CARDIFY • SPRING 2021 REPORT

Consumer trends during pandemic recovery

TABLE OF CONTENTS

ABOUT CARDIFY

Cardify is the largest consumer-permissioned dataset that uses transaction, income, and survey data to unlock real-time insights on key business and economic questions.

AS CITED IN

WSJ | CNBC | Bloomberg | yahoo! finance | Forbes

TechCrunch | WWD | MarketWatch | BBC | The Economist

Our data panel

Market validated database with growing millennial audience

50/50 Mix of credit and debit transactions

Balanced geographical representation with strong unbiased coverage across US and Canada

360° view of transactions, capturing spend across multiple cards

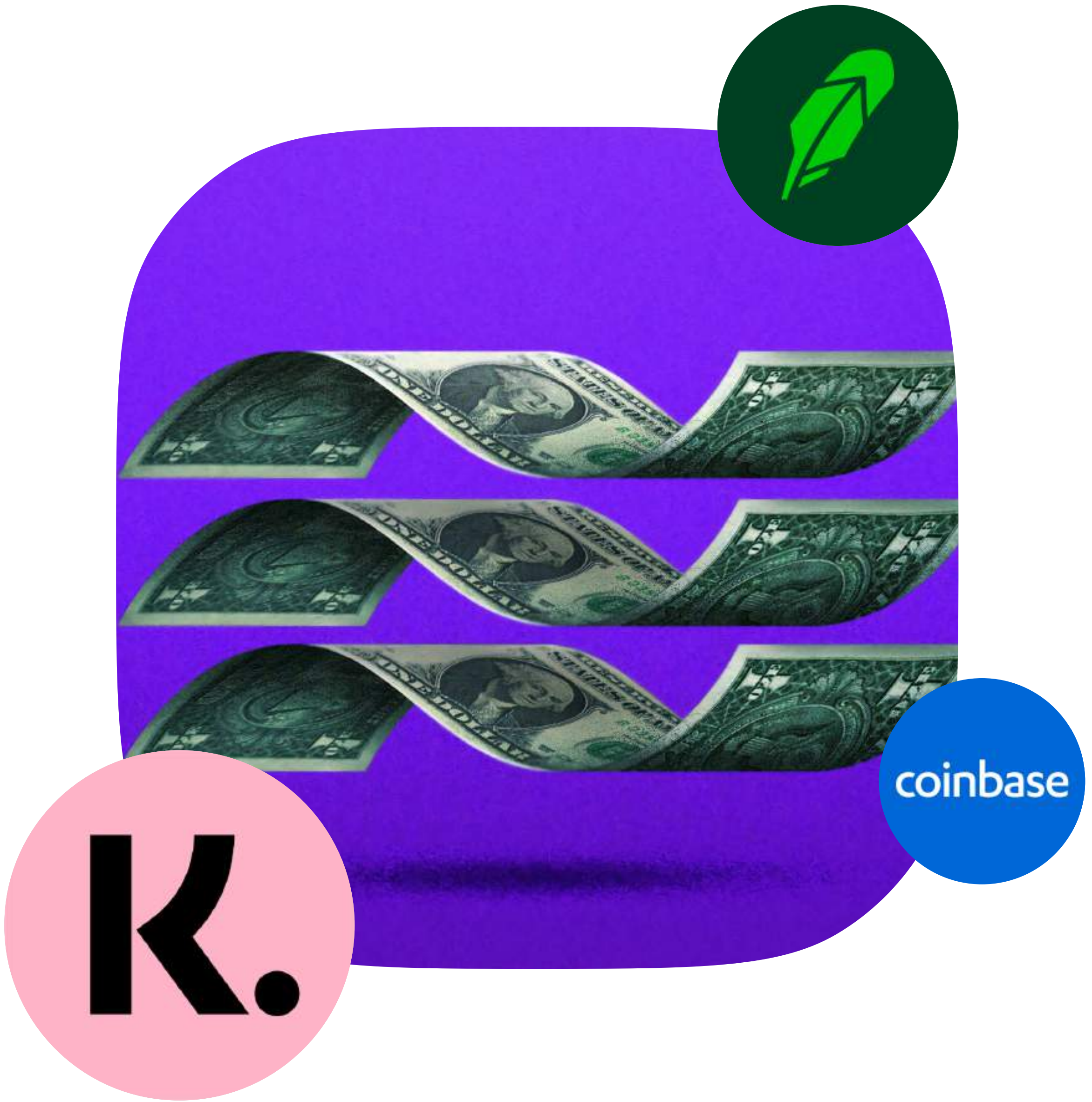
Easy integration to our secure fully anonymized data platform

PART 1

Consumer finances during pandemic recovery

Consumers are spending more than they did during COVID and credit card debt is rising. Shoppers are looking for new ways to pay, contributing to Buy Now Pay Later's increase in popularity.

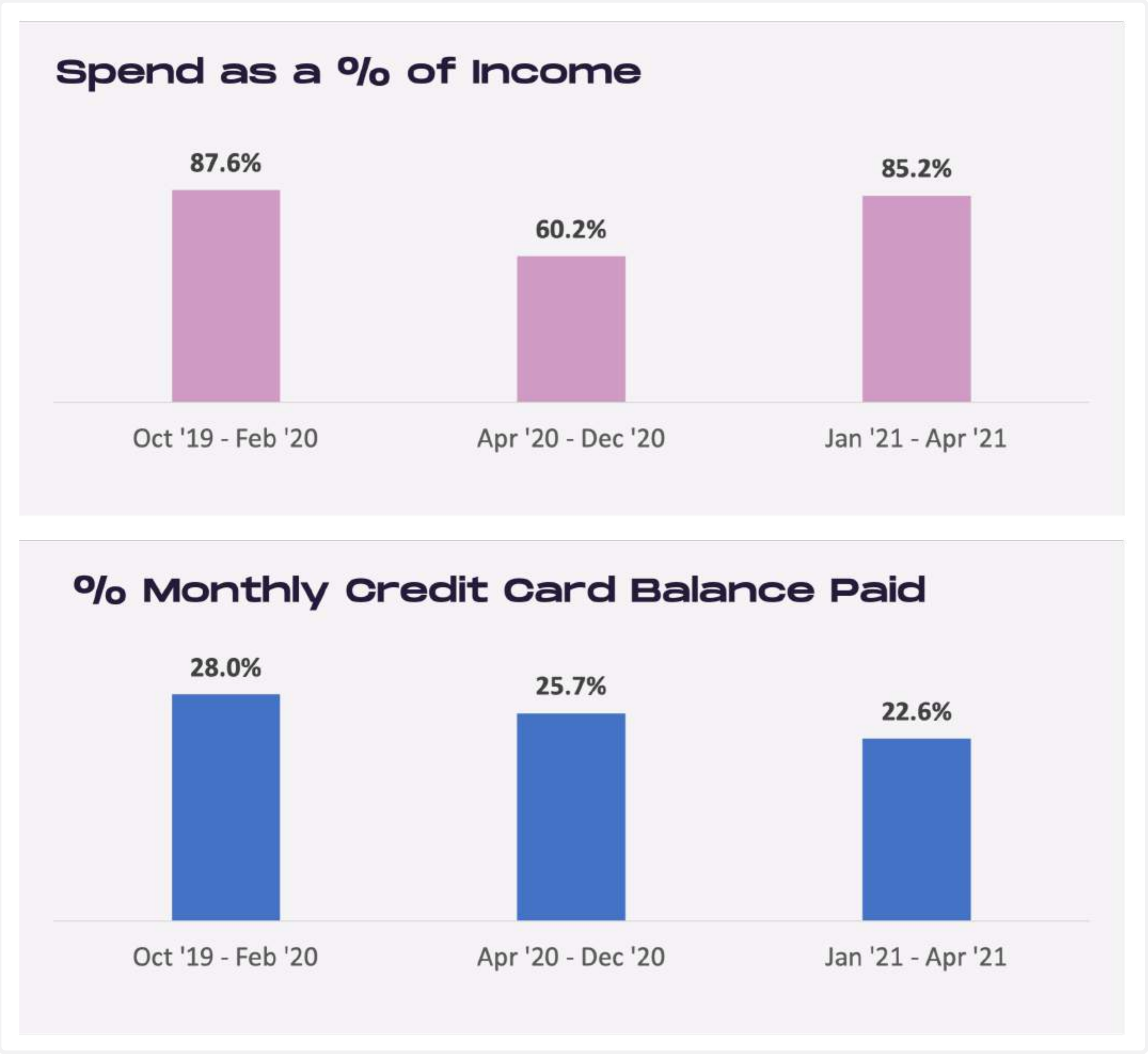
Retail investment is in the spotlight following the GameStop short-squeeze. DIY portfolio managers, especially female ones, are depositing at a record high rate. Stocks are not the only winner of this trend as crypto has pushed into the mainstream.



Consumer spending has increased above COVID levels and credit card debit is rising

- Consumer spending dipped to 60.2% of income during Apr-Dec 2020 but has since recovered to 85.2% YTD 2021; spend levels still under-index the pre-COVID baseline

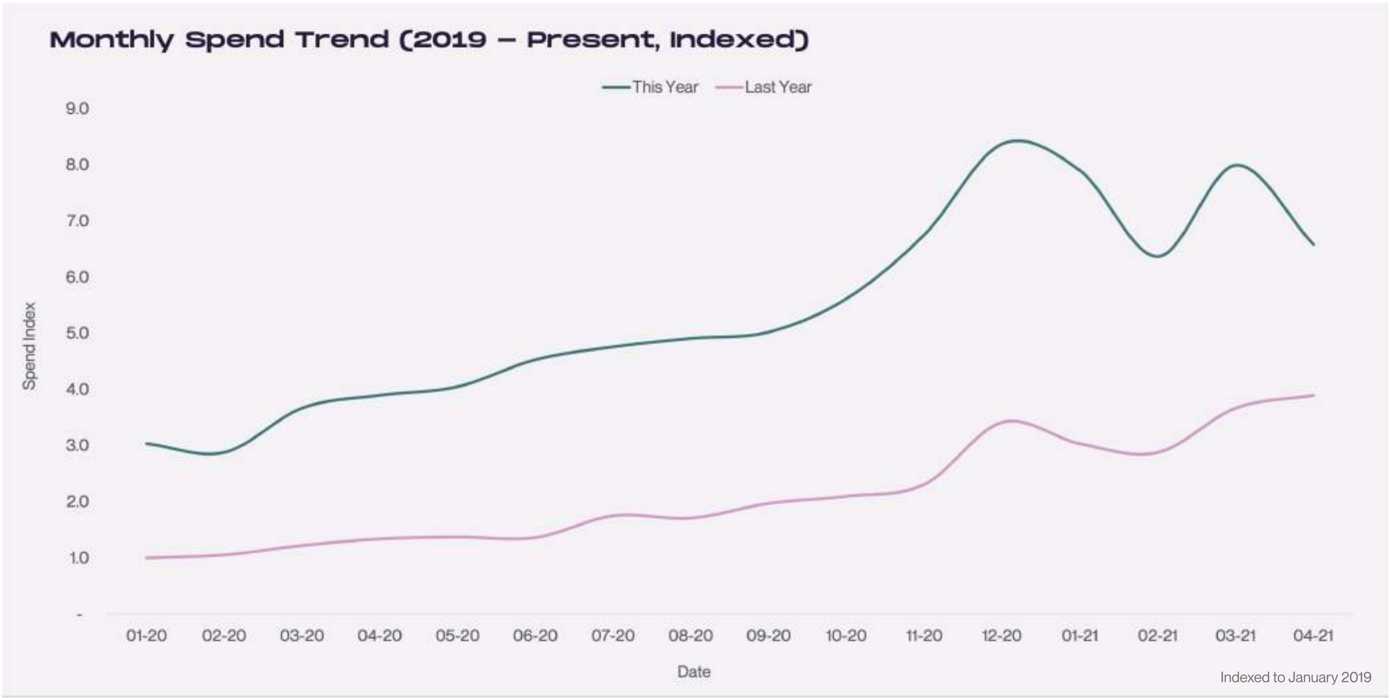
- Credit card payments have declined from pre-COVID to YTD 2021, indicating that consumers are carrying more debt

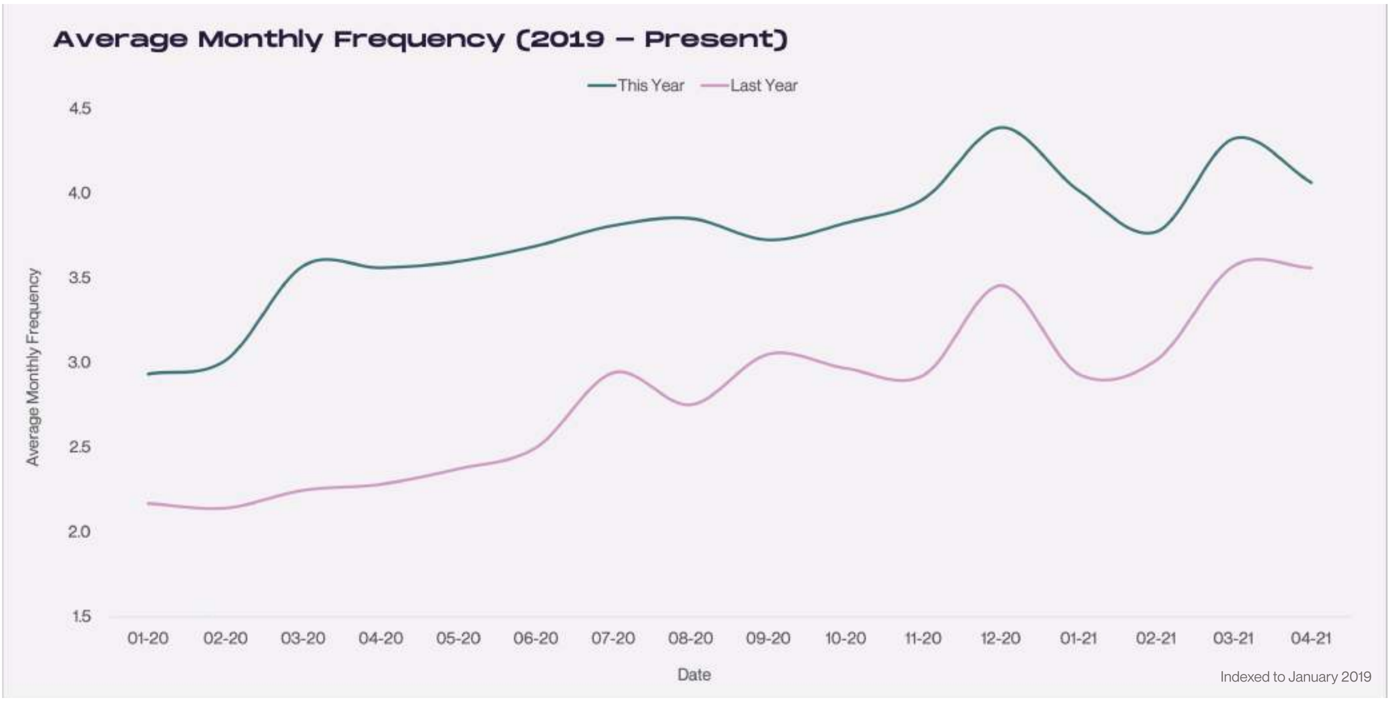


Buy Now, Pay Later continues to surge in the US

- The BNPL industry saw growth of +178% during the summer 2020 and has maintained +114% growth 2021 YTD

- A large driver of this growth is the increased frequency of usage by consumers, up to 4.1 transactions/month compared to 2.2 at the beginning of 2019

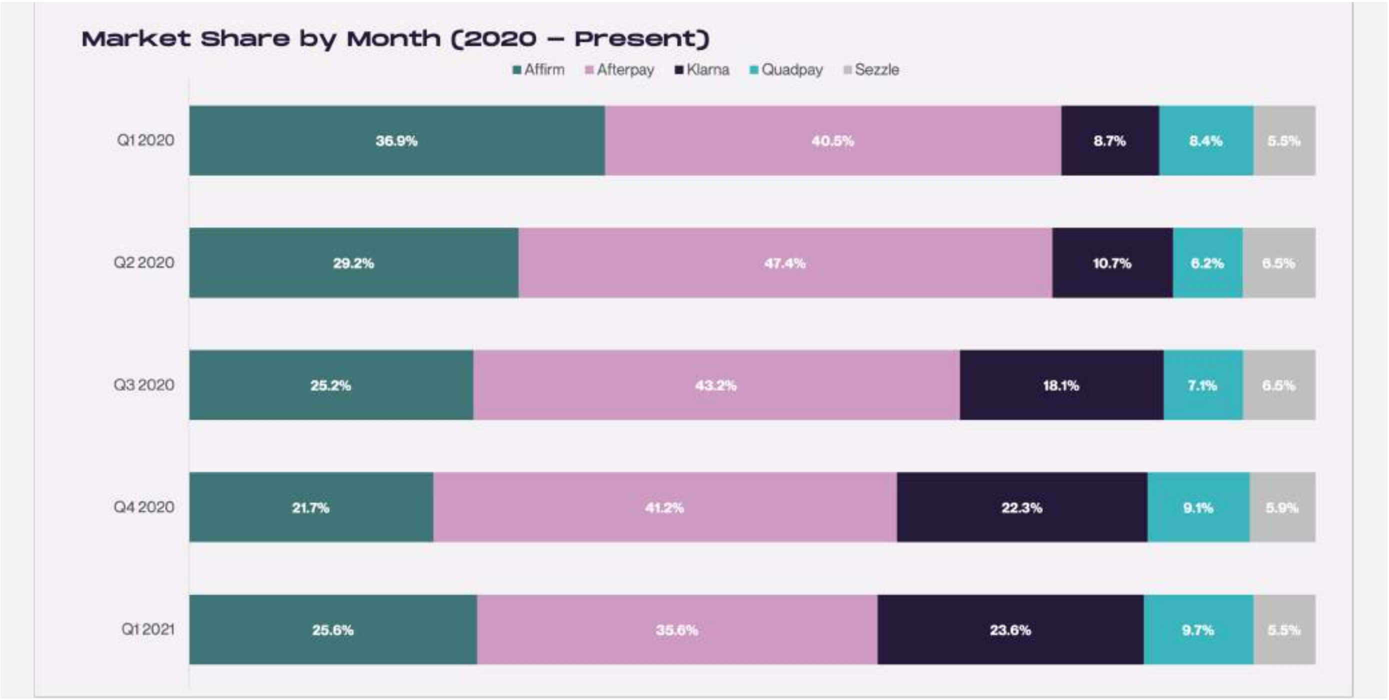


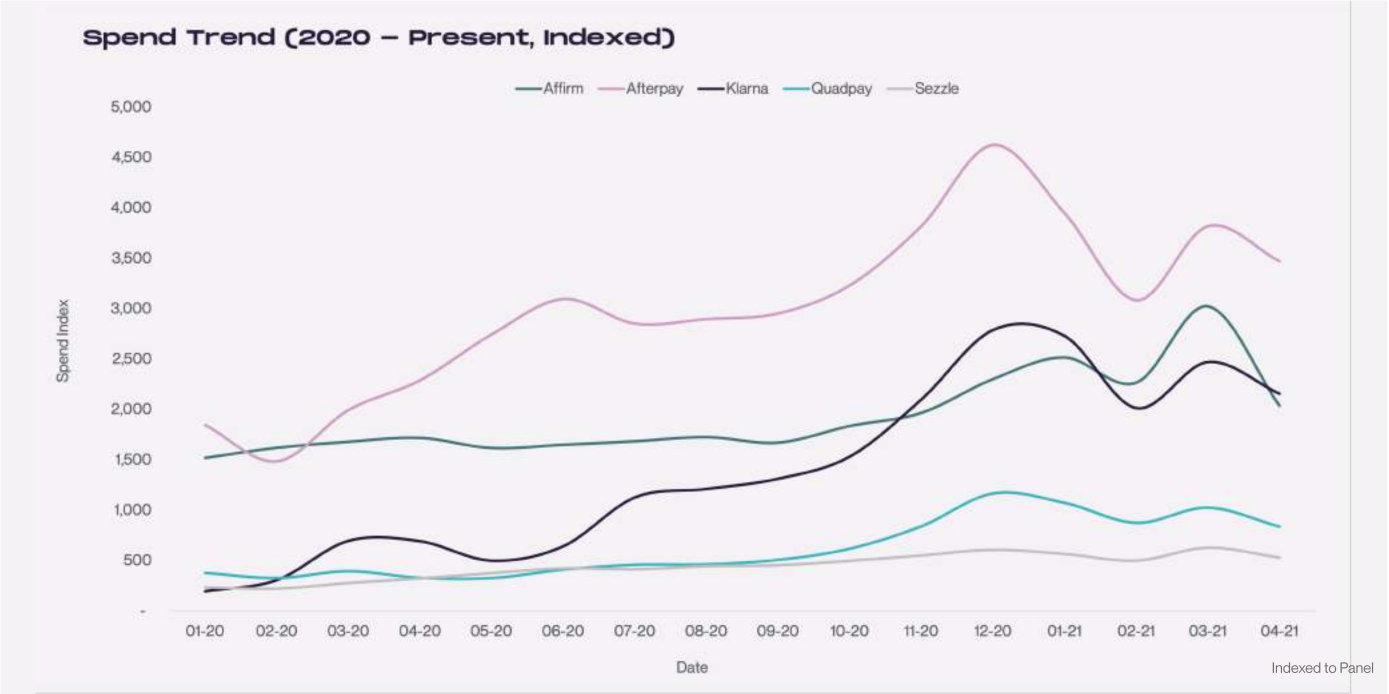


Afterpay is the market leader, with Klarna quickly gaining momentum

- Klarna increased its market share to 23.6% in Q1 2021 from just 8.7% the previous year, taking share from market leaders Afterpay and Affirm

- Most providers saw an increase in GMV since the beginning of 2020, with Klarna up +214% in April 2021 compared to last year

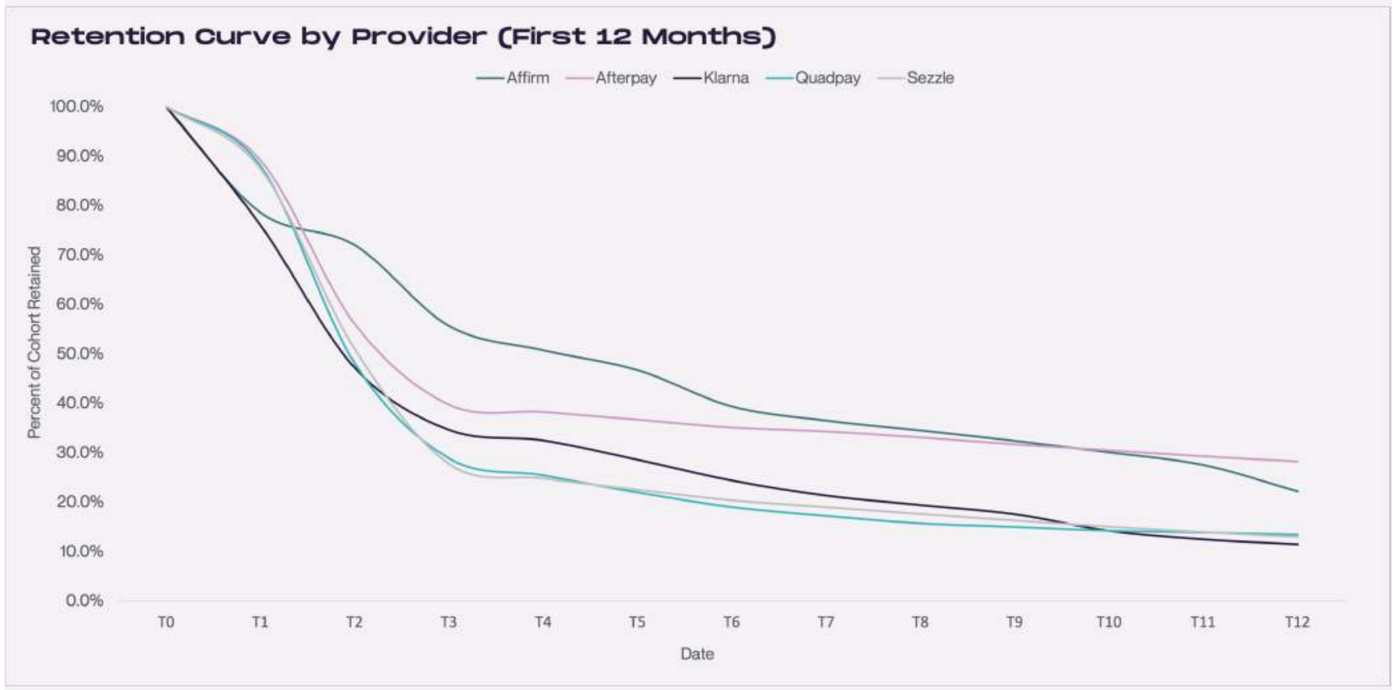


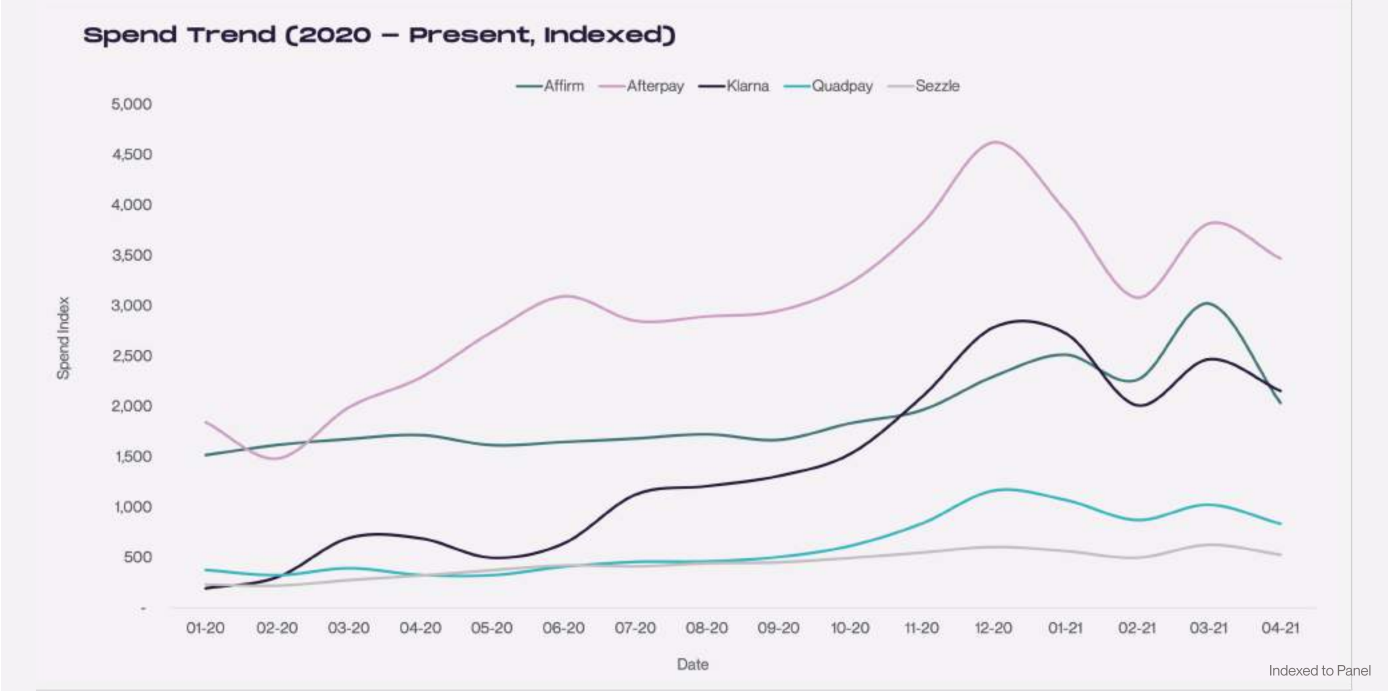


Klarna leads the market in customer acquisition while Affirm boasts the healthiest retention curve

- Klarna had a huge 2020 with strong customer acquisition driven by surges during COVID, summer, and holiday periods

- Affirm leads the market in user retention, thanks to its flagship simple interest financing and recent addition of "pay in 4"



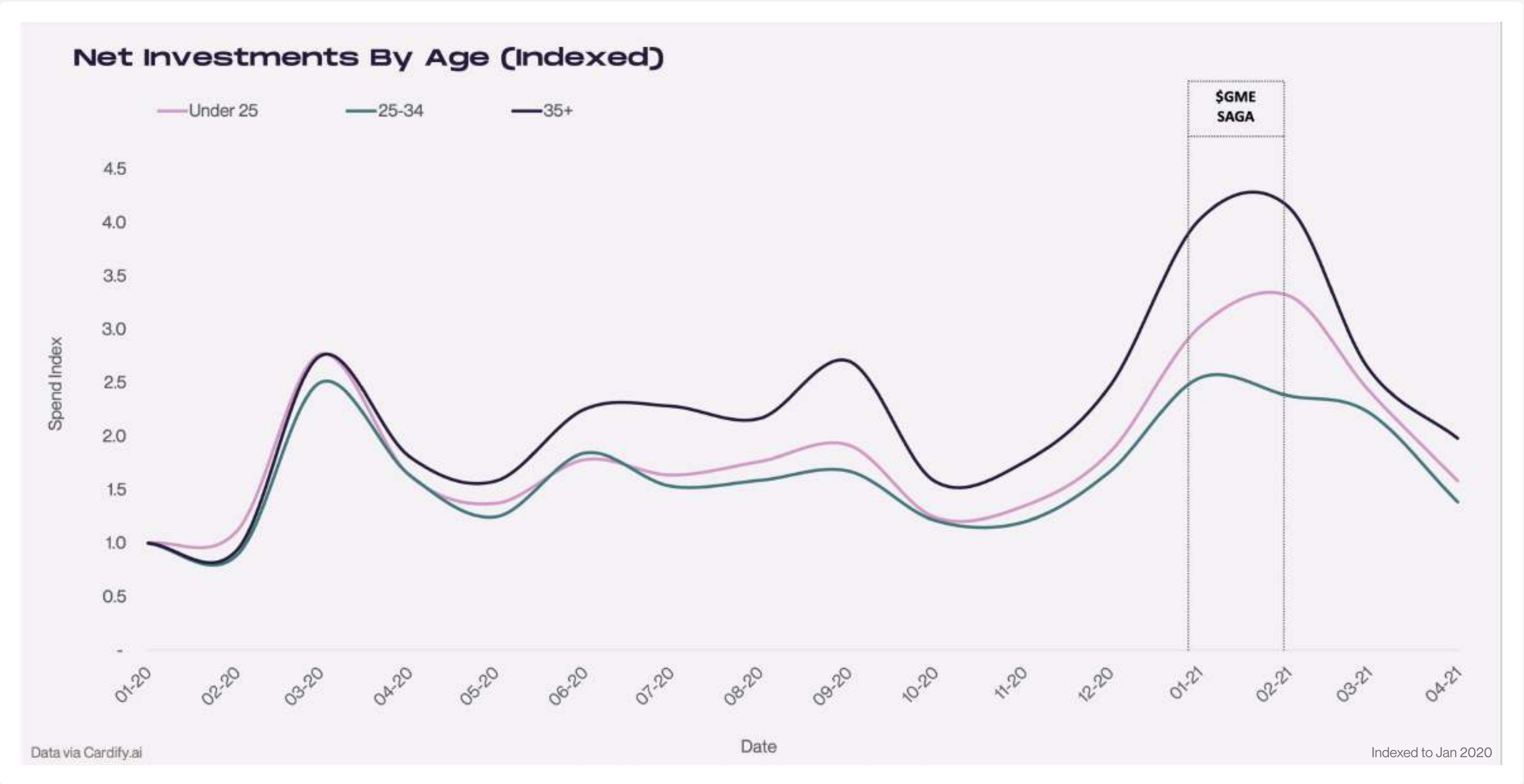


Investment volume ballooned in Jan/Feb 2021, coinciding with the Gamestop Squeeze

• Investors who are under-25 and over-35 peaked in net investment volume during Jan/Feb 2021; net investment volume reached 3x the pre-COVID baseline for those under-25 and over 4x among those over-35 in sync with the GME market event

• Despite the recent bull run, investment volume among those between 25-34 peaked during Mar 2020, the height of the COVID pandemic

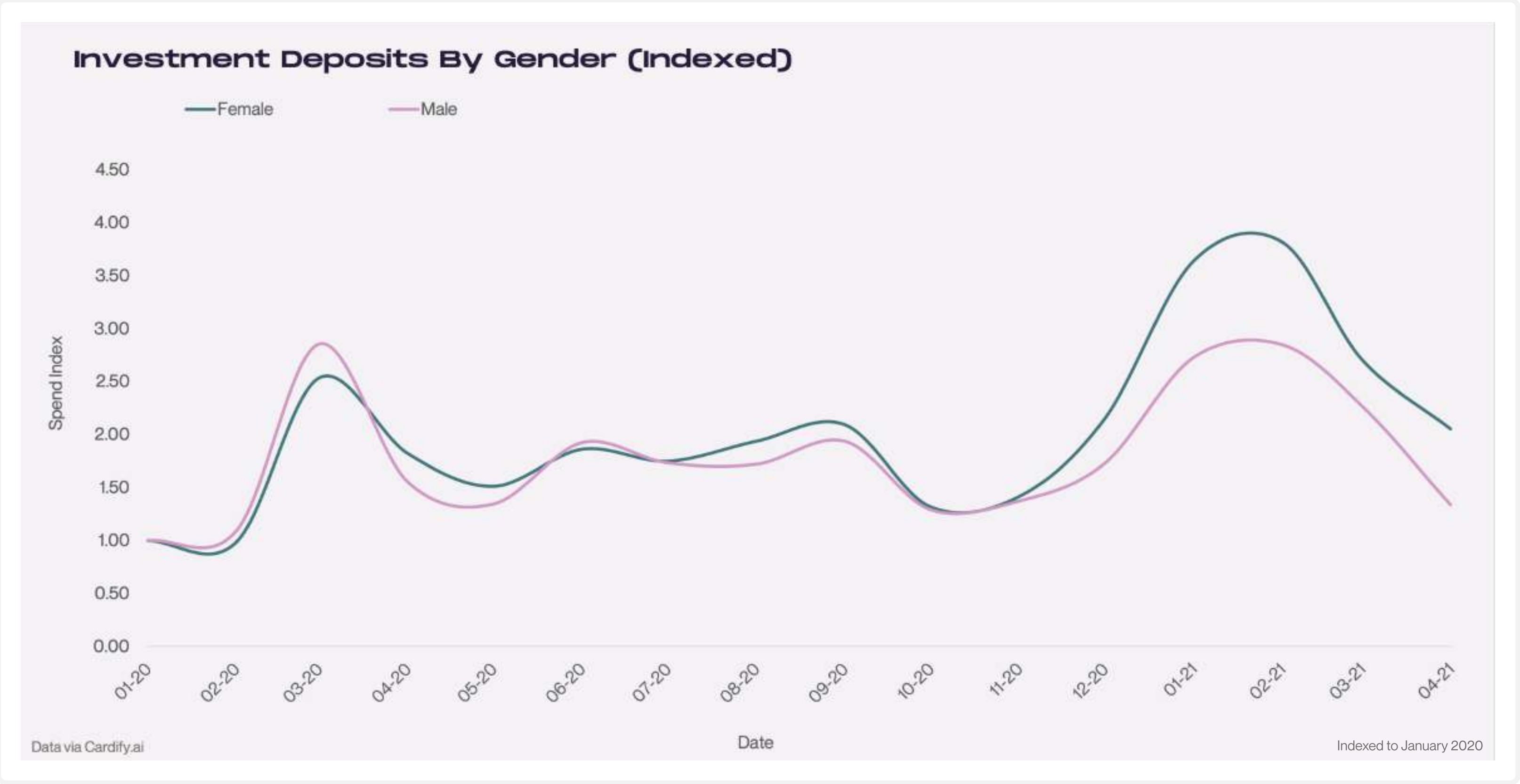
• After Feb 2021, investment volume among all groups has mostly returned to previous levels



Women are increasing their deposits at a faster rate than men

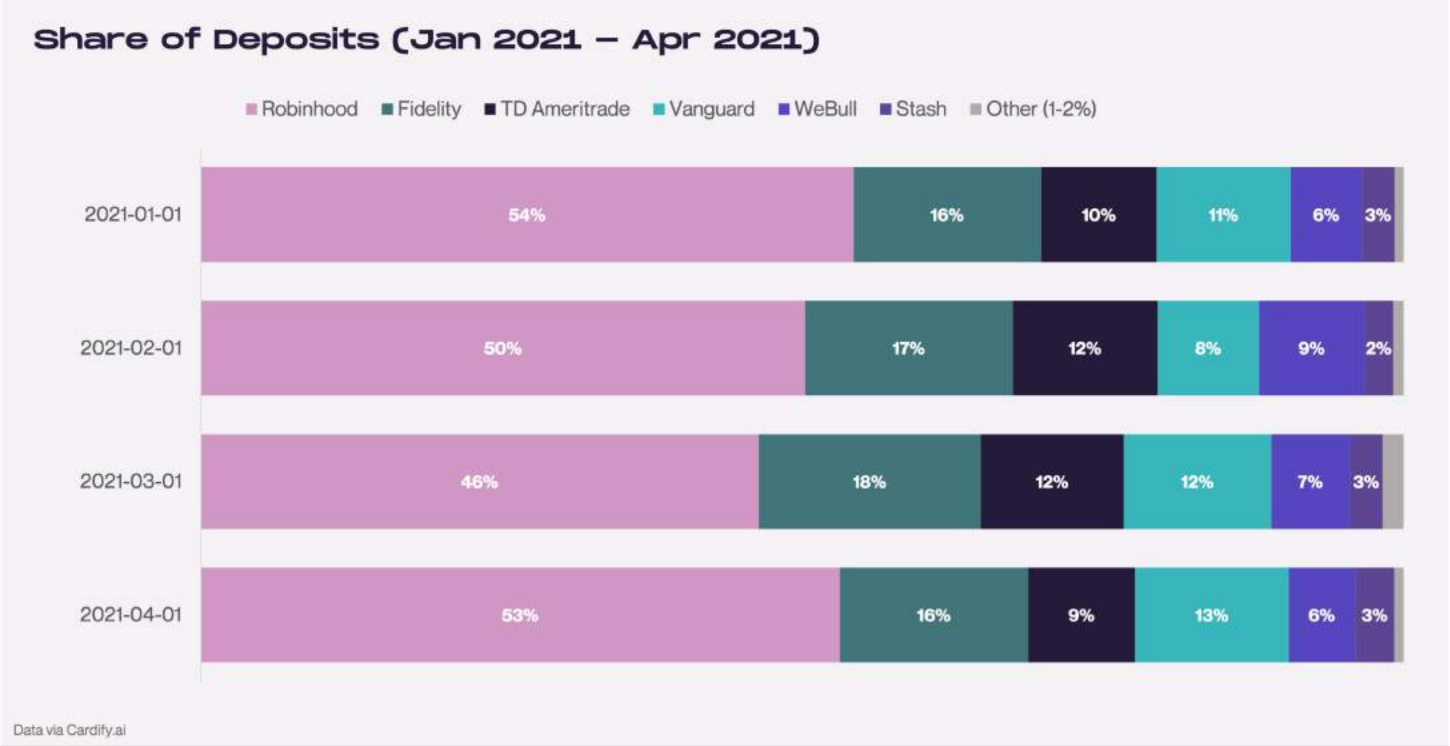
• During the 2021 investment surge, deposits among women peaked at 3.8x the pre-COVID baseline; men reached only 2.8x over the same timeframe

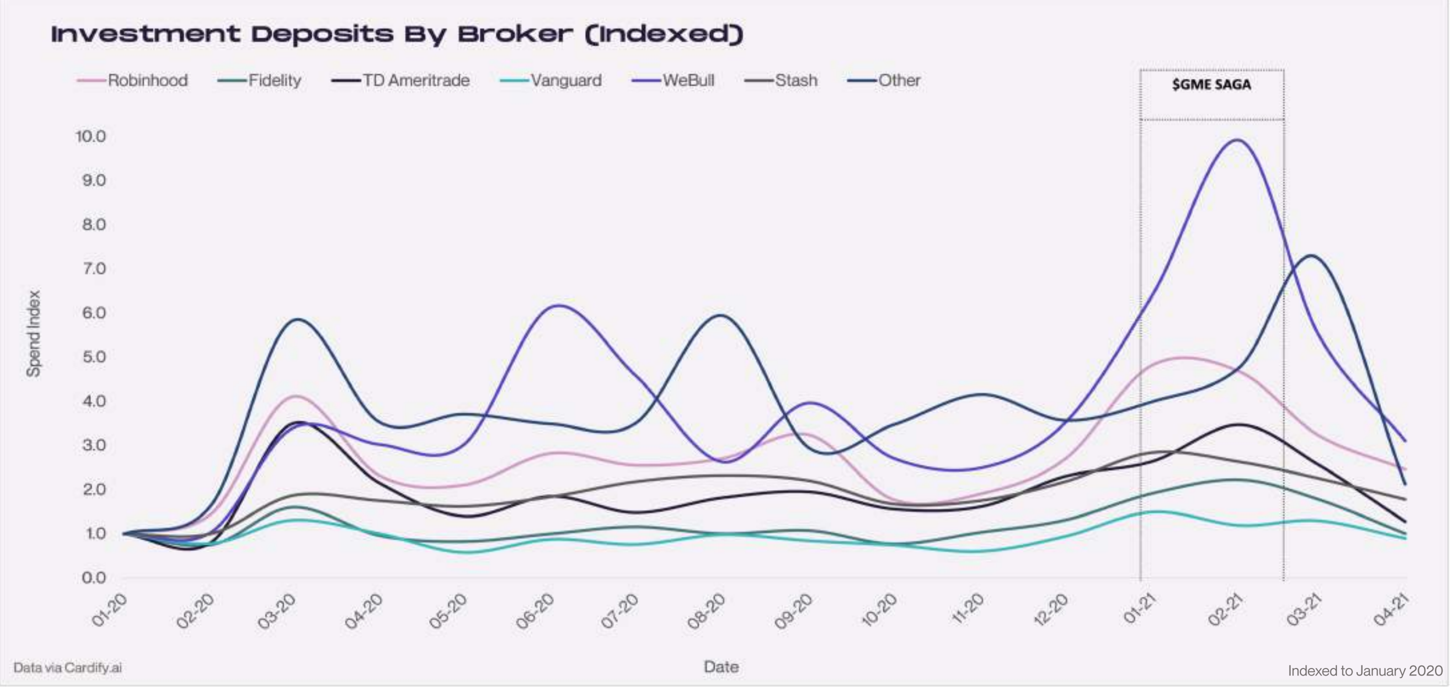
• Even following the 2021 investment surge, women continue to sustain a higher lift in deposits than men



Robinhood remains the broker of choice for retail investors

- Following its buy-ban on specific stocks during Jan-Feb 2020, Robinhood saw a dip in its share of deposits and slid to its lowest point (46%) since Jan 2020
- Robinhood recovered its lost deposit share by the end of April 2021, rising back up to 53% of overall retail deposits
- During the buy-ban, some retail investors sought a Robinhood alternative, with WeBull and other brokers (TastyWorks, Interactive Brokers, and more) enjoying the most relative growth





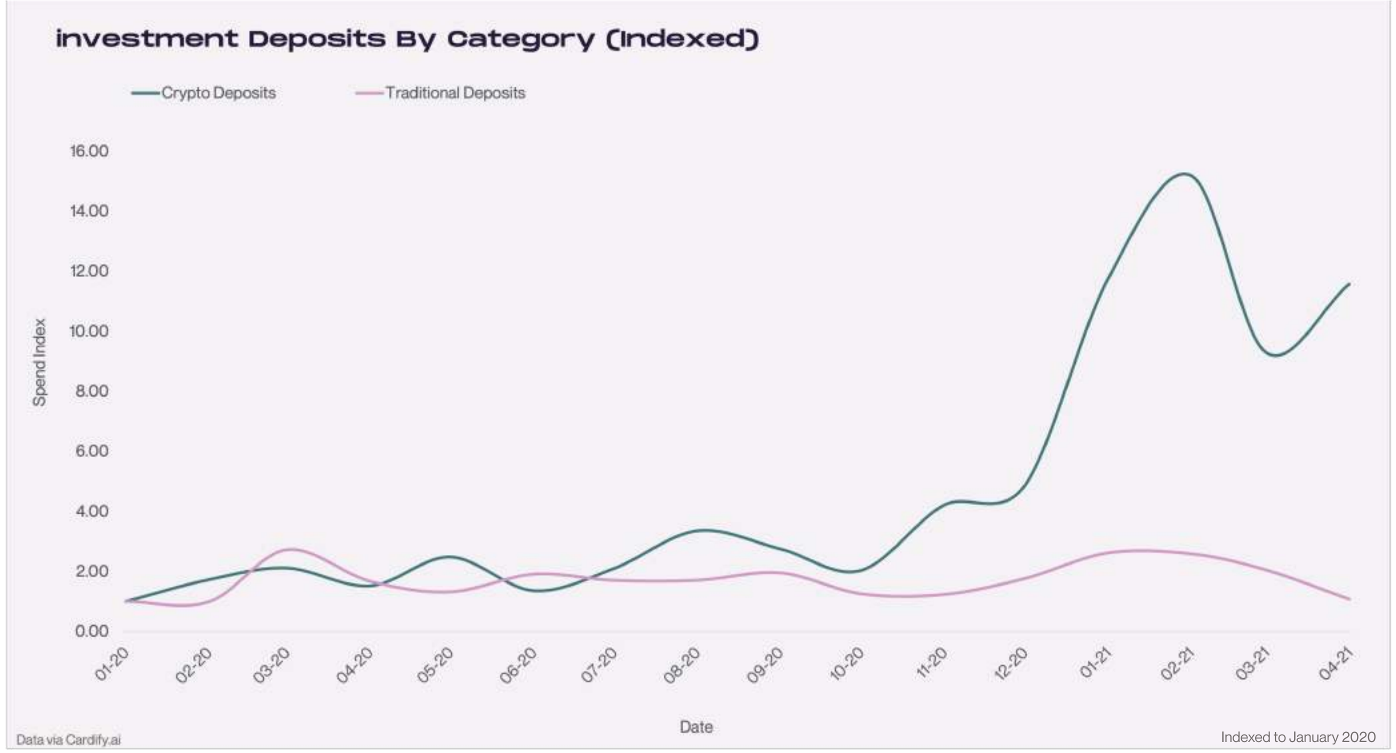
Crypto has emerged as the hottest investment trend of 2021

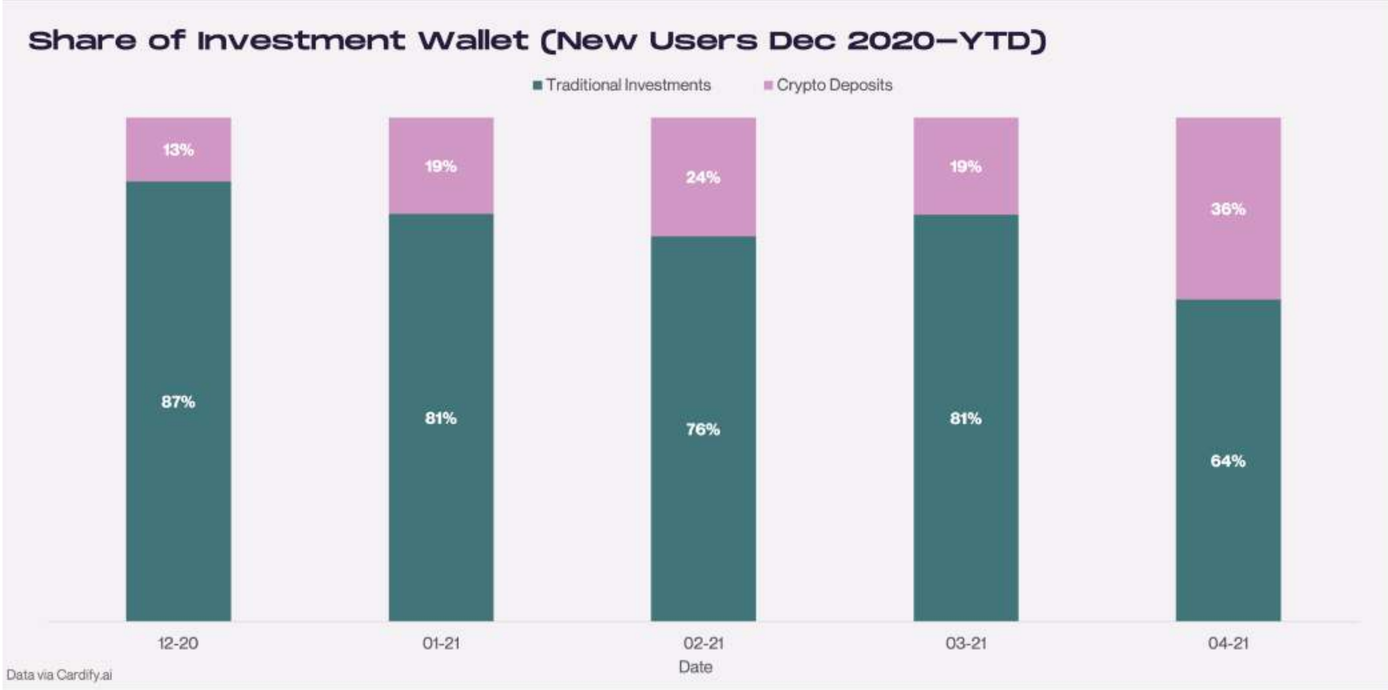
- In Feb 2021, crypto deposits peaked at 15x its pre-COVID baseline; despite some market cooling, crypto deposits remain at 11x the baseline volume as of Apr 2021

- New investors are shifting their portfolios away from securities and towards crypto; comparing share of investment wallet, crypto rose from making up 13% (Dec 2020) to 36% (Apr 2020)

In a February 2021 survey to over 1,000 Drop members:

42% of recent crypto investors have less than 1 year of investment experience





PART 2

Consumer spending during pandemic recovery

Consumer spending continues to recover from the impact of COVID-19. Categories associated with reopening are beginning to flourish, with the third (March 2021) distribution of stimulus checks acting as a catalyst.

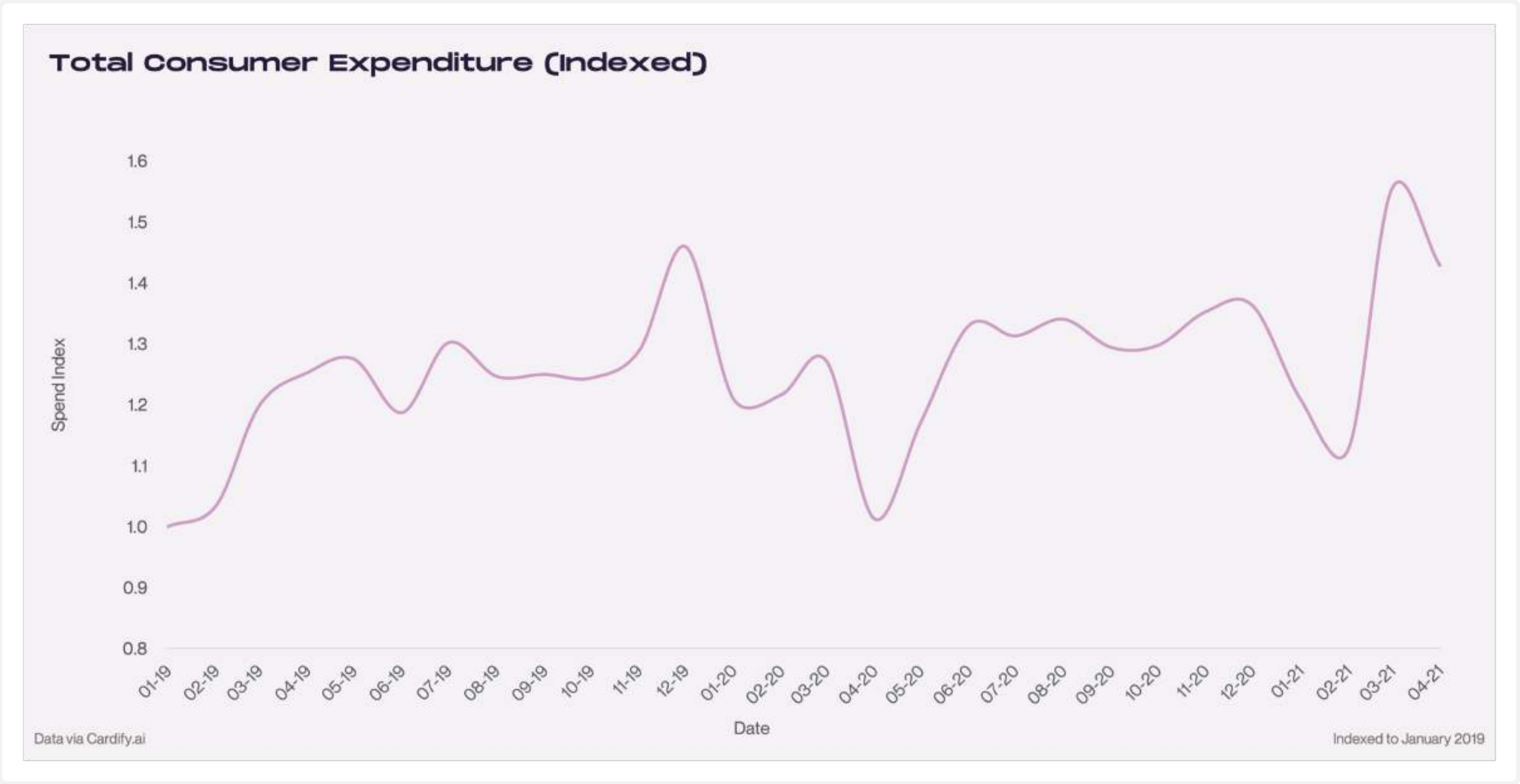
Not all categories and brands are bouncing back at the same rate. While some are benefiting from “revenge-spend”, others are hurting from new habits formed during the stay-at-home period.

CONSUMER SPENDING DURING PANDEMIC RECOVERY

Consumer spending has recovered since the beginning of the pandemic

- Consumer spending was growing at a rate of +19.3% YoY pre-COVID and dipped as low as -19.2% (-38.5% change) during the peak pandemic months

- Total expenditure recovered at a healthy pace through summer 2020 and into early 2021; spend levels and the rate of growth during Mar/Apr 2021 exceed that of the two years prior



The first distribution of stimulus checks drove the most relative impact on recipient spend

Overall Spend: 3 Weeks Post-Stimulus vs. YA			
Round of Stimulus Checks	Stimulus Non-Recipients	Stimulus Recipients	% Difference
Third Distribution: Mar-21	43.4% ↑	65.2% ↑	21.8%
Second Distribution: Jan-21	20.7% ↑	34.2% ↑	13.5%
First Distribution: Apr-20	-3.8% ↓	24.6% ↑	28.4%

- Those who received a Mar 2021 stimulus check spent 65.2% more in the 3 week post-period than they did during the year prior; this is the highest across all check distributions but its magnitude is amplified by pandemic timing

- Those who received a Mar 2021 stimulus check spent 21.8% more in the 3 week post-period than their non-recipient peers; this underperforms the impact of the initial Apr 2020 distribution, during which those who received the stimulus spent 28.4% more than their peers

Each round of stimulus payments had a unique impact across spend categories

- The first round of stimulus payments drove significant growth in Home Improvement & Furniture (+83.7% vs. same period last year) and Computers & Electronics (+62.6%)

- The most recent stimulus round saw increased spending in Travel (+65.2%), Apparel & Accessories (+51.8%) and Personal Care & Beauty Products (+44.8%)

Category Spend: 3 Weeks Post-Stimulus vs. YA (Stimulus Recipients)

Category	Mar-21	Jan-21	Apr-20
Total Expenditure	65.2%	34.2%	24.6%
Travel	65.2%	17.3%	14.1%
Apparel & Accessories	51.8%	11.1%	25.3%
Restaurants	27.4%	8.3%	20.3%
Computers & Electronics	20.4%	13.4%	62.6%
Grocery & Wholesale	13.4%	11.3%	14.3%
Personal Care & Beauty Products	44.8%	14.6%	14.4%
Department & Specialty Stores	24.2%	8.3%	43.1%
Home Improvement & Furniture	17.5%	40.0%	83.7%
Convenience & Gas	25.5%	8.1%	8.6%

The new normal is approaching and pandemic "losers" are showing uneven signs of recovery

Restaurants are booming with diners eager to make up for missed meals. Casual and fine dining segments are stabilizing, and Starbucks is making its way back into daily routines.

Entertainment is growing but it will be an uphill battle for industries like theatres. Among a losing category, Regal Cinemas is lagging even further.

Gyms recovered slightly during Summer 2020 but did not make any further inroads to recovery. Upmarket brands like Equinox are faring particularly poorly, perhaps affected by premium in-home experiences like Peloton.

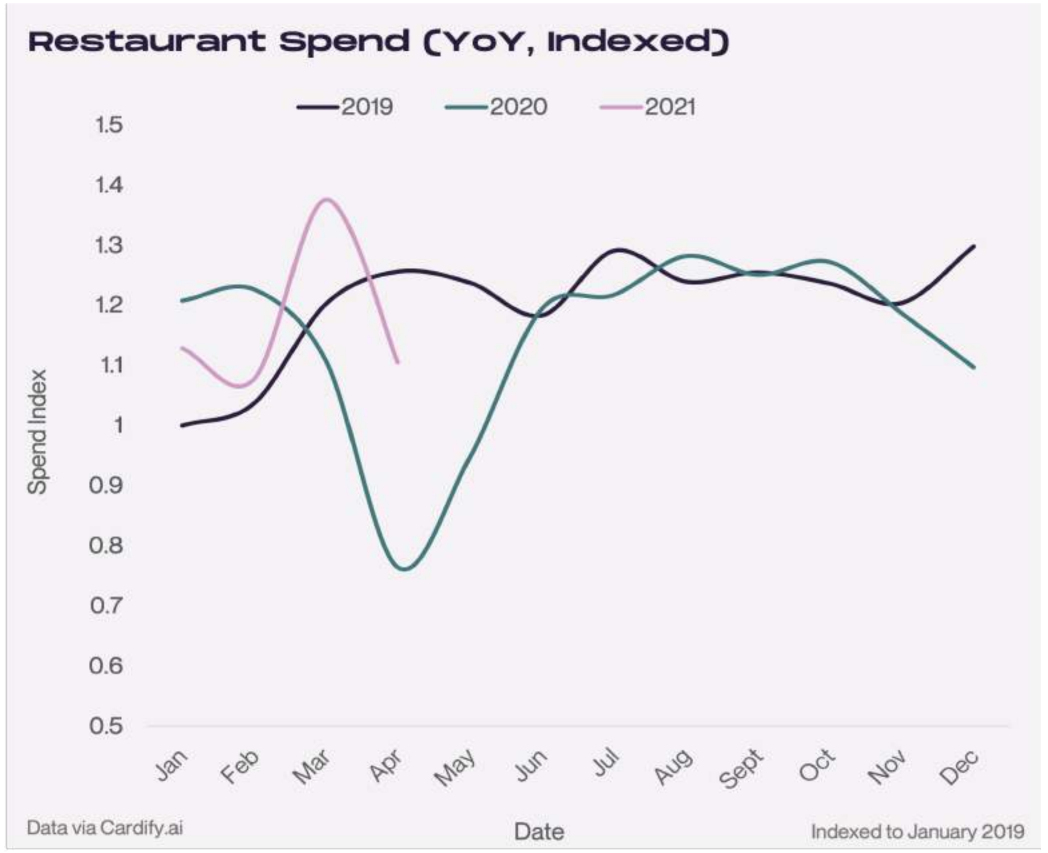
Consumers are revenge spending on in-restaurant experiences

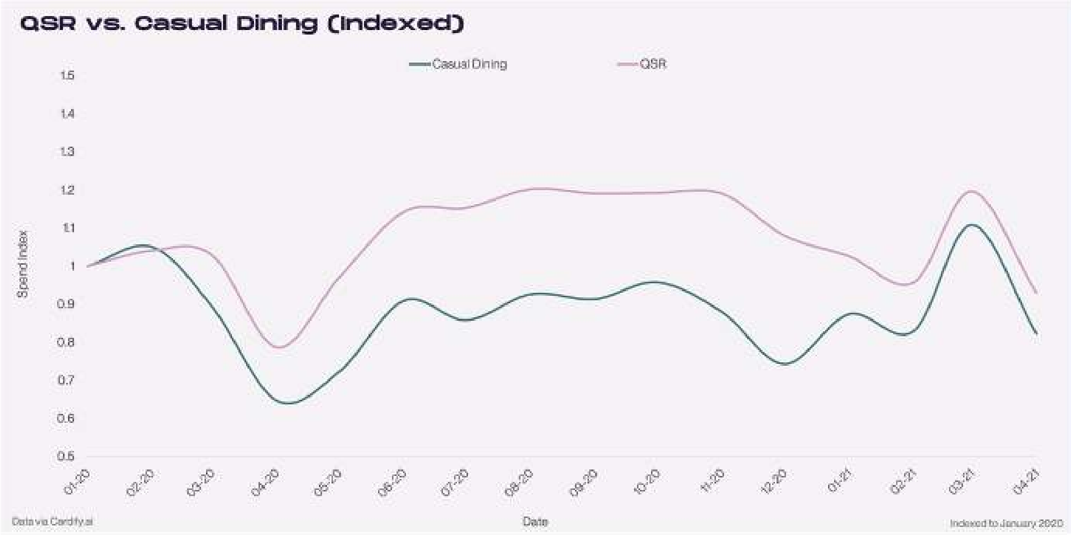
• Restaurant spending has surged YTD 2021, rising beyond levels observed during 2020 and even temporarily above the pre-COVID timeframe (2019)

• While quick service restaurants thrived and casual dining dived during peak-COVID, an increase in casual dining spend is closing the gap between the two sectors

In an April 2021 survey to over 1,000 Drop members:

- **43%** intend to increase their restaurant spending within the next 3 months
- **81%** of prior participants indicated they are most excited to get back to fine dining and **79%** to casual dining, experiences they could not replicate during pandemic shutdowns





Texas Roadhouse is the casual dining winner of 2020

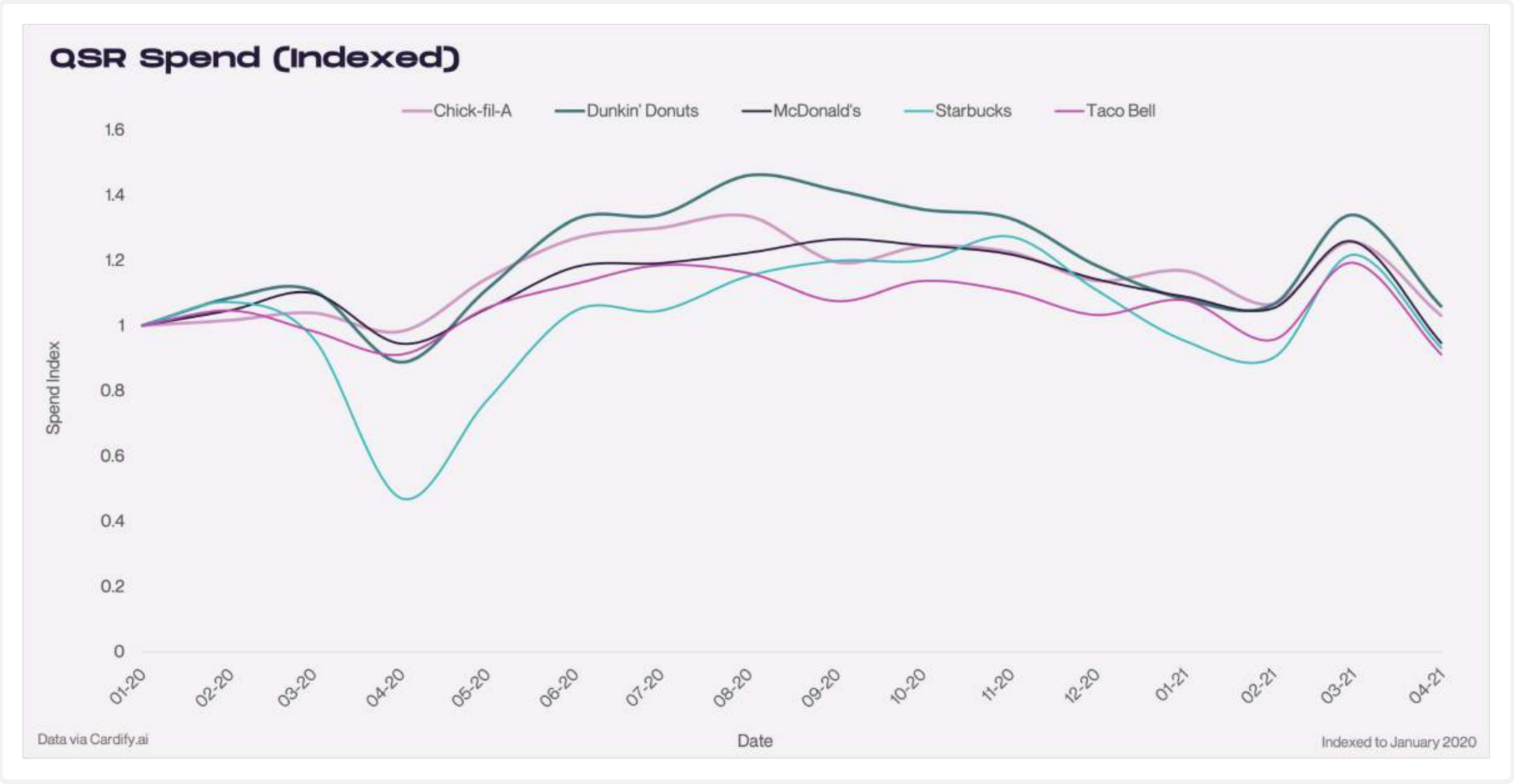
- Despite COVID's negative impact on casual dining, consumer spend on Texas Roadhouse increased above pre-COVID levels during the pandemic
- Texas Roadhouse continues to grow into Q1 2021, exceeding its peers and reaching a peak of over 1.7x its starting monthly spend
- Competitors Applebee's and IHOP suffered the largest dips during the first-wave; luckily, they were able to stabilize during Summer 2020 and are now trending positively towards parity with pre-COVID consumption

Starbucks is making its way back into daily routines

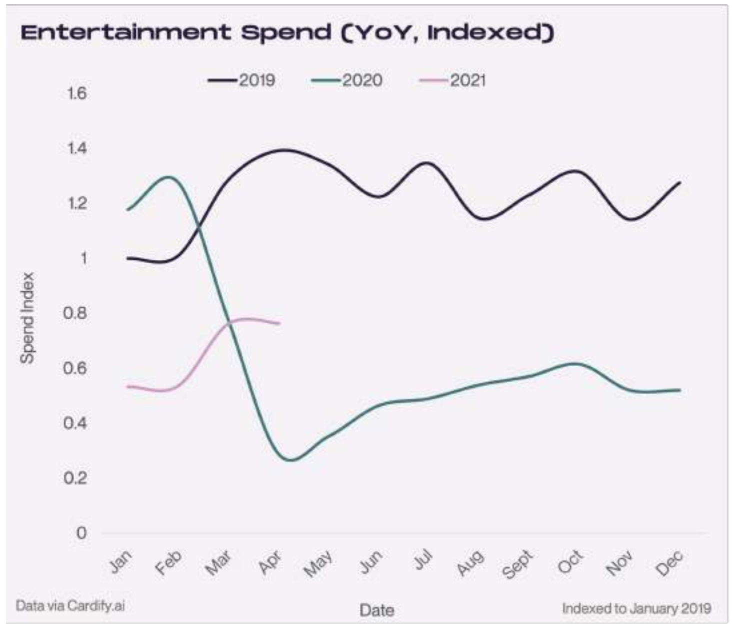
- While other coffee chains thrived during the pandemic, Starbucks tumbled to less than 0.5x its pre-COVID baseline

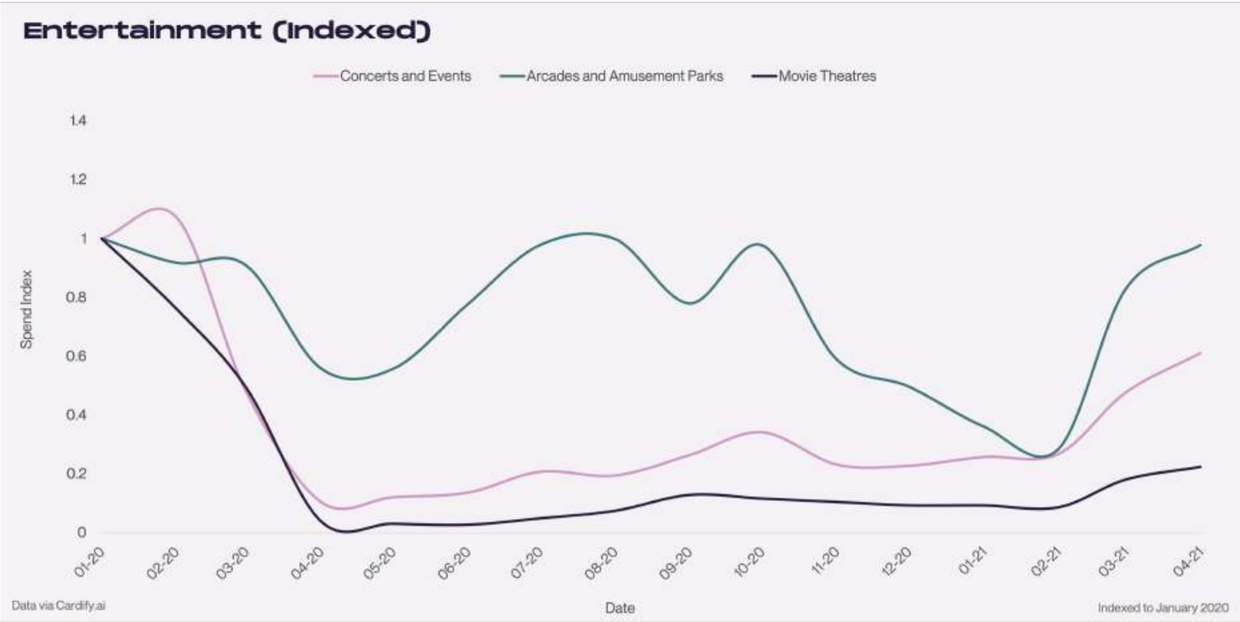
- Starbucks was uniquely affected by the stoppage of business travel and shutdown in areas where it had the highest density (airports, downtown cores)

- Starbucks stabilized as of Summer 2020 and like its competitors, has experienced a strong first quarter of the year; Starbucks reached a high of 1.3x its baseline spend during Mar 2021



Consumers are getting back in line for concerts and rollercoasters





In an April 2021 survey to over 1,000 Drop members:

- **42%** intend to increase their entertainment spending within the next 3 months

- Entertainment spend reached an inflection point during Q1 2020, rebounding to 0.7x its pre-COVID baseline
- Arcades and amusement parks were the least impacted by the pandemic, likely because they were permitted to open outdoors during Summer 2020
- Concerts and event spend are growing steadily but still remain at about half of their pre-pandemic glory

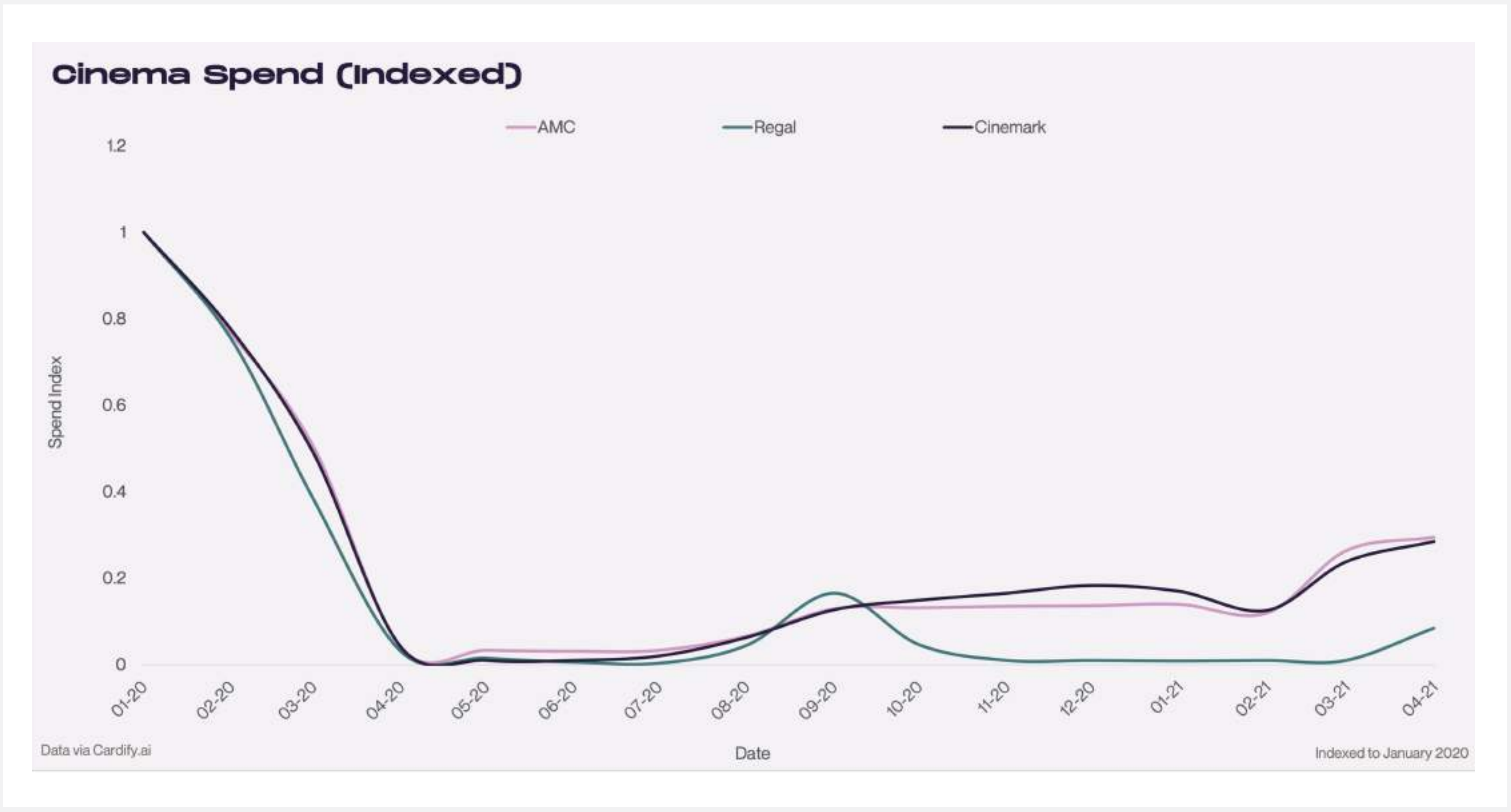
But they're perfectly satisfied with Netflix on the couch

- Cinema spend remains at less than 0.3x its pre-pandemic baseline, even well into 2021

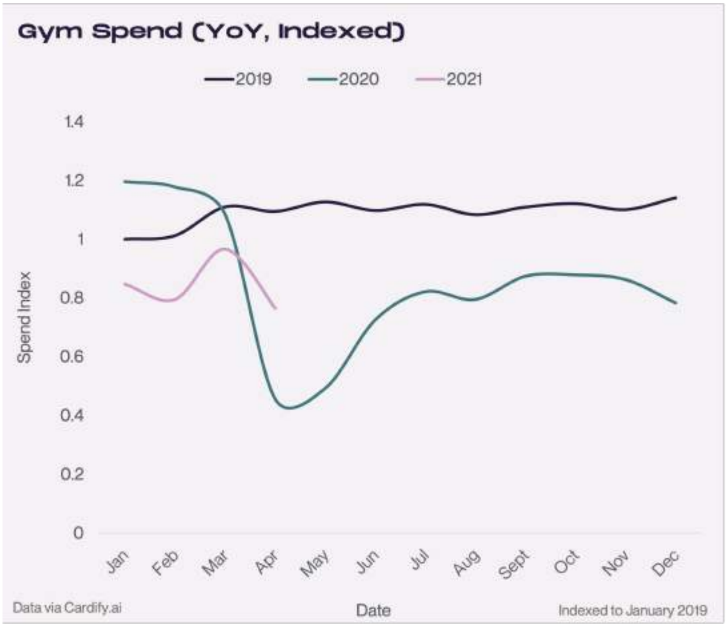
- While AMC & Cinemark are showing some signs of recovery, Regal is lagging severely

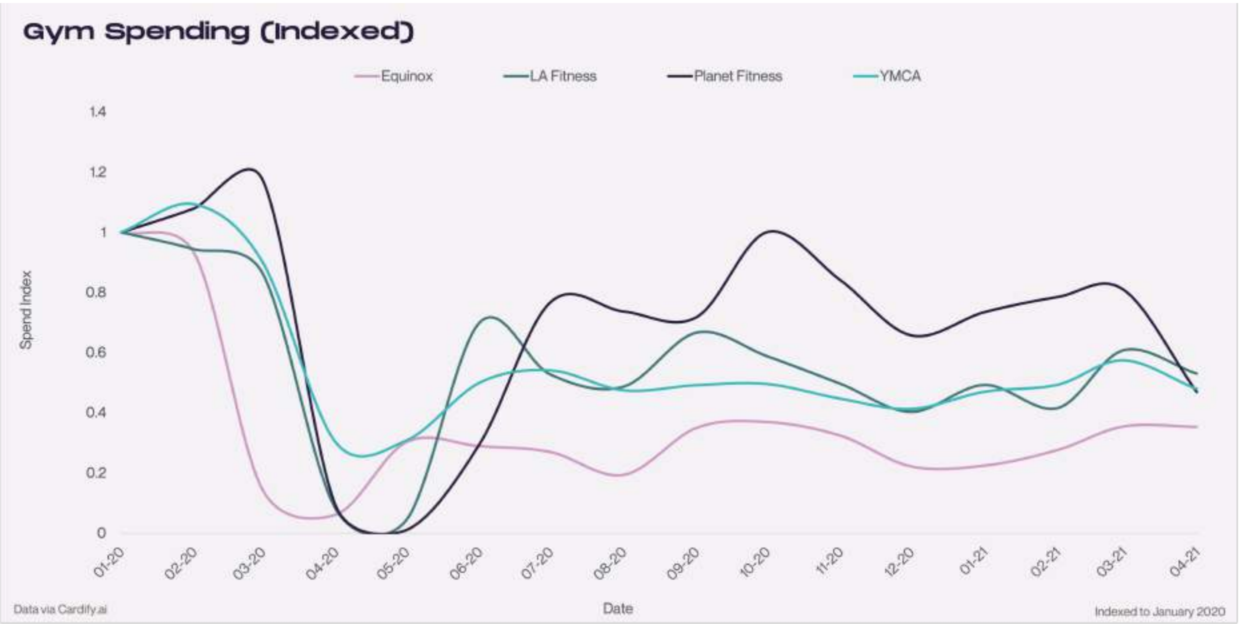
In an April 2021 survey to over 1,000 Drop members:

20% of prior movie-goers said they would not return to theaters even after the pandemic is over



Gyms & Fitness have plateaued in their recovery





In an April 2021 survey to over 1,000 Drop members:

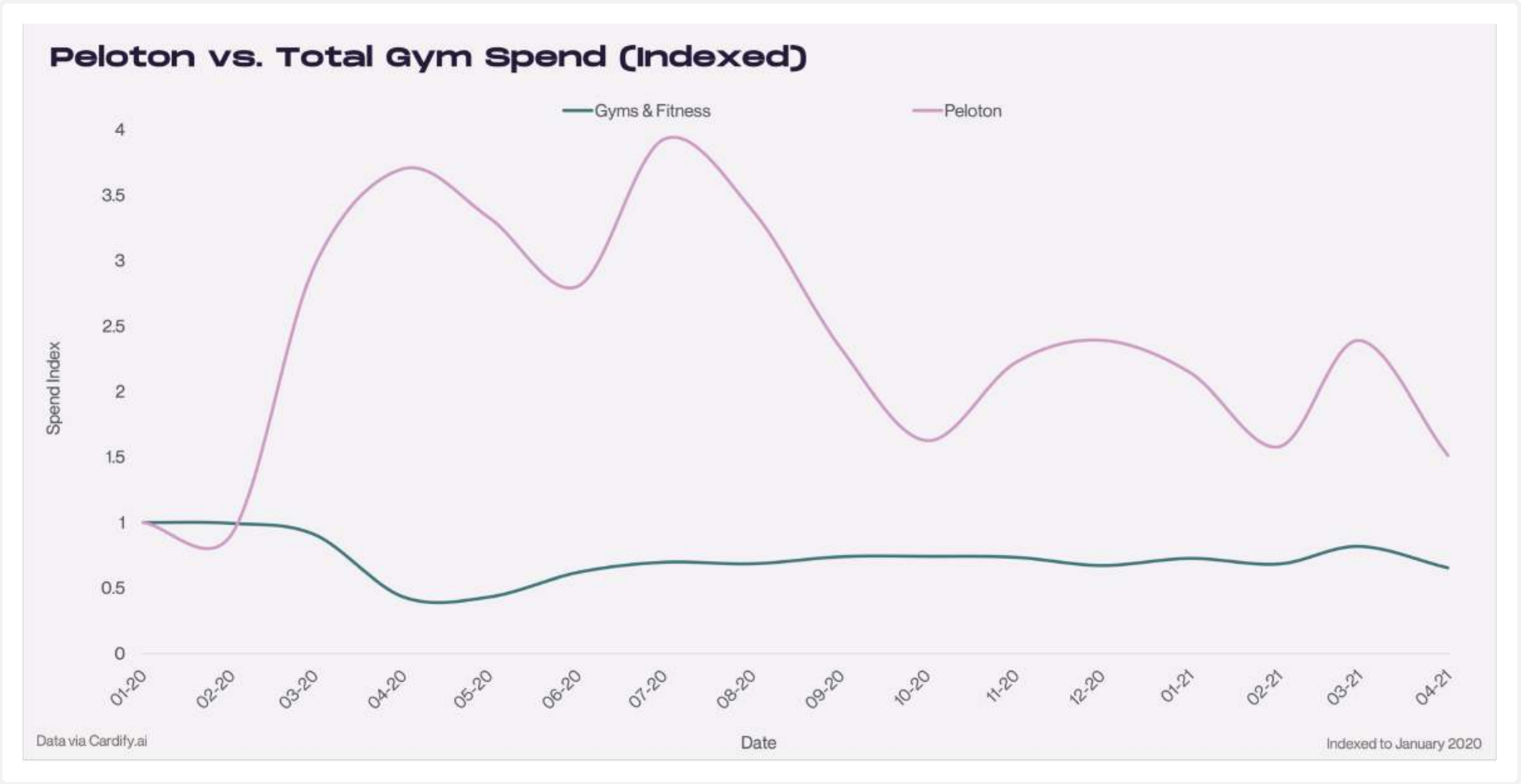
- **66%** expressed they decreased their gym spend at the onset of the pandemic
- But only **16%** intend to increase their gym/fitness spending within the next 3 months

• Gym and fitness spend rebounded to 0.7x of baseline levels during Summer 2020 but has not improved significantly since then

• Budget-friendly Planet Fitness performed the best during the pandemic but its strength has tapered YTD 2021; high-end Equinox was hit the hardest during the pandemic and continues to struggle at less than 0.4x its pre-pandemic levels

Peloton had a stellar 2020, but its future is hazy

- Despite global supply chain challenges, Peloton surged to over 4x its pre-COVID spend at the height of the pandemic
- Peloton is still winning YTD 2021, with a spike in sales timed with March's distribution of stimulus checks; however, spend has slowed significantly
- The recent Peloton Tread / Tread+ recalls may dampen Peloton's outlook for the remainder of 2021



Consumers have places to go and people to see

Rideshare spend is on the rise with consumers increasing their time out of home. Uber continues to outperform Lyft.

Airline demand has exploded, particularly in sync with March's distribution of stimulus checks. JetBlue leads the pack in spend recovery.

Lodging is experiencing a second-wave of recovery, following a strong Summer 2020. Single-family options like Airbnb and VRBO lead the pack as health concerns linger.

Car Rentals were the pandemic alternative to flights, and for many, the preference has stuck. The category continues to rise into Q1 2021, and Enterprise Rent-A-Car / Turo have been the primary beneficiaries.

Rideshare spend is on the rise and Uber is paving its way

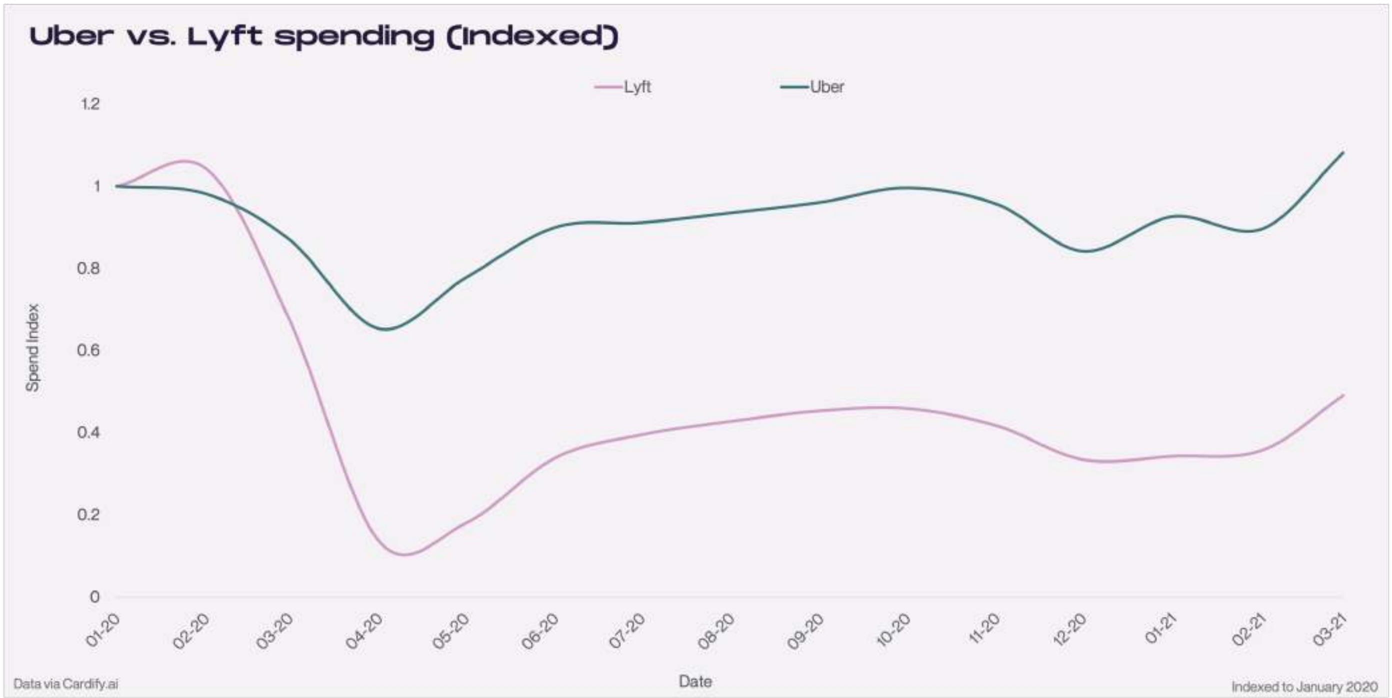
• Uber and Lyft spending stabilized during Summer 2020, rising again during Q1 2021

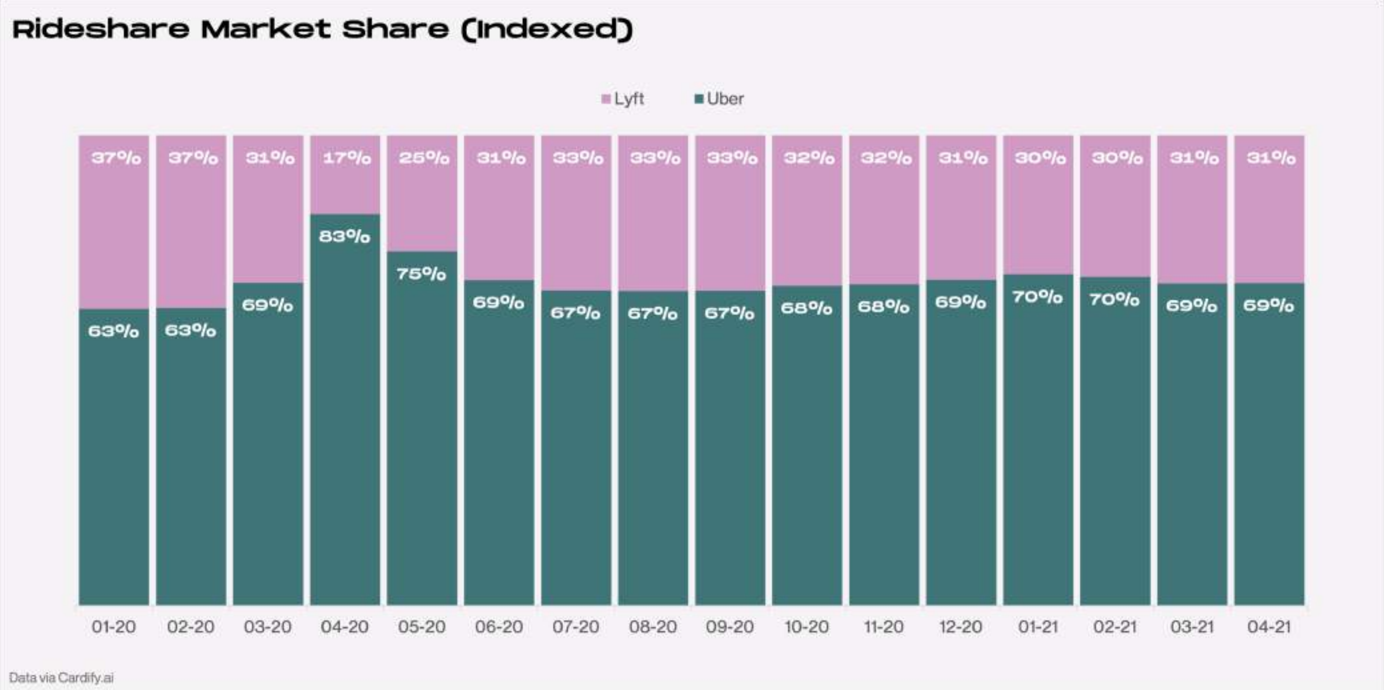
• Lyft was impacted more severely by the pandemic, losing 20% in ride-hailing market share to Uber and dipping to less than 0.1x its baseline monthly spend

• Uber's rideshare business has performed consistently during the pandemic and is comparable to pre-pandemic levels as of early this year

In a May 2021 survey to over 1,000 Drop members:

- **28%** indicated they will take more rideshare trips within the next 3 months (higher among those with travel plans)
- **79%** of respondents would refuse a shared ride like UberPool





Consumers are eager to pack up and go

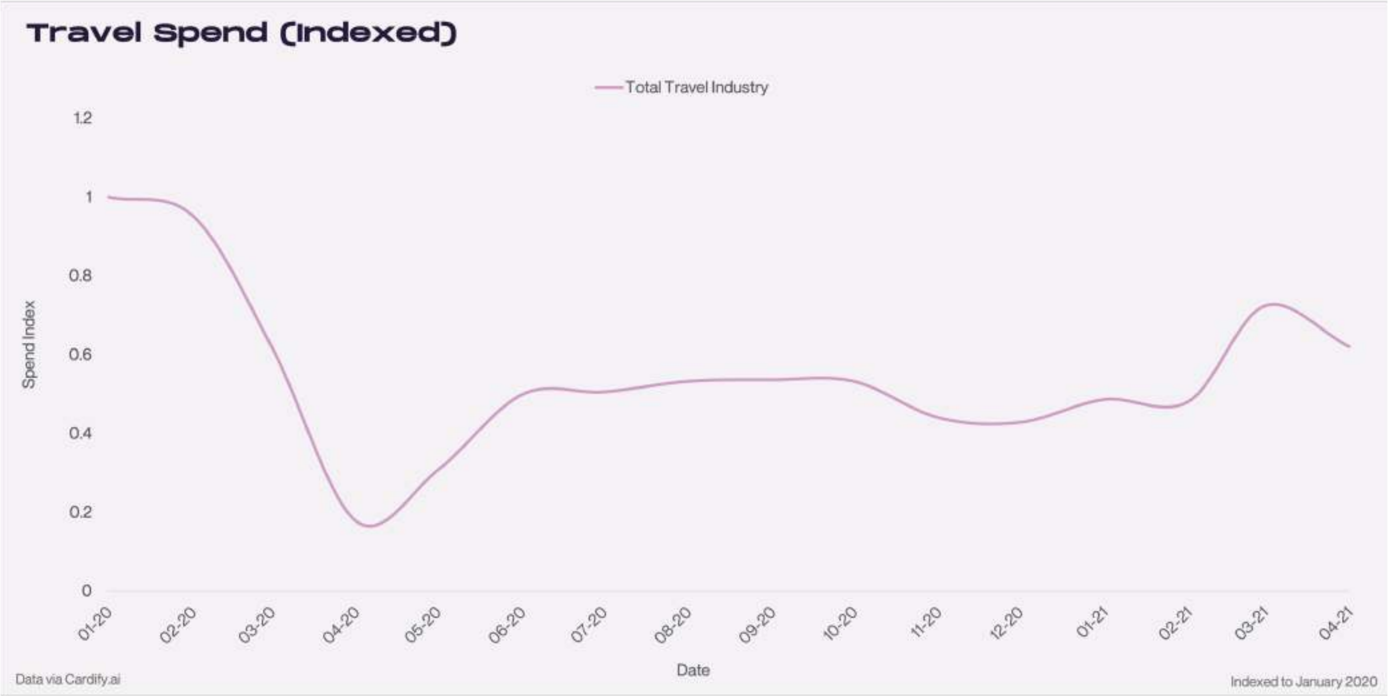
- After first stabilizing during summer 2020, travel spend is trending upward again in 2021 Q1

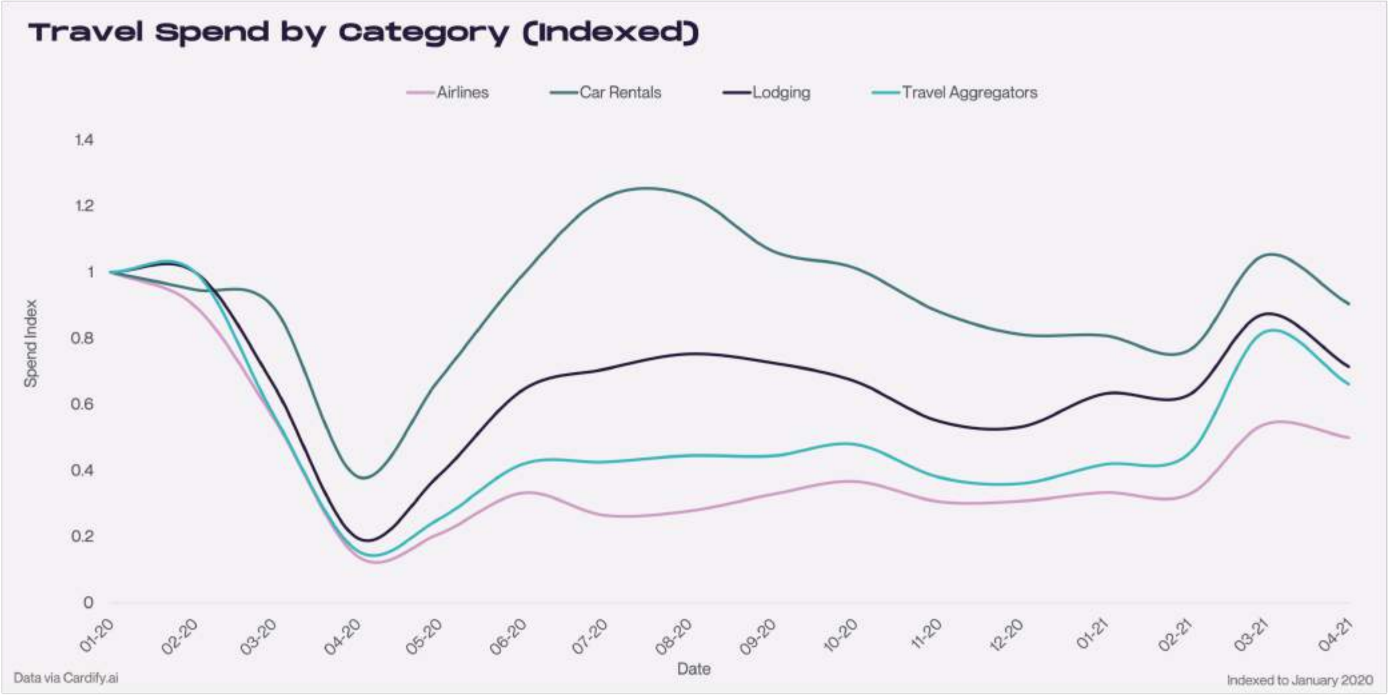
- Travel spend reached its highest level (0.7x) since the beginning of the pandemic during Mar 2021, coinciding with the distribution of stimulus checks

- Categories that were less impacted by restrictions (car rentals, lodging) fared better during the pandemic and into the recovery period

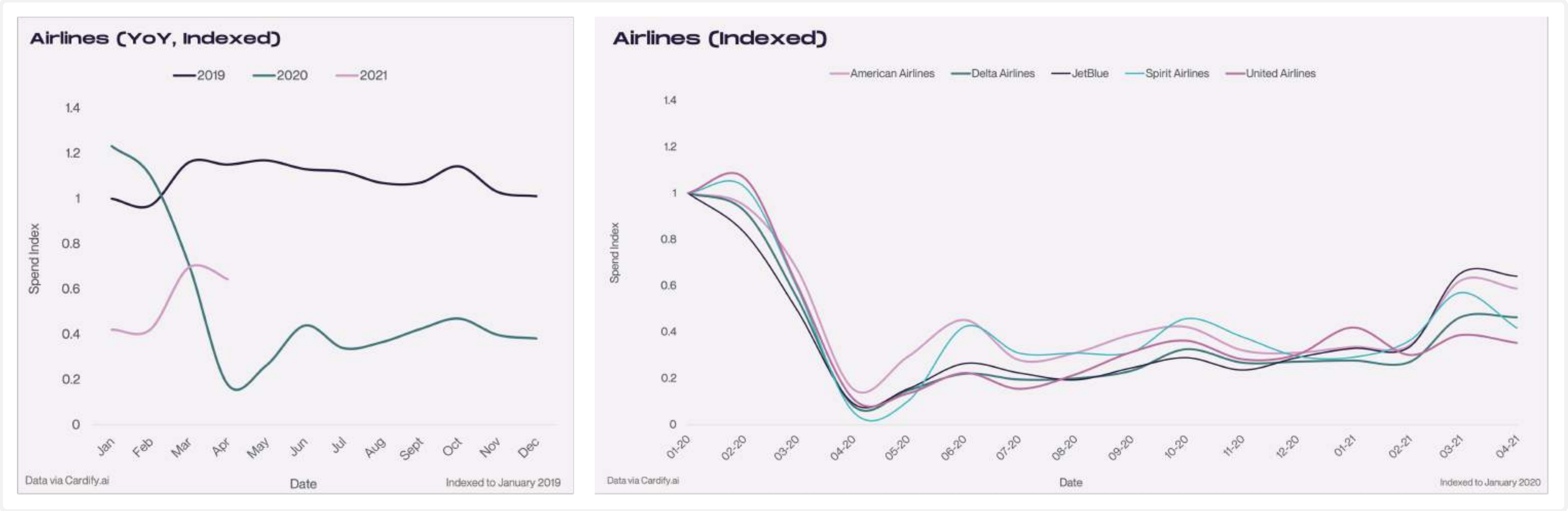
In a May 2021 survey to over 1,000 Drop members:

- **74%** indicated they have travel plans within the next 3 months





After being grounded by the pandemic, airline spend is soaring back up

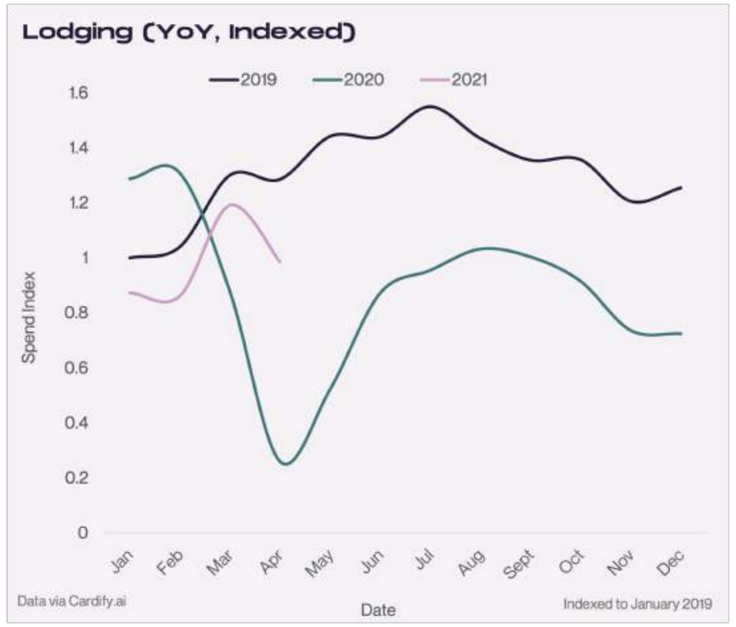


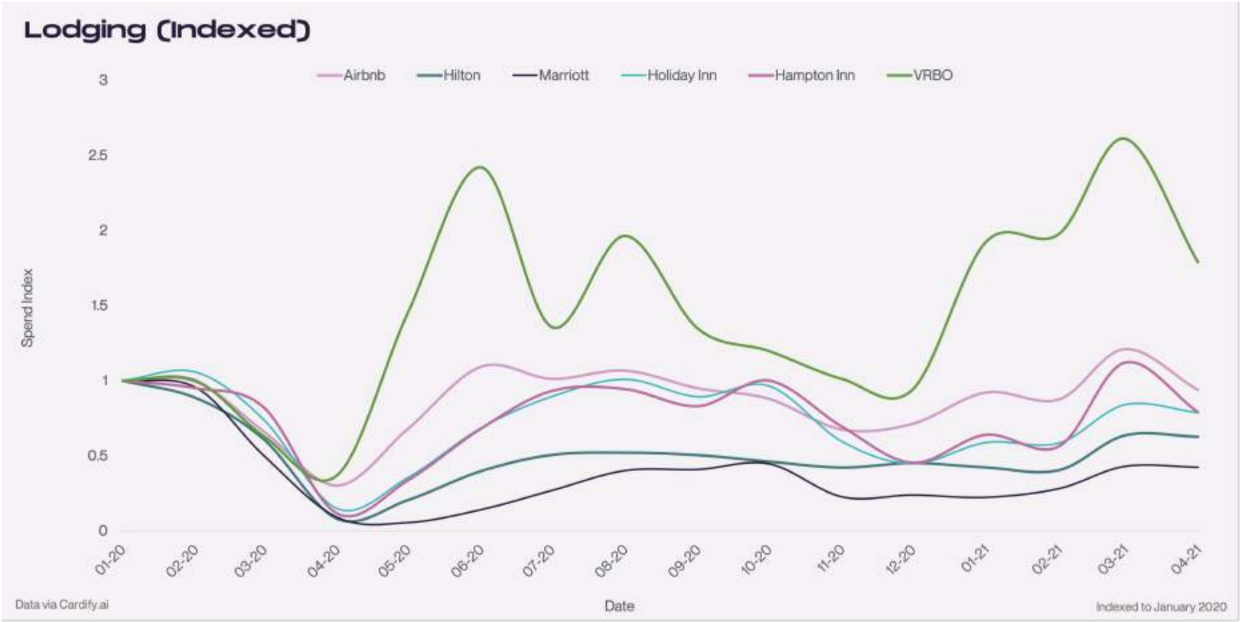
In a May 2021 survey to over 1,000 Drop members:

- **48%** indicated they have travel plans requiring a flight within the next 3 months

- The airline industry was the hardest hit travel sector and consumer spend remained suppressed for all of 2020
- Airline spend grew quickly during 2021 Q1, reaching a peak of 0.7x of baseline monthly spend in Mar 2021; while consumption drops slightly in the following month, indications of recovery remain clear
- JetBlue leads the pack in recovering lost pandemic spend followed closely by American Airlines; despite its success during Jan 2021, United Airlines is now lagging the pack

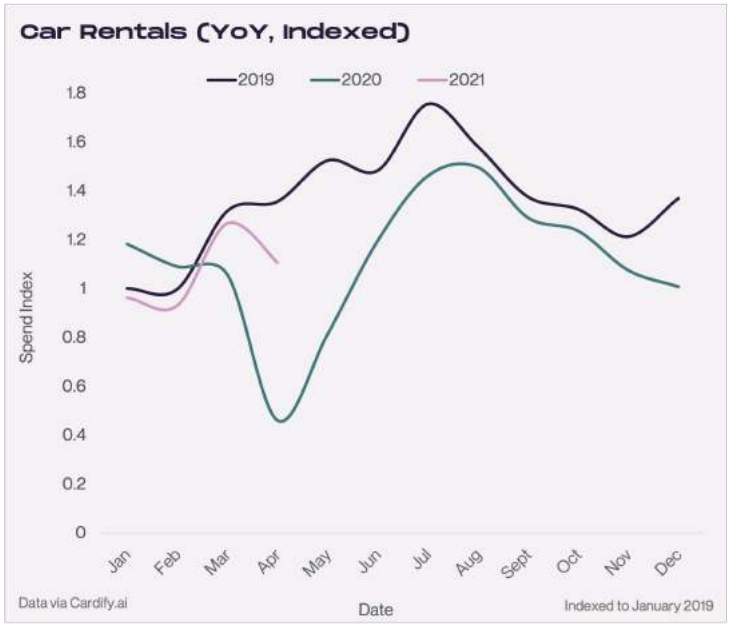
Lodging spend has almost fully recovered, and homestays/vacation rentals have the advantage

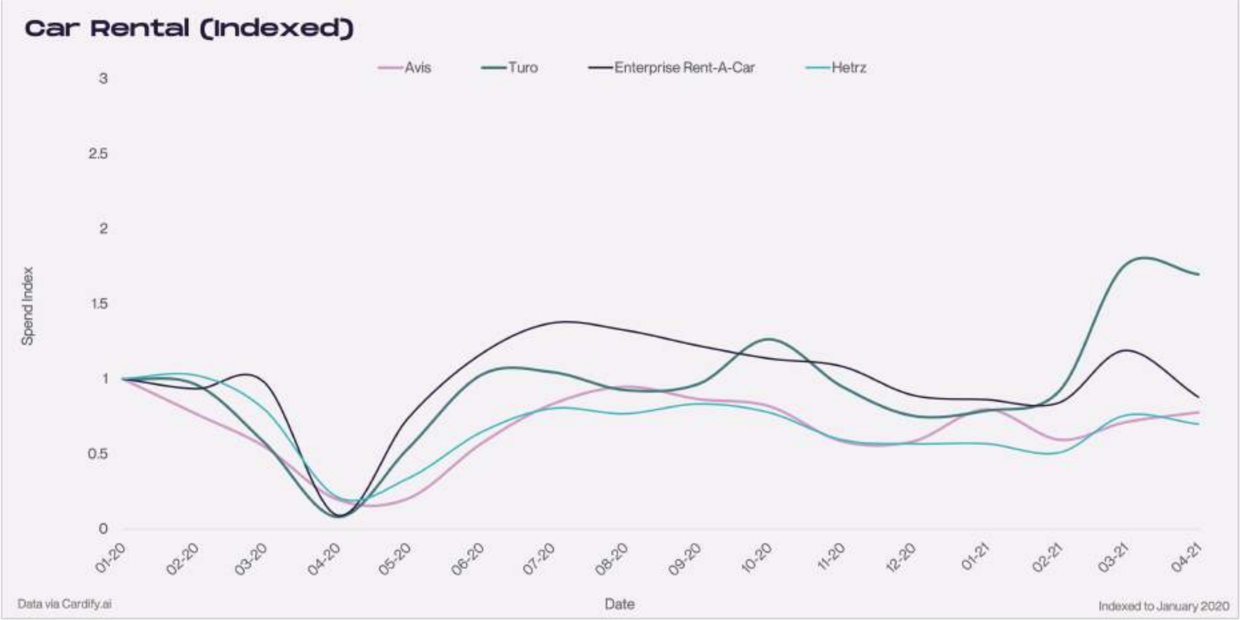




- Lodging was able to recover some lost spend during Summer 2020 with the help of seasonal factors; it continued to grow rapidly during Q1 2021, landing just shy of pre-COVID seasonal levels
- Property-sharing platforms like VRBO and Airbnb saw the earliest rebounds, with more Americans seeking spacious, single-family accommodations rather than traditional hotels
- Higher-end chains popular for business travel (e.g., Marriott, Hilton) indicated lower levels of recovery than their budget-friendly counterparts (e.g., Holiday Inn, Hampton Inn)

Car rentals excelled during the pandemic and show no indication of slowing





- Car rentals recovered quickly from the initial shock and returned to pre-COVID seasonal levels by fall 2020; despite reduced business travel, the category's YTD spend appears identical to its performance before the pandemic

- Turo, a carshare provider, upticked dramatically during 2021 Q1; it currently sits at more than 1.5x its pre-COVID baseline as consumers look for more convenient and accessible alternatives to traditional car rentals

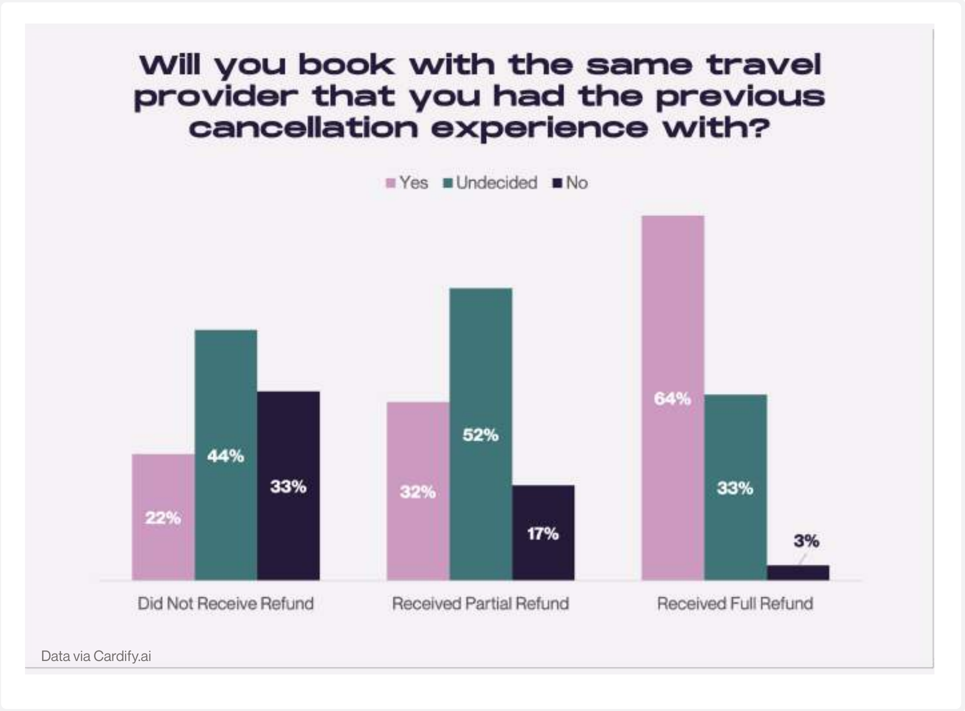
- Among traditional rental providers, Enterprise Rent-A-Car leads the pack in both speed and strength of recovery

Customer experience during the pandemic will predict future patronage

• Consumers remember how they were treated at the onset of the pandemic and are likely to make their upcoming travel decisions accordingly

In a March 2021 survey to over 3,000 Drop members who experienced pandemic related travel cancellations:

- Of those who had cancelled plans, **55%** received a full refund, **26%** a partial refund, and **19%** no refund
- Of those who received a full refund, **64%** planned to rebook with the same provider (compare to **33%** of those partially refunded and only **20%** of those not refunded)



Conclusion

Pandemic recovery has led consumers to spend more and pay off less. Consumers are seeking alternative payment services (e.g., Buy Now Pay Later) in order to fund their purchases.

DIY portfolio management has entered the mainstream. Inspired by the GameStop short-squeeze, investors (particularly female ones), have increased their deposit volume. Crypto has moved into the spotlight and is now viewed as a viable asset for many.

With vaccination in-arm and stimulus check in-hand, consumers are approaching their pre-COVID level of spend. They are most eager to return to premium experiences they couldn’t access during shutdowns, including restaurants, concerts, and travel.

However, not everything will return to the pre-pandemic “normal”. Stay-at-home orders resulted in lifestyle changes and some, such as exercising on a Peloton or streaming the latest blockbuster, may be here to stay.

QUESTIONS?

Want to learn more? Email cardify@cardify.ai or contact us here!