

29 January 2021

## ASX RELEASE

Company Announcements Platform

# 4Q 2020 (31 December 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 31 December 2020 (4Q20). The Company previously reported its key quarterly operating metrics for 4Q20 on 12 January 2021 – *Sezzle Reports Record Fourth Quarter Results* (link provided at end of release).

*"We are very excited about our momentum as December's UMS outpaced November's for the first time in the Company's history. Further, each month throughout 4Q20 represented new records for UMS, Active Consumers, Active Merchants, and Repeat Usage,"* stated Sezzle's Executive Chairman and CEO Charlie Youakim. *"Our efforts toward large enterprise merchants is paying dividends, as evidenced by our recent addition of GameStop and a number of mid-sized merchants such as UNTUCKit, Thursday Boots, Galls, Guidefitter, and Pure Hockey."*

## 4Q20 Key Metrics (previously reported on 12 January 2021)

Key Metrics (unaudited)	Quarter Ended 31 Dec 2020		QoQ change	YoY change
	(A\$ in M's) <sup>1</sup>	(US\$ in M's)		
Underlying Merchant Sales (UMS)	\$419.8	\$320.8	40.6%	205.4%
Average Monthly UMS	\$139.9	\$106.9	40.6%	205.4%
Merchant Fees <sup>2</sup>	\$22.5	\$17.2	32.6%	195.6%
Merchant Fees as % UMS	5.4%		-32bps	-18bps
Active Consumers	2,231,089		24.5%	143.9%
Active Merchants	26,690		27.8%	166.6%
Active Consumer Repeat Usage	89.8%		75bps	608bps

<sup>1</sup>A\$ to US\$ exchange rate of \$0.7642.

<sup>2</sup>Merchant Fees represented 84% of Total Income in 1H20.

Notable 4Q20 Highlights:

- UMS for 4Q20 increased 205.4% YoY to US\$320.8M (A\$419.8M<sup>1</sup>, +40.6% QoQ). December's UMS exceeded November's by 0.4% with annualized run-rate UMS reaching US\$1.36B (A\$1.78B<sup>1</sup>).
- Average monthly UMS reached US\$106.9M in 4Q20 compared to US\$76.1M in 3Q20 and US\$35.0M in 4Q19.
- Merchant Fees as a percentage of UMS were 5.4% in 4Q20 compared to 5.5% in 4Q19, reflecting the expansion into large enterprise.
- Active Consumers exceeded the 2 million mark in 4Q20, rising to 2.2 million, representing a 143.9% increase YoY. The total number of consumers that have signed up with Sezzle surpassed 5 million.
- Active Merchants increased 166.6% YoY in 4Q20 to 26,690 (+27.8% QoQ).
- Sezzle's consumer profile continued to improve as Active Consumer repeat usage grew to 89.8% (24<sup>th</sup> consecutive month of improvement) and is a key driver to lower loss rates.
- The Company's first large scale marketing campaign ('Save the Holiday') was a significant success. In November and December, Sezzle more than doubled the daily download pace of its app and social network followers (i.e., Instagram, LinkedIn, Facebook, and Twitter).
- In 4Q20, the Company's omnichannel offering became available at Fortune 500 company, GameStop, the world's largest retailer of video games.
- The Company's move up the merchant enterprise spectrum toward large enterprise is gaining traction. In addition to GameStop, Sezzle is now available at a number of mid-size merchants such as UNTUCKit, Thursday Boots, Galls, Guidefitter, and Pure Hockey.
- Sezzle Up was broadly launched to consumers that wish to build their credit and boost their shopping power. Through Sezzle's partnership with TransUnion, Sezzle Up is the first buy now, pay later offering for consumers that want to build credit.

<sup>1</sup> A\$ to US\$ exchange rate of \$0.7642.

- Sezzle's installment solution went live in November with eCommerce platform Wix. The Company's integration with Wix is available to all Wix users in the United States, Canada, India and in future regions as Sezzle expands.

### Quarterly Cash Flows

"We continue to maintain a strong liquidity position, through a combination of cash on hand and availability under our line of credit," noted Sezzle CFO Karen Hartje. "In 4Q20, increases in expenditures for staffing, advertising and marketing, and research and development reflect our move to larger enterprise merchants and the enhancement of our marketing campaign efforts."

Select Balance Sheet Data

US\$000's	Unaudited 30 Sep 2020	Unaudited 31 Dec 2020
Cash and cash equivalents	\$112,794	\$84,285
Restricted cash	\$5,131	\$4,817
<b>Total cash</b>	<b>\$117,925</b>	<b>\$89,102</b>
Line of credit (\$100M)	\$46,000	\$40,000

As of 31 December 2020, the Company had total cash on hand of US\$89.1 million, consisting of US\$84.3 million of cash and cash equivalents and US\$4.8 million of restricted cash. Total cash on hand declined by US\$28.8 million during 4Q20, driven by a US\$22.2 million use in operating activities and a US\$6.4 million use in financing activities. As of 31 December 2020, US\$40.0 million was drawn on the Company's US\$100.0 million facility.

Operating cash flows for 4Q20 were a negative US\$22.2 million. During the quarter, cash receipts from customers of US\$284.3 million (up 36.1% QoQ) were consistent with cash payments to merchants of US\$285.3 million (up 42.9% QoQ).

Key operating cash outflows:

- Product manufacturing and operating costs (primarily payment processing fees) totalled US\$7.7 million in 4Q20 compared to US\$6.0 million reported in 3Q20. As a

percentage of receipts from customers, product manufacturing and operating costs declined 15bps QoQ and 78bps YoY to 2.7%.

- Staff costs, inclusive of wages, salaries, commissions, and other employee related benefits, as a percentage of Merchant Fees increased to 33.2% in 4Q20 compared to 28.6% in 3Q20. In total, staff costs increased to US\$5.7 million in 4Q20 from US\$3.7 million in 3Q20, as the Company continues to increase the scale of its operations in technology, customer support, and sales and marketing.
- Payments for research and development were US\$2.5 million in 4Q20 compared to US\$0.2 million in 3Q20. The increase in spend is attributable to the integration and onboarding of large enterprise merchants and eCommerce platforms.
- Advertising and marketing payments rose to US\$2.2 million in 4Q20 versus US\$0.9 million in 3Q20. The increase in advertising and marketing payments is in conjunction with the Company's large enterprise and marketing campaign efforts.
- Administration and corporate costs (primarily third-party software, legal, insurance, and other general corporate overhead) declined 3.6% QoQ to US\$1.9 million.
- As noted in section 6 of the Appendix 4C, payments of US\$162,000 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)	4Q 2020 (US \$M)	Cumulative Expenditure (US\$M)	Commentary
Sales and marketing to merchants	\$6.8	\$6.1	\$15.6	Expenditures running higher than prospectus due to greater investment in onboarding new merchants and associated marketing spend, offset by increased net cash proceeds from operations.
Development and engineering	6.5	3.6	8.9	Expenditures running higher than prospectus due to greater than anticipated investment in development, engineering and integrations, offset by net cash proceeds from operations.
Data sciences and risk management	4.5	0.6	2.5	Expenditures running lower than prospectus, driven primarily by cost reductions for third party data sources.
Consumer and merchant support	3.3	0.8	3.0	Expenditures running higher than prospectus due to significant growth in consumer and merchant additions.
Administration and overheads	4.8	1.5	5.6	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 3Q 2019.
Working capital and funding capital	4.6	9.9	(2.0)	Increased net cash proceeds from operations provide source of working and funding capital versus prospectus.
<b>Total Uses / (Sources) before Financing Activities</b>	<b>\$33.1</b>	<b>\$22.5</b>	<b>\$36.4</b>	
Total Uses / (Sources) from Financing Activities	\$0.0	\$6.4	(\$93.4)	
<b>Total Uses / (Sources) of Funds</b>	<b>\$33.1</b>	<b>\$28.9</b>	<b>(\$57.0)</b>	

The Company's *Sezzle Reports Record Fourth Quarter Results* filed 12 January 2021 can be found at:

[https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02329899-2A1274744?access\\_token=83ff96335c2d45a094df02a206a39ff4](https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02329899-2A1274744?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 2.2 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 their spending, be more responsible, and gain access to financial freedom. When consumers apply, approval is instant, and their credit scores are not affected.

The increase in purchasing power for consumers leads to increased sales and basket sizes for the more than 26,600 Active Merchants that offer Sezzle.

For more information visit [sezzle.com](https://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 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (12 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	284,322	773,343
1.2 Payments for		
(a) research and development	(2,499)	(2,993)
(b) product manufacturing and operating costs	(7,745)	(22,757)
(c) advertising and marketing	(2,242)	(3,606)
(d) leased assets	(117)	(542)
(e) staff costs	(5,705)	(15,238)
(f) administration and corporate costs	(1,863)	(6,194)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	66
1.5 Interest and other costs of finance paid	(1,065)	(3,787)
1.6 Income taxes paid	-	(8)
1.7 Government grants and tax incentives	-	-
1.8 Other (payments to merchants)	(285,254)	(742,605)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(22,157)</b>	<b>(24,321)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(296)	(734)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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	<b>Net cash from / (used in) investing activities</b>	<b>(296)</b>	<b>(734)</b>

3.	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	60,457
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	274	436
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(2,485)
3.5	Proceeds from borrowings	32,000	86,870
3.6	Repayment of borrowings	(38,000)	(67,100)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repurchase of shares)	(644)	(646)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(6,370)</b>	<b>77,532</b>

4.	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	117,925	36,625
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(22,157)	(24,321)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(296)	(734)



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)	(6,370)	77,532
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>89,102</b>	<b>89,102</b>

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	84,285	112,794
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Restricted cash)	4,817	5,131
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>89,102</b>	<b>117,925</b>

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	162
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.	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
7.1	Loan facilities	100,000	40,000
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>		
7.5	<b>Unused financing facilities available at quarter end</b>		23,891
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 31 December 2020. The line of credit with the Syndicate is secured by end-customer receivables and offers an available borrowing base of US\$63.9 million, of which US\$40.0 million is drawn as of 31 December 2020.</p>		

8.	<b>Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(22,157)
8.2	Cash and cash equivalents at quarter end (item 4.6)	89,102
8.3	Unused finance facilities available at quarter end (item 7.5)	23,891
8.4	Total available funding (item 8.2 + item 8.3)	112,993
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	5.1
<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	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
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>Answer: N/A</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>Answer: N/A</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>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: 29 January 2021

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.