

27 July 2020

ASX RELEASE

Company Announcements Platform

2Q 2020: Appendix 4C and Business Update

Highlights

- 2Q20 represented a record quarter for additions in Active Consumers (326k) and Active Merchants (3.4k), with Merchant Fees holding steady at 5.6%.
- 2018 Cohort annual purchase frequency reached 15x (31 May) and Active Consumer repeat usage achieved a new high of 87.5% (2Q).
- Net Transaction Margin continues positive trajectory.
- By the end of 2020, management expects the annualized run rate for Underlying Merchant Sales (UMS) to exceed US\$1.0 billion per annum.
- Subsequent to the end of the quarter, the Company raised A\$79.1 million on 13 July via a fully underwritten placement. Proceeds to accelerate growth strategy and strengthen the balance sheet.

Sezzle Inc. (ASX:SZL) (Sezzle or Company) // Installment payment platform, Sezzle, is pleased to provide its Appendix 4C cash flow report for the quarter ended 30 June 2020. The Company is also including certain key operating metrics for the quarter, which were provided as part of the Company's capital raise on 10 July ([Capital Raising Presentation](#)).

"Our strong 2Q20 performance, improving consumer profile, and successful capital raise, position us to achieve our annualized run rate target of US\$1 billion in UMS by the end of 2020," said Sezzle Executive Chairman and CEO Charlie Youakim. "The shift to online retail has positioned Sezzle as a key partner for merchants, as 2Q20 represented the top 3 periods of monthly UMS in the Company's history."

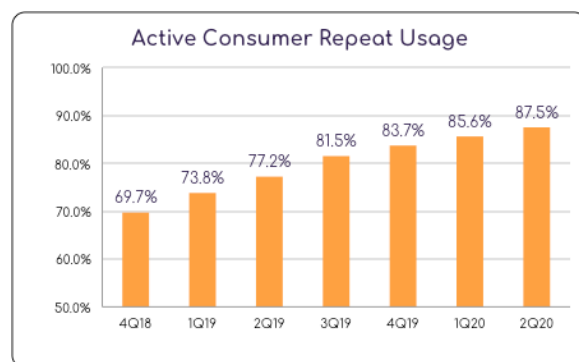
According to credit and debit card data aggregated by Bank of America's Data Analytics team, in their report *COVID-19 and the consumer: data through July 11th* (17 July), a return to stores (i.e., brick & mortar) has not meant a move away from online. The team noted

that in-store spending has recovered, but has not occurred at the expense of online spending. From 29 June to 11 July, brick & mortar spending was down -3.5% YoY (compared to the low of -38% YoY in mid-April), while retail online was up +80.5% YoY.

"The gains in frequency of purchases by cohorts and repeat customer usage are encouraging to see as our business matures," added Mr. Youakim. "We are excited about the brand loyalty that is building, as each cohort is outpacing the previous cohort at a similar point in time. "

Purchase Frequency by Cohort

Cohort	As of 31 May 2020
2018 Cohort	~15x per year
2019 Cohort	~9x per year
2020 Cohort	~5x per year



First Half 2020 results are scheduled to be released on 31 August. In conjunction with the release, the Company will host a conference call.

Key Operating Metrics

- UMS increased by 57.5% QoQ, and improved by more than 348% YoY.
- Merchant Fees performed similarly to UMS, as fees increased 54.8% QoQ and 397% YoY. As a percentage of UMS, Merchant Fees improved 55bps YoY to 5.6% and declined 10bps from 1Q20. Merchant Fees are a key component in the calculation of Sezzle Income, calculated as Merchant Fees and rescheduled payment fees, less loan origination costs on approved End-customer funding.
- Growth in Active Consumers in 2Q20 of 325,990 exceeded the Company's previous quarterly record of 270,377 set in 4Q19.
- Active Merchant additions of 3,397 in the quarter were well ahead of the Company's prior record of 2,705 in 1Q20.

Key Metrics	Qtr Ended 30-Jun-20 (US\$ in M's)	QoQ change	YoY change
UMS	\$188.0	57.5%	348.6%
Merchant Fees	\$10.6	54.8%	397.1%
Active Consumers	1,475,235	28.4%	243.2%
Active Merchants	16,112	26.7%	219.2%

Quarterly Cash Flows

"Our strong balance sheet at 30 June coupled with our Capital Raise subsequent to quarter end, positions us well to pursue our growth strategies and weather the protracted effects of COVID-19," noted Sezzle CFO Karen Hartje. "Additionally, during the pandemic, we continue to see leading loss indicators improve and have been able to leverage our cost structure. These trends combined with our top-line growth are driving positive moves in our Net Transaction Margin."

As of 30 June (2Q20), the Company had US\$55.7 million of cash and cash equivalents (US\$52.8m) and restricted cash (US\$2.9m) on hand, an increase of US\$16.8 million from 1Q20 (US\$38.9 million). The increase in cash balances was driven by positive operating cash flow of US\$4.3 million and additional borrowings on the Company's line of credit. As of 30 June 2020, US\$37.0 million was drawn on the Company's US\$100.0 million facility.

Operating cash flows for the quarter were a positive US\$4.3 million, compared to a cash outflow of US\$1.8 million reported in 1Q20. Cash receipts from customers rose 53.0% QoQ to US\$169.3 million from US\$110.7 million in 1Q20. Cash payments to merchants increased 49.2% QoQ to US\$154.3 million from US\$103.4 million in 1Q20. Payments from customers and to merchants are driven by UMS volume, with the difference in payment flows between merchants and customers driven by the timing of payments as well as seasonality.

Key operating cash outflows:

- Product and operating costs (primarily payment processing fees) totaled US\$5.2 million in 2Q20 compared to US\$3.8 million reported in 1Q20. As a percentage of

receipts from customers, product and operating costs declined 30bps QoQ to 3.1%.

- Staff costs, inclusive of wages, salaries, commissions and other employee related benefits, fell to 27.9% as a percentage of Merchant Fees compared 41.9% in 1Q20. In total, staff costs rose slightly to US\$3.0 million in 2Q20 from US\$2.9 million in 1Q20.
- Administrative and corporate costs (primarily third-party software, legal, insurance and other general corporate overhead) were flat QoQ at US\$1.2 million. As a percentage of Merchant Fees, administrative and corporate costs improved to 11.0% from 18.2% in 1Q20.
- Interest expense costs increased to US\$0.9 million in 2Q20 compared to US\$0.7 million in 1Q20. The higher interest expense was attributable to a greater amount being drawn on the revolver during 2Q20 compared to 1Q20.
- As noted in section 6 of the Appendix 4C, payments of US\$143,000 were made to the Directors of the entity during the quarter comprising salaries and fees for Executive and Non-Executive Directors. No other payments were made to any related parties or their associates of the entity.

Security Purchase Plan

Following completion of the A\$79.1 million institutional placement on 15 July, the Company opened its Security Purchase Plan (SPP) on 17 July 2020. Sezzle has determined to raise approximately A\$7.2 million in aggregate through the SPP. Under the SPP, eligible holders have the opportunity to subscribe for up to A\$30,000 worth of new fully paid CHESS Depositary Interests (CDIs) in Sezzle (New CDIs) free of any brokerage, commissions and transactions costs. The SPP will close at 5.00pm (Sydney time) on Tuesday, 4 August 2020. For further information regarding the SPP, please read the terms and conditions that were set out in the SPP Offer Booklet that was released to the ASX on 17 July 2020 ([Sezzle Security Purchase Plan Opens](#)).

This announcement was approved by the Company's CEO and Executive Chairman, Charlie Youakim, on behalf of the Sezzle Inc. Board.

Contact Information

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About Sezzle Inc.

Sezzle is a rapidly growing fintech company on a mission to financially empower the next generation. Sezzle's payment platform increases the purchasing power for more than 1.4 million Active Consumers by offering interest-free installment plans at online stores and select in-store locations. Sezzle's transparent, inclusive, and seamless payment option allows consumers to take control over the spending, be more responsible, and gain access to financial freedom. When consumers apply, approval is instant, and their credit scores are not impacted, unless the consumer elects to opt-in to a credit building feature, called Sezzle Up.

This increase in purchasing power for consumers leads to increased sales and basket sizes for the more than 16,000 Active Merchants that offer Sezzle.

For more information visit sezzle.com.

Sezzle's CDIs are issued in reliance on the exemption from registration contained in Regulation S of the US Securities Act of 1933 (Securities Act) for offers of securities which are made outside the US. 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 US. As a result of relying on the Regulation S exemption, the CDIs are 'restricted securities' under Rule 144 of the Securities Act. This means that you are unable to sell the CDIs into the US or to a US person who is not a QIB for the foreseeable future except in very limited circumstances until 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 US persons excluding QIBs. However, you are still able to freely transfer your CDIs on ASX to any person other than a US 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

Sezzle Inc.

ABN

633 327 358 (ARBN)

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities			
1.1 Receipts from customers		169,348	280,063
1.2 Payments for			
(a) research and development		(168)	(334)
(b) product manufacturing and operating costs		(5,248)	(9,008)
(c) advertising and marketing		(219)	(426)
(d) leased assets		(121)	(260)
(e) staff costs		(2,956)	(5,821)
(f) administration and corporate costs		(1,159)	(2,399)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		4	47
1.5 Interest and other costs of finance paid		(915)	(1,662)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (payments to merchants)		(154,265)	(257,665)
1.9 Net cash from / (used in) operating activities		4,301	2,535
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		(126)	(241)
(d) investments		-	-
(e) intellectual property		-	-
(f) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 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)	-	-
2.6	Net cash from / (used in) investing activities	(126)	(241)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	46	46
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	23,220	28,870
3.6	Repayment of borrowings	(10,650)	(12,100)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Repurchase of shares)	(2)	(2)
3.10	Net cash from / (used in) financing activities	12,614	16,814

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	38,944	36,625
4.2	Net cash from / (used in) operating activities (item 1.9 above)	4,301	2,535
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(126)	(241)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	12,614	16,814
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	55,733	55,733

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	52,779	36,647
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Restricted cash)	2,954	2,297
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	55,733	38,944

6. Payments to related parties of the entity and their associates

- 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

Current quarter \$US'000
143
-

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

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.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
100,000	37,000

7.5 Unused financing facilities available at quarter end

817

- 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.

Loan facilities consist of a revolving line of credit with three members (the Syndicate): Bastion Consumer Funding II, LLC, Atalaya Asset Income Fund IV LP, and Hudson Cove Credit Opportunity Master Fund, LP for a credit facility of US\$100 million. Borrowings on the line of credit carry an interest rate of 9.50% as of 30 June 2020. The line of credit with Bastion is secured by end-customer receivables and offers an available borrowing base of US\$37.8 million, of which US\$37.0 million is drawn as of 30 June 2020.

8. Estimated cash available for future operating activities

\$US'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	4,301
8.2	Cash and cash equivalents at quarter end (Item 4.6)	55,733
8.3	Unused finance facilities available at quarter end (Item 7.5)	817
8.4	Total available funding (Item 8.2 + Item 8.3)	56,550
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

- 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: N/A

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

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

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: 27 July 2020

Authorised by: Authorised by the Company's CEO and Executive Chairman
(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.