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■ **192% Growth SPAC** ■

■ **Katapult provides leasing solution for e-commerce websites**

■ **It enables non-prime customers to lease durable goods online**

■ **ALL founders left and \$CURO owns 50% of Katapult**

■ **What is hidden behind the \$FSRV SPAC** ■

Here is an EASY thread ■



Katapult was founded in 2012 and was initially called Zibby and operated by Cognical

■ By 2015, it had raised \$ 10m in equity and debt from VC funds such as Tribeca Venture Partners and Blumberg Capital

<https://t.co/hZdBOpUf5>

Cognical was founded by ■

Brandon Wright - a Cornell MBA who later founded [@payfully](#)

Ashutosh Saxena - a PhD in AI from Stanford (awards: <https://t.co/YfViWWXqru>)

Chinedu Eleanya - a serial entrepreneur who later founded [@GetMulberry](#) which sells extended warranty to shoppers

Zibby was a “Lease-To-Own” service designed for durable goods & products (furniture, appliances, electronics)

1■■■ When customers purchase an item online, Zibby retains the rights to this item

2■■■ Zibby rents the item to the customer

3■■■ The customer can decide to purchase the full ownership rights of the item at any time

This model proved successful and Zibby was incubated by Cornell

Zibby was designed for non-prime customers as the founders identified that:

■ 64m shoppers in the US need access to credit but have no credit history

■ 34% of Americans between 18 and 49 do not have credit cards

■ Around 46% of Americans have a credit score under 700

“We're giving them a means to acquire expensive products they couldn't otherwise afford [...] Refrigerators to keep food cold and beds for kids to sleep in.” - Brandon Wright

Taken from ■

<https://t.co/SBVVFqw9j3>

Chinedu Eleanya and Ashutosh Saxena created the Zibby tool by feeding their models with a database of past loans

■ Along with information on the borrowers (address, financial records, device type they use)

■ The computer then finds patterns and returns “default probabilities”

Our proprietary risk model translates to higher approval rates and higher contribution margin

UNDERWRITING INPUTS

7 Min. User Inputs **~100** Gathered User Attributes **~2,000** 3rd Party Data Elements

SELECTED ATTRIBUTES FOR DECISIONING

- Lease history
- Prior payment behavior
- Behavioral biometrics
- Shopping behavior
- Mobile device information
- Cart information



Great! But what is Zibby now?

1■■ Zibby changed its name to Katapult

2■■ Founders left and Orlando Zayas became CEO in 2017 (previously at GE and Wells Fargo)

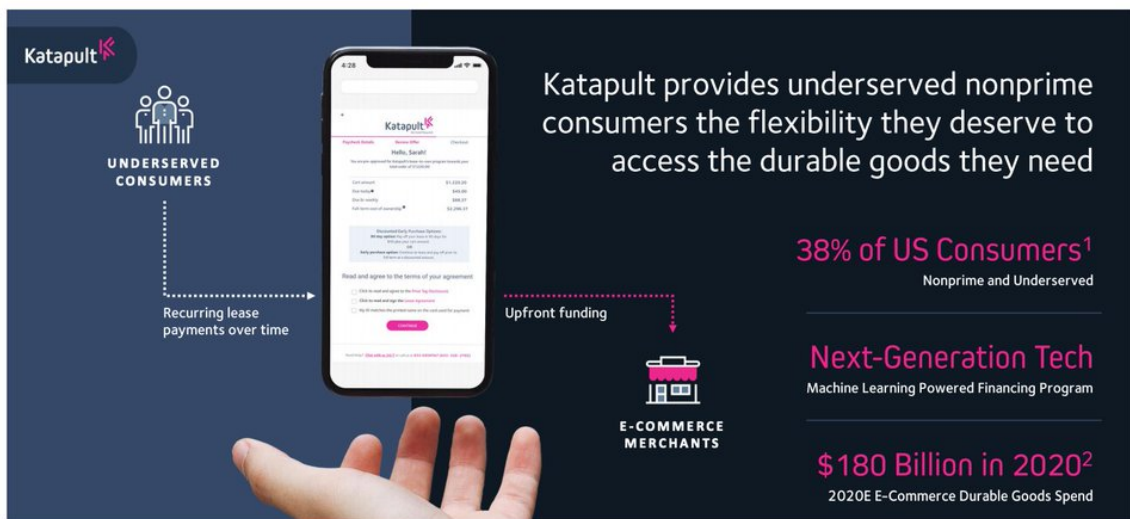
3■■ Kariss Cupito came in as CFO (previously at Tempoe)

On the business side, Katapult is the same as Zibby

■ It provides leasing solutions (up to \$ 3,500) for durable goods to underserved non-prime customers

■ It is integrated with Wayfair, Lenovo, Affirm, \$SHOP, Magento and BigCommerce

■ It works both in-store and online



Katapult now counts 150 merchants on its platform and enjoys a NPS of 47

■ For comparison, American Express has a NPS of 55 and Apple scores 68








<https://t.co/dOakIMhXx6>

When taking into account partner integrations, it could add over 6,500 merchants

■ These have at least \$ 5m in sales in the relevant goods segments

Katapult

SELECT PARTNER INTEGRATIONS

Partner	# of Eligible Merchants¹
 affirm	~900
 BIGCOMMERCE	~600
 Magento	~1,600
 nopCommerce	~70
 opencart	~100
 shopify	~1,900
 WOO COMMERCE	~1,400

Low single digit penetration provides significant embedded upside potential

Differentiated technology and integration capabilities wins merchants

DIRECT INTEGRATION

- Off-the-shelf & custom integration options
- Self-identifying customers easily find their purchasing option

PLATFORM INTEGRATION

- Plugins with all leading e-commerce platforms
- Integrations as fast as 30 minutes for merchants

PRIME LENDING PARTNERSHIP INTEGRATION

- Highly successful integration experience with financing waterfall
- Complementary service to significantly enhance prime partner offerings
- Offering both direct and waterfall integrations leads to a 97% increase in applications as well as a 3.5% increase in take rates over waterfall only integration

But how does it make money?

1■■ Customers have to pay a \$45 loan origination fee

2■■ Customers can buy out their item during the first 90 days for an additional 5% fee

3■■ If customers go through the full term, they will have paid twice the item's price

Flexible & Transparent Payment Options Drive Customer Loyalty

FIRST 90 DAYS

- During the first 90 days an option is available to buyout for the cash price plus 5% fee¹

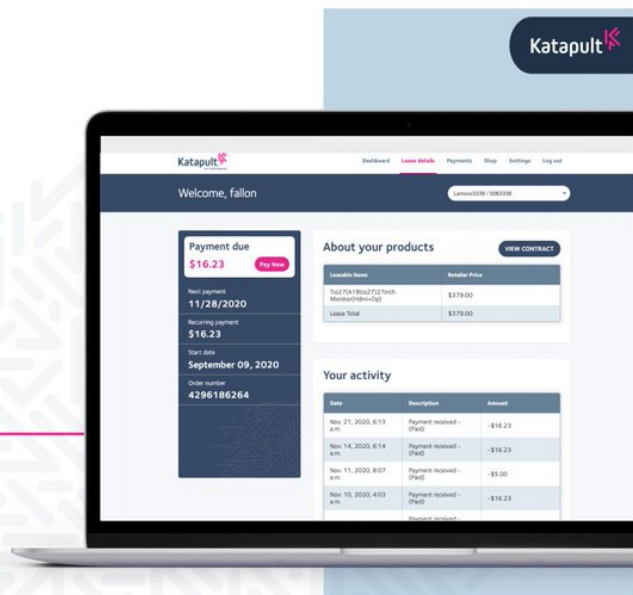
POST 90 DAYS

- An early purchase option is available anytime after the initial 90 days allowing consumer to purchase for significantly less than the full-term cost to own

FULL TERM

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

No late fees. Ever.



While Katapult is a leasing company and not a “Buy Now Pay Later” company, here is how the BNPL market is set to evolve:

- According to Kaleido Intelligence, market is set to rise to \$ 680B by 2025, up 92% from \$ 353B
- Driven by higher e-commerce penetration and younger demographics' higher preference for BNPL solutions

<https://t.co/olhAtnUBmQ>

- According to Forbes, around 7% of Americans have made a BNPL purchase this year

- Representing \$ 24B in sales in 2020 versus \$ 20B in 2019

- With growth in BNPL being driven by millennials and high-income earners ■

<https://t.co/vpGH4bpqcY>

- According to Worldpay, BNPL is the fastest growing e-commerce payment method globally ■

- In the US, BNPL is set to account for 3% of all e-commerce payments by 2023 - up from 1% today

- In the EMEA, BNPL already accounts for 6% of all e-commerce payments and set to reach 10% by 2023

<https://t.co/DuAsDcVXJN>

BNPL is not without risks as ■

1■■ Over the past 2 years, 43% of BNPL users have been late with a payment

■ 66% were late because they lost track of the payments, 33% because they could not pay

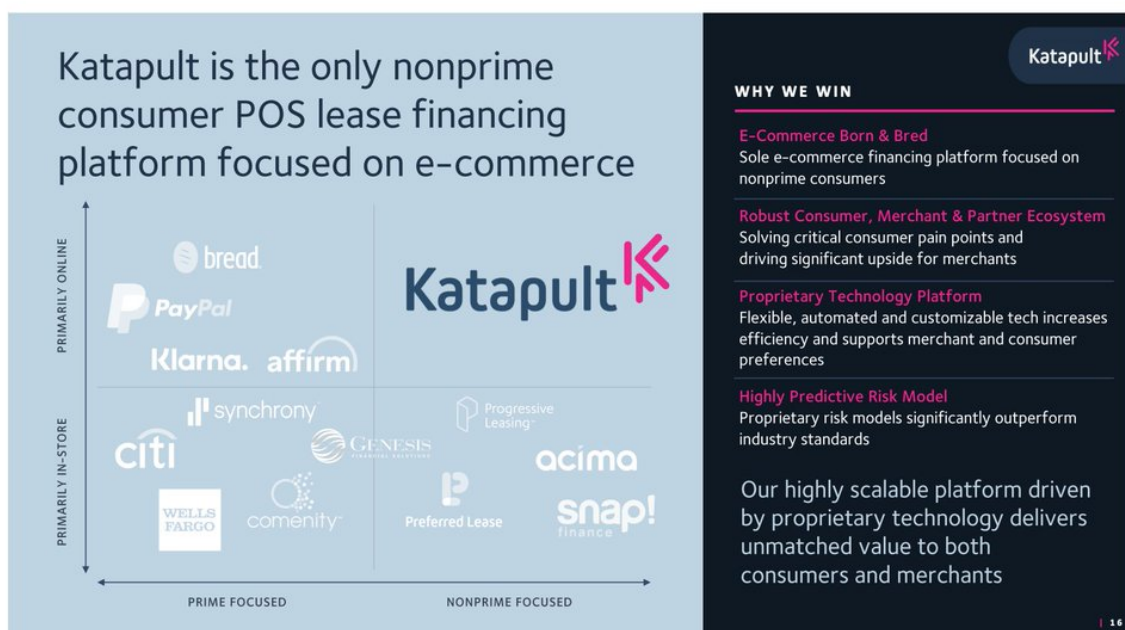
2■■ More than 50% have seen their credit card limits decrease in the past year

Katapult is a “Lease-to-own”, not a BNPL

■ Shows similarities with Affirm, AfterPay and Klarna as it pop ups at the check-out, works with minimal customer input and provides instant approval

■ Expansion of online Buy Now Pay Later tools could be used as a proxy for Katapult

■ Key difference is that Katapult caters to non-prime customers, a market in which it is virtually alone



“[...] many people need credit but can’t access it. Or, if they do, they’re unwilling to put their credit scores at risk. This represents a significant segment of customers who are all-too-often ignored by retailers” by Jia Wertz for Fobrbes

<https://t.co/J1JJc7hSgW>

How does Katapult plans to win in its market? Well, this is all about data

■ It claims to get a better True Positive / False Positive for identifying good payers

- It can thus lease to more customers, given that it is able to spot good payers better than its competitors

Katapult

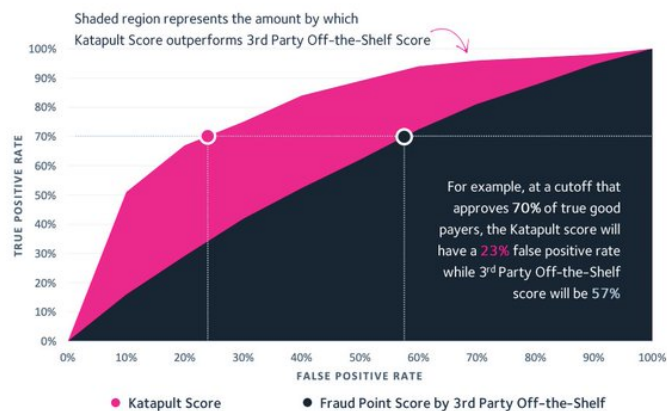
Less Than 3% Fraud Rates Across the Portfolio

Recover 80 – 90% of Lease Cost on Charge-Offs

Immediate Approvals with No Credit Check

Sophisticated Machine Learning

Katapult's highly predictive proprietary score outperforms the industry



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And it only gets better with more customers as these provide more data on their turn

- Katapult already disposes of over 500,000 lease-to-won transaction records
- Enabling it to further expand its products offering, customer base and merchant integrations

Significant Levers For Continued Organic Growth

We have already achieved significant scale and are just getting started



But of course, Katapult is NOT alone in its market

\$OSTK partnered with Progressive Leading to launch its lease-to-own service

- Customers can lease up to 3m items for payment of \$ 49

- Customers need approval to apply but don't need credit

<https://t.co/GSYUOI3JEg>

■ Financials Check ■

Note: period is 9 months ended September 30

- Total revenue grew 192% YoY to \$ 175m the 2020 period up from 60m in the previous period

- Gross margins stood at 29% up from 13% in the previous period

- Gross profit increased by 540% to \$ 51m versus \$ 8m a year earlier

- Operating expenses grew 16% to \$ 14m from \$ 12m

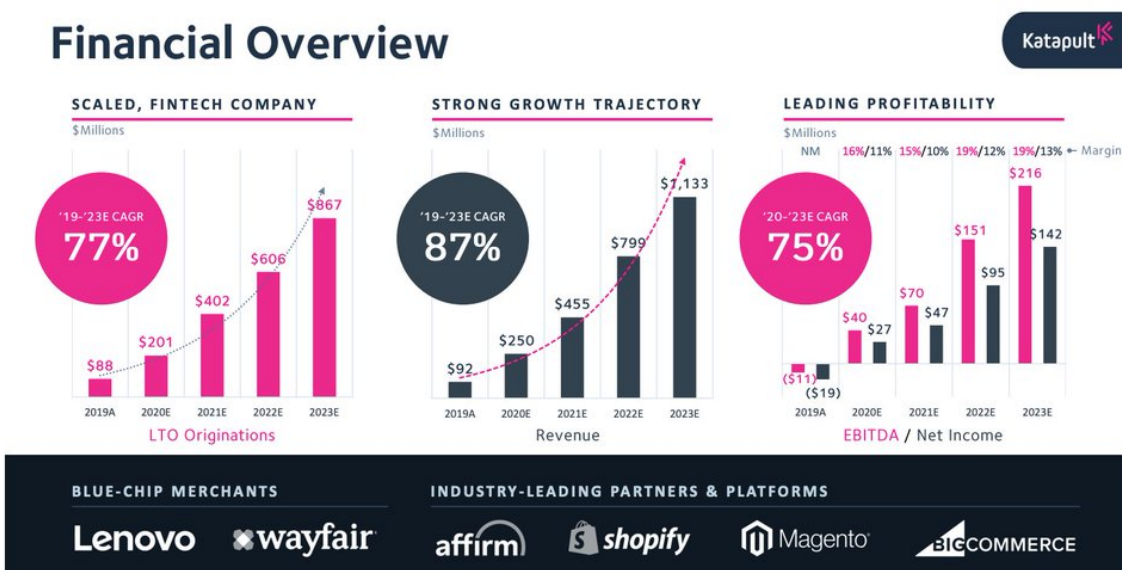
- Income from operations reached \$ 29m up from a loss of \$ 9m a year earlier

- Company expects a year end cash position of \$ 60m by year end

Unaudited Historical Income Statement		
Katapult		
	Nine Months Ended September 30,	
\$Millions	2019A	2020A
Selected Income Statement		
Total Revenue ¹	\$60	\$175
Cost of Revenue	\$52	\$124
Gross Profit	\$8	\$51
Servicing Costs, Underwriting Fees & Processing Fees	\$6	\$8
Operating Expenses ²	\$12	\$14
Income (Loss) from Operations	(\$9)	\$29
Interest Expense & Other ³	\$6	\$10
Net Income (Loss)	(\$16)	\$19

What about its financial forecasts?

- It expects sales of \$ 1,133m by 2023 for a CAGR of 87% over the 2019 - 2023 period
- Generate a Net Income of \$ 27m in 2020 for 11% Net Margins
- Net income set to grow 75% each year over 2020 - 2023 to \$ 142m



■ THE BOTTOM LINE ■

- Katapult is a hyper growth company, originally founded by a strong team of machine learning experts and MBAs
- The “Buy Now Pay Later” market is growing & beneficial to Katapult as the pandemic moved all shopping online (including durable goods)
- The company boasts outstanding growth metrics and manage to keep its operating expenses almost constant year over year
- All of Katapult’s founder left and Tony Lauro (previously at Capital One, JP Morgan Chase) only stayed from 2016 to 2017
- Tony Lauro (per LinkedIn) stated that he: “improved financial projections to realize company was in urgent need of cash”
- \$CURO now owns 50% of Katapult and is set to get \$ 125m from the merge with its Katapult stake decreasing to 21%

<https://t.co/AxXkaRMm36>.


■ Katapult’s currently owns the lease-to-own market, but can easily be displaced by larger BNPL players once these decide to serve non-prime customers

■ We stay on the sidelines for now, we will review as more information on Katapult’s cash situation and ownership emerges
■

■ \$DHER.DE is on our watchlist ■ To Be Reviewed SOON ■


Disclaimer - This is not investment advice in any form and investors are responsible for conducting their own research before investing.

Sources


 Investor presentation

 Company website

 Crunchbase


 Techcrunch


 Cornell News

 Kaleido Intelligence

 Worldpay

 Forbes

 Hubspot

 Furniture Today

 Retail Dive

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<https://t.co/IQ6ay1zmm2>