



SEZZLE INC.
ARBN 633 327 358

REPLACEMENT PROSPECTUS

A fully underwritten initial public offer of 35,714,286 CHESS Depositary Interests (CDIs) over shares of common stock in the Company at an issue price per CDI of A\$1.22 to raise approximately A\$43.6 million before associated costs.

This is a replacement prospectus dated 8 July 2019. It replaces a prospectus dated 24 June 2019 relating to an offer of CDIs over shares of common stock in the issued capital of Sezzle Inc., a foreign company registered in its original jurisdiction of the United States.

This is an important document. Please consult your professional adviser(s) if you have any questions. Investment in the CDIs offered by this Prospectus should be regarded as speculative in nature.

ORD MINNETT

LEAD MANAGER AND UNDERWRITER



Important Notices

Offer

The offer (the **Offer**) contained in this replacement prospectus (the **Prospectus**) is an invitation to acquire CHESS Depositary Interests (**CDIs**) over shares of common stock (**Shares**) in Sezzle Inc. (ARBN 633 327 358) (**Sezzle** or the **Company**), a foreign company registered in Delaware.

The Prospectus is issued by the Company for the purpose of Chapter 6D of the Corporations Act.

Lodgement and listing

This replacement prospectus is dated 8 July 2019 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. It replaces the prospectus issued by the Company dated 24 June 2019 that was lodged with ASIC on that date.

The Company will apply to the Australian Securities Exchange (**ASX**) for Admission of the Company to the Official List of the ASX (the **Official List**) and for quotation of the CDIs on the ASX within seven days of the date of this Prospectus.

You should not view the fact that the ASX may admit the Company to the Official List as an indication of the merits of the CDIs, the Offer or the Company.

Neither ASIC nor ASX (or their respective officers) take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry Date

No CDIs will be issued on the basis of this Prospectus after 24 July 2020, which is 13 months from the date of this Prospectus.

Notice to Applicants

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

This Prospectus is important and you should read it in its entirety, along with each of the documents incorporated by reference, prior to deciding whether to invest in the Company's CDIs. There are risks associated with an investment in the CDIs, and you must regard the CDIs offered under this Prospectus as a speculative investment. Some of the risks that you should consider are set out in Section 7 (**Risk Factors**). You should carefully consider these risks in light of your personal circumstances including financial and taxation issues. There may also be additional risks that you should consider in light of your personal circumstances.

If you do not fully understand this Prospectus or are in doubt as to how

to analyse or interpret it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional adviser before deciding whether to invest in the CDIs.

Except as required by law and only to the extent so required, no person named in this Prospectus warrants or guarantees the Company's performance, the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer, other than as is contained in this Prospectus. Any information or representation not contained in this Prospectus should not be relied on as having been made or authorised by the Company, the Directors, the Lead Manager or any other person in connection with the Offer. You should rely only on the information in this Prospectus.

Foreign jurisdictions

This Prospectus does not constitute a public offer or invitation to apply for CDIs in any jurisdiction other than Australia. No action has been taken to register or qualify the CDIs or the Offer, or to otherwise permit a public offering of CDIs, in any jurisdiction outside Australia.

There may be legal restrictions related to the distribution of this Prospectus (including in electronic form) outside Australia and therefore any person who resides outside Australia and who receives this Prospectus outside Australia should seek advice on, and observe, any such restrictions. Any person who has a registered address in any country outside of Australia and who receives this Prospectus may only apply for CDIs if that person is able to reasonably demonstrate to the satisfaction of the Company that they may participate in the Offer relying on a relevant exception from, or are not otherwise subject to, the lodgement, filing, registration or other requirements of any applicable securities laws in the jurisdiction in which they have such registered address.

The Company will not offer to sell, nor solicit an offer to purchase, any securities in any jurisdiction where such offer, sale or solicitation may be unlawful. Any failure to comply with these restrictions may constitute violation of applicable securities laws.

This Prospectus may not be released or distributed into the United States of America (the **United States**). This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to a 'US Person' as defined in Rule 902(k) of Regulation S of the *United States Securities Act of 1933* (a **US Person**) under the US Securities Act, as amended (**US Securities Act**).

Any securities described in this Prospectus have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States or to US Persons except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful.

For details of selling restrictions that apply to the Offer and the sale of CDIs in certain jurisdictions outside of Australia, please refer to Section 8.15.

Notice to United States residents

The CDIs being offered pursuant to this Prospectus have not been registered under the US Securities Act or any US state securities laws and may not be offered or sold in the United States or to a US Person absent registration or an applicable exemption from registration under the US Securities Act and applicable US state securities laws.

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the CDIs or distribution of this Prospectus or other offering material or advertisement in connection with the Offer in any state or other jurisdiction in which such offer, solicitation, distribution or sale would be unlawful under applicable law, including the US Securities Act and applicable state securities laws. In addition, any hedging transactions involving the CDIs or any Shares into which the CDIs may be converted may not be conducted unless in compliance with the US Securities Act and applicable US state securities laws.

Persons who come into possession of this Prospectus outside of Australia should seek advice on, and observe, any such restrictions.

FOR US restrictions

The CDIs being offered pursuant to this Prospectus are being made available to investors in reliance on the exemption from registration contained in Regulation S of the US Securities Act for offers which are made outside of the United States. As a result of relying on the Regulation S exemption, the CDIs that are issued under Regulation S and the Offer will be 'restricted securities' under Rule 144 of the US Securities Act. This means that investors in the Offer will not be able to sell the CDIs issued to them under the Offer into the United States or to a US Person for a period of 12 months from the date of allotment of the CDIs under the Offer, unless the resale of the CDIs is registered under the US Securities Act or an exemption is available.

Please refer to Section 8.15 and Section 9.12 for further information. To enforce the above transfer restrictions, the Company has requested that all CDIs issued under the Offer, or any Shares into which the CDIs are converted into prior to the end of the restriction period, contain a legend to the effect that transfer is prohibited except in accordance with Regulation S of the US Securities Act, or pursuant to an available exemption from registration and that hedging transactions involving the CDIs, or any Shares into which CDIs may be converted, may not be conducted unless in compliance with the US Securities Act.

In addition, the Company has requested that all CDIs issued under the Offer bear a 'FOR US' designation on the ASX. This designation effectively automatically prevents any CDIs from being sold on the ASX to US Persons. However, investors will still be able to freely transfer their CDIs on the ASX to any person other than a US Person. Please refer to Section 9.12 for further information on the 'FOR US' restrictions which will be placed on the CDIs.

Finally, all investors subscribing for CDIs under the Offer will be required to make certain representations and warranties regarding their non-US status in their Application for CDIs under the Offer. Please refer to Section 9.12(c) for further information.

Financial Information

Section 5 of this Prospectus sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that information.

The Financial Information included in this Prospectus has been prepared and presented in accordance with Generally Accepted Accounting Principles in the United States of America (**US GAAP**) and is expressed in US dollars, except where otherwise stated.

All financial amounts contained in this Prospectus are expressed in US dollars and rounded to the nearest 000 (thousand) unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Disclaimer

As set out in Section 8.18, it is expected that the CDIs will be quoted on the ASX. The Company, the Company's service provider Computershare Investor Services Pty Limited (**Share Registry**) and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade CDIs before receiving their holding statements.

No person should rely on any information that is not contained in this Prospectus for making a decision as to whether to acquire CDIs under the Offer.

No person is authorised to give any information or make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, its Directors, the Lead Manager or any other person in connection with the Offer. You should rely only on the information in this Prospectus.

This Prospectus contains industry data and forecasts that were obtained from industry publications, third-party market research and publicly available information. These publications generally state or imply that the information contained in them has been obtained from sources believed to be reliable, but the Company has not independently verified the accuracy or completeness of such information.

This Prospectus also includes trademarks, trade names and service marks that are the property of other organisations.

Past performance

This Prospectus includes information regarding past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Forward-looking statements

This Prospectus contains forward-looking statements that are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7 of this Prospectus.

Contract summaries

Summaries of contracts detailed in this Prospectus are included for the information of potential investors but do not purport to be complete and are qualified by the text of the contracts themselves.

Risk factors

Shareholders and potential investors should be aware that subscribing for CDIs in the Company involves a number of risks. The key risk factors of which Shareholders and investors should be aware are set out in Section 7 of this Prospectus. These risks, together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the CDIs in the future. Accordingly, an investment in the Company should be considered highly speculative. Shareholders and investors should consider consulting their professional advisers before deciding whether to apply for CDIs pursuant to this Prospectus.

Exposure period

The *Corporations Act 2001* (Cth) (the **Corporations Act**) prohibits the Company from processing Applications for CDIs under this Prospectus in the seven-day period after the date of this Prospectus (**Exposure Period**). This period may be extended by ASIC by up to a further seven days. The Exposure Period is to enable this Prospectus to be examined by ASIC and market participants prior to the raising of funds under the Offer. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

Cooling-off rights

Cooling-off rights do not apply to an investment in CDIs acquired under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application to acquire CDIs under this Prospectus once it has been accepted.

Electronic Prospectus and Application Form

A copy of this Prospectus may be downloaded from the Company's website at <https://sezzle.com/investors>. Any person accessing the electronic version of this Prospectus for the purpose of making an

Important Notices (cont.)

investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The information on the Company's website at <https://sezzle.com/> does not form part of this Prospectus.

A hard copy of this Prospectus will be available for Australian residents free of charge during the Offer Period by contacting the Sezzle IPO Offer Information Line on 1300 171 784 from 8.30 am to 5.00 pm (AEST) Monday to Friday (excluding public holidays). If you are eligible to participate in the Offer and are calling from outside Australia, please call +61 3 9415 4068.

The Offer constituted by this Prospectus in electronic form is only available to persons receiving an electronic version of this Prospectus and relevant Application Form within Australia. Applications will only be accepted on the relevant Application Form attached to, or accompanying, this Prospectus or in its paper copy form as downloaded in its entirety from <https://sezzle.com/investors>.

Persons having received a copy of this Prospectus in its electronic form may obtain an additional paper copy of this Prospectus and the relevant Application Form (free of charge) by contacting the Sezzle IPO Offer Information Line on 1300 171 784 from 8.30 am to 5.00 pm (AEST) Monday to Friday (excluding public holidays).

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is accompanied by or attached to a complete and unaltered copy of this Prospectus. Prospective investors wishing to subscribe for CDIs under the Offer should complete the Application Form. If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

Privacy statement

By completing an Application Form, you are providing personal information to the Company through the Share Registry, which will manage Applications on behalf of the Company. The Company, the Share Registry on behalf of the Company and the Lead Manager may collect, hold, use and disclose that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request

and carry out appropriate administration of your investment.

The Company will only use and/or disclose your personal information for the purposes for which it was collected or for other related purposes and as permitted or required by law. If you do not wish to provide the information requested in the Application Form, the Company and Share Registry may not be able to process your Application.

The Company and the Share Registry may also share your personal information with agents and service providers of the Company or others who provide services on the Company's behalf, some of which may be located outside Australia where personal information may not receive the same level of protection as that afforded under Australian law.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- > the Share Registry for ongoing administration of the register of members;
- > printers and other companies for the purposes of preparation and distribution of statements and for handling mail; and
- > legal and accounting firms, independent auditors, contractors, consultants and other advisers for the purposes of administering, and advising on, the CDIs, the Shares and associated actions.

Information contained in the Share register will also be used to facilitate dividend payments (if any), corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to gain access to their personal information that the Company and Share Registry may hold about that person, subject to certain exemptions under law.

By completing an Application Form, or authorising a Broker to do so on your behalf, or by providing the Company with your personal information, you agree to this information being collected, held, used and disclosed as detailed in this privacy statement.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

Sezzle website

Any documents included on the Company's website at <https://sezzle.com/> (and any reference to them) are provided for convenience only and none of the documents or other information on

the Sezzle website are incorporated by reference into this Prospectus.

Photographs and diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Time

All references to time in this Prospectus are references to AEST, being the time in Sydney, New South Wales, Australia, unless otherwise stated.



Regulation of Sezzle

As the Company is not established in Australia, its general corporate activities (apart from offering securities in Australia) are not regulated by the Corporations Act or by ASIC, but instead are regulated by Delaware General Corporation Law (DGCL) and applicable US law. See Section 9.9 for a comparison of the laws governing the Company as a US company, with the laws governing Australian publicly listed companies generally.

Currency conversions

Where an amount is expressed in this Prospectus in Australian dollars and US dollars, the conversion is based on the Indicative Exchange Rate (being A\$1.00:US\$0.69). The amount when expressed in Australia dollars or US dollars may change as a result of fluctuations in the exchange rate between those currencies.

Glossary

Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in the Glossary at the end of the Prospectus.

Questions

If you have any questions about how to apply for CDIs, please call your Broker. Instructions on how to apply for CDIs are set out in Section 8.12 of this Prospectus and on the back of the Application Form.

Alternatively, call the Sezzle IPO Offer Information Line on 1300 171 784 (within Australia) and +61 3 9415 4068 (outside Australia) from 8.30 am to 5.00 pm (AEST) Monday to Friday (excluding public holidays).

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, broker, lawyer or other professional adviser before deciding whether to invest in the Company.

Replacement Prospectus

This Prospectus is a replacement prospectus and makes changes to the original prospectus dated 24 June 2019. The material changes made to the original prospectus were:

- > amendments to Section 1.2 and 1.3;
- > amendments to Section 2.2, 2.3, 2.4 and 2.8;
- > include additional information in Sections 3.1 and 3.5; and
- > amendments to Section 5.5 and 5.10.

This Prospectus is important and should be read in its entirety.



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Offer Information and Key Dates

IMPORTANT DATES

Lodgement of original prospectus with ASIC	24 June 2019
Lodgement of Prospectus with ASIC	8 July 2019
Broker Firm Offer and Priority Offer opens	9 July 2019
Broker Firm Offer and Priority Offer closes	19 July 2019
Settlement of the Offer	24 July 2019
Issue and Allotment of CDIs	29 July 2019
Expected date for quotation and CDIs trading on ASX on a deferred settlement basis	30 July 2019
Expected dispatch of holding statements	31 July 2019
Expected date for quotation and CDIs trading on ASX on a normal settlement basis	1 August 2019

Dates may change

The above dates are indicative only and may change without notice.

The Company and the Lead Manager reserve the right to amend any and all of the above dates without notice (including, subject to the Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications (either generally or in particular cases), or to cancel the Offer before CDIs are issued by the Company). If the Offer is cancelled before the issue of CDIs, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Investors are encouraged to submit their Applications as soon as possible after the Offer opens. All times stated throughout this Prospectus are AEST.

Questions

Please call the Sezzle IPO Offer Information Line on 1300 171 784 (within Australia) or +61 3 9415 4068 (outside Australia) from 8.30 am until 5.00 pm (AEST) Monday to Friday (excluding public holidays). If you are unclear in relation to any matter, or are uncertain as to whether Sezzle is a suitable investment for you, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Sezzle.

KEY OFFER STATISTICS

Offer Price	A\$1.22
Ratio of CDIs per Share	1 CDI per Share
Number of CDIs available under the Offer	35.7 million
Gross proceeds of the Offer	A\$43.6 million
Total number of CDIs on issue on Completion of the Offer (on an undiluted basis) ¹	177.9 million
Number of Options and RSAs on issue on Completion of the Offer ²	15.3 million
Total number of CDIs on Completion of the Offer (on a fully diluted basis) ³	193.2 million
Indicative market capitalisation on Completion of the Offer (on an undiluted basis) ⁴	A\$217.0 million
Pro forma net cash (as at 31 December 2018) ⁵	A\$56.3 million
Indicative Enterprise Value at the Offer Price (on an undiluted basis) ⁶	A\$160.7 million

Notes:

1. Assumes all Shares are held in the form of CDIs.
2. Includes Options to be issued on the date of Admission. Refer to Section 9.6 for further details.
3. Calculated as the sum of the total number of CDIs on issue at Completion of the Offer (assuming that all Shares are held in the form of CDIs) and if all Options and RSAs on issue on Completion of the Offer were exercised in full.
4. The indicative market capitalisation on Completion of the Offer is determined by multiplying the total number of CDIs on issue at Completion of the Offer (assuming all of the Shares are held in the form of CDIs) by the Offer Price.
5. Refer to Section 5.6(a) for details of the components of pro forma net cash. Pro forma net cash includes Cash and cash equivalents less Borrowings – notes payable and Convertible Notes as detailed in the consolidated proforma historical statement of financial position. Refer to Section 5.6(d) in relation to cash outflows of the Company since 31 December 2018.
6. Enterprise Value is calculated as the indicative market capitalisation of the Company on Completion, less pro forma net cash.

Letter from Executive Chairman and Chief Executive Officer

24 June 2019

Dear investor,

On behalf of the Board of Directors, I am pleased to offer you the opportunity to become an investor in Sezzle Inc. (**Sezzle** or the **Company**).

Sezzle is a company incorporated and based in the United States with a mission to 'Financially Empower the Next Generation'. I believe that consumers are not getting the financial support they deserve, and find that this issue is especially prevalent with younger consumers. The Company is focused on correcting this issue and serving the consumer in a financially responsible way. Sezzle's base product is an interest-free instalment payment solution that benefits both consumers and the retailers that partner with the Company.

Sezzle's payment platform reaches consumers through its merchant partners as a payment option in the online checkout. This is an alternative to paying directly with a debit card or credit card at the time of purchase. The benefit to the consumer is multifaceted. Initially, Sezzle helps them gain access to additional budget-focused purchasing power through a quick and straightforward digital sign-up. Once the consumer has created their account with the Company, they tend to shop with us again because their subsequent checkouts are fast and secure. Sezzle's merchant partners are excited to partner with the Company due to the sales lift we provide through our product. Many merchant partners will go so far as to promote Sezzle to their customers because of the impact the merchant has seen Sezzle deliver.

Since launching its payment platform in 2017, Sezzle has grown at a tremendous pace. In 2018, Sezzle's Total Income grew by an average quarterly growth rate of 101%. Our End-customer and Retail Merchant Client growth closely matched that rate.

As at 31 March 2019, the Company had 3,321 Active Merchants in 12 countries, with the vast majority in the United States, and had 269,820 Active Customers.

Sezzle's Directors, shareholders and employees are proud of the Company's achievements to date and consider that conducting the initial public offering and seeking Admission to the Official List on the Australian Securities Exchange will assist the Company to meet its potential by facilitating the expansion and continued implementation of its growth strategy.

Following Completion of the Offer, the Company intends to focus on (among other things):

- > continuing its growth into the small and medium-sized enterprise merchant segment and increasing the number of merchants and End-customers using the Sezzle Platform through improved processes and marketing to this group;
- > expanding our team to support growth into enterprise merchant accounts;
- > supporting the recent launch and growth of the Sezzle Platform into Canada to satisfy the Retail Merchant Client and End-customer demands for this geographic expansion;
- > building out the Company's offline payment solution to support retailers' requests for this product feature; and
- > improving fraud and decisioning models through testing and implementation of machine learning.

The IPO is an important step for Sezzle, and will provide the Company the financial flexibility to fund its growth initiatives. The IPO will raise approximately A\$43.6 million (before costs) via the issue of 35,714,286 CDIs at an issue price of A\$1.22 per CDI (the **Offer**). The Offer will close at 5.00pm (AEST) on 19 July 2019, unless varied by the Board. The Company expects to issue and allot all CDIs on 29 July 2019, and if the ASX accepts the Company's application for listing, the Company anticipates that its securities will commence quotation on a deferred basis on the ASX on 30 July 2019, with normal trading starting on 1 August 2019.

This Prospectus contains important information regarding the Offer as well as detailed information regarding the Company's operations and financial position, the industry sectors in which Sezzle operates and future plans of the Company. Section 7 also sets out the key risks associated with an investment in Sezzle, which I encourage you to read in detail. These key risks include, among others, risks associated with Sezzle's limited trading history, our ability to increase transaction volumes and our ability to turn the Net Transaction Margin into a positive percentage.

I encourage you to read this Prospectus carefully, and in its entirety, before deciding whether to invest in the Company.

On behalf of the Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely,



Charlie Youakim

Executive Chairman and Chief Executive Officer

01

INVESTMENT OVERVIEW



01

Investment Overview

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The information below is a selective overview only. Prospective investors should read this Prospectus in full before deciding whether to invest in the CDIs the subject of the Offer.

1.1 Introduction

Topic	Summary	More information
Who is the issuer of this Prospectus?	Sezzle Inc. (ARBN 633 327 358) (Sezzle or the Company).	
Who is Sezzle?	<p>Sezzle is a technology-driven payments company based in the United States with the mission of financially empowering the next generation.</p> <p>The Company is registered as a 'foreign company' in Australia, under the Corporations Act, under the name Sezzle Inc. (ARBN 633 327 358).</p>	Section 2.1
What does Sezzle do?	Sezzle provides a payments platform that facilitates fast, secure and easy payments between End-customers and retailers. Sezzle's payment product is a short-term, interest-free instalment plan that delivers to End-customers both a budgeting and financing value proposition (the Sezzle Platform).	Sections 2.1 and 2.2
What industry does Sezzle operate in?	Sezzle operates in the payments sector of the retail industry.	Section 3
Why is the Company seeking to raise funds?	<p>The Offer is being conducted to provide the Company with:</p> <ul style="list-style-type: none"> (a) funding and financial flexibility to support the Company's growth strategy and future growth opportunities; (b) access to capital markets and additional funding flexibility in the future; (c) a liquid market for its CDIs and the opportunity for others to invest in its Securities; and (d) benefits of an increased brand profile that arises from being a listed entity. <p>The Company believes the Offer will also assist the Company to attract and retain quality employees by allowing the Company to offer employees the opportunity to be rewarded under the Company's employee incentive schemes.</p>	Section 8.4

1.2 Company and Business Overview

Topic	Summary	More information
What is the history of Sezzle?	The Sezzle founders created the Sezzle Platform after observing an increasing trend in the United States of a lack of availability of credit for consumers (particularly younger consumers). Sezzle's founders also felt that traditional short-term consumer finance products were not consumer-friendly and were not effectively structured and designed to facilitate digital commerce. It was understood that technology could have a significant impact by filling both of these gaps and with this in mind, the founders developed a technology-based company and the Sezzle Platform was launched in 2017.	Section 2.1
How does Sezzle generate income?	<p>Sezzle earns its income primarily from interest-free lending to End-customers who purchase goods from affiliated merchants. Sezzle pays the Retail Merchant Clients the value of underlying sales net of transaction fees charged by Sezzle (Merchant Fees) for facilitating the purchases by End-customers transacted on their web sites. Merchant Fees are generated on each discrete, approved order placed by the End-customer through the Sezzle Platform. The fee is predominantly based on a percentage of the End-customer order value plus a fixed fee per sale. Merchant Fees as a percentage of Merchant Underlying Sales were 4.8% and 3.0% in FY18 and FY17, respectively.</p> <p>Reschedule Fees are applied to End-customers where the shopper requests to shift their instalment schedule. Sezzle limits reschedules to two weeks from the originally scheduled date and allows End-customers to reschedule once per order for free. Additional reschedules on the order are levied a US\$5.00 fee and are dependent on the shopper agreeing to that additional fee.</p> <p>Sezzle Income for financial reporting purposes is determined by the transactions that comprise Merchant Fees and Reschedule Fees, net of Loan Origination Costs. This net amount is initially deferred in the Company's statement of financial position and then recognised in the Company's statement of financial performance over the duration of the End-customer instalment payment receivable. A fuller explanation of Sezzle's income recognition for financial reporting purposes is set out in Section 5.</p> <p>Sezzle's other main source of income is End-customer Other Income, which includes End-customer Failed Payment Fees, net of fee waivers and net of the expected cost of uncollectible amounts attributable to Failed Payment Fees.</p>	Section 2.3

Topic	Summary	More information
How does Sezzle generate income? continued	<p>Failed Payment Fees are applied in cases where the End-customer's payment fails in the automated payment process. In these instances, the fee is waived if the End-customer corrects the failure in the 48 hours after the failure of the payment. If the failure is not corrected in 48 hours, the Failed Payment Fee remains and must be paid before the End-customer can use Sezzle again. The Failed Payment Fee is currently US\$10.00.</p> <p>Sezzle does not charge interest or initiation fees for offering credit to End-customers and has no current plans to offer any interest or fee-bearing product to End-customers.</p>	Section 2.3
What is Sezzle's technology?	<p>Sezzle's technology consists of the:</p> <ul style="list-style-type: none"> > Sezzle Application Layer; > Sezzle Fraud Detection System; and > Sezzle Underwriting Engine. <p>The Company's technology described above has been built and continues to be maintained in-house by full-time Sezzle engineers. Sezzle considers that its intellectual property and operational strategy (including allowing flexibility in rescheduling instalment payments without penalty and waiving failed payment fees if failure is corrected within 48 hours) forms part of Sezzle's value proposition to both End-customers and Retail Merchant Clients.</p>	Sections 2.2(e) and 2.9
What are Sezzle's strategic initiatives and developments?	<p>Key initiatives to deliver growth include:</p> <ul style="list-style-type: none"> > delivering a compelling product with a value proposition for End-customers which they will want to use on a recurring basis; > delivering an equally compelling value proposition to Retail Merchant Clients (including future clients) in order to continue to penetrate and lead the 'buy now, pay later' market in North America; > utilising Sezzle's in-house technological development and processing systems focusing on its risk-conscious approach to extending instalment payment terms to End-customers; > rapidly growing Sezzle's newly launched presence in Canada and potentially other international markets; and > leveraging Sezzle's technology, market presence and knowledge base to expand into new product areas (including Sezzle Mobile). 	Section 2.5
What is Sezzle's financial position?	Based on the Offer raising A\$43.6 million, the Company's pro forma statement of financial position as at 31 December 2018 has net assets of US\$38.5 million (being approximately A\$55.8 million), including cash of US\$39.7 million and liabilities of US\$7.3 million.	Section 5
How will the Company report to CDI Holders on the performance of its activities?	The Company will send to CDI Holders an annual report and will also release information to CDI Holders in accordance with the continuous and periodic disclosure requirements of the Listing Rules.	Section 9.3

Topic	Summary	More information
Will the Company pay dividends?	<p>The current policy of the Company is to invest all cash flow into the business in order to maximise its growth. Accordingly, no dividends are expected to be paid in the foreseeable future following the Company's listing on ASX.</p> <p>It is intended no dividend will be paid following Admission in respect of the 2019 fiscal year.</p>	Section 5.11
How does Sezzle intend to fund its operations?	<p>Sezzle's funding capacity will expand significantly after its listing on the ASX is completed. The Company's cash balance will rise from US\$4.0 million at the end of 31 May 2019 to more than US\$29.1 million. Sezzle expects that these funds will be sufficient to fund its current operations given its expected growth rates. Sezzle also has access to funding under the Credit Agreement, which is a warehouse debt facility allowing for part funding of End-customer instalment plans on the Sezzle Platform.</p>	Sections 2.3, 8.5 and 8.6

1.3 Key Strengths

Topic	Summary	More information
Attractive value proposition for Retail Merchant Clients and End-customers	<p>Sezzle offers an attractive value proposition for Retail Merchant Clients and End-customers. The Sezzle Platform helps End-customers and Retail Merchant Clients transact online and provides a compelling value proposition from the perspective of both groups. For End-customers, the Sezzle Platform:</p> <ul style="list-style-type: none"> > facilitates online purchases to be made by interest-free instalment payments without any upfront fees being charged; > provides a way to access additional purchasing power in a way that encourages financial responsibility and budgeting; and > makes purchasing items online more affordable and flexible for End-customers. <p>For Retail Merchant Clients, the Sezzle Platform:</p> <ul style="list-style-type: none"> > facilitates the potential for increased sales by providing End-customers with flexible payment options and allowing access to Sezzle's affiliate network; and > creates an environment where average order values may increase and cart abandonment rates may fall by facilitating payments through instalments. 	Section 2.4(a)

Topic	Summary	More information
Large market opportunity	<p>Sezzle's current in-market product is relevant to most online retail categories and many service categories where End-customers wish to stagger payments over a relatively short time period without incurring additional costs or entering into a traditional loan.</p> <p>As at 31 March 2019, the Sezzle Platform had 3,321 Active Merchants in 12 countries, with the vast majority in the United States. The number of Active Merchants has grown by a quarterly average of 79.3% from 31 December 2017 to 31 March 2019 (unaudited). Past performance, however, is not necessarily an indicator of future performance.</p>	Section 2.4(b)
Strong market positioning and momentum	<p>Sezzle formally launched the Sezzle Platform in August 2017. Since this launch, Sezzle has made strong progress in developing its business and is experiencing rapid growth as evidenced by the metrics set out below:</p> <ul style="list-style-type: none"> > as at 31 March 2019, Sezzle had 3,321 Active Merchants. Sezzle completed the onboarding and integration of 367 merchants onto the Sezzle Platform in February 2019 and 356 merchants in March 2019. Prospective investors should note that the business of the Company is still at an early stage of its development and its quarterly growth noted above may not be an indicator of future growth as the business of the Company matures; > Underlying Merchant Sales have increased from US\$1.6 million for the quarter ended 31 March 2018 to more than US\$28.3 million for the quarter ended 31 March 2019 (unaudited); > Merchant Fee income has increased from US\$77,000 for the quarter ended 31 March 2018 to more than US\$1.4 million for the quarter ended 31 March 2019 (unaudited); > as at 31 March 2019, Sezzle had over 269,800 Active Customers, an increase of more than 4,370% since January 2018; and > as at March 2019, Returning End-customers were responsible for approximately 72.9% of all orders using the Sezzle Platform. 	Section 2.4(c)

Topic	Summary	More information
Attractive and disruptive business model	<p>Sezzle has an attractive business model that is disrupting traditional short-term financing products and which incorporates the following features:</p> <p>Scalable and transactional income streams</p> <p>The Sezzle Platform is scalable and can process a large volume of transactions resulting from an increase in the number of Retail Merchant Clients.</p> <p>Capital-efficient business model</p> <p>Sezzle employs capital to fund the period between paying its Retail Merchant Clients upfront and the time it takes to recoup full payment from the End-customer. Sezzle instalment plans to End-customers, at the time of initiation, have an expected term of 42 days. The End-customer is initially obliged to repay equal one-third instalments each 14 days over this 42-day period, but due to the rescheduling options available the duration of the instalment plan may be extended.</p> <p>Given the amortising nature of End-customer receivables in Sezzle's model, whereby instalment amounts are taken in equal instalments at equally spaced intervals throughout the term of the plan, the effective duration of Sezzle's capital cycles is considerably shorter.</p> <p>Risk-based approach to End-customer payment terms</p> <p>Sezzle adopts a risk-conscious approach to extending instalment payment terms to End-customers. This approach manages Sezzle's bad debt risk profile through a combination of current product features and technology application.</p> <p>Network Effects and no End-customer acquisition or direct marketing cost requirement</p> <p>Because the Retail Merchant Client is promoting the Sezzle Platform to potential End-customers, Sezzle does not incur direct marketing costs to acquire End-customers.</p>	Section 2.4(d)
Ability to leverage existing technology into complementary product areas	<p>The Sezzle Platform and Sezzle's developing market presence and experience are intended to be utilised to develop complementary new products including Sezzle Mobile, being an integration with the point of sale in the physical stores of Retail Merchant Clients, to enable End-customers to instantly pay with the Sezzle Platform at the point of sale via a mobile app.</p> <p>Sezzle's in-house development and engineering team are continuing to work on the development of the Sezzle Mobile app, with such works well progressed. Sezzle has identified a potential card issuer for the trial and the Company is continuing work to identify suitable Retail Merchant Clients to participate in the trial and to finalise the commercial and contractual arrangements with selected retailers. There is no guarantee that the trial will be successful such that future revenue from Sezzle Mobile is dependent upon a number of factors and therefore cannot be estimated.</p> <p>In addition, Sezzle believes that its technology can be exported to markets outside of the United States and Canada.</p>	Section 2.4(e)

Topic	Summary	More information
Experienced management team and Board of Directors	<p>Sezzle's management team has significant experience in payments, technology, retail instalment financing, credit underwriting and consumer privacy.</p> <p>Sezzle's Non-Executive Directors complement the Management team with their experience in fintech, payments, credit underwriting and credit scoring.</p>	Section 2.4(f)

1.4 Key Risk Factors

There are a number of potential risks associated with the Company that impact Sezzle's assets and liabilities, financial position and performance, profits and losses, prospects and the value of the CDIs. Set out below are specific key risks to which the Company is exposed. This is not an exhaustive list. Please see Section 7 for further specific details of these risks along with general risks associated with an investment in the Company.

Topic	Summary	More information
Limited trading history	<p>The Company is an early stage financial technology company with limited trading history. Since launching the Sezzle Platform in August 2017, Sezzle's activities have principally involved raising money to develop its software, products and services (including the Sezzle Platform). Like many early stage companies, the Company has incurred losses since its inception. The reported cumulative losses as of 31 December 2018 are approximately US\$6.5 million.</p> <p>Given the Company's limited trading history, it is difficult to make an evaluation of Company's business or its prospects and there is significant risk that the Company is not able to continue its growth at current rate, if at all, or successfully execute on its business plan and strategies.</p>	Section 7.2(a)
Failure to increase transaction volumes	<p>The Company is currently in the early stages of establishing its presence in the US and Canadian markets, and its ability to profitably scale its business is heavily reliant on increases in transaction volumes and in its customer and retail merchant base to increase income and profits.</p> <p>The Company's growth strategy may also include the introduction of new services or technologies. There is a risk that expansion initiatives may result in additional costs and risks, or may not deliver the outcomes intended. The Company's strategy depends on increasingly expanding its End-customer and Retail Merchant Client bases, which may not eventuate as intended.</p>	Section 7.2(b)
Failure to become Net Transaction Margin positive	<p>The Company's strategy to turn the Net Transaction Margin into a positive percentage depends upon the Company lowering transaction processing costs, Loan Origination Costs and uncollectible accounts expenses while efficiently managing external debt funding. There is a risk that this strategy may not eventuate as intended, which may adversely impact the Company's ability to improve its future profitability.</p>	Section 7.2(c)

Topic	Summary	More information
Loss of key Retail Merchant Client relationships	<p>The Company depends on continued relationships with its current significant Retail Merchant Clients. There can be no guarantee that these relationships will continue or, if they do continue, that these relationships will continue to be successful. The Company's contracts with Retail Merchant Clients can be terminated for convenience on relatively short notice by either party, and so the Company does not have long-term contracted income.</p> <p>There is also a risk that new agreements formed with Retail Merchant Clients in the future may be less favourable to the Company, including in relation to pricing and other key terms, due to unanticipated changes in the market in which the Company operates.</p>	Section 7.2(d)
Exposure to End-customer bad debts	<p>The Company's profitability depends on its ability to put in place and optimise its systems and processes to make predominantly accurate, real-time decisions in connection with the End-customer transaction approval process. End-customer non-payment is a major component of the Company's expenses at present, and the Company is currently exposed to End-customer uncollectible accounts (bad debts) as a normal part of its operations. However, excessive exposure to bad debts through customers failing to meet their repayments to the Company will materially and adversely impact the Company's profitability.</p>	Section 7.2(e)
Additional requirements for capital	<p>As the Company's current business grows and new lines of business are developed, the Company will require additional funding to support the provision of instalment plans to End-customers and working capital. Although the Directors believe that, on Completion of the Offer, the Company will have sufficient working capital and capacity under its existing credit facilities to carry out its short-term business objectives, there can be no assurance that such objectives can be met without further financing or, if further financing is necessary, that financing can be obtained on favourable terms or at all. Further, if additional funds are raised by issuing equity securities, this may result in dilution for some or all of the Shareholders.</p>	Section 7.2(f)

Topic	Summary	More information
Financing risk	<p>The Company intends to rely on a combination of funding options including equity, and the Credit Facility to finance its operations.</p> <p>An inability to raise capital (through the issue of Shares and CDIs) or secure funding or drawdown on finance facilities or subsequently refinance the Credit Facility, or any increase in the cost of such funding, may adversely impact the performance and financial position of the Company.</p> <p>Failure to meet financial covenants under the Group's finance facilities, and the occurrence of other specified events may lead to an event of default or review event under the finance facilities. If an event of default or a review event applicable to any given facility occurs, there may be a requirement to make repayments in advance of the relevant maturity dates and/or termination of the facility. An event of default or review event and the requirement to make early repayments and/or the termination of the facility may impact on the financial performance and position of the Company and its ability to operate in the ordinary course of business.</p> <p>The Credit Agreement requires Sezzle to drawdown a minimum of US\$5.0 million from 15 July 2019 and US\$10.0 million from 2 January 2020. To the extent that Sezzle fails to achieve End-customer lending levels that exceed these minimum drawdown requirements, Sezzle could incur additional losses through significantly increased interest expenses that exceed Sezzle Income, which may adversely impact the performance and financial position of the Company.</p>	Section 7.2(g)
Competitors and new market entrants	<p>The Company considers it has a competitive advantage in being one of the first to provide an interest-free, 'buy now, pay later' service to the US and Canadian online retail market. However, there is always a risk of new entrants in the market, which may disrupt the Company's business and market share.</p>	Section 7.2(h)
Failures or disruptions of technology systems	<p>The Company depends on the constant real-time performance, reliability and availability of its technology system and third-party technology and communication networks (including the systems of third-party ecommerce networks). There is a risk that these systems may fail to perform as expected or be adversely impacted by a number of factors, some of which may be outside the control of the Company, including damage, equipment faults, power failure, fire, natural disasters, computer viruses and external malicious interventions such as hacking, cyberattacks or denial-of-service attacks. Events of that nature may cause part or all of the Company's technology system and/or the communication networks used by the Company to become unavailable. The Company's operational processes and contingency plans may not adequately address every potential event. This may disrupt transaction flow and adversely impact the Company's financial performance and reputation.</p>	Section 7.2(i)

Topic	Summary	More information
Reliance on third-party data	The Company purchases data from third parties that is critical to the Company's assessment of the creditworthiness of End-customers before they are either approved or denied funding for their purchase from a Retail Merchant Client. The Company is reliant on these third parties to ensure that the data they provide is accurate. Inaccurate data could cause the Company to not approve transactions that otherwise would have been approved or vice versa, meaning the Company either loses income, or earns income that may lead to a higher incidence of bad debts.	Section 7.2(j)
Employee recruitment risk and retention	<p>The Company's ability to effectively execute its growth strategy depends upon the performance and expertise of its staff. The Company relies on experienced managerial and highly qualified technical staff to develop and operate its technology and to direct operational staff to manage the operational, sales, compliance and other functions of its business.</p> <p>There is a risk that the Company may not be able to attract and retain key staff, or be unable to find effective replacements in a timely manner. The loss of staff, or any delay in their replacement, could impact the Company's ability to operate its business and achieve its growth strategies.</p>	Section 7.2(k)
Failure to effectively manage growth	<p>Sezzle has experienced a period of considerable growth in income, employee numbers and customers. A continuation of this growth in the future could place additional pressure on current management, operational and finance resources, and on the infrastructure supporting the Sezzle Platform.</p> <p>Failure to appropriately manage this growth could result in failure to retain existing customers and attract new customers, which could adversely affect Sezzle's operating and financial performance.</p>	Section 7.2(l)
Compliance with laws, regulations, industry compliance standards	The Company is subject to a range of legal and industry compliance requirements that are constantly changing. There has recently been an increased focus and scrutiny by regulators in various jurisdictions in respect to 'buy now, pay later' arrangements. There is potential that the Company may become subject to additional legal or regulatory requirements if its business, operations, strategy or geographic reach expand in the future or if the regulations change in respect to the jurisdictions in which it operates.	Section 7.2(m)

Topic	Summary	More information
Data security breaches	Through the ordinary course of business, the Company collects a wide range of confidential information. Cyberattacks may compromise or breach the technology platform used by the Company to protect confidential information and the Company's business could be materially impacted by security breaches of the data and information of Retail Merchant Clients and End-customers data and information, either by unauthorised access, theft, destruction, loss of information or misappropriation or release of confidential data.	Section 7.2(n)
Activities of fraudulent parties	The Company is exposed to risks imposed by fraudulent conduct, including the risks associated with End-customers attempting to circumvent the Company's system and repayment capability assessments. There is a risk that the Company may be unsuccessful in defeating fraud attempts, resulting in a higher than budgeted cost of fraud and End-customer non-payment.	Section 7.2(o)
Protection and ownership of intellectual property rights	<p>The Company's business depends on its ability to commercially exploit its technology and intellectual property rights, including its technological systems and data-processing algorithms. The Company relies on laws relating to trade secrets, copyright and trademarks to assist in protecting its proprietary rights. However, there is a risk that unauthorised use or copying of the Company's software, data, specialised technology or platforms will occur.</p> <p>There is also a risk that the validity, ownership or authorised use of intellectual property rights relevant to the Company's business may be successfully challenged by third parties. This could involve significant expense and potentially the inability to use the intellectual property rights in question, and if an alternative cost-effective solution were not available, it may materially adversely impact the Company's financial position and performance.</p>	Section 7.2(p)
Integration with Retail Merchant Clients	The Company uses and relies on integration with third-party systems and platforms, particularly websites and other retail merchant systems. The success of the Company's services, and its ability to attract additional End-customers and Retail Merchant Clients, depends on the ability of its technology and systems to integrate into, and operate with, various third-party systems and platforms. In addition, as these systems and platforms are regularly updated, it is possible that when such updates occur it could cause the Company's services to not operate as efficiently as previously. This will require the Company to change the way its system operates, which may take time and expense to remedy.	Section 7.2(q)

Topic	Summary	More information
Open Source Software	Some of the Company's systems incorporate and are dependent on the use and development of 'open source' software. Open source software is generally licensed under open source licences, which may include a requirement that the Company make available, or grant licences to, any modifications or derivatives works created using the open source software. If an author or other third party that uses or distributes such open source software were to allege that the Company had not complied with the legal terms and conditions of one or more of these licences, the Company could incur significant legal expenses defending against such allegations and could be subject to significant damages.	Section 7.2(t)

1.5 Directors and Senior Management

Topic	Summary	More information
Who are the Directors of Sezzle?	<p>The Board comprises the Directors of the Company. Those Directors are:</p> <ul style="list-style-type: none"> > Charlie Youakim, co-founder, Executive Chairman and Chief Executive Officer; > Paul Paradis, co-founder, Executive Director and Chief Revenue Officer; > Paul Lahiff, Independent Non-Executive Director; > Kathleen Pierce-Gilmore, Independent Non-Executive Director; and > Paul Purcell, Independent Non-Executive Director. 	Section 4.1
Who are the key management personnel of Sezzle?	<p>As at the date of this Prospectus, the Company's key management personnel comprises:</p> <ul style="list-style-type: none"> > Charlie Youakim, co-founder, Executive Chairman and Chief Executive Officer; > Paul Paradis, co-founder, Executive Director and Chief Revenue Officer; > Karen Hartje, Chief Financial Officer; > Killian Brackey, co-founder and Chief Technology Officer; > Jamie Kirkpatrick, Chief Risk Officer; and > Don McConnell, General Counsel. <p>The Company presently has 47 full-time equivalent employees across the operations, sales and marketing and platform development teams.</p>	Sections 2.4(f), 4.1 and 4.2

Topic	Summary	More information
What corporate governance policies does Sezzle have in place?	A summary of the corporate governance policies adopted by the Company are set out in Section 4.13.	Section 4.13

1.6 Key People, Interests and Benefits

Topic	Summary	More information	
What will be the ownership structure of the Company following Completion?	Details of direct and indirect interests in Shares (and CDIs) on issue as at the date of this Prospectus and as expected on the date of Admission (in each case, on an undiluted basis) are set out in the table below:	Sections 8.7 and 9.7	

Topic	Summary	More information	
What significant benefits and interests are payable to Directors and other persons connected with the Company or the Offer, and are there any related party interests?	The following table represents the Directors' respective interests in the Company's securities on Completion:	Section 4.6	

Topic	Summary	More information
Will any securities be subject to restrictions on disposal following Admission?	<p>None of the CDIs issued pursuant to the Offer will be subject to any ASX-imposed escrow restrictions. However, as more fully set out in Section 9.10, the ASX may determine that certain Securities will be classified as Restricted Securities and may be required to be held in escrow for up to 24 months from the date of Official Quotation. Other securities may be escrowed for lesser periods up to 12 months from issue.</p> <p>The Company will announce to the ASX full details, including quantity and duration, of the Securities held in escrow prior to the CDIs commencing trading on the ASX.</p>	Section 9.10

1.7 Summary of the Offer

Topic	Summary	More information
What is the Offer and what are its key terms?	<p>The Offer is an initial public offer of 35,714,285 CHESS Depositary Interests (CDIs) over Shares in the Company at an issue price per CDI of A\$1.22.</p> <p>The Offer is expected to raise approximately A\$43.6 million before associated costs.</p>	Section 8.1
How is the Offer structured and who will be eligible to participate?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> > the Broker Firm Offer – which is open to Australian resident retail clients of participating Brokers, who have a registered address in Australia and who receive an invitation from a Broker to acquire CDIs under this Prospectus and are not in the United States and are not US Persons; > the Institutional Offer – which consists of an offer to certain Institutional Investors in Australia, New Zealand and certain other jurisdictions around the world; and > the Priority Offer – which is open to select investors nominated by Sezzle in eligible jurisdictions, who receive a Priority Offer invitation to acquire CDIs under this Prospectus. <p>No general public offer of CDIs will be made under the Offer.</p>	Section 8.2
Is there a minimum subscription to the Offer?	<p>No, there is no minimum subscription condition to the Offer. The Offer is fully underwritten.</p>	Section 8.10

Topic	Summary	More information																																										
What is the proposed use of proceeds received in connection with the Offer?	<p>The following table shows the sources of funds and expected use of funds in the two-year period following Admission of the Company to the Official List:</p> <table> <tr> <th>Item</th><th>US\$ ('000)</th><th>%</th></tr> <tr> <td colspan="3">Sources of funds</td></tr> <tr> <td>Estimated cash reserves as at date of the Prospectus</td><td>3,126</td><td>9%</td></tr> <tr> <td>Cash proceeds from the Offer</td><td>30,000</td><td>91%</td></tr> <tr> <td>Total funds available</td><td>33,126</td><td>100%</td></tr> <tr> <td colspan="3">Uses of funds</td></tr> <tr> <td>Sales and marketing to Retail Merchant Clients</td><td>6,783</td><td>20%</td></tr> <tr> <td>Development and engineering</td><td>6,527</td><td>20%</td></tr> <tr> <td>Data sciences and risk management</td><td>4,546</td><td>14%</td></tr> <tr> <td>End-customer and Retail Merchant Client Support</td><td>3,278</td><td>10%</td></tr> <tr> <td>Administration and overheads</td><td>4,772</td><td>14%</td></tr> <tr> <td>Costs of the Offer</td><td>2,603</td><td>8%</td></tr> <tr> <td>Working capital and funding capital</td><td>4,616</td><td>14%</td></tr> <tr> <td>Total use of funds</td><td>33,126</td><td>100%</td></tr> </table> <p>The Directors believe that on Completion of the Offer, the Company will have sufficient funds available from the proceeds of the Offer, cash held at Completion and its operations to fulfil the purposes of the Offer and meet its stated business objectives.</p>	Item	US\$ ('000)	%	Sources of funds			Estimated cash reserves as at date of the Prospectus	3,126	9%	Cash proceeds from the Offer	30,000	91%	Total funds available	33,126	100%	Uses of funds			Sales and marketing to Retail Merchant Clients	6,783	20%	Development and engineering	6,527	20%	Data sciences and risk management	4,546	14%	End-customer and Retail Merchant Client Support	3,278	10%	Administration and overheads	4,772	14%	Costs of the Offer	2,603	8%	Working capital and funding capital	4,616	14%	Total use of funds	33,126	100%	Sections 8.5 and 8.6
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Working capital and funding capital	4,616	14%																																										
Total use of funds	33,126	100%																																										
What will the capital structure of the Company be at Completion of the Offer?	The Securities issued under the Offer will represent approximately 18.5% of the enlarged share capital of the Company following Admission (on a fully diluted basis).	Section 8.9																																										
Is the Offer underwritten?	Yes, the Offer is underwritten.	Sections 8.2 and 9.11(a)																																										
Who is the Lead Manager and Underwriter?	Ord Minnett Limited.	Section 8.10																																										

Topic	Summary	More information
What are CDIs?	<p>The ASX uses an electronic system called CHESS for the clearance and settlement of trades on the ASX. Sezzle is incorporated in the United States, which does not recognise the CHESS system of holding securities. Accordingly, to enable companies such as Sezzle to have their securities cleared and settled electronically through CHESS, depositary instruments called CHESS Depositary Interests or CDIs are issued. CDIs are units of beneficial ownership in Shares and are traded in a manner similar to shares of Australian companies listed on the ASX.</p> <p>Each CDI will be equivalent to one Share. Due to certain US securities laws, you will not be able to sell CDIs issued to you under the Offer into the United States or to US Persons for a period of at least 12 months from the Allotment Date, unless the resale of the CDI is registered under the US Securities Act or a resale exemption is available.</p>	Section 9.3
What rights and liabilities attach to the CDIs being offered?	The Shares underlying the CDIs will rank equally with the Shares currently on issue in the Company. A description of the CDIs and the underlying Shares, including the rights and liabilities attaching to them, is set out in Section 9.3 and Section 9.4.	Sections 9.3 and 9.4
Will the CDIs be quoted on the ASX?	<p>Sezzle will apply to ASX within seven days after the Prospectus Date for its Admission to the Official List, and quotation of CDIs by ASX under the code 'SZL'.</p> <p>If permission is not granted for Official Quotation of the CDIs on ASX within three months after the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received by the Company will be refunded (without interest).</p>	Section 8.18
What is the Allocation Policy?	<p>The allocation of CDIs between the Broker Firm Offer, the Institutional Offer and the Priority Offer will be determined by the Lead Manager in consultation with the Company.</p> <p>The allocation of CDIs under the Institutional Offer will be determined by the Lead Manager in consultation with the Company.</p> <p>Allocation under the Broker Firm Offer will be determined by the applicable Brokers among their retail clients.</p>	Section 8.11
What are the tax implications of investing in the CDIs?	<p>A summary of certain Australian tax consequences of participating in the Offer and investing in CDIs is set out in Section 9.13.</p> <p>The tax consequences of any investment in CDIs will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</p>	Section 9.13

Topic	Summary	More information
How can I apply for CDIs?	<p>Broker Firm Offer Applicants must follow instructions provided by their Broker. Those Applicants must complete the Broker Firm Offer Application Form at the back of this Prospectus.</p> <p>For Applicants who have received a Priority Offer, you must apply in accordance with the instructions provided in the personalised invitation.</p>	Section 8.12
What is the minimum Application size under the Broker Firm Offer?	Applications must be for a minimum of 1,640 CDIs. Applications in excess of the minimum number of CDIs must be in multiples of 410 CDIs. There is no maximum Application size under the Broker Firm Offer; however, the Company reserves the right to reject any Application or to allocate to an Applicant a lesser number of CDIs than that applied for.	Section 8.10
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched to successful Applicants by standard post on or around 31 July 2019.	Offer Information and Key Dates on page 05
Are there any brokerage, commissions or stamp duty payable by Applicants?	No brokerage, commission or stamp duty will be payable by Applicants on the acquisition of CDIs under the Offer.	Section 8.10
Who is the Share Registry used by the Company?	<p>Computershare Investor Services Pty Limited.</p> <p>The Company's Share Registry can be contacted by calling the Sezzle IPO Offer Information Line within Australia on 1300 171 784 or outside Australia on +61 3 9415 4068 between 8.30 am and 5.00 pm AEST.</p>	Section 8.10
Are there any conditions to the Offer?	The Offer is conditional on the ASX approving (including conditional approval) the application for Admission to the Official List and for the CDIs, including those offered by this Prospectus, to be granted Official Quotation.	Section 8.18
Is there a cooling-off period?	No, there is no cooling-off period.	Important Notices
Can the Offer be withdrawn?	<p>The Company may withdraw the Offer at any time before the allocation and issue of CDIs to successful Applicants under the Offer.</p> <p>If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).</p>	Section 8.10

Topic	Summary	More information
Can the Offer period be closed early or extended?	<p>The Company reserves the right to close the Offer early, extend the Offer Closing Date or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Any change to the Offer Closing Date (including if closed early or extended) will have a consequential effect on the date for the issue of the CDIs.</p> <p>Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.</p>	Section 8.10
Where can I find out more information about this Prospectus or the Offer?	<p>All enquiries in relation to this Prospectus should be directed to the Sezzle IPO Offer Information Line on:</p> <ul style="list-style-type: none">> within Australia: 1300 171 784; or> outside Australia: +61 3 9415 4068, <p>from 8.30 am to 5.00 pm (AEST), Monday to Friday (excluding public holidays).</p> <p>If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, tax adviser, lawyer or other professional adviser before deciding whether to invest.</p>	Section 8.10

02

COMPANY AND BUSINESS OVERVIEW



02

Company and Business Overview

28

2.1 Overview of Sezzle

(a) The Sezzle Opportunity

The Sezzle founders created the Sezzle Platform after observing an increasing trend in the United States of a lack of availability of credit for consumers (particularly younger consumers). A 2016 Bankrate study found that only 33% of persons aged 18–29 owned a credit card in the United States.¹ A separate 2017 study of millennial credit by TransUnion found a 22% decline in credit card adoption when it compared millennials to Generation X at the same age.²

In addition to these data points, Sezzle's founders also felt that traditional short-term consumer finance products were not consumer-friendly and were not effectively structured and designed to facilitate digital commerce.

It was understood that technology could have a significant impact by filling both of these gaps by providing access to a platform which:

- (i) allows consumers to access a flexible, online 'pay-by-installment' payment option;
- (ii) facilitates consumer access to the additional purchasing power sought in a simple, digital way; and
- (iii) provides a light-handed system for first-time credit users, which works without the need for prior credit data.

With this plan in mind, the founders developed a technology-based company that was designed to address these needs and the Sezzle Platform was launched in 2017.

(b) Sezzle and the Sezzle Platform

Sezzle is a technology driven, payments company based in the United States with the mission of financially empowering the next generation. Sezzle provides a payments platform that facilitates fast, secure and easy payments between End-customers and retailers. Sezzle's payment product is a short-term, interest-free instalment plan that delivers to End-customers both a budgeting and financing value proposition (the **Sezzle Platform**).

The Sezzle Platform allows End-customers to make online purchases and effectively split the payment for the purchase over four equal, interest-free payments over six weeks. The End-customer makes the first payment at the time of checkout and makes the subsequent payments fortnightly. The purchase price is paid to Retail Merchant Clients by Sezzle (minus the Merchant Fee) in advance of the collection of the purchase price instalments by Sezzle from the End-customer.

By providing access to a payments platform that allows End-customers to pay for products purchased online with interest-free instalments over short durations, Sezzle:

- (i) assists End-customers by providing a flexible payment option and enables consumers to budget for purchases over time; and
- (ii) provides Retail Merchant Clients with a tool to increase sales, increase average order values and reduce cart/checkout abandonment.

Retail Merchant Clients benefit from providing the Sezzle Platform to its End-customers because:

- (i) a proportion of End-customers may be more inclined to make a purchase and/or increase the value of their purchase because of the affordability and flexibility afforded by the Sezzle Platform; and
- (ii) Sezzle pays the Retail Merchant Client upfront (minus the Sezzle processing fee) and assumes all End-customer fraud and non-payment risks.

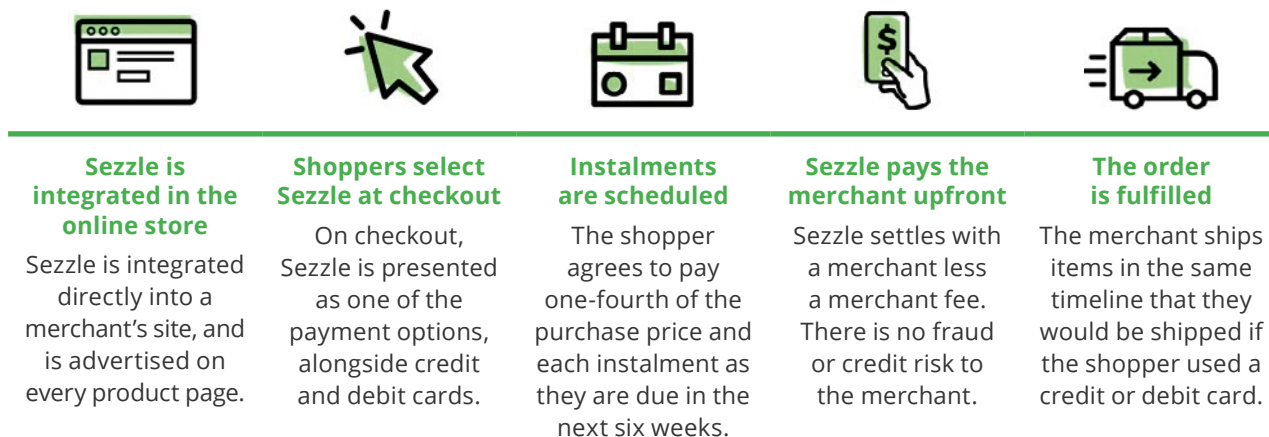
As at 31 March 2019, the Company had 3,321 Active Merchants and had achieved average quarterly Total Income growth of approximately 95.8% from 31 December 2017 to 31 March 2019. Refer to Section 2.4(c) for further details. Past performance, however, is not necessarily an indicator of future performance.

1. Bankrate Money Pulse Survey, May 2016.

2. TransUnion, Generation Revealed, November 2017.

Company and Business Overview (cont.)

Figure 2.1: Overview of the Sezzle Platform



(c) Corporate Structure

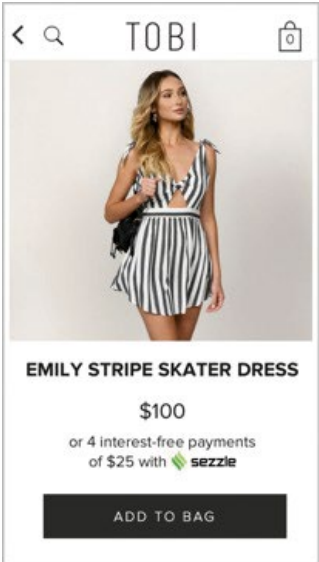
Sezzle is a corporation that is incorporated in, and registered under, the laws of Delaware, United States. Sezzle is the holding company of Sezzle Funding, a limited liability company, which was formed in, and registered under, the laws of Delaware, United States.

The Company is registered as a 'foreign company' in Australia, under the Corporations Act, under the name Sezzle Inc. (ARBN 633 327 358).

2.2 Sezzle Platform Overview

(a) How it works

A key attribute of the Sezzle Platform is that it offers a simple process for both Retail Merchant Clients and End-customers to use. This is illustrated in the below table using online fashion retailer Tobii as an example.

Retail Merchant Client Step 1: Merchant Integration	<p>The Sezzle Platform is integrated into the website of the Retail Merchant Client. Sezzle provides technical integration and onboarding services to the Retail Merchant Client and remains on-call to provide technical support during the initial integration of the client.</p>
Retail Merchant Client Step 2: Merchant Promotion	<p>Retail Merchant Clients promote Sezzle to their shoppers on product and cart pages to improve sales conversion.</p> 

Retail Merchant Client
Step 3: Merchant Checkout

The Sezzle Platform is presented alongside other payment options on the Retail Merchant Client's 'Checkout' page.

The screenshot shows a mobile checkout interface for 'TOBI'. At the top, there's a progress bar with 'SHIPPING' and 'PAYMENT' (highlighted) and 'DONE!'. Below this is the heading 'SELECT PAYMENT METHOD' with a lock icon. There are two main options: 'USE CREDIT OR DEBIT CARD' (selected with a radio button) and the 'sezzle' logo with the text 'OR 4 INTEREST-FREE PAYMENTS OF \$25 WITH sezzle'. The card option includes input fields for 'Card Number', 'Expiration Date (MM/YY)', and 'Security Code (CVV)'. Below the payment methods is the 'BILLING ADDRESS' section, which has a checked checkbox for 'SAME AS SHIPPING ADDRESS' and the address '510 N 1st Ave, Ste 305'.

End-customer
Step 1: Account Establishment

The End-customer selects Sezzle as its payment option and (if a first-time customer with Sezzle) creates an account.

The screenshot shows the 'Create your Sezzle account' page. At the top, there's a header with the 'sezzle' logo, a US flag, and 'EN'. A green badge in the top right corner shows '\$100'. The form includes input fields for 'Mobile Phone', 'First Name', 'Last Name', 'Email', 'Date of birth', and 'PIN'. Below these fields is a checkbox for the terms and conditions: 'I am of legal age and have read and agree to Sezzle's User Agreement. I approve Sezzle to make a credit inquiry as an aid to approve my use of Sezzle for this and future purchases.' A green 'Submit' button is at the bottom.

Company and Business Overview (cont.)

End-customer

Step 2: Checkout with Sezzle

The End-customer inputs their information including the credit or debit card that the End-customer wishes to be debited for future instalment payments.

The screenshot shows the Sezzle mobile app interface. At the top, there's a status bar with 'TOBI' and a balance of '\$100'. Below that is the Sezzle logo, a language selector set to 'EN', and a 'Logout' button. The main heading is 'Link your payment card' with the instruction 'Please connect a card'. There are input fields for 'Card Number', 'Name on Card', 'Expiry MM/YY', and 'CVC'. Below these is the 'Card Billing Address' section with a 'Clear Address' link. The address fields are: 'Street Address' (510 N 1st Ave, Ste 305), 'Street Address 2', and 'City' (Minneapolis).

End-customer

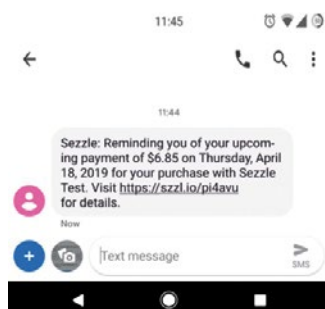
Step 3: Real-time assessment

The Sezzle Platform assesses the transaction in real-time and either confirms that the order is successful or declines the order.

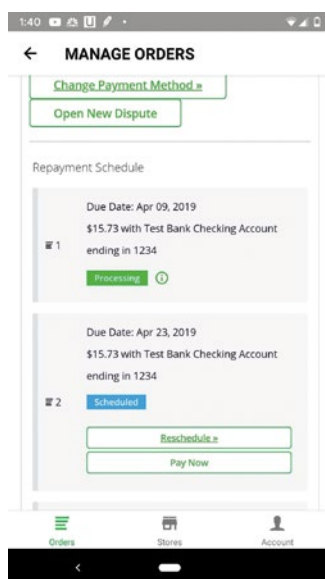
The left screenshot shows a 'YOU ARE APPROVED' screen. It instructs the user to 'Press "Complete Order" to confirm.' and explains that 4 even payments will be scheduled, including a down payment. A payment timeline is shown: 'TODAY' (\$24.38), 'WED, MAY 29' (\$24.38), 'WED, JUN 12' (\$24.38), and 'WED, JUN 26' (\$24.21). A large green 'Complete Order' button is at the bottom. The right screenshot shows an 'Order Declined' screen. It asks 'How Can My Purchase Be Approved?' and suggests using an 'alternative payment method.' It also explains 'Why Was My Order Declined?' by stating the purchase amount is over the user's available limit and suggests purchasing a smaller amount. At the bottom, it provides contact information for Sezzle Shopper Support: 'Call Sezzle Shopper Support at 651-904-5402 or email shoppersupport@sezzle.com.'

End-customer**Step 4: Instalment Notifications**

The End-customer receives a notification via email and SMS two days prior to the date the instalment payment is automatically debited by the Sezzle Platform. If the End-customer has the Sezzle iOS or Android app installed, they will receive push-notification reminders as well.

**End-customer****Step 5: Instalment Management**

The End-customer is able to review and manage their Sezzle account via the Sezzle Platform's online customer portal. End-customers are entitled to reschedule one instalment payment date per order without incurring fees.

**(b) Retail Merchant Client Integration**

In order to utilise the Sezzle Platform, merchants must complete an online application form via the Company's website, or by directly contacting a Sezzle sales representative.

The application form requires the merchant to provide the Company with certain information including the details concerning the merchant's business type, the merchant's principal contact information, bank account details and appropriate identification items. Each merchant applying also agrees to be bound by the Sezzle Merchant Agreement.

Under the terms of the Sezzle Merchant Agreement it is agreed (among other things) that:

- (i) the merchant will accept instalment payments for any sales transaction for goods or services (**Sale Transaction**) processed through merchant's existing processor on the Sezzle Platform;

Company and Business Overview (cont.)

- (ii) the merchant will treat Sezzle orders in the same manner as any other order using a different payment tender type; in particular, the merchant agrees:
 - (A) to have a public returns policy and to process returns on sales utilising the Sezzle Platform in accordance with the merchant's published standard policy; and
 - (B) not to apply any surcharge on a Sezzle order;
- (iii) the merchant will incur Merchant Fees in respect of sales utilising the Sezzle Platform (refer to Section 2.3 for further details on how the Company derives its income); and
- (iv) the merchant agrees to be a party to the Sezzle dispute process, where Sezzle can award an End-customer a reversal of payment on a valid dispute.

(c) Customer Support

Sezzle has an experienced multilingual support team that strives to respond to all concerns, feedback and queries in a personable yet effective manner. This includes, but is not limited to, general questions regarding the Sezzle Platform, applicable terms and conditions, technical issues and account set up.

If a matter is not resolved to the satisfaction of the customer, the matter will be promptly escalated by the support team to a supervisor on staff. The supervisor will then:

- (i) explicate the matter, providing a clear path for successful resolution to the support agent; or
- (ii) expediently resolve the matter with the customer directly, through the customer's preferred contact method.

Following Admission, Sezzle intends to increase the number of customer success representatives to successfully maintain the exceptional level of service provided.

(d) Risk Management

A critical component to the Sezzle business model is the ability to effectively manage the repayment risk of providing consumers with the capacity to pay over time. Sezzle's automatic system addresses these risks through the following systems:

- (i) the Sezzle Fraud Detection System;
- (ii) the Sezzle Underwriting Engine; and
- (iii) the Sezzle Payment Collection System.

The Sezzle Fraud Detection System is a proprietary system developed by the Company's data sciences team, which utilises numerous data points from a transaction to identify the likelihood of a fraud attempt within the Company's systems. Shopper interactions with the Sezzle Platform are recorded and analysed along with data points on the End-customer and order itself. This data passes through the Sezzle Fraud Detection System, which scores the likelihood of fraud occurring in the transaction.

The Sezzle Underwriting Engine then assigns a score to each new user that passes through the system. Sezzle's view is that its product enables the democratisation of credit, so unless Sezzle believes there is fraud involved, it gives every user access to an amount of credit. Based on data obtained from traditional and non-traditional sources, along with the order data and retailer data, Sezzle is able to give some shoppers a higher initial limit than others. These additional data points allow Sezzle to optimise its initial credit limits for users, enhancing the effectiveness of the Sezzle Platform for its Retail Merchant Clients. As End-customers use the Sezzle Platform, Sezzle's systems learn from the behaviour of individual End-customers and adapt the End-customer's limit to the appropriate level based on the End-customer's success level within the Sezzle Platform.

Once an End-customer has passed through the Sezzle Fraud Detection System and the Sezzle Underwriting Engine and the order has been placed, the Sezzle Payment Collection System is responsible for the collection of the outstanding payments. Payments are automatically scheduled to process on the card used for the initial payment, though customers can change this if need be. If a payment fails on the scheduled due date, Sezzle will automatically reschedule their outstanding payments rather than waiting for the End-customer to resolve. When a payment fails, the Company notifies the End-customer, and reschedules the payment as well as all subsequent payments automatically. The due date of a failed payment is moved to the previously scheduled

due date of the next payment and the rest of the payments shift accordingly. This allows Sezzle to take advantage of any previous rescheduling performed by the End-customer and may help prevent continued failure by ensuring that payments do not become tightly grouped. If an End-customer becomes delinquent such that Sezzle determines that it is unlikely to collect outstanding payments, the Company may attempt a less flexible payment schedule and/or attempt to charge another card on file.

The level of sophistication and automation in the Sezzle Fraud Detection System, the Sezzle Underwriting Engine and the Sezzle Payment Collection System is a significant competitive advantage for Sezzle because its efficiency allows Sezzle to offer retailer merchant clients a product that is competitively priced while still minimising the Company's loss ratios.

All of the systems described have been built and continue to be maintained in-house, by full-time Sezzle engineers. Sezzle considers that its intellectual property and operational strategy (including allowing flexibility in rescheduling instalment payments without penalty and waiving Failed Payment Fees if failure is corrected within 48 hours) forms part of Sezzle's value proposition to both End-customers and Retail Merchant Clients.

(e) Sezzle's technology

The Sezzle Application Layer consists of the Sezzle Checkout, the Sezzle Merchant Dashboard and the Sezzle Shopper Dashboard. The Sezzle Application Layer also includes a Sezzle App (available on iOS and Android), built for mobile management of the End-customer's account and for future offline payments. Finally, this layer consists of ecommerce integrations to speed up the implementation and adoption of the Sezzle Platform for Retail Merchant Clients.

The Sezzle Application Layer, in conjunction with the Sezzle Fraud Detection System and Sezzle Underwriting Engine, allows Sezzle to continuously evaluate each transaction and make real-time, automated decisions within milliseconds on whether or not Sezzle should provide the End-customer with an instalment plan. Further details of Sezzle's technology are set out above in Section 2.2(d).

2.3 Income Generation and Funding of the Business

(a) How does the Company generate income?

Sezzle's main source of income, Sezzle Income, is based on three key transactions. Firstly, fees are charged to Retail Merchant Clients in exchange for Sezzle's processing services (**Merchant Fees**).

Merchant Fees are derived from the underlying sales passing through the Sezzle Platform and are generated on each discrete, approved order placed by an End-customer. Merchant Fees are predominantly based on a percentage of the End-customer order value plus a fixed fee per sale. Sezzle pays the Retail Merchant Client the value of the underlying sale less the applicable Merchant Fee.

For the quarter ended 31 March 2019, Merchant Fees represented approximately 5.0% of Underlying Merchant Sales (unaudited). For the years ended 31 December 2018 and 2017, Merchant Fees as a percentage of total Underlying Merchant Sales were 4.8% and 3.0%, respectively (refer to Section 2.4(c) for details regarding the reason for the increase in Sezzle's Merchant Fees as a proportion of Underlying Merchant Sales).

Sezzle does not charge interest or initiation fees for extending credit to its End-customers and has no current plans to offer any interest or fee-bearing product to End-customers.

Secondly, Reschedule Fees are applied to End-customers in cases where the End-customer requests to reschedule the dates on which instalment payments become payable. The Sezzle Platform permits End-customers to reschedule an instalment date on one occasion per order without incurring Reschedule Fees. However, a Reschedule Fee of US\$5.00 is payable in respect of additional reschedules (and the reschedule is dependent upon the End-customer agreeing to the payment of the applicable Reschedule Fee).

The third transaction key to determining Sezzle Income is Loan Origination Costs, which are incurred by Sezzle in assessing whether to approve or not approve End-customer funding through the Sezzle Platform. Only direct Loan Origination Costs on approved funding are included in the determination of Sezzle Income. Merchant Fees and Reschedule Fees, net of Loan Origination Costs, collectively Sezzle Income, are initially deferred in the Company's statement of financial position and then recognised in the Company's statement of financial performance over the average duration of the underlying instalment payment receivables, using the effective interest rate method. Further information on the basis of recognition of Sezzle Income is presented in Section 5.

Company and Business Overview (cont.)

Failed Payment Fees (which are recognised as End-customer Other Income in Sezzle's financial performance) are applied in cases where an End-customer's payment fails in the automated payment process. Failed Payment Fees are waived if the End-customer corrects the failure in the first 48 hours after a payment default. However, if the default is not corrected in this 48-hour period, a Failed Payment Fee of US\$10.00 is levied against the End-customer and that fee must be paid before the End-customer is able to use the Sezzle Platform again.

(b) Funding arrangements

Sezzle's business of funding purchases by End-customers requires funding capital to enable Sezzle to pay Retail Merchant Clients in advance of collection of the purchase price instalments from those End-customers. To date, Sezzle has relied upon:

- (i) equity capital;
 - (ii) merchant accounts payables; and
 - (iii) debt financing provided under the Credit Agreement,
- to fund these capital requirements.

Sezzle has engaged with Bastion Consumer Funding II,, LLC (Bastion) in the United States to provide a Credit Facility, which is utilised by the Company to partially fund the amounts payable to Retail Merchant Clients in advance of collection of the purchase price instalments from End-customers. A summary of this arrangement and the Credit Agreement is set out in Sections 5.7(a) and 9.11. The balance of the funding of the amounts payable to Retail Merchant Clients is provided by Sezzle from its cash reserves.

Sezzle may use equity capital to offset borrowing from the Credit Facility to reduce interest expenses when possible.

Having a finite amount of funding capital imposes a natural limit on the volume of business that Sezzle can conduct at any particular time, and that limit will depend on factors such as outstanding End-customer receivables, average payment timing from End-customers and levels of failed payments and bad debts. Sezzle considers its current funding capacity is more than sufficient for the Company's current business levels as well as expected increases in funding requirements for Retail Merchant Client integrations, which have recently been completed or are in progress, without the need for additional debt or other funding facilities in the next 12 months.

If Sezzle's business continues to grow rapidly and current sources of funding are not sufficient to satisfy increased demand, Sezzle has several options that it could seek to undertake including:

- (i) to seek further external debt funding;
- (ii) if further debt funding is not available on acceptable terms, then the Company may consider additional equity funding; or
- (iii) if neither equity nor debt funding is available on acceptable terms, then Sezzle is able to ensure that its funding ability will not be exceeded by a combination of delaying future Retail Merchant Client onboarding, and by adjusting its response to End-customer approval requests so as to approve only the higher quality applications. Sezzle would, however, seek to avoid this option if possible as it could damage the Company's reputation as a reliable payment method for End-customers.

For this circumstance to arise, Sezzle's business would have to increase very substantially from its current size and also exceed the Company's expectations for the utilisation of its current funding facilities.

2.4 Key Strengths of Sezzle

The Company considers its key strengths to include the following:

(a) Attractive value proposition for Retail Merchant Clients and End-customers

Sezzle offers an attractive value proposition for Retail Merchant Clients and End-customers. The Sezzle Platform helps End-customers and Retail Merchant Clients transact online and provides a compelling value proposition from the perspective of both groups.

From an End-customer's perspective, the value proposition includes the following key attributes:

- (i) End-customers are not charged upfront transaction costs to use the Sezzle Platform and are able to make interest-free instalment payments to purchase items online;
- (ii) End-customers are able to receive desired items now but pay for them later;
- (iii) the Sezzle Platform provides End-customers with the ability to access additional purchasing power in a way that encourages financial responsibility and budgeting;
- (iv) paying by instalment makes purchasing items online more affordable and flexible for End-customers;
- (v) existing credit cards, debit cards or bank payments via the ACH may be used by End-customers to pay their instalments; and
- (vi) End-customers do not need to provide extensive personal information that would likely cause delay or distraction from completing a purchase.

From a Retail Merchant Client's perspective, the value proposition includes the following key attributes:

- (i) the potential for increased sales by:
 - (A) providing flexible payment options for customers; and
 - (B) providing access to Sezzle's affiliate network, which allows customers to access Sezzle's store directory and follow Sezzle's social channels to discover new brands and retailers utilising the Sezzle Platform;
- (ii) if an End-customer is able to pay for online purchases in instalments:
 - (A) the End-customer may be more likely to increase their average order value; and
 - (B) cart abandonment rates will likely decrease;
- (iii) Retail Merchant Clients are able to mitigate exposure to bad customer debts by avoiding fraud, non-payment or chargeback risk;
- (iv) the Sezzle Platform has been designed to allow for rapid integration of Retail Merchant Clients and provides the ability to test and implement new features and adaptations to improve the Sezzle Platform; and
- (v) Retail Merchant Clients are able to receive customer support from Sezzle's support team during standard business hours (8.30 am to 5.00 pm North American Central Time).

(b) Large market opportunity

Sezzle's current in-market product is relevant to most online retail categories and many service categories where End-customers wish to stagger payments over a relatively short time period without incurring additional costs or entering into a traditional loan.

As set out in the Industry Overview in Section 3, retail sales in the US were approximately US\$4.3 trillion in 2018 and it is estimated that US End-customers spent US\$513.6 billion online in 2018.³ In Canada, retail ecommerce, including sales from both store and non-store retailers, rose 14.7% to C\$18.0 billion in 2018.⁴

The World Payments Report 2018 estimated that global non-cash transaction volumes will grow at a compound annual growth rate of 12.7% between 2016 and 2021.⁵

As at 31 March 2019, the Sezzle Platform had 3,321 Active Merchants in 12 countries, with the vast majority in the United States. Sezzle's Active Merchants grew by a quarterly average of 79.3% from 31 December 2017 to 31 March 2019 (unaudited). Past performance, however, is not necessarily an indicator of future performance.

Sezzle has positioned itself to capitalise on:

- (i) the current trend by retailers to add alternative payment methods to support 'buy now, pay later' payment activities;
- (ii) the substantial growth in the number of digital payments being made worldwide; and
- (iii) the growth of the underserved credit market in the United States contributed to by the changes made by the Card Act of 2009, which restricted access to credit cards to consumers under the age of 21.

3. US Census Bureau, *Seasonally Adjusted Sales – Monthly Retail Trade – Seasonally Adjusted Sales, April 2019*.

4. Statistics Canada, *Retail Trade, December 2018*.

5. Capgemini Payment Services, BNP Paribas Services, *World Payments Report 2018*.

Company and Business Overview (cont.)

Sezzle also considers there to be opportunities to expand its offering beyond End-customers from the United States and Canada. During Sezzle's recent expansion into Canada, the Sezzle Platform was redesigned to enable more rapid subsequent geographic expansions. However, the timing of any further international expansion is uncertain as it would depend on the initial success of the Company's existing market strategy in the United States and Canada. Sezzle has done, and continues to do, extensive analysis on international expansion plans for its product but has made no definitive plans beyond the recent Canadian expansion. Overseas expansion would involve certain barriers to entry that Sezzle would need to address, including regulatory requirements, differentiation from existing competitors in those markets, having sufficient access to funding and capital and potentially having to update or modify its technology and processes to handle different commercial and retail practices.

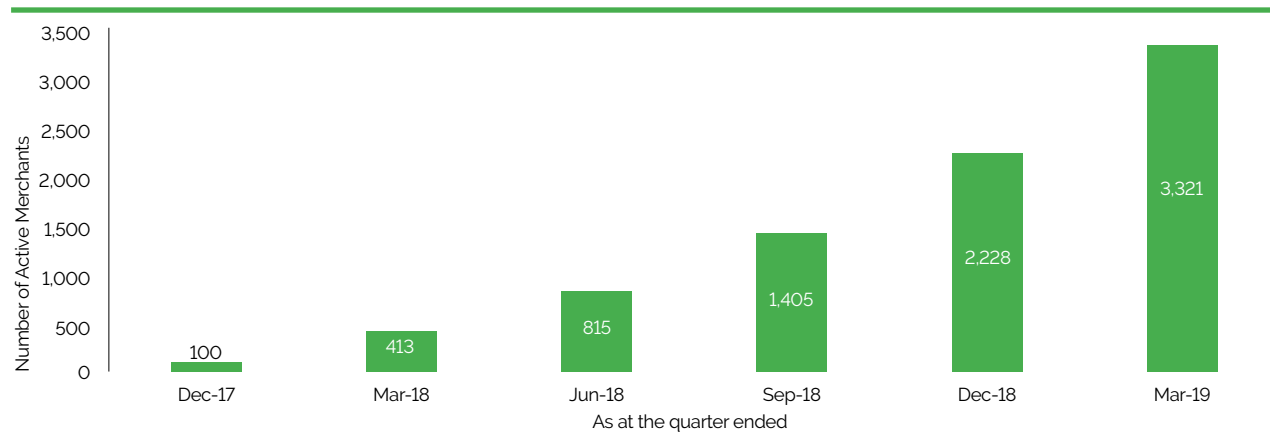
(c) Strong market positioning and momentum

Sezzle formally launched the Sezzle Platform in August 2017. Since this launch, Sezzle has made strong progress in developing its business and is experiencing rapid growth. Presented below are key operating metrics monitored and analysed by Sezzle management. All key operating metrics are calculated using data recorded in the Company's systems, with the data sourced from each End-customer and merchant transaction with the Company. The key operating metrics are critical to management's evaluation of the day-to-day business performance and progress on the achievement of the Company's strategic plans.

Retail Merchant Clients

Since the release of the Sezzle Platform, Sezzle has experienced rapid growth in the number of Retail Merchant Clients using the Sezzle Platform. As at 31 March 2019, Sezzle had 3,321 Active Merchants. Sezzle completed the onboarding and integration of 367 merchants onto the Sezzle Platform in February 2019 and 356 in March 2019 (unaudited).

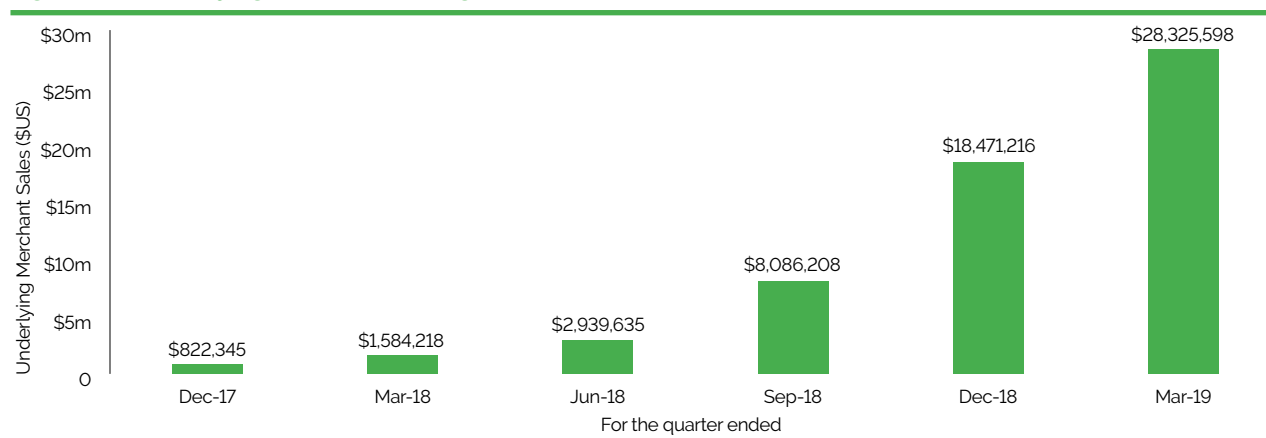
Figure 2.2: Active Merchants growth



Prospective investors should note that the business of the Company is still at an early stage of its development and its month-on-month growth detailed to date in the table above may not be replicated as the business of the Company matures.

Underlying Merchant Sales

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 US\$1.6 million for the quarter ended March 2018 to more than US\$28.3 million for the quarter ended March 2019 (unaudited).

Figure 2.3: Underlying Merchant Sales growth**Merchant Fees**

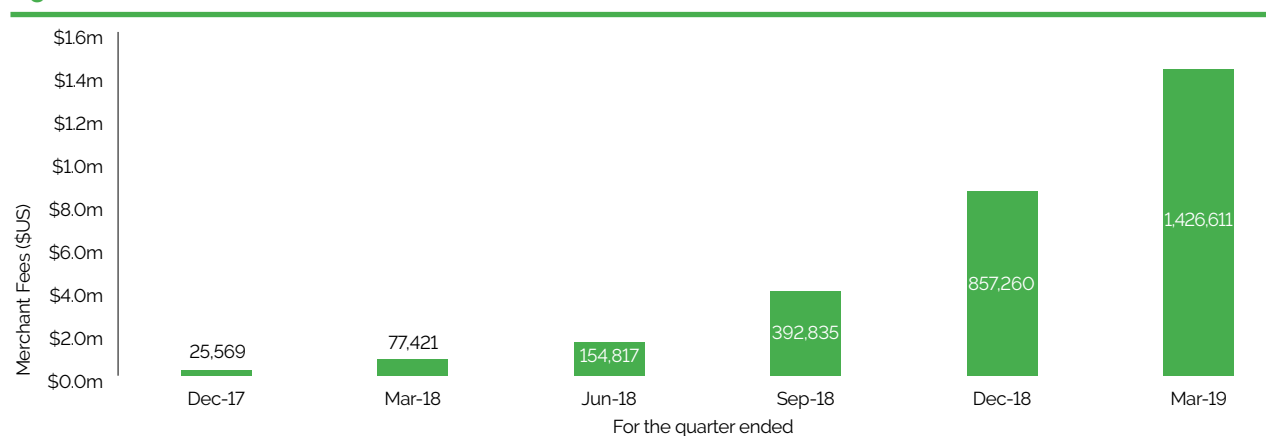
As discussed in Section 2.3(a), Merchant Fees are a key component of, and make up the largest proportion of, Sezzle Income. Merchant Fees are based on a percentage of the value of Underlying Merchant Sales and a fixed transaction fee.

Merchant Fees growth is driven by the:

- (i) number of Retail Merchant Clients onboarded to the Sezzle Platform;
- (ii) number of End-customers who utilise the Sezzle Platform; and
- (iii) value of the End-customer's purchase from the Retail Merchant Client.

Merchant Fees have increased from US\$77,000 for the quarter ended 31 March 2018 to more than US\$1,427,000 for the quarter ended 31 March 2019 (unaudited) and each represented 4.9% and 5.0% of total Underlying Merchant Sales, respectively. For the years ended 31 December 2018 and 2017, Merchant Fees as a percentage of total Underlying Merchant Sales were 4.8% and 3.0%, respectively.

Under the Company's merchant terms and conditions, Sezzle imposes a standard payment processing fee of 6% and 30c per transaction. The increase in Merchant Fees as a percentage of total Underlying Merchant Sales set out above was, in part, due to incentives previously provided to Retail Merchant Clients to facilitate growth in the first few months following the formal launch of the Sezzle Platform in August 2017. In the future, the size of the Merchant Fee with a particular retailer may be subject to negotiation between Sezzle and that Retail Merchant Client.

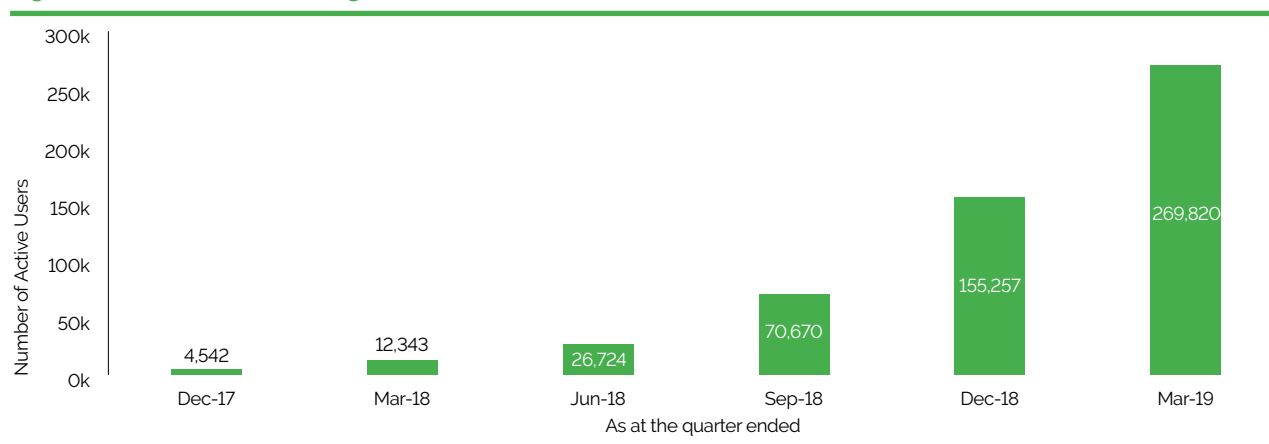
Figure 2.4: Merchant Fees

Company and Business Overview (cont.)

Active Customers

As at 31 March 2019, Sezzle had over 269,800 Active Customers, an increase of more than 73.8% since 31 December 2018. Past performance, however, is not necessarily an indicator of future performance.

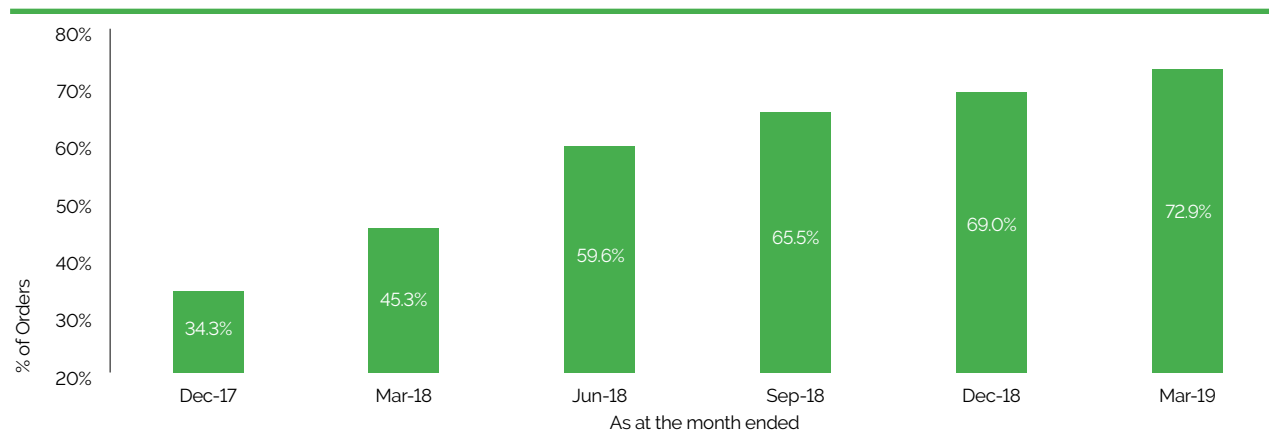
Figure 2.5: Active Customers growth



Returning End-customers

As at March 2019, Returning End-customers were responsible for approximately 72.9% of all orders using the Sezzle Platform.

Figure 2.6: Returning End-customer growth



Net Transaction Margin

Sezzle measures the underlying performance and transaction profitability of its services through a Net Transaction Margin. Refer to Section 5.5(f), which sets out how Net Transaction Margin is calculated, its measurement for FY17 and FY18 and the factors affecting the improved Net Transaction Margin from negative 6.1% in FY17 to negative 1.0% in FY18.

Sezzle's strategy is to turn the Net Transaction Margin into a positive percentage through continued focus on lower transaction processing costs, lower Loan Origination Costs and lower uncollectible accounts expense, while efficiently managing external debt funding. Refer to Section 5.5(f) for further details regarding Net Transaction Margin and Section 2.5 for discussion on the Company's strategy and growth drivers.

See Section 5.3 for a more detailed description of the components of Net Transaction Margin and how it is calculated.

(d) Attractive and disruptive business model

Sezzle has an attractive business model that is disrupting traditional short-term financing products and which incorporates the following features:

Scalable and transactional income streams

Sezzle derives its income primarily from Sezzle Income. By increasing the number of Retail Merchant Clients and transactions utilising the Sezzle Platform, the number of underlying sales transacted via the Sezzle Platform and total Merchant Fees should increase.

The Sezzle Platform is scalable and can process a large volume of transactions resulting from an increase in the number of Retail Merchant Clients.

Capital-efficient business model

Sezzle employs capital to fund the period between paying its Retail Merchant Clients upfront and the time it takes to recoup full payment from the End-customer. Sezzle instalment plans to End-customers at the time of initiation, have an expected term of 42 days. The End-customer is initially obliged to repay equal one-third instalments each 14 days over this 42-day period, but due to the rescheduling options available the duration of the instalment plan may be extended. As this function is not used in the majority of cases, the impact on Sezzle's capital cycles is minimal, allowing the Company to efficiently recycle its funding capital and provide it to other End-customers for purchases with Retail Merchant Clients.

Given the amortising nature of End-customer receivables in Sezzle's model, whereby amounts are taken in equal instalments at equally spaced intervals throughout the term of the plan, the effective duration of Sezzle's capital cycle is considerably shorter.

Risk-based approach to End-customer payment terms

Sezzle adopts a risk-conscious approach to extending instalment payment terms to End-customers. This approach manages Sezzle's bad debt risk profile through a combination of current product features and technology application:

(i) Product features:

- (A) instalments are extended to End-customers for a relatively short duration of 42 days (excluding rescheduling options available to End-customers);
- (B) low transaction values (average transaction values for the month of March 2019 of US\$85.14);
- (C) the End-customer must specify upfront a Mastercard, Visa, American Express or Discover debit or credit card that they wish to be charged in the future, meaning that the End-customer has been pre-vetted in some form by a recognised financial institution; and
- (D) the End-customer must specify upfront a mobile phone number, meaning that the End-customer has been pre-vetted in some form by a recognised telecommunications provider.

(ii) Technology Application:

- (A) real-time fraud and End-customer repayment capability assessment – every attempted transaction using the Sezzle Platform is reviewed by the Sezzle Fraud Detection System and the Sezzle Underwriting Engine in real time (see Section 2.2(d) for further details);
- (B) managing and collecting failed payments – Sezzle has an automated collections process that notifies the End-customer of a planned payment and executes the planned payment without any End-customer interaction required;
- (C) dynamic and continuous profiling of End-customers – End-customers are continuously being evaluated based on their transaction and repayment history as well as other data points garnered from the online environment.

Company and Business Overview (cont.)

Sezzle's in-house technological development and processing systems

Sezzle's core technology has been built by the Sezzle team. The Sezzle Application Layer, Sezzle Fraud Detection System and Sezzle Underwriting Engine are undergoing continual improvement cycles. The speed of these improvements is rapid due to the capability of Sezzle's software and data-decisioning teams and its process management systems.

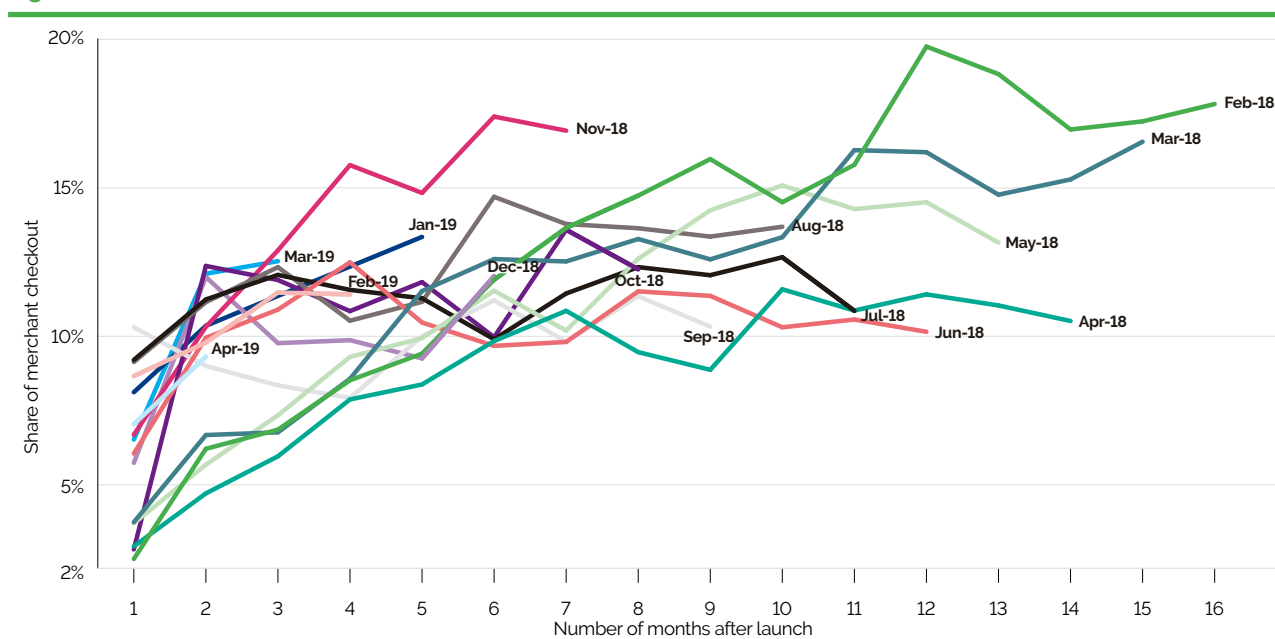
The ownership of its technology provides Sezzle with greater flexibility and adaptability to respond to changes to the Company's customer base and the market more broadly.

Network effects and no End-customer acquisition or direct marketing cost requirement

Sezzle does not focus on promoting its services to the End-customer. Instead, the Sezzle Platform is utilised by Retail Merchant Clients on their website as a service and sales incentive to End-customers. Because the retailer is promoting the Sezzle Platform to potential customers, Sezzle does not incur direct marketing costs to acquire End-customers.

Once the End-customer utilises the Sezzle Platform for the first time, they become a registered member. After that, registered Sezzle End-customers can continue to utilise the Sezzle Platform service on the same merchant website or any other website that features the Sezzle Platform.

Figure 2.7: Network effects



(e) Ability to leverage existing technology into complementary product areas

The Sezzle Platform and Sezzle's developing market presence and experience are intended to be utilised to develop complementary new products including Sezzle Mobile, being an integration with the point of sale in the physical stores of Retail Merchant Clients to enable End-customers to instantly pay with the Sezzle Platform at the point of sale via a mobile app. This product is intended to combine seamless mobile payments with pay-by-installment plans and eliminate the need for traditional in-store lay-by, as well as creating incremental sales for Retail Merchant Clients. This product is expected to be trialled with Retail Merchant Clients in the second half of 2019.

Sezzle's in-house development and engineering team are continuing to work on the development of the Sezzle Mobile app, with such works well progressed. Sezzle has identified a potential card issuer for the trial and the Company is continuing work to identify suitable Retail Merchant Clients to participate in the trial and to finalise the commercial and contractual arrangements with selected retailers. An immaterial portion of the funds raised pursuant to the Offer may be used to finalise the progression of Sezzle Mobile to trial.

There is no guarantee that the trial will be successful such that future revenue from Sezzle Mobile is dependent upon a number of factors and therefore cannot be estimated.

In addition, Sezzle believes that its technology can be exported to markets outside of the United States and Canada. International expansion opportunities may be considered in the future by Sezzle in its own capacity or through the development of international partnerships.

(f) Experienced management team and Board of Directors

Sezzle's management team, led by Executive Chairman and Chief Executive Officer Charlie Youakim, and Executive Director and Chief Revenue Officer Paul Paradis, has significant experience in payments, technology, retail instalment financing, credit underwriting and consumer privacy.

Sezzle presently has 47 full-time equivalent employees across operations, sales and marketing, and platform development teams.

Sezzle's Non-Executive Directors complement the Management team with their experience in fintech, payments, credit underwriting and credit scoring.

Refer to Sections 4.1 and 4.2 for further details.

2.5 Strategy and Growth Drivers

Sezzle's growth strategy is focused on the following:

(a) Delivering a compelling product with a value proposition for End-customers that they will want to use on a recurring basis

The Sezzle Platform provides End-customers with an ability to pay for products purchased online with interest-free instalments over short durations through a transparent, easy-to-use service.

Sezzle is highly focused on creating a payments product that will be the End-customer's first choice in a retail checkout.

(b) Delivering an equally compelling value proposition to Retail Merchant Clients (including future clients) in order to continue to penetrate and lead the 'buy now, pay later' market in North America

As set out in Section 2.4(a), it benefits Retail Merchant Clients to offer and market the Sezzle Platform.

Sezzle's strategy is to:

- (i) continue to rapidly penetrate online categories or markets where it already has a presence;
- (ii) penetrate online categories or markets applicable to the use of the Sezzle Platform; and
- (iii) increase its engagement with SMEs, and target and engage large scale merchants, with a view to entering into strategic partnership arrangements with key merchants.

(c) Utilising Sezzle's in-house technological development and processing systems, focusing on its risk-conscious approach to extending instalment payment terms to End-customers

The Sezzle Application Layer, Sezzle Fraud Detection System and Sezzle Underwriting Engine are undergoing continual and rapid improvement cycles. As the Company's in-house technology and Sezzle's transaction history further develop, it is expected that:

- (i) access to the Sezzle Platform by fraudulent End-customers will be further limited;
- (ii) the failed payment collection process will improve as different methodologies are tested and refined; and
- (iii) Returning End-customers will represent a greater proportion of transactions, and because multiple purchases and reuse is only possible with End-customers who have met their scheduled instalment repayments, Net Transaction Loss should fall.

Company and Business Overview (cont.)

(d) Rapidly growing Sezzle's newly launched presence in Canada and other international markets

Sezzle believes its technology can be exported to markets outside the United States. Accordingly, Sezzle launched into Canada in April 2019 and will continue to onboard Retail Merchant Clients as Active Merchants in Canada. Sezzle has done, and continues to do, extensive analysis on international expansion plans for its product but has made no definitive plans beyond the recent Canadian expansion. Any future international expansion plans will depend on the identified opportunity and the Company's resourcing and capitalisation requirements at the time of the decision.

(e) Leveraging Sezzle's technology, market presence and knowledge base to expand into new product areas (Sezzle Mobile)

The existing Sezzle Platform and Sezzle's growing market presence and experience are intended to be utilised to develop new products, including the development of a mobile application that can integrate with Retail Merchant Client's point of sale in physical stores, to enable End-customers to instantly pay with the Sezzle Platform. This product is intended to combine seamless mobile payments with pay-by-installment plans and eliminate the need for traditional in-store lay-by, as well as creating incremental sales for retail merchants. This product is expected to be trialled with selected Retail Merchant Clients in the second half of 2019.

2.6 Overview of Retail Merchant Clients

As at 31 March 2019, Sezzle had 3,321 Active Merchants utilising the Sezzle Platform. A selection of Sezzle's Retail Merchant Clients is set out below.

Figure 2.8: Select Active Retail Merchant Clients

> REDCON1	> 686
> Emerica	> Melt Cosmetics
> bpi Sports	> Vanity Planet
> AKIRA	> etnies
> Tobi	> tropeaka
> NanaMacs	> crunchyroll
> Master & Dynamic	> RAREFORM
> SPARTA NUTRITION	> 1UP Nutrition
> Illenium	> JARED LANG
> STEEL SUPPLEMENTS	> PX
> jujube	> Alani Nu

For a more detailed list of Sezzle's Retail Merchant Clients, please refer to the Company's website at <https://sezzle.com/stores>.

Retail Merchant Clients have seen increases in key operational metrics (including average order value, cart insertion rates and shopper purchase frequency) for merchant clients using the Sezzle Platform. Please see Section 2.7 for more information. Accordingly, as set out in Section 2.4(c), Sezzle has been able to achieve significant market penetration since launching the Sezzle Platform in August 2017.

2.7 Retail Merchant Clients – Case Studies

(a) Jared Lang Case Study

JARED LANG

Business description

Founded in 2010, Jared Lang is a luxury lifestyle brand based out of Miami, Florida. Jared Lang infuses modern Italian fashion into every detail of their designs, which is evident in the unique handcrafted engineering, compelling colour combinations, vibrant prints and bold checks found throughout the men's collection that make Jared Lang exclusive in today's fashion.

Background to the relationship – why did you choose Sezzle?

After looking at Sezzle, along with other players in this space, we went with Sezzle because we feel they have the best product and the best customer service. The reviews don't lie.

Feedback on integration

The integration was extremely simple. After signing up, we were able to go-live the same day. We are a fashion company that doesn't pride itself on being super tech-savvy. Sezzle was so easy to set up.

Results/statistics

Prior to adding Sezzle, the Company claimed they would increase sales, conversions, and order values. They have accomplished all three, and enabled us to gain new customers by featuring us on their store directory. Our order values with Sezzle are over 20% larger than our average and our conversion rate is 12% higher. We have recommended Sezzle to a few other brands in our industry who are now also using them.

(b) 686 Case Study



Business description

Founded in 1992 by Michael Akira West, 686 creates technical snow apparel for winter sport enthusiasts. It is the oldest and one of the last remaining independently operated companies in the outerwear industry. 686 apparel is sold in hundreds of stores worldwide and is one of the most well-regarded outerwear brands today.

Background on the relationship – why did you choose Sezzle?

Our company was working with an ecommerce agency based in the LA area, and they recommended we try Sezzle after seeing similar solutions work well in other parts of the world. We were one of their first merchant partners, having started with Sezzle in October 2017.

Feedback on integration

Integration was extremely easy. Our ecommerce store is powered by Shopify and Sezzle has built a Shopify app and payment gateway, so integration took under an hour. More importantly, we haven't had any backend issues since adding Sezzle.

Company and Business Overview (cont.)

Results/statistics

Sezzle offers an easier way for our customers to try our more expensive products. We see about 10% larger baskets with Sezzle compared to our average order size.

2.8 Regulatory Environment

Sezzle must comply with applicable regulatory regimes, including those applicable to consumer credit transactions. The structure of Sezzle's current financing offering, being closed-end credit with 0% interest and a limited number of fixed payments, means that Sezzle's obligations are limited under numerous consumer financing laws (including, for example, certain consumer protection laws such as the United States' Truth In Lending Act of 1968) and various licensing and disclosure laws.

Sezzle's business is subject to a range of legal and industry compliance requirements including consumer disclosure and protection laws, privacy laws, and data security laws. In particular, Sezzle is subject to applicable laws, such as:

- (a) laws and regulations that impose requirements related to debt collection and unfair or deceptive business practices;
- (b) laws that prohibit creditors from discriminating against credit applicants on the basis of race, colour, sex, age, religion, national origin, marital status, or the fact that all or part of the applicant's income derives from any public assistance program;
- (c) laws that promote the accuracy, fairness and privacy of information in the files of consumer reporting agencies;
- (d) laws that include limitations on disclosure of non-public personal information about a consumer to non-affiliated third parties, which in certain circumstances requires the limitation of the use and further disclosure of non-public personal information by non-affiliated third parties to whom they disclose such information and requires a business to disclose certain privacy policies and practices with respect to information sharing with affiliated and non-affiliated entities as well as to safeguard personal customer information, and other privacy laws and regulations;
- (e) bankruptcy laws that limit the extent to which creditors may seek to enforce debts against parties who have filed for bankruptcy protection; and
- (f) laws that provide guidelines and restrictions on the electronic transfer of funds from consumers' bank accounts.

Sezzle is not a money services business for the purposes of the regulations made under US Bank Secrecy Act of 1970. Notwithstanding this, Sezzle maintains an anti-money laundering compliance program which includes blocking the usage of pre-paid credit cards as the primary payment method provided by the End-customer. Sezzle takes anti-money laundering matters seriously and engages a consumer financial services law firm to conduct an anti-money laundering audit, which Sezzle currently intends to continue to conduct such audits on an annual basis.

Canada has a range of legal and industry compliance requirements including consumer disclosure and protection laws, privacy laws, and data security laws similar to the laws and regulations found in the US, which Sezzle complies with.

2.9 Intellectual Property

Sezzle's core intellectual property asset is the Sezzle Platform (see Section 2.2) and the accumulation of transaction data, rules and End-customer insights generated from End-customers using the Sezzle Platform.

Sezzle's intellectual property is protected under the laws of the United States and Canada relating to copyright, trademarks, and contractual confidentiality obligations. Sezzle does not currently hold any patents, but continues to consider the most effective methods of protecting its intellectual property.

Sezzle also holds a registered domain name and registered trademarks, which are used for its business in the United States and Canada. However, expansion into certain new markets outside of the United States and Canada may risk conflict with registered trademarks of another unrelated company with a similar name, and in that case Sezzle may have to consider rebranding its offering in those new markets.

03

INDUSTRY OVERVIEW



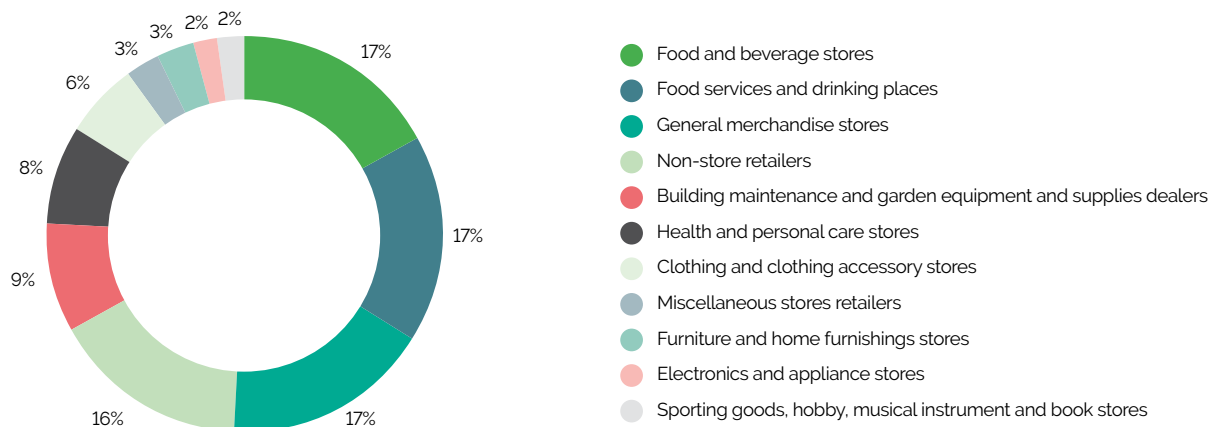
Sezzle is a technology-driven payments company based in the United States with a mission to financially empower the next generation. Currently, Sezzle provides services to End-customers in the United States and began offering services in Canada in April 2019.

Sezzle partners with online Retail Merchant Clients to provide 'buy now, pay later' instalment plans to End-customers, which attract no interest and allow End-customers to budget purchases over time. Sezzle also helps Retail Merchant Clients increase sales by removing common barriers at the critical moment-of-purchase decision – including security concerns and long checkout processes.

3.1 United States Retail Market

Noting that Sezzle targets retail merchants selling products online (refer to Section 3.2), the general retail market in the United States is large and growing. Retail sales (excluding autos and gasoline stations) in the United States as measured by the Census Bureau of the Department of Commerce were approximately US\$4.3 trillion in 2018 and have grown at an average annual growth rate of 3.8% from 2013 to 2017.⁶

Figure 3.1: 2018 US total retail sales (excluding automobiles & gas)



Source: US Census Bureau (US Department of Commerce).

3.2 Ecommerce in the United States

Sezzle targets retail merchants selling online, a segment of the retail sector that is growing at a significantly greater rate than the wider industry and increasing as a proportion of the retail sector.

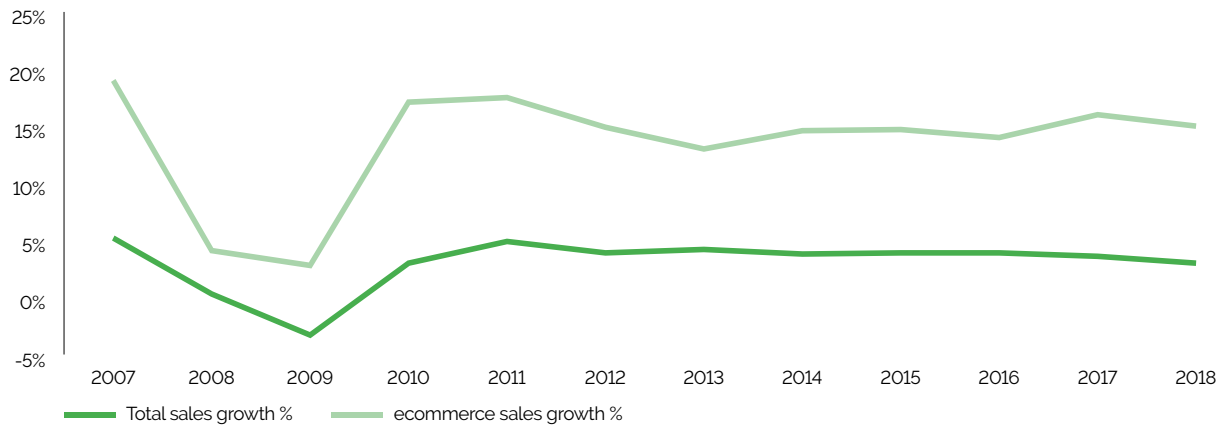
The US Department of Commerce estimates consumers spent US\$512.5 billion online in 2018, an increase of 14.3% from 2017.⁷ This strong rate of growth is expected to continue, with retail ecommerce sales forecast to grow at an average of 15.0% per annum between 2017 and 2022.⁸

6. US Census Bureau (US Department of Commerce), *Monthly Retail Trade – Seasonally Adjusted Sales*, April 2019.

7. US Census Bureau (US Department of Commerce), *Quarterly retail e-commerce sales*, 1st Quarter 2019.

8. eMarketer, *US Retail Ecommerce Sales, 2017-2022*, 9 March 2018.

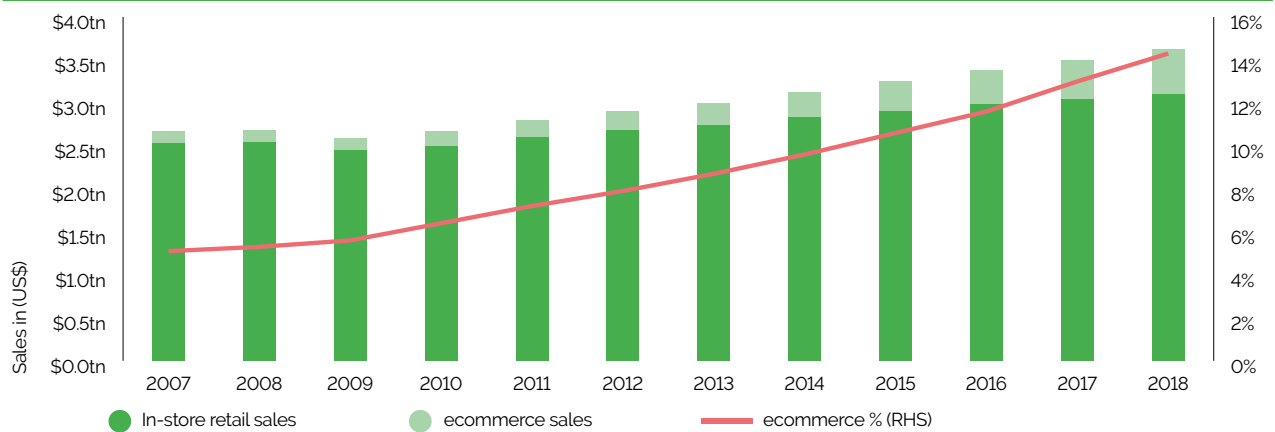
Figure 3.2: Ecommerce sales growth relative to US retail sales growth (excluding fuel, automobiles and food services)



Source: Internet Retailer; US Census Bureau (US Department of Commerce).

As a result of ecommerce sales experiencing higher growth than the wider retail industry, ecommerce sales have increased as a component of total retail sales, accounting for 14.3% share of total retail sales in 2018, up from 12.9% in 2017 and 11.6% in 2016 (excluding the sale of goods not typically purchased online such as fuel, automobiles and food at restaurants).⁹

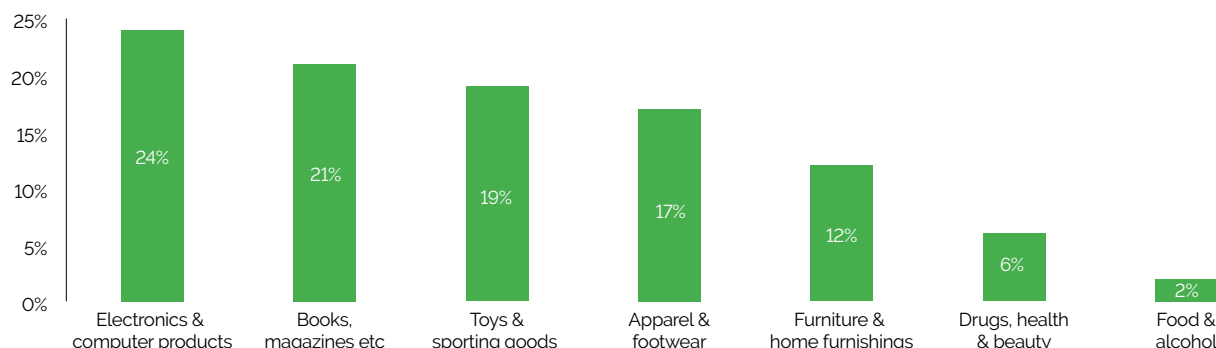
Figure 3.3: Ecommerce sales as a proportion of US retail sales (excluding fuel, automobiles and food services)



Source: Internet Retailer; US Census Bureau (US Department of Commerce).

The proportion of ecommerce as a proportion of overall sales varies significantly by product, and is heavily influenced the underlying product characteristics.

9. Digital Commerce 360, Internet Retailer, March 2019.

Figure 3.4: Estimated online market share by product category

Source: Kantar Retail, *Retail in Motion*, July 2017.

Nearly 80% of Americans have shopped online, with 43% purchasing weekly or at least a few times a month, according to a survey conducted in December 2016.¹⁰

Online shopping is popular across all age cohorts, and especially so among younger shoppers. Nearly 90% of survey respondents in the 18–49 age group have shopped online, as have 87% of respondents aged 30–49, 72% of respondents aged 50–64 and 59% of those over the age of 64.¹¹

3.3 Consumer finance in the United States

According to the Federal Reserve, the outstanding value of total consumer credit (seasonally adjusted) in the United States in January 2019 was approximately US\$4.05 trillion.¹² This comprises both revolving and non-revolving credit.

Revolving credit plans allow a consumer to borrow up to a prearranged limit and repay the debt in one or more instalments. Credit card loans comprise most of the revolving consumer credit. The value of outstanding revolving credit was a little over US\$1.05 trillion as at January 2019.¹³

Non-revolving credit is closed-end credit extended to consumers that is repaid on a prearranged repayment schedule. The majority of non-revolving credit consists of consumer motor vehicle and education loans. Other non-revolving loan types include boat, recreational vehicle and personal loans. The value of non-revolving credit as at January 2019 was approximately US\$3 trillion.¹⁴

Sezzle has created a payments platform that allows End-customers to pay retailers with interest-free instalments over short durations, with the additional benefit that Sezzle's payment wallet also gives these End-customers additional purchasing power. Accordingly, Sezzle provides consumer financing, albeit Sezzle's four equal repayments over a six-week period do not include interest charges for the End-customers.¹⁵

The four major credit card networks in the United States are Visa, Mastercard, American Express and Discover. Credit card revenue in the United States equated to approximately US\$100 billion in 2018, across interest and other charges.¹⁶

Outside of the credit card industry, the consumer lending industry consists of approximately 13,500 establishments with combined annual revenue of about US\$34 billion. Major companies include DFC Global, EZCORP, First Cash Pawn (formerly Cash America), OneMain Holdings, and SLM (better known as Sallie Mae).¹⁷

The last decade has seen the tightening of credit and increased legislation, which has restricted the ability for consumers to access credit products. The lack of access to credit creates lower credit scores, which further restricts access to credit.

10. Pew Research Center, *Online Shopping and E-Commerce*, December 2016.

11. Pew Research Center, *Online Shopping and E-Commerce*, December 2016.

12. Board of Governors of the Federal Reserve System, *Consumer Credit Outstanding (Levels)*, May 2019.

13. Board of Governors of the Federal Reserve System, *Consumer Credit Outstanding – G19*, May 2019.

14. Board of Governors of the Federal Reserve System, *Consumer Credit Outstanding – G19*, May 2019.

15. See Section 2.3(a) regarding the payment of Reschedule Fees and Late Payment Fees.

16. IBISWorld, *Credit Card Issuing Industry in the US*, June 2018.

17. Dun & Bradstreet First Research, *Consumer Lending Industry Profile*, August 2018.

Sezzle believes that the tightening of credit paired with lowering credit scores has created a gap in the credit markets for products, which provide a similar increase in purchasing power to that of traditional credit products. The lack of access to credit is evident in young Americans. A 2016 survey found that 67% of millennials in the United States do not own a credit card and only 45% of millennials have credit scores that will qualify them for a credit account with a mainstream lender.¹⁸

3.4 Canadian market overview

(a) Canadian retail market

The retail market in Canada is large and growing. Retail sales in Canada as measured by Statistics Canada were approximately C\$605 billion in 2018, having grown 2.7% from 2017.¹⁹

(b) Canadian ecommerce market

Retail ecommerce, including sales from both store and non-store retailers, rose 14.7% to C\$18.0 billion in 2018 (excluding purchases made by Canadian consumers from foreign-based retailers). Retail ecommerce represented 2.9% of total retail sales, compared with 2.6% in 2017.²⁰

Some estimates suggest that almost half of online purchases made by Canadian consumers are purchased from foreign retail sites, meaning that it was forecast that retail ecommerce would account for up to 9% of total retail sales in Canada in 2018.²¹

(c) Payments in Canada

In 2017, the total payments market in Canada was 21.9 billion consumer and business transactions, worth more than C\$9.7 trillion.²²

In 2017, 32% of Canadians made online retail purchases with their mobile devices and this trend is growing. Millennial consumers (aged 18–34) lead the trend, with 41% of these shoppers purchasing via digital devices at least once a week.²³

3.5 “Buy-now, Pay-Later” Overview

The point of sale financing market includes:

- (a) ‘buy-now, pay-later’ products, such as the Sezzle Platform, which facilitate End-Customers to purchase products from retail merchants on instalment plans (e.g. Sezzle, Affirm, Afterpay, Klarna, PayBright and Quadpay);
- (b) products from existing credit card providers which allow customers to pay for purchases on pre-existing credit cards in instalments, with such loans held on the balance sheet of bank partners (e.g. Visa, Mastercard, American Express);
- (c) products from banks which allow customers to pay for products in instalments instead of allowing the purchase to be held fully on a revolving credit line (e.g. JP Morgan Chase); and
- (d) products which offer customers a line of revolving credit, allowing purchases to be made online without using a credit card (e.g. PayPal Credit).

The market for ‘buy-now, pay-later’ services is largely driven by consumer desire for flexible payment solutions. Recent studies have found that:

- (a) a majority of US cardholders consider instalment plans to be helpful for budgeting and alleviate the stress of large purchases;²⁴ and
- (b) one in five US digital shoppers have pursued a digital loan at point of sale to complete an online purchase.²⁵

18. Bankrate Money Pulse Survey, May 2016.

19. Statistics Canada, Retail Trade, December 2018.

20. Statistics Canada, Retail Trade, December 2018.

21. eMarketer, Ecommerce in Canada 2018, 25 January 2018.

22. Payments Canada, 2018 Canadian Payment Methods and Trends.

23. US Department of Commerce, Canada – eCommerce, December 2018.

24. Auriemma Consulting Group, The Payments Report, Q1 2018, April 2018.

25. McKinsey & Company, Global payments 2018, October 2018.

Industry Overview (cont.)

Obtaining scale by acquiring significant numbers of Retail Merchant Clients that offer the payment platform to End-customers on check out represents a key barrier to entry for participants in the point of sale financing market, particularly the 'buy-now, pay-later' segment. Failing to acquire sufficient Retail Merchant Clients, either by reason of competing 'buy-now, pay-later' products offering a more compelling value proposition to Retail Merchant Clients or existing consumer finance providers (including credit card issuers and bank lenders) developing an effective competing instalment product, represents a key risk to participation in the point-of-sale financing market. Please refer to Sections 7.1(b), 7.1(d) and 7.1(h).

The 'buy-now, pay-later' segment is a developing field and, currently, is not subject to specific regulation in the United States or Canada. Should regulators in the jurisdictions in which Sezzle operates increase their focus on this segment (and the point of sale financing market more broadly), additional regulations may commence which could impact the manner in which the 'buy-now, pay-later' segment (and participants such as Sezzle) operates. Please refer to Section 7.1(m).

Sezzle considers that the relative infancy of 'buy-now, pay-later' products being offered in the US market as well as the significant growth being observed across the segment, makes estimation of the scale of the 'buy-now, pay-later' segment or the participants in that segment difficult. It is however noted that certain competitors in the 'buy-now, pay-later' segment have disclosed merchant numbers and other key statistics regarding their operations in the United States under applicable continuous disclosure regimes. For example, Afterpay has disclosed that it has over 3,300 active merchants and 1.5 million active customers.

3.6 Competitive landscape and differentiation

The consumer finance landscape continues to evolve in response to changing consumer preferences and the way consumers choose to access credit. The broader consumer finance sector is highly competitive and populated by large, well-resourced participants.

Sezzle considers its main competitors to be other 'buy now, pay later' service providers.

Point-of-sale financing and 'buy now, pay later' products have developed rapidly in recent history, but is considered to be at an earlier stage of its development and less penetrated in the US than in a market like Australia. Competitors have entered, and will likely continue to enter, the market and provide innovative products in response to merchant and End-customer preferences.

In particular, credit card companies and other traditional providers of consumer credit have responded to the emergence of 'buy now, pay later' and, more broadly, the lower adoption of credit cards by younger consumers, by amending their product offering to attempt to appeal to the same consumers as Sezzle.

Other providers within the 'buy now, pay later' consumer lending subsector operate business models of varying comparability to Sezzle in relation to the product underwriting process, End-customer and merchant engagement, and may focus on specific goods, sectors, geographies or transaction values.

Players that Sezzle observes operating in the US market include Affirm, Afterpay, Klarna, PayPal Credit and QuadPay. Sezzle has additionally observed that PayBright operates in Canadian market.

Sezzle aims to differentiate its business to End-customers by providing a product that is simple to understand and customer friendly. This includes allowing the customer to shift their repayment schedule once per order for free, and waiving Failed Payment Fees where the End-customer corrects a failed payment within 48 hours.

Sezzle believes this approach to End-customers is appreciated and is a driver of its high net promoter score (**NPS**) relative to peers. NPS is a measure of customer loyalty captured through post-engagement surveys and a score of 70+ is considered excellent by Sezzle management. As at 31 March 2019, Sezzle had an NPS of 91²⁶. This positive customer feedback is in turn marketed to prospective merchants as evidence of Sezzle's differentiated approach to End-customers.

26. Sezzle's NPS Score is sourced from Trust pilot reviews and calculated by Sezzle by adding all scores of 9-10 and subtracting all scores of 1-6.

04

**BOARD,
MANAGEMENT
AND CORPORATE
GOVERNANCE**



Board, Management and Corporate Governance

4.1 Board

The Board is responsible for the corporate governance of the Company. It monitors the operational, financial position and performance of the Company and oversees its business strategy, including approving the strategic goals of the Company.

The Board is committed to maximising performance, generating value and financial returns for Shareholders and building the growth and success of the Company. To further these objectives, the Board has created a framework for managing the Company, including the adoption of relevant internal controls, risk management processes, and corporate governance policies and practices that the Board believes are appropriate for the business and which are designed to promote the responsible management and conduct of the Company.

Further, the Company is committed to ensuring that appropriate checks are undertaken before the appointment of a Director and has in place written agreements with each Director that detail the terms of their appointment.

At the date of this Prospectus, the Board of Directors of the Company is comprised of the following Directors:



Charlie Youakim

Executive Chairman and Chief Executive Officer

Charlie is a co-founder, Executive Chairman and Chief Executive Officer of Sezzle.

Charlie is a serial technology entrepreneur with nearly 10 years of experience in growing fintech companies from inception to large-scale businesses. Charlie began his career as an engineer and software developer. After successfully advancing in his early career, he returned to business school where he was able to focus on expanding his knowledge of finance, marketing, and business strategy.

In 2010, after completing business school, Charlie founded his first payments company, Passport. Passport became a leader in software and payments for the transportation industry. At Passport, Charlie led the construction of the original technology, and led the company as it disrupted the industry through the introduction of white label systems and payments wallets. Passport is the technology behind enterprise transportation installations like ParkChicago, ParkBoston and the GreenP in Toronto.

Charlie co-founded Sezzle in 2016, where he also planned much of the business's technology architecture.

Charlie has a degree in mechanical engineering from the University of Minnesota and an MBA from the Carlson School of Management at the University of Minnesota.



Paul Paradis

Executive Director and Chief Revenue Officer

Paul is a co-founder, Executive Director and Chief Revenue Officer at Sezzle.

Paul has extensive experience in sales and marketing. He began his career in sales with the Minnesota Timberwolves. He left the Timberwolves to attain his MBA from the Carlson School at the University of Minnesota, where he focused on marketing and strategy. After graduating from the Carlson School, Paul spent six years leading sales and marketing at Dashe & Thomson and the Abreon Group, which are boutique management consultancies focused on IT transformation adoption.

Paul left the Abreon Group in 2016 when he co-founded Sezzle. At Sezzle, Paul oversees sales, marketing, partnerships and merchant development.

Paul has a BA in political science from Davidson College and an MBA from the University of Minnesota.

**Paul Lahiff***Independent Non-Executive Director*

Paul was previously Chief Executive Officer of Mortgage Choice and prior to this, Chief Executive Officer of Permanent Trustee and Heritage Bank. He also held senior management roles for Westpac Banking Corporation in Sydney and London.

Paul is Chairman of Cuscal Limited, Chairman of the Australian Retail Credit Association, and a Non-Executive Director of AUB Holdings and NESS Superannuation. He previously held board roles with Sunsuper, Thorn Group, New Payments Platform Australia and Cancer Council NSW.

Paul holds a BSC degree from the University of Sydney, is a graduate of the Australian Institute of Company Directors, and lives in Sydney, Australia.

**Kathleen Pierce-Gilmore***Independent Non-Executive Director*

Kathleen is a well-known payments and fintech executive with 20+ years in the industry across firms including American Express, Capital One, PayPal, and most recently start-up companies Raise Marketplace and Flexa Technologies. She has held leadership positions from leading Strategy to COO, President and CEO roles. In addition to her deep expertise in customer experience, consumer lending, product development, and P&L management, she has also led businesses on the merchant side of the payments ecosystem, making her a well-rounded member of the Board of Directors. She currently serves as an adviser to early to mid-stage companies in the fintech space.

Kathleen graduated with a BA from the Integrated Sciences Program at Northwestern University and lives in Bethesda, MD in the US.

**Paul Purcell***Independent Non-Executive Director*

Paul Purcell has invested in financial services companies (public and private markets) for nearly 20 years. He retains a specific specialisation in emerging financial innovation as well as non-bank financial services. He has been the Chief Investment Officer of Jupiter Management since 1 January 2019 and prior to assuming that position, he led the sourcing and origination of investments at Continental Investors. Paul is a frequent panellist at industry conferences and has published several articles on trends and developments in the emerging commerce and financial services marketplaces.

Paul currently serves on the boards of Sezzle, Listo!, Veritec Solutions, Align Income Share Funding, Drizly, Winestyr, Intuition LLC, CarHop and What's Next Media. He was a board observer at LevelUp through its acquisition by GrubHub and he was formerly a board member at WePay from the time of Continental's Series C lead investment through the purchase of WePay by J.P. Morgan Chase.

Prior to joining Continental Investors, Paul was a co-founder of Continental Advisors, a manager of two sector-based hedge funds. He was also Manager of Internet Marketing at the Chicago Board Options Exchange, a department he helped to found.

Paul is a graduate of the University of San Diego where he was recently elected to the Board of Trustees.

Board, Management and Corporate Governance (cont.)

4.2 Senior Management

(a) Karen Hartje – Chief Financial Officer

Karen Hartje is the Chief Financial Officer at Sezzle.

Before her role with Sezzle, Karen occupied finance and credit management roles at Bluestem Brands, a retail finance company that was a reboot of Fingerhut Direct Marketing. Bluestem Brands generated well over US\$1 billion in retail sales. Karen was on the founding team of Bluestem Brands where she led the finance department reporting to the President of Bluestem Brands. During her tenure at Bluestem Brands, Karen led financial planning, and analysis and management of credit policy and forecasting. Bluestem Brands was acquired by private equity in 2014 for US\$565 million. After the acquisition, Karen left Bluestem Brands to pursue her own financial consulting business.

Karen started her career with KPMG and has held senior leadership positions at US Bank, and Lenders Trust.

A graduate of the University of Minnesota, Karen has a degree in accounting, as well as her CPA (expired).

(b) Killian Brackey – Chief Technology Officer

Killian Brackey is a co-founder and Chief Technology Officer at Sezzle.

Before Sezzle, Killian was a co-founder of ZZROT, where he built and maintained open-source dev ops products to aid with site and project management. Killian also consulted with companies in Minneapolis and Saint Paul on software optimisation, operations, and refactoring technology stacks. Killian is a self-taught developer and has been building software since he was in middle school.

Killian began his education at Columbia, where he was also on the rowing team. Killian later studied computer science and economics at the University of Minnesota before joining as one of the founders of Sezzle in early 2016.

(c) Jamie Kirkpatrick – Chief Risk Officer

Jamie Kirkpatrick is the Chief Risk Officer at Sezzle.

Before joining the Sezzle team, Jamie was the VP and Head of Risk Management for the Target partnership at TD Bank, where he was responsible for oversight on credit underwriting and program management for the Target REDcard program. The Target REDcard program accounted for over 20% of Target's sales for the three months ended in May of 2014. Before his role at TD Bank, Jamie worked at Bluestem Brands, a retail finance company that was a reboot of Fingerhut Direct Marketing. Bluestem Brands generated well over US\$1 billion in retail sales. At Bluestem, Jamie was the VP of New Customer Credit & Fraud Management and led all aspects of new account risk management including direct marketing risk tolerance, underwriting, customer verification and credit line assignment.

Jamie has also held senior risk management positions at HSBC, Metris, and Bank of America.

Jamie is a graduate of St. Olaf College, where he attained degrees in maths and economics.

(d) Don McConnell – General Counsel

Don McConnell is the General Counsel for Sezzle.

Don is an accredited privacy professional who has extensive and varied experience in corporate law, commercial transactions, structured finance, credit, cybersecurity, and consumer data privacy law. Additionally, Don has held general counsel and multiple senior counsel positions in the consumer finance sector.

Don was the Associate General Counsel at GMAC Res Cap, a leading residential mortgage loan originator and servicer. He served as counsel for Res Cap's structured finance team. He was also served as Res Cap's first data security lawyer, helping build and maintain their data security program. He was the Associate General Counsel at Fingerhut, a retail finance company that offered credit through a nationally chartered bank. He also was general counsel for Northwest Mortgage Services, a provider of foreclosure and bankruptcy managed services to major banks.

Don has his JD from Mitchell Hamline School of Law and a bachelor's degree in accounting from the University of Northern Iowa.

4.3 Organisational Structure

The Company’s various departments are currently structured as follows:

Figure 4.1: Sezzle organisational structure



4.4 Interests and Benefits of Directors

Other than as set out below or elsewhere in the Prospectus, no Director:

- (a) has, or had at any time during the two years preceding the date of this Prospectus, an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or in the Offer; or
- (b) has been paid, or agreed to be paid, any amount, or has been given or agreed to be given any other benefit, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by them in connection with the formation or promotion of the Company or the Offer.

4.5 Director Disclosures

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years, which is relevant or material to the performance of their duties as a Director or which is relevant to an investor’s decision as to whether to subscribe for CDIs.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a six-month period after they ceased to be an officer.

Board, Management and Corporate Governance (cont.)

4.6 Director and Senior Management Interests and Remuneration

(a) Executive Remuneration

Charlie Youakim – Executive Chairman and Chief Executive Officer

Charlie Youakim is employed in the position of Executive Chairman and Chief Executive Officer. Charlie's annual base salary from Admission is US\$225,000. Certain other benefits are available and payable to Charlie Youakim such as health insurance, business travel expenses and other expenses consistent with the Company's expense policy.

Charlie's employment may be terminated:

- (i) at any time upon mutual written agreement of the parties;
- (ii) by the Company immediately and without prior notice for cause;
- (iii) immediately upon Charlie's death or disability;
- (iv) by the Company other than for cause with advance written notice of at least 12 months; or
- (v) by Charlie, other than due to Charlie's death or disability, with advance written notice of at least 12 months.

Charlie is eligible to participate in the Company's 2019 Incentive Plan (see Section 4.10(b)). The Board (other than Mr Youakim) has resolved to grant Charlie 500,000 Options under the 2019 Incentive Plan to be issued at Admission on the following key terms:

- (i) an exercise price per Option that is equivalent to the Offer Price;
- (ii) an expiry date of 10 years after the issue of the Options;
- (iii) 1/48th of the Options will vest each month after the grant of the Options.

If a change of control occurs and Charlie's service to the Company is involuntarily terminated by the Company or its successor in connection with, or within 36 months following, a change of control, all of the unvested Existing Options then held by Charlie will vest.

Paul Paradis – Executive Director and Chief Revenue Officer

Paul Paradis is employed in the position of Executive Director and Chief Revenue Officer. Paul's annual base salary from Admission is US\$200,000. Certain other benefits are available and payable to Paul Paradis such as health insurance, business travel expenses and other expenses consistent with the Company's expense policy.

Paul's employment may be terminated:

- (i) at any time upon mutual written agreement of the parties;
- (ii) by the Company immediately and without prior notice for cause;
- (iii) immediately upon Paul's death or disability;
- (iv) by the Company other than for cause with advance written notice of at least 12 months; or
- (v) by Paul, other than due to Paul's death or disability, with advance written notice of at least 12 months.

Paul is eligible to participate in the Company's 2019 Incentive Plan (see Section 4.10(b)). The Board (other than Mr Paradis) has resolved to grant Paul 500,000 Options under the 2019 Incentive Plan to be issued at Admission on the following key terms:

- (i) an exercise price per Option that is equivalent to the Offer Price;
- (ii) an expiry date of 10 years after the issue of the Options;
- (iii) 1/48th of the Options will vest each month after the grant of the Options.

If a change of control occurs and Paul's service to the Company is involuntarily terminated by the Company or its successor in connection with, or within 36 months following, a change of control, all of the unvested Existing Options then held by Paul will vest.

(b) Non-Executive Director remuneration

Under the Company's By-laws, the Directors decide the total amount paid to each Non-Executive Director as remuneration for their services. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors must not exceed in any financial year the amount fixed in a general meeting of the Company. This amount is capped under the By-laws at A\$300,000 per annum. Any increase to the aggregate amount needs to be approved by Shareholders. The Directors will seek approval of the Shareholders from time to time, as appropriate. This aggregate annual sum does not include any other remuneration that the Board may grant to the Directors for providing services to the Company in another capacity.

The Company has entered into an appointment letter or agreement with each of its Non-Executive Directors. The Directors' fees currently agreed to be paid by the Company under the appointment letters or agreements for the year ending 31 December 2019 are as set out below:

Table 4.2: Non-Executive Director remuneration

Director	Annual cash Directors' fees (excluding GST but including superannuation (where appropriate))	RSAs granted over Shares	Options granted over Shares
Paul Lahiff	A\$50,000	Nil	250,000 ¹
Kathleen Pierce-Gilmore	Nil	Nil	350,000 ²
Paul Purcell	Nil	350,000 ³	Nil

Notes:

- 1/36th of the Options granted to Paul Lahiff will vest each month after the grant of the Options, provided that the Director remains a director of the Company as at the applicable date and are exercisable at an exercise price per Option that is equivalent to the Offer Price. The Options expire 10 years from the date of Admission. The Options will be granted under the 2019 Incentive Plan summarised in Section 4.10(b) and will be issued on or around the date of Admission.
- Kathleen Pierce-Gilmore received 350,000 Options on 29 March 2019 with an exercise price of US\$0.05, which will comprise her compensation for her services. 1/36th of the Options granted to Kathleen Pierce-Gilmore will vest each month after the grant of the Options, provided that the Director remains a Director of the Company as at the applicable date.
- In accordance with the Paul Purcell's director appointment agreement, 350,000 RSAs were issued to Continental Investment Partners on 29 March 2019, which comprises compensation for Paul Purcell's services as a Director.

In addition, the following annual fees are payable to Directors for membership of Board committees.

Table 4.3: Sezzle Board Committee remuneration

Committee	Chair	Member
Audit and Risk Management Committee	A\$5,000	Nil
Remuneration and Nomination Committee	A\$5,000	Nil

The Board has determined that each Non-Executive Director's remuneration is to comprise a large equity component to align the Company's Non-Executive Director remuneration arrangements with those generally adopted by similar sized US technology companies. The Company considers that the grant of Options and RSAs will assist in the reward, retention and motivation of Non-Executive Directors and will drive enhanced Company and individual performance.

Board, Management and Corporate Governance (cont.)

(c) Indemnification and insurance of Directors

The Company's Certificate of Incorporation and By-laws provide for the indemnification of its Directors, officers, employees and other agents to the maximum extent permitted by the DGCL.

The Company has entered into indemnification agreements with each Director. Under these indemnification agreements, the Company has agreed to indemnify, to the extent permitted by the law, each Director in respect of certain liabilities that the Director may incur as a result of, or by reason of, being or acting as a Director of the Company.

These liabilities include losses or liabilities incurred by the Director to any other person as a director of the Company, including legal expenses to the extent such losses or liabilities relate to actions taken in good faith by the Director and in a manner the Director reasonably believed to be in, or not opposed to, the best interests of the Company and in the case of criminal proceedings where the Director had no reasonable cause to believe that his conduct was unlawful. To the extent that the Company maintains a Directors' and Officers' policy of insurance, it must ensure that the Directors are covered for the period that they are Directors.

(d) Other information about Director remuneration

Directors may also be reimbursed for travel and other expenses reasonably incurred in connection with the performance of their duties as Directors. Directors may be paid such special remuneration as the Directors decide is appropriate where a Director performs extra work or services for, or at the request of, the Company.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions and the Company's 401(k) plan in which Executive Directors are eligible to participate as employees.

(e) Other key management

The other members of key management referred to in Section 4.2 are each party to employment contracts with the Company. These contracts entitle the employee to a fixed compensation amount, along with other standard employment benefits such as health, life, disability vision, dental insurance and reimbursement of business expenses.

In addition, the employees are entitled to participate in the Company's 2019 Incentive Plan, and have each been granted Options under that plan and the Company's 2016 Incentive Plan (see Section 9.6).

4.7 Directors' interests in Shares and other securities

Directors are not required to hold any Shares or CDIs. The table below details the Directors' interests in Shares or CDIs prior to and following Completion of the Offer.

Table 4.4: Director holding of Shares/CDIs

Director	Shares held immediately prior to Completion	Shares/CDIs held on Completion	Percentage ownership on Completion (undiluted) ¹
Charlie Youakim	88,359,809	88,359,809	49.7%
Paul Paradis	10,000,000 ²	10,000,000	5.6%
Paul Lahiff	Nil	81,967 ³	0.05%
Kathleen Pierce-Gilmore	Nil	Nil	Nil
Paul Purcell	Nil ⁴	Nil	Nil

Notes:

1. Percentage holding on an undiluted basis has been calculated as if none of the Options on issue have been exercised in accordance with their terms.
2. Paul Paradis holds 10,000,000 Shares. As at the date of this Prospectus, 7,791,666 Shares have fully vested with the remaining Shares subject to vesting conditions as follows: 333,334 Shares will vest in monthly instalments over the next 4 months and 1,875,000 Shares will vest in monthly instalments over the next 30 months.
3. Paul Lahiff intends to subscribe for these CDIs under the Offer.
4. In accordance with the Paul Purcell's director appointment agreement, 350,000 RSAs were issued to Continental Investment Partners on 29 March 2019, which comprises compensation for Paul Purcell's services as a Director. Paul Purcell does not have a relevant interest in Securities held by Continental Investment Partners.

The table below details the Directors' interests in Options or RSAs prior to, and following, Completion of the Offer:

Table 4.5: Director holding of Options and RSAs

Director	Options/RSAs held immediately prior to Completion ¹	Options/RSAs held on Completion
Charlie Youakim	Nil	500,000 Options ²
Paul Paradis	Nil	500,000 Options ²
Paul Lahiff	Nil	250,000 Options ²
Kathleen Pierce-Gilmore	350,000 Options	350,000 Options
Paul Purcell	Nil ³	Nil

Notes:

1. Further details regarding Options are set out in Section 9.6. Options have been granted over Shares at varying exercise prices.
2. The Options to be granted to Charlie Youakim, Paul Paradis and Paul Lahiff will vest in accordance with a vesting schedule whereby:
 - a) 1/48th of the Options granted to Charlie Youakim and Paul Paradis will vest each month after the grant of the Options; and
 - b) 1/36th of the Options granted to Paul Lahiff will vest each month after the grant of the Options,
 in each case provided that the Director remains a Director of the Company as at the applicable date and are exercisable at an exercise price per Option that is equivalent to the Offer Price. The Options expire 10 years from the date of Admission. The Options will be granted under the 2019 Incentive Plan summarised in Section 4.10(b) and will be issued on or around the date of Admission.
3. In accordance with the Paul Purcell's Director Appointment Agreement, 350,000 RSAs were issued to Continental Investment Partners on 29 March 2019, which comprises compensation for Paul Purcell's services as a Director. Paul Purcell does not have a relevant interest in securities held by Continental Investment Partners.

Board, Management and Corporate Governance (cont.)

Directors may hold their interests in the securities shown above, directly or indirectly through holdings by companies or trusts.

The Directors (and their associates) are entitled to apply for shares under the Offer. The table above does not take into account any CDIs the Directors may acquire under the Offer.

Certain equity securities held by, or on behalf of, Charlie Youakim and Paul Paradis will be subject to ASX imposed escrow as detailed in Section 9.10.

4.8 Related party transactions

Other than as set out below or elsewhere in this Prospectus, there are no existing agreements or arrangements, and there are no proposed transactions, in which the Company was, or is to be, a participant, and in which any related party had, or will have, a direct or indirect material interest:

- (a) the compensation arrangements with Directors and executive officers which are described in Section 4.6; and
- (b) the indemnification arrangements with the Directors which are described in Section 4.6(c).

4.9 Policy for approval of related party transactions

The Company's Audit and Risk Management Committee is responsible for reviewing and approving all transactions in which the Company is a participant and in which any parties related to the Company, including its executive officers, Directors, beneficial owners of more than 5% of the Company's CDIs, immediate family members of the foregoing persons and any other persons whom the Board determines may be considered related parties of the Company, has or will have a direct or indirect material interest.

The Audit and Risk Management Committee or its chair, as the case may be, will only approve those related party transactions that are determined to be in, or are not inconsistent with, the best interests of the Company and its Shareholders, after taking into account all available facts and circumstances as the Audit and Risk Management Committee or the chair determines in good faith to be necessary. Transactions with related parties will also be subject to Shareholder approval to the extent required by the ASX Listing Rules.

4.10 Employee incentive arrangements

(a) 2016 Employee Stock Option Plan

The Company adopted the 2016 Employee Stock Option Plan on 16 January 2016 (the **2016 Incentive Plan**) to encourage stock ownership among the Employees, Directors and consultants of the Company, to provide additional incentives for such individuals, and to assist Sezzle in attracting and retaining the best personnel.

Under the 2016 Incentive Plan, the Company reserved 10,000,000 Shares for issue under the plan and, as at the date of this Prospectus, the Board granted the following Options that are issued and outstanding:

- (i) 9,048,334 Options (over 9,048,334 Shares); and
- (ii) 350,000 RSAs.

Further details regarding these Options and RSAs are set out in Section 9.6.

The 2016 Incentive Plan was superseded upon the adoption of the 2019 Incentive Plan by the Company (although the terms of the 2016 Incentive Plan continue to apply to awards granted under that Plan).

(b) 2019 Employee Stock Option Plan

The Company's 2019 Employee Stock Option Plan, adopted on 24 June 2019 (the **2019 Incentive Plan**), provides for the grant of incentive stock options to employees of the Company and its subsidiaries and certain related bodies corporate, and for the grant of non-statutory stock options, Restricted Stock and Restricted Stock units to the employees and consultants of the Company and to the members of the Board.

The maximum aggregate number of Shares that have been reserved for issuance under the 2019 Incentive Plan is 10,000,000, of which approximately 4,850,000 are available for issuance (after the issues of securities set out in Section 9.6). The Board has agreed to grant 5,150,000 Options under the 2019 Incentive Plan on or around the date of Admission.

Further details regarding these Options are set out in Section 9.6.

The 2019 Incentive Plan will be administered by the Remuneration and Nomination Committee. Subject to the provisions of the 2019 Incentive Plan, the administrator generally has the power to determine:

- (i) who will receive awards under the 2019 Incentive Plan;
- (ii) the number of securities to be covered by each award;
- (iii) the terms and conditions, not inconsistent with the terms of the 2019 Incentive Plan, of any award granted under the 2019 Incentive Plan, including, without limitation, the exercise or purchase price (if any) applicable to the award, the time or times when awards may vest and/or be exercised, and any restriction or limitation regarding any award or the Shares underlying any award;
- (iv) specifically in the case of Options:
 - (A) the exercise price of any Options granted, which will generally not be less than fair market value of the Company's Shares on the date the Option is granted;
 - (B) the number of Shares into which an Option is exercisable, provided that such Options may not be exercisable over a percentage of the Company's share capital;
 - (C) the terms on which the Options will become exercisable; and
 - (D) the termination or cancellation provisions applicable to the Options which are granted, provided that the expiry date is, in most cases, not more not be more than 10 years from the date the Option was granted; and
- (v) to construe and interpret the terms of the 2019 Incentive Plan and any award agreement.

In the event of a sale of substantially all of the Company's assets, merger or other change in control, as defined under the 2019 Incentive Plan, each outstanding award will be treated as the administrator determines, including, but not limited to, providing for the assumption or substitution of the outstanding award, the cancellation of the outstanding award on such terms and conditions as it deems appropriate, including providing for the cancellation of such outstanding award for no consideration.

Subject to compliance with applicable law, the Board has the authority to amend or terminate the 2019 Incentive Plan provided no amendment or termination (other than an adjustment pursuant to a recapitalisation as described above) shall be made that would materially and adversely affect the rights of any participant under any outstanding award, without his or her consent. Certain amendments will require the approval of the Shareholders.

The 2019 Incentive Plan will automatically terminate in 2029, unless terminated prior.

Details of any Securities issued to the Directors under the 2019 Incentive Plan will be published in each annual report of the Company relating to the period in which the Securities have been issued.

4.11 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the Company's policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

The ASX Corporate Governance Council has developed and released its third edition of the ASX Corporate Governance Principles and Recommendations (**Recommendations**) for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The Recommendations are not prescriptions, but guidelines. However, under the Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that it has not followed and provide reasons for not following it.

Board, Management and Corporate Governance (cont.)

In light of the Company's size and nature, the Board considers that the current Board composition and structure is a cost-effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are detailed in Section 4.13 below. The Company's full Corporate Governance Plan is available in a dedicated Corporate Governance information section of the Company's website at <https://sezzle.com/investors>.

4.12 Corporate Governance

(a) Board composition and independence

As at the date of this Prospectus, the Board is comprised of three independent Non-Executive Directors and two Executive Directors, including the Chairman. Biographies of these Directors are provided in Section 4.1.

The Board considers issues of substance affecting the Company, with advice from external advisers as required. Each Director must bring an independent view and judgement to the Board and must declare all actual or potential conflicts of interest on an ongoing basis. Any issue concerning a Director's ability to properly act as a Director must be discussed at a Board meeting as soon as practicable, and a Director must not participate in discussions or resolutions pertaining to any matter for which the Director has a material personal interest.

At the date of this Prospectus, Paul Lahiff, Kathleen Pierce-Gilmore and Paul Purcell are independent Directors and hold the securities in the Company shown in Section 4.7.

(b) Board Charter

The Board has adopted a written Charter to provide a framework for the effective operation of the Board. The Charter sets out the Board composition, the Board's role and responsibilities, the relationship and interaction between the Board and management and the authority delegated by the Board to management and Board committees.

The Board's role is to, among other things:

- > provide leadership and set the strategic objectives of the Company;
- > appoint the Chairman, the Chief Executive Officer and other senior executives of the Company;
- > oversee management's implementation of the Company's strategic objectives and its performance generally;
- > oversee the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- > oversee the Company's process for making timely and balanced disclosure to the market;
- > ensure that the Company has in place an appropriate risk management framework;
- > approve the Company's remuneration framework;
- > review the performance and effectiveness of the Company's governance practices policies and procedures;
- > determine the Company's dividend policy;
- > evaluate, approve and monitor budgets, major capital expenditure, capital management and all major corporate transactions, including the issue of securities of the Company; and
- > ensure that the Company maintains a commitment to promoting diversity in the workplace.

The management function is conducted by, or under the supervision of, the Chief Executive Officer as directed by the Board. Management must supply the Board information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. The Board collectively and any Director individually may seek independent professional advice at the Company's expense, following consultation with the Chair of the Board, with the advice being made available to the Board as a whole.

(c) Board committees

The Board may from time to time establish committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Committee and a Remuneration and Nomination Committee. Membership of Board committees will be based on the needs of the Company, relevant legislation, regulatory and other requirements, and the skills and experience of Board members.

Table 4.6: Sezzle Board Committees

Committee	Overview	Members
Audit and Risk Committee	<p>The Audit and Risk Committee will assist the Board to carry out its accounting, auditing and financial reporting responsibilities, including with respect to the oversight of, among other things:</p> <ul style="list-style-type: none"> > the reliability and integrity of the Company's financial reporting systems and processes; > the appointment, remuneration, independence and competence of the Company's external auditors; > the performance of the external audit functions and review of their audits; > the accounting judgements exercised by management in preparing the Company's financial statements; > the implementation and effectiveness of the Company's system of risk management and internal controls; and > the Company's systems and procedures for compliance with applicable legal and regulatory requirements. 	Paul Lahiff (Chair) and Paul Purcell and Kathleen Pierce-Gilmore as Members of the Committee
Remuneration and Nomination Committee	<p>The Remuneration and Nomination Committee will, assist and advise the Board on, among other things:</p> <ul style="list-style-type: none"> > the appropriateness of the Company's remuneration policies; > reviewing the composition and performance of the Board and its committees; > the process for recruiting new members of the Board, including evaluating the balance of skills, knowledge, experience, independence and diversity on the Board; > ensuring there are plans in place to manage the succession of Board members and senior executives; and > ensuring that programs are in place for the continued professional development of the Board. 	Paul Lahiff (Chair) and Paul Purcell and Kathleen Pierce-Gilmore as Members of the Committee

Each committee has the responsibilities described in its respective committee charter, which have been prepared having regard to the Listing Rules and the ASX Recommendations and are available on the Company's website at <https://sezzle.com/investors>.

Board, Management and Corporate Governance (cont.)

4.13 Corporate Governance Policies

The Company has adopted the following policies, each of which has been prepared having regard to the Recommendations and is available on the Company's website at <https://sezzle.com/investors>:

(a) Code of Conduct

The Company recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has approved a formal code of conduct, to be followed by all Directors as well as all other officers and employees, and all other persons who act on behalf of the Company. The Code of Conduct addresses the following core standards:

- > **Integrity** – all employees must act honestly and in good faith at all times and in a manner which is in the best interests of the Company as a whole;
- > **Conflicts of interest** – employees must conduct their personal activities in a manner that is lawful and avoids conflicts of interest;
- > **Key stakeholders** – employees must always deal with key stakeholders in a manner which is lawful, diligent and fair, and with honesty, integrity and respect;
- > **Confidentiality and the use of the Company's assets** – employees must not disclose, or make improper use of, the Company's confidential information and ensure that the Company's assets and property are protected and only used for legitimate business purposes;
- > **Anti-bribery and gifts/dealings with politicians and government officials** – employees must comply with laws against bribery and corruption, and conduct dealings with politicians and government officials at arm's length; and
- > **Compliance with laws** – employees must always act in a manner that complies with applicable laws and regulations. The Company is also committed to providing an equal opportunity workplace and to providing employees with whistleblower protection. The code also sets out the consequences for breach of the code, including the possibility of disciplinary action, including termination of employment.

(b) Continuous Disclosure Policy

Once listed on the ASX, the Company will need to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act to ensure the Company discloses to the ASX any information concerning the Company that is not generally available and which a reasonable person would expect to have a material effect on the price or value of the CDIs. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations.

(c) Risk Management Policy

This policy is designed to assist the Company to identify, assess, monitor and manage risks affecting the Company's business. The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

(d) Securities Trading Policy

The Company has adopted a written policy to take effect from listing for dealing in securities, which is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and other laws applicable to the Company. The policy also seeks to establish a best practice procedure in relation to dealings in the Company's securities by Directors, officers, employees and their families and associates.

The securities trading policy sets out the restrictions that apply to such dealings including the 'prohibited periods', during which certain persons are generally not permitted to deal in the Company's securities, along with a procedure under which certain persons are required to submit prior notification and obtain written confirmation prior to such dealings outside those 'prohibited periods'.

(e) Shareholder Communication Policy

The Company has adopted a policy that details the practices that the Company will implement to ensure effective communication with its Shareholders.

(f) Diversity Policy

The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has set in place a diversity policy. This policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board, at the appropriate time and subject to the Company's size and operations, to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

(g) Privacy Policy

The Board recognises the need to ensure the right to privacy is maintained. The Company has, therefore, adopted a privacy policy. The privacy policy governs the processing and transfer of personal data collected on the Company's website, or with services otherwise provided by the Company.

Under the privacy policy, the Company also commits to not selling, trading or otherwise providing users' personal data to third parties, without first obtaining the users' lawful consent, unless otherwise allowed by law. The Company will share and transfer users' personal data to trusted third parties only in connection with the provision of services to the users or under other limited circumstances, such as complying with a legal requirement.

(h) Anti-bribery and Corruption Policy

The Company is committed to complying with all laws of the jurisdictions in which it operates, including those relating to bribery and corruption. The anti-bribery and corruption policy sets out the responsibilities of Company's personnel, including in their dealings with, and through, third parties. It addresses protection of the Company's personnel in seeking to comply with this policy, dealing with false reports, investigations, consequences for breach, examples of improper conduct, contact with government officials, donations, no-cash gifts and corporate hospitality, political and charitable contributions and sponsorships, facilitation payments and secret commissions.

4.14 Departures from Recommendations

Following Admission to the Official List, the Company will be required to report any departures from the Recommendations in its annual financial report. The Company's compliance and departures from the Recommendations as at the date of this Prospectus are detailed in the table below.

Table 4.7: ASX Corporate Governance Principles and Recommendations departures

Principle and Recommendations	Explanation for departure
2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Chair of the Board is Charlie Youakim, who is not an independent Director and is also the CEO of the Company. While the Company does not comply with this recommendation currently, the Board believes that the Board and the Company are best served at this stage of the Company's growth and operations for the founding shareholder to be the Chairman.

05

FINANCIAL INFORMATION



05

Financial Information

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5.1 Introduction

The financial information for Sezzle contained in this Section 5 includes:

- (a) historical reported financial information for Sezzle, being the:
 - (i) consolidated historical statements of financial performance for FY17 and FY18;
 - (ii) consolidated historical statements of cash flows for FY17 and FY18;
 - (iii) consolidated historical statement of financial position as at 31 December 2018,
 (together, the **Historical Financial Information**), and
- (b) the pro forma consolidated historical statement of financial position of Sezzle as at 31 December 2018 (the **Pro Forma Historical Financial Information**).

The Historical Financial Information and the Pro Forma Historical Financial Information are together referred to as the **Financial Information**. The basis of preparation and presentation of the Financial Information is set out in Section 5.2.

The Financial Information has been reviewed by PricewaterhouseCoopers Securities Ltd (**PwCS**) in accordance with the Australian Standard on Assurance Engagements *ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*. Investors should note the scope and limitations of the Independent Limited Assurance Report contained in Section 6.

Also presented in this section are:

- (a) the basis of preparation and presentation of the Financial Information – Section 5.2;
- (b) an explanation of certain non-US GAAP measures used – Section 5.3;
- (c) details of the pro forma adjustments made to the reported consolidated historical statement of financial position as at 31 December 2018 – Section 5.6;
- (d) Sezzle management's discussion and analysis of the Historical Financial Information – Sections 5.5 (historical financial performance) and 5.9 (historical cash flows);
- (e) details of Sezzle's indebtedness – Section 5.7;
- (f) Sezzle's dividend policy – Section 5.11.

The Financial Information presented in this Section 5 should be read in conjunction with the Company overview set out in Section 2, the risk factors set out in Section 7, Sezzle's significant accounting policies set out in Section 12 and other information contained in this Prospectus.

Any discrepancies between totals, sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

5.2 Basis of preparation and presentation of the Financial Information

(a) Overview

The Directors are responsible for the preparation and presentation of the Financial Information.

Sezzle prepares its financial statements in Generally Accepted Accounting Principles in the United States (**US GAAP**) and will continue to do so as a foreign entity listed on the ASX. The Financial Information presented in this section is prepared in accordance with US GAAP and is presented in United States dollars, rounded to the nearest US\$1,000, unless otherwise stated. An explanation of differences between US GAAP and Australian equivalents to International Financial Reporting Standards (**AIFRS**) applicable to Sezzle's business is presented in Section 5.10. The significant accounting policies of Sezzle that have been consistently applied to the Financial Information are set out in Section 12.

The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information required by US GAAP or AIFRS applicable to annual financial reports, such as those prepared by publicly listed companies in the United States or Australia. The Financial Information includes certain financial measures and terms that are non-US GAAP, as explained in Section 5.3.

The Historical Financial Information has been extracted from the Company's audited financial statements for FY17 and FY18. The Historical Financial Information for FY17 and FY18 was audited by Baker Tilly Virchow Krause, LLP (**Baker Tilly**) in accordance with auditing standards generally accepted in the United States of America.

The Pro Forma Historical Financial Information has been prepared by:

- (i) extracting the underlying audited consolidated statement of financial position as at 31 December 2018;
- (ii) applying pro forma adjustments set out and explained in Sections 5.6(b) and 5.6(c).

(b) Discontinued business

Sezzle, Inc. was incorporated on 4 January 2016. The Company's original business model was different to the Company's present business model. Sezzle's original business plan in FY16 was a debit-based model to build payment-processing services using the ACH payment system, which would have provided merchants with a lower cost alternative to existing payment solutions.

Sezzle discontinued this original business model and pivoted to the current business discussed in Section 2 in May 2017. The Company earned no income for the period from 1 January 2017 to 30 April 2017 and recorded a net operating loss of \$230,000 for that period in relation to the discontinued business.

The consolidated historical statement of financial performance for FY17 presented in Section 5.4 and the consolidated historical statement of cash flows for FY17 presented in Section 5.8, separately disclose the financial performance and cash flows attributable to the discontinued business in order to provide potential investors with a better understanding of the financial performance and cash flows for FY17 and FY18 of the Company's present business model.

(c) Recent accounting pronouncements to be adopted in future periods

Financial instruments

The US GAAP guidance codified in ASC 825, *Financial Instruments*, is not effective until 1 January 2020. The implementation of this new standard will affect the method by which the Company measures its exposure to uncollectible accounts (bad and doubtful debts) from End-customer receivables. The new standard requires a single, forward-looking 'lifetime expected loss' impairment model, which may result in the recognition of impairments earlier than that recognised under current US GAAP.

The Directors have performed a preliminary assessment of the impact of ASC 825 (and AASB 9, which is AIFRS equivalent to ASC 825 and became effective in Australia from 1 January 2019), which is not presently expected to result in a material impact to the Group's financial performance or financial position.

The Directors note that the preliminary assessment is based on currently available information and may be subject to material changes arising from further information and the factors underlying the significant judgements and estimates used upon implementation of ASC 825 on 1 January 2020.

Leases

The Company adopted ASU No. 2016-02, *Leases*, issued by the US Financial Accounting Standards Board (**FASB**), with effect from 1 January 2019. The standard is consistent with the equivalent accounting standard AASB 16, *Leases*, issued under AIFRS (also effective from 1 January 2019). ASU No. 2016-02 requires all lessees to recognise a liability and a corresponding right-of-use asset for all long-term leases. The Company has evaluated the new standard and expects adoption will result in the recognition of a right-of-use asset and corresponding lease liability for the operating lease of its headquarters for approximately \$349,000 on the consolidated statement of financial position as of 1 January 2019. Adoption of the new standard is not expected to have a material impact on the consolidated statement of financial performance. Further, the adjustment to opening retained earnings is not expected to be material.

Non-employee share-based payments

In June 2018, the FASB issued ASU No. 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting* to include share-based payment transactions for acquiring goods and services from non-employees. The Company will adopt ASU No. 2018-07 with effect from 1 January 2019. The Company has evaluated the new standard and does not expect it to have a material impact on the consolidated statement of financial performance or consolidated statement of financial position.

5.3 Explanation of certain non-US GAAP financial measures

Sezzle uses certain measures to manage and report on its business that are not recognised under US GAAP. These measures are collectively referred to in Section 5 as 'non-US GAAP financial measures' consistent with their meaning under Regulatory Guide 230 *Disclosing non-IFRS financial information* published by ASIC. The principal non-US GAAP financial measures that are referred to in this Prospectus are:

EBITDA is earnings before interest, tax, depreciation and amortisation expenses;

EBIT is earnings before interest and taxation;

Gross profit is calculated as Total Income less cost of income;

Gross margin is gross profit divided by Total Income, expressed as a percentage;

Net working capital is defined by Sezzle as total current assets excluding cash and cash equivalents and income tax receivables less total current liabilities excluding liabilities for income tax;

Net Transaction Loss is calculated by Sezzle 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.

Net Transaction Margin is expressed as a percentage and is calculated by Sezzle as:

- (a) total Sezzle Income earned divided by Underlying Merchant Sales, expressed as a percentage;
- (b) less the cost of End-customer communications and the total costs paid by Sezzle to process transactions, divided by the Underlying Merchant Sales, expressed as a percentage;
- (c) less Transaction Funding Financing Costs, divided by the Underlying Merchant Sales, expressed as a percentage;
- (d) less Net Transaction Loss, divided by the Underlying Merchant Sales, expressed as a percentage.

Potential investors should also refer to Section 2, which sets out Sezzle's business model, including a discussion on the Company's key transactions with Retail Merchant Clients and End-customers that underlie its income and the nature of its costs in earning that income. Although the Directors believe that these non-US GAAP measures provide useful information about the financial and operating performance of Sezzle, they should be considered as supplements to the statement of financial performance measures that have been presented in accordance with US GAAP and not as a replacement for them. Potential investors should note that these non-US GAAP measures are not defined by US GAAP, and the way that Sezzle calculates them may differ from similarly titled measures used by other companies. Accordingly, potential investors should not place undue reliance on these non-US GAAP measures.

5.4 Consolidated historical statements of financial performance

Table 5.1 sets out the consolidated historical statements of financial performance of Sezzle.

Table 5.1: Consolidated historical statements of financial performance for FY17 and FY18

US\$'000	FY17	FY18
Sezzle Income	24	1,415
End-customer Other Income	5	217
Income – discontinued business	–	–
Total Income	29	1,632
Cost of income	(35)	(915)
Gross profit	(6)	717
<i>Gross margin %</i>	(20.4)%	43.9%
Other income	3	2
Uncollectible accounts	(46)	(940)
Other operating expenses	(515)	(3,755)
Other operating expenses – discontinued business	(226)	–
EBITDA	(790)	(3,976)
Depreciation and amortisation	(19)	(117)
Depreciation and amortisation – discontinued business	(4)	–
EBIT	(814)	(4,093)
Net interest expense	–	(93)
Fair value adjustment on future equity obligations	(957)	(7)
Profit/(loss) before tax	(1,771)	(4,194)
Income tax benefit/(expense)	–	–
NPAT	(1,771)	(4,194)

Note: the basis for presentation of the statements of consolidated historical financial performance for FY17 and FY18, separating income and other operating expenses attributable to the discontinued business, is explained in Section 5.2 (b).

5.5 Management Discussion and Analysis of the financial performance of the business from FY17 to FY18

(a) Overview

Set out below is a discussion of the main factors that affected Sezzle's operations and relative financial performance from FY17 to FY18, excluding the financial performance attributable to the discontinued business. Readers should also refer to Section 2 to obtain an understanding of the Company's business model, particularly Section 2.4(c) which includes a presentation and discussion of the key metrics used by management to evaluate the operating performance and financial performance of the business and the measurement of those key metrics for the period in which the Sezzle Platform was operating in FY17 and FY18.

The discussion below is intended to provide a brief summary only and does not detail all factors that affected Sezzle's historical operating and financial performance, nor everything that may affect Sezzle's operations and financial performance in the future.

The Directors consider that Sezzle operates in one industry segment, primarily being the lending to End-customers who purchase goods from Retail Merchant Clients. Income earned outside of the US is presently not material.

Sezzle's operations are expected to demonstrate seasonality consistent with Retail Merchant Clients. Financial year income and related expenses typically peak during the holiday season (mid-November through mid-December).

Sezzle presently does not have a material exposure to foreign exchange gains and losses on its transactions. The majority of Sezzle's costs are denominated in US dollars. Sezzle incurs foreign exchange fees predominantly for non-US dollar payments to international merchants, for which corresponding international fee income is paid to Sezzle, and which effectively acts as a hedge against foreign exchange risk. Sezzle established a Canadian bank account subsequent to 31 December 2018 to enable the payment of Canadian merchants in Canadian dollars. In FY18 foreign exchange losses totalled \$39,000.

(b) Income

Sezzle Income

Sezzle earns its income primarily from interest-free lending to End-customers who purchase goods from Retail Merchant Clients. Sezzle pays the Retail Merchant Clients the value of underlying sales net of transaction fees charged by Sezzle (**Merchant Fees**) for facilitating the purchases by End-customers transacted on their web sites. Merchant Fees are generated on each discrete, approved order placed by the End-customer through the Sezzle Platform.

Merchant Fees and End-customer Reschedule Fees, less Loan Origination Costs, collectively comprise Sezzle Income, and are initially recorded as a deduction from instalment payments receivables in the consolidated statement of financial position and then recognised in the consolidated statement of financial performance over the average duration of the underlying instalment payment receivables in accordance with the accounting policy set out in Section 12.4. Total Loan Origination Costs incurred less Reschedule Fees were \$67,000 for the year ended 31 December 2018. Sezzle closely tracks the level of Underlying Merchant Sales because it indicates the growth in the underlying volume of transactions from which Merchant Fees are derived (see Figure 2.3 in Section 2.4(c)).

End-customers are allowed to reschedule their payments on an order up to two weeks from the originally scheduled due date. The first Reschedule Fee per order is free to the End-customer and subsequent Reschedule Fees, as agreed upon by the End-customer, are US\$5.00 per instance.

End-customer Other Income

Sezzle also earns other income from End-customers in the form of Failed Payment Fees. Sezzle charges a US\$10.00 Failed Payment Fee to the End-customer in cases where their payment fails in the automated payment process. Sezzle waives the Failed Payment Fee if the End-customer makes their payment within 48 hours (this waiver was implemented in August 2018).

Total Income

Total Income increased from \$29,000 in FY17 to \$1,632,000 in FY18. This consisted of Sezzle Income increasing from \$24,000 in FY17 to \$1,415,000 in FY18 and an increase in End-customer Other Income from \$5,000 in FY17 to \$217,000 in FY18. In FY18, Sezzle Income amounted to 86.7% of Total Income. The main drivers of this increase in income were:

- (i) the present business model was launched in May 2017 and income commenced being earned in August 2017. Being a new entrant to the market, and also being in an industry which itself is an emerging industry, Sezzle management focused their activities on marketing the Sezzle Platform to merchants, and building its merchant network. This ramping up of activities took approximately 12 months before management considered that the Company had gained competitive traction. The significant growth in the number of Active Merchants, Underlying Merchant Sales and Active Customers is demonstrated in Figures 2.2, 2.3 and 2.5 respectively, in Section 2.4(c);
- (ii) Sezzle's Merchant Fees represented 4.8% of Underlying Merchant Sales in FY18 compared to 3.0% of Underlying Merchant Sales in FY17 (refer to Section 2.4(c) for details regarding the reason for the increase in Sezzle's Merchant Fees as a proportion of Underlying Merchant Sales);
- (iii) growth in Active Customers using the Sezzle Platform increased from 4,542 End-customers in FY17 to 155,257 End-customers in FY18;
- (iv) orders executed by Returning End-customers as a percentage of total orders on the Sezzle Platform increased from 34.3% in FY17 to 69.0% as at 31 December 2018 (see Figure 2.6).

(c) Cost of income

Cost of income primarily comprises payment-processing fees paid to third-party payments processors, which represented approximately 86.8% of total cost of income in FY18 (97.5% in FY17). Cost of income also includes customer communication costs and merchant affiliate program fees, which represented 4.5% and 8.7% of total cost of income in FY18 respectively. Sezzle sends payment reminders to End-customers via SMS messaging and these costs are reflected as customer communications.

Cost of income increased from \$35,000 in FY17 to \$915,000 in FY18. The majority of this increase is consistent with the increase in Sezzle Income. As the volume of transactions processed through the Sezzle Platform has increased, the Company has been able to transition towards a lower cost payments process, which provides a more cost-effective option on a per transaction basis compared to the Company's previous payments processors. A contract was signed with a new payments processor on 27 March 2019 with an implementation date of 17 April 2019, which management expects will result in decreased costs of payment processing, assuming the mix in payment types utilised by End-customers in FY18 remains unchanged.

(d) Gross profit and gross margin

Gross profit increased from negative \$6,000 in FY17 to positive \$717,000 in FY18. Gross margin was negative 20.4% in FY17 compared to positive 43.9% in FY18. This improved gross margin is due to a larger increase in Merchant Fees compared to the increase in Underlying Merchant Sales during FY18.

(e) Uncollectible accounts (bad and doubtful debts)

Uncollectible accounts arise from non-payment of scheduled instalment payments, Failed Payment Fees and Reschedule Fees by End-customers. Sezzle assumes full risk for non-payment by End-customers. The Company evaluates the collectability of instalment payments receivables for doubtful debts based upon continual monitoring of historical repayment patterns of End-customers, specific circumstances of individual receivables and the ageing of the portfolio, with an allowance for uncollectible accounts provided consistent with the Company's accounting policies set out in Section 12.5.

Uncollectible accounts expense increased from \$46,000 in FY17 to \$940,000 in FY18. Bad and doubtful debts have trended positively downwards from FY17 to FY18 as a percentage of Underlying Merchant Sales, as represented by a Net Transaction Loss of 4.8% in FY17 compared to 2.3% in FY18.

The declining incidence of Net Transaction Loss reflects Sezzle benefiting from improved analytics from larger volumes of data, increased Returning End-customers and processes that have been put in place during FY18 to improve real-time End-customer repayment capability assessment and management of overdue payments.

(f) Net Transaction Margin

Table 5.2: Net Transaction Margin

Net Transaction Margin (NTM)	FY17		FY18	
	US\$'000	% of UMS ¹	US\$'000	% of UMS
Underlying Merchant Sales	\$855		\$31,081	
Sezzle Income	\$24	2.8%	\$1,415	4.6%
Cost of income	(35)	-4.1%	(915)	-2.9%
Net Transaction Loss	(41)	-4.8%	(724)	-2.3%
Transaction Funding Financing Costs	-	0.0%	(93)	-0.3%
Net Transaction Margin	\$(52)	-6.1%	\$(317)	-1.0%

Note:

1. Income and expense items and Net Transaction Margin are expressed as a percentage of Underlying Merchant Sales.

Sezzle management focuses on Net Transaction Margin as an important non-US GAAP measure of operating and financial performance. Net Transaction Margin is determined by summing Sezzle Income, less cost of income, Net Transaction Loss and Transaction Funding Financing Costs, and expressing this sum as a percentage of Underlying Merchant Sales. Management considers that Net Transaction Margin provides a more comprehensive indicator than gross margin as to the profitability of Sezzle Income as it takes into account uncollectible accounts expense and financing costs.

As can be seen from the table above, Net Transaction Margin for FY17 was negative 6.1% compared to negative 1.0% in FY18. This improvement in Net Transaction Margin reflects the various factors affecting Sezzle Income, cost of income, uncollectible accounts expense and Transaction Funding Financing Costs set out in this Section 5.5, in particular improved Merchant Fees, rates charged to Retail Merchant Clients, lower processing costs and a lower incidence of uncollectible accounts relative to increased Underlying Merchant Sales.

Sezzle's strategy is to turn the Net Transaction Margin into a positive percentage through continued growth in Underlying Merchant Sales, lower transaction processing costs, lower Loan Origination Costs and lower uncollectible accounts expense, while efficiently managing external debt funding. Refer to Section 2.5 for discussion on the Company's strategy and growth drivers.

(g) Other operating expenses

Other operating expenses increased from \$515,000 in FY17 to \$3,755,000 in FY18. Other operating expenses primarily comprise employee remuneration and on-costs, third-party cloud computing and data services, professional fees and contractor costs, marketing and advertising, office rent and administration expenses.

Employee remuneration and on-costs amounted to \$2,126,000 in FY18 compared to \$428,000 in FY17. Sezzle has invested throughout FY18 in its own human resources to build the capability of management, information technology, marketing and sales, credit risk management, and End-customer and merchant support, which will drive and support future growth initiatives.

Cloud computing services comprise externally contracted providers of hardware and software, who maintain the Company's critical operational, financial and data management systems, and the cost of third-party data services that provide data incorporated into the Company's risk management and End-customer underwriting models. These services are charged on differing bases, primarily either on a per user fee or a per transaction fee. Gross cloud computing costs increased from \$8,000 in FY17 to \$783,000 in FY18 (before the transfer of Loan Origination Costs to Sezzle Income), consistent with the increase in business activity from FY17 to FY18. During FY18, the Company discontinued the purchase of bank account history data and replaced this with other external data sources that are primarily used to support underwriting of new End-customers. Consistent with the Company's accounting policies set out in Section 12.4, Loan Origination Costs on approved End-customer transactions are included in the determination of Sezzle Income rather than recorded within other operating expenses, and amounted to \$2,000 in FY17 and \$138,000 in FY18.

All other costs increased in line with the growth and ongoing development of the business.

(h) Incremental costs of being a listed public company

Upon becoming a listed public company, Sezzle will incur other operating expenses estimated by the Directors to be \$1,408,000 per annum post listing. These comprise incremental listing costs, Board costs, additional reporting and company secretary costs of \$862,000 per annum, and cost for incentive schemes of \$546,000 per annum.

(i) Depreciation and amortisation

Depreciation expense relates to the depreciation of property, plant and equipment. Amortisation expense represents amortisation of internally developed software and web development. Depreciation and amortisation expenses are based on the estimated useful life profile of the relevant assets and depreciated or amortised over their useful lives in accordance with Sezzle's accounting policies set out in Sections 12.7 and 12.8.

Depreciation and amortisation expenses increased from \$19,000 in FY17 to \$117,000 in FY18, primarily reflecting the increased capitalised expenditure on internally developed software and web assets and an impairment loss in FY18 of \$20,000.

(j) Net interest expense

Net interest expense was \$93,000 in FY18 compared to \$nil in FY17. The Company had no borrowings in FY17. The net interest expense in FY18 primarily reflects the entering into the Credit Agreement on 14 November 2018 as discussed in Section 5.7(a).

(k) Fair value adjustment on future equity obligations

As discussed in Section 5.9(d), the Company entered into various Simple Agreement for Future Equity (**SAFE**) agreements, being future equity obligations, during the years ended 31 December 2016 through 31 December 2018. These SAFEs were measured at fair value at each reporting period-end and the change in fair value was recorded as a loss or gain in the statement of financial performance. On 10 April 2018, all of the SAFEs were converted into A Series Preferred Stock in the Company and accordingly this fair value adjustment will not recur in periods subsequent to FY18.

(l) Income tax expense or benefit

During 2017 and 2018, Sezzle operated in the United States at a net operating loss. The Company recognises income tax expense or benefit in accordance with its accounting policies, as set out in Section 12.11. The Company had a potential deferred tax asset of \$288,000 as at 31 December 2017 and \$1,155,000 as at 31 December 2018, offset by a full valuation allowance such that the Company recorded a \$nil tax expense or benefit for both FY17 and FY18.

The potential deferred tax assets in FY17 and FY18 include the potential benefit of carried-forward net operating tax losses of \$265,000 and \$959,000 respectively. Net operating loss carry-forward tax losses originating in FY18 have no expiration date.

The total amount of federal carry-forward tax losses that originated prior to FY18 have expiration dates between 2036 and 2037. The state net operating carry-forward tax losses have expiration dates between 2036 and 2038. The Company's ability to utilise a portion of its net operating loss carry-forward tax losses to offset future taxable income may be subject to certain limitations under section 382 of the US Internal Revenue Code due to changes in the equity ownership. As of the date of this Prospectus, the Company has not performed an analysis to determine if an ownership change for tax purposes will occur as a result of Completion of the Offer.

5.6 Historical and pro forma consolidated historical statement of financial position**(a) Overview**

Table 5.3 sets out the audited statutory consolidated statement of financial position of Sezzle as at 31 December 2018, adjustments to reflect certain pro forma transactions and the pro forma consolidated historical statement of financial position. The pro forma transactions comprise the effect of the issue of Convertible Notes prior to Completion of the Offer, and the effect of Completion of the Offer, as if all the pro forma transactions had occurred or were in place as at 31 December 2018.

Table 5.3: Consolidated historical and pro forma historical statement of financial position

US\$'000	31 December 2018	Pro forma effect of issue of Convertible Notes	Pro forma effect of the Offer	Pro forma 31 December 2018
Cash and cash equivalents	6,519	5,813	27,397	39,729
Restricted cash	545			545
Instalment payments receivable, net	4,931			4,931
End-customer fees receivable, net	33			33
Prepaid expenses	128			128
Total current assets	12,156	5,813	27,397	45,366
Property and equipment	76			76
Internally developed assets	261			261
Restricted cash	20			20
Security deposits	23			23
Total non-current assets	379			379
Total assets	12,535	5,813	27,397	45,745
Accounts payable	2,373			2,373
Accrued liabilities	457			457
Convertible Notes	-		76	76
Total current liabilities	2,831		76	2,907
Borrowings – Credit Agreement	4,134			4,134
Borrowings – notes payable	250			250
Convertible Notes	-	5,813	(5,813)	-
Total non-current liabilities	4,384	5,813	(5,813)	4,384
Total liabilities	7,214	5,813	(5,737)	7,290
Net assets	5,321	-	33,134	38,455
Common stock	100		49,799	49,900
Preferred stock	11,678		(11,678)	-
Accumulated deficit	(6,458)		(4,987)	(11,445)
Total stockholders' equity	5,321	-	33,134	38,455

(b) Pro forma effect of issue of Convertible Notes prior to Completion of the Offer

On 29 March 2019, the Company received cash of \$5,663,000 from the issue of Convertible Notes. A further two Convertible Notes were issued on 6 June 2019, resulting in cash proceeds of \$150,000. The Convertible Notes issued on 29 March 2019 have a maturity date of 29 March 2021 and the Convertible Notes issued on 6 June 2019 have a maturity date of 6 June 2021. The pro forma financial effect of the issue of these notes as if they occurred on 31 December 2018 is to increase cash by \$5,813,000 and give rise to a non-current liability for Convertible Notes of this amount. All of the Convertible Notes issued on 29 March 2019 and one of the Convertible Notes issued on 6 June 2019 will convert to Shares in conjunction with the Offer, as explained below.

(c) Pro forma effect of the Offer**(i) Pro forma Completion of the Offer**

Assuming Completion of the Offer with proceeds in accordance with the details set out in Section 8, common stock will increase by \$27,397,000 (reflecting proceeds from the issue of Shares of \$30,000,000 less capitalised costs of the Offer of \$2,603,000), and cash will increase by \$27,397,000. The gross proceeds received from the Offer will initially be denominated in Australian dollars, being A\$43,571,000. This amount and any Australian dollar denominated costs of the Offer, have been converted using an exchange rate of A\$1.00:US\$0.69.

(ii) Conversion of Convertible Notes into Shares (common stock) and transfer of remaining Convertible Notes to current liabilities

As noted above, the Company issued Convertible Notes on 29 March 2019. Under the terms of the Convertible Notes, an automatic conversion of these notes into Shares will be triggered upon settlement of the Offer. The number of Shares into which the notes convert is determined in accordance with the terms of the notes set out in Section 8.9. The conversion of these notes results in a decrease in the non-current liability by \$5,738,000, an increase in the accumulated deficit of \$4,183,000 being interest accrued on the Convertible Notes to the date of conversion of \$81,000 and a loss on conversion of \$4,102,000, and an increase in Shares by \$9,920,000. The loss on conversion effectively represents the difference between the number of Shares into which the notes convert multiplied by the Offer Price, and the total of principal and interest accrued on the notes at the date of settlement of the Offer.

The other Convertible Note issued on 6 June 2019 does not automatically convert to Shares upon settlement of the Offer. Settlement of the Offer gives rise to the note plus accrued interest becoming due and payable to the note holder. The pro forma financial effect of the settlement of the Offer upon this note is reflected in the pro forma consolidated statement of financial position as a reclassification of the non-current liability for Convertible Notes of \$75,000 to a current liability for Convertible Notes of \$76,000, which includes interest accrued on this note to the date of settlement of the Offer. Further, a beneficial conversion feature in the note gives rise to an increase in common stock of \$40,000 and a loss of this amount recognised in accumulated deficit.

(iii) Conversion of Series A Preferred Stock into Shares (common stock)

Upon Completion of the Offer, all Series A Preferred Stock in the Company, including the accrued preferred in-kind dividend, converts to Shares. The pro forma financial effect of this conversion is to increase common stock by \$12,442,000, decrease preferred stock by \$11,678,000 and increase the accumulated deficit by the amount of the accrued preferred dividend of \$764,000.

(d) Consolidated cash outflows of Sezzle subsequent to 31 December 2018

As shown by the consolidated historical statements of cash flows presented in Section 5.8, the Company is expending more cash than it receives. This continues to be the case since 31 December 2018 as the Company pursues its growth strategy and builds its income base. The Company's net consolidated cash outflows for the period from 1 January 2019 to 31 May 2019, based on the Company's unaudited management accounts, and excluding the cash received of \$5,663,000 from the Convertible Notes, was \$7,531,000, which includes operating cash flows and cash used to fund instalment payments receivables. At 31 May 2019, the Company had unused available line of credit of \$4,098,000, which was available to fund instalment receivables.

5.7 Indebtedness and restricted cash

(a) Credit Agreement

On 14 November 2018, Sezzle Funding (as borrower) and Sezzle (as guarantor) entered into a Loan and Security Agreement with Bastion.

The Credit Agreement provides Sezzle Funding with a revolving three-year facility of up to US\$30,000,000, drawable in US dollars, which can be used to fund payments to merchants ahead of collection of instalment payments receivables by End-customers. Further details regarding the terms of the Credit Facility are set out in Section 1.1(a).

Drawdowns from the revolving facility subsequent to 1 May 2019 are based on 90% of eligible domestic instalment payments receivables as defined by the agreement, provided that Sezzle has at least \$1,000,000 of unrestricted cash balances, and the *Principal Loss Rate* for the three months prior to the current month is less than 3%, reverting to 85% if the *Principal Loss Rate* is greater than, or equal to, 3%. The *Principal Loss Rate* is measured by the sum of the total value of Underlying Merchant Sales for the relevant three-month period less instalment payments received from End-customers (excluding Reschedule Fees and Failed Payment Fees), divided by the total value of Underlying Merchant Sales and expressed as a percentage.

Sezzle must maintain its drawdown from the revolving facility at least at \$5,000,000 from 15 July 2019 and of at least \$10,000,000 from 2 January 2020.

The Credit Facility contains various financial covenants which are summarised below:

- (i) *Minimum Base*: on a daily basis the total amount borrowed from the revolving facility must not exceed the sum of (i) total instalment payments receivable multiplied by the drawdown rate of either 85% or 90% applicable on the day and (ii) the cash held in a restricted bank account (see Section 5.7(c) below) (collectively this sum is the *Minimum Base*).
- (ii) *Minimum Tangible Net Worth*: the fair value of Sezzle's consolidated assets less its liabilities (excluding any *Permitted Indebtedness* that matures after 14 November 2021) shall be equal to, or greater than, \$3,000,000 as of the end of each calendar quarter.
- (iii) *Minimum Collection Rate*: for each month commencing from 1 May 2019, Sezzle must achieve a *Minimum Collection Rate* of instalment payments receivables over a two-month and three-month period. The *Minimum Collection Rate* is calculated as the collections from End-customers (including Failed Payment Fees and Reschedule Fees) divided by Underlying Merchant Sales, net of upfront principal payments and Merchant Fees. The two-month collection rate must be not less than 98%. The three-month collection rate must not be less than 100%.
- (iv) *Marginal Default Rate*: for any consecutive three-month period commencing from the month of December 2018, Sezzle must comply with the *Marginal Default Rate* for at least two months in each three-month period. The *Marginal Default Rate* is calculated as the proportion of receivables in excess of 30 days past due compared to the prior month's receivables balance that are not in excess of 30 days past due. The allowable *Marginal Default Rate* for any month varies according to the weighted average Merchant Fees as a proportion of Underlying Merchant Sales in the preceding month.

The daily interest rate applicable to this agreement is based on London Interbank Offered Rate (LIBOR) plus a margin. The LIBOR rate is based on the three-month LIBOR rate as published in the Bonds, Rates and Yields table of the *Wall Street Journal* and in any event shall not be less than 1% per annum.

The Credit Agreement can be terminated by Sezzle subject to payment of a prepayment premium. The prepayment premium is 3% prior to 14 November 2019, or 2% thereafter applied to the greater of \$5,000,000 or the balance drawn down at the date of termination. If Sezzle seeks to refinance the facility prior to 14 November 2020, a make-whole fee is payable equal to 1/12th of the interest rate charged at the date of refinancing times the greater of \$5,000,000 or the balance drawn down at that date.

From 14 May 2019, Sezzle will pay a monthly Unused Facility Fee on the difference between the sum of the Credit Facility and the average outstanding principal balance.

(b) Notes payable

On 26 June 2018 the Minnesota Department of Employment and Economic Development funded a \$250,000 seven-year, interest-free loan to Sezzle repayable in June 2025. The loan was made under the State Small Business Credit Initiative Act of 2010, which was created for additional funds to be allocated and dispersed by states that have created programs to increase the amount of capital made available by private lenders to small businesses. The loan proceeds were used for business purposes, primarily start-up costs and working capital needs.

(c) Restricted cash

The Company is required to maintain cash balances in a blocked bank account in accordance with the Credit Agreement summarised above. The blocked bank account is owned by Sezzle Funding, but access to End-customer instalment payments is controlled by Bastion. On a regular basis, cash received from End-customers is deposited to the blocked account and subsequently made available to Sezzle through daily settlement reporting with Bastion. Cash deposits to the account represent cash received from End-customers, not yet withdrawn, as well as maintenance of minimum deposits required to maintain various fees, costs and interest charged by Bastion. The total on deposit within the blocked account totalled \$545,000 as at 31 December 2018.

Additionally, the Company is required to maintain a \$20,000 cash balance held in a reserve account to cover ACH transactions.

(d) Operating lease commitments

On 4 February 2019, the Company entered into a new lease agreement for office space, also in Minneapolis, Minnesota. Under the terms of the Company's lease for office space, the approximate minimum remaining lease commitments are US\$267,000 for the year ending 31 December 2019 and US\$180,000 for the year ending 31 December 2020. As discussed in Section 5.2(c), the Company will account for the lease of the office space as a right-of-use asset and corresponding liability pursuant to its adoption of ASU No. 2016-02 effective 1 January 2019.

(e) Marketing and advertising

In September 2018, the Company entered into a third-party agreement whereby Sezzle will pay for co-branded marketing and advertising costs. The agreement stipulates the Company will spend up to \$250,000 in marketing and advertising expenses over the four years following the date of the agreement. Sezzle incurred \$50,000 of this amount during FY18.

5.8 Consolidated historical statements of cash flows

Table 5.4 sets out the consolidated historical statements of cash flows of Sezzle for FY17 and FY18.

Table 5.4: Consolidated historical statements of cash flows for FY17 and FY18

US\$'000	FY17	FY18
EBITDA	(565)	(3,976)
EBITDA – discontinued business (note 1)	(226)	–
Total EBITDA	(790)	(3,976)
Non-cash items in EBITDA (note 2)	50	1,074
Change in working capital	(160)	(3,296)
Net interest received/(paid)	–	(35)
Net cash flow used for operating activities	(900)	(6,233)
Investing activities:		
Purchase of property and equipment	(9)	(102)
Payments for internally developed assets	(90)	(267)
Net cash flow used for investing activities	(98)	(369)
Financing activities:		
Proceeds from borrowings net of borrowing costs	–	4,779
Repayment of borrowings	–	(400)
Proceeds from future equity obligations	495	30
Proceeds from collection of stock subscription	–	58
Proceeds from the issue of preferred stock	–	8,368
Net cash flow from financing activities	495	12,835
Net cash inflow/(outflow)	(504)	6,233

Notes:

1. The basis for presentation of the consolidated historical statements of cash flows for FY17 and FY18 separating cash flows attributable to the discontinued business is explained in Section 5.2(b).
2. Non-cash items in EBITDA include charges to the statements of financial performance for provisions for uncollectible receivables and fees from End-customers (FY17 \$50,000 and FY18 \$1,043,000) and the expense recognised in relation to the Company's employee share option schemes (FY17 \$nil and FY18 \$31,000).

5.9 Management Discussion and Analysis of the cash flows of the business (excluding the discontinued business) from FY17 to FY18

(a) Net cash flows used for operating activities and working capital

The increase in net cash outflows used for operating activities from \$900,000 in FY17 to \$6,233,000 in FY18 is consistent with the higher operating loss (negative EBITDA) shown in Table 5.1.

Sezzle's working capital cycle is primarily affected by the following:

- (i) payment terms with merchants that may vary from one to seven days;
- (ii) End-customers adhering to the scheduled payment terms. Standard End-customer payment terms are four equal payments, with the first payment due upon purchase and the three remaining payments due fortnightly in a 42-day period;
- (iii) advance rate on the Credit Agreement that may vary from 85% to 90%. As discussed in Section 5.7(a) the Credit Agreement enables the Company to fund payments to merchants ahead of receipts from End-customers;
- (iv) merchant account balances.

The movement in net working capital contributed \$3,296,000 to net operating cash outflows for FY18, compared to \$160,000 for FY17. This increase is primarily due to an increase in instalment payments receivables of \$5,658,000 partly offset by an increase in accounts payable to merchants of \$2,169,000 and accrued liabilities of \$421,000, reflecting the significant increase in business activities of the Company during FY18 as discussed in Section 5.5.

(b) Ageing of instalment payments receivables and doubtful debts

Instalment payments receivables before impairment write-downs as at 31 December 2018 amounted to \$5,720,000 compared to \$265,000 as at 31 December 2017. The ageing of these receivables as at 31 December 2018 was current \$4,975,000, 1–90 days past due \$745,000. Balances over 90 days past due are written-off to the consolidated statement of financial performance in accordance with the Company's accounting policies.

Impairment write-downs (provision for doubtful debts) on instalment payments receivables as at 31 December 2018 amounted to \$645,000 compared to \$46,000 as at 31 December 2017.

End-customer Other Income receivables as at 31 December 2018 amounted to \$139,000 (31 December 2017: \$6,000), against which a provision for uncollectible amounts was recognised of \$106,000 (31 December 2017: \$3,000).

As discussed in Section 5.5(e), Sezzle's Net Transaction Loss has been declining through FY18 due to improved analytics from systems data, improved credit management processes and the maturity of the portfolio reflecting an increasing proportion of Returning End-customers compared to first-time users of the Sezzle Platform.

(c) Investing activities – capital expenditure

Sezzle's capital expenditure primarily comprises office furniture and equipment and internally developed software and web development. Capital expenditure is relatively immaterial to total cash flows. The principal information technology systems used by the Company are through cloud computing services and hence the Company does not need to invest in significant computer hardware.

Payments for office equipment, furniture and fixtures in FY18 amounted to \$102,000 compared to \$9,000 in FY17. Capitalised costs in relation to internally developed software and web assets in FY18 amounted to \$267,000 in FY18 compared to \$90,000 in FY17. The capitalised costs primarily relate to direct employees and contractors specifically working on the development and implementation of the relevant software. The eligibility of costs to be capitalised are determined in accordance with the Company's accounting policies set out in Section 12.8.

(d) Financing activities – equity and indebtedness cash flows**(i) Borrowings – Credit Agreement**

During the period from 14 November 2018 to 31 December 2018, Sezzle utilised the revolving facility with Bastion to draw down funds of \$4,600,000. During this period the Company paid \$71,000 in costs to establish the Credit Agreement and repaid \$400,000 to Bastion.

(ii) Borrowings – notes payable

During FY18, the Company received \$250,000 from the notes payable discussed in Section 5.7(b).

(iii) Future equity obligations

During the year ended 31 December 2016, the Company entered into various future equity obligations in the form of SAFEs with investors in the Company in exchange for cash of \$2,316,000. \$1,821,000 of this was received during the year ended 31 December 2016 and the balance of \$495,000 was received during FY17. A further SAFE entered into during FY18 resulted in proceeds of \$30,000. During FY18, the future equity obligations issued under the SAFEs were converted into Series A Preferred Stock in the Company.

(iv) Stock subscriptions

Stock subscriptions of \$58,000 receivable as at 31 December 2017 related to consideration that had not been paid to the Company based on the subscription price agreed between the stockholder and the Company for the purchase of Shares. Stock subscriptions are included within stockholders' equity. The total stock subscriptions were fully paid by stockholders during FY18.

(v) Preferred stock

During FY18 the Company received cash of \$8,368,000 in exchange for the issue of Series A Preferred Stock. In conjunction with the Offer all Series A Preferred Stock will be converted into Shares, the pro forma effect of which is discussed in Section 5.6(c)(iii).

5.10 Differences between US GAAP and AIFRS

The Financial Information contained in this Prospectus has been prepared in accordance with US GAAP, which is different to AIFRS. To the extent required by the Corporations Act (including section 601CK), and absent any relief, modification or waiver, the Company will provide financial information prepared under AIFRS. In such a circumstance, it is the present intention of Directors to continue reporting in US GAAP, and for any financial information required to be prepared under AIFRS to supplement the financial information prepared under US GAAP.

The Directors have reviewed the differences between US GAAP and AIFRS applicable to Sezzle's audited financial statements for FY17 and FY18 and have identified a material difference relevant to potential investors and their professional advisers under the Offer relating to the accounting for the costs of the Offer.

Under US GAAP, costs incurred in issuing stock and listing the Company on the ASX are classified as a reduction in equity and not expensed to the statement of financial performance. Under AIFRS, certain costs such as listing fees and roadshow expenses are expensed to the statement of financial performance. Accordingly, if the Directors had prepared the pro forma consolidated historical statement of financial position in Section 5.6 in accordance with AIFRS, approximately \$288,000 of costs of the Offer would be treated as an expense through the statement of financial performance.

Although historically the recognition and measurement of the Series A Preferred Stock and the Convertible Notes would have been different under AIFRS compared to US GAAP, as these instruments all convert to Shares upon Completion of the Offer, the Directors do not consider these differences relevant to potential investors and their professional advisers under the Offer.

Financial Information (cont.)

5.11 Dividend policy

Payment of dividends by the Company is at the discretion of the Directors and the Directors do not provide any assurance of the future amount of dividends. In determining whether to declare future dividends, the Directors will consider the general business environment, the operating results and the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations, any contractual, legal or regulatory restrictions on the payment of dividends by the Company and any other factors the Directors may consider relevant.

The Credit Agreement limits the ability of Sezzle to pay dividends during the term of the agreement to 14 November 2021 to no more than 50% of retained earnings at the end of the previous 31 December, provided retained earnings is a positive number.

Any dividend declared or other distribution paid in respect of the Shares underlying the CDIs will be distributed to CDI Holders. Any such dividend will be unfranked. The CDIs will be listed on the ASX and priced in Australian dollars. However, the Company's reporting currency is US dollars. As a result, movements in foreign exchange rates may cause the price of the Company's Securities to fluctuate for reasons unrelated to the Company's financial position or performance and may result in a discrepancy between the Company's actual results and investors' expectations of returns on Securities expressed in A\$.

In addition, if a dividend is paid by the Company in the future, this dividend will be denominated in US\$. As such, an investor whose principal currency is not US\$ will be exposed to foreign currency exchange rate risk. Any depreciation in the value of the US\$ relative to such foreign currency will reduce the value of any such dividends in relation to such foreign currency. The Directors do not, however, envisage that Sezzle will pay dividends or make other distributions for the foreseeable future.

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INVESTIGATING ACCOUNTANT'S REPORT



Investigating Accountant's Report



The Directors
Sezzle, Inc.
251 1st Ave N Suite 200
Minneapolis, MN 55401
United States of America

24 June 2019

Dear Directors

Independent Limited Assurance Report on Sezzle, Inc. historical and pro forma historical financial information and Financial Services Guide

We have been engaged by Sezzle, Inc. (the **Company**) to report on the historical financial information and pro forma historical financial information of the Company for the years ended 31 December 2017 and 31 December 2018 as set out below for inclusion in the Prospectus dated on or about 24 June 2019 relating to the proposed initial public offering of CHESS Depository Interests over ordinary shares in the Company and listing on the Australian Securities Exchange.

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

Historical Financial Information

You have requested PricewaterhouseCoopers Securities Ltd to review the following historical financial information of the Company included in the Prospectus:

- Consolidated historical statement of financial position as at 31 December 2018;
- Consolidated historical statements of financial performance for the years ended 31 December 2017 and 31 December 2018; and
- Consolidated historical statements of cash flows for the years ended 31 December 2017 and 31 December 2018.

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, GPO BOX 2650 Sydney NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in the Accounting Principles Generally Accepted in the United States (**US GAAP**) and the Company's adopted accounting policies. The historical financial information has been extracted from the financial report of the Company for the years ended 31 December 2017 and 31 December 2018, which in each case was audited by Baker Tilly in accordance with the auditing standards generally accepted in the United States. Baker Tilly issued an unmodified audit opinion on each of the financial reports. The historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by US GAAP or the mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma historical financial information

You have requested PricewaterhouseCoopers Securities Ltd to review the following pro forma historical financial information of the Company included in the Prospectus:

- Consolidated pro forma historical statement of financial position as at 31 December 2018.

The pro forma historical financial information has been derived from the historical financial information of the Company, after adjusting for the effects of pro forma adjustments described in section 5 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in US GAAP and the Company's adopted accounting policies applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 5 of the Prospectus, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

Directors' responsibility

The directors of the Company are responsible for the preparation of the historical financial information and pro forma historical financial information, including its basis of preparation and the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Investigating Accountant's Report (cont.)



A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information of the Company, as described in section 5 of the Prospectus, and comprising:

- Consolidated historical statement of financial position as at 31 December 2018;
- Consolidated historical statements of financial performance for the years ended 31 December 2017 and 31 December 2018; and
- Consolidated historical statements of cash flows for the years ended 31 December 2017 and 31 December 2018.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 5 of the Prospectus being the recognition and measurement principles contained in US GAAP and the Company's adopted accounting policies.

Pro Forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information of the Company as described in section 5 of the Prospectus, and comprising:

- Consolidated pro forma historical statement of financial position as at 31 December 2018.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 5 of the Prospectus being the recognition and measurement principles contained in US GAAP and the Company's adopted accounting policies applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 5 of the Prospectus, as if those events or transactions had occurred as at the date of the historical financial information.

Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.



This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

Restriction on Use

Without modifying our conclusions, we draw attention to section 5 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this proposed initial public offering other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in blue ink, reading 'Jonathan Griffiths'.

Jonathan Griffiths
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

A handwritten signature in blue ink, reading 'Hansjoerg Knieling'.

Hansjoerg Knieling
Authorised Representative of
PricewaterhouseCoopers Securities Ltd



Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 24 June 2019

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Sezzle Inc. (the "**Company**") to provide a report in the form of an Investigating Accountant's Report (the "**Report**") in relation to the historical financial information and pro forma historical financial information of the Company for the years ended 31 December 2017 and 31 December 2018 for inclusion in the prospectus dated on or about 24 June 2019 relating to the proposed initial public offering of CHES Depository Interests over ordinary shares in the Company and listing on the Australian Securities Exchange.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.



4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees charged are A\$240,000 (excluding GST).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority ("AFCA"), an external complaints resolution service. AFCA can be contacted by calling 1800 931 678. You will not be charged for using the AFCA service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Jonathan Griffiths
One International Towers Sydney, Watermans Quay,
Barangaroo NSW 2000

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RISK FACTORS



Risk Factors

7.1 Introduction

Investing in the CDIs involves risk. There are a number of risks that, either individually or in combination, may materially and adversely affect the future operating and financial performance of the Company and the value of the CDIs. Some of these risks may be mitigated by Sezzle's internal controls and processes, but many are outside the control of Sezzle, the Directors and management. An investment in Sezzle should be considered speculative. There can be no assurance that Sezzle will achieve its stated objectives or that any forward-looking statements will eventuate.

This section describes the risks which the Company currently believes to be the key risks associated with an investment in the Company. It does not purport to be an exhaustive list of every risk faced by the Company, now or in the future. Many of these risks, or the consequences of them, are outside the control of the Company. If one or more of these risks, or a risk not specifically referred to in this Prospectus eventuates, then the future operating performance of the Company and the value of the CDIs and of your investment may be significantly affected.

Prospective investors should read the whole of this Prospectus and consult with their professional advisers for legal, business, financial or tax advice in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to apply for CDIs.

The following summary, which is not exhaustive, represents some of the major risk factors that Applicants need to be aware of. These risks have been separated into:

- > risks specific to an investment in Sezzle; and
- > general risks relating to an investment in a listed company.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and impact of the risk if it did occur. The assessment is based on the knowledge of the Company as at the Prospectus Date, but there is no guarantee or assurance that the importance of different risks will not change, or other risks will not emerge. Any of these risks, and any other risks that may emerge, may have a material adverse effect on the business, and its financial position and performance.

There can be no guarantee that the Company will deliver on its business strategy, or that any forward-looking statement contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

Investors should specifically consider the factors contained in this section and elsewhere in the Prospectus in light of their own investment objectives and financial circumstances, and should seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest in CDIs.

7.2 Company-specific risks

(a) Limited trading history

The Company is an early stage financial technology company with limited trading history. Since launching the Sezzle Platform in August 2017, Sezzle's activities have principally involved raising money to develop its software, products and services (including the Sezzle Platform). Like many early stage companies, the Company has incurred losses since its inception. The reported cumulative losses up to 31 December 2018 are approximately US\$6.5 million.

Given the Company's limited trading history, it is difficult to make an evaluation of Company's business or its prospects and there is significant risk that the Company is not able to continue its growth at current rate, if at all, or successfully execute on its business plan and strategies.

(b) Failure to increase transaction volumes

The Company is currently in the early stages of establishing its presence in the US and Canadian markets, and its ability to profitably scale its business is heavily reliant on increases in transaction volumes and in its customer and Retail Merchant Client base to increase income and profits. Data from increasing transaction volumes will also better optimise the Company's systems and ability to make real-time End-customer repayment capability decisions. The Company considers that establishing, expanding and maintaining the Company's brand is important to growing its Retail Merchant Client and End-customer bases.

Failure to expand in this way may materially and adversely impact the Company's ability to achieve economies of scale and to optimise its systems, and may therefore adversely impact the Company's ability to improve its future profitability.

The Company's growth strategy may also include the introduction of new services or technologies. There is a risk that expansion initiatives may result in additional costs and risks, or may not deliver the outcomes intended. The Company's strategy depends on increasingly expanding its End-customer and Retail Merchant Client bases, which may not eventuate as intended.

(c) Failure to become Net Transaction Margin positive

The Company's strategy to turn the Net Transaction Margin into a positive percentage depends upon the Company lowering transaction processing costs, Loan Origination Costs and uncollectible accounts expenses, while efficiently managing external debt funding. There is a risk that this strategy may not eventuate as intended, which may adversely impact the Company's ability to improve its future profitability.

(d) Loss of key Retail Merchant Client relationships

The Company depends on continued relationships with its current significant Retail Merchant Clients. There can be no guarantee that these relationships will continue or, if they do continue, that these relationships will continue to be successful. The Company's contracts with Retail Merchant Clients can be terminated for convenience on relatively short notice by either party, and so the Company does not have long-term contracted income.

There is a risk that the Company may lose Retail Merchant Clients for a variety of reasons, including a failure to meet key contractual or commercial requirements, or Retail Merchant Clients shifting to in-house solutions or competitor service providers.

Although the Company does not currently depend on any one Retail Merchant Client for more than approximately 3% of Sezzle Income, the Company's business is still at a relatively early stage and Retail Merchant Client income is not as diversified as it might be for a more mature business. The loss of even a small number of the Company's key Retail Merchant Clients may materially and adversely impact the Company's income and profitability, and increase marketing expenses to sign up new Retail Merchant Clients to replace those lost. Depending on the reason for the loss of a key Retail Merchant Client, it may also have a negative impact on the Company's reputation with other Retail Merchant Clients and with End-customers.

There is also a risk that new agreements formed with Retail Merchant Clients in the future may be less favourable to the Company, including in relation to pricing and other key terms, due to unanticipated changes in the market in which the Company operates.

(e) Exposure to End-customer bad debts

The Company's profitability depends on its ability to put in place and optimise its systems and processes to make predominantly accurate, real-time decisions in connection with the End-customer transaction approval process. End-customer non-payment is a major component of the Company's expenses at present, and the Company is currently exposed to End-customer bad debts as a normal part of its operations. However, excessive exposure to bad debts through customers failing to meet their repayments to the Company will materially and adversely impact the Company's profitability.

The Company also has exposure, although much more limited, to the potential insolvency of a Retail Merchant Client to which the Company has advanced funds. Exposure occurs in the period of time between the advance of funds to a Retail Merchant Client for a customer's purchase of goods, and the retail merchant shipping the goods to the End-customer (at which point the Company is entitled to payment from the End-customer). However, this period of risk is typically only a few days.

(f) Additional requirements for capital

As the Company's current business grows and new lines of business are developed, the Company will require additional funding to support the provision of instalment plans to End-customers and working capital. Although the Directors believe that, on Completion of the Offer, the Company will have sufficient working capital and capacity under its existing credit facilities to carry out its short-term business objectives, there can be no assurance that such objectives can be met without further financing or, if further financing is necessary, that financing can be obtained on favourable terms or at all. Further, if additional funds are raised by issuing equity securities, this may result in dilution for some or all of the Shareholders.

(g) Financing risk

The Company intends to rely on a combination of funding options including equity, and the Credit Facility to finance its operations.

An inability to raise capital (through the issue of Shares and CDIs) or secure funding or drawdown on finance facilities or subsequently refinance the Credit Facility, or any increase in the cost of such funding, may adversely impact the performance and financial position of the Company.

Failure by the Company or Sezzle Funding to meet financial covenants under the Credit Agreement, or the occurrence of other specified events, may lead to an event of default or review event under the finance facilities. If an event of default or a review event applicable to any given facility occurs, there may be a requirement to make repayments in advance of the relevant maturity dates and/or termination of the facility. An event of default or review event and the requirement to make early repayments and/or the termination of the facility may impact on the financial performance and position of the Company and its ability to operate in the ordinary course of business.

The Credit Agreement requires Sezzle to drawdown a minimum of US\$5 million from 15 July 2019 and US\$10 million from 2 January 2020. To the extent that Sezzle fails to achieve End-customer lending levels that exceed these minimum drawdown requirements, Sezzle could incur additional losses through significantly increased interest expenses that exceed Sezzle Income, which may adversely impact the performance and financial position of the Company.

(h) Competitors and new market entrants

The Company considers it has a competitive advantage in being one of the first to provide an interest-free, 'buy now, pay later' service to the US and Canadian online retail market. However, there is always a risk of new entrants in the market, which may disrupt the Company's business and market share. Existing competitors as well as new competitors entering the industry, may engage in aggressive customer acquisition campaigns, develop superior technology offerings or consolidate with other entities to deliver enhanced scale benefits. Such competitive pressures may materially erode the Company's market share and income, and may materially and adversely impact the Company's income and profitability.

A general increase in competition may also require the Company to increase marketing expenditure or offer lower fees to Retail Merchant Clients, which would decrease profitability even if the Company's market share does not decrease.

(i) Failures or disruptions of technology systems

The Company depends on the constant real-time performance, reliability and availability of its technology system and third-party technology and communication networks (including the systems of third-party ecommerce networks). There is a risk that these systems may fail to perform as expected or be adversely impacted by a number of factors, some of which may be outside the control of the Company, including damage, equipment faults, power failure, fire, natural disasters, computer viruses and external malicious interventions such as hacking, cyber attacks or denial-of-service attacks. Events of that nature may cause part or all of the Company's technology system and/or the communication networks used by the Company to become unavailable. The Company's operational processes and contingency plans may not adequately address every potential event. This may disrupt transaction flow and adversely impact the Company's financial performance and reputation.

There is a risk that repeated failures to keep the Company's technology available may result in a decline in End-customer and Retail Merchant Client numbers or Retail Merchant Clients terminating their contracts with the Company. This may materially and adversely impact the Company's financial performance, including a reduction in income from completed transactions and an increase in the costs associated with servicing End-customers through the disruption, as well as negatively impacting the Company's reputation.

(j) Reliance on accuracy of third-party data provided to the Company

The Company purchases data from third parties that is critical to the Company's assessment of the creditworthiness of End-customers before they are either approved or denied funding for their purchase from a Retail Merchant Client. The Company is reliant on these third parties to ensure that the data they provide is accurate. Inaccurate data could cause the Company to not approve transactions that otherwise would have been approved, or vice versa, meaning the Company either loses income, or earns income that may lead to a higher incidence of bad debts.

(k) Employee recruitment risk and retention

The Company's ability to effectively execute its growth strategy depends upon the performance and expertise of its staff. The Company relies on experienced managerial and highly qualified technical staff to develop and operate its technology and to direct operational staff to manage the operational, sales, compliance and other functions of its business.

There is a risk that the Company may not be able to attract and retain key staff or be able to find effective replacements in a timely manner. The loss of staff, or any delay in their replacement, could impact the Company's ability to operate its business and achieve its growth strategies, including through the development of new systems and technology.

There is a risk that the Company may not be able to recruit suitably qualified and talented staff in a timeframe that meets the growth objectives of the Company. This may result in delays in the integration of new systems, development of technology and general business expansion, which may adversely impact the Company's income and profitability.

There is also a risk that the Company will be unable to retain existing staff, or recruit new staff, on terms of retention that are as attractive to the Company as past agreements. This would adversely impact employment costs and profitability.

(l) Failure to effectively manage growth

Sezzle has experienced a period of considerable growth in income, employee numbers and customers. A continuation of this growth in the future could place additional pressure on current management, operational and finance resources, and on the infrastructure supporting the Sezzle Platform.

Failure to appropriately manage this growth could result in failure to retain existing customers and attract new customers, which could adversely affect Sezzle's operating and financial performance.

(m) Compliance with laws, regulations, industry compliance standards

The Company is subject to a range of legal and industry compliance requirements that are constantly changing. This includes privacy laws, consumer protection laws and contractual conditions. There has recently been an increased focus and scrutiny by regulators in various jurisdictions in respect to 'buy now, pay later' arrangements.

There is potential that the Company may become subject to additional legal or regulatory requirements if its business, operations, strategy or geographic reach expand in the future, or if the regulations change in respect to the jurisdictions in which it operates. This may potentially include credit licensing, financial services licensing, or other licensing or regulatory requirements or similar limitations on the conduct of business.

There is a risk that additional or changed legal, regulatory and industry compliance standards, may make it uneconomic for the Company to continue to operate, or to expand in accordance with its strategy. This may materially and adversely impact the Company's income and profitability, including by preventing its business from reaching sufficient scale.

There is also a risk that if the Company fails to comply with these laws, regulations and industry compliance standards, this may result in significantly increased compliance costs, cessation of certain business activities or the ability to conduct business, litigation or regulatory enquiry or investigation and significant reputational damage.

Sezzle's business is subject to investigation by regulators, enforcement agencies and offices of state attorneys general, which could lead to enforcement actions, fines and penalties, and qualification to conduct business or the assertion of private claims and lawsuits against Sezzle. The US Federal Trade Commission and the US Consumer Financial Protection Bureau have the authority to investigate consumer complaints against Sezzle, to conduct inquiries at their own insistence and to recommend enforcement actions and seek monetary penalties.

The Company is constantly reviewing the regulatory landscape that governs each of the jurisdictions that it operates in, and will work with the regulators in each jurisdiction and, if required, will apply for the requisite licences to ensure that it is compliant with the laws of that state.

(n) Data security breaches

Through the ordinary course of business, the Company collects a wide range of confidential information. Cyber attacks may compromise or breach the technology platform used by the Company to protect confidential information and the Company's business could be materially impacted by security breaches of the data and information of Retail Merchant Clients and End-customers data and information, either by unauthorised access, theft, destruction, loss of information or misappropriation or release of confidential data.

There is also a risk that the measures the Company takes may not be sufficient to detect or prevent unauthorised access to, or disclosure of, such confidential personal or proprietary information, and any of these events may cause significant disruption to the business and operations. This may also expose the Company to reputational damage, legal claims, termination of the Company's contracts with Retail Merchant Clients, and regulatory scrutiny and fines, any of which could materially adversely impact the financial performance and prospects of the Company.

In addition, any security or data issues experienced by other software companies globally could adversely impact customers' trust in providing access to their personal data generally, which could adversely affect the Company's ability to provide its services generally.

(o) Activities of fraudulent parties

The Company is exposed to risks imposed by fraudulent conduct, including the risks associated with End-customers attempting to circumvent the Company's system and repayment capability assessments. There is a risk that the Company may be unsuccessful in defeating fraud attempts, resulting in a higher than budgeted cost of fraud and End-customer non-payment.

The Company guarantees payment to Retail Merchant Clients and accepts the responsibility associated with minimising fraudulent activity and bears all costs associated with such fraudulent activity. Fraudulent activity may result in the Company suffering losses due to fraud, causing a materially adverse impact to the Company's reputation and having to bear certain costs to rectify and safeguard business operations and the Company's systems against fraudulent activity.

(p) Protection and ownership of intellectual property rights

The Company's business depends on its ability to commercially exploit its technology and intellectual property rights, including its technological systems and data processing algorithms. The Company relies on laws relating to trade secrets, copyright and trademarks to assist in protecting its proprietary rights. However, there is a risk that unauthorised use or copying of the Company's software, data, specialised technology or platforms will occur. In addition, there is a risk that the validity, ownership or authorised use of intellectual property rights relevant to the Company's business may be successfully challenged by third parties. This could involve significant expense and potentially the inability to use the intellectual property rights in question, and if an alternative cost-effective solution was not available, it may materially adversely impact the Company's financial position and performance. Such disputes may also temporarily adversely impact the Company's ability to integrate new systems, which may adversely impact the Company's income and profitability.

There is also a risk that the Company will be unable to register or otherwise protect new intellectual property rights it develops in the future, or which is developed on its behalf by contractors. In addition, competitors may be able to work around any of the intellectual property rights used by the Company, or independently develop technologies or competing payment products or services that are not protected by the Company's intellectual property rights. The Company's competitors may then be able to offer identical or very similar services or services that are otherwise competitive against those provided by the Company, which could adversely affect the Company's business.

(q) Integration with Retail Merchant Clients

The Company uses and relies on integration with third-party systems and platforms, particularly websites and other retail merchant systems. The success of the Company's services, and its ability to attract additional End-customers and Retail Merchant Clients, depends on the ability of its technology and systems to integrate into, and operate with, various third-party systems and platforms. In addition, as these systems and platforms are regularly updated, it is possible that when such updates occur it could cause the Company's services to not operate as efficiently as previously. This will require the Company to change the way its system operates, which may take time and expense to remedy.

(r) Technological changes

The Company participates in a competitive environment. IT systems are continuing to develop and are subject to rapid change, while business practices continue to evolve. The Company's success will in part depend on its ability to offer services and systems that remain current with the continuing changes in technology, evolving industry standards and changing consumer preferences. There is a risk that the Company will not be successful in addressing these developments in a timely manner, or that expenses will be greater than expected. In addition, there is a risk that new products or technologies (or alternative systems) developed by third parties will supersede the Company's technology. This may materially and adversely impact the Company's income and profitability.

(s) Breach of third-party intellectual property rights

There is a risk that third parties may allege that the Company's solutions use intellectual property derived by them or from their products without their consent or permission. The Company may be the subject of claims that could result in disputes or litigation and this could require us to incur significant expenses even if the Company is able to successfully defend or settle such claims. If the Company is found to have infringed the third-party's intellectual property rights, this may result in the Company being required to pay monetary compensation to the third party or take other actions that may cause disruption to its service delivery model and increase its costs. This in turn could have an adverse impact on the Company's operations, reputation and financial performance.

(t) Open source software

Some of the Company's systems incorporate and are dependent on the use and development of 'open source' software. Open source software is generally licensed under open source licences, which may include a requirement that the Company make available, or grant licences to, any modifications or derivatives works created using the open source software. If an author or other third party that uses or distributes such open source software were to allege that the Company had not complied with the legal terms and conditions of one or more of these licences, the Company could incur significant legal expenses defending against such allegations and could be subject to significant damages.

(u) Capacity restraints

Continued increases in transaction volumes may require the Company to expand and adapt its network infrastructure to avoid interruptions to the Company's systems and technology. Any unprecedented transaction volumes may cause interruptions to the Company's systems and technology, reduce the number of completed transactions, increase expenses, and reduce the level of consumer service, and these factors may potentially adversely impact the Company's financial performance.

(v) Reliance on the internet

The Company will depend on the ability of its Retail Merchant Clients and End-customers to access the internet. Should access to the internet be disrupted or restricted, usage of the Company's services may be adversely impacted.

(w) Banking performance

The Company relies on online payment gateways, banking and financial institutions for the validation of bank cards, settlement and collection of payments. Any failures or disruptions to such platforms and technology may impact the financial performance of the Company.

(x) Reputation risk

Maintaining the strength of the Company's reputation is important to retaining and increasing its End-customer base and its Retail Merchant Client base, maintaining its relationships with partner companies and other service providers and successfully implementing the Company's business strategy. There is a risk that unforeseen issues or events may adversely impact the Company's reputation. This may adversely impact the future growth and profitability of the Company.

The Company's reputation is also closely linked to the timely and accurate provision of services to End-customers. There is a risk that the Company's actions and the actions of the Company's suppliers and merchants may adversely impact the Company's reputation. Any factors that diminish the Company's reputation could result in customers, consumers or other parties ceasing to do business with the Company, impede its ability to successfully provide its goods and services, negatively affect its future business strategy and materially and adversely impact the Company's financial position and performance.

(y) Exposure to adverse macro-economic conditions

The Company's business depends on End-customers transacting with Retail Merchant Clients, which in turn can be affected by changes in general economic conditions. For example, the retail sector is affected by such macro-economic conditions as unemployment, interest rates, consumer confidence, economic recessions, downturns or extended periods of uncertainty or volatility, all of which may influence customer spending, and suppliers' and retailers' focus and investment in outsourcing solutions. This may subsequently impact the Company's ability to generate income. Additionally, in weaker economic environments, consumers may have less disposable income to spend and so may be less likely to purchase products by utilising the Company's services and bad debts might increase.

(z) Concentration of shareholding

After the Offer is completed, the existing major Shareholders in the Company (particularly Charlie Youakim and to a lesser extent, Paul Paradis) will hold approximately 55.3% of the total CDIs on issue in the Company,²⁷ and will continue to be able to exert significant influence over the Company, including in relation to the election of Directors, the appointment of new management and the potential outcome of matters submitted to the vote of Shareholders. There is a risk that the interests of the existing major Shareholders may be different from the interests of investors who acquire CDIs under the Offer. There is also a risk that the continued shareholding of the existing major Shareholders, in particular until the end of the escrow period, may cause or contribute to a limited liquidity in the market for Shares, which could affect the market price at which other Shareholders are able to sell.

There is also a risk that a significant sale of CDIs or Shares by Existing Shareholders after the end of the escrow period, or the perception that such a sale might occur, could adversely impact the price of Shares. The continued shareholding of existing major Shareholders may also negatively impact the timing and effectiveness of any capital raising activities of the Company, which could adversely impact the Company's cost of capital and financial position.

27. Assuming that all Shares are held in the form of CDIs.

(aa) Risk of litigation

The Company may be subject to litigation and other claims and disputes in the course of its business, including contractual disputes, employment disputes, indemnity claims, and occupational and personal claims. Even if the Company is ultimately successful, there is a risk that such litigation, claims and disputes could materially and adversely impact the Company's operating and financial performance due to the cost of settling such claims, and affect the Company's reputation.

(bb) Insurance

The Company plans to maintain insurance as it considers appropriate for its needs. However, the Company will not be insured against all risks, either because appropriate coverage is not available or because the Directors consider the applicable premiums to be excessive in relation to the perceived benefits that would accrue. Accordingly, the Company may not be fully insured against all losses and liabilities that could unintentionally arise from its operations. If the Company incurs uninsured losses or liabilities, the value of the Company's assets may be at risk.

7.3 Securities investment and market risks²⁸**(a) Securities investments**

Investors should be aware that there are risks associated with any securities investment. The prices at which the Company's CDIs trade may be above or below the Offer Price, and may fluctuate in response to a number of factors including the risk factors identified in this section as well as securities market factors such as limited liquidity of the CDIs and large price movements due to trading by major Shareholders.

(b) Potential fluctuations in the price of CDIs

There are risks associated with any listed company investment. Some of these risks are listed below. The price at which CDIs are quoted on the ASX may be subject to fluctuations in response to factors such as:

- > changes to government fiscal, monetary or regulatory policy, legislation or the regulatory environment in which Sezzle operates;
- > changes in financial outcomes estimated by securities analysts;
- > changes in the market valuation of other comparable companies and the nature of the market in which Sezzle operates;
- > announcements by Sezzle or its competitors of significant acquisitions;
- > an event of force majeure, such as terrorism, fire, flood, earthquake, war or strikes;
- > fluctuations in the domestic and international market for listed stocks;
- > fluctuations in general domestic and global economic conditions, including interest rates and exchange rates; and
- > other events or factors which may be beyond Sezzle's control.

There is a risk that broader market and industry factors may materially and adversely impact the price of the CDIs, regardless of Sezzle's operating performance and may cause the CDIs to trade at prices below the Offer Price. There is no assurance that the price of the CDIs will increase following the quotation on the ASX.

28. All percentages referred to in this Section 7.3 assumes all Shares are held in the form of CDIs.

(c) Liquidity risk

In accordance with the escrow requirements in Chapter 9 of the ASX Listing Rules, at Completion of the Offer approximately 52.7% of the CDIs on issue will not be able to be traded for a period of 24 months commencing on the date of Admission, and approximately a further 3.1% of the CDIs on issue will not be able to be traded for a period of up to 12 months commencing on the date of Admission. The Company will also enter into voluntary escrow arrangements under which, at Completion of the Offer, a further approximately 11.8% of the CDIs on issue will not be able to be traded for a period of between six and eight months commencing from the date of Admission.

Given the number of CDIs restricted from trading, there will only be liquidity with respect to approximately 32.3% of the CDIs on issue at Completion of the Offer, including the CDIs to be issued under the Offer, until such time as applicable escrow periods end. At the time of lodging this Prospectus with ASIC, the ASX is still considering the Company's submission regarding the escrow to be applied to the Shares and CDIs on issue prior to the issue and allotment of the CDIs under this Offer. As such, the numbers contained in this Section 7.3(c), may ultimately vary depending on the ASX's final determination on the Company's escrow position.

The CDIs issued under the Offer will only be listed on the ASX and will not be listed for trading on any other securities exchanges in Australia, the United States or elsewhere. As such, there can be no guarantee that an active market in the CDIs will develop or continue, or that the market price of the CDIs will increase. If a market does not develop or is not sustained, it may be difficult for investors to sell their CDIs. Furthermore, the market price for CDIs may fall or be made more volatile because of the relatively low volume of trading in the Company's securities. When trading volume is low, significant price movement can be caused by trading in a relatively small number of shares. If illiquidity arises, there is a real risk that Shareholders will be unable to realise their investment in the Company.

Following release from escrow, CDIs held by the Escrowed Shareholders may be freely traded on the ASX. There is a risk that a significant sale of CDIs by an Escrowed Shareholder, or the perception that such a sale has occurred or might occur, could adversely impact the price of the CDIs.

(d) Exposure to general economic and financial market conditions

General domestic and global economic conditions may adversely impact the price of CDIs for reasons outside Sezzle's control. This includes increases in unemployment rates, negative consumer and business sentiment and an increase in interest rates, among other factors. There is a risk that CDIs may trade on the ASX at a price below their Offer Price for a wide variety of reasons, not all of them related to the financial performance of the Company.

(e) Shareholders may be diluted

In the future, the Company may elect to issue CDIs or engage in capital raisings to fund investments or acquisitions that the Company may decide to undertake. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of CDIs and capital raisings.

(f) Economic and government risks

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the technology industry including, but not limited to, the following:

- > general economic conditions in jurisdictions in which the Company operates;
- > changes in government policies, taxation and other laws in jurisdictions in which the Company operates;
- > the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the technology sector;
- > movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and
- > natural disasters, social upheaval or war in jurisdictions in which the Company operates.

(g) Regulatory risks

Presently, the Company's operations are based in the US and Canada and are subject to applicable laws and regulations in the US and Canada. However, the Company may, in the future, expand its operations into other markets. Retail Merchant Clients, End-customers, competitors, members of the general public or regulators could allege breaches of legislation in the relevant jurisdictions (for example, if an advertisement was considered to be misleading or deceptive). This could result in remedial action or litigation, which could potentially lead to the Company being required to pay compensation or a fine.

The Company's operations may become subject to regulatory requirements, such as licensing and reporting obligations, which would increase the costs and resources associated with regulatory compliance. Any such increase in the costs and resources associated with regulatory compliance could impact upon the Company's income. In addition, if regulators took the view that the Company had failed to comply with regulatory requirements, this could lead to enforcement action resulting in public warnings, infringement notices or the imposition of a pecuniary penalty. This could lead to significant damage to the Company's reputation and consequently impact on its income.

The Company may offer the Sezzle Platform, and any future developed products, throughout the world. Regulatory changes could see the Company being required to hold a licence in some of these jurisdictions or otherwise comply with local regulations. This could preclude the Company from offering certain services in these jurisdictions until such a licence has been obtained, or may require the Company to comply with a range of regulatory requirements. Any such increase in the costs and resources associated with the regulatory compliance in these jurisdictions could impact upon the Company's income.

(h) Taxation

The acquisition and disposal of CDIs will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring CDIs from a taxation point of view and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of applying for CDIs under this Prospectus.

(i) Changes in taxation law and policies

Tax laws are in a continual state of change, which may affect the Company and its Shareholders.

There may be tax implications arising from ownership of the CDIs, the receipt of franked and unfranked dividends (if any) from the Company, receiving returns of capital and the disposal of the DSIs.

Changes to tax laws may adversely affect the Company's financial performance and/or the returns achieved by investors. Dividends paid to certain investors may not be recognised as frankable by the Australian Taxation Office.

The Company is not responsible for either taxation implications or penalties incurred by investors. You should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of the tax legislation to your investment in the Company.

(j) Accounting standards may change

Generally Accepted Accounting Principles in the United States of America (**US GAAP**) are set by the Financial Accounting Standards Board (**FASB**) and are outside the control of either the Company or its Directors and senior management. The FASB is due to introduce new or refined Financial Accounting Standards applicable in the United States in the coming years, which may affect future measurement, and recognition of key statement of financial performance and statement of financial position items. There is also a risk that interpretations of existing US GAAP, including those relating to the measurement and recognition of key statement of financial performance and statement of financial position items may differ. Changes to US GAAP issued by the FASB, or changes to the commonly held views on the application of those standards, could materially adversely affect the financial performance and financial position reported in the Company's consolidated financial statements.

(k) Foreign exchange risks

The proceeds of the Offer will be received in Australian dollars, while the Company's functional currency is US dollars. The Company is not currently hedging against exchange rate fluctuations, and consequently the Company will be at the risk of any adverse movement in the A\$:US\$ exchange rate between the pricing of the Offer and the closing of the Offer.

The CDIs will be listed on the ASX and priced in Australian dollars. However, the Company's reporting currency is US dollars. As a result, movements in foreign exchange rates may cause the price of the Company's securities to fluctuate for reasons unrelated to the Company's financial condition or performance and may result in a discrepancy between the Company's actual results of operations and investors' expectations of returns on securities expressed in Australian dollars.

(l) Provisions of the Company's Certificate of Incorporation, its By-laws and Delaware Law

Certain provisions of the Company's Certificate of Incorporation and By-laws could discourage, delay or prevent a merger, acquisition or other change of control that Shareholders may consider favourable, including transactions in which Shareholders might otherwise receive a premium for their CDIs. These provisions could also limit the price that investors might be willing to pay in the future for the CDIs, thereby depressing the market price of the CDIs. Shareholders who wish to participate in these transactions may not have the opportunity to do so. A summary of these provisions is set out in Section 9.9.

In addition, the Company is governed by the provisions of section 203 of the DGCL, which may, unless certain criteria are met, prohibit large Shareholders, in particular those owning 15% or more of the voting rights on Shares, from merging or combining with the Company for a prescribed period of time. This is described in under the heading 'How takeovers are regulated' in Section 9.9.

(m) Costs and management time involved in complying with DGCL and Australian laws are likely to be significant

As a Delaware corporation, the Company will need to ensure its continuous compliance with DGCL and, since the Company will be listed on the ASX and registered as a foreign company in Australia, the Company will also need to ensure continuous compliance with relevant Australian laws and regulations, including the Listing Rules and certain provisions of the Corporations Act.

To the extent of any inconsistency between DGCL and Australian law and regulations, the Company may need to make changes to its business operations, structure or policies to resolve such inconsistency. If the Company is required to make such changes, this is likely to result in additional demands on Management and extra costs.

(n) Speculative investment

The above list of risk factors is not to be taken as an exhaustive list of risks that the Company or its Shareholders are exposed to. The above risks, and others not specifically referred to above, may in the future materially impact the financial performance of the Company and the value of the CDIs. The CDIs issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX.

The Company does not currently pay dividends and is unlikely to pay a dividend for a period of time, if at all.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for CDIs under this Prospectus.

08

DETAILS OF THE OFFER



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Details of the Offer

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8.1 Offer

This Prospectus invites investors to apply for 35,714,285 CDIs (equivalent to 35,714,285 Shares) at an issue price of A\$1.22 per CDI, to raise approximately A\$43.6 million (before associated costs).

Each CDI represents an interest in one Share. The total number of Shares on issue following Completion of the Offer on an undiluted basis (including Shares held in the form of CDIs) will be 177,858,064.

The Shares underlying the CDIs will rank equally with existing Shares on issue. Details of the CDIs and a summary of the key differences between holding CDIs and holding the underlying Shares are set out in Section 9.3. A summary of the rights attaching to Shares is set out in Section 9.4.

CDIs being offered under this Prospectus will represent approximately 18.5% of the total number of Securities on issue following Completion of the Offer (on a fully diluted basis). 120.4 million Securities representing 67.7% of the total Securities on issue at Admission (on an undiluted basis) will be subject to voluntary and mandatory escrow arrangements. Further details regarding the escrow arrangements are described in Section 9.10.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

8.2 Structure of the Offer

The Offer comprises:

- (a) the **Broker Firm Offer** – which is open to Australian resident retail clients of participating Brokers, who have a registered address in Australia and who receive an invitation from a Broker to acquire CDIs under this Prospectus and are not in the United States and are not US Persons;
- (b) the **Institutional Offer** – which consists of an offer to certain Institutional Investors in Australia, New Zealand and certain other jurisdictions around the world; and
- (c) the **Priority Offer** – which is open to select investors nominated by Sezzle in eligible jurisdictions, who receive a Priority Offer invitation to acquire CDIs under this Prospectus.

No general public offer of CDIs will be made under the Offer.

The allocation of CDIs between the Broker Firm Offer, the Institutional Offer and the Priority Offer will be determined by the Lead Manager in consultation with the Company. For further information regarding the allocation of CDIs within each of the Broker Firm Offer, Institutional Offer and the Priority Offer, please refer to Section 8.11 for further details.

The Offer is fully underwritten by the Lead Manager.

8.3 Opening and Closing Dates

The key dates, including details of the Offer Period, are set out on page 05.

The Company reserves the right to close any of the Offers early, extend the Offer Closing Date for any Offer or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Any change to the Offer Closing Date (including if closed early or extended) will have a consequential effect on the date for the issue of the CDIs. No CDIs will be issued or transferred on the basis of this Prospectus later than 13 months after the date of this Prospectus.

8.4 Purpose of the Offer

The Offer is being conducted to provide the Company with:

- (a) funding and financial flexibility to support the Company's growth strategy and future growth opportunities;
- (b) access to capital markets and additional funding flexibility in the future;
- (c) a liquid market for its CDIs and the opportunity for others to invest in its Securities; and
- (d) benefits of an increased brand profile that arises from being a listed entity.

The Company believes the Offer will also assist the Company to attract and retain quality employees by allowing the Company to offer employees the opportunity to be rewarded under the Company's employee incentive schemes.

8.5 Sources and uses of funds

As at the date of this Prospectus, the Company has cash reserves of approximately US\$3.1 million.

The proceeds of the Offer will (among other things):

- (a) increase working capital to facilitate further market share being acquired through the development of Sezzle's Retail Merchant Client base and End-customer product offering, including funding for product development and engineering, sales and marketing, data sciences, merchant and customer support and general administration; and
- (b) fund the costs of the Offer and other administrative costs expected to be incurred by the Company.

The following table shows the sources of funds and expected use of funds in the two-year period following Admission of the Company to the Official List:

Table 8.1: Sources and uses of funds

Item	US\$ ('000)	%
Sources of funds		
Estimated cash reserves as at date of the Prospectus	3,126	9%
Cash proceeds from the Offer	30,000	91%
Total funds available	33,126	100%
Uses of funds		
Sales and marketing to Retail Merchant Clients ¹	6,783	20%
Development and engineering ²	6,527	20%
Data sciences and risk management ³	4,546	14%
End-customer and Retail Merchant Client support ⁴	3,278	10%
Administration and overheads ⁵	4,772	14%
Costs of the Offer	2,603	8%
Working capital and funding capital ⁶	4,616	14%
Total use of funds	33,126	100%

Notes:

1. Sales and marketing costs include the addition of business development and marketing personnel, digital advertising, event sponsorship, marketing asset creation, and other associated marketing costs.
2. Development and engineering costs including the addition of developers and software engineers for enhancements and development of additional functionality and applications within the Sezzle Platform and systems integrations, utilisation of cloud computing, Amazon Web Services, maintenance of PCI Level 1 certificate and internal security monitoring and upgrades.
3. Data sciences and risk management costs include the addition of data scientists and credit risk managers as well as data for enhancements to and development of additional applications for proprietary risk models.
4. Scaling customer and merchant support services by increasing the number of customer support representatives.
5. Administration and overhead costs including office rental, legal, audit, accounting and tax, human resources, insurance, professional services, executive and board management and other miscellaneous costs.
6. Working capital and increase in funding for the instalment payments receivables from the End-customers of the Company and to increase financial flexibility in respect of the alternative sources of funding, in relation to this activity.

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of sales performance, operational and development activities, regulatory developments, and market and general economic conditions (including the risk factors outlined in Section 7). In light of this, the Board reserves its right to alter the way the funds are applied. In addition, as the proceeds of the Offer will be received in Australian dollars and the expenditure will be in US dollars, the actual amount of the proceeds used for each of the items above will depend on the A\$:US\$ exchange rate at the time that the funds are converted to US dollars.

8.6 Potential effect of the fundraising on the future of the Company

The Directors believe that on Completion of the Offer, the Company will have sufficient funds available from the proceeds of the Offer, cash held at Completion and its operations, to fulfil the purposes of the Offer and meet its stated business objectives as set out in Section 8.4.

8.7 Ownership structure of the Company before and after Completion

Details of direct and indirect interests in Shares (and CDIs) on issue as at the date of this Prospectus and as expected on the date of Admission are set out in the table below:

Table 8.2: Ownership Structure

Holder	Date of Prospectus		Date of Admission	
	Shares ¹	%	Shares/CDIs	%
Charlie Youakim	88,359,809	67.9%	88,359,809	49.7%
Paul Paradis	10,000,000 ²	7.7%	10,000,000	5.6%
Continental Investment Partners	–	–	10,389,407 ³	5.8%
Management Shareholders	5,000,000	3.8%	5,103,172 ⁴	2.9%
Other Existing Shareholders	26,719,815	20.6%	28,291,391 ⁵	15.9%
New Shareholders	–	–	35,714,286	20.1%
TOTAL	130,079,623	100%	177,858,064	100%

Notes:

1. The holding information as at the date of the Prospectus aggregates holdings of Shares and Series A Preferred Stock.
2. Paul Paradis holds 10,000,000 Shares. As at the date of this Prospectus, 7,791,666 Shares have fully vested with the remaining Shares subject to vesting conditions as follows: 333,334 Shares will vest in monthly instalments over the next 4 months and 1,875,000 Shares will vest in monthly instalments over the next 30 months.
3. Includes Shares issued upon conversion of the Convertible Notes. Refer to Section 5.6(c)(ii) for further details.
4. Includes Shares issued upon conversion of the Convertible Notes. Refer to Section 5.6(c)(ii) for further details.
5. Includes Shares issued upon conversion of the Convertible Notes. Refer to Section 5.6(c)(ii) for further details.

8.8 Current capital structure

The issued capital of the Company as at the date of this Prospectus is set out in the table below:

Table 8.3: Sezzle capital structure as at the date of the Prospectus

Class of Security	Number
Common Stock	59,633,332
Series A-1 Preferred Stock	174,652
Series A-2 Preferred Stock	15,584,040
Series A-3 Preferred Stock	3,896,913
Series A-4 Preferred Stock	33,981,205
Series A-5 Preferred Stock	15,900,030
Series A-6 Preferred Stock ¹	909,451
Options	9,798,334
RSA	350,000

Note:

1. The Series A-6 Preferred Stock were issued to the holders of outstanding Preferred Stock to satisfy the accumulated preferred stock dividend. See Section 5.6(c)(iii).

8.9 Capital structure following Completion of the Offer

Shortly prior to allotment and transfer of CDIs under the Offer, the following changes will automatically be made to the capital structure of the Company in accordance with the terms of the Company's existing Certificate of Incorporation and the terms of the Convertible Notes:

- (a) the Series A Preferred Stock will be converted to Shares; and
- (b) the indebtedness under the Convertible Notes will be converted to Shares.

It is expected that, as at the date of Admission, the issued share capital of the Company will comprise the following:

Table 8.4: Sezzle capital structure following Completion of the Offer

	Shares/CDIs	Options/ RSAs	Percentage ¹
Number of Shares on issue immediately prior to Completion of the Offer ²	142,143,778	–	73.6%
Number of Options and RSAs on issue prior to Completion of the Offer ³	–	10,148,334	5.3%
Shares to be issued under the Offer	35,714,286	–	18.5%
Number of Options to be issued on Admission ⁴	–	5,150,000	2.7%
Total	177,858,064	15,298,334	100%

Notes:

- The above percentages are calculated on a fully diluted basis.
- Includes 59,633,332 Shares and Shares that are to be issued upon conversion of all existing Series A Preferred Stock and convertible arrangements prior to Admission as follows:
 - 70,446,291 Series A Preferred Stock which convert into Shares on a 1:1 basis, including 909,451 Series A-6 Preferred Stock issued to the holders of outstanding Preferred Stock to satisfy the accumulated preferred stock dividend; and
 - an aggregate of:
 - US\$5,662,500 of Convertible Notes which, along with accrued interest, convert into 11,756,441 Shares (at a price of US\$0.49 per Share) assuming that settlement of the Offer occurs on 24 July 2019; and
 - US\$150,000 of Convertible Notes which, along with accrued interest, convert into 307,714 Shares (at a price of US\$0.49 per Share) assuming that settlement of the Offer occurs on 24 July 2019 and the holder of Convertible Notes not subject to automatic conversion (being Convertible Notes representing US\$75,000 of the indebtedness) elects to convert the Convertible Notes.

If settlement of the Offer occurs after the dates set out above, further Shares will be issued in lieu of interest on the Convertible Notes.
- Refer to Section 9.6 for further details.
- Refer to Section 9.6 for further details.

8.10 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	CDIs (being a CHESS Depository Interest in Shares of the Company).
What are the rights and liabilities attached to the CDIs being offered?	A description of the CDIs, including the rights and liabilities attaching to them, is set out in Section 9.3.
What is the consideration payable for each CDI being offered?	The issue price is A\$1.22 per CDI.

Topic	Summary
What is the Offer period?	<p>The key dates, including details of the Offer Period, are set out in the key dates on page 04 of this Prospectus.</p> <p>These key dates are indicative only and may change. Unless otherwise indicated, all times are stated in AEST.</p> <p>The Company and the Lead Manager reserve the right to amend any or all of the times and dates of the Offer without notice subject to the ASX Listing Rules, the Corporations Act and other applicable laws, including closing the Offer early, extending the Offer, deferring the date of Completion of the Offer, accepting late Applications either generally or in particular cases, allotting CDIs at different times to different Applicants, or to cancel or withdraw the Offer without prior notice.</p> <p>If the Offer is cancelled or withdrawn before the allocation and issue of CDIs to successful Applicants, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>No CDIs will be issued on the basis of this Prospectus later than the Expiry Date.</p> <p>The quotation and commencement of trading of the CDIs is subject to confirmation from ASX.</p>
What are the cash proceeds to be raised?	Approximately A\$43.6 million will be raised under the Offer.
Is the Offer underwritten?	Yes, the Offer is fully underwritten by the Lead Manager and Underwriter. Please see Section 9.11 for a summary of the Underwriting Agreement.
Who is the Lead Manager and Underwriter for the Offer?	The Lead Manager and Underwriter is Ord Minnett Limited.
What is the minimum and maximum Application size under the Broker Firm Offer?	<p>Applications must be for a minimum of 1,640 CDIs. Applications in excess of the minimum number of CDIs must be in multiples of 410 CDIs.</p> <p>There is no maximum Application size under the Broker Firm Offer; however, the Company reserves the right to reject any Application or to allocate to an Applicant a lesser number of CDIs than that applied for.</p>
What is the allocation policy?	<p>The allocation of CDIs between the Broker Firm Offer, the Institutional Offer and the Priority Offer will be determined by agreement between the Company and the Lead Manager, having regard to the allocation policies outlined in Section 8.11.</p> <p>With respect to the Broker Firm Offer, it is a matter for the Broker how they allocate firm CDIs among their eligible retail clients.</p>
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched to successful Applicants by standard post on or around 31 July 2019.

Topic	Summary
Will the CDIs be quoted?	<p>The Company will apply to ASX within seven days of the date of this Prospectus for Admission to the Official List and quotation of CDIs by ASX under the code 'SZL'.</p> <p>Completion of the Offer is conditional on the ASX approving this application. If permission is not granted for the Official Quotation of the CDIs on ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer may be withdrawn and all Application Monies received by the Company will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>For more information, see Section 8.18.</p>
What is the 'Foreign Ownership Restriction' designation on the ASX?	<p>The CDIs and underlying Shares will be 'restricted securities' under Rule 144 under the US Securities Act. This means that during such period as the CDIs and underlying Shares are subject to transfer restrictions, which may be extended longer than 12 months, you will not be permitted to sell the CDIs sold to you in the Offer or the underlying Shares into the United States or to, or for the account or benefit of, a US Person, unless the resale of the CDIs or the underlying Shares is registered under the US Securities Act (which the Company is not obligated to do) or an exemption from such registration is available (including resale to QIBs pursuant to Rule 144A).</p> <p>The Company has requested that during the Distribution Compliance Period, all CDIs issued or transferred under the Offer bear a designation on ASX in order to enforce the above restrictions. This designation is intended to prevent any CDIs from being sold on ASX during the Distribution Compliance Period to persons that are in the United States, or to, or for the account or benefit of, US Persons, in each case that are not QIBs. The Company cannot provide any assurances as to when this designation will be lifted from the CDIs. For more information, see Section 9.12.</p> <p>The discussion above assumes that none of the CDIs are acquired and resold by certain affiliates of the Company. Any CDIs that are acquired and subsequently resold by such affiliates will reopen the Distribution Compliance Period. While this is an inconvenience for all holders of the Company's CDIs, it is necessary because there is no mechanism to distinguish the CDIs resold by such affiliates of the Company from other CDIs. Thus, the practical impact of such a resale would be to extend the Distribution Compliance Period for all of the Company's CDIs.</p>
When are the CDIs expected to commence trading?	<p>The Company anticipates that its securities will commence quotation on a deferred basis on the ASX on 30 July 2019 with normal trading starting on 1 August 2019.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in CDIs. Applicants who sell CDIs before they receive an initial holding statement do so at their own risk.</p> <p>The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell CDIs before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Sezzle IPO Offer Information Line, by a Broker or otherwise.</p>
Are there any escrow arrangements?	<p>Yes, certain securities will be subject to mandatory and voluntary escrow arrangements for periods of up to 24 months from the date of Admission. Further details regarding the escrow arrangements are set out in Section 9.10.</p>

Topic	Summary
Has an ASIC relief or ASX waiver been obtained or been relied on?	Yes. Details are set out in Section 9.18.
Are there any tax considerations?	Refer to Section 9.13.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty will be payable by Applicants on the acquisition of CDIs under the Offer.
What should you do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the Sezzle IPO Offer Information Line on:</p> <ul style="list-style-type: none"> > within Australia: 1300 171 784; or > outside Australia: +61 3 9415 4068, <p>from 8.30 am to 5.00 pm (AEST), Monday to Friday (excluding public holidays).</p> <p>If you have any questions about whether or not to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, tax adviser, lawyer or other professional adviser before deciding whether or not to invest.</p>

8.11 Allocation policy

The Lead Manager, in consultation with the Company, will determine the allocation of CDIs between the Broker Firm Offer, the Institutional Offer and the Priority Offer.

The allocation of CDIs under the Institutional Offer will be determined by the Lead Manager in consultation with the Company.

For Broker Firm Offer participants, applicable Brokers will decide how they allocate CDIs among their retail clients, and such Brokers (and not the Company nor the Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from their Broker receive applicable CDIs.

The Company and the Lead Manager have absolute discretion regarding the allocation of CDIs to Applicants under the Offer and may reject an Application or bid, or allocate fewer CDIs than the number, or the equivalent dollar amount than applied or bid for.

8.12 How to apply under the Offer

(a) Broker Firm Offer

Who may apply?

The Broker Firm Offer is open to persons who have received an allocation from their Broker and who are residents of Australia. If your Broker has a firm allocation and has offered you an allocation, then you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your Broker to determine whether your Broker may allocate CDIs to you under the Broker Firm Offer.

How to apply

Broker Firm Offer Applicants must follow instructions provided by their Broker. Those Applicants must complete the Broker Firm Offer Application Form at the back of this Prospectus. By making an Application, you declare that you were given a copy of this Prospectus, together with an Application Form. Please contact your Broker if you require further instructions. Any Application Form must be stamped by a Broker so that the correct allocation of CDIs is received.

Is there a minimum or maximum Application size?

Applications must be for a minimum of 1,640 CDIs. Applications in excess of the minimum number of CDIs must be in multiples of 410 CDIs. There is no maximum Application size under the Broker Firm Offer; however, the Company reserves the right not to accept Applications in the Broker Firm Offer that are from persons they believe may be Institutional Investors, or reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer applying for more than A\$250,000 of CDIs. The Company also reserves the right to aggregate any Applications that they believe may be from the same person. The Company may determine a person eligible to participate in the Broker Firm Offer and may amend or waive the Broker Firm Offer application procedures or requirements at its discretion in compliance with applicable laws.

How to pay

Broker Firm Offer Applicants should make payments in accordance with the directions of the Broker from whom they received an allocation. Applicants under the Broker Firm Offer should send their completed Application Form and Application Monies to their Broker by the Closing Date.

The Company, the Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

Closing Date for receipt of Applications

The Broker Firm Offer opens on Tuesday, 9 July 2019 and is expected to close on Friday, 19 July 2019. The Company may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time without further notice. Your Broker may also impose an earlier closing date.

Broker Firm Offer Applicants are encouraged to submit an Application Form and Application Monies to their Broker as early as possible in advance of the Closing Date to allow a sufficient period for mail processing time.

How to obtain a copy of this Prospectus

Please contact your Broker for instructions. You may also obtain a copy of this Prospectus as follows:

- > You can download a copy at <https://sezzle.com/investors>; or
- > Request a copy from the Company's Share Registry, Computershare, by calling the Sezzle IPO Offer Information Line on 1300 171 784 (within Australia) or +61 3 9415 4068 (from outside Australia).

While you may obtain a copy of these documents as set out above, your Application will not be accepted under the Broker Firm Offer if it is not lodged through your Broker.

(b) Institutional Offer

The Lead Manager will separately advise the Institutional Investors of the Application procedures for the Institutional Offer.

(c) Priority Offer

Who may apply?

The Priority Offer is open to select investors nominated by the Company in eligible jurisdictions who have received a Priority Offer invitation to acquire CDIs under this Prospectus. If you are a Priority Offer Applicant, you will receive a personalised invitation to apply for CDIs in the Priority Offer.

How to apply

If you have received a personalised invitation to apply for CDIs under the Priority Offer and you wish to apply, you must do so in accordance with the instructions provided in your personalised invitation.

Recipients of the Priority Offer invitation should read the separate Offer letter and this Prospectus carefully and in their entirety before deciding whether to apply under the Priority Offer. If you are unclear in relation to any matter or are uncertain as to whether CDIs are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

To apply under the Priority Offer, you must complete the online Priority Offer Application Form in accordance with the instructions provided in your Priority Offer invitation and on the website containing the Application Form.

By making an Application you declare that you were given access to this Prospectus together with an Application Form.

The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications must be received by no later than 5.00 pm (AEST) on Friday, 19 July 2019 and it is your responsibility to ensure that this occurs.

Is there a minimum or maximum Application size?

Applications must be for a minimum of 1,640 CDIs. Applications in excess of the minimum number of CDIs must be in multiples of 410 CDIs.

There is no maximum amount that may be applied for under the Priority Offer. However there is no assurance that any Applicant will be allocated any CDIs, or the number of CDIs for which the Applicant applied.

How to pay

Applicants under the Priority Offer must pay their Application Monies in accordance with the instructions for electronic payment on the online Priority Application Form.

How do I confirm my allocation?

Applicants in the Priority Offer will be able to call the Sezzle IPO Offer Information Line on 1300 171 784 (within Australia) or: +61 3 9415 4068 (outside Australia, from 8.30 am to 5.00 pm (AEST), Monday to Friday (excluding public holidays) to confirm their allocation from the Allotment Date.

If you sell CDIs before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Sezzle IPO Offer Information Line.

8.13 Acceptance of Applications under the Offer

An Application in the Offer is an offer by you to the Company to apply for CDIs in the dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus, (including any supplementary or replacement prospectus), and the Application Form. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

An Application may be accepted by the Company in respect of the full or a lesser number of CDIs specified in the Application Form (or the dollar value equivalent), without further notice to the Applicant. The Company reserves the right to decline any Application if it believes any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application.

The Company reserves the right to reject any Application that is not correctly completed or that is submitted by a person whom they believe is ineligible to participate in the Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Offer will be issued CDIs at the Offer Price. Acceptance of an Application will give rise to a binding contract, conditional on settlement and quotation of CDIs on ASX on an unconditional basis.

8.14 Application Monies

The Company reserves the right to decline any Application, in whole or in part, without giving any reason. Application Monies received under the Offer will be held in a special purpose account until CDIs are issued to successful Applicants.

Applicants under the Offer whose Applications are not accepted, or who are allocated a lesser number of CDIs than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of CDIs calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of CDIs to be allocated will be rounded down. No refunds pursuant solely to rounding will be provided.

Interest will not be paid on any monies refunded, and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your cheque(s) or BPAY® payment. If the amount of your cheque(s) or BPAY® payment for Application Monies (or the amount for which those cheque(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of CDIs or your Application may be rejected.

8.15 Overseas distributions

No action has been taken to register or qualify the Offer of CDIs under this Prospectus, or to otherwise permit a public offering of CDIs, in any jurisdiction outside Australia.

(a) Offer only made where lawful to do so

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. This Prospectus does not constitute an offer in any place in which, or to whom, it would not be lawful to make such an offer. Persons into whose possession this document comes should inform themselves about and observe any restrictions on acquisition or distribution of this Prospectus. Any failure to comply with these restrictions may constitute a violation of securities laws.

You will not be able to sell the CDIs issued to you under the Offer into the US or to a US Person for 12 months from the Allotment Date, unless the resale is registered under the Securities Act or an exemption is available. To enforce these transfer restrictions, the Company has requested that all CDIs bear a 'FOR US' designation on ASX (see Section 9.12 for further information).

(b) United States Residents

The securities being offered pursuant to this Prospectus have not been registered under the US Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving these securities may not be conducted unless in compliance with the US Securities Act.

(c) Hong Kong

This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the CDIs have not been and will not be offered or sold in Hong Kong other than to 'professional investors' (as defined in the SFO and any rules made under that ordinance).

Details of the Offer (cont.)

No advertisement, invitation or document relating to the CDIs has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong), other than with respect to CDIs that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted CDIs may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

(d) Singapore

This Prospectus and any other materials relating to the CDIs have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the Offer or sale, or invitation for subscription or purchase, of CDIs, may not be issued, circulated or distributed, nor may the CDIs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are: (i) an existing holder of the Company's shares, (ii) an 'Institutional Investor' (as defined in the SFA) or (iii) an 'accredited investor' (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this Prospectus immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the CDIs being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire CDIs. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

(e) United Kingdom

Neither this Prospectus nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the CDIs.

This Prospectus is issued on a confidential basis to 'qualified investors' (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the CDIs may not be offered or sold in the United Kingdom by means of this Prospectus, any accompanying letter or any other document, except in circumstances that do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This Prospectus should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the CDIs, has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons: (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together 'relevant persons'). The investments to which this document relates are available only to, and any offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

(f) New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the **FMC Act**). The CDIs are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- > is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- > meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- > is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- > is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- > is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

8.16 Discretion regarding the Offer

The Company may at any time decide to withdraw this Prospectus and the Offer in which case the Company will return all Application Monies (without interest) in accordance with the requirements of the Corporations Act.

The Company and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer CDIs than the number, or the equivalent dollar amount than applied or bid for.

8.17 About the CDIs

The Company is incorporated in the State of Delaware, United States of America. To enable companies such as the Company to have their securities cleared and settled electronically through CHESS, depositary instruments called CHESS Depositary Interests or CDIs, are issued. Pursuant to the ASX Settlement Operating Rules, CDI Holders receive all of the economic benefits of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.

CDIs will be held in uncertificated form and settled/transferred through CHESS. No certificates will be issued to CDI Holders. Shareholders cannot trade their Shares on ASX without first converting their Shares into CDIs.

One CDI represents one underlying Share. The main difference between holding CDIs and Shares is that CDI Holders hold the beneficial ownership in the Shares instead of legal title. CHESS Depositary Nominees Pty Limited (**CDN**), a subsidiary of ASX, will hold the legal title to the underlying Shares.

The Shares underlying the CDIs will be registered in the name of CDN and will be held on behalf of and for the benefit of the CDI Holder. CDIs will be CHESS-approved from the date of Official Quotation in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. The Shares underlying the CDIs will rank equally with the Shares that the Company has previously issued. Investors should note that there are certain differences between Shares in the Company and ordinary shares that are typically issued by Australian incorporated public companies.

A summary of the key rights attaching to CDIs and Shares is set out in Section 9.3 and Section 9.4 and a comparison of the rights attaching to CDIs and Shares with rights of holders of shares in an Australian listed company, is set out in Section 9.9.

Holders of CDIs can choose to have their CDIs converted to a direct holding of Shares as described in Section 9.3, however, if they do so they will no longer be able to trade on ASX. Similarly, subject to any restrictions under applicable law, holders of Shares may choose to convert their Shares to CDIs to enable them to trade on ASX, as described in Section 9.3.

8.18 ASX listing and Official Quotation

Within seven days after the date of this Prospectus, the Company will apply to ASX for Admission to the Official List and for the CDIs, including those offered by this Prospectus, to be granted Official Quotation. The Company is not currently seeking a listing of its Shares or CDIs on any other stock exchange.

Completion of the Offer is conditional on the ASX approving this application.

If permission for quotation of the CDIs is not granted within three months after the date of this Prospectus, all Application Monies will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

The Admission of the Company to the Official List of the ASX and Official Quotation of the CDIs is not to be taken in any way as an indication of the merits of the Company or the CDIs offered for subscription under the Offer. The ASX takes no responsibility for the contents of this Prospectus.

The Company has reserved the ASX code 'SZL'. If the Company is admitted to the Official List, normal settlement trading in the CDIs will commence as soon as practicable after the issue of holding statements to successful Applicants.

It is the responsibility of Applicants to determine their allocation prior to trading in the CDIs. Applicants who sell CDIs before they receive confirmation of their allotment will do so at their own risk.

8.19 Restricted Securities

Chapter 9 of the Listing Rules prohibits holders of Restricted Securities from or agreeing to dispose of those securities or an interest in those securities for the relevant restriction periods.

In summary, it is expected that 93.8 million Securities held by Directors, related parties, promoters, employees and consultants will be classified as Restricted Securities by ASX subject to a 24-month escrow period from the date of Official Quotation.

For unrelated Shareholders who invested in the Company, it is anticipated that 5.6 million Securities will be subject to a 12-month escrow period from the date of issue of these Shares.

The total number of 99.4 million Securities that are expected to be subject to ASX imposed escrow restrictions represent approximately 55.9% of the CDIs on Admission (on an undiluted basis).²⁹

None of the CDIs issued pursuant to the Offer will be subject to any ASX imposed escrow restrictions. However, ASX may determine that certain Shares on issue prior to the Offer may be classified as Restricted Securities and may be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these Shares (if any) are prohibited from being transferred, trading in CDIs may be less liquid, which may impact on the ability of a Shareholder to dispose of their CDIs in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the Shares (if any) required to be held in escrow prior to the CDIs commencing trading on ASX.

8.20 CHESS and issuer-sponsored holdings

The Company has applied, or will apply prior to Admission, to participate in the ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form.

When the CDIs become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the CDIs of a CDI Holder who is a participant in CHESS or a CDI Holder sponsored by a participant in CHESS, will be registered on the CHESS sub-register. All other CDIs will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, CDI Holders will be sent a holding statement that sets out the number of CDIs that have been allocated to them. This statement will also provide details of a CDI Holder's Holder Identification

29. Assuming that all Shares are held in the form of CDIs.

Number (**HIN**) for CHESS holders or, where applicable, the Security holder Reference Number (**SRN**) of issuer sponsored holders.

CDI Holders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

CDI Holders will receive subsequent statements shortly after the end of the month in which there has been a change to their holding and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the CDI Holder's sponsoring Broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

8.21 Acknowledgements of Applicants

By submitting an Application, each Applicant under the Offer acknowledges and agrees or declares as follows:

- > that the Applicant personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and read each document in full;
- > that the Applicant has received and completed their Application Form in accordance with this Prospectus and the instructions on the Application Form;
- > that all details provided and statements in their Application Form are complete and accurate and not misleading (including by omission);
- > that the Applicant(s), if a natural person, is/are over 18 years of age;
- > that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- > that it has applied for the number of CDIs (or equivalent dollar amount) shown on the front of the Application Form;
- > to being allocated and issued the number of CDIs applied for (or a lower number allocated in a way described in this Prospectus), or no CDIs at all;
- > to become a member of the Company and to be bound by the terms of the Company's Certificate of Incorporation and By-laws, the terms of issue of the Shares underlying their CDIs and the terms and conditions of the Offer;
- > that the Company and the Lead Manager and their respective officers or agents, are authorised to do anything on behalf of the Applicant(s) necessary for CDIs to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- > that the Company may not pay dividends, or that any dividends paid may not be franked;
- > that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that CDIs are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s);
- > that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer), or otherwise satisfies the requirements in Section 8.15;
- > that the Offer may be withdrawn by the Company and/or may otherwise not proceed in the circumstances described in this Prospectus; and
- > that if Admission does not occur for any reason, the Offer will not proceed.

Details of the Offer (cont.)

By submitting an Application, each Applicant in the Offer will be taken to have represented, warranted and agreed as follows:

- > it understands that the CDIs have not been, and will not be, registered under the US Securities Act or the securities laws in accordance with the US Securities Act registration requirements or of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States or to US Persons, except in accordance with the US Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;
- > it is not in the United States and is not a US Person or is a US Person with exempt status under Rule 506(b) of Regulation D of the US Securities Act;
- > it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States or to any US Person;
- > it is purchasing the CDIs in an offshore transaction meeting the requirements of Regulation S or under an applicable exemption to the US Securities Act; and
- > it will not offer or sell the CDIs in the United States or to US Persons or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which CDIs are offered and sold.

09

ADDITIONAL INFORMATION



Additional Information

9.1 Incorporation

The Company was incorporated on 4 January 2016 in Delaware, United States. The Company was registered as a foreign company under the Corporations Act on 3 June 2019.

9.2 Group structure

Sezzle has only one wholly owned subsidiary, Sezzle Funding.

9.3 CHESS Depositary Interest (CDIs)

Details of CDIs and the key differences between holding CDIs and holding the underlying Shares is detailed below.

Topic	Summary
What are CDIs?	<p>In order for the Shares to trade electronically on the ASX, the Company intends to participate in the electronic transfer system known as CHESS, which is operated by ASX Settlement.</p> <p>CHESS cannot be directly used for the transfer of securities of companies domiciled in certain foreign jurisdictions, such as the US. Accordingly, to enable the Shares to be cleared and settled electronically through CHESS, the Company intends to issue (through an Australian depositary nominee) depositary interests called CHESS Depositary Interests or CDIs.</p> <p>CDIs confer the beneficial ownership in foreign securities, such as the Shares, on the CDI Holder, with the legal title to such Shares being held by an Australian depositary nominee.</p>
Who is the depositary nominee and what do they do?	<p>The Company will appoint CDN, a subsidiary of the ASX, and an approved general participant of ASX Settlement, to act as its Australian depositary.</p> <p>CDN will hold legal title to the Shares on behalf of CDI Holders. CDN will receive no fees for acting as the depositary for the CDIs.</p> <p>By completing an Application Form, an Applicant will apply for Shares to be issued to CDN, which will in turn issue CDIs to the Applicant.</p>
What registers will be maintained recording your interests?	<p>The Company will operate an uncertificated principal register of Shares in the US, and an uncertificated issuer sponsored sub-register of CDIs and an uncertificated CHESS sub-register of CDIs in Australia.</p> <p>The Company's uncertificated issuer sponsored sub-register of CDIs and uncertificated CHESS sub-register of CDIs will be maintained by the Share Registry. The US register is the register of legal title (and will reflect legal ownership by CDN of the Shares underlying the CDIs with the Shares held by CDN recorded on the branch register of Shares in Australia). The two uncertificated sub-registers of CDIs combined will make up the register of beneficial title of the Shares underlying the CDIs.</p>
How are local and international trading in CDIs effected?	<p>CDI Holders who wish to trade their CDIs will be transferring the beneficial interest in the Shares rather than the legal title. The transfer will be settled electronically by delivery of the relevant CDI holdings through CHESS. In other respects, trading in CDIs is essentially the same as trading in other CHESS approved securities, such as shares in an Australian company.</p>
What is the CDI: Share ratio?	<p>One CDI will represent an interest in one Share.</p>

Topic	Summary
What will Applicants receive on acceptance of their Applications?	<p>Successful Applicants will receive a holding statement that sets out the number of CDIs held by the CDI Holder and the reference number of the holding. These holding statements will be provided to a holder when a holding is first established and where there is a change in the holdings of CDIs.</p>
How do CDI Holders convert from a CDI holding to a direct holding of Shares on the US principal register?	<p>CDI Holders who wish to convert their ASX listed CDIs to Shares to be held on the US register can do so by instructing the Company's Share Registry either:</p> <ul style="list-style-type: none"> > directly, in the case of CDIs on the issuer sponsored sub-register operated by the Company. CDI Holders will be provided with a form entitled 'CDI Cancellation AU-US Register' for completion and return to the Company's Share Registry; or > through their sponsoring participant (usually their Broker) in the case of CDIs that are sponsored on the CHESS sub-register. In this case, the sponsoring Broker will arrange for completion of the relevant form and its return to the Company's Share Registry. <p>The Company's Share Registry will then arrange for the Shares to be transferred from CDN into the name of that holder and a new shareholding statement will be issued. This will cause the Shares to be registered in the name of the holder on the Company's share register and trading on ASX will no longer be possible. The Shares are not and will not in the near future be quoted on any market in the US.</p> <p>The Company's Share Registry will not charge an individual security holder or the Company a fee for transferring CDI holdings into Shares (although a fee will be payable by market participants). It is expected that this process will be completed within 24 hours, provided that the Share Registry is in receipt of a duly completed and valid form. However, no guarantee can be given about the time for this conversion to take place.</p> <p>If Shareholders wish to convert their holdings to CDIs, they can do so by contacting the Company's Share Registry. The Company's Share Registry will not charge a fee to a holder of Shares seeking to convert the Shares to CDIs (although a fee will be payable by market participants).</p>

Topic	Summary
What are the voting rights of a CDI Holder?	<p>If CDIs Holders wish to attend and vote at the Company's general meetings, they will be able to do so. Under the ASX Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI Holders to attend any meeting of the holders of Shares unless relevant US law at the time of the meeting prevents CDI Holders from attending those meetings.</p> <p>In order to vote at such meetings, CDI Holders have the following options:</p> <ul style="list-style-type: none"> > instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI Holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; > informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or > converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI Holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See above for further information regarding the conversion process. <p>As CDI Holders will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.</p> <p>As each CDI represents one Share, a CDI Holder will be entitled to one vote for every CDI they hold.</p> <p>CDI voting instruction forms and details of these alternatives will be included in each notice of meeting sent to CDI Holders by the Company.</p> <p>These voting rights exist only under the ASX Settlement Operating Rules, rather than under the US Exchange Act as amended, or the DGCL. Since CDN is the legal holder of applicable shares but the CDI Holders are not themselves the legal holder of their applicable shares, the CDI Holders do not have any directly enforceable rights under the Company's By-laws or Certificate of Incorporation.</p>
What dividend and other distribution entitlements do CDI Holders have?	<p>Despite legal title to the Shares being vested in CDN, the ASX Settlement Operating Rules provide that CDI Holders are to receive all direct economic benefits and other entitlements in relation to the underlying Shares, including dividends and other entitlements that attach to the underlying Shares. These rights exist only under the ASX Settlement Operating Rules (which have the force of law by virtue of the Corporations Act), rather than under the US Exchange Act or the DGCL.</p> <p>It is possible that marginal differences may exist between the resulting entitlement of a CDI Holder and the entitlements that would have accrued if a CDI Holder held their holding directly as Shares. The Company is required by the ASX Settlement Operating Rules to minimise any such differences where legally permissible.</p> <p>While the Company does not presently anticipate declaring any dividends, should it do so in the longer term, the Company will declare any dividends in US dollars as that is its main functional currency. In that event, the Company will pay any dividends in US\$ or A\$ depending on the country of residence of the CDI Holder. If the CDI Holder in Australia wishes to receive dividends in US dollars, they must complete an appropriate election form and return it to the Company's Share Registry no later than the close of business on the dividend record date.</p>

Topic	Summary
What corporate action entitlement (such as rights issues and bonus issues) do CDI Holders have?	<p>CDI Holders receive all direct economic benefits and other entitlements in relation to the underlying Shares. These include entitlement to participate in rights issues, bonus issues and capital reductions. These rights exist only under the ASX Settlement Operating Rules, rather than under the US Exchange Act or the DGCL.</p> <p>It is possible that marginal differences may exist between the resulting entitlement of a CDI Holder and the entitlements that would have accrued if a CDI Holder held their holding directly as Shares. The Company is required by the ASX Settlement Operating Rules to minimise any such differences where legally permissible.</p>
What rights do CDI Holders have in the event of a takeover?	<p>If a takeover bid or similar transaction is made in relation to the Shares of which CDN is the registered holder, under the ASX Settlement Operating Rules, CDN must not accept the Offer made under the takeover bid except to the extent that acceptance is authorised by the relevant CDI Holder. CDN must ensure that the Offeror processes the takeover acceptance of a CDI Holder if such CDI Holder instructs CDN to do so.</p> <p>These rights exist only under the ASX Settlement Operating Rules, rather than under the US Exchange Act or the DGCL.</p>
What notices and announcement will CDI Holders receive?	<p>CDI Holders will receive all notices and company announcements (such as annual reports) that Shareholders are entitled to receive from the Company.</p> <p>These rights exist only under the ASX Settlement Operating Rules, rather than under the US Exchange Act or the DGCL.</p>
What rights do CDI Holders have on liquidation or winding up?	<p>In the event of the Company's liquidation, dissolution or winding up, a CDI Holder will be entitled to the same economic benefit on their CDIs as Shareholders.</p> <p>These rights exist only under the ASX Settlement Operating Rules, rather than under the US Exchange Act or the DGCL.</p>
Will CDI Holders incur any additional ASX or ASX Settlement fees or charges as a result of holding CDIs rather than Shares?	<p>A CDI Holder will not incur any additional ASX or ASX Settlement fees or charges as a result of holding CDIs rather than Shares.</p>
Where can further information be obtained?	<p>For further information in relation to CDIs and the matters referred to above, please refer to the ASX website and the documents entitled:</p> <ul style="list-style-type: none"> > 'Understanding CHES Depositary Interests' at: http://www.asx.com.au/documents/settlement/CHES_Depositary_Interests.pdf; > ASX Guidance Note 5 at: http://www.asx.com.au/documents/rules/gn05_chess_depository_interests.pdf; <p>or contact your stockbroker or the Sezzle IPO Offer Information Line.</p>

Additional Information (cont.)

9.4 Certificate of Incorporation, By-laws and Rights Attaching to Shares

A summary of the Company's securities and provisions of its Certificate of Incorporation and By-laws, which will apply from the date of Admission, is set out below. This summary is not intended to be exhaustive.

(a) General description of Share capital

The Company is authorised to issue:

- (i) 300,000,000 Shares, par value of US\$0.00001 per Share, designated 'Common Stock'; and
- (ii) 300,000,000 shares, par value of US\$0.00001 per share, designated 'Common Prime Stock.'

Certain Existing Shareholders of Shares will enter into mandatory escrow agreements in favour of the Company in conjunction with the Admission.

The Company has reserved an aggregate of 10,000,000 Shares for issue under the 2019 Incentive Plan and 9,398,334 Options and RSAs have been issued under the 2016 Incentive Plan.

(b) Voting

At a meeting of the Company, every holder of Shares present in person or by proxy, is entitled to one vote for each Share held on the record date for the meeting on all matters submitted to a vote of the Shareholders. Holders of Shares do not have cumulative voting rights. Holders of Common Prime Stock do not have voting rights.

(c) Dividends

Holders of Shares are entitled to receive rateably such dividends, if any, as may be declared from time to time by the Board out of funds legally available for dividend payments. Holders of Common Prime Stock are not entitled to dividends.

(d) Rights attaching to Shares

Other than Existing Shareholders who are subject to mandatory escrow agreements as described above, whose Shares will be subject to conversion into Common Prime Stock upon breach of applicable restrictions, Shareholders have no preferences or rights of conversion, exchange, pre-emption or other subscription rights. There are no redemption or sinking fund provisions applicable to the Shares.

In the event of any liquidation, dissolution or winding-up of the Company's affairs, Shareholders will be entitled to share rateably in the Company's assets that are remaining after payment or provision for payment of all of the Company's debts and obligations.

(e) Anti-takeover provisions of Delaware Law, Certificate of Incorporation and By-laws

As a foreign company registered in Australia, the Company will not be subject to Chapters 6A, 6B and 6C of the Corporations Act dealing with the acquisition of Shares (i.e. substantial holders and takeovers).

Provisions of the DGCL, the Company's Certificate of Incorporation and the Company's By-laws could make it more difficult to acquire the Company by means of a tender offer (takeover), a proxy contest or otherwise, or to remove incumbent officers and Directors of the Company. These provisions (summarised below) could discourage certain types of coercive takeover practices and takeover bids that the Board may consider inadequate, and encourage persons seeking to acquire control of the Company to first negotiate with the Board. The Company believes that the benefits of increased protection of its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

Delaware Anti-Takeover Statute – DGCL prohibits a publicly held Delaware corporation from engaging in a ‘business combination’ with an ‘interested shareholder’ for a period of three years following the time the person became an interested shareholder, unless the business combination or the acquisition of shares meets an exception under Delaware law. Such exceptions include the receipt of Board of Directors or Shareholder approval of the business combination in a manner prescribed by the DGCL. A ‘business combination’ can include a merger, asset or share sale or other transaction resulting in financial benefit to an interested shareholder. Generally, an interested shareholder is: (i) a person who beneficially owns, has the right to acquire, or right to control, 15% or more of a corporation’s voting shares; or (ii) is an affiliate or associate of the corporation and owned 15% or more of a corporation’s voting shares any time within the three-year period prior to the determination of interested shareholder status. The existence of this provision would be expected to have an anti-takeover effect with respect to transaction not approved in advance by the Board.

Removal of Directors – The Company’s By-laws provide that any Director may be removed either with or without cause at any special meeting of Shareholders duly called and held for such purpose.

Amendment – The Company’s By-laws provide that, the Bylaws may be adopted, amended or repealed by the Shareholders entitled to vote, but the Company may confer the power to adopt, amend or repeal its By-laws upon its Directors in its Certificate of Incorporation.

The Company’s Certificate of Incorporation provides that the Board of Directors is expressly authorised to adopt, amend, alter or repeal the Company’s By-laws.

Size of the Board and Board Vacancies – The Company’s By-laws provide that the number of Directors shall consist of not less than one and not more than five Directors as fixed from time to time by resolution or vote of the Board of Directors. Any vacancy in the office of a Director occurring for any reason including any newly created directorship resulting from any increase in the authorised number of Directors, may be filled by a majority of the Directors then in office or by a sole remaining Director. Directors so chosen or elected shall hold office until the next annual meeting of Shareholders or until their respective successors are duly elected and qualified.

Additional Information (cont.)

Special Shareholder meetings – The Company's By-laws provide that special meetings of Shareholders may be called, according to the applicable law, by the Board, the Chairperson of the Board, the Chief Executive Officer, the President, and the Shareholders of the Company that are entitled to cast not less than ten percent (10%) of the total number of votes entitled to be cast by all Shareholders at such meeting.

Requirements for advance notification of Shareholder nominations and proposals – The Company's By-laws establish advance notice procedures with respect to nomination of candidates for election as Directors and other business to be properly brought before an annual stockholder meeting.

No cumulative voting – The DGCL provides that shareholders are denied the right to cumulative votes in the election of Directors unless the Company's Certificate of Incorporation provides otherwise. The Company's Certificate of Incorporation does not provide for cumulative voting.

Authorised by unissued shares – Subject to the limitation on the issue of securities under the Listing Rules and DGCL, the Company's authorised but unissued Shares will be available for future issue without stockholder approval. The Company may use additional Shares for a variety of purposes, including future offerings to raise additional capital, to fund acquisitions and as employee compensation.

9.5 Appendix 15A of the ASX Listing Rules

The By-laws contain the provisions required by Appendix 15A of the ASX Listing Rules, which effectively provide that for such time as the Company is admitted to the Official List, the following shall apply, to the extent not contrary to the DGCL or the Certificate of Incorporation:

- > if the Listing Rules prohibit an act being done, the Company shall not have the power or authority to take such act;
- > nothing contained in the By-laws shall prevent an act being done that the Listing Rules require to be done;
- > if the Listing Rules require an act to be done or not to be done, the Board of Directors and each officer of the Company shall have authority to cause such act to be done or not to be done (as the case may be);
- > if the Listing Rules require the By-laws to contain a provision and the By-laws do not contain such provision, the Bylaws shall be deemed to contain such provision;
- > if the Listing Rules require these By-laws not to contain any provision otherwise contained therein, such provision shall be deemed to be excluded from such document; and
- > if any provision of the By-laws is or becomes inconsistent with the Listing Rules, such inconsistency shall not affect the validity or enforceability of any other provision of the By-laws, and the By-laws shall not contain that provision to the extent of the inconsistency.

9.6 Options on issue

(a) Options

The Company has the following Options on issue as at the date of this Prospectus:

Table 9.1: Issued Options

Grant Date	Exercise price per Share (US\$) ¹	Term	Number of Options ²
30/05/2016	\$0.0005	10 years	400,000
11/07/2016	\$0.0005	10 years	152,500
30/12/2017	\$0.0065	10 years	200,000
26/08/2018	\$0.0065	10 years	108,334
26/08/2018	\$0.05	10 years	4,952,500
17/09/2018	\$0.05	10 years	50,000
01/10/2018	\$0.05	10 years	750,000
12/11/2018	\$0.05	10 years	50,000
19/11/2018	\$0.05	10 years	100,000
01/12/2018	\$0.05	10 years	100,000
03/12/2018	\$0.05	10 years	50,000
08/01/2019	\$0.05	10 years	2,435,000
01/02/2019	\$0.05	10 years	25,000
04/03/2019	\$0.05	10 years	75,000
29/03/2019	\$0.05	10 years	350,000

Notes:

1. The exercise price per Option is the amount payable per Share on exercise of the Options.
2. Options have been granted over Shares. Each Option entitles the holder to subscribe for one Share.

Generally, Options vest in accordance with one of the following vesting schedules below for so long as the Option holder continuously provides services to the Company:

- 1/24th of the Options each month after the grant of the Options;
- 1/24th of the Options each month after the first anniversary of the grant of the Options;
- 1/36th of the Options each month after the first anniversary of the grant of the Options; or
- 1/48th of the Options each month after the first anniversary of the grant of the Options.

However, certain Options have been granted with vesting schedules that deviate from the above. For example, some Options are fully vested as of the grant date.

In addition to the above terms, the terms of these Options provide for the acceleration of the vesting and exercisability of the Options in the event of a change in control of the Company (such as a merger or consolidation involving a transfer to non-stockholders of more than 50% of the voting power of the Company's outstanding securities, a sale of all or substantially all of the Company's assets or a liquidation or dissolution of the Company) at such time and on such conditions as determined by the Company.

The Board has additionally determined to grant the following Options under the 2019 Incentive Plan:

- (i) in consideration for services provided to the Company prior to the Offer; or
- (ii) as part of the total amount to be paid by the Company to Non-Executive Directors as remuneration for their services.

The below table sets out details of Options that the Board has resolved to issue to Directors or Senior Management on or around the date of Admission.

Table 9.2: Options to be issued under the 2019 Incentive Plan

Optionholder	Number of Options ¹	Exercise Price per Share (US\$) ²	Vesting Conditions	Grant Date
Board of Directors³				
Charlie Youakim	500,000	Equivalent to Offer Price	1/48th monthly after the grant of the Options	date of Admission
Paul Paradis	500,000	Equivalent to Offer Price	1/48th monthly after the grant of the Options	date of Admission
Paul Lahiff	250,000	Equivalent to Offer Price	1/36th monthly after the grant of the Options	date of Admission
Senior Management				
Killian Brackey	500,000	Equivalent to Offer Price	1/48th monthly after the grant of the Options	date of Admission
Karen Hartje	500,000	Equivalent to Offer Price	1/48th monthly after the grant of the Options	date of Admission
Jamie Kirkpatrick	500,000	Equivalent to Offer Price	1/48th monthly after the grant of the Options	date of Admission
Don McConnell	595,000	Equivalent to Offer Price	1/48th monthly after the grant of the Options	date of Admission

Notes:

1. Options will be granted over Shares. Each Option will entitle the holder to subscribe for one Share.

2. The exercise price per Option is the amount payable per Share on exercise of the Options.

3. Refer to Section 4.6 for further details.

In addition to the above terms, the terms of these Options provide for the acceleration of the vesting and exercisability of the Options in the event of a change in control of the Company (such as a merger or consolidation involving a transfer to non-stockholders of more than 50% of the voting power of the Company's outstanding securities, a sale of all or substantially all of the Company's assets or a liquidation or dissolution of the Company) at such time and on such conditions as determined by the Company.

(b) Restricted Stock

The Company has granted the following Restricted Stock under the 2016 Incentive Plan:

Table 9.3: Restricted Stock Awards

Restricted Stock Holder	Restricted Stock Outstanding
Continental Investment Partners	350,000

Refer to Section 4.6(b) for further information regarding the issue of RSA to Continental Investment Partners.

9.7 Effect of the Offer on control and substantial Shareholders

Prior to Admission, the substantial Shareholders of the Company are as follows:

Table 9.4: Substantial shareholders before Completion of the Offer

Shareholder	Number of Shares Held	% of Shares Held ¹
Charlie Youakim ²	88,359,809	67.9%
Paul Paradis ³	10,000,000 ⁴	7.7%

Notes:

1. The above shareholding percentages are calculated prior to the exercise of the Options and conversion of the Convertible Notes and treats Shares and Series A Preferred Stock as having been aggregated.
2. Mr Charlie Youakim is the Executive Chairman and Chief Executive Officer of the Company. Refer to Section 4.6 for further details.
3. Mr Paul Paradis is an Executive Director and the Chief Revenue Officer of the Company. Refer to Section 4.6 for further details.
4. Paul Paradis holds 10,000,000 Shares. As at the date of this Prospectus, 7,791,666 Shares have fully vested with the remaining Shares subject to vesting conditions as follows: 333,334 Shares will vest in monthly instalments over the next 4 months and 1,875,000 Shares will vest in monthly instalments over the next 30 months.

From Admission, the substantial Shareholders of the Company will be as follows:

Table 9.5: Substantial shareholders following Completion of the Offer

Shareholder	Number of CDIs Held ¹	% of CDIs Held ²
Charlie Youakim ³	88,359,809	49.7%
Paul Paradis ⁴	10,000,000 ⁵	5.6%
Continental Investment Partners	10,389,407 ⁶	5.8%

Notes:

1. Assumes that all Shares are held in the form of CDIs. This does not include any CDIs or interests in CDIs which may be acquired as part of the Offer at the Offer Price.
2. The above shareholding percentages are calculated prior to the exercise of the Options. Assumes that all Shares are held in the form of CDIs.
3. Mr Charlie Youakim is the Executive Chairman and Chief Executive Officer of the Company. Refer to Section 4.6 for further details.
4. Mr Paul Paradis is an Executive Director and the Chief Revenue Officer of the Company. Refer to Section 4.6 for further details.
5. Paul Paradis holds 10,000,000 Shares. As at the date of this Prospectus, 7,791,666 Shares have fully vested with the remaining Shares subject to vesting conditions as follows: 333,334 Shares will vest in monthly instalments over the next 4 months and 1,875,000 Shares will vest in monthly instalments over the next 30 months.
6. Includes shares issued upon the conversion of Convertible Notes. Refer to Section 5.6(c)(ii) for further details.

9.8 Restricted Securities

The By-laws also provide the Company with power to refuse to acknowledge a disposal (including registering a transfer) of Restricted Securities during the escrow period under an escrow agreement, except as permitted by the ASX or the Listing Rules. During a breach of the ASX Listing Rules relating to Restricted Securities, or a breach of an escrow agreement, the holder of the Restricted Securities will not be entitled to any dividend or distribution, or voting rights, in respect of the Restricted Securities. Refer to Section 9.10 below for details of such Restricted Securities and applicable escrow arrangements.

9.9 Comparison of laws governing the Company as a US Company with laws governing Australian publicly listed companies generally

Unless otherwise stated, the Corporations Act provisions referred to below do not apply to the Company as a foreign company.

	Delaware and US Federal Law	Australian Law
Transactions that require Shareholder approval	<p>The DGCL and the company's Certificate of Incorporation and Bylaws generally govern the type of transactions that require shareholder approval. Generally, the following types of transactions will require shareholder approval:</p> <ul style="list-style-type: none"> > amendment to the Certificate of Incorporation; and > material corporate transactions such as a merger or acquisition, the sale of all or substantially all of the company's assets, or the dissolution of the company. <p>Under the company's By-laws, the amendment of the By-laws requires the affirmative vote of either the holders of a majority of the shares entitled to vote on such matter or a majority of the board.</p>	<p>Under the Corporations Act, the principal transactions or actions requiring shareholder approval include:</p> <ul style="list-style-type: none"> > adopting or altering the constitution of the company; > appointing or removing a director or auditor; > certain transactions with related parties of the company; > putting the company into liquidation; and > changes to the rights attached to shares. <p>Shareholder approval is also required for certain transactions affecting share capital (e.g. share buybacks and share capital reductions).</p> <p>Under the ASX Listing Rules, shareholder approval is required for matters including:</p> <ul style="list-style-type: none"> > increases in the total amount of directors' fees; > directors' termination benefits in certain circumstances; > certain transactions with related parties; > certain issues of shares; and > if a company proposes to make a significant change to the nature or scale of its activities or proposes to dispose of its main undertaking.

	Delaware and US Federal Law	Australian Law
Shareholders' right to request or requisition a general meeting	<p>Pursuant to the company's By-laws, special meetings of the company's shareholders may be called, for any purpose as is a proper matter for stockholder action under the DGCL by:</p> <ul style="list-style-type: none"> > the chairman; > the CEO; > the president; > the board pursuant to a resolution adopted by a majority of the total number of authorised directors; or > at the request in writing of shareholders owning not less than 10% of the capital stock of the company issued and outstanding and entitled to vote. 	<p>The Corporations Act requires the directors to call a general meeting on the request of members with at least 5% of the vote that may be cast at the general meeting. Shareholders with at least 5% of the votes that may be cast at the general meeting may also call and arrange to hold a general meeting. The members calling the meeting must pay the expenses of calling and holding the meeting.</p>
Shareholders' right to appoint proxies to attend and vote at meeting on their behalf	<p>Unless otherwise provided by law or the Certificate of Incorporation, at a meeting of the company's shareholders, every holder of shares of common stock present in person or by proxy is entitled to one vote for each share held on the record date for the meeting on all matters submitted to a vote of shareholders.</p> <p>Except as otherwise provided by laws of the State of Delaware, under the company's By-laws, the presence at the meeting (in person, by remote communication or represented by proxy) of the holders of a majority of the issued and outstanding shares of stock entitled to vote will constitute a quorum for the transaction of business.</p> <p>Except as otherwise provided by statute or by applicable stock exchange rules, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote generally on the subject matter will be the act of the shareholders.</p> <p>Directors will be elected at the annual meeting by a majority of the votes of the shares (present at a quorum, either in person or represented by proxy at the meeting) entitled to vote on the election of directors.</p>	<p>The position is comparable under the Corporations Act with respect to the appointment of proxies.</p>

	Delaware and US Federal Law	Australian Law
Changes in the rights attaching to Shares	The DGCL allows a majority of the shares of a class or series of shares, or such other number of shares as set out in a company's Certificate of Incorporation, to amend the rights attaching to such class or series (as applicable) of shares. Under the Company's Certificate of Incorporation the rights of the shares may be amended by a majority of the shares entitled to vote.	<p>The Corporations Act allows a company to set out in its constitution the procedure for varying or cancelling rights attached to shares in a class of shares. If a company does not have a constitution, or has a constitution that does not set out a procedure, such rights may only be varied or cancelled by:</p> <ul style="list-style-type: none"> > a special resolution passed at a meeting for a company with a share capital of the class of members holding shares in the class; or > a written consent of members with at least 75% of the votes in the class.
Shareholder protections against oppressive conduct	Delaware law does not allow a shareholder to bring legal action for oppressive or unfair conduct of the corporation's affairs per se, but does offer relief for minority stockholder oppression.	Under the Corporations Act, shareholders have statutory remedies for oppressive or unfair conduct of the company's affairs and the court can make any order as it sees appropriate.

	Delaware and US Federal Law	Australian Law
Shareholders' rights to bring or intervene in legal proceedings on behalf of the Company	<p>Under the DGCL, a stockholder may bring a derivative action on behalf of the corporation where those in control of the corporation have failed to assert a claim belonging to the corporation. A shareholder must meet certain eligibility and standing requirements, including a requirement that the plaintiff has been a stockholder of the corporation at the time of the act of which the plaintiff complains and a requirement that the plaintiff maintain his or her status as a shareholder throughout the course of the litigation.</p> <p>A derivative plaintiff must also have made a demand on the directors of the corporation to assert the corporate claim, unless such a demand would have been futile.</p>	<p>The Corporations Act permits a shareholder to apply to the court for leave to bring proceedings on behalf of the Company, or to intervene in proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for those proceedings, or for a particular step in those proceedings. The court must grant the application if it is satisfied that:</p> <ul style="list-style-type: none"> > it is probable that the company will not itself bring the proceedings, or properly take responsibility for them, or for the steps in them; > the applicant is acting in good faith; > it is in the best interests of the company that the applicant be granted leave; > if the applicant is applying for leave to bring proceedings, there is a serious question to be tried; and > either at least 14 days before making the application, the applicant gave written notice to the company of the intention to apply for leave and of the reasons for applying, or the court considers it appropriate to grant leave. <p>The Corporations Act provides that proceedings brought or intervened in with leave must not be discontinued, compromised or settled without the leave of the court.</p>

	Delaware and US Federal Law	Australian Law
'Two strikes' rule in relation to remuneration reports	<p>In the US, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (US) requires all 'reporting companies' to have an advisory shareholder vote on executive pay at least once every three years. Companies must report the results and say how they have responded to these when making decisions on pay the following year.</p> <p>The Company would become a reporting company under the US Exchange Act if, among other things:</p> <ul style="list-style-type: none"> > it voluntarily lists any of its securities on a US national securities exchange; or > has: (i) assets of more than US\$10 million and (ii) either 2,000 or more holders of any class of equity securities or 500 or more holders of any class of equity securities who are not 'accredited investors' as defined in Rule 501 of Regulation D of the US Securities Act. 	<p>The Corporations Act requires that a company's annual report must include a report by the directors on the company's remuneration framework (called a remuneration report).</p> <p>A resolution must be put to shareholders at each annual general meeting of the company's shareholders (AGM) seeking approval for the remuneration report. The approval is advisory only, however, if more than 25% of shareholders vote against the remuneration report at two consecutive AGMs (i.e. two strikes), an ordinary (50%) resolution must be put to shareholders at the second AGM proposing that a further meeting be held within 90 days at which all of the directors who approved the second remuneration report must resign and stand for re-election.</p>

	Delaware and US Federal Law	Australian Law
Disclosure of substantial holdings	<p>The rules for disclosure of substantial holdings under the US Exchange Act would not apply to the Company unless it were to become a 'reporting company' as discussed above.</p> <p>If the Company becomes a 'reporting company', section 16(a) of the US Exchange Act requires the reporting of beneficial ownership of such company's equity securities by (i) directors; (ii) officers and (iii) stockholders owning more than 10% of the Company's common stock.</p> <p>In addition, if the Company becomes a 'reporting company', the US Exchange Act requires every person (or group of persons) who acquires beneficial ownership of 5% or more of such company's equity securities) to disclose (among other things):</p> <ul style="list-style-type: none"> > how many securities are beneficially owned by the filing person; > whether there is a movement of at least 1% in their beneficial ownership; and > whether they have intent to control or influence control of the company. 	<p>The Corporations Act requires every person who is a substantial holder to notify the listed company and the ASX that they are a substantial holder and to give prescribed information in relation to their holding if:</p> <ul style="list-style-type: none"> > the person begins to have, or ceases to have, a substantial holding in the company or scheme; > the person has a substantial holding in the company or scheme and there is a movement of at least 1% in their holding; or > the person makes a takeover bid for securities of the company. <p>Under the Corporations Act a person has a substantial holding if the total votes attached to voting shares in the company in which they or their associates have relevant interests, is 5% or more of the total number of votes attached to voting shares in the company, or the person has made a takeover bid for voting shares in the company and the bid period has started and not yet ended.</p> <p>These provisions do not apply to the Company as an entity established outside Australia. However, if the Company were to become a 'reporting company' in the United States and filings comparable to substantial shareholder notices were to be made with the US Securities and Exchange Commission, then the Company would be obligated to lodge such filings with the ASX.</p>

	Delaware and US Federal Law	Australian Law
How are takeovers regulated?	<p>The acquisition of securities in the Company is subject to the DGCL and applicable US securities laws. As a Delaware corporation, the Company is subject to section 203 of the DGCL, which generally prohibits a Delaware corporation from engaging in any business combinations with any stockholder who owns, or an affiliate or associate of the corporation that at any time in the last three years owned, 15% or more of the company's outstanding voting stock (referred to as an 'interested stockholder'), for a period of three years following the date on which the stockholder became an interested stockholder, subject to certain exceptions.</p> <p>In addition, under the DGCL, the Board will have the ability to implement a broader range of takeover defence mechanisms.</p>	<p>The Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if any person's voting power in the company will increase from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%.</p> <p>Exceptions to the prohibition apply (e.g. acquisitions with shareholder approval, 3% creep over six months and rights issues that satisfy prescribed conditions).</p> <p>Substantial holder notice requirements apply (as discussed above under the heading 'Disclosure of substantial holdings').</p> <p>Compulsory acquisitions are permitted by persons who hold 90% or more of securities or voting rights in a company.</p> <p>The Australian takeovers regime will not apply to Sezzle as a foreign company.</p>

9.10 Escrow Arrangements

On Completion, a number of Existing Shareholders will be restricted from dealing in their Shares (including in the form of CDIs) and Options (as relevant). These restrictions are either imposed by the ASX or have been agreed to voluntarily.

With respect to ASX imposed restrictions, the ASX Listing Rules require that certain persons or entities such as seed capitalists, promoters and related parties, enter into restriction agreements under which they are restricted from dealing in a specified number of their securities for up to 24 months from the date of the Company's Admission to the Official List. The restriction agreements will be in the form required by the ASX Listing Rules over such number of Shares (including in the form of CDIs) and Options and for such period of time as determined by the ASX or, in the case of voluntary escrow arrangements, for such period of time as agreed with the Existing Shareholder.

The restriction agreements restrict the ability of the holder of such securities from disposing of, creating any security interest in, or transferring effective ownership or control of, such Shares (including in the form of CDIs) and Options (as relevant). ASX may consent to the removal of the restrictions, subject to the satisfaction of certain conditions, to enable a holder of escrowed securities to accept an offer under a takeover bid, or enable the escrowed securities to be transferred or cancelled as part of a merger by way of scheme of arrangement.

With respect to voluntary restrictions, a number of Existing Shareholders have also agreed to voluntary restrictions for a specific period of time on similar terms to the ASX imposed restrictions.

The table below sets out the periods during which certain Existing Shareholders are restricted from dealing in their securities pursuant to ASX restrictions and voluntary restrictions.

Table 9.6: Escrow arrangements

Escrowed Party	Type of Escrow Arrangement ¹	Escrow Period	Escrowed Shares/CDIs	Escrowed Options
Charlie Youakim	ASX imposed	24 months	78,806,327	500,000
	Voluntary	FY19 Results ²	9,553,481	–
Paul Paradis	ASX imposed	24 Months	10,000,000	500,000
Continental Investment Partners	ASX imposed	12 months	4,655,360	–
	Voluntary	6 months	6,084,047	–
Other Directors and Management	ASX imposed	24 months	5,000,000	600,000
Other Shareholders	ASX imposed	12 months	929,101	–
	Voluntary	FY19 Results ²	5,392,408	–
Total			120,420,724	1,600,000

Notes:

1. The ASX will make the final determination of the mandatory escrow to be applied to CDIs, Shares and Options, which may be different from that set out in this Prospectus.
2. Securities will be escrowed until the release of the financial results of the Company for the financial year ending 31 December 2019.

9.11 Material Contracts

The Board considers that the material contracts described below are those which an investor would reasonably regard as material, and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

This Section 9.11 contains a summary of the material contracts and their substantive terms which are not otherwise disclosed elsewhere in this Prospectus. Summaries are included for information only, do not purport to be complete and are qualified by the text of the contracts themselves.

(a) Underwriting Agreement

The Company and the Underwriter have entered into the Underwriting Agreement pursuant to which the Underwriter has agreed to underwrite the subscription for the number of CDIs offered under the Prospectus for which valid applications are not received, at the Offer Price.

Pursuant to the Underwriting Agreement, the Company has appointed the Lead Manager on an exclusive basis to:

- arrange and manage the Offer; and
- act as underwriter and bookrunner for the Offer.

Fees, costs and expenses: The Company has agreed to pay the Lead Manager a lead manager and underwriting fee of 5.5% of the Offer proceeds.

The Company has agreed to pay or reimburse the Lead Manager in relation to reasonable costs of, and expenses incidental to, the Offer, for certain other costs and expenses incurred by the Underwriter in relation to the Offer, including certain legal costs incurred by the Lead Manager in relation to the Offer.

Conditions: The Lead Manager's obligations under the Underwriting Agreement are conditional on certain conditions precedent, which are customary for a transaction of this nature, being satisfied or waived.

Representations, warranties and undertakings: The Underwriting Agreement contains customary representations, warranties and undertakings provided by the Company to the Lead Manager. The warranties, representations and undertakings relate to matters such as the compliance of the Offer and the Prospectus with the Australian securities regulatory regime, the Offer document and public information, compliance with ASX Listing Rules and laws, information contained in this Prospectus and the conduct of the Offer, disclosure of information provided to the Lead Manager, the conduct and outcome of the due diligence process, insolvency, statistical and market data, future information, litigation, material contracts, leases and licences, intellectual property, website and software, internal controls, data privacy, financial information and systems.

The undertakings provided by the Company include that the Company will not, during the period following the date of the Underwriting Agreement until 180 days after settlement of the Offer, among others, allot or agree to allot any shares or other securities (other than pursuant to the Offer, an employee share, a non-underwritten dividend reinvestment plan or a bonus share plan or as otherwise disclosed in this Prospectus), materially vary any material contract or amend its Certificate of Incorporation and by-laws, dispose the whole or a substantial part of its business or property (except with the prior consent of the Lead Manager), and that the Company will carry on its business in the ordinary course.

Termination events not limited by materiality: If any of the following events occurs at any time before Completion of the Offer or other time as specified below, the Lead Manager may terminate the Underwriting Agreement, without cost or liability, by notice to the Company:

- (i) **(disclosures in Prospectus)** in the reasonable opinion of the Lead Manager a statement in the Prospectus is misleading or deceptive or likely to mislead or deceive, or there is an omission from the Prospectus of material required to be included in it;
 - (ii) **(Supplementary Prospectus)** the Company:
 - (A) issues or, in the reasonable opinion of the Lead Manager is required to issue, a Supplementary Prospectus; or
 - (B) lodges a Supplementary Prospectus with ASIC in a form and substance that has not been approved by the Lead Manager;
 - (iii) **(market fall)** at any time the S&P/ASX Small Ordinaries Index falls to a level that is 90% or less of the level as at the close of trading on the date of this agreement and closes at or below that 90% level on at least two consecutive Business Days during any time after the date of this agreement and prior to the Settlement Date or the Business Day immediately prior to the Settlement Date;
 - (iv) **(Escrow Agreement)** any of the escrow agreements are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
 - (v) **(fraud)** the Company or any of its Directors or officers (as those terms are defined in the Corporations Act) engage, or have been alleged by a government authority to have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
 - (vi) **(listing and quotation)** approval is refused or not granted, or approval is granted subject to conditions other than customary conditions (in the reasonable opinion of the Lead Manager), to:
 - (A) the Company's Admission to the Official List of ASX on or before the Shortfall Notification Date;
 - (B) the quotation of the Offer CDIs on ASX or for the Offer CDIs to be traded through CHESS on or before the Quotation Date; or
 - (C) the Company's application to:
 - (1) act as principal issuer in relation to the Offer CDIs;
 - (2) seek approval of the Offer CDIs as approved financial products; or
 - (3) have ASX Settlement include the Offer CDIs in Schedule 1 as FOR Financial Products in the manner contemplated by the Offer Documents,
- or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions in the reasonable opinion of the Lead Manager) or withheld;

- (vii) **(notifications)** any of the following notifications are made in respect of the Offer:
- (A) ASIC issues an order (including an interim order) under section 739 of the Corporations Act and any such inquiry or hearing is not withdrawn within three Business Days or if it is made within three Business Days of the Settlement Date it has not been withdrawn by the Business Day before the Settlement Date;
 - (B) ASIC holds a hearing under section 739(2) of the Corporations Act;
 - (C) an application is made by ASIC for an order under Part 9.5 in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an Offer Document, and any such application, inquiry or hearing is not withdrawn within three Business Days or if it is made within three Business Days of the Settlement Date it has not been withdrawn by the Business Day before the Settlement Date;
 - (D) any person who has previously consented to the inclusion of its name in the Prospectus (other than the Lead Manager) withdraws that consent; or
 - (E) any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus (other than the Lead Manager, co-lead manager or co-manager);
- (viii) **(certificate)** the Company does not provide a Closing Certificate as and when required by the Underwriting Agreement;
- (ix) **(withdrawal)** the Company withdraws the Prospectus or the Offer;
- (x) **(timetable)** an event specified in the timetable up to and including the Settlement Date is delayed other than in accordance with the Underwriting Agreement;
- (xi) **(unable to issue)** the Company is prevented from issuing the New Shares or the Offer CDIs, by applicable laws, an order of a court of competent jurisdiction or a government authority, within the time required by the timetable, Offer documents, Listing Rules and the Corporations Act;
- (xii) **(force majeure)** there is an event or occurrence, including any statute, order, rule, regulation, directive or request of any government agency which makes it illegal for the Lead Manager to satisfy a material obligation of this agreement, or to market, promote or settle the Offer;
- (xiii) **(change to Company)** the Company:
- (A) alters the issued capital of the Company or a member of the Group; or
 - (B) disposes or attempts to dispose of a substantial part of the business or property of the Group, without the prior written approval of the Lead Manager (not to be unreasonably withheld or delayed);
- (xiv) **(constitution)** the Company varies any term of its Certificate of Incorporation and by-laws, without the prior written consent of the Lead Manager (not to be unreasonably withheld or delayed);
- (xv) **(insolvency events)** any member of the Group becomes insolvent, or there is an act or omission which is likely to result in a member of the Group becoming insolvent;
- (xvi) **(regulatory approvals)** if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement, such that the Company is rendered unable to perform its obligations under the Underwriting Agreement;
- (xvii) **(change in management)** a change in the chief executive officer, chief financial officer, chief technology officer, chief risk officer or chief revenue officer of the Company occurs, or there is a change in the Board of Directors of the Company without the prior written consent of the Lead Manager (which must not be unreasonably withheld or delayed);
- (xviii) **(vacancy in office)** the chief executive officer, chief financial officer, chief technology officer, chief risk officer or chief revenue officer of the Company, or a Director, vacates his or her office (or announces an intention to do so); or

(xix) (**prosecution**) any of the following occurs:

- (A) a Director or proposed Director of the Company is charged with an indictable offence; or
- (B) any Director of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act or under any applicable law.

Termination Events limited to materiality: If any of the following events occur at any time before Completion of the Offer or at any other time specified below, and the Lead Manager has reasonable grounds to believe and does believe that the event: (i) has or is likely to have a materially adverse effect on the success, settlement, outcome or marketing of the Offer, the ability of the Lead Manager to market, promote or settle the Offer or the willingness of investors to subscribe for CDIs under the Offer; or (ii) will, or is likely to, give rise to a liability of the Lead Manager or its affiliates under, or a contravention by the Lead Manager or its affiliates of, any applicable law:

- (i) (**compliance with law**) any of the Offer documents or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules, or any other applicable law or regulation;
- (ii) (**new circumstances**) there occurs a new circumstance that arises after the Prospectus is lodged that would have been required to be included in the Prospectus if it had arisen before lodgement;
- (iii) (**other disclosures**) a statement in any of the Offer documents (other than the Prospectus) is or becomes misleading or deceptive or is likely to mislead or deceive;
- (iv) (**disclosures in the due diligence report**) the due diligence report is, or becomes, false, misleading or deceptive, including by way of omission;
- (v) (**information supplied**) any information supplied (including any information supplied prior to the date of this agreement) by or on behalf of a Group member to the Lead Manager in connection with the Offer is, or is found to be, misleading or deceptive or likely to mislead or deceive (including by omission);
- (vi) (**legal proceedings**) any of the following occurs:
 - (A) the commencement of legal proceedings against any member of the Group or against any Director of any of them in that capacity; or
 - (B) any regulatory body commences any inquiry against any member of the Group;
- (vii) (**Material Contracts**) if any of the obligations of the relevant parties under any of the material contracts are not capable of being performed in accordance with their terms (in the opinion of the Lead Manager) or if all or any part of any of the material contracts:
 - (A) is terminated, withdrawn, rescinded, avoided or repudiated;
 - (B) is altered, amended or varied without the consent of the Lead Manager;
 - (C) is breached, or there is a failure by a party to comply;
 - (D) ceases to have effect, otherwise than in accordance with its terms; or
 - (E) is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and effect, or its performance is or becomes illegal;
- (viii) (**adverse change**) an event occurs which is, or is likely to give rise to:
 - (A) an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group from those disclosed in the Prospectus; or
 - (B) an adverse change in the nature of the business conducted by the Group as disclosed in the Prospectus;

- (ix) **(forecasts)** there are not, or there ceases to be, reasonable grounds in the opinion of the Lead Manager (acting reasonably) for any statement or estimate in the Offer Documents which relate to a future matter or any statement or estimate in the Offer documents which relate to a future matter is, in the opinion of the Lead Manager (acting reasonably), unlikely to be met in the projected timeframe (including in each case financial forecasts);
- (x) **(misleading certificate)** a statement in any Closing Certificate is false, misleading, inaccurate or untrue or incorrect;
- (xi) **(breach of laws)** there is a contravention by any entity in the Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the ASIC Act, its Certificate of Incorporation and by-laws, the Listing Rules or any other applicable law;
- (xii) **(representations and warranties)** a representation or warranty contained in this agreement on the part of the Company is breached, becomes not true or correct or is not performed;
- (xiii) **(certificate)** a Closing Certificate provided under the Underwriting Agreement is false, misleading or deceptive (including by way of omission);
- (xiv) **(breach)** the Company defaults on one or more of its undertakings or obligations under the Underwriting Agreement;
- (xv) **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce a new law or regulation, government policy or government agency policy (including ASIC) in Australia (including the Parliament of Australia or any state or territory of Australia), the United States, Canada, New Zealand, Singapore, United Kingdom and Hong Kong and other, (other than a law or policy that has been announced before the date of this agreement);
- (xvi) **(hostilities)** in respect of any one or more of Australia, New Zealand, the United States, Canada, Japan, the United Kingdom, the People's Republic of China (including Hong Kong) or Singapore:
 - (A) hostilities not presently existing commence;
 - (B) a major escalation in existing hostilities occurs (whether war is declared or not);
 - (C) a declaration is made of a national emergency or war; or
 - (D) a major terrorist act is perpetrated; or
- (xvii) **(disruption in financial markets)** any of the following occurs:
 - (A) a general moratorium on commercial banking activities in Australia, New Zealand, the United States, Canada, Japan, the United Kingdom, Singapore or the People's Republic of China (or separately Hong Kong) is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
 - (B) any adverse effect on the financial markets in Australia, New Zealand, the United States, Canada, Japan, the United Kingdom, Singapore and the People's Republic of China (including Hong Kong), or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or
 - (C) trading in all securities, quoted or listed on ASX, the London Stock Exchange, the New York Stock Exchange, the Shanghai Stock Exchange or the Tokyo Stock Exchange, is suspended for at least one day on which that exchange is open for trading.

Indemnity: Subject to certain exceptions including fraud, wilful misconduct or gross negligence or breach of its obligations under the Underwriting Agreement, the Company indemnifies the Lead Manager and persons associated with the Lead Manager against certain losses and liabilities, which relate to or arise from the Underwriting Agreement, this Prospectus (or any related documents or materials) or the Offer.

Additional Information (cont.)

(b) Credit Agreement

On 14 November 2018, Sezzle Funding SPE, LLC (as borrower) and Sezzle (as guarantor) entered into a Loan and Security Agreement with Bastion (the **Credit Agreement**).

The Credit Agreement extends a revolving three-year facility of up to US\$30,000,000 to Sezzle Funding, which is drawable in US dollars and can be used to fund payments to merchants ahead of collection of accounts owed by customers (the **Credit Facility**). The Credit Agreement also grants Bastion a right of first refusal to provide further funding to the Company up to an additional US\$70,000,000 on market terms.

As at the date of the Prospectus, the amount drawn under the Credit Facility is approximately US\$5.0 million.

Certain material terms of the Credit Facility are summarised below:

Key financial terms and covenants: these are summarised in Section 5.7(a).

Conditions precedent to subsequent drawdowns: The borrower's right to make subsequent drawdowns under the Credit Facility is subject to a number of conditions precedent customary for a facility of this nature, including no event of default, no material adverse change, representations and warranties being true and correct and the transfer of applicable Consumer Contracts (defined below) to Sezzle Funding in connection with the drawdown.

Fees and interest: Fees usual for facilities of this nature and variable interest based on LIBOR plus the applicable margin.

Representations, warranties and undertakings: The Credit Agreement contains certain representations, warranties and undertakings that are typical for a facility of this nature. Certain indebtedness is expressly permitted provided that it is subordinated (in terms of both security and repayment obligations) to the indebtedness under the Credit Facility. There is a restriction on the ability of the Company to pay dividends during the term of the facility to no more than 50% of retained earnings at the end of the previous 31 December, provided the retained earnings is a positive number.

Events of default: The Credit Agreement contains events of default, which are usual for facilities of this nature, including failure to pay, breach of financial undertaking, breach of general undertaking, breach of financial covenants, misrepresentation, cross-default, insolvency and related events, unenforceability and material adverse effect. The events of default are subject to materiality thresholds and grace periods where appropriate.

Guarantors: The Credit Facility is required to be guaranteed by the Company and any other wholly owned subsidiary of the Company.

Security: The Credit Facility is secured by general and specific securities granted by the Company and certain other wholly owned subsidiaries of the Company, including security over the Company's interest in certain Consumer Contracts with End-customers (**Consumer Contracts**). The security over Consumer Contracts is structured such the Consumer Contracts with receivables equal to the amount drawn down under the Credit Facility are transferred to Sezzle Funding and pledged as collateral.

9.12 FOR US restrictions

(a) Regulation S

The Offer is being made available to investors in reliance on the exemption from registration contained in Regulation S of the US Securities Act for offers made outside the US. Accordingly, the CDIs to be issued under the Offer have not been, and will not be, registered under the US Securities Act or the laws of any state or other jurisdiction in the US.

As a result of relying on the Regulation S exemption, the CDIs issued under the Offer will be 'restricted securities' under Rule 144 of the US Securities Act. This means that you will not be able to sell the CDIs issued to you under the Offer into the US or to a US Person for a period of 12 months from the date of allotment of the CDIs under the Offer, unless the resale of the CDIs is registered under the US Securities Act or an exemption is available. Accordingly, the market for CDIs is likely to be limited to the ASX, and if the market outside of the US does not develop or is illiquid, purchasers of CDIs will be unable to sell the CDIs into the market within the US due to restrictions on the transfer of CDIs.

To enforce the above transfer restrictions, the Company has requested that all CDIs issued under the Offers bear a 'FOR US' designation on the ASX. This designation effectively automatically prevents any CDIs from being sold on the ASX to US Persons. However, you will still be able to freely transfer your CDIs on the ASX to any person other than a US Person.

In addition, hedging transactions with regard to the Company's CDIs may only be conducted in accordance with the US Securities Act.

(b) No-action letter

In January 2000, the SEC issued a no-action letter to the ASX with regard to initial public offerings of US private companies on the ASX. The letter provided that non-reporting private US companies, which had not listed their shares in the US, such as the Company, could do so on ASX in reliance on Regulation S.

The no-action letter requires purchasers of CDIs pursuant to the Offer and any person who purchases CDIs in the secondary market to make representations about their non-US status. The no-action letter is based on certain assumptions and also requires that the Company, ASX, the CUSIP Bureau and ASX Participating Organisations (as defined below) take certain actions in order to comply with the requirements set forth in the no-action letter.

(c) Representations regarding non-US status

Each Applicant under the Offer will be deemed to have represented, warranted and agreed for the benefit of the Company and its related bodies corporate and any officers, employees, agents, advisers or brokers of any of them (affiliates) as follows:

- (i) that the Applicant is not a US Person and is not acting for the account or benefit of a US Person or is a US Person with exempt status under Rule 506(b) of Regulation D of the US Securities Act. A US Person includes, among other things and subject to certain limited exceptions:
 - (A) any natural person resident in the US;
 - (B) any partnership or corporation organised or incorporated under the laws of the US;
 - (C) any estate of which any executor or administrator is a US Person;
 - (D) any agency or branch of a foreign entity located in the US;
 - (E) any non-discretionary account or similar account, other than an estate or trust, held by a dealer or other fiduciary for the benefit or account of a US Person;
 - (F) any discretionary account or similar account, other than an estate or trust, held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the US; and
 - (G) any partnership or corporation organised or incorporated under the laws of any foreign jurisdiction, if formed by a US Person principally for the purpose of investing in securities not registered under the US Securities Act.
- (ii) the Applicant acknowledges and agrees that in order to ensure that US Persons do not purchase any CDIs under the Offer, a number of procedures governing the trading and clearing of CDIs will be implemented, including the application to the CDIs of the statute of Foreign Ownership Restriction ('**FOR**') securities under the ASX Settlement Operating Rules and the addition of the notation 'FOR US' to the CDI description on ASX trading screens and elsewhere, which will inform the market of the prohibition on US Persons acquiring CDIs;
- (iii) the Applicant understands and agrees that, if in the future it decides to resell, pledge, transfer or otherwise dispose of any CDIs (or the Shares underlying those CDIs), it will only do so:
 - (A) outside the US in an offshore transaction in compliance with Rule 903 or 904 under the US Securities Act;
 - (B) pursuant to an effective registration statement under the US Securities Act; or
 - (C) pursuant to an available exemption from the registration requirements of the US Securities Act, and in each case in accordance with all applicable securities laws;

Additional Information (cont.)

- (iv) the Applicant agrees not to engage in hedging transactions with regard to the CDIs (or the Shares underlying the CDIs) unless in compliance with the US Securities Act; and
- (v) the Applicant acknowledges that the Company and its affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any such acknowledgements, representations or warranties are no longer accurate, it will notify the Company immediately. Each Applicant agrees to indemnify the Company, its affiliates and their respective Directors, officers, employees and advisers against any loss, damage or costs incurred and arising out of or in relation to any breach by it of the acknowledgements, representations, warranties and agreements.

(d) Representations of purchasers of CDIs in the secondary market

The no-action letter requires that purchasers of CDIs in the secondary market make similar certifications and agreements to the ones that purchasers make in the Offer regarding their status as non-US Persons.

(e) Requirements of ASX and CUSIP Bureau

The no-action letter requires that ASX and entities like CUSIP Bureau take certain actions in order to comply with the provisions of the no-action letter, a summary of which is set out below:

- (i) the CDIs issued under the Offers will be classified as FOR securities under the ASX Settlement Operating Rules and will be identified on trading screens as being on the FOR list. For this purpose, 'Foreign Person' will be defined as a 'US Person' and the permitted foreign ownership level will be zero. As a result, no US Person may apply for CDIs under the Offer unless they fall within an exemption such as Rule 506(b) of Regulation D of the US Securities Act. If you have a CHESS Holder Identification Number designated as 'Foreign', you may not subscribe for CDIs under the Offer. If for any reason CDIs are purchased by a US Person under the Offer, the CDIs will be divested under the ASX Settlement Operating Rules;
- (ii) ASX will widely publish an explanation of the Restricted Stock identifier beginning a reasonable period prior to initial quotation of the Company's CDIs on ASX and continually thereafter;
- (iii) the CDIs will be identified in the records maintained by entities such as CUSIP Global Services, as restricted under the US Securities Act, so that participants in book entry clearance facilities and others that trade the CDIs will have notice that transfers of the CDIs to US Persons are restricted and must qualify under an appropriate exemption;
- (iv) US entities may not participate in the ASX market, either as brokers or as market-makers;
- (v) no ASX trading screens may be placed in the US; and
- (vi) while ASX and ASX Settlement will maintain these procedures and systems, neither the ASX or ASX Settlement is responsible for monitoring compliance with SEC requirements or US law, nor is the ASX or ASX Settlement responsible to third parties for any misfeasance by the Company in relation to those procedures. If the Company breaches US law, neither ASX nor ASX Settlement is responsible for those breaches.

(f) Requirements of the Lead Manager and ASX Participating Organisations

The no-action letter requires that the Lead Manager and ASX Participating Organisations (brokers that are members of ASX) (**ASX Participating Organisations**) take certain actions in order to comply with the provisions of the no-action letter, a summary of which is set out below:

- (i) whether in the Offer or in secondary trading, ASX Participating Organisations must not execute a transaction on ASX in Regulation S securities if that broker knows that the purchaser is acting for the account or benefit of a US Person;
- (ii) in connection with any purchase of CDIs, whether in the Offer or any secondary trading, ASX Participating Organisations must make reasonable efforts to ascertain whether a purchaser is a US Person or is acting for the account or benefit of a US Person, and implement measures designed to assure reasonable compliance with these requirements;

- (iii) the confirmation sent to each purchaser of CDIs either in the Offer or in any secondary market trading must include a notice that the CDIs are subject to the restrictions of Regulation S; and
- (iv) any information provided by the Financial Adviser to publishers of publicly available databases, such as Bloomberg and Reuters, about the terms of the issuance of the CDIs, must include a statement that the CDIs have not been registered under the US Securities Act and is subject to restrictions under Regulation S.

(g) Requirements of the Company

The no-action letter also requires that the issuer of the CDIs (i.e. the Company) take certain actions in order to comply with the provisions of the no-action letter, a summary of which is set out below:

- (i) the Company must undertake to provide notification of the Regulation S status of its CDIs in Shareholder communications such as annual reports, periodic interim reports and notices of Shareholder meetings;
- (ii) the By-laws must provide that the Company will refuse to register any transfer of the CDIs (or the Shares underlying those CDIs) not made:
 - (A) in accordance with the provisions of Regulation S (Rule 901 through Rule 905 and preliminary notes);
 - (B) pursuant to registration under the US Securities Act; or
 - (C) pursuant to an available exemption from registration; and
- (iii) during the Distribution Compliance Period the Company undertakes that any information provided by the Company to publishers of publicly available databases, such as Bloomberg and Reuters, about the term of issuance of the CDIs, must include a statement that the CDIs have not been registered under the US Securities Act and are subject to restrictions under Regulation S.

(h) Legending requirements

Global securities, certificates into which global securities may be subdivided and any physical certificate representing the Shares into which CDIs have been converted prior to the end of the restriction period, must bear certain restrictive legends required under Regulation S and certain other pertinent provisions of the US Securities Act and the regulations promulgated under the US Securities Act. Such legends must indicate: (i) that the Shares have not been registered under the US Securities Act and cannot be offered or sold in the US or to US Persons without registration under the US Securities Act or an available exemption, and (ii) that hedging transactions involving the Shares cannot be conducted unless in compliance with the US Securities Act. Further, such legends must appear: (i) on the cover or inside cover page and in the plan of distribution section of any offering document used in the Offer and sale of the Shares, and (ii) in any advertisement made or issued by the Company, any distributor, any of their respective affiliates, and Persons acting on their behalf. No Shares bearing the restrictive legend may be transferred by the Share Registry or other transfer agent without a favourable opinion of counsel or the assurance that the transfer complies fully with the US Securities Act.

(i) Possible extension of the Distribution Compliance Period

Due to the nature of the ASX trading system, the Restricted Stock identifier and associated transfer restrictions will remain on the CDIs during the Distribution Compliance Period, which is expected to last until one year after Settlement. The CDIs will no longer bear such Restricted Stock identifier and associated transfer restrictions after the Distribution Compliance Period ends, subject to approval by the ASX and delivery of certain opinions and unless required by applicable law. The Company can provide no assurance that the ASX will approve such removal or that the Company will be able to deliver or obtain any required certificates or opinion to effectuate such removal. If that is the case, the restrictions imposed during the Distribution Compliance Period will continue indefinitely.

In addition, the Distribution Compliance Period may restart if, among other reasons, the Company determines to issue additional CDIs, or following the Offer an affiliate of the Company sells CDIs pursuant to Regulation S. If this were to occur, the Distribution Compliance Period would restart as at the date of such Offer and sale of CDIs. Any such extension or continuation of the Distribution Compliance Period could have an adverse effect on your ability to resell the CDIs or the liquidity of, or trading price for, the CDIs on the ASX.

Additional Information (cont.)

9.13 Australian taxation implications of Investing under the Offer

Sezzle is a company incorporated in the United States and registered as a foreign company in Australia and, as such, it would be treated as a foreign company for Australian taxation purposes. Sezzle's financial year ends on 31 December annually.

The following general taxation comments consider the Australian income tax, stamp duty and Goods and Services Tax (**GST**) implications for Australian tax residents only. The tax implications for CDI Holders relate to the receipt of dividends and potential gains on the disposal of CDIs. It is based on the Australian law, and the Commissioner of Taxation's interpretation of the law, as at the date of this Prospectus. This summary does not take into account or anticipate any changes in the law or practice that may occur.

The summary is general in nature. It does not deal with all aspects of Australian law that may be relevant to specific types of investors. The comments do not purport to provide tax advice to any particular investor and should not be relied upon as the tax position of each investor may vary depending on the specific circumstances of the investor. The Company recommends that each investor seek their own independent income tax advice based on their particular circumstances. All current or potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring CDIs.

To the maximum extent permitted by law, the Company, its officers, Directors, and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of acquiring or disposing of CDIs issued under this Prospectus.

(a) Dividends

Where Sezzle pays a dividend to an Australian tax resident CDI Holder, the dividend should be included in the CDI Holder's assessable income for the relevant year of income. Where the dividend has been subjected to withholding tax in the US, the amount included in the assessable income of an Australian tax resident CDI Holder should be the grossed up for the amount of withholding tax paid (where the dividend is included in assessable income). Generally, a corresponding foreign tax offset may be available to the CDI Holder for the withholding tax deducted in relation to the dividend paid, subject to certain limits. Investors should seek independent advice as to whether any tax offsets for US tax withheld from dividends received may be obtained. The general US dividend withholding tax rate is 30% and may be reduced where the shareholder satisfies the requirements of the US/Australia income tax treaty and completes a W-8BEN.

Where available, the foreign tax offset should be equivalent to the withholding tax deducted and remitted to the US tax authorities. This offset is calculated on the greater of:

- (i) A\$1,000; or
- (ii) the Australian tax payable on the net income on which foreign tax is paid.

Generally, dividends received by an Australian resident company who holds at least 10% in a foreign company would not be assessable income for Australian taxation purposes and as such, would not be entitled to a foreign income tax offset for US withholding tax paid.

As the Company is a foreign company, there will not be franking credits attached to any dividend paid (i.e. no franked dividends).

(b) Disposal of CDIs

Profit-making intention

Some CDI Holders may hold CDIs on revenue rather than on capital account, for example, holders who acquire their CDIs as part of a business or with a view of profit such as share traders. Gains made on the disposal of CDIs by these CDI Holders may be assessable as ordinary income for Australian taxation purposes. Correspondingly, any loss made on disposal may be deductible. In this scenario, the transaction would not be subject to the Capital Gains Tax (**CGT**) provisions and the general CGT discount concession would not be available. Each investor should seek independent advice as to whether the gain would be considered ordinary income.

Capital Gains Tax

A CDI is a CGT asset. An Australian resident CDI Holder may make a capital gain or capital loss from the disposal of the CDIs.

As a general rule, where the capital proceeds on disposal of a CDI are greater than the CDI's cost base, the CDI Holder will make a capital gain. Conversely, a CDI Holder incurs a capital loss on the disposal of a CDI where the capital proceeds are less than the CDI's reduced cost base.

If a CDI Holder incurs a capital loss, this loss can only be offset against capital gains recognised under the CGT rules in the current or future income years.

In the case of an arm's-length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the CDIs.

The cost base of a CDI includes (calculated in Australian dollars), among other things:

- (i) the amount paid to acquire the CDI;
- (ii) incidental costs in relation to the acquisition and disposal of the CDI; and
- (iii) the costs of ownership of the CDI (e.g. interest expenses on funds an investor borrows in order to acquire the CDI where the interest is not otherwise allowable as a tax deduction).

A CDI Holder's reduced cost base in a CDI includes the amounts described in paragraphs (a) and (b), but not the amounts described in paragraph (c).

The CDI Holder's cost base and reduced cost base may be reduced by the receipt of non-assessable distributions from the Company, if any.

If a CDI Holder is an individual, trust or a complying superannuation fund, they may be entitled to the CGT discount if the CDI has been held for more than 12 months prior to the disposal. This concession means that a portion of any net capital gain made on sale is exempt from income tax, where the CDI Holder has held those CDIs for more than 12 months. For individuals and trusts the percentage of the capital gain exempted is 50% and for complying superannuation funds that percentage is 33.33%.

If a CDI Holder is an Australian resident company which holds CDIs that carry at least 10% of the voting rights in the Company and these CDIs have been held for a period of at least 12 months, (beginning no earlier than 24 months prior to disposal), the CDI Holder may be entitled to reduce any capital gain or capital loss arising from the disposal of the CDI by a percentage that reflects the degree to which the assets of the Company are used in an active business. Each corporate investor should seek independent advice as to whether this concession applies.

To the extent an amount would be included in a CDI Holder's assessable income under both the CGT provisions and the ordinary income provisions, the capital gain amount would generally be reduced, so that the CDI Holder would not be subject to double tax on any part of the income gain or capital gain.

Anti-tax deferral provisions

Australia has tax laws which, in certain circumstances, may attribute certain income of a controlled foreign company (**CFC**), which has not been comparably taxed offshore, to Australian resident investors on an accruals (not receipts) basis. In very broad terms, this CFC regime may apply where a foreign company is regarded as controlled by Australian residents. There are complex rules in determining whether a foreign company is controlled by Australian residents. The company may be taken to be Australian controlled if, for example:

- (i) five or fewer Australian resident entities (together with their associates) have 50% or more of the interests in the company; or
- (ii) the company is controlled by five or fewer Australian resident entities either alone or together with its associates.

If the company is a CFC, attribution can generally only occur where an Australian investor (together with their associates) holds at least a 10% interest in the company, although in certain limited cases, attribution can occur where an Australian investor (together with their associates) is one of the entities mentioned in (b) above that controls the company. The attributable income of a CFC is, in broad terms, calculated in accordance with Australian tax rules as if the foreign company were an Australian resident, subject to certain modifications. For listed countries, such as the US, there are only limited categories of income that are included in the calculation of attributable income (e.g. certain untaxed income from tax exempt government bonds and passive income derived by a regulated investment company in the US). Furthermore, where a CFC passes the active income test, the CFC should generally have no attributable income.

Whether or not the CFC accruals tax rules apply to an investor will depend on, among other things, the level of interest held by an Australian tax resident investor (and its associates) in the company and the type of income derived by the company. Investors should discuss the application of the CFC provisions with their own professional tax adviser.

Goods and Services Tax

No GST should be payable on the acquisition or disposal of the CDIs. Further, no GST should be payable on the dividends paid.

Stamp duty

As at the date of the Prospectus, the Group does not operate business in Australia. Accordingly, the Company does not, directly or indirectly through holding securities in other entities, have any interests in land in Australia. On the issue or allotment of the CDIs as part of the Offer, no stamp duty should be payable. No stamp duty should be payable in respect of the acquisition or disposal of the CDIs that are quoted on the ASX at the time of Admission.

You should consult a tax adviser regarding the US federal income tax consequences of acquiring, holding and disposing of Shares in your particular circumstances, as well as any tax consequences that may arise under the laws of any state, local or foreign taxing jurisdiction.

9.14 Interests of Experts and Advisers

Other than as set out below, or as otherwise disclosed in this Prospectus, no person named in this Prospectus as providing professional or advisory services in connection with the Offer or the preparation of this Prospectus or any firm in which any such person is a partner:

- > has or had at any time during the two years preceding the date of this Prospectus, any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or the Offer; or
- > has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Sezzle has engaged the following professional advisers in connection with the Offer:

- > Ord Minnett has acted as Lead Manager and Underwriter to the Offer and the fees payable to Ord Minnett are detailed in Section 9.15;
- > PricewaterhouseCoopers Securities Limited has acted as Investigating Accountant and has prepared the Investigating Accountant's Report included in Section 6. The Company has paid, or has agreed to pay, the Investigating Accountant A\$240,000 (excluding disbursements and GST) for these services up until the date of this Prospectus and a further A\$124,000 (excluding disbursements and GST) for other advisory services. Further amounts may be paid to the Investigating Accountant under time-based charges;

- > PricewaterhouseCoopers has acted as the Company's tax adviser in relation to the Offer. The Company has paid or agreed to pay A\$66,500 in respect of these services. Further amounts may be paid to PricewaterhouseCoopers in accordance with time-based charges;
- > Squire Patton Boggs has acted as Australian and (in respect of certain matters) United States Legal Adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately A\$357,512 (excluding disbursements and GST) for these services. Further amounts may be paid to Squire Patton Boggs in accordance with time-based charges; and
- > Baker Tilly Virchow Krause, LLP, an independent US certified public accounting firm, has acted as US Auditor of the Company. The Company has paid, or agreed to pay, approximately US\$64,285 for these services.

The Company will pay these amounts and other expenses of the Offer out of the Offer proceeds or available cash. Further information on the use of Offer proceeds and payment of the expenses of the Offer is set out in Section 8.5.

9.15 Offer Expenses

A summary of the Offer costs is set out below:

Table 9.7: Expenses of the Offer

Offer Costs	A\$m	US\$m
Lead Manager fees	2.36	1.65
Legal fees	0.36	0.25
Investigating accountant and advisory fees	0.36	0.25
Tax advisory fees	0.06	0.05
Audit fees	0.06	0.05
ASX listing fee	0.21	0.15
Other costs	0.30	0.20
Total	3.71	2.60

The total estimated costs to the Company in connection with the Offer, including advisory, legal, accounting, tax, listing and administrative fees, as well as printing, advertising and other expenses, are currently estimated to be approximately US\$2.6 million.

9.16 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the Offeror of the CDIs), the Directors of the Company, any underwriters, persons named in the Prospectus with their consent as proposed Directors of the Company, persons named in the Prospectus with their consent as having made a statement in the Prospectus, and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in this Prospectus and to the inclusion, in the form and context in which it is included, of any statement or report described below as being included with its consent. None of the parties referred to below has authorised or caused the issue of this Prospectus and to the maximum extent permitted by law, each of those parties expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described below.

- > Ord Minnett has consented to being named as Lead Manager and Underwriter to the Offer but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Ord Minnett;
- > PricewaterhouseCoopers Securities Limited has consented to being named in the Corporate Directory of this Prospectus as the Company's Investigating Accountant and to the inclusion of its Investigating Accountant's Report in Section 6 in the form and context in which it appears;
- > PricewaterhouseCoopers has consented to being named in this Prospectus as the Company's tax adviser and to the inclusion of the summary of tax implications in Section 9.13 in the form and context in which it appears. Except for the summary of tax implications in Section 9.13, it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by PricewaterhouseCoopers. PricewaterhouseCoopers has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus;
- > Squire Patton Boggs (AU) has consented to being named in the Corporate Directory of this Prospectus as the Australian legal adviser to the Company but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Squire Patton Boggs (AU);
- > Squire Patton Boggs (US) has consented to being named in the Corporate Directory of this Prospectus as the US legal adviser to the Company but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Squire Patton Boggs (US);
- > Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named.

Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus;

- > Baker Tilly Virchow Krause, LLP, has consented to being named in the Corporate Directory of this Prospectus as the Company's US Auditor but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Baker Tilly Virchow Krause, LLP;
- > Hardwater Clothing USA Inc (**Jared Lang**) has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. Jared Lang consents to the inclusion of statements made by or based on statements made by it in this Prospectus in the form and context in which those statements appear. Jared Lang has not authorised or caused the issue of this Prospectus; and
- > Westlife Distribution, LLC (**686**) has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. 686 consents to the inclusion of statements made by or based on statements made by it in this Prospectus in the form and context in which those statements appear. 686 has not authorised or caused the issue of this Prospectus.

9.17 References to publications

References are made in this Prospectus to material that is attributable to various entities including eMarketer, Digital Commerce 360, Pew Research Center, IBISWorld, Dun & Bradstreet First Research, Bankrate, and Payments Canada. These references are based on statements already published in public official documents or a book, journal or comparable publication. Those organisations did not prepare this material specifically for this Prospectus and have had no involvement in the preparation of any part of this Prospectus.

9.18 ASIC relief and ASX waivers and confirmations

(a) ASIC relief

ASIC has granted a modification of section 707 of the Corporations Act to the extent necessary to permit the Shares that will be issued on:

- (i) the reclassification of the Series A Preferred Stock to Shares;
- (ii) the conversion of the Convertible Notes; and
- (iii) the exercise of Options and RSAs granted on or before the Prospectus Date,

to be able to be sold within 12 months of issue without requirement for a future disclosure document being prepared in connection with that sale.

(b) ASX waivers and confirmations

The ASX has given the Company 'in principle' advice that it would likely provide the confirmations and waivers described below on receipt of the Company's application for Admission to the Official List of the ASX:

- (i) a waiver of Listing Rule 1.1, Condition 11, to the extent necessary to permit the Company to have Options on issue with an exercise price of less than A\$0.20 at the time its securities are admitted to the Official List of the ASX;
- (ii) a waiver from ASX Listing Rules 10.14, 10.15 and 10.15A in connection with the proposed issue of equity securities to Directors under the Company's 2019 Incentive Plan;
- (iii) a waiver of Listing Rule 14.2.1 to the extent necessary to permit the Company not to provide in the proxy form for meetings, an option for CDI Holders not to provide in the proxy form for meetings, an option for CDI Holders to vote against a resolution to elect a Director; and
- (iv) a confirmation the Company may prepare its financial accounts in accordance with US GAAP and only in US dollars.

9.19 Litigation

Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Prospectus, the litigation searches confirm that the Company is not involved in any legal proceedings, nor so far as the Directors are aware, are any legal proceedings pending or threatened against the Company the outcome of which will have a material adverse effect on the business or financial position of the Company.

9.20 Governing law

The Prospectus and the contracts that arise from the acceptance of the Applications under the Offer are governed by the law applicable in New South Wales, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

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AUTHORISATION



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Authorisation

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This Prospectus is authorised by the Company and lodged with ASIC pursuant to section 718 of the Corporations Act.

Each Director has consented to the lodgement of this Prospectus with ASIC in accordance with section 720 of the Corporations Act and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company by

A handwritten signature in black ink, appearing to read 'Charlie Youakim', written in a cursive style.

Charlie Youakim

Executive Chairman and Chief Executive Officer

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GLOSSARY



11

Glossary

The following defined terms apply throughout this Prospectus unless the context requires otherwise:

Term	Meaning
\$ or US\$	US dollars unless otherwise specified.
2016 Incentive Plan	has the meaning given to that term in Section 4.10(a).
2019 Incentive Plan	has the meaning given to that term in Section 4.10(b).
A\$	Australian dollars.
ACH	Automated Clearing House. The ACH network is an electronic funds transfer system run by Nacha, formerly the National Automated Clearing House Association, since 1974. This payment system deals with payroll, direct deposit, tax refunds, consumer bills, tax payments, and many more payment services in the United States.
Active Customers	End-customers who have transacted using the Sezzle Platform in the preceding 12 months.
Active Merchants	retailer merchants which have transacted using the Sezzle Platform in the preceding 12 months.
Admission	Admission of the Company to the Official List, following Completion of the Offer.
AEST	Australian Eastern Standard Time.
AGM	annual general meeting.
Allotment Date	the date on which CDIs are allotted under the Offer.
Applicant	person who submits an Application.
Application	an application for CDIs under the Offer pursuant to this Prospectus.
Application Form	an application form for CDIs under the Offer attached to this Prospectus (including the electronic form provided by an online application facility).
Application Monies	amounts received in dollars by the Company from Applicants for CDIs under this Prospectus.
ASIC	the Australian Securities & Investments Commission.
ASX	ASX Limited ACN 008 624 691.
ASX Corporate Governance Council	the Corporate Governance Council established by ASX on 1 August 2002.
ASX Listing Rules or Listing Rules	the Listing Rules of ASX as amended from time to time.
ASX Settlement Operating Rules	the operating rules of ASX Clear Pty Ltd ACN 001 314 503.
ASX Settlement Operating Rules	the settlement rules of ASX Settlement Pty Ltd ACN 008 504 532.
ATO	Australian Taxation Office.
Audit and Risk Committee	the Board's audit and risk sub-committee, as described in Section 4.12.

Term	Meaning
Auditor	Baker Tilly Virchow Krause, LLP.
Bastion	Bastion Consumer Funding II, LLC.
Board or Board of Directors	the Board of Directors of the Company.
Board Charter	the document setting out the responsibilities of the Board, which has been prepared having regard to the ASX Corporate Governance Principles and Recommendations.
BPAY®	the payment mechanism used to pay Application Monies online.
Broker	an ASX participating organisation selected by the Company to act as a Broker to the Offer.
Broker Firm Offer	the offer of CDIs under this Prospectus to Australian resident retail clients of participating Brokers who have a registered address in Australia and are not in the United States, and who have received an invitation from their Broker to participate in the Broker Firm Offer, as described in Section 8.2.
Broker Firm Offer Applicant	an Australian resident client of a Broker who is offered a firm allocation of CDIs under the Broker Firm Offer.
Broker Firm Offer Application Form	the Application Form made available with a copy of this Prospectus, identified as the Broker Firm Offer Application Form.
By-laws	the amended and restated By-laws of the Company adopted on 1 May 2019.
C\$	Canadian dollars.
CDI	a CHESS Depositary Interest representing a beneficial interest in a Share in the Company. Further information is detailed in 'Additional Information' under the heading 'CHESS Depositary Interests'.
CDI Holder	a registered holder of CDIs.
CDN	CHESS Depositary Nominees Pty Limited ACN 071 346 506, an entity registered in Australia (Financial Services Licence Number 254514).
CEO	Chief Executive Officer.
Certificate of Incorporation	the Second Amended and Restated Certificate of Incorporation of the Company dated 1 May 2019.
CGT	Capital Gains Tax.
Chairman	the Chairman of the Company, Mr Charlie Youakim.
CHESS	Clearing House Electronic Sub-register System, operated by ASX Settlement Pty Ltd ACN 008 504 532, effects the exchange and registration of securities.
Closing Date	the last date on which Application Forms may be submitted being Friday, 19 July 2019 unless otherwise determined by the Company.
Company or Sezzle	Sezzle Inc. ARBN 633 327 358.
Completion	Completion in respect of the allotment and issue of CDIs by the Company.

Term	Meaning
Computershare or Share Registry	Computershare Investor Services Pty Limited ACN 078 279 277.
Continental Investment Partners	Continental Investment Partners, LLC.
Convertible Notes	convertible promissory notes issued by the Company, which will or may be converted into new Shares on or around Completion of the Offer.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Credit Agreement	the Loan and Security Agreement between Sezzle, Sezzle Funding SPE, LLC and Bastion.
Credit Facility	has the meaning given to that term in Section 1.1(a).
Delaware General Corporation Law or DGCL	Chapter 1 of Title 8 of the Delaware Code, which governs corporations incorporated in the State of Delaware in the United States of America.
Directors	the Directors of the Company as at the date of this Prospectus.
Distribution Compliance Period	the 12-month period from the Allotment Date during which the CDIs cannot be resold to any US Person or for the account or benefit of a US Person, unless pursuant to Rule 144A, which period may be extended under the circumstances described in Section 9.12.
End-customer	a person who wishes to purchase goods or a shopper.
End-customer Other Income	income recognised in the consolidated statement of financial performance from fees assessed to End-customers who fail to make a timely payment in accordance with the accounting policy set out in Section 12.4.
Existing Shareholder	a holder of Shares as at the date of this Prospectus.
Exposure Period	the period of seven days after the date of lodgement of this Prospectus, which period may be extended by ASIC by not more than seven days pursuant to section 727(3) of the Corporations Act.
Failed Payment Fees	fees assessed to End-customers who fail to make a timely payment.
Financial Information	the financial information described as Financial Information in Section 5.
FOR	Foreign Ownership Restriction.
FY16	the financial year ended 31 December 2016.
FY17	the financial year ended 31 December 2017.
FY18	the financial year ended 31 December 2018.
GST	Goods and Services Tax.
HIN	CDI Holder's Holder Identification Number.
Historical Financial Information	has the meaning given to that term in Section 5.1.

Term	Meaning
Indicative Exchange Rate	A\$1.00:US\$0.69, being the exchange rate relied upon when preparing this Prospectus.
Institutional Investor	<p>investors who are:</p> <ul style="list-style-type: none"> > persons who are wholesale clients under section 761G of the Corporations Act and either 'professional investors' or 'sophisticated investors' under sections 708(11) and 708(8) of the Corporations Act; or > institutional Investors in certain other jurisdictions, as determined by the Company, to whom offers of CDIs may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approved by, any government agency (except one with which the Company is willing in its sole discretion to comply); and > provided that in each case such investors are not in the United States and are not US Persons.
Institutional Offer	the Offer of CDIs under this Prospectus to Institutional Investors, as described in Section 8.2.
Investigating Accountant or PwC	PricewaterhouseCoopers Securities Ltd, ACN 003 311 617.
Investigating Accountant's Report	the Investigating Accountant's Report as set out in Section 6.
Lead Manager	Ord Minnett Limited ACN 002 733 048.
LIBOR	London Interbank Offered Rate, a market-based interest rate.
Loan Origination Costs	costs incurred by the Company in connection with the underwriting of new End-customers.
Merchant or Retail Merchant Client	a retailer of goods or services targeting End-customers.
Merchant Fees	has the meaning given to that term in Section 2.3(a).
Net Transaction Loss	has the meaning given to that term in Section 5.3.
Net Transaction Margin	has the meaning given to that term in Section 5.3.
Non-Executive Director	a member of the Board who does not form part of the Company's management.
Offer	the offering of CDIs under this Prospectus, as described in Section 8.1.
Offer Price	A\$1.22 per CDI.
Official List	the Official List of entries that the ASX has admitted and not removed.
Official Quotation	quotation of the CDIs on the ASX.
Opening Date	the first date on which Applications can be accepted by the Company being, Tuesday, 9 July 2019.
Option	an option to acquire a Share.

Term	Meaning
Priority Offer	the offer of CDIs under this Prospectus to select investors nominated by Sezzle in eligible jurisdictions, who receive a Priority Offer invitation to acquire CDIs under this Prospectus, as described in Section 8.2.
Priority Offer Application Form	the Application Form made available with a copy of this Prospectus, identified as the Priority Offer Application Form.
Pro Forma Historical Financial Information	has the meaning given to that term in Section 5.1.
Prospectus	this replacement prospectus dated 5 July 2019.
QIB	Qualified Institutional Buyer, as defined in Rule 144A under the US Securities Act.
Remuneration and Nomination Committee	the Board's remuneration and nomination sub-committee, as described in Section 4.12.
Reschedule Fees	are fees applied to End-customers in cases where the End-customer requests to reschedule the dates on which their instalment payments become payable.
Restricted Securities	has the meaning given to that term in the ASX Listing Rules.
Returning End-customer	an End-customer who has used the Sezzle Platform previously in the last 12 months and again uses the Sezzle Platform in connection with a purchase from a Retail Merchant Client.
RSA	Restricted Stock Award.
SAFE	Simple Agreement for Future Equity.
Securities	the Shares and the CDIs.
Series A Preferred Stock	fully paid preferred stock in the capital of the Company.
Sezzle Checkout	the web application used in the End-customer checkout process, which includes views for End-customer sign-up, approval/denial, and payment method management when placing new orders with Retail Merchant Clients.
Sezzle Fraud Detection System	a proprietary system developed by the Company's data sciences team, which utilises numerous data points from a transaction to identify the likelihood of a fraud attempt within the Company's systems.
Sezzle Funding	the limited liability company, formed in, and registered under the laws of Delaware, United States, named Sezzle Funding SPE LLC.
Sezzle Income	has the meaning given to that term in Section 12.4.
Sezzle IPO Offer Information Line	1300 171 784 (within Australia) or +61 3 9415 4068 (outside Australia), available 8.30 am to 5.00 pm (AEST) Monday to Friday (excluding public holidays).
Sezzle Merchant Agreements	the agreement between Sezzle and Retail Merchant Clients for the use of the Sezzle Platform and product by End-customers in connection with purchasing goods from the Retail Merchant Client.

Term	Meaning
Sezzle Merchant Dashboard	the web portal used for onboarding Retail Merchant Clients and for Active Merchants to manage their Sezzle orders and account.
Sezzle Payment Collection System	a proprietary system developed by the Company's data sciences team utilised for collecting outstanding payments from End-customers.
Sezzle Platform	has the meaning given to that term in Section 2.1(b).
Sezzle Shopper Dashboard	the web portal used by Active Customers to manage orders, payment methods and payment rescheduling.
Sezzle Underwriting Engine	a proprietary system developed by the Company's data sciences team utilised for authorising and establishing credit limits for individual End-customers.
Share	fully paid common stock in the capital of the Company.
Shareholder	a holder of a Shares or CDIs.
Total Income	the sum of Sezzle Income and End-customer Other Income.
Transaction Funding Finance Costs	interest expense incurred by the Company on its indebtedness less interest income.
Transaction Processing Costs	costs paid by Sezzle to third parties for processing transactions conducted through the Sezzle Platform.
Underlying Merchant Sales	the total value of sales made by Retail Merchant Clients based on the purchase price of each confirmed sale where the End-customer has selected the Sezzle Platform as the applicable payment option.
Underwriter	Ord Minnett Limited.
Underwriting Agreement	the agreement between the Company and the Underwriter in respect of the Offer, a summary of which is included in Section 9.11.
US or United States	the United States of America, its territories and provinces, any state of the United States of America and the District of Columbia.
US Exchange Act	Securities Exchange Act of 1934, as amended to date and the rules and regulations promulgated thereunder.
US GAAP	US Generally Accepted Accounting Principles.
US Person	has the meaning given to it in Rule 902(k) under Regulation S of the US Securities Act.
US Securities Act	Securities Act of 1933, as amended to date, and the rules and regulations promulgated thereunder.

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**SEZZLE'S
SIGNIFICANT
ACCOUNTING
POLICIES**



Sezzle's Significant Accounting Policies

12.1 Basis of Presentation

The consolidated financial statements are prepared and presented under Generally Accepted Accounting Principles in the United States of America (US GAAP). The consolidated financial statements include all the accounts and activity of Sezzle and Sezzle Funding, Sezzle's wholly owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

12.2 Cash and Cash Equivalents

The Company considers all money market funds and other highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Company accepts debit and credit cards from End-customers as a method to settle its receivables and these transactions are generally transmitted through third parties. The payments due from the third parties for these debit and credit card transactions are generally settled within three days. The Company considers all bank, debit and credit card transactions initiated before year-end to be cash and cash equivalents.

12.3 Restricted cash

The Company is required to maintain cash balances in a blocked bank account in accordance with the Credit Agreement. The blocked bank account is the property of Sezzle Funding, but access to End-customer payments is controlled by Bastion. On a regular basis, cash received from End-customers is deposited to the blocked account and subsequently made available to Sezzle through daily settlement reporting with Bastion. Cash deposits to the account represent cash received from End-customers, not yet made available to Sezzle, as well as maintenance of minimum deposits required to maintain various fees, costs and interest charged by Bastion.

Additionally, the Company was required to maintain a US\$20,000 cash balance held in a reserve account to cover ACH transactions. The cash account balance is classified as restricted cash and reported within other non-current assets on the consolidated balance sheets.

12.4 Income

Sezzle Income

Sezzle earns its income primarily from interest-free lending to End-customers who purchase goods from affiliated merchants. Sezzle pays the Retail Merchant Clients the value of underlying sales net of transaction fees charged by Sezzle (**Merchant Fees**) for facilitating the purchases by End-customers transacted on their websites. Merchant Fees are generated on each discrete, approved order placed by the End-customer through the Sezzle Platform. The End-customer instalment payment plans consist of four instalments, with the first payment made at the time of purchase and subsequent payments coming due every two weeks thereafter. Sezzle also earns income from rescheduled payment fees from End-customers. Merchant Fees and rescheduled payment fees, less Loan Origination Costs on approved End-customer funding, are collectively referred to as Sezzle Income and initially recorded as a deduction from instalment payments receivables in the statement of financial position. Sezzle Income is then recognised in the statement of financial performance over the average duration of the underlying instalment payment receivables using the effective interest rate method. The Sezzle Income to be recognised over the duration of existing End-customer receivables outstanding was US\$6,000 and US\$144,000 at 31 December 2017 and 2018 respectively.

End-customer other income

Sezzle also recognises income earned from End-customers in the form of Failed Payment Fees. These fees are assessed to End-customers who fail to make a timely payment. Sezzle allows a 48-hour waiver period where fees are dismissed if the instalment is paid by the End-customer. Failed Payment Fees are recognised at the time the fee is charged to the End-customer, less an allowance for uncollectible amounts.

12.5 Receivables and Credit Policy

Instalment payments receivables represent amounts from uncollateralised End-customer receivables generated from the purchase of online merchandise. The original terms of the receivables are to be paid back in three equal instalments every two weeks over a six-week period. The Company does not charge interest on the loans to End-customers. The Company evaluates the collectability of the balances based on historical experience and the specific circumstances of individual receivables, with an allowance for uncollectible accounts being provided as necessary. All amounts receivable from End-customers, as well as related fees, outstanding greater than 90 days past due or delinquent, are charged off (that is, written off) to the consolidated statement of financial performance as uncollectible. It is the Company's practice to continue collection efforts after the charge-off date.

Sezzle maintains an allowance for uncollectible accounts at a level necessary to absorb estimated probable losses on instalment payments receivables from End-customers. Sezzle uses its judgement to evaluate the allowance for uncollectible accounts based on existing economic conditions and historical performance of End-customer instalment payments. The historical vintages are grouped into bi-weekly populations for purposes of the allowance assessment, in line with the standard payment plan of an End-customer. The balances of historical cumulative charge-offs by vintage support the calculation for estimating the allowance for uncollectible accounts is required for vintages outstanding less than 90 days.

Sezzle estimates the allowance for doubtful accounts by segmenting End-customer receivables by the number of days balances that are delinquent. Balances that are at least one day past the initial due date are considered delinquent. Balances that are not delinquent are considered current. End-customer instalment payments receivables are charged off following the passage of 90 days without receiving a qualifying payment. End-customers are allowed to reschedule a payment one time without incurring a Reschedule Fee and the principal of a rescheduled payment is not considered to be delinquent. If End-customers reschedule a payment more than once in the same order cycle they are subject to a Reschedule Fee. Alternatively, Failed Payment Fees are applied to any missed payments for which an End-customer did not reschedule. Any Failed Payment Fees associated with a delinquent payment are considered to be the same number of days delinquent as the instalment payment.

12.6 Debt Issuance Costs

Costs incurred in connection with originating debt have been capitalised and are classified in the consolidated balance sheets as a reduction of the borrowing to which those costs relate. These debt-issuance costs are amortised over the life of the underlying debt obligation utilising the straight-line method, which approximates the effective interest method. Amortisation of debt-issuance costs is included within interest expense in the consolidated statements of financial performance.

12.7 Property and Equipment

Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is provided using either the straight-line or double-declining balance method, based on useful lives of the assets:

	Years	Method
Computer equipment	3	Double-declining balance
Furniture and fixtures	7	Straight-line
Office equipment	5	Double-declining balance

Maintenance and repairs are charged to expenses as incurred.

Sezzle's Significant Accounting Policies (cont.)

12.8 Internally Developed Intangible Assets

The Company capitalises costs for internally used software. The costs capitalised primarily relate to direct labour costs for employees and contractors working directly on the development and implementation of the software. Projects are deemed eligible for capitalisation once it is determined the project is being designed or modified to meet internal business needs, the project is ready for its intended use, the total estimated costs to be capitalised exceeds US\$500, and there are no plans to market, sell or lease the project.

Amortisation is provided using the straight-line method, based on useful lives of the intangible assets:

	Years	Method
Internal use software	3	Straight-line
Website development costs	3	Straight-line

12.9 Research and Development Costs

Research expenditures that relate to the development of new processes, including internally developed software, are expensed as incurred.

12.10 Impairment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets, including property, equipment and internally developed intangible assets for impairment whenever events and circumstances indicate that the carrying value of the assets may not be recoverable from the future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognised equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors.

12.11 Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of receivables, property and equipment, and accrued liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realised. A full valuation allowance is recorded against the Company's deferred tax assets of 31 December 2018 and 2017.

The Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law on 22 December 2017. Effective January 2018, the TCJA, among other provisions, reduces the marginal US corporate income tax rate from 35% to 21%, limits the deductibility of interest expenses, limits the deduction for net operating losses and eliminates net operating loss carrybacks, modifies or eliminates many business deductions and credits, and also includes various international provisions.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of 31 December 2018 and 2017, the unrecognised tax benefits accrual was zero. The Company will recognise future accrued interest and penalties related to unrecognised tax benefits in income tax expense if incurred.

12.12 Advertising Costs

Advertising costs are expensed as incurred and consist of internet, email and promotional product expenses.

12.13 Equity-based Compensation

The Company maintains a stock option plan that provides the offering of incentive and non-statutory stock options to employees and advisers of the Company. Vesting requirements varying from two to four years (one-year cliff vesting and monthly vesting after the first year of service). Equity-based compensation expense reflects the fair value of awards measured at the grant date and recognised over the relevant vesting period. The Company estimates the fair value of each award on the measurement date using the Black-Scholes option valuation model, which incorporates assumptions as to stock price volatility, the expected life of the options, risk-free interest rate, and dividend yield. The Company issues new shares upon the exercise of stock options.

12.14 Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. The Company's estimates and judgements are based on historical experience and various other assumptions that it believes are reasonable under the circumstances. The amount of assets and liabilities reported on the Company's consolidated balance sheets and the amounts of income and expenses reported for each of the periods presented are affected by estimates and assumptions, which are used for, but not limited to, determining the allowance for uncollectible accounts recorded against outstanding receivables, the useful life of property and equipment and internally developed software, determining impairment of property and equipment and internally developed software, determining equity-based compensation and income taxes.

12.15 Segments

The Company's operations consist primarily of lending to End-customers located in the United States who purchase goods from our affiliated merchants. The Company's chief operating decision maker only reviews the consolidated results of the Company and accordingly, the Company has concluded it has one reportable segment.

12.16 Foreign Currency Exchange Losses

Sezzle works with international merchants creating exposure to gains and losses from foreign currency exchanges. Sezzle's income and cash can be affected by movements in the Canadian dollar. Sezzle has transactional currency exposures arising from Merchant Fees and payouts to Canadian Merchant partners and translation currency exposures on bank accounts denominated in Canadian dollars.

12.17 Employee Benefit Plan

The Company sponsors a defined contribution 401(k) for eligible U.S. employees. Plan assets are held separately from those of the Company in funds under the control of a third-party trustee. Participants in the plan may elect to defer a portion of their eligible compensation, on a pre- or post-tax basis, subject to annual statutory contribution limits. The Company does not offer matching contributions. There were no Company contributions related to the plan for FY17 and FY18.

Sezzle's Significant Accounting Policies (cont.)

12.18 Recent Accounting Pronouncements

(a) Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, 'Revenue from Contracts with Customers', which supersedes the guidance in 'Revenue Recognition' (Topic 605) and requires entities to recognise revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company has determined the provisions within ASU No. 2014-09 are not applicable. The Company determined its income is within the scope of ASC 310, *Receivables*. Refer to Section 12.4 above.

In November 2016, the FASB issued ASU No. 2016-18, 'Statement of Cash Flows' outlining changes for presentation of restricted cash on the statement of cash flows. The new guidance requires the classification and presentation of changes in restricted cash and cash equivalents in the statement of cash flows. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning and ending balances shown in the statement of cash flows. The Company adopted the new standard as of 1 January 2017 using the retrospective transition method.

(b) Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, 'Leases,' which requires all lessees to recognise a liability and a corresponding right-of-use asset for all long-term leases. ASU No. 2016-02 is effective for annual reporting periods beginning after 15 December 2018, with early application permitted. The Company has evaluated the new standard and will adopt using a modified retrospective approach and expects adoption will result in the recognition of a right-of-use asset and lease liability for the operating lease of its headquarters for approximately US\$349,000 on the financial statements as of 1 January 2019. Adoption of the new standard is not expected to have a material impact on the consolidated statements of financial performance. Further, the adjustment to opening retained earnings is not expected to be material.

In June 2018 the FASB issued ASU No. 2018-07, 'Improvements to Nonemployee Share-Based Payment Accounting', to include share-based payment transactions for acquiring goods and services from non-employees. The Company will adopt the ASU beginning 1 January 2019. The Company does not expect this to have a material impact to the consolidated financial statements.

How to complete this Broker Firm Offer Application Form

A Number of CDIs applied for
Enter the number of CDIs you wish to apply for. Applications must be for a minimum of 1,640 CDIs. Applications in excess of the minimum number of CDIs must be in multiples of 410 CDIs.

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of CDIs applied for in Step A by the Offer Price of A\$1.22.

C Applicant Name(s)
Enter the full name you wish to appear on the statement of CDI holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. CHESS participants should complete their name identically to that presently registered in the CHESS system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

F CHESS
Sezzle participates in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold CDIs issued to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on issue, you will be sponsored by Sezzle and allocated a Securityholder Reference Number (SRN).

G Payment
If you have been contacted by your Broker regarding the Broker Firm Offer, you should ask your Broker for information about how and when to lodge this Application Form, and how to pay. Generally, you will lodge this Application Form and your payment with your Broker in accordance with their instructions.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for CDIs in Sezzle is upon and subject to the terms of the Prospectus and the By-laws of Sezzle, agrees to take any number of CDIs that may be issued to the Applicant (s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. In particular, each Applicant makes the acknowledgements and representations contained in Section 8.21 of the Prospectus. It is not necessary to sign the Application Form.

Lodgement of Application

The Broker Firm Offer opens on 9 July 2019 and is expected to close at 5:00pm (AEST) on 19 July 2019. Sezzle and the Lead Manager may elect to extend the Broker Firm Offer. If you have been contacted by your Broker regarding the Broker Firm Offer, you should ask your Broker for information about how and when to lodge this Application Form, and how to pay. Generally, you will lodge this Application Form and your payment with your Broker in accordance with their instructions. DO NOT lodge this Application Form with the Share Registry. Your Broker must receive your completed Application Form and Application Monies in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer.

Privacy Notice

The personal information you provide on this Application Form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for Sezzle (**the Issuer**), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the Issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the Issuer for whom we maintain securities registers or to third parties upon direction by the Issuer where related to the Issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold CDIs. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Issuer. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

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Corporate Directory

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Company

Sezzle Inc.

251 1st Avenue North, Suite 200
Minneapolis, MN 55104

Sezzle Australian Registered Office

Suite 6.02
28 O'Connell Street
Sydney NSW 2000

Directors

Charlie G Youakim
Paul V Paradis
Paul Lahiff
Kathleen Pierce-Gilmore
Paul M Purcell

ASX Code

SZL

Sezzle Offer Information Line

1300 171 784 (within Australia) or
+61 3 9415 4068 (outside Australia) from
8:30 am to 5:00 pm (AEST) Monday to Friday
(excluding public holidays).

Offer Website

<https://sezzle.com/investors>

Lead Manager and Underwriter

Ord Minnett Limited

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Sydney NSW 2000

Australian and US Legal Adviser

Squire Patton Boggs

Raine Square
Level 21, 300 Murray Street
Perth WA 6000

1801 Page Mill Road #110
Palo Alto California 94304

Investigating Accountant

PricewaterhouseCoopers Securities Ltd

One International Towers
Watermans Quay
Barangaroo NSW 2000

Tax Adviser

PricewaterhouseCoopers ABN 52 780 433 757

One International Towers
Watermans Quay
Barangaroo NSW 2000

US Auditor

Baker Tilly Virchow Krause, LLP

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Suite 2300
Minneapolis, MN 55402
United States

Australian and US Share Registry

Computershare Investor Services Pty Limited

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