PROG Holdings, Inc.

Q1 2022 Financial Results

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CORPORATE PARTICIPANTS

John Baugh - *Vice President, Investor Relations*

Steven Michaels - *Chief Executive Officer*

Brian Garner - *Chief Financial Officer*

PRESENTATION

Operator
Good morning, and welcome to the PROG Holdings, Inc. First Quarter 2022 Financial Results Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To press a question, you may press start then one on your touchtone phone. To withdraw from the question queue, you may press star then two. Please note this event is being recorded.

I would now like to turn the conference over to John Baugh, Vice President, Investor Relations. Please go ahead.

John Baugh
Thank you, and good morning, everyone. Welcome to the PROG Holdings First Quarter 2022 Earnings Call. Joining me this morning are Steve Michaels, PROG Holdings' President and Chief Executive Officer; and Brian Garner, our Chief Financial Officer. Many of you have already seen a copy of our earnings release issued this morning, which is available on our Investor Relations website investor.progholdings.com. During this call, certain statements we make will be forward-looking, including comments regarding our expectations related to Progressive Leasing's GMV and levels of write-offs for the remainder of 2022, including our targeted annual write-offs range for Progressive Leasing and our 2022 outlook.

I want to call your attention to our safe harbor provisions for forward-looking statements that can be found at the end of the earnings press release that we issued earlier this morning. That safe harbor provision identifies risks that may cause actual results to differ materially from the expectations discussed in our forward-looking statements. There are additional risks that can be found in our Annual Report on Form 10-K for the year ended December 31st, 2021, which we encourage you to read. Listeners are cautioned not to place undue emphasis on forward-looking statements we make today, and we undertake no obligation to update any such statements.

On today's call, we will be referring to certain non-GAAP financial measures, including adjusted EBITDA and non-GAAP earnings per share, 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. Steve?

Steven Michaels
Thank you, John, and good morning, everyone. I appreciate you joining us today as we discuss our first quarter results to provide updates on some key business initiatives. I want to begin by acknowledging some important achievements during the first quarter of 2022. First, our financial results, including lease portfolio performance were in line with our expectations, and we believe we remain on track to achieve the full-year outlook we provided in our Q4 2021 earnings release, even in the current macroeconomic environment.

Second, we converted a number of valuable partnership opportunities that should support future period GMV, including as has been reported, the addition of a large national retailer. Third, our R&D team made great progress on new and enhanced products that we expect will improve our retailer experience and create more loyalty and engagement with our customers. And finally, we published our inaugural ESG review, highlighting the great work we do on behalf of our customers, colleagues and communities. This review could be found on our Investor Relations page.

As I mentioned, our Q1 results were in line with our internal forecast and we believe represent the low point for EBITDA margins and GMV and revenue growth rates for the year, even though we expect the macro environment to remain challenging. We have several initiatives throughout the balance of the year that we expect will increase our GMV for the remainder of 2022, including co-branded marketing campaigns, a more streamlined application flow, additional enhancements to the customer experience and continued e-commerce integrations with new and existing partners. Not only do we expect these initiatives to deliver additional GMV, but they should also deepen our relationships with existing retail partners, while differentiating our industry-leading platform.

We shared on our call in late February that Progressive Leasing's GMV was comping slightly negative year-to-date, and the quarter concluded as we expected, resulting in a 1.1% decline in GMV from Q1 of 2021. We're pleased that e-commerce continues to grow faster than overall GMV and increased 10% year-over-year, representing 15.9% of our GMV in Q1 versus 14.3% in the prior year's quarter. First quarter consolidated revenues declined 1.5% year-over-year, which was in line with our expectation against a tough comp that benefited from historically high customer payment performance and elevated buyout revenue in the stimulus dated prior-year period.

On a positive note, we ended the quarter with a 17.6% increase in our gross leased asset balance, which should drive stronger revenue in the back half of the year as we move further away from comping last year's stimulus driven elevated buyout revenue. Our consolidated adjusted EBITDA margin was 9.1% in Q1 due to seasonally low gross margins for Progressive Leasing and pressure from increases in write-offs and SG&A expense. Progressive Leasing's write-offs were 7.3% in what was a tough comparison to the unsustainably low 2.6% level from last year's stimulus aided first quarter but were relatively flat compared to the 7% Q1 result for the pre-pandemic year of 2019.

Portfolio performance remains a key focus for us, and the current performance of our lease pools continues to give us confidence and the write-offs should be within our targeted annual range of 6% to 8% for 2022. Since our founding, we've anchored ourselves to being prudent and measured in our decisioning with an eye focused on the long game and not short-term wins. We continually make small, iterative and deliberate adjustments to optimize our decisioning and we believe we have an advantage in this area due to our industry-leading models, technology and experience.

I will note that we have been at or below our targeted annual write-off range since 2016, regardless of macroeconomic conditions. During the quarter, we also saw healthy progress on key product and partnership initiatives. As I mentioned, we completed an integration with a large national e-commerce partner at the end of Q1 and we're optimistic about the new customers and GMV this partner can provide for us in the future. We also announced an agreement with

Nationwide marketing group in February that provides thousands of SMB retailers access to our flexible leasing options.

Additionally, since the first of the year, we completed numerous e-commerce integrations using our enhanced plug-ins. Collectively, these new partnerships and integrations demonstrate our ability to convert our robust partner pipeline. We have also worked hard over the past several quarters on new products and innovations that we expect to have significant positive impacts on our business. We believe that these efforts will position us to accelerate our growth, while creating more engagement and loyalty from our customers.

I want to close with some context on how our business typically performs during challenging economic cycles. The foundation of our business is strong and over the last 20 years, we have shown the ability to execute in various economic environments. As we've shared in the past, as macroeconomic pressures increase, we believe our products are needed more than ever.

For consumers, our flexible payment solutions offer purchasing power when credit is less availed. For retailers, we drive incremental sales for our existing partners and offer added value and fast integration to prospective partners. By delivering for both consumers and retailers in tough economic times, we believe we can capture an even greater share of our large, underserved addressable market.

I will now turn the call over to Brian for a more detailed look at the quarter's financials. Brian?

Brian Garner
Thanks, Steve. As mentioned, the first quarter's results are in line with our internal expectations. We anticipate Q1 will represents our most difficult comparison for the year, with comps for several key metrics becoming more favorable in the back half of the year. During the quarter, GMV was slightly negative year-over-year as we faced the impacts of Omicron and comparing against the prior year results that were driven in part by stimulus payments.

Buyout revenue was down year-over-year, while remaining above pre-pandemic contribution. The continued normalization for write-offs to pre-pandemic levels is on a trajectory and we expect will allow us to stay within our historical 16% annual range for 2022. As these factors and the relative magnitude of each were in line with our expectations, we are reaffirming the outlook we provided in February.

I'll now turn to some specifics on the quarter, beginning with Progressive Leasing segment. Progressive Leasing's revenue was $692.9 million in the quarter compared to $708 million in the year ago period, a 2.1% decrease due to the following. First, revenue was unfavorably impacted by an increase in our accounts receivable provision, which is recorded as a direct reduction to revenue. As you'll see in our 10-Q we filed today, this provision increased to $88.5 million for Q1 of 2022 from $36.5 million for Q1 of 2021. This $52 million increase in the AR provision reflects the portfolio normalization we anticipated as we compare against last year's historical lows and directly impacts adjusted EBITDA, which I will speak to in a moment.

Second, revenue was pressured by reduction in buyout revenue, as fewer customers elected to exercise an early buyout option in the period. While this dynamic creates a difficult revenue comparison to the prior year Q1, fewer buyouts contribute to a larger portfolio size ended in the quarter. These two headwinds were almost fully offset by meaningful growth in the gross leased asset portfolio, which ended the period up 17.6%. Continued growth in this metric is primarily

influenced by GMV growth rates and lease outcomes and will be an important driver in future period revenues.

Progressive Leasing's Q1 gross margin was 28.3% versus 28.7% in Q1 of 2021. The 40-basis point decline is a result of a higher AR provision, offsetting reduction in early buyouts for the period. Over the next nine months, we expect gross margins to improve from Q1 as we move further away from the elevated early buyout levels, which is typical in our seasonal profile. SG&A for the Progressive Leasing segment was $85.9 million or 12.4% of revenues versus $72 million or 10.2% for Q1 of 2021, an increase of $13.9 million. This increase reflects continued investment in technology, marketing and sales related costs compared to the pandemic reduced levels of SG&A in Q1 of last year.

Progressive Leasing's write-offs were $50.3 million and 7.3% of revenue compared to $18.6 million and 2.6% of revenues in the year ago period. As we've mentioned on previous calls, our annual target for write-offs is 6% to 8% and we expect to end the full year 2022 within that range. Adjusted EBITDA for the Progressive Leasing segment in the first quarter was $63.5 million compared to $116.3 million in the same period of 2021. This decrease is primarily a reflection of portfolio normalization in Q1 of 2022, compared to historically strong portfolio performance in Q1 of 2021.

Pivoting to consolidated results, Q1 revenue for PROG Holdings was $710.5 million compared to $721 million in the year ago period, a 1.5% decrease. Adjusted EBITDA for Q1 was $64.6 million or 9.1% of revenues, compared to $118.1 million or 16.4% of revenues for the same period last year. We generated $98.3 million of cash from operations in Q1, which is net of the working capital required to grow our lease portfolio.

Our Q1 GAAP diluted EPS was $0.49, and our non-GAAP EPS came in at $0.57. We have $600 million of gross debt and $184 million of cash at the end of the quarter or net leverage of approximately 1.2 times or trailing 12-month adjusted EBITDA. We also ended the period with $350 million of availability under our undrawn revolving credit facility.

During the first quarter of 2022, we repurchased approximately $78.1 million of our outstanding common stock at an average share price of $35.48. At the quarter's end, we had $482.8 million remaining under our $1 billion share repurchase program. We continue to look for opportunities to use our strong balance sheet to execute on our capital allocation priorities.

In summary, the Q1 results and the respective drivers of performance were consistent with our internal expectations. Based upon current visibility, including our expected improvement in GMV and margin from Q1 2022 levels, we remain optimistic about our ability to deliver on our full-year outlook, which can be viewed in detail in our Q4 2021 earnings release.

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

QUESTION AND ANSWER

Operator
We will now begin the question-and-answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw from the question queue, please press star then two. The first question is from Kyle Joseph of Jefferies. Please go ahead.

Kyle Joseph
Hey, good morning, guys. Thanks for having me on and taking my questions. Just, I heard your comment regarding the new e-com retail partner. I was hoping to get some more color on kind of the pipeline, particularly given that it's a much more challenging environment for retailers than we've seen over the last, call it, two plus years.

Steven Michaels
Yeah, Kyle, good morning. I mean, you're right. Certainly, as we talked about last quarter, the current conditions, and Kyle, looking out into the next two years, I would view as more favorable to pipeline conversion than the period that we just were exiting where retail sales were easy to come by, as we all know. So we continue to believe that all retailers should have a fully developed finance stack and when times are tough and return on marketing dollars are harder to come by, that's when retailers start to get serious about looking for tools and the tool belt that they may not have and that some of their competitors might have.

And so we continue to have good conversations and look forward to converting that pipeline that's out there as we all know. We've identified the TAM as $30 billion or $40 billion, a large portion of which is not being served. So it's our hope and certainly our strategy to go out and get as much of that as we can in this environment.

Kyle Joseph
Got it. Helpful. Thanks. And I think I understand what's going on in terms of credit performance, obviously, challenging comps, inflation, etcetera, but I think it would be helpful, obviously, you guys were private during the last real economic downturn, but can you give us a sense for how the business performed in, call it, 2008, 2009?

Steven Michaels
Yeah. And you're right, the business was private and I certainly--none of the management team were here other than our co-founder Curt, who is still here. But the dynamic that we saw, and I can relate it back to my experience on the Aaron's side back in the great financial crisis, is that you just have kind of like a transitory effect of the customers through the market. And there are some customers at the bottom end that get impacted by a job loss or inflation or some other pressures on their disposable income and they may not be as able to make their payments or acquire the durable goods that they need during that time period, but an even larger force is the top of the funnel widens and customers fall into the market that might have previously had access to traditional credit.

And as we talked last time from a kind of sequence standpoint, we usually see the tightening happening or the stress happening on our customer first and then it kind of moves up the spectrum. And so, the top of the funnel hasn't really started to open up yet, but we're starting to hear some anecdotal news and see some data from some of our sources that probably will happen over the next couple of quarters. And so, during the GFC, the couple of things out into Progressive, it grew really fast. The portfolio performance was consistent because of that profile of consumer kind of changing in the applicant flow. And as importantly, it was an inflection point for Progressive's growth because of what we talked about earlier, which was the retailers reaching for other tools.

As it relates to my experience at the Aaron's business during that time, write-offs were fairly consistent and comps were very strong. I would just add that, it's a little noisy because we are opening a bunch of stores then and that had kind of a naturalistic comps, but this business is resilient and can perform well in all macroeconomic cycles.

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

Steven Michaels
Thanks, Kyle.

Operator
The next question is from Bobby Griffin of Raymond James. Please go ahead.

Bobby Griffin
Good morning, everybody. Thanks for taking my questions. I guess first, I wanted to maybe dive in a little bit on the shape of the year. Clearly, kind of the street was off a little bit on how we expected the year to shape out versus internal expectations. So maybe just to help clean up some of the street models going forward, is there anything we should keep in mind for 2Q that sticks out to you and for 3Q and 4Q that we need to make sure we tighten up in the models where we can get kind of the shape of the year closer to how you and the team are thinking about it, Steve?

Steven Michaels
Yeah, I'll start and then Brian can chime in. I mean, you're right. And I guess you're taking one for the team here. Your Q1 was a lot closer, but it is a different--there are some forces that are impacting the shape of the year and we tried to communicate those last quarter. Clearly from a comp standpoint, whether it'd be the impairment reserve on the inventory side or the AR reserve on the--well, on the AR side, which is a contra-revenue account. Those things are being rebuilt and comping against really low levels from the first half of last year. So what we would point you to is the size of the probably gross leased asset balance, which is the driver of future revenue growth. And before I get too deep into it, I'll let Brian chime in.

Brian Garner
Yeah, Bobby, thanks for the question. I think there's a couple of things I'd hit on. First, just taking the shape of revenue to provide some context there, you heard my prepared remarks, we've kind of--the headwinds and tailwinds in the revenue profile. And what I think we expect over the course of the year, recall back to 2021, we really started to see the normalization happened in late Q3 and Q4 in terms of buyout start to normalize a bit, the AR provision starting to normalize a little bit. And so, as you comp those it becomes much easier to grow revenue from a year-over-year perspective, when you've got that gross leased asset growing high teens. So I think that's the pathway to much stronger revenue growth in the back half of this year.

I think from a margin profile standpoint, it really hinges us on our expectations around gross margin and what we expect there as we move throughout the year. We talked about it being I seasonally low is pretty typical in the first quarter with higher buyout rates, and we expect that to improve gross margins over the course of the year, really starting to hit a stride in the back half and that's going to translate down to better EBITDA margins. That's how we're shaping up the course of the year. Obviously, a lot going on in the macro, but as Steve mentioned, we are resilient in many different cycles and that's how we're thinking about the course of the rest of the year.

Steven Michaels
Yeah, I would just add. Brian nailed it. But I would just add that, I mean we're not immune to the macro. We'd like to point that out. However, we have some internal initiatives that I mentioned in

my prepared remarks that are giving us viewpoints into how we think we can grow GMV, and it doesn't need to be massive growth, but it needs to accelerate from here. But then as these kinds of just accounting and comping things dissipate, that's how. So it's a mixing bowl of some comping and as well as some internal initiatives that we think will help the back half.

Bobby Griffin
Okay. So maybe two follow-ups. One on the accounting, and the one on the GMV asset. From the accounting standpoint, is the true-up in the reserves that you called out for AR or the inventory side of things, is that pretty much done after this quarter or are they going to flow through and have corresponding impacts kind of in 2Q and 3Q until we start fully lapping normalization?

And then on the GMV side, any color just on, did April improve versus March? Is there any read to help us get confidence on GMV and accelerating? Because I believe, to kind to get close to kind of the revenue guide, we probably need to have GMV in what, the mid to high single-digits to end the year?

Brian Garner
Yeah, I'll start with your question around Q2, and I'll let Steve weigh in on the GMV item. Q2 is, you're right, you're really going to see the year-over-year comps getting better starting with Q3 and Q4 meaningfully. But we do expect to step forward into Q2, just not as meaningful as acceleration we will see in the back half, so it will be a ramp (INAUDIBLE) direction in the back half. But Steve can weigh in.

Steven Michaels
Yeah, and the other thing on the revenue side is, we're still comping against elevated buyout levels in Q2 that started to kind of trend back towards normal in the back half. So that's another thing. And we all know--you know, buyouts are not awesome for gross margin, but they do pull revenue forward. So from a revenue comp, that will also ease in the back half.

As it relates to GMV, I guess, what I would say is, the quarter Q1 played out the way that we kind of expected it to and that we signaled back in late February. We had a tough first 45 days related to what we believe was Omicron. We actually had a pretty good kind of 30 days after that, from kind of mid-February to mid-March. And then as we signaled in February, we started comping against the largest of the stimulus from the pandemic period that impacted GMV in the back half of March and into April, and we basically saw that happening. So April was impacted by that comp, but we’re not going to comment on April beyond that, but we still feel that we can hit roughly that math that you did for the year from a GMV standpoint. But it doesn't need to be 20% for the year to hit our targets, something in the mid to high single-digits, we can make it happen.

Bobby Griffin
Okay. That's helpful. I appreciate the details and I'll jump back in the queue.

Steven Michaels
Thanks, Bobby.

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

Anthony Chukumba
Good morning. I don't suspect you're going to answer this question, but I'm going to ask it anyway. Who is this large e-commerce partner that you signed up?

Steven Michaels
Well, Anthony, I'm going to surprise you this morning because it's already been in writing, but we're back on Wayfair. So that was the one we are referring to. And--you know, as you know, we had been on Wayfair before, couple of our competitors are on there. It's hard to be coy about an e-commerce player when anybody can just log onto the site and see.

So we're happy to be partnering with Wayfair. We think it's a big opportunity and obviously they do a lot of furniture sales, and our customer likes to shop there. We believe it is a good indication. We are the largest VLTO player, but we're also the largest e-commerce player, and so it makes sense that they would want to have us in their arsenal and we're proud to be partnering with them.

Anthony Chukumba
Got it. And just as my follow-up, so if I recall correctly, Catapults on there, (INAUDIBLE) is on there as well, so how do you sort of differentiate results you get sort of the lion's share or at least decent share of the lease originations out of Wayfair?

Steven Michaels
Yeah, I'm not going to get too much into that flow specifically, but it is a unique instance, and--you know, we're getting some good volume there and look forward to grow in it.

Anthony Chukumba
Got it. Thank you.

Operator
The next question is from Jason Haas of Bank of America. Please go ahead.

Jason Haas
Hey, good morning, and thanks for taking my questions. It's great to hear about Wayfair and the other wins that you've had. I'm curious if you could talk about what drove those? Do you think it's a function of some of your competitors having to tighten credit in this environment? I know you've also been working on your e-commerce capabilities. So I'm curious if that was a function as well?

Steven Michaels
Well, certainly, our investments in technology. We wouldn't be making them if we didn't think it would turn into returns on that investment. So we're pleased with that and certainly we have improved over the last--you know, 15 to 18 months, our e-com capabilities and we believe have one of the best offerings in that regard. You know, certainly, Wayfair or any other national partners is a long discussion and a long tail, so I don't think that would have had anything to do with some of the actions that are being taken in the marketplace there from competitors.

Other places, whether it'd be in lesser sized, smaller names in the SMB space, generally there is multiple players in--multiple providers in those environments. And so you'll see some share shift when somebody, when one player or other pulls back on their decisioning. And it's always been our approach to be steady and consistent and not have volatile approval rates and that has served us well over time. And not only in consistent portfolio performance, but also in being

able to partner well and to basically do what we say we're going to do for our retail partners and we think that will help us over time.

Jason Haas
That's great to hear. And then we can see in the numbers that you've talked about, that you're still investing SG&A dollars for growth. Can you just talk a little bit more about where that investment is going? And when should we expect to see the benefit and the returns on those investments?

Steven Michaels
Yeah. I mean, we talked a bit about that in February on our Q4 call that, hey, we believe that this kind of GMV slow down or decel was temporary. And because we believe we--nothing has changed in our view on the future and the size of the prize and the TAM, that it wasn't prudent in this temporary slowdown stage to pull back on these investments. So we continue to invest in product. We continue to invest in technology and people, and we think that will (INAUDIBLE) our benefit in converting this unserved TAM.

We also talked about some of our R&D measures as it relates to this other kinds of fintech products that we're talking about. And we are still within that range that we gave of what we believe that drag for 2022 will be, but it should pay dividends in '23 and beyond. And so if we ever had a different view on what we believe the growth opportunities are, we would be running the SG&A differently. But as I said earlier in the call, we think the next two years are a big opportunity for us in this more challenging retail environment. So it's not the time to be taking the foot off the gas to put ourselves in the best position to capture it.

Jason Haas
That’s great to hear. And if I could squeeze in just one quick follow-up to an earlier question. I think you talked on this call about GMV growth being in the mid to high single digits. But I remember on the last call, I think there was a comment about being more in the double digits in the last like seven or eight months of the year. So I'm curious if that was sort of an intentional comment to lower your outlook for GMV growth or you're still expecting that the double-digit growth in the back half?

Steven Michaels
Well, I think I was referring to maybe Bobby's math, I think earlier, and I wasn't being too precise. But yeah, if you look at the, I guess, really the back half will depend on what Q1 is. I mean, I’m sorry, Q2 is, right? And so, that comment that we made, I do believe, I remember the comment you're talking about Jason, which was in the last seven or eight months, it kind of really--so it's something in that high-single digits. And then there is a range, right? Revenue is aa 4% to 8% range. So GMV can have a little bit of variation to be able to be in the range that we put out there for the revenue guide.

Jason Haas
Got it. That's helpful. Thanks for clarifying.

Operator
The next question is from Brad Thomas of KeyBanc Capital Markets. Please go ahead.

Brad Thomas
Hey, good morning. Thanks for taking all the questions. Just a few follow-ups on our end. Wondering if you could just share any more insight into how you're thinking about 2Q? We've

talked about how important that could be in shipping up the rest of the year. One question in particular would be, I think that seasonally we do tend to see the write-offs move up in 2Q from 1Q. Would that be something you'd be expecting to see? And then again, any other commentary on how to think about 2Q will be appreciated.

Brian Garner
Yeah. I'll take this. This is Brian. I think, while we expect it to be a step up from Q1, I think the acceleration really starts to happen in the back half from a margin standpoint and from a revenue growth standpoint. So that's the color I give there.

From a write-off standpoint, you're right, you can go back to 2018, I believe into 2019, and kind of see sequentially up Q4 to Q1 and then the Q2. And I don't think that's an unreasonable ramp for us to be on. I think the main thing for us to continue to reiterate is, while that's seasonally how it reasonably could play out, we're laser focused on keeping a 6% to 8% on getting to the end of the year and looking back trailing 12 months being within that range, and we're making small incremental adjustments as we go along. But from Q1 to Q2, it's not unusual to see maybe a modest increase in write-offs between those two periods.

Brad Thomas
Great. And then, as we think about your underwriting trends, one of the things we've always really appreciated about the business is how short your average terms are and how quickly that can affect results if you make a change. But have you made any other adjustments? Have you tightened incrementally in recent months? How is your underwriting evolving?

Steven Michaels
Yeah, Brad. So, as Brian just said, we're constantly evaluating the portfolio. You mentioned and we like to highlight the short duration of the portfolio. So it's a 12-month lease with an average duration of six and a half months. We have made some small iterative adjustments and I think I mentioned this in either at a conference or last quarter, but we're constantly developing new models. And a new model might have been deployed, that would have otherwise increased GMV, and we move the threshold such that it would just keep GMV flat. That could technically be looked at as a tightening.

I'm really proud of the decisioning team and the precision that they bring to our risk committee meetings and our ability to influence the portfolio. So yeah, I mean it's a dynamic world out there right now and we have made a few minor adjustments here and there. But from a materiality standpoint, our approval rates, even given the continued channel shift of applications move to online, approval rates are roughly flat to last year, but we stand poised, and we will move further depending on what we're seeing in the data.

Brad Thomas
It's very helpful. And maybe one last one for you, Steve. Just how you think about the acquisition landscape, obviously, the company has a history of doing strategic acquisitions like, buy now pay later (INAUDIBLE). In this world where the industry is seeing some tough trends, I'm sure prices for potential acquisitions are coming down, but it's also maybe a tougher environment to navigate. How are you thinking about the bandwidth and the interest level you all have in making an acquisition?

Steven Michaels
Yeah, I mean, we're always looking for--one of the reasons we keep the balance sheet in the shape that's in is for us to be able to take advantage of opportunities out there and we've be

looking at those. Over the last several years, it seemed like things were so overvalued. We couldn't pull the trigger now. As you mentioned, it's more difficult to kind of have confidence in the future of the potential targets forecast. And so it is probably more difficult to know what multiple you're paying. But against that backdrop, we are and would be interested in looking at things, but we're going to be very disciplined in what we might pull the trigger on.

Brad Thomas
Great. Thank you so much.

Steven Michaels
Thanks, Brad.

Operator
The next question is from Michael Young of Truist. Please go ahead.

Michael Young
Hey, thanks for taking the question. Wanted to start with just kind of the tax refund season and just any implications you're seeing related to that and how that may affect either in Q2 results or how it did impact Q1 results?

Steven Michaels
Yeah, tax season was a little, for lack of a better term, messy this year. And it was muddled by the fact that last year not only had tax season but had this really massive stimulus in mid-March. But it's been well reported and a number of you all have done some reporting on it that the window opened early, but there were delays in deploying the money. The average refund, depending on who you read, is flat to plus or minus 5% compared to 2021 and actually 2019.

So, we saw the typical behaviors. We did see some upticks in our contact center volumes on certain large days of ACHs going out. But I would just characterize it as a little bit of a muted tax season, but it's difficult for us to really parse that between comping against that big stimulus and what actually was specifically tax season. But I would think it's pretty much--there may be some dribs and drabs, but I think it's pretty much over at this point.

Michael Young
Okay. Thanks. And wanted to just kind of follow-up on the share buyback. Good to see some purchases this quarter or repurchases this quarter. But how aggressive can you be throughout the rest of the year based on cash levels and kind of the amount of buyout activity, etcetera? Will you have the cash available to be aggressive with the buyback with the stock at these prices?

Steven Michaels
Yeah, I mean, we have--and Brian, keep me honest here, about $180 million or so of cash on the balance sheet at the end of the quarter. That's probably not exactly accurate, but--

Brian Garner
--$184 million.

Steven Michaels
$184 million, yeah. And we've got an undrawn revolver. Having said that--you know, we're going to keep the balance sheet in that comfort level from a leverage standpoint. And so, it's really a function of that, cash flow generation, free cash flow generation, as well as leverage levels.

Obviously, we continue to find shares attractive at this price and as you said, continue to buyback in Q1. So that would be an obvious use of some of our dry powder, but that is kind of 1.5-ish area, we don't want to go much beyond that. It may float around that, but that'll be a part of the calculus as to how aggressive we go.

Michael Young
Okay. Thanks for that reminder. I'll step back for now. Thanks.

Operator
The next question is from Carla Casella of J.P. Morgan. Please go ahead.

Carla Casella
Great, thank you. You've answered a lot of my questions already, but could you just talk about what percentage of your customers right now are repeat? And if you're seeing any kind of changes in that rate as we normalize?

Steven Michaels
Yeah. Thank you. So over the last several years on a repeat rate, the leases that are originated in any given period have been increasingly from repeat customers, which is great because not only are they a little derisked, but we'd like to nurture them back into our partner network. But we also see over the last five, six, seven years, as you bring on a new national retailer, you see an influx of customers that you haven't seen before, which is also nice. It increases the database and can create lifetime value. So, we're in the kind of, call it, 50% range of repeat, which is up from probably mid-30s just three or four years ago.

Carla Casella
Okay. Great. And then, you've got some exclusive relationships. Did you say whether the Wayfair is exclusive? And then also, how much of your GMV is coming from exclusives?

Steven Michaels
So Wayfair has a couple of providers. So we are not exclusive there. I guess, I would point you back to the 10-K. I think, Brian, did we say 72% of our 2021 GMV came from our top 10, mid 70s, call it? And I think all but one of our top 10 are exclusive.

Carla Casella
Okay. That's great. Okay. Great. Thank you.

Steven Michaels
Thank you.

Operator
The next question is from Vincent Caintic of Stephens. Please go ahead.

Vincent Caintic
Hey, thanks. Thanks for taking my questions. First, if you could talk about, kind of go over again, the pipeline engagement with your retail partners. In the past couple of quarters, it just seems like there was less activity and most of the point-of-sale discussion had been more on buy now, pay later, but it sounds like with this quarter, we're getting the engagement coming back again, so that's great. So just wondering if you could maybe, I don't know, size the engagement. Are we back to sort of the interest levels from retailers that we were back in 2019? And how does it

look when you compare--you know, potential new partners looking to sign up, as well as your engagement with your, maybe existing retail partners who are looking to expand the relationship? Thank you.

Steven Michaels
Yeah, I mean obviously, Vince, we're not going to talk specifics about the pipeline, but I will say, obviously, we had a strong 2019 coming off the heels of launching both Best Buy and Lowe's and the conversations had accelerated, I would say, with some other pipeline opportunities and then we had the COVID pause or whatever you want to call it for a couple of years. You know, it's not going to turn on a dime, but as retailers are charged with dealing with this macro pressures, they are going to be looking for solutions and looking for tools. And so that is a help for us from our BD standpoint and from that pipeline conversion.

I think as importantly, I mean, at least in the short term, is the second part of your question, which is the existing retailers, and what are they doing and what's their posture? And we had some, and I've talked about this on previous calls, when a retailer is printing 20% comps and have supply chain issues, even if they have LTO as an option, they are less--they're not leading into it as much. So we had some pressures there even from our existing partners. But we're seeing some good signals and some good conversations and some good partnering with the marketing departments and the merchandising departments with our existing retailers on POP and cross promotions and co-branded things that we think can help us. It really offsets some of the traffic declines by becoming a bigger balance of sale within that environment.

As I mentioned, we're not immune to the macro, but it's not a straight read through either for us because we can be--hypothetically, a retailer might be down 12%, but our GMV within that retailer could be flat or it might only be down 5%, so let's say we're not immune but it's not a great read through, so those are some good conversations that are happening as well. Obviously, we have to have that pipeline conversion for the next two, three, four, five years of growth, but for the near term, just leaning into our existing relationships is a nice lever as well.

Vincent Caintic
Okay. That's really helpful. And I guess a follow-up, I mean, so, it does sound like you're taking market share from your retail partners, because I guess, when I look at just kind of consensus estimates for some of the retail partners you have that are--you know, publicly traded--you know, their sales volumes and this is just consensus that sales volume is still down year-over-year through the rest of the year, but--you know, sounds like you can get your GMV up single digits, maybe double digits. I mean, just to kind of put a point on that, you are seeing, I guess, your market share expand as a percent of your retailer sales volume? Thank you.

Steven Michaels
Yeah, I know Q1 might not be the best read through, because it's kind of at the tip of the sphere. But I think just even down 1% signals the strength and the diversification of the broad retail partner channels that we have. And so, with the things that we've got, various initiatives that were already on the roadmap and maybe in some instances are even being accelerated, we are always standing ready and that's part of the reason why we have this investment layer. But we're saying, hey, there's project X, Y, Z, let's get it done. And the retailer says, well, we can get that done before holiday '22, that's going to be a '23 initiative. And then, all of a sudden, it's like, oh, wait a minute, we are moving some puzzle pieces around and let's work on that over the summer, so it's in flight for holiday '22. Those are good conversations that we're having in ways for us to become more important even with existing retailers.

Vincent Caintic
Okay. Perfect, that's super helpful. Thanks very much.

Steven Michaels
Thanks, Vincent.

CONCLUSION

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

Steven Michaels
Yeah. Thank you. Thank you, everyone, for joining us today. As we said in our prepared remarks, macro is challenging. We don't expect it to let up anytime soon, but as we sit here today in this current environment, we feel confident about delivering on the outlook we provided--you know, less than 60 days ago. The environment for pipeline conversion and for our model to shine is stronger now than ever. And I certainly thank all of the PROG family and the PROG employees for helping us deliver that value to our customers and our retail partners. We look forward to updating you again here in mid-July.

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