

24 August 2023

ASX RELEASE

Company Announcements Platform

July Business Update

Making Strides in Accelerating Topline Growth and Profitability

Sezzle Inc. (ASX:SZL) (Sezzle or Company) // Purpose-driven digital payment platform, Sezzle, is pleased to provide the market with an update on key financial metrics for the month ended 31 July 2023.¹

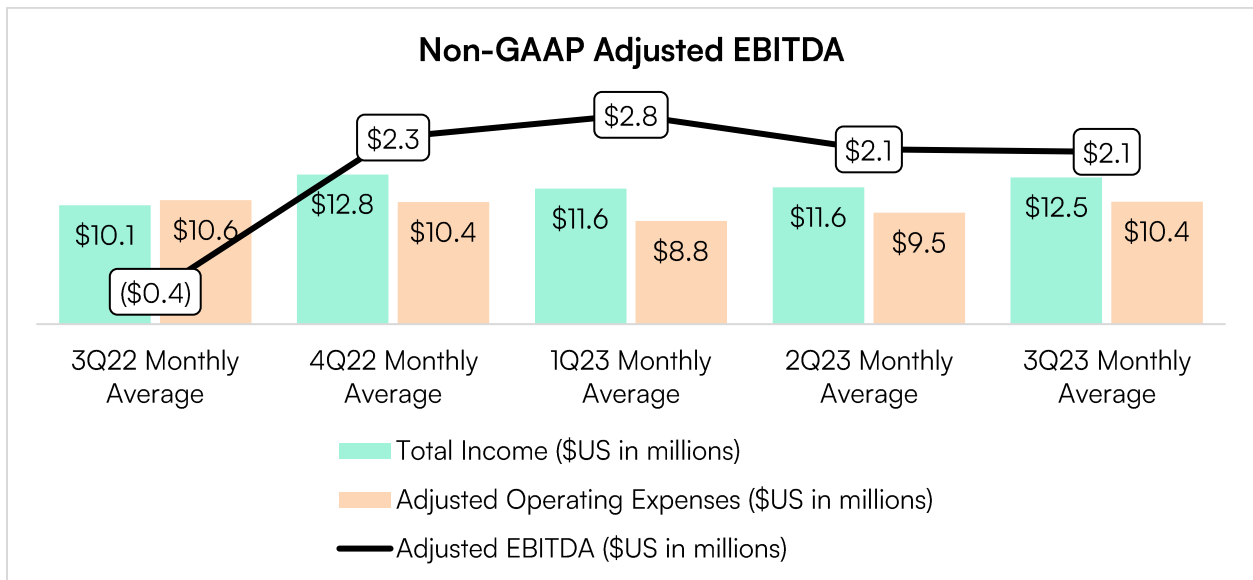
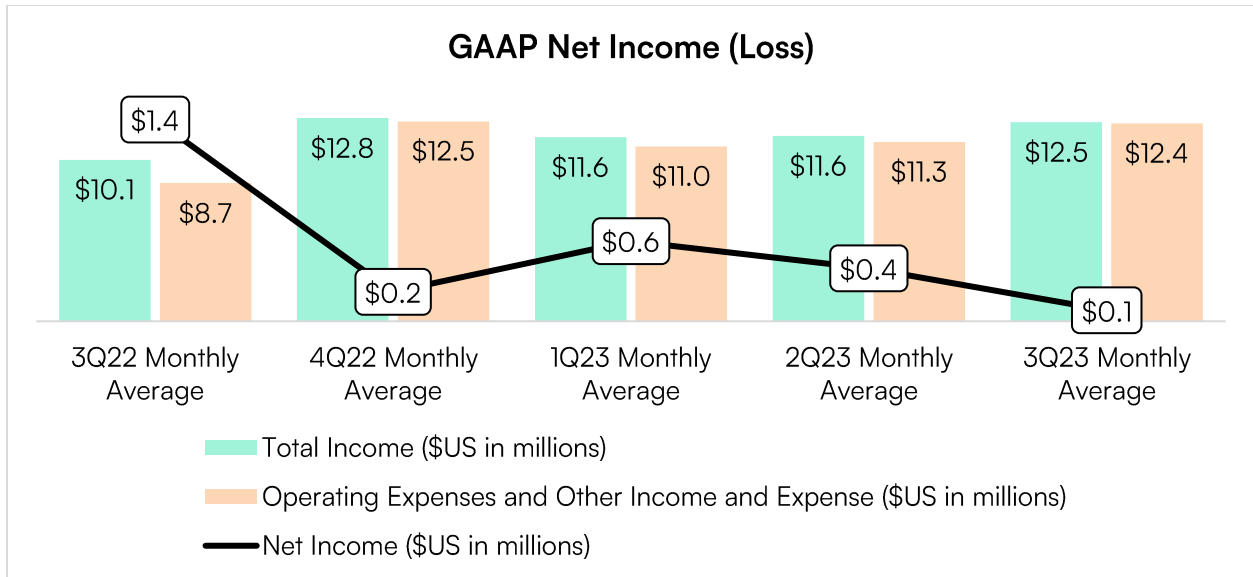
“July was an outstanding month for Sezzle,” noted Sezzle Chairman and CEO Charlie Youakim. *“We achieved impressive topline growth in UMS and Total Income, driven by our growing active subscriber base that has now reached over 201,000. While the team is excited about our recent success, we remain focused on capitalizing on the momentum we have built and channeling our efforts towards executing on our remaining FY23 initiatives.”*

- Total Income increased to US\$12.5 million (A\$18.6 million²) in July 2023, representing a 23.1% YoY and 6.0% MoM increase. Total Income as a percentage of Underlying Merchant Sales (**UMS**) increased 131 bps YoY to 8.5%.
- In July 2023, Sezzle recorded positive GAAP Net Income and Adjusted EBITDA (a non-GAAP measure) of \$0.1 million and \$2.1 million, respectively.
- As of 31 July 2023, capital and liquidity levels remained healthy with US\$57.7 million of cash on hand (US\$1.0 million restricted) and US\$60.8 million drawn on its US\$100.0 million credit facility.
- As of 31 July 2023, notes receivable (net) and merchant accounts payable amounted to US\$92.3 million and US\$68.7 million, respectively. The merchant interest program represented US\$52.2 million of the merchant accounts payable balance.

¹ Results are unaudited preliminary financial results.

² A\$ to US\$ exchange rate of \$0.6729 as of 31 July 2023.

- Average daily UMS is up approximately 15.3% in August (through 20 August) versus the prior comparable period in July 2023.



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Nasdaq Listing

Subsequent to the end of the month, on 17 August 2023 (US time), Sezzle completed its uplisting on the Nasdaq Stock Market (**Nasdaq**) under the ticker SEZL. The Nasdaq halted trading in the common stock and advised Sezzle that there currently exists inadequate publicly available shares of common stock to make a market and facilitate proper trading of common stock on the Nasdaq due to the large number of shares of common stock currently held by investors in the form of CHESS Depository Interests (**CDIs**), which trade on the Australian Securities Exchange (**ASX**) (refer ASX announcement of 18 August 2023¹). The Company continues to work with the Nasdaq to resolve the issue to resume trading as soon as possible.

CDIs are convertible at the option of the holders into Sezzle common stock on a 1-for-1 basis. In response to enquiries received, the Company released an announcement to the ASX on 21 August 2023² detailing the steps required for conversion for CDI holders who wish to convert their CDIs into common stock using the cross-border services of Computershare Investor Services Pty Limited. Holders of CDIs and common stock have the same rights to dividends, distributions and voting powers.

Appendix - Reconciliation of GAAP to Non-GAAP Measures

Reconciliation of Net Income to Adjusted EBTDA and Adjusted EBITDA

(in \$US thousands)	For the month ended		For the three months ended		
	July 31, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Net income	\$ 79	\$ 1,140	\$ 1,725	\$ 634	\$ 4,344
Depreciation and amortization	66	206	201	198	207
Income tax expense	5	21	12	21	11
Equity and incentive-based compensation	625	2,437	2,645	2,103	2,619
Other income and expense, net	7	(1,079)	(113)	200	(48)
Merger-related costs	-	-	-	-	101
Reimbursement of merger-related costs	-	-	-	-	(11,000)
Write-off of unamortized debt issuance costs	-	-	-	-	316
Loss on extinguishment of line of credit	-	-	-	814	-
Fair value adjustment on warrants	(69)	(252)	420	(50)	-
Adjusted EBTDA	\$ 713	\$ 2,473	\$ 4,890	\$ 3,920	\$ (3,450)
Net interest expense	1,379	3,933	3,377	3,124	2,192
Adjusted EBITDA	\$ 2,092	\$ 6,406	\$ 8,267	\$ 7,044	\$ (1,258)

¹ [18 August 2023 - Update on NASDAQ Trading Halt.](#)

² [21 August 2023 - Conversion Shares into Common Stock.](#)

Reconciliation of Operating Expense to Adjusted Operating Expense

(in \$US thousands)	For the month ended		For the three months ended		
	July 31, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Operating expenses	\$ 11,112	\$ 31,174	\$ 29,254	\$ 33,534	\$ 23,909
Depreciation and amortization	(66)	(206)	(201)	(198)	(207)
Equity and incentive-based compensation	(625)	(2,437)	(2,645)	(2,103)	(2,619)
Merger-related expenses	-	-	-	-	(101)
Reimbursement of merger-related costs	-	-	-	-	11,000
Write-off of unamortized debt issuance costs	-	-	-	-	(316)
Adjusted operating expenses	\$ 10,421	\$ 28,531	\$ 26,408	\$ 31,233	\$ 31,666

Investors should be aware that generally accepted accounting principles prescribe when a company may reserve for particular risks, including litigation exposures. Accordingly, results for a given reporting period could be significantly affected if and when we establish reserves for one or more contingencies. Also, our regular reserve reviews may result in adjustments of varying magnitude as additional information regarding claims activity becomes known. Reported results, therefore, may be volatile in certain accounting periods.

This July business update has been approved by the Company's Executive Chairman and CEO, Charlie Youakim, on behalf of the Sezzle Inc. Board.

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About Sezzle Inc.

Sezzle is a fintech company on a mission to financially empower the next generation. Sezzle's payment platform increases the purchasing power for millions of consumers by offering interest-free installment plans at online stores and select in-store locations. Sezzle's transparent, inclusive, and seamless payment option allows consumers to take control over their spending, be more responsible, and gain access to financial freedom.

For more information visit sezzle.com.

Forward Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward-looking statements include our expectations, whether stated or implied, regarding our financing plans and other future events.

Forward-looking statements generally can be identified by the use of words such as "anticipate," "expect," "plan," "could," "may," "will," "believe," "estimate," "forecast," "goal," "project," and other words of similar meaning. These forward-looking statements address various matters including statements regarding the timing or nature of future operating or financial performance or other events. Each forward-looking statement contained in this press release is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statement. Applicable risks and uncertainties include, among others: impact of the "buy-now, pay-later" ("BNPL") industry becoming subject to increased regulatory scrutiny; impact of operating in a highly competitive industry; our ability to remain listed on the Nasdaq Capital Market; impact of macro-economic conditions on consumer spending; our ability to increase our merchant network, our base of consumers and underlying merchant sales (UMS); our ability to effectively manage growth, sustain our growth rate and maintain our market share; our ability to meet additional capital requirements; impact of exposure to consumer bad debts and insolvency of merchants; 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 the loss of key partners and merchant relationships; impact of exchange rate fluctuations in the international markets in which we operate; our ability to protect our 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; and our ability to achieve our public benefit purpose and maintain our B Corporation certification. The Company cautions investors not to place considerable reliance on the forward-looking statements contained in this press release. You are encouraged to read the Company's filings with the SEC, available at www.sec.gov, and the Company's market announcements with the ASX, available at <https://www.asx.com.au/>, for a discussion of these and other risks and uncertainties. The forward-looking statements in this press release speak only as of the date of this document, and the Company undertakes no obligation to update or revise any of these statements. The Company's business is subject to substantial risks and uncertainties, including those referenced above. Investors, potential investors, and others should give careful consideration to these risks and uncertainties.

Non-GAAP Financial Measures

To supplement our operating results prepared in accordance with generally accepted accounting principles in the United States (“GAAP”), we present the following non-GAAP financial measures: Adjusted earnings before taxes, depreciation, and amortization (“Adjusted EBTDA”); and adjusted earnings before interest, taxes, depreciation, and amortization (“Adjusted EBITDA”). Definitions of these non-GAAP financial measures and summaries of the reasons why management believes that the presentation of these non-GAAP financial measures provide useful information to the Company and investors are as follows:

- Adjusted EBTDA is defined as GAAP net income (loss), adjusted for certain non-cash and non-recurring charges including depreciation, amortization, equity and incentive—based compensation, and merger-related costs as detailed in the reconciliation table of GAAP net income (loss) to adjusted EBTDA. We believe that this financial measure is a useful measure for period-to-period comparison of our business by removing the effect of certain non-cash and non-recurring charges that may not directly correlate to the underlying performance of our business.
- Adjusted EBITDA is defined as GAAP net income (loss), adjusted for certain non-cash and non-recurring charges including depreciation, amortization, equity and incentive—based compensation, and merger-related costs, as well as net interest expense as detailed in the reconciliation table of GAAP net income (loss) to adjusted EBITDA. We believe that this financial measure is a useful measure for period-to-period comparison of our business by removing the effect of certain non-cash and non-recurring charges, as well as funding costs, that may not directly correlate to the underlying performance of our business.
- Adjusted operating expense is defined as GAAP operating expenses plus net interest expense; and less depreciation and amortization, equity and incentive-based compensation, and other non-recurring or non-cash charges as detailed in the reconciliation table of adjusted operating expense to GAAP operating expense above. We believe that adjusted operating expense is a useful financial measure to both management and investors for evaluating our operating performance without the impact of certain non-cash and non-recurring charges that do not necessarily correlate to the underlying performance of our business.

Additionally, we have included these non-GAAP measures because they are key measures used by our management to evaluate our operating performance, guide future operating plans, and make strategic decisions, including those relating to operating expenses and the allocation of resources. Therefore, we believe these measures provide useful information to investors and other users of this press release to understand and evaluate our operating results in the same manner as our management and board of directors. However, non-GAAP financial measures have limitations, should be considered supplemental in nature, and are not meant as a substitute for the related financial information prepared in accordance with U.S. GAAP. These limitations include the following:

- Adjusted EBTDA and adjusted EBITDA exclude certain recurring, non-cash charges such as depreciation, amortization, and equity and incentive—based compensation, which have been, and will continue to be for the foreseeable future, recurring GAAP expenses. Further, these non-GAAP financial measures exclude certain significant cash inflows and outflows, such as merger-related costs (which are comprised of legal fees in connection with our terminated proposed merger with Zip Co Limited) and reimbursements for such merger-related costs, which have a significant impact on our working capital and cash.
- Adjusted EBITDA excludes net interest expense, which has a significant impact on our GAAP net income, working capital, and cash.
- Long-lived assets being depreciated or amortized may need to be replaced in the future, and these non-GAAP financial measures do not reflect the capital expenditures needed for such replacements, or for any new capital expenditures or commitments.
- These non-GAAP financial measures do not reflect income taxes that may represent a reduction in cash available to us.
- Non-GAAP measures do not reflect changes in, or cash requirements for, our working capital needs.
- Other companies, including companies in our industry, may calculate the non-GAAP financial measures differently or not at all, which reduces their usefulness as comparative measures.

Because of these limitations, you should not consider these non-GAAP financial measures in isolation or as substitutes for analysis of our financial results as reported under GAAP, and these non-GAAP financial measures should be considered alongside other financial performance measures, including net income (loss) and other financial results presented in accordance with GAAP. We encourage you to review the related GAAP financial measures and the reconciliations of these non-GAAP financial measures to their most directly comparable GAAP financial measures and not rely on any single financial measure to evaluate our business.