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Q2 2024 PROG Holdings Inc Earnings Call

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PRESENTATION

Operator

Good day and thank you for standing by. Welcome to PROG Holdings' Second Quarter Earnings Conference Call. (Operator Instructions) Please note that today's conference is being recorded.

I will now hand the conference over to your speaker host, John Baugh, VP of Investor Relations. Please go ahead.

John Baugh ***PROG Holdings Inc - Vice President - Investor Relations***

Thank you and good morning, everyone. Welcome to the PROG Holdings Second Quarter 2024 Earnings Call. Joining me this morning are Steve Michaels, PROG Holdings' President and Chief Executive Officer; and Brian Garner, our Chief Financial Officer. Many of you have already seen a copy of our earnings release issued this morning, which is available on our Investor Relations website, investor.progholdings.com.

During this call, certain statements we make will be forward looking, including comments regarding our revised 2024 full year outlook and our outlook for the third quarter of 2024, the health of our portfolio, and our expectations for write-offs for our Progressive Leasing segment for the remainder of 2024, our expectations regarding GMV for the third quarter and full year 2024, and our capital allocation priorities, including our ability to continue earning capital to shareholders. Listeners are cautioned not to place undue emphasis on forward-looking statements we make today, all of which are subject to risks and uncertainties, which could cause actual results to differ materially from those contained in the forward-looking statements. We undertake no obligation to update any such statements.

On today's call, we will be referring to certain non-GAAP financial measures, including adjusted EBITDA and non-GAAP EPS, which have been adjusted for certain items which may affect the comparability of our performance with other companies. These non-GAAP measures are detailed in the reconciliation tables included with our earnings release. The company believes that these non-GAAP financial measures provide meaningful insights into the company's operational performance and cash flows and provides these measures to investors to help facilitate comparisons of operating results with prior periods and to assist them in understanding the company's ongoing operational performance.

With that, I would like to turn the call over to Steve Michaels, PROG Holdings' President and Chief Executive Officer. Steve?

Steven Michaels ***PROG Holdings Inc - President, Chief Executive Officer, Director***

Thanks, John. Good morning, everyone. Thank you for joining us. Today, we are reporting our second quarter results as well as providing some thoughts on Q3 and our increased 2024 full year financial outlook.

Our team delivered a great second quarter, surpassing our expectations for GMV growth and exceeding the high end of our revenue and earnings outlook. Our success is rooted in strong execution, which balances growth with profitability.

We've made significant strides in our 2024 priorities, focused on enhancing customer and retailer experiences, deepening integrations with existing partners, marketing directly to consumers, expanding affiliate relationships through our PROG Marketplace, and collaborating with retail partners through omnichannel marketing and promotions. Our customers are positively responding to these initiatives, evidenced by an improvement in our conversion rates and a year-over-year increase in leases originated with new and reactivated customers.

Our internal efforts were complemented by lenders higher up in the credit stack, having tightened approval rates in recent quarters. This has resulted in some higher credit quality applicants entering our funnel. While this shift in credit dynamics doesn't directly convert to GMV one for one, these applicants did contribute to our Q2 GMV. We believe we will continue to benefit from this credit tightening as well as the internal growth initiatives I mentioned throughout the remainder of 2024.

As a reminder, when we issued our outlook in late April, we had just reported a flat year-over-year Q1 GMV quarter, which had rebounded from a slow start to the year. We anticipated retail traffic headwinds in most of our leasable categories to persist in Q2. However, we remain confident in our strategic initiatives under Grow, Enhance, and Expand. And despite ongoing macroeconomic challenges, we are optimistic about achieving low single-digit Q2 GMV growth for our Progressive Leasing segment. I'm proud of our team's performance in delivering better-than-expected growth of 7.9% in Q2.

Our focus on returning to growth has led to three consecutive quarters of flat to positive year-over-year GMV comparisons, with a notable improvement this quarter. While Brian will dive into the implications of the GMV performance will have on our business in the balance of 2024, our recent GMV trend has resulted in our gross leased asset balance, which is the primary driver of future period revenues, ending the quarter close to flat compared to last year.

In the second quarter, we achieved consolidated revenue of $592.2 million, surpassing the high end of our outlook range by $17.2 million. Our consolidated adjusted EBITDA reached $72.3 million, resulting in a 12.2% margin, primarily driven by GMV and supported by a healthy lease portfolio and disciplined spending.

We are pleased with the Q2 portfolio yield for the Progressive Leasing segment. The write-off rate in Q2 was 7.7%, consistent with pre-pandemic Q2 2019, and we expect it to be the peak of quarterly write-off rates in 2024.

Our non-GAAP diluted EPS of $0.92 exceeded our expectations and was bolstered by a reduced share count from our share repurchase program. We are excited about how the strong performance in the first half of the year positions us for the remainder of 2024.

Now let me update you on our strategic pillars: Grow, Enhance, and Expand, which were key contributors to our GMV results in Q2. Under our Grow pillar, focusing on business development with new and existing retail partnerships, we made significant progress in both regional and national markets. In the regional space, we onboarded new retailers and extended relationships with existing ones, achieving GMV growth that matched the growth rate of our national accounts. The Q2 results in the regional market showed a year-over-year increase in the number of active doors, coupled with an increase in GMV per door. Furthermore, despite the substantial growth, we maintained stable sales expenses and portfolio health across our regional accounts.

Our PROG Marketplace, also under the Grow pillar, has delivered over 250% growth year to date through June 30, and we're on track to materially exceed our full year expectations provided during the February earnings call. As I've mentioned before, this platform allows customers to shop anytime and anywhere through our mobile app, driving incremental traffic and sales to our network of retail partners.

Additionally, our affiliate partnerships with leading retailers offer customers more choices. And last week's Amazon Prime Day, for example, was an extremely successful two-day event for our marketplace.

In terms of direct-to-consumer marketing, we are creating personalized experiences throughout the customer life cycle, making it easy for consumers to utilize our full range of products. Our investments in segmentation and automation capabilities are improving the customer experience.

Under our Enhance pillar, we invested in technology projects, partnering with new and existing retailers to create seamless customer interactions. Through the first half of 2024, we completed two custom e-commerce integrations, including one with a large and long-time retail partner. We have a robust pipeline of additional integrations with new and existing retailers for the back half of 2024.

Additionally, our search engine optimization efforts are yielding positive results. By consolidating our consumer servicing portal, store locator, and shopping experiences under the same domain as the Progressive Leasing website, we have achieved year-over-year growth in organic search traffic and customer applications.

Also under our Enhance pillar, our PROG Labs R&D group implemented generative AI solutions to boost productivity and improve retailer and customer experiences. PROG Labs rolled out OpenAI's enterprise ChatGPT and developed a number of internal apps to streamline operations, gain productivity, and reduce demand on technology resources, enabling them to focus on higher-value opportunities.

Additionally, our new AI platform scales internal training and equips our sales team with retailer-specific materials, improving compliance and customer conversion rates. We are piloting several other value-creating generative AI solutions for both internal and consumer-facing areas, which we will share in the near to midterm.

In Q2, under our Expand pillar, we focused on our omnichannel marketing strategy to automate cross-promotional consumer journeys. This approach allows us to personalize offers at a customer segment level, featuring relevant products from our portfolio. We drove incremental Progressive Leasing GMV through cross marketing efforts, which include successful e-mail campaigns and mobile app integration with Four, our buy now, pay later product.

To summarize, our team delivered an outstanding quarter, making considerable strides on our strategic and financial priorities, which resulted in Q2 exceeding the high end of our revenue and earnings outlook. We improved customer metrics, sustained a healthy lease portfolio, exercise disciplined spending and achieved GMV growth. By collaborating with our retail partners on omnichannel technology and marketing initiatives, we further increased balance of share.

Our updated outlook takes into account the impact of our strategic initiatives and the benefits we expect from the tightening of the credit stack above us, offset by the current challenges we see in consumer demand posed by the macroeconomic environment. Our history of successfully navigating dynamic and challenging environments gives us confidence in our ability to adapt as conditions evolve.

We expect Q3 GMV to grow in the high single digits, and our updated full year revenue outlook reflects the GMV outperformance. We anticipate our write-offs to remain within our targeted annual range of 6% to 8%, while profitably growing GMV.

Finally, on the topic of capital allocation, our priorities remain unchanged. And we expect to continue to fund growth, look for strategic M&A opportunities, and return excess cash to shareholders through dividends and share repurchases.

I'll now turn the call over to our CFO, Brian Garner, for more details on Q2 results and remainder of the year outlook. Brian?

Brian Garner ***PROG Holdings Inc - Chief Financial Officer***

Thanks, Steve, and good morning, everyone. Our strong performance this quarter demonstrates our ability to deliver on our strategic priorities and financial framework, which emphasizes growth alongside a healthy portfolio and prudent spending.

For the second quarter in a row, we exceeded GMV expectations and surpassed the high end of our outlook for revenue and earnings. Non-GAAP diluted EPS of $0.92 per share beat the high end of our outlook by $0.17.

I want to echo Steve's enthusiasm regarding our first half results and how it positions us as we move forward in the second half of 2024. Our teams have been driven and diligent throughout an uncertain macro environment over the last several years, and I'm proud of their performance. We are focused on sustaining our momentum and strategically navigating the periods ahead.

Starting with the Progressive Leasing segment, GMV exceeded our expectations with a 7.9% year-over-year increase, surpassing our initial projection of low single-digit growth. This outperformance reflects the significant strides our teams have made with our strategic initiatives, which are driving GMV performance, and we believe will impact results positively throughout the remainder of the year.

Additionally, we benefited from the impact of tightening of credit supply above us. Our GLA balance at the end of Q2 of 2024 was down 0.7% compared to the same period last year, a material improvement from the previous six quarters of mid-single to low double-digit declines. We expect the GLA balance to turn positive during Q3 and improve throughout the remainder of the year, contributing to the revenue growth implied in our revised outlook.

Q2 revenues for the Progressive Leasing segment declined 0.8% from $574.8 million in Q2 of 2023 to $570.5 million primarily driven by the gross lease asset balance being down 4.7% as we entered the quarter, partially offset by higher 90-day early purchases as compared to the same period last year. Similar to Q1, revenue outperformed our expectations primarily due to the larger-than-expected portfolio size.

The Q2 portfolio performance of Progressive Leasing was better than expected, contributing to earnings results. Additionally, the percentage of customers choosing to exercise their 90-day purchase option has returned to pre-pandemic levels. Our gross margin of 32.6% in Q2 of 2024 was 40 basis points lower compared to Q2 of 2023, primarily driven by normalized levels of 90-day purchase period compared to historic lows in 2023.

The provision for lease merchandise write-offs was 7.7% in Q2, which is consistent with the pre-pandemic period of Q2 of 2019 at 7.6%. We expect Q2 to be the high point in quarterly write-offs and anticipate full year results to be within our targeted annual range of 6% to 8%.

Progressive Leasing's SG&A expense in Q2 was $74.4 million, a decrease of $3.9 million or 5% compared to $78.3 million in the same quarter last year. As a percentage of revenue, SG&A expenses decreased by 60 basis points year-over-year from 13.6% of revenue in Q2 of 2023 to 13% of revenue in Q2 of 2024.

As a reminder, this improvement was primarily due to the restructuring actions taken in Q1 this year. Despite these cost-cutting measures, we have maintained our investment in marketing, sales and technology to drive GMV.

Adjusted EBITDA for Progressive Leasing decreased slightly from $75.6 million and 13.2% of revenue in Q2 of 2023 to $73.8 million and 12.9% of revenue in Q2 of 2024. The adjusted EBITDA margin of 12.9% is at the high end of our 11% to 13% annual margin target for the Progressive Leasing segment. The segment achieved a strong margin despite a slight decrease in revenue, aided by our Q1 restructuring actions and disciplined spending.

Q2 2024 consolidated revenues were $592.2 million compared to $592.8 million in the same quarter last year, driven by the smaller portfolio of the Progressive Leasing segment entering the quarter offset by GMV growth, along with an increase in customers exercising their 90-day purchase options. Consolidated adjusted EBITDA was $72.3 million and 12.2% of revenue, compared to $75 million and 12.7% in the year ago period.

Looking at our balance sheet, we ended the second quarter of 2024 with $250.1 million in cash and gross debt of $600 million resulting in a net leverage ratio of 1.26 times trailing 12 months adjusted EBITDA. We remain undrawn on our $350 million revolver at the end of the quarter.

We paid a quarterly cash dividend of $0.12 per share in June. And during the quarter, we repurchased 1.03 million shares of our common stock at a weighted average price of $35.67 per share. We have $438.8 million remaining under our recently reauthorized $500 million share repurchase program.

With respect to our view on the remainder of the year, I'll now touch on a few key aspects of our third quarter and revised full year outlook, which was provided in this morning's earnings release. We are optimistic about the remainder of 2024 based upon the positive trends we have observed to date.

We believe our GMV momentum will carry into the second half of the year and expect to end Q3 with a high single-digit GMV comparison year over year. This growth is underpinned by the assumptions that the benefits we experienced from credit tightening will continue into the second half of the year coupled with the ongoing progress with our strategy across Grow, Enhance, and Expand that Steve addressed in detail. We believe these efforts will help us gain market share across both regional and national accounts.

As I mentioned earlier, GMV performance in the first half of the year has improved the GLA balance, which is roughly flat year-over-year going into Q3 and expect it to improve over the remainder of the year. This expected improvement in GLA benefits revenue for the remainder of the year and is reflected in our increased 2024 revenue outlook.

As we actively manage the portfolio while growing GMV, performance is expected to remain within our targeted yields. Q3 gross margin will have a difficult comparison to Q3 of 2023 for the Progressive Leasing segment due to the below-average levels of 90-day purchases last year.

Our revised consolidated outlook for 2024 calls for revenues in the range of $2.4 billion to $2.45 billion, adjusted EBITDA to be in the range of $265 million to $275 million, and non-GAAP EPS in the range of $3.25 to $3.40. This outlook assumes a continuation of benefits from credit tightening above us, alongside a difficult operating environment with current trends of soft demand for leasable consumer goods, no material changes in the company's decisioning posture, no meaningful increase in the unemployment rate for our consumer base, an effective tax rate for non-GAAP EPS of approximately 28%, and no impact from additional share repurchases.

In summary, this quarter's performance is a testament to our collective efforts, strategic expertise, and strong execution, combined with credit trends that we believe are favorable for our business. We delivered better-than-expected GMV growth, a healthy portfolio, and maintained disciplined spending. Our free cash flow generation allowed us to return capital to shareholders through dividends and share repurchases.

We appreciate your interest in PROG Holdings, and I'll now turn the call over to the operator for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Brad Thomas, KeyBanc Capital Markets.

Brad Thomas ***KeyBanc Capital Markets Inc - Analyst***

Congrats on the execution here in the quarter. Steve, I want to just jump in first in talking about some of the growth drivers in the business. And I was hoping you could just give us a little bit more color or maybe even quantify to some extent how you're thinking about the drivers of GMV going forward here in the balance of the year? And how much comes from the established retail base that you have, these important partners they're still seeing some tough times? How much is improvement from them versus some of the growth initiatives you have? Thanks.

Steven Michaels ***PROG Holdings Inc - President, Chief Executive Officer, Director***

Yes. Thanks, Brad. Yes, GMV, we're pleased with the GMV performance, and it was strong and pretty consistent throughout the quarter. I'll talk about the second quarter, and then we can talk about what's baked into the outlook for the balance of the year. But the team's partnered well with our partners to your question about existing retailers, and we were able to get a few initiatives that we have been working on for some time over the goal line during the quarter. So that's going to help us with our productivity within existing retail partnerships. The marketing team also had a hand in it, both in the form of partner marketing with our retailers as well as direct-to-consumer marketing.

And as we called out in the prepared remarks, we're encouraged by the momentum in our regional business. It's been a renewed focus for us, and I'm pleased with the progress that we've made thus far, and we're really just getting restarted, I would say, in that area.

We also called out that the credit supply dynamic was at play and probably a little bit more observable this quarter than in previous quarters. We did see evidence of tightened supply above us in the stack. And those apps are not -- it's not just about top of the funnel dynamics and apps, it's just one part of the picture. We have to continually worked to improve the experience and remove friction from the onboarding process in order to convert those apps into funded leases.

And we had a few improvements not only in the D2C or direct-to-consumer area, but also in particular, retail installations there. So we're pleased with the execution because as you noted, in many of our in our top retailers, they're still facing down traffic and down comps. And so to be able to have this growth, we're pleased with that.

We expect the momentum to continue and to somewhat even accelerate as evidenced by the fact that we guided to high singles in the third quarter for GMV growth. We did add some retailers in the -- mostly in the SMB space and the retail -- in the regional space. But we've got a good pipeline and look forward to continuing the growth.

Brad Thomas ***KeyBanc Capital Markets Inc - Analyst***

That's very helpful, Steve. And if I can ask a follow-up just about sort of the retail landscape. I think there's news of Conn's filing for bankruptcy today and with the plans to close at least some stores. You used to partner with them. I don't believe you were in them at all. There's other reasons you partner with that obviously close stores and may be at risk of bankruptcy themselves in the future.

I guess the question I have is if you could talk a little bit about your relationship more directly with the customer than just a retailer? And how you may be trying to take advantage of situations where there might be like someone like comp that goes away and how you continue to navigate this landscape, whether retail roadmap is changing almost every day.

Steven Michaels ***PROG Holdings Inc - President, Chief Executive Officer, Director***

Yes. Thank you. And you're right, it's a dynamic environment. And just for clarity, we do not partner with Coms currently, but it is an important thing that I've talked about before, and we've gotten much, much better on that and more sophisticated, I would say, over the last number of years. So we have good visibility into our customers, wherever they are onboarded from, what their purchase habits have been.

We're working on AI and other personalization efforts to try and predict what they may want next. But more fundamentally, we communicate with our customers directly and can say, misses customer. The store in your area has closed, maybe you'd like to take advantage of the going out of business sale. But after that, we've got these other fine retailers that we partner with in your area that we could direct you to. And in fact, we could create offers for some type of promotional activity or some type of incentive to make sure that they stay in our preferred partner network. So it's a very good touch point that we have. And with this dynamic environment, I think we'll be flexing those muscles more than we probably have in the last number of years.

Operator

Hoang Nguyen, TD Cowen.

Hoang Nguyen ***Cowen Inc - Analyst***

Congrats on the very strong quarter. I just wanted to talk about credit tightening a little bit. It looks like from your outlook, it seems that you guys are incrementally more positive on the trade down from lenders above. So just one -- I just wanted you to confirm whether that is true. And maybe when we think about the environment right now, inflation is coming down, maybe things have gotten a little bit better versus maybe three months ago. So I mean how sustainable do you think this trade-down would be? And I have a follow-up.

Steven Michaels ***PROG Holdings Inc - President, Chief Executive Officer, Director***

Sure. Well, I would agree with your characterization that we're incrementally positive, but it's not just about trade down. It's about our execution and the initiatives that we have that are recently deployed as well as things that we've got on the roadmap.

Trade down is a factor in it. We talked about it. You'll remember, we kind of were braced for it for a number of years, and it really didn't happen. We started to see some evidence of it in holiday of 2023, and it was into, I'll call it, facets, like more customers that were coming into the retail environment where we thought, or we observed were in need of a payment plan. And that doesn't necessarily mean us. It could mean that they were appropriately partnered with a Prime provider, and that's fine, but more customers needing a payment plan and then couple that with less of them being approved by the providers and the stack above us, does tend to have a funnel dynamic for us, which is positive for us.

We read all the public reports from the Prime providers. And you'll see that maybe some of their DQs are stabilizing. But they stabilize because of some tightening efforts on their part. So I'm not calling for an intensity or an increasing benefit. I think the tightened conditions are here at least for the rest of this year. I don't think they're going to continue to tighten, but the tightening conditions have had an impact to the top of our funnel, and we feel pretty good about that continuing.

But more impactfully are the things that we're doing on the execution front. We'll see what the view is for 2025. But right now, we're not calling for increased tightening, but we believe that the tightening that's in the market will stick around for a little bit.

Hoang Nguyen ***Cowen Inc - Analyst***

Got it. And maybe about your Marketplace, I mean, very strong growth there. I mean, can you talk about historically, I mean have you guys been successful in converting PROG Marketplace relationship into like a direct integration relationship?

Steven Michaels ***PROG Holdings Inc - President, Chief Executive Officer, Director***

Yes, that's a great question. And the marketplace is an exciting area for us, and it's really growing very quickly. Its origins and it started from really -- because we already partner with some of the best retailers in the country, and it started with just another way for our customers to shop with our retail partners. And it is another evidence of us driving traffic back into the retail environment and helping to demonstrate the value that we provide to the retailers that we partner with.

It has morphed into some affiliate relationships, which are retailers that we don't have partnerships with, and we're not going to specifically call out any retailers, but I can tell you that we have had conversations with and had conversations starters due to the volume coming through on the marketplace. In fact, there's been one retailer that we got to call from that we have been having conversations with already, but we got a call from them saying that they had enough volume coming through their customer service line that they wanted to get like a one-page tearsheet for their call center agents to talk about our program and then it kicks start on the biz dev side too. So we're we're encouraged about just the volume of the DTC motion generally, but also as a complement to our biz-dev partnership efforts.

Operator

Bobby Griffin, Raymond James.

Bobby Griffin ***Raymond James & Associates, Inc - Analyst***

Congrats on the performance this quarter. Steve, just I wanted to circle back to the GMV upside and maybe ask in a slightly different way and maybe unpack it a little bit more. But when you guys saw the upside this quarter, was it a function of the initiatives that you've been working on and we've talked about that over the finish line sooner? Or is the actual impact from these initiatives greater than maybe what you guys were forecasting and they're having a greater impact at a quicker rate than what maybe the team was thinking the impact from these investments would be contributing?

Steven Michaels ***PROG Holdings Inc - President, Chief Executive Officer, Director***

Yes, it's a great question. Maybe a little bit of both. Initiatives never get over the goal line as quickly as I want them to. So I would never say that it happened sooner. But obviously, we have to partner with the retailer and make sure it gets prioritized if it requires tech resources.

So we had a few things that we had -- what I've learned over the time is it's difficult -- it's dangerous, if you will, to bake in GMV or business results from an initiative that you think or is scheduled to get done in a particular month or in a particular quarter. And so you may see some conservatism from us by thinking it's on the road map for Q2, but we haven't baked in the upside in Q2 because we have been burned by that before. So maybe, yes, through that, some things got done faster than we had planned, which basically means they got done on time as opposed to being delayed.

And as far as the impact of those items, yes. I mean, I think on the margin, it's probably slightly better than we were expecting, and that could -- that's coupled with -- it's hard to unpack that because it could be coupled with just general app funnel dynamics and that isn't necessarily a trade down. It could just be customers that need a payment plan more and they're in our market already and maybe last time they bought during the stimulus period, they paid cash, and this time, they're looking for a payment plan. So it's kind of a multiplier effect that we got some initiatives across the goal line, and those initiatives were met with more apps. So we're -- it was more productive.

Bobby Griffin ***Raymond James & Associates, Inc - Analyst***

Okay. Perfect. I appreciate that. And then I guess two other quick ones, maybe one for Brian. Just on the lease merchandise write-offs being the high watermark, what is the driver behind that? Is that just a function of kind of how we roll through the rest of the year from a revenue standpoint? Or is it some leases rolling off the books?

And then how much pressure -- can you give any color just how much pressure the gross margin might see versus last year in 3Q? Or I think you called out some dynamics in the 90-day buyouts.

Brian Garner ***PROG Holdings Inc - Chief Financial Officer***

Yes. Thanks, Bobby. Yes, with respect to the write-offs, as you go back the last few years, Q2 generally has bled down into Q3. So Q3 has been lower than Q2 just from a seasonal perspective.

But I think part of what's playing into what we're seeing and it goes to your second question is -- when we talk about trade down and the benefit we're seeing from the credit providers above us, unsurprisingly, what we've observed with some of these incremental leases. And while many of them are in their early stages, the propensity or the tendency for them to steer towards electing a 90-day purchase seems to be higher than your typical lease. And so that's going to have -- and at the same time, you may see some write-off impact or from those, but it's early, and we're watching those. So from a gross margin perspective, that higher 90-day is baked into a reduction sequentially from Q2 to Q3 in our anticipated gross margins, and we'll watch that.

The yield overall is still very strong collectively from these pools, and we don't have any level of concern about getting to where we need to be from a profitability standpoint on these leases. They just tend to skew or appear to skew towards 90-day a little bit more. So that's going to help your -- that's going to likely trend more favorable from a write-off perspective but come with higher 90 days. So that's what we're seeing there.

Operator

Anthony Chukumba, Loop Capital Markets.

Anthony Chukumba ***Loop Capital Markets, LLC - Analyst***

Congrats on the strong quarter as well. I was just wanted to see if we could get a little bit more color about those cross-marketing efforts and successful cost marketing efforts. You mentioned e-mail. If you can just kind of dimensionalize that for us? Like how exactly -- I mean, is that how are you kind of sharing the information with the retailer? Who's sending the e-mail out? Is it -- any of the -- I just want to get a little bit more color on that.

Steven Michaels ***PROG Holdings Inc - President, Chief Executive Officer, Director***

Sure. Yes. The marketing efforts as it relates to the partner marketing with our retailers, really come in a lot of forms. But I'm very proud of the team. We get a lot of kudos and a lot of positive comments from our retail partners about our marketing team and how they kind of view them as an extension of their marketing team.

So it could be -- to your question, it could be a co-branded e-mail that comes from us to our database. We're always very careful about channel conflict, but we can hit the database with a message from one of our partners. It could be a promotional campaign like a reduced IP promo at the retailer promotes. It could be -- we have another retailer who does a tremendous amount of mailers promoting the program in their particular instance, they have got a name for the leasing program that they promote. But the partner marketing is a big and growing part of our efforts.

And I think we've talked in previous calls about PROG Week where we have retailers that partner with other retailers and we'll have a mail piece or an e-mail piece that goes out from us that has two different retail brands on it and each of them offering a promotional item for our consumer. So it takes a lot of different forms. And it's not just e-mail. It's also SEO and digital marketing and display and other things, most of which is done with partner marketing, but some of which is done just from our DTC efforts as well.

Operator

Vincent Caintic, BTIG.

Vincent Caintic ***BTIG, LLC - Analyst***

I wanted to also echo the great results. First question, I wanted to actually focus on your discussion about the regional account growth. I know like in the past, I think investors think about PROG Holdings as being more of a national account and some of the competitors as being regionally focused. So it was interesting and great to see the account growth on the regional side for PROG Holdings. If you could talk about your efforts in more detail so sort of what you're building up there? What you see as an opportunity? And where we can expect that to go? That would be helpful.

Steven Michaels ***PROG Holdings Inc - President, Chief Executive Officer, Director***

Yes. Thanks, Vincent. Yes, the regional space or the SMB space has been a particular focus from certainly the competitive set and on our calls recently. And it's been a renewed focus of ours.

The way I think about the business is really kind of like you described it, bifurcated. There's the enterprise side, and there's a certain way that you support and partner with the largest retailers and then there's a different motion for the regional players. In regions within the bifurcation of the business, regions can also be split into pillars with super regionals, regionals and then what I call the long tail or the small SMB shops.

But it's a big business and there's a lot of business out there to do, and we compete very well in that space. So we have had a renewed focus on it. We made a change in leadership that focuses on attacking that business. In the quarter, there was a particular focus on reactivating doors that we had maybe lost from productivity end or potentially had gone completely dormant, and we had some success there.

And as I mentioned in the prepared remarks, we saw an increase in doors as well as productivity per door, specifically in the regional space. We saw it in the national space as well, but in the regional space. So that was key.

We did add a few new partnerships, and we expect to continue to do that. But as I've said in the past, the regions are very competitive, and there's all -- the churn is fairly common. So far, and it's early, but so far, we've achieved these gains without really having to increase the resources in the regional team as it relates to a sales force either inside or outside. But when we identify high ROI opportunities to increase that team going after that GMV, we'll absolutely do that.

Vincent Caintic ***BTIG, LLC - Analyst***

Great. That's super helpful. And second question is a separate topic from what we've been discussing. But on regulation, so there's been, I think, two days ago, we saw one of your competitors and the CFPB have their disagreements made public.

And then separately, the CFPB is going after another one of your competitors, I think they're hearing in Utah this Friday. But wanted to kind of get your broad thoughts about regulation and maybe how those topics, to the extent they do affect or how they relate to PROG Holdings?

Steven Michaels ***PROG Holdings Inc - President, Chief Executive Officer, Director***

Yes. I mean, I guess, limited comments. We're aware of the activities, as you can imagine, in the multiyear investigations that have led up to those activities. We've read the complaints, but I can't comment. We don't generally comment on litigation that we're in, let alone litigation where we're not in. It's hard to predict what could happen in the future. But it's something we closely monitor and take very seriously, which is why we work really hard to be a very transparent and flexible provider of our solutions to our customers, and we're very proud of that and take that very seriously.

As far as -- this is a highly regulated business. It's been that way for a long time. The states is where a lot of the action is. These happen to be at the CFPB level. And I guess all I would say as it relates to PROG Holdings. We're not aware of any investigations of us at this time, whether they be at the federal level or the state level, and haven't received any written notices or inquiries indicating such.

Operator

And I'm showing no further questions in the queue at this time. I would now like to turn the call back over to Mr. Steve Michaels for any closing remarks.

Steven Michaels ***PROG Holdings Inc - President, Chief Executive Officer, Director***

Thank you, and I'd like to thank you guys again for joining us this morning and for your continued interest in PROG. Our teams are executing well, and we are excited about our accelerating return to growth, coupled always with a healthy portfolio performance. We look forward to updating you again in October with our Q3 results, and we hope you have a great day.

Operator

Ladies and gentlemen, that does conclude the conference for today. Thank you for your participation. You may now disconnect.