Twitter Thread by Benchmark

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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/hZdBOrpUf5

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

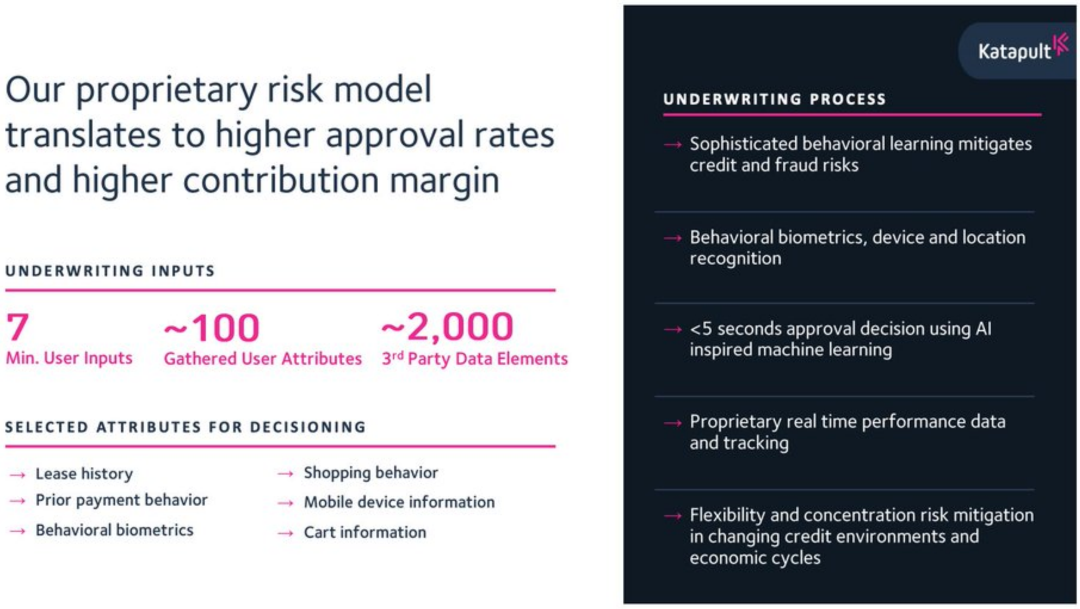
Taken from ■

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”



Great! But what is Zibby now?

1■■ Zibby changed it name to Katapult

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

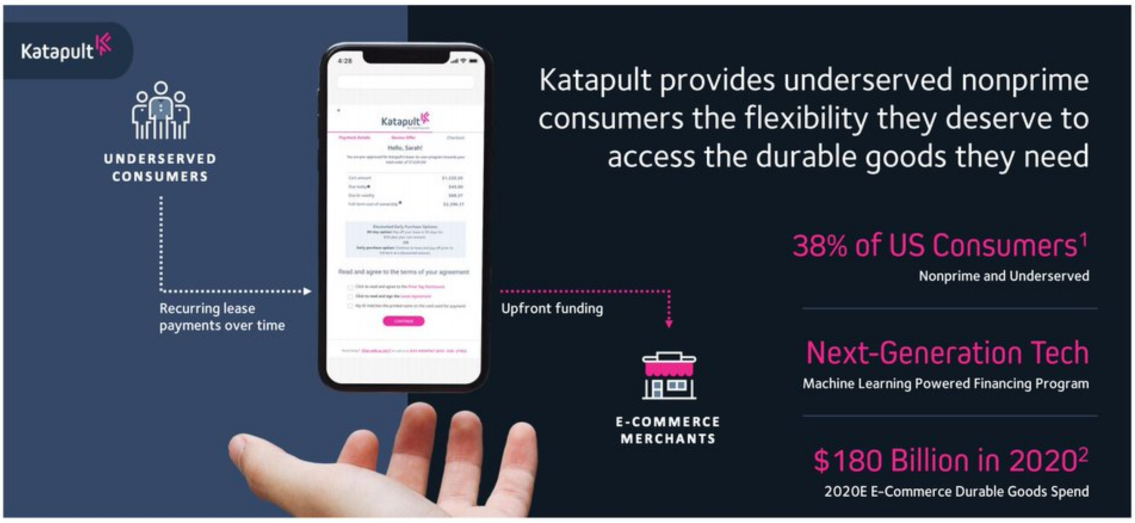
3■■ Kariss Cupito came in as CFO (previously at Tempoe)

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/dOaklMhXx6

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

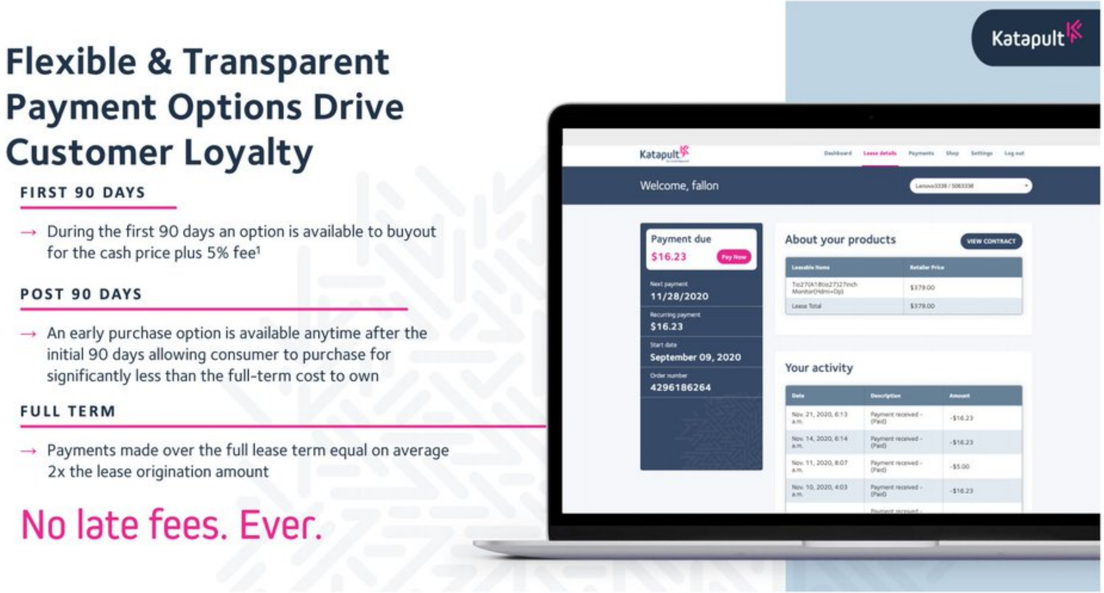
■ These have at least $ 5m in sales in the relevant goods segments

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



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 form 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

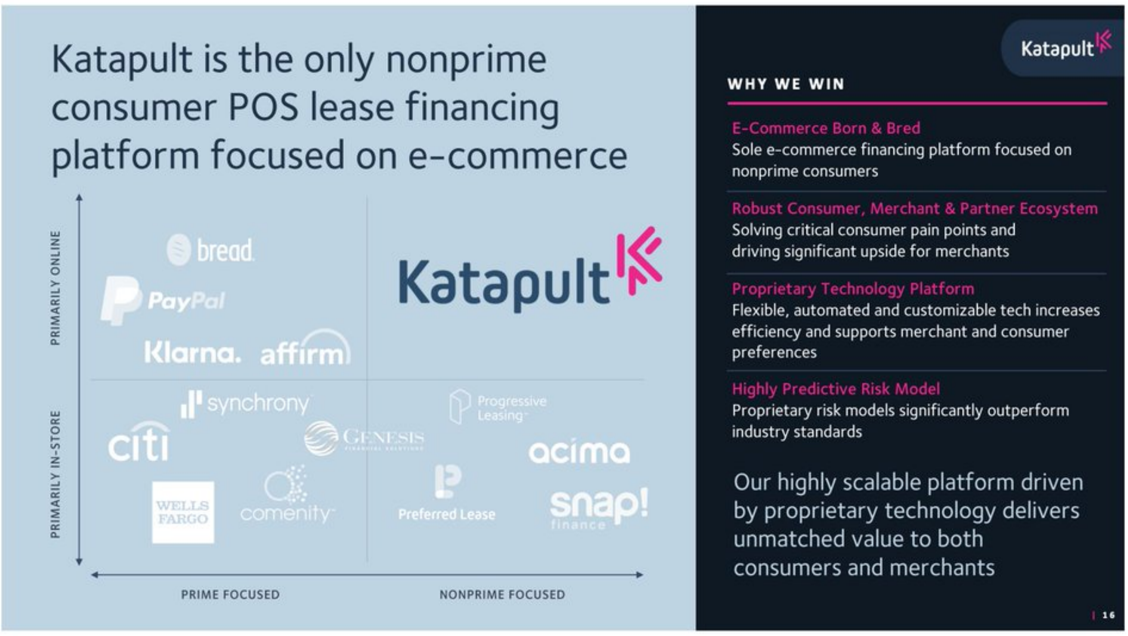
2■■ More than 50% have seen their credit card limits decrease in the past year

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



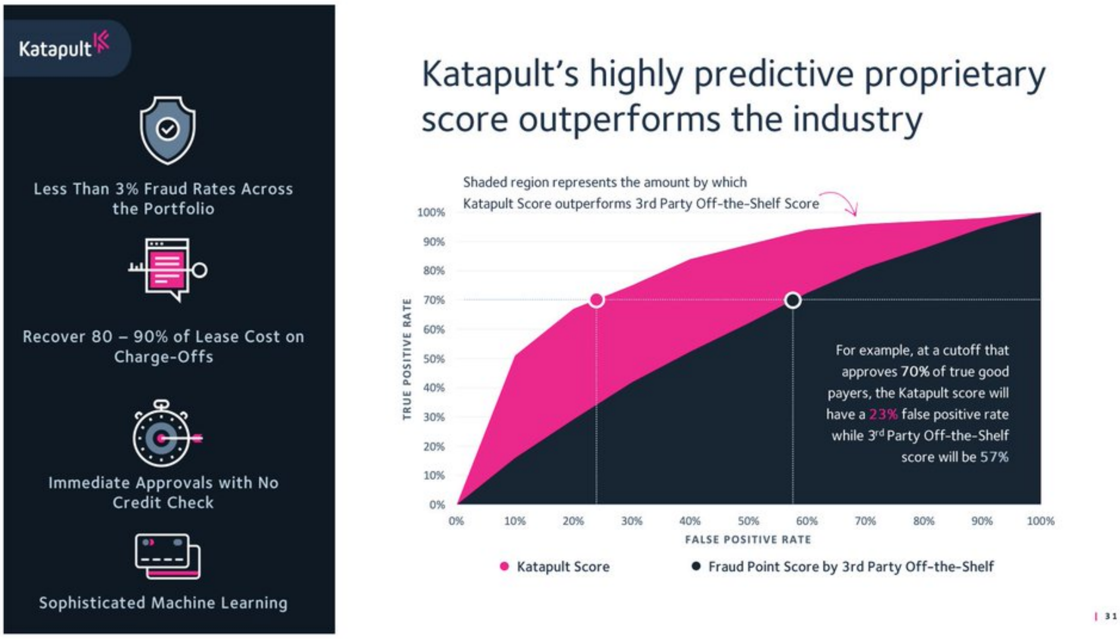
“[…] many people need credit but can’t access it. Or, if they do, they're unwilling to put their credit scores at risk. This represents a significant segment of customers who are all-too-often ignored by retailers” by Jia Wertz for Fobrbes

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



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

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

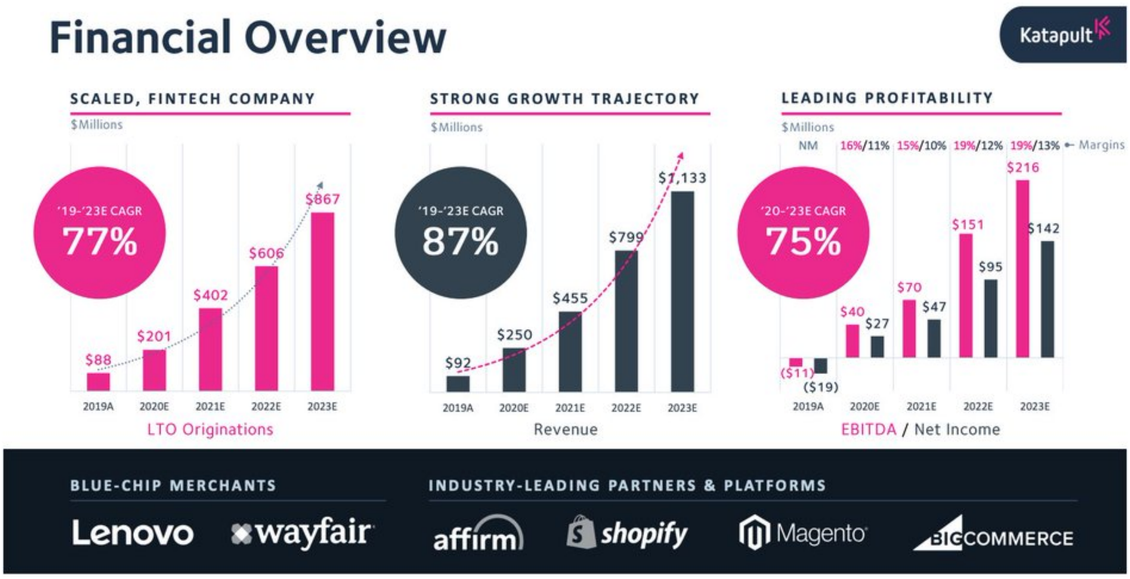
Unaudited Historical Income Statement

Katapult

$Millions	Nine Months Ended September 30, 2019A	Nine Months Ended September 30, 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/lQ6ay1zmm2