

27 April 2020

ASX RELEASE

Company Announcements Platform

# Q1 2020: Appendix 4C and Business Update

## Q1 Highlights

- COVID-19 pandemic impact not significant in Q1
- Key indicators set new records: Underlying Merchant Sales; Merchant Fees; Active Customers; and Active Merchants
- Net Transaction Margin continues on a positive trajectory
- Credit quality remains stable, with steady to improving trends in leading loss indicators
- Business Update call to be held 7 May at 9:00am (Sydney time)

Sezzle Inc. (ASX:SZL) (Sezzle or Company) // North American payment platform, Sezzle, is pleased to provide its Appendix 4C cash flow report for the quarter ended 31 March 2020. The Company is also including certain key operating metrics for the quarter, which were provided in an earlier release on 6 April ([Sezzle Reports Record First Quarter Results](#)).

*“Since our release on the 6th of April, our underlying trends have remained favorable as the North American market continues to experience a shift to eCommerce,”* said Sezzle Executive Chairman and CEO Charlie Youakim. *“The strong momentum from Q1 continued into April, as month-to-date through 24 April, five days of our UMS have exceeded the Company’s Cyber Monday (2 December 2019) results.”*

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According to credit and debit card data aggregated by Bank of America's Data Analytics team, in their report *COVID-19 and the consumer: data through April 10* (16 April), daily online retail spending between 27 March and 10 April has increased over 40% YoY on average, while total card spending has averaged a daily decline approaching 30% YoY.

*"This shift to online shopping has positioned Sezzle as a key partner for merchants looking to offer customers more flexible payment options and customers looking for a better way to budget their personal finances,"* said Mr. Youakim.

A Business Update call is scheduled for 7 May to address April's results - the first full month of post-COVID impact and to answer investor questions.

### Key Operating Metrics

- Underlying Merchant Sales (UMS) increased by 13.6% QoQ, and improved by more than 321% YoY.
- The growth in Merchant Fees outpaced UMS, as fees increased 17.5% QoQ. As a percentage of UMS, Merchant Fees totaled 5.7% for 1Q20, compared to 5.5% in 4Q19. Merchant Fees are a key component in the calculation of Sezzle Income, calculated as Merchant Fees and rescheduled payment fees, less loan origination costs on approved End-customer funding.
- Active Customers reached 1.15 million, while 2,705 Active Merchants were added, representing the single largest quarterly increase for the Company.

Key Metrics	Qtr Ended 31 Mar 2020	QoQ change	YoY change
UMS (US\$)	\$119.4m	13.6%	321.4%
Merchant Fees (US\$)	\$6.8m	17.5%	379.1%
Active Customers	1,149,245	25.6%	325.9%
Active Merchants	12,715	27.0%	282.9%

## U.S. Government Actions

As shared in our 6 April release, the U.S. government has taken extraordinary actions to address the headwinds stemming from COVID-19. Most notably, the government passed the US\$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act in March. The U.S. government is not stopping there, on 24 April, a \$484 billion coronavirus relief package was signed into law, with a large portion earmarked to further enhance the Paycheck Protection Program (PPP) by an additional \$320 billion.

These actions, and more are anticipated, by the U.S. government to directly assist Sezzle, its Merchant Partners, and its End-customers in a number of important ways.

- The PPP portion of the CARES Act allows Sezzle and its Merchant Partners to borrow forgivable loans at favorable, low-interest rates.
- The CARES Act expands unemployment insurance for American workers that lose their jobs, including a US\$600 per-week increase in benefits for up to four months. This federal benefit adds to existing state unemployment programs.
- Provisions in the CARES Act enabled additional refundable tax credits for consumers based on their household income. Given the demographic profile of Sezzle's consumer base, the Company believes that many of its active users are eligible for refundable tax credits. For example, individuals with adjusted gross income up to US\$75,000 will receive the full payment of US\$1,200.

## Quarterly Cash Flows

*"Our financial position remains strong, as reflected in our liquidity, improving net transaction margin and stable credit performance,"* noted Sezzle CFO Karen Hartje. *"We are well positioned to support our growing business operations and to weather protracted effects from the global pandemic."*

As of 31 March (1Q20), the Company had US\$38.9 million of cash and cash equivalents (US\$36.6m) and restricted cash (US\$2.3m) on hand, an increase of US\$2.3 million from 1Q19

(US\$36.6 million). The increase in cash balances was driven by an additional US\$4.2 million of borrowings on the Company's line of credit, bringing the total draw on the US\$100.0 million facility to US\$25.7 million at quarter end.

Operating cash outflows for the quarter were US\$1.8 million, compared to the cash outflow of US\$6.4 million reported in 4Q19. Cash receipts from customers rose 19.6% QoQ to US\$110.7 million from US\$92.6 million in 4Q19. Cash payments to merchants increased 13.9% QoQ to US\$103.4 million from US\$90.7 million in 4Q19. 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\$3.8 million in 1Q20 compared to US\$3.2 million reported in 4Q19. As a percentage of receipts from customers, product and operating costs improved 10bps QoQ to 3.4%.
- Staff costs, inclusive of wages, salaries, commissions and other employee related benefits, rose to US\$2.9 million in 1Q20 compared to US\$2.4 million in 4Q19, but remained consistent as a percentage of Merchant Fees at 42%. For FY2019, staff costs as a percentage of Merchant Fees were 50%.
- Administrative and corporate costs (primarily third-party software, legal, insurance and other general corporate overhead) were flat QoQ at US\$1.2 million. As a percentage of Merchant Fees, administrative and corporate costs improved to 18.1% from 21.0% in 4Q19.
- Interest expense costs increased to US\$0.7 million in 1Q20 compared to US\$0.5 million in 4Q19. The higher interest expense was primarily due to the minimum borrowing requirement of US\$20 million on the Company's revolving line of credit, which went into effect during the second half of 4Q19.

## Business Update Call

Sezzle will host a business update call at 09:00am (Sydney time) on Thursday 7 May 2020.

To access the call, participants will be required to pre-register beforehand using the following link: [Sezzle Q1 2020 Update Call](#). After registering, dial-in details (i.e., conference ID and unique PIN) will be provided.

Investors are encouraged to submit any questions in advance of the call by emailing [investorrelations@sezzle.com](mailto:investorrelations@sezzle.com).

## New Date for 2020 Stockholder Meeting

Further to the announcement of 24 February 2020, the Company advises that the Annual Meeting of Stockholders (Meeting) will now be held on Monday 1<sup>st</sup> June 2020 at 10.30 am (AEST) Time (7.30 p.m. Sunday 31<sup>st</sup> May US Central Time) via a webcast.

Investors will be provided with more information about the Meeting in the Notice of Meeting which will be lodged with the ASX and distributed on or around 8<sup>th</sup> May 2020.

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**  
+61 391 112 670  
[InvestorRelations@sezzle.com](mailto:InvestorRelations@sezzle.com)

**Justin Clyne**  
Company Secretary  
+61 407 123 143  
[jclyne@clynecorporate.com.au](mailto:jclyne@clynecorporate.com.au)

**Media Enquiries**  
Mel Hamilton - M&C  
Partners  
+61 417 750 274  
[melissa.hamilton@mcpartners.com.au](mailto:melissa.hamilton@mcpartners.com.au)

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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 one million Active Customers across the U.S. and Canada 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 End-customers apply, approval is instant, and their credit scores are not negatively impacted.

This increase in purchasing power for End-customers leads to increased sales and basket sizes for the more than 12,000 Active Merchants that offer Sezzle in the U.S. and Canada.

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.

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## 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 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (3 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	110,715	110,715
1.2 Payments for		
(a) research and development	(166)	(166)
(b) product manufacturing and operating costs	(3,760)	(3,760)
(c) advertising and marketing	(207)	(207)
(d) leased assets	(139)	(139)
(e) staff costs	(2,865)	(2,865)
(f) administration and corporate costs	(1,240)	(1,240)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	43	43
1.5 Interest and other costs of finance paid	(747)	(747)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (payments to merchants)	(103,400)	(103,400)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,766)</b>	<b>(1,766)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(115)	(115)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(115)</b>	<b>(115)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	5,650	5,650
3.6	Repayment of borrowings	(1,450)	(1,450)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>4,200</b>	<b>4,200</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	36,625	36,625
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,766)	(1,766)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(115)	(115)

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US'000</b>	<b>Year to date (3 months) \$US'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,200	4,200
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>38,944</b>	<b>38,944</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		<b>Current quarter \$US'000</b>	<b>Previous quarter \$US'000</b>
5.1	Bank balances	36,647	34,965
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Restricted cash)	2,297	1,660
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>38,944</b>	<b>36,625</b>

**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

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**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	100,000	25,650
7.2		
7.3		
7.4		

7.5 **Unused financing facilities available at quarter end** 3,237

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): 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 March 2020. The line of credit with Bastion is secured by end-customer receivables and offers an available borrowing base of US\$28.9 million, of which US\$25.7 million is drawn as of 31 March 2020.

<b>8. Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,766)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	38,944
8.3 Unused finance facilities available at quarter end (Item 7.5)	3,237
8.4 Total available funding (Item 8.2 + Item 8.3)	42,181
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	23.9

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

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**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: 27 April 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.