



NEWS RELEASE

Katapult Grows First Quarter Revenue 18% Year-Over-Year

5/15/2024

Sixth Consecutive Quarter of Year-Over-Year Gross Originations Growth
Reiterates Full Year 2024 Outlook For At Least 10% Gross Originations and Revenue Growth

PLANO, Texas, May 15, 2024 (GLOBE NEWSWIRE) -- Katapult Holdings, Inc. ("Katapult" or the "Company") (NASDAQ: KPLT), an e-commerce-focused financial technology company, today reported its financial results for the first quarter ended March 31, 2024.

"We were able to deliver gross originations and revenue growth above our expectations, despite a challenging retail environment," said Orlando Zayas, CEO of Katapult. "We continue to execute against the core tenets of our merchant and customer strategies, and our progress is showing up in our financial results. Our non-Wayfair gross originations grew 9% during the first quarter, Katapult Pay(R) gross originations grew by more than 150% and our repeat purchase rate remained strong at 56%. We are consistently launching features and capabilities that increase our value proposition for merchants, enhance the lease-to-own experience for customers and strengthen the resiliency of our business model. We believe we are well positioned for continued growth and we are looking forward to a great year."

Operating Progress: Recent Highlights

- Upgraded Katapult platform with integration of newest version of Shopify
- Expanded relationships focused on growing direct merchant-partner pipeline
 - Launched Katapult Cartridge for B2C Commerce on Salesforce AppExchange
 - Made progress integrating with the requirements of the Synchrony digital waterfall application process,

which will enable Synchrony's retail partners to offer our LTO option to their customers

- Continued to build momentum for Katapult Pay and our app
 - Katapult Pay gross originations grew more than 150% year-over-year
 - Launched Lowe's in the Katapult marketplace; available for shopping using Katapult Pay as of May 7, 2024
- Customer satisfaction remained high and Katapult had a Net Promoter Score of 65 as of March 31, 2024 and 55.9% of gross originations for the first quarter of 2024 came from repeat customers.¹

First Quarter 2024 Financial Highlights

(All comparisons are year-over-year unless stated otherwise.)

- Gross originations were \$55.6 million, an increase of 1.6%
- Total revenue was \$65.1 million, an increase of 18.1%
- Total operating expenses in the first quarter decreased 18.5%. Fixed cash operating expenses² decreased approximately 20.6%
- Net loss was \$0.6 million for the first quarter of 2024 compared with net loss of \$10.5 million reported for the first quarter of 2023.
- Adjusted net income was \$1.0 million for the first quarter of 2024, an improvement of \$9.6 million compared to an adjusted net loss of \$8.6 million reported for the first quarter of 2023
- Adjusted EBITDA² improved to positive \$5.6 million for the first quarter of 2024 compared to an Adjusted EBITDA² loss of \$1.0 million in the first quarter of 2023
- Katapult ended the quarter with total cash and cash equivalents of \$37.6 million, which includes \$6.3 million of restricted cash. The Company ended the quarter with \$68.0 million of outstanding debt on its credit facility
- Write-offs as a percentage of revenue were 8.4% in the first quarter of 2024 and are at the low end of the Company's 8% to 10% long-term target range. This is a 40 bps improvement compared with 8.8% in the first quarter of 2023.

[1] Repeat customer rate is defined as the percentage of in-quarter originations from existing customers.

[2] Please refer to the "Reconciliation of Non-GAAP Measure and Certain Other Data" section and the GAAP to non-GAAP reconciliation tables below for more information.

Second Quarter and Full Year 2024 Business Outlook

The Company is continuing to navigate an evolving macro environment and it is unclear if interest rates will move lower this year given recent inflation trends. At the same time, our results lead us to believe that our customer 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 US consumer's 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, Katapult expects to deliver the following results for the second quarter of 2024:

- 3 to 5% year-over-year increase in gross originations, which reflects the ongoing headwinds in the home furnishings retail category
- 8 to 10% year-over-year increase in revenue
- Continued improvement in Adjusted EBITDA performance compared with the second quarter of last year, despite an expectation for fixed cash operating expenses to increase slightly year-over-year as we invest in new growth initiatives

For full year 2024, Katapult is reiterating the following outlook:

- We expect to continue to expand our customer base and acquire new customers
- Year-over-year growth in gross originations is expected to continue. For the full year we expect gross originations to grow at a rate of at least 10% and believe that our first quarter performance was the low point for the year.

This outlook does not include any material impact from prime creditors tightening or loosening above us and assumes that there are no significant changes to the macro environment. Our outlook also assumes the retail environment for home furnishings begins to normalize. The Company also expects gross originations to improve sequentially in the second half of 2024 compared to the first half of 2024 driven by growth in direct merchant originations and originations coming through Katapult Pay.

- We also expect to maintain strong credit quality in our portfolio. This will be driven by ongoing enhancements to our risk modeling, onboarding high quality new merchants through direct integrations, and repeat customers engaging with Katapult Pay
- Revenue growth is expected to be at least 10%
- Finally with the continued execution of our disciplined expense management strategy combined with our growing top-line we expect to deliver another year of Adjusted EBITDA growth. We also expect Adjusted

EBITDA to follow the seasonal patterns that we have seen historically.

"During the first quarter we faced retail headwinds, but as expected, we picked up momentum as the quarter progressed," said Nancy Walsh, CFO of Katapult. "Each month we improved year-over-year gross originations growth and this performance, coupled with our strong revenue growth, lease portfolio quality, and our disciplined expense management, allowed us to improve Adjusted EBITDA substantially year-over-year. We are on track to deliver a minimum of 10% gross originations and revenue growth for 2024 as we continue to scale our financial model."

Conference Call and Webcast

The Company will host a conference call and webcast at 8:00 AM ET on Wednesday, May 15, 2024, to discuss the Company's financial results. Related presentation materials will be available before the call on the Company's Investor Relations page at <https://ir.katapultholdings.com>. The conference call will be broadcast live in listen-only mode and an archive of the webcast will be available for one year.

About Katapult

Katapult is a technology driven lease-to-own platform that integrates with omnichannel retailers and e-commerce platforms to power the purchasing of everyday durable goods for underserved U.S. non-prime consumers. Through our point-of-sale (POS) integrations and innovative mobile app featuring Katapult Pay(R), consumers who may be unable to access traditional financing can shop a growing network of merchant partners. Our process is simple, fast, and transparent. We believe that seeing the good in people is good for business, humanizing the way underserved consumers get the things they need with payment solutions based on fairness and dignity.

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Forward-Looking Statements

Certain statements included in this Press Release that are not historical facts are forward-looking statements for purposes of the safe harbor provisions under the United States Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements may be identified by words such as "anticipate," "assume," "believe," "continue," "could," "design," "estimate," "expect," "intend," "may," "plan," "potentially," "predict," "should," "will," "would," or the negative of these terms or other similar expressions.. These forward-looking statements include, but

are not limited to, statements regarding our second quarter 2024 and full year 2024 business outlook and underlying assumptions. These statements are based on various assumptions, whether or not identified in this Press Release, and on the current expectations of Katapult's management and are not predictions of actual performance.

These forward-looking statements are provided for illustrative purposes only and are not intended to serve as, a guarantee, an assurance, a prediction or a definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. Many actual events and circumstances are beyond the control of Katapult. These forward-looking statements are subject to a number of risks and uncertainties, including the execution of Katapult's business strategy, launching new product offerings and new brands and expanding information and technology capabilities; Katapult's market opportunity and its ability to acquire new customers and retain existing customers; adoption and success of our mobile application featuring Katapult Pay; the timing and impact of our growth initiatives on our future financial performance and the impact of our new executive hires and brand strategy; anticipated occurrence and timing of prime lending tightening and impact on our results of operations; general economic conditions in the markets where Katapult operates, the cyclical nature of customer spending, and seasonal sales and spending patterns of customers; risks relating to factors affecting consumer spending that are not under Katapult's control, including, among others, levels of employment, disposable consumer income, inflation, prevailing interest rates, consumer debt and availability of credit, pandemics (such as COVID-19), consumer confidence in future economic conditions, political conditions, and consumer perceptions of personal well-being and security and willingness and ability of customers to pay for the goods they lease through Katapult when due; risks relating to uncertainty of Katapult's estimates of market opportunity and forecasts of market growth; risks related to the concentration of a significant portion of our transaction volume with a single merchant partner, or type of merchant or industry; the effects of competition on Katapult's future business; meet future liquidity requirements and complying with restrictive covenants related to our long-term indebtedness; the impact of unstable market and economic conditions such as rising inflation and interest rates; reliability of Katapult's platform and effectiveness of its risk model; data security breaches or other information technology incidents or disruptions, including cyber-attacks, and the protection of confidential, proprietary, personal and other information, including personal data of customers; ability to attract and retain employees, executive officers or directors; effectively respond to general economic and business conditions; obtain additional capital, including equity or debt financing and servicing our indebtedness; enhance future operating and financial results; anticipate rapid technological changes, including generative artificial intelligence and other new technologies; comply with laws and regulations applicable to Katapult's business, including laws and regulations related to rental purchase transactions; stay abreast of modified or new laws and regulations applying to Katapult's business, including with respect to rental purchase transactions and privacy regulations; maintain and grow relationships with merchants and partners; respond to uncertainties associated with product and service developments and market acceptance; the impacts of new U.S. federal income tax laws; that Katapult has identified

material weaknesses in its internal control over financial reporting which, if not remediated, could affect the reliability of its condensed consolidated financial statements; successfully defend litigation; litigation, regulatory matters, complaints, adverse publicity and/or misconduct by employees, vendors and/or service providers; and other events or factors, including those resulting from civil unrest, war, foreign invasions (including the conflict involving Russia and Ukraine and the Israel-Hamas conflict), terrorism, public health crises and pandemics (such as COVID-19), or responses to such events; Katapult's ability to meet the minimum requirements for continued listing on the Nasdaq Global Market; the effects of the reverse stock split on our common stock; and those factors discussed in greater detail in the section entitled "Risk Factors" in Katapult's periodic reports filed with the Securities and Exchange Commission ("SEC"), and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 that Katapult filed with the SEC.

If any of these risks materialize or our assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. There may be additional risks that Katapult does not presently know or that Katapult currently believes are immaterial that could also cause actual results to differ from those contained in the forward-looking statements. Undue reliance should not be placed on the forward-looking statements in this Press Release. All forward-looking statements contained herein are based on information available to Katapult as of the date hereof, and Katapult does not assume any obligation to update these statements as a result of new information or future events, except as required by law.

Key Performance Metrics

Katapult regularly reviews several metrics, including the following key metrics, to evaluate its business, measure its performance, identify trends affecting our business, formulate financial projections and make strategic decisions, which may also be useful to an investor: gross originations, total revenue, gross profit, adjusted gross profit and adjusted EBITDA.

Gross originations are defined as the retail price of the merchandise associated with lease-purchase agreements entered into during the period through the Katapult platform. Gross originations do not represent revenue earned. However, we believe this is a useful operating metric for both Katapult's management and investors to use in assessing the volume of transactions that take place on Katapult's platform.

Total revenue represents the summation of rental revenue and other revenue. Katapult measures this metric to assess the total view of pay through performance of its customers. Management believes looking at these components is useful to an investor as it helps to understand the total payment performance of customers.

Gross profit represents total revenue less cost of revenue, and is a measure presented in accordance with generally accepted accounting principles in the United States ("GAAP"). See the "Non-GAAP Financial Measures" section below

for a description and presentation of adjusted gross profit and adjusted EBITDA, which are non-GAAP measures utilized by management.

Non-GAAP Financial Measures

To supplement the financial measures presented in this press release and related conference call or webcast in accordance with GAAP, the Company also presents the following non-GAAP and other measures of financial performance: adjusted gross profit, adjusted EBITDA, adjusted net income/(loss) and fixed cash operating expenses. The Company believes that for management and investors to more effectively compare core performance from period to period, the non-GAAP measures should exclude items that are not indicative of our results from ongoing business operations. The Company urges investors to consider non-GAAP measures only in conjunction with its GAAP financials and to review the reconciliation of the Company's non-GAAP financial measures to its comparable GAAP financial measures, which are included in this press release.

Adjusted gross profit represents gross profit less variable operating expenses, which are servicing costs, and underwriting fees. Management believes that adjusted gross profit provides a meaningful understanding of one aspect of its performance specifically attributable to total revenue and the variable costs associated with total revenue.

Adjusted EBITDA is a non-GAAP measure that is defined as net loss before interest expense and other fees, interest income, change in fair value of warrant liability, provision (benefit) for income taxes, depreciation and amortization on property and equipment and capitalized software, provision of impairment of leased assets, loss on partial extinguishment of debt and stock-based compensation expense.

Adjusted net income/(loss) is a non-GAAP measure that is defined as net loss before change in fair value of warrant liability and stock-based compensation expense.

Fixed cash operating expenses is a non-GAAP measure that is defined as operating expenses less depreciation and amortization on property and equipment and capitalized software, stock-based compensation expense and variable lease costs such as servicing costs and underwriting fees. Management believes that fixed cash operating expenses provides a meaningful understanding of non-variable ongoing expenses.

Adjusted gross profit, adjusted EBITDA and adjusted net income/(loss) are useful to an investor in evaluating the Company's performance because these measures:

- Are widely used to measure a company's operating performance;
- Are financial measurements that are used by rating agencies, lenders and other parties to evaluate the

Company's credit worthiness; and

- Are used by the Company's management for various purposes, including as measures of performance and as a basis for strategic planning and forecasting.

Management believes the use of non-GAAP financial measures, as a supplement to GAAP measures, is useful to investors in that they eliminate items that are not part of our core operations, highly variable or do not require a cash outlay, such as stock-based compensation expense. Management uses these non-GAAP financial measures when evaluating operating performance and for internal planning and forecasting purposes. Management believes that these non-GAAP financial measures help indicate underlying trends in the business, are important in comparing current results with prior period results and are useful to investors and financial analysts in assessing operating performance. However, these non-GAAP measures exclude items that are significant in understanding and assessing Katapult's financial results. Therefore, these measures should not be considered in isolation or as alternatives to revenue, net loss, gross profit, cash flows from operations or other measures of profitability, liquidity or performance under GAAP. You should be aware that Katapult's presentation of these measures may not be comparable to similarly titled measures used by other companies.

Reverse Stock Split

All share and per share amounts in the condensed consolidated statements of operations and comprehensive loss and condensed consolidated balance sheets have been retroactively adjusted for all periods presented to give effect to the reverse stock split that was effective as of July 27, 2023.

KATAPULT HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(amounts in thousands, except per share data)

(unaudited)

	Three Months Ended March 31,	
	2024	2023 (As Restated)
Revenue		
Rental revenue	\$ 64,142	\$ 54,131
Other revenue	919	952
Total revenue	65,061	55,083
Cost of revenue	48,573	43,213
Gross profit	16,488	11,870
Operating expenses	12,688	15,567
Income (loss) from operations	3,800	(3,697)
Loss on partial extinguishment of debt	—	(2,391)
Interest expense and other fees	(4,527)	(5,189)
Interest income	324	620
Change in fair value of warrant liability	(162)	132
Loss before income taxes	(565)	(10,525)
Provision for income taxes	(5)	(20)

Net loss	\$ (570)	\$ (10,545)
Weighted average common shares outstanding - basic and diluted	4,242	3,973
Net loss per common share - basic and diluted	\$ (0.13)	\$ (2.65)

KATAPULT HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	March 31, 2024 (unaudited)	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 31,232	\$ 21,408
Restricted cash	6,339	7,403
Property held for lease, net of accumulated depreciation and impairment	57,575	59,335
Prepaid expenses and other current assets	3,461	4,491
Litigation insurance reimbursement receivable	5,000	5,000
Total current assets	<u>103,607</u>	<u>97,637</u>
Property and equipment, net	295	327
Security deposits	91	91
Capitalized software and intangible assets, net	1,811	1,919
Right-of-use assets	812	888
Total assets	<u>\$ 106,616</u>	<u>\$ 100,862</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 1,657	\$ 903
Accrued liabilities	20,023	24,146
Accrued litigation settlement	12,000	12,000
Term loan	—	—
Unearned revenue	5,156	4,949
Lease liabilities	334	297
Total current liabilities	<u>39,170</u>	<u>42,295</u>
Revolving line of credit	67,631	60,347
Term loan, non-current	26,519	25,503
Other liabilities	257	95
Lease liabilities, non-current	522	614
Total liabilities	<u>134,099</u>	<u>128,854</u>
STOCKHOLDERS' DEFICIT		
Common stock, 0.0001 par value-- 250,000,000 shares authorized; 4,105,645 and 4,072,713 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	—	—
Additional paid-in capital	95,623	94,544
Accumulated deficit	(123,106)	(122,536)
Total stockholders' deficit	<u>(27,483)</u>	<u>(27,992)</u>
Total liabilities and stockholders' deficit	<u>\$ 106,616</u>	<u>\$ 100,862</u>

KATAPULT HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollars in thousands)

Three Months Ended March 31,

	2024	2023 (As Restated)
Cash flows from operating activities:		
Net loss	\$ (570)	\$ (10,545)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	34,026	29,677
Net book value of property held for lease buyouts	7,613	6,747
Impairment on property held for lease expense	5,636	5,258
Change in fair value of warrants liability	162	(132)
Stock-based compensation	1,391	2,090
Loss on partial extinguishment of debt	—	2,391
Amortization of debt discount	669	1,093
Amortization of debt issuance costs, net	66	81
Accrued PIK Interest	347	530
Amortization of right-of-use assets	76	98
Change in operating assets and liabilities:		
Property held for lease	(45,249)	(43,299)
Prepaid expenses and other current assets	1,029	3,109
Accounts payable	754	252
Accrued liabilities	(4,123)	(594)
Lease liabilities	(55)	(112)
Unearned revenues	208	450
Net cash provided by (used in) operating activities	<u>1,980</u>	<u>(2,906)</u>
Cash flows from investing activities:		
Purchases of property and equipment	—	(4)
Additions to capitalized software	(126)	(297)
Net cash used in investing activities	<u>(126)</u>	<u>(301)</u>
Cash flows from financing activities:		
Proceeds from revolving line of credit	10,058	4,350
Principal repayments on revolving line of credit	(2,840)	(872)
Principal repayment on term loan	—	(25,000)
Repurchases of restricted stock	(312)	(163)
Net cash provided by (used in) financing activities	<u>6,906</u>	<u>(21,685)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	8,760	(24,892)
Cash, cash equivalents and restricted cash at beginning of period	28,811	69,841
Cash, cash equivalents and restricted cash at end of period	<u>\$ 37,571</u>	<u>\$ 44,949</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 3,382</u>	<u>\$ 3,459</u>
Cash paid for income taxes	<u>\$ 112</u>	<u>\$ 2</u>
Deferred financing costs included in accrued liabilities	<u>\$ —</u>	<u>\$ 493</u>
Issuance of warrants to purchase common stock in connection with debt refinancing	<u>\$ —</u>	<u>\$ 4,060</u>
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ —</u>	<u>\$ 1,139</u>
Cash paid for operating leases	<u>\$ 82</u>	<u>\$ 126</u>

KATAPULT HOLDINGS, INC.

RECONCILIATION OF NON-GAAP MEASURES AND CERTAIN OTHER DATA (UNAUDITED)

(amounts in thousands)

	Three Months Ended March 31,	
	2024	2023 (As Restated)
Total revenue	\$ 65,061	\$ 55,083
Cost of revenue	<u>48,573</u>	<u>43,213</u>
Gross profit	16,488	11,870
Less:		
Servicing costs	1,132	990
Underwriting fees	<u>509</u>	<u>468</u>
Adjusted gross profit	<u>\$ 14,847</u>	<u>\$ 10,412</u>

	Three Months Ended March 31,	
	2024	2023
		(As Restated)
Net loss	\$ (570)	\$ (10,545)
Add back:		
Interest expense and other fees	4,527	5,189
Interest income	(324)	(620)
Change in fair value of warrant liability	162	(132)
Provision for income taxes	5	20
Depreciation and amortization on property and equipment and capitalized software	266	197
Provision for impairment of leased assets	173	424
Loss on partial extinguishment of debt	—	2,391
Stock-based compensation expense	1,391	2,090
Adjusted EBITDA	\$ 5,630	\$ (986)

	Three Months Ended March 31,	
	2024	2023
		(As Restated)
Net loss	\$ (570)	\$ (10,545)
Add back:		
Change in fair value of warrant liability	162	(132)
Stock-based compensation expense	1,391	2,090
Adjusted net income (loss)	\$ 983	\$ (8,587)

	Three Months Ended March 31,	
	2024	2023
		(As Restated)
Total operating expenses	\$ 12,688	\$ 15,567
Less:		
Depreciation and amortization on property and equipment and capitalized software	266	197
Stock-based compensation expense	1,391	2,090
Servicing costs	1,132	990
Underwriting fees	509	468
Fixed cash operating expenses	\$ 9,390	\$ 11,822

CERTAIN KEY PERFORMANCE METRICS

(in thousands)	Three Months Ended March 31,	
	2024	2023
		(As Restated)
Total revenue	\$ 65,061	\$ 55,083

KATAPULT HOLDINGS, INC.

GROSS ORIGINATIONS BY QUARTER

(\$ millions)	Gross Originations by Quarter							
	Q1		Q2		Q3		Q4	
FY 2024	\$	55.6	\$	—	\$	—	\$	—
FY 2023	\$	54.7	\$	54.7	\$	49.6	\$	67.5
FY 2022	\$	46.7	\$	46.4	\$	44.1	\$	59.8
FY 2021	\$	63.8	\$	64.4	\$	61.0	\$	58.9
FY 2020	\$	37.2	\$	77.6	\$	60.5	\$	61.1

Source: Katapult Holdings, Inc.