six months with no predatory late fees or interest charges. Zebit's mission is to make online shopping inclusive of everyone, regardless of their financial history. The Company's unique business model and cutting-edge underwriting offer a one-stop shopping experience to this untapped and growing consumer base. Zebit was founded in 2015 and operates in all 50 States across the U.S. For more information visit www.zebit.com.

Zebit's CHESS Depositary Interests (CDIs) are issued in reliance on the exemption from registration contained in Regulation S of the U.S. Securities Act of 1933 (Securities Act) for offers of securities which are made outside of the U.S. Accordingly, the CDIs have not been, and will not be, registered under the Securities Act or the laws of any state or other jurisdiction in the U.S. As a result of relying on the Regulation S exception, the CDIs are 'restricted securities' under Rule 144 of the Securities Act. This means that you are unable to sell the CDIs into the U.S. or to a U.S. person who is not a QIB for the foreseeable future except in very limited circumstances after the end of the restricted period, unless the re-sale of the CDIs is registered under the Securities Act or an exemption is available. To enforce the above transfer restrictions, all CDIs issued bear a FOR Financial Product designation on the ASX. This designation restricts any CDIs from being sold on ASX to U.S. persons excluding QIBs. However, you are still able to freely transfer your CDIs on ASX to any person other than a U.S. person who is not a QIB. In addition, hedging transactions with regard to the CDIs may only be conducted in accordance with the Securities Act.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Zebit, Inc.

ABN	Quarter ended ("current quarter")
639 736 726	Dec 31, 2020

Consolidated statement of cash flows		Current quarter $US'000	Year to date (12months) $US'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	22,108	74,464
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(28,992)	(65,072)
	(c) advertising and marketing	(1,700)	(3,356)
	(d) leased assets	(176)	(394)
	(e) staff costs	(1,504)	(5,901)
	(f) administration and corporate costs	(4,028)	(7,633)
1.3	Dividends received (see note 3)		
1.4	Interest received		16
1.5	Interest and other costs of finance paid	(208)	
1.6	Income taxes paid		(20)
1.7	Payments for technology expenses	(229)	(980)
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(14,729)**	**(8,876)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(33)	(247)
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (12months) $US'000**
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(33)**	**(247)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	23,422	23,422
3.2	Proceeds from issue of convertible debt securities		1,263
3.3	Proceeds from exercise of options	28	53
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,200)	(2,330)
3.5	Proceeds from borrowings	8,381	16,140
3.6	Repayment of borrowings	(469)	(13,618)
3.7	Transaction costs related to loans and borrowings		(125)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**30,162**	**24,805**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	7,187	6,905
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(14,729)	(8,876)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(33)	(247)

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (12months) $US'000**
4.4	Net cash from / (used in) financing activities (item 3.10 above)	30,162	24,805
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**22,587**	**22,587**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $US'000**	**Previous quarter $US'000**
5.1	Bank balances	22,437	7,037
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (restricted cash)	150	150
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**22,587**	**7,187**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $US'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	89
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payment of Director salary and benefits (CEO).

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $US'000**	**Amount drawn at quarter end $US'000**
7.1	Loan facilities	16,148	16,148
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**	16,148	16,148

7.5	**Unused financing facilities available at quarter end**	0

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

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. 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%.

8.	**Estimated cash available for future operating activities**	**$US'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(14,729)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	22,587
8.3	Unused finance facilities available at quarter end (Item 7.5)	0
8.4	Total available funding (Item 8.2 + Item 8.3)	22,587
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	1.5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes, the company expects to have sufficient net operating cash flows to continue through 2021 and beyond. Q4 is the company's largest sales volume period of the year and requires more cash to operate. The benefit of this is ample cash generated through Q1 and Q2 from the sales that took place in the prior Q4. Further, this simple calculation does not account for cash from financing, which was significant during the quarter and is how Zebit manages its cash flow. This calculation implies a going concern scenario that is not correct.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes, the company has spoken with its credit facility provider and is in the process of documenting an increase in its credit facility to support continued growth.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, the company expects to be able to continue its operations and meet its business objectives.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 28/1/2021

Authorised by: Authorised by the Board of Zebit, Inc.
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.