

Zip backtracks on Sezzle acquisition, trudges toward profitability goal

Article

The news: Australia-based buy now, pay later (BNPL) firm **Zip** abandoned its plans to acquire US-based **Sezzle**, according to a company announcement.

Zip said current macroeconomic and market conditions led to the mutual decision to cancel the deal. It will pay Sezzle \$11 million to cover costs associated with terminating the acquisition.

How we got here: Zip has been in [discussions](#) to purchase Sezzle since at least January. It had acquired several global BNPL upstarts in 2021—including [Spotti](#), [Twisto](#), and [Payflex](#)—but may have been looking to snag Sezzle to strengthen its presence in a major market: **US BNPL transaction volume more than doubled last year and is expected to grow 77.3% year over year (YoY) in 2022**, [per](#) Insider Intelligence forecasts.

Until recently, Zip’s acquisition plans seemed to be underway despite growing market uncertainty: Zip said it was still on track to purchase Sezzle in a June 22 business [update](#) and highlighted measures it was taking to offset the effects of rising interest rates and turn a profit, including customer fee hikes and merchant repricing.

But widespread market volatility may have pushed Zip to reevaluate its plans—shortly before terminating the Sezzle acquisition, Zip [said](#) it will close its money management app **Pocketbook** in response to “significant changes” to its operating environment. It plans to focus on its core business and double down on profitability efforts.

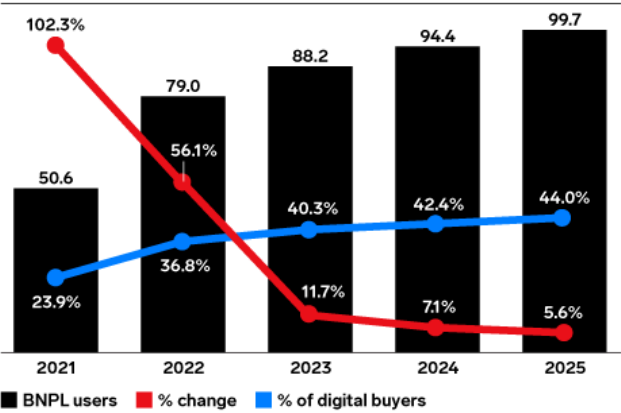
Why it’s worth watching: Despite dropping the acquisition, Zip still expects to achieve profitability by fiscal year 2024.

But widespread economic malaise may complicate that goal. Even BNPL heavyweights like **Klarna** are reeling from current market conditions: The Swedish BNPL provider recently [closed](#) a funding round at a \$6.7 billion valuation, in stark contrast with last year’s \$46 billion price tag. It also [laid off](#) 10% of its staff in May. If Klarna—which is expected to hold the largest share of US BNPL users this year, per [our](#) forecasts—is feeling the squeeze, Zip likely isn’t immune either.

What this means for Sezzle: Merging with Zip would’ve significantly expanded Sezzle’s global presence and volume. Sezzle is only available in the US and Canada, while Zip’s acquisitions have given it a foothold in Africa, Europe, the Middle East, and its home market of Australia.

But with the acquisition now off the table, Sezzle will likely need to focus on increasing profitability to stay afloat. This may include a combination of increasing merchant partnerships and encouraging customer adoption, which may not be the easiest task given tight competition in the BNPL space.

US Buy Now, Pay Later (BNPL) Users, 2021-2025
millions, % change, and % of digital buyers



Note: ages 14+; internet users who have accessed a buy now, pay later account digitally and have made a payment toward a purchase at least once in the past year; includes purchases of goods and services
Source: Insider Intelligence, June 2022