Zebit

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First Half 2021 Results

This presentation is authorised for release on the ASX by the Board | 31 August 2021

Highlights

Business Overview

Key Metrics and Financials

Outlook

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Overview of 1H21 performance

Financial Performance

- Revenue of US$56.1M, representing a 99.4% increase vs PCP
- Contribution margin of 12.3% vs PCP of 12.4%
- Bad debts of 13.3% compared to 14.5% PCP
- Net loss after tax of US$7.3M vs US$4.6M in 1H21, driven by increased marketing expense

Operating Highlights

- Increased marketing spend to US$5.3M across new and existing channels compared to US$0.7M in PCP
  - ➢ 196K new registrants in 1H21 (July-August acquired over ~105K new registrants, two largest months ever)
  - ➢ Tested new channels such as TV, affiliate network, and direct partnerships
    - ✓ TV spend was initially US$75K/month and will likely ramp to US$175K/month during 2H21
    - ✓ Rakuten generated 128 registrations in late February when launched, approximately 1.9K registrants in June, and ~19.5K thus far in 3Q21
    - ✓ New partnership generated ~21.5K registrants in 1H21 and has produced ~13K registrants thus far in 3Q21
- Piloted *Zebit Grocery* in 2Q21 as a new category; onboarding a second strategic partner in 2H21 to diversify offering and sizing with free shipping over a $49 basket
- Zebit's first mobile application for both Apple and Google stores going live in September
- Reset new customer down payments from 20% to historical baseline of 25% at checkout in mid-May, and implemented a new alternative credit score in 3Q21 registration underwriting
- Strengthened the executive and management team

Zebit has demonstrated strong growth and consistent execution throughout the prospectus period from 1 July 2020 to 30 June 2021

1H21 vs Prospectus

Revenue US$56.1M vs US$55.1M forecast	**Bad debts 13.3%** vs 14.3% forecast	**Contribution margin 12.3%** vs 13.3% forecast	**Net income as % revenue (12.9%)** vs (13.2%) forecast

12-month vs Prospectus

Revenue US$115.6M vs US$109.1M forecast	**Bad debts 10.9%** vs 14.7% forecast	**Contribution margin 14.9%** vs 12.8% forecast	**Net income as % revenue (8.7%)** vs (12.7%) forecast

Zebit's 1H21 Appendix 4D and content outlined in the Key Metrics Section of this presentation provide an overview of recent trends in customer repayment behaviour

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Mission-driven eCommerce company providing US credit-challenged consumers with one-stop shopping and 6-month financing with no interest, hidden fees or penalties

Large Consumer Segment Served by Legacy Predatory Options

- Multibillion dollar market opportunity with ~120 million US consumers excluded from mainstream credit[1]
  - ✓ ~74% of the population lives paycheque-paycheque
  - ✓ ~47% of US adults have an impaired or no credit score
- Limited competition other than high cost predatory product financing options
- Ripe for disruption

High Growth with Consistent Execution Against Financial Targets

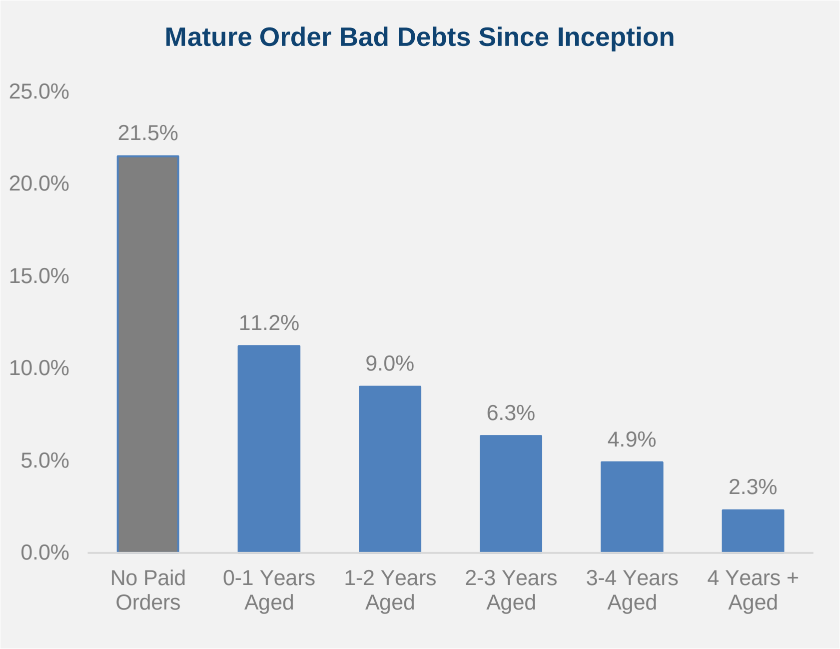
- Founded in late 2015 and HQ in CA
- ~US$75M in equity capital raised
- IPO on ASX in late Oct-20
- US$35M debt facility
- Experienced management team and Board skilled in eCommerce, lending, credit risk, and disruptive market models

[1] Per Industry Overview found on page 36 of the Zebit Prospectus.

Proprietary credit models and product structure transform credit-challenged customers into lower risk, repeat shoppers over time

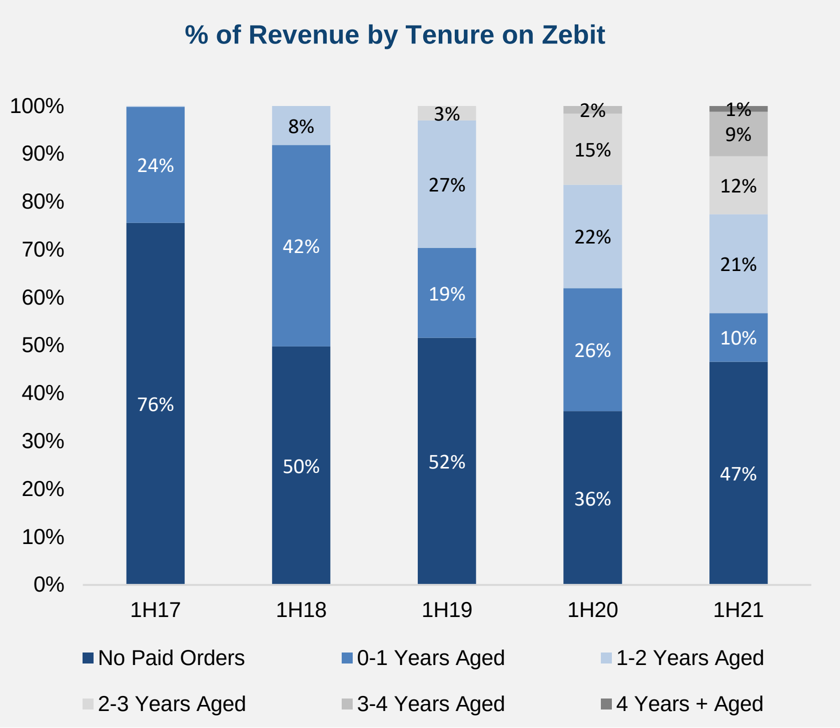
Key Highlights

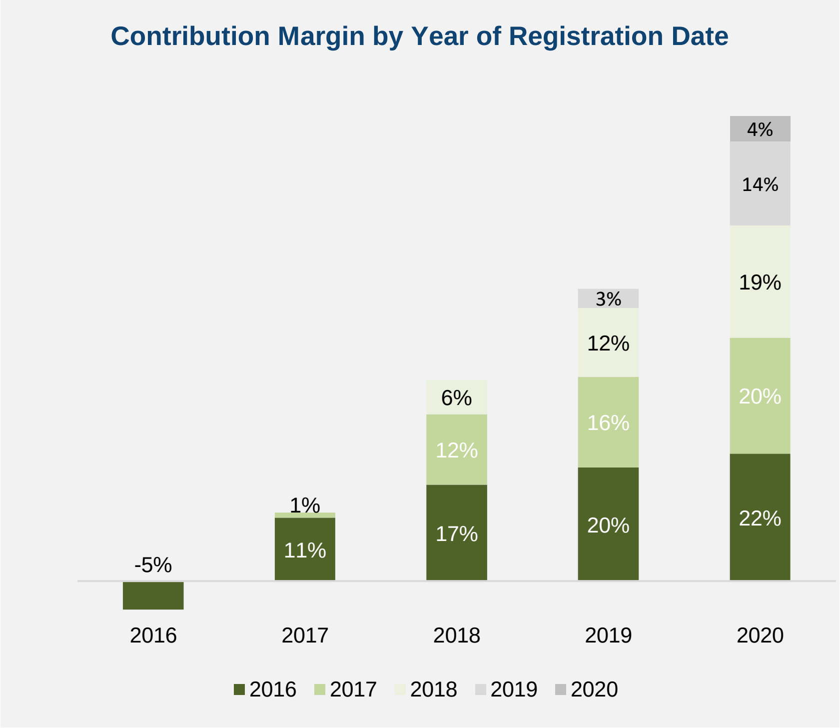
- Underwrite customers using proprietary data and advanced analytics
- Shop across 25 product verticals where orders are fulfilled by a 100% dropship network
- Models assess real-time credit risk at point of sale
- Arbitrage customer down payment with supplier terms; 90% of remaining COGS financed via debt facility
- Capture customer share of wallet with high repeat engagement and long tenures approaching 5 years of loyalty
- Grow consumer credit amount, lower down payment hurdle, and offer incentives to long-tenured customers who “de-risk” themselves over time
- Begin reporting performance data to an alternative credit bureau in October 2021



Mature order bad debts from 2016 to end of year 2020

A heavier mix of revenue from tenured cohorts effectively lowers bad debts and raises contribution margin as the business scales

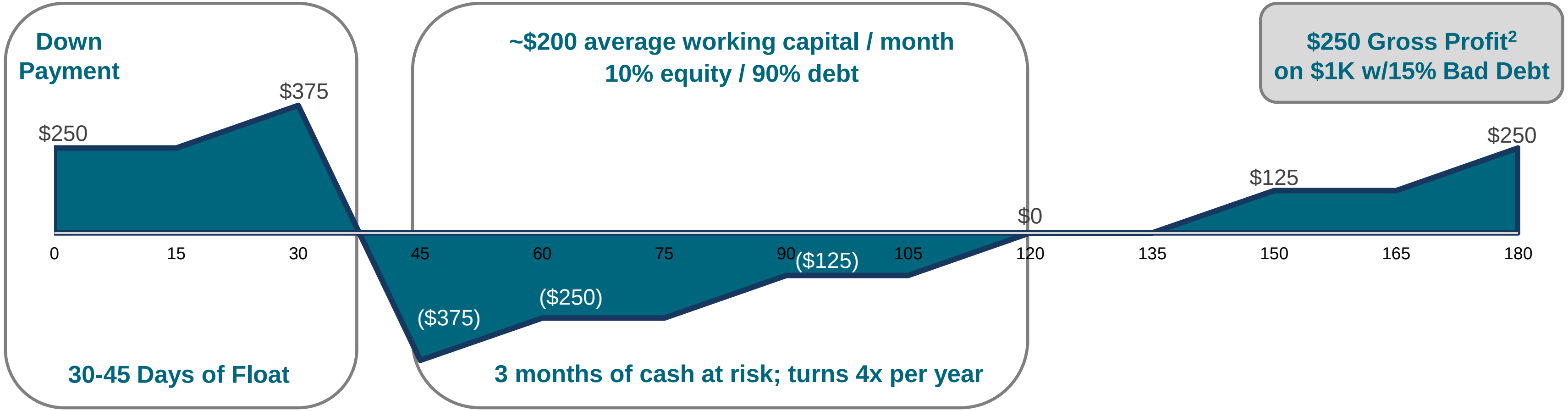




Efficient use of equity and debt capital to drive scale

- Customer pays a down payment between 5%-35% for each order
- Remaining portion financed in equal instalments over 6 months, based on income frequency
- Net 30-45 day terms with suppliers before COGS needs to be paid
- Debt facility covers 90% of the remaining COGS on the financed portion of the order
- Results in ~ 3 months of working capital risk

Example: US$1K @ 25% Down Payment **>1,000% IRR & 3x ROIC per transaction**



[2] Capital management example assumes 25% Gross Margin and 15% Bad Debt. Net profit after loss would be $100.

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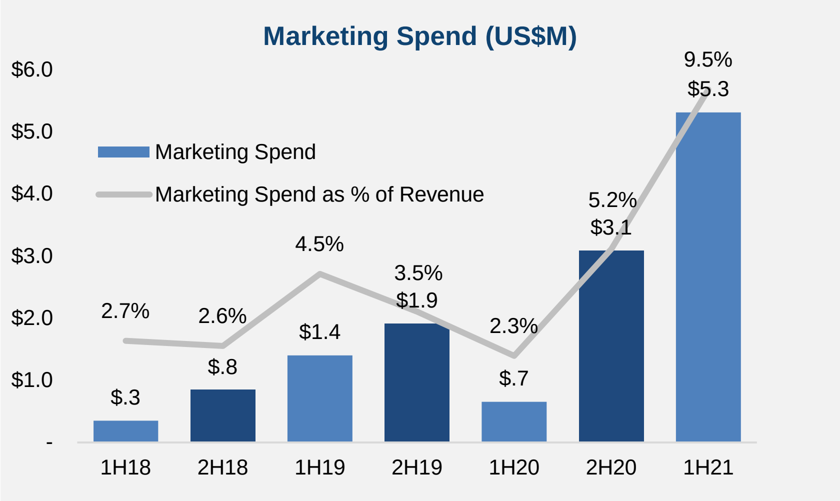
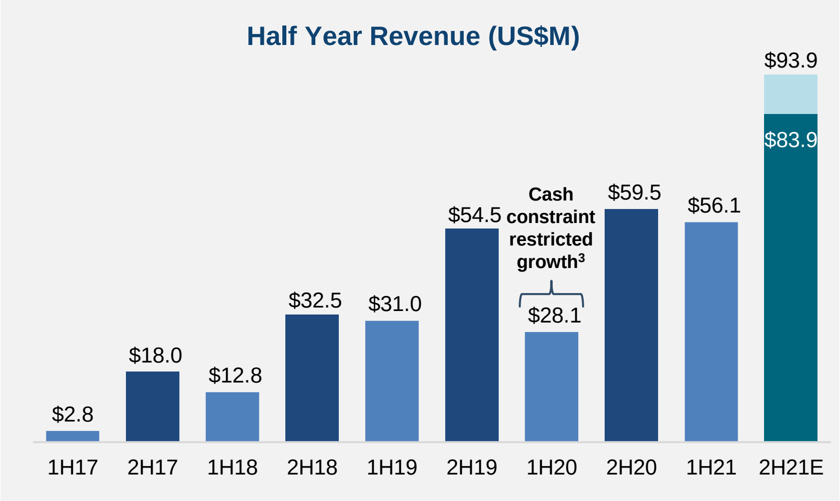
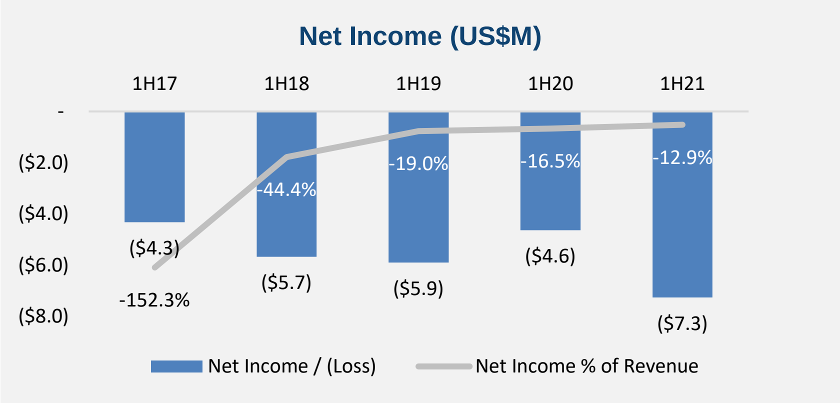
Strong marketing acquisition in 1H21 fueled revenue growth

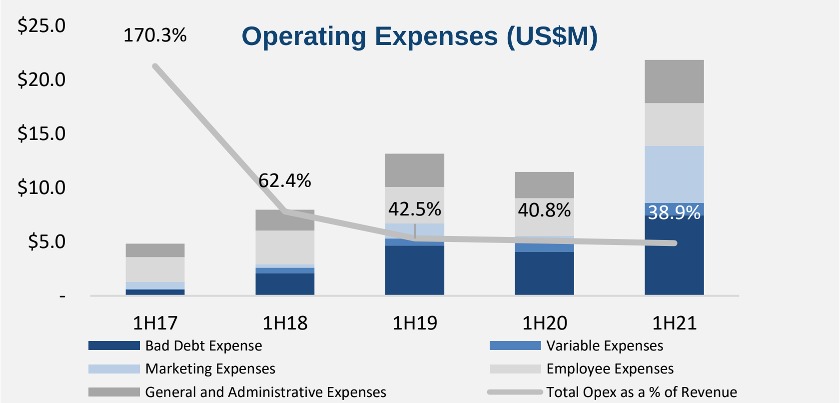




[3] Quarterly YoY comparisons of revenue, contribution margin, bad debts, and other key metrics for FY20 to FY21 will be biased. From 1Q20 to 3Q20, Zebit was capital constrained ahead of its IPO resulting in management taking steps to dampen demand during that period. This was accomplished by raising all customer down payments at checkout to collect more money upfront, thereby automatically lowering bad debts. Other actions included increasing product prices, reducing product selection to a set of high margin items, and driving revenue from high value, lower risk customers. During this time, Zebit also minimised investment in acquiring new customers. The cumulative result produced more cash, historic low bad debts, and higher contribution margin compared to any prior period since the Company's inception.

Net income and and expense ratios influenced by growth in 1H21 marketing

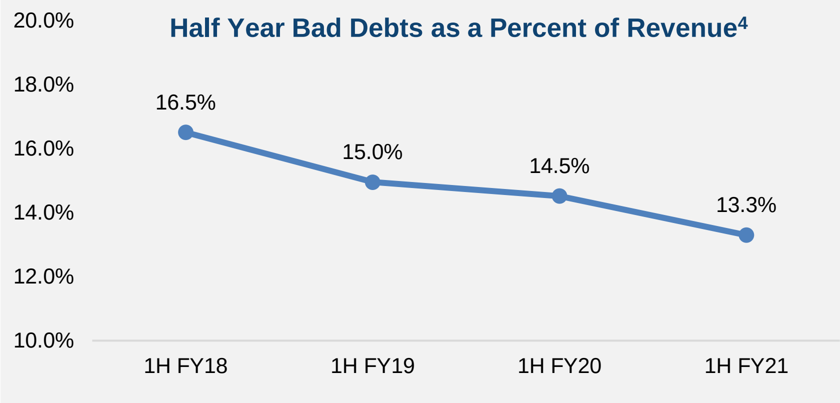


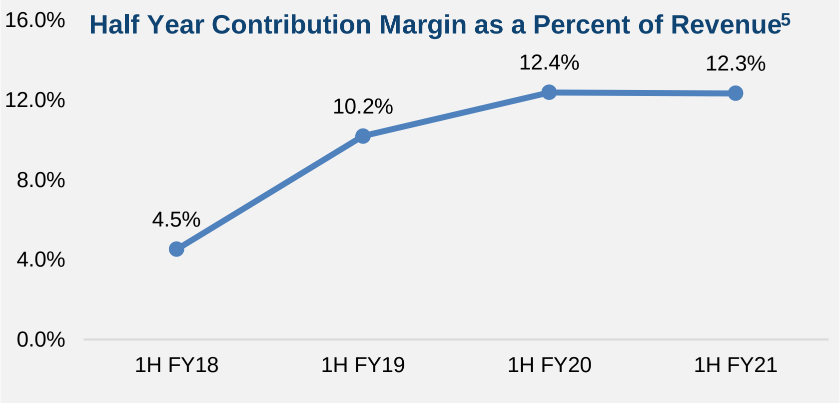


Key Highlights

- Net income loss is greater than prior period due to a large investment in customer acquisition spend across existing and new channels
- Operating expenses continue to decrease as a percent of revenue as the business scales

Bad debts and contribution margin align with strong revenue growth





Key Highlights

- 1H21 bad debts trending downward based on initial maturity of 1Q21 vintages
- 1H21 contribution margin is a function of net product margin minus bad debts

[4] Bad Debts 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. Bad Debts Reserve is not a static number at any point in time, as it is influenced by new revenue months, potential adjustments from prior, not fully matured months, and offsets related to recoveries of written-off debt and other factors.

[5] Contribution Margin is Gross Margin less Bad Debts 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 consumer for the product including shipping margin and all dropship fees and adjustments. Refer to Section 6.2.4 of Zebit's Prospectus for further information.

1H21 vintage performance may lead to a reserve adjustment in 2H21

- Since the close of 2Q21, and consistent with its normal practice of risk management, Zebit analysed July - August collections data for monthly revenue cohorts with greater than 3 months of maturity
- The data indicated instability in recent collections different from historical patterns
- While there is no root cause that explains the volatility, it may be related to US macroeconomic trends that have not fully materialised
- Zebit estimates bad debts associated with orders delivered in 1H21 could increase by US$500,000 to US$1.5 million
  - ➢ Any increase in the reserve would be applied to 2H21
  - ➢ Several BNPL players already reported increases in their provisions for bad debts for the first half of the year
- Zebit's business model is designed specifically to adapt to risk and has proven this multiple times
  - ➢ In preparation for 2H21, Zebit proactively increased its down payment at checkout in mid-May from 20% to its historical baseline of 25% for new registrants
  - ➢ By July, the Company began testing and utilising new fraud prevention technologies and additional alternative credit data in its custom underwriting process
  - ➢ In short, Zebit is well positioned going into the second half of the year and has several high-priority marketing and data science initiatives to support growth and control risk, including the furnishing of performance data to an alternative credit bureau

Income Statement

US$'000s	1H21A	1H20A	% Change v 1H20A	Prospectus 1H21F[6]	% Change v Prospectus 1H21F
Revenue	56,119	28,140	99.4%	55,094	1.9%
Cost of sales	(41,731)	(20,570)	102.9%	(39,891)	4.6%
Gross profit	**14,388**	**7,570**	**90.1%**	**15,203**	**-5.4%**
Bad Debt Expense	(7,463)	(4,085)	82.7%	(7,882)	-5.3%
Variable Expenses	(2,199)	(1,484)	48.1%	(2,505)	-12.2%
Marketing Expenses	(5,310)	(654)	712.0%	(4,172)	27.3%
Employee Expenses	(3,948)	(3,324)	18.8%	(3,962)	-0.4%
General and Administrative Expenses	(2,663)	(1,685)	58.0%	(2,621)	1.6%
Operating expenses	**(21,583)**	**(11,232)**	**92.2%**	**(21,143)**	**2.1%**
Operating profit/(loss)[7]	**(7,195)**	**(3,662)**	**96.5%**	**(5,939)**	**21.1%**
Other Income	1,335	3	nm	-	nm
Other Expense	-	-	nm	-	nm
Other income/(expense)	**1,335**	**3**	**nm**	**-**	**nm**
EBITDA	**(5,860)**	**(3,659)**	**60.1%**	**(5,939)**	**-1.3%**
Depreciation and Amortization	(260)	(250)	4.2%	(253)	2.3%
EBIT	**(6,120)**	**(3,909)**	**56.6%**	**(6,193)**	**-1.2%**
Net Interest Income / (Expense)	(1,140)	(728)	56.5%	(1,081)	5.4%
Profit/(loss) before tax	**(7,260)**	**(4,637)**	**56.6%**	**(7,274)**	**-0.2%**
Income/state tax expense	(6)	-	nm	(7)	nm
Total comprehensive income	**(7,266)**	**(4,637)**	**56.7%**	**(7,281)**	**-0.2%**

Commentary

- Material revenue growth compared with PCP primarily driven by the October IPO allowing the Company to spend on marketing expenditure, which increased registered users and revenue.
- Marketing spend growth of 712% vs PCP and 27% greater than Prospectus.
- 19% growth in employee expenses vs PCP but in line with Prospectus forecast
  - This continues to show Zebit's operating leverage and ability to scale.
- Other income primarily related to the Company's PPP loan forgiveness.
- Net loss growth of 57% or $2.6M, primarily related to growth in marketing spend, and in line with Prospectus forecast.

[6] Statutory forecast per the IPO Prospectus
[7] Excludes depreciation and amortisation
"nm" = not meaningful calculation

Cash Flow

US$'000s	1H21A	1H20A	% Change v 1H20A	Prospectus 1H21F[8]	% Change v Prospectus 1H21F
Cash flows from operating activities:					
Net loss	(7,266)	(4,637)	56.7%	(7,281)	0.2%
Allowance for doubtful accounts	7,463	4,085	82.7%	7,882	-5.3%
Other non-cash items	66	761	-91.3%	848	-92.2%
Change in working capital	(5,116)	5,823	-187.9%	(4,074)	-25.6%
Net cash (used in) provided by operating activities	**(4,853)**	**6,032**	**-180.5%**	**(2,625)**	**-84.9%**
Cash flows from investing activities:					
Other CapEx	(13)	0	nm	0	nm
Capitalized costs	(294)	(151)	94.7%	(171)	-71.6%
Net cash (used in) provided by investing activities	**(307)**	**(151)**	**103.3%**	**(171)**	**-79.2%**
Cash flows from financing activities:					
Proceeds from / (repayments of) borrowings net of issuance costs	(1,167)	(7,090)	-83.5%	(3,345)	65.1%
Proceeds from issuance or exercise of stock, warrants, and stock options net of issuance costs	78	2,403	-96.8%	0	nm
Net cash (used in) provided by financing activities	**(1,089)**	**(4,687)**	**76.8%**	**(3,345)**	**67.5%**
Net increase (decrease) in cash, cash equivalents and restricted cash	**(6,249)**	**1,194**	**-623.3%**	**(6,141)**	**-1.7%**
Cash, cash equivalents and restricted cash at beginning of period	22,587	6,905	227.1%	22,828	-1.1%
Cash, cash equivalents and restricted cash at end of period	**16,338**	**8,099**	**101.7%**	**16,687**	**-2.1%**

Commentary

- Changes in working capital driven primarily by a decline in accounts receivable after peak holiday sales from 4Q20 commenced repayments, as well as a decreased accounts payables balance related to increased vendor payments from 4Q20 sales.
- Net cash used in financing activities driven by a decreasing accounts receivable. This reduced outstanding borrowings from the Company’s lender, Bastion Finance.
- Overall cash balance at the end of the period lower by 2% from expected balance in Prospectus.

[8] Statutory forecast per the IPO Prospectus.
“nm” = not meaningful calculation.

Balance Sheet

US$'000s	1H21	1H20
Assets		
Cash and cash equivalents	16,188	7,849
Accounts receivable	22,803	6,436
Other current assets	1,992	2,028
Total current assets	**40,983**	**16,313**
Fixed assets	392	800
Other non-current assets[9]	433	412
Intangibles	745	843
Total non-current assets	**1,571**	**2,055**
Total assets	**42,554**	**18,368**
Liabilities		
Accounts payable	4,704	2,325
Accrued liabilities	698	653
Convertible Notes	-	5,274
Short term borrowings	-	5,550
Other current liabilities	1,782	1,054
Total current liabilities	**7,184**	**14,856**
Long-term liabilities and borrowings		
Total non-current liabilities	**13,870**	**1,415**
Total liabilities	**21,054**	**16,271**
Equity		
Common stock	91,684	14,153
Preferred stock	-	49,364
Stock compensation	2,500	1,221
Accumulated deficit	(65,418)	(58,004)
Net Income	(7,266)	(4,637)
Total equity	**21,500**	**2,097**

Commentary

- Large growth in accounts receivable of $22.8M compared to $6.4M due to coming out of a capital-constrained environment prior to the IPO and accelerating revenue growth from 4Q20 through 1H21.
- Short-term borrowings repaid prior to IPO and replaced with a credit facility from Bastion Funding as seen in long-term liabilities.
- Cash increased from $7.8M to $16.2M due to due to IPO raise in late October 2020.

9 Includes $150k of restricted cash.

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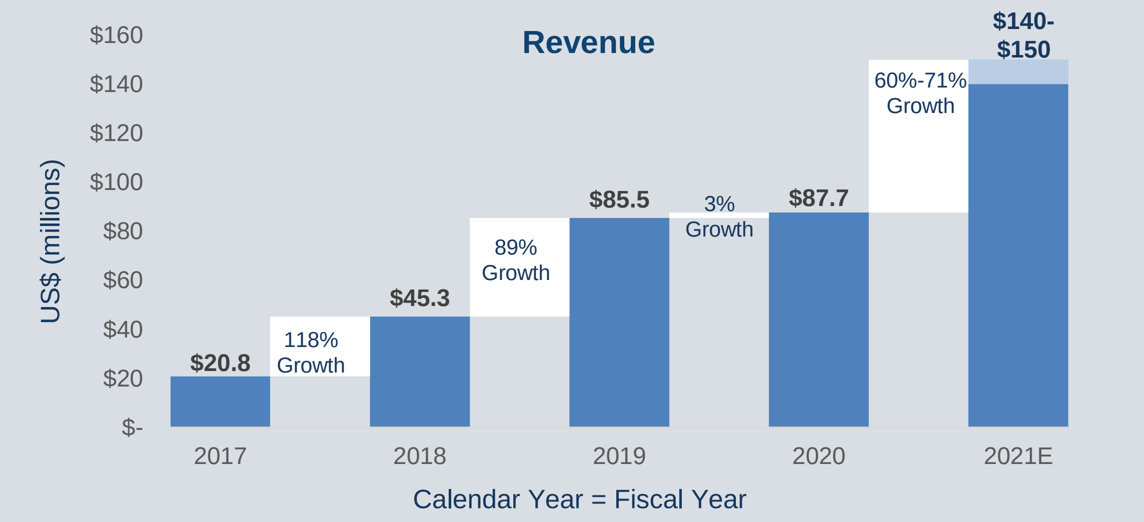
Zebit reconfirms US $140M-$150M revenue guidance for 2021

- Experiencing stronger customer acquisition growth in 3Q21 vs 1H21, with August as the largest month in the Company's history with ~55K registrants
- Optimizing newer channels like TV and launching initial tests for radio, digital billboards, and other digital media leading up to 4Q21
- Continuing to expand the assortment in furniture, auto, grocery, home, and higher margin e-certificates with new vendor implementations and logistics partnerships
- Optimizing near-term collections and deploying the next generation of risk models



2H21 is focused on investing in new channels, making platform enhancements, using enhanced underwriting, and expanding the product catalogue

Customer Acquisition

- Optimise existing channels
- Test/scale new channels (e.g., TV, radio, digital billboards)
- Expand B2B partnerships

Platform Enhancements

- Mobile wrapper in iOS and Google Play stores
- New email retention marketing platform
- Refer-a-friend program

Credit Data and Modeling

- Increase approval rates with new credit underwriting at registration
- Begin data furnishing to alternative credit bureau

Expand Product Catalogue

- Expand core assortment
- Onboard new vendors across grocery, home, appliances, furniture, and new e-certificates

Zebit is a proven model with a path to scale and become profitable in the future

Big Social Mission

- Break the cycle of debt from predatory product financing options impacting ~120 million US consumers
- Become the most trusted and frequented eCommerce brand and credit solution for our consumer segment

Proven Operating Model

- Custom eCommerce and BNPL product offering
- Superior 6-month consumer credit solution with no interest, hidden fees or penalties
- Proven differentiated credit underwriting
- Reward positive repayment behaviour with increased credit
- Limited / negligible competition from legacy financiers / BNPL

Compelling Investment Thesis

- Disrupt multibillion-dollar market
- Rapid penetration and growth
- Operating model with deep and defensible technology moats
- 5-year head start in proprietary credit risk modeling
- Capture large share of wallet with 80% repeat buying, lowering bad debts
- Long term founder / operators with track record of scaling businesses

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Investor Relations contact: vgeddes@firstadvisers.com.au

Zebit, Inc. 1902 Wright Place, 2nd Floor, Carlsbad, CA 92008