

Progressive Holdings Inc.(Q1 Earnings)

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Corporate Speakers:

- John Baugh; Progressive Holdings; Vice President of Investor Relations
- Steven Michaels; Progressive Holdings; President, Chief Executive Officer
- Brian Garner; Progressive Holdings; Chief Financial Officer

Participants:

- Robert Griffin; Raymond James; Analyst
- Bradley Thomas; KeyBanc Capital Markets; Analyst
- Kyle Joseph; Stephens; Analyst
- John Hecht; Jefferies; Analyst
- Anthony Chukumba; Loop Capital Markets; Analyst
- Hoang Nguyen; TD Cowen; Analyst

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to the PROG Holdings First Quarter 2025 Earnings Conference Call. (Operator Instructions)

Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, John Baugh, Vice President of Investor Relations.

Please go ahead.

John Baugh^ Thank you. And good morning, everyone. Welcome to the PROG Holdings first quarter 2025 earnings call.

Joining me this morning are Steve Michaels, PROG Holdings' President and Chief Executive Officer; and Brian Garner, our Chief Financial Officer.

Many of you have already seen a copy of our earnings release issued this morning which is available on our Investor Relations website, investor.progholdings.com.

During this call certain statements we make will be forward looking including comments regarding our revised 2025 full year outlook and our guidance for the second quarter of 2025.

The health of our lease portfolio and our capital allocation priorities.

Listeners are cautioned not to place undue emphasis on forward-looking statements we make today -- all of which are subject to risks and uncertainties, which could cause actual results to differ materially from those contained in the forward-looking statements.

We undertake no obligation to update any such statements.

On today's call we will be referring to certain non-GAAP financial measures including adjusted EBITDA and non-GAAP EPS which have been adjusted for certain items which may affect the comparability of our performance with other companies.

These non-GAAP measures are detailed in the reconciliation tables included with our earnings release.

The company believes that these non-GAAP financial measures provide meaningful insight into the company's operational performance and cash flows and provides these measures to investors to help facilitate the comparisons of operating results with prior periods and to assist them in understanding the company's ongoing operational performance.

With that, I would like to turn the call over to Steve Michaels, PROG Holdings, President and Chief Executive Officer.

Steve?

Steven Michaels^ Thank you, John. And good morning, everyone.

I appreciate you joining us today as we report our first quarter results and offer our perspective on how things are shaping up for Q2 with a few important metrics.

I'll also touch on how we're executing against our strategy despite a challenging and uncertain macro environment.

In the first quarter, revenue approximated the high end of our outlook while both earnings and non-GAAP diluted EPS exceeded the top end of our outlook. The earnings outperformance was driven by strong growth and improved profitability at four technologies, our BNPL platform, along with slightly better-than-expected results from Progressive Leasing.

Progressive Leasing's GMV for the quarter came in 4% below the same period last year, which we believe reflects a few factors. The impact from the loss of a large retail partner due to bankruptcy in late 2024, our tightening of lease approval rates to manage portfolio performance and a more challenging retail environment than we anticipated. The quarter started on an encouraging note with low single-digit GMV growth through early February and the tax season is still ahead of us.

But by mid-quarter, there appeared to be a noticeable slowdown in consumer activity, an observation that was reinforced by multiple third-party data sources pointing to ongoing economic volatility and evolving trade policy. These headlines appear to take a meaningful toll on consumer confidence, and while tax refunds were comparable to last year, it's evident that the financial stress continues to weigh heavily on many households.

As a result, we believe many shoppers are delaying discretionary spending especially in big ticket categories. This shift in behavior played out across several verticals and resulted in a continuation of negative comps for some of our retail partners.

Now if you adjust for the impact of the bankruptcy of the retail partner exiting the business, we actually saw a low- to mid-single-digit growth in GMV.

So there is a more encouraging story about our ability to execute in a very challenging environment underneath the headline number. To put it in context, the loss of that partner represented a mid-\$30 million GMV headwind in Q1 alone.

Despite that, our teams are executing at a high level.

We're continuing to grow our balance of share with key existing partners and that momentum is being driven by the strategic initiatives we put in place. Even with the GMV decline, consolidated revenue came in at \$684.1 million, which is 6.6% higher year-over-year. The revenue performance was largely driven by Progressive Leasing having a larger lease portfolio balance entering the year and higher 90-day purchase activity compared to last year.

As of December 31, 2024, our lease portfolio balance was up 6.1% year-over-year compared to a 5.2% decline at the same point in 2023.

Adjusted EBITDA was \$70.3 million, and non-GAAP EPS was \$0.90, both exceeding the high end of our outlook. Brian will go into the portfolio details in a moment, but I want to highlight that our lease portfolio remains healthy. Q1 write-offs came in at 7.4%, slightly better than we expected.

We made some targeted decisioning adjustments in the second half of 2024 and again, in early Q1. And we will continue to refine our decisioning throughout the year to ensure performance stays within our 6% to 8% targeted annual write-off range.

To sum up the quarter, I'm proud of our ability to deliver strong earnings despite macro headwinds.

Our BNPL business for technologies continued to grow revenues at a healthy triple-digit rate while achieving its first quarter of positive adjusted EBITDA, and I'm optimistic about our broader ecosystem strategy.

We're focused on meeting consumer needs through both leasing and BNPL products driving more cross-sell opportunities and strengthening the PROG brand across every touchpoint.

Before we shift into our strategic priorities, I want to take a moment to talk about the broader environment, and how it's shaping our updated outlook.

Since we shared our initial guidance in February, it's become clear that the macro environment has deteriorated.

Inflation, tariff concerns and broader uncertainty including the potential for a recession, are creating additional pressure on both our direct-to-consumer and retail partner channels. That said, we are not sitting still.

We've successfully navigated through challenging environments before, and we know how to execute in periods of uncertainty.

We're confident in our ability to grow share by staying focused on what we can control. That includes making smart investments in marketing and technology and continuing to optimize how we decision and manage risk.

Our Q1 results exceeded expectations, and that's a direct reflection of the team's discipline and ability to drive growth while maintaining a healthy portfolio.

We continue to have confidence in our long-term strategy and expect to deliver sustainable, profitable growth.

Our revised revenue outlook accounts for the GMV headwinds we are seeing, but we still expect our lease portfolio performance to remain within our 6% to 8% targeted annual range. And as we move through the remainder of the year, we'll stay disciplined with SG&A spend and capital investments remaining agile while making sure we prioritize areas that will have the greatest impact.

We've shown time and again that we can operate effectively in changing environments, and we'll continue to adapt as the macro conditions evolve.

Brian will get into the specifics of our revised 2025 outlook. Turning to our strategic priorities, starting with the growth pillar, we saw encouraging traction in Q1. Excluding the impact of Big Lots, we grew GMV and expanded our active door count by nearly 5% year-over-year. These results reflect the progress we're making with both existing partners and new accounts, and we're seeing early success from the initiatives we put in place to drive greater engagement across our retail network.

Our direct-to-consumer marketing efforts including targeted life cycle campaigns and digital personalization, supported application volume and increased repeat and

reactivated active customer metrics at Progressive Leasing, up 3.8% and 5.5%, respectively.

On the digital front, our direct-to-consumer offering, PROG Marketplace had another solid quarter and continues to scale.

It's allowing our customers to shop anytime anywhere through our mobile app, which drives incremental traffic and sales for our retail partners and also supports GMV growth in our leasing business. Marketplace delivered double-digit growth in Q1, and it is on track to drive over \$75 million in GMV this year. Under our enhanced pillar, we made meaningful strides in improving both the customer and retailer experience.

We launched a deeper e-commerce integration with a long-standing national partner and advanced several initiatives aimed at streamlining application flow and simplifying checkout, both of which are critical to improving conversion and reducing friction.

As for our expand pillar, we're seeing momentum build across our multiproduct ecosystem. Four Technologies continues to gain traction, delivering triple-digit GMV growth for the sixth consecutive quarter. Products like Four are helping us strengthen customer relationships, while also opening new paths for growth.

Importantly, our cross-sell initiatives are starting to show real traction and are contributing to progressive leasing GMV.

As we look ahead, here's where we will be focused for the rest of 2025.

We're staying close to the macro landscape and will respond quickly as our retail partners and consumers navigate the year.

We'll continue our disciplined approach to spending while making selective capital investments that position us to accelerate when the demand environment improves.

On the strategic investment front, we're continuing to build out our direct-to-consumer channel. That includes enhancing the PROG marketplace, improving the user experience on our website and mobile app, and advancing our personalization efforts to drive customer acquisition, engagement and retention.

At the same time we're investing in technology that supports our retail partners, whether that's faster onboarding, smarter tools to serve lease customers or integrations that deepen our partnerships and make us easier to do business with.

Finally, on the topic of capital allocation, our priorities haven't changed.

We'll continue to invest in the business to fund growth, pursue strategic M&A opportunities and return excess cash to shareholders through dividends and share repurchases.

I want to close by emphasizing the strength of our business. Even in periods with little or no incremental GMV growth, we have generated significant cash flow, and we believe we will continue to do so through this cycle. To be clear, growth remains a top priority, but our model is built to endure, and we've shown that even in challenging environments, we can control unit economics, align cost with revenue and continue to deliver strong cash flow.

With that, I'll turn it over to Brian for more detail on Q1 results and updated 2025 outlook. Brian?

Brian Garner

Thanks, Steve. And good morning, everyone.

As Steve mentioned, we exceeded our first quarter outlook on earnings and approximated the top end of our revenue expectations, despite the challenging macro environment we are operating in. This performance reflects the positive momentum we're seeing from last year's growth initiatives of Progressive Leasing, the strength of our portfolio management and impressive growth at Four. The strategic actions we executed throughout 2024 Progressive Leasing helped drive improvement in our gross leased asset balance year-over-year. That said, by mid-quarter, we began to see signs of broader macroeconomic uncertainty with starting to weigh on consumer confidence.

We believe, particularly for our core customer base, this weakening sentiment contributed to a pullback in discretionary spending for the categories we serve.

Shifting to Q1 results. The Progressive Leasing segment's GMV came in at \$402 million, which is down 4% from last year. The decline was primarily driven by the Big Lots bankruptcy announced in 2024, lower approval rates year-over-year due to the appropriate tightening actions taken over the last few quarters and the broader challenges around the demand environment as consumer sentiment overall has declined significantly.

Despite these headwinds, as Steve mentioned, excluding the impact of Big Lots, GMV was up low- to mid-single digits for the rest of the business as our team continues to drive balance of share improvements within key retail relationships and makes progress on the number of active boards we serve.

We also saw meaningful contribution from our direct-to-consumer as well as cross-selling marketing efforts and the growth of the PROG marketplace. Q1 revenues for our Progressive Leasing segment grew 5% from \$620.6 million to \$651.6 million, primarily driven by a larger portfolio size year-over-year throughout the period and higher levels of 90-day early purchase activity.

Portfolio performance in Q1 for Progressive Leasing was better than expected and that helped push earnings to above the high end of our outlook. The provision for lease merchandise write-offs was 7.4%, and gross margin was 29.3%, down about 112 basis points from last year. To offer a bit more clarity on the lease portfolio performance.

As we mentioned previously we made proactive changes to our decisioning posture beginning in Q3 of 2024 and iterative improvements if that made sense including during Q1.

We're encouraged by what we have seen thus far as the leases originated after the deployment of these tightening efforts have shown the intended improvement in early performance indicators.

We are watching early-stage delinquencies and other payment behavior metrics to ensure alignment with our targeted 6% to 8% annual write-off range.

We have a track record of delivering consistent portfolio performance and remain confident in our ability to stay within this range for 2025.

Looking ahead to write-offs in Q2.

Seasonally, revenue was lower in Q2 as tax season buyouts subside.

We expect write-offs as a percentage of lease revenue for the second quarter to approximate the high end of our targeted annual write-off range of 6% to 8%. This is a function of the denominator of quarterly revenue decreasing sequentially as compared to the first quarter rather than any further expected degradation of the numerator or write-offs overall. Progressive Leasing's SG&A expenses as a percentage of revenue increased slightly year-over-year to 12.6% in Q1 of 2025 from 12.3% in Q1 of 2024.

We're keeping a close eye on cost discipline, while also continuing to invest in key areas like marketing, technology and sales enablement to support long-term growth.

As we've demonstrated in the past, we will continue to seek operational efficiencies and manage our costs in line with revenue expectations. Adjusted EBITDA for Progressive Leasing declined from \$74.1 million in Q1 of 2024 to \$67.2 million in Q1 of 2025.

Pivoting to consolidated results. Our Q1 non-GAAP EPS came in at \$0.90, exceeding the top end of our outlook, primarily due to strong earnings and in part to a lower share count from our share repurchase program. Q1 2025 consolidated revenues grew 6.6% to \$684.1 million compared to \$641.9 million in the same quarter last year, driven by a larger lease portfolio coming into 2025 and higher 90-day purchases at the Progressive Leasing segment combined with triple-digit revenue growth at Four Technologies.

Consolidated adjusted EBITDA was \$70.3 million compared to \$72.6 million in the year ago period.

On the balance sheet, we ended the first quarter with \$213.3 million in cash and \$600 million in gross debt, resulting in a net leverage ratio of 1.42x our trailing 12 months adjusted EBITDA.

We are undrawn on our \$350 million revolver.

We also returned capital to shareholders through our dividend and share buyback program, paying a quarterly cash dividend of \$0.13 per share and repurchasing 936,000 shares of common stock at a weighted average price of \$27.87 per share.

We currently have \$335.2 million remaining under our \$500 million share repurchase program.

To summarize, I'm pleased with the first quarter performance across both revenue and earnings with a solid start to the year, and I'm proud of how our teams executed.

We took proactive steps to manage portfolio performance, and we'll continue to adjust as needed based upon early indicators and insights from our dynamic decisioning models.

We've consistently shown we can adjust quickly and effectively in challenging environments, and we expect to carry that same approach forward as we move through 2025.

Looking ahead, we have revised our full year 2025 outlook as reflected in this morning's earnings release.

We've attempted to reflect the increase in macro uncertainty and decline in consumer confidence that has emerged since we issued our original outlook in February.

These headwinds are weighing on demand in our key leasing categories like furniture, electronics, mattress and jewelry.

At this point, it's difficult to predict when conditions will normalize.

However we believe we can continue gaining balance of share in this environment by executing well and leaning into areas we can control such as the health of our portfolio and SG&A. Even with the revised top line expectations, we continue to focus on driving profitable GMV, and we expect our lease portfolio performance to stay within our targeted 6% to 8% annual write-off range.

We will remain disciplined on spending, but as noted in February, Progressive Leasing's SG&A is expected to deleverage slightly year-over-year as we continue specific investments in the business.

Our revised consolidated outlook for 2025 calls for revenue in the range of \$2.425 billion to \$2.5 billion, adjusted EBITDA in the range of \$245 million to \$265 million and non-GAAP EPS in the range of \$2.90 to \$3.30. This outlook assumes a difficult operating environment with soft demand for consumer durable goods no material changes in the company's current decisioning posture and effective tax rate for non-GAAP EPS of approximately 28%, and no impact from additional share repurchases.

Additionally, the company has not assumed a recession, which, among other things, would likely be accompanied by a rise in the unemployment rate.

We're staying focused on what we can control and remain committed to creating long-term value for shareholders.

Our priorities haven't changed.

We're helping our retail partners drive incremental sales, remaining focused on our ecosystem strategy, managing our lease portfolio responsibly and continue to invest in areas of support growth.

At the same time we're being disciplined with how we manage expenses.

Our performance over the past few years proved the strength and resiliency of our business model even in a tougher consumer environment.

With that, I'll turn the call back over to the operator for questions.

Operator?

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from the line of Bobby Griffin with Raymond James.

Robert Griffin^ Steve, the first thing I wanted to touch on maybe was just kind of the trade-down environment separate out the retail of softness across the durable categories that I think we've talked about.

But what are you seeing today versus three months ago versus six months ago and actually trade down? One would think with the retail environment and maybe some more expensive stuff coming on tariffs that you could see a little acceleration trade down. Has that been stable? Just anything there to help kind of unpack the difference between just general retail softness as well as what we're seeing trade down?

Steven Michaels^ Yes.

I mean trade down, Bobby, still exists.

I think we're starting to -- as we exited the quarter, we're starting to lap comp against last year when we really started to see the trade down.

So from a -- I can't speak for the prime providers, but what we're observing and what our experience shows from a credit stock standpoint is we're not seeing, let's say, additional tightening, but we're not seeing any evidence that there's been additional approvals up the stack from us in the retail point-of-sale waterfalls.

I think that the -- so the trade down is still there.

It's probably a little more muted than it was in the back half of 2024, I think the retail softness that you referred to in the hesitation, if you will, is certainly the larger macro force.

But the top of the funnel is still, I would say, more open today than it was last year at the same time.

Robert Griffin^ Okay. And then on the retail side of things, the softness, I mean we've kind of -- obviously on the call kind of saw some of it in February.

It seems like March and April got a little bit better.

I wouldn't call it great, but maybe bounced a little off the February lows. Just anything there on just progression of how you saw things?

I mean you guys with tax refund season, it becomes a little bit more different than just the general retail trends, but is there any hope that things have firmed up a little here of late in the last couple of weeks, or is it still pretty weak across all the categories?

Steven Michaels^ Yes.

I mean there's a lot of data out there, and you write on it about traffic trends and year-over-year, I guess, just trends, you have to kind of really dig into that data and parse it on what does it look like for the prime customer versus the lower income consumer, even just general consumer spending trends where you hear some of the banks say that the consumer is still spending and card data show plus 5% year-over-year or whatever, that is less so in big ticket and even, I think, less so when you drill down into lower income.

So we're as we said in the remarks, the quarter started off pretty encouraging. And then when the -- there's a down shift in sentiment and it reflected -- was reflected in activity. We haven't really seen any kind of inflection point or not a continued deterioration, I would say but not a rebound or anything.

Robert Griffin^ Okay. That's helpful. And then one quick modeling one. Brian, is the \$30 million headwind of GMV that you guys called out for the lost customer, is that relatively consistent across the four quarters of this year?

Brian Garner^ Yes. I think that's a fair way to think about it.

Obviously Steve gave, I think, on the Q4 call some rough annual range.

It was \$130 million to \$150 million for that customer. And so there's obviously some level of seasonality inherent in the business overall, but I think you can look at our overall GMV and kind of model that out, but I think you're roughly in the ballpark.

Steven Michaels^ I would just add on that.

We did -- Bobby, I would just add on that.

We did have some GMV in Q1 from the execution of the liquidation sales that is over now. And so there will be a slight step-up in Q2, but from a headwind standpoint, but then that stays fairly consistent in the back half.

Operator^ Our next question comes from the line of Brad Thomas with KeyBanc Capital Markets.

Bradley Thomas^ Clearly, an unusual environment that we're in here right now.

I guess my first question was maybe more big picture around how you all are thinking about the potential impact of inflation and the tariffs as they flow to your retail partners and then ultimately on to your customers.

On the one hand we think that it could certainly pressure spending power for consumers and be a challenge and headwind.

On the other hand, higher prices for durable goods certainly may push for the need for more use of lease to own. And so just curious, in the last few weeks, as you've been talking to your retail partners, what are you hearing?

And how do you think your partnership with them may play out going forward here?

Steven Michaels^ Yes. Thanks, Brad. And you're right.

I mean we've kind of got two attack vectors here.

We've got the impact and the pricing actions from our retail partners, and then we have behavioral impact on our end consumers.

And as you pointed out, and we've talked about in the past, modest increases in ticket or average selling price could actually be a positive for us from a bigger ticket is actually better from a dollars of margin cash contribution, but also that incremental buyer might need a payment plan.

But price shocks and demand destruction are certainly not good. And so it really depends on where on that continuum or that spectrum we end up. And I think that's going to vary - - well it varies by the day or even the hour if you just get caught up for in the headlines, but it will also vary by the vertical and the category.

So we're in -- we have great relationships with our top partners, and we talk to them a lot, and we are privy to some of their plans that are not necessarily public, so we're not going to break news here, but we're staying in contact.

But certainly, the large magnitude of potential tariffs are causing uncertainty. And I think currently, the behavioral impact on our consumer and the somewhat kind of frozen consumer is more of an impact than actually what the prices are going to be.

So we'll see how that plays out. And if there's any kind of relief or a pause or a rollback or negotiation, which I expect there'll be all of those things, but it has caused a volatile and uncertain situation now that we're all just trying to navigate through.

Bradley Thomas^ I appreciate that. And if I could ask a follow-up just on how things are playing out with Big Lots demise here. Curious what you're seeing from some of the legacy Big Lots customers. You cited GMV growth, excluding Big Lots, are you still growing new customers? Is this because you're being very successful transferring old Big Lots customers to other retailers.

Just any more color on how this is kind of flowing through the system since this was such a big partner for you would be greatly appreciated.

Steven Michaels^ Yes.

I mean we obviously have a very strategic marketing plan to keep the previous Big Lots customers in the family, if you will, and have our other partners benefit from our connectivity to those customers, and that is playing out.

We are seeing -- well we're not only seeing, but we're actively directing our database of Big Lots customers into other partners, whether that be in a similar vertical, another furniture mattress retailer or it could be in a different vertical with an electronics or an appliance purchase or lease.

So we're seeing that.

We're tracking it.

We have an internal goal.

Obviously not every lease customer repeats every year, we do have high repeat, but it's generally around 18 months.

But we do have customers from last year and the year before that we're reaching out to and trying to reactivate. And so we're having some success there. And the folks that are in the system are benefiting from that, and we'll continue to do that.

Operator^ Our next question comes from the line of Kyle Joseph with Stephens.

Kyle Joseph^ I just want to talk about kind of the shift in macro, and obviously you guys have covered it, but to get into it.

I just want to kind of get the sense, it's primarily more on the demand side, like have you seen any kind of changes in terms of credit.

It's probably too early for that.

But just based on your commentary, it sounds like credit actually outperformed in the quarter, so no impact there.

Is that -- am I reading that the right way?

Steven Michaels^ On the write-offs, you mean?

Kyle Joseph^ Yes. Just in terms of kind of really how credit performance has changed versus mid-February.

It sounds like the big change to guidance is really stemming from.

Steven Michaels^ Yes. I think that's right. Certainly, the impact of the lower GMV and early GMV has a bigger impact on the current year than late GMV obviously.

But from a portfolio standpoint, we're -- we've made some adjustments -- iterative adjustments in the back half of '24 and again early in Q1 of this year. And as we said, write-offs came in slightly better than expected for Q1. There is a little bit of a, as we've said before, [pig through the python] dynamic that we're going to deal with in Q2.

But the portfolio is healthy. And what we're seeing from an early indicator of FPB's, first pay balances, or early 4-week delinquencies the pools are performing as we would expect and kudos to our decision science team to -- for pulling the appropriate levers and really demonstrating once again that this short duration portfolio, we have our hands firmly on the wheel and in control of it.

So from a -- the story is not really a portfolio performance story.

It is a demand story and that could be in the form of just application volume or even conversion after the approval. Approval rates are down year-over-year, but that was expected, and we knew that and it was baked into our outlook.

So the other areas of the funnel, the funnel conversion is where the GMV, I'll say, miss happened, yes.

Operator^ Our next question comes from the line of Hoang Nguyen with TD Cowen.

Our next question comes from the line of John Hecht with Jefferies.

John Hecht^ Actually, most of my questions have been asked and answered, but I guess one question I have is maybe discuss the American Signature ramp. And I know it is a topsy-turvy environment, but maybe talk about the pipeline of new retailers and kind of what the environment is around that.

Steven Michaels^ Yes.

I mean without getting into too much specifics, the ASI or American Signature is going very well. They're a great partner. They're bought into the program, and we have great connectivity from the top to the bottom and our training in stores, and as we talked about in previous calls, they had LTO in the past.

So it wasn't starting from a standing start education process.

A little bit of a different motion, but we're really pleased with where we are and what we think we can accomplish this year with them even in a soft traffic and demand environment.

As it relates to just pipeline, as we've talked about before, the challenging environment is a conducive environment for having pipeline conversations. Clearly, we don't call out any specific logo publicly until it actually across the goal line, but we're encouraged by some of the conversations we're having. And we think that we are in a great position to help more and more retailers just save sales and we can drive incremental traffic to them during this interesting and challenging time.

Operator^ Our next question comes from the line of Anthony Chukumba with Loop Capital Markets.

Anthony Chukumba^ So you talked about credit tightening and a lower lease approval rate.

Can you just give us kind of order of magnitude in terms of the reduction in the lease approval rate and also maybe contrast that with lease application volume.

Steven Michaels^ Yes.

So the approval rate, and I would start by saying that approved rate is a dynamic metric because we have taken some tightening actions. And the result is that the approval rate throughout the quarter was kind of 300 to 400 basis points lower than the same period a year ago.

But it's not accurate to just assume that all of that is due to the tightening actions that we took.

Some of it is due to channel shift because we have just lower approval rates online than we do in store.

Some of that is due to just the quality of the application coming in is a little bit worse this year than last year. And so even in the same algorithm or the same model, the approval rate would be impacted lower.

So there's a lot of variables that go into the resulting approval rate, but the headline number is it's about 300 to 400 basis points lower than the previous year. And that's roughly in the ballpark of what we expected when we were kind of creating the plan for 2025.

So that's -- the move there is not a surprise.

On the application volume side, I mean we did have application growth, excluding Big Lots.

So if you take out the impact -- year-over-year impact of Big Lots application growth, but we did see some conversion degradation. And that, we believe, through talking to customers and talking to our sales folks that are out there in the stores and the retail sales associates is maybe a little less purchase intent from an applicant.

Now that doesn't mean that that's going to be -- that conversion won't come with a lag because our approvals are open for 90 days, but we did see a decline in conversion post approval even on the ones that we did approve in the quarter.

Anthony Chukumba^ Got it. And then just one quick follow-up, just a clarification. You say the gross lease assets were up 6.6% year-over-year heading into the second quarter? I just want to clarify that.

Brian Garner^ They're up 6.1% entering the quarter.

Steven Michaels^ So that was Jan 1.

Brian Garner^ Yes, Jan 1, and they finished just a couple of percent. And that's going to be a dynamic of, obviously demand headwinds that we're talking about. And also 90-day buyouts were slightly higher year-over-year.

Anthony Chukumba^ Okay.

So at the end of the quarter, there were a couple , call it, 2% year-over-year.

Is that --

Brian Garner^ Yes, just a hair over 2%.

Operator^ Our next question comes from the line of Kyle Joseph with Stephens.

Kyle Joseph^ Anyway, just one follow-up for me, and apologies if you covered it, but just I want to talk about the kind of different dynamics between Four and the Progressive business.

It looks like guidance at other at least and primarily Four was maintained.

Is that a function of kind of a different customer, kind of a different merchandise vertical? What are the different dynamics there? And how are they being impacted by macro differently.

Steven Michaels^ Yes. Thanks, Kyle. Yes. We're excited about the Four business.

It's, as we said, grown GMV triple digits for six consecutive quarters and then importantly, achieved the first quarter basically positive adjusted EBITDA and positive earnings here in Q1.

So really happy with the trajectory.

It's going to more than double its GMV for the full year '25. And to your point, it's not -- I mean it does serve a different customer, but it also serves an overlapped customer with the leasing segment. The average order value is \$120, and there's apparel and cosmetics and other consumables. And so it is a different purchase motion. And so I think that it has not been impacted as much as the big ticket items, the durable goods from -- certainly, break fix on durable goods and replacement are happening.

It's the kind of aspirational purchases that might be more impacted by being on hold.

But Four has really good demand signals exceedingly doing gray in the app store, lots of organic momentum, and we're growing the base in a very healthy way with new customers and a lot of repeat customers continuing to transact multiple, multiple times a year.

So we're very pleased with the trajectory of Four and look forward to continuing to report to you guys how it's going over there.

Operator^ Our next question comes from the line of Hoang Nguyen with TD Cowen.

Hoang Nguyen^ Sorry for the hiccup earlier. Thanks for taking my questions. Maybe -- I want to touch on the guidance a little bit.

I mean it looks like your GMV in 1Q came in maybe about four points below what we previously guided.

So I mean I just want to kind of dive into the guidance.

I mean how much is that guide down, I guess, is because of that lower GMV in 1Q and I guess lower exiting gross lease assets versus how much of that is further incremental weakening for the rest of the year versus baseline?

And maybe can you talk about the GMV outlook for the rest of the year and maybe for 2Q? And I have a follow-up.

Brian Garner^ Yes, Hoang. This is Brian, and I'll start and Steve can certainly overlay any commentary.

I think Steve alluded to this, but the demand side, particularly the miss here in Q1. And then kind of a consideration of how prolonged the impact of these demand headwinds will last, I think, is part of the uncertainty.

But GMV headwinds early in the year certainly have a -- as a portfolio business, has a more pronounced impact on the P&L than, say, missing it in Q4.

And so we've attempted to incorporate that miss in the plan.

As we look through the rest of the P&L and any other areas of uncertainty, I think we talked a great deal about the credit side, and how we're feeling about the portfolio performance. And that's an area that understand there's a lot of uncertainty around there, but I think our track record and the team that we have and the visibility we feel like we have into keeping that credit side within that 6% to 8% range.

I think we're comfortable there. And then on the SG&A side, I think we're -- we feel like that's a controllable element that we have visibility into.

So really, to answer your question, it was a GMV, particularly front half of the year, GMV, that drove the revision in guidance as we kind of work through the motions.

Steve, if you have anything to add more broadly about the --

Steven Michaels^ No. you covered it.

It's -- we certainly have a known known, which is the GMV that came in during Q1. And it's difficult -- more difficult than normal in this environment to predict GMV for the rest of the year.

We can hope that things get more stable and recover but hope is not a strategy and hope doesn't fill a cell in a spreadsheet to create a forecast.

So we took a shot at what we thought the GMV would be for the rest of the year. It's important to note that we did grow GMV ex Big Lots.

We -- our major partners were up year-over-year, which is good because my guess is that their headline business was not up.

We're continuing to gain balance of share, but admittedly, we didn't -- we weren't up as much as we expected we would be in Q1. And so all those factors baked into the revised view of the year, which admittedly is more uncertainty, I'd say, today than it might have had in previous years.

Brian Garner^ One thing that I'd add and just make sure that it's understood, and we mentioned this in the prepared remarks, but as we think about the trajectory of credit throughout the rest of the year on the write-off side.

We do expect -- and we have modeled it and we can see it, the maybe slight step-up from Q1 to Q2 on write-offs overall. And that's really a function, not so much as a degradation in any trends that we're seeing, but it's just function of the buyout revenue that we have here in Q1 and the seasonally high Q1 revenue that will step down in Q2. And so it's a denominator dynamic, more than anything. The line item for write-offs on the P&L will actually should be flat to maybe slightly down as we -- as we go into Q2.

And then the back -- and the Q2 should be the high watermark for write-offs, and we should see some relief as that [pig moves through the python] on the old portfolio or the portfolio that still exists prior to decisioning actions.

So that's how we're shaping up.

So it won't be a I won't be surprised when we see just a slight uptick in write-offs in Q2 and looking that for that to be a higher mark.

Hoang Nguyen^ Got it. And maybe, I mean the GMV outlook for in for the rest of the year? Sorry, if I missed that earlier.

Steven Michaels^ No. you didn't miss it. We did not provide it. I mean it's a function of our lack of clarity. So we're not providing a GMV guide for the rest of the year.

Hoang Nguyen^ Got it. And maybe the last one for me.

I mean in a time -- can you discuss about what kind of conversations you're having with your partners? I mean I guess, I mean you can take the view with that -- the view lease door now is something that would tremendously help with affordability.

But at the same time this tariff thing makes this conversation sort of less of a priority for them.

So can you talk about the discussion that you're having with, I guess, your pipeline.

Steven Michaels^ I mean well with our current partners, I can tell you the discussions are very, very positive and partnership oriented we alluded to without naming the retailer in the prepared remarks, but we did get across the goal line, an e-commerce integration with a long-time national partner, and it's actually outperforming our expectations.

So we look forward to continued enhancements to that and helping them continue to I guess, move up productivity curve and do more with us and we become a bigger and deeper partner for them.

So -- and those -- that's one instance of these initiatives that we've been talking about for the last two years that have been getting across the goal line and getting prioritized by our partners.

So really, really pleased with the team's efforts and results actually, not just efforts in that regard. And I talked about the pipeline earlier.

Those conversations are positive. And I would say that, yes, tariffs are a -- I don't know if it's a distraction, but it's certainly taking up a lot of mind share and strategic planning about how they're going to react, and how they're going to adjust and consume and see who along the value chain shares the pain, but we can be viewed as a potential solution for some of the pain that's being felt. And so we're certainly leaning into that and trying to offer our assistance certainly.

Operator^ And I'm currently showing no further questions at this time.

I'd like to turn the call back over to Steve Michaels for closing remarks.

Steven Michaels^ Thank you. And thank you all for joining us this morning and your continued interest in PROG Holdings.

We delivered another good quarter and a start to the year. But obviously we're currently dealing with an uncertain macro backdrop.

But it's important to remember that the business has proven to be very resilient in previous challenging times, and we expect with continued great execution, we'll successfully navigate this one as well.

So thanks again. And we look forward to updating you on our progress in July.

Operator^ This concludes today's conference call. Thank you for your participation. You may now disconnect.