



Q4 2022 Earnings Presentation

March 9, 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 “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “should,” “would,” “plan,” “predict,” “potential,” “seem,” “seek,” “future,” “outlook,” 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 business outlook, ability to weather the macroeconomic headwinds and our momentum in building volume opportunities in our addressable market and the benefits from our mobile app featuring Katapult Pay™. 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 prime lending tightening and impact on our results of operations; adoption and success of our new mobile app featuring 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; failure to realize the anticipated benefits of the business combination with FinServ Acquisition Corp. (the “Merger”); 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; ability to service our indebtedness; 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 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 Quarterly Reports on Form 10-Q for the quarter ended September 30, 2022, and the Annual Report on Form 10-K that Katapult intends to file with the SEC for the year ended December 31, 2022. 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.

Key Metrics

“Net Promoter Score” refers to Katapult’s net promoter score, which is a percentage, expressed as a numerical value up to a maximum value of 100, that Katapult uses to gauge customer satisfaction. Net Promoter Score is based on a customer research study of 384 consumers performed in December 2022 and reflects responses to the following question on a scale of zero to ten: “How likely are you to recommend Katapult to a friend or colleague?” Responses of 9 or 10 are considered “promoters,” responses of 7 or 8 are considered neutral or “passives,” and responses of 6 or less are considered “detractors.” Katapult then subtracts the number of respondents who are detractors from the number of respondents who are promoters and divide that number by the total number of respondents. This methodology of calculating Net Promoter Score reflects responses from customers who purchase products using Katapult and choose to respond to the survey question. Net Promoter Score gives no weight to customers who decline to answer the survey question. The trademarks included in this presentation are the property of the owners thereof and are used for reference purposes only.

Gross originations represents the retail price of the merchandise associated with lease-purchase agreements entered into during the period through Katapult’s platform. Gross originations do not represent revenue earned. Katapult believes this is a useful operating metric for investors to use in assessing the volume of transactions that take place on Katapult’s platform.

Disclaimer (cont.)

Non-GAAP Financial Measures

To supplement the financial measures presented in this presentation 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 and adjusted net (loss) income. 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 the annex to this presentation.

Adjusted gross profit represents gross profit less variable operating expenses, which are servicing costs, underwriting fees, and bad debt expense. 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, (benefit) provision for income taxes, depreciation and amortization on property and equipment and capitalized software, impairment of leased assets, stock-based compensation expense, and transaction costs associated with the merger.

Adjusted net (loss) income is a non-GAAP measure that is defined as net loss before change in fair value of warrant liability, stock-based compensation expense and transaction costs associated with the merger.

Adjusted gross profit, adjusted EBITDA and adjusted net (loss) income 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 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.

ASC 842 Adoption

The Company was required to adopt ASC 842 relating to lessor accounting, effective January 1, 2022. The Company's lease-to-own agreements, which comprise the majority of the Company's revenue, fall within the scope of ASC 842 and are impacted by this change. As a result of the adoption, the Company now recognizes revenue from customers when revenue is earned and cash is collected instead of on an accrual basis, which it has done historically. The Company has adopted ASC 842 using the transition method, which permits the Company to not apply ASC 842 for comparative periods in the year of adoption. The Company has not recast or restated 2021 or prior periods to conform to ASC 842. The adoption of ASC 842 is reflected in the Company's financial statements and related notes and periodic reports filed with the SEC beginning with the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2022.

For illustrative purposes only, the Company is disclosing total revenue, bad debt expense (net of recoveries) and income (loss) before provision for income taxes for each quarter during years ended December 31, 2021, and 2020, respectively as if the lessor accounting impacts of ASC 842 were in effect for these periods. "Total revenue", "bad debt expense (net of recoveries)" and "income before provision for income taxes" for 2021 and 2020 are supplemental disclosures that are not calculated in accordance with U.S. GAAP in place during these periods.

Management believes the supplemental information showing the impact of ASC 842 for 2021 and 2020 provides relevant and useful information for users of the Company's financial statements, as it provides comparability with the financial results the Company is reporting beginning in 2022 when ASC 842 became effective, and the Company began to recognize revenue from customers when the revenue is earned, and cash is collected. Upon adoption, the Company will no longer record accounts receivable arising from lease receivables due from customers incurred during the normal course of business for lease payments earned but not yet received from the customer or any corresponding allowance for doubtful accounts.

Strategic Investment Roadmap for Growth and Profitability

CORE

- ✓ Expanded sales and marketing, along with continued growth in product, technology and data science roles
- ✓ Launched incremental e-commerce & point-of-sale integrations
- ✓ Invested in infrastructure and security to enable scalability

Completed in 2021

EXPANSION

- ✓ Hired strategic leadership including Chief Financial Officer, Chief Revenue Officer, Chief People Officer, and VP of Strategy
- ✓ Drove greater emphasis on enterprise-level merchants through customized solutions
- ✓ Launched new marketing and rebranding initiatives
- ✓ Introduced new product enhancements and capabilities

Completed in 2022

OPTIMIZE

- Expand merchant adoption and win larger enterprise accounts
- Accelerate utilization of Katapult Pay™ in the mobile app
- Broaden capabilities so every qualified customer receives a customized offer
- Enhance risk modeling and conversion rates with advanced data analytics
- Improve operating leverage by managing expenses

2023+

Q4 2022 Highlights

Executing Strategic Growth Plan

- Q4 2022 Gross Originations up 1.5% YoY, first positive inflection since Q3 2021, with December 2022 Gross Originations rising by mid-teen's YoY
- Initiated process to further right-size expense base following multiple actions already taken
- Strong adoption of the Katapult mobile app featuring Katapult Pay™

Growing Merchant Base

- Launched 21 new direct merchants to our primary B2B platform during the quarter
- Added 7 merchants to the Katapult Pay™ feature on our mobile app, including Wayfair and Home Depot, for a total of 18 merchants added since its launch in Q3 2022

Improving Core KPI's

- Impairment Charges as a % of Gross Originations improved sequentially in Q4 2022 to 8.8% from 10.1%
- 51% of Q4 2022 Gross Originations were from repeat customers
- Net Promoter Score of 56⁽¹⁾ as of December 31, 2022

Near Term Initiatives

Continuing to Grow Top Line

- Drive disciplined Gross Originations growth through increased customer utilization of the mobile app featuring Katapult Pay™
- Launch new enterprise merchants that offer a consistent funnel of new customers with minimal acquisition costs
- Portfolio quality and profitability expected to improve during period of shrinking prime credit availability, creating a counter-cyclical hedge against the macro-environment

Executing Path to Profitability

- Leverage the technology capabilities built in 2022 to help create relationships with more customers and introduce new access points across multiple categories
- Create operational efficiencies as a result of headcount and operating cost reductions and continued expense management discipline
- Recent gross originations trends and additional cost savings are expected to drive faster progress on the company's profitability objectives

Optimizing Balance Sheet

- Executed amendment to extend our debt facilities to June 4, 2025

Mobile App Success

Investment for Growth



Jan – Mar '22
Launched mobile app
with self-service
features including
customer payments

Apr '22
Launched **Katapult PAY**
for desktop browsers only
to validate functionality

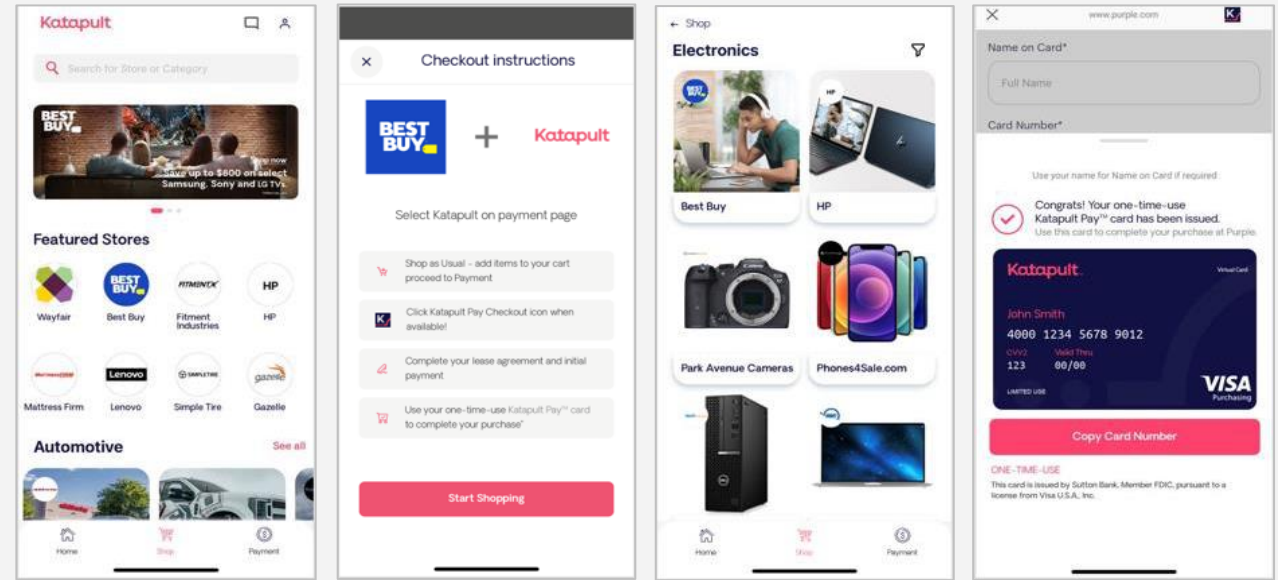
May - Jun '22
Promoted app to existing
customers

Jul – Sep '22
Added **Katapult PAY**
functionality into app with **11
national retailers, including
Best Buy**

Oct – Dec '22
Added **Home Depot, Wayfair,
and 5 other national retailers**
to **Katapult PAY**
and improved app usability

Katapult **PAY**

- Provides customers the ability to lease durable goods from a **wide array of merchants on the Katapult Pay™ feature** on our mobile app
- Accelerates speed-to-market and reduces costs by offering merchants a **faster and simpler integration vs. a full direct integration**
- Allows us to **control the customer end-to-end experience** in our mobile app to maximize conversion rate



+12K

Gross leases originated from launch through December 31, 2022

+\$8M

Gross Originations from launch through December 31, 2022

18

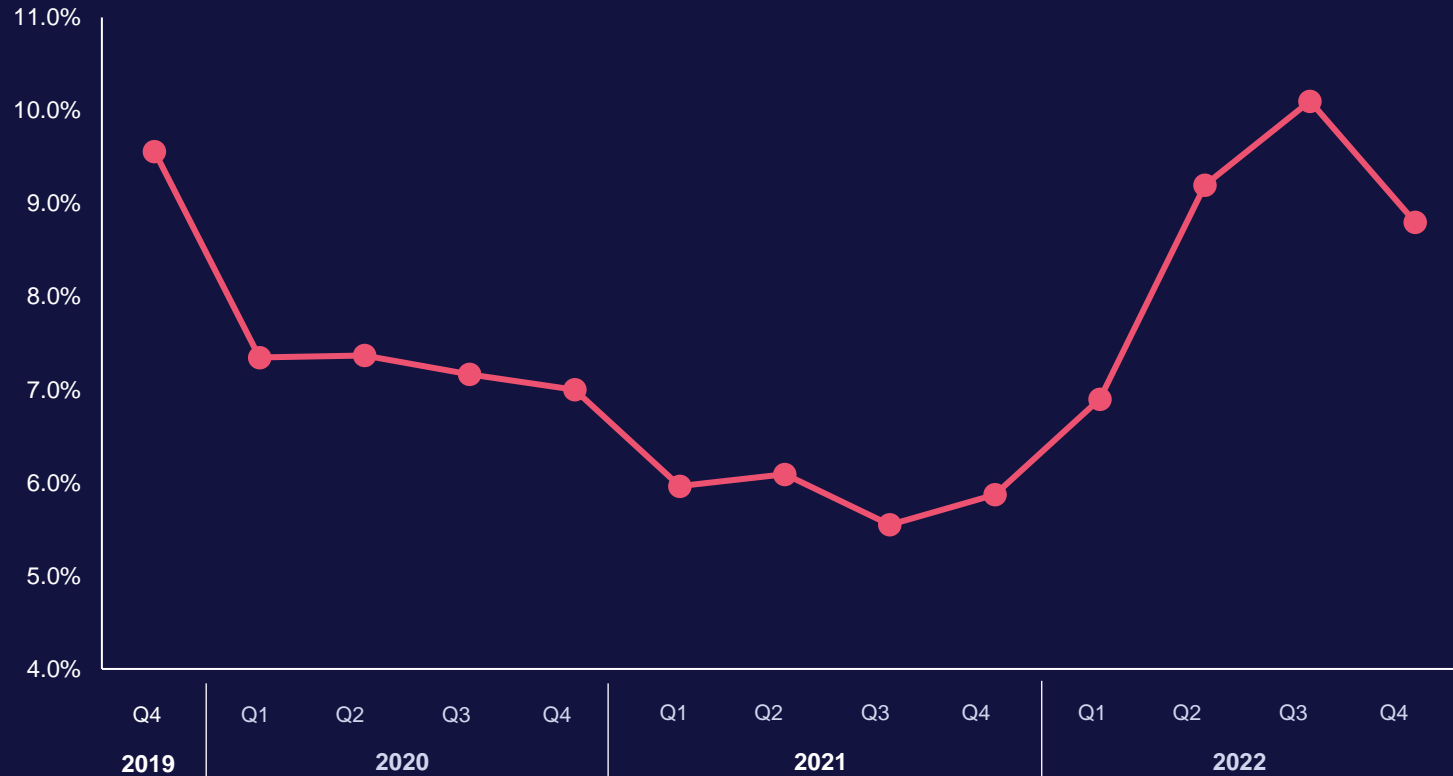
Retailers added in 2022



\$ in millions (unaudited)	Q4 2022	Q4 2021	YoY Variance (\$)
Gross Originations	\$59.8	\$58.9	\$0.9
Total Revenue ⁽¹⁾	\$48.8	\$73.3	\$(24.5)
Gross Profit	\$9.1	\$21.3	\$(12.2)
Total OpEx	\$16.5	\$22.5	\$(6.0)
Net (Loss) Income	\$(14.4)	\$7.5	\$(21.9)
Adj Gross Profit	\$7.6	\$10.0	\$(2.4)
Adj EBITDA	\$(5.0)	\$(1.3)	\$(3.6)

Q4 2022 Financial Results

Impairment Charges as a % of Gross Originations Trend



Lease Portfolio Performance

New Accounting Standard

ADOPTION OF ASU 2016-02, LEASES (“ASC 842”) – LESSOR ACCOUNTING EFFECTIVE JANUARY 1, 2022⁽¹⁾

- As a result of the adoption, the Company will recognize revenue from customers when revenue is earned and cash is collected instead of on an accrual basis, which it has done historically
- The Company has adopted the transition method which permits the Company to not apply ASC 842 for comparative periods in the year of adoption; as a result, the Company will not restate 2021 or prior periods to conform to ASC 842 and such prior periods may not, therefore, be comparable to results following the adoption of this new standard

\$ in millions (unaudited)	Q4 2022 As Reported	Q4 2021 ASC 842	YoY Variance	Q4 2021 As Reported
Total Revenue	\$48.8	\$64.3	\$(15.5)	\$73.3
Bad Debt Expense	-	-	-	\$9.5

\$ in millions (unaudited)	FY 2022 As Reported	FY 2021 ASC 842	YoY Variance	FY 2021 As Reported
Total Revenue	\$212.1	\$277.6	\$(65.5)	\$303.1
Bad Debt Expense	-	-	-	\$28.3

- Company no longer records:
 - **Income Statement:** Rental revenue arising from lease payments earned but not yet collected or any corresponding net bad debt expense
 - **Balance Sheet:** Accounts receivable arising from lease receivables or any corresponding allowance for doubtful accounts
- For illustrative purposes only, the table discloses total revenue and bad debt expense for the three months ended December 31, 2021, as if the lessor accounting impacts of ASC 842 were in effect for this period, including the change in revenue recognition from accrual basis to when revenue is earned, and cash is collected and no recording of bad debt expense

Appendix

Non-GAAP Reconciliation

Reconciliation of Non-GAAP Measures (Unaudited) (\$ in thousands)

	Three Months Ended December 31	
Adjusted Gross Profit	2022	2021
Total revenue	\$48,848	\$73,299
Cost of revenue	\$39,740	\$51,969
Gross profit	\$9,108	\$21,330
Less:		
Servicing costs	\$975	\$1,386
Underwriting fees	\$498	\$476
Bad debt expense	—	\$9,450
Adjusted gross profit	\$7,635	\$10,018

Non-GAAP Reconciliation

Reconciliation of Non-GAAP Measures (Unaudited) (\$ in thousands)

	Three Months Ended December 31	
Adjusted EBITDA	2022	2021
Net (loss) income	\$(14,427)	\$7,479
Add back:		
Interest expense and other fees	\$8,385	\$4,023
Change in fair value of warrant liability	\$(646)	\$(12,413)
(Benefit) provision for income taxes	\$(222)	\$(266)
Depreciation and amortization on property and equipment and capitalized software	\$227	\$104
Impairment of leased assets	\$558	\$(401)
Stock-based compensation expense	\$1,686	\$159
Interest income	\$(521)	—
Adjusted EBITDA	\$(4,960)	\$(1,315)

Non-GAAP Reconciliation

Reconciliation of Non-GAAP Measures (Unaudited) (\$ in thousands)

	Three Months Ended December 31	
Adjusted Net (Loss) Income	2022	2021
Net (loss) income	\$(14,427)	\$7,479
Add back:		
Change in fair value of warrant liability	\$(646)	\$(12,413)
Stock-based compensation expense	\$1,686	\$ 159
Adjusted net (loss) income	\$(13,387)	\$(4,775)

ASC 842 IMPACT

For Illustrative Purposes Only*

(Unaudited) (\$ in thousands)

	Three Months Ended							
	12/31/21	9/30/21	6/30/21	3/31/21	12/31/20	9/30/20	6/30/20	3/31/20
AS REPORTED								
Total revenue	\$73,299	\$71,710	\$77,469	\$80,635	\$73,358	\$71,194	\$60,014	\$42,634
Bad debt expense (net of recoveries)	\$9,450	\$5,936	\$8,026	\$4,887	\$6,450	\$3,931	\$2,548	\$3,134
Income (loss) before provision for income taxes	\$7,213	\$14,548	\$(9,931)	\$9,915	\$3,996	\$10,073	\$5,199	\$3,749
SUPPLEMENTAL INFORMATION – IMPACT OF ASC 842								
Total revenue under ASC 842	\$64,253	\$66,277	\$69,472	\$77,558	\$67,060	\$67,410	\$59,721	\$39,428
Bad debt expense (net of recoveries) under ASC 842	-	-	-	-	-	-	-	-
Income (loss) before provision for income taxes under ASC 842	\$7,617	\$15,051	\$(9,902)	\$11,725	\$4,149	\$10,220	\$7,454	\$3,677

* Table above shows supplemental information for total revenue, bad debt expense (net of recoveries) and income (loss) before provision for income taxes as if the lessor accounting impacts of ASC 842 were in effect for the periods above, including the change in revenue recognition from accrual basis to when revenue is earned, and cash is collected and no recording of bad debt expense.

Introducing Our New CFO: **Nancy Walsh**



Background

- Highly accomplished senior finance executive with global and domestic leadership experience in public companies
 - Most recently, Executive Vice President and Chief Financial Officer of LL Flooring Holdings, Inc. (NYSE: LL), formerly Lumber Liquidators Holdings, Inc. In that role, she led teams and functions at a broad-based, strategic level while driving detailed, tactical execution
 - Holds an MBA from Northeastern University and Bachelor of Arts from University of New Hampshire
-

Catalyst to Join

- Her category expertise and experience growing prominent retail brands is a perfect fit for Katapult's merchant-focused business model
 - Ability to drive growth and profitability with her solid track record and breadth of experience
 - Opportunity to build on the recent momentum across all aspects of the business
-

Katapult[®]