

**Progressive Holdings Inc. (Q3 Earnings)  
October 22, 2025**

**Corporate Speakers:**

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

**Participants:**

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

**PRESENTATION**

Operator^ Good day. Thank you for standing by. Welcome to the PROG Holdings Third Quarter Earnings Conference Call. (Operator Instructions) Please note that today's conference is being recorded.

I will now hand the conference over to your speaker host, John Baugh, Vice President of Investor Relations. Please go ahead.

John Baugh^ Thank you. And good morning, everyone. Welcome to the PROG Holdings Third 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](http://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 fourth quarter of 2025. The health of our lease portfolio and our capital allocation priorities and the benefits we expect from our sale of the Vive Financial portfolio to Atlanticus Holdings Corporation, such as improving our capital efficiency and improving our profitability profile.

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 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^ Thanks, John. And good morning, everyone. Thank you for joining us today as we report our third quarter results and share our perspective on how we're positioned heading into the final stretch of 2025. I'll also provide context around the recently announced sale of our Vive portfolio and how that decision aligns with our long-term strategic priorities.

In the third quarter, we surpassed the high end of our outlook for revenue and earnings. These results were driven by continued strength in portfolio performance and strong momentum within our BNPL business for technologies. Non-GAAP diluted EPS of \$0.90 exceeded our outlook range of \$0.70 to \$0.75 per share, marking our third consecutive earnings beat this year. This quarter's outperformance reflects the discipline of our team, the strength of our business model and our ability to execute through macroeconomic volatility.

Throughout the quarter, we navigated persistent consumer challenges marked by ongoing inflationary pressures, growing financial stress among lower-income households and early signs of labor market softening, all of which impact discretionary spend in our leasable verticals. While the overall unemployment rate is still low, the heightened financial stress and greater caution among the lower-income consumers across our leasable categories is a headwind to GMV.

As I shared in July, two primary factors weigh on Progressive Leasing GMV this year including in the third quarter. The first is the previously disclosed Big Lots bankruptcy, which created a significant GMV headwind. The second is our intentional tightening actions of lease approvals, a necessary step to preserve portfolio health in an unpredictable environment. Adjusting for these two discrete items, underlying GMV in Q3 grew in the mid-single digits, reflecting strong operational execution and healthy demand across other areas of the business. We are growing balance of share with key retail partners, strengthening existing relationships and scaling our omnichannel ecosystem.

As Brian noted in July, we expected approval rate comparisons to ease slightly in Q3, and they did. Our progressive leasing 2-year GMV stack improved from negative mid- to low single digits in the first half of the year to flat in Q3, which had the toughest year-over-year compare given the strong growth in Q3 2024. These trends give us confidence in the durability of our go-to-market strategy and the long-term scalability of our platform.

Progressive Leasing's portfolio performance remained strong and within our targeted 6% to 8% annual write-off range. Q3 write-offs of 7.4% improved both sequentially and year-over-year. These results reflect the success of our ongoing refinements to our decisioning posture and risk analytics. We are encouraged by the early-stage performance indicators and believe we can deliver consistent portfolio outcomes while driving profitable GMV.

Consolidated revenue came in at \$595.1 million, which reflects a slight decline compared to the same period last year. This result was driven by the impact of the Big Lots GMV loss and a smaller portfolio entering the quarter for our leasing business, offset by another standout quarter from four technologies, which again delivered triple-digit revenue growth. Consolidated adjusted EBITDA was \$67 million and non-GAAP EPS was \$0.90, both exceeding the high end of our outlook.

Before diving deeper into the Q3 business results, I want to take a moment to address today's announcement regarding the sale of our Vive financial credit card receivables portfolio to Atlanticus Holdings Corporation. This transaction represents a meaningful step in our long-term strategy to improve our capital efficiency as we focus on opportunities with the greatest economic returns. While Vive has been part of our ecosystem since 2016, we believe this decision enhances our overall profitability profile and positions us to deploy capital more effectively.

We're pleased to be partnering with Fortiva, the second look credit offering of Atlanticus to ensure continuity for our retail partners and consumers, allowing us to maintain access to a comprehensive set of flexible payment options to underserved consumers while aligning our resources with the future of the PROG platform. The sale of the Vive receivables portfolio strengthens our balance sheet, giving us additional flexibility to invest in strategic priorities.

Brian will speak to the capital implication shortly, but I want to underscore that we are committed to deploying capital in ways we believe will drive sustainable shareholder value through investments in growth, strategic M&A and disciplined return of capital through share repurchases and dividends.

I want to take a moment to thank the entire Vive team for their contributions. Their hard work and commitment played a critical role in helping us serve customers who may not have otherwise had access to credit, and we're proud of the positive impact they've made. We made every effort to support Vive team members through this transition including

identifying some opportunities within the broader PROG Holdings organization. We wish them all the best as they move into this next chapter.

Moving back to the business. We made significant progress in our strategic pillars of Grow, Enhance and Expand in Q3. Under Grow, we continue to ramp direct-to-consumer performance saw strong returns from our omnichannel partner marketing initiatives and increasing ecommerce penetration. Our marketplace team also onboarded additional affiliate and ecommerce partners. Ecommerce GMV is at 23% of total progressive leasing GMV in Q3 2025, up from 20.9% in Q2 and 16.6% in Q3 2024.

Additionally, we launched or signed three recognizable new retail partners since our last earnings call each representing GMV expansion opportunities. These exclusive partnership wins were all earned through a competitive selection process. Progressive Leasing prevailing in each of these competitive processes underscores our leadership position, the strength of our value proposition and our ability to drive incremental sales.

Our pipeline is healthy with a focus on converting near-term opportunities and deepening engagement with existing accounts as we expand our footprint across both national and regional segments. We strengthened our position within existing retail relationships by extending long-term exclusive agreements with several of our major national partners, reinforcing our role as their exclusive lease-to-own provider. We have successfully renewed nearly 70% of our Progressive Leasing GMV to exclusive contracts reaching to 2030 and beyond.

With these additional renewals in place, we can focus on integration, and accelerating our initiative roadmap with these partners to drive future growth. As I've mentioned previously, Millennials and Gen Z make up a growing share of our customer base, and we're evolving our marketing, product design and engagement strategies to meet the expectations of these digitally savvy consumers. Their strong preference for mobile and self-service is driving increased adoption of our digital application flows and mobile platform, emphasizing our omnichannel strategy and validating the investments we made in personalization and seamless user experiences.

PROG Marketplace, our direct-to-consumer platform remains a meaningful growth engine delivering another quarter of strong double-digit GMV expansion. This channel not only broadens our reach beyond traditional retail partnerships, but also plays an increasingly important role in building relationships with consumers and enabling us to direct consumers to our POS partners through a new channel.

We're investing in brand building, personalization and life cycle marketing to increase customer engagement and we're seeing encouraging trends in repeat usage and retention as a result. PROG Marketplace is helping us create a more durable and self-sustaining customer ecosystem, one that supports growth across our leasing, BNPL and cash advance offerings alike.

Under our enhanced pillar, we made strategic investments in technology that improve both customer and employee experiences across the progressive ecosystem. Our innovation team at PROG Labs is at the forefront of this effort. Our AI-powered transactional consumer chat platform has now handled over 100,000 customer interactions, supporting customers from the approval stage through conversion and into the servicing of their lease agreements. We're proud of how this tool is already enhancing our ability to deliver timely, personalized support and it's reducing friction in our service model.

With new capabilities introduced in Q3, customers can now make payments, request approval amount increases and inquire about the account status directly within this chat platform. These initiatives are already proving valuable, but we believe we're still in the early innings of what's possible. We expect these AI-driven capabilities to be a key differentiator as we scale customer personalization, drive efficiencies and set the bar for digital innovation and lease-to-own. Under our Expand pillar, our multiproduct ecosystem is maturing with growing connectivity between offerings. Our cross-marketing campaigns between Four and Progressive Leasing have proven effective in increasing repeat usage and driving incremental GMV.

Turning to our BNPL platform, Four technologies has exceeded expectations once again delivering its eighth consecutive quarter of triple-digit GMV and revenue growth. As we first shared last quarter, engagement trends are strong with average purchase frequency of approximately five transactions per quarter for the last year and more than 160% growth in active shoppers year-over-year. We are seeing strong momentum in unique shoppers and merchant relationships, driving high engagement across the platform, contributing to overall GMV.

Additionally, our Four+ subscription model continues to be a key driver with over 80% of GMV coming from active subscribers. Importantly, Four's take rate of approximately 10% defined as revenue generated as a percentage of GMV over the trailing 12-month period is a strong indicator of monetization efficiency. Four has operated profitably year-to-date and its role in our broader ecosystem is expanding meaningfully, not just as a stand-alone business, but as a cross-sell driver for Progressive Leasing and as a catalyst for customer acquisition. From a profitability standpoint, Four generated year-to-date adjusted EBITDA of \$11.1 million through Q3 2025, representing a 23% margin on revenue.

As we look ahead to Q4, we are forecasting an adjusted EBITDA loss, driven by seasonal dynamics that require an upfront provision for credit losses for new originations. Despite this anticipated Q4 loss, we believe Four will have positive adjusted EBITDA for the year. Given that the peak holiday season will account for more than 20% of Four's full year GMV, this provision creates a timing impact on profitability. This pattern is well understood and consistent with our operating model as these holiday originations generate the majority of their revenue in Q1, we expect to see a meaningful rebound positioning Four to deliver its highest quarterly adjusted EBITDA margin of the year in Q1 of 2026.

Looking ahead, we're closely monitoring the macro environment, especially as consumers face ongoing liquidity constraints and shifting spending behavior. The demand environment remains soft across many durable goods categories, which will likely continue in Q4. That said, we're not waiting for the environment to improve. We're leaning into the areas we can control, portfolio health, disciplined spending, deepening partner engagement and driving sustainable profitable revenue through our multiproduct ecosystem.

Our capital allocation priorities are unchanged. We're investing to drive long-term growth through sales initiatives, marketing investments, AI and other innovation, digital infrastructure, exploring strategic M&A opportunities that strengthen our ecosystem and returning excess cash to shareholders through share repurchases and dividends.

We did not repurchase shares during the quarter due to ongoing discussions with Atlanticus regarding the sale of the Vive portfolio. Those discussions, which began in January, progressed to a stage in Q3 that restricted our ability to be in the market until the transaction was publicly announced. As Brian will outline, we ended Q3 with a strong cash position and generated meaningful free cash flow reinforcing our capability to fund growth while maintaining financial flexibility.

To close, we are confident about how we're executing across the business. We delivered strong earnings, improved portfolio performance and successfully executed the strategic divestiture of a portfolio business, allowing us to reallocate capital towards our highest conviction opportunities. At the same time, we are building momentum in our fastest-growing segment, Four Technologies. I'm proud of what we've accomplished this quarter and confident in our ability to sustain this momentum into the future, which we expect will create long-term value for our customers, partners and shareholders.

With that, I'll turn the call over to Brian for more details on Q3 results and our 2025 outlook. Brian?

Brian Garner^ Thanks, Steve. And good morning, everyone. Our third quarter results highlight execution and innovation across our product offerings. Once again we exceeded the high end of our guidance on revenue and earnings despite pressures on consumer demand across our key categories. Non-GAAP diluted EPS of \$0.90 per share beat the high end of our outlook by \$0.15 and was up approximately 17% compared to the same period last year. This outperformance reflects a combination of three key factors: strengthen our portfolio performance, mostly monitoring levels of spend and momentum from our Buy Now Pay Later and direct-to-consumer initiatives. We are focused on profitable growth and actively managing the business to optimize returns while staying agile in a dynamic operating environment.

Let me start with Progressive Leasing segment. GMV came in at \$410.9 million, which represents a year-over-year decline of 10%. However as Steve noted, the underlying performance tells a more compelling story. Adjusting for the loss of GMV related to the

Big Lots bankruptcy and the impact of our deliberate tightening of approval rates, the business would have delivered mid-single-digit growth, driven by solid balance of share gains within key retail relationships and growing traction among ecommerce and direct-to-consumer channels.

PROG Marketplace, our direct consumer channel delivered 59% year-over-year GMV growth for the quarter. Q3 revenue for Progressive Leasing was down approximately 4.5% at \$556.6 million compared to \$582.6 million in the prior year. Revenue benefited from slightly better customer payment performance. This tailwind, however was offset by GMV headwinds, primarily driven by the big loss bankruptcy and tightening actions we took in the second half of 2024 and early 2025.

Portfolio performance remains strong with write-offs coming in at 7.4%, representing an improvement sequentially and year-over-year. This result reflects the impact of our deliberate tightening actions. As always, we are actively monitoring early performance indicators to ensure our decisioning posture is consistent with delivering write-offs within our targeted annual range of 6% to 8%. Progressive Leasing gross margin in Q3 came in at 32%, representing an approximately 80 basis point improvement year-over-year. This margin expansion was driven in part by a higher proportion of customers staying in their lease agreements longer as well as higher year-over-year yield from our lease portfolio.

Progressive Leasing's SG&A for the quarter was \$79.3 million or 14.2% of revenue compared to 13.1% in Q3 of 2024. As we've discussed in prior quarters, we've made targeted investments to support long-term growth, focused on customer-facing capabilities, technology modernization and partner enablement while maintaining cost discipline across the organization. Adjusted EBITDA for Progressive Leasing came in at \$64.5 million or 11.6% of revenue, landing within our 11% to 13% annual margin target and improving by 20 basis points year-over-year. This performance underscores our ability to deliver consistent profitability through disciplined execution even in the face of challenging year-over-year GMV comps and a softer demand environment. Turning to consolidated results.

Q3 revenue was \$595.1 million, which reflects a slight decline compared to the same period last year at \$606.1 million that came in at the high end of our guidance range. The year-over-year decline is driven by the impact of the Big Lots GMV loss and smaller lease portfolio entering the quarter largely offset by another triple-digit revenue growth quarter at Four Technologies. Consolidated adjusted EBITDA was \$67 million or 11.3% of revenue compared to \$63.5 million or 10.5% of revenue in Q3 of 2024. This year-over-year improvement reflects strong adjusted EBITDA performance of Four and year-over-year margin improvement at Progressive Leasing. Non-GAAP diluted EPS came in at \$0.90, exceeding the top end of our outlook, driven primarily by strong underlying earnings performance.

As Steve noted, we did not repurchase shares during the quarter due to the ongoing discussions with Atlanticus related to the Vive portfolio sale, which restricted our ability to be in the market until the transaction was finalized.

Let me now turn to the divestiture of the Vive portfolio, which was announced earlier this morning. The transaction will be reflected in our Q4 financial results and classified as discontinued operations. As I'll discuss later, our updated outlook reflects the impact of the divestiture. The proceeds of approximately \$150 million provide incremental liquidity and strengthens our balance sheet, creating greater flexibility as we assess opportunities through our capital allocation framework.

In the near term, we will continue our investments across our ecosystem of products. As always, we remain disciplined in our capital allocation approach. Our priorities are unchanged. We're focused on funding impactful growth initiatives pursuing selective high-return M&A opportunities that complement our ecosystem strategy and returning excess capital to shareholders through our ongoing share repurchases and quarterly dividends. These actions reflect our commitment to driving long-term profitability and delivering sustained shareholder value.

Moving to the balance sheet. We ended Q3 with \$292.6 million in cash and \$600 million of gross debt, resulting in a net leverage ratio of 1.1x, which is comfortably within our target range. We maintained ample liquidity during the quarter and had no borrowings outstanding on our \$350 million revolver. In Q3, we paid a quarterly cash dividend of \$0.13 per share.

As of quarter end, we had \$309.6 million of unused authorization under our \$500 million repurchase program. For our 2025 consolidated outlook, in light of this morning's announcement regarding the Vive divestiture, we have removed Vive from our outlook for both the fourth quarter and full year 2025. Our revised outlook has consolidated revenues in the range of \$2.41 billion to \$2.435 billion, adjusted EBITDA in the range of \$258 million to \$265 million and non-GAAP EPS in the range of \$3.35 to \$3.45. This outlook assumes a difficult operating environment with soft demand for consumer durable goods, no material changes in the company's current existing posture an effective tax rate for non-GAAP EPS of approximately 27% and no impact from additional share repurchases. To summarize, Q3 was a strong quarter across the board.

We delivered earnings above expectations, maintained healthy portfolio performance, advanced key initiatives aimed at supporting long-term growth subsequent to the quarter and executed a strategic divestiture. With a solid balance sheet, scalable cost structure, profitable growth in our Buy Now Pay Later business at a proven multiproduct ecosystem, we are well positioned to deliver sustained value for our customers, retail partners and shareholders.

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

## QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question coming from the line of Kyle Joseph with Stephens.

Kyle Joseph^ Given all the headlines we've seen around the consumer, I was just looking to get an update, and I recognize there are some moving parts, but we're looking at write-offs coming down for you guys, even though you guys have headwinds from big lots on that front. Then it sounds like GMV ex Big Lots are underwriting, there's some positive trends there. Then just weighing that with some of your commentary in terms of macro data and some of the headlines we've seen in the consumer finance arena. Just kind of looking for an update on the pulse of the consumer in your opinion.

Steven Michaels^ Yes. Thanks, Kyle. Yes. It's certainly been in the headlines, and it's something that we are constantly battling and analyzing. But to your point, we're pleased with where the portfolio is. I'm really proud of our data science teams, they do a great job delivering that consistent portfolio in a very dynamic environment. The write-offs did improve both sequentially and year-over-year due to the -- our deliberate actions that we took earlier this year, for the most part, some late last year. But we're watching it very closely.

I mean we feel pretty good about where we are right now but we are seeing some stress in the consumer. And as you said, there's lots of headlines around liquidity pressures and just macro pressures on the consumer, especially in our -- in the cohort that we serve. Our DQs are elevated at this time compared to previous years including last year, and we're watching it very closely. We haven't found the need or seen the need to tighten additionally yet. I'm not saying that, that won't happen based on how the data comes in the door, and that's one of the great aspects of our short-duration portfolios across our products and the fact that we get quick feedback loop that we can adjust very quickly to trends we're seeing in the data.

So I mean we're defensively postured and kind of braced for potentially having to tweak additional dials, but we have not done that in any material way since earlier in this year. We always are looking for -- we're always adjusting dials, some positive and some negative, but in what I would call a tightening action, we haven't had to do that since earlier this year. But we're not ruling it out based on what we see for the rest of the year.

Kyle Joseph^ Got it. Really helpful. Then in terms of the GMV outlook for the rest of the year, I think Steve, you highlighted that 3Q was a tough comp in terms of 3Q '24 growth. But just factoring in the timing of big lots and the timing of underwriting changes, should we think about 3Q as kind of the bottom point or similar headwinds into 4Q before things really ease up into 2026.

Steven Michaels^ I think the comp's really don't clear up until Q1. We put out that supplemental slide page with Big Lots and Q4 is a similar headwind to the previous quarters this year and the tightening while we did do some of it in late last year, most of what we're referring to was in Q1 of this year. So from a comp standpoint, I don't -- I think the pressures are still roughly the same. I will say that our Q3 GMV did come in slightly below where we expected it to when we were updating you in July, I think a lot to do with some of those pressures that you are referring to on the consumer.

So we've adjusted some of our view on Q4 as well. We're continuing to fight every day. We have big plans for the holiday season, but there's mixed reports out there about what to expect from a consumer discretionary spend during holiday as well. So we've got some internal initiatives, some things we're trying to get across the goal line with existing retail partners before we go into code freeze for the holidays. We're pleased with where we are, but the macro is a challenge and has been impacting GMV in addition to the two discrete headwinds that we've called out.

Kyle Joseph^ Got it. One last one for me. Just on -- in terms of the guidance on other, it looks like better revenue guidance and then marginally lower profitability. Is that just a function of timing and growth math really?

Steven Michaels^ Yes. We tried to address that in the prepared remarks. Our Four business is -- we're very pleased with how -- what it's doing and how it's growing and its profitability year-to-date. Then there's just a very understandable seasonal dynamic in Q4 and more specifically in kind of late November, December with the surge of GMV that we have observed in last year as well as are predicting for this year and how that upfront provisioning with very little revenue recognition will cause Four to swing to a loss for Q4. Nothing to be concerned about.

It's just a dynamic of the model, and it will swing back in Q1 of next year. But the strength of the BNPL business year-to-date is undeniable and it's going to continue, but there will be some P&L dynamics, which have been reflected in the other segment and are impacting our PROG Holdings level guidance for the full year or implied for the fourth quarter because of that swing to an adjusted EBITDA loss.

Operator^ Our next question coming from the line of by Bobby Griffin with Raymond James.

Robert Griffin^ Steve, I wanted to just maybe talk more on the current environment. Your comments on the low end and some of the pressure makes a lot of sense. I didn't hear much on trade down. So can you maybe just touch on that as part of what's going on here, you guys are having to be a little bit tighter or incrementally tighter as we did this year. You're not seeing that happen in the tiers above you. Just trying to get a sense on how this environment might be evolving versus some of the earlier trade down we saw when everybody started tightening together?

Steven Michaels^ Yes. It's a good call out, Bobby. We certainly saw the impacts of the supply above us tighten in 2024 and then kind of stayed static while they saw what their portfolios were doing. Earlier this year, I think there were calls that folks may be loosening here in the back half of 2025. I think providers are reevaluating that potential strategy. But based on the headlines that we've seen over the last, I don't know six to 12 weeks, which would indicate some stress out there in auto portfolios and elsewhere, we have not yet seen or observed in the credit stacks where we participate and have good visibility any trade down or any tightening in the supply above us.

So we are -- we did have to tighten earlier this year. We have not seen any additional benefit from supply above us tightening so far, I think it's just my opinion, is it's unlikely that they will loosen here in the holiday season, but I'm not -- we haven't seen any evidence of them tightening and creating more of that trade down for us.

Robert Griffin^ Okay. That's helpful. Then maybe on just the GMV cadence through the quarter, I mean anything interesting or notable kind of how the months played out? And anything in October to help us think about kind of the early I know we're still a little early for holiday but just anything in October as well?

Steven Michaels^ Yes. Nothing on holiday yet. Obviously it's difficult right now but this is the case every year that so much of the quarter is made in the five weeks between Black Friday or the seven days of Black Friday whatever you want to call it, to Christmas Eve for the leasing business. The quarter for Q3, it was -- it's fairly similar, but it did -- September was lower than August and July from a negative standpoint. But I don't know if the headlines and the psychology from the pending government shutdown and all those things kind of played into people's confidence and sentiment. But we did see some softness.

Robert Griffin^ Okay. Then lastly for me, Brian, I hate to be the guy to ask about '26, but I'm going to do that here just because there's a lot of moving parts. But when you think about '26 and just want to maybe level set the model, I'm not asking for guidance, of course but like you got Vive flowing out, you've got a smaller portfolio because of this GMV, but then you have the Big Lots headwind coming off. So just help us frame up kind of all those moving parts to keep kind of expectations in line with the smaller portfolio, but potentially GMV actually starting to show growth again?

Brian Garner^ Yes. I think starting with the tailwinds, as you look at '26 and again not providing guidance, but just as things are shaping up, I think you're right. So from a decisioning standpoint, as Steve alluded to, the biggest relief from a year-over-year comp comes in Q1. That was the most meaningful tightening that we did here in Q1 of 2025. So as that rolls off, you should start to see some relief there along with that and obviously getting past the Big Lots comp, which we've provided information about in our supplemental deck, and I think the other positives or portfolio is being managed effectively.

So we've -- as we talked about, we're down year-over-year and sequentially with the 7.4% that we posted this year. So I think a similar kind of write-off posture is probably appropriate. You've also got this growth in forward that's really siding and booing the results here in the quarter. I think we've got a trajectory there that's encouraging. I think the offset or what we're paying attention to a little bit is this macro and the impact on leasing just more broadly, that will, I think continue to serve a challenge here in Q4, and we'll see what 2026 holds. But I think that's how it's shaping up from a -- we talked about this 11% to 13% EBITDA margin target for the leasing segment. There's no not an intent to revisit that at least at this point in time.

So that's our mandate is to actively manage the cost structure in light of what our top line allows. That's -- those are really the inputs as I shape up 2026. The buy portfolio, as you said, is really not consequential to earnings. It's about a \$65 million haircut off of revenue from a run rate perspective. So that's how I'd size that up.

Robert Griffin^ Perfect. That's very helpful. Appreciate the detail here, and congrats on the transaction and the portfolio management.

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

Anthony Chukumba^ I guess my first question, you mentioned the three new retail partners. Can you tell us who those retail partners are?

Steven Michaels^ Anthony, I had money that you would be the one that noticed that and talked about that. So I'm glad I appreciate that. Yes. We're not going to name them. We just wanted to highlight because our business teams are out there working their tails off all the time and they can't control the timing of when we get things across the goal line, but it's not for a lack of effort and/or success, quite frankly. So we were pleased with the results in the quarter and actually, one of them was subsequent to the quarter end. But we use the term recognizable retail logos on purpose because while they may not have been stand-alone press releases, they are logos that you would recognize.

So we're pleased with those wins, those competitive processes and prevailing in those processes. While they'll have very minimal impact in 2025, they will be part of the building blocks of how we're building the GMV picture and profile for 2026. And the teams also have a number of other opportunities in the pipeline that we're excited about. And unfortunately, as you've observed with us for many years, the timing is very choppy on when those things come across.

Anthony Chukumba^ Got it. Okay. So I guess that's a new project from my research associate to figure out who those retailers are. Second question, okay. So you got \$150 million for the Vive portfolio. That's more than 10% of your market cap. Then you've got this 9-figure windfall coming from the One Big Beautiful Bill, which makes me feel dumber every time I have to say that. I guess my question then becomes, how do you think about capital allocation, right? You mentioned you're at 1.1x leverage. You're very comfortable with that. I would say particularly given where your stock is that you would back up the truck in terms of buying back stock. But how do you sort of think about that?

Steven Michaels^ Yes. You're right. That 1.1x times leverage was previous to the sales of Vive portfolio, so point taken. Yes. I mean you kind of -- you said it up there. We look at it through the lens of net leverage ratio, right, which we think is kind of a 1.5 to two turns is kind of a comfort level. But then we look at our capital allocation priorities and growing the business is priority one. Obviously we're in a negative GMV situation currently with leasing, but we don't expect that to be the case forever.

So hopefully, we'll have some working capital requirements to grow GMV within the leasing business, Four is obviously a juggernaut. While very short duration transactions, we'll need some capital here, especially in the fourth quarter. So -- but we're fortunate in that our business models do allow us to kind of check that box when it comes to organic growth and reinvesting in the business.

Second, we have said that strategic or opportunistic M&A is something that's on our radar, and we would look for something synergistic to our ecosystem, and that fits into our strengths of serving this below prime and underserved customer and assessing risk. Then absent those two first things, then we would define excess capital and look to return it to the shareholders. Our history has been through repurchases and obviously we initiated a dividend about 2 years ago. So the capital lens and capital allocation priorities haven't changed. We just have a high-level problem of having more of it on the balance sheet right now. And so we'll look to check those three boxes and be good stewards of capital.

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

Hoang Nguyen^ I guess you're now seeing some softness from maybe the consumers, the lower end consumers. So -- but then you haven't tightened yet. So can you talk about the difference between now and maybe this time a year ago when you guys started to tighten. What's the difference that haven't made you guys, I guess that haven't made you guys do additional tightening at this point given the pressures that's starting to surface?

Steven Michaels^ Yes. I mean I think the difference is that the portfolio is in a different place than it was last year because of the tightening. So as you know it turns over fairly quickly. So the actions that we took in the back half of '24, but more specifically in Q1 of '25 have helped to make the portfolio more healthy. We are seeing some elevated DQs, the delinquencies. But one of the good achievements of our data science teams are there, some of the changes they made to the approvals and approval amounts is that we have been able to choke off, if you will, kind of some of the straight rollers or the no pays that roll right to charge-off or write-off.

So the idea that you can have some elevated delinquencies but not negative dispositions or negative outcomes, those things can be true at the same time. So we are -- again we're white-knuckled like we always are because portfolio is job one, we're watching the portfolio and poised if we have to do something, but the early indicators are showing us things that we should be paying attention to, but have not told us that we need to do additional tightening at this point.

Brian Garner^ Yes. I would just add to that. What dynamic Steve just illustrated is coming through in that 80 basis points of gross margin expansion. So you asked what from a year-over-year perspective, what's the dynamic? We're certainly seeing a more favorable mix in the way that this is playing now and those changes we made from a

decisioning science standpoint are playing through. And so I think that's an important element comparing contrasting last year to this.

Hoang Nguyen^ Got it. And my follow-up is on the Vive sales. Given that you guys are getting \$150 million and you guys didn't do buyback in 3Q, I mean should we expect catch-up buyback in 4Q and what you plan to do with this proceed going forward?

Steven Michaels^ Yes. I mean I guess I would just kind of refer to the answer previously about what we're going to do with the capital and just kind of go back to our capital allocation priorities. Then we don't -- we don't really guide or speak to what we're going to do in the future about repurchases in any given quarter, and we would just look to the three-pillar strategy on capital allocation.

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

Bradley Thomas^ I wanted to follow up on Four. And first of all, congratulations on the nice momentum in that business, a really exciting outlook that I think is still underappreciated by many investors. I was curious, Steve, as you continue to grow that business, there's this sort of ongoing question of does BNPL compete with lease-to-own? And so I was curious as you have success cross-marketing, what your new learnings are as you have more overlap and who those customers are?

Steven Michaels^ Yes. Thanks, Brad. Yes. We're very excited about Four and its current state, but also its potential and where we're going to -- where we think we can take it. Yes. I mean it's been interesting to have that product in our ecosystem to be able to watch it because I -- before -- well we've had it for four years, but it is very small in '21, '22 and '23. The view has always been that BNPL and more specifically, the pay and Four providers, not some of the longer installment sales that people call BNPL, are not really a competitor to leasing most -- very simply because of the average order value, right? And the average order value is still in the \$125 to \$140 range, which is materially different than an \$1,100 average ticket for our leasing business.

Also the categories that are predominant in the -- in our four businesses are different, right? You have consumables and cosmetics and apparel and sneakers and it's provided us a nice insight into those shopping patterns. I think that is also a reason why they have diverging growth rates currently because people are still consuming those things that I mentioned on a \$140 purchase, but they're maybe more reluctant or deferring purchases of the larger ticket durable goods that are traditionally in the leasing business.

We are excited and encouraged by our cross-sell motions and developing those further because there is overlap in the consumer. Four will serve a below prime consumer all the way up to a super prime consumer but there is considerable overlap with the leasing customer. To the extent that they can come to us if they need a new refrigerator from Samsung versus shoe drop on a Saturday afternoon for some new Jordan and use that our different products for that is, we think a big opportunity for us and we're doing that

currently, and we have plans to do it more and better in the future. But we don't really see the Pay and Four as a competitor to Leasing. It's -- and we believe that it can be complementary.

Bradley Thomas^ That's very helpful. And maybe a follow-up for Brian. I know you're not giving 2026 guidance, and Bob, you already took a stab at this. But as we think about the margin side of things, I guess is there anything you would call out? Again as you talked about with Bobby, it does feel like the revenue outlook at the beginning of next year would be challenging if the GMV is down at the end of this year. Outside of the leverage side of things, are there any broads that we should keep in mind as we think about margins?

Brian Garner^ Yes. No. It's a good question. It's something that we're very focused on and trying to make decisions internally to balance the investments that need to get made in this business that have high ROI potential. And also adhering to this 11% to 13% for the -- certainly for the leasing segment that we have set as a standard for prior years. And as implied in our guidance, I think we're right around the bottom end of that 11% to 13%. And as we look into 2026, the factor that really breathes some oxygen into the room is getting GMV moving in the right direction. You've got this right now in part of the head or faces a bit of the deleveraging just from a revenue perspective. So that's task number one is to reinject positive of a more favorable trend in GMV and working towards that end. That's not stating anything for '26. That's just obviously the mission as we try to improve that result.

I think the other factor that I would point to and Steve offered some color in the prepared remarks, which was Four is north of 20% here in the quarter in terms of EBITDA margin. So the ability to grow that business profitably in the contributions that we believe it can offer particularly as it gets scale, I think is really encouraging. As you go kind of down the P&L, gross margin, we obviously had a really strong gross margin print here for the quarter. I think there are some things that we have done internally around decisioning and trying to optimize that. So I think that may very well be something that we can maintain into next year, which is encouraging.

So all that being said, I think there are certainly the building blocks for us to maintain that 11% to 13% is the North Star and try to work against this deleveraging component build for and keep our costs in line while addressing the investments that need to get made, I think that's the task it had. But we understand the mandate of not growing costs substantially faster than revenue, but we think we've got some good things in the hopper that will help GMV going forward.

Operator^ Our next question coming from the line of John Hecht with Jefferies.

John Hecht^ I guess just a little bit more into Four just because I know Steve, you gave us some of the seasonality factors and so forth. But it's had very -- eight quarters of really good kind of growth patterns. Maybe can you give us some insight as to a customer

acquisition and Steve you mentioned like the opportunity to cross-sell. Maybe just a little bit more into that opportunity?

Steven Michaels^ Sure. Yes. One of the really nice things about Four so far, and we think it can continue is just the organic growth that it's seeing in its MAUs, its installed, the app downloads and ultimately, the GMV is really been driven primarily by referrals and word-of-mouth and user-generated content that wasn't paid for. We have a lot of good ambassadors out there that are really happy with Four and getting their friends and family to use it. That's evidenced by sometimes the Four app in the App Store for iOS will be a top 10 shopping app for a period of time because of some TikTok video or something that we didn't pay for.

We are leaning into some marketing as much to prove that we have the sophistication of that muscle in case we need it, not really to sustain or to juice the growth rates. So far, we're very pleased with the cost per download and the cost of customer acquisition in the small dollars that we're spending. But we believe that that's a lever that we can pull in the future, if necessary. So the referral rate, the word of mouth has been really strong. Four+ has been a very pleasant adoption rate. We introduced it in early 2024. We have a very growing subscriber base. And as we said, about 80% of our GMV coming from Four+ subscribers, which certainly helps that take rate metric that's prevalent in the industry. The cross-sell is an exciting area as well.

It's an internal initiative for all of our teams, and we're doing some marketing primarily from the Four acquired customers to the leasing business, but there's certainly opportunities to go bidirectional, and those are things that we'll be looking at for 2026 as well to go in both directions across the ecosystem of products. But Four is really becoming a standout in the ecosystem and getting more integrated. We think that there's a lot of opportunities across the products. But one of the really nice things has been this organic word of mouth and referral marketing -- or sorry, customer acquisition without paid marketing that we've been able to achieve and it's kudos to the brand that the team have built and the user acceptance in the frictionless experience.

John Hecht^ Okay. That's super helpful. Then I guess a follow-up maybe, Brian, I think you mentioned if you are correct for Big Lots and some of the tightening that your GMV growth is mid-single digits, I think I heard. In a normal environment, and I know that's a tough question to define what's the normal environment, but maybe if you think about the period of '15, 2015 to '20 or something, what do you perceive as kind of normal secular growth trends for GMV growth relative to that mid-single-digit number?

Brian Garner^ Yes. I appreciate you directed that at me versus Steve, but that is a tough question. And look, the period that you're referring to for 2015 to 2020, that was an environment where I think it was certainly, there was a lot of momentum on the enterprise level retailers in 2019, launching Lowe's and Best Buy was certainly a high-growth period. So it's tough to normalize for.

I guess what I would say is as we're looking at the GMV opportunity, we see pipeline is strong, we see conversations with meaningful retailers that while the sales cycle is long, we are engaging them. And we think there's a lot of opportunity still within our current installed base. As we look at the metrics across the board, whether it's levels of conversion, or leases per door, productivity-type metrics, there's a lot of opportunity there. So I'm not giving a satisfying answer about a specific range that you could take, say into '26 and beyond.

I would just say that if we're growing mid-single digits with the headwinds that are existing today when you adjust for decisioning and the Big Lots Bankruptcy, it gives -- it's encouraging to me to think about what still leverage still exists for us to penetrate the existing book and beyond and it makes me feel comfortable that we should be able to drive that north. That's -- our best days are not behind us. And I think we've got a lot of opportunity ahead. So that's probably the color I would offer and welcome any thoughts you might have on that.

Steven Michaels^ No. I mean that we've got good growth available to us from -- with our installed base. We'd love to rerun the '15 to '20 timeframe because it was a growth period of -- our retailers had positive comps, and we were adding new retailers to the platform all the time. So that's certainly what we're rooting for now.

Operator^ Our next question coming from the line of Vincent Caintic with BTIG.

John Hecht^ Kind of first one on GMV and I guess a two-part question. We talked earlier about the underwriting posture and that feel the need to tighten yet. I'm just kind of wondering if you can give us some sort of framework for what your underwriting posture, I guess currently can absorb and maybe in terms of how we think about the macro or consumer deterioration? And maybe what would cause it to have to tighten further?

Then second part, so you mentioned those retailers that you signed up. And if you could maybe disclose like what the potential opportunity is in terms of the GMV size, that would be very helpful.

Steven Michaels^ Yes. I mean Vincent, on the decisioning side, I mean we've got all kinds of indicators that we look at from first pay balances to four-week delinquencies to roll rates from bucket to bucket, all the things that you would imagine we're looking at. We don't just look at one. We look at all of them because, as I mentioned, DQs are elevated, but it's not something that is impacting overall portfolio yield or negative disposition outcomes currently.

So it's a mosaic, if you will, of all those things. We know what we need to see in order to tighten. I want to be clear, though, when we say like we may see something to tighten, but it won't be like a broad brush stroke changing internal risk scores across every retailer. It could be pockets. It could be in a particular vertical. It could be in a particular retailer. It could be in a particular geography. It's very dialed in, credit to the team for

that. So those are the things we're looking at, and we look at them very, very frequently with a lot of folks around the room and on the Teams meeting weighing in.

So the three retailers, I would say that we would look at those -- they're recognizable logos, so they're not some two-store mattress chain in Denver. Two of the three, it's new to them. So as you probably remember from previous, when someone adopts a new payment type, it doesn't go from 0 to 60 overnight. It kind of ramps up through training and productivity gains. And so we will be working with the counterparts at those retailers to make sure that we move up that productivity curve as fast as possible. I guess you kind of look at them as like a super-regional, if you will, from a sizing standpoint.

Vincent Caintic^ Okay. Perfect. That's super helpful. Then last question, I wanted to go back to Four. So great GMV results over the past eight quarters, and then it was nice to see that strong EBITDA margin this quarter. I know there's variability as you're growing that business significantly. But I'm just wondering if you can maybe talk about how you think of that business at some point in the future when it reaches maturity, what sort of -- what's the economics?

What's the -- maybe the EBITDA margins of that business? Because I guess when I look at it, I'm making comparisons to some of the other public buy now pay later companies like Sezzle and Affirm and seeing their high EBITDA margins. So I'm just kind of wondering how you're thinking about that framework, if you can help us out.

Steven Michaels^ Yes, Vincent. I mean I think that -- the public comps are certainly a place to look. We -- Four has pivoted over the last several years to a direct-to-consumer model, so probably similar, but several years behind Sezzle. So if you think about where we were year-to-date with Four from an EBITDA margin standpoint and even though it's going to -- it will swing to a loss here in Q4, which, like I said, is not a surprise to us and is nothing to be worried about, but it will bring probably that full year EBITDA margin down into the mid to mid-ish single digits. But we do expect with two dynamics, scale, as you mentioned, and then with that scale comes more GMV coming from repeat shoppers.

So scale and improving loss rates over time we believe, can -- will result in margin improvement over the next several years. The unknown is just the rate of growth, right? So we've been growing north of 150% GMV each quarter this -- I guess it was like \$147 million in Q1, but it's been over \$160 million in Q2 and Q3. Just from the law of numbers, you would expect that to decelerate in 2026. But whether it there's an opportunity for us to -- if it decelerates a lot, then you'd have more margin expansion. But if we keep the growth there in an effort to get to that scale faster, then we'll have margin expansion but not as much as you would if you really throttle the growth.

So we're not in the business of throttling growth as long as we feel good about the unit economics of each deal we're putting out. So -- but over the next several years, we see no reason why we can't look more like those public comps that you're citing there, and that's an exciting opportunity.

Operator^ And I'm showing no further questions in the queue at this time. I will now turn the call back over to Mr. Steve Michaels for any closing remarks.

Steven Michaels^ Yes. Thank you very much. Appreciate everybody joining us today and your interest in PROG. We delivered another strong quarter and are excited about the -- our opportunity to finish the year strong and a setup for 2026, which we'll talk more about here in February. So thanks so much, and have a great day.

Operator^ This concludes today's conference call. Thank you for your participation. And you may now disconnect. Good-bye.