

TRANSCRIPTION

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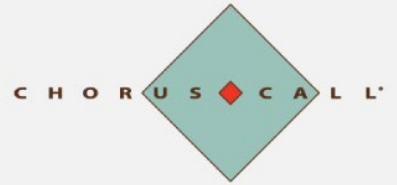
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Operator: Thank you for standing by and welcome to the Sezzle Incorporated Third Quarter Earnings Conference Call. All participants are in the listen-only mode. There'll be a presentation followed by a question and answer session. If you wish to ask a question, you'll need to press the star key followed by the number one on your telephone keypad. I would now like to hand the conference over to Mr. Charlie Youakim. Please go ahead.

Charlie Youakim: Thank you. Good morning everyone, or to those joining us from Sezzle's home in the United States, good evening. Welcome to Sezzle's 2023 Third Quarter Earnings Call. My name is Charlie Youakim, I'm the CEO and Executive Chairman of Sezzle. I'm joined today by my Co-Founder and President Paul Paradis; our Chief Financial Officer, Karen Hartje; and our Head of Corp Dev and IR, Lee Brading. In conjunction with this conference call, we filed an earnings announcement and presentation on the ASX, which we will speak to, so please go to the ASX website to find our presentation if you would like to follow along.

Before diving into the presentation, I would also like to note that we have submitted a formal application to the ASX for removal of the company from the official list of the ASX. We are currently listed on two securities exchanges, the ASX and the NASDAQ Stock Exchange, and after the process is completed, Sezzle will only be tradable on the NASDAQ. The board of directors of the company has determined that this is in the best interest of the company and its security holders for a number of reasons, including: Sezzle's primary listing is not in Australia, but in the United States where we are already required to file with the SEC; the additional cost savings from not being listed in two markets; the geographic considerations, with the majority of our beneficial ownership located in North America; and the low liquidity of trading volume in CDI.

We anticipate consolidating the listing to the NASDAQ to increase liquidity in the remaining markets. Double delisting is subject to the ASX approval and any conditions the ASX may impose in conjunction with any such approval, if granted.



Full details will be contained in an announcement which is anticipated to be lodged with ASX next Monday.

Now let's dive into the presentation and our quarterly results starting with slide three. To say that I'm excited about what we've accomplished in such a short period of time is an understatement. We are helping a great number of people on our financial journey and the numbers speak to this. Since our launch, we have processed over 5 billion in volume, representing over 58 million orders, and we have had over 15 million consumers sign up with us.

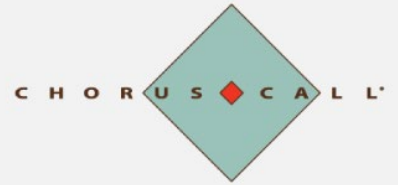
Further, we have done this in a financially responsible way for shareholders. In the last 12 months, we have generated an EBITDA margin of 20%, posted a profit margin in the low single digits, grew the top line by more than 20%, and provided a return on shareholders' equity in excess of 35%. I'm not aware of any other pure buy-now-pay-later that can stay the same. We couldn't have achieved those results without a strong connectivity to the consumer. They are voting for us with their fees, as we have now surpassed 230,000 subscribers; and with their hearts, as we have received 4.9 stars out of 5 on the Apple App Store, and 4.7 stars out of 5 on Google Play on Trustpilot.

You might say slide four looked familiar and you'd be right. Our mission of financially empowering the next generation is job number one, and we want to make sure this is clearly understood. As the only buy-now-pay-later company that is a certified B Corp, we believe our actions speak louder than words. Giving consumers the opportunity to spread payments out, avoiding interests and potentially building credit fills an important gap for people who may be facing difficulty in their daily lives when it comes to making payments payment. Since our inception, we have been committed to driving change to financially empowered people on their financial journeys.

As noted earlier, consumers are voting for us with their fees, as we have surpassed 230,000 subscribers to our subscription-based products, SLE Premium and Sezzle Anywhere, as shown on slide five. The amount of engagement has been phenomenal. Subscriber frequency is higher than non-subscribers by 20%. They shop at a broad array of locations from everyday purchases, such as grocery and service stations, to meeting their discretionary needs at clothing and specialty source. Further, we are literally opening doors for shoppers, as almost 40% of our Sezzle Anywhere subscription user activity has been in store. Again, going back to our mission, we are financially empowering the next generation.

To gauge the satisfaction of users. We track the Net Promoter Scores closely through a random survey implemented through a third-party tool. In case you aren't familiar with NPS, anything above 50 is fantastic, and if you are above 70, well, that's the holy grail. So, to have Sezzle Premium sitting in an NPS of 62 and SLE Anywhere at 70 means we're doing something right.

Our success has been driven by a team effort and that is evident on slide six, as sales, partnerships, marketing, and product teams have played vital roles. During the



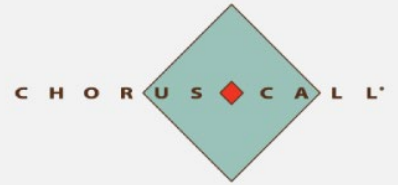
quarter, we signed up over 200 new merchants to the platform, representing over 9 billion in gross merchandise volume. Meanwhile, our partnerships team has expanded our platform presence with WooCommerce and Shopify. We talked about how we are growing beyond direct to merchant and are enhancing our direct to consumer position. This is apparent in our marketing and product teams. We recently hired a new head of marketing with over 20 years of e-commerce and digital marketing experience. This team is now working on several consumer marketing campaigns to further improve consumer acquisition and engagement.

Additionally, we continue to make a number of product adjustments that enhance the consumer experience. Our improved gift card checkout flow has resulted in an 84% increase in consumer sharing gift cards with others. Our introduction of Pay in Full and Pay-in-2 has been well-received as those options represent over 10% of our order volume in the quarter. Our in-app volume rose 33% year-over-year, as we continue to improve our marketplace experience. And last but not least, the number of consumers enrolled in our Sezzle Up credit reporting products increased 40% year-over-year. While each of these might seem like minor items on their own, they add up to be a significant driving force for our success.

On slide seven, I would like to provide an update on our fiscal year 2023 initiative that we announced earlier this year. These initiatives are on pace to deliver 10 million annualised bottom line improvement that we set out to achieve when we first launched them. Three of the four initiatives are completed and have been performing in line to ahead of our expectations. Our bank partnership initiative is still in progress. Admittedly, we hoped it would be completed in 2023, but nonetheless, we are making great strides and remain very optimistic about the future opportunity. We will be in a better position to provide a more detailed update on our bank partnership progress when we report our fourth quarter results.

Turning to slide eight, it's quite clear that our initiatives have made a positive difference. A lot of green on the screen, which is a good thing. A couple of items to point out. We went from a negative EBITDA margin position in the third quarter of 2022 to a positive 18.5% EBITDA margin in the third quarter of this year. We have achieved this by improving our unit economics and leveraging our operating cost structure. On a year-over-year basis, our unit economic margin improved to 49.2% of total income from 44.5%. And, our non-transaction related opex as a percentage of total income declined to 46.2% from 65.5% the year prior.

While everything is not green on our engagement scorecard on slide nine, the red areas are being addressed and moving in the right direction. We have also been winning where it really matters: increasing repeat usage, subscription growth, consumer order frequency, and diversifying our revenue streams. Although our active consumer count is down year-on-year, we are seeing stability in this number in recent weeks. We believe the multitudes of initiatives that we have implemented are having a positive impact and are encouraged by the future as additional initiatives in the pipeline should assist us further.



Similar to our discussion last quarter, the decline in merchant count might seem alarming, but it's not. Generally, these micro merchants do not drive our business. We implemented some minimum volume hurdles for merchants to remain on the platform and have thus seen a drop in count. Our results show that these merchants were not driving our performance. Further, our shoppers have the ability to shop beyond integrated merchants with our subscription products making this metric not as important as it once was. With that, I am now happy to turn the call over to our CFO Karen Hartje, who will go over our quarterly results in greater detail. Karen.

Karen Hartje:

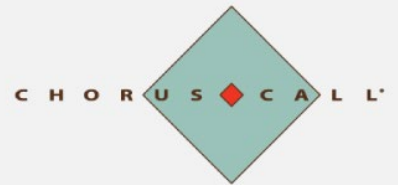
Thank you, Charlie, and hello to all. Before we dive in, just a reminder that our third quarter results are unaudited and presented in US dollars. Turning to slide 10, I am happy to note that after two straight quarters of UMS declining year-over-year, our UMS rose 11.4% in third quarter compared to the prior year. The increase in our UMS, coupled with our continuous drive to diversify our revenue stream, led to total income for the quarter increasing 34% year-over-year to 40.8 million. We are excited about the start of fourth quarter and what the upcoming holiday season holds for us as October UMS rose, 20% year-over-year to 176.5 million, representing a new monthly high in UMS for 2022 and 2023.

On slide 11, third quarter 2023 transaction expense, comprised primarily of payment processing costs, improves slightly by nine basis points year-over-year to 2.1%. We believe we can further lower our payment processing expenses as we continue to push for consumers to use ACH, renegotiate terms with network partners as our volumes grow, and expand products such as Pay-in-2 and Pay in Full that reduced our fixed instalment processing costs.

As discussed on previous earnings conference calls, we expected our provision for credit losses, as shown on slide 12, to increase throughout the year compared to the first quarter. For the upcoming fourth quarter, we expect a moderate increase relative to the third quarter due to a seasonal pickup in volume, but we still anticipate the provision for fiscal year 2023 to outperform the 1.7% provision for fiscal year 2022.

Turning to slide 13, our unit economics puts us in a good position to further expand our profitability. In third quarter, total income less transaction related costs increased 48.4% year-over-year to 20.1 million. As shown on slide 14, non-transactional related operating expenses declined 5.2% year-over-year to 18.9 million, and set a new company low of 46.2% when measured against total income. Not only are we leveraging non-transaction related operating expenses relative to total income, but we also continue to manage them successfully on an absolute basis. We are hyper-focused in this area and believe that is reflected in our results.

We have now recorded our fifth straight quarter of GAAP net income, as shown on slide 15. We are not aware of any other pure buy-now-pay-later that can make a similar claim. On an adjusted EBITDA basis, we reported 7.6 million in the third quarter of 2023, compared with negative 1.3 million in the third quarter of 2022 - another example that our initiatives are working.



Turning to slide 16, not only are we focused on growing our top and bottom line, but building a solid balance sheet and capital structure. In the last 12 months, we've increased our stockholders' equity by over 12 million to 18 million. Even with a significant increase in stockholders' equity, we recorded a return on equity of 35.7% over the last 12 months. Our capitalization is stable, healthy, and continues to show improvement each quarter. I would like now to turn the call back over to Charlie.

Charlie Youakim: Thanks, Karen. With that, we are now happy to take your questions. Operator, will you please open up the lines for Q&A?

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you are on a speakerphone, please pick up the headset to ask your question. Your first question comes from Phil Chippendale from Ord Minnett. Please go ahead.

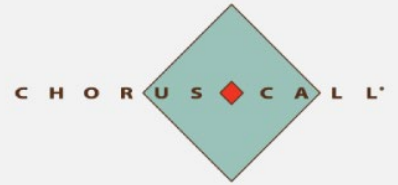
Phil Chippendale: Hi, good morning, team, thanks for your time. Charlie, first question just for you, just on the customer numbers, you said that recently that they started to stabilise. Is that really a function of, you're talking of easier comp now, yeah, I'd love to understand that dynamic a little bit just because those customer numbers have been coming down for some time.

Charlie Youakim: It's really on both sides, Phil. The engagement piece has improved for us because of our additional products with Premium and Anywhere. So we're keeping the existing customer base more active and more engaged and there's less churn from that base, and we're also seeing increase in new customers coming into the platform. So, a little bit of both at this time.

Phil Chippendale: Okay, thanks. When I think about your subscriber numbers as a proportion of your active customer base, obviously, that's continuing to climb partly due to the denominator effect, but that numerator, the absolute number now at 230,000. What sort of growth rate would you expect in that subscriber number going forward in six to 12 months? Should we see that just modestly continue to grow?

Charlie Youakim: No, I think the best projection is ... We don't have one for ASL portfolio where we expect it to rise to. What we've basically been looking at is our past performance. I think what we've found is that it's easier to convert customers that are more engaged currently. As we continue to improve the business, I think the plan is introducing these products to customers when they're active with us, when they're more engaged with us, and that's the best time to convert them over. But really I'd probably point to past performance as the best projection for anyone looking at things.

Phil Chippendale: Okay, thanks. Just last one from me. It would be remiss of me if I didn't ask about the removal in the ASX listing. I recognise that you're not expecting to make an announcement until Monday, so you may not be able to answer this question, but just on timeframe, is there anything you can talk to us there about timeframe? Obviously,



there's announcement on Monday, but have you got a sense of how long this process may take?

Charlie Youakim: No, we will have more details on Monday. We don't have any more details for you, Phil, today. I'm sorry I can't. Nothing to say at this point.

Phil Chippendale: Okay, I appreciate it. Thanks, Youakim.

Charlie Youakim: Thanks, Phil.

Operator: Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. There are no further questions at this time. I will now hand back to Mr. Youakim for closing remarks.

Charlie Youakim: All right, thank you. First of all, another big shout out to the Sezzle team for continuing to crash it. I also want to thank our investors who have continued to believe in us over this time period and we're looking forward to talking to you when we report our fourth quarter results. Have a great rest of your day, everyone.

Operator: That concludes our conference for today. Thank you for participating. You may now disconnect.

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