

## Progressive Holdings Inc.(Update)

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### Corporate Speakers:

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

### Participants:

- Bobby Griffin; Raymond James; Analyst
- Bradley Thomas; KeyBanc Capital Markets; Analyst
- Anthony Chukumba; Loop Capital Markets; Analyst
- Vincent Caintic; BTIG; Analyst

## PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to the PROG Holdings Business Update Conference Call. (Operator Instructions) Please be advised 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. And welcome to our conference call to provide additional color on yesterday's announcement that the company has entered into a definitive agreement to acquire Purchasing Power.

Statements in this presentation regarding PROG Holdings, Inc., the company, and its expected acquisition of Purchasing Power that are not historical facts are forward-looking statements that involve risks and uncertainties which could cause actual results to differ materially from those contained in the forward-looking statements.

We encourage you to carefully review the forward-looking statements disclaimer on Slide Two of the investor deck that we have posted to our investor website for more information.

The slide deck, which we will be speaking to this morning can be found under our events and presentation tab on our investor website which can be found on [investor.progholdings.com](http://investor.progholdings.com).

With that, I'll now turn the call over to Steve Michaels PROG Holdings' President and CEO, to provide more details on the acquisition. Steve?

Steven Michaels^ Thanks, John. And good morning, everyone. I'm excited to discuss our agreement to acquire Purchasing Power, the latest addition to the PROG ecosystem, a business that is highly aligned with PROG's mission and the customers we serve.

We believe this acquisition adds new capabilities, established partners and millions of eligible customers to the PROG ecosystem while also creating meaningful opportunities for revenue and cost synergies across our platforms.

Purchasing Power fits squarely within our mission of providing transparent, flexible, and inclusive payment options to underserved consumers. We look forward to combining the strengths of both organizations to unlock long-term value.

As John said, we will be walking through the deck that was posted to our investor site earlier this morning, and you are encouraged to download it and follow along. Beginning on Slide Four, we highlight that our three-pillar strategy of grow, enhance, and expand continues to guide how we operate and allocate resources.

We seek to grow our GMV with existing merchant partners, new partners and direct-to-consumer initiatives, enhance the consumer experience with industry-leading service and technology and expand our ecosystem to deliver greater financial access and value to our customers.

Purchasing Power contributes meaningfully to our three-pillar strategy. It expands our partner base into more than 25 industries nationwide including 48 Fortune 500 companies and seven of the top 30 U.S. employers, and introduces a differentiated payment capability that reduces payment default risk.

Importantly, while Purchasing Power uses a differentiated customer acquisition strategy, its B2B2C operating model closely mirrors Progressive Leasing's partner-led approach, enabling us to leverage our strengths, run familiar processes and minimize acquisition costs.

While we will provide more color in February about our 2026 outlook, based upon the current trajectory of the Purchasing Power business, we expect 2026 revenue in the range of \$680 million to \$730 million and adjusted EBITDA to be in the range of \$50 million to \$60 million. Note, the "i" referenced in this metric reflects the burden of interest expense from Purchasing Power's nonrecourse funding debt. Turning to Slide Five.

We provide an overview of Purchasing Power as an e-commerce-based platform that enables customers to purchase goods and services and pay over time through direct payroll deduction or payroll allotment.

With relationships across over 360 established employers, Purchasing Power provides access to over 7 million employees nationwide. The business benefits from exceptionally high client revenue retention of approximately 98% and strong customer repeat rates,

demonstrating the value and stickiness of the offering. I'll now turn the call over to Brian Garner, our CFO, to walk us through the next several slides.

Brian Garner^ Thanks, Steve. Moving to Slide Six. This slide outlines the Purchasing Power operating model. Process begins when an employer adopts Purchasing Power as a voluntary benefit. Employees then register on the platform, shop from a large catalog of over 70,000 SKUs and make purchases directly through the website or mobile app.

Once the transaction occurs, Purchasing Power places the order with the vendor and the vendor ships directly to the customer. Payments are then deducted automatically from the customer's paycheck and the employer or a third-party administrator remits those payments to Purchasing Power. This payroll deduct structure is a unique strength.

It reduces payment risk and creates more predictable portfolio performance. Moving to Slide Seven. We highlight Purchasing Power's scalable go-to-market model.

With a relatively small direct sales force, Purchasing Power leverages a network of more than 100 brokers, partners, and distribution channels to efficiently access established employers across the U.S.

What's especially compelling is the quality of this access. Purchasing Power already successfully partnered with some of the largest employers in the country including 48 Fortune 500 companies and seven of the top 30 U.S. employers.

That level of penetration is extremely difficult to build organically and represents a powerful accelerant for PROG. Through these relationships, Purchasing Power can reach millions of eligible employees efficiently and cost effectively.

As we move forward, we believe this creates a meaningful opportunity for cross-selling and introducing the broader PROG ecosystem to a new, highly complementary customer base. Turning to Slide Eight. This slide demonstrates the compelling value proposition for both Purchasing Power's clients and customers.

For clients or employers, Purchasing Power helps improve employee morale, productivity and retention at no cost to the employer. These benefits help explain the business' 98% client revenue retention.

For customers, the platform provides transparent, affordable payments, upfront spending power, access to brand name products and a convenient payroll-deducted payment method that helps reduce financial stress.

The demographic profile is highly aligned with the consumer segments PROG already serves, with approximately 80% of customers having credit scores below 650 and household incomes around \$78,000 per year. Yet there is a minimal overlap in actual customers, creating meaningful opportunity for cross-selling and revenue synergies across our product suite.

Slide Nine illustrates the breadth and depth of Purchasing Power's product catalog. The platform provides access to leading brands across categories like electronics, furniture, travel, appliance, fitness and fashion supported by a robust supplier network. This broad assortment attracts repeat usage and strengthens Purchasing Power's value as an employer-sponsored benefit.

Steven Michaels^ Up here as we move on to Slide 10, which shows how Purchasing Power strengthens PROG's ecosystem. With the addition of a payroll-deducted payment model and a large employer-based customer population, PROG becomes one of the most diversified payment solutions -- payment solutions provider to the near and subprime market. We believe this solidifies the foundation for sustained multiyear growth.

Importantly, as I mentioned earlier, Purchasing Power introduces a customer base with a minimal overlap with our existing products, positioning us to expand both current offerings and future innovations across a much larger audience. On Slide 7 (sic) [Slide 11], we summarized the key benefits we anticipate from the acquisition.

Expanded reach into a large underserved employee ecosystem, a differentiated payroll-deducted payment model, broader B2B distribution, strong financial contribution with meaningful EPS accretion and rapid deleveraging, enhanced competitive positioning with complementary products and stable portfolio performance supported by an employment-based data and payroll integration.

On Slide 12, I want to reiterate that our capital allocation priorities remain unchanged following this acquisition. Our first priority is continuing to invest in and scale our product offerings to drive organic growth.

Significant growth opportunities remain within our existing products and services, and we are confident we have the right team to execute against these initiatives. Second, we will continue to evaluate M&A opportunities that meet our strategic and financial criteria as Purchasing Power does.

I have said in prior calls that we would consider leveraging up temporarily for the right acquisition and believe Purchasing Power meets that description. We remain committed to returning excess capital to shareholders while managing towards our long-term net leverage targets of 1.5x to 2x, excluding nonrecourse funding debt and intend to move quickly in that direction post acquisition.

Our combined businesses led by Progressive Leasing drive significant cash flow and thus, we expect to have the ability to delever relatively quickly while remaining committed to our dividend and having optionality around share repurchases.

Brian Garner^ Finally, on Slide 13, we provide details on the transaction terms. As mentioned in yesterday's press release, the purchase price is \$420 million in cash and

approximately \$330 million of Purchasing Power's nonrecourse ABS funding debt will remain in place after the close of the transaction.

We will fund the purchase and related transaction costs through approximately \$175 million of cash on hand and roughly \$260 million in incremental borrowing on new or existing debt facilities. The transaction is expected to close in early 2026.

Steven Michaels^ We are very excited to bring Purchasing Power into our existing suite of products and services. This acquisition strengthens our mission to provide transparent, flexible, and inclusive payment options to underserved customers.

I want to extend a warm welcome to the Purchasing Power team, its clients, partners, and brokers, and we look forward to the opportunities ahead as we unite our organizations. With that, I'll turn the call over to the operator for Q&A. Operator?

## QUESTIONS AND ANSWERS

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

Bobby Griffin^ I guess, first, Steve, can you talk a little bit about just the growth trajectory of the business and how it's grown over the last couple of years? And I guess what I'm trying to kind of understand is just the embedded growth to get to the estimates for 2026?

Steven Michaels^ Yes. Sure. So the company has been around since 2001, Atlanta-based, and obviously it's had some -- it had quite a long history.

It had a low double-digit CAGR growth rate from basically 2011 to up until the pandemic, and then understandably had some pause and shrank a little bit during some COVID years and then rebounded to that same low double-digit growth rate from '21 to '24.

Implied in our -- 2025 is not over yet, right? So -- and we're only a day removed from the all-important Black Friday to Cyber Monday timeframe as well as a very impactful full month of December to execute through.

So we don't know exactly where they're going to end up for 2025. But based on the team's estimates, the implied growth rate that -- from the revenue range we gave for '26 is back in that low double-digit growth rate range.

Bobby Griffin^ Okay. That's helpful. And then maybe secondly for me, and I'll turn it over to some others. But I think in your prepared remarks, you referenced some meaningful -- I forget how the words you used, but meaningful revenue and cost synergies across the organization. So can you maybe unpack that a little bit? Does that involve the integrated payroll deduction model or anything there for us?

Steven Michaels^ Yes. We do think there's very exciting revenue synergy opportunities across the businesses. We do address a similar customer, but there is fairly limited overlap currently.

There's -- the list of things that we will be pursuing include offering the Purchasing Power offer to the -- some of the larger employers that Progressive Leasing already partners with. Purchasing Power partners with some very high-quality retailers, and they have great relationships with those employer retailers.

So we'd look to see if that's an in for -- to help the biz dev efforts on the leasing business, complementary products like Four or Money App, being offered as part of the voluntary benefit package are things that we've discussed. Purchasing Power is very keen on financial wellness and education.

Our build product fits into that and helping consumers improve their credit scores. So there's lots of opportunities bidirectionally or omnidirectionally across the products in the ecosystem, which is why we believe this is such a good fit to add to the PROG ecosystem.

Bobby Griffin^ I appreciate the details and best of luck here closing out the holiday season.

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

Bradley Thomas^ Congratulations on the transaction. I just wanted to follow up maybe on the revenue side of things and Bobby's question. And curious if you have any more details on how their growth has been in terms of business partners, in terms of companies that they partner with. And then what you see, if anything, over time as the awareness maybe grows within those partners?

Steven Michaels^ Yes, Brad, I mean we'll provide more color on that as we -- once we get past closing and are in there on a day-to-day basis. But I can tell you, it's similar to the leasing business.

They have a growth algorithm from getting more penetration and more adoption within their installed base with the number of what they call eligibles, which are basically employees of the employers that they already partner with. And then there's obviously a biz dev and pipeline component to the growth. And so both of those, we believe, have lots of opportunity, and we'll be working with the team to try and accelerate that.

Bradley Thomas^ That's helpful. And then if I could just ask a clarifying question around the funding debt. So is it right to think of the business, keeping it at this \$330 million level or is it better to think of it perhaps staying in the, what is it about half of revenue for the business going forward? Just how to think about that?

And then as we tie it to EBITDA, is it right that we are including the cost of the interest expense associated with that funding debt in the cost -- basically the cost of operations as we get to that kind of \$50 million to \$60 million number. I just want to make sure we're thinking about all this right.

Brian Garner^ Yes, Brad, just with respect to the ABS debt, I think it's a fair way to think about that debt level really aligning with growth in revenue on a go-forward basis. Obviously as new originations occur, we're going to be leaning on the ABS facility to provide that working capital. And so it's not necessarily a steady state, 330.

It's more aligned to the volume driven by the business on the demand side. Yes. We're thinking about the interest expense generated by that nonrecourse debt is really effectively, it's a -- it's a cost of doing business and that's why we're adjusting the EBITDA to burden it for that.

And that's how we expect to view the business on a go-forward basis. We think that it's more appropriate to burden it, and that's why we're introducing this EBITDA metric.

Bradley Thomas^ That's great. Do you have a sense of what the interest rate is on that warehouse...

Brian Garner^ Yes, blended all in, I think it's right around 6.5%.

Bradley Thomas^ Great. And then maybe just a last one from me. Any sense of where margins overall are tracking for them from sort of a historic perspective? And where you think maybe they could go over time? It would seem to me that revenue growth would be the top priority for you all, but just curious about the margin side of things?

Steven Michaels^ Yes, Brad, I mean certainly, revenue growth is, I think, something we're going to be pushing. And currently, the margin profile on that adjusted EBITDA is kind of high -- mid- to high single digits.

We think there's opportunities to increase that even in a growth scenario. In fact, growth helps because of scale. And so we believe that we're going to be able to get that into the low double digits kind of in the same ballpark as the leasing business in that 11% to 13% range.

Not overnight, of course, but we'll be working towards improving that margin profile over the next 24 months or so.

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

Anthony Chukumba^ So I guess my first question, I just want to make sure I understand the Purchasing Power business model. So the employee selects, let's just say, some

Ashley Furniture. Purchasing Power is purchasing that from Ashley, I'm assuming they're paying a wholesale price for that.

And then just in terms of the MSRP on the loan, is it just what you would pay if you just went to an Ashley store? Or is there -- have they kind of marked that up over what the regular MSRP would be?

Steven Michaels^ Yes. Thanks, Anthony. Yes. It's correct. Using the Ashley example, Purchasing Power would buy it on a wholesale basis. And then the price, the retail price would be actually higher than the market retail price. And that's fully disclosed to the employee or to the potential customer, and then it is a 0 interest.

It's a retail installment contract, so it's not a loan. And so it's just that stated retail price spread over normally 26 biweekly pay periods depending on when that -- that employer's payroll cycle.

Anthony Chukumba^ Got it. Okay. And the -- and that's coming directly out of their -- out of their paycheck, right? So it's almost like you're garnishing their wages, right? So the only sort of -- I guess the only potential that you don't get paid back is if, let's say, they lose their job or something, right?

I mean I'm assuming in that case, obviously there's no paycheck with that employer to garnish, right? But I mean in that scenario, is there a way that you can continue to try to collect those payments?

Steven Michaels^ Yes. So the lion's share of the business is through payroll deduct. There is a portion of the business, which is through payroll allotment, which is similar, but different.

It's more like a split direct deposit, if you will, as opposed to a payroll deduct. And -- but the lion's share is payroll deduct.

And like you said, we have -- the Purchasing Power's integrations with their clients so that -- Purchasing Power is paid kind of first out of that paycheck along with other payroll deduct slots. And you're right, the portfolio risk or the credit risk really is levered to turnover of the employee base.

And so -- and they do -- the customers do have to put a backup payment plan, a debit card or a credit card on file. And -- but to the extent that there is losses, it usually derives from a separation of employment. When they're on the payroll deduct, it's very consistent and very good collection records.

Anthony Chukumba^ Got it. And Steve, I guess just two more real quick ones. I don't mean to completely blow out the cords, so I just want to make sure I completely understand. So you said -- you normally repay over 26 paychecks.

So that's assuming they get a paycheck every couple of years. So generally, the loan life is about 12 months. And then the second thing is what is the historical, I guess, write-off rate?

Brian Garner^ Yes. No. I think you -- I think you have the cadence right in terms of the payments. The write-off rate is -- just to differentiate a little bit the way we talk about leasing, we talk about that 6% to 8% write-off rate. That's a lease construct versus here a retail installment construct.

So they're not directly comparable, but what I would guide you towards is what you will see on our financials post acquisition is that there's going to be a provision for credit loss, it's adherent to CECL.

And that rate typically is in the mid-9s is what you would expect to see as a percentage of revenue, so a little over 9%, mid-9s.

Historically, that's -- it's ebb and flow and obviously throughout the COVID and stimulus periods, but I think that's pretty representative of where they've been historically. So embedded within the outlook that we provided there for '26, it was just a little over 9% is what's included there.

Operator^ Our next question comes from Vincent Caintic with BTIG.

Vincent Caintic^ I appreciate all the detail here. But I had a follow-up on the 2026 guidance. If you could help us additionally by providing what your expectations are for GMV and where the portfolio balances are, that would be helpful or maybe interest rates or how to think about like a revenue yield on -- that's driving the revenue guide.

And does the guidance that you did provide in terms of revenue and EBITDA, does that include synergies with PRG's other businesses? Or is that just Purchasing Power?

Steven Michaels^ Yes, Vincent. So in this business, because it's a retail business, revenue is basically GMV. So that's how we're thinking about that moving forward. The revenue is recognized -- the retail value of the sale is recognized in the period that it's transacted. So those things are moving forward are basically the same thing.

And the -- there really are no revenue synergies baked into that revenue range. We certainly anticipate that we will execute on some of those, but it's difficult to know the exact timing of that.

We did include some cost synergies from some consolidation, but it certainly is not a full run rate amount because those will also happen throughout '26, and we won't get the full year impact.

So in the \$50 million to \$60 million includes some cost synergy assumptions and little to no revenue assumptions.

Vincent Caintic^ Okay. Great. Perfect. And should -- I guess, to that, the amount of outstanding receivables that you might still have, should we think about it as basically being say, funded by the ABS? So there's maybe about \$330 million or a little bit more than \$330 million of outstanding receivables?

Brian Garner^ Yes. Vincent, I think that's roughly the range. And like we said before, we're going to -- on a go-forward basis, continue to leverage this ABS facility. And so yes, you're in the ballpark there in terms of where the receivables are at.

Vincent Caintic^ Okay. Great. Perfect. And last one for me, actually just following up, Steve, on that expense commentary. If you can maybe talk about the synergies.

You talked -- I think, to an earlier question about the scale opportunities and that expanding EBITDA margin. Maybe if you could talk about other ways, like it does seem like maybe the underwriting of this business is similar.

Is it -- maybe if you can compare the existing operations of Purchasing Power versus other businesses and where you can consolidate or enhance some of your other businesses using the technologies of Purchasing Power, that would be great.

Steven Michaels^ Yes. I mean we'll be providing more color on areas of opportunity as we talk more about the business post closing.

But certainly, the businesses are similar in the B2B2C model, as I mentioned. And both businesses have very big good track records of attracting and supporting enterprise size, partner/clients. And so we look forward to taking best practices from both teams to accelerate our success in that regard.

The data is very rich as it relates to this customer base. Progressive has a long history, Four has a very growing database and lots of data and Purchasing Power has access to a lot of data as well.

So there's certainly opportunities there that we're very much looking forward to acting on and improving the operations across the ecosystem. And -- so cost synergies will be there.

But the thing that's most exciting is the ability to grow the mutual businesses and have the ecosystem strategy continue to play out and provide multiple products into this customer base such that we have more share of wallet and higher lifetime values.

Operator^ Ladies and gentlemen, this does conclude the Q&A portion of today's conference. I'd like to turn the call back over to Steve for any further remarks.

Steven Michaels^ Thank you very much. I just want to again warmly welcome the team from Purchasing Power. We look forward to getting past closing, and working alongside you to achieve great things together for the benefit of all of our stakeholders. Thank you.

Operator^ Ladies and gentlemen, this does conclude today's presentation. You may now disconnect. And have a wonderful day.