

**PROG Holdings Q3 Earnings Conference Call**  
**October 28, 2026**

**Corporate Speakers**

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

**Participants**

- Kyle Joseph; Stephens; Analyst
- John Hecht; Jefferies; Analyst
- Hal Goetsch; B. Riley Securities; Analyst
- Bobby Griffin; Raymond James; Analyst
- Brad Thomas; KeyBanc Capital Markets; Analyst
- Hoang Nguyen; TD Cowen; Analyst
- Casey Coates; Loop Capital Markets; Analyst

**PRESENTATION**

Operator^ Good day. And thank you for standing by. Welcome to the PROG Holdings Third Quarter Earnings Conference Call. (Operator Instructions). Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, John Baugh, Vice President of Investor Relations. Sir, please go ahead.

John Baugh^ Thank you. And good morning, everyone. Welcome to the PROG Holdings third quarter 2026 earnings call. Joining me this morning are Steve 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](http://investor.progholdings.com).

During this call certain statements we make will be forward looking including comments regarding our revised 2026 full year outlook and our outlook for the fourth 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 which could cause actual results to differ materially from those contained in the forward-looking statements.

We undertake no obligation to update any such statements. On today's call we will be referring to certain non-GAAP financial measures including adjusted EBITDA and non-GAAP EPS which have been adjusted for certain items which may affect the comparability of our performance with other companies. These non-GAAP measures are detailed in the reconciliation tables included with our earnings release.

The company believes that these non-GAAP financial measures provide meaningful insight into the company's operational performance and cash flows and provides these measures to investors to help facilitate comparisons of operating results with prior periods and to assist them in understanding the company's ongoing operational performance. With that, I would like to turn the call over to Steve Michaels, PROG Holdings President and Chief Executive Officer. Steve?

Steven Michaels^ Thank you, John. And good morning, everyone. I appreciate everyone taking the time to be with us today. I want to start with the quarter highlights. PROG Holdings delivered strong top line growth with every business in our ecosystem contributing. At the consolidated level, GMV grew 59% year-over-year, matching the pace we set in the second quarter.

Revenue grew roughly 26% and with non-GAAP EPS of \$1.06, up 21.8% year-over-year. All of those growth metrics include the contribution of our purchasing power business which we acquired in January 2026. Progressive Leasing, we grew GMV in the low single digits, even after tightening our decisioning posture, a sign of real underlying demand.

Additionally, our gross lease asset balance the leading indicator of future revenue was higher year-over-year at quarter end. At Four, GMV grew triple digits for its 12th consecutive quarter, and it did so profitably with a quarter-over-quarter step-up in adjusted EBITDA margin. And at purchasing power, we delivered double-digit GMV growth. Producing this kind of top line growth while deliberately tightening our decisioning is exactly what a diversified, disciplined platform is built to do.

Taken together, that performance put our consolidated results within the outlook ranges we provided for the third quarter with revenue and non-GAAP EPS landing near the midpoint. Adjusted EBITDA came in towards the lower end of its range. Drivers landing us at the lower end of that range were concentrated in leasing and largely reflect headwinds we expect to be temporary as our portfolio quickly turns over following our recent tightening actions.

As a reminder, we tightened our decisioning for the leasing business late in the second quarter and we implemented some additional tightening actions since our last earnings call as the pressures on our customer persisted and in pockets even intensified. The impact on adjusted EBITDA traces to two factors in our leasing portfolio.

The first is a reflection of an improving customer profile on our newer post tightening lease pools improved payment behavior resulted in more customers exercising their 90-day purchase option than we had expected which compresses near-term yield. The second factor is on our older pre-tightening pools. Those customers have proven remarkably resilient, but a prolonged stretch of elevated inflation exacerbated by higher gas prices since March has worn on their day-to-day liquidity which creates a headwind to portfolio yield.

One framing point before I turn to the businesses. The customer pressure we are seeing is showing up differently across our three segments, and that dispersion is one of the benefits of the ecosystem we are building. It shows up in different ways and to different degrees across leasing for and purchasing power, each serving a distinct customer need at a distinct price point. Having a range of products that have the ability to respond differently to the same macro pressures is why the consolidated result held steady even as one of the businesses in this as leasing or through a headwind.

Our ecosystem of offering does two things for us. The first is resilience which I just described, a range of products that respond differently to the same macro environment. The second and increasingly, the more powerful one is growth, and it's where we believe our durable long-term advantage lives, the same customer engaging with more than one of our products. A number of customers actively engaged with more than one of our products has grown since

January, and these multiproduct customers now represent a more meaningful percent of our total active base.

We expect to compound this share over time and it matters more than the numbers suggest. Customers who use more than one PROG product tend to transact with us more frequently and stay with us longer every shopper we add to Four, every client account we bring on through purchasing power and every lease we originate widens the top of that funnel and creates another opportunity to serve the same customer across more of their financial life.

That's the flywheel we've been building, and we are optimistic about the early momentum. The strength of that flywheel comes from each business that feeds it. So let me take you through them, starting with Progressive Leasing. Progressive Leasing GMV grew low single digits year-over-year with September being the strongest month of the quarter, a trajectory we like heading into the fourth quarter.

As I mentioned, an important number is the gross lease asset balance which turned positive year-over-year at quarter end for the first time since April 2025. For a business where revenue is a function of the size of its lease book, that is the inflection we've been working toward and it tells us the revenue cost is set to turn. Let me put that group in context.

We tightened our decisioning late in the second quarter and during the third quarter, and even so, leasing grew despite that pullback. Growing through tightening is exactly the kind of signal we want because it tells us the expansion is coming from wider distribution, deeper share with our retail partners and a real customer demand not a relaxation of our standards. Proof is in our approval rates which are down nearly 300 basis points year-over-year, both in the quarter and year-to-date.

We are increasing share and growing the book while holding the line on who we approve. On portfolio performance, lease merchandise write-offs came in at 8.3% of progressive leasing revenue a slight improvement versus last quarter. As we discussed in July, the second and third quarters are seasonally our two highest write-off periods and with the GMV growth from the last two quarters, some elevation is expected. And that is how it played out.

We will adjust as needed, and we believe we will land near the high end of our 6% to 8% targeted annual range. Also want to place today's leasing portfolio in the context of where it was a few years ago. Measured against the last Simon inflation spike hit our customer, our leasing gross margin is up, on average, over 200 basis points. The model we are running today is structurally stronger than the one that navigated the last inflation shock, a durable well-managed business inflecting back to growth, not a declining one.

And we continue to invest in the customer experience to keep it that way. Those investments are already showing up in the numbers. In the quarter, we shortened the application process for returning customers by an average of three to four minutes while continuing to provide applicants for fulsome and transparent disclosures. Now on the marketing front, by personalizing the language and messaging customers see we lifted application submissions by double digits.

Our direct-to-consumer and digital efforts across Progressive Leasing's marketplace app and e-commerce were meaningful contributors, supported by our personalized marketing. Year-over-year, PROG Marketplace GMV grew 85% in the third quarter and approximately 128%

year-to-date continuing to reinforce its role as a complementary channel that strengthens our retail ecosystem and expand customer engagement opportunities.

Our e-commerce channel also gained ground, supported by an improved digital experience, reaching 26.4% of Progressive Leasing GMV in the quarter, up from 23% a year ago. Before I move on from Progressive Leasing, a brief word on business development. We feel good about our retail partner pipeline and the progress the team has made this year. We see near-term opportunity even with the window shortening in which decisions get made ahead of holiday readiness. We like how we are positioned and encouraged by where things stand.

We will have more to share when it is appropriate. At Four, we delivered the 12th consecutive quarter of triple-digit GMV growth at 103% and did so profitably. Revenue grew 113.8% year-over-year to \$37 million, and it generated \$11.4 million of adjusted EBITDA, a 30.6% margin that stepped up from the second quarter. The scale here is compounding fast.

From under \$15 million of total GMV in 2021, Four is on track to grow roughly 100 fold in just five years. That growth is increasingly powered by returning customers who make up the large majority of orders, while average order value rose over 10% year-over-year as shoppers bought across newly added categories and we're pairing that loyalty with efficient organic and paid acquisition, reinforced by this year's investments in engagement, a catalog passed 37 million items and more flexible ways to pay.

Importantly, Four is achieving this growth while responsibly underwriting applicants separately on each transaction. Forest customer engagement is showing up across the metrics that matter. Average purchase frequency held at roughly five transactions per quarter and active shoppers grew roughly 68% year-over-year. Four's plus [ph] subscribers are contributing approximately 80% of total GMV, a clear signal that customers are finding value in the offering.

Four's take rate which we define as revenue as a percentage of GMV over the trailing 12-month period was 10.8% and up from 10.7% in the third quarter of last year. Four continues to sharpen its underwriting as well. Its Q3 provision as a percentage of GMV decreased approximately 100 basis points compared to the same period last year.

This quarter, we put an enhanced underwriting model into production built on a deeper set of applicant attributes which in testing cut more potential credit loss without declining additional business. AI is also improving how Four serves customers. FourBot [ph], Four's AI support agent now handles Four Plus cancellations and refunds end to end which is our first support flow that issues refunds automatically within defined eligibility rules.

In early September, FourBot [ph] resolved approximately 90% of refund claims without human intervention. And our analysis shows that customers who contact support or file a claim keep ordering at the same or higher rates as those who never reach out a sign of these interactions or building loyalty, not eroding it. Unit economics are healthy. The business is scaling rapidly and profitably and Four is increasingly a front door into the broader PROG ecosystem.

We could not be more pleased with this growth or the quality of what's driving. Purchasing power had a strong quarter, generating \$161.2 million of GMV which is a 12.3% growth compared to the same period last year. Adjusted EBITDA rose sequentially to \$12.9 million or

9.8% of revenue which is a step-up from the 8.1% achieved in the second quarter as it moves into its seasonally strongest period.

Subsequent to quarter end, Purchasing Power signed a large new client with over 50,000 eligibles which we expect to launch in Q1. And as a reminder, Purchasing Power signed a large 80,000 eligibles employer in July that we expect to launch in Q4. Purchasing Power is performing as expected when we brought it into the portfolio, adding a resilient recurring payment business that broadens our reach and deepen the ecosystem.

Lastly, we are ahead of schedule in capturing the operational efficiencies we identified during the acquisition and on track with integration of systems and streamlining processes. Now I want to touch on capital allocation. During the quarter, we repurchased 885,000 shares for \$36.7 million.

We brought debt down again sequentially, and we ended the quarter with a net leverage ratio of 1.5 times. Returning capital at this pace while continuing to fund growth and improved net leverage reflects both the strength of our balance sheet and our conviction in where this business is headed.

Our capital allocation priorities remain unchanged, reinvest in the business, pursue strategic M&A and returned excess capital to shareholders through share repurchases and dividends. Brian will take you through our updated full year outlook in a moment. We have reduced our revenue and earnings dollar ranges to reflect the challenged consumer we saw this quarter which we expect will continue through the balance of the year.

But I want to put that in perspective because I think it is a very important point. The midpoint of our revised adjusted EBITDA outlook is now at the high end of the initial range we gave in February. When we set that original outlook, we did not anticipate the conflicts in the Middle East or its effect on gas and other input prices for our consumers. Even so, after a year of real pressure on our consumer, we still expect to deliver the best case we laid out at the start of the year. That reflects this team's execution and the resilience of the platform we've built.

It's why I'm confident in where we're headed. And we are putting capital behind that confidence. This morning, we announced our intent to enter into a \$100 million accelerated share repurchase program, under which we expect to receive an initial delivery of approximately 2.7 million shares which will be an immediate benefit to WASO and EPS. The final number of shares repurchased will be determined based on our volume weighted average share price over the course of the program.

In connection with this expected ASR program, our Board replenished our share repurchase program, bringing the total amount available for future repurchases to \$500 million giving us substantial capacity to keep returning capital to shareholders in the years ahead. Let me speak to why and why now because the timing is deliberate. Two things give us both the room and the conviction to act.

First, the balance sheet, having repaid \$260 million of recourse debt since the Purchasing Power acquisition in January, and having a return to within our targeted net leverage range, we have the flexibility to return meaningful capital without pulling back on our growth investments.

Second, our conviction in this business Progressive Leasing's portfolio is short in duration which means it turns over quickly and gives us clear current visibility into how it is performing and the ability to adjust in real time. Nothing we have experienced in this environment dampens our optimism for the long-term prospects of that business. If anything, it reinforces that the model is working as intended. The fundamentals are strong. The model is proven and our ecosystem is contributing.

Even as we take a more cautious near-term view on the macro and bring down our adjusted EBITDA range, our belief in the long-term earnings power and cash flow generation of this business is unwavering committing to returning capital to shareholders at this scale is a clear indication of that confidence.

We believe we remain on track to achieve the three-year compound annual growth targets we laid out at our Investor Day in March across all metrics. This accelerated share repurchase program is expected to be accretive to our 2027 earnings per share, and we would not be acting at this scale if we are not confident in the earnings power of this business in 2027 and beyond. With that, I'll turn it over to Brian. Brian?

Brian Garner^ Thanks, Steve. And good morning, everyone. Before I move through the results, let me headline the quarter. As Steve said, this is a quarter of strong profitable top line growth in the face of intense macro headwinds and further tightening in our decisioning posture. The diversified platform absorbed pressure in the progressive leasing portfolio and still delivered revenue, EBITDA and EPS within our outlook ranges for Q3.

I'll begin with some commentary on the Progressive Leasing segment before moving through the rest of our results. Starting with Progressive Leasing. GMV grew 2.3% year-over-year to \$420.4 million, the continuation of the positive trajectory that began earlier this year even after the tightening we deployed late in the second quarter and again since our last earnings call. I'll also note that GMV showed acceleration exiting the quarter with September posting the strongest month of the quarter.

As we analyze the growth trajectory of the business, a key metric turned positive this quarter. Our gross leased asset balance grew for the first time since April of 2025. As revenue follows that asset base, this represents a positive trajectory for Progressive Leasing revenue. Revenue for the leasing segment was \$552.7 million down 0.7% year-over-year compared to down 3.4% last quarter, a clear sequential improvement in the comp, and we expect revenue to comp positively in the fourth quarter as the asset base rebuilds.

Progressive Leasing gross margin came in at 31.8%, down 20 basis points year-over-year and step down from the unusually strong gross margin performance we saw in the second quarter. I want to provide some additional color on the headwind we saw in the portfolio yield for the leasing business in the third quarter. As you may recall in Q2, we experienced favorable portfolio yield dynamics where we saw gross margins and EBITDA margins at elevated levels even as higher delinquencies driven by macro challenges for our consumer played through the portfolio.

The overall mix of lower 90-day buyout rates and customers staying in their leases longer, more than offset some of the delinquency pressures we had observed. Further, we deployed iterative tightening measures in Q2 and early Q3 aimed at improving write-off rates. That tailwind subsided during the third quarter. As we began to see the mix of lease outcomes

begin to decline from Q2 levels including 90-day buyouts trending higher on the post tightening pools.

At the same time delinquencies continue to be impacted by persistent inflation driven in part by higher fuel prices, particularly on the pre-tightening pools. The net result was the pressure on the lease portfolio we saw in the quarter. As Steve mentioned, Progressive Leasing took incremental tightening steps since the July earnings call but we do not believe these changes alter our ability to deliver GMV growth in Q4 and beyond as we remain focused on growing our gross leased asset balance.

I'll also note that Progressive Leasing's decisioning posture and approval rates are more conservative year-over-year, but we are still expecting to grow against that dynamic. Finally, as we have seen over the years, the short duration of the leasing portfolio allows us to quickly alter performance to remain within our long-held guardrails. We believe we have taken the correct tightening actions and will monitor lease portfolio performance in the periods ahead.

Write-offs in the quarter came in at 8.3% of leasing revenue versus 8.4% in the second quarter and 7.4% a year ago. The year-over-year comparison looks elevated largely because of the significant tightening in Q1 of a year ago and the more intense macro headwinds our customers face. We are monitoring payment behavior, delinquencies and vintage level performance continuously.

We expect full year 2026 leasing write-offs to land near the high end of our targeted annual range of 6% to 8%. Progressive Leasing's SG&A for the quarter was \$83 million or 15.2% of revenue as we balance cost control with targeted investment in technology, customer experience and AI. Turning to Four Technologies. GMV grew nearly 103% year-over-year to \$330.4 million and segment revenue more than doubled to \$37.2 million. The key financial point on for is that this growth is both profitable and well controlled.

We recognize expected losses upfront as we originate and loss performance is tracking in line with our seasonal expectations. As Steve noted, the enhanced underwriting model we rolled out earlier this year is already proving out. For loss provision as a percentage of GMV improved by roughly 100 basis points year-over-year while achieving this impressive growth trajectory.

For generated adjusted EBITDA of \$11.4 million or 30.6% margin and a step up from the second quarter. So it is pairing rapid scale with healthy and improving unit economics and is increasingly meaningful to the consolidated model. Purchasing power generated GMV of \$161.2 million, delivering double-digit growth revenue of \$131.8 million and adjusted EBITDA of \$12.9 million or 9.8% of revenue, up from 8.1% last quarter. The seasonal strength of the fourth quarter is still ahead of us.

The drivers of the sequential improvement were operating leverage as we captured efficiencies. Favorable product mix which lifted margin and lower interest expense on securitized debt as we paid down a portion of the remaining warehouse facility with our excess cash. As a reminder, we treat that ABS interest expense as a form of cost of operations, so Purchasing Power segment adjusted EBITDA is burdened by that cost.

Purchasing Power was acquired at the start of this year so it did not contribute to the prior year consolidated base in our financial reporting. Moving to consolidated results. GMV grew

59% year-over-year to \$912 million and revenue from continuing operations grew roughly 26% to \$725.8 million. This year-over-year revenue performance was driven by the addition of Purchasing Power and triple-digit growth partially offset by progressive leasing.

Consolidated adjusted EBITDA was \$80 million, representing an 11% margin and non-GAAP diluted EPS was \$1.06, up 21.8% year-over-year. Turning to the balance sheet. We ended the quarter with \$108.9 million of unrestricted cash and total available liquidity of \$458.9 million including our revolving credit facility. Recourse debt was at \$600 million. And since closing the Purchase Power acquisition, we have paid down \$260 million of recourse debt, bringing our net leverage ratio to 1.5x trailing 12-month adjusted EBITDA.

We have now operated within our long-term target range of 1.5 to 2 time for three consecutive quarters, having stepped down quickly after the Purchasing Power acquisition in January of 2026. The result is a balance sheet that gives us real flexibility, the capacity to keep investing in our growth priorities to pursue selective value-creating opportunities and to return capital to shareholders, all while preserving the financial strength to navigate a dynamic consumer environment from a position of confidence.

We also returned capital to shareholders during the quarter. We paid our quarterly dividend of \$0.14 per share and repurchased 885,000 shares at an average price of \$41.47. We continue to evaluate opportunity to return capital to shareholders while funding GMV growth across the business. The intended accelerated share repurchase program, Steve mentioned, reflects the same discipline, putting the balance sheet to work while preserving capacity to keep funding growth across the platform.

I'll now touch on some key aspects of our revised full year outlook, providing this morning's release. We're taking a prudent view of the consumer as we close out the year. The payment and buyout behavior we saw this quarter tells us households are still absorbing the cumulative effect of several years of elevated prices as well as the significant increase in the fuel prices since March of 2026 and we think it's appropriate to reflect that caution rather than count on sharp fourth quarter improvement.

As a result, we're revising down our revenue and adjusted EBITDA outlook ranges. However, our GMV grew across all three segments, and we are encouraged by the metrics around our recent portfolio of vintages. Our revised consolidated outlook for continuing operations in 2026 calls for revenue in the range of \$3.015 billion to \$3.05 billion adjusted EBITDA in the range of \$345 million to \$355 million and non-GAAP EPS in the range of \$4.70 to \$4.85.

This outlook assumes an operating environment for the remainder of the year that is consistent with current conditions including the current financial pressures and uncertainties for our customers. No material changes in the company's decisioning posture, no meaningful increase in unemployment rates for our consumer -- or for our customer base and an effective tax rate for non-GAAP EPS of approximately 26%.

This outlook assumes we will enter into an ASR program during the fourth quarter of 2026 to repurchase \$100 million of our common stock with our non-GAAP EPS outlook reflecting only the initial delivery of approximately 80% of the shares to be repurchased and excluding the remaining shares, if any, delivered a final settlement. However there can be no assurance that we will enter into the ASR program as anticipated or at all.

To wrap up, the third quarter presented more macro challenges for our customer and leasing work through portfolio challenges, but we delivered the consolidated results within our outlook range. Progressive Leasing portfolio inflected positive in the period. for delivered its 12th straight quarter of triple-digit growth, and purchasing power grew double digits in line with our expectation.

We delivered that performance while managing the portfolio of discipline and maintaining a conservative balance sheet with leverage comfortably inside our target range. During the quarter, we continued to return capital through our dividend and share repurchases. We aim to close out the year focused on profitable growth and an improving portfolio. I'll now turn the call back over to the operator for questions. Operator?

## QUESTIONS AND ANSWERS

Operator^ Thank you, I have to reminder. (Operator Instructions). Our first question is going to come from the line of Kyle Joseph with Steven. Your line is open please go ahead.

Kyle Joseph^ Hey good morning guys, thanks for taking my questions. Just wanted to touch base on the Consumer Health and just I totally understand what's going on. And obviously it seems like it's impacting the leasing business, particularly when you contrast that with Four really strong results. Would you call that -- is that really a function of kind of end consumer being different? Or do you think it's more product related and tied to kind of the size and the duration difference between those two businesses? I would just like to get your thoughts there.

Steven Michaels^ Yes Kyle, good morning. Yes I'll start with the consumer. Obviously it's -- all of our products are consumer exposed, I would say, in near prime and below. In July, I said because the consumer was stressed but resilient. But I think that's still accurate. Although I would admit that the longer the stress, particularly this gas price shock and just general input cost shock that's causing things to get more expensive.

The longer the stress goes on, the harder it is to maintain resiliency. And that's why we can adjust our portfolio and decisioning processes to make sure that we let the right folks into the portfolio. All of our businesses benefit from a very short duration and quick turnover. But to your point about Four versus leasing or other products, leasing has a longer duration than Four.

And one of the benefits that Four has is the lower ticket, but also the fact that even on returning customers, we decision or underwrite that customer the next time. So while a lease gets written for 12 months and has an average life of 6.5 months, for transaction is much shorter in duration. And then to the extent that some gas price or other shock impacts that consumer and they come back, we have the ability to assess that the wherewithal and the ability to pay again in a very short duration. And so I think that is one of the big things that helps us across the different portfolios.

Kyle Joseph^ That's really helpful, thanks Steven. And then just a follow-up, probably for Brian. Obviously this is our first quarter trying to model out purchasing power. We get the seasonality of that business. But just in terms of timing, kind of in terms of originations, thinking about provision and whatnot there. Is it one of those things where originations are pretty back weighted based on holidays spending? Or is it holiday spending feels like it moves

up a bit every year. Just kind of want to think about how we should be modeling that and the timing around originations there.

Brian Garner^ Yes. I think Kyle, I think the seasonality dynamic with Purchasing Power is certainly pronounced and anchored in Q4 and you see that with our guidance, kind of the year-to-date performance and where they're at from a revenue perspective and what we're implying in our outlook for Purchasing Power.

And so they've certainly -- again, the first year under our operations, and we are getting better each quarter at a degree of precision around the metrics. But certainly, the holiday season is significant for purchasing power, and we've got the right team and processes and plan in place to execute in Q4 but your sense is right. I think you can see the order of magnitude just from the guidance that we have provided.

Kyle Joseph^ Yes, absolutely. Thanks for taking my questions.

Operator^ Thank you. And our next question will come from the line of John Hecht with Jefferies. Your line is open, please go ahead.

John Hecht^ Good morning guys, thanks very much. So I guess, first, back on Purchasing Power. Q4, I mean number one, what can you tell us about how October is trending. It sounded like September saw some good activity. And in addition to that, on purchasing power, maybe talk about, call it, customer trends, the B2B which side of the relationship and activity in that regard.

Steven Michaels^ Yes, John. Yes. We're not really commenting beyond the quarter end as the trends on purchasing power, we did see, like you said, like you mentioned double-digit GMV growth in Q3. But as Brian just discussed, Q4 is an all-important quarter as a retail platform, we experienced the most seasonality in that business, and we're going to be executing through our first Black Friday and holiday period. The consumer is generally employed which is a good thing, and we're pleased with our client roster and lineup.

On the biz dev side, we have had some activity. We did sign a sizable new client partner here subsequent to quarter end that won't impact this year. It's a Q1 launch. And then the signing that we announced last quarter, we do expect to launch here pre-holiday so we're expecting that to have an impact for us in Q4. And we've got lots of other lines in the water on the biz dev front.

This particular business is biz dev season, I would say, is impacted by open enrollment. So whereas on the leasing side, we kind of hit code freeze and holiday readiness for retailers on the purchasing power side. Total rewards teams are certainly busy during open enrollment season. So while we keep the conversations going and the pressure on, it's likely that a lot of those things will start to move forward again once we flip the calendar page to '27.

John Hecht^ Okay. That's super helpful context. And then with Four, still very strong momentum there. I think a lot of the customer activity over the course of out of this year has been just sort of organic kind of pull growth. I think you guys were maybe exploring some sort of more outreach in terms of different marketing programs. Maybe can you give us an update on that and how that's translating into, call it, customer inflow?

Steven Michaels^ Yes. We're very pleased with across all the channels. We continue to have a very robust organic acquisition and just kind of a word of mouth and referral network that we're pleased with. We are testing and leaning more into paid acquisition and placement in the app store, we see a definite correlation between how we're positioned in the App Store and also Google Play for that matter, but mostly App Store and installs and acquisition, very data-driven optimization around marketing, mostly through social, as you would imagine and we're seeing good results there.

We have a good plan here for Q4, and we are spending more in marketing this year than we did last and we expect that will continue but we're still very, very pleased with the return on that ad spend and the ability to drive new customers into the platform which then become Four Plus customers and then become repeat multiple time customers which is a good thing for lifetime value and general GMV production.

John Hecht^ Okay great, thank you very much.

Steven Michaels^ Thanks John.

Operator^ Thank you. And our next question is going to come from the line of Hal Goetsch with B. Riley Securities. Your line is open please go ahead.

Hal Goetsch^ Thank you. You guys [ph], give us a little more color on the tightening actions you took and maybe give us a feel for maybe what the impact was on GMV because if you did tighten a little bit in Q3, but then also saw GMV growth. That's some pretty powerful stuff. I want to know maybe what that impact was.

And then given the short duration of the portfolio on leasing, what's your confidence level and like getting into that 6% to 8% range or at least in the 7% range on lease charge-offs after a couple of different tightenings and comfortable with the cohorts that are currently showing right now. Thanks.

Steven Michaels^ Yes. I'll start and Brian can certainly fill in any gaps that I miss. Yes. I mean we -- as we mentioned in July, we did some tightening in Q2. We saw the need to do some additional tightening in Q3. Post call we did see some deterioration in the performance of the pre-tightening pools which caused us to take some more action.

But I think I appreciate your focus on the fact that we're continuing to grow through that. And that's because of a lot of the initiatives that we have, both with retail partners as far as partner marketing as well as additional integrations, also our direct-to-consumer business with marketplace growing very robustly. And just generally digital channels becoming a more impactful part of our business at almost 27% of GMV in the third quarter and certainly holiday season, we expect it to be even more than that.

So we feel like we've got the approval amounts or amounts and rates dialed in. It certainly had several I'd say, several hundred basis points of pressure on the GMV production in Q3, and we would expect that probably in Q4 as well. But the reason we have such confidence is because we've executed this business through these cycles before and we've seen this movie before.

We have the ability to manage the portfolio in a fairly tight band, we think very tight band. It turns over quickly the pre-tightening lease pools will be largely through the portfolio by the end of this year with some revenue into Q1. And we do believe we have the ability and made the appropriate moves to land near the high end of that 6% to 8% long-held range. I'm not making news here and changing that range.

But I would say the six part of that six to eight is not really appropriate anymore. I'm not even sure that we would -- we or you would want us to run the business down in the 6s. So as I mentioned in my prepared remarks, the gross margin of the business has structurally changed over the last several years. And so being in that whatever 7% to 8% part of the range is probably more appropriate and not knowingly leaving EBITDA dollars on the table.

So we look forward to operating the business through this holiday season. The portfolio will do what it does on a short duration portfolio, and it will turn over and we'll be in good shape with a lot of the things that we've got on the table for '27 and beyond which is why we're confident in really excited about hitting those three-year CAGRs from the Investor Day and taking this opportunity to brings quite a few material amount of shares back in through the ASR while still having confidence in the earnings power of the business and cash flow generation.

Hal Goetsch^ Paul, you mentioned some technology improvements you shorten the application times three to four minutes. That's a lot of friction taken out of the process. I was wondering if you had any comments on how that might have decrease any card abandonment or close rates or something like that to share with us? That sounds like a pretty good efficiency gain.

Steven Michaels^ Yes. We're pleased with the innovation that our product team is bringing in the improvements or the removing of friction from the process. This particular stat was related to returning customers, and that's really just kind of changing the flows and making it easier for us to use the data that we already have on the customer to make it easier for them to come back and do business with us. And we certainly have plans to remove friction from new customer flows as well.

We're tracking conversion at every point and different abandonment points or cutoff points across all the flows. And as you can imagine, the flows are a little different in our direct-to-consumer, whether it be the product marketplace or just generally DTC or in an integrated flow with a large retail partner. And so we're looking to make changes everywhere we can while still providing the most fulsome disclosures for our consumers.

And clearly, the consumer would like to have zero friction, and that's what we're working towards, but we also have to make sure that they understand the transaction, returning customers, it's a little easier because they've done business than us before. And we also have to make sure that we're protecting the portfolio which we know is job one. So a lot of great progress made there. More to come, certainly, I'm really proud of the teams for what they're delivering.

Hal Goetsch^ Okay terrific. Thanks.

Operator^ Thank you. And our next question is going to come from the line of Bobby Griffin with Raymond James. Your lines is open please go ahead.

Bobby Griffin^ Hey guys, thank you for taking the questions. Steve, you spent some time on the credit side, but obviously there was a public report out that kind of pushed back on some of Four's credit aspects. I think you mentioned that loss provision improved year-over-year by 100 basis points.

But maybe can you spend a little bit of time just unpacking that further, how it trended sequentially? How you guys are -- anything more just to kind of unpack credit there on that business as it's obviously growing very healthily and just to help us get comfort around that level of growth with managing the risk side of that growth?

Steven Michaels^ Yes. I'll start and Brian can chime in, but the reality is that business is performing very well we couldn't be more pleased. Massive growth, improving portfolio dynamics. It's inappropriate to compare December to June or September due to the seasonality of the business. But things are getting better there, right?

And so the provision expense is down year-over-year and the underwriting changes and model improvements and enhancements are doing what we want them to do. We still have a pretty good percentage of our GMV production coming from new customers, and they inherently come with higher risk but things are performing as we would expect. And you wouldn't want me to get into talking about CECL. So I'll turn it over to Brian.

Brian Garner^ Yes, Bobby, I appreciate the question. I think I would echo Steve's comments there. We're very pleased with what's going on at Four and the credit performance and a lot of credit to John Trainor and the team over there that are managing that, and we are leveraging much of the expertise we feel like we have throughout the organization around this. But I mean the construct around that it's typical CECL accounting, you're reserving upfront for the anticipated losses.

And as we look back historically, and kind of compare what we thought the reserves should be versus what actually charged through. We've got a very narrow delta really going back each quarter. And so we have a high degree of confidence in our reporting around that. And it's -- like you indicated, it's trending in the right direction. And really, it's part of the long-term for opportunity around margin expansion, this loss rate dynamic and issue more on repeat customers, certainly, the margin profile improves.

And here, you've got 30-plus percent in the quarter with EBITDA margin. It's already starting from a strong base. I think some improvement to be had as we get smarter. And so it's been pretty boring plain vanilla on the accounting front with Four. We were right down the middle of the fairway in terms of how we go about our business there, no reagents [ph] nothing to suggest that there's anything to communicate there. But hopefully, that's helpful.

Bobby Griffin^ Yes. That's very helpful. I appreciate the detail. And I appreciate you kind of going in a little bit of the accounting side of it as well. I guess, secondly for me, just on Purchasing Power, first holiday, you guys have owned it for, I think last year, the business was negatively impacted by the 40-plus day government shutdown.

So just I guess anything there on how that impacted the business, that happened before the holiday, so maybe it wasn't as big of an impact, but does that set up with the comparisons at least in your favor as we think about this year? Or anything more there?

Steven Michaels^ Yes. I mean I would say, yes, the business, even though we didn't own it, it was impacted by the government shutdown. The segment of the business that we referred to as non-core or Fed Gov is actually fairly small. So it's not like it's a major factor in this year's comp, but certainly, something -- there's always something.

It seems like every year and every quarter, there's something. And this year, you've got what we have experienced in the past with the election. And usually, it's more in the presidential cycle than it is in the midterm, but you could have some kind of distraction or malaise that might peel off after the election day. But yes, I mean it is a thing, but it's not like going to be a driver of it because of the smaller portion of the business that's from that segment.

Bobby Griffin^ Very good. Best of luck here on holiday, I appreciate the details this morning.

Steven Michaels^ Thank you

Operator^ Thank you. And our next question is going to come from the line of Brad Thomas with KeyBanc Capital Markets. Your line is open please go ahead.

Brad Thomas^ Thanks, good morning Steven, Brian and John. Steven I wanted to just follow up on some of your comments that you made after talking about the ASR, where you spoke to your confidence in 2027. And that's where I was wondering if you could just highlight a bit more about what is it that you're seeing in the business that gives you that confidence to want to do an ASR right now at a time where there's so much uncertainty for the consumer? Thanks.

Steven Michaels^ Yes, Brad, I mean I think it just goes to our confidence in our ability to control the businesses and our ability to profitably originate deals across our portfolio of businesses. Right now we're dealing with the pre-tightening and post-tightening pools on the leasing side. That will largely be through the pipeline by the end of the year. And we are seeing some nice activity in our leasing business.

I briefly talked about business development. And in the prepared remarks, and we're hoping that we can get some things across the goal line here that will certainly help 2027 and Four continues to grow very robustly. We'll be in year two of the Purchasing Power ownership and execution. And nothing about this quarter or our guide for Q4 has changed our outlook for the three-year CAGRs that we put out in Investor Day. And if you take those three-year CAGRs, against 2025, you come up with a very positive picture for Product Holdings for 2027 and 2028.

So we see this as an opportunity to put some capital to work, investing in our own business and because the balance sheet allows for it. And the EPS guide that we put out there did not anticipate this type of action. So those three-year CAGRs can actually be impacted by bringing shares in. And so we see it as an opportunity.

Brad Thomas^ That's great. And Brian, you guys continue to generate a tremendous amount of cash flow I don't think you have formal guidance on it, but can you help give us a range of maybe where you think the free cash flow shakes out for the year based on the new earnings guidance?

And then maybe just as a first blush on assuming the PROG business continues to keep EMV more positive? Should we be thinking about free cash flow for next year being perhaps a touch lower than what we do this year just because of the working capital needs? Or is there -- are there any other puts and takes to think about from a free cash flow standpoint? Thanks.

Brian Garner^ Yes. So let me maybe give you a couple of data points to help you kind of visualize the cash picture. So obviously for the year, we've been highly cash generative which has allowed us to pay down the debt related purchasing power also get back into the cadence of share repurchase in Q2 and Q3, and now we're talking about this ASR. So we're -- all that being said, we started the year at 2.5 turns of leverage immediately after the purchasing power acquisition.

We're now down to 1.5 times. And even with this heavy Q4 that we talked about with purchasing power, we were looking at. Some of that will be leaned on with their securitization, but we continue to also contribute cash to our subsidiaries in Four and PPC along the way to help pay down some debt. And so about 1.5 turns, we're expecting, even with the ASR of \$100 million here in Q4 to be, call it, right at the top end of our range of two turns of leverage.

We'd like to kind of keep it in between 1.5 to two turns and so even digesting the growth and the ASR we're still within our range. And then you're looking forward to tax season that will start to bring that down again. And so that's certainly the cash flow dynamic that we're proud of. And as you look forward to 2027, there's -- obviously we haven't given any guidance yet, and we will look to talk more about that in February.

But structurally, on the Progressive Leasing segment, I see no reason why we would see softer cash flows than what we saw here in the year from a margin profile. Here, we're going to end the year at 11.6% EBITDA margin which is kind of midpoint of our 11% to 13% that we talk about. And so like Steve said, nothing's changed in how we view the business. And if we are talking about in 2027, hey, for grew at a very strong clip at the end of 2027 and used up some cash, that's a good problem to have.

But we have optionality. We don't anticipate additional facilities beyond what we have today with our outstanding revolver and securitization. And so we're going to be self-funding for the foreseeable future. That speaks to the cash flow dynamic.

Brad Thomas^ Appreciate. Thank you Brian.

Operator^ Thank you. And our next question is going to come from the line of Hoang Nguyen with TD Cowen. Your line is now open, please go ahead.

Hoang Nguyen^ Good morning guys and thank you for taking my questions. Just curious, I mean how would you characterize, I guess, this (inaudible) versus maybe the round that you guys did last year? In 2025, I mean in terms of magnitude and maybe the impact? And maybe one for Brian, when we think about this tightening, how should we think about the impact on maybe the net and [ph] gross lease assets going forward?

Brian Garner^ Yes. I'll -- I guess just with respect to the least asset dynamic. We comped positively this quarter which has been a long time coming. And there's been a lot of work to fight against the headwinds that have been in place in order for us to grow. And as you kind of

see implied in our guidance, what we're seeing for Q4 for Progressive Leasing is that we're going to see a couple of percentage points at the midpoint of revenue growth.

And so that has everything to do with our ability to grow that portfolio. And so going forward, we also -- in my prepared remarks, talked about even in the face of tightening we're anticipating Q4 our ability to grow GMV. So you stack those things together, and I think we've got a good story here on leasing from a GMV trajectory even in the face of tightening than kudos to those -- to the sales team and everyone involved in making that happen because that certainly has been some headwinds.

So again, we'll talk more about 2027 in February. But I mean exiting the year, we had a little bit of a macro portfolio dynamic that I think we'll work through pretty quickly here. And hopefully, we're talking more about the top line and the growth and the stable portfolio into 2027.

Hoang Nguyen^ Got it. And may be I mean the difference between this year is tightening versus last year?

Brian Garner^ Yes. I think the difference that I would speak to, we tightened pretty dramatically, I would say, or significantly, it's probably a better word in Q1 of 2025, and that was based on the data we had available to us, the time and it was in one fell swoop that we made that change and let the portfolio play through. I think what you've seen this year in terms of how we've approached this, we tried to be more -- a little bit more real time in the data.

We have made smaller iterative tightening in Q2 and Q3 and here into this year based upon what the data is telling us. And so we're trying to offset some of the pressures that we're seeing in the pre-tightening pool predominantly and the post tightening pools are showing some encouraging trends of sequential improvement from those pre-tightening pools.

And so to answer your question, it's been more iterative less significant in each iteration. And I don't anticipate that we're for the next year, talking about a one point in time getting past that difficult comp because of the way that it's kind of played out this year. And again, I think that's evident here in Q4 with the growth that we're signaling.

Hoang Nguyen^ Got it. Thanks you guys.

Operator^ Thank you. And our last question is going to come from the line of Casey Coates with Loop Capital Markets. Your line is open, please go ahead.

Casey Coates^ Good morning and thank you for taking my questions. First one, I just ask about Purchasing Power had a strong 3Q. Given that -- what was -- can you explain a little bit of the reduction in the guidance for 4Q, given the strong 3Q and the weighting of the company?

Brian Garner^ Yes. It was really -- of the guidance story, obviously the preponderance of it was with the leasing segment and the portfolio dynamics we discussed, let's do it too much smaller stead here on the Purchasing Power. But again, I think a large part of it is just us learning the business, the mix dynamic with respect to the product offering.

And just looking forward to Q4 and just the broader pressures, I think, on the consumer that have reared its head here late in the year. And we're looking at that and as I mentioned, how consequential Q4 is for Purchasing Power. And I thought we just thought it was a prudent thing to do to maybe trim around the edges to a lesser degree for Purchasing Power. But there's nothing more significant than that.

Casey Coates^ And as a quick follow-up, thinking about Purchasing Power and really the ecosystem strategy, when should like cross-selling and like the share decisioning benefits benefit become more meaningful in results?

Steven Michaels^ Yes. I mean we're working on those every day, obviously the teams are partnering well together. The data science team is being integrated and small area of changes are being deployed. Cross-selling is happening, of course, on B2B, B2C business like both leasing and Purchasing Power.

There's these times of the year where they're less fruitful as I called out earlier related to open enrollment periods and things of that nature. But nothing has changed in our view as to how these businesses can be better together than during diligence or since we've owned Purchasing Power.

Casey Coates^ Thank you.

Operator^ Thank you. And I would now like to hand the conference back over to Steve Michaels for closing remarks.

Steven Michaels^ Thank you, Operator. And thank you all for joining us this morning. The third quarter asked more of our customer and our leasing business work through some portfolio challenges. But our diversified platform delivered consolidated results within our outlook ranges.

Progressive Leasing's portfolio size, inflected positive or delivered its 12th straight quarter of triple-digit growth, and Purchasing Power grew double digits. We're putting capital behind our conviction because the fundamentals are strong, the model is proven and our ecosystem is contributing. I firmly believe the best chapters of PROG's story are still in front of us. So thank you all for joining us today.

Operator^ This concludes today's conference call. Thank you for participating. You may now disconnect. Everyone have a great day. Good-bye.