

30 October 2020

ASX RELEASE

Company Announcements Platform

3Q 2020 (30 September 2020): Appendix 4C

Sezzle Inc. (ASX:SZL) (Sezzle or Company) // Installment payment platform, Sezzle, is pleased to provide its Appendix 4C cash flow report for the quarter ended 30 September 2020 (3Q20). The Company previously reported certain key quarterly operating metrics for 3Q20 on 8 October 2020 – *Sezzle Reports Record Third Quarter Results* and *Third Quarter Results Presentation* (links provided at end of release).

"We are extremely proud of our team and what they have accomplished in 2020, but we are not done. Our product initiatives and merchant pipeline have never been better and the current quarter has gotten off to a solid start," said Sezzle's Executive Chairman and CEO Charlie Youakim. *"We believe we are well-positioned, as we head into our strongest seasonal months of November and December."*

3Q20 Key Metrics (previously reported on 8 October 2020)

Key Metrics (unaudited)	Quarter Ended 30 Sep 2020		QoQ change	YoY change
	(A\$ in M's) ¹	(US\$ in M's)		
Underlying Merchant Sales (UMS)	\$318.2	\$228.2	21.4%	231.5%
Average Monthly UMS	\$106.1	\$76.1	21.4%	231.5%
Merchant Fees ²	\$18.1	\$13.0	22.5%	260.6%
Merchant Fees as % UMS	5.7%		5bps	46bps
Active Consumers	1,792,681		21.5%	178.1%
Active Merchants	20,890		29.7%	178.3%
Active Consumer Repeat Usage	89.0%		41bps	748bps

¹A\$ to US\$ exchange rate of \$0.7170.

² Merchant Fees represented 84% of Total Income in 1H20.

- The Company nearly achieved its annualized run-rate goal of US\$1.0 billion in UMS in 3Q20, achieving a run-rate of US\$986 million based on September's performance.
- Average monthly UMS of US\$76.1 million in 3Q20 represented a 231.5% YoY increase, with each month sequentially showing improvement.
- Merchant Fees rose 260.6% YoY for 3Q20 to US\$13.0 million, representing 5.7% of UMS, an improvement of 46bps YoY. In 1H20, Merchant Fees represented 84% of Total Income.
- The growth in Active Merchants in 3Q20 (4,778 additions) exceeded the Company's previous record of 3,397 set in 2Q20.
- Active Consumer Repeat Usage increased to 89.0%, which was the 21st consecutive month of improvement in usage.
- The trend of lower YoY gross losses on notes receivable and Net Transaction Losses (both unaudited) as a percentage of UMS continued in 3Q, resulting in relatively low loss rates.

Quarterly Cash Flows

"Our strong balance sheet position at 30 September allows us to pursue our growth strategies and weather the protracted effects of COVID-19," noted Sezzle CFO Karen Hartje. "We also continue to see COVID-19 hardship requests decline to negligible levels. The combination of lower hardship requests and the continued improvement in our Active Consumer Repeat Usage rate have played key roles in keeping our loss rates at relatively low levels."

Select Balance Sheet Data

US\$000's	Unaudited 30-Jun-2020	Unaudited 30-Sep-2020
Cash and cash equivalents	\$52,779	\$112,794
Restricted cash	\$2,954	\$5,131
Total cash	\$55,733	\$117,925
Line of credit (\$100M)	\$37,000	\$46,000

As of 30 September 2020, the Company had US\$117.9 million of cash and cash equivalents (US\$112.8 million) and restricted cash (US\$5.1 million) on hand, an increase of US\$62.2 million from 2Q20 (US\$55.7 million). The increase in cash balances was driven by cash flows from financing activities, as the Company raised US\$60.5 million in proceeds from issues of equity securities. As of 30 September 2020, US\$46.0 million was drawn on the Company's US\$100.0 million facility.

Operating cash flows for the third quarter were a negative US\$4.7 million. YTD cash flows from operating activities totaled a negative US\$2.2 million. Cash receipts from customers rose 23.4% QoQ to US\$209.0 million from US\$169.3 million in 2Q20. Cash payments to merchants rose 29.4% QoQ to US\$199.7 million from US\$154.3 million in 2Q20. Payments from customers and to merchants are driven by UMS volume, with the difference in payment flows between merchants and customers driven by the timing of payments as well as seasonality.

Key operating cash outflows:

- Product and operating costs (primarily payment processing fees) totaled US\$6.0 million in 3Q20 compared to US\$5.2 million reported in 2Q20. As a percentage of receipts from customers, product and operating costs declined 23bps QoQ to 2.9%.
- Staff costs, inclusive of wages, salaries, commissions, and other employee related benefits, as a percentage of Merchant Fees remained relatively flat at 28.6% compared to 27.9% in 2Q20. In total, staff costs increased to US\$3.7 million in 3Q20 from US\$3.0 million in 2Q20.
- Administrative and corporate costs (primarily third-party software, legal, insurance, and other general corporate overhead) increased to US\$1.9 million from US\$1.2 million in 2Q20. The QoQ increase in administrative and corporate costs were primarily driven by higher audit and legal costs as well as the prepayment of annual insurance premiums.
- Interest expense costs increased to US\$1.1 million in 3Q20 compared to US\$0.9 million in 2Q20. The higher interest expense was attributable to a greater amount being drawn on the line of credit during 3Q20 compared to 2Q20.
- As noted in section 6 of the Appendix 4C, payments of US\$145,000 were made to the Directors of the entity during the quarter comprising salaries and fees for

Executive and Non-Executive Directors. No other payments were made to any related parties or their associates of the entity.

Use of Funds

The Company provides the following 'Use of Funds' information pursuant to ASX Listing Rule 4.7C.2.

Uses / (Sources) of Funds	Prospectus (US \$M)	3Q 2020 (US \$M)	Cumulative Expenditure (US\$M)	Commentary
Sales and marketing to merchants	\$6.8	\$3.1	\$9.4	Expenditures running higher than prospectus due to greater investment in onboarding new merchants, offset by increased net cash proceeds from operations.
Development and engineering	6.5	1.6	5.3	Expenditures running higher than prospectus due to greater than anticipated investment in development and engineering, offset by net cash proceeds from operations.
Data sciences and risk management	4.5	0.5	1.9	Expenditures running lower than prospectus, driven primarily by cost reductions for third party data sources.
Consumer and merchant support	3.3	0.6	2.2	On track according to prospectus.
Administration and overheads	4.8	1.1	4.1	Expenditures running higher than prospectus due to higher expenses associated with supporting the growth in the business, also offset by increased net cash proceeds from operations.
Costs of the offer	2.6	0.0	2.8	Final costs of the offer at IPO were greater than prospectus, incurred in Q3 2019.
Working capital and funding capital	4.6	(2.0)	(11.9)	Increased net cash proceeds from operations provide source of working and funding capital versus prospectus.
Total Uses / (Sources) before Financing Activities	\$33.1	\$4.9	\$13.9	
Total Uses / (Sources) from Financing Activities	\$0.0	(\$67.1)	(\$99.8)	
Total (Sources) of Funds	\$33.1	(\$62.2)	(\$85.9)	

A link to the Company's *Sezzle Reports Record Third Quarter Results* filed 8 October 2020 can be found at:

https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02291205-2A1255190?access_token=83ff96335c2d45a094df02a206a39ff4

A link to the Company's Third Quarter Results Presentation filed 8 October 2020 can be found at:

https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02291206-2A1255191?access_token=83ff96335c2d45a094df02a206a39ff4

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

Contact Information

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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 more than 1.7 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 affected, unless the consumer elects to opt-in to Sezzle's credit building feature - Sezzle Up.

This increase in purchasing power for consumers leads to increased sales and basket sizes for the more than 20,800 Active Merchants that offer Sezzle.

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")

30 September 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	208,958	489,021
1.2 Payments for		
(a) research and development	(160)	(494)
(b) product manufacturing and operating costs	(6,004)	(15,012)
(c) advertising and marketing	(938)	(1,364)
(d) leased assets	(165)	(425)
(e) staff costs	(3,712)	(9,533)
(f) administration and corporate costs	(1,932)	(4,331)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	55
1.5 Interest and other costs of finance paid	(1,060)	(2,722)
1.6 Income taxes paid	(8)	(8)
1.7 Government grants and tax incentives	-	-
1.8 Other (payments to merchants)	(199,686)	(457,351)
1.9 Net cash from / (used in) operating activities	(4,699)	(2,164)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(197)	(438)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 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	(197)	(438)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	60,457	60,457
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	116	162
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2,485)	(2,485)
3.5	Proceeds from borrowings	26,000	54,870
3.6	Repayment of borrowings	(17,000)	(29,100)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repurchase of shares)	-	(2)
3.10	Net cash from / (used in) financing activities	67,088	83,902

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	55,733	36,625
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,699)	(2,164)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(197)	(438)

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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	67,088	83,902
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	117,925	117,925

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	112,794	52,779
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Restricted cash)	5,131	2,954
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	117,925	55,733

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	145
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

7.	Financing facilities <i>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.</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities	100,000	46,000
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		3,136
7.6	<p>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.</p> <p>Loan facilities consist of a revolving line of credit with three members (the Syndicate): Bastion Consumer Funding II, LLC; Atalaya Asset Income Fund IV LP; and Hudson Cove Credit Opportunity Master Fund, LP for a credit facility of US\$100 million. Borrowings on the line of credit carry an interest rate of 9.50% as of 30 September 2020. The line of credit with the Syndicate is secured by end-customer receivables and offers an available borrowing base of US\$49.1 million, of which US\$46.0 million is drawn as of 30 September 2020.</p>		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(4,699)
8.2	Cash and cash equivalents at quarter end (item 4.6)	117,925
8.3	Unused finance facilities available at quarter end (item 7.5)	3,136
8.4	Total available funding (item 8.2 + item 8.3)	121,061
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	25.8
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>		
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.6.1 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?</p> <p>Answer: N/A</p> <p>8.6.2 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?</p> <p>Answer: N/A</p> <p>8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?</p> <p>Answer: N/A</p> <p><i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i></p>	

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: 30 October 2020

Authorised by: Authorised by the Company's CEO and Executive Chairman
(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.