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Corporate Speakers:

- John Baugh; PROG Holdings; Vice President of Investor Relations
- Steven Michaels; PROG Holdings; Holdings Chairman, President and Chief Executive Officer
- Brian Garner; PROG Holdings; Chief Financial Officer

Participants:

- Kyle Joseph; Stephens; Analyst
- Harold Goetsch; B. Riley Securities; Analyst
- Robert Griffin; Raymond James; Analyst
- Bradley Thomas; KeyBanc Capital Markets; Analyst
- Hoang Nguyen; TD Cowen; Analyst
- Casey Coates; Loop Capital Markets; Analyst
- Vincent Caintic; BTIG; Analyst

PRESENTATION

Operator^ Hello and welcome to PROG Holdings Second Quarter 2026 Earnings Conference Call. (Operator Instructions)

I would now like to hand the conference over to John Baugh. Sir, you may begin.

John Baugh^ Thank you. And good morning, everyone. Welcome to the PROG Holdings Second Quarter 2026 Earnings Call. Joining me this morning are Steven Michaels, PROG Holdings Chairman, 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 2026 full year outlook and our outlook for the third quarter of 2026. Listeners are cautioned not to place undue emphasis on forward-looking statements we make today, all of which are subject to risks and uncertainties and which could cause actual results to differ materially from those contained in the forward-looking statements. We undertake no obligation to update any such statements.

On today's call we will be referring to certain non-GAAP financial measures, including adjusted EBITDA and non-GAAP EPS, which have been adjusted for certain items which may affect the comparability of our performance with other companies. These non-GAAP measures are detailed in the reconciliation tables included with our earnings release. The company believes that these non-GAAP financial measures provide meaningful insight into the company's operational performance and cash flows and provides these measures to investors to help facilitate comparisons of operating results with prior periods and to assist them in understanding the company's ongoing operational performance.

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

Steven Michaels^ Thanks, John. And good morning, everyone. I appreciate you all joining us today. Let me begin with the headline. This is a strong quarter for PROG Holdings. Revenue came in toward the higher end of our outlook, while adjusted EBITDA and non-GAAP EPS exceeded the top of our range.

Importantly, every product in our ecosystem contributed. At Progressive Leasing, GMV growth, combined with fewer customers choosing to exercise their 90-day purchase option, drove higher gross margin and a 12.7% adjusted EBITDA margin. At Four, robust customer demand once again translated into profitable triple-digit growth. And at Purchasing Power, we delivered double-digit GMV growth with revenue and margin both ahead of plan. Producing results like these while the consumer is under pressure is a testament to how we have built this business over the years and the discipline with which we run it today.

Before I walk through our strategic priorities, let me add some context on the quarter. Consolidated GMV grew 60% in the second quarter compared to the same period last year. This is an improvement from the 54% growth we posted in Q1. Because our platform generates volume simultaneously across Leasing, Four and Purchasing Power, this consolidated figure is the clearest way to see the true scale of what we're building.

Starting with Progressive Leasing, GMV grew 3.4% year-over-year, a meaningful improvement from the 2.2% decline we saw in Q1 and right in line with our expectations. Recall that for much of last year, Leasing's GMV was held back by two things: The tightening actions we deliberately took and the Big Lots bankruptcy. Once we had cycled past both items largely by the end of February, Leasing's GMV turned positive in March, and that momentum carried through the second quarter.

The improvement reflects both the lapping of those prior headwinds and the payoff from several growth initiatives we put in place over the past year. Applications grew double digits year-over-year, fueled by stronger top of funnel marketing and an improved user experience. So we remain disciplined about how many of those applicants ultimately convert into funded leases. We believe we are firmly back on a growth footing at Leasing. And notably, we produced that growth in Q2 even as our customer contended with inflation and higher costs.

Four's GMV more than doubled year-over-year, extending its remarkable run of triple-digit growth to 11 quarters. Growth continued to be powered by a healthy underlying consumer demand for BNPL. Four's position as an easy-to-use and highly rated app that shoppers genuinely like, coupled with solid marketing performance, drove both GMV and subscriber growth.

Appetite for our BNPL offering stays strong and that appetite keeps converting into attractive economics and profitability, a topic I'll return to shortly. Purchasing Power posted another quarter of double-digit GMV growth, powered mainly by strength throughout its established employer relationships.

I want to be clear about the quality of the growth across the businesses because it's an important point. This growth is coming from expanded distribution, share gains with our retail partners and genuine customer demand, not from loosening our decisioning posture. In fact, our leasing approval rates are down year-over-year which is the clearest evidence that we remain disciplined regarding our portfolio performance.

Consolidated revenue came in at approximately $720 million, up 22% year-over-year and toward the higher end of our outlook. This growth was driven primarily by the addition of Purchasing Power together with excellent momentum at Four, partially offset by a revenue decline at Progressive Leasing, where a smaller average portfolio through the quarter created a headwind.

With GMV growth continuing and portfolio growth resuming, we expect Leasing to return to positive year-over-year revenue comps in the second half of the year. Consolidated adjusted EBITDA from continuing operations of $88.4 million and non-GAAP EPS of $1.19, both came in above the high end of our outlook range. Brian will take you through the details, but the headline is that we delivered profitable growth while investing in the business.

Now to portfolio performance at Progressive Leasing, where the takeaway is that disciplined execution delivered strong profitability this quarter. Lease merchandise write-offs came in at 8.4% of total Progressive Leasing revenue which was largely within our expectations as of the April earnings call. The second and third quarters are seasonally our two highest write-off periods, and with this quarter's GMV growth, some elevation is expected. The sequential increase from the first quarter was modestly above our normal seasonal step-up, and we believe that was caused by cost pressures including gas prices which weigh on the budgets of our core customer. The key point is that this reflects a choice we made from a position of strength.

With Leasing gross margins healthy, we made a deliberate decision to focus on driving higher portfolio yield and maximizing adjusted EBITDA dollars. Our decisioning posture remains dynamic and we make appropriate adjustments that keep us well positioned to finish the year inside our 6% to 8% targeted annual range as we have successfully done in prior years when unfavorable macro factors have had an impact on Leasing write-offs. The payoff of our approach is evident in the results. The Progressive Leasing segment delivered an adjusted EBITDA margin of 12.7% and our highest second quarter margin since exiting Covid. Achieving that level of profitability in a seasonally high write-off quarter underscores the underlying earnings power of the segment.

Let me also offer a brief perspective on the broader environment and our consumer. Despite a favorable tax refund season, our customer is feeling the effects of prolonged inflation and the recent increases in gas prices which remains a headwind for discretionary budgets. Even so, they remain resilient and overall demand has held up well though it is expressing itself differently from one business to the next.

At Four, our smaller ticket pay-and-for offering, demand is still showing strength and contributing to a significant growth rate. At Progressive Leasing, the pressure has been most pronounced in bigger ticket need-based categories such as furniture and appliances. We have partially offset that softness with continued strength in electronics and on our direct-to-consumer PROG marketplace platform. And at Purchasing Power, we are seeing year-over-year GMV growth in nearly every category with furniture and jewelry the two exceptions. This is the benefit of a diversified ecosystem, one customer, multiple needs and products with the flexibility to lean in where demand is robust and tighten where prudence calls for it.

With that, let me move to the three pillars of our strategy: Grow, Enhance and Expand. Under Grow, Progressive Leasing returned to year-over-year GMV growth of 3.4% and with applications up double digits and monthly trends continuing the positive GMV trajectory we established in March.

Our direct-to-consumer efforts in marketing and digital channels were again meaningful contributors. PROG Marketplace was a particular standout with its exceptional trajectory since inception. On an annual basis, the marketplace has achieved a GMV CAGR of nearly 200% from 2022 to 2025. On a Q2 basis, it has expanded GMV roughly 13 fold over the past 3 years. Our ecommerce channel also advanced, helped by an improved digital checkout experience, reaching 25.6% of total progressive leasing GMV in the quarter, up from 20.9% a year ago and our highest second quarter mix to date.

At Four, we delivered 111% GMV growth compared to the same period last year, powered by strong customer engagement and repeat purchasing. The team rolled out AI-driven product enhancements that simplify the shopping experience and average order values increased year-over-year.

On the marketing side, we deployed spend efficiently, maintaining a healthy balance between paid and organic customer acquisition. We are also pleased with the subscription-oriented promotion launched around Amazon Prime Days and plan to use similar approaches elsewhere to drive subscribers and GMV. And at Purchasing Power, we signed several new employer clients during the quarter. And just after the quarter ended, added a large new client with more than 80,000 eligible employees, bringing a meaningful number of new potential customers onto the platform to support future growth.

We are integrating the business more deeply into our ecosystem while testing new growth levers. In the second quarter, that included a series of improvements to the customer experience, a faster, more intuitive mobile interface, the launch of Vita, Purchasing Power's AI shopping assistant which makes it easier for customers to find what they are looking for and surfaces personalized product recommendations and a new bundling feature that curates attractive assortments for one-click purchases.

We also broadened our merchandise categories including new automotive services, such as wheel alignment opening additional avenues for expansion. Under Enhance, our investments in customer and retailer experiences delivered measurable results. Rather than cataloging every individual initiative I want to frame this the way we think about it internally which is in terms of outcomes. Our work this quarter focused on driving better search results, higher checkout conversion, faster decisioning and a lower cost to serve.

We launched an AI-powered search capability at purchasing power and for the logged in customers who chose to use it, site conversion roughly doubled, an early but powerful proof point on how AI is improving the shopping experience and driving real commercial outcomes throughout the ecosystem. AI underpins much of this.

It is embedded in dozens of smaller improvements in customer experience and operational efficiency that individually may not warrant a headline, but that collectively move conversion, retention and unit economics in the right direction.

Under Expand, Four's scale profitability and purchasing power integration is progressing well. Four's Q2 revenue was $35.1 million, up 118% year-over-year, and it generated adjusted EBITDA of $8.7 million.

As signaled on the Q1 call adjusted EBITDA margin moderated to 24.8%, down from Q1's seasonally elevated 37%, but consistent with the full year trajectory we have guided to. Four's take rate, defined as revenue generated as a percentage of GMV over the trailing 12-month period, held steady at approximately 10%. Performance was powered by customer engagement and repeat purchasing.

Average purchase frequency held at roughly five transactions per quarter. Active shoppers grew nearly 80% year-over-year and quarterly average monthly active users nearly doubled compared to a year ago, reflecting sustained consumer interest. Four's subscription model remains a key driver with 4-plus subscribers contributing approximately 80% of total GMV.

On Purchasing Power, integration is advancing well and revenue and margin contribution are tracking in line with our expectations. Adjusted EBITDA rose sequentially from $800,000 in the first quarter to $10.6 million with margin improving 730 basis points to 8.1% of revenue.

As Brian will discuss, several factors drove the step up and they were all largely anticipated. Beyond the segment results, the cross-sell opportunity of Purchasing Power and across our businesses is significant and increasingly tangible. Our ecosystem's first approach is gaining traction as a growing number of customers transact with multiple

PROG Holdings products. Customer overlap deepened in the second quarter, driven by cross-product marketing and activations that build momentum. Among the promising signals we see is Four's growth rate.

which serves as a primary driver of shared customers throughout our businesses, increasingly functioning as an important entry point to our broader ecosystem. Notably, the relationship between Progressive Leasing and Four customers represents our strongest and fastest-growing overlap.

We are also encouraged by the early momentum we are seeing with Purchasing Power as we deepen its connectivity with other offerings in our portfolio. Looking ahead, we expect our activation infrastructure with scale, with automated programs, spanning digital outreach channels, in product placement and increasingly within the product flows themselves. We believe the trajectory we saw in Q2 is a good signal that these initiatives are beginning to compound.

Before I turn it over to Brian, let me touch on our capital allocation priorities which remain unchanged. Reinvest in the business, pursue strategic M&A and return excess capital to shareholders through share repurchases and dividends. A combination of debt paydown which strengthened the balance sheet, and an improving adjusted EBITDA trajectory resulted in a net leverage ratio of 1.7x as of June 30. That progress, together with our disciplined cash management, allowed us to resume share repurchases during the quarter, buying back 280,000 shares. Resuming repurchases reflects both our improved leverage profile and our confidence in the future of the business.

To summarize the quarter, we delivered earnings results ahead of the high end of our outlook, powered by growth in every one of our businesses. Progressive Leasing extended the GMV growth trajectory it established in March and delivered a post-Covid high adjusted EBITDA margin. Four delivered another quarter of profitable triple-digit growth and Purchasing Power contributed double-digit profitable GMV growth. We accomplished all of this while managing portfolio risk with our usual discipline in a stressed but resilient consumer environment.

With that, I'll turn it over to Brian. Brian?

Brian Garner^ Thanks, Steve. And good morning, everyone. Q2 was a successful quarter and every segment contributed to the earnings beat. At Leasing, we generated healthy margins through a higher portfolio yield, driven in part by more customers choosing to keep their leases active longer, and we delivered that against a consumer that is challenged but resilient. Four continued its impressive growth trajectory, driving triple-digit GMV and revenue growth, and Purchasing Power exceeded expectations, delivering double-digit GMV growth and strong margins. Taken together, it was a quarter defined by disciplined execution and momentum building across the businesses.

I'll now walk through the operating segments in more detail before turning to consolidated results and our revised full year 2026 outlook. Starting with Progressive

Leasing. Second quarter GMV was $428.1 million, up 3.4% year-over-year and an improvement from the 2.2% decline in Q1. As Steve mentioned, these results reflect the lapping of last year's tightening actions and the residual big lots volume, combined with the growth initiatives we've deployed over the past year. Revenue for the Leasing segment was $550.3 million, down 3.4% year-over-year and a sequential improvement compared to Q1 which was down 8.4%. The gross leased asset balance headwind that pressured revenue early in the year eased as the portfolio rebuilds behind improving GMV.

As a reminder, we began the year with the Leasing portfolio down 9.4% compared to last year. And as of Q2, the gross leased asset balance is roughly flat year-over-year, marking the progress we have made in improving the underlying revenue driver, and we expect the revenue comp to inflect positive in the back half. Similar to Q1, we saw a continuing trend of a smaller proportion of our customers choosing to exercise their 90-day early purchase options compared to last year.

In the quarter, this dynamic of fewer customers exercising that option is a modest drag on revenue, but it builds a higher-margin portfolio. And over time we expect it to work in our favor on both total revenue and gross margin. Progressive Leasing's gross margin was 33.8%, up 143 basis points year-over-year, reflecting that improved portfolio yield. Brought us from a period were 8.4% of total progressive leasing revenue as we consider slightly higher delinquencies in the context of strong portfolio yield, driven in part by customers staying their leases longer.

I will mention that in a normalized environment, we would expect Q2 write-offs to increase sequentially from the Q1 period which is a large part of the Q1 to Q2 increase we observed. With Leasing's gross margins healthy, up 143 basis points to 33.8%, we are managing this portfolio to an annual result and allowing the quarters to fluctuate within reason.

Modestly higher lease merchandise write-off rate in a seasonally high period with improved margins is entirely consistent with that approach does not change how we are running the portfolio or our expectation of achieving our annual write-off target. We aim to optimize for absolute earnings rather than any single quarter's write-off rate, monitoring payment behavior, delinquencies and vintage level performance continuously and we expect full year 2026 leasing write-offs to land within our long-held targeted annual range of 6% to 8%. Progressive Leasing's SG&A for the quarter was $82.8 million or 15% of revenue.

We're keeping a tight grip on cost while still funding select investments such as technology modernization, customer experience and AI initiatives that underpin long-term growth. Progressive Leasing generated adjusted EBITDA of $69.9 million or 12.7% of revenue an improvement of more than 50 basis points year-over-year.

Delivering that level of profitability, even with modestly higher write-offs, speak to the earnings power of the segment. I'm proud of the team's operational execution including managing portfolio performance in line with our expectations. Turning to Four Technologies. It's Q2 GMV grew 111% year-over-year to $315 million, and revenue grew 118% to $35.1 million. Adjusted EBITDA was $8.7 million or 24.8% of revenue.

As a reminder, the first quarter is seasonally Four's best margin period as holiday GMV converts into revenue with a lower credit loss provision. As expected, Q2 margins moderated from that peak while remaining consistent with the range implied in our outlook. We're highly encouraged by Four's performance on both growth and profitability.

For MoneyApp, our cash advanced product, revenue was up 34% year-over-year, driven by new revenue streams. MoneyApp remains an important engagement and cross-sell driver within our ecosystem with a meaningful contribution to leasing GMV.

Finally, Purchasing Power delivered GMV of $158.8 million, representing double-digit year-over-year growth against its pre-acquisition base. Revenue was $130.4 million, and adjusted EBITDA reached $10.6 million or 8.1% of revenue, up from $0.8 million in the first quarter. The driver of the sequential improvement were operating leverage on seasonally higher volume, favorable product mix and improved pricing which lifted margin and lower interest expense on securitized debt after we pay down the warehouse facilities with excess cash in Q1.

As a reminder, we treat that ABS interest expense as a form of cost of operations, so Purchasing Power's segment adjusted EBITDA is burdened by that cost. Purchasing Power was acquired at the start of the year, so it did not contribute to the prior year consolidated base in our financial reporting.

Integration is on track, and we remain encouraged by the progress on both front and back-end synergies. Moving to consolidated results. GMV grew 60% year-over-year to $902 million, and revenue from continued operations grew 22.3% year-over-year to $79.7 million. This revenue performance was driven by the addition of Purchasing Power and triple-digit growth at Four, partially offset by Progressive Leasing. Consolidated adjusted EBITDA was $88.4 million, representing a 12.3% margin. Non-GAAP diluted EPS was $1.19, both exceeding the high end of our April outlook.

Turning to the balance sheet. We ended the quarter with approximately $85.2 million of unrestricted cash and total available liquidity of $435.2 million including our revolving credit facility. Recourse debt was $600 million, down $50 million from the end of Q1. Since closing the Purchasing Power acquisition, we have paid down $260 million of recourse debt including $50 million in Q2, bringing our net leverage ratio to 1.7x trailing 12 months adjusted EBITDA. That's down from roughly 2.5x right after the acquisition and 2x at the end of Q1. The combination of our resilient business model and disciplined cash management fueled that deleveraging, moving us comfortably within our long-term target range of 1.5 to two turns.

As a reminder, this ratio excludes nonrecourse ABS debt used to fund Pershing Power operations, does not add back the associated interest expense to adjusted EBITDA and only includes the Purchasing Power adjusted EBITDA since the acquisition. We returned capital to shareholders through our quarterly dividend of $0.14 per share. Importantly, with net leverage comfortably within our targeted range, we also resumed share repurchases, buying back 280,000 shares at an average price of $36.34. We will keep evaluating opportunities to return additional capital while funding GMV growth throughout the business.

I'll now touch on some key aspects of our revised full year outlook provided in this morning's release. Despite the macroeconomic pressures, we believe our consolidated GMV momentum will carry through the remainder of the year. A rebuilding leasing GMV feeds the gross leased asset balance which is a forward indicator of future revenue. Four continues its meaningful growth and Purchasing Power is building towards a seasonally best fourth quarter.

On the leasing portfolio performance, we expect full year 2026 leasing write-offs to remain within our targeted annual range of 6% to 8%, albeit near the high end of that range, reflecting the dynamic way we're managing the portfolio to full year economics and normal seasonality.

Our revised outlook balances the second quarter outperformance against caution on the impact of inflation on higher costs of our customer, while staying optimistic about Progressive Leasing's return to growth, the ongoing momentum of Four and Purchasing Power and our ability to execute on the opportunities within our control. Accordingly, we have increased the outlook of our financial targets.

Our revised consolidated outlook for continued operations in 2026 calls for revenues in the range of $3.025 billion to $3.1 billion, adjusted EBITDA in the range of $355 million to $375 million and adjusted non-GAAP EPS in the range of $4.75 to $5. This outlook assumes an operating environment with no change in the current financial pressures and uncertainties for our customers, no material changes in company's decisioning posture, no meaningful increase in the unemployment rate of our consumer base and effective tax rate for non-GAAP EPS of approximately 26% and no impact from additional share repurchases.

In summary, this was a strong quarter across every one of our segments. The rest of Leasing returned to GMV growth or sustained its rapid and profitable expansion and Purchasing Power kept building momentum, all while we ran the portfolio in a disciplined manner and kept the balance sheet healthy with the net leverage ratio comfortably inside our targeted range.

Looking ahead, we will stay focused on profitable growth and portfolio performance as we execute against our strategic priorities against a challenging macro backdrop, and we believe that focus will allow us to deliver on our increased full year outlook.

I'll turn the call back over to Steve to address the 8-K that went out this morning. Steve?

Steven Michaels^ Thanks, Brian. On July 25, the company was informed of the passing of Doug Curling, a member of the company's Board of Directors. Mr. Curling, who is 72 years old, has served on the Board since 2016 and most recently served as Chair of the Compensation and Human Capital Committee and as a member of the Audit Committee. Doug made extraordinary contributions to the company over his years of service. His financial expertise, sound judgment and unwavering commitment to shareholders helped guide the company through significant periods of growth and transformation. He will be deeply missed by his colleagues on the Board, the management team and all who have the privilege of working with him. On behalf of the Board, management and our employees, I want to extend our heartfelt condolences to Mr. Curling's family.

I'll now turn the call back over to the operator for questions. Operator?

QUESTIONS AND ANSWERS

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

Kyle Joseph^ Steve, I just kind of want to get a sense for -- I know you guys discussed it a lot, but kind of the health of the consumer, obviously there's a lot of moving parts, but just kind of weighing less lower or early buyout activity but also kind of the strong demand you're seeing or at least recovery in demand, so just kind of balancing those two and see what's kind of driving that? Are we kind of at the point where demand has recovered kind of post-Covid, from the post-Covid pull forward?

Steven Michaels^ Yes. Thanks, Kyle. Yes, there's a lot there. Certainly a focus across our portfolio of products as it relates to the consumer. So I'll start with the health. And as we've talked about, we talked about in April, I think it's continuing. The consumer is stressed, but resilient. So that's the environment that we're operating in across the products.

We've seen certainly, the lower buyout activity is, I think a signal on how the consumer is feeling about their liquidity position and whether they want to use some of that liquidity to pay off early. And I would say unlike 2023 which we talked about a lot, where we saw lower 90 days, but then the folks who didn't do it 90 days is kind of ended up paying or paying off or doing an early buyout later in the lease, we've seen a little less of that this year. So some of the 90 days that didn't happen did result in delinquencies and ultimately some charge-offs. But you put all that in the mixing bowl for the Leasing segment, and it results in higher gross margins and higher underlying EBITDA margins, which is a positive thing for us.

So we're monitoring it closely. The write-offs in the leasing segment are something we take very seriously. We did expect a seasonal step up from Q1 to Q2 that you see pretty much every year. You can't really look at last year as a comp because we did a material tightening in Q1, and so it kind of obfuscated the normal seasonal step up. But I would reiterate that that 6% to 8% targeted range that we have held to for over a decade is an annual range. It's not a quarterly range. So we're confident in our ability to manage the portfolio to that range for this year, and do that in the context of higher margins. So being near the higher end of the range is not a negative outcome necessarily. So I have utmost confidence in our data science teams. We are seeing some areas where we have trimmed. We have taken a few actions on our decisioning posture, but nothing aggressive or material. So it's something we're watching.

I wouldn't say necessarily that the demand has rebounded from the post-Covid lows of the demand pull forward. I think we're still facing a soft demand environment for the large ticket consumer durables. What we have seen is strength in our product marketplace and our direct-to-consumer and e-com platforms, coupled with some initiatives that we've done with retailers to help to be able to grow our leasing GMV. Then obviously as we said, the lapping of the two discrete headwinds that we had for basically all of '25. So those things help to get us back to a growth posture and we expect that will continue, even though we're not guiding to GMV.

But I would just click up a level and talk about the portfolio as a whole because we do have the ecosystem that serves a very similar customer across the products. We're seeing in Purchasing Power, the provision was largely as expected in the quarter. In our Four business, which is experiencing tremendous growth, we're seeing pretty flat year-over-year actually performance from a provision standpoint. So we're pleased with where we are. We're confident in our ability to manage the portfolio because we understand that's job one. And we're also pleased that while we're managing that portfolio, we are growing all of our products.

Kyle Joseph^ Really helpful. Then just one follow-up for me. On Four, obviously seeing really good growth there. Can you just give us a little bit more of a sense for that consumer? I know you said there is overlap obviously with the Leasing book. But I mean whether it's talking about FICO, I know you don't underwrite on FICO or -- but just where are you gathering those consumers from, like were they previously debit, credit card users or where that consumer is coming from and what they look like?

Steven Michaels^ Yes. You're right. We don't even capture FICO in the four business, so we don't really look at it. But there's a pretty material overlap with the rest of our products. I would just call it -- I would say the heart of the melon is near prime and below, but we certainly have prime customers that are utilizing the Four product and our repeat users. So -- but I do believe the whole industry is just basically taking share from credit card users and some community banks and some other sources of this type of payment plan. And we believe that's where the four customers coming from as well.

Operator^ Our next question comes from the line of Harold Goetsch with B. Riley Securities.

Harold Goetsch^ My question is on Four Technologies as well. Could you share with us the investments you're making in terms of like personnel, technology and your path to like higher, higher margins. The next one is, could you provide like how many active users you have right now or how many active subscribers you have right now if you didn't do that before.

Steven Michaels^ Yes. Thanks, Harold. Yes. Four is a very efficient operation with a very lean team that is comprised of employees as well as contractors that are kind of placed globally around the world. We are growing that, but at a much lower rate than the growth of the business. And the reason that the team is able to do that is because they're just an AI-native AI-forward shop.

So they are capturing great efficiencies from day one adoption of -- maybe not day 1, but adoption of AI, and they're able to release new product innovations, release new releases of the apps, improve customer service while actually reducing heads in that department.

So it is a is a small shop, Four, and the revenue per employee is very, very robust, let's say. They are confident that they can continue to grow at these levels, and there'll be a deceleration as you'd expect with the law of big numbers, but without actually having to add too many resources because of their use of AI.

So really, really proud and look at them as a model for what we can do in the rest of the organization with AI. And we have not given the numbers on monthly active users. Although I think in our Investor Day we did say that in December, we had hit like 3 million monthly active users, but it's not something that we have updated every quarter. We may consider doing that in the future, but I don't have those numbers right in front of me, Harold.

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

Robert Griffin^ Congrats on good upside here this quarter. Steve, you touched on the progressive write-offs a little bit. I'm just hoping maybe we can double-click again further into it. I guess just asking the context is probably the one area of slight that you could pick on a little bit this quarter, them being above 8%. So maybe unpack kind of how it played out during the quarter for us. And this -- kind of what you're seeing to give the confidence to be back in the 7s on the annual basis, and that probably does imply a little bit of a step down from where we are today. I think people focus on these write-offs as you guys do very intently given the economic environment.

Steven Michaels^ Yes. I mean yes, we would expect that, that will get some attention, and that's why we gave it such airtime in the prepared remarks because it is a deliberate management, I'll say of the portfolio. I think I would say that we could have made decisions that would have delivered write-offs for Q2 with a seven handle.

It just would not have been the right decision for the business because of the underlying margins that we are seeing in the overall portfolio yield. So knowing that the 6% to 8% is an annual range, we allowed this quarter to fluctuate a little bit. And Q3 might be higher than normal as well because the Q2 and Q3 are seasonally high quarters. But we look at all the early indicators.

We look at delinquencies and FPBs, first pay balances and a whole suite of KPIs and we believe and have confidence in that team to be able to deliver for the year. And like I said earlier, we have made some cuts because we're -- in pockets, we are seeing some things that would lead -- the data would lead us to the decision to make some cuts. And approval rates are down year-over-year in the quarter even though we've lapped the tightening last year in Q1 of '25.

So just an active dynamic management of that portfolio, Brian and I -- Brian, that team reports in Brian, and we have meetings if not weekly, we have a set meeting every other week to review the inventory of items that could be tightening, could be loosening, depends on what the data say.

So we're hands on the wheel, like we always are. We understand that this number is not a number that you're used to seeing from us, but it was a deliberate action. I would recall back to the fact that understanding last year was an aberration because we had a material tightening in Q1. There is usually a 60 or 70 basis point increase sequentially from Q1 to Q2. And so we were in the 7.3%, 7.4% range in Q1. So normal sequential number would have put us at the top.

Then we do admit that there's some gas price pressure due to the ore and the oil prices. So we're watching that, and -- but to your question about what gives us the confidence. So just the decade of execution and performance that this team has delivered never having been outside that 8% range on the top end in any trailing 12-month period is what I would lean on there.

Brian Garner^ The only thing I'd add, I think Steve nailed it. But remember, the 8% that we referred to or 6% to 8%, that's an annual range. And here in the quarter, slightly above it, but we did reiterate for the year, we expect to be kind of near the high end of that range. The other thing I would say is we've talked previously about Progressive Leasing being kind of in the range of 11% to 13% target margins, and here, we're at 12.7% for the quarter.

So near the high end, two things are happening at the same time. You've got near the high end of our write-off range and near the high end of our margin range. That has everything to do with this interplay that is happening with customers staying in their leases longer. So that benefit is more than offsetting the delinquencies being kind of at that 8.4% level.

So the decision point, as Steve indicated is, okay do we pull back on tightening -- do we pull back on approval rates and tighten at the expense of bottom line? Or do we manage to -- with the bottom line context, given what we're seeing in the data. And so we have elected the latter in this quarter. And as we move throughout the year, we'll continue to put that lens.

So your question about do you come back to 7% or 6%. I think doing so in the current dynamic would come at the expense of bottom line just given what we're seeing. So it is by design, and we'll continue to make those decisions in real time but understand also the importance of consistency and managing that portfolio which we understand is job number one.

Robert Griffin^ Then Brian, as a follow-up, it's actually on that interplay if people stay on the leases longer. That's one of the probably -- I don't know there's a lot of things that are tough to forecast in this type of business. It's probably one of the aspects that forecasting now that's tough. So like for the back half, what have you assumed there? It looks like you guys kind of beat the midpoint and then kind of flow that through for the year? Then it looks like maybe the back half EBITDA was rough roughly about the same. So just help me understand what's assumed from the overall environment in the back half of '26 and the guide in that interplay of early -- or staying on leases longer, sorry.

Brian Garner^ Yes. It's a good question.

So if you do the math, imputed in the back half margin -- imputed in the back half, margins are slightly down with Progressive Leasing from the front half. That's driven in large part to the dynamic you just referenced. So we had exceptional margin performance in Q1, again really strong here in Q2. But the 90-day dynamic that we've been seeing, we are not banking on we're not automatically assuming that, that is going to continue at the same level of a tailwind. And so we've got some moderation happening there. We've got a step down in Q3 and Q4 on that tailwind embedded in the outlook.

So to the extent that it stays at current levels or the amount of time that they're in the lease lengthens from the current (inaudible) that's upside to the base case. That is a hard shot to call. It's obviously very fluid. In any given day you read a different headline about where gas prices are going, et cetera, and we think that has at least something to do with the current trends that we're seeing.

So just being like we said in our remarks, being cautious about the current environment, managing that portfolio and not counting on the 90-day tailwind that we've seen to continue with the same level of strength. But still a tailwind year-over-year, still a tailwind year-over-year but not at the strength that we saw in the first half.

Robert Griffin^ Very good. Makes perfect sense. I appreciate the expanded details and good luck here in the back half.

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

Bradley Thomas^ And let me add my congrats on a solid quarter here as well. Steve, I was hoping you could maybe talk a little bit more about the GMV trends, again really encouraging to see that inflecting positive this quarter after a number of exogenous headwinds that you've had in recent years. Wondering if you could give us any color on maybe how does GMV trends get affected by things like spikes in gas prices that we've seen earlier in the quarter.

Then just with easier comparisons but also still perhaps some consumer confidence overhangs from the macro environment. Just curious about how you're thinking about the GMV growth in the back half.

Steven Michaels^ Yes, Brad. Yes. We're pleased to have all the products growing at the same time. It certainly makes a nice powerful engine and leasing is the biggest part of that engine. So I'm not sure we see like specific demand signals in a shorter acute period of gas price spikes. It happens over time. And this year was maybe even more muted because the gas price spike happened kind of during, albeit at the tail end of tax season.

So I think I said if there was a time that it could happen, tax season is the best time because the customer is most equipped to deal with it. The further you get away from that, the harder it gets and the more the stressed compounds. We certainly are looking at it and looking to see signals of it in the delinquency picture. But from a demand standpoint, I'm not sure that we've observed a direct correlation with a spike in gas prices. But we're pleased to be beyond these two things that we had to talk about all of last year, and we don't want to talk about any more.

We did say last year that absent those two things, we were kind of a low-ish single-digit GMV grower. So we've lapped those things. We're seeing strength in certain retailers, other retailers, we've got work to do to overcome some of their trends. But e-com, as we pointed out in the prepared remarks, is almost 26% of total GMV, but Q2 high. The PROG Marketplace is outstanding and continues its really nice growth. We've got some other things that we just reviewed two days ago, that we feel like we can put in place for the back half.

We have not guided Leasing GMV necessarily. But as you know we have guided revenue. In order to hit that revenue, you'd have to assume that the GLA and we will flip back to positive in the back half which will then feed into revenue and be positive in the back half.

So we're pleased with where we are. We've certainly got work to do, but we've got things that we know we can work on. We're also optimistic, I would say about some biz dev opportunities. Not going to break tradition and talk about specific pipeline opportunities, but we do see some green sheets there and hoping we can get some things over the goal line before things shut down for holiday which is within the next kind of 75 days.

So more to come on that, hopefully. And we're really pleased with how Four is doing, Purchasing Power is coming along on plan and really has a lot of upside. With Leasing contributing as well where we feel like we're well positioned even in a tough consumer environment.

Bradley Thomas^ That's really helpful. Then I just wanted to follow up on the point you were making for Bobby's question, that difference between the profitability range versus the write-off? Are there elements that might be more sustainable over time? Or are there dynamics that just maybe seen transitory here for the quarter? Because obviously if that delta seems to be widening, perhaps it opens the gate for you guys to bump up the long-term target range for write-offs in support of GMV and leases and EBITDA. Just curious to get about that.

Brian Garner^ Yes. Brad, this is Brian. I think obviously I feel like we've talked so much about the 6% to 8% range over the years that it has become a staple of the business. I think it also relates confidence and credibility with our ability to manage the portfolio. But you're exactly right. This is, I think a good case point where you don't completely put the blinders on with respect to an absolute number. You've got to consider it in the context of the other data that you are seeing, and that is what we've done here.

So moving that range at any given point in time in the future, obviously would be taken very seriously and we wouldn't do that lightly, and it would have to be data-driven and more -- and the confidence in a more sustained dynamic than just an individual quarter or a couple of quarters. So that's probably what I would say to it. But I think what you've heard from us is just the broader context, trying to evaluate all variables. And here, we've updated guidance for the remainder of the year in large part because of this element, and the tailwinds are outweighing the headwinds of the slightly higher delinquencies.

I would say that these delinquencies were not well outside our internal expectations. We evaluated along the way. And as Steve mentioned, we were watching early indicators. So it's well in hand. It's just a constant system that were made. Whether we change anything to your question about the ranges going forward would have to be grounded in confidence about a long-term dynamic that we felt was in place.

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

Hoang Nguyen^ I think I mean a couple of quarters ago, you mentioned that when people get into delinquencies, maybe they are not able to get out, but they continue to make payment and those customers can be very profitable for you guys, even though they remain in line maybe in light of the higher write-off rate this quarter, I mean are you seeing a change in that kind of roll rate dynamic from delinquency to charge-off? And I have a follow-up.

Brian Garner^ It was a little tough to hear, but I think you're referring to roll rates and what's happening with roll rates. Yes. So I think as expected, the write-off trend also is aligned with what you're seeing just slightly higher, I would call it slightly higher roll-offs and roll rates in certain buckets but not outside of parameters that we're comfortable with, but it's slightly higher delinquencies which are coming from those roll rate dynamics. But I will say that the average life of a lease, how long a lease is sticking around with us is increasing.

So that's the -- I think that's also a key dynamic to make sure we're embracing because that does provide the economics even in the face of just a slight uptick in delinquencies and a slight uptake in roll rates.

Hoang Nguyen^ Got it. And maybe on the Four business, obviously very strong results there and very strong guidance raise. In terms of the guidance, I think I the entire raise in revenue is passed through to the bottom line for Four. So maybe can you talk about the strength there and maybe the operating leverage that this business has given that it is also your highest margin business among the 3.

Steven Michaels^ Yes. I mean as we said before we're extremely pleased with the position that Four is in and the position that it puts itself in for the next several years. We have material growth along with margin expansion which is very difficult to do. So we're proud of that and excited about the opportunities. Yes. We had a nice raise in our expectations for the full year, and that will set us up for future years. We haven't necessarily guided, but if you look at the 3-year targets that we put out at Investor Day for Four, it can point you to adjusted EBITDA margins north of 30% which is certainly where we're going. So there's a lot of flow-through when it comes to operating leverage based on really Hal's question which is a lean team that can deliver a lot of growth and without having to increase its size that much.

So there's there's good leverage off the fixed costs. And as we continue to grow, we look for opportunities on the provision and the loss rates of our cohorts not only from improvements of our data science and our collections operations, but also composition of the GMV with increasingly more GMV coming from Four Plus subscribers that are kind of, by definition, repeat customers. So a lot of good tailwinds there. But not done on autopilot. The team is crushing it.

Brian Garner^ Yes. See, no, I was just going to quickly add, I mean to Steve's point, implied in our guidance is just shy of 22% on the midpoint for Four which is representing that expansion. That is happening in the face of increased investment in marketing and some other revenue-generating activities. So like Steve said, well on the path to improving those margins.

Operator^ Our next question comes from the line of Casey Coates with Loop Capital Markets.

Casey Coates^ Good quarter. I just wanted to touch on you guys resume your share repurchases? And do you guys have any idea of how aggress you guys plan to be?

Steven Michaels^ Casey, yes, we have been an aggressive acquirer over the years. We took a little pause because of the purchasing power acquisition, and we always look at our capital return initiatives through the lens of a leverage ratio. So we were able to delever very quickly which shows the power of the business from a cash flow generation standpoint.

We did get back in the market in Q2, and our leverage ratio is at 1.7% as of the end of June. We don't guide to the level of activity or what our plans are there. But we do look to return excess as we define excess, excess capital to shareholders, and it's generally through share repurchases because the dividend is kind of set. We do have a quarter coming up here in Q4 where we expect to generate a lot of GMV, and that will need to be funded with working capital. So that will come into our into our calculus as well.

Casey Coates^ And just a quick follow-up. Could you guys give any updates on your retail partner pipeline for Progressive.

Steven Michaels^ Yes. I mentioned that, like we don't talk about individual names, but I mentioned that we're optimistic on biz dev, but we've got work to do because when it comes to the large retailers, the window shuts here in the next kind of 60 to 75 days because of holiday preparedness. So that's really all we'll comment on that.

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

Vincent Caintic^ First question, going back to credit, but instead of leasing, I do want to ask about how write-off rates are trending for the for business and purchasing power. I know we usually have to wait until the 10-Q, but I'm assuming that since the leasing business, the write-off rates were a conscious decision that the four and the Purchasing Power businesses are likely more stable. So if you could talk about that and maybe any macro factors or any things that are driving the write up rates for those segments.

Brian Garner^ Yes. I can start and Steve can fill in any blanks. On the Four segment, so what you'll see in the Q, Vincent, that's coming out later today is that Four's provision as a percentage of this GMV was effectively flat from a year-over-year perspective. There are some things to consider when you're comparing and contrasting that offering versus Leasing and Purchasing Power in that. At the top of that list is the ticket sizes, call it, in $150 range. And so it's a smaller ticket size.

So that's one element. The customer is largely the same. But Four is on the on the front end of the curve in terms of their ability to improve their decisioning model and the operational enhancements that they are making on collections. So that's, I think an important thing to note. And they've made some -- that team has made some of those improvements along the way. So you've got certainly a stressed consumer from a year-over-year perspective and gas prices are feeding into that. But they've been able to deliver this growth in the context of effectively flat provision as a percentage of GMV.

On the Purchasing Power side, and this is not going to be overly satisfying, but we did not -- you won't see Q2 of last year presented it with Purchasing Power given that we acquired the business early this year, and they were not a public company prior to that, and so they didn't have quarterly reviews. But what I will say is that their provision was within our expectations. And the margins that we saw were slightly better than we expected from a bottom line perspective.

So we're in -- I think we're in a good place with Purchasing Power, similar ticket size, similar customer, slightly different mechanics in terms of how the offering works. But the credit side is an area of focus certainly for us, and we're comfortable about where they came in. We think there's upside as we get better operationally and deploy some of our expertise in improving that motion and purchasing power. So stay tuned on that, but that's probably the color I would offer.

Vincent Caintic^ Okay. That's super helpful. Then second quick one. So you mentioned on purchasing power, you won an account that had over 80,000 eligible potential customers. I'm wondering how quickly you can onboard those customers or sell and onboard to those customers? Like is that something that potentially could drive up GMV significantly quickly? Or does it -- is there like a 2 or 3-year sales cycle just kind of from your experience or from past experience, how should we expect that 80,000 plus to translate into GMV?

Steven Michaels^ Yes, Vincent, on that, it's kind of similar to the Leasing business in that it depends on the approach of the retail partner in this case, the employer client, how quickly they want to communicate with their employees about offering this benefit. If it dovetails with open enrollment benefits fares and sessions that they have to get the word out, I mean it will be -- we stand ready to support to get the penetration to grow as fast as possible. In this case, it will be important to get the word out in front of this all-important holiday season. But I think generally, it's a two to three kind of year ramp to get knowledge and awareness and get registrations and get first-time buyers that then become repeat buyers.

Operator^ Thank you. Ladies and gentlemen, I'm showing no further questions in the queue. I would now like to turn the call back over to Steve Michaels for closing remarks.

Steven Michaels^ Thank you all for joining us this morning. I'm really proud of this team. We delivered strong results across the board with revenue, EBITDA and EPS. Leasing returned to growth, and we ran the portfolio with discipline in a tough environment.

When I look at what we've built and what we're building, it's an ecosystem that gives customers more ways to transact with us, distribution mode that it's hard to replicate, we've got healthy margins and decisioning that gets smarter with every data point. So I feel very good about where we're headed. I firmly believe the best chapters of PROG story are still ahead of us. And as our friend Doug Curling would end all of his e-mails and texts, Go Braves.

Operator^ Ladies and gentlemen, that concludes today's conference call. Thank you for your participation. You may now disconnect.