Progressive Leasing

First Quarter 2021 Earnings

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CORPORATE PARTICIPANTS

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PRESENTATION

OPERATOR
Good Morning. My name is Kate and I will be your conference coordinator. At this time, I would like to welcome everyone to the PROG Holdings, Inc. first quarter 2021 earnings conference call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. This call is being recorded. I will now turn the call over to Mr. John Baugh, Vice President of Investor Relations for PROG Holdings. You may begin your conference.

John Baugh
Thank you and good morning everyone. Welcome to the PROG Holdings first quarter 2021 earnings call, our second as a stand-alone fintech business.

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 at investor.progleasing.com.

During this call, certain statements we make will be forward-looking. I want to call your attention to our Safe Harbor Provision for forward looking statements that can be found at the end of our earnings release. The Safe Harbor Provision identifies risks that may cause actual results to differ materially from the content of our forward-looking statements. There are additional risks that can be found in our latest 10-K filing.

Listeners are cautioned not to place undue emphasis on forward-looking statements, 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 EBITDA and Adjusted EBITDA, non-GAAP net earnings 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 will now turn the call over to Steve Michaels. Steve?

Steve Michaels
Thanks, John, and good morning everyone.

We're excited to report our results for the first quarter of what we believe will be a pivotal year for our business and the beginning of a return to our historical growth trajectory as the headwinds of the pandemic begin to subside.

I want to start by thanking our employees for their tireless efforts to support our customers and point of sale retail partners as we continue to innovate and tailor our solutions to serve our customers however they choose to transact – mobile, online, or in-store.

On our Q4 earnings call we conveyed our excitement about the new opportunities that exist for us as a stand-alone company and our ability to drive incremental growth. We believe our first quarter results reflect the beginning of the return to GMV growth, positioning us to achieve strong 2021 results as we execute on our key initiatives.

While the federal stimulus in March proved to be beneficial to the quarter's results, it is important to note that the company was on track to post results in excess of our first quarter outlook prior to the effects of the March stimulus.

Revenues in the first quarter were 721 million compared to 668 million a year ago, a 7.9 percent increase, and were favorably impacted by elevated buyout activity and continued strong payment performance from our customers, by growth from certain large POS partners, and by an increase in lease revenues generated from e-commerce platforms.

Adjusted EBITDA was 118 million compared to 63 million in the year ago period. This was primarily driven by a 580-basis point decrease in write-offs as our customers continue to demonstrate increased levels of liquidity, driving delinquencies to historic lows. On the decisioning front, we continue to optimize approval rates and amounts, which are in line or slightly higher than pre-pandemic levels, even considering the continued shift to digital application channels, which typically have lower approval rates. We closely monitor the performance of our leases and will adjust accordingly should conditions change.

Our GMV for the Progressive Leasing segment grew 10.4 percent in the quarter, marking a return to growth relative to the roughly flat performance of the prior three quarters. We should note that we achieved this double-digit growth despite facing headwinds in the quarter from the delayed tax refund season, smaller tax refunds on average, and continuing supply chain disruptions with some POS partners. While the March stimulus appears to have benefited results, we also saw a meaningful lift from the continued growth of our large national partners, decisioning optimization, product enhancements, and great progress in e-commerce penetration. We have been working aggressively with our partners on multiple fronts, including implementing enhanced technology solutions and strategic marketing and promotional campaigns. Also, expectations for improved store traffic in the back half of 2021 should provide a boost to our largest source of GMV.

As a result, we believe that we will deliver GMV growth in the mid to high teens for the full year 2021.

We continue to expand and improve our e-commerce capabilities and we are increasing our traction on many fronts, particularly with our larger POS partners. We are working to leverage our plugin capabilities to attract new e-commerce partners, while streamlining our process from application to lease signing. The Company also recently announced several key additions to our Technology, Product, and Sales leadership teams to support these efforts. We are on track to have e-commerce checkout capability with nearly all of our leading POS partners before the end of 2021, which we expect will further drive our GMV growth this year and into 2022. As we shared last quarter, we narrowly define e-commerce GMV as completion of a lease in the retailer's cart check-out, and that we expect to more than double our e-commerce business in

2021. We're pleased to report that in Q1, 14.3 percent of our GMV came from e-commerce, compared to only 1.9 percent in the same period of 2020.

As we have stated before, we believe that our Total Addressable Market remains multiples of the current market. I'd like to quickly revisit our key strategic objectives for expanding our leadership position.

First, we aim to grow our business with existing and new POS partners.

Second, we expect to continue to simplify and improve the customer experience through technology enhancements and investments that allow our customers to shop how, when, and where they want.

Third, we plan to drive repeat business by leveraging our database of millions of customers.

Fourth, we expect to expand our product and solutions ecosystem via further innovations and strategic acquisitions.

Finally, we are increasing our direct-to-consumer marketing efforts to attract new customers and drive GMV to our POS partners.

We communicated in our last call that we view 2021 as a very important year for our company. We recognize that the point-of-sale payment space is evolving rapidly, that competition is strong, and that the pandemic has changed our consumers' behavior.

We are in the process of re-invigorating our growth, adding additional products and services to our ecosystem, converting pipeline opportunities, and improving our technology-based product capabilities to enhance our consumer and partner experience.

Finally, shifting to capital and capital allocation, our balance sheet remains in great shape. We ended the quarter with a net cash position of 101 million dollars even after the repurchase of 28 million dollars of our stock in the quarter. Our capital priorities remain unchanged. First and foremost, we expect to invest in the business as we pursue multiple growth initiatives alongside our normal funding of GMV and our modest capital expenditure needs. Second, we will consider M&A opportunities that can broaden our product offerings or enhance our technical capabilities. And, third, we expect to return excess cash to shareholders, which we commenced in Q1 with our buyback.

With those comments, I will turn it over to Brian Garner our Chief Financial Officer. Brian?

Brian Garner
Thanks Steve. Turning to the financial results: the first quarter's financial results exceeded our outlook on both revenue and EBITDA due to the financial strength of our consumer and the accelerated growth of GMV. While quarter-to-date results were strong heading into the last two weeks of March, the latest stimulus further improved our financial metrics, driving delinquencies to near historic lows.

Throughout the quarter, we experienced elevated levels of 90-day buyouts well above historical averages. This is a continuation of a trend that we have seen over the last 12 months, as prior stimulus packages and changes in consumer behavior have driven 90-day buyouts meaningfully higher. The latest stimulus further contributed to this dynamic as we closed out the period.

While 90-day buyouts place downward pressure on margins, the increased payment activity in the period drove revenue higher and write-offs lower, more than offsetting the dilutive impact of higher 90-day buyout levels. The net result was improved consolidated Adjusted EBITDA margins year-over-year of 16.4 percent for the first quarter of 2021, compared to 9.4 percent for the same period last year. As we look ahead, we're encouraged by the trends we're seeing in our portfolio performance supporting our 2021 financial outlook, which I will touch on in a moment.

Turning to the results of our Progressive Leasing segment:

Net revenues for the Progressive Leasing segment in the first quarter reached a record of 708 million, an increase of 49.4 million, or 7.5 percent, compared to the first quarter of 2020. While the increased buyouts and payment activity helped drive revenue higher in the period, Progressive's GMV increase of 10.4 percent benefited from the continued scaling of large national retail partners and increases to our e-commerce penetration.

With respect to revenue headwinds in the period, as noted on our Q4 earnings call, we entered Q1 with Gross Leased Assets, a reflection of overall portfolio size, at $1 billion, down 5.6 percent year over year, and finished the quarter at $951 million, down 6.7 percent. In short, our customers in the period paid down their lease balances at a faster rate than GMV grew, resulting in a lower portfolio balance for the quarter. Because Gross Leased Assets drive future period revenue, the smaller portfolio will serve as a headwind to revenue in the short term. As Steve stated, we expect our 2021 GMV growth to be in the mid to high teens, contributing to portfolio growth over the course of the year.

The Progressive Leasing segment's gross margin was 28.7 percent for the first quarter, versus 29.6 percent for the same period last year, a 90-basis point decline year-over-year, as the impact of 90-day buyouts drove gross margin lower and were offset by strong payment performance in the period.

SG&A expenses excluding write-offs for the Progressive Leasing segment were 72 million, 10.2 percent of revenues in the quarter compared to 10.4 percent in the prior year period. While investment in technology and product enhancements continues to ramp, we reduced levels of discretionary spend in the period consistent with prior periods impacted by COVID.

Progressive Leasing's write-offs, which have historically ranged between 6 to 8 percent on an annual basis, were 2.6 percent in Q1 of 2021 compared to 8.5 percent in the year-ago period. This quarter's results benefited from near historic low delinquencies at the end of the period and the strong portfolio performance previously mentioned. Of note, in the first quarter of 2020, we recorded 16.1 million in incremental reserves relating to the COVID pandemic. We continue to evaluate the appropriate levels of our reserves, based upon relevant historical and anticipated payment performance. In the period, we relieved the COVID reserves by 2.5 million as we are encouraged by the low delinquency levels we are seeing. While we expect near-term write-offs to be below our targeted annualized range, we anticipate a return to historical levels as macroeconomic conditions normalize over time.

Adjusted EBITDA for the Progressive Leasing segment was a first quarter record of 116.3 million, a 59.4 percent increase year-over-year and a 16.4 percent margin. The margin performance was primarily driven by improved portfolio performance and associated lower write-offs.

Pivoting to consolidated results:

Consolidated Adjusted EBITDA, including our Vive segment, was 118.1 million for the first quarter of 2021 compared to $62.6 million for the same period last year, an increase of 55.5 million or 88.7 percent. Adjusted EBITDA was 16.4 percent of revenue in the first quarter of 2021, up 700 basis points from the 9.4 percent in the first quarter of the prior year. GAAP EPS was 1 dollar 16 cents compared to 85 cents in the year-ago-period. Non-GAAP EPS was 1 dollar 22 cents compared to 41 cents for the same period in 2020.

Now turning to our balance sheet and liquidity profile. We generated 167.1 million in cash from operations in Q1. We ended the quarter with a cash position of 151.2 million and debt of 50 million. We have 300 million available under our revolving credit facility; we repurchased 28.1 million dollars of shares in the quarter and our remaining share repurchase authorization is 271.9 million.

Finally, as you may have seen in the earnings release, we provided outlook for the full year 2021. We expect consolidated revenues between 2.7 and 2.775 billion, adjusted EBITDA between 380 and 400 million, and non-GAAP EPS of three dollars and eighty cents to four dollars and five cents.

This outlook assumes strong customer payment activity, no additional stimulus, and no significant deterioration in the current retail environment throughout the remainder of the year. It also assumes a 25 percent tax rate and no additional share repurchases.

I'll now turn things over to the operator for the Q&A portion of our call. Operator?

QUESTION AND ANSWER

Operator
We will now begin the question and answer session. To ask a question, you may press Star, then 1 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 2.

Our first question is from Kyle Joseph of Jefferies. Please go ahead.

Kyle Joseph
Hey, good morning, guys. Congratulations on a strong recovery in the quarter.

Steve Michaels
Hey, Kyle.

Brian Garner
Thank you.

Kyle Joseph
I wanted to first touch base on GMV and just kind of get a sense for the cadence throughout the quarter. I know you guys--you guys mentioned last quarter that January and February were positive and there was some incremental impacts from the stimulus, but just give us a sense for how that looked in March and maybe into April.

Steve Michaels

Yeah, Kyle, thanks. Yeah, we said on the last call that through when we reported Q4, which was late February, we were up mid-single digits and that was from a small but muted impact from the January stimulus and then kind of coming into earnings for Q4, we had just--were in the middle or towards the tail end of a pretty severe weather event in Texas, along with, as you know, a very delayed and at that point muted tax season.

So, we--those things, as they usually do, kind of play themselves out and we were on track to deliver probably mid to high single digits of GMV for the quarter and then the March stimulus hit and we did see again what we've experienced before, which is kind of that sugar high in applications from liquidity that hits the consumers' accounts. And, that--each--it seems like each time we see it, it maybe is a little bit more fleeting or it doesn't last quite as long.

So, it did carry us a little bit into April and we're--but we're less concentrating on the impact of the stimulus and more on the things that we've done to help drive GMV on the decisioning front and on the product innovations front and promotional and marketing campaigns. So, we're happy with where--what we've printed for Q1 and excited about what we--what's going to happen the rest of the year.

Kyle Joseph
Got it. And, then GMV, there were a number of headwinds, particularly in the fourth quarter. Some of it was (INAUDIBLE) exposure, some of it was lapping challenging underwriting, and then again there was this click supply chain resolution. So, in the first quarter, it sounds like you had some good e-com growth and growth from retail partners, but did you--it doesn't sound like you necessarily experienced the real benefits of the reopening on the retail side of the business, if I'm reading your comments correctly.

Steve Michaels
Yeah, I mean, I think--you listed the headwinds that we experienced in 2020 correctly. We had store closures, we had limited in-store traffic, we had some supply chain disruptions, and we also had decisioning that we--decisions that we made on the decisioning front. So, we expect and (INAUDIBLE) headwinds to tailwinds, but we haven't experienced all of that yet. So, we believe that the back half, as the reopening happens more and as our e-com capabilities continue to expand, but also layered on top of that, people are out and in stores more frequently, we expect that those tailwinds will kick in more in the back half than they did certainly in the first quarter. So, we feel like we're set up pretty well.

Kyle Joseph
Got it. One last question from me and I'll hop back in the queue. But, obviously elevated buy-out activity from stimuluses, that's not surprising. But, can you walk us through your experience in 2020 when you saw stimulus kind of expire at the back half of July, like how long it took for buy-out activity to start to normalize in 2020 and your expectations for that kind of that are factored into your '21 guide this year?

Brian Garner
Yeah, Kyle, this is Brian. I can take that. Throughout 2020, I think throughout stimulus and even well after stimulus, we saw elevated 90 day buy-out activity and I think that speaks not only to stimulus, but to changes in consumer spending patterns that allowed them additional liquidity to exercise those buy-outs. So, really for the better part of the last 12 months, negative buy-outs have been elevated. I think going forward, our expectation is that they still remain elevated, certainly not at the rate that we saw here in Q1. I think it was abnormally high. I think it was the size of the stimulus and the magnitude of the checks that got cut to these households. So, it

was elevated Q1. I expect it to continue to be elevated and taper off throughout the year. But, your question about 2020 is we saw it really since March on elevated 90 day buy-outs.

Kyle Joseph
Got it. Thanks very much for answering my questions, guys.

Steve Michaels
Thanks, Kyle.

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

Jason Haas
Great, thanks for taking my questions and congrats on the great quarter. So, I wanted to dig into write-offs a little bit. I'm curious just what's implied in your guidance and just how you're thinking about that as we move through the year.

Brian Garner
Yeah, I'm happy to take that. Certainly, the rates that we're seeing here in Q1 and we'll be seeing over the last couple quarters are well below the 6 to 8 percent that we're accustomed to seeing. I think, obviously it's anybody's guess on when we return to normal and when the economy kind of gets back to the way--what we saw in 2019. But, the 2.6 percent that we posted here in Q1, my expectations for the year, that's our low point and we'll see somewhat of an increase as we move throughout the year. But, I think when it's all said and done for the year, we'll still post below that 6 to 8 percent, just given the event dynamics that are at play, the consumer health that we are seeing, and really the liquidity that seems to be in the market right now. So, that would be my expectation is somewhere below the 6 to 8 percent, but not hovering at least 2 and a half pushout (SP) levels.

Jason Haas
Got it, thanks. And, then as a follow up, change of topics a bit, I'm curious if you can speak to the growth that you're seeing in e-commerce. You made really fantastic progress there, so I'm just curious since you laid out a target for the low to mid-teens penetration for the year, if that's still the right framework or if there's potentially upside to that now.

Steve Michaels
Yeah, Jason, thank you. Yeah, we're very pleased with our e-commerce business. It's a big business just by itself and we've got great partners there and a lot more to come on the roadmap, not only with existing partners, but with some exciting new--the new opportunities that we're working on.

So, we're not changing the guide. The guide is more than doubling from last year. Obviously, last year ramped, so we're not expecting the--whatever that number is, 740 percent year over year increase each quarter, but we're expecting a really big growth in e-com this year. And, there's certainly upside, but what we're trying to do is grow the entire pie. So, we also want to grow the GMV on the rest of the channel, so that'll be some of the interplay is the overall GMV growth compared to the e-com channel GMV growth.

And, as we said last quarter, we expect e-com GMV will grow faster than overall for a while to come now, but we're not targeting a particular balance of sale from any channel because we want the customer to dictate how and when they want to engage with us and ultimately, we believe that in almost every shopping journey, there will be interaction with our digital channels, but it doesn't necessarily mean that the customer will choose to check out online or through the app. And, that's okay. We're not directing them one place or another. So, we're pleased with e-com. There's massive upside and opportunity for us there and we look forward to continuing to report our exciting results.

Jason Haas
Got it. That makes a lot of sense. Thanks.

Operator
The next question is from Alex Maroccia of Berenberg. Please go ahead.

Alex Maroccia
Hi, good morning, guys. Thanks for taking my questions. First one is on improved customer payments. As we get to the back half of the year, have you thought about a scenario where 90 day buy-outs return to normal while monthly payment activity remains high? And, how beneficial would that be for margins?

Brian Garner
Yeah, so with respect to 90 days, 90 days actually put down more pressure on margins overall and the reason why, as I said in my prepared remarks, I mean, the reason why we're seeing 16 plus percent overall EBITDA margins is that dilutive impact of those elevated 90 days are effectively being offset by near record low write-offs and just overall health of the consumer.

And, so there's really that kind of give and take going on with P&L right now within our dispositions. In isolation, 90 days are dilutive but the net result has been strong portfolio health and higher cash on cash returns. So, in the event that 90 days continue to be elevated, which within our guidance, we anticipate an element of that. We also anticipate that the write-offs will be below our historical ranges, like we talked about and I think the net result is for the year, as really implied in the guidance that we gave, is pretty strong EBITDA margins overall, an uptick a little bit from what we've seen historically.

So, that's kind of what's baked into the guidance and how I'm thinking about or how we're thinking about the 90 day dynamic in conjunction with overall portfolio performance and write-offs.

Alex Maroccia
And, the 90 day buy-outs basically go back to normal, but we still see better than average payment activity. Would that be a material margin benefit in the back half?

Brian Garner
Yeah, that'd be a benefit if it went back to normal and the payment activity was to a magnitude higher. That would be a scenario that would work out well for us.

Alex Maroccia
Okay, got it. And, secondly, can you just give us a sense of strength in various categories and if any products might have been abnormally weak that can reverse in the coming quarters?

Steve Michaels
Yeah, I mean, we saw strength in mobile, we saw strength in jewelry, we saw strength across most of the categories. We had various, or sporadic I would call it, supply chain issues

continuing in some of the furniture categories. That was not widespread across the entire category, but in some of the retail partners, we still saw that. And, so we look forward to that easing as well in the rest of the year. But, just pretty good strength across the categories.

Alex Maroccia
All right, that's great, I appreciate it.

Steve Michaels
Thank you, Alex.

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

Brad Thomas
Hi, good morning. Nice quarter. I got on a few minutes late, getting off of another earnings call. I apologize if you addressed this. But, when we think about the GMV growth as 10.4 percent, I know you can't know this for sure, but do you have any estimate of perhaps how much of a benefit or risk you got because of all the stimulus that was occurring in and around the quarter?

Steve Michaels
Yeah, Brad. Steve--this is Steve. We talked about that, but just briefly, we--as we said on the call in February, we were mid-single digits of quarter to date. We believe that we would have ended the quarter mid to high single digits up were it not for the March stimulus and then with that stimulus, we ended up with the 10.4 percent print. So, some prove to be somewhat beneficial, but not the entire story.

Brad Thomas
That's helpful. And, you've obviously given clear revenue guidance for the year. How are you thinking about GMV trends trending in the quarters ahead here?

Steve Michaels
Yeah, not in the earnings release but in the prepared remarks, we did say that we believed GMV would come in in the mid to high teens for the year and that would imply that we printed the lowest quarter of growth already.

Brad Thomas
That's really encouraging. And, my last point, just on operationally how things are working, as you talk to your partners, particularly your biggest partners, last year is a year that they obviously had to focus on operations and COVID. As you talk to them about taking tools from the Progressive toolkit and leaning in and promoting and making customers aware of Progressive, what are you hearing and how optimistic are you about your partners better utilizing Progressive here this year?

Steve Michaels
Yeah, that's actually a very exciting front for us, because we've seen that already and we've seen that in the wild and in Q1 and we have good plans partnering with the partners and their marketing teams. We've seen--to your question, we've seen partners that have not historically reached for some of our tools in our toolkit, actually doing that, and that's encouraging. We've seen some co-branded marketing campaigns that the retailers hadn't been interested in doing in the past, which is great, drives GMV for them and for us. We've seen some cooperative reduced IP type promotions.

And, so we've got, as you know, we have a stable, or a suite of solutions that they can reach for and we're talking to them all the time about that and we're having a lot of luck and we've seen that already and we've got good plans on the calendar for the rest of the year that we're excited about.

Brad Thomas
That's really encouraging. Thank you so much, Steve.

Steve Michaels
Thanks, Brad.

Operator
As a reminder, if you have a question, please press Star, then 1. The next question is from Bobby Griffin of Raymond James. Please go ahead.

Bobby Griffin
Good morning, everybody. Congrats on the quarter and thank you for taking my questions. Steve, I want you to circle back up on GMV growth, targeting mid-teens. The two year stack, though, does step down if you do mid-teens versus kind of what you just printed in 1Q. Is that just a function of some uncertainty and stimulus wearing off and kind of not having a crystal ball into the environment, or are you seeing something different inside the customers that we should think about as well?

Steve Michaels
Well, yeah, Bobby, I mean, mid to high teens is--we think is pretty strong and we certainly aren't going to be satisfied with how we're going to work to make it more than that. From a two year stack standpoint, you've got to remember what happened in the back half of '19. We had really accelerated GMV growth in the back half of '19, culminating with a 35.8 percent GMV growth in Q4. So, the quantum and the numbers in dollars really get large when you start doing that two year stack, and so that has certainly an influence on the growth rates this year, the--from a dollar standpoint, the GMV trough in dollar terms in Q2 of 2020--

Bobby Griffin
--Yep.--

Steve Michaels
--And, so we'll expect that Q2 will be our fastest growth rate in percentage terms, but we're looking for really strong growth in the back half as well and I think it has more of a function to do with what the base number is, going all the way back to '18 on a two year stack than it does on what our excitement is or our expectations are for the back half of '21.

Bobby Griffin
All right, that makes sense. It's very helpful and very fair points with that 34 percent there in 4Q of '19. In building out that kind of GMV expectation, can you talk a little bit--I mean, we've talked a lot about building up the e-commerce platforms for some of your big partners, as well as maybe getting some of the technology where you could be the plug and play type things on some other platforms. Can you update us on how those initiatives are going and what's assumed on timing of those to hit that mid-teens number?

Steve Michaels

Yeah, so from a development standpoint, we've already got some of the plug-ins in the wild and I think we put a release out on that in March. We're still on track to have basically the suite of platform plug-ins by the end of Q2 and we think that that will be--we know that'll be helpful. I'm not sure exactly how much GMV that will drive actually in '21, but it's certainly foundational efforts that we are working hard on to keep the GMV machine growing into '22.

As it relates to our larger POS partners, we're working with them diligently. The tech teams are in constant contact. We don't control the timing of that completely because obviously when it comes to a custom integration, it's not just us throwing an API over the fence. It's a little bit more complicated than that. And, so we're working with them and we expect--we still have strong belief that we're going to be live in the checkout cart with most of our retail partners in '21.

But, as the year gets deeper, it is probably less impactful to the '21 GMV and more of a '22 story. So, we think that there's big upside there, but the numbers that we're looking for in '21 are not reliant on really large deliverables from those projects, because they're probably more '22 projects. I mean, they're '21 projects, but they'll deliver the GMV in '22.

Bobby Griffin
All right, that's very helpful. And, I guess lastly for me is just a high level industry type question. Clearly, a lot of activity, new companies in the industry, capital getting thrown at the space, I mean, what are you--what is that driving in terms of what you're seeing for competing for customers, holding onto your current customers? I mean, have you seen the competitive environment drastically increase or has this kind of always been the case in the virtual rent to own space, we just didn't see it as well because most of these small players were private before and doing kind of more quiet fundraising and different things like that?

Steve Michaels
Maybe a little bit of both. I mean, it's always been a competitive space and we've talked extensively about how it's competitive in the S&B space in the regions and that hasn't changed. And, we expect that won't change in the future.

On the enterprise side, on the larger accounts, it's been a different story. But, we expect we'll see some of these competitors that you're referring to more in the future than we saw in the past. There has been some excitement around this space, but in the grand scheme of things, it's been a fairly short period of time. So, can't say that we've seen material changes yet, but we are--we're not resting because we're expecting that to happen and we're prepared to show well.

Bobby Griffin
Okay, I appreciate the details. Best of luck here in the second quarter and remainder of the year.

Steve Michaels
Thanks, Bobby.

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

Michael Young
Hey, good morning. Thanks for taking the question. I actually wanted to start with the first one, a follow up to Bobby's question. Just as you see kind of the increased adaptation of BNPL, etc. across the industry, are you seeing increased awareness of the product or maybe an increased desire for new partners to find a partner? And, is that helping at all in the sales front?

Steve Michaels
Yeah, I would--so that's a great observation. I mean, I think generally, COVID was an interesting year because of BNPL and basically it blew up. Whenever we have an educated retailer that understands the power of a fully developed finance stack, that's a good thing for us, especially if they don't have a lease to own solution. So, it certainly shortens the sale cycle when you're--there's always an education process and we're happy to do that and we're happy to talk about the voice of the customer work and how the customer feels about lease to own and how they feel about the retailer's brand for offering lease to own.

But, to your point, when they--if they've looked at a BNPL product, then--or actually installed one or have one, it--that means that they're very educated on the full--on the power of the stack. Now, on the flipside, it can actually take some mindshare and some debt resources and that can be a competing priority, and it's our job to say, "Well listen, that product is a good product and we think you should have it, but listen, the size of the price for LTO is larger, so we think you should prioritize this ahead of that."

And, that's always a dance within any organization is the prioritization stack, especially when it comes to sprints in development cycles. But, on the whole, I would say it's been positive for us and for the sales cycle, just having a more knowledgeable potential retailer prospect.

Michael Young
Thanks, that's great color. And, maybe as just a follow up, if you could talk maybe just about the pipeline of potential new partners. I know after the spin, that was kind of a focus to expand out. So, just any kind of color you can give on how that's going, particularly with maybe some getting back to normal. Maybe there's more resources and mental space, I think, for the partners to consider options of expansion.

Steve Michaels
Yeah, I mean, we don't comment on names in the pipeline, but I can tell you that we're--that the pipeline is great and we're talking to people all over the spectrum, from the A accounts and the brands and logos that you have in your head, all the way down to super regionals and S&B accounts, and we've got teams that are focused and incentivized across the spectrum.

The pipeline is good. We have expectations for pipeline conversion. I will tell you, it won't come as a surprise, but the larger the account, the--not only the longer the sales cycle, but the longer the implementation cycle is, and we're working hard to get that--to shorten that. But, we could have a win this summer that you may not hear about until 2022, but we're constantly--it's our job to constantly be feeding that engine. So, we're very excited about the pipeline and some near term and some intermediate and longer term opportunities that we've got.

Michael Young
Okay. And, maybe one last one if I can sneak it in just on EBITDA. Just trying to think about kind of the puts and takes, not from a GMV perspective, but more from just an investment perspective in technology and anything that maybe COVID related that has been in or out of the run rate that will be coming back as we reopen.

Brian Garner
Yeah, I can take that. I mean, one of the--the approach we've taken throughout COVID and one we continue to intend to take is protect that investment layer. That--while we pull back on

discretionary spend, the technology investment that we made throughout 2020 continues to ramp and that's going to be an ongoing dynamic into 2021.

So, really what I think you'll see as you move back more towards a normalized SG&A as a percentage of revenue is a step forward in perhaps some discretionary spend and things like that have been pulled back pretty tight over the course of the last 12 months. But, I think the--SG&A as a percentage of revenue, you'll see probably trend closer to 2019 levels. But, the technology in product spend has been tacked and we continue to layer on.

We've also add--as we mentioned on prior calls, incremental public company costs. Roughly $10 million or so you'll see wrapped up into that number. So, that's what I'd expect from an opex standpoint moving forward is probably more closely aligned with 2019 levels of spend relative to revenue.

Michael Young
Okay, great, thanks.

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

Anthony Chukumba
Morning, thanks for taking my question and congrats on a really strong start to 2021. So, I guess my first question, I'm just sort of trying to reconcile this because I know last year was sort of this perfect storm and everything that could have gone wrong from a GMV growth perspective kind of went wrong, and one thing you talked about was the fact there was all this fiscal stimulus and it seemed like that was a headwind, right? In other words, I've got this check burning a hole in my pocket, maybe I don't need to do lease to own. I make my payment, but maybe I don't originate a new lease.

But, now it seems like you're saying that stimulus was a bit of a tailwind where you were doing sort of mid to high single digit GMV and then the stimulus hit and then that got you to a 10.4 percent. So, I guess I'm just trying to reconcile those two things. Thanks.

Steve Michaels
Yeah, Anthony, that's fair. I mean, it's not really different than what we experienced last year and it was just--it's more difficult to parse out because last year, the stimulus was right in the depths of the pandemic. But, we saw very similar trends.

So, you get this--and for lack of a better term, we call it sugar high when the checks hit and you can see it through the--we have hourly application trackers in our business intelligence tools and you can see the apps just--despite when the ACHs hit the account and our contact centers light up with calls, and that happens so apps are leading indicators to the GMV. And, so you'd see kind of a spike in apps for--last year, it was maybe two weeks or three weeks and then earlier this year, it was about 10 days and then in March, it was maybe seven days. So, it seems to be muted each time.

What we were talking about from a headwind standpoint from the back half of 2020 was less--we talked about it as stimulus, but it was more about just increased liquidity that the consumer has from the shelter in place for lack of a better term because they didn't have as many things pulling on their disposable income. They weren't going to movies, they weren't going to ballgames, they may not have been eating out as often, they weren't traveling. And, so maybe they weren't paying their rent, but we don't know. From a liquidity standpoint, they were just a little bit more flush.

The thing that I think is different this year and it remains to be seen how it plays out is stimulus in the face of a reopening economy and the pressures that our consumer would generally have on their income. So, built into our outlook is not additional stimulus and we know there's continued enhanced unemployment that goes through, I think August through September and some other things. But, that check that landed on top of a normal tax season, that was kind of like a sugar high and then we expect the other headwinds that we had facing us in 2020 to dissipate and the reopening and the in-store traffic and our decisioning and the things that we control to overcome any lingering effects of less point of sale payment usage to drive a new GMV growth for us.

Anthony Chukumba
Got it. No, that's a helpful clarification. So, just sort of a related question, so as we think about the second quarter, I guess the next few quarters, if health conditions get back to normal and people aren't all cooped up in their home and they're going out to movie theaters and they're going out to restaurants and maybe they go on vacation, that should help because they have less money to buy stuff and they're also going to have to rely more on lease to own. And, then obviously if retail stores are open and you're going to be anniversarying your biggest quarter of your retail partner stores being closed, that should help as well. I mean, is that the right way to kind of think about it? I mean, I know there's other moving parts, but is that the right way to think about just those two components?

Steve Michaels
Yeah, I mean, I think you got it. We know--we thought for a couple quarters that we're rooting for a return to normal because people, they need the flexibility of a lease to own. They need a pay it forward type product. They like the flexibility that it offers and in a normal operating environment, point of sale payment options are a very flexible and convenient way for people to acquire goods, and we expect that will basically--normal behavior will come back, and so that would be a tailwind for us.

And, then we've got the other things like the decisioning and other things that we have done and other initiatives like e-com and things that we're leaning into that I think would--that'll kind of overlay on top of that.

Anthony Chukumba
Okay, got it. And, at the risk of bogarting the earnings call, just one quick follow up just because you mentioned it, so it just kind of jumped into my head. Any sense for--you mentioned that decisioning got back to sort of pre-pandemic approval rates, if I heard that correctly. Any sense for how much of a contributor that was to GMV growth?

Steve Michaels
Yeah, I don't think we're going to parse it that way, but we're comfortable--well, we were comfortable with the decision we made last year. We've made the appropriate adjustments to prudently help with growth this year. We're in a good spot right now. Our approval rates are a little bit higher. Approval amounts are higher too, which matters, and approval amount is maybe not as but it's very important in the overall portfolio performance and we've been able to increase approval amounts, which helps with average ticket, which helps our partners and us.

We'll always look for other--or more ways to say yes to people and say yes for more dollars to the right people. And, we look--that's a strategic advantage that our (INAUDIBLE) science teams brings to us. But, as far as what has contributed in Q1, we're not going to comment on that.

Anthony Chukumba
Fair enough. Keep up the good work, guys. Thank you so much.

Steve Michaels
Appreciate it, Anthony. Thank you.

Operator
That concludes our Q&A portion. I now turn the call over to Steve Michaels for closing comments. Steve?

CONCLUSION

Steve Michaels
Thank you, everyone, for joining us today. We certainly appreciate your interest in PROG Holdings. Our team is super excited about our momentum and our opportunity to continue Progressive's impressive history of growth and innovation. I want to thank all of PROG Nation for their tireless efforts to innovate and simplify, which is one of our core values, on behalf of our customers and retail partners, and we look forward to updating you next quarter.

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