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sezzle

The Responsible Way to Pay

2Q23 Earnings Presentation

9 August 2023

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

DISCLAIMER

Cautionary Note Regarding Forward-Looking Statements

This presentation (the "Presentation") contains summary information about the activities of Sezzle as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete and the information in the Presentation remains subject to change without notice. Also, the information in the Presentation should not be relied upon as advice to potential investors or current shareholders. This Presentation has been prepared without taking into account the objectives, financial situation or needs of any particular prospective investor or current shareholder. Before making an investment decision, prospective investors and current shareholders should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek appropriate advice, including financial, legal and taxation advice appropriate to their jurisdiction. The Presentation also includes information regarding our market and industry that is derived from publicly available third-party sources that have not been independently verified by Sezzle.

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This Presentation contains certain "forward-looking statements" within the meaning of the US federal securities laws including, but not limited to, statements regarding our anticipated new products, our ability to gain future market share, our timeline and intentions relating to operations in international markets, our strategy, our future operations, our financial position, our estimated revenues and losses, our projected costs, our prospects, and the plans and objectives of management. These forward-looking statements are generally identified by the words "could," "believe," "anticipate," "intend," "estimate," "expect," "project" or similar expressions. These forward-looking statements are subject to a number of risks and uncertainties, including those set out in this Presentation, but not limited to: (i) impact of the "buy-now, pay-later" ("BNPL") industry becoming subject to increased regulatory scrutiny; (ii) impact of operating in a highly competitive industry; (iii) impact of macro-economic conditions on consumer spending; (iv) our ability to increase our merchant network, our base of consumers and Underlying Merchant Sales ("UMS"); (v) our ability to effectively manage growth, sustain our growth rate and maintain our market share; (vi) our ability to meet additional capital requirements; (vii) impact of exposure to consumer bad debts and insolvency of merchants; (viii) impact of the integration, support and prominent presentation of our platform by our merchants; (ix) impact of any data security breaches, cyberattacks, employee or other internal misconduct, malware, phishing or ransomware, physical security breaches, natural disasters, or similar disruptions; (x) impact of key vendors or merchants failing to comply with legal or regulatory requirements or to provide various services that are important to our operations; (xi) impact of the loss of key partners and merchant relationships; (xii) impact of exchange rate fluctuations in the international markets in which we operate; (xiii) our ability to protect our intellectual property rights; (xiv) our ability to retain employees and recruit additional employees; (xv) impact of the costs of complying with various laws and regulations applicable to the BNPL industry in the United States and Canada; (xvii) our ability to achieve our public benefit purpose and maintain our B Corporation certification; and (xviii) the other factors identified in the "Risk Factors" section of our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on February 28, 2023 and subsequent quarterly reports on Form 10-Q. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. Nevertheless, and despite the fact that management's expectations and estimates are based on assumptions management believes to be reasonable and data management believes to be reliable, our actual results, performance or achievements are subject to future risks and uncertainties, any of which could materially affect our actual performance. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements to reflect events or circumstances after the date of this Presentation.

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All financial figures are expressed in U.S. dollars unless otherwise stated.

In addition to financial measures presented in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), this Presentation includes certain financial information, including Underlying Merchant Sales ("UMS"), Active Consumers and Active Merchants, which has been provided as supplemental measures of operating performance that are key metrics used by management to assess Sezzle's growth and operating performance. In particular, UMS is a key operating metric in assessing the volume of transactions that take place on the Sezzle Platform, which is an indicator of the success of Sezzle's merchants and the strength of the Sezzle Platform. Sezzle also use these operating metrics in order to evaluate the effectiveness of our business strategies, to make budgeting decisions, and to compare our performance against that of other peer companies using similar measures. UMS, Active Consumers and Active Merchants do not represent revenue earned by Sezzle, are not components of Sezzle's income or included within Sezzle's financial results prepared in accordance with GAAP. The UMS, Active Consumers and Active Merchants financial measures used by Sezzle may differ from the non-U.S. GAAP financial measures used by other companies.

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This report shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended, or pursuant to another available exemption.

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Prized & Profitable BNPL Platform

$5+ Billion
Underlying Merchant Sales Since Launch

50+ Million
Total Orders Since Launch

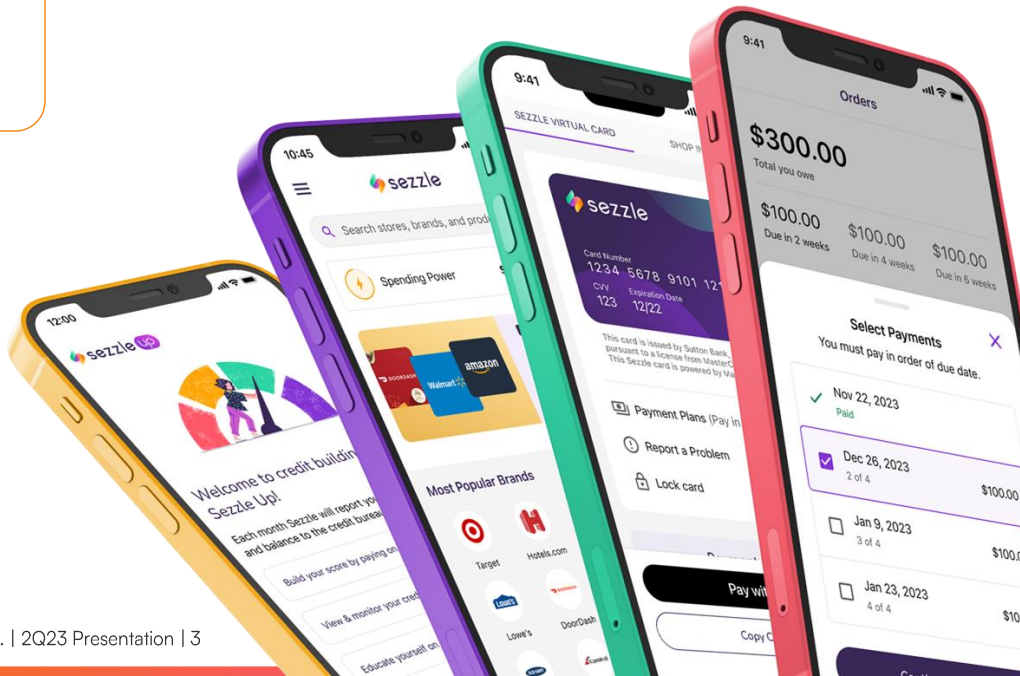
15+ Million
Total Sign-Ups Since Launch

16.9%
Last 12-Month Total Income Growth
(vs. prior comparable period)

14.8%
Last 12-Month Adjusted EBITDA Margin[1]

5.7%
Last 12-Month Profit Margin

CNBC	*World's Best Fintech Companies 2023*
Buy Side from WSJ	*Best BNPL App for Credit Building 2022*
Forbes	*Midwest Best Enterprise Software Companies*
FORTUNE	*The 5 BNPL Apps for 2023*
11FS	*Top BNPL Pick 2023*



[1] Adjusted EBITDA Margin is a non-GAAP financial measure equal to non-GAAP Adjusted EBITDA divided by GAAP Total Income. For a reconciliation of GAAP Net Income (Loss) to non-GAAP Adjusted EBITDA, see Appendix II.

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OUR MISSION

Financially Empowering the Next Generation

Committed to Driving Change



Justice

- Financial accessibility
- Diversity and inclusion
- Employee security and wellness



Integrity

- Governance and controls
- Integrated sustainability
- Workplace culture



Stewardship

- Responsible lending
- Environment and climate change
- Data security and management



Advancement

- Product innovation
- Community reinvestment
- Employee career development

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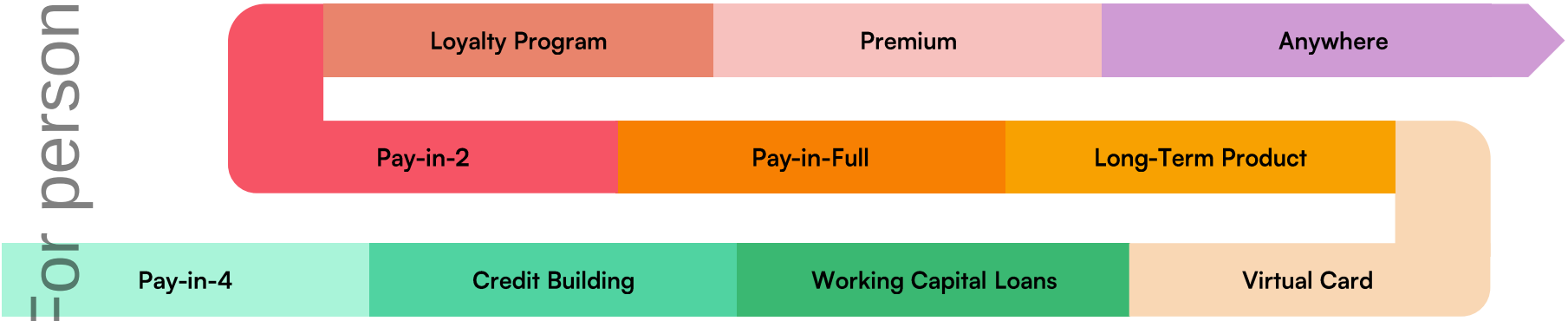
We're Building an All-Encompassing Services Platform

From credit building to paying later anywhere, we are constantly evolving to match the needs of our users



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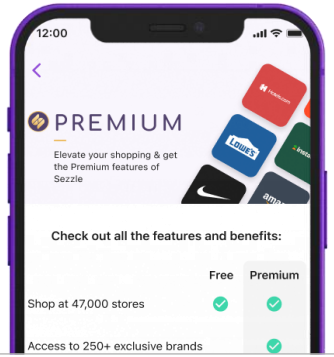
Over 195,000[1] Subscribers Across Premium and Anywhere

Sezzle Premium

Provides access to 250+ Premium Merchants through Affiliate and Gift Card platform partners

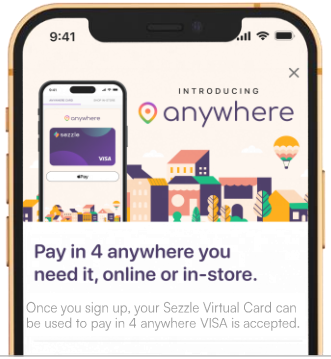
62 NPS[2]



Anywhere (Beta)

Provides consumers the extra ability to shop online, in-store, and anywhere VISA is accepted, giving them a top-of-wallet payment option for everyday use

72 NPS



Subscription Characteristics

- Greater Frequency
- Higher LTV
- More Everyday Activity
- More In-Store Usage

[1] As of 8 August 2023; subscribers rounded to the nearest thousand.
[2] Consumer Net Promoter Score (NPS) as of 5 August 2023.

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YoY Progression Overview

	2Q22	2Q23	
Total Income	$29.3M	$34.9M ↑	Continuing diversification of revenue stream through new product launches and product enhancements
Net Income/(Loss)	($15.1M)	$1.1M ↑	Vastly improved Net Income due to the success of FY22 initiatives, enhanced underwriting capabilities, and the launch of select FY23 initiatives (Anywhere)
Adjusted EBITDA[1] as a % of Total Income	(32.2%)	18.3% ↑	
Total Income Less Transaction-Related Costs[2] as a % of Total Income	32.7%	53.7% ↑	Enhanced unit economics through growth in Total Income and the marginal reduction in the Provision for Credit Losses
Non-Transaction Related OpEx[3] as % of Total Income	84.8%	54.2% ↓	Exited global regions, and reduced Third-Party Technology and Data and Marketing expenses

[1] Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation of GAAP Net Income (Loss) and Adjusted EBITDA, see Appendix II.
[2] Total Income Less Transaction Related Costs is a non-GAAP financial measure. For a reconciliation of GAAP Operating Income (Loss) and Total Income Less Transaction Related Costs see Appendix I for reconciliation.
[3] Non-Transaction Related Operating Expenses is equal to GAAP Personnel, Third-Party Technology and Data, Marketing, Advertising, and Tradeshows, and General and Administrative Operating Expenses. See Appendix I for reconciliation of Non-Transaction Related Operating Expenses and respective definitions. 2Q22 includes US$2.1 million in Professional Services fees related to the proposed merger with Zip Co., which was eventually terminated. Excluding those merger-related costs, 2Q22 Non-Transaction Related OpEx as a % of Total Income is 77.7%.

2Q23 Engagement Scorecard

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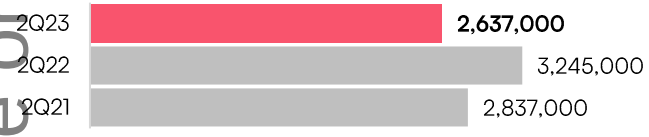
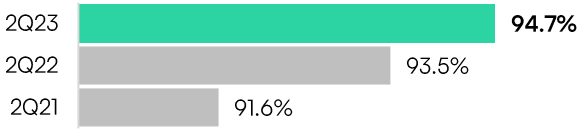
Active[1] Consumers



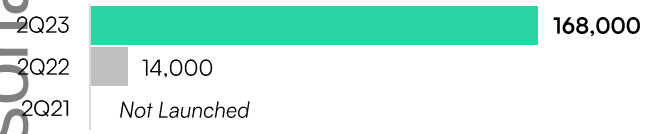
-18.7% YoY

Repeat Usage As A % Of Total Orders (Cumulative)



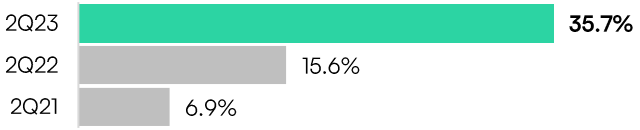
+118 Bps

Total Subscribers[2] *(Premium & Anywhere)*



+154k YoY

Weekly Average Marketplace Volume As A Percentage Of UMS



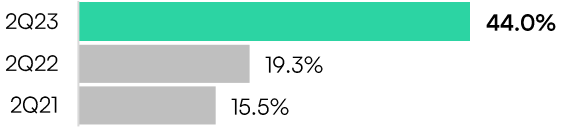
+20.1 Pts

Active[1] Merchants



-25.5% YoY

Percentage Of Total Income Derived From Non-Merchant Processing Fees



+24.8 Pts

[1] Active is defined as having had at least one transaction through the Sezzle Platform in the last twelve months, not subject to a minimum required number of transactions criteria (Merchants and Consumers rounded to nearest thousand).
[2] Subscribers rounded to the nearest thousand.
Note: Active Consumer and Active Merchant numbers have been adjusted to exclude Brazil, Europe, and India, which have been discontinued.

Total Income & UMS

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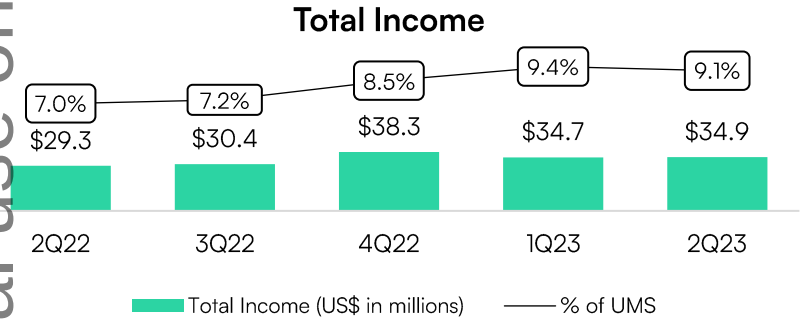

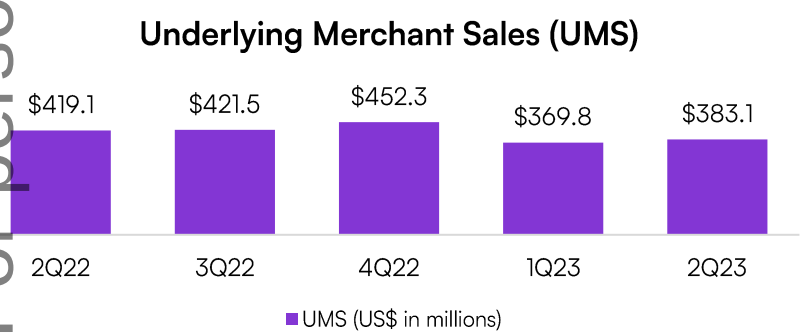

Commentary

- Total Income rose 19.4% YoY to US$34.9 million, with Total Income as a percentage of UMS remaining strong at 9.1%.
- The YoY improvement in Total Income was driven by the diversification of the Company's revenue stream.
- 44.0% of 2Q23 Total Income was attributable to non-merchant processing fees compared to 19.3% in the prior year.
- UMS increased by 3.6% QoQ to US$383.1 million, reflecting a pickup in activity in June relative to April and May.
- In July, Sezzle recorded a 2023 monthly record of US$147.0 million in UMS, representing a 13.5% increase from the previous month and a 4.1% increase from the same period last year.

Transaction Expense

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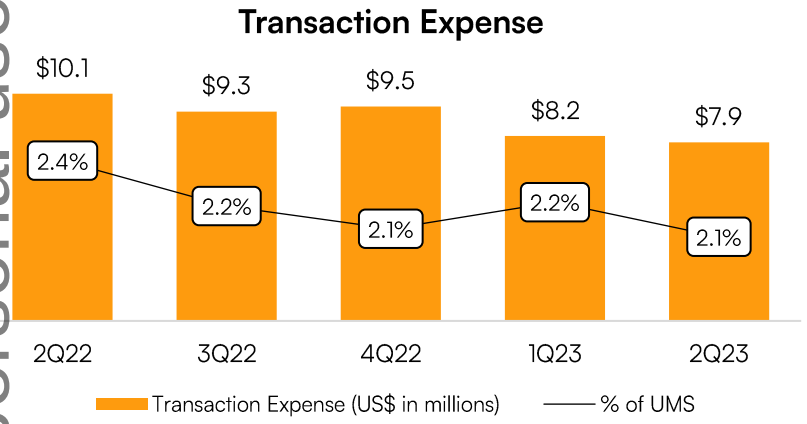

Commentary

- Transaction Expense remained consistent with prior periods at 2.1% of UMS in 2Q23.
- The Company plans to continue its efforts to lower processing costs through initiatives including:
  - Incentivizing consumers to choose ACH as their primary payment option,
  - Continuing to renegotiate terms with network partners, and
  - Offering Pay-in-2 and Pay-in-Full for consumers at checkout to accommodate their budgeting needs, thereby reducing fixed installment processing costs.

Provision for Credit Losses

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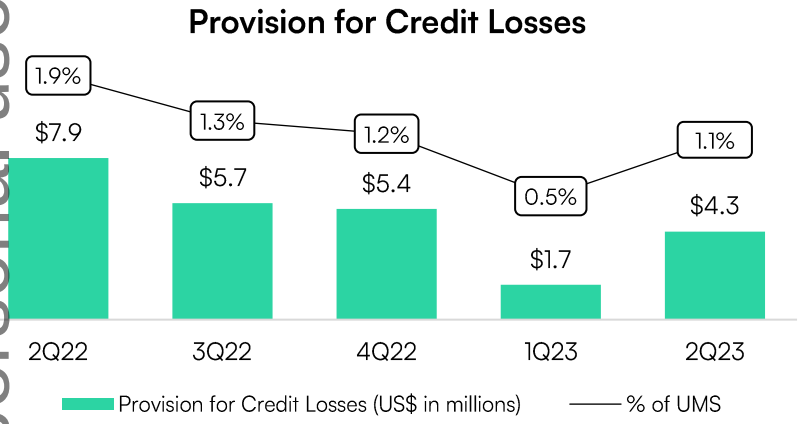

Commentary

- 2Q23 Provision for Credit Losses increased to 1.1% of UMS from an all-time Company low in 1Q23.
  - The historic low was a result of the launch of Sezzle's proprietary underwriting model, the Prophet Machine Learning model, and better-than-expected performance of 2022-originated receivables, resulting in a benefit being recognized in 1Q23.
- The quarterly increase in the provision is in line with the Company's plan to proactively manage a marginal uptick in pursuit of top-line growth while outperforming the provision of 1.7% for FY22.

Total Income Less Transaction Related Costs

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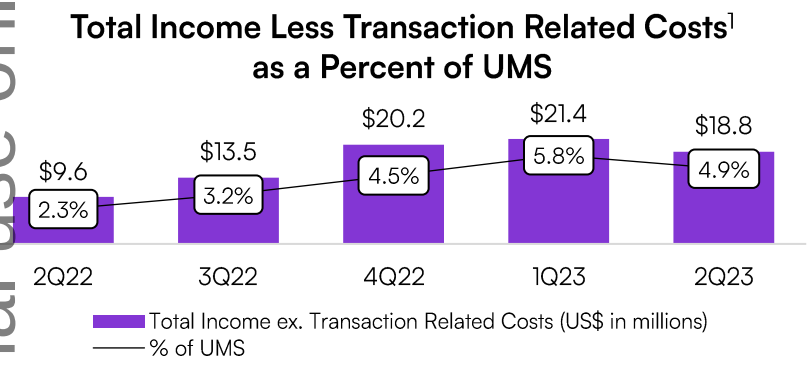

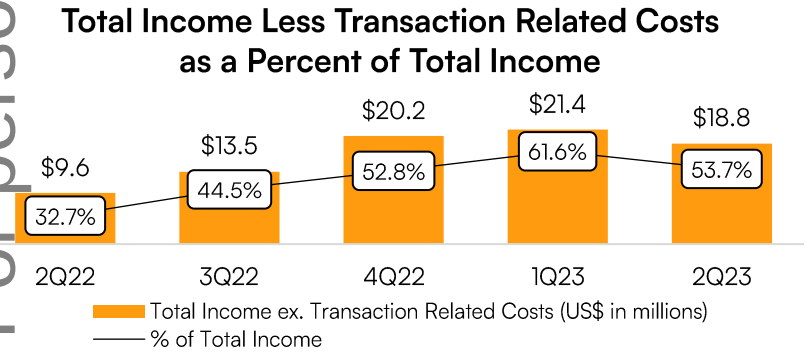

Commentary

- Total Income Less Transaction Related Expenses increased 95.9% YoY to US$18.8 million.
- Unit economic margin in 2Q23, as measured against UMS and Total Income, reached 4.9% and 53.7%, respectively.
  - The decrease in margin versus the prior quarter is largely driven by the normalization of the Provision for Credit Losses from the benefit recognized in 1Q23.
- The growing subscription base remains a key factor in the unit economic growth, helping diversify the Company's income stream between consumer- and merchant-driven services.

[1] Total Income Less Transaction Related Costs is a non-GAAP financial measure. For a reconciliation of GAAP operating income (loss) and Total Income Less Transaction Related Costs see Appendix I for reconciliation.

Non-Transaction Related Operating Expenses

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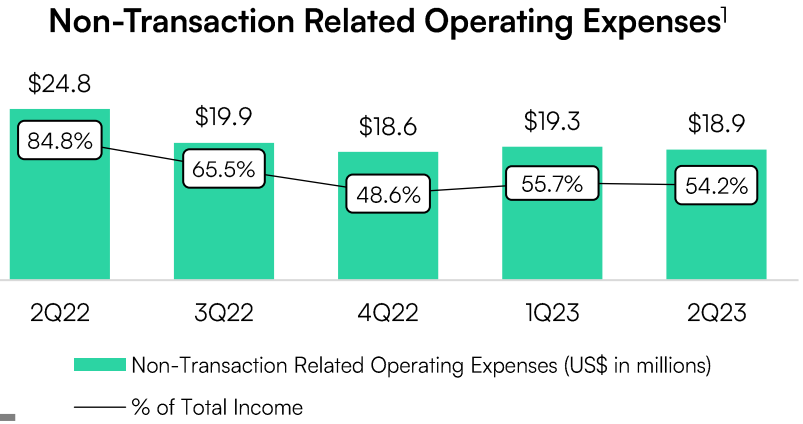

Commentary

- Non-Transaction Related Operating Expenses decreased 23.7% YoY to US$18.9 million.
- All core expense categories recorded a decrease versus 2Q22, including Personnel, Third-party Technology and Data, and Marketing, Advertising, and Tradeshows.
  - Additionally, the professional services expense for 2Q22 included US$2.1 million in fees related to the proposed merger with Zip Co., which was eventually terminated.
- The Company anticipates moderately higher Non-Transaction Related Operating Expenses in future periods as it develops and launches FY23 growth initiatives (e.g., Anywhere, bank sponsorship).

[1] Non-Transaction Related Operating Expenses is equal to GAAP Personnel, Third-party Technology and Data, Marketing, Advertising, and Tradeshows, and General and Administrative operating expenses. See Appendix I for reconciliation of Non-Transaction Related Operating Expenses and respective definitions. 2Q22 includes US$2.1 million in Professional Services fees related to the proposed merger with Zip Co., which was eventually terminated. Excluding those merger-related costs, 2Q22 Non-Transaction Related OpEx as a % of Total Income is 77.7%.

Net Income And Adjusted EBITDA

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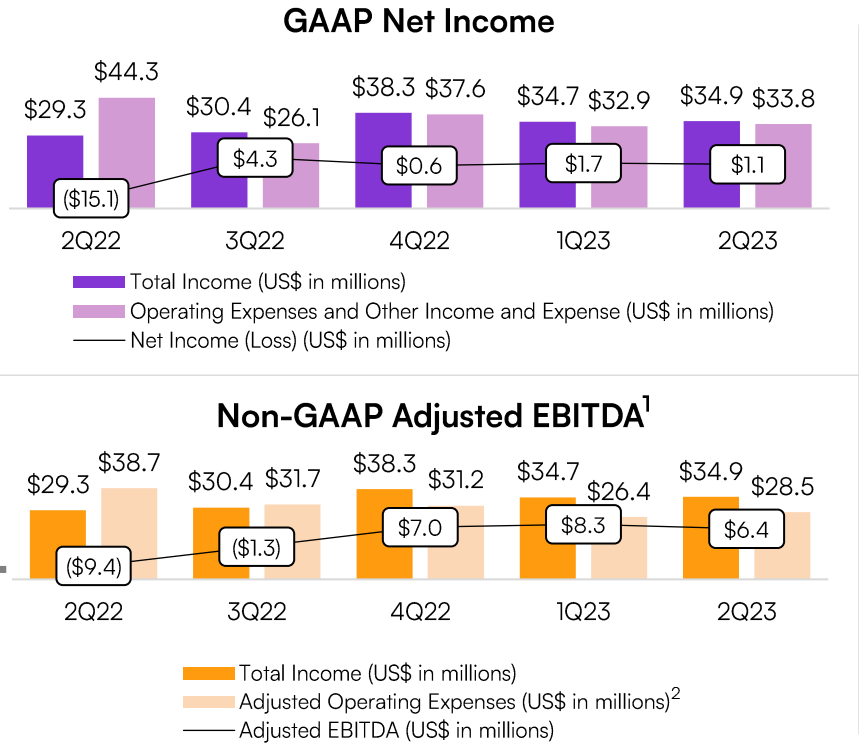

Commentary

- Sezzle achieved a fourth consecutive quarter of GAAP Net Income in 2Q23, reaching US$1.1 million.
- The Company also posted Non-GAAP Adjusted EBITDA of US$6.4 million for 2Q23.
  - The QoQ decrease was largely driven by the normalization of the Provision for Credit Losses from the prior period benefit.

[1] Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation of GAAP Net Income (Loss) and Adjusted EBITDA see Appendix II for reconciliation.
[2] Adjusted Operating Expenses is a non-GAAP financial measurement equal to the sum of GAAP Operating Expenses less depreciation, amortization, and M&A related expenses. See Appendix II for reconciliation.
Note: Net Income and Adjusted EBITDA figures may not reconcile to respective Income and Expense figures due to rounding.

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Capitalization

US$ in Thousands	Unaudited 31-Mar-2023	Unaudited 30-Jun-2023
Cash and Cash Equivalents	$59,039	$62,085
Restricted Cash	$1,542	$1,304
Total Cash	**$60,581**	**$63,389**
Drawn on Line of Credit	**$59,800**	**$58,300**
Available on Line of Credit	**$491**	**$1,748**

Commentary

- As of 30 June 2023, Sezzle retained abundant capital and liquidity with US$63.4 million of cash on hand (US$1.3 million restricted) and US$58.3 million drawn on its US$100 million credit facility.
- The increase in cash on hand from the prior quarter was primarily driven by an increase in Merchant Accounts Payable balances.
- At quarter end, Notes Receivable (net) and Merchant Accounts Payable amounted to US$83.8 million and US$67.4 million, respectively. The Merchant Interest Program represented US$52.4 million of the Merchant Accounts Payable balance.

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Appendices

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Appendix I: Reconciliation of GAAP to Non-GAAP Measures

Total Income Less Transaction Related Costs

	For the three months ended				
(in $US thousands)	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Operating income (loss)	**$ 3,763**	**$ 5,420**	**$ 4,742**	**$ 6,500**	**$ (13,553)**
Personnel	12,017	11,574	10,929	11,587	12,322
Third-party technology and data	1,904	1,749	1,907	2,177	2,029
Marketing, advertising, and tradeshows	3,314	3,199	3,569	3,857	6,247
General and administrative	1,698	2,799	2,180	2,288	4,201
Reimbursement of merger-related costs	-	-	-	(11,000)	-
Net interest expense	(3,933)	(3,377)	(3,124)	(2,192)	(1,670)
Write-off of unamortized debt issuance costs	-	-	-	316	-
Total income less transaction related costs	**$ 18,762**	**$ 21,364**	**$ 20,204**	**$ 13,533**	**$ 9,576**

Non-Transaction Related Operating Expenses

	For the three months ended				
(in $US thousands)	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Operating expenses	**$ 31,174**	**$ 29,254**	**$ 33,534**	**$ 23,909**	**$ 42,805**
Transaction expense	(7,946)	(8,239)	(9,547)	(9,320)	(10,115)
Provision for credit losses	(4,296)	(1,694)	(5,401)	(5,680)	(7,891)
Reimbursement of merger-related costs	-	-	-	11,000	-
Non-transaction related operating expenses	**$ 18,932**	**$ 19,321**	**$ 18,586**	**$ 19,909**	**$ 24,799**

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Appendix II: Reconciliation of GAAP to Non-GAAP Measures

Adjusted Operating Expenses

	For the three months ended				
(in $US thousands)	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Operating expenses	**$ 31,174**	**$ 29,254**	**$ 33,534**	**$ 23,909**	**$ 42,805**
Depreciation and amortization	(206)	(201)	(198)	(207)	(219)
Equity and incentive-based compensation	(2,437)	(2,645)	(2,103)	(2,619)	(1,863)
Merger-related expenses	-	-	-	(101)	(2,059)
Reimbursement of merger-related costs	-	-	-	11,000	-
Write-off of unamortized debt issuance costs	-	-	-	(316)	-
Adjusted operating expenses	**$ 28,531**	**$ 26,408**	**$ 31,233**	**$ 31,666**	**$ 38,664**

Adjusted EBTDA and Adjusted EBITDA

	For the three months ended				
(in $US thousands)	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Net income (loss)	**$ 1,140**	**$ 1,725**	**$ 634**	**$ 4,344**	**$ (15,084)**
Depreciation and amortization	206	201	198	207	219
Income tax expense	21	12	21	11	17
Equity and incentive-based compensation	2,437	2,645	2,103	2,619	1,863
Other income and expense, net	(1,079)	(113)	200	(48)	(155)
Merger-related costs	-	-	-	101	2,059
Reimbursement of merger-related costs	-	-	-	(11,000)	-
Write-off of unamortized debt issuance costs	-	-	-	316	-
Loss on extinguishment of line of credit	-	-	814	-	-
Fair value adjustment on warrants	(252)	420	(50)	-	-
Adjusted EBTDA	**$ 2,473**	**$ 4,889**	**$ 3,919**	**$ (3,450)**	**$ (11,082)**
Net interest expense	3,933	3,377	3,124	2,192	1,670
Adjusted EBITDA	**$ 6,406**	**$ 8,265**	**$ 7,043**	**$ (1,258)**	**$ (9,412)**

Non-GAAP Financial Measures

To supplement our operating results prepared in accordance with generally accepted accounting principles in the United States ("GAAP"), we present the following non-GAAP financial measures: Total income less transaction related costs; non-transaction related operating expenses; adjusted earnings before taxes, depreciation, and amortization ("Adjusted EBTDA"); adjusted operating expenses; adjusted earnings before interest, taxes, depreciation, and amortization ("Adjusted EBITDA"); and Adjusted EBITDA margin. Definitions of these non-GAAP financial measures and summaries of the reasons why management believes that the presentation of these non-GAAP financial measures provide useful information to the company and investors are as follows:

- Total income less transaction related costs is defined as GAAP total income less transaction related costs. Transaction related costs is the sum of GAAP transaction expense, provision for credit losses, and net interest expense less non-recurring charges as detailed in the reconciliation table of GAAP operating income (loss) to non-GAAP total income less transaction related costs above. We believe that total income less transaction related costs is a useful financial measure to both management and investors for evaluating the economic value of orders processed on the Sezzle Platform;
- Non-transaction related operating expenses is defined as the sum of GAAP personnel; third-party technology and data; marketing, advertising, and tradeshows; and general and administrative operating expenses. We believe that non-transaction related operating expenses is a useful financial measure to both management and investors for evaluating our management of operating expenses not directly attributable to orders processed on the Sezzle Platform.
- Adjusted operating expenses is defined as operating expenses adjusted for certain non-cash and non-recurring charges including depreciation, amortization, equity and incentive—based compensation, and merger-related costs as detailed in the reconciliation table of GAAP operating expenses to non-GAAP adjusted operating expenses above. We believe that this financial measure is a useful measure for period-to-period comparison of our business by removing the effect of certain non-cash and non-recurring charges that may not directly correlate to the underlying performance of our business.
- Adjusted EBTDA is defined as GAAP net income (loss), adjusted for certain non-cash and non-recurring charges including depreciation, amortization, equity and incentive—based compensation, and merger-related costs as detailed in the reconciliation table of GAAP net income (loss) to adjusted EBTDA. We believe that this financial measure is a useful measure for period-to-period comparison of our business by removing the effect of certain non-cash and non-recurring charges that may not directly correlate to the underlying performance of our business.
- Adjusted EBITDA is defined as GAAP net income (loss), adjusted for certain non-cash and non-recurring charges including depreciation, amortization, equity and incentive—based compensation, and merger-related costs, as well as net interest expense as detailed in the reconciliation table of GAAP net income (loss) to adjusted EBITDA. We believe that this financial measure is a useful measure for period-to-period comparison of our business by removing the effect of certain non-cash and non-recurring charges, as well as funding costs, that may not directly correlate to the underlying performance of our business.
- Adjusted EBITDA margin is defined as Adjusted EBITDA divided by GAAP total income. We believe that this financial measure is a useful measure for period-to-period comparison of our business' unit economics by removing the effect of certain non-cash and non-recurring charges, as well as funding costs, that may not directly correlate to the underlying performance of our business.

Additionally, we have included these non-GAAP measures because they are key measures used by our management to evaluate our operating performance, guide future operating plans, and make strategic decisions, including those relating to operating expenses and the allocation of resources. Therefore, we believe these measures provide useful information to investors and other users of this press release to understand and evaluate our operating results in the same manner as our management and board of directors. However, non-GAAP financial measures have limitations, should be considered supplemental in nature, and are not meant as a substitute for the related financial information prepared in accordance with U.S. GAAP. These limitations include the following:

- Total income less transaction-related costs is not intended to be measures of operating profit or cash flow profitability as they exclude key operating expenses such as personnel, general and administrative, and third-party technology and data, which have been, and will continue to be for the foreseeable future, significant recurring GAAP expenses.
- Non-transaction related operating expenses exclude significant expenses, including transaction expense and provision for credit losses, which have been, and will continue to be for the foreseeable future, significant recurring GAAP expenses.
- Adjusted operating expenses, adjusted EBTDA, adjusted EBITDA, and adjusted EBITDA margin exclude certain recurring, non-cash charges such as depreciation, amortization, and equity and incentive—based compensation, which have been, and will continue to be for the foreseeable future, recurring GAAP expenses. Further, these non-GAAP financial measures exclude certain significant cash inflows and outflows, such as merger-related costs (which are comprised of legal fees in connection with our terminated proposed merger with Zip Co Limited) and reimbursements for such merger-related costs, which have a significant impact on our working capital and cash.
- Adjusted EBITDA excludes net interest expense, which has a significant impact on our GAAP net income, working capital, and cash.
- Long-lived assets being depreciated or amortized may need to be replaced in the future, and these non-GAAP financial measures do not reflect the capital expenditures needed for such replacements, or for any new capital expenditures or commitments.
- These non-GAAP financial measures do not reflect income taxes that may represent a reduction in cash available to us.
- Non-GAAP measures do not reflect changes in, or cash requirements for, our working capital needs.
- Other companies, including companies in our industry, may calculate the non-GAAP financial measures differently or not at all, which reduces their usefulness as comparative measures.

Because of these limitations, you should not consider these non-GAAP financial measures in isolation or as substitutes for analysis of our financial results as reported under GAAP, and these non-GAAP financial measures should be considered alongside other financial performance measures, including net income (loss) and other financial results presented in accordance with GAAP. We encourage you to review the related GAAP financial measures and the reconciliations of these non-GAAP financial measures to their most directly comparable GAAP financial measures and not rely on any single financial measure to evaluate our business.

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