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ASX RELEASE

Company Announcements Platform

Q4 2019 Update: BNPL Leader Sezzle Inc. Posts Impressive Gains and Establishes New Records for Key Indicators

Underlying Merchant Sales Break the US\$100 million Mark While Number of Active Merchants Surpasses 10,000 for First Time

Highlights

Alternative payments disruptor Sezzle Inc. (ASX: **SZL**, **Sezzle** or **Company**) posted strong gains across all key operational metrics in the three months ended 31 December 2019 (**Q4**), including the following highlights (*all amounts are unaudited and expressed in US dollars unless otherwise noted*):

- Underlying Merchant Sales (**UMS**) totaled US\$105.1 million, up 52.6% from US\$68.8 million in the September Quarter, bringing annualized UMS to over US\$420 million;
- The number of consumers using Sezzle made impressive gains with Active Customers¹ growing to 914,886 at 31 December 2019 compared to 644,509 at 30 September 2019, an increase of 42.0%;
- The number of Active Merchants¹ grew to 10,010 at 31 December 2019 compared to 7,507 at 30 September 2019, an increase of 33.3%;
- Underlying Merchant Fees totaled US\$5.8 million, up 61.8% from US\$3.6 million in the September Quarter; and
- Net Transactions Losses (**NTL**) and Net Transaction Margin (**NTM**) continue to maintain positive trends.

Charlie Youakim, Sezzle Executive Chairman and CEO commented on the Q4 results: “*Sezzle broke new ground in the December Quarter with a series of historic achievements across several key indicators, namely Underlying Merchant Sales and Active Merchants. Active Customer growth was equally impressive, a reflection of consumers enthusiastically embracing the payments ecosystem we are building on the Sezzle platform. With Net Transaction metrics continuing to trend positively, we are proving the scalability of our business model with increasingly favorable unit economics.*”

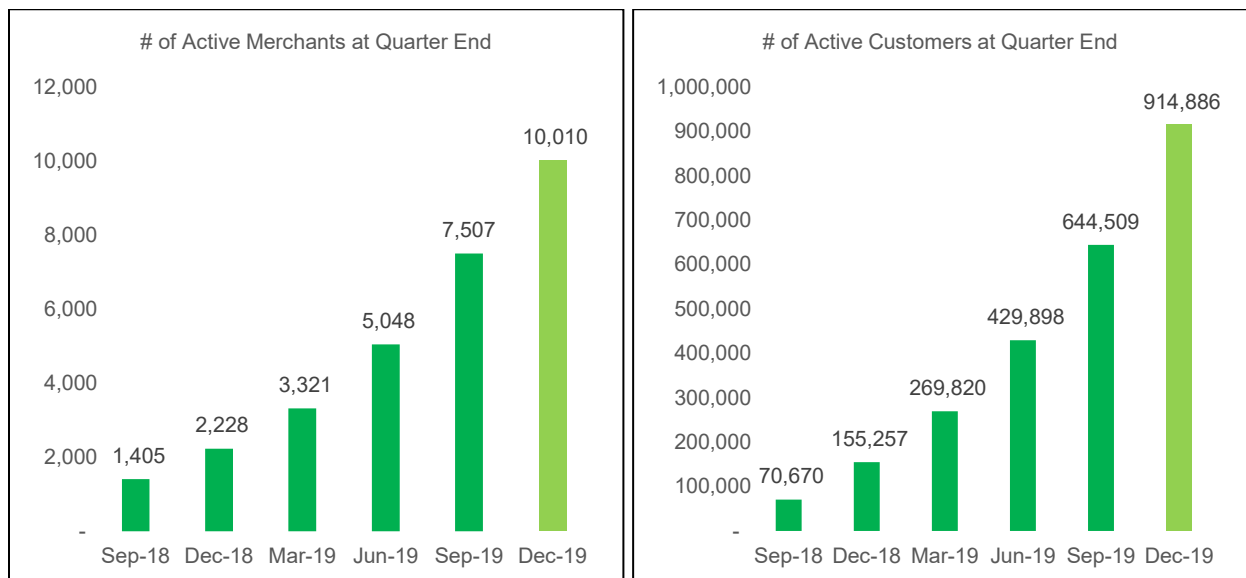
¹ Active Merchants and Active Customers are defined as those who have transacted with Sezzle in the past 12 months.

Operational Update

All of Sezzle's key operational metrics continued to show growth in the December Quarter. The Company reached an important milestone in Q4, eclipsing 10,000 Active Merchants for the first time while Active Customers grew to 914,886 by Q4's end.

The addition of 2,503 new Active Merchants and 270,377 new Active Customers to the platform in just one quarter represent the largest absolute gains in a single Quarter the Company has ever achieved. In Q4, Sezzle added an average of 27 Active Merchants and over 2,900 Active Customers per day.

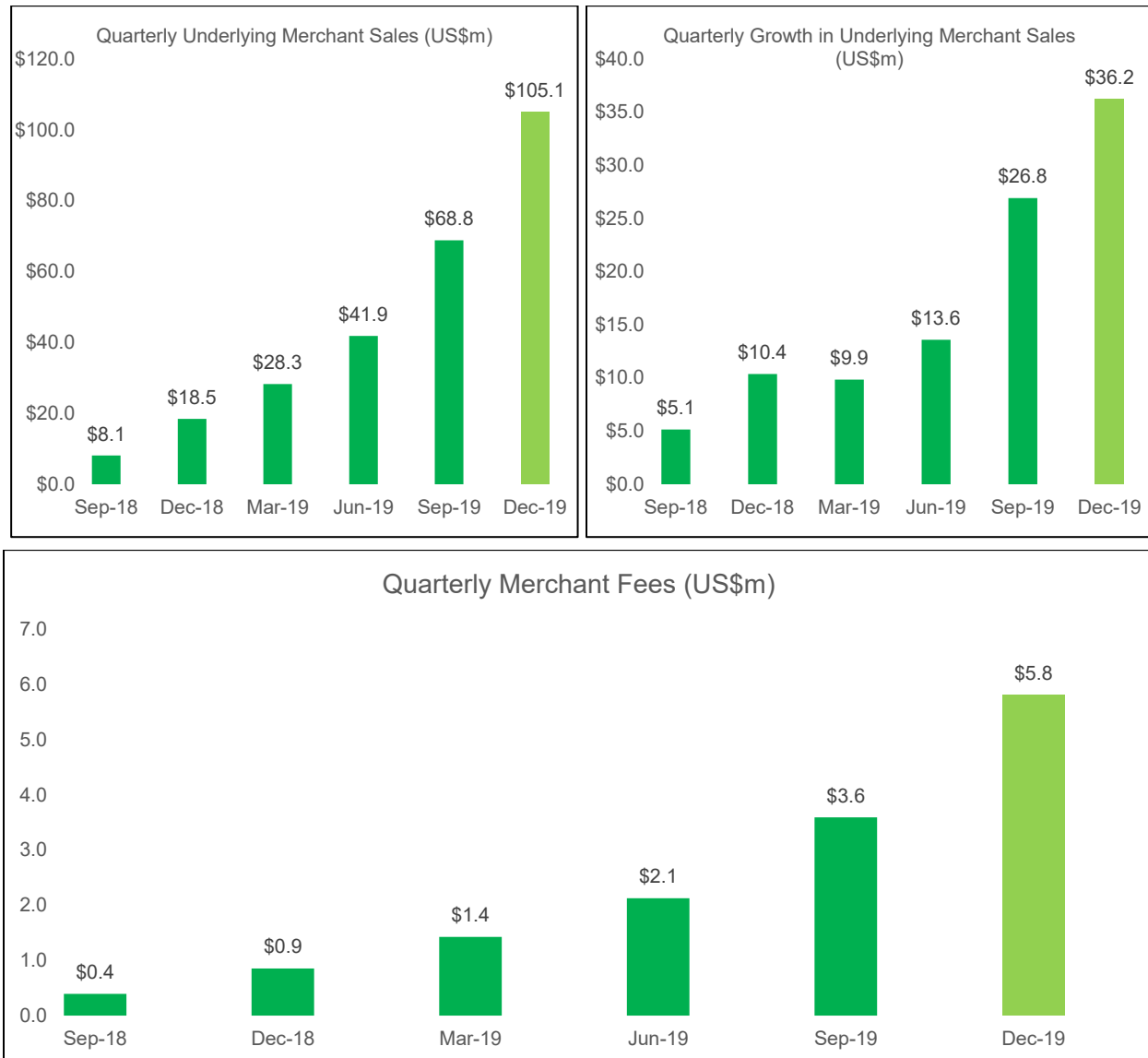
	31 Dec 2019	30 Sept 2019	Change (quarter on quarter)
Active Merchants	10,010	7,507	33.3%
Active Customers	914,886	644,509	42.0%
Underlying Merchant Sales (US\$)	\$105.1m	\$68.8m	52.6%
Merchant Fees (US\$)	\$5.8m	\$3.6m	61.8%



Underlying Merchant Sales (**UMS**) grew 52.6% in Q4 to US\$105.1 million. The growth in UMS of US\$36.2 million was the largest single quarterly increase in UMS in the Company's history. Merchant Fees grew at an accelerated rate compared to UMS and were up 61.8% quarter over quarter to US\$5.8 million. Merchant Fees as a percentage of UMS were 5.5%, continuing the favorable trend of Merchant Fees relative to UMS and were up 30 basis points versus the prior quarter. Merchant Fees are a key component of the calculation of 'Sezzle Income', calculated as Merchant Fees and rescheduled payment fees, less loan origination costs on approved End-customer funding. Net Transactions Losses (**NTL**) and Net

Transaction Margin (**NTM**) continue to maintain positive trends, reflecting the increasingly compelling unit economics of Sezzle's financing products and the economies of scale inherent to the Sezzle platform.

Annualized UMS based on the December 2019 quarter is US\$420.2 million, a year over year increase of 469% compared to annualized UMS of US\$73.8 million, based on the prior year quarter ended 31 December 2018. Likewise, annualized Merchant Fees based on the December 2019 quarter are US\$23.3 million compared to annualized Merchant Fees of US\$3.4 million using the quarter ended December 2018, an increase of over 579%.



Repeat Usage, calculated as the percentage of cumulative orders made by returning End-customers to date relative to total cumulative orders to date, improved to 83.7% as of 31 December 2019, an indication of increasingly positive user experience and growing brand loyalty.

Total cash receipts from customers were US\$92.6 million during the December Quarter, up 51.9% from US\$61.0 million received during Q3. Likewise, total cash payments to merchants during the December quarter were (US\$90.7 million), up 44.4% from the prior quarter. The differential in percentage increase of these figures is driven by seasonality of the business.

Operating cash outflows for the Quarter were (US\$6.4 million), an improvement from the cash outflow of (US\$7.0 million) in Q3. A summary of the operating cash outflows is summarized as follows:

- Processing costs were US\$3.2 million, up US\$1.1 million from the prior quarter and driven by the increase in UMS volume;
- Staff costs were US\$2.4 million, up US\$0.8 million compared to the prior quarter as a result of personnel additions across multiple departments;
- Administrative costs were US\$1.2 million, up US\$0.5 million and driven by overall growth in the business;
- Advertising and marketing costs were US\$0.6 million and a result of additional marketing initiatives undertaken by the Company; and
- Interest expense costs totaled US\$0.5 million as a result of increased borrowings to facilitate the increase in UMS.

Remaining net operating cash inflows of US\$1.5 million were a result of the timing of merchant payments versus customer receipts of US\$1.8 million, less other miscellaneous operating expenses of (US\$0.3 million).

The Company had US\$36.6 million in cash at the end of the quarter, an increase of US\$9.4 million compared to the prior quarter's end. The Company drew an additional US\$16.5 million on the debt funding facility, driven by the increase in UMS, less operating cash flows of US\$6.4 million and transaction costs of US\$0.6 million incurred to obtain the debt funding facility.

Corporate Update

Merchants

Merchant growth continued to expand with the addition of 2,503 Active Merchants during the period. Although the number added is relatively stable as compared to the previous quarter, the average reported sales of new merchant additions increased quarter over quarter. The Company is excited for the opportunity to work with new and existing merchants to optimize their revenue potential and continues to develop its sales team to focus on addressing the enterprise-scale marketplace.

Financing

As announced to the ASX on 2 December, SZL secured a US\$100 million debt funding facility in order to support future growth in funding purchases by End-customers. The facility is used to fund payments to merchants ahead of collection of accounts owed by End-customers. As of quarter end, the Company had drawn US\$21.5 million on the available line of US\$21.6 million, indicating the Company is in a strong financial position to fund future growth in UMS.

Partnerships

Sezzle secured several important strategic partnerships during Q4, most notably partnering with a significant ecommerce platform, BigCommerce, which has over 60,000 merchants on its platform. The Company's focus on establishing relationships with these key players is helping lay the groundwork for further growth in 2020 by opening up new markets, creating tools that facilitate adoption of the Sezzle platform for merchants, and creating increasingly easy-to-use, personalized tools for consumers.

Regulatory Activity

Sezzle's response to its regulators in California allowed the Company to surpass some early objections and ultimately obtain a license with the state, allowing the Company to make loans under the California Financing Law post the end of the quarter.

Additionally, in October 2019, Sezzle executives initiated open dialogue with members of the US Consumer Federal Protection Bureau to give their team an overview of the Company's consumer-friendly product and apprise them of the burgeoning US BNPL sector.

For more information about this quarterly update:

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Sezzle is a rapidly growing fintech company whose mission is to Financially Empower the Next Generation. Sezzle's payment platform increases purchasing power for consumers by offering interest-free installment plans at online stores. This increase in purchasing power for consumers leads to increased sales and basket sizes for the more than 10,000 Active Merchants that offer Sezzle in the United States and Canada. For more information visit sezzle.com

Sezzle's CDIs are issued in reliance on the exemption from registration contained in Regulation S of the US Securities Act of 1933 (Securities Act) for offers of securities which are made outside the US. Accordingly, the CDIs, have not been, and will not be, registered under the 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 are 'restricted securities' under Rule 144 of the Securities Act. This means that you are unable to sell the CDIs into the US or to a US person who is not a QIB for the foreseeable future except in very limited circumstances until after the end of the restricted period, unless the re-sale of the CDIs is registered under the Securities Act or an exemption is available. To enforce the above transfer restrictions, all CDIs issued bear a FOR Financial Product designation on the ASX. This designation restricts any CDIs from being sold on ASX to US persons excluding QIBs. However, you are still able to freely transfer your CDIs on ASX to any person other than a US person who is not a QIB. In addition, hedging transactions with regard to the CDIs may only be conducted in accordance with the Securities Act.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Sezzle Inc.

ABN

633 327 358 (ARBN)

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	92,556	215,673
1.2 Payments for		
(a) research and development	(148)	(627)
(b) product manufacturing and operating costs	(3,239)	(7,600)
(c) advertising and marketing	(642)	(863)
(d) leased assets	(157)	(380)
(e) staff costs	(2,424)	(6,481)
(f) administration and corporate costs	(1,219)	(3,506)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	50	128
1.5 Interest and other costs of finance paid	(448)	(1,171)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (payments to merchants)	(90,742)	(215,093)
1.9 Net cash from / (used in) operating activities	(6,413)	(19,920)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(89)	(492)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(89)	(492)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	30,287
3.2	Proceeds from issue of convertible debt securities	-	5,813
3.3	Proceeds from exercise of options	26	37
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(2,827)
3.5	Proceeds from borrowings	19,500	24,200
3.6	Repayment of borrowings	(3,050)	(6,950)
3.7	Transaction costs related to loans and borrowings	(592)	(608)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	15,884	49,952

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	27,243	7,085
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,413)	(19,920)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(89)	(492)

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	15,884	49,952
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	36,625	36,625

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	34,965	23,846
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (restricted cash)	1,660	3,397
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	36,625	27,243

**6. Payments to related parties of the entity and their
associates**

- 6.1 Aggregate amount of payments to related parties and their
associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their
associates included in item 2

**Current quarter
\$US'000**

-

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	100,000	21,450
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	100,000	21,450

7.5 **Unused financing facilities available at quarter end** 102

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Loan facilities consist of a revolving line of credit with three members (the Syndicate): Atalaya Capital Management, Bastion Consumer Funding II, LLC and Hudson Cove Capital Management. Borrowings on the line of credit carry an interest rate of 9.65% as of 31 December 2019. The line of credit is secured by end-customer receivables and offers an available borrowing base of US\$21.6 million, of which US\$21.5 million is drawn as of 31 December 2019.

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(6,413)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	36,625
8.3 Unused finance facilities available at quarter end (Item 7.5)	102
8.4 Total available funding (Item 8.2 + Item 8.3)	36,727
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5.7

Note, item 8.3 does not include US\$78.4 million of additional loan facilities available to the Company to fund future growth.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 January 2020

Authorised by: Authorised by the Disclosure Committee
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.