PROG Holdings, Inc.

Second Quarter 2021 Earnings Conference Call

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CORPORATE PARTICIPANTS

John Baugh - *Vice President, Investor Relations*

Steve Michaels - *President and Chief Executive Officer*

Brian Garner - *Chief Financial Officer*

PRESENTATION

Operator
Good day, and welcome to the PROG Holdings, Inc. Q2 2021 conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone. To withdraw your question, please press star then two. Please note, this event is being recorded. I would now like to turn the conference over to John Baugh, VP of Investor Relations. Please go ahead.

John Baugh
Thank you, and good morning everyone. Welcome to the PROG Holdings' second quarter 2021 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 the updated outlook for our full year 2021 Adjusted EBITDA, Non-GAAP earnings per share, and GAAP earnings per share performance. I want to call your attention to our Safe Harbor provision for forward looking statements that can be found at the end of our earnings release. The Safe Harbor provision identifies risks that may cause actual results to differ materially from the content of our forward-looking statements. There are additional risks that can be found in our latest 10-K filing.

Listeners are cautioned not to place undue emphasis on forward-looking statements, and we undertake no obligation to update any such statements.

On today's call, we will be referring to certain non-GAAP financial measures, including EBITDA and Adjusted EBITDA, non-GAAP net earnings 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 comparisons of operating results with prior periods and to assist them in understanding the company's ongoing operational performance.

With that, I will now turn the call over to Steve Michaels.

Steve?

Steve Michaels
Thanks John, and good morning, everyone.

We're excited to report our Q2 financial results, which reflect an acceleration of growth as we continue to navigate the landscape of the pandemic. GMV for our Progressive Leasing segment grew 25.2% over the prior year period, an increase from the 10.4% GMV growth in Q1. While

this comparison is against retail shutdowns occurring during the depths of the pandemic, GMV growth in the second quarter of 2021 was largely driven by the continued scaling of large national accounts and increased penetration in e-commerce.

E-commerce GMV grew 274% in the quarter and represented 13% of Progressive Leasing's GMV. We continue to expect e-commerce to be a meaningful driver of growth in the future. As we recently announced, we've enhanced our plug and play capabilities with the deployment of our updated Magento 2 and WooCommerce plug-ins. The enhancements allow one-click integration by retailers and reduce the time from application to checkout for consumers. We've already seen positive momentum from these updates with some of our existing POS partners, and we're engaged in discussions with potential new retailers that utilize these e-commerce platforms. We believe that increasingly the consumers' purchase journey will be a multi-channel experience, and we offer solutions that allow them to transact when and where they choose.

As I mentioned, Progressive Leasing delivered a strong 25.2% GMV growth rate in the quarter, as compared to the prior year period. We expect Q2 will be the peak of our year over year GMV growth rate in 2021, with the back half of the year weighted more heavily towards Q4 growth. We continue to believe we will deliver mid to high teens GMV growth for the full year 2021.

We should note that there remain a number of uncertainties, including the impact of monthly child tax credit payments, which we will see through the rest of 2021 and potentially beyond. While data is very limited, our expectation is that we will not see a spike in early purchase options similar to the spike we saw following the large, single payment stimulus checks that benefitted portfolio performance but served as a headwind to GMV growth. We continue to hear from our POS partners that the use of POS financing across the credit spectrum remains below pre-pandemic levels.

Our revenues in the second quarter were $660 million compared to $599 million last year, an increase of 10.1%. Our growth in revenue was driven by a continued improvement in our portfolio size, as strong GMV performance added to our leased asset balance in the period. 90-day buyouts declined from the peak of late Q1 2021, although they are still higher than pre-pandemic levels. Gross margins benefitted from strong portfolio performance.

During the quarter, we continued to experience delinquencies and write-offs near historic lows, driving our EBITDA above our more typical annual range of 11% to 13%. Our Adjusted EBITDA was $104.9 million versus $73.5 million last year, an increase of 42.7% for a margin of 15.9% of revenues.

Recently, we completed the acquisition of Four Technologies, a Miami-based BNPL company that allows consumers to pay for merchandise through four interest-free installments. We are excited about how combining Four with Progressive Leasing and Vive builds upon our direct-to-consumer growth strategy and delivers an exceptional value proposition to retailers looking to offer their customers additional payment options.

We're pleased that the Four team is excited about the opportunity for value creation and has agreed to continue leading Four Technologies as a separate business and subsidiary of PROG Holdings, Inc. As disclosed in our second quarter 10-Q, we paid $23 million of cash for the business. There are also several multi-year performance-based metrics that could result in additional equity-based payments for the Four team.

Most importantly, we believe the addition of Four to our digital platform will allow us to grow and leverage our large database of loyal customers, as well as increase the value of our offerings to

current and potential new retail partners. We do not expect the transaction to be material to our consolidated financial results in the near term, but, strategically, we think owning Four will drive incremental growth in our core LTO business.

The Company also repurchased approximately $50 million of stock during the quarter. Even with the growth in GMV and the cash used in the acquisition and buybacks, we ended the quarter with a net cash position of $88 million. Our capital priorities remain unchanged. First, we will fund organic growth. Next, we will look for strategic M&A opportunities that are largely focused around new products or technical capabilities. And lastly, we will return excess cash to shareholders. In Q2, we delivered across all three of these capital allocation priorities.

Finally, I want to thank our employees for their commitment to our customers and partners as we strive to innovate and tailor solutions that will enable consumers to shop however, wherever, and whenever they want.

I will now turn the call over to our CFO, Brian Garner, who will discuss our financial results in more detail. Brian?

Brian Garner
Thanks, Steve. The second quarter's consolidated financial results reflect strong GMV growth in the period and a continuation of elevated customer payment performance as delinquencies remain at near-historic lows, driving higher portfolio yield and expanded margins. I'll begin with comments on our Progressive Leasing segment.

As a result of GMV growth and moderating 90-day buyout activity, the lease portfolio size, measured as gross leased assets on our balance sheet, grew in the second quarter, reversing from the declining trend we observed throughout the prior periods of the pandemic. 90-day buyouts for the quarter dropped from the stimulus-aided Q1 levels while remaining consistent year over year. However, 90-day buyouts are still elevated as compared to pre-pandemic levels. We're encouraged by the quarter's 25% GMV growth and the positive trends we are seeing in portfolio size and performance, although higher levels of liquidity within our customer base may continue to act as a headwind for GMV.

With respect to portfolio size, which is a key driver of future revenues, we entered Q2 with gross leased assets at $951 million, down 6.7% year on year and finished the quarter at $1 billion, up 7.9%. In short, our GMV growth in the second quarter more than offset buyout levels, resulting in a higher portfolio balance for the quarter. We expect this trend to continue throughout the remainder of the year.

Revenues for the Progressive Leasing segment were $646 million, an increase of $56 million, or 9.5% compared to the second quarter of 2020. Revenue benefited from an increased portfolio size and strong payment performance. Progressive Leasing's gross margin was 31.9 % for the second quarter, versus 28.7% for the same period last year, a 320-basis point increase year-over-year, as the impact of strong customer payment performance drove higher gross margins.

SG&A, defined as operating expenses excluding write-offs and amortization, for Progressive Leasing was $79 million, or 12.3% of revenues in the quarter, compared to 10.5% in the prior year period. This reflects a return to pre-pandemic levels, as we expect SG&A to increase for the remainder of the year as we invest in technology and product enhancements and also incur additional public company costs not present in the prior year period.

Progressive Leasing's write-offs, which historically range between 6% and 8% annually as percentage of revenues, were 4.8% in Q2 of 2021 compared to 6.1% in the year-ago period. This quarter's results benefited from low delinquencies in the period and the strong portfolio performance previously mentioned. While we expect 2021 write-offs to be below our historical annualized range, we anticipate an increase in the back half of this year and into 2022.

Of note, in the first quarter of 2020, we recorded $16.1 million in incremental reserves due to the economic challenges and uncertainties arising from the COVID pandemic. We continue to evaluate the appropriate levels of our reserves based upon recent results and anticipated payment performance. In the second quarter, we released $5.3 million of COVID-related reserves, and we are encouraged by the low delinquency levels we are seeing.

Adjusted EBITDA for Progressive Leasing in the second quarter was $100 million, a 35.4% increase year-over-year and a 15.5% margin. The margin performance was primarily driven by improved portfolio performance and associated lower write-offs.

Pivoting to consolidated results, consolidated adjusted EBITDA, including our Vive Financial segment, was $104.9 million for the second quarter of 2021 compared to $73.5 million for the same period last year, an increase of $31.4 million or 42.7%. Adjusted EBITDA was 15.9% of revenue in the second quarter, up 360 basis points from the 12.3% in the second quarter of the prior year, driven by the portfolio performance I previously mentioned. We expect that as macroeconomic conditions normalize over time, EBITDA margins will return to our more typical historic annual range of 11% to 13%.

GAAP diluted EPS was $1.02, compared to $0.87 in the year-ago-period, and non-GAAP EPS was $1.09, compared to $0.92 for the same period in 2020.

Now turning to our balance sheet and liquidity profile. We generated $71.2 million in cash from operations in Q2, ending the quarter with a cash position of $137 million and debt of $50 million. We have $300 million available under our revolving credit facility. During the quarter, we repurchased $49 million dollars of shares, with $223 million remaining of our $300 million share repurchase authorization.

Finally, as noted in this morning's press release, we are increasing our full-year 2021 consolidated outlook for Adjusted EBIDTA to a range of $390 million to $405 million, up from the previous range of $380 million to $400 million, due to better-than-expected portfolio performance.

This outlook assumes a slight deterioration in customer payment activity, a 25% tax rate, and no additional share repurchases. It also assumes no negative impacts to our financial performance relating to the child tax credit payments, dislocations of the global supply chain or the emergence of additional COVID variants, including potential subsequent governmental responses to those variants.

With that, I'll turn the call over to the operator for the question-and-answer portion of the call.

Operator?

QUESTION AND ANSWER

Operator

Thank you. We will now begin the question-and-answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two.

At this time, we will pause momentarily to assemble our roster. Our first question comes from Jason Haas with Bank of America. Please go ahead.

Jason Haas
Great. Thanks for taking my question, and congrats on the strong results. So to start, Steve, I think you said in your prepared remarks that you're switching fourth-quarter GMV growth to be stronger than 3Q, if I heard that correctly, and I thought on the last call we had talked about the compares on a three-year stack basis being tougher in the fourth quarter. So I'm just curious if you could provide some more color on what's driving that outlook.

Steve Michaels
Sure, Jason. Good morning. I think we said last time that on a three-year stack the back half was tougher than the front half just because of some of the lunches we had in early 2019, and that still does remain the case. I just think that the reason that we weighted-said that GMV growth in the back half would be more weighted to the fourth quarter is because of the all-important holiday season and how last year we were--we certainly were impacted by the lack of in-store traffic during the Black Friday period and just generally holiday, along with some of the e-com initiatives that we'll have for this year counteracting that. So we still think we're on track for that overall GMV guide for 2021, but the back half, from a percentage growth rate, will be a little bit more weighted to Q4.

Jason Haas
Got it. So just to clarify that, it sounds like you were referring to GMV on a dollar basis, not--not comparing the year-over-year percentage growth between 3Q and 4Q. Is that right?

Steve Michaels
Well, no really both.

Jason Haas
Okay.

Steve Michaels
The dollars will--the dollars will certainly be higher in Q4, but percentage growth rates will be--will also be higher in Q4 than Q3.

Jason Haas
Okay, got it. That's really helpful. Thanks. And then as a follow-up question, so you beat--it looks like you beat consensus EBITDA by it looks like about $20 million or so, but then only raised guidance, it looks like, depending on whether you're looking at the high or low end, about $5 million to $10 million. So I'm curious--I know the street estimates don't always match the internal plan, so I'm just curious if anything's changed in your back-half outlook. It sounds like maybe there's some incremental cost pressures, or I should say investments. And I think you did mention some new public company costs. So just curious what's really changed with the back-half outlook.

Brian Garner

Yeah, Jason, I can take that. This is Brian. Let me--I think, well, it might be helpful kind of comparing first half versus second half is to take a step back and talk about the moving dynamics. So if we think about just starting with revenue and what's going on there, so we benefited in the first half from higher than typical buyout rates, which fueled our revenue throughout the first half. That is not going to be a dynamic that we expect to the same degree, certainly, in the second half. So that's momentum on revenue that will subside.

However, it's being replaced to--almost entirely by the fact that our portfolio has grown. We talked about it in our prepared remarks that our portfolio was up 8%. So those two swaps are going to equate to roughly the same--roughly the same revenue first half versus second half, plus or minus. So that's what's going on on that front. So you roll down to SG&A front half versus second half. The front half of the year for SG&A, we really saw it in Q1, I mean, we've had--we've been pulling the reins a bit on spending. That's a remnant of COVID throughout 2020 and just being more constrained there, and my expectation as we move through the back half, is that we're going to continue to invest.

And if you look back at 2019, we were a little over 12% SG&A as a percentage of revenue for the Progressive Leasing segment. That dropped to 11% in 2020 during COVID, and so I think it's really just a reemergence on spend back to pre-COVID levels as we hit our stride and see opportunities that have positive ROI that we're going to pursue. And so I think you're going to see spending ramp in the back half. And then the third element that I think is contributing to what's implied in our guidance of, you know, some margin decline in the second half, is we're not expecting the same level of portfolio performance in the second half as we did in the first half.

We talk about write-offs about 6% to 8%. I think a more reasonable expectation is something less than that, certainly for the year, and certainly for the second half. The total of the second half will be below that 6% to 8%, but it's going to be a step up, we expect, from the first half. What we saw in--what we saw in kind of the delinquency profile as we move throughout the quarter, just to that point, we started the quarter at really record low delinquencies, and we mentioned that on our Q1 call. And you know, as the months went on, there was a very, very slight uptick in those delinquencies just as the effects of the stimulus wore off. And so while the data is really early and there is still a lot of liquidity out there, we're just anticipating there will be, you know, some level of increase there. So I think all of that results in a--in a lower margin for the second half versus the first half, and that's really the dynamics that are at play in our guide.

Jason Haas
Got it. That makes sense. And then if I could squeeze in another question here, I saw that you called out, both in the press release and on the call, the strong performance of your large national partners, which is very encouraging. I remember on the last call you talked about launching some more marketing with those partners. I'm curious if that was a driver or if anything else you could--any other color you could provide on just how those partnerships are ramping up, and then any color on the pipeline to potentially add some more large partners. Thanks.

Steve Michaels
Yeah, Jason. The--I mean, marketing is definitely an area of opportunity for us, but also a bright spot. I think we said on the last call that we've seen more of our partners like reaching into that toolkit that we have and partnering well with our marketing teams, and that certainly continued in Q2. And we have a nice calendar for the back half of the year to continue partnering with our marketing teams to hopefully drive more GMV for us and for our partners. So that was--that is

certainly a driver, but generally it's just the normal productivity gains that we see as a relationship matures, and we're still in the very early innings of a few of these relationships, but we're--we continue to be pleased with what we're seeing from the gains there.

Jason Haas
That's great. And on the pipeline, how did that look?

Steve Michaels
Yeah, pipeline is good. I mean, I know frustratingly we don't call out names for you guys, but we're really pleased with our conversations and some of the advancements that we've made through the sales cycle and are encouraged by what that could mean for the, you know, future periods for our conversion and ultimate growth rates.

Jason Haas
Great to hear. Thank you.

Steve Michaels
Thanks, Jason.

Operator
Our next question comes from Kyle Joseph with Jefferies. Please go ahead.

Kyle Joseph
Hey, good morning, guys, and congratulations on a good quarter, and thanks for taking my questions. You guys touched on credit normalization and the outlook for that. Can you just give us a sense for how you see, you know, the changes in child tax credits impacting the business over the remainder of the year? And then going forward, obviously as credit normalizes, talk about some of the offsets for the business really in terms of less buyout activity and the potential for increased credit demand.

Steve Michaels
Kyle, thank you. This is Steve. I'll start, and I'll let Brian chime in, but as it relates specifically to the child tax credit, obviously it's early because it's only been a couple weeks, and we don't have a ton of data, but having said that, we do have a pretty good ability to quickly observe changes in our customers' behavior through our contact centers. As we've said in previous calls and years, you know, in a normal tax refund season we can see the phones in our contact centers light up on the day that the funds are received in our customers' bank accounts, and we saw similar activity during the previous large, one-time stimulus payments that were dispersed.

In this particular instance, over the last two weeks, we have not seen a measurable uptick at any of those contact rates in our contact center in terms of increased payments, or 90-day buyout executions, really, really anything. Now, I will reiterate it's only been two weeks, and we'll see how that plays out over time. And we'll continue to look for that consumer feedback and the behavioral changes, but nothing so far. So we don't--I mean, we can't view it as a negative. We think that it should be a positive for our customers to the extent that they are, you know, that they participate in that credit, which we would expect many of them do.

We don't expect it will drive the large 90-day buyout executions that we've seen with the large one-time stimulus payments. But it could prolong the period of increased liquidity that our customers have enjoyed over the last 15 to 18 months, and that may show up in continued

portfolio performance that exceeds our expectation as portfolio performance has exceeded our expectations for the last couple quarters.

And it remains to be seen if this monthly refundable credit, as opposed to a large one-time stimulus payment, will have any impact in GMV and the--some of the headwind that we've seen from the lack of need for POS financing from that stimulus. So I mean, a lot to say there as it relates to child tax credit, and we'll just stay tuned. I'll let Brian chime in on the puts and takes on the write-offs and the 90-day buyouts.

Brian Garner
Yeah, no, I mean, certainly, certainly the child tax credit is going to--would be expected to keep write-offs at a lower than historical level, and that's what we've got in our guide. It's just so early to know the level of impact, so we continue to watch that. And like Steve said, the buyout activity, as we've referenced in prepared remarks, we saw a normalization from a year-over-year perspective on buyouts, but we are still well below 2019 levels. And as credit normalizes, you know, my expectation would be the buyouts, you know, continue to come down as, you know, we return to a more normal state because we certainly still are elevated from that normal state. So hopefully that answers your question.

Kyle Joseph
Yeah, that's great color. And then kind of on the other side of the coin here, we talked about consumer liquidity there, but can you kind of remind us, I mean, frankly the last time we were in an inflationary environment Progressive was probably a private company, but you know, how the business is impacted by inflation and really more so on the, you know, consumer credit demand as there is inflation, if you can give us a sense for how the business is impacted there.

Steve Michaels
Yeah, Kyle, you're right. The last time there was an inflationary environment, PROG was a private company, but fortunately for PROG and for just the industry generally, the business has done well in all economic cycles. And you know, over the years, let's call it the most recent 10 years, the business has faced the opposite, which is kind of pressures from deflationary forces, and at the extreme, even the commoditization of certain items in the categories that we lease. So the reverse of that, or the other end, which would be higher prices caused by inflation, could result in more customers needing a payment option at the point-of-sale for their large ticket purchases versus being able to pay cash. So you know, as you intimated in your question, it could be a removal of the headwind on demand for the product as prices increase.

Kyle Joseph
Got it. And then last one for me on the Four acquisition, it sounds like you're going to operate these as kind of independent companies initially. You know, how--is there any sort of, you know, synergies or integration potential? I'm just thinking about, you know, Progressive database and underwriting capabilities and kind of morphing that with the buy now pay later product.

Steve Michaels
Yeah, I'm glad you asked that question because while they will be a separate business, we will not, you know, operate them in a silo. The reason that we wanted to add this capability was so that we could serve both our retail partners and our customers better, by--we can offer a payment option for small dollar transactions, as well as merchandise that our retail partners offer that is currently not eligible for a lease. So as a complement to the existing lease product, we believe the BNPL and the pay in four product specifically has the potential to expand our TAM. So yeah, I mean the things that you hit, whether it be the decisioning capabilities, the

database, the cross marketing opportunities, we're excited about the ability for Four to help us grow our core lease-to-own capabilities and be a lever for growth. So they will be maintained separately, but there will be cooperation and collaboration to make sure that we can add value and create--and increase the value of both businesses, and ultimately PROG Holdings.

Kyle Joseph
Got it. Very helpful. Thanks a lot for answering my questions.

Steve Michaels
Thanks, Kyle.

Operator
The next question comes from Anthony Chukumba with Loop Capital. Please go ahead.

Anthony Chukumba
Good morning. Let me add my congratulations, as well. It's nice to see GMV growth start with a two again. So first question, you know, I know it's probably kind of hard to parse this out, but the 274%, you know, e-com, online GMV growth, like how much of that, you know, even just kind of directionally was being better integrated with the online point-of-sale systems of your large retail partners as opposed to, you know, these plug-ins, you know, WooCommerce and Magento 2, and maybe any other factors that I might not be considering? Thanks.

Steve Michaels
Thanks, Anthony. Yeah, e-com is certainly a bright spot, and we expect it will continue to be that in the coming quarters. But the plug-ins are, are--have tremendous potential but are early in the game, right, so the WooCommerce and Magento 2 were very recent. We've had some other plug-ins that are out there in the wild. The majority of the, of the growth that we've seen in e-com GMV was from those integrations that you referred to and the larger e-com players--I'm sorry; the larger retail partners that we have and supporting their omnichannel, you know, go to market strategy. So we've got big upside in some smaller retailers and e-tailers that use these off-the-shelf e-commerce platforms, but the large growth for us currently, and I think for a while because that's kind of how we're skewed, is by continuing to grow the e-com balance of share with our large enterprise accounts.

Anthony Chukumba
Got it. That's really helpful. And then, you know, so you mentioned that e-commerce GMV was 13% of Progressive Leasing GMV. What was that number, I guess, in the second quarter of last year? If I recall, in the first quarter you sort of--you gave sort of the year-over-year comparison, so I was just curious, you know, what would that comparable number be for the second quarter of 2020?

Steve Michaels
Yeah, it was like low fours, 4.2% or 4.3%.

Anthony Chukumba
Okay, four--okay, okay, that's helpful. And then my final question, you know, so I'm just trying to think about--think through this expanded child tax credit a bit. You know, and I heard your comments just in terms of, well, you know, it's probably not going to lead to a lot of early 90-day buyouts because you didn't get all one lump sum. Makes sense to me, but I mean how can this not help in the back half of this year, particularly from a write-down perspective, right? I mean, if you've got these people, they've got, you know, $250 a month for every kid from 6 to 17, $300 a

month for every kid below the age of six, like how is that not going to help from a payment perspective?

Steve Michaels
I mean, it's a valid point, and I think in a vacuum you could--it would be hard to argue against it helping. The unknown and the variable out there is like what other, you know, what other pressures are they having related to just the reopening, right? And when I say the reopening, obviously we're closely watching this Delta variant and all the things that are going on there, but with schools reopening, and potentially going back to the office and things of that nature, there could be other pressures. There could--other pressures on their income, you now, whether it's mortgage, or rent moratoriums and things of that nature. So there's a lot of variables that go in the mixing bowl. In isolation, yes, it should continue to prolong the period of us having lower than average or better than average portfolio performance. I should state it that way. But there are other factors at play that will be demands on our customers' disposable income.

Anthony Chukumba
Got it. That's all very helpful. Keep up the good work, guys.

Steve Michaels
Thank you, Anthony.

Operator
Our next question comes from Michael Young with Truist. Please go ahead.

Michael Young
Good morning. Thank you for taking the questions. Wanted to start kind of following up on the strong credit trends we've seen. Can you maybe just talk a little bit about sort of the underwriting box that you guys have now? Are you kind of loosening that? What should we expect to see going forward, or has that already sort of taken place?

Steven Michaels
Thank you, Michael. Yes, from a decisioning standpoint, we--and we talked a little bit about this in the previous quarters, but it continues to be a dynamic posture for us, right? So we tightened at the onset of the pandemic, and then over the course of the summer and fall we learned from that data, and obviously were surprised to the upside on the portfolio performance. So starting in, call it November 2020, we started rolling back some of those tightenings. But it wasn't just a rollback. It was a more informed adjustment or, you know, dial--calibrating the dials because we learned from the data.

And so there was a series of adjustments made from November all the way into early Q2 of 2021. So as we sit here today, we are--our approval rates are higher than they were even pre-pandemic. Approval amounts are actually higher than they were pre-pandemic. And we always are looking for ways to run R&D through the pipes or other ways to say yes in a very measured and profitable way. So the data science team does a great job of looking for those opportunities, but right now certainly decisioning has been a removal of a headwind, self-inflicted, I'll admit, but a removal of the headwind from 2020, and we're in a good spot right now.

We will always err on the side of, you know, having controlled the portfolio as opposed to being what I would refer to as too loose. But we do have good early metrics and indicators because the portfolio duration is so short that we can react to things that are changing in real time.

Michael Young
Okay, thanks. That's helpful. And wanted to just touch on the share buyback. Obviously you've got $300 million, you know, approved. You were active on it somewhat this quarter, about 50 million repurchased at a, you know, somewhat higher stock price from where we are today. The stock has kind of been weak here lately. I would imagine it looks like a good value. How aggressive are you guys willing to be outside of M&A pursuing that, and any other thoughts there?

Steven Michaels
We're fortunate to have a very capital efficient business model, and we'll generate cash at even pretty aggressive growth rate, so that leads us to the decision of what to do with, as we define excess capital, and you know, we're not going to signal exactly what we're going to do, but I would echo your comments that the prices are very attractive at these levels, and we'll put the cash to work, you know, with the best return that we see as available to us.

Michael Young
Okay, thank you. And maybe one just quick last one. You know, the Vive segment has done quite well here recently. Should we expect, you know, kind of that to continue, or any other just comments on that segment specifically?

Steve Michaels
Yeah, Vive is certainly a bright spot and has seen a tremendous amount of growth due to expansion of its partner base, not only new logos, but also new doors within existing logos. And so the GMV for Vive was up materially. As we have said in the past, Vive, it has the CECL accounting, so there can be a drag on earnings when you have to provide for all the estimated losses over the life of the loan up front when the loan is booked. In 2021, we're seeing a benefit from reduction of provision rates because of high provisions in 2020 due to the unknown, uncertainties from the pandemic. And so we'll probably see a little bit of a reversal of that, assuming we do trend back to normal in the back half of '21 and into '22. But the growth rates are strong, and we see Vive--we bought Vive as a strategic asset for Progressive. It's certainly proven that use case, and now after several years has flipped to profitability, and we think that will--it will be influenced by those provision rates, but it will maintain that profitability.

Michael Young
Okay, thank you.

Operator
Again, if you'd like to ask a question, please press star then one. Our next question comes from Brad Thomas with KeyBanc Capital Markets. Please go ahead.

Brad Thomas
Hi, good morning, everybody. Good quarter. A couple questions, if I could. And I missed the beginning of the call, so I apologize if you addressed this in detail already. But I was hoping we could revisit the way that GMV flows into revenue, particularly given just how strong the second quarter GMV number was, and if you could talk a little bit about how you're expecting these trends to flow through and what maybe that could mean for potential upside to revenues in the quarters ahead.

Brian Garner
Yeah, I'll take that. Probably two pieces. So revenue--or GMV is certainly the leading indicator for revenue. There is a number of components going to revenue, including buy-out activity, etc.

like we saw in the first half, but this 25.2% that we saw in the quarter will start to impact revenue in Q3 and Q4, certainly. The commentary that I made on an earlier question, just to reiterate, the front half versus second half in terms of total revenue will be in the same ballpark. Just because we're losing the buyout, kind of tailwind on revenue, I expect, given the $2 trillion of stimulus that hit in late in Q1 and the buyouts that fell out of that. And--but the portfolio is growing, which is a function of this GMV that we saw that's just adding to the top of the funnel. So those are the moving pieces, but I think, thinking about it kind of 50-50 front half versus second half is probably the right way to think about it.

Brad Thomas
Great. And then I imagine this may have been addressed earlier, but any more color you want to share as we fine-tune our models and how to think about 3Q versus 4Q from an earnings perspective, given some of the margin puts and takes?

Brian Garner
Yeah, no, I think, I mean, from a back-half perspective it's going to be a--we're going to see margins fall off. I think you're going to see pretty similar level of margins between the two quarters. I wouldn't expect a big swing in one quarter versus the other. Obviously we continue to ramp up spend, as I mentioned, and so that's probably the one variable that might be at a higher level in Q4 than it is in Q3, just a function as we try to get back to our baseline level of spend that we saw pre-pandemic.

Brad Thomas
Great. Thanks so much.

Operator
Our next question comes from Bobby Griffin with Raymond James. Please go ahead.

Bobby Griffin
Good morning, everybody. Thanks for taking me here at the end, and similar to Brad, apologies; I jumped on late here. Brian, I just want to clarify your comments a second ago about the buyout tailwind, and maybe I'm just struggling to kind of conceptualize it, but I thought, you know, with stimulus consumers would buy out of their contracts early, which actually decreases the yield on the portfolio. So if we have more normal behavior and less buyouts in the second half, shouldn't the yield on the portfolio and kind of the revenue growth generated from the portfolio be stronger?

Brian Garner
Yeah, so I guess the question that you have got to answer is whether the portfolio strength will be at the same level that we saw in the front half, and I think the expectation is that we'll see write-offs come up. Buyouts, there is two kind of buyouts within our business. There's 90-day buyouts, which are effectively zero margin events for us, and there's early buyouts that happen after that 90-day period that are profitable for us. So with those kind of subsiding and write-offs presumed to increase, that's where, along with SG&A continuing to increase, that's where you're seeing the margin contraction.

Steve Michaels
Bobby, this is Steve. I would just add that, like, you're right in that if a customer pays out to full term, the portfolio yield will be higher. It will just be over a longer period of time, whereas if you do $1000 worth of GMV today and 60 days from now the customer buys it out, it's kind of like a shot to revenue in that period. So when you have elevated buyouts, it can grow revenue fairly

quickly, but if buyouts subside, that particular dollar amount of GMV will generate more revenue over time. It just isn't going to influence the near-term quarters as much.

Bobby Griffin
All right, that's helpful. And I guess secondly just maybe to unpack, you know, I think you even referenced, Brian or Steve, OpEx coming up a little here in 3Q and 4Q. Is that just in growth investments, or is that still bringing back costs that were temporarily pulled out for COVID? Just what other colors there, because it looks like the 1Q and 2Q OpEx were fairly stable once you back out write-outs (PH). I think $83 million and $89 million, so modestly higher in the second quarter. But the implied numbers for 3Q and 4Q is a pretty notable step up.

Brian Garner
Yeah, yeah, it is, and I think it's both those components. I think we are continuing to make investments as we see opportunities to grow GMV and grow the business, and we're going to pursue those. But for the year overall, my expectation is that we're going to be--we're going to see SG&A as a percentage of revenue somewhere, somewhere in the range of what we saw in 2019 pre-pandemic. So we're really just kind of getting back to an annualized range that's, that has been suppressed for the last 12 months. And so that's a step up that you're seeing. The 16% margins that we saw in Q1 and Q2 were just not the steady-state margins that we're aiming for and what we expect. And you heard Steve reference the 11% to 13%, and I think that's where we're going to live as we move beyond 2021. So that's the color I'd give you there. It is continued investment, but we're keeping it within the confines of what our historical spend rates have been pre-pandemic.

Steve Michaels
The other thing, Bobby, that I would say on that is as we said right around the time of the split is we expect at least about $10 million worth of additional public company costs that didn't exist when we were pre-split, and those take, you know, those hiring plans and other things take a little bit of time to layer on. And so that would be--that burden would be more back-half weighted than front half.

Bobby Griffin
Okay, that's very helpful. I appreciate all the details here at the end, and best of luck here in the second half of '21.

Steve Michaels
Thank you, Bobby.

Operator
Our next question comes from Tim Vierengel Northcoast Research. Please go ahead.

Tim Vierengel
Thank you, and good morning. I've got one question for Steve, and I was just wondering if you could just comment a little bit more on the e-commerce growth and penetration you're seeing there. You know, obviously huge, huge improvement year-over-year and sequentially. I'm just wondering whether you think the long-term percentage you think that e-commerce should be in your business and if there's anything we can look at to say that the lower-end (PH) consumer is maybe getting more comfortable, you know, transacting online than maybe they were pre-pandemic. Thanks.

Steve Michaels
Thank you. I'll start with the second half of that, and I mean, I think our consumer is very comfortable transacting online. They over index in, you know, in smartphone adoption and mobile shopping. And they're very sophisticated in that regard. I think as you said in your question, you know, pre-pandemic everybody kind of had a hard shift to online during pandemic, so it accelerated that trend even more, but to the root of the question, as to where should e-com be, I'm very adamant about the fact that we don't have a target for what the balance of GMV should be from e-com, but the customer will dictate where that lands.

I expect that GMV--I'm sorry, that e-com GMV will grow faster than the overall pie just because that's the trends that are happening in the shopping public, but we need to and will have solutions that allow a customer to have a cross-channel or a multichannel shopping journey, and they're going to determine where, you know, where that GMV falls out. And in the future, I think it would be more difficult to determine how to categorize GMV because more than likely they will participate in more than one channel.

I mean, the way we define it currently is that if they check out in the e-com shopping cart, that is considered e-com. That doesn't mean that they didn't interact with our app or with our product in the store or talk to retail sales associate. It just means that they chose to check out online. The good news through our decisioning is more than half of our apps do come through digital channels. And so we are able to turn dials and make decisions with the customer not present, situations such that we're basically margin agnostic as to what channel the GMVs derive through. So in summary, I would say that e-com GMV will grow faster than overall GMV, and that balance of--that composition of GMV will shift more towards e-com. But we don't have a target of where we want to end. We just want to have really simple and easy and transparent solutions for the customer. And they can tell us how they want to interact with us.

Tim Vierengel
That's really good color. Thanks, Steve. That's all for me

Steve Michaels
You got it. Thank you.

Operator
This concludes our question-and-answer session. I would like to turn the conference back over to Steve Michaels for any closing remarks.

Steve Michaels
Thank you, everyone, for joining us today and for your interest in PROG Holdings. Our team is excited about the opportunity to continue PROG's impressive history of growth and innovation. I would like to add a special welcome to the team members from Four. We're excited to have you as part of the PROG family. And again, I'd like to thank all of PROG nation for their tireless efforts to innovate and simplify on behalf of our customers and retail partners. And we look forward to updating you again next quarter.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.