

Klarna and Sezzle highlight Q4 profitability progress following challenging 2022

Article

The news: Klarna's and Sezzle are making progress toward profitability, according to their most recent financial statements.

Klarna

- The firm's Q4 gross merchandise volume (GMV) increased 19% year over year (YoY), [per](#) its annual report.
- **Klarna's net losses of SEK 1.9 billion (\$188 million)** were an improvement from SEK 2.2 billion (\$217 million) in Q3 and SEK 4.6 billion (\$455 million) in Q4 2021.
- CEO Sebastian Siemiatkowski said in December that [the firm expects to achieve monthly profitability](#) by August or September 2023.

Sezzle

- The company's underlying merchant sales (UMS) declined 19% YoY in Q4, [per](#) its earnings presentation.
- Sezzle attributed the dip in UMS to ending unprofitable merchant relationships, tightening customer underwriting, and competition.
- **Sezzle reported net income of about \$600,000 in the fourth quarter**, compared with a nearly \$26 million net loss during the same period in 2021.

How we got here: Stronger [economic headwinds](#), tighter competition, and evolving ecommerce trends affected growth and profitability for Klarna and Sezzle last year.

- Both companies cut costs to help preserve their bottom lines: Sezzle plans to [cut nearly 20% of its staff](#), with [Klarna taking similar steps in May](#) and [September](#).
- A slew of new entrants in the BNPL space has made it harder for Klarna and Sezzle to grab more market share. [PayPal](#), [Visa](#), and [Mastercard](#) all ramped up their BNPL programs in 2022.
- BNPL providers across the board aren't seeing the same volume growth they did in 2020—which can be partly attributed to [normalizing ecommerce growth](#).

What's next? [BNPL demand](#) remains strong, especially as consumers embrace payment flexibility during economic uncertainty. But BNPL players are thinking differently about what success means.

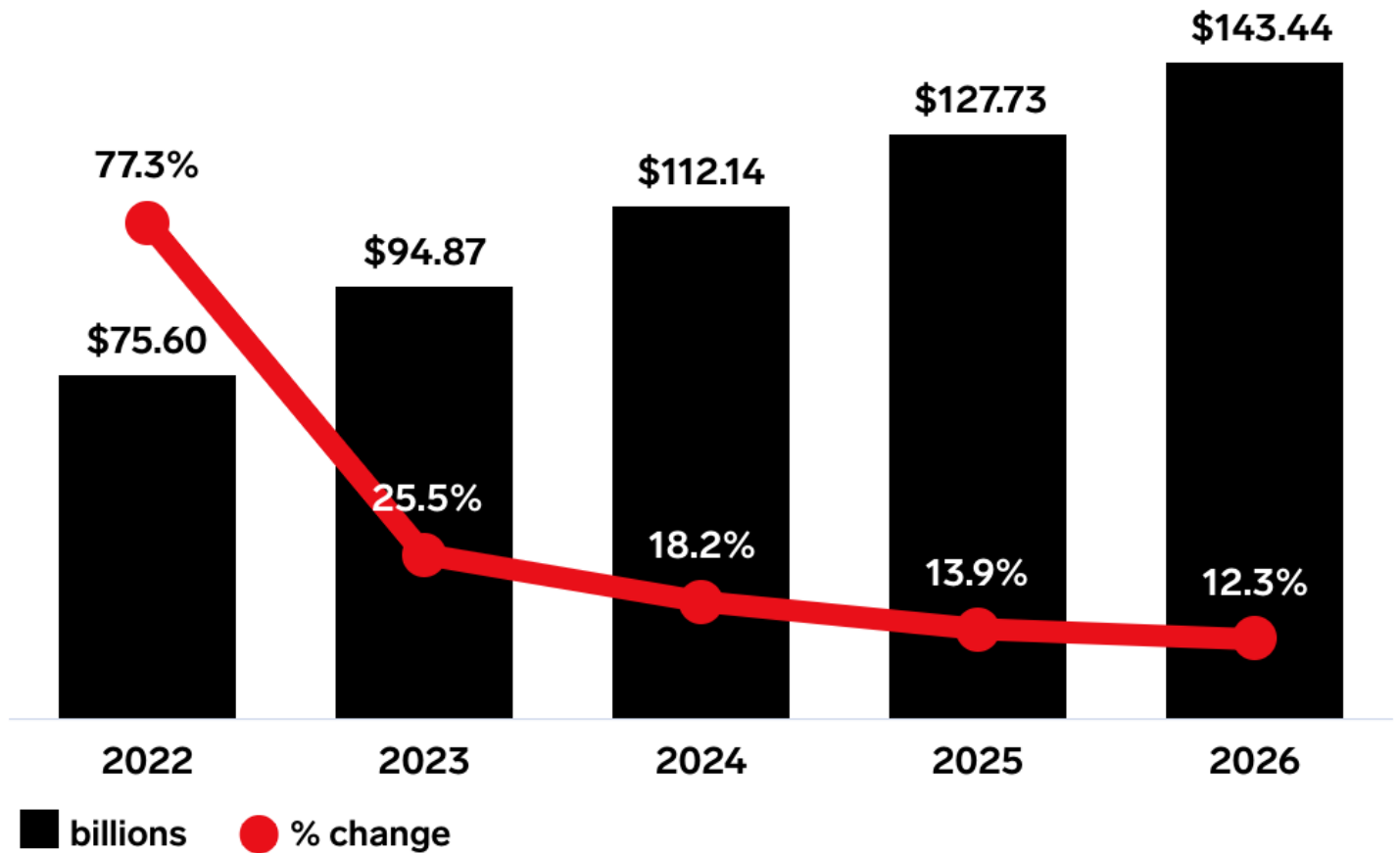
The “growth at all costs” mentality has dissipated, and now, many providers are focused on preserving their balance sheets and improving profitability. Looking ahead, providers will

need to find ways to sustain customer loyalty through innovation while maintaining efficient cost structures.

Related content: Check out our [US Buy Now, Pay Later Forecast 2022](#) spotlight report to learn about the factors driving growth in the sector.

Buy Now, Pay Later Payment Value

US, 2022-2026



Note: includes products or services ordered using the internet, paid with a BNPL (buy now, pay later) service platform; excludes payments (such as bill pay, taxes, or money transfers), gambling and other vice goods sales

Source: eMarketer, June 2022

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