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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the PROG Holdings' first-quarter 2024 earnings call. (Operator Instructions) Please be advised today's conference is being recorded. I would like to turn the conference over to your speaker today, John Baugh. Please go ahead.

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

Thank you, and good morning, everyone. Welcome to the PROG Holdings' first-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 second quarter of 2024, the health of our portfolio, our capital allocation priorities, including our ability to continue paying a quarterly cash dividend and repurchase shares of our stock in future periods and our expectations regarding GMV for the second quarter and full-year 2024.

Listeners are cautioned not to place undue emphasis on forward-looking statements we make today, and we undertake no obligation to update any such statements.

On today's call, we'll 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 insight 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?

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

Thank you, John, and good morning, everyone. I appreciate you joining us as we report our first-quarter results, which exceeded the high end of our outlook range we provided in February. Today, I'll provide insights into how our first quarter unfolded, along with a few key points on Q2.

As a reminder, when we issued our outlook in late February, we were emerging from a slow start to the year for retail with limited visibility into the tax refund season. And given the macro headwinds, we anticipated Q1 GMV to be down low single digits.

However, we were optimistic about our strategic direction, growth initiatives, and the health of our portfolio. For Q1, our revenue and earnings beat the high end of our outlook range. I'm proud of the performance of our teams throughout the company as they helped us deliver a strong start to the year. Q1 GMV rebounded from a soft start to 2024, ending flat year over year for the quarter,

We gained balance of share with our key partners amidst a challenging retail environment in which sales in key verticals experienced negative comps, some in the high single digits. We navigated these Q1 demand headwinds through strong execution across several sales, marketing, and technology initiatives under our strategic pillars of Grow, Enhance, and Expand, while continuing to actively manage portfolio performance.

Brian will address the portfolio in more detail, but I want to call out that our Q1 portfolio yield for the Progressive Leasing segment was slightly better than expected. Consolidated adjusted EBITDA of $72.6 million, which was 11.3% of revenue, exceeded the high end of our outlook driven by GMV growth in the second half of the quarter, strong portfolio performance, and disciplined spending.

Now I'd like to update you on our strategic pillars of Grow, Enhance, and Expand regarding our grow pillar, which focuses on business development efforts with new and existing retail partnerships, I want to emphasize that we remain keenly focused on our strategy to onboard new retailers to our platform in both the regional and national space.

In the quarter, we achieved deeper integrations with existing partners, some of whom have been on our platform for many years. We believe improved productivity driven by increases in active locations and a number of leases per location with existing retailers as well as expected pipeline conversions will enable us to deliver GMV growth in the near and long term.

Also under our Grow pillar, our efforts are focused on the PROG Marketplace and direct to consumer marketing. As a reminder, PROG Marketplace allows new and repeat customers to shop when and where they want through our mobile app, allowing us to drive incremental traffic and sales to our network of retail partners.

We also have affiliate partnerships with other leading retailers through our Marketplace, which gives our customers more choice. This channel drove significant growth in 2023, and we anticipate doubling our GMV from the PROG Marketplace in 2024. In terms of direct-to-consumer marketing, key areas include the customer lifecycle and personalization, which make it easy for consumers to understand and utilize the full spectrum of our products.

As it relates to personalization specifically, we are investing in segmentation and automation capabilities to improve the customer experience. Our direct-to-consumer motion complements our retail partner channel, GMV, and deepens our relationship with new and existing retailers as we drive incremental traffic to them.

Under our Enhance pillar, we continue to invest in technology initiatives, which will make customer and retailer experiences as seamless as possible. For example, with direct-to-consumer shopping, we are enhancing the application experience to make onboarding more efficient and increasing shopability through better browse, search, and checkout features on the web as well as the mobile app.

During Q1, we launched a refresh of our consumer facing Progressive Leasing website. This new improved site provides a robust platform to increase content and resources to help educate shoppers about our products and to highlight and benefit our retail partners.

In Q1, the PROG Lab's R&D group piloted generative AI initiatives across several consumer-facing areas to seamlessly verify consumer ID, provide multilingual support, and analyze customer feedback. For instance, by leveraging generative AI for customer feedback, we can consume and analyze that information and identify actionable improvements to our offerings, which allows us to incorporate significantly more feedback into our product development cycle much faster than before.

We believe these initiatives at scale will dramatically improve the customer experience and conversion rates and increase internal productivity to lower our cost to serve and drive operational efficiencies.

Under our Expand pillar, we are focused on our omnichannel marketing strategy to automate cross promotional consumer journeys. This allows us to further personalize offers at a customer segment level by featuring products in the PROG portfolio that are relevant to each customer's needs.

We drove incremental Progressive Leasing GMV in Q1 through customer acquisition and cross marketing efforts with our other operations, which include Forward Technologies and build. We expect this GMV to ramp up throughout the year as we make strides to remove friction from our processes and optimize our funnel conversion.

To summarize our strong first quarter, I'd like to highlight that we collaborated with existing retail partners on technical integrations and marketing, which helped us gain balance of share. We also made significant progress on direct consumer initiatives, maintained a healthy lease portfolio, and remained disciplined with spend.

While Brian will provide more detail on our revised full-year outlook for 2024, I'd like to provide some high-level thoughts. In terms of the remainder of the year, we expect retail headwinds in the majority of our leasable categories to persist.

However, we are making significant progress across our strategic initiatives under Grow, Enhance, and Expand, and we remain optimistic about Q2 GMV growth in the low single digits despite these macroeconomic challenges. Our updated full-year revenue outlook reflects the GMV outperformance in the first half of the year. We also expect our portfolio performance to remain within our targeted annual range of 6% to 8% as we continue to balance profitability with GMV growth.

Finally, on the topic of capital allocation, we paid a quarterly cash dividend of $0.12 per share on March 28. Additionally, we repurchased approximately 781,000 shares during the quarter. In Q1, we generated $136 million in cash flow from operations and expect to generate meaningful cash flow from operations for the full year.

Our capital allocation 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 will now turn the call over to our CFO, Brian Garner, for more details on Q1 results and the remainder of the year outlook. Brian?

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

Thanks, Steve. We are pleased to report that our first-quarter 2024 results exceeded our outlook on both revenue and earnings despite a soft demand environment to begin the quarter. This performance was driven by growth initiatives, resilient demand for our flexible payment solutions, and our management of portfolio performance and spend levels.

Beginning with Progressive Leasing segment. As Steve mentioned, GMV for Progressive Leasing exceeded our expectations of a low single digit decline as we ended the quarter flat year over year. We continued to invest in our sales and marketing motions and delivered on direct-to-consumer initiatives, which contributed to the overall results.

Our gross leased asset balance at the end of Q1 2024 was down 4.7% compared to the same period last year, which was an improvement from the 5.2% decline entering the period. Q1 revenues for our Progressive Leasing segment declined 2.6% from $637.1 million to $620.6 million, primarily driven by the gross leased asset balance being down 5.2% as we entered this year, partially offset by higher 90-day early purchases.

Revenue exceeded our expectations, largely due to a benefit from the favorable GMV lift we experienced in the back half of Q1 and a larger than expected portfolio size. Q1 portfolio performance for Progressive Leasing came in better than expected, which contributed to earnings exceeding the high end of our outlook, while the percentage of customers choosing to exercise their 90-day purchase options have returned to pre-pandemic levels.

For a year-over-year comparison, our gross margin of 30.5% in Q1 of 2024 was 120 basis points lower compared to Q1 of 2023. This was primarily driven by normalized levels of 90-day purchases this period compared to historic lows in Q1 of 2023. The provision for lease merchandise write-offs was 7%, and we expect our full-year 2024 write-offs to be within our annual targeted range of 6% to 8%.

Progressive Leasing SG&A expenses as a percentage of revenue increased slightly year over year to 12.3% in Q1 of 2024 from 11.9% in Q1 of 2023, driven by ongoing investments in sales, technology, and marketing. The period's results benefited from the restructuring actions taken in January as we manage costs in line with revenue expectations.

Adjusted EBITDA for Progressive Leasing declined from $90.4 million in Q1 of 2023 to $74.1 million in Q1 of 2024. Adjusted EBITDA margins of 11.9% was at the midpoint of our 11% to 13% annual margin target for the Progressive Leasing segment.

Turning to consolidated results, our Q1 2024 non-GAAP EPS came in at $0.91 exceeding the top end of our outlook, primarily due to the earnings beat in part due to lower share count from our share repurchase program.

Q1 2024 consolidated revenues declined 2% to $641.9 million compared to $655.1 million in the same quarter last year, driven by the smaller portfolio at the Progressive Leasing segment, offset partially by higher 90-day purchases year over year. Consolidated adjusted EBITDA was $72.6 million compared to $89.7 million in the year-ago period.

Looking at our balance sheet, we ended the first quarter of 2024 with $252.8 million cash and gross debt of $600 million, resulting in a net leverage ratio of 1.24 times, our trailing 12 months adjusted EBITDA. We remain undrawn on our $350 million revolver at the end of the quarter.

In the first quarter, we paid a quarterly cash dividend of $0.12 per share, and we repurchased 781,000 shares of our common stock at a weighted average price of $31.31 per share. We have $475.6 million remaining under our recently authorized $500 million share repurchase program.

To summarize, Q1 2024 financial results exceeded our outlook range with GMV and portfolio yield coming in slightly better than internal expectations. We continue to invest in GMV growth initiatives, while delivering our targeted portfolio performance. Finally, we remain disciplined on spend and are on track to deliver on our full-year SG&A expectations. With our healthy free cash flow generation, we were able to return capital to shareholders through dividends and share repurchases.

I would now like to touch on a few key aspects of our second quarter and revised full-year outlook, which was provided in this morning's earnings release. As Steve mentioned, despite the macroeconomic challenges, we believe our GMV momentum will carry into the second quarter, and we will end Q2 with low single digit growth year over year.

Improving GMV positively impacts the gross leased asset balance, which is a key driver of future period revenue. Portfolio performance is expected to remain strong as we actively manage yields while balancing GMV growth.

Similar to Q1, second quarter gross margins will have a difficult comparison to Q2 of 2023 for the Progressive Leasing segment, with 90-day purchases normalized to pre-pandemic levels. We expect lease merchandise write-offs to increase in the second quarter compared to Q1 of 2024, driven by normal seasonality.

However, as previously mentioned, we expect the full-year 2024 to remain within the targeted annual range of 6% to 8%. We remain disciplined on spending and are on track for Q2 as well as the full year 2024 to deliver SG&A as a percentage of Progressive Leasing revenue at a level that should be flat to last year.

Our revised consolidated outlook for 2024 raises expectations on both revenue and earnings. It assumes adjusted EBITDA margins for the back half of the year that are slightly lower than the first half. Our revised consolidated outlook for 2024 calls for revenues in the range of $2.285 billion to $2.360 billion, adjusted EBITDA to be in the range of $240 million to $255 million, and non-GAAP EPS in the range of $2.85 to $3.10.

This outlook assumes a difficult operating environment with current trends of soft demand for leasable consumer goods, no material changes in the company's decision posture, no meaningful increase in the unemployment rate for our consumer base, an effective tax rate for non-GAAP EPS for approximately 30%, and no impact from additional share repurchases. Our revised outlook does not assume further economic downturn or material benefit for an improving demand environment within our leasable categories.

To conclude, I want to emphasize that we strive to meet the needs of our customers as we empower them on their financial journey by providing them with transparent offerings that include a seamless end-to-end experience.

We also enable our retail partners to drive incremental sales, and we expect to deliver significant value to our shareholders. We are optimistic about our strategic efforts to drive growth, while we remain committed to disciplined decisioning and spending. I will now turn the call back over to the operator for the Q&A portion of the call. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Kyle Joseph, Jefferies.

Kyle Joseph - *Jefferies LLC - Analyst*

Hey, good morning, guys. Nice start to the year. Steve, just wanted to backtrack a bit on GMV. Just give us a sense for the cadence in the first quarter. Obviously, it seemed to accelerate really was that in February or March? And then on your outlook, I think you talked about low single digits growth going forward. Is that kind of an annual or is that just kind of the second-quarter outlook?

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

Yeah, Kyle, hi, good morning. Yeah, the GMV trends through the quarter certainly had some ebbs and flows. We started off sluggish in January as most of retail got off to a slow start. We did see a little rebounding in the second half of February, and we had some calendar dynamics in the first quarter. So you had a Leap Day in February, which never hurts to have an extra day. But then the Easter holiday shifted into March this year and landed on the March 31. So the counter kind of had some puts and takes,

But it did rebound because as we talked about it on Feb 21 or when we released earnings, we were predicting low singles are negative for GMV, and we did manage to get back to flat. So we're pleased with that. As it relates to April, we've got a little bit of a positive Easter holiday shift comping, but -- and that gives us not just that. But our performance month to date gives us confidence to talk about a low singles growth in the second quarter.

As it relates to GMV kind of outlook, we've been in a practice lately of giving our GMV view for the current quarter that we're in. So that would be Q2, but not for the full year. So that was not a full year commentary, but we look forward to giving you some more information on that in July, but also doing everything we can to make sure that these trends continue and hopefully accelerate.

Kyle Joseph - *Jefferies LLC - Analyst*

Got it. Thanks for the clarification. And just one follow-up for me. In your discussions with retail partners, any kind of sense they've given you for potential impacts of the CFPB year late fee proposal and how that's going to impact the POS financing world and any kind of inclination if there would be some accelerated or more of a trade down impact? I mean, I know we're still waiting to see when and how it goes into play, but just any -- what your retail partners are saying on that front?

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

Yeah, a lot a lot of unknown there, as you mentioned, but we have a view from really both sides of the table in that regard. We've got our Vive business, which will be impacted by that, obviously it's a small part of our business, but it will be impacted by that. So Vive is having conversations with its retail partners.

And on the leasing side, our retail partners are certainly having conversations with their primary and secondary credit providers. And there will be change -- to the extent that it goes into effect and the timing that is uncertain, but there will be changes to the unit, the economic model of the providers is my belief that, that will include unknown amount, but some reduction in credit supply above us in the stack. So that coupled with just general tightening and the trade-down effect that we've been talking about, we believe is a positive for the leasing business, the timing of that is very difficult to do predict though.

Kyle Joseph - *Jefferies LLC - Analyst*

Got it, helpful. Thanks very much for taking my questions.

Operator

Brad Thomas, KeyBanc Capital Markets.

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

Hi, good morning, Steve, Brian, and John. Maybe wanted to ask a bigger picture question and then something more specific. Maybe starting initially with just the competitive landscape, Steve. You know, first of all, putting into context, I mean, I think your results look very strong when we look at the growth rates that we're seeing in the end markets that you plan. So that's really encouraging.

But by the same token, we continued a lot of questions around the crosscurrents and competitive landscape. And I'm wondering if you could just talk a little bit about what pressure or share gains you feel like you're seeing as you look at other lease term providers, what's happening in buy now, pay later on and what if anything is happening as you look at what's happening in the subprime and other financial alternative space?

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

Yeah, Brad, thanks. From a competitive environment, and we've said this before, but it's really a bifurcated market. There's -- in lease term specifically, there's the enterprise accounts and then there's the SMB or the regional space. And the regional space has always been very competitive and continues to be. And we have a big business there. Some of our competitors have certainly outgrown us recently in that space. But that is a focus of ours. We can focus on both things and certainly are doing that, and we'll continue to do that.

As it relates to other forms of supply, if you will, I think that those things will be impacted by the things that we just talked about, whether it be just delinquency trends, portfolio performance, provisioning, those types of things we're seeing a little bit of tightening there.

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BNPL continues to be there's plenty of demand there. Obviously, very different categories from what we do on the leasing side, but our Four Technologies business could basically grow at whatever rate it chose to grow at because the demand is there. We are throttling that growth for profitability reasons. But we're pleased with where things are going there.

And the other subprime supply, I think the trend is neutral to tightening. So it's neutral or positive for us from a setup standpoint. And we look forward to making share gains in the regions, not only in the enterprise side.

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

That's very helpful, Steve, thank you. And as a follow-up on more specifically on the 90-day buyouts, I know that that's been the factor that's affecting comparability year over year and the gross margin in particular. But could you just give us an update on where that's tracking from a historic perspective and again, how you think that's going to play out in the next few quarters?

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

Yeah, Brad, hey, it's Brian. Yeah, I think you're right. When we look at the comparison from last year, we articulated in Q1 of last year that we were at record low 90 days. And the expectation was we would see that normalize over time.

As we look at Q1 results, what's incorporated in that gross margin is really a normalized level, pretty right in line with Q1 of 2019. Now it's going back a few years now since we had a normal period, but that's effectively in line. So on a go-forward basis, what's incorporated in our outlook is a continuation of that normal trend, if you will, and that will put that will put margin -- a difficult margin comparison here for at least Q2 as we look at year over year, but more in line with what we would have seen back in 2019.

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

That's very helpful. Thank you so much.

Operator

Hoang Nguyen, TD Cowen.

Hoang Nguyen - *TD Cowen - Analyst*

Hey, guys, and congrats on the call. Just a quick one from me. So in terms of the GMV, just wanted to dig a little bit deeper into that. I mean, the raising outlook. I mean, is it more a function of increasing penetration? Or are you seeing sort of flat slightly improved outlook from your partner? And maybe if you could dig into the cadence from March to April, I mean, did you guys see an acceleration in GMV?

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

Yeah, thank you. Yeah, as it relates to our enterprise partners, we're not expecting a material rebound in the demand environment within 2024. But we are having success in, as I mentioned in the prepared remarks, in partnering and achieving deeper integrations with our partners, which many of whom have been on the platform for quite a while.

So these demand pressures are causing re-prioritization of projects, whether that be marketing or waterfalls or a tech integration for transactional e-com cart, which we haven't been able to get done to date. And so those are positive ways that we're gaining balance of share within our partners.

We also believe that we'll continue to add new retailers to the platform, small e-com retailers, omnichannel retailers, as well as larger brick and mortar with the e-com as well. So we were optimistic about our ability to grow GMV, and it will be a joint impact from existing retailers as well as some new ones.

As it relates to April, as I mentioned before, we started April well, part of that is from the shift of the Easter holiday, but we're pleased with the trajectory and it'll give us the confidence to predict and forecast the GMV growth, albeit in the low singles, but GMV growth in Q2, we're pleased with that.

Hoang Nguyen - *TD Cowen - Analyst*

Got you. And just a quick follow-up from me. I think, I mean, one of the reasons that your competitors have cited for a, I guess, faster growth in the SMB, probably the larger salesforce. I guess, I mean, could you give us some color about your plan to win back, I guess in that space, anything that you guys are planning? Just curious, thank you.

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

Yeah, there are a lot of factors on how you create urgency and partnership in the regions. And some of it is touch points, whether that be people in stores or in the field or people on the phones, and we have that as well. As we've talked about many times that most of the regional space, the SMB space, there's multiple providers, but there could be a hierarchy, one person -- one provider could get more applications and someone further down the stack.

So it's a multi-prong strategy of getting better prioritization within doors that we're already doing business in and making those doors more productive through number of leases per month as well as adding new retailers to the platform. And we have a long history of supporting regional players very well and have a lot of relationships out there. So I think you should expect to see us make some real progress there in the near and intermediate terms.

Hoang Nguyen - *TD Cowen - Analyst*

Got you, and thank you.

Operator

Bobby Griffin, Raymond James.

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

Good morning, thanks for taking my questions. I guess, Steve, I first want to circle back on GMV growth, really nice to see it flip here during the quarter. You gave us some great detail on progression, but can you maybe unpack a little bit of what drove the upside? Was it ticket volume adding more people requesting to use the progressive product? Or is it just the mix like that you called out mixing up as it balances share inside your retailers? Just trying to get a little bit better view on the underlying build revenue builders or building blocks of that metric.

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

Yeah, Bobby, I'll give you what I can. It's not ticket. I'll start with that. Ticket is kind of flat to I mean, it's not a story. Let's put it that way. It might be down a few dollars, but it's not the story. We've talked about demand or traffic weakness, but I do believe that the traffic that is occurring has more of a need for a flexible payment option than over the last several years, and many of those will be served by the primaries above us, which is appropriate for them, if that's what they qualify for. But for all the reasons that we talked about, fewer of those people are even being approved in the stack. So that's some help.

It's a little difficult to quantify as we broadly call that trade down. But I would say a bigger part of it is what I referred to on our partnering with our retailers and getting waterfalls done, so that we can make sure that the apps are having multiple opportunities to be approved, reinforcing training with the retail sales associates.

So they're very educated and knowledgeable about the product and putting the customer in the most appropriate product. The obvious one is transactional e-com and getting a card where we might have had what we call LOPIS, lease online pickup in store.

But was a half of a measure because the customer would actually have to go in the store to sign a lease agreement, getting that into fully transactional and being delivered into their home. Those are the types of things that are helping us not only gain balance of share, support our retailers, but also make our partnership a stickier and more valuable. So we're pleased with where we are, and this didn't start this quarter, this started in '22 and '23 and it's paying dividends now and we look forward to the results that it will print in the future.

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

Thank you. So that's helpful. And then I guess on the vertical side, you did mention you're still seeing some comped down high single digits. Is there any -- can you kind of maybe break it out or provide any more color? Is it one or two verticals in particular that are still dragging in. And if those flip, we'd see actually a lot stronger GMV growth or is it still across a handful of verticals? Just trying to get a sense on you guys give us good detail in the 10-K about the different product categories, but is there one in particular that is outsized or weighing down GMV?

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

Well, broadly, I would say that furniture and mattress are still a drag. And as we thought about the demand pull forward during the pandemic, those replacement cycles are longer, right. And with a little bit of a stagnation in the housing market, there might be not as many people moving out or house household formation. So the furniture and mattress is still a little bit of a drag.

We've seen some readout, I'd call it in consumer electronics, which makes a little bit of sense because of the shorter replacement cycle. Smartphones have pretty much stayed strong throughout and jewelry has its challenges as well. But we're looking forward to a rebound there. So there's some puts and takes. But I would say furniture and mattress are the larger drags.

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

Very helpful. Congrats on navigating a challenging quarter.

Operator

Anthony Chukumba, Loop Capital Markets.

Anthony Chukumba - *Loop Capital Markets LLC - Analyst*

Good morning, and thanks for taking my question. And this is somewhat related to some of the earlier questions. But you mentioned that you gained GMV balance of sales through key retail partners intensively, call that technical integrations and marketing. Just wondering if you can just provide a little bit more color, particularly on the marketing side, just in terms of what you're able to do there that was so successful for you?

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

Yes, I mean on the marketing, we've been partnering well, what we call our partner marketing department within our marketing function, and they are doing a really good job of being almost embedded in our retailers' marketing departments and having joint marketing campaigns, trip campaigns, nurture campaigns, promotional campaigns, even sometimes well, many times joint campaigns with another retailer of ours that is not a competitive logo. And our retailers are seeing the value of being part of the progressive network, the preferred partner network.

And so they're leaning into that. And we're leaning into it, and we're happy to do that because it benefits both of us. We're also leaning into and getting more sophisticated on the direct consumer marketing, which helps to grow our partner GMV because we can drive not only repeat customers, but new customers into our partners' environments, either in-store or online.

And so there's a decent amount of work going on in the marketing side on direct to consumer. When the 10-Q hits, you'll see some increase, not massive, not earth-shattering numbers, but increase in marketing expense. We expect that to continue as we continue to see really healthy and positive ROE as a return on ad spend.

So we think marketing on the direct-to-consumer side as a complement to our retail partner channel. Customer acquisition efforts can be a big driver for us in the future. Now on the technical integrations, I've pretty much covered those, but it's credit stack waterfalls and e-com cards and things like that.

Anthony Chukumba - *Loop Capital Markets LLC - Analyst*

Got it. That's helpful. And then just as a quick follow-up, sort of like my obligatory question, any update on the retail partner pipeline, particularly at the enterprise level?

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

Yeah, nothing specific other than it's a big focus of ours across the spectrum, whether it be in the long tail, the regions, the super regionals, and on the enterprise side. And it's certainly part of our strategy and part of our focus. And we'll continue to work on and look forward to hopefully announcing something someday.

Anthony Chukumba - *Loop Capital Markets LLC - Analyst*

That's helpful. Thanks and congrats on the strong start to the year.

Operator

And I'm not showing any further questions at this time. I'd like to turn the call back over to Steve Michaels for any closing remarks.

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

Thank you. I'd like to thank you again for joining us this morning and for your continued interest in PROG. Our teams did a great job and delivered a strong start to the year. We feel good about returning to GMV growth and the positioning of our portfolio. We look forward to updating you again in July with our Q2 results, and we hope you have a great day.

Operator

Ladies and gentlemen, this does conclude today's presentation. You may now disconnect and have a wonderful day.