

**PROG Holdings Inc.(Q4 Earnings)**

**February 19, 2025**

**Corporate Speakers:**

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

**Participants:**

- Kyle Joseph; Stephens; Analyst
- Alessandra Jimenez; Raymond James; Analyst
- Hoang Nguyen; TD Cowen; Analyst
- Anthony Chukumba; Loop Capital Markets; Analyst
- Bradley Thomas; KeyBanc Capital Markets; Analyst
- Vincent Caintic; BTIG; Analyst

**PRESENTATION**

Operator^ Good day. And thank you for standing by. Welcome to the PROG Holdings Fourth Quarter 2024 Earnings Conference Call. (Operator Instructions)

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

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

Please go ahead.

John Baugh^ Thank you. And good morning, everyone. Welcome to the PROG Holdings Fourth Quarter 2024 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 2025 full year outlook and our outlook for the first quarter of 2025, the health of our portfolio and our expectations for write-offs for our Progressive Leasing segment for 2025, our expectations regarding GMV for 2025, and our capital allocation priorities including our ability to continue returning capital to shareholders.

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 our operating results with prior periods and to assist them in understanding the company's ongoing operational performance.

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

Steve?

Steven Michaels^ Good morning. And thank you for joining us as we review our fourth quarter and full year 2024 results, which approximated the high end of the outlook we provided in late October.

We will also share our insights into 2025 and discuss the strategic initiatives we are executing to drive sustainable growth in the years ahead. 2024 was a year of outstanding execution and resilience as we delivered better-than-expected GMV growth while effectively managing the lease portfolio and optimizing costs. Progressive Leasing's GMV grew 7.3% to \$1.93 billion, driven by initiatives across sales, marketing and technology, and further supported by tighter approval rates from lenders higher up in the credit stack.

Despite challenges in the broader retail environment including the bankruptcy of a major retail partner in September, we again gained balance of share with key partners, onboarded new retail relationships and expanded our customer base through direct-to-consumer marketing.

Looking ahead, we remain focused on expanding customer acquisition, increasing lifetime value and driving sustainable long-term growth.

Progressive Leasing's gross margin was lower in 2024 compared to 2023 driven by higher delinquencies, particularly within our new customer cohort, and a higher

percentage of customers opting for 90-day purchase options. This comparison was made more difficult due to historically low levels of 90-day early purchase options and above-average payment performance in 2023.

That said, optimized decisioning and disciplined spending contributed to strong financial performance with adjusted EBITDA for Progressive Leasing reaching 11.8% for full year 2024, well within our targeted annual range of 11% to 13%.

Pivoting to Q4, we are pleased with our performance as Progressive Leasing delivered a 9.1% year-over-year GMV growth, reflecting consumer demand for our lease-to-own offering.

We achieved these results despite ongoing demand challenges in the big-ticket consumer durable space where we believe our larger retail partners continue to have negative comps.

Q4 Progressive Leasing revenue grew 6.3%, driven by a larger lease portfolio balance entering the quarter, up 3.8% as of September 30, 2024, compared to being down 9.6% at the same time last year.

Our portfolio performed in line with expected yields, and we successfully managed write-offs within our targeted 6% to 8% annual range.

However, Q4 2024 write-offs came in at 7.9%, slightly above expectations, due largely to higher delinquencies including from new customer acquisitions.

While new customer growth, which accelerated since Q2 2024, is a positive trend for long-term expansion, a portion of these customers exhibited higher delinquency rates, impacting portfolio performance in the quarter.

As we gain deeper insights into this new customer cohort, our decisioning team continues to refine and optimize approval strategies in ways expected to ensure sustainable, profitable growth.

As a result of the higher delinquencies, we implemented targeted tightening measures in Q4 2024 and, again, since the beginning of this year, which will create some headwinds to GMV in 2025.

At a consolidated level, Q4 adjusted EBITDA increased 7.7% to \$65.7 million and non-GAAP diluted EPS grew 11.1% to \$0.80 per share, both of which were at the high end of the outlook we gave in October. These results demonstrate the effectiveness of our growth initiatives, portfolio management and operational efficiencies gained through cost reduction measures executed in Q1 2024.

I am proud of our team's execution and confident in our ability to build on this momentum in 2025 and beyond.

I'd like to highlight that our 2024 efforts resulted in a 6.1% increase in our gross lease asset balance, a significant improvement from the 5.2% decline at the start of 2024.

While we remain mindful of the headwinds ahead, we are optimistic about, again, achieving GMV growth in 2025 through effective execution and growth-focused initiatives across sales, marketing and technology.

We will advance our three-pillar strategy to grow, enhance and expand, positioning us for sustained success in the years ahead.

Now I'd like to provide insight into a headwind considered in our 2025 outlook.

One of our large retail partners, Big Lots, filed for bankruptcy protection in the second half of the year and commenced liquidation efforts in December.

We have accounted for this impact in our GMV projections, which reflect approximately flat GMV for the first quarter.

Additionally, I would like to point out the significant role our long-standing partnership with Big Lots has played in driving profitability. Their high rate of repeat customers, strong presence in the furniture category, which typically carries higher margins and a customer base that's skewed more heavily toward Baby Boomers and Gen X all contributed to above-average financial performance for the portion of Progressive Leasing's portfolio originated through Big Lots. These factors will present margin headwinds in the near term as we adjust to shifts in our portfolio mix.

Lastly, while our cost structure remains highly variable, the decrease in revenue due to the Big Lots bankruptcy, combined with our investments in marketing and technology to drive growth, will result in slight SG&A deleverage for Progressive Leasing as a percentage of revenue in 2025. Despite these pressures, we remain committed to executing our initiatives and focusing on what we can control including implementing marketing efforts to retain former customers of Big Lots within our broader network of retail partners.

We believe these actions will enable us to effectively address challenges and drive growth in 2025.

Excluding the impact of Big Lots, we anticipate GMV growth in the high single digits across the rest of the Progressive Leasing business.

Moving to strategy. Under our grow pillar, we remain focused on expanding our retail partnerships across regional and national markets, strengthening our direct-to-consumer efforts and increasing e-commerce penetration.

In 2024, we signed a long-term exclusive partnership with a large regional retail partner and, over the last two years, we successfully renewed almost 70% of our Progressive Leasing GMV to multiyear exclusive contracts, with approximately half of all GMV under contract into the 2030s.

With these key renewals in place, we can continue to focus on deepening integrations and accelerating our initiative roadmap with these partners to drive future growth.

For 2025, we also plan to make incremental investments in our marketing strategy, which has a proven track record of driving customer acquisition and profitable GMV growth. The initiatives include enhancing brand awareness, expanding SEO to boost website effectiveness, advancing personalized life cycle marketing, launching PROG branded campaigns within our partner ecosystem and strengthening direct-to-consumer efforts through PROG Marketplace.

Our retail partners recognize the value of these marketing efforts, which not only help acquire new customers, but also reengage and retain existing loans.

One of the standout achievements in 2024 was the exceptional growth of our PROG Marketplace platform, which empowers customers to shop anytime anywhere through our mobile app. The platform nearly tripled in GMV, far exceeding our 2024 goal of doubling year-over-year.

As a complementary channel to our retail partners, PROG Marketplace drives incremental traffic and sales while also fueling Progressive Leasing GMV through direct-to-consumer initiatives.

Looking ahead, we remain committed to further expanding this channel in 2025 with a goal of surpassing \$75 million in GMV, reinforcing our multichannel growth strategy and enhancing customer engagement.

Under the enhance pillar, our product and tech investments are focused on elevating the customer and retailer experiences.

For customers, we are enhancing personalized web content, streamlining the application process, improving how customers browse and shop for products, and optimizing the lease life cycle experience.

Our goal is to drive customer engagement, increase retention and strengthen long-term relationships.

Our ongoing efforts to enhance the customer experience combined with our marketing strategies resulted in an approximately 13% increase in new customers and 9% increase in reactivated customers for Progressive Leasing in 2024, while we maintained repeat customer contributions to GMV.

As a reminder, we segment customer activity into three groups: new, repeat and reactivated.

We define reactivated customers as previous customers that last funded the lease more than 24 months ago. This segmentation allows us to tailor our marketing strategies to each group's unique needs and behaviors.

For retail partners, we are investing in faster onboarding, expanded ways to acquire new customers and self-service tools that provide deeper insights into the retail partners' lease-to-own customers and help them better manage their LTO business.

We believe these enhancements will drive business growth for our partners and strengthen long-term customer loyalty.

Also under our enhanced pillar, PROG Labs, our R&D group, is driving innovation through generative AI to boost employee productivity and elevate both retailer and customer experiences.

In 2024, we rolled out OpenAI's Enterprise ChatGPT and developed AI-powered applications to streamline operations, increase efficiency and free up internal resources to focus on higher-value initiatives. This included an AI-powered assistant for employee self-service on policies and benefits as well as an AI-driven training platform that equips our sales team with retailer-specific materials, enhancing compliance and improving customer conversion rates.

To improve customer engagement, we introduced a generative AI-powered chat pilot in Progressive Leasing and launched a chatbot driven self-service experience for our PRG Ventures' Money App Cash Advance product. These AI assistants help customers better understand our offerings, reduce friction in the user journey and minimize reliance on the contact center for routine tasks.

Encouraged by early results we aim to expand these capabilities in 2025.

Looking ahead, we are committed to leveraging AI across multiple areas of our business to enhance the customer experience, personalize recommendations and drive higher engagement, ultimately fueling GMV growth.

Additionally, by improving employee productivity and reducing fraud, AI-driven efficiencies are expected to help us optimize servicing costs and strengthen operational performance.

Under the expand pillar, our multiproduct ecosystem empowers more customers on their financial journey.

Our goal is to create meaningful value for customers by anticipating their needs and offering solutions that reduce friction in their financial experiences. This ecosystem is

designed to increase customer lifetime value while also driving incremental GMV for Progressive Leasing through cross-selling opportunities.

Our Other Operations, for reporting purposes, which includes two key entities within our ecosystem, made significant strides in 2024 towards achieving profitability, delivering an over 40% or \$7 million improvement compared to 2023. This progress reflects our disciplined execution and the strong momentum within these businesses as we drive sustainable growth.

Four Technologies, our buy now pay later solution, tripled its GMV in 2024, reaching just over \$300 million. Four's proprietary platform empowers shoppers with flexible payment options, allowing them to purchase merchandise through four interest-free installments.

Shoppers use Four to purchase furniture, clothing, electronics, health and beauty products, footwear, jewelry and other consumer goods from retailers nationwide. Entering 2025, we expect to scale four by more than doubling its GMV once again, further integrating it within our ecosystem and maximizing its contribution to our overall enterprise value.

We continue to drive innovation through PRG Ventures, our division dedicated to developing and scaling new financial products that enhance our core lease-to-own business.

Our Ventures team introduced Build, a personal credit building product, and the Money App, which provides short-term cash advances, in 2023.

In 2024, Money App made significant strides.

We successfully launched a mobile app, expanded our unique customer base year-over-year, piloted an AI-powered chatbot for automated customer support and achieved unit level profitability in Q4.

Looking ahead to 2025, we are focused on growing and improving the credit builder product on a new proprietary tech stack and driving further expansion of our cash advance program.

Our goal remains the same: to provide innovative financial solutions that empower our customers and increase customer lifetime value.

While Brian will provide more detail on our 2025 outlook, I'd like to share our perspective on the macroeconomic backdrop as we enter the year.

Similar to the past two years, financial pressures remain a challenge for our consumers.

While the rate of inflation eased some in 2024, household budgets are strained by a higher cost of living for necessities such as housing, utilities and food.

As always, we maintain a dynamic decisioning posture supported by a short 4- to 6-week feedback cycle, allowing us to swiftly adjust to customer and portfolio health trends.

Our proprietary machine learning decisioning models continuously refine our approval rates and amounts, ensuring we remain agile and responsive to market conditions.

While the bankruptcy of a large retail partner, broader retail challenges, particularly in jewelry, furniture, appliance and electronics categories, and financial pressures on our customers impact near-term results, we believe these are manageable headwinds.

We will navigate these challenges through expansion with existing retail partners and new business development.

Our pipeline remains strong and we are actively executing on strategies to drive growth and strengthen our market position. Our capital allocation priorities remain unchanged.

We expect to reinvest in the business, pursue targeted M&A opportunities and return excess capital to shareholders through dividends and share repurchases.

We believe our business will generate meaningful free cash flow in 2025, providing us with the flexibility to invest in growth initiatives as well as return excess cash to shareholders.

As mentioned earlier, our reinvestment strategy focuses on initiatives at Progressive Leasing as well as expanding our buy-now pay-later business, four.

In summary, 2024 was a successful year as we delivered growth across both our national and regional businesses.

We gained balance of share with key retail partners and onboarded new retailer relationships.

We invested in sales, marketing and technology that drove growth in 2024 and position us for success in 2025 and beyond.

We made excellent progress on our multiproduct ecosystem strategy and demonstrated the value of our cross-selling opportunities.

I'm extremely proud of the team for their dedication and execution and I look forward to building on this momentum in 2025.

I'll now turn the call over to our CFO, Brian Garner, for more details on Q4 results and 2025 outlook. Brian?

Brian Garner^ Thanks, Steve. And good morning, everyone.

I will begin with a summary of our Q4 highlights.

We are pleased to report that we delivered impressive GMV growth as revenues, adjusted net earnings and non-GAAP EPS approximated the high end of our outlook.

As Steve mentioned, 2024 was a successful year marked by better-than-expected GMV growth, a portfolio managed within our annual 6% to 8% write-off target and a disciplined approach to cost management. The effective execution by our teams implementing multiple strategic initiatives, as well as favorable macroeconomic conditions including the tightening of the credit supply above us, allowed us to deliver strong results for the business.

Moving to Q4 results. Beginning with the Progressive Leasing segment, Q4 GMV grew 9.1% year-over-year as we improved our balance of share within key retail partners, driven in part by tighter integrations with retailers and reduced friction in the application process. The GMV in the period contributed to an increase in portfolio size, which ended the year up 6.1%.

Revenues for Progressive Leasing grew 6.3%, primarily due to larger portfolio size throughout the quarter, aided by a 9.1% growth in the fourth quarter GMV.

As Steve mentioned, customer payment performance was slightly more challenged than we expected, and 90-day early purchases remained elevated in Q4 compared to historic lows in 2023.

We saw an increase in the percentage of new customers who, as we expected, have lower financial performance compared to our repeat customer base and are more likely to opt for a 90-day purchase option.

As a result, Q4 2024 gross margin for Progressive Leasing of 31.9% was 100 basis points lower than the same period last year.

Our provision for lease merchandise write-offs for Q4 were 7.9%, bringing full year write-offs to 7.5%, both of which were within our stated 6% to 8% annual target. Q4 2024 write-offs at 7.9% were higher than our expectations as delinquencies increased modestly in Q4 which, combined with our accelerating portfolio growth, led to an increase in write-offs.

Our team is proactively making adjustments to our dynamic decisioning models, which have included targeted tightening measures in Q4 2024, and again, since the beginning of the year as we aim to deliver write-off for 2025 within our targeted annual range of 6% to 8%.

Progressive Leasing's SG&A expense was \$82.4 million, a decrease of approximately \$1.3 million or 1.5% compared to \$83.7 million in the same quarter last year.

As a percentage of revenue, SG&A decreased by 111 basis points year-over-year from 15% of revenues in Q4 of 2023 to 13.9% of revenues in Q4 of 2024. This SG&A improvement largely benefited from restructuring actions taken in Q1 of 2024, combined with revenue growth.

We are always seeking to drive operational efficiencies while maintaining critical investments in growth initiatives.

Adjusted EBITDA for Progressive Leasing in Q4 was \$65.8 million and 11.1% of revenue. This adjusted EBITDA margin reflects a 70 basis point decline compared to 11.8% in Q4 of 2023, primarily due to higher 90-day purchase options and lower customer payment performance, partially offset by SG&A restructuring and discipline throughout the year.

Pivoting to consolidated results, Q4 non-GAAP EPS came in at \$0.80, at the top end of our outlook. Consolidated revenues rose 8% to \$623.3 million, primarily fueled by the growth within the Progressive Leasing segment followed by the great momentum in our Four business, as Steve mentioned.

Consolidated adjusted EBITDA increased 7.7%, from \$61 million to \$65.7 million, driven by the improvement in profitability of Four and PRG Ventures.

Moving to the balance sheet.

We ended the fourth quarter of 2024 with \$95.7 million of cash and gross debt of \$650 million, resulting in a net leverage ratio of 2x trailing 12 months adjusted EBITDA.

At the end of 2024, we had \$50 million of outstanding borrowings on our \$350 million revolver, which we fully repaid by the end of January 2025.

Our business continues to demonstrate strong profitability and cash flow generation.

In 2024, we generated \$138.5 million in cash from operations.

As part of our ongoing commitment to return excess capital to shareholders, we paid a quarterly cash dividend of \$0.12 per share in November and actively repurchased shares.

During the quarter, we repurchased approximately 860,000 shares at a weighted average price of \$47 per share, bringing our total repurchases in 2024 to 3.5 million shares at an average price of \$39.80 per share.

We currently have \$361.4 million remaining under our \$500 million share repurchase program.

We remain committed to a capital allocation strategy that balances strategic investments with meaningful shareholder returns.

I'll now touch on some key aspects of our 2025 outlook as outlined in this morning's earnings press release.

We are entering 2025 with Progressive Leasing's gross lease asset balance up 6.1% year-over-year. This portfolio growth combined with our expectations at Four will more than double its GMV should support consolidated revenue expansion in a low to mid-single digits.

However we anticipate some GMV headwinds for Progressive Leasing, reflecting the impact of the Big Lots bankruptcy, expected macroeconomic challenges and lower approval rates year-over-year.

Specifically, first quarter Progressive Leasing's GMV is expected to be roughly flat year-over-year.

However, excluding Big Lots GMV results for both periods, GMV growth for the rest of the business is expected to be in the high single digits.

Our portfolio performance is expected to remain within targeted yields as we actively manage decisioning dynamics.

However, Progressive Leasing's gross margin will face a difficult comparison during the year as we worked through higher delinquency rates exiting 2024 and the diminishing impact of the Big Lots portfolio which had an above-average profitability profile.

We anticipate Progressive Leasing's provision for lease merchandise write-offs to deliver another year of consistent performance, within our targeted annual range of 6% to 8%.

Progressive Leasing's SG&A expense is expected to deleverage slightly year-over-year as we continue investing in the business.

We remain committed to driving efficiency by eliminating unnecessary costs and taking a portfolio approach to cost management, ensuring that we prioritize initiatives to optimize return on investment.

Turning to the consolidated outlook for 2025, we expect revenues to be in the range of \$2.52 billion to \$2.59 billion, adjusted EBITDA in the range of \$260 million to \$280 million and non-GAAP EPS in the range of \$3.10 to \$3.50.

This outlook assumes a difficult operating environment with soft demand for consumer durable goods, no material changes in the company's decisioning posture and effective

tax rate for non-GAAP EPS of approximately 28%, no material increase in the unemployment rate for our consumer and no impact from additional share repurchases.

In closing, I want to thank our employees for delivering outstanding results despite a challenging and evolving consumer environment. Their dedication and execution will drive our success, and I look forward to a great 2025.

I will now turn the call back over to the operator for the Q&A portion of the call.

Operator?

## QUESTIONS AND ANSWERS

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

Kyle Joseph^ I just want to pick your brain.

Obviously we've seen a number of bankruptcies in the furniture space and some shakeout for that industry. And obviously it's been a challenging time.

I just want to get your sense for how you see the industry evolving over time and implications for the VLTO sector. Does it become kind of more of an online industry?

Or what's the shakeout from all of this?

Steven Michaels^ Yes, Kyle. Yes. I mean that's a difficult crystal ball. There's certainly been some challenges as is well documented coming out of the pandemic and soft demand in that space. And clearly, depending on the capital and the balance sheet of the provider, the fixed cost of having a lot of stores can be difficult.

But there's been some supply or some stores leaving the system.

So I would expect that the demand that is out there will be spread across the remaining players.

I mean overall, all categories are shifting more online.

But I don't think -- I would not say that our call is that stores are going away.

Stores are still going to be an important part of the omnichannel experience for our customers and shopping generally.

As it relates to VLTO specifically, we're going to try and be where the customer is. And if the customer navigates online, we'll be there for them.

But it's our expectation, or mine, personally, that it will continue to be a multichannel journey for the customers. And so we need to have a good solution across those channels, in-store and online.

Kyle Joseph^ Got it. And then in terms of the guidance factors, I think you guys talked about expectations for demand remain weak.

I mean if you peel back the onion a little bit, obviously furniture is facing some headwinds, but are you seeing any verticals where you're seeing kind of signs of life?

Steven Michaels^ Yes. Signs of life is an interesting phrase because, I think I said last quarter, less bad is the new up. And we're continuing to kind of track that.

We talk to our retailers.

We're fortunate to partner with some world-class retailers and some of the largest in the country, and we talk to them. And they certainly have operator optimism.

But no one's really calling for gangbuster results this year.

So we're -- we continue to wait for that replacement cycle to kick in on certain categories. You might see some signs of life in consumer electronics. And we've had a pretty good run in mobile phones, smartphones, which didn't really wane that much even post-pandemic.

So the categories are still tough, but we're really proud of the fact that we've grown through that and gained balance of share and become more important and better partners for our retailers even in the face of those tough comps.

Kyle Joseph^ Great. And then just one -- last one for me, as we work through tax refund season.

I think it was two years ago, if I'm not mistaken, where you guys saw less early buyout activity, but good credit performance through tax refund season. Just give us a sense of how things are trending in terms of early buyouts versus credit performance as we work through tax refund season this year. And what I've heard so far is that it's a relatively normal tax refund season, whatever that means these days.

Steven Michaels^ Yes. Whatever that means, that's the way to wrap it up. Yes. We're not really commenting on Q1 so far. And we've read a lot of the reports on the tax season and how it might -- the average refund might be up.

But it's -- the big drop -- there will be a decent drop today -- no, actually tomorrow because of the President's Day holiday.

It will be a big drop tomorrow.

But we are anticipating the big one to be a week from today. And so we really won't have a lot of visibility into how the tax season is going to play out for another several weeks.

But I think what you said is right, we're anticipating a "normal tax season."

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

Alessandra Jimenez^ This is Alessandra Jimenez on for Bobby Griffin.

First, I just wanted to hit on the 2025 revenue guidance a little bit more and some of the puts and takes there versus the strong GMV reported in 2024.

Can you give a little bit more color on the applied Big Lots drag to 2025 top line for the full year? And then are there any other headwinds you're including in the outlook?

Steven Michaels^ Yes. Let me start with Big Lots. And we talked about it in the prepared remarks, obviously.

I think the takeaway from a GMV standpoint is that we said that, in Q1, we don't guide to full year GMV.

Obviously there's a GMV expectation embedded in our revenue guide, but we don't guide to full year GMV.

But we did say in Q1 we expected to have flattish GMV.

But ex Big Lots from both periods, it would be up high single digits.

So just to do a little math for you to make it easier, if you were to do the math on -- depending on your definition of high singles, you do the math, it's kind of like a mid-30s GMV number for the quarter. And Big Lots did not have a tremendous amount of seasonality due to -- it wasn't really a holiday-type furniture retailer.

So for us, at least, not in the furniture category.

So it's pretty safe to annualize that number, so you can kind of get into the \$135 million to \$150 million GMV range. And that's obviously a big number to replace.

And I'll remind everybody that when we talked in October, that was not the expected disposition of Big Lots.

At that time we expected that there was a sale process that would go through and they were going to successfully exit bankruptcy having been purchased and having about 900 profitable stores. And so expectations were set based on that, and all of that changed the

week before Christmas when that sale fell through and they went to a liquidation proceeding.

So there's a decent amount of updating that needs to happen as it relates to the plan.

So the pre-Christmas change put a hole in our 2025 plan that we had to adjust to.

But we're super proud that we're still planning on growing GMV in 2025 and view that as a onetime event that doesn't really change anything about the potential or trajectory of the -- or our excitement about the business.

So as far as revenue goes, we're not really guiding that, but you have your models on how GMV translates, and I think that should be helpful color.

Alessandra Jimenez^ Okay. That's really helpful. And then just for simplicity purposes, was there minimal impact from Big Lots to 4Q, so we should expect kind of an annualized basis for the next four quarters?

Steven Michaels^ Yes.

We had -- I mean we didn't have a full quarter in fourth quarter, I would say, because they had closed some stores.

But yes, I think annualizing those numbers I gave are -- that's pretty safe.

Alessandra Jimenez^ Okay. That's helpful. And then second for me, I wanted to follow up on current customer behavior trends.

Have you seen any incremental material change in existing customer behavior, or is it primarily on those new customers? And is it from the bottom of the funnel customers?

Any kind of clarity there?

Steven Michaels^ Yes.

I would say that there's certainly some stress out there, right? I mean clearly, credit providers generally saw things in their own data during 2024 that gave them reason to tighten. And we're not immune from those trends. And in some ways, we see them earlier than those that serve people higher up in the stack.

And we are seeing and observing pockets of stress out there. And as you said, it's kind of on the bottom end of our portfolio. They have liquidity pressures and has -- and those things have ended up having our delinquencies a little bit higher.

Now there's also a dynamic related to the new customer cohort, and their performance, as you know it's more difficult to decision a new customer.

We have tons of data elements that we can pull, and we do, but there's no more predictive data element than having past performance and payment behavior from that customer with a repeat customer.

And so we're seeing some stress at the bottom end.

We're pleased and happy with the expansion of our new customer base.

But there's kind of a near-term impact on that as we figure out the new customers that will turn into profitable repeat customers. And we're -- our delinquencies are a little higher than they had been in the previous -- in the past year. And we're taking the appropriate decisioning actions to address those things.

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

Hoang Nguyen^ I want to dig a little bit deeper into the big assumptions.

I know -- I think they sold I guess 200 to 400 stores to another partner.

I mean is there any assumptions around those stores that they are keeping? I mean are they outperforming stores versus the stores that they are closing? And are you assuming maybe any onetime boost in volume from closeout sales?

And then I have a follow-up.

Steven Michaels^ Yes. I'll start with the end.

I mean the closeout sales started in December and are, I guess, wrapping up as we speak, depending on the store.

We didn't really see a boost in volume related to those going-out-of-business sales. There was, I would call -- I would say, spotty inventory positions across the stores, and they were very clear that they were final sales and no returns and exchanges and things of that nature.

So we didn't see much there.

On the disposition of the potential of 200 to 400 stores, we're in contact with our counterparts over there, Big Lots.

It's unclear to us right as we sit here today what stores will survive and what their approach to actually carrying furniture will be.

So I would tell you that in our assumptions, we're not planning on having volume from Big Lots after early this month.

If it turns out that they have 200-plus stores in a region of the country that are serving furniture, we will certainly partner with them and that might be a little bit of upside.

But that's not in our base case.

I want to stress, because I've talked to investors about this over the last year or so, that one of the good things about our kind of sophistication and evolution over the last several years is our ability to communicate and target our repeat customers. And I mentioned in the prepared remarks that Big Lots, since it had been a partner of ours for a long time over a dozen years, we had a lot of repeat customers. And so there's a big opportunity for us to target those and redirect those consumers into other retail partners that we partner with.

And we do -- we've already started doing that.

We've had some early success.

We intend to do that throughout the year.

But we will not replace the GMV dollar for dollar this year because the repeat -- the cadence of a repeat customer for us is -- it can be within a year, but a lot of times, it's on average about 18 months.

So over time we intend to keep those customers in the PROG ecosystem and have that [inert] to the benefit of our other retail partners.

But it's not something that's going to happen like this quarter or next quarter to replace that GMV.

Hoang Nguyen^ And maybe on the margin, you mentioned that there's going to be some margin headwinds in the short term.

I mean we saw 2024 margin contracting versus 2023, which was a very good year.

I mean how should we think about the degree of continued margin erosion in 2025 given the Big Lots impact?

Brian Garner^ Yes. Hoang, its Brian.

I think what we've put out there in terms of on the Progressive Leasing side, of an implied margin of the 10.9% to 11.2%, is kind of where our guidance falls. And that's incorporating this Big Lots dynamic. And so obviously that's a decline from 2024.

But Big Lots was, as we indicated, higher-than-typical margin profile, and then we're laying on to that fact that there are some key internal initiatives around technology and

the growth opportunities that we see that, in our estimation, does not make sense to pull the plug on those initiatives.

So we're going to go full steam ahead and drive these initiatives forward here in 2025. And that's going to put some dollars of SG&A to work that are contributing to some of that margin decline.

But we're still within the range of our 11%, 13% that we have specified for Progressive Leasing, not -- inclusive of those two dynamics. And so we're, obviously we never want to see margin decline.

But I think given the circumstances and what we're doing to compensate for the Big Lots loss, and focus on the long-term growth picture, I think it's -- I think all things considered, it's a relatively favorable outcome for '25.

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

Anthony Chukumba^ So I guess my first question is on American Signature. My recollection is that you didn't start generating any GMV until kind of late in 2024. And I was just wondering if you can just -- kind of interesting what your expectation is for the GMV contribution from American Signature in 2025.

Steven Michaels^ Yes, Anthony, yes, we're really pleased with the partnership with the ASI team. You're right, we didn't really start to generate much GMV in 2024. There was some in the kind of back half of the fourth quarter.

But we're partnering well.

We've got great connectivity across the top of the management team.

And we're in the stores a lot talking to sales associates. Things are going very well. And they're adopting the program above our expectations. And we expect to basically achieve the -- replace the volume that they were doing in the past with their previous provider and then take that a leg up.

It'll -- it may take a little bit of time to ramp the growth and exceed what they were doing previously but our 2025 expectations are to replace what they were doing before, at least.

Anthony Chukumba^ Got it. That's helpful. And then you talked about the fact that you had this increase in new customers and that led to a bit of a ramp-up in the lease merchandise write-off rating or tighten credit.

Can you just kind of dimensionalize that just in terms of like, I don't know lease approval, like the percentage of lease applications that are being approved or maybe the average lease amount, like how should we kind of think about that?

Steven Michaels^ Yes. Sure. And there are both of those elements, as we talked about before, approval rates and approval amounts.

But there's a couple of dynamics that have -- that will generally cause us to change our decisioning posture. And as we've always said, the data inform us on what the appropriate decisions are.

We took a few tightening actions in the back half of 2024.

We've seen a few in -- well not seen a few, but we've done another couple here in -- subsequent to year-end. And our approval rates in the fourth quarter and kind of similarly year-to-date are about 350 to 400 basis points lower than they were at the same time last year.

And there's a couple of things that can impact or affect approval rates, one of which obviously is any action we take to our thresholds and our decisioning algorithms.

But the other two have to do a channel shift.

So it could be that you're getting more online apps versus in-store. That's going to bring down approval rates somewhat. This new customer dynamic, we do have a lower approval rate for new customers because of what I said, it's just -- it's more difficult to decision them.

But also one of the things we're seeing is just a -- and this goes back to maybe the health of the consumer comment, is the quality of the app that comes in, you might have the same number of apps as last year, but the quality of the apps might be slightly lower, which could cause us to have lower approval rates without us actually taking any decisioning or tightening actions.

And so all those three kind of bucketed together have resulted in our current posture being about 350 to 400 basis points lower than the same time last year.

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

Bradley Thomas^ Steve, I do think that the underlying GMV trends here are still really encouraging to see. And obviously the loss of Big Lots is -- seems more of a onetime event to us.

I guess I was hoping you could talk a little bit more about sort of doors and pipeline more broadly.

Outside of Big Lots, I know there's a number of furniture stores that have gone under, but do you have any other material customers that are going away? Or what are you seeing on the losses side of the partners and the doors?

Steven Michaels^ Yes. Thanks, Brad. Yes. I mean this -- Big Lots is unfortunate and -- but it's out of our control. And as you said and as I said, onetime event.

As we look across our large retail partners, and you all are aware of who they are, we feel like we're in a good spot.

We can't predict the future, but we don't see any financial distress in those partners. And the fact that we've got them locked up into -- from under multiyear exclusivities, some into the 2030s, gives us a lot of confidence that the lion's share of our GMV is protected.

I mean there's always going to be churn in the regions. And it might be a little bit more pronounced now than it has been historically, but those regionals and, certainly, in the long tail, the mom-and-pops, they can kind of come and go.

But we're not seeing anything in our top 10, absent the -- after the Big Lots bankruptcy, which gives us confidence in the GMV trajectory and kind of looking past this onetime event and feeling good about what we're delivering in 2025.

Bradley Thomas^ Yes. That's great. And then we always like to ask you about the pipeline.

Obviously AmSig, a big partner ramping up here right now.

But how are your conversations going? And is the backdrop changing at all?

Do you feel like 2025 could be a better year for net additions?

Steven Michaels^ Yes.

It's tough to make predictions about that, as you guys have seen from my history there.

But I'm bullish and I'm optimistic about where we are, and in the pipeline cycle and the conversations we're having, I'm not predicting that we'll get some whale this year.

But certainly, that's our goal.

But the conditions are still conducive to other retailers adopting this payment type, and we feel like we're best positioned to deliver that.

So we're working really hard on it and we feel pretty good about our prospects there.

Bradley Thomas^ Great. And then maybe a quick one for Brian.

I understand that -- question's on free cash flow generation.

I understand that where GMV shakes out will impact free cash flow.

But can you give us a rough sense of perhaps what you think you could generate this year given the EBITDA guidance you've laid out?

Brian Garner^ Yes.

We did guide to cash flow generation.

But I would say exactly where you were hitting on is the timing of the GMV and when it gets generated is going to be a big driver in that cash flow generation, especially if it's weighted towards the back end of the year and you're looking for that portfolio to turn over.

But I would say there aren't any there aren't any unique dynamics this year from an operational standpoint that would skew or change our cash flow generation as it relates to our EBITDA generation from historical periods.

So there's not going to be large items [hanging up] on the balance sheet or any anomalies on that front that would cause this year to be much different from prior years as a function of EBITDA.

Steven Michaels^ I would just add on to that.

I mean we're really excited about our Four Technologies business.

As we said in the prepared remarks, we tripled the GMV in '24 and we're planning to more than double it again in '25.

It's a very short-term loan that turns over very quickly.

So it's pretty capital efficient.

But they have -- they're a very highly seasonal business.

So as Brian said about the timing of the GMV production, there'll be some more capital requirements for the Four business but nothing that would change, as Brian said, the overall profile of the company materially.

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

Vincent Caintic^ Just to follow up from prior questions.

I guess the first one, to talk about some of the trade-down activity and maybe coming from lenders that are above the credit stack, if you could talk about the opportunities there.

With GMV having a lot of moving parts this year with Big Lots and also the [type of] decisioning, I'm kind of particularly wondering about the application volume that you might be getting in from some of these lenders tightening up, if that's growing.

Steven Michaels^ Yes.

I mean Vincent, we certainly saw the credit supply above us have a few different, I guess, cycles in 2024.

We started to see it kind of in Q2 of '24. And I think our position was that, kind of as we got into the fall and holiday period, that they were about as tight -- they were pretty tight. They weren't going to loosen, but they probably wouldn't tighten again.

We certainly saw application volume from the top of the funnel. And as we said, we're appreciative of that volume.

It's helped to drive our new customer dynamic, which we think is healthy for the overall portfolio, even if it does have some near-term impacts on delinquencies because they're new customers to us.

It will be -- we're going to be watching the numbers just like you are on what's going to happen with that credit supply above us in 2025. There are those that are predicting that they may loosen a little bit in the back half.

If that's the case, I hope it's because there's other macro things that are tailwinds, and I think that will be good for all of us.

But the application volume is -- we have -- yes, we have good trends in application volume.

But outside of the apps that are flowing from the trade-down, as I said earlier, the average quality of the app that we're seeing is a little bit lower than what we saw last year.

So not all apps are created equal, and we watch various points within our application flow and funnel optimization and trace things from an app start to an app submit, to an approval, to a funded, and have different metrics as it relates to what app turns into funded GMV. And we'll continue to refine that and get more sophisticated in where we can have impact at all those different points in the funnel.

So apps are up and strong but not all apps are created equal.

Vincent Caintic^ Okay. That's helpful. And then second follow-up, just on the EBITDA margin, and again understanding that there's the moving pieces from Big Lots and the delinquencies.

But maybe if you can talk about what you think the right long-term EBITDA margin for the business should be.

I mean it sounds like there's a lot of maybe interesting investments that you could be making in marketing and so forth.

And so just wondering if maybe you can [carry] that forward. And if you can talk about the different investments that you do want to be making to drive more GMV.

Brian Garner^ Yes. Vince, this is Brian.

I think I'd just start by saying Big Lots winding down from the portfolio does not change our conviction about an 11%, 13% long-term target for EBITDA margin. And there are levers that we're able to pull internally to compensate.

I think, in the immediate aftermath of their bankruptcy, we're going to see some pressures, and we'll need to adjust as we go into '26 and beyond.

So I think our view of the long-term margin is unchanged given this dynamic.

It was certainly a tailwind for us as they had higher-than-average profitability profile.

I mean with respect to the investments, and Steve can jump in here as well but we have built a long-term roadmap around where our technology aims to be as we look to serve our customers, tighten integrations and be able to pull friction out of the process and maximize GMV. And those initiatives that we've had our eyes on tackling here in 2025, well before the Big Lots news broke, I think our estimation is they're as valuable as before.

And so we're going to chase these things like -- ERP is an initiative that we're going through and working through, lease management type of enhancements on the back end, and then tighter integrations with our retail partners.

We've seen benefits in 2024 with some large partners where we have pulled friction out of the process and seeing conversion improve meaningfully. And so there's a direct correlation between these investments in the GMV that they drive. And I think it would be lost opportunity to pull back or unplug from those initiatives in the face of Big Lots going away.

I don't know if you have anything to add there, Steve.

Steven Michaels^ No. I think you nailed it.

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

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

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

I want to again thank our entire team for delivering a very successful '24.

We're very excited about delivering another great year in '25.

And we look forward to updating you in our Q1 call in April.

Operator^ This concludes today's conference call. Thank you for your participation.

You may now disconnect.