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Katapult Holdings, Inc.

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Earnings Call

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Call Participants

EXECUTIVES

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Chief Operating Officer

Jennifer Kull
VP, Investor Relations

Nancy A. Walsh
Chief Financial Officer

Orlando J. Zayas
CEO, President & Director

ANALYSTS

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Presentation

Operator

Hello, everyone. Thank you for waiting, and welcome to Katapult Holdings, Inc. First Quarter 2024 Earnings Call. Please note that this call is being recorded. [Operator Instructions]

I'd now like to hand over the call first to Jennifer Kull. Please go ahead.

Jennifer Kull

Welcome to Katapult's First Quarter 2024 Conference Call. On the call with me today are Orlando Zayas, Chief Executive Officer; Nancy Walsh, Chief Financial Officer; and Derek Medlin, Chief Operating Officer.

For your reference, we have posted materials from today's call on the Investor Relations section of the Katapult website, which can be found at ir.katapultholdings.com.

Please keep in mind that our remarks today include forward-looking statements related to our financial guidance, our business and our operating results, as noted in the slide deck posted to our website for your reference. Our actual results may differ materially. Forward-looking statements involve risks and uncertainties, some of which are described in today's earnings release and our most recent Form 10-Q and which will be updated in future periodic reports that we file with the SEC. Any forward-looking statements that we make on this call are based on our beliefs and assumptions today, and we disclaim any obligation to update them.

Also during the call, we'll present both GAAP and non-GAAP financial measures. Non-GAAP financial measures should be considered supplemental to and not replacements for or superior to our GAAP results. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures is included with today's earnings release and is available on the Investor Relations section of the company's website.

Given our recent restatement, any comparisons to 2023 financial results are referring to our restated financials included in our Form 10-K for the year ended December 31, 2023, filed with the SEC on April 24, 2024. Finally, all comparisons are year-over-year unless stated otherwise.

With that, I will turn the call over to Orlando.

Orlando J. Zayas
CEO, President & Director

Thank you, Jennifer, and thank you to everyone joining us this morning. We are excited to talk to you about our first quarter performance, which included gross originations and revenue that were both slightly above our expectations. We are very happy with our progress during Q1, which we achieved despite the macro headwinds facing the retail industry and a pullback in consumer demand.

Today, I will focus my commentary on how we've continued to build momentum in our business by enhancing our merchant offering and extending our consumer reach. I'll then turn the call over to Nancy, who will give you an update on changes we've made to some historic financial statements, highlights from our Q1 financial performance and an outlook on our second quarter.

Heading into 2024, Katapult, like most of the retail sector, saw a bit of a slowdown in consumer traffic and purchase activity. We had expected to see trends improve throughout the first quarter, and that's exactly how the quarter played out. When we look at intra-quarter performance, January was the trough for year-over-year gross originations comps, and we saw sequential improvement throughout the quarter, the signal that trends were improving. This quarter represented our sixth consecutive quarter of gross originations growth, and this strong performance has ignited our revenue engine as well, leading to another quarter of double-digit revenue growth.

For the first quarter, we delivered 1.6% gross originations growth, slightly ahead of our outlook for flat year-over-year performance. And if we look at the last 2 years together, we've delivered nearly 20% growth in gross originations. Our gross originations were driven by both our direct integrations with merchants, as well as continued strong performance of Katapult Pay. We believe this demonstrates that we can drive growth by partnering with merchants and stimulate consumer demand by leveraging our own marketplace.

This is a good segue into our direct integration performance during the first quarter. So let me give you a few highlights. Our merchant strategy is built on 3 key areas: one, growing gross originations by integrating with new merchants; two, growing our market share with our anchor merchants; and three, ensuring that we offer the variety of durable goods our customers are looking for to drive sustainable demand.

During the first quarter, we continued to focus on enhancing the merchant experience on the Katapult platform and building new relationships that can deepen and accelerate our pipeline for future direct integrations. First, we upgraded the Katapult platform to integrate the latest version of Shopify, which allows Katapult to align the one-page checkout process Shopify now offers. This upgrade was completed after working closely with Shopify to create a seamless integration path for our retailers that enables a friction-free lease transaction journey for our customers. In fact, the integration path has become so much easier with this upgrade that one retailer recently integrated our platform on their own, and we've already seen their first lease origination. The Shopify checkout flow is used by about 100 of our small and medium-sized merchants, and we expect this upgrade to be accretive to our top line over time. Through this enhancement, we expect to be able to accelerate the speed of integration, which we believe will be an attractive feature as we target new merchants for direct integration.

Second, we have entered into an agreement with Salesforce to be an official solution partner for their Salesforce Commerce Cloud. We believe this new relationship will help accelerate our direct integration process with more than 100 enterprise merchants that work with Salesforce. In addition, through this partnership, we've been added to the Salesforce AppExchange that gives us access to joint referrals, as well as introductions to current Salesforce clients, which are typically larger merchants. We are excited to work with Salesforce as we continue to enhance our go-to-market strategy with a broad range of platform partnerships.

And finally, we have also continued to advance our relationship with Synchrony. As we announced a few quarters ago, we entered into an agreement with Synchrony to integrate our LTO solution into their waterfall. Since then, we have completed a number of integration tasks, and we intend to launch our dApply integration by the end of the second quarter. By way of background, dApply provides financial services waterfall functionality to retailers and will allow a Katapult offer to be presented to Synchrony applicants who are not approved for a primary or secondary financial product. Once complete, Synchrony will be able to leverage our innovative LTO solution in their digital waterfall application process, enabling their retailer partners to offer our lease-to-own option for their customers. We expect the integration to open the door for us to launch merchant partnerships more easily and at scale.

Direct integrations remain an important part of our growth strategy, and we have a robust pipeline of targets. We believe that our new agreements with Salesforce and Synchrony will unlock even more growth opportunities. We look forward to updating you on this progress.

Onboarding new merchants is just one part of our merchant growth strategy. We are also focused on deepening our relationships with and output from our existing merchant partnerships. While Wayfair remains our largest merchant partner, about 53% of our gross originations were driven by performance of hundreds of other merchant partners in the first quarter. In the first quarter, our non-Wayfair gross originations grew by about 9%, led by 57% and 13% growth in the jewelry and electronics categories, respectively.

We are continuing to deliver platform enhancements such as the Shopify update I just mentioned and the preapproval data that we began sharing with merchants late last year, and we believe these enhancements will further strengthen our merchant partner relationships and support our continued strong performance.

Turning to our business with Wayfair, we have a strong partnership with Wayfair, and we continue to work closely with them to explore creative opportunities to drive consumer demand. To help support our continued partnership, we are working with a number of initiatives to drive conversion rate even higher at Wayfair, including opportunities to further improve the precision of our underwriting model. Given the tough operating environment for home furnishings, we have focused on controlling the controllable by enhancing the parts of the consumer journey that we can influence. We have been running a variety of tests to drive both same-day and overall take rates higher, and we're seeing some very good results. For example, same-day take rates are up 330 basis points year-over-year and approval rates are up 60 basis points year-over-year, even as our write-offs continued to decrease. We believe we have a superior LTO offering and that we can continue to build our market share.

I think it's important to remember that we estimate our total addressable market opportunity to be in the $50 billion to $60 billion range here in the U.S. Given the footprint of existing LTOs, this TAM is underserved, creating a lot of greenfield opportunity for Katapult to amass share as we help new merchant partners tap into loyal, non-prime consumer base that wants products they offer. Bottom line, we believe we have both great product market fit and a large and unaddressed market opportunity.

We are very proud of the relationships we have continued to build with consumers across the U.S. We offer fair and transparent terms, and we believe we have a best-in-class LTO product that continues to resonate with existing and new customers alike. As a result, we're seeing success in executing our strategy to drive customer demand, which is complementary to our merchant partner-driven demand that has historically fueled our business.

During Q1, we made progress in many areas, but there are 3 that I'd like to discuss with you today: Katapult Pay, marketing and our new risk-based pricing model. Let's start with Katapult Pay, which continues to deliver value to our merchants, customers and Katapult. During the quarter, we saw nearly $15 million of our gross originations come through Katapult Pay, which accounted for about 1/4 of our total originations. Katapult Pay has become a go-to resource for many of our customers, and we believe we have created an amazing engagement tool that consumers love. In general, our app has become an important access point that customers are using more and more. In fact, during the first quarter, nearly 50% of our total gross origination dollars, including those that came through Katapult Pay, were initiated in our app.

We're also excited to announce that we added Lowe's to Katapult Pay just last week. We survey our customers regularly, and Lowe's was a highly requested retailer. We are providing even more choice to our customers and look forward to seeing them engage with this well-known retailer.

We believe that Katapult Pay is allowing us to deepen our relationship with consumers and that it is the cornerstone of our ability to sustain our track record of high NPS scores and repeat purchase rates. Case in point, during the first quarter, we earned an NPS score of 65, and our customer repeat purchase rate was 56%. Katapult Pay has quickly become a game changer for us. We are leveraging it to monetize our customer base, control our destiny and unlock new avenues for growth.

One newer growth avenue is marketing. As we continue to grow our powerful direct-to-consumer app, we believe we're in a good position to continue scaling our marketing strategy. We remain prudent on our marketing spend, but we are seeing the ROI necessary to encourage our investment in this area. We believe we've built a market-leading LTO product that meets the needs of both merchants and consumers. And given the strength of our product offering, we are investing more in customer acquisition with a focus on digital marketing. This includes social, app store and display marketing. Currently, we are running a number of tests that feature more trigger-based marketing. This style of marketing allows us to be responsive to customer behavior and creates a more connected dialogue with consumers. It's still early days, but we're seeing conversion rate improvements, which have been encouraging.

We are complementing our digital marketing efforts with initiatives focused on building our referral and partner marketing networks. We believe we can capitalize on opportunities to monetize our customer base in a way that is on brand and aligned with our mission to serve the non-prime consumer. For example, we are pursuing other partnerships that will allow us to offer our customers products like layoff protection plans, credit building and others that can improve their financial health and create high-margin revenue stream for Katapult.

All these efforts are rooted on our focus on increasing the lifetime value of our customers, while delivering a market-leading experience. Our data show that Katapult Pay customers are more likely to initiate a second lease, and in fact, about 30% have typically gone on to enter another lease agreement within 60 days, which contributes to their higher LTV. We believe that our prudent yet dynamic approach to marketing, coupled with our strong product market fit, will support our goal to grow new customers in the mid-teens for full year 2024, which will be similar to our strong 2023 performance.

To round out our customer focus, I want to briefly discuss risk-based pricing model we are currently launching. Our innovative new underwriting model can consider key dynamics such as cart size, our internal proprietary credit scores, merchant type, product category and our history with the consumer to determine the best pricing. We expect the new model to allow us to scale our ability to offer customers with a better or more established credit profile and lower initial payment or lower pricing through the lease term without increasing our risk. As a result, we believe we'll be able to offer more qualified customers better options that could encourage them to accept our lease offer more frequently. And what's even more special is that we can quickly do this at the individual customer level, allowing us to continue to provide an offer in 5 seconds or less on average.

By offering the right pricing to the right customer at the right time, we believe we can enhance our already terrific customer experience and simultaneously drive conversion rates higher. We are excited about the potential for this new model, and we look forward to rolling it out across our platform.

Before I turn it over to Nancy, let me quickly touch on the progress we've made in the first quarter on a few tech initiatives. First, as we discussed during our Q4 call, our teams are hard at work on product-based search. We believe we can enhance the shopping journey by creating an experience that allows customers to search directly for a durable good they'd like to lease instead of having to begin their journey at the retail level. In addition, this capability should provide us with more precise insights into what the consumers are searching for and ultimately purchasing, unlocking opportunities across the business intelligence, marketing and other areas of the company. We have a goal to launch this new product this year, and we'll keep you posted on our progress.

Second, we are in the final launch stages of our new tech product called Text to Checkout. This new feature will further bolster our omnichannel capabilities by providing a new checkout solution for in-person or call center-driven transactions. With this new solution, in-store customers will be able to complete their lease transactions on their own mobile devices, protecting their privacy and lowering fraud risk to Katapult and our merchant partners. We believe this feature can upend the way LTO transactions are handled in brick-and-mortar. In short, through a Text to Checkout capability, we can control the customer journey through our app and make it easy for the in-store salesperson by eliminating the burden they have of explaining how an LTO product works.

In summary, we turned in solid first quarter results that we believe set us up for a strong 2024. We are making steady progress across our core initiatives, and we believe we are well positioned to create value for our stakeholders throughout the year.

With that, I'll turn it over to Nancy to discuss our first quarter results. Nancy?

Nancy A. Walsh
Chief Financial Officer

Thanks, Orlando, and hello to everyone joining us this morning. Our financial results came in slightly ahead of our expectations, and I'm excited to provide you with some key highlights.

Before I jump into Q1, I want to spend a few moments talking about our recently filed 10-K. As we disclosed in early April, we delayed the filing of our 10-K to address some historical misstatements identified during the preparation of our 2023 filing. We performed a broad assessment of our sales tax liabilities across all tax jurisdictions and determined that we had miscalculated sales tax payable related to certain customer lease payments going back multiple years. We concluded that we had overstated rental revenue and understated sales tax payable included in accrued liabilities. We also corrected other immaterial errors as part of this process.

Based on this, we restated our financial results for 2022, which we did in our recent 10-K. Our filing restates the first 3 quarters of 2022 and 2023, as well as full year 2022 results. For errors made that impacted 2021 and prior, we made an adjustment to the beginning balance of retained earnings as of January 1, 2022. Please refer to our 10-K for more details. But for your easy reference, we have included a slide in our investor presentation that outlines the high-level impact of these restatements on our 2023 results, including the specific impact our restatement had on our Q4 2023 revenue, gross profit and adjusted EBITDA.

Let me quickly walk through the updates to our revenue and adjusted EBITDA for 2023, which are as follows. Full year revenue was $221.6 million compared with our March 14, 2023 disclosure of $222.2 million. And adjusted EBITDA loss for 2023 was $1.9 million, about equal to what we previously disclosed. This reflects the net impact of revenue and cost of revenue adjustments, including reversal of the out-of-period adjustment we disclosed on March 14. There is also a full breakdown of the updated unaudited quarterly results for the first 3 quarters of 2023 and 2022 in Note 16 of our 2023 10-K.

While we are disappointed that we made these errors, I want to state emphatically that from a business perspective, we had a terrific 2023. We have a lot of operational momentum, and we believe we are well positioned to continue to grow our market share in the LTO space. We have put new rigorous procedures and safeguards in place that are designed to prevent mistakes like this from reoccurring, and we appreciate your understanding and support through this process. With that, I'll move on to our first quarter 2024 financial highlights.

Starting with the top line, we have now grown gross originations for 6 consecutive quarters. And as Orlando has already touched upon, our first quarter results came in slightly better than our expectations for flat performance. Gross originations increased 1.6% to $55.6 million in the first quarter. And on a 2-year stack basis, our gross originations grew nearly 20%, a faster pace than the rest of our direct competitors. One driver of our strong performance has been our high repeat purchase rates. We continue to see a large number of repeat customers come back to us through the Katapult Pay feature. Consumers are engaging with the app, and it is delivering for our merchant partners as well. Between the app and our direct integrations, we were able to increase active customers by about 15% as of the end of Q1 2024 compared with Q1 2023. We remain excited about the potential to continue to leverage our app as a growth driver. Our sustained gross originations growth has become an engine for revenue growth. During Q1, revenue increased 18.1% to $65.1 million, reflecting both our gross originations trends and strong collection efforts.

Gross profit for Q1 was approximately $16.5 million, an increase of nearly 39%. We achieved gross margin of 25%, an increase of nearly 380 basis points compared with last year. This performance was higher than what we typically see in Q1 and driven by strong collection efforts, the continued strength of our underwriting models, lower lease inventory costs as a percent of revenue, and a bit of a tax season tailwind. For the full year 2024, we expect gross margin to be in the 18% to 20% range, which reflects the impact of seasonality.

Write-offs as a percent of revenue continued to improve and remained within our target range of 8% to 10%. During the first quarter, this metric was 8.4%, an improvement of 40 basis points versus the 8.8% we achieved in Q1 2023. As Orlando mentioned, we are in the process of rolling out our new risk-based pricing model, which we believe will have a positive impact on our write-offs over time.

Moving on to profitability, our disciplined approach to expense management, coupled with our top line growth, allowed us to deliver another quarter of substantial adjusted EBITDA growth. During the first quarter, our total operating expenses decreased by 18.5%, primarily driven by lower fixed cash operating expenses. Excluding underwriting fees and servicing costs, which are variable, and depreciation and stock-based compensation expense, which are noncash expenses, our fixed cash operating expenses were $9.4 million, a decrease of 20.6% compared to last year. This decrease was primarily driven by the benefits of the cost-saving measures we implemented in early 2023. As a reminder, we have now fully anniversaried a full year of benefits from these cost-saving measures, and we intend to make modest strategic investments in growth initiatives as we go forward.

Based on our top line performance and the structural benefits we are realizing from our operating efficiencies, we were able to improve our year-over-year adjusted EBITDA performance for the fifth consecutive quarter. For the first quarter, we recorded $5.6 million in adjusted EBITDA, an increase of $6.6 million compared with the $986,000 of adjusted EBITDA loss we reported in the first quarter of last year.

As of March 31, 2024, we had total cash and cash equivalents of $37.6 million, which includes $6.3 million of restricted cash and reflects the correction of the third-party lease verification issue we discussed during Q4. The issue led to Katapult overfunding $9.6 million in leases during the fourth quarter, which increased our cash usage and lowered our debt levels as of the end of 2023. We corrected this issue early in the first quarter. As of the end of the first quarter, we also had $68 million in outstanding debt on our credit facility.

We received a few questions about restricted cash and how it impacts our balance sheet, so I'd like to provide a few points of clarity. Restricted cash is generally the cash related to customer lease payments that have not yet been settled. Once these payments have been processed, which generally occurs on a weekly basis, the cash is released. This should not be confused with the minimum cash balance we are required to maintain under our credit agreement. In addition, we have also received a few questions on how gross originations flow onto our P&L and balance sheet. For your reference, we have included a slide in our investor deck that illustrates how gross originations impact our balance sheet, revenue and write-offs as a percent of revenue.

Before I provide you with our outlook for the second quarter, I want to address some of the questions we've been getting from investors about the potential of our business and financial models. While we are not in a position today to establish an external-facing long-term model, we are excited about the progress we've made in the business and how that progress is translating to our financial results. Given the momentum we are continuing to build on the top line, we believe we can continue to scale the business and maintain gross margin in the 18% to 20% range on an annualized basis, including the impact of seasonality.

In order to put our gross margin opportunity into perspective, I think it's important to remember that we don't charge our customers any late fees or penalties ever, and these types of fees are typically a margin driver. Instead, we are growing our gross margin by continuing to enhance our underwriting capabilities and our excellent cash collection efforts, which allows us to treat our customers well and provide them with what we believe is best-in-class pricing and service.

In addition, we continue to grow the top line and execute our disciplined expense management strategy. We believe we are on a path to achieving consistent, positive adjusted EBITDA on an annualized basis. The next step in our march toward profitability is to achieve gross profit that exceeds our total cash operating expense and cash interest expense.

Turning to our Q2 outlook, we are continuing to navigate an evolving macro environment, and it's unclear if the Fed intends to lower interest rates anytime soon, given recent inflation trends. At the same time, our results led us to believe that our core consumer is generally resilient. As a result, it's difficult to assess what, if any, impact these dynamics will ultimately have on our core consumer and what, if any, impact these dynamics will have on prime lending standards and the U.S. consumers' access to credit. We continue to believe that we have a large addressable market of underserved non-prime consumers, and it's important to note that lease-to-own solutions have historically benefited when prime credit options become less available.

Based on these dynamics and the operating plan in place for the full year 2024, we expect the following for the second quarter: gross originations growth of 3% to 5%, which reflects ongoing headwinds facing the home furnishings retail category; revenue growth in the range of 8% to 10%; and continued year-over-year improvement to adjusted EBITDA, which includes a slight increase in operating expenses in Q2 as we invest in key growth initiatives. We are also reiterating our outlook for a minimum of 10% growth for gross originations and revenue for the full year 2024. As a reminder, our full year outlook does not include any material impact from prime creditors tightening or loosening above us and assumes that the overall macro environment does not change significantly. Our outlook also assumes that the retail environment for home furnishings begins to normalize.

With that, I'll turn it back to the operator for Q&A. Operator?

Question and Answer

Operator

[Operator Instructions] Our first question comes from Anthony Chukumba from Loop Capital.

Anthony Chinonye Chukumba
Loop Capital Markets LLC, Research Division

Congrats on a strong start to the year. I guess, my first question, it's sort of a 2-parter. So I had to do some algebra. I haven't done that in quite some time. But based on my algebra, it appears that your Wayfair business was down about 7%. So I want to first confirm that my algebraic equation was correct. And then secondly, just would love to get just any thoughts in terms of what exactly will happen with Wayfair in the first quarter.

Orlando J. Zayas
CEO, President & Director

Thanks, Anthony. This is Orlando. Thanks for the questions. So, on Wayfair, I think, it has been reported by a number of others in the home furnishing industry. While their business overall is good, there's not a lot of -- the financing side of it is where we're seeing the impact. So app flow has been down a little bit. And so -- and that's not something we can control. What we can control is Katapult Pay and being able to get customers to come back, which wouldn't show up in that number necessarily. So they're still a great partner. We're launching the risk-based pricing with them. We've done a number of marketing initiatives with them to try to drive volume. And we're starting to see, towards the end of the first quarter, where the volume started to turn around and get back to what we think is normal. And we're looking forward to the second quarter. May is a big furniture month, so we're hoping that May turns into a strong quarter for us with Wayfair.

Nancy A. Walsh
Chief Financial Officer

And so, Anthony, our Wayfair business overall, both direct and [K Pay], is down about 5%, so close on your math. The other kind of financial metrics I wanted to point out is that our same-day take rate is up about 330 basis points and our approval rates are up 60 basis points, but this is in the context of our write-offs improving as a percent of revenue.

Anthony Chinonye Chukumba
Loop Capital Markets LLC, Research Division

Okay. Yes, I guess, my algebra is off. The nun who taught me algebra [indiscernible] but we're not going to go there. I'll talk about that with my therapist.

So, next question, so I'm intrigued by this new risk-based pricing model. I guess, my question is, what do you see as the potential benefits? In other words, look, you've always guided to like an 8% to 10% write-off rate. You're at the lower end of that. You're down 40 basis points year-over-year. Do you see it as maybe 8% to 10% become 7% to 9%? Or do you see it as, well, maybe you drive higher gross originations because you can become more surgical and maybe somebody who got $1,000 of leasing power gets $1,200 because you feel better about the credit? How do you sort of think about what the benefits of that would be?

Orlando J. Zayas
CEO, President & Director

You kind of answered the question, but you're right on point, Anthony. So the way we look at risk-based pricing is, we've historically been in a waterfall, obviously, with Wayfair and even with other retailers who are in a waterfall situation. And what happens there is a person applies for credit and they may be thinking they're going to get approved, maybe a special financing offer or something, and they get turned down. And so, we see a number of higher credit people that come through the funnel on the waterfall that don't take the lease offer. And we've been working for years to try to convert those people because they didn't really have another option. And so, what we started testing was, can we change the offer a little bit to maybe lower the turn or lower the origination fee to entice the higher credit people that are getting turned down for the prime and the lease. And we're seeing some really positive signs on that. So I think you're right, it will improve. It's really about improving gross originations, but I think, obviously, keeping an eye on the losses to make sure that we don't exceed what our goals are for -- to hit our margins. And then, the other side of it, on some of the higher risk people, we're actually increasing the price a little bit and increasing the origination fee to cover that risk. So we don't think it will impact the write-offs as much as it will help us grow the business from a gross originations perspective.

Derek Medlin
Chief Operating Officer

Yes. Anthony, this is Derek. I'm just going to add a little bit that this is a little bit unique in Katapult's respect, simply because we have so much data flowing through the transaction. So, as an example, what I think is different than a traditional risk-based offer is that we get to see what's in the cart. We get to see more details about their device. And so, this customization and precision that we can have is down to the cart and what's in the cart. So there are different transactions that have different risk profiles. And so, we believe that there are high-quality consumers out there that have very attractive performance opportunities that if we get the right price for the right offer on those transactions, we can not only say yes, but like you said, perhaps enhance the offer so that the conversion rates go up. So overall, I'm excited about the upside here. The test that we've done over the last several years has really allowed us to narrow in on those factors that matter. And we're going to continue to be expanding it more widely across more merchants and more use cases.

Anthony Chinonye Chukumba
Loop Capital Markets LLC, Research Division

Got it. That's helpful. So, next question, look, waiting for the sort of credit trade down from prime and kind of subprime, it's been like waiting for [Godot], right? Wanted to see if you're seeing any additional signs of that, given the fact that inflation is stubbornly high and credit card fees -- well, I mean, I guess I haven't been [indiscernible] yet, but credit card late fee is probably going to go down. What are you seeing from that perspective?

Orlando J. Zayas
CEO, President & Director

We're not seeing anything yet. I think it was October of '22 that we started to see some trade-down as we were kind of coming out of the COVID area and the prime lenders were starting to tighten up because the consumer wasn't flush with cash. So we haven't seen much movement since then, but we are anticipating or thinking that with the -- if the late fee goes through and they can only charge $8 versus $20 or $30, what that's going to force them to do is, it's going to impact their margins, and what they'll end up doing is sort of tightening up to hit those margins. So we're kind of cheering for Texas Court to pass it, quite frankly, because I think that will be good for our business and it will help us see more trade-down on our side.

Anthony Chinonye Chukumba
Loop Capital Markets LLC, Research Division

Got it. And then, I know we've got this expiration coming up with the term loan, which is -- and obviously, with the fact that you're starting to generate significant EBITDA certainly will help from that perspective. But any updates there in terms of your discussions with your lenders? Anything to report there?

Nancy A. Walsh
Chief Financial Officer

Anthony, at this point, this is an important priority for us, but not yet ready to report anything out, so more to come.

Anthony Chinonye Chukumba
Loop Capital Markets LLC, Research Division

Got it. And then, I guess, sort of last but not least, you talked about adding Lowe's. Obviously, Katapult Pay, it looks like it's growing nicely, and now it's a pretty significant percentage of your release originations. Anything to report there just in terms of improvements and functionality or any other big account or partners that you're thinking about adding to Katapult Pay specifically going forward? It seems like that's been a real nice business for you.

Derek Medlin
Chief Operating Officer

Thanks, Anthony. And yes, Katapult mobile app Katapult Pay are one of the areas of our business that I'm just so excited about the momentum that we've seen in the adoption. And I think what this all really boils down to, we had this objective about growing our engagement with a customer base that shows a really high affinity for what we're offering. In fact, we see that through our NPS scores, our repeat rates, et cetera. And now that we've made it easier to transact and easier to shop, those consumers are rewarding us with more activity. And we're going to continue to listen to them in terms of what types of products and what types of retailers they want to shop at, where are their steps in the process that are creating friction that we can eliminate, and what are those other things that they're looking for in terms of a partner that will help them with their purchasing power. And so, both in the app and with Katapult Pay, we're going to continue to drive enhancements and really to make sure that we take advantage of this ongoing and deepening relationship we have with consumers. So likely, you're going to see many of these things that Orlando mentioned about the different products and partnerships that we're going to offer. Those are going to land in the app.

We continue to get feedback directly from our consumers about the types of retailers that they're looking for. Those will show up in the app over the -- throughout the year. And then, we continue to drive activities that will increase adoption so that customers all have access to this. And so, even things like our Text to Checkout and our in-store experiences are going to leverage -- have an option to leverage the app to make that a really smooth experience. So we really believe that what we've built is something that is a really firm foundation for us to grow from, both with our core products and with these additional benefits that we're going to offer the consumers. So excited about Lowe's. Really great to see that -- the customers not only told us, but now we can see that they're operating with their -- voting with their transactions, and we'll be excited to give updates on that in future quarters.

Anthony Chinonye Chukumba
Loop Capital Markets LLC, Research Division

Got it. And I know I've completely bogarted this Q&A session, but I do have one sort of final question. So obviously, you had filed a 10-K that had the restated full year numbers. And obviously, you're -- I'm assuming that the one -- the first quarter numbers that are in this press release are restated. And I haven't had a chance to take a super close look at the 10-K or the 10-Q. And for some reason, I can't get in your Investor Relations website. I think it's a tech problem on my end. But are there -- have you published restated results -- quarterly results for the second, third and fourth quarter of last year?

Nancy A. Walsh
Chief Financial Officer

So, yes, Anthony, if you look at the 10-K, it actually is called a Super 10-K because we added 2 footnotes. Footnote 2 restates '22 in full and compares that to '23, and then, Footnote 16 does each of the quarters. So you'll see all of '22 -- the first 3 quarters of '22, first 3 quarters of '23 have all been restated. Q4, obviously, of '23, because it wasn't published yet, is revised. But if you're looking for the restatement -- and we've done a nice summary in there that shows each of the line items through all the financial statements, so you can easily see what impacted what.

Jennifer Kull

And Anthony, you'll find the revised fourth quarter financials in our investor deck. We [did] a slide to help people kind of connect the dots there.

Anthony Chinonye Chukumba
Loop Capital Markets LLC, Research Division

Got it. Okay. I have my work set up for me there. But, okay, congrats once again on the strong start to the year and good luck with the remainder of the year.

Operator

Our next question comes from Scott Buck from H.C. Wainwright.

Scott Buck

First, I was just curious, seasonal origination trends holding in the second quarter to date versus what you've seen historically going from 1Q to 2Q?

Nancy A. Walsh
Chief Financial Officer

Scott, unfortunately, we don't typically comment on the current quarter. I think from a macro perspective, what we talked about in light of our 3% to 5% in terms of gross originations reflects that we're still seeing a challenge with some of the sectors related to furniture and mattresses. And as Anthony mentioned previously that there's still a little bit of confusion with what's going on in the macro environment. So we've laid out kind of the 3% to 5% growth we're expecting to see in second quarter that kind of tied in very closely to what's going on in the macro and what's going on with the consumer and seeing some of those trends begin to normalize.

Scott Buck

All right. That's fair. You added the Katapult Pay capabilities to Lowe's, what, I guess, last week. I'm curious, what does the typical ramp look like in kind of getting Pay up to -- I guess, what does the maturity schedule look like in ramping that up?

Derek Medlin
Chief Operating Officer

Scott, this is Derek. Thanks for the question. It's actually really interesting, now that you bring that up, because the ramp-up actually happens pretty quickly, generally because our addressable community that we focus on today are across the Katapult community that we already know. So we have more than 2 million approved customers that we engage with regularly. And so, our ability to communicate with them through various channels happens very, very fast. We kind of introduced it in a test, measure and learn approach so that we can optimize over time. So we ramp pretty quickly. I would say though that the opportunity that we continue to look at and we've had disciplined marketing approach is to introduce new customers who haven't -- who are looking for transaction assistance and may want to shop at a place like Lowe's, and so we have been doing all sorts of marketing tests out in the market to acquire new customers as well. And so, that has a longer burn as we really target in on who the right customers are to give an offer to and to introduce Katapult to. But with our existing base, the ramp is really, really quickly. And we're just looking for the right timing for when a transaction makes sense for them. And Lowe's makes a lot of sense right now, given this is the springtime going into summer, a lot of activity happening in the home improvement space. And so, now they have both Home Depot and Lowe's and Menards and others. We really have excellent coverage for wherever a customer wants to shop, where they can get the best deal for the best price.

Scott Buck

Great. That's helpful. And then, I want to ask about the full year origination guide of 10% growth. What's driven by new customers versus existing customers? And then, on the flip side, what's driven by new logos and then maybe expansion of service within some of the current relationships -- retailer relationships?

Nancy A. Walsh
Chief Financial Officer

It's really all of those things, and that's why our strategy is of driving the customer base, as well as expanding relationships with existing merchants, adding new merchants. As we talked about in prepared comments, we have a healthy pipeline of activities that we're expecting will start to be reflected in our financial results as we go through the second half. But it's a combination of all those. And unfortunately, we have not broken it out in terms of that detail for competitive reasons but feel very good about all 3 kind of arms of the strategy that controlling what we can control through our app and through Katapult Pay with the high repeat rate and the fact that the lifetime value of those customers is just amazing. I think the metric we gave out is 30% of our customers within 60 days are initiating another lease. So that's very powerful for us. We're bringing a lot of customers to our merchants. And at the same time, what we talked about with Wayfair, we're really taking a look at how can we creatively solve for what the merchant and us are looking to drive our business. And so, each of these are equally important, and it all factors into what we're seeing for the growth for the second half of the year.

Orlando J. Zayas
CEO, President & Director

Scott, this is Orlando. One thing I'll add too is, with Katapult Pay, I think we've changed kind of the trending of the business, and we saw this last year with Best Buy and, obviously, Lenovo and Home Depot and Lowe's. That created more of a holiday-driven volume than if we were just home furnishings because home furnishing -- people don't buy a new living-room set for Christmas, but they sure do buy electronics and home improvement goods and stuff like that to improve their home for the holidays. So we're pretty optimistic about our fourth quarter being as good as last year, probably better. And then, you add on some new merchants that we've got coming up and then continuing to improve our repeat rate with our customers, which -- and then our direct-to-consumer marketing that we do, that's going to help us round out the year.

Nancy A. Walsh
Chief Financial Officer

And Scott, I'll add one more metric for this year that we're looking to grow our customer base by about 15%, new customers.

Scott Buck

Okay. That's great. That's very helpful. Appreciate that. On the competitive environment, anything you're seeing from your peers that raises an eyebrow, whether it's shifts in underwriting or anything along those lines to keep an eye on?

Derek Medlin
Chief Operating Officer

Scott, I'll take that. This is Derek. Thanks for the question. I think we're -- we just see such a huge opportunity and the TAM is so large that right now, we have a lot of conversations going on with merchants, partners and others in the ecosystem that are really, really exciting that obviously, we keep a close eye on activities to make sure that we are having an excellent offer for both consumers and for our merchant partners. But for us, there's a huge greenfield opportunity out there that we're still accessing and tapping into. And I think overall, what I would say -- Anthony didn't ask his traditional pipeline question, but there are great interactions that we're having with merchants who -- when there is challenges in customer activity and then the macro, they're looking for solutions that can help them convert customers that are already on their sites or in their stores, and Katapult is a great solution to that. Not only do we have a great offer, but the way that we do it transparently and how we treat customers is really, really powerful. And those are the things that we're going to continue to lean in on, also having no late fees, et cetera. We think those are winning propositions that are going to attract partners, consumers and continue this great affinity that we have with our consumer base. So we obviously watch it, but we're really pleased with what we're seeing in terms of how the market is reacting to our offer, and we're going to keep leaning into that.

Scott Buck

Great. That's helpful. And then, sorry, guys, last one for me. Nancy, it sounds like you guys are going to be strategically ramping marketing in some areas. How should we think about the cadence of that as we move through the year? Is it kind of each quarter sequentially moves a bit higher? Or is there some seasonality involved that makes that a little bit more lumpy quarter-to-quarter?

Nancy A. Walsh
Chief Financial Officer

There will be a little lumpiness due to seasonality. Obviously, the holiday season is the largest quarter for us. Tax season is a very high peak for us as well, and we tend to see the summertime being a little less. So you will see some of that. This is the first full year of really leaning into the marketing efforts. And it's a lot of how we're utilizing the instruments that we had and kind of expanding on that rather than investing a lot of dollars. Having said that, we're keeping a close eye that we are generating the appropriate returns for these investments, and it's not only driving new customers for us, but driving top line, as well as improving our profitability.

Operator

We don't have any pending questions as of right now. I'd now like to hand over to Orlando Zayas, CEO, for final remarks.

Orlando J. Zayas
CEO, President & Director

Thanks, operator. In closing, I want to thank everyone for tuning in today. We're proud of our continued progress. Before I sign off, I want to give a big thank you to the Katapult team. You are hardworking and resilient, and it is because of you that we've been able to report 6 consecutive quarters of gross origination growth and are on track for double-digit revenue and gross origination growth in 2024. Thank you so much for your dedication.

We look forward to chatting with you and our investors as Q2 progresses. So please reach out to Jennifer if you have any questions or feedback. Thank you very much for the call today.

Operator
Thank you for attending today's call. You may now disconnect. Have a wonderful day.