

Katapult Holdings, Inc. NasdaqGM:KPLT

FQ2 2024 Earnings Call Transcripts

Wednesday, August 14, 2024 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2024-			-FQ3 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
Revenue (mm)	59.00	58.86	▼ (0.24 %)	60.00	247.00	272.00

Currency: USD

Consensus as of Jul-15-2024 3:34 AM GMT

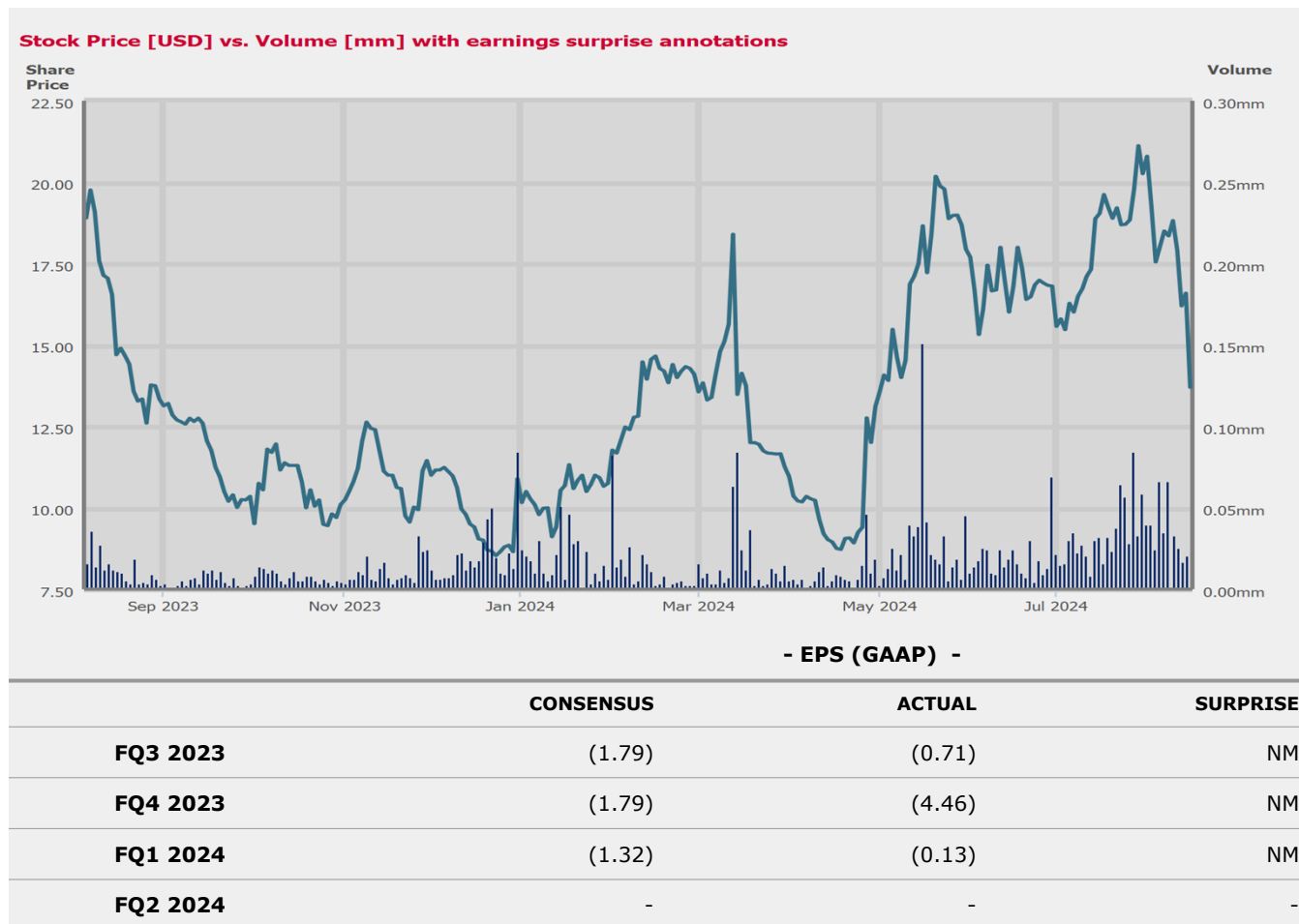


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Call Participants

EXECUTIVES

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Chief Operating Officer

Jennifer Kull

Nancy A. Walsh

Chief Financial Officer

Orlando J. Zayas

CEO, President & Director

ANALYSTS

Anthony Chinonye Chukumba

*Loop Capital Markets LLC,
Research Division*

Cameron White

Presentation

Operator

Hello, everyone, and welcome to the Katapult Holdings Second Quarter 2024 Earnings Conference Call. Please note that this call is being recorded. [Operator Instructions]

I'd now like to hand the call over to Jennifer Kull, Head of Investor Relations.

Jennifer Kull

Welcome to Katapult's Second Quarter 2024 Conference Call. On the call with me today are Orlando Zayas, Chief Executive Officer; Nancy Walsh, Chief Financial Officer; and Derek Medlin, Chief Operating Officer. For your reference, we have posted materials from today's call on the Investor Relations section of the Katapult website, which can be found at ir.catapultholdings.com. Please keep in mind that our remarks today include forward-looking statements related to our financial guidance, our business and our operating results as noted in the earnings release and slide deck posted to our website for your reference. Our actual results may differ materially. Forward-looking statements involve risks and uncertainties, some of which are described in today's earnings release in our most recent Form 10-Q and which will be updated in future periodic reports that we file with the SEC. Any forward-looking statements that we make on this call are based on our beliefs and assumptions today, and we disclaim any obligation to update them.

Also, during the call, we'll present both GAAP and non-GAAP financial measures. Non-GAAP financial measures should be considered supplemental to and not replacements for or superior to our GAAP results. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures is included with today's earnings release and is available on the Investor Relations section of the company's website. Any comparison to 2023 financial results is referencing our restated financials included in our Form 10-K for the year ended December 31, 2023, filed with the SEC on April 24, 2024. Finally, all comparisons are year-over-year unless stated otherwise.

With that, I will turn the call over to Orlando.

Orlando J. Zayas

CEO, President & Director

Thank you, Jennifer, and thank you to everyone joining us this morning to hear about our progress during the second quarter. Today, I will follow our normal format of reviewing our operating progress against our merchant and consumer strategies before turning it over to Nancy to review our second quarter financial results in greater detail, including a few P&L milestones and goals. She will also touch on the steps we are taking to strengthen our balance sheet and capital structure.

Q2 marked another quarter of across-the-board growth for us. We delivered our seventh consecutive quarter of gross originations growth, nearly 9% revenue growth and adjusted EBITDA loss improved by \$1.2 million year-over-year. We believe we are only in the early innings of growth but are confident that we have built a strong foundation that will allow us to continue to improve our growth trajectory. We based our belief on several inputs, one of the most important ones being our relationships with merchants. Let me explain further. We work closely with a robust base of merchants either through a direct or waterfall integration or those that we have added to our Katapult marketplace. As a result, we enter each year with line of sight into a meaningful portion of our gross originations forecast.

Based on historical consumer shopping patterns, repeat purchase rates and relationships with our merchant partners. And while historical predictability can't insulate us from major macro events such as meaningful slowdown and the sales of home furnishings that the market experienced this quarter, it does provide for a fair amount of stability on which we can execute a variety of growth plans. And we believe this stability is a significant asset for our business. That said, when we see a slowdown with one of our largest merchant partners like Wayfair, it's difficult to fully offset its impact. But keep in mind that 52% of our business is centered on originations outside of Wayfair and our non-Wayfair gross originations, which

includes Katapult pay, grew by nearly 20% in the second quarter. We believe that as the headwinds within the home furnishings macro environment received, we will see our Wayfair originations normalize, which will substantially accelerate our overall gross originations growth.

Let me contextualize this further for you. If Wayfair gross originations had held flat to what we achieved in the second quarter of last year, our total gross originations would have grown by more than 8%. While the macro headwinds have been difficult to surmount year-to-date, we are seeing a number of reasons to remain encouraged, including we are holding steady with our existing Wayfair customers with both applications and originations from this cohort of customers relatively flat year-to-date. We define existing customers as those who had a previous origination with us and then returned to originated again. While we can't control application rates since we are in the Wayfair financing waterfall, we can control approval rates, and we become experts in creating a compelling offer for the right consumer at the right time without compromising our underwriting.

As a result, our approval rates are up 350 basis points, and the same-day take rates were up 500 basis points during Q2. We have a strong relationship with Wayfair, and we are partnering with them to get our business together back to growth. It's also very important to walk through how we are improving gross originations productivity, which is leading to strong revenue growth. Our strategy to partner with merchants to help them capture incremental wallet share with the nonprime consumer and our strategy to create a friction-free consumer experience by offering a best-in-class LTO product that meets them wherever they are, are both delivering. As a result, we have been able to make our gross origination dollars even more productive. To illustrate what I mean by this, I have a few different examples to share. Let's look at customer lifetime value, or LTV, first.

As of the end of the second quarter, LTV has grown a little more than 15% year-over-year. We believe our growing LTV reflects the progress we're making against our merchant and customer growth strategies. In addition, leases per customer and gross origination dollars per customer have also continued to grow. We believe it's also important to view our gross origination results within the context of our performance over the past year, especially in comparison to many of our competitors. With the robust growth we achieved in Q2 of 2023, we are facing a fairly tough comparison. Looking at our second quarter performance over the past 2 years, we once again delivered nearly 20% gross origination growth for this quarter.

Finally, we continue to attract new revenue-driving partners, driven in large part by our valuable base of engaged and loyal customers as well as our continued gross originations growth. This is allowing us to responsibly monetize our customer base and push forward against our goal of creating new revenue streams among other growth strategies. Given our foundational progress, including continued top line growth and bottom-line improvements, we believe we are well positioned to create value for our stakeholders by unlocking the power of our financial model.

Now let's turn to our merchant strategy. Our merchant strategy is built on 3 key drivers: one, growing gross originations by integrating with new merchants through direct and waterfall integrations; two, growing our market share with our anchor merchants; and three, ensuring that we offer the variety of durable goods our customers are presumably looking to acquire. Starting with our integration progress, we have several developments to discuss this quarter.

First is our new relationship with Meineke. Meineke is a leading franchise-based automobile repair chain with more than 700 locations across the U.S. And we are excited to discuss our addition to their consumer application process called Meineke Payment Solutions. We've only recently kicked off the relationship what we believe we will be great partners as we offer a proven and transparent option to their customers. And the decision to work with Katapult was endorsed by the Meineke Dealers Association, which is comprised of more than 500 Meineke franchise owners.

In addition to our e-commerce capabilities, we will also leverage our proprietary text to checkout technology that we recently launched. As a result, in-store Meineke customers will be able to complete their lease transaction on their own mobile devices, protecting their privacy, promoting transparency and regulatory compliance while lowering fraud risk to Katapult and Meineke. We can control the customer journey through our app and make it easier for the in-store sales person by eliminating the burden they have to explain how the LTO product works.

Another benefit of this relationship is our ability to remarket to preapproved consumers. Through our agreement, even if a customer does not convert on a preapproved offer for a Meineke product, we'll be able to remarket to this consumer, encouraging them to enter into a lease on any one of our many merchant products. We also entered into an agreement with PayTomorrow, a premier waterfall financing platform. Through this partnership, we have embedded our LTO on the PayTomorrow platform. In case you're not planning to PayTomorrow, their platform provides merchants with a diverse range of payment options that serve prime, near prime and nonprime customers. They have more than 2,700 merchants online and in-store that offer a variety of products to consumers across the U.S. We believe that this relationship will be instrumental in accelerating our integration into the waterfall application processes for multiple merchants.

We're also excited to announce that we have completed our integration process with Synchrony's waterfall called dApply. This strategic integration means that we are now in line to receive application flow from applicants who decline for Synchrony's prime credit option. We believe this will be a sizable opportunity for us over time and will give us a pool of new applicants as well as another channel to partner with existing and potential merchant partners. We are currently piloting our integration with a regional camera equipment and accessories merchant, and we look forward to expanding to other merchants in the coming quarters.

Finally, we're very excited to announce that we have been awarded an exclusive waterfall agreement with Adorama. After a competitive vetting process, we have been named exclusive LTO in their waterfall, which is powered by ChargeAfter. These are just a few of our successes this quarter that demonstrate the steady progress we are making on the strategic front. As we remain focused on partnering with more and more merchants, we are also equally focused on doing more with our current merchant partners. Let me give you some highlights. We added more than 30 new merchant pathways in Q2. Pathways include new and existing merchant partners that launch a new website or an in-store experience that include Katapult as a direct or waterfall LTO offering.

About half of these launches this quarter were with existing merchant partners. We believe that each of these launches creates an opportunity for us to expand our reach and customer base and will contribute to top line growth. Since integrating the newest version of Shopify last quarter, we have successfully transitioned more than 70 merchants and our websites to the platform. We believe that this will deliver meaningful volume on an annualized basis over time. We have also continued to roll out our price calculator tool to merchants, and we are seeing results. Our price calculator allows consumers to easily see upfront what their payments will be for an item that they'd like to lease. Price calculator gives us a distinct advantage with consumers and merchants. When merchant partners use price calculator to transparently market the affordability of their durable goods, Katapult is included on just about every product page during the customer journey, putting us front and center with consumers as they shop.

After deploying this tool with one of our large mattress retailers, we saw their daily gross originations expand by nearly 6% over approximately 60 days following the launch of the tool. We're also tapping into more strategic ways to leverage the power of our merchant partners from a marketing perspective. Let me give you 2 examples. First, our merchant partners are becoming more and more interested in using their own marketing assets to promote their relationship with us. We have recently been added to 4 newsletters published by our partners. Two of these merchants were existing Katapult partners and in the 30 days following dimension, we saw more than a 10% gross origination lift.

Beyond this, we are doing even more testing and learning on co-promotions. Recently, we ran a 10-day test with a waterfall partner in the tire category through which we offered a customer rebate promotion on certain leases. This resulted in about a 35% gross origination lift at the end of the test. We intend to strategically scale this test into recurring campaigns throughout the rest of the year. These are just a few examples of the ways we are deepening our relationships with our merchant partners. And while none of these advances individually are game changers, collectively, they can move the needle and they are helping us grow our non-Wayfair business. In fact, excluding Wayfair, we now have several merchants that we expect to each deliver \$10 million in gross originations for 2024, which will reflect the growth of more than 40% for this group of merchants.

I would also like to point out that some of these merchants were just added to the Katapult platform last year, which shows how fast we can ramp gross originations for merchants where customer demand is high. In the second quarter, our top 10 non-Wayfair merchant accounted for 36% of our gross origination base, up from 27% in the second quarter of last year. I hope it's resonating with you that we have a lot of very positive developments within our merchant strategy. While the impending recovery of home furnishings has taken longer than we anticipated, this will be a definitive driver of our business. And in the meantime, we are executing across other growth fronts, which are delivering positive results. This is a good segue into our strategy to drive consumer demand for our market-leading LTO product.

Today, I will highlight our continued progress with Katapult Pay and our marketing strategy. Let's start with Katapult pay, which has become a core driver of our business in less than 2 years since we launched it in late 2022. First, let's talk high-level numbers. During Q2, Katapult Pay or as we call it, KPay, delivered \$15.7 million in gross originations, representing 28% of our total gross originations. This means that we grew KPay originations by more than 100%. To put this in perspective, if Katapult Pay was a stand-alone merchant, the gross originations we're earning through this channel will make them our second largest merchant partner.

In addition, the vast majority of these gross originations were with merchants that are only available through Katapult pay, demonstrating that our app delivers gross originations that are incremental to our direct and waterfall channels and that KPay is a powerful consumer engagement tool. Gross originations for merchants only available to Katapult Pay grew 115% in Q2.

Second, since we last spoke to many of you, we are excited to have added 2 well-known retailers to our Katapult Pay marketplace. Costco and most recently, Newegg, a leading global online retailer of PC hardware, consumer electronics, gaming peripherals, home appliances, automotive and lifestyle technology, which we launched about 5 weeks ago, in time for back-to-school season. They joined Lowe's, which we added to our marketplace early in the second quarter. We've been very pleased with the response to Lowe's and Costco. And while it's a bit early to give a readout on Newegg, based on customer survey data, we believe the consumers will embrace the opportunity to engage with this new retailer. I could not be more enthusiastic about the ramp-up of Katapult Pay.

KPay has added a new element to our business model that allows us to control our destiny. We are constantly educating merchants on the incrementality of our LTO offering, and KPay is providing compelling data that we can leverage to make our case. In addition, it allows us to participate in major sales events like Amazon's July Prime Day, which would not be possible otherwise. During this year's event, we grew gross originations by nearly 115% compared to last year's event. We feel confident that our app is also allowing us to deepen and strengthen our relationship with our customers. This quarter, we saw another quarter of high Net Promoter Scores and customer repeat rates, both hallmarks of the healthy ecosystem we have been building for consumers across the U.S. As of the end of the second quarter, our overall NPS score was 62%, and our customer repeat rate was 59.3%. We are very proud of both of these results.

Turning quickly to marketing. We are continuing to test and learn into a scaled marketing strategy. Within consumer marketing, the majority of our resources remain focused on driving potential customers to our app, and we learned a lot from the paid ad testing we completed during the first quarter. We are already driving strong repeat purchase activity through our app and other low-cost marketing activities, and we believe we can complement this and the customer flow we receive from our merchant partners with our own marketing efforts while keeping customer acquisition costs low. We are seeing encouraging results from our marketing efforts, including these highlights.

Our monthly active users on our app have grown by 40% year-over-year. We've increased the number of marketing e-mails sent by approximately 6x year-over-year, resulting in about a 35% increase in gross originations attributable to this channel. Unique customers who opened the app in Q2 grew by more than 35% year-over-year, and app downloads have grown 83% from last year. We will continue to be judicious about our investment in marketing, but believe we are demonstrating that we can leverage the strategic tool to drive incremental growth.

Last quarter, we highlighted some of the initiatives focused on building our referral and partner marketing networks that we see as highly complementary to our digital marketing efforts. Since that time, we've seen some early but encouraging results. Within our affiliate program called Impact, we've added 41 partnerships and our impressions grew 30% versus the first quarter of this year. As a result, revenue from this small but growing channel grew 38% versus the first quarter of 2024. Our affiliate program was just one of the many opportunities we're exploring to build new revenue streams.

In early June, we partnered with an insurance provider to launch layoff insurance, a new product that can provide a cash benefit of up to \$2,000 for customers facing involuntary job loss and have purchased this coverage. Our goal is to help customers navigate unexpected financial hardships should they arise. We believe that offering like income protection insurance directly addresses the financial vulnerabilities that many of our non-prime consumers face every day. We plan to launch more products that complement our innovative LTO solution to provide underserved consumers with the financial tools and resources they need to power their daily lives. At the end of the day, we believe that adding products like this will allow us to monetize our customer base, create new sustainable revenue streams and make our gross originations, which remain the low slot of our business, even more productive over time.

In summary, we're executing a dynamic growth strategy that is unlocking the power of our financial model and positions us to create sustainable value for our stakeholders, and we're very proud of our progress.

With that, I'll turn it over to Nancy to discuss our second quarter results.

Nancy A. Walsh

Chief Financial Officer

Thanks, Orlando, and hello to everyone joining us this morning. As Orlando mentioned, we achieved growth across the board this quarter despite the notable headwinds we continue to face in home furnishings. Let's start with a few insights on our top line performance. We have now grown gross originations for 7 consecutive quarters with gross originations increasing 1.1% to \$55.3 million in the second quarter, and on a 2-year stack basis, our gross originations grew nearly 20%. As we outlined last quarter, our outlook for the second quarter gross originations was going to be partly driven by the market for home furnishings, returning to normal levels, which did not happen. As a result, we came in slightly below the outlook we provided last quarter.

Beyond this headwind, one positive driver of our continued growth has been our high repeat purchase rate, which together with our high-net promoter score demonstrate that we are delivering the experience and value our customers want. Both our top-notch customer relations team and Katapult Pay our drivers of this success and are allowing us to build lasting relationships with consumers across the U.S. As of the end of Q2 2024, we increased revenue per new customer by more than 15% and saw cross-shopping activity increased by more than 70% while decreasing the volume of customer relations interactions that had to be escalated by more than 40% year-over-year. Our market-leading LTO and sustained gross originations growth have unlocked our engine for revenue growth.

During Q2, revenue increased 8.7% to \$58.9 million, reflecting both our gross originations trends and strong collection efforts. Gross profit for Q2 was approximately \$9.9 million, an increase of nearly 5% and gross profit during the first half of 2024 grew by nearly 24%. We achieved a gross margin of 16.9%. We continue to expect margins to be in the 18% to 20% for the full year 2024. We have continued to improve write-offs as a percent of revenue. During the second quarter, this metric was 9.3%, a decrease of 30 basis points versus the 9.6% we achieved in Q2 2023 and within our target range of 8% to 10%. I think it's also important to note that we have been able to successfully grow approval rates, which were up 108 basis points in Q2, while adhering to our dynamic underwriting model.

Moving on to expenses and profitability. Our disciplined approach to expense management, coupled with our top line growth allowed us to deliver another quarter of substantial adjusted EBITDA growth. During the second quarter, our total operating expenses decreased by 7%. And with our revenue growth, we were able to decrease OpEx as a percent of revenue by approximately 360 basis points year-over-year. We held general and administrative expenses flat compared with last year despite our investment in marketing and higher professional services expenses, a testament to our disciplined approach to expense management.

Looking ahead, we intend to remain prudent with our spend, but would expect expenses to trend upward slightly as we invest in opportunities to drive growth.

Excluding underwriting fees and service costs, which are variable and depreciation and stock-based compensation expense, which are noncash expenses, our fixed cash operating expenses were \$9.1 million, a decrease of 8.8% compared to last year. Given the hard work our team has been doing to drive revenue growth while keeping our expense structure lean, we are starting to see the benefits of operating leverage. During the second quarter, our loss from operations improved from \$4 million in Q2 2023 to a loss of \$2.6 million in Q2 2024. During the first half of 2024, we achieved \$1.2 million of income from operations, which we believe puts us on a path to deliver positive income from operations as early as 2025.

Based on our top line performance and the structural benefits we are realizing from our operating efficiencies; we were able to improve our year-over-year adjusted EBITDA performance for the sixth consecutive quarter. For the second quarter, we recorded an adjusted EBITDA loss of \$377,000, a \$1.2 million improvement compared with the \$1.5 million of adjusted EBITDA loss we reported in the second quarter of last year. Year-to-date adjusted EBITDA is positive \$5.3 million.

Turning to the balance sheet and cash flow. Given the progress we've made, we believe 2025 will be an inflection point for us. We are striving to be in a neutral cash usage position and believe after 2025, we can turn the corner into being cash accretive. Looking at cash flows from operations for the first half of 2024, we have significantly improved on this front. For the first half of this year, our cash provided from operations was positive \$1.4 million compared with cash used for operating activities of \$8.6 million for the first half of 2023, demonstrating our notable progress. As of June 30, 2024, we had total cash and cash equivalents of \$38.4 million, which includes \$4.6 million of restricted cash. As of the end of the second quarter, we also had \$69.5 million in outstanding debt on our credit facility.

Regarding our capital structure and balance sheet in our upcoming June 2025 debt maturity, we are actively pursuing refinancing alternatives at this time. We are moving forward with a great sense of urgency, and we are optimistic about the opportunities in the near term.

Turning to our Q3 outlook. We are continuing to navigate a challenging macro environment, and it's unclear when or if the Fed intends to lower interest rates this year. And while we continue to believe that our core customers generally resilient, we also believe inflation is taking a toll on their budgets and dampening consumer demand. As a result, it's difficult to assess what, if any, impact these dynamics will ultimately have on our core consumer and what, if any, impact we'll see on prime lending standards and the U.S. consumers access to financing. We continue to believe that we have a large addressable market of underserved non-prime consumers, and it's important to note that lease-to-own solutions have historically benefited when prime credit options become less available.

Based on these dynamics and the operating plan in place for the full year 2024, we expect the following for the third quarter, gross originations growth of 8% to 10%, and revenue growth in the range of 7% to 8% and breakeven or better adjusted EBITDA. We are also reiterating our outlook for a minimum 10% growth for gross originations and revenue for the full year 2024. As a reminder, our full year outlook does not include any material impact from prime creditors tightening or loosening above us and assumes that the overall macro environment does not change significantly. Both our third quarter and full year outlook also assume that the retail environment for home furnishings returns to growth.

Finally, we also expect to deliver positive adjusted EBITDA for the full year 2024. This will be the first time we've achieved this milestone since 2021. Before I turn the call over to the operator, I would like to highlight the newest addition to our finance and accounting team. Kaitlin Folan joined as our new Chief Accounting Officer in the second half of July. She has nearly 20 years of experience that spans both big 4 accounting and publicly traded corporations. She has hit the ground running, and we are excited about the positive impact we believe she will have in this role.

With that, I'll turn it back to the operator for Q&A. Operator?

Question and Answer

Operator

[Operator Instructions] Our first question comes from Anthony Chukumba from Loop Capital.

Anthony Chinonye Chukumba

Loop Capital Markets LLC, Research Division

I guess my first question, you did come up short in terms of your gross origination forecast for the second quarter. It sounds like it was mainly Wayfair. Simple question, is that a fair assessment that shortfall was really or primarily Wayfair?

Orlando J. Zayas

CEO, President & Director

Anthony, I wanted to answer that question. Yes, it was primarily Wayfair. As they noted in their earnings release, they had a slowdown. So obviously, it affects us a little bit, and I think that's where we came in a little short on the gross origination side.

Nancy A. Walsh

Chief Financial Officer

And Anthony, other than Wayfair, the other 52% of the business, we did see a 20% increase in gross originations. And we also mentioned that even if Wayfair had just been flat to last year, we would have been over 8% in gross origination growth.

Anthony Chinonye Chukumba

Loop Capital Markets LLC, Research Division

So then related question. If I'm doing my math correctly, your gross originations for the first half of this year were up looks about 1.4%, somewhere in that range. You're guiding to double-digit gross originations growth for the year. So that would imply that second quarter is up significantly. And you just said that Wayfair's disappointed. So I guess what gives you the confidence that the second quarter or second half originations will accelerate that significantly?

Nancy A. Walsh

Chief Financial Officer

Well, as we've talked about before, in holiday, obviously, is a very big season for us. But with the additions that we've made to KPay, those take a little bit of time to ramp up. We've added some new partnerships and affiliations that will also take time to ramp up. So we look at this almost as a layer cake that as we're seeing the wrap from last year into the second half of this year as well as all of the new initiatives that we've been discussing, that's going to build in the second half and gives us a lot of confidence that we can still achieve 10% both in revenue and gross originations.

Anthony Chinonye Chukumba

Loop Capital Markets LLC, Research Division

And I guess my final question. I just want to make sure I heard you right, because you said you expect positive income from operations in 2025. Did I hear that correctly?

Nancy A. Walsh

Chief Financial Officer

You did hear that correctly.

Anthony Chinonye Chukumba

Loop Capital Markets LLC, Research Division

Okay. That doesn't seem terribly like a big stretch to me because, I mean, year-to-date, unless I'm reading this incorrectly, your income from operations is positive this year. So unless I'm missing something, I mean, that's kind of a big stretch. Is it...

Nancy A. Walsh

Chief Financial Officer

Well, remember, past years, we have not achieved that in the first quarter because of tax season gives us a big lift. So we had very significant income from operations in the first quarter. You saw that second quarter was a little bit of decrease. We are building toward a full year of positive income from operations. But that's in 2025.

Operator

[Operator Instructions] Our next question comes from Cameron White from Loop Capital.

Cameron White

My question is, you have announced your partnerships with PayTomorrow, Adorama, Meineke, what impact, if any, do you think these partnerships will have on your second half gross originations and revenue?

Nancy A. Walsh

Chief Financial Officer

So as we just talked about with Anthony, as these partnerships and affiliates, the merchants, they take a little time to do the integration and then they will start building since a lot of those are occurring as we're speaking, we're expecting that to be a pretty significant build in the second half, which, again, adds to that layer cake that I discussed that we have a number of initiatives that are ramping up in the third and fourth quarters.

Derek Medlin

Chief Operating Officer

So I would just add that our overall strategy has continued to be to add new channels for merchant growth. And so partnerships like PayTomorrow and what we mentioned with Synchrony are great ways for us to gain more access to more merchants and grow volume of gross originations that way. But in addition, we're going to continue to grow other types of partnerships with resources that are going to give us leads for new consumers that will help support the growth of Katapult Pay. That has been really excited with 100% growth year-over-year. And lastly, we're continuing to develop these new relationships that will allow us to build engagement and monetizing customers that are already on the app and using our services. So just overall, these are just additional pieces that are going to help add to that layer cake and help us to hit the growth goals for the year.

Cameron White

My last question is Prog Holdings and First Cash have recently discussed the impacts of the tightening on subprime credit. And I was wondering what impact, if any, do you anticipate this tightening will have on the back half of your year?

Orlando J. Zayas

CEO, President & Director

Yes, we've noted that we saw the impact of tightening above us in '23, and we continue to see it. And there is a difference with the others and us because we're mostly e-commerce versus in-store and I think that drives a bit of a difference. The customer is online, they're applying. They're coming through and the tightening -- we haven't seen more tightening, I guess, is my point, since '23 when we started to see it, but we stay on top of it. We're not adding anything new to expect tightening to continue. But we expect, as Nancy mentioned in her remarks, that if prime lenders start tightening up because of the late fee issues and things like that, that they're facing that will be the benefit of that.

Operator

As of right now, we don't have any pending or raise hands. I'd now like to hand back over to Orlando for closing remarks.

Orlando J. Zayas

CEO, President & Director

Thanks, operator, and a big thank you to everyone listening to our progress today. Before I sign off, on behalf of the entire leadership team, I want to tell the whole Katapult team, how much we appreciate your hard work. We have an amazing group of people here at Katapult and your dedication to helping us live our mission of serving the nonprime consumer is a core ingredient of our success. Thank you so much for all you do. We look forward to chatting you with our investors as Q3 progresses. Please reach out to Jennifer for any questions or feedback. Thank you.

Operator

Thank you so much for attending today's call. You may now disconnect. Have a wonderful day.

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