

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 001-38047

Upbound Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

5501 Headquarters Drive, Plano, Texas
(Address of principal executive offices)

45-0491516

(I.R.S. Employer
Identification No.)

75024

(Zip Code)

972-801-1100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Common Stock, par value \$0.01 per share

Trading Symbol
UPBD

Name of Exchange on Which Registered
The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of these error corrections are restatements that require a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240 10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Aggregate market value of the 55,070,413 shares of Common Stock held by non-affiliates of the registrant at the closing sales price as reported on The Nasdaq Global Select Market, on June 30, 2023 \$ 1,714,341,902

Number of shares of Common Stock outstanding as of the close of business on February 20, 2024: 54,415,829

Documents incorporated by reference:

Portions of the definitive proxy statement relating to the 2024 Annual Meeting of Stockholders of Upbound Group, Inc. are incorporated by reference into Part III of this report.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “seeks” or words of similar meaning, or future or conditional verbs, such as “will,” “should,” “could,” “may,” “aims,” “intends,” or “projects.” These forward-looking statements, include, without limitation, those relating to the impact of ongoing challenging macroeconomic conditions on our business, operations, financial performance and prospects, the future business prospects and financial performance of our Company, our growth strategies, our expectations, plans and strategy relating to our capital structure and capital allocation, including any share repurchases under our share repurchase program, and other statements that are not historical facts. Unless expressly indicated or the context requires otherwise, the terms “Upbound Group, Inc.,” “Company,” “we,” “us,” and “our” in this document refer to Upbound Group, Inc. and, where appropriate, its subsidiaries.

A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. These forward-looking statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties. Our actual future results and trends may differ materially and adversely depending on a variety of factors, including, but not limited to, the risks and uncertainties discussed under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this Annual Report on Form 10-K and any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. Except as required by law, we expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise. Factors that could cause or contribute to these differences include, but are not limited to:

- the general strength of the economy and other economic conditions affecting consumer preferences and spending, including the availability of credit to our target consumers and to other consumers, impacts from continued inflation, central bank monetary policy initiatives to address inflation concerns, and a possible recession or slowdown in economic growth;
- factors affecting the disposable income available to our current and potential customers;
- changes in the unemployment rate;
- capital market conditions, including availability of funding sources for us;
- changes in our credit ratings;
- difficulties encountered in improving the financial and operational performance of our business segments;
- risks associated with pricing changes and strategies being deployed in our businesses;
- our ability to continue to effectively execute our strategic initiatives, including mitigating risks associated with any potential mergers and acquisitions, or franchising opportunities;
- our ability to identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies;
- failure to manage our store labor and other store expenses, including merchandise losses;
- disruptions caused by the operation of our store information management systems or disruptions in the systems of our host retailers;
- risks related to our virtual lease-to-own business, including our ability to continue to develop and successfully implement the necessary technologies;
- our ability to achieve the benefits expected from our integrated virtual and staffed retail partner offering and to successfully grow this business segment;
- exposure to potential operating margin degradation due to the higher cost of merchandise and higher merchandise losses in our Acima segment compared to our Rent-A-Center segment;
- our transition to more-readily scalable “cloud-based” solutions;
- our ability to develop and successfully implement digital or E-commerce capabilities, including mobile applications;
- our ability to protect our proprietary intellectual property;

- our ability or that of our host retailers to protect the integrity and security of customer, employee, supplier and host retailer information, which may be adversely affected by hacking, computer viruses, or similar disruptions;
- impairment of our goodwill or other intangible assets;
- disruptions in our supply chain;
- limitations of, or disruptions in, our distribution network;
- rapid inflation or deflation in the prices of our products and other related costs;
- allegations of product safety and quality control issues, including recalls;
- our ability to execute, as well as the effectiveness of, store consolidations, including our ability to retain the revenue from customer accounts merged into another store location as a result of a store consolidation;
- our available cash flow and our ability to generate sufficient cash flow to continue paying dividends;
- increased competition from traditional competitors, virtual lease-to-own competitors, online retailers, Buy-Now-Pay-Later and other fintech companies and other competitors, including subprime lenders;
- our ability to identify and successfully market products and services that appeal to our current and future targeted customer segments and to accurately estimate the size of the total addressable market;
- consumer preferences and perceptions of our brands;
- our ability to effectively provide consumers with additional products and services beyond lease-to-own, including through third-party partnerships;
- our ability to retain the revenue associated with acquired customer accounts and enhance the performance of acquired stores;
- our ability to enter into new rental or lease purchase agreements and collect on our existing rental or lease purchase agreements;
- impacts from the enforcement of existing laws and regulations and the enactment of new laws and regulations adversely affecting our business, including in connection with the regulatory matters described in Note M to our consolidated financial statements included in this Annual Report on Form 10-K and any legislative or other regulatory enforcement efforts that seek to re-characterize store-based or virtual lease-to-own transactions as credit sales and to apply consumer credit laws and regulations to our business;
- our compliance with applicable statutes or regulations governing our businesses;
- changes in interest rates;
- changes in tariff policies;
- adverse changes in the economic conditions of the industries, countries or markets that we serve;
- information technology and data security costs;
- the impact of any breaches in data security or other disturbances to our information technology and other networks;
- changes in estimates relating to self-insurance liabilities and income tax and litigation reserves;
- changes in our effective tax rate;
- fluctuations in foreign currency exchange rates;
- our ability to maintain an effective system of internal controls;
- litigation or administrative proceedings to which we are or may be a party to from time to time; and
- the other risks detailed from time to time in our reports furnished or filed with the United States Securities and Exchange Commission (the “SEC”).

PART I

Item 1. *Business.*

History of Upbound Group, Inc.

Unless the context indicates otherwise, references to “we,” “us”, “our”, and the “Company” refer to the consolidated business operations of Upbound Group, Inc., the parent, and any or all of its direct and indirect subsidiaries. For any references in this document to Note A through Note U, refer to the Notes to Consolidated Financial Statements in Item 8 included in this Annual Report on Form 10-K.

We are a leading lease-to-own provider with operations in the United States, Puerto Rico and Mexico. We provide a critical service for underserved consumers by providing them with access to, and the opportunity to obtain ownership of, high-quality, durable products under a flexible lease-purchase agreement with no long-term debt obligation. Through our Rent-A-Center segment, we provide a fully integrated customer experience through our e-commerce platform and brick and mortar presence. Our Acima segment offers lease-to-own solutions through retailers in stores and online enabling such retailers to grow sales by expanding their customer base utilizing our differentiated offering. We were incorporated in the State of Delaware in 1986, and our common stock is traded on the Nasdaq Global Select Market under the ticker symbol “UPBD.”

Our principal executive offices are located at 5501 Headquarters Drive, Plano, Texas 75024. Our telephone number is (972) 801-1100 and our company website is www.upbound.com. Information contained on our website is not incorporated by reference into this Annual Report on Form 10-K.

The Lease Purchase Transaction

The lease purchase transaction is a flexible alternative that provides freedom for consumers who wish to obtain use and enjoyment of brand name merchandise with no long-term obligation and without having to pay the full price up front. Our customer has the right, but is not obligated, to acquire title to the merchandise either through an early purchase option or through payment of all lease renewals that would be required to obtain ownership.

The unit economics of the lease purchase transaction vary depending on the length of time customers take to obtain ownership of the product or whether the customer chooses to return the product without obtaining ownership. If a customer elects an early purchase option within a designated period of time following the initial lease, such as 90 or 120 days, a customer generally pays the retail price of the product plus a premium to the cost. Other lease-to-own transactions involve the customer leasing our merchandise through all lease renewal terms required to obtain ownership of the merchandise at the conclusion of the final lease renewal term. A customer may also elect to obtain ownership any time after the initial lease period, but prior to the completion of all lease renewals otherwise required to obtain ownership. Due to the longer lease period as a result of completing all lease renewals, along with the other benefits that are part of the lease-to-own transaction, obtaining ownership through payment of all lease renewals involves a higher total cost compared to the cost of the general retail price of the product if it was purchased upfront. Customers primarily take ownership of the merchandise through early purchase options, where the customer elects to make a lump-sum payment at a discounted purchase price prior to the final lease renewal. In the Rent-A-Center segment, the product is often rented more than one time before a customer ultimately obtains ownership.

There are differences in the unit economics between our Rent-A-Center and Acima segments, as we generally purchase our merchandise at wholesale prices for our Rent-A-Center segment and at retail prices for our Acima segment. Historically, operating margin for our Acima segment has benefited from the lower overhead cost associated with the virtual options employed at many third-party locations.

Key features of the lease purchase transaction include:

No long term obligation. A customer may terminate a lease purchase agreement at any time without penalty. Such customers have no obligation for remaining payments other than any outstanding balances to the date of return.

Convenient payment options. Our customers make payments on a weekly, bi-weekly, semi-monthly or monthly basis in our stores, at our retail partner locations, online or by telephone. We accept cash, credit or debit cards and payment via certain electronic platforms (such as PayPal and Venmo).

Flexible options to obtain ownership. Ownership of the merchandise generally transfers to the customer if the customer continuously renews the lease purchase agreement for a required period of between seven and 30 months, depending upon the product type, or exercises a specified early purchase option.

Reinstatement. If a customer is temporarily unable to make payments on a piece of rental merchandise and returns the merchandise, that customer generally may later re-rent the same piece of merchandise (or, if unavailable, a substitute of

comparable quality, age and condition) on the terms that existed at the time the merchandise was returned, and pick up payments where they left off without losing credit for what they previously paid.

Approval with less than perfect credit. Generally, no established credit score or credit history is required. In the Rent-A-Center segment, we use a proprietary decision engine to verify customer information as part of our approval process for entering into a lease purchase agreement. In our Acima segment, which provides on-site or virtual lease-to-own options through third-party retailers and through Acima direct to consumer offerings, customers complete the application process through a variety of resources, including online digital waterfall technology, retail partner electronic portals, online e-commerce websites, and the Acima mobile application. A robust proprietary automated decision engine process is used to confirm certain customer information for approval of the lease purchase agreement.

Brand name merchandise. In our store locations and through our retail partnerships, we offer merchandise from a large number of well-known brands such as Ashley home furnishings; LG, Samsung, and Sony home electronics; Frigidaire, Whirlpool, Amana, and Maytag appliances; HP, Acer, Asus, and Samsung computers and/or tablets; and Samsung smartphones.

Delivery and set-up. We generally offer same-day or next-day delivery and installation of our merchandise at no additional cost to the customer in our Rent-A-Center stores. Our Acima locations rely on our third-party retail partners to deliver merchandise leased by the customer, or for the customer to carry-out leased merchandise. Our third-party retail partners typically charge us a fee for delivery, which we pass on to the customer.

Product maintenance and replacement. In our Rent-A-Center segment, and in the Acima segment where required by law, we provide any required service or repair without additional charge, except in the event of damage in excess of normal wear and tear and certain other limited circumstances. The cost to repair the merchandise may be reimbursed by the vendor if the item is still under factory warranty. If the product cannot be repaired at the customer's residence, we provide a temporary replacement while the product is being repaired. If the product cannot be repaired, we will replace it with a product of comparable quality, age and condition.

Our Strategy

Our strategy is focused on achieving our mission to elevate financial opportunity for all and growing our business through emphasis on the following key initiatives:

- Grow penetration with current Acima merchants and build on our strength with small to medium size businesses while also adding new national and regional merchants to our platform;
- At Rent-A-Center, accelerate the shift to e-commerce, improve the fully integrated omni-channel customer experience and expand product categories, which will increase brand awareness and customer loyalty;
- Leverage data analytics capabilities to attract new customers, approve more customers and mitigate risk across business segments;
- Upgrade and integrate technology platforms to allow for a more simplified and seamless consumer experience, merchant and third-party waterfall integration and consumer transaction process and coworker efficiency;
- Execute on market opportunities and enhance our competitive position across both traditional and virtual lease-to-own solutions, and implement complementary products and services that supplement our current offering and provide our customers more financial alternatives; and
- Develop centers of excellence that will be leveraged across the organization to support the various business segments, utilizing best practices to drive efficiency and growth.

As we pursue our strategy, we have and may in the future take advantage of joint venture, partnership, or merger and acquisition opportunities from time to time that advance our key initiatives and elevate the financial mobility of underserved consumers.

Our Operating Segments

We report financial operating performance under four operating segments. To better reflect our current strategic focus, our retail partner business operations are reported as the Acima segment, which includes our virtual and staffed business models; and our company-owned stores and e-commerce platform through rentacenter.com are reported as the Rent-A-Center segment. In addition, we report operating results for our Mexico and Franchising segments. Additional information regarding our operating segments is presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Item 7 of this Annual Report on Form 10-K, and financial information regarding these segments and revenues by geographic area are provided in Note T to our consolidated financial statements contained in this Annual Report on Form 10-K. Substantially all of our revenues for the past three years originated in the United States.

Acima

Our Acima segment, which primarily operates in the United States and Puerto Rico, includes the operations of Acima Holdings, LLC (“Acima Holdings”) (as defined in Note B to our consolidated financial statements included in this Annual Report on Form 10-K), which we acquired in February 2021 and certain locations previously operating under our Acceptance Now brand, generally offers consumers, who do not qualify for traditional financing, the lease-to-own transaction through staffed or unstaffed kiosks located within third-party retailer's locations, or other virtual options. In virtual locations, customers, either directly or with the assistance of a representative of the third-party retailer, initiate the lease-to-own transaction online in the retailers' locations using our virtual solutions.

We use a proprietary automated process to confirm certain customer information for approval of the lease purchase agreement, including certain information from consumer reporting agencies as part of our decisioning process that may constitute a "consumer report" under applicable law. We believe our lease-to-own solutions within the Acima segment are beneficial for both the retailer and the consumer. The retailer captures more sales and reduces their payment risk because we buy the merchandise directly from them. We believe consumers also benefit from our Acima model because they are able to obtain the products they want and need under flexible terms and without the necessity of relying on credit to finance a purchase or need to pay the full cost upfront. We generally pay the retail price for merchandise purchased from our retail partners and subsequently leased to the customer. Through certain retail partners, we offer our customers the option to obtain ownership of the product at or slightly above the full retail price if they pay within 90 days. In some cases, the retailer provides us a rebate on the cost of the merchandise if the customer exercises this 90-day option.

Our Acima operating model is highly agile and dynamic given our virtual offerings and our ability to open and close staffed and unstaffed locations quickly and efficiently. Generally, our Acima staffed locations consist of an area with a computer, desk and chairs. We occupy the space without charge by agreement with each retailer. In our virtual locations, transactions are initiated through an electronic portal accessible by retail partners on their store computers, on our retail partners' e-commerce sites or through our Acima direct to consumer offerings including the Acima mobile application. Accordingly, capital expenditures with respect to new Acima locations are minimal.

Acima relies on our third-party retail partners to deliver merchandise leased by the customer. Such retail partners typically charge us a fee for delivery, which we pass on to the customer. In the event the customer wishes to return rented merchandise and terminate their lease, we provide various return options. Most merchandise returned from an Acima lease-to-own transaction is subsequently donated or offered for lease at one of our Rent-A-Center stores. Our Acima segment comprised approximately 48% of our consolidated revenues for the year ended December 31, 2023.

Rent-A-Center

Our Rent-A-Center segment consists of company-owned lease-to-own stores in the United States and Puerto Rico that lease durable goods to customers on a lease-to-own basis. Our Rent-A-Center segment operates through our company-owned stores and e-commerce platform through rentacenter.com. As of December 31, 2023, we operated 1,839 company-owned stores in the United States and Puerto Rico, including 52 retail installment sales stores under the names “Get It Now” and “Home Choice.” We routinely evaluate the locations in which we operate to optimize our store network. Our Rent-A-Center segment comprised approximately 47% of our consolidated revenues for the year ended December 31, 2023.

Mexico

Our Mexico segment consists of our company-owned lease-to-own stores in Mexico that lease durable goods to customers on a lease-to-own basis. As of December 31, 2023, we operated 131 stores in Mexico.

Franchising

Rent-A-Center Franchising International, Inc., an indirect wholly-owned subsidiary of the Company, is a franchisor of lease-to-own stores. The stores in our Franchising segment use our Rent-A-Center, ColorTyme or RimTyme trade names, service marks, trademarks and logos, and operate under distinctive operating procedures and standards. Our Franchising segment's primary source of revenue is the sale of rental merchandise to its franchisees, who in turn, offer the merchandise to the general public for rent or purchase under a lease-to-own transaction. The balance of our Franchising segment's revenue is generated primarily from royalties based on franchisees' monthly gross revenues.

As of December 31, 2023, we franchised 440 stores in 30 states operating under the Rent-A-Center (385 stores), ColorTyme (17 stores) and RimTyme (38 stores) trade names. These lease-to-own stores primarily offer high quality products such as furniture and accessories, consumer electronics, appliances, computers, wheels and tires.

As franchisor, Franchising receives royalties of 2.0% to 6.0% of the franchisees' monthly gross revenue and, generally, an initial fee of up to \$10,000 per new location.

The following table summarizes our store locations allocated among the Rent-A-Center, Mexico and Franchising operating segments as of December 31 of each of the years indicated below:

	2023	2022	2021
Rent-A-Center	1,839	1,851	1,846
Mexico	131	126	123
Franchising	440	447	466
Total locations	<u>2,410</u>	<u>2,424</u>	<u>2,435</u>

The following discussion applies generally to all of our operating segments, unless otherwise noted.

Operations

Store Expenses

Our expenses primarily relate to merchandise costs and the cost of operating our stores, including salaries and benefits for our employees, occupancy expense for our leased real estate, advertising expenses, lost, damaged, or stolen merchandise, fixed asset depreciation, and other expenses.

Product Selection

The stores in our Rent-A-Center, Mexico, and Franchising segments generally offer merchandise from certain basic product categories: such as furniture, including mattresses; tires; consumer electronics; appliances; tools; handbags; computers; smartphones; and accessories. Although we seek to maintain sufficient inventory in our stores to offer customers a wide variety of models, styles and brands, we generally limit merchandise to prescribed levels to maintain strict inventory controls. We also provide merchandise options to our Rent-A-Center customers through our extended marketplace on our e-commerce platform. We seek to provide a wide variety of high quality merchandise to our customers, and we emphasize products from name-brand manufacturers. Customers may request either new merchandise or previously leased merchandise. Previously leased merchandise is generally offered at a similar weekly, bi-weekly, semi-monthly, or monthly lease rate as is offered for new merchandise, but with an opportunity to obtain ownership of the merchandise after fewer lease payments.

Our furniture products include dining room, living room and bedroom furniture featuring a number of styles, materials and colors. Accessories include lamps and tables and are typically rented as part of a package of items, such as a complete room of furniture. Showroom displays enable customers to visualize how the product will look in their homes and provide a showcase for accessories. Appliances include refrigerators, freezers, washing machines, dryers, and ranges. Consumer electronic products offered by our stores include high definition televisions, home theater systems, video game consoles and stereos. We offer desktop, laptop, tablet computers and smartphones.

The merchandise assortment may vary in our non-U.S. stores according to market characteristics and consumer demand unique to the particular country in which we are operating. For example, in Mexico, the appliances we offer are sourced locally, providing our customers in Mexico the look and feel to which they are accustomed in that product category.

Acima locations offer merchandise available for sale in-store and online through third-party retailers, including furniture and accessories, consumer electronics and appliances, wheels and tires, and jewelry.

Product Turnover

On average, in the Rent-A-Center segment, lease renewals of 17 months or exercising an early purchase option is generally required to obtain ownership of new merchandise. Product turnover is the number of times a product is rented to a different customer. On average, a product is leased (turned over) to multiple customers before a customer acquires ownership. Merchandise returned in the Acima segment is often moved to a Rent-A-Center store where it is offered for lease. Ownership is attained in approximately 36% of lease purchase agreements in the Rent-A-Center segment. The average total life for each product in our Rent-A-Center segment is approximately 16 months, which includes the initial lease period, all additional lease periods and idle time in our system. To cover the higher operating expenses generated by the key benefits of lease purchase transactions and product turnover, lease purchase agreements require higher aggregate payments to obtain ownership over time (if elected by the customer) than are generally charged under purchase plans, such as installment purchase or credit plans.

Account Management

The majority of our lease purchase agreements are subject to weekly, bi-weekly, semi-monthly, and monthly renewal terms. In our Rent-A-Center stores, managers use our management information system to track past due payments on a daily basis. Similarly, past due payments are monitored on a daily basis by on-site employees in our Acima staffed locations and by our back-office account management team in respect of our Acima virtual locations. If a customer fails to make a lease payment when due, we will attempt to contact the customer to terminate the account and arrange to regain possession of our merchandise or, if elected by the customer, to obtain payment and reinstate the agreement.

In our Rent-A-Center segment, we attempt to recover the merchandise as soon as possible following non-renewal or termination of a lease purchase agreement. These efforts are enhanced by the personal and job-related references required of customers, the personal nature of the relationships between our employees and customers, and the availability of lifetime reinstatement.

If a customer does not return the merchandise or make a payment sufficient to reinstate an agreement, the remaining book value of the leased merchandise associated with delinquent accounts is generally charged off on or before the 90th day following the time the account became past due in the Rent-A-Center and Mexico segments, on or before the 120th day in our Acima segment or during the month following the 150th day in certain Acima locations formerly operating under the Acceptance Now brand.

Purchasing

In our Acima segment, we purchase the merchandise selected by the customer from the applicable third-party retailer at the time such customer enters into a lease purchase agreement with us and the product is delivered. We retain ownership of the leased property unless and until the customer elects to purchase the property pursuant to the lease terms.

In our Rent-A-Center and Mexico segments, we purchase our rental merchandise from a variety of suppliers. In 2023, approximately 39% and 21% of our merchandise purchases were attributable to Ashley Furniture Industries and Whirlpool, respectively. No other brand accounted for more than 10% of merchandise purchased during these periods. We do not generally enter into written contracts with our suppliers that obligate us to meet certain minimum purchasing levels. Although we expect to continue relationships with our existing suppliers, we believe there are numerous sources of products available, and we do not believe the success of our operations is dependent on any one or more of our present suppliers. However, any termination or disruption to our relationship with Ashley Furniture Industries, Whirlpool or other significant suppliers could materially adversely impact our results.

With respect to our Franchising segment, our franchise agreements with franchisees require the franchised stores to exclusively offer for rent or sale only those brands, types and models of products that Franchising has approved. The franchised stores are required to maintain an adequate mix of inventory that consists of approved products for rent as dictated by Franchising policy manuals. Franchisees can purchase product through us or directly from various approved suppliers.

Management

Our executive management team has extensive experience in the lease-to-own industry, as well as financial services and technology and has demonstrated the ability to grow and manage our business through their operational leadership and strategic vision. Our regional and district managers generally have long tenures with us, and we have a history of promoting management personnel from within. To support our strategic efforts we have hired additional key management members in recent years.

We believe our executive management team's extensive industry and company experience will allow us to effectively execute our strategies.

Marketing

We promote our products and services through radio and television commercials, print advertisements, store telemarketing, digital display advertisements, direct email campaigns, social networks, paid and organic search engines, website and store signage. Our advertisements emphasize such features as product and name-brand selection, the flexible payment and return options, the ability to avoid relying on credit to finance a purchase and without requiring long-term contracts or obligations, convenient delivery and set-up, product repair and loaner services, lifetime reinstatement and multiple options to acquire ownership if desired by the customer, including early purchase pricing options or through a fixed number of lease renewal payments. In addition, in the Rent-A-Center segment, we promote the "RAC Worry-Free Guarantee[®]" to further highlight these aspects of the lease purchase transaction. We believe that by leveraging our advertising efforts to highlight the benefits of the lease purchase transaction, we will continue to educate our customers and potential customers about the lease-to-own alternative to credit as well as promote our reputation as a leading provider of high-quality, branded merchandise and services.

Franchising has established national advertising funds for the franchised stores, whereby Franchising has the right to collect up to 4.5% of the monthly gross revenue from each franchisee as contributions to the fund. Franchising directs the advertising programs of the fund, generally consisting of television and radio commercials and print and digital display advertisements. Franchising also has the right to require franchisees to expend up to 3% of their monthly gross revenue on local advertising.

Industry & Competition

According to data released by the Fair Isaac Corporation on October 30, 2023, consumers in the “subprime” category (those with credit scores below 650) made up approximately 23% of the United States population. Approximately 34% of U.S. consumers have incomes below \$50,000 and may lack access to traditional credit. The lease-to-own industry provides customers the opportunity to obtain merchandise they might otherwise be unable to obtain due to insufficient cash resources or a lack of access to credit to finance a purchase.

Our stores, kiosks and other lease-to-own operations compete with other national, regional and local lease-to-own businesses, including online only competitors, as well as with rental stores that do not offer their customers a purchase option. With respect to customers desiring to purchase merchandise for cash or on credit, we also compete with retail stores, online competitors, Buy-Now-Pay-Later and other fintech companies and other competitors, including subprime lenders. Competition is based primarily on convenience, store location, product selection and availability, customer service, and pricing. See *“The industries in which we operate are highly competitive, which could impede our ability to maintain lease volumes and pricing and have a material adverse effect on our operating results”* contained in Item 1A of this Annual Report on Form 10-K.

Seasonality

Our revenue mix is moderately seasonal, with the first quarter of each fiscal year generally providing higher merchandise sales than any other quarter during a fiscal year. Generally, our customers will more frequently exercise the early purchase option on their existing lease purchase agreements or purchase pre-leased merchandise off the showroom floor during the first quarter of each fiscal year, primarily due to the receipt of federal income tax refunds. In contrast, our cash expenditures for merchandise purchases for the fiscal year are generally the highest beginning in the latter part of the third quarter through the fourth quarter, primarily as a result of holiday promotions.

Trademarks

We own various trademarks and service marks that are used in connection with our operations and have been registered with the United States Patent and Trademark Office. The duration of our trademarks is unlimited, subject to periodic renewal and continued use. In addition, we have obtained trademarks and filed for trademark registrations in Mexico and certain other foreign jurisdictions. We believe we hold the necessary rights for protection of the trademarks and service marks essential to our business. The products held for rent in our stores or through our host retailer partners also bear trademarks and service marks held by their respective manufacturers.

The Franchising segment licenses the use of the Rent-A-Center® and ColorTyme® trademarks and service marks to its franchisees under its franchise agreements with such franchisees. The Franchising segment also owns various trademarks and service marks, including ColorTyme® and RimTyme®, that are used in connection with its operations and have been registered with the United States Patent and Trademark office. The duration of these marks is unlimited, subject to periodic renewal and continued use.

Human Capital Resources

As of December 31, 2023, we employed a total of 12,970 coworkers, the vast majority of which are full time employees. Our employee base is made up of 11,050 coworkers in our U.S. Operations, including Puerto Rico, 1,340 coworkers in our Mexico operations and 580 coworkers at our corporate facilities.

We continually monitor our demand for labor and provide training and competitive compensation packages in an effort to attract and retain skilled coworkers. We believe our coworkers are one of the primary keys to successfully operating our business and achieving our strategic objectives. Our human capital measures and objectives focus on the successful training and development of our coworkers, in addition to their safety. All of our coworkers are employed at will and are free to end their employment with us at any time.

We also focus on supporting a diverse and inclusive workforce. Our Chief Diversity Officer regularly reports to our Board of Directors. We have also implemented a program to deliver unconscious bias training to our employees and have launched and are expanding our Employee Resource Groups to promote a dialogue with our employees regarding our diversity initiatives.

Government Regulation of Lease-to-Own Transactions

State Regulation. Currently, 46 states, the District of Columbia and Puerto Rico have rental purchase statutes that recognize and regulate lease purchase transactions as separate and distinct from credit sales. We believe this existing legislation is generally favorable to us, as it defines and clarifies the various disclosures, procedures and transaction structures related to the lease-to-own business with which we must comply. With some variations in individual states, most related state legislation requires the lessor to make prescribed disclosures to customers about the rental purchase agreement and transaction, and provides time periods during which customers may reinstate agreements despite having failed to make a timely payment. Some state rental purchase laws prescribe grace periods for non-payment, prohibit or limit certain types of collection or other practices, and limit certain fees that may be charged. Eleven states limit the total rental payments that can be charged to amounts ranging from 2.0 times to 2.4 times the lessor's disclosed cash price or the retail value of the rental product. Six of those eleven states also limit the lessor's cash price of merchandise to amounts ranging from 1.56 to 2.5 times our cost for each item.

Although Minnesota has a rental purchase statute, the rental purchase transaction is also treated as a credit sale subject to consumer lending restrictions pursuant to judicial decision. Therefore, we offer our customers in Minnesota an opportunity to purchase our merchandise through an installment sale transaction in our Home Choice stores. As of December 31, 2023, we operated 21 Home Choice stores in Minnesota.

North Carolina has no rental purchase legislation. However, the retail installment sales statute in North Carolina expressly provides that lease transactions which provide for more than a nominal purchase price at the end of the agreed rental period are not credit sales under the statute. As of December 31, 2023, we operated 86 lease-to-own stores and 14 Acima staffed locations in North Carolina.

Courts in Wisconsin and New Jersey, which do not have rental purchase statutes, have rendered decisions which classify rental purchase transactions as credit sales subject to consumer lending restrictions. Accordingly, in Wisconsin, we offer our customers an opportunity to purchase our merchandise through an installment sale transaction in our Get It Now stores. In New Jersey, we have modified our typical rental purchase agreements to provide disclosures, grace periods, and pricing that we believe comply with the retail installment sales act. As of December 31, 2023, we operated 31 Get It Now stores in Wisconsin and 39 Rent-A-Center stores in New Jersey.

In addition to state lease-to-own laws as described above, general consumer protection laws and regulations adopted by states and enforcement activities by state attorneys general and other consumer regulatory authorities may also impact our business. There can be no assurance as to whether the enforcement of existing state laws or regulations, including in connection with the regulatory matters described in Note M to our consolidated financial statements included in this Annual Report on Form 10-K, or the enactment of new laws or regulations that may unfavorably impact the lease-to-own industry would have a material and adverse effect on us.

Federal Regulation. To date, no comprehensive federal legislation has been enacted regulating the rental purchase transaction. However, other consumer protection laws and regulations adopted at the federal level and enforcement activities by the CFPB and the Federal Trade Commission may impact our business. The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") regulates "leases" if, among other things, the initial term of the lease is at least 90 days. We believe the lease-to-own transaction, therefore, is not a covered "lease" under the Dodd-Frank Act because, among other reasons, the lease-to-own transaction is for a term of week to week, or at most, month to month. The Consumer Financial Protection Bureau ("CFPB") may adopt a different interpretation of the Dodd-Frank Act or other federal consumer financial protection laws and is currently engaged in investigations and enforcement activities with respect to the lease-to-own industry, including a pending investigation regarding our Acima subsidiary as discussed in this Form 10-K.

From time to time, we have supported legislation introduced in Congress that would regulate the rental purchase transaction. While both beneficial and adverse legislation regulating the rental purchase transaction may be introduced in Congress in the future, any adverse federal legislation, if enacted, could have a material and adverse effect on us. In addition, there can be no assurance as to whether the enforcement of existing federal consumer protection laws or regulations, including in connection with the regulatory matters described in Note M to our consolidated financial statements included in this Annual Report on Form 10-K, or the enactment of new laws or regulations that may unfavorably impact the lease-to-own industry would have a material and adverse effect on us.

Mexico

No comprehensive legislation regulating the lease-to-own transaction has been enacted in Mexico. We use substantially the same rental purchase transaction in Mexico as in the U.S. stores, but with such additional provisions as we believe may be necessary to comply with Mexico's specific laws and customs.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, periodic reports on Form 8-K, proxy statements and other information with the SEC. The public may obtain copies of these reports and any amendments at the SEC's website, www.sec.gov. Additionally, we make available free of charge on or through our website our Annual Report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also provide electronic or paper copies of our filings free of charge upon request. In addition, our Board of Directors has adopted a Code of Business Conduct and Ethics applicable to all members of our Board of Directors, as well as all of our coworkers, including our Chief Executive Officer, Chief Financial Officer, principal accounting officer and controller. The Code of Business Conduct and Ethics forms the foundation of a compliance program we established as part of our commitment to responsible business practices that includes policies, training, monitoring and other components covering a wide variety of specific areas applicable to our business activities and employee conduct. A copy of the Code of Business Conduct and Ethics is published on our website at <https://investor.upbound.com/corporate-governance/governance-documents>. We intend to make all required disclosures concerning any amendments to, or waivers from, this Code of Business Conduct and Ethics on our website.

Item 1A. Risk Factors.

Investing in Upbound Group, Inc. involves a high degree of risk, and you should carefully consider the risks described in this section and the other information included in this Annual Report on Form 10-K, including our Consolidated Financial Statements and related notes, before making an investment decision. Please note that the headings reflected below are provided solely for convenience of the reader and do not indicate that a given risk applies only to the heading under which it is located. The risks described in this section include, but are not limited to, those highlighted in the following list:

Risks Relating to Economic Conditions

- *The success of our business is dependent on factors affecting consumer spending and payment behaviors that are not under our control.*

Risks Relating to Our Vendors, Suppliers and Products

- *Disruptions in our supply chain and other factors affecting the distribution of our merchandise could materially and adversely affect our business.*
- *We rely on the receipt of information from third-party data vendors, and inaccuracies in or delays in receiving such information, or the termination of our relationships with such vendors, could have a material adverse effect on our business, operating results and financial condition.*
- *We must successfully manage our inventory to reflect customer demand and anticipate changing consumer preferences and leasing trends or our revenue and profitability could be materially and adversely affected.*
- *Allegations of or actual product safety and quality control issues, including product recalls, could harm our reputation, divert resources, reduce sales and increase costs.*

Risks Relating to Our Strategy and Operations

- *If we are unable to successfully appeal to and engage with our target consumers, our business and financial performance may be materially and adversely affected.*
- *We must maintain brands that are recognized and trusted by consumers and retail partners.*
- *Our proprietary algorithms and customer lease decisioning tools used to approve customers are subject to unexpected changes in behavior caused by macroeconomic conditions, which could cause these tools to no longer be indicative of our customers' ability to perform under their lease agreements with us.*
- *Failure to effectively manage our costs could have a material adverse effect on our profitability.*
- *We face risks in our Acima retail partner business and virtual locations that differ in some potentially significant respects from the risks of the traditional lease-to-own business conducted in Rent-A-Center store locations. These risks could have a material adverse effect on Acima, which could negatively impact our ability to grow the Acima segment and result in a material adverse effect on our results of operations.*
- *Our strategy to grow the retail partner business depends on our ability to develop and offer robust virtual lease-to-own technology, including algorithmic decisioning programs and waterfall integrations.*
- *Our operations are dependent on effective information management systems. Failure of our systems or those of our host retailers could negatively impact our business, financial condition and results of operations.*
- *If we fail to protect the integrity and security of customer, employee, supplier and host retailer information, or if our host retailers fail to protect the integrity and security of customer information, we could incur significant liability and damage our reputation, and our business could be materially and adversely affected.*
- *The industries in which we operate are highly competitive, which could impede our ability to maintain lease volumes and pricing and have a material adverse effect on our operating results.*
- *If we are unable to attract, train and retain managerial personnel and hourly associates in our stores and staffed Acima locations, our reputation, sales and operating results may be materially and adversely affected.*
- *The risks associated with climate change and other environmental impacts and increased focus by stakeholders on environmental issues, including those associated with climate change, could adversely affect our business, financial condition and operating results.*

Risks Relating to Legal and Compliance Matters

- *We may be subject to legal or regulatory proceedings from time to time that result in damages, penalties or other material monetary obligations or material restrictions on our business operations, and our use of arbitration agreements may not allow us to avoid costly litigation.*
- *The outcome of the previously disclosed investigations by the CFPB, multi-state attorneys' general group and the New York Attorney General into certain of Acima's business practices is uncertain and may materially and adversely affect our business.*
- *Federal and state regulatory authorities are increasingly focused on the lease-to-own industry, and any negative change in these laws or regulations or the passage of unfavorable new laws or regulations or the manner in which any of these are enforced or interpreted could expose us to significant additional costs or compliance-related burdens and could require us to alter our business practices in a manner that may be materially adverse to us.*
- *Our lease-to-own transactions are regulated by and subject to the requirements of federal and state laws and regulations that vary by jurisdiction, which require significant compliance costs and expose us to regulatory action or other litigation.*
- *Laws and regulations regarding information security and data collection, use and privacy are increasingly rigorous and subject to change, which may cause us to incur significant compliance costs and subject us to adverse impacts in the event of actual or alleged compliance failures.*
- *Our reputation, ability to do business and operating results may be impaired by improper conduct by any of our employees, agents or business partners, including retail partners.*
- *Our products and services may be negatively characterized by consumer advocacy groups, the media and certain federal, state and local government officials, and if those negative characterizations become increasingly accepted by consumers and/or our retail partners, demand for our goods and the transactions we offer could decrease and our business could be materially and adversely affected.*
- *We may be unable to protect our intellectual property, or may be alleged to have infringed upon the intellectual property rights of others, which could result in a loss of our competitive advantage, a diversion of resources and a material adverse effect on our business and results of operations.*

Risks Relating to Our Indebtedness and Other Financial Matters

- *We have significant indebtedness, and the level of our indebtedness could materially and adversely affect us.*
- *The amount of borrowings permitted under the Asset Based Loan Credit Facility (the "ABL Credit Facility") is limited to the value of certain of our assets, and Upbound Group, Inc. relies in part on available borrowings under the ABL Credit Facility for cash to operate its business, which subjects it to market and counterparty risk, some of which is beyond Upbound Group, Inc.'s control.*
- *Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.*
- *Our organizational documents and our current or future debt instruments contain or may contain provisions that may prevent or deter another group from paying a premium over the market price to Upbound Group, Inc.'s stockholders to acquire its stock.*
- *If our goodwill or intangible assets became impaired, we may be required to record a significant charge to earnings.*

The risks described in this section are not the only risks that could materially and adversely affect our business; other risks currently believed to be immaterial or additional risks not currently known to us could also materially and adversely affect our business, financial condition or results of operations. If any of the events or circumstances described in this section actually occur, our business, operating results, financial condition, cash flows, and prospects could be materially and adversely affected. In that event, the market price of our securities could decline, and you could lose part or all of your investment.

Risks Relating to Economic Conditions

The success of our business is dependent on factors affecting consumer spending and payment behaviors that are not under our control.

Consumer spending and payment behaviors are affected by general economic conditions and other factors including levels of employment, disposable consumer income, prevailing interest rates, consumer debt and availability of credit, cost of fuel, food and housing, inflation, recession and fears of recession, war (including the current conflicts in Ukraine and the Middle East) and fears of war, terrorist activities, pandemics, inclement weather, tariff policies, tax rates and rate increases, timing of receipt of

tax refunds, consumer confidence in future economic conditions and political conditions and consumer perceptions of personal well-being and security. Unfavorable general economic changes, due to any one or more of these or other factors, could reduce demand for our products and services resulting in lower revenue or negatively impact consumer payment behavior resulting in higher than expected losses and negatively impacting our business and financial results. For example, since the latter part of 2021, we have experienced negative trends in customer behavior following the expiration of government stimulus and relief programs combined with a significant rise in the U.S. consumer price index, resulting in significant pressure on the discretionary income levels of our consumers. This led us to tighten our underwriting policies in an effort to improve risk management related to the execution of new leases. The continuation of the trends described above combined with the tightening of our underwriting policies has reduced the number of active leases with corresponding decreases in lease revenue and operating cash flows.

In addition to the negative trends in customer behavior described above, we have also been impacted by other negative macroeconomic trends, including a tight labor market, which has contributed to wage inflation, and global supply chain disruptions resulting in reduced product availability and rising product costs.

While the lease-to-own industry has historically remained a resilient business model throughout various economic cycles, the full extent to which our risk management strategy and macroeconomic trends (including consumer spending and payment behavior) may impact our business in future periods is uncertain. The continuation of these negative trends may have a material adverse impact on our financial statements, including our results of operations, operating cash flows, liquidity and capital resources.

Risks Relating to Our Vendors, Suppliers and Products

Disruptions in our supply chain and other factors affecting the distribution of our merchandise could materially and adversely affect our business.

Disruptions in our supply chain and those of our retail partners can and have resulted in our inability to meet our customers' expectations, higher costs, an inability to stock our stores, or longer lead time associated with distributing merchandise. Disruptions within our supply chain network also result in decreased net sales, increased costs and reduced profits. For example, as a result of the impacts of COVID-19 on U.S. and global supply chains and manufacturing operations, we experienced some delays on our timing or ability to obtain desired merchandise for our business.

Our arrangements with our suppliers and vendors may be materially and adversely affected by changes in our financial results or financial position or changes in consumer demand, which could materially and adversely affect our business.

Substantially all of our merchandise suppliers and vendors sell to us on open account purchase terms. There is a risk that our key suppliers and vendors could respond to any actual or apparent decrease in, or any concern with, our financial results or liquidity by requiring or conditioning their sale of merchandise to us on more stringent or more costly payment terms, such as by requiring standby letters of credit, earlier or advance payment of invoices, payment upon delivery or other assurances or credit support or by choosing not to sell merchandise to us on a timely basis or at all. In addition, if demand for our products and services declines, the volume of merchandise we purchase from third-party suppliers may decrease, which could result in smaller discounts from our vendors or the elimination of such discounts by our vendors. Our arrangements with our suppliers and vendors may also be impacted by media reports regarding our financial position or other factors relating to our business. Our need for additional liquidity could materially increase and our supply of inventory could be materially disrupted if any of our key suppliers or vendors, or a significant portion of our other suppliers or vendors, takes one or more of the actions described above, which could result in increased costs of operation and decreased net sales, customer satisfaction and profits.

We rely on the receipt of information from third-party data vendors, and inaccuracies in or delays in receiving such information, or the termination of our relationships with such vendors, could have a material adverse effect on our business, operating results and financial condition.

We are heavily dependent on data provided by third-party providers. Our lease-to-own business employs a proprietary decisioning algorithm that determines whether or not an application for a lease submitted by a customer will be approved for a lease and the potential amount of the lease. This algorithm depends extensively upon continued access to, and timely receipt of, reliable data from external sources, such as third-party data vendors. Our data providers could stop providing data, provide untimely, incorrect or incomplete data, or increase the costs for their data for a variety of reasons, including a perception that our systems are insecure as a result of a data-security breach, regulatory concerns or for competitive reasons. We could also become subject to increased legislative, regulatory or judicial restrictions or mandates on the collection, disclosure or use of such data, in particular if such data is not collected by our providers in a way that allows us to legally use the data. If we were to lose access to this external data or if our access or use were restricted or were to become less economical or desirable, our

business would be negatively impacted, which would materially and adversely affect our operating results and financial condition. We cannot provide assurance that we will be successful in maintaining our relationships with these external data-source providers or that we will be able to continue to obtain data from them on acceptable terms or at all. Furthermore, we cannot provide assurance that we will be able to obtain data from alternative sources if our current sources become unavailable.

We must successfully manage our inventory to reflect customer demand and anticipate changing consumer preferences and leasing trends or our revenue and profitability could be materially and adversely affected.

The success of our Rent-A-Center segment depends upon our ability to successfully manage our inventory and to anticipate and respond to merchandise trends and customer demands in a timely manner. We cannot always accurately predict consumer preferences, and they may change over time. We must order certain types of merchandise, such as consumer electronics, well in advance of seasonal increases in customer demand for those products. The extended lead times for many of our purchases may make it difficult for us to respond rapidly to new or changing consumer trends and price shifting and to maintain an optimal selection of merchandise available for lease at all times. If we misjudge any of the market for our merchandise, our customers' product preferences or our customers' leasing behaviors, our revenue may decline significantly, and we may not have sufficient quantities of merchandise to satisfy customer demand, or we may be required to mark down excess inventory, either of which would result in lower revenue and profit. In addition, our level of profitability and success in our Rent-A-Center segment depends on our ability to successfully re-lease our inventory of merchandise that is returned by customers of our Rent-A-Center or Acima segments, due to their lease agreements expiring, or otherwise.

Allegations of or actual product safety and quality control issues, including product recalls, could harm our reputation, divert resources, reduce sales and increase costs.

The products we lease and sell in our Rent-A-Center segment and Acima segment are subject to regulation by the U.S. Consumer Product Safety Commission and similar state regulatory authorities and expose us to potential product liability claims, recalls or other regulatory or enforcement actions initiated by regulatory authorities or through private causes of action. Such claims, recalls or actions could be based on allegations that, among other things, the products leased or sold by us contain contaminants or impermissible materials, provide inadequate instructions regarding their use or misuse or include inadequate warnings, such as those concerning the materials or their flammability. We do not control the production process of the products we sell and lease and may be unable to identify a defect or deficiency in a product purchased from a manufacturer before offering it for sale or lease to our customers. Product safety or quality concerns may require us to voluntarily remove selected products from our physical locations or from our customers' homes or cease offering those products online. Such recalls and voluntary removal of products can result in, among other things, lost sales, diverted resources, potential harm to our reputation and increased customer service costs, each of which could have a material adverse effect on our financial condition. In addition, in the event of such a product quality or safety issue, our customers who have leased the defective merchandise from us could terminate their lease agreements for that merchandise and/or not renew those lease arrangements, which could have a material adverse effect on our financial condition if we are unable to recover those losses from the vendor who supplied us with the relevant merchandise. In addition, new federal or state legislation, including new product safety and hazardous material laws and regulations, may negatively impact our operations, increase our cost of doing business and adversely affect our operating performance.

Risks Relating to Our Strategy and Operations

Our success depends on the effective implementation and continued execution of our strategies.

We are focused on our mission to elevate financial opportunity for cash- and credit-constrained consumers including through affordable and flexible access to durable goods that promote a higher quality of living. In recent years, we accelerated our virtual growth strategy through the acquisition of Merchants Preferred, launch of our Preferred Lease offering, and acquisition of Acima Holdings, with a focus towards executing on large market opportunities through national and regional retail partners. We seek to capitalize on key differentiators in our virtual offerings, as well as grow our business through expansion in our product verticals, e-commerce platform and other digital enhancements, improving the customer and retail partner experience and providing consumers with greater opportunities to shop how, when and where they want with the flexibility of our lease-to-own solutions. Our Rent-A-Center segment employs its own growth strategies and seeks to adapt to changing consumer preferences and shopping behaviors while managing its cost structure.

Growth of our business, including through the launch of new product offerings requires us to invest in or expand our information and technology capabilities, engage and retain experienced management, invest in our stores and otherwise incur additional costs. Our inability to address these concerns or otherwise to achieve targeted results associated with our initiatives

could materially and adversely affect our results of operations, or negatively impact our ability to successfully execute future strategies, which may result in a material adverse effect on our business and financial results.

If we are unable to successfully appeal to and engage with our target consumers and retail partners, our business and financial performance may be materially and adversely affected.

We operate in the consumer retail industry through brick-and-mortar stores and digitally including through retail partner channels. As such, our success depends, among other things, on our ability to identify and successfully market products and services through various channels that appeal to our current and future target customer segments and retail partners, to align our offerings with consumer and retail partner preferences and to maintain favorable perceptions of our brands by our target consumers and retail partners. If we are unable to successfully appeal to and engage with our target consumers and retail partners, our business and financial performance may be materially and adversely affected.

We must maintain corporate brands that are recognized and trusted by consumers and retail partners.

Our brands could be adversely affected by situations that reflect negatively on us, whether due to our business practices, adverse financial developments, a data breach, perceptions of our corporate governance or how we address environmental or social responsibility initiatives, the conduct of our officers, directors, or employees, the actions of a significant partner or other businesses with which we do business, or other causes. The negative impacts of these or other events may be amplified as consumers and other stakeholders increase or change their expectations regarding the conduct of public companies, sustainability efforts, and corporate responsibility. These impacts may be further complicated such that perceptions are formed through rapid and broad interactions using modern communication and social media tools over which we have no control. Any such event could decrease demand for our products, reduce our ability to recruit and retain employees, and lead to greater regulatory scrutiny of our businesses.

Our proprietary algorithms and customer lease decisioning tools used to approve customers are subject to unexpected changes in behavior caused by macroeconomic conditions, which could cause these tools to no longer be indicative of our customers' ability to perform under their lease agreements with us.

We believe our proprietary customer lease decisioning process to be a key to the success of our business for both Acima and Rent-A-Center. We assume behavior and attributes observed from prior customers, among other factors, are indicative of performance by future customers. Unexpected changes in behavior caused by macroeconomic conditions, including, for example, impacts to the U.S. economy related to the COVID-19 pandemic and changes in consumer behavior relating thereto as well as the current challenging macroeconomic conditions, could lead to increased incidence and costs related to lease merchandise write-offs. For example, we experienced higher losses in the fourth quarter of 2021 and during 2022 due to the impacts of changing consumer payment behaviors following the expiration of governmental stimulus programs and high inflation. Unexpected changes in behavior caused by macroeconomic conditions will impact our decisioning process and likely require frequent adjustments and the application of greater management judgment in the interpretation and adjustment of the results produced by our decisioning tools and we may be unable to accurately predict and respond to the impact of a prolonged economic downturn or changes to consumer behaviors, which in turn may limit our ability to manage risk and avoid lease merchandise write-offs and could result in our accounts receivable allowance being insufficient. Even after the effect of the current macroeconomic conditions subside, unexpected changes in behavior caused by macroeconomic conditions such as the U.S. economy experiencing a recession or slowdown in economic growth and job losses related thereto, increases in interest rates or a continued high interest rate environment, inflationary pressures, reduced availability or elimination of government subsidies, resumption of eviction proceedings, resumption of student loan payments, changes in consumer preferences, availability of alternative products or other factors, could lead to increased incidence and costs related to lease merchandise write-offs.

We may take advantage of merger and acquisition opportunities from time to time with the intent of advancing our key initiatives, but such activities may not prove successful and may subject us to additional risks.

From time to time, we may take advantage of merger and acquisition opportunities intended to advance our key strategic initiatives. Such merger and acquisition opportunities may involve numerous risks, including the following:

- difficulties in integrating the operations, systems, technologies, products and personnel of the acquired businesses;
- difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets may have stronger market positions;
- application of regulatory regimes that have not previously applied to, and may significantly impact, our business;
- diversion of management's attention from normal daily operations of the business and the challenges of managing larger and more widespread operations;

- the potential loss of key employees, vendors and other business partners of the businesses we acquire;
- the incurrence of debt, contingent liabilities and amortization expenses and write-offs of goodwill in connection with such activities that could harm our financial condition; and
- dilutive issuances of common stock or other equity securities.

Mergers and acquisitions are inherently risky and subject to many factors outside of our control. We cannot assure you that our previous or future acquisitions will be successful and will not materially and adversely affect our business, operating results or financial condition. Failure to manage and successfully integrate acquisitions could materially harm our business and operating results.

Failure to effectively manage our costs could have a material adverse effect on our profitability.

Consumer spending remains uncertain and our continued profitability is largely dependent on our ability to effectively manage our cost structure, certain elements of which are largely fixed in nature. We have experienced, and may experience in the future, increases in the costs of purchasing certain merchandise from suppliers or retail partners as a result of various factors, including supply/demand trends, tariffs and other government regulations, increases in the prices of certain commodities, increases in shipping costs and general economic conditions. We have experienced and may experience in the future increases in labor costs as a result of wage inflation for employees in many regions or increased competition for employees as unemployment rates decline. We have limited or no control over many of these inflationary forces. In addition, due to the competitive environment in our industry and increasing price transparency, we may not be able to recover all or even a portion of such cost increases by increasing our merchandise prices, fees, or otherwise. Even if we are able to increase merchandise prices or fees, those cost increases to our customers could result in reduced demand for our products and services. As a result, the failure to manage our overall cost of operations, labor and benefit rates, advertising and marketing expenses, operating leases, charge-offs due to customer-stolen merchandise, other store expenses or indirect spending could materially and adversely affect our profitability.

We face risks in our Acima retail partner business and virtual locations that differ in some potentially significant respects from the risks of the traditional lease-to-own business conducted in Rent-A-Center store locations. These risks could have a material adverse effect on Acima, which could negatively impact our ability to grow the Acima segment and result in a material adverse effect on our results of operations.

Our Acima segment offers the lease-to-own transaction through the stores or websites of third-party retailers and, therefore, faces risks different from those that have historically been associated with our traditional lease-to-own business conducted in our Rent-A-Center store locations. These potential risks include, among others:

- reliance on the ability of unaffiliated third-party retailers to attract customers and to maintain quality and consistency in their operations and their ability to continue to provide eligible durable goods desired by customers;
- establishing and maintaining relationships with unaffiliated third-party retailers;
- reliance on unaffiliated third-party retailers for many important business functions, from advertising through assistance with lease transaction applications, including, for example, adhering to Acima's merchant policies and procedures, properly explaining the nature of the lease-to-own transaction to potential customers, properly handling customer inquiries made directly to the retail partner and properly explaining that the lease transaction is with Acima and not with the third-party retailer;
- increased regulatory focus on the virtual lease-to-own transaction and/or the potential that regulators adopt new regulations or legislation (or existing laws and regulations may be interpreted in a manner) that negatively impact Acima's ability to offer virtual lease-to-own programs or certain products or services through third-party retail partners, and/or that regulators may attempt to force the application of laws and regulations on Acima's lease-to-own business or certain products or services in inconsistent and unpredictable ways that could increase the compliance-related costs incurred by us, restrict certain business activities and negatively impact our financial and operational performance (see, for example, the regulatory matters discussed in Note M to our consolidated financial statements included in this Annual Report on Form 10-K);
- reliance on automatic bank account drafts for lease payments, which may become disfavored as a payment method for these transactions by regulators and/or providers, or may otherwise become unavailable;
- more product diversity within Acima's merchandise inventory relative to our traditional store-based lease-to-own business, which can complicate matters such as merchandise repair and disposition of merchandise that is returned and which exposes us to risks associated with products with which we have limited experience;

- lower barriers to entry and start-up capital costs to launch a competitor due to the reliance of Acima and its competitors on the store locations and inventories of third-party retailers, and online connections with retailers, rather than incurring the cost to obtain and maintain brick and mortar locations and in-store or in-warehouse inventories;
- indemnification obligations to Acima’s retail partners and their service providers for losses stemming from Acima’s failure to perform with respect to its products and services, to comply with applicable laws or regulations or to take steps to protect its retail partners’ and their customers’ data and information from being accessed or stolen by unauthorized third-parties, including through cyberattacks;
- increased risk of consumer fraud with respect to Acima’s lease-to-own business and e-commerce business as compared to the traditional store-based Rent-A-Center Business;
- increased risk of merchant fraud due to the planned growth in retail partners and other merchants from which customers can select products to lease from Acima;
- reduced gross margins compared to the Rent-A-Center segment because Acima generally purchases merchandise it leases to customers at retail, rather than wholesale, prices;
- operational, financial, regulatory or other risks associated with the development and implementation of new digital technologies that are intended to enhance the customer and retail partner experience and to differentiate Acima from competing consumer offerings, including Acima direct to consumer offerings; and
- the ability of Acima to adequately protect its proprietary technologies or to address any claims of infringement by third-parties.

These risks could have a material adverse effect on Acima, which could negatively impact our ability to grow the Acima segment and result in a material adverse effect on our results of operations. In addition, these risks have become more significant due to the size of the Acima segment as a percentage of our overall company.

Our strategy to grow the retail partner business depends on our ability to develop and offer robust virtual lease-to-own technology, including algorithmic decisioning programs and waterfall integrations.

Although our retail partner business began as a staffed model, our strategy to grow the retail partner business depends on significantly expanding our unstaffed or virtual lease-to-own solution. The acquisitions of Merchants Preferred and Acima Holdings in recent years, including scalable technology offering, robust decision engine, enhanced infrastructure and experienced management team members accelerated the development of our virtual lease-to-own offering. Since 2021, we have further executed on our virtual growth strategy through, among other things, continued investments in Acima’s proprietary offerings, technologies and organizational enhancements. We may not realize the intended benefits from these investments and initiatives. If we are unable to maintain and continuously improve our technologies and decisioning methodologies, our business and financial results may be materially and adversely affected.

If we are unable to compete effectively within the growing e-commerce sector, our business and results of operations may be materially and adversely affected.

Competition from the e-commerce sector continues to grow and has been accelerated by trends that developed as a result of restrictions implemented due to COVID-19. To compete in this e-commerce sector, we must be able to innovate and develop technologies and digital solutions that appeal to our customer. We utilize virtual capabilities within our Acima and Rent-A-Center segments. There can be no assurance we will be successful in continuing to develop the technologies and digital solutions necessary to grow our e-commerce business in a profitable manner. Certain of our competitors, and a number of e-commerce retailers, have established e-commerce operations against which we compete for customers. It is possible that the increasing competition from the e-commerce sector may reduce or prevent us from growing our market share, gross and operating margins, and may materially and adversely affect our business and results of operations in other ways.

Our operations are dependent on effective information management systems. Failure of our systems or those of our host retailers could negatively impact our business, financial condition and results of operations.

We utilize integrated information management systems. The efficient operation of our business is dependent on these systems to effectively manage our financial and operational data. The failure of our information management systems to perform as designed due to “bugs,” crashes, computer viruses, security breaches, cyberattacks, phishing attacks, internet failures and outages, operator error, or catastrophic events, and any associated loss of data or interruption of such information management systems for a significant period of time could disrupt our business. If the information management systems sustain repeated failures, we may not be able to manage our store and virtual operations, which could have a material adverse effect on our business, financial condition and results of operations. We continuously need to improve and upgrade our systems and technology while maintaining their reliability and integrity. We invest in new information management technology and systems

and implement modifications and upgrades to existing systems. These investments include replacing legacy systems, making changes to existing systems, building redundancies, and acquiring new systems and hardware with updated functionality. We take actions and implement procedures designed to ensure the successful implementation of these investments, including the testing of new systems and the transfer of existing data. These efforts may take longer and may require greater financial and other resources than anticipated, may cause distraction of key personnel, may cause disruptions to our existing systems and our business, and may not provide the anticipated benefits. A disruption in our information management systems, or our inability to improve, upgrade, integrate or expand our systems to meet our evolving business requirements, could impair our ability to achieve critical strategic initiatives and could materially and adversely affect our business, financial condition and results of operations. Similar risks associated with Acima host retailer information management systems, which we do not control, may also materially and adversely affect our business, financial condition and results of operations.

If we fail to protect the integrity and security of customer, employee, supplier and host retailer information, or if our host retailers fail to protect the integrity and security of customer information, we could incur significant liability and damage our reputation, and our business could be materially and adversely affected.

In the ordinary course of business, we collect, store and process certain personal information provided to us by our customers, including social security numbers, dates of birth, banking information, credit and debit card information and data we receive from consumer reporting companies, including credit report information, as well as certain confidential information about our retail partners and employees, among others. Much of this data constitutes confidential personally identifiable information (“PII”) which, if unlawfully accessed, either through a “hacking” attack or otherwise, could subject us to significant liability as further discussed below.

To our knowledge, we have not suffered a significant security breach during 2023 or during 2024 through February 27, 2024, the date of this Annual Report on Form 10-K. However, despite instituted safeguards for the protection of such information, our systems are subject to significant risk of compromise from increasingly aggressive and sophisticated cyberattacks, including hacking, computer viruses, malicious or destructive code, ransomware, social engineering attacks (including phishing and impersonation), denial-of-service attacks and other attacks and similar disruptions from the unauthorized use of or access to information technology systems. Our IT systems are subject to constant attempts to gain unauthorized access in order to disrupt our business operations and capture, misappropriate, destroy or manipulate various types of information that we rely on, including confidential PII or other confidential information. In addition, one of our employees, contractors or other third-parties with whom we do business may attempt to circumvent our security measures in order to obtain such information, or if a third party we are engaged with suffers a breach, we could potentially also suffer from the loss of such information. Loss or misuse of customer, employee, supplier or retail partner information could disrupt our operations, damage our reputation, and expose us to claims from customers, employees, suppliers, retail partners, regulators and other persons, any of which could have a material adverse effect on our business, financial condition and results of operations. Successful data breaches or other cybersecurity incidents at other companies, whether or not we are involved, could lead to a general loss of customer confidence that could similarly negatively affect us, including harming the market perception of the effectiveness of our security measures or financial technology in general. Further, if any such compromise, breach or misuse is not detected quickly, the effect could be compounded. The costs associated with information security, such as increased investment in technology, the costs of compliance with privacy laws and industry standards, fines, penalties, or liability, and costs incurred to prevent or remediate information security breaches, could materially and adversely affect our business. In addition, we rely on the secure operation of our website and other third-party systems generally to assist us in the collection and transmission of the sensitive data we collect. Similar risks associated with Acima host retailers’ failure to protect the integrity and security of customer information, which we do not control, may also materially and adversely affect our business, financial condition and results of operations.

Failure to achieve and maintain effective internal controls could have a material adverse effect on our business.

Effective internal controls are necessary for us to provide reliable financial reports. If we cannot provide reliable financial reports, our brand and operating results could be harmed. Additionally, as a public company, we are required to document and test our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 so that our management can certify, on an annual basis, that our internal control over financial reporting is effective. We are also required to, among other things, establish and periodically evaluate procedures with respect to our disclosure controls and procedures.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. While we continue to evaluate and improve our internal controls, we cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we fail to maintain the adequacy of our internal controls, as such standards are modified,

supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to achieve and maintain an effective internal control environment could cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our ability to raise capital, and may also expose us to potential claims and losses. Additionally, any such failure could subject us to increased regulatory scrutiny, which could also have a material adverse effect on our business and the price of our securities.

The industries in which we operate are highly competitive, which could impede our ability to maintain lease volumes and pricing and have a material adverse effect on our operating results.

Many categories of products we lease and sell from time to time, including furniture, appliances and electronics such as televisions, computers and smartphones, are the subject of intense competition from a number of types of competitors, including national, regional and local operators of lease-to-own stores, virtual lease-to-own companies, traditional and online providers of used goods and merchandise, traditional, “big-box” and e-commerce retailers, fintech firms and others. In addition, the lease-to-own industry faces competition from layaway programs and various types of consumer finance companies, including Buy-Now-Pay-Later, installment, payday and title loan companies, that may enable our customers to shop at traditional or online retailers, as well as rental stores that do not offer their customers a purchase option. These competitors may have significantly greater financial and operating resources, greater name recognition in certain markets, and offer a larger selection of products at more competitive prices than our Rent-A-Center and Acima segments. Competitors with greater financial resources may be able to grow faster than us, including through acquisitions. Our competitors may also employ aggressive marketing strategies involving frequent sales and discounts, including the use of certain products as “loss leaders” to increase customer traffic. Engaging in these pricing strategies could cause a material reduction in our sales revenue and gross margins. Alternatively, we may be unable to or elect not to engage in these pricing strategies, which could decrease our lease volumes. The expansion of digital retail has increased the number and variety of retailers with which we compete, and certain online retailers may have greater brand recognition, social media following and engagement and sophisticated websites than we do.

Some of these competitors may be willing to offer products and services on an unprofitable basis in an effort to gain market share or be willing to finance or lease certain types of products that we are not willing to or are unable to lease. Additionally, these competitors may be willing to enter into customer leases where services, rather than goods, comprise the significant portion of the lease value, or be willing to engage in other practices related to pricing, compliance, and other areas in which we are not willing to or cannot engage. The increasing competition from all of these sources may also reduce the market share held by our Rent-A-Center and Acima segments.

Our Acima segment relies heavily on relationships with retail partners. An increase in competition, which we continue to face, could cause our retail partners to no longer offer the Acima lease-to-own solutions in favor of those of our competitors, or to offer the Acima lease-to-own solutions and the products of our competitors simultaneously at the same store locations, which could slow growth in the Acima segment and limit or reduce profitability. Furthermore, Acima’s lease-to-own competitors may deploy different business models, such as direct-to-consumer strategies, that forego reliance on retail partner relationships that may prove to be more successful.

We may be unable to retain key employees.

The success of Upbound Group, Inc. depends in part upon its ability to retain its executive leadership, management team and other key employees. Key personnel may depart because of a variety of reasons. The loss of these individuals without adequate replacement could materially and adversely affect our ability to sustain and grow our business. The inability to attract and retain qualified individuals, or a significant increase in the costs to do so, would materially and adversely affect our operations.

If we are unable to attract, train and retain managerial personnel and hourly associates in our stores and staffed Acima locations, our reputation, sales and operating results may be materially and adversely affected.

Our workforce is comprised primarily of employees who work on an hourly basis. We rely on our sales associates in our store locations and staffed Acima locations to provide customers with an enjoyable and informative shopping experience and to help ensure the efficient processing and delivery of products. To grow our operations and meet the needs and expectations of our customers, we must attract, train, and retain a large number of hourly associates, while at the same time controlling labor costs. We compete with other retail businesses as well as restaurants for many candidates for employment at our store locations and staffed Acima locations. These positions have historically had high turnover rates, which can lead to increased training, retention and other costs. Our ability to control labor costs is also subject to numerous external factors and compliance with regulatory structures, including competition for and availability of qualified personnel in a given market, unemployment levels within those markets, governmental regulatory bodies such as the Equal Employment Opportunity Commission and the

National Labor Relations Board, prevailing wage rates and wage and hour laws, minimum wage laws, the impact of legislation governing labor and employee relations or benefits, such as the Affordable Care Act, health insurance costs and our ability to maintain good relations with our employees. If we are unable to attract and retain quality employees at reasonable cost, or fail to comply with the regulations and laws impacting personnel, it could have a material adverse effect on our business, financial condition and results of operations.

Acts of nature, whether due to climate change, pandemic or otherwise, can disrupt our operations and those of our retail partners.

Our store operations, as well as those of our retail partners at Acima, are subject to the effects of adverse acts of nature, such as pandemics and other public health crises, winter storms, hurricanes, hail storms, strong winds, earthquakes and tornadoes, which have in the past caused damage such as flooding and other damage to our stores and those of our retail partners in specific geographic locations, including in Mexico, Puerto Rico, Florida, Louisiana and Texas, and may, depending upon the location and severity of such events, materially and unfavorably impact our business continuity. We cannot guarantee that the amount of any hurricane, windstorm, earthquake, flood, business interruption or other casualty insurance we may maintain from time to time would cover any or all damages caused by any such event.

We are subject to the risk of pandemics and other threats to public health, and the reactions of governmental authorities to those emergencies. The lease-to-own industry can benefit during recessionary economic cycles or credit-constrained environments because it provides credit constrained customers with a viable option to obtain merchandise they may not otherwise be able to obtain through other retailers offering traditional financing options. However, there are no assurances that the continuing or future pandemics will not lead to future government actions negatively impacting our business. In addition, pandemics could lead to lasting changes in consumer behavior detrimental to our business.

The COVID-19 pandemic and the measures taken in response to it prevented us from continuing our operations in the ordinary course, which had an immediate adverse effect on our business as we experienced operational restrictions, delays on our timing or ability to obtain desired merchandise and increased costs. To the extent that similar measures are implemented in the future in response to a pandemic or other public health or safety crises, our business and results of operations may be adversely affected.

The risks associated with climate change and other environmental impacts and increased focus by stakeholders on environmental issues, including those associated with climate change, could adversely affect our business, financial condition and operating results.

Climatologists predict the long-term effects of climate change and global warming will result in the increased frequency, intensity, unpredictability and duration of weather events, which could significantly disrupt supply chains, potentially impacting our vendors' costs and the production of products leased at our stores. These weather events could also lead to an increased rate of temporary store closures and reduced customer traffic at our stores and impact the availability and costs of products, commodities and energy, which in turn may impact our ability to procure goods or services required for the operation of our business at the quantities and levels we require.

In addition, concern over climate change may result in new or increased regional, federal or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases, including increased disclosure requirements. These requirements may lead to an increase in tax, transportation, utility and other expenses.

Lastly, there is increased focus, including by governmental and non-governmental organizations, investors, customers and communities on these and other environmental sustainability matters, including deforestation, land use, climate impact and recyclability or recoverability of packaging, including plastic. Our reputation could be damaged if we or others in our industry do not act, or are perceived not to act, responsibly with respect to our impact on the environment. In addition, our host retailers in our Acima segment may face similar risks, which could adversely impact the results of our Acima segment.

The success of our Franchising segment is dependent on the ability and success of our third-party franchisees, over which we have limited control.

The franchisees of our Franchising segment are independent third-party businesses that are contractually obligated to operate in accordance with the operational and other standards set forth in their respective franchise agreements. Although we evaluate potential franchisee candidates before entering into a franchisor-franchisee relationship with them, we cannot be certain that management of a given candidate will have the business acumen or financial resources necessary to operate successful franchises in their approved territories. Because franchisees are independent businesses and not employees, we are not able to control them to the same extent as our Rent-A-Center stores, and the ultimate success and quality of a franchise ultimately rests with the franchisee. Certain state franchise laws may also limit our ability to terminate, not renew or modify our franchise

agreements. Our franchisees may fail in key areas, or experience significant business or financial difficulties, which could slow our growth, reduce our franchise fees, royalties and revenue, damage our reputation, expose us to regulatory enforcement actions or private litigation and/or cause us to incur additional costs. If we fail to adequately mitigate any such future losses, our business and financial condition could be materially and adversely affected.

Our businesses are typically subject to seasonality, which causes our revenues and operating cash flows to fluctuate and may adversely affect our ability to borrow on our credit facilities, service our debt obligations and fund our operations.

Our business typically experiences moderate seasonality with the first quarter of each fiscal year generally providing higher merchandise sales than any other quarter, due to customers' receipt of federal tax refunds, followed by reduced demand in the second and third quarters of each fiscal year. This seasonality requires us to manage our cash flows over the course of the year. If our revenues were to fall substantially below what we would normally expect during certain periods, our annual financial results, our ability to borrow on our credit facilities, and our ability to service our debt obligations or fund our operations could be adversely affected.

Our current insurance program may expose us to unexpected costs and negatively affect our financial performance.

Our insurance coverage is subject to deductibles, self-insured retentions, limits of liability and similar provisions that we believe are prudent based on our operations. We may elect to accept higher deductibles or reduce the amount of coverage to reduce insurance cost. Because we self-insure a significant portion of expected losses under our workers' compensation, general liability, vehicle and group health insurance programs, unanticipated changes in any applicable actuarial assumptions and management estimates underlying our recorded liabilities for these losses, including potential increases in medical and indemnity costs, could result in materially different amounts of expense than expected under these programs. This could have a material adverse effect on our financial condition and results of operations.

If we were not able to send or accept electronic payments, our business and financial results could be adversely affected.

We rely on access to various financial networks to process payments received from our customers. These include credit card and debit card networks and the Automated Clearing House (ACH) network. Our ability to participate in these networks depends on our compliance with applicable laws and regulations and with the complex rules of each network and any related industry supervisory groups. If we fail to comply with legal requirements or rules and best practices established by a network or industry group, including those related to data security, we could be assessed significant monetary fines and other penalties, including, in certain cases, the termination of our right to use the applicable network or system. Such fines and penalties, and any disruption in or termination of our ability to process customer payments electronically, could materially adversely affect our business and our brand.

Risks Relating to Legal and Compliance Matters

We may be subject to legal or regulatory proceedings from time to time that result in damages, penalties or other material monetary obligations or material restrictions on our business operations, and our use of arbitration agreements may not allow us to avoid costly litigation.

In addition to laws and regulations regarding our lease-to-own transactions, we are subject to consumer protection and data privacy laws and other laws and regulations. As we execute on our strategic plans, we may continue to expand into complementary businesses that engage in financial, banking or lending services, or lease-to-own or rent-to-rent transactions involving products that we do not currently offer our customers, all of which may be subject to a variety of additional statutory and regulatory requirements not presently applicable to our operations. We have defended against, continue to defend against, and may in the future defend against, legal and regulatory proceedings from time to time, including class action lawsuits and regulatory enforcement proceedings alleging various regulatory violations. We have incurred and may in the future incur significant damages, fines, penalties, obligations to post bonds pending appeal or legal fees or expenses in connection with such legal and regulatory proceedings or may pay significant amounts to settle legal or regulatory proceedings, which could materially and adversely affect our results of operations, liquidity and capital resources. The failure to pay any material judgment would constitute a default under the ABL Credit Facility, the Term Loan Facility and the Notes (as defined in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Item 7 of this Annual Report on Form 10-K). In addition, we may become subject to significant restrictions on or changes to our business practices, operations or methods, including pricing, account management, or similar terms, as a result of existing or future governmental or other proceedings or settlements, any of which could significantly harm our reputation, both with consumers as well as with retail partners and materially and adversely affect our business, prospects and financial condition.

In an attempt to limit costly and lengthy consumer, employee and other litigation, including class actions, we require our customers and employees to sign arbitration agreements, including class action waivers. However, in addition to opt-out provisions contained in such agreements, judicial, regulatory or legislative actions may restrict or eliminate the enforceability of such agreements and waivers. In the past, various courts and administrative authorities have concluded that arbitration agreements with class action waivers are unenforceable, particularly where a small dollar amount is in controversy on an individual basis. If we are not permitted to use arbitration agreements and/or class action waivers, or if the enforceability of such agreements and waivers is restricted or eliminated, we could incur increased costs to resolve legal actions brought by customers, employees and others, as we would be forced to participate in more expensive and lengthy dispute resolution processes, any of which could have a material adverse effect on our business. See Note M to our consolidated financial statements included in this Annual Report on Form 10-K for additional information regarding certain legal and regulatory proceedings impacting our company.

The outcome of the previously disclosed investigations by the CFPB, multi-state attorneys' general group and the New York Attorney General into certain of Acima's business practices is uncertain and may materially and adversely affect our business.

In December 2020, prior to the execution of the definitive agreement to acquire Acima, Acima received a Civil Investigative Demand dated October 1, 2020 (the "CID") from the CFPB requesting certain information, documents and data relating to Acima's products, services and practices for the period from January 1, 2015 to the dates on which responses to the CID are provided in full. The purpose of the CID was to determine whether Acima extends credit, offers leases, or otherwise offers or provides a consumer financial product or service and whether Acima complies with certain consumer financial protection laws. After the original CID, the CFPB issued subsequent CIDs requesting further information, documents and testimony. Acima has completed its responses to all CIDs and has been cooperating with the CFPB throughout their investigation.

On May 16, 2023, in accordance with the CFPB's Notice and Opportunity to Respond and Advise ("NORA") process, the CFPB staff notified Acima that the staff may allege that Acima violated the Consumer Financial Protection Act of 2010; the Truth in Lending Act and its implementing regulation, Regulation Z; the Electronic Fund Transfer Act and its implementing regulation, Regulation E; and the Fair Credit Reporting Act and its implementing regulation, Regulation V. The CFPB staff further stated that the CFPB's Office of Enforcement may recommend that the CFPB take legal action against Acima based on these potential allegations, and, in connection therewith, the staff may seek remedies including restitution, disgorgement, damages, injunctive relief, and civil money penalties. On June 20, 2023, Acima submitted its response to the NORA notice, in which Acima asserted that the staff's potential allegations lacked merit.

As of the date of this Annual Report on Form 10-K, we have not yet received the CFPB's response to Acima's submission in accordance with the NORA process. We are currently unable to predict the CFPB's response to the NORA process or the ultimate timing or outcome of the CFPB investigation or any legal proceedings arising therefrom.

On the terms and subject to the conditions set forth in the definitive agreement to acquire Acima, the former owners of Acima agreed to indemnify Upbound Group, Inc. for certain losses arising after the consummation of the transaction with respect to the CID. The indemnification obligations of the former owners of Acima with respect to the CID are limited to the remaining amount of an indemnity holdback which is now approximately \$45 million of a \$50 million initial holdback escrowed at the closing of the transaction for the CID and other matters and will be Upbound Group, Inc.'s sole recourse against the former owners of Acima with respect to all of the indemnifiable claims under the definitive transaction agreement. On May 19, 2023, in light of the above-referenced NORA notice, Upbound Group, Inc. submitted an indemnification claim notice pursuant to the definitive agreement to acquire Acima. As of the date of this Annual Report on Form 10-K, approximately \$45 million remains escrowed in respect of the CID.

There can be no assurance that the remaining escrowed amount will be sufficient to address all covered losses or that the CFPB's ongoing investigation or future exercise of its enforcement, regulatory, discretionary or other powers will not result in findings or alleged violations of consumer financial protection laws that could lead to enforcement actions, proceedings or litigation, whether by the CFPB, other state or federal agencies, or other parties, and the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to Acima's business practices or operations that could materially and adversely affect our business, financial condition, results of operations or reputation.

In addition, Acima is also subject to the pending multi-state attorneys' general matter and New York Attorney General matter, as described further in Note M to our consolidated financial statements included in this Annual Report on Form 10-K. There can be no assurance that either of these additional matters will not result in findings or alleged violations of consumer financial protection laws that could lead to enforcement actions, proceedings or litigation, whether by the multi-state attorneys' general group, New York Attorney General, other state or federal agencies, or other parties, and the imposition of damages, fines,

penalties, restitution, other monetary liabilities, sanctions, settlements or changes to Acima's business practices or operations that could materially and adversely affect our business, financial condition, results of operations or reputation.

Federal and state regulatory authorities are increasingly focused on the lease-to-own industry, and any negative change in these laws or regulations or the passage of unfavorable new laws or regulations or the manner in which any of these are enforced or interpreted could expose us to significant additional costs or compliance-related burdens and could require us to alter our business practices in a manner that may be materially adverse to us.

Although there is currently no comprehensive federal legislation regulating rental purchase transactions, federal regulatory authorities such as the United States Federal Trade Commission and the CFPB are increasingly focused on the subprime financial marketplace in which the lease-to-own industry operates and adverse federal legislation may be enacted in the future. Any federal agency, or any state regulatory authority, may propose and adopt new regulations or interpret existing regulations in a manner that could materially increase both our costs of complying with laws and the risk that we could be sued or be subject to government sanctions if we are not in compliance or to alter our business practices in a manner that reduces the economic potential of our operations. Any such new laws, regulations or interpretations could include, by way of example only, those that seek to re-characterize store-based or virtual lease-to-own transactions as credit sales and to apply consumer credit laws and regulations to our business. In addition, federal and state regulators are increasingly holding businesses operating in the lease-to-own industry to higher standards of monitoring, disclosure and reporting, notwithstanding the adoption of any new laws or regulations applicable to our industry. Furthermore, regulators and courts may apply laws or regulations to our businesses in incorrect, inconsistent or unpredictable ways that may make our compliance more difficult, expensive and uncertain. This increased attention at the federal and state levels, as well as the potential for scrutiny by certain municipal governments, could increase our compliance costs significantly and materially and adversely affect the manner in which we operate. In addition, legislative or regulatory proposals regarding our industry, or interpretations of them, may subject Upbound Group, Inc. to "headline risks" whereby media attention to these matters could negatively impact our business in a particular region or in general or investor sentiment, and may materially and adversely affect our securities. Moreover, an adverse outcome from a lawsuit, even one against one of our competitors, could result in changes in the way we and others in the industry do business, possibly leading to significant costs or decreased revenues or profitability. See Note M to our consolidated financial statements included in this Annual Report on Form 10-K for additional information regarding certain legal and regulatory proceedings impacting our company.

Our lease-to-own transactions are regulated by and subject to the requirements of federal and state laws and regulations that vary by jurisdiction, which require significant compliance costs and expose us to regulatory action or other litigation.

Currently, 46 states, the District of Columbia and Puerto Rico have passed laws that regulate rental purchase transactions as separate and distinct from credit sales. One additional state has a retail installment sales statute that excludes leases, including lease-to-own transactions, from its coverage if the lease provides for more than a nominal purchase price at the end of the rental period. The specific rental purchase laws generally require certain contractual and advertising disclosures. They also provide varying levels of substantive consumer protection, such as requiring a grace period for late fees and contract reinstatement rights in the event the rental purchase agreement is terminated. The rental purchase laws of 11 states limit the total amount that may be charged over the life of a rental purchase agreement, and the laws of six states limit the cash prices for which we may offer merchandise. Furthermore, there is currently no comprehensive federal legislation regulating lease-to-own transactions. We have incurred and will continue to incur substantial costs to comply with federal and state laws and regulations, many of which are evolving, unclear and inconsistent across various jurisdictions as described above. In addition to compliance costs, we have in the past and may continue to incur substantial expenses to respond to federal and state government investigations and enforcement actions, proposed fines and penalties, criminal or civil sanctions, and private litigation, including those arising out of our or our franchisees' alleged violations of existing laws and/or regulations.

Similar to other consumer transactions, our lease-to-own transactions are also governed by various federal and state consumer protection statutes, in addition to the lease-to-own purchase statutes under which we operate, that provide various consumer remedies, including monetary penalties, for violations. We have been and continue to be subject to disputes alleging that we have violated some of these statutory provisions, including matters initiated by regulatory authorities. See "*The outcome of the previously disclosed investigations by the CFPB, multi-state attorneys' general group and the New York Attorney General into certain of Acima's business practices is uncertain and may materially and adversely affect our business*" above and Note M to our consolidated financial statements included in this Annual Report on Form 10-K for additional information regarding certain legal and regulatory proceedings impacting our company.

Laws and regulations regarding information security and data collection, use and privacy are increasingly rigorous and subject to change, which may cause us to incur significant compliance costs and subject us to adverse impacts in the event of actual or alleged compliance failures.

The regulatory environment related to information security and data collection, use and privacy is increasingly rigorous, with new and constantly-changing requirements applicable to certain aspects of our business, including our collection practices (as well as those of third-parties), the manner in which we contact our customers, our decisioning process regarding whether to lease merchandise to customers, any payment information we may decide to furnish to consumer reporting agencies, our credit reporting practices, and the manner in which we process and store certain customer, employee and other information. All states have adopted laws requiring the timely notification to individuals and, at times, regulators, the media or credit reporting agencies, if a company experiences the unauthorized access or acquisition of PII. Many states have enacted additional data privacy and security laws and regulations that govern the collection, use, disclosure, transfer, storage, disposal, and protection of PII and other information. For instance, the California Consumer Privacy Act of 2018 (the “CCPA”), which became effective on January 1, 2020, contains, among other things, new disclosure obligations for businesses that collect PII from California residents and affords those individuals numerous rights relating to their PII. The CCPA has changed the manner in which we collect, store and use consumer data and has resulted in increased regulatory oversight, litigation risks and costs of compliance. Furthermore, the California Privacy Rights Act (the “CPRA”) was passed in November 2020 and is intended to augment and expand the CCPA, and many of the CPRA's provisions became effective on January 1, 2023 (with respect to information collected from and after January 2022). The CPRA significantly modified the CCPA, including by expanding consumers' rights with respect to certain personal information and creating a new state agency that is vested with authority to implement and enforce the CCPA and the CPRA. Moreover, other states have adopted and may continue to adopt privacy-related laws whose restrictions and requirements differ from those of California, which could require us to design, implement and maintain different types of state-based, privacy-related compliance controls and programs simultaneously in multiple states, thereby further increasing the complexity and cost of compliance. These costs, including others relating to increased regulatory oversight and compliance, could materially and adversely affect our business. In addition, given that privacy and customer data protection laws may be interpreted and applied inconsistently and are in a state of flux that varies by jurisdiction, our data protection policies and practices may not be consistent with the most recent interpretations and applications of such laws at all times. Complying with these varying requirements could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. Any failure, or perceived failure, by us to comply with our own privacy policies or with any legal or regulatory requirements or orders or other privacy or consumer protection related laws and regulations could result in proceedings or actions against us by governmental entities or others, subject us to significant penalties and negative publicity and materially and adversely affect our operating results.

Our reputation, ability to do business and operating results may be impaired by improper conduct by any of our employees, agents or business partners, including retail partners.

While our policies and compliance programs are intended to promote legal and ethical business practices, there is a risk that our employees, agents or business partners, including retail partners and franchisees, could engage in misconduct that materially and adversely affects our reputation, ability to do business or our operating results or financial condition. For instance, our operations in the U.S. and abroad are subject to certain laws generally prohibiting companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, such as the U.S. Foreign Corrupt Practices Act, and similar anti-bribery laws in other jurisdictions. Violations by our employees, contractors or agents of policies and procedures we have implemented to ensure compliance with these laws could subject us to civil or criminal investigations in the U.S. and in other jurisdictions, could lead to substantial civil and criminal, monetary and non-monetary penalties, and related stockholder lawsuits, could cause us to incur significant legal fees and could damage our reputation. Other misconduct, including discrimination or harassment in the workplace, illegal or suspicious activity and breaches in the protection of consumer information, could similarly subject us to regulatory sanctions and negatively impact our reputation, business, operating results or financial condition. In addition, misconduct by our employees or agents could prompt regulators to allege or to determine based upon such misconduct that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect violations of such rules. Furthermore, alleged or perceived misconduct by our employees, agents or business partners, including retail partners, even if not substantiated, may attract negative publicity that could damage our reputation and impair our ability to maintain and develop relationships with our vendors, customers and other third-parties with whom we do business and to attract and retain employees.

Our products and services may be negatively characterized by consumer advocacy groups, the media and certain federal, state and local government officials, and if those negative characterizations become increasingly accepted by consumers and/or our retail partners, demand for our goods and the transactions we offer could decrease and our business could be materially and adversely affected.

Certain third-parties, including consumer advocacy groups, media reports, and federal and state government officials have asserted that laws and regulations regarding lease-to-own transactions should be broader and more restrictive. The consumer advocacy groups and media reports generally focus on the total cost to a consumer to acquire an item, which is often alleged to be higher than the interest typically charged by banks or similar lending institutions to consumers with better credit histories seeking to borrow money to finance purchases. This “cost-of-rental” amount, which is generally defined as total lease fees paid in excess of the “retail” price of the goods, is from time to time characterized by consumer advocacy groups and media reports as predatory or abusive without discussing the fundamental difference between a credit transaction and a lease transaction, lease customers' early purchase options, the fact that consumers can return their leased merchandise at any time without penalty or further payment obligations or the numerous other benefits to consumers of lease-to-own programs compared to traditional financing, or the lack of viable alternatives available to many of these consumers to obtain critical household items. If the negative characterization of lease-to-own transactions becomes increasingly accepted by consumers or our retail and merchant partners, demand for our products and services could significantly decrease, which could have a material adverse effect on our business, results of operations and financial condition. Additionally, if the negative characterization of lease-to-own transactions is accepted by regulators and legislators, our business may become subject to more restrictive laws and regulations and more stringent enforcement of existing laws and regulations, any of which could have a material adverse effect on our business, results of operations and financial condition. The vast expansion and reach of technology, including social media platforms, has increased the risk that our reputation could be significantly impacted by these negative characterizations in a relatively short amount of time. If we are unable to quickly and effectively respond to such characterizations, we may experience declines in customer loyalty and traffic and our relationships with our retail partners may suffer, which could have a material adverse effect on our business, results of operations and financial condition. Additionally, any failure by our competitors, including smaller, regional competitors, to comply with the laws and regulations applicable to the traditional and/or virtual lease-to-own models, or any actions by our competitors that are challenged by consumers, advocacy groups, the media or governmental agencies or entities as being abusive or predatory, could result in Upbound Group, Inc. being perceived as engaging in similar unlawful or inappropriate activities or business practices, merely because we operate in the same general industries as such competitors. Such perception, whether or not accurate, could have a material adverse effect on our business, results of operations and financial condition.

Disputes with or involving our franchisees may lead to litigation with our franchisees, which may materially and adversely affect our relationships with franchisees or our reputation, or cause us to incur significant expenses that materially and adversely affect our results of operations.

As a franchisor, we are subject to regulation by various federal and state laws and regulations that govern the relationship between us and our franchisees and the offer and sale of franchises. If we fail to comply with these laws, we could be liable for damages to franchisees and fines or other penalties, as well as the loss of franchise fees and ongoing royalty revenues. Although we believe we generally enjoy a positive working relationship with our franchisees, the nature of the franchisor-franchisee relationship may give rise to litigation with our franchisees in the ordinary course of business for a variety of reasons, including disputes related to alleged breaches of contract or wrongful termination under the franchise arrangements. We may also have disputes with franchisees in connection with transactions whereby we have re-franchised previously company-owned locations and sold them to the franchisee, including disputes regarding our indemnification obligations pursuant to those transaction agreements. Further, we may engage in litigation with franchisees to enforce the terms of our franchise agreements and compliance with our brand standards as determined necessary to protect our brand, the consistency of our products and the customer experience, or to enforce any applicable contractual indemnification rights if we are brought into a matter involving a third party due to an alleged act or omission by the franchisee. In addition, we may be subject to claims by our franchisees relating to our franchise disclosure documents, including claims based on financial information contained in those documents. Engaging in such litigation may be costly, time-consuming and may distract management and materially and adversely affect our relationships with or ability to attract new franchisees. Any negative outcome of these or any other claims could materially and adversely affect our results of operations as well as our ability to expand our franchise system and may damage our reputation and brand. Moreover, federal and state laws that regulate substantive aspects of our relationships with franchisees may limit our ability to terminate our franchise arrangements or otherwise resolve conflicts with our franchisees or enforce contractual duties or rights we believe we have with respect to our franchisees, which could materially and adversely affect our operations.

We may face liability or reputational harm for the actions, omissions and liabilities of our franchisees, which could materially and adversely affect our results of operation.

One of the legal foundations fundamental to the franchise business model has been that, absent special circumstances, a franchisor is generally not responsible for the acts, omissions or liabilities of its franchisees. However, under the franchise business model, we may face claims, liabilities and reputational harm based on vicarious liability, joint-employer liability, or other theories of liability. Expansion of these bases for liability not only could result in expensive litigation with our franchisees, third-parties or government agencies, but also could make it more difficult to appropriately support our franchisees while managing our risk of liability and reputational harm, all of which could impact our results of operations. For instance, in 2015, the National Labor Relations Board adopted a broad standard for determining when two or more otherwise unrelated employers may be found to be a joint employer of the same employees under the National Labor Relations Act. The National Labor Relations Board then issued a rule in 2020 requiring “substantial direct and immediate control” over one or more “essential terms or conditions of employment” in order to establish joint liability. On October 27, 2023, the National Labor Relations Board adopted a new rule, which went into effect on February 26, 2024, pursuant to which two or more employers will be considered joint employers if they “share or codetermine the employees’ essential terms and conditions of employment.” In making this determination, the National Labor Relations Board will consider both direct evidence of control and evidence of reserved and indirect control over the essential terms and conditions to the extent such reserved or indirect control supplements and reinforces evidence of the entity's possession or exercise of direct and immediate control over a particular essential term of employment. There is currently litigation pending challenging the rule. If this rule becomes effective, it could cause us or our franchisees to be liable or held responsible for unfair labor practices, violations of wage and hour laws, or other violations or require our franchisees to conduct collective bargaining negotiations regarding employees of our franchisees. If this rule becomes effective, our operating expenses may increase as a result of required modifications to our business practices, increased litigation, governmental investigations or proceedings, administrative enforcement actions, fines and civil liability, which could materially and adversely affect our results of operations.

We may be unable to protect our intellectual property, or may be alleged to have infringed upon the intellectual property rights of others, which could result in a loss of our competitive advantage, a diversion of resources and a material adverse effect on our business and results of operations.

The success of our business depends in part on identification of the names "Upbound", "Rent-A-Center" and "Acima", and the success of our lease-to-own model depends in large part on our proprietary decisioning algorithm, our e-commerce platform and other proprietary technologies that we currently have or may develop in the future. To protect our intellectual property rights, we rely, or may from time to time rely, on a combination of trademark, trade dress, domain name, copyright, trade secret and patent laws, as well as confidentiality and license agreements with our employees, contractors and other third-parties with whom we have relationships. However, our efforts to protect our intellectual property rights may not be sufficient or effective to prevent misappropriation or infringement of our intellectual property or proprietary information, which could result in a loss of our competitive advantage. In addition, any of our intellectual property rights may be challenged, which could result in their being narrowed in scope or declared invalid or unenforceable. Any litigation or claims relating to our intellectual property and proprietary information brought by or against us, whether with or without merit, or whether successful or not, could result in substantial costs and diversion of our resources, which could have a material adverse effect on us.

Moreover, competitors or other third-parties may allege that we, or agents, consultants or other third-parties retained or indemnified by us, have infringed on their intellectual property rights. Given the complex, rapidly changing and competitive technological and business environment in which we operate, and the potential risks and uncertainties of intellectual property-related litigation, an assertion of an infringement claim against us may cause us to spend significant amounts of money to defend the claim (even if we ultimately prevail). We may also be required to pay significant money damages. In the event of a settlement or adverse judgment, our results of operation may materially decline if we are prohibited from using the relevant systems, processes, technologies or other intellectual property, especially if we are forced to cease offering certain products or services, or are required to pay to the alleged owner of the relevant intellectual property licensing fees, royalties or technology development expenses. Even in instances where we believe that claims and allegations of intellectual property infringement against us are without merit, defending against such claims may be time consuming and expensive and may result in the diversion of time and attention of our management and employees.

The taxes applicable to our operations can be difficult to determine and are subject to change, and our failure to correctly calculate and pay such taxes could result in substantial tax liabilities and a material adverse effect on our results of operations.

The application of indirect taxes, such as sales tax, is a complex and evolving issue, particularly with respect to the lease-to-own industry generally and our virtual lease-to-own Acima and e-commerce businesses more specifically. Many of the

fundamental statutes and regulations that impose these taxes were established before the growth of the lease-to-own industry and e-commerce and, therefore, in many cases it is not clear how existing statutes apply to our various business activities. Failure to comply with such statutes, or a successful assertion by applicable tax authorities requiring us to collect taxes in a location or for transactions where we presently do not, could result in substantial tax liabilities, including for past sales and leases, as well as penalties and interest. In addition, if the tax authorities in jurisdictions where we are already subject to sales tax or other indirect tax obligations were to successfully challenge our positions, our tax liability could increase substantially. For instance, following a United States Supreme Court decision in June 2018, states may require a remote seller with no physical presence in the state to collect and remit sales tax on goods and services provided to purchasers in the state. Our Acima segment may become subject to additional taxes if state or municipal legislatures adopt tax reform that subjects our lease-to-own transactions originated at the locations of Acima's retail partners to taxation in that jurisdiction, despite Upbound Group, Inc. having no physical presence in that jurisdiction. As governments increasingly search for ways to increase revenues, states may adopt tax reform or take other legislative action designed to raise tax revenues, including by expanding the scope of transactions subject to taxation or by increasing applicable tax rates, or interpreting existing sales, income and other tax regulations in a manner adverse to our business. Such changes could subject our business to new or increased tax obligations, which could have a material adverse effect on our results of operations.

Risks Relating to Our Indebtedness and Other Financial Matters

We have significant indebtedness, and the level of our indebtedness could materially and adversely affect us.

As of December 31, 2023, our total indebtedness was approximately \$1.3 billion. We also had undrawn commitments available for borrowings of an additional \$429.6 million under the ABL Credit Facility (after giving effect to approximately \$50.4 million of outstanding letters of credit).

In addition, our indebtedness could further increase, and the related risks that we face could intensify. For example, we expect to continue to evaluate the possibility of acquiring additional businesses and making strategic investments, and we may elect to finance these endeavors by incurring additional indebtedness. Moreover, to respond to competitive challenges, we may be required to raise substantial additional capital to finance new product or service offerings. We may also require additional capital to fund purchases of merchandise during high volume periods.

Our level of indebtedness, together with any additional indebtedness we may incur in the future, could materially and adversely affect us in a number of ways. For example, the anticipated level of indebtedness or any additional financing could:

- make it more difficult for us to pay or refinance our debts as they become due during adverse economic, financial market and industry conditions, resulting in possible defaults on such indebtedness;
- require us to use a larger portion of our cash flow for debt service, reducing funds available for other purposes;
- impair our ability to take advantage of business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions;
- increase our vulnerability to adverse economic, industry or competitive developments, including interest rate fluctuations, and decrease our ability to respond to such changes as compared to our competitors with less leverage;
- materially and adversely affect our ability to refinance our existing indebtedness or obtain additional financing in the future to fund working capital, capital expenditures and other general corporate purposes, particularly as substantially all of our assets are subject to liens securing certain of our existing indebtedness;
- decrease our profitability and/or cash flow or require us to dispose of significant assets in order to satisfy our debt service and other obligations if cash from operations or other sources is insufficient to satisfy such obligations;
- place us at a competitive disadvantage compared to our competitors with proportionally less debt or comparable debt at more favorable interest rates which, as a result, may be better positioned to withstand economic downturns;
- increase the risk of a downgrade in the credit rating of us or any indebtedness of us or our subsidiaries which could increase the cost of further borrowings; and
- limit our financial resources available to continue paying dividends on our common stock or to repurchase our common stock, as determined in the discretion of our Board of Directors and subject to the restrictive covenants in our debt agreements and applicable law.

Although the terms of the indenture that governs the Notes and the terms of the ABL Credit Facility and the Term Loan Facility contain restrictions on the incurrence of additional debt, including secured debt, these restrictions are subject to a number of important exceptions, and debt incurred in compliance with these restrictions could be substantial. If we incur significant additional debt, the related risks could intensify.

The amount of borrowings permitted under the ABL Credit Facility is limited to the value of certain of our assets, and Upbound Group, Inc. relies in part on available borrowings under the ABL Credit Facility for cash to operate its business, which subjects it to market and counterparty risk, some of which is beyond Upbound Group, Inc.'s control.

In addition to cash we generate from our business, our principal existing sources of cash are borrowings available under the ABL Credit Facility. Our borrowing capacity under the ABL Credit Facility varies according to our eligible lease contracts, eligible installment sales accounts and inventory, net of certain reserves. In the event of any material decrease in the amount or appraised value of these assets, our borrowing capacity would similarly decrease, which could materially and adversely affect our business and liquidity. The documentation governing the ABL Credit Facility contains customary affirmative and negative covenants, and certain restrictions on operations become applicable if our available credit falls below certain thresholds. These covenants could impose significant operating and financial limitations and restrictions on us, including restrictions on our ability to enter into particular transactions and to engage in other actions that we may believe are advisable or necessary for our business. Subject to certain exceptions, our obligations under the ABL Credit Facility are secured by liens on substantially all of our assets. In the event of a default that is not cured or waived within any applicable cure periods, the lenders' commitment to extend further credit under the ABL Credit Facility could be terminated, our outstanding obligations could become immediately due and payable, outstanding letters of credit may be required to be cash collateralized and remedies may be exercised against the collateral. Our access to such financing may be unavailable or reduced, or such financing may become significantly more expensive for any reason, including, but not limited to, adverse economic conditions. In addition, if certain of our lenders experience difficulties that render them unable to fund future draws on the facility, we may not be able to access all or a portion of these funds. If our access to borrowings under the ABL Credit Facility is unavailable or reduced, we may not have the necessary cash resources for our operations, and, if any event of default occurs, there is no assurance that we would have the cash resources available to repay such accelerated obligations, refinance such indebtedness on commercially reasonable terms, or at all, or cash collateralize our letters of credit, which would have a material adverse effect on our business, financial condition, results of operations and liquidity.

We may not be able to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful. Our failure to meet our debt service obligations could have a material adverse effect on our business, financial condition and results of operations.

As of December 31, 2023, the annual cash interest payments on our indebtedness are approximately \$106 million, which could fluctuate depending on changes in interest rates. We depend on cash on hand and cash flows from operations to make scheduled debt payments. We expect to be able to meet the estimated cash interest payments on our indebtedness through our cash flows from operations. However, our ability to generate sufficient cash flow from operations and to utilize other methods to make scheduled payments will depend on a range of economic, competitive and business factors, many of which are outside of our control, and there can be no assurance that these sources will be adequate. If we are unable to service our indebtedness and fund our operations, we will be forced to adopt an alternative strategy that may include:

- reducing or delaying capital expenditures;
- limiting our growth;
- seeking additional capital;
- selling assets;
- reducing or eliminating the dividend on our common stock; or
- restructuring or refinancing our indebtedness.

Even if we adopt an alternative strategy, the strategy may not be successful and we may be unable to service our indebtedness and fund our operations, which could have a material adverse effect on our business, financial condition or results of operations. In addition, the ABL Credit Facility and the Term Loan Facility are secured by liens on substantially all of our and our restricted subsidiaries' assets, and any successor credit facilities are likely to be secured on a similar basis. As such, our ability to refinance our indebtedness or seek additional financing, or our restricted subsidiaries' ability to make cash available to us, by dividend, debt repayment or otherwise, to enable us to repay the amounts due under our indebtedness, could be impaired as a result of such security interests and the agreements governing such security interests.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations. In addition, if we cannot make scheduled payments on our debt, we will be in default and lenders under the ABL Credit Facility could terminate their commitments to loan money, holders of the Notes and lenders under the ABL Credit Facility and the Term Loan Facility could declare all outstanding principal and interest to be due and payable, and lenders under the ABL Credit Facility

and the Term Loan Facility could foreclose against the assets securing such indebtedness and Upbound Group, Inc. could be forced into bankruptcy or liquidation.

Restrictive covenants in certain of the agreements and instruments governing our indebtedness may materially and adversely affect our financial and operational flexibility.

The terms of our indebtedness include restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to, among other things, (i) create liens; (ii) transfer or sell assets; (iii) incur indebtedness or issue certain preferred stock; (iv) pay dividends, redeem stock or make other distributions; (v) make other restricted payments or investments; (vi) create restrictions on payment of dividends or other amounts by us to our restricted subsidiaries; (vii) merge or consolidate with other entities; (viii) engage in certain transactions with affiliates; and (ix) designate our subsidiaries as unrestricted subsidiaries. In addition, our ability to access the full amount available under the ABL Credit Facility is subject to compliance with a financial maintenance covenant requiring that we maintain at least a specified fixed charge coverage ratio (as such ratio is defined in the ABL Credit Facility). Our failure to comply with any of these covenants could result in reduced borrowing capacity and/or an event of default that, if not cured or waived, could result in the acceleration of certain of our debt, which could have a material adverse effect on our business, financial condition and results of operations.

Our ability to comply with these covenants may be affected by events beyond our control, and any material deviations from our forecasts could require us to seek waivers or amendments of covenants or alternative sources of financing or to reduce expenditures. We cannot assure you that such waivers, amendments or alternative financing could be obtained or, if obtained, would be on terms acceptable to us.

A breach of any of the covenants or restrictions could result in an event of default. Such a default, if not cured or waived, could allow our debt holders to accelerate the related debt, as well as any other debt to which a cross-acceleration or cross-default provision applies, or to declare all borrowings outstanding thereunder to be due and payable. In the event our debt is accelerated, our assets may not be sufficient to repay such debt in full.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

A portion of our indebtedness bears interest at variable rates that are linked to changing market interest rates. As a result, an increase in market interest rates will increase our interest expense and our debt service obligations on the variable rate indebtedness, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. As of December 31, 2023, approximately \$881 million of our indebtedness was variable rate indebtedness, and, assuming all loans were fully drawn, each quarter-point (0.25%) change in interest rates would result in an additional \$2.2 million annualized pretax charge or credit to our Consolidated Statements of Operations. As of the date of this Annual Report on Form 10-K, we have not entered into any interest rate swap agreements. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate interest rate risk.

A change in control could accelerate our obligation to pay our outstanding indebtedness, and we may not have sufficient liquid assets at that time to repay these amounts.

Under the agreements governing our ABL Credit Facility and our Term Loan Facility, an event of default will result if a third party becomes the beneficial owner of 40% or more of our voting stock, in which case our obligations under such facilities may become immediately due and payable. In addition, under the indenture governing the Notes, we are obligated to offer to purchase the Notes at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of the purchase, upon the occurrence of certain changes in control, including, subject to certain exceptions, the consummation of any transaction that results in any person becoming the beneficial owner of at least 50% of our voting stock or a sale of substantially all of our assets. Upbound Group, Inc. may enter into additional financing arrangements in the future that require the repayment of outstanding amounts in similar circumstances. If a specified change in control occurs and the lenders or debt holders under our debt instruments accelerate our obligations, we may not have sufficient liquid assets to repay amounts outstanding under such agreements or be able to arrange for additional financing to fund such obligations, which could result in an event of default under the relevant instrument and could cause any other debt that we may have at that time to become automatically due, further exacerbating the adverse impacts on our financial condition.

Our organizational documents and our current or future debt instruments contain or may contain provisions that may prevent or deter another group from paying a premium over the market price to Upbound Group, Inc.'s stockholders to acquire its stock.

Upbound Group, Inc.'s organizational documents contain provisions that authorize its Board of Directors to issue blank check preferred stock and establish advance notice requirements on its stockholders for director nominations and actions to be taken at meetings of the stockholders. In addition, as a Delaware corporation, Upbound Group, Inc. is subject to Section 203 of the Delaware General Corporation Law, which prohibits persons that acquire, or are affiliated with any person that acquires, more than 15% of our outstanding common stock from engaging in any business combination with Upbound Group, Inc. for a three-year period following the date of such acquisition, subject to limited exceptions. Furthermore, the terms of our indebtedness include various change in control provisions which, in the event of a change in control, would cause a default under such indebtedness. These provisions and arrangements could delay, deter or prevent a merger, consolidation, tender offer or other business combination or change in control involving us, whether favored or opposed by our management or our stockholders. For instance, the consummation of any such transaction in certain circumstances may require the redemption or repurchase of the Notes, and there can be no assurance that we or the potential acquirer will have sufficient financial resources to effect such a redemption or repurchase.

If our goodwill or other intangible assets become impaired, we may be required to record a significant charge to earnings.

We assess our goodwill and intangible assets for impairment annually or when events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill for impairment at the reporting unit level. If goodwill or intangible assets are deemed to be impaired, an impairment loss equal to the amount by which the carrying amount exceeds the fair value of the assets would be recognized. We would be required to record a charge in our financial statements during the period in which any impairment of our goodwill or intangible assets is determined, which may be significant and would negatively affect our results of operations reported under U.S. GAAP.

Risks Relating to Our Structure or an Investment in Our Common Stock

We are a holding company and are dependent on the operations and funds of our subsidiaries.

We are a holding company, with no revenue generating operations and no assets other than our ownership interests in our direct and indirect subsidiaries. Accordingly, we are dependent on the cash flow generated by our direct and indirect operating subsidiaries and must rely on dividends or other intercompany transfers from our operating subsidiaries to generate the funds necessary to meet our obligations, including the obligations under the ABL Credit Facility, Term Loan Facility and the Notes. The ability of our subsidiaries to pay dividends or make other payments to us is subject to applicable state laws. Should one or more of our subsidiaries be unable to pay dividends or make distributions, our ability to meet our ongoing obligations could be materially and adversely affected. If we are unable to satisfy the financial and other covenants in our debt agreements, our lenders could elect to terminate the agreements and require us to repay the outstanding borrowings, or we could face other substantial costs.

Our stock price is volatile, and you may not be able to recover your investment if our stock price declines.

The price of our common stock has been volatile and can be expected to be significantly affected by factors such as:

- our perceived ability to meet market expectations with respect to the growth and profitability of each of our operating segments;
- quarterly variations in our results of operations, which may be impacted by, among other things, changes in same store sales, invoice volume or when and how many locations we acquire, franchise, open, sell or close;
- quarterly variations in our competitors' results of operations;
- changes in earnings estimates or buy/sell recommendations by financial analysts;
- how our actual financial performance compares to the financial performance guidance we provide;
- state or federal legislative or regulatory proposals, initiatives, actions or changes that are, or are perceived to be, adverse to our business;
- the stock price performance of comparable companies;
- the unpredictability of global and regional economic and political conditions;
- general conditions in the consumer financial service industry, the domestic or global economy or the domestic or global credit or capital markets;
- negative commentary regarding us and corresponding short-selling market behavior;

- adverse developments in our relationships with our customers, retail partners or vendors;
- legal proceedings brought against us or our officers and directors, including the matters described in Note M to our consolidated financial statements included in this Annual Report on Form 10-K;
- changes in our senior management team; and
- the impact of any of the other risk factors discussed or incorporated by reference herein.

In addition, the stock market as a whole historically has experienced price and volume fluctuations that have affected the market price of many specialty retailers in ways that may have been unrelated to such companies' operating performance.

There can be no assurance as to the dividends that we may pay on our common stock or as to future stock repurchases.

Holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare in its discretion out of funds legally available for such payments. Although we have paid quarterly cash dividends on our common stock since 2019, we are not required to declare or pay any dividends and there may be circumstances under which we may be unable to declare and pay dividends or repurchase our shares under applicable Delaware law or due to the impact of restrictive covenants in our debt agreements. In addition, we may elect to eliminate or reduce our common stock dividend or not to implement additional stock repurchases in the future for any reason. Any elimination of or reduction in the amount of our common stock dividend or the failure to implement future stock repurchases could materially and adversely affect the market price of our common stock.

A lowering or withdrawal of the ratings assigned to Upbound Group, Inc.'s debt by rating agencies may increase our future borrowing costs and reduce our access to capital.

Our indebtedness currently has a non-investment grade rating, and any rating assigned to our debt could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Credit ratings are not recommendations to purchase, hold or sell any securities of our company. Additionally, credit ratings may not reflect the potential effect of risks relating to any securities of our company. Any downgrade by either S&P or Moody's may result in higher borrowing costs. Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

We rely heavily on information systems to meet the operational and financial needs of our business. Therefore, we seek to continuously improve our approach to cybersecurity with the goal of ensuring the confidentiality, integrity and availability of our information resources and to reduce the risk of information loss by accidental or intentional modification, disclosure or destruction. We believe we devote appropriate resources to cybersecurity and risk management processes to adapt to the changing cybersecurity landscape and respond to emerging threats in a timely and effective manner.

The Cybersecurity and Privacy team, which maintains our cybersecurity function, reports to our Chief Technology and Digital Officer, who reports directly to our Chief Executive Officer. The Cybersecurity and Privacy team is led by our Chief Information Security Officer (“CISO”), who is responsible for developing and implementing our cybersecurity program and reporting on cybersecurity matters. The CISO and Chief Technology and Digital Officer report to the Audit and Risk Committee on a quarterly basis. Our CISO has been a cybersecurity leader for 20 years, maintains appropriate security certifications, and has extensive experience in building and maintaining cybersecurity risk and compliance programs. The cybersecurity team includes members who also have various levels of cybersecurity experience and maintain relevant cybersecurity certifications. The CISO implements and oversees processes for the regular monitoring of our information systems. This includes the deployment of advanced security controls and technologies and ongoing scanning and testing of Company information systems by internal teams as well as third-party organizations to identify potential vulnerabilities. To maintain knowledge of the latest developments in cybersecurity, evolving threat landscape, and cyber defense techniques, our CISO regularly attends cybersecurity related conferences and events hosted by cybersecurity experts, subscribes to cybersecurity threat intelligence communications and newsletters, and meets with cybersecurity vendors.

We have strategically integrated cybersecurity risk management into our broader risk management framework to promote a company-wide culture of cybersecurity risk management. We regularly assess the cybersecurity landscape to holistically evaluate the threat of cybersecurity risks and seek to mitigate such risks through a layered cybersecurity strategy based on identification, protection, detection and recovery. Our Enterprise Cybersecurity Policy includes guidance related to encryption standards, antivirus protection, remote access, multi-factor authentication, confidential information and the use of the internet, social media, email and wireless devices. This policy is reviewed for updates annually and approved by appropriate members of management. All coworkers are required to acknowledge review of the policy and complete cybersecurity and privacy awareness training annually. We also provide coworkers with additional cybersecurity training through online offerings, company broadcasts and security awareness events.

In addition to assessing our own cybersecurity preparedness, we also consider and evaluate cybersecurity risks associated with the use of third-party service providers. The cybersecurity program is being enhanced to ensure that critical vendors and other third-parties are risk assessed prior to being given access to the Company's information assets and networks. Additionally, processes are currently in place to review existing third-party access to systems that have a material impact on the financial statements of the Company.

The Audit and Risk Committee, a committee of the Company's Board of Directors, actively participates in discussions with management regarding cybersecurity risks and receives quarterly reports regarding the Company's cybersecurity program, which includes discussion of management's actions to identify and detect threats, remedy audit findings, and review enhancements to the Company's defenses and management's progress on implementing its cybersecurity strategy. In addition, the Audit and Risk Committee reviews key cybersecurity risks, on a quarterly basis, to help ensure such risks are incorporated into the Company's Enterprise Risk Management framework. The Audit and Risk Committee also meets quarterly in executive session with the Company's Chief Information Security Officer. To assist with their oversight of the Company's cybersecurity programs and mitigation efforts as they relate to the broader cybersecurity landscape, our Audit and Risk Committee has previously and will continue to attend cybersecurity awareness training events hosted by third-party cybersecurity experts.

In the event of a cybersecurity incident, we have developed and implemented a communication and disclosure framework, which includes processes for escalating communication of the event to members of our internal disclosure committee for assessment of materiality and disclosure, executive management team members, internal and external legal counsel, internal and external audit teams, and other internal stakeholders. Significant cybersecurity events and strategic risk management decisions would be directed to the Audit and Risk Committee for additional comprehensive oversight of the Company's response measures and public disclosure of the event as appropriate. While we have experienced cybersecurity incidents in the

past, none have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition.

Despite our cybersecurity governance program, we cannot assure you that we will be able to effectively prevent, detect or respond to all cybersecurity incidents, which may have a material adverse impact on our reputation and our results of operations.

Item 2. *Properties.*

We lease space for all of our Rent-A-Center and Mexico stores under operating leases expiring at various times through 2034. In addition, we lease space for certain support facilities under operating leases expiring at various times through 2032. Most of our store leases are five-year leases and contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed formulas. Store sizes average approximately 4,800 square feet. Approximately 75% of each store's space is generally used for showroom space and 25% for offices and storage space. Our Acima kiosks occupy space without charge in the retailer's location with no lease commitment.

We believe suitable store space generally is available for lease and we would be able to relocate any of our stores or support facilities without significant difficulty should we be unable to renew a particular lease. We also expect additional space is readily available at competitive rates to open new stores or support facilities, as necessary.

Item 3. *Legal Proceedings.*

From time to time, we, along with our subsidiaries, are party to various legal proceedings and governmental inquiries arising in the ordinary course of business. We reserve for loss contingencies that are both probable and reasonably estimable. We regularly monitor developments related to these legal proceedings, and review the adequacy of our legal reserves on a quarterly basis. We do not currently expect these losses to have a material impact on our consolidated financial statements if and when such losses are incurred. Nevertheless, we cannot predict the impact of future developments affecting our claims and lawsuits, and any resolution of a claim or lawsuit or reserve within a particular fiscal period may materially and adversely impact our results of operations for that period. In addition, claims and lawsuits against us may seek injunctive or other relief that requires changes to our business practices or operations and it is possible that any required changes may materially and adversely impact our business, financial condition, results of operations or reputation. Please see Note M to our consolidated financial statements and "*Risks Relating to Legal and Compliance Matters*" contained in Item 1A of this Annual Report on Form 10-K for additional discussion of certain of our legal proceedings.

Item 4. *Mine Safety Disclosures.*

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the Nasdaq Global Select Market[®] under the symbol "UPBD."

As of February 20, 2024, there were approximately 38 record holders of our common stock. This figure does not represent the actual number of beneficial owners of common stock because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who may vote the shares.

Future decisions to pay cash dividends on our common stock continue to be at the discretion of our Board of Directors and will depend on a number of factors, including future earnings, capital requirements, contractual restrictions, financial condition, future prospects and any other factors our Board of Directors may deem relevant. Cash dividend payments are subject to certain restrictions in our debt agreements. Please see Note K to the consolidated financial statements included in this Annual Report on Form 10-K for further discussion of such restrictions.

Repurchases of Equity Securities

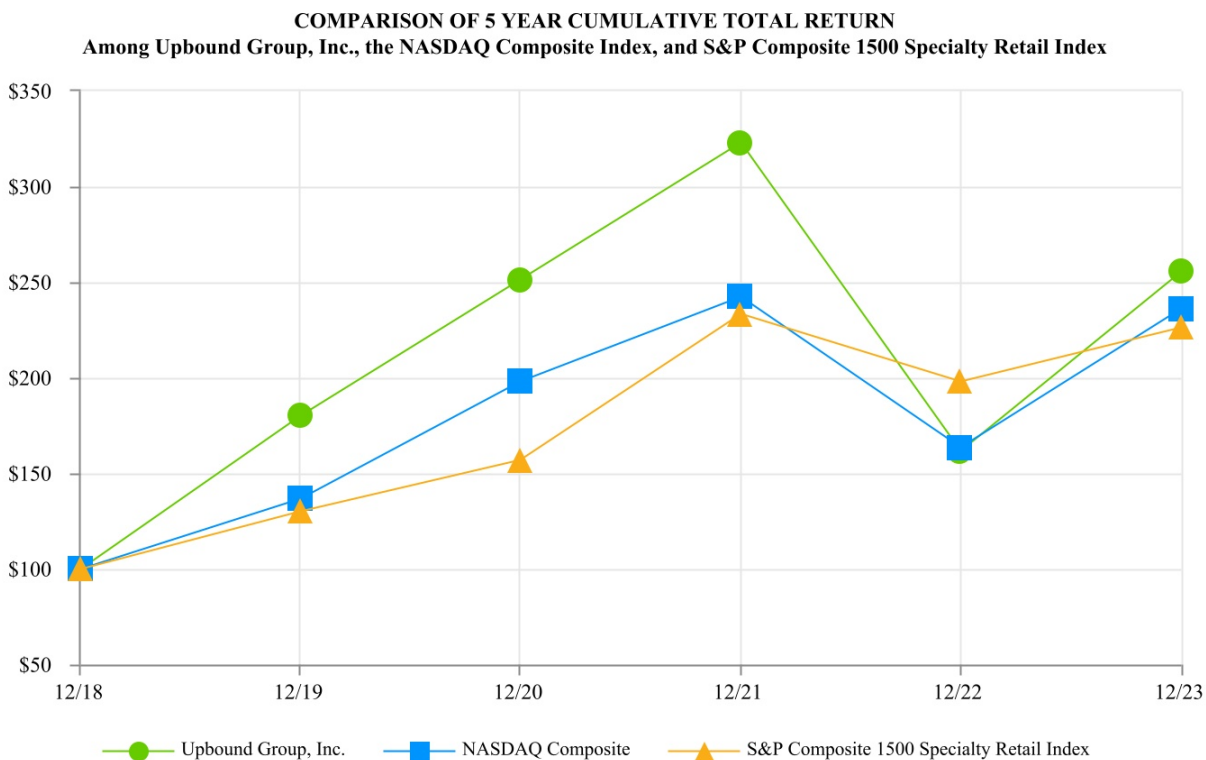
In December 2021, our Board of Directors authorized a stock repurchase program for up to \$500.0 million (the "December 2021 Program"), which superseded our previous stock repurchase program. Under the December 2021 Program, we may purchase shares of our common stock from time to time in the open market or privately negotiated transactions. We are not obligated to acquire any shares under the program, and the program may be suspended or discontinued at any time. During 2023 and 2022, we repurchased 1,706,277 and 3,536,799 shares of our common stock for an aggregate purchase price of approximately \$50.0 million and \$75.1 million, respectively. As of December 31, 2023, under the December 2021 Program, approximately \$235.0 million remains available for repurchases.

The following table presents information with respect to purchases of our common stock made during the year ended December 31, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that may yet be Purchased Under Publicly Announced Plans or Programs (in Millions)
August 1, 2023 - August 31, 2023	170,035	\$ 29.90	170,035	\$ 279.9
September 1, 2023 - September 30, 2023	746,234	\$ 29.55	746,234	\$ 257.9
October 1, 2023 - October 31, 2023	790,008	\$ 28.91	790,008	\$ 235.0

Stock Performance Graph

The following chart represents a comparison of the five year total return of our common stock to the NASDAQ Composite Index and the S&P 1500 Specialty Retail Index. We selected the S&P 1500 Specialty Retail Index for comparison because we use this published industry index as the comparator group to measure our relative total shareholder return for purposes of determining vesting of performance stock units granted under our long-term incentive compensation program. The graph assumes \$100 was invested on December 31, 2018, and dividends, if any, were reinvested for all years ending December 31.



Item 6. Reserved.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Objective

We report financial operating performance under four operating segments, including our Rent-A-Center segment, which represents our company-owned stores and e-commerce platform through rentacenter.com; our Acima segment, which includes our virtual and staffed business models; and our Mexico and Franchising segments.

The following discussion focuses on recent developments expected to have current and future impacts on the results of our business, trends and uncertainties within our industry and business model that may impact our financial results, our recent results of operations, and discussion of our liquidity and capital resources. You should read the following discussion in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

For similar historical operating and financial data and discussion of our year ended December 31, 2022 results compared to our year ended December 31, 2021 results, refer to Part II. Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on [Form 10-K](#), for the year ended December 31, 2022, incorporated herein by reference, which was filed with the SEC on February 24, 2023.

Recent Developments

Dividends. On December 6, 2023, we announced that our board of directors approved quarterly cash dividend of \$0.37 per share for the first quarter of 2024. The dividend was paid on January 9, 2024 to our common stockholders of record as of the close of business on December 19, 2023.

Business and Operational Trends

Macroeconomic Conditions. In recent years, we have experienced significant change in the financial trends within our business driven by macroeconomic conditions, which have directly impacted our customers as well as our business operations, including significant changes in the U.S. consumer price index, changes in demand for certain consumer retail categories, a condensed labor market, which has also contributed to wage inflation, rapidly increased interest rates, and global supply chain disruptions resulting in reduced product availability and rising product costs.

While the lease-to-own industry has historically remained a resilient business model throughout various economic cycles, the full extent to which our risk management strategy and macroeconomic trends (including consumer spending and payment behavior) may impact our business in future periods is uncertain. The continuation of negative and volatile macroeconomic economic trends may have a material adverse impact on our financial statements, including our results of operations, operating cash flows, liquidity and capital resources.

Rent-A-Center E-commerce revenue. In recent years, e-commerce revenues have continued to increase as a percentage of total rentals and fees revenue in our Rent-A-Center segment. For the year ended December 31, 2023, e-commerce revenues represented approximately 26% of total lease-to-own store revenues compared to approximately 25% for 2022. Due to recent trends in consumer shopping behaviors and expectations, we believe e-commerce solutions are an important part of our lease-to-own offering. However, we are unable to quantify the extent to which e-commerce revenues are incremental compared to what our overall revenues would have been in the absence of those e-commerce transactions. In addition, the profitability of e-commerce transactions can be impacted by different merchandise loss factors compared to traditional store-based transactions in the Rent-A-Center segment. Therefore, we are unable to determine with certainty whether the continuation of this trend toward increased e-commerce transactions will have a significant impact to our financial statements in future periods or be favorable or unfavorable to our financial results.

Results of Operations

The following discussion focuses on our results of operations and our liquidity and capital resources. You should read this discussion in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2023 included in Part II, Item 8 of this Annual Report on Form 10-K.

Key Metrics

Gross Merchandise Volume ("GMV"): The Company defines Gross Merchandise Volume as the retail value in U.S. dollars of merchandise acquired by the Company that is leased to customers through a transaction that occurs within a defined period, net of estimated cancellations as of the measurement date.

Rent-A-Center Lease Portfolio Value: Represents the aggregate dollar value of the expected monthly rental income associated with current active lease agreements from our Rent-A-Center stores and e-commerce platform at the end of any given period.

Same Store Sales: Same store sales generally represents revenue earned in stores that were operated by us for 13 months or more and are reported on a constant currency basis as a percentage of total revenue earned in stores of the segment during the indicated period. The Company excludes from the same store sales base any store that receives a certain level of customer accounts from closed stores or acquisitions. The receiving store will be eligible for inclusion in the same store sales base in the 30th full month following account transfer.

Skip / Stolen Losses: Represents the charge-off of the remaining net book value of unrecoverable on-rent merchandise with lease-to-own customers who are past due. This is typically expressed as a percentage of revenue for the applicable period.

Overview

The following briefly summarizes certain of our financial information for the year ended December 31, 2023 as compared to the year ended December 31, 2022.

During the year ended December 31, 2023, consolidated revenues and gross profit decreased by approximately \$253.0 million and \$57.2 million, respectively, while operating profit increased by approximately \$14.3 million, primarily due to decreases in other store expenses of \$45.9 million and labor expenses of \$20.8 million.

Revenues in our Rent-A-Center segment decreased approximately \$85.7 million for the year ended December 31, 2023, due to a 4.3% decrease in same store sales driven by decreases in rentals and fees revenues and merchandise sales of \$48.3 million and \$28.8 million, respectively. Operating profit decreased approximately \$61.0 million for the year ended December 31, 2023, primarily due to lower revenues described above, partially offset by a decrease in labor expenses of \$12.6 million. See "Segment Performance" below for further discussion of Rent-A-Center segment operating results for the year ended December 31, 2023.

The Acima segment revenues decreased approximately \$179.0 million for the year ended December 31, 2023, due to decreases in merchandise sales and rentals and fees revenues of \$104.8 million and \$74.5 million, respectively, primarily attributable to a lower GMV through the third quarter of 2023 compared to 2022 and fewer customers electing early purchase options in 2023. Operating profit increased approximately \$84.2 million for the year ended December 31, 2023, primarily due to decreases in other store expenses and labor costs of approximately \$49.3 million and \$10.9 million, respectively. See "Segment Performance" below for further discussion of Acima segment operating results for the year ended December 31, 2023.

The Mexico segment revenues increased by 15.0% for the year ended December 31, 2023, contributing to an increase in gross profit of 15.4%, or \$7.1 million. Operating profit, however, decreased \$1.4 million for the year ended December 31, 2023, primarily due to increases in other store expenses and labor costs of approximately \$4.5 million and \$2.8 million, respectively. See "Segment Performance" below for further discussion of Mexico segment operating results for the year ended December 31, 2023.

Revenues for the Franchising segment increased \$2.0 million for the year ended December 31, 2023, primarily due to an increase in merchandise sales of \$3.7 million, partially offset by a decrease in royalty income and fees of \$1.6 million. See "Segment Performance" below for further discussion of Franchising segment operating results for the year ended December 31, 2023.

Cash flow from operations was \$200.3 million for the year ended December 31, 2023. As of December 31, 2023, we held \$93.7 million of cash and cash equivalents and had outstanding indebtedness of \$1.3 billion.

The following table is a reference for the discussion that follows.

	Year Ended December 31,		2023-2022 Change	
	2023	2022	\$	%
<i>(Dollar amounts in thousands)</i>				
Revenues				
Store				
Rentals and fees	\$ 3,261,678	\$ 3,375,453	\$ (113,775)	(3.4)%
Merchandise sales	541,766	675,288	(133,522)	(19.8)%
Installment sales	63,630	72,328	(8,698)	(12.0)%
Other	5,869	4,975	894	18.0 %
Total store revenues	3,872,943	4,128,044	(255,101)	(6.2)%
Franchise				
Merchandise sales	95,054	91,350	3,704	4.1 %
Royalty income and fees	24,416	25,998	(1,582)	(6.1)%
Total revenues	3,992,413	4,245,392	(252,979)	(6.0)%
Cost of revenues				
Store				
Cost of rentals and fees	1,199,161	1,268,809	(69,648)	(5.5)%
Cost of merchandise sold	652,894	779,789	(126,895)	(16.3)%
Cost of installment sales	22,997	25,547	(2,550)	(10.0)%
Total cost of store revenues	1,875,052	2,074,145	(199,093)	(9.6)%
Franchise cost of merchandise sold	95,103	91,715	3,388	3.7 %
Total cost of revenues	1,970,155	2,165,860	(195,705)	(9.0)%
Gross profit	2,022,258	2,079,532	(57,274)	(2.8)%
Operating expenses				
Store expenses				
Labor	613,538	634,341	(20,803)	(3.3)%
Other store expenses	775,919	821,821	(45,902)	(5.6)%
General and administrative expenses	201,706	186,470	15,236	8.2 %
Depreciation, amortization and write-down of intangibles	51,321	53,079	(1,758)	(3.3)%
Other charges	216,909	235,283	(18,374)	(7.8)%
Total operating expenses	1,859,393	1,930,994	(71,601)	(3.7)%
Operating profit	162,865	148,538	14,327	9.6 %
Interest, net	109,998	87,067	22,931	26.3 %
Earnings before income taxes	52,867	61,471	(8,604)	(14.0)%
Income tax expense	58,046	49,114	8,932	18.2 %
Net (loss) earnings	\$ (5,179)	\$ 12,357	\$ (17,536)	(141.9)%

Comparison of the Years Ended December 31, 2023 and 2022

Store Revenue. Total store revenue decreased by \$255.1 million, or 6.2%, to \$3,872.9 million for the year ended December 31, 2023, from \$4,128.0 million for 2022. The decrease was primarily due to decreases of approximately \$179.0 million and \$85.7 million in the Acima and Rent-A-Center segments, respectively, as discussed further in the section “Segment Performance” below.

Cost of Rentals and Fees. Cost of rentals and fees consists primarily of depreciation of rental merchandise. Cost of rentals and fees for the year ended December 31, 2023 decreased by \$69.6 million, or 5.5%, to \$1,199.2 million, as compared to \$1,268.8 million in 2022. This decrease in cost of rentals and fees was primarily attributable to a decrease of \$71.4 million in the Acima segment. Cost of rentals and fees expressed as a percentage of rentals and fees revenue decreased to 36.8% for the year ended December 31, 2023 as compared to 37.6% in 2022.

Cost of Merchandise Sold. Cost of merchandise sold represents the net book value of rental merchandise at time of sale. Cost of merchandise sold decreased by \$126.9 million, or 16.3%, to \$652.9 million for the year ended December 31, 2023, from \$779.8 million in 2022, primarily attributable to decreases of \$119.8 million and \$7.1 million in the Acima and Rent-A-Center segments, respectively. The gross margin percent of merchandise sales decreased to (20.5)% for the year ended December 31, 2023, from (15.5)% in 2022.

Gross Profit. Gross profit decreased by \$57.2 million, or 2.8%, to \$2,022.3 million for the year ended December 31, 2023, from \$2,079.5 million in 2022, due primarily to a decrease of \$75.2 million in the Rent-A-Center segment, partially offset by increases of \$12.2 million and \$7.1 million in the Acima and Mexico segments, respectively, as discussed further in the section “Segment Performance” below. Gross profit as a percentage of total revenue increased to 50.7% in 2023, as compared to 49.0% in 2022.

Store Labor. Store labor includes all salaries and wages paid to store operational employees and district managers, together with payroll taxes and benefits. Store labor decreased by \$20.8 million, or 3.3%, to \$613.5 million for the year ended December 31, 2023, as compared to \$634.3 million in 2022, primarily attributable to decreases of \$12.6 million and \$10.9 million in the Rent-A-Center and Acima segments, respectively. Store labor expressed as a percentage of total store revenue was 15.8% for the year ended December 31, 2023, as compared to 15.4% in 2022.

Other Store Expenses. Other store expenses include charge-offs due to customer stolen merchandise and occupancy, delivery, advertising, selling, insurance, travel and other store-level operating expenses. Other store expenses decreased by \$45.9 million, or 5.6%, to \$775.9 million for the year ended December 31, 2023, as compared to \$821.8 million in 2022, due to a decrease of \$49.3 million in the Acima segment, primarily attributable to a decrease of \$44.2 million in merchandise losses, partially offset by an increase of \$4.5 million in the Mexico segment. Other store expenses expressed as a percentage of total store revenue were 20.0% for the year ended December 31, 2023, compared to 19.9% in 2022.

General and Administrative Expenses. General and administrative expenses include all corporate overhead expenses related to our headquarters such as salaries, payroll taxes and benefits, stock-based compensation, occupancy, administrative and other operating expenses, as well as salaries and labor costs for our regional directors, divisional vice presidents and executive vice presidents. General and administrative expenses increased by \$15.2 million, or 8.2%, to \$201.7 million for the year ended December 31, 2023, as compared to \$186.5 million in 2022, primarily due to higher incentive compensation. General and administrative expenses expressed as a percentage of total revenue were 5.1% for the year ended December 31, 2023, compared to 4.4% in 2022.

Other charges. Other charges decreased by \$18.4 million to \$216.9 million in 2023, as compared to \$235.3 million in 2022. Other charges for the year ended December 31, 2023 primarily included \$137.5 million in stock compensation expense related to the vesting of a portion of the equity consideration issued in connection with the acquisition of Acima Holdings, \$72.9 million in depreciation and amortization of acquired software and intangible assets and \$9.2 million in accelerated software depreciation, partially offset by \$3.1 million in interest income on income tax refunds related to prior year returns received in 2023. Other charges for the year ended December 31, 2022 primarily included \$143.2 million in stock compensation expense related to equity consideration issued in connection with the acquisition of Acima Holdings, \$80.8 million in depreciation and amortization of acquired software and intangible assets related to the acquisition of Acima Holdings, \$6.8 million in asset impairments, \$5.0 million in employee severance, \$1.2 million in state sales tax assessment reserves and \$1.2 million in Acima retail partner conversion losses. See Note N of our consolidated financial statements included in this Annual Report on Form 10-K for additional information regarding our other charges.

Operating Profit. Operating profit increased \$14.4 million, or 9.6%, to \$162.9 million for the year ended December 31, 2023, as compared to \$148.5 million in 2022, primarily due to a decrease in total operating expenses of \$71.6 million, partially offset by the decrease in gross profit as described above. Operating profit expressed as a percentage of total revenue was 4.1% for the year ended December 31, 2023, compared to 3.5% in 2022.

Income Tax Expense. Income tax expense for the year ended December 31, 2023 was \$58.0 million, as compared to \$49.1 million in 2022. The effective tax rate was 109.8% for the year ended December 31, 2023, compared to 79.9% in 2022. The increase in income tax expense for the year ended December 31, 2023 compared to 2022 was primarily due to an increase in tax valuation allowances and expiration of net operating losses related to our Mexico segment. See Note J of our consolidated financial statements included in this Annual Report on Form 10-K for additional information regarding our effective tax rate.

Comparison of the Years Ended December 31, 2022 and 2021

For similar operating and financial data and discussion of our year ended December 31, 2022 results compared to our year ended December 31, 2021 results, refer to Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on [Form 10-K](#) for the year ended December 31, 2022.

Segment Performance

Rent-A-Center segment.

(Dollar amounts in thousands)	Year Ended December 31,		2023-2022 Change	
	2023	2022	\$	%
Revenues	\$ 1,864,123	\$ 1,949,864	\$ (85,741)	(4.4)%
Gross profit	1,297,705	1,372,863	(75,158)	(5.5)%
Operating profit	273,518	334,525	(61,007)	(18.2)%
Lease portfolio balance ⁽¹⁾	144,960	142,839	2,121	1.5 %
Change in same store revenue ⁽¹⁾				(4.3)%
Stores in same store revenue calculation				1,766

⁽¹⁾ See *Key Metrics* described above for additional information

Revenues. The decrease in revenue for the year ended December 31, 2023 was primarily due to a decrease in same store sales of 4.3%, driven by decreases in rentals and fees revenue and merchandise sales of \$48.3 million and \$28.8 million, respectively, primarily attributable to a decrease in lease portfolio value during the first three quarters of 2023 compared to 2022, and fewer customers electing early purchase options. The segment lease portfolio value as of December 31, 2023 increased 1.5% compared to the value as of December 31, 2022.

Gross Profit. Gross profit decreased in 2023 driven primarily by the decrease in revenues described above. Gross profit as a percentage of segment revenues decreased to 69.6% in 2023 from 70.4% in 2022, primarily due to mix-shift changes between lease merchandise product categories.

Operating Profit. Operating profit as a percentage of segment revenues was 14.7% for 2023 compared to 17.2% for 2022. The decrease in operating margin for the year ended December 31, 2023 was primarily driven by decreases in revenues and gross profit described above, partially offset by lower merchandise losses. Charge-offs in our Rent-A-Center lease-to-own stores due to customer stolen merchandise, expressed as a percentage of Rent-A-Center lease-to-own revenues, was approximately 4.5% for the year ended December 31, 2023, compared to 4.9% in 2022. Charge-offs in our Rent-A-Center lease-to-own stores due to other merchandise losses, expressed as a percentage of Rent-A-Center lease-to-own revenues, was approximately 1.4% for the year ended December 31, 2023, compared to 2.0% in 2022. Other merchandise losses include unrepairable and missing merchandise, and loss/damage waiver claims.

Acima segment.

(Dollar amounts in thousands)	Year Ended December 31,		2023-2022 Change	
	2023	2022	\$	%
Revenues	\$ 1,931,325	\$ 2,110,320	\$ (178,995)	(8.5)%
Gross profit	644,447	632,244	12,203	1.9 %
Operating profit	235,480	151,301	84,179	55.6 %
Gross merchandise volume ⁽¹⁾	1,581,259	1,584,362	(3,103)	(0.2)%

⁽¹⁾ See *Key Metrics* described above for additional information

Revenues. The decrease in revenues for the year ended December 31, 2023 compared to 2022 was primarily due to decreases in merchandise sales and rentals and fees revenues of \$104.8 million and \$74.5 million, respectively. The decrease in rentals and fees revenue was primarily due to fewer open lease agreements and the decrease in merchandise sales was primarily attributable to lower GMV during the first three quarters of 2023 compared to 2022, and fewer customers electing early purchase options in the current year.

Gross Profit. Gross profit as a percentage of segment revenues increased to 33.4% for the year ended December 31, 2023, compared to 30.0% in 2022, primarily due to fewer customers electing early purchase options.

Operating Profit. Operating profit as a percentage of segment revenues increased to 12.2% for the year ended December 31, 2023, compared to 7.2% in 2022. The increase in operating profit for the year ended December 31, 2023 is primarily due to lower customer stolen merchandise losses of approximately \$45.1 million, lower labor costs of \$10.9 million and a decrease in amortization of acquired intangible assets of \$9.9 million, partially offset by lower revenues described above. Charge-offs in our Acima locations due to customer stolen merchandise, expressed as a percentage of revenues, were approximately 9.3% in 2023, compared to 10.6% in 2022. Charge-offs in our Acima locations due to other merchandise losses, expressed as a percentage of revenues, were negligible for the years ended December 31, 2023 and 2022. Other merchandise losses include unrepairable merchandise and loss/damage waiver claims.

Mexico segment.

	Year Ended December 31,		2023-2022 Change	
	2023	2022	\$	%
(Dollar amounts in thousands)				
Revenues	\$ 74,625	\$ 64,880	\$ 9,745	15.0 %
Gross profit	52,869	45,812	7,057	15.4 %
Operating profit	4,846	6,267	(1,421)	(22.7)%
Change in same store revenue ⁽¹⁾				(0.8)%
Stores in same store revenue calculation				112

⁽¹⁾ See *Key Metrics* described above for additional information

Revenues. Revenues for 2023 were positively impacted by exchange rate fluctuations of approximately \$8.8 million, as compared to 2022. On a constant currency basis, revenues for the year ended December 31, 2023 increased approximately \$0.9 million, compared to 2022.

Gross Profit. Gross profit for the year ended December 31, 2023 was positively impacted by exchange rate fluctuations of approximately \$6.3 million, as compared to 2022. On a constant currency basis, gross profit for the year ended December 31, 2023 increased by approximately \$0.8 million, compared to 2022. Gross profit as a percentage of segment revenues increased to 70.8% in 2023, compared to 70.6% in 2022.

Operating Profit. Operating profit for the year ended December 31, 2023 was positively impacted by exchange rate fluctuations of approximately \$0.6 million, as compared to 2022. On a constant currency basis, operating profit for the year ended December 31, 2023 decreased by approximately \$2.0 million, as compared to 2022. Operating profit as a percentage of segment revenues decreased to 6.5% in 2023, compared to 9.7% in 2022, primarily due to higher customer stolen merchandise losses.

Franchising segment.

	Year Ended December 31,		2023-2022 Change	
	2023	2022	\$	%
(Dollar amounts in thousands)				
Revenues	\$ 122,340	\$ 120,328	\$ 2,012	1.7 %
Gross profit	27,237	28,613	(1,376)	(4.8)%
Operating profit	17,087	19,124	(2,037)	(10.7)%

Revenues. Revenues increased for the year ended December 31, 2023, compared to 2022, primarily due to increases in merchandise purchases by franchisees of \$3.7 million, partially offset by decreases in royalty income and fees revenue of \$1.6 million.

Gross Profit. Gross profit as a percentage of segment revenues decreased to 22.3% in 2023, compared to 23.8% in 2022, primarily due to the changes in the allocation of merchandise sales compared to royalty and fee revenue.

Operating Profit. Operating profit as a percentage of segment revenues decreased to 14.0% in 2023, compared to 15.9% for 2022, primarily due to the change in gross profit described above.

Liquidity and Capital Resources

Overview. For the year ended December 31, 2023, we generated \$200.3 million in operating cash flow and used cash in the amount of \$138.6 million for debt repayments, \$83.1 million for dividends, \$53.4 million for capital expenditures and \$50.0 million for share repurchases, partially offset by cash proceeds from indebtedness of \$70.0 million. We ended the year with \$93.7 million of cash and cash equivalents and outstanding indebtedness of \$1.3 billion.

Analysis of Cash Flow. Cash provided by operating activities decreased by \$268.2 million to \$200.3 million in 2023 from \$468.5 million in 2022, primarily due to an increase in inventory purchases driven by increased demand.

Cash used in investing activities decreased to \$51.0 million in 2023, compared to \$62.3 million in 2022, primarily due to lower investment in store-related assets in our Rent-A-Center segment and an increase in proceeds from the sale of property assets in 2023.

Cash used in financing activities decreased to \$202.1 million in 2023, compared to \$370.7 million in 2022, primarily due to decreases in debt repayments and share repurchases of \$160.1 million and \$25.1 million, respectively, partially offset by a decrease in debt proceeds received of \$20.0 million.

Liquidity Requirements. Our primary liquidity requirements are for rental merchandise purchases. Other capital requirements include expenditures for technological and property assets, and debt service. Our primary sources of liquidity have been cash provided by operations.

We utilize our ABL Credit Facility for the issuance of letters of credit, as well as to manage normal fluctuations in operational cash flow caused by the timing of cash receipts. In that regard, we may from time to time draw funds under the ABL Credit Facility for general corporate purposes. Amounts are drawn as needed due to the timing of cash flows and are generally paid down as cash is generated by our operating activities. We believe cash flow generated from operations and availability under our ABL Credit Facility, will be sufficient to fund our operations during the next twelve months. At February 20, 2024, we had approximately \$62.3 million in cash on hand, and \$399.6 million available under our ABL Credit Facility.

Deferred Taxes. Certain federal tax legislation enacted during the period 2009 to 2017 permitted bonus first-year depreciation deductions ranging from 50% to 100% of the adjusted basis of qualified property placed in service during such years. The Protecting Americans from Tax Hikes Act of 2015 extended the 50% bonus depreciation to 2015 and through September 26, 2017, when it was updated by the Tax Cuts and Jobs Act of 2017 (“Tax Act”). The Tax Act allowed 100% bonus depreciation for certain property placed in service between September 27, 2017 and December 31, 2022, at which point it began to phase out. The bonus depreciation provided by the Tax Act resulted in estimated benefits of \$254 million and \$298 million for us in 2023 and 2022, respectively. Depreciation benefits of \$303 million associated with these Acts reversed in 2023. We estimate the remaining tax deferral associated with bonus depreciation from these Acts is approximately \$331 million at December 31, 2023, of which approximately 80% or \$263 million, will reverse in 2024, and the majority of the remainder will reverse in 2025.

Merchandise Losses. Merchandise losses consist of the following:

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Customer stolen merchandise ⁽¹⁾	\$ 284,703	\$ 336,475	\$ 298,533
Other merchandise losses ⁽²⁾	29,112	38,734	33,380
Total merchandise losses	\$ 313,815	\$ 375,209	\$ 331,913

⁽¹⁾ Increase in customer stolen merchandise losses for the year ended December 31, 2022 is primarily due to increases in the U.S. consumer price index and corresponding pressure on the discretionary income of our consumers.

⁽²⁾ Other merchandise losses include unrepairable and missing merchandise, and loss/damage waiver claims.

Capital Expenditures. We make capital expenditures in order to maintain our existing operations, acquire new capital assets in new and acquired stores and invest in information technology. We spent \$53.4 million, \$61.4 million and \$62.5 million on capital expenditures in the years 2023, 2022 and 2021, respectively. The decrease of \$8.0 million for the year ended December 31, 2023 is primarily due to lower investment in store-related assets in our Rent-A-Center segment.

Acquisitions and New Location Openings. During 2023, we acquired one lease-to-own store location and customer accounts for an aggregate purchase price of approximately \$39 thousand. The store location was closed upon acquisition and consolidated into existing store operations in our Rent-A-Center segment.

The tables below summarize the location activity for the years ended December 31, 2023, 2022 and 2021 for our Rent-A-Center, Mexico and Franchising operating segments.

	Year Ended December 31, 2023			
	Rent-A-Center	Mexico	Franchising	Total
Locations at beginning of period	1,851	126	447	2,424
New location openings	7	6	2	15
Conversions	(7)	—	7	—
Closed locations				
Merged with existing locations	(12)	(1)	—	(13)
Sold or closed with no surviving location	—	—	(16)	(16)
Locations at end of period	1,839	131	440	2,410
Acquired locations closed and accounts merged with existing locations	1	—	—	1
Total approximate purchase price of acquired store <i>(in thousands)</i>	\$ 39	\$ —	\$ —	\$ 39
	Year Ended December 31, 2022			
	Rent-A-Center	Mexico	Franchising	Total
Locations at beginning of period	1,846	123	466	2,435
New location openings	16	4	1	21
Conversions	1	—	(1)	—
Closed locations				
Merged with existing locations	(12)	(1)	—	(13)
Sold or closed with no surviving location	—	—	(19)	(19)
Locations at end of period	1,851	126	447	2,424
Acquired locations closed and accounts merged with existing locations	4	—	—	4
Total approximate purchase price of acquired store <i>(in thousands)</i>	\$ 995	\$ —	\$ —	\$ 995
	Year Ended December 31, 2021			
	Rent-A-Center	Mexico	Franchising	Total
Locations at beginning of period	1,845	121	462	2,428
New location openings	6	2	8	16
Conversions	1	—	(1)	—
Closed locations				
Merged with existing locations	(6)	—	—	(6)
Sold or closed with no surviving location	—	—	(3)	(3)
Locations at end of period	1,846	123	466	2,435
Acquired locations closed and accounts merged with existing locations	1	—	—	1
Total approximate purchase price of acquired store <i>(in thousands)</i>	\$ 278	\$ —	\$ —	\$ 278

Senior Debt. On February 17, 2021, we entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and lenders party thereto, that provides for a five-year asset-based revolving credit facility with commitments of \$550 million and a letter of credit sublimit of \$150 million, which commitments may be increased, at our option and under certain conditions, by up to an additional \$125 million in the aggregate (as amended on August 10, 2022, the “ABL Credit Facility”). Under the ABL Credit Facility, we may borrow only up to the lesser of the level of the then-current borrowing base and the aggregate amount of commitments under the ABL Credit Facility. The borrowing base is tied to the amount of eligible installment sales accounts, inventory and eligible lease contracts, reduced by certain reserves. The ABL Credit Facility bears interest at a fluctuating rate determined by reference to an adjusted Term SOFR rate plus an applicable margin of 1.50% to 2.00%, which, as of February 20, 2024, was 7.49%. A commitment fee equal to 0.250% to 0.375% of the unused portion of the

ABL Credit Facility fluctuates dependent upon average utilization for the prior month as defined by a pricing grid included in the documentation governing the ABL Credit Facility. Loans under the ABL Credit Facility may be borrowed, repaid and re-borrowed until February 17, 2026, at which time all amounts borrowed must be repaid.

The obligations under the ABL Credit Facility are guaranteed by us and certain of our material wholly owned domestic restricted subsidiaries, subject to certain exceptions. The obligations under the ABL Credit Facility and such guarantees are secured on a first-priority basis by all of our and our subsidiary guarantors' accounts, inventory, deposit accounts, securities accounts, cash and cash equivalents, rental agreements, general intangibles (other than equity interests in our subsidiaries), chattel paper, instruments, documents, letter of credit rights, commercial tort claims related to the foregoing and other related assets and all proceeds thereof related to the foregoing, subject to permitted liens and certain exceptions (such assets, collectively, the "ABL Priority Collateral") and a second-priority basis in substantially all other present and future tangible and intangible personal property of ours and the subsidiary guarantors, subject to certain exceptions.

On February 17, 2021, we also entered into a term loan credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and lenders party thereto, that provides for a seven-year \$875 million senior secured term loan facility (as amended on September 21, 2021 and June 15, 2023, the "Term Loan Facility"). Subject in each case to certain restrictions and conditions, we may add up to \$500 million of incremental term loan facilities to the Term Loan Facility or utilize incremental capacity under the Term Loan Facility at any time by issuing or incurring incremental equivalent term debt. Interest on borrowings under the Term Loan Facility is payable at a fluctuating rate of interest determined by reference to an adjusted Term SOFR rate plus an applicable margin of 3.25%, subject to a 0.50% Term SOFR floor, which, as of February 20, 2024, was 9.12%.

Borrowings under the Term Loan Facility amortize in equal quarterly installments in an amount equal to 1.000% per annum of the original aggregate principal amount thereof, with the remaining balance due at final maturity. The Term Loan Facility is secured by a first-priority security interest in substantially all of present and future tangible and intangible personal property of us and our subsidiary guarantors, other than the ABL Priority Collateral, and by a second-priority security interest in the ABL Priority Collateral, subject to certain exceptions. The obligations under the Term Loan Facility are guaranteed by us and our material wholly-owned domestic restricted subsidiaries that also guarantee the ABL Credit Facility.

At February 20, 2024, we had outstanding borrowings of \$811.1 million under the Term Loan Facility and available commitments of \$399.6 million under our ABL Credit Facility, net of letters of credit.

See Note K of our consolidated financial statements included in this Annual Report on Form 10-K for additional information regarding our senior debt.

Senior Notes. On February 17, 2021, we issued \$450 million in senior unsecured notes due February 15, 2029, at par value, bearing interest at 6.375% (the "Notes"). Interest on the Notes is payable in arrears on February 15 and August 15 of each year, beginning on August 15, 2021. We may redeem some or all of the Notes at any time for cash at the redemption prices set forth in the indenture governing the Notes, plus accrued and unpaid interest to, but not including, the redemption date. If we experience specific kinds of change in control, we will be required to offer to purchase the Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest. See Note L of our consolidated financial statements included in this Annual Report on Form 10-K for additional information regarding our senior notes.

Operating Leases. We lease space for all of our Rent-A-Center and Mexico stores under operating leases expiring at various times through 2034. In addition we lease space for certain support facilities under operating leases expiring at various times through 2032. Most of our store leases are five-year leases and contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed-upon formulas. As of December 31, 2023, our total remaining obligation for existing store lease contracts was approximately \$363.0 million.

We lease vehicles for all of our Rent-A-Center stores under operating leases with lease terms expiring twelve months after the start date of the lease. We classify these leases as short-term and have elected the short-term lease exemption for our vehicle leases, and have therefore excluded them from our operating lease right-of-use assets within our Consolidated Balance Sheets. As of December 31, 2023, our total remaining minimum obligation for existing Rent-A-Center vehicle lease contracts was approximately \$1.2 million.

We also lease vehicles for all of our Mexico stores which have terms expiring at various times through 2027 with rental rates adjusted periodically for inflation. As of December 31, 2023, our total remaining obligation for existing Mexico vehicle lease contracts was approximately \$4.3 million.

Reference Note G of our consolidated financial statements included in this Annual Report on Form 10-K for additional discussion of our store operating leases.

Uncertain Tax Position. As of December 31, 2023, we have recorded \$1.2 million in uncertain tax positions. Although these positions represent a potential future cash liability to us, the amounts and timing of such payments are uncertain.

Seasonality. Our revenue mix is moderately seasonal, with the first quarter of each fiscal year generally providing higher merchandise sales than any other quarter during a fiscal year. Generally, our customers will more frequently exercise the early purchase option on their existing lease purchase agreements or purchase pre-leased merchandise off the showroom floor during the first quarter of each fiscal year, primarily due to the receipt of federal income tax refunds. In contrast, our cash expenditures for merchandise purchases for the fiscal year are generally the highest beginning in the latter part of the third quarter through the fourth quarter, primarily as a result of holiday promotions.

Critical Accounting Estimates, Uncertainties or Assessments in Our Financial Statements

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent losses and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. In applying accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. However, uncertainties, including those related to recent macroeconomic trends or other factors, may affect certain estimates and assumptions inherent in the financial reporting process, which may impact reported amounts of assets and liabilities in future periods and cause actual results to differ from those estimates. We believe the following are areas where the degree of judgment and complexity in determining amounts recorded in our consolidated financial statements make the accounting policies critical.

If we make changes to our reserves in accordance with the policies described below, our earnings would be impacted. Increases to our reserves would reduce earnings and, similarly, reductions to our reserves would increase our earnings. A pre-tax change of approximately \$5.6 million in our estimates would result in a corresponding \$0.01 change in our diluted (loss) earnings per common share as of December 31, 2023.

Self-Insurance Liabilities. We have self-insured retentions with respect to losses under our workers' compensation, general liability, vehicle liability and health insurance programs. We establish reserves for our liabilities associated with these losses by obtaining forecasts for the ultimate expected losses and estimating amounts needed to pay losses within our self-insured retentions.

We continually institute procedures to manage our loss exposure and increases in health care costs associated with our insurance claims through our risk management function, including a transitional duty program for injured workers, ongoing safety and accident prevention training, and various other programs designed to minimize losses and improve our loss experience in our store locations. We make assumptions on our liabilities within our self-insured retentions using actuarial loss forecasts, company-specific development factors, general industry loss development factors, and third-party claim administrator loss estimates which are based on known facts surrounding individual claims. These assumptions incorporate expected increases in health care costs. Periodically, we reevaluate our estimate of liability within our self-insured retentions. At that time, we evaluate the adequacy of our reserves by comparing amounts reserved on our balance sheet for anticipated losses to our updated actuarial loss forecasts and third-party claim administrator loss estimates, and make adjustments to our reserves as needed.

As of December 31, 2023, the amount reserved for losses within our self-insured retentions with respect to workers' compensation, general liability and vehicle liability insurance was \$71.6 million, as compared to \$81.2 million at December 31, 2022. However, if any of the factors that contribute to the overall cost of insurance claims were to change, the actual amount incurred for our self-insurance liabilities could be more or less than the amounts currently reserved.

Rental Merchandise. Rental merchandise is carried at cost, net of accumulated depreciation. Depreciation for merchandise in Rent-A-Center, certain Acima locations formerly operating under the Acceptance Now brand, and Mexico stores is depreciated using the income forecasting method, which is intended to match as closely as practicable the recognition of depreciation expense with the consumption of the rental merchandise, and assumes no salvage value. The consumption of rental merchandise occurs during periods of rental and directly coincides with the receipt of rental revenue over the rental purchase agreement period. Under the income forecasting method, merchandise held for rent is not depreciated and merchandise on rent is depreciated in the proportion of rents received to total rents provided in the lease contract, which is an activity-based method similar to the units of production method. Depreciation of merchandise for Acima Holdings, which we acquired in February 2021, is recognized using a straight-line method over the term of the lease contract. Depreciation under the straight-line method is recognized each period over the term of the lease-to-own contract irrespective of receipt of revenue payments from the

customer. In addition, merchandise that is held for rent for at least 180 consecutive days is depreciated using the straight-line method over a period generally not to exceed 18 months, and smartphones are also depreciated on a straight-line basis over an 18-month period beginning with the earlier of on rent or 90 consecutive days held for rent.

Rental merchandise that is damaged and inoperable is expensed when such impairment occurs. If a customer does not return the merchandise or make payment, the remaining book value of the rental merchandise associated with delinquent accounts is generally charged off on or before the 90th day following the time the account became past due in the Rent-A-Center and Mexico segments, on or before the 120th day in our Acima segment and during the month following the 150th day in certain Acima locations formerly operating under the Acceptance Now brand. Minor repairs made to rental merchandise are expensed at the time of the repair. In addition, we maintain a reserve for these expected losses, which estimates the merchandise losses expected but not yet incurred as of the end of the accounting period based on a combination of historical write-offs and expected future losses. As of December 31, 2023 and 2022, the reserve for merchandise losses was \$84.7 million and \$93.6 million, respectively.

Receivables and Allowance for Doubtful Accounts. The installment sales receivable associated with the sale of merchandise at our Get It Now and Home Choice stores generally consists of the sales price of the merchandise purchased and any additional fees for services the customer has chosen, less the customer's down payment. No interest is accrued and interest income is recognized each time a customer makes a payment, generally on a monthly basis.

We have established an allowance for doubtful accounts for our installment notes receivable. Our policy for determining the allowance is primarily based on historical loss experience, as well as the results of management's review and analysis of the payment and collection of the installment notes receivable within the previous year. We believe our allowance is adequate to absorb all expected losses. Our policy is to charge off installment notes receivable that are 120 days or more past due. Charge-offs are applied as a reduction to the allowance for doubtful accounts and any recoveries of previously charged off balances are applied as an increase to the allowance for doubtful accounts.

Our trade and notes receivables consist of amounts due from our lease-to-own customers for lease renewal payments and past due uncollected lease payments, adjusted for the probability of collection based on our assessment of historical collection rates and length of time the receivable is past due; amounts owed from our franchisees for inventory purchases, earned royalties and other obligations; and other corporate-related receivables. The majority of our Franchising trade and notes receivables relate to amounts due from franchisees for inventory purchases, earned royalties and other obligations. Credit is extended to franchisees based on an evaluation of each franchisee's financial condition and collateral is generally not required. Trade receivables are generally due within 30 days and are reported as amounts due from franchisees, net of an allowance for doubtful accounts. Accounts that are outstanding longer than the contractual payment terms are considered past due. Franchising determines its allowance by considering a number of factors, including the length of time receivables are past due, previous loss history, the franchisee's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Franchising writes off trade receivables that are 90 or more days past due and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Valuation of Goodwill. We perform an assessment of goodwill for impairment at the reporting unit level annually as of October 1 or when events or circumstances indicate that impairment may have occurred. Factors which could necessitate an interim impairment assessment include a sustained decline in our stock price, prolonged negative industry or economic trends and significant underperformance relative to historical or projected future operating results.

Based on our assessment, if the fair value of the reporting unit exceeds its carrying value, then the goodwill is not deemed impaired. If the carrying value of the reporting unit exceeds fair value, goodwill is deemed impaired and the impairment is measured as the difference between the carrying value and the fair value of the respective reporting unit. As an alternative to performing a quantitative assessment to measure the fair value of the relevant unit, we may perform a qualitative assessment for impairment if we believe it is not more likely than not that the carrying value of the net assets of the reporting unit exceeds its fair value.

Our reporting units are our reportable operating segments identified in Note T to our consolidated financial statements included in this Annual Report on Form 10-K. Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions that we believe are reasonable but inherently uncertain, and actual results may differ from those estimates. These estimates and assumptions include, but are not limited to, future cash flows based on revenue growth rates and operating margins, and future economic and market conditions approximated by a discount rate derived from our weighted average cost of capital. Factors that could affect our ability to achieve the expected growth rates or operating margins include, but are not limited to, the general strength of the economy and other economic conditions that affect consumer preferences and spending and factors that affect the disposable income of our current and potential customers and other factors

discussed in “*Risk Factors*” contained in Item 1A of this Annual Report on Form 10-K. Factors that could affect our weighted average cost of capital include changes in interest rates and changes in our effective tax rate.

During the period from our 2022 goodwill impairment assessment through the third quarter 2023, we periodically analyzed whether any indicators of impairment had occurred, including by comparing the estimated fair value of the Company, as determined based on our consolidated stock price, to its net book value. As the estimated fair value of the Company was higher than its net book value during each of these periods, no additional testing was deemed necessary.

We completed a qualitative assessment for impairment of goodwill as of October 1, 2023, concluding it was not more likely than not that the carrying value of the net assets of our reporting units exceeded their respective fair values.

At December 31, 2023 and 2022, the amount of goodwill allocated to the Rent-A-Center segment was \$1.5 million. At December 31, 2023 and 2022, the amount of goodwill allocated to the Acima segment was \$288.3 million.

Based on an assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, we believe our consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of our company as of, and for, the periods presented in this Annual Report on Form 10-K. However, we do not suggest that other general risk factors, such as those discussed elsewhere in this report as well as changes in our growth objectives or performance of new or acquired locations, could not adversely impact our consolidated financial position, results of operations and cash flows in future periods.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires enhanced disclosures of significant segment expenses on a quarterly and annual basis and is intended to improve the transparency of reportable segment disclosures. The adoption of ASU 2023-07 will be required for us beginning January 1, 2024. We do not believe the adoption of this ASU will have a material impact on our financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which is intended to improve the transparency of the annual income tax disclosures by requiring specific categories in the income tax rate reconciliation and disaggregation of income taxes paid by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. The adoption of ASU 2023-09 will be required for us beginning January 1, 2025. We do not believe the adoption of this ASU will have a material impact on our financial statements.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that we adopt as of the specified effective date. Unless otherwise discussed, we believe the impact of any other recently issued standards that are not yet effective are either not applicable to us at this time or will not have a material impact on our consolidated financial statements upon adoption.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Interest Rate Sensitivity

As of December 31, 2023, we had \$450 million in Notes outstanding at a fixed interest rate of 6.375%. We also had \$811.1 million outstanding under the Term Loan Facility and \$70.0 million outstanding under our ABL Credit Facility, each at interest rates indexed to the Term SOFR rate or the prime rate. Carrying value approximates fair value for such indebtedness.

Interest Rate Risk

Market risk is the potential change in an instrument’s value caused by fluctuations in interest rates. Our primary market risk exposure is fluctuations in interest rates. Monitoring and managing this risk is a continual process carried out by our senior management. We manage our market risk based on an ongoing assessment of trends in interest rates and economic developments, giving consideration to possible effects on both total return and reported earnings. As a result of such assessment, we may enter into swap contracts or other interest rate protection agreements from time to time to mitigate this risk.

We have outstanding debt with variable interest rates indexed to prime rate or Term SOFR rate that exposes us to the risk of increased interest costs if interest rates rise. As of December 31, 2023, we have not entered into any interest rate swap agreements. Based on our overall interest rate exposure at December 31, 2023, a hypothetical 1.0% increase or decrease in market interest rates would have the effect of causing an additional \$8.8 million additional annualized pre-tax charge or credit to our Consolidated Statements of Operations.

Foreign Currency Translation

We are exposed to market risk from foreign exchange rate fluctuations of the Mexican peso to the U.S. dollar as the financial position and operating results of our stores in Mexico are translated into U.S. dollars for consolidation. Resulting translation adjustments are recorded as a separate component of stockholders' equity.

Item 8. *Financial Statements and Supplementary Data.*

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Upbound Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Upbound Group, Inc. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 27, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Merchandise Loss Reserve

Description of the Matter

As described in Note A to the consolidated financial statements, the Company maintains a \$84.7 million reserve for expected merchandise losses from unreturned merchandise related to delinquent rental agreements. The Company estimates this reserve based on a combination of historical write-offs and expected future losses.

Auditing the Company's merchandise loss reserve was complex due to the level of uncertainty associated with management's assumptions used to estimate the reserve. In particular, management was required to estimate the amount of merchandise not expected to be returned related to delinquent accounts. The Company estimates expected losses from delinquent accounts based on historical write-off experience, including the number of days the account is past due and expectations about future losses from delinquent accounts at the end of the year.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's process to determine the valuation of the merchandise loss reserve. This included testing controls over the Company's review of the significant inputs underlying the reserve estimate, which include those mentioned above.

To test the adequacy of the Company's merchandise loss reserve, we performed substantive audit procedures that included, among others, testing the accuracy and completeness of the underlying data used in the reserve calculations and evaluating the Company's methodology for estimating future losses. We evaluated significant assumptions, including those mentioned above, that were used in management's calculation of the merchandise loss reserve. We also tested a sample of actual charge-offs to supporting documents to validate the number of days an account is delinquent before a write-off occurs for merchandise on rent. Among our other procedures, we performed sensitivity analyses over significant assumptions to evaluate the changes in the estimated merchandise loss reserve resulting from changes in the Company's significant assumptions.

Accrual for trade receivables

Description of the Matter

At December 31, 2023, the Company's accrual for trade receivables was \$36.8 million, representing renewal and uncollected rental payments, adjusted for the probability of collection. As discussed in Note A to the consolidated financial statements, the Company estimates the probability of collection for renewal and uncollected rental payments based on an assessment that uses historical collection rates.

Auditing the Company's accrual for trade revenue was complex due to the level of uncertainty associated with management's assumptions used to estimate the accrual. In particular, management was required to estimate the probability of collecting renewal and uncollected rental payments from accounts that are past due. The Company estimates the probability of collection from past due accounts based on historical collection experience, including the probability of collection based on the number of days the account is past due and expectations about future collections from delinquent accounts at the end of the year.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's process to determine the accrual for trade receivables. This included testing controls over the Company's review of the significant inputs underlying the accrual estimate, which include those mentioned above.

To test the Company's accrual for trade receivables, we performed substantive audit procedures that included, among others, testing the accuracy and completeness of the underlying data used in the calculations and evaluating the Company's methodology for estimating the probability of collection. We evaluated significant assumptions, including those mentioned above, that were used in management's calculation of the accrual for trade receivables. We also performed a look-back analysis to compare the Company's estimate for expected collections to the actual outcome for certain past due aging categories. Among our other procedures, we performed sensitivity analyses over significant assumptions to evaluate the changes in the estimated accrual for trade receivables resulting from changes in the Company's significant assumptions.

Self-Insurance Liabilities

Description of the Matter

As described in Note A to the consolidated financial statements, the Company recorded liabilities totaling \$71.6 million associated with its self-insured retentions for workers' compensation, general liability and vehicle liability insurance (collectively, the self-insurance liabilities). The self-insurance liabilities are established by obtaining forecasts for the ultimate expected losses and estimating amounts needed to pay losses within the self-insured retentions.

Auditing the Company's self-insurance liabilities is complex and required us to use our actuarial specialists due to the significant measurement uncertainty associated with the estimates, management's application of judgment, and the use of various actuarial methods. The Company's analyses of the self-insurance liabilities consider a variety of factors, including the actuarial loss forecasts, company-specific development factors, general industry loss development factors and third-party claim administrator loss estimates of individual claims. The self-insurance liabilities are sensitive to changes in these factors.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls over the self-insurance liabilities processes. For example, we tested controls over the factors mentioned above that management used in the calculations and the completeness and accuracy of the data underlying the ultimate expected losses.

To evaluate the reserve for self-insurance liabilities, we performed audit procedures that included, among others, testing the completeness and accuracy of the underlying claims data provided to management's actuarial specialist. Additionally, we involved our actuarial specialists to assist in our evaluation of the key factors mentioned above and the methodologies applied by management's specialist to establish the actuarially determined ultimate expected losses and develop a range for ultimate expected loss estimates based on independently developed assumptions, which we compared to the Company's recorded reserves for self-insurance liabilities.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2019.

Dallas, Texas

February 27, 2024

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Upbound Group, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Upbound Group, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Upbound Group, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023 and the related notes and our report dated February 27, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Dallas, Texas

February 27, 2024

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company, including the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. The Company's internal control system was designed to provide reasonable assurance to management and the Company's Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. A system of internal control may become inadequate over time because of changes in conditions, or deterioration in the degree of compliance with the policies or procedures. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013)*.

Based on this assessment, management has concluded that, as of December 31, 2023, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles based on such criteria.

Ernst & Young LLP, the Company's independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting, which is included elsewhere in this Annual Report on Form 10-K.

UPBOUND GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(in thousands, except per share data)</i>	Year Ended December 31,		
	2023	2022	2021
Revenues			
Store			
Rentals and fees	\$ 3,261,678	\$ 3,375,453	\$ 3,522,453
Merchandise sales	541,766	675,288	829,222
Installment sales	63,630	72,328	73,585
Other	5,869	4,975	4,148
Total store revenues	3,872,943	4,128,044	4,429,408
Franchise			
Merchandise sales	95,054	91,350	126,856
Royalty income and fees	24,416	25,998	27,187
Total revenues	3,992,413	4,245,392	4,583,451
Cost of revenues			
Store			
Cost of rentals and fees	1,199,161	1,268,809	1,260,434
Cost of merchandise sold	652,894	779,789	935,765
Cost of installment sales	22,997	25,547	25,637
Total cost of store revenues	1,875,052	2,074,145	2,221,836
Franchise cost of merchandise sold	95,103	91,715	126,603
Total cost of revenues	1,970,155	2,165,860	2,348,439
Gross profit	2,022,258	2,079,532	2,235,012
Operating expenses			
Store expenses			
Labor	613,538	634,341	644,763
Other store expenses	775,919	821,821	770,073
General and administrative expenses	201,706	186,470	194,894
Depreciation, amortization and write-down of intangibles	51,321	53,079	54,830
Other charges	216,909	235,283	289,913
Total operating expenses	1,859,393	1,930,994	1,954,473
Operating profit	162,865	148,538	280,539
Debt refinancing charges	—	—	15,582
Interest expense	113,418	87,708	70,874
Interest income	(3,420)	(641)	(221)
Earnings before income taxes	52,867	61,471	194,304
Income tax expense	58,046	49,114	59,364
Net (loss) earnings	\$ (5,179)	\$ 12,357	\$ 134,940
Basic (loss) earnings per common share	\$ (0.09)	\$ 0.23	\$ 2.37
Diluted (loss) earnings per common share	\$ (0.09)	\$ 0.21	\$ 2.02
Cash dividends declared per common share	\$ 1.39	\$ 1.36	\$ 1.27

See accompanying notes to consolidated financial statements.

UPBOUND GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Net (loss) earnings	\$ (5,179)	\$ 12,357	\$ 134,940
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of tax of \$1,665, \$464, and \$(259) for 2023, 2022, and 2021, respectively	6,263	1,745	(975)
Total other comprehensive income (loss)	6,263	1,745	(975)
Comprehensive income	\$ 1,084	\$ 14,102	\$ 133,965

See accompanying notes to consolidated financial statements.

UPBOUND GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and par value data)

	December 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 93,705	\$ 144,141
Receivables, net of allowance for doubtful accounts of \$14,254 and \$13,214 in 2023 and 2022, respectively	111,005	111,865
Prepaid expenses and other assets	50,259	46,070
Rental merchandise, net		
On rent	1,109,896	989,869
Held for rent	124,167	134,959
Merchandise held for installment sale	6,398	6,988
Property assets, net of accumulated depreciation of \$611,120 and \$576,675 in 2023 and 2022, respectively	273,118	295,371
Operating lease right-of-use assets	289,702	302,311
Deferred tax asset	72,032	82,886
Goodwill	289,750	289,750
Other intangible assets, net	301,398	359,409
Total assets	<u>\$ 2,721,430</u>	<u>\$ 2,763,619</u>
LIABILITIES		
Accounts payable — trade	\$ 177,249	\$ 155,449
Accrued liabilities	322,905	320,624
Operating lease liabilities	293,435	305,556
Deferred tax liability	60,842	87,986
Senior debt, net	866,707	930,902
Senior notes, net	439,920	437,956
Total liabilities	<u>2,161,058</u>	<u>2,238,473</u>
STOCKHOLDERS' EQUITY		
Common stock, \$0.01 par value; 250,000,000 shares authorized; 125,415,059 and 125,028,169 shares issued in 2023 and 2022, respectively	1,100	1,080
Additional paid-in capital	1,459,709	1,298,094
Retained earnings	994,892	1,077,189
Treasury stock at cost, 71,060,928 and 69,354,651 shares in 2023 and 2022, respectively	(1,890,966)	(1,840,591)
Accumulated other comprehensive loss	(4,363)	(10,626)
Total stockholders' equity	<u>560,372</u>	<u>525,146</u>
Total liabilities and stockholders' equity	<u>\$ 2,721,430</u>	<u>\$ 2,763,619</u>

See accompanying notes to consolidated financial statements.

UPBOUND GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<i>(in thousands)</i>	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Amount					
Balance at January 1, 2021	112,181	\$ 1,105	\$ 886,902	\$ 1,091,010	\$ (1,375,541)	\$ (11,396)	\$ 592,080
Net earnings	—	—	—	134,940	—	—	134,940
Other comprehensive loss	—	—	—	—	—	(975)	(975)
Purchase of treasury stock	—	(79)	—	—	(390,033)	—	(390,112)
Exercise of stock options	477	4	12,050	—	—	—	12,054
Vesting of restricted share units	960	8	(8)	—	—	—	—
Tax effect of stock awards vested and options exercised	—	—	(20,903)	—	—	—	(20,903)
Stock-based compensation	—	—	147,554	—	—	—	147,554
Dividends declared	—	—	—	(82,303)	—	—	(82,303)
Acima acquisition	10,780	27	120,914	—	—	—	120,941
Balance at December 31, 2021	124,398	\$ 1,065	\$ 1,146,509	\$ 1,143,647	\$ (1,765,574)	\$ (12,371)	\$ 513,276
Net earnings	—	—	—	12,357	—	—	12,357
Other comprehensive income	—	—	—	—	—	1,745	1,745
Purchase of treasury stock	—	(35)	—	—	(75,017)	—	(75,052)
Exercise of stock options	110	1	1,785	—	—	—	1,786
Vesting of restricted share units	520	49	(49)	—	—	—	—
Tax effect of stock awards vested and options exercised	—	—	(9,509)	—	—	—	(9,509)
Stock-based compensation	—	—	159,358	—	—	—	159,358
Dividends declared	—	—	—	(78,815)	—	—	(78,815)
Balance at December 31, 2022	125,028	\$ 1,080	\$ 1,298,094	\$ 1,077,189	\$ (1,840,591)	\$ (10,626)	\$ 525,146
Net loss	—	—	—	(5,179)	—	—	(5,179)
Other comprehensive income	—	—	—	—	—	6,263	6,263
Purchase of treasury stock	—	(17)	—	—	(50,375)	—	(50,392)
Exercise of stock options	138	1	2,385	—	—	—	2,386
Vesting of restricted share units	249	36	(36)	—	—	—	—
Tax effect of stock awards vested and options exercised	—	—	(2,850)	—	—	—	(2,850)
Stock-based compensation	—	—	162,116	—	—	—	162,116
Dividends declared	—	—	—	(77,118)	—	—	(77,118)
Balance at December 31, 2023	125,415	\$ 1,100	\$ 1,459,709	\$ 994,892	\$ (1,890,966)	\$ (4,363)	\$ 560,372

See accompanying notes to consolidated financial statements.

UPBOUND GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Cash flows from operating activities			
Net (loss) earnings	\$ (5,179)	\$ 12,357	\$ 134,940
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities			
Depreciation of rental merchandise	1,160,579	1,229,136	1,216,735
Bad debt expense	25,869	24,658	14,397
Stock-based compensation expense	162,116	159,358	147,554
Depreciation of property assets	75,450	67,981	67,091
Loss on sale or disposal of property assets	568	6,080	353
Amortization of intangibles	58,022	65,890	102,742
Amortization of financing fees	6,374	6,409	6,008
Write-off of debt financing fees	—	—	9,926
Deferred income taxes	(17,944)	(41,209)	48,315
Changes in operating assets and liabilities, net of effects of acquisitions			
Rental merchandise	(1,272,043)	(1,047,687)	(1,273,734)
Receivables	(25,009)	(10,145)	(25,516)
Prepaid expenses and other assets	(4,188)	17,398	(12,766)
Operating lease right-of-use assets and lease liabilities	487	(1,952)	2,712
Accounts payable — trade	21,800	19,783	(66,419)
Accrued liabilities	13,388	(39,597)	19,960
Net cash provided by operating activities	200,290	468,460	392,298
Cash flows from investing activities			
Purchase of property assets	(53,402)	(61,387)	(62,450)
Proceeds from sale of assets	2,484	52	4
Acquisitions of businesses	(39)	(995)	(1,273,528)
Net cash used in investing activities	(50,957)	(62,330)	(1,335,974)
Cash flows from financing activities			
Share repurchases	(50,000)	(75,052)	(390,112)
Exercise of stock options	2,386	1,786	12,054
Shares withheld for payment of employee tax withholdings	(2,850)	(9,509)	(20,903)
Debt issuance costs	—	—	(47,622)
Proceeds from debt	70,000	90,000	1,780,000
Repayments of debt	(138,604)	(298,750)	(369,063)
Dividends paid	(83,056)	(79,188)	(71,505)
Net cash (used in) provided by financing activities	(202,124)	(370,713)	892,849
Effect of exchange rate changes on cash	2,355	391	(289)
Net (decrease) increase in cash and cash equivalents	(50,436)	35,808	(51,116)
Cash and cash equivalents at beginning of year	144,141	108,333	159,449
Cash and cash equivalents at end of year	\$ 93,705	\$ 144,141	\$ 108,333
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	\$ 106,161	\$ 71,195	\$ 51,071
Income taxes (excludes \$20,714, \$725, and \$1,571 of income taxes refunded in 2023, 2022, and 2021, respectively)	\$ 89,241	\$ 72,307	\$ 19,340

See accompanying notes to consolidated financial statements.

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A — Nature of Operations and Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation and Nature of Operations

The financial statements included herein include the accounts of Upbound Group, Inc., and its direct and indirect subsidiaries. All intercompany accounts and transactions have been eliminated. Unless the context indicates otherwise, references to “Upbound Group, Inc.” refer only to Upbound Group, Inc., the parent, and references to the “Company,” “we,” “us” and “our” refer to the consolidated business operations of Upbound Group, Inc. and any or all of its direct and indirect subsidiaries. We report four operating segments: Rent-A-Center, Acima, Mexico and Franchising.

Our Rent-A-Center segment consists of company-owned lease-to-own stores in the United States and Puerto Rico that lease household durable goods to customers on a lease-to-own basis. We also offer merchandise on an installment sales basis in certain of our stores under the names “Get It Now” and “Home Choice.” Our Rent-A-Center segment operates through our company-owned stores and e-commerce platform through rentacenter.com. At December 31, 2023, we operated 1,839 company-owned stores nationwide and in Puerto Rico, including 52 retail installment sales stores.

Our Acima segment, which primarily operates in the United States and Puerto Rico, includes the operations of Acima Holdings and certain locations previously operating under our Acceptance Now brand, generally offers consumers, who do not qualify for traditional financing, the lease-to-own transaction through staffed or unstaffed kiosks located within third-party retailer’s locations, or other virtual options. In virtual locations, customers, either directly or with the assistance of a representative of the third-party retailer, initiate the lease-to-own transaction online in the retailers’ locations using our virtual solutions.

Our Mexico segment consists of our company-owned lease-to-own stores in Mexico that lease household durable goods to customers on a lease-to-own basis. At December 31, 2023, we operated 131 stores in Mexico.

Rent-A-Center Franchising International, Inc., an indirect wholly-owned subsidiary of Upbound Group, Inc., is a franchisor of lease-to-own stores. At December 31, 2023, Franchising had 440 franchised stores operating in 30 states. Our Franchising segment’s primary source of revenue is the sale of rental merchandise to its franchisees, who in turn offer the merchandise to the general public for rent or purchase under a lease-to-own transaction. The balance of our Franchising segment’s revenue is generated primarily from royalties based on franchisees’ monthly gross revenues.

Rental Merchandise

Rental merchandise is carried at cost, net of accumulated depreciation. Depreciation for merchandise in Rent-A-Center, certain Acima locations previously operating under our Acceptance Now brand, and Mexico stores is depreciated using the income forecasting method, which is intended to match as closely as practicable the recognition of depreciation expense with the consumption of the rental merchandise, and assumes no salvage value. The consumption of rental merchandise occurs during periods of rental and directly coincides with the receipt of rental revenue over the rental purchase agreement period. Under the income forecasting method, merchandise held for rent is not depreciated and merchandise on rent is depreciated in the proportion of rents received to total rents provided in the lease contract, which is an activity-based method similar to the units of production method. Lease merchandise under Acima Holdings is depreciated over the lease term using a straight-line depreciation method. Depreciation under the straight-line method is recognized each period over the term of the lease-to-own contract irrespective of receipt of revenue payments from the customer. In addition, we depreciate merchandise that is held for rent for at least 180 consecutive days using the straight-line method over a period generally not to exceed 18 months. Smartphones are depreciated over an 18-month straight-line basis beginning with the earlier of on rent or 90 consecutive days held for rent.

Rental merchandise that is damaged and inoperable is expensed when such impairment occurs. If a customer does not return the merchandise or make payment, the remaining book value of the rental merchandise associated with delinquent accounts is generally charged off on or before the 90th day following the time the account became past due in the Rent-A-Center and Mexico segments, on or before the 120th day in our Acima segment and during the month following the 150th day in certain Acima locations formerly operating under the Acceptance Now brand. Minor repairs made to rental merchandise are expensed at the time of the repair. In addition, we maintain a reserve for these expected losses, which estimates the merchandise losses incurred but not yet identified by management as of the end of the accounting period based on a combination of historical write-offs and expected future losses. As of December 31, 2023 and 2022, the reserve for merchandise losses was \$84.7 million and \$93.6 million, respectively. Expenses related to merchandise losses, damaged merchandise, or merchandise repairs are recorded

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

to other store expenses in our Consolidated Statements of Operations and were \$313.8 million, \$375.2 million, and \$331.9 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Cash Equivalents

Cash equivalents include all highly liquid investments with an original maturity of three months or less, in addition to in-transit customer payments. We maintain cash and cash equivalents at several financial institutions, which at times may not be federally insured or may exceed federally insured limits. We have not experienced any losses in such accounts and believe we are not exposed to any significant credit risks on such accounts.

Revenues

Rental merchandise is leased to customers pursuant to lease-to-own agreements which provide for weekly, bi-weekly, semi-monthly or monthly terms with non-refundable lease payments. The customer has the right to acquire title of the merchandise either through an early purchase option or through payment of all required lease renewals. Rental revenue and fees are recognized over the lease term and merchandise sales revenue is recognized when the customer exercises the purchase option and pays the cash price due. Cash received prior to the period in which it should be recognized is deferred and recognized according to the lease term. Revenue is accrued for uncollected amounts due based on historical collection experience. However, the total potential amount of the lease-to-own agreement is not accrued because the customer can elect not to renew the lease-to-own agreement at any time and, in that case would not owe future lease payments.

Revenues from the sale of merchandise in our retail installment stores are recognized when the installment note is signed, the customer has taken possession of the merchandise and collectability is reasonably assured.

Franchise revenues from the sale of rental merchandise are recognized upon shipment of the merchandise to the franchisee. Franchise royalty income and fee revenue is recognized upon completion of substantially all services and satisfaction of all material conditions required under the terms of the franchise agreement. Initial franchise fees charged to franchisees for new or converted franchise stores are recognized on a straight-line basis over the term of the franchise agreement.

Receivables and Allowance for Doubtful Accounts

The installment sales receivable associated with the sale of merchandise at our Get It Now and Home Choice stores generally consists of the sales price of the merchandise purchased and any additional fees for services the customer has chosen, less the customer's down payment. No interest is accrued and interest income is recognized each time a customer makes a payment, generally on a monthly basis.

We have established an allowance for doubtful accounts for our installment notes receivable. Our policy for determining the allowance is primarily based on historical loss experience, as well as the results of management's review and analysis of the payment and collection of the installment notes receivable within the previous year. We believe our allowance is adequate to absorb all expected losses. Our policy is to charge off installment notes receivable that are 120 days or more past due. Charge-offs are applied as a reduction to the allowance for doubtful accounts and any recoveries of previously charged off balances are recognized as contra-bad debt expense in our Consolidated Statement of Operations.

Our trade and notes receivables consist of amounts due from our lease-to-own customers for lease renewal payments and past due uncollected lease payments, adjusted for the probability of collection based on our assessment of historical collection rates and length of time the receivable is past due; amounts owed from our franchisees for inventory purchases, earned royalties and other obligations; and other corporate related receivables. The majority of our Franchising trade and notes receivables relate to amounts due from franchisees for inventory purchases, earned royalties and other obligations. Credit is extended to franchisees based on an evaluation of each franchisee's financial condition and collateral is generally not required. Trade receivables are generally due within 30 days and are reported as amounts due from franchisees, net of an allowance for doubtful accounts. Accounts that are outstanding longer than the contractual payment terms are considered past due. Franchising determines its allowance by considering a number of factors, including the length of time receivables are past due, previous loss history, the franchisee's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Franchising writes off trade receivables that are 90 or more days past due and payments subsequently received on such receivables are recognized as contra-bad debt expense in our Consolidated Statement of Operations.

Property Assets and Related Depreciation

Furniture, equipment and vehicles are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the respective assets (generally 5 years) on the straight-line method. Leasehold improvements are amortized over the useful life of the asset or the initial term of the applicable leases on the straight-line method, whichever is shorter.

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We have incurred costs to develop computer software for internal use. We capitalize the costs incurred during the application development stage, which includes designing the software configuration and interfaces, coding, installation, and testing. Costs incurred during the preliminary stages along with post-implementation stages of internally developed software are expensed as incurred. Internally developed software costs, once placed in service, are amortized over various periods up to 10 years.

We incur repair and maintenance expenses on our vehicles and equipment. These amounts are recognized when incurred, unless such repairs significantly extend the life of the asset, in which case we amortize the cost of the repairs for the remaining useful life of the asset utilizing the straight-line method.

Goodwill and Other Intangible Assets

We record goodwill when the consideration paid for an acquisition exceeds the fair value of the identifiable net tangible and identifiable intangible assets acquired. Goodwill is not subject to amortization but must be periodically evaluated for impairment for each reporting unit. Impairment occurs when the carrying value of goodwill is not recoverable from future cash flows. We perform an assessment of goodwill for impairment at the reporting unit level annually as of October 1 or when events or circumstances indicate that impairment may have occurred.

Our reporting units are our reportable operating segments. Factors which could necessitate an interim impairment assessment include a sustained decline in our stock price, prolonged negative industry or economic trends and significant underperformance relative to historical or projected future operating results.

Based on our assessment, if the fair value of the reporting unit exceeds its carrying value, then the goodwill is not deemed impaired. If the carrying value of the reporting unit exceeds fair value, goodwill is deemed impaired and the impairment is measured as the difference between the carrying value and the fair value of the respective reporting unit. We determine the fair value of each reporting unit using methodologies which include the present value of estimated future cash flows. The analysis is based upon available information regarding expected future cash flows and discount rates. Discount rates are generally based upon our weighted average cost of capital.

As an alternative to performing a quantitative assessment to measure the fair value of the reporting unit, the Company may perform a qualitative assessment for impairment if it believes it is not more likely than not that the carrying value of the net assets of the reporting unit exceeds its fair value.

At December 31, 2023, the amount of goodwill attributable to the Rent-A-Center and Acima segments was approximately \$1.5 million and \$288.3 million, respectively. We currently do not have goodwill balances attributable to our Mexico or Franchising segments.

Acquired intangible assets are recorded at their estimated fair value as of the date of acquisition and generally include customer relationships, merchant relationships, non-compete agreements and trade names. Customer relationships are generally amortized over a 21-month period, excluding relationships with existing lessees acquired from Acima Holdings which were being amortized over 12 months. Non-compete agreements are amortized over the contractual life of the agreements, merchant relationships are amortized over a 7 to 15 year period, and trade names and other intangible assets are amortized over the estimated life of the asset. Intangible assets are amortized using methods that we believe reflect the pattern in which the economic benefits of the related asset are consumed unless such pattern cannot be reliably determined, in which case we amortize using a straight-line method.

Accounting for Impairment of Long-Lived Assets

We evaluate all long-lived assets, including intangible assets, excluding goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the related assets may not be recoverable by the undiscounted net cash flows they will generate. Impairment is recognized when the carrying amounts of such assets exceed their fair value. We determine the fair value of our long-lived assets using methodologies which include the present value of estimated future cash flows of the asset, or related fair market values for similar assets.

Self-Insurance Liabilities

We have self-insured retentions with respect to losses under our workers' compensation, general liability, vehicle liability and health insurance programs. We establish reserves for our liabilities associated with these losses by obtaining forecasts for the ultimate expected losses and estimating amounts needed to pay losses within our self-insured retentions. We make assumptions on our liabilities within our self-insured retentions using actuarial loss forecasts, company-specific development factors, general industry loss development factors, and third-party claim administrator loss estimates which are based on known facts surrounding individual claims. These assumptions incorporate expected increases in health care costs. Periodically, we

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

reevaluate our estimate of liability within our self-insured retentions. At that time, we evaluate the adequacy of our reserves by comparing amounts reserved on our balance sheet for anticipated losses to our updated actuarial loss forecasts and third-party claim administrator loss estimates, and make adjustments to our reserves as needed.

Foreign Currency Translation

The functional currency of our foreign operations is the applicable local currency. Assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the current rate of exchange on the last day of the reporting period. Revenues and expenses are generally translated at a daily exchange rate and equity transactions are translated using the actual rate on the day of the transaction.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is comprised exclusively of our foreign currency translation adjustment.

Income Taxes

We record deferred taxes for temporary differences between the tax and financial reporting bases of assets and liabilities at the enacted tax rate expected to be in effect when those temporary differences are expected to be recovered or settled. Income tax accounting requires management to make estimates and apply judgments to events that will be recognized in one period under rules that apply to financial reporting in a different period in our tax returns. In particular, judgment is required when estimating the value of future tax deductions, tax credits and net operating loss carryforwards (NOLs), as represented by deferred tax assets. We evaluate the recoverability of these future tax deductions and credits by assessing the future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely heavily on estimates. We use our historical experience and our short- and long-range business forecasts to provide insight and assist us in determining recoverability. When it is determined the recovery of all or a portion of a deferred tax asset is not likely, a valuation allowance is established. We include NOLs in the calculation of deferred tax assets. NOLs are utilized to the extent allowable due to the provisions of the Internal Revenue Code of 1986, as amended, and relevant state statutes.

We recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon the ultimate settlement with the relevant tax authority. A number of years may elapse before a particular matter, for which we have recorded a liability, is audited and effectively settled. We review our tax positions quarterly and adjust our liability for unrecognized tax benefits in the period in which we determine the issue is effectively settled with the tax authorities, the statute of limitations expires for the relevant taxing authority to examine the tax position, or when more information becomes available. We classify accrued interest and penalties related to unrecognized tax benefits as interest expense and general & administrative expense, respectively.

Sales Taxes

We apply the net basis for sales taxes imposed on our goods and services in our Consolidated Statements of Operations. We are required by the applicable governmental authorities to collect and remit sales taxes. Accordingly, such amounts are charged to the customer, collected and remitted directly to the appropriate jurisdictional entity.

(Loss) Earnings Per Common Share

Basic (loss) earnings per common share are based upon the weighted average number of common shares outstanding during each period presented. Diluted (loss) earnings per common share are based upon the weighted average number of common shares outstanding during the period, plus, if dilutive, the assumed exercise of stock options and vesting of stock awards at the beginning of the year, or for the period outstanding during the year for current year issuances.

Advertising Costs

Costs incurred for producing and communicating advertising are expensed when incurred. Advertising expense was \$63.1 million, \$53.6 million, and \$73.9 million, for the years ended December 31, 2023, 2022, and 2021, respectively. Advertising expense is net of vendor allowances of \$21.7 million, \$20.0 million, and \$21.6 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Stock-Based Compensation

We maintain long-term incentive plans for the benefit of certain employees and directors, which are described more fully in Note O. We recognize share-based payment awards to our employees and directors at the estimated fair value on the grant date. Determining the fair value of any share-based award requires information about several variables that include, but are not limited to, expected stock volatility over the term of the award, expected dividend yields, and the risk free interest rate. We base the expected term on historical exercise and post-vesting employment-termination experience, and expected volatility on historical realized volatility trends. In addition, all stock-based compensation expense is recorded net of an estimated forfeiture rate. The forfeiture rate is based upon historical activity and is analyzed at least annually as actual forfeitures occur. Compensation costs are recognized net of estimated forfeitures over the requisite service period on a straight-line basis. We issue new shares to settle stock awards. Stock options are valued using a Black-Scholes pricing model. Time-vesting restricted stock units are valued using the closing price on the Nasdaq Global Select Market on the day before the grant date. Performance-based restricted stock units will vest in accordance with a total shareholder return formula, and are valued by a third-party valuation firm using Monte Carlo simulations.

Reclassifications

Certain reclassifications may be made to the reported amounts for prior periods to conform to the current period presentation. These reclassifications have no impact on net earnings or earnings per share in any period. There were no reclassifications of reported amounts for prior periods included in the financial statements of our Annual Report on Form 10-K for the year ended December 31, 2023.

Use of Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent losses and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. In applying accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. However, uncertainties, including those related to recent macroeconomic trends or other factors, may affect certain estimates and assumptions inherent in the financial reporting process, which may impact reported amounts of assets and liabilities in future periods and cause actual results to differ from those estimates.

Newly Adopted Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that we adopt as of the specified effective date. As of December 31, 2023, we believe the impact of any recently issued standards that are not yet effective are either not applicable to us at this time, or will not have a material impact on our consolidated financial statements upon adoption.

Note B — Acquisitions

Acima Acquisition

On February 17, 2021, we completed the acquisition of Acima Holdings, LLC (“Acima Holdings”). Acima Holdings is a leading platform offering customers virtual lease-to-own solutions at the point-of-sale via web and mobile technology.

In accordance with the agreement and plan of merger entered into in connections with the transaction (the “Merger Agreement”), we issued to the former owners of Acima Holdings an aggregate of 10,779,923 shares of our common stock (the “Aggregate Stock Consideration”) and paid to them aggregate cash consideration of \$1.3 billion (the “Aggregate Cash Consideration”). In accordance with the terms of the Merger Agreement, the portion of the Aggregate Stock Consideration issued to employee former owners of Acima Holdings, was subject to restricted stock agreements providing vesting conditions over a 36-month period that began upon closing of the transaction. Following the full vesting of the portion of the Aggregate Stock Consideration issued to employee former owners of Acima Holdings on February 17, 2024, all shares of common stock received by employee former owners of Acima Holdings in the transaction have now become transferable. The portion of the Aggregate Stock Consideration issued to nonemployee former owners of Acima Holdings were previously subject to the terms of an 18-month lockup agreement, which expired on August 17, 2022. Following the expiration of the lock-up agreement, all shares of our common stock received by non-employee former owners in the transaction have now become transferable. We entered into a Registration Rights Agreement at the closing of the transaction pursuant to which certain former owners of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Acima are entitled to registration rights in respect of the portion of the Aggregate Stock Consideration received by them in the transaction.

The aggregate purchase price calculated in accordance with accounting standards under U.S. GAAP was approximately \$1.4 billion, including the Aggregate Cash Consideration, and the 2,683,328 shares of the Aggregate Stock Consideration issued to non-employee former owners of Acima Holdings, valued at \$51.14 per share, as of the closing date and discounted for lack of marketability on account of the transfer restrictions described above. The Aggregate Cash Consideration for the acquisition was financed with a combination of cash on hand, borrowings under our ABL Credit Facility and proceeds from issuances under our Term Loan Facility, as defined in Note K, in addition to proceeds from the issuance of new unsecured senior notes. See Note K and Note L for additional information.

The aggregate purchase price excludes the remaining 8,096,595 shares of the Aggregate Stock Consideration issued to employee former owners of Acima Holdings. Such shares were valued at \$414.1 million, based on the per share price of \$51.14 as of the date of closing. These shares are instead being recognized as stock-based compensation expense subject to ASC Topic 718, “Stock-based Compensation”, over the required vesting period, and recorded to Other charges in our Consolidated Statements of Operations.

Assets acquired and liabilities assumed in connection with the acquisition have been recorded at their fair values. The following table provides the estimated fair values of the identifiable assets acquired and liabilities assumed as of the acquisition date:

<i>(in thousands)</i>	February 17, 2021
Aggregate cash consideration	\$ 1,273,263
Aggregate stock consideration, subject to lockup agreements	120,929
Total Purchase price	\$ 1,394,192
ASSETS ACQUIRED	
Receivables, net ⁽¹⁾	\$ 25,255
Prepaid expenses and other assets	700
Rental merchandise	
On rent	340,575
Property assets	171,455
Operating lease right-of-use assets	9,136
Deferred income taxes	28,559
Goodwill	219,530
Other intangible assets	520,000
Total assets acquired	\$ 1,315,210
LIABILITIES ASSUMED	
Accounts payable - trade	16,023
Accrued liabilities	11,716
Operating lease liabilities	9,689
Deferred income taxes	(116,410)
Total liabilities assumed	(78,982)
Total equity value	\$ 1,394,192

⁽¹⁾ Includes gross contractual receivables of \$61.6 million related to merchandise lease contracts, of which \$34.7 million were estimated to be uncollectible.

Carrying value for assets and liabilities assumed as part of the acquisition, including receivables, prepaid expenses and other assets, accounts payable and accrued liabilities were recorded as fair value, as of the date of acquisition, due to the short term nature of these balances. Operating lease right-of-use assets and liabilities were recorded as the discounted value of future obligations in accordance with ASC Topic 842, “Leases”. The fair value measurements for acquired intangible assets and developed technology were primarily based on significant unobservable inputs (Level 3) developed using company-specific information. Certain fair values were determined based on an independent valuation of the net assets acquired, including

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

\$340.6 million of rental merchandise and \$520 million of identifiable intangible assets with an estimated weighted average useful life of 8 years, as follows:

Asset Class	Estimated Fair Value (in thousands)	Estimated Remaining Useful Life (in years)
Merchant relationships	\$ 380,000	10
Relationship with existing lessees	60,000	1
Trade name	40,000	7
Non-compete agreements	40,000	3

Developed technology, included in Property assets, net, in line with our accounting policies, was also acquired with a value of \$170.0 million and an estimated remaining useful life of 10 years. The fair value for these intangible and property assets were estimated using common industry valuation methods for similar asset types, based primarily on cost inputs and projected cash flows.

In addition, we recorded goodwill of \$219.5 million in our Acima operating segment, which consists of the excess of the net purchase price over the fair value of the net assets acquired. Goodwill represents expected cost and revenue synergies and other benefits expected to result within our retail partner business from the acquisition of Acima Holdings. The total value of goodwill for tax purposes differs from recorded goodwill as a result of the Aggregate Stock Consideration subject to restricted stock agreements, differences in value assigned to other purchased assets, and acquisition-related expenses. Tax goodwill will be amortized over 15 years.

Acima Holdings' results of operations are reflected in our Consolidated Statements of Operations from the date of acquisition.

Subsequent to the date of acquisition, we recorded certain adjustments to the purchase price allocation within the measurement period. Total cumulative measurement period adjustments resulted in a decrease to goodwill of approximately \$(22.2) million. The purchase price allocation for the Acima Holdings acquisition was complete as of December 31, 2021.

In connection with this acquisition, we incurred approximately \$23.9 million in acquisition-related expenses including expenses related to legal, professional, and banking transaction fees, which are treated as an addition to goodwill for tax purposes. These costs were included in Other charges in our Consolidated Statements of Operations.

The following unaudited pro forma combined results of operations present our financial results as if the acquisition of Acima had been completed on January 1, 2021. These unaudited pro forma results may not necessarily reflect the actual results of operations that would have been achieved, nor are they necessarily indicative of future results of operations. The unaudited pro forma information reflects the step-up and step-down depreciation and amortization adjustments for the fair value of the assets acquired, adjustments to stock compensation expense as a result of Aggregate Stock Consideration subject to restricted stock awards, the adjustments in interest expense due to the elimination of historical debt and placement of the new debt, and the related adjustments to the income tax provision. In addition, the pro forma net income has been adjusted to include transaction expenses and other non-recurring costs as of January 1, 2021. The unaudited pro forma financial information is as follows:

<i>(in thousands)</i>	Year Ended December 31, 2021
	(unaudited)
Pro Forma total revenues	\$ 4,778,055
Pro Forma net earnings ⁽¹⁾	178,103

⁽¹⁾ Total pro forma adjustments to net earnings represented an increase of \$16.0 million for the year ended December 31, 2021.

The amounts of revenue and earnings of Acima Holdings included in our Consolidated Statements of Operations as of December 31, 2021 from the acquisition date of February 17, 2021 are as follows:

<i>(in thousands)</i>	February 17, 2021 - December 31, 2021
	audited
Total revenues	\$ 1,495,746
Net earnings ⁽¹⁾	119,183

⁽¹⁾ Net Earnings includes amortization of intangible assets acquired upon closing of the Acima Holdings acquisition.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other Acquisitions

The following table provides information concerning other store acquisitions completed during the years ended December 31, 2023, 2022 and 2021.

<i>(Dollar amounts in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Number of stores acquired remaining open	—	1	1
Number of stores acquired that were merged with existing stores	1	4	—
Number of transactions	1	5	1
Total purchase price	\$ 39	\$ 995	\$ 278
Amounts allocated to:			
Customer relationships	11	141	30
Rental merchandise	28	854	248

Operating results of the acquired stores and accounts have been included in the financial statements since their date of acquisition.

Note C — Revenues

The following tables disaggregate our revenue:

<i>(in thousands)</i>	Year Ended December 31, 2023				
	Rent-A-Center	Acima	Mexico	Franchising	Consolidated
Store					
Rentals and fees	\$ 1,676,238	\$ 1,515,189	\$ 70,251	\$ —	\$ 3,261,678
Merchandise sales	122,915	415,306	3,545	—	541,766
Installment sales	63,630	—	—	—	63,630
Other	1,340	830	829	2,870	5,869
Total store revenues	1,864,123	1,931,325	74,625	2,870	3,872,943
Franchise					
Merchandise sales	—	—	—	95,054	95,054
Royalty income and fees	—	—	—	24,416	24,416
Total revenues	\$ 1,864,123	\$ 1,931,325	\$ 74,625	\$ 122,340	\$ 3,992,413
<i>(in thousands)</i>	Year Ended December 31, 2022				
	Rent-A-Center	Acima	Mexico	Franchising	Consolidated
Store					
Rentals and fees	\$ 1,724,541	\$ 1,589,708	\$ 61,204	\$ —	\$ 3,375,453
Merchandise sales	151,745	520,077	3,466	—	675,288
Installment sales	72,328	—	—	—	72,328
Other	1,250	535	210	2,980	4,975
Total store revenues	1,949,864	2,110,320	64,880	2,980	4,128,044
Franchise					
Merchandise sales	—	—	—	91,350	91,350
Royalty income and fees	—	—	—	25,998	25,998
Total revenues	\$ 1,949,864	\$ 2,110,320	\$ 64,880	\$ 120,328	\$ 4,245,392

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

<i>(in thousands)</i>	Year Ended December 31, 2021				
	Rent-A-Center	Acima	Mexico	Franchising	Consolidated
Store					
Rentals and fees	\$ 1,762,847	\$ 1,701,532	\$ 58,074	\$ —	\$ 3,522,453
Merchandise sales	199,781	626,166	3,275	—	829,222
Installment sales	73,585	—	—	—	73,585
Other	1,636	391	54	2,067	4,148
Total store revenues	2,037,849	2,328,089	61,403	2,067	4,429,408
Franchise					
Merchandise sales	—	—	—	126,856	126,856
Royalty income and fees	—	—	—	27,187	27,187
Total revenues	\$ 2,037,849	\$ 2,328,089	\$ 61,403	\$ 156,110	\$ 4,583,451

Lease Purchase Agreements

Rent-A-Center, Acima, and Mexico

Rentals and Fees. Rental merchandise is leased to customers pursuant to lease-to-own agreements, which provide for weekly, bi-weekly, semi-monthly or monthly terms with non-refundable lease payments. At the expiration of each lease term, customers may renew the lease-to-own agreement for the next lease term. The customer has the right to acquire title of the merchandise either through an early purchase option or through payment of all required lease renewal terms. Customers can terminate the lease-to-own agreement and return the product at the end of any lease term without penalty. Therefore, lease-to-own agreements are accounted for as operating leases.

Lease payments received at our Rent-A-Center stores, certain Acima locations formerly operating under the Acceptance Now brand, and Mexico stores must be prepaid in advance of the next lease renewal term. Under the Acima Holdings business model, revenues may be earned prior to the lease payment due date, in which case revenue is accrued prior to receipt of the lease payment, net of estimated returns and uncollectible renewal payments. Under both models, rental revenue is recognized over the lease term. See Note D for additional information regarding accrued lease revenue.

Cash received for rental payments, including fees, prior to the period in which it should be recognized, is deferred and recognized according to the lease term. At December 31, 2023 and 2022, we had \$68.6 million and \$71.2 million, respectively, in deferred revenue included in accrued liabilities related to our lease-to-own agreements. Revenue related to various payment, reinstatement or late fees is recognized when paid by the customer at the point service is provided. Rental merchandise in our Rent-A-Center stores, certain Acima locations formerly operating under the Acceptance Now brand, and Mexico stores is depreciated using the income forecasting method and recognized in cost of rentals and fees in our Consolidated Statements of Operations over the lease term. Lease merchandise under Acima Holdings is depreciated over the lease term using a straight-line depreciation method. Under the income forecasting method, the consumption of lease merchandise occurs during periods of rental and depreciation directly coincides with the receipt of rental revenue over the lease-to-own contract period. Depreciation under the straight-line method is recognized each period over the term of the lease-to-own contract irrespective of receipt of revenue payments from the customer.

We also offer additional optional product plans along with our lease-to-own agreements which provide customers with liability protection against significant damage or loss of a product, and club membership benefits, including various discount programs and product service and replacement benefits in the event merchandise is damaged or lost, and payment benefits in the event eligible customers become unemployed. Customers renew product plans in conjunction with their lease term renewals, and can cancel the plans at any time. Revenue for product plans is recognized over the term of the plan. Costs incurred related to product plans are primarily recognized in cost of sales.

Revenue from contracts with customers

Rent-A-Center, Acima, and Mexico

Merchandise Sales. Merchandise sales include payments received for the exercise of the early purchase options offered through our lease-to-own agreements or merchandise sold through point-of-sale transactions. Revenue for merchandise sales is recognized when payment is received and ownership of the merchandise passes to the customer. The remaining net value of merchandise sold is recorded to cost of sales at the time of the transaction.

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Installment Sales. Revenue from the sale of merchandise in our retail installment stores is recognized when the installment note is signed and control of the merchandise has passed to the customer. The cost of merchandise sold through installment agreements is recognized in cost of sales at the time of the transaction. We offer extended service plans with our installment agreements which are administered by third-parties and provide customers with product service maintenance beyond the term of the installment agreement. Payments received for extended service plans are deferred and recognized, net of related costs, when the installment payment plan is complete and the service plan goes into effect. Customers can cancel extended service plans at any time during the installment agreement period and receive a refund for payments previously made towards the plan. At December 31, 2023 and 2022, we had \$1.1 million and \$2.0 million, respectively, in deferred revenue included in accrued liabilities related to extended service plans.

Other. Other revenue consists of revenue generated by other miscellaneous product plans offered to our rental and installment customers. Revenue for other product plans is recognized in accordance with the terms of the applicable plan agreement.

Franchising

Merchandise Sales. Revenue from the sale of rental merchandise is recognized upon shipment of the merchandise to the franchisee.

Royalty Income and Fees. Franchise royalties, including franchisee contributions to corporate advertising funds, represent sales-based royalties calculated as a percentage of gross rental payments and sales. Royalty revenue is accrued and recognized as rental payments and merchandise sales occur. Franchise fees are initial fees charged to franchisees for new or converted franchise stores. Franchise fee revenue is recognized on a straight-line basis over the term of the franchise agreement. At December 31, 2023 and 2022, we had \$3.0 million and \$3.4 million, respectively, in deferred revenue included in accrued liabilities related to franchise fees.

Note D — Receivables and Allowance for Doubtful Accounts

Installment sales receivables consist primarily of receivables due from customers for the sale of merchandise in our retail installment stores. Installment sales receivables associated with the sale of merchandise at our Get It Now and Home Choice stores generally consist of the sales price of the merchandise purchased and any additional fees for services the customer has chosen, less the customer's down payment. No interest is accrued and interest income is recognized each time a customer makes a payment, generally on a monthly basis. Interest paid on installment agreements for the years ended December 31, 2023, 2022 and 2021 was \$11.4 million, \$12.1 million, and \$12.2 million, respectively.

Trade and notes receivables consist of amounts due from our lease-to-own customers for lease renewal payments and past due uncollected lease payments, adjusted for the probability of collection based on our assessment of historical collection rates and length of time the receivable is past due; amounts owed from our franchisees for inventory purchases, earned royalties and other obligations; and other corporate related receivables. Credit is extended to franchisees based on an evaluation of each franchisee's financial condition and collateral is generally not required. Trade receivables are generally due within 30 days.

Receivables consist of the following:

<i>(in thousands)</i>	December 31,	
	2023	2022
Installment sales receivable	\$ 62,901	\$ 69,550
Trade and notes receivables ⁽¹⁾	62,358	55,529
Total receivables	125,259	125,079
Less allowance for doubtful accounts ⁽²⁾	(14,254)	(13,214)
Total receivables, net of allowance for doubtful accounts	\$ 111,005	\$ 111,865

⁽¹⁾ Trade and notes receivables includes accrued revenue, adjusted for the probability of collection, related to our lease-to-own agreements of \$36.8 million and \$28.7 million at December 31, 2023 and 2022.

⁽²⁾ Lease receivables are accrued on a net basis, adjusted for the probability of collection based on our assessment of historical collection rates, as described above. Therefore, we do not maintain a separate allowance for doubtful accounts related to our lease receivables.

We have established an allowance for doubtful accounts for our installment notes receivable. Our policy for determining the allowance is primarily based on historical loss experience, as well as the results of management's review and analysis of the payment and collection of the installment notes receivable within the previous year. We believe our allowance is adequate to absorb all expected losses. Our policy is to charge off installment notes receivable that are 120 days or more past due. Charge-offs are applied as a reduction to the allowance for doubtful accounts and any recoveries of previously charged off balances are applied as an increase to the allowance for doubtful accounts.

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The allowance for our Franchising trade and notes receivables is determined by considering a number of factors, including the length of time receivables are past due, previous loss history, the franchisee's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Trade receivables that are more than 90 days past due are either written-off or fully reserved in our allowance for doubtful accounts. Payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

The allowance for doubtful accounts related to Franchising trade and notes receivables was \$1.2 million at both December 31, 2023 and 2022, and the allowance for doubtful accounts related to installment sales receivables was \$13.0 million and \$12.0 million at December 31, 2023 and 2022, respectively.

Changes in our allowance for doubtful accounts are as follows:

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Beginning allowance for doubtful accounts	\$ 13,214	\$ 8,479	\$ 8,047
Estimated uncollectible payments and returns ⁽¹⁾	25,869	24,658	14,397
Accounts written off, net of recoveries	(24,829)	(19,923)	(13,965)
Ending allowance for doubtful accounts	\$ 14,254	\$ 13,214	\$ 8,479

⁽¹⁾Uncollectible installment payments, franchisee obligations, and other corporate receivables are recognized in other store operating expenses in our consolidated financial statements.

Note E — Rental Merchandise

<i>(in thousands)</i>	December 31,	
	2023	2022
On rent		
Cost	\$ 1,762,458	\$ 1,629,394
Less accumulated depreciation	(652,562)	(639,525)
Net book value, on rent	\$ 1,109,896	\$ 989,869
Held for rent		
Cost	\$ 146,024	\$ 159,399
Less accumulated depreciation	(21,857)	(24,440)
Net book value, held for rent	\$ 124,167	\$ 134,959

Note F — Property Assets

<i>(in thousands)</i>	December 31,	
	2023	2022
Software	\$ 481,347	\$ 479,714
Building and leasehold improvements	214,498	207,613
Furniture and equipment	151,844	158,843
Transportation equipment	1,179	752
Construction in progress	35,370	25,124
Total property assets	884,238	872,046
Less accumulated depreciation	(611,120)	(576,675)
Total property assets, net of accumulated depreciation	\$ 273,118	\$ 295,371

We had \$30.0 million and \$19.8 million of capitalized software costs included in construction in progress at December 31, 2023 and 2022, respectively. For the years ended December 31, 2023, 2022, and 2021, we placed in service internally developed software of approximately \$15.9 million, \$20.5 million, and \$12.3 million, respectively.

Note G — Leases

We lease space for all of our Rent-A-Center and Mexico stores under operating leases expiring at various times through 2034. In addition, we lease space for certain support facilities under operating leases expiring at various times through 2032. Most of our store leases are five years leases and contain renewal options for additional periods ranging from three years to five years at

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rental rates adjusted according to agreed upon formulas. We evaluate all leases to determine if it is likely that we will exercise future renewal options and in most cases we are not reasonably certain of exercise due to competing market rental rates and lack of significant penalty, or business disruption incurred by not exercising the renewal options.

In certain situations involving the sale of a Rent-A-Center corporate store to a franchisee, we enter into a lease assignment agreement with the buyer, but we remain the primary obligor under the original lease for the remaining active term. These assignments are therefore classified as subleases and the original lease is included in our operating lease right-of-use assets and operating lease liabilities in our Consolidated Balance Sheets.

We lease vehicles for all of our Rent-A-Center stores under operating leases with lease terms expiring twelve months after the start date of the lease. We classify these leases as short-term and have elected the short-term lease exemption for our vehicle leases, and have therefore excluded them from our operating lease right-of-use assets within our Consolidated Balance Sheets. We also lease vehicles for all of our Mexico stores which have terms expiring at various times through 2027 with rental rates adjusted periodically for inflation. Finally, we have a minimal number of equipment leases, primarily related to temporary storage containers and certain back office technology hardware assets.

In our calculation of operating lease right-of-use assets and operating lease liabilities we have elected not to separate the lease and non-lease components. Furthermore, operating lease right-of-use assets and operating lease liabilities are discounted using our incremental borrowing rate, since the implicit rate is not readily determinable. We do not currently have any financing leases.

Operating lease costs are recorded on a straight-line basis within other store expenses in our Consolidated Statements of Operations.

Total operating lease costs by expense type:

<i>(in thousands)</i>	Year Ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Operating lease cost included in other store expenses ⁽¹⁾⁽²⁾	\$ 124,593	\$ 124,376	\$ 129,217
Operating lease cost included in general and administrative expenses ⁽²⁾	5,725	6,297	6,320
Operating lease cost included in other charges	—	303	302
Sublease receipts	(3,913)	(7,128)	(11,806)
Total operating lease charges	\$ 126,405	\$ 123,848	\$ 124,033

⁽¹⁾ Includes short-term lease costs, which are not significant.

⁽²⁾ Excludes variable lease costs of \$37.7 million, \$36.2 million and \$33.7 million for the years ended December 31, 2023, 2022 and 2021 respectively.

Supplemental cash flow information related to leases:

<i>(in thousands)</i>	Year Ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Cash paid for amounts included in measurement of operating lease liabilities	\$ 105,438	\$ 104,281	\$ 107,588
Cash paid for short-term operating leases not included in operating lease liabilities	19,306	18,639	17,266
Right-of-use assets obtained in exchange for new operating lease liabilities	68,707	99,952	100,779

Weighted-average discount rate and weighted-average remaining lease term:

	December 31, 2023	December 31, 2022	December 31, 2021
Weighted-average discount rate ⁽¹⁾	7.8 %	7.0 %	6.0 %
Weighted-average remaining lease term (in years)	4	4	4

⁽¹⁾ January 1, 2019 incremental borrowing rate was used for leases in existence at the time of adoption of ASU 2016-02.

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Reconciliation of undiscounted operating lease liabilities to the present value operating lease liabilities at December 31, 2023:

<i>(in thousands)</i>	Operating Leases	
2024	\$	107,276
2025		92,161
2026		66,931
2027		45,140
2028		23,229
Thereafter		32,564
Total undiscounted operating lease liabilities		367,301
Less: Interest		(73,866)
Total present value of operating lease liabilities	\$	293,435

Note H — Goodwill and Other Intangible Assets

Goodwill

In the fourth quarter of 2023, we completed a qualitative assessment for impairment of goodwill as of October 1, 2023, concluding it was not more likely than not that the carrying value of the net assets of our reporting units exceeded their respective fair values. Therefore, no impairment of goodwill existed as of December 31, 2023.

At December 31, 2023 and 2022, the amount of goodwill attributable to the Rent-A-Center segment was approximately \$1.5 million. At December 31, 2023 and 2022, the amount of goodwill attributable to the Acima segment was approximately \$288.3 million.

A summary of the changes in recorded goodwill follows:

<i>(in thousands)</i>	Year Ended December 31,	
	2023	2022
Beginning goodwill balance	\$ 289,750	\$ 289,750
Additions from acquisitions	—	—
Ending goodwill balance	\$ 289,750	\$ 289,750

Other Intangible Assets

Amortizable intangible assets consist of the following:

<i>(Dollar amounts in thousands)</i>	Avg. Life (years)	December 31, 2023		December 31, 2022	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	2	\$ 140,191	\$ 140,165	\$ 140,180	\$ 140,080
Merchant relationships	10	389,760	113,740	389,760	74,850
Trade name	7	40,000	16,394	40,000	10,680
Non-compete agreements	3	46,719	44,973	46,719	31,640
Total other intangible assets		\$ 616,670	\$ 315,272	\$ 616,659	\$ 257,250

Aggregate amortization expense (in thousands):

Year Ended December 31, 2023	\$ 58,022
Year Ended December 31, 2022	\$ 65,890
Year Ended December 31, 2021	\$ 102,742

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Estimated amortization expense, assuming current intangible balances and no new acquisitions, for each of the years ending December 31, is as follows:

<i>(in thousands)</i>	Estimated Amortization Expense	
2024	\$	46,378
2025		44,604
2026		44,604
2027		44,604
2028		39,638
Thereafter		81,570
Total amortization expense	<u>\$</u>	<u>301,398</u>

Note I — Accrued Liabilities

<i>(in thousands)</i>	December 31,	
	2023	2022
Accrued insurance costs	\$ 77,318	\$ 87,298
Deferred revenue	72,605	73,953
Accrued compensation	39,419	22,880
Taxes other than income	27,672	32,519
Accrued interest payable	25,137	24,309
Accrued dividends	21,491	27,428
Income taxes payable	15,767	8,034
Accrued legal settlement	8,750	7,650
Deferred compensation	8,488	8,025
Accrued other	26,258	28,528
Total Accrued liabilities	<u>\$ 322,905</u>	<u>\$ 320,624</u>

Note J — Income Taxes

For financial statement purposes, earnings before income taxes by source was comprised of the following:

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Domestic	\$ 38,375	\$ 43,977	\$ 176,042
Foreign	14,492	17,494	18,262
Earnings before income taxes	<u>\$ 52,867</u>	<u>\$ 61,471</u>	<u>\$ 194,304</u>

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A reconciliation of the federal statutory rate of 21% to the effective rate follows:

	Year Ended December 31,		
	2023	2022	2021
Tax at statutory rate	21.0 %	21.0 %	21.0 %
Stock compensation	57.1 %	53.4 %	11.6 %
State income taxes	16.5 %	13.4 %	7.4 %
Effect of foreign operations	19.5 %	6.6 %	2.0 %
Effect of current year credits	(9.9)%	(13.2)%	(2.4)%
Change in unrecognized tax benefits	(6.9)%	0.1 %	(2.8)%
Other permanent differences	1.7 %	0.9 %	0.3 %
Prior year return to provision adjustments	0.3 %	1.7 %	(0.2)%
Valuation allowance	11.4 %	(3.0)%	(7.1)%
Other, net	(0.9)%	(1.0)%	0.8 %
Effective income tax rate	<u>109.8 %</u>	<u>79.9 %</u>	<u>30.6 %</u>

The components of income tax expense (benefit) are as follows:

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Current expense (benefit)			
Federal	\$ 58,480	\$ 62,878	\$ (7,398)
State	9,644	21,473	15,106
Foreign	4,385	4,570	3,690
Total current	<u>72,509</u>	<u>88,921</u>	<u>11,398</u>
Deferred (benefit) expense			
Federal	(28,084)	(25,923)	56,716
State	1,316	(13,321)	(1,205)
Foreign	12,305	(563)	(7,545)
Total deferred	<u>(14,463)</u>	<u>(39,807)</u>	<u>47,966</u>
Total income tax expense	<u>\$ 58,046</u>	<u>\$ 49,114</u>	<u>\$ 59,364</u>

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred tax assets (liabilities) consist of the following:

<i>(in thousands)</i>	December 31,	
	2023	2022
Deferred tax assets		
Net operating loss carryforwards	\$ 20,852	\$ 27,059
Accrued liabilities	64,410	55,527
Intangible assets	143,386	155,238
Lease obligations	79,645	81,412
Other assets	4,082	8,804
Foreign tax credit carryforwards	856	2,991
Total deferred tax assets	313,231	331,031
Valuation allowance	(9,340)	(3,158)
Deferred tax assets, net	303,891	327,873
Deferred tax liabilities		
Rental merchandise	(212,137)	(236,381)
Property assets	(2,089)	(16,415)
Lease assets	(77,825)	(79,725)
Other liabilities	(650)	(452)
Total deferred tax liabilities	(292,701)	(332,973)
Net deferred taxes	\$ 11,190	\$ (5,100)

As of each reporting date, our management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. At December 31, 2023, we had net operating loss carryforwards of approximately \$163 million for state, none for federal and \$41 million for foreign jurisdictions.

After review of the evidence generated during the year, we have determined that a valuation allowance is required against Mexico net operating losses due to the forecasted expiration of net operating losses. A valuation allowance is also required related to certain tax credits. State net operating losses were also partially offset by a valuation allowance. We also had federal, state and foreign tax credit carryforwards of approximately \$3.9 million of which a portion has been offset by a valuation allowance. The net operating losses and credits will expire in various years between 2024 and 2042.

We file income tax returns in the U.S. and multiple foreign jurisdictions with varying statutes of limitations. In the normal course of business, we are subject to examination by various taxing authorities. We are currently under examination by certain state revenue authorities for the fiscal years 2013 through 2020. The following is a summary of all tax years that are open to examination.

- U.S. Federal - 2020 and forward
- U.S. States - 2013 and forward
- Foreign - 2018 and forward

We do not anticipate that adjustments as a result of these audits, if any, will have a material impact to our Consolidated Statements of Operations, Consolidated Balance Sheets, and statement of cash flows or earnings per share.

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Beginning unrecognized tax benefit balance	\$ 5,100	\$ 6,536	\$ 22,184
Additions based on tax positions related to current year	97	14	461
Reductions based on tax positions related to current year	—	(488)	—
Additions for tax positions of prior years	759	21	4,119
Reductions for tax positions of prior years	(4,735)	(983)	(3,006)
Settlements	—	—	(17,222)
Ending unrecognized tax benefit balance	\$ 1,221	\$ 5,100	\$ 6,536

Included in the balance of unrecognized tax benefits at December 31, 2023, is \$0.9 million, net of federal benefit, which, if ultimately recognized, will affect our annual effective tax rate.

During the year ended December 31, 2023, we recorded interest expense of \$3.1 million for remaining uncertain tax positions, partially offset by \$1.0 million of interest income primarily related to the reversal of the accrual of interest for matters settled during the year in our favor, both of which are excluded from the reconciliation of unrecognized tax benefits presented above.

Note K— Senior Debt

On February 17, 2021, we entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and lenders party thereto, providing for a seven-year \$875 million senior secured term loan facility (the “Term Loan Facility”) and an Asset Based Loan Credit Facility (the “ABL Credit Facility”) providing for a five-year asset-based revolving credit facility with commitments of \$550 million and a letter of credit sublimit of \$150 million. Commitments under the ABL Credit Facility may be increased, at our option and under certain conditions, by up to an additional \$125 million in the aggregate.

Proceeds from the Term Loan Facility were net of original issue discount of \$4.4 million upon issuance from the lenders. In addition, in connection with the closing of the Term Loan Facility and the ABL Credit Facility, we incurred approximately \$30.2 million in debt issuance costs, including bank financing fees and third-party legal and other professional fees, of which \$25.3 million was capitalized in accordance with ASC Topic 470, “Debt” and recorded as a reduction of our outstanding senior debt, net in our Consolidated Balance Sheets. Remaining debt issuance costs incurred of \$4.9 million were expensed and recorded to Other charges in our Consolidated Statements of Operations.

On September 21, 2021 we entered into a First Amendment to the Term Loan Facility, effective as of September 21, 2021. The amendment effected a repricing of the applicable margin under the Term Loan Facility by reducing the LIBOR floor by 25 basis points from 0.75% to 0.50%, and the applicable margin, with respect to any initial term loans, by 75 basis points from 4.00% to 3.25%.

In connection with the execution of the First Amendment, we incurred approximately \$1.5 million in debt issuance costs, including third-party arrangement and other professional fees, of which approximately \$1.4 million were expensed as debt refinance charges in our Consolidated Statements of Operations, and approximately \$0.1 million were capitalized and recorded as a reduction to our outstanding senior debt in our Consolidated Balance Sheets.

In connection with the execution of the First Amendment, and in accordance with ASC Topic 470, “Debt”, we recorded approximately \$5.4 million in write-offs of unamortized debt issuance costs and original issue discount previously capitalized upon the issuance of the Term Loan Facility on February 17, 2021.

On August 10, 2022, we entered into a First Amendment to the ABL Credit Facility, effective as of August 10, 2022. The amendment effected the replacement of LIBOR with Term Secured Overnight Financing Rate (“Term SOFR”) as the benchmark rate of interest thereunder.

On June 15, 2023, we entered into a Second Amendment to the Term Loan Facility, effective as of June 15, 2023. The amendment effected the replacement of LIBOR with Term SOFR as the benchmark rate of interest.

In connection with the First Amendment to the ABL Credit Facility and the Second Amendment to the Term Loan Facility described above, we have elected optional expedients available under ASC Topic 848 “Reference Rate Reform,” which classifies contract amendments for the transition of LIBOR as events that do not require accounting reassessments as a contract modification.

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of December 31, 2023, the total remaining balances of unamortized debt issuance costs and original issue discount related to our senior debt reported in the Consolidated Balance Sheets were approximately \$12.5 million and \$1.9 million, respectively. Remaining unamortized debt issuance costs and original issue discount will be amortized to interest expense over the remaining term of the Term Loan Facility.

We had \$70.0 million outstanding borrowings under our ABL Credit Facility at December 31, 2023 and borrowing capacity of \$429.6 million, net of issued letters of credit of approximately \$50.4 million. The amount outstanding under the Term Loan Facility was \$811.1 million at December 31, 2023.

The senior debt facilities as of December 31, 2023 and 2022 are as follows:

<i>(in thousands)</i>	Facility Maturity	December 31, 2023			December 31, 2022		
		Maximum Facility	Amount Outstanding	Amount Available	Maximum Facility	Amount Outstanding	Amount Available
Senior Debt:							
ABL Credit Facility ⁽¹⁾	February 17, 2026	\$ 550,000	\$ 70,000	\$ 429,571	\$ 550,000	\$ 90,000	\$ 395,621
Term Loan Facility	February 17, 2028	875,000	811,083	—	875,000	859,688	—
Total		\$ 1,425,000	881,083	\$ 429,571	\$ 1,425,000	949,688	\$ 395,621
Unamortized debt issuance costs			(14,376)			(18,786)	
Total senior debt, net			\$ 866,707			\$ 930,902	

⁽¹⁾ Borrowing availability is net of issued letters of credit of approximately \$50.4 million and \$64.4 million for the years ended December 31, 2023 and 2022, respectively

ABL Credit Agreement

The ABL Credit Facility will mature on February 17, 2026. We may borrow only up to the lesser of the level of the then-current borrowing base and the aggregate amount of commitments under the ABL Credit Facility. The borrowing base is tied to the amount of eligible installment sales accounts, inventory and eligible lease contracts, reduced by certain reserves.

The ABL Credit Facility bears interest at a fluctuating rate determined by reference to an adjusted Term SOFR rate plus an applicable margin of 1.50% to 2.00%. The total interest rate on the ABL Credit Facility at December 31, 2023 was 7.52%. A commitment fee equal to 0.250% to 0.375% of the unused portion of the ABL Credit Facility fluctuates dependent upon average utilization for the prior month as defined by a pricing grid included in the governing documents of the ABL Credit Facility. The commitment fee at December 31, 2023 was 0.375%. We paid \$3.1 million of commitment fees during the year ended December 31, 2023.

Loans under the ABL Credit Facility may be borrowed, repaid and re-borrowed until February 17, 2026, at which time all amounts borrowed must be repaid. The obligations under the ABL Credit Facility are guaranteed by us and certain of our material wholly owned domestic restricted subsidiaries, subject to certain exceptions. The obligations under the ABL Credit Facility and such guarantees are secured on a first-priority basis by all of our and our subsidiary guarantors' accounts, inventory, deposit accounts, securities accounts, cash and cash equivalents, rental agreements, general intangibles (other than equity interests in our subsidiaries), chattel paper, instruments, documents, letter of credit rights, commercial tort claims related to the foregoing and other related assets and all proceeds thereof related to the foregoing, subject to permitted liens and certain exceptions (such assets, collectively, the "ABL Priority Collateral") and a second-priority basis in substantially all other present and future tangible and intangible personal property of ours and the subsidiary guarantors, subject to certain exceptions.

The ABL Credit Facility contains covenants that are usual and customary for similar facilities and transactions and that, among other things, restrict our ability and our restricted subsidiaries to create certain liens and enter into certain sale and lease-back transactions; create, assume, incur or guarantee certain indebtedness; consolidate or merge with, or convey, transfer or lease all or substantially all of our and our restricted subsidiaries' assets, to another person; pay dividends or make other distributions on, or repurchase or redeem, our capital stock or certain other debt; and make other restricted payments.

The ABL Credit Facility also requires the maintenance of a consolidated fixed charge coverage ratio of at least 1.10 to 1.00 at the end of each fiscal quarter only in the event either (i) certain specified events of default have occurred and are continuing or (ii) availability is less than or equal to the greater of \$56.25 million and 15% of the line cap then in effect. These covenants are subject to a number of limitations and exceptions set forth in the governing documents of the ABL Credit Facility. The fixed charge coverage ratio as of December 31, 2023 exceeded 1.10 to 1.00.

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The governing documents of the ABL Credit Facility provides for customary events of default, including, but not limited to, failure to pay principal and interest, failure to comply with covenants, agreements or conditions, and certain events of bankruptcy or insolvency involving us and our significant subsidiaries. As of December 31, 2023, we were in compliance with all requirements and conditions set forth in our ABL Credit Facility governing documents.

Term Loan Credit Agreement

The Term Loan Facility, which matures on February 17, 2028, amortizes in equal quarterly installments at a rate of 1.00% per annum of the original principal amount thereof, with the remaining balance due at final maturity. Subject in each case to certain restrictions and conditions, we may add up to \$500 million of incremental term loan facilities to the Term Loan Facility or utilize incremental capacity under the Term Loan Facility at any time by issuing or incurring incremental equivalent term debt.

Interest on borrowings under the Term Loan Facility is payable at a fluctuating rate of interest determined by reference to an adjusted Term SOFR rate plus an applicable margin of 3.25%, subject to a 0.50% Term SOFR floor. The total interest rate on the Term Loan Facility was 9.12% at December 31, 2023.

The Term Loan Facility is secured by a first-priority security interest in substantially all of our present and future tangible and intangible personal property, including our subsidiary guarantors, other than the ABL Priority Collateral (as defined below), and by a second-priority security interest in the ABL Priority Collateral, subject to certain exceptions. The obligations under the Term Loan Facility are guaranteed by us and our material wholly-owned domestic restricted subsidiaries that also guarantee the ABL Credit Facility.

The Term Loan Facility contains covenants that are usual and customary for similar facilities and transactions and that, among other things, restrict our ability and our restricted subsidiaries' ability to create certain liens and enter into certain sale and lease-back transactions; create, assume, incur or guarantee certain indebtedness; consolidate or merge with, or convey, transfer or lease all or substantially all of our and our restricted subsidiaries' assets, to another person; pay dividends or make other distributions on, or repurchase or redeem, our capital stock or certain other debt; and make other restricted payments. The Term Loan Facility also includes mandatory prepayment requirements related to asset sales (subject to reinvestment), debt incurrence (other than permitted debt) and excess cash flow, subject to certain limitations described therein. These covenants are subject to a number of limitations and exceptions set forth in the governing documents of the Term Loan.

In the event our Consolidated Secured Leverage Ratio (as such term is defined in the Term Loan Facility credit agreement) exceeds 1:1, we are required to prepay the loans under the Term Loan Facility by a percentage of annual excess cash flow, as more fully described in the Term Loan Facility credit agreement. We made mandatory excess cash flow prepayments of approximately \$42.6 million, including \$0.6 million in accrued interest, in March 2023, relating to results for the year ended December 31, 2022.

The Term Loan provides for customary events of default, including, but not limited to, failure to pay principal and interest, failure to comply with covenants, agreements or conditions, and certain events of bankruptcy or insolvency involving us and our significant subsidiaries.

The Term Loan Facility was fully drawn at the closing of the Acima Holdings acquisition to fund a portion of the Aggregate Cash Consideration payable in the transaction, repay certain of our outstanding indebtedness and that of our subsidiaries, repay all outstanding indebtedness of Acima Holdings and its subsidiaries and pay certain fees and expenses incurred in connection with the transaction. A portion of such proceeds were used to repay \$197.5 million outstanding under the prior term loan facility, dated as of August 5, 2019, among us, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto (the "Prior Term Loan Facility").

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The table below shows the scheduled maturity dates of our outstanding senior debt at December 31, 2023 for each of the years ending December 31:

<i>(in thousands)</i>	ABL Credit Facility	Term Loan Facility	Total
2024	\$ —	\$ —	\$ —
2025	—	—	—
2026	70,000	—	70,000
2027	—	—	—
2028	—	811,083	811,083
Thereafter	—	—	—
Total senior debt	<u>\$ 70,000</u>	<u>\$ 811,083</u>	<u>\$ 881,083</u>

⁽¹⁾ Annual installment requirements were reduced by the amount of the excess cash flow payment described above, in accordance with the terms of the credit agreement governing the Term Loan Facility.

Note L — Senior Notes

On February 17, 2021, we issued \$450 million in senior unsecured notes all of which are due February 15, 2029, at par value, bearing interest at 6.375% (the “Notes”), the proceeds of which were used to fund a portion of the Aggregate Cash Consideration upon closing of the Acima Holdings acquisition. Interest on the Notes is payable in arrears on February 15 and August 15 of each year. In connection with the issuance of the Notes, we incurred approximately \$15.7 million in debt issuance costs, including bank financing fees and third-party legal and other professional fees, which were capitalized in accordance with ASC Topic 470, “Debt” and recorded as a reduction of our outstanding Notes in our Consolidated Balance Sheets. Debt issuance costs are amortized as interest expense over the term of the Notes. As of December 31, 2023, the total remaining balance of unamortized debt issuance costs related to our Notes reported in the Consolidated Balance Sheets was approximately \$10.1 million.

We may redeem some or all of the Notes at any time for cash at the redemption prices set forth in the indenture governing the Notes, plus accrued and unpaid interest to, but not including, the redemption date. If we experience specific kinds of change in control, we will be required to offer to purchase the Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest.

The Notes are our general unsecured senior obligations, and are effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, structurally subordinated to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries, equal in right of payment to all of our and our guarantor subsidiaries’ existing and future senior indebtedness and senior in right of payment to all of our future subordinated indebtedness, if any. The Notes are jointly and severally guaranteed on a senior unsecured basis by certain of our domestic subsidiaries that have outstanding indebtedness or guarantee other specified indebtedness, including the ABL Credit Facility and the Term Loan Facility.

The indenture governing the Notes contains covenants that limit, among other things, our ability and the ability of some of our restricted subsidiaries to create liens, transfer or sell assets, incur indebtedness or issue certain preferred stock, pay dividends, redeem stock or make other distributions, make other restricted payments or investments, create restrictions on payment of dividends or other amounts to us by our restricted subsidiaries, merge or consolidate with other entities, engage in certain transactions with affiliates and designate our subsidiaries as unrestricted subsidiaries. These covenants are subject to a number of exceptions and qualifications. The covenants limiting restricted payments, restrictions on payment of dividends or other amounts to us by our restricted subsidiaries, the ability to incur indebtedness, asset dispositions and transactions with affiliates will be suspended if and while the Notes have investment grade ratings from any two of Standard & Poor’s Ratings Services, Moody’s Investors Service, Inc. and Fitch, Inc.

The indenture governing the Notes also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, and interest on all the then outstanding Notes to be due and payable.

Note M — Contingencies

From time to time, we, along with our subsidiaries, are party to various legal proceedings and governmental inquiries arising in the ordinary course of business. We reserve for loss contingencies that are both probable and reasonably estimable. We regularly monitor developments related to these legal proceedings, and review the adequacy of our legal reserves on a quarterly basis. We do not currently expect these losses to have a material impact on our consolidated financial statements if and when

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

such losses are incurred. Nevertheless, we cannot predict the impact of future developments affecting our claims and lawsuits, and any resolution of a claim or lawsuit or reserve within a particular fiscal period may materially and adversely impact our results of operations for that period. In addition, claims and lawsuits against us may seek injunctive or other relief that requires changes to our business practices or operations and it is possible that any required changes may materially and adversely impact our business, financial condition, results of operations or reputation.

Unclaimed Property. We are subject to unclaimed property audits by states in the ordinary course of business. The property subject to review in the audit process includes unclaimed wages, vendor payments and customer refunds. State escheat laws generally require entities to report and remit abandoned and unclaimed property to the state. Failure to timely report and remit the property can result in assessments that could include interest and penalties, in addition to the payment of the escheat liability itself. We routinely remit escheat payments to states and believe we are in compliance with applicable escheat laws.

Consumer Financial Protection Bureau Investigation. In December 2020, prior to the execution of the definitive agreement to acquire Acima, Acima received a Civil Investigative Demand dated October 1, 2020 (the “CID”) from the CFPB requesting certain information, documents and data relating to Acima’s products, services and practices for the period from January 1, 2015 to the dates on which responses to the CID are provided in full. The purpose of the CID was to determine whether Acima extends credit, offers leases, or otherwise offers or provides a consumer financial product or service and whether Acima complies with certain consumer financial protection laws. After the original CID, the CFPB issued subsequent CIDs requesting further information, documents and testimony. Acima has completed its responses to all CIDs and has been cooperating with the CFPB throughout their investigation.

On May 16, 2023, in accordance with the CFPB’s Notice and Opportunity to Respond and Advise (“NORA”) process, the CFPB staff notified Acima that the staff may allege that Acima violated the Consumer Financial Protection Act of 2010; the Truth in Lending Act and its implementing regulation, Regulation Z; the Electronic Fund Transfer Act and its implementing regulation, Regulation E; and the Fair Credit Reporting Act and its implementing regulation, Regulation V. The CFPB staff further stated that the CFPB’s Office of Enforcement may recommend that the CFPB take legal action against Acima based on these potential allegations, and, in connection therewith, the staff may seek remedies including restitution, disgorgement, damages, injunctive relief, and civil money penalties. On June 20, 2023, Acima submitted its response to the NORA notice, in which Acima asserted that the staff’s potential allegations lacked merit.

As of the date of this Annual Report on Form 10-K, we have not yet received the CFPB’s response to Acima’s submission in accordance with the NORA process. We are currently unable to predict the CFPB’s response to the NORA process or the ultimate timing or outcome of the CFPB investigation or any legal proceedings arising therefrom.

On the terms and subject to the conditions set forth in the definitive agreement to acquire Acima, the former owners of Acima agreed to indemnify Upbound Group, Inc. for certain losses arising after the consummation of the transaction with respect to the CID. The indemnification obligations of the former owners of Acima with respect to the CID are limited to the remaining amount of an indemnity holdback which is now approximately \$45 million of a \$50 million initial holdback escrowed at the closing of the transaction for the CID and other matters and will be Upbound Group, Inc.’s sole recourse against the former owners of Acima with respect to all of the indemnifiable claims under the definitive transaction agreement. On May 19, 2023, in light of the above-referenced NORA notice, we submitted an indemnification claim notice pursuant to the definitive agreement to acquire Acima. As of February 27, 2024, approximately \$45 million remains escrowed in respect of the CID.

There can be no assurance that the remaining escrowed amount will be sufficient to address all covered losses or that the CFPB’s ongoing investigation or future exercise of its enforcement, regulatory, discretionary or other powers will not result in findings or alleged violations of consumer financial protection laws that could lead to enforcement actions, proceedings or litigation, whether by the CFPB, other state or federal agencies, or other parties, and the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to Acima’s business practices or operations that could materially and adversely affect our business, financial condition, results of operations or reputation.

Multi-state Attorneys’ General Investigation. On November 1, 2021, Acima received a letter from the Nebraska Attorney General’s office stating that the Attorney General of Nebraska, along with a coalition of thirty-eight state Attorneys General, initiated a multi-state investigation into the business acts and practices of Acima and that a civil investigative demand(s) and/or subpoena(s) pursuant to respective state consumer protection laws will be forthcoming. Since receiving the letter, we have held multiple discussions with officials at the lead attorneys’ general offices and, based on those discussions, it is our understanding that the investigation is looking at business practices within the virtual lease-to-own industry and includes or will include multiple companies. In April 2022, we received a request for information and documents. The multi-state attorneys’ general group is currently scheduled to present their findings from their investigation to Acima in March 2024. Pending that meeting,

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Acima is continuing to cooperate with the investigation. We are currently unable to predict the eventual scope, timing or outcome of this matter.

New York Attorney General Investigation. The New York Attorney General (the “NYAG”) issued a subpoena to our Acima subsidiary in January 2020 seeking information with respect to various business practices in connection with Acima’s lease-to-own transactions. Acima received additional subpoenas from the NYAG in August 2021 and July 2023. Since receiving the subpoenas, we have cooperated with the NYAG in connection with its investigation. In March 2023, the NYAG provided Acima with an initial proposed assurance of discontinuance alleging violations of certain consumer laws, seeking injunctive relief regarding certain business practices, and seeking payment of unspecified amounts for restitution and civil penalties. Acima is currently discussing resolution of this matter with the NYAG. Absent resolution, the NYAG has indicated an intention to bring an action which is likely to allege violations of certain consumer laws, seek injunctive relief regarding certain business practices, and request restitution and civil penalties. We are currently unable to predict the ultimate timing or outcome of the NYAG investigation, the current settlement negotiations or any legal proceedings arising from this matter.

Former Massachusetts Attorney General Investigation. The Massachusetts Attorney General (the “MAG”) issued a civil investigative demand in 2018 seeking information with respect to certain of our business practices, including regarding account management and certain other business practices in connection with our lease-to-own transactions. Since receiving such demand, we have cooperated with the MAG in connection with its investigation. In November 2023, the parties finalized the settlement of this matter in the form of an assurance of discontinuance that was filed with the Superior Court of the Commonwealth of Massachusetts. In the agreement and in consideration of the final resolution of this matter, we agreed to pay a total of \$8.75 million to the Commonwealth of Massachusetts along with certain assurances of discontinuance, including implementing (1) certain account management requirements, with a focus on our communications with our customers in default and other account management requirements, and (2) certain compliance requirements including employee training and annual reports to the MAG for a period of time. We did not admit to any violations of law or any wrongdoing and entered into the agreement to avoid the expense, risk and distractions associated with potential protracted litigation. As of December 31, 2023, taking into consideration the assurance of discontinuance entered in November 2023, we reserved the amount of \$8.75 million as a loss contingency for this matter in our consolidated financial statements. In accordance with our practices, substantially all of this loss contingency was previously accrued in prior quarterly financial statements taking into account the then current status of the settlement negotiations.

Note N — Other Charges

Acima Holdings Acquisition. As described in Note B, on February 17, 2021, we completed the acquisition of Acima Holdings, a leading provider of virtual lease-to-own solutions. Included in the aggregate consideration issued to the former owners of Acima Holdings were 8,096,595 common shares, valued at \$414.1 million, subject to 36-month vesting conditions under restricted stock agreements, which will be recognized over the vesting term as stock compensation expense, in accordance with ASC Topic 718, “Stock-based Compensation”. During the years ended December 31, 2023 and 2022, we recognized approximately \$137.5 million and \$143.2 million in stock compensation expense, respectively, related to these restricted stock agreements. See Note O for additional information.

The fair value of assets acquired as part of the transaction included \$520 million in intangible assets and \$170 million in developed technology. During the years ended December 31, 2023 and 2022, we recognized approximately \$57.0 million and \$64.9 million in amortization expense, respectively, related to acquired intangible assets. We also recognized approximately \$15.9 million in incremental depreciation expense related to acquired technology assets in both the years ended December 31, 2023 and 2022.

Internally Developed Software Depreciation. During the third quarter of 2023, we completed initial development and began pilot testing a new internally developed point-of-sale system for our Rent-A-Center lease-to-own stores. We expect to fully deploy the new system across our lease-to-own store network during the first half of 2024, at which time our existing point-of-sale software will be retired. Therefore, in the third quarter of 2023, we accelerated the remaining useful lives of our existing point-of-sale software assets to align with the current deployment timeline of our new point-of-sale system, which resulted in the recognition of additional depreciation expense of \$9.2 million for the year ended December 31, 2023. Subsequent to December 31, 2023 we expect to recognize additional depreciation expense of \$6.1 million over the remaining life of these assets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Activity with respect to Other charges for the years ended December 31, 2023 and 2022 is summarized in the below table:

<i>(in thousands)</i>	Accrued Charges at December 31, 2021	Charges & Adjustments	Payments & Adjustments	Accrued Charges at December 31, 2022	Charges & Adjustments	Payments & Adjustments	Accrued Charges at December 31, 2023
Cash:							
Acima Holdings transaction costs	\$ —	\$ 187	\$ (187)	\$ —	\$ —	\$ —	\$ —
Labor reduction costs ⁽¹⁾	1,593	4,983	(4,374)	2,202	—	(2,202)	—
Other cash charges ⁽²⁾	—	406	(406)	—	—	—	—
Total cash charges	<u>\$ 1,593</u>	<u>5,576</u>	<u>\$ (4,967)</u>	<u>\$ 2,202</u>	<u>—</u>	<u>\$ (2,202)</u>	<u>\$ —</u>
Non-cash:							
Acima Holdings restricted stock agreements ⁽³⁾		143,210			137,507		
Depreciation and amortization of acquired assets ⁽⁴⁾		80,792			72,935		
Asset impairments ⁽⁵⁾		6,764			—		
Accelerated software depreciation		—			9,218		
Other ⁽⁶⁾		(1,059)			(2,751)		
Total other charges		<u>\$ 235,283</u>			<u>\$ 216,909</u>		

⁽¹⁾ Represents charges incurred and payments related to employee severance.

⁽²⁾ Represents shutdown and holding expenses related to store closures.

⁽³⁾ Represents stock compensation expense related to common stock issued to Acima Holdings employees under restricted stock agreements as part of the acquisition proceeds subject to vesting restrictions, as described in Note B and Note O.

⁽⁴⁾ Represents amortization of the total fair value of acquired intangible assets and incremental depreciation related to the fair value increase over net book value of acquired software assets in connection with the acquisition of Acima Holdings as described in Note B.

⁽⁵⁾ Asset impairments primarily represent impairment of software assets in 2022.

⁽⁶⁾ Primarily represents interest income on tax refunds for prior years received in 2023.

Note O — Stock-Based Compensation

We maintain long-term incentive plans for the benefit of certain employees and directors. Our current and former plans consist of the 2021 Long-Term Incentive Plan (the “2021 Plan”), the 2016 Long-Term Incentive Plan (the “2016 Plan”), the 2006 Long-Term Incentive Plan (the “2006 Plan”), and the 2006 Equity Incentive Plan (the “Equity Incentive Plan”), which are collectively referred to as the “Plans.” All Plans prior to the 2021 Plan were previously expired upon approval of the superseding Plan, and any shares available for grant under the respective plans were canceled at the time of expiration.

On June 8, 2021, at the 2021 Annual Meeting of Stockholders, the stockholders approved the 2021 Plan. The 2021 Plan authorizes the issuance of a total of 5,000,000 shares of common stock. Any shares of common stock granted in connection with 2021 Plan awards will be counted against this limit as one share. No shares of common stock will be deemed to have been issued if (1) such shares covered by the unexercised portion of an option that terminates, expires, or is cancelled or settled in cash or (2) such shares are forfeited or subject to awards that are forfeited, canceled, terminated or settled in cash. In any calendar year, (1) no employee will be granted options and/or stock appreciation rights for more than 800,000 shares of common stock; (2) no employee will be granted performance-based equity awards under the 2021 Plan (other than options and stock appreciation rights), covering more than 800,000 shares of common stock. On June 6, 2023, at the 2023 Annual Meeting of Stockholders, our stockholders approved an amendment to the 2021 plan (the “Amended 2021 Plan”). The Amended 2021 Plan authorized the issuance of an additional 4,287,000 shares of common stock for a total of 9,287,000 shares of common stock. Excluding the increase in shares of common stock issuable pursuant to the Amended 2021 Plan, the terms of the Amended 2021 Plan are substantially identical to those of the 2021 Plan. As of December 31, 2023 and 2022, there were 1,669,807 and 1,002,638 shares allocated to equity awards outstanding in the Amended 2021 Plan, respectively.

Under the previously expired 2016 Plan, there were 784,678 and 1,226,875 shares, respectively, allocated to equity awards outstanding as of December 31, 2023 and 2022, respectively, in the 2016 Plan. The 2016 Plan expired on June 8, 2021 upon approval of the 2021 Plan.

Under the previously expired 2006 Plan and Equity Incentive Plan (formerly known as the Rent-Way, Inc. 2006 Equity Incentive Plan) there were 27,369 and 63,156 shares as of December 31, 2023 and 2022, respectively, allocated to outstanding equity awards under the 2006 Plan, and 18,750 and 47,827 shares as of December 31, 2023 and 2022, respectively, allocated to

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

outstanding equity awards under the Equity Incentive Plan. The 2006 Plan and Equity Incentive Plan previously expired in 2016. Outstanding equity awards under these plans represent vested options that will expire at various times through 2026, unless exercised or canceled prior to the expiration date.

Options granted to our employees generally become exercisable over a period of 1 to 4 years from the date of grant and may be exercised up to a maximum of 10 years from the date of grant. Options granted to directors are immediately exercisable.

We grant time-vesting restricted stock units to certain employees that vest ratably over a three-year service period. We recognize expense for these awards using the straight-line method over the requisite service period based on the number of awards expected to vest. We also grant performance-based restricted stock units that vest between 0% and 200% depending on our stock performance against an index using a total shareholder return formula established at the date of grant for the subsequent three-year period. We record expense for these awards over the requisite service period, net of the expected forfeiture rate, because the employee must maintain employment to vest in the award.

Stock-based compensation expense for the years ended December 31, 2023, 2022 and 2021 is as follows:

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Stock options	\$ 900	\$ 1,327	\$ 2,001
Restricted share units ⁽¹⁾	161,216	158,031	145,553
Total stock-based compensation expense	162,116	159,358	147,554
Tax benefit recognized in the statements of earnings	5,168	3,391	4,304
Stock-based compensation expense, net of tax	<u>\$ 156,948</u>	<u>\$ 155,967</u>	<u>\$ 143,250</u>

⁽¹⁾ Includes expense of \$137.5 million, \$143.2 million and \$127.1 million for the years ended December 31, 2023, 2022 and 2021, respectively in stock compensation expense related to 8,096,595 common shares issued to the former owners of Acima, as part of the Aggregate Stock Consideration subject to restricted stock agreements, and recorded to Other charges in our Consolidated Statements of Operations. Shares issued as part of the Aggregate Stock Consideration for the acquisition of Acima Holdings were not issued under the authorization of the 2021 Plan or any prior approved long-term incentive plan described above. See Note B and Note N for additional information.

We issue new shares of stock to satisfy option exercises and the vesting of restricted stock units.

The fair value of unvested options that we expect to result in compensation expense was approximately \$0.4 million with a weighted average number of years to vesting of 0.88 at December 31, 2023.

Information with respect to stock option activity related to the Plans for the year ended December 31, 2023 follows:

	Equity Awards Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Balance outstanding at January 1, 2023	854,339	\$ 22.29		
Granted	—	—		
Exercised	(137,473)	17.36		
Forfeited	(7,831)	26.96		
Expired	(53,392)	33.49		
Balance outstanding at December 31, 2023	<u>655,643</u>	\$ 22.36	5.15	\$ 8,223
Exercisable at December 31, 2023	552,733	\$ 20.75	4.89	\$ 7,617

The intrinsic value of options exercised during the years ended December 31, 2023, 2022, and 2021 was \$1.5 million, \$1.4 million, and \$14.3 million, respectively, resulting in tax benefits of \$0.5 million, \$0.5 million, and \$5.0 million, respectively, which are reflected as an outflow from operating activities and an inflow from financing activities in the Consolidated Statements of Cash Flows.

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The weighted average fair values of the options granted under the Plans were calculated using the Black-Scholes method. There were no options granted in 2023 or 2022. The weighted average grant date fair value and weighted average assumptions used in the option pricing models for 2021 are as follows:

	Year Ended December 31, 2021
Weighted average grant date fair value	\$ 14.94
Weighted average risk free interest rate	0.49 %
Weighted average expected dividend yield	2.87 %
Weighted average expected volatility	50.29 %
Weighted average expected life (in years)	4.62

Information with respect to non-vested restricted stock unit activity follows:

	Restricted Awards Outstanding	Weighted Average Grant Date Fair Value
Balance outstanding at January 1, 2023 ⁽¹⁾	5,177,485	\$ 46.63
Granted	968,045	30.05
Vested ⁽²⁾	(3,742,784)	48.71
Forfeited	(193,994)	32.47
Balance outstanding at December 31, 2023 ⁽¹⁾	2,208,752	\$ 37.10

⁽¹⁾ Includes 3,691,328 and 363,791 outstanding shares at January 1, 2023 and December 31, 2023, respectively, related to RSA agreements issued as part of the Aggregate Stock Consideration for the acquisition of Acima Holdings, described further in Note B, which were not issued under the authorization of the 2021 Plan or any previously approved long-term incentive plan described above.

⁽²⁾ Includes 3,327,537 shares vested during 2023 as part of RSA agreements issued as part of the Aggregate Stock Consideration for the acquisition of Acima Holdings, as described above.

Restricted stock units are valued using the closing price reported by the Nasdaq Global Select Market on the trading day immediately preceding the day of the grant. Unrecognized compensation expense for unvested restricted stock units at December 31, 2023, was approximately \$33.4 million expected to be recognized over a weighted average period of 1.51 years.

Note P — Deferred Compensation Plan

The Deferred Compensation Plan is an unfunded, nonqualified deferred compensation plan for a select group of our key management personnel and highly compensated employees. The Deferred Compensation Plan first became available to eligible employees in July 2007, with deferral elections taking effect as of August 3, 2007.

The Deferred Compensation Plan allows participants to defer up to 50% of their base compensation and up to 100% of any bonus compensation. Participants may invest the amounts deferred in measurement funds that are the same funds offered as the investment options in their 401(k) Retirement Savings Plan (the “401(k) Plan”). We may make discretionary contributions to the Deferred Compensation Plan, which are subject to a two-year vesting schedule based on the participant’s years of service with us. We are obligated to pay the deferred compensation amounts in the future in accordance with the terms of the Deferred Compensation Plan. Assets and associated liabilities of the Deferred Compensation Plan are included in prepaid and other assets and accrued liabilities in our Consolidated Balance Sheets. For the years ended December 31, 2023, 2022 and 2021, we made matching cash contributions of approximately \$70 thousand, \$120 thousand, and \$170 thousand, respectively, which represents 50% of the employees’ contributions to the Deferred Compensation Plan up to an amount not to exceed 6% of each employee’s respective compensation. No other discretionary contributions were made for the years ended December 31, 2023, 2022 and 2021. The deferred compensation plan assets and liabilities were approximately \$8.5 million and \$8.0 million as of December 31, 2023 and 2022, respectively.

Note Q — 401(k) Plan

We sponsor a defined contribution plan under Section 401(k) of the Internal Revenue Code for certain employees who have completed at least three months of service. Employees may elect to contribute up to 50% of their eligible compensation on a pre-tax basis, subject to limitations. We may make discretionary contributions to the 401(k) Plan. Employer matching contributions are subject to a two-year vesting schedule based on the participant’s years of service with us. For the years ended December 31, 2023, 2022 and 2021, we made matching cash contributions of \$5.3 million, \$6.0 million, and \$6.4 million, respectively, which represents 50% of the employees’ contributions to the 401(k) Plan up to an amount not to exceed 6% of

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each employee's respective compensation. Employees are permitted to elect to purchase our common stock as part of their 401(k) Plan, up to specified limitations and in accordance with applicable law. As of December 31, 2023 and 2022, 4.6% and 3.7%, respectively, of the total plan assets consisted of our common stock.

Note R — Fair Value

We follow a three-tier fair value hierarchy, which classifies the inputs used in measuring fair values, in determining the fair value of our non-financial assets and non-financial liabilities, which consist primarily of goodwill. These tiers include: Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Our financial instruments include cash and cash equivalents, receivables, payables, borrowings against our ABL Credit Facility and Term Loan Facility, and outstanding Notes. The carrying amount of cash and cash equivalents, receivables and payables approximates fair value at December 31, 2023 and December 31, 2022, because of the short maturities of these instruments. In addition, the interest rates on our Term Loan Facility and ABL Credit Facility are variable and, therefore, we believe the carrying value of outstanding borrowings approximates their fair value.

The fair value of our Notes is based on Level 1 inputs and was as follows at December 31, 2023:

<i>(in thousands)</i>	December 31, 2023				
	Carrying Value		Fair Value		Difference
Senior notes	\$	450,000	\$	421,965	\$ (28,035)

Note S — Stock Repurchase Plan

In early December 2021, our Board of Directors authorized a stock repurchase program for up to \$500 million (the "December 2021 Program"), which superseded our previous stock repurchase program. Under the December 2021 Program, we may purchase shares of our common stock from time to time in the open market or privately negotiated transactions. We are not obligated to acquire any shares under the program, and the program may be suspended or discontinued at any time. During 2023, 2022 and 2021 we repurchased 1,706,277, 3,536,799 and 2,829,700 shares of our common stock under the December 2021 Program for an aggregate purchase price of approximately \$50.0 million, \$75.1 million and \$140.0 million, respectively. At December 31, 2023, in accordance with Internal Revenue Code ("IRC") Section 4501, we accrued \$0.4 million in excise tax payable related to the share repurchases in 2023. As of December 31, 2023, under the December 2021 Program, approximately \$235.0 million remains available for repurchases. Under previous repurchase programs, 5,069,108 shares of our common stock were repurchased for an aggregate purchase price of \$250.0 million during 2021.

Note T — Segment Information

The operating segments reported below are the segments for which separate financial information is available and for which segment results are evaluated by the chief operating decision makers. Our operating segments are organized based on factors including, but not limited to, type of business transactions, geographic location and store ownership. Within our operating segments, we offer merchandise for lease from certain basic product categories: such as furniture, including mattresses; tires; consumer electronics; appliances; tools; handbags; computers; smartphones; and accessories.

We report financial operating performance under four operating segments. To better reflect our current strategic focus, our retail partner business operations are reported as the Acima segment, which includes our virtual and staffed business models; and our company-owned stores and e-commerce platform through rentacenter.com are reported as the Rent-A-Center segment. In addition, we report operating results for our Mexico and Franchising segments. Reportable segments and their respective operations are defined as follows.

Our Rent-A-Center segment primarily operates lease-to-own stores in the United States and Puerto Rico whose customers enter into weekly, bi-weekly, semi-monthly or monthly rental purchase agreements, which renew automatically upon receipt of each payment. We retain the title to the merchandise during the term of the rental purchase agreement and ownership passes to the customer if the customer has continuously renewed the rental purchase agreement through the end of all required lease renewals or exercises a specified early purchase option. This segment also includes the 52 stores operating in two states that utilize a retail model which offers installment credit sales through a retail sale transaction. Segment assets include cash, receivables, rental merchandise, property assets and other intangible assets.

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Our Acima segment, which primarily operates in the United States and Puerto Rico, includes the operations of Acima Holdings acquired in February 2021 and certain locations previously operating under our Acceptance Now brand, generally offers the lease-to-own transaction to consumers who do not qualify for traditional financing. The Acima segment offers the lease-to-own transaction through our virtual solutions across e-commerce, digital, and mobile channels, and through staffed and unstaffed kiosks located within such retailer's locations.

Our Mexico segment consists of our company-owned lease-to-own stores in Mexico. The nature of this segment's operations and assets are the same as our Rent-A-Center segment.

The stores in our Franchising segment use Rent-A-Center's, ColorTyme's or RimTyme's trade names, service marks, trademarks and logos, and operate under distinctive operating procedures and standards. Franchising's primary source of revenue is the sale of rental merchandise to its franchisees who, in turn, offer the merchandise to the general public for rent or purchase under a lease-to-own program. As franchisor, Franchising receives royalties of 2.0% to 6.0% of the franchisees' monthly gross revenue and initial fees for new locations. Segment assets include cash, trade receivables, property assets and intangible assets.

Segment information as of and for the years ended December 31, 2023, 2022, and 2021 is as follows:

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Revenues			
Rent-A-Center	\$ 1,864,123	\$ 1,949,864	\$ 2,037,849
Acima	1,931,325	2,110,320	2,328,089
Mexico	74,625	64,880	61,403
Franchising	122,340	120,328	156,110
Total revenues	\$ 3,992,413	\$ 4,245,392	\$ 4,583,451
Gross profit			
Rent-A-Center	\$ 1,297,705	\$ 1,372,863	\$ 1,433,536
Acima	644,447	632,244	728,852
Mexico	52,869	45,812	43,117
Franchising	27,237	28,613	29,507
Total gross profit	\$ 2,022,258	\$ 2,079,532	\$ 2,235,012
Operating profit			
Rent-A-Center	\$ 273,518	\$ 334,525	448,905
Acima	235,480	151,301	176,496
Mexico	4,846	6,267	7,858
Franchising	17,087	19,124	20,321
Total segments	530,931	511,217	653,580
Corporate ⁽¹⁾	(368,066)	(362,679)	(373,041)
Total operating profit	\$ 162,865	\$ 148,538	\$ 280,539

⁽¹⁾ Includes stock compensation expense of \$137.5 million, \$143.2 million and \$127.1 million for the years ended December 31, 2023, 2022 and 2021, related to common stock issued to Acima Holdings employees under restricted stock agreements as part of the acquisition consideration subject to vesting restrictions as described in Note N.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Depreciation, amortization and write-down of intangibles			
Rent-A-Center	\$ 18,816	\$ 20,526	\$ 18,588
Acima ⁽¹⁾	1,661	1,928	2,122
Mexico	1,206	711	511
Franchising	146	146	93
Total segments	21,829	23,311	21,314
Corporate ⁽²⁾	29,492	29,768	33,516
Total depreciation, amortization and write-down of intangibles	<u>\$ 51,321</u>	<u>\$ 53,079</u>	<u>\$ 54,830</u>

⁽¹⁾ Excludes amortization expense of approximately \$57.0 million, \$64.9 million and \$101.7 million for the years ended December 31, 2023, 2022 and 2021, respectively, recorded to Other charges in the Consolidated Statements of Operations, related to intangible assets acquired upon closing of the Acima Holdings acquisition. See Note N for additional information.

⁽²⁾ Excludes depreciation expense of approximately \$15.9 million for both the years ended December 31, 2023 and 2022 and \$13.2 million for the year ended December 31, 2021, recorded to Other charges in the Consolidated Statements of Operations, related to software acquired upon closing of the Acima Holdings acquisition and accelerated software depreciation. See Note N for additional information.

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Capital expenditures			
Rent-A-Center	\$ 22,923	\$ 36,682	\$ 23,139
Acima	512	244	1,045
Mexico	2,153	1,590	1,032
Franchising	1	332	—
Total segments	25,589	38,848	25,216
Corporate	27,813	22,539	37,234
Total capital expenditures	<u>\$ 53,402</u>	<u>\$ 61,387</u>	<u>\$ 62,450</u>

<i>(in thousands)</i>	December 31,	
	2023	2022
On rent rental merchandise, net		
Rent-A-Center	\$ 478,774	\$ 465,095
Acima	606,912	503,795
Mexico	24,210	20,979
Total on rent rental merchandise, net	<u>\$ 1,109,896</u>	<u>\$ 989,869</u>

<i>(in thousands)</i>	December 31,	
	2023	2022
Held for rent rental merchandise, net		
Rent-A-Center	\$ 112,129	\$ 124,117
Acima	498	373
Mexico	11,540	10,469
Total held for rent rental merchandise, net	<u>\$ 124,167</u>	<u>\$ 134,959</u>

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<i>(in thousands)</i>	December 31,	
	2023	2022
Assets by segment		
Rent-A-Center	\$ 1,061,107	\$ 1,067,875
Acima	1,221,845	1,198,879
Mexico	57,347	51,225
Franchising	18,023	18,194
Total segments	2,358,322	2,336,173
Corporate	363,108	427,446
Total assets	<u>\$ 2,721,430</u>	<u>\$ 2,763,619</u>

<i>(in thousands)</i>	December 31,	
	2023	2022
Assets by country		
United States	\$ 2,664,083	\$ 2,712,394
Mexico	57,347	51,225
Total assets	<u>\$ 2,721,430</u>	<u>\$ 2,763,619</u>

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Rentals and fees by inventory category			
Furniture and accessories	\$ 1,179,919	\$ 1,323,437	\$ 1,542,003
Consumer electronics	486,571	482,959	435,004
Appliances	404,241	439,309	426,316
Wheels and tires	341,174	308,618	280,132
Jewelry	228,081	194,123	146,477
Computers	116,971	129,577	155,313
Smartphones	64,246	52,803	61,058
Other products and services	440,475	444,627	476,150
Total rentals and fees	<u>\$ 3,261,678</u>	<u>\$ 3,375,453</u>	<u>\$ 3,522,453</u>

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Revenue by country			
United States	\$ 3,917,788	\$ 4,180,512	\$ 4,522,048
Mexico	74,625	64,880	61,403
Total revenues	<u>\$ 3,992,413</u>	<u>\$ 4,245,392</u>	<u>\$ 4,583,451</u>

UPBOUND GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note U — (Loss) Earnings Per Common Share

Summarized basic and diluted (loss) earnings per common share were calculated as follows:

<i>(in thousands, except per share data)</i>	Year Ended December 31,		
	2023	2022	2021
Numerator:			
Net (loss) earnings	\$ (5,179)	\$ 12,357	\$ 134,940
Denominator:			
Weighted-average shares outstanding	54,978	53,850	57,053
Effect of dilutive stock awards ⁽¹⁾⁽²⁾	—	5,116	9,786
Weighted-average dilutive shares	54,978	58,966	66,839
Basic (loss) earnings per common share	\$ (0.09)	\$ 0.23	\$ 2.37
Diluted (loss) earnings per common share	\$ (0.09)	\$ 0.21	\$ 2.02
Anti-dilutive securities excluded from diluted (loss) earnings per common share:			
Anti-dilutive time-vesting restricted share units ⁽³⁾	1,163	80	32
Anti-dilutive performance share units	1,292	197	107
Anti-dilutive stock options	656	448	295

⁽¹⁾ There was no dilutive effect to the loss per common share for the year ended December 31, 2023 due to the net loss incurred for the period.

⁽²⁾ Weighted-average dilutive shares outstanding for the years ended December 31, 2022 and 2021, includes approximately 3.7 million and 7.9 million common shares, respectively, issued in connection with the acquisition of Acima Holdings and subject to vesting conditions under restricted stock agreements

⁽³⁾ Anti-dilutive performance share units for the year ended December 31, 2023 includes approximately 0.4 million common shares issued in connection with the acquisition of Acima Holdings and subject to vesting conditions under restricted stock agreements.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

In accordance with Rule 13a-15(b) under the Securities Exchange Act of 1934, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that, as of December 31, 2023, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective.

Management's Annual Report on Internal Control over Financial Reporting

Please refer to Management's Annual Report on Internal Control over Financial Reporting in Part II, Item 8, of this Annual Report on Form 10-K.

Auditor's Report Relating to Effectiveness of Internal Control over Financial Reporting

Please refer to the Report of Independent Registered Public Accounting Firm in Part II, Item 8, of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

For the quarter ended December 31, 2023, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that, in the aggregate, have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Certain of our officers have made, or may make, elections to participate in, or are participating in, the Company's stock investment option and dividend reinvestment available through the Company's 401(k) plan. In addition, certain of our officers and directors may from time to time make elections to have shares withheld to cover withholding taxes owed in connection with long-term incentive plan awards or to pay the exercise price of options or make standing elections to reinvest dividends received on our shares or long-term incentive plan awards held by them, which may be designed to satisfy the affirmative defense conditions of Rule 10b5-1 under the Exchange Act, or may constitute non-Rule 10b5-1 trading arrangements as defined in Item 408(c) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance. (*)

Item 11. Executive Compensation. (*)

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. (*)

Item 13. Certain Relationships and Related Transactions, and Director Independence. (*)

Item 14. Principal Accountant Fees and Services. (*)

Our independent registered public accounting firm is Ernst & Young, LLP, Dallas, TX, Auditor Firm ID: 42.

* The information required by Items 10, 11, 12, 13 and 14 is or will be set forth in the definitive proxy statement relating to the 2024 Annual Meeting of Stockholders of Upbound Group, Inc., which is to be filed with the SEC pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. This definitive proxy statement relates to a meeting of stockholders involving the election of directors and the portions therefrom required to be set forth in this Form 10-K by Items 10, 11, 12, 13 and 14 are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

PART IV

Item 15. *Exhibits and Financial Statement Schedules.*

1. Financial Statements

The financial statements included in this report are listed in the Index to Financial Statements in Part II, Item 8, of this Annual Report on Form 10-K.

2. Financial Statement Schedules

Schedules for which provision is made in the applicable accounting regulations of the SEC are either not required under the related instructions or inapplicable.

3. Exhibits

Exhibit No.	Description
<i>Articles of Incorporation and Bylaws</i>	
3.1	Certificate of Incorporation of the registrant, as amended (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002.)
3.2	Certificate of Amendment to the Certificate of Incorporation of the registrant, dated May 19, 2004 (incorporated herein by reference to Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
3.3	Certificate of Amendment to the Certificate of Incorporation of the registrant, dated June 8, 2021 (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of June 9, 2021.)
3.4	Certificate of Amendment to the Certificate of Incorporation of the registrant, dated February 21, 2023 (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of February 23, 2023.)
3.5	Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K dated as of February 23, 2023.)
3.6	Certificate of Designations of Series D Preferred Stock of the registrant (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of March 29, 2017.)
<i>Instruments Defining the Rights of Security Holders, Including Indentures</i>	
4.1	Description of the registrant's Common Stock (incorporated herein by reference to Exhibit 4.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2020.)
4.2	Form of Certificate evidencing Common Stock (incorporated herein by reference to Exhibit 4.6 to the registrant's Registration Statement on Form S-8 dated as of June 7, 2023.)
4.3	Indenture, dated as of February 17, 2021, by and between Radiant Funding SPV, LLC and Truist Bank (incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K dated as of February 17, 2021.)
<i>Material Contracts</i>	
<i>Credit Agreements</i>	
10.1	Term Loan Guarantee and Collateral Agreement, dated as of August 5, 2019, between Rent-A-Center, Inc., its subsidiaries named as guarantors therein and JPMorgan Chase Bank, N.A., as administrative agent (incorporated herein by reference to Exhibit 10.44 to the registrant's Current Report on Form 10-Q for the quarter ended June 30, 2019.)

- 10.2 [ABL Guarantee and Collateral Agreement, dated as of August 5, 2019, between Rent-A-Center, Inc., its subsidiaries named as guarantors therein and JPMorgan Chase Bank, N.A., as administrative agent \(incorporated herein by reference to Exhibit 10.45 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019.\)](#)
- 10.3 [ABL Credit Agreement dated as of February 17, 2021, among Rent-A-Center, Inc., as Borrower, the several lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent \(Incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated as of February 17, 2021.\)](#)
- 10.4 [Term Loan Credit Agreement dated as of February 17, 2021, among Rent-A-Center, Inc., as Borrower, the several lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent \(Incorporated herein by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K dated as of February 17, 2021.\)](#)
- 10.5 [First Amendment to Term Loan Credit Agreement, dated as of September 21, 2021, by and among Rent-A-Center, Inc., the other Loan Parties party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent \(incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of September 21, 2021.\)](#)
- 10.6 [Second Amendment to Term Loan Credit Agreement, dated as of June 15, 2023, by and among Upbound Group, Inc. and JPMorgan Chase Bank, N.A., as administrative agent \(incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.\)](#)
- 10.7 [First Amendment to ABL Credit Agreement, dated as of August 10, 2022, by and among Rent-A-Center, Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent \(incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022.\)](#)
- Certain Other Agreements*
- 10.8 [Master Confirmation Agreement, dated as of May 2, 2013, between Rent-A-Center, Inc. and Goldman Sachs & Co. \(incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of May 2, 2013.\)](#)
- 10.9 [Letter Agreement, dated May 25, 2018, by and among Rent-A-Center, Inc., Engaged Capital Flagship Master Fund, LP, Engaged Capital Co-Invest V, LP, Engaged Capital Co-Invest V-A, LP, Engaged Capital Flagship Fund, LP, Engaged Capital Flagship Fund, Ltd., Engaged Capital, LLC, Engaged Capital Holdings, LLC and Glenn W. Welling \(incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of May 25, 2018.\)](#)
- 10.10 [Agreement Containing Consent Order, dated February 21, 2020, by and between the Bureau of Competition and Rent-A-Center, Inc. \(incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of February 21, 2020.\)](#)
- 10.11 [Registration Rights Agreement, dated as of February 17, 2021, by and among Rent-A-Center, Inc. and certain former owners of Acima Holdings, LLC \(incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of February 17, 2021.\)](#)

Management Contracts and Compensatory Plans or Arrangements

Management Contracts and Director Compensation

- 10.12* [Form of Executive Transition Agreement entered into with management](#)
- 10.13* [Form of Loyalty and Confidentiality Agreement entered into with management](#)
- 10.14 [CEO Employment Agreement, dated December 30, 2017, between Mitchell E. Fadel and Rent-A-Center, Inc. \(incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of April 3, 2018.\)](#)
- 10.15 [Amended and Restated Employment Agreement, entered into as of April 16, 2019, between Rent-A-Center, Inc. and Mitchell E. Fadel \(incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K on April 16, 2019.\)](#)

- 10.16* [Summary of Director Compensation](#)
Long-Term Incentive Plan
- 10.17 [Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.\)](#)
- 10.18 [Form of Stock Option Agreement issuable to Directors pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.\)](#)
- 10.19 [Form of Stock Compensation Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2005.\)](#)
- 10.20 [Form of Long-Term Incentive Cash Award issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.16 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2005.\)](#)
2006 Long-Term Incentive Plan
- 10.21 [Rent-A-Center, Inc. 2006 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.17 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.\)](#)
- 10.22 [Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.18 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.\)](#)
- 10.23 [Form of Long-Term Incentive Cash Award issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.\)](#)
- 10.24 [Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.\)](#)
- 10.25 [Form of Stock Option Agreement issuable to Directors pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.\)](#)
- 10.26 [Form of Deferred Stock Unit Award Agreement issuable to Directors pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2010.\)](#)
2006 Equity Incentive Plan
- 10.27 [Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity Incentive Plan \(incorporated herein by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.\)](#)
- 10.28 [Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity Incentive Plan \(incorporated herein by reference to Exhibit 10.22 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.\)](#)
- 10.29 [Rent-A-Center, Inc. 2006 Equity Incentive Plan and Amendment \(incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement on Form S-8 dated as of January 4, 2007.\)](#)
2016 Long-Term Incentive Plan
- 10.30 [Rent-A-Center, Inc. 2016 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.36 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.\)](#)
- 10.31 [Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.37 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.\)](#)

- 10.32 [Form of Stock Compensation Agreement \(RSU\) issuable to management pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.38 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.\)](#)
- 10.33 [Form of Stock Compensation Agreement \(PSU\) issuable to management pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.39 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.\)](#)
- 2021 Long-Term Incentive Plan*
- 10.34 [Form of Rent-A-Center, Inc. 2021 Long-Term Incentive Plan Restricted Stock Unit Award Agreement \(incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated as of June 8, 2021\)](#)
- 10.35 [Form of Rent-A-Center, Inc. 2021 Long-Term Incentive Plan Performance Stock Unit Award Agreement \(incorporated herein by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K dated as of June 8, 2021\)](#)
- 10.36 [Form of Rent-A-Center, Inc. 2021 Long-Term Incentive Plan Stock Option Award Agreement \(incorporated herein by reference to Exhibit 10.4 to the registrant's Current Report on Form 8-K dated as of June 8, 2021\)](#)
- 10.37 [Form of Rent-A-Center, Inc. 2021 Long-Term Incentive Plan Deferred Stock Unit Award Agreement \(incorporated herein by reference to Exhibit 10.5 to the registrant's Current Report on Form 8-K dated as of June 8, 2021.\)](#)
- 10.38 [Upbound Group, Inc. Amended 2021 Long Term Incentive Plan \(incorporated herein by reference to Annex A of the registrant's Proxy Statement on Schedule 14A dated as of April 25, 2023\)](#)
- Deferred Compensation and 401(k) Plans*
- 10.39 [Rent-A-Center, Inc. Non-Qualified Deferred Compensation Plan \(incorporated herein by reference to Exhibit 10.28 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.\)](#)
- 10.40 [Rent-A-Center, Inc. 401\(k\) Plan \(incorporated herein by reference to Exhibit 10.30 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2008.\)](#)
- 10.41 [Rent-A-Center East, Inc. Retirement Savings Plan for Puerto Rico Employees \(Incorporated herein by reference to Exhibit 99.1 to the registrant's Registration Statement on Form S-8 dated as of January 28, 2011.\)](#)

Other Exhibits and Certifications

- 19* [Upbound Group, Inc. Insider Trading Policy](#)
- 21.1* [Subsidiaries of Upbound Group, Inc.](#)
- 23.1* [Consent of Ernst & Young LLP](#)
- 31.1* [Certification pursuant to Rule 13a-14\(a\) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Mitchell Fadel](#)
- 31.2* [Certification pursuant to Rule 13a-14\(a\) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Fahmi Karam](#)
- 32.1* [Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Mitchell Fadel](#)
- 32.2* [Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Fahmi Karam](#)
- 97* [Clawback Policy for Recovery of Erroneously Awarded Incentive Base Compensation](#)
- 101.INS* XBRL Instance Document - The instance document does not appear in the interactive data files because its XBRL tags are embedded within the inline XBRL document
- 101.SCH* XBRL Taxonomy Extension Schema Document

- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document
- 104* Cover page Interactive Data File (embedded within the inline XBRL document contained in Exhibit 101)

* Filed herewith.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UPBOUND GROUP, INC.

By: /s/ MITCHELL E. FADEL
 Mitchell E. Fadel
 Chief Executive Officer

Date: February 27, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
<u> /s/ MITCHELL E. FADEL </u> Mitchell E. Fadel	Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2024
<u> /s/ FAHMI W. KARAM </u> Fahmi W. Karam	EVP, Chief Financial Officer (Principal Financial and Accounting Officer)	February 27, 2024
<u> /s/ JEFFREY J. BROWN </u> Jeffrey J. Brown	Director	February 27, 2024
<u> /s/ CHRISTOPHER B. HETRICK </u> Christopher B. Hetrick	Director	February 27, 2024
<u> /s/ HAROLD LEWIS </u> Harold Lewis	Director	February 27, 2024
<u> /s/ GLENN P. MARINO </u> Glenn P. Marino	Director	February 27, 2024
<u> /s/ CAROL A. MCFATE </u> Carol A. McFate	Director	February 27, 2024
<u> /s/ JEN YOU </u> Jen You	Director	February 27, 2024

**UPBOUND GROUP, INC.
EXECUTIVE TRANSITION AGREEMENT**

This AGREEMENT is made as of _____ by and between UPBOUND GROUP INC., FKA Rent-A-Center, Inc (“Company”) and _____ (“Executive”).

1. **Background.** This Agreement is intended to provide the Executive with certain payments and benefits upon an involuntary termination of Executive’s employment or the occurrence of certain other circumstances that may affect the Executive. The Company believes this Agreement will help ensure the Executive’s undivided focus on the business of the Company and thereby enhance shareholder value.

2. **Certain Defined Terms.** The following terms have the following meanings when used in this Agreement.

(a) “Accrued Compensation” means, as of any date, (1) the unpaid amount, if any, of Executive’s previously earned base salary, (2) the unpaid amount, if any, of the bonus earned by the Executive for the preceding year, and (3) additional payments or benefits, if any, earned by the Executive under and in accordance with any employee plan, program or arrangement of or with the Company or an Affiliate (other than this Agreement).

(b) “Affiliate” means an entity at least 50% of the voting, capital or profits interests of which are owned directly or indirectly by Company.

(c) “Benefit Continuation Coverage” means validly elected continuing group health insurance coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) for Executive and, where applicable, Executive’s covered spouse and covered eligible dependents for a specified period following the termination of Executive’s Employment with Company and its Affiliates at the same benefit and contribution levels that would be in effect if the Executive’s employment had continued. Unless sooner terminated, Benefit Continuation Coverage will be subject to early termination if and when Executive is no longer eligible for continuation coverage under COBRA.

(d) “Board” means the Board of Directors of the Company.

(e) “Cause” means (1) material act or acts of willful misconduct by Executive, whether in violation of the Company’s policies, including, without limitation, the Company’s Code of Business Conduct and Ethics, or otherwise; (2) Executive’s willful and repeated failure (except where due to physical or mental incapacity) or refusal to perform in any material respect the duties and responsibilities of Executive’s employment (3) embezzlement or fraud committed by Executive, at Executive’s direction, or with Executive’s prior personal knowledge; (4) Executive’s conviction of, or plea of guilty or nolo contendere to, the commission of a felony; or (5) substance abuse or use of illegal drugs that, in the reasonable judgment of the Compensation Committee, (A) impairs the ability of the Executive to perform the duties of the Executive’s employment, or (B) causes or is likely to cause harm or embarrassment to the Company or any of its Affiliates. Except as specified, the Compensation Committee, acting in its own discretion,

will be responsible for determining whether particular conduct constitutes “Cause” for the purposes of this Agreement.

(f) “Change in Control” means the occurrence of any of the following after September 14, 2006:

(i) any person (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (“Exchange Act”)) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 40% or more of the combined voting power of the then outstanding voting securities of Company;

(ii) a consolidation, merger or reorganization of the Company, unless (1) the stockholders of Company immediately before such consolidation, merger or reorganization own, directly or indirectly, at least a majority of the combined voting power of the outstanding voting securities of the corporation or other entity resulting from such consolidation, merger or reorganization, (2) individuals who were members of the Board immediately prior to the execution of the agreement providing for such consolidation, merger or reorganization constitute a majority of the board of directors of the surviving corporation or of a corporation directly or indirectly beneficially owning a majority of the voting securities of the surviving corporation, and (3) no person beneficially owns more than 40% of the combined voting power of the then outstanding voting securities of the surviving corporation (other than a person who is (A) Company or a subsidiary of Company, (B) an employee benefit plan maintained by Company, the surviving corporation or any subsidiary, or (C) the beneficial owner of 40% or more of the combined voting power of the outstanding voting securities of Company immediately prior to such consolidation, merger or reorganization);

(iii) individuals who, as of September 14, 2006, constitute the entire Board (the “Incumbent Board”) cease for any reason to constitute a majority of the Board, provided that any individual becoming a director subsequent to September 14, 2006 whose appointment or nomination for election by Company’s stockholders, was approved by a vote of at least two-thirds of the directors then comprising the incumbent Board shall be considered as though such individual were a member of the Incumbent Board; or

(iv) a complete liquidation or dissolution of Company, or a sale or other disposition of all or substantially all of the assets of the Company (other than to an entity described in (f)(ii) above).

(g) “Code” means the Internal Revenue Code of 1986, as amended.

(h) “Company” means Upbound Group, Inc., FKA Rent-A-Center, Inc. and any successor thereto.

(i) “Compensation Committee” means the Compensation Committee of the Board.

(j) “Disability” means the inability of Executive to substantially perform the customary duties and responsibilities of Executive’s Employment with Company or an Affiliate

for a period of at least 120 consecutive days or 120 days in any 12-month period by reason of a physical or mental incapacity which is expected to result in death or last indefinitely, as determined by a duly licensed physician appointed by the Company.

(k) “Employment” means Executive’s employment with the Company and/or any of its Affiliates.

(l) “Good Reason” means the occurrence of any of the following without the written consent of Executive: (1) a material diminution by Company or an Affiliate of Executive’s duties or responsibilities in a manner which is inconsistent with Executive’s position or which has or is reasonably likely to have a material adverse effect on Executive’s status or authority; (2) a relocation by more than 50 miles of Executive’s principal place of business; or (3) a material reduction by Company or an Affiliate of Executive’s rate of salary or annual incentive opportunity or (4) a breach by Company or any of its Affiliates of a material provision of any written employment or other agreement with Executive; provided, however, the Executive must provide the Company with notice of the existence of the Good Reason condition within ninety (90) days of the condition first occurring and provide the Company thirty (30) business days following notice thereof to correct the condition..

(m) “Pro Rata Bonus” means the annual bonus, if any, which (if not for Executive’s termination of Employment), Executive would have earned, as determined in the Company’s sole discretion, for the calendar year in which the Executive’s Employment terminates, multiplied by a fraction, the numerator of which is the number of days elapsed from the beginning of the calendar year in which the Executive’s Employment terminates until the date the Executive’s Employment terminates, and the denominator of which is 365; provided that such payment shall be paid in a lump sum in cash in the normal course upon the Company’s completion of annual bonus calculations, but in no event later than March 15 of the year following the year in which Executive’s termination of Employment occurred. If the Executive’s Employment terminates before April 1 of a calendar year, the Pro Rata Bonus for such calendar year shall be deemed to be zero.

(n) “Salary” means, as of the effective date of the termination of Executive’s Employment with Company and its Affiliates, the sum of Executive’s highest annual rate of salary at any time during the preceding 24 months preceding Executive’s separation from the Company.

3. General Severance Protection (Not in Conjunction With a Change in Control). Subject to the provisions hereof, including, without limitation, Section 7 (relating to non-duplication of payments and benefits provided under other agreements and arrangements) and Section 8 (relating to the execution and delivery of a release as a condition of Executive’s (or a beneficiary’s) entitlement to payments and benefits hereunder), upon termination of Employment, other than a termination of Employment in conjunction with a Change in Control to which Section 4 applies, Executive (or Executive’s beneficiary, as the case may be) will be entitled to receive the applicable severance payments and benefits set forth in this Section.

(a) Termination by Company or an Affiliate without Cause. If Executive’s Employment is terminated by the Company or an Affiliate without Cause, then Executive shall be entitled to receive the following payments and benefits:

(i) Accrued Compensation;

(ii) Pro Rata Bonus which shall be paid to the Executive pursuant to Section 2(m) above;

(iii) 6 months (26 weeks) of Executive's Annual Salary, payable to Executive in equal monthly (or, at the option of the Company, more frequent) installments; provided however, all payments must be made by the second December 31 following the calendar year of the termination of employment; and

(iv) Benefit Continuation Coverage for the period covered by Section 3(a)(iii); however, if the Company determines that the provision of subsidized coverage is discriminatory under Section 105(h) of the Internal Revenue Code, then such subsidy shall cease and the Executive shall receive additional severance which equals any remaining subsidy amount.

(b) Disability or Death. If Executive's Employment is terminated by the Company or an Affiliate due to Executive's Disability or if Executive's Employment terminates by reason of death, then Executive (or Executive's beneficiary) shall be entitled to receive the following payments and benefits:

(i) Accrued Compensation;

(ii) Pro Rata Bonus which shall be paid to the Executive pursuant to Section 2(m) above; and

(iii) Benefit Continuation Coverage for the applicable COBRA continuation period, up to the sooner of the end of such continuation period or 26 weeks following termination; however, if the Company determines that the provision of subsidized coverage is discriminatory under Section 105(h) of the Internal Revenue Code, then such subsidy shall cease and the Executive shall receive additional severance which equals any remaining subsidy amount.

(c) Termination by Company or an Affiliate for Cause or Termination by Executive. If Company or an Affiliate terminates Executive's Employment for Cause or if Executive terminates such Employment for any reason (other than death), then Executive shall be entitled to receive any Accrued Compensation, subject to set off for amounts owed by Executive to Company or an Affiliate, and nothing more.

(d) Restoration. Any severance payments and benefits paid under this Section 3 shall be subject to continuing compliance with the covenants described in and repayment pursuant to Section 9.

4. Termination in Conjunction with a Change in Control (4(a) through (d)). Subject to the provisions hereof, including, without limitation, Section 6 (relating to a reduction of severance payments and benefits in order to avoid adverse tax consequences), Section 7 (relating to non-duplication of payments and benefits provided under other agreements and arrangements), and Section 8 (relating to execution and delivery of a general release as a condition of

Executive's entitlement to payments and benefits hereunder), upon the termination of Executive's Employment with Company and its Affiliates in conjunction with a Change in Control, Executive (or Executive's beneficiary, as the case may be) will be entitled to receive the applicable severance payments and benefits set forth in this Section. For the purposes hereof, a termination of Employment is in conjunction with a Change in Control if (and only if) it occurs during the period beginning six months prior to a Change in Control (or, in the case of a Change in Control described in Section 2(f)(i) or (ii), beginning on the date of the definitive agreement pursuant to which the Change in Control is consummated), and ending on the second anniversary of the date of the Change in Control. If Executive is entitled to receive payments and benefits under Section 3 (due to a termination of Employment not in conjunction with a Change in Control) and if, by reason of a subsequent Change in Control, Executive's termination of Employment is deemed to be in conjunction with the Change in Control, then, in order to avoid duplication, the payments and benefits to which Executive is entitled under this Section upon and following the Change in Control will be reduced by the payments and benefits which Executive received under Section 3, and no further payments will be made under Section 3.

(a) Termination by Company or an Affiliate without Cause or by Executive for Good Reason. If Executive's Employment is terminated by Company or an Affiliate without Cause or by Executive for Good Reason, then Executive shall be entitled to receive the following payments and benefits:

(i) Accrued Compensation;

(ii) Pro Rata Bonus which shall be paid to the Executive pursuant to Section 2(m) above;

(iii) an amount equal to 1.5 times Salary, which amount shall be payable in a lump sum in cash within 10 business days following the date of Executive's termination of Employment or, if later, the date of the Change in Control; and

(iv) Benefit Continuation Coverage for the applicable COBRA continuation period, up to the sooner of the end of such continuation period or 26 weeks following termination; however, if the Company determines that the provision of subsidized coverage is discriminatory under Section 105(h) of the Internal Revenue Code, then such subsidy shall cease and the Executive shall receive additional severance which equals any remaining subsidy amount.

(b) Disability or Death. If Executive's Employment is terminated by Company or an Affiliate due to Executive's Disability, or if Executive's Employment terminates by reason of death, then Executive (or Executive's beneficiary) shall be entitled to receive the following payments and benefits:

(i) Accrued Compensation;

(ii) Pro Rata Bonus which shall be paid to the Executive pursuant to Section 2(m) above; and

(iii) Benefit Continuation Coverage for the applicable COBRA continuation period, up to the sooner of the end of such continuation period or 26 weeks following termination; however, if the Company determines that the provision of subsidized coverage is discriminatory under Section 105(h) of the Internal Revenue Code, then such subsidy shall cease and the Executive shall receive additional severance which equals any remaining subsidy amount.

(c) Termination by Company or an Affiliate or Cause or Termination by Executive without Good Reason. If Executive's Employment is terminated by Company or an Affiliate for Cause or is terminated by Executive without Good Reason, Executive shall be entitled to receive Accrued Compensation through the date of termination, subject to set off for amounts owed by Executive to Company or an Affiliate, and nothing more.

(d) Restoration. Any severance payments and benefits paid under this Section 4 shall be subject to continuing compliance with the covenants described in and repayment pursuant to Section 9.

5. Effect of a Change in Control on Options and Other Equity-Based Awards. All outstanding Company stock options and other Company equity-based awards held by Executive shall become fully vested immediately before the occurrence of a Change in Control if (a) Executive is then still employed by Company or an Affiliate; or (b) Executive is entitled to payments and benefits under Section 4(a) as a result of the termination of Employment during the pre-Change in Control severance protection period described in Section 4. If Executive becomes vested in a stock option or other equity-based award pursuant to part (b) of the preceding sentence, then, before the Change in Control, Company will either reinstate the option or other award to the extent it would otherwise not be vested, or make a cash payment to Executive equal to the intrinsic value of the non-vested portion of the option or other award based upon the then value per share of Company's Common Stock. The vesting and other terms and conditions of Executive's stock options and other equity-based awards will continue to govern except as otherwise specifically provided by this Section 5.

6. Golden Parachute Tax Limitation. If Executive is entitled to receive payments and benefits under this Agreement and if, when combined with the payments and benefits Executive is entitled to receive under any other plan, program or arrangement of Company or an Affiliate, Executive would be subject to excise tax under Section 4999 of the Code or Company would be denied a deduction under Section 280G of the Code, then the severance amounts otherwise payable to Executive under this Agreement will be reduced by the minimum amount necessary to ensure that Executive will not be subject to such excise tax and Company will not be denied any such deduction.

7. Effect of Other Agreements. Notwithstanding the provisions hereof, the post-termination payment and benefit provisions of Executive's written employment or other agreement with Company or an Affiliate in force at the termination of Executive's Employment (if any) will apply in lieu of the provisions hereof if and to the extent that, with respect to Executive's termination of Employment, the provisions of such employment or other agreement would provide greater payments or benefits to Executive (or to Executive's covered dependents or beneficiaries). If any termination or severance payments or benefits are made or provided to Executive by Company or any of its Affiliates pursuant to a written employment or other

agreement with Company or an Affiliate, such payments and benefits shall reduce the amount of the comparable payments and benefits payable hereunder. This Section is intended to provide Executive with the most favorable treatment and, at the same time, avoid duplication of payments or benefits, and it will be construed and interpreted accordingly.

8. Release of Claims. Notwithstanding anything herein to the contrary, the Compensation Committee or the Board may condition severance payments or benefits otherwise payable under this Agreement upon the execution and delivery by Executive (or Executive's beneficiary) of a general release in favor of Company, its Affiliates and their officers, directors and employees, in such form as the Board or the Compensation Committee may specify; provided, however, that no such release will be required as a condition of Executive's (or the beneficiary's) entitlement to Accrued Compensation. Subject to Section 17 of this Agreement, any payment or benefit that is so conditioned shall commence or be paid during the period commencing on Executive's termination of Employment and ending on a date not more than 30 days thereafter, except that, in the event that such period could span two taxable years, payment must be made in the later year.

9. Restoration. The Executive has been provided and is privy to intellectual property, trade secrets and other confidential information of the Company and its Affiliates. For a one (1) year period following the Executive's termination of Employment, the Executive has agreed not to engage in any activity or provide any services that are similar to or competitive with the business of the Company and its Affiliates. For a one-and-a-half (1.5) year period, the Executive also agreed not to solicit or induce, or cause or permit others to solicit or induce, any employee, or solicit a customer, to terminate their employment (or relationship) with the Company and its Affiliates. These covenants are set forth and agreed to in the Loyalty and Confidentiality Agreement between the Executive and the Company ("Loyalty Agreement"). The parties hereto understand and acknowledge that the promises in this Agreement and those in the Loyalty Agreement, and not any employment of or services performed by the Executive in the course and scope of that employment, constitute the sole consideration for the severance payments and benefits provided by this Agreement. Further, it is agreed that should the Executive violate or be in breach of any restrictions set forth herein or in the Loyalty Agreement (which determination shall be made in the discretion of the Compensation Committee) or fail to execute the Loyalty Agreement, then: (a) the Executive shall not be entitled to any further severance payments and benefits under this Agreement, (b) the Executive shall immediately return to the Company any severance payments and the value of any severance benefits which were received hereunder, and (c) the Executive will have no further rights or entitlements under this Agreement. Executive shall not be entitled to This Section 9 shall not in any manner supersede or limit any other right the Company may have to enforce or seek legal or equitable relief based on this Agreement or the Loyalty Agreement.

10. No Duty to Mitigate. Except as otherwise specifically provided herein with respect to early termination of Benefit Continuation Coverage, Executive's entitlement to payments or benefits hereunder is not subject to mitigation or a duty to mitigate by Executive.

11. Amendment. The Board may amend this Agreement, provided, however, that, no such action which would have the effect of reducing or diminishing Executive's entitlements under this Agreement shall be effective without the express written consent of the Executive.

12. Successors and Beneficiaries.

(a) Successors and Assigns of Company. Company shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of Company and its subsidiaries taken as a whole, expressly and unconditionally to assume and agree to perform or cause to be performed Company's obligations under this Agreement. In any such event, the term "Company," as used herein shall mean Company, as defined in Section 2 hereof, and any such successor or assignee. Executive acknowledges and agrees that this Agreement and the Loyalty Agreement shall be fully enforceable by the Company's successor or assignee.

(b) Executive's Beneficiary. For the purposes hereof, Executive's beneficiary will be the person or persons designated as such in a written beneficiary designation filed with the Company, which may be revoked or revised in the same manner at any time prior to Executive's death. In the absence of a properly filed written beneficiary designation or if no designated beneficiary survives Executive, Executive's estate will be deemed to be the beneficiary hereunder.

13. Nonassignability. With the exception of Executive's beneficiary designation, neither Executive nor Executive's beneficiary may pledge, transfer or assign in any way the right to receive payments or benefits hereunder, and any attempted pledge, transfer or assignment shall be void and of no force or effect.

14. Legal Fees to Enforce Rights after a Change in Control. If, following a Change in Control, Company fails to comply with any of its obligations under this Agreement or Company takes any action to declare this Agreement void or unenforceable or institutes any litigation or other legal action designed to deny, diminish or to recover from Executive (or Executive's beneficiary) the payments and benefits intended to be provided, then Executive (or Executive's beneficiary, as the case may be) shall be entitled to select and retain counsel at the expense of Company to represent Executive (or Executive's beneficiary) in connection with the good faith initiation or defense of any litigation or other legal action, whether by or against Company or any director, officer, stockholder or other person affiliated with Company or any successor thereto in any jurisdiction.

15. Not a Contract of Employment. This Agreement shall not be deemed to constitute a contract of employment between Executive and Company or any of its Affiliates. Nothing contained herein shall be deemed to give Executive a right to be retained in the employ or other service of Company or any of its Affiliates or to interfere with the right of Company or any of its Affiliates to terminate Executive's employment at any time.

16. Governing Law and Arbitration. This Agreement shall be governed by the laws of the State of Texas, excluding its conflict of law rules. The parties agree to use arbitration in accordance with the Mutual Agreement to Arbitrate Claims, which is governed by the Federal

Arbitration Act, that exists between the parties to resolve any disputes arising from, arising under, or that relate in any way to this Agreement; provided, however, that the parties may pursue temporary and/or preliminary injunctive relief in a court of competent jurisdiction within the districts that include Collin County, Texas, because the award to which the party may be entitled in arbitration may be rendered ineffectual without such relief. Any such action shall not constitute a waiver of the parties' agreement to arbitrate by any party. In all other respects the Mutual Agreement to Arbitrate Claims between the parties, which is incorporated herein by reference, shall control. All issues of final relief related to this Agreement will be decided through arbitration in accordance with the Mutual Agreement to Arbitrate Claims or comparable controlling agreement to arbitrate between the parties. The parties waive trial by jury on any claim arising from this Agreement. Any suit for temporary and/or preliminary injunctive relief will be brought in the federal or state courts in the districts, which include Collin County, Texas, and Executive hereby agrees to submit to the personal jurisdiction and venue thereof.

17. Compliance with Section 409A of the Code. This Agreement is intended to comply with Section 409A of the Code, if and to the extent applicable, and will be interpreted and applied in a manner consistent with that intention. This Agreement is intended to meet the requirements of the "short-term deferral" exception, the "separation pay" exception and other exceptions under Section 409A of the Code. Notwithstanding anything in the Agreement to the contrary, if required by Section 409A of the Code, payments may only be made under this Agreement upon an event and in a manner permitted by Section 409A, to the extent applicable. For purposes of Section 409A of the Code, any payment required to be made hereunder shall be treated as separate from any other payment or payments required to be made hereunder, and the right to a series of payments under the Agreement shall be treated as a right to a series of separate payments. If at the time of the Executive's termination of employment with the Company he or she is a "specified employee" as defined in Section 409A of the Code and the deferral of the commencement of any payments otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments hereunder (without any reduction in such payments ultimately paid) until the date that is six months following such termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code). To the extent Section 409A of the Code is applicable, the phrase "termination of Employment" shall have the same meaning as a "separation from service" as defined in Section 409A of the Code and its accompanying regulations. All reimbursements and in-kind benefits provided under the Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code.

18. Withholding. Company and its Affiliates may withhold from any and all amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to applicable law.

[SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written.

UPBOUND GROUP, INC.

EXECUTIVE

Mitch Fadel
Chief Executive Officer

Executive Signature

Date

Date

LOYALTY AND CONFIDENTIALITY AGREEMENT

Executive Name: _____

THIS LOYALTY AND CONFIDENTIALITY AGREEMENT (“Agreement”) is entered into on _____ between the undersigned individual (“Executive” or “Employee”) and Upbound Group, Inc. FKA Rent-A-Center, Inc., together with its subsidiaries and affiliates whether hereafter acquired or formed (the “Company”), Company and Employee collectively will be referred to as the “parties.” As a condition of employment, in exchange for the opportunity to participate in the 2021 Long Term Incentive Plan of Rent-A-Center, Inc. (“LTIP”), for the mutual promises of the parties herein, and for other good and valuable consideration, each of which is independently sufficient to support this Agreement, the parties agree as follows:

SECTION 1. Duty of Loyalty. Employee agrees to avoid conflicts of interest and promptly inform the Company of any business opportunities that are related to Company’s line of business. Employee will avoid competing with Company, setting up a business to compete with the Company, or undertaking other disloyal acts while employed with Company.

SECTION 2. Confidentiality and Business Interests. The parties agree to the following to protect the Company’s legitimate business interests:

2.1. Definitions. Company’s “**Confidential Information**” means information, or a compilation of information, in any form (tangible or intangible), related to the Company’s business that the Company has not made public or authorized public disclosure of and that is not already generally known, through proper means, to the public or other persons who would obtain value or competitive advantage from its disclosure or use. The parties agree that, without limitation, some examples of the Company’s Confidential Information are: the Company’s High Touch Store System database, SIMS, or any other point-of-sale “POS” system, internally created lists of customers, customer leads or prospects, customer history and analysis including but not limited to demographic and other research related to current and prospective customers, market analyses; internally created or maintained information concerning assessments of Company’s employees and key vendor or contractor relationships; and, Company’s business and strategic plans, marketing plans, real estate information, product purchasing information, product pricing information, product service information, non-public rent-to-own and financial services industry data, market penetration and concentration analyses, non-public financial or operational records or data, and research and development information regarding new products or services not yet released to the public. Additionally, the Company’s non-public compilations of otherwise available information that attain greater value or utility because of time and expense invested in a unique compilation, analysis, or formatting will be considered Confidential Information. Information disclosed to the general public by Company through proper means is not considered Confidential Information.

2.2. Company Authorizations. Upon the Effective Date of this Agreement, Company will do one or more of the following: (a) provide Employee with authorization to access and use some of the Company's Confidential Information (such authorization may be provided through a computer password, authorization letter, or other means); and/or, (b) provide Employee authorization to develop and use goodwill of the Company through, for example, authorization to represent the Company in communications with customers and prospective customers, expense reimbursements in accordance with Company policy limits, and/or assistance in facilitating contact with customers, and/or (c) provide Employee with authorization to participate in specialized management training related to the business and Confidential Information of the Company. The foregoing agreement is a fully enforceable ancillary agreement at the time made. The Company is acting in reliance upon Employee's agreement to comply fully with the restrictions provided for in this Agreement.

2.3. Employee Non-Disclosure. Employee agrees not to engage in any unauthorized use or disclosure of Company's Confidential Information. Nothing herein will be construed to require withholding information in violation of any applicable state or federal law, or to prohibit Employee from reporting of information where such a report is required or protected by law; provided, however, that Employee agrees to give Company as much notice as is possible (presumably 5 business days or more) before a compelled disclosure under such circumstances unless otherwise prohibited by law from doing so. Employee will cooperate in the Company's efforts to protect its Confidential Information. Employee will help maintain records on Company customers, suppliers, and other business relationships, and will not use these records to harm the business of the Company. Employee will return to the Company all of the foregoing records and any other Company records and copies thereof (physical or electronic) in Employee's possession or control upon termination of employment or earlier if so requested, and will not retain any such material or information except where expressly authorized in writing to do so.

SECTION 3. Protective Covenants. Employee agrees that the covenants below are (i) reasonable and necessary for the protection of legitimate business interests of Company, and (ii) do not place an unreasonable burden upon the Employee's ability to earn a living.

3.1. Definitions. "Customer" means a person or entity that has an ongoing business relationship or prospective business relationship with the Company prior to any act of prohibited interference, and (i) that did business with a facility, division, or portion of Company's business that Employee received access to Confidential Information about in the preceding two years, or (ii) had material contact with Employee or a person under Employee's supervision in the preceding two years. Material contact will be presumed present if Employee (or persons under Employee's supervision) had contact with the customer, or Employee was provided Confidential Information about the customer, or Employee received commissions or other beneficial credit for business conducted with the customer. The customer will be understood to include both the end user or consumer of the Company's services and/or products, and any related entities (such as a retail partner) that the Company contracts with to facilitate the provision or sale of its services and goods, and any buying groups, brokers, and comparable intermediaries who control,

negotiate or have a material role in the purchaser's or end consumer's decision to do business with the Company. A "**Competing Business**" is a person or entity that is in the business of providing a Conflicting Product or Service. A "**Conflicting Product or Service**" is a product or service that would displace a product or service that Employee assists the Company in developing, selling, distributing, servicing, or otherwise providing to Company's customers or receives Confidential Information about within the preceding two (2) years. By way of example, and not limitation, a "**Competing Business**" is understood to include any person or entity engaged in the rent-to-own business or related services. "**Restricted Area**" refers to the United States, Canada, Mexico, and each additional country where the Company does business or is actively planning to do business at the time Employee's employment ends and about which Employee was provided Confidential Information during employment. The nature of Employee's position is such that he or she will be provided Confidential Information about the Company's business activities and plans in each country where Company does business or is planning to do business. Accordingly, Employee agrees that the Restricted Area definition is reasonable and necessary.

3.2. Restriction on Interfering with Employee Relationships. During employment with Company, and for one –and-a-half (1.5) years thereafter, Employee will not, either directly or indirectly, (a) solicit, induce, or encourage an employee of the Company to leave the Company, or (b) help another person or entity to hire away an employee of the Company; unless such activity is expressly authorized by a supervisor of Employee on behalf of the Company. Where required by law, the foregoing restriction will only apply to employees that Employee, worked with, supervised, or help manage, within the last two years of Employee's employment with Company. The Company's primary remedy shall be injunctive relief as provided for in Section 5 below. However, the parties recognize that if Company loses an employee due to interference by Employee prior to or in spite of an injunction, it will not be possible to quantify the precise damage that this would cause. Accordingly, in the event Company loses an employee due, in whole or in part, to conduct by Employee that violates this Agreement, then Employee shall pay Company a sum equal to fifty percent (50%) of the lost employee's annual compensation (based on the lost employee's last rate of pay with Company) as a reasonable estimate of part of the damages caused by Employee's breach. This shall not preclude or act as a substitute for any remedy that would otherwise be available, including but not limited to, injunctive relief against further prohibited solicitation or interference with employee relationships.

3.3. Restriction on Interfering with Customer Relationships. During employment with Company, and for one-and-a-half (1.5) years thereafter, Employee will not, directly or indirectly, interfere with the relationship between the Company and a Customer. It shall be considered a prohibited act of interference for Employee to, directly or indirectly, either: (a) solicit, encourage, or induce, a Customer to rent, buy or accept a Conflicting Product or Service, (b) help provide a Conflicting Product or Service to a Customer, or (c) solicit, encourage, or induce a Customer to stop or reduce doing business with the Company; unless, such activity has been expressly authorized by a supervisor of Employee on behalf of the Company. The parties stipulate that this restriction is inherently limited to a reasonable geography or geographic substitute because it is limited to the place or location where the Customer is located at the time: provided, however, that if additional geographic limitation is required by law then this

Paragraph shall be deemed limited to Customers who do business within the Restricted Area.

3.4. Restriction Against Unfair Competition. Employee agrees that during employment, and for a period of one (1) year after Employee's employment with Company ends, Employee will not, directly or indirectly, accept or participate in any position (as an employee, consultant, advisor, contractor, shareholder, director, partner, joint-venturer, investor, or otherwise) that would involve assistance in the management, operation, finance, administration, or sale or rental activities of a Competing Business within the Restricted Area or would otherwise be likely to result in the use or disclosure of Confidential Information. The foregoing does not prohibit ownership of less than 2% of the outstanding stock of a publicly traded company so long as it is a non-controlling interest, or passive mutual fund investments. In the event of a Change in Control (as outlined in the Executive Transition Agreement ("ETA")), should Executive get benefits under Section 4 of the ETA, then the non-compete (this provision 3.4) shall be extended to 1.5 years (eighteen months).

3.5. Survival of Restrictions. Employee will advise any future employer of the restrictions in this Agreement before accepting new employment. The post-employment restrictions provided for in this Agreement shall survive the termination of Employee's employment with Company regardless of the cause of the termination. If a Court or arbitrator finds that Employee has failed to comply with a time-limited restriction in this Agreement, the time period applicable to that restriction shall be extended by one day for each day Employee is found to have violated the restriction up to a maximum period of one (1) year so as to give the Company the full benefit of the time period bargained for.

SECTION 4. Alternative Dispute Resolution.

4.1 Notice and Early Resolution Conference. Employee will give Company at least thirty (30) days written notice before either accepting an offer of employment with a Competing Business or going to work for a Competing Business. If requested to do so, Employee will provide Company with a description of the duties and activities of the new position, and will participate in a mediation or in-person conference with a Company representative within the notice period in an effort to help avoid unnecessary legal disputes. The Company shall not waive any of its rights under this Agreement if it elects not to request a conference or elects to take no specific action upon receipt of the notification.

4.2. Arbitration. The parties agree to use arbitration in accordance with the Mutual Agreement to Arbitrate Claims that exists between the parties to resolve any disputes arising from, arising under, or that relate in any way to this Agreement; provided, however, that temporary injunctive relief to secure compliance with the restrictions on Employee in this Agreement, and related discovery, may be pursued in a court of law pursuant to Section 5 below until such time as an arbitration can be conducted. Any such action shall not constitute a waiver of the parties' agreement to arbitrate by any party. The arbitrator(s) shall have the power to issue both preliminary and permanent injunctive relief to enforce this Agreement. In all other respects the Mutual Agreement to Arbitrate Claims between the parties, which is incorporated herein

by reference, shall control. All issues of final relief related to this Agreement will be decided through arbitration in accordance with the Mutual Agreement to Arbitrate Claims or comparable controlling agreement to arbitrate between the parties. The parties waive trial by jury on any claim arising from this Agreement.

SECTION 5. Remedies and Reformation. In the event of a breach or threatened breach of this Agreement, the offended party will be entitled to (i) an order of specific performance, (ii) injunctive relief by temporary restraining order, temporary injunction, and/or permanent injunction, (iii) damages, (iii) attorney's fees and costs incurred in obtaining relief, and (iv) any other legal or equitable relief or remedy allowed by law. To the extent a bond is required for injunctive relief against Employee, the agreed bond amount shall be One Thousand Dollars (\$1,000.00). In the event the restrictions on Employee provided for in this Agreement are found to be unenforceable as written, the parties authorize the applicable Court or arbiter to reform the contract to make it enforceable as a matter of equitable relief on either a permanent or temporary basis.

SECTION 6. Severability, Waiver, Modification, Assignment, Governing Law. If any provision contained in this Agreement is determined to be void, illegal or unenforceable, in whole or in part, then the other provisions contained herein shall remain in full force and effect as if the provision that was determined to be void, illegal, or unenforceable had not been contained herein. No waiver of an obligation created by this Agreement by the Company shall be considered binding unless it is agreed to in writing by the Company. The Company's waiver of a breach of any provision of this Agreement by Employee shall not operate or be construed as a waiver of any subsequent breach by Employee. Except as to the Mutual Agreement to Arbitrate Claims, and as otherwise expressly provided for herein, this instrument contains the entire agreement of the parties concerning the matters covered in it. This Agreement may not be modified, altered or amended except by written agreement of all the parties or reformation by a binding legal authority under Section 5 above. Employee consents to the assignment of this Agreement by Company. This Agreement will automatically inure to the benefit of Company's successors in interest, affiliates, subsidiaries, parents, purchasers, or assigns, including but not limited to Rent-A-Center, Inc (whether as a third party beneficiary or otherwise), without need for any further action or approval by Employee, each of which shall have the right to enforce the Agreement. The laws of the state of Texas shall govern this Agreement, the construction of its terms, and the interpretation of the rights and duties of the parties hereto, without regard for any conflict of laws doctrines to the contrary. The parties consent to personal jurisdiction of the courts located in Collin County, Texas, over them, waive any objection to the convenience of such forum, and agree that a Collin County, Texas venue shall be exclusive in nature, to the exclusion of all other locations, unless otherwise agreed in writing by both parties. Both parties retain the right to terminate the employment relationship at their discretion. Nothing herein modifies the at-will nature of the parties' employment relationship.

SECTION 7. Resolution of Rights Regarding Confidential Information and Goodwill. The parties stipulate that Employee has received Confidential Information and/or developed business goodwill with customers through a past association with the Company subject to agreements and policies of the Company limiting the use of the Confidential Information and goodwill for the Company's benefit. Grounds for dispute exists between the parties as to what post-employment activities of Employee would result in unauthorized disclosure or use of these items. This Agreement is entered into, in part, to resolve such dispute, provide the parties with a predictable set of expectations as to future conduct, avoid the cost of litigation, and provide finality. This Agreement shall be construed as a form of settlement agreement and enforced in accordance with public policies favoring same. Accordingly, Employee agrees not to file a lawsuit to challenge the enforceability of this Agreement.

SECTION 8. Protected Activities. Nothing in this Agreement prohibits Employee from reporting an event that Employee reasonably and in good faith believe is a violation of law to a relevant law-enforcement agency (with or without advance notice to the Company), obligates Employee to inform the Company before or after making such a report, prohibits Employee from cooperating in an investigation conducted by such a government agency, or otherwise prohibits conduct protected by law. Employee acknowledges notice that under the Defend Trade Secrets Act (DTSA) no individual may be held criminally or civilly liable under Federal or State trade secret law for a trade secret disclosure that complies with 18 USC §1833(b); such as a disclosure (a) made in confidence to a Federal, State, or local government official, directly or indirectly, or to an attorney; and made solely for the purpose of reporting or investigating a suspected violation of law; or, (b) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Also, under this law an individual pursuing a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose a trade secret to his/her attorney and use it in documents filed under seal provided he/she does not engage in disclosure except pursuant to a court order.

/////END OF AGREEMENT, ONLY SIGNATURES FOLLOW/////

THE COMPANY

EXECUTIVE

Mitch Fadel
Chief Executive Officer

Executive's Signature

Date

Date

Updated February 1, 2024

Upbound Group, Inc. Board Compensation Overview – 2024 Program

	ITEM	2024 AMOUNT
(1)	Annual Retainers – Cash retainer amounts for non-employee directors, Chairman, Committee Chairs and Committee Members.	<ul style="list-style-type: none"> • Board service (all directors including Chairman) - \$85,000 • Chairman - \$200,000 • Audit Chair -- \$27,500 • Audit Member -- \$15,000 • Compensation Chair -- \$25,000 • Compensation Member – \$10,500 • Governance Chair -- \$20,000 • Governance Member -- \$10,000
(2)	Special Board Committee Fees – If a non-employee Director serves on a special committee of the Board, the Compensation Committee will determine whether to provide supplemental fees to such Director and the amount of such fees, provided no fees in excess of \$30,000/year per Director shall be paid without approval from the Board.	<ul style="list-style-type: none"> • TBD
(3)	Annual DSU Award – Annual equity award to each non-employee director in the form of Deferred Stock Units pursuant to the LTIP. Each DSU represents the right to receive one share of Upbound Group, Inc. common stock. The award is fully vested upon grant and the shares covered by the award are issued upon the termination of the director's service as a member of the Board. DSUs do not have voting rights.	<ul style="list-style-type: none"> • \$145,000 in value
(4)	Optional DSU Deferral Awards – Ability to elect each year to defer all/some of the following year's (1) cash retainers and (2) cash dividends payable on outstanding record date DSUs, into additional DSUs. (based on the closing price of Upbound Group, Inc. stock immediately preceding the date the cash retainers and deferred cash dividends are payable). A company match of 25% is applied to deferred cash retainers and deferred cash dividends when calculating the DSUs.	<ul style="list-style-type: none"> • Based on amount of cash retainers and cash dividends deferred, plus 25% match
(5)	Cash Dividend Equivalent on DSUs – Unless deferred as described above, the number of DSUs held by a director as of the dividend record date are entitled to receive cash dividends, if and when declared by the Board, as if the DSUs were issued/outstanding shares of Upbound Group, Inc. common stock. Not entitled to any 25% match.	<ul style="list-style-type: none"> • Based on the number of DSUs held as of the dividend record date and dividend per share



Upbound Group, Inc. Insider Trading Policy

1. Introduction

Federal and state securities laws prohibit trading in the securities of a company on the basis of material non-public information about such company. These laws also prohibit tipping (i.e., revealing material non-public information to others who then trade in securities of the relevant company). Any person who violates such laws is subject to personal liability and could face criminal penalties.

Upbound Group, Inc. (together with its subsidiaries, the "**Company**") takes seriously its obligation to safeguard against insider trading and its board of directors has adopted this insider trading policy (this "**Policy**") to assist the Company's directors and employees in complying with their legal obligations. The Company will also be prohibited from trading at any time based upon material non-public information in any Company Securities consistent with applicable law. Any violation of this Policy could result in disciplinary action, up to and including termination, as well as severe penalties under applicable law. This Policy is not intended to replace your individual responsibility to understand and comply with the legal prohibitions against insider trading.

2. Persons Subject to This Policy

As a director, officer or other employee of the Company (including a home office worker), this Policy applies to you. The same restrictions under this Policy that apply to you also apply to your "**Affiliated Persons**" as follows:

- your family members (including any spouse, significant other, child, parent or other family member) with whom you reside;
- any other person (such as a roommate) with whom you reside;
- any other family members not living in your household but who are materially dependent on you for financial support or whose transactions in securities are directed by you or are subject to your influence or control (such as parents or children who consult with you before they trade); and
- any other natural or legal person or entity (including a trust or partnership) (i) whose managerial responsibilities are discharged by, (ii) that is directly or indirectly controlled by or (iii) whose economic interests are substantially equivalent to those of, you or one of the foregoing persons.

You are responsible for making sure that any transaction covered by this Policy by you or any of your Affiliated Persons complies with this Policy.

In addition to the general provisions of this Policy, (i) all directors, executive officers and vice presidents, (ii) certain employees in the legal, finance and investor relations departments and (iii) certain other employees as may be designated from time to time (collectively, "**Covered Persons**"), are subject to the enhanced obligations and restrictions described in **Annex A** of this Policy.

If you are not certain whether you are a Covered Person, please contact the General Counsel or any other Designated Person (as defined in Section 8 below).

3. Scope of Covered Transactions

This Policy addresses transactions by you and your Affiliated Persons in Securities (as defined below) of the Company and, with respect to Section 4 below, other companies.

The “**Securities**” of a company include (i) its common stock, preferred stock, options, warrants, notes, bonds, convertible notes, debentures and any other securities issued by such company and (ii) derivative securities relating to any of the foregoing securities (such as put and call options), whether or not issued by such company.

Transactions in Securities governed by this Policy include, but are in no way limited to:

- the purchase or sale of Securities for value, including as a result of the rebalancing of any portfolio (including under the 401(k) plan or non-qualified deferred compensation plan of the Company or a separately maintained account),
- any change in elections under the 401(k) plan regarding periodic payroll contributions or dividend reinvestment with respect to the Company stock fund,
- dividend reinvestments (whether automatic or manual) with respect to investments held in any separately maintained account, other than any broad-based investment fund,
- the contribution of Securities to a trust account,
- gifts or other transfers of Securities to a third party,
- the exercise of equity awards, including options to purchase common stock, and
- all derivative transactions such as put options, call options and short or forward sales.

4. No Trading on Inside Information

You may not transact in Securities of the Company, whether directly or indirectly through your Affiliated Persons or other persons or entities, if you are aware of material non-public information (as defined below) relating to the Company. Similarly, you may not transact in Securities of any other company if you are aware of material non-public information about such company which you obtained in the course of your service to or employment with the Company.

You may not disclose material non-public information to any other person, or recommend that any other person transact in Securities of any company (including the Company) in which you would be prohibited from transacting pursuant to the foregoing paragraph. This practice, known as “tipping,” may violate applicable federal or state securities laws and may result in the same civil and criminal penalties that apply to insider trading, even though you did not personally transact in Securities or gain any personal benefit from a transaction in Securities.

The consequences for violating applicable insider trading laws can be severe. Under federal law, individuals who transact in Securities of a company while aware of material non-public information relating to such company (or tip information to others as described above) may face, for each violation,

(i) a civil penalty of up to three times the profit gained or loss avoided, (ii) a criminal fine of up to \$5 million (even if the profit was relatively small) and (iii) a jail term of up to 20 years. Furthermore, the Company, and possibly supervising employees, may face significant civil or criminal penalties and could in certain circumstances be subject to private lawsuits by contemporaneous traders for damages suffered as a result of such illegal trading or tipping by persons under their control.

Because any transaction in Securities that becomes subject to scrutiny will be evaluated after the fact, with the benefit of hindsight, transacting in Securities when there is any question that you possess material non-public information about the relevant company should be avoided.

“Material non-public information” is any material information about a company that has not yet become publicly available.

- Information is **“material”** if a reasonable investor would consider it important in a decision to buy, sell or hold Securities. Any information that could reasonably be expected to affect the market price of the Security may be material. Both positive and negative information may be material. While it is not possible to define all categories of material information, examples of information that, as a general rule, should be considered material are as follows:
 - any information about dividends or any changes in dividend policy;
 - earnings estimates and guidance or internal projections;
 - changes in previously released earnings estimates or guidance or internal projections;
 - changes in auditors or auditor notification that the Company may no longer rely on an auditor’s audit report;
 - the consistency of actual results with expectations of the investment community;
 - the introduction of significant products or services or a change in the geographies in which the Company operates;
 - mergers, acquisitions, dispositions, tender offers or joint ventures;
 - management changes or developments;
 - issuances, repurchases or redemptions of debt or equity securities;
 - significant borrowings or the repayment of debt, or changes in credit ratings;
 - potential or actual defaults under credit agreements or indentures, liquidity issues, bankruptcies or receiverships;
 - developments in pending or threatened litigation, governmental investigations or regulatory actions; and
 - cybersecurity incidents.
- Information is **“publicly available”** only if (i) such information has been disseminated in a manner making it available to investors generally, for instance through a report filed or furnished with the Securities and Exchange Commission (the **“SEC”**) or a press release distributed through a widely disseminated news or wire service, and (ii) the market has had sufficient time to fully absorb such information. For purposes of this Policy, information will generally be considered publicly available after one full trading day following the day on which information was widely disseminated. A **“trading day”** is a day on which national stock exchanges are open for trading in the United States. For example, if the Company announces financial earnings after market close on a Monday, the first time you may transact in Securities of the Company is the opening of the market on Wednesday (assuming you are not aware of other material non-public information at that time).

Duration of Obligations

Notwithstanding any termination of your service as a director of, or your employment with, the Company, you and your Affiliated Persons may not trade in Securities of any company (including the Company) about which you have material non-public information until such information is no longer material or has become publicly available.

Exceptions

Certain transactions are not subject to the restrictions in this Section 4 as follows:

- a transaction effected pursuant to a plan meeting the requirements of Rule 10b5-1 of the Securities and Exchange Act of 1934, as amended (the "**Exchange Act**"), that is pre-approved by the Company (discussed further below);
- your receipt of equity awards issued to you by the Company, including options for the purchase of common stock, director deferred stock units, restricted stock units and performance share units;
- your exercise of an employee stock option issued to you by the Company, provided that you pay the entirety of the exercise price and applicable taxes in cash (but note that any sale of the underlying shares acquired from the exercise of the option is subject to this Section 4);
- your acquisition of common stock of the Company through payroll contributions or the reinvestment of dividends under the Company's 401(k) plan, provided that, in each case, the relevant election was made in compliance with any applicable cooling-off period and/or certification requirements and at a time when you were not in possession of material non-public information; or
- the vesting of your director deferred stock units, options, restricted stock units or performance stock units.

For the avoidance of doubt, the provisions of this Section 4 apply to any election you make to (i) increase or decrease the percentage of your periodic payroll contribution to your 401(k) plan with the Company that will be allocated to the Company stock fund or (ii) increase or decrease your holdings in the Company stock fund (i.e., rebalancing) through your 401(k) plan or non-qualified deferred compensation plan of the Company. As a result, such elections may not be made a time when you possess material non-public information. In addition, any such election may be subject to a cooling-off period and/or certification requirement.

10b5-1 Plans

Transactions effected pursuant to a trading plan that meets the requirements of Rule 10b5-1 of the Exchange Act that is pre-approved by the Company are not subject to the provisions of this Section 4. Rule 10b5-1 of the Exchange Act provides a defense from insider trading liability under the federal securities laws for trades pursuant to pre-arranged "trading plans" that meet certain requirements, including, among others, that the trading plan be adopted at a time when the adopting person was not aware of material non-public information about the relevant company or its Securities. No director, officer or other employee may enter into, or amend, waive the terms of or terminate, a Rule 10b5-1 trading plan unless pre-approved by the General Counsel of the Company.

5. Prohibited Transaction Types

No Hedging or Other Derivative Transactions

Neither you nor any of your Affiliated Persons may engage, whether on an exchange or in a private transaction, in (i) hedging, monetization or options transactions related to Securities of the Company or (ii) transactions involving any derivative Security of the Company or other financial instrument that provides the economic equivalent of ownership of any Security of the Company or an opportunity, whether direct or indirect, to profit from any change in the value of any Security of the Company, such as prepaid variable forward contracts, puts, calls, equity swaps, credit default swaps and collars.

No Short Sales

Neither you nor any of your Affiliated Persons may sell Securities of the Company that are not owned by such person at the time of the sale, including through any "sale against the box" (a sale with delayed delivery).

No Margin Calls or Pledging

Neither you nor any of your Affiliated Persons may (i) hold Securities of the Company in a margin account or (ii) pledge Securities of the Company as collateral for a loan, in each case unless they are treated as non-marginable by the brokerage firm.

6. No Unauthorized Disclosures

The Company has designated certain members of management to respond to inquiries regarding the Company's business and prospects, and formal announcements are generally reviewed by management and legal counsel before they are made public. These procedures are designed to ensure that the information the Company discloses is accurate and is considered in light of previous disclosures. Any communications that do not go through this review process create an increased risk to the Company, as well as to the individual responsible for the communication, of civil and criminal liability.

For this reason, unless specifically authorized to do so, you may not disclose material non-public information about the Company to anyone, including relatives or friends, or other persons who might trade on the basis of such information or share the information with others who might trade on the basis of such information.

7. No Hardship Exception

The existence of a personal financial emergency does not excuse you from compliance with this Policy.

8. Questions & Guidance

Any director, officer or other employee who has a question about this policy or its application to such person or any proposed transaction may obtain additional guidance from the General Counsel of the Company or his or her designated representative(s), as set forth on **Schedule A** of this Policy (collectively, "**Designated Persons**"), as may be amended from time to time by the General Counsel in his or her sole discretion.

9. Certification

You must certify your understanding of and intent to comply with this Policy, as may be required by the Company. Such certification may be included in the certification and training regarding the Code of Business Conduct and Ethics performed each year or as otherwise required by the Company.

Approved by the Board of Directors on September 20, 2023

ANNEX A

Enhanced Procedures Applicable to Covered Persons

All terms defined in the insider trading policy, of which this Annex A is a part (the "**Policy**"), of Upbound Group, Inc. (the "**Company**") shall be ascribed the same definitions when used herein.

1. Persons Subject to Enhanced Procedures

In addition to the general provisions of the Policy, the further procedures set forth in this Annex A (these "**Enhanced Procedures**") apply to the following persons (collectively, "**Covered Persons**"):

- all directors, executive officers and vice presidents of the Company;
- certain employees in the legal, finance and investor relations departments of the Company; and
- certain other employees as may be designated from time to time.

If you are not certain whether you are a Covered Person, please contact the General Counsel or any other Designated Person. If you are a Covered Person, you are responsible for ensuring that transactions by you and your Affiliated Persons comply with all provisions of the Policy and these Enhanced Procedures that are applicable to you.

2. Purpose of Enhanced Procedures

Covered Persons are subject to these Enhanced Procedures because of their position with or responsibilities to the Company, or their actual or potential access to material information of the Company. These Enhanced Procedures are intended to help Covered Persons avoid inadvertent violations of insider trading laws and avoid the appearance of an improper transaction (e.g., a division vice president transacting in Securities of the Company while unaware of a pending material development regarding another division of the Company).

3. Trading Windows

Covered Persons and their Affiliated Persons may only transact in Securities of the Company during an open trading window and not during the blackout periods described below (i.e., when the trading window is closed). **Note, however, even if the trading window is open, (i) you and your Affiliated Persons are prohibited from transacting in Securities of the Company while aware of material non-public information and (ii) you are required to pre-clear all transactions in Securities of the Company by you and your Affiliated Persons as provided in Section 4 below.**

Quarterly Blackout Periods

The Company's announcement of its quarterly financial results generally has the potential to have a material effect on the market for Securities of the Company. Therefore, to avoid even the appearance of transacting while aware of material non-public information, no Covered Person or any Affiliated Person may transact in Securities of the Company during the period beginning on the fifteenth calendar

day of the last month in each quarter (i.e., March 15, June 15, September 15, and December 15) and ending one full trading day after the earnings for that quarter are publicly released (e.g., if earnings are released on a Monday after the market closes, the blackout period would end at the opening of the market on Wednesday).

Event-Specific Blackout Periods

From time to time, events may occur or circumstances may arise that are material to the Company and known only by certain directors or employees of the Company. The General Counsel may (1) temporarily designate employees of the Company who are aware of such matters as Covered Persons subject to these Enhanced Procedures and (2) restrict some or all of the Covered Persons from transacting in Securities of the Company until otherwise informed by the General Counsel. The existence of an event-specific blackout will be announced only to Covered Persons who are aware of the matter giving rise to the blackout. If a Covered Person unaware of such matter requests permission to transact in Securities of the Company during the event-specific blackout period, a Designated Person will inform such Covered Person of the existence of, but not the reason for, the blackout period. Any person made aware of the existence of an event-specific blackout period may not disclose the existence of the blackout period to any other person.

4. Pre-Clearance of All Transactions at All Times

Even during an open trading window, Covered Persons and their Affiliated Persons may only transact in Securities of the Company with the written (e-mail acceptable) pre-clearance of the proposed transaction from a Designated Person. Transactions subject to such requirement include, to the extent involving Securities of the Company, any acquisition or disposition (including as a result of rebalancing under the 401(k) plan or non-qualified deferred compensation plan of the Company or a separately maintained account), change in elections under the 401(k) plan regarding periodic payroll contributions or dividend reinvestment, reinvestment of dividends (whether automatic or manual) under any separately maintained account, stock plan transaction (e.g., an option exercise), gift, loan, contribution to a trust or any other transaction.

Requests for pre-clearance must be submitted at least one full trading day in advance of the proposed transaction. If approved, the proposed transaction must be effected within three (3) trading days following approval, unless otherwise explicitly stated in such approval. The Designated Persons are under no obligation to approve a transaction submitted for pre-clearance, and may determine not to permit a transaction.

5. Exception for Certain Pre-Approved Trading Plans

Sections 3 and 4 of these Enhanced Procedures do not apply to transactions in Securities effected pursuant to a plan meeting the requirements of Rule 10b5-1 of the Exchange Act that is pre-approved by the Company in accordance with the terms of the Policy (see Section 4 of the Policy).

6. Additional Obligations of Section 16 Persons

Directors and certain officers or other employees of the Company are subject to public reporting obligations under Section 16 of the Exchange Act. For such purposes, the board of directors of the Company identifies, on an annual basis, the officers and other employees it considers to be "officers" of the Company within the meaning of Rule 16a-1(f) and "executive officers" of the Company within the

meaning of Rule 3b-7, in each case as promulgated under the Exchange Act (collectively, "**Reporting Officers**"). A list of current Reporting Officers is attached as **Schedule B** of the Policy and may be updated from time to time by the General Counsel.

Notice to the Company

In addition to the pre-approval requirements described in these Enhanced Procedures, directors of the Company and Reporting Officers (collectively, "**Section 16 Persons**") must, directly or indirectly (e.g., through a broker or other firm), inform the Designated Persons promptly following the completion of a transaction involving Securities of the Company by them or their Affiliated Persons, other than with respect to (i) an award of Securities to such person by the Company or (ii) an acquisition of Securities of the Company through automatic payroll contributions to the 401(k) plan of the Company.

Public Reporting Obligations

Section 16 Persons must generally file, subject to certain exceptions, the following documents with the SEC regarding their holdings of and transactions in Securities of the Company:

- an Initial Statement of Beneficial Ownership of Securities on Form 3 within 10 days of becoming a Section 16 Person;
- a Statement of Changes in Beneficial Ownership on Form 4 within two business days (other than an SEC holiday) after any transaction, including the disposition of gifts, by them or certain of their respective Affiliated Persons; and
- an Annual Statement of Changes in Beneficial Ownership of Securities on Form 5 within 45 days of the end of the Company's fiscal year to report transactions in and holdings of Securities of the Company by them or their respective Affiliated Persons that were not previously required to be included on Form 4.

While the legal department will assist Section 16 Persons with these filings, it is the responsibility of Section 16 Persons to ensure any required public disclosure is filed with the SEC in a timely manner following a transaction in Securities of the Company by them or their respective Affiliated Persons. As such, it is imperative that the Company be notified of reportable transactions in Securities of the Company in order to assist in the preparation of required documentation and file the proper form by the SEC deadlines. Late Section 16 filings must be disclosed publicly in the Company's annual proxy statement.

Short-Swing Trades/Potential Disgorgement

In addition to the public reporting obligations, SEC rules also require Section 16 Persons to disgorge to the Company profits from certain purchases and sales, or sales and purchases, of Securities of the Company that occur within a period of less than 6 months.

SEC Form 144 Filing Before Certain Resales

Section 16 Persons are also likely to be deemed "affiliates" of the Company under federal securities laws. As a result, in connection with certain sales of Securities of the Company, Section 16 Persons may be required to file a Form 144 with the SEC and comply with other requirements under Rule 144 of the

Securities Act of 1933, as amended. Typically, the broker involved in such transaction will assist with Rule 144 compliance, rather than the Company's legal department. Any required filing should be coordinated sufficiently in advance of any contemplated resales, in addition to otherwise complying with the Policy and these Enhanced Procedures.

Insider Trading Policy
Annex A-4

SCHEDULE A

Designated Person(s)

Bryan Pechersky

Executive Vice President, General Counsel and Corporate Secretary
Bryan.Pechersky@upbound.com
(972) 624-6773

Insider Trading Policy
Schedule A-1

SCHEDULE B

Reporting Officers

As of September 20, 2023

- Mitchell Fadel – Chief Executive Officer
- Fahmi Karam – Executive Vice President and Chief Financial Officer
- Anthony Blasquez – Executive Vice President, Rent-A-Center
- Tyler Montrone – Executive Vice President, Acima
- Sudeep Gautam – Executive Vice President, Chief Technology and Digital Officer
- Ann Davids – Executive Vice President, Chief Marketing Officer and Chief Customer Officer
- Bryan Pechersky – Executive Vice President, General Counsel and Corporate Secretary
- Tran Taylor – Executive Vice President, Chief Human Resources Officer and Chief Diversity Officer

If you were hired after the date set forth above or have had a change in your title or responsibilities with the Company and are not certain whether you are a Reporting Officer, please contact the General Counsel or any other Designated Person.

SUBSIDIARIES OF UPBOUND GROUP, INC.

AS OF DECEMBER 31, 2023

Acima Credit Solutions HoldCo, LLC, a Delaware limited liability company
Acima Credit Solutions, LLC, a Delaware limited liability company
Acima Digital, LLC, a Utah limited liability company
Acima Holdings, LLC, a Utah limited liability company
Acima Leasing Canada, Ltd, a Canada limited company
Braveheart Acquisition, LLC, a Delaware limited liability company
Get It Now, LLC, a Delaware limited liability company
Legacy Insurance Co., Ltd., a Bermuda limited company
RAC Acceptance East, LLC, a Delaware limited liability company
RAC Mexico Holdings I, LLC, a Delaware limited liability company
RAC Mexico Holdings II, LLC, a Delaware limited liability company
RAC Mexico Operaciones, S. DE R.L. DE C.V., a México S. DE R.L. DE C.V.
Rent-A-Center East, Inc., a Delaware corporation
Rent-A-Center Franchising International, Inc., a Texas corporation
Rent-A-Center International, Inc., a Delaware corporation
Rent-A-Center, LLC, a Delaware limited liability company
Rent-A-Center Texas, L.L.C., a Nevada limited liability company
Rent-A-Center Texas, L.P., a Texas limited partnership
Rent-A-Center West, Inc., a Delaware corporation

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-32296) pertaining to the Rent-A-Center, Inc. 401(k) Retirement Savings Plan,
- (2) Registration Statement (Form S-8 No. 333-40958) pertaining to Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan,
- (3) Registration Statement (Form S-8 No. 333-62582) pertaining to Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan,
- (4) Registration Statement (Form S-8 No. 333-136615) pertaining to Rent-A-Center, Inc. 2006 Long-Term Incentive Plan,
- (5) Registration Statement (Form S-8 No. 333-139792) pertaining to Rent-A-Center, Inc. 2006 Equity Incentive Plan,
- (6) Registration Statement (Form S-8 No. 333-145121) pertaining to Rent-A-Center, Inc. Deferred Compensation Plan,
- (7) Registration Statement (Form S-8 No. 333-171926) pertaining to Rent-A-Center East, Inc. Retirement Savings Plan for Puerto Rico Employees,
- (8) Registration Statement (Form S-8 No. 333-211859) pertaining to Rent-A-Center, Inc. 2016 Long-Term Incentive Plan,
- (9) Registration Statement (Form S-8 No.333-256927) pertaining to Rent-A-Center, Inc. 2021 Long-Term Incentive Plan, and
- (10) Registration Statement (Form S-8 No.333-272494) pertaining to Upbound Group, Inc. Amended 2021 Long-Term Incentive Plan

of our reports dated February 27, 2024, with respect to the consolidated financial statements of Upbound Group, Inc. and the effectiveness of internal control over financial reporting of Upbound Group, Inc. included in this Annual Report (Form 10-K) of Upbound Group, Inc. for the year ended December 31, 2023.

/s/ Ernst & Young LLP
Dallas, Texas
February 27, 2024

I, Mitchell E. Fadel, certify that:

1. I have reviewed this Annual Report on Form 10-K of Upbound Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2024

/s/ Mitchell E. Fadel
Mitchell E. Fadel
Chief Executive Officer and Director
(Principal Executive Officer)

I, Fahmi W. Karam, certify that:

1. I have reviewed this Annual Report on Form 10-K of Upbound Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2024

/s/ Fahmi W. Karam

Fahmi W. Karam

Executive Vice President - Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Upbound Group, Inc. (the "**Company**") for the period ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "**Report**"), I, Mitchell E. Fadel, Chief Executive Officer and Director of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mitchell E. Fadel

Mitchell E. Fadel

Chief Executive Officer and Director

Dated: February 27, 2024

A signed original of this written statement required by Section 906 has been provided to Upbound Group, Inc. and will be retained by Upbound Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Upbound Group, Inc. (the "**Company**") for the period ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "**Report**"), I, Fahmi W. Karam, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Fahmi W. Karam

Fahmi W. Karam

Executive Vice President, Chief Financial Officer

Dated: February 27, 2024

A signed original of this written statement required by Section 906 has been provided to Upbound Group, Inc. and will be retained by Upbound Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Upbound Group, Inc.
Clawback Policy
for the Recovery of Erroneously Awarded Incentive Based Compensation

December 1, 2023

The Board of Directors (the “**Board**”) of Upbound Group, Inc. (the “**Company**”) has adopted this policy (the “**Clawback Policy**”) to provide, effective as of December 1, 2023, for the recovery or “clawback” of certain incentive compensation in the event of a Restatement (as defined herein).

This Clawback Policy replaces the Company’s prior clawback policy adopted by the Compensation Committee of the Board (the “**Committee**”) on September 20, 2022. This Clawback Policy will be administered by the Committee, whose determinations will be final, binding and conclusive and need not be uniform with respect to each individual covered by this Clawback Policy.

1. Background and Statement of Policy

The Clawback Policy is intended to comply with, and will be interpreted to be consistent with, the requirements of the Nasdaq Stock Market (“**Nasdaq**”) Listing Rule 5608.

The Company shall recover reasonably promptly the amount of erroneously awarded Incentive-Based Compensation in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “**Restatement**”).

The Company shall recover erroneously awarded Incentive-Based Compensation in compliance with the Clawback Policy except to the extent provided under Section 4 herein.

2. Persons Covered and Recovery Period

A. Persons Covered. The Clawback Policy applies to all Incentive-Based Compensation received by a person:

- after beginning service as an Executive Officer,
- who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation,
- while the Company has a class of securities listed on Nasdaq; and
- during the three completed fiscal years immediately preceding the date that the Company is required to prepare a Restatement (the “**Recovery Period**”).

Notwithstanding this look-back requirement, the Company is only required to apply the Clawback Policy to Incentive-Based Compensation received on or after October 2, 2023.

For purposes of the Clawback Policy, the term “**Executive Officer**” means the Company’s president, principal executive officer, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policymaking functions for the Company.

Executive officers of the Company's subsidiaries are deemed Executive Officers of the Company if they perform such policy-making functions for the Company. Policy-making function is not intended to include policymaking functions that are not significant. Identification of an Executive Officer for purposes of the Clawback Policy will include at a minimum executive officers identified pursuant to 17 CFR 229.401(b).

For purposes of the Clawback Policy, "**Incentive-Based Compensation**" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation shall be deemed "received" in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period. The term "**Financial Reporting Measures**" means any of the following: (i) measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures, (ii) stock price and (iii) total shareholder return. A Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the Securities and Exchange Commission ("**SEC**").

- B. Transition Period.** In addition to the Recovery Period, the Clawback Policy applies to any transition period (that results from a change in the Company's fiscal year) within or immediately following the Recovery Period (a "**Transition Period**"), provided that a Transition Period between the last day of the Company's previous fiscal year end and the first day of the Company's new fiscal year that comprises a period of nine to 12 months will be deemed a completed fiscal year.
- C. Determining the Recovery Period.** For purposes of determining the relevant Recovery Period, the date that the Company is required to prepare the Restatement is the earlier to occur of:
- the date the Board, the Committee, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement, and
 - the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement.

For clarity, the Company's obligation to recover erroneously awarded Incentive-Based Compensation under this Clawback Policy is not dependent on if or when a Restatement is filed.

- D. Method of Recovery.** The Committee will have discretion in determining how to accomplish recovery of erroneously awarded Incentive-Based Compensation under this Clawback Policy, recognizing that different means of recovery may be appropriate in different circumstances.

3. Amount Subject To Recovery

- A. Recoverable Amount.** The amount of Incentive-Based Compensation subject to recovery under the Clawback Policy is the amount of Incentive-Based Compensation received that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated amounts, computed without regard to any taxes paid.
- B. Covered Compensation Based on Stock Price or TSR.** For Incentive-Based Compensation based on stock price or total shareholder return ("**TSR**"), where the amount of erroneously awarded Incentive-Based Compensation is not subject to mathematical

recalculation directly from the information in a Restatement, the recoverable amount shall be based on a reasonable estimate of the effect of the Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received. In such event, the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq.

4. Exceptions

The Company shall recover erroneously awarded Incentive-Based Compensation in compliance with the Clawback Policy except to the extent that the conditions set out below are met and the Committee has made a determination that recovery would be impracticable:

- A. **Direct Expense Exceeds Recoverable Amount.** The direct expense paid to a third party to assist in enforcing the Clawback Policy would exceed the amount to be recovered; provided, however, that before concluding it would be impracticable to recover any amount of erroneously awarded Incentive-Based Compensation based on expense of enforcement, the Company shall make a reasonable attempt to recover such erroneously awarded Incentive-Based Compensation, document such reasonable attempt(s) to recover, and provide that documentation to Nasdaq.
- B. **Recovery from Certain Tax-Qualified Retirement Plans.** Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

5. Prohibitions Against Indemnification

Notwithstanding the terms of any indemnification arrangement or insurance policy with any individual covered by this Clawback Policy, the Company shall not indemnify any Executive Officer or former Executive Officer against the loss of erroneously awarded Incentive-Based Compensation, including any payment or reimbursement for the cost of insurance obtained by any such covered individual to fund amounts recoverable under this Clawback Policy.

6. Disclosure

The Company shall file all disclosures with respect to this Clawback Policy and recoveries under the Clawback Policy in accordance with the requirements of the U.S. Federal securities laws, including the disclosure required by the applicable SEC filings.

7. Amendment and Termination

The Committee may amend this Clawback Policy from time to time and may terminate this Clawback Policy at any time, in each case in its sole discretion.

8. Enforcement

The Clawback Policy shall be enforceable only by the Committee as provided herein, and it does not afford any rights or remedies to any third parties to enforce the Clawback Policy against any Persons Covered under Section 2.A hereof or otherwise.

9. Other Recoupment Rights

Any right of recoupment under this Clawback Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company and its subsidiaries and

affiliates under applicable law or pursuant to the terms of any similar policy or similar provision in any employment agreement, equity award agreement or similar agreement.

Approved by the Board of Directors on September 20, 2023.