



The Great Consumer Squeeze

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We've all seen the headlines

"Food prices in U.S. surge most since 1979, keeping cost of living high"

Bloomberg

"Nearly three in five U.S. consumers were living paycheck to paycheck in July 2022, a 5 percentage point increase from July 2021"

PYMNTS.com

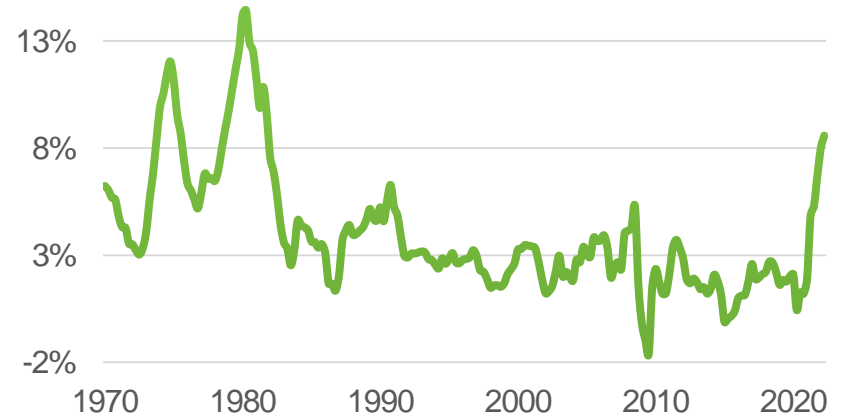
"Credit scores still sit at all-time high, despite some deterioration in how Americans are faring financially"



Inflation higher than most of us have seen before



U.S. consumer prices, YoY % Δ

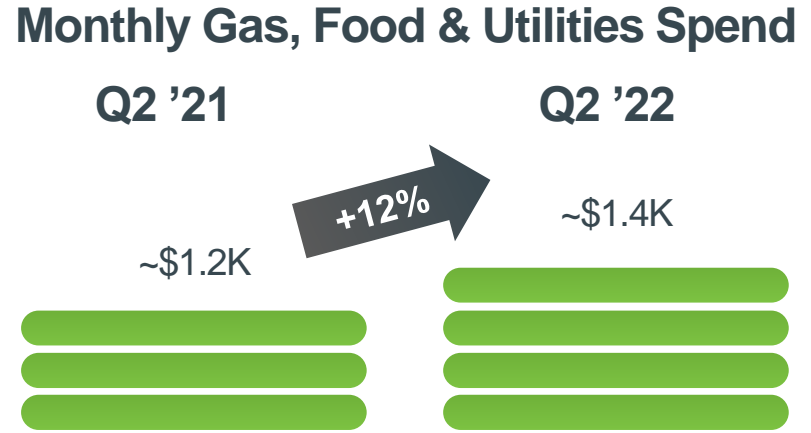


Cost of Living

Everyday Americans see varying degrees of rising costs



Jane Doe
Medical office



John Doe
Waste mgmt.

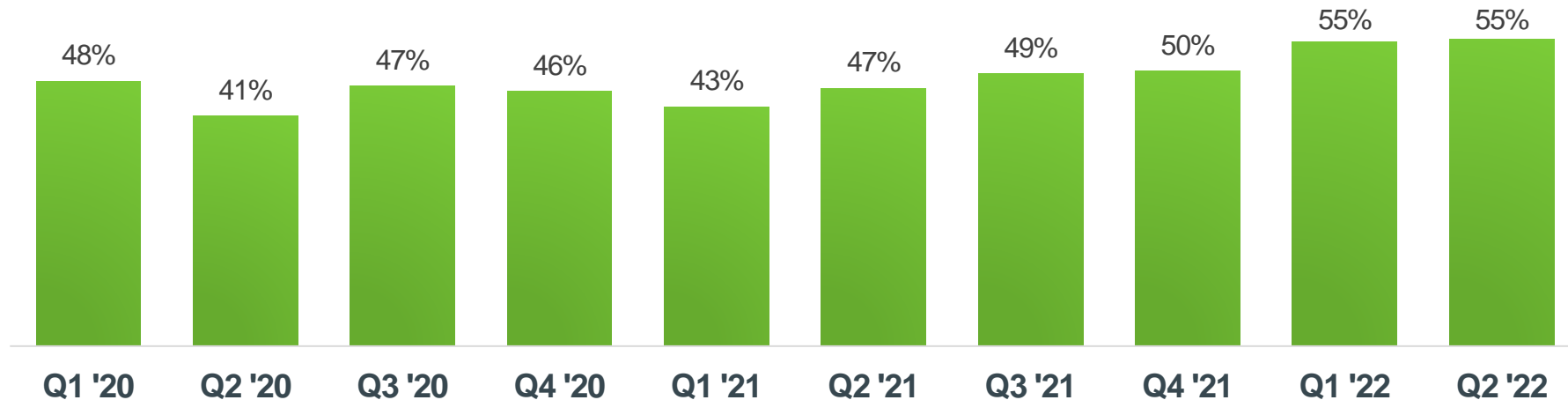


Income

Costs have risen across borrowers below prime

Food, Gas & Utilities

Cash spending as % of total income

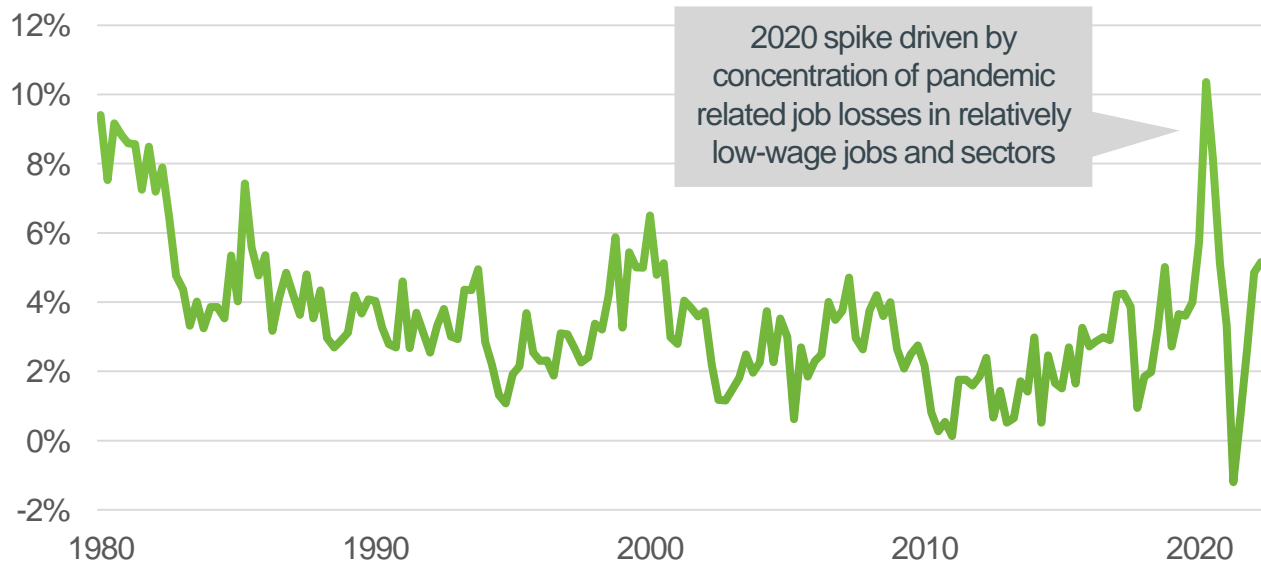


The image shows the words "POP QUIZ!" written in chalk on a blackboard. "POP" is in a blocky, uppercase font, while "QUIZ!" is in a more cursive, lowercase font. There are two horizontal lines drawn below the text, suggesting a start of a quiz or a section header.

At what store do we see subprime borrowers spend the most of their hard-earned cash?

Income isn't keeping pace

Median weekly earnings / YoY % Δ

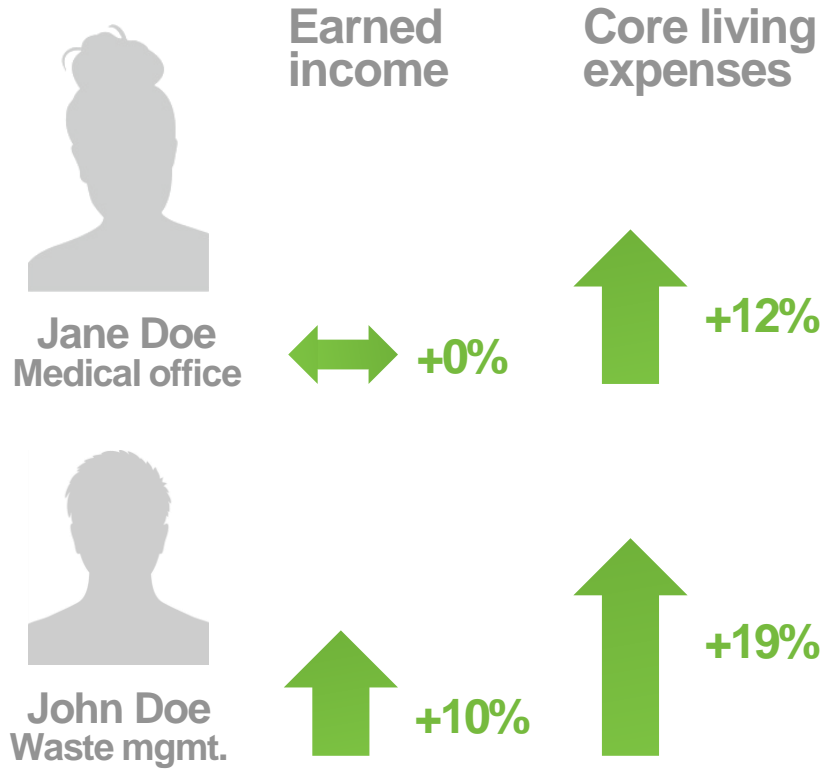


Q2 '22
\$1,041 (+5%)

Q2 '22 vs. Q2 '21

Income

The inflation gap is wider for Jane & John



So what makes income “underwritable”?



Availability

- Cash on hand to repay new indebtedness after withholdings, necessary living expenses, and debt servicing



Stability

- Future reliability of past earnings
- Variability in amount of paystream(s)
- Directional trend



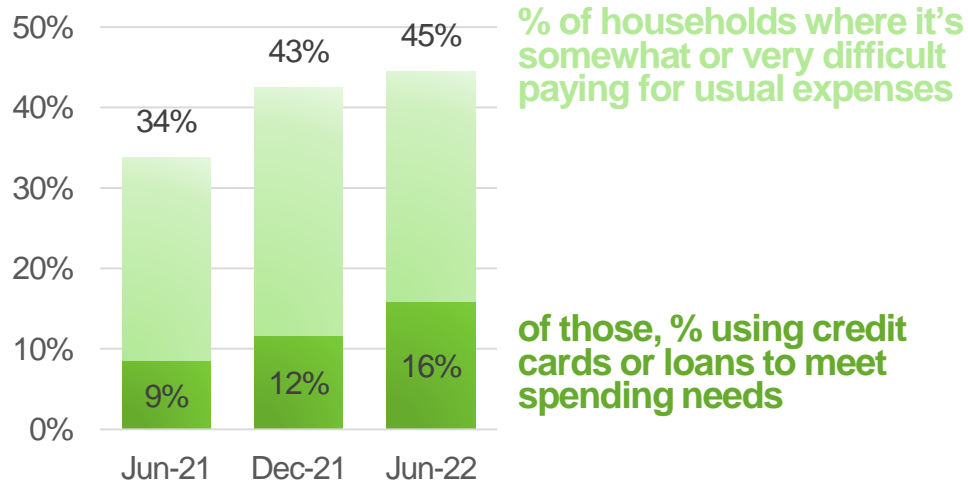
Timing

- Frequency and regularity of payments
- Cadence relative to recurring obligations

Credit

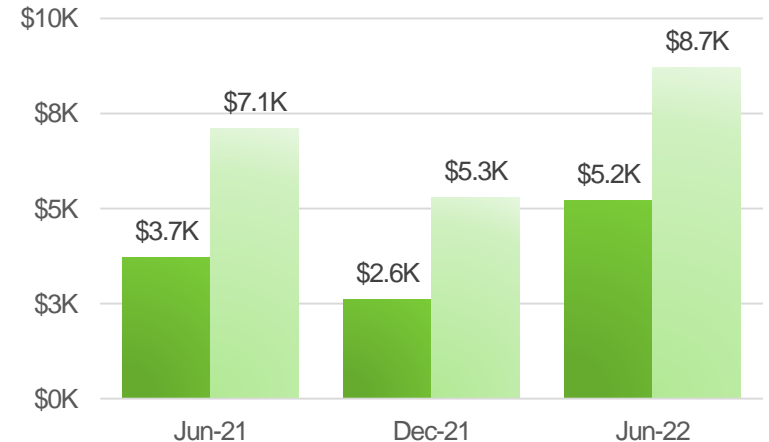
Consumers increasingly relying on credit

More are borrowing to make ends meet



Loan balances have surged

Avg. unsecured personal loan new account balances



Subprime **Near prime**

Income

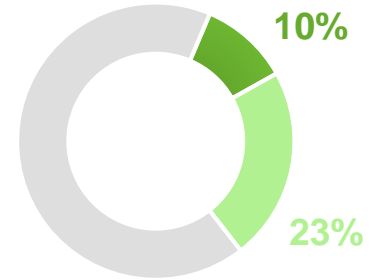
Most headlines can only tell half the story on borrowing

Debt service payments relative to income (Q2 '22)

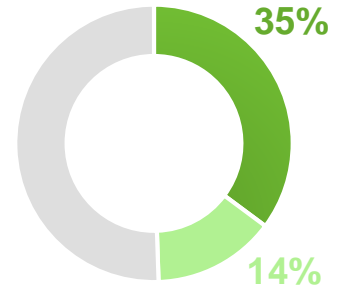
- Traditional credit products
- Buy now pay later loans



Jane Doe
Medical office

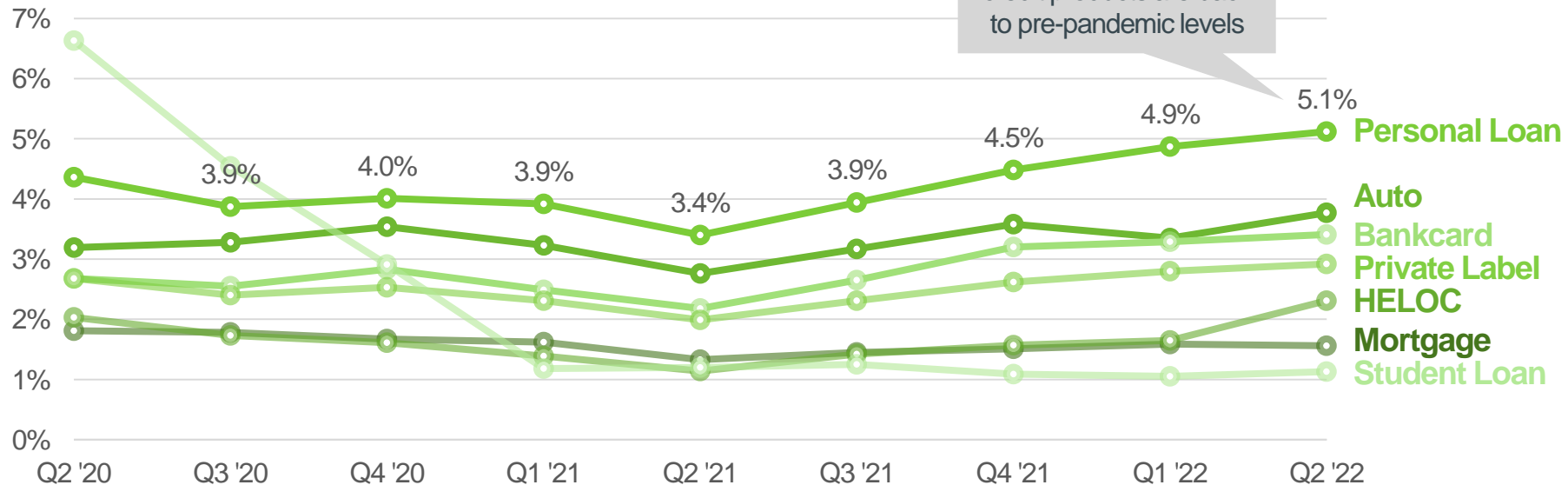


John Doe
Waste mgmt.



Delinquencies are rising

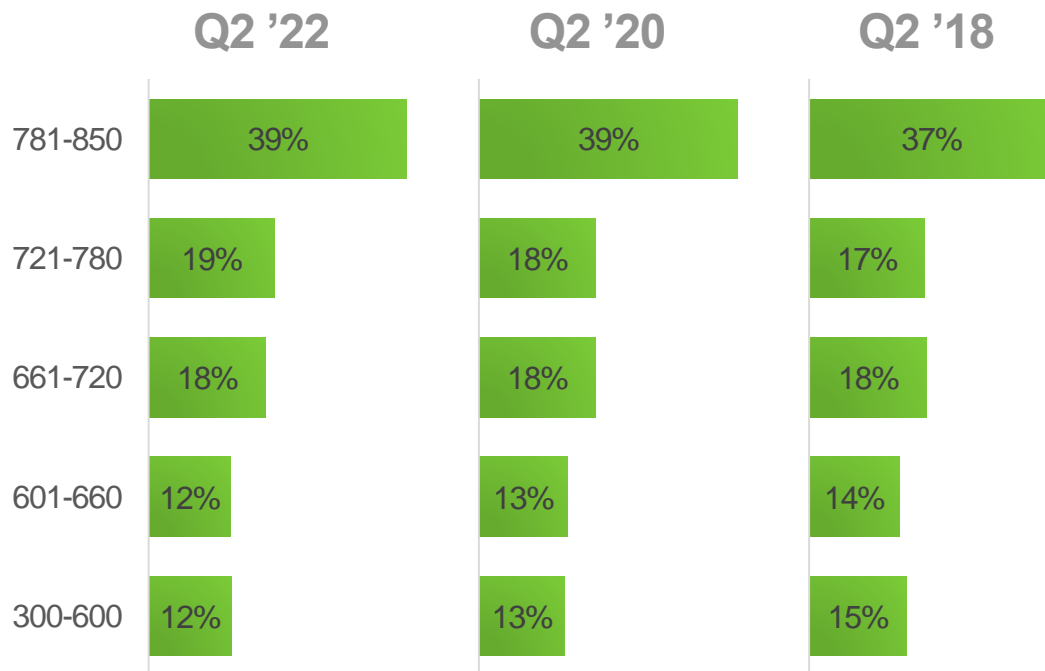
Consumer delinquency rates (30+ DPD)



Credit

Yet credit scores are at all-time highs

75% of Americans are prime and above



Credit

There's opportunity to improve risk decisions

Cash flow risk scoring reveals downside risk and upside potential beyond traditional risk scores

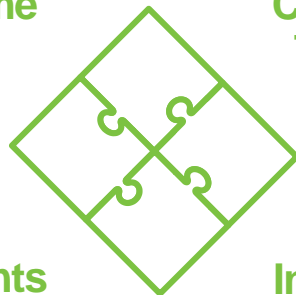
Lower default rates



-16%
550-600

-21%
600-650

Real-time
risk
signals



Complete
financial
picture

Payments
across
obligations

Income &
spending
behaviors

Higher conversions



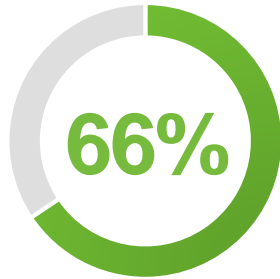
+4%
550-600

+5%
600-650



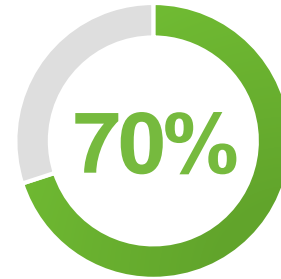
With open banking, we can better serve consumers

Most consumers are accustomed to sharing their bank credentials



connect their bank accounts to third-party financial apps

And they're open to providing more financial data to lenders



willing to provide additional financial information to a lender if it increases chance for approval or improved interest rate