

Sezzle, Inc.,

Fourth Quarter 2025 Earnings Conference  
Call

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Eastern

**CORPORATE PARTICIPANTS**

**Charles Youakim** - *Executive Chairman, Chief Executive Officer*

**Lee Brading** - *Chief Financial Officer*

## PRESENTATION

### Operator

Good day, and welcome to the Sezzle, Inc., Fourth 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 Charlie Youakim, CEO and Executive Chairman. Please go ahead.

### Charles Youakim

Thank you and good afternoon, everyone, and welcome to Sezzle's fourth quarter and full year 2025 earnings call. I'm Charlie Youakim, CEO and Executive Chairman of Sezzle. I'm joined today by our New CFO, but a familiar face and voice for you all, 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 at [sezzle.com](https://sezzle.com). To retrieve the documents, please go to the investor relations section on our website. Please be advised of the cautionary note on forward-looking statements and the reconciliation of GAAP to non-GAAP measures, including the presentation, which also covers our statements on today's call.

Before diving into our prepared slides, I'd like to take a step back and put 2025 in context. 2025 brought a shifting landscape for BNPL and for Fintech more broadly. We continued to see the sector mature within the broader US financial ecosystem as BNPL became more embedded in everyday commerce and more firmly established within the financial ecosystem.

One notable development this year was the continued interest across Fintech in pursuing bank charters and deeper partnerships within the banking ecosystem. For Sezzle, our exploration of the Industrial Loan Company, or ILC, fits within that broader evolution. We view it as a long-term strategic journey, one that reflects how far Sezzle and BNPL have come from the early days. This is no longer a fringe category. BNPL is increasingly becoming an established part of the financial infrastructure in the United States.

Turning specifically to Sezzle, 2025 was a year of focus. Focus on product, focus on execution, and focus on investing in areas where we see the highest return. On the product side, we launched and scaled features like our earn tab, our browser extension, and price comparison tools, each designed to help consumers save money and make smarter purchasing decisions. Importantly, these features extend our value proposition beyond payments and move us closer to being an everyday financial companion for our consumers.

At the same time, we sharpened how we deploy capital and operating resources, prioritizing initiatives that drive durable engagement and repeat usage. A key area has been our investment in subscribers, a part of our Monthly On-Demand & Subscribers group or MODS as we call it. The results speak for themselves, including the sequential growth we delivered from the third quarter to the fourth quarter.

Taken together, the maturation of Fintech, the evolving infrastructure backdrop, and the continued improvement of our product and ecosystem create an important tailwind for Sezzle. And you can see that tailwind clearly in the financial and operating results we're about to walk through.

With that, let's turn to the presentation, starting with slide three, where we'll highlight the key financial and operating metrics from the quarter and the full year. Total revenue grew 32.2% for the fourth quarter, bringing 2025 total revenue growth to 66.1%. Net income reached a new height, hitting \$42.7 million and pushing our full year net income to \$133.1 million. Our return on equity for the full year 2025 exceeded 100%. Lastly, our quarterly purchase frequency increased 20% year-over-year, and MODs increased by 211,000 year-over-year.

I think it's clear from these numbers that we exceeded the Rule of 40 and our own internal rule of 100. If you're a frequent listener, you know we track these both closely and love that scoreboard. For the Rule of 40, where we add revenue growth to EBITDA margin, we booked a score of 77.1 for the quarter and 107.8 for the year. And for our own Rule of 100, where we add revenue growth, gross margin percentage, and net income percentage, we scored a 129.4 for the quarter and a 158.1 for the year.

For our investors, we exceeded our 2025 guidance on the top and bottom line. The relentless focus on investing and enhancing the product experience for the consumer leaves us itching for new heights to achieve. We're excited to provide greater guidance for 2026. First, we're raising our 2026 adjusted EPS from \$4.35 to \$4.70 and introducing 2026 guidance of 25% to 30% total revenue growth and \$170 million of adjusted net income. Lee will expand on the guidance later on. But these targets reflect our expectation that we can continue to scale the platform while maintaining a disciplined cost structure and strong unit economics.

Turning to slide four. 2025 marks a meaningful milestone for Sezzle. It's been 10 years since the company was founded. I want to take a moment to reflect how far we've come, from our Pay-in-4 launch in 2017 to our turnaround and first profitable quarter in 2022 and our Nasdaq listing in 2023. And more recently, our WebBank partnership and the launch of On-Demand. Through the ups and downs, we continued to adapt and evolve. The ability to navigate and evolve is something we're proud of and something we plan to continue to do well.

In our view, the moment you stop innovating is the moment you start to die, plus what fun would it be if you stopped having a growth mindset? In 2025, we completed a 6-for-1 stock split and expanded our capital return program, first by completing a 50 million share repurchase, and then by authorizing an incremental 100 million share repurchase program in December.

We were also recognized by several prestigious national outlets for our achievements: Time, US News, Newsweek, and CNBC. None of these milestones would have been possible without the sharp, loyal, and driven individuals here at Sezzle, many of whom have been with us since the early milestones on this timeline.

I want to take a moment to say thank you. The best is still ahead of us, and we are building this company with a long-term mindset. The next 10 years of Sezzle may look very different from the first 10, and I think our investors, our team, and our consumers are going to love what's ahead.

While the timeline displays our evolution through 10 years, you can see the breadth of what Sezzle has become in 2025 on slide five. We are no longer just a Pay-in-4 product. We are

evolving into an all-in-one consumer app that provides financial tools and shopping features designed to help consumers quickly find the exact products they want at the best price, on the best payment terms for their budget. We feel it's a super app in the making for a value-focused consumer. We want our target audience to have the app installed and use us daily.

The investment to drive consumer engagement is proving fruitful. Monthly app sessions in December increased 51% year-over-year, and our earn tab is driving revenue of over \$1 million per month. Even some of our newer developments are showing signs of startup. Our recent testing of a receipt scanning and rewards feature far surpassed expectations, reaching an adoption rate that exceeded any other product or feature launched in Sezzle history.

As you may know by now, we're never satisfied at Sezzle. We continue to respond to what consumers are asking for, something that you can see reflected on slide six. From deeper app engagement to enhancements across our long-term product roadmap, to improving the everyday experience for our consumers, we have a lot planned for the first quarter of 2026 alone.

A key example is Sezzle Mobile, which is expected to launch in the next month. We've talked for some time about building Sezzle into an everyday utility for our consumers, moving beyond BNPL over time and increasing our impact by helping consumers save money in their day-to-day lives. Sezzle Mobile fits that strategy well because it delivers tangible value. According to JD Power, US consumers pay \$141 per month on their cellular bill. We believe we can save our consumers a lot of money on their phone plan.

For Sezzle, we believe it's a strong complement to our core products, helping increase attachment, improving retention through more frequent touch points, and bringing in adjacent audiences who may also benefit from our BNPL offerings.

Beyond these new term launches we're also advancing initiatives we believe can meaningfully expand our ecosystem. While many consumers start with Sezzle for shopping, they continue to ask for more ways to manage their financial lives. In response, we're exploring products like deposit accounts to support everyday money management, expanding credit offerings such as secured credit cards, and additional post-purchase capabilities, including enhanced split payment experiences.

On slide seven, we provide more detail on our marketing strategy and subscriber growth trajectory. As we discussed last quarter we pivoted our marketing emphasis back towards subscription products. That decision reflects our analysis that subscription users have meaningful higher lifetime values than On-Demand users, mainly because these customers, when they choose to subscribe, are making a commitment to use Sezzle.

We saw the impact of that pivot in the fourth quarter, with subscribers growing 30% year-over-year and 18% sequentially. Our approach is a disciplined, targeted marketing strategy across the pathway shown on that slide, with a focus on measured returns and improving spend efficiency as we optimize ROI to drive adoption across our ecosystem. Based on our current performance, we're still successfully getting a payback period of six months on these investments, and we plan to continue investing beyond the areas that are performing.

The efficiency doesn't stop with our marketing team, but extends to the whole organization as we leverage AI to improve the consumer experience and scale as efficiently as possible. It has been astonishing to see how every team is utilizing AI to increase their output by multitudes.

We are all aware of the SaaS apocalypse that has happened because of AI. We believe our model is quite defensible in an AI-enabled world for two reasons.

First, our business benefits from network effects. As the consumer base grows, it increases the value of our platform to merchants and partners, and that flywheel takes time to build. AI can't shortcut it. Second, our ability to expand lending over time depends on capital markets access and disciplined, time-tested underwriting and operating models, which also can't be replicated overnight by simply applying AI.

The only way we get hurt by AI is if we don't enable it, and we're doing quite the opposite. We're bear hugging it. We're flying with it. We're injecting it into as many functions as we can do to multiply our efficiencies. Our battle cry is turning our team of 400 into the equivalent of a team of 4,000. I'm continually impressed with the tooling that the AI provides us, and it seems like every month it gets better and better. We think AI makes us stronger and accelerates our innovation and our impact.

Slide eight tells the story of how we're transitioning from being a consumer of AI to a creator of it. We've moved away from a plug-and-play approach with external vendors and instead invested in building our own proprietary engines. For example, in engineering and product, we aren't just using AI to write code.

We've built an internal system that allows us to cut out expensive third-party costs and significantly increase our build velocity. Whether it's our AI chargeback agent handling the heavy lifting of annotations or our embedded models driving personalization's, we are automating the high-friction areas that used to require manual oversight.

It's creating a multiplier effect across the company, where our existing talent can drive significantly more value as the business scales. As we prepare to launch our AI shopping assistant and support chatbot, we're positioning ourselves to handle massive increases in volume without a corresponding spike in support costs. But the ultimate proof of this strategy is the data-driven culture we've built. By giving every team, even those without technical backgrounds, the ability to reach our data through our internal database interface called SIA, we've seen a radical shift in efficiency. We aren't just working harder; our infrastructure is working smarter.

An end goal to this efficiency is to continue improving our consumer engagement, as seen on slides 9 and 10. The year-over-year momentum is clear across the board. As I've mentioned before, my two favorite metrics here are MODs and purchase frequency. Seeing MODs grow by 211,000 year-over-year is a testament to the health of our growth engine, and reaching a purchase frequency of 6.6 times per quarter shows we are successfully moving towards being a daily utility for our consumers, even as we stay disciplined with our spend, the ecosystem is proving to be incredibly sticky, with repeat usage now sitting at nearly 97%.

Moving to slide 10, you can see that this growth isn't just seasonal, it's sustained. We are seeing consistent sequential improvement with active consumers and purchase frequency continuing a steady climb quarter-on-quarter. It's clear that we are successfully moving to the top of the consumer's wallet.

With that, I'd like to turn the call over to Lee to review in further detail our fourth quarter and full year results. Lee.

**Lee Brading**

Thank you, Charlie, and good evening to everyone joining us. The year-over-year progression overview on slide 11 effectively captures the incredible operating leverage we've built into the Sezzle engine. For the full year 2025, total revenue reached \$450.3 million, a 66.1% increase over 2024, even more impressive is how that top line momentum flowed through to our bottom line, with adjusted net income nearly doubling for the year to \$128.4 million.

In the fourth quarter specifically, we reached a new peak in organizational efficiency. Our adjusted EBITDA margin expanded by nearly 12 points year-over-year to 44.9%. This wasn't just a result of holiday volume; it was driven by our success in optimizing our unit economics. As a percentage of total revenue, our total revenue less transaction-related costs stood at 64.3% for the quarter, a significant 9-point jump over the same period last year.

Essentially, we are benefiting from the operating leverage of our proprietary tools. We continue to see the proof in our non-transaction related OPEX, which dropped by 4.1 points for the full year to just 26.3% of total revenue. We are growing our top line at a much faster rate than our overhead, and that discipline is what allowed us to deliver these record results.

On slide 12, we break down our growth engine. This quarter marked another milestone as GMV crossed \$1.16 billion, a 35.3% year-over-year increase. For the full year, we processed \$3.94 billion in volume, up 55.1% compared to 2024. We saw a consistent take rate of 11.2% this quarter, contributing to a strong 11.4% take rate for the full year. These figures reflect the success of our transition toward high-LTV products like Premium and Anywhere, which also enhance the shopping experience for consumers. We're building a stickier ecosystem that rewards loyalty and drives greater engagement across the board.

Moving to slides 13 and 14, we dive deeper into the unit economics that are powering our bottom-line results. As a reminder, transaction-related costs is our non-GAAP measure that combines transaction expense, provision for credit losses, and net interest expense.

For the full year 2025, we successfully optimized these variable costs, with transaction-related costs falling from 44.3% of total revenue in 2024 to 37.6% in 2025. In the fourth quarter, this efficiency was even more pronounced, with costs dropping to 35.7% of total revenue. This nearly 9-point year-over-year improvement is a foundational driver behind the margins we discussed on slide 11.

Slide 14 breaks out the three pillars in greater detail. First, transaction expense for the quarter came in at 1.6% of GMV. Our team remains hyper-focused on payment processing optimization, and we continue to see the long-term benefits of driving higher consumer adoption of lower-cost payment channels like ACH.

Next, our provision for credit losses saw a sharp sequential improvement, finishing the quarter at 2% of GMV. Yes, this performance was better than we anticipated. A couple of observations. The repayment rates were better than expected; more specifically, we experienced record repayment performance on the third and fourth payments during the fourth quarter. As many of you are aware, we also usually tighten up the underwriting during the holiday season as we don't want our consumer to overextend and thus become a former Sezzle user.

Just before the quarter, we tightened the underwriting model, which had a pronounced impact on our loss rates. We want to leave you with this takeaway on the provision: while we're always

tweaking and challenging ourselves regarding the credit box, we maintain a 55% to 65% gross margin target in our sights. This surgical approach is exactly what we mean when we talk about growing the business judiciously.

Finally, net interest expense remained at a low of 0.3% of GMV. As we scale, our cost of capital continues to improve. The recent expansion of our existing credit facility of \$225 million gives us the breathing room to continue exploring funding pathways for the future. Taken together, slides 13 and 14 demonstrate that we aren't just growing volume, we are maintaining the strong profitability of every dollar that flows through the Sezzle ecosystem.

Slide 15 serves as the proof of concept for the durability of our business model. The plot illustrates a very compelling narrative: over the last 12 months, we have managed to drive a \$1.4 billion increase in GMV while achieving a 6.7-point margin expansion on our transaction economics. What is most important to note here is that we secured this growth and margin expansion while keeping our provision for credit losses stable.

The secret to this stability is our short product duration. We're different from traditional credit products that create the doom and gloom of news headlines on consumer credit. Our 42-day duration creates a high-velocity feedback loop with repayment trends for each vintage becoming evident in as little as 14 days. This agility allows us to execute with precision. We can pivot our underwriting strategy in real-time to respond to macroeconomic shifts, a level of responsiveness that traditional long-term lenders simply cannot match.

Slide 16 brings the full picture together by highlighting our total revenue less transaction-related costs. This metric effectively represents our gross margin and is the combined result of the take rate from slide 12 and the transaction economics we broke down on slides 13 and 14.

For the full year 2025, our gross margin reached \$281 million, representing 62.4% of total revenue. The trend was even more pronounced in the fourth quarter with our margin hitting 64.3%, a 9-percentage point jump compared to fourth quarter 2024.

As we have noted in previous quarters, these strong margins provide us with incredible room to maneuver. They give us the financial flexibility to aggressively fund our strategic initiatives while consistently delivering the industry-leading profitability our shareholders expect.

Slide 17 perfectly illustrates our commitment to operating leverage. For the full year 2025, we continue to scale with non-transaction related operating expenses falling to 26.3% of total revenue, a 410-basis point improvement over the 30.4% we reported in 2024. For the fourth quarter, these expenses sat at just 24.6% of total revenue, reflecting our expectations for further opportunity to scale. This validates that our core infrastructure is acting as a true force multiplier for the organization.

Within the fourth quarter, we did absorb \$1.3 million in expenses related to our corporate strategic projects. I know we elaborated on these last quarter, but to reiterate, we've broken these out because they are not part of our core activities, but they are critical for our long-term trajectory. These include the following: First, our capital markets exploration, which we completed in the fourth quarter. While this exercise didn't result in an outcome we can report at this time, it did help us understand the most optimal financing route to fund our growth in a cost-efficient manner.

The second project being our antitrust suit, which is a project we can't discuss as the suit is currently ongoing. Lastly, our banking charter discovery. As Charlie touched on earlier, we're seeing positive signs that the environment is shifting and are encouraged by the recent regulatory momentum.

We are currently in the discovery phase, supported by external consultants and attorneys, and anticipate submitting an application here in the first half of 2026. While this is a long and non-guaranteed process, we viewed as a key component of our future growth and efficiency, even with these strategic investments, our ability to maintain strict cost discipline while hitting record profitability is a significant win.

Combining the record gross margins we achieved this year with the rigorous cost discipline shown on slide 17 reveals the true earnings power of Sezzle's model. By growing our revenue and margin dollars at a much faster rate than our overhead, we are successfully converting top-line momentum into significant bottom-line results.

This operational leverage flows directly into the bottom-line results on slide 18. GAAP net income for the fourth quarter reached \$42.7 million, representing a 32.9% profit margin. On an adjusted basis, we achieved \$42.8 million for the quarter and \$128 million for the year.

Meanwhile, slide 19 shows our adjusted EBITDA, which hit \$58.3 million in the fourth quarter, reaching a margin of 44.9%. For the full year, adjusted EBITDA rose to \$187.7 million, demonstrating the incredible scale of the Sezzle model.

Turning to our balance sheet on slide 20, our liquidity position remains strong. We ended the year with total cash of \$102.6 million, which includes \$38.5 million in restricted cash, primarily representing the reserves required under our partnership with WebBank.

The growth in our total notes receivable to \$254.9 million is a direct reflection of the GMV volume we processed this quarter. To support this expansion, we increased the draw on our line of credit to \$141.3 million, but it's important to note that our recent facility expansion to \$225 million has significantly increased our unused capacity to \$73.5 million as of year-end.

On the capital allocation front, we continue to prioritize shareholder value. Following the completion of our \$50 million repurchase program, the board authorized a new \$100 million program in December. This reflects our confidence in our cash-generating power, evidenced by net cash provided from operations reaching \$209.9 million for the year.

One housekeeping item to note; beginning this period, we classified notes receivable-related cash flows from operating activities to investing activities in our consolidated statement of cash flows and recast prior periods to conform with this presentation.

You can see this reconciliation at the bottom of slide 20 for the periods presented. Note, this change had no impact on total cash, the net change in cash for the period, or our overall liquidity. The quarterly impact of the restated cash flow presentation will be included in tomorrow's Form 10-K filing.

Slide 21 is a look back at how we performed against the updated guidance we provided in November. I'm happy to report that we consistently exceeded expectations.

Finally, turning to slide 22, we are providing greater detail for the year ahead. Based on the health of our ecosystem and the operational leverage we've proven out this year, we are guiding to total revenue growth of 25% to 30% for 2026. This shift from the 66.1% growth we achieved in 2025 reflects a transition to a normalized organic trajectory following a year of unique tailwinds.

Our 2025 results were bolstered by the full-year impact of our mid-2024 credit risk expansion and the national unification of our product structure through the WebBank partnership. Additionally, we are targeting adjusted net income of \$170 million, which translates to an adjusted EPS of \$4.70, a 30.9 % increase over our 2025 results.

Please note that this guidance does not bake-in any projections for new products currently in development. Rather, it reflects our confidence in the sustained momentum of our core business and our commitment to growth while maintaining the cost discipline that has become our hallmark.

Thank you, and I will now turn it over to the operator for Q&A.

## **QUESTION AND ANSWER**

### **Operator**

We will now begin the question-and-answer session. To ask a question, you may press "\*" then "1" on your telephone keypad. If you are 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." At this time, we will pause momentarily to assemble our roster.

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

### **Mike Grondahl**

Hey guys, congrats on the progress in the year. Any comment on the State of New York and kind of some of the regulations they are looking at, you know, your exposure there, some thoughts?

### **Charles Youakim**

Yes, good question, Mike. You know, we saw that come out. I would say first half; I don't think it's going to be a big impact and no impact really this year because it takes a few months here for that to go out. But it really a lot of it mimics what we saw from the CFPB in terms of their guidance on how PMPL companies should be operating with a few tweaks here and there, some slight differences that I don't, you know, in the end, I think even after those differences would create relatively insignificant results. I would say the more concerning trend is just the trend in our politics states kind of jumping in and wanting to have a say on every products and every industry right now, quite frankly.

Sometimes, I feel like we are heading towards the EU, which is not a great way forward, I think, for our country. But we are navigating that too. So the viewpoint is that we are looking at getting an ILC. That's why that process has been going underway, because that strengthens us, makes us more of a national-type presence. And then we also just have other ideas in mind in terms of evolving the BMPL product, adding additional products, which just strengthen our resilience against a single type product and any effects that might come from something like this. So I think we are thinking about it. We saw it. We are continuing to think ahead about

how to continue to evolve to make sure that anything like that that continues, or if a trend like this continues, we are protected.

**Mike Grondahl**

Got it. And then two other quick questions. One, just on your annual guidance for 2026, the revenue less transaction margin and adjusted EBITDA, those I think were not provided. Are you just kind of tightening up what you are providing or any thoughts there?

**Charles Youakim**

Lee, do you want to comment on that one?

**Lee Brading**

Yes. Hey, Mike. Yes, and I talked earlier in the comments that we had a gross margin target kind of 55% to 65%. So kind of leave it up to you guys. We are going to work within that range. And we disclosed also the non...the operating the non-transaction related operating expenses and how we continue to leverage that. So you can kind of work that into your model. We expect to continue leveraging that going forward as well.

**Mike Grondahl**

Okay. And then lastly, you guys had talked last fall about de-emphasizing the on-demand product and focusing on higher margin subscriptions. That seemed to go well. Do you attribute that to just less options at checkout the marketing dollars? Just talk a little bit about that.

**Charles Youakim**

We have done that, and it's really more about what you show the customer first. So I always talk about business being art and science. And some of our gut instinct at the start of last year was we thought that on-demand would be a great onboarding towards the bridge to subscription. And what we found is it really didn't turn out to be the perfect bridge. So after we saw that kind of that bridge not...transition model not working as well as before, we basically stopped emphasizing like the presence of the ability to do one-off type purchases to consumers. We started really just kind of leading with, you know, subscribe. We would love to see you subscribe to anywhere premium. And that created all the differences.

**Mike Grondahl**

Clearly you had enough of a hit rate there. So that just kind of worked. Is that the right way to think about it, Charlie?

**Charles Youakim**

Exactly. Exactly. So the conversion rate into on-demand, where it's just as, you know, pay-as-you-go, it is higher, but it was only slightly higher. So our view was like, it's better to have the consumer marry you and just make the commitment, because when they marry you, it's like they are all in, they stop looking at the other competitors. And I think that when they are doing this kind of on-demand, which we still have in our suite and it's still growing. it's still a product in our suite, it's still growing, but it's just de-emphasized. But I think when your customers are on on-demand, it's still a good product for us, but I think that it's like dating, and they are still looking around. And that's why we like the subscription approach.

**Mike Grondahl**

Thank you.

**Operator**

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

**Rayna Kumar**

Hi, good results, and thanks for taking my question. Could you give us any clarity on how the quarterly cadence could look for revenue and earnings?

**Charles Youakim**

Yes, what do you mean by that, Rayna?

**Rayna Kumar**

You gave a full-year guide, which is very helpful, but just how should we think of some of these metrics on a quarterly basis?

**Charles Youakim**

Well, you know, on a seasonality basis...go ahead, Lee.

**Lee Brading**

Now, I'll go ahead. I was going to go into that on the seasonality, so go ahead.

**Charles Youakim**

Okay. Yes. So on the seasonality front, I think that is really the key driver here. What tends to happen in the first quarter is we have...I almost kind of liken it to, like, a boat slowing down. If you are, like, in a boat and it slows down, the wave kind of comes in. And so what happens in the first quarter, our GMV tends to slow down versus the fourth quarter because the fourth quarter is a holiday period. But our payments come into the first quarter. And so that tends to happen as it tends to raise our take rate on GMV. And then that tends to expand our gross margins at the same time. And then PLR tends to come down in the first quarter as well because it's a tax season for our consumers. And they are generally getting rebates. So those are kind of the dynamics in the first quarter.

Second and third quarter kind of normalize. They are just like, you know, just standard quarters. And then fourth quarter, a little bit of the inverse because our consumers with a lot more subscribers, they tend to be spending more of their limit in that quarter. That tends to take the take rate down, and then PLR tends to be higher in the fourth quarter. So that's kind of like the general seasonality. So I think it's always difficult for investors, and we always try to call this out, we don't recommend annualizing fourth quarter. We don't recommend annualizing first quarter. We recommend looking at our historical and then kind of like, you know, maybe trend lining things out. Does that help?

**Rayna Kumar**

Got it. Okay. That's very helpful. And then one more from me. Just in the fourth quarter, I noticed your merchant count was 463K, and that was down a bit from the 474K you reported in the third quarter. Anything to call out there?

**Charles Youakim**

I think maybe just the level of saturation. You know these Anywhere customers, they're kind of reaching the saturation point of the number of merchants that they shop at. So I think that number, I guess we might expect some stability in that number quarter-to-quarter-to-quarter at this point.

**Rayna Kumar**

Got it, thank you.

**Charles Youakim**

No problem.

**Operator**

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

**Hal Goetsch**

Hey, guys, terrific year. And Lee, congratulations on the new role. I wish you the best in that. I wanted to ask you about your tightening decision, and you really outperformed on provisioning by my model by over 100 basis points. You know, we saw a few other short-term lenders and Fintech's tighten in the fourth quarter. I was curious what you guys saw that made you do that, and was there a tradeoff between that and UMS? Thanks.

**Lee Brading**

Yes, good question, Hal. So I think if you look, you know, thinking back to like, I know it's hard to remember back that far, but August, September timeframe last year, there was a lot of chatter about the health of the consumer. We were hearing it. I mean, it was everywhere. And so I think that made us a little bit more cautious. And I would say we only slightly tightened on like one of our models. So there was some tightening, but I think we were just super vigilant watching because there was a level of concern just across the entire US economy with that. And then I think what it showed is the consumer ended up being healthy.

So like that, maybe the over concern around the consumer, it was, you know, maybe a little bit unwarranted, I guess, in the end. And so I think that did a number on driving that provision lower. We also did launch new models as well in the company. So we launched a couple of new models. That also helped because the new models had higher performance levels, so that added into that.

And then in terms of the trade-off on GMV, hindsight is 20-20 knowing the results that all of that provided, I think we probably would have preferred to try to get some more consumers through the pipeline and getting...probably increase GMV. But I guess what you could say is, since we are guiding to the 2.5 to 3 provision for this year, I think that presents an opportunity for us with the new models in place and a new knowledge that we think we can probably maybe even open further to help drive more GMV and more users.

**Hal Goetsch**

Terrific. Two quick follow-ups. One is, you had a lot of operating leverage on non-transaction operating expenses, but in dollars, the expenses were still up about 50% year-over-year. I was curious, you know, this was a big investment year and a lot of the things you built, and what can we expect from that kind of growth, maybe, directionally in our rate in 2026. And my follow-up...the next one is on the banking charter discovery. Why isn't WebBank enough? And doesn't WebBank pricing protect you from any state rules like New York changes and BNPL? Thanks.

**Charles Youakim**

Yes, so on the second question first, you know, I am with WebBank, and WebBank is a fantastic partner. We have been very happy working with them. The only thing, I guess, the challenge is that some of these states are taking angles at the banking as a service partnership model. For

whatever reason, new Fintech's, new products, right or wrong, and I think in our case wrong, just kind of draws the ire of politicians. They just want to, I guess, claim victories by saying that they are stopping things. So I think one of the ways that they think they can stop new Fintech's is challenging the banking as a service model, which is unfortunate. But so like one of the ways we are viewing it as a defense against that is becoming ourselves. And then by having that tool within our tool belt, you know, we are defense...we are future proofed against that sort of like mantra or attack against these younger Fintech's like ourselves. And then on the operational expenses, I don't know, maybe Lee, do you have any comments on that?

### **Lee Brading**

Yes, if you think about our operational expenses, the two big parts are really personnel and marketing. Personnel, you are going to see that slightly trend up, but we have done a really good job of maintaining that. But really, we really see it is on the marketing side. As Charlie mentioned earlier, we focus on a six-month payback, and we're going to keep pushing that as long as we are achieving those kind of levels. But that's where you see most of that movement on an absolute basis.

### **Hal Goetsch**

Thanks, Lee.

### **Operator**

The next question comes from Hoang Nguyen with TD Cowen. Please go ahead.

### **Hoang Nguyen**

Thanks for taking my question and congrats on the good quarter. I want to touch on the provision. You mentioned favorable repayment performance in the fourth quarter. I think you are also pivoting back towards subscription, which should have better credit quality as well. But at the same time, I think the provision guidance of 2.5 to 3. I guess, I mean, it's not a lot of improvement versus 25. So again, you talk a little bit about how we should think about this going forward and whether there would be any improvement as you guys continue to focus on subscription.

### **Charles Youakim**

Yes, it was actually...sure it was actually a little bit of a step-up on 2025. So, 2024, we had a 2.2% for the year, 2025, 2.3% for the year, and then now the guidance of 2.5%-3%. And the main reasoning of how we think about the provision guidance and it's what we're trying to model for, is this gross margin range of, like, 60%-65% gross margin. So, when our...as our financial strength on take rate rises, that lifts the top end of our unit economics. And then because we're doing such a wonderful job on scaling with transaction processing costs going down, with our cost of capital going down, our cost of funds in the unit economics, it actually expands the size of what we can accept on provision to still hit that unit economic range of that 60%-65%. So, that's how we think about it. And we're planning to design to that. And so, that's basically why we give the guidance, because that's where we think it would be a pretty healthy area for us to run.

### **Hoang Nguyen**

Got it. And maybe you guys have any early read on the tax refund season, given that you guys serve more low-end consumers? Any trends you would note for us? Thank you.

### **Charles Youakim**

No, nothing really pops out. I think it looks like business as usual on the tax refund season.

**Hoang Nguyen**

Got it. Thank you.

**Operator**

Again, if you have a question, please press "\*", then "1." Our next question comes from Kyle Peterson with Needham & Company. Please go ahead.

**Kyle Peterson**

Great. Good afternoon. Thanks for taking the questions. You know wanted to start as kind of a follow-up on credit. Obviously, really good to see the lower cost there and, particularly the commentary on some of the record kind of third and fourth payments. I just wanted to see, does that give you guys any more either appetite or confidence to potentially ramp-up something like a Pay-in-Five, that I know you guys have been doing a little bit more work on? So, any color there, kind of in terms of appetite, whether it's mix or on the product side or customer side, that will be helpful.

**Charles Youakim**

That's a great question. I would say you're spot on. I think it does give us a little bit more appetite because the trade-offs in a Pay-in-Five product, because of the one extra payment, you are going to have slightly higher provision on a product like that. Whenever you extend out terms, I think in our industry, I think you're always looking at that sort of a trade-off. And that probably will be a big part of it. And we love Pay-in-Five. And our consumers...mainly because I would say our consumers are showing us that they love Pay-in-Five, which is for us, when we see that, it increases attraction rates, it increases retention rates. And we've designed our business in a way that even though we're...have some trade-offs where maybe a provision might be slightly higher from Pay-in-Four, Pay-in-Five. We've also designed the system so the unit economics kind of gets in the same sort of place.

**Kyle Peterson**

Got it. Yes, that's really helpful. And then maybe just to follow-up on capital allocation. Appreciate the share repurchase commentary that you guys provided. I guess, it looks like based on the statements, looks like you guys bought about, you know, \$30 million back in the fourth quarter. So, was that reasonably back-end weighted? I guess if so, should we expect a little bit of a modest dip in shares sequentially in the first quarter on a weighted average basis? And then I guess, how are you guys thinking about capital allocation, from here balancing, whether it's organic investment, potential M&A or, buybacks, obviously, with the stock trading at pretty attractive levels?

**Charles Youakim**

I don't remember the exact weightings of the buybacks. Lee, do you have any thoughts on that?

**Lee Brading**

Yes, so we finished our \$50 million buyback in December, and we announced a new \$100 million right before we went into our blackout period. Our K will be coming out tomorrow after the close, and in that, you'll see what we did to finish out that \$50 million. That'll be disclosed in there. Then we had a 10b-5 right now right during our blackout period. And so, I'll jump a little bit ahead of this and Charlie, wrap it up on the allocation, but we are very opportunistic on buybacks. We look at it as...we don't look at it as a company like, hey, we want to reduce X amount of dilution. It's about being opportunistic because we have a lot of organic opportunities

as a company away from just buybacks. So, we have a lot to do, and so it's just about finding the right balance in all those things.

**Charles Youakim**

Yes, and the way we think about things is, first and foremost, it's always internally in the business. Is there something that we have this capital flowing in because we've designed the business in a very favorable way now with cash flow. So, we've got cash coming in, and as we're looking at new projects, we want to allocate that cash to projects. But I always tell people, it's like, we're not like a Tesla. We're not building factories. It's if we want to launch a new product, it's typically bringing on new team members and allocating or reallocating team members across different projects.

So, it's truly pretty capital light for us to take on new projects. That's not usually a big need of that cash. Potentially partnerships, that could be a use of cash, but that's not like...you're not having a flow of like, here we got these 20 partnerships available, let's do them, or let's do the top five. It's...they're...they come and go based on where potential partners are in their lifetimes. So, that's hard to predict, but we like to have the cash available in case that those types of opportunities come about.

And then M&A, if you've ever...I mean, our history of our company, we've never done M&A. We've always typically been a buy versus build or build versus buy shop. We're not against it, but in the past, we've always seen... and maybe this is changing a little bit now, but in the past, there was always just, in my opinion, absurd valuations based on unit economics and financial metrics that just never seemed like it would make sense for us. We'd always, well, we'll just build it if we want to do that, you know, for these prices. So, it's never really been something that popped up for us. It's not out of the question. If the market dynamics change, I guess M&A could be there. It's just...I just want to be level set. It's just never been something that's been a top one for us. And then that basically leaves you with buybacks and dividends.

And we said in the past that one-time dividend could happen. I'm not saying anytime near time, but it's something that's in the cards if the situation fits. And then buybacks, as Lee mentioned, just be opportunistic about it. It's not about trying to hit certain metrics with buybacks. We have no...I always reiterate this because I think it's important for investors to know. No one in the executive team, no one on the Board has any performance comps tied to share price. We don't use buybacks in that sort of way. Like, there, I guess there should be no concern that buybacks are being done to try to affect the share price. We really view it as like when we see a time period where there's a great safety factor, great time to buy, we'll do it.

**Kyle Peterson**

Okay. Great. Really appreciate you guys taking the questions and nice results.

**Charles Youakim**

Thank you.

**Operator**

There is a follow-up question from Hal Goetsch with B. Riley Securities. Please go ahead.

**Hal Goetsch**

Hey, I want to know more about the Mobile plan and how that came about, maybe who your carrier partner is, and is that, even though it's been announced, is that...those...that potential is not in your forecast, is that correct, for subscribers and revenue from the Mobile plan?

**Charles Youakim**

That's correct, Hal. Yes.

**Hal Goetsch**

Do you have any goals for this? Do you have, yes, any thoughts on like, the pace and cadence of the uptake of this, you can share with us? Thanks.

**Charles Youakim**

Yes, I mean, good...really good question. So, the reason we're looking at Sezzle Mobile, or the reason we're launching it soon here in the next month, and the reason we looked at it in the first place, we thought it was just, from the mindset of helping an everyday American save money. Like, for us, when we started to see the numbers and the opportunity, it was like, this is a potential home run for our consumer. If the average consumer out there is paying \$140 a month, I mean I know my bills over a couple hundred, but I mean, I'm not totally normal. But the average is \$140 a month. I mean, if you can get a plan down to \$30, as an Anywhere subscriber and maybe like \$15 more per line or so, I can't remember the exact details, but it's not expensive to add lines on this plan.

Our view is that we can save this customer a lot of money, and if you can save the customer a lot of money, then they're going to be even more loyal to you. The partner...so the partner is AT&T, is who we're working with through an intermediary. And the viewpoint is, I don't know if we have hard numbers. Of course, every time we launch a product, we'd love it to be a success, and we survey it ahead of time to make sure that customers would be interested in the product. But the real viewpoint is that it could potentially bring in adjacent customers. Like we could start putting landing pages out there, not that we would necessarily want to start competing with Mint Mobile, but we could get some landing pages out there and some promotions out there that could potentially bring in some adjacent customers, like near space adjacent customers, that could be introduced to BNPL as well.

So, we think it's actually an acquisition opportunity to bring new customers in through different funnels. And then we think it's a great retention tool because once you've got a customer in that mobile plan through subscription with Anywhere, we feel like it's just a really superior lock-in into our subscription. For good reasons like the customer's not going to want to leave anyway, but I think people just generally don't flip-flop mobile plans a lot. So, the tie-in with that we thought would be great.

**Hal Goetsch**

Excellent. All right. Super. Thanks a lot.

**Charles Youakim**

No problem.

**Operator**

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

## CONCLUSION

### Charles Youakim

Thank you, operator. I want to give a big thank you to the Sezzle team. 2025 was a remarkable year, a record year for us on nearly every metric, and it happened because of the incredible talent and drive of the people at this company. We continue to execute at a high level, and that is a direct reflection of the quality of our team.

And to close this out, Warren Buffett once noted, "The big question is whether you are going to be a person who measures your life by an inner scorecard or an outer scorecard." I know everyone on this call cares about the stock price. We track it, too. But I think the real key to our successes at Sezzle has been our tracking on our inner scorecards for each of our key stakeholders, our consumers, our merchants, our team, our partners, our investors, and our community.

For our consumers, we measure ourselves in how much utility we provide, whether through Sezzle Anywhere or our credit-building tools, or new money-saving tools like Sezzle Mobile. For our investors, we focus on scaling and being efficient with our growth. Examples of that are our return on equity exceeding 100% and our revenue growth roughly tripling our OPEX growth. What I think this shows is Buffett's quote is spot on. When you focus on the inner scorecards, the outer scorecards take care of themselves.

Thank you for your continued trust in our journey. Cheers to the long-term holders, and have a great evening.

### Operator

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