Q2 2022 Earnings Presentation

August 9, 2022

Disclaimer

Forward-Looking Statements

Certain statements included in this presentation that are not historical facts are forward-looking statements for purposes of the safe harbor provisions under the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements generally are accompanied by words such as “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “should,” “would,” “plan,” “predict,” “potential,” “seem,” “seek,” “future,” “outlook,” “goal”, and similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These forward-looking statements include, but are not limited to, statements regarding expectations relating to our market position, future operations, capital expenditures, impairment charges, long-term industry and market trends, including with respect to the adoption in digital commerce, our long-term growth plan, our growth strategies, strategic investments for growth and our target outcomes from our strategic investments. These statements are based on various assumptions, whether or not identified in this presentation, and on the current expectations of Katapult’s management and are not predictions of actual performance. These forward-looking statements are provided for illustrative purposes only and are not intended to serve as, a guarantee, an assurance, a prediction or a definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. Many actual events and circumstances are beyond the control of Katapult. These forward-looking statements are subject to a number of risks and uncertainties, including execution of Katapult’s business strategy, including launching new product offerings and expanding information and technology capabilities; Katapult’s market opportunity and its ability to acquire new customers and retain existing customers; general economic conditions in the markets where Katapult operates, the cyclical nature of consumer spending, and seasonal sales and spending patterns of customers; failure to realize the anticipated benefits of the business combination with FinServ Acquisition Corp. (the “Merger”); risks relating to factors affecting consumer spending that are not under Katapult’s control, including, among others, levels of employment, disposable consumer income, inflation, prevailing interest rates, consumer debt and availability of credit, pandemics (such as COVID-19), consumer confidence in future economic conditions and political conditions, and consumer perceptions of personal well-being and security; risks relating to uncertainty of Katapult’s estimates of market opportunity and forecasts of market growth; risks related to the concentration of a significant portion of Katapult’s business with a single merchant partner, or type of merchant or industry; the effects of competition on Katapult’s future business; the impact of the COVID-19 pandemic and its effect on Katapult’s business; unstable market and economic conditions, including as a result of the conflict involving Russia and Ukraine; reliability of Katapult’s platform and effectiveness of its risk model; protection of confidential, proprietary or sensitive information, including confidential information about consumers, and privacy or data breaches, including by cyber-attacks or similar disruptions; ability to attract and retain employees, executive officers or directors; meeting future liquidity requirements and complying with restrictive covenants related to long-term indebtedness; effectively respond to general economic and business conditions; obtain additional capital, including equity or debt financing; enhance future operating and financial results; anticipate rapid technological changes; comply with laws and regulations applicable to Katapult’s business, including laws and regulations related to rental purchase transactions; stay abreast of modified or new laws and regulations applying to Katapult’s business, including rental purchase transactions and privacy regulations; maintain relationships with merchant partners; respond to uncertainties associated with product and service developments and market acceptance; anticipate the impact of new U.S. federal income tax law; that Katapult has identified material weaknesses in its internal control over financial reporting which, if not corrected, could affect the reliability of its consolidated financial statements; successfully defend litigation; litigation, regulatory matters, complaints, adverse publicity and/or misconduct by employees, vendors and/or service providers; and other events or factors, including those resulting from civil unrest, war, foreign invasions (including the conflict involving Russia and Ukraine), terrorism, or public health crises, or responses to such events; and those factors discussed in greater detail in the section entitled “Risk Factors” in Katapult’s periodic reports filed with the Securities and Exchange Commission (“SEC”), including Katapult’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 and the Quarterly Report on Form 10-Q Katapult intends to file for the quarter ended June 30, 2022.If any of these risks materialize or our assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. There may be additional risks that Katapult does not presently know or that Katapult currently believes are immaterial that could also cause actual results to differ from those contained in the forward-looking statements. Undue reliance should not be placed on the forward-looking statements in this presentation. All forward-looking statements contained herein are based on information available to Katapult as of the date hereof, and Katapult does not assume any obligation to update these statements as a result of new information or future events, except as required by law.

Key Metrics

“Net Promoter Score” refers to Katapult’s net promoter score, which is a percentage, expressed as a numerical value up to a maximum value of 100, that Katapult uses to gauge customer satisfaction. Net Promoter Score is based on a customer research study of 228 consumers performed in June 2022 and reflects responses to the following question on a scale of zero to ten: “How likely are you to recommend Katapult to a friend or colleague?” Responses of 9 or 10 are considered “promoters,” responses of 7 or 8 are considered neutral or “passives,” and responses of 6 or less are considered “detractors.” Katapult then subtracts the number of respondents who are detractors from the number of respondents who are promoters and divide that number by the total number of respondents. This methodology of calculating Net Promoter Score reflects responses from customers who purchase products using Katapult and choose to respond to the survey question. Net Promotor Score gives no weight to customers who decline to answer the survey question. The trademarks included in this presentation are the property of the owners thereof and are used for reference purposes only.

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

Disclaimer (cont.)

Non-GAAP Financial Measures

To supplement the financial measures presented in this presentation and related conference call or webcast in accordance with GAAP, the Company also presents the following non-GAAP and other measures of financial performance: adjusted gross profit, adjusted EBITDA and adjusted net (loss) income. The Company urges investors to consider non-GAAP measures only in conjunction with its GAAP financials and to review the reconciliation of the Company's non-GAAP financial measures to its comparable GAAP financial measures, which are included in the annex to this presentation.

Adjusted gross profit represents gross profit less variable operating expenses, which are servicing costs, underwriting fees, and bad debt expense. Management believes that adjusted gross profit provides a meaningful understanding of one aspect of its performance specifically attributable to total revenue and the variable costs associated with total revenue.

Adjusted EBITDA is a non-GAAP measure that is defined as net loss before interest expense and other fees, change in fair value of warrant liability, (provision) benefit for income taxes, depreciation and amortization on property and equipment and capitalized software, impairment of leased assets, stock-based compensation expense, and transaction costs associated with the merger.

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

Adjusted gross profit, adjusted EBITDA and adjusted net (loss) income are useful to an investor in evaluating the Company's performance because these measures:

- Are widely used to measure a company's operating performance;
- Are financial measurements that are used by rating agencies, lenders and other parties to evaluate the Company's credit worthiness; and
- Are used by the Company's management for various purposes, including as measures of performance and as a basis for strategic planning and forecasting.

Management believes the use of non-GAAP financial measures, as a supplement to GAAP measures, is useful to investors in that they eliminate items that are either not part of our core operations or do not require a cash outlay, such as stock-based compensation expense. Management uses these non-GAAP financial measures when evaluating operating performance and for internal planning and forecasting purposes. Management believes that these non-GAAP financial measures help indicate underlying trends in the business, are important in comparing current results with prior period results, and are useful to investors and financial analysts in assessing operating performance. However, these non-GAAP measures exclude items that are significant in understanding and assessing Katapult's financial results or position. Therefore, these measures should not be considered in isolation or as alternatives to revenue, net loss, cash flows from operations or other measures of profitability, liquidity or performance under GAAP. You should be aware that Katapult's presentation of these measures may not be comparable to similarly titled measures used by other companies.

ASC 842 Adoption

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

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

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

Highlights

Growing Merchant Base and Maintaining High Customer Satisfaction

- Added 42 new merchant partners during the quarter
- As of June 30, 2022, we had a Net Promoter Score(1) of 60
- 52% of Q2 2022 gross originations were from repeat customers

Executing on Strategic Growth Plan while Focused on Operational Efficiencies

- Hired a Chief Revenue Officer
- Launched a new brand platform
- Continuing to identify operational efficiencies and cost savings opportunities

(1) For more information regarding how Net Promoter Score is calculated, see Slide 2.

Q2 2022 Financial Results

$ in millions (unaudited)	Q2 2022	Q2 2021	YoY Variance ($)
Gross Originations	$46.4	$64.4	$(18.0)
Total Revenue	$53.0	$77.5	$(24.5)
Gross Profit	$8.2	$21.5	$(13.3)
Total OpEx	$16.4	$30.5	$(14.1)
Net (Loss) Income	$(9.7)	$(8.1)	$(1.6)
Adj Gross Profit	$6.6	$12.0	$(5.4)
Adj EBITDA	$(5.3)	$3.9	$(9.2)

Commentary

- Gross originations down $18.0 million year-over-year, driven by:
  - Key retail partners experienced lower sales volumes
  - Continued tightening of underwriting led to fewer approvals as we maintain prudence in our lease portfolio risk management
- Gross profit down $13.3 million year-over-year due to lower lease margins, and driven in part by the adoption of ASC 842 revenue recognition from accrual basis to when revenue is earned, and cash is collected (see next slide). Adjusted gross profit is down $5.4 million.

New Accounting Standard

ADOPTION OF ASU 2016-02, LEASES ("ASC 842") – LESSOR ACCOUNTING EFFECTIVE JANUARY 1, 2022[(1)]

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

$ in millions (unaudited)	Q2 2022 As reported	Q2 2021 Under ASC 842	YoY Variance ($)	Q2 2021 As reported
Total Revenue	$53.0	$69.5	$(16.5)	$77.5
Bad debt expense	-	-	-	$8.0

(1) For additional information regarding the adoption of ASC 842, see Slide 3.

Commentary

- Upon adoption, the Company no longer records:
  - **Income Statement:** Rental revenue arising from lease payments earned but not yet collected or any corresponding net bad debt expense
  - **Balance Sheet:** Accounts receivable arising from lease receivables or any corresponding allowance for doubtful accounts
- For illustrative purposes only, the table discloses total revenue and bad debt expense for the three months ended June 30, 2021, as if the lessor accounting impacts of ASC 842 were in effect for this period, including the change in revenue recognition from accrual basis to when revenue is earned, and cash is collected and no recording of bad debt expense.

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Q2 2022 Operating Expenses

$ in millions (unaudited)	Q2 2022	Q2 2021	YoY Variance ($)
Servicing Costs	$1.1	$1.1	-
Underwriting Fees	$0.4	$0.5	$(0.1)
Professional & Consulting Fees	$2.3	$1.3	$1.0
Technology & Data Analytics	$2.5	$2.3	$0.2
Bad Debt Expense	-	$8.0	$(8.0)
Compensation Costs	$6.5	$14.8	$(8.3)
General & Administrative	$3.6	$2.5	$1.1
Total Operating Expenses	$16.4	$30.5	$(14.1)

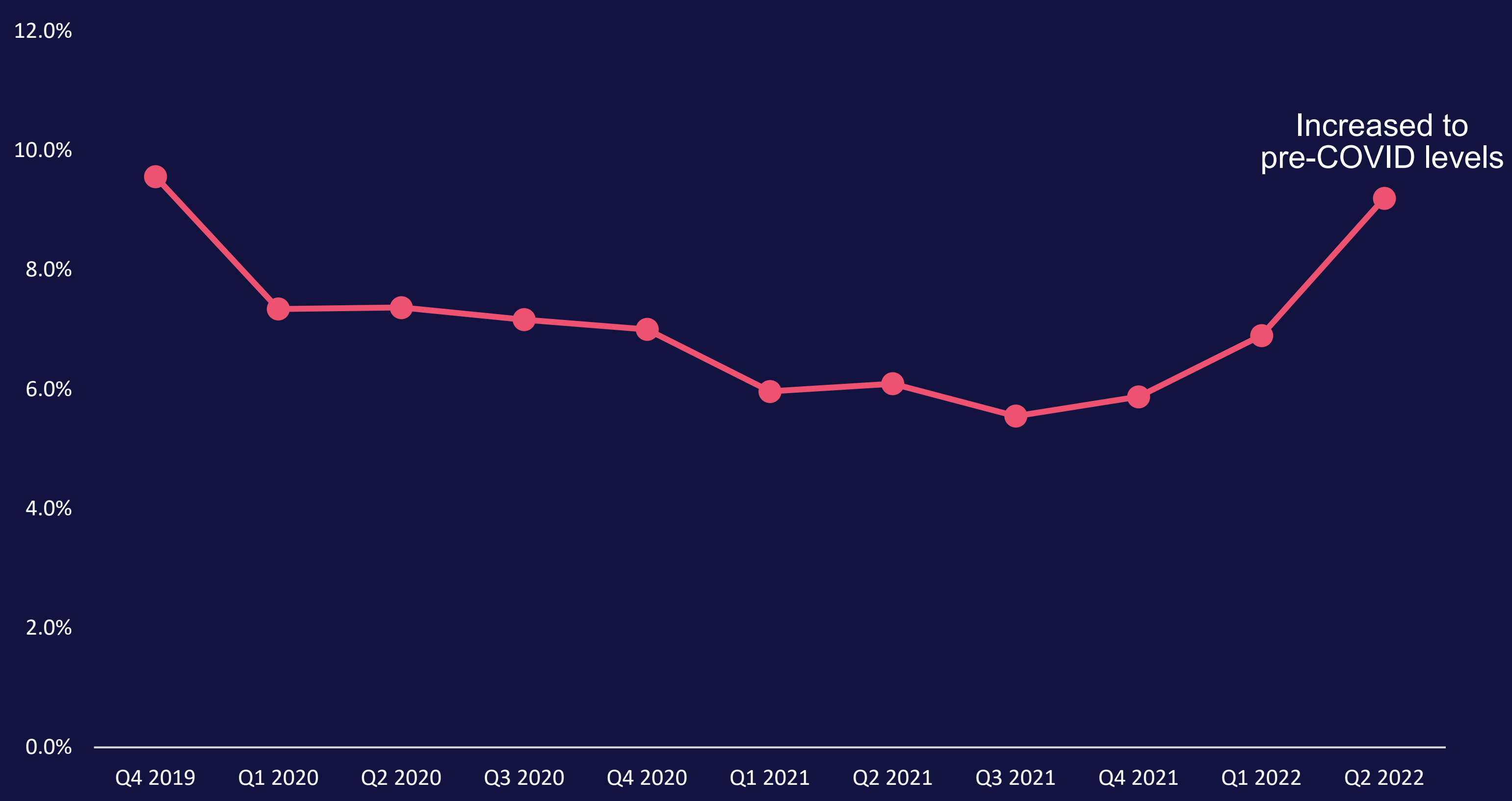
Commentary

Total operating expense decline of $14.1 million includes:

- Elimination of bad debt expense due to adoption of ASC 842 effective January 1, 2022
- Lower compensation costs driven from lower stock compensation and bonus expense year-over-year. In June 2021, we incurred $12.0 million of stock compensation and bonus expense in conjunction with the closing of the SPAC merger.

Lease Portfolio Performance

Impairment Charges as a % of Gross Originations Trend



Commentary

- We tightened underwriting policy in Q4 2021 and have continued into 2022, leading to lower approval rates.
- Impairment Charges as a % of Gross Originations have increased to pre-pandemic levels as expected.
- Some macro deterioration in credit performance can be a positive for Katapult, as we would anticipate prime lenders to tighten their underwriting leading to more potential customers to come to us.

Strategic Investments for Growth

CORE

- ✓ Expanded sales and marketing team
- ✓ Key hires made in product, technology, data science and analytics
- ✓ Launched incremental e-commerce platform & point-of-sale integrations
- ✓ Invested in infrastructure and security to enable scalability

Completed in 2021

EXPANSION

- ✓ Hire strategic leadership including Chief Revenue Officer, Chief Marketing Officer, Chief People Officer, and VP of Strategy
- ✓ Optimize sales process for merchants and partnerships in progress, guided by new VP of Sales
- ✓ Launch marketing and brand initiatives
- Launch new product enhancements and technical capabilities second half 2022 (expected)
- Enhance risk modeling and data analytics second half 2022 (expected)

2022

OPTIMIZE

- Ensure every qualified customer gets an offer that is right for them
- Maximize conversion rate and originated lease volume
- Expand merchant flywheel and win larger enterprise accounts

2023 and Beyond

Key Takeaways

- Continuing to plan for growth over the medium and long term by executing on our strategic growth plan
- Adding new retail partners at a steady pace across diversified end markets
- Deploying a prudent underwriting strategy to manage macroeconomic conditions
- Continuing to identify operational efficiencies and cost savings opportunities

Appendix

Non-GAAP Reconciliation

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

	Three Months Ended June 30	
Adjusted Gross Profit	2022	2021
Total revenue	$53,039	$77,469
Cost of revenue	$44,849	$55,922
Gross profit	$8,190	$21,547
Less:		
Servicing costs	$1,131	$1,072
Underwriting fees	$423	$477
Bad debt expense	–	$8,026
Adjusted gross profit	**$6,636**	**$11,972**

Non-GAAP Reconciliation

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

	Three Months Ended June 30	
Adjusted EBITDA	2022	2021
Net loss	$(9,733)	$(8,103)
Add back:		
Interest expense and other fees	$3,794	$4,146
Change in fair value of warrant liability	$(2,323)	$(3,169)
Provision (benefit) for income taxes	$65	$(1,828)
Depreciation and amortization on property and equipment	$186	$70
Impairment of leased assets	$866	$(15)
Stock-based compensation expense	$1,857	$10,140
Transaction costs associated with the merger	–	$2,675
Adjusted EBITDA	**$(5,288)**	**$3,916**

Non-GAAP Reconciliation

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

	Three Months Ended June 30	
Adjusted Net Loss	2022	2021
Net loss	$(9,733)	$(8,103)
Add back:		
Change in fair value of warrant liability	$(2,323)	$(3,169)
Stock-based compensation expense	$1,857	$10,140
Transaction costs associated with the merger	–	$2,675
Adjusted net (loss) income	**$(10,199)**	**$1,543**

ASC 842 IMPACT

For Illustrative Purposes Only*

(Unaudited) ($ in thousands)

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

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

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