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 March 31, 2023

or

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

For the transition period from to

Commission File Number: 001-38047

Upbound Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**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	UPBD	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 ☒

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 27, 2023:

Class	Outstanding
Common stock, $.01 par value	55,933,492

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Item 1. Condensed Consolidated Financial Statements.

UPBOUND GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
(in thousands, except per share data)	2023	2022
Revenues		
Store		
Rentals and fees	$ 806,717	$ 883,047
Merchandise sales	162,989	232,881
Installment sales	15,847	17,089
Other	1,445	1,290
Total store revenues	986,998	1,134,307
Franchise		
Merchandise sales	22,827	18,521
Royalty income and fees	6,236	6,894
Total revenues	1,016,061	1,159,722
Cost of revenues		
Store		
Cost of rentals and fees	297,146	338,633
Cost of merchandise sold	184,260	250,331
Cost of installment sales	5,619	5,921
Total cost of store revenues	487,025	594,885
Franchise cost of merchandise sold	22,772	18,742
Total cost of revenues	509,797	613,627
Gross profit	506,264	546,095
Operating expenses		
Store expenses		
Labor	156,489	166,603
Other store expenses	196,711	227,369
General and administrative expenses	47,726	56,403
Depreciation and amortization	12,881	14,529
Other charges	127,570	70,148
Total operating expenses	541,377	535,052
Operating (loss) profit	(35,113)	11,043
Interest expense	28,100	18,970
Interest income	(420)	(45)
Loss before income taxes	(62,793)	(7,882)
Income tax benefit	(110,123)	(3,645)
Net earnings (loss)	$ 47,330	$ (4,237)
Basic earnings (loss) per common share	$ 0.86	$ (0.08)
Diluted earnings (loss) per common share	$ 0.84	$ (0.08)
Cash dividends declared per common share	$ 0.34	$ 0.34

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(in thousands)	Three Months Ended March 31, 2023	2022
Net earnings (loss)	$ 47,330	$ (4,237)
Other comprehensive income:		
Foreign currency translation adjustments, net of tax of $825 and $176 for the three months ended March 31, 2023 and 2022, respectively	3,104	661
Total other comprehensive income	3,104	661
Comprehensive income (loss)	$ 50,434	$ (3,576)

See accompanying notes to condensed consolidated financial statements.

UPBOUND GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share and par value data)	March 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	$ 171,698	$ 144,141
Receivables, net of allowance for doubtful accounts of $12,937 and $13,214 in 2023 and 2022, respectively	101,772	111,865
Prepaid expenses and other assets	44,833	46,070
Rental merchandise, net		
On rent	943,487	989,869
Held for rent	126,762	134,959
Merchandise held for installment sale	6,105	6,988
Property assets, net of accumulated depreciation of $592,048 and $576,675 in 2023 and 2022, respectively	287,961	295,371
Operating lease right-of-use assets	300,731	302,311
Deferred tax asset	123,111	82,886
Goodwill	289,750	289,750
Other intangible assets, net	344,915	359,409
Total assets	$ 2,741,125	$ 2,763,619
LIABILITIES		
Accounts payable – trade	$ 118,655	$ 155,449
Accrued liabilities	319,675	320,624
Operating lease liabilities	304,063	305,556
Deferred tax liability	—	87,986
Senior debt, net	889,950	930,902
Senior notes, net	438,440	437,956
Total liabilities	2,070,783	2,238,473
STOCKHOLDERS' EQUITY		
Common stock, $0.01 par value; 250,000,000 shares authorized; 125,286,720 and 125,028,169 shares issued in March 31, 2023 and December 31, 2022, respectively	1,112	1,080
Additional paid-in capital	1,411,892	1,298,094
Retained earnings	1,105,451	1,077,189
Treasury stock at cost, 69,354,651 shares in March 31, 2023 and December 31, 2022	(1,840,591)	(1,840,591)
Accumulated other comprehensive loss	(7,522)	(10,626)
Total stockholders' equity	670,342	525,146
Total liabilities and stockholders' equity	$ 2,741,125	$ 2,763,619

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2022	125,028	$ 1,080	$ 1,298,094	$ 1,077,189	$ (1,840,591)	$ (10,626)	$ 525,146
Net Earnings	—	—	—	47,330	—	—	47,330
Other comprehensive income	—	—	—	—	—	3,104	3,104
Exercise of stock options	55	1	683	—	—	—	684
Vesting of restricted share units, net of shares withheld for employee taxes	204	31	(31)	—	—	—	—
Tax effect of stock awards vested and options exercised	—	—	(2,535)	—	—	—	(2,535)
Stock-based compensation	—	—	115,681	—	—	—	115,681
Dividends declared	—	—	—	(19,068)	—	—	(19,068)
Balance at March 31, 2023	125,287	$ 1,112	$ 1,411,892	$ 1,105,451	$ (1,840,591)	$ (7,522)	$ 670,342

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
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

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
(in thousands)	**2023**	**2022**
Cash flows from operating activities		
Net earnings (loss)	$ 47,330	$ (4,237)
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of rental merchandise	288,434	327,439
Bad debt expense	5,861	4,973
Stock-based compensation expense	115,681	41,410
Depreciation of property assets	16,609	18,247
Loss on sale or disposal of property assets	332	4,341
Amortization of intangibles	14,506	22,373
Amortization of financing fees	1,574	1,562
Deferred income taxes	(129,065)	(16,607)
Changes in operating assets and liabilities, net of acquired assets		
Rental merchandise	(232,944)	(165,303)
Receivables	4,232	220
Prepaid expenses and other assets	1,237	15,997
Operating lease right-of-use assets and lease liabilities	87	(3,259)
Accounts payable – trade	(36,795)	(4,951)
Accrued liabilities	8,338	(36,914)
Net cash provided by operating activities	105,417	205,291
Cash flows from investing activities		
Purchase of property assets	(9,534)	(16,403)
Proceeds from sale of property assets	3	6
Acquisitions of businesses	(39)	(324)
Net cash used in investing activities	(9,570)	(16,721)
Cash flows from financing activities		
Exercise of stock options	684	477
Shares withheld for payment of employee tax withholdings	(2,535)	(8,467)
Repayments of debt	(42,042)	(172,188)
Dividends paid	(25,515)	(21,105)
Net cash used in financing activities	(69,408)	(201,283)
Effect of exchange rate changes on cash	1,118	64
Net increase (decrease) in cash and cash equivalents	27,557	(12,649)
Cash and cash equivalents at beginning of period	144,141	108,333
Cash and cash equivalents at end of period	$ 171,698	$ 95,684

See accompanying notes to condensed consolidated financial statements.

Note 1 - Basis of Presentation

The interim condensed consolidated financial statements of Upbound Group, 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, 2022. 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, including those related to recent macroeconomic trends or other factors, may affect certain estimates and assumptions inherent in the financial reporting process, which may impact reported amounts of assets and liabilities in future periods and cause actual results to differ from those estimates.

Principles of Consolidation and Nature of Operations

The financial statements included herein include the accounts of Upbound Group, Inc. (formerly 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 "Upbound Group, Inc." refer only to Upbound Group, Inc., the parent, and references to the "Company", "we," "us" and "our" refer to the consolidated business operations of Upbound Group and any or all of its direct and indirect subsidiaries. We report four operating segments: Rent-A-Center Business, Acima, 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, and includes the operations of Acima Holdings and certain locations previously operating under our Preferred Lease brand, 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 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 Upbound Group, Inc., 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- Revenues

The following tables disaggregate our revenue:

	Three Months Ended March 31, 2023				
(in thousands)	Rent-A-Center Business	Acima	Mexico	Franchising	Consolidated
Store					
Rentals and fees	$ 426,069	$ 364,165	$ 16,483	$ —	$ 806,717
Merchandise sales	42,788	119,371	830	—	162,989
Installment sales	15,847	—	—	—	15,847
Other	304	311	117	713	1,445
Total store revenues	485,008	483,847	17,430	713	986,998
Franchise					
Merchandise sales	—	—	—	22,827	22,827
Royalty income and fees	—	—	—	6,236	6,236
Total revenues	$ 485,008	$ 483,847	$ 17,430	$ 29,776	$ 1,016,061

	Three Months Ended March 31, 2022				
(In thousands)	Rent-A-Center Business	Acima	Mexico	Franchising	Consolidated
Store					
Rentals and fees	$ 442,695	$ 425,471	$ 14,881	$ —	$ 883,047
Merchandise sales	58,294	173,783	804	—	232,881
Installment sales	17,089	—	—	—	17,089
Other	427	123	27	713	1,290
Total store revenues	518,505	599,377	15,712	713	1,134,307
Franchise					
Merchandise sales	—	—	—	18,521	18,521
Royalty income and fees	—	—	—	6,894	6,894
Total revenues	$ 518,505	$ 599,377	$ 15,712	$ 26,128	$ 1,159,722

Lease Purchase Agreements

Rent-A-Center Business, Acima, and Mexico

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

Lease payments received at our Rent-A-Center Business stores, certain Acima staffed locations formerly operating under the Preferred Lease brand, and Mexico stores must be prepaid in advance of the next lease term. Under the Acima Holdings business model, revenues may be earned prior to the lease payment due date, in which case revenue is accrued prior to receipt of the lease payment, net of estimated returns and uncollectible renewal payments. Under both models, rental revenue is recognized over the lease term. See Note 3 for additional information regarding accrued lease revenue.

Cash received for rental payments, including fees, prior to the period in which it should be recognized, is deferred and recognized according to the lease term. At March 31, 2023 and December 31, 2022, we had $49.0 million and $54.9 million, respectively, in deferred revenue included in accrued liabilities related to our lease-to-own agreements. Revenue related to various payment, reinstatement or late fees is recognized when paid by the customer at the point service is provided. Rental merchandise in our Rent-A-Center Business, certain Acima staffed locations formerly operating under the Preferred Lease brand, and Mexico stores is depreciated using the income forecasting method and recognized in cost of rentals and fees in our Consolidated Statement of Operations over the lease term. Lease merchandise under Acima Holdings is depreciated over the lease term using a straight-line depreciation method. Under the income forecasting method, the consumption of lease merchandise occurs during periods of rental and depreciation directly coincides with the receipt of rental revenue over the lease-to-own contract period. Depreciation under the straight-line method is recognized each period over the term of the lease-to-own contract irrespective of receipt of revenue payments from the customer.

We also offer additional product plans along with our lease-to-own agreements which provide customers with liability protection against significant damage or loss of a product, and club membership benefits, including various discount programs and product service and replacement benefits in the event merchandise is damaged or lost, and payment 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 options offered through our lease-to-own agreements or merchandise sold through point of sale transactions. Revenue for merchandise sales is recognized when payment is received and ownership of the merchandise passes to the customer. The remaining net value of merchandise sold is recorded to cost of sales at the time of the transaction.

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 March 31, 2023 and December 31, 2022, we had $1.7 million and $2.0 million, respectively, in deferred revenue included in accrued liabilities related to extended service plans.

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

Franchising

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

Royalty Income and Fees. Franchise royalties, including franchisee contributions to corporate advertising funds, represent sales-based royalties calculated as a percentage of gross rental payments and sales. Royalty revenue is accrued and recognized as rental payments and merchandise sales occur. Franchise fees are initial fees charged to franchisees for new or converted franchise stores. Franchise fee revenue is recognized on a straight-line basis over the term of the franchise agreement. At March 31, 2023 and December 31, 2022, we had $3.2 million and $3.4 million, respectively, in deferred revenue included in accrued liabilities related to franchise fees.

Note 3 - Receivables and Allowance for Doubtful Accounts

Installment sales receivables consist primarily of receivables due from customers for the sale of merchandise in our retail installment stores. Installment sales receivables associated with the sale of merchandise at our Get It Now and Home Choice stores generally consist of the sales price of the merchandise purchased and any additional fees for services the customer has chosen, less the customer’s down payment. No interest is accrued and interest income is recognized each time a customer makes a payment, generally on a monthly basis. Interest paid on installment agreements for each of the three months ended March 31, 2023 and 2022 was $3.0 million and $3.1 million, respectively.

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

Receivables consist of the following:

(in thousands)	March 31, 2023	December 31, 2022
Installment sales receivables	$ 67,035	$ 69,550
Trade and notes receivables[1]	47,674	55,529
Total receivables	114,709	125,079
Less allowance for doubtful accounts[2]	(12,937)	(13,214)
Total receivables, net of allowance for doubtful accounts	$ 101,772	$ 111,865

[1] Trade and notes receivables includes accrued revenue, adjusted for the probability of collection, related to our lease-to-own agreements of $21.9 million and $28.7 million at March 31, 2023 and December 31, 2022, respectively.
[2] Lease receivables are accrued on a net basis, adjusted for the probability of collection based on our assessment of historical collection rates, as described above. Therefore, we do not maintain a separate allowance for doubtful accounts related to our lease receivables.

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

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

The allowance for doubtful accounts related to Franchising trade and notes receivables was $0.9 million and $1.2 million, and the allowance for doubtful accounts related to installment sales receivables was $12.0 million at both March 31, 2023 and December 31, 2022.

Changes in our allowance for doubtful accounts are as follows:

(in thousands)	March 31, 2023
Beginning allowance for doubtful accounts	$ 13,214
Bad debt expense[1]	5,861
Accounts written off, net of recoveries	(6,138)
Ending allowance for doubtful accounts	$ 12,937

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

Note 4 - Leases

We lease space for all of our Rent-A-Center Business and Mexico stores under operating leases expiring at various times through 2038. 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 years 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 March 31,	
(in thousands)	**2023**	**2022**
Operating lease cost included in Other store expenses[(1)(2)]	$ 31,337	$ 31,594
Operating lease cost included in Other charges[(2)]	—	23
Sublease receipts	(1,260)	(2,165)
Total operating lease charges	$ 30,077	$ 29,452

(1) Includes short-term lease costs, which are not significant.
(2) Excludes variable lease costs of $9.4 million and $8.7 million for the three months ended March 31, 2023 and 2022, respectively.

Supplemental cash flow information related to leases:

	Three Months Ended March 31,	
(in thousands)	**2023**	**2022**
Cash paid for amounts included in measurement of operating lease liabilities	$ 26,523	$ 26,090
Cash paid for short-term operating leases not included in operating lease liabilities	4,550	4,861
Right-of-use assets obtained in exchange for new operating lease liabilities	19,416	28,638

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

(in thousands)	**March 31, 2023**	**December 31, 2022**
Weighted-average discount rate[(1)]	7.3 %	7.0 %
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 March 31, 2023:

(in thousands)	**Operating Leases**
2023	$ 80,631
2024	94,594
2025	76,210
2026	51,674
2027	30,786
Thereafter	22,424
Total undiscounted operating lease liabilities	356,319
Less: Interest	(52,256)
Total present value of operating lease liabilities	$ 304,063

Note 5 - Income Taxes

The effective tax rate was 175.4% for the three months ended March 31, 2023, compared to 46.2% for the corresponding period in 2022. The effective tax rate for the three months ended March 31, 2023 was primarily attributable to the tax impact of accelerated stock compensation expense recognized for the three months ended March 31, 2023 related to restricted stock agreements issued to the former owners of Acima Holdings upon acquisition of Acima Holdings, as described further in Note 11 below. For tax purposes, restricted stock units subject to restricted stock agreements issued to the former owners of Acima Holdings were recorded as goodwill and will be amortized over a period of 15 years.

Note 6 - 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.

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

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

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

As of March 31, 2023, 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 $15.3 million and $2.3 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 $817.6 million at March 31, 2023. In addition, we had $90.0 million of outstanding borrowings under our ABL Credit Facility at March 31, 2023 and borrowing capacity of $397.1 million, net of outstanding borrowings and issued letters of credit of approximately $62.9 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 8.125% at March 31, 2023. 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 governing documents of the Term Loan.

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

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

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 Term SOFR plus an applicable margin of 1.50% to 2.00%. The total interest rate on the ABL Credit Facility at March 31, 2023 was 6.635%. A commitment fee equal to 0.250% to 0.375% of the unused portion of the ABL Credit Facility fluctuates dependent upon average utilization for the prior month as defined by a pricing grid included in the governing documents of the ABL Credit Facility. The commitment fee at March 31, 2023 was 0.375%. We paid $0.7 million of commitment fees during the first quarter of 2023.

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

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

The ABL Credit Facility also requires the maintenance of a consolidated fixed charge coverage ratio of at least 1.10 to 1.00 at the end of each fiscal quarter only in the event either (i) certain specified events of default have occurred and are continuing or (ii) availability is less than or equal to the greater of $56.25 million and 15% of the line cap then in effect. These covenants are subject to a number of limitations and exceptions set forth in the governing documents of the ABL Credit Facility. The fixed charge coverage ratio as of March 31, 2023 was 1.16 to 1.00.

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

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

(in thousands)	Term Loan Facility(1)	ABL Credit Facility	Total
2023	$ —	$ —	$ —
2024	—	—	—
2025	—	—	—
2026	—	90,000	90,000
2027	1,708	—	1,708
Thereafter	815,938	—	815,938
Total senior debt	$ 817,646	$ 90,000	$ 907,646

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

Note 7 - 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. 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 March 31, 2023, the total remaining balance of unamortized debt issuance costs related to our senior notes reported in the Condensed Consolidated Balance Sheets was approximately $11.6 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 8 - 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 March 31, 2023 and December 31, 2022, because of the short maturities of these instruments. In addition, the interest rates on our Term Loan Facility and ABL Credit Facility are variable and, therefore, we believe the carrying value of outstanding borrowings approximates their fair value.

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

	March 31, 2023		
(in thousands)	Carrying Value	Fair Value	Difference
Senior notes	$ 450,000	$ 376,875	$ (73,125)

Note 9 - Other Charges

Acima Holdings Acquisition. 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 three months ended March 31, 2023 and 2022, we recognized approximately $109.5 million and $36.6 million in stock compensation expense, respectively, related to these restricted stock agreements. See Note 11 for additional information.

The fair value of assets acquired as part of the transaction included $520 million in intangible assets and $170 million in developed technology. During the three months ended March 31, 2023 and 2022, we recognized approximately $14.2 million and $22.1 million in amortization expense, respectively, related acquired intangible assets. We also recognized approximately $4.0 million in incremental depreciation expense related to acquired technology assets in both the three months ended March 31, 2023 and 2022.

During the three months ended March 31, 2022, we recognized approximately $0.2 million in transaction costs associated with the closing of the transaction.

Activity with respect to Other charges for the three months ended March 31, 2023 is summarized in the below table:

(in thousands)	Accrued Charges at December 31, 2022	Charges & Adjustments	Payments & Adjustments	Accrued Charges at March 31, 2023
Cash charges:				
Labor reduction costs[(1)]	2,202	—	(768)	1,434
Total cash charges	$ 2,202	—	$ (768)	$ 1,434
Non-cash charges:				
Acima Holdings restricted stock agreements[(2)]		109,473		
Depreciation and amortization of acquired assets[(3)]		18,234		
Other		(137)		
Total other charges		$ 127,570		

(1) Represents charges incurred and payments 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 11.
(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 in 2021.

Note 10 - 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 months ended March 31, 2023 and 2022 is as follows:

	Three Months Ended March 31,	
(in thousands)	2023	2022
Revenues		
Rent-A-Center Business	$ 485,008	$ 518,505
Acima	483,847	599,377
Mexico	17,430	15,712
Franchising	29,776	26,128
Total revenues	$ 1,016,061	$ 1,159,722

	Three Months Ended March 31,	
(in thousands)	2023	2022
Gross profit		
Rent-A-Center Business	$ 331,725	$ 363,380
Acima	155,144	164,228
Mexico	12,391	11,101
Franchising	7,004	7,386
Total gross profit	$ 506,264	$ 546,095

	Three Months Ended March 31,	
(in thousands)	2023	2022
Operating (loss) profit		
Rent-A-Center Business	$ 68,961	$ 100,176
Acima	53,870	9,600
Mexico	995	2,066
Franchising	4,760	4,790
Total segments	128,586	116,632
Corporate[1]	(163,699)	(105,589)
Total operating (loss) profit	$ (35,113)	$ 11,043

[1] Includes stock compensation expense of $109.5 million and $36.6 million recognized for the three months ended March 31, 2023 and 2022, respectively, 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 11.

(in thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Depreciation and amortization		
Rent-A-Center Business	$ 4,970	$ 6,413
Acima[1]	427	582
Mexico	242	149
Franchising	38	37
Total segments	5,677	7,181
Corporate[2]	7,204	7,348
Total depreciation and amortization	$ 12,881	$ 14,529

[1] Excludes amortization expense of approximately $14.2 million and $22.1 million for the three months ended March 31, 2023 and 2022, respectively, 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 9 for additional information.
[2] Excludes depreciation expense of approximately $4.0 million for both the three months ended March 31, 2023 and 2022, recorded to Other charges in the Condensed Consolidated Statement of Operations, related to software acquired upon closing of the Acima Holdings acquisition. See Note 9 for additional information.

(in thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Capital expenditures		
Rent-A-Center Business	$ 2,977	$ 13,408
Acima	58	46
Mexico	716	222
Franchising	1	112
Total segments	3,752	13,788
Corporate	5,782	2,615
Total capital expenditures	$ 9,534	$ 16,403

(in thousands)	March 31, 2023	December 31, 2022
On rent rental merchandise, net		
Rent-A-Center Business	$ 450,162	$ 465,095
Acima	472,550	503,795
Mexico	20,775	20,979
Total on rent rental merchandise, net	$ 943,487	$ 989,869

(in thousands)	March 31, 2023	December 31, 2022
Held for rent rental merchandise, net		
Rent-A-Center Business	$ 116,936	$ 124,117
Acima	605	373
Mexico	9,221	10,469
Total held for rent rental merchandise, net	$ 126,762	$ 134,959

(in thousands)	March 31, 2023	December 31, 2022
Assets by segment		
Rent-A-Center Business	$ 1,003,245	$ 1,067,875
Acima	1,135,502	1,198,879
Mexico	53,854	51,225
Franchising	18,009	18,194
Total segments	2,210,610	2,336,173
Corporate	530,515	427,446
Total assets	$ 2,741,125	$ 2,763,619

Note 11 - 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 three months ended March 31, 2023 or 2022, and approximately $285.0 million are remaining under the current authorization available for repurchases at March 31, 2023.

We recognized $6.2 million and $4.9 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 March 31, 2023 and 2022, respectively. During the three months ended March 31, 2023, we granted approximately 599,397 market-based performance units and 340,546 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 three months ended March 31, 2023 was $32.30 and $26.18, respectively.

In connection with the acquisition of Acima Holdings, LLC in 2021, we issued to the former owners of Acima Holdings 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" and recorded to Other charges in our unaudited Condensed Consolidated Statements of Operations. We recognized $109.5 million and $36.6 million in stock compensation expense related to these restricted stock agreements during the three months ended March 31, 2023 and 2022, respectively. Stock compensation expense recognized during the three months ended March 31, 2023 for these restricted stock agreements included $78.4 million attributable to the acceleration of vesting provisions, primarily related to Aaron Allred's transition from Executive Vice President of Acima to an advisory role.

Note 12 - 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 agreed to indemnify Upbound Group, Inc. 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 were limited to an indemnity holdback in the aggregate amount of $50 million, which was escrowed at the closing of the transaction, and will be Upbound Group, Inc.'s sole recourse against the former owners of Acima Holdings with respect to all of the indemnifiable claims under the definitive transaction agreement. In respect of certain pre-closing taxes, a portion of the escrowed funds were released to Acima Holdings' former owners on the first business day following the date that was 18 months after the closing date of the transaction, in accordance with the definitive agreement. In respect of the CID, other than with respect to any then-pending or unresolved claims for indemnification submitted by Upbound Group, Inc., remaining escrowed funds of $45 million will be released 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.

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.

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.

New York Attorney General. The New York Attorney General (the "NYAG") issued a subpoena to our Acima subsidiary in January 2020 seeking information with respect to various business practices in connection with Acima's lease-to-own transactions. Acima received a second subpoena from the NYAG in August 2021. Since receiving the subpoenas, we have cooperated with the NYAG in connection with its investigation. In March 2023, the NYAG provided Acima with an initial proposed assurance of discontinuance alleging violations of certain consumer laws and seeking injunctive provisions regarding certain business practices, compliance requirements and unspecified payment amounts for restitution and civil penalties. We are continuing to cooperate and discuss resolution of this matter with the NYAG. We are currently unable to predict the ultimate timing or outcome of the NYAG investigation.

Note 13 - Earnings (Loss) Per Common Share

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

	Three Months Ended March 31,	
(in thousands, except per share data)	**2023**	**2022**
Numerator:		
Net earnings (loss)	$ 47,330	$ (4,237)
Denominator:		
Weighted-average shares outstanding	55,157	53,751
Effect of dilutive stock awards[(1) (2)]	1,280	—
Weighted-average dilutive shares	56,437	53,751
Basic earnings (loss) per common share	$ 0.86	$ (0.08)
Diluted earnings (loss) per common share[(1) (2)]	$ 0.84	$ (0.08)
Anti-dilutive securities excluded from diluted earnings (loss) per common share:		
Anti-dilutive restricted share units	336	5,959
Anti-dilutive performance share units	790	984
Anti-dilutive stock options	418	1,068

(1) Weighted-average dilutive shares outstanding for the three months ended March 31, 2023 and 2022, includes approximately 0.7 million and 5.2 million common shares, respectively, issued in connection with the acquisition of Acima Holdings and subject to vesting conditions under restricted stock agreements.

(2) There was no dilutive effect to the loss per common share for the three months ended March 31, 2022 due to the net loss incurred for the period.

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 impact of ongoing challenging macro-economic conditions 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 our 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, 2022 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;
- the impact of the COVID-19 pandemic and subsequent post pandemic impacts 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 and to other consumers, impacts from the continued inflation, central bank monetary policy initiatives to address inflation concerns, and possible recession or slowdown in economic growth;
- factors affecting the disposable income available to our current and potential customers;
- changes in the unemployment rate;
- capital market conditions, including availability of funding sources for us;
- changes in our credit ratings;
- difficulties encountered in improving the financial and operational performance of our business segments;

- risks associated with pricing changes and strategies being deployed in our businesses;
- our ability to continue to 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;
- our ability to identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies;
- failure to manage our store labor and other store expenses, including merchandise losses;
- disruptions caused by the operation of our store information management systems or disruptions in the systems of our host retailers;
- risks related to our virtual lease-to-own business, including our ability to continue to develop and successfully implement the necessary technologies;
- our ability to achieve the benefits expected from our integrated virtual and staffed retail partner offering and to successfully grow this business segment;
- exposure to potential operating margin degradation due to the higher cost of merchandise 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;
- impairment of our goodwill or other intangible assets;
- disruptions in our supply chain;
- limitations of, or disruptions in, our distribution network;
- rapid inflation or deflation in the prices of our products and other related costs;
- allegations of product safety and quality control issues, including recalls;
- our ability to execute, as well as the effectiveness of, store consolidations, including our ability to retain the revenue from customer accounts merged into another store location as a result of a store consolidation;
- our available cash flow and our ability to generate sufficient cash flow to continue paying dividends;
- increased competition from traditional competitors, virtual lease-to-own competitors, online retailers, Buy-Now-Pay-Later and other fintech companies and other competitors, including subprime lenders;
- our ability to identify and successfully market products and services that appeal to our current and future targeted customer segments and to accurately estimate the size of the total addressable market;
- consumer preferences and perceptions of our brands;
- our ability to 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;
- 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, 2022 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 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 "UPBD."

Executive Summary

Our Strategy

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

- Develop centers of excellence that will be leveraged across the organization to support the various business segments, utilizing best practices and drive efficiency and growth;
- Maximize Rent-A-Center brand awareness and customer loyalty by accelerating the shift to e-commerce, expanding product categories, and improving the fully integrated, omni-channel customer experience;
- Grow penetration with current Acima merchants and attract new merchants to our platform;
- Enhance, upgrade and integrate technology platforms to allow for a seamless consumer experience, merchant and third-party waterfall integration, and simplify transaction process for the consumer;
- Leverage data analytics capabilities to attract new customers, approve more customers and mitigate risk across all business segments; and
- Execute on market opportunities and enhancing our competitive position across both traditional and virtual lease-to-own solutions, and implement complimentary products and services that supplement our current offering and provides our customers more financial alternatives.

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

Recent Developments

Corporate Name Change. On February 22, 2023, we announced the change of our corporate name to Upbound Group, Inc., which trades under the ticker "UPBD."

Dividend. On March 24, 2023, we announced that our board of directors approved a quarterly cash dividend of $0.34 per share for the second quarter of 2023. The dividend was paid on April 24, 2023 to our common stockholders of record as of the close of business on April 5, 2023.

Business and Operational Trends

Macroeconomic Conditions. Beginning in the first quarter of 2020, the worldwide spread of COVID-19 caused significant disruptions to the U.S. and world economies. 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 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.

In the third quarter of 2021 we began to experience negative customer behavioral trends, including increases in delinquent payments and merchandise loss activity, resulting in declining revenues and increased operating expenses, respectively. These negative trends continued to accelerate in the fourth quarter of 2021, following the expiration of government stimulus and relief programs combined with a significant rise in the US consumer price index, resulting in significant pressure on the discretionary income levels of our consumers. This led us to tighten our underwriting policies in an effort to improve risk management related to the execution of new leases. The continuation of the above trends combined with the tightening of our underwriting policies has reduced the number of active leases with corresponding decreases in lease revenue and operating cash flows.

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

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

See “Risk Factors” in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2022, for additional discussion of operational impacts to our business and additional risks associated with COVID-19 and other macroeconomic conditions.

Rent-A-Center Business E-commerce revenue. In recent years, e-commerce revenues have continued to increase as a percentage of total revenue in our Rent-A-Center Business segment. For the three months ended March 31, 2023 e-commerce revenues represented approximately 25% of total lease-to-own store revenues compared to 23% for the three months ended March 31, 2022. Due to recent trends in consumer shopping behaviors and expectations, we believe e-commerce solutions are an important part of our lease-to-own offering. However, we are unable to quantify the extent to which e-commerce revenues are incremental compared to what our overall revenues would have been in the absence of those e-commerce transactions. In addition, the profitability of e-commerce transactions can be impacted by different merchandise loss factors compared to traditional store-based transactions in the Rent-A-Center Business segment. Therefore, we are unable to determine with certainty whether the continuation of this trend toward increased e-commerce transactions will have a significant impact to our financial statements in future periods or be favorable or unfavorable to our financial results.

Results of Operations

The following discussion focuses on our results of operations and our liquidity and capital resources. You should read this discussion in conjunction with the condensed consolidated financial statements and notes thereto for the three months ended March 31, 2023 included in Part I, Item I of this Quarterly Report on Form 10-Q.

Key Metrics

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

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

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

Skip / Stolen Losses: Represents the charge-off of the depreciated value of unrecoverable on-rent merchandise with lease-to-own customers who are past due.

Overview

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

During the first three months of 2023, consolidated revenues decreased approximately $143.7 million, while operating profit decreased approximately $46.2 million, primarily due to a decrease in gross profit of $39.8 million driven by lower revenues and an increase in operating expenses of $6.3 million described further below.

Revenues in our Rent-A-Center Business segment decreased approximately $33.5 million for the three months ended March 31, 2023 due to a 6.6% decrease in same store sales primarily due to decreases in rentals and fees revenues and merchandise sales of $16.6 million and $15.5 million, respectively, primarily attributable to a decrease in our lease portfolio balance and fewer customers electing early payout options. Operating profit decreased approximately $31.2 million for the three months ended March 31, 2023, primarily due to lower revenues described above. See "Segment Performance" below for further discussion of Rent-A-Center Business segment operating results for the three months ended March 31, 2023.

The Acima segment revenues decreased approximately $115.5 million for the three months ended March 31, 2023, due to decreases in rentals and fees revenues and merchandise sales of $61.3 million and $54.4 million, respectively, resulting from lower durable goods demand, as a consequence of higher demand in prior years due to government stimulus programs, in addition to continued pressure on consumer discretionary income due to higher inflation. Operating profit increased approximately $44.3 million for the three months ended March 31, 2023, primarily due to decreases in other store expenses and labor costs of approximately $37.1 million and $7.3 million, respectively, primarily attributable to lower merchandise losses and a decrease in operational headcount. See "Segment Performance" below for further discussion of Acima segment operating results for the three months ended March 31, 2023.

The Mexico segment revenues increased by 10.9% for the three months ended March 31, 2023, contributing to an increase in gross profit of 11.6%, or $1.3 million. Operating profit, however, decreased $1.1 million for the three months ended March 31, 2023, primarily due to an increase in other store expenses of $1.7 million. See "Segment Performance" below for further discussion of Mexico segment operating results for the three months ended March 31, 2023.

Revenues for the Franchising segment increased $3.6 million for the three months ended March 31, 2023, primarily due to an increase in inventory purchases by franchisees.

Cash flow from operations was $105.4 million for the three months ended March 31, 2023. As of March 31, 2023, we held $171.7 million of cash and cash equivalents and had outstanding indebtedness of $1.4 billion.

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

(dollar amounts in thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change $	Change %
Revenues				
Store				
Rentals and fees	$ 806,717	$ 883,047	$ (76,330)	(8.6)%
Merchandise sales	162,989	232,881	(69,892)	(30.0)%
Installment sales	15,847	17,089	(1,242)	(7.3)%
Other	1,445	1,290	155	12.0 %
Total store revenue	986,998	1,134,307	(147,309)	(13.0)%
Franchise				
Merchandise sales	22,827	18,521	4,306	23.2 %
Royalty income and fees	6,236	6,894	(658)	(9.5)%
Total revenues	1,016,061	1,159,722	(143,661)	(12.4)%
Cost of revenues				
Store				
Cost of rentals and fees	297,146	338,633	(41,487)	(12.3)%
Cost of merchandise sold	184,260	250,331	(66,071)	(26.4)%
Cost of installment sales	5,619	5,921	(302)	(5.1)%
Total cost of store revenues	487,025	594,885	(107,860)	(18.1)%
Franchise cost of merchandise sold	22,772	18,742	4,030	21.5 %
Total cost of revenues	509,797	613,627	(103,830)	(16.9)%
Gross profit	506,264	546,095	(39,831)	(7.3)%
Operating expenses				
Store expenses				
Labor	156,489	166,603	(10,114)	(6.1)%
Other store expenses	196,711	227,369	(30,658)	(13.5)%
General and administrative expenses	47,726	56,403	(8,677)	(15.4)%
Depreciation and amortization	12,881	14,529	(1,648)	(11.3)%
Other charges	127,570	70,148	57,422	81.9 %
Total operating expenses	541,377	535,052	6,325	1.2 %
Operating (loss) profit	(35,113)	11,043	(46,156)	(418.0)%
Interest, net	27,680	18,925	8,755	46.3 %
Loss before income taxes	(62,793)	(7,882)	(54,911)	(696.7)%
Income tax benefit	(110,123)	(3,645)	(106,478)	(2,921.2)%
Net earnings (loss)	$ 47,330	$ (4,237)	$ 51,567	1,217.1 %

Three Months Ended March 31, 2023, compared to Three Months Ended March 31, 2022

Store Revenue. Total store revenue decreased by $147.3 million, or 13.0%, to $987.0 million for the three months ended March 31, 2023, from $1,134.3 million for the three months ended March 31, 2022. This decrease was primarily due to decreases of approximately $115.5 million and $33.5 million in revenues in the Acima and Rent-A-Center Business segments, respectively, as discussed further in the "Segment Performance" section 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 March 31, 2023, decreased by $41.5 million, or 12.3%, to $297.1 million as compared to $338.6 million in 2022. The decrease was primarily attributable to a decrease of approximately $45.5 million in the Acima segment, partially offset by an increase of approximately $3.6 million in the Rent-A-Center Business segment. Cost of rentals and fees expressed as a percentage of rentals and fees revenue was 36.8% for the three months ended March 31, 2023, as compared to 38.3% in 2022.

Cost of Merchandise Sold. Cost of merchandise sold decreased by $66.0 million, or 26.4%, to $184.3 million for the three months ended March 31, 2023, from $250.3 million in 2022, primarily attributable to decreases of $61.0 million and $5.1 million in the Acima and Rent-A-Center Business segments, respectively, driven by fewer customers electing early payout options. The gross margin percent of merchandise sales decreased to (13.1)% for the three months ended March 31, 2023, from (7.5)% in 2022, primarily due to fewer customers electing early payout options.

Gross Profit. Gross profit decreased by $39.8 million, or 7.3%, to $506.3 million for the three months ended March 31, 2023, from $546.1 million in 2022, primarily due to decreases of $31.7 million and $9.1 million in the Rent-A-Center Business and Acima segments, respectively, as discussed further in the "Segment Performance" section below. Gross profit as a percentage of total revenue increased to 49.8% for the three months ended March 31, 2023, as compared to 47.1% in 2022.

Store Labor. Store labor decreased by $10.1 million, or 6.1%, to $156.5 million, for the three months ended March 31, 2023, as compared to $166.6 million in 2022, primarily due to decreases of $7.3 million and $3.4 million in the Acima and Rent-A-Center Business segments, respectively, driven by lower operating headcount. Store labor expressed as a percentage of total store revenue was 15.9% for the three months ended March 31, 2023, as compared to 14.7% in 2022.

Other Store Expenses. Other store expenses decreased by $30.7 million, or 13.5%, to $196.7 million for the three months ended March 31, 2023, as compared to $227.4 million in 2022, primarily due to a decrease of $37.1 million in the Acima segment driven by a decrease in customer stolen merchandise losses, partially offset by an increase of $4.7 million in the Rent-A-Center Business segment driven by higher customer stolen merchandise losses. Please reference the "Segment Performance" section below for additional discussion of segment merchandise losses. Other store expenses expressed as a percentage of total store revenue were 19.9% for the three months ended March 31, 2023, compared to 20.0% in 2022.

General and Administrative Expenses. General and administrative expenses decreased by $8.7 million, or 15.4%, to $47.7 million for the three months ended March 31, 2023, as compared to $56.4 million in 2022, primarily due to lower corporate headcount and other professional fees. General and administrative expenses expressed as a percentage of total revenue were 4.7% and 4.9% for the three months ended March 31, 2023 and 2022, respectively.

Other Charges. Other charges increased by $57.5 million, or 81.9%, to $127.6 million for the three months ended March 31, 2023, as compared to $70.1 million in 2022. Other charges for the three months ended March 31, 2023 primarily included $109.5 million in stock compensation expense related to the vesting of a portion of the equity consideration issued in the acquisition of Acima Holdings and $18.2 million in depreciation and amortization of acquired software and intangible assets. Other charges for the three months ended March 31, 2022 primarily included $36.6 million related to the vesting of a portion of the equity consideration issued in the acquisition of Acima Holdings, $26.1 million in depreciation and amortization of acquired software and intangible assets and $4.2 million in asset impairment.

Operating (Loss) Profit. Operating profit decreased by $46.1 million, to $(35.1) million for the three months ended March 31, 2023, as compared to $11.0 million in 2022, primarily due to the decreases in gross profit of $39.8 million described above and a net increase of $6.3 million in operating expenses, driven by an increase in other charges, partially offset by lower labor costs, other store expenses, and general and administrative expenses. Operating loss expressed as a percentage of total revenue was (3.5)% for the three months ended March 31, 2023, compared to 1.0% in 2022.

Income Tax Benefit. Income tax benefit for the three months ended March 31, 2023 was $110.1 million, as compared to $3.6 million in 2022, primarily due to the tax impact of accelerated stock compensation expense recognized for the three months ended March 31, 2023 related to restricted stock agreements issued to the former owners of Acima Holdings upon acquisition of Acima Holdings, as described in the Other Charges section above. For tax purposes, restricted stock units subject to restricted stock agreements issued to the former owners of Acima Holdings were recorded as goodwill and will be amortized over a period of 15 years.

Segment Performance

Rent-A-Center Business segment

(dollar amounts in thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change $	Change %
Revenues	$ 485,008	$ 518,505	$ (33,497)	(6.5)%
Gross profit	331,725	363,380	(31,655)	(8.7)%
Operating profit	68,961	100,176	(31,215)	(31.2)%
Lease portfolio balance[1]	140,205	144,896	(4,691)	(3.2)%
Change in same store revenue[1]				(6.6)%
Stores in same store revenue calculation				1,781

[1] See Key Metrics described above for additional information

Revenues. The decrease in revenue for the three months ended March 31, 2023, as compared to 2022, were primarily due to decreases in same store sales of 6.6%, driven by decreases in rentals and fees revenues and merchandise sales of $16.6 million $15.5 million, respectively, primarily attributable to a decrease in our lease portfolio balance, and fewer customers electing early payout options. The segment lease portfolio balance as of March 31, 2023 decreased 3.2% compared to the balance as of March 31, 2022.

Gross Profit. Gross profit decreased for the three months ended March 31, 2023, as compared to 2022, driven primarily by the decrease in revenues described above. Gross profit as a percentage of segment revenues was 68.4% for the three months ended March 31, 2023, as compared to 70.1% for the corresponding period in 2022, primarily due to mix-shift changes between lease merchandise product categories.

Operating Profit. Operating profit as a percentage of segment revenues was 14.2% for the three months ended March 31, 2023, compared to 19.3% for the corresponding period in 2022. The decrease in operating margin for the three months ended March 31, 2023, as compared to 2022, was primarily driven by decreases in revenues and gross profit described above, in addition to higher merchandise losses. 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 4.8% for the three months ended March 31, 2023, compared to 3.9% for the corresponding period in 2022. 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 1.4% for the three months ended March 31, 2023, compared to approximately 1.7% for the corresponding period in 2022. Other merchandise losses include unrepairable and missing merchandise, and loss/damage waiver claims.

Acima segment

(dollar amounts in thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change $	Change %
Revenues	$ 483,847	$ 599,377	$ (115,530)	(19.3)%
Gross profit	155,144	164,228	(9,084)	(5.5)%
Operating profit	53,870	9,600	44,270	461.1 %
Gross merchandise volume[1]	348,175	398,309	(50,134)	(12.6)%

[1] See Key Metrics described above for additional information

Revenues. The decrease in revenues for the three months ended March 31, 2023, as compared to 2022, was primarily due to decreases in rentals and fees and merchandise sales of $61.3 million and $54.4 million, respectively. Decreases in revenue reflect lower durable goods demand, as a consequence of higher demand in prior years due to government stimulus programs, in addition to continued pressure on consumer discretionary income due to higher inflation.

Gross Profit. Gross profit as a percentage of segment revenues increased to 32.1% for the three months ended March 31, 2023, compared to 27.4% and for the corresponding period in 2022, primarily due to fewer customers executing early purchase options.

Operating Profit. Operating profit as a percentage of segment revenues increased to 11.1% for the three months ended March 31, 2023 compared to 1.6% for the three months ended March 31, 2022. Operating profit margin increased for the three months ended March 31, 2023 as compared to the same period in 2022, primarily due to lower customer stolen merchandise losses of approximately $37.1 million, lower labor costs of approximately $7.3 million, and lower amortization of intangible assets of approximately $7.5 million, partially offset by lower revenues and gross profit described above. Charge-offs in our Acima locations due to customer stolen merchandise, expressed as a percentage of revenues, were approximately 8.9% for the three months ended March 31, 2023, compared to 12.6% for the three months ended March 31, 2022. Charge-offs in our Acima locations due to other merchandise losses, expressed as a percentage of revenues, were approximately 0.2% for the three months ended March 31, 2023, compared to 0.1% for the corresponding period in 2022.

Mexico segment

	Three Months Ended March 31,		Change	
(dollar amounts in thousands)	**2023**	**2022**	**$**	**%**
Revenues	$ 17,430	$ 15,712	$ 1,718	10.9 %
Gross profit	12,391	11,101	1,290	11.6 %
Operating profit	995	2,066	(1,071)	(51.8)%
Change in same store revenue[1]				(1.5)%
Stores in same store revenue calculation				107

[1] See Key Metrics described above for additional information

Revenues. Revenues were positively impacted by exchange rate fluctuations of approximately $1.5 million for the three months ended March 31, 2023, as compared to the same period in 2022. On a constant currency basis, revenues for the three months ended March 31, 2023 increased approximately $0.2 million, compared to the corresponding period in 2022.

Gross Profit. Gross profit was positively impacted by exchange rate fluctuations of approximately $1.1 million for the three months ended March 31, 2023, as compared to the same periods in 2022. On a constant currency basis, gross profit for the three months ended March 31, 2023 increased by approximately $0.2 million as compared to the same periods in 2022. Gross profit as a percentage of segment revenues was 71.1% for the three months ended March 31, 2023, compared to 70.7% for the corresponding periods in 2022.

Operating Profit. Operating profit for the three months ended March 31, 2023 was minimally impacted by exchange rate fluctuations as compared to the same periods in 2022. Operating profit as a percentage of segment revenues decreased to 5.7% for the three months ended March 31, 2023, compared to 13.1% for the corresponding periods in 2022, primarily due to higher customer stolen merchandise losses.

Franchising segment

	Three Months Ended March 31,		Change	
(dollar amounts in thousands)	**2023**	**2022**	**$**	**%**
Revenues	$ 29,776	$ 26,128	$ 3,648	14.0 %
Gross profit	7,004	7,386	(382)	(5.2)%
Operating profit	4,760	4,790	(30)	(0.6)%

Revenues. Revenues increased for the three months ended March 31, 2023 compared to the corresponding period in 2022, primarily due to an increase of $4.3 million in merchandise purchases by franchisees.

Gross Profit. Gross profit as a percentage of segment revenues was 23.5% for the three months ended March 31, 2023, compared to 28.3% for the corresponding period in 2022, primarily due to a higher allocation of merchandise sales compared to royalty and fee revenue.

Operating Profit. Operating profit as a percentage of segment revenues was 16.0% for the three months ended March 31, 2023 compared to 18.3% for the corresponding period in 2022, primarily due to the decrease in gross profit described above.

Liquidity and Capital Resources

Overview. For the three months ended March 31, 2023, we generated $105.4 million in operating cash flow, and used cash in the amount of $42.0 million for debt repayments, $25.5 million for dividends and $9.5 million for capital expenditures. We ended the first quarter of 2023 with $171.7 million of cash and cash equivalents and outstanding indebtedness of $1.4 billion.

Analysis of Cash Flow. Cash provided by operating activities decreased by $99.9 million to $105.4 million for the three months ended March 31, 2023, from $205.3 million in 2022, primarily due to an increase in inventory purchases partially offset by an increase in net earnings of approximately $51.6 million.

Cash used in investing activities decreased to $9.6 million for the three months ended March 31, 2023, compared to $16.7 million in 2022, primarily due to lower investment in store-related assets in our Rent-A-Center Business segment, partially offset by additional investment in Corporate software assets for the three months ended March 31, 2023.

Cash used in financing activities was $69.4 million for the three months ended March 31, 2023, compared to $201.3 million in 2022, primarily due to $130.1 million higher debt repayments made in the first quarter of 2022.

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

We utilize our ABL Credit Facility for the issuance of letters of credit, as well as to manage normal fluctuations in operational cash flow caused by the timing of cash receipts. In that regard, we may from time to time draw funds under the ABL Credit Facility for general corporate purposes. Amounts are drawn as needed due to the timing of cash flows and are generally paid down as cash is generated by our operating activities. We believe cash flow generated from operations and availability under our ABL Credit Facility will be sufficient to fund our operations during the next twelve months. At April 27, 2023, we had approximately $97.3 in cash on hand, and $397.1 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 $298 million for us in 2022. We estimate the remaining tax deferral associated with bonus depreciation from these Acts is approximately $380 million at December 31, 2022, of which approximately 80%, or $303 million, will reverse in 2023, and the majority of the remainder will reverse between 2024 and 2025.

Merchandise Losses. Merchandise losses consist of the following:

	Three Months Ended March 31,	
(in thousands)	**2023**	**2022**
Customer stolen merchandise	$ 72,033	$ 99,742
Other merchandise losses[1]	8,090	9,907
Total merchandise losses	$ 80,123	$ 109,649

[1] 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 $9.5 million and $16.4 million on capital expenditures during the three months ended March 31, 2023 and 2022, respectively.

Acquisitions and New Location Openings. During the first three months of 2023, we acquired one lease-to-own store location and customer accounts for an aggregate purchase price of approximately $39.0 thousand. 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 three-month period ended March 31, 2023 for our Rent-A-Center Business, Mexico and Franchising operating segments.

	Rent-A-Center Business	Mexico	Franchising	Total
Locations at beginning of period	1,851	126	447	2,424
New location openings	1	1	—	2
Closed locations				
Merged with existing locations	(2)	(1)	—	(3)
Sold or closed with no surviving location	—	—	(7)	(7)
Locations at end of period	1,850	126	440	2,416
Acquired locations closed and accounts merged with existing locations	1	—	—	1
Total approximate purchase price of acquired store *(in thousands)*	$ 39	$ —	$ —	$ 39

Senior Debt. On February 17, 2021, we entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and lenders party thereto, that provides for a five-year asset-based revolving credit facility with commitments of $550 million and a letter of credit sublimit of $150 million, which commitments may be increased, at our option and under certain conditions, by up to an additional $125 million in the aggregate (as amended on August 10, 2022, the "ABL Credit Facility"). Under the ABL Credit Facility, we may borrow only up to the lesser of the level of the then-current borrowing base and the aggregate amount of commitments under the ABL Credit Facility. The borrowing base is tied to the amount of eligible installment sales accounts, inventory and eligible rental contracts, reduced by certain reserves. The ABL Credit Facility bears interest at a fluctuating rate determined by reference to Term SOFR plus an applicable margin of 1.50% to 2.00%, which, as of April 27, 2023, was 6.936%. 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 us and our subsidiary guarantors, other than the ABL Priority Collateral, and by a second-priority security interest in the ABL Priority Collateral, subject to certain exceptions. The obligations under the Term Loan Facility are guaranteed by us and our material wholly-owned domestic restricted subsidiaries that also guarantee the ABL Credit Facility.

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 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 April 27, 2023, we had outstanding borrowings of $817.6 million under the Term Loan Facility and available commitments of $397.1 million under our ABL Credit Facility, net of letters of credit.

See Note 6 of our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q 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. See Note 7 of our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information regarding our senior notes.

Operating Leases. We lease space for all of our Rent-A-Center Business and Mexico stores under operating leases expiring at various times through 2038. 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 March 31, 2023, our total remaining obligation for existing store lease contracts was approximately $353.5 million.

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. As of March 31, 2023, our total remaining minimum obligation for existing Rent-A-Center Business vehicle lease contracts was approximately $1.4 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 March 31, 2023, our total remaining obligation for existing Mexico vehicle lease contracts was approximately $2.8 million.

See Note 4 of our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional discussion of our store operating leases.

Uncertain Tax Position. As of March 31, 2023, we have recorded $5.1 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 March 31, 2023, we believe the impact of any recently issued standards that are not yet effective are either not applicable to us at this time, or will not have a material impact on our consolidated financial statements upon adoption.

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 March 31, 2023, we had $450 million in Notes outstanding at a fixed interest rate of 6.375%. We also had $817.6 million outstanding under the Term Loan Facility at interest rates indexed to the Eurodollar rate or the prime rate and $90.0 million outstanding under our ABL Credit Facility at interest rates indexed to Term SOFR. Carrying value approximates fair value for such indebtedness. Based on our overall interest rate exposure at March 31, 2023, a hypothetical 1.0% increase or decrease in market interest rates would have the effect of causing an additional $9.2 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 March 31, 2023.

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 March 31, 2023, our disclosure controls and procedures (as defined in Rules 13a–15(e) and 15d–15(e) under the Securities Exchange Act of 1934) were effective.

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

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 12 of our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q 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, 2022.

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 the registrant, as amended (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002)
3.2	Certificate of Amendment to the Certificate of Incorporation of the registrant, dated May 19, 2004 (incorporated herein by reference to Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004)
3.3	Certificate of Amendment to the Certificate of Incorporation of the registrant, dated June 8, 2021 (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of June 9, 2021)
3.4	Certificate of Amendment to the Certificate of Incorporation of the registrant, dated February 21,2023 (Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of February 23, 2023.)
3.5	Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K dated as of February 23, 2023.)
3.6	Certificate of Designations of Series D Preferred Stock of the registrant (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of March 29, 2017.)
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 the registrant’s Common Stock (incorporated herein by reference to Exhibit 4.3 to the registrant’s Annual Report on Form 10-K for the year ended December 31, 2020.)
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 Fahmi W. Karam
32.1*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Mitchell 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 Fahmi W. Karam
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.

UPBOUND GROUP, INC.

By: /s/ FAHMI W. KARAM

Fahmi W. Karam

EVP, Chief Financial Officer

Date: May 4, 2023

Exhibit 31.1

I, Mitchell E. Fadel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Upbound Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2023

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

Exhibit 31.2

I, Fahmi W. Karam, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Upbound Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2023

/s/ Fahmi W. Karam
Fahmi W. Karam
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 Upbound Group, Inc. (the "***Company***") for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), I, Mitchell E. Fadel, Chief Executive Officer and Director of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mitchell E. Fadel
Mitchell E. Fadel
Chief Executive Officer and Director

Dated: May 4, 2023

A signed original of this written statement required by Section 906 has been provided to Upbound Group, Inc. and will be retained by Upbound Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

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 Upbound Group, Inc. (the "***Company***") for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), I, Fahmi W. Karam, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Fahmi W. Karam
Fahmi W. Karam
Executive Vice President, Chief Financial Officer

Dated: May 4, 2023

A signed original of this written statement required by Section 906 has been provided to Upbound Group, Inc. and will be retained by Upbound Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.