

Synchrony's robust Q1 undergirded by key investments and product launches

Article

By the numbers: Synchrony Financial posted strong results in its Q1 2022 earnings, per a press release.

- **Active accounts grew 6% to 70.1 million**, a strong improvement over Q1 2021, when the metric **fell 8%**. This was driven largely by new accounts: Synchrony **added 5.5 million new accounts (+10%)** in the quarter.
- Synchrony's **purchase volume increased 17% annually to \$40.5 billion**—more than **double the 8% growth in Q1 2021**. Purchase volume was driven in part by the strong performance of its **co-brand segment, which composes 41.7% of overall volume and grew by 29% annually**.
- And **purchase volume per account grew 10% annually to \$577**, though this represents a slight deceleration from Q1 2021's growth.
- **Average balance per account remained relatively flat annually**, signaling that customers are paying down debt even as spending increases.

Key context: Synchrony's performance, which aligns with double-digit growth that other banks also saw in Q1 2022, is likely a reflection of the overall US economy. **US retail and food sales grew 6.9% in March alone**, per the Census Bureau. This likely combined with rising gas prices—a common rewards category on co-brand cards—and relaxed COVID-19 restrictions to drive spending.

What else is driving growth? Synchrony also notched strong growth in two other areas:

- **Digital purchase volume grew 20% annually** and now makes up over 52.0% of Synchrony's total. Digital is now the second-fastest-growing segment of Synchrony's business and has been a reliable bright spot for the firm in recent years.
- **Health and wellness grew 17% in Q1** after Synchrony doubled down on the segment last year. This is one of the fastest-growing US retail sales categories, per our forecasts.

The big takeaway: Synchrony has ramped up investments and offerings in key areas, which should position it for growth through this year.

In December, Synchrony invested in one-click checkout provider **Skipify** and announced plans to bring it to merchant partners. It also revamped the **PayPal** co-brand earlier this month, which could boost engagement and attract customers. And it delved into buy now, pay later (BNPL) through partnerships with Fiserv and Mastercard, which could boost its digital volume and spending.

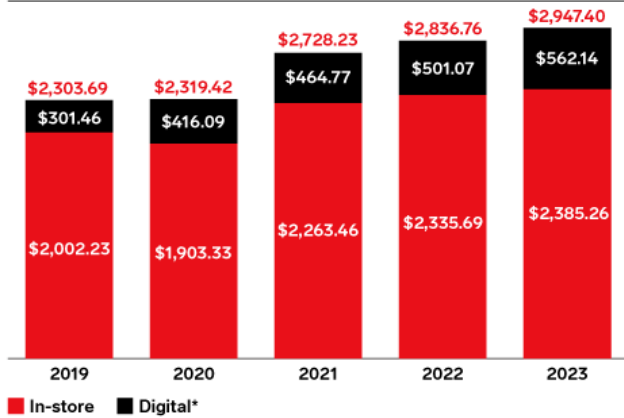
It's also added to its healthcare portfolio through a partnership with **Walgreens** that includes a prepaid debit card, store card, and co-branded card that debuted last year. And it

expanded **CareCredit**, which provides healthcare and veterinary financing through partnerships like a **tie-up** with major health system **Mercyhealth** to offer installment payments.

Go deeper: Read our **“Co-Brand Credit Card Report”** to learn more about Synchrony’s offerings and how digital cards represent the future of co-branded products.

US Digital* vs. In-Store Credit Card Spending, 2019-2023

billions



Note: includes food services and drinking places sales and sales tax; excludes travel and event tickets, payments (such as bill pay or money transfers), mail orders, and gambling and other vice good sales; in-store includes point-of-sale (POS) transactions made in-store using credit cards including proximity mobile payments linked to a credit card; digital includes transactions made over the internet (includes desktop/laptop, mobile, and tablet purchases) using credit cards; *forecast from July 2021
Source: Insider Intelligence, Nov 2021

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