

Sezzle, Inc.,

Third Quarter 2025 Earnings Conference Call

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CORPORATE PARTICIPANTS

Charles Youakim - *Executive Chairman, Chief Executive Officer*

Karen Hartje - *Chief Financial Officer*

Lee Brading - *Head of Corp Dev and Investor Relations*

PRESENTATION

Operator

Good day, and welcome to the Sezzle, Inc., Third Quarter 2025 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key followed by "0." After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "*" then "1" on your telephone keypad, to withdraw your question, please press "*" then "2." Please note, this event is being recorded.

I would now like to turn the conference over to Charles Youakim, Executive Chairman and CEO. Please go ahead.

Charles Youakim

Thank you. Good afternoon, everyone, and welcome to Sezzle's third quarter earnings call. I'm Charlie Youakim, CEO and Executive Chairman of Sezzle. I'm joined today by our Chief Financial Officer, Karen Hartje; and our Head of Corp Dev and IR, Lee Brading.

In conjunction with this conference call, we filed our earnings announcement with the SEC and posted it along with our earnings presentation on our investor website on sezzle.com. To retrieve the documents, please go to the investor relations section of our website. Please be advised of the cautionary note and forward-looking statements and reconciliation of GAAP to non-GAAP measures included in the presentation, which also covers our statements on today's call.

If you're a long-term investor of Sezzle, you're already well aware of how good this team is at navigating and adapting our business model and our product solutions. I continue to be impressed by our team and our ability to adjust and adapt. We're always looking for ways to create win-wins with our stakeholders and also balance profitability, growth, and customer satisfaction.

2025 has been more of the same on that front. We've been testing our launches of on-demand and our shopping solutions and making incremental improvements and adjustments along the way, with a strong weighting towards making our customers' lives better while also continuing to grow with strong profitability metrics.

We still believe that BNPL is in its early days and that we are likely to have years-upon-years of industry growth ahead of us. And we also believe that we're bringing to market a product that is fundamentally a better and more user-friendly credit product than a credit card. Our company and our BNPL industry in general is 100% aligned with responsible repayment of short-duration loans that really lean into the concept of budgeting versus outspending your income, like a credit card product can tend to do. Our company and our products are winning, and our industry is winning too.

If you take a look at slide three, you'll understand a bit of the excitement. We just posted revenue growth of 67% year-on-year in Q3. Our net income margin for the quarter was over 22%. Our return on equity for the last 12 months exceeded 100%, and our consumer metric measured by MODS rose almost 50% year-on-year. Further, we are raising our EPS and EBITDA guidance for 2025 and have received awards from some of the most respected media outlets: Time, US News, Newsweek, and CNBC. What's our secret sauce? I believe it's our

constant drive. We are never satisfied and are always pushing forward. Do we have a chip on our shoulder? Yes, maybe a little bit.

Slide four provides some insight into our restless energy. The consumer is always wanting more, and we aim to fulfill their needs. We have launched several features in our app, most recently the Earn tab, which allows consumers to earn Sezzle Spend. Consumers can find and activate offers for things like gas, groceries, and dining. We have a variety of ways for them to engage and win, such as Sezzle Arcade and our educational tool, Money IQ. Last quarter, our Earn tab had over 13 million visits, and we just launched it at the end of Q2. I'm crazy proud of our team and how they continue to find new and innovative ways to provide value to the consumer.

We continue to evaluate and push forward on additional products. Many of these are being run in parallel, and you've heard me discuss them before. Launch dates are still TBD, but they are all being worked on in various degrees. In June, we brought back one of our former heads of technology, Killian Brackey, to centralize our AI efforts. It's exciting to see the progress they are making across Sezzle.

We called out a couple of example projects that the team is working on, a support chatbot and an AI shopping assistant. Both are great examples of how we're able to pull AI into our Sezzle ecosystem. The chatbot is already making a difference for our customer support team, saving them a significant amount of time, enabling our team to become more efficient.

Let me take a step back and tell you a bit about our approach to AI. We aren't looking for ways to use AI to cut our team. Why would we? We have incredible growth, and cutting people is not something we need to do, other than for performance. We view AI as a tool to enhance our team's productivity, allowing us to further leverage our infrastructure and scale the company faster with more efficient product launches and expansions.

So, in the case of customer service, it's likely that we'll scale incredibly well here over the next couple of years as the AI tooling continues to evolve and expand its ability to serve end customers. But the way we operate, you'll likely just see that the support team size doesn't grow and may even shrink over the next few years as our efficiency with technology replaces the need to backfill members of the team. Our existing members will take on more complex cases and help train the AI systems in place to do more and more.

Our marketing efforts are focused on the consumer with the primary goal of acquiring new users but also reducing churn. The combination of new feature launches and our marketing efforts are reflected in our strong engagement metrics.

On slide five, you can see the step-up in our quarterly marketing and advertising spend. While we love all consumers that use Sezzle, the ones that with the greatest lifetime values are those that engage Sezzle as either an on-demand user or as a subscriber. As most of you are aware, we created the definition of monthly on-demand and subscribers, also called MODS, in the fourth of 2024 when we launched Sezzle On-Demand. We anticipated on-demand would allow us to reach more consumers that might be averse to joining a monthly subscription product. However, we also expected it to cannibalize our subscription product. We just did not know to what extent.

Initially, we put most of our marketing dollars towards on-demand because there is less friction to join relative to subscription. And you can see from the results that we quickly grew that

product to 264,000 monthly users at the end of the second quarter. However, you can also see that our subscriber count shrank from 529,000 users at the end of third quarter 2024 to 484,000 users at the end of the second quarter of 2025. By the end of the second quarter, we had enough information to evaluate the effectiveness of on-demand.

The engagement on the front end was good, but the follow-through on conversion was not as good as we would like. What do I mean by follow-through on conversion? When we launched on-demand, there were three key tenets. Number one, drive enterprise opportunities. Number two, increase conversion activity at the point of sale. Number three, convert a customer over to subscription eventually.

On-demand has clearly positioned us to be more aggressive with enterprise merchants, and I'm happy to note a few wins on slide five as a result. However, it did not deliver like we hoped on conversions at the point of sale or over to subscription. Further, the profit profile for on-demand is less than our Premium and Anywhere subscription products. We still believe on-demand is a great tool, and it is a great tool to have in our tool belt, but we have adjusted how we go to market with it.

We're going to continue to lean into it for winning over merchants, but on the consumer side, we're going to lean back into subscription, with on-demand only being used as an alternative tool when it's apparent subscription can't do the job or is meeting some resistance with an individual consumer.

As you can see from the results, we pivot our marketing and advertising spend towards subscription products in Q3, with subscribers rising to 568,000 at the end of the third quarter. We remain disciplined in our costs, with a payback on marketing for consumer acquisition at six months or less.

Across the board, our engagement metrics on slide six reflect the strong momentum we have in our business: terrific year-on-year and quarter-on-quarter performance. My two favorite metrics on this slide are MODS and purchase frequency. MODS is a good indicator of consumer activity within Sezzle over the last 30 days, and seeing such strong growth in our highest LTV products is fantastic. While the rise in purchase frequency suggests we are moving to the top of the consumer's wallets, you can see the same sequential dynamics on slide seven.

Before turning the call over to Karen, I would like to give more details on our corporate strategic project costs that were called out in our earnings release and later in the presentation. During the quarter, these items added up to about \$1.3 million in costs. While these costs are relatively minor, they potentially have some pretty big outcomes. We decided to break these out because they are not part of our core activities. While they are not material, we wanted to make investors aware of them

First, our antitrust suit. For obvious reasons, we can't discuss the case, but if you'd like to learn more, you can go to our investor site where we have posted the suit there. We will find out in December if the case will continue forward as the defendant has petitioned the court to dismiss the case.

Second is our capital markets exploration. We have talked in the past about our desire to refinance the credit facility given the size of only \$150 million and price of SOFR plus 675 bps. We have decided to exercise the \$75 million accordion with our current lenders as we head into the holidays, and this will give us more time to evaluate our options. You will see in our 10-Q

that will be filed tomorrow morning the amendment to our current facility, which increases the size of the facility from \$150 million to \$225 million.

Lastly, our banking charter discovery process. We have hired consultants and attorneys to assist us. Yes, we have an ILC bank partner in Web Bank, and they are fantastic. We believe that holding an ILC, which is an acronym for Industrial Loan Company, is the right long-term path for us as it does not subject us to becoming a bank holding company, which has all sorts of implications about capital, capital allocations, et cetera. We believe it will be accretive and add greater efficiency to our business. This is a long process and not a guaranteed process. If we apply, we anticipate submitting an application in the first half of 2026. If we don't get it, it doesn't change what we are doing, and it would not affect the outlook we have.

With that, I would like to turn the call over to Karen to review in further detail our Q3 results. But before I turn it over to Karen, I wanted to let investors know that Karen is retiring and that we're going to miss her dearly. Karen and Amin Sabzivand, our Chief Operating Officer, both joined the company on the same day, and I always say that day was one of the best days Sezzle's ever had. We're going to miss her infectious positivity and her total perfection in completing every task given to her and her team. But I also wanted to tell her how much I've appreciated her support and help along the way. We're definitely going to miss you, Karen. The plan is for Karen to stick around with us for the next 12 months as we transition, and we really feel great about that plan, and I am also really happy Karen gets to step away in such a great way. Karen, take it away.

Karen Hartje

Thank you, Charlie and good evening to all those joining us. The enhancement of our product experience and deeper consumer engagement drove remarkable results for the quarter, as seen on slide eight.

Total revenue continues to grow at an exceptional pace, increasing 67% year-over-year to \$116.8 million. Our profitability followed a similar growth trend, with GAAP net income and adjusted net income growing over 50% to \$26.7 million and \$25.4 million, respectively.

Our margins held steady year-over-year, with an adjusted EBITDA margin of 33.9% and total revenue less transaction-related costs at \$54.2 million. Most importantly, alongside our growth is our ability to scale efficiently, evidenced by our non-transaction-related operating expenses decreasing 2.9 percentage points year-over-year to 27.1%.

Now turning to slide nine, which highlights our top-line growth. GMV increased 58.7% year-over-year, making our first \$1 billion quarter. As Charlie discussed earlier on slides six and seven, growth in active consumers and higher transaction frequency drove this milestone. Our take rate, defined as total revenue as a percentage of GMV, rose 60 basis points both sequentially and year-over-year to 11.2%. The focus on high LTV products that Charlie outlined on slide five is a key driver of take rate strength, and we believe that focus positions us well to sustain this rate going forward.

On slide 10, we note our transaction-related costs with detailed components outlined on slide 11. Overall, transaction-related costs as a percentage of total revenue and GMV increased year-over-year due to our strategic decision to expand our underwriting appetite and drive top-line growth.

Specifically, third-quarter provision for credit losses as a percentage of GMV increased 70 basis points year-over-year to 3.1% and is trending toward the lower half of our stated 2025 provision target, likely between 2.5% and 2.75%.

Despite the slightly higher transaction-related costs, total revenue less transaction-related costs, as seen on slide 12, continues to grow robustly, increasing 64.5% year-over-year to \$63.3 million and representing 54.2% of total revenue. I know we've touched on this during our prior two earnings calls of 2025, but we think it's important to continue emphasizing that the expansion of our underwriting isn't without carefully balancing the profitability of the growth we're experiencing.

Recent headlines on a few lending companies have also called into question the sustainability of certain sectors of the consumer credit market, but we haven't seen any deterioration as consumer activity continues to perform in line with our expectation as that is not the nature of our product or our business model, as we outlined on slide 13.

Not only do our strong gross margins provide us with great flexibility and room to maneuver, but the short duration of our lending product allows us to pivot quickly and adjust our strategy upon seeing any early sign of deterioration in our portfolio performance.

On slide 14, you'll see that despite the incremental costs we've incurred in long-term corporate strategic projects that Charlie previously covered, we continue to maintain cost discipline and leverage our fixed cost structure. Non-transaction-related costs increased 50.9% year-over-year to \$31.6 million, but decreased 290 basis points as a percentage of total revenue.

In the third quarter, we incurred \$1.3 million in costs related to these projects, with the largest being the exploration of potential financing avenues, an effort that will continue in a more streamlined manner in fourth quarter. The remaining expenses that make up the core of this bucket, personnel, third-party technology, marketing, and G&A, increased sequentially, largely driven by the timing of equity and incentive compensation in our personnel costs.

Bringing the full picture together on slides 15 and 16, GAAP net income grew 72.7% year-over-year to \$26.7 million, and adjusted net income increased 52.6% year-over-year to \$25.4 million. GAAP profit margin expanded 70 basis points year-over-year to 22.8%, while our adjusted profit margin decreased 2 percentage points to 21.8%. Despite this decrease, our margin still remains above our internal goal of operating the business to an adjusted profit margin of at least 20%. Lastly, adjusted EBITDA grew nearly 74.6% year-over-year to \$39.6 million, representing a 33.9% adjusted EBITDA margin.

Turning to our balance sheet on slide 17, total cash grew \$14.7 million in the quarter to \$134.7 million, even with paying down our line of credit by \$13.3 million. Cash flow from operations for the quarter was \$33.1 million, bringing year-to-date cash flow from operations to \$55.6 million. These results demonstrate the strength of our balance sheet and our ability to self-fund growth while maintaining flexibility in our capital structure.

Finally, turning to our outlook on slide 18, we're reaffirming our guidance for top-line growth and adjusted net income with modest adjustments to our GAAP net income to reflect the impact of our year-to-date discrete tax benefit, to our EPS to reflect adjustments related to our estimated diluted share count, and to adjusted EBITDA.

The discrete tax benefit raises our GAAP net income guidance to \$125 million, while the updated diluted share count increases our GAAP EPS to \$3.52 and adjusted EPS to \$3.38. As for our adjusted EBITDA, we're raising our range from \$170 to \$175 million to \$175 to \$180 million. Lastly, we are also providing adjusted EPS guidance for 2026 at \$4.35, reflecting 29% growth over our 2025 adjusted EPS.

While this guidance does not reflect any of the future potential products outlined at the beginning of our presentation, we wanted to give investors a view into the strong fundamentals of our business and our confidence in sustained growth moving forward. Thank you. I will now turn it over to the operator for Q&A.

QUESTION AND ANSWER

Operator

Thank you. We will now begin the question-and-answer session. To ask a question, you may press "*" then "1" on your telephone keypad, if you're using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press "*" then "2."

The first question comes from Mike Randall with Northland. Please go ahead.

Mike Randall

Hey, thanks, guys. Maybe the first one for Charlie. Charlie, can you talk a little bit about when you de-emphasized on-demand in Q3, and how you think that's going to affect sort of growth going forward, if at all?

Charles Youakim

Yes, it was probably right around the middle of the quarter. At that point, we felt like we had enough data based on what we had been seeing on conversion at point of sale, conversion into subscription. The bridge just was not as strong as we were originally envisioning, I guess, is the main point. Conversions, I think, were slightly better into on-demand at point of sale than they are into subscription, but just not enough to make the payout worthwhile. And so, we started to analyze the lifetime values of the customers, the conversion rates, we really started to realize that on-demand is probably just a better tool around the fringes, at least in the direct-to-consumer portion of our business. It is still part of the mix, but it's really the tool that we are going to lean into more on the merchant side to win over more enterprise merchants that are sensitive to margin pressures, et cetera.

And then on the consumer side, we really just want to lean back into subscription and maybe use on-demand as a fallback if some consumers are resistant to subscription or whatever it might be. And then in terms of your...the second part of your question, Mike?

Mike Randall

Yes, just how do you see that, maybe affecting growth? And as a follow-up to that, is your customer, who maybe was going to pick an on-demand product, can you direct them into subscriptions? How does that work? How will you be successful there?

Charles Youakim

Yes, we basically pick and choose what we want to present to each individual consumer. And then in terms of growth, I think GMV growth is lower if you go the subscription route. But if you think about pushing more into stronger lifetime values, maybe not upcoming...it's hard to say

about the next quarter, but the next quarters, we should see better growth on revenue and income. That's the main point of that decision, it's because the lifetime value differences multiplied by the conversion differences tell us the better story is to go into subscription.

Mike Randall

Got it. Then maybe just one more. Can you talk a little bit about take-rate trends? And then the 3.1% credit losses was maybe a little bit higher. By de-emphasizing on-demand, will that naturally drop a little bit more?

Charles Youakim

Well, the take-rate trends, I think we really shoot for the 60% gross margin that we talked about in the past. And so, when we think about the take-rate, it's take-rate minus our COGS getting us to 60%, and that's also how we sort of do the planning around our PLR plans for the year. And so, the 3.1% PLR for the third quarter is basically right in line with what we were expecting. If some of the people on the call remember, people who have followed us for a while, back in May, we talked about rest of year, think about a 2.5% to 3% PLR for the entire year and we had already posted some lower PLRs, lower than that range, which means, of course, we expect some of the third quarter, fourth quarter to be above that range because you blend out into within the range. We did just update the guidance to tighten it a bit, so investors would know that we're looking...it looks like it's being more in the bottom and of the range, the 2.5% to 2.75% for the overall year. The 3.1%, I'd say, basically sits right into what we were expecting.

And then On-Demand, you do bring in more because the conversion is slightly better into On-Demand, I'd say slightly, but it does mean you bring in more new consumers into those products. And then more new consumers tends to lead to a higher PLR. Less new consumers leads to generally a lower PLR because new consumers have higher PLRs in general. So, I'd say that'd be the only thing to call it there, Mike.

Mike Randall

Okay. Thank you.

Charles Youakim

No problem.

Operator

The next question comes from Hal Goetsch with B Riley Securities. Please go ahead.

Hal Goetsch

Hey, Charlie. Thanks for everything today. Great detail. I just wanted to ask a big picture strategy on what you're seeing, what your thoughts are in BNPL broadly in the United States. I mean, just, PayPal talked about it quite a bit. And on their last call, more than ever. I was struck to see how actually small it is, how fast-growing it is for all the different players in the space. They called out as a replacement for...they're seen as a major trend in the replacement of credit cards. It's more user-friendly. Could you tell us how big you think the market is for PurePlay BNPL is right now in the United States? How fast do you think it's growing and why you think it has many, many years to go? Thanks.

Charles Youakim

Yes, I don't have an exact number for you, Hal, but I just go by...I think the trend's going to be here for years upon years. If you look at credit cards, they were launched in the 1950s. And how long did that trend last? People are riding the credit card trend for some time. I'm not

going to say that we're going to have a 75 year BNPL trend, but. I think that it's pretty obvious that a lot of consumers out there prefer to use BNPL over a credit card. And in some places will be also, it also takes a little bit away from debit card. It doesn't really take away from debit card, I guess, in the end, because people are paying us back with debit in the vast majority of cases, but it replaces like the full purchase of a debit card user as well. But what I think...I think customers aren't stupid. They look at the total cost of ownership of a product. And I think they also look at BNPL as a safer product for them. I almost feel like some of these customers view us as like...they really do view us as a budgeting tool, but almost like we're their nanny, like watching over them, not allowing them to overspend, where credit cards allow people to overspend. No one in a credit card company would ever say it, probably, but that's the win when someone overspends because now you've got a revolver.

For us, when people overspend a lot, we're worried. We're worried that we allowed them to over spend, and now they're not going to be able to catch up. We might lose the customer. So, we are always trying to allocate spend to the customer in a way that is in total alignment with responsible spending. And I think that overall lowers the cost of ownership of that credit product for the customer. It also dramatically reduces the risk of a personal bankruptcy, which is, I do not know how to even put a price on that. So, I think a lot of the customers are probably shying away over time from migrating into a credit card, because they just feel a lot safer and more comfortable with our credit product.

Hal Goetsch

Yes. Thanks, Charlie. I have one follow-up. Toward the end of your press release on initiatives update, you talk about some of the products you have been building for shoppers to increase engagement and monthly active users grew 38% over year, revenue-generating users rose 120% year-over-year, and monthly sessions climbed 78% year-over-year. I think these are some new KPIs, I mean, I wish you could comment on that? Tell us what you built and why it's contributing to some of those growth figures that you demonstrated in the press release thing?

Charles Youakim

Yes. We talked about the shopping as being a big initiative for us for 2025 and 2026. It'll be probably a two year initiative to keep on rolling out these shopping features and these initiatives. I said the Earn Tab is kind of in that mix, although maybe not directly a shopping feature. What we're trying to do is trying to drive and create value for our customers. Think middle of America, mid to low-income, younger consumers, maybe new families. We want to drive value through giving them couponing, giving them discounting, price comparison, the ability to earn, you know, almost like gig economy-type earnings. Not massive-type job numbers, but on the fringe helps. The reason what we're seeing from doing all of that, which you pointed out, Hal, is we're seeing increased activity in the apps. And our view is that's just a big win.

So, we are monitoring those KPIs closely because the viewpoint is, if you get the customer coming back in the app and returning and returning and returning over and over again, you're also going to increase retention and also give yourself a chance to introduce that customer to a subscription product until you know, at some point, maybe they're here in early November, they're not interested. They open the app back up later in November. Okay, let me sign up for anywhere, now they're in. And that's really done by creating value, adding value, presenting that value in the app, and getting that customer to keep on coming back.

Hal Goetsch

Terrific. Thank you.

Operator

The next question comes from Rayna Kumar with Oppenheimer. Please go ahead.

Rayna Kumar

Good evening. Thanks for taking my question. It was really helpful to get the preliminary 2026 EPS guidance. Could you just talk about some of the underlying drivers of that target, maybe revenue growth, GMV growth, and your expectations for provisioning? Thank you.

Charles Youakim

Yes. We don't have the callouts for the underlying numbers on it. But I'll tell you the overall theme is we do believe that we're going to continue to see continued growth in our subscription and our MODS, but probably leaning more towards subscription into 2026. We're going to be cost conscious as always. And you know people have followed us for some time, you know that we really think quite a bit about growing gross margin dollars at a much faster pace than growing our operational expenses. That is a part of that.

The guidance we gave for the entire year 2025, the 2.5 to 3, we are basically kind of thinking in the same ballpark there. Like...we like that ballpark, because of our top line. The top line numbers that we are, our take rate kind of really sits along the lines of maintaining the PLR kind of thoughts that we have had from 2025. And then if there is any maybe conservatism in there at all, it is just the economy. We are not seeing anything with our consumer, but we are watching it closely. Obviously, we have the government shutdown. I don't think that is going to continue into 2026. But I think if there's a bit of conservatism, it's based on the economy and what might happen.

Rayna Kumar

Understood. And then just as a follow-up, can you comment on just what you're seeing out there in terms of competition? Are you seeing any changes in pricing or strategy from your competitors?

Charles Youakim

Not really. I haven't noticed any major...I think we saw Klarna launch a subscription product as well, but it seemed like a much higher dollar subscription product. So that was like the one of the companies' kinds of leaning our direction in terms of product offerings. But other than that, it seems like more of the same.

Rayna Kumar

Great. Thanks for the color.

Charles Youakim

No problem.

Operator

The next question comes from Wong Yuen with TD Cowen. Please go ahead.

Wong Yuen

Good evening, and thanks for taking my question. Maybe a quick one for Charlie. So, since you are pivoting back to subscriptions now, maybe can you talk about maybe the difference this time in terms of marketing posture versus, I guess, the last time before you launched on-demand? How is this time different from the last? And you know, I think last time, I think you

were tracking a net add on subscription. Maybe you made 60k to 70k a quarter. I mean, should we expect you guys to get back to that level going forward? And maybe in terms of pricing, I noticed that you recently took pricing actions on new subscribers. So, I mean, can you talk a little bit about that as a lever in terms of top line going forward? Thank you.

Charles Youakim

Yes, I'll probably avoid the guidance on how many adds to subscription quarter-by-quarter. But we did increase pricing on both the subscription products just by a dollar or two per month. Really viewed as just an inflationary type increase because we launched the products three years ago, as long as there has been some inflation in the United States. That is the main reason for those changes. And then, I guess, to start your question, can you repeat it again just to make sure I've got it nailed?

Wong Yuen

In terms of marketing for the subscription product.

Charles Youakim

Oh, marketing.

Wong Yuen

Yes. Is it different this time versus last time, maybe a year ago before you launched on-demand?

Charles Youakim

Yes, to give investors a view like how we market the product. So, when we are leaning into on-demand, it is a more seamless like first step into a purchase because basically, let's say you want to check out at Lowe's or somewhere, one of the apps or one of the merchants in our app or you're shopping out there. We would not bring up a subscription in most cases, like the option to sign up for a subscription right away to the consumer. We would basically just bring up a purchase request, like, you know in the lending lingo, a TLA, truth in lending approval, or purchase request is what we call it internally. We bring up a purchase request, which it would show the on-demand fee. The customer would just accept it. They get the on-demand fee, and then they make the purchase.

Now, basically, the difference in marketing, and the landing page...a lot of landing pages, a lot of things we're doing towards advertising, it's all about bringing that funnel, but once they get into the funnel, into the app, that's what the customer would see is basically they go right into a purchase request. Now, what most customers are seeing is if you want to go and use our product at point of sale or if you want to shop at one of the many merchants in our app, what we're bringing up now is the option to join our subscription. And so, that's basically the biggest difference.

So, marketing-wise, it's just the funnels driving them into a different choice. And like I mentioned, there is a slighter decrease in conversion into subscription, but based on what we've seen from conversion at point of sale into subscription and then conversion from on-demand users into subscription, we've viewed it as a much better decision from a lifetime value standpoint to just go straight to offering subscription to many of these customers.

Wong Yuen

Got it. And I didn't see the chart on approval rates on the presentation this quarter. Maybe can you talk a little bit about that, whether you have...there has been any change in terms of your underwriting this quarter? Thank you.

Charles Youakim

No, I mean, we've always been...we are launching new models. We did launch some new models this quarter. The point of those models that we like to do is we like to keep approval rates the same level and reduce PLR. That's usually what our goals are with our new models. So, I think approval rates are probably around the same levels as we've presented in the past. But with the new models in place, we believe we should have lower PLRs for those new customers coming in.

Wong Yuen

Got it. Thank you.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Charlie Youakim for any closing remarks. Please go ahead.

CONCLUSION**Charles Youakim**

Thank you. As people know, I like to usually give a Buffett or a Munger quote or story, but I have got one here from Buffett. It starts when he was just 10 years old. He scraped together \$114.75, all the money he had, and he bought three shares of Citi Service Preferred at \$38 a share. At first, the stock drops to \$27 and like a nervous young investor, he starts sweating and it crawls back up to 40, so he sells. He is relieved. He even makes a few bucks. But here is the kicker. A little later, that same stock shoots up past \$200. Buffett said, if I had just held on, I would have made a lot more money. That, he says, was his first real lesson in patience. Here is another data point from Buffett that also speaks to the power of patience. I think this crazy stat speaks for itself. Over 99% of Buffett's wealth came after his 50th birthday. That's the quiet miracle of compounding. It's not flashy. It's not fast, but it's relentless if you let it do the work.

Buffett always says, my life has been a product of compound interest. And also, the stock market is a device for transferring money from the impatient to the patient. So, the real trick, start early, stay patient, and let time, not emotion, do the heavy lifting, because in the end, wealth doesn't come from timing the market. It comes from time in the market. That's the \$114 lesson. I'd like to thank everyone for joining the call today and also thank the Sezzle team for continuing to create wins for our consumers and for our investors. Thank you all. Have a good night.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.