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ASX Release

Company Announcements Platform

Sezzle Releases FY19 Financial Results and 2019 Annual Report

Sezzle Inc. (ASX:SZL) (**Sezzle** or **Company**) is pleased to provide its financial results for the year ended December 31, 2019 (**FY19**), and release its first Annual Report as a publicly listed company.

Today's reporting showcases a strong full-year result across multiple key business metrics. Sezzle's 2019 results exhibited fast-growing market acceptance of Sezzle by merchants and customers; rapid topline growth; improving measures of profitability; a well-resourced balance sheet to support future growth and a high level of recent momentum.

Financial Performance Highlights:

Key financial highlights for FY19 (with FY18 comparatives) include the following:

- Total income multiplied by nearly 10x to US\$16.1m from US\$1.63m;
- Underlying Merchant Sales (**UMS**) totaled US\$244.1 million, up from US\$31.1 million;
- Net Transaction Margin (**NTM**) as a percentage of UMS turned positive in 2019, reaching 0.3% of UMS compared to (1.0%) in the previous year primarily driven by improvements in Merchant Fees and Net Transaction Losses (**NTL**);
- Active Customers grew to 914,886 by FY19, compared to 155,257 at the prior year end (Active Customers surpassed 1,000,000 in early February 2020);
- The Company's Active Merchant count achieved a historic milestone, reaching 10,010 at FY19 compared to 2,228 as of the prior year end;

Additionally, the Company achieved several key financial milestones in FY19, namely the US\$33.3 million in capital raised (net of costs) during 2019, most notably through the Company's successful Initial Public Offering (**IPO**) on the Australian Securities Exchange (**ASX**). The



Company also secured a US\$100 million revolving debt facility in Q4 2019 to support the Company's exceptional UMS growth.

The FY19 period was a transformational year for Sezzle and as Charlie Youakim, CEO, noted in the 2019 Annual Report:

"We are excited to report that we experienced tremendous growth across all our key operating metrics in 2019. This growth, coupled with our becoming a publicly-traded company in July, solidified our position as the leading US-based installment payments platform. Our team is committed to our mission of financially empowering the next generation of consumers and building a brand that makes our stakeholders proud. We forge into 2020 with the momentum of 2019's tremendous success and plans to make a significant impact in the years ahead."

Financial Update

Merchant Fees totaled US\$13.0 million for the 2019 year, compared to US\$1.5 million in the prior year. As a percentage of UMS, Sezzle saw a significant improvement in this metric, improving to 5.3% compared to 4.8% for the previous year. Merchant fees are predominantly based on a percentage of the End-customer order plus a fixed fee per sale. This key improvement was driven by Sezzle's ability to onboard and retain profitable merchants.

Net Transaction Margin (NTM) turned positive in 2019, ending at 0.3% of UMS in FY19 compared to (1.0%) in the prior year. The Company's improvement in NTM is a result of the Company's improved unit economics, primarily related to Net Transaction Losses (NTL). NTL improved to (1.5%) of UMS, improving eighty basis points from (2.3%) for the prior year ended, driven by gains in both collections on End-customer receivables and failed payment fees. Further, this improvement in NTM was derived in the second half of 2019. The Company's standalone NTM in H2 FY19 was 0.6%, compared to (0.3%) in H1 FY19.

EBITDA totaled (\$10.7m) in 2019 compared with (\$4.0m) in the prior year. The net expense increase of (\$6.7m) in 2019 is comprised primarily of compensation related expenses that increased by (\$6.1m) from the prior year. The year over year increase in compensation related expense was driven by additional employee and contractor headcount. Total employees and contractors were 133 as of December 31, 2019, compared to 63 as of December 31, 2018.

Capital Position

The Company ended the year in a strengthened capital position. In terms of funding, the Company raised US\$33.3m (net of costs) during the year, consisting of US\$5.8m in pre-IPO capital via convertible notes and US\$27.5m in IPO proceeds. Cash and cash equivalents at year end totaled US\$36.6m. Late in the year, Sezzle also dramatically increased the size of its external debt funding facility from US\$30m to US\$100m. The expanded facility, secured on superior terms, will enable continued strong growth in UMS in FY20 and beyond.

Total assets increased to US\$64.5 million as of the end of 2019, compared to US\$12.5 million as of the previous year end. The increase is driven by increases in cash and cash equivalents of US\$29.5 million and notes receivable of US\$20.3 million.

Merchant accounts payable increased to US\$13.3 million compared to US\$2.3 million as of the prior year ended, and the line of credit, net of unamortized debt issuance costs increased to US\$20.9 million compared to US\$4.1 million as of the preceding year ended.

Operating Metrics

The Company's key operating metrics grew substantially in 2019, as summarized below:

Count as of ¹	Dec 31, 2019	Dec 31, 2018	Change
Active Customers	914,886	155,257	489%
Active Merchants	10,010	2,228	349%
For the Year Ended	Dec 31, 2019	Dec 31, 2018	Change
UMS	US\$244.1m	US\$31.1m	685%
Merchant Fees	US\$13.0m	US\$1.5m	775%

Sezzle's Active Customer base ended the year at 914,886, an increase of 489% year over year. This growth positioned the Company to clear the one million Active Customer mark in early 2020

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



(as previously announced to the ASX on February 10). The rise in Active Customers throughout the year is evidence that consumers, by and large, are attracted to the Sezzle product.

UMS continued a consistent quarter over quarter growth rate throughout 2019, ending the year at US\$244.1m, or 685% ahead of last year's mark and a clear indication of strong growth in Active Customers. Repeat Usage, defined as the percentage of orders made by returning End-customers to date relative to total cumulative orders to date, increased to 83.7% from 69.7% as of the prior year. Sezzle's Active Customer base continues to grow, and, more importantly, this user base continues to elect Sezzle as a preferred payment option.

The Company also eclipsed the 10,000 Active Merchant mark near the end of 2019. The addition of these new merchants, averaging 21 per day throughout the year, also proved to be profitable, evidenced with Merchant Fees as a percentage of UMS growing to 5.3% in 2019 compared to 4.8% in the prior year.

New Brand and Logo

Sezzle also used the occasion of its Annual Report to unveil its new branding identity, which includes a new logo, color scheme, visual identity, and other elements.

On the new branding, CEO Charlie Youakim made the following observation:

"We at Sezzle are fundamentally changing how consumers think about payments and their financial futures. With our mission to financially empower the next generation, we are committed to building a company that reinforces this mission, and a big part of that is how we communicate with our consumers, brands, and partners. We launched a rebranding process to ensure that we are establishing our commitment to the future. We wanted our branding to exemplify a platform that supports inclusivity, transparency, and access. We are excited about our refreshed brand, and we hope you are, too."

This announcement should be read in conjunction with the Company's Appendix 4E, Annual Report and Investor Presentation for the year ended December 31, 2019.

This announcement was authorized on behalf of the Sezzle Inc. Board by Charlie Youakim, CEO and Executive Chairman.

ENDS



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ABOUT SEZZLE

“A Next Generation Payments Platform for a New Generation of Consumers”

Sezzle is a technology-enabled payments company based in the United States with operations across the United States and Canada. The company is traded on the Australian ASX under the ticker [SZL](#). The company’s mission is to financially empower the next generation of consumers who have been historically locked out of the traditional credit system and support shoppers across the entire demographic spectrum with a flexible, reliable, transparent, and secure alternative to the incumbent payment options traditionally available to average consumers. The company provides an alternative payment platform offering interest-free installment plans at online stores and a select number of on-site retail locations. Sezzle connects end-customers with merchants via a proprietary payments solution that unlocks the purchasing power of the end-customers, allowing them to purchase and receive the items that they need now by paying over time in interest-free installments. Merchants turn to Sezzle to tap into the company’s growing network of end-customers, enabling them to increase average basket size, order volume, and revenue, with the guarantee of immediate settlement. Sezzle is a high-growth networked platform that benefits from a symbiotic and mutually accretive relationship between merchants and end-customers. The company also provides an array of ancillary services, budgeting tools, and other products that support both end customers and merchants.

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



The way forward.

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.