



Half Year Results Presentation

FOR THE HALF YEAR ENDED
30 JUNE 2019

Internal use only



Disclaimer

About this Presentation

This presentation and these materials (together the Presentation) is general background information about Sezzle Inc. (SZL) (ARBN 633 327 358) and is current at the date of the Presentation, 29 August 2019. No third parties have undertaken an independent review of the information contained in this Presentation. By participating in this Presentation or retaining these materials, you acknowledge and represent that you have read, understood and accepted the terms of this disclaimer.

Accuracy of information and limitation of liability:

The information contained in this Presentation has been prepared for information purposes only, is in summary form and does not purport to be complete. It is intended to be read by a professional analyst audience in conjunction with SZL's other announcements to the ASX. This Presentation is not a disclosure document under Australian law or under any other law. Accordingly, this Presentation is not intended to be relied upon as advice to current shareholders, investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular shareholder or investor.

This Presentation may contain forward looking information, statements or forecasts that are subject to risks and other factors outside the control of SZL. These forecasts may or may not be achieved. Any forward looking information, statements or forecasts provided is/are based on assumptions and contingencies which are subject to change and such statements are provided as a guide only and should not be relied upon as an indication or guarantee of future performance, however these statements has/have been prepared in good faith and with due care.

This Presentation has been prepared in good faith, but no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, correctness, reliability or adequacy of any statements, estimates, opinions or other information, or the reasonableness of any assumption or other statement, contained in the Presentation (any of which may change without notice).

No representation is made as to the fairness, accuracy, completeness, reliability of the Presentation. SZL is not obligated to and does not represent that it will update the Presentation for future developments.

All financial figures are expressed in U.S. dollars unless otherwise stated. Note, some numerical figures included in the Presentation have been subject to rounding adjustments. Any discrepancies between totals and sums of components in the tables contained in this Presentation are due to rounding.

What Makes Sezzle Unique?



Incentives Aligned with Consumers

Sezzle flips the traditional financing model on its head by charging merchants a processing fee rather than charging consumers interest as traditional providers do.



Works Best for Low Average Order Value Segments

Sezzle caters to merchants selling lower ticket items. Other solutions typically work with higher ticket items like auto parts, exercise equipment, and furniture.



Focus on Financial Responsibility

Sezzle promotes financial responsibility and allows shoppers the flexibility of rescheduling their payments at no charge.



Designed to Approve "Prime-to-be" Consumers

Sezzle's underwriting model leverages a myriad of data. Other solutions rely more heavily on traditional FICO scores.



Excellent Shopper and Merchant Support

Sezzle has a fully dedicated customer support team in the U.S. and excellent customer reviews.



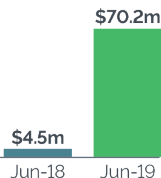
Actively Promote Merchants

Sezzle promotes merchant partners to our user base via our store directory and social media, driving new customers to their stores.

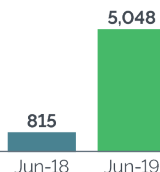
Key Metrics

Sezzle has continued to see significant growth in UMS, Total Income, Active Customers and Merchants, and reductions in Net Transaction Losses.

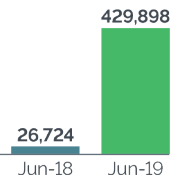
Underlying Merchant Sales (UMS)



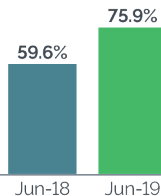
Active Merchants



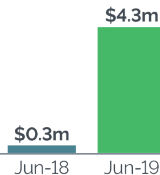
Active Customers



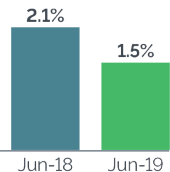
Repeat Usage



Total Income



Net Transaction Losses



All financial figures are expressed in U.S. dollars unless otherwise stated.

Active Merchants and Active Customers are defined as those that have transacted with Sezzle in the past 12 months.

Repeat Usage is calculated as the percentage of cumulative orders made by returning End-customers to date relative to total cumulative orders to date.

Key Highlights for the Half Year Ended 30 June 2019



Cost Improvements

Onboarded a new, more efficient payment processing service provider during H1 FY19.



Improvement in Net Transaction Margin

Net Transaction Margin (NTM) is reported at (0.3%) for the period ended H1 FY19, compared to (1.0%) reported for the full year FY18.



Expansion into Canada

Sezzle launched its Canadian platform during the second quarter of 2019. Sezzle has seen month over month growth in Underlying Merchant Sales, Active Customers and Active Merchants.



Approval Rates

End-customer approval rates were 83.2% for the six months ended 30 June 2019 compared to 72.9% for the comparative period.



Repeat Usage

Percentage of repeat orders to total orders to date was 75.9% as at 30 June 2019 compared to 59.6% for the comparative period.



Partnerships

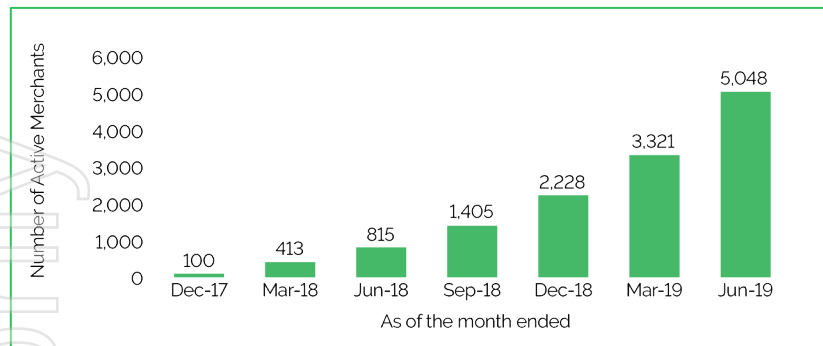
Sezzle partners with the leading eCommerce platforms, technology solutions, and payment companies to provide the best possible experience to our customers and merchants.

BUSINESS UPDATE

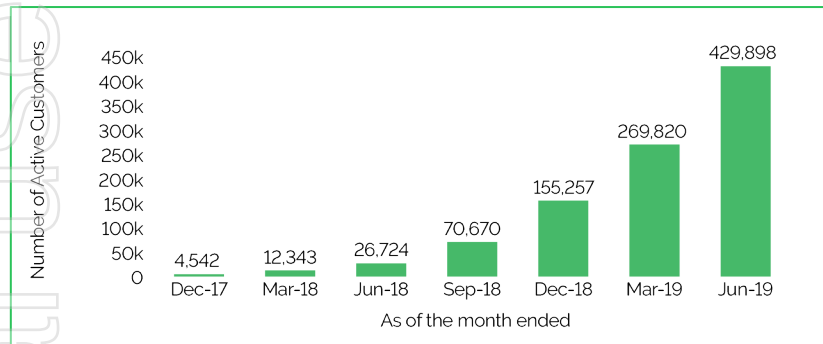


Key Operating Metrics

Active Merchants



Active Customers



Active Merchants and Active Customers are defined as those that have transacted with Sezzle in the past 12 months.

5,048

Active Merchants as at 30 June 2019

This reflects a **52.0%** increase from 31 March 2019

Sezzle added an additional **745** Active Merchants in July 2019

429,898

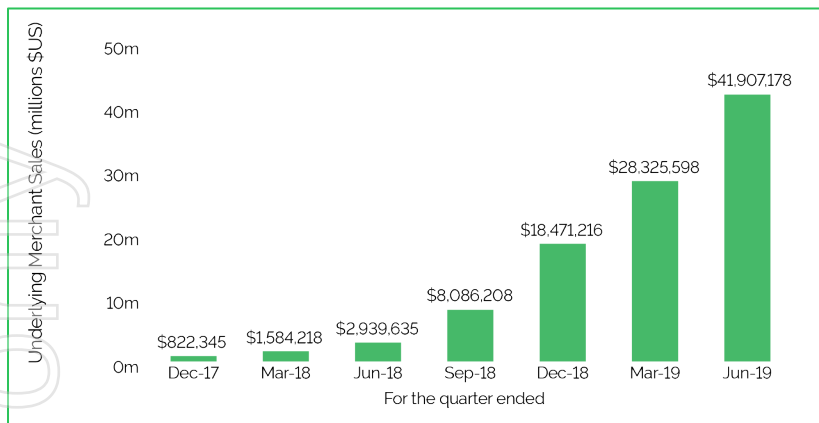
Active Customers as at 30 June 2019

This reflects a **59.3%** increase since 31 March 2019

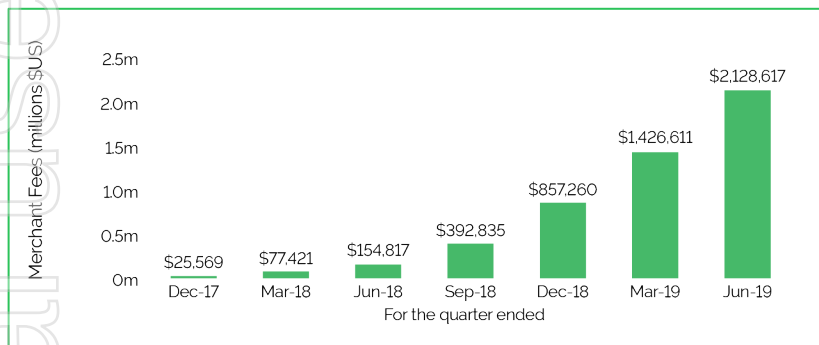
Sezzle added **66,409** additional Active Customers in July 2019

Key Operating Metrics

Underlying Merchant Sales (UMS)



Merchant Fees



Underlying Merchant Sales are sales made by Retail Merchant Clients where the End-customer has selected the Sezzle Platform as the applicable payment option

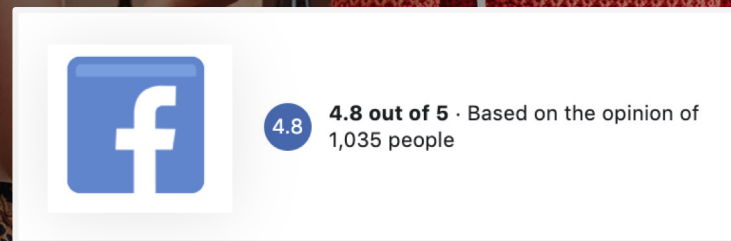
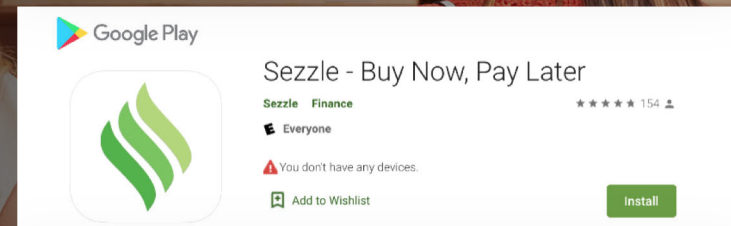
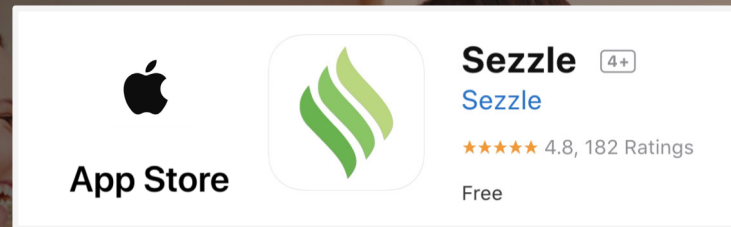
Underlying Merchant Sales have increased from \$2.9 million for the quarter ended June 2018 to more than \$41.9 million for the quarter ended June 2019

Merchant Fees have increased from \$0.2 million for the quarter ended 30 June 2018 to more than \$2.1 million for the quarter ended 30 June 2019

For both the six months ended 30 June 2019 and 2018 Merchant Fees as a percentage of UMS were 5.1%

All financial figures above are expressed in U.S. dollars

Sezzle Shopper Ratings Stand Out



Source: Trustpilot reviews and ratings as at 27 August 2019.

Net Rating = 5 star reviews minus 3, 2 and 1 star reviews; meant to emulate an NPS concept of promoters minus detractors. This is not a Trustpilot term.

FINANCIAL RESULTS



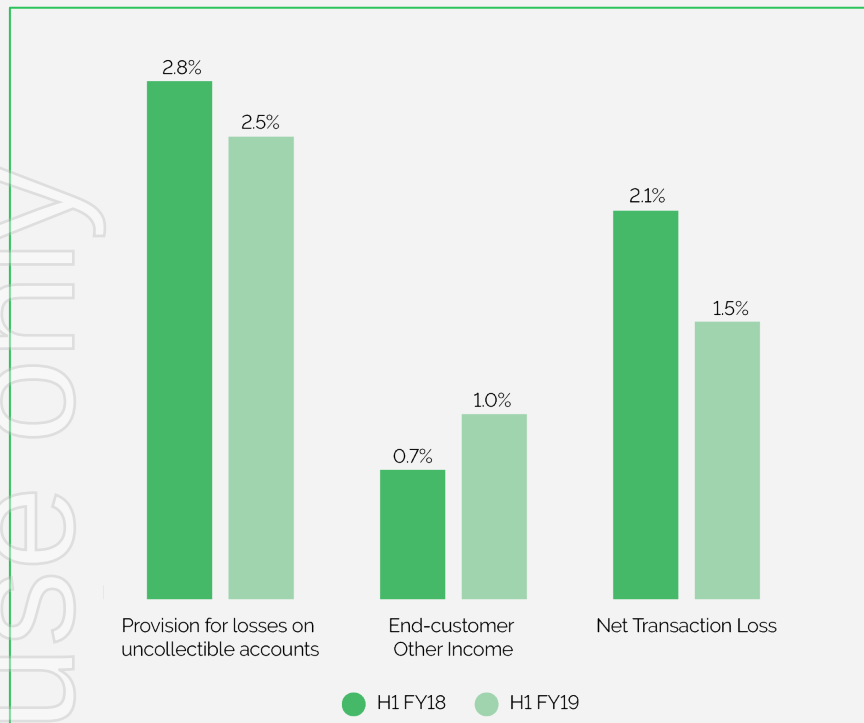
Net Transaction Margin

	US\$000's (Unless otherwise stated)	For the six months ended	
		30 June 2019	30 June 2018
SEZZLE INCOME¹	Underlying Merchant Sales	70,233	4,524
-	Sezzle Income¹	3,615	225
NET TRANSACTION LOSS²	% of Underlying Merchant Sales	5.1%	5.0%
-	Net Transaction Loss²	(1,061)	(97)
COST OF INCOME³	% of Underlying Merchant Sales	-1.5%	-2.1%
-	Cost of income (other variable costs)³	(2,292)	(71)
COST OF FINANCING	% of Underlying Merchant Sales	-3.3%	-1.6%
=	Cost of financing (net interest expense)	(483)	(1)
NET TRANSACTION MARGIN	% of Underlying Merchant Sales	-0.7%	0.0%
	Net Transaction Margin	(221)	56
	% of Underlying Merchant Sales	-0.3%	1.2%

Note:

1. Sezzle Income includes all Merchant Fees and Reschedule Fees and is net of Loan Origination Costs, recognised in the consolidated historical statement of operations over the average duration of the underlying instalment payments receivables using the effective interest rate method
2. Net Transaction Loss is calculated as the expected provision and actual losses against instalment payments receivables and Reschedule Fee losses to be incurred, less End-customer fees collected. End-customer fees comprise non-waived Failed Payment Fees, net of the expected cost of uncollectible accounts attributable to Failed Payment Fees. Per the consolidated historical statements of operations, this is the net of End-customer Other Income and Uncollectible accounts
3. Cost of income primarily comprises payment-processing fees paid to third-party payments processors, customer communication costs and merchant affiliate program fees

Net Transaction Loss

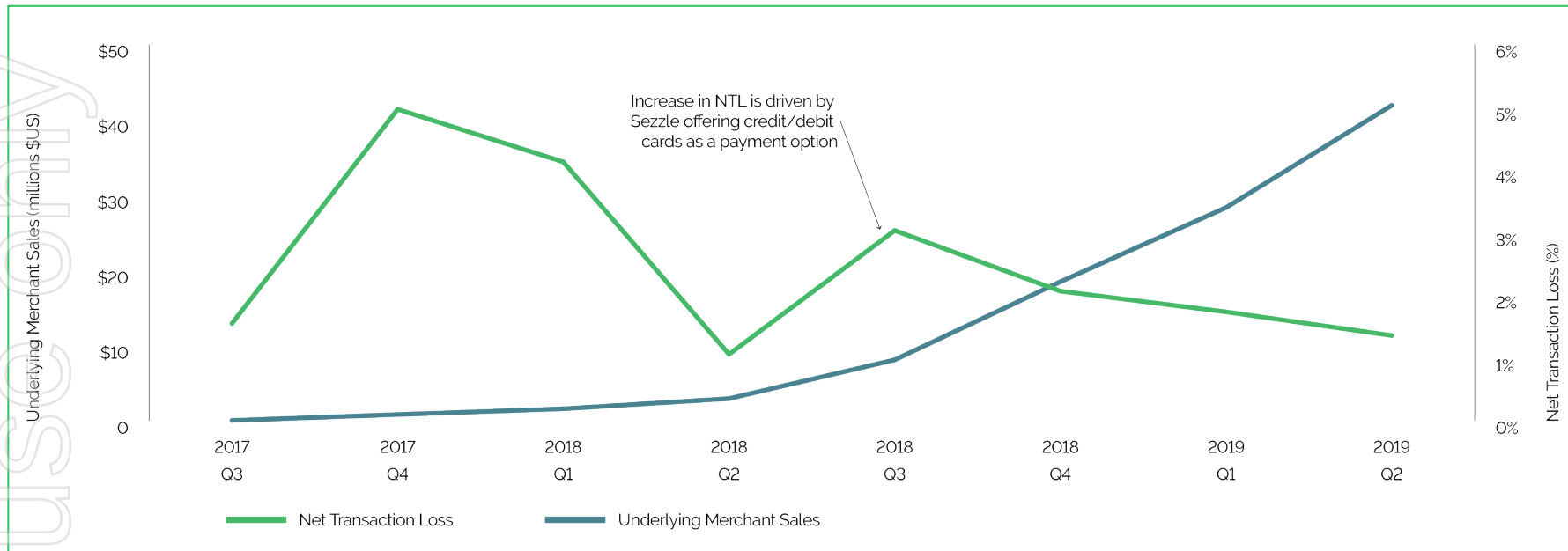


Reductions in losses for uncollectible accounts were driven by improvements in fraud tools, base limit strategies and credit line management as well as increased repeat usage.

Improvements in End-customer other income are driven by operational improvements in Sezzle's collection strategy.

Underlying Merchant Sales vs Net Transaction Loss

Net Transaction Loss as a percentage of UMS has continued to decline over the same period of consistent UMS growth. Sezzle has shown continued improvement in its collection rates.



Consolidated Statements of Operations

Consolidated statements of operations (unaudited)

US\$000's	For the six months ended		
	30 June 2019	30 June 2018	Change
Sezzle income	3,615	225	3,390
End-customer other income	683	31	652
Total income	4,298	256	4,042
Cost of income	(2,292)	(71)	(2,221)
Gross profit	2,006	185	1,821
<i>Gross margin %</i>	<i>46.7%</i>	<i>72.3%</i>	<i>45.1%</i>
Other income	20	1	19
Uncollectible accounts	(1,744)	(128)	(1,616)
Other operating expenses	(4,441)	(1,040)	(3,401)
EBITDA	(4,159)	(982)	(3,177)
Depreciation and amortization	(98)	(31)	(67)
EBIT	(4,257)	(1,013)	(3,244)
Net interest expense	(498)	(1)	(497)
Fair value adjustment on future equity obligations	–	(7)	7
Loss before tax	(4,755)	(1,021)	(3,734)
Income tax benefit/(expense)	–	–	–
Net loss after tax	(4,755)	(1,021)	(3,734)

Sezzle income

Sezzle income totaled \$3.6 million for the six months ended 30 June 2019, compared to \$0.2 million for the six months ended 30 June 2018. Sezzle income as a percentage of (UMS) was 5.1% for the six months ended 30 June 2019 compared to 5.0% for the six months ended 30 June 2018.

End-customer other income

End-customer other income was \$0.7 million for the six months ended 30 June 2019 with failed payment fee income as the driver for the increase. The growth in failed payment fee income is driven by operational improvements in the Company's collection strategy.

Cost of income

Cost of income primarily consists of payment processing costs. The increase in cost of income for the six month comparative periods is due to the increase in debit/credit card utilization over direct debit from the customer's bank account as a form of End-Customer's payment. In April 2019, Sezzle changed card processing service providers with the aim of lowering these processing costs. During the six months ended 30 June 2019 Sezzle has started to realize lower processing costs.

Uncollectible accounts

The total expected provision and actual losses for uncollectible accounts was \$1.7 million for the six months ended 30 June 2019, or approximately 2.5% of UMS, as compared to \$0.1 million for the comparative period (approximately 2.8% of UMS). Improved loss rates are largely driven by the Company's continued improvement in underwriting processes as well as increases in the ratio of existing versus new customers using the Sezzle platform.

Other operating expenses

Other operating expenses primarily comprise employee compensation, third-party cloud computing and data services, professional fees and contractor costs, marketing and advertising, office rent and administrative expenses.

Statements of Financial Position

Consolidated balance sheets

US\$000's	30 June 2019	31 December 2018
Cash and cash equivalents	6,469	6,519
Restricted cash	465	545
Notes receivable, net	10,846	4,931
Other receivable, net	101	33
Prepaid expenses and other current assets	383	128
Total current assets	18,263	12,156
Property and equipment, net	84	76
Internally developed intangible assets, net	398	261
Right-of-use assets	368	–
Restricted cash	20	20
Other assets	33	23
Total non-current assets	902	379
Total assets	19,166	12,535
Merchant accounts payable	6,192	2,277
Lease liability (current)	372	–
Accrued liabilities	754	457
Other payables	178	96
Total current liabilities	7,497	2,831
Borrowings - credit agreement	4,936	4,134
Lease liability (noncurrent)	38	–
Borrowings - notes payable	250	250
Convertible notes	5,791	–
Total non-current liabilities	11,015	4,384
Total liabilities	18,511	7,214
Net assets	655	5,321
Common stock	189	100
Preferred stock	12,442	11,678
Accumulated deficit	(11,977)	(6,458)
Total stockholders' equity	655	5,321

- The Company's End-customer notes receivable, net increased to \$10.8 million from \$4.9 million as of 30 June 2019 and 31 December 2018. Merchant accounts payable also increased to \$6.2 million from \$2.3 million. Both increases are a result of increased volumes in Underlying Merchant Sales, Active Merchants, and Active Customers. To help facilitate the increased activity the Company's revolving line of credit increased to \$5.0 million from \$4.2 million as of 30 June 2019 and 31 December 2018, respectively
- During the six months ended 30 June 2019, the Company issued convertible notes totaling \$5.8 million. The proceeds from this offering were utilized to fund the Company's operations as well as facilitate the lending activity with Active Customer and Active Merchants. The convertible notes were converted to common stock upon the Company's initial public offering on the ASX

Consolidated Statements of Cash Flows

Consolidated statements of cash flows

For the six months ended

US\$000's	30 June 2019	30 June 2018
EBITDA	(4,159)	(982)
Non-cash items in EBITDA	2,085	145
Change in working capital	(3,897)	(258)
Net interest received/(paid)	(498)	(1)
Net cash flow used for operating activities	(6,469)	(1,097)
Investing activities:		
Purchase of property and equipment	(36)	(36)
Payments for internally developed assets	(206)	(86)
Net cash flow used for investing activities	(243)	(122)
Financing activities:		
Proceeds from issuance of long term debt	5,813	-
Costs incurred for convertible note issuance	(25)	-
Proceeds from line of credit	3,700	-
Payments to line of credit	(2,900)	-
Proceeds from employee stock option exercises	7	-
Payments of debt issuance costs	(14)	-
Proceeds of future equity obligations	-	30
Proceeds from issuance of preferred stock, net of costs	-	8,103
Net cash flow from financing activities	6,580	8,103
Net cash inflow/(outflow)	(131)	6,884

Non-cash items in EBITDA includes expenses recorded to establish the provision for uncollectible accounts on notes receivable and other income from End-customers (H1 FY19 \$2.0 million and H1 FY18 \$0.1 million) and expenses recorded for the Company's equity based compensation for employees (H1 FY19 \$0.1 million and \$0.0 million for H1 FY18).

- The (\$0.1) million net cash outflow for the six month period ended 30 June 2019 is driven by higher operating losses (negative EBITDA) during the period and increases in net working capital, offset by cash inflows from the issuance of convertible notes of \$5.8 million and a \$0.8 million increase in the line of credit balance utilized by the Company
- The increase in net working capital is primarily due to an increase in End-customer notes receivable, net of \$8.0 million partly offset by an increase in accounts payable to merchants of \$3.9 million and accrued liabilities of \$0.3 million
- Post period end, the Company's cash balance increased as a result of the proceeds from its IPO on the ASX



Questions?