Katapult

Sidoti Small Cap Conference
Investor Presentation

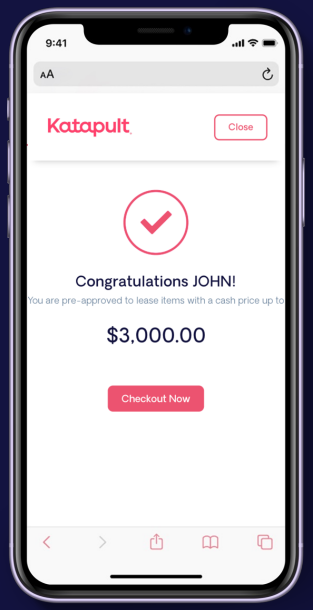
September 21, 2023

Disclaimer

Forward-Looking Statements

Certain statements included in this presentation 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. Forward-looking statements generally are accompanied by words such as “assume,” “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “should,” “would,” “plan,” “predict,” “potential,” “seem,” “seek,” “future,” “outlook,” “goal”, and similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These forward-looking statements include, but are not limited to, statements regarding our market opportunity, the impact of our growth initiatives on our future financial performance, the timing and gross origination and success of our mobile application and virtual credit card solution, Katapult Pay™, the anticipated occurrence, timing and impact of prime lending tightening, the expected decrease in our write-off percentage and the improvements in on our portfolio quality and profitability. These statements are based on various assumptions, whether or not identified in this presentation, 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 execution of Katapult's business strategy, launching new product offerings, new brands and expanding information and technology capabilities; Katapult's market opportunity and its ability to acquire new customers and retain existing customers; 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 impairment levels and prime lending tightening and impact on our results of operations; adoption and success of our mobile application and virtual credit card solution, Katapult Pay™, general economic conditions in the markets where Katapult operates, the cyclical nature of consumer 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 and political conditions, and consumer perceptions of personal well-being and security; 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; the impact of the COVID-19 pandemic and its effect on Katapult's business; unstable market and economic conditions, including as a result of the conflict involving Russia and Ukraine; reliability of Katapult's platform and effectiveness of its risk model; protection of confidential, proprietary or sensitive information, including confidential information about consumers, and privacy or data breaches, including by cyber-attacks or similar disruptions; ability to attract and retain employees, executive officers or directors; meeting future liquidity requirements and complying with restrictive covenants related to long-term indebtedness; effectively respond to general economic and business conditions; obtain additional capital, including equity or debt financing; enhance future operating and financial results; anticipate rapid technological changes; 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 rental purchase transactions and data privacy regulations; maintain relationships with merchant partners; respond to uncertainties associated with product and service developments and market acceptance; anticipate the impact of new U.S. federal income tax law; that Katapult has identified material weaknesses in its internal control over financial reporting which, if not remediated, could affect the reliability of its 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), terrorism, or public health crises, or responses to such events); 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”), including Katapult’s Annual Report on Form 10-K for the year ended December 31, 2022 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2023. 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 presentation. 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.

Katapult is an e-commerce focused FinTech company offering an innovative lease solution to consumers and enabling essential transactions at the merchant point of sale



Who We Are

SPEED & CONVENIENCE
Decisioning in 5 seconds or less on average

GROWING CONSUMER BASE
Over 600,000 approved applicants LTM

E-COMMERCE LEADER
Over 200 merchants on platform

CUSTOMER SATISFACTION
Net Promoter Score of 64

$1.2 Billion In Approved LTM Lease Limit

$213 Million In LTM Gross Originations

Katapult®

Mission Statement

Katapult's mission is to enable consumers to get the durable goods they need when they need them and connect retailers with a growing base of engaged and loyal consumers



Key Investment Highlights

Large Addressable Market

Opportunity to expand <1% market share of a $50-60 Billion total addressable market that includes e-commerce and in-store merchants

Clear And Compelling Merchant Value Proposition

We offer merchants a pipeline of new, engaged and loyal consumers

Opportunities to Grow Our Loyal and Engaged Consumer Base

Low customer acquisition costs and high repeat purchase rates (51% in Q2 2023)

Proprietary Technology Platform

AI-powered platform provides scalability, operational efficiency and competitive differentiation

Differentiated Financial Profile

Core B2B platform can deliver sustained, profitable returns

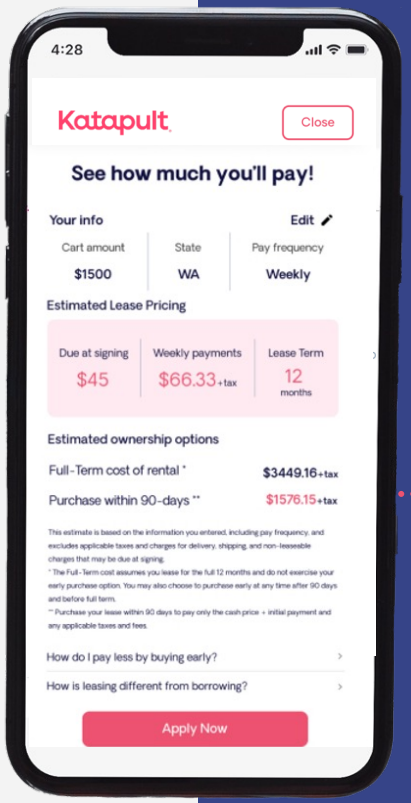
Experienced Management Team

Leadership team with over 100 combined total years in the financial services and retail sectors

Katapult provides underserved nonprime consumers access to the durable goods they need

UNDERSERVED CONSUMERS

Affordable access to durable goods



Expanded consumer base

E-COMMERCE MERCHANTS

37% of US Adults[1]

could not cover $400 of emergency expenses without assistance

Next-Generation Tech

machine learning powered program

$50–$60 Billion[2]

estimated total US addressable market



1 May 2023 Federal Reserve System Board of Governors Report on the Economic Well-Being of U.S. Households in 2018

2 Calculated by multiplying ~$180 billion market for online retail across electronics, furniture, appliances and other durables (Wall Street research, June 2020) by 30% of the US subprime consumers (Experian Research, 2021)

What Is Lease-to-Own (LTO)?

Katapult offers a Scalable Omnichannel LTO solution

For consumers who have no/sub-prime credit, Katapult LTO enables new paths to purchase durable goods

With Katapult's LTO product, customer understands full cost of ownership, up-front

- No late fees or penalties. Ever
- Can repay early with options like a low 90-day buyout price
- Makes purchases more affordable

Customer makes recurring payments toward owning goods outright

- No long-term obligation to continue leasing; goods are returnable at any time

Customer has several options to acquire ownership of the product they are leasing

- Katapult offers flexibility that can make it more attractive and accessible than traditional financing
- With each payment, customer has the option to continue leasing, buyout or return the item

Katapult LTO provides merchant partners access to new consumer base

- 30%+ of US adults don't qualify for traditional financing or buy now/pay later[1]



Katapult

[1]source: https://www.pymnts.com/consumer-finance/2022/millennial-minute-25-of-millennials-familiar-with-lease-to-own-wont-shop-if-it-isnt-on-offer/

Driving higher sales without driving higher prices

Cash Price		Maximum Cost to Own
$716 [a]	Katapult	$1,323 [b]
$1,146 [c]	Legacy, branch-based LTO	$1,819
$639 [d]	Private label credit card	$1,838 [e]

[a] Includes $45 origination fee and 5% fee
[b] Assumes 2.0x multiple on original $639 price and $45 origination fee
[c] Cash price listed on LTO competitor website for comparable refrigerator, unlike Katapult that sources directly from retailers
[d] Assumes credit card balance is paid off
[e] Assumes interest rate of 34.99% and consumer pays minimum monthly payment of 3% until balance paid off

Retailer Price:

$639



Katapult opens doors to the millions of shoppers overlooked by traditional financing



No Established Credit

Katapult provides this consumer a way to build a life sooner



Credit Challenged

Katapult positions this consumer to rebuild their financial standing



Good Credit

Katapult provides this consumer with buying power.

Flexible & Transparent Payment Options
Drive Customer Loyalty

FIRST 90 DAYS

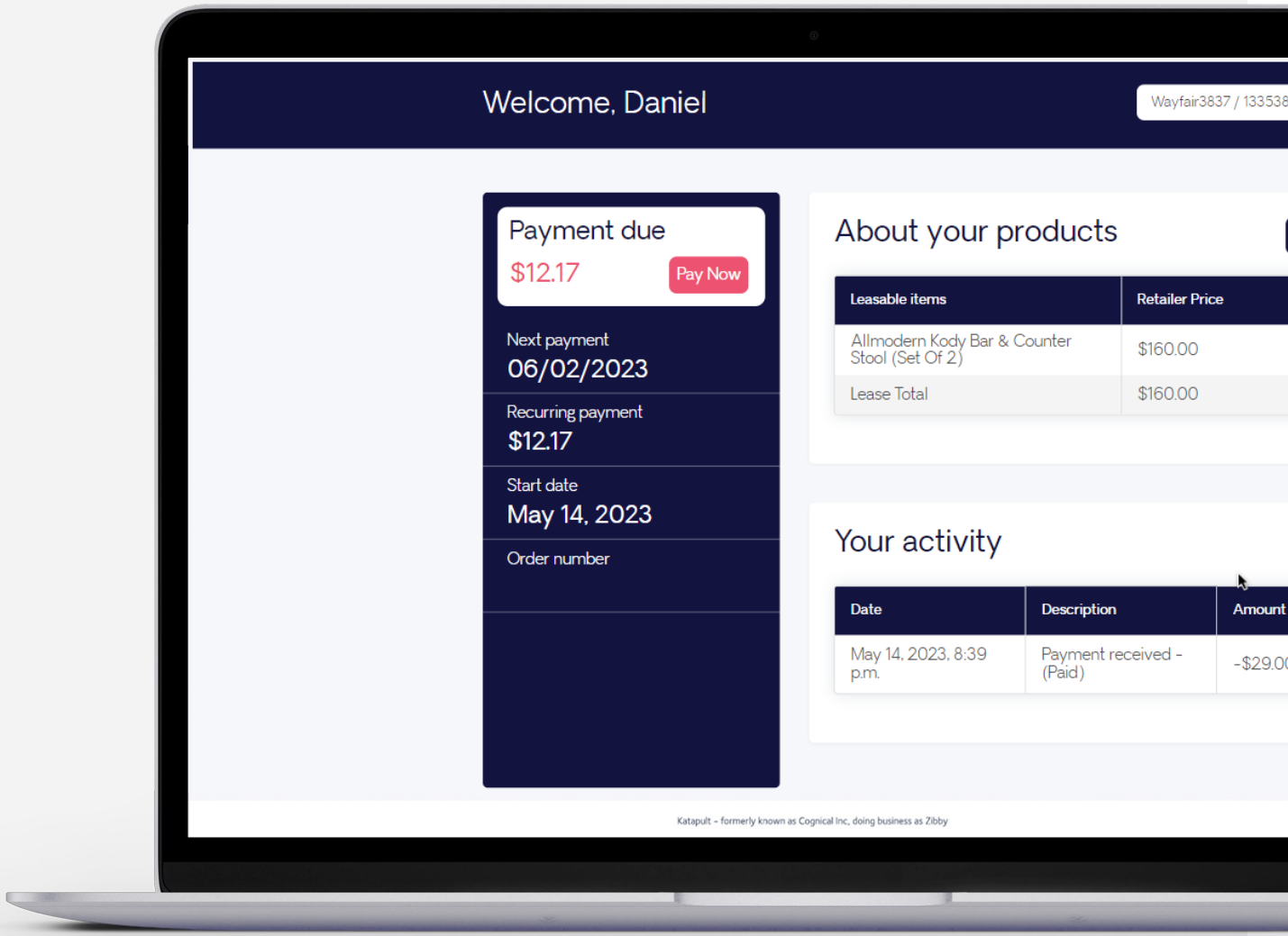
Buy out options available to buyout for the cash price plus 5% fee during the first 90 days

POST 90 DAYS

Early purchase options available anytime after the initial 90 days allowing consumers to purchase for significantly less than the full-term cost to own

FULL TERM

Payments made over the full lease term equal 2x the lease origination amount on average

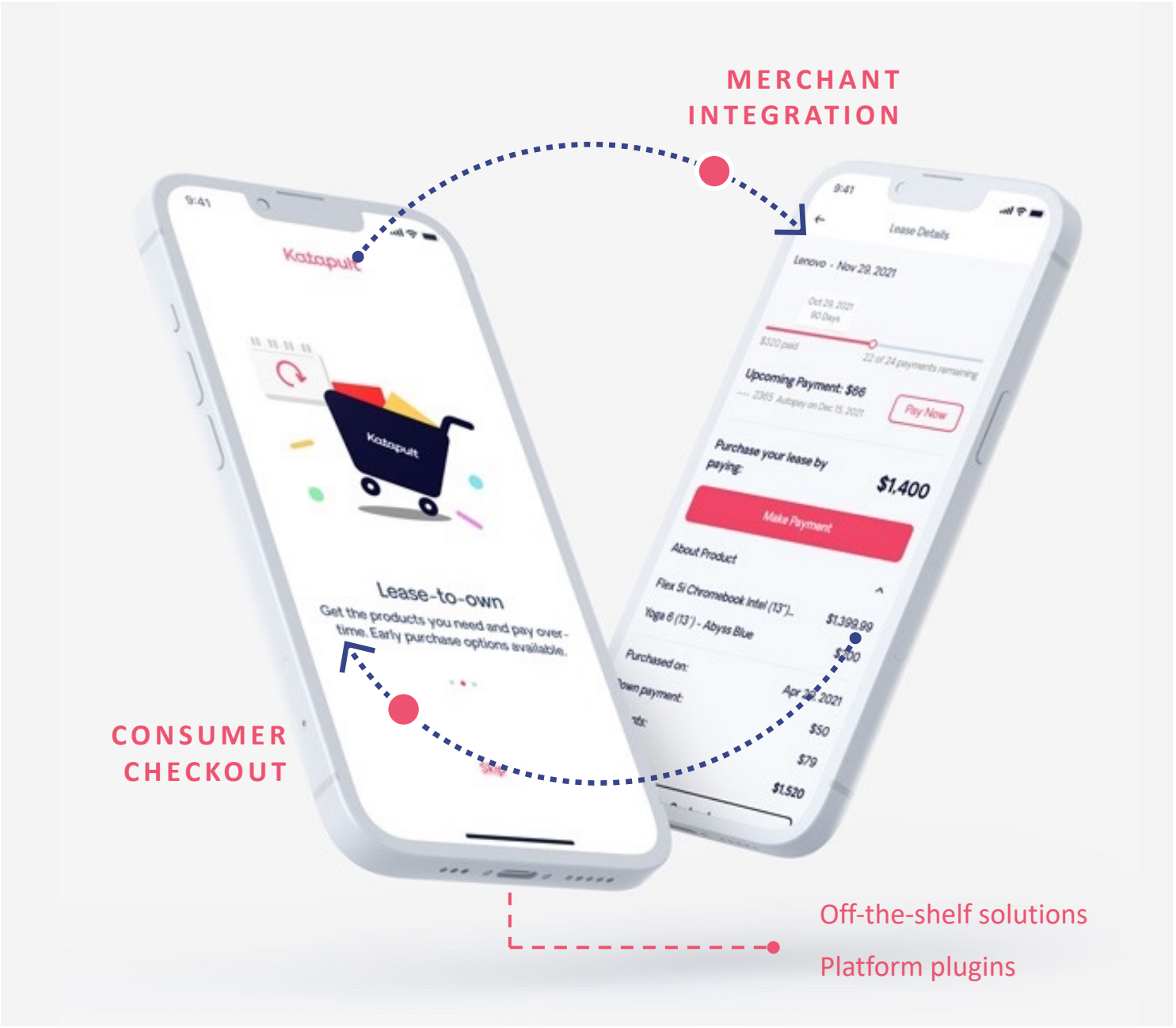


No late fees. Ever.

Our proprietary tech solution creates a deeper cycle of engagement between consumers and merchants

Our platform addresses critical consumer pain points that we believe drive higher conversion for merchants

We are transforming the way nonprime consumers shop and how merchants access this underserved segment



Katapult's technology powers our proprietary scoring and translates into higher approval rates

Sophisticated Underwriting Process

- Advanced behavioral learning mitigates credit and fraud risks
- Utilizes behavioral biometrics, device and location recognition
- 5 seconds or less approval decision using AI inspired machine learning

Select Attributes

Lease History

Payment Behavior

Mobile Device

Product Attributes

Shopping Behavior

Behavioral Biometrics



A Positive Consumer Experience

NPS
Net Promoter Score
64



"The payment options were clearly defined (no hidden fees or anything). The process to choose this financing was super fast (pretty much immediate). Payment options make this an affordable option. Highly recommend."
- GF

Trustpilot
4.4



"It was an easy and quick experience. Everything was spelled out up front and simple to understand. Customer service was great in answering all my questions and very professional. I'd recommend Katapult. Five stars!"
- Elisa

Note: Figures as of Q2 2023

Clear and Compelling Value to Integrated Merchants

SELECT MERCHANT PARTNERS

wayfair · Lenovo · sears · MOTOROLA · Casper · iBUYPOWER · AGAPE DIAMONDS · gazelle · POLY&BARK · nectar · SIMPLETIRE · purple

200+ total merchants



Access to new shoppers drives incremental sales for merchants



Higher conversion rates reduce abandoned carts



High repeat purchase rates (51% in Q2 2023)

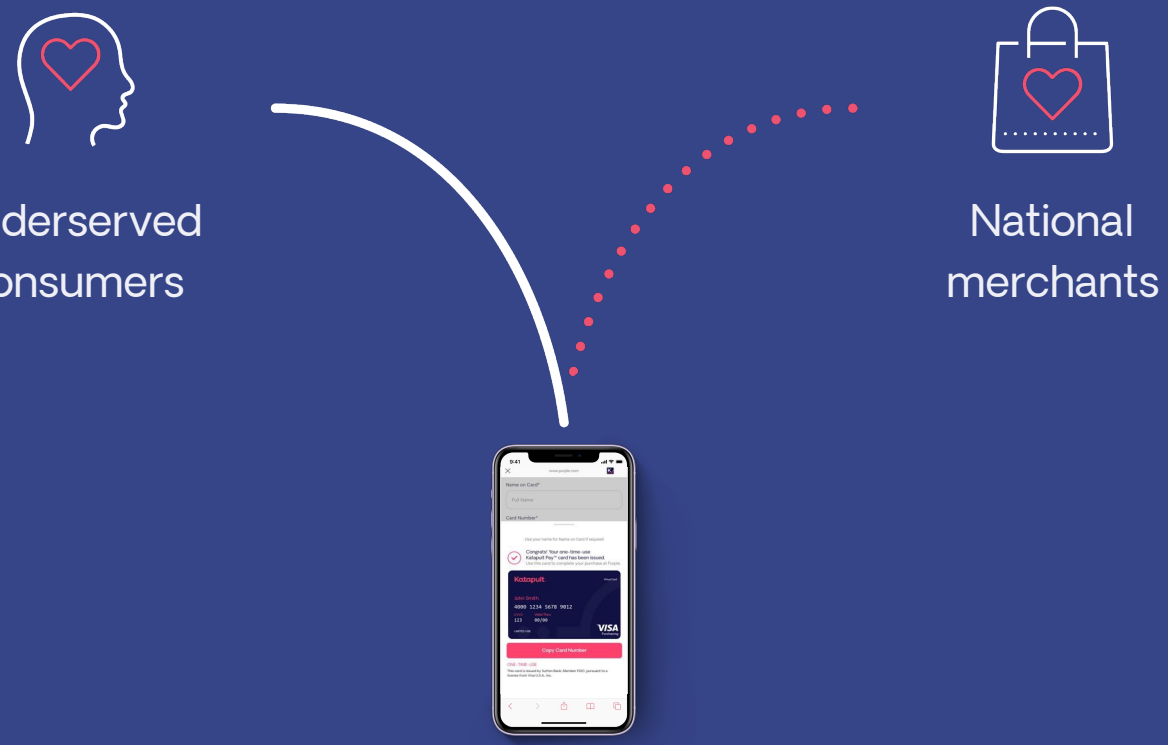


No recourse or risk from consumer defaults or returns



Merchants pay NO interchange costs related to the transaction

Katapult Pay is a transformational feature on our mobile app for facilitating lease purchases and accelerating merchant onboarding



featuring Katapult PAY

Improved accuracy, lower risk

Katapult's mobile app, featuring Katapult Pay technology, allows consumers to seamlessly shop for durable goods at a wide range of national merchants

Smarter transactions, fast approval

AI evaluates carts and shopping behavior, among other characteristics, to determine lease pre-approval amounts and populate a one-time use virtual card for completing the transaction

More data, more insight

Platform expands Katapult's ability to engage with consumers in a new way, increasing retention, repeat rates, and satisfactory ratings

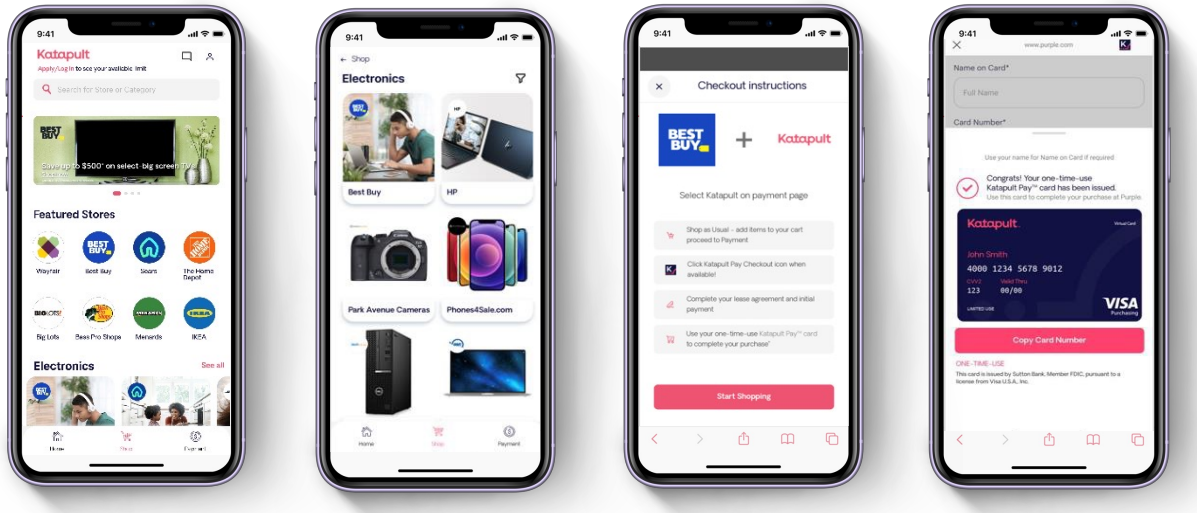
Instant Access for Mobile Consumers

featuring Katapult PAY

SELECT MARKETPLACE MERCHANTS

The Home Depot · wayfair · Best Buy · nectar · amazon.com · hp · IKEA · lull · Tractor Supply Co

20+ total merchants



Discover
National merchants on our marketplace

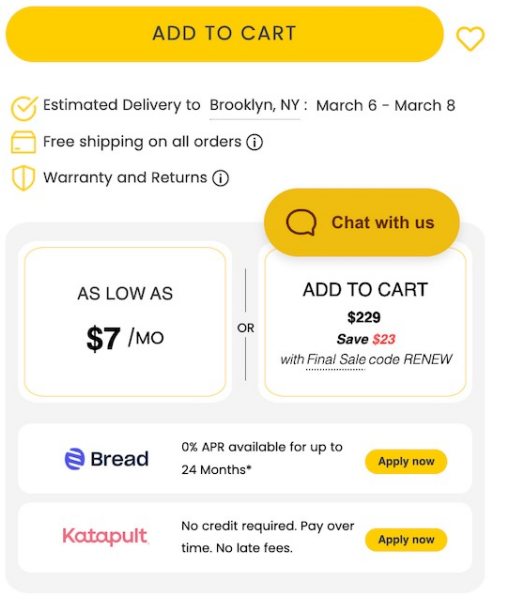
Search
Durable good product categories

Shop
Merchant websites using our in-app browser

Seamless
Check out driven by our one time-use virtual card

Multiple Opportunities to Grow Our Business

Merchant Integrations
Direct, Waterfall & Custom



✓ Grow our merchant base

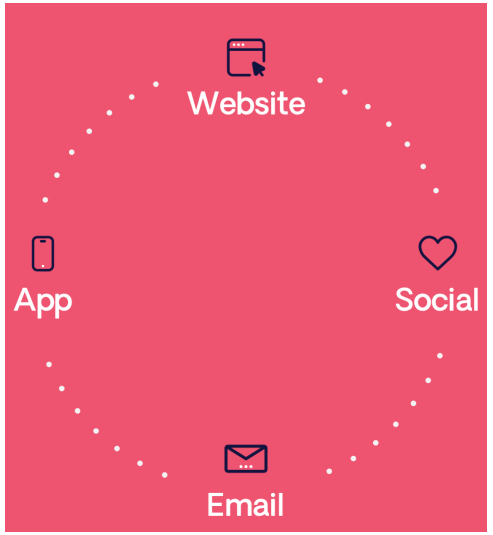
Direct Consumer Access
To get the durable goods they need

Katapult PAY



✓ Grow our customer base

Marketing
Building full spectrum lifecycle capabilities



✓ Drive conversion & repeat rates

Strategic Financial Priorities



Drive Revenue Growth

- Disciplined growth with strict underwriting and risk controls
- New and deepened enterprise relationships that offer a consistent funnel of new consumers with minimal acquisition cost
- Efficient marketing spend to drive B2C volumes



Execute Path to Profitability

- Leverage our technology to introduce new access points across multiple categories
- Create operational efficiencies and leverage reduced operating expenses to expand margins

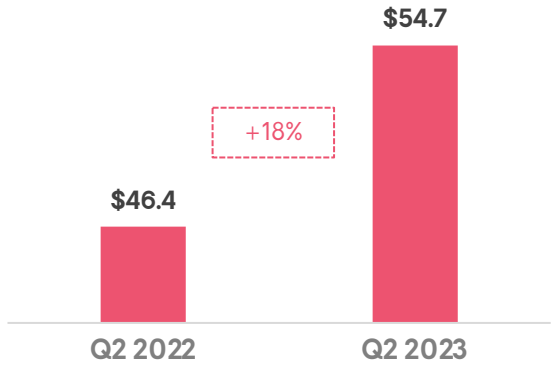


Optimize Balance Sheet

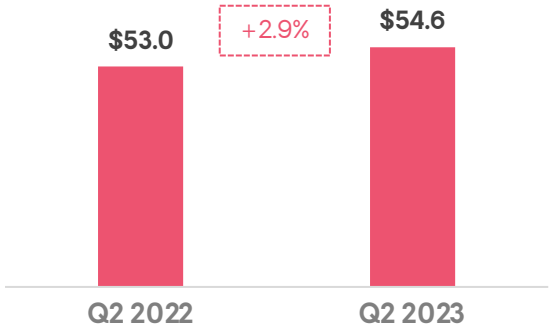
- Ongoing benefit from low capital expenditure e-commerce model
- Explore opportunities to optimize liquidity and reduce borrowing costs

Q2 2023 Financial Highlights

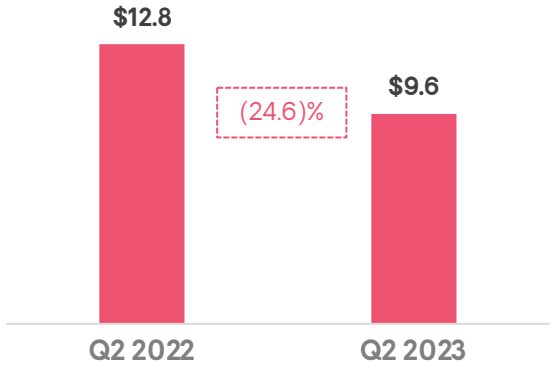
Gross Originations



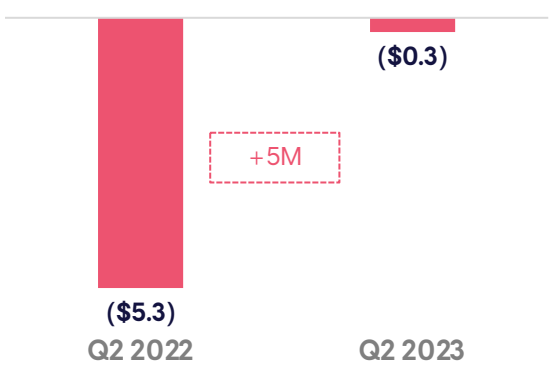
Revenues



Fixed Cash Operating Expenses[1]



Adjusted EBITDA[2]



Key Insights

Gross Originations

- Gross originations grew 18%, driven by strong performance through direct merchants and mobile app channels and the continued expansion of merchants on the mobile app marketplace featuring Katapult Pay

Revenue

- Revenue increased 2.9% y/y and continues to reflect strong volume performance in Q1 as well as strong collection efforts and underwriting performance
- Gross origination trends are a leading indicator of future revenue streams. A percentage of revenue is recognized in the quarter in which the origination occurs and increases cumulatively over following quarters, reaching approximately 70-75% of revenue realized within two quarters from when the origination occurred

Fixed Cash Operating Expenses

- Fixed cash operating expenses decreased 24.6% y/y (this excludes underwriting fees and servicing costs, which are variable, and noncash stock-based compensation expense)
- Katapult's expense reductions are translating to improved operating leverage that can support future profitability

Adjusted EBITDA

- Q2 Adjusted EBITDA improved by over $5M y/y driven by stronger revenues and a more optimized cost structure

1 [1] Fixed Cash Operating Expenses is a non-GAAP measure. See appendix for a reconciliation to the nearest GAAP measure

2 [2] Adjusted EBITDA is a non-GAAP measure. See appendix for a reconciliation to the nearest GAAP measure

Strategic Roadmap for Growth



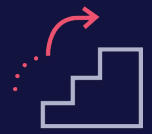
Grow Merchant base

Through deepening relationships with existing, directly integrated merchants, adding to the direct integration pipeline, and expanding merchants on Katapult Pay



New Consumers

By increasing the adoption and usage of Katapult Pay, launching new marketing capabilities, partnerships, and product enhancements



Increase Repeat Rates

Leverage the Katapult mobile app and other initiatives to drive consumer engagement and grow Katapult's active user base



Innovate Technology

Further develop new and innovative products that disrupt the industry and create a best-in-class user experience for all nonprime consumers

Appendix

Q2 2023 Financial Results

$ in millions (unaudited)	Q2 2023	Q2 2022	YoY Variance ($)	YoY Variance (%)
Gross Originations	$54.7	$46.4	$8.3	18.0%
Total Revenue	$54.6	$53.0	$1.6	2.9%
Gross Profit	$10.7	$8.2	$2.5	30.6%
Total OpEx	$13.7	$16.4	$(2.7)	(16.5)%
Net Loss	$(6.4)	$(10.3)	$3.9	(38.0)%
Non-GAAP				
Adj. Gross Profit	$9.1	$6.6	$2.5	37.3%
Fixed Cash OpEx	$9.6	$12.8	$(3.2)	24.6%
Adj. EBITDA	$(0.3)	$(5.3)	$5.0	(94.7)%
Adj. Net Loss	$(4.5)	$(10.8)	$6.3	58.8%

Key Insights

Gross Originations

- Gross originations grew 18%, driven by strong performance through direct merchants and mobile app channels and the continued expansion of merchants on the mobile app marketplace featuring Katapult Pay

Revenue

- Revenue increased 2.9% y/y and continues to reflect strong volume performance in Q1 as well as strong collection efforts and underwriting performance
- Gross origination trends are a leading indicator of future revenue streams. A percentage of revenue is recognized in the quarter in which the origination occurs and increases cumulatively over following quarters, reaching approximately 70-75% of revenue realized within two quarters from when the origination occurred

Fixed Cash Operating Expenses

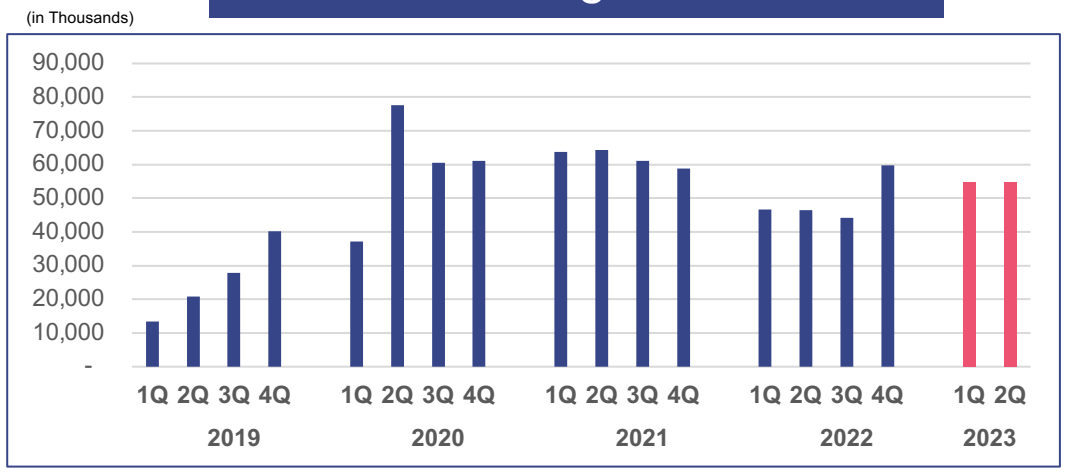
- Fixed cash operating expenses decreased 24.6% y/y (this excludes underwriting fees and servicing costs, which are variable, and noncash stock-based compensation expense)
- Katapult's expense reductions are translating to improved operating leverage that can support future profitability

Adjusted EBITDA

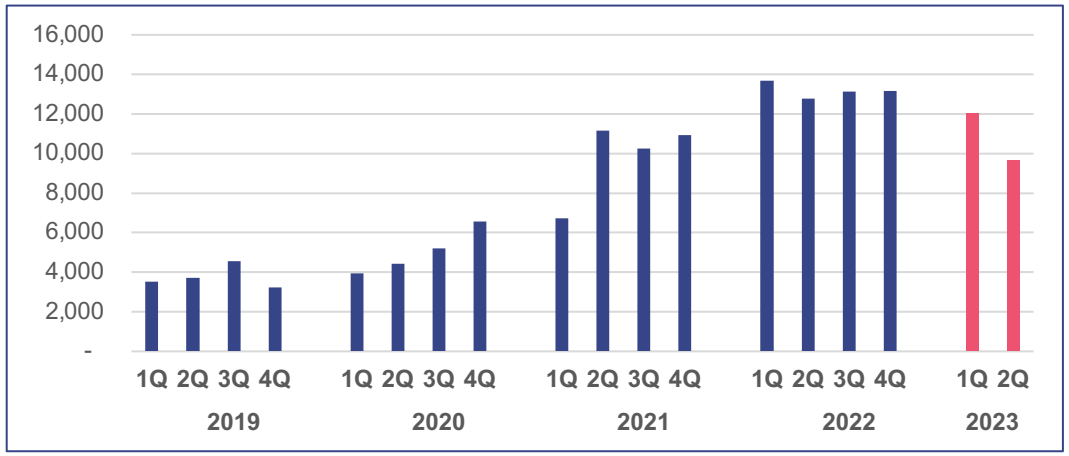
- Q2 Adjusted EBITDA improved by over $5M y/y driven by stronger revenues and a more optimized cost structure

Historical Results

Gross Originations



Fixed Cash Operating Expenses[1]



Gross Originations

Gross origination trends are a leading indicator of future revenue streams as new merchants are onboarded and leases are initiated. The new Katapult Pay feature on our mobile app is expected to drive gross originations, accelerate merchant onboarding, and reduce costs

Fixed Cash Operating Expenses

2022 was an investment year in new technology products, most notably our mobile app featuring Katapult Pay. We are now optimizing these investments and have instituted comprehensive expense savings initiatives that will continue to translate into improving operating leverage and profitability

[1] Fixed Cash Operating Expenses is a non-GAAP measure. See appendix for a reconciliation to the nearest GAAP measure

Non-GAAP Reconciliations

Disclaimer

Non-GAAP Financial Measures

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.

Fixed cash operating expenses is a non-GAAP measure that is defined as operating expenses less variable lease costs such as underwriting fees and servicing costs, as well as non-cash equity-based compensation expenses. Management believes that fixed cash operating expenses provides a meaningful understanding of controllable ongoing expenses

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 for income taxes, depreciation and amortization on property and equipment and capitalized software, impairment of leased assets, loss on partial extinguishment of debt and stock-based compensation expense, and other one time nonrecurring costs.

Adjusted EBITDA is useful in evaluating the Company's performance because this measure:

- Is widely used to measure a company's operating performance;
- Is a financial measurement used by rating agencies, lenders and other parties to evaluate the Company's credit worthiness; and
- Is used by the Company's management for various purposes, including as a measure of performance and as a basis for strategic planning and forecasting.

Adjusted net 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.

Management believes the use of non-GAAP financial measures, as a supplement to GAAP measures, is useful in that they eliminate items that are either not part of our core operations 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, 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.

Non-GAAP Reconciliations
Adjusted Gross Profit

(in thousands)	Three Months Ended June 30,	
	2023	**2022**
Total Revenue	**$ 54,571**	**$ 53,039**
Cost of revenue	43,874	44,849
Gross profit	10,697	8,190
Less:		
Servicing costs	1,103	1,131
Underwriting fees	480	423
Adjusted Gross Profit	**$ 9,114**	**$ 6,636**

Non-GAAP Reconciliations
Fixed Cash Operating Expenses

(in thousands)	Three Months Ended June 30,	
	2023	**2022**
Total Operating Expenses	**$ 13,679**	**$ 16,387**
Less:		
Servicing costs	1,103	1,131
Underwriting costs	480	423
Stock-based compensation expense	2,213	1,857
Depreciation and amortization on property and equipment and capitalized software	235	186
Total Fixed Cash Operating Expenses	**$ 9,648**	**$ 12,790**

Non-GAAP Reconciliations

Adjusted EBITDA

(in thousands)	Three Months Ended June 20,	
	2023	**2022**
Net Loss	**$ (6,410)**	**$ (10,344)**
Add back:		
Interest expense and other fees	4,098	4,405
Interest income	(427)	—
Change in fair value of warrant liability	(257)	(2,323)
Provision for income taxes	14	65
Depreciation and amortization on property and equipment and capitalized software	235	186
Impairment of leased assets	254	866
Stock-based compensation expense	2,213	1,857
Adjusted EBITDA	**$ (280)**	**$ (5,288)**

Non-GAAP Reconciliations
Adjusted Net Loss

(in thousands)	Three Months Ended June 30,	
	2023	**2022**
Net loss	**$ (6,410)**	**$ (10,344)**
Add back:		
Change in fair value of warrant liability	(257)	(2,323)
Stock-based compensation expense	2,213	1,857
Adjusted Net Loss	**$ (4,454)**	**$ (10,810)**