UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2022
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

Rent-A-Center, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**45-0491516**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5501 Headquarters Drive
Plano, Texas 75024
(Address, including zip code of registrant's principal executive offices)
Registrant's telephone number, including area code: 972-801-1100

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, $.01 par value	RCII	The Nasdaq Stock Market

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 (§232.405 of this chapter) 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, 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 27, 2022:

Class	Outstanding
Common stock, $.01 par value	59,198,975

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Item 1. Condensed Consolidated Financial Statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share data)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Revenues				
Store				
Rentals and fees	$ 857,298	$ 916,405	$ 1,740,345	$ 1,661,939
Merchandise sales	160,769	221,229	393,649	454,022
Installment sales	18,548	18,191	35,637	35,964
Other	1,068	1,035	2,358	1,953
Total store revenues	1,037,683	1,156,860	2,171,989	2,153,878
Franchise				
Merchandise sales	26,505	29,616	45,026	62,671
Royalty income and fees	7,067	7,499	13,961	14,208
Total revenues	1,071,255	1,193,975	2,230,976	2,230,757
Cost of revenues				
Store				
Cost of rentals and fees	319,943	320,873	658,576	567,908
Cost of merchandise sold	185,735	249,853	436,066	489,959
Cost of installment sales	6,426	6,234	12,347	12,275
Total cost of store revenues	512,104	576,960	1,106,989	1,070,142
Franchise cost of merchandise sold	26,607	29,543	45,349	62,620
Total cost of revenues	538,711	606,503	1,152,338	1,132,762
Gross profit	532,544	587,472	1,078,638	1,097,995
Operating expenses				
Store expenses				
Labor	163,956	159,337	330,559	316,044
Other store expenses	199,091	181,012	426,459	351,145
General and administrative expenses	44,868	54,385	101,271	103,510
Depreciation and amortization	12,880	13,566	27,410	26,959
Other charges	53,668	72,653	123,816	123,772
Total operating expenses	474,463	480,953	1,009,515	921,430
Operating profit	58,081	106,519	69,123	176,565
Debt refinancing charges	—	—	—	8,743
Interest expense	19,089	20,435	38,058	32,425
Interest income	(92)	(44)	(137)	(118)
Earnings before income taxes	39,084	86,128	31,202	135,515
Income tax expense	19,359	24,819	15,714	31,654
Net earnings	$ 19,725	$ 61,309	$ 15,488	$ 103,861
Basic earnings per common share	$ 0.37	$ 1.05	$ 0.29	$ 1.81
Diluted earnings per common share	$ 0.33	$ 0.90	$ 0.26	$ 1.55
Cash dividends declared per common share	$ 0.34	$ 0.31	$ 0.68	$ 0.62

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2022	2021	2022	2021
Net earnings	$ 19,725	$ 61,309	$ 15,488	$ 103,861
Other comprehensive (loss) income:				
Foreign currency translation adjustments, net of tax of $(26) and $238, $150 and $11 for the three and six months ended June 30, 2022 and 2021, respectively	(97)	896	564	43
Total other comprehensive (loss) income	(97)	896	564	43
Comprehensive income	$ 19,628	$ 62,205	$ 16,052	$ 103,904

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share and par value data)	June 30, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	$ 112,175	$ 108,333
Receivables, net of allowance for doubtful accounts of $9,226 and $8,479 in 2022 and 2021, respectively	122,594	126,378
Prepaid expenses and other assets	59,476	63,468
Rental merchandise, net		
On rent	977,178	1,173,024
Held for rent	140,770	132,984
Merchandise held for installment sale	5,994	6,405
Property assets, net of accumulated depreciation of $586,669 and $557,453 in 2022 and 2021, respectively	298,134	308,098
Operating lease right-of-use assets	304,376	291,338
Deferred tax asset	68,339	68,391
Goodwill	289,761	289,750
Other intangible assets, net	388,335	425,158
Total assets	$ 2,767,132	$ 2,993,327
LIABILITIES		
Accounts payable – trade	$ 120,688	$ 135,666
Accrued liabilities	318,099	362,708
Operating lease liabilities	307,125	296,535
Deferred tax liability	92,401	113,943
Senior debt, net	933,019	1,135,207
Senior notes, net	436,966	435,992
Total liabilities	2,208,298	2,480,051
STOCKHOLDERS’ EQUITY		
Common stock, $0.01 par value; 250,000,000 shares authorized; 124,980,516 and 124,398,373 shares issued in June 30, 2022 and December 31, 2021, respectively	1,071	1,065
Additional paid-in capital	1,216,176	1,146,509
Retained earnings	1,118,968	1,143,647
Treasury stock at cost, 65,790,667 shares in June 30, 2022 and December 31, 2021	(1,765,574)	(1,765,574)
Accumulated other comprehensive loss	(11,807)	(12,371)
Total stockholders' equity	558,834	513,276
Total liabilities and stockholders' equity	$ 2,767,132	$ 2,993,327

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total
(in thousands)	Shares	Amount					
Balance at December 31, 2021	124,398	$ 1,065	$ 1,146,509	$ 1,143,647	$ (1,765,574)	$ (12,371)	$ 513,276
Net loss	—	—	—	(4,237)	—	—	(4,237)
Other comprehensive income	—	—	—	—	—	661	661
Exercise of stock options	22	1	476	—	—	—	477
Vesting of restricted share units, net of shares withheld for employee taxes	424	4	(4)	—	—	—	—
Tax effect of stock awards vested and options exercised	—	—	(8,466)	—	—	—	(8,466)
Stock-based compensation	—	—	41,410	—	—	—	41,410
Dividends declared	—	—	—	(20,063)	—	—	(20,063)
Balance at March 31, 2022	124,844	1,070	1,179,925	1,119,347	(1,765,574)	(11,710)	523,058
Net earnings	—	—	—	19,725	—	—	19,725
Other comprehensive loss	—	—	—	—	—	(97)	(97)
Exercise of stock options	52	—	783	—	—	—	783
Vesting of restricted share units, net of shares withheld for employee taxes	85	1	(1)	—	—	—	—
Tax effect of stock awards vested and options exercised	—	—	(969)	—	—	—	(969)
Stock-based compensation	—	—	36,438	—	—	—	36,438
Dividends declared	—	—	—	(20,104)	—	—	(20,104)
Balance at June 30, 2022	124,981	$ 1,071	$ 1,216,176	$ 1,118,968	$ (1,765,574)	$ (11,807)	$ 558,834

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total
(in thousands)	Shares	Amount					
Balance at December 31, 2020	112,181	$ 1,105	$ 886,902	$ 1,091,010	$ (1,375,541)	$ (11,396)	$ 592,080
Net earnings	—	—	—	42,552	—	—	42,552
Other comprehensive loss	—	—	—	—	—	(853)	(853)
Exercise of stock options	330	3	8,941	—	—	—	8,944
Vesting of restricted share units, net of shares withheld for employee taxes[(1)]	902	7	(20,910)	—	—	—	(20,903)
Stock-based compensation	—	—	20,148	—	—	—	20,148
Dividends declared	—	—	—	(20,722)	—	—	(20,722)
Acima acquisition	10,780	27	120,914	—	—	—	120,941
Balance at March 31, 2021	124,193	1,142	1,015,995	1,112,840	(1,375,541)	(12,249)	742,187
Net earnings	—	—	—	61,309	—	—	61,309
Other comprehensive income	—	—	—	—	—	896	896
Exercise of stock options	96	1	1,681	—	—	—	1,682
Vesting of restricted share units, net of shares withheld for employee taxes	58	1	—	—	—	—	1
Stock-based compensation	—	—	39,566	—	—	—	39,566
Dividends declared	—	—	—	(20,477)	—	—	(20,477)
Balance at June 30, 2021	124,347	$ 1,144	$ 1,057,242	$ 1,153,672	$ (1,375,541)	$ (11,353)	$ 825,164

(1)Includes shares released from escrow related to the 2019 Merchant's Preferred acquisition.

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
(in thousands)	2022	2021
Cash flows from operating activities		
Net earnings	$ 15,488	$ 103,861
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of rental merchandise	637,870	547,034
Bad debt expense	9,494	6,058
Stock-based compensation expense	77,848	59,714
Depreciation of property assets	34,854	31,782
Loss on sale or disposal of property assets	5,998	249
Amortization of intangibles	36,881	43,712
Amortization of financing fees	3,161	2,917
Write-off of debt financing fees	—	4,546
Deferred income taxes	(21,712)	21,320
Changes in operating assets and liabilities, net of acquired assets		
Rental merchandise	(449,040)	(555,856)
Receivables	(5,711)	(6,384)
Prepaid expenses and other assets	3,981	4,524
Operating lease right-of-use assets and lease liabilities	(2,449)	(265)
Accounts payable – trade	(14,978)	(28,030)
Accrued liabilities	(44,564)	15,336
Net cash provided by operating activities	287,121	250,518
Cash flows from investing activities		
Purchase of property assets	(30,895)	(25,401)
Proceeds from sale of property assets	8	—
Acquisitions of businesses	(417)	(1,273,542)
Net cash used in investing activities	(31,304)	(1,298,943)
Cash flows from financing activities		
Exercise of stock options	1,260	10,626
Shares withheld for payment of employee tax withholdings	(9,436)	(20,903)
Debt issuance costs	—	(46,085)
Proceeds from debt	90,000	1,490,000
Repayments of debt	(294,375)	(364,688)
Dividends paid	(39,492)	(35,054)
Net cash (used in) provided by financing activities	(252,043)	1,033,896
Effect of exchange rate changes on cash	68	152
Net increase (decrease) in cash and cash equivalents	3,842	(14,377)
Cash and cash equivalents at beginning of period	108,333	159,449
Cash and cash equivalents at end of period	$ 112,175	$ 145,072

See accompanying notes to condensed consolidated financial statements.

Note 1 - Basis of Presentation

The interim condensed consolidated financial statements of Rent-A-Center, Inc. included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to the SEC’s rules and regulations, although we believe the disclosures are adequate to make the information presented not misleading. We suggest these financial statements be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2021. In our opinion, the accompanying unaudited interim financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary to present fairly our results of operations and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

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 condensed 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, such as the future unknown impacts of the COVID-19 pandemic and other macroeconomic factors, including recent significant increases to the consumer price index, a condensed labor market, wage inflation, and global supply chain issues 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.

Principles of Consolidation and Nature of Operations

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

Our Rent-A-Center Business 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 Business segment operates through our company-owned stores and e-commerce platform through rentacenter.com.

Our Acima segment, which operates in the United States and Puerto Rico, which includes the operations of Acima Holdings (as defined in Note 2 below) acquired in February 2021 and our previous Preferred Lease virtual and staffed locations, generally offers the lease-to-own transaction to consumers who do not qualify for financing from the traditional retailer through staffed or unstaffed kiosks located within such retailer’s locations, or other virtual location options. Virtual locations employ a virtual solution where 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.

Rent-A-Center Franchising International, Inc., an indirect wholly-owned subsidiary of Rent-A-Center, is a franchisor of lease-to-own stores. 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.

Note 2 - Acquisitions and Divestitures

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 connection 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 is subject to restricted stock agreements providing vesting conditions over a 36-month period that began upon closing of the transaction. The portion of the Aggregate Stock Consideration issued to nonemployee former owners of Acima Holdings is subject to the terms of an 18-month lockup agreement, pursuant to which two-thirds of the aggregate shares of our common stock received by non-employee former owners in the transaction have become transferable with the remainder to become transferable on August 17, 2022. We entered into a Registration Rights Agreement at the closing of the transaction pursuant to which certain former owners of 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 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 7, in addition to proceeds from the issuance of new unsecured senior notes. See Note 7 and Note 8 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 unaudited Condensed 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:

(in thousands)		**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 $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 unaudited Condensed 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, including an adjustment to the fair value of rental merchandise decreasing the value of the acquired assets by approximately $17.1 million. The adjustment to the fair value of rental merchandise was based on further assessment of the carrying value of the assets and corresponding evaluation of related (Level 2) market inputs. 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 unaudited Condensed 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, 2020. 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, 2020. The unaudited pro forma financial information is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Pro Forma total revenues	$ 1,193,975	$ 982,266	$ 2,425,361	$ 1,969,013
Pro Forma net earnings (loss)[1]	65,448	16,122	121,861	(843)

[1]Total pro forma adjustments to net earnings represented an increase of $4.1 million for the three months ended June 30, 2021, a decrease of $106.2 million for the six months ended June 30, 2021, and decreases of $71.7 million and $177.9 million for the three and six months ended June 30, 2020, respectively. Pro forma adjustments to net loss in 2020 include retro-active impacts related to purchase price allocation adjustments recorded, subsequent to the date of acquisition, within the measurement period described above.

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

(in thousands)	February 17, 2021 - June 30, 2021
	(unaudited)
Total revenues	$ 615,646
Net earnings[(1)]	68,986

[(1)]Net earnings for the period includes amortization of intangible assets acquired upon closing of the Acima Holdings acquisition.

Note 3 - Revenues

The following table disaggregates our revenue for the periods ended June 30, 2022 and 2021:

	Three Months Ended June 30, 2022				
(in thousands)	Rent-A-Center Business	Acima[(1)]	Mexico	Franchising	Consolidated
Store					
Rentals and fees	$ 436,371	$ 405,184	$ 15,743	$ —	$ 857,298
Merchandise sales	34,952	124,888	929	—	160,769
Installment sales	18,548	—	—	—	18,548
Other	314	98	29	627	1,068
Total store revenues	490,185	530,170	16,701	627	1,037,683
Franchise					
Merchandise sales	—	—	—	26,505	26,505
Royalty income and fees	—	—	—	7,067	7,067
Total revenues	$ 490,185	$ 530,170	$ 16,701	$ 34,199	$ 1,071,255

[(1)] Represents revenues for our Acima segment, as defined in Note 1.

	Six Months Ended June 30, 2022				
(in thousands)	Rent-A-Center Business	Acima[(1)]	Mexico	Franchising	Consolidated
Store					
Rentals and fees	$ 879,066	$ 830,655	$ 30,624	$ —	$ 1,740,345
Merchandise sales	93,246	298,670	1,733	—	393,649
Installment sales	35,637	—	—	—	35,637
Other	741	221	56	1,340	2,358
Total store revenues	1,008,690	1,129,546	32,413	1,340	2,171,989
Franchise					
Merchandise sales	—	—	—	45,026	45,026
Royalty income and fees	—	—	—	13,961	13,961
Total revenues	$ 1,008,690	$ 1,129,546	$ 32,413	$ 60,327	$ 2,230,976

[(1)] Represents revenues for our Acima segment, as defined in Note 1.

	Three Months Ended June 30, 2021				
(In thousands)	Rent-A-Center Business	Acima[(1)]	Mexico	Franchising	Consolidated
Store					
Rentals and fees	$ 438,162	$ 463,841	$ 14,402	$ —	$ 916,405
Merchandise sales	49,050	171,346	833	—	221,229
Installment sales	18,191	—	—	—	18,191
Other	431	93	20	491	1,035
Total store revenues	505,834	635,280	15,255	491	1,156,860
Franchise					
Merchandise sales	—	—	—	29,616	29,616
Royalty income and fees	—	—	—	7,499	7,499
Total revenues	$ 505,834	$ 635,280	$ 15,255	$ 37,606	$ 1,193,975

(1) Represents revenues for our Acima segment, as defined in Note 1.

	Six Months Ended June 30, 2021				
(In thousands)	Rent-A-Center Business	Acima[(1)]	Mexico	Franchising	Consolidated
Store					
Rentals and fees	$ 867,463	$ 766,367	$ 28,109	$ —	$ 1,661,939
Merchandise sales	126,428	325,976	1,618	—	454,022
Installment sales	35,964	—	—	—	35,964
Other	845	386	26	696	1,953
Total store revenues	1,030,700	1,092,729	29,753	696	2,153,878
Franchise					
Merchandise sales	—	—	—	62,671	62,671
Royalty income and fees	—	—	—	14,208	14,208
Total revenues	$ 1,030,700	$ 1,092,729	$ 29,753	$ 77,575	$ 2,230,757

(1) Represents revenues for our Acima segment, as defined in Note 1.

Lease Purchase Agreements

Rent-A-Center Business, Acima, and Mexico

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

Rental payments received at our Rent-A-Center Business lease-to-own stores, certain Acima staffed locations formerly operating under the Preferred Lease brand, and Mexico stores must be prepaid in advance of the next rental term. Under the Acima Holdings business model, revenues may be earned prior to the rental payment due date, in which case revenue is accrued prior to receipt of the rental payment, net of estimated returns and uncollectible renewal payments. Under both models, rental revenue is recognized over the rental term. See Note 4 for additional information regarding accrued rental 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 rental term. At June 30, 2022 and December 31, 2021, we had $32.5 million and $51.7 million, respectively, in deferred revenue included in accrued liabilities related to our rental purchase 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 Business, former Preferred Lease locations, and Mexico stores is depreciated using the income forecasting method and recognized in cost of sales over the rental term. Rental merchandise in Acima Holdings is depreciated over the rental term using a straight-line depreciation method.

We also offer additional product plans along with our rental 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 insurance in the event eligible customers become unemployed. Customers renew product plans in conjunction with their rental 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 Business, Acima, and Mexico

Merchandise Sales. Merchandise sales include payments received for the exercise of the early purchase option offered through our rental purchase 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.

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 June 30, 2022 and December 31, 2021, we had $2.3 million and $2.6 million 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 June 30, 2022 and December 31, 2021, we had $3.8 million and $4.1 million, respectively, in deferred revenue included in accrued liabilities related to franchise fees.

Note 4 - 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 receivable 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 six months ended June 30, 2022 and 2021 was $6.1 million, respectively.

Trade and notes receivables consist of amounts due from our rental customers for renewal and uncollected rental payments; 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:

(in thousands)	June 30, 2022	December 31, 2021
Installment sales receivables	$ 67,500	$ 66,276
Trade and notes receivables	64,320	68,581
Total receivables	131,820	134,857
Less allowance for doubtful accounts	(9,226)	(8,479)
Total receivables, net of allowance for doubtful accounts	$ 122,594	$ 126,378

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.

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 trade and notes receivable was $1.1 million and $0.9 million, and the allowance for doubtful accounts related to installment sales receivable was $8.1 million and $7.6 million at June 30, 2022 and December 31, 2021, respectively.

Changes in our allowance for doubtful accounts are as follows:

(in thousands)	June 30, 2022
Beginning allowance for doubtful accounts	$ 8,479
Bad debt expense[(1)]	9,495
Accounts written off, net of recoveries	(8,748)
Ending allowance for doubtful accounts	$ 9,226

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

Note 5 - Leases

We lease space for all of our Rent-A-Center Business and Mexico stores under operating leases expiring at various times through 2030. 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. 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 Business 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 Condensed Consolidated Balance Sheets.

We lease vehicles for all of our Rent-A-Center Business 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 Condensed Consolidated Balance Sheets. We also lease vehicles for all of our Mexico stores which have terms expiring at various times through 2026 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 Condensed Consolidated Statements of Operations.

Total operating lease costs by expense type:

	Three Months Ended		Six Months Ended	
(in thousands)	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Operating lease cost included in Other store expenses[(1)(2)]	$ 30,671	$ 34,690	$ 62,265	$ 68,826
Operating lease cost included in Other charges[(2)]	12	78	35	244
Sublease receipts	(1,893)	(3,134)	(4,058)	(6,483)
Total operating lease charges	$ 28,790	$ 31,634	$ 58,242	$ 62,587

(1) Includes short-term lease costs, which are not significant.
(2) Excludes variable lease costs of $9.0 million and $17.8 million for the three and six months ended June 30, 2022 compared to $8.4 million and $16.9 million for the three and six months ended June 30, 2021.

Supplemental cash flow information related to leases:

	Six Months Ended	
(in thousands)	June 30, 2022	June 30, 2021
Cash paid for amounts included in measurement of operating lease liabilities	$ 51,847	$ 53,758
Cash paid for short-term operating leases not included in operating lease liabilities	9,179	9,373
Right-of-use assets obtained in exchange for new operating lease liabilities	57,229	61,824

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

(in thousands)	June 30, 2022	December 31, 2021
Weighted-average discount rate[(1)]	6.2 %	6.0 %
Weighted-average remaining lease term (in years)	4	4

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

Reconciliation of undiscounted operating lease liabilities to the present value operating lease liabilities at June 30, 2022:

(in thousands)	Operating Leases
2022	$ 53,278
2023	93,964
2024	76,002
2025	58,590
2026	35,118
Thereafter	26,863
Total undiscounted operating lease liabilities	343,815
Less: Interest	(36,690)
Total present value of operating lease liabilities	$ 307,125

Note 6 - Income Taxes

The effective tax rate was 49.5% and 50.4% for the three and six months ended June 30, 2022, compared to 28.8% and 23.4% for the corresponding period in 2021. The effective tax rate for the six months ended June 30, 2022 was impacted by the difference between recorded goodwill and goodwill recognized for tax purposes, primarily as a result of the Aggregate Stock Consideration issued to employee former owners of Acima Holdings subject to restricted stock agreements. The effective tax rate for the six months ended June 30, 2021 was also impacted by the equity consideration included in the Aggregate Stock Consideration issued to employee former owners of Acima Holdings subject to restricted stock agreements, in addition to discrete income tax items related to excess tax benefits from the vesting of our annual restricted stock award grants and stock option exercises, and the release of domestic and foreign tax valuation allowances.

Note 7 - 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 Condensed Consolidated Balance Sheets. Remaining debt issuance costs incurred of $4.9 million were expensed and recorded to Other charges in our Condensed Consolidated Statement of Operations.

On September 21, 2021 we entered into a First Amendment (the “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 Condensed Consolidated Statement of Operations, and approximately $0.1 million were capitalized and recorded as a reduction to our outstanding senior debt in our Condensed Consolidated Balance Sheets. In addition, 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. The write-offs were recorded as debt refinance charges in our Condensed Consolidated Statement of Operations.

As of June 30, 2022, the total remaining balance of unamortized debt issuance costs and original issue discount related to our senior debt reported in the Condensed Consolidated Balance Sheets were approximately $18.3 million and $2.7 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.

The amount outstanding under the Term Loan Facility was $864.1 million at June 30, 2022. We had $90.0 million outstanding borrowings under our ABL Credit Facility at June 30, 2022 and borrowing capacity of $387.8 million.

We also utilize the ABL Credit Facility for the issuance of letters of credit. As of June 30, 2022, we have issued letters of credit in the aggregate outstanding amount of $72.2 million primarily relating to workers compensation insurance claims.

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 the eurodollar rate plus an applicable margin of 3.25%, subject to a 0.50% LIBOR floor. The total interest rate on the Term Loan Facility was 4.94% at June 30, 2022. 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 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 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 documentation governing the Term Loan.

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").

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 rental contracts, reduced by certain reserves.

The ABL Credit Facility bears interest at a fluctuating rate determined by reference to the eurodollar rate plus an applicable margin of 1.50% to 2.00%. The total interest rate on the ABL Credit Facility at June 30, 2022 was 3.375%. 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. The commitment fee at June 30, 2022 was 0.375%. We paid $0.8 million of commitment fees during the second quarter of 2022.

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 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 documentation governing the ABL Credit Facility. The fixed charge coverage ratio as of June 30, 2022 was 0.81 to 1.00, however, neither of the conditions in (i) or (ii) described above were applicable. Therefore, the maintenance of the fixed charge coverage ratio as of June 30, 2022 was not required.

The documentation governing 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.

The table below shows the scheduled maturity dates of our outstanding debt at June 30, 2022 for each of the years ending December 31:

(in thousands)	Term Loan Facility	ABL Credit Facility	Total
2022	$ 4,375	$ —	$ 4,375
2023	8,750	—	8,750
2024	8,750	—	8,750
2025	8,750	—	8,750
2026	8,750	90,000	98,750
Thereafter	824,687	—	824,687
Total senior debt	$ 864,062	$ 90,000	$ 954,062

Note 8 -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"), 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, beginning on August 15, 2021. 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 Condensed Consolidated Balance Sheets. Debt issuance costs are amortized as interest expense over the term of the Notes. As of June 30, 2022, the total remaining balance of unamortized debt issuance costs related to our senior notes reported in the Condensed Consolidated Balance Sheets was approximately $13.5 million.

We may redeem some or all of the Notes at any time on or after February 15, 2024 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. Prior to February 15, 2024, we may redeem up to 40% of the aggregate principal amount of the Notes with the proceeds of certain equity offerings at a redemption price of 106.375% plus accrued and unpaid interest to, but not including, the redemption date. In addition, we may redeem some or all of the Notes prior to February 15, 2024, at a redemption price of 100% of the principal amount of the Notes plus accrued and unpaid interest to, but not including, the redemption date, plus a "make-whole" premium. If we experience specific kinds of change of 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 9 - 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 June 30, 2022 and December 31, 2021, 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 June 30, 2022:

	June 30, 2022		
(in thousands)	**Carrying Value**	**Fair Value**	**Difference**
Senior notes	$ 450,000	$ 351,000	$ (99,000)

Note 10 - Other Charges

Acima Holdings Acquisition. As described in Note 2, 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. During the six months ended June 30, 2022 and 2021, we recognized approximately $69.4 million and $50.3 million in stock compensation expense related to these restricted stock agreement, respectively.

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 six months ended June 30, 2022 and 2021, we recognized approximately $36.4 million and $43.2 million in amortization expense and $8.0 million and $5.3 million in incremental depreciation expense related to these assets, respectively.

During the six months ended June 30, 2022 and 2021, we recognized approximately $0.2 million and $17.1 million in transaction costs associated with the closing of the transaction, respectively.

During the six months ended June 30, 2021 we recognized approximately $3.9 million in post-acquisition integration costs, including $3.1 million in employee severance and $0.8 million in reorganization advisory fees.

Activity with respect to Other charges for the six months ended June 30, 2022 is summarized in the below table:

(in thousands)	Accrued Charges at December 31, 2021	Charges & Adjustments	Payments & Adjustments	Accrued Charges at June 30, 2022
Cash charges:				
Acima Holdings transaction costs	$ —	$ 187	$ (187)	$ —
Labor reduction costs[1]	1,593	4,213	(1,838)	3,968
Other cash charges	—	385	(385)	—
Total cash charges	$ 1,593	4,785	$ (2,410)	$ 3,968
Non-cash charges:				
Acima Holdings restricted stock agreements[2]		69,430		
Depreciation and amortization of acquired assets[3]		44,325		
Asset impairments[4]		5,181		
Other		95		
Total other charges		$ 123,816		

(1) Represents charges incurred for employee severance.
(2) 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 2 and Note 12.
(3) 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 2.
(4) Primarily represents impairment of software assets.

Note 11 - 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: furniture, including mattresses, tires, consumer electronics, appliances, tools, handbags, computers, smartphones, and accessories.

Segment information as of and for the three and six months ended June 30, 2022 and 2021 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2022	2021	2022	2021
Revenues				
Rent-A-Center Business	$ 490,185	$ 505,834	$ 1,008,690	$ 1,030,700
Acima[1]	530,170	635,280	1,129,546	1,092,729
Mexico	16,701	15,255	32,413	29,753
Franchising	34,199	37,606	60,327	77,575
Total revenues	$ 1,071,255	$ 1,193,975	$ 2,230,976	$ 2,230,757

(1) Represents revenues for our Acima operating segment as defined in Note 1.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2022	2021	2022	2021
Gross profit				
Rent-A-Center Business	$ 348,060	$ 357,187	$ 711,440	$ 716,356
Acima[1]	165,081	211,404	329,308	345,654
Mexico	11,811	10,818	22,912	21,030
Franchising	7,592	8,063	14,978	14,955
Total gross profit	$ 532,544	$ 587,472	$ 1,078,638	$ 1,097,995

(1) Represents gross profit for our Acima operating segment as defined in Note 1.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2022	2021	2022	2021
Operating profit				
Rent-A-Center Business	$ 99,108	$ 126,487	$ 199,284	$ 247,764
Acima[(1)]	35,835	68,099	45,433	92,913
Mexico	1,949	2,420	4,015	4,374
Franchising	5,303	5,694	10,093	10,679
Total segments	142,195	202,700	258,825	355,730
Corporate[(2)]	(84,114)	(96,181)	(189,702)	(179,165)
Total operating profit	$ 58,081	$ 106,519	$ 69,123	$ 176,565

(1) Represents operating profit for our Acima segment as defined in Note 1.

(2) Includes stock compensation expense of $32.9 million and $69.4 million recognized for the three and six months ended June 30, 2022, and $34.4 million and $50.3 million recognized for the three and six months ended June 30, 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 10.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2022	2021	2022	2021
Depreciation and amortization				
Rent-A-Center Business	$ 4,622	$ 4,452	$ 11,036	$ 9,029
Acima[(1)(2)]	475	524	1,057	998
Mexico	163	119	312	239
Franchising	38	18	75	34
Total segments	5,298	5,113	12,480	10,300
Corporate[(3)]	7,582	8,453	14,930	16,659
Total depreciation and amortization	$ 12,880	$ 13,566	$ 27,410	$ 26,959

(1) Represents depreciation and amortization for our Acima segment as defined in Note 1.

(2) Excludes amortization expense of approximately $14.3 million and $36.4 million for the three and six months ended June 30, 2022, compared to $29.2 million and $43.2 million for the three and six months ended June 30, 2021, recorded to Other charges in the Condensed Consolidated Statement of Operations, related to intangible assets acquired upon closing of the Acima Holdings acquisition. See Note 10 for additional information.

(3) Excludes depreciation expense of approximately $4.0 million and $8.0 million for the three and six months ended June 30, 2022, compared to $4.0 million and $5.3 million for the three and six months ended June 30, 2021, recorded to Other charges in the Condensed Consolidated Statement of Operations, related to software acquired upon closing of the Acima Holdings acquisition. See Note 10 for additional information.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2022	2021	2022	2021
Capital expenditures				
Rent-A-Center Business	$ 6,795	$ 8,308	$ 20,203	$ 14,565
Acima[(1)]	143	515	189	669
Mexico	301	190	523	266
Franchising	—	—	112	—
Total segments	7,239	9,013	21,027	15,500
Corporate	7,253	5,000	9,868	9,901
Total capital expenditures	$ 14,492	$ 14,013	$ 30,895	$ 25,401

(1) Represents capital expenditures for our Acima segment as defined in Note 1.

(in thousands)	June 30, 2022	December 31, 2021
On rent rental merchandise, net		
Rent-A-Center Business	$ 458,849	$ 477,901
Acima[(1)]	498,421	676,279
Mexico	19,908	18,844
Total on rent rental merchandise, net	$ 977,178	$ 1,173,024

[(1)] Represents on-rent rental merchandise for our Acima segment as defined in Note 1.

(in thousands)	June 30, 2022	December 31, 2021
Held for rent rental merchandise, net		
Rent-A-Center Business	$ 131,264	$ 123,111
Acima[(1)]	673	626
Mexico	8,833	9,247
Total held for rent rental merchandise, net	$ 140,770	$ 132,984

[(1)] Represents held-for-rent rental merchandise for our Acima segment as defined in Note 1.

(in thousands)	June 30, 2022	December 31, 2021
Assets by segment		
Rent-A-Center Business	$ 1,041,788	$ 1,026,886
Acima[(1)]	1,226,105	1,476,752
Mexico	45,346	41,669
Franchising	16,022	15,412
Total segments	2,329,261	2,560,719
Corporate	437,871	432,608
Total assets	$ 2,767,132	$ 2,993,327

[(1)] Represents total assets for our Acima segment as defined in Note 1.

Note 12 - Common Stock and Stock-Based Compensation

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. No shares of our common stock were repurchased during the six months ended June 30, 2022 and 2021, respectively.

We recognized $3.6 million and $5.1 million in compensation expense related to stock awards issued under the Rent-A-Center, Inc. 2021 Long-Term Incentive Plan (the “2021 Plan”) and 2016 Long-Term Incentive Plan (the “2016 Plan”) during the three months ended June 30, 2022 and 2021, and $8.4 million and $9.4 million during the six months ended June 30, 2022 and 2021. During the six months ended June 30, 2022, we granted approximately 687,000 market-based performance units and 323,000 time-vesting units under the 2021 Plan. Performance-based restricted stock units are valued using a Monte Carlo simulation. Time-vesting restricted stock units are valued based on our closing stock price on the trading day immediately preceding the date of the grant, or as of the date of modification in the event an award is modified. The weighted-average grant date fair value of the market-based performance and time-vesting restricted stock units granted during the six months ended June 30, 2022 was $24.72 and $30.59, respectively.

As described in Note 2, Aggregate Stock Consideration issued to the former owners of Acima Holdings included 10,779,923 of common shares valued at $51.14 per share, as of the date of closing. Of this total, 2,683,328 common shares were included in the aggregate purchase price of the transaction for financial reporting purposes, while 8,096,595 common shares, valued at $414.1 million, issued under restricted stock agreements and subject to vesting conditions, are recognized as stock compensation expense over the vesting term in accordance with ASC Topic 718, “Stock-based Compensation”. We recognized $32.9 million and $34.4 million in stock compensation expense related to these restricted stock agreements during the three months ended June 30, 2022 and 2021, and $69.4 million and $50.3 million during the six months ended June 30, 2022 and 2021, which was recorded to Other charges in our Condensed Consolidated Statements of Operations, as described in Note 10.

Note 13 - 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 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.

Acima Consumer Financial Protection Bureau investigation. Prior to the execution of the definitive agreement to acquire Acima Holdings, Acima Holdings received a Civil Investigative Demand dated October 1, 2020 (the “CID”) from the Consumer Financial Protection Bureau (the “CFPB”) requesting certain information, documents and data relating to Acima Holding’s products, services and practices for the period from January 1, 2015 to the date on which responses to the CID are provided in full. The purpose of the CID is to determine whether Acima Holdings extends credit, offers leases, or otherwise offers or provides a consumer financial product or service and whether Acima Holdings complies with certain consumer financial protection laws. We are fully cooperating with the CFPB investigation. The CFPB has not made any allegations in the investigation, and we are currently unable to predict the eventual scope, ultimate timing or outcome of the CFPB investigation.

On the terms and subject to the conditions set forth in the definitive agreement to acquire Acima Holdings, the former owners of Acima Holdings have agreed to indemnify Rent-A-Center for certain losses arising after the consummation of the transaction with respect to the CID and certain pre-closing taxes. The indemnification obligations of the former owners of Acima Holdings are limited to an indemnity holdback in the aggregate amount of $50 million, which was escrowed at the closing of the transaction, and will be Rent-A-Center’s sole recourse against the former owners of Acima Holdings with respect to all of the indemnifiable claims under the definitive transaction agreement. Other than with respect to any pending or unresolved claims for indemnification submitted by Rent-A-Center prior to such time, and subject to other limited exceptions, the escrowed amount will be released to the former owners of Acima Holdings as follows: (i) in respect of the CID, on the earlier of February 17, 2024 and the date on which a final determination is entered providing for a resolution of the matters regarding the CID and (ii) in respect of certain pre-closing taxes, on August 18, 2022, the first business day following the date that is 18 months after the closing date of the transaction.

There can be no assurance that the CID will be finally resolved prior to the release to the former owners of Acima Holdings of the escrowed funds reserved therefor, or that such 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 Holdings’ business practices or operations that could materially and adversely affect our business, financial condition, results of operations or reputation.

California Attorney General. The California Attorney General (the “CAG”) issued an investigative subpoena in 2018 seeking information with respect to certain of our Acceptance Now business practices (now part of the Acima segment). Since receiving such demand, we have cooperated with the CAG in connection with its investigation and made several productions of requested documents. In March 2020, the CAG put forth proposed settlement terms to address alleged violations of California law. The CAG’s allegations include those with respect to certain consumer fees, charges and communications in connection with our lease-to-own transactions. In November 2021, the parties reached an agreement in principle regarding the resolution of this matter. On August 2, 2022, the parties finalized the settlement of this matter, which includes a proposed final judgment for approval by the Superior Court of the State of California. In the agreement and in consideration of the final resolution of this matter, we agreed to pay a total of $15.5 million in restitution to consumers and civil penalties along with certain injunctive provisions, including (1) in the case of rental-purchase transactions in California originating through a third-party host retailer, not to charge a cash price on the rental-purchase agreement that is greater than the cash price offered to the consumer by the host retailer, and (2) to implement certain additional customer disclosures, employee training and other compliance requirements and restrictions as set forth in the stipulated agreement. We did not admit to any violations of law or any wrongdoing. Although we disagree with the CAG’s interpretation of the relevant California statutory language regarding the definition of “cash price”, we entered into the agreement to avoid the expense, risk and distractions associated with potential protracted litigation. As of December 31, 2021, taking into consideration the agreement in principle reached in November 2021, we reserved the amount of $15.5 million as a loss contingency for this matter in our consolidated financial statements.

Massachusetts Attorney General. 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 June 2021, the MAG provided us with proposed settlement terms including a monetary payment, injunctive provisions regarding certain business practices and compliance requirements. We are continuing to cooperate and discuss resolution of the inquiry with the MAG. We are currently unable to predict the ultimate timing or outcome of the MAG investigation.

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. Acima is cooperating with the investigation and is currently in the process of producing requested information. No specific allegations have been made against Acima pursuant to the investigation. We are currently unable to predict the eventual scope, timing or outcome of this matter.

Note 14 - Earnings Per Common Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	2022	2021	2022	2021
Numerator:				
Net earnings	$ 19,725	$ 61,309	$ 15,488	$ 103,861
Denominator:				
Weighted-average shares outstanding	53,998	58,295	53,875	57,271
Effect of dilutive stock awards[(1)]	5,674	9,525	6,021	9,787
Weighted-average dilutive shares	59,672	67,820	59,896	67,058
Basic earnings per common share	$ 0.37	$ 1.05	$ 0.29	$ 1.81
Diluted earnings per common share[(1)]	$ 0.33	$ 0.90	$ 0.26	$ 1.55
Anti-dilutive securities excluded from diluted earnings per common share:				
Anti-dilutive restricted share units	332	112	96	112
Anti-dilutive performance share units	226	236	350	236
Anti-dilutive stock options	535	34	266	34

[(1)] Weighted-average dilutive shares outstanding for the six months ended June 30, 2022 and 2021, includes approximately 5.2 million and 8.1 million common shares, respectively, issued in connection with the acquisition of Acima Holdings and subject to vesting conditions under restricted stock agreements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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 potential effects of the pandemic of the respiratory disease caused by a novel coronavirus (“COVID-19”) on our business, operations, financial performance and prospects, the future business prospects and financial performance of our Company following our acquisition of Acima Holdings, LLC (“Acima Holdings”), cost and revenue synergies and other benefits expected to result from the Acima Holdings acquisition, our expectations, plans and strategy relating to our capital structure and capital allocation, including any share repurchases under the Company's share repurchase program, and other statements that are not historical facts.

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 Quarterly Report on Form 10-Q. 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” in our Annual Report on Form 10-K for the year ended December 31, 2021 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 Quarterly Report on Form 10-Q 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 possibility that the anticipated benefits from the Acima Holdings acquisition may not be fully realized or may take longer to realize than expected;
- the possibility that costs, difficulties or disruptions related to the integration of Acima Holdings operations into our other operations will be greater than expected;
- our ability to (i) effectively adjust to changes in the composition of our offerings and product mix as a result of acquiring Acima Holdings and continue to maintain the quality of existing offerings and (ii) successfully introduce other new product or service offerings on a timely and cost-effective basis;
- changes in our future cash requirements as a result of the Acima Holdings acquisition, whether caused by unanticipated increases in capital expenditures or working capital needs, unanticipated liabilities or otherwise;
- our ability to identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies;
- the impact of the COVID-19 pandemic and related government and regulatory restrictions issued to combat the pandemic, including adverse changes in such restrictions, the expiration of governmental stimulus programs, and impacts on (i) demand for our lease-to-own products offered in our operating segments, (ii) our Acima retail partners, (iii) our customers and their willingness and ability to satisfy their lease obligations, (iv) our suppliers' ability to satisfy our merchandise needs and related supply chain disruptions, (v) our employees, including our ability to adequately staff our operating locations, (vi) our financial and operational performance, and (vii) our liquidity;
- the general strength of the economy and other economic conditions affecting consumer preferences and spending, including the availability of credit to our target consumers, impacts from the high level of inflation, and possible recession;
- 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 realize benefits from our initiatives regarding cost-savings and other EBITDA enhancements, efficiencies and working capital improvements;
- our ability to continue to effectively execute our strategic initiatives, including mitigating risks associated with any potential mergers and acquisitions, or refranchising opportunities;
- 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 in our Acima offering and higher merchandise losses than compared to our Rent-A-Center Business 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 and host retailer information, which may be adversely affected by hacking, computer viruses, or similar disruptions;
- 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;
- our ability to execute and 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 retain the revenue associated with acquired customer accounts and enhance the performance of acquired stores;
- our ability to enter into new and collect on our rental or lease purchase agreements;
- changes in the enforcement of existing laws and regulations and the enactment of new laws and regulations adversely affecting our business, including any legislative or 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, including in connection with the integration of Acima;
- 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”).

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under the section “*Risk Factors*” in our Annual Report on Form 10-K for the year ended December 31, 2021 and elsewhere in this Quarterly Report on Form 10-Q.

Our Business

We are a leading lease-to-own provider with operations in the United States, Puerto Rico and Mexico. We provide a critical service for a large portion of underserved consumers by providing them with access to, and the opportunity to obtain ownership of, high-quality, durable products via small payments over time under a flexible lease-purchase agreement with no long-term debt obligation. Through our Rent-A-Center Business, we provide a fully integrated customer experience through our e-commerce platform and brick and mortar presence. Our Acima business 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 “RCII.”

Executive Summary

Our Strategy

Our strategy is focused on growing our business model through emphasis on the following key initiatives:

- executing on market opportunities and enhancing our competitive position across both traditional and virtual lease-to-own solutions;
- accelerating the shift to e-commerce, expanding product categories, including into emerging product categories, and improving the fully integrated customer experience;
- using technology to support frictionless retailer onboarding with seamless integration to retailers′ platforms;
- continuing to generate repeat business while expanding our potential customer base;
- leveraging the integration of the Acima Holdings decision engine and expanding digital payments and communication channels; and
- generating favorable adjusted EBITDA margin and strong free cash flow to fund strategic priorities and deliver and return capital to shareholders.

As we pursue our strategy, we may take advantage of merger and acquisition opportunities from time to time that advance our key initiatives, and engage in discussions regarding these opportunities, which could include mergers, consolidations or acquisitions or dispositions or other transactions, although there can be no assurance that any such activities will be consummated.

Recent Developments

On June 7, 2022, we announced that our board of directors approved a quarterly cash dividend of $0.34 per share for the second quarter of 2022. The dividend was paid on July 12, 2022 to our common stockholders of record as of the close of business on June 16, 2022.

Business and Operational Trends

COVID-19 Pandemic. Beginning in the first quarter of 2020, the worldwide spread of COVID-19 caused significant disruptions to the U.S. and world economies, as a result of U.S. state and local and foreign jurisdictions implementing various containment or mitigation measures, including temporary shelter-in-place orders and the temporary closure of non-essential businesses. Despite the availability of COVID-19 vaccines, the number of COVID-19 cases has increased at various times over the course of the pandemic resulting in certain governmental authorities imposing or re-imposing certain restrictions on businesses.

In response to COVID-19, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), providing U.S. citizens and businesses with various stimulus and income tax relief benefits throughout 2020 and early 2021 to help offset immediate negative financial impacts sustained as a result of COVID-19. In addition, we proactively implemented certain response measures, including the implementation of certain cost savings initiatives following the onset of the pandemic and providing our Rent-A-Center Business and Acima customers with additional electronic payment methods to facilitate contactless transactions. These response measures resulted in improved customer payment behaviors contributing to higher revenues and lower merchandise losses in 2020 and the first half of 2021. However, in the third quarter of 2021 we began to see negative trends in customer behavior, payment and loss activity, which were accelerated in the fourth quarter of 2021, as a result of lower discretionary income levels for our consumers following the expiration of government stimulus and relief programs combined with a significant rise in the US consumer price index. These trends continued to negatively impact our business during the first half of 2022.

Other Macroeconomic Conditions. In addition to the above, we believe that we have been impacted by other negative macroeconomic trends, including a condensed labor market, wage inflation, and global supply chain issues resulting in reduced product availability and rising product costs.

Changes in underwriting. In our Acima segment, we implemented changes to our underwriting process during the first half of 2022 designed to improve risk management of our lease portfolio, taking into consideration recent increases in inflation levels and the corresponding pressure on the discretionary income of our consumers.

While the lease-to-own industry has historically remained a resilient business model throughout various economic cycles, providing credit constrained customers with a viable option to obtain merchandise they may not otherwise be able to obtain, at this time we are unable to predict the full extent to which our risk management strategy, consumer spending behavior, other macro-economic trends, may impact our business in future periods.

See "Risk Factors" in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2021, for additional discussion of operational impacts to our business and additional risks associated with COVID-19 and these macroeconomic conditions.

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 condensed consolidated financial statements and notes thereto for the three and six months ended June 30, 2022 included in Part I, Item I of this Quarterly Report on Form 10-Q.

Overview

The following briefly summarizes certain of our financial information for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021.

During the first six months of 2022, consolidated revenues increased approximately $0.2 million, while operating profit decreased approximately $107.4 million, primarily due to a decrease in gross profit, and increases in other store expenses, and labor described further below.

Revenues in our Rent-A-Center Business segment decreased approximately $22.0 million for the six months ended June 30, 2022, primarily due to a decrease in same store sales. Operating profit decreased approximately $48.5 million for the six months ended June 30, 2022, primarily due to lower revenues, increased labor costs and higher merchandise losses.

The Acima segment revenues increased approximately $36.8 million for the six months ended June 30, 2022, driven primarily by the acquisition of Acima Holdings. However, operating profit decreased approximately $47.5 million for the six months ended June 30, 2022, primarily due to a decrease in gross profit and higher merchandise losses, partially offset by decreases in labor and general and administrative expenses.

The Mexico segment revenues increased by 8.9% for the six months ended June 30, 2022, contributing to an increase in gross profit of 8.9%, or $1.9 million. Operating profit, however, decreased $0.4 million for the six months ended June 30, 2022, primarily due to increases in operating expenses.

Revenues for the Franchising segment decreased $17.2 million for the six months ended June 30, 2022, primarily due to lower inventory purchases by franchisees. Operating profit decreased $0.6 million for the six months ended June 30, 2022.

Cash flow from operations was $287.1 million for the six months ended June 30, 2022. As of June 30, 2022, we held $112.2 million of cash and cash equivalents and outstanding indebtedness of $1.4 billion.

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

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(dollar amounts in thousands)	**2022**	**2021**	**$**	**%**	**2022**	**2021**	**$**	**%**
Revenues								
Store								
Rentals and fees	$ 857,298	$ 916,405	$ (59,107)	(6.4)%	$ 1,740,345	$ 1,661,939	$ 78,406	4.7 %
Merchandise sales	160,769	221,229	(60,460)	(27.3)%	393,649	454,022	(60,373)	(13.3)%
Installment sales	18,548	18,191	357	2.0 %	35,637	35,964	(327)	(0.9)%
Other	1,068	1,035	33	3.2 %	2,358	1,953	405	20.7 %
Total store revenue	1,037,683	1,156,860	(119,177)	(10.3)%	2,171,989	2,153,878	18,111	0.8 %
Franchise								
Merchandise sales	26,505	29,616	(3,111)	(10.5)%	45,026	62,671	(17,645)	(28.2)%
Royalty income and fees	7,067	7,499	(432)	(5.8)%	13,961	14,208	(247)	(1.7)%
Total revenues	1,071,255	1,193,975	(122,720)	(10.3)%	2,230,976	2,230,757	219	— %
Cost of revenues								
Store								
Cost of rentals and fees	319,943	320,873	(930)	(0.3)%	658,576	567,908	90,668	16.0 %
Cost of merchandise sold	185,735	249,853	(64,118)	(25.7)%	436,066	489,959	(53,893)	(11.0)%
Cost of installment sales	6,426	6,234	192	3.1 %	12,347	12,275	72	0.6 %
Total cost of store revenues	512,104	576,960	(64,856)	(11.2)%	1,106,989	1,070,142	36,847	3.4 %
Franchise cost of merchandise sold	26,607	29,543	(2,936)	(9.9)%	45,349	62,620	(17,271)	(27.6)%
Total cost of revenues	538,711	606,503	(67,792)	(11.2)%	1,152,338	1,132,762	19,576	1.7 %
Gross profit	532,544	587,472	(54,928)	(9.3)%	1,078,638	1,097,995	(19,357)	(1.8)%
Operating expenses								
Store expenses								
Labor	163,956	159,337	4,619	2.9 %	330,559	316,044	14,515	4.6 %
Other store expenses	199,091	181,012	18,079	10.0 %	426,459	351,145	75,314	21.4 %
General and administrative expenses	44,868	54,385	(9,517)	(17.5)%	101,271	103,510	(2,239)	(2.2)%
Depreciation and amortization	12,880	13,566	(686)	(5.1)%	27,410	26,959	451	1.7 %
Other charges	53,668	72,653	(18,985)	26.1 %	123,816	123,772	44	— %
Total operating expenses	474,463	480,953	(6,490)	(1.3)%	1,009,515	921,430	88,085	9.6 %
Operating profit	58,081	106,519	(48,438)	(45.5)%	69,123	176,565	(107,442)	(60.9)%
Debt refinancing charges	—	—	—	— %	—	8,743	(8,743)	— %
Interest, net	18,997	20,391	(1,394)	(6.8)%	37,921	32,307	5,614	17.4 %
Earnings before income taxes	39,084	86,128	(47,044)	(54.6)%	31,202	135,515	(104,313)	(77.0)%
Income tax expense	19,359	24,819	(5,460)	(22.0)%	15,714	31,654	(15,940)	(50.4)%
Net earnings	$ 19,725	$ 61,309	$ (41,584)	(67.8)%	$ 15,488	$ 103,861	$ (88,373)	(85.1)%

Three Months Ended June 30, 2022, compared to Three Months Ended June 30, 2021

Store Revenue. Total store revenue decreased by $119.2 million, or 10.3%, to $1,037.7 million for the three months ended June 30, 2022, from $1,156.9 million for the three months ended June 30, 2021. This increase was primarily due to decreases of approximately $105.1 million and $15.6 million in revenues in the Acima and Rent-A-Center Business 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 three months ended June 30, 2022, decreased by $1.0 million, or 0.3%, to $319.9 million as compared to $320.9 million in 2021. The decrease was primarily attributable to a decrease of $2.8 million in the Acima segment, partially offset by an increase of $1.4 million in the Rent-A-Center Business segments, respectively. Cost of rentals and fees expressed as a percentage of rentals and fees revenue was 37.3% for the three months ended June 30, 2022, as compared to 35.0% in 2021.

Cost of Merchandise Sold. Cost of merchandise sold decreased by $64.2 million, or 25.7%, to $185.7 million for the three months ended June 30, 2022, from $249.9 million in 2021, primarily attributable to a decrease of $55.9 million and $8.1 million in the Acima and Rent-A-Center Business segments, respectively. The gross margin percent of merchandise sales decreased to (15.5)% for the three months ended June 30, 2022, from (12.9)% in 2021.

Gross Profit. Gross profit decreased by $55.0 million, or 9.3%, to $532.5 million for the three months ended June 30, 2022, from $587.5 million in 2021, due primarily to decreases of $46.3 million and $9.1 million in the Acima and Rent-A-Center Business segments, respectively, as discussed further in the section "Segment Performance" below. Gross profit as a percentage of total revenue increased to 49.7% for the three months ended June 30, 2022, as compared to 49.2% in 2021.

Store Labor. Store labor increased by $4.7 million, or 2.9%, to $164.0 million, for the three months ended June 30, 2022, as compared to $159.3 million in 2021, primarily due to an increase of $7.7 million in the Rent-A-Center Business segment, partially offset by a decrease of $3.6 million in the Acima segment, as discussed further in the section "Segment Performance" below. Store labor expressed as a percentage of total store revenue was 15.8% for the three months ended June 30, 2022, as compared to 13.8% in 2021.

Other Store Expenses. Other store expenses increased by $18.1 million, or 10.0%, to $199.1 million for the three months ended June 30, 2022, as compared to $181.0 million in 2021, primarily due to increases of $6.6 million and $11.0 million in the Acima and Rent-A-Center Business segments, respectively. Other store expenses expressed as a percentage of total store revenue were 19.2% for the three months ended June 30, 2022, compared to 15.6% in 2021.

General and Administrative Expenses. General and administrative expenses decreased by $9.5 million, or 17.5%, to $44.9 million for the three months ended June 30, 2022, as compared to $54.4 million in 2021, primarily due to lower overhead labor and incentive compensation. General and administrative expenses expressed as a percentage of total revenue were 4.2% for the three months ended June 30, 2022, compared to 4.6% in 2021.

Other Charges. Other charges decreased by $19.0 million, or 26.1%, to $53.7 million for the three months ended June 30, 2022, as compared to $72.7 million in 2021. Other charges for the three months ended June 30, 2022 primarily included stock compensation expense related to the vesting of a portion of the equity consideration issued in the acquisition of Acima Holdings, depreciation and amortization of acquired software and intangible assets, state sales tax assessment reserves, and Acima retailer partner conversion losses. Other charges for the three months ended June 30, 2021 primarily included stock compensation expense related to equity consideration subject to vesting conditions, depreciation and amortization of acquired software and intangible assets, and other one-time transaction and integration costs related to the acquisition of Acima Holdings.

Operating Profit. Operating profit decreased by $48.4 million, to $58.1 million for the three months ended June 30, 2022, as compared to $106.5 million in 2021, primarily due to the decrease in gross profit, partially offset by a net decrease in operating expenses as described above. Operating profit expressed as a percentage of total revenue was 5.4% for the three months ended June 30, 2022, compared to 8.9% in 2021.

Income Tax Expense. Income tax expense for the three months ended June 30, 2022 was $19.4 million, as compared to $24.8 million in 2021. The effective tax rate was 49.5% for the three months ended June 30, 2022, compared to 28.8% in 2021.

Six Months Ended June 30, 2022, compared to Six Months Ended June 30, 2021

Store Revenue. Total store revenue increased by $18.1 million, or 0.8%, to $2,172.0 million for the six months ended June 30, 2022, from $2,153.9 million for the six months ended June 30, 2021. The increase was primarily due to increases of approximately $36.8 million in the Acima segment, partially offset by a decrease of $22.0 million in the Rent-A-Center Business segment, 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 six months ended June 30, 2022, increased by $90.7 million, or 16.0%, to $658.6 million as compared to $567.9 million in 2021. This increase in cost of rentals and fees was primarily attributable to increases of $84.3 million and $5.5 million in the Acima and Rent-A-Center Business segments, respectively. Cost of rentals and fees expressed as a percentage of rentals and fees revenue increased to 37.8% for the six months ended June 30, 2022 as compared to 34.2% in 2021.

Cost of Merchandise Sold. Cost of merchandise sold decreased by $53.9 million, or 11.0%, to $436.1 million for the six months ended June 30, 2022, from $490.0 million in 2021, primarily attributable to decreases of $31.2 million and $22.6 million in the Acima and Rent-A-Center Business segments, respectively. The gross margin percent of merchandise sales decreased to (10.8)% for the six months ended June 30, 2022, from (7.9)% in 2021.

Gross Profit. Gross profit decreased by $19.4 million, or 1.8%, to $1,078.6 million for the six months ended June 30, 2022, from $1,098.0 million in 2021, due primarily to decreases of $16.3 million and $4.9 million in the Acima and Rent-A-Center Business segments, respectively, as discussed further in the section “Segment Performance” below. Gross profit as a percentage of total revenue decreased to 48.3% for the six months ended June 30, 2022, as compared to 49.2% in 2021.

Store Labor. Store labor increased by $14.6 million, or 4.6%, to $330.6 million, for the six months ended June 30, 2022, as compared to $316.0 million in 2021, primarily attributable to an increase of $16.2 million in the Rent-A-Center Business segment, partially offset by a decrease of $2.6 million in the Acima segment, as discussed further in the section “Segment Performance” below. Store labor expressed as a percentage of total store revenue was 15.2% for the six months ended June 30, 2022, as compared to 14.7% in 2021.

Other Store Expenses. Other store expenses increased by $75.4 million, to $426.5 million for the six months ended June 30, 2022, as compared to $351.1 million in 2021, due to increases of $48.0 million and $26.2 million in the Acima and Rent-A-Center Business segments, respectively, primarily attributable to higher customer stolen merchandise losses and delivery expenses, as discussed further in the section “Segment Performance” below. Other store expenses expressed as a percentage of total store revenue were 19.6% for the six months ended June 30, 2022, compared to 16.3% in 2021.

General and Administrative Expenses. General and administrative expenses decreased by $2.2 million, or 2.2%, to $101.3 million for the six months ended June 30, 2022, as compared to $103.5 million in 2021. General and administrative expenses expressed as a percentage of total revenue were 4.5% for the six months ended June 30, 2022, compared to 4.6% in 2021.

Other Charges. Other charges of $123.8 million for the six months ended June 30, 2022 were flat compared to the same period in 2021. Other charges for the six months ended June 30, 2022 primarily included stock compensation expense related to the vesting of a portion of the equity consideration issued in the acquisition of Acima Holdings, depreciation and amortization of acquired software and intangible assets, software asset impairment, employee severance, state sales tax assessment reserves, and Acima retail partner conversion losses. Other charges for the six months ended June 30, 2021 primarily included one-time transaction and integration costs, stock compensation expense related to equity consideration subject to vesting conditions, and depreciation and amortization of acquired software and intangible assets, related to the acquisition of Acima Holdings, and one-time transaction and integration costs related to the acquisition of Acima Holdings.

Operating Profit. Operating profit decreased by $107.5 million, to $69.1 million for the six months ended June 30, 2022, as compared to $176.6 million in 2021, primarily due to a decrease in gross profit, in addition to increases in labor and other store expenses, as described above. Operating profit expressed as a percentage of total revenue was 3.1% for the six months ended June 30, 2022, compared to 7.9% in 2021.

Income Tax Expense. Income tax expense for the six months ended June 30, 2022 was $15.7 million, as compared to $31.7 million in 2021, primarily due to a decrease in earnings before taxes of approximately $104.3 million. The effective tax rate was 50.4% for the six months ended June 30, 2022, compared to 23.4% in 2021, primarily due to the difference between recorded goodwill and goodwill recognized for tax purposes, as a result of the Aggregate Stock Consideration from the Acima Holdings transaction subject to restricted stock agreements. In addition, the effective tax rate for the six months ended June 30, 2021, was further impacted by discrete income tax items related to excess tax benefits from the vesting of our annual restricted stock award grants and stock option exercises, and the release of domestic and foreign tax valuation allowances.

Segment Performance

Rent-A-Center Business segment

(dollar amounts in thousands)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change $	Change %	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	Change $	Change %
Revenues	$ 490,185	$ 505,834	$ (15,649)	(3.1)%	$ 1,008,690	$ 1,030,700	$ (22,010)	(2.1)%
Gross profit	348,060	357,187	(9,127)	(2.6)%	711,440	716,356	(4,916)	(0.7)%
Operating profit	99,108	126,487	(27,379)	(21.6)%	199,284	247,764	(48,480)	(19.6)%
Change in same store revenue				(3.3)%				(2.2)%
Stores in same store revenue calculation[1]				1,753				1,753

[1] 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. We exclude 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. Due to the COVID-19 pandemic and related temporary store closures, all 32 stores in Puerto Rico were excluded starting in March 2020 through March 2022.

Revenues. The decrease in revenue for the three and six months ended June 30, 2022, as compared to 2021, was primarily due to a decrease in same store sales revenue driven primarily by lower merchandise sales, as a result of less customers exercising early payout options. Merchandise sales benefited during the three and six months ended June 30, 2021 from government stimulus, but were negatively impacted during the three and six months ended June 30, 2022 due to higher inflation stemming from significant increases in the consumer price index.

Gross Profit. Gross profit decreased for the three and six months ended June 30, 2022, as compared to 2021, driven primarily by the decrease in revenues described above. Gross profit as a percentage of segment revenues was 71.0% and 70.5% for the three and six months ended June 30, 2022, as compared to 70.6% and 69.5% for the corresponding period in 2021.

Operating Profit. Operating profit as a percentage of segment revenues was 20.2% and 19.8% for the three and six months ended June 30, 2022, compared to 25.0% and 24.0% for the corresponding period in 2021. The decrease in operating margin for the three and six months ended June 30, 2022, as compared to 2021, was partially driven by the decrease in revenues and gross profit described above, in addition to higher merchandise losses, and increases in labor and delivery expenses. Charge-offs in our Rent-A-Center Business lease-to-own stores due to customer stolen merchandise, expressed as a percentage of Rent-A-Center Business lease-to-own revenues, were approximately 4.2% and 4.1% for the three and six months ended June 30, 2022, compared to 2.3% and 2.5% for the corresponding period in 2021. Charge-offs in our Rent-A-Center Business lease-to-own stores due to other merchandise losses, expressed as a percentage of Rent-A-Center Business lease-to-own revenues, were approximately 1.6% and 1.7% for the three and six months ended June 30, 2022, compared to approximately 1.5% and 1.4% for the corresponding period in 2021. Other merchandise losses include unrepairable and missing merchandise, and loss/damage waiver claims.

Acima segment

(dollar amounts in thousands)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change $	Change %	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	Change $	Change %
Revenues	$ 530,170	$ 635,280	$ (105,110)	(16.5)%	$ 1,129,546	$ 1,092,729	$ 36,817	3.4 %
Gross profit	165,081	211,404	(46,323)	(21.9)%	329,308	345,654	(16,346)	(4.7)%
Operating profit	35,835	68,099	(32,264)	(47.4)%	45,433	92,913	(47,480)	(51.1)%

*R*evenues. The decrease in revenue for the three months ended June 30, 2022 compared to 2021, was primarily attributable to a decline in rental and fee revenue driven by a lower lease portfolio balance and higher provisions on delinquencies compared to the prior year period, in addition to lower merchandise sales as a result of as a result of less customers exercising early payout options. The decline in our lease portfolio balance was partly attributable to changes implemented in our underwriting process, described above in *Business and Operational Trends*, while higher delinquency provisions and lower merchandise sales were primarily impacted from higher inflation levels negatively impacting discretionary income for our consumers in the current year, which were conversely benefited in the prior year due to government stimulus. The increase in revenue for the six months ended June 30, 2022 compared to 2021, was driven primarily by the acquisition of Acima Holdings in February 2021, partially offset by a lower lease portfolio and higher delinquency provisions as described above.

Gross Profit. Gross profit as a percentage of segment revenues decreased to 31.1% and 29.2% for the three and six months ended June 30, 2022, compared to 33.3% and 31.6% for the corresponding period in 2021. Gross profit margin decreased for the three and six months ended June 30, 2022, compared to 2021, primarily due to a higher mix of rental agreements generated from our virtual business model, driven by the acquisition of Acima Holdings.

Operating Profit. Operating profit as a percentage of segment revenues decreased to 6.8% and 4.0% for the three and six months ended June 30, 2022, compared to 10.7% and 8.5% for the corresponding period in 2021. Operating profit margin decreased for the three and six months ended June 30, 2022, as compared to 2021, primarily due to the decrease in gross profit margin described above and higher merchandise losses; partially offset by decreases in other operating expenses, including labor and general & administrative expenses, amortization expense related to acquired intangible assets, and lower integration costs. Charge-offs in our Acima locations due to customer stolen merchandise, expressed as a percentage of revenues, were approximately 11.6% and 12.1% for the three and six months ended June 30, 2022, compared to 8.7% for both the three and six months ended June 30, 2021. Charge-offs in our Acima locations due to other merchandise losses, expressed as a percentage of revenues, were approximately 0.1% for both the three and six months ended June 30, 2022, compared to 0.1% and 0.2% for the corresponding period in 2021.

Mexico segment

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(dollar amounts in thousands)	**2022**	**2021**	**$**	**%**	**2022**	**2021**	**$**	**%**
Revenues	$ 16,701	$ 15,255	$ 1,446	9.5 %	$ 32,413	$ 29,753	$ 2,660	8.9 %
Gross profit	11,811	10,818	993	9.2 %	22,912	21,030	1,882	8.9 %
Operating profit	1,949	2,420	(471)	(19.5)%	4,015	4,374	(359)	(8.2)%
Change in same store revenue				7.3 %				7.5 %
Stores in same store revenue calculation(1)				108				108

(1) 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. We exclude 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.

Revenues. Revenues were negatively impacted by exchange rate fluctuations of approximately $0.2 million for the six months ended June 30, 2022 and was minimally impacted by exchange rate fluctuations for the three months ended June 30, 2022, as compared to the same periods in 2021. On a constant currency basis, revenues for the three and six months ended June 30, 2022 increased approximately $1.4 million and $2.8 million, compared to the corresponding periods in 2021.

Gross Profit. Gross profit was negatively impacted by exchange rate fluctuations of approximately $0.1 million for the six months ended June 30, 2022 and was minimally impacted by exchange rate fluctuations for the three months ended June 30, 2022, as compared to the same periods in 2021. On a constant currency basis, gross profit for the three and six months ended June 30, 2022 increased by approximately $1.0 million and $2.0 million as compared to the same periods in 2021. Gross profit as a percentage of segment revenues was 70.7% for the three and six months ended June 30, 2022, compared to 70.9% and 70.7% for the corresponding period in 2021.

Operating Profit. Operating profit for the three and six months ended June 30, 2022 was minimally impacted by exchange rate fluctuations as compared to the same period in 2021. Operating profit as a percentage of segment revenues decreased to 11.7% and 12.4% for the three and six months ended June 30, 2022, compared to 15.9% and 14.7% for the corresponding periods in 2021.

Franchising segment

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(dollar amounts in thousands)	**2022**	**2021**	**$**	**%**	**2022**	**2021**	**$**	**%**
Revenues	$ 34,199	$ 37,606	$ (3,407)	(9.1)%	$ 60,327	$ 77,575	$ (17,248)	(22.2)%
Gross profit	7,592	8,063	(471)	(5.8)%	14,978	14,955	23	0.2 %
Operating profit	5,303	5,694	(391)	(6.9)%	10,093	10,679	(586)	(5.5)%

Revenues. Revenues decreased for the three and six months ended June 30, 2022 compared to the corresponding period in 2021, primarily due to lower inventory purchases by franchisees.

Gross Profit. Gross profit as a percentage of segment revenues was 22.2% and 24.8% for the three and six months ended June 30, 2022, compared to 21.4% and 19.3% for the corresponding period in 2021. The increase for the three and six months ended June 30, 2022 was primarily due to a higher percentage of royalty income and fees included in revenues, compared to the corresponding period in 2021.

Operating Profit. Operating profit as a percentage of segment revenues was 15.5% and 16.7%, for the three and six months ended June 30, 2022 compared to 15.1% and 13.8% for the corresponding period in 2021. The increase for the three and six months ended June 30, 2022, compared to the corresponding period in 2021 was primarily due to a higher percentage of royalty income and fees included in revenues as described above.

Liquidity and Capital Resources

Overview. For the six months ended June 30, 2022, we generated $287.1 million in operating cash flow. We paid down debt by $294.4 million from cash generated from operations and also used cash in the amount of $39.5 million for dividends and $30.9 million for capital expenditures. We ended the second quarter of 2022 with $112.2 million of cash and cash equivalents and outstanding indebtedness of $1.4 billion.

Analysis of Cash Flow. Cash provided by operating activities increased by $36.6 million to $287.1 million for the six months ended June 30, 2022, from $250.5 million in 2021, primarily due to lower inventory purchases, partially offset by lower earnings.

Cash used in investing activities was $31.3 million for the six months ended June 30, 2022, compared to $1,298.9 million in 2021, primarily due to $1,296.6 million attributable to the acquisition of Acima Holdings in February 2021.

Cash (used in) provided by financing activities was $(252.0) million for the six months ended June 30, 2022, compared to $1,033.9 million in 2021, representing a change of $1,285.9 million. The change was primarily due to debt proceeds of $1.5 billion received in the first quarter of 2021 used to fund the acquisition of Acima Holdings in February 2021, partially offset by debt issuance costs of $46.1 million paid in the first quarter of 2021 in connection with the receipt of debt proceeds, in addition to lower debt repayments of $70.0 million for the six months ended June 30, 2022 compared to the same period in 2021.

Liquidity Requirements. Our primary liquidity requirements are for rental merchandise purchases. Other capital requirements include expenditures for property assets, debt service, and dividends. 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 12 months. At July 27, 2022, we had approximately $116.1 million in cash on hand, and $387.8 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 depreciation benefits associated with these tax acts are now reversing. The Protecting Americans from Tax Hikes Act of 2015 ("PATH") 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 allows 100% bonus depreciation for certain property placed in service between September 27, 2017 and December 31, 2022, at which point it will begin to phase out. The bonus depreciation provided by the Tax Act resulted in an estimated benefit of $349 million for us in 2021. We estimate the remaining tax deferral associated with bonus depreciation from these Acts is approximately $402 million at December 31, 2021, of which approximately 80%, or $320 million, will reverse in 2022, and the majority of the remainder will reverse between 2023 and 2024.

Merchandise Losses. Merchandise losses consist of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2022	2021	2022	2021
Customer stolen merchandise[1]	$ 85,489	$ 69,088	$ 185,231	$ 125,676
Other merchandise losses[2]	8,524	8,086	18,431	16,760
Total merchandise losses	$ 94,013	$ 77,174	$ 203,662	$ 142,436

(1) Increase is primarily due to the increase in customer stolen merchandise loss rates for the three and six months ended June 30, 2022 compared to the corresponding periods in 2021, as described in the Results of Operations section above. In addition, the increase for the six months ended June 30, 2022 is also partly attributable to the timing of the acquisition of Acima Holdings on February 17, 2021, resulting in a partial period of losses for the first quarter of 2021.

(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 $30.9 million and $25.4 million on capital expenditures during the six months ended June 30, 2022 and 2021, respectively.

Acquisitions and New Location Openings. During the first six months of 2022, we acquired one rent-to-own store location and customer accounts for an aggregate purchase price of approximately $0.3 million. The store location was closed upon acquisition and consolidated into existing store operations in our Rent-A-Center Business segment.

The table below summarizes the store location activity for the six-month period ended June 30, 2022 for our Rent-A-Center Business, Mexico and Franchising operating segments.

	Rent-A-Center Business	Mexico	Franchising	Total
Locations at beginning of period[1]	1,846	123	466	2,435
New location openings	12	1	1	14
Closed locations				
Merged with existing locations	(8)	(1)	—	(9)
Sold or closed with no surviving location	—	—	(10)	(10)
Locations at end of period[1]	1,850	123	457	2,430
Acquired locations closed and accounts merged with existing locations	1	—	—	1
Total approximate purchase price of acquired stores *(in millions)*	$ 0.3	$ —	$ —	$ 0.3

(1) Does not include locations in our Acima segment.

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 (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 rental contracts, reduced by reserves. The ABL Credit Facility bears interest at a fluctuating rate determined by reference to the eurodollar rate plus an applicable margin of 1.50% to 2.00%, which margin, as of July 27, 2022, was 3.375%. 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 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, 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 the eurodollar rate plus an applicable margin of 3.25%, subject to a 0.50% LIBOR floor. 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 the Company and the 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 the Company and the Company's material wholly-owned domestic restricted subsidiaries that also guarantee the ABL Credit Facility.

The Term Loan Facility was fully drawn at the closing of the Acima Holdings acquisition to fund a portion of the Aggregate Cash Consideration, repay certain our outstanding indebtedness under the previous term loan facility, repay all outstanding indebtedness of Acima and its subsidiaries and pay certain fees and expenses incurred in connection with the Acima Holdings acquisition.

At July 27, 2022, we had outstanding borrowings of $864.1 million under our Term Loan Facility and available commitments of $387.8 million under our ABL Credit Facility, net of letters of credit.

See Note 7 of our condensed consolidated financial statements included in this report for additional information regarding our senior debt.

Senior Notes. On February 17, 2021, we issued $450.0 million in senior unsecured notes 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, beginning on August 15, 2021. We may redeem some or all of the Notes at any time on or after February 15, 2024 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. Prior to February 15, 2024, we may redeem up to 40% of the aggregate principal amount of the Notes with the proceeds of certain equity offerings at a redemption price of 106.375% plus accrued and unpaid interest to, but not including, the redemption date. In addition, we may redeem some or all of the Notes prior to February 15, 2024, at a redemption price of 100% of the principal amount of the Notes plus accrued and unpaid interest to, but not including, the redemption date, plus a "make-whole" premium. If we experience specific kinds of change of control, it 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.

Operating Leases. We lease space for all of our Rent-A-Center Business and Mexico stores under operating leases expiring at various times through 2030. 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 June 30, 2022, our total remaining obligation for existing store lease contracts was approximately $342.7 million.

We lease vehicles for all of our Rent-A-Center Business stores under operating leases with lease terms expiring 12 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 Condensed Consolidated Balance Sheets. As of June 30, 2022, our total remaining minimum obligation for existing Rent-A-Center Business vehicle lease contracts was approximately $0.6 million.

We also lease vehicles for all of our Mexico stores which have terms expiring at various times through 2026 with rental rates adjusted periodically for inflation. As of June 30, 2022, our total remaining obligation for existing Mexico vehicle lease contracts was approximately $1.1 million.

See Note 5 of our condensed consolidated financial statements included in this report for additional discussion of our store operating leases.

Uncertain Tax Position. As of June 30, 2022, we have recorded $6.4 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.

New 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 June 30, 2022, 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market 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.

As of June 30, 2022, we had $450 million in Notes outstanding at a fixed interest rate of 6.375%. We also had $864.1 million outstanding under the Term Loan Facility and $90.0 million outstanding under our ABL Credit Facility, each at interest rates indexed to the Eurodollar rate or the prime rate. Carrying value approximates fair value for such indebtedness. Based on our overall interest rate exposure at June 30, 2022, a hypothetical 1.0% increase or decrease in market interest rates would have the effect of causing an additional $9.7 million additional annualized pre-tax charge or credit to our condensed consolidated statement of operations. We have not entered into any interest rate swap agreements as of June 30, 2022.

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 4. 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 Quarterly Report on Form 10-Q. Based on this evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that, as of June 30, 2022, 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.

Changes in internal controls over financial reporting. For the quarter ended June 30, 2022, 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 have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – Other Information

Item 1. 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 13 of our condensed consolidated financial statements included in this report for additional discussion of certain of our legal proceedings.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A of Part 1, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits.

Exhibit No.	Description
3.1	Certificate of Incorporation of Rent-A-Center, Inc., 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 Rent-A-Center, Inc., 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 Rent-A-Center, Inc., 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 8, 2021)
3.4	Certificate of Designations of Series D Preferred Stock of Rent-A-Center, Inc. (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of March 29, 2017)
3.5	Amended and Restated Bylaws of Rent-A-Center, Inc. (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of June 6, 2022)
4.1	Form of Certificate evidencing Common Stock (Incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 10-Q dated as of March 31, 2017.)
4.2	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.)
4.3	Description of Rent-A-Center, Inc.'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.)
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 E. 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 Maureen B. Short
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 E. 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 Maureen B. Short
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.

SIGNATURE

Pursuant to the requirements 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.

RENT-A-CENTER, INC.

By: /s/ MAUREEN B. SHORT

Maureen B. Short

EVP, Chief Financial Officer

Date: August 4, 2022

Exhibit 31.1

I, Mitchell E. Fadel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rent-A-Center, 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: August 4, 2022

/s/ Mitchell E. Fadel
Mitchell E. Fadel
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

I, Maureen B. Short, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rent-A-Center, 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: August 4, 2022

/s/ Maureen B. Short
Maureen B. Short
Executive Vice President - Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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 Quarterly Report on Form 10-Q of Rent-A-Center, Inc. (the "***Company***") for the period ended June 30, 2022, 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: August 4, 2022

A signed original of this written statement required by Section 906 has been provided to Rent-A-Center, Inc. and will be retained by Rent-A-Center, 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.

Exhibit 32.2

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 Quarterly Report on Form 10-Q of Rent-A-Center, Inc. (the "***Company***") for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), I, Maureen B. Short, 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/ Maureen B. Short
Maureen B. Short
Executive Vice President, Chief Financial Officer

Dated: August 4, 2022

A signed original of this written statement required by Section 906 has been provided to Rent-A-Center, Inc. and will be retained by Rent-A-Center, 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.