



**Q3 FY20 - TRADING UPDATE  
ZEBIT REPORTS Q3 RESULTS**

Zebit, Inc. (ASX: ZBT) (Zebit or the Company) is pleased to provide a trading update for the quarter ended 30 September 2020 (Q3 FY20).

**SEPTEMBER 2020 QUARTER HIGHLIGHTS<sup>1</sup>**

- Revenue of US\$15.35 million
- Gross Margin of 28.23%<sup>2</sup>
- Bad Debt Reserve of 6.26%<sup>3</sup>
- Contribution Margin of 21.97%<sup>4</sup>
- Positive EBITDA of US\$0.13 million. Zebit's first positive EBITDA quarter since incorporation
- Net Loss after tax of US\$0.33 million

California, USA – 29 October 2020: eCommerce company, Zebit, Inc. is pleased to announce its Appendix 4C and quarterly business activities review for the quarter ended 30 September 2020 (Q3 FY2020). This is the first Appendix 4C report following the Company's Initial Public Offering (IPO) in October 2020.

Zebit CEO and Co-Founder, Marc Schneider said: "The IPO was a major milestone in Zebit's history and creates a strong capital foundation to accelerate growth and achieve sustainable profitability over time.

Due to COVID-19, Zebit deliberately constrained demand and was much more selective in its underwriting criteria related to customer acquisition and taking new orders during Q3 FY 2020. These operational tactics resulted in a heavier mix of orders from tenured customers on the platform which increased the overall quality of booked revenue. Given the continuing development of proprietary credit decision models and predictive analytics, in September 2020, Zebit reassessed its platform, underwriting, and investment constraints and decided to resume operating on a pre COVID-19 business-as-usual basis. This resulted in an acceleration in orders and new registered users during the month of September.

H2 has historically accounted for about 65% of Zebit's total annual revenue, with Q4 being the most material quarter of Zebit's fiscal year. Q4 contains well known key sales events for

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<sup>1</sup> All figures presented in USD unless specified otherwise. Q3 FY20 financial information is unaudited. Zebit's financial year end is 31 December.

<sup>2</sup> "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 adjustment.

<sup>3</sup> "Bad Debt Reserve" is the proportion of bad debt Zebit expects to take for historical outstanding sales.

<sup>4</sup> "Contribution Margin" is Gross Margin less Bad Debt Reserve. Refer to Section 6.2.4 of Zebit's prospectus for further information.



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consumers, namely the Black Friday / Cyber Monday sales event as well as Christmas trading.

The remainder of 2020 will be a busy time for Zebit as we deploy the IPO capital and continue to grow our registered user base across the U.S. and continue to deliver upon our IPO objectives in the most significant quarter of Zebit's fiscal year."

About Zebit, Inc.

ASX-listed Zebit, Inc. (ZBT: ASX) or ("Zebit") is a California based eCommerce company that is 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. Zebit was founded in 2015 and operates in all 50 States across the U.S.

For more information, visit: <https://zebit.com/>

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

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Zebit's CHES Depository 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



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'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**

639 736 726

**Quarter ended ("current quarter")**

Sep 30, 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	12,541	52,356
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(11,086)	(36,077)
(c) advertising and marketing	(972)	(1,657)
(d) leased assets	(20)	(218)
(e) staff costs	(1,192)	(4,397)
(f) administration and corporate costs	(729)	(3,606)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	15
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	(20)	(20)
1.7 Government grants and tax incentives		
1.8 Other (technology expenses)	(235)	(752)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,712)</b>	<b>5,644</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(80)	(214)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$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)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(80)</b>	<b>(214)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2 Proceeds from issue of convertible debt securities		1,263
3.3 Proceeds from exercise of options	24	24
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(476)	(1,130)
3.5 Proceeds from borrowings	6,619	7,759
3.6 Repayment of borrowings	(5,162)	(12,939)
3.7 Transaction costs related to loans and borrowings	(125)	(125)
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>880</b>	<b>(5,148)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	8,099	6,905
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,712)	5,629
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(80)	(214)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US'000</b>	<b>Year to date (9 months) \$US'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	880	(5,133)
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,187</b>	<b>7,187</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$US'000</b>	<b>Previous quarter \$US'000</b>
5.1	Bank balances	7,037	7,849
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (restricted cash)	150	250
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,187</b>	<b>8,099</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$US'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
<i>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.</i>		
7.1 Loan facilities	21,984	13,603
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>	21,984	13,603
7.5 <b>Unused financing facilities available at quarter end</b>		8,381
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.		
<ol style="list-style-type: none"> <li>1. SVB term loan \$467k; greater of Prime+2% or 6.25% interest rate; secured; July 2022 maturity.</li> <li>2. Bastion credit facility \$15M with \$6.6M drawn; greater of 3 month LIBOR +12% or 1% LIBOR floor +12% interest rate; secured by Zebit's personal property, including eligible receivables which are required to be held in a separate, wholly-owned legal entity, Zebit Be-Free 2020-1; September 2023 maturity. Note: The accounts receivable would need to grow in order to support a draw for additional capital under 7.5 above.</li> <li>3. Paycheck Protection Program (PPP) Facility; 1% interest rate; unsecured; April 2022 maturity</li> <li>4. Pre-IPO Convertible Note; 4% interest rate; unsecured; December 2020 maturity. Convertible Notes were converted into common stock in October 2020.</li> </ol>		

8. <b>Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,712)
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,188
8.3 Unused finance facilities available at quarter end (item 7.5)	8,381
8.4 Total available funding (item 8.2 + item 8.3)	15,569
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	9
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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: N/A	

8.6.2 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: N/A

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

Answer: N/A

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## 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: 29 October 2020

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.