Initiating Coverage:

Sezzle Inc. ($SEZL)

Scaling Smart in a Shifting Market

Key Take-Away: Sezzle reported a strong Q1 2025, with revenue growing 123% relative to Q1 2024 and net income reaching $36.2 million. The company saw continued momentum in user engagement and growth, with solid subscriber activity and rising purchase frequency. Sezzle's yearly GMV growth of 64% outpaced the broader BNPL industry, highlighting their expanding market share. With substantial free cash flow and scalable operating model, Sezzle (SEZL) is well positioned to sustain profitable growth.

Sezzle operates in a highly competitive and loosely regulated finance space, where large platforms are bundling BNPL into existing checkouts and banks are targeting BNPL users directly. Despite these pressures and low barriers to entry, SEZL remains focused on its model and strengthening ties with users and merchants.

Network and Regulatory Advantage: Sezzle is strengthening its market position through a nationwide lending partnership with WebBank, made operational in Q1 of 2025, which removes the need for state-by-state regulatory compliance. This move standardizes product offerings and lowers legal friction as they grow in a complex, evolving regulatory environment. The company is also broadening its merchant network by securing enterprise partnerships and expanding into new verticals such as groceries. SEZL is evolving from a previously niche-focused strategy to target industries where BNPL is still emerging.

Shopify Inc. Lawsuit: On June 9, 2025, Sezzle filed a lawsuit against Shopify, alleging anticompetitive and monopolistic practices designed to limit competition in the BNPL space on its e-commerce platform. SEZL sought an injunction to prevent Spotify from continuing conduct which it claimed limited consumer choice. The stock initially fell over 11% following the announcement but has since rebounded to new highs, reflecting the name's volatility and changing investor sentiment.

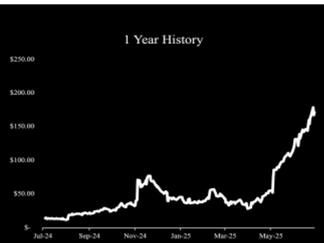
Capital Actions: SEZL initiated a 6-for-1 stock split and approved a $50 million share repurchase program. The actions increase liquidity and investor accessibility, particularly for retail holders. Backed by strong free cash flow, the repurchase program also signals management's commitment to shareholder value.

Valuation: We initiate coverage with a $204 PT.

Consortium Research Group
FIG | BNPL
July 3rd, 2025

Stock Rating:	Overweight
Price Target:	$204.00

Price:	$182.16
Potential Upside/Downside:	12.7%
Ticker:	$SEZL



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Company Overview

Company Description: Sezzle Inc. offers a digital payments platform that provides users with a flexible alternative to traditional financing. Founded in 2016, SEZL capitalized on a growing need for credit amongst Gen Z and Millennials as online shopping began to claim a larger share of the retail sector. The company takes pride in offering a diverse selection of financing options and benefits to consumers, which is led by their BNPL offerings and larger, long-term loans to help across a variety of purchases.

Expansive Product Portfolio: SEZL's main advantage in a highly competitive digital payments market is their broad, consumer-centered product pool. Within BNPL, they offer multiple installment options beyond the traditional "pay-in-four" model and include these options to be used on their virtual credit card for in-person purchases. Additionally, SEZL runs multiple subscription services aimed at helping consumers grow their credit score and use the company's products across a wide variety of stores. The company utilizes a heavily integrated system, which allows users to easily switch between the many payment and budgeting services.

Consumer & Merchant Relations: As a Public Benefit Corporation and Certified B Corporation, SEZL demonstrates a commitment to social impact alongside financial performance. Through its diverse product offerings, it emphasizes moral lending practices, providing merchants with tools that reduce chargebacks and drive higher conversion rates. This focus on responsible spending and inclusive financing helps promote long-term trust and engagement across both consumers and merchant partners.

Industry Overview

Flexible Payment Demand: Younger consumers, especially Gen Z and Millennials, are increasingly turning to flexible payment options that help them manage spending without relying on traditional credit cards. This shift reflects a broader trend toward greater financial awareness, as many are looking for tools that offer clear, interest-free payment structures and support better budgeting habits. As these demographics gain more purchasing power, demand is growing for financing options that align with their expectations around transparency and control.

Credit Under Pressure: With inflation continuing to drive up everyday costs, many consumers are looking for ways to manage cash flow more effectively. Interest rates have reached historically high levels, with the average credit card APR now exceeding 20%, making traditional forms of borrowing increasingly expensive. At the same time, wage growth has remained relatively stagnant, leading to a decline in real purchasing power and increasing financial pressure on households across income levels.

Evolving Credit Regulation: Credit bureaus are starting to include BNPL repayment data, signaling a shift in how alternative credit is viewed within the broader financial system. With more than 45% of U.S. adults having used BNPL and credit scores influencing 90% of major lending decisions, this change could meaningfully affect consumers' financial standing. Providers like Affirm, Klarna, and Afterpay may need to adjust reporting practices and lending standards, as growing regulatory scrutiny pushes the industry closer to traditional credit guidelines.

Peer Comparisons

Comparable Companies					
$mm					
Ticker	**Mkt Cap**	**EV**	**P/E LTM**	**Revenue LTM**	**EBITDA LTM**
AFRM (Affirm Holdings, Inc.)	$21,370	$26,600	0.0x	$3,007	$587
XYZ (Block, Inc.)	$39,860	$33,140	15.7x	$24,121	$1,883
PYPL (PayPal Holdings, Inc.)	$71,060	$71,270	16.4x	$31,889	$7,134
LC (LendingClub Corporation)	$1,330	$4,834	26.4x	$824	$124
Sezzle Inc.	$5,150	$5,130	52.2x	$329	$119

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margi	EBIT Margin	1 Yr Rev Growth Rate LF
AFRM (Affirm Holdings, Inc.)	45.3x	67.5%	19.6%	(1.1%)	29.4%
XYZ (Block, Inc.)	17.6x	38.0%	7.9%	6.0%	(0.8%)
PYPL (PayPal Holdings, Inc.)	10.0x	46.8%	22.4%	20.1%	0.3%
LC (LendingClub Corporation)	39.0x	67.4%	15.0%	5.2%	4.7%
Sezzle Inc.	43.1x	83.0%	36.2%	59.8%	21.4%

High	45.32x	83.0%	36.2%	59.8%	29.4%
75th Percentile	43.11x	67.5%	22.4%	20.1%	21.4%
Average	31.00x	60.5%	20.2%	18.0%	11.0%
Median	38.98x	67.4%	19.6%	6.0%	4.7%
25th Percentile	17.60x	46.8%	15.0%	5.2%	0.3%
Low	9.99x	38.0%	7.9%	-1.1%	-0.8%

General Dynamics Valuation		
Implied Enterprise Value (25th Percentile)	$	2,094
Implied Enterprise Value (Median)	**$**	**4,639**
Implied Enterprise Value (75th Percentile)	$	5,130
Implied Share Price (25th Percentile)	$	62.55
Implied Share Price (Median)	**$**	**139.67**
Implied Share Price (75th Percentile)	$	154.52

Source: CapIQ & Yahoo Finance

Investment Theses

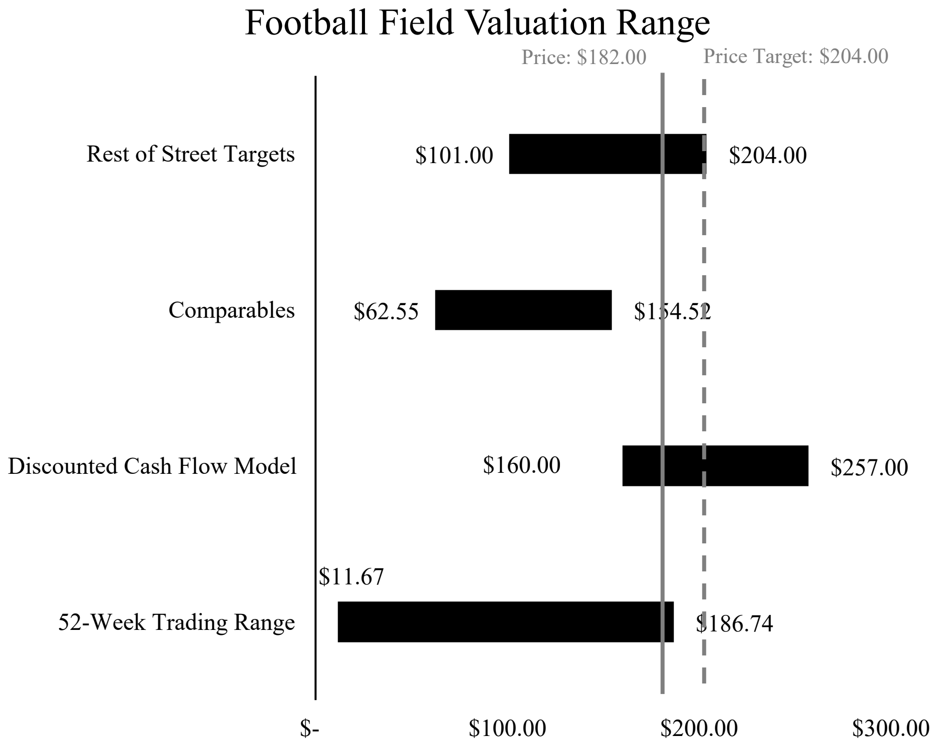
Winning the Next Generation: Sezzle is purpose-built for Gen Z and Millennial consumers, who make up 78% of its user base and have fundamentally different expectations for how financial tools should work. These users grew up transacting digitally and expect payment experiences to mirror the ease of apps like Apple Pay, Venmo, and Amazon. Sezzle meets those expectations with virtual cards, fast approvals, one-click checkout, and auto-applied discounts. New features like Pay-in-5 and Sezzle Anywhere add flexibility and value to the platform. Pay-in-5 may help drive up GMV and average order values by giving users more time to pay, though it could also raise default risk if not managed carefully. At the same time, these offerings open the door to higher take rates through added engagement and monetizable services, especially when paired with strong underwriting. As these younger consumers inherit trillions in assets through the Great Wealth Transfer, Sezzle is positioned to scale with them.

Revenue Surge with Control: SEZL is seeing real financial progress, with revenue rising from $130.8 million in FY 2023 to $271.1 million in FY 2024, driven by stronger user activity and growing adoption of premium features. Transaction-related revenue accounted for $249.2 million, up from $120.6 million in the prior year. While marketing expenses only rose 10% year over year to $10.5 million, revenue nearly doubled—indicating strong earnings leverage and efficient customer acquisition. The steady decline in technology and product development as a percentage of revenue, from 10.1% in 2023 to just 5.4% in 2024, also suggests stronger internal systems and room to expand margins further. These trends suggest Sezzle is growing with the kind of operating efficiency that supports lasting performance.

Credit Access/Long Time Value: Many younger adults face real barriers when trying to access traditional credit, with around 40% lacking a credit card or sufficient credit history to qualify. With no hard credit checks, a clear repayment schedule, and a quick sign-up process, Sezzle offers a more accessible alternative for those starting their financial journey. What sets Sezzle apart from many other BNPL providers is its early and sustained focus on financial inclusion. Rather than centering its model around high-ticket purchases or encouraging short-term borrowing, Sezzle has built a system that is approachable and easy to use repeatedly. This foundation attracts users who begin with smaller purchases but become long-term, high-value customers as they grow.

Price Target & Valuation

Our analysis gives $SEZL a price target of $204 and an Overweight rating.



Potential Downsides to Our Rating

Competitive Pressure: Sezzle competes against larger BNPL providers like Affirm, Klarna, and PayPal, all of whom have deeper merchant relationships, lower funding costs, and stronger brand recognition. These advantages make it more difficult for Sezzle to win and retain key accounts, highlighted in a decrease of merchant and partner income from 62% to 37% of revenue YoY in Q4 2024. Without clear differentiation or expanded capabilities, Sezzle risks losing ground in an increasingly competitive market.

Funding Constraints: The company's ability to scale is closely related to its access to capital, primarily through a $150 million credit facility and merchant payables programs. Rising rates or tighter credit conditions could reduce access or drive-up funding costs, squeezing margins. With a relatively small pool of financial resources, Sezzle is more exposed to shifts in lender support. Even with short repayment cycles, liquidity could lag if GMV scales faster than available capital. A tighter funding environment would make it harder to support merchant payments and encourage momentum.

<u>Our Price Target: $204.00</u>

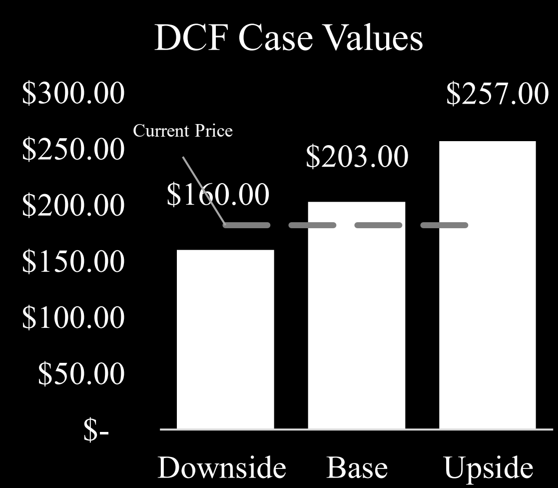
Our price target is based on a 12x 2030 EV/EBIT and significant revenue growth, with margins expected to remain stable as SEZL scales its core BNPL and premium services. We apply a premium to peers given the company's focus on loyal users, disciplined cost structure, and selective market strategy.

<u>Our Upside Case: $257.00</u>

If SEZL executes well in the new verticals it's prioritizing, it could see stronger user engagement and broader adoption of its platform. Combined with disciplined cost control, this would support higher margins and justify a stronger multiple.

<u>Our Downside Case: $161.00</u>

Our downside case assumes growth slows as demand weakens or competition increases, pushing SEZL to spend more to hold onto users and control credit risk. With margins under pressure, slower revenue growth could make it harder to grow the platform behind larger companies.



Credit Risk and Loan Losses: SEZL pays merchants upfront while giving consumers time to pay in installments, which leaves the company exposed if customers don't repay. In 2024, a sharp rise in provision for credit loss (PCL) pointed to increased delinquencies, likely tied to a slowdown in consumer borrowing. While quick approval tools and upfront payments help reduce risk, SEZL still absorbs the full impact when customers default. Higher charge-offs reduce gross profit and may lead to tighter credit standards, potentially limiting transaction volume further.

Projections

Income Statement	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	**CAGR%**
Revenue	271,127,890	325,490,000	358,885,400	393,854,867	430,193,064	16.6%
EBITDA	83,210,970	36,300,000	44,860,675	54,253,508	64,744,056	-8.0%
EBIT	82,245,566	34,500,000	43,066,248	52,185,770	62,377,994	-8.8%
NOPAT	69,908,731	29,325,000	42,257,490	48,999,080	56,101,216	-7.1%

Margin & Growth Data	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	**AVG%**
EBITDA Margin	30.7%	11.2%	12.5%	13.8%	15.1%	16.6%
EBIT Margin	30.3%	10.6%	12.0%	13.3%	14.5%	16.1%
Revenue Growth	70.1%	20.1%	10.3%	9.7%	9.2%	23.9%
EBIT Growth	270.5%	-58.1%	24.8%	21.2%	19.5%	55.6%

Valuation Metrics	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	**AVG%**
P/FCF	2.4x	16.3x	13.0x	11.1x	9.7x	10.5x
EV/Sales	1.7x	1.4x	1.3x	1.1x	1.0x	1.3x
EV/EBITDA	5.4x	12.4x	10.0x	8.3x	7.0x	8.6x
FCF Yield	41.8%	6.2%	7.7%	9.0%	10.3%	15.0%

Note: *While revenue continues to grow meaningfully in 2025, EBIT growth slows due to elevated operating costs tied to expansion initiatives, increased regulatory compliance costs, anticipated pressure from rising competition, and the buildout of Sezzle's expanding product portfolio.*

About $SEZL

Sezzle Inc., founded in 2016, operates as a purpose-driven financial technology company focused on Buy Now, Pay Later (BNPL) solutions**.** The company enables consumers to split purchases into interest-free installments while empowering merchants with tools to increase conversion, basket size, and customer loyalty. Sezzle operates through three core segments: its flagship Buy Now, Pay Later product, merchant partnerships, and emerging premium services, primarily serving customers across the U.S. and Canada. Sezzle's mission is to financially empower the next generation through inclusive, responsible, and transparent payment solutions.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Sezzle Inc.
Discounted Cash Flow

Active Case:	**2 Base**
Current Share Price	$135.61

DCF Analysis

	FY2020 12/31/20	FY2021 12/31/21	FY2022 12/31/22	FY2023 12/31/23	FY2024 12/31/24	FY2025 12/31/2025	FY2026 12/31/26	FY2027 12/31/27	FY2028 12/30/28	FY2029 12/30/29	FY2030 12/31/30
Stub						0.53	1.53	2.53	3.53	4.53	5.53
Discount Period						0.23	0.97	1.97	2.97	3.97	4.97
Revenue	58,788,273	114,816,635	125,570,441	159,356,772	271,127,890	325,490,000	358,885,400	393,854,867	430,193,064	467,651,460	505,939,241
Revenue Growth	*0%*	*95%*	*9%*	*27%*	*70%*	*20%*	*10%*	*10%*	*9%*	*9%*	*8%*
BNPL	54,673,094	106,799,471	116,780,510	148,201,798	252,148,938	302,700,000	332,970,000	364,602,150	397,416,344	431,196,733	465,692,471
Merchant Partnerhsips	2,733,654	5,740,831	6,278,522	7,967,839	13,556,395	13,020,000	14,973,000	17,106,653	19,416,051	21,891,597	24,518,589
Other	1,175,765	2,296,333	2,511,408	3,187,135	5,422,558	9,770,000	10,942,400	12,146,064	13,360,670	14,563,131	15,728,181
EBIT	(27,932,310)	(68,682,839)	(28,434,605)	22,200,401	82,245,566	34,500,000	43,066,248	52,185,770	62,377,994	73,655,105	86,009,671
EBIT Margin	*-48%*	*-60%*	*-23%*	*14%*	*30%*	*11%*	*12%*	*13%*	*15%*	*16%*	*17%*
Tax Expense	30,964	58,416	69,447	611,487	(11,205,165)	5,200,000	6,459,937	9,002,045	12,163,709	16,019,985	20,642,321
Effective Tax Rate	*0%*	*0%*	*0%*	*3%*	*-14%*	*15%*	*15%*	*17%*	*20%*	*22%*	*24%*
NOPAT	(27,963,274.00)	(68,741,255.00)	(28,504,052.00)	21,588,914.00	93,450,731.00	29,300,000.00	36,606,310.80	43,183,724.52	50,214,285.45	57,635,119.68	65,367,349.96
D&A	845,428	1,439,041	1,830,871	855,803	965,404	1,800,000	1,794,427	2,067,738	2,366,062	2,688,996	3,035,635
Capex	(732,911)	(1,420,027)	(1,008,077)	(69,760)	(81,609)	6,500,000	7,177,708	8,074,025	9,034,054	10,054,506	11,130,663
Changes in NWC	(22,592,014)	(73,634,170)	(5,111,842)	(68,372,774)	(94,534,847)	(3,200,000)	(3,588,854)	(3,446,230)	(3,226,448)	(2,922,822)	(2,529,696)
UFCF	(3,792,921)	7,751,983	(20,553,262)	90,887,251	189,032,591	27,800,000	34,811,884	40,623,668	46,772,741	53,192,431	59,802,018
PV of FCF						26,942,247	30,569,051	31,180,736	31,379,995	31,193,398	30,653,601

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	3.05
Risk Free Rate	4.39%
Cost of Equity	11.42%
Weighted Average Cost of Debt	10.00%
Tax Rate	15.00%
Cost of Debt	2.98%
Total Equity	$6,061
Total Debt	($8)
Equity/Total Capitalization	64.90%
Debt/Total Capitalization	35.10%
WACC	14.41%

Terminal Value Perpetuity Growth Method	
2034 FCF	$59,802,018
Growth	2.50%
Terminal Value	$502,302,625
PV of Terminal Value	$256,525,074
PV of Projection Period	$181,299,040
PV of Terminal Value	$256,525,074
Implied TEV	$437,824,113
(-) Debt	$103,991,559
(+) Cash	$73,185,252
Implied Equity Value	$407,017,806
Basic Shares Outstandin	3329876
Implied Share Price	$122.23
Upside/Downside	-32.90%

Implied Exit BF EV/EB	5.1x

Terminal Value Exit Multiple Method	
2034 EBIT	$86,009,671
EV/EBIT Exit Multiple	12.0x
Terminal Value	$1,032,116,052
PV of Terminal Value	$527,099,865
PV of Projection Period	$181,299,040
PV of Terminal Value	$527,099,865
Implied TEV	$708,398,905
(-) Debt	$103,991,559
(+) Cash	$73,185,252
Implied Equity Value	$677,592,598
Diluted Shares Outstand	3,329,876
Implied Share Price	$203.49
Upside/Downside	11.7%

Implied PGR	2.7%

Blended Share Price	
Perpetutity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	$203.49
Upside/Downside	11.71%