

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-41781



SEZZLE INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

700 Nicollet Mall, Suite 640, Minneapolis, Minnesota

(Address of principal executive offices)

81-0971660

(I.R.S. Employer
Identification No.)

55402

(Zip Code)

Registrant's telephone number, including area code: +1 651 240 6001

Not Applicable

(Former address)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$0.00001 per share	SEZL	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. The total shares of common stock, par value \$0.00001 per share, outstanding at May 6, 2025 were 33,286,295.

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FORWARD-LOOKING STATEMENTS

The information in this Quarterly Report on Form 10-Q and the documents incorporated by reference herein (“Form 10-Q”) includes “forward-looking statements” under Section 27A of the Securities Act of 1933, as amended, (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical fact, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management included in this Form 10-Q are forward-looking statements. When used in this Form 10-Q, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project,” and similar expressions (or the negative versions of such words or expressions) are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading “Risk Factors” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2024 (the “2024 Form 10-K”) and in other filings we make with the Securities and Exchange Commission. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. There is a risk that such predictions, estimates, projections, and other forward-looking statements will not be achieved. Nevertheless, and despite the fact that management’s expectations and estimates are based on assumptions management believes to be reasonable and data management believes to be reliable, our actual results, performance, or achievements are subject to future risks and uncertainties, any of which could materially affect our actual performance. Risks and uncertainties that could affect such performance include, but are not limited to:

- impact of the “buy-now, pay-later” (“BNPL”) industry becoming subject to increased regulatory scrutiny;
- impact of operating in a highly competitive industry;
- impact of macro-economic conditions on consumer spending and consumer credit;
- our ability to maintain our relationship with our existing merchant base, increase our merchant network and Gross Merchandise Volume (“GMV”);
- our ability to retain and increase our consumer base and GMV;
- our ability to effectively manage growth, sustain our growth rate and maintain our market share;
- our ability to maintain adequate access to capital in order to meet the capital requirements of our business;
- the loans facilitated through the Sezzle Platform involve a high degree of financial risk;
- our reliance on our originating bank partner to originate a substantial majority of the loans facilitated by the Sezzle Platform;
- our reliance on third-party data to assess creditworthiness of consumers;
- impact of exposure to consumer bad debts and insolvency of merchants;
- our ability to comply with the applicable requirements of Visa and other payment processors;
- impact of the integration, support and prominent presentation of our platform by our merchants;
- impact of any data security breaches, cyberattacks, employee or other internal misconduct, malware, phishing or ransomware, physical security breaches, natural disasters, or similar disruptions;
- impact of key vendors or merchants failing to comply with legal or regulatory requirements or to provide various services that are important to our operations;
- impact of exchange rate fluctuations in the international markets in which we operate;
- our ability to protect our intellectual property rights and third party allegations of the misappropriation of intellectual property rights;
- our ability to retain employees and recruit additional employees;
- impact of the costs of complying with various laws and regulations applicable to the BNPL industry in the United States and Canada;
- our ability to comply with applicable state lending licenses and other state lending laws and regulations;
- the impact of litigation, regulatory investigations and actions, and compliance issues on our business; and
- our ability to achieve our public benefit purpose and maintain our B Corporation certification.

We caution you that these forward-looking statements are subject to numerous risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks include, but are not limited to, the risks described under “Risk Factors” in our 2024 Form 10-K. Should one or more of the risks or uncertainties described in the 2024 Form 10-K occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this Form 10-Q are expressly qualified in their entirety by these cautionary statements. These cautionary statements should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Except as otherwise required by applicable law, we disclaim any intention or obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of this Form 10-Q.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Consolidated Balance Sheets

(in thousands, except per share amounts)	As of	
	March 31, 2025 (unaudited)	December 31, 2024 (audited)
Assets		
Current Assets		
Cash and cash equivalents	\$ 88,893	\$ 73,185
Restricted cash, current, including amounts held by variable interest entity (“VIE”) of \$7,088 and \$4,096, respectively	14,942	4,850
Notes receivable	167,150	190,665
Allowance for credit losses	(20,522)	(26,103)
Notes receivable, net, including amounts held by VIE of \$136,106 and \$152,174, respectively	146,628	164,562
Other receivables, net	3,263	3,629
Prepaid expenses and other current assets	12,219	11,393
Total current assets	265,945	257,619
Non-Current Assets		
Internally developed intangible assets, net	2,404	2,442
Operating right-of-use assets	768	800
Restricted cash, non-current	17,034	20,275
Deferred tax asset, net of \$3,841 and \$3,742 valuation allowance, respectively	11,616	16,905
Other assets	307	331
Total Assets	\$ 298,074	\$ 298,372
Liabilities and Stockholders' Equity		
Current Liabilities		
Merchant accounts payable	\$ 65,380	\$ 68,967
Other payables	10,239	7,455
Deferred revenue	4,126	4,234
Other current liabilities	21,854	25,021
Total current liabilities	101,599	105,677
Non-Current Liabilities		
Operating lease liabilities	791	823
Line of credit, net of unamortized debt issuance costs of \$910 and \$1,008, respectively, held by VIE	69,890	103,992
Other non-current liabilities	32	45
Total Liabilities	172,312	210,537
Commitments and Contingencies (see Note 8)		
Stockholders' Equity*		
Common stock and additional paid-in capital, \$0.00001 par value; 750,000 shares authorized; 35,072 and 34,786 shares issued, respectively; 33,965 and 33,735 shares outstanding, respectively	192,703	188,589
Treasury stock, at cost: 1,107 and 1,051 shares, respectively	(11,835)	(9,391)
Accumulated other comprehensive loss	(1,495)	(1,588)
Accumulated deficit	(53,611)	(89,775)
Total Stockholders' Equity	125,762	87,835
Total Liabilities and Stockholders' Equity	\$ 298,074	\$ 298,372

* Effective March 28, 2025, we performed a 6-for-1 stock split of the Company’s common stock, affected through a stock dividend. Share and per-share amounts have been retroactively adjusted.

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Operations and Comprehensive Income (unaudited)

(in thousands, except per share amounts)	For the three months ended March 31,	
	2025	2024
Total revenue	\$ 104,912	\$ 46,979
Operating Expenses		
Personnel	15,048	11,025
Transaction expense	15,317	11,787
Third-party technology and data	3,374	2,157
Marketing, advertising, and tradeshow	5,346	655
General and administrative	3,131	2,380
Provision for credit losses	12,801	5,140
Total operating expenses	55,017	33,144
Operating Income	49,895	13,835
Other Income (Expense)		
Net interest expense	(2,914)	(4,081)
Other income (expense), net	25	(92)
Fair value adjustment on warrants	—	(1,262)
Income before taxes	47,006	8,400
Income tax expense	10,842	393
Net Income	36,164	8,007
Other Comprehensive Income		
Foreign currency translation adjustment	93	1
Total Comprehensive Income	\$ 36,257	\$ 8,008
Net income per share*:		
Basic	\$ 1.07	\$ 0.24
Diluted	1.00	0.22
Weighted-average shares outstanding*:		
Basic	33,852	33,961
Diluted	36,171	35,765

* Effective March 28, 2025, we performed a 6-for-1 stock split of the Company's common stock, affected through a stock dividend. Share and per-share amounts have been retroactively adjusted.

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity (unaudited)

(in thousands)	Common Stock and Additional Paid-in Capital		Stock Subscriptions	Treasury Stock, At Cost	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares*	Amount					
Balance at January 1, 2024	34,185	\$ 186,017	\$ —	\$ (5,756)	\$ (647)	\$ (157,520)	\$ 22,094
Equity based compensation	—	757	—	—	—	—	757
Stock option exercises	39	172	—	—	—	—	172
Restricted stock issuances and vesting of awards	261	148	—	—	—	—	148
Stock subscriptions receivable related to stock option exercises	4	39	(39)	—	—	—	—
Conversion of warrant liabilities to stockholders' equity	—	2,229	—	—	—	—	2,229
Repurchase and retirement of common stock	(594)	(3,072)	—	—	—	(409)	(3,481)
Repurchase of common stock	(84)	—	—	(314)	—	—	(314)
Foreign currency translation adjustment	—	—	—	—	1	—	1
Net income	—	—	—	—	—	8,007	8,007
Balance at March 31, 2024	33,811	186,290	(39)	(6,070)	(646)	(149,922)	29,613

(in thousands)	Common Stock and Additional Paid-in Capital		Stock Subscriptions	Treasury Stock, At Cost	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares*	Amount					
Balance at January 1, 2025	33,735	\$ 188,589	\$ —	\$ (9,391)	\$ (1,588)	\$ (89,775)	\$ 87,835
Equity based compensation	—	1,140	—	—	—	—	1,140
Stock option exercises	101	540	—	—	—	—	540
Restricted stock issuances and vesting of awards	185	2,434	—	—	—	—	2,434
Repurchase of common stock	(56)	—	—	(2,444)	—	—	(2,444)
Foreign currency translation adjustment	—	—	—	—	93	—	93
Net income	—	—	—	—	—	36,164	36,164
Balance at March 31, 2025	33,965	192,703	—	(11,835)	(1,495)	(53,611)	\$ 125,762

* Effective March 28, 2025, we performed a 6-for-1 stock split of the Company's common stock, affected through a stock dividend. Share and per-share amounts have been retroactively adjusted.

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows (unaudited)

(in thousands)	For the three months ended March 31,	
	2025	2024
Operating Activities:		
Net income	\$ 36,164	\$ 8,007
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	274	227
Provision for credit losses	12,801	5,140
Provision for other credit losses	3,956	1,078
Equity based compensation and restricted stock vested	1,273	905
Amortization of debt issuance costs	109	196
Fair value adjustment on warrants	—	1,262
Impairment losses on long-lived assets	66	—
(Gain) loss on sale of fixed assets	—	(17)
Deferred income taxes	5,289	—
Changes in operating assets and liabilities:		
Notes receivable	5,134	21,953
Other receivables	(3,589)	(824)
Prepaid expenses and other assets	(796)	867
Merchant accounts payable	(3,631)	(175)
Other payables	2,779	278
Accrued and other liabilities	(898)	(797)
Deferred revenue	(109)	491
Operating leases	15	22
Net Cash Provided from Operating Activities	58,837	38,613
Investing Activities:		
Purchase of property and equipment	(27)	(2)
Internally developed intangible asset additions	(281)	(338)
Net Cash Used for Investing Activities	(308)	(340)
Financing Activities:		
Proceeds from line of credit	15,000	—
Payments to line of credit	(49,200)	(23,000)
Payments of debt issuance costs	(10)	(138)
Proceeds from stock option exercises	540	172
Repurchase of common stock	(2,444)	(3,795)
Net Cash Used for Financing Activities	(36,114)	(26,761)
Effect of exchange rate changes on cash	144	(26)
Net increase in cash, cash equivalents, and restricted cash	22,415	11,512
Cash, cash equivalents, and restricted cash, beginning of period	98,310	70,699
Cash, cash equivalents, and restricted cash, end of period	\$ 120,869	\$ 82,185
Noncash investing and financing activities:		
Conversion of accrued profit-sharing incentive plan liabilities to stockholders' equity	\$ 2,301	\$ —
Conversion of warrant liabilities to stockholders' equity	—	2,229
Supplementary disclosures:		
Interest paid	\$ 3,217	\$ 4,167
Income taxes paid	94	—

See the accompanying Notes to the Consolidated Financial Statements.

Notes to Consolidated Financial Statements (unaudited)

Note 1. Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

These unaudited consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the rules and regulations of the Securities and Exchange Commission (“SEC”) applicable to interim financial statements. While these consolidated financial statements and the accompanying notes thereof reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. These consolidated financial statements and their accompanying notes should be read in conjunction with the consolidated financial statement disclosures in our 2024 annual consolidated financial statements.

Operating results reported for the three months ended March 31, 2025 might not be indicative of the results for any subsequent period or the entire year ending December 31, 2025.

Sezzle Inc. (the “Company”, “Sezzle”, “we”, “us”, or “our”) uses the same accounting policies in preparing quarterly and annual consolidated financial statements. We consolidate the accounts of subsidiaries for which we have a controlling financial interest. The accompanying consolidated financial statements include all the accounts and activity of Sezzle Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions are eliminated in consolidation.

Fair Value

Fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The accounting guidance includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 — Unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 — Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3 — Unobservable inputs for the asset or liability, which include management’s own assumption about the assumptions market participants would use in pricing the asset or liability, including assumptions about risk.

As of March 31, 2025 and December 31, 2024, our assets and liabilities measured at fair value were not material. The fair value and its classification within the fair value hierarchy for financial assets and liabilities not reported at fair value within the consolidated balance sheets as of March 31, 2025 and December 31, 2024 are as follows:

	March 31, 2025					
(in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value	
Assets:						
Cash and cash equivalents	\$ 88,893	\$ 88,893	\$ —	\$ —	\$ 88,893	
Restricted cash ⁽²⁾	31,976	31,976	—	—	31,976	
Notes receivable, net	146,628	—	—	146,628	146,628	
Total assets	\$ 267,497	\$ 120,869	\$ —	\$ 146,628	\$ 267,497	
Liabilities:						
Line of credit, net	69,890	—	69,890	—	69,890	
Total liabilities	\$ 69,890	\$ —	\$ 69,890	\$ —	\$ 69,890	

December 31, 2024

(in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets:					
Cash and cash equivalents ⁽¹⁾	\$ 73,170	\$ 73,170	\$ —	\$ —	\$ 73,170
Restricted cash ⁽²⁾	25,125	25,125	—	—	25,125
Notes receivable, net	164,562	—	—	164,562	164,562
Total assets	\$ 262,857	\$ 98,295	\$ —	\$ 164,562	\$ 262,857
Liabilities:					
Line of credit, net	\$ 103,992	\$ —	\$ 103,992	\$ —	\$ 103,992
Total liabilities	\$ 103,992	\$ —	\$ 103,992	\$ —	\$ 103,992

(1) Excludes \$15 as of December 31, 2024 relating to money market securities that are reported at fair value.

(2) Includes both restricted cash, current and restricted cash, non-current as disclosed on the consolidated balance sheets.

Segments

Segments are components of a company that have discrete financial information available and are regularly evaluated by a chief operating decision maker (“CODM”) to assess performance and decide how resources are allocated. Our Chief Executive Officer is considered to be the CODM, and our operations comprise one reportable segment, primarily deriving revenue from our payment processing platform in North America. Our CODM manages business activities on a consolidated basis and uses consolidated net income, as reported on the consolidated statements of operations and comprehensive income, to evaluate financial performance, allocate resources, and monitor budget versus actuals. The measure of segment assets is reported on the consolidated balance sheets as total assets. Significant expenses reviewed by the CODM include those that are presented in the consolidated statements of operations and comprehensive income. There are no significant concentrations by state or geographical location.

Variable Interest Entity

Our primary source of funding consumer receivables is through a secured line of credit. We sell a portion of our notes receivable to a wholly owned, bankruptcy-remote special purpose entity (the “SPE”), which then pledges such receivables as collateral for our line of credit. We continue to service all receivables sold and pledged to the SPE. The amount we can borrow under our line of credit is dependent on the amount of eligible, pledged notes receivable we have sold to the SPE. While we serve as a limited guarantor for the SPE and are subject to certain financial covenants, our line of credit provider does not have full recourse against our general credit and may absorb losses in the event of default if the cash receipts related to our pledged notes receivables are not sufficient to repay the outstanding line of credit balance. Refer to [Note 7. Line of Credit](#) for more information about our line of credit and the relationship between our line of credit and our notes receivable.

We are required to evaluate the SPE for consolidation, which we have concluded is a VIE. We have the ability to direct the activities that most significantly impact the economic performance of our wholly owned SPE. We also have the obligation to absorb losses and the right to proceeds related to the pledged notes receivable in the SPE, exposing us to losses and returns that could potentially be significant. As such, we have determined that we are the primary beneficiary of the SPE and are required to consolidate the entity as a VIE.

Stock Split

Our Board of Directors approved a stock split of our issued shares of common stock at a ratio of 6-for-1, affected through a stock dividend (the “Stock Split”). The Stock Split became effective March 28, 2025. All share and per share amounts for all periods presented in these consolidated financial statements and their accompanying notes have been adjusted, on a retrospective basis, to reflect the Stock Split, unless otherwise stated. The number of authorized shares and the par value of the shares remained unaffected.

Reclassifications

Certain prior period amounts have been reclassified to conform with the current period presentation format. These reclassifications had no effect on our total assets, total equity, net income, total comprehensive income, or cash flows.

Recent Accounting Pronouncements

Recently Issued Accounting Guidance, Not Yet Adopted Within Our Consolidated Financial Statements

Standard	Description	Date of Planned Adoption	Effect on Consolidated Financial Statements
ASU 2023-09 , Income Taxes (Topic 740): Improvements to Income Tax Disclosures	This ASU requires enhanced disclosures on the income tax rate reconciliation, income taxes paid, and other income tax-related disclosures. Such disclosures include specific categories in the rate reconciliation, qualitative information about significant components of income tax, and disaggregation of income taxes paid by federal, state, and local jurisdiction.	Year ended December 31, 2025	We do not expect the adoption of this ASU to have a material impact on our consolidated financial statements. We will include the enhanced disclosure requirements in our 2025 annual consolidated financial statements.
ASU 2024-03 , Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses	This ASU requires, in the notes to the consolidated financial statements, the disaggregation of certain expenses within relevant expense captions in tabular format, incremental qualitative disclosures about expenses, and the disclosure of total selling expenses.	Year ended December 31, 2027	We do not expect the adoption of this ASU to have a material impact on our consolidated financial statements. We will include the enhanced disclosure requirements in our 2027 annual consolidated financial statements.

There are additional new accounting pronouncements issued by the FASB that we have not yet adopted. We do not believe any of these additional accounting pronouncements will have a material impact on the consolidated financial statements or disclosures.

Note 2. Total Revenue

Total revenue was \$104.9 million and \$47.0 million for the three months ended March 31, 2025 and 2024, respectively. Total revenue in the fourth quarter has historically been strongest for us, in line with consumer spending habits during the holiday shopping season. Our total revenue is classified into three categories: transaction income, subscription revenue, and income from other sources.

Transaction Income

Transaction income is comprised of all income earned from merchants, consumers, and other third parties that relate to processing orders and payments on the Sezzle Platform. This primarily includes merchant processing fees, partner income, and consumer fees.

We earn income from fees paid by merchants in exchange for our payment processing services. These merchant processing fees are applied to the underlying sales of consumers passing through our platform and are predominantly based on a percentage of the consumer order value plus a fixed fee per transaction. For orders that result in a financing receivable, merchant processing fees are recognized over the duration of the loan using the effective interest method. For orders that do not result in a financing receivable, merchant processing fees are recognized at the time the sale is completed. We also earn income from partners on consumer transactions. This income includes interchange fees earned through our virtual card solution and promotional incentives with third parties. Virtual card interchange income related to loans we originate is recognized over the loan's duration using the effective interest method. Virtual card interchange income related to loans we purchase and promotional incentives are recognized as they are earned. Merchant and partner income totaled \$23.5 million and \$19.2 million for the three months ended March 31, 2025 and 2024, respectively.

Transaction income also includes income from consumer fees that are related to processing orders and payments. Such fees are assessed when consumers make a scheduled payment using a card, when a payment method fails when attempting to make an installment payment, or when consumers are assessed a fee for using Sezzle On-Demand. These fees are recognized at the time the fee is assessed to the extent the fee is reasonably collectible and totaled \$34.7 million and \$7.4 million for the three months ended March 31, 2025 and 2024, respectively.

Subscription Revenue

We offer our consumers the ability to subscribe to two paid services: Sezzle Premium and Sezzle Anywhere. Sezzle Premium allows consumers to shop at select large, non-integrated premium merchants, along with other benefits, for a recurring fee. Sezzle Anywhere allows consumers to use their Sezzle Virtual Card at any merchant online or in-store, subject to certain merchant, product, goods, and service restrictions, for a recurring fee. Subscription fees are recognized straight-line over the subscription period.

Income from Other Sources

Income from other sources includes all other incomes earned from merchants, consumers, and other third parties not included in transaction income or subscription revenue. This includes late payment fees, gateway fees, and marketing revenue earned from affiliates. Late payment fees are assessed to consumers who fail to make a timely principal payment. Late payment fees are recognized at the time the fee is charged to the consumer to the extent the fee is reasonably collectible. Late payment fees totaled \$16.8 million and \$2.7 million for the three months ended March 31, 2025 and 2024, respectively.

Disaggregation of Total Revenue

Our total revenue by category and Accounting Standards Codification (“ASC”) recognition criteria for the three months ended March 31, 2025 and 2024 was as follows:

(in thousands)	For the three months ended March 31,					
	2025			2024		
	Topic 310	Topic 606	Total	Topic 310	Topic 606	Total
Transaction income	\$ 38,143	\$ 20,023	\$ 58,166	\$ 18,382	\$ 8,236	\$ 26,618
Subscription revenue	—	23,428	23,428	—	14,673	14,673
Income from other sources	18,599	4,719	23,318	3,351	2,337	5,688
Total revenue	\$ 56,742	\$ 48,170	\$ 104,912	\$ 21,733	\$ 25,246	\$ 46,979

Transaction income that falls under the scope of ASC Topic 310, Receivables, relates to transactions that result in a financing receivable being recognized. Such income is initially recorded as a reduction to notes receivable, net, within the consolidated balance sheets. The income is then recognized over the average duration of the note using the effective interest rate method. Transaction income to be recognized over the duration of existing notes receivable outstanding was \$2.5 million and \$3.8 million as of March 31, 2025 and December 31, 2024, respectively.

Transaction income that falls under the scope of ASC Topic 606, Revenue from Contracts with Customers, relates to transactions that do not result in a note receivable being recognized. Such revenue comprises a single performance obligation which is satisfied at the time the transaction occurs, at which point we recognize revenue.

Subscription revenue entirely falls under the scope of ASC Topic 606. Such revenue comprises a single performance obligation which is satisfied evenly over the underlying subscription period. Revenue is recognized ratably over the duration of the performance obligation. All performance obligations are fully satisfied within one year or less of receiving payment. Payment received for performance obligations not yet satisfied are recorded as deferred revenue on the consolidated balance sheets until such performance obligations are satisfied. Subscription revenue to be recognized over the remaining duration of outstanding performance obligations was \$3.9 million and \$4.2 million as of March 31, 2025 and December 31, 2024, respectively. Total revenue for the three months ended March 31, 2025 includes \$4.1 million of revenue that was included in deferred revenue as of December 31, 2024. Total revenue for the three months ended March 31, 2024 includes \$2.5 million of revenue that was included in deferred revenue as of December 31, 2023.

Income from other sources that falls under the scope of ASC Topic 310 primarily relates to late payment fees. Such fees are recognized at the time the fee is charged to the consumer to the extent they are reasonably collectible. Income from other sources that fall under the scope of ASC 606 comprises a single performance obligation which is satisfied immediately and not deferred.

Note 3. Notes Receivable and Allowance for Credit Losses

We offer consumer installment payment plans on our platform. Consumer installment payment plans generally consist of four installments, with the first payment made at the time of purchase and subsequent payments due every two weeks thereafter. We purchase certain receivables related to installment payment plans extended to consumers in the United States by our originating partner and are responsible for servicing such receivables. All other consumer installment payment plans are originated by us. Our notes receivable represents amounts due from consumers primarily for outstanding principal on installment payment plans made on our platform that we have either originated or purchased from our originating partner. Our notes receivable are generally due within 42 days of origination.

We classify all of our notes receivable as held for investment, as we have the intent and ability to hold these investments for the foreseeable future or until maturity or payoff. Since our portfolio is comprised of one product segment, point-of-sale unsecured installment loans, we evaluate our notes receivable as a single, homogenous portfolio and make merchant-specific or other adjustments as necessary. Our notes receivable are reported at amortized cost, which primarily includes unpaid principal, adjusted for unearned transaction income, direct loan origination costs, and charge-offs. The amortized cost basis is adjusted for the allowance for credit losses within notes receivable, net.

As of March 31, 2025 and December 31, 2024, our notes receivable at amortized cost was comprised of the following:

(in thousands)	March 31, 2025	December 31, 2024
Notes receivable, gross	\$ 169,697	\$ 194,434
Deferred transaction income	(2,547)	(3,769)
Notes receivable, amortized cost	\$ 167,150	\$ 190,665

Deferred transaction income is primarily comprised of unrecognized merchant processing fees, which are recognized over the duration of the note with the consumer and are recorded as an offset to transaction income on the consolidated statements of operations and comprehensive income. Our notes receivable had a weighted average days outstanding of 34 days.

We closely monitor credit quality for our notes receivable to manage and evaluate our related exposure to credit risk. When assessing the credit quality and risk of our portfolio, we monitor a variety of internal risk indicators and consumer attributes that are shown to be predictive of ability and willingness to repay, and combine these factors to establish an internal, proprietary score as a credit quality indicator (the “Prophet Score”). We evaluate the credit risk of our portfolio by grouping Prophet Scores into three buckets that range from A to C, with receivables having an “A” rating representing the highest credit quality and lowest likelihood of loss. Our risk and fraud team closely monitors the distribution of Prophet Scores for signs of changes in credit risk exposure and portfolio performance. The risk and fraud team also regularly evaluates the integrity of the Prophet Score machine learning model and updates it as necessary, but at least annually. We last updated the Prophet Score model in October 2023.

The amortized cost basis of our notes receivable by Prophet Score and year of origination as of March 31, 2025 and December 31, 2024 was as follows:

	March 31, 2025			December 31, 2024		
	Amortized cost basis by year of origination					
(in thousands)	2025	2024	Total	2024	2023	Total
A	\$ 57,634	\$ 35	\$ 57,669	\$ 57,945	\$ —	\$ 57,945
B	66,391	323	66,714	74,999	1	75,000
C	34,591	8,119	42,710	57,646	—	57,646
No score	57	—	57	74	—	74
Total amortized cost	\$ 158,673	\$ 8,477	\$ 167,150	\$ 190,664	\$ 1	\$ 190,665

Our notes receivable are considered past due when the principal has not been received within one calendar day of when they are due in accordance with the agreed upon contractual terms. Any amounts delinquent after 90 days are charged off with an offsetting reversal to the allowance for credit losses through the provision for credit losses on our consolidated statements of operations and comprehensive income. Charged-off principal payments recovered after 90 days are recognized as a reduction to the allowance for credit losses in the period the receivable is recovered. The amortized cost basis of our notes receivable by delinquency status as of March 31, 2025 and December 31, 2024 was as follows:

(in thousands)	March 31, 2025	December 31, 2024
Current	\$ 142,702	\$ 161,870
1–28 days past due	9,412	15,303
29–56 days past due	5,235	6,267
57–90 days past due	9,801	7,225
Total amortized cost	\$ 167,150	\$ 190,665

We maintain an allowance for credit losses at a level necessary to absorb expected credit losses, primarily on principal receivables from consumers. The allowance for credit losses is determined based on our current estimate of expected credit losses over the remaining contractual term and incorporates evaluations of known and inherent risks in our portfolio, historical credit losses, consumer payment trends, estimates of recoveries, current economic conditions, and reasonable and supportable forecasts. We regularly assess the adequacy of our allowance for credit losses and adjust the allowance as necessary to reflect changes in the credit risk of our notes receivable. Any adjustment to the allowance for credit losses is recognized in net income through the provision for credit losses on our consolidated statements of operations and comprehensive income. While we believe our allowance for credit losses is appropriate based on the information available, actual losses could differ from our estimate.

In estimating the allowance for credit losses, we utilize a roll rate analysis of delinquent and current notes receivable. Roll rate analysis is a technique used to estimate the likelihood that a loan progresses through various stages of delinquency and eventually charges off. We segment our notes receivable into delinquency statuses and semi-monthly vintages for the purpose of evaluating historical performance and determining the future likelihood of default.

The activity in the allowance for credit losses, including the provision for credit losses, charge-offs, and recoveries for the three months ended March 31, 2025 and 2024 was as follows:

(in thousands)	For the three months ended March 31,	
	2025	2024
Balance at beginning of period	\$ 26,103	\$ 12,253
Provision for credit losses	12,801	5,140
Charge-offs	(19,662)	(9,027)
Recoveries of charged-off receivables	1,280	817
Balance at end of period	\$ 20,522	\$ 9,183

Net charge-offs by year of origination for the three months ended March 31, 2025 was as follows:

(in thousands)	2025	2024	2023	2022	2021	Total
Current period gross charge-offs	\$ (118)	\$ (19,415)	\$ (4)	\$ (125)	\$ —	\$ (19,662)
Current period recoveries	20	929	144	88	99	1,280
Current period net charge-offs	\$ (98)	\$ (18,486)	\$ 140	\$ (37)	\$ 99	\$ (18,382)

Note 4. Other Receivables

As of March 31, 2025 and December 31, 2024, the balance of other receivables, net, on the consolidated balance sheets was comprised of the following:

(in thousands)	March 31, 2025	December 31, 2024
Late payment fees receivable, net	\$ 826	\$ 993
Receivables from merchants, net	550	698
Receivables from originating partner	1,887	1,938
Other receivables, net	\$ 3,263	\$ 3,629

Late payment fees are applied to principal installments that are delinquent, subject to regulations within specific state jurisdictions. Any late payment fees associated with a delinquent payment are considered to be the same number of days delinquent as the principal payment. Late payment fees receivable, net, is comprised of outstanding late payment fees that we reasonably expect to collect from our consumers. As of March 31, 2025 and December 31, 2024, gross late payment fees receivable totaled \$5.8 million and \$6.3 million, respectively.

Our late payment fees receivable are considered past due when the principal associated with the order has not been received within one calendar day of when they are due in accordance with the agreed upon contractual terms. We maintain an allowance for other credit losses at a level necessary to absorb expected credit losses on late payment fees receivable from our consumers. Any amounts delinquent after 90 days are charged off with an offsetting reversal to the allowance for other credit losses. Any adjustment to the allowance for other credit losses is recognized in net income through an offset to total revenue on our consolidated statements of operations and comprehensive income. Payments recovered after 90 days are recognized as a reduction to the allowance for other credit losses in the period the receivable is recovered.

The activity in the allowance for other credit losses related to late payment fees, including the provision for other credit losses, charge-offs, and recoveries for the three months ended March 31, 2025 and 2024 was as follows:

(in thousands)	For the three months ended March 31,	
	2025	2024
Balance at beginning of period	\$ 5,276	\$ 1,272
Provision for other credit losses	3,956	1,078
Charge-offs	(4,490)	(1,405)
Recoveries of charged-off receivables	251	145
Balance at end of period	\$ 4,993	\$ 1,090

Due to the nature of late payment fees, we monitor the credit quality of the receivables based on delinquency status. Late payment fees receivable were \$5.7 million delinquent and \$0.2 million current as of March 31, 2025, and \$6.0 million delinquent and \$0.3 million current as of December 31, 2024. Significantly all charge-offs and recoveries during the three months ended March 31, 2025 and 2024 related to loans originated during the years ended December 31, 2024 and 2023, respectively.

Receivables from merchants primarily represent amounts due to us from our long-term lending partners for processing applications and referring potential consumers to them. Such transactions are settled with the merchant for the full purchase price at the point of sale and we separately invoice our long-term lending partners for the fees due to us. Expected losses on merchant processing fees receivable are minimal, therefore, there is no allowance for credit losses recorded.

Receivables from originating partner represents amounts due to us from our originating partner that will be used to settle outstanding merchant accounts payable on orders originated by them.

Note 5. Merchant Accounts Payable

Merchant accounts payable represents amounts owed to merchants related to orders placed on the Sezzle Platform.

Merchants have the ability to enroll, subject to our approval, into the Delayed Settlement Incentive Program (“DSIP”), which allows merchants to delay payment from us in exchange for daily incentive payments. Within merchant accounts payable, \$47.1 million and \$49.3 million were recorded within the DSIP balance as of March 31, 2025 and December 31, 2024, respectively. The average annual percentage yield and related interest expense was 4.19% and \$0.5 million, and 4.82% and \$0.6 million for the three months ended March 31, 2025 and 2024, respectively. Effective December 20, 2024, all delayed payments retained in the program bore daily incentive payments at a fixed rate of 4.50% on an annual basis, compounding daily.

Delayed payments are due on demand, up to two hundred fifty thousand dollars during any seven day period, at the request of the merchant. Any request larger than two hundred fifty thousand dollars is processed within seven to ten days. We reserve the right to impose additional limits on the program and make changes to the program without notice or limits. These limits and changes to the program can include but are not limited to maximum balances, withdrawal amount limits, and withdrawal frequency.

Note 6. Other Current Liabilities

As of March 31, 2025 and December 31, 2024, the balance of other current liabilities on the consolidated balance sheets was comprised of the following:

(in thousands)	March 31, 2025	December 31, 2024
Consumer down payments on unpurchased originating partner receivables ⁽¹⁾	\$ 11,804	\$ 9,221
Accrued operational expenses	4,925	6,725
Accrued personnel expenses	5,014	8,979
Operating lease liabilities	111	96
Other current liabilities	\$ 21,854	\$ 25,021

- (1) We are the servicer of receivables originated by our originating partner. The balance reported within other current liabilities represents down payments collected from consumers prior to purchasing the related receivables from our originating partner.

Note 7. Line of Credit

We fund our consumer receivables through the use of a secured line of credit. We had an outstanding principal balance on our line of credit totaling \$70.8 million and \$105.0 million as of March 31, 2025 and December 31, 2024, respectively. Our revolving credit facilities are secured by a pool of pledged, eligible notes receivable. As of March 31, 2025 and December 31, 2024, we had pledged \$143.9 million and \$168.4 million of eligible gross notes receivable, respectively. We had an unused borrowing capacity of \$52.2 million and \$39.0 million as of March 31, 2025 and December 31, 2024, respectively.

Expenses related to our line of credit for the three months ended March 31, 2025 and 2024 were as follows:

(in thousands)	For the three months ended March 31,	
	2025	2024
Interest expense on utilization	\$ 2,641	\$ 3,501
Interest expense on unused daily amounts	68	24
Amortization of debt issuance costs	109	196

For the three months ended March 31, 2025 and 2024, our line of credit carried an effective annual interest rate of 12.02% and 16.77%, respectively.

Note 8. Commitments and Contingencies

Loan Commitments

On September 27, 2024, we entered into a five-year strategic partnership program with our originating partner by executing a Loan and Receivables Sale Agreement and Marketing and Servicing Agreement, effective September 27, 2024. We have a direct obligation to purchase receivables extended to consumers by our originating partner. During the three months ended March 31, 2025, the total order value of loans purchased from our originating partner was \$706.8 million, and the carrying value of the receivables on those purchases totaled \$518.7 million. As of March 31, 2025 and December 31, 2024, the total order value of loans we had an obligation to purchase from our originating partner was \$44.1 million and \$34.6 million, respectively, and the carrying value of the receivables on those obligations totaled \$32.4 million and \$25.4 million, respectively.

Note 9. Net Income Per Share

Basic net income per share is computed by dividing net income for the period by the weighted-average number of shares outstanding during the period, including repurchases carried as treasury stock. Diluted net income per share is computed by dividing net income by the weighted-average number of shares outstanding adjusted for the dilutive effect of all potential shares of stock, including the exercise of employee stock options, assumed vesting of restricted stock units, and exercise of warrants (if dilutive). Diluted net income per share was computed using the treasury stock method for warrants, stock options, and restricted stock units.

The following table presents the calculation of basic and diluted net income per share:

(in thousands, except per share amounts)	For the three months ended March 31,	
	2025	2024
Numerator:		
Net income	\$ 36,164	\$ 8,007
Denominator⁽¹⁾:		
Basic shares:		
Weighted-average shares outstanding	33,852	33,961
Diluted shares ⁽²⁾ :		
Stock options	737	523
Restricted stock units	1,582	1,041
Warrants	—	240
Weighted-average shares outstanding	36,171	35,765
Net income per share:		
Basic	\$ 1.07	\$ 0.24
Diluted	\$ 1.00	\$ 0.22

(1) Effective March 28, 2025, we performed a 6-for-1 stock split of the Company's common stock, affected through a stock dividend. Share and per-share amounts have been retroactively adjusted.

(2) Because their effect would have been anti-dilutive, 55 and 514 shares were excluded from the denominator of diluted net income per share for the three months ended March 31, 2025 and 2024, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q ("Form 10-Q"). This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. You should review the "Forward-Looking Statements", "Factors Affecting Results from Operations", and "Risk Factors" sections of this Form 10-Q, and the "Risk Factors" sections on this Form 10-Q and the 2024 Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements described in the following discussion and analysis.

Overview

We are a purpose-driven payments company on a mission to financially empower the next generation. Launched in 2017, we have built a digital payments platform that provides consumers a flexible alternative to traditional credit. Through our products, we aim to enable consumers to take control of their spending, use credit responsibly, and gain access to financial freedom. Our vision is to create a digital ecosystem benefiting all of our stakeholders—including merchants, consumers, employees, communities, and investors—while continuing to drive ethical and sustainable growth.

The Sezzle Platform offers a payments solution for consumers in the United States and Canada that instantly extends credit at the point-of-sale, allowing consumers to purchase and receive merchandise at the time of sale while paying in installments over time. Consumers pay a portion of the purchase price at the point of sale as a down payment, and then pay off the remaining amount over time through scheduled payments. We also offer the ability to "pay-in-full" using the Sezzle Platform.

Our product is generally free to consumers who make successful, on-time payments and use a bank account or non-electronic payment method to make their scheduled payments, unless they choose to pay for one of our two subscription products, elect to use Sezzle On-Demand, or enter into an interest-bearing loan with our third-party partner. We make a majority of our revenue from merchants, partners, fees from Sezzle On-Demand, and through our two paid versions of the core Sezzle experience: Sezzle Premium and Sezzle Anywhere. Sezzle Premium is a paid subscription service for consumers to access large, non-integrated premium merchants for a recurring fee. Sezzle Anywhere is a paid subscription service that allows consumers to use their Sezzle Virtual Card at any merchant online or in-store, subject to certain merchant, product, goods, and service restrictions, for a recurring fee. Sezzle On-Demand allows consumers who are not subscribed to Sezzle Anywhere to use the Sezzle Platform at any merchant online or in-store (subject to the same restrictions as Sezzle Anywhere) in exchange for a finance charge, which is added to the consumer's initial down payment. Additionally, through collaboration with a third-party partner we enable our consumers access to interest-bearing monthly fixed-rate installment-loan products at participating merchants for larger-ticket items (up to \$15,000), which extend up to 48 months.

Factors Affecting Results of Operations

The following key factors have affected our financial performance and are expected to impact our performance going forward.

Sustainable Business Model

Our ability to profitably scale our business long-term is reliant on creating a transparent and sustainable ecosystem of products and services that add value for all of our stakeholders, including our consumers and merchants. Our product is generally free to consumers who make successful, on-time payments and use a bank account or non-electronic payment method to make their scheduled payments, unless they choose to pay for one of our two subscription products, elect to use Sezzle On-Demand, or enter into an interest-bearing loan with our third-party partner. Subscription revenue comprised approximately 22% and 31% of our total revenue for the three months ended March 31, 2025 and 2024, respectively.

We earn fees from our merchants predominately based on a percentage of the GMV value plus a fixed fee per transaction, collectively called a “merchant processing fee.” We generally pay our merchants the full transaction value upfront, net of the merchant processing fee owed to us, and assume all costs associated with consumer payment processing, fraud, and payment default. We also earn income from partners, including interchange fees through our virtual card solution, promotional incentives with third parties, and marketing revenue earned from affiliates. Merchant and partner income comprised approximately 27% and 46% of our total revenue for the three months ended March 31, 2025 and 2024, respectively. Our merchants have access to a toolkit we provide that can assist in the growth of their businesses. This toolkit includes marketing placements, co-branded marketing, exclusive promotions for consumers using Sezzle, and Sezzle Capital, which facilitates access to small business loans issued by third-party lender.

Acquisition, Monetization, and Retention of Consumers

Our ability to profitably scale our business relies on the acquisition, monetization, and retention of consumers on the Sezzle Platform. Changes in our consumer base have had, and will continue to have, an impact on our results of operations. The success of our business depends on a consumer base that actively engages with the Sezzle Platform. It is costly for us to acquire consumers; therefore, we aim to provide offerings to our consumers that keep them engaged within our ecosystem, such as our in-app product marketplace, price comparison feature, Payment Streaks, and Sezzle Up. High turnover in our consumer base could result in higher than anticipated overhead costs. There is a risk that we may lose consumers for a variety of reasons, including consumers shifting to competitors or other payment options, changes in the general macroeconomic climate, or changes in our underwriting.

Additionally, our results of operations are significantly impacted by our success in monetizing our consumer base who use the Sezzle Platform. A majority of our revenue is earned through consumers using the Sezzle Platform as a payment method when making purchases, especially when using the Sezzle Virtual Card, or when consumers choose to enroll in either of our optional, paid subscription services. There is a risk that we may be unable to successfully monetize consumers who actively engage with the Sezzle Platform, which could adversely impact our results of operations.

Product Innovation

Our expanding product suite enables us to further promote our mission of financially empowering the next generation, and the adoption of these products by our consumers is expected to drive operating and financial performance. In 2024, we launched Payment Streaks, a new feature designed to reward consumers for consistent and timely payments. Our free Payment Streaks program enables consumers to ascend through loyalty tiers by consistently making on-time payments, with each tier providing additional benefits to consumers. In 2024, we also launched Sezzle On-Demand, which allows consumers who are not subscribed to Sezzle Anywhere to use the Sezzle Platform at any merchant online or in-store (subject to certain merchant, product, goods, and service restrictions) in exchange for a finance charge, which is added to the consumer’s initial down payment. In 2025, we launched price comparison features in our product marketplace, allowing consumers to compare the price of a product across a variety of different merchants and get notified if the price drops. We continue to seek out new partners to adopt our existing products and strategize on new products to complement our platform and core products, which we believe will have an impact on the continued growth of our business.

Credit Risk Management

A critical component of our business model is the ability to effectively manage the repayment risk inherent in allowing consumers to pay over time, as we absorb the costs of all credit losses on the credit we extend to our consumers. The provision for credit losses is a significant component of our operating expenses, and excessive exposure to consumer repayment failure may impact our results of operations. To that end, a team of Sezzle engineers and risk specialists oversee our proprietary systems, identify transactions with an elevated risk of fraud, assess the credit risk of the consumer, assign spending limits, and manage the ultimate receipt of funds. Because our consumers typically settle 25% of the purchase value upfront at the point of sale, we believe repayment risk is more limited relative to other traditional forms of unsecured consumer credit.

We believe our systems and processes are currently effective and allow for predominantly accurate, real-time decisions in connection with the consumer transaction approval process. As the availability of data on consumer repayment behavior grows, we believe we can better optimize our systems and ability to make real-time consumer repayment capability decisions over time. Optimizing repayment capacity decisions of our current and future consumer base is a critical component of our operations, and the optimization of our risk management strategy may influence both our profitability and our provision for credit losses and related charge-offs. We also have a collection strategy where we utilize third-party collection agencies, in addition to our internal collections process, which further helps us lower our loss rates and manage credit risk.

Maintaining our Capital-Efficient Strategy

Maintaining our funding strategy and efficient use of capital is important for the ability to grow our business. We have designed a funding strategy that we believe allows us to scale our business and drive rapid growth. Due to the short-term nature of our products, we are able to recycle capital quickly and create a multiplier effect on our committed capital. We primarily rely on revolving credit facilities to fund our receivables over time, and do not currently require additional equity contributions to directly fund product growth.

General Economic Conditions and Regulatory Climate

Our business depends on consumers transacting with merchants, which is affected by changes in general economic conditions. For example, the retail sector is affected by macroeconomic conditions such as unemployment, interest rates, consumer confidence, economic recessions, public health crises, or extended periods of uncertainty or volatility—all of which may influence consumer spending, and suppliers' and retailers' focus and investment in outsourcing solutions. This may subsequently impact our ability to generate income. Additionally, in weaker economic environments, consumers may have less disposable income to spend, and may be less likely to purchase products by utilizing our services. This could also cause our credit losses to increase due to consumers' failure to repay the loans originated on the Sezzle Platform. Our industry is further impacted by numerous consumer finance and protection regulations, both domestic and international, and the prospects of new regulations, including the cost to comply with such regulations, that have an ongoing impact on our results of operations and financial performance.

Seasonality

We experience seasonality as a result of the spending patterns of our consumers. Total revenue and GMV in the fourth quarter have historically been strongest for us, in line with consumer spending habits during the holiday shopping season. These higher volumes have typically been accompanied by increased charge-offs when compared to the prior three quarters.

Key Operating Metrics

Gross Merchandise Volume

	For the three months ended March 31,		Change	
	2025	2024	\$	%
(in thousands, except percentages)				
Gross Merchandise Volume (“GMV”)	\$ 808,682	\$ 492,672	\$ 316,010	64.1 %

GMV is defined as the total value of sales made by merchants based on the purchase price of each confirmed sale where a consumer has selected the Sezzle Platform as the applicable payment option. GMV does not represent revenue earned by us, is not a component of our income, nor is included within our financial results prepared in accordance with U.S. GAAP. However, we believe that GMV is a useful operating metric to both us and our investors in assessing the volume of transactions that take place on the Sezzle Platform, including our Sezzle Premium and Sezzle Anywhere products, which is an indicator of the utilization and strength of the Sezzle Platform.

The increase in GMV was from the growth in our subscription products and On-Demand, as well as changes to consumer underwriting to further promote consumer acquisition.

Active Consumers and Monthly On-Demand Users and Subscribers

	As of		Change	
	March 31, 2025	December 31, 2024	#	%
(in thousands, except percentages)				
Active Consumers	2,734	2,725	9	0.3 %
Monthly On-Demand Users and Subscribers	658	707	(49)	(6.8%)

“Active Consumers” is defined as unique consumers who have placed an order with us within the last twelve months.

“Monthly On-Demand Users and Subscribers” (or “MODS”) is defined as unique consumers who have placed at least one On-Demand order during the month ended March 31, 2025, plus consumers with an active subscription for either Sezzle Premium or Sezzle Anywhere as of the end of the period. The decrease was from seasonality in consumers using On-Demand during the holiday season.

As of March 31, 2025, we had 0.5 million unique consumers who had an active subscription for either Sezzle Premium or Sezzle Anywhere (“Active Subscribers”), and 0.2 million unique consumers who placed an On-Demand order during the month ended March 31, 2025.

Components of Results of Operations

Total Revenue

Our total revenue is classified into three categories: transaction income, subscription revenue, and income from other sources.

Transaction Income

Transaction income is comprised of all income earned from merchants, consumers, and other third parties that relate to placing and processing orders on the Sezzle Platform. This includes merchant processing fees, partner income, and consumer fees.

We earn income from fees paid by merchants in exchange for our payment processing services. These merchant processing fees are applied to the underlying sales of consumers passing through our platform and are predominantly based on a percentage of the consumer order value plus a fixed fee per transaction. For orders that result in a financing receivable, merchant processing fees are recognized over the loan's duration using the effective interest method. For orders that do not result in a financing receivable, merchant processing fees are recognized at the time the sale is completed.

We also earn income from partners on consumer transactions. This income includes interchange fees through our virtual card solution and promotional incentives with third parties. Virtual card interchange income related to loans we originate is recognized over the loan's duration using the effective interest method. Virtual card interchange income related to loans we purchase and promotional incentives are recognized as they are earned.

Transaction income also includes income from consumer fees that are related to processing orders and payments. Such fees are assessed when consumers makes a scheduled payment using a card, when a payment method fails when attempting to make an installment payment, or when consumers pay a finance charge to use Sezzle On-Demand.

Subscription Revenue

We offer our consumers the ability to subscribe to two paid services: Sezzle Premium and Sezzle Anywhere. Sezzle Premium allows consumers to shop at select large, non-integrated premium merchants, along with other benefits, for a recurring fee. Sezzle Anywhere allows consumers to use their Sezzle Virtual Card at any merchant online or in-store, subject to certain merchant, product, goods, and service restrictions, for a recurring fee. Subscription fees are recognized straight-line over the subscription period.

Income from Other Sources

Income from other sources includes all other incomes earned from merchants, consumers, and other third parties not included in transaction income or subscription revenue. This includes late payment fees, gateway fees, and marketing revenue earned from affiliates. Late payment fees are applied to principal installments that are delinquent, subject to regulations within specific state jurisdictions. Late payment fees are recognized at the time the fee is charged to the consumer to the extent the fee is reasonably collectible.

Personnel

Personnel primarily comprises all compensation paid to employees, contractor payments, employer-paid payroll taxes and employee benefits, equity and incentive-based compensation, and other employee-related expenses.

Transaction Expense

Transaction expense primarily comprises processing fees paid to third parties to process debit, credit and ACH payments received from consumers, merchant affiliate program and partnership fees, and consumer communication costs. We incur merchant affiliate program and partnership fees when consumers make purchases with merchants who either were referred by another merchant or are associated with partner platforms with which we have a contractual agreement. We incur consumer communication costs when we notify the consumer about the transaction status and upcoming payments. Communications are primarily made via text message and email directly to the consumer.

Third-Party Technology and Data

Third-party technology and data primarily includes cloud-based infrastructure, fraud prevention, obtaining underwriting data that resulted in failed loan applications, and consumer engagement. Underwriting costs incurred that result in successfully originated loans are an element of transaction income and recognized as a reduction of the overall income and, therefore, are not included in third-party technology and data.

Marketing, Advertising, and Tradeshows

Marketing, advertising, and tradeshows primarily comprises costs related to marketing, sponsorships, advertising, attending tradeshows, promotions, and co-marketing the Sezzle brand with our merchants.

General and Administrative

General and administrative expenses are primarily comprised of professional service fees, depreciation and amortization, insurance premiums, travel, meals, and entertainment costs. Professional service fees include legal, compliance, audit, tax, and consulting services to support the growth of our company.

Provision for Credit Losses

We maintain an allowance for credit losses at a level necessary to absorb expected credit losses on principal receivables from consumers. The allowance for credit losses is determined based on our current estimate of expected credit losses over the remaining contractual term and incorporates evaluations of known and inherent risks in our portfolio, historical credit losses, consumer payment trends, estimates of recoveries, current economic conditions, and reasonable and supportable forecasts. We regularly assess the adequacy of our allowance for credit losses and adjust the allowance as necessary to reflect changes in the credit risk of our notes receivable. Any adjustment to the allowance for credit losses is recognized through the provision for credit losses.

Net Interest Expense

We incur interest expense on a continuous basis as a result of draws on our revolving line of credit to fund consumer notes receivable as well as our Delayed Settlement Incentive Program, whereby merchants may delay their payments owed by us in exchange for daily incentive payments. The interest paid on borrowings under our line of credit is based on SOFR. Daily incentives paid to merchants under the Delayed Settlement Incentive Program are based on a fixed interest rate.

Income Tax Expense

Income tax expense consists of income taxes in various jurisdictions, primarily U.S. federal and state income taxes, and also the other foreign jurisdictions in which we operate. Tax effects of transactions reported in the consolidated financial statements consist of taxes currently due. Additionally, we record deferred taxes related primarily to differences between the basis of receivables, property and equipment, equity based compensation, and accrued liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Significant judgement is required in determining whether or not our net deferred tax assets are more likely than not to be realized. We assess the realizability of our deferred tax assets by taking into account all relevant positive and negative evidence at each reporting date, including our history of taxable income adjusted for permanent book-tax differences, volatility in our earnings, impacts of the timing and reversal of temporary book-tax differences, and our projected future earnings. Our valuation allowance assessment is based on our best estimate of future results considering all available, relevant evidence.

Other Comprehensive Income

Other comprehensive income is comprised of foreign currency translation adjustments.

Results of Operations

Total Revenue

	For the three months ended March 31,		Change	
	2025	2024	\$	%
(in thousands, except percentages)				
Transaction income	\$ 58,166	\$ 26,618	\$ 31,548	118.5 %
Subscription revenue	23,428	14,673	8,755	59.7 %
Income from other sources	23,318	5,688	17,630	310.0 %
Total revenue	\$ 104,912	\$ 46,979	\$ 57,933	123.3 %

Within transaction income, merchant and partner income totaled \$23.5 million and \$19.2 million for the three months ended March 31, 2025 and 2024, respectively. The increase in merchant and partner income was a result of higher GMV in the current period. In addition, transaction income increased as a result of consumer fees, primarily driven by the standardizing of consumer fees and higher GMV relative to the prior year, and totaled \$34.7 million and \$7.4 million for the three months ended March 31, 2025 and 2024, respectively.

The increase in subscription revenue was primarily driven by the overall growth in our Active Subscribers.

The increase in income from other sources was driven by higher consumer fee income and increased marketing and advertising revenue. Consumer late payment fees totaled \$16.8 million and \$2.7 million for the three months ended March 31, 2025 and 2024, respectively. The increase in late payment fees was primarily driven by the standardizing of late payment fees and a higher number of orders becoming past due.

Personnel

	For the three months ended March 31,		Change	
	2025	2024	\$	%
(in thousands, except percentages)				
Personnel	\$ 15,048	\$ 11,025	\$ 4,023	36.5 %

Recorded within personnel, equity based compensation totaled \$1.3 million and \$0.9 million for the three months ended March 31, 2025 and 2024, respectively. The increase in personnel costs was driven by increased headcount, our profit-sharing incentive program, and employer paid benefits.

Transaction Expense

	For the three months ended March 31,		Change	
	2025	2024	\$	%
(in thousands, except percentages)				
Payment processing costs	\$ 14,167	\$ 10,166	\$ 4,001	39.4 %
Affiliate and partner fees	822	1,202	(380)	(31.6) %
Other transaction expense	328	419	(91)	(21.8) %
Transaction expense	\$ 15,317	\$ 11,787	\$ 3,530	29.9 %

The increase in payment processing costs was primarily driven by higher GMV during the three months ended March 31, 2025 compared to the three months ended March 31, 2024.

Merchant affiliate program and partnership fees are incurred by us when consumers make purchases with merchants who either were referred by another merchant or are associated with partner platforms with which we have contractual agreements. The decrease was from lower GMV on such partner platforms.

Other transaction expense is comprised of consumer communication costs and consumer and merchant support-related costs. The decrease was a result of fewer consumer and merchant support-related costs during the three months ended March 31, 2025 when compared to the three months ended March 31, 2024.

Third-Party Technology and Data

	For the three months ended March 31,		Change	
	2025	2024	\$	%
(in thousands, except percentages)				
Third-party technology and data	\$ 3,374	\$ 2,157	\$ 1,217	56.4 %

The increase in expense was driven by higher utilization of cloud-based infrastructure and other related costs to support the Sezzle Platform resulting from higher cumulative GMV and our expanded suite of product offerings.

Marketing, Advertising, and Tradeshows

	For the three months ended March 31,		Change	
	2025	2024	\$	%
(in thousands, except percentages)				
Marketing, advertising, and tradeshows	\$ 5,346	\$ 655	\$ 4,691	716.2 %

The increase in marketing, advertising, and tradeshow costs was from increased co-marketing efforts, as well as to promote user acquisition during the three months ended March 31, 2025.

General and Administrative

	For the three months ended March 31,		Change	
	2025	2024	\$	%
(in thousands, except percentages)				
General and administrative	\$ 3,131	\$ 2,380	\$ 751	31.6 %

The increase in costs was primarily related to higher professional service fees in connection with the growth of our business and costs related to the partnership with our loan originator.

Provision for Credit Losses

	For the three months ended March 31,		Change	
	2025	2024	\$	%
(in thousands, except percentages)				
Provision for credit losses	\$ 12,801	\$ 5,140	\$ 7,661	149.0 %

The increase in credit losses was a result of higher GMV during the three months ended March 31, 2025 when compared to the three months ended March 31, 2024, as well as changes to consumer underwriting to further promote new consumer acquisition along with profitable top-line growth. As a percentage of total revenue, the provision for credit losses was 12.2% and 10.9% for the three months ended March 31, 2025 and 2024, respectively.

Net Interest Expense

	For the three months ended March 31,		Change	
	2025	2024	\$	%
(in thousands, except percentages)				
Net interest expense	\$ 2,914	\$ 4,081	\$ (1,167)	(28.6)%

The decrease was driven by the lower interest rate on our new line of credit that we entered into on April 19, 2024, offset against higher outstanding borrowings during the three months ended March 31, 2025 when compared to the three months ended March 31, 2024.

Income Tax Expense

	For the three months ended March 31,		Change	
	2025	2024	\$	%
(in thousands, except percentages)				
Income tax expense	\$ 10,842	\$ 393	\$ 10,449	2,658.8%

Our effective income tax rate for the three months ended March 31, 2025 and 2024 was 23.1% and 4.7%, respectively. The change in the effective tax rate for the three months ended March 31, 2025 compared to the three months ended March 31, 2024 was primarily driven by the valuation allowance maintained on our deferred tax assets as of March 31, 2024. Additionally, for the three months ended March 31, 2025 we recorded a discrete tax benefit of \$0.9 million related to excess tax benefits on stock based compensation.

We assess all relevant positive and negative evidence to determine if our existing deferred tax assets can be realized at each reporting date. As of March 31, 2025 and December 31, 2024, we maintained a \$3.8 million and \$3.7 million valuation allowance against our foreign net deferred tax assets, respectively.

Liquidity and Capital Resources

For the three months ended March 31, 2025 and 2024, our net income was \$36.2 million and \$8.0 million, respectively. We have historically financed our operating and capital needs primarily through private sales of equity, our capital raises on the Australian Securities Exchange (ASX), and our revolving line of credit. As of March 31, 2025, our principal sources of liquidity were cash, cash equivalents, restricted cash, the unused borrowing capacity on our line of credit, and certain cash flows from operations.

As of March 31, 2025, we had cash and cash equivalents of \$88.9 million, compared to \$73.2 million as of December 31, 2024. Our cash and cash equivalents were held primarily for working capital requirements and the continued investment in our business. As of March 31, 2025 and December 31, 2024, we had restricted cash of \$32.0 million and \$25.1 million, respectively.

As of March 31, 2025 and December 31, 2024, we had working capital of \$164.3 million and \$151.9 million, respectively. Additionally, as of March 31, 2025 and December 31, 2024 we had an unused borrowing capacity on our line of credit of \$52.2 million and \$39.0 million, respectively.

We believe that our existing cash, cash equivalents, restricted cash, our unused borrowing capacity on our line of credit, and certain cash flows from operations will be sufficient to meet our working capital and investment requirements beyond the next twelve months.

Factors Affecting Liquidity and Capital Resources

While we believe that our business will be able to generate enough cash flow from operations and that future borrowings will be available to us in an amount sufficient to enable us to fund our liquidity needs, we cannot provide any assurance. Our ability to meet these needs is dependent on current economic conditions and other factors, many of which are beyond our control. Material factors that could affect our liquidity and capital resources are consumer delinquencies and defaults, declines in consumer purchases, an inability to access fundraising, macroeconomic conditions, and instability of financial institutions. If our capital is insufficient to satisfy our liquidity requirements, we will need to seek additional equity or debt financing. In an increasing interest rate environment, our ability to raise equity or incur debt could be limited, our borrowing costs could increase, we could be subject to restrictions, or we could be required to pledge additional collateral as security. If we are unable to raise additional capital or generate the necessary cash flows, our results of operations and financial condition could be materially and adversely impacted.

Cash Flows

The following table summarizes our cash flows:

(in thousands)	For the three months ended March 31,	
	2025	2024
Net Cash Provided from Operating Activities	\$ 58,837	\$ 38,613
Net Cash Used for Investing Activities	(308)	(340)
Net Cash Used for Financing Activities	(36,114)	(26,761)
Net increase in cash, cash equivalents, and restricted cash	\$ 22,415	\$ 11,512

Operating Activities

Our largest source of operating cash is receipts from consumers, and our largest use of operating cash is payments to merchants. Other primary uses of cash from operating activities are for personnel, payment processing costs, and interest payments.

During the three months ended March 31, 2025, net cash provided from operating activities totaled \$58.8 million, driven by our \$36.2 million net income adjusted for \$23.8 million of non-cash adjustments such as deferred income taxes, credit losses, equity based compensation, and depreciation and amortization, and offset against cash outflows of \$1.1 million from changes in our operating assets and liabilities. Our cash outflows from changes in our operating assets and liabilities were driven by a \$3.6 million decrease in merchant accounts payable related to the timing of payments to merchants and a \$0.9 million decrease in our accrued liabilities related to the timing of payments to vendors and personnel, both of which resulted in increased cash payments to third parties in the current period. Our other receivables also increased by \$3.6 million related to higher late payment fees assessed in the current period not yet collected, which resulted in decreased cash receipts from consumers in the current period. Offset against these, we had a \$5.1 million decrease in our notes receivable related to lower transaction volume when compared to transaction volume in the prior quarter, and timing of consumer repayments in the current year. This resulted in increased cash receipts from consumers during the current period from the collection of prior quarter's outstanding balances.

During the three months ended March 31, 2024, net cash provided from operating activities totaled \$38.6 million, which was primarily related to our \$8.0 million of net income adjusted for \$8.8 million of non-cash adjustments such as credit losses, equity based compensation, and depreciation and amortization, in addition to cash inflows of \$21.8 million due to changes in our operating assets and liabilities. Our cash inflows from changes in our operating assets and liabilities was driven by a \$22.0 million decrease in our notes receivable, which was related to lower transaction volume when compared to transaction volume in the prior quarter, and timing of consumer repayment in the current year. This resulted in increased cash receipts from consumers during the three months ended March 31, 2024 as a result of collecting prior quarter outstanding balances. Additionally, we had a \$0.9 million decrease in our prepaid expenses and other assets, primarily as a result of the timing of payments to our third-party partners, which resulted in increased cash payments during the three months ended March 31, 2024. Offset against these, we had a \$0.8 million increase in accrued liabilities related to the timing of payments to vendors and personnel, which resulted in decreased cash payments during the three months ended March 31, 2024 to vendors and personnel. We also had a \$0.8 million increase in other receivables primarily related to the timing of collecting late payment fees that we have assessed, which decreased cash receipts during the three months ended March 31, 2024. During the three months ended March 31, 2024, cash payments for personnel-related expenses totaled \$9.8 million, cash payments for processing costs totaled \$11.2 million, and cash interest payments totaled \$4.2 million.

The change in net cash from operating activities year-over-year was from increased cash receipts from consumers related to our increased profitability during the three months ended March 31, 2025.

Investing Activities

Net cash used for investing activities was \$0.3 million and \$0.3 million for the three months ended March 31, 2025 and 2024, respectively. Cash outflows for investing activities were used for purchasing computer equipment and payments of salaries to employees who create capitalized internal-use software.

Financing Activities

Net cash used for financing activities during the three months ended March 31, 2025 and 2024 was \$36.1 million and \$26.8 million, respectively. Our net cash used for financing activities during the three months ended March 31, 2025 was comprised of net payments to our line of credit totaling \$34.2 million and repurchases of common stock totaling \$2.4 million, offset against proceeds from stock option exercises totaling \$0.5 million.

Net cash used for financing activities during the three months ended March 31, 2024 was comprised of net payments to our line of credit totaling \$23.0 million, repurchases of common stock totaling \$3.8 million, and payment of debt issuance costs totaling \$0.1 million. \$3.5 million of our common stock repurchases were made under our stock repurchase plan, with the remaining repurchases representing withheld shares of common stock from employees to cover minimum statutory withholding tax obligations owed for vested restricted stock units issued under our equity incentive plans. These cash outflows were offset against proceeds from stock option exercises totaling \$0.2 million.

Line of Credit

Refer to [Note 7. Line of Credit](#) on the accompanying Notes to the Consolidated Financial Statements for discussion about our lines of credit.

Loan Commitments

Refer to [Note 8. Commitments and Contingencies](#) on the accompanying Notes to the Consolidated Financial Statements for discussion about our direct obligation to purchase loans from our originating partner.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. These principles require us to make certain estimates and judgments that affect the amounts reported in our consolidated financial statements. We base our estimates on historical experience and on various other assumptions that management believes to be reasonable. Our actual results may differ materially from our estimates because of certain accounting policies requiring significant judgment. To the extent that there are material differences between our estimates and actual results, our future consolidated financial statements will be affected.

We evaluate our significant estimates on an ongoing basis, including, but not limited to, estimates related to our allowance for credit losses, equity based compensation, and income taxes. We believe these estimates have the greatest risk of affecting our consolidated financial statements; therefore, we consider these to be our critical accounting policies and estimates. Refer to [Note 1. Principal Business Activity and Significant Accounting Policies](#) within the Notes to Consolidated Financial Statements and “Critical Accounting Policies and Estimates” within [Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations](#) in our 2024 Annual Report on Form 10-K for a complete discussion of our significant accounting policies and critical accounting estimates.

New Accounting Pronouncements

Refer to [Note 1. Significant Accounting Policies](#) on the accompanying notes to our consolidated financial statements for discussion about recent accounting pronouncements.

Off Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, that would have been established for the purpose of facilitating off balance sheet arrangements (as that term is defined in Item 303(a)(4)(ii) of Regulation S-K) or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships. We enter into guarantees in the ordinary course of business related to the guarantee of our performance and the performance of our subsidiaries.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item; however, we are exposed to market risks during our ordinary course of business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices, interest rates, and foreign currency exchange rates. Our primary risk exposure is the result of fluctuations in interest rates and foreign currency exchange rates. Management establishes policies and programs around our investing and funding activities in order to mitigate market risks. We continuously monitor risk exposures.

Interest Rate Risk

We are exposed to interest rate risk primarily from our revolving line of credit. As of March 31, 2025 and December 31, 2024, we had a revolving line of credit facility of \$150 million and \$100 million available to us, respectively. We are obligated to pay interest on borrowing under our line of credit as well as other customary fees, including an unused commitment fee. Borrowings under our line of credit bear interest at a floating rate based on the U.S. Federal Reserve's Secured Overnight Financing Rate ("SOFR"); therefore, we are exposed to risks related to fluctuations in SOFR to the extent of our outstanding borrowings. As of March 31, 2025 and December 31, 2024, we had \$70.8 million and \$105.0 million, respectively, outstanding under our line of credit. For the three months ended March 31, 2025, a 100 basis point hypothetical adverse change in SOFR during the year would have resulted in an additional \$0.2 million of interest expense recorded within net interest expense on our consolidated statements of operations and comprehensive income, based on actual borrowings on our line of credit during the three months ended March 31, 2025.

Interest rates may also adversely impact our consumers' spending levels and ability to repay outstanding amounts owed to us. Higher interest rates could lead to larger payment obligations for consumers under other lenders, such as mortgages and credit cards, which may reduce our consumers' ability to remain current on their installment plans with us. This may lead to increased delinquencies, charge-offs, and credit losses on our notes receivable, which would have an adverse effect on our net income.

Foreign Currency Risk

During the ordinary course of business, we enter into certain transactions denominated in the Canadian dollar, which exposes us to foreign currency exchange rate risk. We have experienced and will continue to experience fluctuations in our net income as a result of transaction gains or losses related to revaluing monetary assets and liabilities that are denominated in currencies other than the functional currency of the entities in which they are recorded. We considered historical trends in foreign currency exchange rates and concluded it was reasonably possible that a 10% change in exchange rates could occur in the near term. If a hypothetical 10% foreign currency exchange rate change was applied to total monetary assets and liabilities denominated in currencies other than the functional currency of the entities in which they were recorded at the balance sheet date, it would not have a material impact on our financial results. At this time, we have not entered into derivatives or other financial instrument transactions in an attempt to hedge our foreign currency exchange risk due to its immaterial nature. In the future, we may enter into such transactions should our exposure become more substantial.

We are also subject to foreign currency exchange risk related to translation, as a number of our subsidiaries have functional currencies other than the U.S. Dollar. Translation from these foreign currencies to the U.S. Dollar is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate for the period. Resulting translation adjustments are reported as a component of accumulated other comprehensive loss on the consolidated balance sheets. A hypothetical adverse 10% change in all of our subsidiaries' functional currencies against the U.S. Dollar compared to the exchange rate during the three months ended March 31, 2025 and 2024 would have resulted in an additional foreign currency translation adjustment of approximately \$1.5 million and \$1.6 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of March 31, 2025, Sezzle conducted an evaluation, under supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended (Exchange Act).

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at a reasonable assurance level. Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed by us in reports filed with the SEC under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

As of March 31, 2025, our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated our internal control over financial reporting. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that no changes in our internal control over financial reporting occurred during the three months ended March 31, 2025 have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently involved in any material legal proceedings, other than ordinary routine litigation incidental to the business, to which we or any of our subsidiaries is a party or of which any of their property is subject. While the outcome of these matters cannot be predicted with certainty, we do not believe that the outcome of any of these matters, individually or in the aggregate, will have a material adverse effect on our consolidated balance sheets, operations and comprehensive income, or cash flows.

ITEM 1A. RISK FACTORS

As a smaller reporting company, we are not required to provide the information required by this Item. However, there have been no material changes to the risk factors described in [Part I, Item 1A, Risk Factors](#) of our [Annual Report on Form 10-K](#) for the year ended December 31, 2024. Investors are encouraged to review such risk factors, as they have the potential to affect our business, financial condition, results of operations, cash flow, strategies or prospects in a material and adverse manner.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Throughout the three months ended March 31, 2025, we withheld shares of common stock from employees to cover minimum statutory withholding tax obligations owed for vested restricted stock units and unrestricted stock issued under our equity incentive plans. The table below presents information with respect to such common stock purchases made by us during the three months ended March 31, 2025, as follows:

Issuer Purchases of Equity Securities				
Period	Total Number of Shares Purchased ⁽¹⁾⁽²⁾	Average Price Paid per Share ⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs ⁽³⁾
January 1, 2025 through January 31, 2025	38,778	\$ 44.18	—	\$ —
February 1, 2025 through February 28, 2025	1,548	58.38	—	—
March 1, 2025 through March 31, 2025	16,452	38.90	—	50,000,000
Total	56,778	\$ 43.04	—	\$ 50,000,000

(1) Effective March 28, 2025, we performed a 6-for-1 stock split of the Company's common stock, affected through a stock dividend. Share and per-share amounts have been retroactively adjusted.

(2) Of the total, 56,778 shares were surrendered to satisfy minimum statutory tax obligations under our equity incentive plans.

(3) On March 10, 2025, the Board of Directors authorized a stock repurchase program to repurchase up to \$50 million of our outstanding shares. This program commenced April 7, 2025 and expires April 7, 2026, or earlier if all transactions under our stock repurchase plan are completed.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1(c) and/or non-Rule 10b5-1 Trading Arrangements

During the quarter ended March 31, 2025, none of the officers (as defined in Exchange Act Rule 16a-1(f)) or directors of the Company adopted or terminated a “Rule 10b5-1 trading arrangement,” (as defined in Item 408(a) of Regulation S-K) intended to satisfy the affirmative defense conditions of Exchange Act Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement. However, our officers (as defined in Exchange Act Rule 16a-1(f)) and directors may adopt 10b5-1 Plans or non-Rule 10b5-1 trading arrangements in the future.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	File Number	File Date	
10.1	Form of Notice of Option Award*	10-K	001-41781	2/27/2025	
10.2	Form of Notice of RSU Award*	10-K	001-41781	2/27/2025	
10.3	Form of Notice of Unrestricted Stock Award*				X
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of the Chief Executive Officer as Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of the Chief Financial Officer as Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	XBRL Instance Document				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				X

* Indicates a management contract or compensation plan, contract, or arrangement.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEZZLE INC.

Dated: May 7, 2025

By: /s/ Charles Youakim
Charles Youakim
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Karen Hartje
Karen Hartje
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

Certifications

I, Charles Youakim, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sezzle Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [paragraph omitted in accordance with Exchange Act Rule 13a-14(a)]
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2025

/s/ Charles Youakim

Charles Youakim

Chairman and Principal Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

Certifications

I, Karen Hartje, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sezzle Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [paragraph omitted in accordance with Exchange Act Rule 13a-14(a)]
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2025

/s/ Karen Hartje

Karen Hartje

Principal Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
AS ADOPTED PURSUANT TO 18 U.S.C. SECTION 1350
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Sezzle Inc., a Delaware corporation (“the Company”), for the quarter ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (“the Report”), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 7, 2025

/s/ Charles Youakim

Charles Youakim

Chairman and Principal Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
AS ADOPTED PURSUANT TO 18 U.S.C. SECTION 1350
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Sezzle Inc., a Delaware corporation (“the Company”), for the quarter ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (“the Report”), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 7, 2025

/s/ Karen Hartje
Karen Hartje
Principal Financial Officer