

Company Announcements Platform

Record Half Year 2020 Results (30 June 2020)

<u>Highlights</u>

31 August 2020

- 1H20 Underlying Merchant Sales (UMS) and Total Income rose 338% and 384% YoY, respectively.
- Merchant Fees (84% of Total Income) for 1H20 increased 390% YoY.
- Active Consumers and Active Merchants reached 1.5M and 16.1K, respectively, as of 30 June 2020, representing YoY increases of 243% and 219%, respectively.
- Net Transaction Margin (NTM) was US\$5.1M in 1H20 (1.7% of UMS) compared to a negative US\$0.2M in 1H19.
- Strong positive trends continued in July 2020 with Active Consumers reaching 1.6M (up 7.1% MoM), Active Merchants reaching 17.6K (9.3% MoM), Active Consumer repeat usage of 88.1% (19th straight month of sequential improvement), and UMS of US\$71.8M, representing a record month and 14.6% above the average monthly pace for 2Q20.
- The Company reiterates its UMS guidance of achieving an annualized run rate in excess of US\$1.0 billion by the end of 2020.
- Subsequent to 30 June 2020, the Company raised US\$58.3 million (net of costs of the offer) via an Institutional Placement and Securities Purchase Plan to accelerate growth and strengthen the balance sheet.

Sezzle Inc. (ASX:SZL) (Sezzle or Company) // Installment payment platform, Sezzle, is pleased to provide its financial results for the half year ended 30 June 2020 (1H20). The Company previously reported certain key operating metrics for 1Q20 (27 April 2020) and 2Q20 (27 July 2020), in conjunction with its Appendix 4C filings.

"We are fortunate to be able to provide merchants and consumers the payment flexibility they need in this unprecedented global pandemic of our lifetime. The utility of Sezzle is evident in our record 1H20 performance and strong start to 3Q20 in July," said Sezzle Executive Chairman and CEO Charlie Youakim. "We are pleased to reiterate our UMS guidance of achieving an annualized run rate target of US\$1.0 billion in UMS by the end of 2020."



During the first half of 2020, the Company continued to benefit from the rise in eCommerce (e.g., Sezzle is nearly 100% eCommerce) and an improving consumer profile (i.e., repeat usage and frequency of purchases). According to the U.S. Census Bureau, eCommerce in the U.S. rose to 15.1% of total unadjusted retail sales in 2Q20 compared to 10.1% in 2Q19. Additionally, for 2Q20, total unadjusted retail sales in the U.S. declined 3.4% YoY, while eCommerce increased 44.4% YoY.

UMS, Total Income, and NTM

The strength in eCommerce and the utility of Sezzle's product is reflected in the record first half performance, which saw UMS increase 338% YoY to US\$307.4 million for 1H20 and Total Income rise 384% YoY to US\$20.8 million, with 84% of Total Income represented by Merchant Fees.

NTM as a percentage of UMS jumped to 1.7% in 1H20 compared to a negative 0.3% in 1H19. A significant portion of the margin expansion is attributed to the Company's improving consumer profile, which experienced favorable trends in repeat usage, frequency of purchases and overall payment performance. Active Consumer repeat usage rose to 87.5% as of 30 June 2020 compared to 77.2% as of 30 June 2019. Through July 2020, purchase frequency by cohort stood at 15 transactions per year for the 2018 cohort, 9 times for the 2019 cohort, and 5 times for the 2020 cohort.

"The gains in repeat consumer usage and frequency of purchases by cohort are key drivers to lower loss rates and greater net transaction margin," added Mr. Youakim. "We are excited about the brand loyalty that is building, with subsequent cohorts outpacing previous cohorts at similar points in time."

QUARTERLY TOTAL INCOME (US\$000's)



NTM AND AS % OF UMS





Key Operating Metrics

	1H20 (ended 30 June 2020)		HoH	YoY
Key Metrics	(A\$ in M's)¹	(US\$ in M's)	change	change
UMS	\$445.2	\$307.4	77%	338%
Avg. Monthly UMS	\$74.2	\$51.2	77%	338%
Total Income	\$30.1	\$20.8	77%	384%
Total Income as % of UMS	6.8%	6.8%	0bps	+64bps
Merchant Fees as % of Total Income	84%	84%	+376bps	+107bps
Active Consumers	1,475,235	1,475,235	61%	243%
Active Merchants	16,112	16,112	61%	219%

 1 A\$ to US\$ exchange rate of \$0.6904.

- UMS increased 77% HoH and 338% YoY. Each quarter in 1H20 represented a new record as the average monthly UMS for 1Q20 was US\$39.8 million followed by US\$62.7 million in 2Q20. 3Q20 is off to a strong start with UMS of US\$71.8 million in July 2020 14.6% above the average monthly performance in 2Q20 and the Company's best monthly performance on record.
- Total Income performed similarly to UMS, increasing 77% HoH and 384% YoY. As a percentage of UMS, Total Income improved 64bps YoY to 6.8%. Total Income is driven primarily by Merchant Fees, which represented 84% of Total Income in 1H20, a 107bps increase from 1H19.
- In 1H20, the Company added 560,349 Active Consumers with 2Q20 representing a record in quarterly growth with 325,990 additions. An additional, 104,701 Active Customers were added in July 2020, bringing the Company's total at 31 July 2020 to 1,579,936.
- During 1H20, 6,102 Active Merchants were added, with most of the growth occurring in 2Q20 (3,397) compared to 1Q20 (2,705). As of 31 July 2020, the Company has 17,609 Active Merchants as another 1,497 merchants joined the platform in July, a record for monthly Active Merchant additions.



Capital Position

"Our successful equity capital raise of US\$58.3 million subsequent to quarter end, greatly strengthened the Company's balance sheet. Although the COVID-19 pandemic continues, we are well positioned to weather its effects and pursue significant growth opportunities," noted Sezzle CFO Karen Hartje.

As of 30 June 2020, the Company had US\$55.7 million of cash and cash equivalents (US\$52.8m) and restricted cash (US\$2.9m) on hand, an increase of US\$19.1 million from 31 December 2019 (US\$36.6 million). The increase in cash balances was driven by positive operating cash flow of US\$2.5 million and additional borrowings on the Company's line of credit. As of 30 June 2020, US\$37.0 million was drawn on the Company's US\$100.0 million facility.

US\$000's	Unaudited 30-Jun-2020	PF effect of equity raise	Pro forma 30-Jun-2020
Cash and cash equivalents Restricted cash	\$52,779 \$2,954	\$58,300	\$111,079 \$2,954
Total cash	\$55,733	\$58,300	\$114,033
Revolving line of credit Long term debt	\$37,000 \$1,470	-	\$37,000 \$1,470
Total debt	\$38,470	-	\$38,470

Operating cash flows for the first half were a positive US\$2.5 million, compared to a cash outflow of US\$6.5 million reported in 1H19. The positive improvement in operating cash flows was predominately driven by the growth in merchant accounts payable in the first half of 2020 exceeding the increase of notes receivable by US\$1.3 million. In the first half of 2019, the growth in receivables exceeded that of merchant accounts payable by US\$3.7 million, accounting for the majority of the negative operating cash flow. Payments from consumers and to merchants are driven by UMS volume, with the difference in payment flows between merchants and consumers driven by the timing of payments as well as seasonality.

Outlook

The Company reiterates its UMS guidance of achieving an annualized run rate in excess of US\$1.0 billion by the end of 2020.



Conference Call Details

Sezzle's Executive Chairman and CEO, Charlie Youakim, will host a teleconference call at 10.30am (Sydney time) today for investors and equity analysts to discuss the half-year results.

Participants can register for the conference by navigating to: <u>https://s1.c-conf.com/diamondpass/10009396-invite.html</u>

Please note that registered participants will receive their dial in number upon registration.

This announcement was approved by the Company's CEO and Executive Chairman, Charlie Youakim, on behalf of the Sezzle Inc. Board.

Contact Information

For more information about this announcement:

Investor Relations Lee Brading, CFA +61 391 112 670 InvestorRelations@sezzle.com Justin Clyne Company Secretary +61 407 123 143 jclyne@clynecorporate.com.au Media Enquiries Mel Hamilton - M&C Partners +61 417 750 274 melissa.hamilton@mcpartners.com.au

About Sezzle Inc.

Sezzle is a rapidly growing fintech company on a mission to financially empower the next generation. Sezzle's payment platform increases the purchasing power for 1.6 million Active Consumers by offering interest-free installment plans at online stores and select in-store locations. Sezzle's transparent, inclusive, and seamless payment option allows consumers to take control over the spending, be more responsible, and gain access to financial freedom. When consumers apply, approval is instant, and their credit scores are not impacted, unless the consumer elects to opt-in to a credit building feature, called Sezzle Up.

This increase in purchasing power for consumers leads to increased sales and basket sizes for the more than 17,600 Active Merchants that offer Sezzle.

For more information visit <u>sezzle.com</u>.



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 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.